ALM. BRAND A/S · 7 MIDTERMOLEN · DK-2100 COPENHAGEN Ø · REGISTRATION NUMBER CVR-NR. 77333517



# ALM. BRAND A/S

## INTERIM REPORT

## - FIRST HALF OF YEAR 2008

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# COMPANY INFORMATION

**BOARD OF DIRECTORS**
**Christian N.B. Ulrich,** Chairman
**Jørgen H. Mikkelsen,** Deputy Chairman
**Lone Clausen**
**Henning Kaffka**
**Boris N. Kjeldsen**
**Niels Kofoed**
**Jørgen S. Larsen**
**Susanne Larsen**
**Henrik Stenbjerre**

**EXECUTIVE BOARD**
**Søren Boe Mortensen,** Chief Executive
**Henrik Nordam,** Deputy Chief Executive

**AUDITORS**
Deloitte, Statsautoriseret Revisionsaktieselskab

**INTERNAL AUDITOR**
Poul-Erik Winther Nielsen, Chief Auditor

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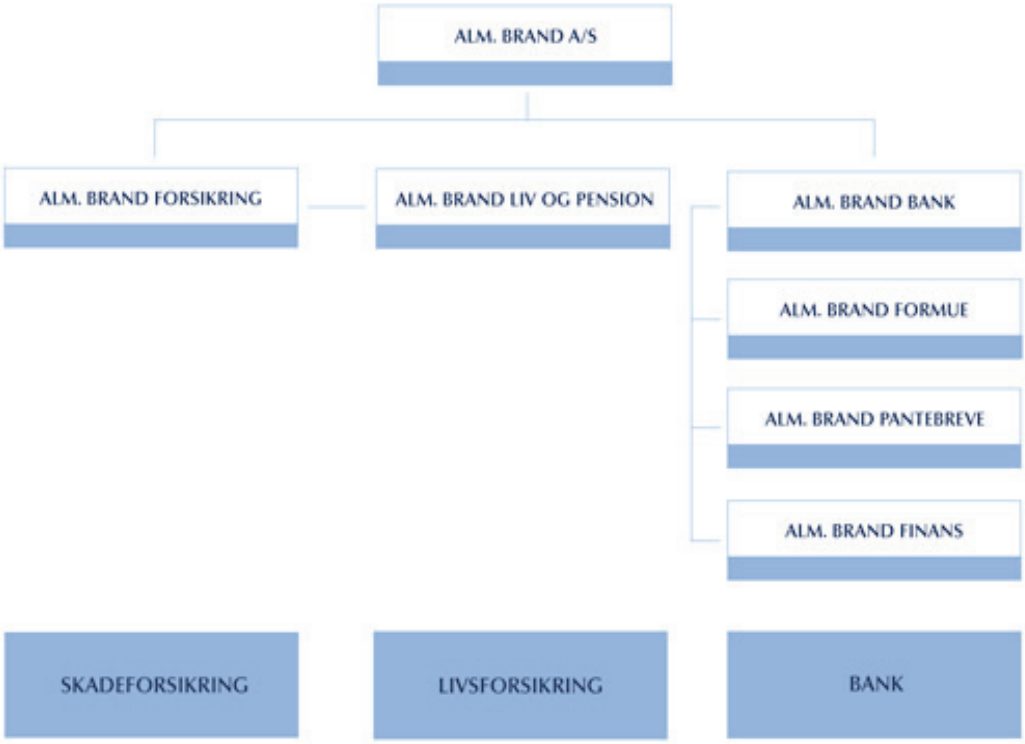
# GROUP STRUCTURE




*Dormant or discontinuing activities are not included.*

The Alm. Brand A/S Group is a Danish financial services group consisting of a listed holding company and a number of subsidiaries operating within non-life insurance, banking and life and pension insurance. In addition, the group operates an investment business in the ordinary course of its primary operations.

# FINANCIAL HIGHLIGHTS AND KEY RATIOS

| DKKm | Q2 2008 | Q2 2007 | 1H 2008 | 1H 2007 | Year 2007 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Non-Life Insurance | 1,193 | 1,131 | 2,349 | 2,240 | 4,578 |
| Banking | 461 | 350 | 874 | 685 | 1,444 |
| Life Insurance | 153 | 149 | 346 | 340 | 750 |
| Copenhagen Re | 1 | 13 | 7 | 15 | 17 |
| Investments | 227 | 241 | 470 | 461 | 932 |
| **Total income** | **2,035** | **1,884** | **4,046** | **3,741** | **7,721** |
| **Profit excluding minorities** | | | | | |
| Non-Life Insurance | 45 | 192 | 170 | 334 | 647 |
| Banking | -118 | 15 | -98 | 110 | 196 |
| Life Insurance | -13 | 5 | 4 | 34 | 104 |
| Copenhagen Re | 47 | 27 | 50 | 39 | 71 |
| Other activities | -16 | -5 | -21 | -9 | -32 |
| **Profit before tax** | **-55** | **234** | **105** | **508** | **986** |
| Tax | 7 | -94 | -40 | -166 | -281 |
| **Profit after tax** | **-48** | **140** | **65** | **342** | **705** |
| **Profit Group** | | | | | |
| **Profit before tax, Group** | **-121** | **224** | **-4** | **510** | **980** |
| Tax | 25 | -85 | -19 | -154 | -266 |
| **Profit after tax, Group** | **-96** | **139** | **-23** | **356** | **714** |
| Provisions for insurance contracts | 18,407 | 19,281 | 18,407 | 19,281 | 18,331 |
| Shareholders´ equity | 5,145 | 5,471 | 5,145 | 5,471 | 5,446 |
| Of which minority interests | 396 | 483 | 396 | 483 | 504 |
| Total assets | 48,536 | 47,487 | 48,536 | 47,487 | 47,886 |
| | | | | | |
| Return on equity before tax excluding minorities p.a. | -5% | 19% | 4% | 21% | 20% |
| Return on equity after tax excluding minorities p.a. | -4% | 11% | 3% | 14% | 14% |
| Earnings per Share, DKK 80 | -3 | 7 | 4 | 17 | 35 |
| Diluted Earnings per Share, DKK 80 | -3 | 7 | 4 | 17 | 35 |
| Net assets value per Share, DKK | 263 | 246 | 263 | 246 | 260 |
| Share price end of year | 249 | 347 | 249 | 347 | 286 |
| Share price/Net asset value | 0.95 | 1.41 | 0.95 | 1.41 | 1.10 |
| Number of shares end of period ('000) | 18,029 | 20,245 | 18,029 | 20,245 | 18,966 |
| Average number of shares ('000) | 18,018 | 20,353 | 18,484 | 20,527 | 20,182 |
| No. of own shares acquired ('000) | | | 1,092 | 209 | 1,981 |
| Average share price acquired own shares, DKK | | | 268 | 372 | 328 |
| Pay-out ratio * | | | 9% | 3% | 14% |
| Pay-out ratio remaining buy-back programme * | | | 3% | 7% | 2% |

*) Based on marketcapitalisation at the end of the period of the buy-back programme.

# The Alm. Brand A/S Group

Alm. Brand A/S is a listed Danish financial services group focusing on the Danish market. The group carries on non-life insurance, life insurance and pension activities as well as banking activities, including car finance, leasing and markets & asset management operations, and generates annual revenue of almost DKK 8 billion.

Alm. Brand's vision "We take care of our customers" is the guiding principle for the experience Alm. Brand seeks to give its customers when they interact with Alm. Brand.

Alm. Brand focuses on maintaining a strong local presence and more than half of the group's 1,900 employees work in close proximity to the customer at insurance offices and bank branches across Denmark.

The group's insurance, banking and pension products cover private lines, agriculture as well as small and medium-sized businesses. Alm. Brand is Denmark's fourth largest provider of non-life insurance products. Alm. Brand Bank also offers nationwide coverage and is one of Denmark's large banks. The group offers traditional pension schemes through the life insurance company, while market schemes are offered through the bank.

**Financial results**
The Alm. Brand A/S Group posted pre-tax profit excluding minorities of DKK 105 million in H1 2008, compared with DKK 508 million in H1 2007. Excluding minority interests, profit after tax was DKK 65 million.

The overall performance was not satisfactory.

The performance fell significantly short of expectations, primarily due to capital losses on the group's investments which were caused by adverse financial markets, reducing the profit for the first six months of 2008 by approximately DKK 220 million. In addition, the claims experience was worse than had been expected partly as a result of a large number of major claims in the agricultural segment and a higher provisioning need for workers' compensation claims due to rising inflation.

All of the group's business areas continued to report growth as compared with the first half-year of 2007: Non-life premiums grew by almost 5%, the bank's deposits increased by 18%, and loans and advances were up by 11%. Total pension premiums received rose by slightly more than 8%. Growth declined relative to previous quarters as a result of the general economic downturn and the competitive situation. Particularly as far as the bank is concerned, the overall portfolio has remained constant since the beginning of 2008 which is consistent with the group's forecast and strategy of achieving only profitable growth.

The H1 performance equalled an annualised return on equity of 4% before tax and minorities, against 21% in the same period of last year. The return on equity after tax was 3% p.a.

The Alm. Brand A/S Group generated total income of DKK 4 billion in the first half of 2008.

Earnings per share for the year to date amounted to DKK 4, and the net asset value per share was DKK 263 at 30 June 2008.

Shareholders' equity was DKK 5.1 billion at 30 June 2008, against DKK 5.4 billion at 31 December 2007.

*Business operations*
Non-life operations generated a profit of DKK 170 million in the first half-year of 2008.

Gross premium income from the group's non-life operations amounted to DKK 2,349 million in the first half of the year, equivalent to an increase of almost 5% over the year-earlier period. The growth performance was satisfactory. Full-year growth is forecast to be 5%. Mounting competition is causing the somewhat subdued growth rate relative to 2007.

The combined ratio amounted to 94.2 in H1 2008, against 91.5 in the same period of last year. The claims experience in the three-month period was positively affected by a low level of weather-related expenses and adversely affected by a greater number of and more expensive major claims from agricultural policyholders and a higher frequency of and more expensive claims in the private customer segment. Moreover, the rising rate of inflation has resulted in a higher provisioning need for workers' compensation claims. Finally, the lower prices on motor insurance had an adverse effect on the claims ratio performance.

As a result of the impaired claims experience, the group has initiated a number of measures to

improve the quality of the portfolio in order to ensure a better correlation between risk and price. In addition, achieving cost reductions internally as well as by obtaining the best possible prices on procurement will be given increased attention.

