# ALM. BRAND A/S

## INTERIM REPORT

FIRST HALF OF 2005

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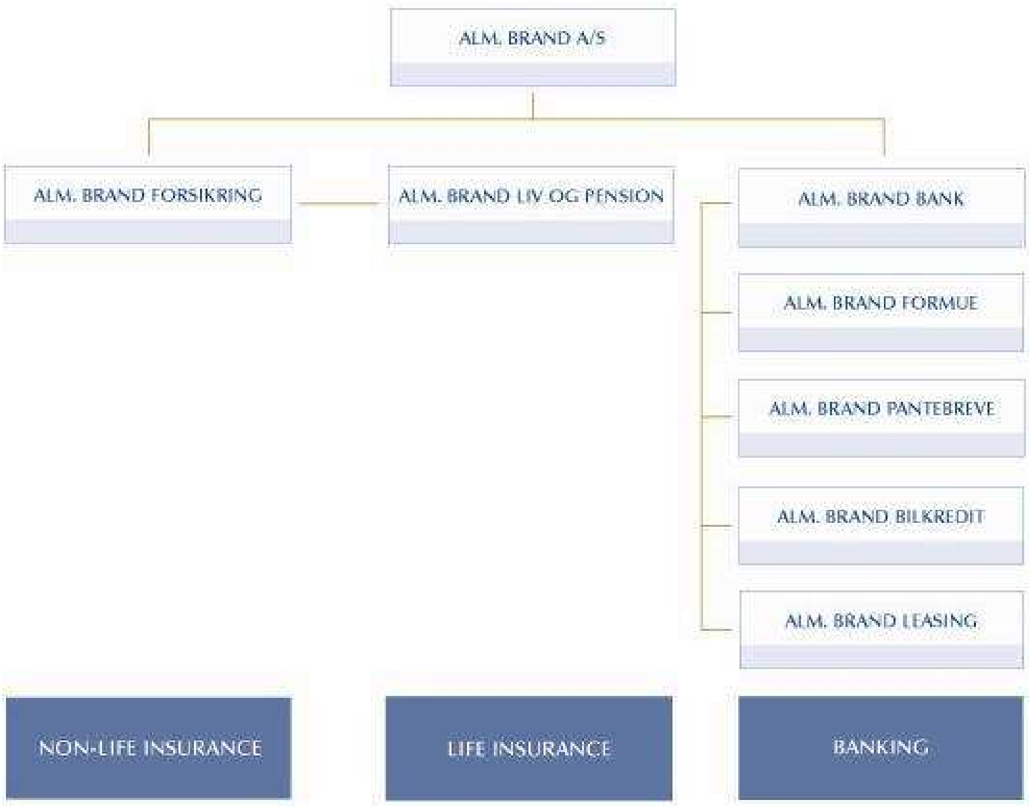
# Company information

## Group structure

**Alm. Brand Group main companies**




*Dormant or discontinuing activities are not included.*

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

## Finance calendar

21.11.2005 Publication of interim report first half of 2005.
February 2006 Publication of annual report 2005.

# Company information

## Board of directors

Christian N.B. Ulrich

Michael Fiorini

Niels Kofoed

Niels Thuen Macholm

Else Marie Thorsen

Jørgen H. Mikkelsen

Boris N. Kjeldsen

Jørgen S. Larsen

Lone Clausen

## Management board

Søren Boe Mortensen
Chief Executive Officer

Henrik Nordam
Deputy Chief Executive Officer

## Auditors

Deloitte, Statsautoriseret Revisionsaktieselskab

## Internal auditor

Chief Internal Auditor Poul-Erik Winther Nielsen

## Company information

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## Financial Highlights and Key Ratios

| DKK million | Q2 2005 | Q2 2004 | H1 2005 | H1 2004 | Year 2004 |
|---|---|---|---|---|---|
| **KEY FIGURES** | | | | | |
| **Income** | | | | | |
| Non-Life Insurance | 982 | 1,042 | 1,987 | 2,035 | 4,113 |
| Banking | 194 | 175 | 385 | 344 | 689 |
| Life Insurance | 162 | 156 | 333 | 318 | 723 |
| Copenhagen Re | 5 | 1 | 21 | 17 | 29 |
| Investments | 210 | 226 | 413 | 444 | 830 |
| **Total income** | **1,553** | **1,600** | **3,139** | **3,158** | **6,384** |
| **Results** | | | | | |
| Underwriting result from non-life insurance | 200 | 75 | 168 | 184 | 386 |
| Profit on banking operations | 75 | 41 | 171 | 105 | 174 |
| Underwriting result from life insurance | 31 | 1 | 26 | 9 | 36 |
| Underwriting result from Copenhagen Re | 0 | 0 | -11 | 5 | 8 |
| **Profit/loss for insurance and banking operations** | **306** | **117** | **354** | **303** | **604** |
| Profit/loss on investments after allocation of interest | -6 | -25 | 33 | 31 | -87 |
| Other ordinary items | -6 | -2 | -12 | -1 | 6 |
| **Profit/loss before tax** | **284** | **105** | **375** | **333** | **523** |
| Tax | -92 | -41 | -110 | -92 | -99 |
| **Profit/loss after tax** | **192** | **64** | **265** | **241** | **424** |
| Minority interests share of profit for the period | -27 | 3 | -50 | -20 | -42 |
| **Profit/loss after tax excluding minorities** | **165** | **67** | **215** | **221** | **382** |
| **Profit/loss before tax excluding minorities** | **258** | **109** | **325** | **307** | **477** |
| Profit/loss on business in run-off, net of reinsurance | 17 | 5 | 51 | -36 | -52 |
| Provisions for insurance contracts | | | 20,125 | 18,450 | 18,102 |
| Shareholders' equity | | | 4,444 | 3,863 | 4,049 |
| Of which minority interests | | | 487 | 305 | 331 |
| Total assets | | | 40,184 | 35,739 | 36,810 |
| **KEY RATIOS** | | | | | |
| Return on equity before tax p.a. | 27% | 12% | 17% | 18% | 14% |
| Return on equity after tax p.a. | 17% | 8% | 11% | 13% | 11% |
| Earnings per Share, DKK 80 | 7 | 3 | 10 | 10 | 17 |
| Diluted Earnings per Share, DKK 80 | 7 | 3 | 10 | 10 | 17 |
| Net assets value per share, DKK | 177 | 159 | 177 | 159 | 166 |
| Share price end of year | 223 | 155 | 223 | 155 | 208 |
| Share price/Net asset value | 1.26 | 0.97 | 1.26 | 0.97 | 1.25 |

## The Alm. Brand A/S Group

Alm. Brand A/S is a Danish listed financial services group carrying on non-life insurance, banking and life and pension insurance activities. In addition, the group operates an investment business in the ordinary course of its operations. The group focuses on the Danish market and on providing high-quality products, competent advice and quick and correct customer service.

**Financial results**

The Alm. Brand A/S Group posted a pre-tax profit excluding minorities of DKK 325 million for H1 2005, as compared with a profit of DKK 307 million in H1 2004.

The good results were attributable to the exceptionally positive performance of the group's three Danish business areas. The group's other business areas, which mainly involve the run-off of reinsurance operations in Copenhagen Re, performed in line with expectations.

The H1 performance equalled an annualised return on equity of 17% before tax and minorities.

As a result of the positive H1 performance in all the group's business areas, the profit forecast for the full year is upgraded by DKK 140 million to DKK 560 million before tax.

The Alm. Brand A/S Group generated total income of DKK 3.1 billion in the first half of 2005.

Earnings per share were DKK 10 in H1 2005. At 30 June 2005, the net asset value per share was DKK 177.

Shareholders' equity was DKK 4.4 billion at 30 June 2005, against DKK 4.0 billion at 31 December 2004.

*Business operations*

The group's non-life operations generated lower than expected premium income during the period. Premium income was adversely affected, among other things, by cessation on commercial business served by brokers and on workers' compensation. In addition, sales in 2004 fell slightly below expectations, and the resulting effects are feeding through in 2005. In order to secure future growth, Alm. Brand has launched a number of measures to strengthen sales and customer loyalty. Accordingly, Alm. Brand has increased its sales force – both in terms of insurance agents and customer consultants – and the group will continue to increase the headcount in this area.

Sales in H1 2005 increased relative to the year-earlier period. The sales growth was attributable to the increased sales force and to its generally improved efficiency. These measures are expected to reverse the trend in premium income in 2006.

The combined ratio was 94.1 in the first half of 2005 against 92.7 in 2004.

The claims ratio was 102.9 in H1 2005. The high claims ratio was attributable to the January storm but was also held back by a generally positive claims experience and mild weather conditions. Hence, the premium adjustments and the measures taken to enhance the customer portfolio have produced the expected improvements to the claims experience and the profit performance.

The net reinsurance ratio was negative by 28.7, which was mainly due to reinsurance income following the storm on 8 January 2005. A negative reinsurance ratio is equivalent to income for Alm. Brand.

The expense ratio totalled 19.9 and was largely unchanged from the year-earlier period.

The group's banking operations performed well in H1 2005, posting satisfactory results in all lending segments. The business volume is generally growing, while costs remain unchanged. The stockbroking arm was a major contributor to the bank's earnings.

The credit policy combined with the stable economic conditions led to highly satisfactory write-downs and provisions. Write-downs and provisions were DKK 3 million in H1 2005, as compared with DKK 14 million in the first six months of 2004.

The group's life and pension operations contributed DKK 47 million to the consolidated H1 profit, compared with DKK 26 million in the year-earlier period. The improved performance was attributable to the group's recognition of the full risk premium in the first half of 2005.

The collective bonus potential in the life and pension company improved, equalling 1.5% of technical provisions at 30 June 2005, against 1.0% at 1 January 2005.

The group's acquisition and administrative expenses totalled DKK 622 million, as compared with DKK 634 million in H1 2004.

*Investment return*
The consolidated interest and fee income and value adjustments totalled DKK 1,489 million in H1 2005, compared with DKK 700 million in 2004. The return was in line with the benchmark return.

