

# Alm. Brand A/S

## Q3 2008 – Investor presentation

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# Economic setting

## Financial crisis

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- Severe credit turmoil continues
- Inflation dropping/deflation?
- Falling short-term interest rates?
- US: Zero growth in 2009?
  - What additional relief packages will be launched?
- Europe – negative growth in 2009?
  - What measures will be introduced in Europe to stimulate the economy?
- Asia – declining growth in the years ahead

# Economic setting

## Weak growth expected until 2010

Forecast	Alm. Brand Markets			Consensus		
	2008	2009	2010	2008	2009	2010
<b>GDP</b>						
USA	1.0	0.0	2.5	1.4	0.0	2.0
Euroland	0.8	-0.5	1.0	1.2	0.5	1.5
Japan	0.5	0.2	2.0	0.7	0.5	1.3
<b>CPI</b>						
USA	4.2	1.8	2.3	4.4	2.3	2.5
Euroland	3.2	1.7	1.7	3.4	2.2	2.0
Japan	1.5	0.8	0.6	1.7	1.1	0.9

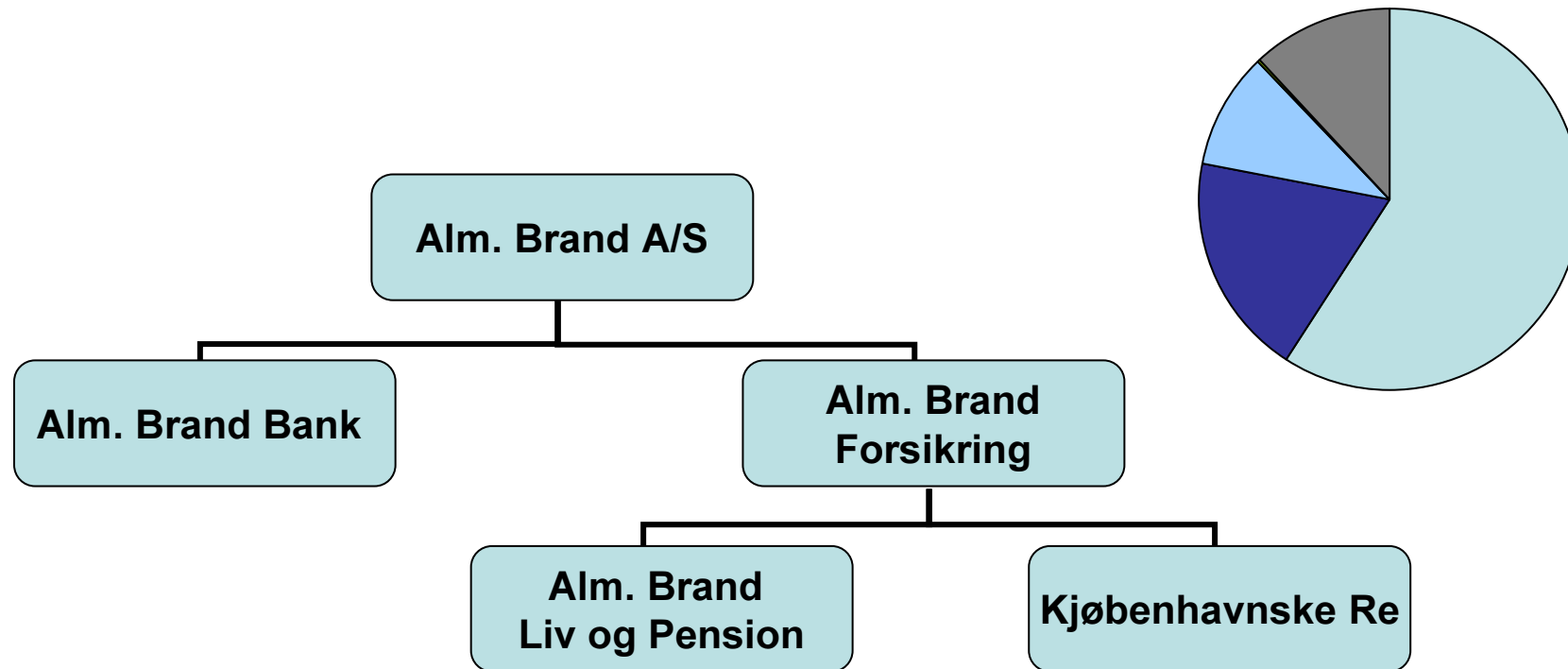
# Economic setting

## Equities

- OMXC20 – sharp falls in 2008
  - Stabilisation of the global economy in 2009 should increase visibility
- Investors have already priced in a lot of negative sentiment



# The Alm. Brand Group



**“We take care of our customers”**

# Alm. Brand A/S

## Highlights Q3 2008

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- Performance: DKK 19m profit
  - 9M: DKK 124m profit
  - Not satisfactory
  - Reason: Capital losses, writedowns, impaired claims experience and lack of risk premium
    - Market value adjustments resulted in a DKK 300m loss for the year to date
- Growth in Non-life (5%) and Life (6%)
- Positive trend in interest and fee income
  - Increase of 15%
- Full-year guidance retained
  - DKK 50m profit

