


**Alpha Holding A/S**  
CVR-No. 28 88 40 87

**Annual Report for 2015**

The Annual Report has been presented  
and approved at the Annual General  
Meeting of the Company  
on <sup>28/4</sup> 2016

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(Chairman)

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## Company Information

### The Company

Alpha Holding A/S  
c/o Harbour House  
Sundkrogsgade 21  
DK-2100 København Ø

Telephone: +45 70 25 25 95

Fax: +45 70 26 25 95

Registration No.: 28 88 40 87

Established: 1 July 2005

Financial year: 1 January - 31 December

### Board of Directors

Jens Erik Christensen (Chairman)  
Bo Lundqvist (Deputy Chairman)  
Leif Corinth-Hansen  
Thomas Dahl Fredslund  
Bjarke Sanbeck Nilsson

### Board of Executives

Morten Helge

### Auditor

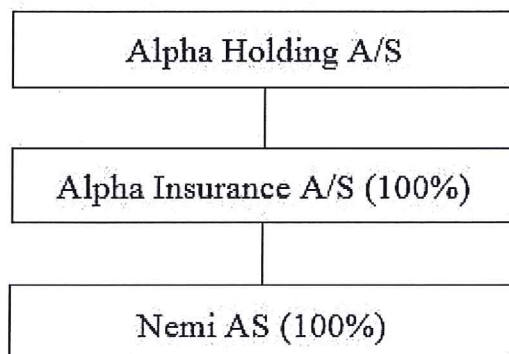
KPMG Statsautoriseret Revisionspartnerselskab  
Dampfærgevej 28  
2100 København Ø

## Management's Report

### Main activity

Alpha Holding A/S is a financial holding and investment company. The Alpha Group consists of Alpha Holding A/S, Alpha Insurance A/S, Nemi Forsikring AS (Norway). Additionally Alpha Insurance A/S has a branch office in Norway.

The group structure of the Alpha Group consists of the following fully owned entities:



### The result of the year and development of the company

The financial year 2015 resulted in a loss before tax for the Alpha Group of DKK -10.9 million against a loss of DKK 32.6 million in 2014. The technical result was DKK -10.0 million in 2015 against DKK 3.9 million compared to 2014.

Return on investments for 2015 was DKK 7.5 million against DKK -27,3 million in 2014.

The net profit for the year 2015 of DKK -33.3 million is not satisfactory.

### Equity and solvency

Alpha Holding A/S equity as at 31 December 2015 amounts to DKK 228.7 million. In 2015, the equity decreased by DKK 7.3 million compared to 31 December 2014.

The equity development in 2015 consists of currency adjustments on participating interests on the Norwegian subsidiary Nemi Forsikring AS, DKK -13.8 million, retained earnings of DKK -33.3 million, adjustment of valuation of shares in Cosa Försäkrings AB, DKK -11.1 million and a capital increase of DKK 51.0 million.

The base capital amounts to DKK 224.9 million.

The solvency requirement of Alpha Holding A/S due to the rules from the Financial Supervisory Authority states that the solvency requirement is the largest of the solvency requirement and the individual solvency requirement in Alpha Insurance A/S. The individual solvency requirement is the largest and amounts to DKK 208 million at December 2015.

## Management's Report

### Capital requirements going forward

As of 1 January 2016 the new solvency capital requirements has become effective. Based on the financial statement for 2015 Alpha Holding A/S has performed a preliminary calculation of the solvency capital requirement and of the own funds covering the solvency requirement going forward.

The calculation is based on a number of assumptions being subject to uncertainties and other elements depending on supervisory approvals. The calculations show a group solvency capital requirement of DKK 255 million and eligible own funds of DKK 288 million.

To strengthen the solvency position of the holding company the management has initiated activities to obtain additional capital.

### Dividend

The Board of Directors proposes no dividends for 2015.

### Insurance activities Group

In 2015, the gross premium income decreased by DKK -201.8 million (-10.2%) to DKK 1,782.0 million. Insurance premiums ceded increased in 2015 by 9.7%, which resulted in premium income for own account decreasing from DKK 1,065.8 million in 2014 to DKK 775.0 million in 2015, a decrease of DKK 290.8 million.

Gross claims incurred amounted to DKK 1,277.5 million in 2015 compared to DKK 1,350.8 million in 2014. Recoveries from reinsurers increased by DKK 179.6 million (27.3%) compared with 2014. Costs of claims net of reinsurance decreased by DKK 253.0 million to DKK 440.7 million.

The insurance operating cost decreased by DKK 8.6 million compared to 2014. In 2015, the insurance operating costs amounted to DKK 371.1 million compared to DKK 379.7 million in 2014.

The combined ratio has increased to 100.6 in 2015 from 100.1 in 2014. The increased combined ratio stems from an increased gross claim ratio of 70.7 compared to 67.9 in 2014 and a increase in the expense ratio from 30.2 in 2014 to 32.6 in 2015 and a decrease in reinsurance ratio from 2.0 in 2014 to 2.7 in 2015.

### Development in subsidiary companies

#### *Alpha Insurance A/S*

Alpha Insurance A/S has license to write almost all classes of general insurance business in most western European countries.

The gross premium income of Alpha Insurance Group amounts to DKK 1,782.0 million in 2015 compared with DKK 1,983.8 million for the same period last year. The technical result amounts to DKK -10.0 million against DKK million 3.9 in 2014. The year's result is a loss of DKK -23.7 million against DKK -11.2 million in 2014.

## Management's Report

### Development in subsidiary companies

#### *Nemi Forsikring AS*

Nemi Forsikring AS is a Norwegian general insurance company, which provides commercial and private insurance policies in Norway.

The result of Nemi Forsikring AS is a loss of DKK 63.4 million in 2015 compared to a loss of DKK 18.3 million in 2014.

The 2015 result is not satisfactory.

#### *Branch office*

The Norwegian branch office had a profit of DKK 8.8 million in 2015 compared to DKK 12.0 million in 2014.

### Investment business

The group's investment business consists of investment in subsidiary companies and associated companies as well as investment in other financial assets.

The Alpha Group operates with a careful investment strategy and investments are mainly made in state bonds. In 2015, the return of investments after insurance technical interest was a profit of DKK 7.5 million against a loss of DKK 27.3 million in 2014.

### Unusual circumstances

The annual report is not affected by unusual circumstances.

### Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

### Expectation for 2016

The Alpha Group expects a positive development of the Groups activity level, with a consequent increase in premium income, as well as a satisfactory insurance result for 2016.

### Risk Management

Management and minimizing of business risks is an important and fundamental part of how the company conducts its business and the company's Board of Directors sets the overall risk policy. The company's management and minimizing of business risks is divided into the following general categories:

- Financial Risk
- Insurance Risk
- Market Risk
- Credit Risk
- Operational Risk

## Management's Report

### *Financial Risk*

The company's target is to maintain adequate capital to absorb the risks that arise from the company's operations. The company has no interest in accumulating capital in excess of what is required for operations and for natural growth, as this would be an inefficient way of hedging risk.

It is the company's policy to hedge against risks arising from the company's activities or to limit such risks to a level that allows the company to maintain normal operations and implement its planned measures even in the case of highly unfavourable developments.

