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Alm. Brand A/S – Government guarantee, writedowns and fresh capital

State-guaranteed bonds
The terms and conditions for Alm. Brand Bank obtaining a government guarantee until end-2013 in connection with the issuance of bonds have been defined. The bank expects to issue bonds for an amount of up to DKK 6 billion before the end of June.

In that connection, Alm. Brand A/S has undertaken to contribute the necessary capital to Alm. Brand Bank in order to ensure that the bank complies with the solvency requirements at all times. Depending on the financial position of Alm. Brand A/S, this contribution is capped at DKK 1–2 billion.

Improved performance
During the last couple of years, Alm. Brand has been working towards lowering its cost level and adjusting prices and risk with a view to enhancing its operating performance. Over the next few years, the group will intensify these efforts. As a result, the group expects to generate a small but positive operating profit in 2011 and a significantly enhanced performance in 2012.

Writedowns
During the period of the past few years and until 31 March 2010, Alm. Brand Bank has recognised total writedowns on loans and advances of DKK 2.2 billion. Assessing the extent of the bank's writedowns on loans and advances in the years ahead is subject to considerable uncertainty. Additional writedowns until the end of 2012 are assessed to amount to DKK 1.2 billion.

Capital
Against this backdrop, it may be necessary to contribute additional capital to Alm. Brand Bank in the amount of DKK 0.8–1.0 billion. The amount depends on the extent of writedowns, the profit on ordinary activities and the reduction of risk-weighted assets.

Alm. Brand A/S has received a commitment for a contribution of up to DKK 900 million by way of subordinated capital from Alm. Brand af 1792 fmba.

At present, no decision has been made as to whether such capital will be contributed as subordinated loan capital or as share capital in connection with a possible rights issue.

In order to prepare for a possible rights issue, the Board of Directors has resolved to propose that the nominal capital be reduced from DKK 1,388 million to DKK 173.5 million by way of a reduction of the nominal amount per share from DKK 80 to DKK 10. Notice to convene an extraordinary general meeting will be distributed within the next two weeks.

Following the capital contribution, the group is assessed to have sufficient capital for its future operations, also when considering the more stringent requirements imposed by the new capital adequacy rules – Solvency II and Basel III.

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 40 30 76 61.

Yours sincerely,

Alm. Brand A/S

Søren Boe Mortensen
Chief Executive