

# Alm. Brand A/S

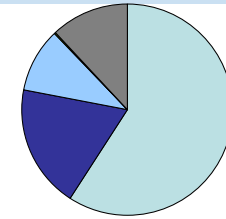
## H1 2009 – London – 30 September 2009

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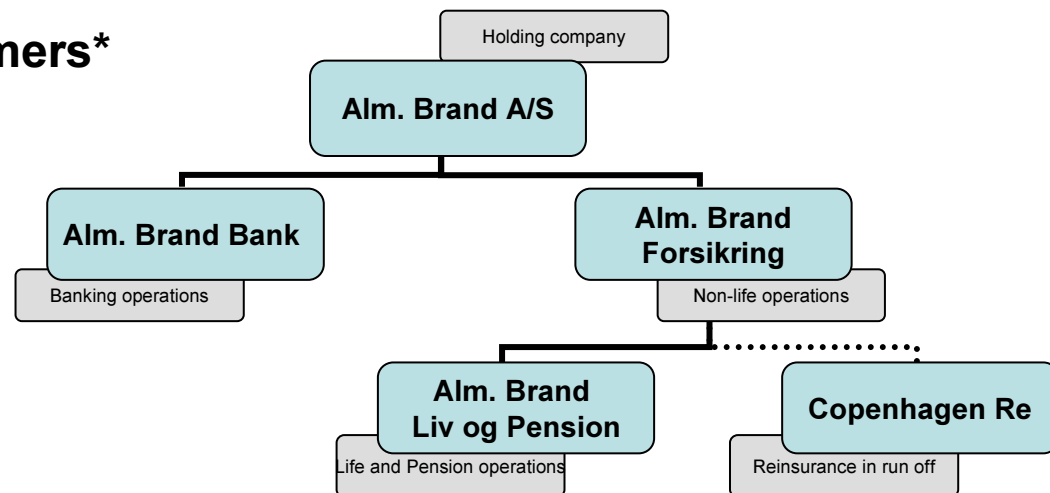


# Alm. Brand

## Three business areas



- **Non-life**
  - 4th largest in DK
  - 500,000 customers\*
    - 200,000 Plus customers\*
- **Banking**
  - 65,000 customers\*
  - Supports non-life
- **Life and pension**
  - 80,000 customers\*
  - Supports non-life
- **Double-customers**
  - 25,000\*
  - Growth: 19%



“We take care of our customers”

\* Number of households/units

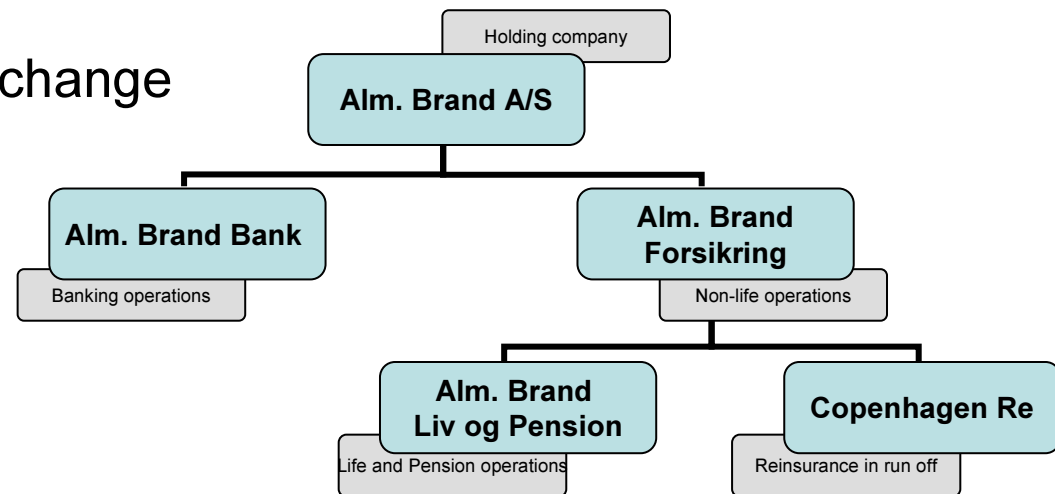


# Alm. Brand A/S

## The group

### Before 2001

- Mutual non-life insurance company (since 1792)
- Alm. Brand A/S
  - Listed on the stock exchange
  - Activities:
    - Banking
    - Reinsurance
    - Life and pension



### 2001

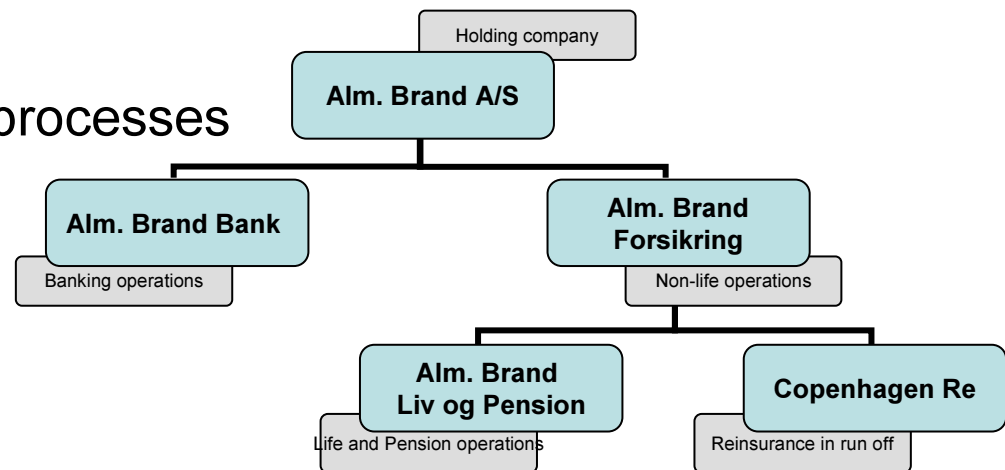
- Non-life operations from G/S to A/S
- New focus
- New strategy towards 2006
- Reinsurance in run off
  - Isolated risk

# Alm. Brand A/S

## The group (2)

### 2002 - 2004

- The turn around
- New processes and systems
  - New non-life system
  - IT – More for less
  - Customer and handling processes
  - Streamlining
  - => Decreasing cost ratio
  - Risk - Cost optimization
    - Loss of market share
- Service og counselling
- Accessibility