The Board of Directors determines the overall risk policies and limits.

### *Insurance Risk*

The insurance risks assumed include the acceptance and follow-up of policies, claims handling, reserving risk and reinsurance risk. The company assesses insurance risk based on statistical risk type analyses, which are incorporated in pricing. To limit the risk the company has established necessary and relevant procedures for all major business processes and implements follow-ups and control hereof. The financial statement is influenced by estimates that affect assets, debt, and the result for the period and future periods. The estimates are most important for premium and claims provisions, especially for the branches with long tail business such as Workmens Compensation Insurance.

The size of the claims reserves to cover future payment of losses that have occurred is determined both through individual assessment of each claim and actuarial calculations.

An important part of the company's risk management is the use of reinsurance. In order to have sufficient protection against natural disaster risks, this exposure is measured constantly. The company's retention is limited to a maximum of 10% of its capital.

### *Market Risk*

Market risk represents the risk of losses due to changes in the market value of the company's assets and liabilities, as a result of changes in market conditions. Market risk includes among other elements, changes in interest rates, equities and currencies.

The limits for these financial risks are fixed by the Financial Supervisory Board. In practice, the Company handles the investment portfolio, both in relation to the liquidity as well as the long term investments. There are established policies and procedures for the maximum investment risk and there is monthly reporting to the Board of Directors and the Management.

### *Credit risk*

Credit risk is the risk of losses caused by one or more counter-parties' breach of their payment obligations.

The company is exposed to credit risk in both its insurance and investment business. Within insurance, the reinsurance companies' ability to pay is the most important risk factor. This risk is minimized by the purchase of reinsurance cover from reinsurance companies with a minimum rating of A- (S&P), or by the retention of deposits equal to the premium provisions and claims provisions.

To limit the risk in the investment business the investments are made in bonds and shares with high credit ratings, which is also the case for deposits with credit institutions.

## Management's Report

### *Operational risk*

Operational risk is the risk of incurring a loss due to insufficient or faulty procedures or human or systematic errors. Operational risk includes the risk of breakdowns in the IT systems.

In practice, this work is organized through a structure of policies, procedures and guidelines that cover the various aspects of the company's operations.

For all main areas, there are established policies and procedures, which are frequently controlled and changed if necessary.

The Company's business continuity plan and IT safety plan have been approved by the Financial Supervisory Authority and reviewed by the Company's auditors.

The Board of Directors have decided that the entire Board of Directors will be members of the Accounting Committee.

In compliance with Section 31 in the Accountants Act, it is decided that the Board of Directors will take care of the business in the Audit Committee.

### **Board of Directors organization**

Every year the Board of Directors evaluates their work and qualifications to ensure that all members of the Board of Directors are sufficiently competent and skilled. The Board of Directors is specially focused on qualifications for: management experience, economic experience, insurance experience, accounting experience, finance experience, experience of Mergers and Acquisitions and international experience. For diversity the Board of Directors has decided on the strategy that 10 % of the members of the Board of Directors should be women within a period of 4 years.

### **Wage policy**

The Board of Directors decides the wage policy for Alpha Group. The Group only uses fixed salaries. Extraordinary efforts can be paid by one-off fees or bonuses. If a member of the Board, the CEO or another person receives a one-off fee, this fee will be settled according to the financial act § 77a. The Board of Directors decides the wage policy once a year.

### **Employees training and knowledge**

The Alpha Group aims to ensure that the management of the organization is based on a framework which includes the deep rooting of common values, a common business understanding and the shared responsibility for creating value for customers by differentiating itself from competitors through the development of individual employees.

The Group aims to be a dynamic environment where each employee is committed, seeks influence and assumes independent responsibility for the organization and execution of his or her duties. In developing our business, it is essential that we are able to attract and retain qualified employees.



## Management's Report

### Supplementary information

Members of the Board of Directors and the Board of Executives also participate in the management of the following companies:

*Bo Lundqvist:*

Ahpla ApS, Alpha Holding A/S, Alpha Sales Group A/S, Beta Re GmbH, Bo Lundqvist Holding ApS, Delta Insurance Consultancy AG, Perfect Generation ApS and Tappaz ApS.

*Leif Corinth-Hansen:*

Ahpla ApS, Alpha Holding A/S, Beta Re GmbH, Delta Insurance Consultancy AG and Famco-Ha ApS.

*Morten Helge:*

Abh ApS, Alpha Holding A/S, Beta Re GmbH and Delta Insurance Consultancy AG.

*Thomas Dahl Fredslund:*

Alpha Holding A/S

*Bjarke Sanbeck Nilsson:*

Alpha Holding A/S, Slotsholm A/S and Loop Associates A/S.

*Jens Erik Christensen:*

Alpha Holding A/S, Alpha Insurance A/S, Nemi Forsikring AS, Andersen & Martini A/S, Andersen & Martini Biler A/S, Founders A/S, Hugin Experts A/S, Husejernes Forsikring Assurance Agentur A/S, Husejernes Arkitekter og Ingeniører ApS, Mediaxes A/S, Behandlingsvejviseren A/S, P/F Nordikliv Livstryggingarfelag, P/F Trygd Tryggingarfelag, Vördur Tryggingar hf, Vördur Liftryggingar hf, Skandia A/S, Skandia Link Livsforsikring A/S, Skandia Asset management Fondsmæglerselskab A/S, TIP ApS, Prime Office A/S, Dansk Merchant Capital A/S, Nordic Corporate Investment A/S, EcsAct A/S, Sapere Aude ApS.

Financial Highlights, Group

DKK Million	2015	2014	2013	2012	2011
Gross premium income	1.782	1.984	1.988	1.907	1.577
Gross claims incurred	-1.277	-1.351	-1.178	-1.198	-1.051
Bonus and premium discounts	25	6	-6	-19	-3
Total insurance operating, costs, net of reinsurance	-371	-380	-473	-401	-175
Result of ceded business	48	-39	-39	-42	-64
Insurance technical result	-10	4	67	33	-2
Result on investments after insurance technical interest	1	-35	-6	-5	12
Net profit for the year	-33	-19	71	1	1
Run-off result	-13	-91	47	-40	-17
Total insurance technical provisions	2.054	2.028	2.128	2.323	2.145
Total insurance assets	1.251	1.174	973	903	831
Total equity	229	236	279	189	191
Total assets	2.820	3.116	3.087	3.201	2.955
<b>Key figures:</b>					
Gross claims ratio	70,7%	67,9%	59,4%	63,5%	66,6%
Expense ratio	32,6%	30,2%	35,8%	32,7%	30,9%
Combined ratio	100,6%	100,1%	97,2%	98,4%	101,6%
Operating ratio	100,5%	99,8%	96,6%	98,2%	100,2%
Relative run off results	-2,0%	-10,8%	4,5%	-4,1%	1,9%
Return on equity in percent	-14,2%	-7,4%	30,3%	0,5%	0,5%
Solvency coverage	1,1	1,1	-*	-*	-*

**Definition**

Gross claim ratio

(Gross claims paid / Gross premium income) \* 100

Expense ratio

(Total insurance operating costs / Gross premium income) \* 100

Reinsurance ratio

(Result of ceded business / Gross premium income) \* 100

Combined ratio

(Gross claims ratio + Expense ratio + Reinsurance ratio)

Operation ratio

(Combined ratio where premium income is added to the allocated return on investments)

Relative run-off results

(Run-off results compared to reserves as at the beginning of the run off)

Return on equity

(Results for the year / the average equity) \* 100

Solvency coverage

(Base capital / solvency margin)

\*As regulation has changed in 2014 comparison figures are not listed.

## Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Alpha Holding A/S for the financial year 1 January – 31 December 2015.

The annual report has been prepared in accordance with the Danish Financial Business Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2015 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2015.

In our opinion, the Management's review includes a fair review of the development in the Group's and the Parent Company's operations and financial matters, the results for the year and the Group's and the Parent Company's financial position.

We recommend that the annual report be approved at the annual general meeting.

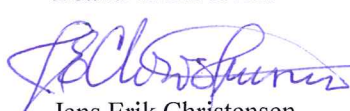
Copenhagen, 12 April 2016

### Board of Executives



Morten Helge

### Board of Directors



Jens Erik Christensen  
(Chairman)



Bo Lundqvist  
(Deputy Chairman)



Thomas Dahl Fredslund



Bjarke Sanbeck Nilsson



Leif Corinth-Hansen

## **Independent Auditors' Report**

**To the shareholders of Alpha Holding A/S**

### **Independent auditors' report on the consolidated financial statements and the parent company financial statements**

We have audited the consolidated financial statements and the parent company financial statements of Alpha Holding A/S for the financial year 1 January – 31 December 2015. The consolidated financial statements and parent company financial statements comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and parent company financial statements are prepared in accordance with the Danish Financial Business Act.

### **Management's responsibility for the consolidated financial statements and the parent company financial statements**

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibility**

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation of consolidated financial statements and parent company financial statements that give a true and fair view 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 Company'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 consolidated financial statements and parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit has not resulted in any qualification.

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## Independent Auditors' Report

### Opinion

In our opinion, the consolidated financial statements and parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2015 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2015 in accordance with the Danish Financial Business Act.

### Emphasis of matters

Without qualifying our opinion, we draw the attention to Note 1 "Capital requirement going forward" describing the company's capital position and the managements' initiative to obtain additional capital.

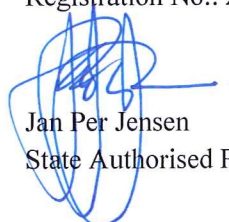
### Statement on the Management's review

Pursuant to the Danish Financial Business Act, we have read the Management's review. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.


Copenhagen, 12 April 2016

### KPMG

Statsautoriseret Revisionspartnerselskab  
Registration No.: 25 57 81 98



Jan Per Jensen  
State Authorised Public Accountant



Mark Palmberg  
State Authorised Public Accountant

**Income Statement for 1 January - 31 December**

Parent company			Group		
2014	2015		2015	2014	
(DKK '000)	(DKK '000)	Note	(DKK '000)	(DKK '000)	
-	-	2,5	Gross premiums	1.728.934	1.980.761
-	-		Insurance premiums ceded	-938.530	-1.029.576
-	-		Change in premium reserve	53.092	3.038
-	-		Change in reinsurer's share of premium provisions	-68.512	111.528
-	-		<b>Premium income, net of reinsurance</b>	<b>774.984</b>	<b>1.065.751</b>
-	-	3	<b>Insurance technical interest</b>	<b>1.492</b>	<b>5.249</b>
-	-		Gross claims paid	-1.286.805	-1.155.310
-	-		Reinsurance cover received	670.207	481.512
-	-		Change in gross claims provisions	9.347	-195.529
-	-		Change in reinsurers' share of claims provisions	166.518	175.627
-	-		<b>Cost of claims, net of reinsurance</b>	<b>-440.733</b>	<b>-693.700</b>
-	-		<b>Bonus and premium discounts</b>	<b>25.288</b>	<b>6.350</b>
-	-		Acquisition costs	-406.788	-433.368
-	-	6	Administrative expenses	-182.415	-168.064
-	-		Reinsurance commissions and profit participations with reinsurers	218.123	221.718
-	-	5	<b>Insurance operating costs, net of reinsurance</b>	<b>-371.080</b>	<b>-379.714</b>
-	-		<b>Insurance technical result</b>	<b>-10.049</b>	<b>3.936</b>



**Total income for 1 January - 31 December**

Parent company			Group	
2014	2015		2015	2014
(DKK '000)	(DKK '000)	Note	(DKK '000)	(DKK '000)
-19.138	-33.288	Net profit for the year	-33.288	-19.138
-19.081	-13.835	Currency adjustments in affiliated companies abroad	-13.835	-19.081
-	-11.146	Adjustment to the opening balance in affiliated company	-11.146	-
<u>-19.081</u>	<u>-24.981</u>	Other total income	<u>-24.981</u>	<u>-19.081</u>
<u><b>-38.219</b></u>	<u><b>-58.269</b></u>	<b>Total income for the period</b>	<u><b>-58.269</b></u>	<u><b>-38.219</b></u>



**Balance Sheet as at 31 December**

Assets				
Parent company			Group	
2014	2015		2015	2014
(DKK '000)	(DKK '000)	Note	(DKK '000)	(DKK '000)
-	-		36.635	22.752
-	-	9	<b>36.635</b>	<b>22.752</b>
-	-		4.193	3.175
-	-	10	<b>4.193</b>	<b>3.175</b>
387.711	339.041	11	-	-
-	-	12	813	1.298
<b>387.711</b>	<b>339.041</b>		<b>813</b>	<b>1.298</b>
-	-		-	23.554
-	-		560.044	855.306
241	1		86.070	105.247
-	-		67.512	11.782
<b>241</b>	<b>1</b>		<b>713.626</b>	<b>995.889</b>
<b>387.952</b>	<b>339.042</b>		<b>714.439</b>	<b>997.187</b>
-	-		250.335	323.644
-	-	17	1.000.196	849.946
-	-		<b>1.250.531</b>	<b>1.173.590</b>

**Balance Sheet as at 31 December**

			Assets	
Parent company			Group	
2014	2015		2015	2014
(DKK '000)	(DKK '000)	Note	(DKK '000)	(DKK '000)
-	-			
			535.391	564.158
-	-		17.383	13.908
-	-		<b>552.774</b>	<b>578.066</b>
-	-			
-	-		128.497	152.292
-	-		10.326	18.285
446	369		48.784	83.612
<b>446</b>	<b>369</b>		<b>187.607</b>	<b>254.189</b>
<b>446</b>	<b>369</b>		<b>1.990.912</b>	<b>2.005.845</b>
761	-		-	761
-	-		-	122
5.031	6.935	8	30.994	46.191
-	-		12	9
-	-		4.587	4.865
<b>5.792</b>	<b>6.935</b>		<b>35.593</b>	<b>51.948</b>
-	-		5.086	7.817
177	398		33.448	27.573
<b>177</b>	<b>398</b>		<b>38.534</b>	<b>35.390</b>
<b>394.367</b>	<b>346.744</b>		<b>2.820.306</b>	<b>3.116.297</b>

