

18 August 2022

Company announcement no. 16/2022

Interim report Q2 2022

The financial results of Alm. Brand Group (in this report referred to as “Alm. Brand Group” or “the group”) for Q2 2022 include the results of Alm. Brand Forsikring and other activities as well as the results of the acquired Danish business of Codan Forsikring (“Codan”) for the period 1 May 2022 to 30 June 2022. Comparative figures for Q2 2021 are based on reported figures excluding Codan, and organic growth thus only reflects developments in Alm. Brand Forsikring’s continuing activities.

- **Alm. Brand Group reported gross premium income of DKK 2,395 million in Q2 2022, driven by highly satisfactory organic growth of 5.1% and the acquisition of Codan, against DKK 1,348 million in Q2 2021.**
- **The technical result grew to a profit of DKK 337 million in Q2 2022 from DKK 322 million in Q2 2021, reflecting sustained satisfactory profitability, albeit against a backdrop of rising inflation in claims repair costs.**
- **In continuation of the acquisition of Codan, gains of DKK 110 million were recognised with accounting effect in 2022, against previously expected gains of DKK 90 million.**
- **Negative financial market developments resulted in a loss on investments of DKK 272 million in Q2 2022, against a gain of DKK 22 million in Q2 2021.**
- **The guidance for the group’s consolidated technical result is lifted to DKK 950-1,050 million before tax and excluding run-off gains and losses for the second half of the year, against the previous guidance of DKK 650-700 million, which covers an upgrade of the profit guidance for Alm. Brand Forsikring plus a profit contribution from Codan and expected synergies.**

CEO Rasmus Werner Nielsen:

“Like in the first quarter of the year, Alm. Brand Group emerges from the second quarter reporting solid, profitable growth in premium income, and I’m particularly pleased to note that the entire group – both Alm. Brand and Codan – contributed favourably to the DKK 337 million profit on our insurance business.”

“The fact that all colleagues are serving and attracting customers while working hard and successfully to combine two companies into Alm. Brand Group is an achievement that everyone in our new group can be exceedingly proud of. We took over Codan in May, and already before the summer holidays began, we had our new combined organisation in place. At the same time, we’ve managed to deliver solid growth across Private and Commercial and generate satisfactory results for the combined insurance business.”

“We’re off to a very strong start with the combination, and we’re ahead of schedule. We’ve already realised synergies that will produce future gains of DKK 200 million annually, equal to one third of the overall target for the period until 2025. Based on our strong core business, we expect to generate total organic premium growth of 4-5% in 2022, allowing us to significantly upgrade the guidance for the technical result to DKK 950-1,050 million.”

The technical result amounted to a profit of DKK 337 million in Q2 2022, against DKK 322 million in Q2 2021, composed of a technical result of DKK 247 million for Alm. Brand Forsikring and DKK 90 million for Codan for the months of May and June.

The investment result was a loss of DKK 272 million in Q2 2022, against a gain of DKK 22 million in the year-earlier period. The result comprises the group's combined investment portfolio after the acquisition of Codan. The result comprises the group's combined investment portfolio after the acquisition of Codan and should be seen in light of a quarter with negative financial market developments in the wake of Russia's invasion of Ukraine, resulting in extraordinary interest rate increases and credit spreads.

Other activities reported a pre-tax loss of DKK 27 million including costs related to the placement of the purchase price for Codan until closing of the transaction. Alm. Brand Group thus generated a pre-tax profit on continuing activities of DKK 38 million before special costs in Q2 2022, against a pre-tax profit of DKK 309 million in Q2 2021.

The Q2 result includes special costs of DKK 164 million related to the integration of Codan and realisation of synergies. In addition, the result includes a DKK 59 million amortisation charge for customer relationships and brand for May and June, bringing the group's consolidated profit for Q2 2022 to a pre-tax loss of DKK 185 million.

The combined ratio was 85.9, which included an increase as a result of the recognition of Codan. For Alm. Brand Forsikring, the combined ratio was 82.6 in Q2, against 76.1 in Q2 2021, predominantly reflecting the fact that the expansion of the partial internal model for non-life insurance risk had a significant positive effect on the combined ratio in Q2 2021 and the fact that the partial lockdown of society last year due to COVID-19 resulted in a lower number of claims. In addition, an increase is seen as a result of higher average claims payouts for minor claims, and Alm. Brand Group is therefore in the process of adjusting premiums for selected customers for whom price and risk are not aligned, mainly due to inflation affecting building materials in particular.

