

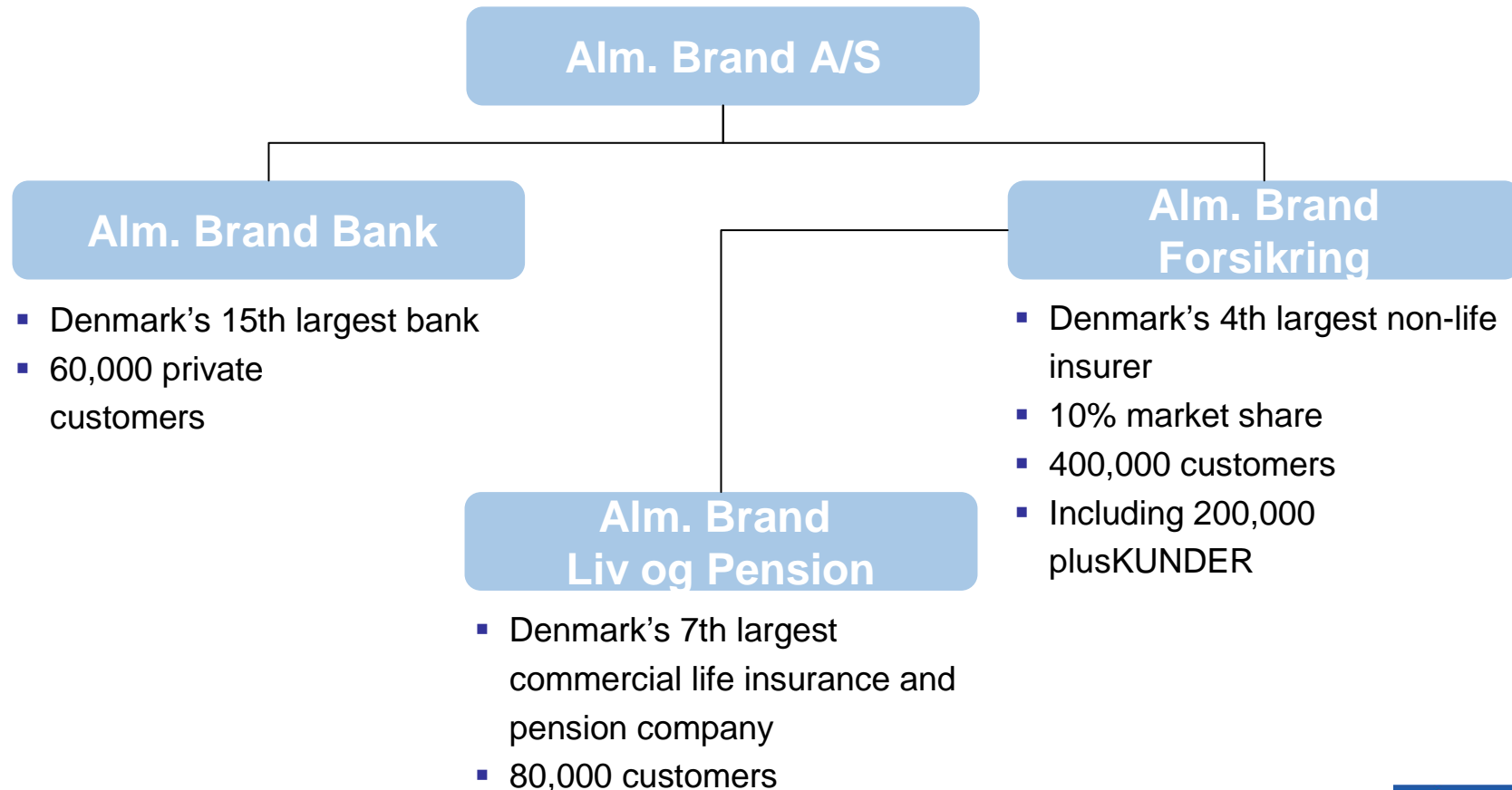
Alm. Brand A/S

Nordea Insurance Seminar 2011



Alm. Brand

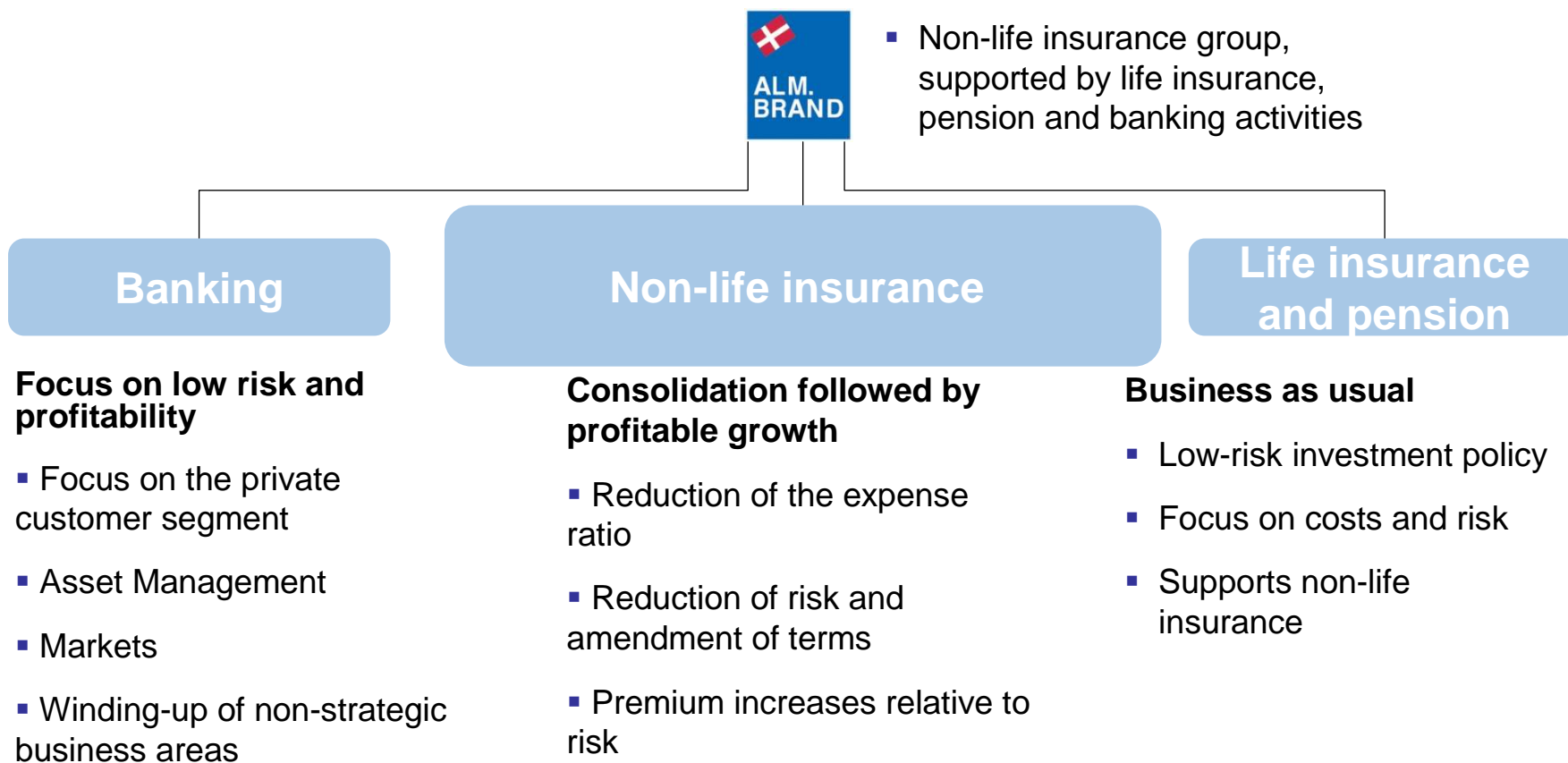
The three business areas



Note: Number of customers is based on number of households



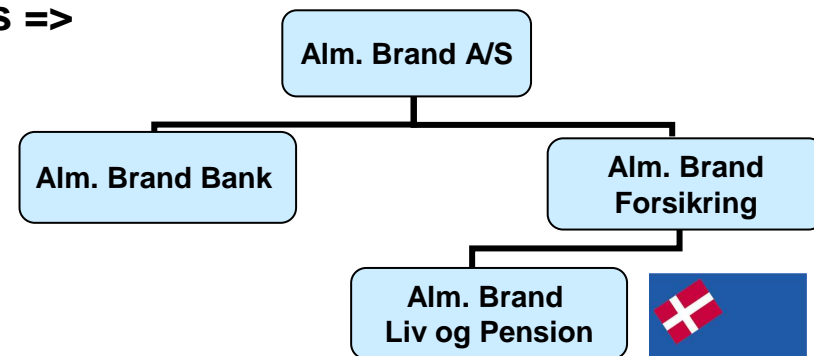
Alm. Brand's strategic agenda