## Balance Sheet as at 31 December

## Liabilities and equity

Parent company			Group	
2014	2015		2015	2014
(DKK '000)	(DKK '000)	Note	(DKK '000)	(DKK '000)
32.000	37.400		37.400	32.000
-4.557	-4.557		-4.557	-4.557
-	45.600		45.600	-
93.434	44.764		-	-
1.580	1.580		1.580	1.580
113.479	103.880		148.644	206.913
<b>235.936</b>	<b>228.667</b>	13	<b>228.667</b>	<b>235.936</b>
<b>133.324</b>	<b>93.281</b>	14	<b>242.531</b>	<b>282.196</b>
-	-		454.397	528.967
-	-	16	1.599.616	1.498.696
-	-		<b>2.054.013</b>	<b>2.027.663</b>
-	-	8	4.428	4.004
-	-		2.208	1.243
-	-		-	24.900
-	-		<b>6.636</b>	<b>30.147</b>
-	-		<b>26.180</b>	<b>34.320</b>
-	-		23.293	93.587
-	-		120.370	258.406
-	-		23.302	24.636
23.823	21.829		-	6.001
-	-		9.506	-
1.284	2.967		54.143	90.489
<b>25.107</b>	<b>24.796</b>		<b>230.613</b>	<b>473.119</b>
-	-		<b>31.666</b>	<b>32.916</b>
<b>394.367</b>	<b>346.744</b>		<b>2.820.306</b>	<b>3.116.297</b>

15 Information on staff and remuneration

18 Contingent liabilities etc.

19 Related parties, etc.

20 Other notes information

## Equity

(DKK '000) Parent company	Share capital	Holding of own shares	Share premium	Reserve equity method	Reserve fund	Retained earnings	Total
<b>Equity 1 January 2014</b>	<b>32.000</b>	-	-	<b>116.902</b>	<b>1.580</b>	<b>128.230</b>	<b>278.712</b>
Currency adjustments in affiliated companies	-	-	-	-19.081	-	-	-19.081
Distribution of profit	-	-	-	-4.387	-	-14.751	-19.138
<b>Total income for the year 2014</b>	-	-	-	<b>-23.468</b>	-	<b>-14.751</b>	<b>-38.219</b>
Holding of own shares	-	-4.557	-	-	-	-	-4.557
<b>Equity 31 December 2014</b>	<b>32.000</b>	<b>-4.557</b>	-	<b>93.434</b>	<b>1.580</b>	<b>113.479</b>	<b>235.936</b>
Adjustment to the opening balance in affiliated company	-	-	-	-11.146	-	-	-11.146
Currency adjustments in affiliated companies	-	-	-	-13.835	-	-	-13.835
Distribution of profit	-	-	-	-23.689	-	-9.599	-33.288
<b>Total income for the year 2015</b>	-	-	-	<b>-48.670</b>	-	<b>-9.599</b>	<b>-58.269</b>
Increase of capital	5.400	-	45.600	-	-	-	51.000
<b>Equity 31 December 2015</b>	<b>37.400</b>	<b>-4.557</b>	<b>45.600</b>	<b>44.764</b>	<b>1.580</b>	<b>103.880</b>	<b>228.667</b>

*Amount of one share DKK 1. Total shares 37.400.000*

## Equity

(DKK '000) Group	Share capital	Holding of own shares	Share premium	Reserve fund	Retained earnings	Total
<b>Equity 1 January 2014</b>	<b>32.000</b>	-	-	<b>1.580</b>	<b>245.132</b>	<b>278.712</b>
Currency adjustments in affiliated companies	-	-	-	-	-19.081	-19.081
Distribution of profit	-	-	-	-	-19.138	-19.138
<b>Total income for the year 2014</b>	-	-	-	-	<b>-38.219</b>	<b>-38.219</b>
Holding of own shares	-	-4.557	-	-	-	-4.557
<b>Equity 31 December 2014</b>	<b>32.000</b>	<b>-4.557</b>	-	<b>1.580</b>	<b>206.913</b>	<b>235.936</b>
Adjustment to the opening balance in affiliated company	-	-	-	-	-11.146	-11.146
Currency adjustments in affiliated companies	-	-	-	-	-13.835	-13.835
Distribution of profit	-	-	-	-	-33.288	-33.288
<b>Total income for the year 2015</b>	-	-	-	-	<b>-58.269</b>	<b>-58.269</b>
Increase of capital	5.400	-	45.600	-	-	51.000
<b>Equity 31 December 2015</b>	<b>37.400</b>	<b>-4.557</b>	<b>45.600</b>	<b>1.580</b>	<b>148.644</b>	<b>228.667</b>

## Notes

## Note 1 - Capital requirements going forward

The new regulation include a concept of own funds and consolidation of solvency capital requirements for Alpha Holding A/S and for Alpha Holding Group.

Based on the financial statement for 2015 Alpha has performed a preliminary calculation of the solvency capital requirement and of the own funds covering the solvency requirement going forward. The calculation is based on a number of assumptions being subject to uncertainties and other elements depending on supervisory approvals.

Based on the limited free solvency capital and the above mentioned uncertainties the management has considered that additional capital could be required. Accordingly, Management has initiated activities to obtain additional capital to strengthen the solvency and support future development for the company.

Parent company			Group	
2014	2015		2015	2014
(DKK '000)	(DKK '000)	Note 2 - Gross premiums	(DKK '000)	(DKK '000)
		<i>Geographical division of gross premiums:</i>		
-	-	Denmark	276.576	342.761
-	-	Other EU countries	857.603	1.020.853
-	-	Other countries	594.755	617.147
<u>-</u>	<u>-</u>		<u>1.728.934</u>	<u>1.980.761</u>
		<b>Note 3 - Insurance technical interest</b>		
-	-	Discounting of claims provisions	-4.908	-2.820
-	-	Transferred from investment income	6.400	8.069
<u>-</u>	<u>-</u>		<u>1.492</u>	<u>5.249</u>
		<b>Note 4 - Claims</b>		
<u>-</u>	<u>-</u>	Gross run-off results	<u>-12.699</u>	<u>-167.410</u>
<u>-</u>	<u>-</u>	Run-off results at own account	<u>-13.293</u>	<u>-90.613</u>

Notes

Note 4 - Claims, continued

	Number of claims	Average claims	Claims rate
<i>The development in claims can be specified as follows (Group):</i>			
Sickness and accident insurance	215	98.832	0,4%
Workers compensation insurance	2.286	80.842	21,8%
Motor liability insurance	6.267	45.182	6,2%
Motor own damage insurance	21.047	18.105	22,8%
Marine, aviation and goods insurance	53	N/A	N/A
Fire and contents insurance (domestic)	2.948	36.813	4,3%
Fire and contents insurance (commercial)	2.428	43.724	4,9%
Liability insurance	1.179	96.259	10,8%
Credit and surety insurance	10	213.069	0,3%
Legal expenses insurance	595	34.041	0,4%
Other direct insurance and proportional reinsurance	1.939	30.485	1,2%

