ALM. BRAND A/S

Results for H1 2011
Conference call
25 August 2011
The Alm. Brand Group

### Non-life insurance
- Denmark's 4th largest non-life insurer
- Market share of some 10%
- 450,000 customers*
  - incl. 200,000 plusKUNDER
  - Incl. 25,000 dobbeltKUNDER
- 100,000 commercial and agricultural customers

### Banking
- Denmark's 10th largest bank
- 60,000 retail customers
- 11 bank branches all over Denmark

### Life insurance
- Denmark's 7th largest commercial life and pension insurance company
- 80,000 customers

### Focus on improved profitability followed by profitable growth
- Reduction of expense ratio
- Reduction of risk and amendment of terms
- Premium increases

### Focus on low risk and profitability
- Focus on private customer segment
- Asset Management
- Markets
- Winding-up of non-strategic business areas

### Business as usual
- Low-risk investment policy
- Focus on costs and risk
- Supporting non-life insurance business

* Based on no. of households
Highlights for H1 2011

- Profit of DKK 44 million after losses and writedowns in Q2
- Loss of DKK 65 million in H1
  - **Non-life insurance:** Sustained positive trends in the underlying business and expense ratio with a combined ratio of 85.8 for Q2 and 91.6 for H1
  - **Banking:** Losses and writedowns declined, although not at the rate anticipated. H1 results were impacted by substantial negative value adjustments and by expenses paid to the Danish Guarantee Fund for Depositors and Investors of DKK 41 million
  - **Life insurance:** Good expense and risk results and growth of 11.7% in total payments into pension schemes

- **Outlook for 2011**
  - Profit of around DKK 275 million before losses and writedowns, against the previous guidance of a profit of DKK 375 million
  - The revised guidance comprises an upgrade of the forecast for the group's insurance and pension activities but a downgrade of the forecast for its banking activities
Non-life insurance
- Financial highlights and key ratios

Results
- Q2 profit of DKK 207 million
- H1 profit of DKK 244 million, against a loss of DKK 64 million in H1 2010

Combined ratio
- Combined ratio of 85.8 in Q2 and 91.6 in H1, against 104.9 in H1 2010
- Improvement of the underlying business
  - Premium adjustments
  - Amended terms and higher deductibles
  - Tighter acceptance rules in connection with new business written
- Expense ratio
  - Expense ratio of 16.3 in H1, against 18.9 in the year-earlier period
  - Cost-savings from organisational adjustments
  - Lower marketing expenses
- Major claims and weather-related claims
  - Fewer major claims
  - Weather-related claims affected by storm in Q1
Development in premium income

- Premium income declined by 0.8% compared with the same period of 2010 due to a slowdown in economic activity

- Commercial customer segment
  - Decline in premiums on workers’ compensation, liability and motor insurance
  - Market share retained as a result of general market decline

- Private customer segment
  - Steady performance throughout H1 compared with 2010
  - New personal accident product introduced in Q4 2010 expected to improve profitability
Effect on financial results

- Improved underlying business
- Claims ratio of 68.9, against 82.1 in H1 2010
- Commercial initiatives improved the business
  - Lower expense ratio – down to 16.3
  - Premium increases
  - Lower average claims
- Major claims developed positively and expenses were lower than anticipated
- Weather-related expenses in Q2 were in line with expectations, but H1 expenses were impacted by the storm in Q1
**Underlying Combined ratio**
- Trend from H1 2010 to H1 2011

- Costs declined due to a number of initiatives taken in recent years
- Claims prevention measures, such as electricity checks, separation of machinery and combustible materials, cheaper procurement, advice through consultants
- Premium increases on property/building, contents/house contents and personal accident
- Preventive work and amended insurance terms affected the claims frequency positively
- Health and personal accident affected positively
- Higher reinsurance due to extended coverage
Trend in Combined Ratio
- major Danish non-life insurers

Note: Combined ratio is stated at group level. Combined ratio for Codan is for Codan Forsikring
Trend in expenses
- major Danish non-life insurers

Note: Expense ratio is stated at group level. Expense ratio for Codan is for Codan Forsikring
Expenses for major claims and weather-related claims

- Reasonable development in major claims
- Weather-related claims comprise e.g.
  - Winter-related claims
  - Storm

Note: Major claims are defined as claims in excess of DKK 1 million
Outlook for 2011

- Forecast for non-life insurance activities upgraded from a profit of DKK 300 million to a profit of DKK 380 million