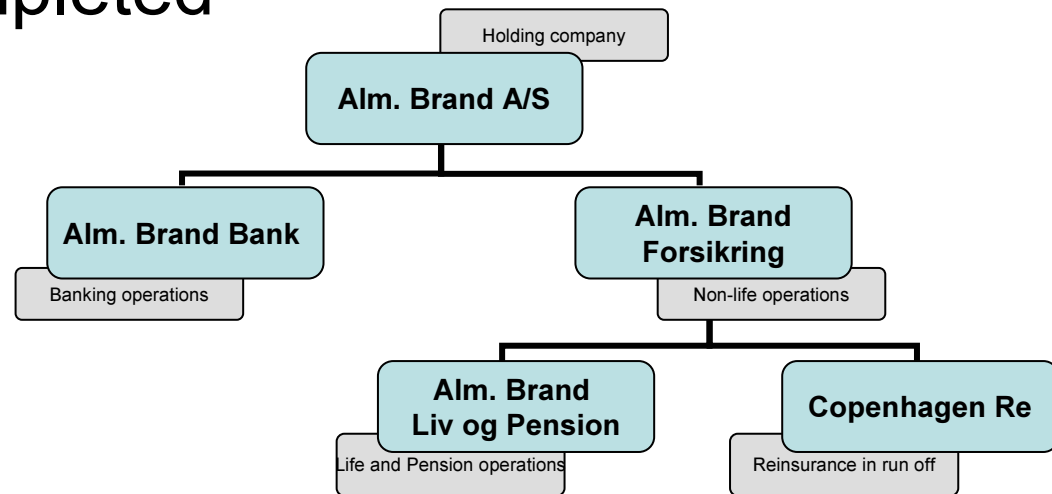


# Alm. Brand A/S

## The group(3)

**2005**

- Turn around completed
  - Before time
- Excellent results
- High satisfaction
  - Customers
  - Employees
- "The best Nordic portfolio"



**=> New growth strategy towards 2010**

# Alm. Brand A/S

## The group(4)



- A new focus to a changed world
- Fit for Fight
- 2010 to 2012

- **Return on Equity :** PM+ 10%
- **Increased earnings per customer**
- **Customer Loyalty**
- **Employee Engagement**
- **Effektivty :** Up by 5% pa.

# Alm. Brand Business Case

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- **Vision: "We take care of our customers"**
- **Cover all financial customer needs**
- **Core customers**
  - Private
  - SME
  - Agriculture
- **Double - customers**
  - Considerable savings on premiums for customers
    - Loyalty
    - Satisfaction
    - Repurchase



# Alm. Brand

## Distribution

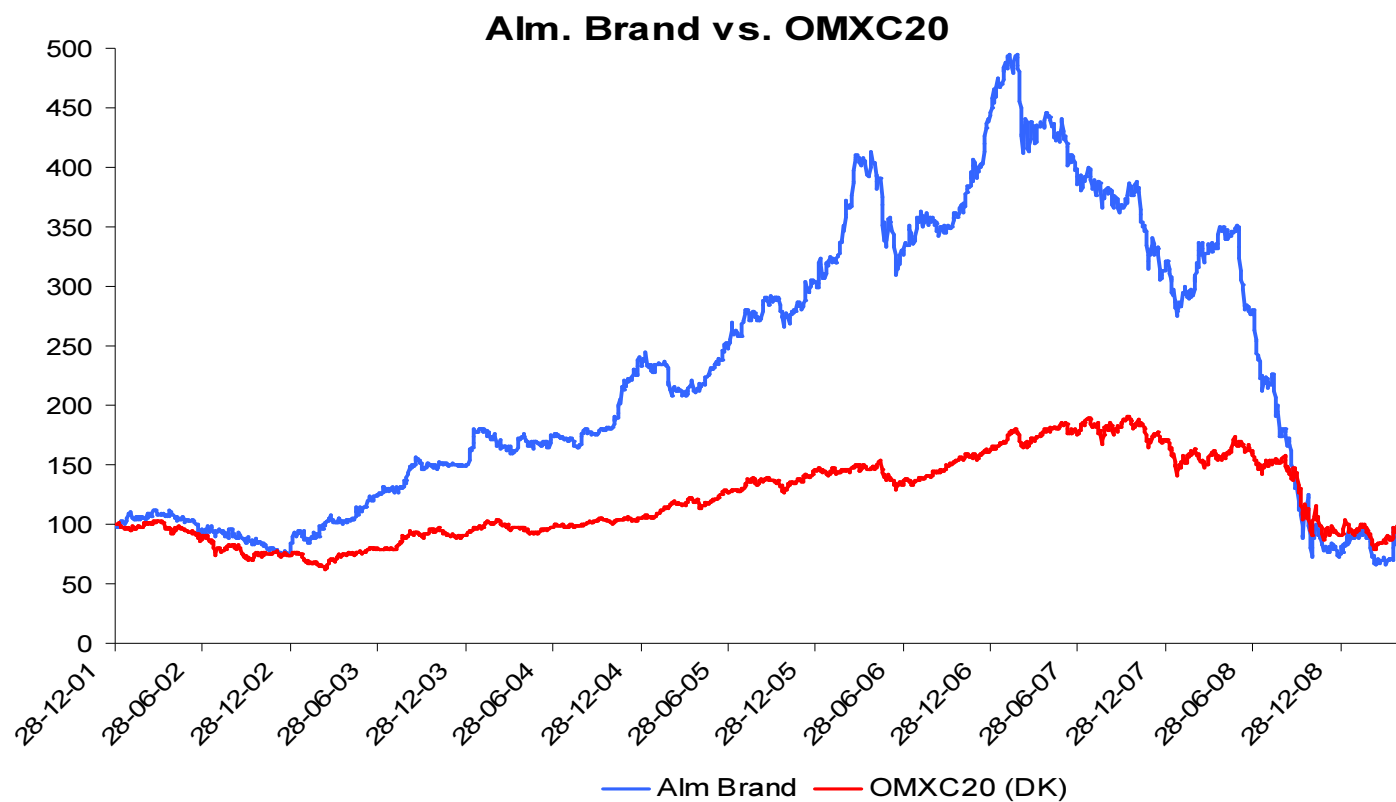


- Five regional offices
- Two central service centres (insurance)
- One central service centre (bank)
- 35 branches
- 300 insurance agents (private, commercial, agriculture)
- Sales and service via the internet or by telephone
- Partnerships
- Brokers

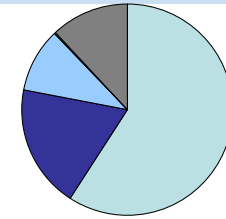
# Alm. Brand Ownership

- **One owner with more than 5% ownership**
  - Alm. Brand af 1792 fmba
- **8% foreign investors**
  - 20% of free float
- **Nominal Capital**
  - DKK 1,388,000,000

