Bank | Forsikring | Pension

ALM. BRAND

Annual Report 2017

Contents

Alm. Brand in brief

Alm. Brand is a Danish financial services group. We carry on business within Banking, Non-life Insurance and Life Insurance.

We take care of our customers

The vision – taking care of – implies that we

take an interest in our customers' needs and help them get the understanding and decision-making basis for choosing financial services

are attentive to our customers as part of our day-to-day routines so they know that we take an interest in them

help and take care of our customers in the best possible way when they find themselves in a new or unexpected situation

Our values

Ordinary common sense

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

Holism and proximity

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

Mutual respect

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

Will to succeed

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

Founded

1792

Alm. Brand was founded by Royal Decree on 29 February 1792 – 226 years ago.

Employees

1,600

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

Branches and offices

23

We have 23 branches and offices across Denmark supplemented by digital platforms.

Alm. Brand af 1792 fmba

60%

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

Our *business model*

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

Benefits for our customers

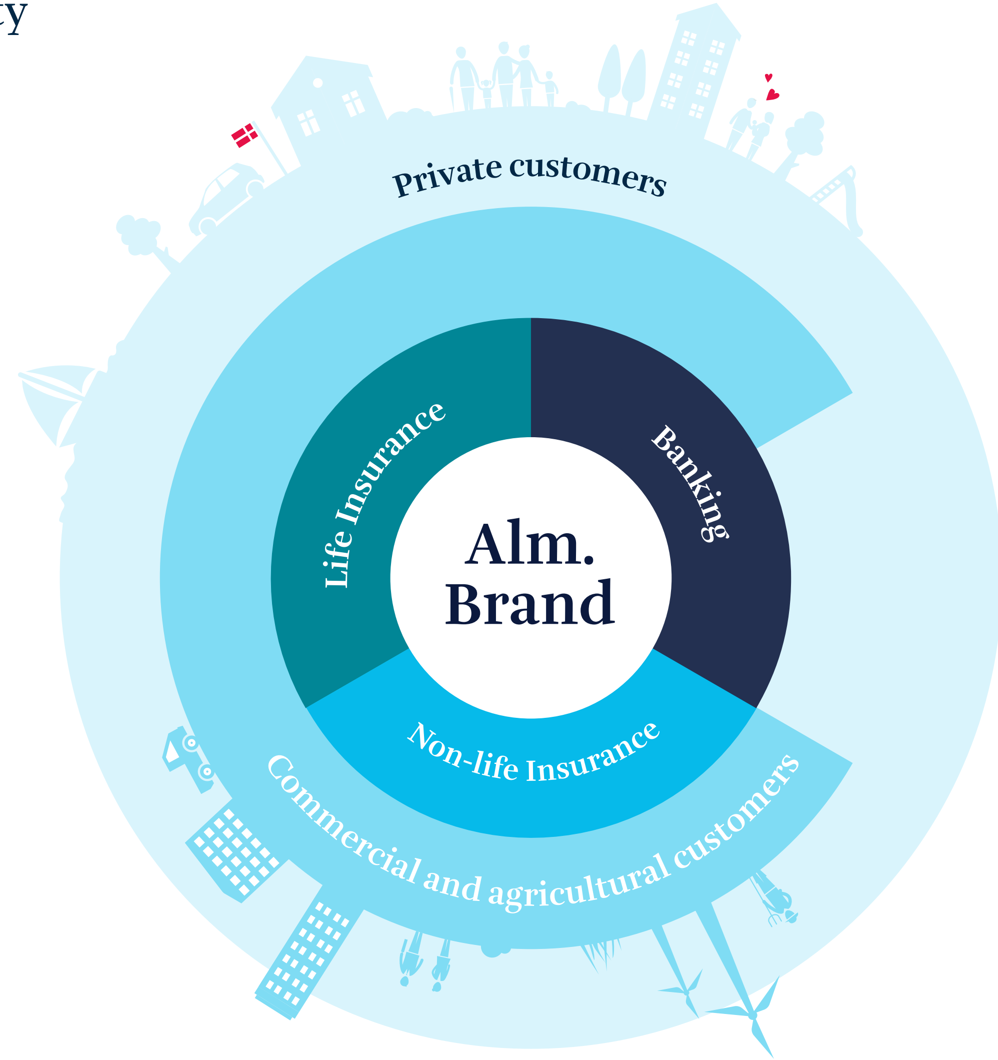
- All financial solutions consolidated in one place
- Financial advisory services tailored to the needs of each individual customer
- Nation-wide coverage with 23 branches and offices as well as online services
- High quality and customer satisfaction

Benefits for Alm. Brand

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

Supportive group structure

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



Overview of 2017 results

The performance was significantly better than expected at the beginning of 2017, and the 21% return on equity made the performance highly satisfactory.

PERFORMANCE OF THE GROUP

Alm. Brand posted a consolidated profit of DKK 1,023 million before tax. The profits of Non-life Insurance, Life Insurance and Banking were all better than expected, and all areas experienced growth. The overall profit for the year was satisfactory.

The Board of Directors recommends payment of an ordinary dividend of DKK 1.50 per share and an extraordinary dividend of DKK 1.50 per share. This corresponds to an ordinary dividend payout of about DKK 240 million and an extraordinary dividend payout of about DKK 240 million. In addition, a new share buyback programme for up to DKK 200 million is proposed, which is expected to run until end-March 2019. The new share buyback programme is subject to the approval of the Danish Financial Supervisory Authority.

This means that Alm. Brand will distribute a total of up to DKK 680 million based on the 2017 results. The total payout equals 83% of the profit for the year after tax.

Non-life Insurance

Non-life Insurance delivered a highly satisfactory and better-than-expected pre-tax profit of DKK 917 million.

Premiums increased by 2.6% in 2017 to total DKK 5,157 million. Growth was achieved in a market that remains fiercely competitive. Both the private customer segment and the commercial customer segment contributed to the overall growth by 1.5% and 3.7%, respectively. The retention rate was also high in 2017 with an upward trend in both segments.

Supported by significant run-off gains, the combined ratio improved by 5.3 percentage points to 84.8 in 2017. At the same time, expenses for both major claims and weather-related claims were below the normal level.

Weather-related claims amounted to DKK 77 million, which was DKK 35 million lower than in 2016. The winter was extremely mild in 2017, and there were no major windstorms. However, the summer was quite rainy with a number of cloudbursts, none of which resulted in particularly high claims expenses, though.

Major claims expenses amounted to DKK 341 million, which was DKK 32 million lower than in 2016. Overall, the number of major claims was below the expected level.

The underlying combined ratio was 81.3, which was in line with expectations.

The expense ratio was 17.5, which was more or less in line with expectations. The expense ratio was up by 0.6 of a percentage point relative to 2016, which for a large part was attributable to investments in strategic initiatives, including digitalisation.

83%

payout ratio

An ordinary dividend of DKK 1.50 per share and an extraordinary dividend of a similar amount, in addition to a total share buyback programme of up to DKK 200 million.

The investment result was a gain of DKK 112 million, as compared with a DKK 71 million gain in 2016. The 2017 investment result was primarily driven by a favourable return on the bond portfolio, and the mortgage deed and equity portfolios also generated higher returns than expected.

Life Insurance

Life Insurance activities generated a satisfactory pre-tax profit of DKK 93 million, which was slightly better than expected.

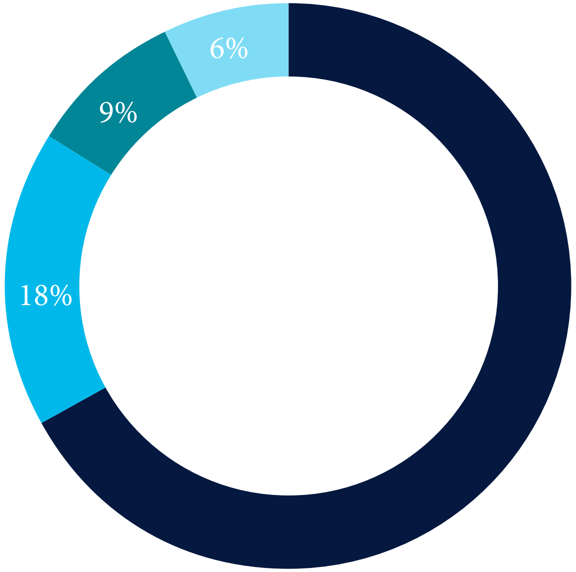
Regular payments into guaranteed schemes were up by 5.7% and single payments by 12.2%. In addition, payments into market rate schemes increased by 3.8%.

Overview of 2017 results

Income by business area

INVESTMENTS ETC.
491
DKKm
▼ 7.7%

BANKING
731
DKKm
▲ 11.9%

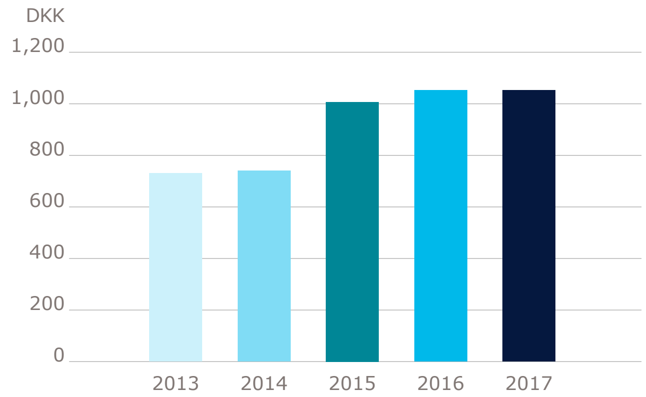


NON-LIFE INSURANCE
5,157
DKKm
▲ 2.6%

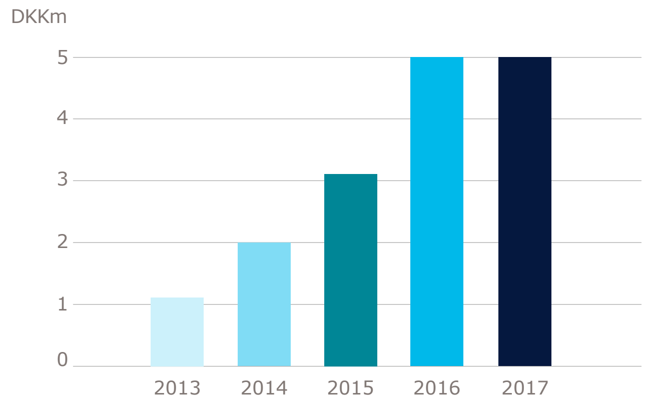
LIFE INSURANCE
1,394
DKKm
▲ 8.8%

Total income	Profit before tax	Return on equity before tax	Earnings per share
7,773 DKKm	**1,023** DKKm	**20.8%**	**5.0** DKK

Profit before tax, forward-looking activities



Earnings per share



Overall, the technical result was satisfactory, being lifted by an extraordinarily strong performance of portfolios without bonus entitlement.

The collective bonus potential increased by DKK 388 million to DKK 1,705 million in 2017. The bonus rate was 23.6% at 31 December 2017, being favourably affected by a satisfactory investment result, including the sale of a property at City Hall Square in Copenhagen.

The rate on policyholders' savings for 2018 is lifted to 5.00% for new customers, and Alm. Brand Pension continues to offer customers one of the market's highest rates on policyholders' savings. The attractive rate on policyholders' savings supports the group's growth ambitions.

Banking

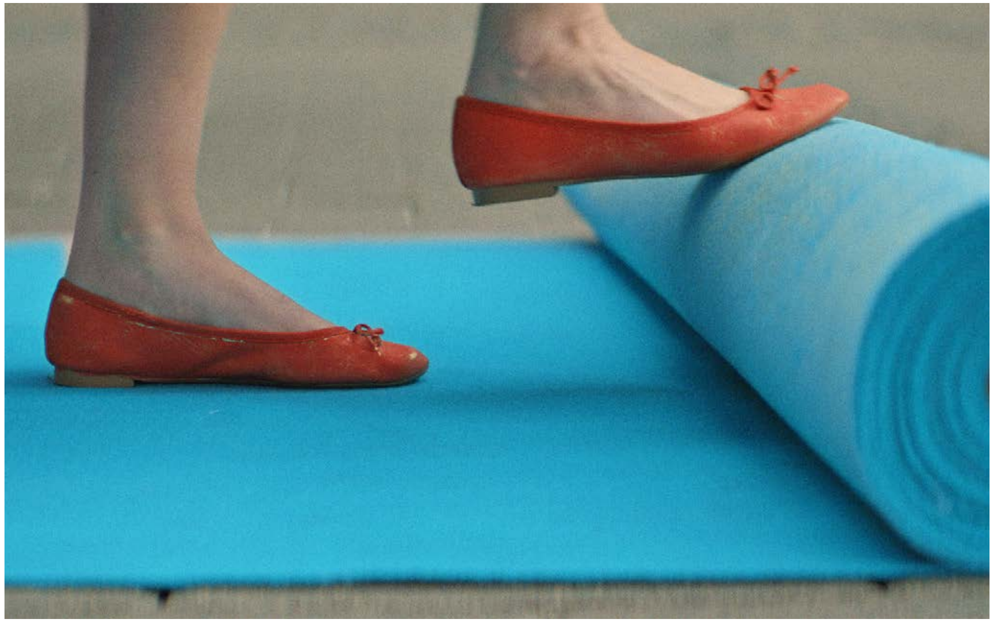
Banking activities generated a satisfactory pre-tax profit of DKK 67 million, which was better than expected.

The profit was composed of a profit of DKK 58 million on forward-looking activities and a profit of DKK 9 million on winding-up activities.

In its forward-looking business, the bank generally experienced an increase in customer activity and higher earnings, while the 2017 expense level was characterised by significant investments in growth and digitalisation. The profit for the year was lifted by the return on the bank's investment activities, stronger growth in leasing activities and a reversal of writedowns.

Alm. Brand Bank was elected Denmark's most recommended business in 2017, which had a positive effect in relation to attracting both new customers and new employees to the bank. The number of Pluskunder who use Alm. Brand Bank as their main banker continued the strong trend, increasing by 8% in 2017. In addition, both the number of customers and the volume of business grew in Financial Markets and Leasing, the latter exceeding the DKK 1 billion mark, equivalent to 9,000 cars, in the second half of the year.

Total net loans and advances to private and small and medium-sized business customers increased by 5% in 2017 to total DKK 2.8 billion at 31 December 2017. The bank saw significant growth in the portfolio of mortgage loans arranged for Totalkredit, increasing by 17% to stand at DKK 8.6 billion at 31 December 2017.



The bank had deposits of DKK 7.0 billion at 31 December 2017, against DKK 7.2 billion at 31 December 2016.

Total loans and advances in the winding-up portfolio declined by DKK 361 million to DKK 581 million in 2017, representing 16% of the bank's overall lending portfolio. Adjusted for losses and writedowns, the lending portfolio was reduced by DKK 395 million, which was in line with expectations.

MAJOR EVENTS

Share buybacks

Since 2015, the Alm. Brand Group has used share buyback programmes as part of the total distribution. The principal shareholder, Alm. Brand af 1792 fmba, participates proportionately in the buyback programmes, thereby maintaining its ownership interest of just under 60%. A small portion is used for share-based remuneration.

On 28 February 2017, Alm. Brand completed the DKK 400 million share buyback programme.

On 24 April 2017, the group launched a share buyback programme of up to DKK 300 million in aggregate, which runs until end-March 2018. At 31 December 2017, shares for a total amount of DKK 220 million had been bought back under the share buyback programme.

In 2018, a new share buyback programme is expected to be initiated for up to DKK 200 million, which is anticipated to run until end-March 2019. The new share buyback programme is subject to the approval of the Danish Financial Supervisory Authority.

EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of activities of Saxo Privatbank A/S

On 5 February 2018, Alm. Brand entered into an agreement to acquire the majority of the activities of Saxo Privatbank A/S for DKK 360 million, corresponding to the book value of the acquired assets and liabilities. The acquisition is financed with equity from the group. Customer relationships taken over are assessed to represent a value of DKK 150-200 million, which amount will be capitalised and written down over a number of years. Moreover, implementation costs are expected to amount to about DKK 200 million, relating primarily to the transition to a common data centre including system development.

The acquisition will significantly increase the group's business volume, and the group will be taking over a healthy customer portfolio which is similar to Alm. Brand Bank's existing customer portfolio. The activities acquired comprise classic banking activities, including deposits and lending, as well as customers within private banking and wealth management.

In connection with the acquisition, Alm. Brand will also enter into a strategic partnership with Saxo Bank A/S consisting of a white label solution with Saxo Bank's unique trading platform.

The Alm. Brand Group expects to achieve substantial synergies from the acquisition. Like Alm. Brand Bank, Saxo Privatbank A/S has a healthy customer base and needs critical mass in order to improve its operating performance. The synergies include, among other things, lower costs as a result of shared administration, a common future data centre and other group synergies across the Alm. Brand Group's business areas and staff functions.

The total synergies and hence contributions from the acquired activities are expected to amount to some DKK 75 million annually. These synergies will materialise from 2019 onwards. In addition, synergies are expected to materialise longer term in the form of up-selling across the group's other business areas – Non-life Insurance and Life Insurance.

The acquisition is expected to be completed on 1 April 2018 and is subject to approval by the Danish Financial Supervisory Authority and the Danish Competition and Consumer Authority. ■

A *major step* towards achieving our 2022 goals

The Alm. Brand Group reported very strong results again in 2017, and we took major and decisive steps to execute our new strategy – Alm. Brand for the Customer.

The Alm. Brand Group reported a consolidated profit of more than DKK 1 billion in 2017. We are extremely pleased with this strong performance, partly because all of the business areas have outperformed expectations, and partly because the performance was achieved at a time when we also made significant investments in our new strategy. We are not least pleased to note that all of the group's business areas generated strong growth – in terms of both customer numbers and business volume.

This shows us that the employees of Alm. Brand are capable of delivering strong results, while at the same time focusing relentlessly on our customers and handling the implementation of an indeed very ambitious strategy.

We invested close to DKK 100 million in growth, new customer experiences and digitalisation in 2017. Many of the new initiatives were made in our retail banking and Non-life Insurance legs, and they have affected not least the bank's performance. But we are confident that the investments will support the entire Alm. Brand Group in achieving our 2022 goals.

Strong operations and strong growth

Non-life Insurance recorded a significantly better performance than expected. Our Non-life Insurance activities are generally producing truly strong results. In 2017, our performance was supported by mild weather conditions and few major claims, and we continued to post significant run-off gains.

However, the run-off gains were lower in 2017 compared with recent years' unusually high levels. Growth, on the other hand, seems to be trending in the right direction. The group's two smaller business areas, Banking and Life Insurance, are both characterised by healthy operations and satisfactory growth. The acquisition of the activities of Saxo Privatbank will obviously give the bank a good push forward towards achieving additional growth and more efficient operations, but the onboarded customers and activities are also expected to provide support for all group goals.

Finally, the group's performance was lifted by an extraordinarily high investment result based on favourable developments in the financial markets and by the fact that we succeeded in generating an above-benchmark return.

Strategic initiatives

As mentioned, Alm. Brand has launched a number of initiatives to ensure that we achieve our strategic goals. Already in spring 2016, the group launched a new motor insurance product based on a scope of cover which is much more adaptable to the individual customer and a price which more accurately reflects the entailed risk. We are pleased to see how well customers have received the product. It has been particularly interesting to note how our price reduction on the product made customers choose to buy more covers instead of saving money. The initiative has also made the product more competitive, which has generally served to increase sales.

We are in the process of launching more products of a similar design. The new motor insurance product was accompanied by a similarly designed house insurance in 2017, and in March 2018 we will be launching a new travel insurance product. Introducing our "Yndlings" concept in autumn 2017, which is aimed at young people in particular, we have created a digital platform enabling us to handle both sales and claims processing digitally.

We want to provide advice for and serve our customers across all the full spectrum of their financial needs in order to ensure that they get the best mix of products and that doing business with us is as simple and easy as possible.

To achieve this, it is important that customers source products from as many of the group's business areas as possible, and we therefore need to strengthen our customer onboarding efforts, not least in the bank. We have increased the number of customer advisers and targeted our advisory services and general service offering specifically to our customers' individual situations and needs. An example of our efforts to make it simple for our customers is that we offer to hold meetings in the customer's own home, and we have simplified and digitised the onboarding process.

In 2017, Alm. Brand also introduced "Økonomitjek", a financial checkup through which we examine a customer's finances and make recommendations to optimise the customer's financial situation. We offer this service to both prospective and existing customers, and the initiative has been extremely well received.

Capital

Alm. Brand is a well-capitalised group. We have significantly reduced both the risk and the portfolio of our winding-up activities, and the substantial bonus potential in Life Insurance continues to grow. Against this background, the Board of Directors has revised the group's capital target, lowering the target for the bank from 19% to 18% of the total risk exposure amount and the target for Life Insurance from 8% to 7% of life insurance provisions.

Already in the first half of 2017, we chose to establish a DKK 400 million reserve for the upcoming MREL add-on in the bank. When the relevant time comes, the Board of Directors expects to issue senior debt for approximately half of the MREL add-on. Therefore, half of the amount originally reserved has been freed up.

We believe that, even after these adjustments, Alm. Brand is a strongly capitalised group capable of accommodating the stricter regulatory requirements.

Acquisition of Saxo Privatbank

The acquisition of the majority of the activities of Saxo Privatbank is a major step towards achieving the bank's growth and efficiency ambitions. The acquisition comprises 17,500 customers who match both the bank's and the group's customer target group perfectly. Moreover, the transaction will enable us to offer our banking customers access to Saxo Bank's unique trading platform within the framework of the Alm. Brand Group directly from our online bank. We look forward to welcoming our new customers and employees.

Distribution

We are extremely pleased that Alm. Brand, in addition to the acquisition of Saxo Privatbank, is able to distribute close to DKK 700 million to its shareholders. Accordingly, the Board of Directors proposes payment of an ordinary and an extraordinary dividend of DKK 1.50 each, or DKK 3 per share in aggregate. Moreover, the Board of Directors recommends launching a new share buyback programme for up to DKK 200 million in 2018. As always, the share buyback programme is subject to the approval of the Danish Financial Supervisory Authority.

A new year focused on strategy

For Alm. Brand, 2018 will be yet another year focused on strategy. We will be working further to create completely new, comprehensive solutions that cover the full spectrum of a customer's financial needs using products from all business areas of the group. Moreover, we will be launching a new website, which is also based on the customer's situation rather than on the group's business structure. This means that, again this year, we will be making considerable investments in supporting the group's strategy, and we therefore expect the 2018 cost level to be unchanged from 2017.

We will also dedicate 2018 to ensuring a good integration of Saxo Privatbank. Our main focus will be on ensuring a smooth transition to the Alm. Brand Group for customers and employees as well as achieving synergies.

The group's ambitious 2022 strategy, setting out to create a whole new customer experience, achieve extremely high customer and employee satisfaction rates, generate growth and a good return on equity, is progressing according to plan, and the first year of the new strategy started the journey off well. We look forward to taking the process a step further in 2018.

Jørgen Hesselbjerg Mikkelsen
Chairman of the Board

Søren Boe Mortensen
Chief Executive Officer

5-year *highlights*

GROUP	DKKm	2017	Q4 2017	2016	2015	2014	2013
	Income						
	Non-life Insurance	5,157	1,311	5,028	5,061	5,058	5,031
	Life Insurance	1,394	392	1,281	1,311	1,243	928
	Banking	731	184	653	662	744	791
	Investment etc.	491	131	532	562	593	570
	Total income	**7,773**	**2,018**	**7,494**	**7,596**	**7,638**	**7,320**
	Profit/loss excluding minority interests						
	Non-life Insurance	917	132	967	952	651	763
	Life Insurance	93	12	84	79	78	86
	Banking, forward-looking activities	58	7	62	18	61	-90
	Other activities	-54	-14	-62	-55	-53	-28
	Profit before tax, forward-looking activities	**1,014**	**137**	**1,051**	**994**	**737**	**731**
	Banking, winding-up activities	9	-2	-18	-349	-336	-379
	Profit before tax	**1,023**	**135**	**1,033**	**645**	**401**	**352**
	Tax	-212	-25	-207	-121	-53	-159
	Profit after tax	**811**	**110**	**826**	**524**	**348**	**193**
	Consolidated profit/loss						
	Consolidated profit before tax	**1,023**	**135**	**1,033**	**645**	**409**	**372**
	Tax	-212	-25	-207	-121	-53	-159
	Consolidated profit after tax	**811**	**110**	**826**	**524**	**356**	**213**
	Total provisions for Non-life insurance contracts	20,961	20,961	20,092	19,427	19,449	18,627
	Consolidated shareholders' equity	4,936	4,936	5,200	5,165	4,847	4,676
	Share attributable to minority interests	–	–	–	–	–	153
	Total assets	34,654	34,654	34,859	35,081	39,078	39,580
	Average no. of employees	1,602	1,602	1,572	1,557	1,590	1,585
	Return on equity before tax (%)	20.8	11.0	20.2	12.9	8.6	8.0
	Return on equity after tax (%)	16.5	8.9	16.2	10.4	7.4	4.4

	DKKm	2017	Q4 2017	2016	2015	2014	2013
PARENT COMPANY	**Profit before tax**	**798**	**107**	**811**	**511**	**335**	**188**
	Tax	13	3	15	13	13	5
	Profit for the year	**811**	**110**	**826**	**524**	**348**	**193**
	Total assets	5,247	5,247	5,508	5,481	5,172	4,874
	Total investment assets	5,173	5,173	5,428	5,411	5,081	4,772
	Share capital	1,655	1,655	1,735	1,735	1,735	1,735
	Shareholders' equity	4,936	4,936	5,200	5,165	4,847	4,523
	Payables	25	25	29	39	50	61
	Return on equity before tax (%)*	20.8	11.0	20.2	12.9	8.6	7.9
	Return on equity after tax (%)	16.5	8.9	16.2	10.4	7.4	4.3
FINANCIAL RATIOS	Earnings per share	5.0	0.7	5.0	3.1	2.0	1.1
	Diluted earnings per share	4.9	0.7	4.9	3.1	2.0	1.1
	Net asset value per share	30	30	31	30	28	27
	Share price, end of period	81.0	81.0	54.0	48.4	32.7	24.1
	Price/NAV	2.67	2.67	1.73	1.60	1.17	0.91
	Average no. of shares (in thousands)	161,438	159,895	165,839	169,236	170,194	171,587
	No. of shares at year-end, diluted (in thousands)	162,487	162,487	166,218	172,509	173,002	170,655
	Average no. of shares, diluted (in thousands)	163,840	161,980	169,321	173,007	173,311	171,587
	Dividend per share**	1.5	1.5	1.5	1.5	0.5	–
	Dividend per share, extraordinary***	1,5	1,5	3,5	1,5	–	–
	No. of shares bought back (in thousands)	4,768	865	6,472	574	–	–
	Avg. price of shares bought back, DKK	59.4	66.7	47.7	46.7	–	–

* Return on equity in the parent company is calculated before tax in subsidiaries.
** Proposed dividend for the financial year.
*** Proposed extraordinary dividend for the financial year.
Comparative figures for 2015 for Non-life Insurance and the group have been restated to reflect new financial reporting rules applicable to insurance companies. The comparative figures for Life Insurance have not been restated.

Outlook for *2018*

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

The consolidated profit is expected to be in the range of DKK 450-550 million before tax.

The outlook is based on the assumption that interest rates will remain at the current very low level throughout 2018. The group has a substantial portfolio of investment assets, and the low level of interest rates is affecting all of the group's business areas.

The profit forecast for 2018 is impacted by investments in digitalisation and growth in all business areas. Investments have been recognised under each individual business area. The acquisition of the activities of Saxo Privatbank is not expected to significantly impact the consolidated profit for 2018.

NON-LIFE INSURANCE

The group's non-life operations are expected to generate pre-tax profit of DKK 440 million in 2018. The outlook is exclusive of the run-off result on claims.

After a year of extremely low expenses for weather-related claims in 2017, the level of weather-related claims expenses is expected to return to a normal level for weather-related and major claims in 2018.

For 2018 as a whole, premium income is expected to grow by around 2%.

The combined ratio is expected to be about 91-92. This level is based on expectations of an underlying combined ratio of about 81-82.

The expense ratio is expected to be at the level of 17. The 2018 expense ratio will remain affected by investments in digitalisation and growth.

LIFE INSURANCE

A pre-tax profit of about DKK 70 million is expected for 2018. The return on investment assets allocated to equity is expected to detract from the performance as a result of financial market conditions.

Regular premiums are expected to grow by around 8% in 2018.

BANKING

The bank expects to generate pre-tax profit of about DKK 25 million in 2018.

The outlook for the bank is supported by growth in Leasing and Financial Markets. Moreover, the outlook is impacted by investments in digitalisation and growth.

Lending to retail customers is expected to grow at the rate of 10-15% in 2018. To this should be added the portfolio from Saxo Privatbank.

OTHER ACTIVITIES

Other activities, comprising costs and interest related to the parent company, Alm. Brand A/S, are expected to be an expense of DKK 60 million in 2018.

Outlook

DKKm	2018
Expected consolidated profit	**450-550**
Non-life Insurance	440
Life Insurance	70
Banking	25
Other activities	-60

Combined ratio

91-92

Expected combined ratio in Non-life Insurance.

Growth in Life Insurance

8%

Expected growth in regular premiums in Pension.

Growth in lending

10-15%

Expected growth in lending to retail customers.

Alm. Brand for the Customer

Alm. Brand for the Customer defines the group's strategy for the period until 2022

The group's strategy, **Alm. Brand for the Customer**, was launched in connection with the release of the Annual Report 2016. The overall goal is to create a whole new experience for the group's customers. This will enable Alm. Brand to address the full spectrum of a customer's financial needs using products from all three business areas, to proactively provide advisory services and to offer top of the line solutions tailored specifically to a customer's individual needs and situation.

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

Based on the group's business model combining Banking, Non-life Insurance and Life Insurance services within a single organisation, Alm. Brand intends to further develop the ambition of offering the market's premier customer experience.

Why group customers?

One of the group's five strategic goals is to onboard more group customers, i.e. customers sourcing products and services from more than one business division. Alm. Brand's ambition is to have 60,000 group customers by 2022 from a starting point of 40,000 at year-end 2016.

Group customers tend to be more loyal and to have longer-lasting relationships with Alm. Brand. Group customers also tend to source more products, and average earnings are also higher compared with customers who engage with only one business leg. Accordingly, one of the cornerstones of the strategy is the focus on providing full-range advisory services based on a 360-degree approach to every single customer.

In 2017, the group launched a number of strategic initiatives to further prepare for the onboarding of more customers across the group and to address the requirements of each individual customer through customised and tailored advisory services.

Customer satisfaction

Another key focus of the group's strategy is customer service, and high customer satisfaction is therefore one of the group's five goals. The aim is to raise customer satisfaction – measured in terms of NPS (net promoter score) – to 60 in the period until 2022 from 42 at year-end 2016.

Customer satisfaction improved over the year to a customer satisfaction rate of 47 at 31 December 2017.

Employee satisfaction

Another strategic focus is to maintain a high level of employee satisfaction, standing at 81 at the beginning of 2017, one of the highest scores in the industry. As the employee satisfaction rate was still at 81 at the beginning of 2018, the group successfully maintained a high level of employee satisfaction.

Growth and return on equity

The group's goal is to achieve top-line growth of 4% annually. All business areas contribute to the growth ambition by pursuing their own growth targets.

Moreover, Alm. Brand has made it a goal to deliver a return on equity of at least 12.5%. In 2017, all business areas contributed to the overall growth, and the return on equity came out significantly above the target rate.

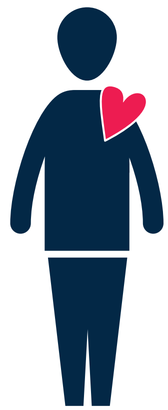
ALM. BRAND FOR THE CUSTOMER IN 2017

In the first year of the Alm. Brand for the Customer strategy, the group launched a number of strategic initiatives.

"Økonomitjek"

As part of its focus on providing full-range advisory services, the group in the third quarter of 2017 launched "Økonomitjekket", a financial checkup based on the life situation and overall needs of each individual customer rather than on financial products. The checkup comprehensively covers all financial aspects of life, including family, housing, transport, savings and investment. The offer is extended free of charge and is available to both existing and prospective customers.

Alm. Brand has received positive feedback from the customers who have accepted the offer to try out this product. Those who expressed an interest were mainly customers facing a life-altering situation, such as buying a new home or being about to retire.



2017 | Kundens Alm. Brand | 2022

New commercial customer division in the bank
In the third quarter of 2017, Alm. Brand Bank established a new commercial customer division for small and medium-sized businesses with the aim of also providing the best possible service to commercial customers by being a robust and flexible partner committed to full-service solutions.

Working to achieve this ambition, the commercial customer division supports the focus on providing full-range advisory services for businesses with simple financial needs that may be met using products from all three business areas.

Tailored insurance products
In February 2016, Alm. Brand launched a new motor insurance product based on a modular design. The product was well received by customers, and sales have exceeded expectations by a fair margin. As a result, the price reduction offered on the product's basic cover was more than offset by additional sales.

In 2017, the group launched a new modular house insurance product, and a similar travel insurance product is scheduled for launch in March 2018. The new house insurance was well received by our customers, and 20% of existing customers had transferred to the new product at 31 December 2017. The insurance is designed to meet individual customer requirements and to offer tailored products based on advisory services that guide the customer to the best possible solution.

New concept – "Yndlings"
In September 2017, the group launched a new insurance product called "Yndlings" ("Favourites"), which is directed especially at young people with simple insurance needs. The product consists of a low priced basic cover comprising personal liability, rehousing and legal aid and offers digital on-the-go purchases and cancellations.

Launching the "Yndlings" insurance, Alm. Brand has created a digital platform to handle both sales and claims processing.

The product received positive mention by e.g. the Danish Consumer Council and was nominated for the Annual Innovation Award at Copenhagen FinTech Innovation Days.

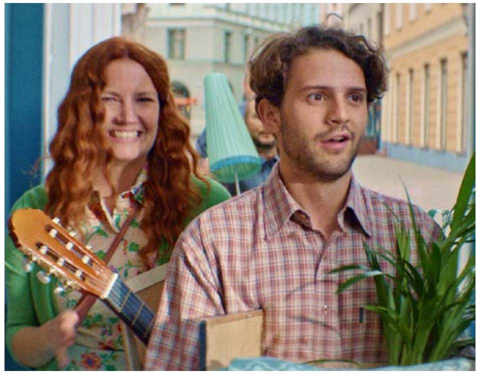
Efficient onboarding of new customers
As part of its process digitalisation and efficiency efforts, Alm. Brand launched a completely new onboarding setup in the bank in 2017. The initiative makes it easier for new customers to change banks, and the new customer onboarding process was launched in the fourth quarter of 2017. At the same time, a more simple, digital process was introduced for customers providing health statements within Life Insurance.

FOKUS CRM system
Alm. Brand's CRM system, FOKUS, provided by Salesforce, was put into operation in 2016 and was further expanded in the private customer area in 2017. The new CRM system will make it possible to collect, coordinate and use customer data in one combined IT solution, thereby ensuring that the group's customers receive optimum service within and across the fields of Non-life Insurance, Banking and Life Insurance.

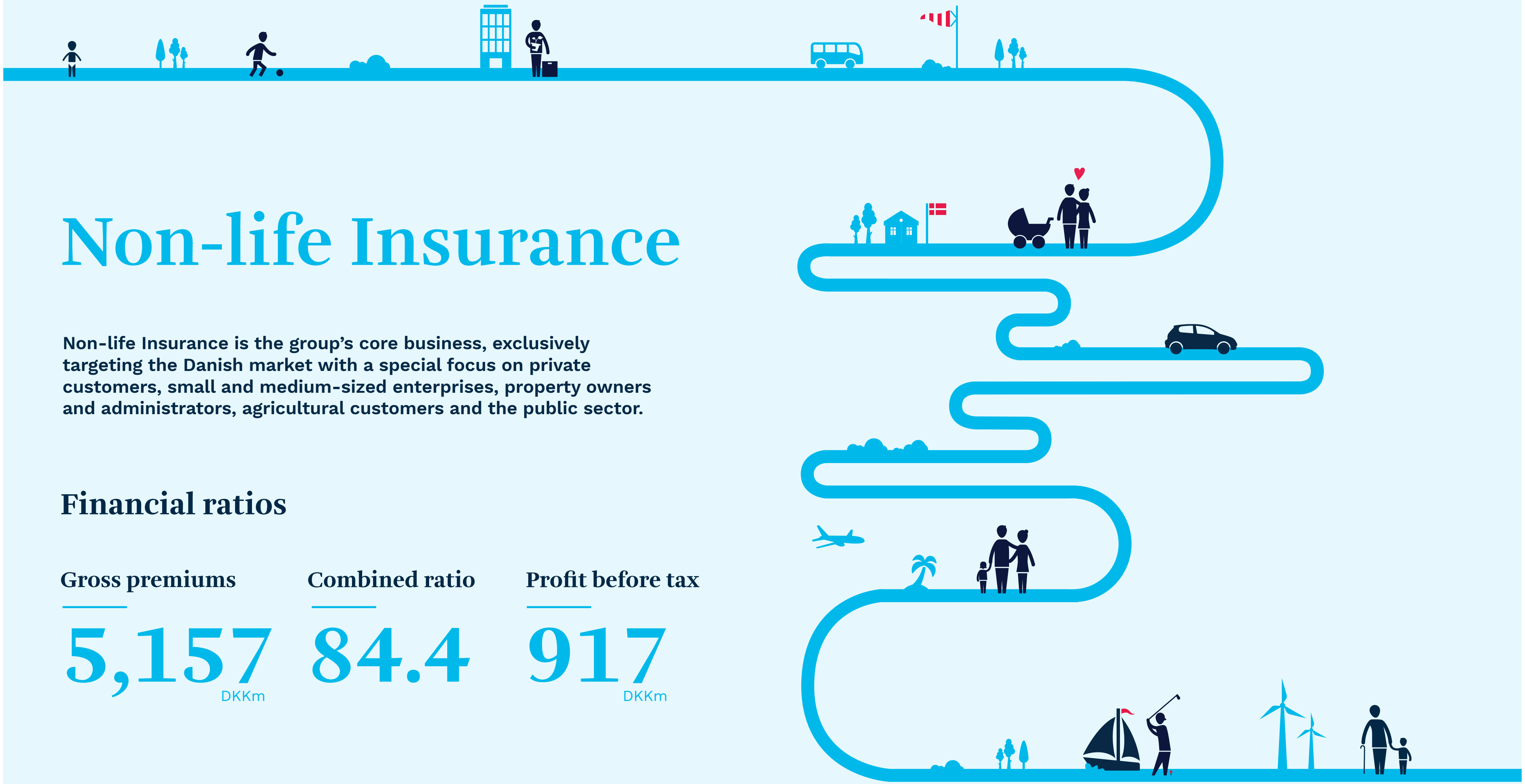
New website
In the fourth quarter of 2017, Alm. Brand launched a beta version of its new website. The website is being developed in collaboration with our customers, who are invited to comment on the website functionalities and make change requests on an ongoing basis.

The website is based on the situations and needs of the customers. Alm. Brand will release new customer journeys to the website on an ongoing basis as and when they are developed, ensuring a good dialogue with our customers in the process. The website is expected to be fully implemented during 2018.

TV commercial
In October 2017, the group launched a new TV commercial with images and expressions that support the group's brand.



The aim of the commercial is to increase awareness of the Alm. Brand Group in the Danish population and to build awareness of the group's unique market position with Non-life Insurance, Life Insurance and Banking activities and as a provider of full-range advisory services tailored specifically to each individual customer. The TV commercial was well received, and its impact has exceeded our expectations. Customer awareness of Alm. Brand as a group offering insurance, pension and banking products increased by twice the expected rate. Moreover, awareness of Alm. Brand's different business areas has doubled since the commercial first aired.



Non-life Insurance

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

Financial ratios

Gross premiums

5,157 DKKm

Combined ratio

84.4

Profit before tax

917 DKKm

Denmark's *4th largest* insurer

300,000
Private customers
(approx. 200,000 Pluskunder)

100,000
Commercial and agricultural customers

10.0%
Market share

Private customers

50% 50%

Commercial and agricultural customers

10% 69% 21%

30%
of total sales

Customer service centres

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

59%
of total sales

Tied agents

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

10%
of total sales

Brokers

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

Non-life Insurance

Highly satisfactory pre-tax profit of DKK 917 million and fair growth at the rate of 2.6%.

MARKET

According to the Danish Insurance Association's official statistics, the overall Danish market for direct insurance saw growth in annual premiums of 0.8% from Q3 2016 to Q3 2017.

Alm. Brand's market share was 10.0% at 30 September 2017, marking a slight year-on-year increase of 0,1 of a percentage point. Growth in the market was driven mainly by motor insurance and building and contents insurances.

Private

The private insurance market excluding motor and personal accident insurances grew by 1.2%. Alm. Brand has chosen to maintain the price or to implement only small price increases on contents and house insurances, which has caused the market share to decline marginally as the biggest competitors have raised their prices on both contents and house insurances.

In 2017, car sales in Denmark experienced a slight decline, ending the year at 222,000 new vehicle registrations, after many years of increasing sales. Car sales dropped gradually in late summer during the political negotiations concerning vehicle registration fees. Micro cars and mini cars continued to dominate new car sales, but sales of bigger cars still account for an increasing share of factory-fresh vehicles. Cars in the latter category are typically more expensive to insure than smaller-sized cars.

Total gross premiums in the motor insurance market increased by 1.4% from 30 September 2016 to 30 September 2017. Alm. Brand experienced somewhat stronger growth during that period, with the company's market share growing by 0.3 of a percentage point.

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

Commercial

The commercial insurance market excluding motor insurance increased by 0.3 of a percentage point from Q3 2016 to Q3 2017. At the same time, Alm. Brand recorded significantly stronger growth, with the company's market share growing by 0.4 of a percentage point. The market share increased in particular on workers' compensation and commercial liability insurances.

Small and medium-sized enterprises

The market for insurance of small and medium-sized enterprises has not changed to any significant extent in recent years. The commercial insurance market, which is, however, again beginning to show signs of optimism.

The market remained fiercely competitive in 2017. Insurers accept writing business at lower premiums than they did previously in order to attract new customers. There is a general trend that international insurers are focusing increasingly on the Danish commercial insurance market, making the market even more competitive.

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

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

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

Alm. Brand generally experiences satisfactory interest from commercial customers. Interest from insurance brokers is also seen to increase, offering even better opportunities for attracting customers from the part of the commercial customer segment served through brokers.

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

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

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

Product development

Alm. Brand is continuously working to develop new products and adjust existing products in order to offer its customers special benefits. Alm. Brand increasingly involves existing and prospective customers in the work to shape its products. At the same time, Alm. Brand is giving strong priority to developing products in digital solutions that support its strategic goals.

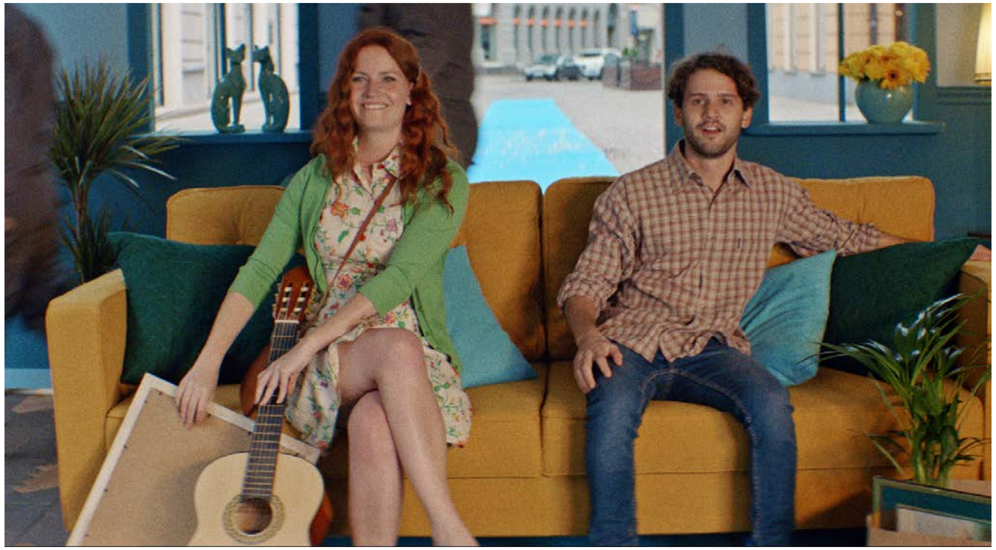
New house insurance product
In March 2017, Alm. Brand launched a new house insurance product allowing customers to tailor their insurance by selecting the specific covers they need to meet their individual requirements. The new house insurance is structured around a number of modules in the same transparent way as Alm. Brand's motor insurance product.

