

Alm. Brand
annual report

2011



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REGISTRATION

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

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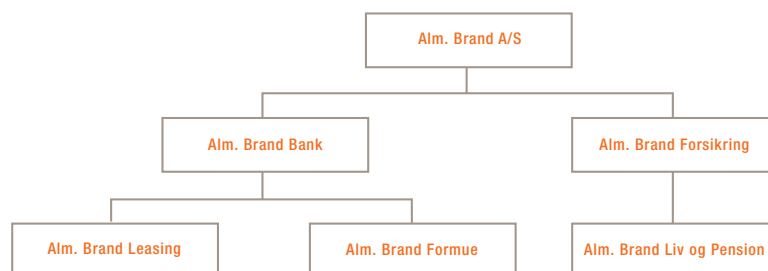
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Group structure

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



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



Board of directors

1 Susanne Larsen
 Employee representative
 Born 1964
 since 2006

4 Henrik Christensen*
 Born 1950
 since 2010

7 Per Dahlbom
 Employee representative
 Born 1958
 since 2009

10 Jørgen H. Mikkelsen*
 Chairman
 Born 1954
 since 1994

2 Tage Benjaminsen
 Born 1945
 since 2010

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

8 Henning Kaffka
 Employee representative
 Born 1965
 since 2010

11 Arne Nielsen
 Born 1944
 since 2009

3 Jan Skytte Pedersen*
 Born 1956
 since 2010

6 Per V.H. Frandsen*
 Born 1952
 since 2009

9 Helle Låsby Frederiksen
 Employee representative
 Born 1962
 since 2010

*Elected by the principal shareholder

Alm. Brand 2011

THE ALM. BRAND GROUP

Alm. Brand A/S generated a profit before losses and writedowns of DKK 393 million, against an expected profit of DKK 325 million. After losses and writedowns, Alm. Brand A/S posted a loss of DKK 601 million.

More than half of the loss for the year was due to a change in the methodology for calculating Alm. Brand Bank's impairment writedowns.

NON-LIFE INSURANCE

The group's non-life insurance activities delivered a very strong performance, posting a higher-than-expected profit of DKK 460 million.

The combined ratio was 92.3, of which the expense ratio accounted for 15.9.

The underlying combined ratio of the non-life insurance company again developed very favourably, ending 2011 at 80.2, against 85.5 a year earlier.

Out-of-the-ordinary weather conditions with sudden thaws, windstorms and violent cloudbursts impacted the combined ratio by 18.5 percentage points. After reinsurance recoverables, the weather-related claims of 2011 affected the combined ratio by 6.9 percentage points.

Premiums rose by 0.2%, which was in line with expectations in a declining market.

BANKING

In addition to the impact from losses and writedowns, the bank's performance was affected by high funding costs and capital losses as a result of the turmoil in the financial markets. Among other things, the bank realised significant capital losses on a few shares taken over in connection with non-performing exposures.

On a more positive note, the bank's costs continued to track a downward trend, declining by around 10% relative to 2010.

Deteriorating economic conditions led to increased impairment writedowns of the bank's lending exposures.

Moreover, a change in methodology resulted in substantial writedowns, as the value of collateral provided for distressed property and agricultural exposures is now calculated according to the realisation principle instead of the cash flow principle. However, the bank has gradually reduced its lending portfolio and reserved

capital in its solvency need with a view to countering this development and, as a result, this had a limited effect on the bank's overall capital.

The bank posted a highly unsatisfactory loss of DKK 160 million before losses and writedowns. Including losses and writedowns, the bank incurred a loss of DKK 1,154 million.

With effect from 28 February 2012, Alm. Brand A/S injected DKK 300 million into Alm. Brand Bank A/S to strengthen the bank's capital base.

LIFE INSURANCE

The life insurance and pension activities produced a highly satisfactory and better than expected profit of DKK 137 million.

The performance was lifted by positive expense and risk results as well as by a strong investment return. In spite of the very difficult conditions in the financial markets, the life insurance company generated a return of 9.0% on policyholders' funds.

Due to the positive results, the rate of interest paid on policyholders' savings ranged between 3.65% and 5.30%, which is one of the best in the industry.

Total payments into pension schemes managed by the group grew by 19.5%.

The collective bonus potential was DKK 454 million, corresponding to a bonus rate of 4.5. The bonus rate of the interest rate group in which new agreements are written was 6.9% at 1 January 2012.

OUTLOOK

The Alm. Brand Group expects to generate a profit before losses and writedowns of DKK 450 million in 2012.

Dkkm	Outlook 2011*)
Non-life insurance	400
Banking	10
Life insurance	90
Other activities	- 50
Profit before tax	450

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

Financial highlights and key ratios

	DKKm	2011	2010	2009	2008	2007
GROUP	Income					
	Non-life insurance	4,772	4,762	4,714	4,769	4,578
	Banking	1,008	1,132	1,254	1,718	1,444
	Life insurance	724	719	710	747	750
	Other activities	-	-	10	14	17
	Investments etc.	714	728	883	928	932
	Total income	7,218	7,341	7,571	8,176	7,721
	Profit/loss excluding minority interests					
	Non-life insurance	460	207	287	262	647
	Banking	-1,154	-869	-1,758	-532	196
	Life insurance	137	181	139	43	104
	Other activities	-	-	-11	286	71
	Other activities	-44	-55	7	-15	-32
	Profit before tax	-601	-536	-1,336	44	986
	Tax	98	135	336	-73	-281
	Profit/loss after tax	-503	-401	-1,000	-29	705
	Consolidated profit/loss					
	Consolidated profit/loss before tax	-626	-539	-1,416	-164	980
	Tax	97	135	336	-53	-266
	Consolidated profit/loss after tax	-529	-404	-1,080	-217	714
	Total provisions for insurance contracts	19,197	18,413	17,894	17,714	18,331
	Consolidated shareholders' equity	4,206	4,758	3,694	4,800	5,446
	Share attributable to minority interests	113	160	199	282	504
	Total assets	44,913	48,149	47,498	45,777	47,886
	Average no. of employees	1,572	1,725	1,859	1,898	1,862
	Return on equity before tax	-13.8%	-16.4%	-33.4%	0.9%	18.0%
	Return on equity after tax	-11.6%	-12.3%	-25.2%	-0.6%	13.1%
PARENT COMPANY	Profit/loss before tax	-509	-414	-1,000	-36	694
	Tax	10	14	-1	9	12
	Profit/loss after tax	-499	-400	-1,001	-27	706
	Total assets	4,432	4,984	4,401	4,776	5,065
	Total investment assets	4,365	4,919	4,337	4,701	4,991
	Share capital	1,735	1,735	1,388	1,476	1,668
	Shareholders' equity	4,089	4,590	3,486	4,510	4,932
	Payables	47	98	620	220	87
	Return on equity before tax*	-13.7%	-16.4%	-33.5%	1.0%	20.1%
	Return on equity after tax*	-11.6%	-12.3%	-25.2%	-0.6%	14.3%
KEY RATIOS	Earnings per share	-2.9	-24	-59	-2	35
	Diluted earnings per share	-2.9	-24	-59	-2	35
	Net asset value per share	24	27	207	264	260
	Share price at 31 December	8.15	14.2	91	69	286
	Price/NAV	0.34	0.53	0.44	0.26	1.10
	No. of shares at year-end (in thousands)	173,202	173,079	16,835	17,073	18,966
	Average no. of shares (in thousands)	173,140	16,882	16,828	17,971	20,182
	No. of shares bought back (in thousands)**				2,133	1,981
	Average price of shares bought back, DKK**				186	328
	Total pay-out ratio**				30%	14%

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

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

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

A year of major challenges - but also of strong results

We released our 2010 annual report with an air of cautious optimism for the upcoming year, expecting to report a slight profit for the group as a whole in 2011. A year later, we have to admit that we failed to deliver on our promises, and this is obviously highly unsatisfactory. During the year, we encountered a series of events as well as very different developments in our three business areas, which I would like to explain further.

A turbulent year that changed our expectations

First and foremost, 2011 was a turbulent year. The positive trends we sensed in the early months were replaced by renewed international instability as the summer wore on. Volatile equity and financial markets, debt crisis, declining interest rates and macro political and economic challenges fuelled the general uncertainty, which also came to affect the Danish market. For Alm. Brand, this had the main effect of challenging our plans and the developments we had anticipated for Alm. Brand Bank. In addition to the impact from negative value adjustments, increased funding costs and declining interest income, the bank's performance was affected especially by impairment writedowns resulting from a change in methodology as well as by the deteriorating economic conditions.

Solid performance by the non-life insurance company

Although, obviously, a lot of our attention is directed at the developments in the bank, I would like to turn first to our core business – the non-life insurance activities.

We continued to produce favourable results in 2011, thanks to many years of massive efforts to strengthen our business. Posting a profit of DKK 460 million, which was significantly better than expected, a combined ratio of 92.3 and an expense ratio of 15.9, our non-life insurance operations are performing in line with the very best in the Danish insurance industry. These results have not simply been handed to us on a plate, they are the result of several years of dedicated work to strengthen our core business and build competitive strength.

Our efforts to create a better correlation between the price and risk of our insurances, tighten our insurance terms, implement claims-preventing measures and review our customer portfolio are now really beginning to feed through to our earnings – even in spite of a substantial increase in claims payments due to the extraordinary weather conditions in both 2010 and 2011 which brought heavy snowfall, violent windstorms and fierce rain.

By improving our IT processes and business procedures, enhancing our distribution efficiency and implementing organisational adjustments, we have created a platform with a highly competitive cost base.

Stronger position

Our total premium income was in line with last year, reflecting the decline in the value of the underlying market. We experienced an increase in sales and a relatively strong inflow of new, profitable customers. We obviously strive to continue to take the best possible care of our customers, offering them the right products and services at the right price, and we expect that, based on our strengthened position, we will generate fair growth in our activities in the year ahead, while maintaining focus on profitability.

Prudent asset management

Like our non-life insurance activities, the results of Alm. Brand Liv og Pension were better than expected and in line with the best in the industry. Despite strong turmoil in the financial markets, with Danish equities plunging by 20% in 2011, we consider the positive return of 9% to be highly satisfactory.

The rate of interest paid on policyholders' savings ranged between 3.65 and 5.30 in 2011, which was among the highest in the Danish market. This provides security for our customers in difficult times. Our basic principle is to maintain a strong business model, to prudently evaluate the risks we assume and to operate an efficient organisation at a low cost base. We intend to continue these efforts.



Future banking strategy in difficult market conditions

In 2011, we appointed a new chief executive of the bank, who will be in charge of implementing the future strategy.

After having focused extensively on establishing an efficient organisation with a view to winding up the bank's run-off portfolio and keeping losses at a minimum, we will now focus much more on the future activities of the bank within the private customer segment as well as markets and asset management and leasing.

In that connection, we have defined a plan to secure continued excess liquidity after the repayment of the state-guaranteed bonds in 2013 and to secure adequate capital for the bank's continued operations. Moreover, we will continue to adapt the bank's cost level to the future activities.

As mentioned earlier, the second half of 2011 was characterised by a substantial deterioration of domestic and global economic conditions, which also came to affect Alm. Brand Bank.

In addition to the negative value adjustments and high funding costs, as mentioned above, we also had to make considerable impairment writedowns.

The turmoil in the financial markets and the economic relapse triggered another downturn in property trading, especially within private residential property, and housing prices continued to fall. At the same time, the lengthy crisis is making it impossible for home owners in arrears to improve their financial situation, leaving them no other option but to effect a forced sale of their house. This gave rise to further credit-related losses and writedowns.

Agriculture is an increasingly challenged business segment, and in order to be able to compete internationally, Danish agriculture has over a number of years invested heavily in modern equipment, facilities and land – the latter being acquired at relatively steep prices. This has made Danish farmers extremely efficient, but the substantial investments were to a large extent made with borrowed funds. This places the agricultural sector in a very difficult situation, as prices of agricultural products drop, land and property prices plunge and access to new funding becomes increasingly constrained.



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We want our customers to have confidence in Alm. Brand. Confidence that their claims will be covered, that they will get the most out of their pension and that their deposits and loans are well taken care of. We live by the confidence our customers show in us. That confidence is our future.

Soren Boe Mortensen

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Targeted balance sheet reduction

According to its strategy, the bank's lending portfolio must be reduced by around DKK 1,0 billion annually. In 2011, the bank reduced its lending portfolio by DKK 1.3 billion after deducting losses and writedowns. The developments are thus quite positive.

In aggregate, the bank has reduced its lending by DKK 18.0 billion to DKK 10.4 billion since 2008, thereby also lowering its risk and solvency need.

Group strategy maintained

Although 2011 was a challenging year for the bank, and while it will remain sensitive to fluctuations in economic conditions in the years ahead, we are confident that we are on the right track. First and foremost, Alm. Brand will be driven by a well-oiled and profitable core business rooted in our non-life insurance activities and supported by a solid pension business and a bank focused on serving our private non-life insurance customers and a few selected areas in which we can create synergies in relation to the investment activities of the remaining group.

We have created a strong platform for our core business and pension activities, which we will continue to develop in 2012. We have appointed a new, experienced chief executive of the bank, who will lead the important task of restoring the bank to its former position as an attractive and profitable business. We will continue the planned, controlled winding-up of our activities within the agricultural, commercial and property segments. But we will also step up our focus on developing the continuing business within the private customer segment. At year-end 2011, we launched a deposit campaign which in less than six weeks attracted approximately DKK 3 billion worth of deposits, of which DKK 2 billion were made for a three-year period. We are extremely pleased to attract new business in such a convincing manner that also helps to enhance our balance between deposits and lending.

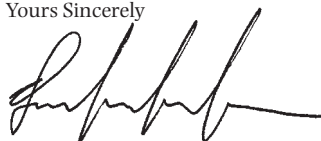
At year-end 2011, the group's capital base exceeded the statutory requirement by DKK 1.8 billion. This ensures that we have the flexibility and financial latitude to solve the important tasks facing us over the next couple of years.

Positive financial results in 2012

We expect that our non-life insurance activities will continue to generate very positive financial results in the year ahead based on the solid platform that we have established over the past couple of years. We also expect our life insurance and pension activities to contribute favourably to the group's overall financial results in 2012. As for the bank, we still foresee challenges, and the bank's sensitivity to economic conditions and the Danish economy in general remains substantial. We expect to incur a loss on our banking activities in 2012, but the losses will be significantly lower than in 2011.

Over the next year, we will continue our targeted efforts to execute the strategy that we have defined. We can see that our efforts are taking us in the right direction, and I look forward to working with my skilled and dedicated colleagues throughout the Alm. Brand Group to generate new, strong results in the upcoming year.

Yours Sincerely



Soren Boe Mortensen
Chief Executive

Non-life insurance

Alm. Brand's core business is non-life insurance. Alm. Brand Forsikring is the fourth largest non-life insurer in the Danish market with annual gross premium income of DKK 4.8 billion and a market share of approximately 10%. The non-life insurance company focuses exclusively on the Danish market with a special focus on the following segments: Private customers, small and medium-sized businesses, property owners and property administrators, agricultural customers and the public sector. The group has deliberately opted not to focus on major corporate and marine customers, as competition for these customers increasingly takes place at the pan-Nordic level.

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

MARKET

Private customers

The market remains very competitive. Moreover, the market is characterised by quicker price adjustments to the level of claims than seen previously. Alm. Brand's market share is assessed to have declined slightly in 2011 relative to 2010.

Commercial customers

Small and medium-sized businesses and the public sector

The financial crisis continued to adversely affect the market for small and medium-sized businesses in 2011. Rising unemployment reduced the workers' compensation insurance market. Moreover, corporate downsizing and business closures have the



Jesper Mørch, Manager of Non-life insurance

effect of reducing the number of consequential loss, liability and motor insurance policies written. Finally, a sustained low level of construction activity is affecting the sale of contractors' insurances. The competitive situation is further sharpened by the fact that several small insurance companies now offer commercial insurance to the segments that make up Alm. Brand's primary business platform.

A number of companies raised their premiums in 2011 as a result of higher claims expenses. As an alternative to increasing premiums, Alm. Brand has introduced a requirement for higher deductibles on customers' building insurances.

Despite a general decline in revenue in the commercial insurance segment, Alm. Brand is assessed to have maintained its market share in 2011.

Agriculture

Danish agriculture remained affected by the general economic crisis in 2011. As a result, investments to expand production came to a virtual standstill in 2011. Sales of agricultural properties declined significantly relative to recent years, and a number of the transactions completed were family-related sales, enforced sales or sales in connection with generational change.

The tendency among farmers to use insurance brokers to handle their insurances has declined.

Alm. Brand has a leading position as an insurance provider to Danish agriculture with an estimated market share of more than 30%. Alm. Brand is assessed to have maintained its market share in 2011.

STRATEGY

Customers

Our vision is that we want to take care of our customers. The non-life insurance company's objectives are to develop, advise on, sell and manage profitable, high-quality insurance solutions for its customers.

The primary target group of the private customer segment is individuals aged 30 years or more, who are resident in Denmark and own their own home and/or a car. The commercial customer segment has small and medium-sized businesses, property owners and property managers, agricultural businesses and the public sector as its primary target groups.

The aim is for all customers to consolidate as much of their business as possible with the Alm. Brand Group and for all customers to remain loyal and satisfied customers.

Strategy

For several years, the overall strategy for the non-life insurance company has been consolidation followed by profitable growth. This will take place by offering the customers up-to-date and competitive products, a high level of service and accessibility and efficient and fair claims handling, all of which combine to ensure greater customer loyalty.

A number of intermediate goals have been defined, which must be completed with a view to implementing the overall strategy for the business area. The main intermediate goals are:

- to have an expense ratio of around 16-17%
- to build greater customer loyalty
- to reduce risk and amend terms
- to improve the premium-risk balance

Expense ratio of around 16-17%

Alm. Brand aims for an expense ratio in line with that of its strongest competitors in the Danish market. In the years from 2006 to 2011, the expense ratio fell from 20.5 to 15.9.

With a view to maintaining a low level of costs, we assess regularly which distribution channels are the most efficient. As a result, non-life insurance products are no longer sold through the bank branches. More and more customers prefer to be served by an insurance agent of the non-life insurance company, the customer service centres or to wholly or partly use the self-service options provided on the group's website. The group's e-branch concept makes it possible for private customers to track their claims digitally, update their personal data and buy insurances online.

The e-branch concept is one of several initiatives taken by the non-life insurance company to achieve a low level of costs as well as to enhance the level of service provided to customers through the use of IT solutions. Over the past 10 years, Alm. Brand has also made a targeted effort to replace all non-life insurance systems, including sales and administrative systems for all customer segments. From a customer point of view, the new system will speed up case processing and policy issuance. For Alm. Brand, the new system serves to organise all non-life insurance systems in one single efficient system, to significantly enhance data quality and to reduce system operation costs. At the same time, the new system provides a significantly shorter time to market for new products and price adjustments.

Finally, the group has made targeted efforts to cut costs by enhancing the efficiency of administrative working procedures. The steps taken by the non-life insurance company in 2011 included gathering the claims handling departments for commercial and agricultural claims under one roof in Aarhus.

Greater customer loyalty

Alm. Brand aims to have very satisfied and loyal customers. This is achieved by treating the customers in a fair and competent manner in all their interactions with the company and to show empathy for the customers, while maintaining focus on the customers' overall needs.

Alm. Brand regularly performs surveys to measure customer satisfaction with the company's services and claims handling. The survey measures a number of areas, which are assessed and adjusted on an ongoing basis to align them with customer demands. All customer feedbacks are summarised in an unambiguous ratio – the loyalty score. A high loyalty score is the best indicator of whether customers can be expected to continue their business with the company.

In the private customer segment, efforts are made to maintain a high level of customer information by sending out regular newsletters by e-mail or by posting them at www.almbrand.dk. A new feature introduced in 2011 was a windstorm and cloudburst text messaging alert system, warning recipients and offering advice on how to avoid damage in such situations.

The group serves its commercial and agricultural customers according to a concept which emphasises the size, needs and complexity of the customer, thereby ensuring a high level of information and regular identification of needs.

Reduction of risk and amendment of terms

The group aims to reduce the claims ratio in 2012, the focus being particularly on the commercial customer segment. The company expects to achieve this by striking a reasonable balance between price and risk and by having more attention on prevention and acceptance policies.

The non-life insurance company has taken a number of steps to prevent claims, reduce the risk attaching to the portfolio and ensure better quality, lower repair costs and cheaper claims assessment.

In order to improve profitability, a team of agricultural consultants has been deployed to inspect, make risk assessments of and adjust insurances on a significant part of the agricultural portfolio. These efforts are expected to result in fewer and less expensive claims and in many cases also in lower insurance premiums for the customers.

	DKKm	2011	2010	2009	2008	2007
INCOME STATEMENT						
Gross premiums		4,772	4,762	4,714	4,769	4,578
Technical interest		40	33	53	125	112
Claims expenses		- 3,851	- 3,702	- 3,601	- 3,523	- 3,156
Insurance operating expenses		- 757	- 839	- 872	- 905	- 898
Reinsurance profit/loss		207	- 136	- 146	- 173	- 129
Technical result		411	118	148	293	507
Interest and dividends, etc.		262	283	370	376	338
Capital gains and losses		- 28	- 22	1	- 76	98
Management expenses relating to investment business		- 18	- 19	- 29	- 15	- 15
Return on technical provisions		- 167	- 155	- 205	- 301	- 268
Return on investment after technical interest		49	87	137	- 16	153
Other ordinary items		0	2	2	- 15	- 13
Profit before tax		460	207	287	262	647
Tax		- 116	- 51	- 79	- 67	- 185
Profit after tax		344	156	208	195	462
BALANCE SHEET						
Run-off gains/losses		153	139	80	- 34	85
Total provisions for insurance contracts		7,368	6,920	6,631	6,260	5,930
Insurance assets		336	163	103	67	104
Total shareholders' equity		2,152	1,808	1,753	1,610	2,338
Total assets		10,348	9,383	8,933	8,436	8,786
KEY RATIOS						
Gross claims ratio		80.7%	77.8%	76.4%	73.9%	69.0%
Gross expense ratio		15.9%	17.6%	18.5%	19.0%	19.6%
Net reinsurance ratio		- 4.3%	2.8%	3.1%	3.6%	2.8%
Combined ratio		92.3%	98.2%	98.0%	96.5%	91.4%
Operating ratio		91.5%	97.6%	96.9%	94.0%	89.2%
Relative run-off result		3.3%	3.3%	1.8%	- 0.8%	2.2%
Return on equity before tax		23.2%	11.9%	19.1%	15.4%	30.3%
Return on equity after tax		17.4%	9.0%	13.8%	11.5%	21.6%
Solvency ratio*		2.6	2.7	2.7	2.7	3.0

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

* The solvency ratio is for Alm, Brand Forsikring A/S, and the capital base is reduced by the amount of proposed dividends.

Improved premium-risk balance

The non-life insurance company works to introduce new insurance terms and new tariffs on a regular basis. For example, the premiums on new building and household comprehensive insurances written in November 2010 were increased by an average of 13% and 9%, respectively.

In addition, the non-life insurance company launched a new personal accident product in mid-September 2010. This product provides the customers with better cover and a number of supplementary cover options. The product improvement and price adjustments led to price increases of up to 30%. Notification of existing customers was initiated in November 2010, and by December 2011 all customers of the portfolio had been notified about the new terms and premiums.

A new building insurance product was launched in the commercial customer segment in 2011. In addition to a general increase of the tariff, the product also introduced a number of mandatory deductibles on several covers with a view to reducing claims expenses on small claims, thereby improving the correlation between price and risk.

PERFORMANCE

Non-life insurance operations generated a pre-tax profit for the year of DKK 460 million, against DKK 207 million in 2010. This marked an improvement of DKK 50 million relative to the most recent guidance for a profit of DKK 410 million. The combined ratio was 92.3, against 98.2 in 2010 and 93 in the most recent guidance.

The performance was thus better than expected and highly satisfactory.

The return on equity before tax was 23%, against 12% in 2010.

The technical result amounted to DKK 411 million, against DKK 118 million in 2010. The performance was better than expected in spite of several small windstorms occurring in the fourth quarter, the most violent of which was the windstorm on 27-28 November.

The investment return after technical interest came to DKK 49 million, against DKK 87 million in 2010. The investment return was lifted by a change in the yield curve used for the discounting of technical provisions.

Premiums

Gross premiums totalled DKK 4,772 million, against DKK 4,762 million in 2010, equivalent to an increase of 0.2%. This was in line with expectations.

Premium income from the private customer segment increased by 1.4% relative to 2010. Premium income in the private customer segment was lifted by the price increase on personal accident insurances and an adjustment of the method for calculating provisions for health and personal accident insurances at market value.

In the commercial customer segment, gross premiums fell by 1.2%, reflecting the expected premium trend in the overall commercial market, excluding motor insurance, from 2010 to 2011, as the economic crisis continued to have an impact. Accordingly, the company recorded a substantial outflow of customers within workers' compensation insurance and motor insurance in particular. Overall, Alm. Brand is assessed to have maintained its market share in this segment in 2011.

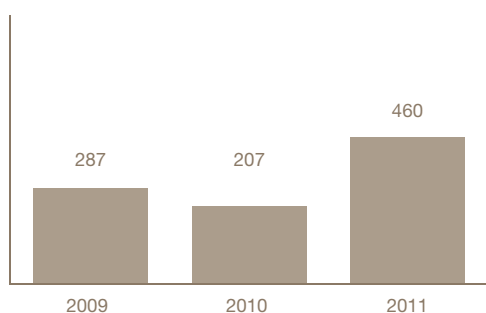
Claims

The claims ratio was 80.7 in 2011, against 77.8 in 2010, and total gross claims were DKK 3,851 million, against DKK 3,702 million last year.

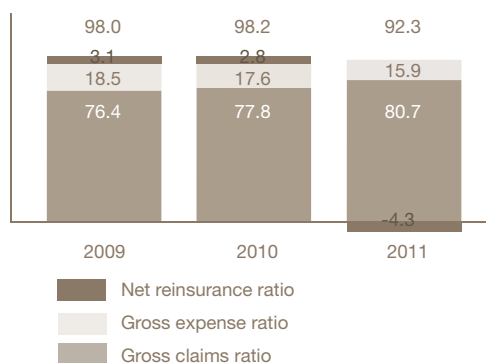
The increase in the claims ratio was driven by weather-related claims, and to a very significant extent by the cloudburst in Copenhagen on 2 July 2011, which was the largest single claims event in 2011. The losses from the cloudburst are estimated at DKK 630 million before reinsurance recoverables. For 2011 as a whole, weather-related claims came to DKK 883 million, against DKK 473 million in 2010. This equalled an increase in the claims ratio of 8.6 percentage points relative to 2010.

All claims expenses in excess of DKK 75 million related to the 2 July cloudburst are covered by reinsurers. Alm. Brand's expenses for this one claims event amounted to DKK 149 million, including

PROFIT BEFORE TAX (DKKm)



COMBINED RATIO



DKK 74 million to re-establish the reinsurance contract for the remainder of 2011.

After reinsurance received in the amount of DKK 555 million, total expenses for weather-related claims net of reinsurance amounted to DKK 328 million, corresponding to an impact on the claims ratio of 6.9 percentage points.

The underlying business improved due to fewer claims in relative terms and lower average expenses as compared with 2010. Moreover, the premium increase on personal accident and building and household comprehensive insurances contributed to improving the underlying business.

Claims expenses related to major claims declined in 2011, both relative to 2010 and relative to expectations, and the performance was also favourably impacted by run-off gains.

Major claims net of reinsurance totalled DKK 326 million in 2011, against DKK 338 million in 2010. Major claims affected the claims ratio by 6.8 percentage points, against 7.1 percentage points in 2010.

Run-off gains net of reinsurance totalled DKK 153 million, against DKK 139 million in 2010. The run-off result equalled a reduction of the claims ratio by 3.2 percentage points. The largest run-off gains were recorded on workers' compensation, personal accident and household comprehensive insurance, while motor and liability insurance reported run-off losses.

The rate of interest used for discounting provisions was lower in the second half of 2011 than it was in the second half of 2010. For the year as a whole, the rate was slightly higher than in 2010, improving the claims ratio by 0.1 of a percentage point relative to last year.

Costs

Overall costs fell by DKK 82 million to DKK 757 million in 2011, against DKK 839 million in 2010. The expense ratio totalled 15.9, against 17.6 in 2010. Since 2006, the expense ratio has declined from 20.5 to 15.9, equivalent to a decline of approximately 22%.

Especially the effects of the organisational adjustments made in 2010 are now feeding through to the figures, as payroll costs etc. for former employees were recognised in the 2010 financial statements.

Combined ratio

The combined ratio was 92.3 in 2011, against 98.2 in 2010. The table below breaks down the combined ratio into underlying result, re-establishment premiums, major claims, weather-related claims and the run-off result after reinsurance recoverables.

	2011	2010	2009	2008
Combined Ratio, underlying business	80.2	85.5	88.8	84.8
Major claims	6.8	7.1	7.8	9.1
Weather-related claims	6.9	8.5	3.1	1.9
Run-off result	- 3.2	- 2.9	- 1.7	0.7
Reinstatement premiums	1.6	-	-	-
Combined Ratio	92.3	98.2	98.0	96.5

By deducting all claims expenses net of reinsurance related to major claims, weather-related claims, the run-off result and re-establishment premiums, we arrive at the combined ratio of the underlying business. In 2011, this ratio fell to 80.2, against 85.5 in 2010.

The net reinsurance ratio for the year was negative at 4.3, against 2.8 in 2010. Reinsurance premiums and premiums for the re-establishment of the catastrophe programme amounted to DKK 337 million in aggregate, while a total of DKK 544 million was received from reinsurers.

Investment return

The investment return before transfer to insurance activities was DKK 216 million in 2011, against DKK 243 million in 2010. The return after interest on technical provisions came to DKK 49 million, against DKK 87 million in 2010.

The non-life insurance company's investment assets are predominantly placed in interest-bearing assets with an overweight in mortgage bonds.

The interest rate exposure on assets is adjusted to the interest rate exposure on provisions by way of interest rate swaps. The inflation risk on workers' compensation insurance is hedged using inflation swaps. In 2011, the inflation component lifted the performance by DKK 7 million.

For 2011 as a whole, interest rates dropped sharply. The difference in the interest rate risk on assets versus liabilities widened in step with the decline in interest rates. The resulting value adjustments on assets and provisions contributed an overall loss of DKK 28 million in 2011.

Interest-bearing assets had a weighted duration of just under two years. The equity exposure of the non-life insurance company represented less than 1% of the investment assets.

New discount yield curve

In December 2011, the Danish Financial Supervisory Authority allowed insurance companies to use a discount yield curve in which the yield spread is calculated as a 12-month moving average, and the value of the moving average has a floor of 0 basis points. Alm. Brand opted to use the new discount yield curve with effect from 16 December 2011. The choice is binding until Solvency II enters into force. The change of the discount yield curve produced a gain of DKK 55 million from value adjustments of provisions relative to the previous yield curve.

Financial results for Q4

Non-life insurance operations generated a pre-tax profit of DKK 177 million in Q4 2011, as compared with a profit of DKK 166 million in the same period of last year. The most recent guidance was for a profit of DKK 127 million before tax. The performance was highly satisfactory, showing strong growth in the underlying business.

The technical result amounted to DKK 127 million, against DKK 111 million in 2010.

The investment return after technical interest was DKK 50 million in Q4 2011, against DKK 54 million in the year-earlier period.

Premiums

Gross premiums amounted to DKK 1,205 million, against DKK 1,203 million in Q4 2010. The private customer segment grew by 1.6%, whereas the commercial customer segment declined by 1.4% relative to 2010.

Claims

The claims ratio totalled 78.6 in Q4 2011, against 71.7 in the same period of 2010. Total gross claims amounted to DKK 947 million, against DKK 863 million in 2010. The expense ratio was driven up by weather-related claims, which came to DKK 241 million in Q4 2011, against DKK 10 million in the same period of 2010. The higher weather-related expenses were due to the expenses related to the cloudburst on 2 July being increased by a total of DKK 130 million as well as to expenses related to the windstorms on 27-28 November and 8-10 December 2011.

Major claims amounted to DKK 97 million, against DKK 71 million in 2010.

Overall, the number of reported claims increased by 8% year-on-year as a result of the 2011 windstorms. Adjusting for these windstorms, the number of reported claims dropped by 5.6% year-on-year. The claims frequency on the underlying business fell by around 3% in Q4. The number of reported burglary claims increased by 1.7% relative to Q4 2010, while the claims experience on motor insurances remained positive. The claims frequency thus dropped sharply relative to Q4 2010, and it was also lower compared with Q4 2009.

The company posted a run-off gain net of reinsurance of DKK 61 million in Q4 2011, against a run-off loss of DKK 23 million in 2010. The run-off gains were mainly recorded on workers' compensation insurance.

In Q4 2011, interest rates were lower than in the year-earlier period, causing the claims ratio to increase by 0.1 of a percentage point relative to Q4 2010.

Costs

The expense ratio was 16.3, against 15.5 in the year-earlier period. The increase in the expense ratio was predominantly due to the write-off of the residual amount relating to group's non-life insurance system in 2011.

Combined ratio

The combined ratio was 89.9, against 91.3 in Q4 2010.

Investment return

The investment return before transfer to insurance activities was DKK 82 million in Q4 2011, against DKK 89 million in 2010. The return after interest on technical provisions came to DKK 50 million, against DKK 54 million in 2010.

Interest rates declined sharply in Q4 2011, causing negative value adjustments of provisions in the non-life insurance company. However, these were offset by positive value adjustments of assets due to the interest rate decline. Value adjustments of assets and provisions contributed a net gain of DKK 21 million in Q4 2011.

Private customers

The technical result excluding technical interest was a profit of DKK 375 million in 2011, against a profit of DKK 104 million in 2010. The performance was highly satisfactory and reflected a sustained improvement of the underlying business.

Premium income for 2011 as a whole rose by 1.4% to DKK 2,540 million.

A new and improved personal accident insurance was launched in 2010, and since November 2010 existing customers have been introduced to the new insurance. The price increases for existing customers with a personal accident insurance drove up average premiums by 15%.

PRIVATE CUSTOMER SEGMENT

DKKm	2011	2010
Gross premium income	2,540	2,504
Gross claims expenses	-1,830	-1,917
Insurance operating expenses	-388	-470
Reinsurance loss	53	-13
Technical result*)	375	104
Run-off result	68	58
Gross claims ratio	72.1%	76.6%
Gross expense ratio	15.3%	18.8%
Net reinsurance ratio	-2.1%	0.5%
Combined Ratio	85.3%	95.9%

*) Excluding technical interest

The combined ratio totalled 85.3, against 95.9 in 2010. The claims ratio fell to 72.1, as compared with 76.6 in 2010.

The cloudburst that hit the Copenhagen area on 2 July 2011 resulted in 4,700 claims being reported in the private customer segment. Claims expenses came to DKK 173 million in aggregate. Average claims are more expensive than seen previously, and it takes longer to repair the damage. At 31 December 2011, 40% of the claims had still not been closed.

Weather-related claims amounted to an aggregate of DKK 259 million, against DKK 143 million in 2010. Reinsurers' share of weather-related expenses totalled DKK 150 million, bringing the net expense for weather-related claims to DKK 109 million in 2011, against DKK 112 million in 2010. To this figure should be added expenses for the re-establishment of the reinsurance contract.

Major claims amounted to DKK 59 million, against DKK 89 million in 2010.

The initiatives launched in 2009 and 2010 to improve the claims experience on building and household comprehensive insurances are beginning to feed through, as the claims ratio on the underlying business continues to decline on these products. At the same time, the premium increases introduced on personal accident insurance, as expected, resulted in a significantly lower claims ratio.

The claims experience on motor insurances remains highly satisfactory. The overall claims frequency was in line with 2009 and lower than in 2010.

The expense ratio dropped to 15.3 from 18.8 in 2010. The effects of the organisational adjustments made in 2010 are now feeding through to the figures, as payroll costs etc. for former employees were recognised in the 2010 financial statements.

The run-off result net of reinsurance produced a gain of DKK 68 million, against DKK 58 million in 2010. Most segments, except for motor insurance, reported run-off gains.

The net reinsurance ratio was negative at 2.1, against 0.5 in 2010, and was affected by reinsurance recoverables related to claims from the July cloudburst.

Commercial customers

The technical result excluding technical interest was a loss of DKK 4 million in 2011, against a loss of DKK 19 million in 2010. The performance was not satisfactory. The overriding reason for the performance was the extraordinarily poor weather conditions and a slight increase in major claims compared with 2010. When excluding building insurance, the underlying business is developing positively.

Gross premiums from the commercial customer segment totalled DKK 2,232 million, against DKK 2,258 million in 2010, equivalent to a decline of 1.2%.

The premium income decline affected workers' compensation and motor insurances in particular. As far as workers' compensation insurance is concerned, the decline was driven by the sustained recession in the construction and small business sectors and by fierce price competition. Overall, the market share in the commercial customer segment is assessed to be unchanged from 2010.

The combined ratio totalled 100.2, against 100.9 in 2010. The claims ratio was 90.5, as compared with 79.1 in 2010.

The cloudburst that swept over the Copenhagen area on 2 July 2011 was particularly tough on the commercial customer segment, hitting many small business owners with basement shops or storage facilities. Moreover, a number of major claims were reported on office properties. A total of almost 3,700 claims were reported to the company for an aggregate amount of DKK 457 million. This marked an increase relative to the previous estimate of DKK 105 million. The number of claims, and especially the amount of the individual claims, went above and beyond anything previously experienced by Alm. Brand in terms of cloudburst claims, and the models so far used to estimate these types of claims consequently proved inadequate. The average claims were 80% more expensive than the ones reported in connection with the cloudburst on 14 August 2010.

Total expenses for weather-related claims came to DKK 624 million in 2011, against DKK 330 million in 2010, which was also a year with many weather-related claims. Weather-related expenses affected the gross claims ratio by 27.9 percentage points in 2011, against 14.6 percentage points in 2010.

Weather-related claims net of reinsurance totalled DKK 219 million in 2011, against DKK 295 million in 2010.

The performance of the building insurance products for Alm. Brand's commercial and agricultural customers, respectively, failed to meet the company's profitability requirements. The un-

satisfactory performance was partly driven by developments in weather conditions in recent years and partly by a generally negative trend in the number of and the average expenses reported in connection with small claims. Instead of significantly increasing the level of premiums, Alm. Brand introduced a new building insurance tariff in the autumn of 2011, which combines small-scale premium increases with deductibles. The new building insurance tariff maintains the competitiveness of the product, while enhancing the correlation between price and risk.

The adoption of a retirement reform in 2011 moved forward the increase in the retirement age which was adopted in the 2006 welfare agreement. The effect of the move-forward on workers' compensation provisions was calculated and provided for in the financial statements together with the effect of an additional increase of the retirement age to 69 years. In aggregate, a DKK 500 million provision was made to cover these changes.

COMMERCIAL CUSTOMER SEGMENT

DKKm	2011	2010
Gross premium income	2,232	2,258
Gross claim expenses	- 2,021	- 1,786
Insurance operating expenses	- 369	- 369
Reinsurance loss	154	- 122
Technical result*)	- 4	- 19
Run-off result	85	81
Gross claims ratio	90.5 %	79.1 %
Gross expense ratio	16.6 %	16.3 %
Net reinsurance ratio	- 6.9 %	5.5 %
Combined Ratio	100.2 %	100.9 %

*) Excluding technical interest

Major claims amounted to DKK 269 million, which was slightly higher than expected and DKK 20 million higher than in 2010. The increase was attributable to higher expenses for fire claims in the agricultural customer segment.

The company posted a run-off gain net of reinsurance of DKK 85 million, against DKK 81 million in 2010, driven by gains on workers' compensation in particular.

The expense ratio totalled 16.6, against 16.3 in 2010. The increase in the expense ratio was predominantly due to the write-off of the residual amount relating to group's non-life insurance system in 2011.

The net reinsurance ratio for the year was negative at 6.9, against 5.5 in 2010. Total expenses came to DKK 226 million, of which DKK 172 million was attributable to reinsurance premiums, and DKK 54 million was attributable to a premium for the re-establishment of the reinsurance contract. Claims recovered from reinsurers amounted to DKK 381 million.

