

Bank | Forsikring | Pension

Alm
Brand

ALM. BRAND

Interim report
first half

2018

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Company information

Board of Directors

Jørgen Hesselbjerg Mikkelsen
Chairman

Jan Skytte Pedersen
Deputy Chairman

Ebbe Castella

Anette Eberhard

Per Viggo Hasling Frandsen

Karen Sofie Hansen-Hoeck

Flemming Fuglede Jørgensen

Boris Nørgaard Kjeldsen

Brian Egested
Employee representative

Helle Låsby Frederiksen
Employee representative

Claus Nexø Jensen
Employee representative

Susanne Larsen
Employee representative

Management Board

Søren Boe Mortensen
Chief Executive Officer

Auditors

Deloitte
Statsautoriseret Revisionspartnerselskab

Internal auditor

Poul-Erik Winther
Group Chief Auditor

Registration

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Group companies

Alm. Brand is a listed Danish financial services group focusing on the Danish market. The group carries on non-life insurance, life insurance and banking activities.



Denmark's
4th largest insurer

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

Life Insurance based
on *personal* advice

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

Helping customers
***every* day**

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

Alm. Brand Group

Q2 PERFORMANCE

The Alm. Brand Group posted a pre-tax profit of DKK 187 million in Q2 2018, corresponding to a return on equity of 16% p.a. The performance was highly satisfactory and better than expected.

The profit reflected satisfactory performances in Non-life Insurance and Life Insurance. The Banking activities were impacted by the turbulent investment markets experienced in the second quarter, while improved economic conditions made room for a reversal of impairment charges. Moreover, the consolidation of Saxo Privatbank's activities improved the results.

Non-life Insurance

Non-life Insurance generated a profit of DKK 156 million, against DKK 229 million in Q2 2017. The performance was highly satisfactory and better than expected.

The combined ratio was 88.4, being favourably affected by an unusually low level of expenses for weather-related claims as well as by run-off gains, which to some extent were offset by a higher-than-expected number of major claims and a slight increase in expenses for motor insurance claims.

Gross premiums totalled DKK 1,317 million, corresponding to an increase of 2.9% relative to Q2 2017, which was better than expected. The private customer segment grew by 1.4% as expected, while growth

in the commercial customer segment was 4.5% and above the expected level. Customer retention remained at a high level in both segments and is approaching the highest level measured in the private customer segment for more than 10 years.

The Q2 expense ratio was 17.6, which was slightly below the expected level.

The investment result was a gain of DKK 4 million, as compared with a DKK 22 million gain in Q2 2017.

The second quarter of 2018 was favourably affected by developments in the equity market, and the bond portfolio produced a positive return as a result of the declining interest rates. The return on mortgage deeds was affected by an increase in early redemptions in the second quarter.

Life Insurance

Life Insurance produced a pre-tax profit of DKK 25 million in Q2 2018, against DKK 24 million in Q2 2017. The Q2 performance was favourably affected by an improved expense result. The performance was highly satisfactory and better than expected.

Total pension contributions increased by 41% year on year and were composed of an increase in regular premiums of 11% and an increase in single payments of 69%. The improved result was lifted in particular by a major influx of company pension schemes.

Growth in pension contributions was better than expected and in line with the group's ambition to grow its pension business.

The bonus rate was 21.7% at 30 June 2018, marking a decline of 0.7 of a percentage point relative to 31 March 2018. The decline was due to financial market turmoil as well as to the fact that Alm. Brand is offering the highest rate on policyholders' savings among commercial life insurance providers in Denmark. The bonus rate remained highly satisfactory, ensuring that Alm. Brand Pension may continue to offer high and competitive rates on policyholders' savings.

Banking

The bank generated a total profit of DKK 21 million in Q2 2018 (Q2 2017: DKK 32 million). The turbulent investment market resulted in a loss on the investment portfolio, which, however, was more than offset by a DKK 25 million reversal of impairment writedowns. Moreover, the acquisition of the majority of Saxo Privatbank A/S's activities lifted the performance by a non-recurring income of DKK 24 million. The bank's Q2 operating performance was not satisfactory.

The bank generally experienced an increase in the level of activity. Over the past 12 months, the number of Pluskunder has grown by 9% not including customers acquired from Saxo Privatbank. At 30 June

2018, lending amounted to DKK 4.3 billion, DKK 1.5 billion of which was attributable to the acquired Saxo Privatbank activities. Excluding Saxo Privatbank, lending declined year on year due to repayments and redemptions by existing customers, including conversion of bank loans into mortgage loans, and the effect of the implementation of IFRS 9.

Moreover, new customers are generally seen to have lower borrowing requirements.

At 30 June 2018, the Totalkredit portfolio amounted to DKK 14.8 billion, of which Saxo Privatbank's portfolio of mortgage loans arranged for Totalkredit accounted for DKK 5.5 billion. The portfolio of mortgage loans arranged for Totalkredit grew significantly, up 16% year on year excluding Saxo Privatbank.

The inflow from the conversion of bank loans into mortgage loans among new and existing customers was significant.

In addition, the bank took over Saxo Privatbank Wealth Management and Private Banking, which will serve to strengthen the bank's position vis-à-vis investment clients.

Integration of Saxo Privatbank A/S's activities

The results of the activities acquired from Saxo Privatbank were fully recognised in the income statement and balance sheet of Alm. Brand Bank effective from 1 April 2018. The provisional acquisition price has been calculated at DKK 384 million, while the net market value of assets and liabilities including the value of customer relationships has been calculated at DKK 557 million, that is, indicating a value of the activities acquired that is DKK 174 million higher (badwill).

Accordingly, the calculated net market value of assets and liabilities of DKK 557 million includes an intangible asset in respect of customer relationships of DKK 223 million and a deferred tax liability in respect of this asset of DKK 49 million. See note 5 Opening balance sheet Saxo Privatbank.

The calculated excess value of the acquired assets and liabilities of DKK 223 million excluding the deferred tax liability has been recognised as income under Other income in the financial highlights and key ratios. The total cost of integration has been provisionally calculated at DKK 199 million and is also presented under Other income. Overall, the acquisition lifted the Q2 pre-tax profit by DKK 24 million.

The Saxo Privatbank activities are still expected to report a break-even result in the second half of 2018.

Other activities

Other business activities, consisting primarily of corporate expenses, performed in line with expectations. The Q2 performance was a pre-tax loss of DKK 15 million, against a loss of DKK 14 million in the same period of 2017.

H1 PERFORMANCE

The group posted a consolidated pre-tax profit of DKK 410 million in H1 2018, as compared with a DKK 543 million profit in H1 2017. The performance equalled a return on equity of 17%, which was highly satisfactory and better than expected.

Non-life Insurance reported a profit of DKK 355 million and a combined ratio of 86.0. Life Insurance posted a profit of DKK 51 million, and Banking generated a profit of DKK 34 million.

CAPITALISATION

Alm. Brand's total capital relative to its capital target determines the potential for distribution to its shareholders. The distribution by the group is aligned with planned activities, including investments, special risks or a shortfall in earnings.

Capitalisation

DKKm	H1 2018	FY 2017
Total capital for the group	5,219	4,318
Internal capital target for the group	4,758	4,279
Excess relative to the capital target	461	39

The distributable total capital of the group was DKK 5,219 million at 30 June 2018, corresponding to an excess of DKK 461 million relative to the group's capital target. The excess increased from DKK 194 million at 31 March 2018 mainly as a result of Q2 earnings and a reversal of the VA premium reservation.

In March 2018, EIOPA gave notification of a change to the method for calculation of the Danish volatility adjustment premium (the "VA premium") for the discounting of provisions. As a result, the group made a DKK 70 million capital reservation in the first quarter to cover this uncertainty. The reservation was calculated on the basis of a methodology change in which the Danish VA premium is reduced to about 0%.

In August, EIOPA announced that the upcoming change will entail a significantly smaller reduction of the current add-on

than previously expected, and the DKK 70 million reservation was therefore reversed. The change is now expected to have a negative effect of about DKK 10 million for the insurance group, which will form a part of the investment result. The change will enter into force in the third quarter of 2018.

The capital requirement from the acquisition of activities from Saxo Privatbank is in line with expectations, and the previous capital reservation made at group level will lapse as the exposure is now recognised in the bank's balance sheet and capital requirement.

MAJOR EVENTS

Integration of Saxo Privatbank A/S's activities

The bank took over the majority of Saxo Privatbank A/S's activities effective from 1 April 2018. Due to a decision made to continue to use Bankdata as data centre for the activities, the agreement with SDC has been terminated. The transition to a single bank platform is expected to take place in the fourth quarter of 2018. As part of the integration of Saxo Privatbank's activities, a number of branches will be consolidated. The branches in Aarhus and Kolding have already been consolidated, and the branches in Esbjerg and Odense will be consolidated in autumn 2018.

Lending in the acquired portfolio declined slightly as a result of the general market trend of repaying and redeeming loans to an increasing extent. The customer level was retained for private customers, while the level of commercial customers increased. The bank also took over Saxo Privatbank Wealth Management and Private Banking, which will serve to strengthen the bank's position vis-à-vis investment clients. As a result of the acquisition of the majority of Saxo Privatbank's activities, Alm. Brand Bank is able from Q4 2018 to offer all of its customers access to Saxo Bank's unique trading platform under the name of Alm. Brand Trader through a white label partnership.

The integration is progressing as planned, and the acquired activities are expected to be fully integrated by the end of 2018.

Annual general meeting of Alm. Brand A/S

Alm. Brand A/S held its annual general meeting on 30 April 2018. At the general meeting, the shareholders approved the proposed ordinary dividend of DKK 1.50 per share and the extraordinary dividend of DKK 1.50 per share. In addition, the shareholders approved a reduction of the company's share capital by 4,500,000 shares of DKK 10 each by cancellation of treasury shares. Following the reduction, the company's share capital amounts to DKK 1,610,000,000.

OUTLOOK

The guidance for the full-year profit for 2018 is raised by DKK 100 million to a consolidated profit of DKK 600-700 million. The upgrade is supported by better-than-expected performances by Non-life Insurance and Life Insurance as well as by the fact that the upcoming reduction of the VA premium will be significantly smaller than previously expected.

Outlook

DKKm	2018
Expected consolidated profit	600-700
Non-life Insurance	600
Life Insurance	85
Banking	25
Other activities	-60

Non-life Insurance

The guidance for Non-life Insurance is lifted by DKK 60 million to a profit of around DKK 600 million before tax. The upgrade is primarily driven by realised run-off gains.

The outlook for the year does not include run-off gains or losses for the rest of 2018.

The guidance for the combined ratio is improved to about 89 from the previously guided level of 90, while the guidance for the expense ratio is maintained at about 17.

The outlook for growth in premiums in 2018 is lifted to 2-3% from previously 2%.

