

# Alm. Brand A/S

## Carnegie – Small Mid-cap Seminar

### September 2010

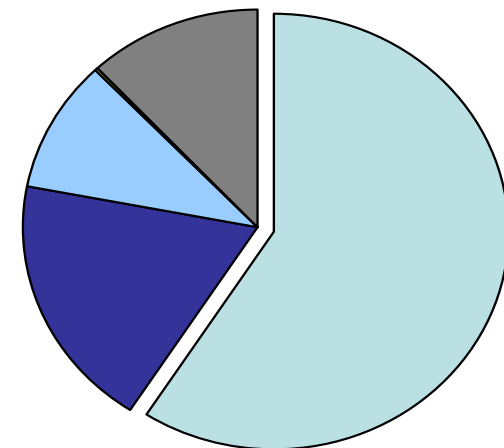
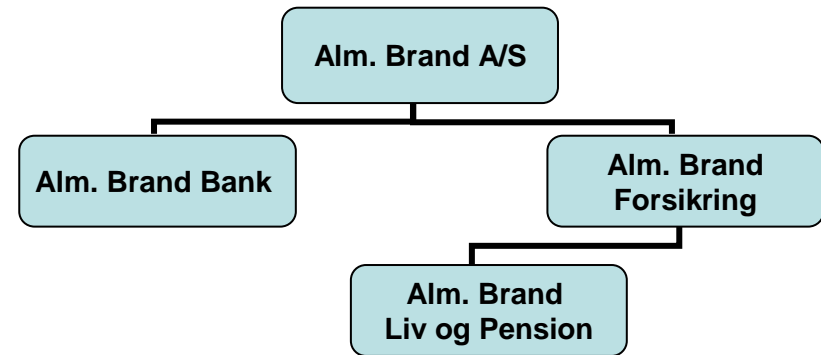
---



# Alm. Brand

## Non-life insurance – The market

- 109 insurance companies in Denmark
  - Many small, local insurers
- Almost 65% covered by four large, listed insurers
- Alm. Brand forsikring A/S is Denmark's 4th largest insurer
  - 400,000 customers
    - 200,000 full-service customers
  - 10% market share
  - Corporate insurance deselected



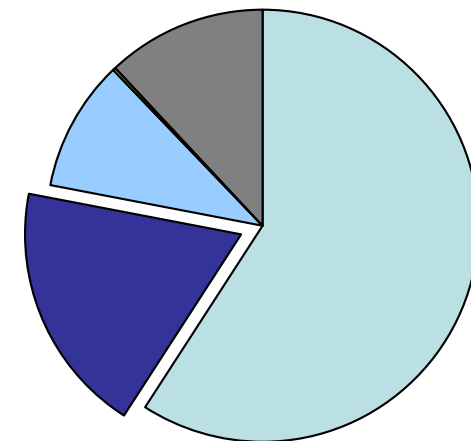
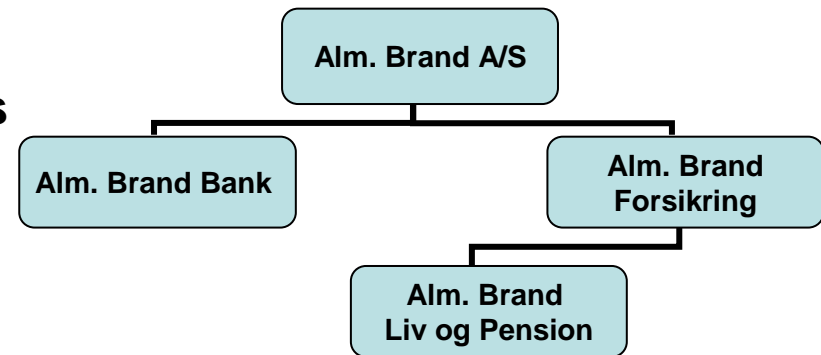
Non-life  
insurance