The vast majority of the investment assets are fixed-income securities. Duration is about one year in non-life operations, while duration in life and pension operations is about nine years, which largely corresponds to the duration of the liabilities.

*Group tax assets*
The Danish corporation tax legislation was amended with effect from 2005, lowering the corporation tax rate from 30% to 28%. The effects of the lower corporation tax rate are two-fold: a reduction of future corporation tax expenses and a decline in the carrying amount of tax assets and liabilities. The decline in the carrying amount of the net tax asset represented DKK 35 million, which amount was charged to the profit and loss account. In addition, the new rules prescribe full allocation of current as well as deferred tax among jointly taxed enterprises. Both of the above-mentioned factors were recognised in the interim financial statements for the six months ended 30 June 2005.

Another effect of the new rules is that Alm. Brand must choose between national or international joint taxation. As yet, no decision has been made as to whether Alm. Brand will choose taxation jointly with international enterprises. If international joint taxation is chosen, the effect in 2005 will be a reduction for accounting purposes of shareholders' equty of between DKK 350 million and DKK 400 million in the parent company Alm. Brand A/S.

*Number of employees*
At 30 June 2005, Alm. Brand A/S had 1,638 employees made up according to the ATP method. At 31 December 2004, the headcount was 1,654.

**Outlook**
Based on a generally positive experience and favourable weather conditions – apart from the January storm – and the resulting low claims expenses in the group's non-life operations, a positive trend in the group's banking activities and a strong return on investments in the group's life and pension operations, the full-year profit forecast for the Alm. Brand Group is upgraded by DKK 140 million to DKK 560 million before tax and minorities.

The forecast for the non-life insurance business is upgraded by DKK 100 million to DKK 360 million, whereas the forecasts for the group's banking and life and pension operations are upgraded by DKK 20 million to DKK 160 million and by 20 million to DKK 60 million, respectively. Forecasts for the group's other activities are retained.

The full-year forecast includes an adjustment of the anticipated combined ratio from 97 to 93.

The forecast assumes that the level of interest rates applying at mid-August 2005 remains unchanged for the rest of 2005. The actual performance of the group overall and of the individual business areas may be affected by major changes in economic conditions, bad and doubtful debts or the claims experience.

The full-year consolidated income for 2005 is expected to be in the region of DKK 6.5 billion.

| **Forecast 2005** | | |
|---|---|---|
| | Opgrade April 2005 | Opgrade August 2005 |
| Non-life | 260 | 360 |
| Banking | 140 | 160 |
| Life | 40 | 60 |
| Other | -20 | -20 |
| Profit before tax and minorities | 420 | 560 |

## Non-Life Insurance

**Excl. Copenhagen Re**

| DKK million | Q2 2005 | Q2 2004 | H1 2005 | H1 2004 | Year 2004 |
|---|---|---|---|---|---|
| **Gross premiums** | **982** | **1,042** | **1,987** | **2,035** | **4,113** |
| Technical interest | 25 | 16 | 50 | 36 | 81 |
| Gross claims expenses | -619 | -738 | -2,045 | -1,409 | -2,883 |
| Bonus payments and premium discounts | 0 | 1 | 0 | 1 | -1 |
| Underwriting management expenses | -176 | -206 | -395 | -404 | -791 |
| Profit from reinsurance | -12 | -40 | 571 | -75 | -133 |
| **Underwriting profit/loss** | **200** | **75** | **168** | **184** | **386** |
| Interest, dividends etc. | 75 | 61 | 142 | 121 | 227 |
| Capital gains/losses | -72 | -25 | -64 | -18 | -108 |
| Management expenses relating to investment business | -4 | -4 | -7 | -7 | -13 |
| Return on technical provisions | -29 | -29 | -67 | -64 | -136 |
| **Total profit/loss on investments transfer of technical interest** | **-30** | **3** | **4** | **32** | **-30** |
| Other ordinary items | -2 | 0 | -5 | 0 | -20 |
| **Profit/loss before tax** | **168** | **78** | **167** | **216** | **336** |
| Tax | -71 | 0 | -71 | 0 | -20 |
| **Profit/loss for the period** | **97** | **78** | **96** | **216** | **316** |
| Profit/loss on business in run-off, net of reinsurance | 17 | 5 | 51 | -36 | -52 |
| Technical provisions | | | 6,209 | 5,477 | 5,089 |
| Insurance assets | | | 514 | 45 | 77 |
| Shareholders' equity | | | 1,656 | 1,168 | 1,269 |
| Total assets | | | 8,381 | 7,523 | 7,240 |
| Claims ratio | 63.0% | 70.7% | 102.9% | 69.2% | 70.1% |
| Expense ratio | 18.0% | 19.8% | 19.9% | 19.8% | 19.2% |
| Net reinsurance ratio | 1.3% | 3.8% | -28.7% | 3.7% | 3.3% |
| Combined ratio | 82.3% | 94.3% | 94.1% | 92.7% | 92.6% |
| Operating ratio | 80.2% | 92.9% | 91.7% | 91.1% | 90.8% |
| Return on equity before tax p.a. | 42% | 27% | 21% | 40% | 30% |
| Return on equity after tax p.a. | 24% | 27% | 12% | 40% | 28% |

## Non-life Insurance

Alm. Brand is one of the largest non-life insurers in Denmark. Non-life operations include the private, agricultural and commercial segments and target a broad range of customers in the Danish market. We aim to have satisfied and loyal customers with whom we can maintain long-term business relationships. The group strives to be known for providing high-quality products, competent advice and correct and quick claims handling.

**Financial results**

The group's non-life operations generated a pre-tax profit of DKK 167 million in H1 2005, compared with a profit of DKK 216 million before tax in H1 2004. The performance was adversely affected by the storm on 8 January 2005 in the amount of DKK 175 million.

The performance in H1 2005 equals an annualised return on equity before tax of 21% against 40% in the year-earlier period.

*Premiums*
Gross premiums were DKK 1,987 million, a fall of DKK 48 million, or 2.4%, from DKK 2,035 million in H1 2004.

The lack of growth is not satisfactory. Premium income was adversely affected, among other things, by cessation on commercial business served by brokers and on workers' compensation. In addition, sales in 2004 fell slightly below expectations, and the resulting effects are feeding through in 2005.

The group remains constantly focused on generating profitable business overall, and to this end profitability assessments of all customer groups are carried out on an ongoing basis. Cessation on commercial business served by brokers and on workers' compensation is a result of this.

In order to secure stronger growth, Alm. Brand has launched a number of measures to strengthen sales and customer loyalty. In that connection, dedicated efforts are being made to write additional business in selected segments. Moreover, a strengthening of the sales force and the group's *dobbelt*KUNDE concept and measures to improve the advice and service provided, including quick and efficient business procedures, contribute to promoting this trend. Accordingly, Alm. Brand has increased its sales force – both in terms of insurance agents and customer consultants – and the group aims to continue to increase the headcount in this area.

Sales in H1 2005 increased relative to H1 2004. The sales growth was attributable to the above-mentioned increased sales force and to its generally improved efficiency. These measures are expected to reverse the trend in premium income in 2006.

*Claims experience*
The claims ratio was 102.9 in H1 2005.

The claims experience was severely impacted by the storm on 8 January 2005. Claims expenses to customers in connection with the storm totalled DKK 800 million. Net of reinsurance, claims expenses stood at DKK 175 million.

In addition to the January storm, the claims experience in H1 2005 was affected by particularly mild weather conditions. The results were moreover favourably affected by a generally good claims experience in the group's portfolio.

*Net reinsurance ratio*
The H1 net reinsurance ratio was negative by 28.7 as a result of reinsurance claims related to the storm on 8 January. A negative reinsurance ratio is equivalent to income for Alm. Brand. The net reinsurance ratio, excluding the effects of the storm, was 2.7 in H1.

*Costs*
The expense ratio was in line with expectations at 19.9, compared with 19.8 in H1 2004.

As previously announced, the expense ratio for the full year is expected to be in line with 2004. The continued cost-savings achieved by the group through new and more efficient IT systems, processes and business procedures will be invested in allocating more resources to the group's sales and service force. This is expected to strengthen the group's growth while maintaining the expense ratio at the current level.

*Combined ratio*
The combined ratio was 94.1 in H1 2005, against 92.7 in the year-earlier period. The storm on 8 January 2005 affected the combined ratio by 8.8 percentage points.

*Investment return*
The investment return before allocation of interest was DKK 71 million in H1 2005, as compared with DKK 96 million in the same period of 2004.

The vast majority of the investment assets are still short-duration bonds.

Value adjustments during the first six months totalled a negative figure of DKK 64 million including the effect of changes in the discounting rate on provisions.

A large part of the capital loss was attributable to the effect of discounting provisions as a result of the falling level of interest rates.

As a result of changed tax rules – described in the section on the Alm. Brand A/S Group – the opening shareholders' equity was adjusted. The tax asset was taken directly to equity, and the non-life group posted a total tax asset of DKK 239 million at 30 June 2005.

## Events in H1

*Storm on 8 January 2005*
The storm on 8 January was the worst in Denmark since the hurricane in December 1999. Alm. Brand has received 44,000 claims related to the storm. Northern Jutland was particularly hard hit. Claims expenses in connection with the storm affected the H1 profit negatively by DKK 175 million consisting of DKK 800 million in gross claims expenses and DKK 625 million in net income from the reinsurance programme protecting Alm. Brand against major claims events.

*Fewer customer complaints*
Alm. Brand has implemented a host of initiatives which are all aimed at reducing the number of complaints brought before the Danish Insurance Complaints Board. Among other things, efforts have been made to ensure that Alm. Brand's decisions in complaints are not only accurate from a professional point of view but also that communications to customers are worded in easy-to-understand language. All claims assessors and a large number of claims handlers have therefore completed a specialized customer service and communication training programme. All letters, leaflets and other communications have undergone linguistic review to ensure that difficult messages are clearly explained.

A comparison of the Danish Insurance Complaints Board's statistics for Q1 2005 and Q1 2004 reveals a significant decline equalling 20% in the number of settled cases involving Alm. Brand. The number of complaints brought before the Insurance Complaints Board shows a 40% decline. This positive trend is expected to continue as the initiatives to ensure better claims service take full effect.

