



ALM. BRAND BANK A/S

ANNUAL REPORT 2006

CONTENTS



3	STRATEGY 2010	53	Balance sheet
5	COMPANY INFORMATION	54	Statement of changes in equity
7	GROUP STRUCTURE	55	Cash flow statement
9	MANAGEMENT'S REVIEW	56	Overview of notes
10	Overview	57	Notes to the financial statements
13	Financial highlights and key ratios	83	FINANCIAL STATEMENTS PARENT COMPANY
15	Well en route to 2010	84	Accounting policies
18	The group's business activities	85	Income statement and profit allocation
26	Sales, service and marketing	86	Balance sheet
28	Employees and development	87	Statement of changes in equity
30	Information technology	88	Overview of notes
32	Risk management	89	Notes to the financial statements
38	Investor issues	109	DEFINITIONS OF RATIOS
41	FINANCIAL STATEMENTS GROUP	111	DIRECTORSHIPS
42	Accounting policies	114	ADDRESSES
49	Signatures		
50	Auditors' report		
52	Income statement and profit allocation		

Disclaimer

Forecasts are based on the level of interest rates prevailing at mid-February 2007. All forward-looking statements are based exclusively on the information available when this annual report was released.

The performance may be affected by major changes in a number of areas. Such impacts include changes in economic conditions, changes in the financial markets, legislative changes, changes in the competitive environment, loans and advances, etc. and guarantees, etc.

The above-mentioned risk factors are not exhaustive. Investors and others who base their decisions on the information contained in this report should independently consider any uncertainties of significance to their decision. A more detailed review of the bank's risks is included in the section on risk management.

This annual report has been translated from Danish into English. In the event of any discrepancy between the Danish text and the English-language translation, the Danish text shall prevail.

STRATEGY 2010



Alm. Brand's strategy is rooted in the
 "We take care of our customers" vision.

Strategic focus area:	Goals for 2010	Status 2006
Return on equity	We aim to generate a return on equity of the money market rate plus 13 percentage points p.a. by 2010	The actual return was 1.7 percentage point below the target percentage points before tax
Growth	We aim to increase our loan portfolio by more than 50% by end-2010	Increased by 22 percentage points
Customer satisfaction	We aim for 90% of our customers to be satisfied or very satisfied with our company and for at least 50% of our customers to be very satisfied	83% 46%
Image	We aim to build an image of being among the top two in the industry according to an analysis prepared by the major insurers	No. 4
Employee satisfaction	We aim for 90% of Alm. Brand employees to be satisfied or very satisfied with our company and for at least 50% of our employees to be very satisfied	88% 48%



COMPANY INFORMATION

COMPANY INFORMATION



EXECUTIVE BOARD



Chief Executive

Henrik Nordam

Joined Alm. Brand in 1986

Chief Executive of Alm. Brand Bank A/S since 1991

Member of the Executive Board of Alm. Brand A/S since 1 January 2000

Deputy Chief Executive of Alm. Brand A/S since December 2001



Managing Director

Peter Reedtz

Joined Alm. Brand in 1994

Managing Director of Alm. Brand Bank A/S since 2002

BOARD OF DIRECTORS

Christian N.B. Ulrich, Chairman

Jørgen Hesselbjerg Mikkelsen, Deputy Chairman

Christian Hjorth-Andersen

Søren Boe Mortensen

Ole Bach, elected by the employees

Mark Oswald, elected by the employees

REGISTRATION

Alm. Brand Bank A/S

Registration Number CVR 81 75 35 12

AUDITOR

Deloitte

Statsautoriseret Revisionsaktieselskab

INTERNAL AUDITOR

Poul-Erik Winther Nielsen, Head of Internal Audit

ADDRESS

Midtermolen 7

DK-2100 Copenhagen Ø

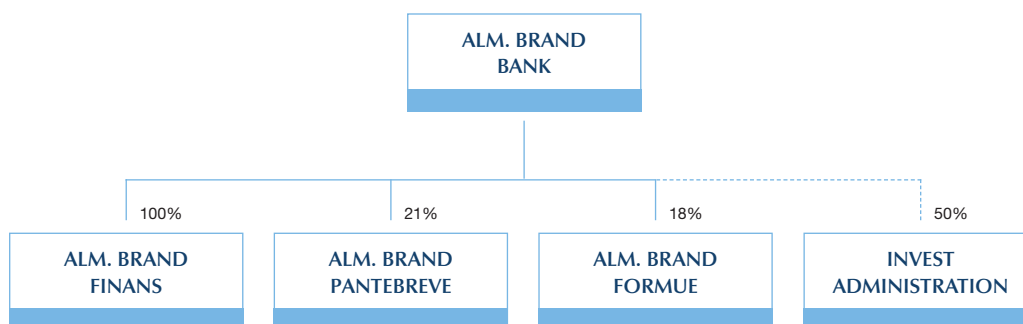
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GROUP STRUCTURE



The bank has three subsidiaries:

- Alm. Brand Finans A/S
- Alm. Brand Pantebreve A/S
- Alm. Brand Formue A/S

The bank also has investments in a joint venture:

- Invest Administration A/S.

In addition, the bank acts as depositary bank for

- Investeringsforeningen Alm. Brand Invest.

OWNERSHIP

The bank is wholly owned by the listed company Alm. Brand A/S.

The consolidated financial statements of Alm. Brand Bank A/S are a component of the consolidated financial statements of Alm. Brand A/S and Alm. Brand af 1792 fmba.



MANAGEMENT'S REVIEW

OVERVIEW

Overview of the key results for 2006 for Alm. Brand Bank, excluding minorities:

- The bank posted a satisfactory profit before tax of DKK 167 million
- Loans and advances increased by 23% in 2006 and amounted to DKK 14.1 billion at year-end
- Losses recorded amounted to DKK 24 million in 2006
- Shareholders' equity stood at DKK 1,217 million at 31 December 2006
- Return on equity for 2006 was 15% before tax
- The Board of Directors recommends to the annual general meeting that no dividend be paid
- A profit in the region of DKK 150 million before tax is expected for 2007

PRO RATA CONSOLIDATION

At the end of 2006, Alm. Brand Bank owned 18% and 21%, respectively, of the two listed companies, Alm. Brand Formue A/S and Alm. Brand Pantebreve A/S. The bank has a controlling interest in both companies through its Class A shares. As a result, the bank must fully consolidate these companies in the financial statements of the banking group pursuant to the International Financial Reporting Standards (IFRS). The bank must do so regardless of the fact that other shareholders (minority interests) own most of these companies.

In order to increase the transparency of the banking group's financial statements, the bank also publishes pro rata consolidated figures as a supplement. These figures are set out partly in the five-year financial highlights on page 13 and partly in note 41 to the parent company's financial statements.

Unless otherwise stated, this overview is based on the pro rata consolidated figures. Primarily the line items fees, value adjustments, loans and advances and shareholders' equity may differ significantly between the fully consolidated figures and the pro rata consolidated figures.

Alm. Brand Bank ranks among the largest banks in Denmark, offering a range of products that cover a typical Danish family's requirements for banking services. The bank also focuses on providing savings, consultancy and financing solutions to selected segments. As part of this, the bank offers a wide range of services in car and property finance as well as finance solutions for agricultural customers. Moreover, the bank has activities within bond, equity, mortgage deed and currency trading and research and asset management.

FINANCIAL RESULTS

Alm. Brand Bank recorded net interest and fee income of DKK 493 million in 2006 compared with DKK 511 million in 2005. Interest income was favourably impacted by stronger growth in the bank and adversely affected by a declining interest margin. The interest margin narrowed mainly because the bank had an increased share of funding from capital markets as opposed to deposits. To this should be added the impact of the more competitive market.

The bank's fee income was well below that of last year, due to developments in the financial markets. The asset management performance fees seen in 2005 did not materialise in 2006. In addition, the fall in fee income was attributable to the restructuring of the bank's markets and asset management operations. The restructuring has now been completed and the bank's markets division is now focused on expanding its business operations.

Value adjustments in the bank totalled DKK 60 million in 2006 compared with DKK 72 million in 2005.

The bank's total costs amounted to DKK 434 million in 2006 against DKK 365 million in 2005. The higher costs were attributable to investments to strengthen the markets activities and to the appointment of more banking advisers as part of the strategy to strengthen growth within retail banking. The increase should also be seen in conjunction with the 23% rise in the level of business activity measured as growth in loans and advances.



The income/cost ratio was 1.41 in 2006 compared with 1.60 in 2005. The fall was primarily attributable to the above-mentioned investments in 2006 and to substantial capital gains in 2005 for Alm. Brand Formue.

Impairment of loans and guarantees charged to the income statement amounted to an income of DKK 27 million in 2006 against an expense of DKK 5 million in 2005. Accordingly, the bank benefited from fewer losses on the back of the favourable economic conditions in Denmark and the group's wish to maintain low risk in the bank's exposures.

The bank's accumulated impairment charges/provisions on loans and guarantees totalled DKK 182 million at 31 December 2006, corresponding to an accumulated impairment ratio of 1.2 against 1.6 at 31 December 2005.

The pre-tax profit for the year was DKK 167 million as compared with DKK 222 million in 2005. The profit after tax was DKK 127 million in 2006. The 2006 profit was in line with the most recent guidance provided in connection with the release of the financial statements for the third quarter of 2006, stating a profit of about DKK 160 million.

Part of the banking group's activities is carried out by the bank's subsidiaries, Alm. Brand Formue, Alm. Brand Pantebreve and Alm. Brand Finans.

Alm. Brand Formue posted a pre-tax profit of DKK 26 million in 2006 against a pre-tax profit of DKK 116 million in 2005. The profit for 2006 was better than the most recent forecast of around DKK 6 million. The better-than-expected profit was attributable to the positive developments in the equity markets during the last part of 2006. The bank owned 18% of Alm. Brand Formue at 31 December 2006, and the bank's share of the profit was therefore DKK 5 million.

Alm. Brand Pantebreve generated pre-tax profit of DKK 15 million in 2006, which was better than the most recent forecast. The return on equity was 11% before tax. As Alm. Brand Bank held 21% of the shares at 31 December 2006, the profit attributable to the bank was DKK 3 million.

Alm. Brand Finans, a wholly owned subsidiary of the bank, posted a pre-tax profit of DKK 31 million in 2006 against a profit of DKK 37 million in 2005. The profit for the period is considered satisfactory.

Henton Børsmæglersekselskab A/S, a wholly owned subsidiary, merged with Alm. Brand Bank in 2006.

BALANCE SHEET

The bank's balance sheet was positively impacted by continued growth in the loan portfolio, attributable, among other things, to continued success in providing home loans and project financing, including investment customers. In addition, the bank recorded a general increase in business resulting from the Alm. Brand Group's *dobbeltKUNDE* concept.

The bank's loans and advances amounted to DKK 14.1 billion at 31 December 2006, which was DKK 2.7 billion higher than the amount at 31 December 2005. Growth in loans and advances was satisfactory and should be seen in conjunction with the bank's strategy of focusing on selected segments while maintaining risk at a known and moderate level.

Deposits were DKK 9.5 billion at 31 December 2006 as compared with DKK 9.0 billion at 31 December 2005, equivalent to a 6% increase.

The guarantees and other commitments of the bank totalled DKK 1.7 billion at 31 December 2006 against DKK 2.1 billion at 31 December 2005.

The bank's debt to credit institutions fell from DKK 7.0 billion at 31 December 2005 to DKK 6.5 billion at 31 December 2006. The fall is due to the restructuring of the bank's liquid funds.

Loans of EUR 70 million were thus repaid in 2006 and the liquidity for future growth was ensured by two new loan facilities. The bank has accordingly issued bonds of NOK 1.15 billion. The bonds are listed on the Oslo Stock Exchange with a maturity of three years and have been purchased by Norwegian institutionals.

OVERVIEW



Additionally, the bank received proceeds from a EUR 50 million loan. The loan was issued by a number of international banks. In connection with the two issues, the interest in providing loans to the bank was significant.

In 2006, the bank also raised hybrid capital for an amount of DKK 175 million. The hybrid capital is listed on the Copenhagen Stock Exchange and forms part of the bank's capital base.

The bank's equity stood at DKK 1.2 billion at 31 December 2006. The capital base totalled DKK 2.1 billion while the banking group had a solvency ratio of 12.1% and a tier 1 ratio of 10.4%.

CASH FLOWS

At the end of 2006, the banking group's cash and cash equivalents amounted to DKK 1.1 billion, representing a drop of DKK 0.8 billion relative to 2005. The reduction was principally due to a DKK 1.3 billion reduction of working capital, whereas cash flows from financing activities rose by DKK 0.5 billion.

Cash flows from financing activities were in 2006 affected by the refinancing of the banking group's cash. Debt to credit institutions once again dropped by DKK 0.7 billion. Meanwhile, additional cash funds of DKK 1.2 billion were raised through the issue of bonds and the raising of hybrid capital.

UNCERTAINTY IN RECOGNITION AND MEASUREMENT

The new accounting rules which came into effect in 2005 involved significant changes as compared with the rules the bank had previously observed in the presentation of its financial statements. The changes are particularly related to valuation (measurement) of loans and advances etc. as the new rules prescribe that impairment charges are subject to the

banking group obtaining objective proof of the reduced ability to pay. The statement of impairment of loans and advances at 31 December 2006 is partly based on estimates. However, Management does not believe that the uncertainty has any material impact on the annual report.

EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred in the period from the end of the financial year until the date of signature of the annual report which would change the evaluation of the annual report.

DIVIDEND

The Board of Directors recommends to the annual general meeting that no dividends be paid in respect of the 2006 financial year and that the company's profit after tax of DKK 127 million be transferred to equity.

OUTLOOK

A profit in the region of DKK 150 million before tax excluding minorities is expected for 2007, assuming unchanged economic conditions and an unchanged level of interest rates.

Forecasts for 2007 are based on the level of interest rates prevailing in mid-February 2007. All forward-looking statements are based exclusively on the information available when this annual report was released.

The actual performance of the group overall and of the individual business segments may be affected by major changes in a number of areas. Such impacts include changes in economic conditions, changes in the financial markets, legislative changes, changes in the competitive environment, loans and advances, etc. and guarantees.

FINANCIAL HIGHLIGHTS AND KEY RATIOS

		PRO RATA**		GROUP				
DKK million		2006	2005	2006	2005	2004	2003	2002
INCOME STATEMENT	Interest receivable	787	585	823	617	552	575	630
	Interest payable	449	264	464	275	224	246	323
	Net interest income	338	321	359	342	328	329	307
	Fees and commissions receivable (net) and dividend etc.	155	190	157	169	137	144	115
	Net interest and fee income	493	511	516	511	465	473	422
	Value adjustment	60	72	75	183	85	22	27
	Other operating income	10	9	10	9	14	15	25
	Profit before expenses	563	592	601	703	564	510	474
	Expenses and depreciation/amortisation	434	365	439	369	362	356	321
	Impairment on loans, advances and receivables etc.	- 27	5	- 27	5	30	64	48
	Profit from investment in associates and group enterprises	11	-	11	-	3	22	- 4
	Profit before tax	167	222	200	329	174	112	101
	Tax	40	66	34	63	6	5	- 4
	Profit for the financial year	127	156	166	266	168	107	105
	Share attributable to minority interests	-	-	39	110	44	3	6
Profit after tax excluding minority interests	-	-	127	156	124	104	99	
Profit before tax excluding minority interests	-	-	167	222	126	105	92	
BALANCE SHEET	Loans and advances	14,103	11,435	13,128	10,745	8,914	8,205	8,655
	Deposits	9,548	8,989	9,548	8,989	9,185	8,734	9,091
	Shareholders equity	1,217	1,089	1,785	1,609	1,166	735	677
	Share attributable to minority interests	-	-	569	520	323	277	99
	Total assets	19,354	18,542	20,165	19,425	14,737	11,936	13,195
KEY RATIOS ETC.	Average number of employees, full-time equivalents	338	276	338	276	278	286	317
	Interest margin *	-	-	2.0%	2.3%	2.6%	2.5%	2.6%
	Income/cost ratio	1.41	1.60	1.49	1.88	1.44	1.27	1.28
	Impairment ratio	- 0.2%	0.0%	- 0.2%	0.0%	0.3%	0.7%	0.5%
	Solvency ratio *	-	-	12.1%	11.5%	12.4%	14.7%	12.6%
	Return on equity before tax	14.5%	23.0%	14.5%	23.0%	15.7%	14.9%	12.9%
	Return on equity after tax	11.1%	16.1%	11.1%	16.1%	15.4%	14.7%	13.8%
	Return in excess of the interest rate on certificates of deposits	11.5%	20.8%	11.5%	20.8%	13.5%	12.5%	9.4%

Financial highlights and key ratios for 2004-2006 have been prepared in accordance with IFRS. For 2002 and 2003, they were prepared in accordance with the previously applicable rules.

* Comparative figures for 2004 have not been restated in respect of these ratios.

** The full pro rata consolidated income statement and balance sheet are set out in note 41 to the parent company accounts.





WELL EN ROUTE TO 2010

by HENRIK NORDAM

A SATISFACTORY PERFORMANCE

The bank posted a profit of DKK 167 million in 2006. That corresponds to a return on equity of 15%. The performance was satisfactory.

The profit for 2006 is characterised by significant investment, partly in the re-establishment of the markets and asset management division and partly in the continued development of the branch network aimed to strengthen our position in this strategically important area. Moreover, the bank's return in the financial markets was not quite as positive in 2006 as it was in 2005.

The re-establishment of the markets division as well as the investment in the branches proceeded according to plan. The effects of these measures are expected to lift our banking results in the years ahead.

A UNIQUE BANK

Alm. Brand Bank is part of the Alm. Brand Group which offers banking, insurance and pension products. It provides our customers with the opportunity to get full-service advice on all matters relating to financing, risk and investment. The activities of the bank are organised in the retail bank, the wholesale bank and Alm. Brand Finans.

The **retail bank** applies a well-defined core philosophy of providing a personal advisory services concept with fixed, attractive and transparent prices. The personal advisory services are provided through the 25 branches of the Alm. Brand Group covering the Danish market in which the bank forms an integral part of the overall customer service provided. At the same time, awareness of the group's unique *dobbeltKUNDE* concept is increasing, and the number of "dobbeltkunder" (multi-product customers) continued to grow in 2006. In 2006, the retail bank both recorded a significant influx of new customers and a decline in the loss of existing customers. This is a result of the bank's focused efforts vis-à-vis the customers.

The **wholesale bank** specialises in a number of niche areas characterised by extensive professional know-how and in-depth knowledge of the market conditions. This translates into valuable advice for our customers and balanced risks for the bank. The wholesale bank deals with the agricultural sector, property finance, mortgage deeds, stock markets and asset management as well as investment and funding; all areas providing synergies to the other activities of the Alm. Brand Group.

Alm. Brand Finans A/S's main activity is entering into leasing and funding agreements for private and corporate customers. In 2006, Alm. Brand Finans expanded its collaboration with the Alm. Brand Group with a view to increasing insurance sales through the existing dealer network.

THE BANK'S GOALS AND STRATEGIES

“We take care of our customers”

The vision – taking care – implies that we

- take an interest in our customers' needs and provide them with the necessary understanding and decision-making basis for choosing financial services.
- are attentive to our customers as part of our day-to-day routines so they feel 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.

The mission – our objectives and goals

We aim to offer high-quality financial services at reasonable prices to customers with “ordinary common sense”. Our customers are private individuals in the agricultural sector or small and medium-sized enterprises operating in Denmark.

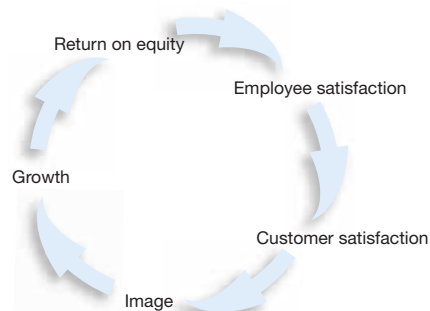
In 2005, the Alm. Brand Group set five strategic – and ambitious – goals for the years up to 2010.

The goal for employee satisfaction is 50% very satisfied employees and a total of 90% satisfied employees by 2010. In the Alm. Brand Group, we believe that satisfied employees are a significant part of creating satisfied customers. We are therefore very pleased to note that the group is already well underway to achieving the goal on employee satisfaction.

In 2006, the bank recorded an increase in satisfied and very satisfied customers. This is a tangible result of increased customer focus at all levels, further decentralisation of customer responsibility and the bank's attractive and transparent prices. It is also a great pleasure to observe that the bank's own customers have a much more positive view of the bank than non-customers have. That makes us believe that if our customers get a positive experience when being advised, it will affect the Alm. Brand Group's image in a positive way, just as marketing activities will contribute to this perception of Alm. Brand.

Having a good image is key to conquering market share. This also creates a basis for fulfilling the growth ambitions of the group. Our ambition is for Danish consumers to naturally consider us when choosing their financial provider. The growth ambitions of 50% from 2005 to 2010 is a key goal for the group, and it will contribute to achieving the bank's goal of a return on equity at the money market rate plus 13 percentage points by 2010 at the latest.

In 2006, Alm. Brand Bank achieved a return on equity of 15%, in line with the expectations for 2006. Solid earnings will contribute to attracting, retaining and developing the best employees on the market. This creates a self-reinforcing circle.



VALUE CREATION THROUGH CORE VALUES

ORDINARY COMMON SENSE · MUTUAL RESPECT · HOLISM AND PROXIMITY · WILL TO SUCCEED



The bank attaches great importance to the values of the group in relation to customer service and development of collaborative relations across the group. Therefore, the basic values are a natural, core component of our efforts to achieve Strategy 2010. The values provide a unique corporate culture and correspond well with what Alm. Brand Bank represents. The values reflect Alm. Brand's approach to customers, colleagues and business partners in general.

SERVICE

The bank works continuously to increase the quality of the services our customers buy. A core element of this approach is the separation of the advisory stage as well as actual production and the administrative activities. This provides the financial advisers of the bank with the opportunity to concentrate on what they do best just as the synergies are obtained by aggregating the administrative tasks, resources and competencies.

This will contribute to optimising customer handling processes, and we will constantly monitor developments of, for instance, processing time, telephone service and the quality of our advisory services.

OUTLOOK FOR 2007

Alm. Brand Bank expects to post a profit before tax and excluding minorities of about DKK 150 million in 2007 and – in line with Strategy 2010 – continued profitable growth in deposits as well as in loans and advances. In 2007 investment will continue in the *dobbeltKUNDE* concept with a view to creating closer relations between each individual customer and the Alm. Brand Group.

In 2007, the number of business areas will be expanded. Through the branch network of the group, the bank will focus their efforts on small and medium-sized business enterprises. We expect that the bank may benefit from the existing customer relations and the good relations already in place in the segment, and we intend to create synergies through enhanced knowledge of the industry and full-service advice on funding and risk hedging. The ever increasing expertise in leasing – anchored in Alm. Brand Finans – will form an active part of this.

The efforts to incorporate the new capital adequacy rules (Basel II) will continue in 2007. In 2005, the bank initiated a number of development activities in cooperation with Bankdata for the purpose of ensuring the implementation over a few years of the IRB Foundation method. The bank will then yield gains in terms of capital and risk management facilitated by the implementation of the IRB Foundation method. This will further enhance our competitive strength.

Additionally, it is expected that the bank's investments in the markets and asset management operations will have a positive impact on the profit for 2007 and the business volume of the retail bank is expected to record profitable growth.

In 2007, Alm. Brand Bank will take further steps towards achieving Strategy 2010.