# Alm. Brand

## Banking – The market

- 150 banks in Denmark
  - Many small and medium-sized banks
- Five largest banks cover most of the market
- Bank packages
  - Financed by the banking sector
  - Hybrid Tier 1 capital
  - Government-guaranteed bonds
  - Finansiell Stabilitet A/S
    - Sector covers ≤ DKK 35bn
    - Danish state covers > DKK 35bn
  - Alm. Brand Bank A/S
    - 65,000 customers
    - 7,000 full-service customers
    - Supports insurance
    - Retail customers and Asset Management



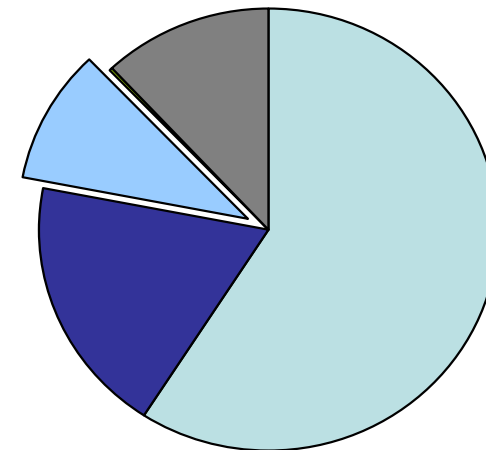
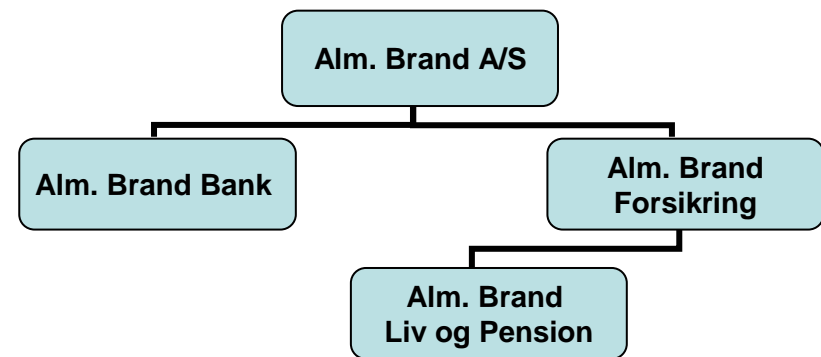
Banking



# Alm. Brand

## Life insurance and pension – The market

- **Labour market insurers**
  - Cover large part of the market
- **Commercial insurers**
  - Few, large
- **Alm. Brand Liv og Pension A/S**
  - 1% share of commercial market
  - 5% market share of target group



Life insurance  
and pension



# Alm. Brand – Strategy

## Three business areas

---

- **Non-life insurance is our main business – banking and life insurance support**
- **Danish business**
  - **Foreign business deselected**
- **Corporate, Marine, etc. deselected**
- **Cross-selling**
- **Loyalty**
  - **“DobbeltKUNDE”-concept**
- **Economies of scale**
- **“High level of quality and service at the right price”**

“We take care of our customers”



# Alm. Brand – Strategy 2010

## From growth to Fit for Fight

---

- **From 2005 → 2008**
  - **Growth strategy**
    - **Strong growth in the bank**
  - **Economic upturn in Denmark**
- **From 2009 → 2012**
  - **Fit for Fight**
  - **Financial and economic crisis in Denmark**
  - **Substantial losses in our banking business**
    - **New management and strategy**
  - **Costs down**
  - **Lower claims expenses**
  - **Lower risk in the bank and higher earnings**



# Alm. Brand – Strategy 2010

## Fit for Fight goals

---

- **Return to shareholders**
- **Enhancing earnings per customer**
- **Loyalty**
- **Commitment**
- **Efficiency**

# Alm. Brand

## Highlights Q2 2010

---

- **Profit of DKK 275m before losses and writedowns**
- **Profit of DKK 108m after losses and writedowns**
- **Positive operating performance in all three business areas**
  - **Non-recurring income and positive run-off**
- **Combined ratio: 84.6**
- **Expense ratio: 18.1**
- **Losses and writedowns in the bank in line with expectations**
  - **DKK 167m**



