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Alm. Brand A/S – Interim report for the first half of 2008

The half-year at a glance

- **Profit of DKK 105m was not satisfactory**
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- **Sustained satisfactory growth**
- **Substantial capital losses on securities**
- **Impaired claims experience**
- **Progress in the settlement of reinsurance activities**
- **Full-year profit guidance downgraded to DKK 400m**

Highlights of the Alm. Brand Group's interim report for the first half of 2008 (before tax and minority interests):

- The consolidated profit was DKK 105m.

  The consolidated profit was DKK 105m against DKK 508m in H1 2007. The DKK 403m difference was attributable to capital losses on securities of approximately DKK 300m, including a lack of risk premium from the life group. The remaining decline of DKK 110m was due to higher claims expenses from private and agricultural lines, inflation adjustment of workers' compensation and write-downs in the banking operations.

- Non-life operations reported a less-than-satisfactory profit of DKK 170m.

  The performance was positively influenced by continued growth in premium income of 5% and by low weather-related expenses, but adversely affected by capital losses. In addition, the reporting period saw a higher frequency of and more expensive claims from private policyholders and a greater number of and more expensive major claims from agricultural policyholders. Finally, the inflationary trend entailed higher provisions for workers' compensation claims.

  In order to improve the performance, initiatives have been launched to ensure a better correlation between price and risk, and increased attention will be given to achieving cost savings internally as well as by obtaining the best possible procurement prices.

- The bank posted a loss of DKK 98m, which was not satisfactory.

  The performance was positively influenced by growth in the bank and by higher interest income as a result of efforts initiated to increase the interest margin. The interest margin rose from 1.6% in the first quarter of 2008 to 2.0% in the second quarter.

The performance was adversely affected by substantial capital losses on the portfolio of securities, a significant part of which was attributable to the portfolio of mortgage bonds and mortgage deeds. In addition, the bank's hedging of external risks from its listed subsidiaries was not satisfactory. Finally, the reporting period was impacted by increasing albeit limited provisions for bad and doubtful debts.

In a move to increase its earnings, the bank has launched a number of efficiency-enhancing activities. Finally, the bank's exposure to market risks in the two subsidiaries has been reduced.

- The group's life insurance operations reported a profit of DKK 4m, while DKK 30m was transferred to the shadow account. It is not expected that the amount charged to the shadow account can be recognised in 2008. The performance was not satisfactory.

  Pension scheme contributions in the group rose by 8%.

  The investment return on customer funds equalled minus 2.7%, which was not satisfactory and attributable to losses on equities and capital losses on the company's portfolio of mortgage bonds in particular. Part of this loss is expected to be off-set in the coming years as a result of a higher level of interest rates.

- Neither the bank nor the rest of the group is in any way exposed to the sub-prime market.

- The consolidated revenue totalled DKK 4bn.

- As a result of the substantial capital losses, a higher claims frequency and higher average claims in some non-life insurance lines, increased albeit limited provisions for bad and doubtful debts and a lacking risk premium from the life group, the full-year guidance for consolidated profit is downgraded by DKK 350m to DKK 400m.

  As a result of the downgrade, the group's expected share buyback programme is reduced from DKK 600m to DKK 350m. The total share buyback programme equals a pay-out ratio of 12%.

Please direct any questions regarding this announcement to Søren Boe Mortensen, Chief Executive, on tel. +45 35 47 47 47.

Yours sincerely,

Alm. Brand A/S

Søren Boe Mortensen
Chief Executive