

Alm. Brand Bank A/S – Interim report Q1-Q3 2014

Highlights

- The bank incurred a pre-tax loss of DKK 46 million in Q3 2014, against a loss of DKK 53 million in Q2 2014. The performance was better than expected, but not satisfactory.
- The forward-looking activities generated profit of DKK 31 million in Q3, which was DKK 9 million more than in Q2. The performance was satisfactory and better than expected. The performance was lifted by a DKK 17 million adjustment for accounting purposes in connection with the liquidation of Alm. Brand Formue A/S.
- In the third quarter, the bank saw an increase in demand for lending from private customers, driving up total loans and advances to private customers by DKK 77 million.
- The winding-up activities reported a loss after impairment writedowns of DKK 77 million in Q3 2014, against a loss of DKK 75 million in Q2 2014. Impairment writedowns were DKK 56 million in Q3, against DKK 60 million in Q2. The performance was better than expected, driven by a lower level of impairment writedowns.
- The performance for the first nine months of the year was a loss of DKK 162 million before tax, of which impairment writedowns amounted to DKK 196 million. The forward-looking activities reported a profit of DKK 75 million in the first nine months of 2014, while a loss of DKK 237 million was reported on the winding-up activities.
- Today, Alm. Brand Bank entered into an agreement to sell non-delinquent mortgage deeds to Alm. Brand Forsikring A/S for an amount of DKK 1.9 billion. The transaction comprises an option agreement implying 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 Alm. Brand Forsikring only assumes the market risk associated with investing in the mortgage deeds.

The transaction reduced the bank's funding requirements by DKK 2.3 billion and is expected, at the current interest rate level, to lift the bank's results by DKK 10 million in 2015 and to have a gradually declining positive effect in the following years. The transaction is expected to be completed in December, subject to approval by the Danish FSA.

- The full-year guidance for the forward-looking activities is upgraded by DKK 20 million to a pre-tax profit of about DKK 70 million. The guidance for the winding-up activities is maintained at a loss of DKK 325-375 million.

Other highlights

- Income was DKK 127 million in Q3, against DKK 138 million in Q2. The decline was mainly attributable to a decline in trading income due to lower trading activity in July and August.
- Total value adjustments amounted to DKK 0 million in Q3, against a loss of DKK 2 million in Q2. Value adjustments in the third quarter consisted of a DKK 7 million loss on interest-related value adjustments, a DKK 3 million gain on equity-related value adjustments and a DKK 4 million gain on currency-related value adjustments.
- Costs amounted to DKK 86 million in Q3, which was unchanged from Q2.
- Excluding impairment writedowns, the winding-up portfolio declined by DKK 94 million to DKK 4,264 million in Q3, compared with a decline of DKK 99 million in Q2. The decline was in line with expectations.
- At 30 September 2014, the bank had excess liquidity of DKK 2.7 billion, corresponding to an excess cover of 184% relative to the statutory requirement.
- At 30 September 2014, the bank's total capital was DKK 1.8 billion, and the solvency ratio was 20.7. The bank's adequate total capital was calculated at 14.5%, and the bank thus had an excess cover of 6.2 percentage points. The banking group had a solvency ratio of 18.6 and an adequate total capital of 14.3%. The banking group thus had an excess cover of 4.3 percentage points.

Contact

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