

Annual Report 2012



AKTIESELSKABET

 Arbejdernes Landsbank

CVR-no. 31 46 70 12, Copenhagen

Agenda

for the annual general meeting of
Aktieselskabet Arbejdernes Landsbank,
Monday 11 March 2013.

1. Election of chair.
2. Review of the activities of the Bank in the past year.
3. Submission of the audited annual report and auditors' report, see Article 23(2) of the Articles of Association, and approval hereof.
4. Proposed appropriation of profit according to the annual report, see Article 24 of the Articles of Association.
5. Proposals received, including amendments to the Articles of Association.
6. Election of members to the Board of Representatives, see Article 17 of the Articles of Association.
7. Election of auditors, see Article 22 of the Articles of Association.

Arbejdernes Landsbank



Gert R. Jonassen
Chief Executive

Jan W. Andersen
Executive Bank Director



Annual report 2012

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Poul Erik Skov Christensen
Trade Union President

Strong results give cause for optimism

The Bank has had the best year in its 93-year history!

A commitment to progress was the main characteristic of 2012, but not all areas have supplied results at the pace necessary to pull Denmark out of the quagmire of low productivity and high unemployment. This is not a particularly Danish phenomenon; it also applies for many of our trading partners in other countries, but this merely adds to the challenge.

The financial sector has recognised its role as a financing partner for growth companies. However, history has demonstrated that if this is not on a sustainable foundation, subsequent problems will merely become even bleaker.

Therefore, we must establish long-term and durable solutions if we are ever to improve the macro-economy. A lot is already being done, but there is more to do!

Meanwhile the financial sector is continuing to adapt to a new agenda, with requirements for consolidation and increasing regulation. Again in 2012 there have been bank collapses and mergers and it is likely that we will see further adjustments in the financial landscape in the years to come.

At Arbejdernes Landsbank we have always prized our independence. Confident that we can achieve the necessary consolidation through operations and support for the Bank, in the years to come we therefore want to continue as a textbook example of a modern, professional Bank, with a visible values base, and able to retain and develop its customer base.

Recent years have been extremely good for the Bank, with customer growth and successful integration of customers and employees from the former Roskilde Bank. This is the result of hard work, and also humility with regard to our responsibilities for our customers and our surroundings. The Bank has a unique culture, and this must be preserved. Arbejdernes Landsbank has come at the top of independent customer-satisfaction surveys over the past four successive years. Of course we are very proud of this, but we will never expect this as a matter of course; it only reinforces our commitment to improve continuously our advice for customers and our service. New certification requirements for customer advisors are being observed by the Bank. Further and continuing education and training are a natural part of our conviction that an attractive workplace is the foundation for satisfied customers. With its usual commitment to social responsibility, the Bank employed ten new financial students and six financial economists in 2013.

Implementation of efficiency initiatives is utilised to make more time for customers through dialogue, so that our customers can build up confidence and partnerships with Bank employees, while practicalities are streamlined. Initiation of a digital signature system for loan documents etc. will make using the Bank easier and more convenient. Arbejdernes Landsbank was the first bank able to offer customers access to their netbank in connection with the launch of the Windows 8 operating system, bearing witness to the fact that the Bank is also at the leading edge technologically.



Vision 2015 was launched in summer 2012, and this builds further on our philosophy that growth should be on a sustainable foundation, no matter whether such growth is organic or through strategic acquisitions. The Bank will continue to work hard for its private customers and increase focus on small and medium-sized enterprises. Developments which will be based on continued expansion of the competencies necessary.

The goal is that by 2015 the Bank will have developed the scope of its business by 25%, without compromising our demands for sustainable growth. This is ambitious but achievable with the wealth of initiative and responsibility that characterises our employees.

The Group's profits in 2012 reflect the benefits of having a clear strategy and the financial strength to be able to maintain our investment strategy, even in periods of dramatic price drops. The negative value adjustments we saw in 2011 have been more than recouped in 2012. Customer growth continues and this is helping retain and improve the scope of the Bank's business.

Write-downs remain far too high, which is an indication that things are still difficult for many customers, but like the rest of the sector, we have had to make extraordinarily high write-downs as a result of stricter rules in the area implemented in 2012.

The operating profit for the Group of DKK 456.6 mill. after tax is extremely satisfactory and the best result in the history of the Bank. This contributes to increasing consolidation and solidity, as is apparent from the solvency ratio of now 14.6%. We are proud of this achievement and it encourages us to ensure that 2013 is a good year for the Bank as well.

In 2013 we will focus on managing further customer growth, but also on reducing write-downs on loans etc. to around of DKK 140 mill. corresponding to 0.7% of the Group's total lending and guarantees.

In 2013 we expect to achieve a core profit before write-downs of around DKK 325 -350 mill. and a profit before tax of around the same level.

The Bank is moving in the right direction and it has the strength to meet the challenges of the years to come. With this backdrop, the Board has recommended to the

General Meeting a dividend of 35%, amounting to DKK 105 mill.

On behalf of the Board of Directors and the Executive Management, I would like to say thank you to the Bank's shareholders, Board of Representatives, local councils and customers for good and constructive collaboration in 2012. And I would like to extend a special thank you to the Group employees for an excellent and productive year. Together we make up a very strong team and I am convinced that the Bank will maintain its positive development in 2013 and thereafter.

On behalf of the Board of Directors

Poul Erik Skov Christensen

Chairman of the Board of Directors



A/S Arbejdernes Landsbank - Group Financial and operating data

	2012 DKK '000	2011 DKK '000	2010 DKK '000	2009 DKK '000	2008 DKK '000
Income statement according to the core earnings model					
Net interest income	1,125,548	1,076,055	932,373	930,627	766,212
Net fees and commission income, etc.	355,347	329,848	303,778	268,653	246,046
Core earnings, excl. trading earnings	1,480,895	1,405,903	1,236,151	1,199,280	1,012,258
Trading earnings	95,700	87,436	97,721	81,670	87,153
Total core earnings	1,576,595	1,493,339	1,333,872	1,280,950	1,099,411
Staff costs	-673,004	-631,096	-627,108	-574,017	-518,779
Administrative costs and depreciation/amortisation	-503,449	-505,792	-491,074	-483,979	-386,227
Core profit before write-downs	400,142	356,451	215,690	222,954	194,405
Write-downs on loans, etc.	-277,193	-209,896	-174,897	-256,807	-124,372
Core profit	122,949	146,555	40,793	-33,853	70,033
Investment portfolio earnings, excl. investment securitiesg	378,919	-195,251	80,981	369,772	-169,198
Investment securities	84,022	87,876	114,174	-85,984	54,874
Profit before sector solutions	585,890	39,180	235,948	249,935	-44,291
Contributions to sector solutions	-26,015	-34,756	-107,162	-132,198	-43,278
Profit before tax	559,875	4,424	128,786	117,737	-87,569
Tax	-103,274	33,647	5,109	-42,156	27,797
Profit	456,601	38,071	133,895	75,581	-59,772
Other financial and operating data					
Net interest and fee income	1,496,559	1,439,446	1,349,935	1,253,601	1,045,461
Value adjustments	344,709	-226,729	27,143	276,669	-71,041
Staff and administration expenses	-1,093,067	-1,074,817	-1,064,412	-984,286	-860,217
Profit from equity investments in associates and group companies	128,035	110,755	101,433	-17,866	-38,053
Loans and other receivables at amortised cost	17,751,986	17,001,600	16,933,065	16,943,243	17,351,571
Bonds at fair value	13,843,097	13,034,557	10,464,216	8,722,428	8,723,912
Deposits, incl. pools	24,106,931	22,943,120	20,946,291	21,398,966	19,069,192
Issued bonds at amortised cost	3,090,796	3,631,912	3,614,444	813,663	499,487
Subordinated debt	720,951	718,620	328,000	328,000	328,000
Equity	3,607,213	3,157,260	3,118,224	2,939,710	2,847,539
Total assets	36,839,247	34,633,710	32,385,274	30,533,702	31,834,076
Total contingent liabilities	3,130,635	4,076,221	4,180,600	4,506,195	4,413,303



A/S Arbejdernes Landsbank - Group Financial ratios

		2012	2011	2010	2009	2008
Financial ratios						
Solvency						
Solvency ratio	%	14.6	13.5	13.1	13.0	12.0
Core capital ratio	%	13.6	12.4	12.0	12.1	11.2
Earnings						
Return on equity before tax	%	16.6	0.1	4.3	4.1	-3.0
Return on equity after tax	%	13.5	1.2	4.4	2.6	-2.1
Ratio of operating income to operating expenses per DKK	DKK	1.37	1.00	1.09	1.08	0.92
Earnings per DKK 1,000 nominal share value	DKK	1,522.0	126.9	446.2	251.9	-199.2
Market risk						
Interest-rate risk	%	-1.0	0.3	3.3	4.1	5.6
Currency position	%	3.3	7.0	8.0	6.7	15.7
Currency risk	%	0.0	0.2	0.1	0.2	0.2
Liquidity						
Loans plus write-downs in relation to deposits	%	78.1	77.9	84.2	81.8	92.8
Excess liquidity in relation to statutory requirements for liquidity	%	261.2	242.4	232.2	218.9	104.3
Credit						
Sum of large exposures *)	%	35.4	53.7	65.5	52.1	67.2
Write-down ratio for the year	%	1.3	1.1	1.1	1.4	0.7
Growth in loans for the year *)	%	3.6	0.4	-0.1	-2.4	25.6
Loans in relation to equity	%	4.9	5.4	5.4	5.8	6.1
Equity						
Equity value	DKK	1,202.4	1,052.4	1,039.4	979.9	949.2
Proposed dividend per DKK 1,000 nominal share value	DKK	350.0	80.0	80.0	0.0	0.0
Employees						
Average number of employees during the financial year, converted to full-time employees		1,061	1,053	1,040	1,035	963

*) The definition of growth in loans for the year (2012) and large exposures (2010) has changed. Comparative figures have been adjusted.

2012 for the Arbejdernes Landsbank Group

In 2012 the Group earned a profit after tax of DKK 456.6 mill. This is better than the expectations stated in the 2011 annual report and in the interim report for 2012. The profit is considered extremely satisfactory, despite the high levels of write-downs on loans.

The profit for the year includes the following main elements:

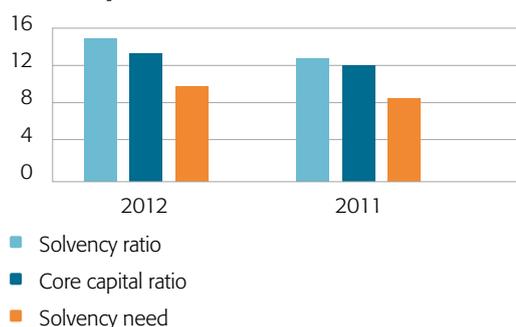
- Increase in core earnings before write-downs of 12.3%
- Increase in write-downs of 32.1%
- Slight increase in costs of 3.5%
- Investment portfolio earnings including investment securities of DKK 462.9 mill.

The 2012 balance sheet shows that:

- Lending increased by DKK 0.8 bn. to DKK 17.8 bn.
- Deposits, including pools increased by DKK 1.2 bn. to DKK 24.1 bn.
- Portfolio of securities increased by DKK 1.1 bn. to DKK 16.1 bn.

Solvency amounted to 14.6% against 13.5% in 2011. The core capital ratio amounted to 13.6% against 12.4% in 2011.

Solvency



The Bank's budget for 2012 indicated a profit before tax of DKK 275-325 mill. and the upwards adjustment after the first half year of 2012 to DKK 300-350 mill. proved not to be optimistic enough to cover the final profit of DKK 550 mill. (the Bank). A key reason for this was investment portfolio earnings of DKK 16.1 bn., which was better than expected.

This item is very hard to predict as it also includes our share of the profits in our associates and other investment securities. Moreover, maintaining a long-term investment strategy has helped to more than recuperate the negative value adjustments in the 2011 financial statements.

Distribution of profit

The Bank has senior capital and bonds issued with state guarantees of DKK 5.0 bn. in total, and was subject to a dividend cap. The Bank can pay a maximum dividend corresponding to the profit in 2012. The Board has recommended to the General Meeting a dividend of 35%, corresponding to DKK 105.0 mill.

Outlook for 2013

Due to uncertain economic cycles the Bank's earnings expectations are naturally subject to uncertainty. The Bank expects the interest-rate differential to remain unchanged or to rise slightly in the second half year. This will give a boost to core earnings which will also benefit from greater activity from continued customer growth. The Bank will continue to grant new loans to good and reliable customers, with an emphasis on sustainability. We also want to exploit our financial strengths and competencies to focus on activities within the corporate segment which can improve core profits after write-downs. This also includes continuing focus on tight cost management.

For 2013 as a whole, the Group expects a positive core profit before write-downs of around DKK 325-350 mill. In the opinion of the Bank there will continue to be some uncertainty regarding the level of write-downs in 2013. We previously forecast that write-downs in 2012 would be normalised, but this was not the case. Despite this, in 2013 we have decided to make the same assumption because the intensive focus in recent years on covering and containing weak exposures will result in a normalisation.

Investment portfolio earnings will depend on trends in the financial markets, but we expect positive results, although at a much lower level than in the unusually successful 2012. State-guaranteed funding expires in 2013 and we expect to redeem this by reducing the portfolio of securities. Profit before tax is also expected to be around DKK 325-350 mill.

Income statement

On the basis of the core earnings model on page 5 of the annual report, developments in operating profit for 2012 at Group level can be described as follows:

Core earnings

Core earnings amounted to DKK 1,576.6 mill.; an increase of 5.6% compared with 2011. Net interest income increased by DKK 49.5 mill. to DKK 1,125.5 mill. This positive development in net interest is due to customer growth and new business, as the interest-rate differential has remained stable. In our opinion Arbejdernes Landsbank is still an extremely attractive credit institution, with competitive prices, and we see the current structural adjustments as characteristic for the whole sector. This also means that there is still particularly fierce price competition on sustainable exposures.

Net fees and commission income increased by 7.7% to DKK 355.3 mill. The increase was achieved across a wide range of activities.

Trading earnings increased by 9.5% to DKK 95.7 mill. due to customers' increasing willingness to trade in securities.

Staff and administration expenses etc.

Staff costs amounted to DKK 673.0 mill. and include an increase of DKK 41.9 mill., of which DKK 26.0 mill. is attributable to a bonus scheme for the Bank's employees established in the collective agreement. The number of employees, calculated as the average number of full-time employees, increased from 1,053 in 2011 to 1,061 in 2012. Payroll tax amounted to DKK 48.2 mill. against DKK 47.8 mill. in 2011 and, as a consequence of increasing tax rates, this will continue to increase in the years to come.

Administration expenses of DKK 503.4 mill. show a reduction of DKK 2.3 mill. compared with 2011 as a result of tight cost management. Like the rest of the sector, the Group cannot reclaim input VAT on a number of costs and this in itself contributes to the high level of costs.

Write-downs on loans etc.

Write-downs on loans, etc. amounted to DKK 277.2 mill. against DKK 209.9 mill. in 2011. Write-downs for the year correspond to 1.3% per annum of total loans and guarantees, which is considered unsatisfactory. The aim is to

bring write-downs below 0.8%. There were indications that this goal could be met in 2012, but positive developments in the housing market and improvements in the employment situation have not been forthcoming. Furthermore, up to the interim financial statements for 2012 the Danish Financial Supervisory Authority (Danish FSA) issued tighter guidelines for write-downs on weak exposures and these have been estimated at additional write-downs of DKK 80 mill.

The Group's accumulated write-downs and provisions on loans and guarantees, etc. amounted to DKK 1,121 mill. in total. The poor economic climate has naturally affected the Bank's customers so that a large number of them have been registered with objective evidence of impairment.

Investment portfolio earnings

Investment portfolio earnings, excl. investment securities amounted to DKK 378.9 mill. against DKK -195.3 mill. in 2011. The positive earnings from investment portfolios reflect the general trends in the financial markets, with increasing share prices and narrowing credit spread.

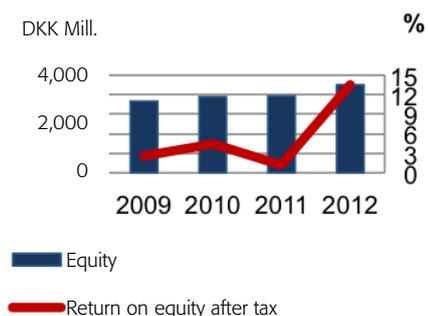
The profit on investment securities amounted to DKK 84.0 mill. against DKK 87.9 mill. in 2011 and this is primarily related to the development in the operating profits of ALKA Forsikring and LR Realkredit which showed a gross surplus of DKK 139.8 mill. compared with a gross surplus of DKK 102.2 mill. in 2011.

Profit for the year

The profit before tax was DKK 559.9 mill. against a profit of DKK 4.4 mill. in 2011. Calculated tax shows a net tax charge of DKK 103.3 mill. against tax income of DKK 33.7 mill. in 2011. After this, the profit for the year was DKK 456.6 mill. against a profit of DKK 38.1 mill. in 2011.

Return on equity was 16.6% before tax and 13.5% after tax.

Equity and return on equity



Balance sheet

At the end of December 2012, total assets amounted to DKK 36.8 bn., and this is an increase of DKK 2.2 bn. compared with December 2011.

Total deposits

Total deposits, including savings in pooled schemes amounted to DKK 24.1 bn., and this is an increase of DKK 1.2 bn. compared with December 2011. The increase is especially attributable to private customer groups who continue to show the Bank great confidence.

Lending

Group lending amounted to DKK 17.8 bn. against DKK 17.0 bn. in 2011. The weak increase conceals a much larger real increase in lending, amongst other things due to continued customer growth. A sharp repayment profile on the loan portfolio and the write-downs made for the year pull the figures in the other direction, however, giving the resulting moderate growth overall. The Group maintains a credit policy in which lending must be based on a sustainable foundation.

Liquidity

Excess Group liquidity amounted to 261.2%, corresponding to DKK 9.3 bn. This considerable excess liquidity reflects the reserves to redeem the Bank's state-guaranteed funding of DKK 5.0 bn. which will expire in 2013. On the basis of the Bank's liquidity forecast, the Bank expects to have sufficiently high cash resources throughout 2013.

Benchmarks from the Danish Financial Supervisory Authority

As part of their monitoring of the financial sector, the Danish FSA has launched a set of selected financial ratios in the form of five benchmarks which are only utilised at bank level. The Danish FSA expects the Board of Directors to plan and implement the Bank's strategy to counteract any breaches, if the Bank is to prevent any supervision reaction.

As in 2011 and 2010, the Bank was also within the Danish FSA's limit values in 2012.

The supervisory diamond*)	Limit values	Bank
Stable funding	< 1	0.6
Excess liquidity	> 50	268.0
Large exposures	< 125	35.5
Growth in loans	< 20	3.5
Property exposure	< 25	9.0

*) The definition of the financial ratios is explained on page 88

Stable funding is defined as loans must not exceed working capital. With a financial ratio of 0.6, the Bank has a good margin to the critical value of 1.

Excess liquidity is expressed as a financial ratio and for the Bank amounts to 268.0% which is far from the critical value, according to which excess liquidity must be at least 50% above the statutory requirement.

