

Alm. Brand – Interim report Q1-Q3 2014

Alm. Brand generated profit before tax of DKK 318 million in the first nine months of 2014. Seen in isolation, the forward-looking activities generated profit of DKK 555 million.

“Non-life Insurance reported yet another strong technical result in spite of several cloudbursts in Denmark in the third quarter. We can see that the preventive measures launched after the cloudburst in 2011 have resulted in significantly fewer claims as well as less expensive claims from the most recent cloudburst,” said CEO of Alm. Brand A/S, Søren Boe Mortensen. He continued:

“At the same time, our pension business and forward-looking banking activities continue to grow. In order to ensure continued growth in our pension business, we have already announced our rate on policyholders' savings for 2015 – the highest rate achievable in Denmark. Our banking activities reported strong growth in lending to private customers in the third quarter, and the inflow of full-service customers in the bank continues,” explained Søren Boe Mortensen and he added:

“We have made a decision for Non-life Insurance to purchase the best part of the bank's mortgage deeds. This will serve to improve the group's liquidity and investment portfolio return substantially without increasing the risk involved. Potential losses will have no impact on Non-life Insurance as the agreement implies that the bank retains the credit risk on the mortgage deeds. The agreement is expected to lift the consolidated profit by a total amount of DKK 30 million in 2015,” Søren Boe Mortensen concluded.

Q3 performance:

- Non-life Insurance generated profit before tax of DKK 105 million, which, due to a negative investment result, was not entirely satisfactory. However, the combined ratio was satisfactory at 89.9.

The Q3 performance was affected by high weather-related expenses. In particular, the cloudburst in Copenhagen in August gave rise to many claims. In spite of this, Non-life Insurance achieved a better technical result than expected, among other things due to a low level of expenses for major claims, low costs and run-off gains. Conversely, falling interest rates led to a negative investment result.

In the third quarter, premium income was down by approximately 0.3% year on year. The decline was due, among other things, to intensifying competition and correspondingly lower prices. Average premiums on motor insurance alone dropped by 1.5%.

- Life and Pension reported a satisfactory profit of DKK 20 million before tax. Q3 premium payments were up 12% year on year. In particular, single payments increased significantly as a result of the company's high rates on policyholders' savings and low costs. Regular premium payments, on the other hand, continued to be adversely affected by the tax reform.

Life and Pension continued to report a highly satisfactory bonus potential. As a result, the company will be offering both new and existing customers a very attractive rate on policyholders' savings in 2015 as well.

- The bank posted a pre-tax loss of DKK 46 million. While better than expected, the performance was still not satisfactory.

The bank's forward-looking activities generated a profit of DKK 31 million, being lifted by a DKK 17 million adjustment for accounting purposes related to the liquidation of Alm. Brand Formue. The number of full-service customers continues to grow, and the bank saw a significant increase in new lending to private customers in the third quarter.

The bank's winding-up activities reported a loss of DKK 77 million. The performance was better than expected, driven by a lower level of impairment writedowns.

Outlook

- The guidance for consolidated profit before tax is unchanged at DKK 250-350 million for 2014.
- For 2015, the profit before tax is expected to be in the range of DKK 200-300 million. The group's forward-looking activities are expected to generate profit of DKK 500-550 million at a combined ratio of 91-92. The winding-up activities are expected to report a loss of DKK 250-300 million before tax.

Major events

- Today, Alm. Brand Forsikring A/S entered into an agreement to purchase non-delinquent mortgage deeds from Alm. Brand Bank for an amount of DKK 1.9 billion. This transaction will optimise the overall liquidity and asset composition of the group without increasing the risk involved. It will also substantially reduce the group's funding requirements. At the current interest rate level, the transaction is expected to lift the group's results by DKK 30 million in 2015 and to have a gradually declining positive effect in the following years.

The transaction contains an option agreement to protect Alm. Brand Forsikring A/S against future credit losses. The agreement implies that Alm. Brand Forsikring can return mortgage deeds to the bank if a debtor defaults on his payment obligations. This means that the bank retains the credit risk, whereas Non-life Insurance only assumes the market risk associated with investing in the mortgage deeds.

The transaction is expected to be completed in December, subject to approval by the Danish FSA.

Webcast and conference call

Alm. Brand will host a webcast and conference call on Thursday, 20 November 2014 at 10.00 a.m.

<http://presenter.qbrick.com/?pguid=77776276-38eb-4fdd-97da-4b6d11c90c07>

Financial analysts may participate by phone: Danish analysts: +45 70 26 50 40, US analysts: +1 718 354 1226, other international analysts: +44 (208) 817 9301. Audience Passcode: 5161 6475#

Contact

Please direct any questions regarding this announcement to:

Søren Boe Mortensen, CEO, tel. +45 35 47 79 07, or Susanne Biltoft, Head of Information and Investor Relations, tel. +45 35 47 76 61.

The report is attached in pdf-format.