Banking operations reported a loss of DKK 98 million net of minority interests.

The negative performance was primarily due to significant capital losses on the bank's portfolio of securities as a result of rising interest rates and adverse financial markets. Most of the negative foreign exchange adjustments were caused by the bank's portfolio of mortgage bonds and mortgage deeds.

The capital losses were partly attributable to the bank's ownership interests in two listed subsidiaries. The bank's hedging of these risks was not satisfactory due to widening yield spreads and market turmoil. The bank has reduced its exposure to market risks in these two subsidiaries going forward.

As a result of the adverse developments in the property markets over the summer months, the bank has carefully reviewed its property exposure, including its mortgage deed exposure. The credit quality of the bank's loans and advances is generally good. However, the market for property development companies and commercial property mortgage deeds in particular has come under pressure. As a result, provisions for bad and doubtful debts charged to the income statement were DKK 36 million in H1 2008, most of which related to the type of commitments mentioned above. Similarly, the estimate for the second half-year of 2008 takes into account recent developments which are expected to continue.

The financial results were positively affected by continued growth in the bank and by rising net interest and fee income attributable to measures initiated to improve the bank's operations, including to increase the interest margin.

In addition, the bank has launched a number of efficiency enhancing activities to reduce costs.

Life insurance operations reported a profit of DKK 4 million in H1, while DKK 30 million was transferred to the shadow account. It is not expected that the amount charged to the shadow account will be recognised in 2008.

The return on investment assets belonging to policyholders was negative at DKK 312 million in the first six months of 2008, against a negative return of DKK 192 million in the year-earlier period. The weak return was due to the rise in interest rates in the first half-year and to falling share prices.

The group's reinsurance company performed significantly better than expected due to clarification on a large part of the company's commitments relating to claims arising from the World Trade Center disaster in New York. As a result, provisions declined substantially and the uncertainty surrounding the risk of loss in Copenhagen Re was reduced significantly.

Overall, other activities posted a profit of DKK 29 million, distributed on a DKK 50 million profit in Copenhagen Re and holding expenses of DKK 21 million.

*Total expenses*
The group's acquisition and administrative expenses totalled DKK 793 million in H1 2008, an increase of 4% relative to the same period of last year.

*Investment return*
The group's interest and fee income was a DKK 429 million gain against a DKK 766 million gain in H1 2007. The return includes a capital loss of DKK 894 million against a capital loss of DKK 357 million in the year-earlier period.

The vast majority of the investment assets are fixed-income securities. Duration of investment assets is two-to-three years in non-life operations, which largely corresponds to the duration of the liabilities, whereas duration is about eight years in life and pension operations, also largely corresponding to the duration of the liabilities.

Alm. Brand has no direct or indirect exposure to the sub-prime market.

*Number of employees*
In H1 2008, the group had an average of 1,900 employees against 1,837 in the same period of 2007.

**Major events**

*Share buybacks*
As a result of the revised outlook for the group's full-year performance, the share buyback programme for 2008 is downgraded by DKK 250 million to DKK 350 million. Shares worth a total of DKK 400 million will be bought back in 2008, as shares worth DKK 50 million remained outstanding on the 2007 share buyback programme.

From March 2008 until the end of July 2008, shares with a total value of DKK 292 million were

bought back, of which DKK 50 million related to the 2007 share buyback programme. Accordingly, shares worth an aggregate of DKK 108 million remain outstanding on the 2008 programme.

The total share buyback programme equals a pay-out ratio of 12.

The group's website contains information about the guidelines for the share buyback programme.

*Early announcement of interim report for the first half-year of 2008*
As a result of the adverse developments in the property market during the summer months and a lower than expected claims experience, the group's board of directors resolved at an extraordinary board meeting held on Monday, 11 August 2008, to bring forward the announcement of the interim report of Alm. Brand A/S for the first half-year of 2008.

By not only announcing revised financial guidance, it was possible to fully explain the deterioration, including the outlook for the full-year 2008. The purpose of this is to ensure the best possible scenario for shareholders and analysts to correctly assess the group's performance.

**Outlook**
The forecast for consolidated profit is downgraded by DKK 350 million to DKK 400 million. Accordingly, the group's non-life operations are expected to post a full-year profit of DKK 350 million, banking operations are expected to record a loss of DKK 15 million, life and pension operations are expected to record a profit of DKK 25 million, while other activities are expected to post a profit of DKK 40 million.

The downgrade is mainly attributable to substantial losses on the group's investment portfolios, a less-than-satisfactory claims experience, limited but increased provisions for bad and doubtful debts in the bank and an expectation that no risk premium will be recognised in the life group in 2008.

The forecast for the full year 2008 takes into account the weak property market, the sustained high level of interest rates, increased credit risks and the deteriorated claims experience. The estimate also assumes an unchanged rate of inflation and foreign exchange adjustments relative to 31 July 2008.

During the second half of 2008, measures already launched to improve the group's performance, including to improve the correlation between price and risk in non-life operations and to increase the interest margin in the bank, will be given increased attention.

The non-life combined ratio forecast for 2008 is upgraded from 93 to 95.

The full-year consolidated income for 2008 is expected to be in the region of DKK 8 billion.

| **Forecast for 2008** | | |
|---|---|---|
| **DKKm** | **May 2008** | **August 2008** |
| Non-Life | 500 | 350 |
| Banking | 130 | -15 |
| Life | 100 | 25 |
| Other | 20 | 40 |
| **Profit before tax and minorities** | **750** | **400** |

**Disclaimer**
Forecasts are based on the level of interest rates prevailing at the end of July 2008. All forward-looking statements are based exclusively on the information available when this interim report was released.

The actual performance of the group overall and of the individual business areas may be affected by major changes in a number of factors. Such impacts include changes in economic conditions, changes in the financial markets, legislative changes, changes in the competitive environment, in the reinsurance market and in the property market, unforeseen events, such as extreme weather conditions or terrorist events, bad debts, major changes in the claims experience, unexpected outcomes of legal proceedings, etc.

The above-mentioned 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 into English. In the event of any discrepancy between the Danish text and the English-language translation, the Danish text shall prevail.

# REPORT – NON-LIFE INSURANCE

| DKKm | Q2 2008 | Q2 2007 | 1H 2008 | 1H 2007 | Year 2007 |
|---|---|---|---|---|---|
| Gross premiums | 1,193 | 1,131 | 2,349 | 2,240 | 4,578 |
| Investment income on insurance business | 36 | 32 | 67 | 59 | 112 |
| Claims incurred | -854 | -738 | -1,639 | -1,496 | -3,156 |
| Underwriting management expenses | -233 | -236 | -474 | -464 | -898 |
| Profit from business ceded | -46 | -39 | -98 | -89 | -129 |
| **Underwriting profit** | **96** | **150** | **205** | **250** | **507** |
| Interest and dividends etc. | 93 | 84 | 190 | 169 | 338 |
| Capital gains/losses | -52 | 34 | -57 | 63 | 98 |
| Management expenses relating to investment business | -4 | -3 | -7 | -7 | -15 |
| Interest on technical provisions | -84 | -72 | -152 | -133 | -268 |
| **Profit on investments business after allocation of technical interest** | **-47** | **43** | **-26** | **92** | **153** |
| Other ordinary items | -4 | -1 | -9 | -8 | -13 |
| **Profit before tax** | **45** | **192** | **170** | **334** | **647** |
| Tax | -12 | -65 | -43 | -105 | -185 |
| **Profit for the period** | **33** | **127** | **127** | **229** | **462** |
| Run-off gains/losses | -16 | -2 | -28 | -10 | 85 |
| Technical provisions | 6,585 | 6,482 | 6,585 | 6,482 | 5,930 |
| Insurance assets | 57 | 117 | 57 | 117 | 104 |
| Shareholders' equity | 1,840 | 2,102 | 1,840 | 2,102 | 2,338 |
| Total assets | 9,263 | 9,474 | 9,263 | 9,474 | 8,786 |
| Gross claims ratio | 71.6% | 65.3% | 69.8% | 66.8% | 69.0% |
| Gross expense ratio | 19.5% | 21.0% | 20.2% | 20.7% | 19.6% |
| Net reinsurance ratio | 3.9% | 3.3% | 4.2% | 4.0% | 2.8% |
| Combined ratio | 95.0% | 89.6% | 94.2% | 91.5% | 91.4% |
| Operating ratio | 92.2% | 87.1% | 91.5% | 89.1% | 89.2% |
| Return on equity before tax p.a. | 10% | 38% | 18% | 33% | 30% |
| Return on equity after tax p.a. | 8% | 25% | 13% | 22% | 22% |

**Financial results**
The group's non-life operations generated a pre-tax profit of DKK 170 million in H1 2008. Compared to last year, when the profit was DKK 334 million, this year's profit was adversely affected by capital losses on investment assets and a greater number of claims as well as larger claims.

The performance was less than satisfactory.

The technical result was DKK 205 million against DKK 250 million in 2007. The performance was favourably influenced by fewer weather-related claims than last year, but negatively influenced by a substantial increase in the number and costs of minor claims and major claims as well as a higher provisioning need for workers' compensation claims due to rising inflation.

The investment return after transfer to insurance activities was negative at DKK 26 million compared with a positive return of DKK 92 million in H1 2007.

The H1 2008 performance equals an annualised return on equity before tax of 18% against 33% in the year-earlier period.

Profit before tax for the second quarter was DKK 45 million, compared with DKK 192 million in the year-earlier period. The financial results were particularly affected by the DKK 90 million drop in investment return after transfer to insurance activities relative to Q2 2007 and by the fact that the technical result fell by DKK 54 million relative to last year.

*Premiums*
Gross premium income amounted to DKK 2,349 million, constituting a 4.8% increase over the year-earlier period.

In other words, the positive growth trend continues, supporting the group's strategy. The full-year growth rate is expected to be unchanged at 5%.

*Claims experience*
The claims ratio was 69.8 in the first half of 2008 as compared with 66.8 in the same period of 2007. Total gross claims were DKK 1,639 million, a 9.6% increase from DKK 1,496 million in H1 2007.

Net of weather-related claims, claims were up by DKK 206 million, or 14.8%, over the same period of 2007. The increase was due to a larger portfolio, a larger number of reported claims, an increase in average claims as well as a greater number of and more expensive major claims from agricultural policyholders.