Alm. Brand

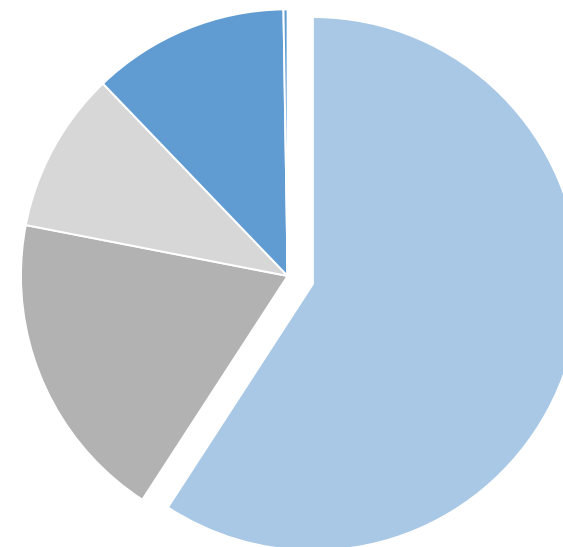
Why our strategy?

- **A local strategy because**
 - **Given our size, we are not limited in growth potential**
 - **Strong “local” expertise**
 - **De-selected high end commercial**
- **A three-legged strategy because**
 - **Non-life is the main business**
 - **Bank- and life & pension-products supports non-life**
 - **Synergies between non-life and life & pension**
 - **Synergies between life & pension and bank**
 - **Asset Management of Group funds => service for banking customers and partners**
 - **Economies of Scale**
 - **LOYALTY**