Synergies

In connection with the acquisition of Codan, Alm. Brand announced that it expected to realise synergies of DKK 600 million with accounting effect in 2025. In line with expectations, the first synergies were realised immediately after the acquisition of Codan, with initiatives being implemented in Q2 2022, including most importantly a reduction of the number of employees in various group functions and realisation of scale economies in claims services, which will produce synergies of DKK 110 million with accounting effect in 2022. The realised synergies will produce a gain for the year of DKK 200 million. Restructuring costs for the realisation of synergies and the integration of Codan are expected to total DKK 350 million in 2022. Alm. Brand will regularly release information about developments in the realisation of synergies in the period until 2025.

Outlook for 2022

Alm. Brand Group's profit for 2022 will be the sum of the profit generated by Alm. Brand Forsikring and other activities for the full financial year and the profit generated by Codan for the period from 1 May 2022 to 31 December 2022, including realised synergies.

The guidance for the group's consolidated technical result is lifted to DKK 950-1,050 million before tax and excluding run-off gains and losses for the remaining part of the year, against the previous guidance of DKK 650-700 million, which covers a DKK 100 million increase of the profit guidance for Alm. Brand Forsikring to DKK 750-800 million and a profit contribution from Codan of DKK 225 million, including expected synergies of DKK 110 million.

The guidance is based on gross premium income of DKK 9.3-9.4 billion driven by organic premium growth of 4-5% in Alm. Brand Forsikring, against the 4% previously guided, and gross premium income from Codan of about DKK 3.7 billion for the period from May to December.

The guidance for the combined ratio is for a level of about 89, including an increase in the expense ratio to about 18, against previously 16.5, as a result of the recognition of Codan.

The guidance for the investment result is unchanged for a loss of about DKK 100 million, including an already favourable trend after the end of the first half-year and expectations of an unchanged interest rate level for the remainder of 2022.

Other activities are still expected to report a pre-tax loss of DKK 100 million.

Alm. Brand Group thus expects to report a consolidated profit on continuing activities of DKK 750-850 million before special costs, against the previous guidance of a pre-tax profit of DKK 450-500 million. The guidance is exclusive of run-off gains and losses for the remaining two quarters of the year.

In addition, Alm. Brand Group expects to incur special costs in a total amount of about DKK 430 million in 2022, comprising costs in connection with the integration of Codan and realisation of synergies of DKK 350 million, against previously DKK 300 million, costs 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. Moreover, Alm. Brand will make amortisation charges for customer relationships and brand totalling DKK 240 million.

Financial targets

In connection with the acquisition of Codan, Alm. Brand Group 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. Following the divestment of Alm. Brand Liv og Pension, Alm. Brand Group thus aims to generate a pre-tax profit of DKK 1.7–1.8 billion in 2025. In the coming months, Alm. Brand Group will further concretise its action plans and financial forecasts. In Q4 2022, Alm. Brand expects to specify its financial targets for the combined group for the period until 2025 on the basis of prevailing market conditions.

The overall objective of Alm. Brand Group's dividend policy is to ensure that excess capital is distributed to the company's shareholders and thus to avoid any unnecessary accumulation of excess capital in the company. Alm. Brand Group's dividend policy has been defined with the aim of distributing at least 70% of the post-tax profit for the year on continuing activities before special costs to its shareholders. Costs related to integration and realisation of synergies and divestment of Alm. Brand Liv og Pension as well as amortisation charges for customer relationships and brand will not affect Alm. Brand Group's distribution capacity.

Webcast and conference call

Alm. Brand will host a conference call for investors and analysts today, Thursday 18 August 2022 at 11:00 a.m. The conference call and presentation will be available from Alm. Brand's investor website, [here](#).

Conference call dial-in numbers for investors and analysts (pin: 835257):

Denmark: +45 8987 5045

United Kingdom: +44 020 3936 2999

USA: +1 646 664 1960

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

Contact

Please direct any questions regarding this announcement to:

Investors and equity analysts:

Head of Investor Relations

Mads Thinggaard

Mobile no. +45 2025 5469

Senior Investor Relations Officer

Mikael Bo Larsen

Mobile no. +45 5143 8002

Press:

Head of Communication & ESG

Emilie Wedell-Wedellsborg

Mobile no. +45 2032 6530