

ALM. BRAND



Nordea insurance seminar

6 January 2012

Highlights Q1-Q3 2011

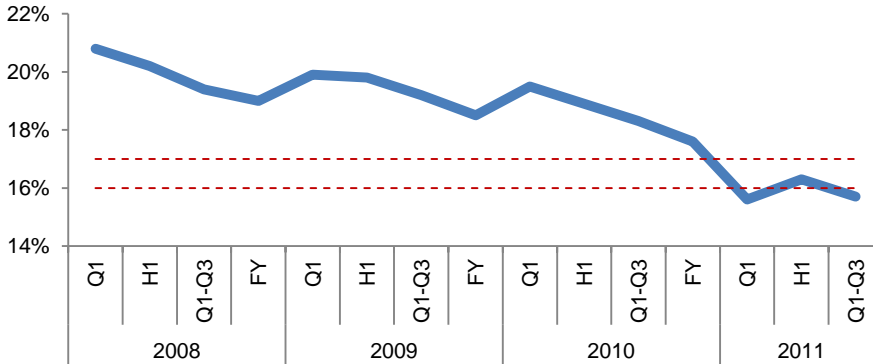
Profit of DKK 197 million YTD before losses and writedowns

Loss of DKK 160 million YTD after losses and writedowns

- **Non-life insurance:**
 - Profit of DKK 283 million YTD
 - Strong CR of 93.0 YTD and all-time low expense ratio
 - In spite of severe cloudburst in July and storm in Q1
- **Life insurance:**
 - Profit of DKK 100 million YTD
 - Attractive expense and risk result
 - Good investment result in spite of financial turmoil ie. no transfer and surrender charge was introduced. Collective bonus potential of 3.1%
- **Banking:**
 - Loss of DKK 147 million YTD before losses and writedowns
 - Losses and writedowns still high
 - Negative impact on result from tightening of interest margin and negative value adjustments
- **Outlook for 2011**
 - DKK 325 million before losses and writedowns. Combined ratio of 93

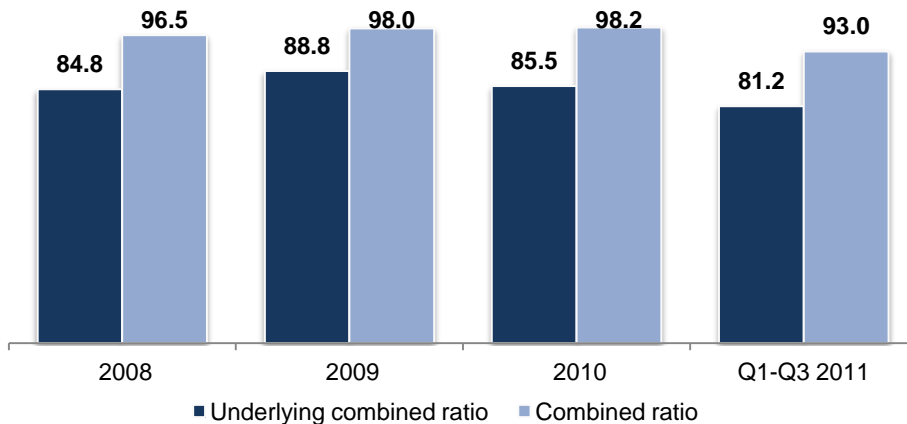
Non-life insurance

- Are we there yet??



Expense ratio

- Target of 16-17%
- Dropped from approx. 20% to under 16% over the last 3 years
- Expense target met



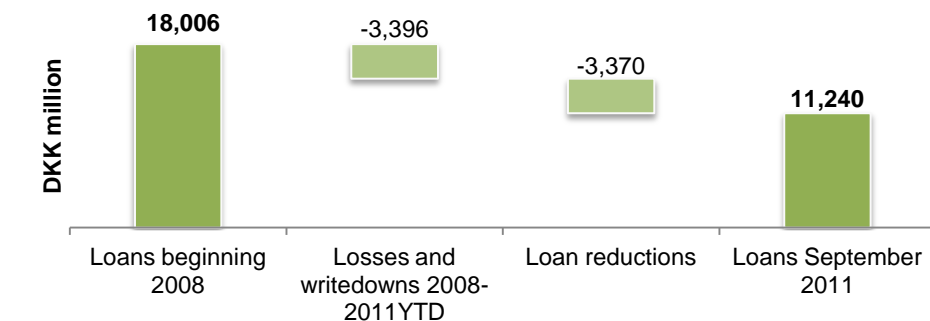
Combined ratio

- Target combined ratio of 93%
- Target underlying combined ratio of 81%
- Improvement through
 - Premium increases
 - Introduction of deductibles to a much larger extent (more than 70% private insurances now include deductible)
 - New terms and conditions
 - Preventive measures
 - Reduction of expenses

Continued focus on adjusting and optimising on specific parts of the portfolio

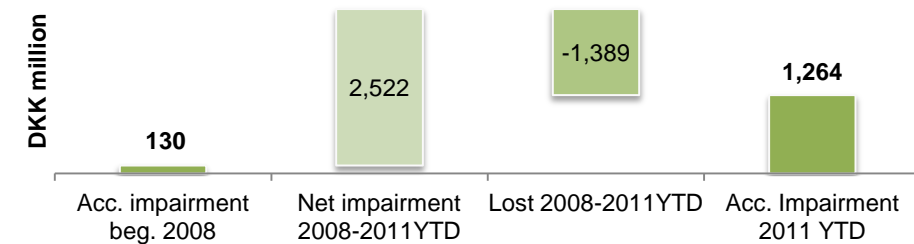
Loan book and loan losses

- What has been done since the start of the financial crisis?



