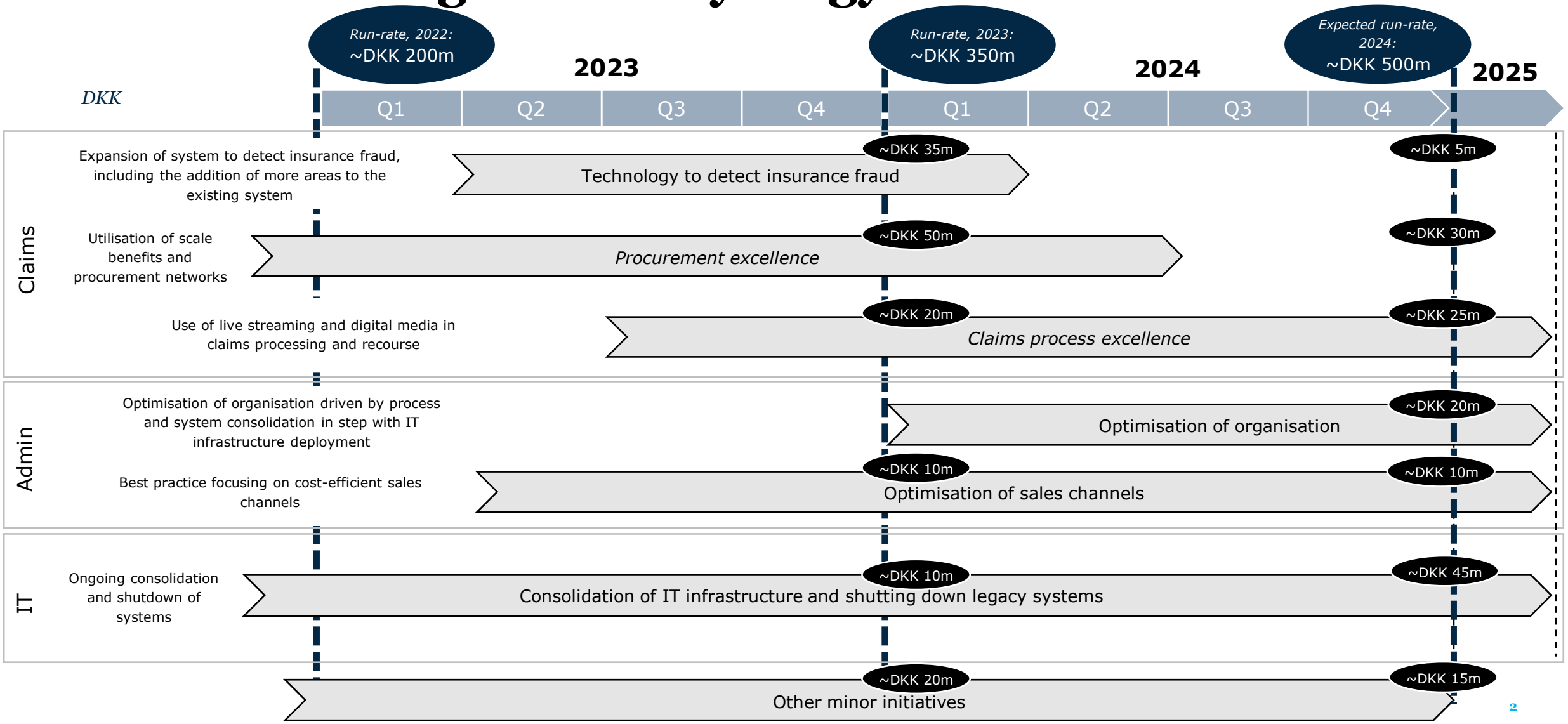


Alm Brand Group

Nordea's Insurance Trip

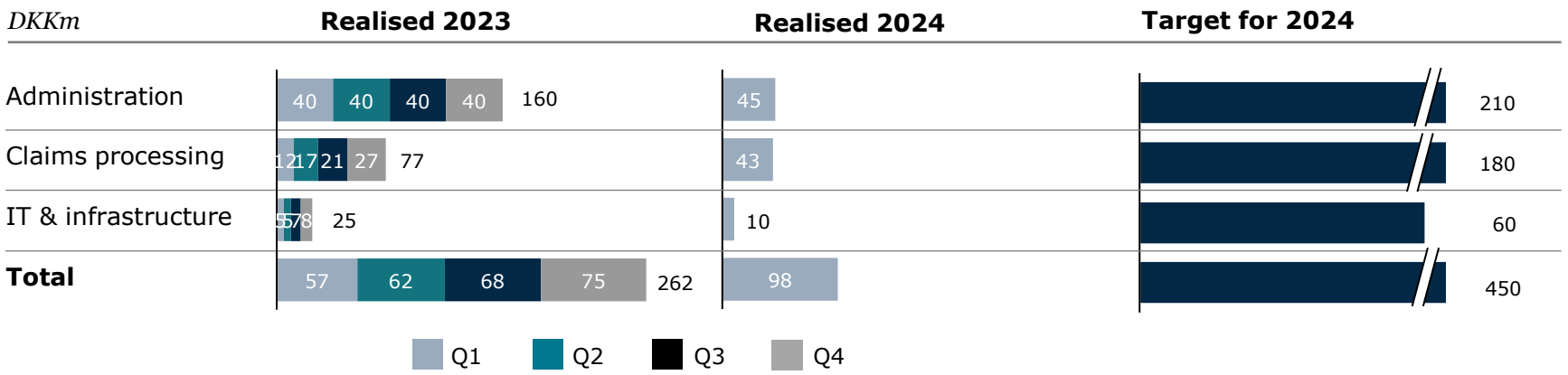
May 29, 2024

Overview of significant synergy initiatives



Synergies

Status on synergies from Codan integration