CAPITALISATION

After proposed dividends, Alm. Brand Forsikring A/S' capital base amounted to DKK 2,178 million at 31 December 2011, of which DKK 149 million was supplementary capital. At 31 December 2010, the capital base stood at DKK 2,204 million.

The company's capital requirement amounted to DKK 831 million. It thus had excess liquidity of DKK 1,347 million at 31 December 2011, corresponding to a solvency ratio of 2.6. The individual solvency need was calculated at DKK 1,132 million.

At 31 December 2011, the equity allocated to the non-life insurance company was DKK 2.2 billion.

Total technical provisions amounted to DKK 7.4 billion at 31 December 2011, against DKK 6.9 billion a year earlier.

MAJOR EVENTS

Cloudburst on 2 July 2011

The cloudburst on 2 July was the most severe single cloudburst recorded in recent history in Denmark. The most violent precipitation was measured over the Copenhagen city centre and the northern part of Amager. The intensity was so extreme and rare that the Danish Meteorological Institute assessed it to be an event that would occur less frequently than once in one hundred years.

In aggregate, Alm. Brand received almost 8,400 claims related to this one event. In terms of numbers, almost 56% of the claims reported were related to residential dwellings and house contents, while the rest of the claims affected the commercial segment. In terms of amounts, the commercial segment accounted for almost 75% of the claims expenses.

Since the affected area is characterised by a large concentration of properties, heavy asphaltting and a shortage of green areas suited for natural water drainage, the individual claims were significantly higher than previously experienced.

As a result, many customers, particularly in the residential, office and retail property segments, experienced flooded basements and shop areas, giving rise to substantial expenses in connection with clearing, drying, re-establishment and damaged buildings and storage facilities.

The individual claims take a relatively long time to repair, among other things, because floors and walls have to dry before they can be re-established.

In connection with the assessment of the claims, Alm. Brand's claims assessors also focused on entering into a dialogue with the customers in order to prevent future claims, both in terms of construction and materials.

New extended water damage insurance

The exceptional weather conditions and the resulting flooding claims in 2011 led to challenges with respect to establishing



We acknowledge the great responsibility placed on us when our customers choose us as their insurance provider. We take this responsibility very seriously, and we take especially good care of our customers when they report a claim. This is our opportunity to show our customers that they have made the right choice.

Jesper Mørch Sørensen



which claims would be covered by insurance. Since the autumn of 2011, Alm. Brand has therefore been working on developing an extended water damage insurance to cover claims reported by customers in connection with weather-related events which are not necessarily characterised as a violent cloudburst or sudden thaw. This product was launched in late January 2012 and covers buildings and, as a completely new feature in Denmark, house contents over the household comprehensive insurance.

New livestock disease insurance

In early 2012, Alm. Brand extended the animal accident insurance for agricultural customers to include an option for dairy and beef producers to insure their livestock against disease. The extended cover is used in the event of destruction of sick animals that cannot be cured. This new insurance cover strengthens and expands Alm. Brand's position as a leading provider of insurances for dairy and beef producers.

Higher deductibles for commercial and agricultural customers

In an effort to redress several years of rising claims frequencies and average payments on building insurances, stricter terms were introduced for the group's commercial and agricultural customers. The group is therefore working to increase the level of deductibles for existing as well as new customers. The new terms introducing higher deductibles are the single most important new initiative

to restore profitability in the building insurance portfolio of the group's commercial and agricultural customers. A large part of the portfolio is expected to be transferred to the new terms by the end of 2012.

New workers' compensation product

In September 2011, Alm. Brand introduced a new workers' compensation insurance product. This product enables more precise risk assessments relative to the insured employees of Alm. Brand's customers. The more precise risk exposure will in several instances lead to lower premium offers for the customers. The new workers' compensation product will also offer smoother processes for writing new business for self-employed business operators, which is expected to benefit many of Alm. Brand's customers.

OUTLOOK

Overall, non-life operations are expected to generate a pre-tax profit at the level of DKK 400 million in 2012, corresponding to a combined ratio of around 93.

The expense ratio is expected to be at the level of 16.5% in 2012.

Overall, premium income is expected to increase by around 1% in 2012.

Banking

Alm. Brand is a nation-wide bank with some 55,000 customers measured in terms of households. The bank's activities comprise continuing operations and activities that are being wound up.

The bank's continuing business 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 (Markets) and asset management (Asset Management).

MARKET

The financial markets were highly volatile in 2011 due to a wide variety of factors. The earthquake in Japan, political uncertainty in the USA and Europe, the European debt crisis and poor economic indicators were just some of the main events that impacted the markets over the course of the year. As a result, the cautiously optimistic outlook given at the beginning of the year failed to materialise. Mounting uncertainty about economic/political developments in Europe caused Danish long-term yields to plunge – particularly in the second half of the year. Moreover, the European Central Bank (ECB) and Danmarks Nationalbank both lowered their key lending rates several times during the second half of the year after having hiked rates in the first six months. The Danish equity market followed its European peers in a sharp decline in the second half of the year, and although the markets regained some of the lost ground towards the end 2011, the overall performance for the year was a significant loss.

The European debt crisis has had a severe impact on the Danish economy since the summer of 2011. With slightly rising unemployment, declining house prices and consumer spending stagnant at best, the number of forced sales remained high and resulted in additional pressure on house prices.



Kim Bai Wadstrøm, Manager of Bank

GOALS AND STRATEGY

The bank's strategy is focused on the three following areas:

- Private customers
- Markets and Asset Management
- Leasing and Fleet Management

The strategy supports the Alm. Brand Group's aim of being able to offer its selected customer segments comprehensive financial solutions across insurance, pension and banking. Accordingly, the bank inherently focuses on cross sales between the group's business areas.

The bank's portfolio of exposures to small and medium-sized businesses, agricultural customers, property development projects and mortgage deeds is being wound up. The aim is to handle the winding-up portfolio so as to mitigate losses as much as possible, and the process is therefore expected to continue over a number of years.

Within the organisation, the winding-up portfolio is handled by employees who do not also work in continuing activities. Instead, activities being wound up are handled centrally at head office, ensuring that the remaining organisation is focused on servicing the bank's customers going forward in the best possible way.

PERFORMANCE

The bank incurred a loss before tax of DKK 1,154 million in 2011, against a loss of DKK 869 million in 2010.

Before losses and writedowns, the bank posted a pre-tax loss of DKK 160 million in 2011, against an expected loss of around DKK 155 million. The performance was in line with the most recent guidance.

The reported financial results continued to be strongly impacted by major impairment writedowns on loans and credit-related value adjustments of mortgage deeds, which were to a large extent driven by the change of methodology as described in "Lending portfolio", but also by the difficult market conditions in the second half of the year. Overall, impairment writedowns totalled DKK 994 million in 2011, against DKK 908 million last year. Furthermore, the performance was adversely affected by a DKK 42 million capital loss on illiquid shares, which the bank acquired in connection with the winding up of a number of exposures.

The performance was highly unsatisfactory.

Net interest and fee income

Alm. Brand Bank recorded net interest and fee income of DKK 493 million in 2011, against DKK 697 million in 2010.

Interest income and expenses

The bank's net interest income fell to DKK 361 million from DKK 538 million in 2010.

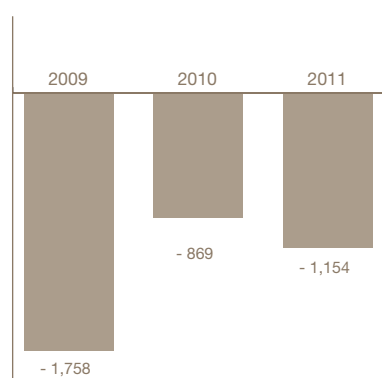
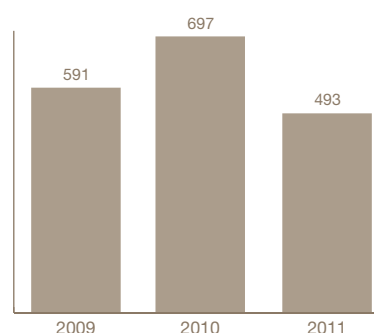
The decline in net interest income was attributable to a combination of lower interest income from lending due to the bank's strategy of winding up parts of the lending portfolio and generally higher funding costs due, among other things, to a bond issue secured against a government guarantee which was completed at the end of June 2010.

The interest margin for both the parent company and the banking group was 1.6% in 2011, against interest margins of 2.1% and 2.3%, respectively, in 2010. The level of the interest margin is too low, and the bank's strategy going forward is intended to raise the interest margin.

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

	PRORATA		CONSOLIDATED FIGURES				
	2011	2010	2011	2010	2009	2008	2007
INCOME STATEMENT							
DKK m							
Interest receivable	867	954	877	974	1,114	1,523	1,237
Interest payable	- 506	- 416	- 513	- 421	- 643	- 1,077	- 842
Net interest income	361	538	364	553	471	446	395
Net fees and commissions receivable and dividends, etc.	132	159	131	158	140	195	207
Net interest and fee income	493	697	495	711	611	641	602
Value adjustments	- 399	- 350	- 431	- 351	- 257	- 535	52
Other operating income	36	23	36	23	17	14	12
Profit before expenses	130	370	100	383	371	120	666
Expenses and depreciation/amortisation	- 476	- 516	- 477	- 523	- 669	- 532	- 521
Other operating expenses	- 40	- 67	- 40	- 76	- 81	- 25	-
Writedowns of loans, advances and receivables, etc.	- 768	- 668	- 768	- 660	- 1,451	- 340	50
Profit/loss from equity investments	0	12	0	11	1	4	- 5
Profit/loss before tax	- 1,154	- 869	- 1,185	- 865	- 1,829	- 773	190
Tax	236	222	235	222	433	127	- 33
Profit/loss after tax	- 918	- 647	- 950	- 643	- 1,396	- 646	157
Share attributable to minority interests	-	-	32	- 4	71	218	- 9
Profit/loss after tax excluding minority interests	-	-	- 918	- 647	- 1,325	- 428	148
<i>Profit/loss before tax excluding minority interests</i>	<i>-</i>	<i>-</i>	<i>- 1,154</i>	<i>- 869</i>	<i>- 1,758</i>	<i>- 532</i>	<i>196</i>
BALANCE SHEET							
Loans and advances	10,393	12,738	10,217	12,485	14,823	17,292	17,116
Deposits	7,995	8,599	7,995	8,598	11,096	11,141	11,758
Shareholders' equity	1,093	1,564	1,234	1,759	1,589	1,237	1,917
Share attributable to minority interests	-	-	141	195	227	300	552
Total assets	21,053	24,782	21,393	25,597	26,539	24,708	25,785
KEY RATIOS							
Average no. of employees (full-time equivalents)	286	327	286	327	366	381	374
Interest margin	-	-	1.6%	2.3%	1.9%	1.8%	1.7%
Income/cost ratio	0.10	0.31	0.08	0.31	0.17	0.14	1.40
Impairment ratio	5.9%	4.3%	6.0%	4.3%	7.9%	1.7%	- 0.3%
Solvency ratio	-	-	16.8%	18.8%	16.0%	12.6%	11.7%
Return on equity before tax	- 106.3%	- 80.8%	- 94.5%	- 67.2%	- 321.7%	- 45.4%	15.2%
Return on equity after tax	- 84.6%	- 60.1%	- 75.8%	- 50.0%	- 243.7%	- 37.2%	11.5%

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.

PROFIT/LOSS BEFORE TAX (DKKm)**NET INTEREST AND FEE INCOME (DKKm)***Fee income and expenses*

The bank's net fees and dividends amounted to DKK 132 million in 2011, against DKK 159 million in 2010.

The declining fee income was mainly driven by lower fees and commission income due to generally lower customer activity and the reduced lending portfolio.

Value adjustments

The bank's value adjustments totalled a loss of DKK 399 million in 2011, against a loss of DKK 350 million in 2010.

A major part of the value adjustments was attributable to losses on other loans, advances and receivables at fair value. Other loans, advances and receivables at fair value consist primarily of mortgage deeds on which credit losses and writedowns in the amount of DKK 226 million were recorded in 2011. Credit losses and writedowns on mortgage deeds amounted to DKK 240 million in 2010.

Excluding credit losses on mortgage deeds, the bank thus posted a capital loss of DKK 173 million in 2011. The capital loss was, among other things, due to the fact that the bank had taken positions in anticipation of rising interest rates in the second quarter

and in the first half of the third quarter. The capital loss was thus primarily attributable to the turmoil in the financial markets and to the positions taken by the bank.

Interest-related value adjustments – excluding credit losses on mortgage deeds – totalled a loss of DKK 90 million in 2011, against a total capital loss of DKK 16 million in 2010.

Equity-related value adjustments amounted to a loss of DKK 77 million in 2011, against a loss of DKK 91 million in 2010. Value adjustments for 2011 were adversely impacted by a DKK 42 million loss on illiquid shares.

The bank's equity portfolio is mainly composed of sector equities, while the trading portfolio of equities makes up only a limited amount. In connection with the winding up of distressed investment exposures, the bank acquired a number of illiquid shares in 2010 and 2011 on which it incurred capital losses. The market value of the illiquid shares was DKK 137 million at 31 December 2011.

Exchange rate adjustments amounted to a loss of DKK 7 million in 2011, against DKK 3 million in 2010.

Other operating expenses

Other operating expenses amounted to DKK 40 million in 2011, against DKK 67 million in 2010. In 2011, this item primarily comprised the bank's expenses for the Danish Guarantee Fund for Depositors and Investors, whereas in 2010, it mainly related to the bank's expenses in respect of Bank Package I, which expired on 30 September 2010.

The bank's overall expenses in respect of the Danish Guarantee Fund for Depositors and Investors totalled DKK 29 million in 2011 and were attributable to the bankruptcies of Amagerbanken, Fjordbank Mors, Max Bank and Capinordic Bank. Furthermore, the bank had operating expenses in respect of properties taken over.

Costs

The bank's staff costs and administrative expenses totalled DKK 458 million in 2011, against DKK 506 million in 2010. The decline was partly attributable to the implementation of the new strategy defined in 2009.

Total depreciation, amortisation and impairment charges amounted to DKK 18 million in 2011, against DKK 10 million in 2010. The charges related to Alm. Brand Leasing, which expanded its activities within operating leases.

Impairment of loans, etc.

Impairment of loans, advances and receivables, etc. increased steeply in Q4 as a result of the deteriorating economic conditions and a change in the method for calculating impairment charges on agricultural and commercial property lending. A detailed explanation is set out in "Lending portfolio".

Full-year impairment amounted to an expense of DKK 768 million, against an expense of DKK 668 million in 2010. In addition, the bank incurred credit writedowns on its mortgage deed portfolio of DKK 226 million in 2011, against DKK 240 million in 2010. Credit writedowns on mortgage deeds are recognised under value adjustments. Total writedowns on the lending and guarantee portfolio, including credit writedowns on mortgage deeds, thus amounted to an expense of DKK 994 million in 2011. Some DKK 400 million of the total amount was attributable to the changed method for calculating writedowns.

Out of the total impairment of loans, advances and receivables, etc., identified losses amounted to DKK 210 million in 2011, against DKK 198 million in 2010. Identified losses on the mortgage deed portfolio represented DKK 58 million of this amount in 2011, against DKK 65 million last year. In addition, losses of DKK 423 million were identified on impairment writedowns made in previous years.

Financial results for Q4

The bank posted a pre-tax loss of DKK 650 million in Q4 2011, as compared with a loss of DKK 209 million in the year-earlier period. The Q4 performance was strongly impacted by large impairment charges on loans and credit losses on mortgage deeds, amounting to a total of DKK 637 million.

Before losses and writedowns, the bank thus incurred a loss of DKK 13 million before tax, which was in line with the most recent guidance.

Net interest and fee income

Alm. Brand Bank recorded net interest and fee income of DKK 98 million in Q4 2011, against DKK 165 million in the same period of 2010.

The bank's net interest income totalled DKK 68 million in Q4 2011, against DKK 132 million in Q4 2010, while net fees and dividends amounted to DKK 30 million in Q4 2010, against DKK 33 million in the year-earlier period.

The interest margin for the parent company and the banking group totalled 1.2% and 1.3%, respectively, in Q4 2011.

Value adjustments

The bank's value adjustments totalled a loss of DKK 166 million in Q4 2011, against a DKK 133 million loss in the same period of 2010. The loss recorded in Q4 2011 was largely attributable to credit losses on mortgage deeds, amounting to DKK 157 million.

Costs

The bank's overall payroll and administrative expenses totalled DKK 107 million in Q4 2011, against DKK 116 million for the same period of 2010.

Other operating expenses

In Q4 2011, the bank incurred other operating expenses in the amount of DKK 0 million, against DKK 2 million in the year-earlier period.

Impairment of loans, etc.

Impairment of loans, advances and receivables, etc. totalled an expense of DKK 480 million in Q4 2011. In addition, credit writedowns totalling DKK 157 million were recorded on the bank's mortgage deed portfolio for the same period. Total writedowns and losses on the lending and guarantee portfolio thus amounted to an expense of DKK 637 million.

The significant writedowns are largely explained by a change of methodology, while the deteriorating economic conditions also triggered writedowns.

The lending portfolio and changed methodology are described in detail in "Lending portfolio" below.

BALANCE SHEET**Loans and advances, etc.**

The bank's loans and advances amounted to DKK 10.4 billion at 31 December 2011, which was DKK 2.3 billion lower than at 31 December 2010. Adjusted for losses and writedowns, the lending portfolio declined by DKK 1.3 billion in 2011.

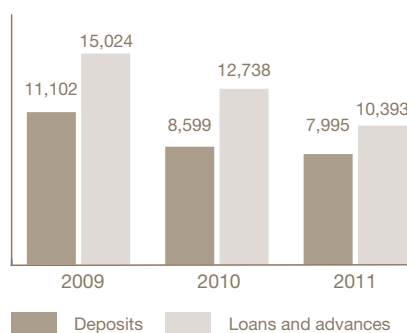
The bank's lending portfolio declined by DKK 0.8 billion in Q4. Taking into account developments in losses and writedowns, lending dropped by almost DKK 0.2 billion in Q4.

Debt to credit institutions

The bank's debt to credit institutions fell from DKK 6.3 billion at 31 December 2010 to DKK 4.0 billion at 31 December 2011, attributable to repayment of funding.

Deposits

The bank's deposits amounted to DKK 8.0 billion at 31 December 2011, against DKK 8.6 billion at the year-earlier date. However, the bank recorded a DKK 0.3 billion increase in lending in Q4 2011, which was due, among other factors, to a fixed rate campaign launched in December.

DEPOSITS, LOANS AND ADVANCES (DKKm)

The bank's contingent liabilities and other commitments amounted to DKK 1.0 billion at 31 December 2011, which was DKK 0.3 billion lower than at 31 December 2010.

CASH RESOURCES

Funding totalling DKK 9.9 billion, including government-guaranteed funding of DKK 6.0 billion, will fall due for repayment in 2012 and 2013. The bank has prepared a detailed plan with a view to ensuring adequate cash resources by June 2013 and afterwards. The plan includes various initiatives intended to ensure that the bank has sufficient excess capital after June 2013 when the state-guaranteed bonds mature.

Management monitors the cash position and the initiatives launched closely and has applied stress testing to each initiative to ensure that even major deviations from the assumptions made will not trigger cash problems for the bank.

At 31 December 2011, the bank's excess liquidity cover was 327% relative to the statutory minimum requirement. One of the reasons for the substantial excess cover was the bank's issuance of DKK 6 billion of state-guaranteed bonds under Bank Package II in June 2010. The bonds were issued to ensure that the bank would continue to have sufficient liquidity also after the unlimited government guarantee for deposits expired on 30 September 2010.

Repaying funding in 2012 and 2013 will reduce the liquidity excess cover, and the plan introduces a range of initiatives to provide sufficient liquidity.

Management has launched the following initiatives:

- Reducing lending
- Increasing deposits
- New funding

Reducing lending

A key focus area for the bank is to wind up the discontinued part of the lending portfolio as quickly as possible while minimising losses for customers and Alm. Brand Bank. In 2011, the bank reduced its lending portfolio by DKK 1.3 billion adjusted for losses and impairment. Including losses and impairment, the bank reduced the lending portfolio by DKK 2.3 billion. The reduction continues at a satisfactory rate, and the bank expects that the projected reduction of lending adjusted for losses and impairment of around DKK 0.8 billion a year to June 2013 is achievable.

Increasing deposits

Alm. Brand Bank has for some years now been able to attract substantial deposits. Despite intensified competition for deposits in recent years, the bank has attracted new deposits through dedicated campaigns. Thus, the most recent campaign in the winter of 2011–2012 attracted some DKK 3 billion in deposits, of which approximately DKK 2 billion were made for a three-year period. Of

the deposits received, around DKK 2 billion were new funds. As a result of the increase in deposits after 1 January 2012, the bank's deposit deficit of DKK 2.4 billion at 31 December 2011 had been reduced by 50% at 31 January 2012.

New funding

The plan provides for the bank to obtain new funding in the order of DKK 1 billion. The successful deposit campaign in the winter of 2011–2012 provided part of this funding, but in order to strengthen its cash resources further the bank intends to apply to be approved for Danmarks Nationalbank's loan facility under which three-year loans may be sourced against the pledging of high-quality lending. The bank expects to obtain such approval in 2012.

Assessment

The activities launched to date to reduce lending and attract new deposits have progressed better than expected. Management believes that the bank's liquidity plan adequately secures the bank's ability to repay all matured funding in a timely manner as well as sufficient excess liquidity cover relative to the statutory requirement, also after June 2013 when the state-guaranteed bonds mature.

CAPITALISATION

The bank's equity stood at DKK 1.1 billion at 31 December 2011. The capital base totalled DKK 2.0 billion, the solvency ratio was 16.8 and the Tier 1 ratio was 10.7. The bank's individual solvency need was calculated at 15.4, and the bank's solvency ratio thus exceeded the individual solvency need by 1.4 percentage points. Following the DKK 300 million capital injection on 28 February 2012, the solvency ratio would have been 19.4 at 31 December 2011, all other things being equal.

The banking group's equity totalled DKK 1.2 billion at 31 December 2011. The capital base totalled DKK 2.0 billion, the solvency ratio was 16.8 and the Tier 1 ratio was 11.0.

MAJOR EVENTS

Change of method for calculating writedowns

The method used to calculate impairment charges on distressed property and agricultural exposures has been changed. Under the new method, the value of collateral is calculated based on realisable value through a sale within six months. However, it should be emphasised that the bank does not intend to pursue such strategy. To date, the bank has assessed impairment based on a cash flow calculation taking into account the defined strategies for each exposure. The method used is expected to comply with the Danish Financial Supervisory Authority's future method of calculation. The change of method triggered additional writedowns of around DKK 400 million in Q4 2011. The bank had, however, already made a capital reservation in the individual solvency need for such exposures.

Capital injection

On 18 May 2011 and 27 September 2011, Alm. Brand A/S contributed DKK 250 million and DKK 200 million, respectively, in equity to Alm. Brand Bank.

On 28 February 2012, Alm. Brand A/S contributed an additional DKK 300 million in equity to Alm. Brand Bank which, all other things being equal, would have resulted in a solvency ratio of 19.4 at 31 December 2011.

In the summer of 2010, Alm. Brand A/S made a commitment to contribute sufficient capital to Alm. Brand Bank to ensure that Alm. Brand Bank will always meet the higher of the solvency requirement and the individual solvency need of Alm. Brand Bank. The commitment is capped at DKK 2 billion. DKK 400 million is outstanding following the capital injection on 28 February 2012.

New Chief Executive of Alm. Brand Bank

On 1 August 2011, Kim Bai Wadstrøm took up the position as Chief Executive of Alm. Brand Bank.

Changes to the Board of Directors

At the annual general meeting of Alm. Brand Bank held on 26 April 2011, Tage Benjaminsen was elected as a new member of the Board of Directors.

Alm. Brand Pantebreve A/S in liquidation

In Q1 2011, the bank completed a compulsory redemption of the remaining minority shareholders of Alm. Brand Pantebreve, thereby obtaining full ownership. The bank expects to dissolve Alm. Brand Pantebreve A/S in the first half of 2012.

BUSINESS ACTIVITIES

The continuing business activities of the bank are organised in the business areas Private Customers and Financial Markets and the subsidiaries Alm. Brand Leasing A/S and Alm. Brand Formue A/S.

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

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

Private customers

Goals and strategy

The goal is for customers to perceive Alm. Brand Bank as one of the best providers of customer service, advisory services and price terms, thereby supporting the creation of longstanding customer relationships. Transparent and accessible products are provided through a personal advice process focused on customers' financial needs.

The strategy is to generate profitable growth in the private customer area while also increasing the number of customers with the group who are full-service customers with the bank.

The bank has almost 55,000 customers (measured in terms of households), who are served by some 80 banking, investment and pension advisers distributed on 11 branches. In addition, around 70 employees work in the bank's headquarters, handling customers and developing the private customer area.

For organisational purposes, the bank's staff is divided into employees serving continuing private customers and employees handling the customer portfolio which is being wound up. This enables the bank's private customer advisers to focus entirely on establishing good, long-term relationships with customers.

Performance in 2011

The year continued to see weak demand from private customers. The business area was in particular affected by the sluggish housing market and reluctance to invest.

Towards the end of 2011, the private customer business area adopted a new, more customer-oriented strategy covering the period until 2015. A number of customer-oriented processes will be moved the branches and closer to the customers, while the process will also focus on strengthening compliance and risk monitoring.

The bank also reassessed its credit policy in 2011 and tightened up where necessary.

Customer focus is key, which will expectedly help boost profitability. One of the bank's most important goals is to increase the number of full-service customers by closely following up on existing and potential customers.

Financial Markets

Financial Markets handles the bank's activities related to financial markets and comprises two areas: Markets and Asset Management. Both areas focus on maintaining close customer relationships, ensuring targeted advice and sales.

Goals and strategy

Markets

The bank's ambition is to retain and expand its market position by offering a more focused product range. In particular, Markets intends to be competitive player in relation to small and medium-sized banks, insurance and pension providers and individual with assets of more than DKK 3 million, and Markets has a targeted offering of advisory services and products. Based on high-quality research and advisory services, Markets will ensure a strong decision-making basis for its customers.

Markets' advisory services are based on a structured decision-making process and close collaboration between analysts and advisers. The advisers provide the individual customers with holistic approach advisory services covering all financial products.

The investment philosophy builds on long-term strategies, fundamental and quantitative research and careful risk management focused on generating a high return in alignment with the customer's risk profile.

Asset Management

Asset Management's goal is to create competitive products. Customers are small and medium-sized banks, insurance companies, institutionals, associations and others requiring asset management services.

Asset Management provides asset management services and offers a full range of investment products to the selected customer segments. Equity and bond management are its core business areas.

For some products, the investment philosophy is based on fundamental research, while the investment philosophy for other products is based on quantitative research. Asset Management also offers management products based on a proprietary asset allocation model that regularly provides guidelines on the most appropriate allocation between equities and bonds.

Performance in 2011

Markets

Given the unstable financial markets, customers have pursued a hesitant investment strategy. However, Markets recorded a fair inflow of new customers throughout 2011, equivalent to some 10% over last year.

Asset Management

Due to the unstable markets in 2011, Asset Management pursued a defensive investment strategy, focusing on protecting investor funds as much as possible.

Asset Management was certified to the GIPS (Global Investment Performance Standard) standard in 2011. This is a requirement for bidding for large portfolios and it provides better opportunities for increasing assets under management. Assets under management amount to some DKK 35 billion and the department aims to increase this amount going forward.

SUBSIDIARIES

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

Alm. Brand Leasing A/S

Alm. Brand Leasing is wholly owned by Alm. Brand Bank. Its main activity is to offer leases on passenger and commercial cars with related car fleet management for businesses. The company also offers leases on passenger cars to individuals.

Alm. Brand Leasing aims to expand through organic growth, thereby strengthening its position as a major provider of lease products in the Danish market.

The strategy is – on its own and in collaboration with Alm. Brand Bank A/S and Alm. Brand Forsikring A/S – to offer competitive lease solutions to customers of the Alm. Brand Group and to cover the requirements of financially sound businesses for leasing passenger and commercial cars. The strategy also includes intensified direct sales of car leases to individuals.

Performance in 2011

The company reported a pre-tax profit of DKK 0.5 million in 2011, against a loss of DKK 4 million in 2010. The positive performance was the result of increased focus on new customers and on enhancing profit on the overall portfolio through savings and efficiency-improvements. At the same time, sustained focus on reducing the volume of non-performing financing contracts and the general winding up of the financing portfolio contributed greatly to the positive performance.

Despite the improvement over 2010 the performance in 2011 is not considered satisfactory.

Alm. Brand Formue A/S

Alm. Brand Formue is a listed company investing in the equity and bond markets. The company was established in 2003 at the initiative of Alm. Brand Bank in collaboration with a number of other banks. The bank's ownership interest totalled 45% at 31 December 2011. Through its holding of A shares, the bank controls 71% of the votes in the company.

Performance in 2011

Alm. Brand Formue recorded a pre-tax loss of DKK 56 million in 2011, against a profit of DKK 66 million in 2010, corresponding to a negative return on equity of 19%. The bank's share of the loss amounted to DKK 25 million.

The equity gearing was 2.5 at 31 December 2011, against 2.4 at 31 December 2010. The Board of Directors of Alm. Brand Formue has defined a maximum debt-equity ratio for the company of 4.0. The company makes investments on the basis of advice from Financial Markets.

See www.formue.almbrand.dk for additional information.

OUTLOOK

Alm. Brand Bank expects to record a profit of around DKK 10 million in 2012 before tax and before writedowns and credit losses on mortgage deeds. The improved performance is expected to result from minimising value adjustment, enhancing the underlying operations in the private customer area and repaying excess funding.

The bank's total loans and advances excluding reverse transactions, losses and writedowns are expected to drop by around DKK 0.8 billion in 2012.

The amount of impairment writedowns on loans and credit losses on mortgage deeds is subject to considerable uncertainty and will depend on, among other factors, general economic developments.

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At Alm. Brand Bank, our goal is to be the bank our customers can turn to when buying a house or a car or investing their assets – we provide advice and help our customers make ends meet. We want our customers to perceive Alm. Brand Bank as one of the best providers of service and advice and as offering the best terms in the industry.

”

Kim Bai Wadstrom

Due to the considerable uncertainty, no guidance is provided with respect to the bank's losses and writedowns in 2012.

The Danish Financial Supervisory Authority has launched an inspection of the bank, which has so far progressed satisfactorily. The conclusions of the Danish Financial Supervisory Authority are not expected to trigger any substantial change in the bank's financial results and capitalisation.



Lending portfolio

At 31 December 2011, the banking group's lending portfolio amounted to DKK 10.2 billion. The bank's loans and advances were thus reduced by DKK 2.3 billion in 2011, including DKK 1.0 billion relating to losses and writedowns. Adjusted for losses and writedowns, the lending portfolio fell by DKK 1.3 billion in 2011.

The bank had losses and writedowns in 2011 including credit writedowns on mortgage deeds of DKK 994 million, against DKK 908 million in 2010. Identified losses accounted for DKK 210 million of the total losses and writedowns.

Changed method for calculating impairment writedowns

DKK 637 million of the total writedowns of DKK 994 million were taken in Q4. Around DKK 400 million resulted from a change of the method (change of accounting estimates) used to calculate impairment charges on distressed property and agricultural exposures. Under the new method, the value of collateral is calculated based on realisable value through a sale within six months. However, it should be emphasised that the bank does not intend to pursue such strategy. To date, the bank has assessed impairment based on a cash flow calculation taking into account the defined strategies for each exposure. The method used is expected to comply with the Danish Financial Supervisory Authority's future method of calculation.

Division into continuing portfolio and winding-up portfolio

As a consequence of the bank's intention to focus on private customers going forward, the lending portfolio has been divided into a continuing portfolio and a winding-up portfolio. The winding-up portfolio represents approximately 70% of the group's total lending.

The year's reduction of loans, advances and guarantees caused accumulated writedowns for the banking group to increase from 9.2% at 31 December 2010 to 12.6% at 31 December 2011.

Losses in the amount of DKK 423 million were identified, but since provisions have previously been made to cover these losses, they have no impact on operations in 2011. Identified losses, for which provisions have previously been made, were attributable to lending commitments on which the bank is close to incurring or has already incurred a loan loss as well as to the guarantee provided in connection with Bank Package II.

Accumulated writedowns excluding writedowns on mortgage deeds which are recognised as value adjustments break down on DKK 157 million for the continuing portfolio and DKK 1,463 million for the winding-up portfolio.

The table shows a consolidated segment-by-segment breakdown of the bank's lending portfolio. The individual segments have been calculated for the banking group.

Total losses and writedowns charged to the income statement represented 8.9% of the average lending portfolio for the banking group excluding reverse transactions in 2011.

The performance of the individual lending segments is reviewed in the following sections. The loss and impairment ratio is calculated relative to average lending during the year.

CONTINUING PORTFOLIO

Lending to private customers

The portfolio consists of loans and advances including car loans to private customers and is geographically diversified across Denmark. The portfolio represents the majority of the bank's continuing loans and advances.

Total loans and advances to private customers declined by DKK 470 million to DKK 2,848 million from 31 December 2010 to 31 December 2011. Adjusted for losses and writedowns, the fall was DKK 366 million.

DKKm	Lending year-end			Total loss and writedowns				Total	
	2010	2011	Share of Portfolio (%)	Q1	Q2	Q3	Q3	2011	Loss ratio (%)*)
Continuing portfolio	3,494	2,983	28.7%	25	11	4	65	105	3.2%
Lending to private customers	3,318	2,848	27.4%	25	11	4	64	104	3.4%
Other lending **	176	135	1.3%	0	0	0	1	1	0.6%
Winding-up portfolio	8,783	7,059	67.9%	103	86	127	572	888	11.2%
Agriculture	1,199	1,038	10.0%	35	11	27	154	227	20.3%
Car finance	736	418	4.0%	2	2	0	-2	2	0.3%
Commercial lending	2,230	1,613	15.6%	14	-4	40	258	308	16.0%
Property development projects	492	431	4.1%	0	8	2	3	13	2.8%
Mortgage deed financing	1,936	405	3.9%	36	40	34	2	112	9.6%
Mortgage deeds ***)	2,190	3,154	30.3%	16	29	24	157	226	8.5%
Bank packages etc.	-	-	-	1	0	0	0	1	-
Total group lending - excl. Reverse Transactions	12,277	10,042	96.6%	129	97	131	637	994	8.9%
Reverse Transactions including intercompany transactions	208	175	1.7%	-	-	-	-	-	-
Total group lending	12,485	10,217	98.3%	129	97	131	637	994	8.8%
Minority interests	253	176	1.7%	-	-	-	-	-	-
Total prorata	12,738	10,393	100.0%	129	97	131	637	994	8.6%

*) Losses and writedowns as a percentage of the average portfolio in Q1-Q3 2011. The percentage is not comparable with the impairment ratio in the bank's financial highlights and key ratios.

**) Fleet management (operating leases) is not included, as it is recognised as other property, plant and equipment and not as loans and advances.

***) Credit losses and writedowns on mortgage deeds are recognised in value adjustment.

Part of the fall was explained by more and more customers electing to repay debt. Another factor was conversion of loans to mortgage debt, allowing customers to benefit from the current low interest rates on such debt. Alm. Brand Bank has Totalkredit as its business partner for handling mortgage loans. Finally, the closing down in 2010 of nine less frequented bank branches across Denmark resulted in a certain customer outflow.

Losses and writedowns amounted to DKK 104 million in 2011, corresponding to 3.4% of the average portfolio, and an increase of DKK 75 million relative to 2010. The increase was a result of the continued decline in the housing market and the failure of any economic recovery to materialise. This caused a number of customers whose finances had been under pressure for a prolonged period of time to come into arrears in 2011. In response

to the sustained pressure on the private customer segment, the bank took more writedowns on financially hard-pressed customers in Q4 2011 than previously. The writedowns thus reflect a more conservative assessment of customers' ability to meet their commitments to the bank, including the value of any collateral.

Other lending

This segment covers loans to investment credit facilities for which the investment mandate is placed with Alm. Brand Markets. These investment credit facilities form part of the bank's continuing loans and advances, whereas other investment credit facilities are being wound up.

Other loans and advances declined by DKK 41 million relative to 31 December 2010.

Losses and writedowns in 2011 totalled DKK 1 million, corresponding to 0.6% of the portfolio.

WINDING-UP PORTFOLIO

Consistent with the bank's strategy, new customers are not accepted in these segments, and the business volume with existing customers is expected to be wound up over a number of years. As part of the implementation of a controlled winding up of the individual exposures, the bank intends to grant additional loans as part of its credit defence efforts in relation to the bank's collateral. This means that lending may increase in individual segments, although the lending segment is being wound up.

The activities being wound up are based in a single unit located at the head office in order to ensure focus is on completing a controlled and efficient winding-up process for the lending segments being discontinued.

Agriculture

Danish agriculture continued to operate in a difficult economic environment. The bank's agricultural portfolio breaks down on around 60% pig farming, around 35% dairy farming and around 5% arable farming.

Economic conditions are putting pressure on the agricultural sector, increasing the risk of default and squeezing selling prices of agricultural land and property. Pig farming, in particular, operated under difficult conditions in 2011, impairing possibilities of establishing solutions in the short term. Customers' agricultural land sold at an average price of around DKK 140,000–150,000 per hectare, in line with the valuation principles applied in the previous quarters.

The increased uncertainty in the agricultural segment caused the bank to allocate an amount in the triple-digits of millions of Danish kroner as additional capital reservations for this segment in Q3 2011.

The Danish Financial Supervisory Authority is focusing strongly on the agricultural sector in view of the difficult conditions and informed the financial sector accordingly in a letter issued in December 2011. The bank responding by assessing, for distressed exposures, the value of agricultural property in Q4 on the basis of realisable value rather than using the traditional assessment based on cash flow.

The new stricter approach to conditions in the agricultural sector drove up impairment writedowns in Q4. Thus, writedowns on this segment totalled DKK 227 million in 2011, corresponding to 20.3% of the average portfolio. The higher writedowns were, however, transferred from the capital reservation in the bank's solvency need.

The possibility of reducing agricultural lending is impaired by the fact that most Danish banks will not accept new agricultural customers. Nevertheless, the bank succeeded in helping around 15 agricultural customers find a new bank in 2011. At 31 December 2011, the bank still had just under 100 agricultural customers.

The portfolio declined by DKK 161 million to DKK 1,038 million from 31 December 2010 to 31 December 2011. However, adjusted for losses and writedowns, agricultural lending rose by DKK 66 million because the bank granted loans to necessary investments and to secure continued operations, thus protecting the underlying value to the bank. Q4 did however see a decline in lending of DKK 29 million adjusted for losses and writedowns.

Car finance

The car finance portfolio is mainly anchored in the subsidiary Alm. Brand Leasing. Car finance generally runs for a maximum period of five years, after which the portfolio will be wound up relatively quickly due to the cessation of new loans to financing through car dealers. The overall portfolio thus declined by DKK 318 million in 2011 to stand at DKK 418 million, and the greater part of the portfolio is expected to be wound up over the next two years.

Losses and writedowns in 2011 totalled DKK 2 million, corresponding to 0.3% of the portfolio. The portfolio continued to perform very well, being wound up quickly with very few losses.

Commercial lending

The portfolio consists of financing of investment properties, loans to small businesses and syndicated loans to medium-sized Danish businesses.

The total portfolio declined by DKK 617 million to DKK 1,613 million from 31 December 2010 to 31 December 2011. Losses and writedowns amounted to DKK 308 million in 2011, corresponding to 16.0% of the average portfolio. Adjusted for losses and writedowns, the commercial lending portfolio declined by DKK 309 million.

Writedowns were strongly affected by the changed method of calculating the value of collateral for distressed exposures, as the realisable value is now applied rather than the previous cash flow principle. Under the applicable rules, the bank had however already made a capital reservation in the individual solvency need for such exposures. In addition, the second half of the year was adversely affected by writedowns in respect of individual, large exposures.

Property development projects

The portfolio consists of a limited number of property development projects. The bank will only finance the completion of ongoing projects pursuant to existing agreements. More than 90% of lending in this segment relates to three projects. The portfolio thus consists of just a few projects, and the bank has a good current insight into the state of completion of these projects.

The portfolio declined by DKK 61 million to DKK 431 million from 31 December 2010 to 31 December 2011. Losses and writedowns amounted to DKK 13 million in 2011, corresponding to 2.8% of the average portfolio. Adjusted for losses and writedowns, the portfolio declined by DKK 48 million. Completion of projects during 2012 is expected to accelerate winding up relative to 2011.