Life Insurance

The guidance for Life Insurance is lifted by DKK 5 million to a profit of DKK 85 million. The upgrade is the result of a general improvement in operations in Q2 as compared with expectations.

Regular premiums are expected to grow at a rate of about 9% in 2018, as compared with the previously guided rate of 8%.

Banking

The guidance for the bank's activities is maintained at a profit of DKK 25 million before tax.

Net growth in lending was weaker than expected in Q2 2018, but on the other hand the group acquired a portfolio from Saxo Privatbank. Accordingly, total growth in lending to retail customers is expected to be 40-45% in 2018.

Other activities

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

Combined ratio

89

Expected combined ratio in Non-life Insurance.

Growth in Life Insurance

9%

Expected growth in regular premiums in Life Insurance.

Growth in lending

40-45%

Expected growth in lending to retail customers.

DISCLAIMER

The forecast is based on the interest rate and price levels that prevailed at mid-August.

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

Financial highlights and key ratios

	DKKm	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017		DKKm	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017
GROUP	Income						FINANCIAL RATIOS	Earnings per share	0.9	1.3	2.0	2.6	5.0
	Non-life Insurance	1,317	1,278	2,609	2,545	5,157		Diluted earnings per share	0.9	1.3	2.0	2.6	4.9
	Life Insurance	444	315	1,011	713	1,394		Net asset value per share	29	29	29	29	30
	Banking	381	170	546	335	731		Share price, end of period	62.7	58.0	62.7	58.0	81.0
	Investment etc.	91	109	222	260	491		Price/NAV	2.18	2.03	2.18	2.03	2.67
	Total income	2,233	1,872	4,388	3,853	7,773		Average no. of shares (in thousands)	158,828	162,213	158,995	162,515	161,438
	Performance							No. of shares at year-end, diluted (in thousands)	159,896	163,784	159,896	163,784	161,708
	Non-life Insurance	156	229	355	465	917		Average no. of shares, diluted (in thousands)	160,436	164,675	160,802	165,135	163,840
	Life Insurance	25	24	51	58	93		Dividend per share	0.0	0.0	0.0	0.0	1.5
	Banking	21	32	34	48	67		Dividend per share, extraordinary	0.0	0.0	0.0	0.0	1.5
	Other activities	-15	-14	-30	-28	-54		No. of shares bought back (in thousands)	837	1,444	1,969	2,604	4,768
	Profit before tax	187	271	410	543	1,023		Avg. price of shares bought back, DKK	64.8	57.4	68.2	56.5	59.4
	Tax	-43	-56	-87	-114	-212							
	Profit after tax	144	215	323	429	811							
	Total provisions for insurance contracts	21,814	21,134	21,814	21,134	20,961							
	Consolidated shareholders' equity	4,605	4,684	4,605	4,684	4,936							
	Total assets	39,065	35,034	39,065	35,034	34,654							
	Average no. of employees	1,727	1,570	1,727	1,570	1,602							
	Return on equity before tax (%)	16.0	22.2	16.9	21.4	20.8							
	Return on equity after tax (%)	12.3	17.6	13.3	16.9	16.5							

Non-life Insurance

Highly satisfactory pre-tax profit of DKK 156 million and fair growth of 2.9%.

Q2 PERFORMANCE

Non-life Insurance generated a pre-tax profit of DKK 156 million in Q2 2018, compared with a profit of DKK 229 million in Q2 2017, which was highly satisfactory and better than expected.

The technical result was DKK 152 million (2017: DKK 207 million), equivalent to a combined ratio of 88.4. Compared with expectations, the performance was supported by unusually few weather-related claims expenses, run-off gains and a positive investment result. A high level

of major claims and a slight increase in expenses for motor claims detracted from performance.

Compared with Q2 2017, the performance was impacted by significantly higher expenses for major claims in Q2 2018, and the underlying combined ratio was higher than in Q2 2017. On the other hand, the performance was lifted by investment gains of DKK 4 million, which, however, was DKK 18 million lower than in the same period of last year.

Net of run-off gains, the combined ratio was 93.2 in Q2 2018, against the anticipated normal level of 91-92.

The Q2 underlying combined ratio was 83.9, which was higher than the expected target level of about 81-82 for the year as a whole. The higher underlying combined ratio was primarily due to stronger-than-expected growth in lines with inherently higher underlying claims ratios.

Premiums

Gross premiums amounted to DKK 1,317 million in Q2 2018, which was 2.9% more than in Q2 2017. This was highly satisfactory and better than expected. The retention rate – reflecting customer loyalty – remained at a high and stable level in the commercial and private customer segments, during the second quarter approaching the highest level measured in the private customer segment for more than 10 years.

Claims experience

The claims experience for Q2 2018 was 70.8%, against 65.5% in Q2 2017. In spite of the increase, the claims experience was better than expected. The year-on-year performance was lifted by run-off gains and a lower level of expenses for weather-related claims. On the other hand, the level of expenses for major claims and small claims was significantly higher than in the same period of 2017. Net of run-off gains, the claims experience was 75.6%,

which was 6.2 percentage points higher than in the same period of 2017, but in line with expectations.

Weather-related claims

Net of reinsurance, expenses for weather-related claims totalled DKK 14 million, which was in line with the same period of last year. Weather-related claims affected the combined ratio by 1.1 percentage points in Q2 2018, which was significantly below the normal level of 3-4%.

Major claims

Net of reinsurance, major claims totalled DKK 116 million, which was DKK 68 million more than in the same period of 2017. Both in terms of number and amount, the claims expenses incurred in the second quarter were higher than expected. Major claims affected the combined ratio by 8.8 percentage points (3.7 percentage points in 2017), which was higher than the normal level of 7-8%.

Underlying business

The underlying claims ratio increased by 2.1 percentage points year on year. The increase was mainly attributable to higher claims expenses on the commercial customer products workers' compensation insurance, building and contents insurance and comprehensive motor insurance. Overall, the underlying claims ratio for the private customer products improved relative to last year as well as relative to expectations.

Combined ratio

	Q2 2018	Q2 2017	FY 2017
Combined ratio, underlying business	83.9	82.5	81.3
Weather-related claims, net of reinsurance	1.1	1.1	1.5
Major claims, net of reinsurance	8.8	3.7	6.6
Reinstatement premium	0.0	0.0	0.0
Run-off result, claims	-4.8	-3.7	-5.3
Change in risk margin, run-off result and current year	-0.6	0.2	0.3
Combined ratio	88.4	83.8	84.4

Run-off result

The run-off result on claims net of reinsurance was a gain of DKK 63 million, against DKK 47 million in 2017. The Q2 2018 run-off result was mainly attributable workers' compensation insurances in Commercial lines.

Risk margin

The overall risk margin affected the Q2 performance by an income of 0.6 of a percentage point, equivalent to DKK 8 million, composed of a DKK 24 million income attributable to the run-off result and a DKK 16 million expense related to the building-up of risk margin on claims reported in Q2 2018. In Q2 2017, the effect was an expense of 0.2 of a percentage point, equivalent to DKK 3 million, which was made up of a DKK 9 million income attributable to the run-off result and a DKK 12 million expense related to current-year claims expenses. The development was mainly due to a change in the risk composition of the solvency capital requirement.

Costs

Total costs amounted to DKK 233 million in Q2 2018, equivalent to an expense ratio of 17.6. Costs were at a slightly lower level than anticipated in Q2 2018.

The FY 2018 expense ratio is expected to be around 17.

Net reinsurance ratio

The net reinsurance ratio was 4.9 in Q2 2018, against 1.7 in the same period of 2017. The lower net expense in 2017 was mainly due to the fact that a major fire claim reported in Q1 2017 was revised upward in Q2 2017, which increased the reinsurance coverage.

Discounting

From 30 June 2017 to 30 June 2018, the yield curve used for discounting declined slightly by approximately 0.1 of a percentage point at both the short end and the long (10-yr) end. Technical provisions are affected the most by the short-term yield due to the composition of expected premium payments and claims payouts. Overall, interest rate developments in Q2 2018 increased the combined ratio by 0.5 of a percentage point relative to the same period of 2017.

PRIVATE

The technical result was a profit of DKK 46 million in Q2 2017, against DKK 87 million in Q2 2017.

The combined ratio was 93.0, which was better than expected. Relative to expectations, the result was favourably affected by an unusually low level of weather-related claims, a strong claims performance on household comprehensive and motor insurance, among other lines, and by run-off gains. On the other hand, a high level of major claims, a fair number of delayed

frost claims from March and, relative to the year-earlier period, a higher level of expenses for motor claims detracted from performance.

Premium income was DKK 668 million in Q2 2018, increasing by 1.4% relative to Q2 2017, which was in line with expectations. The customer retention rate remained high, approaching the highest level measured in a second quarter for more than 10 years.

Private

	Q2 2018	Q2 2017	FY 2017
DKKm			
Gross premium income	668	658	2,644
Gross claims expenses	-472	-421	-1,726
Insurance operating expenses	-134	-132	-505
Profit/loss on reinsurance	-16	-18	-62
Technical result	46	87	351
Run-off result, claims	9	32	119
Run-off result, risk margin	8	5	24
Gross claims ratio	70.7	64.0	65.3
Net reinsurance ratio	2.3	3.0	2.4
Claims experience	73.0	67.0	67.7
Gross expense ratio	20.0	20.0	19.0
Combined ratio	93.0	87.0	86.7

The claims experience excluding run-off gains on claims was 74.4% (Q2 2017: 71.9%).

Weather-related claims totalled DKK 5 million net of reinsurance (Q2 2017: DKK 4 million), affecting the combined ratio by 0.8 of a percentage point, which was an extremely low level. The spring months were unusually dry, but Jutland and Funen were hit by a few instances of heavy rain and cloudbursts in May. These weather-related events did not translate into any substantial claims expenses for Alm. Brand.

On the other hand, the number of major claims reported in the second quarter was significantly higher than in Q2 2017 and relative to expectations. In May and June in particular, the number of fire claims on building and contents insurances was higher than in previous years. Claims expenses totalled DKK 31 million net of reinsurance, against DKK 3 million in Q2 2017, and major claims impacted the combined ratio by 4.6 percentage points (Q2 2017: 0.5 of a percentage point).

The underlying expense ratio was 69.1 in Q2 2018, against 70.4 in the year-earlier period, which was better than expected. The expense ratio was favourably affected by a lower level of claims expenses in personal insurance lines, but a higher-than-expected number of delayed claims reported in April in respect of

damage to service pipes due to the severe frost in March detracted from performance. In motor insurance lines, the number of comprehensive motor claims was higher in Q2 2018 than in the same period of 2017. The claims primarily related to the new, popular optional covers Glass Damage, Roadside Assistance and Parking Damage on comprehensive motor insurances, where the underlying claims ratio is expected to be higher compared with the portfolio in general.

The expense ratio was 20.0 in Q2 2018, which was in line with expectations. The relatively high level was the result of investments in growth and digitalisation.