- Reasons for the upgrade
  - Improvement of the underlying business
  - Lower costs
  - Run-off gains

- Growth downgraded to minus 1%

- Forecast for combined ratio improved to 94 from 95 as previously guided

- The outlook takes into account expected expenses for the July and August cloudbursts in Denmark
Alm. Brand Bank
- Financial highlights and key ratios for H1 and Q2 2011

Results:
- The bank posted a pre-tax loss of DKK 122 million before losses and writedowns in H1. After losses and writedowns the result was a loss of DKK 348 million
- Expenses to be paid to the Danish Guarantee Fund for Depositors and Investors (Amagerbanken and Fjordbank Mors) of DKK 41 million

Value adjustments (excl. credit losses on mortgage deeds)
- The H1 results were adversely affected by value adjustments, resulting in an overall loss of DKK 126 million, primarily related to:
  - Developments in fixed-income markets
  - Capital loss on illiquid shares acquired in connection with the winding-up of exposures

Losses and writedowns (incl. credit losses on mortgage deeds)
- Writedowns traced a declining trend, although remaining at a high level
- Writedowns declined at a slower rate than expected, which have an adverse effect on the expectations
- Overall writedowns amounted to DKK 226 million in H1, of which DKK 97 million was related to Q2
New bank & run-off bank
- Controlled winding-up of discontinued lending segments

Going forward, the bank aims to focus on lending segments that to a greater extent support the group’s other business areas. Focal areas:

- Private customer market
- Leasing
- Markets
- Asset Management

Winding-up portfolio DKK 8.0bn

- Mortgage deeds; DKK 2,904 m
- Commercial lending; DKK 1,988 m
- Property development projects; DKK 408 m
- Agriculture; DKK 1,231 m
- Car finance; DKK 543 m

Continuing loan portfolio DKK 3.2bn

- Lending to private customers; DKK 3,085 m
- Other lending; DKK 159 m
- Mortgage deeds financing; DKK 961 m
- Agriculture; DKK 1,231 m
- Commercial lending; DKK 1,988 m
- Car finance; DKK 543 m
Efforts to reduce the portfolio of loans and advances in non-strategic business areas progressed faster than expected.

Total loans and advances were reduced by DKK 1,138 million in H1 and by DKK 520 million in Q2.

Total loans and advances are expected to be reduced by DKK 1.5 billion in 2011.

Deposits declined due to a lack of active interest rate campaigns as a result of ample liquidity.
Net interest and fee income amounted to DKK 276 million in H1 2011, against DKK 350 million in H1 2010.

Reasons for the decline in net interest income:
- Reduction in the portfolio of loans and advances and resulting lower interest income
- Higher funding costs, which had an adverse impact on the interest margin
### Lending portfolio and credit losses

<table>
<thead>
<tr>
<th>DKK million</th>
<th>Loans</th>
<th>Total loss and wriitedowns</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3,494</td>
<td>3,244</td>
</tr>
<tr>
<td>Lending to private customers</td>
<td>3,318</td>
<td>3,085</td>
</tr>
<tr>
<td>Other lending **)</td>
<td>176</td>
<td>159</td>
</tr>
<tr>
<td>Winding-up portfolio</td>
<td>8,783</td>
<td>8,035</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1,199</td>
<td>1,231</td>
</tr>
<tr>
<td>Car finance</td>
<td>736</td>
<td>543</td>
</tr>
<tr>
<td>Commercial lending</td>
<td>2,230</td>
<td>1,988</td>
</tr>
<tr>
<td>Property development projects</td>
<td>492</td>
<td>408</td>
</tr>
<tr>
<td>Mortgage deed financing</td>
<td>1,936</td>
<td>961</td>
</tr>
<tr>
<td>Mortgage deeds</td>
<td>2,190</td>
<td>2,904</td>
</tr>
<tr>
<td>Bank packages etc.</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total - excl. Reverse Transactions</td>
<td>12,277</td>
<td>11,279</td>
</tr>
</tbody>
</table>

Reverse transactions including Intercompany transactions | 207 | 79 | 0.7% | - | - | - | - | - |

Total group lending | 12,484 | 11,358 | 97.9% | 924 | 129 | 97 | 226 | 1.9% |

Minority interests | 254 | 242 | 2.1% | -16 | - | - | - | - |

Total prorata | 12,738 | 11,600 | 100.0% | 908 | 129 | 97 | 226 | 1.9% |

*) Losses and wriitedowns as a percentage of the average portfolio in Q1 2011. The percentage is not comparable with the impairment ratio in the bank's financial highlights and key ratios.