Mortgage deed exposure

The bank's overall mortgage deed exposure comprising mortgage deed financing and mortgage deeds were reduced by DKK 567 million to DKK 3,559 million.

Mortgage deeds run off naturally as a result of regular payments and redemptions. Such natural run-off accounted for about 9 % of the total mortgage deed exposure in 2011, disregarding credit writedowns and interest rate impacts.

Mortgage deed financing

The portfolio consists of investment exposures secured mainly against mortgage deeds. The bank focused strongly in 2011 on winding up investment exposures and taking over the mortgage deeds provided as collateral. The mortgage deeds taken over are recognised in "Mortgage deeds" in the table setting out the lending portfolio. As a result, the portfolio was reduced in 2011 by DKK 1,531 million to DKK 405 million.

Losses and writedowns amounted to DKK 112 million in 2011, corresponding to 9.6% of the average portfolio. The writedowns were attributable to mortgage deed debtors defaulting on their loans and to a declining excess cover on the exposures as a result of price falls on mortgage deeds provided as security.

Winding up of mortgage deed financing is expected to proceed at a slower rate from 2012 onwards, as it will mainly consist of instalments paid by debtors.

Mortgage deeds

This segment comprises the bank's own portfolio of private and commercial mortgage deeds. The mortgage deed portfolio amounted to DKK 3,154 million at 31 December 2011, an increase of DKK 1,039 million. This was a result of mortgage deed financing being wound up and the bank taking over the underlying mortgage deeds.

The bank's portfolio of private mortgage deeds amounted to DKK 2,313 million, comprising the bank's portfolio of mortgage deeds secured primarily against single-family houses, com-

monhold flats and summer houses. The properties are located throughout Denmark. The mortgage deeds were mainly created in a previous collaboration with estate agents.

Commercial mortgage deeds amounted to DKK 841 million, comprising the bank's portfolio of mortgage deeds secured against residential rental property, commercial property for office, trade and industrial use as well as land and mixed residential/commercial property.

The portfolio is marked to market on a current basis using a cash flow-based pricing model, which considers factors such as estimated early redemptions and credit losses. Individual write-downs are taken on all mortgages in arrears or known to be showing signs of weakness.

Credit writedowns amounted to DKK 226 million in 2011, corresponding to an impairment ratio of 8.5% of the average portfolio. The private mortgage deed portfolio was adversely affected by the sustained economic slowdown, and the number of private customers in arrears increased. Furthermore, the housing market developed negatively in 2011, impairing the possibility of selling homes and squeezing the values of residential property. In Q4, the bank identified rising losses in connection with realising mortgaged properties. As a result, the bank has adopted a more conservative approach and now writes down mortgage deeds faster for customers in arrears. Overall, this resulted in substantially higher writedowns on private mortgage deeds.

With respect to the portfolio of commercial mortgage deeds, writedowns in case of financial difficulties are based on realisable value rather than the previous cash flow principle.

The mortgage deed exposures thus recorded total writedowns in Q4 2011 of DKK 157 million.

Bank packages etc.

The guarantee of DKK 107 million provided to Finansiel Stabilitet A/S was settled in the first quarter of 2011.



Life insurance

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

MARKET

The pension market consists of three types of schemes:

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

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

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

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



Mikael Sundby, Manager of Life insurance

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

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

Savings with banks and in the so-called market rate products (unit linked schemes, life cycle schemes, etc.) with insurance companies and pension funds, however, are based on the market rate principle. In insurance companies and pension funds, customers do not own the securities, they hold individual shares of the funds in which the company invests. In banks, customers may either own the securities themselves or hold individual shares of funds.

Market share

Alm. Brand Liv og Pension has 95,000 insurance contracts, of which 63,000 pay regular premiums.

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

• Private capital pension schemes	9%
• Private instalment pension schemes	4%
• Insurances with regular disbursements	5%
• Employer schemes	<1%

STRATEGY

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

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

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

The life insurance company offers all essential types of insurance cover and savings, and we review the product offering on a current basis. The life insurance company also offers an average rate product with guaranteed benefits. Guarantees for new schemes are determined in accordance with the Danish Financial Supervisory Authority's guidelines on the provision of guarantees. New schemes are based on a rate of 0.5%.

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

The bank offers securities custody accounts in which the individual customer holds the securities directly. The most important part of the savings is conducted through the Alm. Brand Investment Scheme. The Alm. Brand Investment Scheme allows customers to design investments to their personal needs and preferred risk profile.

Customers may choose either to let Alm. Brand handle the investments or to make the investments themselves in whole or in part.

Investment strategy

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

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

Division of the guaranteed portfolio

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

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

Business partners

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

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, i.e. the return Alm. Brand may generate on the capital invested. The executive order was amended effective from 1 January 2011.

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

As from 1 January 2011, customers are divided into a number of contribution groups based on interest rate, 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 2011 has been determined as follows:

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

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

The Danish Financial Supervisory Authority lays down guidelines on when the risk premium may be included in the profit for a specific financial year. Whether the risk premium for a contribution group can be recognised as income depends on the profit reported for the group. In simplified terms, the allocation of the risk premium of the interest rate groups requires the investment return and the release of excess provisions – positive or negative – to be higher than the average rate of interest on which the guaranteed benefits provided to customers of the specific interest rate group are based.

If the return achieved in a contribution group does not allow for recognition of the risk premium, the return on equity shortfall is taken to a "shadow account". The shadow account may be regarded as a receivable, which is transferred to shareholders' equity as and when made possible by the financial results achieved in subsequent years.

	DKKm	2011	2010	2009	2008	2007
INCOME STATEMENT	Premiums	724	719	710	747	750
	Investment return after allocation of interest	856	786	780	37	57
	Insurance benefits	- 1,057	- 1,056	- 889	- 981	- 918
	Change in life insurance provisions	- 401	65	- 233	- 156	188
	Change in collective bonus potential	63	- 292	- 225	413	61
	Insurance operating expenses	- 70	- 73	- 67	- 72	- 82
	Profit/loss on reinsurance	1	2	5	12	17
	Technical result	116	151	81	0	73
	Return on investment allocated to equity	21	30	58	43	31
	Profit before tax	137	181	139	43	104
	Tax	- 32	- 50	- 26	- 17	- 35
	Profit after tax	105	131	113	26	69
	BALANCE SHEET	Total provisions for insurance contracts	11,829	11,493	11,263	10,801
Total shareholders' equity		1,026	1,122	1,192	1,079	903
Total assets		13,624	13,131	12,691	12,101	12,168
KEY RATIOS	Return before tax on pension returns	8.3%	7.6%	8.2%	1.1%	0.8%
	Return on customer funds before tax on pension returns	9.0%	8.1%	8.5%	0.8%	0.6%
	Return on equity funds before tax on pension returns	2.4%	3.2%	6.3%	6.2%	3.3%
	Return after tax on pension returns	7.2%	6.7%	7.0%	0.9%	0.7%
	Expense ratio on premiums	9.7%	10.1%	9.5%	9.7%	10.9%
	Expense ratio on provisions	0.7%	0.7%	0.6%	0.7%	0.8%
	Expenses per individual insured (rounded to nearest DKK)	820	811	723	748	824
	Expense result	0.1%	0.1%	0.0%	0.1%	0.0%
	Insurance risk result	0.9%	0.5%	0.4%	0.5%	0.5%
	Bonus rate	4.5%	5.1%	2.1%	0.0%	4.0%
	Equity reserves	12.0%	12.7%	12.9%	11.9%	10.2%
	Capital base reserves*	5.1%	6.0%	6.2%	7.2%	4.2%
	Solvency ratio*	202%	227%	230%	252%	193%
	Return on equity before tax	13.3%	16.6%	12.2%	4.4%	11.6%
	Return on equity after tax	10.1%	12.0%	9.5%	2.7%	7.7%
Return on customer funds after deduction of expenses before tax	6.9%	7.3%	8.1%	1.2%	- 0.6%	
Return on subordinated loan capital before tax	- 2.7%	- 2.2%	- 3.0%	- 5.7%	- 4.6%	

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

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

PERFORMANCE

The life insurance company generated an overall pre-tax profit of DKK 137 million in 2011, against DKK 181 million in 2010.

In 2011, shareholders' equity received the full risk premium in three out of four interest rate groups, in the expense group and in all risk groups, except for the disablement risk group. Only a part of the risk premium was recognised for the disablement risk group, and DKK 5 million was thus transferred to the shadow account for this group.

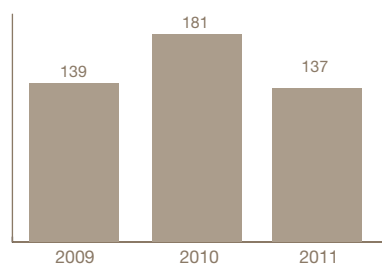
Moreover, the performance was positively affected by the result of life-long annuities without bonus entitlement, which realised a profit of DKK 24 million.

The profit for the year equals a return on equity of 13%, compared with 17% in 2010.

A comparison with the 2010 performance should take into account that the 2010 results included a DKK 57 million reversal from the shadow account.

The full-year performance was highly satisfactory.

PROFIT BEFORE TAX (DKKm)



The collective bonus potential of DKK 454 million at 31 December 2011, equivalent to a bonus rate of 4.5%, was also highly satisfactory.

DKKm	2011	2010
Return on investment to equity	21	30
Result of portfolios without entitlement	24	13
Risk premium	97	81
Calculated return on equity	142	124
Reversed from/transferred to shadow account	-5	57
Profit before tax	137	181
Shadow account balance	5	0

Premiums

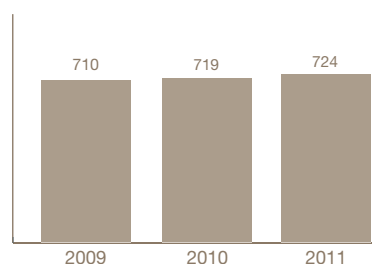
Gross premiums totalled DKK 724 million, against DKK 719 million in 2010, equivalent to an increase of 0.6%. This increase was slightly lower than anticipated.

Contributions to bank-based schemes (investment schemes) increased by 92.3%. This increase was much larger than anticipated.

The total amount of pension contributions, including investment schemes with the bank and premium income in the life insurance company, was DKK 1,081 million, against DKK 905 million in 2010, an increase of 19.5%.

The overall performance of total premium payments was highly satisfactory in light of the company's growth strategy.

GROSS PREMIUMS (DKKm)



Investment return

The return on investment assets attributable to shareholders' equity was DKK 21 million, compared with a return of DKK 30 million in 2010. This made for a return ratio of 2.4 in 2011, against 3.2 a year earlier.

The rate of interest paid on customers' pension savings in 2011 was between 3.65% and 5.30% depending on the interest rate group.

The return on investment assets before tax on pension investment returns attributable to policyholders was DKK 1,059 million, against DKK 925 million in 2010. The rate of return before tax on pension returns was 9.0% in 2011, against 8.1% in 2010.

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

	Allocation	Return
Equities	76 %	12.5 %
Bonds	10 %	- 10.3 %
Properties	14 %	9.4 %
Total	100 %	9.0 %

The aggregate absolute return was satisfactory, considering the difficult conditions in the financial markets.

The return on financial instruments for (partial) hedging of insurance obligations was favourably impacted by falling interest rates. The portfolio consists of swaps and swaptions, which produced significant capital gains.

The return on the bond portfolio was favourably impacted by the sustained decline in interest rates and by the resulting price increases on the bond portfolio in the third and fourth quarters.

The return on the equity portfolio was affected by adverse equity market developments, including in the Danish equity market in particular.

The return on the property portfolio was better than expected, primarily due to positive value adjustments. The valuation of head office properties was based on assessments made by an independent estate agent. The company's properties are valued at an average rate of return of 6.1%.

Benefits paid

Benefits paid amounted to DKK 1,057 million in 2011, against DKK 1,056 million in 2010.

Benefits paid as a result of surrenders or transfers to other banks remained at a slightly higher-than-expected level.

The age of the insurance portfolio means that benefits paid on normal retirement are expected to be increasing.

Life insurance provisions

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

With effect from December 2011, a new government bond-adjusted yield curve replaced the former so-called adjusted yield curve. Alm. Brand applies the new discount yield curve as it provides for better hedging opportunities. The change of the discount yield curve produced a gain on provisions in the order of DKK 160 million as compared with the previous yield curve.

In addition, the Danish Financial Supervisory Authority prepared and announced a life expectancy benchmark in the spring of 2011. Accordingly, as from the second quarter of 2011, the life expectancy rates used to calculate life insurance provisions were adjusted to the level of the new benchmark. This change implied an easing of provisions for old age groups and a slight tightening of provisions for young age groups.

For the portfolio of insurances without bonus entitlement, the so-called high-yielding annuities, the new life expectancy rates increased the financial results by approximately DKK 18 million, which amount was allocated to equity.

Provisions for the portfolio of insurances with bonus entitlement were only marginally affected by the change.

Total provisions increased by DKK 401 million. This increase was mainly attributable to declining interest rates across the yield curve.

As concerns one interest rate group, a loan of bonus potential on paid-up policies of DKK 4 million was raised. Because of the very small amount involved, the company resolved not to introduce a transfer and surrender charge for that group. The loan was repaid on 1 January 2012.

Collective bonus potential

The collective bonus potential declined by DKK 63 million in 2011 to stand at DKK 454 million at 31 December 2011, equivalent to 4.5% of total provisions.

As a result of the division into contribution groups, the collective bonus potential is calculated for each group. At 1 January 2012, the interest rate groups with the lowest average interest rates had the highest bonus rate. For example, the interest rate group in which new agreements are written had a bonus rate of 6.9% at 1 January 2012.

Costs

Acquisition costs and administrative expenses totalled DKK 70 million in 2011, against DKK 73 million in 2010. The 2011 costs were slightly lower than anticipated. The decline relative to 2010 was attributable to lower administrative expenses due to efficiency enhancements.

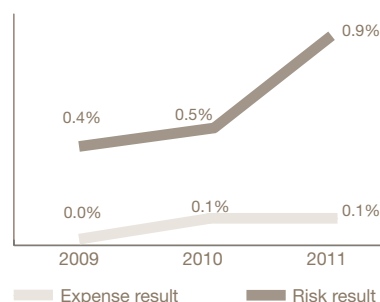
Expense and risk results, net of reinsurance

The expense result, which expresses the difference between expense loading and expenses incurred, amounted to a profit of DKK 16 million, which was in line with the 2010 level. The expense ratio (expenses as a percentage of gross premium income) was 9.7, against 10.1 the year before. The expense per individual insured was DKK 820, against DKK 811 in 2010. The expense result was highly satisfactory.

The risk result, which expresses the difference between risk premiums and claims expenses, amounted to DKK 70 million, as compared with DKK 52 million in 2010. Of the overall risk result, an amount of DKK 5 million attributable to the disablement risk group was transferred to the shadow account. The overall risk result was highly satisfactory.

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

KEY FIGURES



Reinsurance

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

CAPITALISATION

After proposed dividends, Alm. Brand Liv og Pension A/S' capital base amounted to DKK 1,007 million at 31 December 2011, of which DKK 120 million was supplementary capital. At 31 December 2010, the capital base stood at DKK 1,086 million.

The company's capital requirement amounted to DKK 500 million, against DKK 479 million at 31 December 2010. The company thus had excess liquidity of DKK 507 million at 31 December 2011, corresponding to an excess over the solvency requirement of 202%. The individual solvency need was calculated at DKK 440 million.

As at 31 December 2011, the life group's shareholders' equity was DKK 1.0 billion. Capital base reserves totalled 5.1% at 31 December 2011.

MAJOR EVENTS

New contribution rules

In April 2010, the Danish Financial Supervisory Authority issued a new Executive Order on the Contribution Principle, which took effect on 1 January 2011. The executive order contains guidelines for the distribution of profits between customers and equity as well as among individual customers.

According to the guidelines, customers are to be divided into a number of contribution groups based on rate of interest, insurance risk and expenses.

The company has introduced the following contribution groups:

Four interest rate groups based on the customers' average basic rate of interest; the basic rate of interest being the rate used to calculate guaranteed benefits:

- 0.50% - 1.50% (new group from 1 April 2011)
- 1.50% - 2.50%
- 2.50% - 3.51%
- more than 3.51%

Four insurance risk groups:

- death
- disablement
- life expectancy (older annuities)
- life expectancy (newer annuities)

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

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

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

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

In 2011, the rates on policyholders' savings of the four interest rate groups were as follows:

Group	Rate on policyholders' savings p.a.
0.50 % - 1.50 %	3.65 % ^{*)}
1.50 % - 2.50 %	3.65 %
2.50 % - 3.51 %	4.30 %
More than 3.51 %	5.30 %

^{*)} from 1 April 2011

New basis for writing business and new interest rate group

With effect from 1 April 2011, the company introduced a new basis for writing business based on a rate of interest of 0.5%, against 1.5% previously. At the same time, the company introduced a new interest rate group, "0.5% - 1.5%", in which new customers are placed.



Saving for ones pension is an important element of the future welfare society. No matter how old you become, how risk tolerant you are, or how you want to secure yourself and your family, we have a solutions that matches your needs.

Mikael Sundby



The composition of investments in this group is expected to be as follows: equities approximately 20%, properties 15% and bonds 65%. This composition and the low level of investment costs involved are considered to be attractive for many policyholders.

The computation interest corresponds to the maximum interest on new business written as determined by the Danish Financial Supervisory Authority. The change is therefore not expected to have any impact on competition.

Concurrently with the reduction of the computation rate, the company implemented a new basis for writing annuity business based on the Danish Financial Supervisory Authority's announcements about future life expectancy rates.

Openness and transparency

The company has invested considerable resources in creating openness and transparency for its customers.

The solution will be improved on an ongoing basis and, most recently, a so-called "cost meter" was implemented in June 2011 to provide customers with easy access to information on the costs related to being a policyholder of Alm. Brand Liv og Pension.

The Danish Insurance Association has drawn up common guidelines for openness and transparency which aim to ensure comparability across insurance providers. The company complies with the industry standard and has fully implemented it.

Optimisation of maturity process

With an ageing insurance portfolio, the number of agreements in which the maturity date, typically the retirement age, is reached increases. The process and customer communication in connection with retirement and maturity have been significantly improved. In addition to providing a better customer experience, the optimisation also makes for administrative savings.

Industry standard for life expectancy curve

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

As mentioned above under "Life insurance provisions", the life expectancy rates used to calculate life insurance provisions were therefore adjusted to the level of the new benchmark.

The financial consequences of the change is limited, as Alm. Brand Liv og Pension's portfolio only comprises life-long liabilities to a limited extent.

Tax reform and retirement reform

The maximum tax-deductible payment into instalment pension schemes has been lowered from DKK 100,000 to DKK 50,000 with effect from 2012.

In addition, the rules on set-off against early retirement benefits have been tightened with respect to pension funds.

Although annuities are still subject to unlimited tax-deduction, the tax reform is expected to have an adverse effect on pension saving overall.

New cost rates

With effect from 1 October 2011, the company reduced the costs payable by policyholders as a percentage of their payments. In return, the fixed monthly cost was increased.

Policyholders who set up a scheme with regular payments may now transfer existing savings to Alm. Brand Liv og Pension free of charge.

Overall, costs have been reduced, and a comparison made using the new online cost meters indicates that the company is very competitive.

As a result, the low costs are expected to make a positive contribution to growth in the life insurance company.

Adjustment of investment portfolio

Following the introduction of interest rate groups, the financial risk and the composition of investments in the individual interest rate groups were adjusted.

For example, interest rate swaps were bought in January 2011 for the interest rate group above 3.51% in order to hedge the interest rate risk in case of an interest rate decline.

Subsequently, the investment composition of the individual groups has been adjusted on an ongoing basis with a view to ensuring a competitive return going forward, while attempting to maintain the capital requirement at an adequate level relative to the company's earnings.

As part of these efforts, the company has significantly restructured its bond portfolio.

At the beginning of the year, the company had placed a considerable part of its investments in Danish government bonds.

The plunging Danish government bond yields caused Alm. Brand Liv og Pension to reduce its portfolio of Danish government bonds in favour of euro swaps and mortgage bonds. Adopting the new government bond-adjusted yield curve, the company also achieved a better hedging of its overall interest rate risk on assets and liabilities.

The changes were made on the back of substantial capital gains.

OUTLOOK

Alm. Brand Liv og Pension is expected to post a pre-tax profit of DKK 90 million in 2012.

Whether the risk premium is recognised depends on the performance of the individual contribution groups, but the life insurance company expects to be able to recognise the full risk premium for all contribution groups in 2012.

The performance of the interest rate groups depends on developments in the financial markets.

The overall volume of premiums in Alm. Brand Liv og Pension is only expected to increase moderately in 2012.

The tax reform is expected to have an adverse effect on growth, while improved competitive strength and low costs are expected to make a positive contribution.

Distribution in Alm. Brand

ORGANISATION

The group's sales organisation is divided by business area with a considerable amount of cross-sales and referrals taking place between the individual sales channels. Physical locations are also shared to a significant extent.

Alm. Brand divides Denmark into five regions each dedicated to sales and service to the local customer segment. This provides Alm. Brand's employees with detailed knowledge of customers and local matters. Specialists in centralised staff functions working across regions are used to ensure customers receive optimal service.

Non-life insurance

Insurance agents

Insurance agents, specialising in private, agricultural and commercial customers, constitute Alm. Brand's primary distribution channel. Alm. Brand has a total of almost 300 insurance agents. Sales are distributed as follows: approximately 60% private customer insurances and 40% commercial and agricultural customer insurances. Commercial and agricultural customers typically take out insurance cover for significantly larger amounts than private customers do.

Private customer insurance agents work out of the 14 local offices (sales centres) as well as at the regional head office. Private customer insurance agents primarily work away from the office, as sales and advisory services typically take place at the individual customer's home.

Commercial and agricultural customer insurance agents are also based locally, but they divide their time between customer visits and telephone advice, as customers in these segments typically have a designated insurance agent, who regularly advises them on the need to write new business or renew existing business.

Telemarketing

Many agreements with prospective customers are made by five telemarketing departments distributed across the five regions. From these departments, telemarketers call customers to set up a meeting with an insurance agent. Alm. Brand's telemarketers set up most insurance agent meetings in the private customer segment, whereas this procedure is less frequent in the commercial and agricultural customer segments.

Customer service centres

The customer advisers of the group's five customer service centres provide advice and sell insurances to the private customer segment.

Alm. Brand has closed local insurance shops due to declining customer traffic. Instead customers prefer contacting Alm. Brand by telephone when they need advice. This has increased customer service centre activity significantly without increasing the number of employees. Accordingly, efficiency at the centres has increased considerably.

In order to ensure optimum accessibility for commercial and agricultural customers, Alm. Brand serves these customer segments through the group's two centralised ServiceCentres – one for agricultural customers situated in Aarhus and one for commercial customers situated in Roskilde. These centres provide advice with respect to and sell insurances that do not directly require the involvement of an insurance agent.

Distribution through insurance brokers

In sales through this distribution channel, insurance brokers typically have the customer contact. Around 20% of sales to commercial customers takes place through brokers, while sales to agricultural customers through this channel are relatively limited. Sales to the private customer segment through brokers are virtually non-existent.



Alm. Brand has a centralised department, which is responsible for making quotations for and serving the insurance brokers.

Banking

Branches

Alm. Brand Bank has 11 bank branches across Denmark. The branches offer a full-service concept, including advisory services and sales of a full range of banking products targeting the private customer segment. Moreover, the bank branches offer investment advice, and each branch also has designated pension advisers. If necessary, a personal adviser may be assigned to the individual customers.

Through the group's centralised asset management and markets departments, the bank offers more complex investment solutions for customers requiring such services.

Customer service centres

Banking customers are served through a centralised customer service centre, which advises customers on all straightforward banking products and answers questions. If necessary, customers are referred to their personal advisers.

Pension

Insurance agents and pension consultants

Insurance agents and pension consultants cooperate closely on sales of pension solutions for private, commercial or agricultural customers. Both insurance agents and consultants make calls to the individual customer. Typically, insurance agents will establish the contact and handle straightforward pension solutions, while the consultants focus on complex schemes.

Branches

The branch-based pension advisers typically serve customers belonging to their own branch, working closely with the bank advisers who often have overall customer responsibility and handle the primary contact to customers.

Customer service centres

Customer service is supported by a centralised service centre, which answers many of the more technical questions.

Alm. Brand's e-concept

In recent years, Alm. Brand has significantly expanded its sales and service activities through electronic media. This trend is expected to continue and intensify over the next couple of years.

In addition to information, service and sales through electronic media, the group interacts with its customers and other stakeholders on Facebook.

www.almbrand.dk

The group's website contains a wide range of information about the Alm. Brand group and its products. Moreover, the corporate website also forms the basis of the group's e-concept.

E-branch

Customers can calculate various insurance offers on the group's website. Experience shows that many customers prefer to receive personal advice prior to buying a product, and Alm. Brand has therefore set up a call centre designated exclusively to supporting customers that want to use the group's web-based solutions. The centre is open for web-based customer advice and sales in evenings and on weekends. The concept has proven highly efficient, producing high customer satisfaction and increased sales.

The group also offers a concept under which the customers may receive and approve their policies electronically, which significantly eases business procedures – for the customers as well as for Alm. Brand.

Easy overview for customers

Alm. Brand has set up a customer-specific page on its website, allowing a customer to log on to his or her personal profile using nem-id. This personal page provides the customers with an overview of all the services they have with Alm. Brand, including insurance agreements with policies, pension agreements and banking products.

Netbank and Netboks

Netbank, Alm. Brand's online banking site, allows customers to conduct their banking business, including making transfers, paying bills, trading securities, etc.

Mobile phone services

Using a smartphone, customers can track securities prices and trade securities directly. Moreover, they can use their smartphone to make payments etc.

Alm. Brand also offers a claims prevention text messaging service, notifying the group's insurance customers about extreme weather conditions.

Reporting claims

Alm. Brand's customers can report their claims online. This option is preferred by an increasing number of customers, not least after major claims events when telephone service response times are typically quite long.

The group will continually improve and expand its web-based profile in order to significantly enhance the opportunity for customers to receive advice and service through this fast and efficient distribution channel.

STRATEGY AND RESULTS

Strategy

Distribution

In order to enhance the efficiency of the group's distribution structure, the group has completed a process over the past two years focusing on:

- enhancing skills and efficiency of sales staff
- reducing the number of branches and sales offices
- improving electronic sales tools
- using the Internet as an integrated sales and service channel

During this process, Alm. Brand has restructured its sales channels and made them less complex by reducing the number of branches and by ceasing to offer non-life insurance sales and advisory services.

The strong culture of referral between insurance agents, pension consultants and branches enabled Alm. Brand to complete the restructuring of its sales channels without impairing distribution synergies.

Moreover, the restructuring process focused on moving sales and service from relatively expensive distribution channels to relatively inexpensive channels. Among other things, Alm. Brand experienced a breakthrough in web-based sales and service in 2011. At the same time, the group will continue to offer personal sales and service in areas where this is of value to the customers.

Customer service quality

Alm. Brand aims to maintain a high degree quality in its customer service and therefore keeps close track of developments in each individual distribution channel and the quality of each individual employee's customer contact. This enables the group to measure customer satisfaction with the group's services and to coach the individual employees in continually perfecting their customer handling skills.

Results

The main goals for Alm. Brand's distribution are as follows:

- reducing distribution costs for non-life insurance activities and the private customer segment of the bank by at least 20% relative to 2008 without impairing the quality of customer service
- increasing sales of pension products without impairing service or efficiency levels

Non-life insurance

Sales of non-life insurance products have been largely constant since 2008, whereas distribution costs have been reduced by around 25%. Alm. Brand has thus succeeded in cutting costs substantially without reducing sales.

Banking

Total distribution costs for the bank have been reduced by 36%, among other things due the closing down of a number of branches with limited customer traffic.

Life insurance and pension

Efforts to increase sales of pension products were very successful in 2011. Accordingly, sales grew by slightly more than 30% relative to 2010 at an unchanged cost level.

Focal areas for 2012

The main goals for Alm. Brand's distribution are:

- to consolidate the efficiency enhancements achieved
- to increase sales of non-life insurance products while maintaining quality and cost levels
- to increase the level of activity in the bank branches by focusing on increasing sales and service to private customers
- to increase pension sales, among other things by hiring more pension advisers and enhancing customer loyalty
- to develop the group's website and other tools with a view to supporting advisory and other services provided through electronic media

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Our customers have high expectations of us. Perhaps higher than ever before. They are looking not only for the most competitive price but also for a place where they can feel secure and appreciated. It is our job to be that place, and our reward is customer loyalty.

Christian Heick Sørensen

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Corporate Governance

Alm. Brand is subject to the recommendations prepared by the Committee on Corporate Governance which are publicly available at www.corporategovernance.dk.

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

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

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

EXPLANATION OF NON-COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Composition and organisation of the Board of Directors

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

Alm. Brand af 1792 fmba holds almost 60% of the share capital of Alm. Brand A/S, and five of the seven board members elected by the shareholders in general meeting are nominated by the principal shareholder. Management believes that the principal shareholder and the other shareholders have identical interests in the company.

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

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

With respect to diversity at the company's management levels in relation to gender and age, the Board of Directors of Alm. Brand A/S is furthermore of the opinion that neither gender quotas nor age quotas are the right solution, as they would rank a candidate's qualifications secondary. However, the Board of Directors is attentive to the desirability of considering diversity with respect to gender and age wherever possible and regularly monitors the gender and age distribution among the executive officers of the Alm. Brand Group.

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

The Board of Directors of Alm. Brand A/S has set up two board committees (an audit committee and a remuneration committee). The Chairman and the Deputy Chairman of the Board of Directors, who cannot be deemed to be independent (see above), are members of these committees. The majority of the committee members are thus not independent. The Board of Directors has deliberately chosen this structure and finds that it ensures a strong focus on the work of the committees.

Since five of the seven board members elected by the shareholders in general meeting are nominated by the principal shareholder, the Board of Directors of Alm. Brand A/S does not believe that it is necessary to set up a nomination committee.

Anne Mette Barfod, Manager of Economics



Remuneration of the Board of Directors and the Management Board

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

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

It is recommended that the remuneration of the Board of Directors for the current financial year is approved by the shareholders in general meeting. The Board of Directors believes that it is sufficient that the shareholders in general meeting approve the remuneration paid to the Board of Directors in respect of the past financial year when approving the annual report and that the Chairman of the Board of Directors explains the expected remuneration payable to the Board of Directors for the current financial year.

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

FINANCIAL REPORTING PROCESS

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

Control environment

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

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

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

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

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

Risk assessment

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

- risk measurement and risk management
- financial reporting and budget organisation
- internal control
- rules on powers of procuration
- segregation of functions or compensatory measures
- 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 set up supports the Board of Directors in these assessments.

Risk management and the financial reporting process

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

Risk management is coordinated by a cross-organisational risk committee consisting of the Management Board and the persons in charge of the actuarial department, the credit secretariat, the sales organisation, the finance department and the risk management department as well as the persons in charge of the group's non-life insurance, life insurance and banking divisions.

The finance department is responsible for preparing interim and full-year financial reports. The key financial reporting contributors are the non-life and life insurance actuarial 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 report is prepared by the investor relations department on the basis of information from a number of departments, including the finance department, the asset management department and the individual business areas.



We assume a risk on behalf of our customers, and we need to be alert in our assessment of that risk and the price we put on it. That way we can create value for our shareholders and safeguard our customers in the long term.

Anne Mette Barfod



MANAGEMENT BODIES

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

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

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

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

The Board of Directors held 12 meetings in 2011.

AUDIT COMMITTEE

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

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

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

The Board of Directors deems that Arne Nielsen meets the requirements for independence and qualifications within accounting and auditing as defined in section 31 of the Danish Auditors' Act. Arne Nielsen has many years of experience as a state-authorized public accountant of financial and other businesses.

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

- the financial reporting process, including checking the accuracy of financial information disclosed in annual reports and interim reports, and ensuring that accounting policies are relevant and have been consistently applied
- internal control and risk management, including reviewing and assessing management's guidelines at least once a year with a view to identifying, monitoring and managing the most important risks. The audit committees also assess and review internal control and risk management systems
- internal and external audit, including reviewing and discussing the results of the work of the internal and external auditors and the auditors' observations and conclusions and verifying the independence of the external auditors, including in particular the provision of additional services. The committees supervise management's follow-up on the recommendations to management reported by the internal and external auditors

The audit committee works with historical data and is generally not involved in forward-looking events such as outlook and budgets.

The audit committees held four meetings in 2011. The audit committees report to the Board of Directors on a current basis. Audit committee meetings are attended by the audit committee members as well as by Chief Executive Søren Boe Mortensen, the Group

CFO and the Group Chief Auditor. In addition, the appointed auditors attend two annual meetings at which they also have an opportunity to meet with the audit committees and the Group Chief Auditor without the day-to-day management being present.

REMUNERATION COMMITTEE

The boards of directors of Alm. Brand A/S and Alm. Brand Forsikring A/S have each set up a remuneration committee.

The remuneration committees consist of four board members:

Alm. Brand A/S:

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

Alm. Brand Forsikring A/S:

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

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

Both remuneration committees held two meetings in 2011.

Human resources

STRATEGY AND OBJECTIVES

Alm. Brand wants its employees to be committed and to seek influence and assume responsibility for the planning and performance of their own job. Moreover, Alm. Brand wants its managers to be resourceful and dynamic and to be focused on continual business, employee and personal development. The group aims to stand out from its peers in the eyes of its customers by developing each individual employee and focusing on providing customer service and service in general at a high level.

100% COMMITMENT

One of the Alm. Brand Group's five primary, overall goals is to have 100% committed employees. Although this is an ambitious goal, it is key in improving Alm. Brand's financial profitability.

Commitment reflects how much energy the employees invest in the company and the extent to which their motivation translates into efficient, business-oriented action and is used to provide optimum customer service.

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

In the first quarter of 2011, Alm. Brand conducted the third commitment measurement, which showed a commitment rate of 92%. This is considered satisfactory in light of the fact that the second half of 2010 was characterised by redundancies and a lot of negative press coverage.

The most recent survey, conducted in the first quarter of 2012, showed a commitment rate of 93%. This improvement was the result of a general increase in employee satisfaction. Job satisfaction, loyalty and security rose by several points, lifting the group's survey above the benchmark in a number of areas. This result is considered highly satisfactory.

EXECUTING LEADERSHIP

Competent management is crucial for employee welfare and job satisfaction and, by extension, for the company's financial performance. Therefore, the group has completed an extensive training programme for its managers under the caption Executing Leadership. In continuation of the implementation of new management skills and the training programme initiated in 2010, the group prepared and executed a 360 degree survey of all managers in the first half of 2011. All managers received individual feedback, which was subsequently followed up by their immediate superior.

The goal is to create a new management culture focused on action-oriented management, requiring the individual managers to be able to manage their business, to manage their employees and to manage themselves.

GROUP VALUES

Ordinary common sense

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

Mutual respect

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

Holism and proximity

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

Will to succeed

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

THE ALM. BRAND ACADEMY

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

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

In 2011, the group set up a new written communication skills programme, which a very large number of employees will be completing in 2012. Moreover, efforts have been made to ensure optimum effectiveness of our training investments by following up on the coaching role of our managers in relation to employees enrolled in training at Forsikringsakademiet.

Finally, Alm. Brand is one of the Danish insurance companies to take on the most trainee bachelors in finance, because we see good potential in recruiting candidates from this new bachelor programme.

REMUNERATION POLICY

Board of Directors

Board members of Alm. Brand A/S receive a fixed annual remuneration reflecting the scope of the board work and the responsibility related to serving on the board. Ordinary board members receive DKK 200,000, the Chairman receives DKK 600,000 and the Deputy Chairman DKK 400,000. Board members who are members of the audit committee and of the boards of directors

of Alm. Brand Bank, Alm. Brand Forsikring and Alm. Brand Liv og Pension receive an additional amount of DKK 200,000. Moreover, an ordinary member of the Board of Directors of Alm. Brand A/S receives an additional fee of DKK 150,000 as a member of the board of directors of Alm. Brand Bank.

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

Management Board

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

The members of the Management Board received remuneration in the amount of DKK 6.3 million in 2011.

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

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

The scheme does not comprise stock options.

This scheme is expected to be changed in 2012 in accordance with the amendments of the Danish Financial Business Act regarding remuneration policy.

The Management Board received no bonus in 2011.

Information on the remuneration policy is available at <http://www.almbrand.dk/abdk/OmAlmBrand/Investor/Koncerninformation/Corporategovernance/index.htm>.

Other executives and specialists

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

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

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

In 2010, the company complied with the remuneration policy described in the Annual Report 2010, and in 2011 it complied with the remuneration policy described above. These schemes will continue in 2012.

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The goal is to create a new management culture focused on action-oriented management, requiring the individual managers to be able to manage their business, to manage their employees and to manage themselves.

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Shareholder information

OBJECTIVES

The purpose of Alm. Brand's investor relations activities is to ensure relevant, precise and timely information to the market with a view to generating interest, regular trading and a fair pricing of Alm. Brand's shares. The investor relations department continually strives to have a profound insight into the group and its affairs, ensuring that questions from analysts and investors can be answered quickly and competently. The goal is for Alm. Brand to be perceived as reliable, accessible and professional by equity market stakeholders and to ensure that such stakeholders are given correct information about the company's financial position as well as the risks faced by and opportunities available to the company.

Alm. Brand's investor relations department communicates via:

- meetings held with investors, analysts, etc.
- roadshows in connection with the release of financial statements
- participation at conferences, seminars, etc.
- the Alm. Brand website, which provides investor-oriented information and downloadable financial statements, presentations, etc.
- distribution of a shareholder magazine for the company's registered Danish shareholders

ACTIVITIES

The Management Board gives priority to meeting with the company's investors and analysts in connection with the release of annual and quarterly financial statements and by hosting various conferences and seminars. In connection with the release of financial statements, the investor relations department and the Management Board go on roadshows. In 2011, they hosted roadshows in Denmark, the Nordic countries, the United States, the UK and a number of other European countries. In addition, we addressed professional investors in Denmark and internationally by holding a number of one-on-one meetings and presentations to large and small audiences. During the rest of the year, the investor relations department handles enquiries from investors and analysts.

At year-end 2011, the Alm. Brand share was covered by six analysts. All of the company's regular analysts are based in Denmark. In addition to the regular analysts, the share is covered on an ad hoc basis by a number of other equity analysts.

Investor presentations used in connection with roadshows, conferences, seminars, etc. are available at the company's website. Presentations of the company's full-year and interim financial reports are also webcast.

Analyst coverage

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

- Carnegie Bank
- Danske Bank
- SEB Enskilda
- Handelsbanken
- Nordea
- Sydbank

Contact details for the analysts are available at Alm. Brand's website. The company also publishes the analysts' recommendations and consensus estimates ahead of and after each announcement of financial results.

SHARE PERFORMANCE

The share price had a very turbulent year in 2011. The share started the year at a price of DKK 14 and ended the year at a price of DKK 8. No dividends were distributed in 2011.

The equity markets were generally characterised by turbulence in 2011, and this sentiment also fed through to the Alm. Brand share. Financial stocks in general and banking stocks in particular were hit hard by the uncertainty in the financial markets and by the economic slowdown. In Denmark, the year was characterised by several bank failures, and for the first time since the onset of the financial crisis the failures were processed under Bank Package III, resulting in losses for the depositors of the relevant banks. This sig-

nificantly increased uncertainty about the Danish banking sector. The turmoil accelerated over the summer and autumn months, as the southern European debt crisis in particular caused prices to plunge. The Alm. Brand share reached a low in September when the price had dropped to DKK 6.5.

Financial ratios

- price/NAV at 31 December 2011: 0.34
- average daily turnover 2011: approx. DKK 1.5 million
- average daily turnover 2010: DKK 0.9 million
- market capitalisation at 31 Dec 2011: DKK 1.4 billion

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

The chart below shows the performance of the Alm. Brand share in 2011.



CAPITAL TARGET

The capital target is based on expectations regarding future capital requirements according to Basel III (banks) and Solvency II (insurance companies). The capital target has an impact on the group's future dividend policy.