# Alm. Brand

## Highlights H1 2010

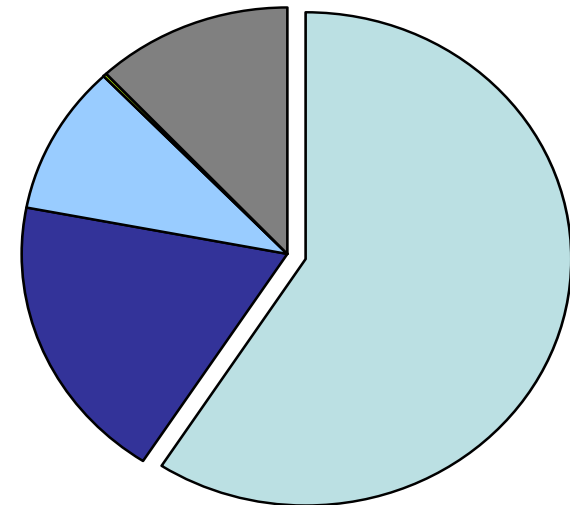
---

- **Profit of DKK 152m before losses and writedowns**
- **Loss of DKK 134m after losses and writedowns**
  - **Extraordinary winter-related claims of DKK 300m**
  - **Writedowns of DKK 286m in the bank**
  - **Unsatisfactory but better than expected**
- **Sustained improvement of operating performance in banking and pension activities**
- **Continued decline in expenses**
- **Satisfactory return on investment activities**
- **Profit guidance for FY 2010 upgraded by DKK 180m**

# Alm. Brand – Non-life insurance

## Financial highlights H1 2010

- **Performance**
  - Q2: DKK 186m profit
  - H1: DKK 64m loss
- **Combined ratio**
  - Q2: 84.6
  - H1: 104.9
- **Expense ratio**
  - Q2: 18.1%
  - H1: 18.9%
- **Premium increase**
  - Q2: 1.5%
  - H1: 1%