Large exposures amount to 35.5%. The change in the number as well as the total amount is primarily attributable to the Bank's stronger capital base. Also here the Bank is far from the critical value set by the Danish FSA of 125% as a maximum.

Growth in lending excluding repurchase agreements must stay below a maximum of 20%. With moderate growth of 3.5% in 2012, the Bank is far from this critical value.

The Bank's property-related exposures before write-downs amounted to 9.0% and the Danish FSA has set this critical value at a maximum 25%.

Capital situation

Equity

Equity amounted to DKK 3,607.2 mill. at the end of 2012; an increase of DKK 450.0 mill. since the end of 2011. In addition to the profit for the year of DKK 456.6 mill. the change relates to a change in revaluation reserves on properties of DKK 17.4 mill. as well as a dividend distribution of DKK 24.0 mill. in March 2012.

Capital base

The Group's capital base as at 31 December 2012 totals DKK 3,666.3 mill., and core capital after deductions amounts to DKK 3,401.7 mill.

Solvency

Group solvency is 14.6%, of which the core capital ratio amounts to 13.6%. At the end of 2011, solvency amounted to 13.5%, of which the core capital ratio contributed 12.4%. At the end of December 2012, risk-weighted items totalled DKK 25.1 bn. and this is an increase of DKK 0.8 bn. compared with 31 December 2011. See note 5 for more details on risk-weighted items. The individual solvency requirement was calculated at 9.1% at the end of December 2012. In 2013 the solvency need will be calculated according to the credit reservation model. A preliminary calculation as at the end of 2012 applying the credit reservation model would lead to a solvency need of 9.2%.

Solvency need

	Group 2012	2011	Bank 2012	2011
Solvency need	%	%	%	%
Credit risk	4.8	4.4	4.8	4.4
Market risk	3.1	3.1	3.1	3.1
Operational risk	0.9	0.9	0.9	0.9
Other risks	0.3	0.3	0.3	0.3
<i>Total solvency need</i>	<i>9.1</i>	<i>8.7</i>	<i>9.1</i>	<i>8.7</i>

Business strategy

Branch network

The Bank's customers are primarily serviced through its nationwide branch network of 67 branches, of which the branch in Jyllinge opened in 2012. With advanced netbanking solutions, customers can also carry out a number of bank transactions online, such as payments, transfers, purchases and sales of securities, correspondence with the Bank etc. The Bank also offers a number of these facilities via customers' mobile phones.

Private customers and services

Arbejdernes Landsbank has about 200,000 private customers. With its full service, the Bank offers its private customers all the usual bank services and products within:

- day-to-day finances, including netbanking
- credit/debit cards
- loans and overdrafts
- savings and investment
- home loans
- pensions and insurance

Advice from certified customer advisors aims at providing competitive prices for customers who have chosen to entrust all their finances with Arbejdernes Landsbank.

Corporate customers and services

The primary target group is small and medium-sized enterprises as well as labour organisations and trade unions. The Bank has launched a corporate concept to ensure customers high-quality consultancy services.

Advanced netbanking facilities help ensure efficiency for our corporate customers in relation to their own customers and in relation to their dealings with us as their bank. Through our subsidiary company, AL Finans, we offer loans, leasing and factoring products.

Capital management

The primary target group is larger customers such as pension funds, trade unions and housing associations, and the portfolio managers manage around DKK 9 bn. for customers.



Another area manages the Bank's own considerable portfolio of securities, which arises from a large deposits surplus, other funding and equity.

Other cooperation

Arbejdernes Landsbank utilises various cooperation partners and the Bank is co-owner of enterprises offering products and services such as mortgage credit, investment products, money transmission services and insurance. Through these partners our customers have access to a wide and flexible portfolio of products.

The Bank receives agency and guarantee commissions for arranging certain products and investment services, but our customers are always able to choose other solutions or providers.

The Bank is joint owner of Bankernes Kontantservice A/S (BKS), and from 7 January 2013 the Bank has outsourced its money supply to BKS.

Organisation

Arbejdernes Landsbank has centrally located competency areas which work across the enterprise. This helps secure a flat organisational structure with rapid decision processes and direct interplay between the customer, the advisor and the central specialist units.

Staffing at the Bank's branches is adjusted to the customer base of the individual branch. Central specialist functions develop and coordinate the Bank's overall work within consultancy for pensions, property and investment. The specialist functions act as knowledge bases and sparring partners for advisors and customers alike. An important part of these functions is to develop the knowledge and skills of the branch network's customer advisors within pensions, property and investment.

The Bank has a number of staff departments which support the customer-oriented departments and which regularly follow up risk, for example, and deal with reporting to management and relevant authorities.

The purpose of the Bank's compliance function is to check whether Arbejdernes Landsbank meets its obligations as a securities dealer, and to ensure that relevant legislation is implemented in the Group's systems and complied with by the Bank's staff. The function also checks and assesses

whether the methods, procedures and measures adopted to remedy any shortcomings are effective. The compliance function is independent from the rest of the organisation and is located in the Legal Department.

Each year, the Board of Directors approves a plan from the compliance function about planned activities for the coming year. Once a year, the Board of Directors will also receive a compliance report describing the work performed as well as the results of this work.

The IT area

The technological platform is to all intents and purposes based on services supplied by BEC (Bankernes EDB Central), of which the Bank is part owner. It is vital that IT solutions lead to administrative improvements, simplification and more efficiency, as well as increased levels of self service. However, it is also important that IT solutions open opportunities for new business. IT security is a focus area and the Bank is constantly working to ensure that all systems, data and operational security are fully up to date. The overall IT strategy is that, with efficient and secure data processing, the Bank can meet its business targets and at the same time function as a professional and credible bank, cooperation partner and workplace.

Employees

Our employees are our face to the world. Average seniority in the branch network of 17 years bears witness to solid experience and insight which helps instil a sense of confidence and security and maintain the close relationship with our customers.

In order to ensure that the Bank has the relevant competencies for its various functions, regular training and development initiatives are launched. All the Bank's customer advisors were certified in 2012.

At the end of the year, in terms of full time equivalents, the Bank employed 993 people, while the figure for the Group was 1,072.

Capital structure

Arbejdernes Landsbank is an unlisted limited company with share capital of DKK 300 mill. After consultation with the Board of Representatives, the Board of Directors has been authorised until 12 March 2017 to increase the share capital in one or several steps by up to DKK 500 mill.

The share capital is composed of 300,000 shares of DKK 1,000 each. There are 300,000 votes, meaning that each share carries one vote. The Bank's articles of association contain provisions on the transferability of shares, which must be through the Board of Directors and only at nominal value and to organisations and people who can be shareholders:

- Employee organisations and their members
- Political organisations with which Danish employee organisations cooperate
- Cooperative enterprises, consumer cooperative societies and cooperatives as well as organisations, enterprises or associations which these have established or establish
- Arbejdernes Landsbanks Fond
- Public and other institutions, organisations or enterprises in which Danish employee organisations have a commercial interest

At the end of 2012, Arbejdernes Landsbank had more than 23,000 shareholders. The Bank does not hold fixed meetings for investors, but other than the annual general meeting it also holds a number of local meetings for shareholders around Denmark. Invitations to the annual general meeting are announced in the press and sent to all the Bank's shareholders.

Dividend policy

The Bank's shares are valued at par, and shareholders can only earn returns on their investment through distribution of dividends. Therefore the Bank aims at a dividend policy which reflects the individual annual results. The decision on the dividend for a specific year takes into account how the economic cycle or other specific matters have influenced the result positively or negatively.

As the Bank has received an individual state guarantee for funding under 'Bank Package II', the Bank is subject to a requirement only to pay a dividend provided this can be

financed from the current profits. This requirement applies for the period in which the state guarantee is made or in which the state capital injection is granted. For 2012, the Board has proposed to distribute a dividend of 35%, corresponding to DKK 105.0 mill.

Corporate governance and statutory corporate governance report

The statutory report on corporate governance covers the accounting period 1 January - 31 December 2012. The Board of Directors and the Executive Management of the Bank are constantly seeking to ensure that the management structure and control systems are appropriate and operate satisfactorily. The management makes regular assessments, at least once a year, that this is the case.

The basis for the organisation of management tasks includes the Danish Financial Business Act, the Danish Securities Trading etc. Act, the regulations and recommendations from the OMX Nordic Exchange for issuers, the Global Exchange Markets Listing and Admission to Trading Rules, the Bank's articles of association, as well as good practice for financial undertakings. A number of internal procedures have been developed and are maintained on this foundation to ensure active, secure and profitable management of the company.

Recommendations for corporate governance

In 2005 the Committee on Corporate Governance issued revised recommendations for corporate governance, most recently updated in August 2011. The recommendations are available to the public on the Committee's website at www.corporategovernance.dk. The recommendations deal with the role of the shareholders and their interaction with the management of banks, the role of stakeholders and their importance to the bank and the bank's corporate social responsibility, openness and transparency, the tasks and responsibilities of the supreme and the central governing bodies, the composition and organisation of the supreme governing body, remuneration of the governing bodies, financial reporting, risk management and internal control, as well as audit.

The management of the Bank generally follow the recommendations for corporate governance.

Composition of the Board of Directors

According to the articles of association, the Board of Directors can comprise up to 11 members, of whom, each year, seven members are elected by the Board of Representatives from among its members and four are elected by employees pursuant to the relevant regulations in the Danish Companies Act. Employee representatives are elected for a period of four years. Re-election is permitted. There are more details about the individual members of the Board of Directors on page 89 of the annual report.

When a person is recommended for election to the Board of Directors, there is an assessment of the knowledge and professional experience needed in order to ensure that the Board has the necessary competencies. The Board of Directors also works to achieve a composition of members who supplement each other in the best possible way with regard to age, background, sex etc. in order to secure a competent and all-round contribution to Board work for the Bank. There is no age limit for Board members. The members of the Board of Directors represent broad knowledge and experience from the business community. The Board aims to ensure continuity and to secure a composition which reflects the competencies and professional experience required, while taking into account the complexity of the Bank's activities.

None of the members of the Board of Directors participate in the day-to-day management of the Bank. The members elected by employees have the same rights and responsibilities as the members elected by the General Meeting. Apart from the members elected by the employees, members of the Board of Directors are considered to be independent.

In order to observe the requirement from the Danish FSA that at least one member of the Board of Directors is to have management experience from another financial undertaking, there will be a proposal at the Bank's annual general meeting in 2013 to increase the number of members of the Board of Directors by one person.

The work of the Board of Directors

The Board of Directors ensures that the Executive Management observes the objectives, strategies and procedures adopted by the Board of Directors. Reporting from the Executive Management is made systematically at meetings and in regular written and verbal reports. This reporting includes developments in general surrounding

the Bank, its own development and profitability as well as the financial position.

The general guidelines for the work of the Board of Directors have been laid down in a rules of procedure, which is reviewed at least once a year and adjusted as required. The rules of procedure contain procedures for reporting by the Executive Management, the work methods of the Board of Directors, as well as a description of the tasks and responsibilities of the chairman of the Board of Directors. The Board of Directors meets according to a pre-arranged plan and also whenever necessary. The Board of Directors held 14 meetings in 2012. One of these meetings was a strategy seminar.

The Audit Committee

In March 2009, the Board of Directors set up an Audit Committee, which is required by law for enterprises subject to supervision by the Danish FSA. The Audit Committee is composed of three members of the Board of Directors and is chaired by Lars Andersen, Managing Director. The Audit Committee's work is directed by a plan drawn up by the Board of Directors.

The tasks of the Audit Committee are to:

- monitor the financial reporting process
- assess whether the company's internal control system and its internal audit, risk and security systems are working effectively
- monitor the statutory audit of the annual financial statements etc.
- monitor and check the independence, objectivity and competence of the auditor, and
- assess other matters, if so requested by the Board of Directors

In 2012 the Committee held four meetings and assessed and determined the accounting policies used by the Bank, including in particular methods for writing down loans, provisions on guarantees as well as valuation of financial instruments. In this context the Bank's control environment for calculating the most important accounting estimates in the financial statements was reviewed and assessed.

Composition of the Board of Representatives

According to the articles of association of the Bank, the Board of Representatives must comprise up to 30 members who are elected annually at the general meeting. The Board of Representatives elects its own Chairman and Vice-Chairman. Currently the Board of Representatives is composed of 30 members, of whom three are elected by employees.

Remuneration policy

Each member of the Board of Directors receives a fixed annual remuneration stipulated by the Board of Representatives. In the financial year 2012, remuneration for the Board of Directors amounted to DKK 1.7 mill., of which DKK 62,500 was paid to each of the three members of the Board of Directors who are on the Audit Committee.

Remuneration for the Board of Directors, including remuneration for participation in the Audit Committee, as well as the shareholding of each member of the Board of Directors in the Bank is specified as follows:

Board of Directors	Remuneration	No. shares
	DKK '000	at DKK 1,000 each
Poul Erik Skov Christensen (Chairman)	250.0	5
Lars Andersen	187.5	0
Thorkild E. Jensen	187.5	5
Mette Kindberg	187.5	0
Harald Børsting	125.0	2
Johnny Skovengaard	125.0	1
Niels Sørensen *)	78.9	1
Ole Wehlast **)	46.6	1
Jette Kronborg	125.0	1
John Markussen	125.0	11
Ulla Strøm Nordenhof	125.0	1
Henrik Thagaard	125.0	0

*) From May 2012 **) To May 2012

Executive Management

The Executive Management is employed by the Board of Directors, who also set the terms of employment for the Executive Management. The Executive Management is composed of Gert R. Jonassen, Chief Executive and Jan W. Andersen, Executive Bank Director. The Executive Management is responsible for the daily operations of the Bank. The framework for the work of the Executive

Management is laid down in instructions on the segregation of responsibilities between the Board of Directors and the Executive Management. The members of the Executive Management are not members of the Board of Directors, but they usually take part in meetings of the Board of Directors.

Remuneration of the Executive Management is set by the Board of Directors and only comprises a fixed salary and pension scheme, including a car and telephone.

Total emoluments for the Executive Management in 2012 amounted to DKK 5.7 mill. as disclosed in note 11 in the annual report. The terms of employment for the Executive Management, including terms for salary and resignation, are deemed to be in accordance with the normal standards for positions of this nature and they do not involve any special obligations for the Bank.

Remuneration of management in 2012 is as follows:

	Group	Bank
Board of Directors	DKK '000	DKK '000
Gert R. Jonassen	2.966	2.956
Jan W. Andersen	2.471	2.461
Ebbe Castella *)	292	292

*) Retired 1 February 2012

Members of the Executive Management are entitled to severance pay if they resign or if control of Arbejdernes Landsbank is transferred to one or more third parties.

Key employees in the management group are paid a basic salary and pension, insurance and the value of a company car. There are no bonus payments to the Bank's Executive Management or employees in the managerial group.

The Bank's other employees are paid a fixed salary and are covered by a bonus scheme which is regulated through collective agreements.

Shareholders

The Bank regularly informs shareholders about relevant matters and encourages dialogue with shareholders. Amongst other things, this is through newsletters, annual reports, interim reports and at general meetings. The Bank's website, www.al-bank.dk is updated regularly with published information.

Risk management

The Board of Directors regularly, and at least once a year, assesses the overall risk and the individual risk factors linked to the Group activities. The Board of Directors adopts guidelines for the most important risk areas, monitors developments and ensures that there are plans to manage individual risk factors, including business and financial risks, insurance and environmental aspects as well as compliance with competition legislation.

Reporting on significant risks is part of the regular reporting to the Board of Directors. Reporting is carried out at Bank and Group level through an all-risk function in the Financial Department to ensure consistent and systematic risk reporting.

Arbejdernes Landsbank is exposed to various types of risk and considers risk management an essential focus area. Risk management is described in more detail in note 4.

The most important types of risk are listed below:

Credit risk is the risk that a counterparty wholly or partly defaults on its payment liabilities because of lack of resources or for some other reason.

Market risk is the risk of losses due to changes in market value of the Bank's assets or liabilities as a result of changes in market conditions, including interest-rate changes.

Liquidity risk is the risk of losses due to a failure to honour the Bank's payment obligations by means of normal liquidity reserves. This includes the risk that, due to insufficient cash resources, the Bank is prevented from making new deals and is ultimately unable to honour its obligations, as well as the risk of losses due to disproportionately high increases in the Bank's financing costs.

Operational risk is the risk of losses due to inadequate or erroneous internal processes, human errors or system errors.

Business risk is the risk of losses due to changes in external conditions or events which may harm the image or earnings of the Bank.

The Executive Management are responsible for ongoing risk management, including identifying and assessing individual risks associated with the Group's business activities.

The Group issues a risk report, which is available in English on the Bank's website: [Group Risk Report 2012](#)

Capital management

Arbejdernes Landsbank actively manages the composition of total capital, taking into account the risk profile selected by the Group. The overall balance-sheet composition and assessment of risk are discussed at fixed meetings of the Bank's Balance Sheet Management Committee held quarterly and sometimes more often, if required. The Balance Sheet Management Committee is composed of the Executive Management, management of the Credit Department, the Financial Department, the Treasury Division and the head of all-risk reporting.

The balance-sheet composition takes into account an assessment of existing and expected future risk and uncertainty.

Capital management is based on the requirements in the Executive Order on Capital Adequacy comprising three pillars. Pillar 1 contains rules for calculation of the solvency ratio. Pillar 2 deals with calculation of the Bank's individual solvency need. Pillar 3 deals with disclosure requirements for risk and capital management.

To calculate the solvency ratio in Pillar 1, the Bank applies the standard method for credit and market risks and the basic indicator approach for operational risks. The Bank regularly assesses its need to improve risk management, but the Bank sees no immediate need to apply more advanced models for the solvency statement.

The policy of the Board of Directors is that the Bank should have a solvency ratio such that the Group can continue loan activities in periods with tough market conditions. Therefore the capital must be of such robustness that the statutory capital requirements can be met at any time, and such that it can counteract unexpected losses and changes in risks to which the Group has decided to be exposed.

The Bank actively applies the calculation of the solvency need as an indicator for whether there is a sufficient safety margin between solvency need and solvency ratio. The Bank has prepared contingency plans for improving the solvency rate if the limit values adopted are threatened or transgressed.

At international level there are plans for changes in solvency regulations in Basel III, which will tighten requirements for the Bank's capital base, in particular the share of core capital from total capital base, and these requirements are already being considered by the Bank. Group core capital after deductions amounted to 92% of the capital base.

With further tightening of the capital requirements, the future Basel III requirements will reinforce the pressure on capital, if they are implemented in their current form. However, it is clear that the EU will not meet the implementation deadline as agreement has yet to be reached on the European regulations; CRD IV. However, it is very likely that most of the requirements will prevail, although the implementation date is uncertain and some liquidity requirements may be relaxed.

Process of financial reporting

The Board of Directors and Executive Management hold overall responsibility for the Bank's internal control and risk management in connection with the process of financial reporting, including compliance with relevant legislation and other regulation in relation to financial reporting. The Bank's risk management and internal control systems can only establish reasonable, but not absolute, certainty regarding prevention of material errors and omissions in financial reporting.

At least once a year, through the Audit Committee, the Board of Directors assesses the organisational structure, risk of fraud as well as the internal rules and guidelines. The Board of Directors and the Executive Management lay down and approve overall procedures in important areas in connection with the process of financial reporting. The Board of Directors has adopted procedures etc., for important areas within financial reporting and these procedures are available to the organisation. Compliance is tightened regularly and there is regular sample follow-up of compliance.

