

# Alm. Brand A/S

## Annual Report 2010 – Roadshow



# Alm. Brand's strategic agenda



- Non-life insurance group, supported by life insurance, pension and banking activities

## Banking

### Focus on low risk and profitability

- Focus on the private customer segment
- Asset Management
- Markets
- Winding-up of non-strategic business areas

## Non-life insurance

### Consolidation followed by profitable growth

- Reduction of the expense ratio
- Reduction of risk and amendment of terms
- Premium increases relative to risk

## Life insurance and pension

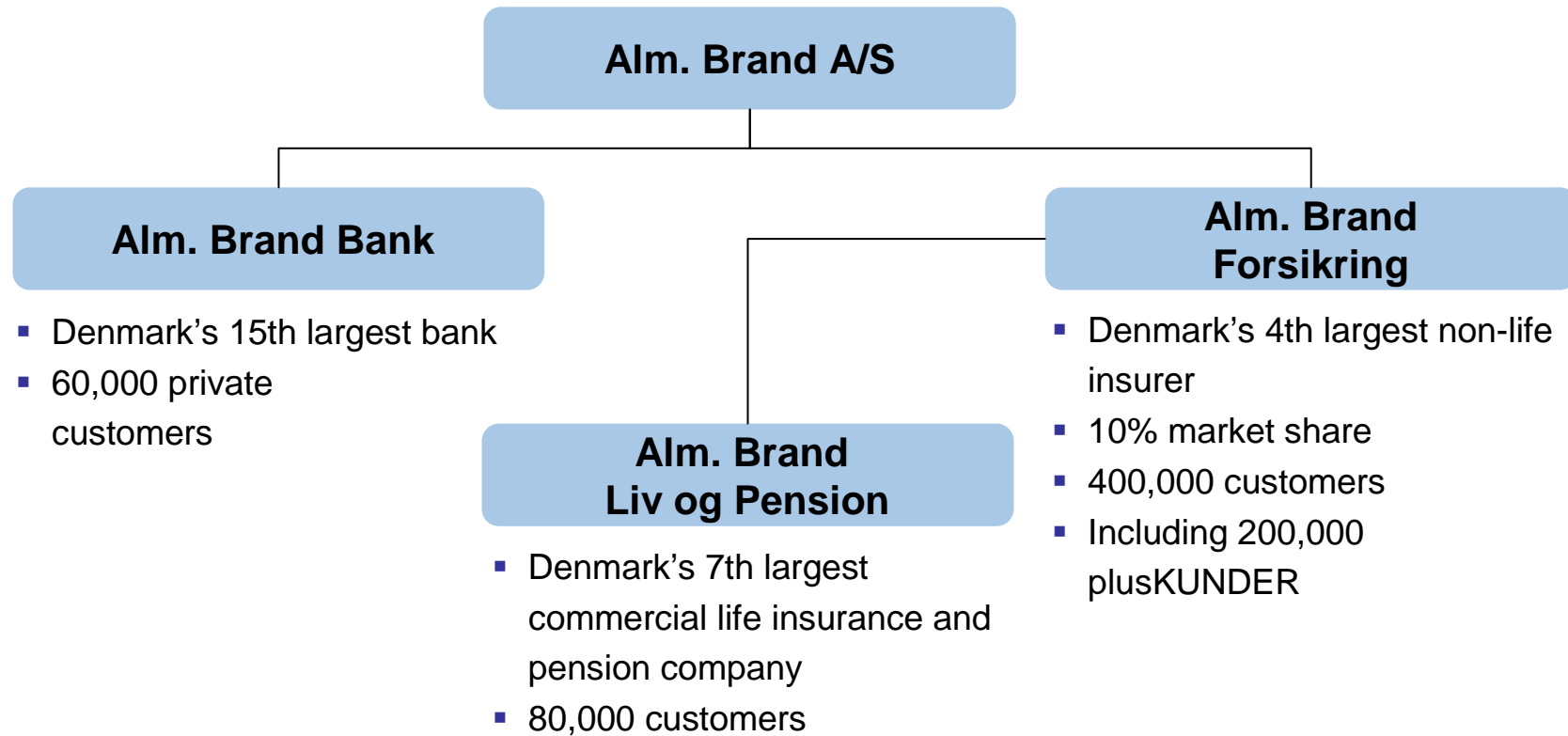
### Business as usual

- Low-risk investment policy
- Focus on costs and risk
- Supports non-life insurance



# Alm. Brand

## The three business areas



Note: Number of customers is based on number of households



# Alm. Brand

## Highlights 2010

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- **Result is DKK 72 million better than expected**
  - **Profit of DKK 372 million before losses and writedowns**
  - **Loss of DKK 536 million after losses and writedowns**
  - **Favourable development in non-life insurance**
    - Positive development in underlying business
    - Declining costs
  - **Life insurance and Pension: very satisfying result**
  - **Losses and writedowns in bank as expected**
  - **Profit guidance for 2011 DKK 375 million before losses and writedowns**
    - A small profit also after losses and writedowns
    - Guidance includes an expense of DKK 25 million to the Danish Depositors' Gurantee Scheme related to the bankruptcy of Amagerbanken



# Alm. Brand Non-life insurance Highlights

## ■ Results

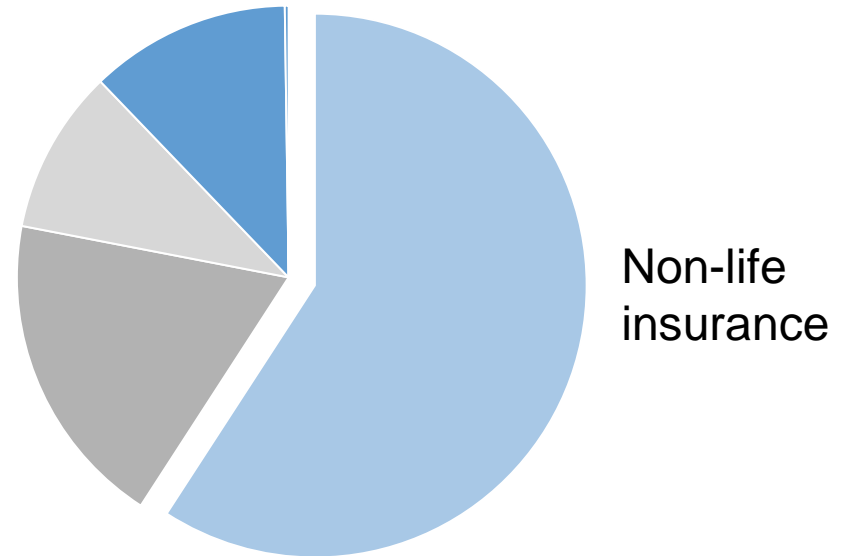
- Q4: DKK 166 million profit
- 2010: DKK 207 million profit