The H1 2008 run-off result amounted to a loss of DKK 28 million, against a DKK 10 million loss in H1 2007. Run-off losses recorded on buildings and contents policies were off-set by gains on the remaining lines/products. Provisions for workers' compensation claims were raised by almost DKK 50 million in the first half-year due to the rising inflation rate. The group has partially covered this inflation risk through a hedge of almost half of this amount. Going forward, the group expects to hedge more of this inflation risk.

Relative to the first half-year of 2007, the results were favourably affected by weather-related claims being DKK 47 million lower than last year.

The claims ratio on household comprehensive insurance was in line with the H1 2007 figure despite a drop in major claims and weather-related claims. The reason was the continuing trend of rising average claims for household comprehensive insurance, as pointed out in the Q1 2008 interim report. Also, a further increase in the claims frequency became apparent.

Due to the negative developments seen in the claims ratio, the group is currently reviewing certain tariffs, including household comprehensive insurance, with a view to enhancing the correlation between risk and price in an effort to improve the quality of the portfolio.

The claims ratio on house contents policies has risen by 9.2% relative to H1 2007, due, among other things, to the increase in average housebreaking claims and a rising frequency. The trend was described in the Q1 2008 interim report.

Alm. Brand has addressed this trend by changing the household comprehensive product. The new product contains a number of revised terms and an average premium increase of 6%. Until further notice, the new tariffs apply only to new business.

The private portfolio claims ratio continued to be influenced by the motor premium reduction. Seen in isolation, the premium reduction adversely affected the motor claims ratio by almost 8 percentage points in the first six months of 2008 as compared with the year-earlier period. In addition, the increased traffic density and higher speeds have lifted the claims frequency.

Total claims from the agricultural and commercial portfolios rose by 13% relative to the same period of 2007.

Major claims totalled DKK 175 million for all segments in H1 2008, which was higher than expected and significantly higher than in the same period of last year.

The second quarter saw a continuation of the negative trend of the major claims experience witnessed in the agricultural portfolio during the first quarter.

The developments of the claims experience during the period exceeded expectations. Alm. Brand is currently analysing whether these developments are due to random, unfortunate circumstances or to other factors.

At the same time, average claims in certain lines increased by substantially more than the indexation rate.

In addition to the efforts to revise certain tariffs, the group is currently working on a number of different activities aimed at improving the profitability of the portfolio. Initiatives include selected premium increases on customer segments with price/risk inconsistency, tightening of acceptance rules and greater efforts to minimise craftsman costs.

| | 2006 | 2007 | 1H 2007 | 1H 2008 |
|---|---|---|---|---|
| Combined Ratio ex. weather-related claims and major claims | 81.4 | 81.6 | 81.3 | 83.7 |
| Major claims | 5.6 | 7.4 | 5.7 | 7.5 |
| Weather-related claims | 2.2 | 4.3 | 4 | 1.8 |
| Run-off result | -1.1 | -1.9 | 0.5 | 1.2 |
| **Combined Ratio** | **88.1** | **91.4** | **91.5** | **94.2** |

*Net reinsurance ratio*
The net reinsurance ratio was 4.2 in the first half of 2008 as compared with 4.0 in the same period of 2007.

*Expenses*
The expense ratio was in line with expectations at 20.2, against 20.7 in H1 2007.

The full-year expense ratio is expected to be at the level of 20.

*Combined ratio*
The combined ratio was 94.2 in H1 2008, against 91.5 in H1 2007.

*Investment return*
The non-life investment assets are primarily placed in interest-bearing assets with an overweight of government and mortgage bonds. Throughout H1 2008, the interest-bearing assets had a duration of two-to-three years. The non-life equity exposure was just less than 1% of the investment assets in H1 2008.

The investment return after value adjustment of provisions, but before transfer to insurance activities, amounted to DKK 126 million in H1 2008, against DKK 225 million in H1 2007.

The investment return was lower than had been expected, which was mainly due to the rising level of interest rates during the reporting period, asset duration being slightly higher than liability duration and, finally, the relative increase in short-term interest rates over long-term interest rates.

In the first half-year of 2007, the investment return was favourably affected by the fact that asset duration was not quite as high as liability duration, combined with the rising level of interest rates during the period.

**Balance sheet**

At 30 June 2008, the equity allocated to the non-life division was DKK 1.8 billion.

Alm. Brand Forsikring A/S had a solvency ratio of 3.2 at 30 June 2008, as compared with 3.0 at 31 December 2007.

**Major events**

*New household comprehensive insurance policy with an option for coverage of electronic devices*
By offering an improved household comprehend-sive policy with an option for coverage of electronic devices, Alm. Brand now caters even more to customer needs. Insurance premiums have also been adjusted, so tariffs now better reflect the risk represented by each individual policyholder. As a result, policyholder age will be a factor in determining insurance premiums. Prices have been raised by 6% on average, but individual premiums may have changed considerably depending on the overall risk. Until further notice, the new tariffs apply only to new business.

*Successful implementation of New Commercial and Agriculture*
In the second quarter, Alm. Brand launched the New Commercial/Agriculture business project, which has been two-and-a-half years in the making. Involving up-to-date processes, products, structuring and a whole new IT platform, the new system is expected to improve the service provided to commercial and agricultural policyholders. The implementation of the project was highly successful. Alm. Brand policyholders are expected to get the full benefits of the new features when the customer portfolio is converted to the new IT system in the second half of 2008.

*New act on the keeping of horses*
On 30 April 2008, the Danish parliament, the Folketing, passed a bill to amend the act on the keeping of horses. Under the new act, it has become mandatory to take out liability insurance for horses effective from 1 July 2008. In addition, horse owners are now subject to strict liability for personal injury and property damage caused by untethered horses, for example in traffic accidents. Alm. Brand has revised the horse insurance product, giving policyholders the option of taking out horse liability coverage only or of adding liability cover to their current horse insurance policy. The coverage extension also applies to Alm. Brand's household comprehensive product, which covers liability for damage caused by a policyholder's horses.

**Outlook**
The full-year guidance for non-life operations is downgraded from DKK 500 million to a pre-tax profit of DKK 350 million, and the combined ratio forecast is raised from 93 to 95.

The reason for the lower forecast is the substantially lower-than-expected investment return, a worse claims performance than expected with a greater number of and more expensive major claims as well as an inflation-induced loss on workers' compensation business.

The new motor tariff will eventually increase the claims ratio for the motor business by around 9-10 percentage points. This expected impact is reflected in the profit and combined ratio forecasts. The lower level of premiums as a result of the new motor tariff is also included in the projections for an annual growth rate of 5% in 2008. The guidance includes the deteriorated claims experience in certain lines.

In order to reverse the less-than-satisfactory experience, efforts to improve the correlation between price and risk will be further intensified going forward. Finally, more efforts will be directed towards ensuring efficient group operations.

The guidance provided is based on a normal experience from weather-related and major claims during the second half-year of 2008, and no further run-off losses are expected.

# REPORT – BANKING

| | PRO RATA | | | | | CONSOLIDATED FIGURES | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| DKKm | Q2 2008 | Q2 2007 | 1H 2008 | 1H 2007 | Year 2007 | Q2 2008 | Q2 2007 | 1H 2008 | 1H 2007 | Year 2007 |
| **INCOME STATEMENT** | | | | | | | | | | |
| Interest receivable | 395 | 294 | 745 | 561 | 1,206 | 406 | 301 | 762 | 574 | 1,237 |
| Interest payable | -274 | -198 | -533 | -373 | -832 | -281 | -202 | -538 | -380 | -842 |
| **Net interest income** | **121** | **96** | **212** | **188** | **374** | **125** | **99** | **224** | **194** | **395** |
| Net fees and commissions receivable and dividends, etc. | 54 | 48 | 111 | 109 | 210 | 55 | 49 | 112 | 111 | 207 |
| **Net interest and fee income** | **175** | **144** | **323** | **297** | **584** | **179** | **148** | **336** | **305** | **602** |
| Value adjustments | -143 | -31 | -153 | 25 | 70 | -216 | -44 | -284 | 23 | 52 |
| Other operating income | 4 | 3 | 8 | 6 | 12 | 3 | 3 | 8 | 6 | 12 |
| **Profit before expenses** | **36** | **116** | **178** | **328** | **666** | **-33** | **107** | **60** | **334** | **666** |
| Expenses and depreciation/amortisation | -146 | -125 | -278 | -258 | -515 | -149 | -127 | -282 | -261 | -521 |
| Write-downs of loans, advances and receivables, etc. | -13 | 24 | -4 | 42 | 50 | -13 | 24 | -4 | 42 | 50 |
| Profit from equity investments | 5 | 0 | 6 | -2 | -5 | 5 | 0 | 6 | -2 | -5 |
| **Profit before tax** | **-118** | **15** | **-98** | **110** | **196** | **-190** | **4** | **-220** | **113** | **190** |
| Tax | 31 | -13 | 20 | -34 | -48 | 49 | -3 | 41 | -22 | -33 |
| **Profit after tax** | **-87** | **2** | **-78** | **76** | **148** | **-141** | **1** | **-179** | **91** | **157** |
| Share attributable to minority intere | - | - | - | - | - | -54 | -1 | -101 | 15 | 9 |
| **Profit after tax excluding minority interests** | **-** | **-** | **-** | **-** | **-** | **-87** | **2** | **-78** | **76** | **148** |
| *Profit before tax excluding minority interests* | - | - | - | - | - | *-118* | *15* | *-98* | *110* | *196* |
| **BALANCE SHEET** | | | | | | | | | | |
| Loans and advances | 18,114 | 16,305 | 18,114 | 16,305 | 18,006 | 17,608 | 15,823 | 17,608 | 15,823 | 17,116 |
| Deposits | 11,791 | 9,993 | 11,791 | 9,993 | 11,759 | 11,791 | 9,992 | 11,791 | 9,992 | 11,758 |
| Shareholders' equity | 1,287 | 1,292 | 1,287 | 1,292 | 1,365 | 1,717 | 1,826 | 1,717 | 1,826 | 1,917 |
| Share attributable to minority intere | - | - | - | - | - | 431 | 534 | 431 | 534 | 552 |
| **Total assets** | 25,291 | 22,996 | 25,291 | 22,996 | 25,048 | 25,900 | 23,757 | 25,900 | 23,757 | 25,785 |
| **KEY RATIOS ETC.** | | | | | | | | | | |
| Average no. of employees (full-time equivalents) | 384 | 370 | 382 | 369 | 374 | 385 | 370 | 383 | 369 | 374 |
| Interest margin | - | - | - | - | - | 2.0% | 1.7% | 1.8% | 1.7% | 1.7% |
| Income/cost ratio | 0.26 | 1.15 | 0.65 | 1.50 | 1.42 | -0.17 | 1.04 | 0.23 | 1.51 | 1.40 |
| Impairment ratio | 0.1% | -0.1% | 0.0% | -0.1% | -0.3% | 0.1% | -0.1% | 0.0% | -0.2% | -0.3% |
| Solvency ratio | - | - | - | - | - | 11.3% | 12.8% | 11.3% | 12.8% | 11.7% |
| Return on equity before tax | -36% | 5% | -15% | 18% | 15% | -36% | 5% | -15% | 18% | 15% |
| Return on equity after tax | -26% | 1% | -12% | 12% | 12% | -26% | 1% | -12% | 12% | 12% |
| Return in excess of the money market rate | -40.9% | 0.6% | -19.8% | 12.1% | 10.7% | -40.9% | 0.6% | -19.8% | 12.1% | 10.7% |

In order to increase the transparency of Alm. Brand Bank's financial statements, the bank publishes pro rata consolidated figures (i.e. excluding minorities). The numbers are set out in the financial highlights and key ratios above and, unless otherwise indicated, the comments provided in the text below are for pro-rata numbers. Banking group numbers (i.e. not pro rata) are commented on

**Financial results**

The bank posted a pre-tax loss of DKK 98 million in H1 2008, as compared with a profit of DKK 110 million in the year-earlier period.