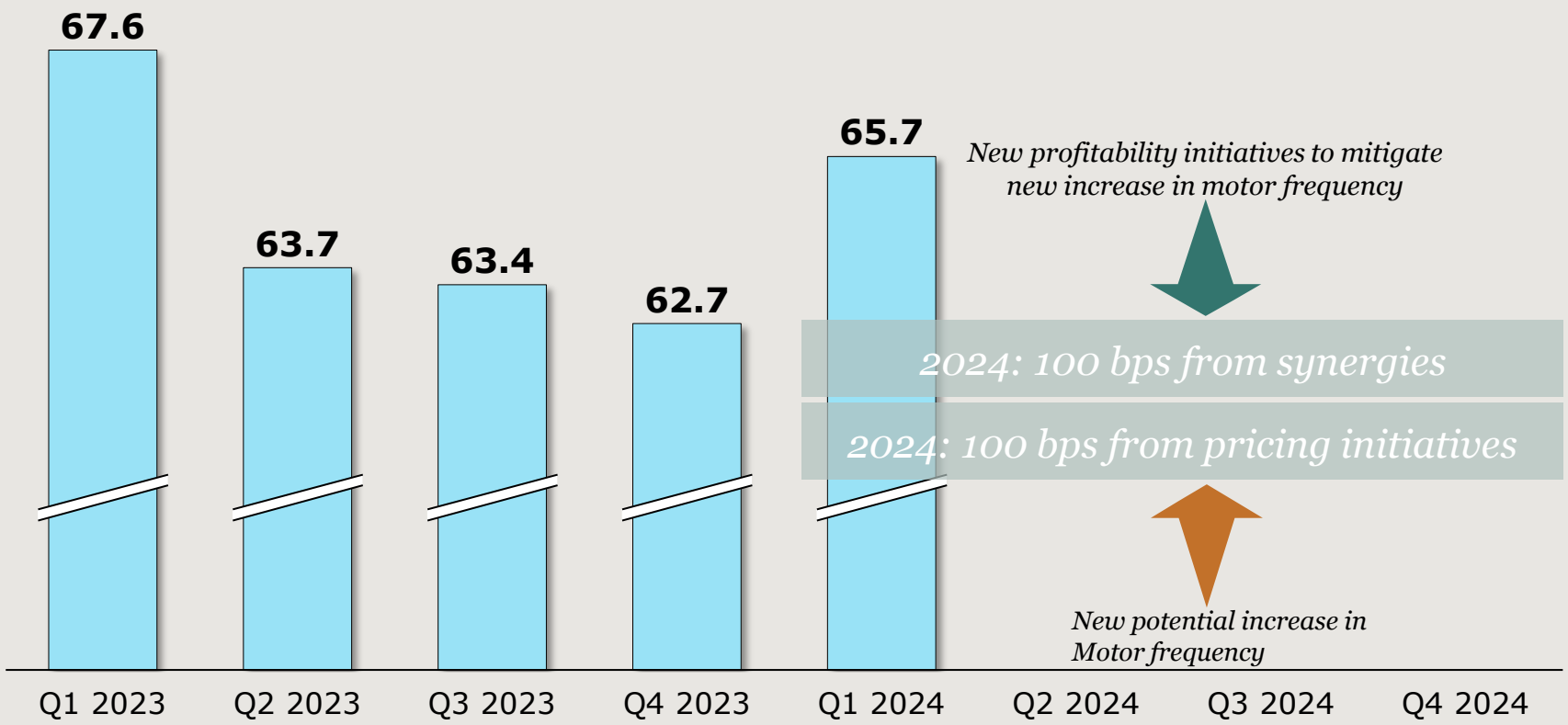


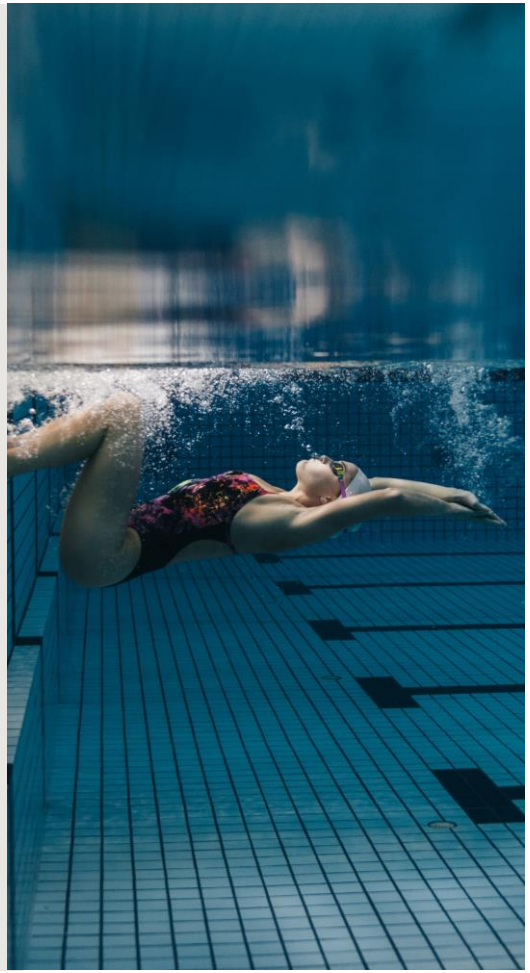
- Realisation of synergies of DKK 98 million in Q1 – end-of-year run-rate at DKK 500 million
- Clear path to realising synergy targets for 2025