## ■ Combined ratio

- Q4: 91.3
- 2010: 98.2

## ■ Expense ratio

- Q4: 15.5%
- 2010: 17.6%



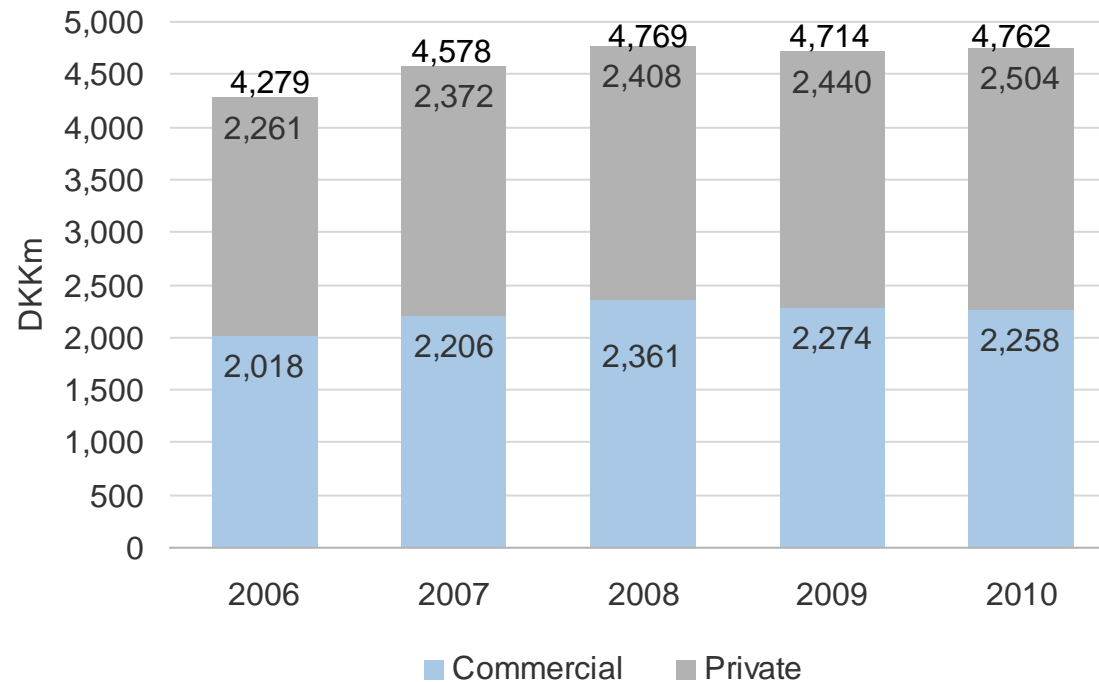
# Alm. Brand Non-life insurance Highlights

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- **Improvement of underlying business**
- **Many weather related claims**
- **Growth in premiums**
- **Staff reduction and restructuring**
  - Cost reductions
- **Outlook for 2011: DKK 300 million**
  - Combined Ratio: 95