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

As a result of the group's capital target, the capital requirement is substantially higher than the statutory minimum capital requirements expected to be laid down in the new regulations. The capital target reflects management's intention for the group's capital resources to be sufficiently robust to absorb certain external events. Such external events could be for example extreme weather conditions or an extended period of economic downturn and resulting impairment/writedowns of loans in the bank.

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

Capital targets for the non-life and life insurance companies

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

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

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

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

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

The capital target for the life insurance company at 31 December 2011 was considerably higher than SCR when calculated according to the current rules, but it has been fixed so as to ensure the desired excess relative to SCR under a number of specified stress scenarios. This means that the life insurance company will be able to withstand interest rate movements without customer returns being unduly reduced through forced sales or an unnecessary and expensive hedging strategy. Management has decided to focus on risk in the form of the volatility of provisions rather than to calculate the capital target based on premium levels. Against this background, management has fixed the capital target for the life insurance company at 9% of life insurance provisions.

Capital target for the bank

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

The Basel III rules are expected to introduce a requirement for an equity ratio of 10.5% of risk-weighted assets, including a capital buffer. In addition, Basel III is expected to introduce a requirement for an additional 2.5% countercyclical buffer to protect the bank against future cyclical downturns. These requirements, which are expected to come into force in 2019 at the earliest, have already been incorporated in Alm. Brand Bank's capital target.

DKKm	Internal capital target at 31 December 2011	DKKm	Capital base at 31 December 2011
Non-life insurance (45% of gross premium income)	2,147	Consolidated equity	4,206
Life insurance (9% of life insurance provisions)	1,020	Tax assets	- 758
Alm. Brand Bank (18.4 % of risk-weighted assets) *)	2,153	Supplementary capital	1,753
Alm. Brand Bank subsidiaries	21	Consolidated capital base	5,201
Diversification effect	- 300		
Consolidated internal capital target	5,041		
*) Calculated as the individual solvency need at 31 December 2011 plus 3 percentage points			
Statutory capital requirement for the group year-end 2011			3,376
Excess relative to statutory capital requirement			1,825
Excess relative to internal capital target			160

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

At the end of December 2011, management resolved to adjust the capital target with respect to investment in the bank's subsidiaries. To date, the group's target has been to have capital equivalent to the sum of shareholders' equity of the bank's listed subsidiaries, Alm. Brand Formue A/S and Alm. Brand Pantebreve A/S. In 2011, the mortgage deeds held by Alm. Brand Pantebreve were traded to Alm. Brand Bank A/S, and Alm. Brand Pantebreve is currently in the process of being liquidated. As the subsidiaries form part of the capital charge in the Alm. Brand Bank parent company and the Alm. Brand Bank group, and because the shareholders' equity of the subsidiary Alm. Brand Formue A/S can be realised at the carrying amount, management has resolved that not reserving capital for Alm. Brand Formue A/S in addition to the share of the capital charge attributable to minority interests is a better way of providing a true and fair view.

The group's overall capital resources and capital target

At 31 December 2011, the group had total capital resources of DKK 5,201 million for compliance with the capital target. DKK 1,753 million of this amount was supplementary capital in the form of hybrid Tier 1 capital and subordinated loan capital.

The group's capital requirement under the existing solvency rules is DKK 3,376 million, providing excess capital in the amount of DKK 1,825 million at 31 December 2011.

The internal capital target calculated at 31 December 2011 was DKK 5,041 million, corresponding to excess capital for the group of DKK 160 million.

The dividends distributed by the group are subject to the satisfaction of the group's capital target and, moreover, the group's cash resources also have an impact on whether or not dividends are distributed. The group's capital base includes subordinated loan capital and hybrid capital. The group intends to redeem the supplementary capital when possible. No dividends will be distributed and no shares will be bought back for the financial year 2011.

MANAGEMENT'S SHAREHOLDINGS

In 2011, the Board of Directors' and the Management Board's shareholdings in Alm. Brand A/S totalled:

	No. of shares 1 Jan 2011	No. of shares 31 Dec 2011	Price at 31 Dec 2011 (DKK)
Board of Directors			
Jørgen H. Mikkelsen	25,808	141,808	1,155,735
Boris N. Kjeldsen	5,470	5,470	44,581
Arne Nielsen	2,500	2,500	20,375
Per V. H. Frandsen	21,000	21,000	171,150
Tage Benjaminsen	10,790	10,790	87,939
Jørgen Henrik Christensen	12,750	12,750	103,913
Jan Skytte Pedersen	6,000	6,000	48,900
Per Dahlbom	4,020	4,020	32,763
Helle Låsby Frederiksen	2,400	2,400	19,560
Henning Kaffka	29,420	34,523	281,362
Susanne Larsen	8,480	10,503	85,599
Management Board			
Søren Boe Mortensen	30,529	32,632	265,951

Direct and indirect shareholdings of members of the Board of Directors and the Management Board in Alm. Brand A/S
The members of the Board of Directors and the Management Board hold no shares in other companies of the Alm. Brand Group

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

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

THE ALM. BRAND SHARE

The company's share capital is DKK 1,735 million nominal value, divided into 173,500,000 shares of DKK 10 each. Each share carries one vote. Excluding Alm. Brand A/S' treasury shares, the number of shares is 173,201,556.

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

OWNERSHIP

At 31 December 2011, 163,860,087 of the company's shares were registered. The only shareholder to report a shareholding of more than 5% was Alm. Brand af 1792 fmba, which owns 58.1% of the shares in the company.

The shareholders registered by name represented 94.4% of the share capital. At 31 December 2011, shareholders based in Denmark held approximately 83% of the company's share capital, of

which the principal shareholder accounted for 58%. During 2011, the company saw an increase in the number of foreign shareholders. In particular, US and UK based shareholders increased their shareholdings to stand at 7.4% at 31 December 2011, against 3.2% at the year-earlier date.

EMPLOYEE SHARES

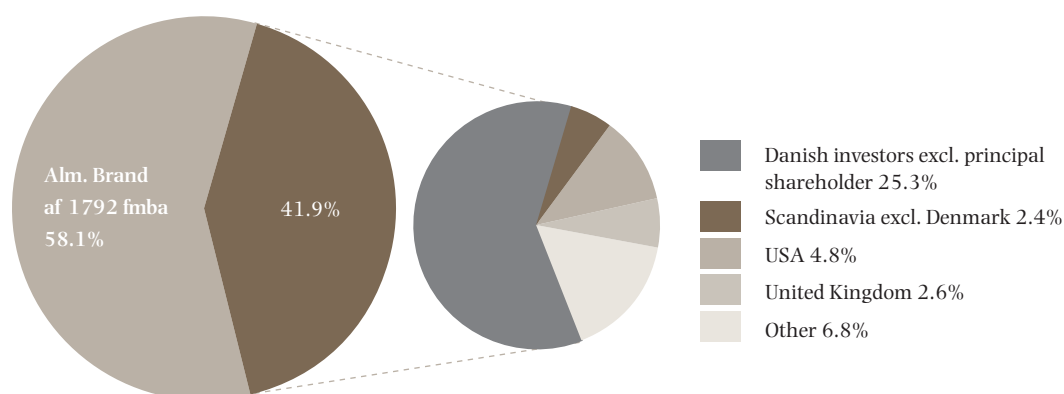
The Board of Directors of Alm. Brand A/S offered the group's employees to buy employee shares during the period from end-March 2011 to end-February 2012. The employee shares are awarded against a reduction of the individual employee's gross salary within the framework of section 7a(1)(ii) of the Danish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

Due to amended Danish tax legislation, no new employee shares will be offered for the next year.

ANNUAL GENERAL MEETING

The annual general meeting of Alm. Brand A/S will be held at 11.00 a.m. on 26 April 2012 at the Radisson Blu Scandinavia Hotel, Amager Boulevard 70, 2300 Copenhagen S, Denmark.

Ownership at 31 December 2011



COMPANY ANNOUNCEMENTS IN 2011

8	Feb	2011	Expiry of stabilisation period
24	Feb	2011	Annual Report 2010
24	Feb	2011	Report on transactions of executives and related parties of these with Alm. Brand A/S shares
1	Mar	2011	Report on transactions of executives and related parties of these with Alm. Brand A/S shares
1	Mar	2011	Result of grant of employee shares
28	Mar	2011	Annual general meeting 27 April 2011
27	Apr	2011	Result of annual general meeting
2	May	2011	New chief executive of Alm. Brand Bank
18	May	2011	Interim Report Q1 2011
18	May	2011	Report on transactions of executives and related parties of these with Alm. Brand A/S shares
19	May	2011	Report on transactions of executives and related parties of these with Alm. Brand A/S shares
27	June	2011	Alm. Brand Bank's exposure to Fjordbank Mors
25	Aug	2011	Interim Report H1 2011
27	Sept	2011	Alm. Brand A/S contributes DKK 200 million of equity to Alm. Brand Bank A/S
26	Oct	2011	Financial calendar 2012
16	Nov	2011	Interim Report Q3 2011
25	Nov	2011	Report on transactions of executives and related parties of these with Alm. Brand A/S shares
25	Nov	2011	Report on transactions of executives and related parties of these with Alm. Brand A/S shares

FINANCIAL CALENDAR 2012

28	Feb	2012	Release of Annual Report 2011
26	Apr	2012	Annual general meeting
16	May	2012	Release of interim report Q1 2012
23	Aug	2012	Release of interim report H1 2012
22	Nov	2012	Release of interim report Q3 2012

CSR – or just ordinary common sense

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

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

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

Read more about Alm. Brand’s CSR efforts at www.almbrand.dk under “About us” or “Investor”.

Follow-up on goals

In 2011, Alm. Brand had defined as a goal that it would initiate work to define an overall CSR policy for all of the group’s business areas and activities. The final policy proposal is expected to be presented to the Board of Directors in 2012.

Another goal defined for 2011 was that the group wanted to investigate and consider whether recommendations for projects involving expenses of DKK 0.5 million or more should include considerations concerning the project’s CSR benefits and impacts, including how much these factors should weigh in the final decision about whether or not to go on with the project. In the first quarter of 2011, it was resolved that all project recommendations in excess of DKK 0.5 million should include such considerations, and this was subsequently incorporated in the group’s standard project recommendation form.

CORPORATE SOCIAL RESPONSIBILITY

Alm. Brand seeks to take care of its customers by offering high-quality products and services that provide help in case of injury or

damage as well as management and advice concerning monetary and lending issues and savings products.

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

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

Customers

Alm. Brand’s role as an insurance company is to replace what has been lost or restore what has been damaged in case a customer has incurred a covered claim. In case of claims resulting from a sudden, acute traumatic incident, including fire, robbery, assault or traffic accidents, Alm. Brand offers psychological counselling to any of its plusKUNDER and dobbeltKUNDER in need of crisis therapy. In 2010, 391 policyholders applied for crisis therapy, as compared with 375 in 2011.

Customers are offered competitive financial products, including savings and pension products. Alm. Brand focuses on providing advice based on the individual customer’s situation.

Employees

The group’s health policy is intended to promote health and well-being on the job and in the employees’ spare time. Accordingly, the group offers financial support for a number of sporting activities and canteen and fruit services. Alm. Brand also emphasises a healthy working environment and has ergotherapists and architects as well as a special service desk available to prevent and relieve physical problems. In 2010, the Danish Working Environment Authority conducted seven control visits at Alm. Brand without such visits giving rise to any remarks. Alm. Brand received seven green smileys. In 2011, the Danish Working Environment Authority conducted two visits and gave Alm. Brand two smileys.

The group's sickness policy is intended to ensure that employees have a good working life with a low sickness frequency and high well-being. For example, the group holds sickness absence interviews, provides stress prevention and stress management training for managers and offers health insurance for all employees. In 2010, sickness absence rate was 3.60%, dropping to 3.40% in 2011. Moreover, two stress management courses were held in 2011 in collaboration with a professional stress coach. A total of 38 employees participated in these courses.

The group engages regularly with municipalities and job centres, accepts people in work test programmes and is generally open to offering flex jobs and scale-down jobs for people with impaired working ability. In 2010, Alm. Brand had 22 employees in flex jobs or wage subsidy jobs, against 20 in 2011.

Each year, the group accepts primary and lower-secondary school students as well as post-secondary school students for work experience programmes. Alm. Brand had five trainee bachelors in finance in 2010 and nine in 2011. In 2012, Alm. Brand expects to welcome 10 trainees.

Alm. Brand's senior-age policy ensures that employees have the opportunity to plan their senior working life with the group well in advance. In addition to extra holidays, employees may choose to work fewer hours and adapt their working hours to their individual needs. In 2005, the senior-age scheme comprised seven employees. This number increased to 26 in 2009 and 21 in both 2010 and 2011.

New mothers and fathers are entitled to full pay during maternity/paternity and parental leave periods. Moreover, all employees are entitled to five care days in addition to the statutory five weeks holiday.

ENVIRONMENTAL AND CLIMATE RESPONSIBILITY

Alm. Brand seeks to take care of the environment and the climate. The group therefore works towards reducing its pollution footprint on the environment and the climate. For many years, Alm.

Brand's environmental and climate efforts have been based on ordinary common sense rather than formalised environmental and climate policies.

Heating, cooling and power consumption

Alm. Brand focuses on individual climate control in office areas and at building level. Today, Alm. Brand monitors and controls heating, cooling and ventilation in most properties and in leased premises that have their own climatic system.

Alm. Brand removes unwanted and environmentally harmful substances (such as CFC) in all existing cooling systems on an ongoing basis and replaces them as it becomes technically and financially possible to implement natural refrigerants. In future, Alm. Brand will focus on water-borne cooling systems and remote cooling options for the group's properties. Accordingly, more than 50% of the overall cooling effect is non-CFC based.

For several years, Alm. Brand has phased in energy-saving electrical products, including light bulbs, PCs, flat screens, printers, etc. Alm. Brand is also in the process of phasing in intelligent light control by means of motion and daylight sensors and automatic on/off functions. The group has implemented light control in 60% of its total floor space.

On the customer side, Alm. Brand offers lower premiums to insurance customers who have new houses and consequently have low energy consumption.

Since 2009, Alm. Brand has participated in the World Wide Fund for Nature's annual, global turn-off-the-light event Earth Hour by turning off the light at the group's offices as well as turning off a large advertising sign in the City Hall Square in Copenhagen.

Water, paper, cleaning and waste

Alm. Brand installs water-saving fittings on a current basis in all properties where such installation is possible. Alm. Brand currently does not have a precise measuring tool to document the change in water consumption across all group locations.

Over the past four years, the group has replaced a large part of its paper consumption by electronic solutions, including statements of account, pay slips and invoices as well as the use of NemKonto for claims payments.

In 2010 and 2011, Alm. Brand has accelerated the process to achieve minimal paper consumption. The insurance company no longer sends out a full set of insurance terms to customers that have merely changed their coverage. Full sets of insurance terms are only sent out if the insurance terms have been amended.

Through the group's e-branch at www.almbrand.dk, the insurance company now also sends out digital insurance offers and digital policies, and customers can also accept offers online.

The group also works with paperless office solutions. This means that case files and letters are scanned in order to reduce paper consumption and enhance customer service. In the contact with both new and existing customers, the group requests to receive the customer's e-mail address in order that as much communication as possible can take place via e-mail.

However, the increased use of electronic documents has not yet fed through to the group's paper consumption, but Alm. Brand expects to have reduced its paper consumption by 2-4 million sheets of A4 paper within the next couple of years.

A large part of Alm. Brand's marketing material, for example brochures and magazines, are printed on Swan-labelled, environmentally friendly paper.

In 2011, the group increased its focus on point-of-use sorting of paper, cardboard, bottles and construction waste, and household waste from our canteens is collected and used for biomass. Low-energy light bulbs and fluorescent tubes are collected for recycling due to their mercury content. Used batteries are also collected for safe disposal. In 2011, Alm. Brand initiated point-of-use sorting of electronics waste distributed on three groups: Cable waste, IT/PC electronic waste and other electronic waste. Alm. Brand currently does not have a precise measuring tool to document the change in waste consumption across all group locations.

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

CO2

The group seeks to reduce its carbon footprint, but an overall calculation of the group's emissions is currently not available. Alm. Brand's initiatives include company bicycles, commuter schemes and increased use of video conferences.

In 2009, Alm. Brand implemented a new car policy, which was revised in 2011. Alm. Brand's car policy comprises an incentive for employees with a company car to accept responsibility for and contribute to environmentally friendly driving. Since its implementation, the car policy has contributed to many employees choosing a more environmentally friendly car when replacing their company car, and in 2011 79% of all new company cars were Environment Class A or Environment Class B cars.

Alm. Brand's has introduced a number of carbon reducing options for its insurance customers. Accordingly, a small car or a low mileage will trigger a cheaper insurance. Customers who have an EV car also obtain a particularly attractive motor insurance tariff as compared with the market in general. In addition, Alm. Brand offers free cover for geothermal or solar heating systems over the customer's building insurance.

Alm. Brand Leasing provides advice to private customers regarding the environmental classification and carbon emission of lease cars and provides solutions for commercial customers which comply with their corporate rules and carbon emission targets. Customers may also use Alm. Brand Leasing's website to search for cars with the maximum carbon emission desired and see the environmental class of each lease car. Alm. Brand Leasing only began lease cars to private customers in November 2011, and so the leased portfolio's distribution on environmental classes is not yet available. These data are not expected until in 2012.

Investment in environmental technology

Alm. Brand Bank and Alm. Brand Invest were the first in Denmark to offer their customers investment opportunities in sustainable energy, wastewater purification and waste sorting. The mutual fund's customers include Alm. Brand Liv og Pension, whose total investment of policyholders' life insurance funds in Alm. Brand Invest Miljøteknologi amounted to DKK 52 million at 31 December 2011. This decline of 16% relative to 2010 was attributable exclusively to a decrease in the value of the fund units.

Follow-up on 2010 initiatives

As from 1 January 2011, the group has measured its consumption of electricity and heating on an ongoing basis, enabling the company to monitor fluctuations in the normal consumption and instantly correct errors and defects in order to continue to minimise the group's energy consumption. In 2011, the overall energy consumption (electricity and heating) for offices and building operations was calculated in terms of relative consumption per employee as follows:

Consumption per employee (kWh)	Electricity	Heating
2011	1,475	2,250
2012E	1,400	2,150

Heat consumption is calculated as the actual consumption excluding operation of IT machinery rooms. Degree days are not taken into consideration.

Moreover, Alm. Brand's operational staff in 2011 received supplementary training in energy optimisation as well as in the new technology implemented on a current basis. This training programme took place as a three-day AMU-course (vocational training) in energy optimisation.

In 2011, Alm. Brand started the process of replacing 4,100 sqm of regular glass fronting at Midtermolen 7 with energy-saving, solar and heat control glass. At the same time, 460 sqm of solar cell panels were installed. The panels are designed to produce approximately 34,000 kWh annually. The solar cell panels are expected to be operational in the second quarter of 2012.

In 2011, Alm. Brand aimed to ensure local support for the group's environmental improvement work. This was to take place by linking together Alm. Brand's occupational health and safety work with its CSR work in the new compulsory occupational health and safety organisation.

In late 2011, Alm. Brand commenced Project FOOT. The aim of Project FOOT is to improve the indoor climate and the working environment for the employees, to lower electricity and heating expenses and to reduce Alm. Brand's environmental footprint.

Alm. Brand's occupational health and safety representatives have been trained to be CSR ambassadors as well. This means that they are ambassadors for social responsibility and initiate measures to improve the indoor climate in all Alm. Brand departments. However, Project FOOT aims for all employees to accept responsibility. The CSR ambassadors will take the lead in each department and make their colleagues aware of how the department can get a better indoor climate by changing the employees' environmental conduct.

So far, pilot projects have been launched in two departments (Servicecenter Erhverv in Roskilde and the regional office in Odense) with a view to ensuring correct deployment of Project FOOT to the rest of the group. Project FOOT will start up in the rest of the organisation as from 1 April 2012.

CORPORATE SOCIAL RESPONSIBILITY

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

Insurance fraud

Alm. Brand seeks to uphold the principle of solidarity on which the insurance system rests. This involves combating insurance fraud for the benefit of law-abiding customers. In 2006, Alm. Brand's claims assessors revealed insurance fraud in a total amount of DKK 15.3 million. In 2011, this figure had risen to DKK 42.4 million.

Ethical investments

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

Gift policy

In 2009, Alm. Brand implemented a gift policy comprising all group employees. The employees were informed about the gift

policy via the group's intranet, and new employees are informed about the corporate gift policy as part of their introductory course. The gift policy is also described in the staff manual and in the group's system of business procedures. The policy provides, among other things, that no employee may give or receive gifts, contributions or anything else that may be perceived as an attempt to bribe. In 2009, the compliance officer received two reports from employees concerning the gift policy, as compared with three reports in 2010 and two in 2011. None of these reports have given rise to any comments.

Sponsorships

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

Donations

In addition to taking responsibility as a natural part of its day-to-day activities, the group takes the opportunity to donate funds. In recent years, Alm. Brand has donated funds to Denmark's annual, nation-wide relief fundraising event, Danmarksindsamlingen, and supported the Danish Cancer Society, the Danish Red Cross and the Danish division of Save The Children. In 2011, Alm. Brand Leasing also made a lease car available free of charge for one year as a tribute to one of the everyday heroes from Danish TV 2's Hero Galla 2011.

Knowledge transfer for the benefit of society

Alm. Brand is represented in a number of different professional committees in the insurance and other industries. In these fora, the group's experts share their knowledge about subjects of relevance for policyholders specifically and citizens of society in general. These experts include:

- the Head of Commercial Insurance of the non-life insurance company, who served as deputy chairman of the Board of the Danish Terrorism Insurance Pool for Non-life Insurance in 2011. This Board manages a terrorism insurance scheme for non-life insurers in Denmark who cover NBCR terrorism risk (i.e. chemical and biological terrorism claims affecting policyholders). As a consequence of this directorship, the Head of Commercial Insurance held a position as an alternate of the Danish Terrorism Insurance Council, which manages state-guaranteed assistance in the event of a terrorist attack on Denmark

- the Head of Insurance Fraud of the group's non-life insurance company, who in 2011 was a member of the Insurance Fraud Committee of the Danish Insurance Association. The committee exchanges knowledge and experience regarding the combating of insurance fraud and the framework for such efforts
- the Head of Private Insurance of the non-life insurance company, who was a member of a working group under the Danish Insurance Association. The objective of this working group is to establish an insight with and communicate the industry's knowledge about precipitation claims, special risk areas and claims mitigation measures to authorities and Danish municipalities in particular. This is done in response to recent years' extreme weather conditions (including cloud-bursts) and resulting insurance claims
- the Chief Executive of the group, who was appointed to the national forum for discussion of climate adjustments set up by Danish Minister for the Environment Ida Auken, which is scheduled to meet three times in 2012 to discuss the development of new, innovative climate adjustment solutions, including funding, innovative and cross-sectoral collaboration

FORWARD-LOOKING INITIATIVES

- In 2012, Alm. Brand will implement the adopted CSR policy.
- In 2012, Alm. Brand will, as a pilot project, offer private insurance customers who have reported a burglary during a specific period of time to have a burglar alarm installed free of charge. The customer will subsequently pay for the subscription, but this extra charge will be offset by a reduction in the insurance premium. The purpose is to take care of the customers and their assets by preventing new burglaries.
- In 2012, Alm. Brand will implement Project FOOT to reduce its consumption of electricity and heating in the entire organisation by 5% in 2012.
- In 2012, Alm. Brand will strengthen its efforts to prevent insurance fraud. This will be done through the implementation of Fraud Framework, which calculates the statistical probability of fraud in reported insurance cases. Today, Alm. Brand already checks 0.2% of the claims reported for insurance fraud. Based on the new system, the group expects to increase the number of cases checked to 2.7% of claims reported.



Statement by the Management Board and the Board of Directors

The Board of Directors and the Management Board have today considered and approved the annual report of Alm. Brand A/S for the period 1 January to 31 December 2011.

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 companies. The parent financial statements have been prepared in accordance with the Danish Financial Business Act. The management commentary has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2011 as well as of the results of their operations and cash flows for the financial year 1 January to 31 December 2011.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein, together with a description of the principal risks and uncertainties that may affect the Parent and the Group.

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

MANAGEMENT BOARD

Copenhagen, 28 February 2012

Søren Boe Mortensen

Chief Executive

BOARD OF DIRECTORS

Copenhagen, 28 February 2012

Jørgen H. Mikkelsen

Chairman

Boris N. Kjeldsen

Deputy Chairman

Tage Benjaminsen

Henrik Christensen

Per Dahlbom

Per V. H. Frandsen

Arne Nielsen

Jan S. Pedersen

Helle L. Frederiksen

Henning Kaffka

Susanne Larsen

Auditors' report

INTERNAL AUDITORS' REPORT

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

We have audited the consolidated financial statements and the parent company financial statements of Alm. Brand A/S for the financial year ended 31 December 2011, comprising an income statement, statement of comprehensive income, 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 a consolidated cash flow statement. 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.

Management is responsible for the consolidated financial statements and the parent company financial statements. Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements.

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 auditing standards. This requires that we plan and perform our audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

We participated in auditing the critical audit areas.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation of consolidated financial statements and parent company financial statements that give a true and fair view. The purpose of this is to design procedures that are appropriate in the

circumstances but not to express an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

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

Our audit did not result in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the group's assets, liabilities and financial position at 31 December 2011 and of the results of the group's operations and cash flows for the financial year 1 January to 31 December 2011 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial enterprises.

Furthermore, in our opinion the parent company financial statements give a true and fair view of the parent company's assets, liabilities and financial position at 31 December 2011 and of the results of the parent company's operations for the financial year 1 January to 31 December 2011 in accordance with the Danish Financial Business Act.

Statement on the management's review

We have read the management's review as required by the Danish Financial Business Act. We performed no other work in addition to the conducted audit of the consolidated financial statements and the parent company financial statements.

On this basis, we believe that the information in the management's review is in accordance with the consolidated financial statements and the parent company financial statements.

Copenhagen, 28 February 2012

Poul-Erik Winther
Group Chief Auditor

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Alm. Brand A/S

Report on the consolidated financial statements and parent financial statements.

We have audited the consolidated financial statements and parent financial statements of Alm. Brand A/S for the financial year 1 January to 31 December 2011, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the accounting policies, for the Group and the Parent, as well as the cash flow statement of the Group. 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 companies. The parent financial statements are prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the consolidated financial statements and 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 Danish disclosure requirements for listed financial companies, and for the preparation of parent financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and parent financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and parent financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent financial statements. The audit

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

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2011 and of the results of its operations and cash flows for the financial year 1 January to 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies.

In our opinion, the parent financial statements give a true and fair view of the Parent's financial position at 31 December 2011 and of the results of its operations for the financial year 1 January to 31 December 2011 in accordance with the Danish Financial Business Act.

Statement on the management commentary

Pursuant to the Danish Financial Business Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the consolidated financial statements and parent financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the consolidated financial statements and parent financial statements.

Copenhagen, 28 February 2012

Deloitte

Statsautoriseret Revisionspartnerselskab

Henrik Priskorn

State-Authorised Public Accountant

Jens Ringbæk

State-Authorised Public Accountant

Financial Statements

Balance sheet

DKKm	Note	Group	
		2011	2010
Assets			
Intangible assets	1	0	82
Owner-occupied properties	2	1,085	1,030
Deferred tax assets	3	758	660
Investments in associates	4	51	35
Reinsurers' share of insurance contracts	5	362	190
Current tax assets	6	6	2
Other assets	7	1,514	2,006
Loans and advances	8	10,217	12,485
Investment properties	9	433	451
Investment assets	10	29,280	29,292
Balances due from credit institutions and central banks	11	1,068	1,537
Cash in hand and balances at call		139	379
Total assets		44,913	48,149
Liabilities and equity			
Share capital		1,735	1,735
Reserves, retained earnings, etc.		2,358	2,863
Minority interests		113	160
Consolidated shareholders' equity	12	4,206	4,758
Subordinated debt	13	1,829	1,828
Provisions for insurance contracts	14	19,197	18,413
Other provisions	15	28	131
Deferred tax liabilities	16	46	46
Issued bonds	17	6,032	6,032
Other liabilities	18	1,008	1,751
Deposits	19	7,956	8,602
Payables to credit institutions and central banks	20	4,611	6,588
Total liabilities and equity		44,913	48,149
Contingent liabilities, guarantees and lease agreements	39		
Collateral security	40		
Related parties	41		
Classification of financial instruments	42		
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Income statement

DKKm	Note	Group	
		2011	2010
Income			
Premium income	21	5,496	5,481
Interest income, etc.	22	1,582	1,699
Fee income, etc.	23	96	123
Other income from investment activities	24	9	7
Profit/loss from investments in associates	25	-1	6
Other income	26	36	25
Total income		7,218	7,341
Costs			
Claims expenses	27	-4,908	-4,758
Interest expenses	28	-663	-580
Other expenses from investment activities		-44	-35
Impairment of loans, advances and receivables, etc.	29	-768	-660
Acquisition costs and administrative expenses	30	-1,270	-1,432
Total costs		-7,653	-7,465
Profit/loss from business ceded	31	208	-134
Change in life insurance provisions	32	-401	65
Change in collective bonus potential		27	-279
Value adjustments	33	125	47
Tax on pension investment returns	34	-150	-114
Profit/loss before tax		-626	-539
Tax	35	97	135
Profit/loss after tax		-529	-404
The profit/loss before tax is allocated as follows:			
Share attributable to Alm. Brand		-601	-536
Share attributable to minority interests	36	-25	-3
The profit/loss before tax allocated		-626	-539
The profit/loss after tax is allocated as follows:			
Share attributable to Alm. Brand		-503	-401
Share attributable to minority interests	36	-26	-3
The profit/loss after tax allocated		-529	-404
Earnings per share, DKK		-2.9	-24
Diluted earnings per share, DKK		-2.9	-24
Comprehensive income			
Profit/loss for the year		-529	-404
Revaluation of owner-occupied properties		36	11
Transferred to collective bonus potential		-36	-13
Total comprehensive income		-529	-406
Proposed allocation of loss:			
Share attributable to Alm. Brand		-503	-403
Share attributable to minority shareholders		-26	-3
Total comprehensive income		-529	-406
Technical result, non-life insurance	37		
Realised result, life insurance	38		

Statement of changes in equity

DKKm	Share capital	Contingency funds	Revaluation reserves	Other provisions	Retained profit	Shareholders' equity	Minority interests	Consolidated shareholders' equity
Shareholders' equity at 1 January 2010	1,388	182	2	1,923	1,923	3,495	199	3,694
Changes in shareholders' equity 2010:								
Profit/loss for the year			0		-401	-401	-3	-404
Reversed revaluation of owner-occupied properties			-2		13	11		11
Transferred to collective bonus potential			0		-13	-13		-13
Tax on changes recognised in equity			0		0	0		0
Comprehensive income	0	0	-2	0	-401	-403	-3	-406
Reduction of capital on 11 November 2010	-1,215			1,215		0		0
Share issue on 30 December 2010	1,562					1,562		1,562
Cost relating to share issue					-63	-63		-63
Purchase and sale of treasury shares					9	9		9
Purchase and sale of treasury shares in subsidiaries					-2	-2	-2	-4
Tax on changes recognised in equity					0	0		0
Change in share attributable to minority interests					0	0	-34	-34
Changes in shareholders' equity	347	0	-2	1,215	-457	1,103	-39	1,064
Shareholders' equity at 31 December 2010	1,735	182	0	1,215	1,466	4,598	160	4,758
Shareholders' equity at 1 January 2011	1,735	182	0	1,215	1,466	4,598	160	4,758
Changes in shareholders' equity 2011:								
Profit/loss for the year					-503	-503	-26	-529
Reversed revaluation of owner-occupied properties					36	36		36
Transferred to collective bonus potential					-36	-36		-36
Tax on changes recognised in equity						0		0
Comprehensive income	0	0	0	0	-503	-503	-26	-529
Purchase and sale of treasury shares					2	2		2
Purchase and sale of treasury shares in subsidiaries					-4	-4	-4	-8
Tax on changes recognised in equity					0	0		0
Change in share attributable to minority interests					0	0	-17	-17
Changes in shareholders' equity	0	0	0	0	-505	-505	-47	-552
Shareholders' equity at 31 December 2011	1,735	182	0	1,215	961	4,093	113	4,206

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

DKKm	2011	2010
Shareholders' equity at 31 December excluding minority interests	4,093	3,495
Consolidation of Pensionskassen under Alm. Brand A/S	-4	-9
Shareholders' equity according to the rules of the Danish Financial Supervisory Authority excluding minority interests	4,089	3,486

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

Cash flow statement

DKKm	Group	
	2011	2010
Cash flows from operating activities		
Premiums received	5,351	5,284
Claims paid	-4,723	-4,512
Interest, dividends, etc. received	1,551	1,652
Interest paid	-505	-395
Payments concerning reinsurance	33	-193
Fee income received	131	161
Fee income paid	-41	-43
Expenses paid	-1,357	-1,270
Tax on pension investment returns paid	-114	8
Acquisition of intangible assets, furniture, equipment, etc.	-68	7
Other ordinary income received	37	23
Taxes paid/received	4	9
Cash flows from operating activities	299	731
Change in investment placement (net)		
Properties acquired or converted	53	-5
Sale/acquisition of equity investments	194	20
Sale/repayment of mortgage deeds and loans	1,282	1,328
Sale/purchase of bonds	131	-1,697
Change in investment placement (net)	1,660	-354
Change in financing		
Other provisions	-18	1
Sale/purchase of treasury shares and cost related to share issue	2	-54
Sale/acquisition of subsidiaries (change in minority interests)	-25	-38
Share issue	0	1,562
Change in issued bonds	0	6,006
Change in deposits	-647	-2,271
Change in payables to credit institutions	-1,980	-4,744
Change in other liabilities	0	-303
Change in financing	-2,668	159
Change in cash and cash equivalents	-709	536
Cash and cash equivalents beginning of year	1,916	1,380
Cash and cash equivalents, year end	1,207	1,916
Cash and cash equivalents comprise the following items:		
Cash at bank and in hand	139	379
Amounts due from credit institutions and central bank, see Note 11	478	767
Amounts due from credit institutions and central bank, see Note 11	590	770
	1,207	1,916

Segment reporting, balance sheet

2011

DKKm	Note	Non-life	Banking	Life	Other	Elimi- nation	Total
Assets							
Intangible assets	1	0	0	0	0		0
Owner-occupied properties	2	0	0	0	0	1,085	1,085
Deferred tax assets	3	171	579	0	21	-13	758
Investments in associates	4	0	51	28	0	-28	51
Reinsurers' share of insurance contracts	5	336	0	26	0		362
Current tax assets	6	0	156	0	8	-158	6
Other assets	7	695	774	208	43	-206	1,514
Loans and advances	8	0	10,217	0	0	0	10,217
Investment properties	9	22	0	1,496	0	-1,085	433
Investment assets	10	9,056	8,599	11,622	3		29,280
Balances due from credit institutions and central banks	11	0	888	105	75	0	1,068
Cash in hand and balances at call		23	129	139	16	-168	139
Total assets		10,303	21,393	13,624	166	-573	44,913

Liabilities and equity

Share capital		0	0	0	1,735		1,735
Reserves, retained earnings, etc.		2,152	1,093	1,026	-1,913	0	2,358
Minority interests		0	141	0	0	-28	113
Consolidated shareholders' equity	12	2,152	1,234	1,026	-178	-28	4,206

Subordinated debt	13	149	1,430	120	250	-120	1,829
Provisions for insurance contracts	14	7,368	0	11,829	0		19,197
Other provisions	15	19	9	0	0		28
Deferred tax liabilities	16	0	0	13	46	-13	46
Issued bonds	17	0	6,000	0	32		6,032
Current tax liabilities	6	136	0	22	0	-158	0
Other liabilities	18	326	566	315	16	-215	1,008
Deposits	19	0	7,995	0	0	-39	7,956
Payables to credit institutions and central banks	20	153	4,159	299	0	0	4,611
Total liabilities and equity		10,303	21,393	13,624	166	-573	44,913

2010

DKKm	Note	Non-life	Banking	Life	Other	Elimi- nation	Total
Assets							
Intangible assets	1	82	0	0	0		82
Owner-occupied properties	2	0	0	0	0	1,030	1,030
Deferred tax assets	3	145	501	0	20	-6	660
Investments in associates	4	0	35	35	0	-35	35
Reinsurers' share of insurance contracts	5	163	0	27	0		190
Current tax assets	6	0	116	0	8	-122	2
Other assets	7	621	1,296	261	46	-218	2,006
Loans and advances	8	0	12,485	0	0		12,485
Investment properties	9	24	0	1,457	0	-1,030	451
Investment assets	10	8,331	9,676	11,282	3	0	29,292
Balances due from credit institutions and central banks	11	0	1,472	15	50	0	1,537
Cash in hand and balances at call		17	16	54	371	-79	379
Total assets		9,383	25,597	13,131	498	-460	48,149

Liabilities and equity

Share capital		0	0	0	1,735		1,735
Reserves, retained earnings, etc.		1,808	1,564	1,122	-1,631	0	2,863
Minority interests		0	195	0	0	-35	160
Consolidated shareholders' equity	12	1,808	1,759	1,122	104	-35	4,758

Subordinated debt	13	149	1,429	120	250	-120	1,828
Provisions for insurance contracts	14	6,920	0	11,493	0		18,413
Other provisions	15	21	110	0	0		131
Deferred tax liabilities	16	0	0	6	46	-6	46
Issued bonds	17	0	6,000	0	32		6,032
Current tax liabilities	6	74	0	48	0	-122	0
Other liabilities	18	379	1,159	328	66	-181	1,751
Deposits	19	0	8,598	0	0	4	8,602
Payables to credit institutions and central banks	20	32	6,542	14	0	0	6,588
Total liabilities and equity		9,383	25,597	13,131	498	-460	48,149

Segment reporting, income statement

							2011
DKKm	Note	Non-life	Banking	Life	Other	Elimi- nation	Total
Income							
Premiums	21	4,772	0	724	0		5,496
Interest income, etc.	22	268	877	438	4	-5	1,582
Fee income, etc.	23	0	131	0	0	-35	96
Other income from investment activities	24	1	0	82	0	-74	9
Profit/loss from investments in associates	25	0	-1	-6	0	6	-1
Other income	26	0	36	0	0		36
Total income		5,041	1,043	1,238	4	-108	7,218
Costs							
Claims expenses	27	-3,851	0	-1,057	0		-4,908
Interest expenses	28	-134	-513	-6	-15	5	-663
Other expenses from investment activities		-18	0	-28	-33	35	-44
Impairment of loans, advances and receivables, etc.	29	0	-768	0	0		-768
Acquisition costs and administrative expenses	30	-757	-517	-70	0	74	-1,270
Total costs		-4,760	-1,798	-1,161	-48	114	-7,653
Profit/loss from business ceded	31	207	0	1	0		208
Change in life insurance provisions	32	0	0	-401	0		-401
Change in collective bonus potential		0	0	63	0	-36	27
Value adjustments	33	-28	-430	547	0	36	125
Tax on pension investment returns	34	0	0	-150	0		-150
Profit/loss before tax		460	-1,185	137	-44	6	-626
Tax	35	-116	235	-32	10		97
Profit/loss after tax		344	-950	105	-34	6	-529
							2010
Income							
Premiums	21	4,762	0	719	0		5,481
Interest income, etc.	22	287	974	443	1	-6	1,699
Fee income, etc.	23	0	158	0	0	-35	123
Other income from investment activities	24	1	0	85	0	-79	7
Profit from investments in joint ventures	25	0	6	7	0	-7	6
Other income	26	2	23	0	0		25
Total income		5,052	1,161	1,254	1	-127	7,341
Costs							
Claims expenses	27	-3,702	0	-1,056	0		-4,758
Interest expenses	28	-127	-421	-4	-34	6	-580
Other expenses from investment activities		-19	0	-29	-22	35	-35
Impairment of loans, advances and receivables, etc.	29	0	-660	0	0		-660
Acquisition costs and administrative expenses	30	-839	-599	-73	0	79	-1,432
Total costs		-4,687	-1,680	-1,162	-56	120	-7,465
Profit/loss from business ceded	31	-136	0	2	0		-134
Change in life insurance provisions	32	0	0	65	0		65
Change in collective bonus potential		0	0	-292	0	13	-279
Value adjustments	33	-22	-346	428	0	-13	47
Tax on pension investment returns	34	0	0	-114	0		-114
Profit/loss before tax		207	-865	181	-55	-7	-539
Tax	35	-51	222	-50	14		135
Profit/loss after tax		156	-643	131	-41	-7	-404

Overview of notes

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Notes

DKKm	2011					2010				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Note 1 Intangible assets										
Software	0	0			0	82	0			82
Goodwill	0	0			0	0	0			0
Intangible assets, year-end					0	82	0			82
<i>Software</i>										
Cost beginning of year	338	0			338	338	52			390
Additions during the year	0	0			0	0	0			0
Disposals during the year	0	0			0	0	-52			-52
Cost, year-end	338				338	338				338
Accumulated amortisation and impairment, beginning of year	-256	0			-256	-220	-52			-272
Amortisation	-82	0			-82	-36	0			-36
Reversal of prior years' amortisation and impairment	0	0			0	0	52			52
Accumulated amortisation and impairment, year-end	-338				-338	-256				-256
Software, year-end	0	0			0	82	0			82
<i>Goodwill</i>										
Cost beginning of year		0			0		49			49
Additions during the year		0			0		0			0
Disposals during the year		0			0		-49			-49
Cost, year-end										
Accumulated amortisation and impairment, beginning of year		0			0		-49			-49
Amortisation		0			0		0			0
Impairment		0			0		0			0
Reversal of prior years' amortisation and impairment		0			0		49			49
Accumulated amortisation and impairment, year-end		0			0		0			0
Goodwill, year-end		0			0		0			0
At 31 December 2011, the group had fully written down the investment in the non-life insurance system.										
Note 2 Owner-occupied properties										
Cost beginning of year	0				1,062	1				1,062
Additions during the year	0				7	0				1
Disposals during the year	0				0	-1				-1
Cost, year-end					1,069					1,062
Accumulated revaluations beginning of year	0				71	2				60
Revaluations during the year	0				4	0				15
Reversal of prior year revaluation through shareholders' equity	0				-40	-2				-4
Accumulated revaluations, year-end					35					71
Accumulated depreciation and impairment, beginning of year	0				-103	0				-87
Impairment for the year	0				0	0				-20
Reversal of prior year impairment through the income statement	0				84	0				4
Accumulated depreciation and impairment, year-end					-19					-103
Owner-occupied properties, year-end	0				1,085	0				1,030

DKKm	2011					2010				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Restated value beginning of year	0				1,030	3				1,035
Additions during the year	0				7	0				1
Disposals during the year	0				0	-1				-1
Value adjustment recognised through the income statement	0				84	0				-16
Value adjustment recognised through shareholders' equity	0				-36	-2				11
Restated value, year-end					1,085	0				1,030
Average return, office property					6.00%					6.02%

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

Note 3 Deferred tax assets

Deferred tax assets beginning of year	145	501	-6	20	660	106	407	-6	14	521
Prior-year adjustment	5	-6	0	0	-1	16	-15	0	0	1
Change for the year	21	84	-7	1	99	23	109	0	6	138
Deferred tax assets, year-end	171	579	-13	21	758	145	501	-6	20	660
Deferred tax on equipment	64	2	0	7	73	38	2	0	7	47
Deferred tax on shares and bonds	0	0	0	0	0	0	-7	0	0	-7
Deferred tax on real estate	0	0	-14	0	-14	0	0	-7	0	-7
Deferred tax on goodwill	78	0	1	0	79	78	0	1	0	79
Deferred tax on lease assets	0	119	0	0	119	0	104	0	0	104
Deferred tax on provisions	29	0	0	2	31	29	7	0	3	39
Deferred tax on losses carried forward	0	458	0	12	470	0	395	0	10	405
Deferred tax assets, year-end	171	579	-13	21	758	145	501	-6	20	660

Deferred tax has been capitalised taking into account future earnings and the potential for utilisation. The group had total tax assets of some DKK 819 million at 31 December 2011, of which DKK 758 million has been capitalised.