Henrik Nordam
Chief Executive

THE GROUP'S BUSINESS ACTIVITIES



Alm. Brand Bank's business activities are distributed on the following areas:

- Retail banking
- Wholesale banking
- Alm. Brand Finans

The business areas function to a large degree as independent units sharing certain service functions, several of which are shared with the rest of the Alm. Brand Group.

RETAIL BANKING

The retail bank targets private customers in the Danish market, offering a full-service concept within deposits, investments, pensions and lending. The products are offered on attractive terms to customers in good financial standing.

The retail bank has 76,000 customers and employs 87 banking, investment and pension advisers distributed on the bank's 25 branch offices and 90 employees at the head office.

Retail banking, DKKm	2006	2005
Net interest income	119	100
Net fee income etc.	42	43
Profit on ordinary activities before expenses	161	143
Operating expenses	50	45
Write-downs of loans and advances, etc.	8	8
Profit before tax	103	90
Loans and advances	2,508	1,832
Deposits	7,080	6,568
Guarantees and other commitments	766	862

The numbers are also set out in note 31 to the consolidated financial statements.

The retail bank generated profits of DKK 103 million in 2006, compared with DKK 90 million in 2005, which was in line with the original expectations for 2006.

Goals and strategy

The strategic goals of the retail bank are to contribute to the bank's growth targets and the focus on full-service customers.

The means of meeting these goals include the strategic focus on the *dobbeltKUNDE* (multi-product customer) concept, offering the group's customers unique product and advising concepts and a subsequent process that retains customers with the bank through our targeted sales and service concepts, thus obtaining the customer profitability necessary.

This way, multi-product customers in particular will see Alm. Brand Bank as a leading player in terms of customer service, advisory service and price terms.

The retail bank is still focused on a sales and servicing strategy according to which advisers are kept free of administrative tasks, which are handled from the head office.

This allows advisers to focus exclusively on their customers, who also have access to the bank's other service facilities, including net banking, ATMs, card solutions and the bank's customer service.

Market and trade conditions

2006 saw stable economic trends and very few losses on private customers. Demand for the bank's lending products has been strong, particularly during the first half of the year. Loans secured by real property were one of the main growth drivers. Growth decreased over the year as a result of the generally increasing prudence seen in the property market and derived products.



As the deposit rate – both on floating rate and fixed-term deposits – has increased it was once again possible to attract new deposit funds with attractive prices. Margins remain under competitive pressure in the private market.

Highlights of 2006

New customers and lending growth

In 2006, the retail bank saw substantial growth in the addition of new customers and at the same time the disposal of customers was reduced.

Lending grew by 37% in 2006. The primary growth in the retail bank's lending operations took place in home loans and was generated in the bank's branch offices as well as by our business partners.

Systematised credit granting

In 2006, the retail bank systematised all lending through consistent use of scoring in all credit decisions. This has resulted in more knowledge about attracting new business and improved the quality of credit decisions.

For all important credit decisions, we have implemented an IT system supporting and monitoring the credit process in the retail bank.

Decentralisation of competences

In connection with the systematisation of the credit process, the decision competence in respect of the individual customer has been placed with the adviser. This way, the customer experiences advisory services simultaneously with his/her need for advice.

Also in other areas, we have placed more competence with the adviser and local management.

Increase in the number of advisers

For a long time it has been difficult to attract and retain qualified financial advisers. Particularly at the beginning of 2006, the trade saw a high rate of staff turnover. Despite this we succeeded in expanding the bank's staff of advisers by 38% in 2006 without compromising our ambitions of a high level of advisory service.

The retail bank believes that focus on local management, combined with the financial adviser's few administrative tasks and the attractive *dobbeltKUNDE* concept, contributed to this development.

The bank has carried through its own training of financial economists with a view to training them to become bank advisers.

Sales through business partners

The retail bank distributes a number of products via the EDC chain of estate agents. Also in 2006, this collaboration generated substantial business volumes. The partnership, which is primarily aimed at the home owners segment, is interesting to the retail bank because this customer segment is characterised by decent business volumes and having good credit standing.

Outlook for 2007

Continued growth in business volumes

We expect solid growth in business volumes to continue in 2007, both in terms of the individual customer as a result of the *dobbeltKUNDE* concept and as a consequence of the increasing addition of new customers. The main part of growth will be in profitability creating lending and investment products.

Focus on efficiency enhancement of important processes

The retail bank will continue to improve and streamline the customer processes through consistent process work and measuring and follow-up via customer satisfaction surveys.

The retail bank expects to meet the budgeted growth in 2007 without any substantial increase in the adviser staff or in the central production units.

Starting up in corporate segment

In 2007 the retail bank expects to start up a new concept in the corporate segment. The target group is small and medium-sized enterprises.

As with the private customer segment, we will focus on serving the existing customers of the Alm. Brand Group.

Earnings

The retail bank expects overall profits around DKK 135 million, which is a significant increase driven by the increased business volume.

THE GROUP'S BUSINESS ACTIVITIES

WHOLESALE BANKING

The wholesale bank covers the bank's operations in the markets and asset management field, as well as other business with the bank's major customers. The wholesale bank consists of the following business segments: Project funding, Mortgage deeds, Agriculture and Alm. Brand Henton (markets and asset management).

The wholesale bank has 117 employees.

Profits in the wholesale bank amounted to DKK 211 million in 2006 against DKK 256 million in 2005.

Goals and strategy

The strategy of the wholesale bank is to focus on selected business segments in which the bank has special competences and therefore is able to offer unique solutions to customers. The goal is to be among the best within these selected business segments.

The objective is to create long-term customer relations with strong personal relations to the business segment's customers. Customers are offered individual solutions targeted at the individual customer segments. The wholesale bank aims at multi-string customer relations linking the individual customer to several of the wholesale bank's business legs. Also, the aim is to have a high rate of customers who have also placed their insurance and pension business with the Alm. Brand Group.

Wholesale banking, DKKm	2006	2005
Net interest income	158	142
Net fee income etc.	121	171
Value adjustments	41	29
Other operating income	3	-
Profit on ordinary activities before expenses	323	342
Operating expenses	112	86
Profit before tax	211	256
Loans and advances	10,034	7,647
Deposits	2,459	2,286
Guarantees and other commitments	869	1,190

The numbers are also set out in note 31 to the consolidated financial statements.

The employees are the wholesale bank's most important resource. Strong professional competence and loyalty are the most important qualities of the wholesale bank's specialists. The aim is to retain and attract some of the best employees in the market through exciting professional challenges, a good work environment and competitive terms of employment.

Market and trade conditions

Generally, the market segments in which the wholesale bank operated in 2006 saw growth and continued good economic trends.

The securities market saw yet another year of high turnover and increasing demand for asset management services. The professional property market also saw a high level of activity, resulting in strong demand for financing solutions. During 2006 the market developed towards substantially larger and more complex transactions, including the increasing use of listed property bonds and issuance of property shares. Danish investors increasingly demand financing of foreign properties and in 2006, this demand was primarily targeted towards Germany properties.

The market for mortgage deeds remained stable in 2006 with good turnover and very low credit losses. Despite an increase in market rates, mortgage deed investments generated good returns in 2006 in general.

The agricultural segment in 2006 was characterised by structural changes towards fewer but substantially larger agricultural farms. At the same time, the investment activity was high, which on an overall basis resulted in strong demand for financing and risk management. Sales prices in the agricultural sector generally developed favourably in 2006, resulting in improved earnings in the sector.

Highlights of 2006

Alm. Brand Henton

Alm. Brand Henton is the new name of the bank's markets and asset management operations. Alm. Brand Henton is a merger of the bank's previous market function and Henton Børsmæglerselskab A/S in Silkeborg, which the bank acquired at the end of 2005. Alm. Brand Henton has a total of 70 employees, working at the bank's head office at Midtermolen in Copenhagen or in Silkeborg. The advantages of having two locations are increasing customer proximity, a wider basis of recruitment of employees and increasing operational reliability.



Alm. Brand Henton has a widely based customer portfolio focusing on local banks, wealthy private customers, small and medium-sized institutional investors, housing organisations and agricultural customers. In addition, the department handles asset management for the Alm. Brand Group's own securities portfolios.

2006 was an unusual year for the bank's markets and asset management function. After a large group of employees chose to leave the bank jointly at the end of 2005, we spent a lot of resources on rebuilding the organisation in 2006.

This rebuilding was successfully completed through the merger with Henton Børsmæglersekselskab and through the hiring of a significant number of experienced employees. Today, the bank has a stronger markets and asset management organisation than ever before and is well prepared for expanding its market position in the professional market for securities trading.

In the autumn 2006, Alm. Brand Henton launched a new unique analysis concept combining traditional fundamental analysis with technical analysis in a way that results in better performance and, in turn, increased value for the customers.

Mortgage deeds

Through a number of years, the bank has built up a strong market position in the market for mortgage deeds. Today, the bank is one of the leading players in this market. The bank offers a full product range to professional mortgage deed investors, comprising trade, financing, analysis and portfolio management.

2006 saw a very high level of activity with strong mortgage deed turnover and good growth in the lending portfolio. The collaboration with the EDC chain of estate agents developed satisfactorily. As in previous years, 2006 saw many prepayments of mortgage deeds, although the volume of prepayments followed a decreasing trend in the second half of the year.

In 2006, focus turned from sale of standard mortgage deeds to trade in special mortgage deeds. This market segment requires more individual credit assessment and market knowledge and therefore results in higher earnings margins than standard mortgage deeds.

Project funding

The bank has a well-established position in the market for project funding of properties and collaborates with a wide circle of major professional players in the property market. In addition to funding property projects etc., the department serves a number of housing organisations and associations as well as professional investors with investment credits, lines, etc.

Also in the field of project funding, 2006 was a busy year characterised by a high level of activity. In addition to participating in traditional property funding tasks, the department has also built up expertise in the issuance of property bonds and participation in the issuance of property shares. Moreover, the bank played an increasing role in the syndication of major property funding tasks.

Agriculture

Within insurance, the Alm. Brand Group has a longstanding very strong market position in the agricultural segment. The bank entered the agricultural market in 2002 and has since built up a customer portfolio based on the group's customer relations, combined with a banking concept targeted at large, efficient full-time farms.

The bank's agricultural portfolio is seeing controlled growth rates and in 2006 focus was on further developing the organisation in order for the three decentralised agricultural centres in Viborg, Vejle and Slagelse to achieve critical mass, thus providing professional sparring and advisory services to large agricultural customers.

THE GROUP'S BUSINESS ACTIVITIES

The bank's acquisition of Henton Børsmæglerselskab added further knowledge and experience to the organisation in the agricultural segment, particularly in relation to financial research and risk management. Alm. Brand Henton and the agricultural department jointly developed a unique risk monitoring product for large agricultural customers and furthermore hosted a number of professional events in 2006 in respect of management of financial risk in the agricultural sector.

Outlook for 2007

The wholesale bank expects continued positive developments in business volumes in the year ahead and has budgeted profits in the range of DKK 235 million in 2007.

In the markets and asset management field, the new organisation is fully operational and is expected to attract new customer inflow and create growth in business volumes. The project funding and mortgage deed segments are also recording good, stable growth and are expected to continue the past years' progress into 2007. The agricultural segment also foresees continued growth in the lending portfolio and increasing addition of customers within financial advising.



ALM. BRAND FINANS

Alm. Brand Finans A/S deals with entering into lease and funding agreements for private and corporate customers. The company is a merger between the two wholly-owned subsidiaries, Alm. Brand Bilkredit A/S and Alm. Brand Leasing A/S.

Alm. Brand provides car loans to private and corporate customers, primarily through business partners. In addition, Alm. Brand provides finance leases, primarily for cars, mainly through business partners and directly to corporate customers. The activities have now been consolidated in Alm. Brand Finans A/S, which is wholly owned by Alm. Brand Bank A/S.

Alm. Brand Finans has 28 employees.

Goals and strategy

The company aims to expand through organic growth and portfolio acquisitions, thereby increasing its current position as an important player in the Danish market for car finance.

Alm. Brand Finans aims to be a price leader in the market and to offer some of the lowest lending rates. Efficient processes and low administrative expenses are key to ensuring satisfactory profitability given the chosen pricing strategy. Processes have been continuously enhanced in recent years, and we will remain greatly focused on continued efficiency enhancements.

Alm. Brand Finans, DKKm	2006	2005
Net interest income	44	45
Net fee income etc.	10	9
Other operating income	6	9
Profit on ordinary activities before expenses	60	63
Operating expenses	40	40
Write-downs of loans and advances, etc.	- 11	- 14
Profit before tax	31	37
Loans and advances	1,954	2,126

The numbers are also set out in note 31 to the consolidated financial statements.

Market and trade conditions

The addition of new car loans and lease agreements in Alm. Brand Finans declined compared with 2005. The decline in the writing of new business was mainly due to termination of the collaboration with Semler Gruppen, which expired in 2005, while the writing of new business with "free dealers" has increased. The company is working on establishing new car import collaboration agreements and the collaboration with "free dealers" has intensified in the form of new products and sales campaigns.

Loans and advances, etc. amounted to DKK 2.0 billion at 31 December 2006 against DKK 2.1 billion the year before.

In 2006 the company expanded its collaboration with the Alm. Brand Group with a view to selling more insurance policies through the existing dealer network.

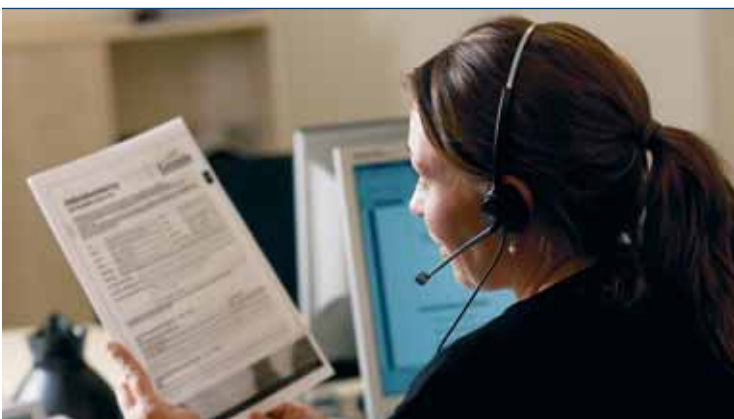
Highlights of 2006

In 2006 Alm. Brand Finans increased its focus on lease activities. The intention is to ensure further specialisation in leasing with a view to harvesting the advantages of the synergies resulting from the group collaboration with Alm. Brand Bank and Alm. Brand Forsikring. The company expects to play an active role in Alm. Brand Bank's efforts in respect of private customers as well as small and medium-sized enterprises.

Outlook for 2007

The lending balance is expected to remain unchanged in 2007 compared with 2006. Earnings in Alm. Brand Finans are expected to decline due to increasing competition. Pre-tax profits are expected to amount to approximately DKK 25 million in 2007.

THE GROUP'S BUSINESS ACTIVITIES



ALM. BRAND PANTEBREVE A/S

Alm. Brand Pantebreve A/S is a listed company investing in mortgage deeds. The company was established in 1998 at the initiative of Alm. Brand Bank. The bank owns 21% of the share capital and has 71% of the votes. Consequently, the company is the bank's subsidiary and forms part of the bank's consolidated accounts.

2006 was a satisfactory year to Alm. Brand Pantebreve with pre-tax profits of DKK 15 million. This corresponds to a return on equity of 11% p.a. before tax. The bank's share of the result amounted to DKK 3 million before tax.

The satisfactory profits were the result of good returns on the mortgage deed portfolio, combined with very low credit losses. To this should be added a gain on the company's financing in CHF.

During 2006, the company increased the maximum gearing allowed from five times to seven times the equity capital. The average gearing stood at 5.5 times the equity capital in 2006. The price on the company's shares increased from 138 to 160 during the year, equal to 16%. The net asset value at the end of 2006 stood at 148.

During the year, we recorded a strong interest in investing in Alm. Brand Pantebreve and as a result the bank's ownership interest was reduced from 40% to 21% in 2006 and the company sold its holding of treasury shares back to the market.

Alm. Brand Pantebreve expects pre-tax profits in the region of DKK 15 million in 2007.

Alm. Brand Pantebreve, DKKm	2006	2005
Net interest income	32	28
Net fee income etc.	- 3	- 3
Value adjustments	- 10	- 14
Profit on ordinary activities before expenses	19	11
Operating expenses	4	3
Profit before tax	15	8
Loans and advances	979	734
Guarantees and other commitments	0	3

The numbers are also set out in note 31 to the consolidated financial statements.



ALM. BRAND FORMUE A/S

Alm. Brand Formue A/S is a listed company investing in the equity and bond markets. The company was established in 2003 at the initiative of Alm. Brand Bank in collaboration with a number of other banks. The bank owns 18% of the share capital and has 56% of the votes. Consequently, the company is the bank's subsidiary and forms part of the bank's consolidated accounts.

Alm. Brand Formue generated profits of DKK 26 million in 2006, equal to a return on equity of 5% p.a. The result is lower than originally expected, mainly due to increasing market rates. Against this background, the result is considered acceptable. The bank's share of the profit for the year amounted to DKK 5 million.

The company aims at generating a pre-tax return of 10% p.a. over a period of five years. Since the establishment of the company around three years ago, the net asset value (after tax) has increased by an average of 18.9% p.a., and the company has therefore met our return objectives.

The company's maximum gearing allowed is four times the equity capital, and the average gearing stood at 3.0 in 2006. The price on the company's shares increased from 160 to 170.50 during the year.

Alm. Brand Formue expects pre-tax profits in the region of DKK 50 million in 2007.

Alm. Brand Formue, DKKm	2006	2005
Net interest income	- 6	5
Net fee income etc.	5	- 21
Value adjustments	30	135
Profit on ordinary activities before expenses	29	119
Operating expenses	3	3
Profit before tax	26	116

The numbers are also set out in note 31 to the consolidated financial statements.

ALM. BRAND INVEST

Alm. Brand Bank is custodian to Investeringsforeningen Alm. Brand Invest and the primary provider of the association's certificates.

At 31 December 2006, Alm. Brand Invest had more than 13,000 members and total assets of DKK 2.6 billion.

Alm. Brand Henton, Alm. Brand Bank's markets and asset management department, provides investment advice to the association and quotes its prices on the Copenhagen Stock Exchange. The association is managed by Invest Administration A/S, which is 50% owned by Alm. Brand Bank and 50% owned by Lån & Spar Bank.

SALES, SERVICE AND MARKETING



SALES AND SERVICE

Strategy

Alm. Brand Bank aims at an increase of more than 50% in its lending portfolio from 2005 to 2010.

The means of achieving this growth target will be to

- increase customer loyalty – through increased customer satisfaction and an improved image,
- increase cross sales and additional sales to existing customers, and to
- increase sales to new customers.

Alm. Brand's distribution channels support the three focus areas and each individual channel will have a defined benchmark in order to make distribution even more efficient.

Important events in 2006

Previous years' efforts in the distribution area are still paying off. The following should be emphasised:

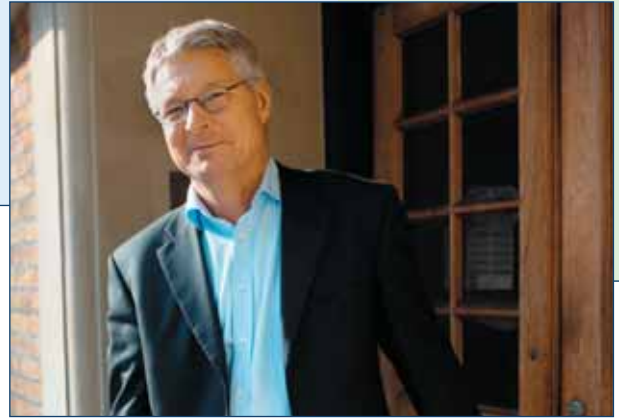
- Customer satisfaction improved substantially for the second year running.
- The quality of service provided to the group's largest business partner, the EDC chain of estate agents, was maintained in 2006, and the satisfaction rate with our products and services is still more than 90%.
- Customer disposal went down compared to previous years.
- The number of multi-product customers is growing.

- The regular customer surveys reveal a very high customer satisfaction and loyalty among multi-product customers. The group of multi-product customers has thus already reached the strategic goal that 90% of the customers are to be satisfied and 50% very satisfied.
- Sales through the group's largest business partner, the EDC chain of estate agents, have improved. In banking, sales rose by more than 50% over the previous year.
- A number of the group's branches have undergone extensive refurbishing, leaving them very customer friendly.
- 12 branch managers have been employed to strengthen the decentralised branch offices which have thus been assigned with larger competence and customer responsibility.

Outlook for 2007

One of the significant new initiatives in 2007 is to train the sales staff of Alm. Brand Bank according to a new sales training process over the next years. The new training process involves current evaluation and further training of all sales persons to ensure homogeneous and high-quality sales work.

In addition, the second half of Alm. Brand's branch offices will be refurbished according to the new concept in 2007.



MARKETING

Strategy

The marketing strategy is intended to create a strong brand and a good image for the group. Existing customers should be confirmed in the choices they make and be positively encouraged to increase Alm. Brand's share of their financial business.

Important events in 2006

The number of measurable results of the external marketing rose for the fourth consecutive year. According to independent analysis, Alm. Brand was in 2006 once again among the three best-known providers of insurance and banking products. Finally, the unprompted recognition of the *dobbeltKUNDE* (multi-product customer) concept remained high in 2006.

Outlook for 2007

In 2006, a number of initiatives were launched in relation to the marketing efforts aimed at existing customers. These initiatives have had highly positive results, and therefore the marketing will be strengthened further in 2007. The main objectives of this part of our marketing are to retain customers and maintain cross sales and additional sales.

In terms of external marketing, we expect to see a move towards a more image-oriented marketing strategy in 2007. The reason for this is that the group has fixed a very ambitious strategic image goal. Given that the *dobbeltKUNDE* concept has become a well-known concept in the market, we see a possibility of changing the marketing strategy without jeopardising the market position of the *dobbeltKUNDE* concept.

The overall sponsorship strategy will be maintained in 2007. Our sponsorship with Riis Cycling (Team CSC) was extended, while the sponsorship with the Danish football club AGF was changed, Alm. Brand no longer being the main sponsor. Alm. Brand does, however, continue as a sponsor of AGF. In addition, Alm. Brand will continue to support a number of local sports associations and events.

EMPLOYEES AND DEVELOPMENT



STRATEGY AND GOALS

Alm. Brand Bank offers its employees responsibility and allows them to have a say in the planning and performance of their own job, challenges and personal development opportunities. Developing the employees will enable the bank to stand out from the competition.

EMPLOYEE SATISFACTION

Employee satisfaction is measured annually among Alm. Brand's employees, and is stated as a weighted average of responses to a number of selected questions. The satisfaction was again improved in 2006, from 86% in 2005 to 88%. This is above the 2006 milestone target of 87%, and is highly satisfactory.

Satisfied employees are a prerequisite for good customer service and a pleasant work environment. But it is the very satisfied employees who are the most loyal, who do their best and are the best ambassadors for Alm. Brand. Therefore, the group has set the goal of achieving a ratio of 50% very satisfied employees in 2010. In 2005, the ratio achieved was 42% and the milestone target for 2006 was 44%. In 2006, 48% of the employees were very satisfied.

It is a great pleasure to note that 92% of the employees are proud to be employed by Alm. Brand, and that 95% state that, on the whole, they are satisfied to work in the group. These achievements give the group good prospects of continuously attracting qualified employees in a market characterised by higher demand than supply.

MANAGEMENT QUALITY

Managers as well as employees attach great importance to competent management as a means of achieving the group's objectives. Management is seen as an important factor on a par with products, prices, distribution channels and IT tools. All of them are important means of achieving our goals, and none of them can stand alone.