The Executive Management regularly monitors compliance with relevant legislation and other regulations and provisions in connection with financial reporting and reports to the Board of Directors.

Audit

In accordance with the current regulations for financial undertakings under supervision, one or two independent audit firms are elected. In addition the Bank has an internal audit, which is employed by, and reports directly to, the Board of Directors. The framework for the work of the auditors – including remuneration and audit-related tasks – is described in the function description established between the Board of Directors and the internal audit as well as an agreement on segregation of responsibilities established between the internal audit and the external auditors. The auditors report important matters directly to the Board of Directors at board meetings and in the audit book. In connection with their review of the annual report, the auditors review the accounting policies for material areas, and the Board of Directors and auditors discuss any audit observations.

Prior to the annual general meeting, the Board of Directors conducts a critical assessment of the competencies, independence etc. of the auditors, as recommended by the Audit Committee. After this, the Board of Directors recommends an independent auditor to the General Meeting. The external, elected auditors are responsible for safeguarding the interests of the shareholders and the public.

Accounting estimates and assessments

The calculation of the carrying amount of certain significant assets and liabilities requires estimates, assessments and assumptions on future events. In each case, estimates and assessments applied are based on the Bank's historical experience and other factors deemed prudent by the management, but which are by their nature uncertain and unpredictable. Assumptions can be incomplete or inaccurate. Unexpected future events or situations may arise which were not predicted at the time of the estimate. Therefore, it is difficult to make such estimates and assessments, and if estimates also involve customer relations and transactions with other counterparties, these will involve considerable uncertainties, not least in periods of recession. It may thus be necessary to change previous estimates because of new information, further experience or subsequent events.

Events after expiry of the accounting period

In connection with the takeover by Jyske Bank of Spar Lolland, the Guarantee Fund for Depositors and Investors will be ordered to pay for Spar Lolland's costs incurred from withdrawing from their EDP centre. When the amount has been finally settled, the sector will be required to pay additional contributions to the Guarantee Fund. Based on an estimate of DKK 100 mill., the Bank's share will be less than DKK 2 mill., and this will affect the Bank's financial statements for 2013. No other events have taken place after end of the financial year which have a significant impact on the assessment of the annual report.

CSR report

A long history of social responsibility

Arbejdernes Landsbank has a long history of social responsibility, dating back to the founding of the Bank in 1919. At its establishment, the purpose of the Bank was to secure independence for the trade-union movement from capitalist banks in a conflict situation; to endeavour to safeguard members of the trade-union movement in a conflict situation; and to offer better and cheaper loans as alternatives for mortgage borrowers.

Four focus areas

We are striving to live up to our social and economic responsibilities in the following four focus areas:

- Customers and products
- Employees
- Climate and the environment
- Society

Customers and products

As financial advisors, we undertake to ensure that customers are given the best possible conditions to live within their financial situation.

We strive to

- ensure that our customers understand their financial situation and the products we offer
- treat all customers professionally, with respect and concern for their individual needs
- offer all customers personal financial advice
- provide advice which meets our customers' needs
- train our customer advisors so that their competencies live up to the legitimate expectations of a full-service bank, and
- offer our customers ethically screened investments

Employees

As an employer, we consider it our responsibility to create the framework for a healthy, safe and motivational working environment.

We strive to

- provide working conditions which motivate and inspire our employees
- offer flexible working hours which allow individual employees to create a better balance between their private life and life at work
- create career and development opportunities for employees at all levels in the Bank
- ensure a healthy physical and psychological working climate, and
- care for employees who suffer unfortunate social circumstances, including stress or sickness

Society

We at Arbejdernes Landsbank want to support and get involved in good causes locally, nationally and internationally. This is being realised in different ways. For example we grant local sponsorships to sports clubs and charitable organisations, we subsidise employees by giving them paid time off to take part in voluntary work, and we support aid organisations in the Third World.

We strive to

- support information campaigns and humanitarian aid work through recognised organisations.

Climate and the environment

The Bank believes it has a responsibility to avoid unnecessary negative impacts on the environment.

We strive to

- only use suppliers, IT products, processes and infrastructure which can contribute to reducing energy consumption and impacts on the environment
- reassess regularly our procedures in order to find possibilities to minimise our resource consumption
- avoid taking part in financing activities which we deem have an unnecessarily negative effect on the environment

The Bank's full CSR Report is available at the Bank's website, [CSR Report](#).

Work on our vision in 2012

Work in 2012 concentrated on meeting the Bank's Vision 2015, which is as follows:

"Arbejdernes Landsbank is an independent national bank with a full financial service concept aimed at private customers, corporate customers and association customers.

With decision-makers close to the customers, and efficient work processes, the Bank ensures fast and competent business management.

The Bank has a social responsibility policy (CSR) which is an integral part of activities.

Growth in business

In 2015, Arbejdernes Landsbank is one of the seven largest banks in Denmark in terms of working capital. The Bank will have realised sustainable growth of at least 25% in business based on continued high credit ratings. Growth will be realised organically and through openness towards strategic takeovers.

The private customers area will be the Bank's main activity. Corporate customers will account for 25% of business as a minimum.

Value creation

Arbejdernes Landsbank creates value in two dimensions:

- *For customers, through long-term cooperation based on the customers' needs and the Bank's values.*
- *For owners, by ensuring that the return on equity is as a minimum at the average for Danish Group 2 banks.¹*

Customer satisfaction with Arbejdernes Landsbank is at the high end for the sector.

The Bank uses relevant technological possibilities to create value in the Bank's customer service functions and business activities.

Arbejdernes Landsbank signals financial security and strength with an international rating at the high end of the Danish Group 2 banks. The capital foundation of the Bank facilitates economic latitude.

Attractive workplace

Arbejdernes Landsbank is considered both externally and internally an attractive workplace. The Bank is known for high professionalism and personal development built up through professional learning environments.

The culture in the Bank is characterised by open, constructive dialogue, responsibility and competent management."

Strategic goals

Arbejdernes Landsbank has the following long-term goals:

- Quick and competent business management
- Sustainable growth of 25%
- Attractive workplace
- Financial security and strength
- Create value in two dimensions

In 2012 the Bank particularly focused on the following strategic actions:

QUICK AND COMPETENT BUSINESS MANAGEMENT

The Bank has developed methods and procedures to ensure systematic analyses and assessments of whether the Bank's processes are optimal. These reflect the possibilities provided by legislation, our customers' needs, the Bank's policies and technological developments.

As a result there are improvements in a number of processes which are expected to be particularly visible in 2013. The changes have enhanced our correspondence with customers and case processing in a number of loans cases.

¹ Banks with a working capital of DKK 10 bn. and up to DKK 50 bn. Working capital is defined as the sum of deposits, equity, issued bonds and subordinated debt.

Better overview and management

"Better overview and management" was the heading for an initiative carried out by Business development in the IT Department in 2012. The purpose of this activity has been to standardize the use of the Bank's systems and make them more efficient. All branches have been involved in this activity, and a combination of talks and peer-training has enabled even better planning and follow-up for the Bank's private and corporate customers. The initiatives will be followed up in 2013 in the development interviews carried out by business managers at the branches in 2013.

Cooperative property

There have been significant improvements in the cooperative property area, and this means that in future we can offer cooperative property customers even more advisory services, thus creating greater confidence and providing customers with more knowledge about their housing finances.

AL-Netbank

In 2012, for the first time customers using our netbanking solution AL-NetBank could sign documents with a digital signature. This means that when signing certain document types, customers need not visit our branch to sign physical documents. The number of documents which can be signed digitally will be expanded gradually as new legislation is introduced.

The work on improving processes and possibilities to use digital communication and case processing will continue in 2013.

SUSTAINABLE GROWTH OF 25%

The strategy for growth at Arbejdernes Landsbank is based on the principle of sustainable growth. Accordingly, we aim at ensuring that customers of the Bank recognise that business is only possible if it is concluded to the satisfaction of both parties. In our credit policy we strive to take no unnecessary risks for customers or for the Bank.

Our sustainable strategy for growth helps ensure that we continue to attract many new customers. Over the past five years, we have increased our customer portfolio by 40,000 new customers, and this bears witness to great interest in our Bank. In 2012 alone, net intake was 3.1%, corresponding to more than 6,000 customers.

In September we opened the doors of another new branch in Jyllinge. We felt very welcome, and in 2012 the branch met our initial expectations to the fullest.

New business concept

In future, we want to focus even more on corporate customers, and through targeted initiatives we will establish good and long-term customer relations. The Bank aims at obtaining more corporate customers through the virtues that already characterise the Bank: Accessibility, integrity, closeness, competitive prices and not least low prices for advisory services.

In 2012 we worked specifically on implementing our corporate concept; we have prepared business plans in the corporate area for all the branches which primarily deal with the Bank's corporate customers. Furthermore, we have prepared relevant information material to underpin implementation of our corporate concept.

Implementation of the concept will continue in 2013, aiming in particular to expand the corporate customer area to fill at least 25% of our business by the end of 2015.

Growth in the cooperative property area

Despite relatively slow housing markets in general, in 2012 the cooperative property area was characterised by positive, stable and controlled growth. Particularly the last half-year saw very high customer and loans activity.

This activity was specifically realized by an increase of DKK 500 mill. in the loan portfolio for private cooperative property at the end of 2012. Accordingly, this portfolio currently represents more than DKK 4.9 bn.

Growth in loans reflects our greater focus on assessing mortgageable and collateral values of cooperative property, and not least the general financial situation of private customers. Therefore, these are attractive private customers which the Bank has welcomed in 2012.

Changes to the private customer concept

Since the implementation of the Bank's private customer concept two years ago, more than 37,000 customers have participated in a Values Interview. So far this concept has been a great success, and in the interests of ensuring that the concept continues to create value for customers as well as the Bank in future, we evaluated the concept in autumn 2012. Following this, we have made a number of changes, and we expect that these will make Values Interviews and the private customer concept an even better experience for both customers and financial advisors.

ATTRACTIVE WORKPLACE

As part of vision 2015, the Bank's goal is to be acknowledged as an attractive workplace, externally as well as internally. In 2012, we carried out a number of surveys which are important indicators that we are meeting our goals. One of these surveys is the management survey which showed progress for all parameters. Since 2007, the results of the management survey have increased by seven index points and are currently considerably above the average for the sector.

Employer branding

In 2012, the Bank put extra focus on employer branding. A special project group from the HR and Marketing Department has been commissioned to commence a number of activities focusing on Arbejdernes Landsbank as a place of work, internally as well as externally.

Externally, we have launched a new jobsite, al-job.dk (available in Danish only), on which we utilise our own employees and their stories. We have also prepared a number of new job ads, also with our own employees.

Internally, all employees have been invited to make suggestions on how to advertise their workplace externally. In 2013, these suggestions will form the basis for a guideline to all employees.

Low absenteeism due to sickness

In 2012, the Bank experienced a low staff turnover of 5.5% and on average employees were only absent due to sickness for 7.2 days. This means that our extensive managerial efforts in the areas have been successful. It also confirms the positive effects of our policy on absenteeism due to sickness and stress.

The five personal competences

In 2012, workshops were held on the theme of the five personal competences.² The workshops resulted in a training booklet with inspiration and help for managers on working with their competences in day-to-day operations, as part of developing their managerial behaviour. This was followed up in the management survey in 2012, which showed progress in all five personal competences. The competences are an important part of our employee development interviews in 2012/2013.

Managerial development

The managerial development programme, which focuses on personal leadership, has been launched, with positive feedback from the start. The first part of the course focuses on development of the individual manager's own leadership, through interviews with a business psychologist, and preparation of a personal development plan. Furthermore, a number of workshops have been held focusing on teamwork and the development of even more business-oriented experience-exchange teams. Management development will continue in 2013.

² The five personal competences are part of the Bank's values, determining our actions as a bank and as individuals, in order to best support our strategy.
The five competences are: team player, responsibility, initiative, business focus and customer focus.

Talent programme for deputy managers

In 2012, a talent programme for deputy managers with a total of 16 workshops was completed to prepare the managers for even more demanding jobs in future. The programme was concluded with a strategic task which was presented by the managers and then discussed with the senior management of the Bank. Feedback from the programme was positive.

Young persons in training

In 2012, we trained nine financial students and one financial economist. Eleven financial students are now in the midst of completing their last half-year of training. We have also employed 11 financial students and two financial economists who had a good start to their training programmes in August 2012, and we expect to employ an additional ten financial students and six financial economists at the beginning of August 2013.

Certifications

As part of the extensive regulation of the financial sector in Denmark, new rules are regularly issued pertaining to the competency requirements of managers and employees offering advisory services to customers. Therefore, we have developed training programmes, conducted tests and carried out certifications which do not merely ensure ongoing maintenance of the competences of our financial advisors, but also enable the Bank to document compliance with statutory requirements.

Accordingly, in 2012, 435 employees carried out tests in the investment area so that they are now able to provide advice on green and yellow investment products. We have held certification tests with 35 corporate and cooperative property advisors and specialists, and they are now certified to provide the Bank's customers with advice on complex red investment products. In the housing area, 107 people responsible for making valuations within Totalkredit, have taken a special housing and are now approved to make property valuations.

FINANCIAL SECURITY AND STRENGTH

Arbejdernes Landsbank has financial strength which enables us to provide great financial security for our customers.

In 2012, the Bank easily lived up to our own requirement for excess coverage in relation to our solvency need. However, we have changed our goals so that we now only aim at excess coverage of 2.5%. This means that we match the requirements for a capital preservation buffer which is expected to be introduced with the new Basel III requirements.³

The level of our solvency and core capital bear witness to our position as a firmly consolidated bank which is not merely capable of withstanding economic turbulence, but also has the strength to expand our position in the market. In 2012, this was seen in the continued increase in customer influx and the opening of a new branch in Jyllinge.

CREATE VALUE IN TWO DIMENSIONS

We want to be recognised as a bank that creates value for its customers and owners. For customers, this is through long-term cooperation on the basis of customer needs and the Bank's values. For owners, this is accomplished by ensuring that the return on equity is as a minimum at the average for Danish Group 2 banks.

Customer satisfaction

Our ability to create value is reflected in customer satisfaction levels. Therefore, during 2012, we asked about 40,000 customers to give their views on a number of aspects of the Bank, among other things, our values. About 7,500 customers responded, and the result of our survey shows generally high satisfaction with our way of running business. Customers at Arbejdernes Landsbank believe the Bank adheres to the following values: personal, credible, responsible, competent and solid.

Danes' preferred bank

For the fourth consecutive year, the Bank was chosen by Danes as their preferred bank in a large, independent Voxmeter survey by the CEM Institute. According to the survey, of all the banks in Denmark, Arbejdernes Landsbank has the most satisfied customers, and it is also the bank, to which Danes are most interested if they are thinking of changing bank.

³ Basel III stipulates requirements for adequate capital in credit institutions in relation to assumed risks.

Openness

We believe that openness is closely connected to the ability to create value for both customers and owners. Therefore, again in 2012, we have focused on participating in all the price-comparison surveys etc. in which we were asked to take part. During the year, the Bank's Chief Executive and other spokespersons for the Bank have communicated with important media to make the Bank visible and to disseminate how we want to develop our business.

Visibility

In order to create value for our customers we strive to be present and visible for our customers. We aim at showing the general public that we are a bank which builds on sound values. Therefore, all activities in 2012 share the common characteristic that they are not necessarily about cool cash, but focus more on what makes us rich; 'rich' in its broadest context.

Among other things, we have been visible through sponsorships for football, handball and ice hockey, as well as by meeting Danish families through a number of family activities such as Digital Etiquette (*Digital Dannelse*) and Motivated learning (*Lær med Lyst*).

In 2012, we collaborated with a charity (*Børn, Unge & Sorg*) in a national campaign "Give Hope" which helped children and young persons who witness their parents or siblings falling seriously ill or dying. Finally, in 2012 we were main sponsors of a new concept called "Behind the film" which aims at promoting the Danish film industry. This is a collaboration between Arbejdernes Landsbank, Danish film producers and Dansk Reklame Film.

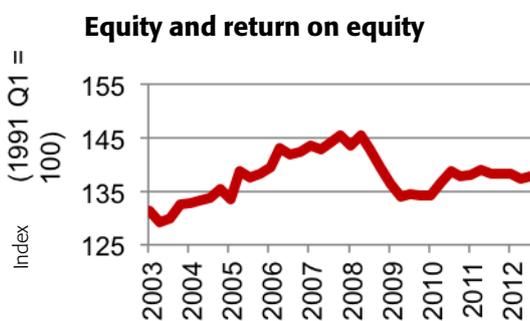
During the year, our various sponsorships, events and initiatives were followed up by more traditional marketing activities, with TV spots, adverts and student campaigns in various media and on Facebook.

The Danish economy 2012

Danish economy at a standstill in 2012

The year 2012 was disappointing for the Danish economy, with production again falling back. At the moment it seems likely that there will be negative growth for the year as a whole of about 0.5%. This slack development has taken place despite record low interest rates on home loans, an extraordinary payment to private individuals of DKK 25 bn. as a result of reforming the state voluntary early retirement scheme, as well as the government bringing many of its investments forward.

Figure. The Danish economy declined in 2012



Source: Macrobond

Poor economic activity in 2012 was due in particular to weak domestic demand. Companies did not start investing in earnest, public consumption increased only very slightly over the year, and private consumption failed to show the hoped-for improvements. On the other hand exports rose well, despite difficult conditions in European trading partners, who in 2012 continued to be affected by the European debt crisis.

Weak domestic demand

Despite tax benefits for companies willing to invest, 2012 was not the year in which companies shook off their pessimism and began to increase investments. Bankruptcies in 2012 remained high. The number of bankruptcies in the wake of the past crisis has been significantly higher than during the most recent serious crisis in the 1990s.

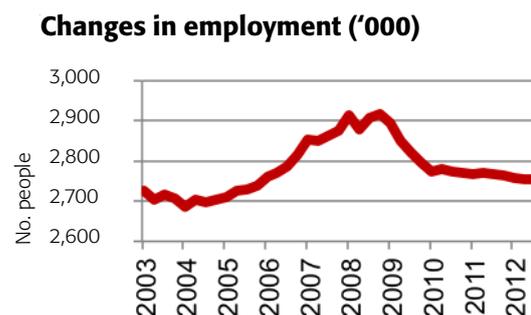
Private consumption increased slightly in 2012. During the year Danish consumer confidence has been weak and often negative. Even though thousands of Danes had more cash than normal in 2012 as a result of their option to withdraw from the state voluntary early retirement scheme and have refunded their previous contributions tax-free, this failed to provoke a real upturn in private consumption. Four years after the sudden drop in the wake of the crisis, private consumption has still not improved with any force.

Lack of consumer optimism is rooted in several causes

The lack of optimism amongst Danish consumers is rooted in several causes, including a continued weak labour market and a housing market still suffering from the bubble which was the main culprit for exacerbating the global crisis in Denmark.

Registered unemployment rose by 5,000 during the year, which in itself was not significant, given the protracted period of low economic growth. On the other hand there was a rise in the number of people outside the labour force, and for the fourth consecutive year there was a fall in the number of people in employment. More than 150,000 jobs have disappeared in the wake of the crisis.

Figure. Weak economic growth was most clearly reflected in the labour market in falling employment.