Run-off gains on claims net of reinsurance amounted to DKK 9 million in Q2 2018 (Q2 2017: DKK 32 million). The 2018 performance was composed of both run-off gains and losses, the gains being primarily attributable to personal accident and comprehensive motor insurance. In addition, the risk margin contributed a run-off gain of DKK 8 million in Q2 2018, as compared with DKK 5 million in 2017.

COMMERCIAL

The technical result was a profit of DKK 106 million in Q2 2018, against a profit of DKK 120 million in Q2 2017.

The combined ratio was 83.7, which was highly satisfactory compared with expect-

tations. The performance was supported by very few weather-related claims and by run-off gains, but adversely impacted by significantly higher-than-expected expenses for major claims and small claims.

Premium income grew by DKK 28 million to DKK 649 million, equivalent to an increase of 4.5%, which was more than expected and highly satisfactory. This improvement should be seen against the backdrop that Alm. Brand lost a major commercial customer effective from 1 January 2018 with total premiums of DKK 34 million following an EU tender. Almost half of the total increase in 2018 was attributable to Alm. Brand's acquisition of the insurance portfolio of Trafik G/S in September 2017.

Although the commercial market remains very competitive, Alm. Brand sold more insurances during the reporting period – both relative to expectations and in a year-on-year comparison. This is particularly the case for workers' compensation and motor insurance. The customer retention rate remains high and is showing a stable trend.

Commercial

	Q2 2018	Q2 2017	FY 2017
DKK m			
Gross premium income	649	620	2,513
Gross claims expenses	-395	-394	-1,538
Insurance operating expenses	-99	-103	-396
Profit/loss on reinsurance	-49	-3	-125
Technical result	106	120	454
Run-off result, claims	54	15	155
Run-off result, risk margin	16	4	24
Gross claims ratio	60.9	63.5	61.2
Net reinsurance ratio	7.6	0.4	4.9
Claims experience	68.5	63.9	66.1
Gross expense ratio	15.2	16.6	15.8
Combined ratio	83.7	80.5	81.9

The claims experience excluding run-off gains on claims was 76.8% (Q2 2017: 66.6%).

Weather-related claims totalled DKK 9 million net of reinsurance (Q2 2017: DKK 10 million), which affected the combined ratio by 1.3 percentage points, against 1.6 percentage points in Q2 2017. Weather-related claims expenses were significantly below the expected level in the second quarter, and the few instances of heavy rain and cloudbursts in May did

not translate into any substantial claims expenses in the commercial customer segment.

Major claims totalled DKK 86 million net of reinsurance (Q2 2017: DKK 44 million) and impacted the combined ratio by 13.2 percentage points, against 7.2 percentage points in 2017. In terms of amount, and in particular in terms of numbers, major claims were at a higher level than expected in Q2 2018, and the number of fire claims was extraordinarily high in June. None of the major claims reported were large enough to trigger compensation under the reinsurance covers.

The underlying claims ratio increased by 5.8 percentage points relative to the year-earlier period. The increase was primarily attributable to a high number of fire claims in Q2 2018 as well as to higher expenses for workers' compensation and motor insurance claims. As regards motor insurance, the increase was expected, seeing as more claims are being reported primarily on the new optional covers which customers have chosen to purchase in connection with the rewriting of their motor insurance to the newest product.

The net reinsurance ratio was 7.6 in Q2 2018, against 0.4 in Q2 2017. The very low net expense in Q2 2017 was due to reinsurance received in respect of a major fire claim.

The expense ratio was 15.2 in Q2 2018, or 1.4 percentage points lower than in Q2 2017, which was below the anticipated level.

Run-off gains on claims net of reinsurance amounted to DKK 54 million in Q2 2018 (Q2 2017: DKK 15 million). The 2018 run-off result was to a large extent attributable to gains on workers' compensation insurance. In addition, the risk margin contributed a run-off gain of DKK 16 million in Q2 2018, as compared with DKK 4 million in 2017.

INVESTMENT RESULT

The investment result was a gain of DKK 4 million in Q2 2018, against a gain of DKK 22 million in the year-earlier period. The performance was in line with expectations.

The Q2 investment return was lifted by developments in the equity market, which has recovered from the financial turmoil seen in Q1 despite the escalating trade war. Bonds generated a positive return as a result of the decline in interest rates, while the hedging of provisions made for

a break-even return. Mortgage deeds were adversely impacted by an increase in early redemptions in the second quarter.

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

The interest on technical provisions is calculated using the EIOPA yield curve plus a volatility adjustment (the "VA premium").

H1 2017, which was highly satisfactory. The technical result was a profit of DKK 366 million (H1 2017: DKK 405 million), equivalent to a combined ratio of 86.0 (H1 2017: 84.1). The technical result was highly satisfactory, being lifted by an unusually low level of expenses for weather-related claims. Relative to the first half of 2017, the performance was adversely affected by a higher level of expenses for major claims as well as by fewer run-off gains.

Premium income amounted to DKK 2,609 million in H1, against DKK 2,545 million in the year-earlier period. This year-on-year increase of 2.5% was highly satisfactory and better than expected.

Investment return

DKKm	Q2 2018			Q2 2017		
	Investment assets	Return		Investment assets	Return	
Bonds etc.	8,546	9	0.1%	8,482	9	0.1%
Mortgage deeds etc.	1,021	1	0.1%	1,222	9	0.7%
Equities	198	9	4.5%	199	4	2.2%
Properties	13	0	2.4%	16	0	1.5%
Total return on investments	9,778	19	0.2%	9,919	22	0.2%
Administrative expenses related to investment activities		-6			-7	
Capital gains related to the discounting of technical provisions		-7			14	
Interest on technical provisions		-2			-7	
Net investment return		4			22	

H1 PERFORMANCE

Non-life Insurance generated a pre-tax profit of DKK 355 million in H1 2018, as compared with a DKK 465 million profit in

Combined ratio

	H1 2018	H1 2017	FY 2017
Combined ratio, underlying business	83.0	82.7	81.3
Weather-related claims, net of reinsurance	1.0	0.9	1.5
Major claims, net of reinsurance	6.9	6.2	6.6
Reinstatement premium	0.0	0.0	0.0
Run-off result, claims	-4.6	-6.0	-5.3
Change in risk margin, run-off result and current year	-0.3	0.3	0.3
Combined ratio	86.0	84.1	84.4

Weather-related claims were DKK 25 million net of reinsurance, against DKK 22 million in H1 2017. The mild winter and a significantly lower-than-expected level of expenses for windstorms and cloudbursts had a positive effect on the H1 performance. Overall, the number of weather-related claims reported in the first half of the year was unusually low compared with expectations. Weather-related claims affected the combined ratio by 1.0 percentage point (H1 2017: 0.9 of a percentage point).

Major claims totalled DKK 180 million in H1 2018, against DKK 158 million in H1 2017. In H1 2018, the number of major claims was higher than expected. However, none of the major claims reported were large enough to trigger compensation under the reinsurance covers. Overall, major claims expenses affected the combined ratio by 6.9 percentage points (H1 2017: 6.2 percentage points), which was slightly better than the expected range of 7-8 percentage points.

The combined ratio of the underlying business was 83.0 in H1 2018, against 82.7 in H1 2017. The lower interest rates in the first half of 2018 mainly affected the short-term discount rate relative to the year-earlier period, increasing the combined ratio by 0.7 of a percentage point.

The run-off result on claims net of reinsurance was a gain of DKK 121 million, against DKK 153 million in 2017. The 2018 run-off result was mainly attributable to personal accident insurances in Private lines and to workers' compensation insurances in Commercial lines. The level of run-off gains on workers' compensation insurance was generally lower than in previous years. In addition to the run-off gain on claims, the risk margin contributed a run-off gain of DKK 45 million in H1 2018, as compared with DKK 29 million in H1 2017.

The expense ratio was 17.7 in H1 2018, against 18.0 in the same period of 2017, which was slightly below the expected level.

The investment result after interest on technical provisions was a loss of DKK 11 million in H1 2018, against a gain of DKK 60 million in H1 2017. The 2018 investment result was not satisfactory, being adversely affected by financial market developments in the first quarter of the year.

CAPITALISATION

The solvency capital requirement of Alm. Brand Forsikring A/S was DKK 1,016 million at 30 June 2018, against DKK 1,044 million at 30 June 2017.

The total capital was DKK 3,159 million, which means that the company had an excess cover of DKK 2,143 million relative to the solvency capital requirement.

At 30 June 2018, shareholders' equity allocated to Non-life Insurance was DKK 2.2 billion.

MAJOR EVENTS

New travel insurance product

In March, Alm. Brand launched a new modular travel insurance product. The product has been well received by the market, and it was rated third among all travel insurance products in a test conducted by the Danish Consumer Council THINK and ranked number one among products that can be bought without any ties to other insurance products. Moreover, as from 1 July, the basic cover on the new product is offered free of charge to all customers of Alm. Brand Bank who have a Mastercard Gold or Platinum credit card. These customers are also able to purchase optional covers for the insurance so that they may tailor their travel insurance to their specific needs.

ID Sikring – extension of cover

From the beginning of July, Alm. Brand has extended its identity theft insurance "ID Sikring", which is a component of the contents insurance product, to also cover online abuse and harassment. Focus is on providing preventive advice on how to best protect oneself and one's family online. If a policyholder has fallen victim to harassment, false profiles or unintended distribution of e.g. photos, Alm. Brand now offers assistance with respect to closing false profiles and e-mail accounts or arranging for any offensive material or comments published without the policyholder's consent to be removed from the Internet.

Non-life Insurance

	DKKm	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017
INCOME STATEMENT	Gross premium income	1,317	1,278	2,609	2,545	5,157
	Claims expenses	-867	-815	-1,654	-1,621	-3,264
	Insurance operating expenses	-233	-235	-461	-457	-901
	Profit/loss on reinsurance	-65	-21	-128	-62	-187
	Technical result	152	207	366	405	805
	Interest and dividends, etc.	34	47	76	96	188
	Capital gains	-15	-25	-71	-30	-23
	Administrative expenses related to investment activities	-6	-7	-13	-15	-33
	Return on and value adjustment of technical provisions	-9	7	-3	9	-20
	Investment return after return on and value adjustment of provisions	4	22	-11	60	112
	Profit before tax	156	229	355	465	917
	Tax	-34	-49	-75	-98	-196
	Profit after tax	122	180	280	367	721

	DKKm	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017
BALANCE SHEET	Run-off result, claims	63	47	121	153	274
	Run-off result, risk margin	24	9	45	29	48
	Technical provisions	7,650	7,749	7,650	7,749	7,203
	Insurance assets	101	220	101	220	141
	Shareholders' equity	2,168	2,139	2,168	2,139	2,493
	Total assets	10,507	10,665	10,507	10,665	10,702
FINANCIAL RATIOS	Gross claims ratio	65.9	63.7	63.4	63.7	63.3
	Net reinsurance ratio	4.9	1.7	4.9	2.4	3.6
	Claims experience	70.8	65.4	68.3	66.1	66.9
	Gross expense ratio	17.6	18.4	17.7	18.0	17.5
	Combined ratio	88.4	83.8	86.0	84.1	84.4
	Combined ratio excluding run-off result *)	93.2	87.5	90.6	90.3	89.7
	Return on equity before tax (%)	26.8	40.0	30.5	37.5	38.5
Return on equity after tax (%)	20.9	31.5	24.1	29.6	30.6	

Key figures and ratios have been calculated in accordance with the Executive Order on financial reporting for insurance companies and multi-employer occupational pension funds.