Note 4 Investments in associates

Investments in associates

Cost beginning of year		29	45		29		29	45		29
Additions		18	0		18		0	0		0
Disposals		0	0		0		0	0		0
Cost, year-end		47	45		47		29	45		29
Revaluations and impairment beginning of year		6	-10		6		0	-17		0
Dividends		-1	-2		-1		0	0		0
Profit/loss for the year		-1	-6		-1		6	7		6
Revaluation due to change in ownership interest		4	-17		4		6	-10		6
Revaluations and impairment, year-end		4	-18		4		6	-10		6
Investment in associates, year-end		51	27		51		35	35		35

Investments in joint ventures

Cost beginning of year				0	0				60	60
Disposals				0	0				-60	-60
Cost, year-end				0	0				0	0
Revaluations and impairment beginning of year				0	0				-43	-43
Profit/loss for the year				0	0				0	0
Disposals				0	0				43	43
Revaluations and impairment, year-end				0	0				0	0
Investment in joint ventures, year-end				0	0				0	0
Investment in joint ventures, year-end		51	27	0	51		35	35	0	35

Investments in associates comprise Invest Administration A/S, Nordic Corporate Investments A/S, Cibor Invest A/S and Hirlap Finans ApS. Alm. Brand's ownership interest is 50% in Invest Administration A/S, 25% in Nordic Corporate Investment A/S, 33% in Cibor Invest A/S and 25% in Hirlap Finans ApS. In addition, Alm. Brand Liv og Pension A/S' part of the affiliated company Alm. Brand Formue A/S is included. The investment is eliminated at group level.

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

DKKm	2011			2010		
<i>Key figures of associates</i>	Net income	Total assets	Total liabilities	Net income	Total assets	Total liabilities
Invest Administration A/S	14	14	3	16	12	3
Nordic Corporate Investmensts A/S	18	185	60	14	184	65
Cibor Invest A/S	1	177	108	-	-	-
Hirlap Finans ApS	0	0	1	0	1	1
EDC-udvikling a/s	0	0	0	0	0	0

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

Reinsurers' share of life insurance provisions	0	24	24	0	24	24	24
Reinsurers' share of premium provisions	6	0	6	5	0	5	5
Reinsurers' share of claims provisions	330	2	332	158	3	161	161
Reinsurers' share of insurance contracts, year-end	336	26	362	163	27	190	190

Reinsurers' share of life insurance provisions

Beginning of year	24	24	27	27
Change for the year	0	0	-3	-3
Reinsurers' share of life insurance provisions, year-end	24	24	24	24

Reinsurers' share of premium provisions

Beginning of year	5	0	5	2	0	0	2
Premiums ceded	-338	0	-338	-238	0	0	-238
Payments to reinsurers	339	0	339	241	0	0	241
Discounting	0	0	0	0	0	0	0
Reinsurers' share of premium provisions, year-end	6	0	6	5	0	0	5

Reinsurers' share of claims provisions

Beginning of year	158	3	161	101	4	0	105
Disposals relating to divestments	0	0	0	0	0	0	0
Value adjustment	0	0	0	0	0	0	0
Claims ceded	540	-25	515	96	-30	0	66
Payments received from reinsurers	-368	24	-344	-40	29	0	-11
Discounting	0	0	0	1	0	0	1
Reinsurers' share of claims provisions, year-end	330	2	332	158	3	0	161

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	-74	116	-48	8	2	-86	92	-9	13	10
Prior-year tax adjustment	-5	6	0	0	1	-16	13	0	0	-3
Tax paid/received in respect of prior years	79	-122	48	-8	-3	102	-107	9	-13	-9
Tax paid during the year	1	3	3	0	7	0	2	2	0	4
Estimated tax on profit/loss for the year	-137	153	-25	8	-1	-74	116	-50	8	0
Current tax assets, year-end	-136	156	-22	8	6	-74	116	-48	8	2

	2011					2010				
DKKm	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Note 7 Other assets										
Receivables from policyholders	104	0	29	0	133	114	0	29	0	143
Receivables from insurance brokers	5	0	0	0	5	21	0	0	0	21
Receivables from insurance companies	122	0	2	0	124	0	0	9	0	9
Receivables from subsidiaries	172	0	0	8	0	190	0	0	0	0
Other receivables	98	0	1	31	104	73	0	28	38	111
Positive market value of derivatives	0	231	0	0	231	0	458	0	0	458
Furniture and equipment, computers, cars, etc.	28	97	0	0	125	30	47	0	0	77
Other assets	0	93	0	0	93	15	108	43	0	166
Pensionskassen under Alm. Brand A/S	0	0	0	4	4	0	0	0	8	8
Assets temporarily acquired	0	156	0	0	156	0	513	0	0	513
Interest receivable	142	190	160	0	492	149	163	136	0	448
Prepayments	24	7	16	0	47	29	7	16	0	52
Other assets, year-end	695	774	208	43	1,514	621	1,296	261	46	2,006
<i>Furniture and equipment, computers, cars, etc.</i>										
Cost beginning of year	222	68		0	290	223	74		0	297
Additions during the year	16	79		0	95	11	23		0	34
Disposals during the year	-122	-21		0	-143	-12	-29		0	-41
Cost, year-end	116	126		0	242	222	68		0	290
Accumulated depreciation and impairment,										
beginning of year	-192	-21		0	-213	-186	-26		0	-212
Depreciation for the year	-9	-18		0	-27	-11	-10		0	-21
Depreciation on disposals	113	10		0	123	5	15		0	20
Accumulated depreciation and impairment, year-end	-88	-29		0	-117	-192	-21		0	-213
Furniture and equipment, computers, cars, etc., year-end	28	97		0	125	30	47		0	77
Future minimum lease payments for assets held under operating leases										
Term of 1 year or less		13			13		11			11
Term of 1-5 years		83			83		30			30
Term of 5 years or more		0			0		0			0
Total		96			96		41			41
Alm. Brand has hedged its pension commitments in Pensionskassen under Alm. Brand A/S										
Discount rate beginning of year					2.10%					2.45%
Expected return on plan assets beginning of year					2.50%					3.60%
Present value of commitment beginning of year					-112					-115
Interest expenses					-2					-3
Benefits paid					12					12
Actuarial gains/losses on commitment					-28					-6
Present value of commitment year-end					-130					-112
Fair value of plan assets beginning of year					120					124
Expected return on plan assets					3					4
Benefits paid					-12					-12
Actuarial gains/losses on plan assets					23					4
Fair value of plan assets year-end					134					120
Present value of commitment					-130					-112
Fair value of plan assets					134					120
Net asset recognised in the balance sheet					4					8
Interest expenses					-2					-3
Expected return on plan assets					3					4
Actuarial gains/losses recognised					-5					-2
Costs recognised in the income statement					-4					-1

DKKm	2011					2010				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Net asset beginning of year					8					9
Costs recognised in the income statement					-4					-1
Net asset recognised in the balance sheet					4					8
Expected return on plan assets					3					4
Actuarial gains/losses on plan assets					23					4
Actual return on plan assets					26					8

Note 8 Loans and advances

Loans and advances at fair value	3,154	3,154	2,190	2,190
Loans and advances at amortised cost	7,063	7,063	10,295	10,295
Loans and advances, year-end	10,217	10,217	12,485	12,485

Loans and advances at fair value

Mortgage deeds	3,154	3,154	2,190	2,190
Loans and advances at fair value, year-end	3,154	3,154	2,190	2,190

Mortgage deeds are measured at fair value, using a valuation method estimating the present value of expected future cash flows. The valuation is based on observable market data (interest rates) in combination with expectations as to future prepayment and loss rates.

Loans and advances at amortised cost

Loans	8,559	8,559	11,389	11,389
Leases	116	116	193	193
	8,675	8,675	11,582	11,582
Impairment etc.	-1,612	-1,612	-1,287	-1,287
Loans and advances at amortised cost, year-end	7,063	7,063	10,295	10,295

Gross investment in finance leases

Term of less than one year	53	53	78	78
Term of between one and five years	68	68	120	120
Term of more than five years	4	4	9	9
	125	125	207	207
Unearned financial income	-9	-9	-14	-14
Net investment in finance leases, year-end	116	116	193	193

Net investment in finance leases

Term of less than one year	51	51	76	76
Term of between one and five years	62	62	110	110
Term of more than five years	3	3	7	7
Net investment in finance leases, year-end	116	116	193	193

Of this, any unguaranteed residual value

	-	-	-	-
Impairment of finance leases	4	4	5	5

*Value of loans and advances for which there is an objective indication of impairment**Individual assessment*

Loans and advances before impairment	2,866	2,866	3,193	3,193
Impairment, etc.	-1,562	-1,562	-1,196	-1,196
Individual assessment, year-end	1,304	1,304	1,997	1,997

Group assessment

Loans and advances before impairment	5,078	5,078	6,904	6,904
Impairment, etc.	-50	-50	-91	-91
Group assessment, year-end	5,028	5,028	6,813	6,813

Loans and advances after impairment, year-end	6,332	6,332	8,810	8,810
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As part of the risk management efforts, the fair value of fixed-rate loans is periodically hedged through the use of derivative financial instruments, see note 47.

DKKm	2011					2010				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Note 9 Investment properties										
Carrying amount beginning of year	24		1,457		451	23		1,449		440
Additions during the year	0		36		29	0		6		5
Disposals during the year	0		-34		-34	0		0		0
Value adjustments	-2		37		-13	1		2		6
Investment properties, year-end	22		1,496		433	24		1,457		451
Average return, office property	6.83%		6.09%		6.39%	6.07%		6.30%		6.63%
Average return, residential property			6.00%		6.00%			6.43%		6.00%
Total average return	6.83%		6.09%		6.36%	6.07%		6.79%		6.58%

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.

Note 10 Investment assets

Government bonds	534	0	2,000	0	2,534	684	1	3,890	0	4,575
Mortgage bonds	8,014	7,999	8,025	0	24,038	7,391	8,997	5,730	0	22,118
Other fixed-rate instruments	147	51	382	0	580	115	23	264	0	402
Other floating-rate instruments	236	0	34	2	272	98	0	131	2	231
Listed shares	0	365	576	0	941	0	461	899	0	1,360
Unlisted shares	8	184	210	1	403	23	194	231	1	449
Other	117	0	395	0	512	20	0	137	0	157
Investment assets, year-end	9,056	8,599	11,622	3	29,280	8,331	9,676	11,282	3	29,292

The group's holding of listed and unlisted shares had a market value of DKK 1,344 million at 31 December 2011 (2010: DKK 1,809 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 1,936 million at 31 December 2011 (2010: DKK 2,156 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.

Note 11 Balances due from credit institutions and central banks

Balances at notice with central banks	0	400	0	0	400	0	595	0	0	595
Balances due from credit institutions	0	488	105	75	668	0	877	15	50	942
Balances due from credit institutions and central banks, year-end	0	888	105	75	1,068	0	1,472	15	50	1,537
<i>By term to maturity:</i>										
Balances at call	0	478	0	0	478	0	767	0	0	767
Up to and including 3 months	0	410	105	75	590	0	705	15	50	770
Over 3 months and up to and including 1 year	0	0	0	0	0	0	0	0	0	0
Year-end	0	888	105	75	1,068	0	1,472	15	50	1,537

Receivables in connection with genuine purchase and resale transactions:

Due from credit institutions and central banks	0				0		0			0
Other debtors	0				0		0			0
Year-end	0				0		0			0

Note 12 Consolidated shareholders' equity

Share capital					1,735					1,388
Reduction of capital on 11 November 2010					0					-1,215
Share issue on 30 December 2010					0					1,562
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 1792 fmba
Midtermolen 7
DK-2100 Copenhagen
Denmark

DKKm	2011	2010	2009	2008	2007
Share capital beginning of year	1,735	1,388	1,476	1,668	1,788
Reduction of capital on 11 November 2010	0	-1,215	0	0	0
Share issue on 30 December 2010	0	1,562	0	0	0
Cancellation of treasury shares	0	0	-88	-192	-120
Share capital, year-end	1,735	1,735	1,388	1,476	1,668

Reference is made to the statement of changes in equity.

DKKm	2011	2010
<i>Solvency</i>		
Tier 1 capital after deductions	3,595	4,591
Capital base after deductions	3,879	4,540
Weighted items subject to credit risks	11,676	13,859
Weighted items subject to market risks	1,851	1,815
Weighted items subject to operational risks	534	558
Total weighted items	14,061	16,232
Tier 1 capital after deductions as a percentage of total weighted items	25.5%	28.3%
Solvency ratio	27.6%	28.0%

The risk-weighted items have been prepared in accordance with the Danish Financial Business Act.

<i>No. of shares</i>		
Reconciliation of the no. of shares (1,000)		
Issued shares beginning of year	173,500	17,350
Treasury shares beginning of year	-421	-515
No. of shares beginning of year	173,079	16,835
Employee shares issued	579	94
Share issue	0	156,150
Issued shares year end	173,500	173,500
Treasury shares year end	-298	-421
No. of shares at year end	173,202	173,079
<i>Treasury shares</i>		
Carrying amount beginning of year	0	0
Value adjustment	3	9
Acquired during the year	3	0
Sold during the year	-6	-7
Sale of Pre-emptive Rights	0	-2
Treasury shares, year-end	0	0
Nominal value beginning of year	4	41
Acquired during the year	5	0
Sold during the year	-6	-7
Sold during the year	0	-38
Allocation of Pre-emptive Rights	0	38
Reduction of capital	0	-30
Nominal value, year-end	3	4
Holding (no. of shares) beginning of year	421	515
Acquired during the year	456	0
Sold during the year	-579	-94
Sale of Pre-emptive Rights	0	-3,793
Allocation of Pre-emptive Rights	0	3,793
Holding (no. of shares), year-end	298	421
Percentage of share capital, year-end	0.2%	0.2%

	2011					2010				
DKKm	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Note 13 Subordinated debt										
<i>Subordinated loan capital</i>										
Floating rate bullet loans maturing 2013.05.09	0	100	0	0	100	0	100	0	0	100
Floating rate bullet loans maturing 2014.05.09	0	100	0	0	100	0	100	0	0	100
Floating rate bullet loans maturing 2015.12.03	0	200	0	0	200	0	200	0	0	200
Floating rate bullet loans maturing 2020.03.15	0	0	120	0	0	0	0	120	0	0
Floating rate bullet loans maturing 2020.03.15	149	0	0	0	149	149	0	0	0	149
Floating rate bullet loans maturing 2017.09.07	0	0	0	250	250	0	0	0	250	250
Subordinated loan capital, year-end	149	400	120	250	799	149	400	120	250	799
<i>Hybrid loan capital</i>										
Fixed rate bullet loans in DKK with indefinite terms		175			175		175			175
State-funded capital injection, bullet loan i DKK with an indefinite term		855			855		854			854
Hybrid loan capital, year-end		1,030			1,030		1,029			1,029
Hedging of interest rate risk at fair value					0		0			0
Subordinated debt, year-end	149	1,430	120	250	1,829	149	1,429	120	250	1,828
Interest on subordinated debt	5	117	4	14	136	4	116	4	13	133
Extraordinary instalments	0	0	0	0	0	0	0	0	0	0
Costs incurred in connection with the raising of the subordinated debt	0	0	0	0	0	0	0	0	0	0
The subordinated loan capital in the non-life insurance segment carries interest at a floating rate of three-month EURIBOR plus 1.80 basis points.										
The subordinated loan capital in the banking segment carries interest at a floating rate of three-month CIBOR plus 1.05-2.20 percentage points or six-month CIBOR plus 1.00 percentage points.										
The subordinated loan capital in the life insurance segment carries interest at a floating rate of three-month EURIBOR plus 1.80 basis points.										
The hybrid loan capital of DKK 175 million was issued on 12 October 2006 and is subject to a rate of interest for the first ten-year term of 5.855%. Subsequently, the capital certificates carry interest at 3M CIBOR plus 2.70 percentage points. As a part of the risk management efforts, the fair value of the hybrid Tier 1 capital is hedged by way of derivative financial instruments. See note 47.										
The state-funded capital injection in the form of hybrid Tier 1 capital was issued on 24 September 2009 at an interest rate of 11.01%. During the period from 25 September 2012 to 24 September 2014, the capital injection may be redeemed at par.										
The subordinate loan capital in the segment Other carries a floating rate of interest of 3M CIBOR plus 4.0 percentage points.										
In connection with the calculation of the capital base, DKK 1,829 million of the group's subordinated capital of DKK 1,753 million was recognised in accordance with the applicable rules.										
Note 14 Provisions for insurance contracts										
Unearned premium provisions	1,831		0		1,831	1,831		0		1,831
Life insurance provisions	0		11,332		11,332	0		10,931		10,931
Outstanding claims provisions	5,537		43		5,580	5,089		45		5,134
Collective bonus potential	0		454		454	0		517		517
Provisions for insurance contracts, year-end	7,368		11,829		19,197	6,920		11,493	0	18,413
<i>Unearned premium provisions</i>										
Beginning of year	1,831				1,831	1,801				1,801
Exchange rate adjustment	0				0	0				0
Premiums received	4,746				4,746	4,771				4,771
Premiums recognised as income	-4,772				-4,772	-4,762				-4,762
Discounting, all years	7				7	9				9
Value adjustment, all years	19				19	12				12
Unearned premium provisions, year-end	1,831				1,831	1,831				1,831

DKKm	2011	2010
<i>Life insurance provisions</i>		
Life insurance provisions beginning of year	10,931	10,994
Accumulated value adjustments beginning of year	-766	-490
Retrospective provisions beginning of year	10,165	10,504
Adjustment negative bonus	0	-167
Change in share of provisions in Forenede Gruppeliv	-4	-2
Gross premiums	724	719
PAL compensation (gross)	0	0
Interest	371	289
Resetting negative bonus	10	10
Claims and benefits	-1,063	-1,057
Expense supplement after addition of expense bonus	-84	-84
Risk gain after addition of risk bonus	-92	-48
Change as a result of changes in the level of interest rates and mortality rates (annuities)	0	1
Other changes	11	0
Retrospective provisions, year-end	10,038	10,165
Accumulated value adjustments, year-end	1,294	766
Life insurance provisions, year-end	11,332	10,931
Guaranteed benefits	10,153	9,272
Bonus potential on future premiums	786	1,084
Bonus potential on paid-up policy benefits	393	575
Life insurance provisions, year-end	11,332	10,931

DKKm	2011			
	Guaranteed benefits	Bonus potential on future premiums	Bonus potential on paid-up policy benefits	Total
<i>Life insurance provisions per basis</i>				
Yield group 0	-42	106	18	82
Yield group 1	3,333	577	323	4,233
Yield group 3	1,598	59	40	1,697
Yield group 4	5,115	44	12	5,171
Portfolios with bonus entitlement, year-end	10,004	786	393	11,183
Yield group L66/U74	149	0	0	149
Portfolios without bonus entitlement, year-end	149	0	0	149
Life insurance provisions year-end	10,153	786	393	11,332

DKKm	2010				
<i>Life insurance provisions per basis</i>					
G82 2%	0	1,935	855	528	3,318
G82 3%	0	1,023	116	48	1,187
G82 3,49%	0	1,933	61	37	2,031
G82 5%	0	3,971	52	-38	3,985
G82 8%-16%	0	0	0	0	0
L66 4,5%	0	1	0	0	1
Non-guaranteed	0	232	0	0	232
Portfolios with bonus entitlement year-end	0	0	0	0	0
		9,095	1,084	575	10,754
L66 13,6%	0	1	0	0	1
U74 12%-20%	0	176	0	0	176
Portfolios without bonus entitlement year-end	0	0	0	0	0
		177	0	0	177
Life insurance provisions, year-end	0	0	0	0	0
		9,272	1,084	575	10,931

Provisions in Alm. Brand Liv og Pension A/S are stated at market value based on an expected cash flow discounted using the Government bond-adjusted yield curve published by the Danish Financial Supervisory Authority.

DKKm **2011** **2010**

Guaranteed benefits include a supplement pursuant to section 66(5) of the executive order on the presentation of financial reports by insurance companies, to the effect that the minimum value provided is equal to the guaranteed surrender value.

The supplement has been calculated taking into account the probability of surrender and totals	62	7
Without taking into account the probability of surrender, the supplement amounts to	62	7
When calculating life insurance provisions at market value, a risk premium has been included, which amounts to	12.00%	12.00%

2011 **2010**

DKKm	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<i>Outstanding claims provisions</i>										
Beginning of year	5,089		45		5,134	4,830		44		4,874
Claims paid regarding current year	-2,220		-1,059		-3,279	-2,050		-1,055		-3,105
Claims paid regarding previous years	-1,531		0		-1,531	-1,522		0		-1,522
Change in claims regarding current year	4,058		1,057		5,115	3,850		1,056		4,906
Change in claims regarding previous years	-207		0		-207	-148		0		-148
Discounting	121		0		121	114		0		114
Value adjustment, all years	189		0		189	58		0		58
Hedging of inflation risk	38		0		38	-43		0		-43
Outstanding claims provisions, year-end	5,537		43		5,580	5,089		45		5,134

The determination of expected future inflation is explained in the accounting policies. For provisions for workers' compensation the inflation factor applied for 2011 is 3.47%.

DKKm **2006** **2007** **2008** **2009** **2010** **2011** **Total**

Run-off triangle, gross

<i>Estimated accumulated claims</i>							
Year-end		2,824	3,241	3,604	3,756	3,887	4,126
1 year later		3,021	3,511	3,684	3,737	3,810	
2 years later		2,962	3,558	3,661	3,777		
3 years later		2,914	3,536	3,723			
4 years later		2,914	3,523				
5 years later		2,924					
		2,924	3,523	3,723	3,777	3,810	4,126
Paid to date		-2,659	-3,193	-3,207	-3,133	-2,974	-2,186
Provisions before discounting effect, year-end		265	330	516	644	836	1,940
Discounting effect		-1	-2	-5	-7	-11	-23
Accumulated value change, health and personal accident insurance		2	5	6	7	8	11
		266	333	517	644	833	1,928
Provisions from 2005 and prior years							1,016
Gross outstanding claims provisions, year-end							5,537

DKKm	2006	2007	2008	2009	2010	2011	Total
<i>Run-off triangle, net of reinsurance</i>							
Estimated accumulated claims							
Year-end	2,802	3,234	3,589	3,703	3,811	3,559	
1 year later	3,004	3,498	3,671	3,680	3,768		
2 years later	2,945	3,540	3,639	3,712			
3 years later	2,900	3,520	3,704				
4 years later	2,906	3,510					
5 years later	2,915						
	2,915	3,510	3,704	3,712	3,768	3,559	21,168
Paid to date	-2,651	-3,186	-3,201	-3,123	-2,954	-1,864	-16,979
Provisions before discounting effect, year-end	264	324	503	589	814	1,695	4,189
Discounting effect	-1	-2	-5	-8	-11	-23	-50
Accumulated value change, health and personal accident insurance	4	6	8	6	9	15	48
	267	328	506	587	812	1,687	4,187
Provisions from 2005 and prior years							1,021
Outstanding claims provisions year-end, net of reinsurance							5,208

The table indicates the historical development of the assessed final liability (the sum of payments and provisions) for each claim year from 2006 to 2011. 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	2011					2010				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<i>Undiscounted expected cash flows</i>										
<u>Life insurance provisions</u>										
Cash flow 1 year or less			394		394			333		333
Cash flow 1-5 years			1,617		1,617			1,470		1,470
Cash flow 5 years or more			12,746		12,746			13,713		13,713
<u>Gross claims provisions</u>										
Cash flow 1 year or less	1,823		43		1,866	1,902		45		1,947
Cash flow 1-5 years	1,587		0		1,587	1,502		0		1,502
Cash flow 5 years or more	1,500		0		1,500	1,511		0		1,511
<i>Collective bonus potential</i>										
Beginning of year			517		517			225		225
Provisions for the year through profit or loss			-63		-99			292		279
Transferred from revaluation reserves										
from equity			0		36			0		13
Collective potential, year end			454		454			517		517

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 retro-active effect.

Social inflation has a particular impact on claims levels within workers' compensation, vehicle and liability insurance.

When discounted provisions are made, expectations of the future inflation and discount rates on long-tail business are sensitive to changes.

Adequacy of provisions

The outstanding claims provisions are calculated using actuarial methods and with due consideration to avoiding run-off losses and run-off gains. At the time they are calculated, the provisions represent the best estimate of future claims expenses in respect of the current and earlier claims years. The outstanding claims provisions are recalculated every month, which means that the level is considered adequate at all times.

DKKm	2011					2010				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Note 15 Other provisions										
Provisions for jubilees, severance payments, etc.	19	2			21	21	2			23
Provisions for losses on guarantees	0	7			7	0	108			108
Other provisions, year-end	19	9	0	0	28	21	110	0	0	131
Provisions for jubilees, severance payment, etc.,										
beginning of year	21	2			23	22	3			25
New and adjusted provisions	-5	-1			-6	-1	0			-1
Net provisions recognised during the year	-2	0			-2	-2	-1			-3
Reversed provisions during the year	-1	0			-1	-1	0			-1
Discounting effect	6	1			7	3	0			3
Provisions for jubilees, severance payment, etc., year-end	19	2	0	0	21	21	2	0	0	23
Provisions for losses on guarantees beginning										
of year		108			108		65			65
Provisions for the year		7			7		45			45
Reversed provisions for the year		0			0		-2			-2
Reversed provisions during the year		-108			-108		0			0
Provisions for losses on guarantees, year-end	0	7	0	0	7	0	108	0	0	108

Other provisions cover provisions for: Provisions for jubilees, severance of service, etc. have been calculated using an estimated likelihood of disbursement.

Note 16 Deferred tax liabilities

Deferred tax on contingency funds				46	46				46	46
Deferred tax liabilities, year-end	0	0	0	46	46	0	0	0	46	46

The company is liable to pay a possible tax amount in Denmark in respect of recaptured losses in foreign entities. The liability amounts to a maximum of DKK 316 million.

The amount will fall due for payment if the foreign operations exit from the joint taxations scheme before 2015.

Note 17 Issued bonds

Floating-rate loan in DDK with expiry on 2013.06.30		6,000		0	6,000		6,000		0	6,000
Employee bonds		0		32	32		0		32	32
Issued bonds, year-end	0	6,000	0	32	6,032	0	6,000	0	32	6,032

Note 18 Other liabilities

Payables to policyholders	15	0	0	0	15	47	0	0	0	47
Payables related to direct insurance	0	0	10	0	10	0	0	7	0	7
Payables related to reinsurance	0	0	1	0	1	4	0	1	0	5
Payables to subsidiaries	129	54	6	2	2	78	49	14	13	0
Negative market value of derivatives	0	324	0	0	324	0	439	0	0	439
Liabilities temporarily acquired	0	50	0	0	50	0	454	0	0	454
Other payables	182	136	298	14	604	250	214	305	53	795
Deferred income	0	2	0	0	2	0	3	1	0	4
Other liabilities, year-end	326	566	315	16	1,008	379	1,159	328	66	1,751

Note 19 Deposits

Deposits at call		3,430			3,399		4,366			4,383
At notice		3,563			3,563		3,285			3,285
Time deposits		11			3		24			11
Special categories of deposits		991			991		923			923
Deposits, year-end	0	7,995	0	0	7,956	0	8,598	0	0	8,602

Note 20 Payables to credit institutions and central banks

Central banks			0	0	0		0	0		0
Credit institutions	153	4,159	299		4,611	32	6,542	14		6,588
Payables to credit institutions and central banks, year-end	153	4,159	299	0	4,611	32	6,542	14	0	6,588

Of which falling due after more than five years 0 0 0 0 0 0 0 0 0 0

Debt arising from genuine purchase and resale transactions:

Debt to credit institutions and central banks 0 0 0 0 0 0 574 0 0 574

DKKkM	2011					2010				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Note 21 Premium income										
Gross premium	4,746		724		5,470	4,770		719	0	5,489
Change in unearned premium provisions	26		0		26	-8		0	0	-8
Total premium income	4,772		724		5,496	4,762		719	0	5,481

Direct insurance is exclusively written in Denmark

Premium income, life insurance

Regular premiums			603		603			629		629
Single premiums			121		121			90		90
Total premium income, life insurance			724		724			719		719

Individually written insurance			349		349			345		345
Insurance written in employment relationship			203		203			210		210
Group life schemes			172		172			164		164
Total premium income, life insurance			724		724			719		719

Number of policies ('000)

Individually written insurance			70		70			74		74
Insurance written in employment relationship			7		7			7		7
Group life schemes			65		65			65		65

All policies written include a bonus arrangement.

The life insurance company only writes direct Danish insurance.

Note 22 Interest income, etc.

Equity investments	2	0	14	0	16	1	0	18	0	19
Bonds	233	264	373	0	870	243	299	423	0	965
Loans secured by mortgages	0	180	0	0	180	0	172	0	0	172
Other loans	0	455	0	0	455	0	556	0	0	556
Deposits in credit institutions	4	19	2	4	28	6	6	1	0	10
Other investment assets	29	-41	49	0	33	37	-59	1	1	-23
Total interest income, etc.	268	877	438	4	1,582	287	974	443	1	1,699

Note 23 Fee income, etc.

Securities trading and deposits		116			81		133			98
Payment transfers		5			5		7			7
Loan fees		1			1		1			1
Commission fees		6			6		7			7
Other fees and commissions		35			35		39			39
Dividends		11			11		14			14
Fees paid		-43			-43		-43			-43
Total fee income, etc.		131			96		158			123

Note 24 Other income from investment activities

Rental income	2		109		7	2		140		33
Operation and maintenance - occupied leases	-1		-20		9	-1		-50		-21
Operation and maintenance - vacant leases	0		-7		-7	0		-5		-5
Total other income from investment activities	1		82		9	1		85		7

Note 25 Profit/loss from investments in associates

Investments in associates		-1	-6	0	-1		6	7	0	6
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Profit/loss from investments in associates comprises the group's share of the profit in EDC-udvikling a/s, Invest Administration A/S, Nordic Corporate Investments A/S, Cibor Invest A/S and Hirlap Finans ApS. Alm. Brand Liv og Pension A/S's share of the sister company Alm. Brand Formue A/S is recognised under investment in associates. The share is eliminated at group level.

DKK M	2011					2010				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Note 26 Other income										
Income related to building surveyors	0	0			0	2	0			2
Other	0	36			36	0	23			23
Total other income		36			36	2	23			25

Note 27 Claims expenses										
Claims paid	-3,751		-1,058		-4,809	-3,572		-1,055		-4,627
Change in outstanding claims provisions	-100		1		-99	-130		-1		-131
Total claims expenses	-3,851		-1,057		-4,908	-3,702		-1,056		-4,758
Run-off result, gross	206				206	147				147
Run-off result, ceded business	-53				-53	-8				-8
Run-off result, net	153				153	139				139

The run-off result includes value adjustment of inflation swaps used to hedge inflation risk related to workers' compensation.

Claims and benefits paid, life insurance

Insurance sums on death			-85		-85			-90		-90
Insurance sums on critical illness			-17		-17			-16		-16
Insurance sums on disability			-7		-7			-7		-7
Insurance sums on expiry			-211		-211			-221		-221
Pension and annuity benefits			-309		-309			-306		-306
Surrenders			-337		-337			-325		-325
Cash bonus payments			-93		-93			-90		-90
Total claims and benefits, life insurance			-1,059		-1,059			-1,055		-1,055

Note 28 Interest expenses

Credit institutions and central banks	0	-106	0	0	-106	0	-90	0	0	-90
Deposits and other payables	0	-125	0	0	-124	0	-152	0	0	-149
Issued bonds	0	-163	0	-1	-164	0	-61	0	-1	-62
Subordinated debt	-5	-117	-4	-14	-136	-4	-116	-4	-13	-134
Other interest expenses	-2	-2	-2	0	-6	-1	-2	0	-20	-23
Discounting insurance contracts	-127	0	0	0	-127	-122	0	0	0	-122
Total interest expenses	-134	-513	-6	-15	-663	-127	-421	-4	-34	-580

Note 29 Impairment of loans, advances and receivables, etc.

Individual assessment:

Impairment and value adjustments, respectively, during the year		-776			-776		-661			-661
Reversal of impairment in previous years		88			88		146			146
Total individual assessment		-688			-688		-515			-515

Group assessment:

Impairment and value adjustments, respectively, during the year		-23			-23		-53			-53
Reversal of impairment in previous years		65			65		34			34
Total group assessment		42			42		-19			-19

Losses not previously provided for		-152			-152		-152			-152
Bad debts recovered		30			30		26			26
Other losses and provisions		0			0		0			0
Total impairment of loans, advances and receivables, etc.		-768			-768		-660			-660

DKKm	2011					2010				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Note 30 Acquisition costs and administrative expenses										
Acquisition commission, etc.	-147	0	-1	0	-148	-157	0	-4	0	-161
Other acquisition costs	-362	0	-33	0	-395	-427	0	-30	0	-457
Administrative expenses	-248	-517	-36	0	-727	-255	-599	-39	0	-814
Total acquisition costs and administrative expenses	-757	-517	-70	0	-1,270	-839	-599	-73	0	-1,432
Salaries and wages					906					987
Pension					131					142
Payroll tax, etc.					100					94
Total salaries and wages, pension, etc.					1,137					1,223

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	1,725
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From this:

Remuneration to the Management Board (DKK '000)

Salaries	5,024	4,804
Pension plans	1,322	1,250
Total remuneration to the Management Board	6,346	6,054

Remuneration to the Board of Directors (DKK '000)

Directors' fees	3,240	3,135
Total remuneration to the Board of Directors	3,240	3,135

No bonus was earned to the members of the Management Board in relation to 2011. Remuneration to the members of the Management Board comprises remuneration to Chief Executive 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 36 months' salary.

A bonus scheme has been established for the Alm. Brand Group's senior management, including the Management Board. The bonus scheme for the Management Board and senior management employees is, along with Alm. Brand's bonus scheme for other managers and specialists, detailed further in the section Employees and development. The bonus scheme has no material effect on the cost level and does not comprise stock options.

Remuneration to key employees (DKK '000)

Fixed salary	17,512
Pension	2,126
Total remuneration to key employees	19,638

No. of key employees	6
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The remuneration paid in 2011 comprises salary and severance payment for a former CFO. No bonus was paid to key employees.