The performance fell significantly short of expectations and was primarily attributable to large capital losses on the bank's portfolio of securities as a result of the rising level of interest rates and the volatile financial markets in the first six months of the year and to some extent to provisions for bad and doubtful debts.

The performance was not satisfactory.

The H1 return on equity before tax was negative at 15% p.a., as compared with a positive return of 18% p.a. in the first half-year of 2007.

*Net interest and fee income*

Net interest and fee income totalled DKK 323 million, a 9% increase from DKK 297 million in H1 2007.

Interest income was favourably influenced by growth in the bank's lending activities and by the bank raising its lending rates to increase profitability and to cover the growing funding costs. Accordingly, net interest income rose from the first to the second quarter without any growth in loans and advances.

The banking group's interest margin rose from 1.6% p.a. in the first quarter to 2.0% in the second quarter, equivalent to 1.8% p.a. for the half-year as a whole. The bank continues its efforts to improve its net interest income.

Fee income performed satisfactorily, posting a slight increase relative to the year-earlier period. The positive performance was mainly attributable to the sustained strong performance of Alm. Brand Markets, which recorded satisfactory trading income in spite of difficult market conditions.

*Value adjustments*

Value adjustments in H1 2008 amounted to a loss of DKK 153 million, against a gain of DKK 25 million in the year-earlier period. Of the total capital loss, an amount of DKK 32 million was attributable to impairment of mortgage deeds as a result of actual or anticipated losses, while the remaining amount of DKK 121 million was attributable to losses on securities, etc.

The losses on securities were triggered by rising interest rates, a flattening of the yield curve and illiquidity in the Danish mortgage bond market.

The bank has a relatively large exposure to Danish mortgage bonds, while at the same time making investments in anticipation of declining interest rates – a scenario that did not materialise. Accordingly, most of the negative value adjustments were attributable to the bank's portfolio of bonds and mortgage deeds which, as a result of the rise in interest rates, sustained a total capital loss of more than DKK 100 million.

The bank's exposure to market risks was higher than intended during the first six months of 2008 due to its ownership interest of around 40% in the investment company Alm. Brand Formue A/S. The bank therefore sought to hedge this risk through financial instruments. These hedging positions were not sufficiently effective due to widening yield spreads and substantial market turmoil.

In a move to reduce this risk going forward, the bank reduced its exposure considerably through a targeted capital reduction in Alm. Brand Formue in July 2008 and lowered the market risks on the bank's own investment portfolio.

The banking group's overall value adjustments, which include minority interests, amounted to a loss of DKK 284 million in H1 2008, against a gain of DKK 23 million in the year-earlier period. Of this amount, capital losses in Alm. Brand Formue totalled DKK 181 million in H1 2008.

*Expenses*

Total costs for H1 2008 amounted to DKK 278 million, against DKK 258 million for the same period of last year. The increase in costs was partly attributable to the growing number of employees and partly to higher salaries. The bank does not expect the number of employees to increase any further in 2008.

The higher level costs should be seen in light of the fact that, despite increased funding costs and a generally lower level of activity in the market, net interest and fee income rose by 9%.

The bank has launched a number of efficiency-enhancing activities to reduce costs.

The income/cost ratio was 0.65 in H1, against 1.50 in the first half-year of 2007. The corresponding figures for the banking group were 0.23 in H1 2008 and 1.51 in H1 2007, respectively.

*Impairment of loans, etc.*

As a result of the bank's policy to maintain a moderate level of credit risk, the loan portfolio generally performs satisfactorily. However, due to

the changed economic scenario in the property market, the bank saw an increased delinquency and reduced financial strength in a few lending segments. These segments include commercial mortgage deeds and property development projects, as market developments in the second quarter triggered increased impairment needs.

These segments total approximately 5% of the aggregate loan portfolio. In all other lending segments, private customers, commercial customers and agricultural customers alike continue to display financial strength.

The bank's mortgage deed portfolio mainly comprises senior-ranking, geographically diversified mortgage deeds secured against ordinary homes. In H1 2008, the mortgage deed portfolio posted a loss of DKK 6 million and additional provisions of DKK 26 million against expected future losses on commercial mortgage deeds. The total amount of DKK 32 million is included in the financial statements under value adjustments.

In addition, the bank expensed an amount of DKK 4 million for "Impairment of loans, advances and receivables etc." in the first half-year of 2008. Provisions for bad and doubtful debts charged to the income statement in the first six months of the year thus totalled DKK 36 million, corresponding to 0.2% of the average lending and guarantee portfolio.

Appendix A includes a detailed breakdown of the bank's lending portfolio indicating lending volumes and credit loss per segment.

The bank's accumulated impairment charges on loans and guarantees totalled DKK 126 million at 30 June 2008, corresponding to an accumulated impairment ratio of 0.6 against 0.5 at 30 June 2007 and 0.7 at 31 December 2007.

**Balance sheet**

*Loans, advances and deposits*
The bank's loans and advances totalled DKK 18 billion at 30 June 2008, which was on a par with 31 December 2007 and an increase of DKK 2 billion, or 11%, since 30 June 2007. Accordingly, the bank slowed down growth in loans and advances during the past six months to reflect the subdued growth in the Danish economy and to ensure continued, well-defined and moderate risk in the bank's lending portfolio.

The bank's total lending is not expected to grow during the remainder of 2008. However, the bank expects increased diversification of the lending portfolio, partly due to the declining level of activity in the property market and partly to the bank's higher level of activity within agriculture, small and medium-sized enterprises, funding of corporate finance activities and the bank's sustained increased commitments with several of the Alm. Brand Group's private customers.

The bank's deposits totalled DKK 12 billion at 30 June 2008, which was on a par with 31 December 2007 and an increase of DKK 2 billion, or 18%, since 30 June 2007.

*Capital*
The bank's equity stood at DKK 1.3 billion at 30 June 2008. The capital base was DKK 1.9 billion.

Similarly, the banking group's equity stood at DKK 1.7 billion at 30 June 2008, whereas the capital base totalled DKK 2.3 billion. The banking group had a solvency ratio of 11.3 and a tier 1 ratio of 8.8.

**Major events**

*Continued growth in private lines*
During the first half-year of 2008, the bank experienced a net inflow of 5% in the private customer segment, bringing the total number of private customers in the bank to more than 85,000. The Alm. Brand Group's multiproduct customer concept, the *dobbeltKUNDE* concept, also recorded growth. Accordingly, the number of multiproduct customers rose by more than 23% as compared with 30 June 2007.

*Lending rates raised*
As a result of the sustained increase in interbank rates, the bank raised a number of lending rates by up to 0.50 percentage point in early April and by up to 0.25 percentage point in early May. The deposit rate was also raised by up to 0.25 percentage point in early May. In April, the majority of the bank's loans and advances to both existing and new customers were furthermore converted to CIBOR terms.

These measures improved the bank's net interest income in the final part of the period and they are expected to feed through further during the remainder of 2008.

*Cash flow*
At the beginning of the year, the bank launched a deposit campaign targeting the retail segment which attracted new deposit funds of just over DKK 1.9 billion. The new deposits primarily came from individual private customer and thus further diversified the deposit portfolio.

The bank maintains a strong cash position. Cash made up in accordance with section 152 of the Danish Financial Business Act stood at DKK 5 billion at 30 June 2008, corresponding to 203% of the statutory requirement.

The bank has a stable long-term interbank funding of DKK 8.5 billion, of which an amount of DKK 560 million falls due for payment within the next 12 months (in December 2008) alone.

The bank does not plan to raise additional long-term loans during the rest period of 2008, as growth in deposits is expected to exceed growth in lending.

**Outlook**

Based on the half-year results achieved and the revised guidance for the second half of 2008, expectations for the full-year results are downgraded from a profit of DKK 130 million to a loss of DKK 15 million.

The overall forecast change is mainly due to capital losses on securities and mortgage deeds in the second quarter and to some extent to expected higher provisions for bad and doubtful debts and losses on mortgage deeds.

The forecast reflects the effect of lending rate adjustments already implemented and resulting higher net interest income during the final two quarters of the year and cost adjustments.