This allows each individual customer to actively consider and decide what he or she would like to insure and which covers he or she does not want to spend money on. These optional covers include two covers which are new and unique to the market. One is that customers are now able to take out insurance for their garden, and the other is the opportunity to take out insurance against ordinary windy weather, as so far customers were only able to get coverage for damage caused by windstorms proper.

Alm. Brand is informing its customers about the new house insurance product on a continuing basis, offering them the opportunity to convert their policies to new terms as was done in connection with the launch of the new motor insurance product in 2016. At the end of the year, approximately 20% of existing customers had transferred to the new product.

New insurance against cyber risk
At the beginning of May 2017, Alm. Brand launched a completely new cyber insurance product offering the broadest scope of cover available in the market. The product was developed in collaboration with specialists in the international reinsurance market and is aimed at small and medium-sized businesses. The sales and advisory processes for the product have therefore been tailored to this customer segment and, among other things, the security requirements are targeted at customers without a major IT organisation. Alm. Brand has experienced great interest from customers who want to hear more about the product and cybercrime, reflecting an acceptance that this is a risk that businesses need to address and take out insurance against.

New drone insurance
At the end of June 2017, Alm. Brand launched a newly developed drone insurance product covering liability and comprehensive insurance claims in connection with drone crashes. The product has been developed to cater to new markets emerging as a result of modern technology, and it has become particularly topical following legislative amendments which impose stricter requirements on the certification of drone pilots and registration and insurance of drones. Today, the market comprises approximately 10,000 drones, but it is expected to grow to about 40,000 over the next five years.



New digital concept – "Yndlings"
Alm. Brand is making targeted efforts in the field of innovation and investigates whether customers would be interested in new products/initiatives, among other things to cultivate markets that may seem underserviced today. As a result of these efforts, Alm. Brand in September 2017 launched a new, 100% digital concept called "Yndlings" ("Favourites"), a flexible product which is directed especially at young private customers. The concept comprises an insurance product allowing the customers to insure selected favourite items of their own choice. The product consists of a low priced basic cover comprising personal liability, rehousing and legal aid and offers digital on-the-go purchases and cancellations.

The product is marketed, among other things, through a campaign developed in close collaboration with the target group, and the campaign also functions as a testing platform for communication through alternative channels such as YouTube and social media.

The product has received positive mention by e.g. the Danish Consumer Council and was nominated for the Annual Innovation Award at Copenhagen FinTech Innovation Days.

New travel insurance
Alm. Brand has developed a new travel insurance product scheduled for launch in March 2018. The product was developed in collaboration with selected customer groups, and the development efforts were focused partly on being able to offer new covers which are perceived as relevant and easily available to the customers and partly on restoring the lack of profitability of the current travel insurance product.

Combined ratio

	2017	2016	2015	2014*	2013*
Combined ratio, underlying business	81.3	80.4	78.9	77.0	78.8
Weather-related claims, net of reinsurance	1.5	2.2	4.4	4.2	3.7
Major claims, net of reinsurance	6.6	7.4	5.3	5.8	7.2
Reinstatement premium	0.0	-0.1	0.3	1.1	1.8
Run-off result, claims	-5.3	-7.9	-8.5	-2.6	-4.1
Change in risk margin, run-off result and current year	0.3	0.2	0.0	–	–
Combined ratio	**84.4**	**82.2**	**80.4**	**85.5**	**87.4**

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

PERFORMANCE
The group's non-life insurance activities generated pre-tax profit of DKK 917 million in 2017 (2016: DKK 967 million). The performance was highly satisfactory and better than expected.

The technical result was DKK 805 million (2016: DKK 896 million), equivalent to a combined ratio of 84.4 (2016: 82.2).

The result includes run-off gains on claims of DKK 274 million. Adjusted for these, the combined ratio was 89.7, against an expected normal level of 91-92.

The underlying combined ratio was 81.3, which was in line with the expected level of 81. The level increased by 0.9 of a percentage point relative to 2016, which was partly due to investments in strategy and partly to a changed portfolio composition due to increased sales of motor and workers' compensation insurances.

Premiums

- 22% Fire & property, Private
- 25% Fire & property, Commercial
- 27% Motor insurance
- 7% Workers' compensation
- 12% Health and personal accident
- 7% Other insurance

Premiums
Gross premiums increased by 2.6% to DKK 5,157 million in 2017, which was in line with expectations. Growth was achieved in a

market that remained fiercely competitive. The number of policies increased by 1.5% in 2017, while average premiums trended slightly upwards.

The retention rate remained high in both private and commercial lines, and both segments experienced an upward trend throughout the year.

Claims experience

The claims experience (gross claims ratio plus net reinsurance ratio) was 66.9% (2016: 65.3%). Excluding run-off gains, the claims experience was 72.2%, which was 1.1 percentage points lower than in 2016. The claims experience was slightly better than expected.

Weather-related claims

The level of weather-related claims expenses was very low in 2017. The winter was extremely mild, and there were no major windstorms. The summer was rainy with a number of cloudbursts, affecting especially Djursland and later the northern parts of Copenhagen, which were hit by brief and violent local rainstorms in September. None of the cloudbursts resulted in particularly high claims expenses.

84.4

Combined ratio

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

Weather-related claims expenses net of reinsurance amounted to DKK 77 million in total in 2017 (2016: DKK 112 million), affecting the combined ratio by 1.5 percentage points, which was unusually low compared with the normal range of 3-4%.

Major claims

Net of reinsurance, major claims expenses totalled DKK 341 million, which was DKK 32 million less than in 2016. Major claims affected the combined ratio by 6.6 percentage points, which was slightly below the expected normal range of 7-8%. Overall, the number of major claims was below the expected level, but the commercial customer segment was affected in particular by one single major claim of over DKK 100 million in 2017. This claim is partly covered by Alm. Brand's reinsurance programme.

Underlying business

The underlying claims ratio was 63.8 in 2017, an increase of 0.2 of a percentage point relative to 2016. The increase was driven, among other things, by growth in lines which are less prone to the risk of weather-related and major claims and for which Alm. Brand therefore accepts an above-average underlying claims ratio. Moreover, expenses for motor insurance claims was higher in 2017 than in 2016, which was due to a larger share of customers now having transferred to the new motor insurance product. More new covers were sold, particularly on comprehensive motor insurance, resulting in a higher number of claims and, consequently, higher claims expenses. The development was in line with expectations.

The interest rate used for the discounting of provisions declined further over the course of 2017, when in particular the short-term rate dropped to a historically low level. Overall, interest rate developments increased the claims experience by 0.2 of a percentage point.

Run-off result

Run-off gains on claims net of reinsurance amounted to DKK 274 million in 2017 (2016: DKK 398 million). In 2017, run-off gains mainly derived from the personal insurance lines workers' compensation, motor, liability and personal accident insurance as well as from building insurance. In addition, the risk margin contributed a run-off gain of DKK 48 million in 2017 (2016: DKK 48 million).

When compared with 2016, the second half of 2017 saw a high level of reopened claims cases from previous years within workers' compensation. This was probably due to the clean-up in Labour Market Insurance (Arbejdsmarkedets Erhvervssikring (AES)) carried out in 2017, the AES now having announced that all planned cases have been reviewed and the clean-up has been completed. Developments will be monitored closely in future. The expenses incurred in connection with the additional cases reopened were mostly offset by a reduction of the model provisions on workers' compensation insurance.

Costs
Total costs amounted to DKK 901 million in 2017 (2016: DKK 851 million). Costs for the year equalled an expense ratio of 17.5, which was more or less in line with expectations. The expense ratio increased by 0.6 of a percentage point compared with 2016, which was mainly due to investments in strategic initiatives, including digitalisation.

Net reinsurance ratio
The net reinsurance ratio for the year was 3.6 in 2017, against 4.9 in 2016 (an expense in both years). The company did not receive any compensation under the reinsurance covers for windstorms and precipitation in 2017, but received compensation in connection with a major fire claim.

Investment result
After transfer to the technical result, the investment result was a gain of DKK 112 million in 2017, against a gain of DKK 71 million in 2016. The investment result was highly satisfactory and outperformed the benchmark by a fair margin.

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

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

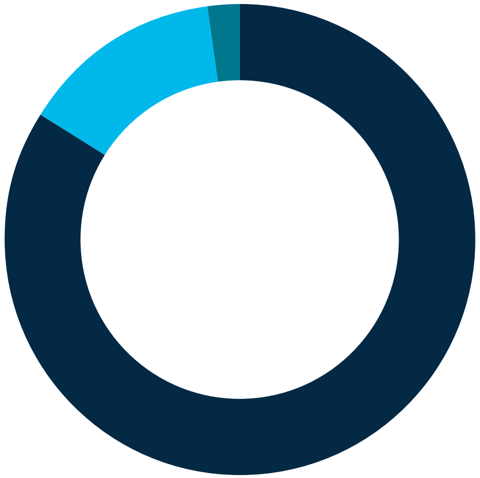
The return on bonds was lifted by the general narrowing of yield spreads, with Danish mortgage bonds performing significantly better than expected.

The interest on technical provisions is calculated using the EIOPA (European Insurance and Occupational Pensions Authority) yield curve including a volatility adjustment (VA) premium. The asset portfolio for the hedging of interest rate risk on provisions is composed so as to match fluctuations on provisions occurring in step with market changes in the underlying components of the yield curve. The hedging strategy produced a satisfactory result throughout 2017, and the overall result of the hedging portfolio and value adjustment of provisions was positive at 31 December.

Investment return

DKKm	2017			2016		
	Investment assets	Return		Investment assets	Return	
Bonds etc.	8,511	109	1.3%	8,196	200	2.5%
Mortgage deeds etc.	1,111	25	2.1%	1,329	23	1.6%
Equities	195	30	16.8%	196	17	8.1%
Properties	13	1	5.4%	16	−1	-5.9%
Total return on investments	**9,830**	**165**	**1.7%**	**9,736**	**239**	**2.4%**
Administrative expenses related to investment activities		-33			-32	
Capital gains related to the discounting of technical provisions		−2			−96	
Interest on technical provisions		-18			-40	
Net investment return		**112**			**71**	

Investment assets, Non-life Insurance



87% bonds
2% equities
11% mortgage deeds

The mortgage deed portfolio includes an option agreement protecting Alm. Brand Forsikring A/S against credit losses, as Alm. Brand Forsikring A/S can sell back mortgage deeds to Alm. Brand Bank A/S if mortgage deed debtors default on their payment obligations. The mortgage deeds produced a favourable and satisfactory return in 2017.

Alm. Brand Forsikring has limited exposure to equities, consisting primarily of equity futures on international equity indices and a small proportion of strategic equities that support the business. Measured in local currency, the global equity markets remained upbeat throughout 2017 and contributed to a positive performance that exceeded expectations.

Private

The technical result was DKK 351 million (2016: DKK 453 million), equivalent to a combined ratio of 86.7. The performance was highly satisfactory.

Premium income increased by 1.5% to DKK 2,644 million, which was slightly below expectations. The number of insurances increased in 2017, with growth seen in particular on personal accident and motor insurances and with slightly higher average premiums. Competition in private lines is fierce and is particularly prominent within motor insurances, but other lines are also feeling the effects of a competitive market, as terminations tend to involve the entire household insurance portfolio. In spite of competition, the customer retention rate was 90.7 at 31 December 2017, which was 0.3 of a percentage point above the level reported at 31 December 2016 and very positive.

The claims experience excluding run-off gains was 72.1% (2016: 71.5%). The level in 2017 was slightly better than expected.

Net of reinsurance, total weather-related claims amounted to DKK 29 million (2016: DKK 46 million). Weather-related claims affected the combined ratio by 1.1 percentage points (2016: 1.8 percentage points). Net of reinsurance, claims expenses for major claims amounted to DKK 55 million for the year as a whole, against DKK 60 million in 2016, affecting the combined ratio by 2.1 percentage points in 2017, against 2.3 percentage points in 2016. The total level of weather-related and major claims was very low and below the level expected for 2017.

The underlying claims ratio was 68.8 in 2017, which was in line with expectations but marked an increase of 1.3 percentage points relative to 2016. The increase was mainly attributable to comprehensive motor insurance where premium reductions have resulted in higher claims ratios. The new covers introduced in 2016 have resulted in a higher number of and smaller claims. In particular, the new parking cover is resulting in a higher number of claims but lower average payouts than other comprehensive motor insurance claims. Moreover, the underlying claims ratio was favourably affected by the continuing in 2017 of recent years' declining trend in the number of burglary and theft claims, with Alm. Brand recording the lowest level of burglary claims in more than seven years.

Private

DKKm	**2017**	**2016**
Gross premium income	2,644	2,604
Gross claims expenses	-1,726	-1,595
Insurance operating expenses	-505	-479
Profit/loss on reinsurance	-62	-77
Technical result	**351**	**453**
Run-off result, claims	119	188
Run-off result, risk margin	24	24
Gross claims ratio	65.3	61.3
Net reinsurance ratio	2.4	2.9
Claims experience	**67.7**	**64.2**
Gross expense ratio	19.0	18.4
Combined ratio	**86.7**	**82.6**

The run-off result on claims net of reinsurance was a gain of DKK 119 million (2016: DKK 188 million). The run-off result was mainly driven by gains on motor and personal accident insurances. The run-off result on the risk margin was a gain of DKK 24 million, against a gain of DKK 24 million in 2016.

The net reinsurance ratio was 2.4 in 2017, against 2.9 in 2016 (an expense in both years).

Commercial

The technical result was a profit of DKK 454 million in 2016 (2016: DKK 443 million), equivalent to a combined ratio of 81.9. The 2017 result was highly satisfactory.

Very few weather-related claims and run-off gains on personal insurance lines and building insurances lifted the 2017 performance.

Gross premium income increased by 3.7% to DKK 2,513 million in 2017, which was slightly higher than expected. The customer retention rate remained high, standing at 90.8 at 31 December 2017, which was 0.5 of a percentage point above the level at 31 December 2016 and very positive.

The claims experience excluding run-off gains was 72.3 (2016: 75.2).

Net of reinsurance, total weather-related claims amounted to DKK 48 million in 2017, corresponding to a claims ratio of 1.9 (2016: 2.7). This reflects the lower level of weather-related claims relative to 2016, with expenses being extraordinarily low in 2017.

Commercial

DKKm	2017	2016
Gross premium income	2,513	2,424
Gross claims expenses	-1,558	-1,439
Insurance operating expenses	-396	-372
Profit/loss on reinsurance	-125	-170
Technical result	**454**	**443**
Run-off result, claims	155	210
Run-off result, risk margin	24	24
Gross claims ratio	61.2	59.4
Net reinsurance ratio	4.9	6.9
Claims experience	**66.1**	**66.3**
Gross expense ratio	15.8	15.4
Combined ratio	**81.9**	**81.7**

Net of reinsurance, major claims totalled DKK 285 million (2016: DKK 313 million). Major claims affected the claims ratio by 11.4 percentage points (2016: 12.9 percentage points). Overall, expenses for major claims were almost in line with expectations, but the number of claims was below the expected level. One major claim exceeded DKK 100 million in 2017, triggering a payout to Alm. Brand under its reinsurance cover against single claims (the fire programme).

The run-off result on claims net of reinsurance was a gain of DKK 155 million, against DKK 210 million in 2016. The gains were mainly attributable to workers' compensation and building insurances. The run-off result on the risk margin was a gain of DKK 24 million (2016: DKK 24 million).

The underlying claims ratio was 58.6 in 2017, a decline of 0.6 of a percentage point relative to 2016. The underlying claims ratio in 2017 was affected by the fact that, relative to 2016, claims expenses were lower in personal insurance lines. Relative to the expected level, the underlying claims ratio was adversely affected by higher expenses for small claims, especially within motor insurance.

The net reinsurance ratio for the year was 4.9 in 2017, against 6.9 in 2016 (a net expense in both years). The net reinsurance ratio for 2017 was in line with expectations and was affected by one substantial major claim reported in 2017, causing Alm. Brand to receive coverage under its reinsurance programme against single claims (the fire programme) in 2017.

Financial results for Q4

- Profit before tax: 132 million (2016: 231 million)
- Technical result: DKK 123 million (2016: DKK 204 million)
- Combined ratio: 90.6 (2016: 84.0)
- Claims ratio: 68.1 (2016: 61.0)
- Expense ratio: 18.0 (2016: 18.1)
- Underlying combined ratio: 82.5 (2016: 81.4)

The Q4 performance was satisfactory and was favourably affected by fair growth and a significantly better weather-related claims experience than in the year before. The Q4 2017 performance was better than expected.

Compared with Q4 2016, the performance was adversely affected by a significantly lower run-off result and a lower investment return. In aggregate, these were DKK 85 million below the level reported in Q4 2016. Moreover, the combined ratio was higher than the year before, which was largely attributable to investments in digitalisation and a changed portfolio composition. In addition, a major upward adjustment of a single motor insurance claim from the third quarter adversely affected the underlying combined ratio.

Gross premiums totalled DKK 1,311 million in Q4, against DKK 1,269 million in Q4 2016, equivalent to an increase of 3.3%.

Total gross claims amounted to DKK 892 million in Q4 (Q4 2016: DKK 774 million). Weather-related claims expenses were lower, but, on the other hand, major claims expenses were almost DKK 40 million higher than in Q4 2016.

Run-off gains on claims net of reinsurance were DKK 19 million in Q4 2017, against DKK 86 million for the same period of 2016.

The investment return after transfer to insurance activities was a gain of DKK 9 million in Q4, against a gain of DKK 27 million in Q4 2016.

MAJOR EVENTS

Acquisition of insurance portfolio from Trafik G/S

In early April 2017, Alm. Brand Forsikring A/S entered into an agreement with the board of the Danish insurance company Trafik G/S regarding the acquisition of the company's activities effective from 1 September 2017. The acquisition was approved by the shareholders of Trafik G/S on 26 April 2017 and by the Danish Financial Supervisory Authority on 14 August 2017. The portfolio represents total annual gross premiums of DKK 40 million in 2017 and comprises approximately 1,500 insurance customers and close to 3,000 vehicles. The agreement essentially comprises the forward-looking activities and all technical liabilities and employees of Trafik G/S. As a result of the acquisition, Alm. Brand onboarded new employees with specialist knowledge about this niche area, making Alm. Brand a specialist insurer of taxicab owners as well. The acquisition was well received by the customers of Trafik G/S.

Successful entry into the haulage contractor segment

In 2016, Alm. Brand decided to focus on the haulage contractor segment and entered that market in autumn that same year. The launch comprised, among other things, new and attractive products offering comprehensive flexibility and an extremely personalised approach to customer service. The initiative was well received by the market in both 2016 and 2017. Alm. Brand got off to a highly satisfactory start in this market and has positive expectations of developments in this area in 2018.

Cases filed with the Insurance Complaints Board

Reducing the number of complaint cases filed has been a key objective for Alm. Brand Forsikring. Measured against the 197 cases filed with the Insurance Complaints Board in 2011, the goal was to bring the number of insurance complaints below 100. The efforts to reduce the number of complaints have exceeded expectations: By maintaining a strong focus on improving the dialogue with customers and preventing errors, the number of complaints has dropped dramatically. A total of 60 complaints were filed in 2017, marking a reduction of more than 50%. ■

Non-life Insurance

	DKKm	2017	Q4 2017	2016	2015	2014	2013
INCOME STATEMENT	Gross premium income	5,157	1,311	5,028	5,061	5,058	5,031
	Technical interest	–	–	–	–	5	9
	Claims expenses	-3,264	-892	-3,034	-3,018	-3,579	-3,769
	Insurance operating expenses	-901	-236	-851	-807	-787	-803
	Profit/loss on reinsurance	-187	-60	-247	-245	47	174
	Technical result	**805**	**123**	**896**	**991**	**744**	**642**
	Interest and dividends, etc.	188	49	217	237	202	233
	Capital gains and losses	-23	-15	22	-253	-221	-24
	Administrative expenses related to investment activities	-33	-12	-32	-30	-21	-22
	Return on and value adjustment of technical provisions	-20	-13	-136	7	-53	-66
	Investment return after return on and value adjustment of technical provisions	**112**	**9**	**71**	**-39**	**-93**	**121**
	Profit before tax	**917**	**132**	**967**	**952**	**651**	**763**
	Tax	-196	-30	-204	-214	-161	-221
	Profit after tax	**721**	**102**	**763**	**738**	**490**	**542**

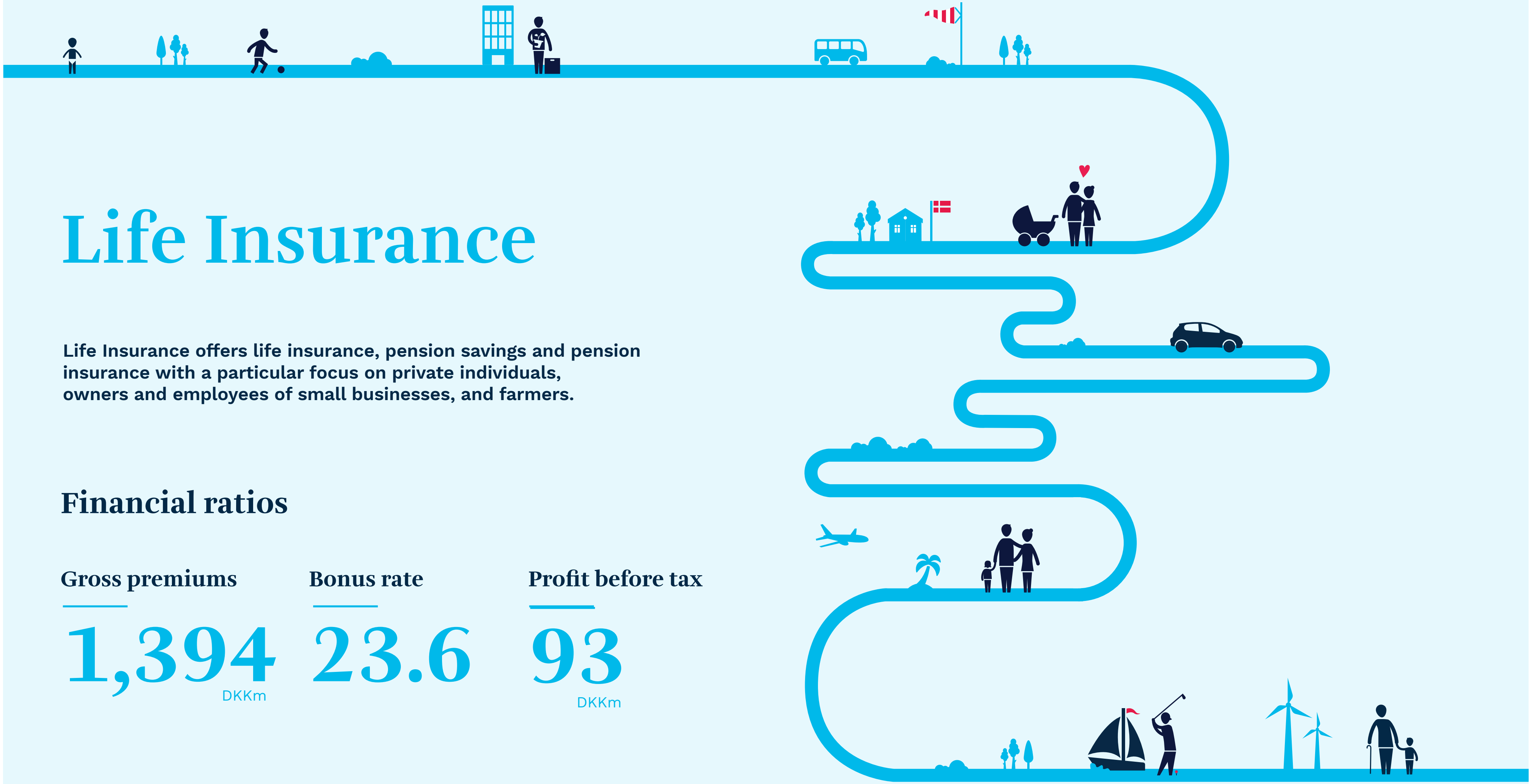
	DKKm	2017	Q4 2017	2016	2015	2014	2013
BALANCE SHEET	Run-off result, claims	274	19	398	429	131	207
	Run-off result, risk margin	48	9	48	56	–	–
	Total provisions for insurance contracts	7,203	7,203	7,239	7,397	7,571	7,553
	Insurance assets	141	141	170	227	298	608
	Total shareholders' equity	2,493	2,493	2,587	2,750	2,423	2,184
	Total assets	10,702	10,702	10,808	11,114	10,868	10,661
FINANCIAL RATIOS	Gross claims ratio	63.3	68.1	60.4	59.6	70.8	74.9
	Net reinsurance ratio	3.6	4.5	4.9	4.9	-0.9	-3.5
	Claims experience	**66.9**	**72.6**	**65.3**	**64.5**	**69.9**	**71.4**
	Gross expense ratio	17.5	18.0	16.9	15.9	15.6	16.0
	Combined ratio	**84.4**	**90.6**	**82.2**	**80.4**	**85.5**	**87.4**
	Combined ratio excluding run-off result	89.7	92.0	90.1	88.9	88.1	91.5
	Operating ratio	84.4	90.6	82.2	80.4	85.3	87.3
	Relative run-off result	7.0	0.9	8.7	8.9	2.5	4.3
	Return on equity before tax (%)	38.5	21.5	38.6	38.2	29.5	35.0
	Return on equity after tax (%)	30.6	16.8	30.5	29.6	22.2	24.9
	Solvency coverage (% in 2017 and 2016)*	285	285	285	2.8	2.8	2.7

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

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

Life Insurance

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.



Financial ratios

Gross premiums	Bonus rate	Profit before tax
1,394 DKKm	23.6	93 DKKm

Life Insurance based on *personal* advice

Market shares
Measured in terms of regular payments

65,000
Customers
(Approx. 40% are also customers of Non-life Insurance or Banking)

2%
Retirement pension

5%
Instalment pension

3%
Insurance with regular disbursement

<1%
Employer pensions

Private customers

Commercial customers

Agricultural customers

38%
of total sales

Tied agents
Facilitate customer contact to consultants and handle more simple pension schemes locally at the customers' premises.

46%
of total sales

Consultants
Work closely with the insurance agents and focus on more complex pension schemes.

16%
of total sales

Branches
Branch-based pension advisers work closely with the bank advisers who have the primary contact to customers.

Customer service centres
Provide customer service and answer questions of a more technical nature.

Life Insurance

Highly satisfactory pre-tax profit of DKK 93 million. As a result of the strong investment result, the bonus potentials have increased.

MARKET

The pension market consists of three types of schemes:

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

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

Consolidation has been particularly prominent in workers' compensation lines in recent years. Among other things, this trend is driven by the increased regulatory focus and resulting administrative burdens. Consolidation has not been equally prominent in the commercial market, but administrative burdens have increased similarly in this area. Alm. Brand Pension has addressed this trend through its growth strategy, and efforts are continually made to achieve synergies from sharing functions with the rest of the Alm. Brand Group.

The vast majority of the market is based on the principle of tax deductibility at the time of payment and taxation at the time of disbursement. In recent years, the tax deductibility options have been significantly reduced. In 2017, annuity pension schemes were fully deductible, while instalment pension schemes were subject to a tax deductibility cap of DKK 53,500, and capital pension schemes ceased to be tax deductible. In 2017, pension savers could pay up to DKK 29,600 into their retirement pension scheme, and while such payments are not tax deductible, disbursements are tax-free.

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

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

In 2017, there were several major political events which could have caused substantial financial market uncertainty, but the uncertainty and negative volatility failed to materialise, and 2017 turned out to be one of the most quiet years in the financial markets in a long time. While equities rose to historically high levels, volatility was historically low. At the same time, the yield spread both on corporate bonds and on Danish mortgage bonds narrowed relative to swap rates. Long-term European interest rates were up by more than 20 bps, while the level of short-term interest rates remained unchanged.

In 2017, Alm. Brand Pension sold a property at City Hall Square in Copenhagen at a gain of just over DKK 200 million. As a result, Alm. Brand Pension has strengthened its position and in 2017 announced one of the market's highest rates on policyholders' savings for 2018 of 5% for new customers. The attractive rate on policyholders' savings supports the company's growth ambitions, which are focused in particular on the corporate pensions market. As a result of the favourable economic conditions, the individual solvency requirement was stable throughout the entire period.

Rate on policyholders' savings for 2018 increased to 5.0%.

Product development

Corporate concept

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

Alm. Brand Pension therefore launched a new corporate concept offering corporate pension schemes to small companies which are already customers of Alm. Brand Forsikring. The effects of the initiative materialised in 2017 as the portfolio grew by just over 20%. This segment is expected to grow quite strongly in 2018 as well.

PERFORMANCE

Alm. Brand Pension achieved a total pre-tax profit of DKK 93 million in 2017, which was higher than expected and DKK 9 million higher than the 2016 profit. The full-year performance was satisfactory.

The profit was composed as follows:

- Expense and risk result of DKK 47 million
- Interest rate result of DKK 25 million
- Profit of DKK 7 million from the group life insurance business
- Profit of DKK 14 million from life annuities without bonus entitlement
- Return on investment allocated to equity of DKK 0 million

Shadow accounts were reduced to DKK 4 million from DKK 8 million at 31 December 2016.

The DKK 14 million profit from life annuities without bonus entitlement was extraordinarily high and was due to the cessation of a number of major life annuities.

It was satisfactory to note that the collective bonus potential increased by DKK 388 million in 2017 to stand at DKK 1,705 million at 31 December 2017. This improvement was achieved in spite of the fact that customers in 2017 received one of the market's highest rates on policyholders' savings. The increase was due to the fair investment return generated in 2017, among other things due to the sale of the property at City Hall Square in Copenhagen. The bonus rate was 23.6% at 31 December 2017.

Premiums

Payments into guaranteed schemes

Regular payments into guaranteed schemes were up by 5.7% to DKK 704 million, while single payments increased by 12.2% to DKK 690 million. The increase seen in both single payments and regular premiums was satisfactory and reflected the group's growth ambitions in the pensions area.

Premium payments into guaranteed schemes with the life insurance company thus increased by a total of 8.8% to DKK 1,394 million. Customers' pension savings held in guaranteed schemes increased by 7.0% in 2017.

Payments into market rate schemes

Payments into market rate schemes with the bank (investment schemes) totalled DKK 344 million (2016: DKK 331 million), equivalent to an increase of 3.8%. Payments into market rate schemes levelled off at the end of the year as more customers opted for guaranteed schemes driven by the high rate on policyholders' savings of 5% for 2018. Pension savings in the market rate scheme declined marginally in 2017.

Total pension contributions

Total payments into pension schemes, including investment schemes with the bank, increased by 7.8% to DKK 1,738 million (2016: DKK 1,612 million).

The development in total pension contributions was satisfactory and in line with the group's growth ambitions.

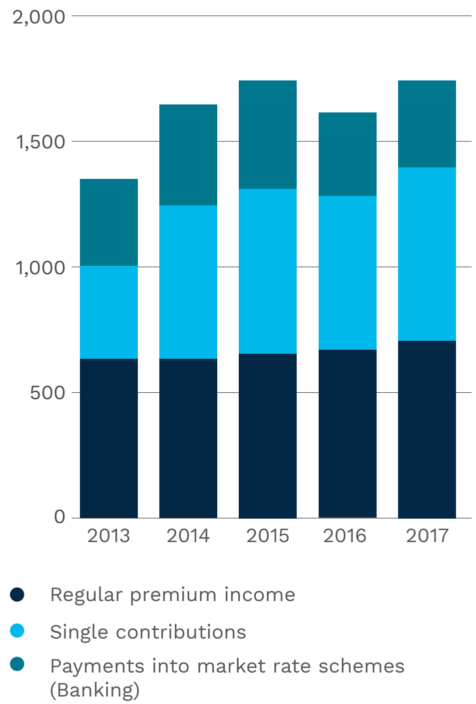
Benefits paid

Benefits paid totalled DKK 1,032 million (2016: DKK 970 million). The increase in benefits paid was mainly driven by the portfolio's general growth.

Risk result

The risk result, which expresses the difference between risk premiums and claims expenses, was DKK 60 million (2016: DKK 63 million). The risk result continues to reflect a strong performance of disability and mortality risk and was mainly the result of thorough assessments in connection with the process of writing new business. The risk result was highly satisfactory.

Total payments, Life Insurance (DKKm)



Investment assets, policyholders' funds

- 73% bonds
- 17% equities
- 10% property

Costs

Acquisition costs and administrative expenses totalled DKK 99 million in 2016 (2016: DKK 101 million). The cost level reflects the investments in digitalisation and strategy made by the company to support future growth. The 2017 costs were slightly lower than the level expected.

Expense result
The expense result, which expresses the difference between expense loading and expenses incurred, improved by DKK 3 million to a loss of DKK 13 million.

Reinsurance

Reinsurance expenses came to a net amount of DKK 3 million (2016: DKK 4 million), which was a satisfactory performance considering the reduction in risk and, by extension, in fluctuations of the company's results resulting from reinsurance.

Investment return on assets allocated to equity

Investment assets attributable to shareholders' equity amounted to DKK 0 million. This was positive, partly in light of the challenging investment environment with low or even negative short-term interest rates (assets allocated to equity are primarily invested in ultra-short bonds), and partly in light of the fact that the return on assets allocated to equity included expenses for the company's subordinated loans in the amount of DKK 120 million.

Investment return on policyholders' funds

Investment assets belonging to policyholders, which amounted to a total of DKK 13.8 billion at 31 December 2017, are placed in bonds, equities and property. The return (before tax on pension returns but after investment costs) on investment assets belonging to policyholders was DKK 875 million, equivalent to 6.9%, compared with a return of 7.5% in 2016.

Investment return

	2017		2016
DKKm	**Investment assets**	**Return**	**Return**
Bonds	10,166	2.6%	6.3%
Equities	2,325	14.4%	7.3%
Properties	1,344	20.7%	11.3%
Total	**13,835**	**6.9%**	**7.5%**

The return for the year was favourably affected by the strong equity market trends as well as by the sale of the property at City Hall Square in Copenhagen. Moreover, a strong performance of assets under management and an almost unchanged low level of interest rates in 2017 helped generate a satisfactory bond return. The funds received for the sale of the property at City Hall Square in Copenhagen are expected to be reinvested in the property market.

Life insurance provisions are calculated using a market value principle that applies an expected cash flow discounted by the yield curve for discounting provisions published by EIOPA. The 10-year point on the yield curve was at 0.92% at 31 December 2017, against 0.91% at 1 January 2017.

Over the period, total provisions increased by DKK 871 million, mainly as a result of a higher inflow from customers.

Collective bonus potential
The collective bonus potential increased by DKK 388 million to stand at DKK 1,705 million at 31 December 2017. This was highly satisfactory and positions the company favourably to continue to offer its customers a high rate on policyholders' funds, not only in 2018 but also looking further ahead.

Bonus rate
The total bonus rate was 23.6% at 31 December 2017, against 20.1% at 1 January 2017.

New policyholders are placed in interest rate group 0, which had a bonus rate of 26.8% at 31 December 2017. In interest rate group 3, which comprises customers with a high guarantee rate, the bonus rate was at a highly satisfactory 13.4% at 31 December 2017. This group continues to pursue a prudent investment strategy based on a substantial share of bonds and financial instruments that is intended to strike a healthy balance between the group's investments and liabilities.

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

The collective bonus potential is calculated per contribution group and remained highly satisfactory at 31 December 2017.

Profit margin on life insurance provisions
The profit margin increased by DKK 31 million over the year, from DKK 364 million at 1 January 2017 to DKK 395 million at 31 December 2017. The increase was driven by the higher inflow from customers.

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

This is a significant area as the profit margin is included in total capital and thus affects the company's capital structure. As a result of Alm. Brand 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.

	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 2017 (% p.a.)		4.00	5.50	5.50	6.00	
Rate on policyholders' savings 2018 (% p.a.)		5.00	5.50	5.50	6.00	
Investment assets (DKKbn)	0.1	8.4	1.3	1.3	2.8	13.8
Bonus rate (%)		26.8	25.9	16.4	13.4	23.6
Return (%)		8.4	6.0	5.6	3.8	6.9
Distribution of investment assets (%)						
Bonds	100	67	69	82	86	72
Equities	0	22	21	8	3	17
Properties	0	11	10	8	7	10
Fixed-income derivatives	0	0	0	2	4	1

* Portfolios without bonus entitlement

Financial results for Q4
Alm. Brand Pension generated a pre-tax profit of DKK 12 million in Q4 2017, as compared with a DKK 6 million profit in Q4 2016. The Q4 performance was better than expected mainly due to a higher cost contribution from Forenede Gruppeliv and slightly lower operating expenses in the quarter.

Total pension contributions increased by 9.9% to DKK 392 million in Q4 2017 (Q4 2016: DKK 357 million). On guaranteed schemes, regular payments increased by 10.0%, while single payments grew by 9.7%. Growth in payments into market rate schemes with the bank was negative at 5.7%. Payments into market rate schemes levelled off at the end of the year as more customers opted for guaranteed schemes driven by the high rate on policyholders' savings of 5% for 2018.

MAJOR EVENTS

Rate on policyholders' savings for 2018

In November 2017, Alm. Brand Pension announced that it will continue to offer its customers one of the market's highest rates on policyholders' savings and that the rate will be increased further to 5% for new customers. The attractive rate on policyholders' savings supports the company's growth ambitions.

Properties

In mid-2017, Alm. Brand Ejendomsinvest A/S, a subsidiary of Alm. Brand Liv og Pension A/S, sold the company's property at City Hall Square in Copenhagen, which yielded a gain to the customers of just over DKK 200 million.

Tax reform

In mid-December, the Danish government adopted a bill to adjust the rules in the pensions area. The bill means that the cap on payments into retirement savings plans will be reduced to DKK 5,100 until five years before the date of retirement, after which the cap will be DKK 46,000. The bill is intended, together with other initiatives, to mitigate drawbacks in relation to public benefits as a result of which certain income groups have no incentive to make or are in fact being punished for making payments into their pension savings. At the beginning of February 2018, the second part of the pension reform was adopted. This part will introduce an additional tax allowance for payments into pension schemes in order to make it more feasible for everybody to save up for retirement. A tax allowance of 3.1% will be granted on payments made earlier than 15 years before the date of retirement. After that, the tax allowance will be increased to 8.2%. In addition, pension savings will be included in the basis of calculation of the employment allowance, and a new job allowance will be introduced. Both initiatives will benefit the groups that experience challenges with set-off against public benefits.

It is truly positive news that the Danish government has chosen to address the existing drawbacks, but the solution chosen will not contribute to making the pension area any less complex.

The amendment of the rules on retirement savings is expected to have a marginal impact on Alm. Brand Pension. ■

Life Insurance

	DKKm	2017	Q4 2017	2016	2015	2014	2013
INCOME STATEMENT	Premiums	1,394	392	1,281	1,311	1,243	928
	Investment return after allocation of interest	735	87	697	132	945	253
	Benefits paid	-1,032	-270	-970	-1,103	-1,185	2,239
	Insurance operating expenses	-99	-26	-101	-84	-84	-81
	Profit/loss on reinsurance	-3	-2	-4	-4	-4	-3
	Change in life insurance provisions	-871	-147	-799	-121	-722	1,650
	Change in profit margin	-31	-18	-27	–	–	–
	Change in collective bonus potential	–	–	–	-30	-85	-240
	Government tax on unallocated funds	–	–	–	-22	-32	-185
	Technical result	**93**	**16**	**77**	**79**	**76**	**83**
	Return on investment allocated to equity	0	-4	7	-1	2	3
	Profit before tax	**93**	**12**	**84**	**78**	**78**	**86**
	Tax	-16	2	-10	-1	-21	-21
	Profit after tax	**77**	**14**	**74**	**77**	**57**	**65**
	Return requirement for shareholders' equity						
	Return on investment allocated to equity	0	-4	7	-1	2	3
	Result of portfolios without bonus entitlement	14	0	1	6	-3	0
	Gruppeliv	7	0	8	17	–	–
	Interest result	25	6	21	17	16	11
	Expense result	-13	-2	-16	-9	-2	3
	Risk result	60	12	63	48	64	71
	Transferred to/from shadow accounts	–	–	–	0	0	-2
	Profit before tax	**93**	**12**	**84**	**78**	**77**	**86**

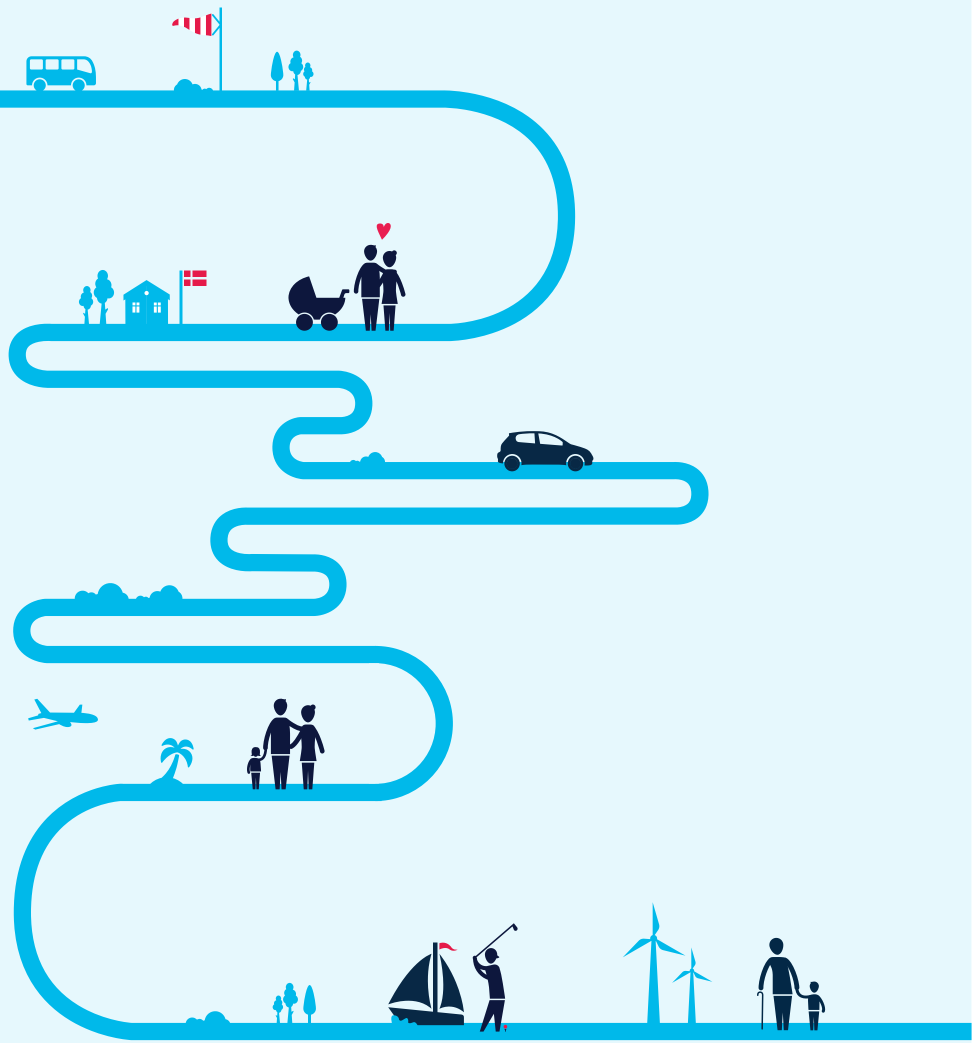
	DKKm	2017	Q4 2017	2016	2015	2014	2013
BALANCE SHEET	Total provisions for insurance contracts	13,758	13,758	12,853	12,030	11,878	11,074
	Total shareholders' equity	800	800	848	844	818	1,011
	Total assets	15,244	15,244	14,394	13,908	14,246	12,993
FINANCIAL RATIOS	Rate of return related to average-rate products	6.6	–	6.7	–	–	–
	Expense ratio of provisions*	0.7	–	0.8	0.9	0.9	0.8
	Expense per individual insured	1,422	–	1,415	1,152	1,096	1,026
	Return on equity before tax (%)	11.2	6.1	10.1	9.6	9.2	8.8
	Return on equity after tax (%)	9.2	6.7	8.9	9.3	6.8	6.7
	Solvency coverage (%)**	669	669	816	192	197	210

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

* The expense ratio is not fully comparable as the definition was changed in 2016.
** The solvency coverage is for Alm. Brand Liv og Pension A/S, and the total capital is reduced by the amount of proposed or distributed dividends. For 2015 and earlier financial years, the solvency coverage was calculated in accordance with the rules applicable for the years in question.