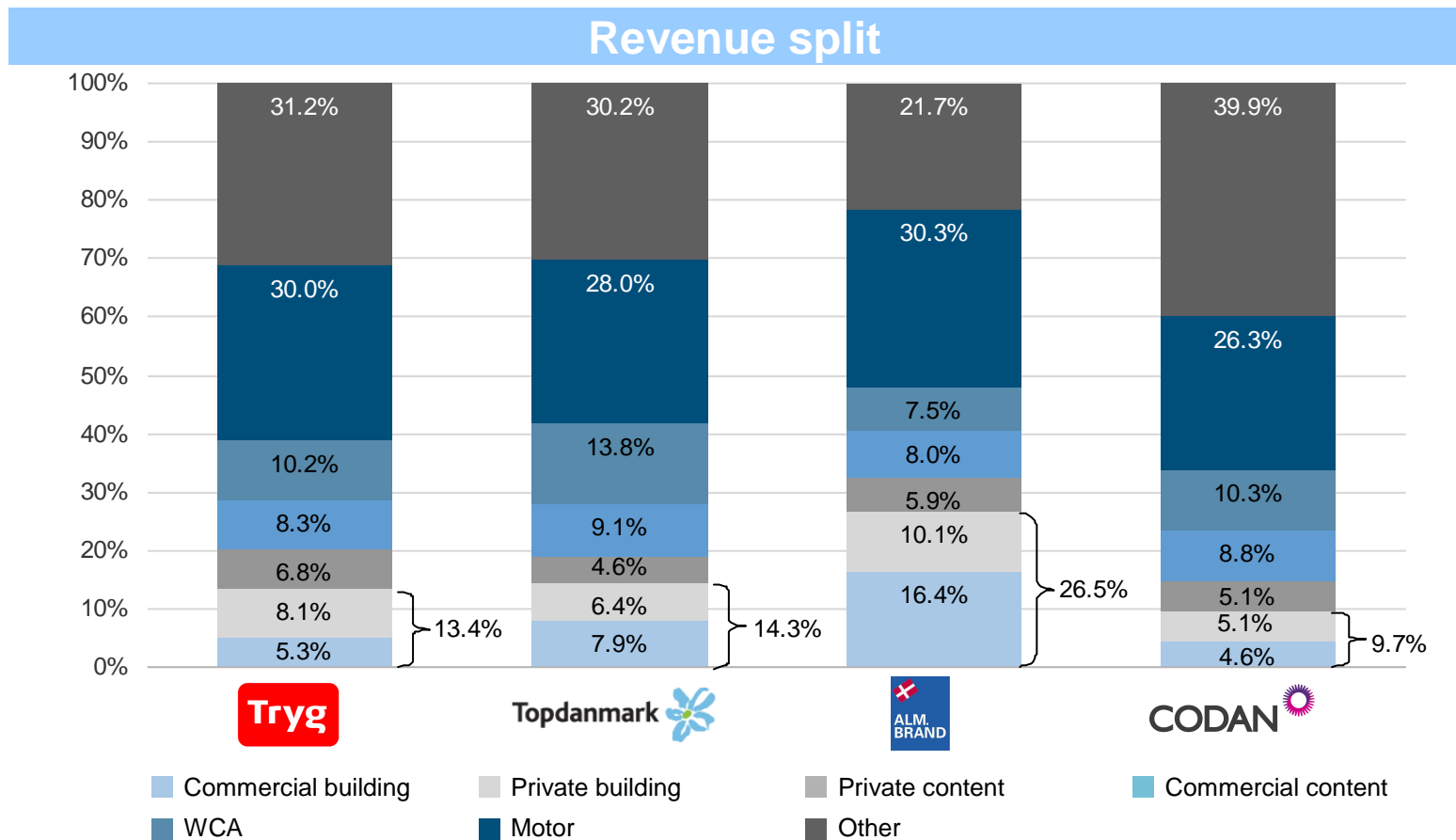


Alm. Brand Non-life insurance Highlights

- **Improvement of Combined Ratio**
 - 2010: 99, 2011: 95, Goal: 93
- **Growth in premiums**
 - 2010 Q3: 2,2 %
- **Lower claims frequency and stabilized average claims**
- **Staff reduction and restructuring**
 - Already implemented
- **Outlook for 2010 upgraded by DKK 120 million from DKK -20 million to DKK 100 million**
- **Outlook for 2011: DKK 300 million**