Synergies and pricing: ~200bp underlying improvement secured

… but additional motor dynamics could influence the underlying claims ratio as well

Underlying claims ratio development[1]

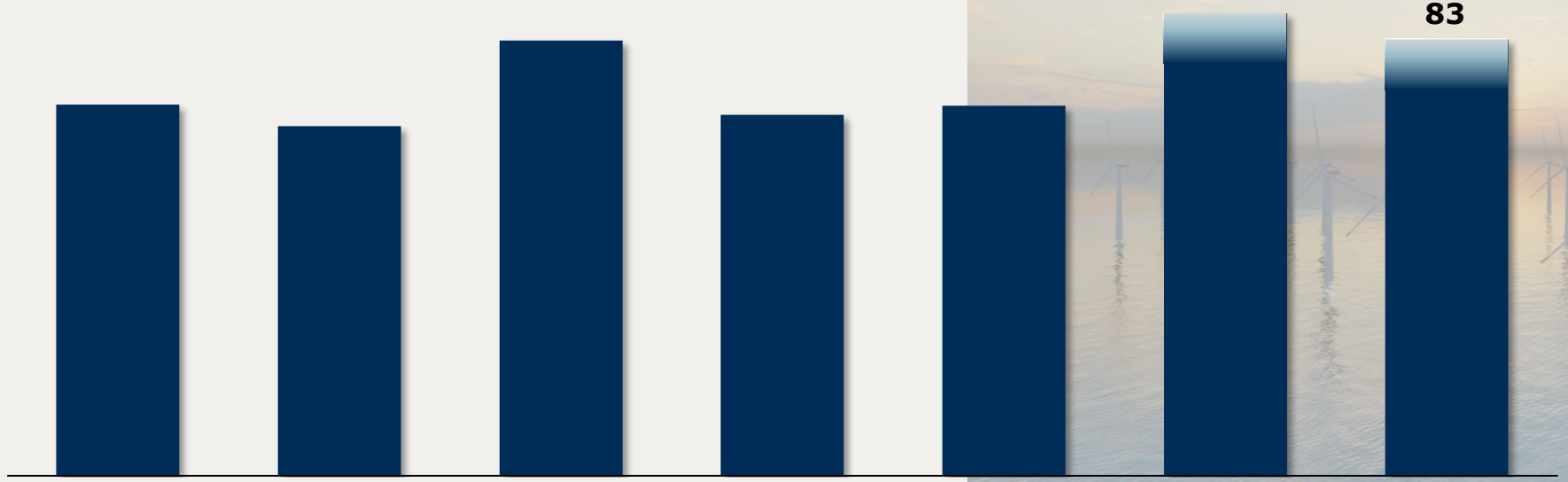




1) Undiscounted

Energy very strong last 5 quarters; better than the structural level

Combined ratio development
Energy-segment





Outlook

Outlook for 2024

Guidance for profit before special costs and tax lifted by DKK 100 million on the back of strong Q1 investment result

Insurance service result excl. run-offs	DKK 1.40-1.60 billion
Investment result	DKK 350 million
Previous investment result guidance of DKK 250 million	
Other income and expenses	DKK -125 million
Profit before special costs and tax	**DKK 1.63-1.83 billion**

Sub-components included in outlook for 2024 (unchanged)

Combined ratio	*87-89*
Expense ratio	*17-17.5*
Synergies (DKKm)	*450*
Restructuring costs (DKKm)	*200-250*
Amortisation of intangible assets (DKKm)	*360*