DKKm	2011					2010				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
<i>Audit fees (DKK '000)</i>										
Deloitte - Audit	1,641	1,411	588	625	4,265	1,370	1,442	535	617	3,964
Deloitte - Engagements other than audits and reviews	199	578	51	0	828	183	523	13	2,400	3,119
Deloitte - Tax consultancy	0	13	0	464	477	0	0	0	412	412
Deloitte - Non-audit services	591	9,424	34	251	10,300	1,058	2,000	0	104	3,162
Total audit fees	2,431	11,426	673	1,340	15,870	2,611	3,965	548	3,533	10,657
Note 31 Profit/loss from business ceded										
Reinsurance premiums ceded	-337		-25		-362	-235		-27		-262
Reinsurers' share received	368		24		392	40		27		67
Change in reinsurers' share of insurance contracts	172		-1		171	55		-1		54
Commissions and profit shares from reinsurance companies	4		3		7	4		3		7
Total loss from business ceded	207		1	0	208	-136		2		-134

DKK M	2011					2010				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Note 32 Change in life insurance provisions										
Guaranteed benefits			-735		-735			-410		-410
Bonus potential on future premiums			298		298			287		287
Bonus potential on paid-up policies			182		182			187		187
Change in share of provisions in Forenede Gruppeliv			-146		-146			1		1
Total change in life insurance provisions			-401		-401			65		65

Note 33 Value adjustments

Investment assets

Equity investments	-1	-109	-141	0	-251	1	-16	136	0	121
Unit trust units	0	-2	-17	0	-19	0	7	53	0	60
Bonds	87	-17	338	0	408	34	-81	290	0	243
Shares in collective investments	0	0	0	0	0	0	0	0	0	0
Loans secured by mortgages	0	-98	0	0	-98	0	-277	0	0	-277
Other investment assets	97	-193	311	0	215	12	24	-57	0	-21
Exchange rate adjustments	0	-11	0	0	-11	0	-3	0	0	-3
	183	-430	491	0	244	47	-346	422	0	123

Land and buildings

Investment properties	-2	0	56	0	6	1	0	6	0	10
Owner-occupied properties	0	0	0	0	84	0	0	0	0	-16
	181	-430	547	0	334	48	-346	428	0	117
Discounting insurance contracts	-209	0	0	0	-209	-70	0	0	0	-70
Total value adjustments	-28	-430	547	0	125	-22	-346	428	0	47

Change in fair values based on valuation models and recognised in the income statement

Mortgage deeds	0	127	0	0	127	0	22	0	0	22
Unlisted shares	-1	0	16	0	15	2	0	2	0	4
Investment properties	-2	0	56	0	6	1	0	6	0	10
Owner-occupied properties	0	0	0	0	84	0	0	0	0	-16
Total change in fair values	-3	127	72	0	232	3	22	8	0	20

Note 34 Tax on pension investment returns

Tax on pension investment returns regarding prior years			-1		-1			0		0
Tax on pension investment returns regarding current year			-149		-149			-114		-114
Total tax on pension investment returns			-150		-150			-114		-114

Note 35 Tax

Estimated tax on profit/loss for the year	-137	153	-25	8	-1	-74	116	-50	8	0
Adjustment of tax relating to prior years	0	0	0	0	0	0	-2	0	0	-2
Final withholding tax paid	0	-2	0	0	-2	0	-1	0	0	-1
Adjustment of deferred tax relating to prior years	21	84	-7	2	100	23	109	0	6	138
Total tax	-116	235	-32	10	97	-51	222	-50	14	135

Effective tax rate:

Current tax rate	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
Adjustment of deferred tax relating to prior years	-0.8%	-0.5%	-0.2%	-0.7%	-0.3%	-7.5%	-1.7%	0.0%	-0.2%	0.2%
Adjustment of tax relating to prior years	0.8%	0.5%	0.2%	0.7%	0.3%	7.5%	1.7%	0.0%	0.4%	-0.1%
Tax adjustment	0.2%	-5.2%	-1.6%	0.0%	-9.4%	-0.4%	0.7%	2.6%	0.3%	0.3%
Total effective tax rate	25.2%	19.8%	23.4%	25.0%	15.6%	24.6%	25.7%	27.6%	25.5%	25.4%

	2011					2010				
DKKm	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Note 36 Share attributable to minority interests										
<i>Share of profit/loss before tax attributable to minority interests</i>										
Alm. Brand Formue A/S		-31			-25		4			-3
Alm. Brand Pantebreve A/S		0			0		0			0
Total share of profit/loss before tax attributable to minority interests		-31			-25		4			-3
<i>Share of profit/loss after tax attributable to minority interests</i>										
Alm. Brand Formue A/S		-32			-26		4			-3
Alm. Brand Pantebreve A/S		0			0		0			0
Total share of profit/loss after tax attributable to minority interests		-32			-26		4			-3

Note 37 Technical result, non-life insurance

DKKm	Health and accident insurance	Workers' compensation insurance	Vehicle insurance, liability	Vehicle insurance, loss or damage	Fire & property insurance, private	Fire & property insurance, commercial	Liability insurance	Other direct insurance	2011 Total
Gross premiums	547	268	544	832	1,076	1,172	91	216	4,746
Gross premium income	553	268	543	833	1,076	1,160	91	248	4,772
Gross claims expenses	-292	-116	-505	-406	-923	-1,364	-72	-173	-3,851
Gross operating expenses	-88	-43	-45	-175	-177	-175	-15	-39	-757
Profit/loss from business ceded	-4	-3	-2	0	59	159	-1	-1	207
Investment return on insurance business	4	2	5	7	9	10	1	2	40
Total technical result	173	108	-4	259	44	-210	4	37	411
No. of claims	11,323	2,376	14,186	42,557	84,280	34,561	2,059	25,548	216,890
Frequency of claims	0.036	0.083	0.039	0.142	0.203	0.284	0.044	0.110	0.119
Average damages paid for claims incurred, DKK '000	29	107	29	11	11	40	28	8	19

DKKm	Health and accident insurance	Workers' compensation insurance	Vehicle insurance, liability	Vehicle insurance, loss or damage	Fire & property insurance, private	Fire & property insurance, commercial	Liability insurance	Other direct insurance	2010 Total
Gross premiums	494	279	542	851	1,103	1,181	95	225	4,770
Gross premium income	488	277	543	852	1,092	1,168	95	247	4,762
Gross claims expenses	-391	-190	-515	-458	-881	-1,022	-56	-189	-3,702
Gross operating expenses	-88	-47	-49	-201	-200	-190	-15	-49	-839
Profit/loss from business ceded	-1	-3	-3	0	-9	-119	-1	0	-136
Investment return on insurance business	3	2	4	6	8	9	0	1	33
Total technical result	11	39	-20	199	10	-154	23	10	118
Numbers of claims	11,937	2,780	15,854	47,561	77,927	29,028	2,219	24,284	211,590
Frequency of claims	0.035	0.091	0.042	0.154	0.128	0.234	0.045	0.065	0.096
Average damages paid for claims incurred, DKK '000	31	91	29	11	12	36	22	9	18

Direct insurance is written only in Denmark

DKKm	2011	2010
Note 38 Realised result, life insurance		
Technical result of life insurance activities	116	151
Transfer of investment return	64	55
Tax on pension investment return	150	114
Change in collective bonus potential	-63	292
Change in bonus potential on paid-up policies	-4	0
Result of portfolios without bonus entitlement	-24	-13
Addition of bonus	68	54
Return equity deposit	-21	-30
Health and accident insurance deposits	-52	-25
Realised result	234	598
<i>Return requirement for shareholders' equity</i>		
Unconditional shares:		
Actual investment return before tax on pension investment return	21	30
Result of portfolios without bonus entitlement	24	13
Result of health and accident insurance	22	1
Total unconditional shares	67	44
Conditional shares:		
Risk premium of 0.5% of the average life insurance provisions	11	54
100% of expense result, net of reinsurance	16	15
25% of risk result, net of reinsurance	70	13
Total conditional shares	97	82
Profit/loss for the year before tax	164	126
Transferred to shadow account	-5	57
Profit/loss for the year before tax including health and accident insurance	159	183
Profit/loss for the year before tax excluding health and accident insurance	137	181
Note 39 Contingent liabilities, guarantees and lease agreements		
Guarantee commitments	1,545	1,888

The group's companies have made lease and rental agreements for computer equipment and premises with total annual payments of DKK 89 million allocated over a five-year period.

The Alm. Brand Group has made forward currency contracts to hedge foreign exchange and interest rate risk.

As part of its ordinary banking operations, Alm. Brand Bank has a number of contingent liabilities, which in accordance with IFRS are not recognised in the balance sheet. Financial guarantees and loss guarantees in respect of mortgage loans were mainly provided in connection with the business partnership agreements with Totalkredit, DLR Kredit and BRF Kredit, and other contingent liabilities include guarantees provided to the Private Contingency Association and the Danish Guarantee Fund for Depositors and Investors. Alm. Brand Bank has off-balance sheet guarantee commitments in the form of finance guarantees, loss guarantees in respect of mortgage loans, etc. totalling DKK 1.3 billion.

Alm. Brand Ejendomsinvest A/S, Copenhagen, has incurred a VAT adjustment liability of DKK 9 million relating to property.

Forsikringsselskabet Alm. Brand Liv og Pension A/S, Copenhagen, has a VAT adjustment obligation in respect of properties totalling DKK 2 million.

Alm. Brand A/S has provided a guarantee to ILU (Institute of London Underwriters) covering contracts written on behalf of the Copenhagen Reinsurance Company (U.K.) Ltd. (Cop. Re UK Ltd.), Copenhagen Re's UK subsidiary. The guarantee covers insurance contracts relating to Marine Aviation and Transport (MAT) written through ILU in the period from 3 April 1989 to 1 July 1997. In connection with the divestment of the Copenhagen Re Group in 2009, the buyer has undertaken to indemnify Alm. Brand A/S against the guarantee commitments.

Alm. Brand A/S has issued a guarantee commitment in respect of Pensionskassen under Alm. Brand af 1792 (pensionsafviklingskasse). Alm. Brand A/S has issued a commitment to pay any such ordinary and extraordinary contributions as may be determined in the pension scheme regulations or as agreed with the Danish Financial Supervisory Authority. Alm. Brand af 1792 fmba has undertaken to indemnify the Company for any and all costs the Company may incur from time to time in respect of these obligations.

In connection with Alm. Brand Bank obtaining a commitment for a government guarantee until the end of 2013 in connection with the issuance of bonds, Alm. Brand A/S has undertaken to contribute the necessary capital to Alm. Brand Bank on order that Alm. Brand Bank complies with the solvency requirements from time to time. Depending on the financial position of Alm. Brand A/S, this contribution is capped at DKK 1–2 billion. The bank has received DKK 1.6 billion in aggregate, which brings the remaining amount of the guarantee to DKK 400 million.

Alm. Brand A/S is jointly and severally liable with the other jointly taxed and jointly registered group companies for the total tax liability.

Being an active financial services group, the Group is a party to a number of lawsuits. The cases are reviewed on an ongoing basis, and the necessary provisions are made. Management believes that these cases will not inflict further losses on the Group.

DKK m	2011					2010				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Note 40 Collateral security										
Carrying amounts of assets provided as collateral security for technical provisions										
Cash	0		472		472	0		209		209
Bonds	7,090		10,303		17,393	6,639		10,230		16,869
Equity investments and units in unit trusts	0		1,382		1,382	0		1,160		1,160
Interest receivable	44		119		163	97		124		221
Properties, mortgage deeds	0		85		85	0		97		97
Investments in subsidiaries	0		320		0	0		308		0
Collateral security, year-end	7,134		12,681		19,495	6,736		12,128		18,556

Monetary-policy counterparties with the Danish Central Bank can obtain credit only against security through the mortgaging of approved securities. As part of the ongoing business, in 2011 the bank provided bonds as security vis-à-vis the Danish Central Bank at a market value of DKK 899 million (2010: DKK 739 million).

Note 41 Related parties

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

- Alm. Brand af 1792 fmba (parent company)
- Alm. Brand Formue A/S (subsidiary, not wholly owned)
- Alm. Brand Pantebreve A/S (subsidiary, not wholly owned)
- Invest Administration A/S (associate)
- Nordic Corporate Investment A/S (associate)
- Cibar Invest A/S (associate)
- Hirlap Finans ApS (associate)
- The Management Board and Board of Directors of Alm. Brand A/S
- 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 agreement has been made on interest accruing on accounts between Alm. Brand af 1792 fmba and the Alm. Brand A/S Group. Furthermore, Alm. Brand af 1792 fmba has acquired hybrid capital issued by Alm. Brand A/S.

Alm. Brand af 1792 fmba has injected subordinated loan capital into Alm. Brand A/S.

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

The Group has intra-group functions that solve joint administrative tasks for the companies of the Group, and in this connection administrative agreements are in place between the respective Group companies ensuring that the rules on intra-group transactions are observed.

Alm. Brand Bank is the Alm. Brand Group's primary banker. This involves the conclusion of a number of agreements between the bank and the group's other enterprises, and a number of transactions are regularly made between the company and the rest of the group. All agreements and transactions between the group and the bank are made on an arm's length or cost-recovery basis in accordance with applicable legislation for intra-group transactions.

In addition, the Alm. Brand Group has made an asset management agreement with Alm. Brand Bank, according to which a substantial proportion of the group's assets are under management with the bank. The consideration paid for this administrative function is fixed on an arm's length basis or, where there is no specific market, on a cost-recovery basis.

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

Forming part of its general investment activities, the Company's subsidiary Alm. Brand Liv og Pension has acquired a minority in Dades A/S of a market value just under DKK 209 million, corresponding to an ownership interest below 5%. The CEO of Dades A/S is deputy chairman of the Company and a member of the board of directors of Alm. Brand Liv og Pension. The investment is comprised by section 78 of the Danish Financial Business Act and has been approved and is monitored by the board of directors of Alm. Brand Liv og Pension.

In addition, the Company has entered into a general management agreement with Datea A/S, a company wholly owned by Dades A/S, in which Boris Norgaard Kjeldsen is chairman of the board of directors. In accordance with the agreement, Datea A/S manages properties owned by the Company's subsidiaries, including administration, accounting and reporting, rentals, supervision and technical assistance. The annual fee paid to the company is in the region of DKK 2 million. Management believes that the overall administration agreement was made on an arm's length basis.

Reference is made to the note concerning acquisition costs and administrative expenses, which sets out further details on remuneration paid to the group's Board of Directors, Management Board and other senior executives.

In addition to the remuneration paid to members of the Board of Directors, Management Board, etc. in the financial year, the following transactions took place between the Alm. Brand Group and the related parties:

DKKm	Alm. Brand af 1792 fmba	Alm. Brand subsidiaries (not wholly owned)	Key employees	2011	
				Management Board and Board of Directors of A/S	Companies controlled by members of the Board of Directors
Sale of services	44	638	2	2	1
Purchase of services	11	825	0	0	0
Interest and fee income	0	21	0	0	0
Interest and fee expenses	18	0	1	1	1
Receivables	0	325	1	6	17
Debt	320	0	22	32	0
Collateral	0	0	2	1	16
Interest rates			2,2-3,3%	2,2-5,5%	2,95-3,2%
2010					
Sale of services	358	708	-	3	0
Purchase of services	718	1,661	-	1	0
Interest and fee income	0	94	-	0	0
Interest and fee expenses	38	0	-	1	1
Receivables	0	487	-	9	20
Debt	261	10	-	29	1
Collateral	0	0	-	1	5
Interest rates				2,55-7,5%	3,3-4,05%

Other than the above, no material intra-group transactions have taken place.

The purchase and sale of services comprising insurance services and delivery of banking products in the form of loans, guarantees, credit facilities and the purchase/sale of bonds, mortgage deeds, etc. are effected on the Group's usual arm's length terms. However, employee-elected board members are offered usual employee terms. Debt comprises deposits in Alm. Brand Bank, pension funds in Alm. Brand Bank and Alm. Brand Liv og Pension, etc. No losses have been charged to and no impairment writedowns have been made on any balances owing to or by related parties.

DKKm	2011			2010		
	Fair value	Amorti- sed cost	Total	Fair value	Amorti- sed cost	Total
Note 42 Classification of financial instruments						
<i>Financial assets</i>						
Government bonds	2,534	0	2,534	4,575	0	4,575
Mortgage bonds	24,038	0	24,038	22,118	0	22,118
Other fixed-rate instruments	580	0	580	402	0	402
Other floating-rate instruments	272	0	272	231	0	231
Listed shares	941	0	941	1,360	0	1,360
Unlisted shares	403	0	403	449	0	449
Other investment assets	512	0	512	157	0	157
Receivables from policyholders	0	133	133	0	143	143
Receivables from insurance brokers	0	5	5	0	21	21
Receivables from insurance companies	0	124	124	0	9	9
Other receivables	0	104	104	0	111	111
Positive market value of derivative financial instruments	231	0	231	458	0	458
Other assets	0	93	93	0	166	166
Pensionskassen under Alm. Brand A/S	0	4	4	0	8	8
Assets temporarily acquired	0	156	156	0	513	513
Interest receivable	492	0	492	448	0	448
Prepayments	0	47	47	0	52	52
Balances due from credit institutions and central banks	0	1,068	1,068	0	1,537	1,537
Cash in hand and demand deposits	0	139	139	0	379	379
Loans and advances	3,154	7,063	10,217	2,190	10,295	12,485
Financial assets, year-end	33,157	8,936	42,093	32,388	13,234	45,622

DKKm	2011			2010		
	Fair value	Amortised cost	Total	Fair value	Amortised cost	Total
<i>Financial liabilities</i>						
Subordinated debt	0	1,829	1,829	0	1,828	1,828
Issued bonds	0	6,032	6,032	0	6,032	6,032
Payables to policyholders	0	15	15	0	47	47
Payables related to direct insurance	0	10	10	0	7	7
Payables related to reinsurance	0	1	1	0	5	5
Payables to subsidiaries	0	2	2	0	0	0
Negative market value of derivative financial instruments	324	0	324	439	0	439
Other payables	45	559	604	100	695	795
Deferred income	0	2	2	0	4	4
Deposits	0	7,956	7,956	0	8,602	8,602
Payables to credit institutions and central banks	0	4,611	4,611	0	6,588	6,588
Financial liabilities, year-end	369	21,017	21,386	539	23,808	24,347

DKKm	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
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Fair value measurement of financial instruments

Quoted prices

Financial assets

Loans and advances	0	0	0	0	0	0	0	0	0	0
Bonds	8,878	8,050	9,114	2	26,044	8,224	9,021	8,860	2	26,107
Shares	0	365	433	0	798	0	461	596	0	1,057
Other assets	1	0	104	0	105	0	0	99	0	99
Total financial assets	8,879	8,415	9,651	2	26,947	8,224	9,482	9,555	2	27,263

Financial liabilities

Other payables	0	0	0	0	0	0	0	0	0	0
Total financial liabilities	0	0	0	0	0	0	0	0	0	0

Observable data

Financial assets

Loans and advances	0	0	0	0	0	0	0	0	0	0
Bonds	0	0	1,186	0	1,186	15	0	1,025	0	1,040
Shares	0	0	0	0	0	0	0	0	0	0
Other assets	259	421	370	0	1,050	169	621	143	0	933
Total financial assets	259	421	1,556	0	2,236	184	621	1,168	0	1,973

Financial liabilities

Other payables	0	369	0	0	369	0	539	0	0	539
Total financial liabilities	0	369	0	0	369	0	539	0	0	539

Non-observable data

Financial assets

Loans and advances	0	3,154	0	0	3,154	0	2,190	0	0	2,190
Bonds	53	0	141	0	194	49	0	131	0	180
Shares	8	184	353	1	546	23	194	534	1	752
Other assets	0	0	80	0	80	0	0	30	0	30
Total financial assets	61	3,338	574	1	3,974	72	2,384	695	1	3,152

Financial liabilities

Other payables	0	0	0	0	0	0	0	0	0	0
Total financial liabilities	0	0	0	0	0	0	0	0	0	0

Loans, advances and other receivables at fair value comprises mortgage deeds measured at fair value using a valuation model. Bonds at fair value comprises corporate bonds valued at quoted prices or based on observable data. Shares, etc. comprises listed shares valued at quoted prices and unlisted shares for which the input is not based on directly observable market data. Other assets comprises interest receivable and positive values of derivative financial instruments valued based on observable data. Other liabilities comprises interest payable and negative values of derivative financial instruments valued based on observable data.

Rating of bonds

Rated AAA	8,115	6,721	8,568	0	23,404
Rated AA- to AA+	632	959	1,353	0	2,944
Rated A- to A+	184	328	230	0	742
Others	0	42	290	0	332
Bonds at fair value, year-end	8,931	8,050	10,441	0	27,422

DKKm	2011			2010		
	Assets and debt			Assets and debt		
	Fair value	at amortised cost	Total	Fair value	at amortised cost	Total
Note 43 Return on financial instruments						
Interest income, etc.	902	680	1,582	897	802	1,699
Fee income, etc.	12	84	96	107	16	123
Other income	2	34	36	3	22	25
Total income	916	798	1,714	1,007	840	1,847
Interest expenses	-150	-513	-663	-159	-421	-580
Value adjustments	128	-3	125	52	-5	47
Profit/loss before tax	894	282	1,176	900	414	1,314

DKKm	2011		2010	
	Fair value	Recognised amount	Fair value	Recognised amount
Note 44 Fair value of financial instruments				
<i>Financial assets at fair value through profit or loss</i>				
Government bonds		2,534	4,575	4,575
Mortgage bonds	24,038	24,038	22,118	22,118
Other fixed-rate instruments	580	580	402	402
Other floating-rate instruments	272	272	231	231
Listed shares	941	941	1,360	1,360
Unlisted shares	403	403	449	449
Other investment assets	512	512	157	157
Receivables from policyholders	133	133	143	143
Receivables from insurance brokers	5	5	21	21
Receivables from insurance companies	124	124	9	9
Other receivables	104	104	111	111
Positive market value of derivative financial instruments	231	231	458	458
Other assets	93	93	166	166
Pensionskassen under Alm. Brand A/S	4	4	8	8
Assets temporarily acquired	156	156	513	513
Interest receivable	492	492	448	448
Prepayments	47	47	52	52
Balances due from credit institutions and central banks	1,068	1,068	1,537	1,537
Cash in hand and demand deposits	139	139	379	379
Loans and advances	10,228	10,217	12,510	12,485
Fair value of financial instruments, year-end	42,104	42,093	45,647	45,622

DKKm	2011		2010	
	Fair value	Recognised amount	Fair value	Recognised amount
<i>Financial liabilities at fair value through profit or loss</i>				
Subordinated debt	1,829	1,829	1,828	1,828
Issued bonds	6,032	6,032	6,032	6,032
Reinsurance deposits	0	0	0	0
Payables to policyholders	15	15	47	47
Payables related to direct insurance	10	10	7	7
Payables related to reinsurance	1	1	5	5
Payables to subsidiaries	2	2	0	0
Negative market value of derivative financial instruments	324	324	439	439
Other payables	604	604	795	795
Deferred income	2	2	4	4
Deposits	8,314	7,956	8,652	8,602
Payables to credit institutions and central banks	4,611	4,611	6,588	6,588
Financial liabilities at fair value through profit or loss, year-end	21,744	21,386	24,397	24,347

Cash in hand and balances at call with central banks are relatively short term, and recognised amounts at amortised cost are assumed to equal fair values.

Balances with credit institutions are recognised at amortised cost. The difference between the recognised value and fair value is assumed to be the interest rate-dependent value adjustment, calculated by comparing current market rates with the market rates applying when the balances were established.

Loans, advances and receivables at fair value, bonds at fair value, shares etc. and derivatives are measured at fair value in the financial statements so that recognised values equal fair values.

The difference between the fair value and the recognised value of Loans, advances and receivables at amortised cost is assumed to equal the interest rate-dependent value adjustment, calculated by comparing current market rates with the market rates applying when the loans were established. Changes in the credit quality are not taken into account as these are assumed to be included in impairment on loans for recognised values as well as fair values.

The fair value of deposits and other payables is assumed to equal the interest rate level-dependent value adjustment calculated by comparing current market rates with the market rates prevailing when the deposits were established.

Issued bonds and subordinated debt are measured at amortised cost. The difference between this and fair value is assumed to be the interest rate-dependent value adjustment, calculated by comparing current market rates with the market rates applying when the issues were made. Changes in fair values due to changes in the bank's own credit rating are not taken into account.

Fair value adjustments of financial assets and liabilities represent a total unrecognised unrealised gain of DKK 346.7 million at the end of 2011. 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.

	2011					2010				
DKKm	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Note 45 Financial instruments by term to maturity										
<i>Bonds</i>										
Expiry within 1 year	1,603	3,814	350	0	5,767	582	2,019	331	0	2,932
Expiry between 1 year and 5 years	5,012	1,376	2,597	0	8,985	4,311	1,866	2,334	0	8,511
Expiry after more than 5 years	2,316	2,860	7,494	2	12,672	3,395	5,136	7,350	0	15,881
Bonds, year-end	8,931	8,050	10,441	2	27,424	8,288	9,021	10,015	0	27,324
<i>Cash in hand and balances at call</i>										
Expiry within 1 year	23	129	139	16	139	17	16	54	371	379
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	23	129	139	16	139	17	16	54	371	379
<i>Loans, advances and receivables</i>										
Expiry within 1 year	231	4,548	136	75	4,990	135	7,259	53	50	7,497
Expiry between 1 year and 5 years	0	1,427	0	0	1,427	0	1,477	0	0	1,477
Expiry after more than 5 years	0	5,130	0	0	5,130	0	5,221	0	0	5,221
Loans, advances and receivables, year-end	231	11,105	136	75	11,547	135	13,957	53	50	14,195
<i>Deposits and payables to credit institutions and central banks</i>										
Expiry within 1 year	168	11,294	310	0	11,741	83	10,603	22	0	10,725
Expiry between 1 year and 5 years	0	156	0	0	148	0	3,911	0	0	3,898
Expiry after more than 5 years	0	704	0	0	704	0	626	0	0	626
Deposits and payables to credit institutions and central banks, year-end	168	12,154	310	0	12,593	83	15,140	22	0	15,249
<i>Issued bonds</i>										
Expiry between 1 year and 5 years		6,000		32	6,032		6,000		32	6,032
Issued bonds, year-end		6,000		32	6,032		6,000		32	6,032

The actual expiry dates may deviate from the contractual expiry dates as the issuers of the specific instruments may be entitled to repurchase the instrument before it expires. See note 14, which includes the expected cash flow for the group's claims and life insurance provisions.

Note 46 Credit risk

Credit risk by type of financial asset

Government bonds	534	0	2,000	0	2,534	684	1	3,890	0	4,575
Mortgage bonds	8,014	7,999	8,025	0	24,038	7,391	8,997	5,730	0	22,118
Other fixed-rate instruments	147	51	382	0	580	115	23	264	0	402
Other floating-rate instruments	236	0	34	2	272	98	0	131	2	231
Other investment assets	117	0	395	0	512	20	0	137	0	157
Reinsurance deposits	336	0	26	0	362	163	0	27	0	190
Receivables from policyholders	104	0	29	0	133	114	0	29	0	143
Receivables from insurance brokers	5	0	0	0	5	21	0	0	0	21
Receivables from insurance companies	122	0	2	0	124	0	0	9	0	9
Other receivables	98	0	1	31	104	73	0	28	38	111
Positive market value of derivative financial instruments	0	231	0	0	231	0	458	0	0	458
Other assets	0	93	0	0	93	15	108	43	0	166
Interest receivable	142	190	160	0	492	149	163	136	0	448
Balances due from credit institutions and central banks	0	888	105	75	1,068	0	1,472	15	50	1,537
Cash in hand and demand deposits	23	129	139	16	139	17	16	54	371	379
Loans and advances	0	10,217	0	0	10,217	0	12,485	0	0	12,485
Maximum credit risk	9,878	19,798	11,298	124	40,904	8,860	23,723	10,493	461	43,430

The group's exposure to credit risk primarily involves financial receivables such as mortgage deeds and other loans and advances as well as credit risk on the portfolio of credit bonds. The portfolio of credit bonds in the life insurance company forms part of customer investment assets. The entire portfolio of credit bonds is Investment Grade-rated (BBB rating and higher). Overdue receivables in the non-life company are written off after nine months.

Total receivables written down in connection with insurance operations:

Impairment beginning of year	58				58	48				48
Impairment during the year and reversal of impairment	15				15	10				10
Impairment, year-end	73	0	0	0	73	58	0	0	0	58

DKKm	2011					2010				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	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		9.7%			9.7%		9.3%			9.3%
Manufacturing and raw materials extraction		0.2%			0.2%		0.2%			0.2%
Energy supplies		0.0%			0.0%		0.0%			0.0%
Construction		0.5%			0.5%		0.7%			0.7%
Trade		0.6%			0.6%		0.6%			0.6%
Transport, restaurant and hotel industry		0.2%			0.2%		0.2%			0.2%
Information and communications		0.0%			0.0%		0.0%			0.0%
Credit and financing and insurance		8.2%			8.2%		18.2%			18.2%
Property administration and trading, business services		21.5%			21.5%		20.7%			20.7%
Other business		6.4%			6.4%		4.3%			4.3%
Business total		47.3%			47.3%		54.2%			54.2%
Private customers		52.7%			52.7%		45.8%			45.8%
Total		100.0%			100.0%		100.0%			100.0%
Impairment										
<i>Individual assessment</i>										
Impairment beginning of year		1,304			1,304		1,789			1,789
Impairment during the year		777			777		661			661
Reversal of impairment		-88			-88		-146			-146
Loss (written off)		-423			-423		-1,000			-1,000
Impairment individual assessment, year-end		1,570			1,570		1,304			1,304
<i>Group assessment</i>										
Impairment beginning of year		91			91		72			72
Impairment during the year		23			23		53			53
Reversal of impairment		-64			-64		-34			-34
Impairment group assessment, year-end		50			50		91			91
Total impairment		1,620			1,620		1,395			1,395
Value of security for loans found to be impaired based on individual assessments		16			16		21			21
The carrying amount of loans and advances which would have been overdue or impaired if the loan had not been renegotiated.		0			0		0			0
Reasons for individual impairment writedowns										
<i>Loans, advances and other receivables before impairment</i>										
Estate administration		208			208		199			199
Debt collection		89			89		79			79
Uncollectible claims		2,577			2,577		3,178			3,178
Total		2,874			2,874		3,456			3,456
<i>Impairment, etc.</i>										
Estate administration		134			134		122			122
Debt collection		63			63		49			49
Uncollectible claims		1,373			1,373		1,133			1,133
Total		1,570			1,570		1,304			1,304
Loans, advances and other receivables after impairment		1,304			1,304		2,152			2,152
Value of security for loans which in an individual assesment have been found to be impaired		1,339			1,339		1,805			1,805

DKKm	2011					2010				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Description of security										
<i>Value of security</i>										
Real property, private		49			49		52			52
Real property, commercial		908			908		721			721
Cash, deposits and highly marketable securities		312			312		1,021			1,021
Cars		29			29		11			11
Other security		41			41		0			0
Value of security, year-end		1,339			1,339		1,805			1,805

Collateral security is valued on the following basis:

Private residential property; 80-95%, depending on type, location, state of repair and transferability.

Cash and marketable securities; 80-95% of official market price when available and, if not, of assessed market price.

Personal property, cars; 65-85% depending on type, model and age.

Personal property, other collateral; based on individual assessments.

The value of collateral is assessed based on present value. In 2011, the method used to calculate impairment writedowns on distressed agricultural and property exposures was changed. Under the new method, the value of collateral is calculated based on realisable value through a sale within six months.

Realised security, including conditions

<i>Value of realised security</i>										
Real property, private		74			74		64			64
Real property, commercial		31			31		467			467
Current-asset investments		1,210			1,210		489			489
Cars		13			13		48			48
Total value of realised security		1,328			1,328		1,068			1,068

Forced realisation of collateral becomes necessary if the bank cannot induce the creditor or the provider of collateral security to enter into a voluntary agreement on realisation. The bank always seeks to maximise the value of collateral by way of forced realisation. Before forced realisation of collateral is initiated, the debtor and/or the provider of collateral will receive typically eight days' notice, however, shorter notice may be given in case of an obvious risk of imminent impairment of the value of the collateral. Particularly in case of loans and credits secured against security-based investments, the company establishes so-called stop-loss clauses allowing the bank to initiate forced realisation immediately, unless additional collateral is provided. Typically, such clauses will enter into force if the value of the collateral drops to a certain level of the loan, typically 105-110%.

Loans, advances and other receivables, etc. in arrears

<i>How much in arrears</i>										
Up to three months		13			13		28			28
Three to six months		2			2		8			8
Six to twelve months		10			10		3			3
More than twelve months		2			2		8			8
Arrears year-end		27			27		47			47

Value of collateral security for loans in arrears		462			462		1,004			1,004
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Description of security

<i>Value of security</i>										
Real property, private		122			122		421			421
Real property, commercial		266			266		554			554
Cash and marketable securities		24			24		11			11
Cars		21			21		18			18
Other security		29			29		0			0
Value of security, year-end		462			462		1,004			1,004

Total value of security at the balance sheet date		6,605			6,605		7,916			7,916
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Description of security

<i>Value of security</i>										
Real property, private		2,278			2,278		2,986			2,986
Real property, commercial		3,445			3,445		2,539			2,539
Cash and marketable securities		435			435		1,645			1,645
Cars		326			326		549			549
Other security		121			121		197			197
Value of security, year-end		6,605			6,605		7,916			7,916

DKK M	2011				2010					
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Credit quality										
<i>Loans, advances and other receivables at fair value – by credit quality category</i>										
Loans and advances with normal credit quality		1,791			1,791		1,414			1,414
Loans and advances with certain indications of weakness		258			258		154			154
Loans and advances with substantial weaknesses		345			345		144			144
Loans and advances with an objective indication of impairment		1,659			1,659		1,040			1,040
Total residual debt before value adjustments etc.		4,053			4,053		2,752			2,752
Value adjustments etc.		-899			-899		-562			-562
Loans, advances and other receivables at fair value, year-end		3,154			3,154		2,190			2,190
<i>Loans, advances and other receivables at amortised cost – by credit quality category</i>										
Loans and advances with normal credit quality		3,840			3,840		6,344			6,344
Loans and advances with certain indications of weakness		1,296			1,296		659			659
Loans and advances with substantial weaknesses		63			63		1,388			1,388
Loans and advances with an objective indication of impairment		3,476			3,476		3,191			3,191
Total residual debt before value adjustments etc.		8,675			8,675		11,582			11,582
Value adjustments etc.		-1,612			-1,612		-1,287			-1,287
Loans, advances and other receivables at amortised cost, year-end		7,063			7,063		10,295			10,295
<i>Guarantee debtors – by credit quality category</i>										
Guarantee debtors with normal credit quality		755			755		1,086			1,086
Guarantee debtors with certain indications of weakness		104			104		47			47
Guarantee debtors with substantial weaknesses		6			6		57			57
Guarantee debtors with an objective indication of impairment		169			169		265			265
Total guarantee debtors before provisions etc.		1,034			1,034		1,455			1,455
Provisions etc.		-7			-7		-108			-108
Guarantee debtors, year-end		1,027			1,027		1,347			1,347

An overview of lending developments pursuant to the Danish Act on State-Funded Capital Injections is available from the group's website, www.almbrand.dk/bankpakke11.

DKKm	2011					2010				
	Non-life	Banking	Life	Other	Total	Non-life	Banking	Life	Other	Total
Note 47 Hedge accounting										
As part of the risk management efforts, the fair value of certain financial assets and liabilities is hedged through the use of derivative financial instruments.										
<i>Nature of the hedged item</i>										
Fixed-rate loans in DKK										
At amortised cost		10			10		265			265
At adjusted amortised cost (carrying amount)		10			10		269			269
Payables to credit institutions denominated in EUR										
At amortised cost							3,764			3,764
At adjusted amortised cost (carrying amount)		2,267			2,267		3,766			3,766
Hybrid Tier 1 capital in DKK										
At amortised cost		0			0		0			0
At adjusted amortised cost (carrying amount)		0			0		0			0
<i>Nature of hedging instruments</i>										
For fixed-rate loans in DKK										
Interest rate swaps in DKK										
Fair value		0			0		-4			-4
Synthetic principal		10			10		265			265
For payables to credit institutions denominated in EUR										
Currency swaps i DKK/EUR										
Fair value		0			0		1			1
Synthetic principal		2,267			2,267		3,764			3,764
For hybrid Tier 1 capital in DKK										
Interest rate swaps in DKK										
Fair value		0			0		0			0
Synthetic principal		0			0		0			0
<i>Recognised through profit and loss</i>										
Value adjustment of hedged assets and liabilities		-3			-3		-5			-5
Value adjustment of hedging instruments		3			3		5			5

Fair value hedging has been highly effective throughout the year and throughout the term. "Highly effective" means that the value adjustments of the hedging instruments correspond to the value adjustments of the hedged items within a range of 80-125%.

DKKm	Non-life	Banking	Life share holders' equity	Other	Total	% of share-holders' equity
Note 48 Sensitivity information						
<i>Sensitivity information, group</i>						
<i>Risk on shareholders' equity in case of specific events:</i>						
Interest rate increase of 0.7 percentage point	-11	29	-10	0	8	0.2%
Interest rate fall of 0.7 percentage point	-24	-29	10	0	-43	-1.0%
Share price fall of 12%	-2	-57	0	0	-59	-1.4%
Fall in property prices of 8%	-2	-11	0	0	-13	-0.3%
Maximum exchange rate loss of 99.5% probability of 10 days	0	-2	0	0	-2	0.0%
Loss on counterparties of 8%	-3	-17	0	0	-20	-0.5%
Loss on credit of 8%	-80	-28	-5		-113	-2.7%
Caststrophe events:						
- one "100-year event"	-212	0	0	0	-212	-5.0%
- two "100-year events"	-368	0	0	0	-368	-8.7%

*) The bank's interest rate risk for accounting purposes in case of an interest rate movement of 0.7 of a percentage point totalled DKK 41 million at 31 December 2011. 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, Risk management, contains a description of the risks assumed by the group.

Sensitivity information, life company

DKKm	Minimum effect on capital base	Maximum effect on collective bonus potential	Maximum effect on bonus potential on paid-up policies				
			benefits before change in applied bonus potential on paid-up policies	applied bonus potential on paid-up policies			
			2011	2010	2009	2008	2007
Event:							
Interest rate increase of 0.7 percentage point	-5	89		249			2
Interest rate fall of 0.7 percentage point	-70	-58		-205			6
Share price fall of 12%	0	-147		0			2
Fall in property prices of 8%	0	-101		0			1
Exchange rate risk (VaR 99.5%)	0	-5		0			0
Loss on counterparties of 8%	0	-102		0			0
Fall in mortality intensity of 10%	-42	0		5			0
Increase in mortality intensity of 10%	37	0		-5			0
Increase in disability intensity of 10%	-21	0		-7			0

Note 50 Key ratios for the banking group

Solvency ratio	16.8%	18.8%	16.0%	12.6%	11.7%
Tier 1 ratio	11.0%	16.2%	12.9%	6.8%	9.4%
Return on equity before tax	-94.5%	-67.2%	-321.7%	-45.4%	15.2%
Return on equity after tax	-75.8%	-50.0%	-243.7%	-37.2%	11.5%
Income/cost ratio	0.08	0.31	0.17	0.14	1.40
Interest rate risk	-0.9%	1.1%	8.4%	11.6%	8.7%
Foreign exchange position	5.3%	4.6%	3.0%	43.3%	72.7%
Foreign exchange risk	0.2%	0.1%	0.1%	0.5%	0.6%
Loans and advances as a percentage of deposits	148.0%	160.2%	149.8%	159.2%	146.7%
Gearing of loans and advances	8.3	7.1	9.3	14.0	8.9
Annual growth in lending	-18.2%	-15.8%	-14.3%	1.0%	30.4%
Excess cover relative to statutory liquidity requirement	319.6%	256.8%	104.1%	93.0%	36.7%
Total amount of large exposures	42.8%	69.1%	73.9%	163.0%	177.6%
Impairment ratio for the year	6.0%	4.3%	7.9%	1.7%	-0.3%

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 Risk management

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

The Board of Directors defines and approves the group's overall policy for assuming risk and sets up the overall risk guidelines as well as the reporting requirements. The managements of the individual subsidiaries use this platform to structure their operational risk management.

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

Alm. Brand has set up an intra-group risk committee to ensure coordination and uniformity in the group companies with respect to assuming, calculating and reporting risk. In addition, an intra-group investment committee has been set up to ensure that the group's investments and market risks are within the limits defined by the Board of Directors and in compliance with the policies laid down by the individual companies. The Board of Directors has defined a benchmark and an investment limit for each individual asset class in order to maintain the desired risk profile. The management boards of the individual companies lay down the final investment policy within the scope of this risk profile.

In addition, an approval committee for financial products has been set up. This committee is responsible for ensuring that business procedures, processing routines, etc. are in place before new products or activities are implemented, helping to mitigate operational risk.

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

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

This intra-group compliance function has been established to ensure that Alm. Brand observes applicable legislation, regulations, internally defined rules and guidelines as well as ethical standards.

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

INDIVIDUAL SOLVENCY NEED

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

In 2011, Alm. Brand Forsikring A/S and Alm. Brand Liv og Pension A/S used the QIS standard model for calculation of Pillar I risks (insurance risk, market risk and operational risk) as well as a number of stress tests for the quantification of the solvency need for other risks. The process implies that a diversification effect is deducted in the calculation of the aggregate risks, as the probability of all risks occurring at the same time is minimal. Moreover, the expected results are offset. In Alm. Brand Liv og Pension, only the results attributable to the unconditional shares are offset, i.e. the company's return on equity and the portfolio of insurances without bonus entitlement. The reason why Alm. Brand Liv og Pension A/S does not deduct conditional shares, i.e. the company's risk premium, is that they will probably be forfeited in the year in question if the solvency scenarios materialise. In particular, life insurance companies may furthermore deduct collective bonus potential and bonus on paid-up policies from the aggregate individual solvency need.

The individual solvency need of the bank is calculated on the basis of a stress test based on the probability method.

The bank's approach is to first reserve capital to cover the general risk on the bank's portfolio. After that, capital is reserved to cover extraordinary risk components in the form of:

- customers with slightly impaired credit quality (certain indications of weakness)
- customers with substantial weaknesses but without impairment and/or provisioning
- customers with an OII marking with or without impairment/provisioning
- mortgage deeds and mortgage deed financing

NOTE 50 Risk management - continued

The general risk of loss is deducted from the final capital reservation for the extraordinary risk components. The argument for doing this is that the calculation of the individual solvency for these components takes all risks into consideration. The general risk of loss is therefore actually only reserved in respect of undoubtedly strong commitments and normal credit quality exposures.