Alm. Brand Non-life insurance Revenue split and loss ratios

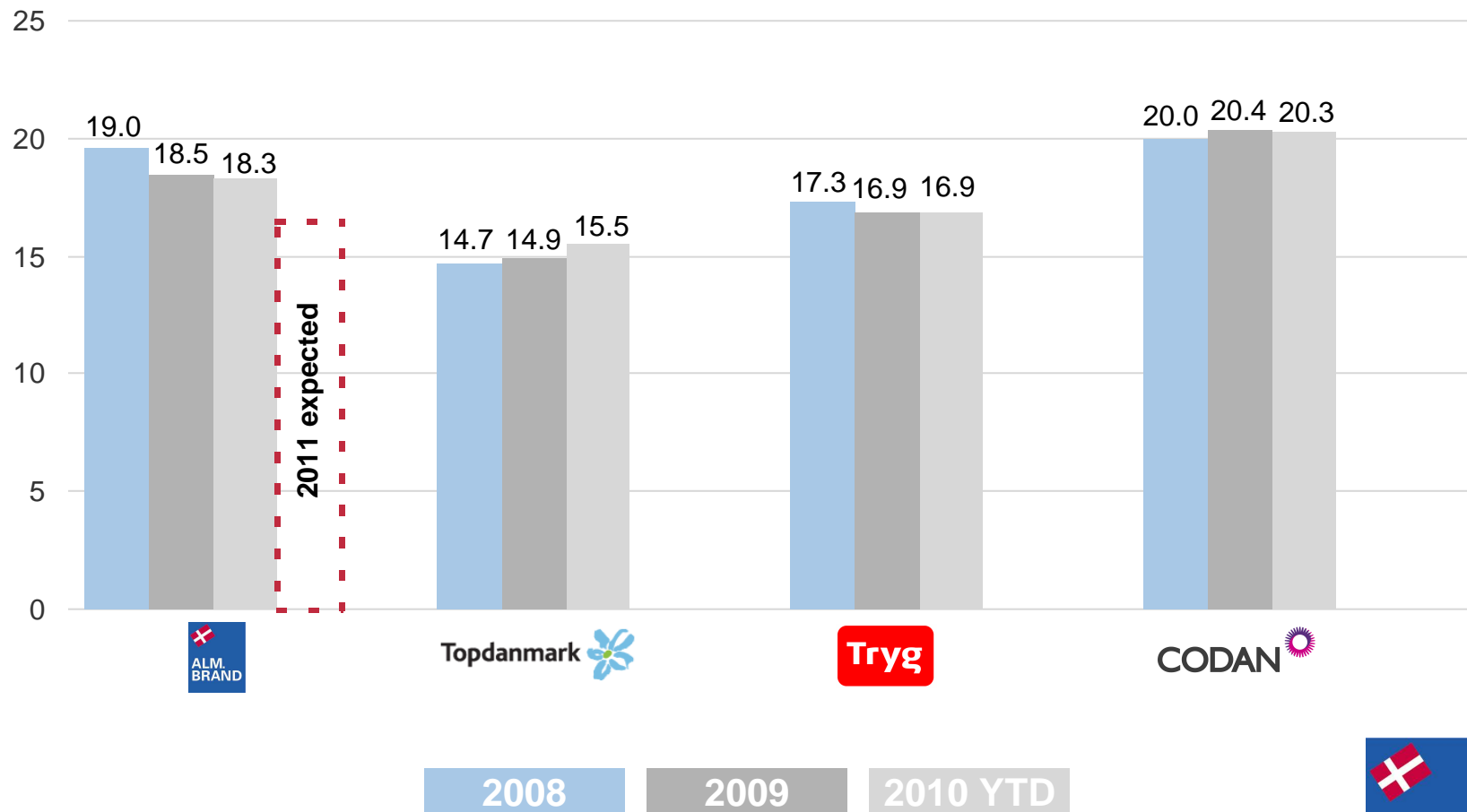


Loss ratios in the market (2009)

Private content 96.7% - Private building 94.5% - Commercial building 87.7% -
Commercial content 74.0% - Motor 72.8% - WCA 73.3%

Alm. Brand Non-life insurance

Cost ratio - major Danish non-life companies



Note: Cost ratio is on group level. YTD for Topdanmark and Codan is H1 2010

Alm. Brand Life insurance and pension

Combined ratio

	2007	2008	2009	Q1-Q3 2010	2011 Estimated
Combined ratio ex weather-related and major claims	81.6	84.4	88.8	85.7	83
Major claims	7.4	9.3	7.8	7.5	8
Weather-related claims	4.3	1.9	3.1	12	4
Run-off result*	-1.9	0.7	-1.7	-4.6	0
Combined ratio	91.4	96.5	98	100.6	95

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

Alm. Brand Non-life insurance

Measures to achieve a lower combined ratio

- **New insurance system**
 - Efficiency and lower costs
- **Staff reductions**
- **Establishment of e-branch concept**
- **Agricultural risk team established**
 - Fewer and less expensive claims
- **Claimshandling**
 - Terms and conditions
 - Purchase
- **Premium increase**
 - Household content and building
 - Commercial content and building

Alm. Brand Banking

Measures towards a new bank

- **New management and strategy**
 - **Staff reductions**
 - **From 20 to 11 branches**
 - **Winding-up of loans**
 - Commercial, agricultural, loans for mortgage deeds and property development
 - **“Ambulance service” for private mortgage deed debtors**
 - **Acquisition of Alm. Brand Pantebreve A/S**
 - Supervision of winding-up process and customers
- **Target: Significantly reduced risk of losses and writedowns relative to today**