Alm Brand Group
Q & A

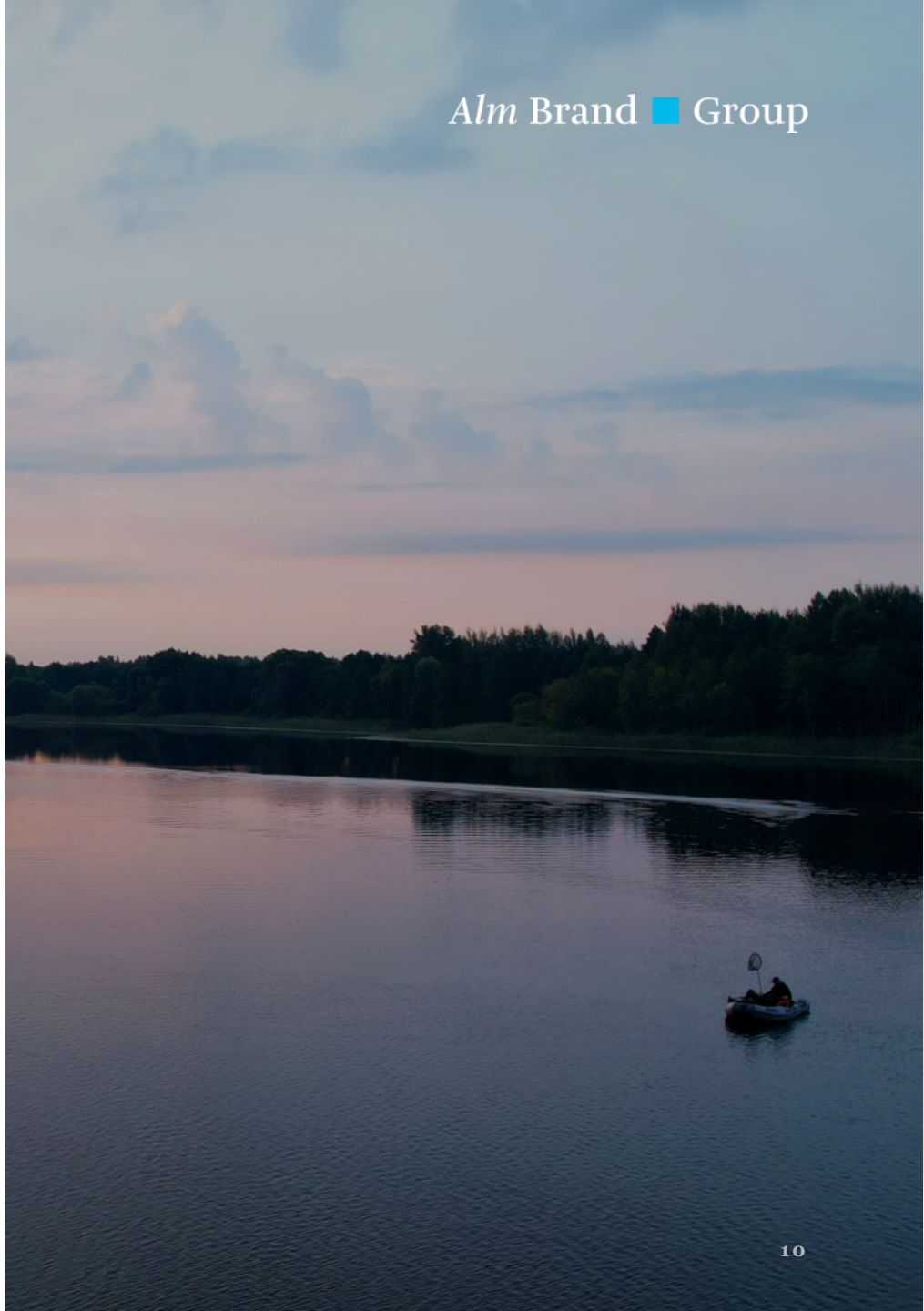


Highlights

Highlights

Satisfactory Q1 performance despite harsh weather conditions

- Satisfactory Q1 financial results built on recent quarters' momentum in Commercial Lines, while underlying developments in Personal Lines improved based on profitability-enhancing initiatives
- Highly satisfactory overall growth driven by Personal Lines and improvements in Commercial Lines as a result of indexation and price adjustments
- Synergies realised as expected, supporting the path to achieving 2025 financial targets
- Cost focus contibuted to decline in expense ratio in line with expectations



Financial highlights

- Insurance revenue increased to just over DKK 3 billion, and the insurance service result grew by 44% to DKK 295 million
- The higher insurance service result was driven by profitability focus and a lower realised level of major claims and was achieved despite higher weather-related claims and lower run-offs
- Strong investment result with substantial return contributions from both shares and bonds
- Special costs for the Codan integration and realisation of synergies are progressing according plan and generating the gains expected

Financial results

DKKm

	Q1 2024	Q1 2023
Insurance revenue	3,012	2,853
Insurance service result	295	205
Investment result	167	149
Other income and expenses	-28	-43
Profit/loss before special costs	**434**	**311**
Special costs	-58	-76
Amortisation of intangible assets	-89	-89



Insurance operations

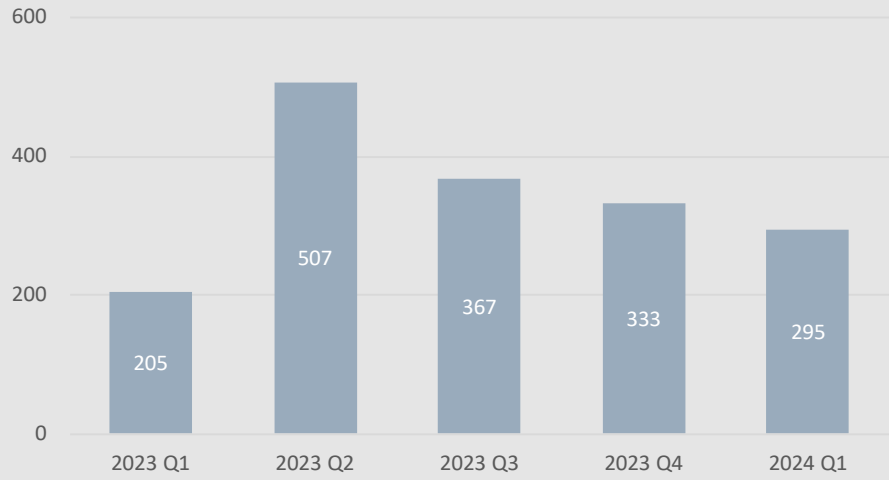
Insurance service result

Satisfactory Q1 performance

- Insurance service result of DKK 295 million generated on the back of highly satisfactory developments in insurance revenue, an overall satisfactory claims experience and continuing synergies, but adversely affected by higher weather-related costs than last year
- Insurance service result in Personal Lines was DKK 77 million
  - Weather-related claims were higher than in Q1 2023 due to a snowstorm at the beginning of the year followed by the windstorm Rolf and large amounts of precipitation
  - Continued high frequency of motor claims
  - Lower run-off gains in Q1
- Insurance service result in Commercial Lines was DKK 218 million
  - The more than doubling of the insurance service result was supported by an improved underlying claims ratio
  - Increase in weather-related claims, but significant decline in major claims
  - The Energy segment delivered yet another satisfactory quarterly performance