Non-life  
insurance

# Alm. Brand – Non-life insurance Highlights H1 2010

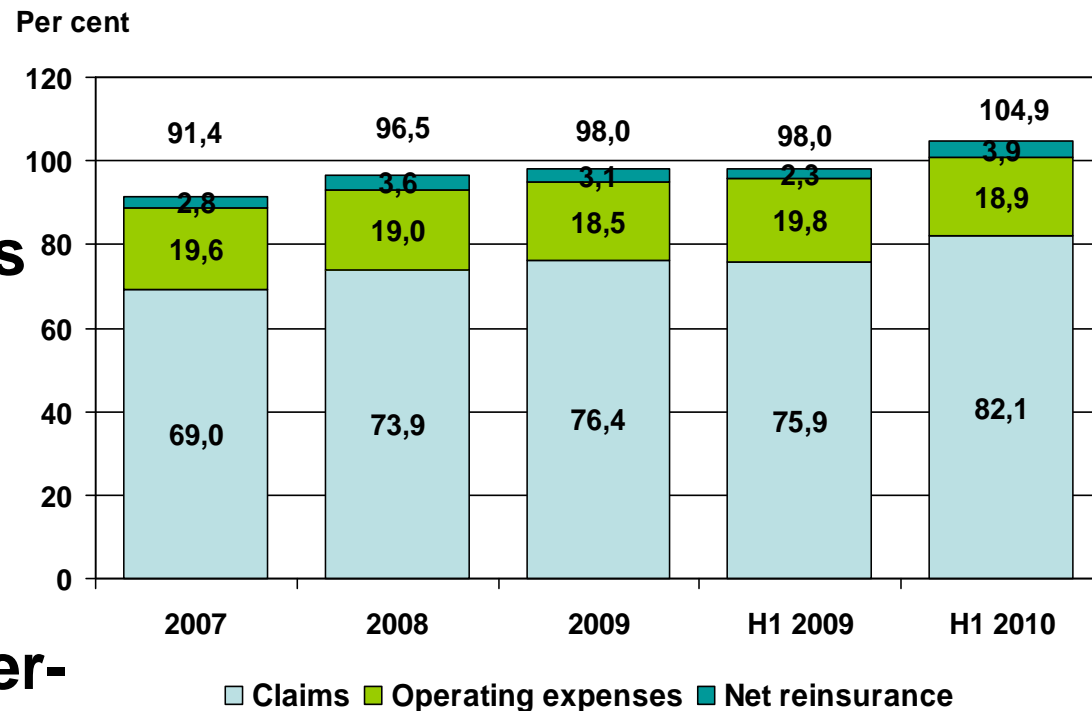
---

- **Severe weather conditions in Q1**
- **Slowdown in other claims**
- **Premium increases**
- **Cost reduction**

# Alm. Brand – Non-life insurance

## Impact on performance

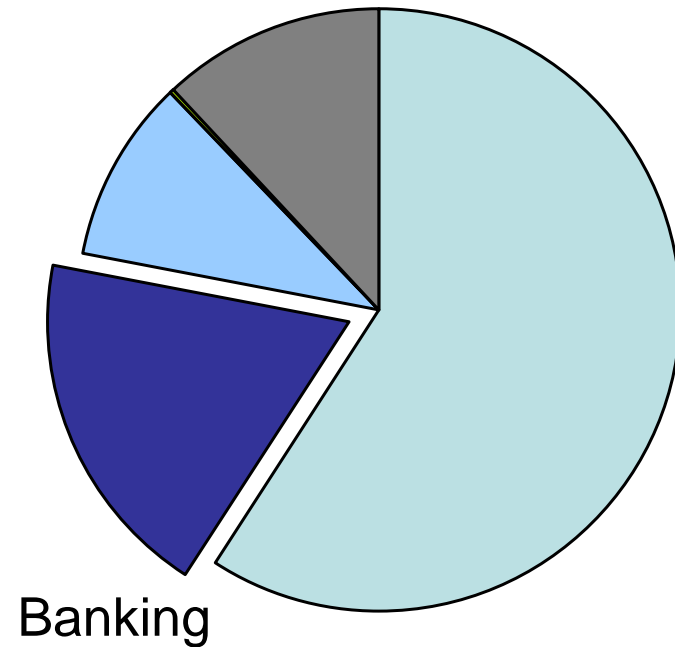
- + Lower costs
- + Lower amount of major claims
- + Stabilisation of normal claims
- + Premium increases
- + Positive run-off
- + Lower-than-expected winter-related claims
- - Extraordinary winter-related claims
- - Interest rate: 0.7% higher claims ratio