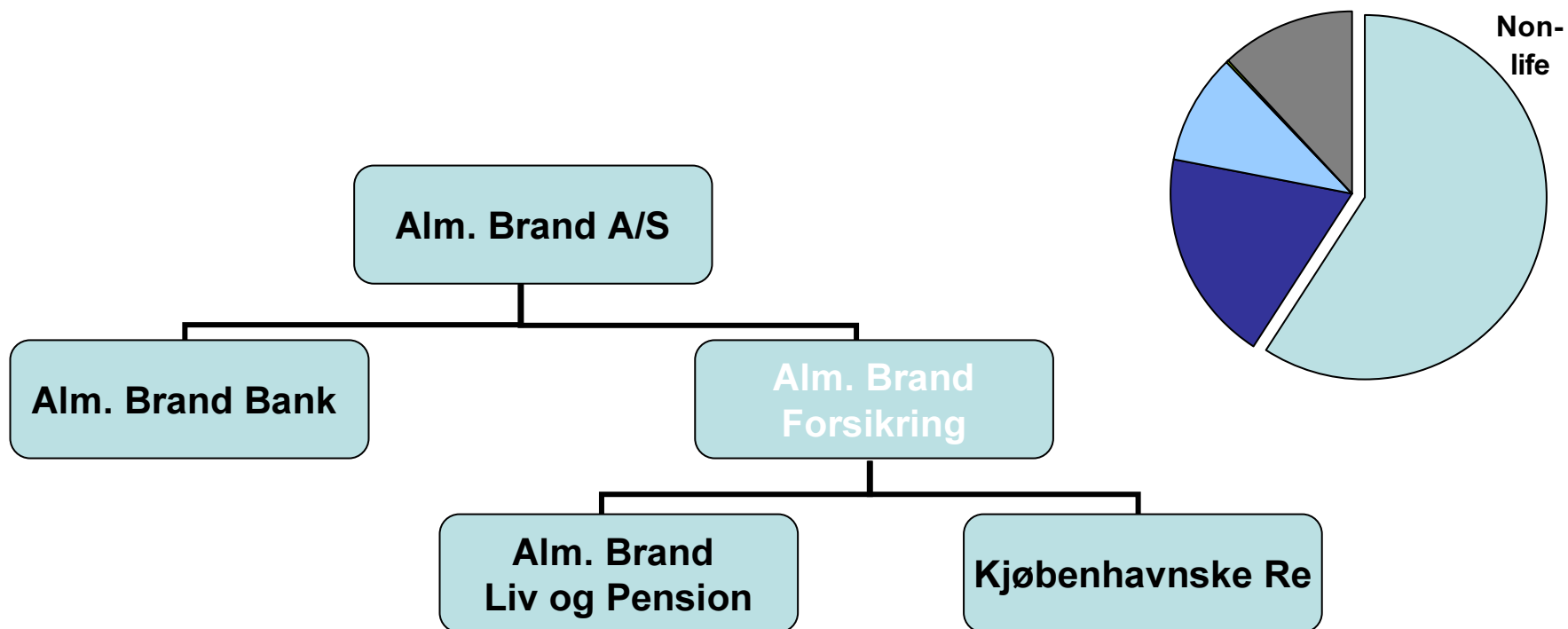
# Alm. Brand

## Here and now

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- Severe economic headwind
  - Surprisingly wide-reaching and fast-spreading
- Significant financial strength in Alm. Brand
  - Excess capital of DKK 2bn
  - Almost double the amount of liquidity required by law
    - State-backed guarantee scheme
  - Alm. Brand af 1792 fmba: Free cash flows of DKK 1bn
- Status for business activities
  - Financial results too weak
  - Satisfactory growth and growing market shares
  - Increased pressure from competitors
  - Less mobile customers
  - Profitability still more important than growth
  - Retaining focus on limiting the bank's exposure

# Alm. Brand – Non-life



**“We take care of our customers”**

# Alm. Brand – Non-life

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- Performance: Q3: DKK 26m profit, 9M: DKK 196m profit
- Impacts
  - + Growth
  - + Low weather-related expenses
  - + Lower expenses
  - Capital losses
  - Major claims in the agricultural segment
  - Higher claims in the private segment
    - Higher number of burglaries, more expensive home contents, higher construction costs
  - Premium reductions on auto
- Premium increases
  - Building, household comprehensive, auto converted
- Focus on costs
- Focus on customers with an unusually high claims ratio

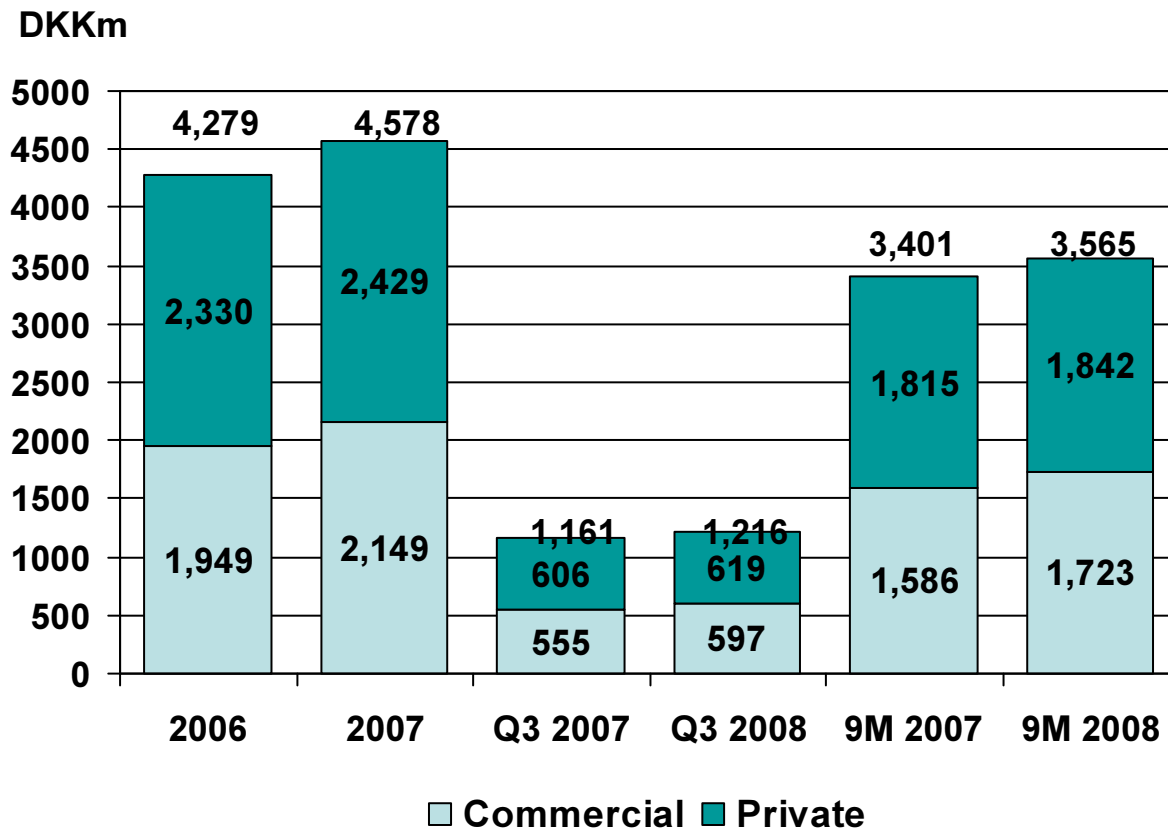
# Alm. Brand – Non-life Premium performance

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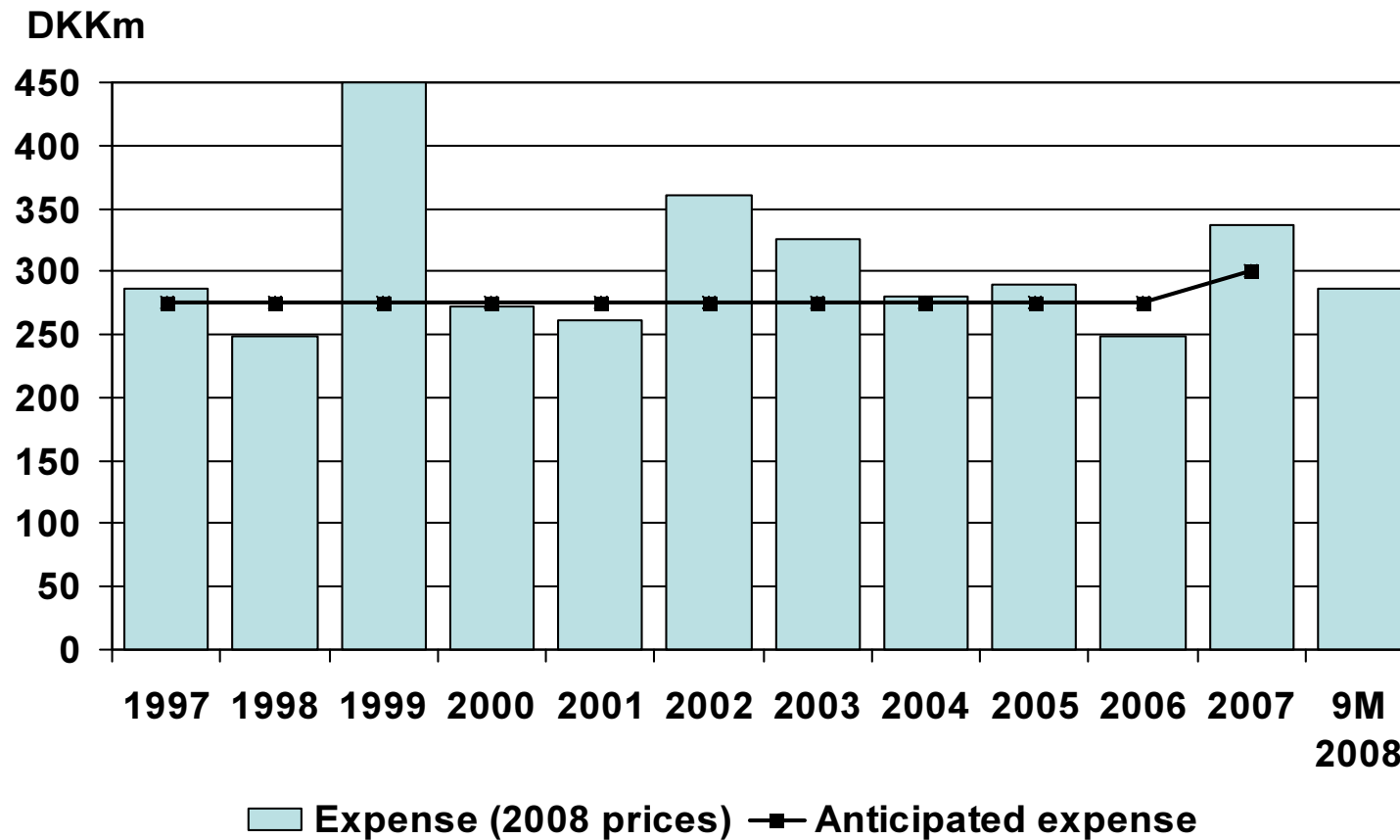
- Strong premium performance
  - Growth of 4.8%
  - Full-year growth forecast
    - 5%
    - Achieved in a very competitive market
- Price vs. risk
  - Premium increases
    - Household comprehensive and building
    - Conversion of remaining auto portfolio
  - Focus on customers w/ unusually high claims ratio