Insurance service result

DKKm

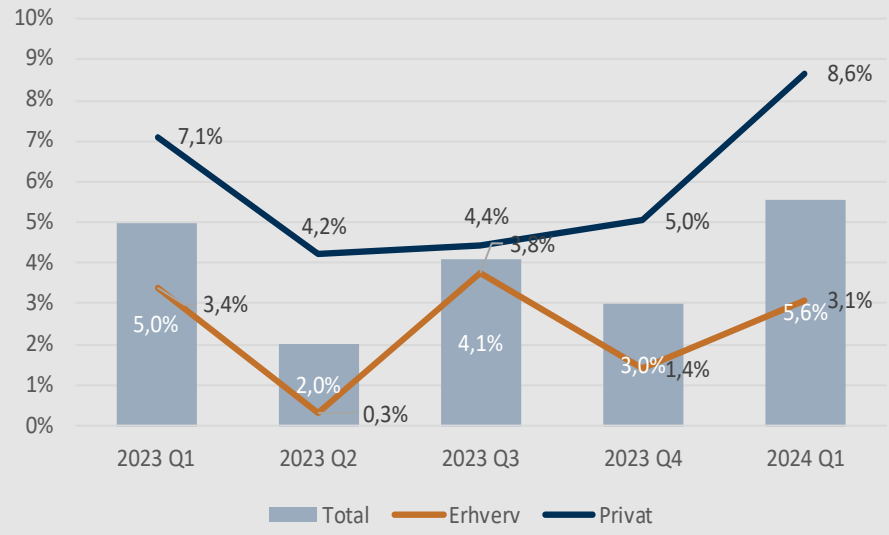


Insurance revenue

Highly satisfactory growth

- Fairly strong growth overall, reflecting an even stronger momentum in Personal Lines and improved developments in Commercial Lines driven by indexation and price adjustments
- Continued optimisation of insurance portfolio, including exposure changes
- Partnerships continued to contribute to growth, and we’re winning market share in the Personal Lines market
- Indexation was seen to compensate for claims inflation, whereas new premium increases offset the higher frequency of motor claims

Growth in insurance revenue



Claims ratio

Favourable underlying developments in Commercial and Personal Lines

- Claims ratio improved by 170 bps
  - Lower major claims expenses
  - Higher weather-related claims expenses
  - Lower run-offs
- Underlying claims ratio improved by 300 bps
  - Favourable developments continued in Commercial Lines, but now also slight improvement in Personal Lines despite higher frequency of motor claims
  - Profitability-enhancing measures began to take effect
- Undiscounted underlying claims ratio improved by 190 bps
  - Profitability-enhancing initiatives produced an improvement of ~100 bps relative to Q1 2023
  - Realised synergies produced an improvement of ~100 bps relative to Q1 2023
  - Discounting effect unchanged from Q1 2023
  - Sector-wide solutions improved the claims ratio by 110 bps in Q1 2024

Development in underlying claims ratio

	Q1 2024	Q1 2023	Change
Claims ratio	71.1	72.8	-1.7
Major claims, net of reinsurance	-6.3	-9.5	+3.2
Weather-related claims, net of reinsurance	-4.2	-2.2	-2.0
Risk margin	0.0	0.3	-0.3
Run-off	0.4	2.6	-2.2
Underlying claims ratio	**61.0**	**64.0**	**-3.0**
Discounting	+3.6	+3.6	+0.0
Other, sector-wide solutions	+1.1	+0.0	+1.1
Underlying claims ratio, undiscounted	**65.7**	**67.6**	**-1.9**

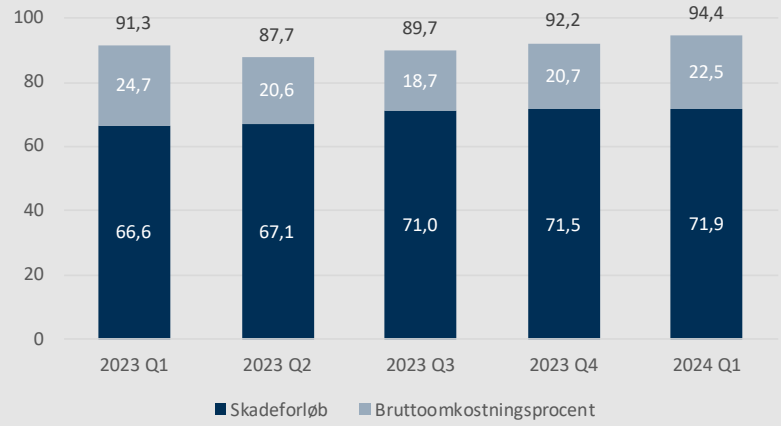
Personal Lines

Claims experience increased due to weather-related incidents and lower run-offs

- Increase in claims experience relative to last year
  - Significantly higher expenses for weather-related claims due to snowstorm in January, the windstorm Rolf in February and large amounts of precipitation in Q1
  - Sustained high frequency of motor claims, but also favourable effects of profitability-enhancing initiatives and indexation
  - Fewer run-off gains than in the same period of last year
- Expense ratio of 22.5% in Q1 2024, marking a fair decline relative to Q1 2023 following the headcount reductions implemented in November 2023