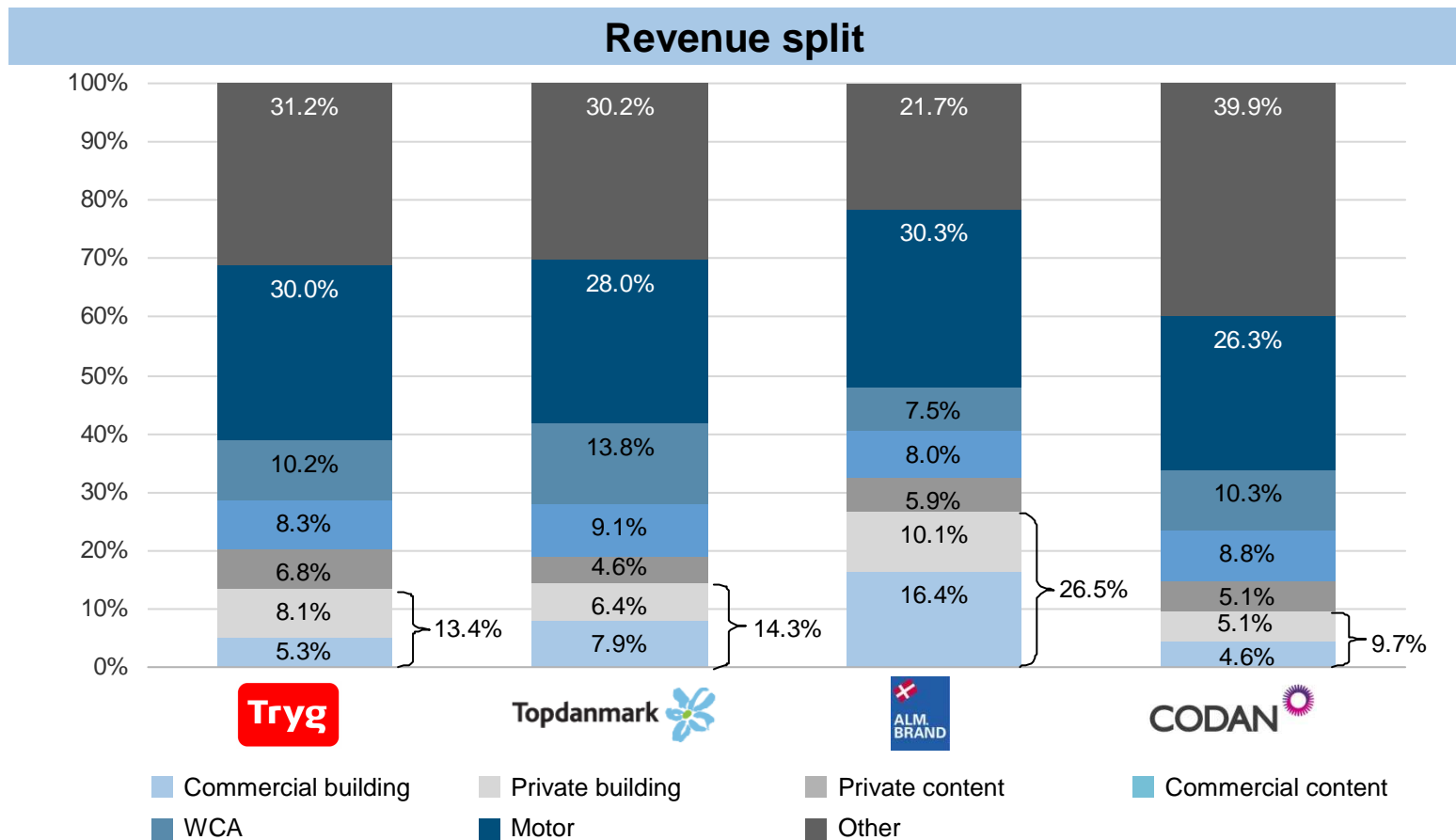


# Alm. Brand Non-life insurance Gross premiums

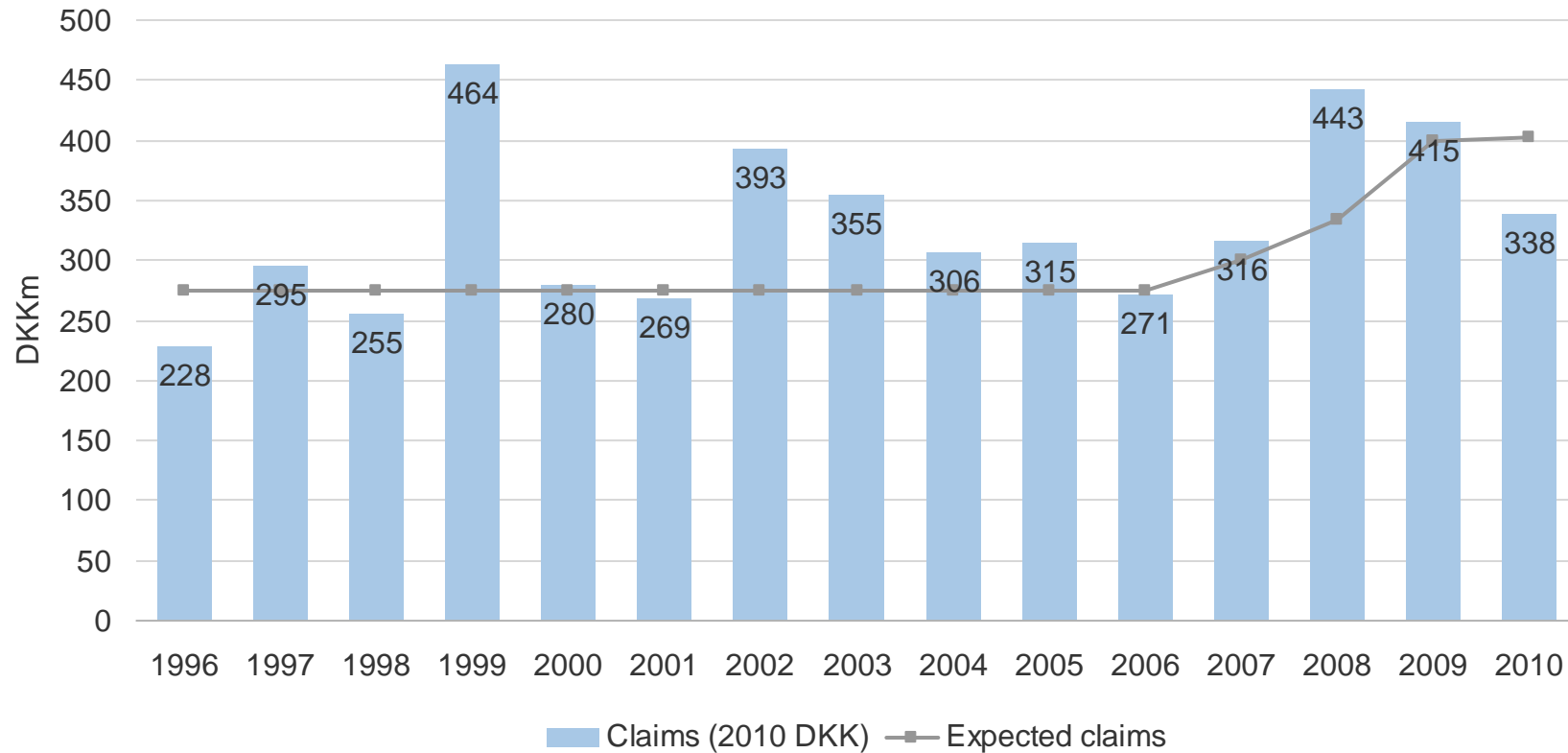


- **Premium growth of 1%**
  - Growth in market share
- **Premium increases**
  - Average of 6.5% on building and content
  - Reduced risk

# Alm. Brand Non-life insurance revenue split and loss ratios



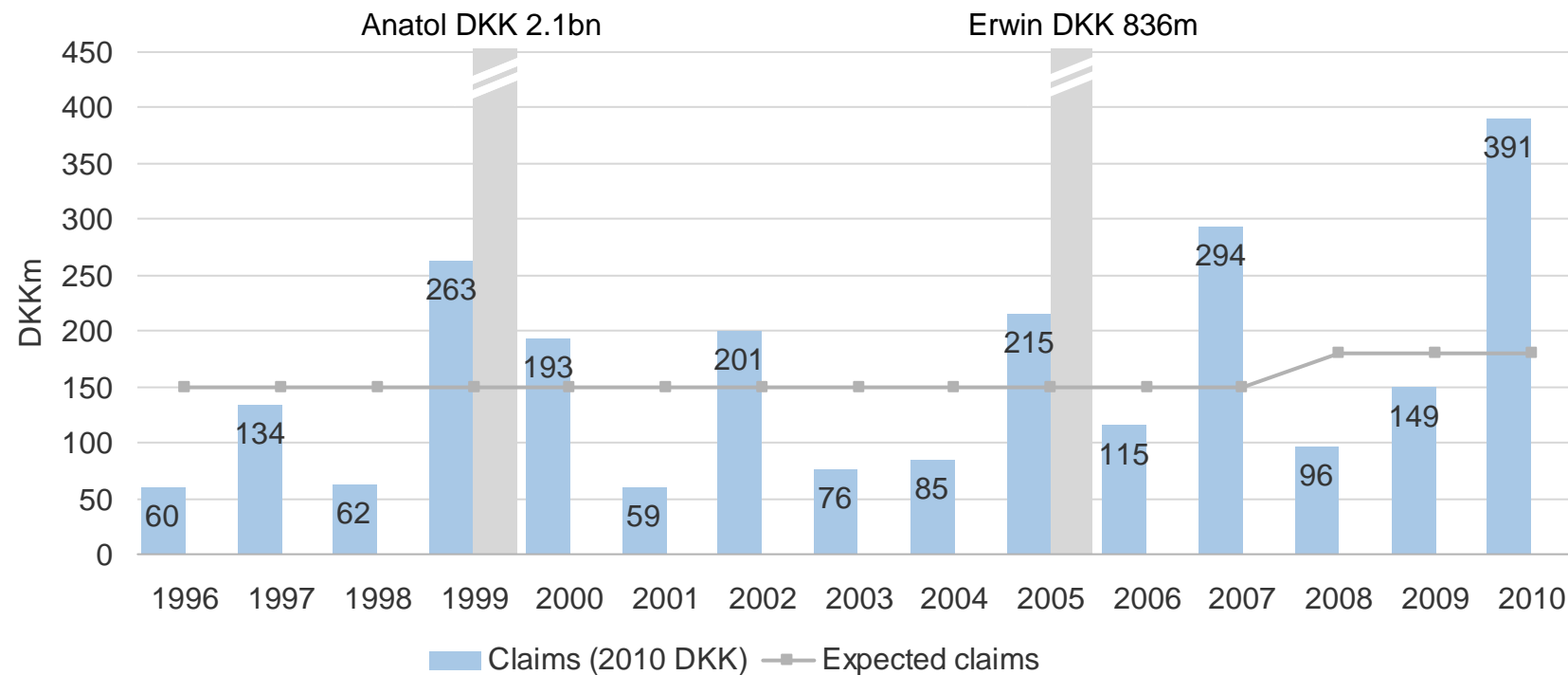
# Alm. Brand Non-life insurance Expenses for major claims\*



