

Alm. Brand – Interim report Q1-Q3 2015

Alm. Brand generated a pre-tax profit of DKK 536 million in the first nine months of 2015. The forward-looking activities generated a profit of DKK 770 million. The full-year guidance is lifted to a pre-tax profit of DKK 600-650 million.

“The Alm. Brand Group delivered a highly satisfactory performance again in the third quarter. I’m also pleased about our new share buyback programme of up to DKK 300 million,” said CEO Søren Boe Mortensen.

“We’re reporting yet another strong technical result supported by lower average claims, and we’re pleased to announce that we’re once again lifting the guidance for Non-life Insurance,” Søren Boe Mortensen said. He continued:

“Although the market is still extremely competitive, our business activity has remained high. Among other things, the bank has successfully attracted new customers and grown its lending. In addition, customer satisfaction continues to increase on a group-wide scale. In order to support this momentum, we have decided to invest in a new customer service system, which will enable us to provide even better service for our customers,” Søren Boe Mortensen explained, adding:

“Unfortunately, conditions in the agricultural sector have deteriorated even further, which means that we expect impairment writedowns to remain high for the rest of 2015,” CEO Søren Boe Mortensen concluded.

Q3 performance:

- Non-life Insurance posted a highly satisfactory pre-tax profit of DKK 312 million. The performance was composed of a profit on insurance activities of DKK 352 million, at a combined ratio of 72.4, and a negative investment result of DKK 40 million.

The performance was supported by run-off gains, but even net of these, the claims experience was favourable in the third quarter. The underlying development in claims was impacted by a higher number of claims, which was offset by lower average claims, however.

The investment result was impacted by financial market volatility, producing a loss on the equity portfolio as well as a loss due to the wider credit spread between mortgage bonds and government bonds.

Competition continued to have an adverse effect on premium income. Overall, premiums were on a par with Q3 2014, but that was due to a decline in premium income in the private customer segment, which was offset by higher premium income in the commercial customer segment.

- The group’s life insurance operations generated a profit of DKK 9 million, which was less than satisfactory. Negative financial market developments impacted the return on policyholders’ investment funds in the third quarter, which prevented the company from booking the full risk allowance. The outstanding risk allowance of just over DKK 10 million was transferred to shadow accounts but is expected to be booked in the fourth quarter.

Pension contributions increased by 15.3% in the third quarter, covering growth in single payments and an increase in contributions to market rate schemes provided by the bank. Regular premiums were stable in the third quarter.

Developments in the financial markets weighed on the bonus potential, but Life and Pension continued to post satisfactory bonus rates for all interest rate groups.

- The bank's forward-looking activities produced a pre-tax profit of DKK 3 million in Q3 2015, which was less than expected and impacted by a negative return on the bank's own portfolio of investment assets.

The bank's underlying activities are generally developing favourably with an increase in the level of activity. Year on year, the number of full-service customers increased by 13%, and the portfolio of Totalkredit loans for which the bank acted as intermediary grew by 26%.

Winding-up activities

The bank's winding-up activities posted a loss of DKK 82 million in Q3 2015, which was in line with expectations. Impairment writedowns were favourably affected by improved conditions in the property and housing markets, but impacted by the persistently difficult conditions in the Danish agricultural sector.

Outlook

- The guidance for consolidated full-year profit is lifted to DKK 600-650 million before tax. The guidance for the forward-looking activities is lifted by DKK 150 million to a profit of DKK 950-1.000 million, whereas the winding-up activities are expected to post a loss of about DKK 350 million.
- For 2016, the pre-tax profit is expected to be in the range of DKK 450-550 million. The group's forward-looking activities are expected to generate a profit of DKK 550-650 million at a combined ratio of 91-92. The winding-up activities are expected to report a pre-tax loss to the tune of DKK 100 million.

Major events

- As a result of better-than-expected developments in the excess capital cover, Alm. Brand has decided to establish a share buyback programme. Alm. Brand plans to buy back own shares for up to DKK 300 million in a programme commencing at the beginning of December 2015 and ending on 31 December 2016.

Webcast and conference call

Alm. Brand will host a webcast and conference call at 10.00 a.m. on 11 November 2015.

<http://presenter.qbrick.com/?pguid=40eb124a-53f8-4485-8ccd-6fd42dd06de7>

Financial analysts are invited to 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: 24797668#

Contact

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The report is attached in pdf-format.