At Alm. Brand, a manager's role includes creating results through the employees. To this end, it is vital for managers and employees to maintain trust, dialogue and close working relations. The annual measuring of management quality showed that 94% of the employees were either very satisfied or satisfied with their manager.

Satisfaction with the immediate superior and the group's reputation creates loyalty and is important in ensuring satisfied employees. The results were therefore highly satisfactory.

ALM. BRAND ACADEMY

- DEVELOPMENT OF SKILLS "JUST IN TIME"

The range and complexity of financial products has grown significantly in recent years and the legislative basis is continually changing. This puts pressure on the group's employees to keep developing their skills to be able to provide customers with the optimal service and advice. In response to this, the group has established the Alm. Brand Academy as an element of the development of the employees' skills.



	2006	2005
No. of employees, 31 Dec.	431	347
– full-time equivalents, 31 Dec.	365	298
– full-time equivalents, average	338	276
Average age, 31 Dec.	37	38
Average seniority (years)	4	5

In the years ahead, Alm. Brand Bank intends to invest resources in in-house training of new and existing employees. In connection with the establishment of Alm. Brand Academy in 2006, the group worked on setting up new, intensive introduction programmes for new employees in the sales organisation. To meet new employees' expectations to the job and at the same time achieve the bank's growth targets, new employees must as quickly as possible become self-propelling and able to serve the customers optimally. With this new intensive procedure, we expect new employees to be able to handle a new job after two months.

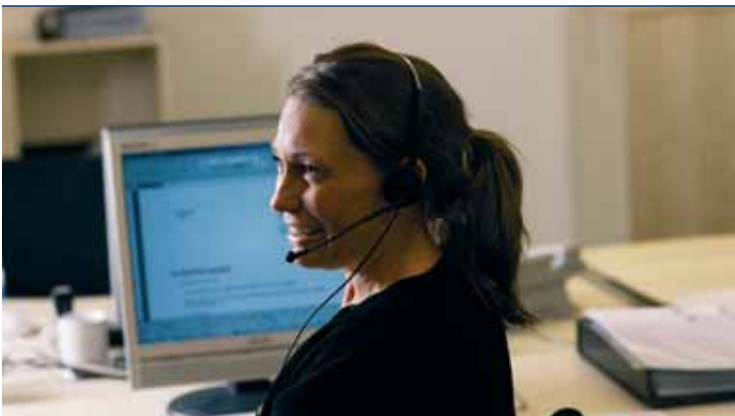
REMUNERATION POLICY

The bank's Management Board and senior management employees have a bonus scheme which is based on the return on equity generated for each financial year. The bonus earned each year may not exceed ten months' salary. The bonus is deposited on a bonus account from which one third will be paid out, while payment of the remaining part of the bonus account is conditioned upon good results in the subsequent years.

Accordingly, the bonus scheme aims to promote long-term behaviour and achieving maximum bonus requires an uninterrupted string of very good results over a number of years. The scheme covers a total of three persons and in addition, there are bonus schemes for a number of other employee groups. The bonus scheme will have no material effect on the banking group's cost level and does not comprise stock options.

We expect to set up a bonus scheme for advisers in the bank's branch offices in 2007.

INFORMATION TECHNOLOGY



IT STRATEGY AND OVERALL TARGETS

ALM. BRAND GROUP

The IT strategy has been defined with a view to enhancing the Alm. Brand Group's competitive strength by creating a flexible and innovative platform from which to develop individual business areas as well as the group in general.

In addition, the IT strategy aims for a sustainable level of costs, including by exploiting economies of scale in the Alm. Brand Group. The group's IT platform is based on innovative systems and a robust and flexible underlying infrastructure.

Core elements of the IT strategy:

- The basic business systems are based on standard systems with open interfaces that are further developed on the standard systems by own standardised components with integration between the business areas and relative to Alm. Brand's distribution channels.
- The systems are highly automated, simple and accessible, and have high reliability and security levels.
- Data is made available for analysis, reporting and marketing purposes across the group.

IT skills are provided by our in-house IT department in close cooperation with Bankdata and IBM.

Application of IT in Alm. Brand Bank

The bank buys IT and IT related services from two primary suppliers: The group's own IT department and Bankdata. The group mainly provides network and hardware together with development in relation to the group, while Bankdata provides operation and development of the bank's main systems and functionality.

The bank made substantial investments with both suppliers in 2006. This is recognised as additional consumption of IT in 2006. Also, there was strong activity in Alm. Brand Henton IT after the acquisition of this department and not least the consolidation of the IT platforms of the markets and asset management function. In 2007 the bank will consolidate the application of IT and Bankdata will become the main provider of the operation of the bank's platform.

We continue to focus on the group's IT costs. During the past few years, we have invested large sums in new efficient, standardised and simplified systems which – all other things being equal – will reduce the bank's IT costs in the future.



OUTLOOK FOR 2007

We expect to invest further in IT – also in 2007 – among other things in the following areas:

- Bankdata as a result of faster development
- Rationalisation measures at adviser level
- Consolidation of operation platform
- Relocation of the bank's operation to Bankdata
- Risk and currency management
- Basel II

Alm. Brand's infrastructure is strengthened on an ongoing basis to provide increased robustness and greater flexibility. The core elements are centralisation and virtualisation. To improve the operational reliability and data security, the systems were in 2006 prepared for dual-location operation. The actual introduction of the dual-location operation will take place in 2007.

RISK MANAGEMENT



RISK MANAGEMENT

Being a financial services group, the Alm. Brand Bank Group is exposed to different types of credit, market and operational risk.

The banking group considers risk management a vital focus area.

The credit department and the risk department are responsible for risk management at the group level and for drafting policies and procedures concerning the banking group's exposure. These two departments operate independently of the operational units to ensure unbiased risk monitoring and reporting. The two departments are responsible for verifying that the risk exposure complies with the policies and guidelines defined, and for ensuring that the return on individual products and segments reflects the risk exposure.

COMPLIANCE

In 2006, the bank established a cross-segment compliance committee with participation of the relevant segments in the bank. The purpose of this committee is to identify on a current basis, relate to and implement new legislation, rules, ethical guidelines, etc. The committee holds regular meetings at which current compliance related issues are discussed and processed.

BASEL II

In 2005, the bank implemented a number of development activities intended to ensure the bank's compliance with the requirements of the new capital adequacy rules (Basel II). The development activities touch on all the bank's business areas and are implemented in close collaboration with the bank's main IT solution provider, Bankdata.

In the credit area, the bank has decided to apply the IRB Foundation method, which involves a number of requirements in respect of data framework, development and use of risk management models as well as regular testing of this framework. The bank aims at being an IRB Foundation institute from the beginning of 2010. According to the approval rules of the Danish Financial Supervisory Authority, the mentioned risk models have to be developed and implemented before the end of 2007. Until then, the bank will apply the standard method under Basel II.

In the market risk area, the bank has decided to follow the standard method for now.

The bank expects to achieve a number of capital and risk management benefits by implementing the IRB Foundation method. The expected capital benefits are in the form of a relaxation of capital requirements in relation to the bank's lending. These benefits will not be realised until 2010.

Meanwhile, as early as 2007 the bank expects to achieve a number of benefits in the regular credit processing through the risk models being completed and implemented. At the same time, the bank is creating a data framework, which is expected to strengthen the risk management at portfolio level.

GOALS AND STRATEGY

The risks encountered in the various business areas differ considerably, but generally risk parameters can be divided into three types of risk: business, financial and operational.

BUSINESS RISK

It is important for the Alm. Brand Bank Group to identify, measure and manage business risk. For this purpose, we prepare a set of lending guidelines that have been consolidated in a credit policy.



Credit risk

The credit policy describes the position on and guidelines applicable to the banking group's granting of loans, guarantees and other types of credit risk.

The guidelines for providing credit aim to ensure that the banking group is perceived as a bona fide bank by all customers, business partners, public authorities and competitors.

The bank's credit department has the overall responsibility for assessing and following up on the bank's credit exposure, both in terms of the individual customer and in terms of loan portfolios.

The credit policy has been worked out on the basis of the bank's individual products and the customer segments buying the bank's lending products. The bank strives to ensure that the return on individual products and customer segments is satisfactory relative to the risk involved.

The bank grants loans to both private and corporate customers and in selected product segments in which the banking group possesses specialist expertise. This approach provides the desired risk diversification.

The bank's loans to private customers are to a wide extent based on the use of credit scoring models which have been

developed over a number of years and which are constantly being developed and improved on the basis of empirical data and cyclical changes. Credit scoring models are used on secured as well as unsecured loans.

Loans granted to corporate customers concentrate on specific asset classes or specific industries. The main criterion for accepting commitments is a satisfactory credit rating of the company combined with an assessment of the value of the assets provided as collateral and any supplementary collateral provided.

The bank has set up business procedures to ensure an ongoing assessment of the performance of individual commitments and lending portfolios and the risk inherent therein.

If the changes in individual commitments or objective indicators are considered to warrant impairment of the value of the commitments, the necessary impairment charges will be effected in accordance with the rules in force and based on an assessment of the realisable value of any collateral provided and the expected date of realisation.

In terms of loans and guarantees, the banking group's total credit risk before impairment charges amounted to DKK 14.6 billion at 31 December 2006, corresponding to an increase of DKK 1.8 billion relative to 31 December 2005.

Types of commitment/risk spread

Loans and guarantees, DKKm	Group		Parent company	
	2006	2005	2006	2005
Real property	5,484	4,542	5,484	4,542
Mortgage deeds/Financing of mortgage deeds	4,461	3,594	3,482	2,866
Cars	1,990	2,188	75	76
Agriculture	776	751	771	748
Secured lendings	805	694	805	694
Other commitments	1,089	988	1,055	971
Subsidiary funding	-	-	3,966	3,474
Total	14,605	12,757	15,638	13,371

Figures for the group include the full effect of subsidiaries.

RISK MANAGEMENT

The banking group's total loss and impairment on lending and guarantees amounted to an income of DKK 27 million in 2006. Relative to 2005, when we recorded an expense of DKK 5 million, this equals a decline of DKK 32 million.

The banking group's total provision for losses and guarantees amounted to DKK 182 million at 31 December 2006. Relative to total lending and guarantees, the provisions accounted for 1.2% at 31 December 2006, compared with 1.7% at 1 January 2006. The decline was attributable to the growth in total loans and guarantees and the fact that performance of credits did not call for a higher provisioning rate. The bank's loans on which interest is not calculated totalled DKK 20 million at 31 December 2006, corresponding to 0.13% of total loans and guarantees.

FINANCIAL RISK

Market risk

The banking group is exposed to various kinds of market risk in connection with trading and investing, and as part of its ongoing cash management. The group uses derivative financial instruments to manage and reduce market risk on an ongoing basis.

The purpose of financial risk management is to offset the overall financial risk exposure against assets and liabilities, thereby achieving a satisfactory balance between return and risk. We aim to achieve our risk management objectives through risk management policies which define the guidelines for exposure against different types of financial risk. The investment guidelines provide risk limits for both individual investments and groups of assets.

The banking group's assets and liabilities are subject to market risk in the form of interest rate risk, currency risk and price risk.

Fair value interest rate risk

Fair value interest rate risk is the risk of fluctuations in the value of interest-bearing financial instruments as a result of changes in interest rates. This type of risk arises on fixed-rate financial instruments, while floating-rate instruments are subject to cash flow interest rate risk.

Management of the banking group's fair value interest rate risk seeks to appropriately match interest rate risk on assets and liabilities.

As part of the risk management efforts, the fair value of certain fixed-rate loans is hedged through the use of derivative financial instruments.

Cash flow interest rate risk

Cash flow interest rate risk is the risk of losses because of changes in future cash flows.

Alm. Brand Bank seeks to limit its cash flow interest rate risk primarily by accepting and providing deposits and loans at floating rates. However, the subsidiaries Alm. Brand Pantebreve A/S and Alm. Brand Formue A/S have a greater exposure to fixed-rate financial instruments due to their investment strategies.

Interest rate risk on a one percentage point increase in interest rates made up according to the in-house method

	Group				Parent company			
	2006		2005		2006		2005	
	DKKm	% of equity	DKKm	% of equity	DKKm	% of equity	DKKm	% of equity
Mortgage deeds	17	1.4%	13	1.1%	13	1.1%	9	0.8%
Bonds	75	6.2%	52	4,3%	58	4.8%	44	3.6%
Other interest-bearing assets	24	2.0%	29	2,4%	24	2.0%	29	2.4%
Total interest-bearing claims	116	9.5%	94	7.7%	95	7.8%	82	6.8%
Interest-bearing liabilities	- 79	- 6.5%	- 61	- 5.0%	- 79	- 6.5%	- 61	- 5.0%
Total interest rate risk	37	3.0%	33	2.7%	16	1.3%	21	1.7%

Figures for the group include the subsidiaries' interest rate risk in proportion to the ownership interest.



Statement of interest rate risk

Interest rate risk expresses the risk of a loss in case of a general one percentage point increase in market rates. The banking group calculates interest rate risk on fixed rate claims and liabilities using a duration model.

For the purpose of day-to-day risk management, interest rate risk is calculated according to guidelines issued by the Danish Financial Supervisory Authority and according to an in-house method.

Much of the interest rate exposure relates to the group's portfolio of mortgage deeds, and the in-house method takes into account expected prepayments of mortgage deeds.

The partly owned subsidiaries Alm. Brand Pantebreve A/S and Alm. Brand Formue A/S account for much of the interest rate exposure. The in-house method calculates interest rate risk at group level including the proportionate share of interest rate risk in the partly owned subsidiaries.

Made up according to the in-house method, the interest rate risk amounted to DKK 37 million at 31 December 2006. This was DKK 4 million higher than at 31 December 2005.

The Board of Directors of Alm. Brand Bank has determined that the interest rate risk for the banking group according to the in-house method may not exceed 7% of the equity capital, equal to an interest rate risk of DKK 86 million. The banking group had utilised 3.0% of this limit at 31 December 2006.

Made up according to the guidelines issued by the Danish Financial Supervisory Authority, the interest rate risk amounted to DKK 236 million at 31 December 2006 against DKK 210 million at 31 December 2005.

The group regularly uses financial instruments in managing interest rate risk to reduce its exposure to fixed income assets. This is done by seeking a strong correlation between derivative financial instruments and fixed income assets.

Currency risk

The banking group's currency risk is managed by widely placing the financial assets in alignment with the currency composition of the liabilities.

In addition, currency risk is hedged using derivative financial instruments. The bank's investment strategy is to have only limited net positions in foreign currency.

Currency risk

DKKm	Group		Parent company	
	2006	2005	2006	2005
Total assets denominated in foreign currency	6,468	3,315	6,119	2,117
Total liabilities denominated in foreign currency	6,603	4,924	6,241	4,924
Exchange rate indicator 1	732	264	483	89
Exchange rate indicator 1 as a percentage of tier 1 capital after deductions	41.1%	19.1%	36.2%	8.6%
Exchange rate indicator 2	12	3	2	0
Exchange rate indicator 2 as a percentage of tier 2 capital after deductions	0.7%	0.2%	0.2%	0.0%

Figures for the group include the full effect of subsidiaries.

RISK MANAGEMENT



The banking group's currency exposure is to a wide extent affected by the fact that the investment strategy adopted permits the two listed subsidiaries Alm. Brand Formue and Alm. Brand Pantebreve to hold unhedged foreign currency positions.

As in previous years, the currency exposure to unhedged currency positions was very limited. In terms of indicator 2, the banking group's currency exposure amounted to DKK 12 million at 31 December 2006 against DKK 3 million at 31 December 2005. For 2006, the currency exposure equalled 0.7% of the tier 1 capital after deductions.

Equity risk

The banking group primarily makes equity investments through its partly owned subsidiary, Alm. Brand Formue. In addition, the bank has a trading portfolio of listed shares, a trading portfolio of shares in unit trusts, and a portfolio of unlisted financial shares.

Alm. Brand Bank's equity risk is reduced by way of derivative financial instruments. Alm. Brand Formue's equity risk is unhedged in accordance with the company's investment strategy.

At 31 December 2006, the banking group's equity portfolio amounted to DKK 817 million against DKK 740 million at 31 December 2005, while the bank's equity portfolio amounted to DKK 158 million at 31 December 2006 against DKK 102 million at 31 December 2005.

Liquidity risk

Liquidity risk is the risk of having insufficient liquidity to meet financial liabilities. Liquidity risk management includes day-to-day management of liquidity and continuous assessments of short-term and long-term requirements relative to its cash resources.

Equity risk assuming a 10% price decline

	Group				Parent company			
	2006		2005		2006		2005	
	DKKm	% of equity	DKKm	% of equity	DKKm	% of equity	DKKm	% of equity
Shares listed on the Copenhagen Stock Exchange	4	0.3%	11	1.0%	6	0.5%	4	0.4%
Shares listed on foreign exchanges	2	0.2%	1	0.1%	0	0.0%	0	0.0%
Total listed shares	6	0.5%	12	1.1%	6	0.5%	4	0.4%
Unlisted shares	9	0.7%	7	0.6%	9	0.7%	7	0.6%
Total shares	15	1.2%	19	1.7%	15	1.2%	11	1.0%

Figures for the group include the subsidiaries' equity portfolios in proportion to ownership interest.



The bank's liquidity management policies have been determined from a prudent risk profile, including expectations for developments in deposits and lending. Moreover, the bank's policy is at all times to have sufficient liquidity to enter into new and attractive business.

OPERATIONAL RISK

Operational risk may occur as a result of human or technical error, or because of external events.

The group has a number of control procedures in the form of work routines, business procedures and reconciliation processes both decentrally and centrally in the organisation. Combined with the separation of controlling and operational functions in the organisation, these procedures help minimise operational risk.

The Alm. Brand Group continuously seeks to improve operational security, including to ensure the continued operation and restoration of the business areas in the event of a protracted breakdown. The Board of Directors has thus approved a set of contingency targets for the group.

The group continuously seeks to improve its IT security, which in Alm. Brand is based on an IT security policy adopted by the Board of Directors. The policy defines general IT security requirements in order to ensure that the Alm. Brand Group's overall use of IT is secure and controlled. The IT policy is implemented in IT security guidelines, IT security checklists, user guidance as well as other measures and business procedures.

The central banking systems are operated by Foreningen Bankdata and the group's central IT systems are placed with IT outsourcing provider IBM, which further enhances physical IT security and operational reliability in the bank.

Ongoing training of employees and investments in new technology are intended to limit operational risk and ensure that the banking group meets customers' and business partners' requirements and expectations.

INVESTOR ISSUES



ACTIVITIES

Alm. Brand Bank A/S is wholly owned by the listed company Alm. Brand A/S. As a result, the primary investor activities take place within the framework of Alm. Brand A/S. For further information; please see the annual report for Alm. Brand A/S and www.almbrand.dk.

DIVIDENDS

Alm. Brand has defined a dividend policy based on a capital model that meets the regulatory capital requirements and provides financial latitude to cope with unforeseen events. The capital requirement of the Alm. Brand Banking Group as defined by the management can be seen from the capital model.

Capital model	2006
The bank exclusive of partly-owned listed subsidiaries (1.3 times the solvency margin)	1,410
Equity in partly-owned listed subsidiaries	699
Capital target	2,109
Consolidated equity	1,785
Net tax asset	- 126
Intangible assets	- 52
Adjusted consolidated equity 2006, exclusive of subordinate capital	1,607
Supplementary capital	300
Hybrid Tier 1 capital	175
Adjusted consolidated equity 2006	2,082
Excess capital	- 27

As can be seen in the table, the banking group largely had the required capital at 31 December 2006.

The Board of Directors intends to propose to the annual general meeting that the profit for the year 2006 be transferred to retained earnings.

REMUNERATION

Board members of Alm. Brand Bank A/S receive a fixed annual remuneration reflecting the scope of the board work and the responsibility related to serving on the Board.

Board members are not remunerated by way of incentive plans.

OWNERSHIP

Alm. Brand Bank A/S is wholly owned by the listed company Alm. Brand A/S. The company's share capital amounts to DKK 351 million in nominal terms.

LISTED BONDS

Alm. Brand Bank A/S has issued the following listed bonds:

- Alm. Brand Bank A/S Open Bond Issue 2006/2009, NOK 1.15 billion, Oslo Stock Exchange
- Hybrid tier 1 capital at a nominal value of DKK 175 million, Copenhagen Stock Exchange

In January 2007 another NOK 350 million was issued in Alm. Brand Bank A/S Open Bond Issue 2006/2009.



ANNUAL GENERAL MEETING

The annual general meeting will be held on 12 April 2007.

FINANCIAL CALENDAR

Dates	Event
27 February 2007	Release of Annual Report 2006
12 April 2007	Annual General Meeting
24 May 2007	Release of Q1 report 2007
28 August 2007	Release of interim report 2007
20 November 2007	Release of Q3 report 2007

Annual and interim reports are available from the Information Department or can be downloaded from the group's website at www.almbrand.dk.

ANNOUNCEMENTS TO THE COPENHAGEN STOCK EXCHANGE IN 2006

Dates	Event
16 February 2006	Change in shareholding
24 February 2006	Change in shareholding
09 March 2006	Change in shareholding
05 April 2006	Change in shareholding
12 April 2006	Change in shareholding
26 May 2006	Change in shareholding
12 June 2006	Change in shareholding
03 August 2006	Change in shareholding
04 August 2006	Change in shareholding
11 August 2006	Change in shareholding
21 September 2006	Change in shareholding
11 October 2006	Prospectus
12 October 2006	Hybrid capital listed on the Copenhagen Stock Exchange
16 October 2006	Change in shareholding
23 October 2006	Notice to convene extraordinary general meeting
31 October 2006	Report on the extraordinary general meeting
02 November 2006	Change in shareholding
13 November 2006	Change in shareholding
20 November 2006	Change in shareholding
21 November 2006	Q3 report 2006
23 November 2006	Change in shareholding
28 November 2006	Change in shareholding
15 December 2006	Change in shareholding



FINANCIAL STATEMENTS GROUP

ACCOUNTING POLICIES



GENERAL

The annual report has been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU. The parent company financial statements have been prepared in accordance with the provisions of the Danish Financial Business Act, including the executive order on financial reports presented by credit institutions and investment companies and Danish accounting standards. In addition, the annual report has been prepared in accordance with additional Danish disclosure requirements for the annual reports of listed financial companies.

Additional Danish disclosure requirements in the annual report are for the group set out in the Danish Statutory Order on Adoption of IFRS issued pursuant to the Danish Financial Business Act and by the Copenhagen Stock Exchange. For the parent company, the disclosure requirements are set out in the Danish Financial Business Act and by the Copenhagen Stock Exchange.

The annual report is presented in Danish kroner (DKK), which is considered the primary currency of the group's activities and the functional currency of the parent company.

CHANGES IN ACCOUNTING POLICIES

The consolidated financial statements for 2006 are the first financial statements of the group prepared in accordance with IFRS. Previously, the parent company financial statements were prepared in accordance with the provisions of the Danish Financial Business Act, including the executive order on financial reports presented by credit institutions and investment companies, etc.

The transition to presentation of the consolidated financial statements in accordance with IFRS did not result in changes

in the recognition and measurement of the group's assets and liabilities. The transition, which was conducted according to the rules in IFRS 1 "First-time Adoption of International Financial Reporting Standards", required only the incorporation of additional information. The additional information has been included in the Management's review and in the notes.

The accounting policies applied in the consolidated financial statements are described in the following. The accounting policies of the parent company are described in connection with the parent company's financial statements, as detailed in a separate section of this report.