# The Alm. Brand share

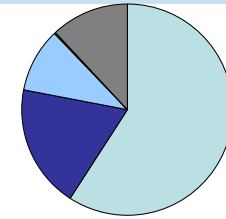


# Alm. Brand Highlights H1 2009



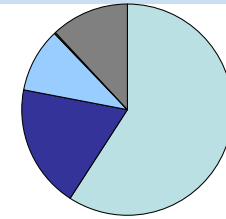
- Highly unsatisfactory loss of DKK 747m
  - Writedowns of DKK 1,063m in the bank
  - Winding-up of a number of banking activities
  - High claims ratio
  - Satisfactory life and pension performance
  - Very satisfactory investment performance
  - Declining expense ratio
- Full-year guidance retained
  - Profit of DKK 400m before writedowns

# Alm. Brand – Banking Writedowns



- DKK 1,063m
  - Investment property DKK 382m
  - Property development projects DKK 296m
  - Securities financing DKK 204m
  - Commercial mortgage deeds DKK 36m
  - Other DKK 145m

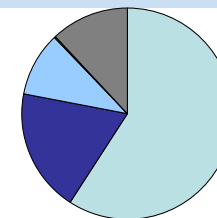
# Alm. Brand – Banking Writedowns – What happened



## Commercial buildings

- Higher return requirements
  - Lower rental income
  - Lack of funding options
- => Declining value

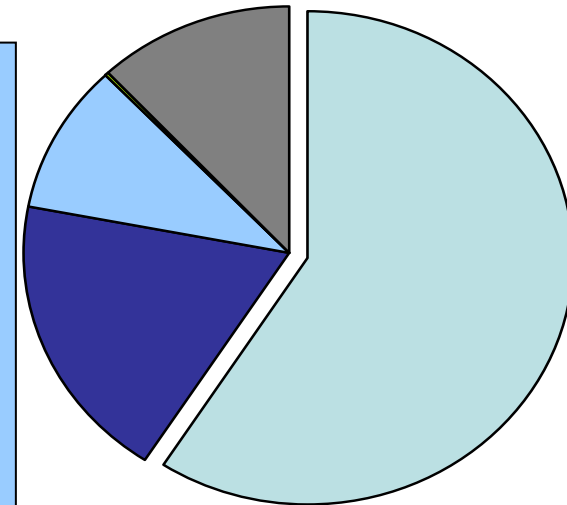
# Alm. Brand – Banking Writedowns – What do we do



- Winding-up of activities
  - Investment properties
  - Property development projects
  - Commercial mortgage deeds
  - Parts of securities financing activities
- Combined in a winding-up unit
  - Under Credit Department
  - Employment of staff with property knowledge within management and sale
- Only Danish business going forward
- Higher earnings requirements
  - Interest margin
  - Cost
  - Risk
- Focus on
  - Retail, SMEs, agriculture
  - Alm. Brand Markets
  - Lease activities

# Alm. Brand – Non-life Highlights H1 2009

- **Result: DKK 189m profit**
- **Total premiums: DKK 2.3bn**
  - Growth: -0.6%
- **CR: 98.0 (goal 92)**
- **Expense ratio: 19.8%**
- **500,000 customers**
  - 200,000 Plus customers
  - 25,000 “Dobbeltkunde” customers

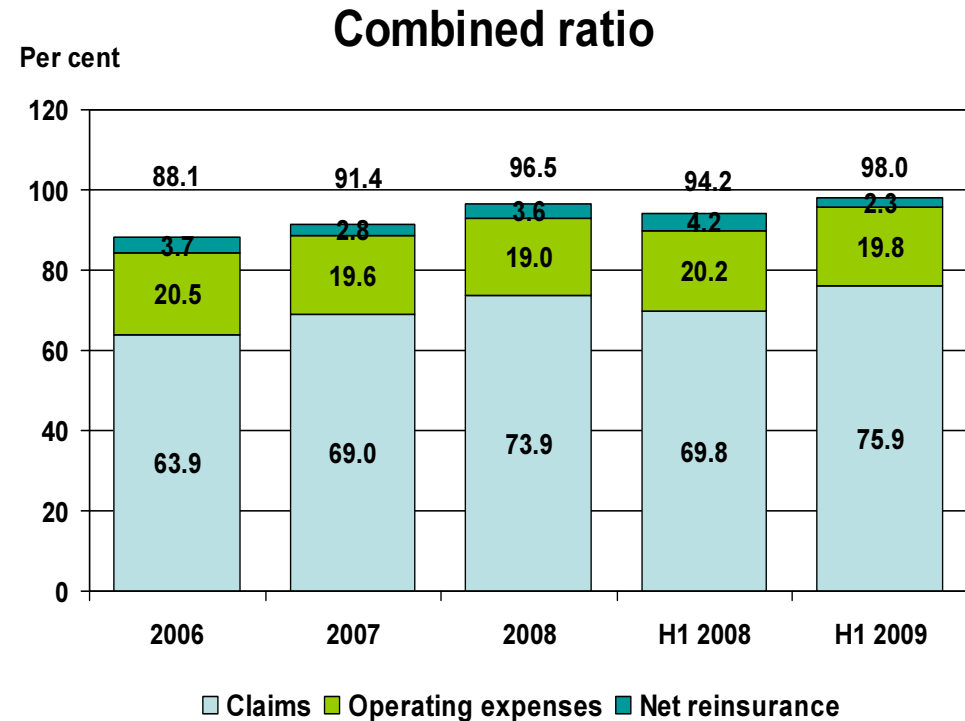


Non-life  
insurance

# Alm. Brand – Non-life

## Impact on performance

- Strong investment return
- Low weather-related claims
- Expensive major claims
- Burglaries and house repairs still very expensive
- ⇒ Increase in premiums
- ⇒ New claims-limiting terms
- Discounting effect: 1.5% higher claims ratio
- Lower costs
- Weaker growth because of economic recession