Note 5 - Specifications on Insurance classes

Group	Sickness and accident insurance		Workers compensation insurance		Motor liability insurance		Motor own damage insurance		Marine, aviation and goods insurance		Fire and contents, domestic insurance	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
<b>DKK million</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
Gross premiums	31,7	36,4	263,6	213,5	256,2	335,9	328,4	461,3	16,8	1,7	133,4	230,8
Gross premium income	31,3	37,7	240,5	222,4	286,5	323,1	377,5	441,0	6,6	4,4	121,6	230,7
Gross claims incurred	-21,2	-20,4	-183,1	-165,0	-283,2	-292,2	-381,1	-406,1	0,8	5,0	-108,5	-169,2
Insurance operating costs	-3,4	-9,3	-108,3	-14,4	8,4	-12,0	5,0	-23,6	1,3	4,1	6,1	27,2
Profit of ceded business	-0,8	-0,9	10,3	-33,6	50,6	20,3	72,8	33,4	-3,0	-7,7	-3,1	6,0
Technical interest f.o.a.	0,0	0,0	-0,1	0,0	0,0	0,1	-0,1	0,1	0,0	0,0	0,0	0,0
Insurance technical result	4,8	-3,4	-50,0	-15,9	13,0	-22,3	18,7	-38,4	-1,0	6,1	0,5	50,1

## Notes

## Note 5 - Specifications on Insurance classes, continued

Group DKK million	Fire and contents, commercial insurance		Liability insurance		Credit and surety insurance		Legal expenses insurance		Other direct insurance and proportional reinsurance		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Gross premiums	186,4	205,8	149,1	206,1	43,9	32,2	188,2	179,9	131,2	77,2	1.728,9	1.980,7
Gross premium income	185,5	208,5	199,3	232,9	43,1	33,7	189,6	178,8	100,3	70,5	1.782,0	1.983,8
Gross claims incurred	-106,2	-80,2	-113,5	-158,1	-2,2	-14,7	-20,3	-5,4	-59,1	-44,6	-1.277,5	-1.350,8
Insurance operating costs	-15,9	-39,8	-22,4	-19,1	-8,0	-4,1	-125,0	-167,1	-108,9	-121,6	-371,1	-379,7
Profit of ceded business	-17,2	-13,2	-39,6	-19,6	-11,1	-8,6	-7,5	-4,8	-3,6	-10,5	47,8	-39,2
Technical interest f.o.a.	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	1,7	5,0	1,5	5,2
Insurance technical result	8,6	64,4	24,6	5,6	11,5	6,6	34,4	9,4	-75,2	-58,4	-10,0	3,9

Parent company		Note 6 - Administrative expenses	Group	
2014 (DKK '000)	2015 (DKK '000)		2015 (DKK '000)	2014 (DKK '000)
		<i>Audit fee:</i>		
188	94	KPMG P/S	1.063	1.417
-	-	Others	501	560
<b>188</b>	<b>94</b>	<b>Total</b>	<b>1.564</b>	<b>1.977</b>
		<i>Fee for other assurance services:</i>		
-	-	KPMG P/S	117	281
-	-	<b>Total</b>	<b>117</b>	<b>281</b>

## Note 7 - Currency and marketable securities adjustments

-	-	Gains and losses as a result of changes in the interest rate used for discounting of claims provision	-3.747	-10.735
-	-	Shares	18.054	354
-	-	Units in investment associations	-2.148	-940
-	-	Bonds	-10.042	-10.858
-3.168	729	Currency adjustments	10.437	1.103
<b>-3.168</b>	<b>729</b>		<b>12.554</b>	<b>-21.076</b>



## Notes

Parent company			Group	
2014	2015		2015	2014
(DKK '000)	(DKK '000)	Note 8 - Tax on net results	(DKK '000)	(DKK '000)
-	-	Current tax	9.506	-
-	-	Adjustment concerning previous years	-	-3.998
-	559	Adjustment of deferred tax, previous years	15.278	-8.643
-4.787	-2.777	Change in deferred tax	-2.422	-800
<b>-4.787</b>	<b>-2.218</b>		<b>22.362</b>	<b>-13.441</b>
<i>Total tax on total income for the year can be explained as follows:</i>				
-23.925	-35.506	Profit before tax	-10.926	-32.579
4.386	23.689	Reversal of income from Group entities and branch	54.610	28.617
<b>-19.539</b>	<b>-11.817</b>	<b>Total income</b>	<b>43.683</b>	<b>-3.962</b>
24,5%	23,5%	Applicable tax rate	23,5%	24,5%
-4.787	-2.777	<b>Tax calculated on total income</b>	<b>10.266</b>	<b>-971</b>
<i>Tax on permanent differences:</i>				
-	-	Income not subject to tax	-91	-333
-	-	Expenses disallowed for tax purposes	384	513
-	-	Change in tax rate	-	-542
-4.787	-2.777	<b>Tax on total income for the year</b>	<b>10.559</b>	<b>-1.333</b>
-	-	Adjustment of tax relating to previous years	-	-1.801
-	559	Adjustment of deferred tax, previous years	15.278	-8.643
-	-	Adjustment of expenses non deferred tax	-3.475	-1.664
<b>-4.787</b>	<b>-2.218</b>	<b>Tax expense</b>	<b>22.362</b>	<b>-13.441</b>

## Notes

## Note 8 - Tax on net results, continued

*Deferred tax can be specified as follows:*

**Parent company**

<b>Deferred tax</b>	<b>1/1 2015</b>	<b>Adjustment</b>	<b>31/12 2015</b>
	(DKK '000)	of the year	(DKK '000)
		(DKK '000)	(DKK '000)
Tax loss carried forward	-5.792	-1.143	-6.935
	<u>-5.792</u>	<u>-1.143</u>	<u>-6.935</u>
<i>Recognized as:</i>			
Deferred tax asset			-6.935
Deferred tax liability			-
			<u>-6.935</u>

**Group**

<b>Deferred tax</b>	<b>1/1 2015</b>	<b>Adjustment</b>	<b>31/12 2015</b>
	(DKK '000)	of the year	(DKK '000)
		(DKK '000)	(DKK '000)
Equipment etc.	-151	35	-116
Software	468	0	468
Amounts receivables from policy holders	4.076	0	4.076
Tax loss carried forward	-47.341	16.347	-30.994
	<u>-42.948</u>	<u>16.382</u>	<u>-26.566</u>
<i>Recognized as:</i>			
Deferred tax asset			-30.994
Deferred tax liability			4.428
			<u>-26.566</u>