Banking

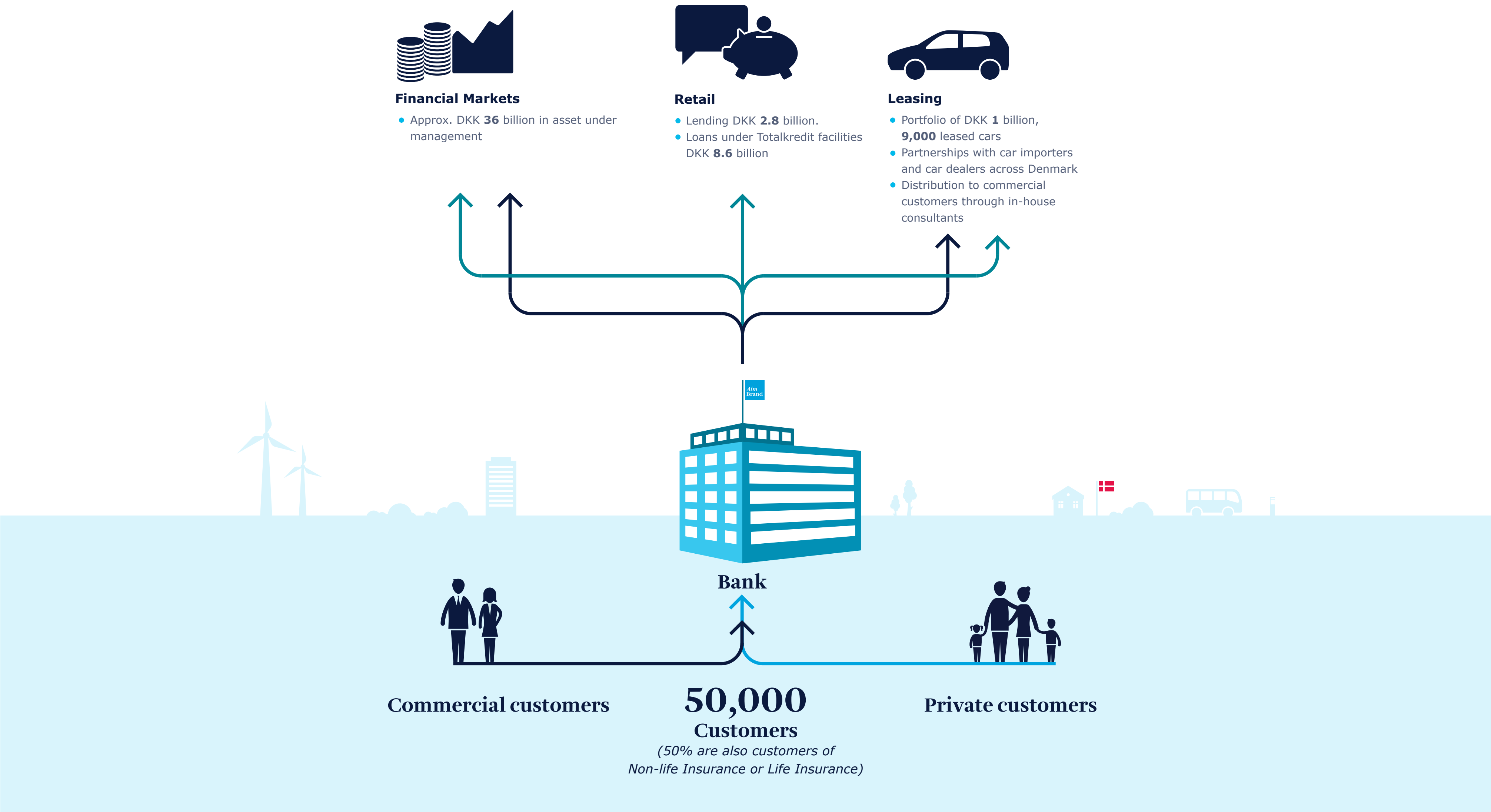
Alm. Brand Bank has nation-wide coverage and is focused on providing banking products and services to private customers and small and medium-sized enterprises, bond, equity and currency trading and research and asset management services as well as leasing of cars to private and commercial customers.



Financial ratios

Income	Lending Retail	Profit before tax
621 DKKm	2,811 DKKm	67 DKKm

Helping customers *every* day



Banking

Satisfactory pre-tax profit of DKK 67 million.

MARKET

Retail

Retail customers continued to experience improved financial conditions in 2017. Reduction of bank debt remains a key priority for private customers, and loan conversion activity was brisk among banking customers. As a result of the sustained favourable conditions in the housing market, the more common bank loans are repaid in order to exploit home equity and the low interest rates available on mortgage loans. In spite of the buoyant bank loan conversion activity and the strong growth in mortgage lending, Alm. Brand Bank still managed to increase its lending to private customers.

The sustained positive economic developments caused competition for good private customers to become even fiercer in 2017. Competition for well-run small and medium-sized businesses was also strong. The competitive landscape in the retail market is expected to remain unchanged in 2018.

While 2016 was a year of financial market turmoil, resulting in private customers to a certain degree taking a cautious approach in terms of investments, the financial markets calmed down in 2017.

Leasing

For the first time in eight years, new car sales in Denmark did not set a new record. The number of new cars registered fell marginally in 2017, as the market was impacted by Budget negotiations on amendments to leasing rules and motor vehicle taxes announced in late summer. In the period leading up to the Budget negotiations, indications were for yet another record-breaking year in terms of both sales and leasing of cars. Following a deep plunge, commercial leasing activity rebounded in the last two months of the year, while private leasing fell by just over 50% in the last three months of the year as compared with the same period of 2016.

The market shares for both private and commercial leasing of passenger cars fell slightly to 21% and 72%, respectively, at 31 December 2017. On the other hand, sales of new leased vans for commercial customers increased to 79%, up by 2% relative to 2016.

Although the commercial lease market recovered towards the end of the year, it is expected to take another few months for the private lease market to rebound.

Financial Markets

The year 2017 was generally characterised by several major political events, which could have caused substantial financial market uncertainty. The markets were spared from any major market fluctuations, however, and, with volatility at a historical low, trading activity was sluggish. In addition, the markets were impacted by preparations for the new MiFID II regulations, which came into effect on 3 January 2018.

Interest rate levels remained low in 2017 and continued to affect the housing market in Denmark as homeowners were able to obtain inexpensive mortgage financing. International investors showed a strong interest in Danish mortgage bonds, and the proportion of Danish mortgage bonds owned by non-Danish investors was close to 25%, which is the highest level in many years. This interest caused the yield spread between mortgage bonds and swap rates to narrow over the year.

The bank's forward-looking business generally experienced an increase in the level of activity in 2017.

In the second half of the year, focus was on the ECB's impending tapering of its European bond-buying programme. The ECB struck a more dovish tone than expected, which also served to support the general risk appetite.

In terms of equities, 2017 was a strong year with increases seen in most equity markets. The SP500 gained about 20% in USD, but from a Danish perspective, the return was eroded by USD depreciation. The Danish market gained approximately 16%, marking a strong performance from a historical perspective.

PERFORMANCE 2017

The bank reported a pre-tax profit of DKK 67 million, against DKK 44 million in 2016. The profit was composed of a profit of DKK 58 million on forward-looking activities and a profit of DKK 9 million on winding-up activities. The performance was satisfactory and better than expected.

The bank's forward-looking business generally experienced an increase in the level of activity in 2017. Alm. Brand Bank was elected Denmark's most recommended business in 2017, which had a positive effect in relation to attracting both new customers and new employees to the bank. Over the past 12 months, the number of Pluskunder has increased by 8%, and lending to the bank's private customers has grown by 5%. At 31 December 2017, lending to private customers and small and medium-sized businesses totalled DKK 2.8 billion.

The portfolio of mortgage loans arranged for Totalkredit continued to develop favourably, amounting to DKK 8.6 billion at 31 December 2017 (DKK 7.4 billion at 31 December 2016), equivalent to an increase of 17%. Financial Markets also continued to experience an increase in mandates and new customers.

Leasing's portfolio reached DKK 1 billion in the second half of 2017 and remained at that level until year-end 2017 despite the Danish government's statutory amendment of the vehicle registration fee, which had caused a period of very low activity. The portfolio rose by DKK 150 million, or 18%, relative to 31 December 2016. Being the third-largest provider in Denmark, Alm. Brand Bank's private customer lease activities continue to make up the largest part of the portfolio. The commercial customer lease segment continued to improve, growing by 8% relative to 2016.

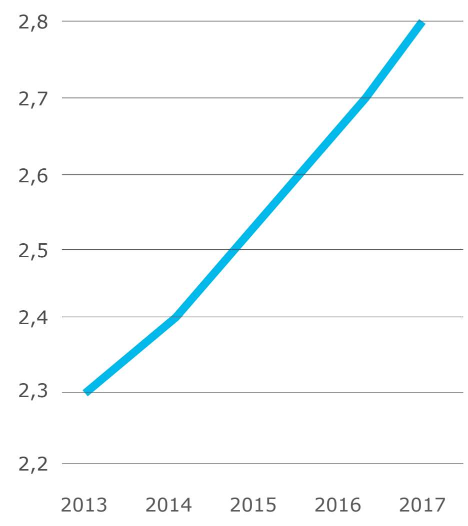
The bank's interest margin was 2.4% in 2017, remaining impacted by increased competition and lower interest on the bank's bond portfolios. The interest margin was 2.5% in 2016.

The 2017 results include value adjustments of two shareholdings of DKK 17 million in aggregate, distributed on DKK 7 million under Other and DKK 10 million under Winding-up activities. The shareholdings, which were originally taken over in connection with a customer exposure, are Bella Kvarter A/S and BCHG Holding A/S, respectively.

Significant investments in growth and digitalisation drove up the 2017 expense level.

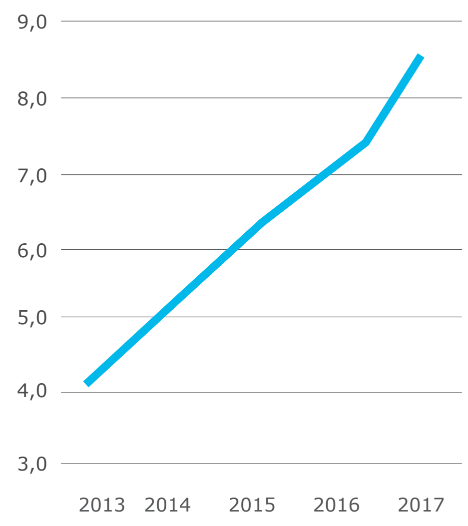
Lending to Retail

(DKKbn)



Totalkredit portfolio

(DKKbn)



Impairment writedowns in 2017 were a reversal of DKK 11 million in aggregate, composed of a DKK 15 million reversal relating to forward-looking activities and impairment writedowns of DKK 4 million relating to winding-up activities. While the impairment writedowns relating to forward-looking activities were a positive surprise, the impairment writedowns relating to winding-up activities were in line with expectations.

FORWARD-LOOKING ACTIVITIES

The forward-looking activities posted a pre-tax profit of DKK 58 million in 2017 (2016: DKK 62 million profit). The performance was better than expected.

The bank's income from forward-looking activities amounted to DKK 621 million in 2017, against DKK 570 million in 2016, marking an increase of DKK 51 million. The increase was driven by the leasing portfolio, higher trading income in Financial Markets and earnings from Totalkredit.

Costs were in line with expectations and amounted to DKK 414 million in 2017, which was DKK 47 million more than in 2016. The increase was attributable partly to investments in growth and digitalisation and partly to higher expenses for the bank's data centre, which is also investing to comply with the increasingly stricter regulatory requirements. The increase in the bank's costs related to investments primarily affected the retail segment.

Impairment writedowns related to the forward-looking activities amounted to a reversal of DKK 15 million, against a reversal of DKK 6 million in 2016. The reversal of impairment writedowns was attributable to income from exposures previously written off. The underlying impairment writedowns represented 0.4% of the average portfolio in 2017.

Business activities

The bank incurred a pre-tax loss of DKK 10 million on its retail activities. Income increased by DKK 3 million relative to 2016, reflecting continued customer activity growth. However, the increase was more than offset by costs related to investments in growth and digitalisation. The impairment level was favourably affected by income from exposures previously written off and was the result of an improved macroeconomic setting.

Financial Markets generated a pre-tax profit of DKK 58 million in 2017 (2016: DKK 70 million profit), which was in line with expectations. There was an increase in income, while costs were affected by investments in digitalisation as well as increased expenses in relation to MiFID II. The customer inflow in Financial Markets continued and, at year-end 2017, the bank's success in particular with the ETF product IndexPlus materialised, as the portfolio reached DKK 330 million. IndexPlus is an investment in a number of carefully selected, managed Exchange Traded Funds (listed index funds) based on Alm. Brand Bank's specific investment strategy.

Leasing generated a pre-tax profit of DKK 21 million in 2017. This DKK 2 million improvement relative to 2016 was driven by growth in the leasing portfolio. At 31 December 2017, the leasing portfolio amounted to DKK 1,010 million, comprising approximately 9,000 cars.

Other activities (consisting primarily of Treasury) reported a pre-tax loss of DKK 11 million, against a loss of DKK 29 million in 2016. The performance was lifted by an additional return of DKK 10 million on the bank's own portfolio of bonds and an

Retail

DKKm	2017	2016
Income	211	208
Costs	-237	-212
Profit/loss before impairment writedowns	**-26**	**-4**
Impairment writedowns	16	6
Profit/loss before tax	**-10**	**2**

Financial Markets

DKKm	2017	2016
Income	150	147
Costs	-108	-95
Core earnings	**42**	**52**
Value adjustments	16	18
Profit/loss from investments	1	0
Impairment writedowns	-1	0
Profit before tax	**58**	**70**

Leasing

DKKm	2017	2016
Income	272	216
Costs	-48	-44
Depreciation and amortisation	-203	-153
Profit before tax	**21**	**19**

Other activities

DKKm	2017	2016
Income	-12	-1
Costs	-21	-16
Core earnings	**-33**	**-17**
Value adjustments	22	-12
Loss before tax	**-11**	**-29**

additional return of DKK 12 million on equities. The bank's bond portfolio produced a return of 1.4% in 2017, compared with a return of 1.2% in 2016. The bond return was satisfactory relative to the benchmark and in light of a money market which remained impacted by negative interest rates.

WINDING-UP ACTIVITIES

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

The performance was a profit of DKK 9 million in 2017, against a DKK 18 million loss in 2016. Impairment writedowns amounted to DKK 4 million, against DKK 56 million in 2016.

The profit before impairment writedowns was DKK 13 million in 2017, down by DKK 25 million relative to 2016. The decline was mainly attributable to the planned reduction of the loan portfolio in 2017.

Total loans and advances in the winding-up portfolio declined by DKK 361 million to DKK 581 million in 2016, representing 16% of the bank's overall lending portfolio. Adjusted for losses and writedowns, the lending portfolio was reduced by DKK 395 million, which was in line with expectations.

Throughout 2017, the bank's winding-up activities were favourably affected by better settlement prices for agricultural products and interest received on mortgage deeds which had previously been considered lost.

Agriculture

The agricultural portfolio amounted to DKK 159 million at 31 December 2017. Adjusted for impairment writedowns, the portfolio was reduced by DKK 50 million in 2017.

Impairment writedowns were a reversal of DKK 5 million in 2017. The level reflects the favourable conditions for agriculture in 2017 with higher settlement prices, in particular for piglet producers.

Commercial properties

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

Reversals of impairment writedowns relating to this segment amounted to DKK 12 million in 2017. The total portfolio amounted to DKK 257 million at 31 December 2017. Adjusted for impairment writedowns, the portfolio was reduced by DKK 299 million.

Mortgage deeds

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

Credit exposure, winding-up portfolio

DKKm	Credit exposure 2016	2017	Share in %	Losses and writedowns Total 2016	Q1	Q2	Q3	Q4	Total 2017	Impairments in %[a]
Agriculture	204	159	27	45	0	-1	1	-5	-5	-3
Commercial properties	544	257	44	-15	-5	-9	0	2	-12	-3
Mortgage deeds [b]	194	165	29	-18	-3	-2	-4	-8	-17	-10
Total loans and advances	**942**	**581**	**100**	**12**	**-8**	**-12**	**-3**	**-11**	**-34**	**-5**
Credit exposure through option agreement on mortgage deeds [b]	**1,329**	**1,111**	**–**	**44**	**12**	**6**	**9**	**11**	**38**	**3**
Winding-up activities	**2,271**	**1,692**	**–**	**56**	**4**	**-6**	**6**	**0**	**4**	**0**

[a] Losses and writedowns as a percentage of the average portfolio in 2017. The percentage is not comparable with the impairment ratio in the bank's financial highlights and key ratios.
[b] The impairment writedowns include credit-related value adjustments of mortgage deeds.

The bank's portfolio, which consists mainly of delinquent mortgage deeds, amounted to DKK 165 million, which was DKK 29 million less than in 2016. Impairment writedowns of DKK 17 million were reversed in 2017, against a reversal of DKK 18 million in 2016.

The credit exposure through the option agreement on mortgage deeds amounted to DKK 1,111 million. Credit-related capital losses on the option agreement amounted to DKK 38 million in 2017, against DKK 44 million in 2016. The option premium was DKK 24 million in 2017.

FINANCIAL RESULTS FOR Q4

The bank reported a pre-tax profit of DKK 5 million in Q4 2017. The profit was composed of a profit of DKK 7 million on forward-looking activities and a loss of DKK 2 million on winding-up activities.

Impairment writedowns on forward-looking activities amounted to a reversal of DKK 9 million, while there were no impairment writedowns relating to winding-up activities.

The bank's income amounted to DKK 169 million (Q4 2016: DKK 153 million), marking a year-on-year increase of DKK 16 million. The increase was mainly attributable to the higher level of activity in Leasing. Total value adjustments amounted to a loss of DKK 2 million, against a DKK 12 million gain in 2016, which was favourably affected by value adjustments on the bank's own portfolio of bonds.

Costs were affected by investments in growth and digitalisation in Q4 2017 and were therefore DKK 12 million higher than in the same period of 2016. Costs were in line with expectations.

BALANCE SHEET

Loans and advances

The bank's loans and advances amounted to DKK 3.7 billion at 31 December 2017, which was DKK 0.1 billion less than at 31 December 2016. Excluding intra-group lending, loans and advances in 2017 increased by DKK 157 million for the forward-looking activities, while loans and advances in the winding-up portfolio declined by DKK 361 million. The reduction of the portfolio was in line with expectations.

Deposits

The bank had deposits of DKK 7.0 billion at 31 December 2017, which was DKK 0.2 billion less than at 31 December 2016. The bank had expected to reduce total deposits further in 2017, but even at 0% interest on deposit accounts this did not materialise to the necessary extent, as the alternative placement options available to customers were limited.

At 31 December 2017, floating-rate deposits represented 97% of total deposits, against 90% at 31 December 2016. The group's aim is to have deposits in floating-rate products.

Liquidity

At 31 December 2017, the bank had cash funds of DKK 3.6 billion and excess liquidity of DKK 2.7 billion, equivalent to an excess cover of 276% relative to the statutory requirement.

At 31 December 2017, the liquidity coverage ratio (LCR) was 325%.

Capital reservation for credit risk

The bank's total capital reservation for credit risk amounted to DKK 2,137 million at 31 December 2017, against DKK 2,535 million at 31 December 2016. The capital reservation equalled 34% of the credit exposure (31 December 2016: 36%).

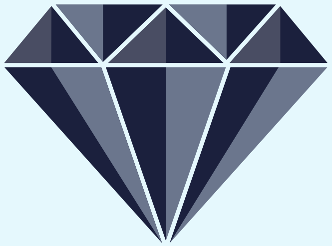
The capital reservation for the forward-looking portfolio represented 20% of gross loans and advances, and the capital reservation for the winding-up portfolio represented 50% of the credit exposure.

At 31 December 2017, accumulated writedowns amounted to DKK 1,569 million, against DKK 1,859 million at 31 December 2016. Accumulated impairment writedowns broke down as follows at 31 December 2017: DKK 305 million on the forward-looking portfolio and DKK 1,264 million on the winding-up portfolio, DKK 486 million of which was attributable to fair value adjustment of mortgage deeds.

SUPERVISORY DIAMOND

At 31 December 2017, the bank was in compliance with all five threshold values of the supervisory diamond of the Danish Financial Supervisory Authority as shown in the figure below:

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



Large exposures		
Threshold value < 125%	**2017** 22%	**2016** 18%
Growth in lending		
Threshold value < 20%	**2017** 1%	**2016** –6%
Funding ratio		
Threshold value < 1	**2017** 0.52	**2016** 0.50
Property exposure		
Threshold value < 25%	**2017** 7%	**2016** 13%
Excess liquidity coverage		
Threshold value > 50%	**2016** 276%	**2016** 278%

MAJOR EVENTS

Implementation of IFRS 9

Effective from 1 January 2018, the current provisions on loan impairment charges will be replaced by the new provisions of IFRS 9. Alm. Brand has estimated the effect of the transition to the new rules at approximately DKK 80 million before tax. The implementation is not expected to have any significant impact on the bank's financial results, but the transitional effect will reduce shareholders' equity as at 1 January 2018 by about DKK 60 million.

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 Bank has decided to use the transition scheme.

IFRS 9 also changes the rules on classification and measurement of financial assets other than loans and advances as well as the rules on hedge accounting. These changes will have no effect on the bank's results. For additional information on the consequences of IFRS 9, see Accounting policies in note 49 below.

New commercial customer division

As part of its new strategy to provide full-range financial advisory services, in the third quarter of 2017 the group resolved to set up a commercial customer division for small and medium-sized businesses. The division is focused on serving businesses with simple financial needs.

MREL add-on

On 30 October 2017, the Danish Financial Supervisory Authority published a final report on the minimum requirement for own funds and eligible liabilities (MREL add-on) of banks, which represents the Danish implementation of the EU Bank Recovery and Resolution Directive (BRRD). According to the report, the MREL add-on will be between 3.5% and 6.0% of the total risk exposure amount, small banks being assigned an add-on of 4.7% on average.

The Danish Financial Supervisory Authority will on an annual basis calculate the MREL add-on, which will be phased in gradually over a 5-year period beginning on 1 January 2019. In January 2018, the Danish Financial Supervisory Authority announced an MREL add-on for Alm. Brand Bank of 5% of the risk-weighted exposures as at 31 December 2016. Calculated for 2017, this corresponds to close to DKK 400 million.

Amendment of leasing rules

On 9 November 2017, a bill was passed in the Danish parliament, which proposes methodology changes to the way in which leasing companies calculate vehicle registration tax. The group has analysed the expected consequences of these changes.

The group believes that leasing cars will remain an attractive solution for both private customers and businesses under the new rules, and the new rules are not expected to have any significant accounting effect for the group.

Capital reservation for credit risk

DKKm	31 Dec. 2017 Total assets	Credit exposure[a]	Accumulated impairment writedowns[b]	Required capital	Total reservation	Reservation/ credit exposure	31 Dec. 2016 Total reservation	Reservation/ credit exposure
Forward-looking portfolio	2,938	3,243	305	329	634	20%	660	21%
Winding-up portfolio	581	2,956	1,264	216	1,480	50%	1,861	49%
Total, excl. reverse transactions	**3,519**	**6,199**	**1,569**	**545**	**2,114**	**34%**	**2,521**	**36%**
Reverse transactions and intra-group transactions	180	180	–	23	23	13%	14	26%
Total, group	**3,699**	**6,379**	**1,569**	**568**	**2,137**	**34%**	**2,535**	**36%**

[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.

EVENTS AFTER THE BALANCE SHEET DATE

Acquisition of activities of Saxo Privatbank A/S

On 5 February 2018, Alm. Brand entered into an agreement to acquire the majority of the activities of Saxo Privatbank A/S for DKK 360 million, corresponding to the book value of the acquired assets and liabilities. The acquisition is financed with equity from the group. Customer relationships taken over are assessed to represent a value of DKK 150-200 million, which amount will be capitalised and written down over a number of years. Moreover, implementation costs are expected to amount to about DKK 200 million, relating primarily to the transition to a common data centre including system development.

Alm. Brand Bank will take over a healthy customer portfolio with good credit quality and increase its business volume significantly through the acquisition. Saxo Privatbank's 17,500 customers, composed of 15,000 private customers and 2,500 small and medium-sized businesses, will be transferred to Alm. Brand Bank.

The activities acquired comprise total loans and advances of DKK 1.8 billion, total loans under Totalkredit facilities of DKK 5.2 billion and deposits of DKK 3.2 billion.In addition, assets under management and custody account balances of DKK 20 billion will be taken over.

In connection with the acquisition, Alm. Brand will also enter into a strategic partnership with Saxo Bank A/S consisting of a white label solution with Saxo Bank's unique trading platform.

Alm. Brand expects to achieve substantial synergies from the acquisition. Like Alm. Brand Bank, Saxo Privatbank A/S has a healthy customer base and needs critical mass in order to improve its operating performance. The synergies include, among other things, lower costs as a result of shared administration, a common future data centre and other group synergies across the Alm. Brand Group's business areas and staff functions.

The total synergies and hence contributions from the acquired activities are expected to amount to some DKK 75 million annually. These synergies will materialise from 2019 onwards. In addition, synergies are expected to materialise longer term in the form of up-selling across the group's other business areas – Non-life Insurance and Life Insurance.

The acquisition is expected to be completed on 1 April 2018 and is subject to approval by the Danish Financial Supervisory Authority and the Danish Competition and Consumer Authority. ■

Banking

GROUP

INCOME STATEMENT

DKKm	2017	Q4 2017	2016	2015	2014	2013
Forward-looking activities:						
Net interest and fee income, Retail	211	52	208	218	182	179
Trading income (excl. value adjustments)	137	44	144	181	212	240
Other income	273	73	218	172	137	89
Total income	**621**	**169**	**570**	**571**	**531**	**508**
Costs	-414	-112	-367	-352	-344	-368
Depreciation and amortisation	-203	-58	-153	-121	-91	-52
Core earnings	**4**	**-1**	**50**	**98**	**96**	**88**
Value adjustments	38	-2	6	-59	-31	-33
Profit/loss from investments	1	1	0	0	17	-2
Alm. Brand Formue (the bank's ownership interest)	–	–	–	–	-4	-25
Profit/loss before impairment writedowns	**43**	**-2**	**56**	**39**	**78**	**28**
Impairment writedowns	15	9	6	-21	-17	-118
Profit/loss before tax, forward-looking activities	**58**	**7**	**62**	**18**	**61**	**-90**
Winding-up activities:						
Profit/loss before impairment writedowns	13	-2	38	-43	-76	-123
Impairment writedowns	-4	0	-56	-306	-260	-256
Profit/loss before tax, winding-up activities	**9**	**-2**	**-18**	**-349**	**-336**	**-379**
Profit/loss before tax and minority interests	**67**	**5**	**44**	**-331**	**-275**	**-469**
Tax	-13	0	-8	82	116	77
Profit/loss after tax and before minority interests	**54**	**5**	**36**	**-249**	**-159**	**-392**
Minority interests	–	–	–	–	11	26
Profit/loss after tax	**54**	**5**	**36**	**-249**	**-148**	**-366**

	DKKm	2017	Q4 2017	2016	2015	2014	2013
BALANCE SHEET	Loans and advances, forward-looking activities	3,117	3,117	2,835	2,981	2,585	2,568
	Loans and advances, winding-up activities	581	581	942	1,317	2,069	4,772
	Deposits	6,987	6,987	7,189	8,099	11,076	10,936
	Shareholders' equity	1,575	1,575	1,521	1,495	1,744	1,696
	Share attributable to minority interests	–	–	–	–	–	193
	Balance sheet	9,027	9,027	9,699	10,416	14,411	16,296
FINANCIAL RATIOS	Interest margin (%)	2.4	2.5	2.5	1.9	1.7	1.6
	Income/cost ratio	1.10	1.03	1.07	0.59	0.56	0.38
	Impairment ratio for the year	-0.5	-0.2	0.4	3.9	2.1	2.1
	Total capital ratio	22.5	22.5	18.1	17.2	17.8	18.4
	Return on equity before tax (%)	4.3	1.2	2.9	-20.4	-15.7	-33.8
	Return on equity after tax (%)	3.5	1.2	2.4	-15.4	-8.8	-27.9

CSR

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

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

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

The full account of corporate social responsibility for 2017 is provided in Alm. Brand's CSR report, which is available in Danish at almbrand.dk/CSRrapport-2017. The group's CSR policy is also available in Danish at almbrand.dk/CSR.

Alm. Brand is a signatory to the UN Global Compact, and the CSR report therefore also represents Alm. Brand's Communication on Progress (COP). ■

Diversity in management

In 2013, Alm. Brand adopted a gender equality policy in accordance with applicable law. The policy is focused on increasing the share of the under-represented gender and entails an annual follow-up on the development in the share of men and women in management positions.

Moreover, the group complies with the recommendation of the Committee on Corporate Governance to once a year discuss activities to ensure relevant diversity at all management levels in the group.

The Alm. Brand's Board of Directors consists of 12 members including employee-elected members. At 31 December 2017, four of the 12 board members were women. In companies subject to the Danish Financial Business Act, employee representatives are included in the calculation of the share of the underrepresented gender, see the Danish Business Authority's guidelines on target figures, policies and reporting on the gender composition of management (2016). Including employee-elected members, the objective of equal gender representation was thus met. The full report on diversity in management for 2017 is available in Danish on the group's website almbrand.dk/mangfoldighed-2017.

Additional information on policies on the gender composition of management, including Alm. Brand's diversity policy and group policy to increase the share of the under-represented gender, is available on the group's website almbrand.dk/corporategovernance. ■

Capitalisation

The Alm. Brand Group has updated its capital target.

Alm. Brand's long-term business goals imply that the group assumes a variety of calculated risks on behalf of its customers, which requires that Alm. Brand has adequate and satisfactory capital resources. The group's risks are described in detail in notes 47 and 48.

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

In addition, the group's subsidiaries have defined capital targets which provide an additional buffer relative to the requirements for their capital. If deemed expedient, additional capital will be reserved to cover additional uncertainties in the group (e.g. legislation etc.).

TOTAL CAPITAL

The group's total capital before proposed dividends was DKK 6,019 million, consisting of equity, tier 2 capital and the Solvency II capital elements profit margin and risk margin.

The total capital includes tier 2 capital of DKK 574 million and a profit margin of DKK 699 million less a risk margin of DKK 57 million.

As the Solvency II capital elements profit margin and risk margin increase the sensitivity of the total capital, Alm. Brand has decided to include only the stable part of the profit margin as part of the dividend distribution potential. In Alm. Brand Forsikring, the profit margin stability is analysed and stress-tested by being exposed to a number of negative scenarios. Based on this analysis, DKK 130 million of the total profit margin is assessed to be sufficiently stable to be included in the dividend distribution potential. In Alm. Brand Pension, stability is assessed on the basis of the bonus rate on the individual sums assured. Accordingly, only the profit margins for interest rate group 0 and interest rate group 1 are considered to be sufficiently stable to be included in the dividend distribution potential. The stable profit margin of Life Insurance amounted to DKK 309 million at 31 December 2017.

STATUTORY CAPITAL REQUIREMENT

The overall capital requirement of the Alm. Brand Group is calculated as the sum of the capital requirements of the individual subsidiaries. The statutory capital requirement for the group has been calculated at DKK 2,102 million, representing an excess coverage relative to the statutory capital requirement of DKK 3,917 million at 31 December 2017. Less proposed dividends and the expected share buyback programme, the excess coverage was DKK 3,237 million at 31 December 2017.

Non-life Insurance and Life Insurance activities

Alm. Brand Forsikring A/S calculates its solvency capital requirement on the basis of a partial internal model in combination with the standard formula of the Solvency II regime. Since end-2012, the partial internal model has been used to calculate the solvency capital requirement attributable to "premium and reserve risk" and "natural catastrophe risk". The partial internal model is designed to reflect the business structure and the reinsurance cover and is based on the company's own data. The model covers all lines except workers' compensation and personal accident, and it is designed to most accurately reflect the risk exposure.

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

The solvency capital requirement of Alm. Brand Forsikring A/S was DKK 1,024 million at 31 December 2017.

Alm. Brand Liv og Pension A/S applies the standard formula provided in the Solvency II legislation for the calculation of the company's capital requirement. The solvency capital requirement of Alm. Brand Liv og Pension A/S was DKK 149 million at 31 December 2017. The level of the solvency capital requirement is relatively high due to the high bonus potentials in Alm. Brand Liv og Pension A/S, which had a bonus rate of 23.6 at 31 December 2017.

Solvency II legislation provides the option of including the loss-absorbing effect of a deferred tax asset in the calculation of the capital requirement. Alm. Brand has decided to make use of this option in the calculation of the capital requirements of the two insurance companies. The deferred tax asset at 31 December 2017 served to reduce the capital requirements for Alm. Brand Forsikring A/S and Alm. Brand Liv og Pension A/S by DKK 289 million and DKK 42 million, respectively.

Banking activities

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

In the credit area, the Pillar 2 add-on covers exposures representing more than 2% of the total capital and credit risk concentration on industries and individual exposures, respectively. In addition to the specified add-ons in the credit area, the bank reserves a Pillar 2 add-on for mortgage deeds and for the private customer portfolio.

In addition to the specified add-ons in the market risk area, the bank reserves a Pillar 2 add-on to cover the credit spread risk on the bank's bonds.

The calculation of adequate total capital in respect of operational risk is also consistent with the Danish Financial Supervisory Authority's 8+ approach. For a more detailed review of all add-ons applied in the determination of the adequate total capital, see the bank's risk disclosure for 2017, which is available at almbrand.dk/risk.

The banking group had a solvency ratio of 22.5 at 31 December 2017. The individual solvency need ratio was 11.9%, while the combined capital buffer requirement was 1.25%. Accordingly, the excess relative to the adequate total capital including the capital buffer requirement was 9.3 percentage points.

The combined capital buffer requirement consists of a capital conservation buffer and a countercyclical capital buffer, respectively. The capital conservation buffer was 1.25% at 31 December 2017, while the countercyclical capital buffer was 0% at 31 December 2017. At 1 January 2018, the capital conservation buffer was 1.875%. The Systemic Risk Council has recommended to the Minister for Industry, Business and Financial Affairs that the countercyclical capital buffer be fixed at 0.5% from the first quarter of 2019.

The MREL add-on will be phased in gradually from 2019 and must be fully phased in by 1 January 2023. The calculated capital reservation is based on the Danish Financial Supervisory Authority's assessment of the bank's MREL add-on based on data reported from year-end 2016. At least 50% of the MREL add-on will be financed by way of convertible senior debt (tier 3 capital). A capital reservation has therefore been made for the remaining 50%, corresponding to DKK 200 million, in respect of the MREL add-on in the Alm. Brand Group. The reservation has been reduced by DKK 200 million relative to the third quarter of 2017. In addition, a DKK 80 million reservation has been made to cover the estimated effect for Alm. Brand Bank on the excess resulting from IFRS 9.

CAPITAL TARGET

Alm. Brand aims to consistently maintain a solid and adequate total capital in order to always be able to serve the group's customers. The capital target has been determined so as to ensure that the group can absorb a 1:200 year loss event and still be able to carry on business.

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

The capital target for the group is a consolidation of the group companies' capital targets including add-ons and diversification in the group. An aggregate capital reservation of DKK 280 million has been made to cover the MREL add-on and the effect of the implementation of IFRS 9 in Alm. Brand Bank, see the section above. As the Alm. Brand Group is exposed to a variety of different risks in the insurance group and the banking group, respectively, a diversification between these risks is factored in at group level. The diversification reflects that, with a certain probability, major credit losses in the bank will not crystallise at the same time as major expenses in the insurance company to cover e.g. weather-related claims. The diversification effect is assessed at DKK 300 million.

The capital target was updated in the fourth quarter of 2017, and this gave rise to adjusting the capital targets of Alm. Brand Liv og Pension A/S and Alm. Brand Bank A/S. The updated capital targets have been structured so as to still ensure that Alm. Brand will be able to absorb a 1:200 year loss event and remain solvent.

The capital target for the insurance group is calculated as 40% of gross premiums in Insurance plus 7% of life insurance provisions. As a result of the improved bonus rate of Alm. Brand Liv og Pension, the capital target was reduced from 8% of life insurance provisions to 7% of life insurance provisions.

The capital target of Alm. Brand Bank is calculated as an excess relative to the individual solvency need plus the phased-in combined capital buffer requirement of at least 2 percentage points, but not less than 18% of the total risk exposure amount. On the basis of the declining risk in the bank due to developments in the winding-up portfolio, the capital target has been reduced from at least 19% of the total risk exposure amount to at least 18% of the total risk exposure amount.

Following the acquisition of the majority of the activities of Saxo Privatbank on 5 February 2018, the bank's capital need is assessed to increase by DKK 430 million (18% of the total risk exposure amount). In addition, a DKK 50 million reservation will be made to cover the MREL add-on, equivalent to 50% of the expected requirement. Finally, a DKK 200 million reservation will be made to cover implementation costs. This amounts to a total reservation of DKK 680 million in respect of the acquisition of the activities of Saxo Privatbank.

The internal capital target calculated at 31 December 2017 was DKK 4,279 million, corresponding to an excess coverage for the group of DKK 719 million, against DKK 1,287 million at 31 December 2016. After proposed dividends and the expected share buyback programme, the excess coverage was DKK 39 million relative to the group's capital target.

Capital target

DKKm	Capital target at 31 December 2017	DKKm	Distributable total capital component at 31 December 2017
Non-life Insurance (40% of gross premiums)	2,063	Shareholders' equity	4,936
Life Insurance (7% of life insurance provisions)	927	Tax assets*)	-50
Banking (18% of total risk exposure amount)	1,361	Profit and risk margins	382
Reservation for MREL add-on	200	Share buyback programme, outstanding	-81
Alm. Brand A/S add-on	28	Tier 2 capital	574
Diversification effect	-300	Reserved for IFRS 9	-80
Capital target, total	**4,279**	**Distributable total capital of the group**	**5,678**
Excess relative to internal capital target			**1,399**
Proposed dividend			**480**
Proposed share buyback programme			**200**
Reserved for financing of acquisition of activities of Saxo Privatbank A/S			**680**
Excess coverage after acquisition and proposed distribution			**39**

* Deferred tax assets excluding tax assets in Alm. Brand Forsikring A/S

Statement on *corporate governance*

Alm. Brand strives to obtain maximum transparency and openness and thus agrees with the basic principles of the corporate governance recommendations. This is reflected in the company's management approach, which is generally consistent with the recommendations.

COMPOSITION AND ORGANISATION OF THE BOARD OF DIRECTORS

Approximately 60% of the share capital of Alm. Brand A/S is held by Alm. Brand af 1792 fmba, which is an association with some 400,000 members, all of whom are customers of Alm. Brand Forsikring A/S. As a result of this structure, five of the eight board members elected by the shareholders are nominated by Alm. Brand af 1792 fmba. The other board members elected by the shareholders are independent.

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

Information about the recommended candidates' background, qualifications and selection criteria are provided at the annual general meeting. Information about e.g. the board members' other executive positions and directorships as well as their special qualifications is provided in the annual report. As regards new candidates, information on other executive positions and directorships, etc. is also provided in the complete proposals sent to shareholders ahead of the annual general meeting.

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

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

BOARD COMMITTEES

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

A detailed description of the tasks of the committees, the members of the committees, meeting frequency, etc. is available on Alm. Brand's website. The information is available in Danish at almbrand.dk/revisionsudvalg and almbrand.dk/afloenningsudvalg.

60%

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

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

Board committees

Audit committee	Remuneration committee
Anette Eberhard (Chair)	Jørgen Hesselbjerg Mikkelsen (Chair)
Jørgen Hesselbjerg Mikkelsen	Jan Skytte Pedersen
Jan Skytte Pedersen	Anette Eberhard
	Susanne Larsen (employee representative)

The Board of Directors has not found it necessary to set up a nomination committee, as the majority of the members of the Board of Directors are elected by the principal shareholder.

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

GOVERNING BODIES

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

The Board of Directors consists of eight members elected by the shareholders in general meeting and four members elected by the employees. Of the 12 board members, eight are men and four are women. The age, seniority, other directorships and special qualifications of the board members are set forth in the list of directorships on pages 56-62. Ebbe Castella, Karen Sofie Hansen-Hoeck and Anette Eberhard are deemed to be independent, as they do not also serve on the board of the company's principal shareholder.

When nominating new members for the Board of Directors, the Board of Directors emphasises that as a whole the following qualifications are represented: general management experience, experience from the Alm. Brand Group's customer segments, experience in auditing and accounting matters, particularly in relation to membership of the audit committee, and insight into legal matters, insight into financial matters and general insight into IT matters.

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

The Board of Directors held ten meetings in 2017.

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

REMUNERATION POLICY

Alm. Brand's remuneration policy is available on the group's website. Among other things, the remuneration policy contains information about the group's share-based remuneration. Further information about the remuneration of the Board of Directors and the Management Board is provided in note 28 to the financial statements. For additional information, go to: almbrand.dk/corporategovernance.

In 2016, the group complied with the remuneration policy described in the 2016 financial statements, and in 2017 it complied with the remuneration policy adopted for 2017.

Board of Directors

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

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

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

Management Board

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

As a fixed part of the fixed salary, a share option scheme was set up for the Management Board in 2012. The scheme ended on 31 March 2016. A share-based remuneration programme was established with effect from 1 July 2016. The award of shares by way of share-based remuneration takes place in the months of June and December, respectively. On 6 June 2017, 6,525 shares were granted at a price of DKK 367,227 for the first half of 2017 and, on 5 December 2017, 5,769 shares were granted at a price of DKK 367,196 for the second half of 2017.

In 2017, the Management Board received remuneration in a total amount of DKK 8.9 million including the value of share-based remuneration. The remuneration of the Management Board is adjusted every two years.

FINANCIAL REPORTING PROCESS

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

Control environment

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

- Organisation
- Plans and budgets
- Risk of fraud
- In-house rules and guidelines

Board remuneration

			Special remuneration for			
DKK	**Remuneration**	**Audit committee**	**Alm. Brand Forsikring A/S**	**Alm. Brand Liv og Pension A/S**	**Alm. Brand Bank A/S**	**Total**
Jørgen Hesselbjerg Mikkelsen (Chairman)*	775,000	40,000	40,000	40,000	175,000	1,070,000
Jan Skytte Pedersen (Deputy Chairman)*	500,000	40,000	40,000	40,000	175,000	795,000
Anette Eberhard	275,000	80,000	40,000	40,000	175,000	610,000
Ebbe Castella	275,000				175,000	450,000
Boris Nørgaard Kjeldsen*	275,000				175,000	450,000
Henrik Christensen*	275,000		40,000	40,000		355,000
Per Viggo Hasling Frandsen*	275,000		40,000	40,000		355,000
Karen Sofie Hansen-Hoeck	275,000					275,000
Lars Christiansen*	275,000					275,000
Brian Egested*	275,000					275,000
Helle Låsby Frederiksen*	275,000					275,000
Susanne Larsen	275,000					275,000

In accordance with the remuneration policy, the board members are not remunerated by way of incentive schemes.
* Member of the board of Alm. Brand af 1792 fmba. Alm. Brand af 1792 fmba pays 10% of the remuneration.