- Decent development in major claims
- Preventive measures

Note: Claims above DKK 1 million

# Alm. Brand Non-life insurance Weather-related claims

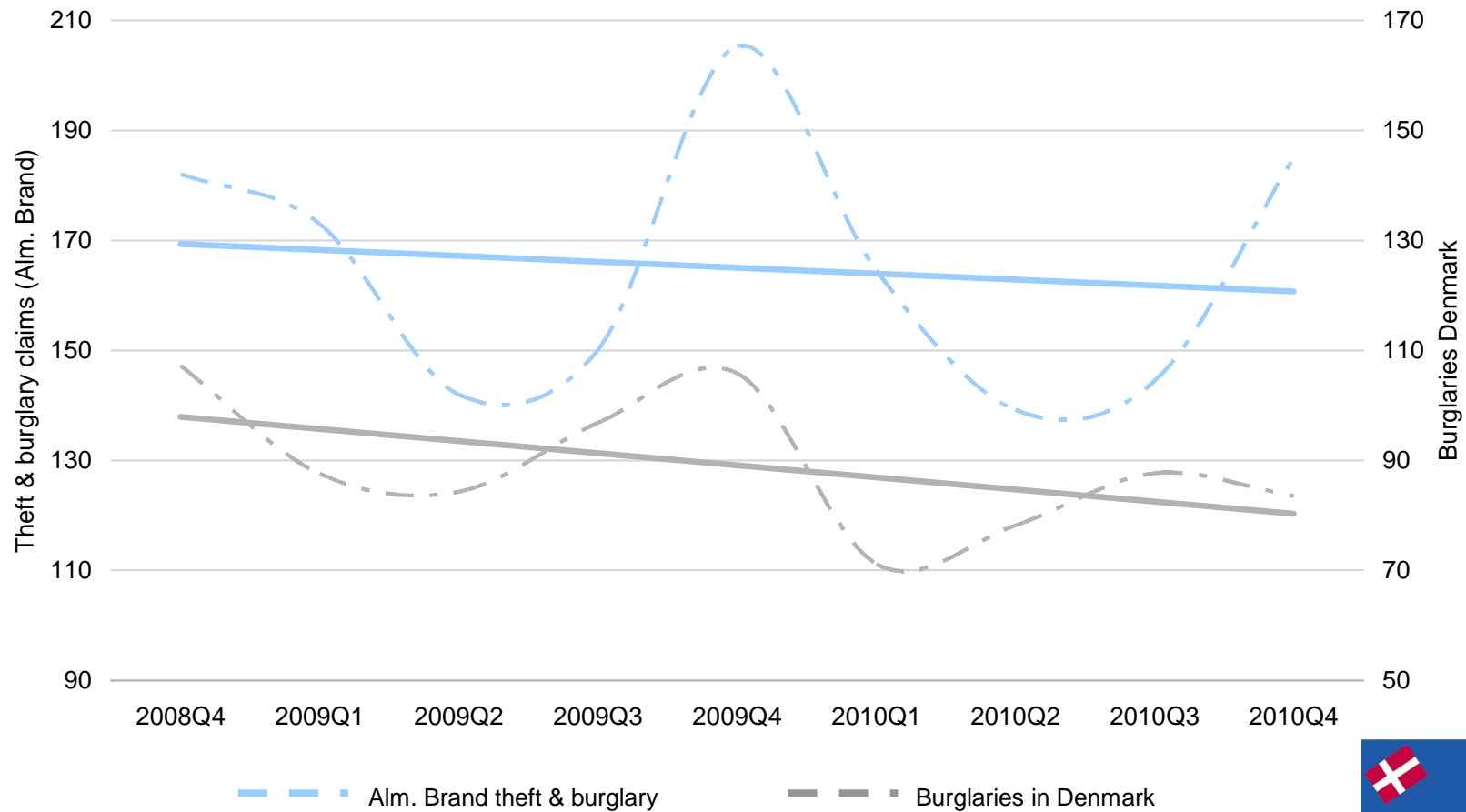


- Winter claims
- Cloudburst
- Increased reinsurance cover
- Preventive measures



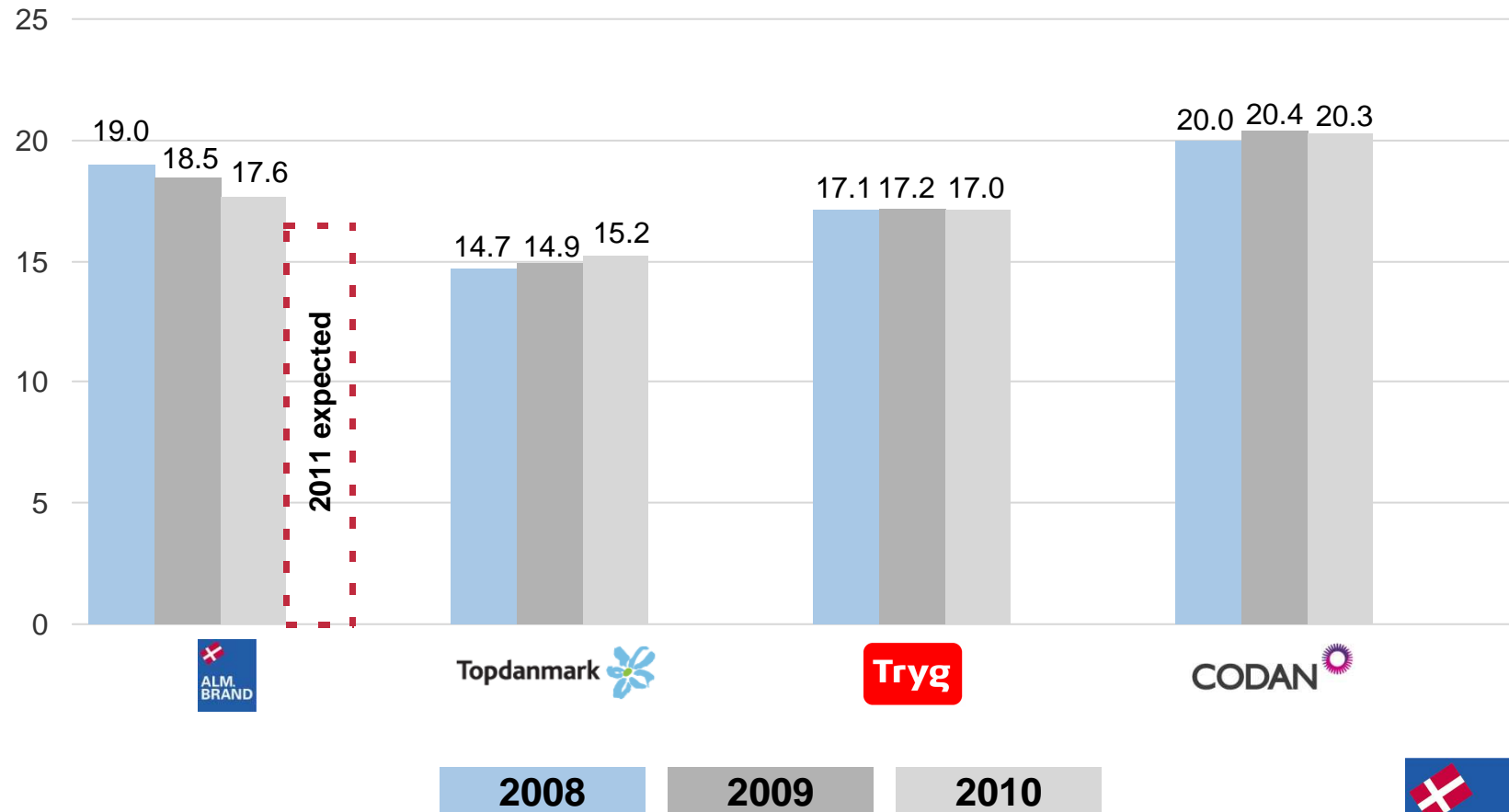
# Alm. Brand Non-life insurance

## Correlation between burglaries in Denmark and theft & burglary claims



# Alm. Brand Non-life insurance

## Cost ratio - major Danish non-life companies

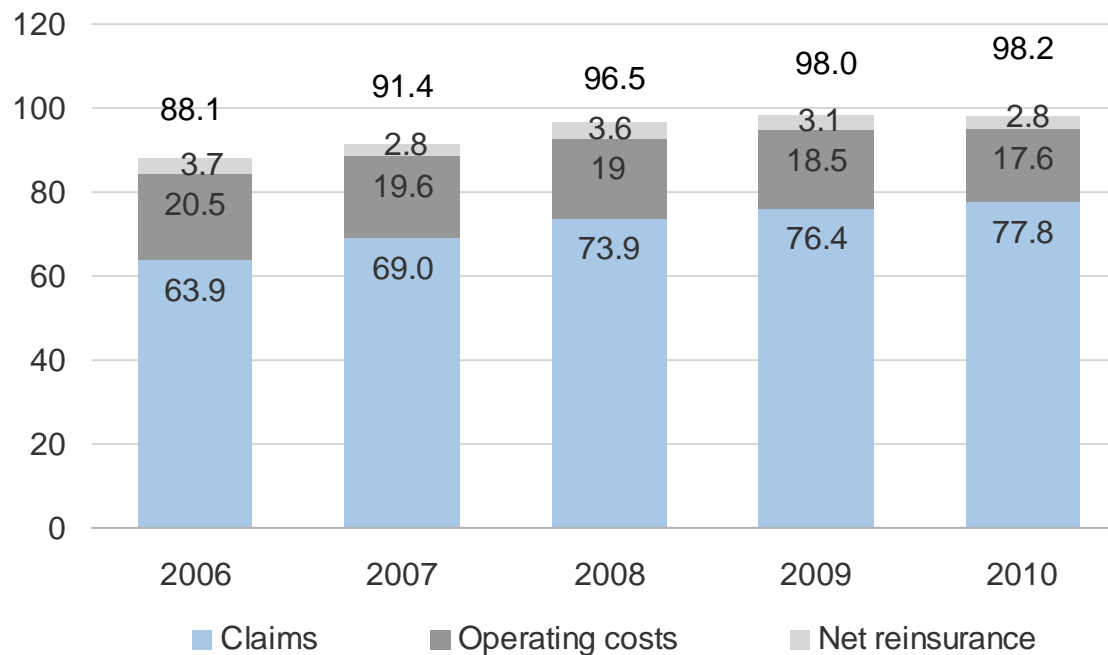


Note: Cost ratio is on group level. 2010 for Topdanmark is Q1-Q3 and Codan is H1

# Alm. Brand Non-life insurance

## Impact on results

### Combined Ratio



- + Lower costs
- + Lower major claims
- + Lower normal claims
- + Premium increases
- + Positive run-off
  