Alm. Brand Banking

New bank & winding-up bank

Current lending portfolio: DKK 13.2 bn

Continuing portfolio: DKK 3.6 bn

Private lending: DKK 3.3 bn

Investment credits: DKK 0.2 bn

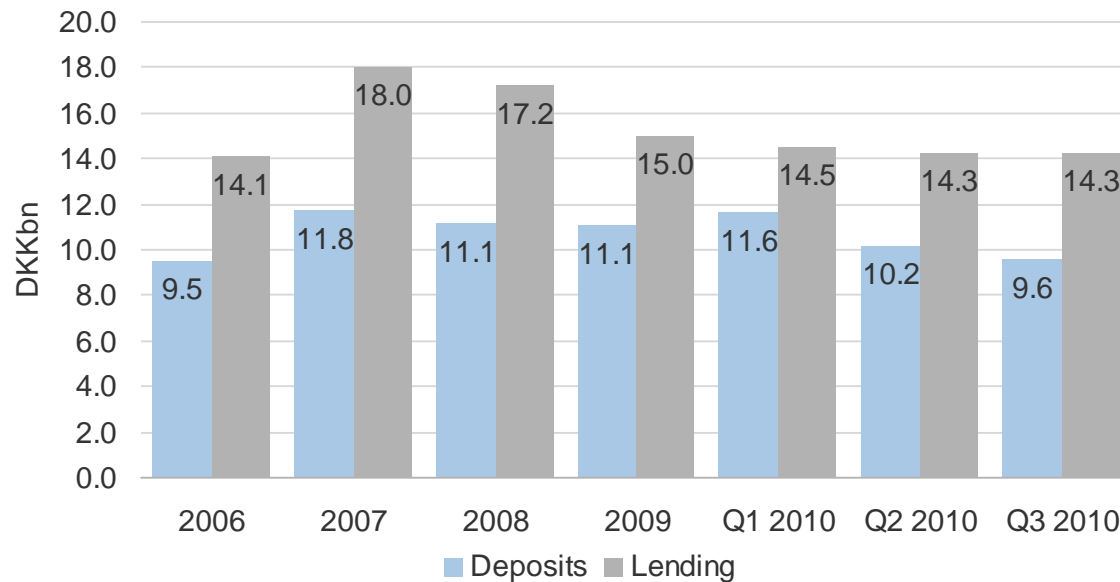
Leasing: DKK 0.1 bn

Winding-up portfolio: DKK 9.6 bn

New strategy for the bank

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

Alm. Brand Banking Deposits and lending



- Lending portfolio reduced by approx. DKK 1.3 billion before losses and writedowns and excluding reverse transactions since end-2009
- Reduction of loans
- Maintain deposits

Alm. Brand Banking

Lending portfolio and credit losses

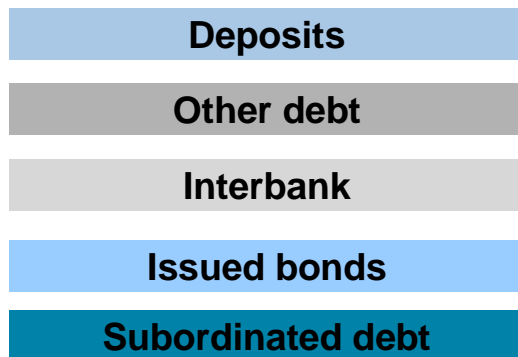
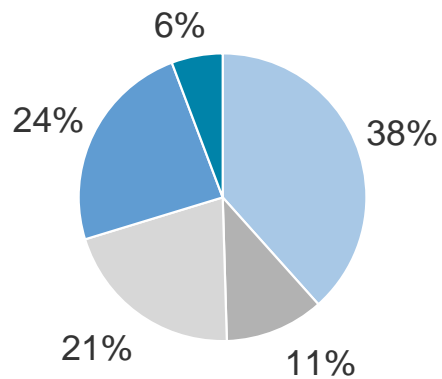
DKKm	Loans year-end			1/1-08 to 30/9-10	
	30/9-10	2009	2008	Losses and writedowns	Lost compared to average portfolio
Retail lending	3,327	3,356	3,524	71	2.1%
Lending to subsidiaries 1)	273	237	74	-	0.0%
<i>Car finance</i>	706	994	1276	24	2.4%
<i>Agriculture</i>	1,213	1,125	1,081	113	9.9%
<i>Other commercial lending</i>	613	1,008	1,211	104	11.0%
<i>Mortgage deeds etc.2)</i>	4,872	5,983	7,120	1,528	25.5%
<i>Properties</i>	2,151	2,306	2,900	949	38.7%
The Private Contingency Association	-	-	-	93	-
Total excluding reverse transactions	13,155	15,009	17,186	2,882	19.1%