Source: Macrobond

Another factor keeping consumer confidence in the doldrums in 2012 was very probably yet another year with falling real earnings; a phenomenon which stands in stark contrast to the years up to the break-out of the crisis and not seen since the

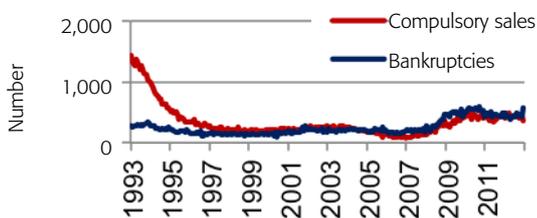
1980s. Although annual inflation of 2.4% for 2012 as a whole is not very high, pay increases for the majority did not keep up.

Neither was there much joy for homeowners in developments in the housing market in 2012. True enough, prices did not drop further in 2012, but activity remained weak and the turnover time at the end of the year was the longest it has been since records began.

However, homeowners did benefit from the record low interest rates on home loans. The rates on 'F1' home loans were less than 0.5%. This is important to consider in the context of the stabilisation of housing prices. The low interest rates on home loans also contributed to keeping the number of compulsory sales at more or less the same level as in 2011. In contrast to the number of bankruptcies, the number of compulsory sales remained far below the pre-crisis levels of the 1990s.

Figure. The number of bankruptcies and compulsory sales remained high in 2012

Changes in compulsory sales and bankruptcies



Source: Macrobond

The financial markets 2012

Strong year despite economic headwind

The international financial markets had a strong year in 2012, despite having to battle a macro-economic headwind at the start of the year. The year was best for equities, with double-digit percentage rises in most markets, although bond markets also showed good returns, especially credit bonds, but also government bonds. Two aspects dominated market trends in 2012: the macro-economy and general good liquidity in the monetary cycle.

With regard to the economy, the year began with much optimism for global economic prospects, but this waned early on in the year as key economic figures began to show signs of recession. In subsequent months, prospects were much more uncertain and this led to caution on the financial markets. As a result share prices declined and investors retreated to government bonds in safe countries such as the US, Germany and Denmark, with consequential record low yields on government bonds in these countries.

However, over the summer economic signals began to correct themselves, except for in Europe, and signs of renewed progress for the global economy began to emerge, with a return to more willingness to take risks in financial markets. Share prices therefore rose dramatically over the final six months of the year, and credit bonds also performed well. This made 2012 the third year in succession with the unusual phenomenon of a global economy showing signs of recession in the middle of the year, but with later corrections at the end of the year.

There was a certain degree of optimism regarding future prospects at the end of 2012, and even Europe showed fledgling signs that the recession could be about to ease.

The general plentiful supply of liquidity in the monetary cycle also played a major role in international financial markets in 2012. In general, in 2012 the global economy continued to struggle with the aftermath of the financial crisis and the following deep economic recession, and it had not yet reached a sustainable recovery. A strong helping hand from monetary policy was necessary, with leading interest rates close to 0% and massive injections of liquidity from the world's large central banks. In popular terms, the central banks let the presses roll; not printing physical notes for the public, but producing virtual cash for banks, who invested this liquidity in securities.

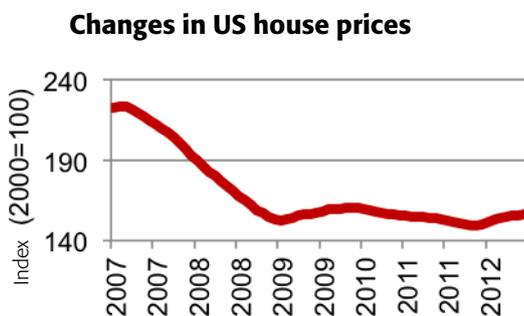
Europe was excluded from the fledgling improvement in the global economy

Macro-economic developments in Europe were influenced by the debt crisis pulling the Eurozone down into recession (negative economic growth), while the US economy continued to grow at a moderate pace. Inflation remained low in most industrialised countries throughout the world.

In the US, GDP grew by about 2% in 2012; slightly less than the normal growth rate. In several areas, a number of fundamental economic conditions developed favourably over the year, and this may be very significant for the economy in the years to come.

Firstly, the housing market came out of its long-term crisis. New-buildings increased, the number of home transactions increased and house prices also moved forward. Investments in housing therefore began again to contribute significantly to GDP growth in 2012.

Figure. House prices in the US again began to rise in 2012



Source: Macrobondd

Secondly, private wealth also began to rise due to rising house prices and share-price gains, and this resulted in robust consumption; aided not least by growing car sales.

Thirdly it seems that the US banking sector has found its feet again after the financial crisis, with the consequential increases in lending to individuals and companies.

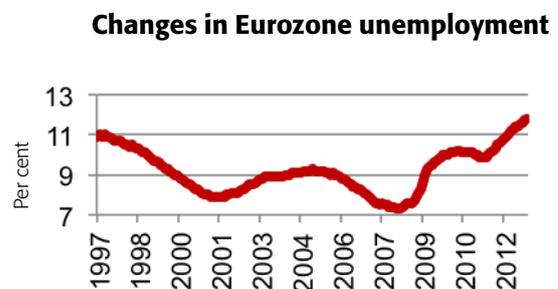
Despite this, the economy only grew at a moderate rate, and there are two main reasons for this. Firstly, there were still no signs of progress in the labour market and unemployment remained high. Secondly the threat of the 'Fiscal Cliff' gave rise to consumer reluctance and low corporate investment at the end of the year. The Fiscal Cliff describes the situation arising if politicians cannot agree on economic policy, which is impacted by huge deficits on government finances. No agreement would mean that temporary tax reductions would expire at the end of the year and large cuts in all government expenditure would automatically take force.

The US would go over the Fiscal Cliff and this could have triggered a new recession.

The 2012 election campaign interrupted political work to find a solution to the poor US government finances. After the election in November, politicians only had a few weeks to negotiate a solution. Shortly after the New Year politicians agreed on tax increases but the decision on savings was postponed for two months.

On the other hand, the Eurozone was bogged down in recession and GDP is estimated to have dropped by 0.5% in 2012. The poor economic development is due to the debt crisis and the tough financial policies countries have imposed to improve government finances. This tightening had significant repercussions in southern Europe, with increasing unemployment to follow. For example, unemployment in Spain rose to more than 25%. As the year progressed, the crisis in southern Europe spread to the hitherto robust German economy. Growth rates dropped sharply in Germany and unemployment slowly began to rise.

Figure. Very high unemployment in the Eurozone



Source: Macrobond

Moreover, the continuing debt crisis meant that the mood of consumers and companies became extremely gloomy. In addition to the debt crisis, in 2012 the European economy also suffered a lack of confidence.

Politically the EU continued to make progress in endeavours to contain the debt crisis. In 2012 the EU adopted the Financial Pact to secure better budget discipline. The EU also set up the permanent European Stability Mechanism with lending capacity of EUR 500 bn. Much of Greece's

government debt was written down, the EU began to establish a common EU bank supervisor, and finally the ECB announced that it was willing to buy up unlimited amounts of government bonds in countries severely hit by the crisis.

These countries themselves made visible economic progress in 2012, with falling deficits on government finances and significantly increasing exports in many countries as indications of improving competitiveness.

In the second half of 2012 there were clear signs that the debt crisis had been alleviated, although not yet conquered.

Despite political endeavours to contain the crisis, and despite advances in the hardest hit countries, the Eurozone as a whole remained outside the signs of progress that started to emerge for the international economy in general in late 2012.

The ECB eased monetary policy significantly

The European Central Bank, the ECB, had a crucial role in managing the debt crisis. The decisive event took place last July when ECB President, Mario Draghi, said that; *"Within our mandate, the ECB is ready to do whatever it takes to preserve the euro. And believe me, it will be enough"*. This gave the financial markets confidence that the ECB was finally taking effective measures against the debt crisis and this was confirmed at the ECB interest-rate meeting on 6 September. At the meeting the ECB announced that it would buy up unlimited amounts of government bonds in a Eurozone country in trouble. In other words, what was previously unthinkable; the ECB would finance a member state's government finances. The decision had a dramatic effect on the financial markets. The fear of a collapse in the euro partnership retreated and the interest-rate spread between government bonds in countries hit by the crisis and Germany narrowed significantly throughout the rest of the year.

Furthermore, as early as in July the ECB cut its leading interest rates by 0.25%, so that the lending rate came down to 0.75%, while the rate on deposits dropped to 0%.

The debt crisis in the Eurozone had a great indirect impact on Danmarks Nationalbank's leading interest rates. During the first half of the year foreign currency flooded into Denmark

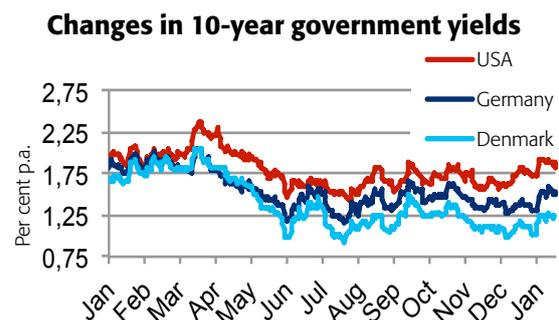
which was considered a safe haven in the event of a collapse in the Eurozone. This meant the Danish kroner strengthened against the euro and Danmarks Nationalbank reacted with three interest-rate cuts in May, June and July which brought the monetary policy rates in Denmark considerably below the ECB's corresponding rates. Following the last rate cut on 6 July, Danmarks Nationalbank's lending rate was 0.20%, while the rate on certificates of deposit was at an historically low -0.20%. This meant that Danish banks had to pay to have their money deposited at Danmarks Nationalbank.

Record-low bond yields

Up to the summer, yields on government bonds fell to record-low levels in the countries which investors considered as safe havens in the event of a collapse in Euroland. This included countries such as the US, Germany and Denmark, and the yield on a 10-year Danish government bond fell to less than 1% in June.

After Draghi's speech in July the mood in the markets changed and stayed relatively positive for the rest of the year. This led to significant drops in interest rates in debt-ridden countries such as Spain and Italy. Government rates in the safe countries rose only moderately because of the general plentiful supply of liquidity in the monetary cycle and because uncertainty regarding the future had far from disappeared.

Figure. 10-year government rates fell to record-low levels in 2012



Source: Macrobond

Two-digit returns on the largest share markets

Equities had a strong year in 2012, with considerable rises throughout the globe. The rises took place in the second

half of the year when investors were less nervous about the debt crisis and economic prospects, with a corresponding increase in willingness to take risk. The Danish C20 share index rose by 27%, performing better than the leading indexes in the Eurozone, the US and Japan. At the end of the year the C20 index rose to a level close to the records set before the financial crisis broke out.

Outlook for economic developments in 2013

Outlook for the international economy

The outlook for the world economy is relatively favourable and most regions are expected to see slightly higher GDP growth in 2013 compared with 2012.

However, the Eurozone will probably remain outside the general advances. It is expected that 2013 will be influenced by economic stagnation, with growth in GDP of around 0%. The debt crisis will continue to affect developments, primarily as tight economic policy, although the risk of significant deterioration is somewhat less than in previous years. It is expected that the groundwork will continue to pave the way for a gradual increase in consumer confidence which could lead to emerging economic growth as the year progresses. Unemployment will remain very high and inflation will continue to be low.

The US economy is expected to start the year with moderate growth, as activity will be affected by the political negotiations on cuts in government finances. We expect that the politicians will find a solution which will allow the underlying strength in the US economy to emerge. After this we see gradually accelerating growth so that GDP for all of 2013 will grow by 2-2½%. Unemployment will continue to fall slowly and inflation will remain low.

Outlook for the Danish economy

With the prospect of yet another year with weak or no growth in Europe because of the continued need for consolidation in a number of countries, there is no prospect that the Danish economy will see a significant recovery in 2013.

The lack of optimism from Europe could block Danish consumer and business confidence for some time yet, delaying any increase in private consumption and investment. In addition there is the effect on consumer confidence which could be caused by an increase in Danish unemployment. A small increase in unemployment in the wake of several years of weak growth is very likely for 2012/2013. We expect unemployment to increase by 5,000 in 2013 up to a Danish total of 170,000.

In contrast, there are several factors contributing to higher activity. Public consumption is expected to increase well in 2013, partly as a result of factors from 2012. A tax reform in which the ceiling for top-bracket was raised, as well as an increase in personal tax allowances, will stimulate private consumption in 2013. Interest rates on home loans will remain low and it is still possible that more people will start to spend their refunded contributions to the state early-retirement pension scheme.

We expect a growth in GDP in 2013 of between 0.5% and 1%.

Outlook for interest rates

Monetary policy in the Eurozone and the US is expected to remain very accommodative in 2013. We do not expect any increases in monetary policy interest rates in these two regions. However, it is possible that advances in the US economy, which is progressing well in 2013, may make the US central bank reduce injections of liquidity to the monetary cycle, with a potential effect on bond yields. Denmark's Nationalbank is expected to keep its leading interest rates unchanged to start with, although a weakening DKK against the euro could make Denmark's Nationalbank increase rates slightly.

Bond yields in Germany and Denmark are expected to remain very low, although with slightly increasing trends because we expect that the debt crisis has been alleviated and growth will slowly return during the year.

Overview of the development of the Bank

Year	Share capital DKK '000	Equity DKK '000	Total deposits DKK '000	Total loans DKK '000	Balance sheet DKK '000	Dividends
1919	2,028	2,053	8,467	6,171	10,845	2%
1924	2,980	3,113	32,097	27,333	35,743	0%
1929	3,000	3,153	34,549	27,147	38,117	0%
1934	4,000	5,809	54,701	30,476	60,895	5%
1939	5,748	8,298	79,122	53,820	90,975	5%
1944	6,068	10,383	112,733	39,593	132,318	5%
1949	9,000	14,656	148,210	106,992	185,173	5%
1954	12,268	20,029	236,362	166,498	280,877	5%
1959	20,000	34,361	324,455	208,054	396,974	5%
1964	27,480	51,194	512,412	391,147	687,722	5%
1969	73,245	132,224	1,112,641	859,137	2,020,207	8%
1974	84,010	189,609	1,416,860	1,055,938	1,952,346	8%
1979	155,000	386,378	3,302,869	2,042,200	4,138,430	8%
1980	175,000	492,641	4,134,319	2,216,857	5,146,659	8%
1981	200,000	606,040	4,480,342	2,725,706	5,826,485	8%
1982	200,000	737,163	5,408,926	3,061,164	6,956,243	8%
1983	250,000	1,072,901	6,343,780	3,591,311	8,248,399	8%
1984	250,000	1,065,326	7,159,989	4,113,046	9,193,014	10%
1985	300,000	1,259,777	8,892,844	4,849,759	11,895,334	10%
1986	300,000	1,169,252	12,332,646	6,120,481	15,767,884	10%
1987	300,000	1,178,692	9,204,051	6,689,158	13,148,580	10%
1988	300,000	1,114,226	9,739,026	6,841,645	13,568,986	10%
1989	300,000	1,038,432	8,874,509	6,816,247	12,114,390	5%
1990	300,000	1,127,053	9,604,343	7,246,667	13,190,238	5%
1991	300,000	1,141,123	10,066,171	7,589,772	13,503,811	7%
1992	300,000	910,226	9,518,135	6,321,741	11,909,442	0%
1993	300,000	1,017,069	9,810,743	5,915,726	12,056,005	6%
1994	300,000	978,775	9,497,094	5,980,578	13,019,924	6%
1995	300,000	1,107,773	9,366,550	6,120,781	12,481,734	8%
1996	300,000	1,244,261	9,509,461	5,954,845	12,992,751	8%
1997	300,000	1,253,927	8,600,579	6,253,048	13,593,738	8%
1998	300,000	1,324,771	9,073,724	6,129,112	13,634,397	9%
1999	300,000	1,366,063	8,703,307	5,767,079	13,304,523	8%
2000	300,000	1,447,765	8,647,361	6,612,586	14,694,356	8%
2001	300,000	1,517,595	9,462,569	6,798,638	13,584,198	8%
2002	300,000	1,572,733	9,931,401	6,718,055	12,966,789	8%
2003	300,000	1,776,367	10,064,125	7,243,911	14,818,457	35%
2004	300,000	1,985,181	11,172,086	7,995,438	17,632,336	18%
2005	300,000	2,577,002	11,901,912	9,147,135	20,155,354	15%
2006	300,000	2,826,009	12,635,413	11,158,237	22,266,046	20%
2007	300,000	2,951,311	14,575,944	13,255,086	25,721,904	20%
2008	300,000	2,847,539	19,079,536	17,401,113	31,819,407	0%
2009	300,000	2,939,710	21,406,246	16,954,659	30,512,085	0%
2010	300,000	3,118,224	20,942,449	16,917,430	32,344,168	8%
2011	300,000	3,157,260	22,932,631	16,948,118	34,570,204	8%
2012	300,000	3,607,213	24,100,569	17,687,171	36,773,174	35%

Endorsements

Statement by management

Today, the Board of Directors and the Executive Management presented and adopted the annual report of Aktieselskabet Arbejdernes Landsbank and the Group for the financial year 1 January to 31 December 2012.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as endorsed by the EU, and the financial statements of the Bank are presented in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc. In addition, the annual report has been prepared in accordance with further Danish disclosure requirements for annual reports of financial companies with listed debt instruments. The management's review has been prepared in accordance with the regulations laid down in the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the financial statements give a fair presentation of the assets, liabilities and financial position of the Group and of the Bank as of 31 December 2012 and of the results of the activities and cash flows of the Group and the Bank for the financial year 1 January to 31 December 2012.

In our opinion, the management's review provides a true and fair report of the circumstances of the review, as well as a description of the most significant risks and uncertainty factors that may influence the Group and the Bank.

We recommend that the annual report be adopted at the General Meeting.

Copenhagen, 12 February 2013

Executive Management:

Gert R. Jonassen
Chief Executive

Jan Walther Andersen

Board of Directors:

Poul Erik Skov Christensen
Chairman

Mette Kindberg

Jette Kronborg

Lars Andersen

Johnny Skovengaard

John Markussen

Harald Børsting

Niels Sørensen

Ulla Strøm Nordenhof

Thorkild E. Jensen

Henrik Thagaard

Internal auditor's report

Endorsement of the consolidated financial statements and the financial statements

We have audited the consolidated financial statements and the financial statements for Aktieselskabet Arbejdernes Landsbank for the financial year 1 January to 31 December 2012. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as endorsed by the EU, and the financial statements have been prepared in accordance with the Danish Financial Business Act.

Basis of opinion

We have conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as Financial Groups, and pursuant to the international auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements and the financial statements are free from material misstatement.

The audit has been performed in accordance with the segregation of duties agreed with the external auditors and has included an assessment of procedures and internal controls established, including the risk management organised by management relevant to the entity's reporting processes and significant business risks. Based on materiality and risk, we have examined, on a sample basis, the basis of amounts and other disclosures in the consolidated financial statements and the financial statements. The audit also includes evaluating the appropriateness of accounting policies applied and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the financial statements.

We have participated in the audit of risk and other material areas and believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the procedures and internal controls established, including the risk management implemented by Management aimed at the Group's and the Bank's reporting processes and major business risks, are working satisfactorily.

