

Interim report Q1 2020

- **Alm. Brand posted a pre-tax profit of DKK 33 million in Q1 2020. The consolidated profit was impacted by the special situation triggered by Covid-19, which resulted in a negative return on the group's portfolio of investment assets of about DKK 125 million. Against this background, the Q1 performance is considered satisfactory.**
- **The implementation of the changes announced in connection with the release of the 2019 financial statements is progressing as planned, and the ambitious financial targets for growth and profitability defined for the period until 2022 are maintained.**

CEO Rasmus Werner Nielsen:

"Our operating profit for the first quarter was satisfactory and in line with the latest guidance. Even in the face of the special situation triggered by Covid-19, our business model has proved robust in terms of both our day-to-day operations and the continuing development of the group. The investment result was obviously strongly affected by market developments, but I am pleased to note that, for the group as a whole, we were able to report a profit even in these very turbulent times."

"Since mid-March, we have focused in particular on helping the many customers who are affected by the Covid-19 crisis. This applies especially to the travel insurance segment, where many customers needed help to quickly return home from abroad and, as a quite extraordinary measure, we are now also stepping in to help customers who are unable to get their cancelled air tickets refunded. But we have also launched initiatives in the rest of the group aimed at supporting our customers' banking, life insurance and pension and non-life insurance needs during these uncertain times."

"Supported by the Q1 financial results and the many initiatives launched by the group in January, Alm. Brand stands well prepared to meet the financial targets defined for the period until 2022 in spite of the challenges and uncertainty brought on by the current situation."

Stable underlying business despite the extraordinary situation

Alm. Brand generated a pre-tax profit of DKK 33 million in Q1 2020, against a profit of DKK 225 million in the year-earlier period. The profit reflected satisfactory underlying performances in all three business areas and was in line with expectations. However, the first quarter of 2020 was impacted by negative follow-on effects of Covid-19, which resulted in a loss on the group's portfolio of investment assets. The group incurred a consolidated loss on investment assets of about DKK 125 million at 31 March 2020.

Non-life Insurance reported a technical result of DKK 131 million in Q1 2020, against DKK 205 million in Q1 2019, reflecting a continued favourable trend in the underlying business, while a higher level of weather-related, workers' compensation and major claims and lower run-off gains as compared with last year detracted from performance. Gross premium income was up 3.7% to a total of DKK 1,361 million, and the combined ratio excluding run-off gains was 90.4. The performance was satisfactory and in line with expectations.

Life Insurance generated a pre-tax profit of DKK 32 million in Q1 2020, against DKK 29 million in Q1 2019. Regular premium payments grew 5.8% to DKK 247 million, and single payments totalled DKK 138 million. The performance was highly satisfactory and in line with expectations.

The bank's core earnings amounted to DKK 16 million before tax in Q1 2020, against DKK 11 million in Q1 2019. This increase was driven by an increase in net interest and fee income of DKK 10 million as a result of the introduction of negative interest rates and fee changes for private customers, while lower trading income detracted from performance. The bank's overall performance was furthermore affected by negative value adjustments on the bank's portfolio of securities and write-downs on loans triggered by the Covid-19 situation, causing it to incur a loss of DKK 8 million in Q1 2020. The underlying performance was satisfactory and in line with expectations.

Outlook for 2020

Alm. Brand expects to generate a pre-tax profit of DKK 550-700 million excluding run-off result in the next nine months, which is unchanged from the guidance provided in company announcement no. 21/2020 of 19 March 2020.

The underlying performance was in line with expectations in Q1 2020, including the effects of the changes implemented to unlock the full potential of Alm. Brand's strategy.

However, the guidance is subject to greater-than-usual uncertainty due to the follow-on effects of Covid-19 on the investment result and impairment writedowns on loans in particular. Against this background, Alm. Brand maintains the widened full-year guidance range for consolidated profit.

Accordingly, Alm. Brand revises its full-year guidance for Non-life Insurance to a pre-tax profit of about DKK 500 million excluding run-off result for the next nine months, against the previously guided pre-tax profit of DKK 525 million excluding run-off result. For Life Insurance, the guidance for a pre-tax profit of about DKK 100 million is maintained, while the guidance for Banking is revised to a pre-tax profit of about DKK 80 million, against a previously guided pre-tax profit of DKK 100 million. Other business activities are expected to report a loss of DKK 60 million before tax.

The group's financial targets for 2022

In connection with the release of its 2019 financial statements, Alm. Brand introduced a number of financial targets for the period until 2022. Regardless of the current extraordinary situation caused by the macroeconomic effects of Covid-19, Alm. Brand maintains the financial targets announced. Accordingly, the ambition is to achieve:

- growth in Non-life Insurance defined as an average annual increase in regular premium payments of 3%;
- improved earnings in Non-life Insurance as expressed by a combined ratio of less than 90 and a gross expense ratio of about 16;
- improved earnings in Banking as expressed by a return on equity of at least 10% before amortisation of customer relationships and tax;
- annual growth in regular premium payments in Life Insurance of 7% on average.

In addition to the financial targets, Alm. Brand has defined non-financial targets in respect of customer and employee satisfaction. The target for customer satisfaction as expressed by the *net promotor score* is 70, while the target for employee satisfaction is a score of 80.

Webcast and conference call

Alm. Brand will host a conference call for investors and analysts today, Thursday 14 May 2020 at 10:00 a.m. The conference call and presentation will be available from Alm. Brand's investor website:

<https://almbrand.eventcdn.net/2020q1>

Investors and analysts are invited to participate by phone: +45 7815 0107 (Denmark), +1 833 526 8381 (USA) and +44 333 300 9264 (other countries).

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