## Notes

Parent company			Group	
2014 (DKK '000)	2015 (DKK '000)		2015 (DKK '000)	2014 (DKK '000)
Software		<b>Note 9 - Immaterial assets, continued</b>	Software	
-	-	Cost at 1 January 2015	59.860	48.077
-	-	Currency adjustment on opening balance sheet	-2.993	-3.214
-	-	Additions	19.453	17.471
-	-	Disposals	-	-2.474
-	-	<b>Cost at 31 December 2015</b>	<b>76.320</b>	<b>59.860</b>
-	-	Depreciation at 1 January 2015	37.108	34.417
-	-	Currency adjustment on opening balance sheet	-2.113	-2.401
-	-	Depreciation for the year	4.690	5.092
-	-	<b>Depreciation at 31 December 2015</b>	<b>39.685</b>	<b>37.108</b>
-	-	<b>Net asset value at 31 December 2015</b>	<b>36.635</b>	<b>22.752</b>
Office equipment		<b>Note 10 - Tangible assets</b>	Office equipment	
-	-	Cost at 1 January 2015	19.194	20.029
-	-	Currency adjustment on opening balance sheet	-937	-1.127
-	-	Additions	2.808	2.001
-	-	Disposals	-	-1.709
-	-	<b>Cost at 31 December 2015</b>	<b>21.065</b>	<b>19.194</b>
-	-	Depreciation at 1 January 2015	16.019	16.788
-	-	Currency adjustment on opening balance sheet	-772	-930
-	-	Depreciation for the year	1.625	1.283
-	-	Depreciation on disposed assets	-	-1.122
-	-	<b>Depreciation at 31 December 2015</b>	<b>16.872</b>	<b>16.019</b>
-	-	<b>Net asset value at 31 December 2015</b>	<b>4.193</b>	<b>3.175</b>

## Notes

Parent company			Group	
2014	2015		2015	2014
(DKK '000)	(DKK '000)	Note 11 - Interest in affiliated companies	(DKK '000)	(DKK '000)
<u>294.277</u>	<u>294.277</u>	Cost at 1 January 2015	-	-
<b><u>294.277</u></b>	<b><u>294.277</u></b>	<b>Cost at 31 December 2015</b>	-	-
116.902	93.434	Adjustments at 1 January 2015	-	-
-	-11.146	Adjustment to the opening balance in affiliated company	-	-
-19.081	-13.835	Currency adjustment of the opening equity in affiliated company	-	-
6.790	-	Elimination of group goodwill	-	-
<u>-11.177</u>	<u>-23.689</u>	Net profit for the year	-	-
<b><u>93.434</u></b>	<b><u>44.764</u></b>	<b>Adjustments at 31 December 2015</b>	-	-
<b><u>387.711</u></b>	<b><u>339.041</u></b>	<b>Net asset value at 31 December 2015</b>	-	-
				<b>Alpha Insurance A/S</b>
Registered Office				Copenhagen
Equity interest				100%
Share of net profit for the year				<u>-23.689</u>
Share of equity				<u>339.041</u>
		<b>Note 12 - Interest in associated companies</b>		
<u>-</u>	<u>-</u>	Cost at 1 January 2015	<u>281</u>	<u>281</u>
<b><u>-</u></b>	<b><u>-</u></b>	<b>Cost at 31 December 2015</b>	<b><u>281</u></b>	<b><u>281</u></b>
-	-	Adjustments at 1 January 2015	1.017	1.413
-	-	Net profit for the year	389	1.004
<u>-</u>	<u>-</u>	Distributed dividend	<u>-874</u>	<u>-1.400</u>
<b><u>-</u></b>	<b><u>-</u></b>	<b>Adjustments at 31 December 2015</b>	<b><u>532</u></b>	<b><u>1.017</u></b>
<b><u>-</u></b>	<b><u>-</u></b>	<b>Net asset value at 31 december 2015</b>	<b><u>813</u></b>	<b><u>1.298</u></b>

## Notes

## Note 12 - Interest in associated companies, continued

	<b>Alpha Sales Group A/S</b>
Registered Office	Copenhagen
Equity interest	25%
Share of net profit for the year	<u>389</u>
Share of equity	<u>813</u>

Parent company			Group	
2014 (DKK '000)	2015 (DKK '000)		2015 (DKK '000)	2014 (DKK '000)
		<b>Note 13 - Equity</b>		
		<i>The calculation of base capital can be specified as follows:</i>		
235.936	228.667	Equity at 31 December	228.667	235.936
44.856	51.994	Subordinated loan capital	51.994	44.856
-75.181	-48.846	Adjustment for subsidiary eligible own funds	-48.846	-75.181
<u>-5.031</u>	<u>-6.935</u>	Deferred tax asset	<u>-6.935</u>	<u>-5.031</u>
<b><u>200.580</u></b>	<b><u>224.880</u></b>	<b>Base capital at 31 December</b>	<b><u>224.880</u></b>	<b><u>200.580</u></b>

## Note 14 - Subordinated loan capital

The subordinated loan capital, is DKK 93 million. The interest rate for the loan is 7% pro anno. The subordinated loan is free of amortization until 31 October 2020. At this time the terms for repayment will be settled.

In the base capital of the subordinated capital, which corresponds to 25 % of the affiliated company Alpha Insurances SCR DKK 52,0 million.

The loan respects payment to all other creditors in Alpha Holding A/S before the loan will be settled.

## Notes

Parent company			Group	
2014	2015		2015	2014
(DKK '000)	(DKK '000)		(DKK '000)	(DKK '000)
<b>Note 15 - Information on staff and remuneration</b>				
<i>Total staff costs compose:</i>				
1.650	1.650	Wages and salaries	72.448	72.448
-	-	Pension plans	4.530	4.530
-	-	Expenses to social security and other staff costs	13.146	13.146
<b>1.650</b>	<b>1.650</b>		<b>90.124</b>	<b>90.124</b>
-	-	Risk taker	6.217	6.271
-	-	Board of Executives	6.179	6.241
1.650	1.650	Board of Directors	4.205	4.157
<b>1.650</b>	<b>1.650</b>		<b>16.601</b>	<b>16.669</b>
1	1	Members of the Executive Board	1	1
5	5	Members of the Board	5	5
0	0	Average number of employees	124	96

The Group primarily uses fixed salaries and has not paid one-off fees or bonuses in 2015. Alpha Group has identified the Chief Executive Office in Alpha Insurance as the Risk taker. The Risk taker signs on all risks.

**Remuneration to the board of directors**

Board of Directors - total remuneration Group (DKK'000)

	Total 2015	Total 2014
Jens Erik Christensen	750	750
Bo Lundqvist	375	375
Leif Corinth-Hansen	150	150
Thomas Dahl Fredslund	188	150
Bjarke Sanbeck Nilsson	187	150
Morten Helge	750	755

The Board of Directors does not have any bonus or options and does not have any

## Notes

## Note 15 - Information on staff and remuneration, continued

Board of Executives - total remuneration Group (DKK'000)

	Year	Remuneration	Pension	Benefits	Total
Leif Corinth-Hansen	2015	6.021	118	78	6.217
Morten Helge	2015	0	0	0	0
Leif Corinth-Hansen	2014	6.051	118	102	6.271
Morten Helge	2014	0	0	0	0

Parent company			Group	
Insurance year through 2014 (DKK '000)	Insurance year 2015 (DKK '000)		Insurance year 2015 (DKK '000)	Insurance year through 2014 (DKK '000)
		<b>Note 16 - Claims provisions, gross</b>		
-	-	1 January	-	1.498.696
-	-	Gross claims incurred	1.027.187	250.271
-	-	Claims paid	-584.972	-701.832
-	-	Currency adjustments	101.108	9.158
-	-	<b>31 December</b>	<b>543.323</b>	<b>1.056.293</b>