STANDARDS AND INTERPRETATIONS NOT YET IMPLEMENTED

At the date of the publication of this annual report, the following new or amended standards and interpretations have not yet entered into force, and are therefore not included in this annual report:

- Revised IAS 32, Financial Instruments: Disclosure and presentation, concerning requirements for disclosure about financial instruments, which are transferred to IFRS 7. The revised standard comes into force for financial years starting on or after 1 January 2007.
- Revised IAS 39, Financial Instruments: Recognition and measurement in respect of financial guarantee contracts. The revised standard comes into force for financial years starting on or after 1 January 2007.
- Revised IFRS 4, Insurance contracts, concerning financial guarantee contracts. The revised standard comes into force for financial years starting on or after 1 January 2007.
- New IFRS 8, Operating segments. The standard comes into force for financial years starting on or after 1 January 2009. The standard has not yet been adopted for use in the EU.



- New IFRIC 7, Applying the restatement approach in IAS 29 Financial reporting in hyperinflationary economies. The interpretation comes into force for financial years starting on or after 1 March 2006.
- New IFRIC 8, Scope of IFRS 2. The interpretation comes into force for financial years starting on or after 1 May 2006.
- New IFRIC 9, Reassessment of embedded derivatives. The interpretation comes into force for financial years starting on or after 1 June 2006
- New IFRIC 10, Interim financial reporting and impairment. The interpretation comes into force for financial years starting on or after 1 November 2006 The interpretation has not yet been adopted for use in the EU.
- New IFRIC 11, Group and treasury share transactions. The interpretation comes into force for financial years starting on or after 1 March 2007. The interpretation has not yet been adopted for use in the EU.
- New IFRIC 12, Service concession arrangements. The interpretation comes into force for financial years starting on or after 1 January 2008. The interpretation has not yet been adopted for use in the EU.

Alm. Brand has opted for early adoption of IFRS 7 in the consolidated financial statements.

Management believes that the application of other new and revised standards and interpretations will not have any material impact on the annual report for the coming financial years, except for the additional disclosure requirements for business segments that follow from the implementation of IFRS 8.

ACCOUNTING ESTIMATES

The calculation of the carrying amount of certain assets and liabilities is based on an estimate of the effect of future events on the values of such assets and liabilities. The most significant estimates relate to impairment of loans, the calculation of fair values of unlisted financial instruments and provisions.

The estimates are based on assumptions considered appropriate by management. In addition, the banking group is subject to risks and uncertainties that may cause actual results to deviate from the estimates.

BASIS OF CONSOLIDATION

The Alm. Brand Bank Group has decided to prepare and publish consolidated financial statements, notwithstanding that the banking group is included in the consolidated financial statements of a higher-ranking parent company.

The consolidated financial statements comprise the parent company, Alm. Brand Bank A/S, and group enterprises in which the parent company directly or indirectly exercises a controlling influence. Companies in which the group holds between 20% and 50% of the voting rights or otherwise exercises a significant but not a controlling influence are considered associates.

The consolidated financial statements are prepared on the basis of the financial statements of Alm. Brand Bank and its subsidiary undertakings by consolidating items of a similar nature and eliminating intra-group income and expenses, intra-group accounts and gains and losses on transactions between the consolidated companies. The financial statements used in the consolidation are prepared or revised in accordance with the group's accounting policies.

Parent company investments in consolidated subsidiaries are offset by the parent company's proportionate share of the net assets of the subsidiaries.

The proportionate shares of the results and equity of subsidiaries attributable to minority interests are measured and recognised as an integral part of the income statement and the balance sheet. The share of the results attributable to minority interests is shown as the group's profit allocation.

The consolidated financial statements of Alm. Brand Bank A/S are a component of the consolidated financial statements of Alm. Brand A/S and Alm. Brand af 1792 fmba.

BUSINESS COMBINATIONS

Newly acquired companies are recognised in the consolidated financial statements from the date of acquisition. The comparative figures are not adjusted to reflect acquisitions.

ACCOUNTING POLICIES

Acquisitions of subsidiary undertakings are accounted for using the purchase method, according to which the acquired enterprise's identifiable assets, liabilities and contingent liabilities are recognised in the balance sheet at fair value at the time of acquisition.

Where the cost exceeds the fair value of the acquired net assets, the excess amount is capitalised as goodwill under *Intangible assets*. Goodwill is tested for impairment annually.

If the measurement of acquired identifiable assets, liabilities or contingent liabilities is subject to uncertainty at the time of acquisition, initial recognition will be made on the basis of a preliminary calculation of fair values. If it later turns out that the identifiable assets, liabilities or contingent liabilities had another fair value at the time of acquisition than that originally assumed, goodwill will be adjusted until 12 months after the acquisition. The effect of the adjustment will be recognised in the opening shareholders' equity, and comparative figures will be restated accordingly.

Intra-group mergers are accounted for under the pooling of interests method, which eliminates any transactions between the companies participating in the merger.

GENERAL RECOGNITION AND MEASUREMENT POLICIES

Income is recognised in the income statement as earned. This includes the recognition of value adjustments of financial assets and liabilities. Costs incurred to generate the year's income are recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the group and the value of the asset can be reliably measured. Liabilities are recognised in the balance sheet when they are probable and can be reliably measured.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the annual report which confirm or invalidate affairs and conditions existing at the balance sheet date.

Otherwise, assets and liabilities are recognised and measured as described for each individual item below.

In connection with the acquisition or sale of financial assets and liabilities, the settlement date is used as the recognition date. Changes to the value of the asset acquired or sold

during the period from the transaction date to the settlement date are recognised as a financial asset or a financial liability. If the acquired item is measured at cost or amortised cost after initial recognition, any value changes during the period from the transaction date to the settlement date are not recognised.

Certain financial assets and liabilities are measured at amortised cost, implying the recognition of a constant effective rate of interest to maturity. Amortised cost is stated as original cost less any principal payments and plus or minus the accumulated amortisation of any difference between cost and the nominal amount. This method allocates capital gains and losses over the term to maturity.

At the time of recognition, financial assets are divided into the following four categories:

- trading portfolio measured at fair value
- loans measured at amortised cost
- held-to-maturity investments measured at amortised cost
- financial assets designated at fair value with value adjustment through profit and loss.

At the time of recognition, financial liabilities are divided into the following three categories:

- trading portfolio measured at fair value
- financial liabilities designated at fair value with value adjustment through profit and loss
- other financial liabilities measured at amortised cost.

The following is a description of the accounting policies applied to financial assets and liabilities as well as other items.

FOREIGN CURRENCY

Transactions in foreign currencies are translated at the functional currency at the transaction date. Gains and losses on exchange differences arising between the transaction date and the settlement date are recognised in the income statement.

Monetary assets and liabilities in foreign currencies are translated at the prevailing exchange rates at the balance sheet date. Exchange rate adjustments of monetary assets and liabilities arising as a result of differences in the exchange rates applying at the transaction date and at the balance sheet date are recognised in the income statement.

Non-monetary assets and liabilities in foreign currencies that are subsequently revalued at fair value are translated at the exchange rates applying at the date of revaluation. Exchange

rate adjustments are included in the revaluation of the fair value of the assets/liabilities. Other non-monetary items in foreign currency are translated at the exchange rates applying at the date of transaction.

REPO/REVERSE TRANSACTIONS

Securities sold under agreements to repurchase at a later date (repo transactions) remain in the balance sheet. Amounts received are included as liabilities payable to the purchaser and are subject to interest at the agreed rate. The securities are measured as if they were still recognised in the balance sheet, and market value adjustments and interest etc. are recognised in the income statement.

Securities purchased under agreements to resell at a later date (reverse transactions) are not recognised in the balance sheet. Amounts paid are recognised as a receivable and are subject to interest at the agreed rate.

DERIVATIVE FINANCIAL INSTRUMENTS

Forward transactions, futures, swaps, options and unsettled spot transactions are initially recognised at cost and subsequently measured at the fair values prevailing at the balance sheet date. Positive and negative fair values of derivatives are recognised as *Other assets* and *Other liabilities*, respectively. Changes in the fair value of derivatives are recognised in the income statement.

HEDGE ACCOUNTING

As part of the risk management efforts, the fair value of certain fixed-interest assets and liabilities is hedged through the use of derivatives.

Changes in the fair value of derivatives designated as and qualifying for recognition as fair value hedges of a recognised asset or a liability are recognised in the income statement together with changes in the fair value of the hedged asset or hedged liability that can be attributed to the hedged risk.

TAX

Alm. Brand Bank A/S and the company's subsidiaries are taxed jointly with Alm. Brand A/S. Current and deferred tax is provided in each individual company.

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. Current tax assets and liabilities are shown as net amounts to the extent that the amounts can legally be offset against each other and the items are expected to be settled net or simultaneously.

Deferred tax is recognised according to the balance sheet liability method on all temporary differences between the accounting and tax values of assets and liabilities. Deferred tax is measured based on the tax rules and rates that will apply under the legislation in force at the balance sheet date when the deferred tax is expected to crystallise as current tax.

Deferred tax assets, including the tax value of tax losses carried forward, are measured at the amount at which they are expected to be realised, either by setting off tax on future earnings or by setting off deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax unit.

INCOME STATEMENT

Interest receivable comprises interest and interest-like income, while *Interest payable* comprises interest and interest-like expenses. Interest-like income and expenses comprise fees and commissions that are an integral part of the effective rate of interest.

Interest income and expense also include interest on financial instruments at fair value.

Interest income and expense in respect of interest-bearing financial instruments measured at amortised cost are recognised in the income statement applying the effective interest method based on the cost of the financial instrument. Interest includes amortisation of fees which are part of the effective yield of the financial instrument, including origination fees, and amortisation of any additional difference between cost and redemption price.

Recognition of interest on loans and advances with individual impairment write-downs is made on the basis of the value after impairment.

Dividend on shares, etc. comprises dividends and similar income from equity investments.

ACCOUNTING POLICIES

Fees and commissions income comprise income relating to services at the expense of the customers, while *Fees and commissions payable* include expenses concerning management fees, etc.

Value adjustments comprise value adjustments of assets and liabilities measured at fair value. The item also includes exchange rate adjustments.

Other operating income includes proceeds from the sale of tangible and intangible assets, as well as income from the sale of information services.

Staff costs and administrative expenses comprise remuneration for the Management Board and the Board of Directors and staff costs and other administrative expenses.

The group has entered into defined contribution plans with the majority of its employees, under which the group pays fixed contributions to the employees' pension plans to their pension companies. Expenses for pension contributions are recognised in the income statement in the period in which they are earned. The group has no obligations to pay additional contributions. There are no defined benefit plans in the group.

Impairment of loans, advances and receivables etc. comprise impairment of items that involve a credit risk and provisions for guarantees. The item also includes value adjustment of assets temporarily acquired in connection with closing commitments.

Profit from investments in associates and group enterprises represents the share of the profit and loss after tax in associates and group enterprises. The share of tax in group enterprises is recognised in the item *Tax*.

Tax includes tax for the year, comprising income tax payable for the year, movements in deferred tax and prior-year adjustments. The item also includes the indirect tax in respect of "Interest benefit from tax deductions in respect of impairment of loans and advances". Changes in deferred tax resulting from changes in tax rates are also recognised in this item.

BALANCE SHEET

Cash in hand and balances at call with central banks and *Balances due from credit institutions and central banks* are measured at fair value on initial and subsequent recognition.

The item *Balances due from credit institutions and central banks* includes all receivables from credit institutions and central banks, including receivables in connection with genuine purchase and resale transactions.

Loans, advances and other receivables at fair value comprise loans, advances and receivables for which the price is fixed in active markets. The loans, advances and other receivables involved are measured at fair value on initial and subsequent recognition. Mortgage deeds are measured at fair value using a valuation technique which is in accordance with generally recognised methods for pricing financial instruments.

Loans, advances and other receivables at amortised cost comprise all types of loans and advances, including receivables from finance leases, measured at amortised cost. *Loans, advances and other receivables at amortised cost* are measured on initial recognition at fair value plus transaction costs less fees and commissions received that are directly related to the acquisition or issue of the financial instrument.

Subsequently, loans, advances and other receivables are measured at amortised cost using the effective interest method with write-down for impairment. When the interest rate risk on fixed-rate loans and advances is effectively hedged by means of derivative financial instruments, the fair value of the hedged interest rate risk is added to the amortised cost.

An ongoing evaluation takes place to detect any objective indication of impairment of the company's loans, advances and other receivables determined at amortised cost. In case of any objective indication of impairment, the loan, advance or receivable is written down by the difference between the carrying amount before the write-down and the present value of the expected future payments from the loan, advance or receivable.

Bonds at fair value comprise listed bonds and other claims for which the price is fixed in active markets. *Bonds at fair value* are measured at fair value on initial and subsequent recognition. The fair value of listed bonds is determined 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. However, the fair value of drawn listed bonds is calculated as the present value of the bonds. Other claims are measured at fair value using a valuation technique which is in accordance with generally recognised methods for pricing financial instruments.

Shares, etc. comprise listed equity investments and other unlisted equity investments. *Shares etc.* are measured at fair value at initial and subsequent recognition. The fair value of listed equity investments is determined 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. The fair value of unlisted equity investments is determined as the transaction price that would result from a transaction between independent parties. If the fair value cannot be measured reliably, unlisted equity investments will be measured at cost less any impairment.

Investments in associates and Investments in group enterprises are measured according to the equity method, implying that the investments are measured at the parent company's proportionate share of the net asset value of the associates and group enterprises at the balance sheet date. Investments in joint ventures are recognised and treated as investments in associates.

Intangible assets comprise goodwill and other intangible assets. On initial recognition, goodwill is recognised at fair value, determined as the difference between acquisition cost and fair value of the acquired net assets at the time of acquisition. Goodwill is not amortised. An impairment test is conducted annually, and any write-down to a lower recoverable amount is recognised in the income statement.

Other intangible assets, consisting of acquired software, are recognised at cost. In determining cost, all external 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. Subsequently, other intangible assets are measured at the lower of cost less accumulated amortisation and impairment and the recoverable amount. Other intangible assets are amortised on a straight-line basis over an expected useful life, not exceeding five years.

Other property, plant and equipment comprise operating equipment and inventories, which are measured at the lower of cost less accumulated amortisation and impairment and the recoverable amount. Amortisation is provided on a straight-line basis with due consideration of the expected residual value over the expected useful life of the assets, which is expected to be up to five years.

The item *Assets temporarily acquired* comprises assets only temporarily in the company's possession and awaiting sale within a short time and where a sale is very probable. This item is measured at fair value less expected costs to sell.

Other assets include other assets not belonging to the other asset items. The item comprises the positive fair value of spot transactions and derivatives and income that does not fall due for payment until after the end of the financial year, including interest receivable and dividend receivable.

The asset item *Prepayments* comprises expenses incurred prior to the balance sheet date but which relate to a subsequent accounting period, including prepaid commission and prepaid interest.

Payables to credit institutions and central banks comprise obligations in connection with genuine sale and repurchase transactions and receivable margins in connection with futures and option transactions. Amounts due to credit institutions and central banks are measured at amortised cost.

Deposits and other payables comprise all deposits, including obligations in connection with genuine sale and repurchase transactions and customers' receivable margins in connection with futures and option transactions. *Deposits and other payables* are measured at amortised cost.

Issued bonds at amortised cost are initially recognised at fair value, equalling the payment received less directly attributable costs incurred. Subsequently, issued bonds are measured at amortised cost using the effective interest method.

Other liabilities include other liabilities not belonging to the other liability items. The item comprises the negative fair value of spot transactions and derivatives and expenses that do not fall due for payment until after the end of the financial year, including interest payable.

The liability item *Deferred income* comprises income received prior to the balance sheet date but which relates to a subsequent accounting period, including interest and commission received in advance.

Provisions include liabilities which are uncertain in respect of size or time of settlement when it is likely that the obligation will require an outflow of the company's financial resources, and the obligation can be measured reliably.

ACCOUNTING POLICIES

Provisions for pensions and similar liabilities comprise holiday allowances and jubilee benefits, etc. to employees, notwithstanding that the future benefit is subject to the individual being employed by the company at the time of the benefit. The value of the future benefits is measured as the present value of the benefits expected to be paid based on a best estimate.

Provisions for losses on guarantees are measured at the best estimate of the costs necessary to meet the relevant obligation at the balance sheet date. However, as a minimum, the provision will be recognised at the premium or commission received, amortised systematically over the risk period received to undertake the guarantee.

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 initially measured 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. When the interest rate risk on subordinated debt is effectively hedged by means of financial instruments, the fair value of the hedged interest rate risk is added to the amortised cost.

INTRA-GROUP TRANSACTIONS

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.

SEGMENT INFORMATION

Business segments are the group's primary segment, while the geographical segment is the secondary segment because the group primarily covers the Danish market.

The segment information follows the group's internal reporting structure, reflecting a risk allocation on relevant business areas.

Transactions between the segments are settled at market terms.

The segment activities and obligations are the operating activities and operating obligations applied in the operation of a segment or arisen in connection with the operation of the segment and which are directly related to the segment.

The joint expenses of the parent company, other income statement items, other assets, other liabilities and intra-group eliminations are included under the segment "Other/Eliminations".

CASH FLOW STATEMENT

The cash flow statement shows the group's cash flows for the year divided into cash flows from operating activities, working capital, investing activities and financing activities. The cash flow statement is presented using the indirect method and based on the profit for the year before tax.

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 are included in 'Cash flow from investing activities'.

Cash flows from working capital include assets and liabilities related to operating activities, including loans, deposits etc.

Cash flows from investing activities include acquisitions and divestments of subsidiaries, and net investments in assets not related to operating activities, including realised gains and losses on the sale of the assets.

Cash flows from financing activities include financing from shareholders as well as by raising of short-term and long-term loans, including issued bonds.

Cash and cash equivalents comprise cash at bank and in hand and balances with credit institutions and central banks with a remaining term of up to three months.

SIGNATURES

The Board of Directors and the Executive Board have today reviewed and adopted the annual report for 2006 of Alm. Brand Bank A/S.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as approved by the EU, and the financial statements of the parent company have been prepared in accordance with the Danish Financial Business Act and Danish accounting standards. In addition, the annual report has been presented in accordance with additional Danish disclosure requirements for the annual reports of listed financial enterprises.

In our opinion, the accounting policies applied are appropriate, and the annual report gives a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31 December 2006 and of the results of the group's and the parent company's operations and the cash flow of the group for the financial year ended 31 December 2006.

We recommend that Annual Report be adopted by the shareholders in general meeting.

EXECUTIVE BOARD

Copenhagen, 27 February 2007

Henrik Nordam
Chief Executive

Peter Reedtz
Managing Director

BOARD OF DIRECTORS

Copenhagen, 27 February 2007

Christian N.B. Ulrich
Chairman

Jørgen Hesselbjerg Mikkelsen
Deputy Chairman

Christian Hjorth-Andersen

Søren Boe Mortensen

Ole Bach

Mark Oswald

AUDITORS' REPORT

INTERNAL AUDIT

We have audited the annual report of Alm. Brand Bank A/S for the financial year 1 January to 31 December 2006. The annual report comprises the Management's review, the statement by Management on the annual report, the accounting policies, the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the notes to the financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent financial statements have been prepared in accordance with the Danish Financial Business Act. In addition, the annual report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed financial services companies.

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 Danish and international standards on auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual report is free of material misstatement.

In our audit, we reviewed business procedures and internal control procedures, including the risk management implemented by the Board of Directors and the Management Board, aimed at reporting processes and major business risks. Based on an evaluation of materiality and risk, we have tested the

basis for the amounts and other disclosures in the annual report, including evidence supporting disclosures in the annual report. Our audit also included assessing the accounting policies used and accounting estimates made by the Board of Directors and the Management Board, as well as evaluating the overall presentation of the annual report.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's financial position at 31 December 2006 and of its financial performance and its cash flows for the financial year 1 January to 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed financial services companies.

In addition, in our opinion, the annual report gives a true and fair view of the Parent's financial position at 31 December 2006 and of its financial performance for the financial year 1 January to 31 December 2006 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial services companies.

Copenhagen, 27 February 2007

Poul-Erik Winther Nielsen

Chief auditor

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Alm. Brand Bank A/S

We have audited the annual report of Alm. Brand Bank A/S for the financial year 1 January to 31 December 2006. The annual report comprises the Management's review, the statement by Management on the annual report, the accounting policies, the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and the notes to the financial statements. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent financial statements have been prepared in accordance with the Danish Financial Business Act. In addition, the annual report has been prepared in accordance with additional Danish disclosure requirements for annual reports of listed financial services companies.

Management's responsibility for the annual report

Management is responsible for the preparation and fair presentation of an annual report in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, in accordance with the Danish Financial Business Act in respect of the parent financial statements, and additional Danish disclosure requirements for listed financial services companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility and basis of opinion

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish and International Standards on Auditing.

Copenhagen, 27 February 2007

Deloitte

Statsautoriseret Revisionsaktieselskab

Jørgen Jørgensen

State-Authorised
Public Accountant

Henrik Priskorn

State-Authorised
Public Accountant

Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of an annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the annual report.

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

Our audit has not resulted in any qualification.

Opinion

In our opinion, the annual report gives a true and fair view of the Group's financial position at 31 December 2006 and of its financial performance and its cash flows for the financial year 1 January to 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed financial services companies.

In addition, in our opinion, the annual report gives a true and fair view of the Parent's financial position at 31 December 2006 and of its financial performance for the financial year 1 January to 31 December 2006 in accordance with the Danish Financial Business Act and additional Danish disclosure requirements for annual reports of listed financial services companies.