*Growing customer satisfaction*
In the early summer of 2005, Alm. Brand conducted a customer satisfaction survey of its claims handling procedures for building and household comprehensive insurance. A total of 3,000 forms were distributed to randomly selected households which had claims handled in H1 2005. The general satisfaction with the claims handling process showed a increase from 83% in the last survey to 86% in this survey. We are therefore pleased to note that Alm. Brand is getting closer to the overall target of a customer satisfaction rate of 90%.

## Outlook

Excluding the January storm, non-life operations performed better than expected in H1 2005. As a result of this favourable trend, the full-year forecast is upgraded by DKK 100 million compared with the forecast announced in the interim report for the three months ended 31 March 2005. Accordingly, the group's non-life operations are expected to generate a profit of DKK 360 million for the full year 2005. The upgrade is motivated by a generally positive claims experience, good weather conditions, except for the storm on 8 January 2005, and run-off gains.

The improvement corresponds to almost 4 percentage points on the combined ratio, which is expected to be 93, against the previous full-year forecast of 97. The forecast includes a capital loss from the fall in the discounting rate in 2005 which affects provisions and which is not off-set by corresponding long duration on the assets.

## Banking

| DKK million | Q2 2005 | Q2 2004 | H1 2005 | H1 2004 | Year 2004 |
|---|---|---|---|---|---|
| Interest income | 150 | 134 | 298 | 271 | 552 |
| Interest expenses | -61 | -52 | -126 | -107 | -224 |
| **Net interest income** | **89** | **82** | **172** | **164** | **328** |
| Net fee and commission income, dividends etc. | 44 | 41 | 87 | 73 | 137 |
| **Net interest and fee income** | **133** | **123** | **259** | **237** | **465** |
| Value adjustments | 38 | 3 | 97 | 51 | 85 |
| Other operating income | 1 | 4 | 4 | 8 | 14 |
| **Profit on financial operations** | **172** | **130** | **360** | **296** | **564** |
| Total costs | -93 | -84 | -184 | -178 | -362 |
| Write-downs on bad and doubtful debts etc. | -2 | -6 | -3 | -14 | -30 |
| Profit on participating interests | -2 | 1 | -2 | 1 | 3 |
| **Profit before tax** | **75** | **41** | **171** | **105** | **174** |
| Tax | -41 | -1 | -44 | -8 | -6 |
| **Profit after tax** | **34** | **40** | **127** | **97** | **168** |
| Minority interests' share of profit/loss for the period | -29 | 2 | -55 | -20 | -44 |
| **Profit after tax excluding minorities** | **5** | **42** | **72** | **77** | **124** |
| **Profit before tax excluding minorities** | **46** | **42** | **115** | **79** | **126** |
| | | | | | |
| Loans and advances | | | 9,609 | 8,194 | 8,907 |
| Deposits | | | 9,486 | 8,868 | 9,185 |
| Shareholders' equity | | | 1,483 | 1,084 | 1,159 |
| Of which minority interests | | | 483 | 295 | 323 |
| Total assets | | | 16,358 | 12,790 | 14,680 |
| | | | | | |
| Net interest margin p.a. | 2.5% | 2.7% | 2.4% | 2.7% | 2.6% |
| Operating income over operating expenses | 1.79 | 1.42 | 1.92 | 1.54 | 1.45 |
| Write-down ratio p.a. | -0.1% | 0.2% | 0.1% | 0.3% | 0.3% |
| Solvency ratio | 11.5% | 12.5% | 11.5% | 12.5% | 12.4% |
| Return on equity before tax p.a. | 20% | 21% | 25% | 20% | 16% |
| Return on equity after tax p.a. | 2% | 23% | 16% | 20% | 16% |

## Banking

Alm. Brand Bank is among the ten largest banks in Denmark and is becoming the principal banker to more and more personal customers. In addition to being a full service bank, offering its customers a full range of conventional banking products, the bank specialises in providing savings, investment and financial solutions to the personal and professional segments. The bank attaches particular importance to its role as an adviser and sparring partner to its customers.

**Financial results**
The Alm. Brand Bank Group posted a pre-tax profit excluding minorities of DKK 115 million for H1 2005, as compared with DKK 79 million in H1 2004, which was highly satisfactory.

The H1 2005 performance equals an annualised return on average equity of 25% before tax. The annualised return on average equity in H1 2004 was 20%, while the return was 16% for the full year 2004.

*Net interest and fee income*
Net interest and fee income was DKK 259 million in H1 2005, an increase of DKK 22 million over the year-earlier period. The increase was attributable to a very positive first half-year for the group's stockbroking activities.

*Value adjustments*
The bank's value adjustments totalled DKK 39 million in H1 2005. To this should be added the bank's share of value adjustments from subsidiaries of DKK 6 million, following which the value adjustments included in Alm. Brand A/S' profit excluding minorities amounted to DKK 45 million.

Value adjustments from subsidiaries, including Alm. Brand Formue A/S and Alm. Brand Pantebreve A/S, totalled DKK 58 million, of which DKK 6 million, as stated above, accrued to Alm. Brand Bank.

Accordingly, overall value adjustments for the entire Alm. Brand Bank Group including subsidiaries amounted to DKK 97 million.

The value adjustments were affected by generally appreciating market prices for securities. The blue chip KFX index gained 20% and long-term interest rates fell.

*Costs*
The banking group's total costs were DKK 184 million in H1 2005, against DKK 178 million in the year-earlier period, corresponding to an increase of 3%. Costs for the full year are expected to be in line with 2004.

The income/cost ratio increased to 1.92 in H1 2005 against 1.54 in H1 2004 and 1.45 for the full year 2004. The increase was attributable to growth in the bank's core business and to the capital gains generated by Alm. Brand Formue.

*Write-downs of loans etc.*
Write-downs of loans charged to the profit and loss account totalled DKK 3 million in H1 2005, against DKK 14 million in the year-earlier period. The first six months were hence favourably affected by extraordinarily moderate losses.

The banking group's accumulated write-downs and provisions totalled DKK 223 million at 30 June 2005, corresponding to an accumulated write-down ratio of 2.0 against 2.3 at 30 June 2004 and 2.2 at 31 December 2004.

**Balance sheet**
The banking group's balance sheet was favourably affected by the higher loan portfolio generated, among other things, by an increased volume of new car and home loans to private customers and growth in agricultural finance and investment credit facilities. In addition, the bank continued to record a general increase in business resulting from the group's *dobbeltKUNDE* concept.

*Loans and advances*
Loans and advances amounted to DKK 9.6 billion at 30 June 2005, an increase of DKK 1.4 billion or 17% from 30 June 2004 and an increase of 8% or DKK 0.7 billion from 31 December 2004.

*Deposits*
Deposits amounted to DKK 9.5 billion at 30 June 2005, an increase of DKK 0.6 billion from 30 June 2004 and an increase of DKK 0.3 billion from 1 January 2005.

*Guarantees*
The banking group issued guarantees and other commitments amounting to DKK 1.6 billion in H1 2005, an increase of 0.3 billion as compared with H1 2004.

*Capital*
The banking group's equity stood at DKK 1.5 billion at 30 June 2005. The capital base including subordinated loan capital less tax assets totalled DKK 1.5 billion. The solvency ratio was 11.5% at 30 June 2005.

As a result of changed tax rules – described in the section on the Alm. Brand Group – the opening shareholders' equity was adjusted. The tax asset was taken directly to equity, and the banking group posted a total tax asset of DKK 167 million at 30 June 2005.

**Events in H1**

*New issue in Alm. Brand Formue*
Since Alm. Brand Formue was listed on the Copenhagen Stock Exchange in 2003, the company has performed well and better than expected. Accordingly, the company's shares have attracted keen interest. Therefore, two capital increases were completed in H1 2005. Investors showed a lot of interest in the share in connection with these capital increases.

The company's share capital was increased by a total of 55%, equivalent to DKK 110 million nominal value. The capital increases generated gross proceeds totalling DKK 148 million and net proceeds of DKK 146 million.

**Outlook**

The Alm. Brand Bank Group forecasts a profit before tax and minorities in the region of DKK 160 million for 2005. As compared with the guidance provided at the beginning of the year, this represents an increase of DKK 30 million and an increase of DKK 20 million relative to the most recent forecast announced in connection with the release of the interim report for the three months ended 31 March 2005. The increase is a result of continuing growth in the group's stockbroking and asset management activities.

## Life Insurance

| DKK million | Q2 2005 | Q2 2004 | H1 2005 | H1 2004 | Year 2004 |
|---|---|---|---|---|---|
| **Premiums** | 162 | 156 | 333 | 318 | 723 |
| Claims incurred | -208 | -234 | -360 | -368 | -830 |
| Investment return after allocation of interest | 539 | -120 | 756 | 157 | 858 |
| Total underwriting management expenses | -18 | -15 | -34 | -33 | -70 |
| Reinsurance result | -2 | 0 | 1 | 2 | 9 |
| Change in life insurance provisions | -481 | 156 | -620 | -52 | -638 |
| Change in collective bonus potential | 39 | 58 | -50 | -15 | -16 |
| **Underwriting profit/loss** | **31** | **1** | **26** | **9** | **36** |
| Transferred investment return | 13 | -2 | 21 | 17 | 35 |
| **Profit before tax for the period** | **44** | **-1** | **47** | **26** | **71** |
| Tax | 0 | 0 | 0 | 0 | 0 |
| **Profit/loss for the period** | **44** | **-1** | **47** | **26** | **71** |
| | | | | | |
| **Result in life insurance** | | | | | |
| Administrative result | 4 | 5 | 10 | 8 | 19 |
| Investment result | 455 | -227 | 584 | -28 | 481 |
| Change in provision for guaranteed pension benefits | -458 | 151 | -524 | 39 | -458 |
| Change in collective bonus potential | 39 | 58 | -50 | -15 | -16 |
| Risk result | 6 | 12 | 26 | 20 | 36 |
| Reinsurance result | -2 | 0 | 1 | 2 | 9 |
| **Profit before tax** | **44** | **-1** | **47** | **26** | **71** |
| Tax | 0 | 0 | 0 | 0 | 0 |
| **Profit/loss for the period** | **44** | **-1** | **47** | **26** | **71** |
| | | | | | |
| Provisions for insurance contracts | | | 11,223 | 9,959 | 10,545 |
| Shareholders' equity | | | 1,042 | 950 | 995 |
| Total assets | | | 12,458 | 11,244 | 11,815 |
| | | | | | |
| Return on equity before tax p.a. | 16% | -1% | 9% | 6% | 7% |
| Return on equity after tax p.a. | 16% | -1% | 9% | 6% | 7% |
| Bonus rate | 1.5% | 1.0% | 1.5% | 1.0% | 1.0% |

**Investment return in life insurance in H1 2005**

| DKK million | Average amount of capital tied up | Return | Return ratio |
|---|---|---|---|
| Interest-bearing assets | 8,589 | 759 | 8.8% |
| Shares | 795 | 109 | 13.7% |
| Property | 1,241 | 40 | 3.2% |
| Management expenses relating to investments activities | | -10 | |
| **Total** | **10,625** | **898** | **8.4%** |

## Life insurance

The Alm. Brand Group's life insurance business consists of life insurance, pension savings, pension insurance and health and personal accident insurance and is handled by Alm. Brand Liv og Pension A/S.