Combined ratio

Personal Lines



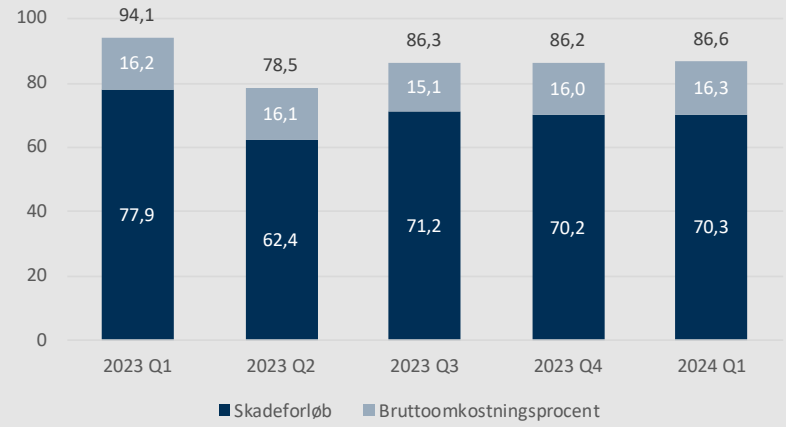
Commercial Lines

Favourable trend in claims experience

- Sustained favourable claims experience, including positive trend in the Energy segment, supported by portfolio composition changes
- Significantly lower level of major claims expenses more than offset higher weather-related claims expenses
- Stable development in expense ratio in line with plans

Combined ratio

Commercial Lines





Financials

Investment result

Year started with a high quarterly return

- Strong beginning of the year with positive returns on several asset classes including especially equities and bonds
- Total investment return after technical provisions and expenses of DKK 167 million
  - Return of DKK 131 million on the free portfolio before expenses etc.
  - Return of DKK 63 million on the hedging portfolio before expenses etc.
  - Interest expenses of DKK 20 million on tier 2 capital
  - Administrative expenses of DKK 7 million
- Sustained cautious investment strategy with risk appetite calibrated according to earnings from insurance operations