The Board of Directors and the Management Board are responsible for establishing and approving general policies, procedures and controls in key areas in relation to the financial reporting process. The audit committee supports the Board of Directors in this work. On an ongoing basis, the Management Board monitors compliance with relevant legislation and other financial reporting regulations and provisions, and reports its findings to the Board of Directors.

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

Risk assessment

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

- Risk measurement and risk management
- Financial reporting and budget organisation
- Internal control
- Rules on powers of procuration
- Segregation of functions or compensatory measures
- IT organisation and IT security

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

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

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

Risk management and the financial reporting process

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

Risk management is coordinated by a cross-organisational risk committee consisting of the Management Board and the companies' risk managers as well as the persons in charge of the actuarial departments, the sales organisation, the IT department, the finance department and the persons holding business responsibility in Non-life Insurance, Life Insurance and Banking.

The finance department is responsible for preparing full-year and interim financial statements. The key financial reporting contributors are the non-life and life insurance actuarial departments, which are responsible for calculating technical provisions, and the risk management department, which is responsible for calculating the group's financial assets and liabilities. In addition, the credit secretariat is an important contributor with respect to the accounting treatment of the bank's loans and advances.

The report is prepared by the Investor Relations department on the basis of information from a number of departments, including the finance department and the individual business areas.

For a more detailed review of the risks facing the group, see note 47, Capital and risk management, and note 48, Significant accounting estimates, assumptions and uncertainties.

WHISTLEBLOWER SCHEME

In 2014, the group set up a whistleblower scheme as part of the implementation of new legislation. Employees can use the whistleblower scheme to anonymously report violations or suspected violations of financial legislation committed by employees or board members of Alm. Brand's companies. Responsibility for the whistleblower scheme rests with the Compliance department, which received no reports in 2017.

DEVIATION FROM CORPORATE GOVERNANCE RECOMMENDATIONS

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

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

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

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

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

The Board of Directors has reviewed the new "Stewardship Code" (in Danish: "Anbefalinger for aktivt Ejerskab") and believes that the company and the financial undertakings of the Alm. Brand Group both together and individually hold so few and insignificant ownership interests in Danish listed companies that the drafting of a formal stewardship policy, ongoing dialogue with issuers and reporting would not accommodate the objectives which the code is intended to support. The Alm. Brand Group uses screening agencies and proxy advisers to manage its global shareholdings. ■

Shareholder information

In 2017, Alm. Brand distributed more than DKK 1 billion to its shareholders, which is the largest distribution in company history.

The total amount distributed was composed of a dividend of DKK 813 million and a share buyback programme of up to DKK 300 million. For the 2017 financial year, the Board of Directors proposes a total distribution of up to DKK 680 million.

SHARE PRICE PERFORMANCE

The Alm. Brand share increased by 50% in 2017, from DKK 54.00 at the beginning of the year to DKK 81.00 at the end of 2017. Including the group's dividend of DKK 5 per share, the total return for the year was 59%. The Alm. Brand share experienced particularly strong price appreciation in the fourth quarter.

In December 2017, Nasdaq Copenhagen A/S announced that the Alm. Brand share would advance from the mid cap segment to the large cap segment with effect from 2 January 2018.

In 2017, the equity markets were generally characterised by increasing prices, and the C25 index was up 13% over the year. The mid cap and the large cap segment saw increases of 7% and 11%, respectively.

SHARE CAPITAL AND OWNERSHIP

Since 2015, the Alm. Brand Group has used share buyback programmes as part of the total distribution. The principal shareholder, Alm. Brand af 1792 fmba, participates proportionately in the buyback programmes, thereby maintaining its ownership interest of just under 60%. A small portion is used for share-based remuneration.

On 28 February 2017, Alm. Brand completed the DKK 400 million share buyback programme.

At the annual general meeting held on 26 April 2017, the shareholders approved a reduction of the company's share capital by 8,000,000 shares of DKK 10 each by cancellation of treasury shares. After the reduction, the company's share capital amounted to DKK 1,655,000,000.

On 24 April 2017, the group initiated a new share buyback programme for the period until March 2018 totalling up to DKK 300 million. At 31 December 2017, shares for a total amount of DKK 220 million had been bought back under the share buyback programme.

At 31 December 2017, Alm. Brand's portfolio of shares amounted to 3.6% of the share capital.

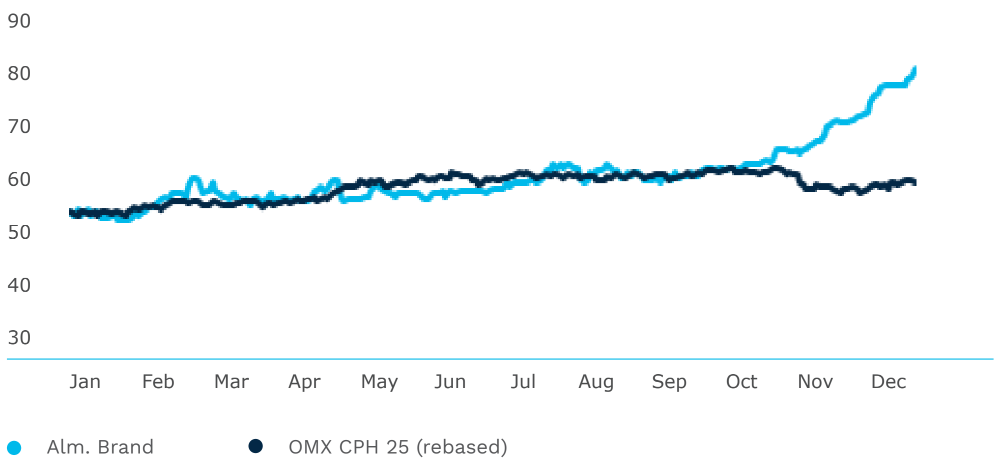
Alm. Brand A/S is a subsidiary of the limited liability association Alm. Brand af 1792 fmba, whose ownership interest of 58.8% at 31 December 2017 makes it the only shareholder with a shareholding of more than 5%. Alm. Brand is not aware of any other shareholders holding an ownership interest of more than 5%.

Alm. Brand has a total of some 16,000 registered shareholders, and the free float is just under 40%.

Share information

Listed on	Nasdaq Copenhagen
ISIN code	DK001525034-4
Ticker	ALMB
No. of shares	165,500,000
Denomination	DKK 10 per share
Share capital	DKK 1,655,000,000
Votes	One vote per share
Index	Nasdaq Copenhagen's LargeCap index

Share price performance in 2017



Shareholdings

	No. of shares held 1 Jan. 2017		No. of shares held 31 Dec. 2017	
	Personally	Related parties	Personally	Related parties
Board of Directors				
Jørgen H. Mikkelsen, Chairman	138,869	139,939	141,469	145,139
Jan Skytte Pedersen, Deputy Chairman	12,000	-	12,000	-
Boris Nørgaard Kjeldsen	8,651	-	8,651	-
Henrik Christensen	-	12,750	-	12,750
Karen Sofie Hansen-Hoeck	-	-	-	-
Anette Eberhard	3,249	-	3,249	-
Per Viggo Hasling Frandsen	31,000	-	31,000	-
Ebbe Castella	2,000	-	2,000	-
Helle Låsby Frederiksen	2,400	-	2,400	-
Lars Christiansen	277	-	277	-
Susanne Larsen	9,978	-	7,141	-
Brian Egested	110	-	110	-
Management Board				
Søren Boe Mortensen	42,190	1,173	54,484	1,173

In aggregate, the Management Board has unexercised share options entitling the holders to acquire up to 480,360 shares.

Danish investors make up the largest group of shareholders. Danish investors represented 70% of the free float shares in 2017, which was unchanged from 2016. US-based investors accounted for 10%, the proportion having declined slightly in recent years. On the other than, the proportion of UK-based investors increased in 2017 to total 9% of the free float shares, as compared with 4% at 31 December 2016.

Dividend policy

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

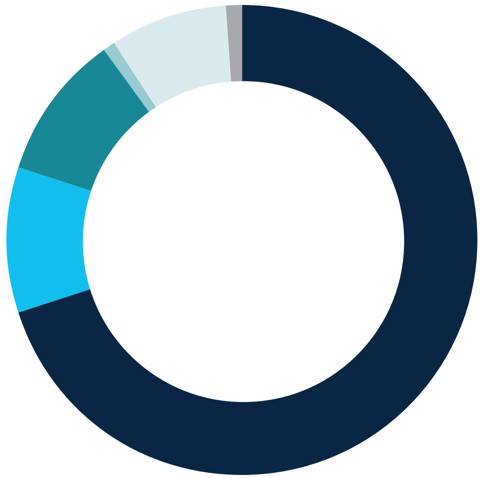
Alm. Brand seeks to distribute stable ordinary dividends and adjusts its total capital by way of share buybacks and/or extraordinary dividends as and when deemed necessary.

The Board of Directors recommends payment of an ordinary dividend of DKK 1.50 per share and an extraordinary dividend of DKK 1.50 per share. This makes for a total cash dividend payout of about DKK 480 million. In addition, a new share buyback programme for up to DKK 200 million is proposed, which is expected to run until end-March 2019. The new share buyback programme is subject to the approval of the Danish Financial Supervisory Authority.

Investor relations

Management gives priority to meeting regularly with investors and analysts. In connection with the release of financial statements, management and the investor relations team go on roadshows, in 2017 both in Denmark and abroad. In addition, professional and private investors and analysts are addressed by holding a number of one-on-one meetings and presentations for large and small audiences.

Geographical breakdown



- 70% Denmark
- 10% USA
- 9% UK
- 1% Scandinavia excl. Denmark
- 8% Europe, other
- 2% Other

Excluding Alm. Brand af 1792 fmba

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

Alm. Brand also posts company announcements and other investor-related news on its website, along with information about the analysts covering Alm. Brand and their recommendations. This information is available at almbrand.dk/ir. ■

Financial ratios

	2013	2014	2015	2016	2017
Earnings per share	1.1	2.0	3.1	5.0	5.0
Price/NAV	0.91	1.17	1.60	1.73	2.67
Net asset value per share	27	28	30	31	30
Price at 31 December	24.10	32.70	48.40	54.00	81.00
Avg. daily turnover (DKKm)	5.2	6.8	6.6	6.9	10.5
Market capitalisation (DKKbn)	4.2	5.7	8.3	9.0	13.2
Ordinary dividend per share		0.50	1.50	1.50	1.50
Extraordinary dividend per share			1.50	3.50	1.50
Share buyback (DKKm)			27	309	285

Financial calendar 2018

28 February 2018	Release of Annual Report 2017
30 April 2018	Annual general meeting
1 May 2018	Shares traded ex dividend
3 May 2018	Payment of dividend
17 May 2018	Release of Q1 2018 interim report
23 August 2018	Release of H1 2018 interim report
15 November 2018	Release of 9M 2018 interim report

Alm. Brand observes a three-week silent period before the release of full-year and interim reports. The annual general meeting of Alm. Brand A/S will be held at 11.00 a.m. on Wednesday, 30 April 2018 at Tivoli Hotel & Congress Center, Arni Magnussons Gade 2-4, 1577 Copenhagen V, Denmark.

Board of Directors

Jørgen Hesselbjerg Mikkelsen (Chairman)

Farm owner, born in 1954
and appointed in 1994.

SPECIAL QUALIFICATIONS

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

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Chairman** Alm. Brand A/S Alm. Brand Bank A/S Alm. Brand af 1792 fmba Alm. Brand Fond
	Member Alm. Brand Forsikring A/S Forsikringsselskabet Alm. Brand Liv og Pension A/S
DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP	**Chairman** Danish Agro A.m.b.a Danish Agro Finance A/S
	Member DanPiglet A/S Hesselbjerg Agro A/S Vilomix International Holding A/S Dava International Holding A/S Dan Agro Holding A/S Landbrug & Fødevarer f.m.b.a. Danish Agro Machinery Holding A/S Dava Foods Holding A/S
MANAGER	J.H.M. Holding 2010 ApS

Jan Skytte Pedersen (Deputy Chairman)

Manager, born in 1956
and appointed in 2010.

SPECIAL QUALIFICATIONS

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

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Deputy Chairman** Alm. Brand A/S Alm. Brand Bank A/S Alm. Brand af 1792 fmba Alm. Brand Fond
	Member Alm. Brand Forsikring A/S Forsikringsselskabet Alm. Brand Liv og Pension A/S
DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP	**Chairman** Ringvejens Autolakereri A/S Herm. Rasmussen A/S Herm. Rasmussen A/S Malerforretning Herm. Rasmussen A/S Erhvervsejendomme Eniig a.m.b.a
	Member Herm. Rasmussen A/S Holding Malerfirmaet Fr. Nielsen og Søn, Skanderborg, Aktieselskab Silkeborg Fodbold College Fabrikant Michael Sørensens Fond Ejendomsselskabet Lysbroengen P/S
MANAGER	Herm. Rasmussen A/S Holding Malerfirmaet Fr. Nielsen og Søn, Skanderborg, Aktieselskab

Henrik Christensen

Attorney, born in 1950 and appointed in 2010.

SPECIAL QUALIFICATIONS

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

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member** Alm. Brand A/S Alm. Brand af 1792 fmba Alm. Brand Fond Alm. Brand Forsikring A/S Forsikringsselskabet Alm. Brand Liv og Pension A/S
DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP	**Chairman** H. Klindt Petersen A/S T.E. Gruppen A/S Torben Enggaard Holding A/S Anelin A/S Rosenkrantz A/S
	Member Boulevarden 1 Invest ApS Musikhuset Jomfru Ane Gade ApS
MANAGER	Advokatanpartsselskabet Henrik Christensen Boulaw 8 ApS VGH Nr. 277 ApS Akola Aps
PARTNER	Fortuna I/S Gråbrødrehus I/S

Karen Sofie Hansen-Hoeck

Manager, born in 1965 and appointed in 2013.

SPECIAL QUALIFICATIONS

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

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member** Alm. Brand A/S
DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP	**Chair** Madkulturen (institution under the Ministry of Environment and Food of Denmark)
	Member Danske Spil A/S Softline A/S Fairtrade Mærket Danmark Fonden
MANAGER	Fooducer ApS Retail Network ApS

Boris Nørgaard Kjeldsen

Managing director,
born in 1959
and appointed in 2003.

SPECIAL QUALIFICATIONS

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

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member** Alm. Brand A/S Alm. Brand Bank A/S Alm. Brand af 1792 fmba Alm. Brand Fond
DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP	**Chairman** Kemp & Lauritzen A/S
	Member Benny Johansen & Sønner A/S DAVISTA Komplementarselskab A/S DAVISTA K/S Ejendomsforeningen Danmark (deputy chairman) Arkitektgruppen A/S Rådhuspladsen A/S
MANAGER	DADES A/S (managing director) DAVISTA Komplementarselskab A/S DAVISTA K/S Rådhuspladsen A/S (managing director) Soeborg Ejendomme ApS (managing director)

Anette Eberhard

Manager, born in 1961
and appointed in 2015.

SPECIAL QUALIFICATIONS

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

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member** Alm. Brand A/S Alm. Brand Bank A/S Alm. Brand Forsikring A/S Forsikringsselskabet Alm. Brand Liv og Pension A/S
DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP	**Member** Sundhedsfagliges Ejendoms-aktieselskab Pensionkassen for sundhedsfaglige
MANAGER	EKF Danmarks Eksportkredit Eksport Kredit Finansiering A/S

Per Viggo Hasling Frandsen

Estate owner, born in 1952 and appointed in 2009.

SPECIAL QUALIFICATIONS

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

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member**	Alm. Brand A/S Alm. Brand af 1792 fmba Alm. Brand Fond Alm. Brand Forsikring A/S Forsikringsselskabet Alm. Brand Liv og Pension A/S
DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP	**Chairman**	"Sia" Per Frandsen Latvia

Ebbe Castella

Manager, born in 1950 and appointed in 2013.

SPECIAL QUALIFICATIONS

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

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member**	Alm. Brand A/S Alm. Brand Bank A/S

Helle Låsby Frederiksen (employee representative)

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

SPECIAL QUALIFICATIONS

Experience from the Alm. Brand Group's customer segments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Chair** Staff association of Alm. Brand Forsikring A/S
	Member Alm. Brand A/S Alm. Brand af 1792 fmba Alm. Brand Fond

Lars Christiansen (employee representative)

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

SPECIAL QUALIFICATIONS

Experience from the Alm. Brand Group's customer segments

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member** Alm. Brand A/S Alm. Brand af 1792 fmba Alm. Brand Fond

Brian Egested (employee representative)

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

SPECIAL QUALIFICATIONS

Experience from the Alm. Brand Group's customer segments
General management experience

DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member** Alm. Brand A/S Alm. Brand af 1792 fmba Alm. Brand Fond

Susanne Larsen (employee representative)

Financial adviser, born in 1964
and appointed in 2006.

SPECIAL QUALIFICATIONS

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

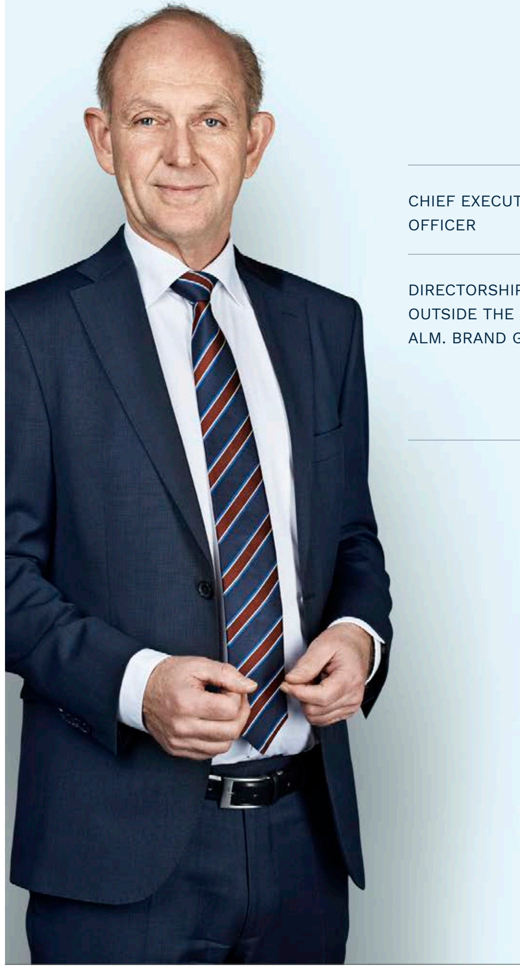
DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Member** Alm. Brand A/S

Management Board

Søren Boe Mortensen

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



DIRECTORSHIPS

DIRECTORSHIPS WITHIN THE ALM. BRAND GROUP	**Chairman** Alm. Brand Forsikring A/S Forsikringsselskabet Alm. Brand Liv og Pension A/S Alm. Brand Præmieservice A/S Alm. Brand Ejendomsinvest A/S Pensionskassen under Alm. Brand A/S (appointed by the Management Board)
	Member Alm. Brand Bank A/S
CHIEF EXECUTIVE OFFICER	Alm. Brand A/S Alm. Brand af 1792 fmba
DIRECTORSHIPS OUTSIDE THE ALM. BRAND GROUP	**Chairman** Forsikringsakademiet A/S Forsikring & Pension Fonden F&P Formidling Forsikringsorganisationernes Fællessekretariat F.M.B.A

Financial statements *Group*

Statement by the Board of Directors and the Management Board

The Board of Directors and the Management Board have today considered and approved the annual report of Alm. Brand A/S for the period 1 January to 31 December 2017.

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

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31 December 2017 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year ended 31 December 2017.

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

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

Management Board

Copenhagen, 28 February 2017

Søren Boe Mortensen
Chief Executive Officer

Board of Directors

Copenhagen, 28 February 2017

Jørgen Hesselbjerg Mikkelsen
Chairman

Jan Skytte Pedersen
Deputy Chairman

Ebbe Castella

Henrik Christensen

Anette Eberhard

Per Viggo Hasling Frandsen

Karen Sofie Hansen-Hoeck

Boris Nørgaard Kjeldsen

Lars Christiansen

Brian Egested

Helle Låsby Frederiksen

Susanne Larsen

Auditors' reports

ENDORSEMENT ON THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Alm. Brand A/S for the financial year 1 January to 31 December 2017, which comprise income and comprehensive income statement, balance sheet, statement of changes in equity and notes to the financial statements, including accounting policies, for the group as well as for the parent company, and cash flow statement and consolidated segment reporting. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial enterprises, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the group's financial position at 31 December 2017 and of its financial performance and cash flows for the financial year 1 January to 31 December 2017 in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial enterprises.

Also, in our opinion, the parent company financial statements give a true and fair view of the financial position of the parent company at 31 December 2017 and of its financial performance for the financial year 1 January 2017 to 31 December 2017 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the audit committee and the Board of Directors.

Basis of opinion

We conducted our audit on the basis of the Executive Order of the Danish Financial Supervisory Authority on auditing financial enterprises and financial groups and in accordance with international standards on auditing with respect to the planning and performance of the audit.

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

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

Statement on the management's review

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

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

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

Internal auditor

Copenhagen, 28 February 2018

Poul-Erik Winther

Group Chief Auditor

INDEPENDENT AUDITORS' REPORT

To the shareholders of Alm. Brand A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Alm. Brand A/S for the financial year 1 January to 31 December 2017, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including the summary of significant accounting policies, for the Group as well as the Parent and the consolidated cash flow statement and the segment information for the Group. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed financial companies, and the parent financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2017 and of its financial performance and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of financial companies.

Also, in our opinion, the parent financial statements give a true and fair view of the financial position of the Parent at 31 December 2017 and of its financial performance for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

Basis for opinion

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

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Alm. Brand A/S for the first time prior to 1995. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of more than 23 years up to and including the financial year 2017.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2017. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loans and advances and guarantees

Determining impairment losses on loans and advances is subject to considerable uncertainty and is highly based on Management judgement. As a consequence of the materiality of these judgements and the size of loans and advances in the Group, the audit of impairment losses on loans and advances is a key audit matter.

Loans and advances of the Group total DKK 4,631 million at 31 December 2017 (DKK 5,106 million at 31 December 2016) and impairment losses in this respect total income of DKK 11 million in 2017 (expense of DKK 50 million in 2016). Impairment losses of DKK 22 million have been recognised as part of the translation adjustments in 2017 (DKK 26 million in 2016).

The principles for determining impairment charge are described in the summary of significant accounting policies, and Management has further described the management of credit risks and the review for impairment in more detail in notes 8, 27, 47 and 48.

In 2017, loans and advances to the agricultural sector have required the auditor's special attention due to extensive borrowings in the agricultural sector.

The areas with the highest level of judgement and which therefore require increased attention during the audit are:

- Assessment as to whether the loans and advances have been impaired
- Measurement of certainties that are included in determining impairment charge
- Management judgements

Management has informed about the effect of the transition to IFRS 9 in note 49, summary of significant accounting policies, including the effect on equity at 1 January 2018.

Measurement of provisions for insurance contracts

The measurement of provisions for insurance contracts, which, among other things, covers insurance and claims outstanding provision, is complex and significantly affected by accounting estimates based on management judgements, including assumptions of future events. The audit of provisions for insurance contracts is therefore a key audit matter.

Provisions for insurance contracts total DKK 20,961 million at 31 December 2017 (DKK 20,092 million at 31 December 2016).

Management has further described the principles for the measurement of provisions for insurance contracts in "Summary of significant accounting policies" note 49, pages 137-149, and related material accounting estimates, assumptions and uncertainties in note 48, pages 134-136, and has further specified the insurance provisions in note 14, pages 89-94.

We have assessed that the most significant risks are attributable to the following elements which are either particularly complex and/or highly affected by management judgements:

- Changes to assumptions, including:
  - Mortality and disability
  - Future inflation expectations
  - Direct and indirect costs for release of claims outstanding provisions
- Changes to methodology and models applied
- Best estimate of future value of claims
- Estimate of profit margin and risk margin
- Yield curve with addition of volatility adjustment
- Uncertainty specifically connected with long-tailed sectors
- Management add-ons to the actuarial estimates made to manage the risk of unfavourable developments in claims for damages

How the risk is addressed in our audit?

Based on our risk assessment, we have audited the impairment losses and assessed the methodology applied and the assumptions that are used as basis according to the description of the key audit matter.

Our audit procedures have also specifically included:

- Gathering of audit evidence and testing of processes and key controls
- Challenge of procedures and methodology applied in the areas that require the highest level of estimate based on our knowledge of and experience with the industry
- Assessment of changes to assumptions in the areas that require the highest level of estimate compared to industry trends and historical observations
- Risk-based testing of commitments to ensure timely determination of impairment losses on loans and advances – and that those impaired loans and advances are sufficiently written down for impairment. In this connection, we have had special focus on the agricultural sector
- Challenge of management judgements with special focus on management consistency and objectivity, including special focus on documentation of sufficiency of management add-ons related to the agricultural sector

We have cooperated with our internationally qualified actuaries in auditing the measurement of provisions for insurance contracts prepared by Management and assessed the methodology and models applied.

Our audit procedures have, among other things, included:

- Assessment and test of controls concerning processes for claims and recognition and measurement of provisions concerning claims notified
- Challenge of the models applied based on our knowledge of and experience with the industry, including a review of changes compared to the previous year
- Assessment of changes to assumptions compared to industry trends and historical observations
- Evaluation of applied elements mentioned in the risk description, including an assessment compared to historical data and market practice for e.g. mortality and disability
- Recalculation of provisions for insurance contracts in selected insurance sectors by applying population data, including assessment of management add-ons
- Recalculation of life insurance provisions for all policies in a selected interest group
- Sample review of calculation of provisions for selected individual policies concerning life insurance
- Review and assessment of assumptions for calculation of provision for unearned premiums, risk and profit margin.

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Copenhagen, 28 February 2018

Henrik Wellejus
State-Authorised Public Accountant
MNE no 24807

Brian Schmit Jensen
State-Authorised Public Accountant
MNE no 40050

Balance sheet

		Group	
DKKm	**Note**	**2017**	**2016**
Assets			
Intangible assets	1	3	0
Owner-occupied properties	2	663	698
Deferred tax assets	3	63	217
Investments in associates	4	0	0
Reinsurers' share of insurance contracts	5	163	183
Current tax assets	6	12	10
Other assets	7	1,814	1,612
Loans and advances	8	4,631	5,106
Investment properties	9	610	905
Investment assets	10	26,195	25,205
Balances due from credit institutions and central banks	11	320	705
Cash in hand and balances at call		180	218
Total assets		**34,654**	**34,859**
Liabilities and equity			
Share capital		1,655	1,735
Reserves, retained earnings, etc.		2,801	2,634
Proposed dividend		480	831
Consolidated shareholders' equity	12	**4,936**	**5,200**
Subordinated debt	13	574	574
Provisions for insurance contracts	14	20,961	20,092
Other provisions	15	36	31
Other liabilities	16	1,109	1,315
Deposits	17	6,706	6,953
Payables to credit institutions and central banks	18	332	694
Total liabilities and equity		**34,654**	**34,859**

Income statement

DKKm	Note	Group 2017	Group 2016
Income statement			
Income			
Premium income	19	6,551	6,309
Interest income, etc.	20	733	819
Fee income, etc.	21	187	134
Other income from investment activities	22	24	4
Profit/loss from investments in associates	23	0	5
Other income	24	278	223
Total income		**7,773**	**7,494**
Costs			
Claims expenses	25	-4,296	-4,004
Interest expenses	26	-88	-128
Other expenses from investment activities		-62	-77
Impairment of loans, advances and receivables, etc.	27	32	-23
Acquisition costs and administrative expenses	28	-1,617	-1,475
Total costs		**-6,031**	**-5,707**
Profit/loss from business ceded	29	-190	-251
Change in life insurance provisions	0	-878	-790
Change in profit margin		-31	-27
Value adjustments	30	501	434
Tax on pension investment returns	31	-121	-120
Profit/loss before tax		**1,023**	**1,033**
Tax	32	-212	-207
Profit/loss after tax		**811**	**826**
Earnings per share, DKK		5.0	5.0
Diluted earnings per share, DKK		4.9	4.9

Statement of comprehensive income

DKKm	Note	Group 2017	Group 2016
Comprehensive income			
Profit/loss for the year		811	826
Items that are or may be reclassified subsequently to profit or loss		0	0
Items that will not be reclassified to profit or loss:			
Revaluation of owner-occupied properties		-7	9
Transferred to collective bonus potential		7	-9
Tax on other comprehensive income		0	0
Total other comprehensive income		**0**	**0**
Total comprehensive income		**811**	**826**

Statement of changes in equity

DKKm	Share capital	Contin-gency funds	Other reserves	Other provi-sions	Retai-ned profit	Propo-sed di-vidend	Share-holders' equity
Shareholders' equity at 1 January 2016	**1,735**	**182**	**0**	**1,215**	**1,512**	**521**	**5,165**
Change in accounting policies					5		5
Adjusted shareholders' equity at 1 January 2015	**1,735**	**182**	**0**	**1,215**	**1,517**	**521**	**5,170**
Changes in shareholders' equity 2016:							
Profit/loss for the year					826	0	826
Reversed revaluation of owner-occupied properties			9		0		9
Transferred to collective bonus potential			-9		0		-9
Comprehensive income	0	0	0	0	826	0	826
Proposed dividend					-831	831	-831
Dividende distributed					21	-521	21
Share option scheme, issuance					1		1
Share option scheme, exercise					34		34
Purchase and sale of treasury shares					-321		-321
Capital movements in subsidiaries					-10		-10
Changes in shareholders' equity	**0**	**0**	**0**	**0**	**-280**	**310**	**-280**
Shareholders' equity at 31 December 2016	**1,735**	**182**	**0**	**1,215**	**1,237**	**831**	**5,200**
Shareholders' equity at 1 January 2017	**1,735**	**182**	**0**	**1,215**	**1,237**	**831**	**5,200**
Changes in shareholders' equity 2017:							
Profit/loss for the year					811	0	811
Reversed revaluation of owner-occupied properties			-7		0		-7
Transferred to collective bonus potential			7		0		7
Comprehensive income	0	0	0	0	811	0	811
Cancellation of treasury shares	-80				80		0
Proposed dividend					-480	480	0
Dividende distributed					18	-831	-813
Share option scheme, exercise					25		25
Purchase and sale of treasury shares					-287		-287
Changes in shareholders' equity	**-80**	**0**	**0**	**0**	**167**	**-351**	**-264**
Shareholders' equity at 31 December 2017	**1,655**	**182**	**0**	**1,215**	**1,404**	**480**	**4,936**

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

Cash flow statement

DKKm	2017	2016
Cash flows from operating activities		
Premiums received	6,437	6,177
Claims paid	-4,283	-4,136
Interest, dividends, etc. received	726	778
Interest paid	-22	-38
Payments concerning reinsurance	-159	-220
Fee income received	193	160
Fee income paid	-6	-26
Expenses paid	-1,986	-1,401
Tax on pension investment returns paid	-72	-67
Other ordinary income received	278	223
Taxes paid/received	-60	-63
Cash flows from operating activities	**1,046**	**1,387**
Change in investment placement (net)		
Acquisition of intangible assets, furniture, equipment, etc.	-142	-160
Properties acquired or converted	584	104
Sale/acquisition of equity investments	120	-380
Sale/repayment of mortgage deeds and loans	436	512
Sale/purchase of bonds	-842	685
Change in investment placement (net)	**156**	**761**

Group	2017	2016
Change in financing		
Sale/purchase of treasury shares and cost related to share issue	-262	-287
Dividende distributed	-813	-500
Share options	0	1
Change in issued bonds	0	-5
Change in deposits	-247	-1,046
Change in payables to credit institutions	-308	-17
Change in other liabilities	5	0
Change in financing*	**-1,625**	**-1,854**
Change in cash and cash equivalents	**-423**	**294**
Cash and cash equivalents beginning of year	923	629
Cash and cash equivalents, year end	**500**	**923**
Cash and cash equivalents comprise the following items:		
Cash in hand and balances at call	180	218
Balances due from credit institutions and central banks, see note 11	144	127
Balances due from credit institutions and central banks, see note 11	176	578
Cash and cash equivalents, year end	**500**	**923**

*) The amount of DKK 1,625 million consists of the expiry of a repo/reverse agreement (DKK 295 million) and cash inflows og outflows.

Segment reporting, balance sheet

DKKm	Note	Non-life	Life	Banking	Other	Elimination	Total
							2017
Assets							
Intangible assets	1	0	0	3	0		3
Owner-occupied properties	2	0	0	0	0	663	663
Deferred tax assets	3	53	1	45	0	-36	63
Investments in associates	4	0	0	0	0		0
Reinsurers' share of insurance contracts	5	141	22	0	0		163
Current tax assets	6	0	9	106	19	-122	12
Other assets	7	658	141	1,119	55	-159	1,814
Loans and advances	8	1,111	0	3,698	0	-178	4,631
Investment properties	9	13	1,256	4	0	-663	610
Investment assets	10	8,651	13,697	3,567	288	-8	26,195
Balances due from credit institutions and central banks	11	0	0	320	0		320
Cash in hand and balances at call		75	118	165	17	-195	180
Total assets		**10,702**	**15,244**	**9,027**	**379**	**-698**	**34,654**
Liabilities and equity							
Share capital		0	0	0	1,655		1,655
Reserves, retained earnings, etc.		1,903	540	1,575	-2,067	850	2,801
Proposed dividend		590	260	0	480	-850	480
Consolidated shareholders' equity	12	**2,493**	**800**	**1,575**	**68**	**0**	**4,936**
Subordinated debt	13	149	120	175	250	-120	574
Provisions for insurance contracts	14	7,203	13,758	0	0		20,961
Other provisions	15	29	0	7	0		36
Deferred tax liabilities	3	0	0	0	36	-36	0
Current tax liabilities	6	122	0	0	0	-122	0
Other liabilities	16	664	336	223	25	-139	1,109
Deposits	17	0	0	6,987	0	-281	6,706
Payables to credit institutions and central banks	18	42	230	60	0	0	332
Total liabilities and equity		**10,702**	**15,244**	**9,027**	**379**	**-698**	**34,654**

Segment reporting, balance sheet

							2016
DKKm	**Note**	**Non-life**	**Life**	**Banking**	**Other**	**Elimination**	**Total**
Assets							
Intangible assets	1	0	0	0	0		0
Owner-occupied properties	2	0	0	0	0	698	698
Deferred tax assets	3	69	21	156	0	-29	217
Investments in associates	4	0	0	0	0		0
Reinsurers' share of insurance contracts	5	170	13	0	0		183
Current tax assets	6	0	0	101	18	-109	10
Other assets	7	647	134	973	62	-204	1,612
Loans and advances	8	1,329	0	3,777	0	0	5,106
Investment properties	9	16	1,580	7	0	-698	905
Investment assets	10	8,363	12,611	3,807	439	-15	25,205
Balances due from credit institutions and central banks	11	0	0	688	17		705
Cash in hand and balances at call		214	35	190	16	-237	218
Total assets		**10,808**	**14,394**	**9,699**	**552**	**-594**	**34,859**
Liabilities and equity							
Share capital		0	0	0	1,735		1,735
Reserves, retained earnings, etc.		1,647	683	1,521	-2,322	1,105	2,634
Proposed dividend		940	165	0	831	-1,105	831
Consolidated shareholders' equity	12	**2,587**	**848**	**1,521**	**244**	**0**	**5,200**
Subordinated debt	13	149	120	175	250	-120	574
Provisions for insurance contracts	14	7,239	12,853	0	0		20,092
Other provisions	15	23	0	8	0		31
Deferred tax liabilities	3	0	0	0	29	-29	0
Current tax liabilities	6	98	11	0	0	-109	0
Other liabilities	16	625	312	449	29	-100	1,315
Deposits	17	0	0	7,189	0	-236	6,953
Payables to credit institutions and central banks	18	87	250	357	0	0	694
Total liabilities and equity		**10,808**	**14,394**	**9,699**	**552**	**-594**	**34,859**

Segment reporting, income statement

DKKm	Note	Non-life	Life	Banking	Other	Elimination	Total
							2017
Income							
Premiums	19	5,157	1,394	0	0		6,551
Interest income, etc.	20	220	301	209	7	-4	733
Fee income, etc.	21	0	0	244	0	-57	187
Other income from investment activities	22	1	85	-1	0	-61	24
Profit/loss from investments in associates	23	0	0	0	0	0	0
Other income	24	0	0	278	0		278
Total income		**5,378**	**1,780**	**730**	**7**	**-122**	**7,773**
Costs							
Claims expenses	25	-3,264	-1,032	0	0		-4,296
Interest expenses	26	-52	-5	-23	-12	4	-88
Other expenses from investment activities		-33	-42	0	-44	57	-62
Impairment of loans, advances and receivables, etc.	27	0	0	32	0		32
Acquisition costs and administrative expenses	28	-901	-99	-678	0	61	-1,617
Total costs		**-4,250**	**-1,178**	**-669**	**-56**	**122**	**-6,031**
Profit/loss from business ceded	29	-187	-3	0	0		-190
Change in life insurance provisions	0	0	-871	0	0	-7	-878
Change in profit margin		0	-31				-31
Value adjustments	30	-24	517	6	-5	7	501
Tax on pension investment returns	31	0	-121	0	0		-121
Profit/loss before tax		**917**	**93**	**67**	**-54**	**0**	**1,023**
Tax	32	-196	-16	-13	13		-212
Profit/loss after tax		**721**	**77**	**54**	**-41**	**0**	**811**

Segment reporting, income statement

							2016
DKKm	**Note**	**Non-life**	**Life**	**Banking**	**Other**	**Elimination**	**Total**
Income							
Premiums	19	5,028	1,281	0	0		6,309
Interest income, etc.	20	251	322	242	7	-3	819
Fee income, etc.	21	0	0	188	0	-54	134
Other income from investment activities	22	1	58	6	0	-61	4
Profit from investments in associates	23	0	0	5	0	0	5
Other income	24	0	0	223	0		223
Total income		**5,280**	**1,661**	**664**	**7**	**-118**	**7,494**
Costs							
Claims expenses	25	-3,034	-970	0	0		-4,004
Interest expenses	26	-75	-5	-38	-13	3	-128
Other expenses from investment activities		-33	-45	0	-53	54	-77
Impairment of loans, advances and receivables, etc.	27	0	0	-23	0		-23
Acquisition costs and administrative expenses	28	-851	-101	-584	0	61	-1,475
Total costs		**-3,993**	**-1,121**	**-645**	**-66**	**118**	**-5,707**
Profit/loss from business ceded	29	-247	-4	0	0		-251
Change in life insurance provisions		0	-799	0	0	9	-790
Change in profit margin		0	-27	0	0		-27
Value adjustments	30	-73	494	25	-3	-9	434
Tax on pension investment returns	31	0	-120	0	0		-120
Profit/loss before tax		**967**	**84**	**44**	**-62**	**0**	**1,033**
Tax	32	-204	-10	-8	15		-207
Profit/loss after tax		**763**	**74**	**36**	**-47**	**0**	**826**

For additional segment information, see note 35 Segment reporting, Non-life Insurance and note 36 Segment reporting, Banking.

Overview of notes

Notes with reference

Notes without reference

Notes

DKKm	2017	2016
Note 1 Intangible assets		
Software	3	0
Intangible assets, year-end	**3**	**0**
Software		
Cost, beginning of year	323	323
Cost, year-end	326	323
Accumulated amortisation and impairment, beginning of year	-323	-323
Accumulated amortisation and impairment, year-end	-323	-323
Software, year-end	3	0
Note 2 Owner-occupied properties		
Cost, beginning of year	637	620
Additions during the year	0	17
Disposals during the year, reclassified to investment properties	-23	0
Cost, year-end	614	637
Accumulated revaluations, beginning of year	83	74
Revaluations during the year	1	10
Reversal of prior year revaluation through shareholders' equity	-8	-1
Accumulated revaluations, year-end	76	83

	2017	2016
Accumulated depreciation and impairment, beginning of year	-22	-19
Accumulated depreciation and impairment, beginning of year, reclassified from investment properties	0	-3
Impairment for the year	-6	0
Reversal of prior year impairment through profit or loss	1	0
Depreciation on disposal	0	0
Accumulated depreciation and impairment, year end	-27	-22
Owner-occupied properties, year-end	**663**	**698**
Restated value, beginning of year	698	675
Additions during the year	0	14
Disposals during the year	-23	0
Value adjustment recognised through the income statement	-5	0
Value adjustment recognised through shareholders' equity	-7	9
Restated value, year-end	663	698
Average return, office property	5.59%	5.62%

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

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

The methods applied in the calculation of fair values in the current year are unchanged.
The profit for the period includes an unrealised gain of DKK 1 million in value adjustments.

Notes

The most important non-observable inputs used in the fair value calculation are:
Required rate of return 5.59% (2016: 5.62 %)
Rent per m^2 DKK 1,557 (2016: DKK 1,545)

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

DKKm	2017	2016
Note 3 Deferred tax assets		
Deferred tax assets, beginning of year	217	425
Change in accounting policies	0	-1
Prior-year adjustment	1	-9
Change for the year	-155	-154
tax on pension investment return	0	-44
Deferred tax assets, year-end	**63**	**217**
Deferred tax on contingency funds	-40	-40
Deferred tax on intangible assets, etc.	54	62
Deferred tax on real estate	1	21
Deferred tax on goodwill	0	4
Deferred tax on lease assets	-8	16
Deferred tax on provisions	11	19
Deferred tax on losses carried forward	45	135
Deferred tax assets, year-end	63	217

DKKm	2017	2016
Deffered tax assets, Non-life	53	69
Deffered tax assets, Life	1	21
Deffered tax assets, Banking	45	156
Deffered tax assets, Other	-36	-29
Deferred tax assets, year-end	**63**	**217**

Deferred tax has been capitalised taking into account future earnings and the potential for utilisation. The group had total tax assets of some DKK 72 million at 31 December 2017, of which DKK 63 million has been capitalised. Deferred tax in the amount of DKK 40 million has been offset against contingency funds.

Note 4 Investments in associates		
Investments in associates		
Cost, beginning of year	0	13
Additions	0	0
Disposals	0	-13
Cost, year-end	0	0
Revaluations and impairment, beginning of year	0	-1
Dividends	0	0
Profit/loss for the year	0	5
Reversal of adjustments	0	-4
Revaluations and impairment, year-end	0	0
Investment in associates, year-end	**0**	**0**

Notes

DKKm	2017	2016
Note 5 Reinsurers' share of insurance contracts		
Reinsurers' share of lifeinsurance provisions	13	13
Reinsurers' share of premium provisions	9	7
Reinsurers' share of claims provisions	141	163
Reinsurers' share ofinsurance contracts, year-end	**163**	**183**
Reinsurers' share of life insurance provisions		
Beginning of year	13	13
Change for the year	0	0
Year-end	13	13
Reinsurers' share of premium provisions		
Beginning of year	7	7
Premiums ceded	-310	-319
Payments to reinsurers	312	319
Discounting	0	0
Year-end	9	7
Reinsurers' share of claims provisions		
Beginning of year	163	222
Addition, acquisition of portfolio	0	0
Claims ceded	111	38
Payments received from reinsurers	-133	-97
Discounting	0	0
Year-end	141	163

The portfolio acquisition is described in note 14 Provisions for insurance contracts.

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

If the security rating of a reinsurer is downgraded to below the level prevailing at the signing of the contract, Alm. Brand has a contractual right to terminate the contract. Any commutation proposals/agreements at less than 100% of the claims provisions are registered, and any disputes that the group might have with its reinsurers are taken into consideration.

Based on the above, at the balance sheet date, the group assesses whether there are any doubtful receivables from reinsurers. If that is the case, an impairment loss is recognised. Alm. Brand has no significant concentrations of credit risks on reinsurers.