Furthermore, in our opinion the consolidated financial statements and the financial statements give a fair presentation of the Group's and the Bank's assets, liabilities and financial position as of 31 December 2012 and of the results of the Group's and the Bank's activities and cash flows for the financial year 1 January to 31 December 2012, in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, and in accordance with the Danish Financial Business Act in respect of the financial statements.

Statement on the management's review

We have read through the management's review in accordance with the Danish Financial Business Act. We have not acted further other than the audit carried out of the consolidated financial statements and the financial statements.

Furthermore, in our opinion the management's review is in accordance with the consolidated financial statements and the financial statements.

Copenhagen, 12 February 2013

Anne Marie Haas

Head of Internal Audit Department

The independent auditors' report

To the shareholders of Aktieselskabet Arbejdernes Landsbank

Endorsement of the consolidated financial statements and the financial statements

We have audited the consolidated financial statements and the financial statements of Aktieselskabet Arbejdernes Landsbank for the financial year 1 January to 31 December 2012 comprising the income statement, the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the notes, including accounting policies for both the Group and the Bank. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as approved by the EU, and the financial statements for the Bank have been prepared in accordance with the Danish Financial Business Act.

Management's responsibility for the consolidated financial statements and the financial statements

Management is responsible for the preparation and fair presentation of consolidated financial statements in accordance with the International Financial Reporting Standards as approved by the EU, as well as for the preparation and fair presentation of financial statements in accordance with the Danish Financial Business Act. Management is also responsible for the internal control deemed necessary by Management in order to prepare consolidated financial statements and financial statements without material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements and the financial statements based on our audit. We conducted our audit in accordance with the international auditing standards and further requirements stipulated by Danish accounting legislation. These standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the consolidated financial statements and financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement in the consolidated financial statements and the financial statements, whether due to fraud or error. In making risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the consolidated financial statements and the financial statements. The purpose is to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

Furthermore, we believe that the consolidated financial statements give a fair presentation of the Group's assets, liabilities and financial position as of 31 December 2012 and of the results of the Group's activities and cash flows for the financial year 1 January to 31 December 2012 according to International Financial Reporting Standards as adopted by the EU.

In addition, in our opinion the financial statements provide a fair presentation of the assets, liabilities, and financial position of the Bank as of 31 December 2012, as well as of the result of the activities and cash flows of the Bank for the financial year 1 January to 31 December 2012 in accordance with the Danish Financial Business Act.



Statement on the management's review

We have read through the management's review in accordance with the Danish Financial Business Act. We have not acted further other than the audit carried out of the consolidated financial statements and the financial statements.

Furthermore, in our opinion the management's review is in accordance with the consolidated financial statements and the financial statements.

Copenhagen, 12 February 2013

Deloitte

Statsautoriseret Revisionspartnerselskab

John Ladekarl

State-Authorised Public Accountant

Christian Dalmoose Pedersen

State-Authorised Public Accountant

Financial statements and consolidated financial statements

Income statement and comprehensive income

Note		Group		Bank	
		2012 DKK '000	2011 DKK '000	2012 DKK '000	2011 DKK '000
Income statement					
7	Interest income	1,526,372	1,491,955	1,439,062	1,413,527
8	Interest expenses	-352,740	-377,742	-352,349	-377,331
	Net interest income	1,173,632	1,114,213	1,086,713	1,036,196
	Dividends from shares, etc.	14,325	32,643	14,325	32,643
9	Fee and commission income	387,557	366,023	343,940	325,480
	Fees and commissions paid	-78,955	-73,433	-54,233	-52,147
	Net interest and fee income	1,496,559	1,439,446	1,390,745	1,342,172
10	Value adjustments	344,709	-226,729	346,363	-220,870
	Other operating income	84,985	74,706	38,306	32,685
11	Staff and administration expenses	-1,093,067	-1,074,817	-1,020,373	-1,008,150
	Depreciation and amortisation as well as impairment losses on intangible assets and property, plant and equipment	-56,765	-41,264	-15,148	-8,717
12	Other operating expenses	-67,388	-67,280	-67,388	-67,280
13	Write-downs on loans and receivables, etc.	-277,193	-210,393	-270,887	-199,509
	Profit from equity investments in associates and group companies	128,035	110,755	148,747	127,321
	Profit before tax	559,875	4,424	550,365	-2,348
14	Tax	-103,274	33,647	-93,764	40,419
	Profit for the year	456,601	38,071	456,601	38,071
Proposal for distribution of profit:					
	Dividend for the year	105,000	24,000	105,000	24,000
	Transferred to equity	351,601	14,071	351,601	14,071
	Total for distribution	456,601	38,071	456,601	38,071
Comprehensive income					
	Profit for the year	456,601	38,071	456,601	38,071
Other comprehensive income					
	Change in the valuation of owner-occupied properties *)	17,352	24,965	17,352	24,965
	Total other comprehensive income	17,352	24,965	17,352	24,965
	Total comprehensive income	473,953	63,036	473,953	63,036

*) Deferred tax on the Bank's owner-occupied properties amounts to DKK 0.

Balance sheet as of 31 December

Note		Group	2011	Bank	2011
		2012	2011	2012	2011
		DKK '000	DKK '000	DKK '000	DKK '000
Assets					
	Cash in hand and demand deposits with central banks	723,817	383,352	723,812	383,340
15	Receivables from credit institutions and central banks	1,091,572	975,524	1,087,323	973,169
4	Loans and other receivables at amortised cost	17,751,986	17,001,600	17,687,171	16,948,118
16	Bonds at fair value	13,843,097	13,034,557	13,843,097	13,034,557
4	Shares, etc.	916,114	866,677	916,114	866,677
17, 40	Investments in associates	921,900	802,813	921,900	802,813
40	Investments in group companies	0	0	115,881	95,236
18	Assets linked to pooled schemes	442,632	366,499	442,632	366,499
21	Intangible assets	11,897	10,992	1,453	1,878
19	Total land and buildings	628,508	608,654	628,508	608,654
	Investment properties	55,332	55,000	55,332	55,000
	Owner-occupied properties	573,176	553,654	573,176	553,654
20	Other property, plant and equipment	180,772	176,020	59,055	47,529
	Current tax assets	0	1,376	13,842	1,376
23	Deferred tax assets	10,887	58,482	32,573	100,653
22	Other assets	289,438	323,195	277,200	317,392
	Accruals	26,627	23,969	22,613	22,312
	Total assets	36,839,247	34,633,710	36,773,174	34,570,204
Liabilities					
Debt					
24	Debt to credit institutions and central banks	4,081,768	3,448,197	4,081,768	3,448,197
25	Deposits and other debt	23,664,299	22,576,621	23,657,937	22,566,132
	Deposits in pooled schemes	442,632	366,499	442,632	366,499
26	Issued bonds at amortised cost	3,090,796	3,631,912	3,089,802	3,630,918
	Current tax liabilities	15,439	0	0	0
27	Other liabilities	1,088,357	641,825	1,054,608	596,649
	Prepayments	30,502	31,597	22,483	24,750
	Total debt	32,413,793	30,696,651	32,349,230	30,633,145
28	Provisions				
	Provisions for pensions and similar liabilities	10,200	8,673	10,200	8,673
	Provisions for losses on guarantees	9,229	9,825	9,229	9,825
	Other provisions	77,861	42,681	76,351	42,681
	Total provisions	97,290	61,179	95,780	61,179
Subordinated debt					
29	Subordinated debt	720,951	718,620	720,951	718,620
	Total subordinated debt	720,951	718,620	720,951	718,620
Equity					
30	Share capital	300,000	300,000	300,000	300,000
	Revaluation reserves	203,593	186,241	203,593	186,241
	Other reserves	476,160	360,865	579,210	443,270
	Statutory reserves	476,160	360,865	579,210	443,270
	Retained earnings or losses	2,522,460	2,286,154	2,419,410	2,203,749
	Proposed dividend	105,000	24,000	105,000	24,000
	Total equity	3,607,213	3,157,260	3,607,213	3,157,260
	Total liabilities	36,839,247	34,633,710	36,773,174	34,570,204

Changes in equity

	Share capital DKK '000	Revaluation reserves DKK '000	Reserves DKK '000	Retained earnings DKK '000	Dividend DKK '000	Total DKK '000
Group 2012						
Equity at the beginning of 2012	300,000	186,241	360,865	2,286,154	24,000	3,157,260
Profit for the year			115,295	236,306	105,000	456,601
Other comprehensive income		17,352				17,352
Total comprehensive income		17,352	115,295	236,306	105,000	473,953
Dividend paid for 2011					-24,000	-24,000
Total changes in equity		17,352	115,295	236,306	81,000	449,953
Equity at the end of 2012	300,000	203,593	476,160	2,522,460	105,000	3,607,213
Group 2011						
Equity at the beginning of 2011	300,000	161,276	259,925	2,373,023	24,000	3,118,224
Profit for the year			100,940	-86,869	24,000	38,071
Other comprehensive income		24,965				24,965
Total comprehensive income		24,965	100,940	-86,869	24,000	63,036
Dividend paid for 2010					-24,000	-24,000
Total changes in equity		24,965	100,940	-86,869	0	39,036
Equity at the end of 2011	300,000	186,241	360,865	2,286,154	24,000	3,157,260
Bank 2012						
Equity at the beginning of 2012	300,000	186,241	443,270	2,203,749	24,000	3,157,260
Profit for the year			135,940	215,661	105,000	456,601
Other comprehensive income		17,352				17,352
Total comprehensive income		17,352	135,940	215,661	105,000	473,953
Dividend paid for 2011					-24,000	-24,000
Total changes in equity		17,352	135,940	215,661	81,000	449,953
Equity at the end of 2012	300,000	203,593	579,210	2,419,410	105,000	3,607,213
Bank 2011						
Equity at the beginning of 2011	300,000	161,276	326,068	2,306,880	24,000	3,118,224
Profit for the year		0	117,202	-103,131	24,000	38,071
Other comprehensive income		24,965		0		24,965
Total comprehensive income		24,965	117,202	-103,131	24,000	63,036
Dividend paid for 2010					-24,000	-24,000
Total changes in equity		24,965	117,202	-103,131	0	39,036
Equity at the end of 2011	300,000	186,241	443,270	2,203,749	24,000	3,157,260

Cash flow statement *)

Note	Group	2011	Bank	2011
	2012 DKK '000	2011 DKK '000	2012 DKK '000	2011 DKK '000
Profit before tax for the year	559,875	4,424	550,365	-2,348
Adjustment for non-cash operating items				
Depreciation, amortisation and write-downs of intangible assets	4,117	2,946	425	248
Depreciation, amortisation and revaluations of property, plant and equipment	52,648	38,318	14,723	8,469
Write-downs on loans, etc.	277,193	210,393	270,887	199,509
Profit for the year adjusted for non-cash operating items	893,833	256,081	836,400	205,878
Loans and receivables with credit institutions, etc.	-1,040,116	-433,574	-1,033,573	-404,905
Bonds and shares	-857,977	-2,569,825	-857,977	-2,569,825
Deposits and debt to credit institutions, etc.	1,797,382	2,568,012	1,801,509	2,561,365
Other working capital	262,290	-1,004,578	272,175	-1,030,417
Corporation tax paid	-38,500	0	-38,500	0
Change in working capital	123,079	-1,439,965	143,634	-1,443,782
Cash flows from operating activities	1,016,912	-1,183,884	980,034	-1,237,904
Acquisition of intangible assets	-5,022	-4,646	0	-486
Acquisition of property, plant and equipment	-95,131	-159,594	-33,921	-76,352
Sale of property, plant and equipment	35,229	34,380	5,170	1,014
Acquisition and sale of associates and group companies	-3,792	-124,058	-3,792	-124,058
Cash flows from investment activities	-68,716	-253,918	-32,543	-199,882
Issued bonds	-541,116	17,468	-541,116	17,468
Hybrid core capital issued	2,331	390,620	2,331	390,620
Dividend paid	-24,000	-24,000	-24,000	-24,000
Cash flows from financing activities	-562,785	384,088	-562,785	384,088
Changes in cash and cash equivalents	385,411	-1,053,714	384,706	-1,053,698
36 Cash and cash equivalents brought forward	932,995	1,986,709	932,724	1,986,422
36 Cash and cash equivalents carried forward	1,318,406	932,995	1,317,430	932,724

*) Includes value adjustments of security and currency forward transactions.



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Notes to the financial statements

Note 1 Accounting policies

GENERAL

The consolidated financial statements of Arbejdernes Landsbank have been prepared in accordance with the International Financial Reporting Standards (IFRS), which have been approved by the EU. Financial statements of the Parent Company have been prepared in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Credit Institutions, etc., as well as guidelines issued by the Danish FSA. Furthermore, the annual report (consolidated financial statements and financial statements) has been prepared in accordance with further Danish disclosure requirements for financial companies with listed debt instruments. Further Danish disclosure requirements are stipulated in the IFRS Executive Order for Financial Companies issued pursuant to the Danish Financial Business Act.

Financial and operating data and financial ratios for 2008 have not been adjusted to the changed accounting policies introduced in 2010 with the transition to reporting according to IFRS.

The annual report is presented in Danish kroner (DKK).

Changes in accounting policies

As of 1 January 2012, Arbejdernes Landsbank has implemented the following new and changed standards (IFRS/IAS) and interpretation contributions (IFRIC):

- Amendment of IFRS 7; *Financial instruments: Disclosures* (October 2009)
- Amendment of IAS 12, *Income taxes: Recovery of underlying assets* (December 2010)

Implementation of the new and changed standards and interpretation contributions has not led to changes in accounting policies in relation to profit/loss for the year, balance sheet or information.

The effect of new regulations on financial statements has not yet entered into force

The International Accounting Standards Board (IASB) has issued a number of standards, addendums and interpretation contributions which have not yet entered into force. The following standards are relevant in respect of the Group's future financial reporting:

- IFRS 9, *Financial Instruments: Classification and Measurement (Financial Assets)* (November 2009) and *Classification and Measurement (Financial Liabilities)* (October 2010)
- IFRS 10, *Consolidated Financial Statements* (May 2011)
- IFRS 11, *Joint Arrangements and Joint Ventures* (May 2011)
- IFRS 12, *Disclosure of Interests in Other Entities* (May 2011)
- IFRS 13, *Fair Value Measurement* (May 2011).
- IAS 32, *Financial instruments: Presentation* (December 2011)

The total accounting effects cannot be fully identified until the final IFRS 9 has been issued. The other standards mentioned are not expected to lead to significant changes in accounting policies affecting results, balance sheet or disclosures.

At the time of publication of this annual report, a number of new or changed standards and interpretation contributions have also been presented which have not yet entered into force, and which therefore have not been incorporated in these consolidated financial statements. In the opinion of the management, these will not significantly impact the consolidated financial statements for the coming financial years.

Consolidated financial statements

The consolidated financial statements include the financial statements of Aktieselskabet Arbejdernes Landsbank and its subsidiaries, which are all fully owned by the Parent Company.

The consolidated financial statements have been prepared as a consolidation of the financial statements of the Parent Company and Group companies, calculated in accordance with Group accounting policies, and eliminated for intragroup income and expenses, internal shareholdings and internal balances.

The annual results for Group companies are recognised in the Bank's financial statements according to the equity method. Internal balances have been reconciled and adjustments have been made for changes in the price determination of shares in group companies. Thus, the Group's comprehensive income and equity are equal to the Parent Company's comprehensive income and equity.

Recognition and measurement in general

Income is recognised in the income statement as it is earned, including value adjustments to financial assets, liabilities, and derivative financial instruments. However, increases in the value of the Bank's owner-occupied properties in other comprehensive income are recognised and attributable to a separate reserve on equity to the extent that these do not cancel out previous write-downs. Costs incurred to obtain earnings for the year are recognised in the income statement.

An asset is recognised in the balance sheet when it is probable that future financial benefits will flow to the Group and the value of the asset can be measured reliably. A liability is recognised in the balance sheet when the Group has a legal or actual obligation, and it is probable that future financial benefits will flow from the Group, and the value of the liability can be measured reliably. Purchases and sales of financial instruments are recognised on the settlement date. At recognition and measurement, unpredictable risks and losses are taken into account that arise before the annual financial statements are presented, and which confirm or disconfirm conditions that existed on the reporting date.

At initial recognition, assets and liabilities are measured at cost, which usually corresponds to fair value at the date of transaction.

However, derivative financial instruments are included on the contract date at fair value. Measurements after initial recognition take place as described for each item below. Recognition of assets and liabilities ceases when the right to receive/surrender cash flows from the asset or liability has expired, or when it has been transferred and the Bank has essentially transferred all risks and returns attached to the beneficial ownership.

Financial assets are classified at the date of recognition into the following categories:

- Trading portfolio, which is measured at fair value
- Investment securities and pooled assets with fair value adjustment through the income statement (fair value option)
- Loans and receivables with credit institutions measured at amortised cost

Financial liabilities are classified at the date of recognition into the following categories:

- Trading portfolio, which is measured at fair value
- Financial liabilities measured at amortised cost
- Deposits in pooled schemes with fair value adjustment through the income statement (fair value option)

The trading portfolio includes securities acquired for the purpose of sale or repurchase within a short period of time. Derivative financial instruments are included in the trading portfolio.

Derivative financial instruments

Derivative financial instruments are instruments, the value of which has been derived from the value of an underlying asset, e.g. a security. Derivative financial instruments are measured at initial recognition and subsequently at fair value. Positive and negative fair values of derivative financial instruments are recognised under other assets or other liabilities, respectively. A change in the fair value of derivative financial instruments is recognised in the income statement and calculated on the basis of current market data and recognised methods of valuation.

Hedge accounting

For certain fixed-interest assets and liabilities, fair value is hedged by derivative financial instruments as part of risk management. Changes in fair value of derivative financial instruments which have been classified as, and which meet the criteria for, hedging of the fair value of a recognised asset or a recognised liability are recognised in the income statement together with any changes in the fair value of the hedged asset or the hedged liability. For derivative financial instruments which do not meet the



conditions for hedging instruments, changes in fair value are recognised in the income statement on a current basis under the items: interest income, currency exchange-rate adjustments or value adjustment of derivatives, depending on the content of the value change.

Repo/reverse transactions

Securities sold, for which, at the time of the sale, agreement has been made on repurchase, are recognised in the balance sheet as though the securities were still part of the portfolio. The amount received is entered as debt and the difference between the selling rate and the purchase rate is recognised in the income statement as interest during the term. The return from securities is recognised in the income statement. Securities purchased where agreement has been made on sell-back, are not recognised in the balance sheet and the return is not part of the income statement. The consideration is not recognised as a receivable and the difference between the purchasing and selling rate is not recognised in the income statement as interest during the term.

Foreign currency translation

The consolidated financial statements are presented in DKK which is also the functional currency of the Bank.

Transactions denominated in foreign currencies are translated in accordance with the exchange rate ruling at the date of transaction. Gains and losses, which arise between the date of transaction and the settlement date, are recognised in the income statement. On the reporting date, monetary assets and liabilities are translated into foreign currency at the exchange rate ruling at the reporting date.

Holdings and balances in foreign currency are disclosed at the exchange rates published by Nasdaq OMX Copenhagen A/S as at the end of the year as a best estimate of closing rates.

INCOME STATEMENT

Core earnings

Core earnings are defined as net earnings before expenses and excluding earnings from investment portfolios. Core earnings are divided into trading earnings and core earnings excluding trading earnings.