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

Life Insurance

Highly satisfactory pre-tax profit of DKK 25 million and strong growth in contributions of 41%.

Q2 PERFORMANCE

Life Insurance posted a pre-tax profit of DKK 25 million in Q2 2018 (Q2 2017: DKK 24 million). The performance was highly satisfactory and better than expected.

The profit was composed as follows:

- Expense and risk result of DKK 17 million
- Interest rate result of DKK 6 million
- Profit of DKK 2 million from the group life insurance business
- Profit of DKK 0 million from life annuities without bonus entitlement
- Return on investment allocated to equity of DKK 0 million

The bonus rate was 21.7% at 30 June 2018, marking a decline of 0.7 of a percentage point relative to 31 March 2018. The decline was due to financial market turmoil as well as to the fact that Alm. Brand is offering the highest rate on policyholders' savings among commercial life insurance providers in Denmark. The bonus rate remained highly satisfactory, ensuring that Alm. Brand Pension may continue to offer high and competitive rates on policyholders' savings.

Measured in terms of the volume of customer funds, AUM (assets under management) increased to DKK 14.2 billion at 30 June 2018, marking a year-on-year increase of 5.8%.

Pension contributions

Payments into guaranteed schemes

In Q2 2018, premiums totalled DKK 444 million (Q2 2017: DKK 315 million), up 40.9% year on year, which was better than expected.

The figures comprise an increase in regular premiums of 10.5% and an increase in single payments of 69.1%. The improvement was due to fair growth in the corporate customer segment, which benefited from customers moving their entire portfolio to Alm. Brand Pension.

The development in contributions was highly satisfactory and in line with the group's ambition to grow its pension business.

The fair growth in the corporate customer segment in particular should be seen in the light of several strategic initiatives

which have contributed to supporting developments. These include simplified access for customers via digitalisation in the underwriting process and more lenient requirements in respect of the provision of health statements. Moreover, Life Insurance has adjusted prices on selected products with a view to improving its competitive strength.

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

Benefits paid

Total benefits paid amounted to DKK 224 million in Q2 2018, compared with DKK 255 million in the same period of 2017. Increased customer loyalty is one of the reasons for the low level of benefits paid, which has served to reduce the number of surrenders.

Risk result

Net of reinsurance, the risk result, which expresses the difference between premiums charged and actual claims expenses paid, was an income of DKK 16 million in

Q2 2018, marking a DKK 4 million decrease on Q2 2017. The result was highly satisfactory and among the best performances in the industry.

Costs

Acquisition costs and administrative expenses totalled DKK 25 million in Q2 2018, which was on a par with Q2 2017 and slightly below expectations.

Expense result

Net of reinsurance, the expense result, which expresses the difference between expense loading and expenses incurred, was positive at DKK 1 million. The expense result improved relative to the year-earlier period, driven by a higher cost contribution. The result was satisfactory considering the fact that Alm. Brand Pension has some of the industry's lowest costs for average rate products (see APR listed on the industry comparison portal, "Fakta om pension" ("Facts about pension")).

Investment return on policyholders' funds

The return on investment assets belonging to policyholders (before pension returns tax) was DKK 104 million for Q2 2018, corresponding to a return of 0.8% (3.2% p.a.), against a return of DKK 320 million in Q2 2017. Investment assets, which amounted to DKK 14.0 billion at 30 June 2018, are placed in bonds, equities and property.

The return on policyholders' investment assets was favourably affected by equity markets, which, in spite of the escalating trade war, continued to increase, supported by sustained global economic recovery. Although bonds in general generated a positive return driven by lower interest rates, credit bonds and emerging markets detracted from performance. The higher US interest rates and a strengthened US dollar combined with country-specific economic challenges to produce a negative return on emerging markets in the second quarter. The property portfolio generated a return of 1.1% in Q2 (4.6% p.a.).

Total life insurance provisions increased by DKK 257 million to an aggregate of DKK 13.7 billion in Q2 2018. The increase was primarily attributable to the net inflow of pension funds during the period.

Investment return

	Investment assets	Return Q2	Return p.a.
DKKm			
Bonds	10,422	0.2%	0.8%
Equities	2,359	3.2%	13.0%
Properties	1,255	1.1%	4.6%
Total	14,037	0.8%	3.2%

Profit margin

The profit margin increased by DKK 11 million to total DKK 419 million at 30 June 2018, driven by the company's growth.

Industry-wide discussions with the Danish Financial Supervisory Authority are still ongoing about the accounting concept "profit margin" and the assumptions used to calculate it. Alm. Brand Pension does not expect a final clarification to significantly change the company's capital position, which is very strong.

Bonus rate

The total bonus rate was 21.7% at 30 June 2018, a year-to-date decline of 1.9 percentage points. The bonus rate remains highly satisfactory.

New policyholders are placed in interest rate group 0, which had a bonus rate of 23.7% at 30 June 2018.

In interest rate groups 2 and 3, comprising customers with the highest guarantees, the bonus rate was around 15% in Q2 2018, which was highly satisfactory. These groups continue to pursue a prudent investment strategy based on a substantial share of bonds and financial instruments intended to strike a healthy balance between the groups' investments and liabilities.

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

	U74*	Interest rate group 0	Interest rate group 1	Interest rate group 2	Interest rate group 3	Total
Technical rate of interest (% p.a.)		0.5-1.5	1.5-2.5	2.5-3.5	3.5-4.5	
Rate on policyholders' savings (% p.a.)		5.00	5.50	5.50	6.00	
Investment assets (DKKbn)	0.1	9.2	1.1	1.2	2.4	14.0
Bonus rate (%)		23.7	22.9	15.2	13.3	21.7
Return (% YTD annualised)		0.8	0.6	1.0	0.9	0.8
Distribution of investment assets (%)						
Bonds	100	69	71	82	86	73
Equities	0	21	20	7	3	17
Properties	0	10	9	8	6	9
Fixed-income derivatives	0	0	0	3	5	1

* Portfolios without bonus entitlement

HI PERFORMANCE

Life Insurance posted a pre-tax profit of DKK 51 million in H1 2018, as compared with a DKK 58 million profit in H1 2017. The performance was highly satisfactory and should be seen in light of the DKK 12 million extraordinary income recognised on the portfolio of life annuities without bonus entitlement in 2017.

The profit was composed as follows:

- Expense and risk result of DKK 36 million
- Interest rate result of DKK 13 million
- Profit of DKK 4 million from the group life insurance business
- Profit of DKK 0 million from life annuities without bonus entitlement
- Negative return on investment allocated to equity of DKK 2 million

Total contributions increased by 41.7% to DKK 1,011 million from H1 2017 to H1 2018. Payments on guaranteed schemes were up by 11.9%, while single payments increased by 70.4%.

Benefits paid amounted to DKK 552 million, against DKK 533 million in H1 2017. The risk result was DKK 32 million in H1 2018, which was satisfactory, although DKK 5 million less than in H1 2017.

Insurance operating expenses amounted to DKK 49 million, which was slightly less than in H1 2017. The expense result was a profit of DKK 4 million in H1 2018, against a loss of DKK 9 million in H1 2017, the improvement being attributable to a higher cost contribution.

The investment return on policyholders' funds was DKK 43 million (before pension returns tax), corresponding to 0.4% (0.8% p.a.). In H1 2017, the return amounted to DKK 515 million and was lifted by the sale of the property at City Hall Square in Copenhagen.

The technical result was DKK 53 million in H1 2018, against DKK 57 million in H1 2017.

CONTRIBUTIONS TO PENSION SCHEMES HELD WITH THE BANK

In addition to making payments into Alm. Brand Pension, customers have the option of making contributions to pension schemes with the bank. Total contributions to schemes with the bank amounted to DKK 232 million in Q2 2018 (Q2 2017: DKK 311 million), DKK 5 million of which was attributable to inflow from Saxo Privatbank. Excluding the inflow from Saxo Privatbank, contributions fell by 27%. DKK 72 million of the total contributions paid into the bank related to the OpsparingPlus product, as compared with DKK 114 million in Q2 2017.

Total pension assets related to pension schemes with the bank amounted to DKK 7.5 billion at 30 June 2018 (30 June 2017: DKK 4.3 billion), DKK 3.4 billion of which was attributable to inflow from Saxo Privatbank.

The decline in both contributions and pension assets excluding the inflow from Saxo Privatbank was predominantly due to the fact that a number of customers chose to move their pension schemes, primarily lump sum contributions, to the average-rate environment as a result of the high rate on policyholders' savings.

CAPITALISATION

The solvency capital requirement of Alm. Brand Liv og Pension A/S amounted to DKK 142 million at 30 June 2018, against DKK 142 million at the year-earlier date.

The total capital was DKK 1,051 million at 30 June 2018, which means that the company had an excess cover of DKK 909 million relative to the solvency capital requirement. The company's solvency capital requirement is quite low as a result of the large bonus potentials at 30 June 2018.

Equity allocated to Life Insurance was DKK 595 million at 30 June 2018.

Life Insurance

	DKKkm	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017
INCOME STATEMENT	Premiums	444	315	1,011	713	1,394
	Investment return after allocation of interest	96	286	42	449	735
	Benefits paid	-224	-255	-552	-533	-1,032
	Total insurance operating expenses	-24	-25	-49	-51	-99
	Result of ceded business	1	1	0	0	-3
	Change in life insurance provisions	-257	-296	-372	-515	-871
	Change in profit margin	-11	-1	-27	-6	-31
	Technical result	25	25	53	57	93
	Return on investment allocated to equity	0	-1	-2	1	0
	Profit before tax	25	24	51	58	93
	Tax	-5	-5	-11	-13	-16
	Profit after tax	20	19	40	45	77
	Return requirement for shareholders' equity					
Return on investment allocated to equity	0	-1	-2	1	0	
Result of portfolios without bonus entitlement	0	1	0	13	14	
Gruppeliv	2	2	4	4	7	
Interest result	6	6	13	12	25	
Expense result	1	-4	4	-9	-13	
Risk result	16	20	32	37	60	
Profit before tax	25	24	51	58	93	

	DKKkm	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017
BALANCE SHEET	Total provisions for insurance contracts	14,165	13,385	14,165	13,385	13,758
	Total shareholders' equity	595	769	595	769	800
	Total assets	14,875	14,325	14,875	14,325	15,244
FINANCIAL RATIOS	Return on equity before tax (%)	14.3	12.2	14.7	14.1	11.2
	Return on equity after tax (%)	11.2	9.5	11.5	11.0	9.2
	Bonus rate (%)	21.7	24.3	21.7	24.3	23.6

Key figures and ratios have been calculated in accordance with the Executive Order on financial reporting for insurance companies and multi-employer occupational pension funds.

