

Alm. Brand A/S concludes agreement to sell Alm. Brand Bank A/S and forms strategic partnership with Sydbank A/S

- Today, Alm. Brand A/S has entered into a conditional agreement with Sydbank A/S on the sale of Alm. Brand Bank A/S, generating net proceeds of DKK 1,833 million, equivalent to 0.95 times the net asset value.
- At the same time, Alm. Brand has formed a long-term strategic partnership with Sydbank that provides access to offering insurance products to Sydbank's approximately 450,000 customers. This partnership will strengthen Alm. Brand's distribution network and support our ambitions for growing the insurance business.
- The partnership is mutual and involves a close integration of products and digital solutions for the benefit of the customers of Alm. Brand and Sydbank. Both companies will invest considerably in developing the partnership.
- The sale of the bank will free up capital in the group in a total amount of approximately DKK 1.2 billion. The Board of Directors recommends that the freed-up capital be distributed as dividend subject to final closing of the transaction and taking into account the development in the authorities' recommendation on deferred payment of dividends.

Chairman of the Board of Directors Jørgen Hesselbjerg Mikkelsen:

"The Board of Directors has been looking to find a strategic banking partner that could contribute to strengthening our distribution network and market position. Our sale of the bank marks the first step in this partnership, and we aim to ensure a smooth transition to Sydbank for the bank and its customers. I am extremely pleased with the overall perspectives of the agreement we have made. The agreement will foster innovation across the group and contribute to value accretion at Alm. Brand – both here and now and in the coming years."

CEO Rasmus Werner Nielsen:

"We are looking forward to working with Sydbank to create a whole new and unique customer experience in the financial sector, with our common customer view and the long-term agreement providing a very solid foundation for the partnership. The agreement opens up for new, attractive opportunities for our customers, while enabling us to offer our insurances to a much wider group of customers than today, all of which will strengthen Alm. Brand's growth and earnings going forward."

"Divesting the bank will allow us to focus our future efforts on offering our customers top-of-the-line solutions within non-life insurance, life insurance and pension, including in close interaction with strong partners. Our agreement with Sydbank is a good example of our strategy of also teaming up with partners to create attractive and integrated customer experiences that combine the best from our individual areas of expertise."

The sale of Alm. Brand Bank A/S

Alm. Brand and Sydbank have today entered into a conditional agreement on the sale of Alm. Brand Bank A/S to Sydbank. The sale is subject to approval by the Danish Financial Supervisory Authority and the Danish Competition Authority.

The sale opens up the possibility of forming a long-term strategic partnership with Sydbank that will strengthen Alm. Brand's distribution network and support our ambitions for growing the insurance business going forward. At the

same time, the bank's customers will gain access to an even broader range of attractive banking products than they have today.

Under the agreement, Sydbank will take over all shares of Alm. Brand Bank A/S. The transaction also comprises Alm. Brand Bank A/S's wholly-owned subsidiaries Alm. Brand Leasing A/S and Ejendomsselskabet AB ApS.

The sale of Alm. Brand Bank A/S is expected to take place by cash payment of an amount equalling DKK 1,833 million or 0.95 times the book value of the company's equity.

The transaction does not include Alm. Brand Bank A/S's mortgage deed and debt collection portfolios, including the option agreement with Non-Life Insurance regarding the mortgage deed, and a small portfolio of unlisted shares.

After obtaining approval of the sale from the relevant authorities, Alm. Brand will align the group's costs, including staff costs, to reflect the tasks to be performed in the group going forward.

The divestment marks an end to Alm. Brand's long-standing commitment to banking activities, allowing the group to concentrate all of its efforts on developing an even more customer-oriented and competitive Alm. Brand focused on non-life insurance, life insurance and pension in close interaction with strategic partners.

Strategic partnership with Sydbank

Alm. Brand has also entered into an agreement to form a long-term strategic partnership with Sydbank, among other things entailing that Sydbank will distribute Alm. Brand's insurance products to its customers. As part of the agreement, Sydbank and Alm. Brand will jointly invest in developing new and innovative products and creating a unique customer experience. One of the plans envisaged by the two companies is a full digital integration of Alm. Brand's insurance products with Sydbank's mobile banking services.