- Extraordinary winter claims
- Cloudburst
- Interest rate: 0.6%  
higher claims ratio

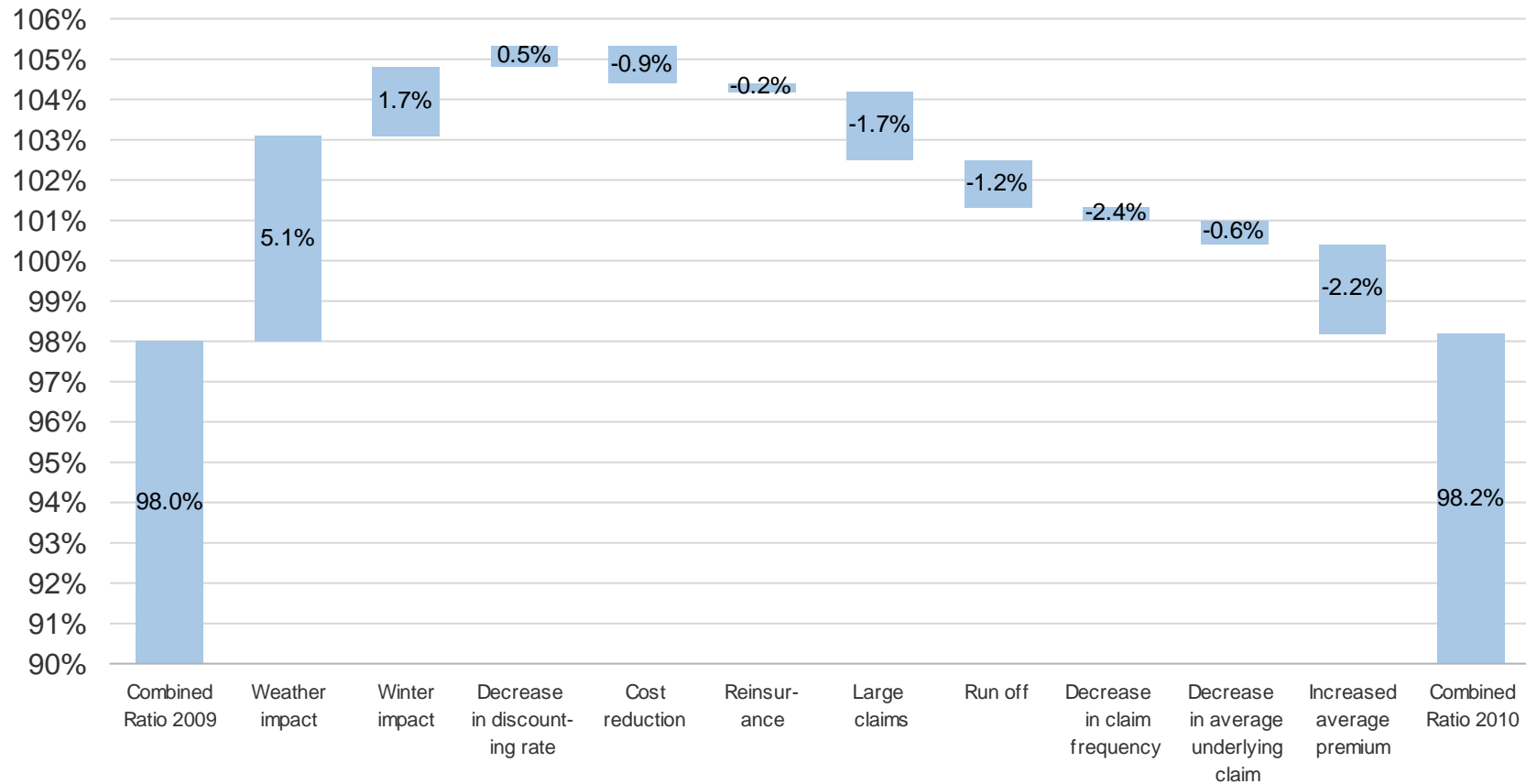
# Alm. Brand Non-life insurance

## Combined ratio

	2006	2007	2008	2009	2010
Combined ratio ex weather-related and major claims	81.4	82.1	84.8	88.7	85.5
Major claims	5.6	6.9	9.1	7.9	7.1
Weather-related claims	2.2	4.3	1.9	3.1	8.5
Run-off result*	-1.1	-1.9	0.7	-1.7	-2.9
Combined ratio	88.1	91,4	96,5	98,0	98.2

\* A negative run-off result equals a run-off gain

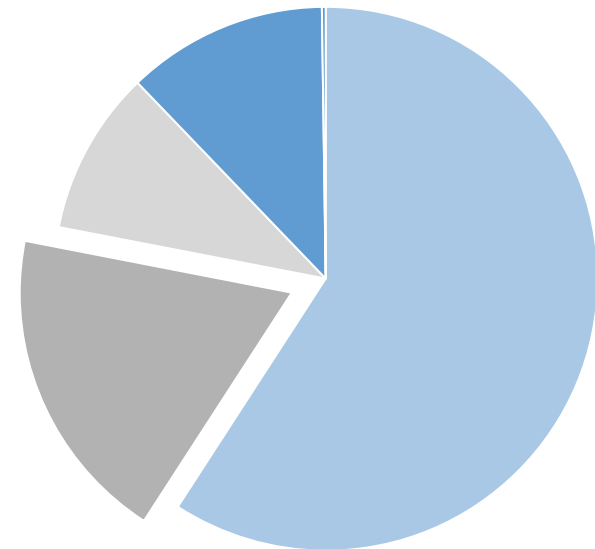
# Alm. Brand Non-life insurance Combined ratio 2010



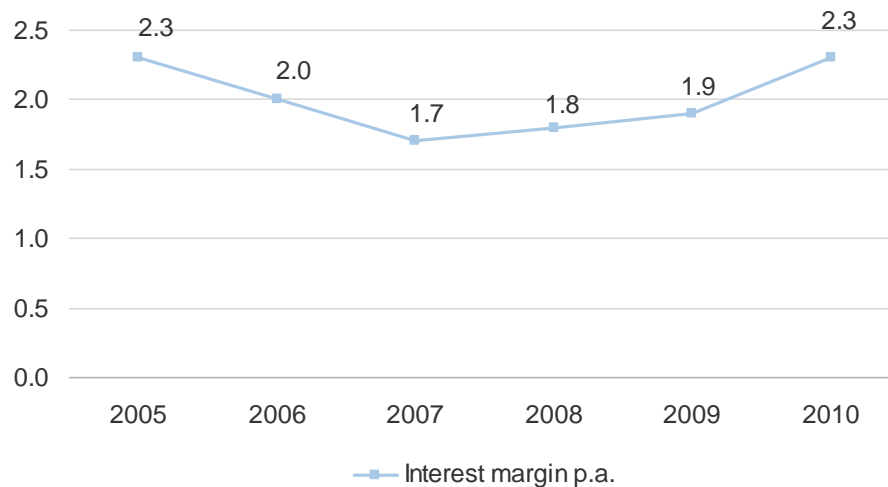
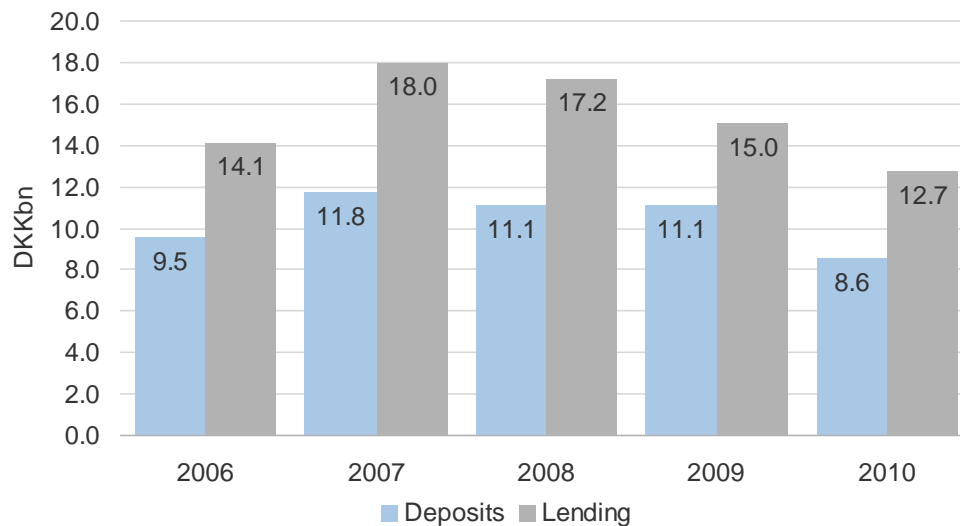
# Alm. Brand Banking Highlights