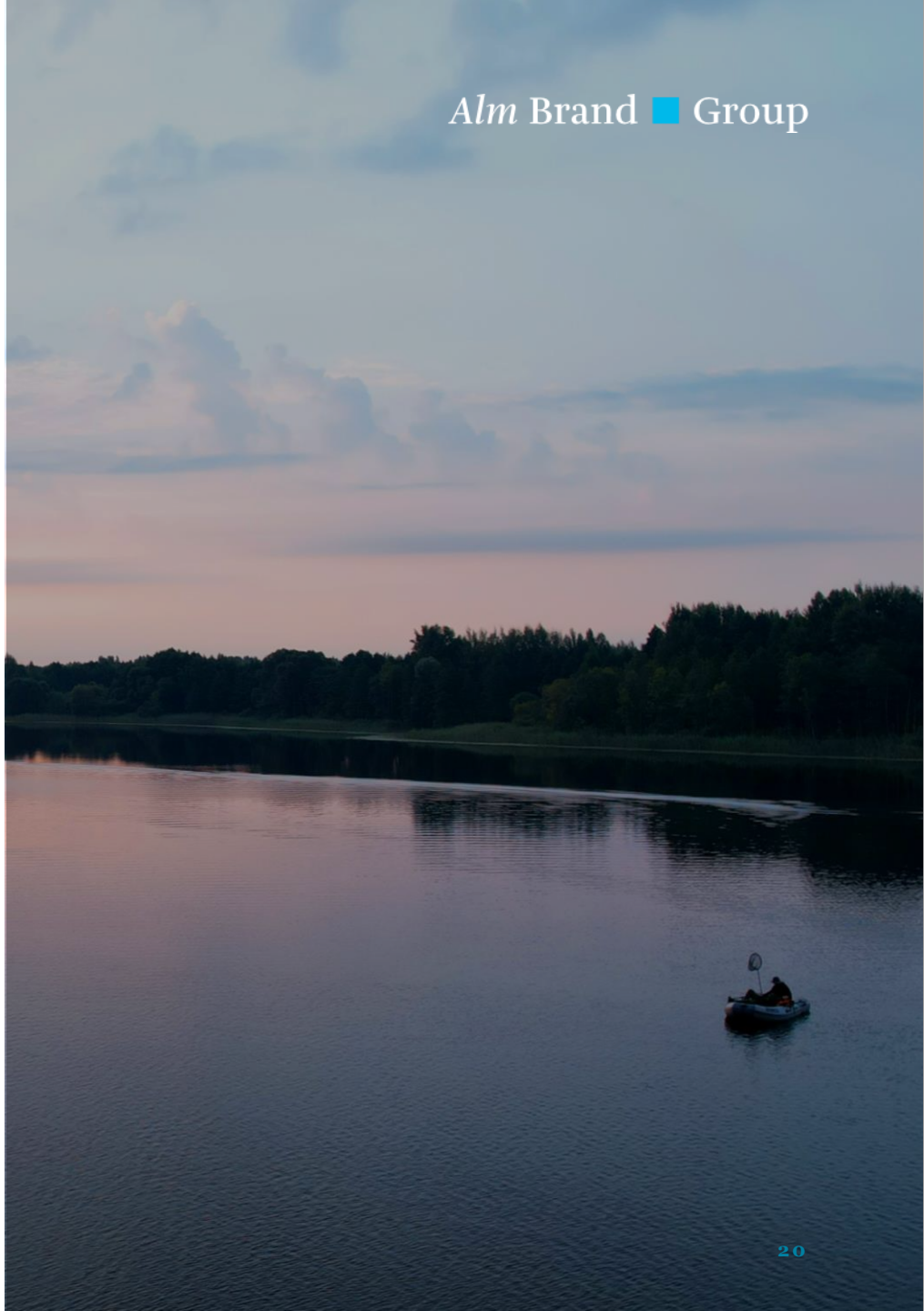
Investment return

Q1 2024

DKKm	Assets	Return	Return %
Bonds etc.	21,291	149	0.7
Illiquid credit including mortgage deeds	1,124	23	2.1
Shares	992	73	7.6
Properties	352	-3	-0.9
Total	23,759	242	1
Administrative expenses		-7	
Tier 2 capital		-20	
Technical interest		-48	
Net investment return		167	

Share profile

- Danish non-life insurer with a market share of 16-17%
- Ambitions for profitable organic growth
- Focus on realising scale economies
- Manageable integration risk in terms of realisation of significant cost synergies
- Stable capital requirements
- High return on targeted capital
- Efficient capital allocation
- Excess capital distributed as dividend or used for share buybacks
- Substantial dividend capacity of 90% or more, against the payout ratio of at least 80% defined in the group's dividend policy



Total capital

DKKm

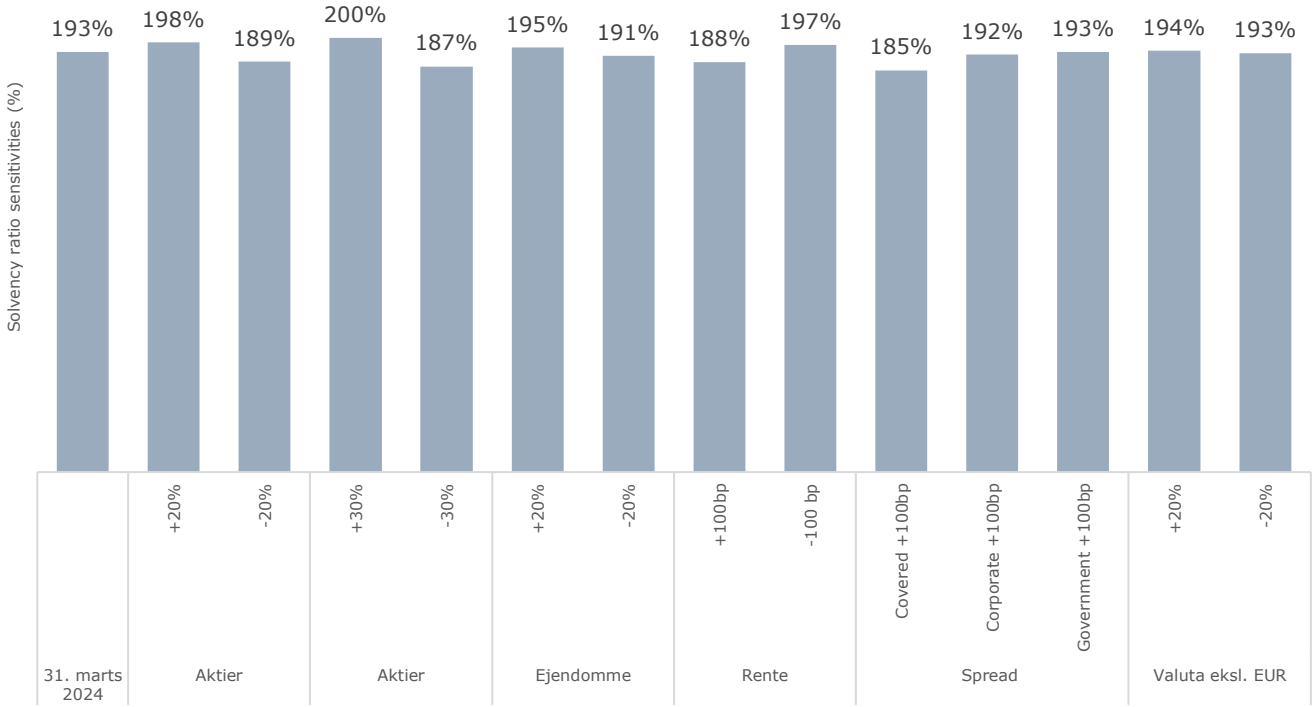
	Q1 2024	*Q4 2023*	*Q3 2023*	*Q2 2023*
Tier 1 unrestricted	4,269	3,949	4,834	4,739
Tier 1 restricted	397	397	397	397
Tier 2 capital	1,294	1,294	1,294	1,294
Tier 3 capital	0	0	0	0
Total capital for the group for solvency coverage purposes	**5,960**	**5,640**	**6,525**	**6,430**
Solvency capital requirement (SCR)	3,087	3,097	3,015	3,072
Total capital ratio	193%	182%	216%	209%

SCR ratio

193%

SCR ratio

Sensitivity analysis



Limited sensitivity in the event of market movements

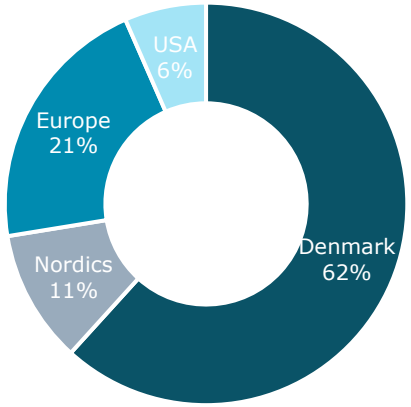
Hedging of interest rate risk and currency risk