INCOME STATEMENT AND PROFIT ALLOCATION

DKK '000	Note	Group	
		2006	2005
INCOME STATEMENT			
Interest receivable	1	822,542	616,536
Interest payable	2	463,880	274,505
Net interest income		358,662	342,031
Dividend on shares, etc.		16,569	9,831
Fees and commissions receivable		171,322	183,502
Fees and commissions payable		30,842	24,492
Net interest and fee income		515,711	510,872
Value adjustments	3	75,427	183,480
Other operating income		10,449	8,830
Profit before expenses	4	601,587	703,182
Staff costs and administrative expenses	5	437,116	368,621
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		1,941	561
Impairment of loans, advances and receivables, etc.	6	- 26,665	4,661
Profit from investments in associates and group enterprises	7	11,133	- 188
Profit before tax		200,328	329,151
Tax	8	33,825	62,661
Profit for the financial year		166,503	266,490
PROFIT ALLOCATION			
The profit for the year will be allocated as follows:			
Share attributable to Alm. Brand Bank		127,522	155,637
Share attributable to minority interests		38,981	110,853
Total		166,503	266,490

BALANCE SHEET

DKK '000	Note	Group	
		2006	2005
ASSETS			
Cash in hand and balances at call with central banks		36,531	20,372
Balances due from credit institutions and central banks	9	1,029,961	1,907,036
Loans, advances and other receivables at fair value	10	1,893,491	1,446,554
Loans, advances and other receivables at amortised cost	11	11,234,653	9,298,208
Bonds at fair value	12	4,376,562	4,999,723
Shares, etc.	13	816,773	739,606
Investments in associates	14	2,799	385
Investments in group enterprises	15	173	2,246
Intangible assets	16	51,726	49,147
Other property, plant and equipment	17	10,248	5,719
Current tax assets	18	48,822	-
Deferred tax assets	19	126,059	178,964
Assets temporarily acquired		11,186	9,102
Other assets	20	518,876	761,267
Prepayments		7,154	6,746
Total assets		20,165,014	19,425,075
LIABILITIES AND EQUITY			
Payables			
Payables to credit institutions and central banks	21	6,708,918	7,415,207
Deposits and other payables	22	9,548,293	8,989,493
Issued bonds at amortised cost	23	1,039,913	-
Current tax liabilities	18	-	49,292
Other liabilities	24	578,035	1,027,681
Deferred income		21,545	22,071
Total payables		17,896,704	17,503,744
Provisions			
Provisions for pensions and similar commitments	25	8,880	10,165
Provisions for losses on guarantees	26	-	2,008
Other provisions		-	30
Total provisions		8,880	12,203
Subordinated debt			
Tier 2	27	300,000	300,000
Hybrid Tier 1 capital	27	174,098	-
Total subordinated debt		474,098	300,000
Shareholders' equity			
Share capital	28	351,000	351,000
Other reserves		-	-
Retained earnings		865,660	738,138
Minority interests		568,672	519,990
Total shareholders' equity		1,785,332	1,609,128
<i>Of which proposed dividend</i>		0	0
Total liabilities and equity		20,165,014	19,425,075

STATEMENT OF CHANGES IN EQUITY

DKK '000	Parent company				Group	
	Share capital	Other reserves	Retained earnings	Total	Minority interests	Total
Shareholders' equity at 1 January 2005	351,000	128,095	363,974	843,069	322,857	1,165,926
Change in accounting policies as a result of new rules on joint taxation		181,367	9,065	190,432		190,432
Adjusted equity at 1 January 2005	351,000	309,462	373,039	1,033,501	322,857	1,356,358
Equity movements in 2005						
Dividend subsidiaries		- 50,000	50,000			
Other change in respect of subsidiaries					86,280	86,280
Profit for the year		30,580	125,057	155,637	110,853	266,490
Comprehensive income in 2005		- 19,420	175,057	155,637	197,133	352,770
Dividend paid			- 100,000	- 100,000		- 100,000
Total equity movements in 2005		- 19,420	75,057	55,637	197,133	252,770
Shareholders' equity at 31 December 2005	351,000	290,042	448,096	1,089,138	519,990	1,609,128
<i>Of which proposed dividends</i>			0			0
Shareholders' equity at 1 January 2006	351,000	290,042	448,096	1,089,138	519,990	1,609,128
Equity movements in 2006						
Other change in respect of subsidiaries					9,701	9,701
Profit for the year		30,921	96,601	127,522	38,981	166,503
Comprehensive income in 2006		30,921	96,601	127,522	48,682	176,204
Dividend paid			-	-		-
Total equity movements in 2006		30,921	96,601	127,522	48,682	176,204
Shareholders' equity at 31 December 2006	351,000	320,963	544,697	1,216,660	568,672	1,785,332
<i>Of which proposed dividends</i>			0			0

CASH FLOW STATEMENT

DKK '000	Group	
	2006	2005
Operating activities		
Profit for the year before tax	200,328	329,151
Tax paid during the year	- 79,034	2,126
Adjustment for amounts with no cash flow impact:		
Other adjustments to cash flows from operating activities	- 159,068	- 231,194
Total, operating activities	- 37,774	100,083
Working capital		
Balances due from credit institutions over 3 months	40,666	9,334
Loans and advances, etc.	- 2,371,205	- 1,827,594
Deposits	558,800	- 195,212
Bonds	442,223	- 2,151,553
Shares	52,213	- 285,697
Total, working capital	- 1,277,303	- 4,450,722
Investing activities		
Investments in associates	- 2,524	-
Investments in group enterprises	2,073	- 646
Acquisition and divestment of subsidiaries	- 2,579	- 49,147
Property, plant and equipment	- 6,470	- 2,955
Total, investing activities	- 9,500	- 52,748
Financing activities		
Net proceeds from capital increase	-	145,860
Distribution of dividends	-	- 100,000
Payables to credit institutions	- 709,355	4,591,310
Bonds issued	1,039,913	-
Tier 2	173,769	-
Total, financing activities	504,327	4,637,170
Change in cash and cash equivalents	- 820,250	233,783
Cash and cash equivalents, beginning of year	1,886,742	1,652,959
Change in cash and cash equivalents	- 820,250	233,783
Cash and cash equivalents, year end	1,066,492	1,886,742
Cash and cash equivalents, year end		
Cash and balances due from central banks	36,531	20,372
Balances due from credit institutions less than 3 months	1,029,961	1,866,370
Cash and cash equivalents, year end	1,066,492	1,886,742

OVERVIEW OF NOTES

GROUP



NOTES WITH REFERENCE

- 1 Interest receivable
- 2 Interest payable
- 3 Fees and commissions receivable
- 4 Value adjustments
- 5 Staff costs and administrative expenses
- 6 Impairment of loans, advances and receivables, etc.
- 7 Profit from investments in associates and group enterprises
- 8 Tax
- 9 Balances due from credit institutions and central banks
- 10 Loans, advances and other receivables at fair value
- 11 Loans, advances and other receivables at amortised cost
- 12 Bonds at fair value
- 13 Shares, etc.
- 14 Investments in associates
- 15 Investments in group enterprises
- 16 Intangible assets
- 17 Other property, plant and equipment
- 18 Current tax assets/liabilities
- 19 Deferred tax assets
- 20 Other assets
- 21 Payables to credit institutions and central banks

- 22 Deposits and other payables
- 23 Issued bonds at amortised cost
- 24 Other liabilities
- 25 Provisions for pensions and similar liabilities
- 26 Provisions for losses on guarantees
- 27 Subordinated debt
- 28 Shareholders' equity

NOTES WITHOUT REFERENCE

- 29 Capital base
- 30 Off-balance sheet items
- 31 Segment information
- 32 By term to maturity
- 33 Credit risk
- 34 Market risk
- 35 Genuine purchase and resale transactions
- 36 Genuine sale and repurchase transactions
- 37 Hedge accounting
- 38 Related parties
- 39 Derivatives
- 40 Key ratios
- 41 Classification of financial instruments
- 42 Return on financial instruments
- 43 Fair value on financial instruments
- 44 Financial highlights of associates

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Group	
	2006	2005
NOTE 1 Interest receivable		
Balances due from credit institutions and central banks	41,559	41,770
Loans, advances and other receivables	609,428	453,878
Bonds	162,285	109,576
Total derivatives	7,667	11,063
Of which:		
Foreign exchange contracts	19,422	21,963
Interest rate contracts	- 11,755	- 10,900
Other interest income	1,603	249
Total interest receivable	822,542	616,536
Interest receivable from genuine purchase and resale transactions:		
Balances due from credit institutions and central banks	5,753	22,635
Loans, advances and other receivables	2,213	1,317
NOTE 2 Interest payable		
Credit institutions and central banks	197,584	92,458
Deposits and other payables	238,665	167,032
Issued bonds	9,751	-
Subordinated debt	16,562	14,352
Other interest expenses	1,318	663
Total interest payable	463,880	274,505
Interest payable on genuine sale and repurchase transactions:		
Payables to credit institutions and central banks	20,573	16,966
Deposits and other payables	36	1,366
NOTE 3 Fees and commissions receivable		
Securities trading and deposits	118,692	139,121
Payment transfers	5,806	4,195
Loan fees	11,027	10,673
Commission fees	8,215	7,072
Other fees and commissions	27,582	22,441
Total fees and commissions receivable	171,322	183,502

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Group	
	2006	2005
NOTE 4 Value adjustments		
Loans, advances and other receivables at fair value	1,365	5,910
Bonds	- 57,998	17,287
Shares, etc,	127,053	196,485
Foreign currency	18,822	16,356
Total derivatives	- 15,100	- 52,558
Of which:		
Foreign exchange contracts	1,276	1,299
Interest rate contracts	3,369	- 50,878
Share contracts	- 19,745	- 2,979
Other commitments	1,285	-
Total value adjustments	75,427	183,480
NOTE 5 Staff costs and administrative expenses		
Remuneration to the Executive Board and Board of Directors:		
Remuneration to the Executive Board		
Salaries and wages	4,490	6,736
Pensions	758	982
Total	5,248	7,718
Remuneration to the Board of Directors		
Fees	477	450
Total remuneration to the Executive Board and Board of Directors	5,725	8,168
Staff costs:		
Salaries and wages	170,274	129,195
Pensions	16,570	12,092
Social security costs	16,885	12,566
Total	203,729	153,853
Other administrative expenses	227,662	206,600
Total staff costs and administrative expenses	437,116	368,621
Number of employees		
Average number of employees during the financial year, full-time equivalents		
	338	276

DKK '000	Group	
	2006	2005
Executive board		
<p>In 2006, the bank's Executive Board consisted of Henrik Nordam, Chief Executive and Peter Reedtz, Managing Director. In 2005, the Board also comprised Brian Kudsk, Managing Director. The above specification includes salaries and remuneration paid to member of the Executive Board and Board of Directors for each of the financial years. As Henrik Nordam, the bank's Chief Executive, is also the deputy Chief Executive of Alm. Brand A/S, only the salary and remuneration that correspond to the time he spends on the banking business is included.</p> <p>Alm. Brand Bank A/S has decided to provide all employees of the bank, including the Executive Board, with defined contribution pension plans. The bank's expenses in relation to the Executive Board's pension plans are shown in the above note.</p> <p>The notice of termination between the bank and the Executive Board is 6-12 months for either party. If a member of the Executive Board is given notice by the bank, he is entitled to a severance payment equalling 12 months' salary.</p>		
Performance pay		
<p>A bonus scheme has been established for the Alm. Brand Group's senior management, including the Executive Board and senior management employees of Alm. Brand Bank. The bonus scheme for the Executive Board and senior management employees is, along with the bank's bonus scheme for a number of other employee groups, detailed further in the section Employees and Development. The bonus scheme has no material effect on the cost level and does not comprise stock options.</p>		
Audit fees		
Total fees for statutory audit to auditors appointed by the annual general meeting	2,069	1,926
Of which non-audit fees	650	550

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Group	
	2006	2005
NOTE 6 Impairment of loans, advances and receivables, etc.		
Individual assessment:		
Impairment and value adjustments, respectively, during the year	68,762	67,218
Reversal of impairment in previous years	79,982	52,404
Total individual assessment	- 11,220	14,814
Group assessment:		
Impairment and value adjustments, respectively, during the year	6,714	27,035
Reversal of impairment in previous years	16,475	34,591
Total group assessment	- 9,761	- 7,556
Losses not previously provided for	12,726	13,133
Bad debts recovered	18,410	15,730
Total impairment of loans, advances and receivables, etc.	- 26,665	4,661
NOTE 7 Profit from investments in associates and group enterprises		
Profit from investments in associates	- 110	90
Profit from investments in group enterprises	11,243	- 278
Total profit from investments in associates and group enterprises	11,133	- 188
NOTE 8 Tax		
Current tax on income for the year	- 19,563	50,355
Changes in deferred tax	52,905	11,464
Withholding tax on foreign shares	-	178
Adjustment of previous years' current tax	483	-
Duty on interest benefit from tax deductions in respect of impairment of loans and advances	-	664
	33,825	62,661
Effective tax rate		
Current tax rate	28.0%	28.0%
Adjustment for non-tax items and joint taxation	- 11.3%	- 5.4%
Changes in deferred tax	0.0%	- 3.9%
Withholding tax on foreign shares	0.0%	0.1%
Adjustment of previous years' current tax	0.2%	0.0%
Duty on interest benefit from tax deductions in respect of impairment of loans and advances	0.0%	0.2%
Total effective tax rate	16.9%	19.0%
NOTE 9 Balances due from credit institutions and central banks		
Balances at notice with central banks	179,775	977,199
Balances due from credit institutions	850,186	929,837
Total balances due from credit institutions and central banks	1,029,961	1,907,036

DKK '000	Group	
	2006	2005
NOTE 10 Loans, advances and other receivables at fair value		
Mortgage deeds	1,893,491	1,446,554
Total loans, advances and receivables at fair value	1,893,491	1,446,554
<p>Mortgage deeds are measured at fair value using a valuation model that estimates the present value of the expected future cash flows. The valuation is based partly on observable market data (interest rates), partly on expectations of future redemption and loss percentages.</p>		
NOTE 11 Loans, advances and other receivables at amortised cost		
Loans and advances	10,769,972	8,900,483
Leases	646,593	609,826
Total before impairment, etc.	11,416,565	9,510,309
Impairment, etc.	181,912	212,101
Total loans, advances and other receivables at amortised cost	11,234,653	9,298,208
Gross investment in finance leases		
Term of less than one year	80,249	76,540
Term of between one and five years	593,521	539,004
Term of more than five years	7,085	1,174
Total	680,855	616,718
Of this, unearned financial income	78,050	57,187
Net investment in finance leases	602,805	559,531
Net investment in finance leases		
Term of less than one year	75,755	72,393
Term of between one and five years	521,269	486,166
Term of more than five years	5,781	972
Total	602,805	559,531
Of this, any unguaranteed residual value	47,399	49,746
Write-down of finance leases	26,572	27,996

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Group	
	2006	2005
Value of loans, advances and other receivables for which there is an objective indication of impairment:		
Individual assessment:		
Loans and advances before impairment	451,065	257,446
Impairment, etc.	137,369	157,797
Loans and advances after impairment	313,696	99,649
Group assessment:		
Loans and advances before impairment	3,373,202	2,321,278
Impairment, etc.	44,543	54,304
Loans and advances after impairment	3,328,659	2,266,974
Total loans and advances after impairment	3,642,355	2,366,623
For some of the fixed-rate loans, the fair value is hedged using derivatives as part of the risk management process. See NOTE 37 Hedge accounting.		
NOTE 12 Bonds at fair value		
Listed on the Copenhagen Stock Exchange	4,261,079	4,904,094
Listed on other stock exchanges	115,483	95,629
Total bonds at fair value	4,376,562	4,999,723
NOTE 13 Shares, etc.		
Listed on the Copenhagen Stock Exchange	603,856	573,731
Listed on other stock exchanges	95,932	92,929
Other shares	116,985	72,946
Total shares, etc.	816,773	739,606
NOTE 14 Investments in associates		
Cost, beginning of year	177	177
Additions during the year	2,524	-
Cost, year end	2,701	177
Adjustments, beginning of year	208	118
Share of profit for the year	- 110	90
Adjustments, year end	98	208
Carrying amount, year end	2,799	385
Share of profit for the year:		
Invest Administration A/S	- 274	-
Investeringsselskabet af 6/10 1998 A/S	164	90
	- 110	90
Book value, year end:		
Invest Administration A/S	2,250	-
Investeringsselskabet af 6/10 1998 A/S	549	385
	2,799	385

DKK '000	Group	
	2006	2005
NOTE 15 Participating interests in group undertakings		
Investments in parent company	173	2,246
Carrying amount, year end	173	2,246
Alm. Brand Bank A/S's trading portfolio comprises investments in the bank's parent company, Alm. Brand A/S.		
NOTE 16 Intangible assets		
Goodwill:		
Cost, beginning of year	49,147	-
Additions during the year	-	49,147
Adjustments during the year	79	-
Cost, year end	49,226	49,147
Carrying amount, year end	49,226	49,147
Other intangible assets:		
Cost, beginning of year	-	-
Additions during the year (Software)	2,500	-
Cost, year end	2,500	-
Carrying amount, year end	2,500	-
Total intangible assets	51,726	49,147

The recognised goodwill is attributable to the acquisition of Henton Børsmæglerselskab A/S at 30 December 2005. At 1 January 2006, the company merged with the bank, and is now an integral part of the cash-generating unit "wholesale banking".

Impairment tests are conducted annually to determine whether there is a need to write down capitalised goodwill. In the impairment test, the discounted future cash flows of the cash-generating unit (value in use) are compared with the carrying amount of the capitalised goodwill. If the carrying amount exceeds the value of the discounted future cash flows, an impairment loss is recognised.

The future cash flows are based on the group's expectations as to future earnings. The discounting of future cash flows is based on a discount rate corresponding to the bank's business requirements.

The impairment test performed in 2006 did not indicate any need for impairment of the capitalised goodwill.

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Group	
	2006	2005
NOTE 17 Other property, plant and equipment		
Operating equipment:		
Cost, beginning of year	10,274	14,970
Additions during the year, including improvements	7,278	2,155
Disposals during the year	1,580	6,851
Cost, year end	15,972	10,274
Depreciation and impairment, beginning of year	4,555	9,450
Depreciation for the year	1,941	1,440
Reversed depreciation and impairment	772	6,335
Depreciation and impairment, year end	5,724	4,555
Carrying amount, year end	10,248	5,719

Alm. Brand Bank acquired Henton Børsmæglerselskab A/S on 30 December 2005. The company's property, plant and equipment in the amount of DKK 1,927 thousand is in 2005 recognised in the group's other property, plant and equipment, but the depreciation for the year of DKK 879 thousand is not included in depreciation and impairment for the year of the group's property, plant and equipment.

NOTE 18 Current tax assets/liabilities

Tax receivable/payable, beginning of year	- 49,292	4,301
Tax received/paid in respect of prior years	50,239	- 4,248
Adjustment of previous years' current tax	- 483	-
Current tax paid for the year	19,563	- 51,467
Tax paid for the year	28,795	2,122
Tax receivable/payable, year end	48,822	- 49,292

Alm. Brand Bank acquired Henton Børsmæglerselskab A/S on 30 December 2005. The company's current tax liabilities in the amount of DKK 1,112 thousand are in 2005 recognised in the group's aggregate current tax assets but are not included in the tax for the year recognised for the group.

NOTE 19 Deferred tax assets

Deferred tax, beginning of year, net	178,964	-
Change in deferred tax taken to equity	-	190,432
Adjustment due to change in tax rate recognised in the income statement	-	- 12,695
Change in deferred tax recognised in the income statement	- 52,905	1,227
Deferred tax, year end, net	126,059	178,964

DKK '000	Group	
	2006	2005
Deferred tax relates to the following items:		
Operating equipment	2,071	2,529
Lease assets	109,140	155,494
Net fees included in effective interest rate	933	2,159
Provisions for jubilees, severance payment, etc.	5,878	5,646
Provisions for bad debts, etc.	8,037	8,553
Loss to be carried forward	-	4,583
Deferred tax, year end, net	126,059	178,964

Alm. Brand Bank acquired Henton Børsmæglerselskab A/S on 30 December 2005. The company's provisions for deferred tax in the amount of DKK 4 thousand are in 2005 recognised in the group's aggregate deferred tax but are not included in the tax for the year recognised for the group.

NOTE 20 Other assets

Positive market value of derivatives	339,427	570,679
Other assets	179,449	190,588
Total other assets	518,876	761,267

NOTE 21 Payables to credit institutions and central banks

Credit institutions	6,708,918	7,415,207
Total payables to credit institutions and central banks	6,708,918	7,415,207

NOTE 22 Deposits and other payables

Deposits at call	5,612,636	6,136,332
At notice	2,088,643	1,134,274
Time deposits	1,273,091	1,146,336
Special categories of deposits	573,923	572,551
Total deposits and other payables	9,548,293	8,989,493

NOTE 23 Issued bonds at amortised cost

Floating-rate loan in NOK with expiry on 29 September 2009	1,039,913	-
Total issued bonds at amortised cost	1,039,913	-

In September 2006, the bank issued the listed bond Alm. Brand Bank A/S Open Bond Issue. The bond is listed on the Oslo Stock Exchange and carries interest at NIBOR plus 0.15 percentage point. The first tranche is for NOK 1,150 million.

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Group	
	2006	2005
NOTE 24 Other liabilities		
Interest and commissions payable	43,372	35,679
Miscellaneous creditors	202,297	231,512
Other liabilities	38,457	48,033
Repo/reverse transactions, negative values	-	149,003
Negative market value of derivatives	293,909	563,454
Total other liabilities	<u>578,035</u>	<u>1,027,681</u>
NOTE 25 Provisions for pensions and similar liabilities		
Provisions, beginning of year	10,165	10,165
Provisions for the year	82	361
Discounting effect	- 1,367	- 361
Total provisions for pensions and similar liabilities	<u>8,880</u>	<u>10,165</u>
The provision cover provisions for jubilees, severance payments, etc.		
NOTE 26 Provisions for losses on guarantees		
Provisions, beginning of year	2,008	38
Provisions for the year	-	2,002
Reversed provisions for the year	- 915	-
Provisions used during the year	- 1,093	- 32
Provisions, year end	<u>-</u>	<u>2,008</u>
NOTE 27 Subordinated debt		
Supplementary capital		
Variable rate bullet loans in DKK maturing 3 May 2009	-	100,000
Variable rate bullet loans in DKK maturing 9 May 2012	100,000	100,000
Variable rate bullet loans in DKK maturing 9 May 2013	100,000	100,000
Variable rate bullet loans in DKK maturing 9 May 2014	100,000	-
Total supplementary capital	<u>300,000</u>	<u>300,000</u>
Hybrid Tier 1 capital		
Fixed rate bullet loans in DKK with indefinite terms	<u>175,000</u>	-
Total hybrid Tier 1 capital	<u>175,000</u>	-
Hedging of interest rate risk at fair value	- 902	-
Total subordinated debt	<u>474,098</u>	<u>300,000</u>
Interest on subordinated debt	16,562	14,352
Of this, amortisation of costs incurred on raising the debt	62	56
Extraordinary instalments	100,000	100,000
Costs incurred in raising subordinated debt	1,231	200

DKK '000	Group	
	2006	2005
<p>The subordinated loan capital carries interest at floating rates of three-month CIBOR plus 1.05-1.5 percentage point.</p> <p>The hybrid loan capital was issued on 12 October 2006 at a rate of 5.855% for the first ten years. Subsequently, the capital certificates carry interest at three-month CIBOR plus 2.70 percentage point.</p> <p>As part of the risk management, the fair value of the hybrid Tier 1 capital is hedged by means of derivative financial instruments, see NOTE 37 Hedge accounting.</p> <p>The entire subordinated debt may be included in the statement of the capital base.</p>		
NOTE 28 Shareholders' equity		
Share capital		
Nominal value, beginning of year	351,000	351,000
Nominal value, year end	351,000	351,000
<p>The share capital consists of 351,000 shares of DKK 1,000 nominal value and is paid up in full.</p>		
NOTE 29 Capital base		
Shareholders' equity	1,785,332	1,609,128
Proposed dividends	0	0
Intangible assets	- 51,726	- 49,147
Deferred tax assets	- 126,059	- 178,964
Tier 1 capital after deductions	1,607,547	1,381,017
Hybrid Tier 1 capital	175,000	-
Tier 1 capital, including hybrid Tier 1 capital after deduction	1,782,547	1,381,017
Supplementary capital	300,000	300,000
Capital base	2,082,547	1,681,017
Weighted assets outside trading portfolio	11,267,604	10,194,905
Weighted assets off the balance sheet	1,332,257	1,599,509
Weighted assets with a counterparty risk outside the trading portfolio	692	193
Weighted assets subject to market risks, etc.	4,556,193	2,801,647
Total weighted assets	17,156,746	14,596,254

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Group	
	2006	2005
NOTE 30 Off-balance sheet items		
Guarantees, etc.		
Financial guarantees	819,142	1,108,063
Loss guarantees for mortgage loans	239,846	225,566
Other guarantees	418,196	678,801
Total guarantees, etc.	1,477,184	2,012,430
Other commitments		
Other commitments	216,806	105,624
Total other commitments	216,806	105,624
Total off-balance sheet items	1,693,990	2,118,054

Contingent liabilities

The bank has entered into a property lease with Henton Group A/S in respect of the headquarters at Silkeborg. The lease is non-terminable for seven years and three months from 1 January 2007. In addition to rent, the lease also covers joint expenses and canteen. The capitalised value of the lease has been calculated at DKK 6 million.

Alm. Brand Bank A/S is jointly and severally liable with the other jointly taxed and jointly registered group companies for the total tax liability of these companies for income years up till 2004. As from 2005, Alm. Brand Bank A/S is only jointly and severally liable for the indirect tax liability.