1) Excluding Alm. Brand Pantebreve A/S

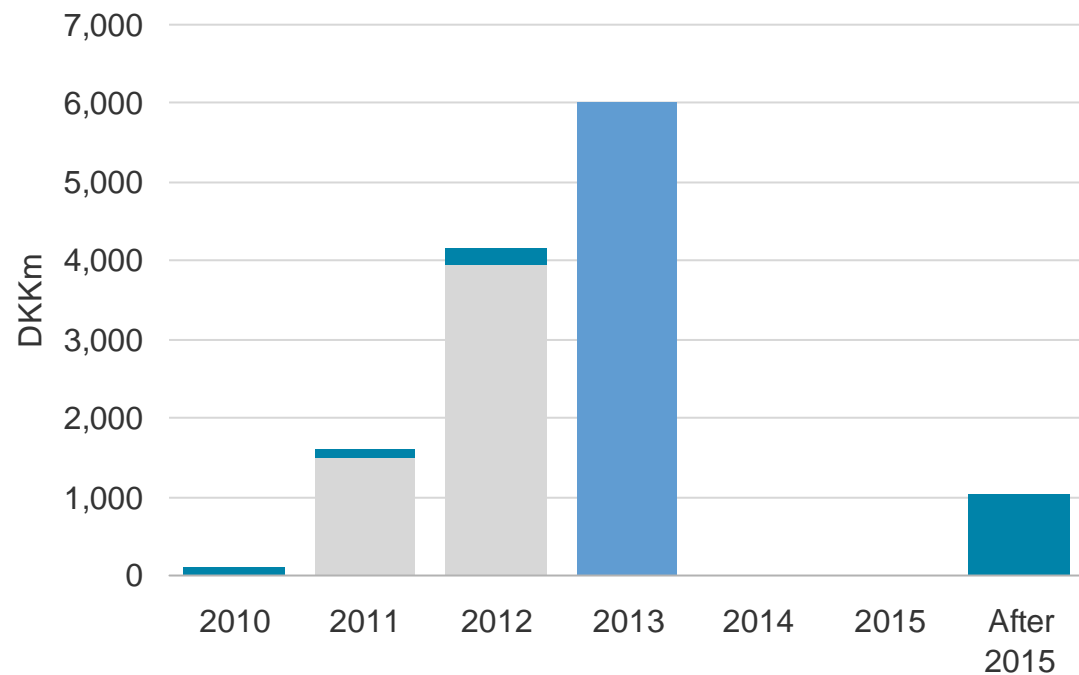
2) Including Alm. Brand Pantebreve A/S



Alm. Brand Banking Funding



Repayment structure for interbank funding, issued bonds and subordinated debt



Alm. Brand Banking

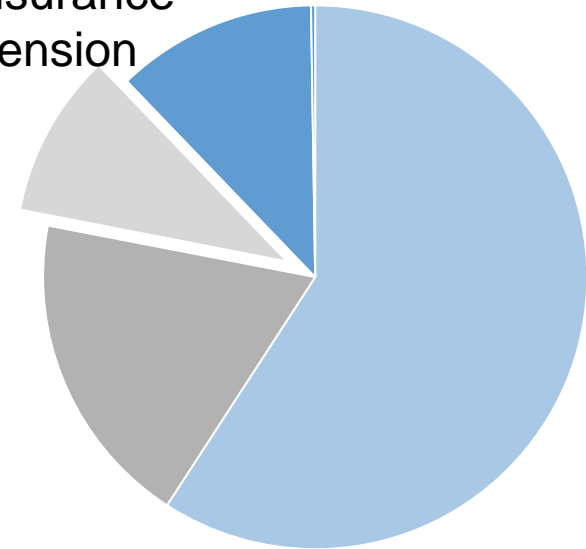
Towards a new future

- **Strategy implemented**
- **Winding up of run-off portfolio will take several years**
 - Strategy is to make separate portfolios ready for sale
- **Expected loss until end-2012: DKK 700 million**
- **Capital demands will be reduced as run-off portfolio is winded up**
- **Cost reductions as run-off portfolio is winded up**