# Alm. Brand – Non-life Gross premium income

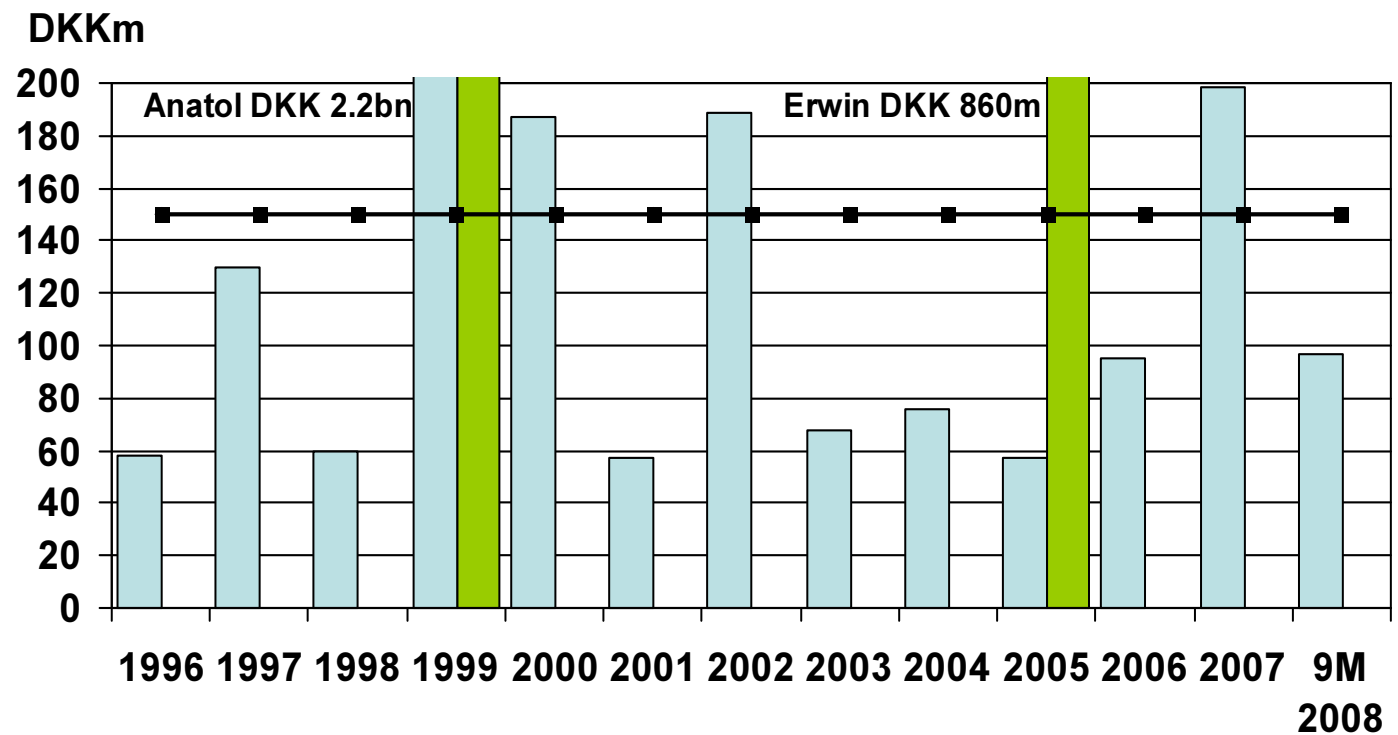


# Alm. Brand – Non-life Expenses for major claims



# Alm. Brand – Non-life

## Expenses for weather-related claims

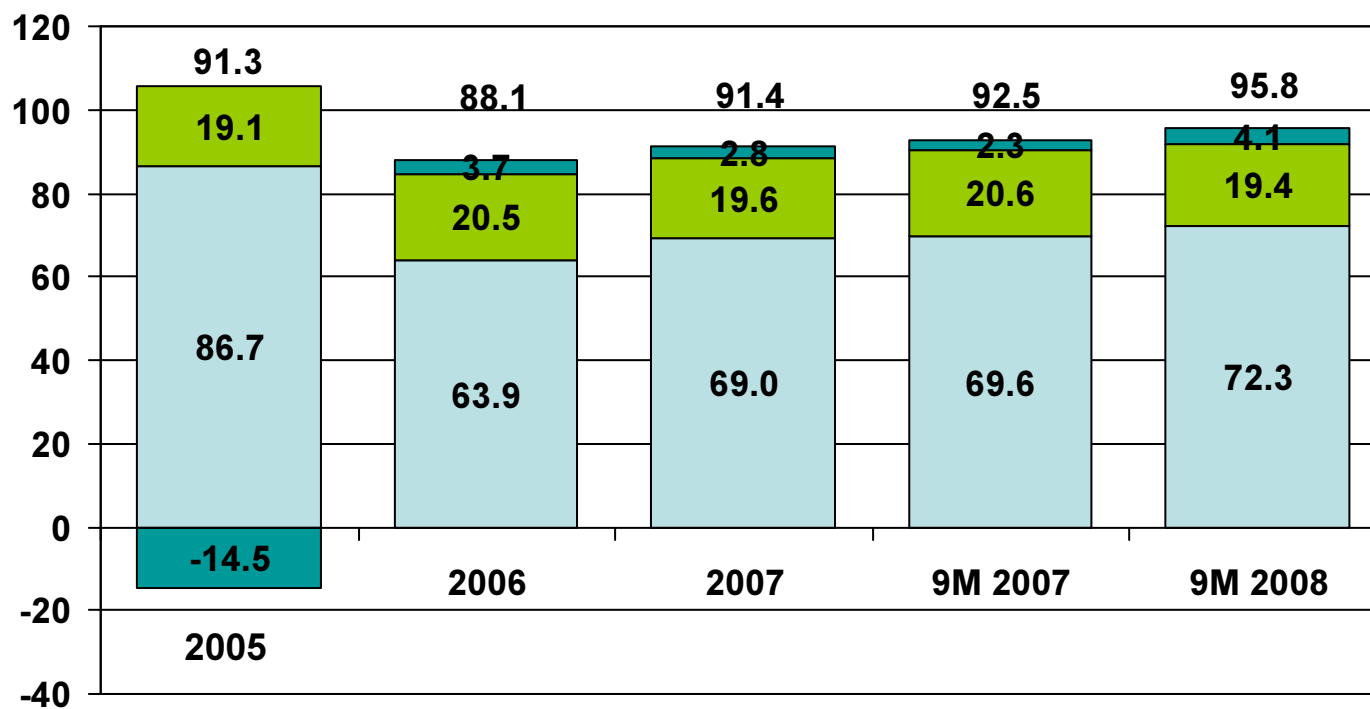


Expense (2008 prices) Expense (Anatol and Erwin) Anticipated expense



# Alm. Brand – Non-life Combined ratio

Per cent



■ Claims 
 ■ Operating expenses 
 ■ Net reinsurance

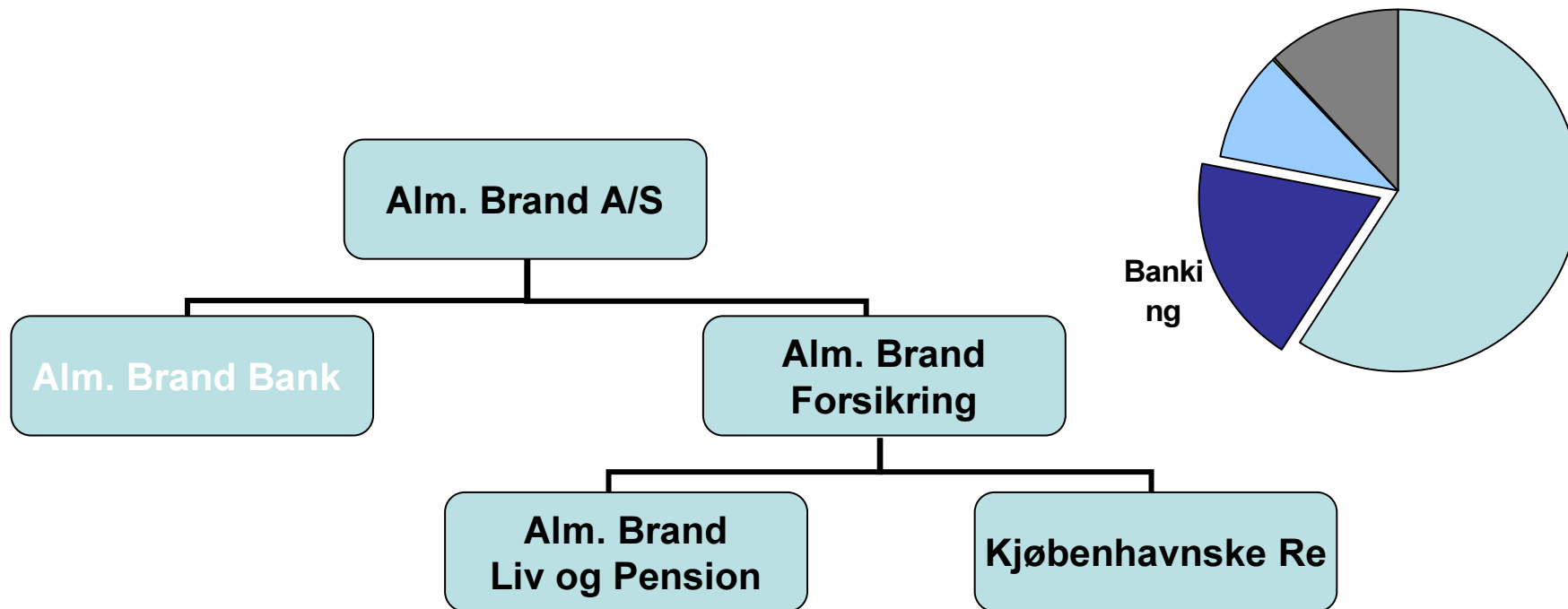


# Alm. Brand – Non-life Combined ratio

	2005	2006	2007	9M 2007	9M 2008
Combined ratio ex weather claims and major claims	80.3	81.4	81.6	81.6	84.0
Major claims	6.7	5.6	7.4	7.5	8.0
Weather claims	5.0	2.2	4.3	5.5	2.7
Run-off result*	-0.7	-1.1	-1.9	-2.1	1.1
Combined ratio	91.3	88.1	91.4	92.5	95.8