- **Q4 result: DKK 52 million loss**
  - Adversely affected by value adjustments
    - Bonds and fixed-income instruments due to interest rate increases
    - One unlisted share
    - Total: DKK 71 million loss
  - After losses and writedowns: DKK 209 million loss
- **2010: DKK 39 million profit**
  - After losses and writedowns: DKK 869 million loss
- **Losses and writedowns**
  - As expected
  - Q4: DKK 157 million
  - 2010: DKK 908 million

Banking



# Alm. Brand Banking Deposits and lending



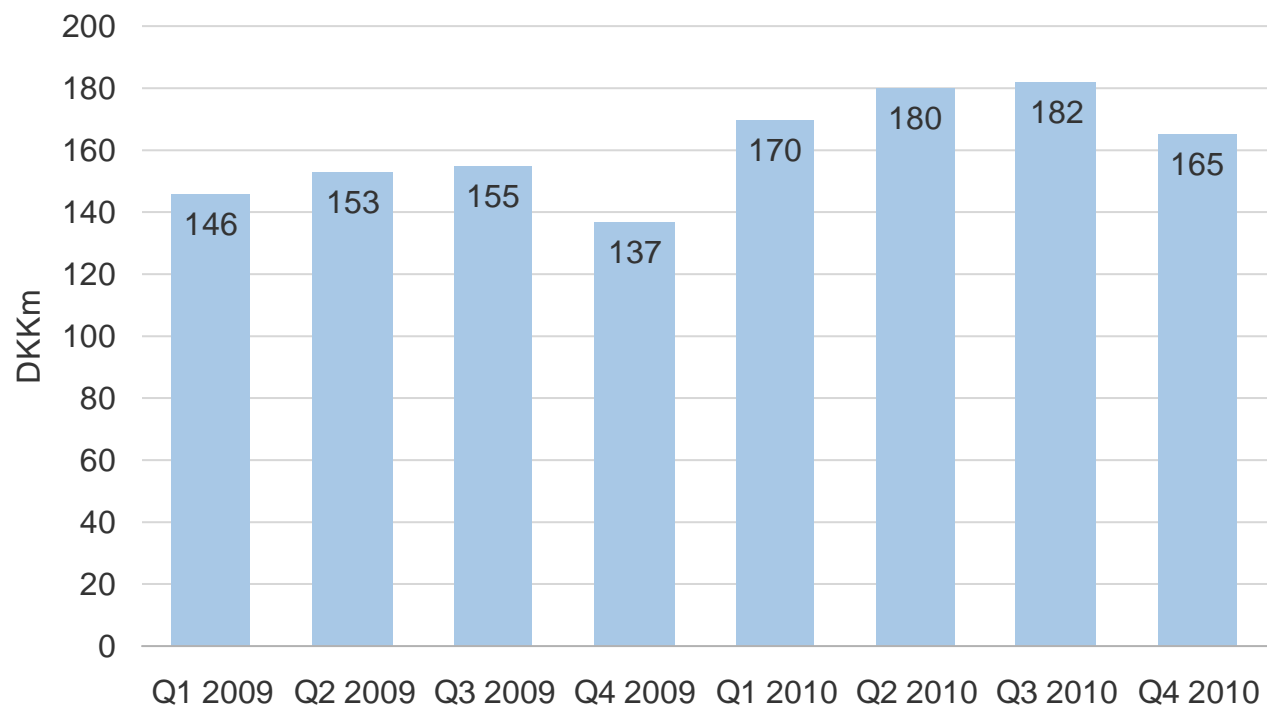
- Lending portfolio reduced by approx. DKK 1.4 billion before losses and writedowns

- Interest margin

- + Customer margin increased
- + High-yielding bonds
- + Lower interest paid on fixed-rate deposits
- Hybrid capital

# Alm. Brand Banking

## Net interest and fee income



# Alm. Brand Banking

## Lending portfolio and credit losses

DKKkm	Loans			Impairment writedowns					Prorata	
	31.12.2009	31.12.2010	Portfolio share in pct.	Q1 2010	Q2 2010	Q3 2010	Q4 2010	Total 2010	Imp.	pct *)
<b>Segments</b>										
Retail lending	3,356	3,261	25.6%	18	-18	3	26	29		0.9%
Car financing	994	623	4.9%	5	0	3	3	11		1.3%
Agriculture	1,125	1,153	9.0%	6	9	14	45	74		6.5%
Other commercial lending *)	1,245	1,029	8.1%	6	21	-2	4	29		2.5%
Security financing	3,756	2,412	18.9%	73	120	182	5	380		12.3%
Investment properties	1,791	1,604	12.6%	-42	-43	112	4	31		1.8%
Residential mortgage deeds **)	1,889	1,619	12.7%	32	35	-27	32	72		4.1%
Commercial mortgage deeds **)	338	571	4.5%	17	29	117	5	168		37.0%
Property development projects	515	466	3.7%	4	11	42	11	68		13.9%
The Private Contingency Association	-	0	0.0%	0	3	21	22	46		-
<b>Total excluding reverse transactions</b>	<b>15,009</b>	<b>12,738</b>	<b>100.0%</b>	<b>119</b>	<b>167</b>	<b>465</b>	<b>157</b>	<b>908</b>		<b>6.5%</b>
Reverse transactions	15	0	0.0%	-	-	-	-	-		-
<b>Total</b>	<b>15,024</b>	<b>12,738</b>	<b>100.0%</b>	<b>119</b>	<b>167</b>	<b>465</b>	<b>157</b>	<b>908</b>		<b>6.5%</b>

\*) Including minority interest's share of the bank's loans and advances to the subsidiary Alm. Brand Formue

\*\*\*) Loans and advances at 31 December 2009 are inclusive of minority interest's share of the bank's loans and advances to the subsidiary Alm. Brand Pantebrev

# Alm. Brand Banking

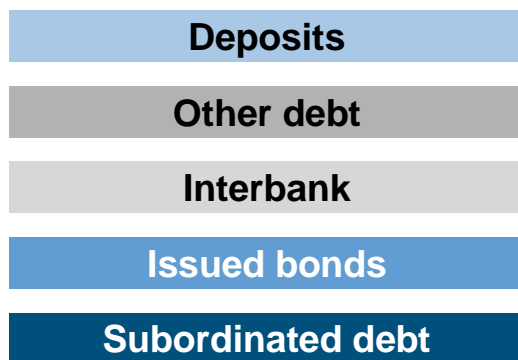
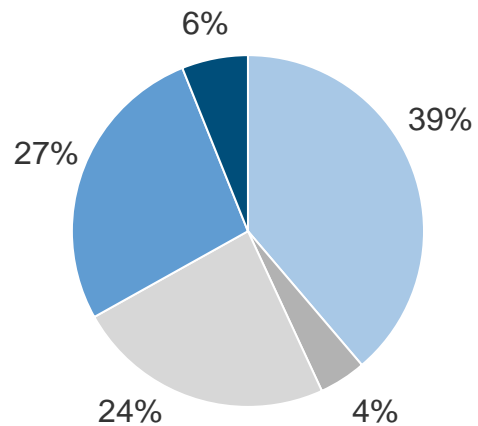
## New bank & winding-up bank