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

Collateral security

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

As part of the ongoing business, in 2006 the bank provided bonds as security vis-à-vis the Danish Central Bank at a market value of DKK 402 million (2005: DKK 528 million).

	Group						
	2006						
DKK '000	Retail banking	Wholesale banking	Alm. Brand Finans	Alm. Brand Pantebreve	Alm. Brand Formue	Other/ Elimina- tions	Alm. Brand Bank Group
NOTE 31 Segment information							
Interest receivable	335,375	495,857	109,159	60,897	58,392	- 237,138	822,542
Interest payable	216,874	337,927	65,460	28,869	64,176	- 249,426	463,880
Net interest income	118,501	157,930	43,699	32,028	- 5,784	12,288	358,662
Net fee and commission income, etc.	42,447	120,540	10,004	- 2,882	4,963	- 18,023	157,049
Value adjustments	329	41,201	-	- 10,192	29,345	14,744	75,427
Other operating income	-	3,389	6,703	-	-	357	10,449
Profit on ordinary activities before expenses (Net income)	161,277	323,060	60,406	18,954	28,524	9,366	601,587
Operating expenses	50,166	111,990	39,877	3,635	2,916	230,473	439,057
Write-downs of loans, advances and receivables, etc.	8,597	-	- 10,426	-	-	- 24,836	- 26,665
Profit/loss on participating interests	-	-	164	-	-	10,969	11,133
Profit on activities before tax	102,514	211,070	31,119	15,319	25,608	- 185,302	200,328
Loans and advances	2,508,327	10,033,702	1,954,320	979,453	-	- 2,347,658	13,128,144
Other assets	4,571,528	-	217,742	36,928	2,162,266	48,406	7,036,870
Total assets	7,079,855	10,033,702	2,172,062	1,016,381	2,162,266	- 2,299,252	20,165,014
Deposits	7,079,855	2,459,165	47	-	-	9,226	9,548,293
Other liabilities	-	7,574,537	2,172,015	1,016,381	2,162,266	- 2,308,479	10,616,721
Total liabilities and equity	7,079,855	10,033,702	2,172,062	1,016,381	2,162,266	- 2,299,252	20,165,014
Guarantees and other commitments	765,506	869,152	-	-	-	59,332	1,693,990
Intercompany income	-	86,844	-	-	-	- 86,844	0
Capital investments	-	-	-	-	-	6,470	6,470
Non-cash operating items	11,876	26,003	8,867	5,085	104,581	2,656	159,068
Depreciation, amortisation and impairment of tangible and intangible assets	-	0	-	-	-	1,941	1,941
Goodwill	-	49,226	-	-	-	-	49,226

The group's business segments are the business areas according to which the organisation, in-house financial management and reporting are based. The financial reporting principles applying to the business segments are described in the accounting policies. The business segments are described in more detail in the management's review.

NOTES TO THE FINANCIAL STATEMENTS

	Group						
	2005						
DKK '000	Retail banking	Wholesale banking	Alm. Brand Finans	Alm. Brand Pantebreve	Alm. Brand Formue	Other/ Elimi- nations	Alm. Brand Bank Group
Interest receivable	242,072	338,592	102,135	46,268	42,805	- 155,336	616,536
Interest payable	142,680	196,594	56,842	17,828	37,372	- 176,811	274,505
Net interest income	99,392	141,998	45,293	28,440	5,433	21,475	342,031
Net fee and commission income, etc.	43,305	171,262	9,469	- 2,635	- 21,319	- 31,241	168,841
Value adjustments	377	28,480	-	- 14,535	134,816	34,342	183,480
Other operating income	-	-	8,457	-	-	373	8,830
Profit on ordinary activities before expenses (Net income)	143,074	341,740	63,219	11,270	118,930	24,949	703,182
Operating expenses	45,102	86,205	39,946	3,548	3,174	191,207	369,182
Write-downs of loans, advances and receivables, etc.	8,052	-	- 13,328	-	-	9,937	4,661
Profit/loss on participating interests	-	-	90	-	-	- 278	- 188
Profit on activities before tax	89,920	255,535	36,691	7,722	115,756	- 176,473	329,151
Loans and advances	1,831,657	7,646,537	2,125,836	733,737	-	- 1,593,005	10,744,762
Other assets	4,736,031	-	235,636	25,309	1,792,940	1,890,397	8,680,313
Total assets	6,567,688	7,646,537	2,361,472	759,046	1,792,940	297,392	19,425,075
Deposits	6,567,688	2,285,696	146	-	-	135,963	8,989,493
Other liabilities	-	5,360,841	2,361,326	759,046	1,792,940	161,429	10,435,582
Total liabilities and equity	6,567,688	7,646,537	2,361,472	759,046	1,792,940	297,392	19,425,075
Guarantees and other commitments	862,164	1,189,888	-	3,173	-	62,829	2,118,054
Intercompany income	-	74,271	-	-	-	- 74,271	0
Capital investments	-	-	-	-	-	2,955	2,955
Non-cash operating items	25,554	15,228	4,907	5,284	120,293	59,928	231,194
Depreciation, amortisation and impairment of tangible and intangible assets	-	0	-	-	-	561	561
Goodwill	-	49,147	-	-	-	-	49,147

DKK '000	Group	
	2006	2005
NOTE 32 By term to maturity		
Balances due from credit institutions and central banks		
Balances at call	261,415	218,715
Up to and including 3 months	768,546	1,647,655
Over 3 months and up to and including 1 year	-	40,666
Total	1,029,961	1,907,036
Loans and advances		
Loans and advances at call	901,981	588,773
Up to and including 3 months	640,873	379,289
Over 3 months and up to and including 1 year	2,279,375	2,286,113
Over 1 year and up to and including 5 years	4,539,653	3,772,631
Over 5 years	4,766,262	3,717,956
Total	13,128,144	10,744,762
Payables to credit institutions and central banks		
Payables at call	49,345	379,577
Up to and including 3 months	1,566,673	2,299,104
Over 3 months and up to and including 1 year	251,300	362,600
Over 1 year and up to and including 5 years	3,421,980	2,134,949
Over 5 years	1,419,620	2,238,977
Total	6,708,918	7,415,207
Deposits and other payables		
Deposits at call	5,612,636	6,136,352
Up to and including 3 months	3,382,492	2,282,793
Over 3 months and up to and including 1 year	150,090	182,470
Over 1 year and up to and including 5 years	90,221	97,520
Over 5 years	312,854	290,358
Total	9,548,293	8,989,493
Issued bonds		
Over 1 year and up to and including 5 years	1,039,913	-
Total	1,039,913	-

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Group	
	2006	2005
NOTE 33 Credit risk		
Loans and advances and guarantee debtors by sector and industry:		
Public authorities	0.4%	0.5%
Corporate sector:		
Agriculture, hunting and forestry	4.9%	5.4%
Fisheries	0.0%	0.0%
Production, raw materials extraction, electricity, gas, water and heating utilities	0.2%	0.2%
Building and construction	1.1%	1.2%
Retail trade, restaurants and hotels	1,3%	1.4%
Transport, post and telephone	0.1%	0.1%
Credit, finance and insurance	16.7%	18.6%
Property administration and trading, business service	23.4%	26.0%
Other industries	4.8%	5.3%
Total corporate sector	52.5%	58.2%
Private customers	47.1%	41.3%
Total	100.0%	100.0%
Credit risk on derivatives		
Positive market value after netting (after counterparty risk)		
Counterparty with a risk weighting of 20%	277,783	523,504
Counterparty with a risk weighting of 100%	61,450	40,619
Impairment (provision)		
Individual assessment:		
Impairment, beginning of year	157,797	154,678
Impairment during the year	68,762	65,216
Reversal of impairment	79,067	52,404
Loss (written off)	10,123	9,693
Impairment, year end	137,369	157,797
Group assessment:		
Impairment, beginning of year	54,304	61,860
Impairment during the year	6,714	27,035
Reversal of impairment	16,475	34,591
Impairment, year end	44,543	54,304
Total impairment	181,912	212,101
Value of security for loans found to be impaired based on individual assessments	269,551	185,760
The carrying amount of loans and advances which would have been overdue or impaired if the loan had not been renegotiated	0	0
Reasons for individual impairment write-downs		
Loans, advances and other receivables before impairment:		
Bankruptcy	32,863	26,042
Suspension of payments	66,933	53,041
Other reasons	351,269	278,363
Total	451,065	357,446

DKK '000	Group	
	2006	2005
Impairment, etc.:		
Negotiations for composition started/granted	22,720	29,099
Account terminated	31,800	35,529
Other reasons	82,849	95,169
Total	137,369	159,797
Loans, advances and other receivables after impairment	313,696	99,649
Description of security		
Value of security:		
Real property, private	4,337	6,941
Real property, commercial	204,575	132,303
Cash, deposits and highly liquid securities	8,310	-
Cars	27,522	26,835
Other security	24,807	19,681
Total	269,551	185,760

Collateral security is valued on the following basis:

Private residential property; 80-95%, depending on type, location, state of repair and transferability.

Commercial property; 60-85%, depending on use, location, state of repair, business, income basis and assessed transferability.

Cash and marketable securities; 80-95% of official market price when available and, if not, of assessed market price.

Personal property, cars; depending on type, model and age.

Personal property, other collateral; based on individual assessments.

Realised security, including conditions

Value of realised security:

Real property, private	958	1,465
Real property, commercial	27,005	27,900
Cars	14,873	19,913
Total	42,836	49,278

Forced realisation of collateral is required if the bank is unable to get a voluntarily agreement with debtor or mortgagor for voluntary realisation.

Before forced realisation is initiated, the debtor and/or mortgagor are given notice, typically eight days, but shorter if there is an imminent risk of the value of the collateral becoming impaired.

Particularly in relation to loans and credit secured on securities-based investments, so-called stop-loss clauses are established, giving the bank the right to immediate forced realisation unless additional collateral is provided. Such clauses typically take effect if the value of the collateral falls below a minimum proportion of the loan, typically 105-110%.

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Group	
	2006	2005
Loans, advances and other receivables, etc. in arrears		
How much in arrears:		
Up to three months	35,156	10,579
Three to six months	29,046	13,968
Six to twelve months	9,164	6,243
More than twelve months	524	136
Arrears, year end	73,890	30,926
Value of collateral security for loans in arrears	755,509	277,890

NOTE 34 Market risk

Foreign exchange exposure

Total assets denominated in foreign currency	6,468,376	3,314,911
Total liabilities denominated in foreign currency	6,603,163	4,923,837
Exchange rate indicator 1	731,842	264,460
Exchange rate indicator 1 as a percentage of Tier 1 capital after deductions	41.1%	19.1%
Exchange rate indicator 2	11,580	2,790
Exchange rate indicator 2 as a percentage of Tier 1 capital after deductions	0.7%	0.2%

Interest rate exposure

The Danish Financial Supervisory Authority's method:

Total interest rate exposure on debt instruments, etc.	236,248	210,149
Interest rate exposure by currency subject to the greatest risk		
Currency:		
DKK	267,461	195,091
EUR	- 22,986	14,908
NOK	- 18,707	- 26
CHF	2,981	24
USD	- 370	- 8
TRY	5	-
Other	7,864	160
Total	236,248	210,149

Interest rate exposure

The banking group's own method	37,100	32,880
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In the in-house calculation of the banking group's overall interest rate risk, the scheduled payments on the banking group's mortgage deed portfolio are adjusted for anticipated prepayments, and the share of interest rate risk attributable to the minority interests is deducted.

DKK '000	Group	
	2006	2005
NOTE 35 Genuine purchase and resale transactions		
Of the assets below, genuine purchase and resale transactions amount to:		
Balances due from credit institutions and central banks	98,123	635,335
	<u>98,123</u>	<u>635,335</u>
NOTE 36 Genuine sale and repurchase transactions		
Of the liabilities below, genuine sale and repurchase transactions amount to:		
Payables to credit institutions and central banks	76,673	1,882,033
	<u>76,673</u>	<u>1,882,033</u>
NOTE 37 Hedge accounting		
For some of the fixed-rate loans, the fair value is hedged using derivatives as part of the risk management process.		
Type of hedged item:		
Fixed-rate loans in DKK		
– At amortised cost	143,880	159,095
– At adjusted amortised cost (carrying amount)	148,141	168,824
Hybrid Tier 1 capital in DKK		
– At amortised cost	175,000	-
– At adjusted amortised cost (carrying amount)	174,098	-
Type of hedge instruments:		
Interest rate swaps in DKK		
– Fair value	- 4,261	- 10,681
– Synthetic principal	152,186	168,824
For hybrid Tier 1 capital in DKK		
Interest rate swaps in DKK		
– Fair value	- 902	-
– Synthetic principal	175,000	-
Recognised through profit and loss:		
Value adjustment of hedged assets and liabilities	- 5,519	- 3,231
Value adjustment of hedging instruments	5,519	3,231

The fair value hedge was very effective throughout the year. "Very effective" means that the value changes for the hedge instruments correspond to the value changes for the hedged item within a band of 80-125%.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 38 Related parties

Related parties comprise:

- a) members of the company's Executive Board and Board of Directors and their related family members
- b) companies controlled by members of the Executive Board or Board of Directors
- c) the parent company's Executive Board or Board of Directors, and
- d) the Alm. Brand Group, Midtermolen 7, DK-2100 Copenhagen Ø, which exercises a controlling influence on the company.

Amount of loans granted, mortgages received from and guarantees with related security issued by the Alm. Brand Bank Group for the below-mentioned officers, their related family members and any companies controlled by them:

DKK '000	2006		2005	
	Loans, etc.	Guarantees	Loans, etc.	Guarantees
Executive Board, Alm. Brand Bank A/S	945	-	1,045	-
Board of Directors, Alm. Brand Bank A/S	23,091	6,982	28,602	7,236
Executive Board, Alm. Brand A/S	1,195	-	1,195	-
Board of Directors, Alm. Brand A/S	27,695	7,982	26,692	6,980

Loans in DKK to the Executive Board and the Board of Directors carry interest in the interval of 4.25-6.00% p.a. Loans in CHF to the Board of Directors carry interest at 3.13% p.a.

These financial relations are conducted on an arm's length basis.

Salaries and remuneration to members of the bank's Executive Board and Board of Directors are disclosed in the note relating to staff costs and administrative expenses.

No other financial relations have been identified to members of the Executive Board, Board of Directors, etc.

The Alm. Brand Group maintains cross-cutting functions that solve joint administrative tasks for the group's companies. The consideration paid for this administrative function is fixed on an arm's length basis or, where there is no specific market, on a cost-recovery basis. The bank reinvoices part of the administration fee to its subsidiaries.

DKK '000	Group	
	2006	2005

Alm. Brand Bank is the Alm. Brand Group's primary banker. This involves the conclusion of a number of agreements between the company and the group's other enterprises, and a number of transactions are regularly made between the company and the rest of the group. All agreements and transactions between the company and the bank are made on an arm's length or cost-recovery basis in accordance with applicable legislation for intra-group transactions.

An agreement has been made on interest accruing on accounts between the bank and the other group companies on an arm's length basis.

The company has also signed an agreement with Alm. Brand Formue concerning the management of Alm. Brand Formue's portfolio. All specific investment decisions are made by Alm. Brand Bank pursuant to this asset management agreement. Accordingly, Alm. Brand Formue buys and sells securities through the bank.

The company has also signed an agreement with Alm. Brand Pantebreve concerning the management of Alm. Brand Pantebreve's mortgage deed portfolio, etc. including the collection of payments, keeping of mortgage deeds, etc. Alm. Brand Pantebreve buys and sells mortgage deeds, securities, guarantees, etc. through the bank.

To ensure ongoing pricing, an agreement has been signed with Alm. Brand Formue and Alm. Brand Pantebreve to the effect that buy and sell prices for the companies' B shares are regularly listed on the Copenhagen Stock Exchange.

In addition, the bank has made an asset management agreement with the other companies of the Alm. Brand Group, according to which a substantial proportion of the group's assets are under management with the bank.

Other than the above, no material intra-group transactions have taken place.

Financial relations, Alm. Brand af 1792 fmba

Receivables	-	-
Payables	430,306	194,035
Guarantees	-	-
Interest and fee income	1	-
Interest and fee expenses	8,014	5,589
Administration fee	-	-

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Group							
	Market value 2006		Market value 2005		Average market value 2006		Average Market value 2005	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
NOTE 39 Derivatives								
Foreign exchange contracts								
Forward transactions/futures, bought	30,234	31,016	35,811	19,961	44,562	25,020	27,817	14,044
Forward transactions/futures, sold	58,120	11,703	28,101	19,524	45,302	18,081	22,533	18,117
Swaps	9,505		8,511		8,721	649	3,164	
Options, bought	2,678		277		1,816		260	
Options, written		3,074		522		1,898		258
Interest rate contracts								
Forward transactions/futures, bought	257	516	1,045	1,157	1,398	28,616	4,229	21,453
Forward transactions/futures, sold	1,621	261	1,222	695	28,445	1,235	88,081	2,497
Swaps	51	12,657		27,926	377	18,343		36,011
Options, bought	5,918		303,916		91,224		336,831	
Options, written		550		301,847		10,926		328,567
Share contracts								
Forward transactions/futures, bought	11	55	40		270	84	334	593
Forward transactions/futures, sold	60	1,493	23	40	93	832	614	280
Options, bought	226,920		188,065		86,193	438	150,927	
Options, written		226,920		188,065	453	86,328		146,870
Total	335,375	288,245	567,011	559,737	308,854	192,450	634,790	568,690
Unsettled spot transactions								
Foreign exchange contracts, bought	75	209	54	19				
Foreign exchange contracts, sold	82	266	26	45				
Interest rate contracts, bought	497	2,386	943	126				
Interest rate contracts, sold	2,399	496	396	1,409				
Share contracts, bought	505	375	1,407	720				
Share contracts, sold	494	1,932	842	1,398				
Total unsettled spot transactions	4,052	5,664	3,668	3,717				
Total	339,427	293,909	570,679	563,454				

DKK '000	Group				
	2006	2005	2004	2003	2002
NOTE 40 Key ratios					
Solvency ratio*	12.1%	11.5%	12.4%	14.7%	12.6%
Tier 1 ratio*	10.4%	9.5%	9.7%	11.3%	9.1%
Return on equity before tax	14.5%	23.0%	15.7%	14.9%	12.9%
Return on equity after tax	11.1%	16.1%	15.4%	14.7%	13.8%
Income/cost ratio	1.49	1.88	1.44	1.27	1.28
Interest rate risk	13.3%	15.2%	10.1%	12.9%	9.7%
Foreign exchange position	41.1%	19.1%	9.5%	3.0%	2.5%
Foreign exchange risk*	0.7%	0.2%	0.2%	0.1%	0.0%
Loans and advances as a percentage of deposits	139.4%	121.9%	99.4%	97.0%	97.8%
Gearing of loans and advances	7.4	6.7	7.6	11.2	12.8
Annual growth in lending	22.4%	20.5%	8.2%	- 5.2%	26.4%
Excess cover relative to statutory liquidity requirement*	71.5%	82.0%	71.2%	90.7%	87.4%
Total amount of large exposures*	225.1%	275.3%	218.4%	101.8%	149.5%
Impairment ratio for the year	- 0.2%	0.0%	0.3%	0.7%	0.5%

Financial highlights and key ratios for 2004-2006 have been prepared in accordance with IFRS. For 2002 and 2003, they were prepared in accordance with the previously applicable rules.

* Comparative figures for 2004 have not been restated in respect of these ratios.

DKK '000	2006			2005		
	Loans at amortised cost	Trading portfolio	Total	Loans at amortised cost	Trading portfolio	Total
NOTE 41 Classification of financial instruments						
Financial assets:						
Cash in hand and balances at call with central banks	36,531		36,531	20,372		20,372
Balances due from credit institutions and central banks	1,029,961		1,029,961	1,907,036		1,907,036
Loans, advances and other receivables at fair value		1,893,491	1,893,491		1,446,554	1,446,554
Loans, advances and other receivables at amortised cost	11,234,653		11,234,653	9,298,208		9,298,208
Bonds at fair value		4,376,562	4,376,562		4,999,723	4,999,723
Shares, etc.		816,773	816,773		739,606	739,606
Derivatives		339,427	339,427		570,679	570,679
Total financial assets	12,301,145	7,426,253	19,727,398	11,225,616	7,756,562	18,982,178
Financial liabilities:						
Payables to credit institutions and central banks	6,708,918		6,708,918	7,415,207		7,415,207
Deposits and other payables	9,548,293		9,548,293	8,989,493		8,989,493
Bonds issued at amortised cost	1,039,913		1,039,913			
Subordinated debt	474,098		474,098	300,000		300,000
Derivatives		293,909	293,909		563,454	563,454
Total financial liabilities	17,771,222	293,909	18,065,131	16,704,700	563,454	17,268,154

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	2006					Group
					2005	
	Assets and liabilities at amortised cost	Trading portfolio	Total	Assets and liabilities at amortised cost	Trading portfolio	Total
NOTE 42 Return on financial instruments						
Interest receivable	651,745	170,797	822,542	489,554	126,982	616,536
Interest payable	463,880	-	463,880	274,505	-	274,505
Net interest income	187,865	170,797	358,662	215,049	126,982	342,031
Dividend on shares, etc.	-	16,569	16,569	-	9,831	9,831
Fees and commissions receivable	52,630	118,692	171,322	44,381	139,121	183,502
Fees and commissions payable	29,803	1,039	30,842	24,452	40	24,492
Net interest and fee income	210,692	305,019	515,711	234,978	275,894	510,872
Value adjustments	- 5,518	79,660	74,142	- 3,231	186,711	183,480
Other operating income	6,703	-	6,703	8,457	-	8,457
Total	211,877	384,679	596,556	240,204	462,605	702,809

DKK '000	2006		2005	
	Fair value	Recognised amount	Fair value	Recognised amount
NOTE 43 Fair value on financial instruments				
Financial assets:				
Cash in hand and balances at call with central banks	36,531	36,531	20,372	20,372
Balances due from credit institutions and central banks	1,029,961	1,029,961	1,907,036	1,907,036
Loans, advances and other receivables at fair value	1,893,491	1,893,491	1,446,554	1,446,554
Loans, advances and other receivables at amortised cost	11,239,795	11,234,653	9,309,999	9,298,208
Bonds at fair value	4,376,562	4,376,562	4,999,723	4,999,723
Shares, etc.	816,773	816,773	739,606	739,606
Derivatives	339,427	339,427	570,679	570,679
Total financial assets	19,732,540	19,727,398	18,993,969	18,982,178
Financial liabilities:				
Payables to credit institutions and central banks	6,708,918	6,708,918	7,415,207	7,415,207
Deposits and other payables	9,548,293	9,548,293	8,989,493	8,989,493
Bonds issued at amortised cost	1,039,913	1,039,913	-	-
Subordinated debt	475,411	474,098	300,000	300,000
Derivatives	293,909	293,909	563,454	563,454
Total financial liabilities	18,066,444	18,065,131	17,268,154	17,268,154

Fair value on financial assets and liabilities

Cash in hand and balances at call with central banks are relatively short term, and recognised amounts at amortised cost are assumed to equal fair values.

Balances with credit institutions are recognised at amortised cost. The difference between the recognised value and fair value is assumed to be the interest rate-dependent value adjustment, calculated by comparing current market rates with the market rates applying when the balances were established.

Changes in the credit quality of receivables from credit institutions are not taken into account as these are assumed to be included in impairment on loans, advances and receivables. Changes in the fair value of debt to credit institutions due to changes in the bank's own credit rating are not taken into account.

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.