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

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

DKKm	2017	2016
Note 6 Current tax assets		
Current tax assets, beginning of year	10	10
Prior-year tax adjustment	0	10
Tax paid/received in respect of prior years	-10	-20
Tax paid during the year	71	63
Estimated tax on profit/loss for the year	-59	-53
Current tax assets, year-end	**12**	**10**
Current tax assets, Non-life	-122	-98
Current tax assets, Life	9	-11
Current tax assets, Banking	106	101
Current tax assets, Other	19	18
Deferred tax assets, year-end	**12**	**10**

Notes

DKKm	2017	2016
Note 7 Other assets		
Receivables from policyholders	194	158
Receivables from insurance brokers	3	3
Receivables from insurance companies	54	1
Receivables from group enterprises	0	1
Other receivables	29	32
Positive market value of derivatives, gross	86	94
Furniture and equipment, computers, cars, etc.	963	822
Other assets	246	239
Pensionskassen under Alm. Brand A/S	15	12
Interest receivable	183	208
Prepayments	41	42
Other assets, year-end	**1,814**	**1,612**
Furniture and equipment, computers, cars, etc.		
Cost, beginning of year	1,208	955
Additions during the year	495	473
Disposals during the year	-245	-220
Cost, year-end	1,458	1,208
Accumulated depreciation and impairment, beginning of year	-386	-294
Depreciation for the year	-199	-158
Impairment	-5	0
Depreciation on disposals	95	66
Accumulated depreciation and impairment, year-end	-495	-386
Other balances regarding operating leases	0	0
Furniture and equipment, computers, cars, etc., year-end	963	822
Furniture and equipment, computers, cars, etc., year-end, non-life	2	1
Furniture and equipment, computers, cars, etc., year-end, banking	961	821
Furniture and equipment, computers, cars, etc., year-end	963	822

	2017	2016
Future minimum lease payments for assets held under operating leases		
Term of 1 year or less	237	196
Term of 1-5 years	166	170
Term of 5 years or more	0	0
Total	403	366

Alm. Brand has hedged its pension commitments in Pensionskassen under Alm. Brand A/S. Om Pensionskassen kan oplyses følgende:

	2017	2016
Present value of commitment, beginning of year	-100	-106
Interest expenses	0	0
Benefits paid	9	9
Actuarial gains/losses from financial assumptions	-4	4
Actuarial gains/losses from demographic assumptions	7	-2
Actuarial gains/losses from experience adjustments	-2	-5
Present value of commitment, year-end	-90	-100
Fair value of plan assets, beginning of year	112	117
Return on plan assets	0	0
Return on assets (excluding amounts recognised in net interest expenses	2	4
Benefits paid	-9	-9
Extraordinary income	0	0
Fair value of plan assets, year-end	105	112
Present value of commitment	-90	-100
Fair value of plan assets	105	112
Net asset recognised in the balance sheet	15	12
Net interest income	0	0
Extraordinary income	0	0
Costs recognised in the income statement	0	0

Notes

DKKm	2017	2016
Remeasurement of defined benefit pension plans		
Return on plan assets excluding amounts recognised in net interest expenses	2	4
Actuarial gains/losses from financial assumptions	-4	4
Actuarial gains/losses from demographic assumptions	7	-2
Actuarial gains/losses from experience adjustments	-2	-5
Recognised in other comprehensive income	3	1
Recognised in income statement and other comprehensive income	3	1

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

The pension obligations are calculated on the basis of the following actuarial assumptions		
The 10-year point on the discount curve at the beginning of the financial year	0.04%	0.18%
Expected rate of inflation	1.00%	1.00%
Average remaining life expectancy in years for pension benefit recipient		
Male	7.4	7.8
Female	6.8	6.5

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

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

The pension fund is managed by Alm. Brand A/S, which pays all costs related thereto. Auditing expenses and regulatory fees and taxes are paid by the pension fund. Alm. Brand A/S has undertaken to pay pension contribution determined by the pension fund's chief actuary and any extraordinary contributions required by the Danish Financial Supervisory Authority. Alm. Brand af 1792 fmba has undertaken to indemnify the Alm. Brand A/S for any and all costs the company may incur from time to time in respect of these obligations. The pension fund is managed by a board of directors comprised of eight members, half of whom are elected by an among the voting members of the pension fund.

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

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

The obligations of the pension fund are calculated on the basis of expected benefits discounted by the EIOPA discount curve including any positive volatility adjustment.
An interest rate change will affect the value of both assets and liabilities. The difference in this effect constitutes the interest rate risk.

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

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

If the discount rate is 100 bps higher (lower), the pension obligations will decline by DKK 5 million (increase by DKK 6 million). If the rate of inflation is 1 percentage point higher (lower), the pension obligations will increase by DKK 6 million (fall by DKK 5 million). A 10% increase (decline) in mortality intensities will cause the average remaining lifetime to decline (increase) by 0.4 of a year for both men and women and cause the pension obligation to decline by DKK 4 million (increase by DKK 5 million).

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

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

As the pension fund is a disbursement-only pension fund, no contributions are expected to be made to the scheme next year.The average weighted duration of the pension obligations at 31 December 2017 was 6.6 years (2016: 6.8 years).

DKKm	2017	2016
Note 8 Loans and advances		
Loans and advances at fair value	1,276	1,523
Loans and advances at amortised cost	3,355	3,583
Loans and advances, year-end	**4,631**	**5,106**
Loans and advances at fair value		
Mortgage deeds	1,276	1,523
Loans and advances at fair value, year-end	1,276	1,523
Loans and advances at fair value, year-end, non-life	1,111	1,329
Loans and advances at fair value, year-end, banking	165	194
Loans and advances at fair value, year-end	1,276	1,523

Of the year's total negative fair value adjustment of mortgage deeds of DKK 15 million (2016: negative adjustment of DKK 21 million), a negative amount of DKK 16 million was due to credit losses (2016: negative amount of DKK 18 million). At 31 December 2017, the accumulated impairment writedowns on the bank’s portfolio of mortgage deeds amounted to DKK 486 million (2016: DKK 643 million)

DKKm	2017	2016
Loans and advances at amortised cost		
Loans and advances	4,566	4,757
Leases	50	36
Total before impairment etc.	4,616	4,793
Impairment etc.	-1,083	-1,211
Loans and advances at amortised cost, year-end	3,533	3,582
Gross investment in finance leases		
Term of 1 year or less	21	19
Term of 1-5 years	31	21
Term of 5 years or more	2	0
	54	40
Unearned financial income	-4	-4
Net investment in finance leases, year-end	50	36
Net investment in finance leases		
Term of 1 year or less	20	17
Term of 1-5 years	29	19
Term of 5 years or more	1	0
Net investment in finance leases, year-end	50	36
Of which, any unguaranteed residual value	-	-
Impairment of finance leases	0	0

DKKm	2017	2016
Value of loans and advances for which there is an object		
Individual assessment		
Loans and advances before impairment	1,259	1,589
Impairment etc.	-912	-1,043
Individual assessment, year-end	347	546
Collective assessment		
Loans and advances before impairment	2,186	2,619
Impairment etc.	-170	-168
Collective assessment, year-end	2,016	2,451
Loans and advances after impairment, year-end	2,363	2,997

Note 9 Investment properties

	2017	2016
Carrying amount, beginning of year	905	939
Additions during the year, property	1	14
Additions during the year, improvements	0	0
Reclassified from owner-occupied property	0	0
Disposals during the year	-509	-138
Value adjustments during the year	213	90
Investment properties, year-end	**610**	**905**
Investment properties, year-end, Non-life	13	16
Investment properties, year-end, Life	593	882
Investment properties, year-end, Banking	4	7
Investment properties, year-end	**610**	**905**
Average return, office property	5.79%	5.69%
Average return, residential property	6.00%	6.00%
Total average return	5.80%	5.70%

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

Investment properties Non-life and Life

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

The methods applied in the calculation of fair values in the current year are unchanged. The profit for the period includes an unrealised profit of DKK 90 million in Other income from investment activities.

The most important non-observable inputs used in the fair value calculation are:
Required rate of return 5.8% (2016: 5.7 %)
Rent per m^2 DKK 1,277 (2016: DKK 1,385)

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

Investment properties Banking

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

Notes

DKKm	Non-life	Life	Banking	Other	Total	Non-life	Life	Banking	Other	Total
Note 10 Investment assets										
Government bonds	295	2,643	205	0	3,143	0	2,314	58	0	2,372
Mortgage bonds	7,843	8,785	3,007	285	19,920	7,798	7,968	3,472	436	19,674
Other fixed-rate instruments	312	312	147	0	771	350	418	55	0	823
Other floating-rate instruments	64	98	0	2	164	46	106	0	2	154
Listed shares	0	1,556	27	0	1,583	0	850	28	0	878
Unlisted shares	8	5	181	1	195	8	575	194	1	778
Positive market value of derivative financial instruments, gross	121	298	0	0	419	151	380	0	0	526
Other	8	0	0	0	0	10	0	0	0	0
Investment assets, year-end	**8,651**	**13,697**	**3,567**	**288**	**26,195**	**8,363**	**12,611**	**3,807**	**439**	**25,205**

The group's holding of listed and unlisted shares had a market value of DKK 1,778 milion at 31 December 2017 (2016: DKK 1,656 million). A significant part of the group's equity exposure is achieved through the use of derivatives such as options and futures. The aggregate equity exposure, including derivatives, was DKK 3,443 million at 31 December 2017 (2016: DKK 3,093 million). The bank's portfolio of financial instruments is recognised under other assets and other liabilities. Please refer to the bank's annual report for further details on the positions. For an overview of the net position in derivative financial instruments, see note 42 Offsetting.

DKKm	2017	2016
Note 11 Balances due from credit institutions and central banks		
Balances at notice with central banks	1	5
Balances due from credit institutions	319	700
Balances due from credit institutions and central banks, year-end	**320**	**705**
By term to maturity:		
Balances at call	144	127
Up to and including 3 months	176	578
Over 3 months and up to and including 1 year	0	0
Year-end	320	705

DKKm	2017	2016
Receivables in connection with genuine purchase and resale transactions:		
Balances due from credit institutions and central banks	0	266
Other debtors	0	0
Year-end	**0**	**266**

Notes

DKKm	2017	2016
Note 12 Consolidated shareholders' equity		
Share capital, year-end	**1,655**	**1,735**

The share capital consists of 165,500,000 shares of DKK 10 each and has been fully paid up.

The following shareholder has announced that it holds more than 5% of the share capital:
Alm. Brand af 1792 fmba, Midtermolen 7, 2100 Copenhagen Ø

DKKm	2017	2016	2015	2014	2013
Share capital, beginning of year	1,735	1,735	1,735	1,735	1,735
Cancellation of treasury shares	-80				
Share capital, year-end	1,655	1,735	1,735	1,735	1,735

Reference is made to the statement of changes in equity.

DKKm	2017	2016
Solvency		
Tier 1 capital after deductions	3,272	3,188
Total capital after deductions	3,579	3,200
Weighted items subject to credit risk	8,366	8,845
Weighted items subject to market risk	918	898
Weighted items subject to operational risk	1,143	927
Total weighted items	10,427	10,670
Tier 1 capital after deductions as a percentage of total weighted items	31.4%	29.9%
Total capital ratio	34.3%	30.0%

The total capital is calculated in accordance with the CRD-IV rules and the FICOD II rules.

	2017	2016
No. of shares		
Reconciliation of the no. of shares (1,000)		
Issued shares, beginning of year	168,410	173,500
Treasury shares, beginning of year	-10,034	-5,090
No. of shares, beginning of year	158,376	168,410
Shares acquired/sold during the year	-3,881	-4,944
Cancellation of treasury shares	8,000	0
Issued shares, year end	165,500	173,500
Treasury shares, year end	-5,915	-10,034
No. of shares, year end	159,585	163,466
Treasury shares		
Treasury shares, beginning of year	0	0
Value adjustment	-141	-288
Acquired during the year, net	221	288
Cancellation of treasury shares	-80	0
Treasury shares, year-end	0	0
Nominal value, beginning of year	100	51
Acquired during the year, net	39	49
Cancellation of treasury shares	-80	0
Nominal value, year-end	59	100
Holding (1,000) beginning of year	10,034	5,090
Acquired during the year	4,803	6,742
Sold during the year	-922	-1,798
Cancellation of treasury shares	-8,000	0
Holding (1,000), year-end	5,915	10,034
Percentage of share capital, year-end	3.6%	5.8%

Notes

DKKm	2017	2016
Note 13 Subordinated debt		
Subordinated loan capital		
Floating rate bullet loans maturing 2020.03.15	149	149
Floating rate bullet loans maturing 2024.04.01	250	250
Floating rate bullet loans maturing 2027.01.31	175	0
Subordinated loan capital, year-end	574	399
Hybrid loan capital		
Fixed-rate bullet loans in DKK with indefinite terms	0	175
Hybrid loan capital, year-end	0	175
Subordinated debt, year-end	**574**	**574**
Subordinated debt, year-end, Non-life	149	149
Subordinated debt, year-end, Banking	175	175
Subordinated debt, year-end, Other	250	250
Subordinated debt, year-end	**574**	**574**
Interest on subordinated debt	26	23
Of which amortisation of costs incurred on raising	0	0
Extraordinary instalments	0	0

The subordinated loan capital in the Non-life Insurance segment carries interest at a floating rate of three-month EURIBOR plus 1.80 basis points.

The subordinated loan of DKK 175 million was issued on 31 January 2017. The interest rate is calculated as 6M CIBOR plus a fixed percentage of 5.25% p.a. The subordinated loan will have a 10-year maturity with an option for Alm. Brand Bank to terminate the loan after five years. The additional tier 1 capital of DKK 175 million was issued on 12 October 2006 and redeemed on 31 January 2017.

The subordinate loan capital in the segment Other carries a floating rate of interest of 3M CIBOR plus 5.0 percentage points.

In connection with the calculation of the total capital, DKK 574 million of the group's subordinated capital of DKK 574 million was recognised in accordance with the applicable rules.

DKKm	2017	2016
Note 14 Provisions for insurance contracts		
Unearned premium provisions	1,191	1,187
Profit margin on non-life insurance contracts	431	457
Outstanding claims provisions	5,280	5,311
Risk margin on non-life insurance contracts	301	284
Life insurance provisions	13,363	12,488
Profit margin on life insurance contracts	395	365
Provisions for insurance contracts, year-end	**20,961**	**20,092**
Unearned premium provisions		
Unearned premium provisions, beginning of year	1,187	1,203
Premiums received	5,134	4,992
Premiums recognised as income	-5,157	-5,028
Discounting (bond maturity effect), all years	9	14
Discounting (value adjustment), all years	3	17
Change in profit margin	21	-7
Change in risk margin	-6	-4
Unearned premium provisions, year-end	1,191	1,187
Profit margin on non-life insurance contracts		
Profit margin, beginning of year	457	461
Addition, acquisition of portfolio	2	0
Discounting (bond maturity effect), all years	-7	-1
Discounting (value adjustment), all years	0	-10
Change for the year	-21	7
Profit margin, year-end	431	457

Notes

DKKm	2017	2016
Outstanding claims provisions		
Beginning of year	5,311	5,471
Addition, acquisition of portfolio	44	0
Claims paid regarding previous years	-1,341	-1,375
Change in expected claims expenses regarding previous years	-278	-429
Claims paid regarding current year	-2,007	-1,915
Expected claims expenses, current year	3,542	3,464
Discounting (bond maturity effect), all years	14	25
Discounting (value adjustment), all years	2	79
Hedging of inflation risk	4	-1
Change in risk margin	-12	-8
Outstanding claims provisions, year-end	5,279	5,311
Risk margin on non-life insurance contracts		
Risk margin, beginning of year	284	262
Addition, acquisition of portfolio	1	0
Change for the year regarding previous years	-48	-48
Change for the year regarding current year	59	56
Discounting (bond maturity effect), all years	1	1
Discounting (value adjustment), all years	-2	9
Change for the year in the risk margin on premiums	6	4
Risk margin, year-end	301	284

With effect from 1 September 2017, Alm. Brand took over a portfolio from the insurance company Trafik G/S. The portfolio amounted to approximately DKK 40 million, consisting of close to 3,000 cars and about 1,500 customers. The takeover included employees of Trafik G/S.

The portfolio transfer comprised the technical provisions and receivables and other payables relating to the insurance portfolio. Receivables totalling DKK 10 million, other payables of DKK 7 million and technical provisions of DKK 50 million were taken over.

The portfolio takeover had no significant impact on the profit for the year (less than DKK 1 million).

Notes

DKKm	2012	2013	2014	2015	2016	2017	Total
Run-off triangle, gross							
Estimated accumulated claims							
Year-end	3,268	4,004	3,433	3,505	3,460	3,537	
1 year later	3,152	4,285	3,413	3,346	3,365		
2 years later	3,158	4,265	3,290	3,298			
3 years later	3,142	4,259	3,192				
4 years later	3,134	4,165					
5 years later	3,076						
	3,076	4,165	3,192	3,298	3,365	3,537	20,633
Paid to date	-2,880	-3,868	-2,870	-2,830	-2,626	-2,002	-17,076
Provisions before discounting effect, year-end	196	297	322	468	739	1,535	3,557
Discounting effect	0	0	0	-1	-2	-3	-6
Acc. value change, health and personal accident insurance	4	6	4	3	9	10	36
	200	303	326	470	746	1,542	3,587
Provisions from 2011 and prior years							1,692
Gross outstanding claims provisions, year-end							5,279
Run-off triangle, net of reinsurance							
Estimated accumulated claims							
Year-end	3,246	3,467	3,332	3,411	3,388	3,442	
1 year later	3,120	3,442	3,348	3,272	3,287		
2 years later	3,114	3,458	3,226	3,226			
3 years later	3,099	3,455	3,123				
4 years later	3,097	3,362					
5 years later	3,034						
	3,034	3,362	3,123	3,226	3,287	3,442	19,474
Paid to date	-2,847	-3,086	-2,812	-2,776	-2,591	-1,954	-16,066
Provisions before discounting effect, year-end	187	276	311	450	696	1,488	3,408
Discounting effect	0	0	0	-1	-2	-3	-6
Acc. change, health and personal accident insurance	6	9	4	3	10	12	44
	193	285	315	452	704	1,497	3,446
Provisions from 2011 and prior years							1,696
Outstanding claims provisions year-end, net of reinsurance							5,142

The table indicates the historical development of the assessed final liability (the sum of payments and provisions) for each claim year from 2012 to 2017. The stated liabilities were calculated excluding discounting, thus eliminating fluctuations due to changes in discount rates and discounting methods. Worker's compensation and health and personal accident insurance are, however, calculated including discounting. The development is presented gross as well as net of reinsurance.

Notes

DKKm	2017	2016
Life insurance provisions		
Life insurance provisions beginning of year	12,488	11,689
Profit margin, beginning of year	365	339
Total provisions for insurance contracts, beginning of year	12,853	12,028
Collective bonus potential, beginning of year	-1,317	-1,149
Accumulated value adjustments, beginning of year	-1,210	-1,119
Retrospective provisions, beginning of year	10,326	9,760
Adjustment, beginning of year*	-20	0
Gross premiums	1,394	1,281
Addition of return	415	383
Resetting of negative bonus	20	19
Claims and benefits	-1,032	-970
Expense supplement after addition of expense bonus	-81	-78
Risk gain after addition of risk bonus	-75	-66
Other changes	-11	-3
Retrospective provisions, year-end	10,936	10,326
Accumulated value adjustments, year-end	1,117	1,210
Collective bonus potential, year-end	1,705	1,317
Total provisions for insurance contracts, year-end	13,758	12,853
Profit margin, year-end	-395	-365
Life insurance provisions, year-end	13,363	12,488

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

* An adjustment at the beginning of 2017 reduced the retrospektive provisions by DKK 17 million. The adjustment was due to the recognition of a too high bonus amount in the statement as at 31. December 2016. The difference relative to 31 December was also due to a change in accumulated value adjustments in the calculation af provisions from Forenede Gruppeliv.

DKKm						2017
	Garanteed benefits	Individual bonus-potential	Collective bonus-potential	Total	Return rate (%)	Bonus-rate (%)
Life insurance provisions per basis						
Interest rate group 0	6,208	872	1,089	8,169	8.1	26.8
Interest rate group 1	1,018	2	238	1,258	5.8	25.9
Interest rate group 2	1,082	3	157	1,242	5.4	16.4
Interest rate group 3	2,407	3	218	2,628	3.6	13.4
Interest rate group L66/U74	63	0	0	63	-	-
Risk groups	0	0	3	3	-	-
	10,778	880	1,705	13,363	6.6	23.6

Notes

DKKm						2016
	Garanteed benefits	Individual bonus-potential	Collective bonus-potential	Total	Return rate (%)	Bonus-rate (%)
Life insurance provisions per basis						
Interest rate group 0	5,305	753	722	6,780	6.2	23.6
Interest rate group 1	1,207	2	253	1,462	7.5	23.1
Interest rate group 2	1,118	1	119	1,238	6.2	12.1
Interest rate group 3	2,696	3	216	2,915	7.0	11.6
Interest rate group L66/U74	86	0	0	86	-	-
Risk groups	0	0	7	7	-	-
	10,412	759	1,317	12,488	6.7	20.1

No collective bonus potential was added to the expense groups.

DKKm	2017	2016
Expense result		
Cost contribution after addition of expense bonus	82	80
Insurance operating expenses for the year, net of reinsurance	-96	-96
Expense result, net of reinsurance	-14	-16
Expense result as a percentage of technical provisions	-0.1	-0.2
Risk result		
Risk group death	70	67
Risk group disability	4	10
Risk group surviv - L1	-12	-13
Risk group surviv - L2	-1	-1
Risk result after addition of risk bonus, net of reinsurance	61	63
Risk resulat as a percentage of technical provisions	0.5	0.5
Return on policyholder's funds after costs before tax (%)	5.9	6.0

DKKm	2017	2016
Riskmargin		
Interest rate group 0	56	50
Interest rate group 1	5	6
Interest rate group 2	4	4
Interest rate group 3	8	9
Interest rate group L66/U74	2	3
Total risk margin	75	72
Profit margin		
Interest rate group 0	300	256
Interest rate group 1	26	32
Interest rate group 2	20	20
Interest rate group 3	49	57
Total profit margin	395	365

Notes

DKKm	2017	2016
Undiscounted expected cash flows		
Life insurance provisions		
Cash flow 1 year or less	553	451
Cash flow 1-5 years	1,989	2,014
Cash flow 5 years or more	10,507	9,951
Gross claims provisions		
Cash flow 1 year or less	124	145
Cash flow 1-5 years	784	783
Cash flow 5 years or more	292	222
Profit margin, gross		
Cash flow 1 year or less	1,316	1,281
Cash flow 1-5 years	-681	-639
Cash flow 5 years or more	-215	-195
Claims provisions, gross		
Cash flow 1 year or less	2,122	1,850
Cash flow 1-5 years	1,741	1,697
Cash flow 5 years or more	1,404	1,297
Risk margin, gross		
Cash flow 1 year or less	58	63
Cash flow 1-5 years	116	117
Cash flow 5 years or more	12	96

Calculation of claims provisions

For all lines except workers' compensation, the future inflation rate is estimated and recognised implicitly in the provison models. The future inflation rate forecast used in the calculation of provisions in relation to workers' compensation consists of an inflation element and a real wage element.

The cash flow regarding payment of provisions for the past ten claims years is estimated for all lines and discounted using the government bondadjusted yield curve of the Danish Financial Supervisory Authority. In workers' compensation, provisions relating to claims years more than ten-years back are also discounted.

Sensitivity of provisions

Social inflation may have a great impact on our results and the size of outstanding claims provisions. Social inflation can be a tendency for the courts to increase claims payments, changed case handling procedures with the public authorities which lead to higher claims and legislative changes that affect benefit levels, also with retroactive effect.

Social inflaion has a particular impact on claims levels within workers' compensation, vehicle and liability insurance. When discounted provisions are made, expectations of the future inflation and discount rates on long-tail business are sensitive to changes.

Adequacy of provisions

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

DKKm	2017	2016
Note 15 Other provisions		
Provisions for jubilees, severance payments, bonus, etc.	31	25
Provisions for losses on guarantees	5	6
Other provisions, year-end	**36**	**31**
Provisions for jubilees, severance payment, bonus, etc., beginning of year	25	26
New and adjusted provisions	7	5
Net provisions recognised during the year	-1	-1
Reversed provisions during the year	-1	-5
Discounting effect	1	0
Provisions for jubilees, severance payment, bonus, etc., year-end	31	25

Notes

DKKm	2017	2016
Provisions for losses on guarantees beginning of year	6	8
Provisions for the year	1	3
Reversed provisions for the year	-2	-5
Provisions for losses on guarantees, year-end	5	6

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

Note 16 Other liabilities

	2017	2016
Payables to policyholders	43	9
Payables related to direct insurance	20	15
Payables related to reinsurance	24	14
Payables to group enterprises	18	15
Repo/reverse transactions, negative values	0	219
Negative market value of derivatives	409	475
Liabilities temporarily acquired	0	0
Other payables	565	533
Deferred income	30	35
Other liabilities, year-end	1,109	1,315

For an overview of the net position in derivative financial instruments, see note 42 Offsetting.

Note 17 Deposits

	2017	2016
Deposits at call	5,814	5,509
At notice	211	718
Time deposits	-2	-2
Special categories of deposits	683	728
Deposits, year-end	6,706	6,953

Note 18 Payables to credit institutions and central banks

	2017	2016
Central banks	0	0
Credit institutions	332	694
Payables to credit institutions and central banks, year-end	332	694
By term to maturity:		
Due on demand	332	428
Up to and including 3 months	0	266
Over 3 months and up to and including 1 year	0	0
Over 1 year and up to and including 5 year	0	0
Over 5 years	0	0
Year-end	332	694
Debt arising from genuine purchase and resale transactions:		
Payables to credit institutions and central banks	0	0
Other payables	0	0
Year-end	0	0

Note 19 Premium income

	2017	2016
Gross premiums	6,528	6,273
Change in unearned premium provisions	23	36
Total premium income	**6,551**	**6,309**

Direct insurance is exclusively written in Denmark

	2017	2016
Premium income, Life Insurance		
Regular premiums	704	667
Single premiums	690	614
Total premium income, Life Insurance	1,394	1,281

Notes

DKKm	2017	2016
Individually written insurance	650	621
Insurance written in employment relationship	525	448
Group life schemes	219	212
Total premium income, Life Insurance	1,394	1,281
Number of policies (1,000)		
Individually written insurance	56	57
Insurance written in employment relationship	7	7
Group life schemes	65	64

All policies in Life Insurance written include a bonus arrangement. The life insurance company only writes direct Danish insurance.

Note 20 Interest income, etc.	2017	2016
Equity investments	55	71
Bonds	387	430
Loans secured by mortgages	93	112
Other loans	161	177
Deposits in credit institutions	6	-1
Other investment assets	31	30
Total interest income, etc.	**733**	**819**
Interest income in connection with genuine purchase and resale transactions:		
Balances due from credit institutions and central banks	0	-1
Other debtors	-1	0

Note 21 Fee income, etc.	2017	2016
Securities trading and deposits	88	95
Payment transfers	5	5
Commission fees	2	2
Other fees and commissions	71	58
Dividends	46	0
Fees and commissions paid	-25	-26
Total fee income, etc.	**187**	**134**

Note 22 Other income from investment activities	2017	2016
Rental income	26	45
Operation and maintenance - occupied leases	13	-21
Operation and maintenance - vacant leases	-15	-20
Total other income from investment activities	**24**	**4**

Note 23 Profit/loss from investments in associates	2017	2016
Total profit/loss from investments in associates	**0**	**5**

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

Note 24 Other income	2017	2016
Income from lease agreements	276	224
Other	2	-1
Total other income	**278**	**223**

Notes

DKKm	2017	2016
Note 25 Claims expenses		
Claims paid	-4,379	-4,260
Change in outstanding claims provisions	83	256
Total claims expenses	**-4,296**	**-4,004**
Run-off result, claims	278	429
Run-off result, risk margin	48	48
Run-off result, ceded business	-4	-31
Run-off result, net	322	446

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

	2017	2016
Claims and benefits paid, Life Insurance		
Insurance sums on death	-70	-77
Insurance sums on critical illness	-22	-22
Insurance sums on disability	-5	-5
Insurance sums on expiry	-99	-127
Pension and annuity benefits	-303	-307
Surrenders	-394	-299
Cash bonus payments	-139	-133
Total claims and benefits, Life Insurance	-1,032	-970

	2017	2016
Note 26 Interest expenses		
Credit institutions and central banks	-1	-1
Deposits and other payables	-12	-26
Subordinated debt	-26	-23
Other interest expenses	-30	-38
Discounting insurance contracts	-19	-40
Total interest expenses	**-88**	**-128**
Interest expenses arising from genuine purchase and resale transactions:		
Payables to credit institutions and central banks	0	0
Deposits and other payables	0	0

	2017	2016
Note 27 Impairment of loans, advances and receivables, etc.		
Individual assessment:		
Impairment and value adjustments, respectively, during the year	-112	-236
Reversal of impairment in previous years	105	203
Total individual assessment	-7	-33
Collective assessment:		
Impairment and value adjustments, respectively, during the year	-13	-13
Reversal of impairment in previous years	10	31
Total collective assessment	-3	18
Losses not previously provided for bad debts recovered	-9	-59
Other losses and provisions	51	51
Total impairment of loans, advances and receivables, etc.	**32**	**-23**

	2017	2016
Note 28 Acquisition costs and administrative expenses		
Acquisition commission	-153	-147
Other acquisition costs	-564	-516
Administrative expenses	-900	-812
Total acquisition costs and administrative expenses	**-1,617**	**-1,475**
Salaries and wages	1,011	985
Pension	150	146
Payroll tax, etc.	159	148
Share-based payment	6	4
Total salaries and wages, pension, etc.	1,326	1,283

Notes

Part of the payroll expenses for the year have been allocated as claims handling costs and are therefore included under claims incurred.

DKKm	**2017**	**2016**
Average number of employees	1,602	1,572
Remuneration to the Management Board and Board of Directors (DKK '000)		
Salaries and wages	6,191	6,262
Pension plans	1,999	1,909
Share-based payment	734	567
Total remuneration to the Management Board	8,924	8,738
Directors' fees	5,167	4,745
Total remuneration to the Management Board and Board of Directors	14,091	13,483
Alm. Brand Group remuneration to the Board of Directors (DKK '000)		
Jørgen Hesselbjerg Mikkelsen (Chairman)	1,070	980
Jan Skytte Pedersen (Deputy Chairman)	795	650
Anette Eberhard	610	570
Ebbe Castella	450	410
Boris Nørgaard Kjeldsen	450	517
Henrik Christensen	355	330
Per Viggo Hasling Frandsen	355	303
Karen Sofie Hansen-Hoeck	275	250
Lars Christiansen (employee representative)	275	250
Brian Egested (employee representative)	275	250
Helle Låsby Frederiksen (employee representative)	275	250
Susanne Larsen (employee representative)	275	250
Total remuneration to the Board of Directors	5,460	5,010
No. of members of the Management Board	1	1
No. of members of the Board of Directors	12	12

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

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

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

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

The remuneration of the Board of Directors includes remuneration for audit committee participation. As chair of the remuneration committee, Anette Eberhard receives DKK 80 thousand annually. Jørgen Hesselbjerg Mikkelsen and Jan Skytte Pedersen each receive DKK 40 thousand annually (Jan Skytte Pedersen DKK 27 thousand in 2016).

Group Chief Auditor Poul-Erik Winther, who is employed by the Board of Directors, holds no employment outside Alm. Brand.

DKKm	**2017**	**2016**
Remuneration to key employees (DKK '000)		
Salaries	20,141	23,757
Pension plans	4,714	4,822
Share-based payment	2,314	1,850
Total remuneration to key employees	27,169	30,429

Notes

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

No severance payments were made in connection with resignations in 2017.

DKKm	2017	2016
Remuneration to risk takers (DKK '000)		
Fixed salary	69,410	74,345
Pension	10,421	11,196
Variable salary	140	46
Share-based payment	3,119	2,331
Total remuneration to risk takers	83,090	87,918
Number of risk takers	65	49

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

No severance payments were made in connection with resignations in 2017.

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

Share-based payment
A share option programme established for the senior management team of the Alm. Brand Group expired on 31 March 2016. The scheme, which could only be exercised by purchasing the relevant shares (equity-based scheme), entitled the holders to purchase a number of shares in Alm. Brand A/S at a pre-determined price. The options granted vested at the date of grant. The options will lapse if they remain unexercised 50 months after the date of grant.

Breakdown of outstanding share options:

	Number of share options held	Exercise price	Fair value at date of grant	Expiry date	Exercised	Number of share options in circulation
Granted on 4 September 2012	328,130	15.39	3.01	04.11.16	328,130	0
Granted on 8 March 2013	922,610	20.06	2.28	08.05.17	922,610	0
Granted on 3 September 2013	906,705	20.42	2.32	03.11.17	906,705	0
Granted on 11 March 2014	604,472	29.16	3.48	11.05.18	453,113	151,359
Granted on 2 September 2014	577,021	34.78	3.82	02.11.18	298,651	278,370
Granted on 9 March 2015	563,933	43.87	4.57	09.05.19		563,933
Granted on 1 September 2015	524,860	43.89	5.10	01.11.19		524,860
Granted on 14 March 2016	448,084	50.85	6.06	14.05.20		448,084
Granted on 6 September 2016	235,541	55.28	5.66	06.11.20		235,541
Number af share options, year-end	5,111,356					2,202,147

The weighted average remaining contractual term is nine months and twenty-seven days. The weighted average exercise price during the exercise period was DKK 31.9. The average share price at the time of exercise in 2017 was DKK 59.55 (2016: DKK 48.23).

The company bought 2,202,147 shares in connection with the option scheme.

The estimated fair value at the date of grant has been calculated by applying the Black & Scholes model for measuring options. The valuation is based on the following assumptions:

	2016		2015		2014		2013		2012
	06.09.16	14.03.16	09.03.15	01.09.15	11.03.14	02.09.14	08.03.13	03.09.13	04.09.12
Share price at the date of grant (DKK per share)	50.25	46.23	39.88	39.90	26.51	31.62	18.24	18.56	13.99
Exercise prise (DKK per share)	55.28	50.85	43.87	43.89	29.16	34.78	20.06	20.42	15.39
Expected volatility (%)	22.21	24.7	21.89	23.79	23.56	22.59	22.71	26.48	35.87
Risk-free rate of interest (%)	-0.11	0.00	0.16	0.18	0.62	0.30	0.60	0.89	0.60
Expected dividend yield (%)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Term to maturity (number of years)	3	3	3	3	3	3	3	3	3

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

DKKm	2017	2016
Audit fees (DKK '000)		
Deloitte - Audit	3,614	3,580
Deloitte - Other assurance engagements	364	312
Deloitte - Tax consultancy	527	751
Deloitte - Non-audit services	1,310	680
Total audit fees	5,815	5,323
Note 29 Profit/loss from business ceded		
Reinsurance premiums ceded	-328	-334
Reinsurers' share received	144	119
Change in reinsurers' share of insurance contracts	-21	-58
Commissions and profit shares from reinsurance companies	15	22
Total loss from business ceded	**-190**	**-251**

Fees for non-audit services predominantly consisted of assistance provided in connection with the sale of a property, transition to IFRS 9 and project management assistance.

DKKm	2017	2016
Note 30 Value adjustments		
Investment assets		
Equity investments	299	147
Unit trust units	-33	23
Bonds	101	344
Shares in collective investments	1	0
Loans secured by mortgages	87	-28
Other investment assets	-217	-59
Exchange rate adjustments	12	10
Carried over to the next page	250	437

Notes

DKKm	2017	2016
Note 30 Value adjustments - continued	250	437
Land and buildings		
Investment properties	252	93
Owner-occupied properties	1	0
	503	530
Discounting insurance contracts	-2	-96
Total value adjustments	**501**	**434**
Change in fair values based on valuation models and recognised in the		
Mortgage deeds	-26	-7
Unlisted shares	-18	-7
Investment properties	252	93
Total change in fair values	208	79

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

Note 31 Tax on pension investment returns	2017	2016
Tax on pension investment returns regarding current year	-121	-120
Total tax on pension investment returns	**-121**	**-120**

	2017	2016
Note 32 Tax		
Estimated tax on profit/loss for the year	-59	-53
Adjustment of tax relating to prior years	1	0
Final withholding tax paid	1	0
Adjustment of deferred tax relating to prior years	-155	-154
Total tax	**-212**	**-207**
Tax for the year consists of:		
Tax on accounting profit	-225	-233
Non-deductible expenses and non-taxable income	12	26
Adjustment of tax relating to prior years	1	0
Total tax	-212	-207
Effective tax rate	20.8	20.1

Note 33 Technical result, Non-life Insurance

DKKm	Health and accident insurance	Workers' compensation insurance	Vehicle insurance, liability	Vehicle insurance, loss or damage	Fire & property insurance, private	Fire & property insurance, commercial	Liability insurance	Other direct insurance	2017 Total
Gross premiums	621	369	462	887	1,133	1,300	120	242	5,134
Gross premium income	625	370	485	889	1,143	1,293	117	235	5,157
Gross claims expenses	-378	-177	-313	-571	-758	-709	-42	-316	-3,264
Gross operating expenses	-109	-65	-81	-156	-200	-228	-21	-41	-901
Profit/loss from business ceded	-7	-3	-3	-4	-53	-191	-1	75	-187
Total technical result	**131**	**125**	**0**	**158**	**132**	**165**	**53**	**-47**	**805**
No. of claims	12,755	4,560	17,051	87,266	66,750	20,137	2,140	27,293	237,952
Frequency of claims	0.037	0.144	0.045	0.260	0.164	0.169	0.045	0.119	0.127
Average damages paid for claims incurred, DKK '000	30	56	23	7	12	39	26	12	15

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

Direct insurance is written only in Denmark

Notes

DKKm	2017	2016
Note 34 Return requirement for shareholders' equity, Life Insurance		
Return on investments allocated to equity	0	7
Result of portfolios without bonus entitlement	14	1
Interest result	25	21
Expense result	-13	-16
Risk result	60	63
Group life	7	8
Profit/loss for the year before tax	93	84

Return on equity principles

The Executive Order on the contribution principle issued by the Danish Financial Supervisory Authority lays down the guidelines for return on equity. The return on equity is composed of the direct return on shareholders' equity funds, a risk allowance and the result of portfolios without bonus entitlement.

Customers have been divided into a number of contribution groups based on rate of interest, insurance risk and expenses. The risk premium on shareholders' equity is calculated separately for each group. Similarly, any shadow account, collective bonus potential, transfer and surrender charge, etc. will be determined separately for each contribution group.

The risk premium for 2017 has been determined as follows:

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

For the disability insurance group, the risk result is defined specifically before bonus for the purpose of taking the shadow account to income over the coming year.

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

The risk allowance for 2018 has been determined as follows (unchanged):

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

Notes

DKKm			2017
Note 35 Segment reporting, Non-life Insurance			
	Private	**Commercial**	**Total**
Gross premium income	2,644	2,513	5,157
Gross claims expenses	-1,726	-1,538	-3,264
Operating expenses relating to insurance activities	-505	-396	-901
Reinsurance profit/loss	-62	-125	-187
Technical result	351	454	805
Run-off result, claims	119	155	274
Run-off result, risk margin	24	24	48
Gross claims ratio	65.3	61.2	63.3
Net reinsurance ratio	2.4	4.9	3.6
Claims experience	67.7	66.1	66.9
Gross expense ratio	19.0	15.8	17.5
Combined ratio	86.7	81.9	84.4
			2016
Gross premium income	2,604	2,424	5,028
Gross claims expenses	-1,595	-1,439	-3,034
Operating expenses relating to insurance activities	-479	-372	-851
Reinsurance profit/loss	-77	-170	-247
Technical result	453	443	896
Run-off result, claims	188	210	398
Run-off result, risk margin	24	24	48
Gross claims ratio	61.3	59.4	60.4
Net reinsurance ratio	2.9	6.9	4.9
Claims experience	64.2	66.3	65.3
Gross expense ratio	18.4	15.4	16.9
Combined ratio	82.6	81.7	82.2

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

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

Direct insurance is only written in Denmark.

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

Notes

DKKm			2017				2016
Note 36 Segment reporting, Banking							
	Continuing activities	**Winding-up activities**	**Total**		**Continuing activities**	**Winding-up activities**	**Total**
Net interest and fee income	211	86	297	Net interest and fee income	208	46	254
Trading income (excl. value adjustments)	137	0	137	Trading income (excl. value adjustments)	144	0	144
Other income	273	1	274	Other income	218	5	223
Total income	621	87	708	Total income	570	51	621
Costs	-414	-62	-476	Costs	-367	-64	-431
Depreciation and amortisation	-203	0	-203	Depreciation and amortisation	-153	0	-153
Core earnings	4	25	29	Core earnings	50	-13	37
Value adjustments	38	-12	26	Value adjustments	6	42	48
Profit/loss from investments	1	0	1	Profit/loss from investments	0	9	9
Profit/loss before impairment writedowns	43	13	56	Profit/loss before impairment writedowns	56	38	94
Writedowns and credit-related value adjustments	15	-4	11	Writedowns and credit-related value adjustments	6	-56	-50
Profit/loss before tax	58	9	67	Profit/loss before tax	62	-18	44
Loans and advances	3,117	581	3,698	Loans and advances	2,835	942	3,777
Bonds	3,359	0	3,359	Bonds	3,585	0	3,585
Lease assets	960	0	960	Lease assets	818	0	818
Other assets	924	77	1,001	Other assets	1,422	97	1,519
Total assets	8,360	658	9,018	Total assets	8,660	1,039	9,699

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

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

Retail provides advisory services and sells financial products to the bank’s private customers and small and medium-sized businesses through branch offices in 11 large Danish towns and cities as well as over the Internet. The full range of the group’s activities is used in order to ensure that customers get optimum solutions, including in connection with wealth management and investment. Retail provides most of the deposits for the bank’s funding, which is channelled to the bank’s Treasury function.

Leasing offers operating leases of passenger and commercial vehicles and provides car fleet management services for businesses. Leasing also offers operating leases of passenger cars to private individuals. This activity is offered through the subsidiary Alm. Brand Leasing A/S.

Finansielle Markeder består af Markets og Asset Management. Markets varetager alle bankens aktiviteter på de finansielle markeder. Der ydes rådgivning om og gennemføres køb og salg af værdipapirer og valuta. Afdelingen laver desuden analyser af udviklingen på rente- og aktie- og valutamarkederne. Asset Management har formuer under forvaltning for både institutionelle og private investorer.

Treasury har ansvaret for bankens sammensætning af funding og likviditetsstyring, herunder bankens egenbeholdning. Som udgangspunkt aftager Treasury al funding, som bankens øvrige aktiviteter anskaffer, ogTreasury søger for allokering og afregning over for de enkelte aktiviteter. Funding allokeres til en pris svarende til de til de faktiske omkostninger for at skaffe fundingen, hvortil der tillægges et spread til dækning af administrationsomkostninger og eventuelle risici.

Winding-up:
Winding-up comprises exposures to agricultural customers, property development projects, mortgage deeds and a portfolio of car finance contracts. Efforts are made to gradually reduce these exposures, a process which is expected to extend over a number of years.

DKKm	**2017**	**2016**
Note 37 Contingent liabilities, guarantees and lease agreements		
Guarantee commitments	1,712	1,619

The group's companies have made lease and rental agreements for computer equipment and premises with total annual payments of DKK 110 million allocated over a five-year period.

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

As part of its ordinary banking operations, Alm. Brand Bank has a number of contingent liabilities, which in accordance with IFRS are not recognised in the balance sheet. Financial guarantees and loss guarantees in respect of mortgage loans were mainly provided in connection with the business partnership agreements with Totalkredit, DLR Kredit and BRF Kredit, and other contingent liabilities include guarantees provided to the Private Contingency Association and the Danish Guarantee Fund for Depositors and Investors. Alm. Brand Bank has off-balance sheet guarantee commitments in the form of finance gurarantees, loss guarantees in respect of mortgage loans, etc. totalling DKK 1.1 billion.

Alm. Brand Ejendomsinvest A/S, Copenhagen, has incurred a VAT adjustment liability of DKK 10 million relating to property.

Forsikringsselskabet Alm. Brand Liv og Pension A/S, Copenhagen, has a VAT adjustment obligation in respect of properties totalling DKK 0.7 million.