Alm. Brand Life insurance and pension Highlights

- **Strong investment return**
 - 9.8% (p.a. 13.1%)
- **Collective bonus potential: DKK 348 million**
 - Bonus rate: 3.4%
- **Premiums**
 - Growth: 11%
 - incl. banking: 10%
- **Forecast for 2010 upgraded by DKK 30 million to DKK 170 million**

Life insurance and pension



Alm. Brand Life insurance and pension Portfolio

At 30 June 2010	Average guarantee	Duration Year	Share of portfolio
Low guarantees	1.83%	31.07	34.7%
Medium guarantees	3.01%	9.96	18.8%
High guarantees	4.04%	10.87	46.5%

- Short duration on high guarantee

Alm. Brand Life insurance and pension

New rules for profit sharing

- **The FSA has introduced new contribution rules**
- **Implications and expectations**
 - **The portfolio is divided into a number of homogeneous contribution groups with own profit and loss sharing, shadow account etc.**
 - **The company's risk premium will depend on the result in each group**
 - **Expected unchanged level of profit - but calculated differently**
 - **Expected unchanged level of capital requirements**

Alm. Brand Life insurance and pension Contribution groups

- **New contribution groups**
- ***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

Notice:

- The number and definition of groups can be changed. The underlying guarantee for new business is expected to decrease from 01.04.2011, which will generate a new interest group for new business

Alm. Brand Life insurance and pension

New risk premium calculation

- **The level of the total risk premium is expected unchanged**

Risk premium is calculated as:

- ***Interest groups:***
 - 0,1% of the liabilities
- ***Insurance groups:***
 - 100% of the result
- ***Cost group:***
 - 100% of the result

Alm. Brand

Outlook 2010- 2012

- **2010**
 - DKK 300 million before losses and writedowns
 - Expected major loss after losses and writedowns
- **2011**
 - DKK 400 million before losses and writedowns
 - Expected minor profit after losses and writedowns
- **2012**
 - Expected better profit after losses and writedowns
- **Expected losses and writedowns until end 2012**
 - Just under DKK 700 million

Alm. Brand

The group's internal capital target

DKKm	Capital target	Assumptions
Capital target		
Non-life Insurance	2,142	45% of gross premium income
Life Insurance	1,023	9% of life insurance provisions
Alm. Brand Bank	2,706	17.1% of risk-weighted assets*)
Alm. Brand Bank subsidiaries	338	Equity in not wholly owned subsidiaries
Diversification effect	-300	
Alm. Brand Group, total	5,909	

Note: The capital target of the Alm. Brand Bank parent company is determined as the higher of the individual solvency need plus 3 percentage points and 13%.
 *) Calculated as the individual solvency need at 17 November 2010 plus 3 percentage points. All other capital targets have been calculated as at 30 September 2010.

Source: Alm. Brand

Alm. Brand A/S

Capital model

DKKm	
Consolidated capital base at 30 September 2010	4,376
Net proceeds from the Offering	1,499
Consolidated capital base after the Offering	5,875
<hr/>	
Statutory capital requirement for the Group at 17 November 2010	3,961
Excess relative to statutory capital requirements	1,914
<hr/>	
Internal capital target for the Group	5,909
Excess relative to internal capital target	-34

Dividends or share buy backs? To be decided!

Alm. Brand

Capital quality

	After Capital Issue DKK	Expiration date	Interest
Owners Capital (regulated)	4,044m	-	-
Hybrid (bank)	856m	-	11%
Hybrid (bank)	175m	-	5,85%
Subordinated capital (non- life)	150m	2020	MM+1.8%
Subordinated capital (A/S)	250m	2017	MM+4.0%
<u>Subordinated capital (bank)</u>	<u>400m</u>	<u>2013-15</u>	<u>MM+1.0%</u>
<u>Capital base</u>	<u>5,875m</u>		

Conclusion: No need for more gearing

Alm. Brand

QIS V key take aways

- Only 15 % of investments from one issuer
 - Alm. Brand will reallocate investments
- Capital demands to be reduced by
 - Using own data
 - By using own models
 - Alm. Brand plan to use own data and partially own models
- Diversification between non-life and life
- Surprisingly low capital demands for Alm. Brand Life and Pension
 - Alm. Brand expects adjustments in regulations – and have adopted them already
 - Are still a moving target

Alm. Brand A/S

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