# REPORT – LIFE INSURANCE

| DKKm | Q2 2008 | Q2 2007 | 1H 2008 | 1H 2007 | Year 2007 |
|---|---|---|---|---|---|
| Premiums | 153 | 149 | 346 | 340 | 750 |
| Claims incurred | -267 | -255 | -492 | -459 | -918 |
| Investment return after allocation of interest | -339 | -183 | -264 | -155 | 57 |
| Total underwriting management expenses | -23 | -22 | -41 | -42 | -82 |
| Profit/loss on business ceder | 6 | 13 | 10 | 16 | 17 |
| Change in life insurance provisions | 125 | 227 | 51 | 283 | 188 |
| Change in collective bonus potential | 334 | 74 | 385 | 39 | 61 |
| **Underwriting profit/loss** | **-11** | **3** | **-5** | **22** | **73** |
| Return on investments allocated to equity | -2 | 2 | 9 | 12 | 31 |
| **Profit before tax** | **-13** | **5** | **4** | **34** | **104** |
| Tax | 3 | -11 | -1 | -19 | -35 |
| **Profit after tax** | **-10** | **-6** | **3** | **15** | **69** |
| **Result in life insurance** | | | | | |
| Administrative result | -4 | -2 | -3 | -1 | -2 |
| Investment result | -453 | -289 | -478 | -363 | -366 |
| Change in provision for guaranteed pension benefits | 107 | 195 | 71 | 314 | 347 |
| Change in collective bonus potential | 334 | 74 | 385 | 39 | 62 |
| Risk result | -3 | 15 | 19 | 29 | 46 |
| Profit/loss on business Ceder | 6 | 12 | 10 | 16 | 17 |
| Profit before tax | **-13** | **5** | **4** | **34** | **104** |
| Tax | 3 | -11 | -1 | -19 | -35 |
| **Profit/loss after tax** | **-10** | **-6** | **3** | **15** | **69** |
| Total technical provisions | 10,619 | 10,980 | 10,619 | 10,980 | 11,049 |
| Shareholders' equity | 756 | 849 | 756 | 849 | 903 |
| Total assets | 11,595 | 12,393 | 11,595 | 12,393 | 12,168 |
| Return on equity before tax p.a. | -6% | 2% | 1% | 7% | 12% |
| Return on equity after tax p.a. | -5% | -2% | 1% | 3% | 8% |
| Bonus rate | 0.3% | 4.3% | 0.3% | 4.3% | 4.0% |

| **Investment return in life insurance in 1H 2008**<br>**DKKm** | **Return of the period** | **Return ratio** |
|---|---|---|
| Interest-bearing assets | -162 | -1.9% |
| Shares | -177 | -18.9% |
| Property | 37 | 2.5% |
| Management expenses relating to investments activities | -10 | 0.0% |
| **Total** | **-312** | **-2.7%** |

**Financial results**
The pre-tax profit for H1 2008 was DKK 4 million, against DKK 34 million for the same period of last year.

The return on equity principle is thus to achieve a return on equity corresponding to the investment return on the assets included in the company's shareholders' equity plus a risk premium of 0.5% of the average life insurance provisions inclusive of the collective bonus potential plus the full expense result net of reinsurance and 25% of the risk result net of reinsurance.

No risk premium could be recognised for the first half-year. Therefore, DKK 30 million was transferred to the shadow account, which had a balance of DKK 30 million at 30 June 2008. The performance implies an annualised return on equity of 1% before tax, as compared with an annualised return of 7% in the year-earlier period.

The performance was not satisfactory.

*Premiums*
Gross premiums rose by 1.8% to DKK 346 million in H1 2008 from DKK 340 million in the year-earlier period. Premiums in the group's life insurance company performed in line with expectations, reflecting the group's strategy that an increasing proportion of pension savings should be placed in the Alm. Brand Investment Scheme, which is set up with Alm. Brand Bank.

The total amount of pension contributions, including investment schemes with the bank and premium income in the life insurance company rose by 8.1% to DKK 464 million in H1 2008 from DKK 429 million in H1 2007.

*Investment return*
The return on investment assets belonging to policyholders before tax on pension investment returns but after funding costs was negative at DKK 312 million for H1 2008, equal to a return of minus 2.7% (minus 5.4% annualised), against a negative return of DKK 192 million in H1 2007. The return was adversely impacted by equity market performances. The equity return was satisfactory relative to the benchmark.

The return on the bond portfolio was negatively affected by falling yields, and the capital losses were only partially off-set by a lower provisioning requirement. The return on fixed income investments was less than satisfactory relative to the benchmark of government bonds.

The H1 return on investment assets attributable to shareholders' equity was DKK 9 million, equivalent to a return of 1.0% (1.9% annualised), against a return of DKK 12 million in the same period of last year.

*Benefits paid*
Benefits paid in H1 2008 amounted to DKK 492 million, against DKK 459 million for the same period of last year. This increase was mainly attributable to an increase in pension benefits.

*Life insurance provisions*
Life insurance provisions are calculated using a market value principle that applies an expected cash flow discounted by the yield curve published by the Danish FSA for discounting provisions.

Interest rate levels rose during the first half-year of 2008. The largest increases occurred for short-term durations.

Total provisions fell by DKK 51 million.

*Collective bonus potential*
The collective bonus potential fell by DKK 385 million to DKK 27 million at 30 June 2008, equal to a bonus rate of 0.3%. The decline was mainly attributable to capital losses, including a lack of return on the equity portfolio. In addition, as already mentioned, the return on bond holdings was lower than had been expected; in other words, it was lower than the benchmark.

Finally, the rising level of interest rates resulted in capital losses that were not fully off-set by lower provisions. Company policy is to cover a part of capital losses during periods of rising interest rates by allocating funds from reserves, as the higher level of interest rates means that the loss of a given period will be fully or partly recovered.

*Expenses*
Acquisition and administrative expenses totalled DKK 41 million in H1 2008, against DKK 42 million for the same period of 2007.

Total expenses for 2008 to date were lower than expected. The lower expenses relative to 2007 were attributable to lower administrative expenses, while acquisition expenses remained unchanged.

*Expense and risk results*
The expense result, which expresses the difference between expense loading and expenses incurred, was negative at DKK 5 million in the first six months of 2008. The expense result net of reinsurance was negative at DKK 3 million. As actual expenses have dropped and were lower than expected, the negative expense result indicates/means that fees income was lower than expected. The overall expense result was not satisfactory.

The risk result, which expresses the difference between risk premiums and actual claims expenses, was an income of DKK 19 million in H1 2008. The risk result net of reinsurance was DKK 26 million. The overall risk result was satisfactory.

**Balance sheet**
The life group's shareholders' equity was DKK 756 million at 30 June 2008. The solvency ratio was 194 at 30 June 2008.

The Danish FSA's stress scenarios are computed on an ongoing basis. The life group was in the green scenario by a fair margin throughout the reporting period.

**Major events**

*Investing in emerging market bonds*
In May, the life group invested approximately DKK 250 million of customer funds in emerging market bonds for the purpose of achieving greater risk diversification and an expected higher current return. The amount invested equals about 2.5% of investment assets (customer funds). The life group expects to make further investments in emerging markets over time and to lift the proportion of this asset class relative to investment assets (customer funds) to about 4%.

*Compensation as a result of an EU ruling*
The Danish Act on Pension Investment Returns was amended effective 1 January 2008 to the effect that previously untaxed properties and index-linked bonds will now be subject to 15% taxation.

The Alm. Brand life and pension group holds properties, but no index-linked bonds that will be affected by the amended taxation rules and tax on pension investment returns is expected to rise by about DKK 1.5 million per year. As compensation, the Danish government has paid an amount which, in accordance with the rules of the amended act has been channelled directly to customers.

For Alm. Brand Liv og Pension, the amount involved was DKK 17.8 million. During May and June, customers were informed and Alm. Brand transferred the relevant amounts to individual customers (either by paying out the amount or depositing it in an existing scheme). The compensation amount will not influence the financial results, but the balance sheet will reflect the amounts deposited in existing customer schemes.

**Outlook**
Due to the negative trends in the financial markets during the second quarter of 2008, a risk premium is not expected to be available for 2008. The full-year profit is expected to be DKK 25 million consisting solely of the direct return on equity and the result of portfolios without bonus entitlement.

Accordingly, the full-year guidance for life and pension operations is downgraded from DKK 100 million to DKK 25 million. The outstanding risk premium will be transferred to the shadow account and the amount will be recognised as income as soon as warranted by investment returns.

# REPORT – OTHER BUSINESS ACTIVITIES

**Copenhagen Re**
The H1 2008 pre-tax profit for Copenhagen Re was DKK 50 million, compared with DKK 39 million in H1 2007.

The performance was better than had been expected, lifted by favourable developments in the lawsuit a number of London-based insurers, including Copenhagen Re, brought against the Port Authority of New York and New Jersey (PONY) in relation to claims arising from the attack on the World Trade Center. The results were negatively affected by lower-than-expected investment returns resulting from capital losses.

During the first half-year of 2008, Copenhagen Re reached a settlement with PONY in respect of the pending lawsuit, which is described in Copenhagen Re's 2007 Annual Report. Accordingly, the lawsuit has been cancelled and, as a result, one of the main factors of uncertainty in the estimation of Copenhagen Re's provisions has been eliminated. The company still has an exposure to claims related to the attack on the World Trade Center, but there is only a small risk of loss on the outstanding contracts. The settlement has substantially reduced the risk of losses on the overall portfolio.

Technical provisions net of reinsurance totalled DKK 0.7 billion at 30 June 2008, which is DKK 0.3 billion less than at 31 December 2007. Much of this reduction is attributable to the settlement with PONY.

Copenhagen Re's equity amounted to DKK 299 million at 30 June 2008, equal to Alm. Brand A/S' carrying amount on the investment. The amount represents an increase of DKK 38 million achieved in the first half-year of 2008, and equity now amounts to 41% of technical provisions net of reinsurance, against 27% at 31 December 2007. In addition, the company's solvency ratio has improved from 2.1 at 31 December 2007 to 3.3 at 30 June 2008.

Overall, developments during the first half-year have significantly strengthened Copenhagen Re's equity and provisioning certainty. In light of the positive developments of the first half-year and the full-year expectations, the company intends to initiate discussions with the relevant authorities for the purpose of releasing a part of the tied-up capital.

The pre-tax profit forecast for the full year is raised by DKK 20 million to DKK 70 million.

**Other miscellaneous activities**
"Other miscellaneous activities" comprises corporate expenses and a number of dormant companies.

Other miscellaneous activities of the group posted a pre-tax loss of DKK 21 million in H1 2008, against a loss of DKK 9 million in H1 2007.

The forecast of a pre-tax loss of DKK 30 million for the full year is retained.

**Outlook**
The forecast for "Other business activities" is raised to a DKK 40 million profit from DKK 20 million.

# STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD

The Board of Directors and the Executive Board have today considered and adopted the interim report of Alm. Brand A/S for the six months ended 30 June 2008.

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

In our opinion, the accounting policies applied are appropriate, and 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 2008 and of the results of the group's and the parent company's operations and the group's cash flows for the six months ended 30 June 2008.

The management's review also gives a true and fair view of developments in the activities and financial position of the group.