Banking

Total pre-tax profit of DKK 21 million and continued increase in banking activity.

Q2 PERFORMANCE

The bank generated a total profit of DKK 21 million in Q2 2018 (Q2 2017: DKK 32 million). The turbulent investment market resulted in a loss on the investment portfolio, which was to a large extent offset by a DKK 25 million reversal of impairment writedowns. Moreover, the acquisition of the majority of Saxo Privatbank A/S's activities lifted the performance by a non-recurring income of DKK 24 million. The bank's Q2 operating performance was not satisfactory.

Integration of acquired Saxo Privatbank activities

The results of the activities acquired from Saxo Privatbank were fully recognised in the income statement and balance sheet of Alm. Brand Bank effective from 1 April 2018. The provisional acquisition price has been calculated at DKK 384 million, while the net market value of assets and liabilities including the value of customer relationships has been calculated at DKK 557 million, that is, indicating a value of the activities acquired that is DKK 174 million higher (badwill).

Accordingly, the calculated net market value of assets and liabilities of DKK 557 million includes an intangible asset in respect of customer relationships of DKK 223 million and a deferred tax liability in respect of this asset of DKK 49 million. See note 5 Opening balance sheet Saxo Privatbank.

The calculated excess value of the acquired assets and liabilities of DKK 223 million excluding the deferred tax liability has been recognised as income under Other income in the financial highlights and key ratios. The total cost of integration has been provisionally calculated at DKK 199 million and is also presented under Other income. Overall, the acquisition lifted the Q2 pre-tax profit by DKK 24 million.

The Saxo Privatbank activities are still expected to report a break-even result in the second half of 2018.

Income

The bank's income amounted to DKK 174 million in Q2 2018, against DKK 129 million in Q2 2017.

Net interest and fee income for Q2 2018 amounted to DKK 90 million (Q2 2017: DKK 62 million). Excluding Saxo Privatbank, net interest and fee income came to DKK 58 million, which was slightly below the expected level. The bank recorded growth in the number of Pluskunder, but nevertheless experienced lower net interest and fee income from the bank's original portfolio. This was due to a higher level of repayments and a reduced demand for bank loans from new customers. In addition, price competition for the most attractive customers remains fierce. Competition intensified in the first half of 2018 and in the second quarter in particular. A part of the decline in income from the bank's lending was offset by higher income from mortgage loans arranged for Totalkredit.

Trading income from Financial Markets was DKK 36 million in Q2 2018 (Q2 2017: DKK 41 million), DKK 6 million of which was attributable to the acquired Saxo Privatbank activities. The level was slightly below expectations, mainly due to a relatively turbulent investment market, but also to the decline in customer trading activity.

Leasing recorded income less depreciation of DKK 18 million in Q2 2018, against DKK 20 million in Q2 2017, which was slightly less than expected. Among other things, the decline was the result of the 50% reduction of the private customer car leasing market by about half following in the wake of the most recent change to motor vehicle registration fees in autumn 2017, whereas the commercial customer segment was back to the same level as before the change was implemented.

Other income totalled DKK 30 million in Q2 2018, which was DKK 24 million higher than in Q2 2017 as a result of a DKK 24 million non-recurring income from the acquisition of the majority of Saxo Privatbank's activities. See the description provided above.

The bank's interest margin was 2.1% in Q2 2018, still being impacted by increased competition and lower coupon rates on the bank's bond portfolios. In Q2 2017, the interest margin was 2.3%.

Costs

Costs amounted to DKK 171 million in Q2 2018 (Q2 2017: DKK 116 million), DKK 41 million of which was attributable to the acquired Saxo Privatbank activities. The remaining increase of DKK 14 million was in line with expectations and was related to continued investments in growth and digitalisation, comprising recruitment of new staff for the bank's branches and the development of digital solutions to ensure good customer experiences for new and existing customers.

Investment portfolio earnings

Investment portfolio earnings amounted to a loss of DKK 7 million in Q2 2018, compared with an income of DKK 4 million in Q2 2017. The bank's investment portfolio of bonds yielded a return of DKK 8 million in Q2 2017, whereas the return in Q2 2018 was marked by sustained financial market turmoil, resulting in a negative return of DKK 1 million. The return on equities, primarily deriving from sector equities, was unchanged year on year.

Impairment writedowns

The bank made a DKK 25 million reversal of impairment writedowns in Q2 2018, against reversed impairment writedowns of DKK 15 million in Q2 2017.

The reversed impairment writedowns primarily concerned a number of lending exposures and was a natural effect of the improved economic conditions for the bank's lending segments.

Impairment writedowns

DKKm	Q2 2017	Q2 2018	Im- pairm. in % ^{a)}
Loans and advances			
Retail	-9	-9	0%
Winding-up portfolio			
Agriculture	-1	-10	-8%
Commercial properties	-9	-8	-3%
Mortgage deeds	-2	-8	-5%
Loan impairment charges	-21	-35	-1%
Mortgage deed option agreement ^{b)}	6	10	
Total impairment writedowns	-15	-25	

^{a)} Losses and writedowns as a percentage of the average portfolio in Q2 2018. The percentage is not comparable with the impairment ratio in the overview of financial ratios.

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

Business volume

The bank generally experienced an increase in the level of activity, and over the past 12 months the number of Pluskunder has grown by 9% (not including Saxo Privatbank). The number of Pluskunder from the acquired Saxo Privatbank activities was maintained in the second quarter, and the total number of households was at the expected level. In connection with the acquisition of activities from Saxo Privatbank, the bank took over a portfolio of commercial customers.

Lending amounted to DKK 4.3 billion at 30 June 2018, an increase of DKK 1.3 billion on Q2 2017. Excluding lending from Saxo Privatbank of DKK 1.5 billion, the bank's lending declined by 0.2 billion as a result of repayments and redemptions by existing customers and the effects of the implementation of IFRS 9. Moreover, new and existing customers are generally seen to have lower borrowing requirements. This development reflects a general trend in society of customers choosing to repay their mortgage debt and save up.

The housing market continues to prosper, and gross lending is growing. However, the general market developments are also affecting lending at Alm. Brand and indeed to a much greater extent than expected. Competition grew even more intense, which is reflected in the interest margin, particularly on cooperative housing

loans. In spite of the tough competition, Alm. Brand will not compromise with the group's credit policy.

The portfolio of mortgage loans arranged for Totalkredit continued to develop favourably, amounting to DKK 14.8 billion at 30 June 2018 (DKK 8.0 billion at 30 June 2017), equivalent to an increase of 85%. The portfolio of mortgage loans arranged for Totalkredit taken over from Saxo Privatbank amounted to DKK 5.5 billion. Excluding Saxo Privatbank, the portfolio grew by DKK 1.3 billion or 16%. This marks a substantial, positive trend among new and existing customers of converting bank loans into mortgage loans.

Financial Markets continued to experience an increase in mandates and customers in Asset Management and IndexPlus, which grew to DKK 0.5 billion. In addition, Asset Management and Wealth Management activities grew by approximately 50% through the portfolio taken over from Saxo Privatbank, thereby strengthening the bank's asset management position. Moreover, as a result of the acquisition of the Saxo Privatbank activities, Alm. Brand Bank is now able to accommodate demand for a private banking concept from its existing high net worth clients. The second quarter of 2018 was characterised by turbulent markets, which affected the pricing of assets such as equities, mortgage bonds and credit bonds and had an adverse impact on earnings in Financial Markets.

The Leasing portfolio totalled DKK 985 million at 30 June 2018, distributed on approximately 8,700 cars, which was DKK 23 million, or 2%, more than at 30 June 2017. Private customer leasing remains challenged by difficult market conditions, declining by 8% relative to 30 June 2017, whereas the commercial customer segment was up 15% year on year. The market for private customer leasing is back to the level seen in 2015.

Winding-up portfolio

Total loans and advances in the winding-up portfolio were reduced by DKK 12 million to DKK 531 million in Q2 2018. Adjusted for losses and writedowns, the

reduction totalled DKK 38 million, of which Agriculture decreased by DKK 22 million, Commercial Property by DKK 9 million, and Mortgage Deeds by DKK 7 million. The total credit exposure in the winding-up portfolio developed in line with expectations.

Deposits

The bank had deposits of DKK 10.8 billion at 30 June 2018, which was DKK 3.6 billion more than at 30 June 2017. The increase was driven by the inflow of deposits from Saxo Privatbank of DKK 3.5 billion. At 30 June 2018, floating-rate deposits represented 99% of total deposits, against 91% at the year-earlier date.

Hi PERFORMANCE

The bank generated a total pre-tax profit of DKK 34 million in H1 2018 (H1 2017: DKK 48 million profit).

Net interest and fee income increased by DKK 28 million. Excluding Saxo Privatbank, the original portfolio declined by DKK 4 million as a result of the generally lower borrowing requirements of new and existing customers. Trading income amounted to DKK 69 million in H1 2018, down by DKK 14 million on the same period of last year. Saxo Privatbank activities contributed DKK 6 million to trading income. The decline was due to financial market turmoil.

Leasing contributed income of DKK 38 million in H1 2018, against DKK 37 million in H1 2017. In line with expectations, income from private customer leasing declined, while commercial customer leasing continued to grow.

Other income increased by DKK 22 million relative to H1 2017, which was attributable to the DKK 24 million non-recurring income from the acquisition of the majority of Saxo Privatbank's activities. See the description provided above.

Costs amounted to DKK 293 million in H1 2018, against DKK 234 million in H1 2017. This amount includes DKK 41 million from the acquired Saxo Privatbank activities, while the remainder of the increase was due to costs related to investments in growth and digitalisation.

Investment portfolio earnings were negative at DKK 15 million in H1 2018, against DKK 10 million for the year-earlier period. The performance was not satisfactory and was due to the financial market turmoil.

Impairment writedowns were a reversal of DKK 45 million, against a DKK 12 million reversal of impairment writedowns in H1 2017. The reversed impairment writedowns primarily concerned a number of lending exposures which had previously been subject to impairment.

Credit exposure after writedowns

DKKm	31 December 2017	31 March 2018	30 June 2018	Share of portfolio in %
Loans and advances	3,117	2,841	4,325	
Winding-up portfolio				
Agriculture	159	135	123	23%
Commercial properties	257	244	243	46%
Mortgage deeds	165	164	165	31%
Total winding-up portfolio	581	543	531	100%
Mortgage deed option agreement	1,111	1,063	1,021	
Total credit exposure	4,809	4,447	5,877	

Liquidity

At 30 June 2018, the bank had cash funds of DKK 6.5 billion and excess liquidity of DKK 4.9 billion, equivalent to an excess cover of 313% relative to the statutory requirement. The excess cover increased by DKK 1.7 billion in Q2 2018.