**) Fleet management (operating leases) is not included, as it is recognised as other property, plant and equipment and not as loans and advances.

- Sustained decline in wriitedowns, although at a slightly slower rate than anticipated due to
  - Turmoil in the financial markets
  - Slowdown in the Danish economy

- Adverse developments affected agriculture and mortgage deeds in particular
Value adjustments

- Excess liquidity of DKK 7 billion placed in short term mortgage bonds
- Expected increased interest rates in the second quarter

- DKK 30 million related to illiquid shares acquired in connection with the winding-up of exposures

<table>
<thead>
<tr>
<th>DKK million</th>
<th>Total value adjustments</th>
<th>Credit-related value adjustments</th>
<th>Value adjustments excl. credit related</th>
<th>Interest-related value adjustments</th>
<th>Equity-related value adjustments</th>
<th>Foreign exchange adjustments</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>171</td>
<td>45</td>
<td>126</td>
<td>85</td>
<td>33</td>
<td>8</td>
</tr>
</tbody>
</table>
Funding

- Liquidity strategy towards 2013
  - Winding up of run-off portfolio
  - Increased deposits

- Political decision concerning a potential Bank Package IV
  - For instance, proposal for a gradual winding-up of state guarantee

<table>
<thead>
<tr>
<th>Year</th>
<th>Interbank funding</th>
<th>Issued bonds</th>
<th>Subordinated debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>1,692</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>4,167</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>6,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>856</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

DKK million
Outlook for 2011

- **Outlook for the year**
  - The guidance for the bank's full-year results is lowered from a profit of DKK 45 million to a loss of around DKK 155 million

- **Reasons for the downgrade:**
  - Unsatisfactory financial results in H1 2011
  - Sustained turmoil in the financial markets, adversely affecting the outlook for the bank

- **Losses and writedowns:**
  - Sustained turmoil in the financial markets
  - Adverse developments in the Danish economy and, by extension, the bank's portfolio of loans and advances
  - In the upcoming quarters, losses and writedowns are expected to be in line with the last two quarters
Life insurance
- Financial highlights and key ratios

- Profit before tax of DKK 62 million in H1 2011, against DKK 129 million last year, which was better than expected

- Collective bonus potential: DKK 469 million
  - Bonus rate: 4.6%

- Positive risk and expense results

- The Danish FSA’s new benchmark for life expectancy has a positive impact on provisions
Premium income

- Total premium income increased by 11.7% to DKK 493 million in H1
  - Decline of 5.5% in premium payments made to Alm. Brand Liv og Pension
  - Increase of 76% in payments into investment schemes

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>190</td>
<td>179</td>
</tr>
<tr>
<td>Q2</td>
<td>213</td>
<td>158</td>
</tr>
<tr>
<td>H1</td>
<td>442</td>
<td>348</td>
</tr>
<tr>
<td>Premium - Liv og Pension</td>
<td>39</td>
<td>65</td>
</tr>
<tr>
<td>Investment schemes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Results

<table>
<thead>
<tr>
<th>DKK million</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Return on investment allocated to equity</td>
</tr>
<tr>
<td>Result of portfolios without bonus entitlement</td>
</tr>
<tr>
<td>Risk premium</td>
</tr>
<tr>
<td>Incl. interest rate group 0</td>
</tr>
<tr>
<td>Incl. interest rate group 1</td>
</tr>
<tr>
<td>Incl. interest rate group 2</td>
</tr>
<tr>
<td>Incl. interest rate group 3</td>
</tr>
<tr>
<td>Share of expense and risk results</td>
</tr>
<tr>
<td>Calculated return on equity</td>
</tr>
<tr>
<td>Reversed from/transferred to shadow account</td>
</tr>
<tr>
<td>Profit before tax</td>
</tr>
<tr>
<td>Shadow account balance</td>
</tr>
</tbody>
</table>
# Investment return

