ALM. BRAND

Management Secretariat
Midtermolen 7
DK-2100 Copenhagen Ø

Tel +45 35 47 47 47
Fax +45 35 26 62 38
www.almbrand.dk

NASDAQ OMX Copenhagen A/S
Nikolaj Plads 6
DK-1007 Copenhagen K

Ref **SLB/hdg**

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Alm. Brand A/S – Annual Report 2008

Highlights

- **Profit of DKK 44m before tax was not satisfactory but in line with the most recent guidance**
- **Significant capital losses on securities, large writedowns on loans and advances and a high frequency of major claims**
- **Low risk profile on investments limited the loss**
- **Improved expense ratio**
- **Performance-enhancing initiatives launched**
- **Adjustment of the group's growth targets**
- **Forecast of DKK 400m profit in 2009 excluding impairment losses in the bank**

Other highlights of 2008

- Non-life operations recorded a profit of DKK 262m.

  The performance was favourably affected by growth in premium income and by a sustained decline in the expense ratio.

  The performance was adversely affected by value adjustments of the investment portfolio, a large number of major claims in the agricultural segment, a weak adverse claims experience in building and household comprehensive insurance and motor premium reductions.

  In a move to improve the less than satisfactory performance, the company has introduced adjustments of premiums and terms and conditions on a number of insurance policies characterised by an adverse claims experience. At the same time, the company will retain its focus on reducing costs.

"The year 2008 was a terrible year, and 2009 will probably also be a year of considerable challenges. We have implemented a number of changes and activities. Combined with our strong platform in terms of capital, employees and customers, this will enhance our core business and enable us to restore growth and a strong earnings performance," says Søren Boe Mortensen, CEO.

- The bank incurred a loss of DKK 532m.

  The unsatisfactory performance was attributable to the severe economic downturn in Denmark and the resulting need to recognise substantial impairment losses, capital losses and growing funding costs. As a result of the difficult market conditions, the bank adjusted its strategy by lowering its risk exposure and reducing its portfolio of loans and advances. In addition, the bank has reduced its costs and actively seeks to increase the interest margin. As a result, net interest and fee income rose by 8%.

  As a result of these strategic changes, Alm. Brand Bank will focus increasingly on private sector customers, including not least full-service and multi-product customers, in the future. In that connection, the general manager of the retail bank, Bo Chr. Alberg, has been appointed new member of the bank's Management Board and of the Alm. Brand Group's management.

  Moreover, the wholesale bank will suspend its expansive strategy and focus on Alm. Brand Markets as well as on supporting the group's many investment customers as the financial crisis wears on. As a result, an agreement has been made with Managing Director and member of the bank's Management Board, Peter Reedtz, that he will resign his position with the bank.

  The bank expects to apply for an injection of funds under the second bank package corresponding to an amount of just over DKK 900m.

- The group's life insurance operations reported a profit of DKK 43m, while DKK 81m was transferred to the shadow account.

  Although the performance was adversely affected by the crisis in the financial markets and the resulting low investment returns, the company succeeded in generating a positive return on customer investments.

  The performance was better than the guidance provided in November due to declining interest rates in the fourth quarter and the resulting enhanced return on equity.

  Because the collective bonus potential has been used up, the company applied a limited part of the bonus potential on paid-up policies and introduced a charge to protect against adverse effects of changes in interest rates. However, the transfer and surrender charge was only 3.0% at 31 December 2008.

- The group's other business activities generated a profit of DKK 271m, thereby significantly outperforming expectations. The enhanced performance was attributable to a very positive performance by the group's reinsurance activities in run-off.

- The consolidated revenue totalled DKK 8bn.

Please direct any questions regarding this announcement to Søren Boe Mortensen, Chief Executive, on tel. +45 35 47 79 07 or Susanne Biltoft, Head of Information and Investor Relations, on tel. +45 35 47 76 61.

Yours sincerely,

Alm. Brand A/S

Søren Boe Mortensen
Chief Executive

The annual report is attached in pdf-format.