The agreement is expected to contribute to realising Alm. Brand's growth targets for premium income in Non-life Insurance, and the agreement has been concluded on conditions that are expected over time to honour Alm. Brand's target of a combined ratio of less than 90.

In the mutual partnership, Alm. Brand will also refer its customers to Sydbank.

Overall, the partnership between Sydbank and Alm. Brand is expected to create a unique and strong constellation in the Danish financial sector and strengthen the market position of both partners.

Release of capital

The sale of the bank will reduce the group's capital requirement target by the capital allocated to the bank, approximately DKK 1.2 billion in total, which includes a continued capital requirement of approximately DKK 150 million primarily related to the above-mentioned mortgage deed exposure.

After final closing of the transaction and taking into account the development in the authorities' recommendation on deferred payment of dividends, the Board of Directors will effect an extraordinary distribution of the freed-up capital equalling DKK 8 per share. The accumulated deferred dividend for 2019 of DKK 3 per share will not be included in this distribution, but is expected to be paid together with the ordinary dividend for 2020, expectedly following the annual general meeting in April 2021.

It should be noted that the excess solvency of Alm. Brand Forsikring (Non-life Insurance) is unaffected by the transaction as well as by the distribution effected in that connection.

Outlook for 2020

Based on its expectations that the profit generated by Non-life Insurance for Q3 2020 will exceed the previously guided profit range of DKK 750-850 million, Alm. Brand upgrades the guidance by DKK 100 million to a pre-tax profit of DKK 850-950 million. The upgrade is driven by a combination of improved underlying operations, favourable weather conditions and positive run-offs as well as by a positive investment result, while expenses for major claims have been slightly higher than anticipated.

The sale of Alm. Brand Bank A/S is carried out at a price of 0.95 times the net asset value.

Alm. Brand will make a total provision of DKK 85 million to cover costs expected to be incurred in relation to the sale and winding-up of the bank.

Alm. Brand expects to post a consolidated pre-tax profit of DKK 700-750 million in 2020, excluding the run-off result for September and the rest of the year.

Adjustment of the group's targets for 2022

In connection with the release of our 2019 financial statements, Alm. Brand introduced a number of financial targets for the period until 2022. After divestment of the bank and conclusion of the strategic partnership agreement with Sydbank, these targets are adjusted as follows:

- the target for annual average growth in regular premium payments in Non-life Insurance is aligned from 3% to a target of more than 3% in 2021 and 5% in 2022;
- the target for the combined ratio of Non-life Insurance is maintained at less than 90;
- the target for the gross expense ratio of Non-life Insurance is maintained at about 16%;
- the target for annual growth in regular premiums in Life Insurance is maintained at 7%.

After the sale of the bank, a number of costs will be incurred by the group. Most of these costs will be settled in continuation of closing, while the remaining part will be handled in the period until the end of 2022.

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* of 70 and the target for employee satisfaction of a score of 80 are maintained.

Expected timeline for completion of the transaction

The transaction is subject to the required regulatory approvals being obtained – including from the Danish Financial Supervisory Authority and the competition authorities.

Subject to satisfaction of the transaction conditions, the transaction is expect to be completed on 30 November 2020.

CEO of Alm. Brand Bank A / S Kim Bai Wadstrøm will continue in this role until the completion of the transaction and thereafter unchanged as Executive Vice President, Commercial at Alm. Brand A/S.

Webcast and conference call

Alm. Brand will host a conference call (in Danish) for investors and analysts today, Thursday 1 October 2020 at 10:00 a.m. The conference call and presentation will be available from Alm. Brand's investor website:

<https://almbrand.eventcdn.net/202009IM/>

Investors and analysts are invited to participate by phone: +45 7815 0110 (Denmark), +1 844 625 1570 (USA) and +44 333 300 9267 (other countries).

Contact

Please direct any questions regarding this announcement to:

Investors and equity analysts:

First Vice President, Investor Relations
Lars Holm
Mobile no. +45 2510 4717

Senior Investor Relations Officer
Mikael Bo Larsen
Mobile no. +45 5143 8002

Press:

Head of Media Relations
Maria Lindeberg
Mobile no. +45 2499 8455