At 30 June 2018, the liquidity coverage ratio (LCR) was 474%.

Capitalisation

DKKm	Parent company	Group
Total capital	1,972	1,969
Risk exposure amount	9,110	9,540
Total capital ratio	21.6	20.6
Tier 1 capital ratio	19.7	18.8
Individual solvency need (%)	11.2	11.3
Excess cover (%)	10.4	9.3

Capitalisation

The bank's total capital was DKK 2.0 billion at 30 June 2018, and the solvency ratio for the group was 20.6.

Capital reservation for credit risk

The bank's total capital reservation for credit risk amounted to DKK 2,280 million at 30 June 2018, against DKK 2,137 million at 31 December 2017. The capital reserva-

tion equalled 30% of the credit exposure, which was below the level reported at 31 December 2017 due to the inflow of activities from Saxo Privatbank.

At 30 June 2018, accumulated writedowns amounted to DKK 1,605 million, against DKK 1,569 million at 31 December 2017, the increase being attributable to the inflow of activities from Saxo Privatbank.

Capital reservation for credit risk

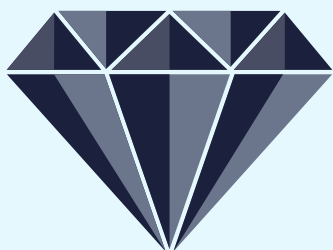
DKKm	30 June 2018						31 Dec. 2017	
	Total assets	Credit exposure ^{a)}	Accumulated impairment writedowns ^{b)}	Required capital	Total reservation	Reservation/ credit exposure	Total reservation	Reservation/ credit exposure
Loans and advances	4,293	4,741	448	469	917	19%	634	20%
Winding-up portfolio	531	2,709	1,157	198	1,355	50%	1,480	50%
Total, excl. reverse transactions	4,824	7,450	1,605	667	2,272	30%	2,114	34%
Reverse transactions and intra-group transactions	32	32	-	8	8	25%	23	13%
Total, group	4,856	7,482	1,605	675	2,280	30%	2,137	34%

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

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

SUPERVISORY DIAMOND

At 30 June 2018, the bank was in compliance with all five threshold values of the Danish FSA's Supervisory Diamond. The growth in lending of 26% included loans and advances taken over from Saxo Privatbank. Excluding loans and advances taken over from Saxo Privatbank, growth in lending was negative at 6%.



Large exposures

Threshold value < 125%	30 June 2018	19%	2017	22%
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Growth in lending

Threshold value < 20%	30 June 2018	26%	2017	1%
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Funding ratio

Threshold value < 1	30 June 2018	0.44	2017	0.52
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Property exposure

Threshold value < 25%	30 June 2018	9%	2017	7%
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Excess liquidity coverage

Threshold value > 50%	30 June 2018	313%	2017	276%
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MAJOR EVENTS

Integration of Saxo Privatbank A/S's activities

The bank took over the majority of Saxo Privatbank A/S's activities effective from 1 April 2018. Due to a decision made to continue to use Bankdata as data centre for the activities, the agreement with SDC has been terminated. The transition to a single

bank platform is expected to take place in the fourth quarter of 2018. As part of the integration of Saxo Privatbank's activities, a number of branches will be consolidated. The branches in Aarhus and Kolding have already been consolidated, and the branches in Esbjerg and Odense will be consolidated in autumn 2018.

Lending in the acquired portfolio declined slightly as a result of the general market trend of repaying and redeeming loans to an increasing extent. The customer level was retained for private customers, while the level of commercial customers increased. The bank also took over Saxo Privatbank Wealth Management and Private Banking, which will serve to strengthen the bank's position vis-à-vis investment clients. As a result of the acquisition of the majority of Saxo Privatbank's activities, Alm. Brand Bank is able from Q4 2018 to offer all of its customers access to Saxo Bank's unique trading platform under the name of Alm. Brand Trader through a white label partnership.

The integration is progressing as planned, and the acquired activities are expected to be fully integrated by the end of 2018.

Banking

	DKKm	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017
INCOME STATEMENT	Net interest and fee income	90	62	155	127	251
	Trading income	36	41	69	83	167
	Leasing	18	20	38	37	70
	Other income	30	6	35	13	24
	Total income	174	129	297	260	512
	Costs	-171	-116	-293	-234	-476
	Core earnings	3	13	4	26	36
	Investment portfolio earnings	-7	4	-15	10	20
	Profit/loss before impairment writedowns	-4	17	-11	36	56
	Impairment writedowns	25	15	45	12	11
Profit before tax	21	32	34	48	67	
Tax	-8	-6	-9	-10	-13	
Profit after tax	13	26	25	38	54	

	DKKm	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017
BALANCE SHEET	Loans and advances	4,325	3,028	4,325	3,028	3,117
	Winding-up portfolio	531	731	531	731	581
	Deposits	10,759	7,214	10,759	7,214	6,987
	Shareholders' equity	1,989	1,559	1,989	1,559	1,575
	Balance sheet	13,532	9,311	13,532	9,311	9,027
FINANCIAL RATIOS	Interest margin (%)	2.1	2.3	2.1	2.4	2.4
	Income/cost ratio	0.93	1.22	0.97	1.16	1.10
	Impairment ratio for the period	-0.3	-0.3	-0.6	-0.4	-0.5
	Total capital ratio	20.6	21.5	20.6	21.5	22.5
	Return on equity before tax (%)*	4.2	8.1	3.8	3.1	4.3
	Return on equity after tax (%)	2.8	6.6	3.0	2.4	3.5

* The calculation of Return on equity before tax for 2018 takes into account deferred tax of DKK 49 million from an intangible asset (customer relationships) derived from the acquisition of activities from Saxo Privatbank.

Statement by the Board of Directors and the Management Board

The Board of Directors and the Management Board have today considered and approved the interim report of Alm. Brand A/S for the six months ended 30 June 2018.

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

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

In our opinion, the interim report gives a true and fair view of the group’s and the parent company’s assets, liabilities and financial position at 30 June 2018 and of the group’s cash flows for the six months ended 30 June 2018.

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

Management Board

Copenhagen, 23 August 2018

Søren Boe Mortensen
Chief Executive Officer

Board of Directors

Copenhagen, 23 August 2018

Jørgen Hesselbjerg Mikkelsen
Chairman

Ebbe Castella

Per Viggo Hasling Frandsen

Flemming Fuglede Jørgensen

Brian Egested

Claus Nexø Jensen

Jan Skytte Pedersen
Deputy Chairman

Anette Eberhard

Karen Sofie Hansen-Hoeck

Boris Nørgaard Kjeldsen

Helle Låsby Frederiksen

Susanne Larsen

Income statement

DKK M	Note					Group
		Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017
Income						
Premium income		1,761	1,593	3,620	3,258	6,551
Interest income etc.		168	171	354	387	733
Fee income etc.		58	35	94	71	187
Other income from investment activities		0	2	-1	3	24
Income associates		0	0	0	0	0
Other income		246	71	321	134	278
Total income		2,233	1,872	4,388	3,853	7,773
Costs						
Claims incurred		-1,092	-1,070	-2,206	-2,154	-4,296
Interest expenses		-17	-24	-33	-49	-88
Other cost from investment activities		-16	-13	-33	-31	-62
Impairment of loans, advances and receivables, etc.	1	27	19	48	25	32
Acquisition and administrative costs		-663	-408	-1,076	-804	-1,617
Total costs		-1,761	-1,496	-3,300	-3,013	-6,031
Profit from business ceded		-64	-20	-128	-62	-190
Change in life insurance provisions		-257	-296	-372	-515	-878
Change in profit margin, Life Insurance		-11	-1	-27	-6	-31
Exchange rate adjustments		3	246	-200	351	501
Tax on pension investment returns		-5	-34	0	-65	-121
Profit/loss before tax		138	271	361	543	1,023
Tax		6	-56	-38	-114	-212
Profit/loss after tax		144	215	323	429	811
Earnings per share, DKK		0.9	1.3	2.0	2.6	5.0
Diluted earnings per share, DKK		0.9	1.3	2.0	2.6	4.9

Statement of comprehensive income

DKKm					Group
	Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017
Comprehensive income					
Profit for the period	144	215	323	429	811
<i>Items that may be recycled to profit or loss</i>	0	0	0	0	0
<i>Items that may not be recycled to profit or loss:</i>			0	0	0
Revaluation of owner-occupied properties	0	0	0	0	7
Transferred to collective bonus potential	0	0	0	0	-7
Tax on other comprehensive income	0	0	0	0	0
Total other comprehensive income	0	0	0	0	0
Comprehensive income	144	215	323	429	811
Proposed allocation of profit/loss:					
Share attributable to Alm. Brand	144	215	323	429	811
Comprehensive income	144	215	323	429	811

Balance sheet

DKKm			Group
	30 June 2018	30 June 2017	FY 2017
Assets			
Intangible assets	222	0	3
Owner-occupied properties	690	697	663
Deferred tax assets	54	133	63
Reinsurers' share of insurance contracts	114	234	163
Current tax assets	22	0	12
Other assets	1,858	2,166	1,814
Loans	5,877	4,981	4,631
Investment properties	610	1,164	610
Investment assets	28,306	25,105	26,195
Amounts due from credit institutions and central banks	1,072	365	320
Cash in hand and demand deposits	240	189	180
Total assets	39,065	35,034	34,654
Liabilities and equity			
Share capital	1,610	1,655	1,655
Reserves, retained profit etc.	2,995	3,029	2,801
Proposed dividend	0	0	480
Consolidated shareholders' equity	4,605	4,684	4,936
Subordinated debt	575	574	574
Provisions for insurance contracts	21,814	21,134	20,961
Other provisions	56	31	36
Current tax liabilities	0	17	0
Other liabilities	1,275	1,052	1,109
Deposits	10,415	7,097	6,706
Payables to credit institutions and central banks	325	445	332
Total liabilities and equity	39,065	35,034	34,654

Note 2	Own shares
Note 3	Contingent liabilities, guaranties and leasing
Note 4	Fair value measurement of financial instruments
Note 5	Opening balance sheet Saxo Privatbank
Note 6	Accounting policies - Group
Note 7	Financial highlights and key ratios

