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Company announcement no. 12/2022

Interim report Q1 2022

- Alm. Brand's performance was characterised by strong growth in premiums of 5.5%, driven by growth across Private and Commercial, and a sustained improvement of the underlying combined ratio excluding COVID-19 effects of 3.9 percentage points.
- External factors – the most severe windstorm in Denmark in six years, Malik, and financial market turmoil triggered by Russia's invasion of Ukraine – resulted in high expenses for weather-related claims and a negative investment result.
- The sale of Alm. Brand Liv og Pension A/S triggered a gain of DKK 537 million after tax, which was recognised under discontinued activities. The consolidated profit was DKK 380 million after tax in Q1 2022, against DKK 104 million in the same period of last year.
- The guidance for the full-year profit on continuing activities excluding special costs is maintained at DKK 450-500 million before tax and excluding run-off gains and losses, covering a DKK 150 million upgrade of the guidance for the technical result and a DKK 125 million downgrade of the guidance for the investment result as well as a DKK 25 million increase in other costs. The guidance currently does not include Codan.

CEO Rasmus Werner Nielsen:

"Our financial results for the first quarter reflected a performance based on extremely good insurance workmanship, encompassing both the expected growth and improved profitability. The essential thing to me is that we kept up the strong momentum in our activities that we've seen for the past many quarters. As expected, our financial results were also impacted considerably by claims related to the windstorms Malik and Nora as well as by a negative investment result. However, this does not change the fact that, overall, Alm. Brand is extremely well positioned, supported by a very robust and profitable underlying business."

"The exciting task of integrating Codan's Danish business now lies ahead of us. We've established a new organisation, and we're already working at full steam to lay the first stepping stones for the new and enlarged Alm. Brand. We'll now concentrate on delivering the financial results and synergies we've pledged to our customers, business partners and shareholders."

Alm. Brand generated a pre-tax loss on continuing activities excluding special costs of DKK 65 million in Q1 2022, against a pre-tax profit of DKK 107 million in Q1 2021. The Q1 2022 loss also reflected special costs in a total amount of DKK 143 million, consisting of costs in connection with preparations for the integration of Codan of DKK 63 million, provisions for the divestment of Alm. Brand Liv og Pension A/S of DKK 60 million and costs related to the bankruptcy of Gefion Insurance of DKK 20 million, resulting in a pre-tax loss of DKK 209 million.

Non-life Insurance reported a technical result of DKK 45 million in Q1 2022, against DKK 104 million in Q1 2021. Although reflecting a highly satisfactory underlying business, the result was also impacted by significantly higher claims expenses for weather-related claims compared with the year-earlier period.

In line with expectations, non-life insurance activities were affected by society's return to normal without COVID-19, and due to the combination of a higher level of activity in society, new business initiatives launched and increased sales through partnerships, Alm. Brand experienced strong growth across all customer segments. The underlying combined ratio was 81.2, against 85.1 excluding COVID-19 effects in Q1 2021, driven by a satisfactory level of minor claims, a better balance between price and expenses for workers' compensation claims and a positive effect as a result of a higher level of interest rates.

In the winter months, Denmark was hit by the windstorms Malik and Nora, which overall resulted in net claims expenses of DKK 85 million, with weather-related claims expenses coming out quite a bit above the level seen in recent years. Due to a number of major claims, claims expenses for major claims were also at the high end of the normal range.

The financial results of Non-life Insurance were furthermore affected by developments in the financial markets in the wake of the tense geopolitical situation, which resulted in a loss on investments of DKK 55 million, against a gain of DKK 25 million in Q1 2021. The technical result before special costs was thus a pre-tax loss of DKK 10 million.

Other activities were a loss of DKK 55 million in Q1 2022, against a loss of DKK 22 million in Q1 2021. The Q1 2022 loss consisted of group expenses, the return on the remaining mortgage deed and debt collection portfolio and the portfolio of unlisted shares as well as costs related to the placement of the purchase consideration for Codan until the closing date.

Discontinued activities

The group posted a profit on discontinued activities of DKK 544 million after tax, composed of a gain on the sale of Alm. Brand Liv og Pension A/S of DKK 537 million and the profit of Life Insurance for January and February in a total amount of DKK 7 million after tax.

Codan's financial performance

Codan's financial results for Q1 2022 are not included in the financial results of the Alm. Brand Group.

Codan reported gross premiums of DKK 1,202 million in Q1 2022, against DKK 1,244 million in the year-earlier period. The technical result was DKK 32 million, against DKK 186 million in Q1 2022, bringing the combined ratio to 97.4, against 85.0 in Q1 2021, reflecting a small improvement of the underlying claims experience, but also higher expenses in particular for weather-related claims relating to the windstorm Malik and significant interim costs to strengthen private lines. The technical result excluding run-off gains was a loss of DKK 38 million, against a gain of DKK 100 million in Q1 2021.