Deposits and other payables are relatively short term, and recognised amounts at amortised cost are assumed to equal fair values.

Issued bonds and subordinated debt are measured at amortised cost. The difference between this and fair value is assumed to be the interest rate-dependent value adjustment, calculated by comparing current market rates with the market rates applying when the issues were made. Changes in fair values due to changes in the bank's own credit rating are not taken into account.

Fair value adjustments of financial assets and liabilities represent a total unrecognised gain of DKK 3.8 million at the end of 2006, against DKK 11.8 million at the end of 2005.

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

DKK '000	2006			2005		
	Net income	Total assets	Total liabilities	Net income	Total assets	Total liabilities
NOTE 44 Financial highlights of associates						
Invest Administration A/S	5,083	6,836	2,336	-	-	-
Investeringsselskabet af 6/10 1998 A/S	1,823	4,119	14	880	2,753	8



FINANCIAL STATEMENTS PARENT COMPANY

ACCOUNTING POLICIES

The financial statements of the parent company are presented in accordance with the Danish Financial Business Act, the executive order on the preparation of financial reports presented by credit institutions and investment companies, etc. and Danish accounting standards.

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards as approved by the EU. The accounting policies of the parent

company on the recognition and measurement is in accordance with the accounting policies of the group, except for the following points:

Investments in group enterprises are measured according to the equity method, implying that the investments are measured at the parent company's proportionate share of the net asset values of the group enterprises at the balance sheet date.

INCOME STATEMENT AND PROFIT ALLOCATION

DKK '000	Note	Parent company	
		2006	2005
INCOME STATEMENT			
Interest receivable	1	734,887	525,495
Interest payable	2	446,168	262,661
Net interest income		288,719	262,834
Dividend on shares, etc.		2,444	2,020
Fees and commissions receivable		170,756	200,672
Fees and commissions payable		28,235	19,334
Net interest and fee income		433,684	446,192
Value adjustments	3	56,274	63,199
Other operating income		3,746	373
Profit before expenses	4	493,704	509,764
Staff costs and administrative expenses	5	390,689	321,954
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		1,941	561
Impairment of loans, advances and receivables, etc.	6	- 16,239	17,988
Profit from investments in associates and group enterprises	7	49,851	53,148
Profit before tax		167,164	222,409
Tax	8	39,642	66,772
Profit for the financial year		127,522	155,637
Proposed allocation of profit			
Proposed dividend		0	0
Transferred to retained earnings		127,522	155,637
Total transferred to equity		127,522	155,637

BALANCE SHEET

DKK '000	Note	Parent company	
		2006	2005
ASSETS			
Cash in hand and balances at call with central banks		36,531	14,819
Balances due from credit institutions and central banks	9	1,025,810	1,863,338
Loans, advances and other receivables at fair value	10	914,038	712,817
Loans, advances and other receivables at amortised cost	11	13,246,612	10,646,895
Bonds at fair value	12	2,879,428	3,827,537
Shares, etc,	13	157,935	101,651
Investments in associates	14	2,250	-
Investments in group enterprises	15	464,492	449,995
Intangible assets	16	51,726	49,147
Other property, plant and equipment	17	10,248	3,792
Deferred tax assets	18	7,246	7,808
Other assets	19	469,753	709,750
Prepayments		6,611	5,200
Total assets		19,272,680	18,392,749
LIABILITIES AND EQUITY			
Payables			
Payables to credit institutions and central banks	20	6,407,518	6,978,456
Deposits and other payables	21	9,548,381	8,963,026
Bonds issued at amortised cost	22	1,039,913	-
Current tax liabilities	23	6,318	41,827
Other liabilities	24	566,012	1,002,542
Deferred income		4,900	5,587
Total payables		17,573,042	16,991,438
Provisions			
Provisions for pensions and similar commitments	25	8,880	10,165
Provisions for losses on guarantees	26	-	2,008
Total provisions		8,880	12,173
Subordinated debt			
Supplementary capital	27	300,000	300,000
Hybrid Tier 1 capital	27	174,098	-
Subordinated debt		474,098	300,000
Shareholders' equity			
Share capital	28	351,000	351,000
Other reserves		320,963	290,042
Retained earnings		544,697	448,096
Total shareholders' equity		1,216,660	1,089,138
<i>Of which proposed dividend</i>		0	0
Total liabilities and equity		19,272,680	18,392,749

STATEMENT OF CHANGES IN EQUITY

DKK '000	Parent company			
	Share capital	Other reserves	Retained earnings	Total
Shareholders' equity at 1 January 2005	351,000	128,095	363,974	843,069
Change in accounting policies as a result of new rules on joint taxation		181,367	9,065	190,432
Adjusted equity at 1 January 2005	351,000	309,462	373,039	1,033,501
Equity movements in 2005				
Dividend subsidiaries		- 50,000	50,000	-
Profit for the year		30,580	125,057	155,637
Comprehensive income in 2005	-	- 19,420	175,057	155,637
Dividend paid			- 100,000	- 100,000
Total equity movements in 2005	-	- 19,420	75,057	55,637
Shareholders' equity at 31 December 2005	351,000	290,042	448,096	1,089,138
<i>Of which proposed dividends</i>			0	0
Shareholders' equity at 1 January 2006	351,000	290,042	448,096	1,089,138
Equity movements in 2006				
Dividend subsidiaries		-	-	-
Profit for the year		30,921	96,601	127,522
Comprehensive income in 2006	-	30,921	96,601	127,522
Dividend paid			-	-
Total equity movements in 2006	-	30,921	96,601	127,522
Shareholders' equity at 31 December 2006	351,000	320,963	544,697	1,216,660
<i>Of which proposed dividends</i>			0	0



NOTES WITH REFERENCE

- 1 Interest receivable
- 2 Interest payable
- 3 Fees and commissions receivable
- 4 Value adjustments
- 5 Staff costs and administrative expenses
- 6 Impairment of loans, advances and receivables, etc.
- 7 Profit from investments in associates and group enterprises
- 8 Tax
- 9 Balances due from credit institutions and central banks
- 10 Loans, advances and other receivables at fair value
- 11 Loans, advances and other receivables at amortised cost
- 12 Bonds at fair value
- 13 Shares, etc.
- 14 Investments in associates
- 15 Investments in group enterprises
- 16 Intangible assets
- 17 Other property, plant and equipment
- 18 Deferred tax assets
- 19 Other assets
- 20 Payables to credit institutions and central banks

- 21 Deposits and other payables
- 22 Issued bonds at amortised cost
- 23 Current tax liabilities
- 24 Other liabilities
- 25 Provisions for pensions and similar liabilities
- 26 Provisions for losses on guarantees
- 27 Subordinated debt
- 28 Shareholders' equity

NOTES WITHOUT REFERENCE

- 29 Capital base
- 30 Off-balance sheet items
- 31 By term to maturity
- 32 Credit risk
- 33 Market risk
- 34 Genuine purchase and resale transactions
- 35 Genuine sale and repurchase transactions
- 36 Hedge accounting
- 37 Related parties
- 38 Derivatives
- 39 Financial highlights and key ratios
- 40 Group overview
- 41 Pro rata consolidation

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company	
	2006	2005
NOTE 1 Interest receivable		
Balances due from credit institutions and central banks	41,557	41,722
Loans, advances and other receivables	582,633	407,098
Bonds	104,253	65,499
Total derivatives	6,197	11,068
Of which:		
Foreign exchange contracts	18,686	21,968
Interest rate contracts	- 12,489	- 10,900
Other interest income	247	108
Total interest receivable	734,887	525,495
Interest receivable from genuine purchase and resale transactions:		
Balances due from credit institutions and central banks	5,753	22,635
Loans, advances and other receivables	2,213	1,317
NOTE 2 Interest payable		
Credit institutions and central banks	179,826	80,658
Deposits and other payables	238,712	167,035
Issued bonds	9,751	-
Subordinated debt	16,562	14,352
Other interest expenses	1,317	616
Total interest payable	446,168	262,661
Interest payable on genuine sale and repurchase transactions:		
Payables to credit institutions and central banks	20,573	16,966
Deposits and other payables	36	1,366
NOTE 3 Fees and commissions receivable		
Securities trading and deposits	130,021	169,657
Payment transfers	5,806	4,195
Loan fees	11,027	10,673
Commission fees	8,215	7,072
Other fees and commissions	15,687	9,075
Total fees and commissions receivable	170,756	200,672

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company	
	2006	2005
NOTE 4 Value adjustments		
Loans, advances and other receivables at fair value	17,130	21,459
Bonds	- 2,945	24,037
Shares, etc.	44,087	63,363
Foreign currency	12,130	9,496
Total derivatives	- 15,413	- 55,156
Of which:		
Foreign exchange contracts	872	1,292
Interest rate contracts	3,369	- 47,760
Share contracts	- 19,654	- 8,688
Other commitments	1,285	-
Total value adjustments	56,274	63,199
NOTE 5 Staff costs and administrative expenses		
Remuneration to the Executive Board and Board of Directors:		
Remuneration to the Executive Board		
Salaries and wages	4,490	6,736
Pensions	758	982
Total	5,248	7,718
Remuneration to the Board of Directors		
Fees	477	450
Total remuneration to the Executive Board and Board of Directors	5,725	8,168
Staff costs:		
Salaries and wages	155,038	113,941
Pensions	15,059	10,445
Social security costs	15,469	11,700
Total	185,566	136,086
Other administrative expenses	199,398	177,700
Total staff costs and administrative expenses	390,689	321,954
Number of employees		
Average number of employees during the financial year, full-time equivalents	310	242

DKK '000	Parent company	
	2006	2005
Executive board		
<p>In 2006, the bank's Executive Board consisted of Henrik Nordam, Chief Executive and Peter Reedtz, Managing Director. In 2005, the Board also comprised Brian Kudsk, Managing Director. The above specification includes salaries and remuneration paid to member of the Executive Board and Board of Directors for each of the financial years. As Henrik Nordam, the bank's Chief Executive, is also the deputy Chief Executive of Alm. Brand A/S, only the salary and remuneration that correspond to the time he spends on the banking business is included.</p> <p>Alm. Brand Bank A/S has decided to provide all employees of the bank, including the Executive Board, with defined contribution pension plans. The bank's expenses in relation to the Executive Board's pension plans are shown in the above note.</p> <p>The notice of termination between the bank and the Executive Board is 6-12 months for either party. If a member of the Executive Board is given notice by the bank, he is entitled to a severance payment equalling 12 months' salary.</p>		
Performance pay		
<p>A bonus scheme has been established for the Alm. Brand Group's senior management, including the Executive Board and senior management employees of Alm. Brand Bank. The bonus scheme for the Executive Board and senior management employees is, along with the bank's bonus scheme for a number of other employee groups, detailed further in the section Employees and Development. The bonus scheme has no material effect on the cost level and does not comprise stock options.</p>		
Audit fees		
Total fees for statutory audit to auditors appointed by the annual general meeting	1,694	1,369
Of which non-audit fees	477	494

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company	
	2006	2005
NOTE 6 Impairment of loans, advances and receivables, etc.		
Individual assessment:		
Impairment and value adjustments, respectively, during the year	45,973	50,266
Reversal of impairment in previous years	67,224	36,785
Total individual assessment	- 21,251	13,481
Group assessment:		
Impairment and value adjustments, respectively, during the year	6,714	5,097
Reversal of impairment in previous years	2,401	-
Total group assessment	4,313	5,097
Losses not previously provided for	7,726	5,890
Bad debts recovered	7,027	6,480
Total impairment of loans, advances and receivables, etc.	- 16,239	17,988
NOTE 7 Profit from investments in associates and group enterprises		
Profit from investments in associates	- 274	-
Profit from investments in group enterprises	50,125	53,148
Total profit from investments in associates and group enterprises	49,851	53,148
NOTE 8 Tax		
Current tax on income for the year	31,215	41,827
Changes in deferred tax	558	1,257
Withholding tax on foreign shares	-	178
Adjustment of previous years' current tax	- 92	-
Duty on interest benefit from tax deductions in respect of impairment of loans and advances	-	664
	31,681	43,926
Tax in respect of investments in associates:		
Current tax on income for the year	- 44,489	12,639
Change in deferred tax	52,347	10,207
Adjustment of previous years' current tax	103	-
Total tax	39,642	66,772
Effective tax rate		
Current tax rate	28.0%	28.0%
Adjustment for non-tax items and joint taxation	- 4.2%	1.3%
Changes in deferred tax	0.0%	0.3%
Withholding tax on foreign shares	0.0%	0.1%
Adjustment of previous years' current tax	- 0.1%	0.0%
Duty on interest benefit from tax deductions in respect of impairment of loans and advances	0.0%	0.3%
Total effective tax rate	23.7%	30.0%

DKK '000	Parent company	
	2006	2005
NOTE 9 Balances due from credit institutions and central banks		
Balances at notice with central banks	179,775	977,199
Balances due from credit institutions	846,035	886,139
Total balances due from credit institutions and central banks	1,025,810	1,863,338
NOTE 10 Loans, advances and other receivables at fair value		
Mortgage deeds	914,038	712,817
Total loans, advances and receivables at fair value	914,038	712,817
Mortgage deeds are measured at fair value using a valuation model that estimates the present value of the expected future cash flows. The valuation is based partly on observable market data (interest rates), partly on expectations of future redemption and loss percentages.		
NOTE 11 Loans, advances and other receivables at amortised cost		
Loans and advances	13,362,763	10,785,684
Total before impairment, etc.	13,362,763	10,785,684
Impairment, etc.	116,151	138,789
Total loans, advances and other receivables at amortised cost	13,246,612	10,646,895
Value of loans, advances and other receivables for which there is an objective indication of impairment:		
Loans, advances and other receivables before impairment	1,864,055	473,090
Impairment, etc.	116,151	138,789
Loans, advances and other receivables after impairment	1,747,904	334,301
For some of the fixed-rate loans, the fair value is hedged using derivatives as part of the risk management process. See NOTE 36.		
NOTE 12 Bonds at fair value		
Listed on the Copenhagen Stock Exchange	2,875,957	3,809,176
Listed on other stock exchanges	3,471	18,361
Total bonds at fair value	2,879,428	3,827,537
NOTE 13 Shares, etc.		
Listed on the Copenhagen Stock Exchange	47,999	32,497
Listed on other stock exchanges	407	298
Other shares	109,529	68,856
Total shares, etc.	157,935	101,651

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company	
	2006	2005
NOTE 14 Investments in associates		
Cost, beginning of year	-	-
Additions during the year	2,524	-
Cost, year end	2,524	-
Adjustments, beginning of year	-	-
Share of profit for the year	- 274	-
Adjustments, year end	- 274	-
Carrying amount, year end	2,250	-

Associates are specified in NOTE 40 Group overview.

NOTE 15 Investments in group enterprises

Cost, beginning of year	157,707	93,420
Additions during the year	309,132	268,967
Disposals during the year	323,483	204,680
Cost, year end	143,356	157,707
Adjustments, beginning of year	290,042	128,095
Share of profit for the year	30,921	30,580
Dividends	-	- 50,000
Other movements in capital	-	181,367
Adjustments, year end	320,963	290,042
Investments in parent company	173	2,246
Carrying amount, year end	464,492	449,995

Group enterprises are specified in NOTE 40 Group overview.

NOTE 16 Intangible assets

Goodwill:		
Cost, beginning of year	49,147	-
Additions during the year	-	49,147
Adjustments during the year	79	-
Cost, year end	49,226	49,147
Carrying amount, year end	49,226	49,147
Other intangible assets:		
Cost, beginning of year	-	-
Additions during the year (Software)	2,500	-
Cost, year end	2,500	-
Carrying amount, year end	2,500	-
Total intangible assets	51,726	49,147

DKK '000	Parent company	
	2006	2005
NOTE 17 Other property, plant and equipment		
Operating equipment:		
Cost, beginning of year	6,384	11,430
Additions in connection with merger of Henton Børsmæglersekskab A/S	3,890	-
Additions during the year, including improvements	7,278	1,544
Disposals during the year	1,580	6,590
Cost, year end	15,972	6,384
Depreciation and impairment, beginning of year	2,592	8,157
Additions in connection with merger of Henton Børsmæglersekskab A/S	1,963	-
Depreciation for the year	1,941	561
Reversed depreciation and impairment	772	6,126
Depreciation and impairment, year end	5,724	2,592
Carrying amount, year end	10,248	3,792
NOTE 18 Deferred tax assets		
Deferred tax, beginning of year, net	7,808	-
Additions in connection with merger of Henton Børsmæglersekskab A/S	- 4	-
Change in deferred tax taken to equity	-	9,065
Adjustment due to change in tax rate recognised in the income statement	-	- 604
Change in deferred tax recognised in the income statement	- 558	- 653
Deferred tax, year end, net	7,246	7,808
Deferred tax relates to the following items:		
Operating equipment	2,071	2,533
Net fees included in effective interest rate	- 703	- 371
Provisions for jubilees, severance payment, etc.	5,878	5,646
Deferred tax, year end, net	7,246	7,808
NOTE 19 Other assets		
Positive market value of derivatives	343,921	567,730
Other assets	125,832	142,020
Total other assets	469,753	709,750
NOTE 20 Payables to credit institutions and central banks		
Credit institutions	6,407,518	6,978,456
Total payables to credit institutions and central banks	6,407,518	6,978,456

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company	
	2006	2005
NOTE 21 Deposits and other payables		
Deposits at call	5,612,771	6,136,514
At notice	2,088,643	1,134,274
Time deposits	1,273,044	1,119,687
Special categories of deposits	573,923	572,551
Total deposits and other payables	9,548,381	8,963,026
NOTE 22 Issued bonds at amortised cost		
Floating-rate loan in NOK with expiry on 29 September 2009	1,039,913	-
Total issued bonds at amortised cost	1,039,913	-
<p>In September 2006, the bank issued the listed bond Alm. Brand Bank A/S Open Bond Issue. The bond is listed on the Oslo Stock Exchange and carries interest at NIBOR plus 0.15 percentage point. The first tranche is for NOK 1,150 million.</p>		
NOTE 23 Current tax liabilities		
Tax payable, beginning of year	41,827	-
Additions in connection with merger of Henton Børsrådgivningselskab A/S	1,112	-
Tax received/paid in respect of prior years	- 43,887	-
Adjustment of previous years' current tax	- 92	-
Current tax for the year	31,215	41,827
Tax paid for the year	- 23,857	-
Tax payable, year end	6,318	41,827
NOTE 24 Other liabilities		
Interest and commissions payable	43,240	34,036
Miscellaneous creditors	186,414	215,719
Other liabilities	37,133	43,360
Repo/reverse transactions, negative values	-	149,003
Negative market value of derivatives	299,225	560,424
Total other liabilities	566,012	1,002,542
NOTE 25 Provisions for pensions and similar liabilities		
Provisions, beginning of year	10,165	10,165
Provisions for the year	82	361
Reversed provisions for the year	-	-
Provisions used during the year	-	-
Discounting effect	- 1,367	- 361
Total provisions for pensions and similar liabilities	8,880	10,165

The provision cover provisions for jubilees, severance payments, etc.

DKK '000	Parent company	
	2006	2005
NOTE 26 Provisions for losses on guarantees		
Provisions, beginning of year	2,008	38
Provisions for the year	-	2,002
Reversed provisions for the year	- 915	-
Provisions used during the year	- 1,093	- 32
Provisions, year end	-	2,008
NOTE 27 Subordinated debt		
Supplementary capital		
Variable rate bullet loans in DKK maturing 3 May 2009	-	100,000
Variable rate bullet loans in DKK maturing 9 May 2012	100,000	100,000
Variable rate bullet loans in DKK maturing 9 May 2013	100,000	100,000
Variable rate bullet loans in DKK maturing 9 May 2014	100,000	-
Total supplementary capital	300,000	300,000
Hybrid Tier 1 capital		
Fixed rate bullet loans in DKK with indefinite terms	175,000	-
Total hybrid Tier 1 capital	175,000	-
Hedging of interest rate risk at fair value	- 902	-
Total subordinated debt	474,098	300,000
Interest on subordinated debt	16,562	14,352
Of this, amortisation of costs incurred on raising the debt	62	56
Extraordinary instalments	100,000	100,000
Costs incurred in raising subordinated debt	1,231	200

The subordinated loan capital carries interest at floating rates of three-month CIBOR plus 1.05-1.5 percentage point.

The hybrid loan capital was issued on 12 October 2006 at a rate of 5.855% for the first ten years. Subsequently, the capital certificates carry interest at three-month CIBOR plus 2.70 percentage point.

As part of the risk management, the fair value of the hybrid Tier 1 capital is hedged by means of derivative financial instruments, see NOTE 36 Hedge accounting.

The entire subordinated debt may be included in the statement of the capital base.