**EXECUTIVE BOARD**

Copenhagen, 11 August 2008

*Søren Boe Mortensen*
Chief Executive

*Henrik Nordam*
Deputy Chief Executive

**BOARD OF DIRECTORS**

Copenhagen, 11 August 2008

*Christian N.B. Ulrich*
Chairman

*Jørgen H. Mikkelsen*
Deputy Chairman

*Boris N. Kjeldsen*

*Niels Kofoed*

*Jørgen S. Larsen*

*Henrik Stenbjerre*

*Susanne Larsen*

*Lone Clausen*

*Henning Kaffka*

# ACCOUNTING POLICIES, GROUP

The consolidated interim report for the three months ended 30 June 2008 has been prepared in compliance with IAS 34 Interim Financial Reporting and the requirements of the Danish Financial Business Act and the OMX Nordic Exchange Copenhagen applying to interim financial reporting of Danish listed financial enterprises. The application of IAS 34 means that the report is limited relative to the presentation of a full annual report.

The parent company financial statements have been prepared in accordance with the provisions of the Danish Financial Business Act, including the Executive Order on financial reports presented by insurance companies and profession-specific pension funds.

The accounting policies applied for the consolidated financial statements are unchanged from the policies applied for the Annual Report 2007. The accounting policies of the parent company are described in connection with the parent company's interim report, as detailed in a separate section of this report.

The interim report for the six months ended 30 June 2008 is unaudited.

# BALANCE SHEET

| | Group | | |
|---|---|---|---|
| | 30 June | 30 June | 31 December |
| DKKm | 2008 | 2007 | 2007 |
| **Assets** | | | |
| Intangible assets | 234 | 200 | 227 |
| Owner-occupied properties | 676 | 639 | 670 |
| Deferred tax assets | 239 | 385 | 234 |
| Participating interests in joint ventures | 77 | 23 | 45 |
| Current tax assets | 557 | 809 | 518 |
| Reinsurers' share of insurance contracts | 64 | 199 | 30 |
| Other assets | 1,586 | 1,403 | 1,488 |
| Loans | 17,608 | 15,823 | 17,117 |
| Investment properties | 820 | 774 | 811 |
| Investment assets | 22,349 | 23,483 | 23,396 |
| Amounts due from credit institutions and central banks | 4,066 | 3,273 | 2,560 |
| Cash in hand and demand deposits | 260 | 476 | 790 |
| **Total assets** | **48,536** | **47,487** | **47,886** |
| **Liabilities and equity** | | | |
| Share capital | 1,572 | 1,788 | 1,668 |
| Reserves, retained profit etc. | 3,177 | 3,200 | 3,274 |
| Minority interests | 396 | 483 | 504 |
| **Consolidated shareholders' equity** | 5,145 | 5,471 | 5,446 |
| Subordinated debt | 813 | 814 | 817 |
| Provisions for insurance contracts | 18,407 | 19,281 | 18,331 |
| Other provisions | 103 | 236 | 118 |
| Deferred tax liabilities | 46 | 46 | 46 |
| Issued bonds | 1,396 | 1,399 | 1,402 |
| Other liabilities | 1,978 | 1,885 | 1,887 |
| Deposits | 11,479 | 9,497 | 10,987 |
| Payables to credit institutions and central banks | 9,169 | 8,858 | 8,852 |
| **Total liabilities and equity** | **48,536** | **47,487** | **47,886** |

Note 1 Own shares

Note 2 Contingent liabilities, guaranties and leasing

# INCOME STATEMENT

| | | | | | Group |
|---|---|---|---|---|---|
| | Q2 | Q2 | 1H | 1H | Year |
| **DKKm** | **2008** | **2007** | **2008** | **2007** | **2007** |
| **Income** | | | | | |
| Premium income | 1,347 | 1,294 | 2,702 | 2,596 | 5,345 |
| Interest income etc. | 635 | 536 | 1,224 | 1,024 | 2,111 |
| Fee income etc. | 44 | 42 | 99 | 99 | 185 |
| Other income from investment activities | -1 | 2 | 0 | 3 | 40 |
| Income associates | 3 | 0 | 3 | 0 | 0 |
| Other income | 7 | 10 | 18 | 19 | 40 |
| **Total income** | **2,035** | **1,884** | **4,046** | **3,741** | **7,721** |
| | | | | | |
| **Costs** | | | | | |
| Claims incurred | -1,067 | -1,029 | -2,061 | -1,985 | -4,081 |
| Interest expenses | -327 | -238 | -620 | -443 | -973 |
| Other cost from investment activities | -18 | -11 | -31 | -25 | -68 |
| Impairment of loans, advances and receivables, etc. | -13 | 24 | -4 | 42 | 50 |
| Acquisition and administrative costs | -402 | -383 | -793 | -760 | -1,501 |
| Other costs | -8 | -8 | -19 | -21 | -41 |
| **Total costs** | **-1,835** | **-1,645** | **-3,528** | **-3,192** | **-6,614** |
| | | | | | |
| Profit from business ceded | -45 | 16 | -107 | -32 | -85 |
| Change in life insurance provisions | 125 | 227 | 51 | 283 | 188 |
| Change in collective bonus potential | 334 | 74 | 385 | 39 | 69 |
| Exchange rate adjustments | -794 | -365 | -894 | -357 | -288 |
| Tax on pension investment returns | 59 | 33 | 43 | 28 | -11 |
| **Profit before tax** | **-121** | **224** | **-4** | **510** | **980** |
| Tax | 25 | -85 | -19 | -154 | -266 |
| **Profit after tax** | **-96** | **139** | **-23** | **356** | **714** |
| | | | | | |
| **The profit before tax is allocated as follows:** | | | | | |
| Share attributable to Alm. Brand | -55 | 234 | 105 | 508 | 986 |
| Share attributable to minority shareholders | -66 | -10 | -109 | 2 | -6 |
| | **-121** | **224** | **-4** | **510** | **980** |
| | | | | | |
| **The profit after tax is allocated as follows:** | | | | | |
| Share attributable to Alm. Brand | -48 | 140 | 65 | 342 | 705 |
| Share attributable to minority shareholders | -48 | -1 | -88 | 14 | 9 |
| | **-96** | **139** | **-23** | **356** | **714** |
| | | | | | |
| Earnings per share, DKK | -3 | 7 | 4 | 17 | 35 |
| Diluted earnings per share, DKK | -3 | 7 | 4 | 17 | 35 |

# STATEMENT OF CHANGES IN EQUITY

| DKKm | Share capital | Contingency funds | Retained profit | Reva-luation reserve | Share-holders' equity | Minority interests | Consoli-dated equity |
|---|---|---|---|---|---|---|---|
| **Shareholders equity, 01.01.2007** | **1,788** | **182** | **2,939** | **3** | **4,912** | **520** | **5,432** |
| Profit/loss for the period | 0 | 0 | 705 | 0 | 705 | 9 | 714 |
| Cancellation of shares | -120 | 0 | 120 | 0 | 0 | 0 | 0 |
| Revaluation of owner-occupied propertie | 0 | 0 | 0 | 11 | 11 | 0 | 11 |
| Transferred to collective bonus potential | 0 | 0 | 0 | -8 | -8 | 0 | -8 |
| Tax on changes recognised in equity | 0 | 0 | -1 | 0 | -1 | 0 | -1 |
| Sale of treasury shares | 0 | 0 | 14 | 0 | 14 | 0 | 14 |
| Repurchased shares | 0 | 0 | -691 | 0 | -691 | 0 | -691 |
| Change in share attributable to minority interest | | | | | | -25 | -25 |
| **Shareholders equity, 01.01.2008** | **1,668** | **182** | **3,086** | **6** | **4,942** | **504** | **5,446** |
| Profit/loss for the period | 0 | 0 | 65 | 0 | 65 | -88 | -23 |
| Sale of treasury shares | -96 | 0 | 96 | 0 | 0 | 0 | 0 |
| Repurchased shares | 0 | 0 | 22 | 0 | 22 | 0 | 22 |
| Cancellation of shares | 0 | 0 | -280 | 0 | -280 | 0 | -280 |
| Change in share attributable to minority interest | | | | | | -20 | -20 |
| **Shareholders equity, 30.06.2008** | **1,572** | **182** | **2,989** | **6** | **4,938** | **396** | **5,145** |

| | 30 June 2008 | 31 December 2007 |
|---|---|---|
| Shareholders' equity exclusive minority interests | 4,749 | 4,942 |
| Consolidation of Pensionskassen under Alm. Brand A/S | -4 | -10 |
| **Authority exclusive minority interests** | **4,745** | **4,932** |
| | | |
| Share of profit attributable to Alm. Brand A/S | 65 | 705 |
| Consolidation of Pensionskassen under Alm. Brand A/S | 6 | 1 |
| **Supervisory Authority** | **71** | **706** |

# CAPITAL CALCULATION MODEL

| DKKm | Times the statutory solvency margin | 30 June 2008 | 31 December 2007 |
|---|---|---|---|
| Non-life insurance | 2.4 | 1,766 | 1,637 |
| Banking excluding partly owned listed subsidiaries | 1.3 | 1,780 | 1,822 |
| Banking, investments in partly-owned listed subsidiaries | | 636 | 801 |
| Life insurance | 2.0 | 940 | 936 |
| Reinsurance | | 299 | 261 |
| **Capital target** | | **5,421** | **5,457** |
| Consolidated shareholders' equity | | 5,145 | 5,446 |
| Net tax asset | | -239 | -234 |
| Intangible assets | | -234 | -227 |
| **Adjusted consolidated shareholders' equity excluding capital base** | | **4,672** | **4,985** |
| **Dividend distribution excluding capital base** | | **-749** | **-472** |
| Capital base | | 824 | 817 |
| **Dividend distribution including capital base** | | **75** | **345** |