Alm. Brand A/S has provided a guarantee to ILU (Institute of London Underwriters) covering contracts written on behalf of the Copenhagen Reinsurance Company (U.K.) Ltd. (Cop. Re UK Ltd.), Copenhagen Re's UK subsidiary. The guarantee covers insurance contracts relating to Marine Aviation and Transport (MAT) written through ILU in the period from 3 April 1989 to 1 July 1997. In connection with the divestment of the Copenhagen Re Group in 2009, the buyer has undertaken to indemnify Alm. Brand A/S against the guarantee commitments.

Alm. Brand A/S has issued a guarantee commitment in respect of Pensionskassen under Alm. Brand af 1792 (Winding-up pension fund). Alm. Brand A/S has issued a commitment to pay any such ordinary and extraordinary contributions as may be determined in the pension scheme regulations or as agreed with the Danish Financial Supervisory Authority. Alm. Brand af 1792 fmba has undertaken to indemnify the Alm. Brand A/S for any and all costs the company may incur from time to time in respect of these obligations.

Alm. Brand A/S is jointly and severally liable with the other jointly taxed and jointly registered group companies for the total tax liability.

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

Being an active financial services group, the Group is a party to a number of lawsuits. The cases are reviewed on an ongoing basis, and the necessary provisions are made. Management believes that these cases will not inflict further losses on the Group.

Mio.kr.	**2017**	**2016**
Note 38 Collateral security		
Carrying amounts of assets provided as collateral security for technical provisions		
Cash	176	85
Bonds	19,095	18,173
Equity investments and units in unit trusts	1,572	1,421
Shares in collective investments	0	0
Interest receivable	82	40
Properties, mortgages registered to owners	52	59
Investments in subsidiaries	0	0
Collateral security, year-end	20,977	19,778

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

As part of its current operations, the bank provided collateral security to Danmarks Nationalbank and Clearstream in the form of bonds representing a nominal value of DKK 568 million (2016: DKK 530 million). The collateral security provided is not subject to any special conditions.

As collateral for positive and negative fair values of derivative financial instruments, respectively, cash in the amount of DKK 1 million was received and cash in the amount of DKK 117 million was paid at 31 December 2017 (2016: DKK 5 million and DKK 103 million).

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

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

Assets received as collateral in connection with reverse transactions may be resold to third parties. If this is the case, a negative portfolio may arise due to the accounting rules. This is recognised under "Other liabilities". As at 31 December 2017, the fair value of financial assets accepted as collateral security which have been sold or remortgaged amounted to DKK 0 million (2016: DKK 265.2 million). Alm. Brand Bank is required to return similar securities.

DKKm	2017	2016
Assets sold as part of repo transactions:		
Bonds at fair value	0	265
Assets bought as part of reverse transactions:		
Bonds at fair value	0	266

Note 39 Related parties

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

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

Related parties also include related family members of the Management Board, Board of Directors and key employees as well as companies in which these persons have significant interests.

The Alm. Brand Group handles administrative tasks for Alm. Brand af 1792 fmba.

An arm's length agreement has been signed on interest accruing on intra-group accounts between the group companies.

Alm. Brand af 1792 fmba has contributed subordinated loan capital of DKK 250 million to Alm. Brand A/S and subordinated loan capital of DKK 175 million to Alm. Brand Bank A/S. In that connection, Alm. Brand af 1792 fmba's share of additional tier 1 capital issued by Alm. Brand Bank was redeemed.

An overview of subsidiaries is provided in the corporate overview.

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

Alm. Brand Forsikring A/S has an option agreement with Alm. Brand Bank A/S to sell back mortgage deeds to the bank if a debtor defaults on its payment obligations. The bank thus assumes the underlying credit risk on the mortgage deeds, while the market risk is assumed by Alm. Brand Forsikring A/S, including the risk of interest rate changes and early redemption.

Alm. Brand Bank and Alm. Brand Forsikring have entered into a management agreement on the handling of the portfolio of mortgage deeds. In 2017, the bank received management fees of DKK 7.6 million and an option premium of DKK 24 million. The option has a market value of DKK 8 million per 31 december 2017.

Notes

2017

	Alm. Brand af 1792 fmba	Key employees	Management Board and board of directors of A/S	Companies controlled by members of the Board of Directors
Sale of services	1,151	2	7	1
Purchase of services	634	0	0	0
Interest and fee income	0	0	0	0
Interest and fee expenses	20	0	1	0
Receivables	0	10	2	2
Debt	454	18	52	0
Collateral	0	4	1	1
Interest rates on loans		1,5-4,5%	1,5-4,5%	1,5-5,0%

2016

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

Alm. Brand A/S has issued a guarantee to Alm. Brand Bank, covering 75% (most secure part) of the residual risk on the portfolio of cars held on operating leases. The guarantee is limited to DKK 500 million, and an annual commission of 0.75% of the utilised guarantee is paid. An amount of DKK 1.4 million was paid in 2017.

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

See note 28 Acquisition costs and administrative expenses, which sets out further details on remuneration paid to the group's Board of Directors, Management Board and other senior executives.

In addition to the remuneration paid to members of the Board of Directors, Management Board, etc. in the financial year, the following transactions took place between the Alm. Brand Group and the related parties:

The buying and selling of services comprising insurance services and the provision of bank products in the form of loans, guarantees, credits and buying/selling of mortgage deeds etc. is made on an arm's length basis. Board members elected by the employees, however, obtain the usual staff terms. Payables comprise deposits with the bank, pension deposits in banking and Pension etc. No losses or impairment charges were recognised on related party transactions in the financial year or the previous financial year.

Notes

Mio.kr.			2017			2016

Note 40 Fair value and classification of financial assets, liabilities and instruments

	Fair value	Amortised cost	Total	Fair value	Amortised cost	Total
Assets at fair value classified on initial recognition						
Loans and advances	1,276	0	1,276	1,523	0	1,523
Assets at fair value held for trading						
Government bonds	3,143	0	3,143	2,372	0	2,372
Mortgage bonds	19,920	0	19,920	19,674	0	19,674
Other fixed-rate instruments	771	0	771	823	0	823
Other floating-rate instruments	164	0	164	154	0	154
Listed shares	1,583	0	1,583	878	0	878
Unlisted shares	195	0	195	778	0	778
Other investment assets	0	0	0	0	0	0
Positive market value of derivative financial instruments	505	0	505	620	0	620
Loans and receivables						
Receivables from policyholders	194	194	194	158	158	158
Receivables from insurance brokers	3	3	3	3	3	3
Receivables from insurance companies	54	54	54	1	1	1
Other receivables	29	29	29	32	32	32
Pensionskassen under Alm. Brand A/S	15	15	15	12	12	12
Interest receivable	183	0	183	208	0	208
Balances due from credit institutions and central banks	320	320	320	705	705	705
Loans and advances	3,561	3,355	3,355	3,598	3,583	3,583
Other assets						
Owner-occupied properties	663	0	663	698	0	698
Investment properties	610	0	610	905	0	905
Assets temporarily acquired	0	0	0	0	0	0
Other assets	246	246	246	239	239	239
Prepayments	41	41	41	42	42	42
Cash in hand and demand deposits	180	180	180	218	218	218
Financial assets, year-end	33,656	4,437	33,450	33,641	4,993	33,626

Notes

DKKm			2017			2016
	Fair value	Amortised cost	Total	Fair value	Amortised cost	Total
Liabilities at fair value held for trading						
Negative market value of derivative financial instruments	409	0	409	475	0	475
Financial liabilities, amortised cost						
Subordinated debt	574	574	574	574	574	574
Payables to policyholders	43	43	43	9	9	9
Payables related to direct insurance	20	20	20	15	15	15
Payables related to reinsurance	24	24	24	14	14	14
Payables to group enterprises	18	18	18	15	15	15
Deposits	6,707	6,706	6,706	6,963	6,953	6,953
Payables to credit institutions and central banks	332	332	332	694	694	694
Other liabilities						
Liabilities temporarily acquired	0	0	0	0	0	0
Other payables	565	565	565	533	533	533
Deferred income	30	0	30	35	0	35
Financial liabilities, year-end	8,722	8,282	8,721	9,327	8,807	9,317

Loans, advances and receivables at fair value, bonds at fair value, shares etc. and derivatives are measured at fair value in the financial statements so that recognised values equal fair values.

The difference between the fair value and the recognised value of Loans, advances and receivables at amortised cost is assumed to equal the interest rate-dependent value adjustment, calculated by comparing current market rates with the market rates applying when the loans were established. Changes in the credit quality are not taken into account as these are assumed to be included in impairment on loans for recognised values as well as fair values.

The fair value of deposits and other payables is assumed to equal the interest rate level-dependent value adjustment calculated by comparing current market rates with the market rates prevailing when the deposits were established.

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

Notes

Fair value adjustments of financial assets and liabilities represent a total unrecognised unrealised gain of DKK 27 million at the end of 2017 and are attributable to higher interest rates on the underlying assets and liabilities relative to the level of interest rates at year-end. This adjustment was mainly attributable to Subordinated debt.

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

					2017					2016
DKKm	**Non-life**	**Life**	**Banking**	**Other**	**Total**	**Non-life**	**Life**	**Banking**	**Other**	**Total**
Fair value measurement of financial instruments										
Level 1										
Financial assets										
Loans and advances	0	0	0		0	0	0	0	0	0
Bonds	8,514	11,148	3,256	285	23,203	8,194	10,101	3,531	436	22,262
Shares	0	1,556	27	0	1,583	0	1,422	28	0	1,450
Other assets	0	0	0	0	0	1	0	0	0	1
Total financial assets	8,514	12,704	3,283	285	24,786	8,195	11,523	3,559	436	23,713
Financial liabilities										
Subordinated debt	0	0	0	0	0	0	0	175	0	175
Other payables	0	0	0	0	0	1	0	0	0	1
Total financial liabilities	0	0	0	0	0	1	0	175	0	176

Notes

DKKm	2017 Non-life	2017 Life	2017 Banking	2017 Other	2017 Total	2016 Non-life	2016 Life	2016 Banking	2016 Other	2016 Total
Level 2										
Financial assets										
Loans and advances	0	0	3561	0	3,383	0	0	3,598	0	3,598
Bonds	0	682	103	2	787	0	699	54	2	755
Shares	0	0	114	0	114	0	0	108	0	108
Other assets	267	381	46	2	688	317	464	57	4	4
Total financial assets	267	1,063	3,824	4	4,972	317	1,163	3,817	6	5,287
Financial liabilities										
Liabilities temporarily acquired	0	0	175	0	175	0	0	0	0	0
Deposits	0	0	6988	0	6,707	0	0	7,199	0	6,963
Other payables	265	103	47	0	415	315	115	274	0	698
Total financial liabilities	265	103	7,210	0	7,297	315	115	7,473	0	7,661
Level 3										
Financial assets										
Loans and advances	1,111	0	165	0	1,276	1,329	0	194	0	1,523
Bonds	0	8	0	0	8	0	6	0	0	6
Shares	8	5	67	1	81	8	3	86	1	98
Investment properties	13	1,256	4	0	610	16	1,580	7	0	905
Other assets	0	0	0	0	0	0	0	0	0	0
Assets temporarily acquired	0		2	0	2	0		0	0	0
Total financial assets	1,132	1,269	238	1	1,977	1,353	1,589	287	1	2,532
Financial liabilities										
Subordinated debt	149	120	0	250	399	149	120	0	250	399
Deposits	0	0	0	0	0	0	0	0	0	0
Other payables	0	0	8	0	0	0	0	10	0	0
Total financial liabilities	149	120	8	250	399	149	120	10	250	399

Notes

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

Level 1 is based on quoted (unadjusted) prices in active markets.
Level 2 is used where no quoted price is available but where the use of another official price is deemed to best reflect the fair value.
Level 3 is used for financial assets and liabilities for which a quoted price or other official price is not available or is deemed not to reflect the fair value. Instead, measurement techniques and other observable market data are used to determine the fair value. In the cases in which observable prices based on market data are not available or are not deemed to be usable for the determination of fair value, recognised techniques, including discounted cash flows, and internal models and assumptions are used for the determination of fair value. The assumptions may include recent transactions involving comparable assets or liabilities, interest rates, exchange rates, volatility, credit spreads, etc. The bank's unlisted shares that are not measured at a redistribution price belong to this category.

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

Transfer between the categories of the fair value hierarchy is only effected in case of changes to available data for use in measurement. The portfolio is reviewed on an ongoing basis to identify any changes in available data and any other changes which may have prompted recategorisation. There were no transfers between categories in the fair value hierarchy in 2016 or 2017.

Loans, advances and other receivables at fair value comprises mortgage deeds measured using a valuation model which estimates the present value of expected future cash flows. The valuation is based in part on observable market data (interest rates) and in part on expected future redemption and loss rates. Measurement at fair value is based on a swap yield curve plus 50 basis points and expected repayment rates between 6 % and 8%, depending on whether the counterparty is a commercial or a private customer, and expected loss rates in the 0.75%-4.25% range, depending on property type and loan-to-value ratios. If the average expected repayment rate is increased by 1 percentage point and the expected loss rates are increased by 0.5 of a percentage point, a negative change of the fair value for the market value model of DKK 28.7 million (2016: DKK 32.7 million). See note Accounting policies for additional information.

Bonds measured at quoted prices primarily comprise Danish mortgage bonds and, to a lesser extent, Danish government bonds and corporate bonds. Bonds included in level 2 are those which, as a result of an inactive market, are measured based on market rates and yield spreads to these as observed for similar issues. Bonds included in level 3 consist of a minor amount contributed to a fund. If the yield increases by 1 of a percentage point, the value of this bond portfolio will decline by DKK 0.8 million.

Shares mainly comprise listed shares and equity futures measured at quoted prices. The bank's unlisted shares consist of sector-owned companies and shares received for credit-defence purposes. For unlisted shares in sector-owned companies where the shares are redistributed, such redistribution is considered to represent the primary market for the shares. The fair value is determined as the redistribution price, and the shares are recognised as level 2 assets. For other unlisted shares and shares received by the bank for credit-defence purposes where no observable input is immediately available, the measurement is based on an estimate which builds on information from the companies' financial statements, experience from transactions involving shares in the companies in question as well as input from qualified third parties. The shares are included in level 3. A 10% drop in share prices would cause the value to decline by DKK 1.3 million in aggregate.

Other assets comprises interest receivable at DKK 183 million and positive values of derivative financial instruments at DKK 505 million. Interest rates are measured on the basis of normal principles of accrual. Derivative financial instruments mainly comprise interest rate swaps, which are measured by way of calculation of the net present value of expected future cash flows discounted on the basis of obtainable interest rate points, interpolation between interest rate points and exchange rates. Listed futures and options are measured on the basis of obtainable prices. Unlisted options are measured on the basis of obtainable volatilities, prices of underlying assets and exercise prices using Black-Scholes. Forward exchange transactions are measured on the basis of obtainable forward premiums and exchange rates. Inflation swaps are measured by way of calculation of the net present value of expected future cash flows discounted on the basis of obtainable index points og interest rate points, interpolation between these and exchange rates.

Other liabilities comprises interest payable at 6 million and negative values of derivative financial instruments at 409 million. Interest rates are measured on the basis of normal principles of accrual. Derivative financial instruments are valued on the basis of listed prices from an active market and using generally accepted valuation models with observable data, including yield curves, volatilities and equity indices.

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

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

					2017					**2016**
DKKm	**Non-life**	**Life**	**Banking**	**Other**	**Total**	**Non-life**	**Life**	**Banking**	**Other**	**Total**
Development in level 3 financial instruments										
Loans and advances										
Carrying amount, beginning of year	1,329	0	194	0	1,523	1,588	0	228	0	1,816
Additions during the year	0	0	11	0	11	0	0	16	0	16
Disposals during the year	-161	0	-39	0	-200	-211	0	-70	0	-281
Realised value adjustments	1	0	1	0	2	1	0	-25	0	-24
Unrealised value adjustments	-58	0	-2	0	-60	-49	0	45	0	-4
Carrying amount, year-end	1,111	0	165	0	1,276	1,329	0	194	0	1,523

Notes

DKKm	2017 Non-life	2017 Life	2017 Banking	2017 Other	2017 Total	2016 Non-life	2016 Life	2016 Banking	2016 Other	2016 Total
Value adjustments recognised in the income statement	-57	0	-1	0	-58	-48	0	20	0	-28
Bonds										
Carrying amount, beginning of year	0	6	0	0	6	0	6	0	0	6
Additions during the year	0	2	0	0	2	0	0	0	0	0
Disposals during the year	0	0	0	0	0	0	0	0	0	0
Realised value adjustments	0	0	0	0	0	0	0	0	0	0
Unrealised value adjustments	0	0	0	0	0	0	0	0	0	0
Carrying amount, year-end	0	8	0	0	8	0	6	0	0	6
Value adjustments recognised in the income statement	0	0	0	0	0	0	0	0	0	0
Shares										
Carrying amount, beginning of year	7	3	86	1	97	7	3	78	1	89
Additions during the year	0	1	8	0	9	0	1	2	0	3
Disposals during the year	0	0	-1	0	-1	0	0	-3	0	-3
Realised value adjustments	0	0	0	0	0	0	0	-2	0	-2
Unrealised value adjustments	1	1	-26	0	-24	1	-1	11	0	11
Carrying amount, year-end	8	5	67	1	81	8	3	86	1	98
Value adjustments recognised in the income statement	1	1	-26	0	-24	1	-1	9	0	9
Assets temporarily acquired										
Carrying amount, beginning of year	0	0	0	0	0	0	0	0	0	0
Additions during the year	0	0	2	0	2	0	0	0	0	0
Disposals during the year	0	0	0	0	0	0	0	0	0	0
Realised value adjustments	0	0	0	0	0	0	0	0	0	0
Unrealised value adjustments	0	0	0	0	0	0	0	0	0	0
Carrying amount, year-end	0	0	2	0	2	0	0	0	0	0

Notes

	2017					2016				
DKKm	**Non-life**	**Life**	**Banking**	**Other**	**Total**	**Non-life**	**Life**	**Banking**	**Other**	**Total**
Value adjustments recognised in the income statement	0	0	0	0	0	0	0	0	0	0
Other liabilities										
Carrying amount, beginning of year	149	120	10	250	393	149	120	16	250	399
Additions during the year	0	0	0	0	0	0	0	0	0	0
Disposals during the year	0	0	0	0	0	0	0	0	0	0
Realised value adjustments	0	0	0	0	0	0	0	0	0	0
Unrealised value adjustments	0	0	-2	0	6	0	0	-6	0	0
Carrying amount, year-end	149	120	8	250	399	149	120	10	250	399
Value adjustments recognised in the income statement	0	0	-2	0	6	0	0	-6	0	0

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

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

Rating of bonds										
Rated AAA	7,482	10,476	2,667	163	20,788	7,329	9,359	2,641	351	19,680
Rated AA- to AA+	717	962	408	122	2,209	535	942	781	85	2,343
Rated A- to A+	93	98	137	0	328	124	176	38	0	338
Others	222	302	147	2	673	206	329	125	2	662
Bonds at fair value, year-end	8,514	11,838	3,359	287	23,998	8,194	10,806	3,585	438	23,023

Notes

DKKm					2017					2016
	Non-life	Life	Banking	Other	Total	Non-life	Life	Banking	Other	Total

Note 41 Return on financial instruments

	On initial recognition fair value	Held for trading, fair value	Assets at amortised cost	Debt at amortised cost	Total	On initial recognition fair value	Held for trading, fair value	Assets at amortised cost	Debt at amortised cost	Total
Interest income, etc.	40	525	168	0	733	47	578	194	0	819
Fee income etc.	9	118	60	0	187	7	79	48	0	134
Other income		0	278	0	278		-7	230	0	223
Total income	49	643	506	0	1,198	54	650	472	0	1,176
Interest expenses		-64	0	-24	-88		-90	0	-38	-128
Value adjustments excluding credit losses on mortgage deeds	3	311	0	0	314	38	422	0	0	460
Credit losses on mortgage deeds	-22	0	0	0	187	-26	0	0	0	-26
Impairment of loans, advances and receivables, etc.	0	0	32	0	32	0	0	-23	0	-23
Profit/loss before tax	30	890	538	-24	1,643	66	982	449	-38	1,459

Fee income from management activities amounted to DKK 105 million (2016: DKK 103 million), and fee expenses from management activities amounted to DKK 5 million (2016: DKK 5 million).

	Derivatives	Repo agreements	Total	Derivatives	Repo agreements	Total
Note 42 Offsetting						
Financial assets						
Recognised assets, gross	505	0	505	620	266	886
Liabilities offset in the balance sheet	0	0	0	0	0	0
Financial assets stated at net amounts in the balance sheet	505	0	505	620	266	886
Related amounts which have not been offset in the balance sheet						
Financial instruments	-13	0	-13	-12	0	-12
Financial collateral	-280	0	-280	-290	-266	-556
Net amounts	212	0	212	318	0	318
Financial liabilities						
Recognised liabilities, gross	409	0	409	475	266	741
Assets offset in the balance sheet	0	0	0	0	0	0
Financial liabilities stated at net amounts in the balance sheet	409	0	409	475	266	741
Related amounts which have not been offset in the balance sheet						
Financial instruments	-13	0	-13	-12	0	-12
Financial collateral	-280	0	-280	-185	-266	-451
Net amounts	116	0	116	278	0	278

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

Notes

DKKm	2017 Non-life	2017 Life	2017 Banking	2017 Other	2017 Total	2016 Non-life	2016 Life	2016 Banking	2016 Other	2016 Total
Note 43 Financial instruments by term to maturity										
Bonds										
Expiry within 1 year	1,530	250	1,081	87	2,948	1,259	731	709	147	2,846
Expiry between 1 year and 5 years	4,156	2,205	1,819	169	8,349	4,145	2,006	1,671	272	8,094
Expiry after more than 5 years	2,828	9,383	459	31	12,701	2,790	8,069	1,205	19	12,083
Bonds, year-end	8,514	11,838	3,359	287	23,998	8,194	10,806	3,585	438	23,023
Cash in hand and balances at call										
Expiry within 1 year	75	118	165	17	180	214	35	109	16	218
Expiry between 1 year and 5 years	0	0	0	0	0	0	0	0	0	0
Expiry after more than 5 years	0	0	0	0	0	0	0	0	0	0
Cash in hand and balances at call, year-end	75	118	165	17	180	214	35	109	16	218
Loans, advances and receivables										
Expiry within 1 year	262	36	1,442	0	1,562	191	29	2,036	17	2,273
Expiry between 1 year and 5 years	209	0	876	0	1,085	233	0	756	0	989
Expiry after more than 5 years	854	0	1,700	0	2,554	1,038	0	1,673	0	2,711
Loans, advances and receivables, year-end	1,325	36	4,018	0	5,201	1,462	29	4,465	17	5,973
Deposits and payables to credit institutions and central banks										
Expiry within 1 year	96	263	6,456	0	6,581	96	279	6,926	0	7,067
Expiry between 1 year and 5 years	0	0	103	0	101	0	0	109	0	107
Expiry after more than 5 years	0	0	488	0	488	0	0	511	0	511
Deposits and payables to credit institutions and central banks, year-end	96	263	7,047	0	7,170	96	279	7,546	0	7,685

Notes

DKKm	2017 Non-life	2017 Life	2017 Banking	2017 Other	2017 Total	2016 Non-life	2016 Life	2016 Banking	2016 Other	2016 Total
Guarantees										
Expiry within 1 year			220		220			264		264
Expiry between 1 year and 5 years			34		34			55		55
Expiry after more than 5 years			879		879			688		688
Guarantees, year-end			1,133		1,133			1,007		1,007
Financial liabilities										
Expiry within 1 year	265	103	35	0	395	315	115	246	0	660
Expiry between 1 year and 5 years	0	0	9	0	9	0	0	9	0	9
Expiry after more than 5 years	0	0	11	0	11	0	0	29	0	29
Financial liabilities, year-end	265	103	55	0	415	315	115	284	0	698

The actual expiry dates may deviate from the contractual expiry dates as the issuers of the specific instruments may be entitled to repurchase the instrument before it expires. See note 14 Provisions for insurance contracts, which includes the expected cash flow for the group's claims and life insurance provisions. Amounts in the table above do not comprise interest payments.

DKKm	2017	2016
Note 44 Credit risk		
Credit risk by type of financial asset		
Government bonds	3,143	2,372
Mortgage bonds	19,920	19,674
Other fixed-rate instruments	771	823
Other floating-rate instruments	164	154
Other investment assets	0	0
Reinsurers' share of insurance contracts	163	183
Receivables from policyholders	194	158
Receivables from insurance brokers	3	3
Receivables from insurance companies	54	1
Other receivables	29	32
Positive market value of derivative financial instruments, gross	505	620
Other assets	246	239
	25,192	24,259

DKKm	2017	2016
Note 44 - continued	25,192	24,259
Interest receivable	183	208
Balances due from credit institutions and central banks	320	705
Cash in hand and demand deposits	180	218
Loans and advances	4,631	5,106
Maximum credit risk, year-end	30,506	30,496

The group's exposure to credit risk primarily involves financial receivables such as mortgage deeds and other loans and advances as well as credit risk on the portfolio of credit bonds. The portfolio of credit bonds in the life insurance company forms part of customer investment assets. 100% of the portfolio of credit bonds carries an Investment Grade-rated (BBB and higher). Overdue receivables in the non-life company are written off after nine months.

Notes

DKKm	2017	2016
Total receivables written down in connection with insurance operations:		
Impairment, beginning of year	92	90
Impairment during the year and reversal of impairment	25	2
Impairment, year-end	117	92
Loans and guarantees distributed by sector and industry		
Public authorities	0.0%	0.0%
Business sectors:		
Agriculture, hunting, forestry and fishery	2.9%	3.9%
Manufacturing and raw materials extraction	0.1%	0.1%
Energy supplies	0.0%	0.0%
Construction	0.2%	0.2%
Trade	0.3%	0.3%
Transport, restaurant and hotel industry	0.4%	0.0%
Information and communications	0.0%	0.0%
Credit and financing and insurance	7.4%	4.4%
Property administration and trading, business services		13.1%
Other business	5.7%	5.4%
Business total	23.8%	27.4%
Private customers	76.2%	72.6%
Total	100.0%	100.0%
Impairment		
Individual assessment		
Impairment, beginning of year	1,048	1,255
Impairment during the year	112	236
Reversal of impairment	-105	-203
Loss (written off)	-138	-240
Impairment individual assessment, year-end	917	1,048

	2017	2016
Collective assessment		
Impairment, beginning of year	168	186
Impairment during the year	13	13
Reversal of impairment	-10	-31
Impairment collective assessment, year-end	171	168
Total impairment	1,088	1,216
Interest income relating to loans, advances and receivables, etc. written down	26	31
Reasons for individual impairment writedowns		
Loans, advances and other receivables before impairment		
Estate administration	155	187
Debt collection	103	107
Uncollectible claims	1,010	1,307
Total	1,268	1,601
Impairment, etc.		
Estate administration	154	184
Debt collection	95	91
Uncollectible claims	668	773
Total	917	1,048
Loans, advances and other receivables after impairment, year-end	351	553

Notes

DKKm	2017	2016
Description of value of security for loans found to be impaired after individual assessment		
Value of security		
Real property, private	95	92
Real property, commercial	483	590
Cash and highly marketable securities	0	1
Cars	4	0
Other security	28	59
Value of security, year-end	610	742

Collateral security is valued on the following basis:
Real property; Estate agent valuation, reasoned internal assessment or public assessment considering type of property, location, condition and estimated marketability.
Cash and cash equivalents; Official price where available and otherwise the transaction price obtainable in a transaction between independent parties.
Goods, cars; Assessment from BilpriserPro considering type, model and age.
Personal property, other collateral; based on individual assessments.

The collateral security stated is unstressed. In the calculation of impairment writedowns on agricultural and property exposures in financial difficulty, the value of collateral security is calculated on the basis of realisable value upon a sale within six months.

	2017	2016
Realised security, including conditions		
Value of realised security		
Real property, commercial	2	0
Cars	3	2
Total value of realised security	5	2

Forced realisation of collateral becomes necessary if the bank cannot induce the creditor or the provider of collateral security to enter into a voluntary agreement on realisation. The bank always seeks to maximise the value of collateral by way of forced realisation. Before forced realisation of collateral is initiated, the debtor and/orthe provider of collateral will receive typically eight days' notice, however, shorter notice may be given in case of an obvious risk of imminent impairment of the value of the collateral.

	2017	2016
Loans, advances and other receivables, etc. in arrears		
Age composition of assets that are past due but not impaired		
Up to three months	10	2
Three to six months	1	0
Six to twelve months	2	0
More than twelve months	1	1
Arrears, year-end	14	3
Description of security for loans in arrears		
Value of security		
Real property, private	120	103
Real property, commercial	35	24
Cash and highly marketable securities	34	4
Cars	7	6
Other security	0	0
Value of security, year-end	196	137
Description of the total value of security at the balance sheet date		
Value of security		
Real property, private	2,724	2,218
Real property, commercial	1,069	1,497
Cash and highly marketable securities	157	95
Cars	77	64
Other security	40	85
Value of security, year-end	4,067	3,959

The assets are marked to market. See description earlier in this note.

Under the total credit exposure, DKK 1.1 billion (2016: DKK 1.3 billion) concerns a loss option to cover mortgage deeds in Alm. Brand Forsikring, whereas the associated collateral in real property is not included.

Notes

DKKm	2017 Non-life	2017 Life	2017 Banking	2017 Other	2017 Total	2016 Non-life	2016 Life	2016 Banking	2016 Other	2016 Total
Credit quality										

Credit quality

The credit quality is quantified on the basis of the credit quality categories of the Danish Financial Supervisory Authority, according to which loans and advances with normal credit quality are categorised in 2a and 3, loans and advances with certain indications of weakness are categorised in 2b, loans and advances with substantial weaknesses are categorised in 2c and loans and advances with an objective evidence of impairment are categorised in category 1.

DKKm	2017 Non-life	2017 Life	2017 Banking	2017 Other	2017 Total	2016 Non-life	2016 Life	2016 Banking	2016 Other	2016 Total
Loans, advances and other receivables at fair value – by credit quality category										
Loans and advances with normal credit quality	786		69		855	916		67		983
Loans and advances with certain indications of weakness	90		21		111	128		27		155
Loans and advances with substantial weaknesses	89		29		118	115		40		155
Loans that are neither due nor impaired	965		119		1,084	1,159		134		1,293
Loans and advances with an objective evidence of impairment	11		532		543	11		702		713
Total residual debt before value adjustment etc.	976		651		1,627	1,170		836		2,006
Value adjustments etc.	135		-486		-351	159		-642		-483
Loans, advances and other receivables at fair value, year-end	1,111		165		1,276	1,329		194		1,523

Of value adjustments etc. of DKK -251 million, (2016: DKK -483 million) DKK -501 million (2016: DKK -659 Million) was attributable to creditrelated value adjustments at 31 December 2017.

DKKm	2017	2016
Loans, advances and other receivables at amortised cost – by credit quality category		
Loans and advances with normal credit quality	2,484	1,756
Loans and advances with certain indications of weakness	611	1,075
Loans and advances with substantial weaknesses	134	169
Loans that are neither due nor impaired	3,229	3,000
Loans and advances with an objective evidence of impairment	1,387	1,793
Total residual debt before value adjustment etc.	4,616	4,793
Value adjustments etc.	-1,083	-1,211
Loans, advances and other receivables at amortised cost, year-end	3,533	3,582

DKKm	2017	2016
Guarantee debtors – by credit quality category		
Guarantee debtors with normal credit quality	760	596
Guarantee debtors with certain indications of weakness	198	208
Guarantee debtors with substantial weaknesses	8	2
Guarantee debtors that are neither due nor impaired	966	806
Guarantee debtors with an objective indication of impairment	172	206
Total guarantee debtors before provisions etc.	1,138	1,012
Provisions etc.	-5	-5
Guarantee debtors, year-end	1,133	1,007

Notes

DKKm	2017	2016
Note 45 Market risk		
Currency risk		
Foreign currency positions:		
Long positions	5,972	4,213
Short positions	-3,909	-1,581
Net positions	2,063	2,632
Foreign currency positions distributed on the five largest net positions:		
EUR	848	1,619
SEK	301	318
NOK	149	85
BRL	72	61
IDR	71	57
Other	622	492
Total foreign currency positions	2,063	2,632

	2017	2016
Interest rate risk		
Total interest rate risk calculated according to the group's internal approach.	1,524	1,392

The internal calculation approach is used for the management of day-to-day risk. The calculation approach applies modified option-adjusted durations for the calculation of interest rate risk in the event of a 1 percentage point increase in interest rates. Interest rate risk is measured as the expected loss on interest rate positions that would result from an immediate upwards or downwards change in all interest rates by 1 percentage point. The interest rate risk is calculated for each currency.

DKKm	Non-life	Life *)	Banking *)	Other	Total	2017 % of share-holders' equity
Note 46 Sensitivity information						
Sensitivity information, group						
Risk on shareholders' equity in case of specific events:						
Interest rate increase of 1 percentage point	-59	-20	-31	-5	-115	-2.3
Interest rate fall of 1 percentage point	-8	18	20	5	35	0.7
Share price fall of 15%	-31	0	-31	0	-62	-1.3
Fall in property prices of 15%	-1	0	0	0	-1	0.0
Currency risks excluding EUR, 25% decline	0		35	0	35	0.7
1 percentage point spread widening	-240	-25	-89	-4	-358	-7.3
Caststrophe events:						
- one "100-year event"	-98	0	0	0	-98	-2.0
- two "100-year events"	-222	0	0	0	-222	-4.5

*) Interest rate sensitivities for the bank concern balance sheet items included in the interest rate risk for accounting purposes. The bank's property risk concerns properties held directly. The table lists the most important risks to which the Alm. Brand Group is exposed. The order of the risk factors is not an indication of the size or importance of each risk factor. The risk factors relating to Pension do not include risks related to securities owned by the policyholders.

Note 47 Capital- and risk management contains a detailed description of the risks assumed by th group.

Capital management

The capital management is based on the achievement of three key business objectives:

- Having solid total capital which supports the statutory and the group-determined requirements
- Generating a return on consolidated shareholders' equity of 12.5% before tax
- Supporting a stable dividend policy

Alm. Brand's subsidiaries have defined their capital targets significantly above the solvency requirements for their capital in order to support the group-determined capital requirements. The capital targets are described in detail on pages 45-47. The capital target reflects the Board of Director's intention that the group's capital resources should be sufficiently robust to be able to absorb a number of external events or very negative developments in the financial markets.

The total capital is composed of shareholders' equity, tier 2 capital and the Solvency II capital elements profit margin and risk margin and to a limited extent deferred tax.

Risk management

The objective of risk management in the Alm. Brand Group is to ensure that the risks assumed at any given time are calculated and reflect the companies' business strategy, risk profile and capital resources.

At least once annually, the Board of Directors of each individual subsidiary defines and approves the company's overall policy for assuming risk and sets up the overall risk guidelines as well as the scope of the reporting requirements. The Board of Directors performs an ongoing assessment of the individual and aggregate risks in the relevant company and in that connection determines whether the risks are acceptable. On the basis of the Board of Directors' powers, the Management Board determines the day-to-day risk management.

The group has several committees ensuring that material issues are addressed in a uniform manner across the group. The group's central risk forum (RISKO) is a risk committee which serves to ensure advice, coordination and uniformity in the group companies with respect to accepting, calculating and reporting risk.

In addition, the investment committee has overall oversight with the management of the assets held in the individual Alm. Brand companies. This oversight is intended to ensure that the management is in compliance with legislation and with the decisions made by the boards of directors of the individual companies.

The IT security committee has overall responsibility for the group's IT security and for ensuring that the group maintains a balanced IT security level and has up-to-date IT security policies and guidelines. The IT security committee also makes cross-functional decisions and decides issues of a fundamental nature and sets up the contingency arrangements for the handling of any emergency situations.

Risk management is intended to support and ensure adherence to the group's strategy and business model, including the framework determined in policies and guidelines issued by the Board of Directors for all risk areas. The objective of the risk management system is to enable the identification, measurement, management and reporting of actual and potential risks which the company is exposed to during the strategy period.

The Alm. Brand Group's risk management is organised into three lines of defence. The first line of defence is defined as the operative management. The operative management is responsible for the ongoing assumption of risks, for the measurement and risk assessment of processes, for the establishment of business procedures, for the effective management of all material assignments and day-to-day activities subject to risk as well as for compliance with applicable law and internal guidelines.

The second line of defence is defined as functions which are organised independently of the operative management and which monitor and report on risk, including validation of the applied risk management methods and models. The second line of defence advises the first line of defence with respect to the measurement and assessment of risk and the structuring of internal controls. In the Alm. Brand Group, the second line of defence consists of the risk management function, the compliance function and the actuarial departments.

The third line of defence is defined as functions which are organised independently of the managing director and the group directors and of the performance of the tasks in the first and second lines of defence. In the Alm. Brand Group, the third line of defence consists of department of the internal auditor and the internal auditing function. The third line of defence makes an independent assessment of the operative processes, the risk management and the controls established. See the description of functions and the audit strategy defined by the Board of Directors.

Notes

In addition, a forum for operational risk collates information about operational events in the Alm. Brand Group. Participating in this forum are Risk Management, Compliance, IT and Internal Audit. Moreover, the group has an approval committee for financial products. This committee is responsible for ensuring that business procedures, processing routines, etc. are in place before new products or activities are implemented, helping to mitigate operational risk.

LIQUIDITY MANAGEMENT

The bank's Treasury department manages the group's liquidity centrally. On a day-to-day basis, the Treasury department monitors and manages liquidity based on the liquidity requirement of the entire group. The objective of the Treasury department is to ensure that liquidity is at all times sufficient to support operations and comply with the statutory requirements for the group companies. Compliance with liquidity requirements is ensured through internally defined limits. The liquidity management is determined on the basis of a conservative risk profile. In addition, there are adequate liquidity resources to continually ensure that the group will at any given time have the liquidity required to cover day-to-day operations.

RISK FACTORS

We take various types of calculated risk in support of the group's long-term business objectives. The content and size of risks encountered in the various business areas differ considerably, but generally risk parameters for the group can be illustrated as shown in the figure below.

The sections below provide details on the risk scenarios of Alm. Brand Forsikring A/S, Alm. Brand Alm. Brand Liv og Pension A/S and Alm. Brand Bank A/S.

Risk parameters

ALM. BRAND FORSIKRING A/S

In all significant areas, it has been considered what the desired risk profile of Alm. Brand Forsikring A/S should be. Business procedures and controls in that respect have been designed and reports are submitted to the Board of Directors and Management Board of Alm. Brand Forsikring A/S on a regular basis.

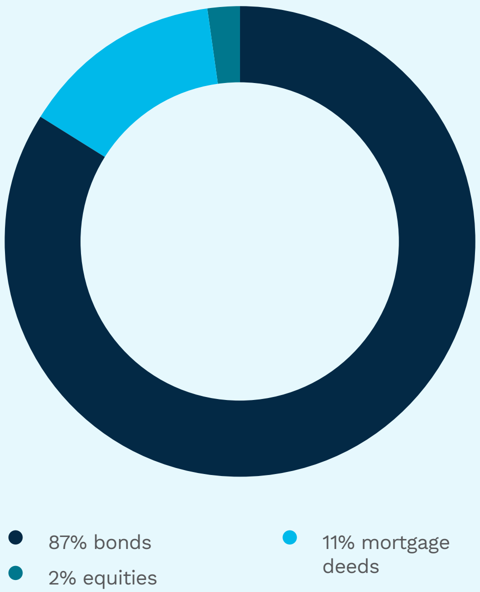
Insurance risks

The primary risks are premium risks (the risk of claims expenses and costs exceeding premium income), claims provision risks (the risk of provisions being too low relative to the ultimate cost of the loss) and catastrophe risks (the cost of extreme events).

Rules governing acceptance and writing of new business at customer and product level reduce premium risks. Written risks are assessed for the possibility that several policies can be affected by the same loss event (accumulation). Moreover, each customer adviser has been given instructions as to what risks can be accepted. In addition, premium risks are reduced by using reinsurance and by frequently monitoring trends in tariff parameters.

The most important reasons for claims provision risks are model and calculation uncertainties as to claims provisions and claims inflation. The amount of run-off gains and losses is evaluated in the annual actuarial report relative to the expectations from the company's partial internal model. This control contributes to providing a true and fair view of the risk of run-off losses.

Investment assets Non-life Insurance



NOTE 47 CAPITAL AND RISK MANAGEMENT - CONTINUED

Catastrophe risks are covered through reinsurance. The purpose of the reinsurance programme is to ensure that a single loss event or a random accumulation of large losses does not lead to an unacceptable loss of capital and, moreover, the purpose is to reduce fluctuations in technical results.

The largest single risks in Alm. Brand Forsikring are natural disasters and terrorism events. The company's risk associated with natural disasters is assessed using the partial internal model and a number of scenarios based on portfolio exposure and on a calculated probability. Both show that the current reinsurance programme will provide cover at least for losses resulting from a 1:200-year storm.

For 2018, Alm. Brand Forsikring purchased catastrophe reinsurance cover for up to DKK 4.3 billion with retention of DKK 75 million. Reinsurance supplemented by facultative coverage covers fire claims with retention of DKK 30 million, while personal injury on accident and workers' compensation claims are covered with retention of DKK 20 million. In addition, frequency cover has been taken out against major fire events and against extraordinarily many windstorm and precipitation events (cloudbursts, snow load etc.).

The risk of a terrorism event is not always comprised by insurance risks covered by the company. In cases in which Alm. Brand Forsikring covers this type of event, the company's risk is covered by one of the following two options: First of all, the so-called terrorism pool covers losses involving nuclear, biological or chemical risks. Secondly, through own programmes Alm. Brand Forsikring has coverage directed at claims in connection with terrorist attacks due to other (conventional) causes. In addition, specific coverage has been taken out on selected buildings in respect of conventional terrorism events.

Health insurance risks

Health insurance risk arises as a result of the insurance group's writing of workers' compensation and personal accident insurance. These policies all give rise to both premium, claims provision and catastrophe risks, as described in the section on non-life insurance risks.

Particularly workers' compensation insurance is affected by legislative amendments and changed legal practice as well as by social inflation. Social inflation means that claims expenses increase due to developments in social and socio-economic factors. Such factors have a tendency to drive up the number of insurance-covered claims and average claims expenses. These external risk factors arise due to trends in society and are difficult to predict, thereby making it difficult to price health insurance risks correctly.

Because workers' compensation insurance is of a longer-tail nature and because the legislative framework is more complicated, the potential impact of risk factors on the results of workers' compensation lines is greater compared with personal accident lines.

Market risks

The management of market risk is intended to ensure achievement of an optimum return without putting the total capital of Alm. Brand Forsikring at risk of significant deterioration due to financial market developments or financial difficulties of individual issuers.

The asset allocation of Alm. Brand Forsikring at 31 December 2017 reflects its focus on stable returns and low investment risk. The investment assets of Alm. Brand Forsikring are predominantly placed in interest-bearing assets, most of which are Danish mortgage bonds with a high credit rating. The average duration is between two and three years.

The interest rate risk on assets and liabilities is monitored on an ongoing basis. Interest rate swaps are used to adjust the interest rate risk on the assets. Throughout 2017, the risk profile was more or less neutral relative to interest rate changes.

In late 2014, Alm. Brand Forsikring acquired most of Alm. Brand Bank's portfolio of mortgage deeds. The transaction contained an option agreement to protect Alm. Brand Forsikring against future credit losses. The agreement implies that Alm. Brand Forsikring can return mortgage deeds to the bank if a debtor defaults on his payment obligations. The bank thus retains the credit risk, whereas Alm. Brand Forsikring only assumes the market risk associated with investing in the mortgage deeds.

About 2% of the portfolio is placed in equities, and less than 1% of the assets are placed in unlisted equities, primarily in the form of strategic sector equities. Sector equities are held for the purpose of supporting the insurance activities.

The currency risk of Alm. Brand Forsikring is related to a limited exposure to bonds denominated in foreign currency and to positive market values of derivative fixed-income instruments denominated in foreign currency.