<b><u>Current lending portfolio:</u></b>	<b><u>DKK 12.7 bn</u></b>
<b>Continuing portfolio:</b>	<b><u>DKK 3.6 bn</u></b>
<b>Private lending:</b>	<b>DKK 3.3 bn</b>
<b>Investment credits:</b>	<b>DKK 0.2 bn</b>
<b>Leasing:</b>	<b><u>DKK 0.1 bn</u></b>
<b>Winding-up portfolio:</b>	<b>DKK 9.1 bn</b>

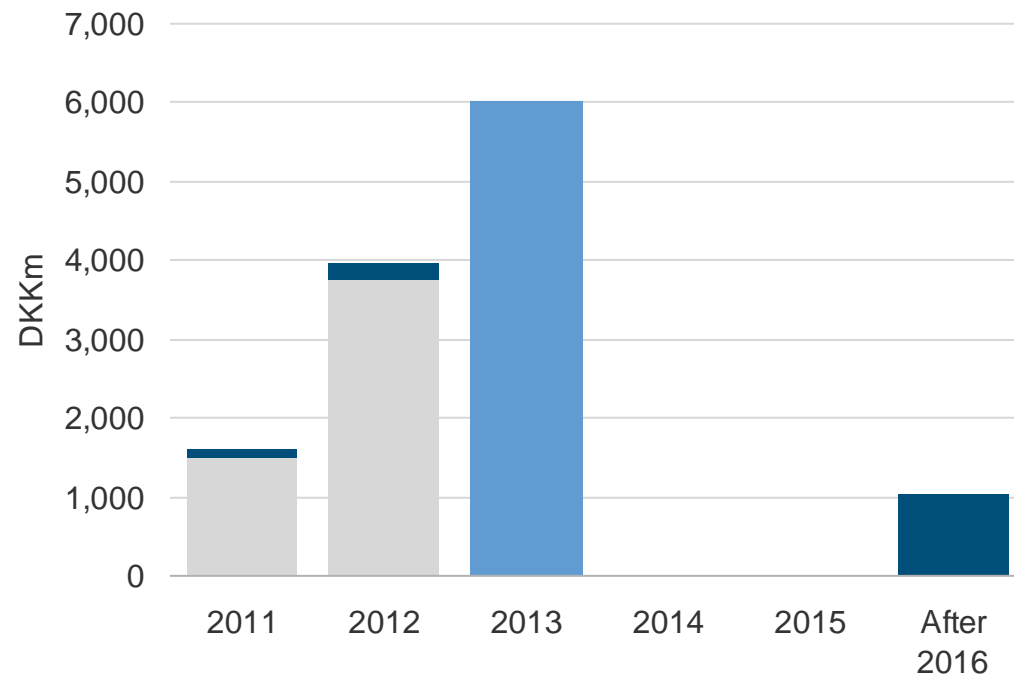
### New strategy for the bank

- Supporting non-life insurance and life insurance and pension
- Private
- Leasing
- Markets
- Asset Management

# Alm. Brand Banking Funding



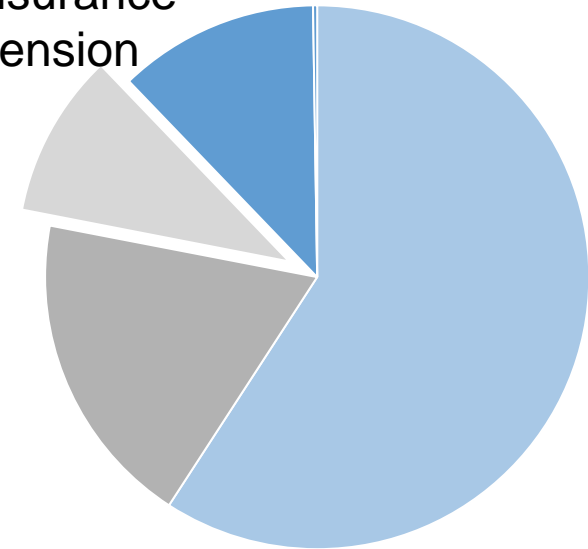
Repayment structure for interbank funding, issued bonds and subordinated debt



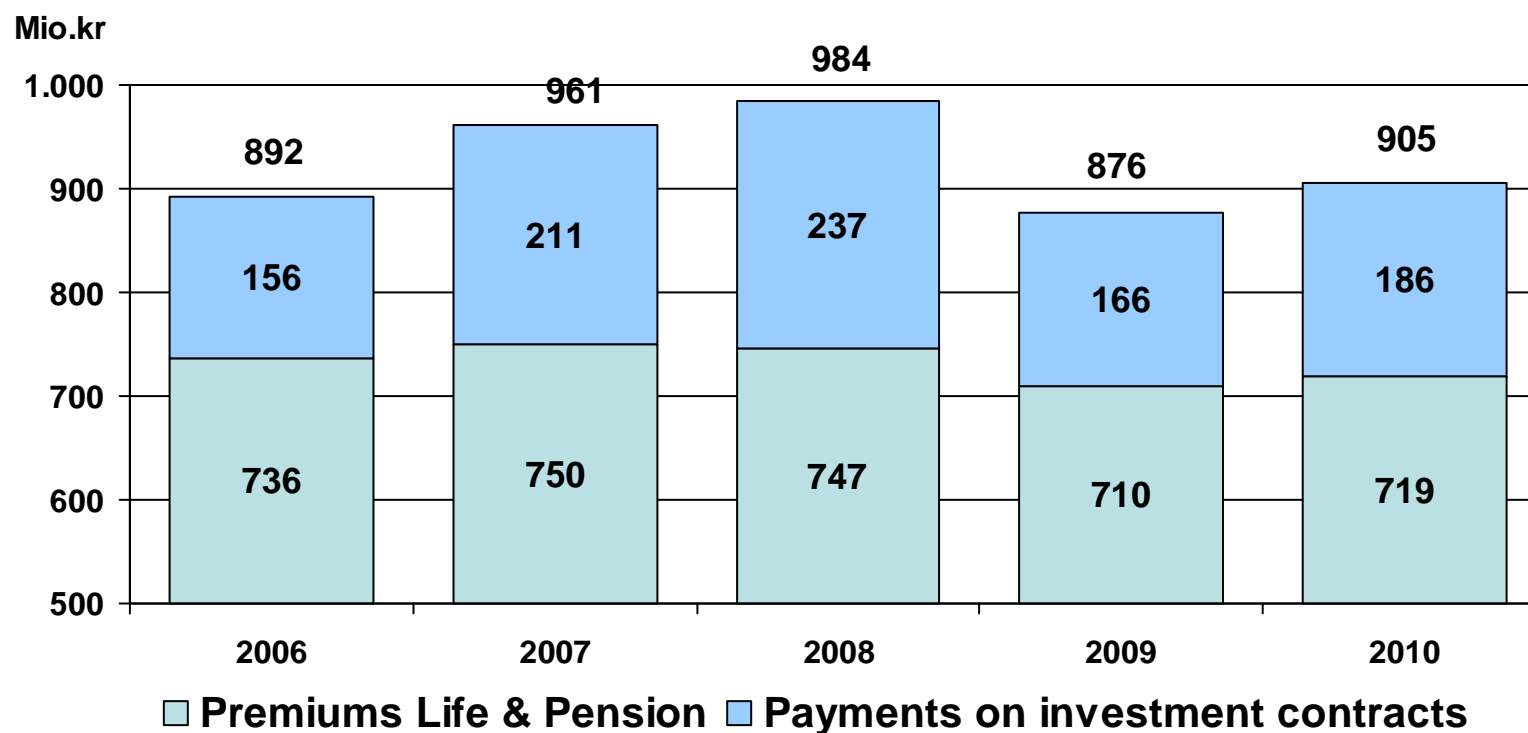
# Alm. Brand Life insurance and pension Highlights

