

Preliminary statement of financial results for 2019

- **The consolidated pre-tax profit excluding extraordinary costs was DKK 684 million in 2019.**
- **Changes are being implemented to create a more customer-oriented and competitive group, unlocking the full potential of the “Alm. Brand for the Customer” strategy. As part of these changes, the headcount is reduced by 120 employees.**
- **At the same time, new and more ambitious financial targets for growth and profitability are defined for the period until 2022.**

“The 2019 profit was satisfactory and in line with the guidance previously provided. But we have the potential and ambition to take our business even further. We are therefore implementing changes to improve Alm. Brand’s growth and earnings and to create an even better customer experience. We will focus our organisation on our commercial and private customers to ensure that they will experience to a much wider extent, that they get unique full-service advice and benefits by pooling all of their business across Non-life Insurance, Life Insurance and Banking,” said CEO Rasmus Werner Nielsen. He continued:

“As a result of the changes, we will have to say goodbye to some of our employees. This is regrettable, and the decision was not taken lightly. However, it is a necessary step towards strengthening Alm. Brand’s profitability in a market requiring innovative thinking amid fierce competition, low interest rates and rapid digitalisation.”

“With these initiatives, we are making a step change for our underlying earnings in 2020. And we are raising the bar and introducing new and more ambitious targets for the period until 2022 for Non-life Insurance, Life Insurance and, in particular, Banking. At the same time, we will raise our customer satisfaction target and maintain our high employee satisfaction target.”

Pre-tax profit of DKK 684 million adjusted for extraordinary costs

In 2019, Alm. Brand generated a consolidated pre-tax profit excluding extraordinary costs of DKK 684 million, as compared with a DKK 724 million profit in 2018. This corresponds to a return on equity of 14.8% in 2019. The 2019 profit also includes extraordinary costs related to a DKK 85 million provision for restructuring costs and a DKK 30 million impairment writedown of the prepayment for the capitalised share of the Bankdata capital market programme. Adjusted for these costs, the profit on ordinary activities was DKK 569 million before tax. Overall, the profit for the year was satisfactory and in line with expectations.

Non-life Insurance generated a pre-tax profit excluding extraordinary costs of DKK 607 million in 2019, as compared with DKK 652 million in 2018. The profit was favourably affected by a positive trend in the underlying business, but lower run-off gains relative to last year and a negative effect from a lower discount rate detracted from performance. Gross premium income was up 1.7% to a total of DKK 5,365 million, and the combined ratio excluding run-off gains was 90.8. The performance was satisfactory and in line with expectations.

Life Insurance generated a pre-tax profit excluding extraordinary costs of DKK 96 million in 2019, as compared with DKK 104 million in 2018. Regular premium payments grew by 4.7% to DKK 803 million, and single payments totalled DKK 1,047 million. The performance was satisfactory and in line with expectations.

Banking generated a pre-tax profit excluding extraordinary costs of DKK 67 million in 2019, as compared with DKK 26 million in 2018. The higher profit was driven by increased business volume, supported by strong trading and customer remortgaging activity. Earnings benefited from reversed impairment writedowns on loans, while a loss on the investment portfolio related to negative interest on the bank’s considerable deposit

surplus detracted from performance. Although the profit was in line with expectations, the profit composition was not satisfactory.

A more customer-oriented and competitive Alm. Brand

Effective from today, Alm. Brand will implement a number of changes intended to unlock the full potential of the **Alm. Brand for the Customer** strategy.

A new customer-oriented organisation divided into Private and Commercial across all of the group's three business areas will be established. At the same time, development activities are being combined in a single organisation, which will be able to quickly and more efficiently deliver new digital solutions that make it easy and attractive to be a customer of Alm. Brand. The initiatives also include measures to reduce the group's costs with effect immediately.

In connection with the establishment of the new organisation, the number of full-time equivalents in Alm. Brand will be reduced by 120. Most redundancies will be effected at the group's head office, including in the bank.

At the same time, Alm. Brand will align the bank's service model so that, going forward, the bank will focus its efforts on serving group-wide customers. This will enable the group to offer an even higher level of service to its customers, while improving profitability as a result of the reduced cost base.

Outlook for 2020

Against this background, Alm. Brand expects to post a pre-tax profit of DKK 650-700 million in 2020 excluding run-off result, corresponding to an increase of about DKK 150 million, or close to 30%, relative to the comparable 2019 profit. The profit guidance for 2020 includes a profit-enhancing full-year effect of redundancies of approximately DKK 100 million in total.

Non-life Insurance is expected to generate a pre-tax profit excluding run-off result of about DKK 525 million, Life Insurance a pre-tax profit of about DKK 100 million and Banking a profit of about DKK 100 million before tax. The combined ratio is expected to be in the region of 91 in 2020.

New and more ambitious financial targets for the group for the period until 2022

In continuation of the above-mentioned changes, Alm. Brand has introduced new financial targets to be achieved in the period until 2022:

- growth in Non-life Insurance defined as an average annual increase in gross premiums 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 an annual return on equity of at least 10% before depreciation of customer relations and tax;
- average annual growth in regular premium payments in Life Insurance of 7%.

In addition to the financial targets, Alm. Brand will strive to achieve its non-financial targets in respect of customer and employee satisfaction. The target for customer satisfaction as expressed by the *net promotor score* has been raised from 60 to 70, while the target for employee satisfaction is maintained at a score of 80.

Group management changes

Following the establishment of the new organisation, group management will be composed as follows: interim Chief Executive Officer Rasmus Werner Nielsen; Executive Vice President, Private Rasmus Lyngø; Executive Vice President, Commercial Kim Bai Wadstrøm; Executive Vice President, Business Development & Digitalisation (COO) Kristian Hjort-Madsen; and Executive Vice President, Finance (CFO) Andreas Ruben Madsen.

Dividends

The Board of Directors recommends distribution of an ordinary dividend of DKK 3.00 per share. This means that Alm. Brand will distribute approximately DKK 460 million for the 2019 financial year, corresponding to a payout ratio of 102% of the profit after tax.

Alm. Brand remains strongly capitalised with a total excess of about DKK 3 billion relative to the solvency requirement for the group. The capitalisation level is considered sufficient to resist very severe stresses. In continuation of the fact that, going forward, the dividend distribution potential will be generated from earnings, Alm. Brand has defined a target for future ordinary dividends equivalent to a payout ratio of at least 70% of the profit for the year after tax.

Webcast and conference call

Alm. Brand will host a conference call for investors and analysts today, Thursday 30 January 2020 at 11:00 a.m. The conference call and presentation will be available from Alm. Brand's investor website: <https://almbrand.eventcdn.net/2019fy/>

Investors and analysts are invited to participate by phone: +45 8040 0034 (Denmark), +1 833 526 8398 (USA) and +44 333 300 9034 (other countries).

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