

Alm. Brand – Annual Report 2013

Alm. Brand posted a profit of DKK 355 million before tax. In spite of two storms in the fourth quarter, the performance was better than expected. As the profit translates into a return on equity of 8%, Alm. Brand failed to deliver on the target of the money market rate plus 10%.

Alm. Brand expects to generate a profit of DKK 525-575 million before tax from the group's continuing activities and to post a loss of DKK 375-425 million from the bank's winding-up activities.

“Alm. Brand outperformed the guidance provided, reporting a profit that was better than expected. Our non-life insurance business was again the main driver, delivering strong results despite of two major storms,” said Søren Boe Mortensen, CEO of Alm. Brand. He continued: “And our customer base is increasing, because we are attracting more new customers, while fewer existing customers have decided to leave us.”

“Our pension company is producing good results, generating strong returns for policyholders and bolstering reserves. The bank's performance was in line with expectations but is still not satisfactory. An extraordinary credit review of private customers and high expenses and impairment writedowns relating to the winding-up activities detracted from the bank's performance. On the other hand, I am pleased to note that we are in the process of repaying the remaining government funding and that the bank is slowly recovering,” stressed Søren Boe Mortensen.

- Non-life Insurance delivered a very satisfactory profit of DKK 763 million before tax, which was significantly better than expected.

The performance marked a 3.4% increase, which was above the level anticipated.

The combined ratio was 87.4, of which the expense ratio represented 16.0. The underlying combined ratio of Non-life Insurance again developed favourably, ending the year at 78.8, against 79.7 in 2012.

The combined ratio was favourably affected by fewer major claims than expected and a positive run-off result. On the other hand, weather-related expenses impacted the combined ratio negatively due to the two storms in October and December.

- Our life and pension activities generated a satisfactory profit of DKK 86 million before tax, which was better than expected. Regular premiums grew by 1.3% and were favourably affected by the inflow of new customers. On the other hand, the tax reform directed at capital pension schemes detracted substantially from the performance. Nevertheless, Life and Pension reported strong expense and risk results and a strong investment return.

The return on policyholders' funds was highly satisfactory, and the favourable results caused the collective bonus potential to increase by DKK 240 million to DKK 827 million in 2013, equivalent to a bonus rate of 9.2%.

- The bank incurred a loss of DKK 469 million before tax, which was not satisfactory.

The bank's continuing activities reported a pre-tax loss of DKK 90 million. Before writedowns, the performance was a profit of DKK 28 million. The large impairment writedowns were due to an extraordinary credit review of private customers initiated by the bank in 2013. Before writedowns, the performance improved relative to 2012 and was favourably affected by a higher level of activity,

especially in Financial Markets.

The bank's winding-up activities reported a loss of DKK 379 million, marking a significant improvement relative to 2011 and 2012. Particularly a lower level of impairment writedowns affected the performance favourably. The performance was also favourably affected by lower funding costs due to the bank's DKK 630 million repayment of the high-interest state-funded hybrid core capital in 2013.

On 27 February 2014, Alm. Brand A/S contributed DKK 400 million in equity to Alm. Brand Bank A/S. The capital injection will be used to repay the remaining DKK 226 million of state-funded hybrid core capital and to ensure that the bank has adequate capital excess coverage to absorb the DKK 200 million reduction in the value of the bank's supplementary capital materialising in 2014 due to new capital adequacy rules. Following this repayment, the bank will have redeemed all of its state-funded capital.

Webcast and teleconference

Alm. Brand will host a webcast and conference call on 27 February 2014 at 10.00 a.m.

<http://presenter.qbrick.com/?pguid=1f4fb45d-2cb8-4df0-803a-f5d33907d217>

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