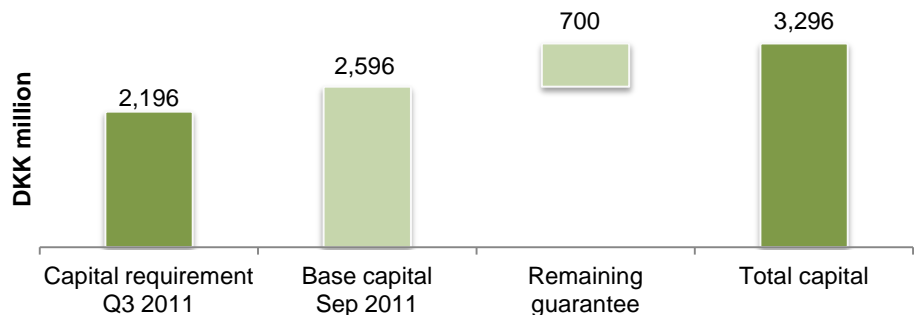
Loan book reduced by 38% since 2008

- Significant write-downs on bad debt
- Reduction of loan book



Handling the risk of the loan book

- Significant impairments and loan losses since 2008
 - In addition credit related value adjustments on mortgage deeds amounted to DKK 0.6bn



Capital strengthening

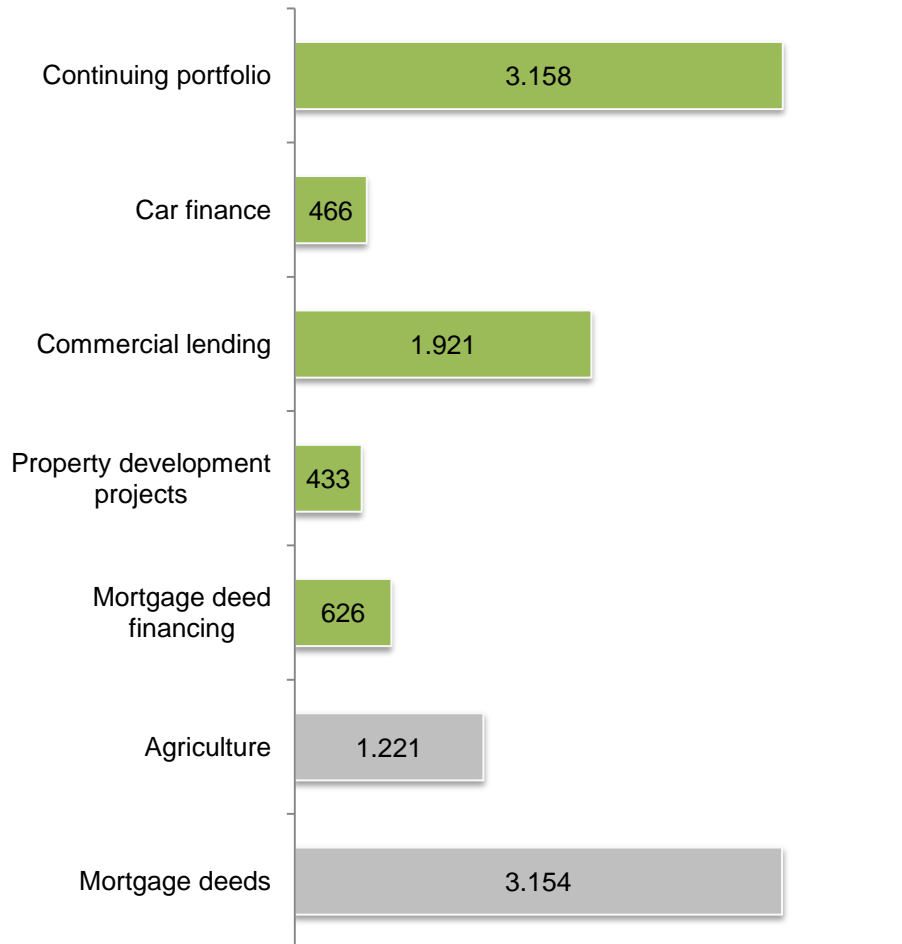
- The base capital is DKK 0.4bn higher than capital requirement
- Adding the remaining guarantee from Alm. Brand A/S total capital is DKK 1.1bn higher than capital requirement

The quality of the loan book has increased...

Current status of the loan book

- Where are we now?