Parent company			Group	
Insurance year through 2014 (DKK '000)	Insurance year 2015 (DKK '000)		Insurance year 2015 (DKK '000)	Insurance year through 2014 (DKK '000)
		<b>Note 17 - Reinsurers share of claims provisions</b>		
-	-	1 January	-	849.946
-	-	Change in claims provisions	616.743	219.982
-	-	Claims paid	-325.206	-345.001
-	-	Currency adjustments	-15.307	-961
-	-	<b>31 December</b>	<b>276.230</b>	<b>723.966</b>

Notes

Parent company		Note 18 - Contingent liabilities, etc.	Group	
2014 (DKK '000)	2015 (DKK '000)		2015 (DKK '000)	2014 (DKK '000)
-	-	Rent commitments	27.673	15.665
-	-		<b>27.673</b>	<b>15.665</b>

The following assets are registered as provision of security for the technical provisions:

-	-	Shares	67.283	246
-	-	Units in investment associations	-	23.554
-	-	Bonds and accrued interests	565.046	834.459
-	-	Banks and deposits	79.690	101.752
-	-	Receivables	1.142.416	1.057.680
-	-		<b>1.854.435</b>	<b>2.017.691</b>

Alpha Insurance A/S has made a letter of intent to Nemi Forsikring AS to give further capital if needed for Nemi Forsikring AS to fulfill the requirements for solvency.

**Note 19 - Related parties, etc.**

Related parties to Alpha Holding A/S comprise the following:

**Controlling interest**

Ahpla ApS Principal shareholder

**Other related undertakings**

Alpha Insurance A/S Subsidiary Company

NEMI Forsikring AS Affiliated Company

Claims handling agreement	2015	2014
	2.411	-

Transactions between Alpha Insurance and affiliated companies are conducted on an arm's length basis.

**Intra-group transactions:**

Administration fee, etc. is fixed on a cost-recovery basis. Intra-group accounts are offset and carry interests on market terms.

Transactions with group companies have been eliminated in the consolidated financial statements in accordance with the accounting policies.



## Notes

### Note 19 - Related parties, etc., continued

#### *Other related parties*

Alpha Insurance has entered a broker agreement on market terms with Beta Re GmbH on certain agency contracts. Brokerage for this service amounts to TDKK 2,488 (-).

Alpha Insurance has entered into binding authority agreements with Beta Aviation ApS and Lima Agency Ltd. on market terms. Commission paid in relation to these agreements amounts to TDKK 2,013 (-) and TDKK 3,002 (-) respectively.

#### *Ownership*

The following shareholders are registered in the register of shareholders as owners of least 5 % of the voting rights or at least 5 % of the share capital.

Ahpla ApS  
c/o Harbour House  
Sundkrogsgade 21  
DK-2100 Copenhagen Ø

Peter Vagn-Jensen  
Selchausdalvej 4  
4291 Ruds-Vedby

The Annual Report for Alpha Holding A/S is a part of the consolidated accounts of Ahpla ApS.

Remuneration of the Executive Board and the Board are presented in note 14.

Administration fees, etc. are settled on a cost recovery basis. The consolidated accounts are offset and earn interest on market terms. The companies in the Alpha Group have entered into reinsurance contracts based on market terms. Transactions with subsidiary company have been eliminated in the consolidated accounts, in accordance with the accounting policies applied.

### Note 20 - Other note information

In accordance with § 91a in the regulations for financial report for insurance companies and no occupational pension funds a five-year plan is describe on the last page in the management statement.

## Accounting policies

The Annual Report of Alpha Holding A/S for 1 January - 31 December 2015 has been presented in accordance with the provisions of the Danish Financial Business Act and the Danish Financial Supervisory Authority's Executive Order no. 112 of 7 February 2013 on Financial Reports for Insurance Companies and Multi-Employer Occupational Pension Funds.

The financial statement have been presented applying the accounting policies consistently with last year.

### **Recognition and measurement**

Income is recognised in the Income Statement as earned, including value adjustments of financial assets and liabilities. All expenses including depreciation/amortisation and impairment claims 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 Company and when the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that the future economic benefits will flow out of the Company and when the measurement of the value of the liability is reliable.

On initial recognition, assets and liabilities are recognised at cost, Subsequently, assets and liabilities are measured as described below for each item.

Certain financial assets and liabilities are measured at amortised cost where a constant effective interest is recognised over the maturity. Amortised cost is stated as original cost less any principal repayments and with the addition/deduction of the cumulative amortisation of any difference between cost and nominal amount.

Allowances are made for predictable claims and risks that arise before the presentation of the Interim Report and that confirm or invalidate circumstances that existed at the balance sheet date.

### ***Consolidated financial statements***

The consolidated financial statements comprise the parent company Alpha Insurance A/S and subsidiaries controlled by the parent company. Control is achieved where the parent company directly or indirectly holds more than 50 per cent of the voting rights or is otherwise able to exercise or actually exercise control. If the parent company holds more than 50 per cent without the ability to exercise control of the entity the interests are recognized as "Shares" under "Other financial investment assets".

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and the subsidiaries, which are all prepared in accordance with the Group's accounting policies.

The consolidated financial statements are prepared by adding together uniform items and eliminating intra-group income and expenses, investments, balances and dividends as well as realised and unrealised gains and losses on transactions between the consolidated companies.

Newly acquired or newly formed companies are recognised in the consolidated financial statements from the date of acquisition. Companies sold or discontinued are recognised in the consolidated income statement up to the time of sale or discontinuance.

## Accounting policies

### *Consolidated financial statements (continued)*

Newly acquired subsidiaries are accounted for using the purchase method of accounting, according to which the identifiable assets, liabilities and contingent liabilities of the newly acquired companies are measured at fair value at the time of acquisition.

Negative differences between the cost of the acquisition and the fair value of the acquired identifiable assets, liabilities and contingent liabilities are recognised in the income statement at the time of acquisition.

Minority interests are recognised at the time of acquisition at the proportionate share of the fair value of the acquired identifiable assets, liabilities and contingent liabilities.

Gains or losses on the disposal or discontinuance of subsidiaries are calculated as the difference between the selling price and the book value of net assets at the time of sale as well as anticipated expenses relating to sale.

### *Foreign currency*

Transactions denominated in foreign currencies are converted at the exchange rates at the dates of transaction. Exchange differences arising between the rate on the date of transaction and the rate on the payment day are recognised in the Income Statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are converted by applying the exchange rates at the balance sheet date. Differences arising between the rate at the balance sheet date and the rate at the date of the arising of the receivable or payable are recognised in the Income Statement under financial income and expenses.

Fixed assets purchased in foreign currencies are measured at the rate of the date of transaction.

## **The Income Statement**

### *Premium income*

Gross premiums are listed as the year's payable premiums stemming from insurance agreements which pertain to the financial year.

### *Reinsurance contracts*

Reinsurance contracts are defined as insurance contracts entered into with reinsurers under which the company is fully or partially compensated for losses on one or more insurance contracts issued by the company. Alpha Insurance uses reinsurance as a normal part of its business for the purpose of limiting possible losses through the spreading of risk. Reinsurance does not change the company's liabilities towards the policyholders. Conclusion of reinsurance contracts therefore means that the company is exposed to credit risk as far as receivables from reinsurers are concerned.

## Accounting policies

### *Claims*

Paid gross claims are listed as the year's paid claims including internal and external expenses of inspection and evaluation of damages and various direct and indirect expenses related to the treatment of occurred damages.