Together with Alm. Brand Bank's pension savings activities, the life insurance business makes up the Life & Pension business unit. However, the financial results from the banking activities are included in the bank's financial statements.

**Financial results**
The pre-tax profit for H1 2005 was DKK 47 million, against DKK 26 million for the same period of last year. The figure does not include health and personal accident insurance which generated a loss of DKK 6 million and is included in the non-life results.

There is no direct comparability with the 2004 results, as a risk premium of DKK 27 million was recognised in shareholders' equity for H1 2005. In connection with the profit announcement for the three months ended 31 March 2005, the company recognised a partial risk premium. The full risk premium was recognised as a result of a healthy investment return, particularly on shares. As a result, the bonus reserves have reached a level which makes it likely that parts of the risk premium can be recognised at year-end.

The year-to-date performance entails an annualised return on equity of 9% before tax, as compared with a return of 6% in the year-earlier period.

*Premiums*
Gross premiums were DKK 333 million in H1 2005, against DKK 318 million in H1 2004. Gross premiums were in line with expectations.

*Benefits paid*
Benefits paid in H1 2005 amounted to DKK 360 million, against DKK 368 million in the year-earlier period. The amount of benefits paid in 2004 was impacted by DKK 39 million as a result of a disbursement/policy transfer campaign targeting unprofitable paid-up policies.

*Expense and risk results*
The expense result, which expresses the difference between expense loading and expenses incurred, amounted to DKK 11 million in H1 2005. The overall expense result was satisfactory.

The risk result, which expresses the difference between risk premiums and claims expenses, totalled DKK 26 million in H1 2005 and was also satisfactory.

*Costs*
Acquisition and administrative expenses totalled DKK 34 million, against DKK 33 million for the same period of last year. Total expenses for 2005 to date are in line with expectations.

*Investment return*
The year-to-date return on investment assets before tax on pension investment returns attributable to the life and pension portfolio was DKK 898 million, as compared with DKK 187 million in the year-earlier period. The return on policyholders' investment assets was 8.4% (16.7% annualised) in H1 2005.

The return on investment assets attributable to shareholders' equity was hence DKK 21 million in the first six months of 2005, against DKK 17 million in H1 2004.

The return on the overall investment assets before tax on pension investment returns was DKK 919 million, equal to a return of 7.8% (15.6% annualised).

The investment return was not fully in line with the benchmark return.

**Balance sheet**
The life group's shareholders' equity amounted to DKK 1,042 million, equivalent to equity reserves of 7.2%, at 30 June 2005. The solvency ratio was 231.

The collective bonus potential amounted to DKK 114 million at 30 June 2005, against DKK 94 million at 31 December 2004, equalling a bonus rate of 1.5%.

The life company remained in the Danish Financial Supervisory Authority's green scenario at 30 June 2005.

**Outlook**
The pre-tax profit for the full year 2005 is expected to be DKK 60 million including a partial risk premium. This represents a profit forecast upgrade of DKK 20 million relative to the guidance provided in the interim report for the three months ended 31 March 2005. The upgrade can be attributed to expectations that part of the risk premium can be recognised as a result of a healthy investment return.

The performance will rely strongly on how interest rates develop. With 11% of the portfolio placed in commercial real property and an equity exposure of just over 11%, adverse developments in these markets could impact the profit for the year, including the potential for recognising a risk premium.

## Other business activities

**Copenhagen Re**
Copenhagen Re, which is in runoff, performed in line with expectations. The investment return largely offset the underwriting loss and the management expenses.

The company posted a pre-tax loss of DKK 1 million in H1 2005, as compared with a profit of DKK 2 million in the year-earlier period.

Technical provisions totalled DKK 1.8 billion at 30 June 2005.

There is still considerable uncertainty with respect to losses incurred, including for the World Trade Center event. These risks are further described in the group's Annual Report 2004.

As Alm. Brand A/S will not be providing any more capital to Copenhagen Re, the risk to Alm. Brand A/S is limited to the potential loss of the carrying value of the investment in Copenhagen Re. Copenhagen Re's shareholders' equity amounted to DKK 105 million at 30 June 2005, equal to Alm. Brand A/S' carrying value of the investment.

Copenhagen Re continues to expect a break-even performance in 2005.

**Other activities**
'Other activities' consist of corporate expenses and value adjustment of own shares, etc.

Other activities of the group posted a pre-tax loss of DKK 3 million in H1 2005, against a DKK 16 million loss in H1 2004.

**Outlook**
An overall loss of about DKK 20 million is still projected for 'Other activities' for the full year 2005.

## Accounting Policies

**GENEREL INFORMATION**
The Alm. Brand A/S Group complies with the requirements of the International Financial Reporting Standards (IFRS). The interim report has been prepared in accordance with the IFRS provisions on recognition and measurement and with the provisions of the Danish Financial Business Act. The interim report has otherwise been prepared in compliance with the provisions laid down by the Copenhagen Stock Exchange and with due regard to the Danish Financial Supervisory Authority's executive order on the presentation of financial statements by insurance companies and credit institutions.

Consequently, the accounting policies for the group have been changed in a number of areas. See the separate section at the end of this report for further information on the most material consequences.

In connection with the transition to the new financial reporting standards and changes in the group's joint taxation scheme, the group has revalued its tax assets. Alm. Brand has chosen to treat this revaluation as a change in accounting policies, as this is believed to provide the most true and fair view.

The comparative figures have been restated accordingly.

The Alm. Brand A/S parent company will continue to prepare its annual report etc. in accordance with the Danish Financial Supervisory Authority's executive order on the presentation of financial statements. See separate section in this report.

The implementation work in connection with the new standards will continue throughout 2005. The interim report and the opening balance sheet are unaudited.

**CONSOLIDATION**
The consolidated financial statements comprise the parent company and subsidiaries in which the parent company holds the majority of the voting rights or otherwise holds a controlling interest. Companies in which the group holds between 20% and 50% of the voting rights or otherwise exercises a significant but not a controlling influence are considered associates.

The consolidated financial statements have been prepared by consolidating items of a uniform nature in the profit and loss accounts and balance sheets of each company. Intercompany income, expenses, intra-group accounts, shareholdings and gains and losses on transactions between the consolidated enterprises are eliminated.

Accounting items of subsidiaries are fully recognised in the consolidated financial statements. The proportionate shares of the results and equity of subsidiary undertakings attributable to minority interests are recognised as separate items in the profit and loss account and the balance sheet.

The consolidated financial statements of Alm. Brand A/S are included in the consolidated financial statements of Alm. Brand af 1792 fmba, Copenhagen.

**INTRA-GROUP TRANSACTIONS**
Intra-group services are settled on a cost recovery basis or on market terms. Intra-group accounts carry interest on market terms. Intra-group transactions in securities and other assets are settled at market prices.

**FOREIGN CURRENCY**
Assets and liabilities denominated in foreign currency are recognised at the rates of exchange published by Danmarks Nationalbank at the balance sheet date. Income and expenses denominated in foreign currency are recognised at the rates of exchange ruling at the transaction date. Exchange gains and losses are recognised in the profit and loss account.

On consolidation, the profit and loss accounts of foreign subsidiaries are translated at average exchange rates for the months and balance sheet items are translated at the exchange rates prevailing on the balance sheet date.

Exchange differences arising on the translation of the equity of foreign subsidiaries at the beginning of the year using the exchange rates ruling on the balance sheet date are recognised in shareholders' equity. Differences arising on the translation of profit and loss accounts of foreign subsidiaries at average exchange rates and balance sheet items at the rates ruling on the balance sheet date are also taken directly to shareholders' equity.

**RECOGNITION AND MEASUREMENT POLICIES**
Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the Group and the value of the liability can be reliably measured.

## BALANCE SHEET

**Intangible assets**
Intangible assets are measured at cost less accumulated amortisation and impairment over an expected life of not more than five years. Depreciation is charged on a straight-line basis over the expected useful lives of the assets.

Only external costs have been capitalised as internal costs incurred cannot be reliably measured.

**Land and buildings**
Land and buildings owned by the Group are classified as either investment properties or owner-occupied properties. Owner-occupied properties comprise properties which Alm. Brand generally uses for administrative purposes. Other properties are classified as investment properties.

The Group has not used external valuers to determine the fair values of the properties.

*Investment properties*
Investment properties are recognised and measured at a fair value calculated in accordance with the guidelines issued by the Danish Financial Supervisory Authority. The fair value is calculated on the basis of the yield method, which involves a valuation of each individual property on the basis of a normal operating budget and a rate of return. The estimated value is adjusted for short-term circumstances which change the earnings of the property. The adjusted estimated value corresponds to the fair value.