DKK million (30 September 2011)

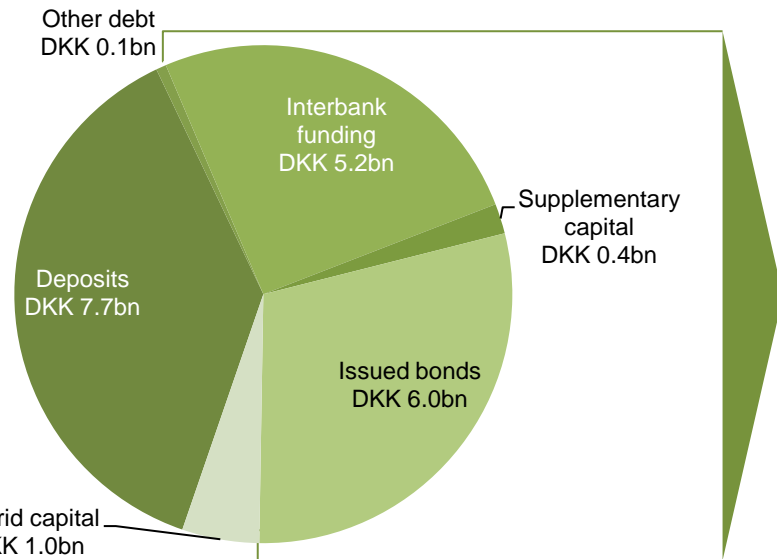


Stability in 60% of the portfolio

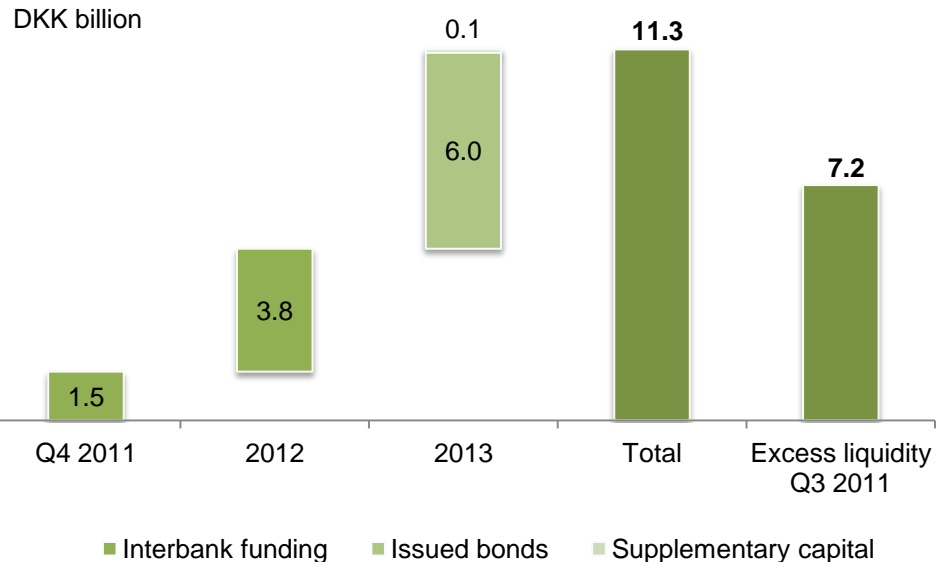
- Portfolio is in general developing as expected
 - Significant historical losses on commercial lending and property development
 - Periodical “hick-up’s” in losses and writedowns
 - Mortgage deed financing un-winded during 2011 and collateral taken over
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- Agriculture is difficult (60% pig farmers in the portfolio)
 - Outlook improved but...
 - ...prices on land still low and gearing high
 - Mortgage deeds
 - High losses and writedowns
 - Underlying collateral significantly reduced
 - Unemployment the biggest risk factor

Funding

Funding structure



Maturity profile 2011-2013



Solving the funding gap towards 2013

- Continued reduction of the winding-up portfolio
- Increase deposits
- Reduction of liquidity requirement through balance sheet reductions
- New funding for example through Danish national bank by collateralising the loan portfolio

Improving results by removing excess frictional costs

- Current funding structure with significant excess liquidity is expensive

Strategy and alternatives

Strategy in brief

Focus on three business segments

- Profitable non-life insurance business
- Stable life insurance business
- Long term profitable banking activities



Synergies

- Joint administration
- Customers across business segments
- Lower group capital requirement
- Branding value

Alternative: Surrender the bank

Pro's

- Remove all uncertainty about losses in the bank
- Earlier dividend distribution

Con's

- Immediate loss of DKK 1.2bn
 - DKK 0.7bn on the guarantee
 - Tax asset in the bank of approx. DKK 0.5bn
- Equity value lost
- Image loss i.e. possible damage on ongoing business

“The majority shareholder wants to continue the groups operation as it expects that Alm. Brand will yield an attractive return on equity to the shareholders in the long run”

- Disposal of the insurance activities is not part of the future strategy

Share characteristics

- The equity story in brief

- **Strong non-life insurance**
 - Successful turn-around of non-life insurance activities
- **Low risk life insurance business**
 - Proven stable business model even under difficult market conditions
- **Turn-around case on the bank**
 - Continue reducing the loan book and risk
 - Establish long term funding structure
 - Building a retail bank targeting the groups core private customers
- **Restriction on dividends in the short to mid term**
 - Reduction of business risk in focus