Largest impact in the event of changes to mortgage bonds

Full recalculation of SCR in the event of property and currency scenarios. Approximation of SCR in the event of equity scenarios

Investor base

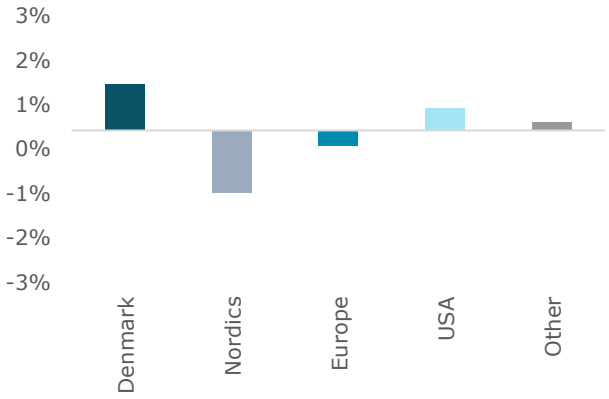
Breakdown of free float

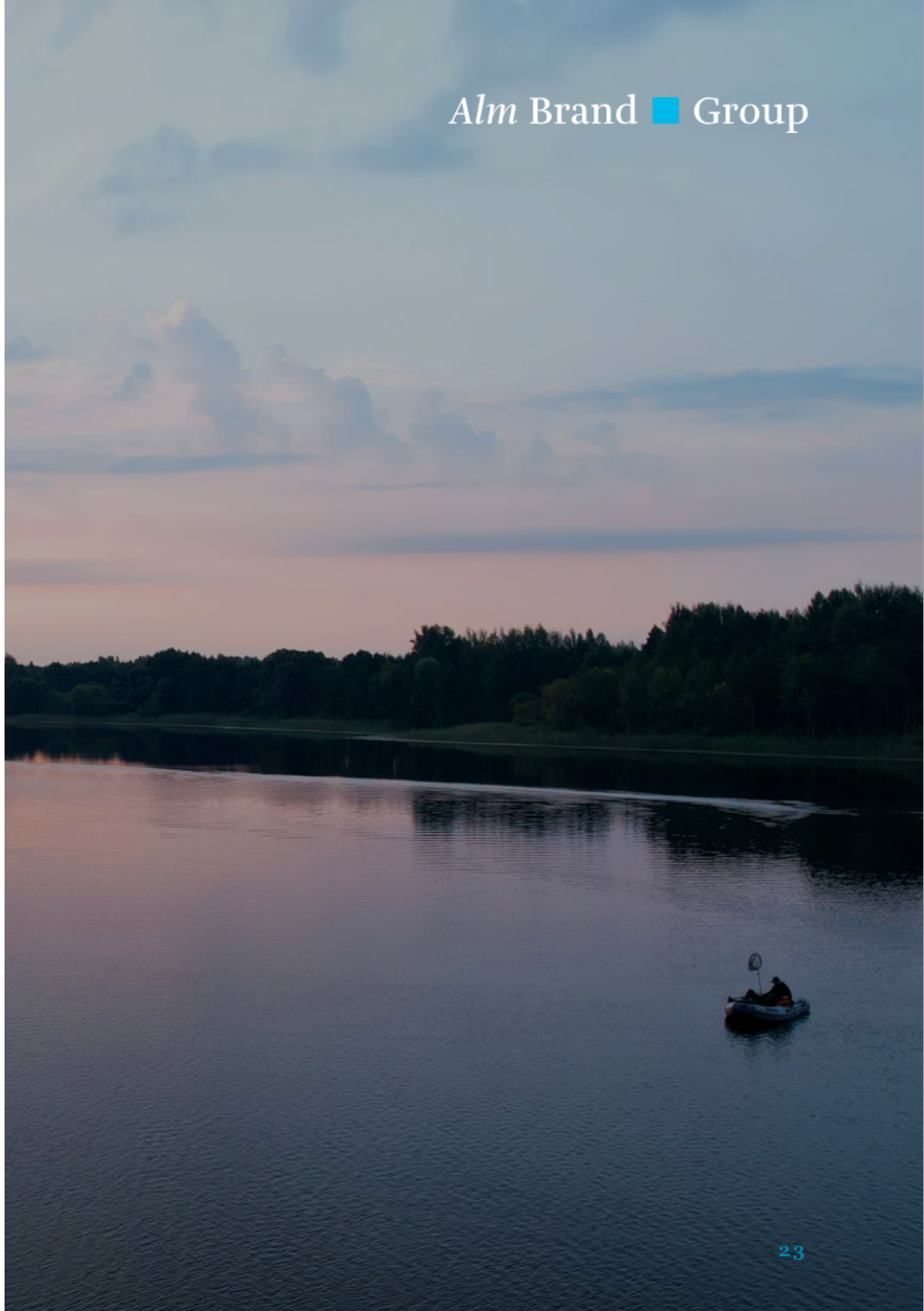


Development in investor base

Geographical movements in ownership interest

31 December 2023 - 31 March 2024





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Financial calendar

Interim report, Q1 2024	2 May 2024
Interim report, Q2 2024	15 August 2024
Interim report, Q3 2024	7 November 2024

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FORWARD LOOKING STATEMENTS

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