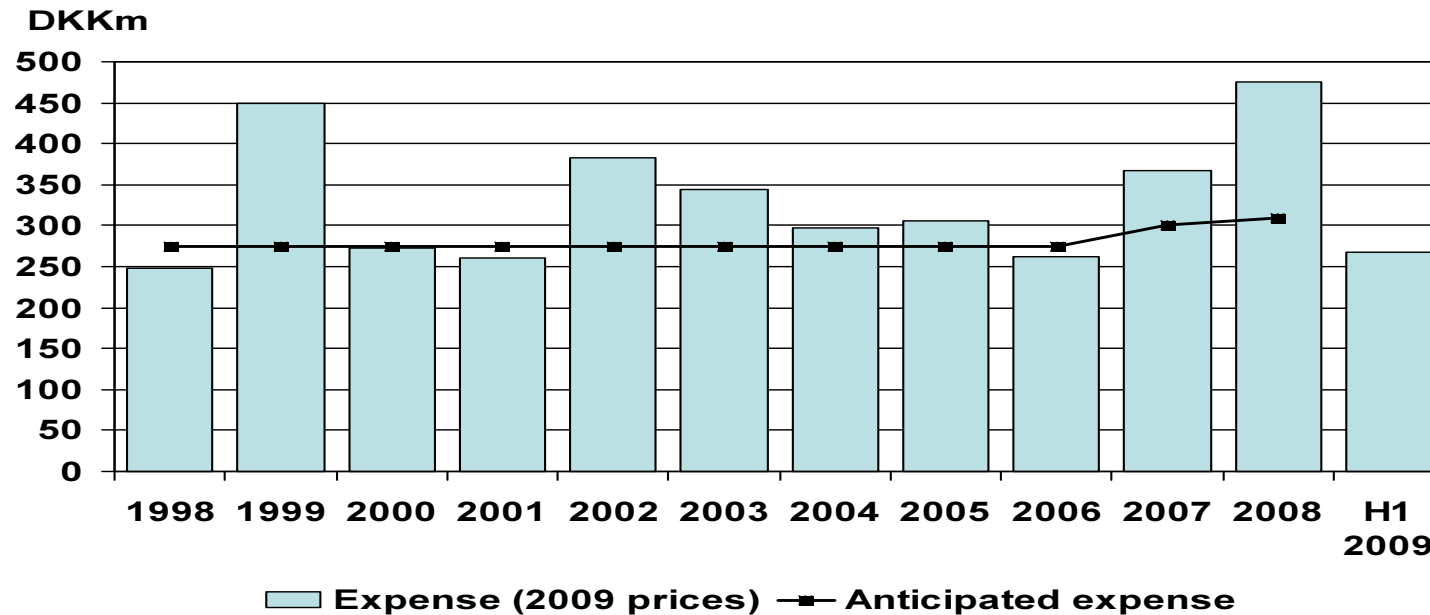


# Alm. Brand – Non-life Combined ratio

	2006	2007	2008	H1 2008	H1 2009
Combined ratio ex. weather claims and major claims	81.4	81.6	84.3	83.7	85.0
Major claims	5.6	7.4	9.6	7.5	11.4
Weather claims	2.2	4.3	1.9	1.8	1.3
Run-off result*	-1.1	-1.9	0.7	1.2	0.3
Combined ratio	88.1	91.4	96.5	94.2	98.0

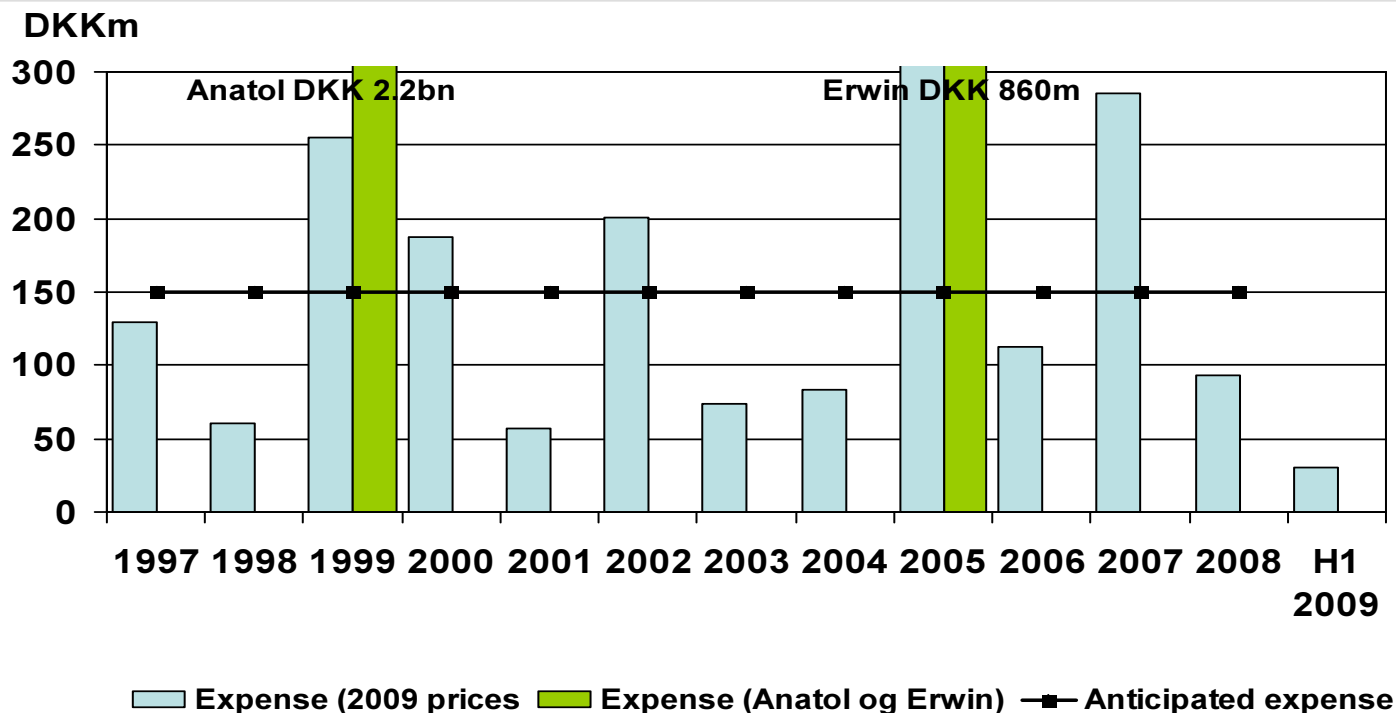
\* A negative run-off result equals a run-off gain