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

# Alm. Brand – Banking



**“We take care of our customers”**

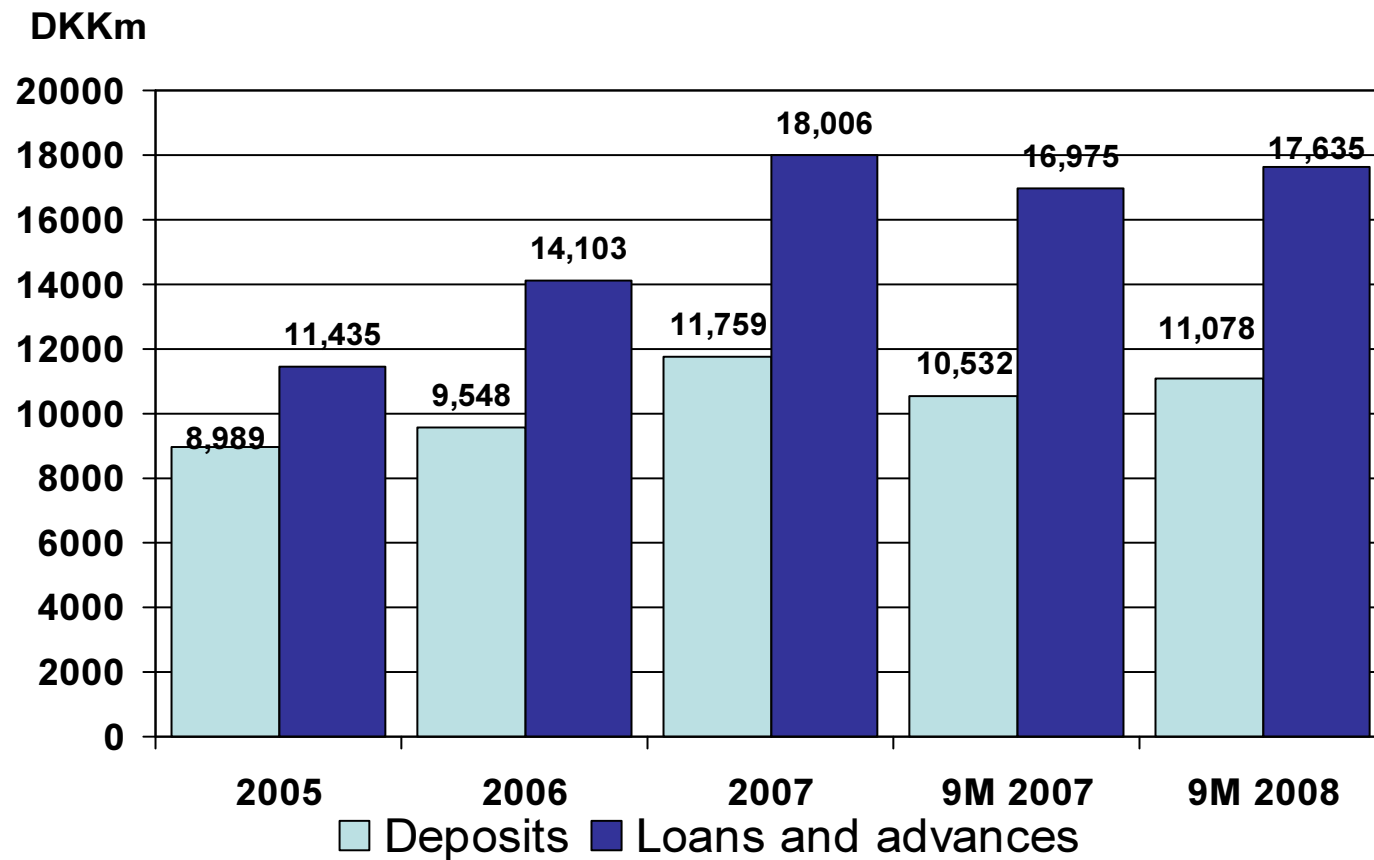
# Alm. Brand – Banking

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- Performance: DKK 42m loss
  - 9M: DKK 140m loss
- Net interest and fee income rose by 15%
- Capital loss for the year to date: DKK 211m
- Losses and writedowns for the year to date: DKK 39m
  - Additional loss expected in Q4
- Loans and advances trimmed
  - Focus on core customers
  - Reduced exposure to properties
- Focus on
  - Increasing interest margin
  - Limiting exposure
  - Reducing costs