Trading earnings include commission and extra brokerage fees on trading activities with financial instruments and currency. Trade earnings also include earnings concerning capital management and consultancy services, including commission and fees from investment associations and the Bank's pools and custody fees.

Core profit

Core profit is calculated from the total core earnings after deduction of costs relating to the core earnings.

Investment portfolio earnings, excl. investment securities

Investment portfolio earnings deal with the return on receivables from credit institutions and the portfolio of shares, bonds and derivatives. The results are calculated after expenses for funding and costs.

Investment securities

The results of the investment securities deal with the return on unlisted shares, which the Bank considers to be sector-related, and which enable the Bank to be part of the infrastructure and cooperate with other financial institutions as an independent credit institution.

Interest, fees and commissions

Interest income and interest expenses are recognised in the income statement in the period for which they concern. Index adjustments to bonds and price adjustments to zero-coupon bonds are included under interest from bonds.

Value adjustments to certificates of deposit issued by Danmarks Nationalbank are included under interest from credit institutions.

The interest element on repurchase transactions is included under the respective interest items depending on the counterparty. Income from finance lease contracts is recognised in the income statement under interest income.

Interest income from loans, which have been wholly or partly written down, is only recognised under interest income at the calculated effective interest rate on the written down value of the loan. Further to this, interest income of the amount written down is recognised under the item write-downs on loans and receivables, etc.

Commission and fees which are regarded as an integral part of the effective interest rate on a loan or long-term funding, are recognised as part of the amortised cost and thus as an integral part of the financial instrument under interest income or interest expenses, respectively.

Commission and fees regarding current interest and capital repayment are accrued during the term. Other fees are recognised in the income statement when the transaction has been completed. Premiums (net) for forward transactions and interest on swap transactions (net) are included under other interest income.

Staff and administrative expenses

Staff expenses include wages and salaries as well as social costs, pensions etc. for the Bank's staff. Long-term staff liabilities are recognised, on a current basis, taking into consideration the expected probability of employees resigning before the date of benefits.

Other operating income and expenses

Other operating income and expenses include items of secondary character in relation to the Bank's activities, including profit/loss incurred from administering real property and selling leasing assets.

Profit/loss from selling leasing assets are calculated as the sales price after deduction of selling costs and the value of the leasing assets at contract expiry. The item other operating costs also includes current provisions for 'Bank Package I'.

Tax

Arbejdernes Landsbank is taxed jointly with its group companies. Current corporation tax is distributed between the companies taxed jointly in relation to the taxable profit of such companies (full distribution with refund in respect of tax losses).

Tax for the year, which comprises current tax for the year and changes in deferred tax, is recognised in the income statement as the amount attributable to profit/loss for the year, and in other comprehensive income as the amount attributable to items posted to other comprehensive income. This applies to e.g. tax on revaluations of owner-occupied properties and directly in equity with amount attributable to items posted directly to equity.

Current tax liabilities and current tax receivable are recognised in the balance sheet as calculated tax on taxable profit for the year, adjusted for tax paid on account.

Deferred tax is recognised as all temporary differences between carrying amounts and tax bases of assets and liabilities. Where recalculation of tax base can be made according to different taxation rules, deferred tax is measured on the basis of utilisation of the asset planned by the management, as well as planned settlement of the liability.

Deferred tax is measured on the basis of tax regulations and tax rates which will apply at the time when the deferred tax is expected to become current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

The Bank pays corporation tax according to the payment of tax on account scheme. To the extent that tax paid on account does not correspond to expected income tax for the year, additions or deductions are included in respect of the difference under interest income and interest expenses, respectively.

Calculated tax on income for the year and deferred tax is allocated to the individual company.

BALANCE SHEET

Cash in hand and demand deposits with Danmarks Nationalbank

Cash in hand and demand deposits with central banks are recognised at initial recognition at fair value and subsequently measured at amortised cost

Receivables from credit institutions, etc.

Receivables from credit institutions and receivables from central banks are recognised at initial recognition at fair value, and subsequently measured at amortised cost. Certificates of deposit are recognised at fair value at initial recognition, and subsequently at amortised cost.

Loans at amortised cost

Loans at amortised cost are recognised at initial recognition at fair value. Front-end fees, which are considered an integral part of the effective interest rate of the loan, are recognised at the carrying amount of the loan and thus recognised as income over the expected term of the loan. Loans at amortised cost are subsequently measured at amortised cost less write-downs to account for losses.

In connection with individual assessments, objective evidence of impairment is ascertained if the debtor is considered to be in considerable financial difficulties, if the debtor has not fulfilled agreements entered into (breach of contract) or if the Bank has granted the debtor easier terms that would not have been considered if it had not been for the financial difficulties of the debtor. In addition, objective evidence of impairment is considered ascertained if it is considered likely that the debtor will go bankrupt or be subject to other financial reconstruction.

For loans and groups of loans, where objective evidence of impairment has been ascertained as a consequence of events that occurred after initial recognition, any write-downs are calculated on the basis of discounting expected future cash flows, including realisation value of any collateral. For fixed-interest loans, discounting is based on the initially determined effective interest rate, and for floating-rate loans discounting is based on the current effective interest rate.

Large exposures, including large corporate exposures, are assessed individually.

Write-downs are assessed individually as well as by groups. Significant loans are always tested for individual write-down. Loans not written down individually, are included in the calculation of group write-downs.

In connection with assessment of loans with objective evidence of impairment, payment rows for each loan are listed on the expected future cash flows.

Loans that are not individually written down are assessed by group as a whole to establish whether objective evidence of impairment exists.

Group write-downs are carried out on groups of loans which are assumed to have uniform characteristics with regard to credit risk, etc. The Bank has 43 groups broken down into 1 group of public authorities, 1 group of credit institutions, 25 groups of private customers and 16 groups of corporate customers.

In collaboration with Bankernes EDB Central (BEC), the Bank has developed a model which meets the statutory requirements.

Group write-downs are based on a rating by the Bank carried out on the basis of the Bank's knowledge about customer behaviour. Provision for unutilised credits and guarantees is recognised under provisions.

See also the comments on credit risk in note 4 on risk management.

The Group as lessor

Receivables from lessees under finance lease contracts are recognised as loans corresponding to the net investment in leasing contracts. Income from finance lease contracts is accrued over the term of the contract, reflecting a constant periodic return on investment.

An operating lease is defined as a contract that is not a finance lease. Leasing income from operating lease contracts is recognised on a straight-line basis for the current leasing period under the effective interest-rate method. Profits and losses from selling leasing assets are recognised as other operating income.

Bonds and shares, etc.

Bonds and shares, etc. which are traded on active markets, are measured at fair value at initial recognition and subsequent recognition.

Fair value is set on the basis of the closing price on the reporting date or, if this is not available, another valid price deemed to best correspond to this price is used. The fair value of called bonds is, however, stated at the present value of the bonds.

Unlisted securities are measured at an estimated fair value by means of current market data or recognised methods of valuation.

Fair value adjustments of bonds and shares, etc. are recognised in the income statement on a current basis.

Pension pool schemes

Yields on funds in pension pool schemes are included as a separate operating item under value adjustments. An adjustment corresponding to the pension pool profits for the participants is also included under value adjustments and thus the results of the pension pool schemes are neutralised in the results of the Group and the Bank for the year.

Investments in associates

Investments in associates are recognised and measured under the equity value method (the equity method) in the consolidated financial statements according to the IFRS, as well as the parent's financial statements according to the Danish Executive Order on the Presentation of Financial Statements, which means equity investments are measured in relation to the proportionate share of the equity value of the companies. The value change is recognised under equity investments in associates.

Investments in group companies

Investments in group companies are recognised and measured at equity value in the parent's financial statements according to the Danish Executive Order on the Presentation of Financial Statements. Shares of profit after tax of group companies are recognised in the income statement under equity investments in group companies.

Shares of changes in equity of group companies are recognised directly in equity.

Intangible assets

Intangible assets include software acquired, which is recognised at cost. Cost includes the costs incurred to bring the individual piece of software into use. Software acquired is written off on a straight-line basis over its expected useful life, typically three years.

Owner-occupied properties

Owner-occupied properties, which are properties from where the Group carries out its activity as a credit institution, are recognised at acquisition at cost and are subsequently measured at revalued amount.

Revaluation is carried out at appropriate intervals, and at least once a year, so that the carrying amount is not deemed to differ materially from the fair value of the owner-occupied properties at the balance sheet date. Calculation of fair value is decided on the basis of internally determined requirements for rates of return on each property. The rate of return requirement for each property is fixed on the basis of the long-term interest-rate, a risk premium and a local allowance. Determination of the local allowance is made on the basis of external advice. As part of the annual valuation, a number of properties are selected for control calculation with regard to local allowance when obtaining a valuation from an independent assessor on the assumption that the assessment of selling price is made on the basis of no more than six months' turnover time.

Increases in the revalued amount after tax are recognised directly in other comprehensive income in a separate reserve on equity, unless the increase counteracts a reduction in value that was previously recognised in the income statement.

Owner-occupied properties are depreciated on a straight-line basis over the expected useful life, taking into consideration the anticipated scrap value at the expiry of the useful life.

The anticipated useful life is assessed as:

Headquarters	100 years
Owner-occupied properties used to operate branches	50/75 years
Other owner-occupied properties	40 years old

Investment properties

Investment properties owned for the purpose of collecting rent and/or achieving capital gains, are measured at fair value on the reporting date. Gains or losses obtained due to changes in the fair value of the investment properties are recognised in the result for the period in which they are incurred. Fair value is determined according to the returns method. Measurement of fair value is carried out by external experts.

Other property, plant and equipment

Other property, plant and equipment comprises machinery, fixtures and equipment and IT equipment as well as assets held under operating leases, measured at cost less accumulated depreciation and any impairment losses.

The cost covers the acquisition price and costs directly related to the acquisition up until the time when the asset is ready for use.

The basis of depreciation is calculated taking into consideration the scrap value of the asset and is reduced by any write-downs. The scrap value is determined at the date of acquisition and reassessed annually. If the scrap value of the asset exceeds the carrying amount, depreciation ceases. Depreciation is carried out on a straight-line basis, taking into account expected residual value, over the expected useful life of the assets, which is expected to be between 3-5 years. For improvements to rented premises, depreciation is carried out for the term of the rental contract, typically ten years.

Write-downs on property, plant and equipment and intangible assets

The carrying amounts of property, plant and equipment and intangible assets with determinable useful lives are reviewed on the reporting date to determine whether there are indications of impairment. If so, the recoverable amount of the asset is calculated to determine any indications of impairment and the extent of these.

Other assets

This item includes assets which are not placed under other asset items, e.g. positive market values of spot transactions and derivative financial instruments, measured at fair value at initial recognition and at subsequent recognition.

Other receivables, including interest receivables, are measured at amortised cost at initial recognition and at subsequent recognition.

Prepayments, assets

Prepayments are recognised and measured at cost at initial recognition and at subsequent recognition. Prepayments primarily comprise prepaid wages.

Debt to credit institutions and deposits, etc.

Debt to credit institutions and central banks is recognised at the date the loan was taken up at the amount received after deduction of any transaction costs. It is subsequently measured at amortised cost.

The Bank applies the value of surplus collateral deposited for outstanding accounts with Danmarks Nationalbank in its calculation of cash resources. The value of the collateral deposited and the surplus collateral is disclosed in a note to the financial statements.

Deposits and other debt comprise debt to individuals and undertakings which are not credit institutions. Deposits and other debt are recognised at amortised cost at initial recognition and at fair value subsequently.

Issued bonds at amortised cost

Issued bonds at amortised cost comprise the Bank's issued bonds. Issued bonds are recognised at fair value at the date the loan was taken up and subsequently measured at amortised cost.

Other liabilities

This item includes liabilities which are not placed under other equity and liability items, e.g. negative market values of spot transactions and derivative financial instruments, measured at fair value at initial recognition and at subsequent recognition at fair value, as well as sold securities in connection with reverse transactions resulting in a negative portfolio. Other liabilities, including interest payable, are measured at amortised cost at initial recognition and at subsequent recognition.

Accruals, liabilities

Accruals are recognised and measured at cost at initial recognition and at subsequent recognition. Accruals mainly comprise prepaid fees and commissions.

Provisions

Provisions include deferred tax, pension commitments and pension contributions (long-term staff liabilities), provisions for losses on guarantees and value-impaired unutilised credits, and other liabilities which are uncertain with regard to size and date of settlement, when it is probable that the liability will lead to an outflow of financial resources from the Bank and the liability can be measured reliably. The liability is calculated as the present value of the costs necessary to meet the liability.

Pension contributions are provided in the balance sheet when they concern employees with an agreement to terminate employment within the financial year and for whom the Bank has agreed to pay pension contributions until pension age, as well as pension commitments to retired executives and executives who have resigned. The liabilities are expected to be realised within 1-10 years. Pension contributions for unutilised entitlements to retire prior to pension age are not provided in the balance sheet. This amount is disclosed under contingent liabilities. All liabilities are calculated on the basis of an actuarially calculated capitalised value.

Provisions for losses on guarantees and value-impaired unutilised credits are treated according to the same rules as characterise write-down tests on loans. These liabilities are expected to be realised within 1-5 years as actual losses or as reversed provisions due to lack of objective evidence of impairment.

Other provisions primarily deal with anniversary bonuses which are successively recognised regardless of the fact that the future payment is conditional upon employment on the payment date. This liability is expected to be realised within 1-40 years as the individual employees earn the right to an anniversary bonus.

Subordinated debt

Subordinated debt is liabilities other than provisions in the form of subordinate loan capital and/or hybrid core capital, which is recognised at fair value at first measurement and at amortised cost subsequently.

Equity

Share capital is classified as equity when there is no obligation to transfer cash or other assets.

Proposed dividend is recognised as a liability at the date when it is approved at the general meeting. The proposed dividend for the financial year is included as a separate item under equity.

Gains on revaluations of owner-occupied properties are transferred to revaluation reserves after deduction of taxes, if the revaluation is assessed to involve a tax burden in relation to the tax base of the properties. The reserve is dissolved at any reversal of revaluations made, or if the properties are sold.

Contingent liabilities

This item comprises guarantees and warranties, representations and indemnities, irrevocable commitments to grant credit and similar liabilities that are not recognised in the balance sheet. Guarantees and other liabilities are included at the full nominal value less provision for losses.

Provision for losses is recognised under the item write-downs on loans etc. in the income statement and under the item provisions in the balance sheet.

Cash flow statement

The cash flow statement shows cash flows for the year as well as cash and cash equivalents at the beginning and the end of the year.

The cash flow statement is presented according to the indirect method based on profit/loss for the year before tax. Cash flows include value adjustments of security and currency forward transactions for the year. Cash flows from operations are calculated as profit/loss for the year before tax adjusted for non-cash operating items, changes in working capital and corporation tax paid. Cash flows from investment

activities comprise acquisition or sale of non-current assets, investments in associated companies, etc. Cash flows from financing activities comprise loans taken and bond issuance with state guarantee. Cash and cash equivalents comprise cash and short-term money market deposits and amounts with a remaining term of less than three months.

Segment information

The Group and the Bank only has an operating segment which comprises core profit and investment portfolio earnings, and therefore no segment information is given.

Large exposures

Exposures which, before deductions pursuant to the Executive Order on Large Exposures, constitute 10% or more of the capital base, are included in the calculation of financial ratios at their exposure after deduction.

Solvency

The Group and Aktieselskabet Arbejdernes Landsbank calculate the solvency ratio pursuant to the Executive Order on Capital Adequacy, with later guidelines issued by the Danish Financial Supervisory Authority. A solvency need is also calculated, which reflects the requirements for necessary capital in relation to the assets acquired, the risk involved and stress testing of future developments in relation to the Bank's own strategy. The solvency need is calculated quarterly and reported to the Danish FSA with simultaneous announcement on the Bank's website [Solvensbehov](#) (Only available in Danish).

Note 2 Accounting estimates and assessments

The most important risks and the basis for estimated uncertainty of the Group are mentioned in the management's review, whereas note 4 describes risk management. The areas where these estimates and assessments have the most important effect on the financial statements are:

- Measurement of loans and guarantees in connection with write-downs and provisions
- Revalued amount of the Bank's owner-occupied properties
- Measurement of unlisted shares at fair value
- Fair value of listed financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, under normal conditions, between knowledgeable, willing parties in an arm's length transaction.

Measurement of loans and guarantees in connection with write-downs

When measuring the Bank's total loans and guarantees, significant estimates are connected with the quantification of risk that the debtor may not be able to honour all future payments. If it can be established that not all future payments will be received, determining the size of expected payment, including realisation values of collateral and expected payments of dividends from any estate inventories, may also be subject to considerable estimates. Provisions for bad debts and guarantees are also connected with uncertainty to establish the extent to which the guarantee will be effective in the event of economic failure of the principal.

If there is objective evidence of impairment exists, the Bank has prepared payment rows in accordance with current accounting standards. The Bank's credit risk is described in note 4 on risk management.

Collateral in cooperative property

The Bank has a large risk exposure in loans for cooperative property and loans to cooperative housing associations.

The market for cooperative property does not have the same degree of transparency as freehold properties, and this involves greater demands on the Bank's valuation of mortgaged assets. The Bank has developed a method for 'blue-stamping' cooperative housing associations before the association can be accepted as a customer.

This method is to ensure updated mortgageable values on the Bank's collateral in cooperative property, and in 2012, there was a drop in the overall collateral value of cooperative property.

This method also provides security that in addition to focusing on exposure development and credit rating, all necessary information is collected to give the Bank a sound foundation for determining the value of the mortgaged assets. This includes:

- Location of the cooperative housing association
- Number of residences and businesses, broken down by tenants and owners
- Negotiability of cooperative property
- Whether the chosen cooperative share reflects the market value
- Whether the administration of the cooperative housing association is reliable and professional
- Whether the required accounting provisions have been made for future maintenance and planning work
- Any deductions in measuring mortgageable value

Group write-downs

For group write-downs regarding private and corporate loans, uncertainty may especially be attributable to falling property prices, rising unemployment and any lack of credit quality in the Bank's customers.

Uncertainty about the Bank's model for group write-downs has been reduced by the Bank's objective and automatic rating model, as the model ensures customers automatically migrate to groups with lower or higher loss rates when a customer's rating code is changed.

A model for calculating group write-downs is in itself subject to significant estimates. When applying the model, the Bank seeks to adjust the model to make it fit the specific conditions of the Bank. Estimates are connected with this process. In addition, the Bank makes a managerial estimate to adjust for events which the model does not account for. This could be changed behaviour/risk of losses within the same risk class, as well as changes in the economy which are expected to influence customers' future creditworthiness.

Measurement of revalued amount on properties

Investment properties and owner-occupied properties subject to significant estimates when determining a rate of return requirement to sell within six months.

Measurement of unlisted shares at fair value

Measurement of unlisted shares at fair value is only to a certain extent based on observable market data. In addition, certain unlisted shares have not been traded for a number of years. Measurement of unlisted shares is therefore calculated at an estimated market value and is therefore associated with uncertainty.

Measurement of other financial instruments at fair value

Measurement of OTC derivatives at fair value and listed financial instruments priced in markets with low turnover is based on observable market data and may thus be associated with some uncertainty.