Notes

NOTE 47 CAPITAL AND RISK MANAGEMENT - CONTINUED

Through its holding of Danish mortgage bonds, Alm. Brand Forsikring is exposed to rising mortgage bond yields.

Counterparty risks

Counterparty risk arises when a counterparty in a financial agreement fails to meet its obligations. Counterparty risk is broken down into two types in the solvency calculation. Type 1 counterparty risk covers exposure to large financial enterprises, for instance due to reinsurance agreements or financial contracts. Type 2 counterparty risk covers the risk that ordinary insurance customers fail to pay what they owe to Alm. Brand Forsikring.

Type 1 counterparty risk related to reinsurance arises for example if Alm. Brand Forsikring's reinsurers go into insolvent liquidation, resulting in a partial loss of receivables and in new coverage of the business having to be purchased. In order to minimise the risk related to each reinsurer, reinsurers must be rated at least A- with Standard & Poor's or A.M. Best. Deviations from this rating must be approved by the Board of Directors.

Financial counterparties are most often credit institutions in which case the receivable arises in a bilateral derivative agreement or, for instance, by depositing cash funds in a bank account, which creates a type 1 counterparty risk. Placement limits contain restrictions as to the companies' maximum receivable from specific credit institutions.

Alm. Brand Forsikring limits counterparty risks in connection with derivative agreements by entering into margin agreements and netting with the counterparties. Margin agreements ensure that collateral is provided when the exposure exceeds a certain level. Netting is described in the ISDA Master Agreements and implies that gains and losses on derivative financial instruments may be offset if a counterparty breaches its obligations. Agreements on derivative financial instruments of a longer-term nature can only be concluded if they also have a netting agreement with collateral provided. If deemed expedient, deviations from this general rule may in rare circumstances be accepted subject to management consent.

In addition, Alm. Brand Forsikring has type 1 counterparty risk on Alm. Brand Bank. This is due to Alm. Brand Forsikring's option to sell back delinquent mortgage deeds to Alm. Brand Bank. The capital strength of Alm. Brand Bank is monitored on an ongoing basis to ensure that Alm. Brand Bank can honour any claims from Alm. Brand Forsikring arising due to delinquent mortgage deeds.

Receivables from policyholders in Alm. Brand Forsikring arise on an ongoing basis and an allowance is made in that respect in the solvency requirement as type 2 counterparty risk.

Other risks

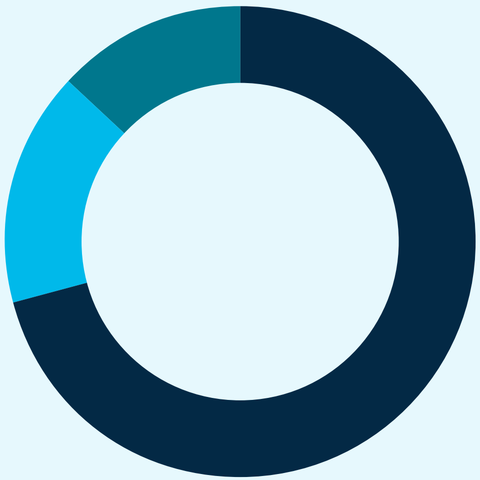
Liquidity risk is very limited because premiums in the company are pre-paid. Non-life Insurance is under the greatest liquidity pressure after a weather-related event, but may procure liquidity within a short period by selling assets.

ALM. BRAND LIV OG PENSION A/S

Life insurance risks

Biometric risks consist of mortality, longevity, disability, catastrophe risk, costs and option risk (risk related to the scope of surrender and re-writing to paid-up policies). Disability and mortality risks are limited by guidelines for how large a risk the company may accept. It is currently standard policy with Alm. Brand Liv og Pension A/S to only write risk coverage subject to the customer providing individual health information. Alm. Brand Liv og Pension has a single product of a limited scope in which corporate pension schemes are offered against provision of limited personal health information. Moreover, risks are limited through a reinsurance programme which mitigates the effects of losses incurred on large customers. The reinsurance programme also

Investment assets policyholders' funds Life Insurance



comprises catastrophe cover in the event of several customers/lives being hit by the same event.

To cover any future fluctuations in mortality or disability rates, a risk margin is added to market value provisions, calculated on the basis of the value of the cost of capital charge for future solvency capital requirements (the so-called cost of capital approach of Solvency II). The market value parameters for use in the calculation of market value provisions are assessed at least once a year.

Alm. Brand Liv og Pension's breakdown into contribution groups means that generally there is no collective bonus potential in the contribution groups for mortality, longevity and disability, respectively. This generally implies that losses incurred in these groups will be paid through equity. However, the overall buffers may be applied through the use of negative bonus, thereby limiting the risk to the reaction rate of bonus rate adjustments.

Alm. Brand Liv og Pension has a relatively small exposure to longevity, as the portfolio is predominantly composed of capital, retirement and instalment pension schemes. Alm. Brand uses the Danish Financial Supervisory Authority's benchmark for longevity assumptions for the calculation of provisions – and the Solvency II standard formula for the assessment of longevity risk.

Health insurance risks

New health and personal accident business in Alm. Brand Liv og Pension is written outside the framework of guaranteed interest, ensuring that the customers receive a sharper but also more flexible insurance price. These policies give rise to both premium, claims provision and catastrophe risks but are also affected by legislative amendments and changed legal practice as well as by social inflation. Social inflation means that claims expenses increase due to developments in social and socio-economic factors. Premium risk is limited to one year due to the possibility of a quick change of price

Market risks

Alm. Brand Liv og Pension's insurance portfolio is divided into four interest rate contribution groups characterised by the different guarantee levels on which the insurances are based. The investment strategies of the individual interest rate contribution groups are carefully designed to match the investment buffers of each individual group. This means that the highest interest rate contribution group has a relatively small share of higher-risk assets relative to provisions.

A good year with equity price increases and a single property sale had a very positive effect on the overall buffers. The current level of interest rates still makes it difficult to achieve an investment return that matches the high guarantee levels. However, the high guarantee levels will be reduced significantly over time as a result of the factors set out below.

Alm. Brand Liv og Pension has introduced the principle that the full amount of any surplus on the policies' interest rate, risk or expense results must be used to lower the future required rate of return on the insurances. This gradually reduces the guarantees for the interest rate groups and has the effect that, over time, they will be moved to interest rate groups with lower guarantees.

No new business is written in the highest group, which predominantly consists of insurances under disbursement or close to retirement, and the portfolio is thus gradually reduced. At 31 December 2017, the portfolio amounted to DKK 2.4 billion or approximately 21% of total provisions.

At least once a month and otherwise as needed, Alm. Brand Liv og Pension calculates the solvency capital requirement and the expected profit for the year. In addition, sensitivity analyses are carried out according to a selection of economic scenarios (combinations of a rise or fall in interest rates, decline in equities and a widening of the credit spread (OAS)).

The asset allocation of Alm. Brand Liv og Pension is diversified across a number of asset classes. The risk tolerance is calculated relative to the total assets and allocated to each portfolio according to size. The risk tolerance can thus be measured regardless of the guarantees issued in each interest rate contribution group. This has the consequence that groups with large investment buffers will have more higher-risk assets than groups with low investment buffers, as the overall risk exposure for shareholders' equity must be identical.

Derivatives are used to adjust the interest rate risk of the individual contribution groups in order to achieve the desired risk profile between assets and liabilities for each interest rate contribution group. The greatest interest risk arises in the event of a sudden and severe interest rate fall, giving the company no time to adjust its hedging activities. The duration of provisions increases with the decline in interest rates.

Equity exposure is only accepted on investment equities for policyholders' funds, and the exposure is accepted on the basis of a global investment universe. In addition, Alm. Brand Liv og Pension holds a limited number of unlisted equities, primarily in the form of strategic sector equities. These equities are held for the purpose of supporting the business activities.

Property exposure is accepted only for policyholders' funds. Most of the property investments are owner-occupied properties. The risk profile defined for the purchasing and selling of property is focused on a high degree of security and stable returns on a long-term horizon.

Alm. Brand Liv og Pension pursues a proactive currency strategy, which means that foreign equity and bond positions are not currency hedged unless deemed expedient.

Counterparty risks

Counterparty risk often arises due to a receivable in connection with a bilateral derivative agreement or, for instance, by depositing cash funds in a bank account with a credit institution. Placement limits contain restrictions as to how large an exposure a company may have with specific credit institutions.

Alm. Brand Liv og Pension limits counterparty risks in connection with derivative agreements by entering into margin agreements and netting with its counterparties. Margin agreements ensure that collateral is provided when the exposure exceeds a certain level. Netting is described in the ISDA Master Agreements and implies that gains and losses on derivative financial instruments may be offset if a counterparty breaches its obligations. Agreements on derivative financial instruments of a longer-term nature can only be concluded if they also have a netting agreement with collateral provided. If deemed expedient, deviations from this general rule may in rare circumstances be accepted subject to management consent.

Other risks

The liquidity risk is very limited. The greatest liquidity risk is the risk of a large number of customers wanting to move their pension savings at the same time. Should this materialise, the company may procure liquidity within a short period by selling assets and may furthermore mitigate the risk to a certain extent by introducing a transfer and surrender charge.

ALM. BRAND BANK A/S

The bank's forward-looking activities offer products that meet private customer financial needs. Moreover, the bank has activities within leasing, bond, equity and currency trading as well as research (Financial Markets) and asset management (Asset Management). This is reflected in the types of risk accepted by the bank.

Credit risks

Credit risk is the risk of incurring a financial loss due to default on counterparties' payment obligations. Credit risk includes losses/impairment writedowns on loans, guarantees, derivatives, etc., concentration risk on customer types, exposure types, collateral types, etc., a general change in credit quality due to changes in legislation, economic conditions, market practices and conditions, etc.

The bank wishes to have a cautious risk profile and thus aims to always have optimum credit risk management in order to ensure a stable platform for the bank.

The bank's future lending strategy is directed at private customers who are resident in Denmark. As a result, Alm. Brand Bank mainly grants loans to private customers, investment credit facilities in Financial Markets and leasing in the subsidiary Alm. Brand Leasing A/S. The bank still holds mortgage deeds and credit exposures with commercial and agricultural customers as counterparties, but this part of the business will be phased out in the years ahead. The bank does not wish to have any significant exposure to international activities.

As part of the group's new strategy to provide full-range financial advisory services, the bank has resolved to set up a commercial customer division for small and medium-sized enterprises. The division will be focused on serving businesses with simple financial needs.

Once a year, the bank's Board of Directors reviews and approves the credit policy and the associated guidelines describing the rules governing the bank's loan granting, provision of guarantees and other credit risks. In addition, the Board of Directors grants the largest exposures.

The bank has a policy of not establishing new exposures exceeding 10% of the bank's adjusted total capital. Based on the calculation of the supervisory diamond indicator for the sum of large exposures, the bank does not wish to have a sum of large exposures which exceeds 120% of its total capital. Excepted from this are exposures to the bank's subsidiary Alm. Brand Leasing and the other companies of the Alm. Brand Group.

All customers must be credit rated before being granted credit. The bank's credit rating of private customers seeking loans is based on a review of the customers' overall financial situation, including disposable

NOTE 47 CAPITAL AND RISK MANAGEMENT - CONTINUED

amount, assets and level of debt. Secondarily, the bank uses credit scoring models. The bank generally requires collateral from the customer in the form of mortgaging of the customer's assets.

Alm. Brand Bank's identification of risk concentrations in the credit portfolio serves as a credit risk management parameter. The bank's continued focus on private customers will reduce concentration risk both in relation to large exposures and property market exposures.

In the winding-up portfolio, loans are granted only for credit-defence purposes when this is deemed to minimise the bank's risk of loss.

Market risks

Market risk is the risk of fluctuations in the fair value of financial instruments as a result of changes in market prices. Alm. Brand Bank's market risks include interest rate risk, currency risk, equity risk and other price risks. The Board of Directors aims for the market risks assumed by the bank from time to time to be calculated and to reflect the bank's business strategy, risk profile and capital resources.

The bank regularly takes positions in the financial markets for the account of customers as well as for its own account. Active risk management is applied across the bank in order to balance out financial risks on assets and liabilities with the aim of achieving a satisfactory return that matches the bank's risk tolerance and applied capital. In its risk management, the bank uses derivative financial instruments to adjust the market risk.

At least once annually, the Board of Directors determines the acceptable risk level of each individual market risk in the market risk policy. Specific limits for the bank's market risk are provided in the guidelines for the Management Board in the market risk area.

Interest rate risk is calculated as the loss on interest rate exposure due to a one percentage point parallel shift in the yield curve.

The banking group's daily currency risk is calculated and managed on the basis of the greater of the sum of receivables and the sum of payables denominated in foreign currency translated into Danish kroner.

The bank's equity positions in the trading book consists of listed Nordic equities and unit trust certificates held with a view to supporting the bank's markets and asset management functions. The bank's portfolio of equities outside the trading book comprises equities taken over for credit-defence purposes. The portfolio also comprises sector equities intended to support the bank's operations.

The bank does not want to hold properties but has in recent years taken over single-family houses and rental property for credit-defence purposes. The exposure to properties is assessed to be limited relative to the bank's total assets.

The risk management function monitors the bank's market risks on a daily basis and reports to the Management Board and the Board of Directors on an ongoing basis. Any positions exceeding the Management Board's limits and powers are reported to the Board of Directors.

Liquidity

The banking group aims to ensure that liquidity is at all times sufficient to support its future operations and comply with the statutory requirements, including the indicators of the Danish Financial Supervisory Authority's supervisory diamond. The liquidity management is determined on the basis of a conservative risk profile.

Compliance with the bank's liquidity target is ensured through the internally defined limits for the composition of funding, including funding sources and their repayment structure as well as requirements for the size of the bank's liquidity reserve. The bank manages and monitors its liquidity on a day-to-day basis based on short-term and long-term liquidity requirements. The bank's Treasury department is responsible for the regular reporting on the bank's liquidity position.

At 31 December 2017, Alm. Brand Bank's LCR was 325. At the beginning of 2018, the statutory requirement for the size of a fully phased-in LCR will be 100 percentage points, which Alm. Brand Bank already complies with.

The short-term liquidity management is intended to ensure that Alm. Brand Bank is at all times able to pay liabilities as they fall due and comply with the statutory requirements. This is ensured by means of fixed targets for the liquidity reserve and stress tests. Specifically, this is achieved by neutralising imminent liquidity effects, and liquidity is maintained within the limits defined by the Board of Directors, and by securing financial resources in the form of highly liquid securities, undrawn money market lines with major market players and a set-up for repo transactions.

The long-term liquidity management is intended to ensure that Alm. Brand Bank does not find itself in a situation where

NOTE 47 CAPITAL AND RISK MANAGEMENT - CONTINUED

the cost of funding the bank's operations becomes disproportionately high. This is achieved by stress testing and focusing on the strategic funding structure. The bank wishes to have a stable funding structure with deposits being the primary funding source.

OTHER RISKS FACING THE GROUP

Operational risk arises as a result of inexpedient or faulty internal procedures, human or system errors or as a result of external events, including legal risks. The group has a number of control procedures in the form of work routines, business procedures and reconciliation processes, performed locally and centrally throughout the organisation. The scope of control measures is assessed against the expenses they involve. Security measures are assessed relative to potential threats and their assessed probability of occurrence as well as the potential business consequences, should such threats materialise.

In connection with the entering into effect of the General Data Protection Regulation on 25 May 2018, the Alm. Brand Group has initiated a project to ensure that personal data are processed in a reassuring manner and that all processes and business procedures are in compliance with the upcoming rules. One of the project activities is to document areas and business procedures in which personal data are processed and stored, including documenting the purpose of the processing of personal data. Moreover, systems and third parties involved in the processing of personal data are reviewed with a view to ensuring a satisfactory level of security.

Reputational risks are costs associated with having a poor public reputation, which affects the group's ability to maintain and develop its business volume. A reputation arises through media coverage of the group or incidents in relation to such coverage, for instance in news media and on social media. The group has drawn up media contingency plans to handle any incidents that could lead to unfavourable media coverage.

The group is continually making proactive efforts to reduce the number of potential events that could give rise to poor reputation. Moreover, the group is focused on reducing the number of complaints involving Alm. Brand Forsikring filed with the Insurance Complaints Board, and even though the insurance company has a track record of winning most of the complaints filed, every complaint is one too many because it means that the group has a dissatisfied customer. Alm. Brand Forsikring has a customer ambassador who reviews the complaints. The customer ambassador looks at a complaint from a customer point of view and is responsible for ensuring that the customers' views are heard. This is done to promote a good dialogue between Alm. Brand Forsikring and its customers. Often a disagreement arises because the customer has not been adequately informed about why his or her claim is not covered. The complaints are subsequently analysed, enabling the group to develop its insurance products and to become better at explaining its current insurance terms.

Strategic risks arise due to inexpedient business decisions, insufficient implementation of business initiatives or slow response to the challenges facing the group.

Strategic risks cannot be avoided but they can be limited by maintaining high professional standards, openness and willingness to change in the organisation. Alm. Brand's strategy has been prepared by the group management on the basis of a structured process and in cooperation with each group subsidiary's Board of Directors, Management Board and managerial groups.

The group's risk profile and risk management are described in detail at almbrand.dk/risk.

Notes

NOTE 48 SIGNIFICANT ACCOUNTING ESTIMATES, ASSUMPTIONS AND UNCERTAINTIES

The preparation of the financial statements involves the use of accounting estimates. Such estimates are made by the company's management in accordance with the accounting policies and on the basis of historical experience and assumptions, which management considers prudent and realistic but which are inherently uncertain and unpredictable.

The most significant estimates are related to the calculation of fair values of unlisted financial instruments and loans, advances and receivables and provision for losses on guarantees. In addition, significant estimates are involved in the valuation of mortgage deeds and liabilities under insurance contracts.

This note should be read in conjunction with note 40, which contains information about the determination of fair value.

Change in yield curve effective from 1 January 2018

Effective from 1 January 2018, EIOPA has chosen to change the so-called Ultimate Forward Rate (UFR), which is the long-term rate in the EIOPA yield curve. The UFR is changed from the current rate of 4.2% to 3.65% with a phase-in of 15 bps per year. This means a reduction of the UFR as at 1 January 2018 to 4.05%.

The transition to the lower rate has no significant effect on the calculation of technical provisions, the total capital or the solvency capital requirement of either Alm. Brand Forsikring A/S or Alm. Brand Liv og Pension A/S.

Financial instruments

Significant estimates are not used for the valuation of financial instruments where the valuation is based on prices quoted in an active market or on generally accepted valuation models employing observable market data.

Valuations of financial instruments that are only to a limited extent based on observable market data are subject to estimates. This applies for example to unlisted shares and certain bonds for which an active market does not exist. For securities that are not listed on a stock exchange, or for which no price is quoted that reflects the fair value of the instrument, the fair value is determined using a model calculation.

The valuation models include the discounting of the instrument cash flow using an appropriate market rate.

The valuation of unlisted shares is based on information from the companies' financial statements, experience from transactions involving shares in the companies in question as well as input from qualified third parties.

The group holds a quite substantial portfolio of Danish mortgage bonds and is exposed to rising mortgage yields relative to the general yield curve.

Valuation of mortgage deed portfolios

The mortgage deed portfolios are valued partly on the basis of non-observable input and are therefore to some extent subject to estimates. The calculation of the fair value of mortgage deeds is based on models which include parameters such as expected prepayments, loss rates and interest rate level.

Non-delinquent mortgage deeds are measured on the basis of the number of assumptions relating to required rate of return, expected credit losses and repayments – assumptions basically concerning what a mortgage deed could trade for between two independent parties. The model will revalue the mortgage deed if the mortgage deed coupon is higher than the discount rate. Such revaluation is sensitive to the model assumptions.

The repayment rates are updated on an ongoing basis to reflect the development in realised repayments.

Delinquent mortgage deeds are valued with due consideration for the risk of default and the loss incurred in the event of default. Any unsecured part is written down, and the amount depends, among other things, on how long the mortgage deed has been delinquent. However, the unsecured part must be written down to zero after the mortgage deed has been delinquent for a period of 180 days. In the calculation of any unsecured part, the valuation of property values builds on a significant estimate made on the basis of an individual external valuation for large properties and the official property valuation for other properties.

NON-LIFE INSURANCE

Liabilities under insurance contracts are measured based on a number of actuarial calculations, applying, among other things, assumptions on a number of variables. The liabilities are furthermore affected by the discount rate.

The provisions for workers' compensation insurance are affected by several acts. Most recently, the Danish Social Pensions Act was amended in December 2015, whereby the state retirement age was raised from 67 to 68 years for people born on or after 1 January 1963. The Act also imposes a duty on the Minister for Social Affairs in 2020 to reassess whether the retirement age should be raised further. In addition, the Danish government's so-called "2025 plan" contains proposals which, if the plan is implemented, will move forward further increases in the retirement age.

An expert committee has been set up to consider a revision of the Danish Act on Industrial Injuries, among other things prompted by the amended flex job rules. The expert committee has provided its report, and a process of revising the legislation is still underway with the involvement of e.g. the Danish Insurance Association. It is still uncertain which recommendations will be implemented in legislation and when, and the amount of claims expenses arising as a result of a potential revision of the act is therefore subject to uncertainty.

Alm. Brand Forsikring reserves capital with due regard to all known and unknown factors which may impact the level of claims.

LIFE INSURANCE

Liabilities under insurance contracts are measured based on a number of actuarial calculations, applying, among other things, assumptions about a number of variables. The liabilities are furthermore affected by the discount rate.

Alm. Brand Liv og Pension is focused on hedging the guaranteed benefits provided, applying derivative financial instruments to ensure that interest rate exposures on assets and liabilities are more or less aligned. Changes in the value of investment assets resulting from changes in interest rates are therefore partly offset by corresponding changes in the value of the technical provisions and the individual and collective bonus potentials. If, over time, the return generated is lower than the discount rate applied, the bonus potentials will be affected initially, and shareholders' equity may be affected subsequently.

Properties

In connection with the valuation of properties, a fair value is calculated on the basis of market-based rental income and operating expenses relative to the required rate of return of the individual properties. The valuation takes into account the type, location, state of repair, vacancy rate, etc. of the property.

BANKING

In respect of individual impairment of loans, advances and other receivables and provision for losses on guarantees, significant estimates have been applied in quantifying the risk that not all future payments may be received, including estimates related to determining whether a customer should be marked for objective evidence of impairment. If it can be determined that not all future payments will be received, the determination of the amount of the expected payments, including realisation values of any collateral and expected dividend payments from estates, involves significant estimates.

Adverse and unforeseen economic developments may affect the payment ability of individual customers. For instance, major interest rate changes, failure to let premises and changes in settlement prices for agricultural products may affect the customers' ability to pay and the value of the collateral security on which the calculation of the bank's collateral security is based. In particular, lending for activities within financing of real property and agriculture may be adversely affected.

Collective impairment charges are made on the basis of a model developed by the Association of Local Banks in Denmark. If the model does not sufficiently take into account all matters regarding the bank's loan portfolio, it will be supplemented by a management estimate, including for macroeconomic factors that may adversely affect agriculture.

In addition, changes are regularly made to the rules that form the basis of the calculation of the impairment writedown and provisioning requirement in the bank. Changes that are subsequently introduced may trigger higher impairment writedowns on the bank's loans and provisions, regardless of the fact that no events would seem to have occurred in relation to the customers' ability to pay or collateral that would warrant such higher impairment writedowns/provisions.

SENSITIVITY INFORMATION

We take various types of calculated risk in support of the long-term business objectives.

The most important business risks and financial risks are listed in the table below.

The individual risks are described in note 47 Capital and risk management on pages 126-133.

Sensitivity information

DKKm	Non-life Insurance	Banking*	Life Insurance*	Other	Total	% of shareholders' equity
Sensitivity information, group Risk on shareholders' equity in case of specific events						
Interest rate increase of 1 percentage point	-59	-31	-20	-5	-115	-2.3
Interest rate fall of 1 percentage point	-8	20	18	5	35	0.7
Equity price fall of 15%	-31	-31	0	0	-62	-1.3
Fall in property prices of 15%	-1	0	0	0	-1	0.0
Currency risk excl. EUR, 25% decline	0	35	0	0	35	0.7
Spread widening of 1 percentage point	-240	-89	-25	-4	-358	-7.3
Catastrophe events:						
- one "100-year event"	-98	–	–	–	-98	-2.0
- two "100-year events"	-222	–	–	–	-222	-4.5

* Interest rate sensitivities for the bank concern balance sheet items included in the interest rate risk for accounting purposes. The bank's property risk concerns properties held directly. The table lists the most important risks to which the Alm. Brand Group is exposed. The order of the risk factors is not an indication of the size or importance of each risk factor. The risk factors relating to Life Insurance do not include risks
related to securities owned by the policyholders.

Notes

NOTE 49 ACCOUNTING POLICIES

GENERAL

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU. The parent company financial statements have been prepared in accordance with the provisions of the Danish Financial Business Act, including the Executive Order on Financial Reporting for insurance companies and multi-employer occupational pension funds. In addition, the consolidated financial statements have been presented in accordance with additional Danish disclosure requirements for listed financial enterprises.

Additional Danish disclosure requirements for annual financial statements are for the group set out in the Danish Statutory Order on Adoption of IFRS for financial enterprises issued pursuant to the Danish Financial Business Act and by NASDAQ Copenhagen A/S. For the parent company, the disclosure requirements are defined in the Danish Financial Business Act and by NASDAQ Copenhagen A/S.

The annual financial statements are presented in Danish kroner (DKK), which is considered the primary currency of the group's activities and the functional currency of the parent company.

The accounting policies applied in the consolidated financial statements are described in the following. The accounting policies of the parent company are described as part of the parent company's financial statements.

The accounting policies applied in the consolidated financial statements for 2017 are consistent with those applied in 2016. Certain items have been reclassified. In order to provide a better overview and reduce the number of note disclosures, the amount and qualitative information of which are insignificant, certain disclosures have been omitted.

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.

STANDARDS AND INTERPRETATIONS NOT YET IN FORCE

At the date of publication of these financial statements, a number of new or amended standards have not yet entered into force and/or been adopted for use in the EU and are therefore not included in these financial statements. Alm. Brand does not expect to implement the new accounting standards and interpretations until they become mandatory. Except for the ones set out below, none of the new standards or interpretations are expected to have a significant impact on the financial reporting of the group.

IFRS 9 Financial instruments

The accounting standard IFRS 9, which replaces the IAS 39 standard, significantly changes the applicable rules on classification and measurement of financial assets, impairment writedowns and to a certain extent the rules on hedge accounting. The IFRS 9 standard is mandatory for financial years beginning on or after 1 January 2018 but optional early implementation is allowed. Alm. Brand will apply the IFRS 9 standard as from 1 January 2018. The IFRS 9 rules on financial instruments determine as follows:

IFRS 9 - Classification and measurement:

According to IFRS 9, classification and measurement of financial assets is carried out on the basis of the business model for managing financial assets and the financial assets' contractual cash flow characteristics.

Financial assets are measured according to the time of initial recognition at amortised cost if they are held in order to collect the contractual cash flows and if the contractual cash flows are solely payments of interest and principal on the principal amount outstanding. Financial assets are generally measured according to the time of initial recognition at fair value through other comprehensive income if the financial assets are held in a mixed business model in which some financial assets are held to collect the contractual cash flows and other financial assets are sold and if the contractual cash flows are solely payments of interest and principal on the principal amount outstanding. However, the relevant financial assets form part of a risk management system and an investment strategy based on fair values and on that basis form part of Alm. Brand's internal management reporting. Against this background, Alm. Brand assesses that the financial assets do not satisfy the criteria of a business model relating to the measurement categories amortised cost and fair value through other comprehensive income. The relevant financial assets are instead measured at fair value through profit or loss.

If financial assets do not satisfy the above-mentioned business model criteria or if the contractual cash flows are not solely payments of interest and principal on the principal amount outstanding, the financial assets will be measured according to the time of initial recognition at fair value through profit or loss.

The application of the IFRS 9 measurement categories for financial assets based on the business model and on characteristics of the contractual cash flows are only expected to result in insignificant changes to measurement principles relative to the measurement principles applied in the Alm. Brand Group's Annual Report 2017.

IFRS 9 - Impairment:
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, but interest income is recognised in the income statement using the effective interest method relative to the impairment loss.

Loss allowances on stage 1 and 2 customers/facilities, except for the weak part of stage 2, are recognised on the basis of a collective model calculation, whereas loss allowances for weak stage 2 customers/facilities and stage 3 customers/facilities are recognised on the basis of a manual, individual assessment.

The collective model is based on a more simple system which is based on Alm. Brand Bank's classification of customers into different rating categories and an assessment of the risk attaching to the individual rating categories.

IFRS 9 - Hedge accounting:
The new rules on hedge accounting widen the scope for hedge accounting in order to align business entities' financial reporting with their actual risk management.
The changed rules on hedge accounting do not affect the Alm. Brand Group's financial reporting as the rules on hedge accounting are not applied.

IFRS 9 - Overall effect:
The expected effects of the impairment rules under IFRS 9 on the impairment account will amount to about DKK 80 million before tax and will be fully recognised in the opening balance sheet at 1 January 2018. As regards all other financial assets and liabilities, the measurement under IFRS 9 will be identical to the current practice under IAS 39.

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 Bank has decided to use the transition scheme. Alm. Brand assesses that the effect of IFRS 9 on the total capital will be insignificant on the entering into force of the rules on 1 January 2018, while the effect on the total capital in future will be slightly negative as the transition scheme is gradually phased out.
In continuation of the issuance of IFRS 9, changes have been made to IFRS 4 so as to make two options available: the so-called "overlay approach" and the so-called "deferral approach", allowing for optional deferral of the implementation of IFRS 9 for entities whose predominant activity is insurance activities. It is assessed that the application of IFRS 9 will not be deferred.

Additional information on the implementation of IFRS 9:
Additional information on the implementation of IFRS 9, including definitions, is provided below.

Significant increase in credit risk:
The assessment of the change in credit risk assumes a significant increase in credit risk relative to the time of initial recognition in the event of a downgrade of Alm. Brand Bank's internal rating of customers. The internal rating of customers is based on processes for identifying customers showing signs of weakness, the ongoing credit management and a model approach based on variables related to account behaviour, including overdrafts or arrears.

Notes

However, if the credit risk of the financial asset is considered to be low at the balance sheet date, the asset will remain at stage 1, characterised by no significant increase in credit risk. Alm. Brand Bank assesses credit risk to be low when Alm. Brand Bank's internal rating of the customer is 2a or better.

Definition of default:
Loans and guarantees are defined as being in default when they meet at least one of the following criteria:

- There is objective evidence of impairment
- The loan has been in arrears/overdrawn for a period of 90 days or more by an amount exceeding DKK 1,000 for private individuals and DKK 10,000 for businesses

Alm. Brand's use of forward-looking information in calculating expected losses:
Under the new IFRS 9 impairment rules, forward-looking information is a component in the calculation of expected loss by way of macroeconomic forecasts and projections anchored in a macroeconomic module developed and maintained by LOPI, the Association of Local Banks in Denmark.

The macroeconomic module consists of a number of regression models that establish the historical correlation between impairment for the year in a number of sectors and industries and a number of explanatory macroeconomic variables. Data is then fed to the regression models based on forecasts from consistent sources, such as the Danish Economic Council, the Danish central bank and others, providing forecasts that generally look two years ahead and comprise variables such as increases in public spending, increases in GDP, interest rates, etc. That allows for the calculation of anticipated impairment in individual sectors and industries up to two years ahead while calculations beyond two years are based on a linear interpolation between the impairment rate in year 2 and the impairment rate in year 10, at which time a long-term equilibrium, calculated as a structural forecast level, is assumed for modelling purposes. The impairment rate applied for long-term equilibrium in year 10 is also applied beyond 10 years for modelling purposes. Lastly, the calculated impairment rates are transformed into adjustment factors and used to correct the data centre's 'raw' estimates for the individual sectors and industries.

Alm. Brand's business models (business objective) in relation to the classification of financial assets:
The Alm. Brand Group applies three business models (business objectives) relative to the classification and measurement of financial assets.

1. Financial assets which the Alm. Brand Group holds to collect the contractual cash flows from financial assets. The portfolio is measured at amortised cost.
2. Financial assets that are components of a mixed business model where some financial assets are held to collect contractual cash flows and other financial assets are sold. The relevant financial assets form part of a risk management system and an investment strategy based on fair values and on that basis form part of Alm. Brand Group's internal management reporting. The portfolio is therefore measured at fair value through profit or loss.
3. Financial assets not forming part of the above two business models are classified in a residual category which includes, among other things, financial assets held for trading. The portfolio is measured at fair value through profit or loss.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16, Leases. IFRS 16, which replaces IAS 17, Leases, will only imply insignificant changes to the accounting treatment for lessors. For lessees, the accounting treatment will change significantly as all leases will generally be recognised in the balance sheet. IFRS 16, which has not yet been adopted by the EU, is effective from 1 January 2019. The effect of IFRS 16 has not been investigated in connection with the preparation of the annual report.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17, Insurance contracts. IFRS 17 replaces IFRS 4, Insurance contracts. The new IFRS standard will have a significant impact on the measurement, presentation and information concerning insurance contracts and will enter into force on 1 January 2021. The effects of the new standard will be analysed and assessed over the coming years.

Management believes that, except for the implementation of IFRS 9, IFRS 16 and IFRS 17, the implementation of new and amended standards will only have a minor impact on the annual report.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the parent company and subsidiaries in which the parent company holds the majority of the voting rights or otherwise holds a controlling interest. Companies in which the group holds between 20% and 50% of the voting rights or otherwise exercises a significant but not a controlling influence are considered associates.

NOTE 49 ACCOUNTING POLICIES - CONTINUED

The consolidated financial statements have been prepared by consolidating items of a uniform nature in the income statements and balance sheets of each company. Intercompany income, expenses, intra-group accounts, shareholdings and gains and losses on transactions between the consolidated enterprises are eliminated.

Properties owned by subsidiaries and used by the group are reclassified from investment property to owner-occupied property.

The financial statements of subsidiary undertakings that present annual reports under other jurisdictions have been restated to the accounting policies applied by the group.

In the preparation of the consolidated financial statements, accounting items of subsidiaries are fully recognised, regardless of the percentage of ownership. The proportionate shares of the results and equity of subsidiary undertakings attributable to minority interests are recognised as separate items in the income statement and the balance sheet. Intra-group services are settled on market terms or on a cost recovery basis. Intra-group financial statements carry interest on market terms. Intra-group transactions in securities and other assets are settled at market prices.

The consolidated financial statements of Alm. Brand A/S are included in the consolidated financial statements of Alm. Brand af 1792 fmba, Copenhagen.

FOREIGN CURRENCY

Assets and liabilities denominated in foreign currency are recognised at the rates of exchange prevailing at the balance sheet date. Income and expenses denominated in foreign currency are recognised at the rates of exchange ruling at the transaction date. Exchange gains and losses are recognised in the income statement.

General recognition and measurement policies

Assets are recognised in the balance sheet when, due to a previous event, it is probable that future economic benefits will flow to the group and the value of the asset can be reliably measured. Liabilities are recognised in the balance sheet when, due to a previous event, it is probable that future economic benefits will flow from the group and the value of the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below in respect of each individual item.

Income is recognised in the income statement as earned, whereas costs are recognised by the amounts attributable to the financial year. Value adjustments of financial assets and liabilities are recorded in the income statement unless otherwise described in the accounting policies.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the annual report and which confirm or invalidate conditions existing at the balance sheet date.

In connection with the acquisition or sale of financial assets and liabilities, the settlement date is used as the recognition date. Changes to the value of the asset acquired or sold during the period from the transaction date to the settlement date are recognised in the income statement. If the acquired item is measured at cost or amortised cost after initial recognition, any value changes during the period from the transaction date to the settlement date are not recognised.

Certain financial assets and liabilities are measured at amortised cost, implying the recognition of a constant effective rate of interest to maturity. Amortised cost is stated as original cost less any principal payments and plus or minus the accumulated amortisation of any difference between cost and the nominal amount. This method allocates capital gains and losses over the term to maturity.

BALANCE SHEET

Intangible assets

Software

Software is measured at the lower of cost less accumulated amortisation and impairment and the recoverable amount. Software is amortised on a straight-line basis over an expected useful life not exceeding five years.

In determining cost, all costs directly attributable to the development of the software and that will probably generate economic benefits for the group are recognised. All other costs are expensed as incurred. Amortisation and impairment are recognised as administrative expenses.

Land and buildings

Land and buildings owned by the group are classified as either investment properties or owner-occupied properties. Owner-occupied properties comprise properties which Alm. Brand generally uses for administrative purposes. Other properties are classified as investment properties.

The fair value of land and buildings is assessed on an annual basis. An external appraiser may be engaged where necessary.

Investment properties
Investment properties are measured at a fair value calculated in accordance with the guidelines issued by the Danish Financial Supervisory Authority. The fair value is calculated on the basis of the yield method, which involves a valuation of each individual property on the basis of an expected normal operating budget and a rate of return. The calculated value is adjusted for short-term circumstances which change the earnings of the property. The adjusted calculated value corresponds to the fair value.

Adjustments of the value of investment properties are recognised in the income statement in the financial year when the change occurred.

Owner-occupied properties
Owner-occupied properties are measured at a revalued amount corresponding to the fair value at the revaluation date less accumulated depreciation and value adjustments. The fair value is calculated on the basis of the Danish Financial Supervisory Authority's guidelines on the yield method, which involves the measurement of each individual property on the basis of an expected normal operating budget and a rate of return. The calculated value is adjusted for short-term circumstances which change the earnings of the property. The adjusted calculated value corresponds to the fair value.

Owner-occupied properties are depreciated on a straight-line basis over the expected useful life of the properties, which is estimated to be 60 years. Depreciation is calculated with due consideration to the expected residual value and is recognised in the income statement under administrative expenses.

Revaluations with the addition or deduction of the tax effect, including properties classified as owner-occupied properties, are made through other comprehensive income and tied in revaluation reserves. If a revaluation can no longer be maintained, it is reversed. Writedowns that do not offset previous revaluations are made in the income statement.

The part of the revaluations that can be attributed to insurance contracts with bonus entitlement is subsequently transferred to collective bonus potential in accordance with the contribution rules filed.

The yield method
The operating budget recognises rental income from full letting, as any rent for vacant premises or other lack of rental income is offset against the estimated value. Accordingly, the operating budget recognises normal maintenance of the property. Any major anticipated renovation work, restoration work or repair is offset against the estimated value.

The rate of return is determined based on current market conditions for the type of property taking into account the state of repair, location, use, leases, etc.

Reinsurers' share from insurance contracts
The reinsurers' share of the technical provisions is calculated as the amounts expected to be received from reinsurance companies under the applicable reinsurance contracts.

The group regularly assesses its reinsurance assets for impairment. If there is a clear indication of impairment, the carrying amount of the asset is written down.

Other assets
Other assets comprise various receivables and prepayments. The item also comprises positive fair value of spot transactions and derivative financial instruments, operating equipment and assets taken over temporarily.

Forward transactions, futures, swaps, options and unsettled spot transactions are measured at fair value on initial and subsequent recognition. Positive and negative fair values of derivatives are recognised as Other assets or Other liabilities, respectively. Changes in the fair value of derivatives are recognised in the income statement.

The loss option issued by Alm. Brand Bank A/S to cover credit losses on mortgage deeds in Alm. Brand Forsikring A/S is measured using the credit model, which is also used for the measurement of the bank's other delinquent mortgage deeds.

Assets held temporarily comprises properties and cars only temporarily in the group's possession and awaiting sale within 12 months and where a sale is very probable. The item is measured at the lower of the carrying amount and the fair value less expected costs to sell.

Prepayments comprises expenses incurred prior to the balance sheet date but which relate to a subsequent accounting period.

Furniture and equipment, computers, cars, etc.
Operating equipment is measured at cost less accumulated depreciation and impairment. Depreciation is provided on a straight-line basis over the estimated useful life of the assets taking into account the expected residual value. The expected useful lives are assessed to be:

Cars	5 years
Furniture and equipment	3-5 years
IT equipment	3-5 years

Cost comprises acquisition cost and directly attributable costs.

Leasehold improvements are capitalised and amortised over their estimated useful lives, up to five years, taking into account the expected residual value.

Investment assets
Investment assets comprise financial assets measured at fair value. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this at every reporting date.

Investment assets are measured at fair value on initial and subsequent recognition. The determination of fair value and the classification of value adjustments of financial instruments in the financial statements depend on whether the fair value can be reliably measured. Generally, the group's financial instruments form part of the trading book, however, not unlisted shares and parts of the portfolio of mortgage deeds designated at fair value.

Listed financial assets are measured at fair value based on the closing price at the balance sheet date, or, in the absence of a closing price, another public price deemed to be most similar thereto.

For the majority of the unlisted shares, it is assessed that the fair values can be measured sufficiently reliably using recognised valuation methods. These assets are on this basis measured at fair value, and value adjustments are taken to the income statement. The unlisted shares for which it is assessed that the fair value cannot be determined sufficiently reliably are measured at cost less any impairment. For unlisted assets that are managed by external fund managers, these calculate an estimated market value based on the estimated present value of expected future cash flows.

The measurement of financial instruments at fair value is consistent with the group's internal risk management, which is based on market exposure of assets and liabilities subject to risk.

Financial assets are recognised or derecognised at the settlement date.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through income are included in the income statement in the period in which they arise.

Securities sold under agreements to repurchase at a later date (repo transactions) are recognised in the balance sheet. Amounts received are included as amounts owed to the purchaser and are subject to interest at the agreed rate. Measurement of securities is unchanged, and both value adjustments and interest etc. are recognised in the income statement. Securities purchased under agreements to resell at a later date (reverse transactions) are not recognised in the balance sheet. Amounts paid are recognised as a receivable and are subject to interest at the agreed rate.

Derivative financial instruments
Derivatives are measured at fair value on initial recognition. Subsequently, derivatives are measured at fair value at the balance sheet date. Changes in fair value are recognised in the income statement as financial income or expenses.

Loans, advances and receivables, including mortgage deeds
Mortgage deeds are measured at fair value on initial and subsequent recognition. In the bank, mortgage deeds are included in Loans, advances and other receivables. The calculation of the fair value of mortgage deeds is based on models which include parameters such as expected prepayments, loss rates and interest rate level.

The mortgage deed portfolios are valued partly on the basis of non-observable input and are therefore to some extent subject to estimates. The calculation of the fair value of mortgage deeds is based on models which include parameters such as expected prepayments, loss rates and interest rate level.

Non-delinquent mortgage deeds are measured on the basis of the number of assumptions relating to required rate of return, expected credit losses and repayments – assumptions basically concerning what a mortgage deed could trade for between two independent parties. The model will revalue the mortgage deed if the mortgage deed coupon is higher than the discount rate. Such revaluation is sensitive to the model assumptions.

Notes

NOTE 49 ACCOUNTING POLICIES - CONTINUED

The repayment rates are updated on an ongoing basis to reflect the development in realised repayments.

Delinquent mortgage deeds are valued with due consideration for the risk of default and the loss incurred in the event of default. Any unsecured part is written down, and the amount depends, among other things, on how long the mortgage deed has been delinquent. However, the unsecured part must be written down to zero after the mortgage deed has been delinquent for a period of 180 days. In the calculation of any unsecured part, the valuation of property values builds on a significant estimate, which is made on the basis of an individual external valuation for large properties and the official property valuation for other properties.

Other loans and advances and other receivables are measured at amortised cost. On initial recognition, the portfolio is measured at fair value plus transaction costs less fees and commissions received that are directly related to the acquisition or issue of the financial instrument. On subsequent recognition, such loans, advances and other receivables will be adjusted to amortised cost on a current basis.

An ongoing evaluation takes place to detect any objective evidence of impairment of the company's loans, advances and other receivables determined at amortised cost. If there is any objective evidence of impairment, the need to write down the loan, advance or receivable is assessed. Any impairment losses are calculated based on the difference between the carrying amount before the impairment and the present value of expected future payments from the loan, advance or receivable if it is deemed that the debtor is able to make payments in addition to cash flows from the assets provided as collateral for the loan. However, a realisation principle is used if the debtor is not deemed to be able to make payments in addition to cash flows from the assets provided as collateral for the loan.