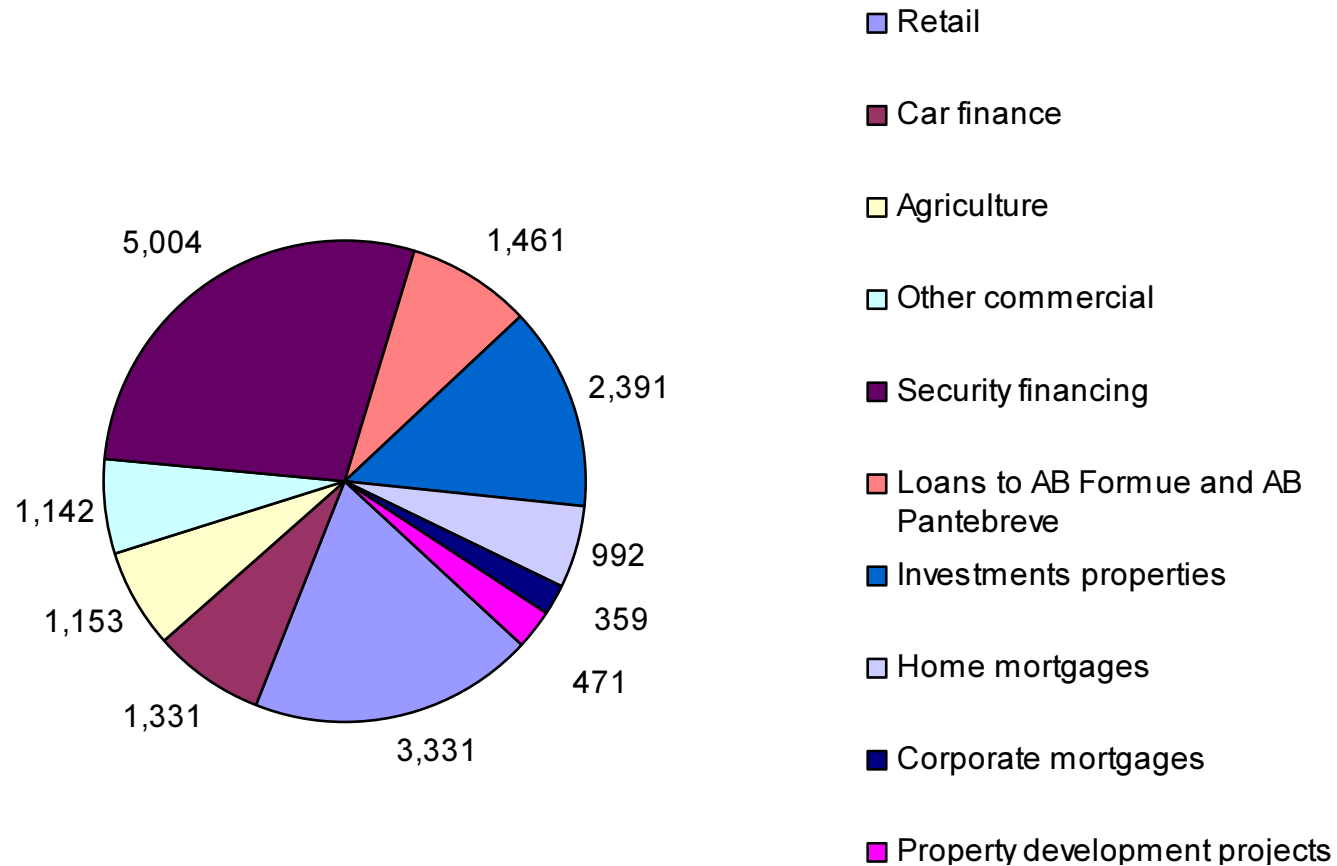
# Alm. Brand – Banking

## Deposits, loans and advances



# Alm. Brand – Banking

## Loans and advances by segment



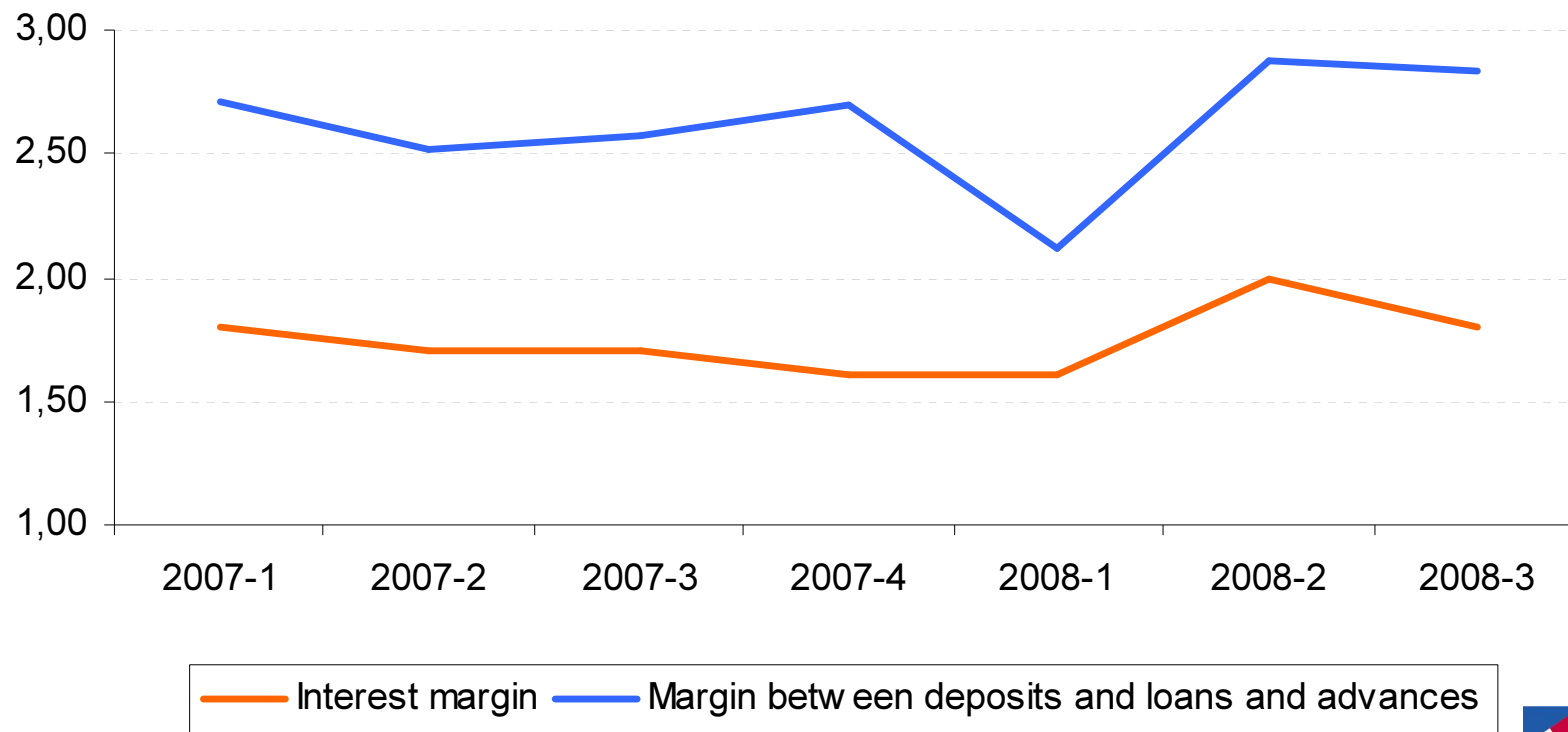
# Alm. Brand – Banking

## Loan portfolio and credit losses

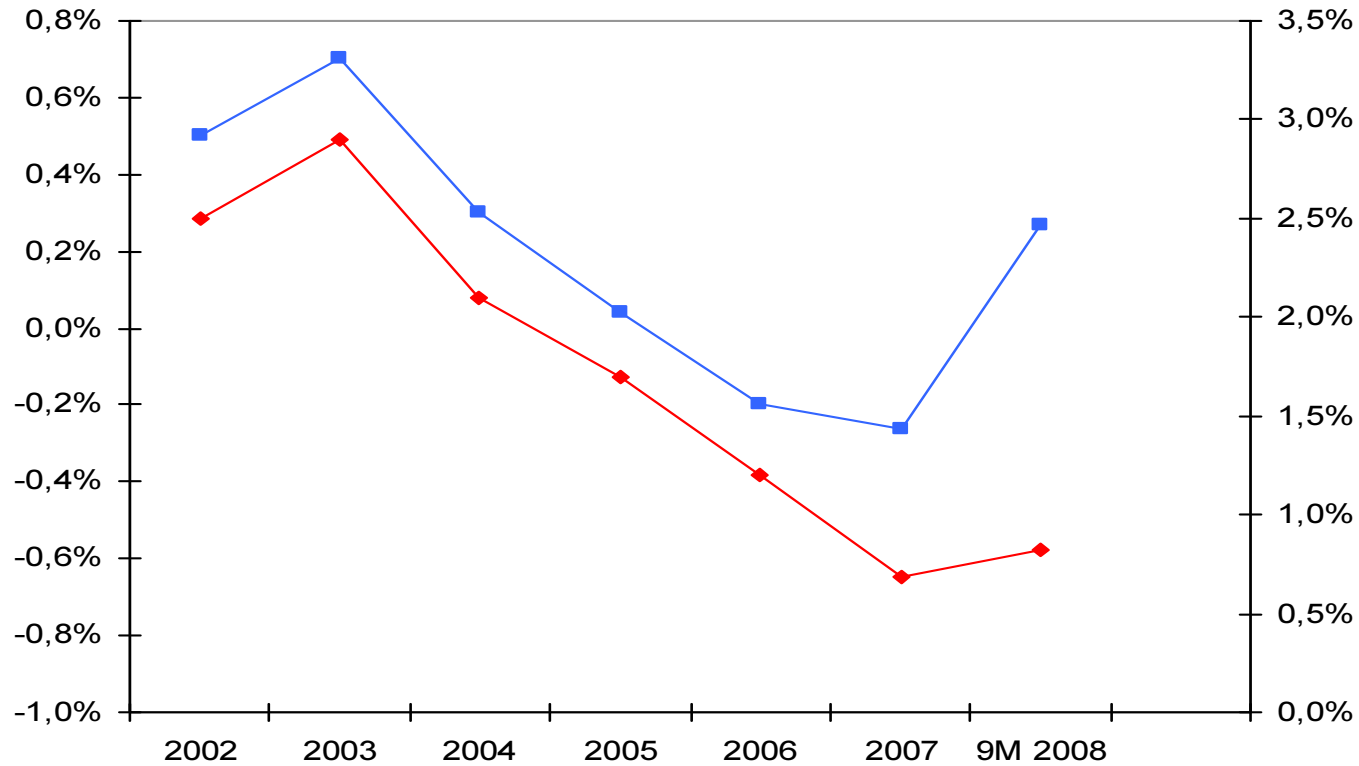
DKKm	Loans and advances 30 September 2008	Percentage of portfolio	Losses and writedowns Q3	Losses and writedowns 9M	Loss rate 9M
<b>Segment</b>					
Retail lending	3331	19%	1	7	0,2%
Car finance	1331	8%	-3	-12	-0,9%
Agriculture	1153	6%	-3	-11	-1,0%
Other commercial	1142	6%	6	10	0,9%
Security funding	5004	28%	27	28	0,6%
Lending to Alm. Brand Formue and Alm. Brand Pantebreve	1461	8%	0	0	0,0%
Investment properties	2391	14%	0	-2	-0,1%
Home mortgages	992	6%	6	12	1,2%
Commercial mortgages	359	2%	25	51	14,2%
Property development projects	471	3%	7	19	4,0%
<b>Total</b>	<b>17635</b>	<b>100%</b>	<b>66</b>	<b>102</b>	<b>0,6%</b>