Private lines reported premium growth of 3.2% driven by favourable developments in Privatsikring. The combined ratio was 98.4, which included a positive run-off result of 7.5 percentage points. In Q1 2021, private lines reported a combined ratio of 83.3, which included a positive run-off result of 8.1 percentage points. Significant claims expenses were incurred for weather-related claims in the reporting period, along with higher costs in particular for establishing the Privatsikring organisation and investments in the customer universe and Campaign Management.

Commercial lines reported a reduction in gross premiums of 8.2% due to continued initiatives to trim the portfolio with a view to improving profitability. The combined ratio was 96.5, which included a positive run-off result of 4.4 percentage points. In Q1 2021, commercial lines reported a combined ratio of 86.3, which included a positive run-off result of 6.1 percentage points. The Q1 result was impacted by significant claims expenses for weather-related claims, which was also the case for private lines, as well as by a slightly higher level of major claims than in Q1 2021.

Codan reported a negative investment result of DKK 221 million in Q1 2022 due to bond market developments and also incurred special costs of DKK 34 million related to the divestment of the company. As a result, Codan reported an overall loss of DKK 223 million before tax.

Outlook for 2022

Alm. Brand's consolidated profit for 2022 will be the sum of the profit generated by the present Alm. Brand and the profit generated by Codan plus realised synergies and less integration costs.

The current outlook comprises the financial performance of the original Alm. Brand.

Non-life Insurance is expected to report a technical result of DKK 650-700 million for 2022, which will be the guidance for the group's core business going forward. The guidance for the technical result is favourably affected by a higher level of interest rates and by the fact that the future costs for major claims and weather-related claims will expectedly be covered by Alm. Brand's reinsurance programme. The investment result is expected to be negative at around DKK 100 million in 2022 including the developments in April.

Overall, Non-life Insurance is expected to report a profit on continuing activities of DKK 550-600 million before tax and excluding run-off gains for the rest of the year, against the previously guided pre-tax profit range of DKK 525-575 million. This profit guidance covers a DKK 150 million upgrade of the guidance for the technical result after Q1 2022 and a DKK 125 million downgrade of the guidance for the investment result.

In addition, the guidance is based on premium growth of 4%, against a previous guidance range of 3-4%, which includes a significant growth contribution from partnerships.

The expense ratio is expected to be about 16.5, and the combined ratio excluding run-offs is expected to be about 89, against the previously expected range of 90-91.

The guidance for other activities is adjusted to a pre-tax loss of DKK 100 million, which includes costs related to the placement of the purchase consideration for Codan until closing of the transaction.

Alm. Brand thus overall retains its guidance for 2022 for a pre-tax profit on continuing activities excluding special costs of DKK 450-500 million. The guidance is exclusive of run-off gains and losses for the remaining three quarters of the year.

In continuation of the Codan acquisition, Alm. Brand still expects to realise synergies with an accounting effect of DKK 90 million in 2022. Restructuring costs for the realisation of the expected synergies and the integration of Codan are expected to total about DKK 300 million in 2022. In addition, Non-life Insurance will incur restructuring costs of about DKK 60 million relating to the sale of Alm. Brand Liv og Pension A/S and costs of DKK 20 million relating to the bankruptcy of Gefion Insurance.

The guidance for the profit of Codan will be communicated at the latest in connection with the release of the H1 interim financial statements in August 2022.

The financial guidance is based on an unchanged level of interest rates for the remainder of 2022. Because the group has a substantial portfolio of investment assets, a continued low interest rate level will impact the group's business area.

Financial targets

Alm. Brand has a target of a return on invested capital of 7% after tax related to the acquisition of Codan.

Moreover, Alm. Brand has defined a target for the combined group to triple the pre-tax profit relative to the original guidance range for 2021 of DKK 600-650 million. Adjusted to reflect the sale of Alm. Brand Liv og Pension and the resulting loss of earnings from these activities, Alm. Brand aims to generate a pre-tax profit of DKK 1.7-1.8 billion in the medium term.

Alm. Brand maintains its dividend policy and will thus distribute at least 70% of the post-tax profit for the year on continuing activities excluding special costs to its shareholders.

In Q4 2022, Alm. Brand expects to specify its financial targets for the combined group for the period until 2025.

Webcast and conference call

Alm. Brand will host a conference call for investors and analysts today, Thursday 12 May 2022 at 11:00 a.m. The conference call and presentation will be available from Alm. Brand's investor website, www.investorrelations.almbrand.dk.

Conference call dial-in numbers for investors and analysts (pin: 67748545#):

Denmark: +45 7815 0108

United Kingdom: +44 333 300 9269

USA: +1 631 913 1422

Link to webcast: [Click here](#).

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