# CASH FLOW STATEMENT

| | Group | | |
|---|---|---|---|
| | 1H | 1H | Year |
| DKKm | 2008 | 2007 | 2007 |
| **Cash flows from operating activities** | | | |
| Premiums received | 3,313 | 3,196 | 5,223 |
| Claims paid | -2,297 | -1,973 | -4,154 |
| Interest receivable, dividends, etc. | 1,267 | 1,035 | 2,237 |
| Interest payable | -516 | -354 | -789 |
| Payments concerning reinsurance | -21 | -25 | 39 |
| Fee income received | 105 | 100 | 210 |
| Fee income paid | -19 | -14 | -49 |
| Expences paid | -827 | -783 | -1,640 |
| Tax on pension investment returns paid | 0 | 0 | -10 |
| Acquisition of intangible assets, furniture, equipments etc. | -21 | -33 | -89 |
| Other ordinary income received | 8 | 6 | 12 |
| Taxes paid/received | -4 | -2 | -44 |
| **Cash flows from operating activities** | **988** | **1,153** | **946** |
| **Change in investment placement (net)** | | | |
| Properties acquired or converted | -14 | -7 | -59 |
| Sale/aquisition of equity investments | -371 | 154 | 249 |
| Sale/repayment of mortgage deeds and loans | -327 | -2,271 | -3,890 |
| Sale/aquisition of bonds | 488 | 142 | 246 |
| Change in receivables from credit institutions over 3 months | -139 | -129 | 63 |
| **Change in investment placement (net)** | **-363** | **-2,111** | **-3,391** |
| **Change in financing (net)** | | | |
| Other provisions | -15 | -8 | -128 |
| Sale/purchase of treasury shares | -258 | -266 | -677 |
| Sale/acquisition of subsidiaries (change in minority interests) | -20 | -2 | -25 |
| Subordinated debt | -4 | 340 | 343 |
| Issued bonds | -6 | 359 | 362 |
| Change in deposits | 583 | 443 | 1,878 |
| Change in payables to credit institutions | 317 | 2,143 | 2,143 |
| **Change in financing (net)** | **597** | **3,009** | **3,896** |
| **Gross change in cash and cash equivalents** | **1,222** | **2,051** | **1,451** |
| Exchange rate adjustments of cash equivalents, beginning of period | -15 | -4 | -34 |
| **Net change in cash and cash equivalents** | **1,207** | **2,047** | **1,417** |
| Cash and cash equivalents, beginning of period | 3,119 | 1,702 | 1,702 |
| **Cash and cash equivalents, end of period** | **4,326** | **3,749** | **3,119** |

# SEGMENT REPORTING

| DKKm | Non-life | Bank | Life | Other | Elimi-nation | Group |
|---|---|---|---|---|---|---|
| | | | | | | **1H 2008** |
| Premium income | 2,349 | 0 | 346 | 7 | 0 | 2,702 |
| Interest income etc. | 194 | 762 | 239 | 41 | -12 | 1,224 |
| Fee income etc. | 0 | 112 | 0 | 0 | -13 | 99 |
| Other investment income | 1 | 0 | 38 | 0 | -39 | 0 |
| Income associates | 0 | 3 | 0 | 0 | 0 | 3 |
| Other income | 10 | 8 | 0 | 0 | 0 | 18 |
| **Total income** | **2,554** | **885** | **623** | **48** | **-64** | **4,046** |
| Claims incurred | -1,639 | 0 | -492 | 70 | 0 | -2,061 |
| Interest expenses | -89 | -538 | -5 | 0 | 12 | -620 |
| Other investment expenses | -7 | 0 | -11 | -26 | 13 | -31 |
| Provisions for bad and doubtful debts | 0 | -4 | 0 | 0 | 0 | -4 |
| Acquisition and administrative expenses | -475 | -282 | -41 | -34 | 39 | -793 |
| Other expenses | -19 | 0 | 0 | 0 | 0 | -19 |
| **Total expenses** | **-2,229** | **-824** | **-549** | **10** | **64** | **-3,528** |
| Result of business ceded | -98 | 0 | 10 | -19 | 0 | -107 |
| Change in life insurance provisions | 0 | 0 | 51 | 0 | 0 | 51 |
| Change in collective bonus potential | 0 | 0 | 385 | 0 | 0 | 385 |
| Exchange rate adjustments | -57 | -281 | -559 | -10 | 13 | -894 |
| Tax on pension investment returns | 0 | 0 | 43 | 0 | 0 | 43 |
| **Profit before tax** | **170** | **-220** | **4** | **29** | **13** | **-4** |
| Tax | -43 | 41 | -1 | -16 | 0 | -19 |
| **Profit after tax** | **127** | **-179** | **3** | **13** | **13** | **-23** |

| | | | | | | **1H 2007** |
|---|---|---|---|---|---|---|
| Premium income | 2,240 | 0 | 340 | 16 | 0 | 2,596 |
| Interest income etc. | 173 | 574 | 242 | 55 | -20 | 1,024 |
| Fee income etc. | 0 | 111 | 0 | 0 | -12 | 99 |
| Other investment income | 1 | 0 | 38 | 0 | -36 | 3 |
| Other income | 13 | 6 | 0 | 0 | 0 | 19 |
| **Total income** | **2,427** | **691** | **620** | **71** | **-68** | **3,741** |
| Claims incurred | -1,496 | 0 | -459 | -30 | 0 | -1,985 |
| Interest expenses | -78 | -380 | -2 | -3 | 20 | -443 |
| Other investment expenses | -8 | 0 | -13 | -16 | 12 | -25 |
| Provisions for bad and doubtful debts | 0 | 42 | 0 | 0 | 0 | 42 |
| Acquisition and administrative expenses | -464 | -261 | -42 | -29 | 36 | -760 |
| Other expenses | -21 | 0 | 0 | 0 | 0 | -21 |
| **Total expenses** | **-2,067** | **-599** | **-516** | **-78** | **68** | **-3,192** |
| Result of business ceded | -89 | 0 | 16 | 41 | 0 | -32 |
| Change in life insurance provisions | 0 | 0 | 283 | 0 | 0 | 283 |
| Change in collective bonus potential | 0 | 0 | 39 | 0 | 0 | 39 |
| Exchange rate adjustments | 63 | 21 | -436 | -4 | -1 | -357 |
| Tax on pension investment returns | 0 | 0 | 28 | 0 | 0 | 28 |
| **Profit before tax** | **334** | **113** | **34** | **30** | **-1** | **510** |
| Tax | -105 | -22 | -19 | -8 | 0 | -154 |
| **Profit after tax** | **229** | **91** | **15** | **22** | **-1** | **356** |

# NOTES

| DKKm | 1H 2008 | 1H 2007 | Group Year 2007 |
|---|---|---|---|
| **Note 1 Own Shares - Group** | | | |
| Carrying amount, beginning of year | 0 | 0 | 0 |
| Value adjustments | -163 | -266 | -557 |
| Buying during the period | 365 | 609 | 1,442 |
| Sold during the period | -106 | -343 | -765 |
| Cancellation of shares | -96 | 0 | -120 |
| **Carrying amount, end of period** | **0** | **0** | **0** |
| Nominal value, beginning of year | 152 | 114 | 114 |
| Buying during the period | 102 | 127 | 337 |
| Sold during the period | -28 | -73 | -179 |
| Cancellation of shares | -96 | 0 | -120 |
| **Nominal value, end of period** | **130** | **168** | **152** |
| Holding (number of shares), beginning of year | 1,906 | 1,421 | 1,421 |
| Additions, number of shares | 1,269 | 1,588 | 4,219 |
| Disposals, number of shares | -354 | -904 | -2,234 |
| Cancellation of shares | -1,200 | 0 | -1,500 |
| **Holding (number of shares), end of period** | **1,621** | **2,105** | **1,906** |
| **Percentage of share capital, end of period** | **8.2%** | **9.4%** | **9.1%** |
| **Note 2 Contingent liabilities, guaranties and leasing** | | | |
| **Guarantee commitments** | **2,212** | **2,363** | **2,223** |

# ACCOUNTING POLICIES, PARENT COMPANY

The interim report is presented in compliance with the Danish Financial Business Act, including the Executive Order on financial reports presented by insurance companies and profession-specific pension funds. In addition, the interim report has been presented in accordance with additional Danish disclosure requirements for the interim reports of listed financial enterprises.

The accounting policies of the parent company on the recognition and measurement are in accordance with the accounting policies of the group, except for the following point:

Investments in subsidiaries are recognised and measured at the parent company's share of the subsidiaries' net asset value on the balance sheet date. The value of Pensionskassen under Alm. Brand A/S is not recognised in the balance sheet but is exclusively disclosed in the notes as a contingent liability.

The accounting policies are unchanged from the policies applied in the Annual Report 2007.

The interim report for the three months ended 31 March 2008 is unaudited.

# BALANCE SHEET

| DKKm | Note | Parent company 30 June 2008 | 30 June 2007 | 31 December 2007 |
|---|---|---|---|---|
| **Assets** | | | | |
| Investment in group enterprises | 1 | 4,193 | 4,874 | 4,880 |
| Investment in associates | | 20 | 20 | 20 |
| **Total investments in group enterprises and associates** | | **4,213** | **4,894** | **4,900** |
| Equity investments | | 1 | 1 | 1 |
| Other loans and advances | | 2 | 2 | 2 |
| Deposits with credit institutions | | 522 | 461 | 0 |
| Cash in hand and balances at call | | 37 | 27 | 88 |
| **Total other financial investment assets** | | **562** | **491** | **91** |
| **Total investment assets** | | **4,775** | **5,385** | **4,991** |
| Receiveables from group enterprises | | 16 | 7 | 9 |
| Other receivables | | 37 | 40 | 33 |
| **Total receivables** | | **53** | **47** | **42** |
| Current tax assets | | 18 | 25 | 12 |
| Deferred tax assets | | 20 | 23 | 20 |
| **Total other assets** | | **38** | **48** | **32** |
| Accrued interest | | 2 | 2 | 0 |
| **Accruals and deferred income** | | **2** | **3** | **0** |
| **Total assets** | | **4,868** | **5,483** | **5,065** |
| **Liabilities and equity** | | | | |
| Share capital | | 1,572 | 1,788 | 1,668 |
| Retained earnings | | 3,173 | 3,192 | 3,264 |
| **Total shareholders' equity** | | **4,745** | **4,980** | **4,932** |
| Deferred tax liabilities | | 46 | 46 | 46 |
| **Total provisions** | | **46** | **46** | **46** |
| Payables to group enterprises | | 12 | 380 | 21 |
| Other payables | | 64 | 77 | 66 |
| **Total Payables** | | **77** | **457** | **87** |
| **Total liabilities and equity** | | **4,868** | **5,483** | **5,065** |

# INCOME STATEMENT

| | | Parent company | | |
|---|---|---|---|---|
| | | 1H | 1H | Year |
| **DKKm** | **Note** | **2008** | **2007** | **2007** |
| Income from group enterprises | 2 | 89 | 351 | 736 |
| Interest income and dividends, etc. | | 9 | 12 | 22 |
| Interest expenses | | 0 | -10 | -14 |
| Administrative expenses related to investment activities | | -24 | -15 | -50 |
| **Profit before tax** | | **74** | **338** | **694** |
| Tax | | -3 | 7 | 12 |
| **Profit for the Period** | | **71** | **345** | **706** |