Collective impairment charges

Loans, advances and receivables that are not written down individually are subject to a collective assessment of whether there is any evidence of impairment for the group as a whole. A collective assessment involves groups of loans, advances and receivables with uniform credit risk characteristics.

The collective assessment is based on a segmentation model developed by the Association of Local Banks in Denmark, which is responsible for the ongoing maintenance and development of the model. The segmentation model determines the correlation in the individual groups between actual losses and a number of significant explanatory macroeconomic variables by way of a linear regression analysis. The explanatory macroeconomic variables include unemployment, housing prices, interest rates, number of bankruptcies/forced sales, etc.

The macroeconomic segmentation model is generally calculated on the basis of loss data for the entire banking sector. The bank has therefore assessed whether the model estimates need to be adapted to the bank's portfolio of loans and advances.

This assessment has entailed an adjustment of the model estimates to the bank's own circumstances, and these adjusted estimates form the basis of the calculation of collective impairment charges. An estimate has been calculated for each individual group of loans, advances and receivables, which expresses the percentage impairment of the specific group of loans, advances and receivables at the balance sheet date. The individual loans and advances' impact on the group impairment is calculated by comparing the original risk of loss of the individual loans and advances with the risk of loss of the loans and advances at the beginning of the current reporting period. The impairment is calculated as the difference between the carrying amount and the discounted value of the expected future payments.

The model-based calculation of collective impairment charges is supplemented by a management estimate where management finds that there are factors which the model does not sufficiently take into account.

The management estimate hence reflects the effect of expectations for the development in credit risk in selected segments.

Balances due from credit institutions

Balances due from credit institutions are measured at fair value on initial recognition and subsequently at amortised cost and comprise all receivables from credit institutions and central banks, including receivables in connection with genuine purchase and resale transactions.

Cash in hand and balances at call
Cash in hand and balances at call are measured at fair value on initial recognition and subsequently at amortised cost.

Contingency funds
The contingency funds can only be used for the benefit of policyholders. Contingency fund 2 is moreover subject to the restriction that it can only be used when permission has been obtained from the Danish Financial Supervisory Authority.

Deferred tax has been provided on the group's contingency funds.

Dividends
Dividends are recognised as a liability in the financial statements at the time of adoption by the shareholders at the annual general meeting. Proposed dividends in respect of the financial year are stated as a separate line item in the notes relating to shareholders' equity.

Treasury shares
Purchases and sales of treasury shares are recognised as a change in shareholders' equity under Other reserves.

Share options
The share options are settled by means of treasury shares. When the options are exercised, the strike price received is taken to equity.

Subordinated debt
Subordinated debt comprises liabilities which, in the case of liquidation or bankruptcy and pursuant to the loan conditions, cannot be settled until any other creditor claims have been honoured. Subordinated debt is recognised at fair value, equalling the payment received less directly attributable costs incurred. Subsequently, subordinated debt is measured at amortised cost using the effective interest method.

Provisions for insurance contracts
All provisions are measured at their discounted value using a maturity-dependent discount rate including volatility adjustment for the duration in question.
Alm. Brand uses a yield curve developed in-house according to the same principles and on the basis of data identical to the ones that form the basis of EIOPA's published discount rates.

Unearned premium provisions
Unearned premium provisions comprise the amounts provided at the end of the year against claims not yet incurred in respect of insurance contracts entered into. The provisions are measured as the present value of the best estimate of future claims at the balance sheet date for the part of the risk period not yet run off, including all direct and indirect administrative and claims-handling expenses. The premium provisions comprise all insurance contracts entered into and take into account all agreed premium rates, irrespective of whether they have fallen due for payment before the time of calculation. Newly written insurance contracts are recognised when an agreement has been concluded, whereas renewed insurance contracts are recognised when there is one month or less until the renewed contract enters into force.

Unearned premium provisions relating to health and personal accident insurance are made up according to market value principles. They are calculated as the difference between the present value of the company's liabilities in respect of health and personal accident policies and the present value of the premiums to be paid by policyholders in the future using a best estimate of insurance risk and costs incurred in managing insurance and claims handling. The market value expectations include a risk margin in accordance with the Solvency II principles. The insurance period for health and personal accident insurances is calculated until the next renewal date of the insurance. Unearned premium provisions will, however, as a minimum correspond to an accrual of the premiums collected.

The provisions are calculated based on an assumption of a lower mortality and disability than in the company's calculation basis for new contracts. The reduction is estimated based on the company's historical claims ratios on mortality and disability, respectively, and costs relative to the assumptions in the calculation basis for new contracts. The actuary regularly assesses whether the assumptions used to determine the market value calculation basis still apply to the company's portfolio.

Profit margin
Profit margin is the expected future earnings for the risk periods not yet run off for the insurance contracts which the company has entered into at the end of the year. The profit margin is measured as the present value of the accrued profit on profit-making contracts. The profit margin cannot be negative.

Measurement of the profit margin comprises all insurance contracts entered into. Newly written insurance contracts in Alm. Brand Forsikring's portfolio will be recognised when an agreement has been concluded, whereas renewed insurance contracts are recognised when there is one month or less until the renewed contract enters into force. Both newly written insurance contracts and renewed insurance contracts in the health and personal accident portfolio of Alm. Brand Liv og Pension are recognised as from the beginning of the risk period.

Risk margin
The risk margin comprises the amount which the company in a hypothetical situation is expected to have to pay to a third party to take over the risk that the realised future costs deviate from the estimated level stated under unearned premium and claims provisions at the end of the accounting period.

The risk margin is measured as the present value of the future cost of capital related to maintaining the solvency capital required for settlement of the company's current liabilities and risks.

The measurement is based on the company's solvency capital requirement and is consistent with the Solvency II principles, as the future solvency capital requirements are approximated by the current solvency capital requirement written down proportionally by the remaining share of the expected cash flow for the unearned premium and claims provisions. The calculation of the cost of capital is based on the Cost-of-Capital rate of 6% under Solvency II. The risk margin development tracks the development in the company's solvency capital requirement.

Life insurance provisions
Life insurance provisions are measured at market value based on an expected cash flow discounted using Alm. Brand's approximation of the maturity-dependent yield curve including volatility adjustment published by EIOPA. The market value expectations include a risk margin in accordance with the Solvency II principles. The risk margin is a type of security, meaning that taking over the portfolio from a third party represents a value. A profit margin is also calculated, which represents the value of the future profit which the company is expected to be able to recognise as income from its pension business. The actuary regularly assesses whether the assumptions used to determine the market value calculation basis still apply to the company's portfolio.

The expected future insurance benefits are estimated based on projections of mortality, disability, surrender of insurance policies and cessation of premiums (paid-up policies). These are estimated based on the company's historical claims ratios on mortality and disability, respectively, and actual costs relative to the assumptions in the calculation basis for new contracts and actual surrenders and premium cessations.

Life insurance provisions are divided into provisions for guaranteed benefits, individual bonus potential and collective bonus potential. Life insurance provisions are calculated at market value, based on individual calculations for each policy. Also, bonuses earned but not yet added to the individual policies are added to the provisions. For amounts exempt from tax on pension returns, a discount rate without deduction of tax on pension returns is used.

The provisions are generally calculated based on an assumption of a lower mortality and disability than in the company's calculation basis for new contracts. The reduction is estimated on the basis of an empirical analysis of the company's insurance portfolio.

Provisions for the guaranteed benefits comprise obligations to pay benefits guaranteed to the policyholder. Provisions for guaranteed benefits are calculated as the difference between the present value of the benefits guaranteed by the insurance policy and the present value of the expected future insurance administration costs less the present value of the agreed future premiums. The provision includes an estimated amount in cover of future benefits resulting from already incurred claims and an estimated amount for claims incurred but not reported.

The individual bonus potential comprises obligations to pay a bonus in relation to both expected not yet due premiums and premiums already due. The bonus potential is calculated as the value of policyholders' savings less provisions for guaranteed benefits, including expectations in relation to surrenders and paid-up policies. Whether the bonus potential is to be strengthened is determined individually for each policy.

Outstanding claims provisions
Outstanding claims provisions comprise the amounts provided at the end of the year against claims reported but not settled and against payment of claims incurred but not reported. The provisions are measured as the present value of the best estimate of these claims expenses at the balance sheet date. They are generally determined using statistical methods based on the aggregate historical development in payments and case reserves. The statistical methods are supplemented by best estimates of claims processors and claims assessors in the event of major claims. For workers' compensation, a separate model has been introduced which is mainly based on rulings and case officer assessments of individual

claims. Moreover, provisions are made to cover expected delayed reporting of claims incurred and expected future reopening of claims. In addition to the statistical methods, an assessment is included of other factors affecting the necessary level of outstanding claims provisions, such as changes in legal practice, internal processes, inflation and singular, extreme claims.

The outstanding claims provisions also include amounts to cover direct and indirect costs which are reasonably considered to be adequate in relation to settling the claims obligations. The estimate of the provision is based on the direct and indirect costs incurred during a normal claims year on the establishment of new claims and the processing and settlement of old claims. Included in the calculations is the ratio of claims paid and the outstanding claims provisions at year end, including claims incurred but not reported.

The cash flow regarding payment of provisions is estimated for all lines and discounted using Alm. Brand's approximation of the maturity-dependent yield curve including volatility adjustment published by EIOPA.

For all lines except workers' compensation, the future inflation rate is estimated and recognised implicitly in the provisioning models. The future inflation rate forecast used in the calculation of provisions in relation to workers' compensation is calculated explicitly and consists of an inflation element and a real wage element.

Several assumptions and estimates underlying the calculation of the provisions for claims are mutually dependent. However, the most important interdependence is that between the assumption regarding inflation and interest rates, although the effect of changes in the inflation rate assumption will not affect the calculation of the outstanding claims provisions as effectively as changes to the discount rate.

Provisions for claims relating to health and personal accident insurance are calculated at the present value of expected future payments. The outstanding claims provisions regarding health and personal accident insurance also include amounts to cover direct and indirect costs which are reasonably considered to be adequate in relation to settling the claims obligations. For reported claims, an individual assessment is made of the date of payment. The costs are estimated on the basis of the average duration of established claims payments and an assessment of the annual costs incurred in handling claims. The provisions for current disablement benefits are determined individually, and an assessment of the duration of the benefits is made for each policy. The provision calculated is increased by a risk margin in accordance with the Solvency II principles.

Liability adequacy test

The outstanding claims provisions are calculated according to actuarial methods and with a view to avoiding run-off losses as well as run-off gains. At the calculation date, the provisions thus represent the best estimate of future claims for the current and previous claims years. The outstanding claims provisions are calculated on a monthly basis, and the level is therefore assessed to be adequate at all times.

The provision will be discounted if such discounting has a material impact on the size of the liability.

Long-term employee obligations

Provisions for pensions and similar obligations comprise jubilee benefits etc. to employees, notwithstanding that the future benefit is subject to the individual being employed by the company at the time of payment of the benefit. The value of the future benefits is recognised as the present value of the benefits expected to be paid based on a best estimate.

Current costs in respect of pensions etc. for the group's employees are treated as defined contribution plans. For defined contribution plans, the group pays fixed contributions and has no obligation to pay any further contributions. The obligations are fully funded.

Other financial liabilities

On initial recognition, other financial liabilities are measured at fair value less transaction costs. The liabilities are subsequently measured at amortised cost.

Deposits with ceding companies comprise amounts received which are kept to cover the insurance liabilities of other insurance companies towards the group's reinsurance companies.

Deposits for financial reinsurance comprise premiums received less deductions for claims paid equivalent to the company's liabilities pursuant to contracts made.

Deposits

Deposits are recognised at amortised cost and comprise all deposits, including obligations in connection with genuine sale and repurchase transactions with counterparties which are not credit institutions or central banks and customers' receivable margins in connection with futures and option transactions if the customer is not a credit institution.

Payables to credit institutions and central banks

Payables to credit institutions and central banks are measured at amortised cost and comprise, among other things, obligations in connection with genuine sale and repurchase transactions with counterparties which are credit institutions or central banks and receivable margins in connection with futures and option transactions if the customer is a credit institution.

INCOME STATEMENT

Premium income

Gross premiums comprise premiums due relating to insurance and contracts.

Premium income, net of reinsurance, is the gross premiums for the year adjusted for movements in unearned premium provisions, profit margin and the part of the risk margin attributable to unearned premium provisions, and less reinsurers' share. The part of the change in unearned premium provisions, profit margin and risk margin which is attributable to the bond maturity effect is transferred to interest expenses, etc. The part of the change in unearned premium provisions, profit margin and risk margin which is attributable to a change in the discount rate applied after inflation is transferred to market value adjustments.

Premiums relating to life insurance comprise premiums due during the year and single premiums less labour market contribution.

Interest income, etc.

Interest income and dividends, etc. includes dividends received and interest earned during the financial year.

The item also includes interest-like fees and commissions that are an integral part of the effective rate of interest on financial assets measured at amortised cost. Finally, the item recognises the part of the change in unearned premium provisions and outstanding claims provisions that can be ascribed to discounting.

Fee income, etc.

Fees, etc. are accrued over the lifetime of the transactions and recognised in the income statement at the amounts relating to the accounting period.

Other income from investment activities

The item includes the operating profit on investment property after deduction of related administrative expenses.

Other income

Income derived from activities that cannot be ascribed to the group's principal activities is recognised under other income.

Claims expenses

Claims incurred include claims paid during the insurance year adjusted for movements in claims provisions corresponding to known and anticipated claims relating to the year. Also included is any change in the part of the risk margin attributable to claims provisions.

Amounts to cover expenses for surveying and assessment and other direct or indirect staff administration costs, etc. associated with claims handling are included in the item. In addition, the item includes run-off results regarding previous years.

The group's indirect costs relating to the handling of claims are distributed between claims expenses and administrative expenses using allocation keys based on estimated resource application.

The part of the change in outstanding claims provisions and risk margin which can be attributed to discounting is transferred to interest expenses, etc. The part of the change in outstanding claims provisions and risk margin which can be attributed to a change in the discount rate applied after inflation is transferred to market value adjustments.

Alm. Brand Forsikring A/S has entered into swap agreements to partially hedge provisions for workers' compensation against changes in the future wage index, assuming continued stable growth in the real value of claims paid.
The value adjustment of these swaps is included in claims incurred.

Claims and benefits relating to life insurance comprise benefits due during the year, amounts paid for repurchases and bonus amounts paid in cash.

Other expenses from investment activities

The item includes amounts associated with the management of investment assets. Brokerage and commission relating to the purchase and sale of securities is recognised under market value adjustments.

NOTE 49 ACCOUNTING POLICIES - CONTINUED

Impairment of loans, advances and receivables, etc.

Impairment of loans, advances and receivables comprises impairment of loans, advances and receivables on which there is an objective indication of impairment and provisions for guarantees. The item also includes value adjustment of assets temporarily acquired in connection with closing commitments.

Acquisition costs and administrative expenses

The part of the insurance operation expenses that can be ascribed to acquisition and renewal of the insurance portfolio is recognised under acquisition costs. Acquisition costs are generally charged to the income statement when the insurance takes effect.

Administrative expenses comprise expenses related to managing the company's activities. Administrative expenses are accrued to match the financial year.

Operating expenses relating to owner-occupied properties are recognised in the consolidated income statement under administrative expenses. Rent concerning the company's owner-occupied properties is not recognised in the consolidated income statement, but the expense is included in the individual segment financial statements.

Other expenses

Expenses associated with activities that cannot be ascribed to the company's principal activities are recognised under other expenses.

Result of ceded business

For reinsurance contracts containing a combination of financial terms and traditional terms with transfer of risk, the risk premium is recognised on an accruals basis under premium income.

The accrual is based on the value of the contracts at the end of the year. Realised losses relating to these contracts are included in claims after adjustment for movements in financial deposits.

Reinsurance premiums ceded and reinsurers' share received are accrued and recognised in the income statement according to the same principles as those applied for the corresponding items under the gross business.

Changes in ceded business attributable to discounting are transferred to interest expenses, etc., while changes attributable to changes in the discount rate applied are transferred to value adjustments.

Value adjustments

Value adjustments include all realised and unrealised gains and losses on investment assets, except for value adjustment of subsidiary and associated undertakings and revaluations of owner-occupied properties. The item also includes the discounting effect of insurance contracts.

Tax on pension returns

Tax on pension returns includes the tax levied on returns relating to the group's life insurance activities, notwithstanding whether the tax is payable now or at a later date.

CURRENT AND DEFERRED TAX

All companies in the group are jointly taxed.

Tax includes tax for the year, comprising income tax payable for the year, movements in deferred tax and prior-year adjustments. Changes in deferred tax resulting from changes in tax rates are also recognised in this item.

Current tax assets and liabilities are recognised in the balance sheet at the amount that can be calculated on the basis of the expected taxable income for the year adjusted for prior years' tax losses carried forward.

Deferred tax is recognised using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax is measured on the basis of the tax regulations and rates that, according to the rules in force at the balance sheet date, will apply at the time the deferred tax is expected to crystallise as current tax.

Deferred tax assets, including the tax base of tax losses carried forward, are measured at the amount at which they are expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities. At each balance sheet date, it is reassessed whether it is likely that there will be sufficient future taxable income for the deferred tax asset to be utilised.

NOTE 49 ACCOUNTING POLICIES - CONTINUED

SEGMENT INFORMATION

The business segments Non-life Insurance, Life Insurance, Banking and Other are the group's primary segments and they have been determined on the basis of the regulatory differences. No geographical segment information is provided as the group's activities are predominantly focused on the Danish market.

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

Banking is divided into Forward-looking activities and Winding-up activities. The forward-looking activities form part of the bank's strategy and represent areas in which the bank wishes to expand its business volume. Winding-up Activities do not form part of the bank's strategy and represent an area in which the bank, in a responsible and financially appropriate manner, aims to reduce its exposure.

The segment information follows the group's internal reporting structure, reflecting a risk allocation on relevant business areas. Recognition and measurement in the segment reporting are in accordance with the group's accounting policies.

More detailed information about the individual segments is provided in the management's review.

CASH FLOW STATEMENT

The cash flow statement is presented using the direct method and shows cash flows from operating, investing and financing activities as well as the group's cash and cash equivalents at the beginning and end of the financial year.

Cash flows from operating activities include the items of the income statement adjusted for operating items of a non-cash nature. Realised gains and losses on the sale of tangible assets or investment assets are included in cash flows from investing activities.

Cash flows from investing activities include changes in intra-group accounts and net additions of investment assets, including realised gains and losses on the sale of such assets.

Cash flows from financing activities includes financing from shareholders as well as by raising of short-term and long-term loans.

Cash and cash equivalents comprise cash and demand deposits.

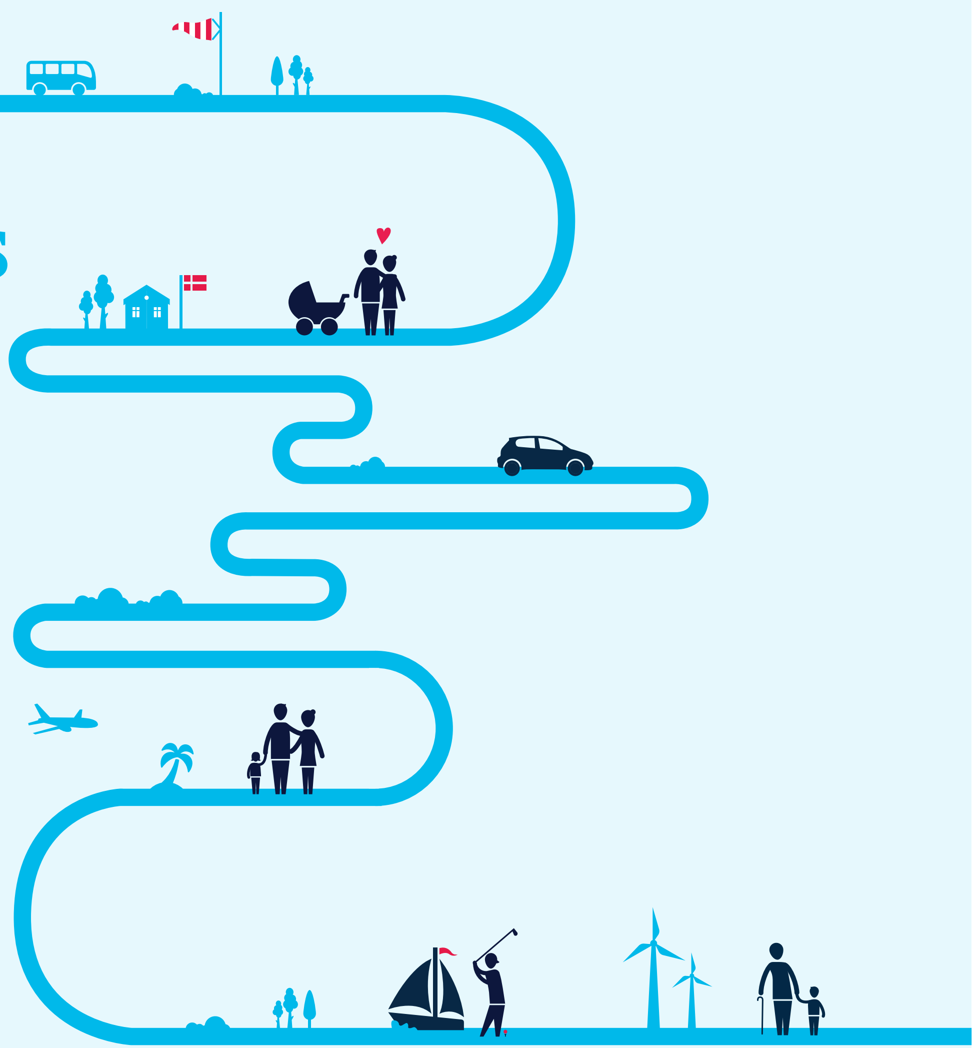
DISCLAIMER

All other forward-looking statements are based exclusively on the information available when this report was released. This announcement contains forward-looking statements regarding the company's expectations for future financial developments and results and other statements which are not historical facts. Such forward-looking statements are based on various assumptions and expectations which reflect the company's current views and assumptions, but which are inherently subject to significant risks and uncertainties, including matters beyond the company's control. Actual and future results and developments may differ materially from those contained or assumed in such statements. Matters which may affect the future development and results of the group as well as of the individual business areas include changes in economic conditions in the financial markets, legislative changes, changes in the competitive environment, in the reinsurance market and in the property market, unforeseen events, such as extreme weather conditions or terrorist attacks, bad debts, major changes in the claims experience, unexpected outcomes of legal proceedings, etc.

The above-mentioned list of risk factors is not exhaustive. Investors and others who base their decisions on the information contained in this report should independently consider any uncertainties of significance to their decision.

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

Financial statements
Parent company



Balance sheet

DKKm	Note	2017	2016
Assets			
Investment in group enterprises	1	4,865	4,956
Total investments in group enterprises		**4,865**	**4,956**
Equity investments		1	1
Bonds		288	436
Other loans and advances		2	2
Deposits with credit institutions	2	0	17
Cash in hand and balances at call	3	17	16
Total other financial investment assets		**308**	**472**
Total investment assets		**5,173**	**5,428**
Receiveables from group enterprises		0	13
Other receivables	4	53	45
Total receivables		**53**	**58**
Current tax assets	5	19	18
Total other assets		**19**	**18**
Interest receivable	6	2	4
Total prepayments and accrued income		**2**	**4**
Total assets		**5,247**	**5,508**

		Parent company	
DKKm	Note	2017	2016
Liabilities and equity			
Share capital		1,655	1,735
Other provisions		1,215	1,215
Proposed dividend		480	831
Retained earnings		1,586	1,419
Total shareholders' equity	7	**4,936**	**5,200**
Subordinated debt		250	250
Total subordinated debt	8	**250**	**250**
Deferred tax liabilities	9	36	29
Total provisions		**36**	**29**
Payables to group enterprises		20	15
Other payables		5	14
Total payables		**25**	**29**
Total liabilities and equity		**5,247**	**5,508**
Contingent liabilities, guarantees and lease agreements	10		
Staff costs	11		
Auditors' fees	12		
Related parties	13		

Income and comprehensive income statement

DKKm	Note	Parent company 2017	Parent company 2016
Income statement			
Income from group enterprises	14	852	873
Income land and buildings		0	0
Interest income and dividends, etc.	15	7	7
Interest expenses	16	-12	-13
Value adjustments	17	-5	-3
Administrative expenses related to investment activities	18	-44	-53
Total return on investments		**798**	**811**
Profit/loss before tax		798	811
Tax	19	13	15
Profit/loss for the year		**811**	**826**
Proposed allocation of profit/loss for the year:			
Proposed dividend		480	831
Retained earnings		331	-5
Profit/loss for the year		**811**	**826**
Comprehensive income			
Profit/loss for the year		811	826
Total comprehensive income		**811**	**826**
Proposed allocation:			
Proposed dividend		480	831
Retained earnings		331	-5
Total comprehensive income		**811**	**826**

Accounting policies	20

Statement of changes in equity

DKKm	Share capital	Other provisions	Retained earnings	Proposed dividend	Share-holders' equity
Shareholders' equity at 1 January 2016	**1,735**	**1,215**	**1,694**	**521**	**5,165**
Change in accounting policies			5		5
Adjusted shareholders' equity at 1 January 2016	**1,735**	**1,215**	**1,699**	**521**	**5,170**
Changes in shareholders' equity 2016:					
Profit/loss for the year			826		826
Comprehensive income			826		826
Proposed dividend			-831	831	0
Dividende distributed			21	-521	-500
Share option scheme, issuance			1		1
Share option scheme, exercise			34		34
Purchase and sale of treasury shares			-321		-321
Tax on changes recognised in equity			-10		-10
Changes in shareholders' equity	**0**	**0**	**-280**	**310**	**30**
Shareholders' equity at 31 December 2016	**1,735**	**1,215**	**1,419**	**831**	**5,200**
Shareholders' equity at 1 January 2017	**1,735**	**1,215**	**1,419**	**831**	**5,200**
Changes in shareholders' equity 2017:					
Profit/loss for the year			811		811
Revaluation of owner-occupied properties in subsidiaries			0		0
Tax on changes recognised in equity			0		0
Comprehensive income			811		811
Cancellation of treasury shares	-80		80		0
Proposed dividend			-480	480	0
Dividende distributed			18	-831	-813
Share option scheme, exercise			25		25
Purchase and sale of treasury shares			-287		-287
Changes in shareholders' equity	**-80**	**0**	**167**	**-351**	**-264**
Shareholders' equity at 31 December 2017	**1,655**	**1,215**	**1,586**	**480**	**4,936**

Notes

DKKm	2017	2016
Note 1 Investment in group enterprises		
Cost, beginning of year	8,491	8,491
Cost, year-end	8,491	8,491
Revaluation and impairment, beginning of year	-3,535	-3,403
Ændring i anvendt regnskabspraksis	0	5
Dividend received	-940	-1,000
Profit/loss for the year	852	873
Other movements in capital	0	-10
Revaluation and impairment of treasury shares in subsidiaries	-3	0
Revaluation and impairment, year-end	-3,626	-3,535
Investment in group enterprises, year-end	**4,865**	**4,956**
Specification of carrying amount:		
Alm. Brand Bank A/S		
(DKK 1,021 million nominal value wholly owned)	1,572	1,521
Alm. Brand Forsikring A/S		
(DKK 1,032 million nominal value wholly owned)	3,293	3,435
Investment in group enterprises, year-end	4,865	4,956
Note 2 Deposits with credit institutions		
Fixed-term deposits, external banks	0	17
Deposits with credit institutions, year-end	**0**	**17**
Note 3 Cash in hand and balances at call		
Deposits held at call, Alm. Brand Bank	16	15
Escrow account, Alm. Brand Bank	1	1
Cash in hand and balances at call, year-end	**17**	**16**

DKKm	2017	2016
Note 4 Other receivables		
Miscellaneous debtors	2	0
Rent deposit	36	33
Pensionskassen under Alm. Brand A/S	15	12
Other receivables, year-end	**53**	**45**
Note 5 Current tax assets		
Current tax assets, beginning of year	18	15
Tax paid in respect of prior years	-18	-15
Tax on profit/loss for the year	19	18
Current tax assets, year-end	**19**	**18**
Note 6 Interest receivable		
Bonds	2	4
Interest receivable, year-end	**2**	**4**
Note 7 Shareholders' equity		
Share capital, beginning of year	1,735	1,735
Cancellation of treasury shares	-80	0
Share capital, year-end	**1,655**	**1,735**

The share capital consists of 165,500,000 shares of DKK 10 each and has been fully paid up.

DKKm				2014	2013
Share capital, beginning of year	1,735	1,735	1,735	1,735	1,735
Cancellation of treasury shares	-80				
Share capital, year end	1,655	1,735	1,735	1,735	1,735

Reference is made to the statement of changes in equity.

Notes

DKKm	2017	2016
Solvency		
Tier 1 capital after deductions	3,315	3,344
Total capital after decuctions	3,447	3,356
Weighted assets subject to market risk	4,476	4,723
Total weighted assets	4,476	4,723
Tier 1 capital after deductions as a percentage of total weighted items	74.1%	70.8%
Total capital ratio	77.0%	71.1%

The total capital is calculated in accordance with the CRD-IV rules and the FICOD II rules.

DKKm	2017	2016
No. of shares		
Reconciliation of the no. of shares (1,000)		
Issued shares, beginning of year	173,500	173,500
Treasury shares, beginning of year	-10,031	-5,090
No. of shares, beginning of year	163,469	168,410
Shares acquired/sold during the year	-3,845	-4,941
Cancellation of treasury shares	8,000	0
Issued shares, year end	165,500	173,500
Treasury shares, year end	-5,876	-10,031
No. of shares at year-end	159,624	163,469
Treasury shares		
Carrying amount, beginning of year	0	0
Value adjustment	-138	-288
Acquired during the year, net	218	288
Cancellation of treasury shares	-80	0
Carrying amount, year-end	0	0

DKKm	2017	2016
Nominal value, beginning of year	100	51
Acquired during the year, net	39	49
Cancellation of treasury shares	-80	0
Nominal value, year-end	59	100
Holding (1,000), beginning of year	10,031	5,090
Acquired during the year	4,767	6,739
Sold during the year	-922	-1,798
Cancellation of treasury shares	-8,000	0
Holding (1,0000), year-end	5,876	10,031
Percentage of share capital	3.6%	5.8%

Note 8 Total subordinated debt

Floating rate bullet loans maturing 1 April 2024	250	250
Subordinated debt, year-end	**250**	**250**
Interest on subordinated debt	12	12
Costs incurred in connection with the raising of the subordinated debt	0	0

The subordinate loan capital carries a floating rate of interest of 3M CIBOR plus 5.0 percentage points.
The subordinated loan capital is eligible for recognition in full in the calculation of total capital.

Note 9 Deferred tax liabilities

Deferred tax liabilities, beginning of year	29	27
Prior-year tax adjustment	0	0
Change for the year	7	2
Deferred tax liabilities, year-end	**36**	**29**

Notes

DKKm	2017	2016
Deferred tax on contingency funds in group enterprises	40	40
Deferred tax on equipment	-2	-4
Deferred tax on provisions	-2	-1
Deferred tax on losses carried forward	0	-6
Deferred tax liabilities, year-end	36	29

Note 10 Contingent liabilities,		
Guarantee commitments	669	741

Alm. Brand A/S has provided a guarantee to ILU (Institute of London Underwriters) covering contracts written on behalf of the Copenhagen Reinsurance Company (U.K.) Ltd. (Cop. Re UK Ltd.), Copenhagen Re's UK subsidiary. The guarantee covers insurance contracts relating to Marine Aviation and Transport (MAT) writtenthrough ILU in the period from 3 April 1989 to 1 July 1997. In connection with the divestment of the Copenhagen Re Group in 2009, the buyer has undertaken toindemnify Alm. Brand A/S against the guarantee commitments.

Alm. Brand A/S has issued a guarantee commitment in respect of Pensionskassen under Alm. Brand af 1792 (Winding-up pension fund). Alm. Brand A/S has issued a commitment to pay any such ordinary and extraordinary contributions as may be determined in the pension scheme regulations or as agreed with the Danish Financial Supervisory Authority. Alm. Brand af 1792 fmba has undertaken to indemnify the Alm. Brand A/S for any and all costs the company may incur from time to time in respect of these obligations.

Alm. Brand A/S has made rental agreements for premises with total annual payments of DKK 214 million allocated over a five-year period, of which DKK 52 million falls due over the next 12 months.

Alm. Brand A/S is jointly and severally liable with the other jointly taxed and jointly registered group companies for the total tax liability.

For Danish tax purposes, the company is taxed jointly with Alm. Brand A/S as administration company. As from 1 July 2012, the company is therefore jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends on behalf of the jointly taxed companies.

DKKm	2017	2016
Note 11 Staff costs		
Salaries and wages	13	13
Pension	3	2
Share-based payment	1	1
Miscellaneous staff costs	0	7
Total salaries and wages, pension, etc.	**17**	**23**
Average number of employees	3	4

	2017	2017	2016	2016
	Parent company	Alm. Brand Group	Parent company	Alm. Brand Group
Remuneration to the Management Board and Board of Directors (DKK '000)				
Salaries and wages	6,191	6,191	6,262	6,262
Pension plans	1,999	1,999	1,909	1,909
Share-based payment	734	734	567	567
Total remuneration to the Management Bc	8,924	8,924	8,738	8,738
Directors' fees	3,893	5,167	3,545	4,745
Total remuneration to the Management Board and Board of Directors	12,817	14,091	12,283	13,483
Alm. Brand Group remuneration to the Board of Directors (DKK '000)				
Jørgen Hesselbjerg Mikkelsen (Chairman)	737	1,070	670	980
Jan Skytte Pedersen (Deputy Chairman)	490	795	372	650
Anette Eberhard	355	610	330	570
Ebbe Castella	275	450	250	410
Boris Nørgaard Kjeldsen	248	450	298	517
Henrik Christensen	248	355	225	330
Per Viggo Hasling Frandsen	248	355	225	303
Karen Sofie Hansen-Hoeck	275	275	250	250

Continued on the next page

Notes

	2017	2017	2016	2016
	Parent company	Alm. Brand Group	Parent company	Alm. Brand Group
Lars Christiansen (employee representative)	248	275	225	250
Brian Egested (employee representative)	248	275	225	250
Helle Låsby Frederiksen (employee representative)	248	275	225	250
Susanne Larsen (employee representative)	275	275	250	250
Total remuneration to the Board of Direct	3,893	5,460	3,545	5,010
No. of members of the Management Boar	1		1	
No. of members of the Board of Directors	12		12	

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

Alm. Brand has decided to provide all employees of the group, including the Management Board, with defined contribution pension plans. The group's expenses in relation to the Management Board's pension plans are shown in the above note.

The notice of termination between Alm. Brand and the Management Board is 12 months for either party. If a member of the Management Board is given notice by Alm. Brand, he is entitled to a severance payment equalling 24 months' salary.

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

The remuneration of the Board of Directors includes remuneration for audit committee participation. As chair of the remuneration committee, Anette Eberhard receives DKK 80 thousand annually. Jørgen Hesselbjerg Mikkelsen and Jan Skytte Pedersen each receive DKK 40 thousand annually (Jan Skytte Pedersen DKK 27 thousand in 2016).

	2017	2016
Remuneration to risk takers (DKK '000)		
Fixed salary	14,481	17,992
Pension	2,811	3,084
Variable salary	0	16
Share-based payment	966	782
Total remuneration to risk takers	18,258	21,874
Number of risk takers	13	9

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

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

There has not been paid one-off fees to risk takers in 2017.

Share-based payment
A share option programme established for the senior management team of the Alm. Brand Group expired on 31 March 2016. The scheme, which could only be exercised by purchasing the relevant shares (equity-based scheme), entitled the holders to purchase a number of shares in Alm. Brand A/S at a pre-determined price. The options granted vested at the date of grant. The options will lapse if they remain unexercised 50 months after the date of grant.

Notes

DKKm	2017	2016
Note 12 Audit fees		
Deloitte (DKK '000):		
Audit	583	578
Tax consultancy	500	736
Non-audit services	109	195
Total audit fees	1,192	1,509

Note 13 Related parties

Related parties comprise:

- Members of the company's Management Board and Board of Directors and their related family members
- Companies controlled by members of the Management Board of Board of Directors
- Other companies in the Alm. Brand Group
- Alm. Brand af 1792 fmba, which exercises a controlling influence on the company

Related party transactions:

The Alm. Brand Group has intra-group functions that solve joint administrative tasks for group companies. Alm. Brand Bank A/S is the Alm. Brand group's primary banker. This involves the conclusion of a number of agreements between the bank and the other group companies, and there is a regular flow of transactions between the bank and the rest of the group. The Alm. Brand has signed an asset management agreement with Alm. Brand Bank A/S, as a result of which a substantial part of the group's assets are managed by the bank, and a substantial part of the group's trading in securities is conducted through Alm. Brand Bank at market value. The company has a DKK 17 million deposit with Alm. Brand Bank.

Dividends of DKK 940 million were received from Alm. Brand Forsikring A/S in 2017. In 2016, the amount of dividends received from Alm. Brand Forsikring A/S was DKK 1,000 million.

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

All agreements and transactions are made on an arm's length basis or, where there is no specific market, on a costrecovery basis.

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

An arm's length agreement has been signed on interest accruing on intra-group accounts between the group companies.

Alm. Brand A/S has issued a guarantee to Alm. Brand Bank, covering 75% (most secure part) of the residual risk on the portfolio of cars held on operating leases. The guarantee is limited to DKK 500 million, and an annual commission of 0.75% of the utilised guarantee is paid. An amount of DKK 1.4 million was paid in 2017.

DKKm	2017	2016
Note 14 Income from group enterprises		
Alm. Brand Bank A/S	54	36
Alm. Brand Forsikring A/S	798	837
Total income from group enterprises	**852**	**873**
The results are recognised in the following items:		
Income from group enterprises	852	873
Total income from group enterprises	852	**873**
Note 15 Interest income and dividends, etc.		
Bonds	5	7
Interest Alm. Brand Bank	2	0
Total interest income and dividends, etc.	**7**	**7**
Note 16 Interest expenses		
Interest expenses, group enterprises	-12	-13
Other interest expenses	0	0
Total interest expenses	**-12**	**-13**

Notes

DKKm	2017	2016
Note 17 Value adjustments		
Bonds	-5	-3
Total value adjustments	**-5**	**-3**
Note 18 to investment activities		
Cost, group enterprises	-1	-1
Other costs	-43	-52
Total administrative expenses related to investment activities	**-44**	**-53**
Note 19 Tax		
Estimated tax on profit/loss for the year	19	17
Prior-year adjustment	0	0
Adjustment of deferred tax	-6	-2
Total tax	**13**	**15**
Tax for the year consists of:		
Tax on accounting profit	13	15
Total tax	13	15
Effective tax rate	1.6%	1.8%

Note 20 Accounting policies

Generally

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

With respect to recognition and measurement, the accounting policies of the parent company Alm. Brand A/S are identical to those described for the group, with the exception that:

Investments in subsidiaries are recognised and measured at the parent company's share of the subsidiaries' net asset value on the balance sheet date.

Apart from the description provided in the group’s accounting policies on pages 137 to 149, the accounting policies are consistent with those applied in the 2016 Annual Report.

Definitions of financial ratios and Alternative Performance Measures (APM)

Alm. Brand's management believes that the use of financial highlight and key ratios in the management's review in respect of each business area provides the reader with a good basis for comparing results over time. The financial highlights and key ratios have been prepared on the basis of the statutory requirements for content and are supplemented by individual pieces of relevant information. The information provided in the financial highlights and key ratios contain data regularly provided to management. The management's review describes developments in the individual business areas based on the financial highlights and key ratios. There are only presentation differences between these financial highlights and key ratios and "Segment reporting, income statement" in the IFRS financial statements.

The information provided in the financial highlights and key ratios and the management's review has been supplemented by individual pieces of information in addition to what is specified in legislation. The most significant information is the following:

Payout ratio (Alm. Brand A/S Group):
The total payout ratio for the financial year expresses the total payout for the year as a percentage of the profit for the year after tax.

Underlying combined ratio (Non-life Insurance):
This ratio is calculated as the combined ratio less factors which may vary considerably from year to year (major claims net of reinsurance, weather-related claims net of reinsurance and run-off result on claims net of reinsurance). Accordingly, the underlying combined ratio reflects the trend in small claims, costs and reinsurance ceded.

Claims experience (Non-life Insurance):
This figure is calculated as the sum of the claims ratio and the reinsurance ratio.

Run-off result, claims (Non-life Insurance):
The run-off result on claims reflects the gains and/or losses relating to prior-year technical provisions which affect the result for the current year.

Run-off result, risk margin (Non-life Insurance):
The run-off result on the risk margin is to a significant extent offset by developments in the risk margin for the current year and is hence more or less neutral for the profit for the year.

Return requirement for shareholders' equity (Life Insurance):
Profit before tax broken down according to the guidelines for return on equity which the company has reported to the Danish Financial Supervisory Authority.

Forward-looking activities (Banking):
Comprises the results of activities in Retail, Leasing, Financial Markets and Other and reflects the performance of the activities which form part of the bank's forward-looking strategy.

Winding-up activities (Banking):
Comprises the results of the winding-up portfolio and is not a part of the bank's strategy.

In the calculation of return on equity, consideration is made for capital increases in the year and any other equity entries to the effect that such changes are included on a pro rata basis.

Return on equity before tax = Profit before tax x 100 / Average shareholders' equity

Return on equity after tax = Profit for the year x 100 / Average shareholders' equity

FINANCIAL RATIOS, ALM. BRAND A/S - PARENT COMPANY

In the determination of the average number of shares, any stock options and warrants are taken into consideration.

Net asset value per share = Shareholders' equity x 100 / No. of shares at year-end

Earnings per share = Profit for the year after tax x 100 / Average no. of shares

Diluted earnings per share = Profit for the year after tax x 100 / Average no. of shares

Price/NAV = Share price / Net asset value per share

FINANCIAL RATIOS, NON-LIFE INSURANCE

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

Gross premium income is regulated for bonus and premium discounts.

Gross claims ratio = Gross claims expenses x 100 / Gross premium income

Gross expense ratio = Insurance operating expenses x 100 / Gross premium income

Net reinsurance ratio = Profit/loss on reinsurance x 100 / Gross premium income

Combined ratio = (Gross claims expenses + Insurance operating expenses + Profit/loss on reinsurance) x 100 / Gross premium income

Operating ratio = (Gross claims expenses + Insurance operating expenses + Profit/loss on reinsurance) x 100 / Gross premium income + Technical interest

FINANCIAL RATIOS, LIFE INSURANCE

Financial ratios relating to Life Insurance have been calculated in accordance with the Executive Order on financial reporting for insurance companies and multi-employer occupational pension funds.

FINANCIAL RATIOS, BANKING

Financial ratios have been calculated in accordance with the Executive Order on financial reporting for credit institutions and investment companies, etc.

Interest margin = Interest income / Avg. interest-bearing assets – Interest expenses / Avg. interest-bearing liabilities

Income/cost ratio = Income / Costs

Impairment ratio for the year = Impairment for the year x 100 / Loans and advances + guarantees + impairment

Group companies

DKKm		Profit for the year	Shareholders' equity at year-end	Ownership interest
Holding				
Alm. Brand A/S, Copenhagen	Holding	811	4,936	100%
Non-life Insurance				
Alm. Brand Forsikring A/S, Copenhagen	Non-life Insurance	798	3,293	100%
Life Insurance				
Forsikringsselskabet Alm. Brand Liv og Pension A/S, Copenhagen	Non-life Insurance	89	864	100%
Alm. Brand Ejendomsinvest A/S, Copenhagen	Real property	323	1,218	100%
Banking and finance				
Alm. Brand Bank A/S, Copenhagen	Banking	54	1,575	100%
Alm. Brand Leasing A/S, Copenhagen	Car finance and leasing	16	156	100%
Other companies				
Alm. Brand Præmieservice A/S, Copenhagen	Financing	0	1	100%

"Ownership interest" indicates Alm. Brand A/S's direct or indirect ownership interests.