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



- New tariffs and terms
- Claims-limiting measures
- Two major commercial claims

# Alm. Brand – Non-life Weather claims

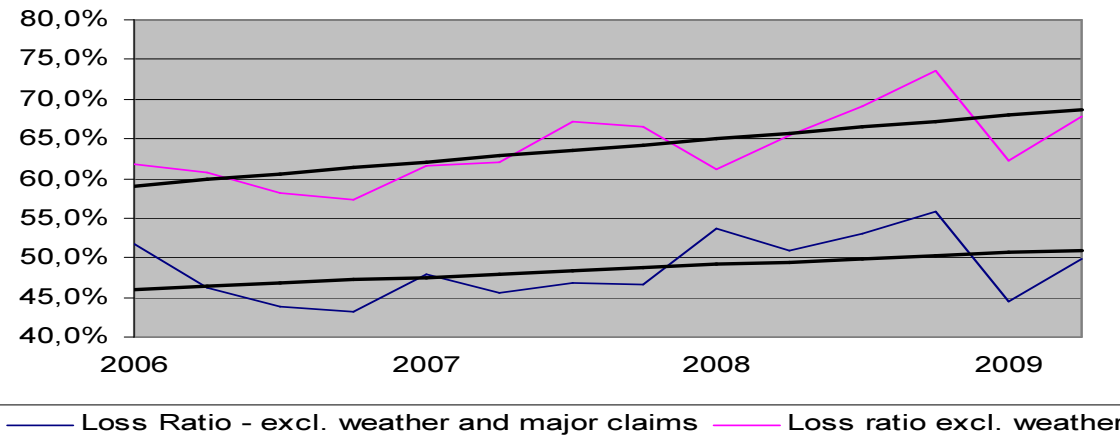


- Very few weather-related claims in H1
- Tendency towards heavier weather – especially rain => Increase in premiums