# STATEMENT OF CHANGES IN EQUITY

| | Parent company | | |
|---|---|---|---|
| DKKm | Share-Capital | Retained earnings | Shareholders' equity |
| **Shareholders equity, 01.01.2007** | **1,788** | **3,113** | **4,901** |
| Profit/loss for the period | 0 | 706 | 706 |
| Cancellation of shares | -120 | 120 | 0 |
| Revaluation of owner-occupied properties | 0 | 3 | 3 |
| Tax on changes recognised in equity | 0 | -1 | -1 |
| Sale of treasury shares | 0 | 14 | 14 |
| Repurchased shares | 0 | -691 | -691 |
| **Shareholders equity, 01.01.2008** | **1,668** | **3,264** | **4,932** |
| Profit/loss for the period | 0 | 71 | 71 |
| Sale of treasury shares | -96 | 96 | 0 |
| Repurchased shares | 0 | 22 | 22 |
| Cancellation of shares | 0 | -280 | -280 |
| **Shareholders equity, 30.06.2008** | **1,572** | **3,173** | **4,745** |

# NOTES

## Note 1 Investment in group enterprises

| | Parent company | | |
|---|---|---|---|
| | 30 June | 30 June | 31 December |
| DKKm | 2008 | 2007 | 2007 |
| Cost, beginning of year | 4,244 | 6,042 | 6,042 |
| Disposals | -2 | 0 | -1,798 |
| **Cost, at period-end** | **4,242** | **6,042** | **4,244** |
| Revaluation and impairment, beginning of year | 322 | -1,134 | -1,134 |
| Dividend received | -775 | -699 | -699 |
| Disposals | -5 | 0 | 1,423 |
| Profit for the year | 89 | 351 | 736 |
| Revaluation of owner-occupied associates | 0 | 0 | 3 |
| Tax on changes recognised in equity associates | 0 | 0 | -1 |
| Revaluation and impairment of treasury shares in subsidiaries | 6 | 0 | -6 |
| **Revaluation and impairment, at period-end** | **-363** | **-1,482** | **322** |
| Set off against receivables and capital base | 314 | 314 | 314 |
| **Carrying amount, at period-end** | **4,193** | **4,874** | **4,880** |
| Specification of carrying amount: | | | |
| Alm. Brand Bank A/S | 1,287 | 1,292 | 1,359 |
| Alm. Brand Forsikring A/S | 2,894 | 3,190 | 3,502 |
| Finansieringsselskabet Balder A/S | 0 | 380 | 7 |
| Finansieringsselskabet af 9/10 1992 A/S | 12 | 12 | 12 |
| | **4,193** | **4,874** | **4,880** |

## Note 2 Income from group enterprises

| | Parent company | | |
|---|---|---|---|
| | 1H | 1H | Year |
| DKKm | 2008 | 2007 | 2007 |
| Alm. Brand Bank A/S | -78 | 76 | 149 |
| Alm. Brand Forsikring A/S | 167 | 271 | 580 |
| Asgaard Finans A/S | 0 | 0 | 0 |
| Finansieringsselskabet Balder A/S i likvidation | 0 | 4 | 6 |
| Finansieringsselskabet af 9/10 1992 A/S | 0 | 0 | 1 |
| | **89** | **351** | **736** |

# Appendix A – Lending portfolio and credit losses

| | | | | Prorata H1 2008 | |
|---|---|---|---|---|---|
| DKKm | Loans at 30 June 2008 | Share of portfolio (%) | Average loan | Total loss and write-down | Loss ratio |
| **Segments** | | | | | |
| Retail lending | 3,216 | 18% | 0.2 | 6 | 0.2% |
| Car finance | 1,378 | 8% | 0.1 | -9 | -0.6% |
| Agriculture | 1,057 | 6% | 7.4 | -8 | -0.8% |
| Other commercial lending | 1,092 | 6% | 0.4 | 4 | 0.4% |
| Security financing | 5,097 | 28% | 15.3 | 1 | 0.1% |
| Lending to Alm. Brand Formue and Alm. Brand Pantebreve | 1,926 | 11% | 963.2 | 0 | 0.0% |
| Investment property | 2,460 | 13% | 14.0 | -2 | -0.2% |
| Residential mortgage deeds | 1,078 | 6% | 0.3 | 6 | 0.6% |
| Commercial mortgage deeds | 377 | 2% | 2.2 | 26 | 7.0% |
| Property development projects | 433 | 2% | 61.9 | 12 | 2.9% |
| Total | 18,114 | 100% | | 36 | 0.2% |

*) The items Value adjustments, Write-downs of loans, advances and recievables, ets in the Income Statement includes total loss and write-down.

The table above sets out a detailed breakdown on a prorata consolidated basis of the bank's lending portfolio at 30 June 2008.

Relevant comments on the individual segments:

*Retail customers*
Includes lending to the bank's private customers. The portfolio is well diversified geographically through the bank's 25 branches located across Denmark. Just over 80% of the portfolio is secured against a mortgage on real property. In the home loan portfolio, 82% of loans have a loan-to-value ratio of less than 80%. For a number of years, the bank has applied credit-scoring models for this lending segment. The portfolio has a good quality and is performing satisfactorily.

*Car finance*
The car finance portfolio is operated by Alm. Brand Finans A/S, which offers car financing through car dealers. The portfolio consists mainly of marketable standard cars, typically with a 20% down payment. Alm. Brand Finans has extensive knowledge of the car market and the portfolio is characterised by being of a good quality, being well diversified and its borrowers have a stable financial strength.

*Agriculture*
The bank has built up its agricultural portfolio over the last seven years using the substantial market position and industry know-how available to the Alm. Brand Group in the agricultural sector. The target group is large, productive farms in the traditional lines of cattle and pig breeding and plant growing. The distribution among the three lines is about 40%, 40% and 20%, respectively. The bank pursues a selective credit policy and only approves loans to farms with good efficiency ratios. The bank's agricultural portfolio is performing satisfactorily in spite of the poor business conditions pig producers are currently facing.

*Other commercial lending*
The bank is currently building its commercial lending portfolio, having been an active player in this market for only the last two or three years. The portfolio consists in part of loans to small businesses typically anchored in Alm. Brand Bank's branches (the SME market) and in part of large syndicated loans to medium-sized Danish businesses. In most cases, the latter type of loans have been established as part of the bank's strategic cooperation with DMC A/S, a provider of corporate finance services.

In addition, the portfolio consists of car and equipment leases established with Alm. Brand Finans. The typical debtor is a small or medium-sized enterprise. All parts of the commercial loans portfolio are performing satisfactorily.

*Security financing*
This portfolio consists of investment commitments secured against bonds, equities or mortgage deeds. The bank requires overcollateralisation by an amount that varies with the quality of the securities involved and their expected volatility. The bank's risk management function monitors all commitments on an ongoing basis. In the event that overcollateralisation falls to an insufficient level, debtors are required to post supplementary security or to sell securities.

# Appendix A – Lending portfolio and credit losses

The portfolio is performing satisfactorily and in spite of the substantial market volatility experienced in the first half-year of 2008, no credit losses have been recorded and there has been only a limited need for writedowns.

*Lending to Alm. Brand Formue and Alm. Brand Pantebreve*
Comprises lending to the bank's two partly-owned listed subsidiaries. The loans indicated reflect the share of the bank's lending attributable to minority shareholders. At 30 June 2008, minority interests had 59% ownership of Alm. Brand Formue and 80% ownership of Alm. Brand Pantebreve. Both companies have an investment strategy based on prudent gearing, and the bank controls the credit risk of these commitments through portfolio management agreements and its management influence on the two companies. These loan commitments are performing satisfactorily in spite of the difficult market conditions both companies faced in the first half-year of 2008.

*Investment property*
This portfolio consists of loans for prime-location investment properties with a strong cash flow. The bank's business model for this business area is based on in-depth market knowledge built up over many years. Key factors are location and reliable tenants, mainly in the retail trade and rental housing. Debtors are professional property investors and limited partnerships (K/S) provided by recognised market players. Danish properties make up some 75% of the portfolio, while 25% is made up by German properties with Danish debtors. The portfolio is developing favourably and, backed by strong cash flows and financially sound tenants, is currently not materially affected by the negative developments in the property market.

*Residential mortgage deeds*
This category represents the bank's trading portfolio of marketable mortgage deeds secured against single-family houses, freehold flats and summer houses. The portfolio is well diversified geographically as well as in terms of property types and debtors. Generally, the mortgage deeds are acquired in collaboration with estate agents throughout Denmark and the portfolio has an average turnover rate of 1.5 per year. The portfolio of mortgage deeds is marked to market on a current basis using a cash flow-based pricing model. The model considers factors such as estimated prepayments and credit losses. Currently, the model assumes average credit losses of about 1% per annum. This is believed to be a conservative assumption, as actual historical credit losses through a full business cycle have amounted to about 0.5% per annum. Delinquency rates on the portfolio have been rising since the December 2007 payment date, but it should be noted that delinquencies have been very low for a long period of time. The increase in delinquencies has prompted an upward adjustment of estimated losses in the model and, accordingly, the current valuation of the portfolio reflects expectations for an increase in credit losses on residential mortgage deeds.

*Commercial mortgage deeds*
This portfolio consists largely of mortgage deeds secured mainly against residential rental property and to a minor extent in actual commercial properties (offices, trade and industry). This is a trading portfolio generally acquired through other players in the mortgage deed market. This portfolio has a lower turnover rate than the portfolio of residential mortgage deeds does. Market terms deteriorated substantially during the first half-year. A large part of the debtors in this market have been affected by a combination of rising market rates, falling property prices and impaired financing opportunities. As a result, on a part of the portfolio, delinquencies increased and the financial strength deteriorated, especially in the second quarter of the year. As a result of these developments, the bank has taken a DKK 26 million writedown on the portfolio at 30 June 2008. The difficult market conditions are expected to prevail in the second half-year of 2008, and this is reflected in the full-year profit guidance for 2008.

*Property development projects*
This portfolio consists of a limited number of projects established within the last couple of years. It consists exclusively of prime-location freehold flat projects with small proportions of commercial property. Projects are only started up when a substantial part of the flats has been sold. Most of the projects are still at an early stage, and construction has yet to be started. One project is nearing completion and a substantial part of it has been sold. Due to the difficult market conditions prevailing for selling flats at the project stage, a DKK 12 million writedown was taken on this portfolio in the second quarter. The difficult market conditions are expected to prevail in the second half-year of 2008, and this is reflected in the profit guidance.