Statement of changes in equity

DKK M	Share capital	Contingency funds	Other provisions	Retained profit	Proposed dividend	Consolidated equity
Shareholders' equity, 1 January 2017	1,735	182	1,215	1,237	831	5,200
Changes in equity H1 2017:						
Profit/loss for the period				429		429
Total income	0	0	0	429	0	429
Dividend distributed				18	-831	-813
Cancellation of treasury shares	-80			80		0
Share option scheme, exercise				12		12
Purchase and sale of treasury shares				-144		-144
Changes in equity	-80	0	0	395	-831	-516
Shareholders' equity, 30 June 2017	1,655	182	1,215	1,534	0	4,684
Shareholders' equity at 1 January 2017	1,735	182	1,215	1,237	831	5,200
Changes in equity 2017:						
Profit/loss for the year				811	0	811
Revaluation of owner-occupied properties				7		7
Transferred to collective bonus potential				-7		-7
Total income	0	0	0	811	0	811
Cancellation of treasury shares	-80			80		0
Proposed dividend				-480	480	0
Dividend distributed				18	-831	-813
Share option scheme, issuance				0		0
Share option scheme, exercise				25		25
Purchase and sale of treasury shares				-287		-287
Changes in equity	-80	0	0	167	-351	-264
Shareholders' equity, 31 December 2017	1,655	182	1,215	1,404	480	4,936
Shareholders' equity, 1 January 2018	1,655	182	1,215	1,404	480	4,936
Change in accounting policies				-62		-62
Adjusted shareholders' equity at 1 January 2018	1,655	182	1,215	1,342	480	4,874
Changes in equity H1 2018:						
Profit/loss for the period				323		323
Total income	0	0	0	323	0	323
Dividend distributed				3	-480	-477
Cancellation of treasury shares	-45			45		0
Share option scheme, exercise				19		19
Purchase and sale of treasury shares				-134		-134
Changes in equity	-45	0	0	256	-480	-269
Shareholders' equity, 30 June 2018	1,610	182	1,215	1,598	0	4,605

Capital target

DKKm	Total capital 30 June 2018
Equity	4,605
Intangible assets	-222
Share buyback programme, outstanding	-146
Tax asset	0
Profit and risk margin	407
Tier 2 capital	575
Total capital of the group	5,219

DKKm	Capital target 30 June 2018
Non-life insurance (40% of gross premium income)	2,117
Life Insurance (7% of life insurance provisions)	952
Banking (18% of risk weighted assets)	1,717
Reservation MREL add-on	250
Alm. Brand A/S add-on	22
Diversification effects	-300
Consolidated capital target	4,758

Excess relative to internal capital target	461
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Cash flow statement

DKKmn				Group		
	H1 2018	H1 2017	FY 2017	H1 2018	H1 2017	FY 2017
Cash flows from operating activities						
Premiums received	4,158	3,792	6,437			
Claims paid	-2,355	-2,202	-4,283			
Interest receivable, dividends, etc.	282	405	726			
Interest payable	-8	-12	-22			
Payments concerning reinsurance	-97	-116	-159			
Fee income received	100	77	193			
Fee income paid	-6	-6	-6			
Expences paid	-1,047	-1,085	-1,986			
Tax on pension investment returns paid	-125	-74	-72			
Other ordinary income received	321	134	278			
Taxes paid/received	26	-3	-60			
Cash flows from operating activities	1,249	910	1,046			
Change in investment placement						
Acquisition of intangible assets, furniture, equipment,	37	-104	-142			
Properties acquired or converted	-28	1	584			
Sale/aquisition of equity investments	-98	1	120			
Sale/repayment of mortgage deeds and loans	-1,274	132	436			
Sale/aquisition of bonds	-2,204	-260	-842			
Change in investment placement	-3,567	-230	156			
Change in financing						
Sale/purchase of treasury shares				-134	-132	-262
Dividend distributed				-480	-831	-831
Dividend received, treasury shares				3	18	18
Subordinated debt				0	0	0
Share issue				19	0	0
Change in deposits				3,709	144	-247
Change in payables to credit institutions				-7	-248	-308
Change in other liabilities				20	0	5
Change in financing *)				3,130	-1,049	-1,625
Net change in cash and cash equivalents				812	-369	-423
Cash and cash equivalents, beginning of period				500	923	923
Cash and cash equivalents, end of period				1,312	554	500

*) The DKK 3,130 million movement comprises an inflow from activities acquired from Saxo Privatbank.

Excluding inflows as a result of the acquisition, there was a cash outflow of DKK 370 million.

Segment reporting

DKKm						H1 2018
	Non-life	Life	Banking	Other	Elimi- nation	Group
Premium income	2,609	1,011	0	0		3,620
Interest income etc.	88	158	108	3	-3	354
Fee income etc.	0	0	117	0	-23	94
Other investment income	1	30	0	0	-32	-1
Other income	0	0	321	0		321
Total income	2,698	1,199	546	3	-58	4,388
Claims incurred	-1,654	-552	0	0		-2,206
Interest expenses	-18	-2	-10	-6	3	-33
Other investment expenses	-13	-17	0	-26	23	-33
Impairment of loans, advances and receivables, etc.	0	0	48	0		48
Acquisition and administrative expenses	-461	-49	-598	0	32	-1,076
Total expenses	-2,146	-620	-560	-32	58	-3,300
Result of business ceded	-128	0	0	0		-128
Change in life insurance provisions	0	-372	0	0		-372
Change in profit margin, Life Insurance	0	-27	0	0		-27
Exchange rate adjustments	-69	-129	-1	-1		-200
Tax on pension investment returns	0	0	0	0		0
Profit/loss before tax	355	51	-15	-30	0	361
Tax	-75	-11	40	8		-38
Profit/loss after tax	280	40	25	-22	0	323

Segment reporting

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

Notes

DKKm	Group
	H1
	2018
Note 1 Impairment writedowns on loans, advances and other receivables as well as provisions for guarantees and undrawn credit facilities	
<i>Impairment writedowns on loans, advances and receivables at amortised cost</i>	
<i>Stage 1</i>	
Impairment writedowns, beginning of year	48
New impairment writedowns, net	-5
Previously impaired, now finally lost	0
Other movements	1
Impairment writedowns, end of period	44
<i>Stage 2</i>	
Impairment writedowns, beginning of year	53
New impairment writedowns, net	0
Previously impaired, now finally lost	-10
Other movements	22
Impairment writedowns, end of period	65
<i>Stage 3</i>	
Impairment writedowns, beginning of year	1,058
New impairment writedowns, net	-29
Previously impaired, now finally lost	-80
Other movements	95
Impairment writedowns, end of period	1,044
<i>Provisions for losses on guarantees and undrawn credit facilities</i>	
<i>Stage 1</i>	
Provisions, beginning of period	2
New provisions, net	1
Previously provided for, now finally lost	0
Other movements	2
Provisions, end of period	5
<i>Stage 2</i>	
Provisions, beginning of period	1
New provisions, net	6
Previously provided for, now finally lost	0
Other movements	1
Provisions, end of period	8

Notes

DKKm	Group		
	H1 2018	H1 2017	FY 2017
<i>Stage 3</i>			
Provisions, beginning of period	5		
New provisions, net	0		
Previously provided for, now finally lost	0		
Other movements	1		
Provisions, end of period	6		
<i>Impairment writedowns on receivables from credit institutions and other items subject to credit risk</i>			
Impairment writedowns, beginning of year	0		
New impairment writedowns, net	0		
Previously impaired, now finally lost	0		
Other movements	0		
Impairment writedowns, end of period	0		
Total impairment writedowns and provisions, end of period	1,172		
<i>Impairment writedowns on loans, advances and receivables, etc. recognised in the income statement</i>			
Impairment writedowns on loans and advances for the year	-79	-66	-124
Provisions for losses on guarantees and undrawn credit facilities for the year	-12	-1	-1
Impairment writedowns on receivables from credit institutions and other items subject to credit risk for the year	0	0	0
Reversal of prior-year impairment writedowns and provisions	117	67	116
Finally lost, where impairment writedowns/provisions have not been made	-4	-2	-10
Settlements made on debt previously written off	26	27	51
Recognised in the income statement	48	25	32

Notes

DKKm	Group		
	H1 2018	H1 2017	FY 2017
Note 2 Own shares			
Carrying amount, beginning of period	0	0	0
Value adjustments	-120	-132	-221
Acquired during the period	139	144	286
Sold during the period	-19	-12	-65
Carrying amount, end of period	0	0	0
Nominal value, beginning of period	59	100	100
Acquired during the period	20	26	48
Sold during the period	-7	-5	-9
Cancellation of treasury shares	-45	-80	-80
Nominal value, end of period	27	41	59
Holding number of shares ('000), beginning of period	5,915	10,034	10,034
Additions, number of shares	2,005	2,604	4,803
Disposals, number of shares	-701	-536	-922
Cancellation of treasury shares	-4,500	-8,000	-8,000
Holding number of shares ('000), end of period	2,719	4,102	5,915
Percentage of share capital, end of period	1.7%	2.5%	3.6%
Note 3 Contingent liabilities, guaranties and leasing			
Guarantee commitments	3,016	1,611	1,712

Notes

DKKm	30 June 2018				31 December 2017			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Note 4 Fair value measurement of financial instruments								
<u>Financial assets</u>								
Loans and advances	0	4,691	1,186	5,877	0	3,383	1,276	4,659
Bonds	25,598	492	8	26,098	23,203	787	8	23,998
Shares	1,576	133	98	1,807	1,583	114	81	1,778
Investment properties	0	0	610	610	0	0	610	610
Other assets	3	666	0	669	0	688	0	688
	0	0	0	0	0	0	2	2
Total financial assets	27,177	5,982	1,902	35,061	24,786	4,972	1,977	31,735
<u>Financial liabilities</u>								
Subordinated debt	0	0	575	575	0	0	574	574
Deposits	0	10,415	0	10,415	0	6,707	0	6,707
Other payables	1	441	0	442	0	415	0	415
Total financial liabilities	1	10,856	575	11,432	0	7,122	574	7,696

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

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

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

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

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

Transfer between the categories of the fair value hierarchy is only effected in case of changes to available data for use in measurement. The portfolio is reviewed on an ongoing basis to identify any changes in available data and any other changes which may have prompted reclassification. Due to a revaluation in 2018, the bank's subordinated loan of DKK 175 million has been reclassified from level 2 to level 3. There have been no changes to the data basis. Other than this, there were no transfers between categories in the fair value hierarchy in 2017 or 2018.