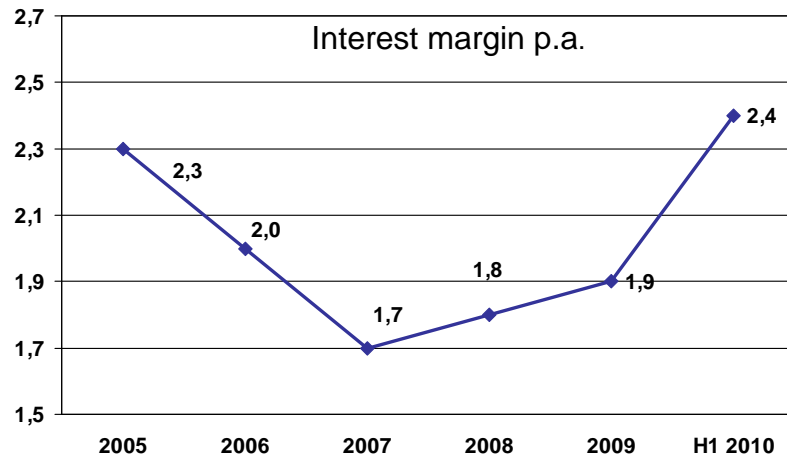
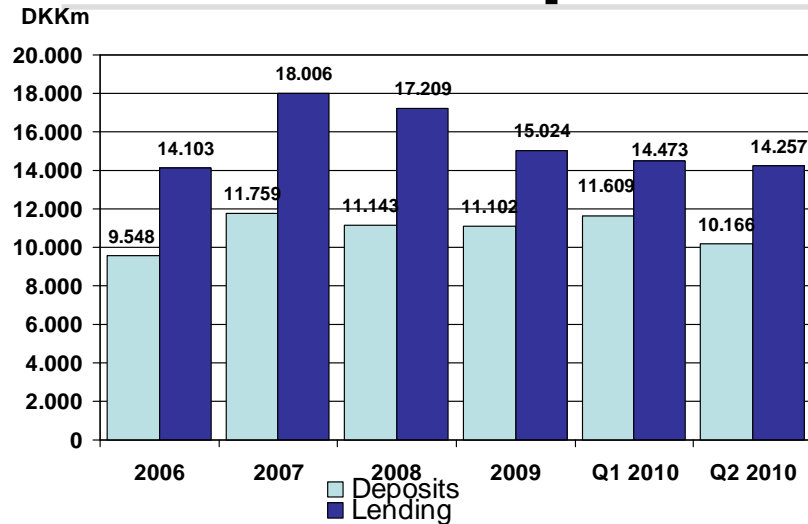
# Alm. Brand – Banking

## Highlights and key ratios H1 2010

- **Performance: DKK 172m loss**
- **Losses and writedowns of DKK 286m**
  - Profit of DKK 114m before losses and writedowns
- **Interest margin rose to 2.4%**
- **Improved operating performance**
- **Continued decline in expenses**
- **Better than expected**
  - Still unsatisfactory
- **Solvency: 14.9%**
- **Tier 1 ratio: 12.3%**



# Alm. Brand – Banking Deposits and lending

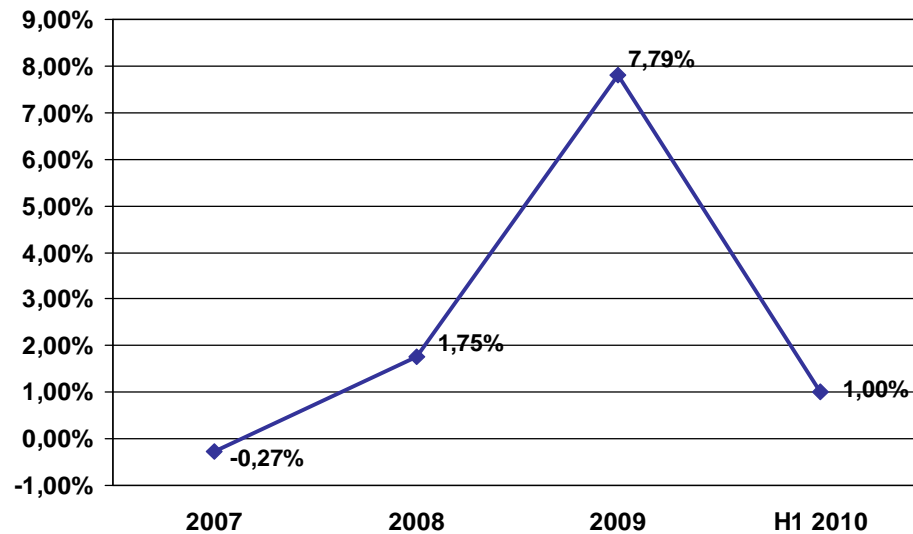


- Loan portfolio reduced by around DKK 1.0bn before writedowns and excluding reverse transactions
  - Accumulated writedowns up by DKK 0.1bn