*Owner-occupied properties*
Owner-occupied properties are measured at a revalued amount corresponding to the fair value at the revaluation date less accumulated depreciation and value adjustments. The fair value is calculated on the basis of the Danish Financial Supervisory Authority's guidelines on the yield method, which involves a valuation of each individual property on the basis of a normal operating budget and a rate of return. The estimated value is adjusted for short-term circumstances which change the earnings of the property. The adjusted estimated value corresponds to the fair value.

Depreciation is calculated with due consideration to the expected useful life and residual value and is recognised in the profit and loss account under administrative expenses.

Value adjustments of owner-occupied properties are taken directly to equity; however, any writedown which does not correspond to a previous revaluation shall be carried through the profit and loss account.

Value adjustments of the Alm. Brand Group's owner-occupied properties which are attributable to the policyholders' share of the investment assets is, however, transferred to the collective bonus potential.

*The yield method*
The operating budget recognises rental income from full letting, as any rent for vacant premises or other lack of rental income is offset against the estimated value. Accordingly, the operating budget recognises normal maintenance of the property. Any major anticipated renovation work, restoration work or repair is offset against the estimated value.

The rate of return is determined based on current market conditions for the type of property taking into account the state of repair, location, use, lessee, leases etc. The rates of return are stated based on the calculated value.

**Deferred tax assets**
Deferred tax assets are measured at 28% of all differences between accounting and taxable values, plus tax losses to the extent they are expected to be offset against future taxable income.

**Investments in joint ventures**
Investments in joint ventures are measured at the parent company's share of the net asset value of the company at the balance sheet date calculated in accordance with the parent company's accounting policies.

**Reinsurers' share from insurance contracts**
The reinsurers' share of the technical provisions is calculated as the amounts expected to be received from reinsurance companies under the applicable reinsurance contracts.

**Operating equipment**
Operating equipment is measured at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets taking into account the expected residual value:

- Cars, 5 years
- Furniture and equipment, 3-5 years
- Computers, 3-5 years

Leasehold improvements are capitalised and amortised over their estimated useful life, up to five years, with due consideration to the expected residual value.

Writedown is made if the recoverable amount of an asset is deemed to be lower than the carrying amount.

Writedowns are recognised under the same items as the associated depreciation or amortisation. Any writedowns made are reversed if there is no longer any basis for such writedowns.

**Investment assets, loans, advances, etc.**
Financial instruments are recognised at fair values at the settlement date.

Listed financial instruments are measured at fair value based on the closing price at the balance sheet date, or, in the absence of a closing price, another public price deemed to be most similar thereto.

Unlisted financial instruments are measured at the transaction price that would apply in a transaction between independent parties corresponding to the fair value.

Forward transactions, futures, options, swaps and unsettled spot transactions are measured at the fair values prevailing at the balance sheet date.

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. On subsequent recognition, such loans, advances and other receivables will be adjusted to amortised cost on a current basis.

Where fixed-rate loans measured at amortised cost are fair value hedged by interest rate swaps, the hedged risk is measured at fair value. On termination of the hedge, the value of the hedged loans and advances is adjusted using the principles for measurement at amortised cost based on the adjusted value.

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 need is assessed for writing down the loan, advance or receivable 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.

Loans, advances and other receivables at fair value are measured at fair value on initial and subsequent recognition.

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 included in the balance sheet, and market value adjustments and interest etc. are recognised in the profit and loss account.

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

**Contingency funds**
The contingency funds can only be used for the benefit of policyholders. Contingency fund 2 is moreover subject to the restriction that it can only be used when permission has been obtained from the Danish Financial Supervisory Authority.

**Other reserves**
Revaluations with the addition or deduction of the tax effect of properties classified as owner-occupied properties are made in shareholders' equity via the revaluation reserves. Revaluations that are no longer applicable are reversed.

The part of the revaluations that can be attributed to insurance contracts with bonus entitlement is subsequently transferred to collective bonus potential in accordance with the contribution rules filed.

**Dividend**
Dividends are recognised as a liability in the financial statements at the time of adoption by the shareholders at the annual general meeting. Proposed dividends in respect of the financial year are stated as a separate line item under shareholders' equity.

**Own shares**
Own shares are recognised in the balance sheet at zero value. Purchases and sales of own shares are recognised at the acquisition/selling price directly in shareholders' equity under other reserves.

**Provisions for insurance contracts**
Unearned premium provisions and outstanding claims provisions are measured at their discounted value if such discounting materially affects the size of the provisions. Discounting is made on the basis of the 10-year point from the variable interest rate structure as determined by the Danish Financial Supervisory Authority from time to time. Using historically observed payment patterns, the duration of the provisions is estimated, and the maturity-dependent average interest rate published by the Danish Financial Supervisory Authority is used.

*Unearned premium provisions*
Unearned premium provisions are measured as the best estimate of future claims for the part of the insurance period not yet run off, including all direct and indirect administrative and claims handling expenses. Unearned premium provisions will, however, as a minimum correspond to an accrual of the premiums collected.

Unearned premium provisions relating to health and personal accident insurance are made up according to market value principles. They are calculated as the difference between the present value of the company’s liabilities and the present value of the premiums to be paid by policyholders in the future using a best estimate of insurance risk, costs incurred in managing insurance and claims handling and the rate of return obtainable in the market.

The provisions are calculated based on an assumption of a lower mortality and invalidity than in the company’s basis of calculation. The reduction is estimated on the basis of an empirical analysis on the company’s insurance portfolio.

*Life insurance provisions*
Life insurance provisions are calculated as the present value of the aggregate obligations for expected future insurance benefits based on the 10-year point from the variable interest rate structure determined by the Danish Financial Supervisory Authority from time to time. Life insurance provisions are divided into provisions for guaranteed benefits, bonus potential on future premiums and bonus potential on paid-up policy benefits.

The provisions are calculated based on an assumption of a lower mortality and invalidity than in the company’s basis of calculation. The reduction is estimated on the basis of an empirical analysis on the company’s insurance portfolio.

Provisions for the guaranteed benefits comprise obligations to pay benefits guaranteed to the policyholder. Provisions for guaranteed benefits are calculated as the difference between the present value of the benefits guaranteed by the insurance policy and the present value of the expected future insurance administrative costs less the present value of the agreed future premiums. The provision includes an estimated amount in cover of future benefits resulting from already incurred claims and an estimated amount for incurred but not reported claims.

The bonus potential on future premiums comprises obligations to pay a bonus concerning premiums agreed but not yet due. For the portfolio of insurance with bonus entitlement, the bonus potential on future premiums is calculated as the difference between the value of the guaranteed paid-up policy benefits and the value of guaranteed benefits. Guaranteed paid-up policy benefits are benefits guaranteed under the insurance if the policy is converted into a paid-up policy. The value of the guaranteed paid-up policy benefits is calculated as the present value of the guaranteed paid-up policy benefits plus the present value of the expected future administrative costs associated with the paid-up policies.

The bonus potential on paid-up policy benefits includes obligations to pay a bonus concerning premiums etc. already due. The bonus potential on paid-up policy benefits is calculated as the value of the policyholders’ savings less provisions for the guaranteed benefits, the bonus potential on future premiums and the present value of the future administration results.

*Outstanding claims provisions*
Outstanding claims provisions comprise the amounts provided at the end of the year against reported-but-not-settled claims as well as amounts for claims incurred-but-not-reported. They are estimated against the background of the payment history, and it is thus assumed that the future cash flows will resemble the historical payments. The outstanding claims provisions also include amounts to cover direct and indirect costs considered necessary in connection with settling the claims obligations.

Outstanding claims provisions also comprise the minimum provision determined by the Danish Financial Supervisory Authority, which equals the difference between provisions for annuities in workers' compensation insurance calculated on a basis of 2.75% and 2.0%, respectively, on the balance sheet date and any change calculated on the basis of the current level of interest rates and an expected future wage indexation.

Provisions for claims relating to health and personal accident insurance are calculated at the present value of expected future payments. The outstanding claims provisions relating to health and personal accident insurance also include amounts to cover direct and indirect costs considered necessary in connection with settling the claims obligations. For reported claims, an individual assessment is made of the date of payment.

*Collective bonus potential*
Collective bonus potential comprises obligations to pay a bonus in addition to the bonus amounts added to the life insurance provisions. The amount has not been allocated to individual policyholders.

**Other provisions**
Obligations which are uncertain in respect of size or time of settlement are recognised as obligations when it is likely that the obligation will require an outflow of the company's financial resources, and the obligation can be measured reliably. Provisions are measured at the best estimate of the costs necessary to meet the relevant obligation at the balance sheet date.
The obligation will be discounted if such discounting has a material impact on the size of the provision.

*Long-term employee obligations*
A provision has been made to cover a number of employee benefits such as jubilee benefits, retirement bonuses, etc.

**Other financial liabilities**
Debt is measured at amortised cost.

Deposits with ceding companies comprise amounts received which are kept to cover the insurance liabilities of other insurance companies towards the Group's reinsurance companies.

Deposits for financial reinsurance comprise premiums received less deductions for claims paid equivalent to the company's liabilities pursuant to treaties made.

## PROFIT AND LOSS ACCOUNT

**Premium income**
Gross premiums comprise premiums due relating to insurance and treaties where the risk period commenced before the end of the financial year.

Premium income, net of reinsurance, is the gross premiums for the year adjusted for movements in unearned premium provisions and less reinsures' share.

The part of the change in unearned premium provisions which can be ascribed to discounting is transferred to interest income, etc.

The part of the change in unearned premium provisions which can be ascribed to a change in the discounting rate applied is transferred to market value adjustments.

Premiums relating to life insurance comprise premiums due during the year and single premiums less labour market contribution.

**Interest income, etc.**
Interest, dividends, etc. includes dividends and interest received during the financial year.

The item also includes interest-like fees and commissions that are an integral part of the effective rate of interest on financial receivables and payables measured at amortised cost. Finally, the item recognises the part of the change in unearned premium provisions and outstanding claims provisions that can be ascribed to discounting.

**Fee income, etc.**
Fees are accrued over the lifetime of the transactions and recognised in the profit and loss account at the amounts relating to the accounting period.