Note 3 Events after expiry of the accounting period

In connection with the takeover by Jyske Bank of Spar Lolland, the Guarantee Fund for Depositors and Investors will be required to pay for Spar Lolland's costs incurred from withdrawing from their EDB central. When the amount has been finally settled, the sector will be required to pay additional contributions to the Guarantee Fund. Based on an estimate of DKK 100 mill., the Bank's share will be less than DKK 2 mill., and this will affect the Bank's financial statements for 2013. No other events have taken place after end of the financial year which have a significant impact on the assessment of the annual report.

Note 4 Risk management

General

The Bank has set up an all-risk function, which is to ensure that the Executive Management and Board of Directors receive relevant risk reporting at Bank and Group levels, for the purpose of ensuring coherence and in order to provide the overall view necessary to manage the Bank's overall risk exposure. Special issues of a cross-sectoral nature are treated by a balance-sheet management committee set up by the Executive Management and composed of the Executive Management as well as the Head of Risk Management.

There is a person responsible for risk management for two major activity areas, providing credit and management of securities, as the Bank considers specific competencies and knowledge about these areas to be very important.

Credit risk

Credit policy

The overall credit risk is managed in accordance with policies and frameworks which are adopted and stipulated by the Board of Directors of the Bank and which by delegation ensure a lending system with a high degree of managerial involvement. Responsibility for monitoring, overall risk assumption and reporting to the Bank's management is rooted in the Bank's central credit area. Moreover, the Bank has a credit committee which examines exposures over a certain size. The Bank's Chief Executive is a member of the credit committee.

An important part of the Group's activities is to advise on, and grant loans, credits and other financial products to private individuals and enterprises. The primary target group of Arbejdernes Landsbank is private customers, associations and small and medium-sized corporate customers. The Bank

also wants to help ensure that the Bank's owners are given the opportunity to have various forms of bank business conducted.

The Bank only wants to participate in financing business which the Bank understands and is able to follow and manage in relation to advisory services. Generally, the Bank wants a relatively low risk profile on its portfolio compared with its competitors. The Bank does not wish to finance business where the risk profile is too high. Generally, the Bank does not participate in geared investment transactions nor does it wish to finance projects of a speculative nature. Granting credit is based on an ethical profile.

The Bank focuses on avoiding concentrations of risk, and Group credit policy is to minimise the risk on large single exposures. The sum of large exposures less deductions, excl. credit institutions, which individually exceed 10% of the Group's capital base, was reduced to 35.4% in 2012, broken down by two exposures. The exposures each represent 17.7% of the Group's capital base and have been established after a thorough evaluation that there is an acceptable risk and collateralisation.

The Group's overall credit policy is based on a wish to diversify risk and this takes into account spreading risk over sectors. This is important for the establishment of a sustainable foundation for the Bank's further development.

Generally, the Bank generally only finances customers who establish full customer relations in order to obtain the highest possible transparency and profitability for the Bank, and to establish the best possible basis for providing advice to the customer.

Furthermore, it is Group credit policy to minimise credit risk in agriculture. Agriculture accounts for just 0.8% of the Group's overall business loans.

Credit organisation

Over the past many years, the Bank has increased its focus on work methods and tools that contribute to better and more effective management and monitoring of credit risk. The Bank continuously seeks to dedicate the resources required to relevant risk areas as the economic cycle changes. The credit organisation and the entire risk management of the Bank will continue in 2013 to focus on management of the Bank's lending balance and management of the Bank's write-downs with a view to minimising the Bank's risk of losses.

The Bank has a structural separation between customer functions and the control and monitoring function, and focuses greatly on deciding loans and credits in close cooperation with the customer.

The Bank's authorisation procedure is supplemented by a number of control procedures. This means that all authorisations above a relatively low minimum limit are reported to the central credit function of the Bank, which reviews the authorisations and provides summarised reports to the Bank's Executive Management and Board of Directors.

The Credit Department carries out ongoing credit reviews, where branches undergo an extraordinary review of their credit-weak customers and a physical review of the contents of their customer files. There is a rotation system which means all branches will be reviewed every 3-4 years.

Credit risk management

In recent years, the Bank has increased focus on improving the Bank's credit risk management through development of new risk management tools.

The Bank's rating model calculates a rating of the Bank's private and corporate customers. The model was developed by the Bank and is based on a combination of payment behaviour as well as objective information about the customer, including accounting data for corporate customers.

The Bank's rating model is an expert model with 10 rating classes which are comparable with the credit-quality categories laid down by the Danish FSA. Rating classes range from 1-10, where rating 1 is the best and 10 is the poorest:

- Rating classes 1-3: Customers with exposures of good credit quality
- Rating class 4: Customers with normal credit quality
- Rating classes 5-8: Customers with exposures requiring more monitoring, as well as customers who only to a limited extent need additional loans
- Rating classes 9-10: Customers with poor credit rating

Regardless of the customer's rating class, each credit decision, whether it is a new loan or a reassessment of an existing loan, will always be based on the Bank's overall assessment of the customer.

In 2012, the Bank further developed the corporate concept introduced in 2011. The purpose of the concept is to ensure a more coordinated processing of corporate customers. Furthermore, in combination with the Bank's rating and strength profile, which was also introduced in 2011, the corporate concept helps facilitate the authorisation process, in addition to providing a better overview of customers and the Bank's risk.



The Bank's rating is an essential parametre in the selection of customers with an objective evidence of impairment (OEI) and this rating is also applied in the Bank's model for group write-downs.

Credit risk is reported quarterly to the Board of Directors with more detailed comments on the development in rating classes, overdrafts and the unsecured parts, customer segments and sectors. The developments in credit quality are monitored through a credit barometer developed internally and implemented in 2012.

When unauthorised overdrafts arise, an assessment of their acceptability is made. In relation to many good customers, the Bank will accept overdrafts caused by temporary changes in liquidity, if there is a valid reason and depending on the customer's future cash flows. Arrears in 2012 and the average credit quality of these are at par with 2011, see the notes on page 55. Furthermore, there has been a slight improvement in the unsecured parts. Arrears are defined as overdrafts and receivables that are not value-impaired. If the overdraft is not acceptable, a collection procedure is initiated and, if the overdraft is not paid, this may lead to termination of the exposure and it will be handed over to legal debt collection within two to three months after the debt arose. If the claim, after implementation of the debt collection procedure, proves irrecoverable, e.g. the debtor declares in the enforcement court his/her inability to pay and does not have assets which could be assigned as collateralisation, the exposure is written off.

Written-off exposures are resumed before the legal period of limitation in order to establish whether the debtor has regained his/her ability to pay wholly or partly.

In addition, credit monitoring is underpinned by ad hoc analyses on the basis of developments in the portfolio, and cross-sectoral analyses of specific areas are prepared.

All large exposures are regularly reassessed, and at least once a year, on the basis of the customer's financial statements/accounts, etc. If the developments in objective indicators are assessed to warrant write-downs of the value of the exposures, write-downs are made according to regulations laid down for this purpose. However, all exposures exceeding 1% of the Bank's capital base are assessed, as a minimum, each quarter and a calculation of the individual solvency need per exposure is carried out. In addition, an assessment of the value of the collateral is an important factor when determining the Bank's risk.

Risk hedging and risk reduction

The Bank utilises its possibilities to reduce risk by generally securing collateral in the objects that it finances.

The value of the collateral is calculated according to a prudence principle. This implies that, for reasons of prudence, some assets are calculated at a reduced value or DKK 0, and therefore the real collateral value is significantly higher than the value calculated. The most common collateral is in the form of mortgages in real property and our private customers' cooperative properties.

In principle, collateral is measured on the basis of the following points, unless significant indicators for other measurement exist.

- Private residential properties - up to 80%, depending on type of property, condition and assessed marketability
- Cooperative property is measured on the basis of our "blue stamp programme", see page 47 of the annual report
- Commercial properties - about 60-80% depending on use, location, condition, sector, income basis and assessed marketability
- Cash and easily realisable securities - 65-90% of the official price, when this exists
- Cars - 50-70% of current market value depending on type, model and age
- Chattels, other collateral - based on individual assessment
- The Bank does not approve collateral in unlisted shares unless there is a special reason

The developments in the Bank's overall collateral within the above main groups are shown in the notes on page 56. Properties are showing falling values which is a consequence of more cautious valuation of cooperative property values.

For individually assessed exposures, collateral is calculated in the Bank's payment rows at estimated fair value, pursuant to regulations from the Danish FSA.

The Bank makes regular assessments of the value of the collateral, calculated as the expected net proceeds on realisation within six months. In each case of breach, the Bank assesses whether compulsory realisation of collateral will best serve the Bank in relation to minimising the Bank's risk of losses. The economic cycle and market conditions for realisation of assets may vary considerably. Therefore, sometimes the Bank takes over assets which the Bank has set as collateral.

	Group		Bank	
	2012	2011	2012	2011
	DKK '000	DKK '000	DKK '000	DKK '000
Maximum credit exposure *)				
Receivables from credit institutions and central banks	1,091,572	975,524	1,087,323	973,169
Loans at amortised cost	17,751,986	17,001,600	17,687,171	16,948,118
Bonds at fair value	13,843,097	13,034,557	13,843,097	13,034,557
Shares, etc.	916,114	866,677	916,114	866,677
Investments in associates	921,900	802,813	921,900	802,813
Investments in group companies	0	0	115,881	95,236
Positive market value of derivative financial instruments	39,552	38,425	48,121	44,558
Guarantees	2,047,507	2,006,528	2,047,507	2,006,528
Irrevocable credit commitments less than 1 year	1,061,453	2,047,800	475,000	1,545,000
Irrevocable credit commitments more than 1 year	0	0	0	0
Total	37,673,181	36,773,924	37,142,114	36,316,656

*) The credit exposure is composed of selected balance sheet items and off-balance-sheet items.

Loans and guarantees				
Loans before write-downs	18,837,165	17,868,150	18,764,313	17,800,660
Guarantees before provisions	2,056,736	2,016,353	2,056,736	2,016,353
Total loans and guarantees before write-downs, etc.	20,893,901	19,884,503	20,821,049	19,817,013
Individual write-downs on loans	1,036,598	812,321	1,029,135	799,650
Group write-downs on loans	48,581	54,229	48,007	52,892
Individual provisions for other guarantees	4,550	5,566	4,550	5,566
Group provisions for other guarantees	4,679	4,259	4,679	4,259
Total loans and guarantees after write-downs, etc.	19,799,493	19,008,128	19,734,678	18,954,646
Loans and guarantees before write-downs analysed by sector				
Public authorities	107,311	100,805	107,065	100,805
Corporate				
Agriculture, hunting, forestry and fisheries	64,335	52,947	59,983	37,777
Industry and extraction of raw materials	484,035	405,482	225,863	255,475
Energy supply	1,814	1,137	864	121
Building and construction	636,713	619,523	567,016	547,344
Trade	915,196	918,601	618,826	660,837
Transport, hotels and restaurants	613,102	687,154	546,549	591,323
Information and communication	183,213	213,421	142,736	158,554
Financing and insurance	1,349,130	1,397,736	3,593,943	3,200,006
Real property	1,766,827	1,518,733	1,760,782	1,508,803
Other corporate	2,371,627	2,306,447	2,151,548	2,107,065
Total corporate	8,385,992	8,121,181	9,668,110	9,067,305
Private	12,400,598	11,662,517	11,045,874	10,648,903
Total	20,893,901	19,884,503	20,821,049	19,817,013

	Group 2012 DKK '000	2011 DKK '000	Bank 2012 DKK '000	2011 DKK '000
Loans and guarantees analysed by groups of customers				
Private				
Loans and guarantees before write-downs	13,544,986	12,843,880	12,190,967	11,893,619
Loans and guarantees after write-downs	13,056,777	12,414,348	11,707,614	11,469,243
Collateral	7,805,614	8,179,497	6,531,390	7,281,176
Arrears	47,541	42,024	43,323	37,835
Actual loss written off	67,204	57,586	59,309	49,151
Corporate				
Loans and guarantees before write-downs	6,235,315	5,875,101	7,516,729	6,757,872
Loans and guarantees after write-downs	5,682,605	5,462,784	6,967,199	6,354,407
Collateral	2,281,452	2,066,728	1,286,246	1,111,562
Arrears	28,107	51,774	24,568	32,834
Actual loss written off *)	13,808	131,851	8,988	119,625
Other				
Loans and guarantees before write-downs	1,113,600	1,165,522	1,113,353	1,165,522
Loans and guarantees after write-downs	1,060,111	1,130,996	1,059,865	1,130,996
Collateral	434,863	732,962	434,641	732,962
Arrears	21,117	15,612	21,117	15,612
Actual loss written off	0	1,224	0	1,224
Total				
Loans and guarantees before write-downs	20,893,901	19,884,503	20,821,049	19,817,013
Loans and guarantees after write-downs	19,799,493	19,008,128	19,734,678	18,954,646
Collateral	10,521,929	10,979,187	8,252,277	9,125,700
Arrears	96,765	109,410	89,008	86,281
Actual loss written off	81,012	190,661	68,297	170,000

The distribution into 'Private', 'Corporate' and 'Other' is based on the Bank's internal customer groupings.

*) In 2011, there were write-offs on a guarantee set in connection with the Private Contingency Association. This amount was previously set aside.

	Group 2012 DKK '000	2011 DKK '000	Bank 2012 DKK '000	2011 DKK '000
Loans in arrears				
Value of collateral for loans in arrears				
Properties	705,330	683,478	705,330	683,478
Securities, bonds, cash deposits, etc.	62,794	39,248	62,794	39,248
Cars	90,962	102,880	25,639	36,266
Warrants and guarantees	598	215	598	215
Other collateral	79,215	53,343	19,330	35,430
Total	938,899	879,164	813,691	794,637
Age distribution for arrears				
1-30 days	63,822	77,488	61,873	61,479
31-60 days	5,380	5,907	4,733	5,907
61-90 days	2,463	3,602	2,446	3,602
More than 90 days	25,100	22,413	19,956	15,293
Total arrears	96,765	109,410	89,008	86,281
Age distribution for loans in arrears				
1-30 days	1,628,510	1,572,194	1,528,595	1,512,094
31-60 days	99,007	157,837	87,932	157,837
61-90 days	36,799	45,289	36,633	45,289
More than 90 days	116,132	88,358	98,712	63,902
Total loans in arrears	1,880,448	1,863,678	1,751,872	1,779,122

The mortgageable value of collateral, the sum of 'payments in arrears' as well as the sum of 'loans at amortised cost' for customers with arrears at the end of the year, and which are not individually written-down.

Concentration risk

Overall, Group business strategy for loans activity is concentrated in three areas: Private, Corporate and Other. According to section 145 of the Danish Financial Business Act, an exposure with a client or group of mutually connected clients may not, after subtracting particularly secure claims, exceed 25% of the capital base. Quarterly reports are submitted to the Danish FSA. The Group has not had exposures exceeding the limits laid down in section 145.

Concentration risk on large exposures amounting to 10% or more of the capital base, see section 145 of the Danish Financial Business Act

Credit institutions				
Credit exposure after deductions	2,082,633	1,516,881	2,082,633	1,516,881
Other corporate				
Credit exposure after deductions	1,297,260	1,757,310	1,297,260	1,757,310
Number of large exposures				
Credit institutions before deductions	7	8	7	8
Other corporate before deductions	3	5	4	6
Greater than 20% of capital base	0	0	0	0
15-20% of capital base	1,889,265	523,611	1,889,265	1,044,810
10-15% of capital base	1,490,628	2,750,580	1,490,628	2,229,381
Sum of large exposures, excl. credit institutions in % of the capital base	35	54	35	54

	Group 2012 DKK '000	2011 DKK '000	Bank 2012 DKK '000	2011 DKK '000
Concentration on the Group's total collateral				
Private				
Properties	6,020,791	6,448,148	6,020,791	6,448,148
Securities, bonds, cash deposits, etc.	111,018	190,622	111,018	190,622
Cars	1,515,542	1,187,454	307,300	338,318
Warrants and guarantees	13,453	993	13,453	740
Other collateral	144,811	352,280	78,828	303,348
Total	7,805,615	8,179,497	6,531,390	7,281,176
Corporate				
Properties	1,038,875	751,854	1,038,875	751,854
Securities, bonds, cash deposits, etc.	151,429	263,102	151,429	263,102
Cars	321,462	464,734	23,482	32,022
Warrants and guarantees	2,950	500	2,950	500
Other collateral	766,736	586,538	69,510	64,084
Total	2,281,452	2,066,728	1,286,246	1,111,562
Other				
Properties	217,624	377,461	217,624	377,461
Securities, bonds, cash deposits, etc.	190,520	310,133	190,520	310,133
Cars	222	1,300	0	1,300
Warrants and guarantees	357	0	357	0
Other collateral	26,140	44,068	26,140	44,068
Total	434,863	732,962	434,641	732,962
Total collateral				
Properties	7,277,290	7,577,463	7,277,290	7,577,463
Securities, bonds, cash deposits, etc.	452,967	763,857	452,967	763,857
Cars	1,837,226	1,653,488	330,782	371,640
Warrants and guarantees	16,760	1,493	16,760	1,240
Other collateral	937,687	982,886	174,478	411,500
Total	10,521,930	10,979,187	8,252,277	9,125,700

The distribution into 'Private', 'Corporate' and 'Other' is based on the Bank's internal customer groupings.

	Group 2012 DKK '000	2011 DKK '000	Bank 2012 DKK '000	2011 DKK '000
Credit quality - Loans before write-down				
Customers not individually impaired analysed by primary business areas				
Private				
Rating 1-3	2,571,188	2,469,054	2,571,188	2,469,054
Rating 4	6,028,347	5,361,905	4,779,881	4,527,977
Rating 5-10	3,309,031	3,544,314	3,220,052	3,444,716
Total	11,908,566	11,375,273	10,571,121	10,441,747
Corporate				
Rating 1-3	1,645,289	1,171,652	1,645,289	1,171,652
Rating 4	1,328,929	1,809,723	2,662,464	2,722,037
Rating 5-10	1,034,866	898,697	987,493	880,075
Total	4,009,084	3,880,072	5,295,246	4,773,764
Other				
Rating 1-3	583,673	534,299	583,672	534,299
Rating 4	143,668	134,245	143,580	134,245
Rating 5-10	238,009	310,528	237,850	310,528
Total	965,350	979,072	965,102	979,072

	Group 2012 ln %	2011 ln %	Bank 2012 ln %	2011 ln %
Average write-down ratio for customers not individually impaired analysed by primary business area				
Private				
Rating 1-3	0.000	0.000	0.000	0.000
Rating 4	0.102	0.133	0.129	0.146
Rating 5-10	0.870	0.888	0.892	0.910
Corporate				
Rating 1-3	0.000	0.000	0.000	0.000
Rating 4	0.404	0.370	0.191	0.223
Rating 5-10	0.789	0.814	0.809	0.828
Other				
	0.134	0.161	0.134	0.161

Credit quality of loans has been assessed on the basis of the Bank's rating model and the Bank's model for group write-downs for the Group and the Bank. The model ranges from rating category 1 to 10, with category 1 as the lowest risk. Credit margins (loss rates) of the Group and the Bank form the basis for the calculation of group write-downs. The distribution into 'Private', 'Corporate' and 'Other' is based on the Bank's internal customer groupings.