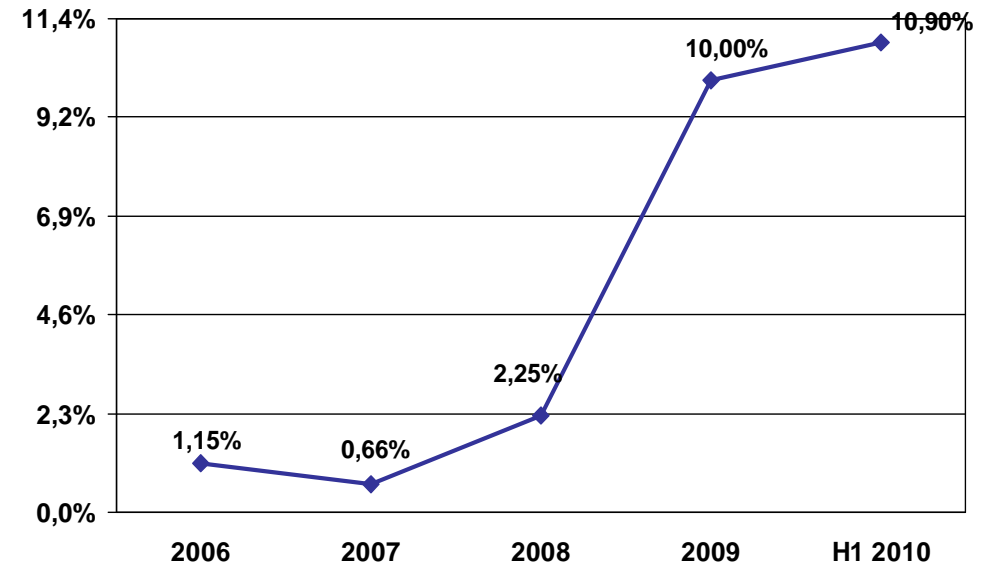
- Interest margin
- + Customer margin increased
- + High-yielding bonds
- + Lower interest paid on fixed-rate deposits
- + Lower interest on funding
- - Hybrid capital

# Alm. Brand – Banking Writedowns

Writedowns p.a.



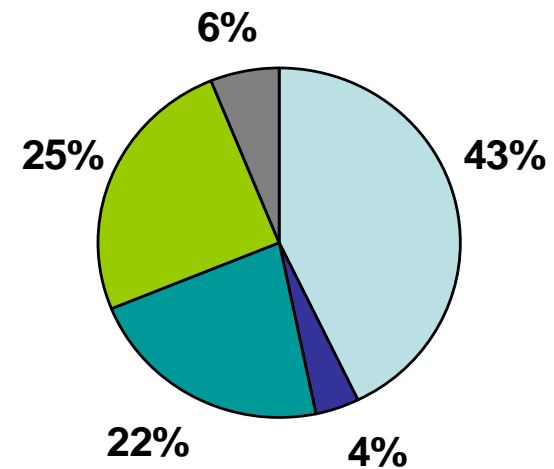
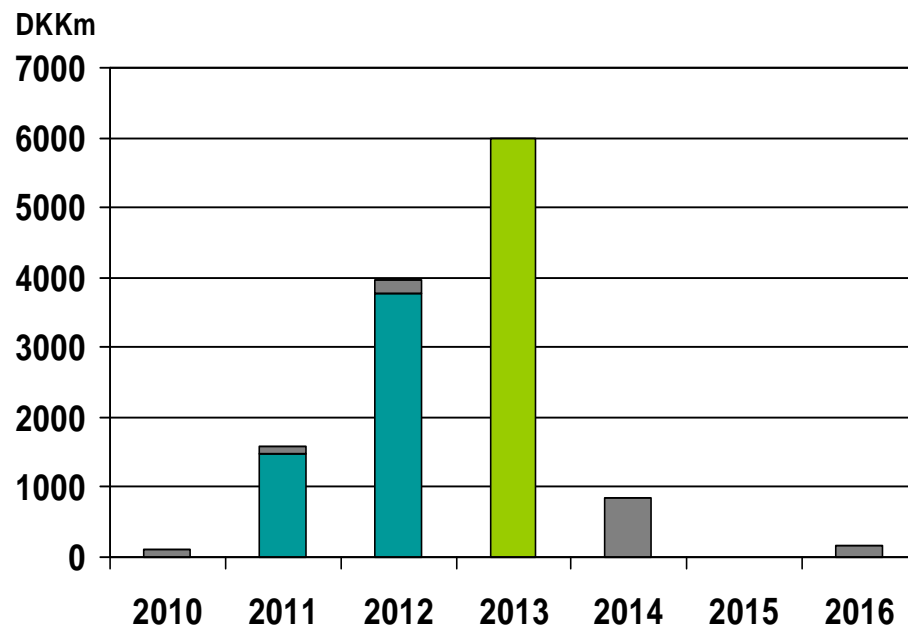
Accumulated writedown ratio