<table>
<thead>
<tr>
<th>Life insurance company</th>
<th>Rate on policyholders' funds (p.a.)</th>
<th>Investment composition</th>
<th>Return for the period</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Equities</td>
<td>Bonds</td>
</tr>
<tr>
<td>0.5% to 1.5% (new customers)</td>
<td>3.65%</td>
<td>20.8%</td>
<td>65.5%</td>
</tr>
<tr>
<td>1.5% to 2.5%</td>
<td>3.65%</td>
<td>20.6%</td>
<td>65.7%</td>
</tr>
<tr>
<td>2.5% to 3.5%</td>
<td>4.20%</td>
<td>6.5%</td>
<td>78.9%</td>
</tr>
<tr>
<td>3.5% to 4.5%</td>
<td>5.30%</td>
<td>6.6%</td>
<td>78.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment scheme</th>
<th>Diversification</th>
<th>Investment composition</th>
<th>Return for the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk group: Term / Risk</td>
<td>(size)</td>
<td>Equities</td>
<td>Bonds</td>
</tr>
<tr>
<td>+ 7 years / Medium</td>
<td>Low</td>
<td>59.0%</td>
<td>41.0%</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>59.0%</td>
<td>41.0%</td>
</tr>
<tr>
<td>+ 7 years / High</td>
<td>Low</td>
<td>71.0%</td>
<td>29.0%</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>71.0%</td>
<td>29.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Life insurance company: Equity</th>
<th>Investment composition</th>
<th>Return for the period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>Equities</td>
<td>Bonds</td>
</tr>
</tbody>
</table>
<pre><code>                                                             | 100.0% |       | 0.4% |
</code></pre>
## Distribution of guarantees

<table>
<thead>
<tr>
<th></th>
<th>Average guarantee</th>
<th>Term Years</th>
<th>Share of portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low guarantees</td>
<td>1.77%</td>
<td>25.28</td>
<td>39.2%</td>
</tr>
<tr>
<td>Medium guarantees</td>
<td>3.03%</td>
<td>7.86</td>
<td>15.6%</td>
</tr>
<tr>
<td>High guarantees</td>
<td>4.02%</td>
<td>10.15</td>
<td>45.2%</td>
</tr>
</tbody>
</table>

**Short term on high guarantees**
Outlook for 2011

- Guidance upgraded by DKK 20 million to a profit of DKK 90 million for the full year 2011
- The upgrade is based on
  - the good risk and expense results
  - positive impact on provisions following the changed life expectancy benchmark prepared by the Danish FSA
### Capital model and capital target

<table>
<thead>
<tr>
<th>DKKm</th>
<th>Capital base 31 March 2011</th>
<th>Capital base 30 June 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated equity</td>
<td>4,672</td>
<td>4,683</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>-74</td>
<td>-65</td>
</tr>
<tr>
<td>Tax assets</td>
<td>-688</td>
<td>-678</td>
</tr>
<tr>
<td>Supplementary capital</td>
<td>1,803</td>
<td>1,753</td>
</tr>
<tr>
<td><strong>Total capital base for the group</strong></td>
<td><strong>5,713</strong></td>
<td><strong>5,693</strong></td>
</tr>
<tr>
<td>Statutory capital requirement for the group, end of period</td>
<td>3,696</td>
<td>3,572</td>
</tr>
<tr>
<td><strong>Excess relative to statutory capital requirement</strong></td>
<td><strong>2,017</strong></td>
<td><strong>2,121</strong></td>
</tr>
<tr>
<td>Internal capital target</td>
<td>5,618</td>
<td>5,592</td>
</tr>
</tbody>
</table>

- Substantial excess relative to statutory capital requirement
- Capital base also in excess of internal capital target determined on the basis of expected tighter requirements in connection with Basel III and Solvency II plus an additional buffer
Outlook for the group for 2011

- The group's full-year profit forecast is lowered to DKK 275 million from previously DKK 375 million before losses and writedowns
  - Non-life insurance: Guidance upgraded from a profit of DKK 300 million to a profit of DKK 380 million. Combined ratio improved to 94 from 95
  - Banking: Guidance lowered from a profit of DKK 45 million to a loss of around DKK 155 million
  - Life insurance: Guidance upgraded from a profit of DKK 70 million to a profit of DKK 90 million
  - Other business activities/corporate expenses: Unchanged at an estimated loss of DKK 40 million

- Losses and writedowns
  - Sustained turmoil in the financial markets
  - Adverse developments in the Danish economy and in the bank's portfolio of loans and advances
  - In the upcoming quarters, losses and writedowns are expected to be in line with the last two quarters
Alm. Brand
Highlights

- Very favourable trend in non-life insurance
- Continued decline in expenses
- Favourable performance of life insurance activities supported by good expense and risk results
- Writedowns in the bank declining slower than anticipated
- Negative value adjustments of investment assets in the bank
- Financial market turmoil and deteriorating Danish economy adversely affecting outlook