**Other income from investment activities**
The item includes the operating profit on investment property after deduction of related administrative expenses.

**Other income**
Income derived from activities that cannot be ascribed to the company's insurance portfolios is recognised under other income.

**Claims incurred**
Claims incurred include claims paid during the insurance year adjusted for movements in claims provisions corresponding to known and anticipated claims relating to the year.

Amounts to cover expenses for surveying and assessment and other direct or indirect costs associated with claims handling are included in the item. In addition, the item includes run-off results regarding previous years.

The part of the change in outstanding claims provisions which can be ascribed to discounting is transferred to interest income, etc.

The part of the change in outstanding claims provisions which can be ascribed to a change in the discounting rate applied is transferred to capital gains/losses.

Claims and benefits relating to life insurance comprise claims due during the year, amounts paid for repurchases and bonus amounts paid in cash.

**Other expenses associated with investment activities**
The item includes amounts associated with the management of investment assets. Brokerage and commission relating to the purchase and selling of securities is recognised under market value adjustments.

**Writedown on loans, advances and receivables**
An ongoing evaluation takes place to detect any objective indication of impairment of the company's loans, advances and other receivables determined at amortised cost. If there is any objective indication of impairment, the need to write down the loan, advance or receivable is assessed. See “Balance sheet” above for further details.

**Acquisition costs and administrative expenses**
The part of the insurance operating expenses that can be ascribed to acquisition and renewal of the insurance portfolio is recognised under acquisition costs. Acquisition costs are generally charged to the profit and loss account when the insurance takes effect.

Administrative expenses involve the costs related to managing the company’s insurance portfolio. Administrative expenses are accrued to match the financial year.

Operating expenses relating to owner-occupied properties are recognised under administrative expenses. Rent concerning the company’s owner-occupied properties is not recognised.

**Other expenses**
Expenses associated with activities that cannot be ascribed to the company’s insurance portfolios is recognised under other expenses.

**Result of ceded business**
For reinsurance contracts containing a combination of financial terms and traditional terms with transfer of risk, the risk premium is recognised on an accruals basis under premium income. The accrual is based on the value of the contracts at the end of the year. Realised losses relating to these contracts are included after adjustment for movements in financial deposits under claims.

Reinsurance premiums ceded and reinsures’ share received are accrued and taken to the profit and loss account according to the same principles as those applied for the corresponding items under the gross business.

**Market value adjustments**
Market value adjustments include all realised and unrealised gains and losses on investment assets, except for value adjustment of subsidiary and associated companies and revaluations of owner-occupied properties.

**Tax on pension investment returns**
Tax on pension investment returns includes the tax levied on returns relating to the Group’s life insurance activities, notwithstanding whether the tax is payable now or at a later date.

**Tax**
Alm. Brand A/S is taxed jointly with a number of subsidiaries of the Group. Current group tax and any changes in provisions for deferred tax are charged to the profit and loss account.

**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.

More detailed segment information is provided in the management’ report.

# Balance Sheet

## Balance Sheet - Group

| DKK million | 30 June 2005 | 30 June 2004 | Year 2004 |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets | 106 | 104 | 104 |
| Owner-occupied properties | 612 | 611 | 611 |
| Deferred tax assets | 499 | 608 | 605 |
| Participating interests in joint ventures | 21 | 21 | 20 |
| Reinsurers' share of insurance contracts | 1,278 | 968 | 656 |
| Other assets | 2,136 | 2,264 | 2,085 |
| Loans | 9,609 | 8,206 | 8,913 |
| Investment properties | 673 | 676 | 670 |
| Investment assets | 21,880 | 20,288 | 20,599 |
| Amounts due from credit institutions and central banks | 3,153 | 1,598 | 2,324 |
| Cash in hand and demand deposits | 217 | 395 | 223 |
| **Total assets** | **40,184** | **35,739** | **36,810** |

| DKK million | 30 June 2005 | 30 June 2004 | Year 2004 |
|---|---|---|---|
| **Liabilities** | | | |
| Share capital | 1,788 | 1,788 | 1,788 |
| Reserves, retained profit etc. | 2,169 | 1,770 | 1,930 |
| Minority interests | 487 | 305 | 331 |
| Consolidated equity | 4,444 | 3,863 | 4,049 |
| Subordinated loan capital | 300 | 300 | 300 |
| Provisions for insurance contracts | 20,125 | 18,450 | 18,102 |
| Other provisions | 282 | 839 | 1,533 |
| Deferred tax liabilities | 51 | 55 | 55 |
| Other liabilities | 2,534 | 1,593 | 1,116 |
| Deposits | 8,823 | 8,405 | 8,500 |
| Amounts owed to credit institutions and central banks | 3,625 | 2,234 | 3,155 |
| | **40,184** | **35,739** | **36,810** |

Note 1 Own Shares
Note 2 Transition to IFRS

# Profit and loss account

## Profit and loss account - Group

| DKK million | Q2 2005 | Q2 2004 | H1 2005 | H1 2004 | Year 2004 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Premium income | 1,151 | 1,194 | 2,342 | 2,368 | 4,857 |
| Interest income etc. | 353 | 337 | 704 | 680 | 1,350 |
| Fee income etc. | 38 | 37 | 76 | 66 | 121 |
| Other investment income | 5 | 2 | 5 | 8 | 11 |
| Other income | 6 | 30 | 12 | 36 | 45 |
| **Total income** | **1,553** | **1,600** | **3,139** | **3,158** | **6,384** |
| **Expenses** | | | | | |
| Claims incurred | -852 | -1,001 | -2,451 | -1,893 | -3,877 |
| Interest expenses | -54 | -53 | -116 | -113 | -245 |
| Other investment expenses | -21 | -22 | -34 | -37 | -81 |
| Provisions for bad and doubtful debts | -2 | -51 | -3 | -61 | -51 |
| Acquisition and administrative expenses | -293 | -316 | -622 | -634 | -1,295 |
| Other expenses | -6 | -1 | -12 | -1 | -25 |
| **Total expenses** | **-1,228** | **-1,444** | **-3,238** | **-2,739** | **-5,574** |
| Result of business ceded | -10 | 27 | 571 | 48 | -63 |
| Change in life insurance provisions | -487 | 160 | -628 | -48 | -639 |
| Change in collective bonus potential | 39 | 58 | -50 | -15 | -16 |
| Exchange rate adjustments | 507 | -320 | 709 | -46 | 576 |
| Tax on pension investment returns | -90 | 24 | -128 | -25 | -145 |
| **Profit before tax** | **284** | **105** | **375** | **333** | **523** |
| Tax | -92 | -41 | -110 | -92 | -99 |
| **Profit after tax** | **192** | **64** | **265** | **241** | **424** |
| **Profit before tax is distributed as follows** | | | | | |
| Alm. Brand's share of the profit for the period | 258 | 109 | 325 | 307 | 477 |
| Minority shareholders' share of the profit for the period | 26 | -4 | 50 | 26 | 46 |
| | **284** | **105** | **375** | **333** | **523** |
| **Profit after tax is distributed as follows** | | | | | |
| Alm. Brand's share of the profit for the period | 165 | 67 | 215 | 221 | 382 |
| Minority shareholders' share of the profit for the period | 27 | -3 | 50 | 20 | 42 |
| | **192** | **64** | **265** | **241** | **424** |
| Earnings per Share, DKK 80 | 7 | 3 | 10 | 10 | 17 |
| Diluted Earnings per Share, DKK 80 | 7 | 3 | 10 | 10 | 17 |

## Statement of changes in equity

| DKK million | Share capital | Contingency funds | Retained profit | Share-holders' equity | Minority interests | Consoli-dated equity |
|---|---|---|---|---|---|---|
| **At 1 January 2005** | **1,788** | **182** | **1,662** | **3,632** | **323** | **3,955** |
| Changes in accounting policies | | | | | | |
| Consolidation of Pensionskassen under Alm. Brand A/S | | | | | 8 | 8 |
| Equalisation provisions | | | 45 | 45 | | 45 |
| Discounting of insurance contracts | | | 50 | 50 | | 50 |
| Recognition of claims handling expenses | | | -142 | -142 | | -142 |
| Provisions for insurance contracts relating to health and personal accident insurance | | | -41 | -41 | | -41 |
| Employee benefits | | | -47 | -47 | | -47 |
| Recognition of loans etc. | | | 16 | 16 | | 16 |
| Amortisation of fees | | | -6 | -6 | | -6 |
| Recognition of interest rate swaps at fair value | | | -29 | -29 | | -29 |
| Fair value hedging of fixed-rate loans | | | 14 | 14 | | 14 |
| Other changes | | | -4 | -4 | | -4 |
| Deferred tax on contingency funds | | | -55 | -55 | | -55 |
| Change in tax asset | | | 285 | 285 | | 285 |
| **Total changes attributable to IAS/IFRS** | | | **86** | **86** | **8** | **94** |
| **Restated at 1 January 2005** | **1,788** | **182** | **1,748** | **3,718** | **331** | **4,049** |
| Profit/loss for the period | | | 215 | 215 | 50 | 265 |
| Sale of own shares | | | 24 | 24 | 0 | 24 |
| Change in minority interests' share | | | | | 106 | 106 |
| **At 30 June 2005** | **1,788** | **182** | **1,987** | **3,957** | **487** | **4,444** |