Notes

DKKm	30 June 2018				
	Loans and advances	Bonds	Shares	Investment properties	Subordinated debt
Development in level 3 financial instruments					
Carrying amount, beginning of period	1,276	10	81	610	574
Additions during the year	5	0	14	2	150
Disposals during the year	-83	-2	0	-2	-149
Realised value adjustments	0	0	0	0	0
Unrealised value adjustments	-12	0	3	0	0
Carrying amount, end of period	1,186	8	98	610	575
Value adjustments recognised in the income statement	-12	0	3	0	0
31 December 2017					
DKKm	Loans and advances	Bonds	Shares	Investment properties	Subordinated debt
Development in level 3 financial instruments					
Carrying amount, beginning of year	1,523	6	97	905	393
Additions during the year	11	2	9	1	175
Disposals during the year	-200	0	-1	-509	0
Value adjustments during the year				213	0
Realised value adjustments	2	0	0	0	0
Unrealised value adjustments	-60	0	-24	0	6
Carrying amount, year-end	1,276	8	81	610	574
Value adjustments recognised in the income statement	-58	0	-24	213	6

DKKm	Group 30 June 2018
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Note 5 Opening balance sheet Saxo

On 5 February 2018, Alm. Brand Bank A/S entered into an agreement to acquire the majority of Saxo Privatbank A/S's activities. The acquisition was completed effective 1 April 2018. The acquisition price has been provisionally calculated at DKK 384 million and may decrease slightly depending on developments in the number of customers in the period until 31 December 2018. The net value of assets and liabilities has been calculated at DKK 557 million. This amount includes an intangible asset in respect of customer relationships of DKK 223 million and a deferred tax liability in respect of this asset of DKK 49 million. The intangible asset is amortised on a straight-line basis over a period of seven years, and amortisation charges were recognised as from 1 April 2018.

Transaction costs of around DKK 2 million have been paid, which amount was expensed in Q1 2018. The total integration costs have been calculated at DKK 199 million.

The assets and liabilities recognised as a result of the acquisition are as follows:

Cash in hand	75,992
Amounts due from credit institutions and central banks	642,375
Securities	1,544,515
Intangible asset, customer relationships	223,000
Loans and advances at fair value	3,968
Loans and advances at amortised cost	1,537,652
Properties	6,498
Other assets	34,267
Payables to credit institutions and central banks	-807
Deposits	-3,364,524
Other liabilities	-92,923
Deferred tax liabilities	-49,060
Other provisions	-3,494
Total	557,459
Acquisition price (provisional)	-383,808
Badwill	173,651

Notes

NOTE 6 ACCOUNTING POLICIES

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

The interim report is unaudited.

Except for the implementation of IFRS 9, the accounting policies are unchanged from the policies applied in the annual report for 2017, to which reference is made.

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

Profit margin of Alm. Brand Liv og Pension

There is an ongoing dialogue between the industry and the Danish Financial Supervisory Authority about the profit margin calculation approach. The dialogue with the Danish Financial Supervisory Authority concerns the correlation between the company’s profit margin and bonus potentials.

This is a significant area as the profit margin is included in total capital and thus affects the company’s capital structure. As a result of Alm. Brand Liv og Pension’s favourable buffer situation, these discussions

have no impact on the size of the profit margin or the life insurance provisions.

Accordingly, the choice of method has no effect on the financial statements, but only affects the relationship between the individual and collective bonus potentials. The financial statements, including the income statement, the solvency statement and the balance sheet, will thus give a true and fair view irrespective of the outcome of the dialogue with the Danish Financial Supervisory Authority.

Change in accounting policies

IFRS 9, Financial instruments has been implemented with effect from 1 January 2018. IFRS 9, Financial instruments replaces IAS 39 and changes the classification and related measurement of financial assets and liabilities. IFRS 9 introduces a new approach to financial assets based on the company’s business model and the asset’s underlying cash flows. Based on Alm. Brand A/S’s business model and types of financial assets and liabilities, the implementation of IFRS 9 has only had an effect on impairment of financial assets measured at amortised cost (loans, advances guarantees).

With IFRS 9, the current impairment model based on incurred losses (the “incurred loss” model) will be replaced by an impairment model based on expected losses (the “expected loss” model). Under the new expected loss model, on initial recognition of a financial asset, a loss allowance will

be recognised in an amount equivalent to the 12-month expected credit losses (stage 1). In the event of a subsequent significant increase in credit risk since initial recognition, a loss allowance will be recognised in an amount equivalent to the lifetime expected credit losses of the asset (stage 2). Where it is established that the asset is credit-impaired (stage 3), a loss allowance is recognised at an amount equal to the lifetime expected credit losses of the asset, while interest income is recognised in the income statement using the effective interest method relative to the impairment loss.

In order to prevent an unintended effect on total capital, a 5-year transition scheme has been adopted in order that any adverse impact of the IFRS 9 impairment rules will

not take full effect on the total capital until after five years. Alm. Brand has decided to use the transition scheme.

In accordance with transitional provisions of IFRS 9, Alm. Brand A/S has not implemented the revised impairment model with retroactive effect. Accordingly, the accumulated effect of the change was recognised in equity at 1 January 2018, and comparative figures for 2017 have not been restated. The accounting effect is shown in the table below. The total effect as at 1 January 2018 net of the tax effect was a DKK 62 million reduction of shareholders’ equity.

NOTE 7 FINANCIAL HIGHLIGHTS AND KEY RATIOS

See the management’s review.

Change in accounting policies

DKK m	31 Dec. 2017		1 Jan. 2018
	Previous policies	Effect of change	New policies
Assets			
Loans and advances at amortised cost	3,533	-72	3,461
Liabilities and equity			
Provisions for losses on undrawn credit limits	2	3	5
Provisions for losses on guarantees	5	4	9
Provisions for deferred tax (liability)	-	-17	-17
Shareholders’ equity	4,936	-62	4,874

Income and comprehensive income statement

DKKm	Note	Parent company				
		Q2 2018	Q2 2017	H1 2018	H1 2017	FY 2017
Income statement						
Income from group enterprises	2	156	225	346	450	852
Value adjustments, bonds		0	-2	-1	-3	-5
Interest income and dividends etc.		0	2	2	4	7
Interest expenses		-3	-3	-6	-6	-12
Administrative expenses related to investment activities		-12	-11	-26	-23	-44
Profit/loss before tax		141	211	315	422	798
Tax		3	4	8	7	13
Profit/loss after tax		144	215	323	429	811
Comprehensive income						
Profit/loss for the period		144	215	323	429	811
Comprehensive income		144	215	323	429	811
Proposed allocation of loss:						
Proposed dividend		0	0	0	0	480
Retained earnings		144	215	323	429	331
Comprehensive income		144	215	323	429	811

Accounting policies

3

Balance sheet

DKKm	Note	Parent company		
		30 June 2018	30 June 2017	FY 2017
Assets				
Investment in group enterprises	1	4,747	4,466	4,865
Total investments in group enterprises and associates		4,747	4,466	4,865
Equity investments		1	1	1
Bonds		56	424	288
Other loans and advances		2	2	2
Deposits with credit institutions		0	0	0
Cash in hand and balances at call		35	5	17
Total other financial investment assets		94	432	308
Total investment assets		4,841	4,898	5,173
Receiveables from group enterprises		0	12	0
Other receivables		52	34	53
Total receivables		52	46	53
Current tax assets		28	27	19
Deferred tax assets		3	8	0
Total other assets		31	35	19
Total prepayments		0	3	2
Total assets		4,924	4,982	5,247

Balance sheet

DKKm	Parent company		
	30 June 2018	30 June 2017	FY 2017
Liabilities and equity			
Share capital	1,610	1,655	1,655
Other provisions	1,215	1,215	1,215
Proposed dividend	0	0	480
Retained earnings	1,780	1,814	1,586
Total shareholders' equity	4,605	4,684	4,936
Subordinated debt	250	250	250
Subordinated debt	250	250	250
Deferred tax liabilities	40	40	36
Total provisions	40	40	36
Payables to group enterprises	24	0	20
Other payables	5	8	5
Total payables	29	8	25
Total liabilities and equity	4,924	4,982	5,247

Statement of changes in equity

DKKm	Share capital	Other provisions	Retained earnings	Proposed dividend	Shareholders' equity
Shareholders' equity at 1 January 2017	1,735	1,215	1,419	831	5,200
Changes in equity H1 2017:					
Profit/loss for the period			429	0	429
Comprehensive income			429	0	429
Purchase and sale of treasury shares			-144		-144
Share option scheme, exercise			12		12
Changes in equity	-80	0	395	-831	-516
Shareholders' equity at 30 June 2017	1,655	1,215	1,814	0	4,684
Shareholders' equity at 1 January 2017	1,735	1,215	1,419	831	5,200
Changes in equity 2017:					
Profit/loss for the year			811	0	811
Comprehensive income			811	0	811
Cancellation of treasury shares	-80		80		0
Proposed dividend			-480	480	0
Dividende distributed			18	-831	-813
Purchase and sale of treasury shares			-287		-287
Share option scheme, exercise			25		25
Changes in equity	-80	0	167	-351	-264
Shareholders' equity at 1 January 2018	1,655	1,215	1,586	480	4,936
Change in accounting policies			-62		-62
Adjusted shareholders' equity at 1 January 2018	1,655	1,215	1,524	480	4,874
Changes in equity H1 2018:					
Profit/loss for the period			323	0	323
Comprehensive income	0		323		323
Cancellation of treasury shares	-45		45		0
Share option scheme, exercise			19		19
Purchase and sale of treasury shares			-134		-134
Changes in equity	-45	0	256	-480	-269
Shareholders' equity at 30 June 2018	1,610	1,215	1,780	0	4,605

Notes

DKKm	30 June 2018	30 June 2017	FY 2017	NOTE 3 ACCOUNTING POLICIES PARENT COMPANY
Note 1 Investment in group enterprises				
Cost, beginning of period	8,491	8,491	8,491	The interim report has been prepared in accordance with the Danish Financial Business Act, including the Executive Order on financial reports for insurance companies and multi-employer occupational pension funds.
Additions	450	0	0	
Cost, end of period	8,941	8,491	8,491	With respect to recognition and measurement, the accounting policies of the parent company are identical to those described for the group, with the exception that: Investments in group enterprises are recognised and measured at the parent company's share of the group enterprises' net asset value on the balance sheet date. The accounting policies are unchanged from the policies applied in the annual report for 2017. The interim report is unaudited.
Revaluation and impairment, beginning of period	-3,626	-3,535	-3,535	
Change in accounting policies	-62	0	0	
Dividend received	-850	-940	-940	
Profit/loss for the period	346	450	852	
Other movements in capital	0	0	0	
Revaluation and impairment of treasury shares in subsidiaries	-2	0	-3	
Revaluation and impairment, end of period	-4,194	-4,025	-3,626	
Investment in group enterprises, end of period	4,747	4,466	4,865	
Specification of carrying amount:				
Alm. Brand Bank A/S (DKK 1,021 million nominal value wholly owned)	1,985	1,560	1,572	
Alm. Brand Forsikring A/S (DKK 1,032 million nominal value wholly owned)	2,762	2,906	3,293	
Investment in group enterprises, end of period	4,747	4,466	4,865	
	H1 2018	H1 2017	FY 2017	
Note 2 Income from group enterprises				
Alm. Brand Bank A/S	27	38	54	
Alm. Brand Forsikring A/S	319	412	798	
Total income from group enterprises	346	450	852	
<i>The results are recognised in the following items:</i>				
Income from group enterprises	346	450	852	
Total income from group enterprises	346	450	852	