

## Interim report Q2 2020

- **Very satisfactory financial performance in Q2 2020 with a pre-tax profit of DKK 371 million, against DKK 145 million in Q2 2019. Positive contributions from the individual business areas as well as from the group's portfolio of investment assets.**
- **Overall, Alm. Brand navigated the special situation caused by COVID-19 well and, on this basis, accelerated its development of digital customer interface solutions.**
- **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:

*"We delivered strong quarterly results. All three business units – Non-life Insurance, Life Insurance and Banking – performed well in a quarter that was impacted by the unusual situation brought on by the COVID-19 pandemic. Looking back at the past six months, the overall effect of COVID-19 on our group was neutral. Non-life Insurance benefitted from fewer and smaller claims, while Banking made a provision for a potential COVID-19-derived loss in the first quarter."*

*"During this very special period, we made an extraordinary effort to help our many customers in need of assistance in connection with interrupted and cancelled holidays. At the same time, the new everyday routines of our customers during the lockdown period with distance working and less transport resulted in fewer motor and contents insurance claims. We expect the claims experience to normalise further in the coming months, and we have still not had any banking customers experiencing financial difficulties as a result of COVID-19. However, economic developments remain subject to great uncertainty."*

*"Our strong interim financial statements show that the results of the initiatives we launched at the beginning of the year are starting to materialise. Our targeted execution continues according to plan – most recently with our new partnership with Denmark's largest network of car dealerships in Semler Gruppen, which is a good example of initiatives that contribute to strengthening our position going forward. We will get the opportunity to provide motor insurance in a partnership based on deep digital integration, creating a completely new customer experience and generating new growth for Alm. Brand. We expect a lot from these types of partnership, and we consider them to be an important part of our future business model."*

Alm. Brand generated a pre-tax profit of DKK 371 million in Q2 2020, against a profit of DKK 145 million in the year-earlier period. The profit reflected highly satisfactory performances in all three business areas, including in particular Non-life Insurance. The Q2 financial performance was also lifted by growing confidence in economic recovery, supporting a favourable trend in the financial markets and resulting in gains on the group's portfolio of investment assets.

Non-life Insurance reported a technical result of DKK 237 million in Q2 2020, against DKK 135 million in Q2 2019, reflecting a continued favourable trend in the underlying business, including a small positive effect from COVID-19 and the resulting lower level of claims reported, and a better-than-expected weather-related and major claims experience as well as a positive run-off result. Gross premium income was up 1.6% to a

total of DKK 1,358 million, and the combined ratio excluding run-off gains was 85.3. The performance was highly satisfactory and better than expected.

Life Insurance generated a pre-tax profit of DKK 30 million in Q2 2020, against DKK 21 million in Q2 2019. Regular premium payments grew by 1.7% to DKK 175 million, while single payments fell by 15.7% to DKK 186 million. The performance was satisfactory and in line with expectations.

The bank's core earnings amounted to DKK 43 million before tax in Q2 2020, against DKK 15 million in Q2 2019, supported by higher net interest and fee income and lower costs as a result of the income and cost initiatives implemented earlier this year. The bank's pre-tax profit for Q2 2020 was also DKK 43 million, and the underlying business developed satisfactorily and in line with expectations.

Alm. Brand posted a consolidated profit of DKK 404 million in H1 2020, as compared with a DKK 370 million profit in H1 2019. The performance equalled a return on equity of 17.1% p.a. before tax, which was satisfactory and better than expected.

All three business areas have developed satisfactorily during the first six months of the year, a period that placed great demands on adaptability and execution. Non-life Insurance reported a pre-tax profit of DKK 334 million against DKK 317 million in H1 2019, Life Insurance generated a pre-tax profit of DKK 62 million against DKK 50 million in H1 2019, and Banking generated a pre-tax profit of DKK 35 million against DKK 31 million in H1 2019.

From an overall perspective, the changes implemented to unlock the full potential of Alm. Brand's strategy are seen to contribute as expected.

### **Outlook for 2020**

Alm. Brand expects to generate a pre-tax profit of DKK 750-850 million excluding run-off result in the next two quarters. This is unchanged from company announcement no. 32/2020 of 31 July 2020, in which the guidance was upgraded from the previously guided range of DKK 550-700 million.

The group reported a highly satisfactory profit for Q2 2020, which included the effects of the changes implemented to unlock the full potential of Alm. Brand's strategy.

Accordingly, Alm. Brand revises its full-year guidance for Non-life Insurance to a pre-tax profit of about DKK 700 million excluding run-off result for H2 2020 against the previously guided pre-tax profit of DKK 500 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 90 million against a previously guided pre-tax profit of DKK 80 million. Other business activities are expected to report a loss of about DKK 60 million before tax. The full-year combined ratio is expected to be around 87-88.

The guidance range 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.

### **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 promoter 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 20 August 2020 at 2:30 p.m. The conference call and presentation will be available from Alm. Brand's investor website: <https://almbrand.eventcdn.net/2020h1/>

Investors and analysts are invited to participate by phone: +45 7876 8490 (Denmark), +1 646 787 0157 (USA) and +44 203 769 6819 (other countries).

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