- **Results 2010: DKK 181 million profit**
  - DKK 11 million better than expected
- **Collective bonus potential: DKK 517 million**
  - Bonus rate: 5.1%
- **Growth**
  - Guaranteed product: 1%
  - Market risk product: 12%
- **Strong investment return**
  - 8.1%
- **Forecast for 2011: DKK 70 million**

Life insurance and pension



# Alm. Brand Life insurance and pension Premiums including investment contracts



# Alm. Brand Life insurance and pension Result

DKKm	2006	2007	2008	2009	2010
Return on investment allocated to equity	24	31	43	58	30
Result of portfolios without bonus entitlement	2	1	0	-24	13
Risk premium	44	55	53	54	54
Share of expense and risk result	11	17	28	22	27
Calculated return on equity	81	104	124	110	124
Reversed from/transferred to shadow account	0	0	-81	29	57
Result before tax	81	104	43	139	181
Shadow account balance	0	0	81	56	0

# Alm. Brand Life insurance and pension Investments 2010

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Return on investments (OE)	3.2%
Return on investments (customers)	<u>8.1%</u>
Bonds etc.	7.9%
Equities	13.1%
Properties	5.8%
Total equity exposure approx.	12.0%
Interest (customers) p.a.	3.5%

# Alm. Brand Life insurance and pension Portfolio

	Average guarantee	Duration Year	Share of portfolio
Low guarantees	1.78%	26.32	38.7%
Medium guarantees	3.03%	7.81	15.8%
High guarantees	4.02%	10.11	45.5%

- Short duration on high guarantee

# Alm. Brand Life insurance and pension

## Points of interest

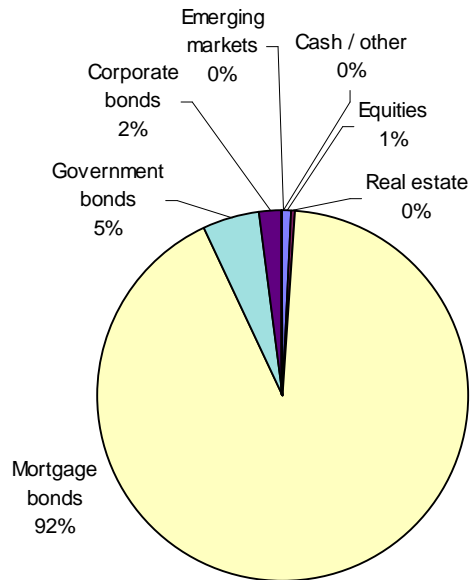
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- **New FSA life expectancy curve**
  - Very little significance to Alm. Brand
- **New contributions rules**
  - Interest groups
    - 0,1 % of the liabilities
  - Insurance groups
    - 100 % of the result
  - Cost group
    - 100 % of the result
  - => unchanged level of profit
- **Portfolio division implemented**
  - Interest
    - 3 groups defined by the individual customers underlying guarantee
    - Each group has its own investment strategy
  - Insurance
    - 4 groups defined by the type of insurance risk
  - Cost
    - 1 group

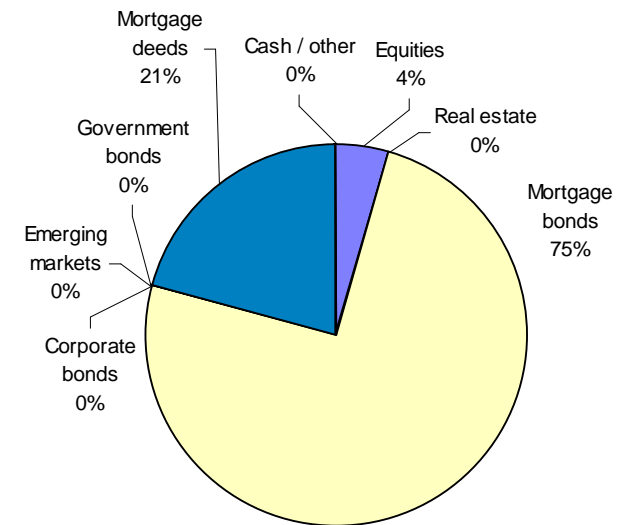
# Alm. Brand

## Investment assets

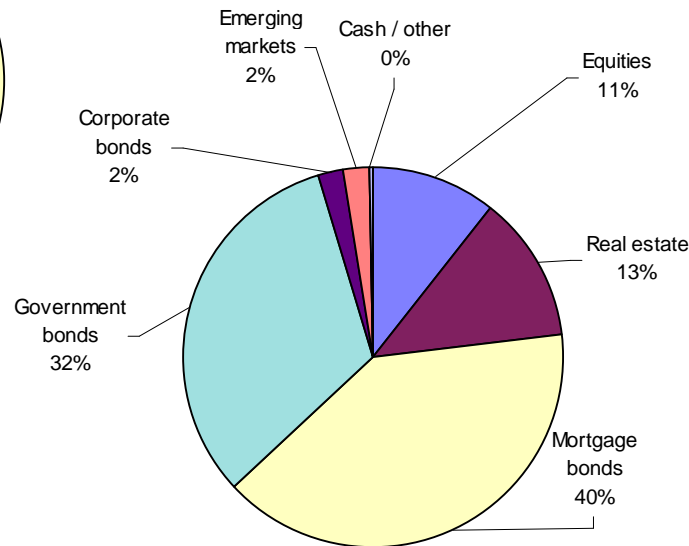
**Non-life, asset allocation  
31 december 2010**



**Bank, asset allocation  
31 december 2010**



**Life, asset allocation  
31 december 2010**



# Alm. Brand

## The group's internal capital target

DKKm	Capital target 31 Dec. 2010
Non-life insurance (45% of cross premium income)	2,143
Life insurance (9% of life insurance provisions)	984
Alm. Brand Bank (17.9% of risk-weighted assets)*)	2,568
Alm. Brand Bank subsidiaries	342
Diversification effect	-300
<b>Capital target, total</b>	<b>5,737</b>

\*) Calculated as the individual solvency need at 31 December 2010 plus 3 percentage points.

# Alm. Brand A/S

## Capital model

<b>DKKm</b>	<b>Capital base 31 Dec. 2010</b>
Consolidated capital and reserves	4,758
Intangible assets	-82
Tax assets	-660
Supplementary capital	1,803
<b>Consolidated capital base, total</b>	<b>5,819</b>
<b>Statutory capital requirement for the group end 2010</b>	<b>3,748</b>
<b>Excess relative to statutory capital requirements</b>	<b>2,071</b>
<b>Exces relative to internal capital target</b>	<b>82</b>

# Alm. Brand Outlook 2011

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- **Alm. Brand A/S: DKK 375 million profit**
  - Non-life insurance: DKK 300 million profit (Combined Ratio: 95)
  - Life and pension: DKK 70 million profit
  - Banking: DKK 45 million profit (before losses and writedowns) but including an expense of DKK 25 million to the Danish Depositors' Gurantee Scheme related to the bankruptcy of Amagerbanken
  - Other business activities: DKK 40 million loss
  - A small but positive result for the Group – also after losses and writedowns
- **Expected losses and writedowns until end 2012**
  - Level DKK 550 million

# Alm. Brand Highlights

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- **Non-life insurance developing favourably**
  - Claims on underlying business
  - Costs
- **Life insurance and pension very satisfying**
- **Bank writedowns develop as expected**

# Alm. Brand A/S

## Annual Report 2010 – Roadshow

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