According to the Danish Financial Supervisory Authority's Guidelines on Adequate Capital Base and Solvency Needs for Credit Institutions, an additional premium is calculated for concentration risks. It is noted that impairment and provisions are deducted from the calculation of the individual solvency in order to prevent a double strain on the bank.

The calculation of the individual solvency need on positions with market risk is also based on the Danish Financial Supervisory Authority's Guidelines on Adequate Capital and Solvency Needs for Credit Institutions. The guidelines break down the market risk area into interest rate, equity, currency, counterparty, concentration and property risks. Risks related to properties are calculated in Alm. Brand Bank A/S under the credit risk area, whereas the other risks are calculated under the market risk area.

The calculation of operational risk is based on the basis indicator method, which calculates the operational risk as 15% of the average net interest income and non-interest-related net income for the past three years.

In addition, Alm. Brand Forsikring A/S is developing a partial internal model to be used for calculating the individual solvency need of Alm. Brand Forsikring going forward. The partial internal model is based on Alm. Brand's own data and thus tailored to Alm. Brand's risk scenario.

The Alm. Brand Group has calculated the aggregate individual solvency need at DKK 3,316 million.

The principles for calculating the individual solvency needs of Alm. Brand Bank, Alm. Brand Liv & Pension and Alm. Brand Forsikring, respectively, are set forth in the Alm. Brand Group's Risk and Capital Management 2011 report, which is available at <http://www.almbrand.dk/abdk/OmAlmBrand/Investor/Risiko-ogkapitalstyring/index.htm>

GOALS AND STRATEGY

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

- business risks
- financial risks
- liquidity risks
- operational risks

DKKm	Non-life	Bank	Life Shareholders' equity	Other	Total	% of Shareholders' equity
<i>Sensitivity information, group</i>						
Risk on shareholders' equity in case of specific events:						
Interest rate increase of 0.7 pct. point	- 11	29	- 10	0	8	0.2%
Interest rate fall of 0.7 pct. point	- 24	- 29	10	0	- 43	- 1.0%
Equity price fall of 12%	- 2	- 57	0	0	- 59	- 1.4%
Fall in property prices of 8%	- 2	- 11	0	0	- 13	- 0.3%
Maximum exchange rate loss of 99.5% probability of 10 days	0	- 2	0	0	- 2	- 0.0%
Loss on counterparties of 8%	- 3	- 17	0	0	- 20	- 0.5%
Loss on credit of 8%	- 80	- 28	- 5	0	- 113	- 2.7%
Caststrophic events:						
- one "100-year event"	- 212	0	0	0	- 212	- 5.0%
- two "100-year events"	- 368	0	0	0	- 368	- 8.7%

The bank's interest rate risk for accounting purposes in case of an interest rate movement of 0.7 of a percentage point totalled DKK 41 million at 31 December 2011. The bank's property risk concerns properties held directly.

NOTE 50 Risk management - continued

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

BUSINESS RISK

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

NON-LIFE INSURANCE

Acceptance and assumption of risk

Alm. Brand writes insurances for private customers and commercial customers, i.e. agricultural customers, small and medium-sized businesses and the public sector. The acceptance policy provides rules for the types and the size of risk that can be written in individual contracts. The largest risks on products written are related to workers' compensation, property and motor insurances. Written risks are estimated and assessed for insurance policies (accumulated) that may possibly be affected by the same loss event.

Reinsurance

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

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

The reinsurance programme for 2012 is based on guidelines similar to 2011. Due to a reduction in the overall catastrophe risk, Alm. Brand's need for catastrophe reinsurance has been reduced. At the same time, a number of minor coverage enhancements have been introduced across the reinsurance programme.

For 2012, Alm. Brand has bought catastrophe reinsurance for up

to DKK 4.1 billion with retention of DKK 75 million. Coverage is up to DKK 400 million for property damage and up to DKK 700 million for personal injury in case of personal accident or workers' compensation claims. Retention is DKK 30 million and DKK 20 million, respectively, per insured event. Moreover, the company has taken out frequency cover on large property claims covering large fire claims between DKK 5 million and DKK 30 million. However, the cover will not take effect until Alm. Brand has incurred claims in the amount of at least DKK 150 million in this interval.

The company has also bought cover for "medium-size" cloudburst and snow load claims totalling between DKK 85 and DKK 210 million. Motor (comprehensive and liability) and liability claims in general are covered under a programme with retention of DKK 20 million.

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

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

BANKING

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

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

NOTE 50 Risk management - continued**Credit policy**

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

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

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

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

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

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

As described in the section on banking, impairment writedowns on Alm. Brand Bank's loans and mortgage deeds will remain subject to significant uncertainty in the years ahead.

LIFE INSURANCE

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

The principal insurance risks are related to insurance with a guaranteed average benefit. Until 1994, the life insurance company wrote policies with average guaranteed benefits calculated by application of an interest rate of 4.5% after tax on pension investment returns. From 1994 to 1999, an interest rate of 2.5% after tax on pension investment returns was used, and since 1999 it has been 1.5%. With effect from 1 April 2011, the interest rate was lowered once again to stand at 0.5%.

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

Alm. Brand Liv og Pension is focused on hedging the guaranteed benefits provided, applying derivative instruments to ensure that interest rate 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 collective bonus potential. However, shareholders' equity may be significantly affected if the average return generated over the life of the insurances fails to cover the guaranteed benefits.

NOTE 50 Risk management - continued

The investment assets that correspond to Alm. Brand Liv og Pension's shareholders' equity are held in a separate escrow account. At 31 December 2011, this account had a relatively short duration, limiting the risk of price falls triggered by interest rate movements.

FINANCIAL RISKS

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

Market risks

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

The purpose of financial risk management is to offset the overall financial risk exposure against both assets and liabilities in order to strike a satisfactory balance between risk and return. Alm. Brand achieves its risk management objectives by way of risk management policies that define the guidelines for exposure to different types of financial risk. Each individual company's investment and risk management policies reflect the market conditions under which it operates.

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

Interest rate risks

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

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

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

In the Alm. Brand Bank Group, risks due to interest rate changes may be divided into (i) fluctuations in the value of fixed-rate interest-bearing financial instruments, (ii) cash flow risks related to floating-rate instruments, (iii) the re-investment risk on fixed-rate instruments and (iv) the risk of only a part of an interest rate increase being passed on to customers holding loans. These risks are managed by appropriately matching the development in the value of assets and liabilities and future cash inflows and outflows.

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

Currency risks

The group's investment strategy is to have only limited net positions in foreign currency. Positions are generally hedged using forward exchange contracts and currency swaps.

The currency exposure is primarily limited to the activities in the listed subsidiary Alm. Brand Formue and a limited number of open currency positions in the bank.

The bank's loans are primarily denominated in Danish kroner and are therefore not subject to currency risks to any significant extent.

Price risks

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

NOTE 50 Risk management - continued

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

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

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

Inflation risks

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

Other types of credit risk

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

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

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

LIQUIDITY RISKS

Liquidity risk is limited in Alm. Brand Forsikring and Alm. Brand Liv og Pension. The greatest liquidity risk for Alm. Brand Liv og Pension is the risk of a large number of customers wanting to move their pension savings at the same time. Should this scenario materialise, the risk may be mitigated to a certain extent by introducing a transfer and surrender charge. The non-life insurance company's liquidity is under the most pressure after a windstorm. However, liquidity risk is limited because premiums in the companies are pre-paid. However, both companies have very good additional possibilities of procuring capital by realising assets.

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

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

The long-term liquidity management is intended to ensure that Alm. Brand does not find itself in a situation where the funding of the bank's operations generates disproportionately large expenses. A substantial part of the bank's current funding is made up of state-guaranteed bonds in a total amount of DKK 6 billion issued under Bank Package II. These bonds mature on 30 June 2013. Alm. Brand Bank will therefore need to refinance its current funding by that date. The size of the refinancing need will depend on the development in total lending, losses and writedowns, deposits from the bank's customers and developments in future capital and solvency requirements as well as general economic developments.

NOTE 50 Risk management - continued

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

In the first half of 2012, the bank will apply for utilisation of Danmarks Nationalbank's initiatives in the liquidity area, which will enable the bank to source liquidity from Danmarks Nationalbank against the provision of collateral in the form of lending. Assuming participation in the liquidity initiatives of Danmarks Nationalbank, the bank is assessed to have strong cash resources. The bank expects to be able to repay the funding issued under Bank Package II without conflicting with the Supervisory Diamond or the statutory requirements, as the bank expects to continue to reduce its loans and advances and to increase deposits.

The bank aims to have excess cover of at least 50% relative to the 10% requirement provided in section 152 of the Danish Financial Business Act. The bank has defined a detailed policy for its liquidity risks and a contingency plan in case liquidity falls below the 50% excess cover target. At no time during 2011 did the bank fall below the excess cover target. At 31 December 2011, the bank had excess cover relative to the 10% requirement of 327%, equalling a liquidity ratio of 427.

OPERATIONAL RISKS

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

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

The group's consistent information security efforts are anchored in an IT security policy defined, adopted and annually revised by the Board of Directors. The policy defines general IT security requirements to ensure that the overall use of IT is secure and controlled. The IT policy is implemented in security guidelines and user guidance in the form of technical and administrative measures and business procedures.

The key banking systems are developed and operated by Bankdata. The group's other IT systems are developed in-house and operated primarily by the group's own employees but physically located with IBM Danmark until mid-2012 when the group takes home all such equipment.

Contingency plans have been prepared for emergency situations involving a prolonged physical or IT breakdown in order to ensure the continued operation and re-establishment of the group's most vital business functions. These plans are based on a number of contingency targets for the group which have been approved by the Board of Directors. The targets have been implemented in the form of a central contingency organisation, evacuation plans, contingency manuals applicable to each individual business area, a robust fundamental technical IT setup and focus on standardising processes and IT.

As part of its duties, the internal audit department performs an audit to ensure that defined work routines, business procedures and controls have been satisfactorily prepared, implemented and observed. As a supplement to the internal audit, the group's IT systems are subjected to external IT audits, and in that connection auditors' statements are procured from Bankdata and IBM Danmark A/S.

The group's risk profile and risk management are described in detail at <http://www.almbrand.dk/abdk/OmAlmBrand/Investor/Risiko-ogkapitalstyring/index.htm>.

NOTE 51 Significant accounting estimates, assumptions and uncertainties

The consolidated and parent company financial statements have been prepared on the basis of certain special assumptions involving 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.

The most significant estimates concern insurance liabilities, the calculation of fair values of unlisted financial instruments, measurement of deferred taxes, provisions and loans, advances and receivables.

In addition to these assumptions, the banking group is exposed to special risks and uncertainties in respect of impairment write-downs on loans etc. and cash resources, which may cause actual results to differ from such estimates.

NON-LIFE INSURANCE*Weather-related claims*

The cloudburst that hit the Copenhagen area on 2 July 2011 resulted in 8,400 claims being reported to the company for an aggregate amount provisionally calculated at DKK 630 million. The number of claims, and especially the amount of the individual claims, went above and beyond anything previously experienced by Alm. Brand in terms of cloudburst claims, and the models so far used to estimate these types of claims consequently proved inadequate. The average claims were 80% more expensive than the ones reported in connection with the cloudburst on 14 August 2010, and at 31 December 2011, 40% of the claims had still not been closed. However, the DKK 630 million estimate remains the best estimate of the final amount at the present time.

LIFE INSURANCE

Alm. Brand Liv og Pension is focused on hedging the guaranteed benefits provided, applying derivative 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 collective bonus potential. However, shareholders' equity may be significantly affected if the average return generated over the life of the insurances fails to cover the guaranteed benefits.

The maximum tax-deductible payment into instalment pension schemes has been lowered from DKK 100,000 to DKK 50,000 with effect from 2012. Moreover, the rules on setting off amounts against early retirement benefits have been tightened with respect to pension funds. Although annuities are still subject to unlimited tax-deduction, the tax reform is expected to have an adverse effect on pension saving overall.

BANKING*Impairment of loans*

In respect of impairment of loans, advances and other receivables, significant estimates have been applied in quantifying the risk that not all future payments may be received. If it can be determined that not all future payments will be received, the determination of the amount of the expected payments, including realisation values of any collateral and expected dividend payments from estates, also involves significant estimates.

Continuing adverse and unforeseen economic developments may affect the payment ability of individual customers. For example, the values of the collateral forming the basis of the calculation of the bank's collateral may give rise to additional impairment write-downs especially on loans for activities concerning the funding of real property and agriculture.

In addition, changes are regularly made to the rules that form the basis of the calculation of impairment writedowns in the bank. Changes that are subsequently introduced may trigger higher impairment writedowns on the bank's loans, 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.

Capitalisation

At 31 December 2011, Alm. Brand Bank had a solvency ratio of 16.8 and an individual solvency need of 15.4%. Relative to the statutory requirement, the bank thus has an excess cover of DKK 155 million. The group finds that this buffer is not sufficient to mitigate the business risks that continue to affect the bank's operations.

On 28 February 2012, Alm. Brand A/S therefore contributed an additional DKK 300 million in equity to Alm. Brand Bank which, all other things being equal, would have resulted in a solvency ratio of 19.4, which corresponds to an excess cover totalling DKK 455 million relative to the statutory minimum requirement.

NOTE 51 Significant accounting estimates, assumptions and uncertainties - continued

In the summer of 2010, Alm. Brand A/S made a commitment to contribute sufficient capital to Alm. Brand Bank to ensure that Alm. Brand Bank will always meet the higher of the solvency requirement and the individual solvency need of Alm. Brand Bank. The commitment is capped at DKK 2 billion. DKK 400 million is outstanding following the capital injection on 28 February 2012.

Management believes that, following the latest capital injection, the bank has adequate capitalisation to mitigate the business risks that affect the bank's operations, including potential additional future impairment writedowns.

Cash resources

Funding totalling DKK 9.9 billion, including government-guaranteed funding of DKK 6.0 billion, will fall due for repayment in 2012 and 2013. To secure adequate cash resources until June 2013 and onwards, the bank has defined a detailed plan encompassing reduction of loans, attracting new deposits and, on a certain scale, raising of loans with Danmarks Nationalbank by pledging credit claims as collateral in accordance with the rules thereon. The activities launched to date to reduce lending and attract new deposits have progressed as planned.

Management monitors the cash position and the initiatives launched closely and has provided stress testing on a scale ensuring that even major deviations (non-settlement of loans or difficulties in attracting new deposits) from the expected outcome would not lead to unintended difficulties for the bank. Against this background, management believes that the plan adequately secures the bank's ability to repay all matured funding in a timely manner as well as sufficient excess liquidity cover relative to the statutory requirement, also after June 2013 when the last state-guaranteed bonds mature.

OTHER BUSINESS ACTIVITIES

Cash resources

As described above, the parent company Alm. Brand A/S has an obligation to inject additional capital for the amount of DKK 400 million into Alm. Brand Bank. Cash resources for this purpose are secured through dividends from the subsidiary Alm. Brand Forsikring.

DKKm	Non-life	Bank	Life Shareholders' equity	Other	Total	% of Shareholders' equity
<i>Sensitivity information, group</i>						
Risk on shareholders' equity in case of specific events:						
Interest rate increase of 0.7 pct, point	- 11	29	- 10	0	8	0,2%
Interest rate fall of 0.7 pct, point	- 24	- 29	10	0	- 43	- 1,0%
Equity price fall of 12%	- 2	- 57	0	0	- 59	- 1,4%
Fall in property prices of 8%	- 2	- 11	0	0	- 13	- 0,3%
Maximum exchange rate loss of 99.5% probability of 10 days	0	- 2	0	0	- 2	- 0,0%
Loss on counterparties of 8%	- 3	- 17	0	0	- 20	- 0,5%
Loss on credit of 8%	- 80	- 28	- 5	0	- 113	- 2,7%
Caststrophic events:						
- one "100-year event"	- 212	0	0	0	- 212	- 5,0%
- two "100-year events"	- 368	0	0	0	- 368	- 8,7%

The bank's interest rate risk for accounting purposes in case of an interest rate movement of 0.7 of a percentage point totalled DKK 41 million at 31 December 2011. The bank's property risk concerns properties held directly.

NOTE 51 Significant accounting estimates, assumptions and uncertainties - continued
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, Risk management, on pages 114 to 120.

CHANGE IN ACCOUNTING ESTIMATES

The Danish Financial Supervisory Authority announced a government bond-adjusted yield curve in December 2011, and this has been used for calculating insurance provisions in Alm. Brand Forsikring A/S and Alm. Brand Liv og Pension A/S. Seen in isolation, the changed yield curve produced a DKK 160 million gain in the life insurance company which will accrue to the policyholders by way of collective bonus potential. In addition, provisions for health and personal accident insurance were positively affected by approximately DKK 10 million. In the non-life insurance company, the change resulted in a DKK 45 million gain on provisions. Overall, the change has increased Alm. Brand A/S' shareholders' equity by approximately DKK 40 million.

In addition, the Danish Financial Supervisory Authority prepared and announced a life expectancy benchmark in the spring of 2011. Accordingly, as from the second quarter of 2011, the life

expectancy rates used to calculate life insurance provisions were adjusted to the level of the new benchmark. For the portfolio of insurances without bonus entitlement, the new life expectancy rates increased the financial results by an amount of approximately DKK 18 million, which was allocated to equity. Provisions for the portfolio of insurances with bonus entitlement were only marginally affected by the change.

The PAL rate was increased from 15% to 15.3% with effect from 1 January 2012. Provisions are calculated as a discounted cash flow in which the future risk-free rate of interest after PAL is used, resulting in an increase in provisions. This was incorporated in the financial statements at 31 December 2011 and led to an increase in provisions of almost DKK 10 million.

DKK 637 million of the total writedowns of DKK 994 million were taken in Q4. Around DKK 400 million resulted from a change of the method (change of accounting estimates) used to calculate impairment charges on distressed property and agricultural exposures. Under the new method, the value of collateral is calculated based on realisable value through a sale within six months. However, it should be emphasised that the bank does not intend to pursue such strategy. To date, the bank has assessed impairment based on a cash flow calculation taking into account the defined strategies for each exposure. The method used is expected to comply with the Danish Financial Supervisory Authority's future method of calculation.

NOTE 52 Accounting policies

GENERAL

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as approved by the EU. The parent company financial statements have been prepared in accordance with the provisions of the Danish Financial Business Act, including the executive order on financial reports presented by insurance companies and lateral pension funds. In addition, the financial statements have been presented in accordance with additional Danish disclosure requirements for listed financial enterprises.

Additional Danish disclosure requirements for annual financial statements are for the group set out in the Danish Statutory Order on Adoption of IFRS for financial enterprises issued pursuant to the Danish Financial Business Act and by NASDAQ OMX Copenhagen A/S. For the parent company, the disclosure requirements are defined in the Danish Financial Business Act and by NASDAQ OMX Copenhagen A/S.

The annual financial statements are presented in Danish kroner (DKK), which is considered the primary currency of the group's activities and the functional currency of the parent company.

The accounting policies applied in the consolidated financial statements are described in the following. The accounting policies of the parent company are described in connection with the parent company's financial statements.

CHANGE IN ACCOUNTING ESTIMATES

The Danish Financial Supervisory Authority announced a government bond-adjusted yield curve in December 2011, and this has been used for calculating insurance provisions in Alm. Brand Forsikring A/S and Alm. Brand Liv og Pension A/S. Seen in isolation, the changed yield curve produced a DKK 160 million gain, which will accrue to the policyholders by way of collective bonus potential. In addition, provisions for health and personal accident insurance were positively affected by approximately DKK 10 million. In the non-life insurance company, the change resulted in a DKK 45 million gain on provisions. Overall, the change has increased Alm. Brand A/S' shareholders' equity by DKK 40 million.

In addition, the Danish Financial Supervisory Authority prepared and announced a life expectancy benchmark in the spring of 2011. As from the second quarter of 2011, the life expectancy rates used to calculate life insurance provisions were therefore adjusted to the level of the new benchmark. For the portfolio of insurances without bonus entitlement, the new life expectancy rates increased the financial results by an amount of approximately DKK 18 million, which was allocated to equity. Provisions for the portfolio of insurances with bonus entitlement were only marginally affected by the change.

The PAL rate was increased from 15% to 15.3% with effect from 1 January 2012. Provisions are calculated as a discounted cash flow in which the future risk-free rate of interest after PAL is used, resulting in an increase in provisions. This was incorporated in the financial statements at 31 December 2011 and led to an increase in provisions of almost DKK 10 million.

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IMPLEMENTATION OF NEW AND AMENDED STANDARDS AND INTERPRETATIONS

The Annual Report 2011 is presented in accordance with the new and amended standards (IFRS/IAS) and interpretations (IFRIC) which apply for financial years starting on or after 1 January 2011. The implementation of the other new and amended standards and interpretations in the annual financial statements for 2011 did not result in any changes to the accounting policies.

NOTE 52 Accounting policies - continued
STANDARDS AND INTERPRETATIONS NOT YET IN FORCE

At the date of publication of these annual financial statements, the following new or amended standards and interpretations have not yet entered into force, and are therefore not included in these annual financial statements:

- IFRS 7, Financial instruments: Disclosures (Enhancing disclosures about transfers of financial assets) (October 2010). The amendment enhances the disclosure requirements in IFRS 7 with respect to transactions involving transfer of financial assets where the transferor maintains “continuing involvement” in the asset. The amendment comes into force for financial years starting on or after 1 July 2011. The amendments have not yet been adopted for use in the EU.
- IFRS 9, Financial instruments: Classification and measurement (Financial assets) (November 2009). IFRS 9 concerns the accounting treatment of financial assets in relation to classification and measurement. Pursuant to IFRS 9, the “held-to-maturity” and “available-for-sale” categories are eliminated. A new optional category is defined for equity instruments which are not held for sale and which at initial recognition are classified in the category “fair value through other comprehensive income”. In future, financial assets will thus be classified either as “measured at amortised cost” or “measured at fair value through profit or loss” or – in case of qualifying equity instruments – as “measured at fair value through other comprehensive income”. The standard comes into force for financial years starting on or after 1 January 2013. The standard has not yet been adopted for use in the EU.
- IFRS 9, Financial instruments: Classification and measurement (Financial liabilities) (October 2010). The amendment to IFRS 9 adds provisions on the classification and measurement of financial liabilities and derecognition. The majority of the provisions of IAS 39 on recognition and measurement of financial liabilities are unchanged in IFRS 9. However, IFRS does introduce the following amendments:
 - The exemption in IAS 39 providing that derivative financial instruments related to unquoted assets may in some cases be measured at cost is eliminated. According to IFRS 9, all derivative financial instruments must be measured at fair value.

- Under IFRS 9, when a company elects to measure financial liabilities at fair value (fair value option) the portion of the fair value adjustment for the period attributable to changes in the company’s own credit rating should be presented in other comprehensive income.

The derecognition provisions of IAS 39 are unchanged in IFRS 9. The standard is effective for financial years starting on or after 1 January 2013. The standard has not yet been adopted for use in the EU.

- IFRS 10, Consolidated Financial Statements (May 2011). IFRS 10 specifies the principles for consolidation of an entity. The standard supersedes the sections on consolidation in IAS 27, Consolidated and Separate Financial Statements. In certain areas, this standard provides significantly more guidance with a view to establishing whether an investor controls an investee. IFRS 10 determines that an investor controls an investee if and only if the investor has all of the following elements:
 - power over the investee
 - exposure, or rights, to variable returns from its involvement with the investee
 - the ability to use its power over the investee to affect the amount of the investor’s return.

The standard comes into force for financial years starting on or after 1 January 2013. The standard has not yet been adopted for use in the EU.

- IFRS 11, Joint Arrangements (May 2011). IFRS 11 concerns the accounting treatment of joint ventures. The choice between proportionate consolidation and recognition according to the equity method no longer exists. The method to be used in the future depends on formal matters as well as substantive matters. The standard comes into force for financial years starting on or after 1 January 2013. The standard has not yet been adopted for use in the EU.

NOTE 52 Accounting policies - continued

- IFRS 12, Disclosure of Interests in Other Entities (May 2011). IFRS 12 specifies disclosure requirements for consolidated and unconsolidated entities, joint ventures and associates. The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate the basis of control, any restrictions concerning consolidated assets and liabilities, risks associated with interests in unconsolidated entities and the involvement of non-controlling interests in the activities of consolidated entities. The standard comes into force for financial years starting on or after 1 January 2013. The standard has not yet been adopted for use in the EU.
- IFRS 13, Fair Value Measurement (May 2011). IFRS 13 sets out a single framework for measuring fair value. This standard supersedes the guidance on fair value measurement provided in other standards. IFRS 13 thus provides a uniform definition of fair value. The standard comes into force for financial years starting on or after 1 January 2013. The standard has not yet been adopted for use in the EU.
- IAS 19, Employee Benefits (June 2011). The amendment specifies the recognition of termination benefits. The accounting treatment of termination benefits is amended, and this implies a distinction between benefits paid for services rendered and benefits paid in connection with termination. The standard comes into force for financial years starting on or after 1 January 2013. The standard has not yet been adopted for use in the EU.
- IAS 1, Presentation of Financial Statements (June 2011). The amendment specifies that items presented in other comprehensive income must be presented separately based on whether they are subsequently expected to be recycled to profit and loss. The standard comes into force for financial years starting on or after 1 July 2012. The standard has not yet been adopted for use in the EU.

At the date of publication of these annual financial statements, there are a number of additional new or amended standards and interpretations which have not yet entered into force and which are therefore not included in these annual financial statements. Management believes that these new and amended standards and interpretations will not have any material impact on the annual financial statements for the coming financial years.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the parent company and subsidiaries in which the parent company holds the majority of the voting rights or otherwise holds a controlling interest. Companies in which the group holds between 20% and 50% of the voting rights or otherwise exercises a significant but not a controlling influence are considered associates.

The consolidated financial statements have been prepared by consolidating items of a uniform nature in the income statements and balance sheets of each company. Intercompany income, expenses, intra-group accounts, shareholdings and gains and losses on transactions between the consolidated enterprises are eliminated.

The financial statements of subsidiary undertakings that present annual reports under other jurisdictions have been restated to the accounting policies applied by the group.

In the preparation of the consolidated financial statements, accounting items of subsidiaries are fully recognised, regardless of the percentage of ownership. The proportionate shares of the results and equity of subsidiary undertakings attributable to minority interests are recognised as separate items in the income statement and the balance sheet.

The consolidated financial statements of Alm. Brand A/S are included in the consolidated financial statements of Alm. Brand af 1792 fmba, Copenhagen.

NOTE 52 Accounting policies - continued
ACQUISITIONS

Subsidiary undertakings newly acquired or disposed of are recognised in the consolidated financial statements from the date of acquisition and until the date of disposal respectively. Comparatives are not adjusted.

Acquisitions are accounted for using the purchase method, according to which the acquired enterprise's identifiable assets, liabilities and contingent liabilities are recognised in the balance sheet at fair value at the time of acquisition.

Where the cost exceeds the fair value of the acquired net assets, the excess amount is capitalised as goodwill under intangible assets. Goodwill is tested for impairment annually.

If the measurement of acquired identifiable assets, liabilities or contingent liabilities is subject to uncertainty at the time of acquisition, initial recognition will be made on the basis of a preliminary calculation of fair values. If it later turns out that the identifiable assets, liabilities or contingent liabilities had another fair value at the time of acquisition than that originally assumed, goodwill will be adjusted until 12 months after the acquisition. The effect of the adjustment will be recognised in the opening shareholders' equity, and comparative figures will be restated accordingly.

INTRA-GROUP TRANSACTIONS

Intra-group services are settled on market terms or on a cost recovery basis. Intra-group accounts carry interest on market terms. Intra-group transactions in securities and other assets are settled at market prices.

FOREIGN CURRENCY

Assets and liabilities denominated in foreign currency are recognised at the rate of exchange published by Danmarks Nationalbank at the balance sheet date. Income and expenses denominated in foreign currency are recognised at the rates of exchange ruling at

the transaction date. Exchange gains and losses are recognised in the income statement.

On consolidation, the income statements of foreign subsidiaries are translated at average exchange rates for each month and balance sheet items are translated at the exchange rates prevailing at the balance sheet date.

Exchange differences arising on the translation of the equity of foreign subsidiaries at the beginning of the year using the exchange rates ruling on the balance sheet date are recognised in shareholders' equity. Differences arising on the translation of the income statements of foreign subsidiaries at average exchange rates and balance sheet items at the rates ruling on the balance sheet date are also taken directly to shareholders' equity.

GENERAL RECOGNITION AND MEASUREMENT POLICIES

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the group and the value of the asset can be reliably measured. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the group and the value of the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below in respect of each individual item.

Income is recognised in the income statement as earned, whereas costs are recognised by the amounts attributable to the financial year. Value adjustments of financial assets and liabilities are recorded in the income statement unless otherwise described in the accounting policies.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the annual report and which confirm or invalidate conditions existing at the balance sheet date.

NOTE 52 Accounting policies - continued

In connection with the acquisition or sale of financial assets and liabilities, the settlement date is used as the recognition date. Changes to the value of the asset acquired or sold during the period from the transaction date to the settlement date are recognised as a financial asset or a financial liability. If the acquired item is measured at cost or amortised cost after initial recognition, any value changes during the period from the transaction date to the settlement date are not recognised.

Certain financial assets and liabilities are measured at amortised cost, implying the recognition of a constant effective rate of interest to maturity. Amortised cost is stated as original cost less any principal payments and plus or minus the accumulated amortisation of any difference between cost and the nominal amount. This method allocates capital gains and losses over the term to maturity.

BALANCE SHEET

Intangible assets

Goodwill

On initial recognition, goodwill is recognised at fair value, determined as the difference between acquisition cost and fair value of the acquired net assets. An impairment test is conducted annually, and any impairment losses are recognised in the income statement.

Software

Software is measured at the lower of cost less accumulated amortisation and impairment and the recoverable amount. Software is amortised on a straight-line basis over an expected useful life not exceeding five years.

In determining cost, all costs directly attributable to the development of the software and that will probably generate economic benefits for the group are recognised. All other costs are expensed as incurred. Amortisation and impairment are recognised as administrative expenses.

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 in-house on an annual basis.

Investment properties

Investment properties are measured at a fair value calculated in accordance with the guidelines issued by the Danish Financial Supervisory Authority. The fair value is calculated on the basis of the yield method, which involves a valuation of each individual property on the basis of an expected normal operating budget and a rate of return. The calculated value is adjusted for short-term circumstances which change the earnings of the property. The adjusted calculated value corresponds to the fair value.

Adjustments of the value of investment properties are recognised in the income statement in the financial year when the change occurred.

Owner-occupied properties

Owner-occupied properties are measured at a revalued amount corresponding to the fair value at the revaluation date less accumulated depreciation and value adjustments. The fair value is calculated on the basis of the Danish Financial Supervisory Authority's guidelines on the yield method, which involves the measurement of each individual property on the basis of an expected normal operating budget and a rate of return. The calculated value is adjusted for short-term circumstances which change the earnings of the property. The adjusted calculated value corresponds to the fair value.

Owner-occupied properties are depreciated on a straight-line basis over the expected useful lives of the properties, which are estimated to be 60 years. Depreciation is calculated with due consideration to the expected residual value and is recognised in the income statement under administrative expenses.

NOTE 52 Accounting policies - continued

Revaluations with the addition or deduction of the tax effect, including properties classified as owner-occupied properties, are made in shareholders' equity as revaluation reserves. If a revaluation can no longer be maintained, it is reversed. Writedowns that do not offset previous revaluations are made in the income statement.

The part of the revaluations that can be attributed to insurance contracts with bonus entitlement is subsequently transferred to collective bonus potential in accordance with the contribution rules filed.

The yield method

The operating budget recognises rental income from full letting, as any rent for vacant premises or other lack of rental income is offset against the estimated value. Accordingly, the operating budget recognises normal maintenance of the property. Any major anticipated renovation work, restoration work or repair is offset against the estimated value.

The rate of return is determined based on current market conditions for the type of property taking into account the state of repair, location, use, leases etc.

Investments in associates

Investments in associates are recognised and measured in the consolidated financial statements according to the equity method, which means that the investments are measured at the parent company's proportionate share of the company's net asset value at the balance sheet date, calculated according to the group's accounting policies.

Reinsurers' share from insurance contracts

The reinsurers' share of the technical provisions is calculated as the amounts expected to be received from reinsurance companies under the applicable reinsurance contracts.

The group regularly assesses its reinsurance assets for impairment. If there is a clear indication of impairment, the carrying amount of the asset is written down.

Operating equipment

Operating equipment is measured at cost less accumulated depreciation and impairment. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets taking into account the expected residual value. The expected useful lives are assessed to be:

- | | |
|---------------------------|-----------|
| • Cars | 5 years |
| • Furniture and equipment | 3-5 years |
| • Computers | 3-5 years |

Cost comprises acquisition cost and directly attributable costs.

Leasehold improvements are capitalised and amortised over their estimated useful lives, up to five years, taking into account the expected residual value.

Investment assets

Investment assets comprise financial assets measured at fair value. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this at every reporting date.

The measurement of financial instruments depends on whether the instruments are part of the group's trading portfolio. Generally, the group's financial instruments form part of the trading portfolio, not including unlisted shares and part of the portfolio of mortgage deeds.

Financial instruments included in the trading portfolio are measured at fair value, and value adjustments are taken to the income statement. For financial instruments not included in the trading portfolio it is assessed whether the fair value can be determined reliably.

For the majority of the unlisted shares and the portfolio of mortgage deeds, it is assessed that the fair values can be measured sufficiently reliably using recognised valuation methods. These assets are on this basis measured at fair value and value adjustments are taken to the income statement. The unlisted shares for which it is assessed that the fair value cannot be determined sufficiently reliably are measured at cost less any impairment.

NOTE 52 Accounting policies - continued

The measurement of financial instruments at fair value is consistent with the group's internal risk management, which is based on market exposure of assets and liabilities subject to risk.

Financial assets are recognised or derecognised at the settlement date.

Listed financial assets are measured at fair value based on the closing price at the balance sheet date, or, in the absence of a closing price, another public price deemed to be most similar thereto.

Unlisted financial assets are measured at fair value using recognised valuation methods. For unlisted assets that are managed by external fund managers, these calculate an estimated market value based on the estimated present value of expected future cash flows.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through income are included in the income statement in the period in which they arise.

Securities sold under agreements to repurchase at a later date (repo transactions) remain in the balance sheet. Amounts received are included as amounts owed to the purchaser and are subject to interest at the agreed rate.

The securities are measured as if they were still included in the balance sheet, and market value adjustments and interest etc. are recognised in the income statement. Securities purchased under agreements to resell at a later date (reverse transactions) are not recognised in the balance sheet. Amounts paid are recognised as a receivable and are subject to interest at the agreed rate.

Derivative financial instruments

As part of the risk management efforts, the fair value of certain fixed rate assets and liabilities is hedged through the use of derivatives. Derivatives are measured at cost on initial recognition. Subsequently, derivatives are measured at fair value at the balance sheet date.

Changes in the fair value of derivatives designated as and qualifying for recognition as fair value hedges of a recognised asset or a liability are recognised in the income statement together with changes in the fair value of the hedged asset or hedged liability that can be attributed to the hedged risk.

Changes in the fair value of derivatives designated as and qualifying for recognition as effective hedges of future cash flows are recognised directly in equity. When the hedged cash flows are realised, cumulative changes are recognised as part of the cost of the transactions in question.

For derivatives that do not qualify for hedge accounting, changes in fair value are recognised as financial items in the income statement as they occur.

Loans, advances and receivables

Loans, advances and receivables for which the price is fixed in active markets are measured at fair value. The loans, advances and other receivables involved must be measured at fair value on initial and subsequent recognition. The fair value is calculated using a valuation technique which is in accordance with generally recognised methods of pricing financial instruments.

Other loans and advances and other receivables are measured at amortised cost. On initial recognition, the portfolio is measured at fair value plus transaction costs less fees and commissions received that are directly related to the acquisition or issue of the financial instrument. On subsequent recognition, such loans, advances and other receivables will be adjusted to amortised cost on a current basis.

An ongoing evaluation takes place to detect any objective indication of impairment of the company's loans, advances and other receivables determined at amortised cost. If there is any objective indication of impairment, the need to write down the loan, advance or receivable is assessed. Any impairment losses are calculated based on the difference between the carrying amount before the impairment and the present value of expected future payments from the loan, advance or receivable.

NOTE 52 Accounting policies - continued

However, a realisation principle is used for distressed property and exposures.

Collective impairment charges

Loans, advances and receivables that are not written down individually are subject to a collective assessment of whether there is any indication of impairment for the group as a whole. A collective assessment involves groups of loans, advances and receivables with uniform credit risk characteristics.

The collective assessment is based on a segmentation model developed by the Association of Local Banks in Denmark, which is responsible for the ongoing maintenance and development of the model. The segmentation model determines the correlation in the individual groups between actual losses and a number of significant explanatory macroeconomic variables by way of a linear regression analysis. The explanatory macroeconomic variables include unemployment, housing prices, interest rates, number of bankruptcies/forced sales, etc.

The macroeconomic segmentation model is generally calculated on the basis of loss data for the entire banking sector. The bank has therefore assessed whether the model estimates need to be adapted to the bank's portfolio of loans and advances.

This assessment has entailed an adjustment of the model estimates to the bank's own circumstances, and these adjusted estimates form the basis of the calculation of collective impairment charges. An estimate has been calculated for each individual group of loans, advances and receivables, which expresses the percentage impairment of the specific group of loans, advances and receivables at the balance sheet date. The individual loans and advances' impact on the group impairment is calculated by comparing the original risk of loss of the individual loans and advances with the risk of loss of the loans and advances at the beginning of the current reporting period. The impairment is calculated as the difference between the carrying amount and the discounted value of the expected future payments.

Balances due from credit institutions

Balances due from credit institutions are measured at fair value on initial recognition and subsequently at amortised cost and comprise all receivables from credit institutions and central banks, including receivables in connection with genuine purchase and resale transactions.

Cash in hand and balances at call

Cash in hand and balances at call are measured at fair value on initial recognition and subsequently at amortised cost.

Contingency funds

The contingency funds can only be used for the benefit of policyholders. Contingency fund 2 is moreover subject to the restriction that it can only be used when permission has been obtained from the Danish Financial Supervisory Authority.

Deferred tax has been provided on the group's contingency funds.

Dividends

Dividends are recognised as a liability in the financial statements at the time of adoption by the shareholders at the annual general meeting. Proposed dividends in respect of the financial year are stated as a separate line item under shareholders' equity.

Treasury shares

Purchases and sales of treasury shares are recognised directly in shareholders' equity under other reserves.

Subordinated debt

Subordinated debt comprises liabilities which, in the case of liquidation or bankruptcy and pursuant to the loan conditions, cannot be settled until any other creditor claims have been honoured. Subordinated debt is recognised at fair value, equalling the payment received less directly attributable costs incurred. Subsequently, subordinated debt is measured at amortised cost using the effective interest method with the addition of the fair value of the hedged interest rate risk.

NOTE 52 Accounting policies - continued

Issued bonds at amortised cost

Issued bonds at amortised cost are recognised at fair value, equaling the payment received less directly attributable costs incurred. Subsequently, issued bonds are measured at amortised cost using the effective interest method.

Provisions for insurance contracts

Unearned premium provisions and outstanding claims provisions are measured at their discounted value if such discounting materially affects the size of the provisions.

The discount rate applied is the government bond-adjusted and maturity-dependent discount rate announced by the Danish Financial Supervisory Authority for the duration in question.

Unearned premium provisions

Unearned premium provisions are measured as the best estimate of future claims for the part of the insurance period not yet run off, including all direct and indirect administrative and claims-handling expenses. Unearned premium provisions will, however, as a minimum correspond to an accrual of the premiums collected. Unearned premium provisions on change of ownership policies are discounted.

Unearned premium provisions relating to health and personal accident insurance are made up according to market value principles. They are calculated as the difference between the present value of the company's liabilities in respect of health and personal accident policies and the present value of the premiums to be paid by policyholders in the future using a best estimate of insurance risk, costs incurred in managing insurance and claims handling and the rate of return obtainable in the market. The provisions are calculated based on an assumption of a lower mortality and disability than in the company's calculation basis for new contracts. The reduction is estimated based on the company's historical claims ratios on mortality and disability, respectively, and costs relative to the assumptions in the calculation basis for new contracts. The actuary regularly assesses whether the assumptions used to determine the market value calculation basis still apply to the company's portfolio.