# Segment Reporting

## Profit and loss account by business segments – Group

First half 2005

| DKK million | Non-life Insurance | Banking | Life Insurance | Other | Consolidation Adjustments | Group |
|---|---|---|---|---|---|---|
| Premium income | 1,987 | 0 | 333 | 22 | 0 | 2,342 |
| Interest income etc. | 141 | 298 | 214 | 63 | -12 | 704 |
| Fee income etc. | 0 | 87 | 0 | 0 | -11 | 76 |
| Other investment income | 1 | 0 | 39 | 0 | -35 | 5 |
| Other income | 8 | 4 | 0 | 0 | 0 | 12 |
| **Total income** | **2,137** | **389** | **586** | **85** | **-58** | **3,139** |
| Claims incurred | -2,062 | 0 | -360 | -29 | 0 | -2,451 |
| Interest expenses | 0 | -126 | -1 | -1 | 12 | -116 |
| Other investment expenses | -7 | 0 | -10 | -28 | 11 | -34 |
| Provisions for bad and doubtful debts | 0 | -3 | 0 | 0 | 0 | -3 |
| Acquisition and administrative expenses | -395 | -184 | -34 | -43 | 34 | -622 |
| Other expenses | -13 | 0 | 0 | 0 | 1 | -12 |
| **Total expenses** | **-2,477** | **-313** | **-405** | **-101** | **58** | **-3,238** |
| Result of business ceded | 571 | 0 | 1 | -1 | 0 | 571 |
| Change in life insurance provisions | 0 | 0 | -620 | -8 | 0 | -628 |
| Change in collective bonus potential | 0 | 0 | -50 | 0 | 0 | -50 |
| Exchange rate adjustments | -64 | 95 | 661 | 17 | 0 | 709 |
| Tax on pension investment returns | 0 | 0 | -126 | -2 | 0 | -128 |
| **Profit before tax** | **167** | **171** | **47** | **-10** | **0** | **375** |

# Notes

## Note 1 Own Shares - Group

| DKK million | H1 2005 | Year 2004 |
|---|---|---|
| Own shares held at beginning of year | 0 | 0 |
| Value adjustments | 24 | 9 |
| Additions | 50 | 57 |
| Disposals | -74 | -66 |
| **Book Value** | **0** | **0** |
| | | |
| Nominal value, beginning of year | 35 | 40 |
| Additions, nominal value | 20 | 29 |
| Disposals, nominal value | -30 | -34 |
| **Nominal value** | **25** | **35** |
| | | |
| Number of shares held at beginning of year | 439,052 | 497,881 |
| Additions, number of shares | 249,005 | 362,913 |
| Disposals, number of shares | -373,488 | -421,742 |
| **Number of shares held at period-end** | **314,569** | **439,052** |
| | | |
| **Percentage of share capital at period-end** | **1.4%** | **2.0%** |

## Note 2 Transition to IFRS

As stated in 'Accounting policies' above, the Alm. Brand Group will present its annual report in accordance with the international financial reporting standards (IFRS). Consequently, the accounting policies for the Group have been changed in a number of areas.

The financial impact from the transition to IFRS etc. is as follows:

**EQUITY RECONCILIATION AT 31 DECEMBER 2004 AND PROFIT FOR 2004**

| DKK million | Opening equity 2004 | Result 2004 | Equity at 31 December 2004 |
|---|---|---|---|
| **2004 policies** | **3,190** | **433** | **3,632** |
| Minority interests | 277 | 44 | 323 |
| Consolidation of Pensionskassen under Alm. Brand A/S | 10 | -2 | 8 |
| Total minority interests | 287 | 42 | 331 |
| Equalisation provisions | 45 | 0 | 45 |
| Discounting of insurance contracts | 40 | 10 | 50 |
| Recognition of claims handling expenses | -142 | 0 | -142 |
| Provisions for insurance contracts relating to health and personal ac | -27 | -14 | -41 |
| Employee benefits | -38 | -9 | -47 |
| Recognition of loans | 19 | -3 | 16 |
| Amortisation of fees | -7 | 1 | -6 |
| Recognition of interest rate swaps at fair value | -37 | 8 | -29 |
| Fair value hedging of fixed-rate loans | 14 | 0 | 14 |
| Other changes | -4 | 0 | -4 |
| Deferred tax on contingency funds | -55 | 0 | -55 |
| Change in tax asset | 329 | -44 | 285 |
| **IAS/IFRS policies** | **3,614** | **424** | **4,049** |

**EQUITY RECONCILIATION AT 30 JUNE 2004 AND PROFIT FOR H1 2004**

| DKK million | Opening equity 2004 | H1 profit 2004 | Equity at 30 June 2004 |
|---|---|---|---|
| **2004 policies** | **3,190** | **242** | **3,442** |
| Minority interests | 277 | 20 | 295 |
| Consolidation of Pensionskassen under Alm. Brand A/S | 10 | 0 | 10 |
| Total minority interests | 287 | 20 | 305 |
| Equalisation provisions | 45 | 29 | 74 |
| Discounting of insurance contracts | 40 | 5 | 45 |
| Recognition of claims handling expenses | -142 | 0 | -142 |
| Provisions for insurance contracts relating to health and personal ac | -27 | 3 | -24 |
| Employee benefits | -38 | -4 | -42 |
| Recognition of loans | 19 | -3 | 16 |
| Amortisation of fees | -7 | 4 | -3 |
| Recognition of interest rate swaps at fair value | -37 | 14 | -23 |
| Fair value hedging of fixed-rate loans | 14 | -3 | 11 |
| Other changes | -4 | 0 | -4 |
| Deferred tax on contingency funds | -55 | 0 | -55 |
| Change in tax asset | 329 | -66 | 263 |
| **IAS/IFRS policies** | **3,614** | **241** | **3,863** |

# Notes

Changes to the accounting policies are described below:

*Basis of consolidation*
All group companies in which Alm. Brand exercises a controlling influence are fully consolidated. Accordingly, the financial statements of the Alm. Brand Bank Group, for which single line consolidation was previously used, are consolidated in full, and unlike previously Pensionskassen under Alm. Brand A/S is also consolidated. A controlling influence is achieved by directly or indirectly holding or having the disposal of more than 50% of the voting rights or otherwise controlling the relevant enterprise.

Intercompany income, expenses, intragroup accounts, shareholdings and dividends and gains and losses on transactions between the consolidated enterprises are eliminated.

*Presentation and comparative figures*
In addition to the changed accounting policies, certain reclassifications and layout changes have been made. Comparative figures in respect of 2004 have been restated to reflect the new layout and accounting policies. The consolidated balance sheet is arranged in increasing order of liquidity.

*Land and buildings*
Land and buildings classified as owner-occupied properties may no longer be stated as investment properties at Group level, but are presented and treated as owner-occupied properties.

Owner-occupied properties are stated at the revalued amount corresponding to the fair value at the revaluation date less depreciation. The revalued amount is calculated using a yield method in accordance with the guidelines issued by the Danish Financial Supervisory Authority.

Value adjustments of owner-occupied properties shall be taken directly to equity, however, a reduction in value which does not correspond to a previous revaluation shall be carried through the profit and loss account.

Revaluation of the Alm. Brand Group's owner-occupied properties which is attributable to the policyholders' share of the investment assets is, however, transferred to the collective bonus potential.

Depreciation is calculated with due consideration to the expected useful life and residual value and is recognised in the profit and loss account over the useful lives of the assets.

No rent is calculated on owner-occupied properties at Group level. Accordingly, expenses related to owner-occupied properties only comprise operating expenses and depreciation and write-downs.

*Furniture and equipment, computers, cars, etc.*
Furniture and equipment, computers, cars etc. are recognised at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets taking into account the expected residual value.

- Cars, 5 years
- Furniture and equipment, 3-5 years
- Computers, 3-5 years

Previously, the expected residual value was not included in the calculation of depreciation.

*Recognition of loans and advances etc.*
The banking group's loans and advances are generally measured at amortised cost including fees etc. less write-downs. The banking group's portfolio of mortgage deeds, which was previously measured at amortised cost, is measured at fair value. Write-downs of loans and advances is determined based on an objective indication of impairment of the individual loan or loan portfolio.

*Amortisation of fees etc.*
Fees etc. forming part of the effective rate of return are amortised as an integral part of the related loans and liabilities. Fees etc. were previously recognised at the time of payment.
*Interest rate swaps*
Interest rate swaps are recognised at fair value. Previously, interest rate swaps were not recognised in the financial statements but used to hedge interest rate risk on fixed-rate loans and mortgage deeds.

*Fair value hedging of fixed-rate loans*
Hedge accounting will still be used to account for part of the fixed-rate loans where interest rate swaps hedge the interest rate risk. The hedge accounting rules have been changed to the effect that value adjustments of the instrument employed for hedging as well as of the hedged loans are recognised.

*Unearned premium provisions*
Unearned premium provisions are stated as the best estimate of future claims for the part of the insurance period not yet run off, including all direct and indirect administrative and claims handling expenses. Unearned premium provisions will, however, as a minimum correspond to an accrual of the premiums collected.

Unearned premium provisions relating to health and personal accident insurance are made up according to market value principles. They are calculated as the difference between the capital

value of the company's liabilities and the capital value of the premiums to be paid by policyholders in the future using a best estimate of insurance risk, costs incurred in managing insurance and the rate of return obtainable in the market.

Previously, unearned premium provisions were made up at the share of premiums which became due for payment during the financial year but whose insurance cover continued into the following year.

*Outstanding claims provisions*
All direct and indirect expenses related to claims handling form part of claims expenses, as opposed to previously when such expenses were partly included in administrative expenses, and are therefore included in the statement of outstanding claims provisions. Previously, all direct and indirect claims handling expenses were recognised in the year in which they were paid.

*Equalisation provisions*
Equalisation provisions relating to annuities in workers' compensation insurance are recognised in the statement of outstanding claims provisions. Other equalisation provisions are transferred to shareholders' equity.

*Discounting of provisions*
Unearned premium provisions and outstanding claims provisions are stated at their discounted value if such discounting materially affects the size of the provisions. Discounting is subject to a variable interest rate structure as determined by the Danish Financial Supervisory Authority from time to time.

*Deferred tax*
Deferred tax is recognised on contingency reserves, and this represents a change as compared with previously.

With effect from 2005, IAS/IFRS prescribe that such tax must be provided, notwithstanding that Alm. Brand does not expect to dissolve its contingency reserve so as to trigger a tax liability. The full amount of deferred tax on the contingency reserve is recognised separately under liabilities.

*Employee benefits*
Provisions are recognised for long-term employee benefits, which were previously expensed at the time of payment.

*Dividends*
Dividends are recognised as a liability in the financial statements at the time of adoption by the shareholders at the annual general meeting. Proposed dividends in respect of the financial year are stated as a separate line item under shareholders' equity.