- **Substantial losses in 2009**
  - **New strategy and management**
- **Risk-intensive business areas discontinued**
- **Focus on Asset Management, retail customers and savings products**

# Alm. Brand – Banking Funding

Repayment structure for interbank funding,  
issued bonds and subordinated debt



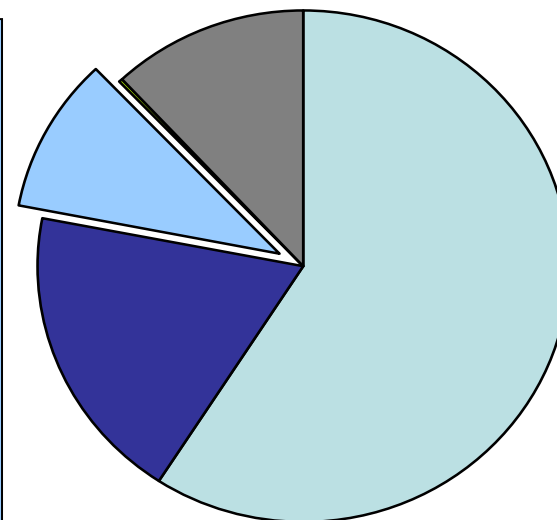
- Issuance of government-guaranteed bonds in June 2010



# Alm. Brand – Life insurance and pension

## Highlights and key ratios H1 2010

- **Performance: DKK 129m profit**
- **Collective bonus potential**
  - DKK 343m
    - Increase of DKK 118m
- **Premiums**
  - Growth incl. banking: 8.4%
- **Strong investment return**
  - 6.5% (p.a. 13%)
  - On customer funds



Life  
insurance  
and  
pension

# Alm. Brand – Life insurance and pension Investments H1 2010

Return on investments (OE) 2.0%

Return on investments (customers) 6.5%

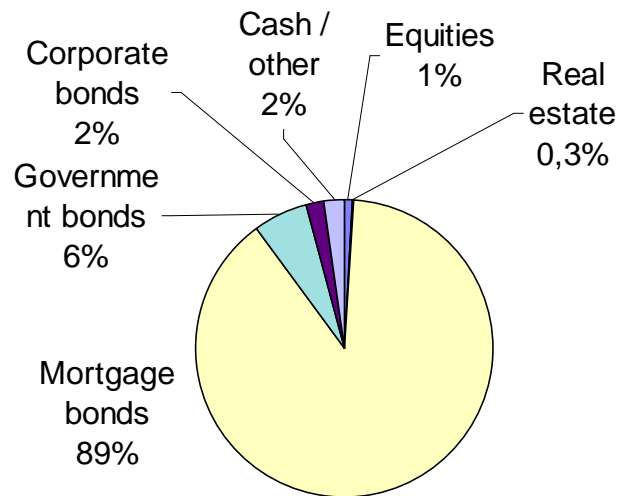
	<u>Share</u>	<u>Return</u>
Bonds, etc.	75%	8.8%
Equities	10%	-1.7%
Properties	15%	2.4%