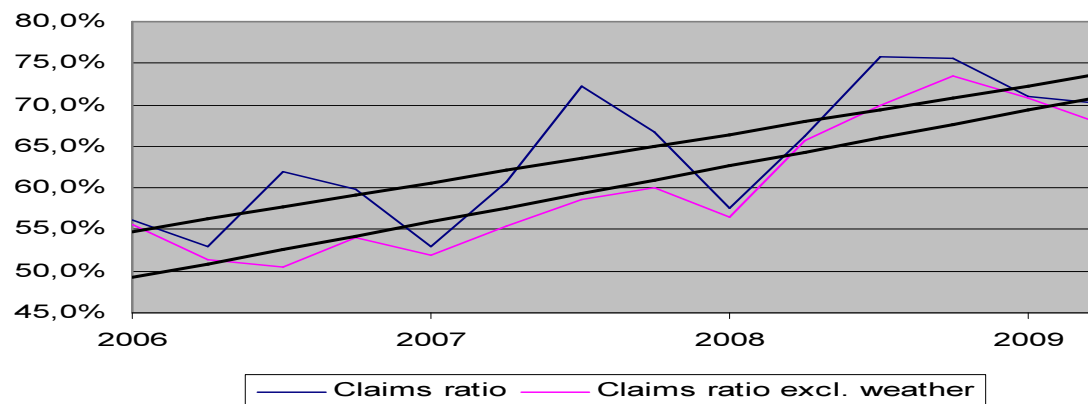
# Alm. Brand – Non-life

## Building and household comprehensive

Private building insurance – claims ratio

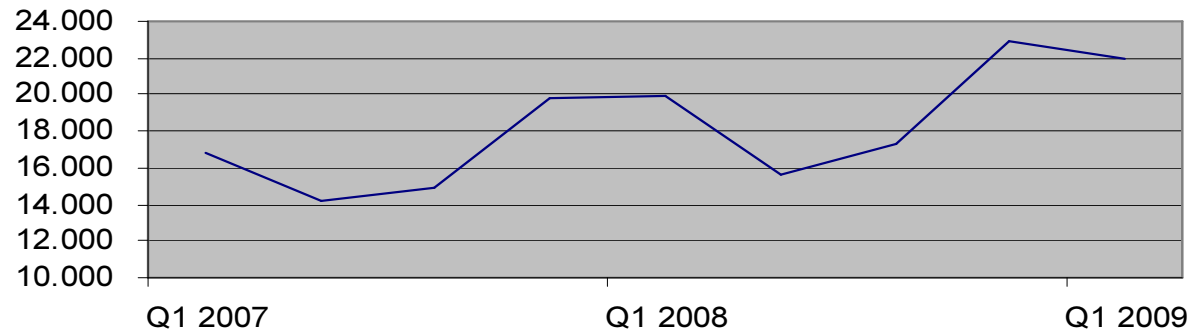


Household comprehensive insurance – claims ratio

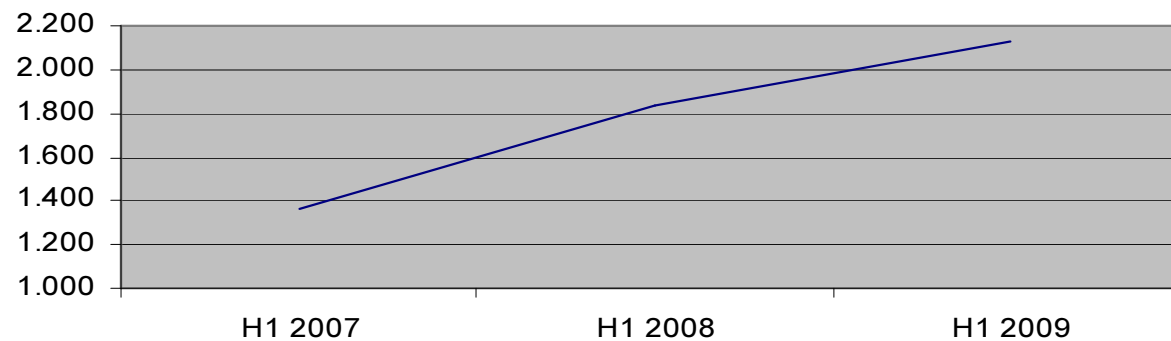


# Alm. Brand – Non-life Claims from burglaries

Burglaries in private buildings / DK

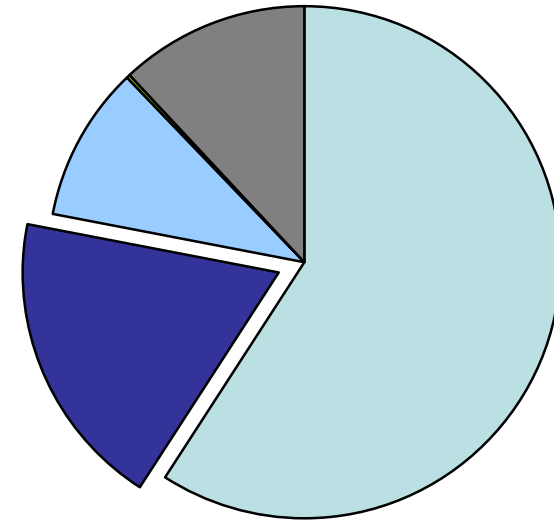


Burglaries in private buildings / Alm Brand



# Alm. Brand – Banking Highlights H1 2009

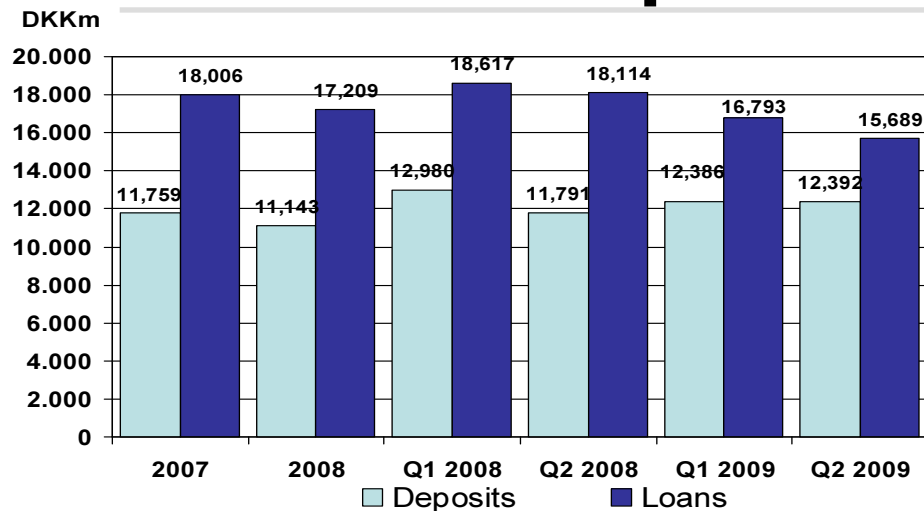
- **Result: DKK 997m loss**
  - Profit of DKK 66m before writedowns
- **Loans: DKK 15.7bn**
- **Deposits: DKK 12.4bn**
- **Interest margin: 1.9%**
- **Net interest up by 8%**
- **65,000 customers**
- **25,000 “Dobbeltkunde” customers**



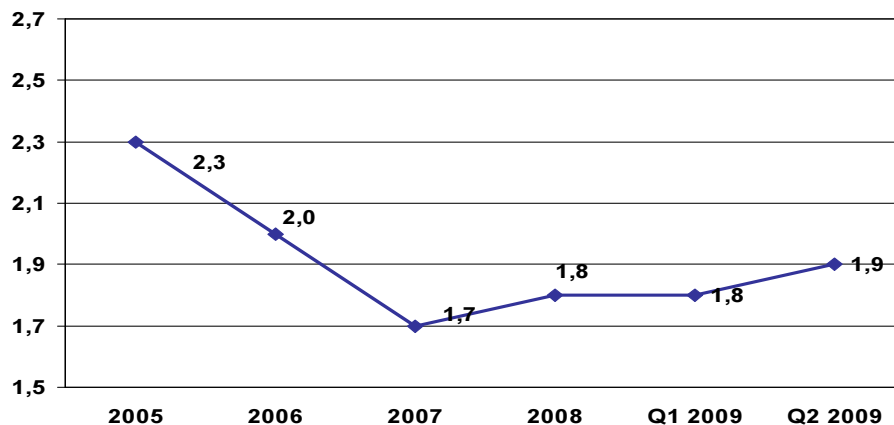
Banking

# Alm. Brand – Banking

## Deposits and loans



Interest margin p.a.



- Higher deposits
- Lower loans and advances
- Focus on core customers
- Winding-up of property activities

- Interest on loans vs. funding
- Fixed interest deposits
- Certain loans track Danmarks Nationalbank
- Deposits in Nationalbanken at low interest

# Alm. Brand – Banking

## Loan portfolio and credit losses

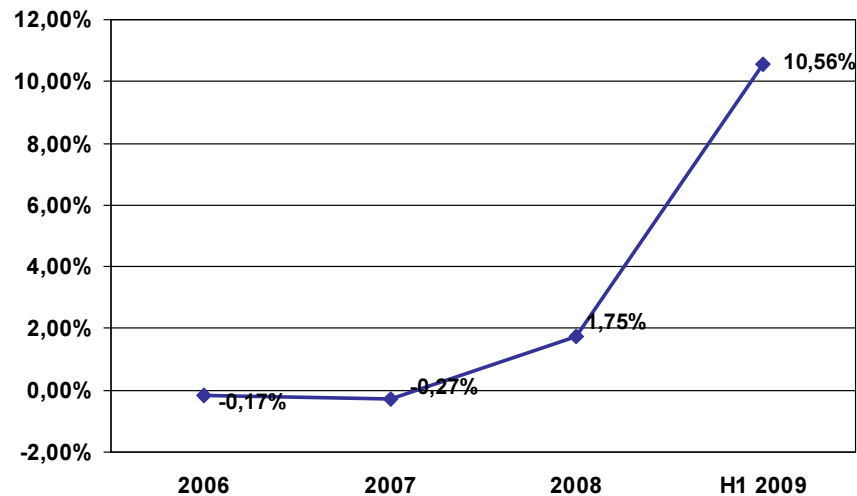
	Lending 30 June 2009 DKKm	Share of Losses and portfolio writedowns %	Losses and writedowns DKKm	Loss rate %
Retail lending	3,316	21.1%	14	0.4%
Car finance	1,149	7.3%	17	1.4%
Agriculture	1,110	7.1%	63	5.8%
Other commercial lending	1,278	8.1%	23	1.8%
Security financing	4,197	26.8%	204	4.7%
Lending to subsidiaries	1,213	7.7%	0	0.0%
Investment properties	1,700	10.8%	382	19.1%
Residential mortgage deeds	958	6.1%	24	2.4%
Commercial mortgage deeds	377	2.4%	36	10.5%
Property development projects	391	2.5%	296	59.2%
The Privat Contingency Association	-	-	4	-
<b>Total</b>	<b>15,689</b>	<b>100.0%</b>	<b>1,063</b>	<b>6.5%</b>