Life insurance provisions

Life insurance provisions are calculated at market value based on an expected cash flow discounted using the government bond-adjusted yield curve announced by the Danish Financial Supervisory Authority. The market value expectations include a risk premium, corresponding to the risk of fluctuations in the amount and time of payment of guaranteed benefits. The actuary regularly assesses whether the assumptions used to determine the market value calculation basis still apply to the company's portfolio.

The expected future insurance benefits are estimated based on projections of mortality and disability. These are estimated based on the company's historical claims ratios on mortality and disability, respectively, and actual costs relative to the assumptions in the calculation basis for new contracts.

Life insurance provisions are divided into provisions for guaranteed benefits, bonus potential on future premiums and bonus potential on paid-up policy benefits.

Life insurance provisions are calculated at market value, based on individual calculations for each policy. Also, bonuses earned but not yet added to the individual policies are added to the provisions. For amounts exempt from tax on pension returns, a discount rate without deduction of tax on pension returns is used.

The provisions are generally calculated based on an assumption of a lower mortality and disability than in the company's calculation basis for new contracts. The reduction is estimated on the basis of an empirical analysis of the company's insurance portfolio.

Provisions for the guaranteed benefits comprise obligations to pay benefits guaranteed to the policyholder. Provisions for guaranteed benefits are calculated as the difference between the present value of the benefits guaranteed by the insurance policy and the present value of the expected future insurance administration costs less the present value of the agreed future premiums. The provision includes an estimated amount in cover of future benefits resulting from already incurred claims and an estimated amount for claims incurred but not reported. The guaranteed benefits are calculated with the addition of a premium, ensuring that as a minimum a value corresponding to the guaranteed surrender value is provided.

NOTE 52 Accounting policies - continued

The bonus potential on future premiums comprises obligations to pay a bonus concerning premiums agreed but not yet due. For the portfolio of insurance with bonus entitlement, the bonus potential on future premiums is calculated as the difference between the value of the guaranteed paid-up policy benefits and the value of guaranteed benefits. Guaranteed paid-up policy benefits are benefits guaranteed under the insurance if the policy is converted into a paid-up policy. The value of the guaranteed paid-up policy benefits is calculated as the present value of the guaranteed paid-up policy benefits plus the present value of the expected future administrative costs associated with the paid-up policies. Whether the bonus potential on future premiums is to be strengthened is determined individually for each calculation basis.

The bonus potential on paid-up policies includes obligations to pay bonuses concerning premiums etc. already due. The bonus potential on paid-up policies is calculated as the value of policyholders' savings less provisions for guaranteed benefits and the bonus potential on future premiums. Whether the bonus potential on future premiums is to be strengthened is determined individually for each policy.

Outstanding claims provisions

Outstanding claims provisions comprise the amounts provided at the end of the year against claims reported but not settled as well as amounts for claims incurred but not reported. They are generally estimated using statistical methods based on the payment history and the development in case reserves. For workers' compensation, a separate model has been introduced which is mainly based on rulings and case officer assessments of individual claims. Furthermore, the company makes a provision for future revisions of settled and unsettled claims and a provision for reopened and future delayed claims. Other factors affecting the necessary level of outstanding claims provisions include changes in legal practice, internal processes, inflation and singular, extreme claims.

The outstanding claims provisions also include amounts to cover direct and indirect costs considered necessary in connection with settling the claims obligations. The estimate of the provision is

based on the direct and indirect costs incurred during a normal claims year on the establishment of new claims and the processing and settlement of old claims. Included in the calculations is the ratio of claims paid and the outstanding claims provisions at year end, including claims incurred but not reported.

Alm. Brand introduced a more precise method for discounting claims provisions in 2009. The cash flow regarding payment of provisions for the past ten claims years is estimated for all lines and discounted using the new 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.

For all lines except workers' compensation, the future inflation rate is estimated and recognised implicitly in the provision models. The future inflation rate forecast used in the calculation of provisions in relation to workers' compensation consists of an inflation element and a real wage element.

Several assumptions and estimates underlying the calculation of the provisions for claims are mutually dependent. However, the most important interdependence is that between the assumption of inflation and interest rates, although the effect of changes in the inflation rate assumption will not affect the calculation of the outstanding claims provisions as effectively as changes to the discount rate.

Provisions for claims relating to health and personal accident insurance are calculated at the present value of expected future payments. The outstanding claims provisions relating to health and personal accident insurance also include amounts to cover direct and indirect costs considered necessary in connection with settling the claims obligations. For reported claims, an individual assessment is made of the date of payment. The costs are estimated on the basis of the average duration of established claims payments and an assessment of the annual costs incurred in handling claims.

NOTE 52 Accounting policies - continued

The provisions for current disablement benefits are determined individually, and an assessment of the duration of the benefits is made for each policy. To the determined provision is added a premium reflecting the risk of an extension of the expected duration, for example as a result of new health information. The premium is assessed regularly based on empirical experience.

Collective bonus potential

Collective bonus potential comprises obligations to pay a bonus in addition to the bonus amounts added to the life insurance provisions. The amount is not allocated to individual policyholders.

Liability adequacy test

The outstanding claims provisions are calculated according to actuarial methods and with a view to avoiding run-off losses as well as run-off gains. At the calculation date, the provisions thus represent the best estimate of future claims for the current and previous claims years. The outstanding claims provisions are calculated on a monthly basis, and the level is therefore assessed to be adequate at all times.

The provision will be discounted if such discounting has a material impact on the size of the liability.

Long-term employee obligations

Provisions for pensions and similar obligations comprise jubilee benefits, etc. to employees, notwithstanding that the future benefit is subject to the individual being employed by the company at the time of the benefit. The value of the future benefits is recognised as the present value of the benefits expected to be paid based on a best estimate.

Current costs in respect of pensions etc. for the group's employees are treated as defined contribution plans. For defined contribution plans, the group pays fixed contributions and has no obligation to pay any further contributions. The obligations are fully funded.

Other financial liabilities

Other financial liabilities are measured at fair value on initial recognition. The liabilities are subsequently measured at amortised cost.

Deposits with ceding companies comprise amounts received which are kept to cover the insurance liabilities of other insurance companies towards the group's reinsurance companies.

Deposits for financial reinsurance comprise premiums received less deductions for claims paid equivalent to the company's liabilities pursuant to contracts made.

Deposits

Deposits are recognised at amortised cost and comprise all deposits, including obligations in connection with genuine sale and repurchase transactions and customers' receivable margins in connection with futures and option transactions.

Payables to credit institutions

Payables to credit institutions are measured at amortised cost and comprise obligations in connection with genuine sale and repurchase transactions and receivable margins in connection with futures and option transactions.

INCOME STATEMENT

Premium income

Gross premiums comprise premiums due relating to insurance and contracts where the risk period commenced before the end of the financial year.

Premium income, net of reinsurance, is the gross premiums for the year adjusted for movements in unearned premium provisions and less reinsurers' share. The part of the change in unearned premium provisions which can be ascribed to discounting is transferred to interest expenses, etc. The part of the change in unearned premium provisions which can be ascribed to a change in the discount rate applied after inflation is transferred to market value adjustments.

Premiums relating to life insurance comprise premiums due during the year and single premiums less labour market contribution.

Interest income, etc.

Interest income and dividends, etc. includes dividends received and interest earned during the financial year.

NOTE 52 Accounting policies - continued

The item also includes interest-like fees and commissions that are an integral part of the effective rate of interest on financial assets measured at amortised cost. Finally, the item recognises the part of the change in unearned premium provisions and outstanding claims provisions that can be ascribed to discounting.

Fee income, etc.

Fees, etc. are accrued over the lifetime of the transactions and recognised in the income statement at the amounts relating to the accounting period.

Other income from investment activities

The item includes the operating profit on investment property after deduction of related administrative expenses.

Other income

Income derived from activities that cannot be ascribed to the company's principal activities is recognised under other income.

Claims incurred

Claims incurred include claims paid during the insurance year adjusted for movements in claims provisions corresponding to known and anticipated claims relating to the year.

Amounts to cover expenses for surveying and assessment and other direct or indirect staff administration costs, etc. associated with claims handling are included in the item. In addition, the item includes run-off results regarding previous years.

The group's indirect costs relating to the handling of claims are distributed between claims expenses and administrative expenses using allocation keys based on estimated resource application.

The part of the change in outstanding claims provisions which can be ascribed to discounting is transferred to interest expenses, etc. The part of the change in outstanding claims provisions which can be ascribed to a change in the discount rate applied after inflation is transferred to market value adjustments.

Alm. Brand has entered into swap agreements to partially hedge provisions for workers' compensation against changes in the future wage index, assuming a continued stable growth in the real value of claims paid. The value adjustment of these swaps is included in claims incurred.

Claims and benefits relating to life insurance comprise benefits due during the year, amounts paid for repurchases and bonus amounts paid in cash.

Other expenses from investment activities

The item includes amounts associated with the management of investment assets. Brokerage and commission relating to the purchase and sale of securities is recognised under market value adjustments.

Impairment of loans, advances and receivables, etc.

Impairment of loans, advances and receivables comprises impairment of loans, advances and receivables on which there is an objective indication of impairment and provisions for guarantees. The item also includes value adjustment of assets temporarily acquired in connection with closing commitments.

Acquisition costs and administrative expenses

The part of the insurance operation expenses that can be ascribed to acquisition and renewal of the insurance portfolio is recognised under acquisition costs. Acquisition costs are generally charged to the income statement when the insurance takes effect.

Administrative expenses comprise expenses related to managing the company's activities. Administrative expenses are accrued to match the financial year.

Operating expenses relating to owner-occupied properties are recognised in the consolidated income statement under administrative expenses. Rent concerning the company's owner-occupied properties is not recognised in the consolidated income statement, but the expense is included in the individual segment financial statements.

NOTE 52 Accounting policies - continued

Other expenses

Expenses associated with activities that cannot be ascribed to the company's principal activities are recognised under other expenses.

Result of ceded business

For reinsurance contracts containing a combination of financial terms and traditional terms with transfer of risk, the risk premium is recognised on an accruals basis under premium income. The accrual is based on the value of the contracts at the end of the year. Realised losses relating to these contracts are included in claims after adjustment for movements in financial deposits.

Reinsurance premiums ceded and reinsurers' share received are accrued and recognised in the income statement according to the same principles as those applied for the corresponding items under the gross business.

Changes in ceded business attributable to discounting are transferred to interest expenses etc. while changes attributable to changes in the discount rate applied are transferred to value adjustments.

Value adjustments

Value adjustments include all realised and unrealised gains and losses on investment assets, except for value adjustment of subsidiary and associated undertakings and revaluations of owner-occupied properties.

Tax on pension returns

Tax on pension returns includes the tax levied on returns relating to the group's life insurance activities, notwithstanding whether the tax is payable now or at a later date.

TAX

All companies in the group are jointly taxed.

Tax includes tax for the year, comprising income tax payable for the year, movements in deferred tax and prior-year adjustments. Changes in deferred tax resulting from changes in tax rates are also recognised in this item.

Current tax assets and liabilities are recognised in the balance sheet at the amount that can be calculated on the basis of the expected taxable income for the year adjusted for prior years' tax losses carried forward.

Deferred tax is recognised according to the balance sheet liability method on all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax is measured on the basis of the tax regulations and tax rates that, according to the rules in force at the balance sheet date, will apply at the time the deferred tax is expected to crystallise as current tax.

Deferred tax assets, including the tax base of tax losses carried forward, are measured at the amount at which they are expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities. At each balance sheet date, it is reassessed whether it is likely that there will be sufficient future taxable income for the deferred tax asset to be utilised.

SEGMENT INFORMATION

Business segments are the group's primary segment, while the geographical segment is the secondary segment because the group primarily covers the Danish market.

NOTE 52 Accounting policies - continued

The segment information follows the group's internal reporting structure, reflecting a risk allocation on relevant business areas.

More detailed segment information is provided in the management's review.

CASH FLOW STATEMENT

The cash flow statement is presented using the direct method and shows cash flows from operating, investing and financing activities as well as the group's cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities include the items of the income statement adjusted for operating items of a non-cash nature. Realised gains and losses on the sale of tangible assets or investment assets are included in cash flows from investing activities.

Cash flows from investing activities include changes in intra-group accounts and net additions of investment assets, including realised gains and losses on the sale of such assets.

Cash flows from financing activities include financing from shareholders as well as by raising of short-term and long-term loans.

Cash and cash equivalents comprise cash and demand deposits.

Disclaimer

The forecast is based on the interest rate and price levels that prevailed at mid February 2012. 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.



Finacial
Statements
Parent
Company

Balance sheet

DKKm	Note	Parent company	
		2011	2010
Assets			
Investment in group enterprises	1	4,271	4,495
Loans to group enterprises		0	0
Investment in associates	2	0	0
Total investments in group enterprises and associates		4,271	4,495
Equity investments		1	1
Other loans and advances		2	2
Deposits with credit institutions	3	75	50
Cash in hand and balances at call	4	16	371
Total other financial investment assets		94	424
Total investment assets		4,365	4,919
Receiveables from group enterprises		8	0
Other receivables		31	38
Total receivables		39	38
Current tax assets	5	8	8
Deferred tax assets	6	20	19
Total other assets		28	27
Total assets		4,432	4,984
Liabilities and equity			
Share capital		1,735	1,735
Other provisions		1,215	1,215
Retained earnings		1,139	1,640
Total shareholders' equity	7	4,089	4,590
Subordinated debt		250	250
Subordinated debt	8	250	250
Deferred tax liabilities	9	46	46
Total provisions		46	46
Payables to group enterprises		2	13
Issued bonds		32	32
Other payables		13	53
Total payables		47	98
Total liabilities and equity		4,432	4,984
Contingent liabilities, guarantees and lease agreements	10		
Staff costs	11		
Auditors' fees	12		
Related parties	13		

Income statement

DKKm	Note	Parent company	
		2011	2010
Income from group enterprises	14	-469	-360
Interest income and dividends, etc.	15	4	1
Interest expenses	16	-15	-34
Administrative expenses related to investment activities	17	-29	-21
Total return on investments		-509	-414
Profit/loss before tax		-509	-414
Tax	18	10	14
Profit/loss for the year		-499	-400
Proposed allocation of loss:			
Retained earnings		-499	-400
Comprehensive income			
Profit/loss for the year		-499	-400
Revaluation of owner-occupied properties		0	-2
Comprehensive income		-499	-402
Proposed allocation of loss:			
Retained earnings		-499	-402

Statement of changes in equity

DKKm	Share capital	Other provisions	Retained earnings	Shareholders' equity
Shareholders' equity at 1 January 2010	1,388	0	2,098	3,486
Changes in shareholders' equity 2010:				
Profit/loss for the year			-400	-400
Revaluation of owner-occupied properties in subsidiaries			-2	-2
Tax on changes recognised in equity			0	0
Comprehensive income	0	0	-402	-402
Reduction of capital on 11 November 2010	-1,215	1,215	0	0
Share issue on 30 December 2010	1,562		0	1,562
Cost relating to share issue			-63	-63
Purchase and sale of treasury shares			9	9
Purchase and sale of treasury shares in subsidiaries			-2	-2
Tax on changes recognised in equity			0	0
Changes in shareholders' equity	347	1,215	-458	1,104
Shareholders' equity at 31 December 2010	1,735	1,215	1,640	4,590
Shareholders' equity at 1 January 2011	1,735	1,215	1,640	4,590
Changes in shareholders' equity 2011:				
Profit/loss for the year			-499	-499
Comprehensive income	0	0	-499	-499
Purchase and sale of treasury shares	0	0	2	2
Purchase and sale of treasury shares in subsidiaries	0	0	-4	-4
Tax on changes recognised in equity	0	0	0	0
Changes in shareholders' equity	0	0	-501	-501
Shareholders' equity at 31 December 2011	1,735	1,215	1,139	4,089

Notes

DKKm	2011	2010
Note 1 Investment in group enterprises		
Cost beginning of year	6,841	5,991
Additions during the year	450	850
Cost, year-end	7,291	6,841
Revaluation and impairment beginning of year	-2,346	-1,683
Dividend received	-200	-300
Profit/loss for the year	-469	-360
Revaluation of owner-occupied properties associates	0	-2
Revaluation and impairment of treasury shares in subsidiaries	-5	-1
Revaluation and impairment, year-end	-3,020	-2,346
Investment in group enterprises, year-end	4,271	4,495
Specification of carrying amount:		
Alm. Brand Bank A/S	1,092	1,564
Alm. Brand Forsikring A/S	3,178	2,930
Asgaard Finans A/S	1	1
Investment in group enterprises, year-end	4,271	4,495
Note 2 Investment in associates		
Cost beginning of year	0	60
Disposals by sale	0	-60
Cost, year-end	0	0
Revaluation and impairment beginning of year	0	-43
Profit/loss for the year	0	0
Disposals by sale	0	43
Revaluation and impairment, year-end	0	0
Investment in associates, year-end	0	0
Alm. Brand A/S sold its ownership interest in EDC-udvikling a/s in 2010.		
Note 3 Deposits with credit institutions		
Fixed-term deposits, eksternal banks	75	50
Deposits with credit institutions, year-end	75	50
Note 4 Cash in hand and balances at call		
Deposits held at call, Alm. Brand Bank	8	0
Escrow account, Alm. Brand Bank	8	8
Custody accounts, eksternal banks	0	363
Cash at hand and balances at call, year-end	16	371
Note 5 Current tax assets		
Current tax assets beginning of year	8	13
Tax paid in respect of prior years	-8	-13
Tax paid during the year	0	0
Tax on profit/loss for the year	8	8
Current tax assets, year-end	8	8

DKKm	2011	2010
Note 6 Deferred tax assets		
Deferred tax assets beginning of year	19	13
Change for the year	1	6
Deferred tax assets, year-end	20	19
Deferred tax on equipment	6	6
Deferred tax on provisions	2	3
Deferred tax on losses carried forward	12	10
Deferred tax assets, year-end	20	19

Note 7 Shareholders' equity		
Share capital beginning of year	1,735	1,388
Change for the year	0	-1,215
Deferred tax assets, year-end	0	1,562
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	2011	2010	2009	2008	2007
Share capital beginning of year	1,735	1,388	1,476	1,668	1,788
Reduction of capital on 11 November 2010	0	-1,215	0	0	0
Share issue on 30 December 2010	0	1,562	0	0	0
Cancellation of treasury shares	0	0	-88	-192	-120
Share capital, year end	1,735	1,735	1,388	1,476	1,668

Reference is made to the statement of changes in equity.

DKKm	2011	2010
Solvency		
Tier 1 capital after deductions	3,403	3,895
Capital base after deductions	2,987	3,469
Weighted assets subject to market risks, etc.	3,432	3,707
Total weighted assets	3,432	3,707
Tier 1 capital after deductions as a percentage of total weighted items	99.2%	105.1%
Solvency ratio	87.1%	93.6%

The risk-weighted items have been prepared in accordance with the Danish Financial Business Act.

No. of shares

Reconciliation of the no. of shares (1,000)		
Issued shares beginning of year	173,500	17,350
Treasury shares beginning of year	-421	-515
No. of shares beginning of year	173,079	16,835
Shares bought back	0	0
Employee shares issued	579	94
Share issue on 30 December 2010	0	156,150
Issued shares, year-end	173,500	173,500
Treasury shares, year-end	-142	-421
No. of shares at year-end	173,358	173,079

DKKm	2011	2010
<i>Treasury shares</i>		
Carrying amount beginning of year	0	0
Value adjustment	3	9
Acquired during the year	3	0
Sold during the year	-6	-7
Sale of Pre-emptive Rights	0	-2
Carrying amount year-end	0	0
Nominal value beginning of year	4	41
Acquired during the year	3	0
Sold during the year	-6	-7
Sale of Pre-emptive Rights	0	-38
Allocation of Pre-emptive Rights	0	38
Reduction of capital	0	-30
Nominal value, year-end	1	4
Holding (no. of shares) beginning of year	421	515
Acquired during the year	300	0
Sold during the year	-579	-94
Sale of Pre-emptive Rights	0	-3,793
Allocation of Pre-emptive Rights	0	3,793
Holding (no. of shares), year-end	142	421
Percentage of share capital	0.1%	0.2%

Note 8 Subordinated debt

Floating rate bullet loans maturing 2017.09.07	250	250
Subordinated debt, year-end	250	250
Interest on subordinated debt	14	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 4.0 percentage points.

Note 9 Deferred tax liabilities

Deferred tax on contingency funds in group enterprises	46	46
Deferred tax, year-end	46	46

The company is liable to pay a possible tax amount in Denmark in respect of recaptured losses in foreign entities. The liability amounts to a maximum of DKK 316 million.

The amount will fall due for payment if the foreign operations exit from the joint taxations scheme before 2015.

Note 10 Contingent liabilities, guarantees and lease agreements

Guarantee commitments	670	491
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Alm. Brand A/S has provided a guarantee to ILU (Institute of London Underwriters) covering contracts written on behalf of the Copenhagen Reinsurance Company (U.K.) Ltd. (Cop. Re UK Ltd.), Copenhagen Re's UK subsidiary. The guarantee covers insurance contracts relating to Marine Aviation and Transport (MAT) written through ILU in the period from 3 April 1989 to 1 July 1997. In connection with the divestment of the Copenhagen Re Group in 2009, the buyer has undertaken to indemnify Alm. Brand A/S against the guarantee commitments.

Alm. Brand A/S has issued a guarantee commitment in respect of Pensionskassen under Alm. Brand af 1792 (pensionsafviklingskasse). Alm. Brand A/S has issued a commitment to pay any such ordinary and extraordinary contributions as may be determined in the pension scheme regulations or as agreed with the Danish Financial Supervisory Authority. Alm. Brand af 1792 fmba has undertaken to indemnify the Alm. Brand A/S for any and all costs the company may incur from time to time in respect of these obligations.

Alm. Brand A/S has made rental agreements for premises with total annual payments of DKK 89 million allocated over a five-year period.

Alm. Brand A/S is jointly and severally liable with the other jointly taxed and jointly registered group companies for the total tax liability.

DKKm	2011	2010
Note 11 Staff costs		
Salaries and wages	12	8
Pension	2	2
Payroll tax, etc.	0	0
Total salaries and wages, pension, etc.	14	10
Average number of employees	3	3
Remuneration to the Board of Directors (DKK '000)	3,240	3,135
Remuneration to the Management Board (DKK '000)	5,673	6,054
Total remunerations	8,913	9,189

No bonus was earned to the members of the Management Board in relation to 2011. Remuneration to the members of the Management Board comprises remuneration to Chief Executive Søren Boe Mortensen.

Remuneration to key employees (DKK '000)

Fixed salary	544
Pension	30
Total remuneration to key employees	574
No. of key employees	2

The remuneration paid in 2011 comprises salary and severance payment for a former CFO. No bonus was paid to key employees.

Note 12 Audit fees

Deloitte (DKK '000):

Audit	625	617
Engagements other than audits and reviews	0	2,400
Tax consultancy	464	412
Non-audit services	251	104
Total audit fees	1,340	3,533

Note 13 Related parties

Related parties comprise:

- Members of the company's Management Board and Board of Directors and their related family members
- Companies controlled by members of the Management Board of Board of Directors
- Other companies in the Alm. Brand Group
- Alm. Brand af 1792 fmba, which exercises a controlling influence on the company

Related party transactions:

The Group has intra-group functions that solve joint administrative tasks for the companies of the Group, and in this connection administrative agreements are in place between the respective Group companies ensuring that the rules on intra-group transactions are observed.

Alm. Brand Bank is the Alm. Brand Group's primary banker. This involves the conclusion of a number of agreements between the company and the group's other enterprises, and a number of transactions are regularly made between the company and the rest of the group. All agreements and transactions between the company and the bank are made on an arm's length or cost-recovery basis in accordance with applicable legislation for intra-group transactions.

An agreement has been made on interest accruing on accounts between the bank and the other group companies on an arm's length basis.

Other than the above, no material intra-group transactions have taken place.

DKKm	2011	2010
Note 14 Income from group enterprises		
Alm. Brand Bank A/S	-918	-647
Alm. Brand Forsikring A/S	449	287
Asgaard Finans A/S	0	0
Total income from group enterprises	-469	-360
The results are recognised in the following items:		
Income from group enterprises	-469	-360
Total income from group enterprises	-469	-360
Note 15 Interest income and dividends, etc.		
Interest, Alm. Brand Bank	4	0
Other interest	0	1
Total interest income and dividends, etc.	4	1
Note 16 Interest expenses		
Interest expenses, group enterprises	-15	-34
Other interest expenses	0	0
Total interest expenses	-15	-34
Note 17 Administrative expenses related to investment activities		
Cost, group enterprises	-1	-1
Other costs	-28	-20
Total administrative expenses related to investment activities	-29	-21
Note 18 Tax		
Estimated tax on profit/loss for the year	8	8
Adjustment of deferred tax	2	6
Total tax	10	14
<i>Effective tax rate</i>		
Current tax rate	25.0%	25.0%
Adjustment of deferred tax relating to prior years	-0.7%	-0.2%
Adjustment of tax relating to prior years	0.7%	0.4%
Tax adjustments	0.0%	0.3%
Total effective tax rate	25.0%	25.5%

NOTE 19 Accounting policies

GENERAL

The annual report is presented in compliance with the Danish Financial Business Act, including the Executive Order on financial reports presented by insurance companies and lateral pension funds. In addition, the annual report has been presented in accordance with additional Danish disclosure requirements for the annual reports of listed financial enterprises.

The consolidated financial statements of Alm. Brand A/S are prepared in accordance with the International Financial Reporting Standards as approved by the EU. With respect to recognition and measurement, the accounting policies of the parent company Alm. Brand A/S are identical to those described for the group, with the exception that:

Investments in subsidiaries are recognised and measured at the parent company's share of the subsidiaries' net asset value on the balance sheet date.

The value of Pensionskassen under Alm. Brand A/S is not recognised in the balance sheet but is exclusively disclosed in the notes as a contingent liability.

The accounting policies are unchanged from the policies applied in the Annual Report 2010.

Financial ratios

$$\text{Return on equity before tax} = \frac{\text{Profit before tax} \times 100}{\text{Average shareholders' equity}}$$

$$\text{Return on equity after tax} = \frac{\text{Profit for the year} \times 100}{\text{Average shareholders' equity}}$$

In the calculation of return on equity, consideration is made for capital increases in the year and any other equity entries to the effect that such changes are included on a pro rata basis.

Financial ratios, Alm. Brand A/S, parent company

$$\text{Net asset value per share} = \frac{\text{Shareholders' equity} \times 100}{\text{No. of shares at year-end}}$$

$$\text{Earnings per share} = \frac{\text{Profit for the year after tax} \times 100}{\text{Average no. of shares}}$$

$$\text{Diluted earnings per share} = \frac{\text{Profit for the year after tax} \times 100}{\text{Average no. of shares}}$$

In the determination of the average number of shares, any stock options and warrants are taken into consideration.

$$\text{Price/NAV} = \frac{\text{Share price}}{\text{Net asset value per share}}$$

Financial ratios, non-life insurance

Key ratios have been calculated in accordance with the Executive Order on financial reports presented by insurance companies and profession-specific pension funds:

$$\text{Gross claims ratio} = \frac{\text{Gross claims incurred} \times 100}{\text{Gross premium income}}$$

$$\text{Gross expense ratio} = \frac{\text{Insurance operating expenses} \times 100}{\text{Gross premium income}}$$

$$\text{Net reinsurance ratio} = \frac{\text{Profit/loss on reinsurance} \times 100}{\text{Gross premium income}}$$

$$\text{Combined ratio} = \frac{(\text{Gross claims expenses} + \text{Insurance operating expenses} + \text{Profit/loss on reinsurance}) \times 100}{\text{Gross premium income}}$$

$$\text{Operating ratio} = \frac{(\text{Gross claims expenses} + \text{Insurance operating expenses} + \text{Profit/loss on reinsurance}) \times 100}{\text{Gross premium income} + \text{Technical interest}}$$

Gross premiums is regulated for bonus and premium discounts

Key ratios have been calculated in accordance with the Executive Order on financial reports presented by credit institutions and investment companies, etc.:

Financial ratios, banking

$$\text{Interest margin} = \frac{\text{Net interest income}}{\text{Average interest-bearing assets} - \text{average interest-bearing liabilities}}$$

$$\text{Impairment ratio for the year} = \frac{\text{Impairment for the year} \times 100}{\text{Loans and advances} + \text{guarantees} + \text{impairment}}$$

$$\text{Income/cost ratio} = \frac{\text{Income}}{\text{Costs}}$$

Financial ratios, life insurance

Key ratios have been calculated in accordance with the Executive Order on financial reports presented by insurance companies and profession-specific pension funds.

Directorship and special qualifications

Board of directors

DIRECTORSHIP

Farm owner

JØRGEN H. MIKKELSEN

Chairman

Born 1954

Member of the Board of Directors since 1994

Chairman of the boards of directors of:

Alm. Brand A/S

Alm. Brand Bank A/S

Alm. Brand Fond

Alm. Brand af 1792 fmba

Member of the boards of directors of:

Forsikringselskabet Alm. Brand Liv og Pension A/S

Alm. Brand Forsikring A/S

Directorships outside the Alm. Brand Group

Chairman of the boards of directors of:

A/S Sydjysk Korn- og Foderstof-Kompagni

Chr. Petersen A/S

Danish Agro A.m.b.a

Danish Agro Byggecenter A/S

Danish Agro Fyn A/S

Danish Agro Trading A/S

Tømremester Søren Gliese-Mikkelsen A/S

Aller Mølle A/S

Landbrugets Storkøb A/S

Member of the boards of directors of:

DPL Invest A/S (Investeringselskabet for Dansk

Primær Landbrug)

Hesselbjerg Agro A/S

Vilomix Holding A/S

DLA International Holding A/S

Dan Agro Holding A/S

Managing director of:

J.H.M. Holding ApS

Hesselbjerg Agro Holding ApS

SPECIAL QUALIFICATIONS

General management experience

Experience from the Alm. Brand Group's customer segments

Experience in audit and accounting matters

(particularly in relation to membership of the audit committee)

DIRECTORSHIP

Manager director

BORIS N. KJELDSEN

Deputy Chairman

Born 1959

Member of the Board of Directors since 2003

Deputy chairman of the boards of directors of:

Alm. Brand A/S

Alm. Brand Bank A/S

Alm. Brand Fond

Alm. Brand af 1792 fmba

Member of the boards of directors of:

Forsikringselskabet Alm. Brand Liv og Pension A/S

Alm. Brand Forsikring A/S

Directorships outside the Alm. Brand Group

Chairman of the boards of directors of:

Breinholt Consulting A/S

Breinholt Invest A/S

DATEA A/S

Kemp & Lauritzen A/S

Sigvald Madsen Holding A/S

Member of the boards of directors of:

Benny Johansen & Sønner A/S

DAVISTA Komplementarselskab A/S

DAVISTA K/S

Ejendomsforeningen Danmark (næstformand)

Managing director of:

DADES A/S (adm.dir.)

DAVISTA Komplementarselskab A/S

DAVISTA K/S

SPECIAL QUALIFICATIONS

General management experience

Experience from the Alm. Brand Group's customer segments

Experience in audit and accounting matters

(particularly in relation to membership of the audit committee)

Insight into financial matters

Insight into legal matters

DIRECTORSHIP

Manager

TAGE BENJAMINSEN

Born 1945

Member of the Board of Directors since 2010

Member of the boards of directors of:

Alm. Brand A/S

Alm. Brand Bank A/S

Directorships outside the Alm. Brand Group

Chairman of the boards of directors of:

Kristensen Properties A/S

Kristensen Partners IV A/S (Kristensen Germany A/S)

Kristensen Germany AG, datterselskab af Kristensen Partners IV A/S

Kristensen Salzgitter AG, datterselskab af Kristensen Partners IV A/S

Kristensen City-Immobilien I AG, datterselskab af Kristensen Partners III A/S

Member of the boards of directors of:

Kristensen Partners III A/S

K/S Kristensen Partners I

Kristensen Fund & Asset Management A/S

Kristensen Management A/S

LDE 1 ApS

LDE 2 ApS

LDE 3 ApS

Benjaminsen Invest ApS

Managing director of:

Benjaminsen Invest ApS

SPECIAL QUALIFICATIONS

General management experience

Experience from the Alm. Brand Group's customer segments

Experience in audit and accounting matters

Insight into financial matters

Insight into economic matters

DIRECTORSHIP

Manager

JAN SKYTTE PEDERSEN

Born 1956

Member of the Board of Directors since 2010

Member of the boards of directors of:

Alm. Brand A/S

Alm. Brand af 1792 fmba

Alm. Brand Fond

Directorships outside the Alm. Brand Group

Member of the boards of directors of:

Energimidt Holding A.M.B.A.

Energimidt Renewables A/S

Herm. Rasmussen A/S Holding

Herm. Rasmussen A/S

Herm. Rasmussen A/S Malerforretning

Herm. Rasmussen A/S Erhvervsejendomme

K/S Papirfabrikken

Malerfirmaet Fr. Nielsen og Søn, Skanderborg, Aktieselskab

Ringvejens Autolakereri A/S

Silkeborg IF Invest A/S

Gustav Hansen Holding A/S

Gustav Hansen Murer og Entreprenører A/S

Fast Entreprise A/S

Den Selvejende Institution Silkeborg Fodbold College

Managing director of:

Herm. Rasmussen A/S Holding

Herm. Rasmussen A/S

Herm. Rasmussen A/S Malerforretning

Herm. Rasmussen A/S Erhvervsejendomme

Ringvejens Autolakereri A/S

Malerfirmaet Fr. Nielsen og Søn, Skanderborg, Aktieselskab

SPECIAL QUALIFICATIONS

General management experience

Experience from the Alm. Brand Group's customer segments

Insight into financial matters

DIRECTORSHIP

Attorney

HENRIK CHRISTENSEN

Born 1950

Member of the Board of Directors since 2010

Member of the boards of directors of:

Alm. Brand A/S

Alm. Brand af 1792 fmba

Alm. Brand Fond

Directorships outside the Alm. Brand Group

Chairman of the boards of directors of:

Baltic Agro Group A/S

Hjallerup Træ og Spærffabrik A/S

O.J. Malerentreprise A/S

T.E. Gruppen A/S

Torben Enggaard Holding A/S

Member of the boards of directors of:

Anelin A/S

Boulevard 1 Invest ApS

Carl Pedersen A/S Aalborg

Larsen & Sørensen Holding A/S

Musikhuset Jomfru Ane Gade ApS

Restaurationsselskabet af 1.11.1996 ApS

Managing director of:

Advokatanpartsselskabet Henrik Christensen

Boulaw 8 ApS

VGH Nr. 277 ApS

Partner:

Fortuna I/S

Liquidator's duties:

Stiholt Nord Holding ApS

SPECIAL QUALIFICATIONS

General management experience

Experience from the Alm. Brand Group's customer segments

Insight into legal matters

DIRECTORSHIP

State-authorised public accountant

ARNE NIELSEN

Born 1944

Member of the Board of Directors since 2009

Member of the boards of directors of:

Alm. Brand A/S

Alm. Brand Bank A/S

Forsikringsselskabet Alm. Brand Liv og Pension A/S

Alm. Brand Forsikring A/S

Directorships outside the Alm. Brand Group

Managing director of:

Pensionsinvest af 15.11.2005 ApS

Cartofico Lejlighed 4 P/S

SPECIAL QUALIFICATIONS

Experience in audit and accounting matters

(particularly in relation to membership of the audit committee)

Insight into financial matters

Insight into economic matters

DIRECTORSHIP

Estate owner

PER V. H. FRANDBSEN

Born 1952

Member of the Board of Directors since 2009

Member of the boards of directors of:

Alm. Brand A/S

Alm. Brand af 1792 fmba

Alm. Brand Fond

Directorships outside the Alm. Brand Group

Chairman of the boards of directors of:

"Sia" Per Frandsen Latvia

SPECIAL QUALIFICATIONS

General management experience

Experience from the Alm. Brand Group's customer segments

Insight into financial matters

DIRECTORSHIP

Staff association chairman

HELLE LÅSBY FREDERIKSEN

Employee representative

Born 1962

Member of the Board of Directors since 2010

Member of the boards of directors of:

Alm. Brand A/S

Alm. Brand af 1792 fmba

Alm. Brand Fond

Chairman of the boards of directors of:

Personaleforeningen i Alm. Brand Forsikring A/S

SPECIAL QUALIFICATIONS

Experience from the Alm. Brand Group's customer segments

DIRECTORSHIP

Financial adviser

SUSANNE LARSEN

Employee representative

Born 1964

Member of the Board of Directors since 2006

Member of the boards of directors of:

Alm. Brand A/S

SPECIAL QUALIFICATIONS

Experience from the Alm. Brand Group's customer segments

Insight into financial matters

DIRECTORSHIP

Commercial insurance agent

PER DAHLBOM

Employee representative

Born 1958

Member of the Board of Directors since 2009

Member of the boards of directors of:

Alm. Brand A/S

Alm. Brand af 1792 fmba

Alm. Brand Fond

SPECIAL QUALIFICATIONS

Experience from the Alm. Brand Group's customer segments

DIRECTORSHIP

Market manager, Commercial

HENNING KAFFKA

Employee representative

Born 1965

Member of the Board of Directors since 2010

Member of the boards of directors of:

Alm. Brand A/S

Alm. Brand af 1792 fmba

Alm. Brand Fond

SPECIAL QUALIFICATIONS

Experience from the Alm. Brand Group's customer segments

Management board

DIRECTORSHIP

Chief Executive

SØREN BOE MORTENSEN

Joined Alm. Brand in 1987

Member of the Management Board since 1998

Chief Executive since December 2001

Born 1955

Chief Executive of:

Alm. Brand A/S

Alm. Brand af 1792 fmba

Chairman of the boards of directors of:

Alm. Brand Service ApS

Asgaard Finans A/S

Alm. Brand Forsikring A/S

Alm. Brand Præmieservice A/S

Alm. Brand Ejendomsinvest A/S

Alm. Brand Formue A/S

Forsikringselskabet Alm. Brand Liv og Pension A/S

Member of the boards of directors of:

Alm. Brand Bank A/S

Chairman appointed by the Management Board of:

Pensionskassen under Alm. Brand A/S

Directorships outside the Alm. Brand Group

Chairman of the boards of directors of:

Forsikringsakademiet A/S

Member of the boards of directors of:

Forsikring & Pension (Deputy Chairman)

Group companies

DKK m	Activity	Profit/loss for the year	Shareholders' equity at year-end	Owner- ship interest
PARENT COMPANY				
Alm. Brand A/S, Copenhagen	Holding	- 499	4.089	
NON-LIFE INSURANCE				
Alm. Brand Forsikring A/S, Copenhagen	Insurance	449	3,178	100%
Alm. Brand Service ApS, Copenhagen	IT operation and development	- 22	43	100%
REINSURANCE				
Forsikringselskabet Alm. Brand Liv og Pension A/S, Copenhagen	Insurance	121	1.087	100%
Alm. Brand Ejendomsinvest A/S, Copenhagen	Real property	153	1.406	100%
BANK OG FINANSIERING				
Alm. Brand Bank A/S, Copenhagen	Bank	- 918	1.093	100%
Alm. Brand Leasing A/S, Copenhagen	Car finance and leasing	0	233	100%
Alm. Brand Pantebreve A/S, Copenhagen	Investment	0	0	100%
Alm. Brand Formue A/S, Copenhagen	Investment	- 57	258	45%
<p>The Alm. Brand Bank Group also consists of four wholly-owned property companies. These four companies owned by Alm. Brand Bank were established in connection with the take-over of a number of properties held temporarily.</p>				
ØVRIGE SELSKABER				
Alm. Brand Præmieservice A/S, Copenhagen	Financing	0	1	100%
Asgaard Finans A/S, Copenhagen	Holding	0	1	100%
ASSOCIATED COMPANIES				
Invest Administration A/S	Administration	3	11	50%
Nordic Corporate Investments A/S	Investment	13	125	25%
Hirlap Finans ApS	Trade, industry og investment	0	0	25%
Cibor Invest	Investment	- 1	69	33%

"Ownership interest" indicates Alm. Brand A/S' direct or indirect ownership interests.

www.almbrand.dk