### *Bonus and rebates*

The premium amounts repaid or to be repaid to policyholders are recognized as bonus and rebates when the repayment amount is determined on the basis of the claims experience during the financial year for the individual insurance contract or a portfolio of insurance contracts based on criteria laid down prior to beginning of the accounting period or when the insurance contracts are taken out. The provision for bonuses and rebates includes expected amounts payable to policyholders based on their claims experience during the accounting period.

### *Acquisitions cost*

Acquisitions cost is listed as costs related to purchase and renew of the portfolio.

The majority of the business written is distributed by intermediaries and is based on, so-called account solutions. The account solution business model means that the result of the insurance business is shared with the respective intermediaries.

An insurance technical profit under these agreements represents a duty for the Company to pay additional commissions to the intermediary and a technical loss will give the Company a right to claim an amount from said intermediaries mainly in the form of the right to assume future profitable business from the intermediary. The duty to pay commission is accrued as payables to brokers and the income will be accrued to the extent this is earned on business in force. The account solution does not in any way limit the amount if risk transfer towards the original insured within the compulsory insurance classes.

### *Administrative expenses*

Administrative expenses are listed as the costs related to the administration of the company's portfolio. The administrative expenses are allocated to they cover the period.

### *Insurance technical interest*

Part of the profit or loss from investment operations relates to the insurance operations and is therefore transferred to this part of the income statement.

The transferral amounts to a calculated return of the period's average insurance provisions at own account. The interest applied is a fixed interest provided by the Danish Financial Supervisory Authority, which for 2015 amounts to -0,18 % per year. Also technical interest includes interest on funds with held in connection with the reinsurance of the Company's insurance portfolio as well as the impact on the discounting of the reserved deriving from the change in the duration of the claims provisions.

## Accounting policies

### *Interest income and dividend*

Profit or loss from investment operations include the interest earned in the financial year on bonds, bank, deposits and receivables as well as dividends received on investments.

### *Currency and marketable securities adjustments*

Currency and marketable securities adjustments include both realised and unrealised gains and losses on the sale and value adjustment of securities and other financial contracts as well as realised and unrealised foreign exchange gains and losses.

### *Tax*

Tax for the period includes current tax and changes in deferred tax and is listed in the income statement with the ratio referring to the net profit/loss for the period and recognised in the equity with the ratio referring to entries with direct reference to the equity.

Current tax liabilities and current tax receivables, are respectively listed in the Balance Sheet as calculated tax on the period's taxable income, adjusted for prepaid tax.

Deferred tax is assessed in respect of all temporary differences between the carrying amount and the tax value of the assets and liabilities. Deferred tax assets including the tax value of tax losses to be carried forward are recognised in the Balance Sheet at the value on which the assets are expected to be realised, either by setting off in the deferred tax liabilities or as net assets.

The company is jointly taxed with its Parent Company. The jointly taxed companies participate in the Tax Prepayment Scheme.

### **The Balance Sheet**

#### *Immaterial assets*

Software is measured at cost less accumulated depreciation. Depreciation is made under the straight-line method over the expected useful life of the asset which is estimated to be 5 years.

#### *Equipment*

Equipment is measured at cost less accumulated depreciation. Depreciation is made under the straight-line method over the expected useful lives of the assets:

Office equipment etc. 3-5 years

## Accounting policies

### *Leases*

Leases related to tangible assets of which the Company assumes all material risks and rewards of ownership (finance leases) are measured in the Balance Sheet as assets. On initial recognition, the assets are valued at computed cost equal to fair value or (if lower) at the (net) present value of future lease payments. In the computation of the (net) present value either the interest rate implicit in the lease is applied as the discount rate or an approximated value. Assets held under finance leases are depreciated as other similar tangible assets.

The capitalised residual lease obligation is recognised in the Balance Sheet as a liability other than provisions and the interest element in the lease payment is recognised in the Income Statement over the lease term.

All other lease agreements are considered as operating leases. Lease payments under operating leases and other rental agreements are recognised in the Income Statement over the term of the agreements.

The Company's total obligation related to operating leases and rental agreements is stated under contingent assets and liabilities etc.

### *Investment assets*

#### *Participating interests in affiliated companies*

The proportionate share of the individual subsidiaries' results before tax is recognised in the parent's income statement. The parent's share of the subsidiaries' tax is recognised under tax on profit/loss on ordinary activities.

Holdings in group undertakings are recognised in the balance sheet at the proportionate share of the companies' financial equity value calculated in accordance with the parent's accounting policies.

Net revaluation of investments in subsidiaries and associates is transferred under equity to reserves for net revaluation by the equity method to the extent the financial value exceeds the acquisition price.

Acquisition or establishment of new companies are recognised in the annual report from the date of acquisition.

Positive differences (goodwill) between acquisition price and the value of acquired assets and liabilities are recognised under participating interests in affiliated companies and amortised over their estimated economic lives. The financial value of goodwill is assessed currently and written down in the income statement where the financial value exceeds the expected future net income from the company or activities to which the goodwill relates.

### *Securities*

Securities are initially measured at initial fair value on the transaction date and subsequently measured at fair value (market price) at the balance sheet date. Purchases and sales of securities are recognised at the trade date.

## Accounting policies

### *Insurance assets*

Reinsurers share of premium provisions and claims provisions are computed according to the coverage according to the underlying reinsurance contracts in force. The measurement is based on the same assumptions as applied in calculating provisions for unearned premiums and claims provisions.

### *Receivables and prepayments*

Receivables are measured at amortised cost which usually equals nominal value. Provisions made for bad debts reduce the value.

Prepayments comprise incurred expenses related to the following financial year.

### *Intercompany*

Business transactions between group companies are conducted on market-based conditions or on a cost-covering basis.

### *Dividends*

Dividends expected distributed for the year are shown as a separate item under equity. A proposed dividend is recognised as a liability on approval by the Annual General Meeting.

### *Provisions for unearned premiums and claims provisions*

Provisions for unearned premiums are set aside in accordance with the risk profile of the portfolios. They are measured after a pro rata temporis principle.

Claims provisions are computed so that they - taking into account all information available - are adequate to cover all claims incurred for damage occurred before the balance sheet date whether or not such claims have been filed. Claims provisions also include an accrual for future expenses for the administration, mitigation, inspection and assessment of claims related to the end of year claims provisions.

Case provisions are estimated from the information which is known at the time of preparing the financial statements.

IBNR are calculated from the assessments of ultimate claims costs and actuarial reviews of the gross claims provisions have been performed on reserving analysis groups. The reviews are based on available data, which for most groups are triangle data or other claim development data and for some statements or market data and information from the underwriting department in Alpha Insurance A/S.

The claims provisions are determined taking the interest rate (discounting) into account. External data are used for estimates for the future cash flow. Discounting are based on the Danish and the Norwegian interest rates curves. The Danish interest rate curve is also used on other currencies, resulting in lower discount effects than using the currency specific interest rate curves.

Gains and losses on the run-off of claims provisions from previous years are included in the claims incurred.

## Accounting policies

### *Liabilities other than provisions*

Financial debt, debt to reinsurers and other debts are measured at amortised cost corresponding to nominal value.