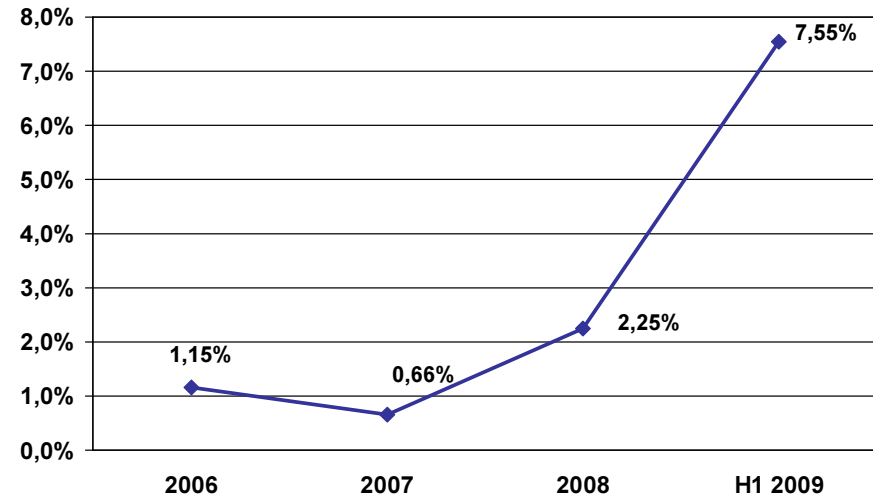
# Alm. Brand – Banking Writedowns

- Significant growth in writedowns
- Crisis management
- “Feeling firm ground beneath our feet”
  - but still writedowns

Writedowns p.a.



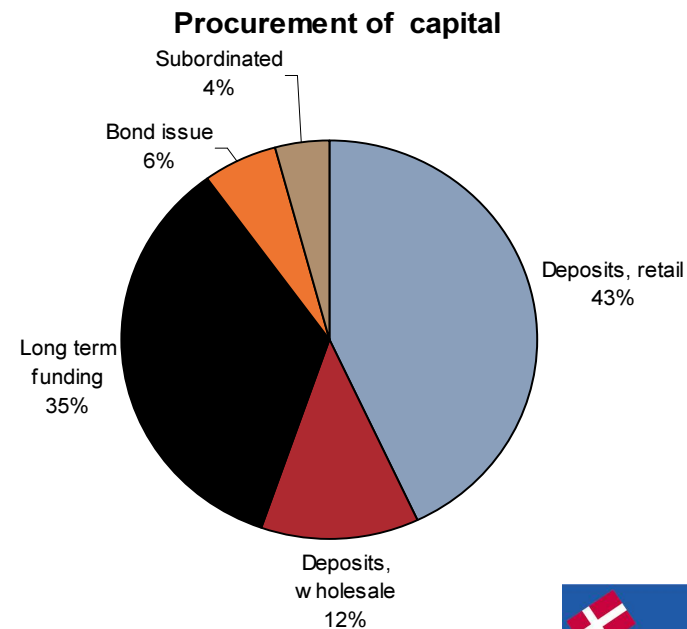
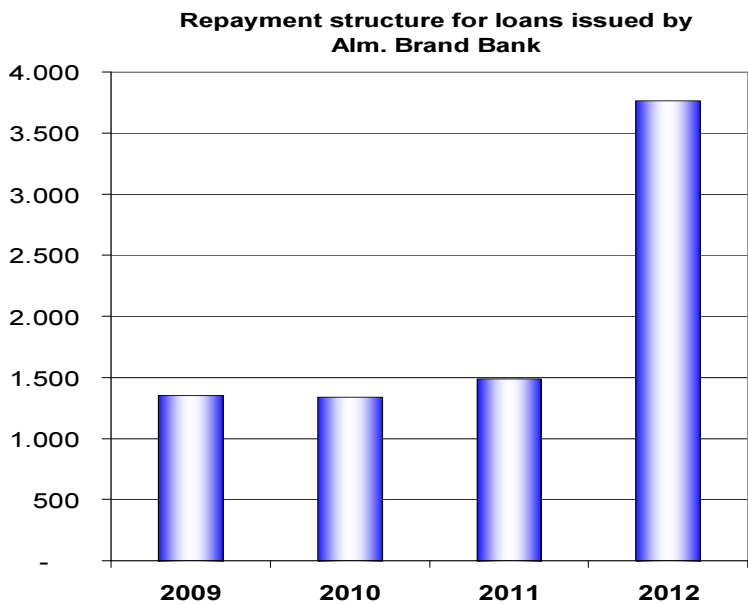
Accumulated writedown ratio



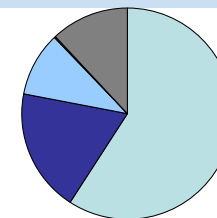
*Excluding credit-related value adjustments on mortgage*

# Alm. Brand – Banking Funding situation

- Long cheap funding
- Growth in deposits
- Slimming of loan portfolio
- Subordinated capital from Alm. Brand A/S of DKK 900m
- Applying for capital under the Second Bank Package



# Alm. Brand – Banking Solvency



## Alm. Brand Bank Group

Solvency ratio

Tier 1 capital ratio

31 March 2009

13.1

7.0

End first halfyear  
2009 as at 7  
September 2009

13.2

8.8

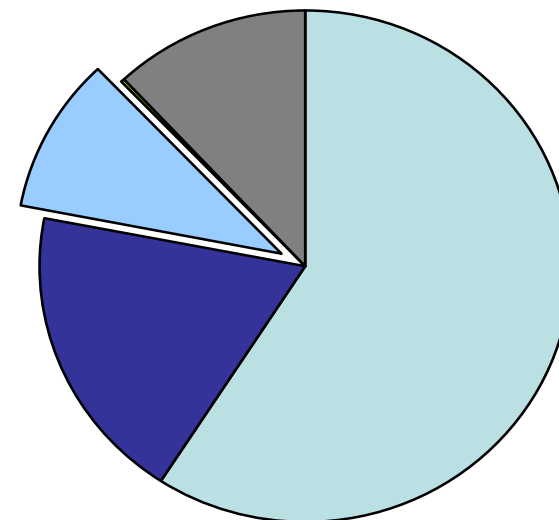
Incl. Second Bank  
Package

Approx. 18.3

Approx. 13.3

# Alm. Brand – Life and Pension Highlights H1 2009

- **Result: DKK 37m profit**
  - DKK 39m transferred to shadow account
- **Shadow account balance: DKK 122m**
- **Gross premiums: DKK 407m**
  - Bank investment schemes: DKK 77m
  - Growth: -12.3%
- **Provisions: DKK 11bn**
- **80,000 customers**