# Alm. Brand – Banking Interest margin

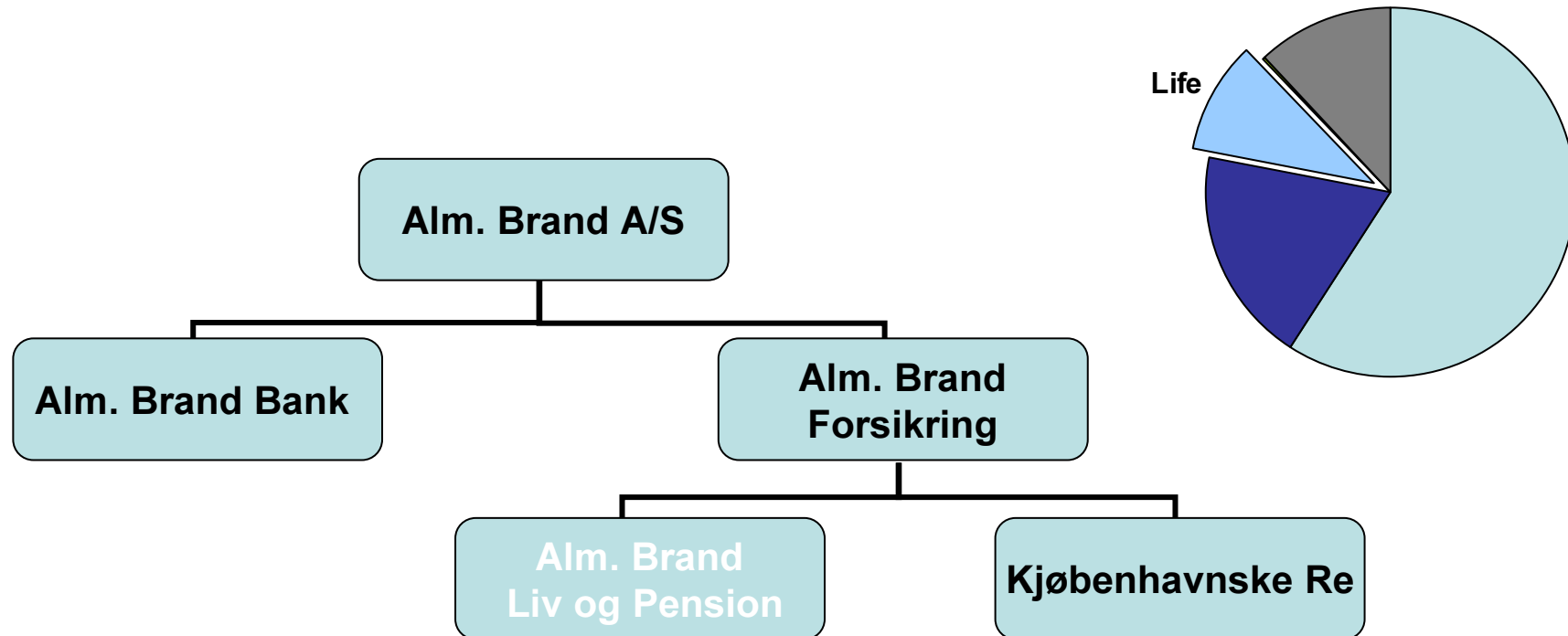


# Alm. Brand – Banking



—■— Losses and writedowns as a percentage of lending —◆— Impairment charges as a percentage of lending

# Alm. Brand – Life and pension



**“We take care of our customers”**

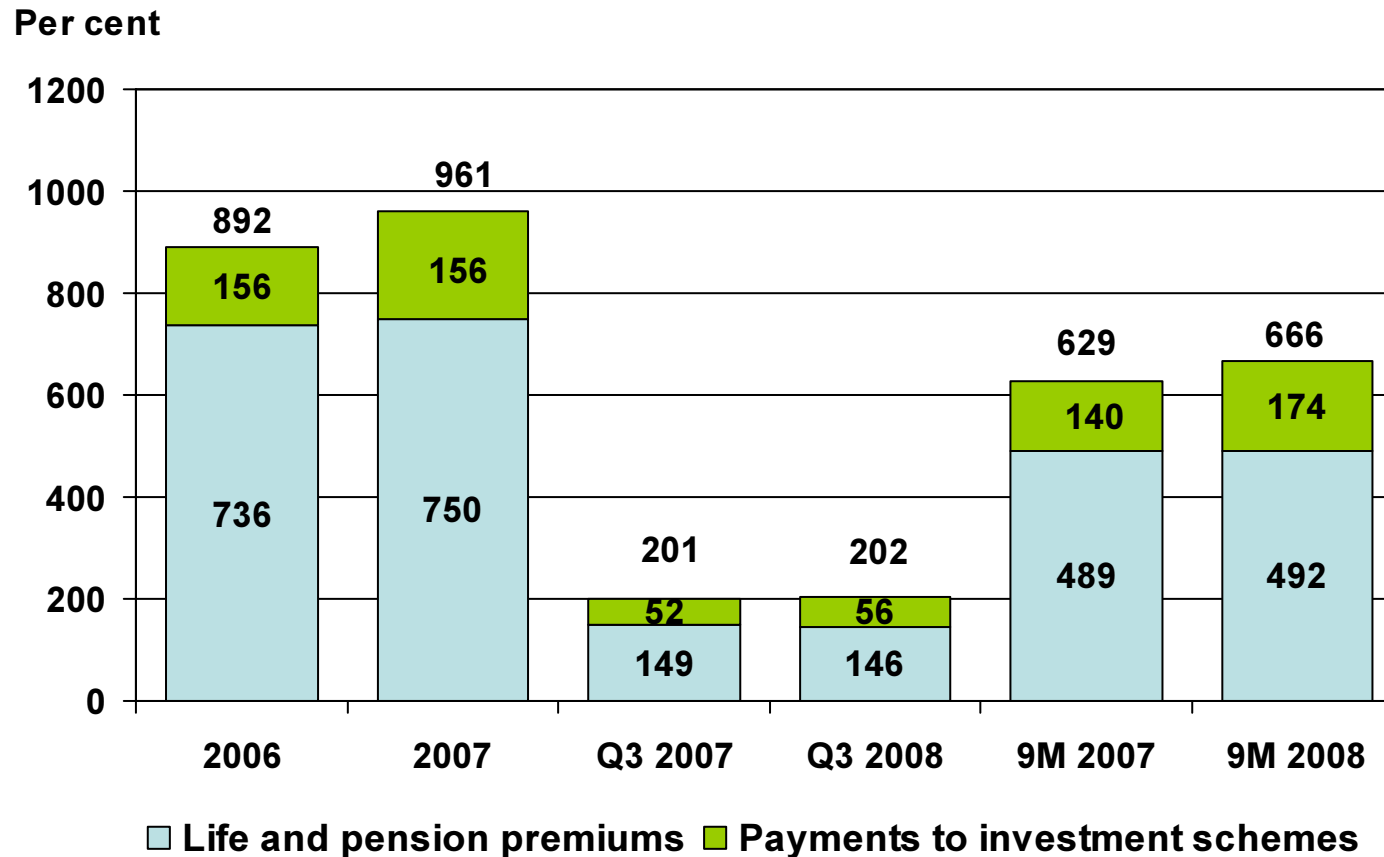
# Alm. Brand – Life and pension

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- Performance: DKK 14m profit
  - 9M: DKK 18m profit
  - DKK 51m transferred to the shadow account
    - Not expected to be recognised as income in 2008
  - Investment return not satisfactory due to capital losses on securities
    - Part of the loss expected to be recovered
  - Sustained satisfactory growth
    - 6%
  - Bonus on paid-up policies applied
  - Charge of 3.8% implemented to protect against adverse effects of changes in interest rates

# Alm. Brand – Life and pension

## Gross premiums including investment schemes



# Alm. Brand – Life and pension Investment return

- Rate of interest paid to customers p.a. 4.5%
- Total investment return p.a. -2.1%
- Customer returns in Q3:
  - Bonds etc. 0.7%
  - Equities -35.1%
  - Properties 4.3%
  - 1.9%
  - Annualised - 2.5%
- Total equity exposure about 11%