*Minority interests*
The proportionate shares of the results and equity of subsidiary undertakings attributable to minority interests are recognised as integral parts of the profit/loss for the year and shareholders' equity. Previously, the proportionate share of minority interests of the profit/loss was deducted before the parent company's share of the Group's profit/loss.

# Alm. Brand A/S

# Parent company

## Accounting policies - Parent company

**GENEREL INFORMATION**

The interim report has been prepared based on the provisions of the Danish Financial Business Act and associated provisions in executive orders issued by the Danish Financial Supervisory Authority on the presentation of financial statements by insurance companies and credit institutions. The interim report has otherwise been prepared in compliance with the provisions laid down by the Copenhagen Stock Exchange

The Alm. Brand A/S Group complies with the requirements of the International Financial Reporting Standards (IFRS) from the 1st of January 2005. The accounting policies for the parent company Alm. Brand A/S concerning recognition and measurement complies with the group policies except from:

Participating interests in subsidiaries are recognised and measured at the parent company's share of the book value of the subsidiary at the balance sheet date.

The interim report and the opening balance sheet are unaudited.

# Balance Sheet

## Balance sheet - Parent company

| Mio.kr. | Note | 30 June 2005 | 30 June 2004 | 31 December 2004 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Participating interests in subsidiaries | 1 | 4,240 | 3,379 | 3,462 |
| Participating interests in associated undertakings | | 21 | 21 | 20 |
| **Total investments in subsidiaries and associated undertakings** | | **4,261** | **3,400** | **3,482** |
| Participating interests | | 0 | 0 | 1 |
| Other loans | | 2 | 2 | 2 |
| Deposits with credit institutions | | 150 | 100 | 150 |
| **Total other financial investment assets** | | **152** | **102** | **153** |
| **Total Investment Assets** | | **4,413** | **3,502** | **3,635** |
| Amounts due from subsidaries | | 0 | 13 | 104 |
| Other debtors | | 17 | 0 | 17 |
| **Total debtors** | | **17** | **13** | **121** |
| Cash in hand and demand deposits | | 27 | 101 | 32 |
| Deferred tax | | 35 | 568 | 587 |
| **Total other assets** | | **62** | **669** | **619** |
| Accrued interest | | 1 | 2 | 3 |
| **Total prepayments and accrued income** | | **1** | **2** | **3** |
| **Total assets** | | **4,493** | **4,186** | **4,378** |
| **LIABILITIES** | | | | |
| Share capital | | 1,788 | 1,788 | 1,788 |
| Retained profit | | 2,169 | 1,770 | 1,930 |
| **Total shareholders' equity** | | **3,957** | **3,558** | **3,718** |
| Deferred skat | | 51 | 55 | 55 |
| Other provisions | | 3 | 26 | 26 |
| **Total provisions for other risks and costs** | | **54** | **81** | **81** |
| Amounts owed to credit institutions | | 0 | 100 | 100 |
| Amounts owed to subsidiaries | | 423 | 407 | 421 |
| Other creditors | | 59 | 40 | 58 |
| **Total creditors** | | **482** | **547** | **579** |
| **Total liabilities** | | **4,493** | **4,186** | **4,378** |

# Profit and loss account

## Profit and loss account – Parent company

| DKKm | Note | H1 2005 | H1 2004 | Year 2004 |
|---|---|---|---|---|
| Income from subsidiaries | 2 | 333 | 312 | 520 |
| Income from associated companies | | 0 | 0 | 1 |
| Interest, dividends etc. | | 3 | 2 | 6 |
| Gain and losses on investment assets | | 22 | 0 | 0 |
| Interest expenses | | -8 | -7 | -16 |
| Administrative expenses related to investment activities | | -25 | -26 | -59 |
| **Total return on investments** | | **325** | **281** | **452** |
| **Other ordinary income** | | **0** | **26** | **76** |
| **Other ordinary expenses** | | **0** | **0** | **-51** |
| **Profit/loss before tax** | | **325** | **307** | **477** |
| **Tax** | | **-110** | **-86** | **-95** |
| **Profit/loss for the period** | | **215** | **221** | **382** |

## Statement of changes in equity

| DKK million | Share capital | Retained profit | Shareholders' equity |
|---|---|---|---|
| **At 1 January 2005** | **1,788** | **1,844** | **3,632** |
| Changes in accounting policies | | | |
| Equalisation provisions | | 45 | 45 |
| Discounting of insurance contracts | | 50 | 50 |
| Recognition of claims handling expenses | | -142 | -142 |
| Provisions for insurance contracts relating to health and personal accident insuran | | -41 | -41 |
| Employee benefits | | -47 | -47 |
| Recognition of loans etc. | | 16 | 16 |
| Amortisation of fees | | -6 | -6 |
| Recognition of interest rate swaps at fair value | | -29 | -29 |
| Fair value hedging of fixed-rate loans | | 14 | 14 |
| Other changes | | -4 | -4 |
| Total changes attributable to subsidiaries | | -144 | -144 |
| Deferred tax on contingency funds | | -55 | -55 |
| Change in tax asset | | 285 | 285 |
| **Total changes attributable to IAS/IFRS** | | **86** | **86** |
| **Restated at 1 January 2005** | **1,788** | **1,930** | **3,718** |
| Profit/loss for the period | | 215 | 215 |
| Sale of own shares | | 24 | 24 |
| **At 30 June 2005** | **1,788** | **2,169** | **3,957** |

# Notes

## Note 1 Participating interest in subsidiaries

| DKK million | 30 June 2005 | 30 June 2004 | 31 December 2004 |
|---|---|---|---|
| Cost at beginning of year | 6,042 | 6,047 | 6,047 |
| Additions | 0 | 0 | 0 |
| Disposals | 0 | 0 | -5 |
| **Cost at year-end** | **6,042** | **6,047** | **6,042** |
| Revaluation and write-downs, beginning of year | -3,070 | -3,507 | -3,507 |
| Dividends | 0 | 0 | -104 |
| Reversal of prior-year revaluation and write-downs | 0 | 0 | 5 |
| Revaluation during the year | 562 | 0 | 0 |
| Profit/loss for the year | 213 | 310 | 498 |
| Remission of loans, subsidiaries | 0 | 0 | 29 |
| Revaluation and write-downs on own shares in subsidiaries | 2 | 10 | 9 |
| **Revaluation and write-downs, at year-end** | **-2,293** | **-3,187** | **-3,070** |
| Set-off against debtors and capital base | 491 | 519 | 490 |
| **Book Value** | **4,240** | **3,379** | **3,462** |
| The book value is composed as follows: | | | |
| Alm. Brand Bank A/S | 999 | 789 | 735 |
| Alm. Brand Forsikring A/S | 2,803 | 2,223 | 2,370 |
| Asgaard Finans A/S | 0 | 0 | 0 |
| Finansieringsselskabet Balder A/S | 363 | 365 | 357 |
| Finansieringsselskabet af 9/10 1992 A/S | 75 | 2 | 0 |
| | **4,240** | **3,379** | **3,462** |

## Note 2 Income from subsidiaries

| DKK million | H1 2005 | H1 2004 | Year 2004 |
|---|---|---|---|
| Alm. Brand Bank A/S | 71 | 76 | 124 |
| Alm. Brand Forsikring A/S | 142 | 243 | 389 |
| Asgaard Finans A/S | -1 | 0 | 0 |
| Finansieringsselskabet Balder A/S | 6 | -11 | -19 |
| Finansieringsselskabet af 9/10 1992 A/S | -5 | 2 | 4 |
| | **213** | **310** | **498** |
| The amount comprises the following: | | | |
| Ordinary income from subsidiaries | 333 | 312 | 520 |
| Tax | -120 | -2 | -22 |
| | **213** | **310** | **498** |

## Note 3 Transition to IFRS

### EQUITY RECONCILIATION AT 31 DECEMBER 2004 AND PROFIT FOR 2004

| DKK million | Opening equity 2004 | Profit year 2004 | Equity at 30 June 2004 |
|---|---|---|---|
| **2004 policies** | **3,190** | **433** | **3,632** |
| Equalisation provisions | 45 | 0 | 45 |
| Discounting of insurance contracts | 40 | 10 | 50 |
| Recognition of claims handling expenses | -142 | 0 | -142 |
| Provisions for insurance contracts relating to health and personal | -27 | -14 | -41 |
| Employee benefits | -38 | -9 | -47 |
| Recognition of loans | 19 | -3 | 16 |
| Amortisation of fees | -7 | 1 | -6 |
| Recognition of interest rate swaps at fair value | -37 | 8 | -29 |
| Fair value hedging of fixed-rate loans | 14 | 0 | 14 |
| Other changes | -4 | 0 | -4 |
| Total changes attributable to subsidiaries | -137 | -7 | -144 |
| Deferred tax on contingency funds | -55 | 0 | -55 |
| Change in tax asset | 329 | -44 | 285 |
| **IAS/IFRS policies** | **3,327** | **382** | **3,718** |

### EQUITY RECONCILIATION AT 30 JUNE 2004 AND PROFIT FIRST HALF 2004

| DKK million | Opening equity 2004 | Profit H1 2004 | Equity at 30 June 2004 |
|---|---|---|---|
| **2004 policies** | **3,190** | **242** | **3,442** |
| Equalisation provisions | 45 | 29 | 74 |
| Discounting of insurance contracts | 40 | 5 | 45 |
| Recognition of claims handling expenses | -142 | 0 | -142 |
| Provisions for insurance contracts relating to health and personal | -27 | 3 | -24 |
| Employee benefits | -38 | -4 | -42 |
| Recognition of loans | 19 | -3 | 16 |
| Amortisation of fees | -7 | 4 | -3 |
| Recognition of interest rate swaps at fair value | -37 | 14 | -23 |
| Fair value hedging of fixed-rate loans | 14 | -3 | 11 |
| Other changes | -4 | 0 | -4 |
| Total changes attributable to subsidiaries | -137 | 45 | -92 |
| Deferred tax on contingency funds | -55 | 0 | -55 |
| Change in tax asset | 329 | -66 | 263 |
| **IAS/IFRS policies** | **3,327** | **221** | **3,558** |