Life &  
Pension

# Alm. Brand – Life and Pension Investments

- **Satisfactory performance**
- **Strong investment return**
  - **5.8%**
- **Low costs**
- **Lower interest rate to customers for 2009**
- **Transfer and surrender charge lowered to 2%**
- **Draw on bonus potential on paid-up policies reduced to DKK 2m**

Rate of interest (customers)	3.0%
Return on investments (OE)	6.9%
Return on investments (customers)	<u>5.8%</u>

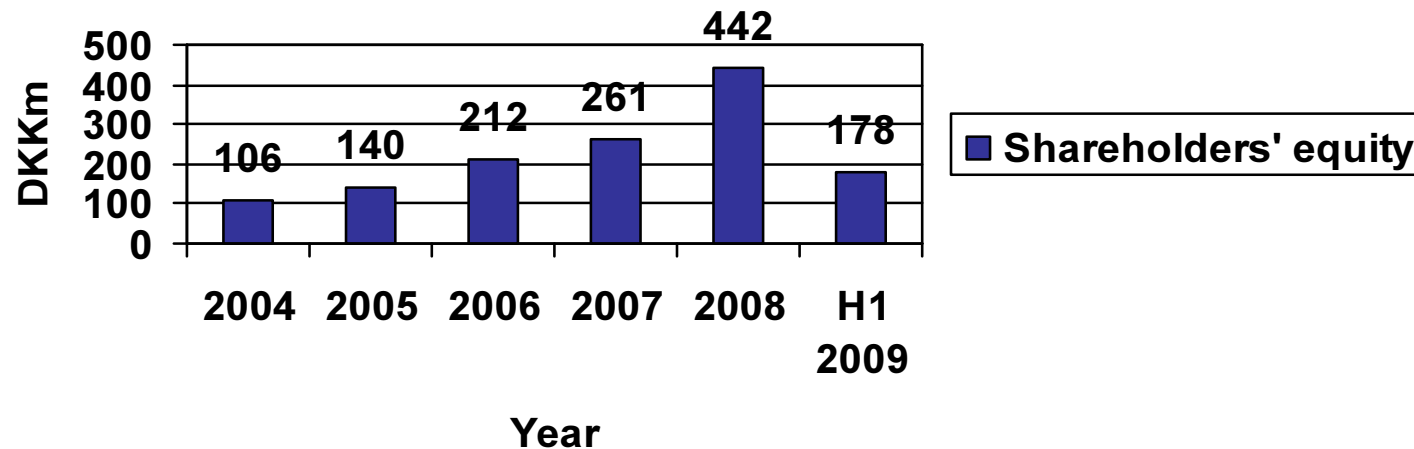
Bonds etc.	2.5%
Equities	9.6%
Properties	1.6%

Total equity exposure about 9%

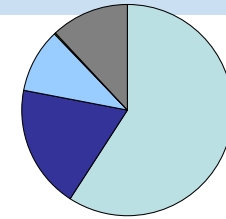
# Copenhagen Re

- Performance: DKK 3m profit
  - Low level of business activity and commutations
  - Dividend of DKK 275m paid in April 2009
  - Sold on 29 May 2009

## Performance in Copenhagen Re



# Alm. Brand New capital

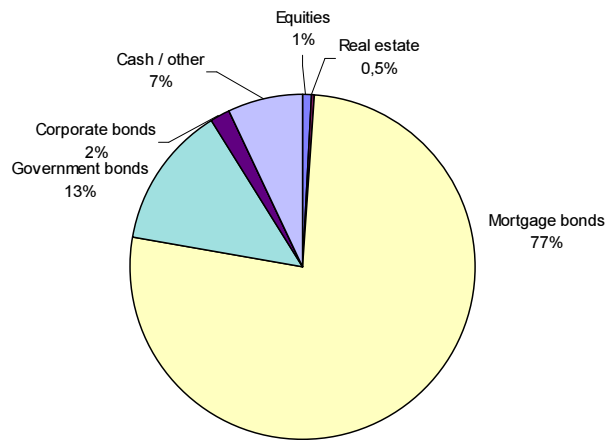


- Subordinated loan capital
  - Alm. Brand af 1792 fmba to Alm. Brand A/S
    - DKK 250m
- Capital injection
  - Alm. Brand A/S to Alm. Brand Bank A/S
    - DKK 900m
- Application for hybrid capital under the Second Bank Package
  - DKK 900m

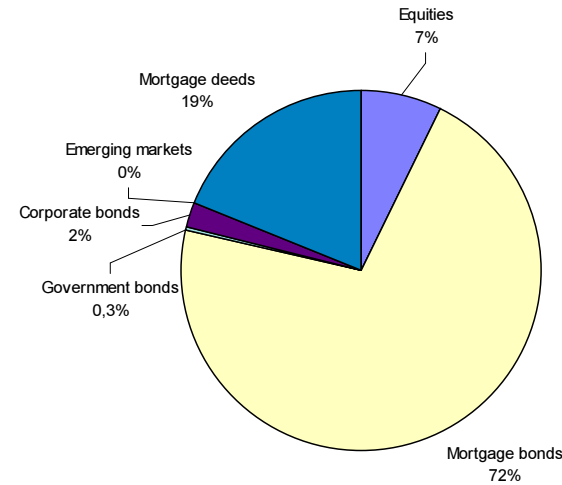
# Alm. Brand

## Investment assets

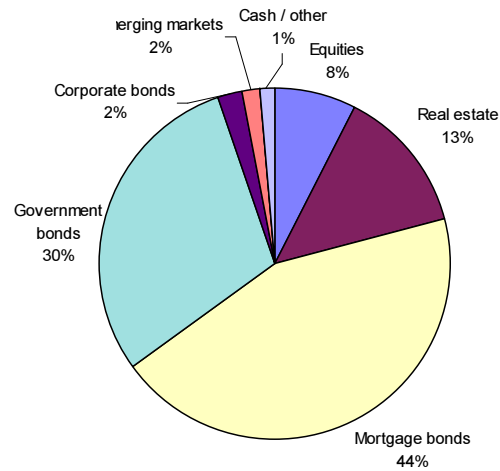
Non-life, asset allocation 30 June 2009



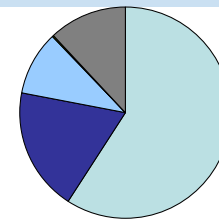
Bank, asset allocation 30 June 2009



Life, asset allocation 30 June 2009



# Alm. Brand Highlights



- Writedowns more in line with market standards going forward
- Activities launched to enhance premium income
- Highly unsatisfactory H1 performance
  - Expectations for fair-sized 2010 profit
- Excess capital of DKK 2bn re-established