## Other business areas

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- Copenhagen Re, performance: DKK 20m profit
  - 9M: DKK 70m profit
  - Substantially better than expected
  - Lower-than-expected investment result
  - Significant reduction in risk of losses on overall portfolio
- Other miscellaneous activities, performance: DKK 1m loss
  - 9M: DKK 20m loss
  - Shared group costs and a number of dormant companies

# Alm. Brand A/S

## Full-year guidance

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- Consolidated profit forecast: DKK 50m
  - Non-life: DKK 200m profit
  - Banking: DKK 250m loss
  - Life and pension: DKK 25m profit
  - Other business activities: DKK 75m profit
- Revenue: DKK 8bn
- Share buy-back: DKK 350m

# Alm. Brand

## General measures

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- Increased earnings
  - Adjustment of prices and terms
- Reduced expenses
  - Fewer employees – primarily through attrition
  - “More for less” – several measures already implemented
- Strong business platform
  - Modern technological platform
    - TIA, NEL and Absalon
  - New processes and new, customer-orientated organisation
  - Group covering the entire spectrum of our customers’ financial needs
  - Strong strategic foundation
    - Loyalty and satisfaction

# Alm. Brand

## Share buyback

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- Share buyback programme reduced from DKK 600m to DKK 350m
- Shares worth an additional DKK 50m bought back from the 2007 programme, bringing the total to DKK 400m
  - Pay-out ratio = 33
  - Remaining buyback programme
    - DKK 49m

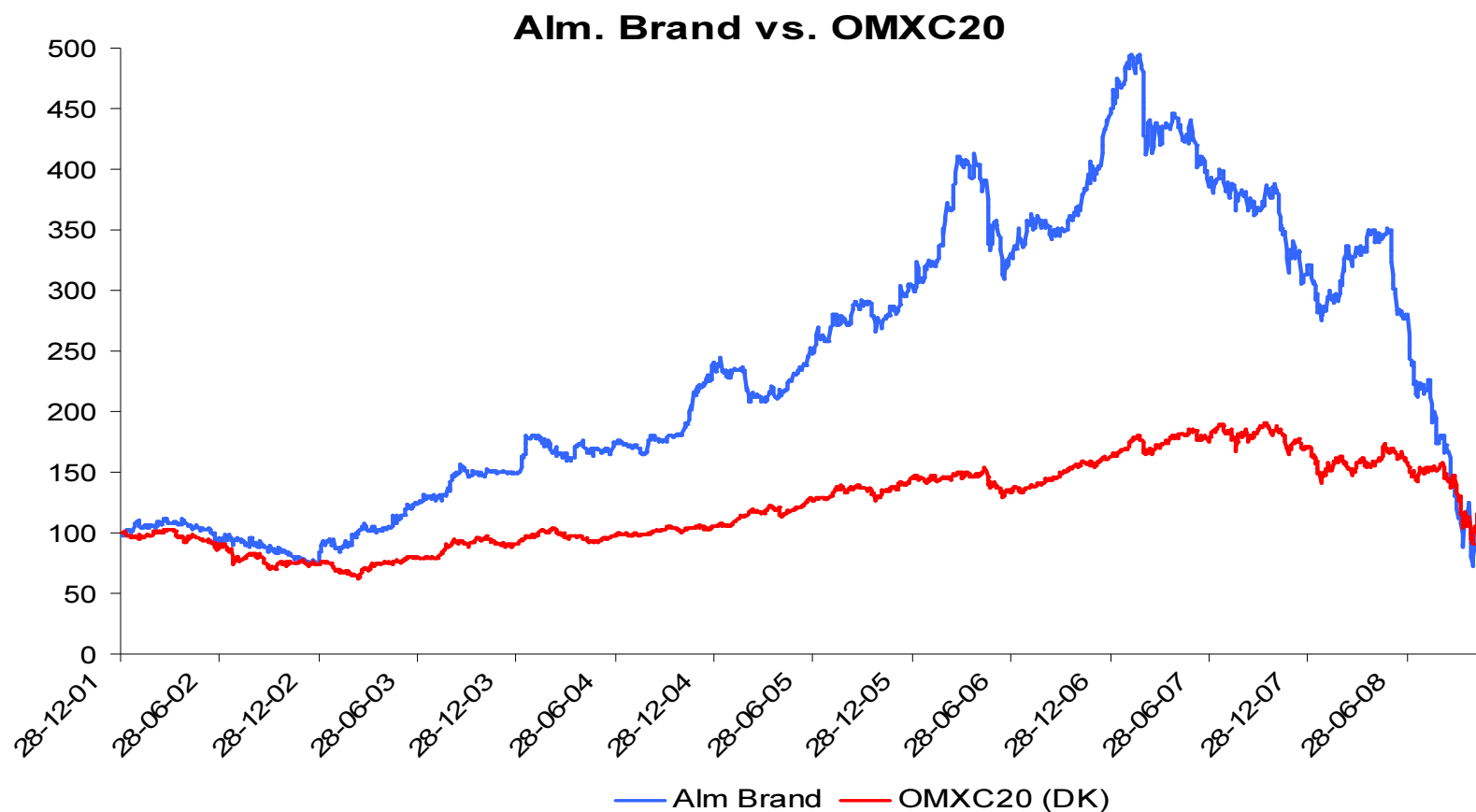
# The Alm. Brand Group

## Capital model

DKKm	Times the solvency requirement	30 September 2008	31 December 2007
Non-life insurance	2.4	1,793	1,637
Banking ex partly-owned listed subsidiaries	1.3	1,681	1,822
Banking, equity in partly-owned listed subsidiaries	1.0	538	801
Life insurance	2.0	944	936
Reinsurance, equity	1.0	313	261
<b>Capital targets</b>		<b>5,269</b>	<b>5,457</b>
<b>Consolidated equity</b>		<b>4,989</b>	<b>5,446</b>
<b>Net tax asset</b>		<b>-246</b>	<b>-234</b>
<b>Intangible assets</b>		<b>-228</b>	<b>-227</b>
<b>Adjusted equity ex supplementary capital</b>		<b>4,515</b>	<b>4,985</b>
<b>Excess of capital target excluding supplementary capital</b>		<b>-754</b>	<b>-472</b>
<b>Supplementary capital</b>		<b>824</b>	<b>817</b>
<b>Excess of capital target including supplementary capital</b>		<b>70</b>	<b>345</b>



# Share price performance Alm. Brand A/S vs. OMXC20



# Alm. Brand Strategy 2010

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- Our five goals
    - Money market rate plus 10% return on equity
    - 50% portfolio growth per business area\*
      - 100% portfolio growth in the bank\*\*
    - Image ranking: Top-two in the industry
    - 90% satisfied and 50% very satisfied customers
    - 90% satisfied and 50% very satisfied employees
- \* Non-life and life and pension operations are expected to grow, albeit at rates lower than what the goals indicate
- \*\* Zero growth or possibly reduced loans and advances expected for the banking operations

# Alm. Brand

## Status på strategi

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- Growth
  - Non-life
    - Below target – ahead of benchmark
  - Banking
    - In line with target – reduced
  - Pension
    - Above target – in line with general developments
- Return on equity
  - Currently in line with target, but historically above
- Customers must be satisfied (90%) or very satisfied (50%)
  - In line with target – significant positive trend
- Employees must be satisfied (90%) or very satisfied (50%)
  - In line with target – very positive trend
- Image
  - Stable at a low level – ahead of benchmark

# Alm. Brand A/S

## Q3 2008 – Investor presentation

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