Interest (customers) p.a. 3.0%

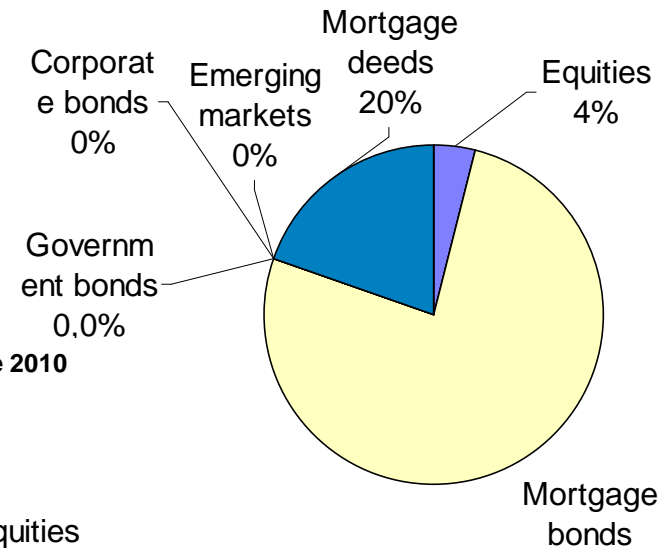
# Alm. Brand

## Investment assets

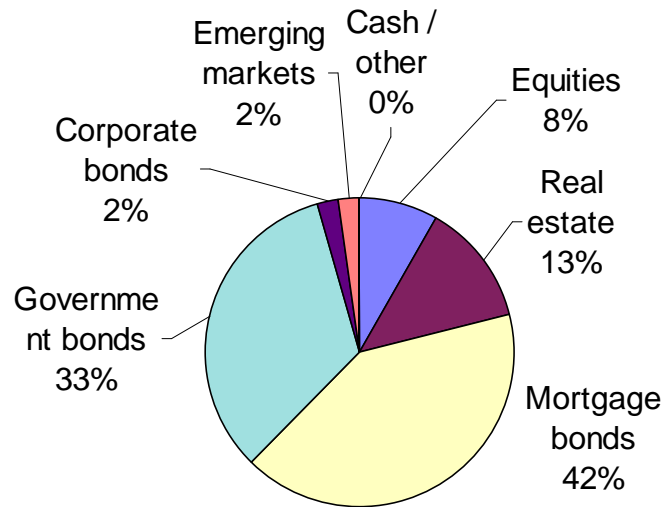
Non-life, asset allocation 30 june 2010



Bank, asset allocation 30 june 2010



Life, asset allocation 30 june 2010



# Alm. Brand Outlook 2010

---

- **Alm. Brand A/S profit of DKK 200m (before losses and writedowns)**
  - **Upgrade of DKK 180m**
  - **Including cloudbursts in weeks 32-33**

# Alm. Brand

## Outlook until 2012

---

- **Losses and writedowns in the bank**
  - DKK 1bn (distributed over 2.5 years)
- **Consolidated performance after losses and writedowns**
  - **2010: Substantial loss**
  - **2011: Small profit**
  - **2012: Significantly greater profit**
    - **Reasons**
      - Normalisation of writedowns
      - Limitation of claims
      - Premium increases
      - Higher interest income
      - Lower expenses

# Alm. Brand

## Capital until 2012

---

- + Earnings
- + Reduction of total lending in the bank
- + Capital injection
  - Commitment of DKK 900m from fmba
  - Rights issue under consideration
- Solvency II
- Basel III
- Losses and writedowns in the bank

# Alm. Brand

## Focus 2010

---

- **Premium increases within commercial and agricultural customer segments**
- **Expenses**
- **Limitation of claims**
  
- **Minimising losses and writedowns**
  - **Private mortgage deeds**
    - **From writedown customer to profit customer**

# Alm. Brand shares vs. OMXC20



• Price/NAV 0.28

# Alm. Brand A/S

## Carnegie – Small Mid-cap Seminar

### September 2010

---