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company	
	2006	2005
NOTE 28 Shareholders' equity		
Share capital		
Nominal value, beginning of year	351,000	351,000
Nominal value, year end	351,000	351,000
<p>The share capital consists of 351,000 shares of DKK 1,000 nominal value, and is paid in full.</p> <p>Other reserves</p> <p>Other reserves comprise net revaluation reserve according to the equity method for the bank's share in subsidiaries.</p>		
NOTE 29 Capital base		
Shareholders' equity	1,216,660	1,089,138
Proposed dividends	0	0
Intangible assets	- 51,726	- 49,147
Deferred tax assets	- 7,246	- 7,808
Tier 1 capital after deductions	1,157,688	1,032,183
Hybrid Tier 1 capital	175,000	-
Tier 1 capital including Hybrid Tier 1 capital less deduction	1,332,688	1,032,183
Supplementary capital	300,000	300,000
Capital base	1,632,688	1,332,183
Weighted assets outside trading portfolio	12,770,541	10,380,255
Weighted assets off the balance sheet	1,332,257	1,599,509
Weighted assets with a counterparty risk outside the trading portfolio	692	193
Weighted assets subject to market risks, etc,	2,618,701	980,379
Total weighted assets	16,722,191	12,960,336
The solvency requirement for the parent company is 8% of the weighted assets	1,337,775	1,036,827
NOTE 30 Off-balance sheet items		
Guarantees, etc.		
Financial guarantees	819,142	1,108,063
Loss guarantees for mortgage loans	239,846	225,566
Other guarantees	418,196	677,898
Total guarantees, etc.	1,477,184	2,011,527
Other commitments		
Other commitments	216,806	102,451
Total other commitments	216,806	102,451
Total off-balance sheet items	1,693,990	2,113,978

DKK '000	Parent company	
	2006	2005
Contingent liabilities		
<p>The bank has entered into a property lease with Henton Group A/S in respect of the headquarters at Silkeborg. The lease is non-terminable for seven years and three months from 1 January 2007. In addition to rent, the lease also covers joint expenses and canteen. The capitalised value of the lease has been calculated at DKK 6 million.</p> <p>Alm. Brand Bank A/S is jointly and severally liable with the other jointly taxed and jointly registered group companies for the total tax liability of these companies for income years up till 2004. As from 2005, Alm. Brand Bank A/S is only jointly and severally liable for the indirect tax liability.</p> <p>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.</p> <p>Collateral security</p> <p>Monetary-policy counterparties with the Danish Central Bank can obtain credit only against security through the mortgaging of approved securities.</p> <p>As part of the ongoing business, in 2006 the bank provided bonds as security vis-à-vis the Danish Central Bank at a market value of DKK 402 million (2005: DKK 528 million).</p>		
NOTE 31 By term to maturity		
Balances due from credit institutions and central banks		
Balances at call	257,264	175,018
Up to and including 3 months	768,546	1,647,654
Over 3 months and up to and including 1 year	-	40,666
Total	1,025,810	1,863,338
Loans and advances		
Loans and advances at call	4,845,673	4,041,904
Up to and including 3 months	533,666	259,784
Over 3 months and up to and including 1 year	1,990,266	1,945,440
Over 1 year and up to and including 5 years	3,025,536	2,197,160
Over 5 years	3,765,509	2,915,424
Total	14,160,650	11,359,712
Payables to credit institutions and central banks		
Payables at call	49,345	358,126
Up to and including 3 months	1,566,673	2,299,104
Over 3 months and up to and including 1 year	2,600	-
Over 1 year and up to and including 5 years	3,369,280	2,082,249
Over 5 years	1,419,620	2,238,977
Total	6,407,518	6,978,456

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company	
	2006	2005
Deposits and other payables		
Deposits at call	5,612,771	6,136,513
Up to and including 3 months	3,382,479	2,256,278
Over 3 months and up to and including 1 year	150,077	182,424
Over 1 year and up to and including 5 years	90,200	97,453
Over 5 years	312,854	290,358
Total	9,548,381	8,963,026
Issued bonds		
Over 1 year and up to and including 5 years	1,039,913	-
Total	1,039,913	-

NOTE 32 Credit risk

Loans and advances and guarantee debtors by sector and industry:

Public authorities	0.4%	0.5%
Corporate sector:		
Agriculture, hunting and forestry	4.5%	5.6%
Fisheries	0.0%	0.0%
Production, raw materials extraction, electricity, gas, water and heating utilities	0.0%	0.0%
Building and construction	0.1%	0.0%
Retail trade, restaurants and hotels	0.2%	0.0%
Transport, post and telephone	0.0%	0.1%
Credit, finance and insurance	41.0%	46.2%
Property administration and trading, business service	21.1%	23.1%
Other industries	2.1%	1.2%
Total corporate sector	69.0%	76.2%
Private customers	30.6%	23.3%
Total	100.0%	100.0%

Credit risk on derivatives

Positive market value after netting (after counterparty risk)		
Counterparty with a risk weighting of 20%	277,783	523,504
Counterparty with a risk weighting of 100%	61,450	40,619

DKK '000	Parent company	
	2006	2005
NOTE 33 Market risk		
Foreign exchange exposure		
Total assets denominated in foreign currency	6,119,405	2,116,726
Total liabilities denominated in foreign currency	6,240,884	4,923,837
Exchange rate indicator 1	483,073	88,842
Exchange rate indicator 1 as a percentage of tier 1 capital after deductions	36.2%	8.6%
Exchange rate indicator 2	2,048	399
Exchange rate indicator 2 as a percentage of tier 1 capital after deductions	0.2%	0.0%
Interest rate exposure		
The Danish Financial Supervisory Authority's method:		
Total interest rate exposure on debt instruments, etc.	84,050	71,975
Interest rate exposure by currency subject to the greatest risk		
Currency:		
DKK	125,606	60,719
NOK	- 22,986	- 26
EUR	- 21,630	11,240
USD	2,982	8
CHF	65	24
TRY	5	-
Other	8	10
Total	84,050	71,975
NOTE 34 Genuine purchase and resale transactions		
Of the assets below, genuine purchase and resale transactions amount to:		
Balances due from credit institutions and central banks	98,123	635,335
	98,123	635,335
NOTE 35 Genuine sale and repurchase transactions		
Of the liabilities below, genuine sale and repurchase transactions amount to:		
Payables to credit institutions and central banks	76,673	1,882,033
	76,673	1,882,033
NOTE 36 Hedge accounting		
For some of the fixed-rate loans, the fair value is hedged using derivatives as part of the risk management proces.		
Type of hedged item:		
Fixed-rate loans in DKK		
- At amortised cost	143,880	159,095
- At adjusted amortised cost (carrying amount)	148,141	168,824
Hybrid Tier 1 capital in DKK		
- At amortised cost	175,000	-
- At adjusted amortised cost (carrying amount)	174,098	-

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company	
	2006	2005
Type of hedge instruments:		
Interest rate swaps in DKK		
– Fair value	– 4,261	– 10,681
– Synthetic principal	152,186	168,824
For hybrid Tier 1 capital in DKK		
Interest rate swaps in DKK		
– Fair value	– 902	–
– Synthetic principal	175,000	–
Recognised through profit and loss:		
Value adjustment of hedged assets and liabilities	– 5,519	– 3,231
Value adjustment of hedging instruments	5,519	3,231

The fair value hedge was very effective throughout the year. "Very effective" means that the value changes for the hedge instruments correspond to the value changes for the hedged item within a band of 80-125%.

NOTE 37 Related parties

Related parties comprise:

- members of the company's Executive Board and Board of Directors and their related family members
- companies controlled by members of the Executive Board or Board of Directors
- the parent company's Executive Board or Board of Directors, and
- the Alm. Brand Group, Midtermolen 7, DK-2100 Copenhagen Ø, which exercises a controlling influence on the company.

Amount of loans granted, mortgages received from and guarantees with related security issued by the Alm. Brand Bank Group for the below-mentioned officers, their related family members and any companies controlled by them:

DKK '000	2006		2005	
	Loans, etc.	Guarantees	Loans, etc.	Guarantees
Executive Board, Alm. Brand Bank A/S	945	–	1,045	–
Board of Directors, Alm. Brand Bank A/S	23,091	6,982	28,602	7,236
Executive Board, Alm. Brand A/S	1,195	–	1,195	–
Board of Directors, Alm. Brand A/S	27,695	7,982	26,692	6,980

Loans in DKK to the Executive Board and the Board of Directors carry interest in the interval of 4.25-6.00% p.a. Loans in CHF to the Board of Directors carry interest at 3.13% p.a.

These financial relations are conducted on an arm's length basis.

Salaries and remuneration to members of the bank's Executive Board and Board of Directors are disclosed in the note relating to staff costs and administrative expenses.

No other financial relations have been identified to members of the Executive Board, Board of Directors, etc.

The Alm. Brand Group maintains cross-cutting functions that solve joint administrative tasks for the group's companies. The consideration paid for this administrative function is fixed on an arm's length basis or, where there is no specific market, on a cost-recovery basis. The bank reinvoices part of the administration fee to its subsidiaries.

Alm. Brand Bank is the Alm. Brand Group's primary banker. This involves the conclusion of a number of agreements between the company and the group's other enterprises, and a number of transactions are regularly made between the company and the rest of the group. All agreements and transactions between the company and the bank are made on an arm's length or cost-recovery basis in accordance with applicable legislation for intra-group transactions.

An agreement has been made on interest accruing on accounts between the bank and the other group companies on an arm's length basis.

The company has also signed an agreement with Alm. Brand Formue concerning the management of Alm. Brand Formue's portfolio. All specific investment decisions are made by Alm. Brand Bank pursuant to this asset management agreement. Accordingly, Alm. Brand Formue buys and sells securities through the bank.

The company has also signed an agreement with Alm. Brand Pantebreve concerning the management of Alm. Brand Pantebreve's mortgage deed portfolio, etc. including the collection of payments, keeping of mortgage deeds, etc. Alm. Brand Pantebreve buys and sells mortgage deeds, securities, guarantees, etc. through the bank.

To ensure ongoing pricing, an agreement has been signed with Alm. Brand Formue and Alm. Brand Pantebreve to the effect that buy and sell prices for the companies' B shares are regularly listed on the Copenhagen Stock Exchange.

In addition, the bank has made an asset management agreement with the other companies of the Alm. Brand Group, according to which a substantial proportion of the group's assets are under management with the bank.

In 2006, the company received DKK 75 million in hybrid capital from Alm. Brand af 1792 fmba.

Other than the above, no material intra-group transactions have taken place.

Group enterprises and associates in which the bank holds ownership interests appear from the group overview in NOTE 40.

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company	
	2006	2005
Financial relations, Alm. Brand Pantebreve		
Receivables	853,226	627,640
Payables	136	182
Guarantees	-	-
Interest and fee income	31,468	19,827
Interest and fee expenses	6	3
Administration fee	1,971	2,065
Purchase of mortgage deeds	505,550	525,335
Sale of mortgage deeds	746,216	631,533
Purchase of securities, etc.	20,379	-
Sale of securities, etc.	10,000	18,797
Financial relations, Alm. Brand Formue		
Receivables	1,317,005	871,084
Payables	-	-
Guarantees	-	-
Interest and fee income	55,376	54,444
Interest and fee expenses	4	-
Administration fee	1,644	1,786
Purchase of securities, etc.	17,842,781	4,365,800
Sale of securities, etc.	18,181,894	5,200,601
Financial relations, Alm. Brand af 1792 fmba		
Receivables	-	-
Payables	430,306	194,035
Guarantees	-	-
Interest and fee income	1	-
Interest and fee expenses	8,014	5,589
Administration fee	-	-

DKK '000	Parent company							
	Market value 2006		Market value 2005		Average market value 2006		Average market value 2005	
	Positive	Negative	Positive	Negative	Positive	Negative	Positive	Negative
NOTE 38 Derivatives								
Foreign exchange contracts								
Forward transactions/futures, bought	30,234	33,889	32,766	16,916	44,631	25,370	27,817	13,840
Forward transactions/futures, sold	62,565	14,022	28,197	19,524	47,464	18,605	22,075	17,891
Swaps	9,505		8,511		8,721	649	3,164	
Options, bought	2,678		277		1,816		260	
Options, written		3,074		521		1,898		258
Interest rate contracts								
Forward transactions/futures, bought	257	516	1,045	1,157	1,398	28,616	4,229	21,453
Forward transactions/futures, sold	1,621	261	1,222	695	28,445	1,235	88,081	2,497
Swaps	51	12,657		27,926	377	18,343		36,011
Options, bought	5,918		303,916		91,224		335,886	
Options, written		550		301,863		81,700		328,567
Share contracts								
Forward transactions/futures, bought	11	55	40		404	523	334	593
Forward transactions/futures, sold	60	1,493	23	40	546	1,066	614	280
Options, bought	226,920		188,065		199,372		146,837	
Options, written		226,920		188,065		196,407		146,870
Total	339,820	293,437	564,062	556,707	424,398	374,412	629,297	568,260
Unsettled spot transactions								
Foreign exchange contracts, bought	75	209	54	19				
Foreign exchange contracts, sold	82	266	26	45				
Interest rate contracts, bought	497	2,510	943	126				
Interest rate contracts, sold	2,448	496	396	1,409				
Share contracts, bought	505	375	1,407	720				
Share contracts, sold	494	1,932	842	1,398				
Total unsettled spot transactions	4,101	5,788	3,668	3,717				
Total	343,921	299,225	567,730	560,424				

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company				
	2006	2005	2004	2003	2002
NOTE 39 Financial highlights and key ratios					
Net interest and fee income	433,684	446,192	370,154	353,716	311,339
Value adjustments	56,274	63,199	50,336	29,074	28,469
Staff costs and administrative expenses	390,689	321,954	310,845	293,922	256,126
Impairment of loans, advances and receivables, etc.	- 16,239	17,988	13,081	30,225	14,525
Profit from investments in associates and group enterprises	49,851	53,148	29,976	46,388	22,927
Profit for the financial year	127,522	155,637	124,107	103,789	98,344
Loans and advances	14,160,650	11,359,712	8,979,107	8,214,530	8,301,803
Shareholders' equity	1,216,660	1,089,138	843,069	734,546	677,196
Total assets	19,272,680	18,392,749	14,159,622	11,407,399	13,067,170

	Parent company				
	2006	2005	2004	2003	2002
Solvency ratio*	9.8%	10.3%	10.2%	12.0%	11.5%
Tier 1 ratio*	8.0%	8.0%	7.3%	8.5%	8.0%
Return on equity before tax	14.5%	23.0%	15.7%	14.9%	12.9%
Return on equity after tax	11.1%	16.1%	15.4%	14.7%	13.8%
Income/cost ratio	1.44	1.65	1.39	1.32	1.33
Interest rate risk*	6.3%	7.0%	5.9%	6.8%	4.7%
Foreign exchange position*	36.2%	8.6%	1.7%	4.5%	2.9%
Foreign exchange risk*	0.2%	0.0%	0.0%	0.0%	0.0%
Loans and advances as a percentage of deposits	149.5%	128.2%	99.1%	95.8%	92.8%
Gearing of loans and advances	11.6	10.4	10.7	11.2	12.3
Annual growth in lending	24.7%	26.5%	8.8%	- 1.1%	22.7%
Excess cover relative to statutory liquidity requirement*	54.1%	74.4%	43.6%	99.7%	89.2%
Total amount of large exposures*	295.1%	329.9%	306.2%	183.0%	162.7%
Impairment ratio for the year	- 0.1%	0.1%	0.1%	- 0.4%	- 0.2%

Financial highlights and key ratios for 2004-2006 have been prepared in accordance with IFRS. For 2002 and 2003, they were prepared in accordance with the previously applicable rules.

* Comparative figures for 2004 have not been restated in respect of these ratios.

DKK '000	Share capital	Shareholders' equity	Profit for the year	Ownership interest in %		Voting share in %	
	2006	2006	2006	2006	2005	2006	2005

NOTE 40 Group overview

Consolidated subsidiaries:

Alm. Brand Finans A/S	3,000	334,502	22,012	100.0	100.0	100.0	100.0
Alm. Brand Pantebreve A/S	105,000	155,789	11,031	20.6	40.1	70.7	77.9
Alm. Brand Formue A/S	310,000	542,700	36,859	18.0	11.5	55.8	52.3

Associates (not consolidated):

Invest Administration A/S	1,020	4,500	- 547	50.0	-	50.0	-
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Directorships

Name and municipality of registered office of group enterprises in which employees of the bank hold offices:

Company (registered office)

Alm. Brand Finans A/S (Kgs. Lyngby)

Alm. Brand Pantebreve A/S (Copenhagen)

Alm. Brand Formue A/S (Copenhagen)

Employees in Alm. Brand Bank, who are Board members

Henrik Nordam, Chief Executive

Henrik Nordam, Chief Executive
Peter Reedtz, Managing Director

Henrik Nordam, Chief Executive
Peter Reedtz, Managing Director

DKK '000	Parent company	
	2006	2005

NOTE 41 Pro rata consolidation

Income statement

Interest receivable	787,319	585,450
Interest payable	449,360	264,031
Net interest income	337,959	321,419
Dividend on shares, etc.	4,989	2,918
Fees and commissions receivable	180,531	210,136
Fees and commissions payable	30,250	23,850
Net interest and fee income	493,229	510,623
Value adjustments	59,467	72,211
Other operating income	10,449	8,830
Profit before expenses	563,145	591,664
Staff costs and administrative expenses	431,838	363,845
Depreciation, amortisation and impairment of property, plant and equipment	1,941	561
Impairment of loans, advances and receivables, etc.	- 26,665	4,661
Profit from investments in associates and group enterprises	11,133	- 188
Profit before tax	167,164	222,409
Tax	39,642	66,772
Profit for the financial year	127,522	155,637

NOTES TO THE FINANCIAL STATEMENTS

DKK '000	Parent company	
	2006	2005
Assets		
Cash in hand and balances at call with central banks	36,531	20,372
Balances due from credit institutions and central banks	1,029,961	1,907,032
Loans, advances and other receivables at fair value	1,115,390	1,039,623
Loans, advances and other receivables at amortised cost	12,987,950	10,395,024
Bonds at fair value	3,149,856	3,981,363
Shares, etc.	276,653	178,550
Investments in associates	2,799	385
Investments in group enterprises	173	2,246
Intangible assets	51,726	49,147
Other property, plant and equipment	10,248	5,719
Current tax assets	39,001	-
Deferred tax assets	126,059	178,964
Assets temporarily acquired	11,186	9,102
Other assets	508,546	767,981
Prepayments	7,124	6,723
Total assets	19,353,203	18,542,231
Liabilities and equity		
Payables		
Payables to credit institutions and central banks	6,461,828	7,047,611
Deposits and other payables	9,548,400	8,989,594
Bonds issued at amortised cost	1,039,913	-
Current tax liabilities	-	54,790
Other liabilities	581,879	1,026,824
Deferred income	21,545	22,071
Total payables	17,653,565	17,140,890
Provisions		
Provisions for pensions and similar commitments	8,880	10,165
Provisions for losses on guarantees	-	2,008
Other provisions	-	30
Total provisions	8,880	12,203
Subordinated debt		
Supplementary capital	300,000	300,000
Hybrid Tier 1 capital	174,098	-
Subordinated debt	474,098	300,000
Shareholders' equity		
Share capital	351,000	351,000
Retained earnings	865,660	738,138
Total shareholders' equity	1,216,660	1,089,138
<i>Of which proposed dividend</i>	<i>0</i>	<i>0</i>
Total liabilities and equity	19,353,203	18,542,231

DEFINITIONS OF RATIOS

Interest margin	=	$\frac{\text{Interest receivable}}{\text{Average interest-bearing assets}} - \frac{\text{Interest payable}}{\text{Average interest-bearing liabilities}}$
Solvency ratio	=	$\frac{\text{Capital base} \times 100}{\text{Risk-weighted assets}}$
Tier 1 ratio	=	$\frac{\text{Tier 1 capital after deductions} \times 100}{\text{Risk-weighted assets}}$
Average equity	=	$\frac{\text{Shareholders' equity, start of year} + \text{shareholders' equity, year-end}}{2}$
Return on equity before tax	=	$\frac{(\text{Profit before tax} - \text{minority interests before tax}) \times 100}{\text{Average shareholders' equity}}$
Return on equity after tax	=	$\frac{(\text{Profit after tax} - \text{minority interests after tax}) \times 100}{\text{Average shareholders' equity}}$
Income/cost ratio	=	$\frac{\text{Income}}{\text{Costs}}$
Interest rate risk	=	$\frac{\text{Interest rate risk} \times 100}{\text{Tier 1 capital including Hybrid Tier 1 capital less deduction}}$
Foreign exchange position	=	$\frac{\text{Exchange rate indicator 1} \times 100}{\text{Tier 1 capital including Hybrid Tier 1 capital less deduction}}$
Foreign exchange risk	=	$\frac{\text{Exchange rate indicator 2} \times 100}{\text{Tier 1 capital including Hybrid Tier 1 capital less deduction}}$
Loans and advances	=	Loans, advances and other receivables at fair value + Loans, advances and other receivables at amortised cost
Loans and advances as a percentage of deposits	=	$\frac{\text{Loans and advances, etc.}}{\text{Deposits and other payables}}$

DEFINITIONS OF RATIOS

Gearing of loans and advances	=	$\frac{\text{Loans and advances, etc.}}{\text{Shareholders' equity}}$
Annual growth in lending	=	$\frac{(\text{Loans and advances, year end} - \text{Loans and advances, beginning of year}) \times 100}{\text{Loans and advances, beginning of year}}$
Excess cover relative to statutory liquidity requirement	=	$\frac{\text{Excess liquidity upon compliance with s. 152(2) of the Danish Financial Business Act}}{10\% - \text{statutory requirement}}$
Total amount of large exposures	=	$\frac{\text{Total amount of large exposures}}{\text{Capital base}}$
Share of receivables at reduced interest rate	=	$\frac{\text{Receivables at reduced interest rate}}{\text{Loans and advances, etc.} + \text{Guarantees} + \text{Impairment}}$
Impairment ratio for the year	=	$\frac{\text{Impairment for the year}}{\text{Loans and advances, etc.} + \text{Guarantees} + \text{Impairment}}$
Average CD rate	=	$\frac{\text{Aggregate of daily CD rates during period}}{\text{Number of days during period}}$
Return in excess of the interest rate on certificates of deposits	=	Return on equity before tax – Average CD rate

Shares held by minority interests are not included in the calculation of average equity.

DIRECTORSHIPS

BOARD OF DIRECTORS

CHRISTIAN N.B. ULRICH, Chairman

Chairman of the Board of Directors of:

Alm. Brand A/S

Alm. Brand Bank A/S

Alm. Brand Fond

Chairman of the Supervisory Committee of:

Alm. Brand af 1792 fmba

Directorships outside the Alm. Brand Group

Member of the Board of Directors of:

Agroinvest A/S

JØRGEN HESSELBJERG MIKKELSEN, Deputy Chairman

Deputy Chairman of the Board of Directors of:

Alm. Brand A/S

Alm. Brand Bank A/S

Alm. Brand Fond

Alm. Brand af 1792 fmba

Directorships outside the Alm. Brand Group

Chairman of the Board of Directors of:

DPL Invest A/S (Investeringselskabet for Dansk Primær Landbrug)

Ø.A. Byggecenter A/S

Agro Discount A/S

ØA Fyn A/S

Østsjælland Andel amba

Merløse Landbutik A/S

Chr. Petersen A/S

Deputy Chairman of the Board of Directors of:

Køge Elnet A/S

Køge Holding A/S

Member of the Board of Directors of:

Hesselbjerg Agro A/S

KRAM Madservice A/S

Slovakian Farm Invest A/S

Den Lokale Andel amba

DIRECTORSHIPS

CHIEF EXECUTIVE
SØREN BOE MORTENSEN

Chief Executive Officer of:

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

General Manager of:

Alm. Brand Invest II A/S
Alm. Brand Holding II A/S

Chairman of the Board of Directors of:

Alm. Brand Forsikring A/S
A/S Det Københavnske Reassurance-Compagni
Finansieringsselskabet Balder A/S
Asgaard Finans A/S
Finansieringsselskabet af 9/10 1992 A/S
Alm. Brand Service ApS

Deputy Chairman of the Board of Directors of:

Alm. Brand Pantebreve A/S
Alm. Brand Formue A/S

Member of the Board of Directors of:

Alm. Brand Invest II A/S
Alm. Brand Holding II A/S
Alm. Brand Præmieservice A/S
Alm. Brand Ejendomsinvest A/S
Alm. Brand Bank A/S
Forsikringsselskabet Alm. Brand Liv og Pension A/S

Board member appointed by the Executive Management:

Pensionskassen under Alm. Brand A/S

Directorships outside the Alm. Brand Group

Deputy Chairman of the Board of Directors of:

Forsikringsakademiet A/S

Member of the Board of Directors of:

Forsikring og Pension

CHRISTIAN HJORTH-ANDERSEN

Member of the Board of Directors of:

Alm. Brand Bank A/S

OLE BACH, elected by the employees

Member of the Board of Directors of:

Alm. Brand Bank A/S

MARK OSWALD, elected by the employees

Member of the Board of Directors of:

Alm. Brand Bank A/S

EXECUTIVE BOARD

CHIEF EXECUTIVE
HENRIK NORDAM

Chief Executive Officer of:

Alm. Brand Bank A/S

Deputy Chief Executive of:

Alm. Brand A/S

General Manager of:

Asgaard Finans A/S

Chairman of the Board of Directors of:

Alm. Brand Ejendomsinvest A/S

Alm. Brand Finans A/S

Alm. Brand Formue A/S

Alm. Brand Holding II A/S

Alm. Brand Invest II A/S

Alm. Brand Pantebreve A/S

Alm. Brand Præmieservice A/S

Forsikringsselskabet Alm. Brand Liv og Pension A/S

Member of the Board of Directors of:

Alm. Brand Forsikring A/S

A/S Det Københavnske Reassurance-Compagni

Alm. Brand Service ApS

Asgaard Finans A/S

Finansieringsselskabet af 9/10 1992 A/S

Finansieringsselskabet Balder A/S

Directorships outside the Alm. Brand Group

None

MANAGING DIRECTOR
PETER REEDTZ

Managing Director of:

Alm. Brand Bank A/S

Member of the Board of Directors of:

Forsikringsselskabet Alm. Brand Liv og Pension A/S

Alm. Brand Formue A/S

Alm. Brand Pantebreve A/S

Directorships outside the Alm. Brand Group

None

ADDRESSES

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ALM. BRAND HENTON

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