	Group		Bank	
	2012	2011	2012	2011
	DKK '000	DKK '000	DKK '000	DKK '000
Reasons for individual impairment on loans				
Amortised cost, loans before write-down				
Bankruptcy	130,291	80,182	127,624	75,964
Debt collection	274,605	284,925	268,579	278,172
Debtors in financial difficulties	1,549,268	1,268,626	1,536,640	1,251,941
Amortised cost, loans before write-down	1,954,164	1,633,733	1,932,843	1,606,077
Written down on loans				
Bankruptcy	104,397	60,573	102,353	56,895
Debt collection	219,351	205,693	217,245	202,968
Debtors in financial difficulties	712,848	546,055	709,536	539,787
Written down on loans	1,036,596	812,321	1,029,134	799,650
Amortised cost, loans after write-down				
Collateral	697,077	420,398	683,217	405,414
Unsecured part	220,491	401,014	220,492	401,013
Value of loans with objective evidence of impairment, and where the carrying amount is larger than zero				
Assessed individually				
Loans at amortised cost before write-down	1,727,593	1,443,222	1,706,272	1,415,566
Write-down	810,025	621,810	802,563	609,139
Loans at amortised cost after write-down	917,568	821,412	903,709	806,427
Group assessment				
Loans at amortised cost before write-down	6,246,444	8,250,036	5,841,705	6,813,255
Write-down	48,581	54,229	48,007	52,892
Loans at amortised cost after write-down	6,197,863	8,195,807	5,793,698	6,760,363
Assessed in total				
Loans at amortised cost before write-down	7,974,037	9,693,258	7,547,977	8,228,821
Write-down	858,606	676,039	850,570	662,031
Loans at amortised cost after write-down	7,115,431	9,017,219	6,697,407	7,566,790

	Group 2012 DKK '000	2011 DKK '000	Bank 2012 DKK '000	2011 DKK '000
The Group as lessor				
The subsidiary AL Finans A/S acts as a lessor within the areas of car leasing, machinery and equipment and similar. Finance leases as well as operating leases are offered.				
The item 'loans at amortised cost' includes finance leases.				
Net investments in finance leases				
Duration up to 1 year	109,813	103,527	0	0
Duration between 1-5 years	186,856	138,825	0	0
Duration more than 5 years	64,953	120,703	0	0
Total	361,622	363,055	0	0
Gross investments in finance leases				
Duration up to 1 year	112,837	121,220	0	0
Duration between 1-5 years	206,251	143,314	0	0
Duration more than 5 years	69,301	149,128	0	0
Total	388,389	413,662	0	0
Unearned financing income	26,767	50,608	0	0
Write-down on finance leases	548	939	0	0
AL Finans A/S is a lessor in a number of operating leases. The agreements primarily comprise operating equipment and fixtures and equipment, and assets are recognised under machinery and fixtures and equipment.				
Operating leases				
Duration up to 1 year	26,529	21,404	0	0
Duration between 1-5 years	90,763	96,409	0	0
Duration more than 5 years	1,769	6,613	0	0
Total	119,061	124,426	0	0

Credit risk on financial counterparties

As part of trading in securities, currencies and derivative financial instruments as well as money transmission services, etc. exposures to financial counterparties arise as settlement risk or credit risk.

Management grant lines on settlement risk and credit risk against financial counterparties, and this is based on the individual counterparty's risk profile, geographical location, rating, size and equity ratio. Risk and lines on financial counterparties are monitored regularly.

Market risk

The Arbejdernes Landsbank Group regularly accepts various forms of market risk, primarily as interest-rate risk, share-price risk or currency risk, as well as securities-related credit risks in the form of investments in credit bonds.

Market risks arise, partly as a result of servicing customers' needs, and partly from the Bank's positions in financial instruments. The Bank utilises derivative financial instruments to manage and adjust market risks.

The purpose of market-risk management is to counterbalance the overall market risk on assets and liabilities, in order to be in a position to consider return and risk satisfactorily.

Trading in shares, bonds, currency and related derivative financial instruments is an important business area for the Bank. As a result, and because of the Bank's wish to exploit the fluctuations in the financial markets, the Bank regularly takes on market risks.

The framework, objectives and strategies for the Bank's market risk have been laid down in a delegation system in which the Board of Directors of the Bank outlines the framework for the maximum total market risk the Bank is permitted to accept.

The Executive Management forwards parts of the risk framework to the Treasury Division. The rest of the framework is placed on the basis of the Executive Management's investment strategy, which depends on assessments of return in relation to risk in financial instruments as well as the Bank's other risks.

Market risk is managed at Group level, and market risk in other units in the Group is regularly hedged with the Parent Company.

Monitoring market risk

Detailed risk reports are generated daily on the basis of records in the Bank's systems of the risk-related instruments, and these reports are sent to the Executive Management and other relevant parties.

Internal Risk Management and Control is independent of business responsibilities and position management, and it ensures that all reported risk frameworks comply with the frameworks stipulated.

Any breaches are reported to the Executive Management and the Board of Directors. Reporting to the Executive Management is on a daily basis and reporting to the Board of Directors is monthly.

Interest-rate risk

Interest-rate risk is managed to achieve a balance in the interest-rate risk on assets and liabilities. For certain fixed-interest assets and liabilities, as part of risk management, interest-rate risk is hedged by derivative financial instruments such as futures, interest-rate swaps, options and forward transactions.

Interest-rate risk is the risk of losses as a result of a general parallel shift in market interest rates by one percentage point in the same currencies. In calculation of interest-rate risk on fixed-interest assets and liabilities, duration intervals are utilised.

The interest-rate risk is spread over seven duration zones.

For day-to-day management of interest-rate risk, the interest-rate risk is calculated according to guidelines from the Danish FSA. Monitoring is continuous and there are daily reports on utilisation of the frameworks.

A positive interest-rate risk indicates a loss in connection with interest-rate increases and a gain in the event of general interest-rate falls. The negative net interest-rate risk across duration zones and currency thus indicates a gain in the event of a general interest-rate increase of 1 percentage point of just about DKK 35 mill., see the table on the next page.

The risks are also assessed regularly in relation to the Bank's assessment of return opportunities and risks.

Interest-rate risk	2012	2011
	DKK '000	DKK '000
Broken down by type of business		
Bonds, etc.	138,362	214,538
Mortgages	15,250	13,338
Deposits and loans and outstanding accounts with credit institutions	21,991	18,225
Afledte finansielle instrumenter	-210,559	-238,118
Total	-34,956	7,983
Broken down by currency		
DKK	36,621	103,856
EUR	-76,264	-102,401
GBP	1,523	2,914
NOK	1,452	1,863
SEK	1,122	1,457
USD	610	213
Other currencies	-20	81
Total	-34,956	7,983
Broken down by modified maturity (M)		
0 < M ≤ 3 mths.	15,454	14,888
3 < M ≤ 6 mths.	9,186	736
6 < M ≤ 9 mths.	2,590	4,362
9 < M ≤ 12 mths.	7,373	4,725
1 < M ≤ 2 years	54,088	34,519
2 < M ≤ 3.6 years	-98,687	-95,705
3.6 years < M	-24,960	44,458
Total	-34,956	7,983

Currency risk

Currency risk is managed to a wide extent to match financial assets with the currency distribution of liabilities. Furthermore, the currency risk is hedged using derivative financial instruments. The Bank's investment strategy is to only have limited net positions in foreign currency.

An unfavourable fluctuation for the Bank in EUR of 2% and in other currencies of 10% will lead to a negative impact on results and equity before tax of DKK 18.5 mill. (2011: DKK 33.3 mill.)

Currency risk	2012	2011
Currency indicator 1 in DKK 1,000	111,892	211,342
Currency indicator 1 in % of core capital after deductions	3.3	7.0
Currency indicator 2 in DKK 1,000	1,242	6,456
Currency indicator 2 in % of core capital after deductions	0.0	0.2

Currency indicator 1 expresses the largest sum of positions in currencies in which the Bank has net assets and the sum of positions in which the Bank has net liabilities.

Currency indicator 2 gives a target for foreign-currency risk, which takes account of the amount by which the individual currencies have fluctuated in relation to the DKK, calculated on the basis of variances and correlations from the Danish FSA.

Share-price risk

The size of the Bank's share-price risk is set regularly on the basis of the Bank's assessment of the macro-economic situation, as well as the situation of the individual companies. Sensitivity to general changes in the share markets is concentrated in the relatively small part of share holdings held in the trading portfolio. Holdings are spread over as many companies as possible so that a general fall in the share markets of 10% would lead to a capital loss of DKK 26.5 mill. (2011: DKK 23.5 mill.)

However, investment securities are more specifically affected by developments in the individual companies, which cannot be assumed to be influenced correspondingly by market fluctuations.

Share-price risk	2012	2011
	DKK '000	DKK '000
Share portfolio		
Trading portfolio		
Listed shares	250,674	223,514
Unlisted shares, etc.	14,057	11,248
Total trading portfolio	264,731	234,762
Investment securities		
Unlisted shares, etc.	651,383	631,915
Associates	921,900	802,813
Total investment securities	1,573,283	1,434,728
Total	1,838,014	1,669,490

Securities-related credit risk

Part of the Bank's interest-rate risk is position-taking in credit bonds which involves an additional risk element in the form of fluctuations in credit-risk spreads which may be specific to the security or denote general changes in a wide spectrum of all securities. In recent years, as a consequence of attractive prices, credit bonds have become increasingly more important to the Bank's bond portfolio. This has given

rise to increased focus on portfolio management and risk monitoring in this area. The securities are included in the trading portfolio and are recognised at fair value in the financial statements. The limitation in the credit-risk spread results in regular balancing of the portfolio with regard to the risk assessment.

At the end of 2012, the bond portfolio was broken down by ratings:

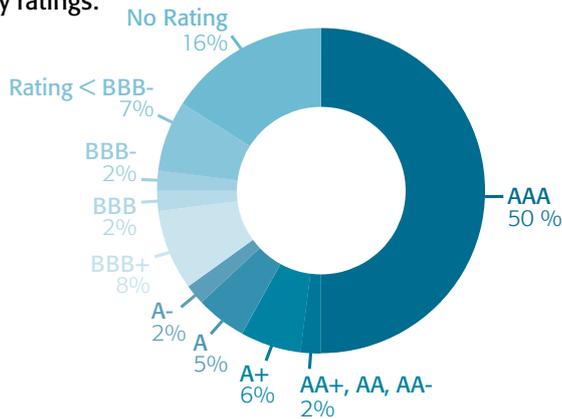


Figure: Distribution according to the S&P rating scale based on the S&P ratings or ratings from Moody converted to corresponding ratings in the S&P scale.

Commodity risk

The Bank only accepts very limited commodity risks.

Operational risk

Pursuant to the capital adequacy rules, credit institutions must quantify and recognise an amount for operational risks in their capital-adequacy statement. The Group uses the basic indicator approach, according to which, on the basis of calculation of an average of the past three financial years' net income, an amount is quantified to which the risk-weighted items are added, in order to cover the Bank's operational risks.

Losses and events assessed to be attributable to operational risks are regularly reported. On the basis of these reports, the Bank assesses whether procedures and internal controls etc. can be adjusted and improved in order to prevent or minimise any operational risks, and the Bank's procedures and internal controls are regularly reviewed and assessed by the Bank's compliance function, as well as the internal and external auditors.

In the assessment of the Bank's operational risk, IT supply is a significant area. The Bank's IT organisation and management regularly evaluate IT security, including prepared IT emergency preparedness plans, which lay down requirements and levels for the accessibility and stability of the IT systems and data used by the Bank. The requirements listed apply to the Bank's internal IT organisation, as well as to the Bank's IT supplier, Bankernes EDB Central (BEC), which the Bank owns together with a number of other banks.

Liquidity risk

Liquidity risk is a consequence of a mismatch in balance between the maturity of assets and liabilities. The Bank's loan portfolio generally has a longer time to maturity than its financing business, including deposits. This risk is reflected in a risk of losses resulting from the Bank having to pay more for the liquidity required to cover its payment obligations in a situation where the Bank itself, or the sector as a whole, is affected by extraordinary circumstances. Most of the Bank's liquidity risk is in DKK, while the rest of the risk is concentrated in EUR, USD, CHF, SEK, GBP and NOK.

The Board of Directors has stipulated in its liquidity policy that the Bank must have excess liquidity of at least 100% compared with the provisions of section 152 of the Danish Financial Business Act. The Bank also has a policy that liquidity forecasts, which are prepared at least once a month, must demonstrate similar excess cover for at least three months ahead, and for 12 months ahead there must be excess cover of at least 75%. The policy also requires work on stress tests of the forecasts.

The Bank has also prepared a cash-resources contingency plan which states specific initiatives to reduce risks, including borrowing against assets or selling them, and these initiatives can be implemented if the liquidity forecasts cannot meet the policies. Activation of the contingency plan will also be considered if significant impairments in liquidity occur - even if the goals for excess cover are being met.

Balance sheet items by remaining term - Group

	On demand DKK '000	Up to and incl. 3 mths. DKK '000	More than 3 months and up to 1 year DKK '000	More than 1 year and up to 5 years DKK '000	More than 5 years DKK '000	Total DKK '000
2012						
Assets						
Cash in hand and demand deposits with central banks	723,817	0	0	0	0	723,817
Receivables from credit institutions	594,123	466	465,788	18,195	13,000	1,091,572
Loans at amortised cost	2,047,953	3,310,033	2,162,266	6,335,233	3,896,501	17,751,986
Bonds at fair value	0	0	1,917,342	6,731,504	5,194,251	13,843,097
Total	3,365,893	3,310,499	4,545,396	13,084,932	9,103,752	33,410,472
Liabilities						
Debt to credit institutions and central banks	1,616,797	2,272,920	149,208	0	42,843	4,081,768
Deposits and other debt	19,628,138	2,387,415	153,309	349,910	1,145,527	23,664,299
Issued bonds at amortised cost	0	0	2,829,550	261,246	0	3,090,796
Subordinated debt	0	0	0	0	720,951	720,951
Total	21,244,935	4,660,335	3,132,067	611,156	1,909,321	31,557,814
Guarantees	0	359,136	295,370	1,078,173	314,828	2,047,507
2011						
Assets						
Cash in hand and demand deposits with central banks	383,352	0	0	0	0	383,352
Receivables from credit institutions	154,627	395,016	238,673	187,208	0	975,524
Loans at amortised cost	1,462,093	3,217,821	2,725,912	5,857,080	3,738,694	17,001,600
Bonds at fair value	0	0	941,706	6,055,609	6,037,242	13,034,557
Total	2,000,072	3,612,837	3,906,291	12,099,897	9,775,936	31,395,033
Liabilities						
Debt to credit institutions and central banks	786,002	2,126,511	235,684	300,000	0	3,448,197
Deposits and other debt	17,606,356	1,082,944	316,694	2,504,697	1,065,930	22,576,621
Issued bonds at amortised cost	0	0	0	3,631,912	0	3,631,912
Subordinated debt	0	0	0	0	718,620	718,620
Total	18,392,358	3,209,455	552,378	6,436,609	1,784,550	30,375,350
Guarantees	0	283,951	334,285	987,226	401,066	2,006,528

Balance sheet items by remaining term - Bank

	On demand DKK '000	Up to and incl. 3 mths. DKK '000	More than 3 months and up to 1 year DKK '000	More than 1 year and up to 5 years DKK '000	More than 5 years DKK '000	Total DKK '000
2012						
Assets						
Cash in hand and demand deposits with central banks	723,812	0	0	0	0	723,812
Receivables from credit institutions	593,618	0	464,458	16,247	13,000	1,087,323
Loans at amortised cost	2,043,694	2,538,425	4,088,808	5,244,088	3,772,156	17,687,171
Bonds at fair value	0	0	1,917,342	6,731,504	5,194,251	13,843,097
Total	3,361,124	2,538,425	6,470,608	11,991,839	8,979,407	33,341,403
Liabilities						
Debt to credit institutions and central banks	1,616,797	2,272,920	149,208	0	42,843	4,081,768
Deposits and other debt	19,622,252	2,387,415	152,833	349,910	1,145,527	23,657,937
Issued bonds at amortised cost	0	0	2,829,550	260,252	0	3,089,802
Subordinated debt	0	0	0	0	720,951	720,951
Total	21,239,049	4,660,335	3,131,591	610,162	1,909,321	31,550,458
Guarantees	0	359,136	295,370	1,078,173	314,828	2,047,507
2011						
Assets						
Cash in hand and demand deposits with central banks	383,340	0	0	0	0	383,340
Receivables from credit institutions	154,627	394,757	237,990	185,795	0	973,169
Loans at amortised cost	3,322,638	2,638,247	2,391,222	4,945,495	3,650,516	16,948,118
Bonds at fair value	0	0	941,706	6,055,609	6,037,242	13,034,557
Total	3,860,605	3,033,004	3,570,918	11,186,899	9,687,758	31,339,184
Liabilities						
Debt to credit institutions and central banks	786,002	2,126,511	235,684	300,000	0	3,448,197
Deposits and other debt	17,596,210	1,082,944	316,352	2,504,696	1,065,930	22,566,132
Issued bonds at amortised cost	0	0	0	3,630,918	0	3,630,918
Subordinated debt	0	0	0	0	718,620	718,620
Total	18,382,212	3,209,455	552,036	6,435,614	1,784,550	30,363,867
Guarantees	0	283,951	334,285	987,226	401,066	2,006,528

Note	Group 2012 DKK '000	2011 DKK '000	Bank 2012 DKK '000	2011 DKK '000
5 Capital and solvency				
Transformation from equity to capital base				
Equity including profit for the year	3,607,213	3,157,260	3,607,213	3,157,260
Proposed dividend	105,000	24,000	105,000	24,000
Intangible assets	11,897	10,992	1,453	1,878
Deferred tax assets	10,887	58,482	32,573	100,653
Revaluation reserves	203,593	186,241	203,593	186,241
Core capital after primary deductions	3,275,836	2,877,545	3,264,594	2,844,488
Hybrid core capital	392,951	390,620	392,951	390,620
Deductions *)	267,058	255,413	267,058	255,413
Core capital after deductions	3,401,729	3,012,752	3,390,487	2,979,695
Subordinated debt	328,000	328,000	328,000	328,000
Revaluation reserves	203,593	186,241	203,593	186,241
Capital base before deductions	3,933,322	3,526,993	3,922,080	3,493,936
Deductions *)	267,058	255,413	267,058	255,413
Capital base	3,666,264	3,271,580	3,655,022	3,238,523
*) Deductions pursuant to section 31(1), nos. 10, 12 and 13 of the Danish Executive Order on Calculation of Capital Base				
Capital requirement from pillar I (8%)	2,005,477	1,942,261	2,007,262	1,947,046
Weighted items				
Items with credit risk	17,325,567	16,551,013	17,629,755	16,752,191
Items with market risk	4,833,423	5,022,248	4,803,523	5,102,232
Items with operational risk	2,909,470	2,705,003	2,657,494	2,479,879
Total weighted items	25,068,460	24,278,264	25,090,772	24,334,302
Solvency ratio	14.6%	13.5%	14.6%	13.3%
6 Segment information for the Group				

Group activities are concentrated in Denmark, focusing on bank services for private customers, small and medium-sized enterprises as well as associations, etc. Bank services are offered throughout the branch network and by the Bank's group company AL Finans across types of customers. The return on such activities has been expressed in the core profit, see the model on page 5 of the annual report. However, activities listed under core profit depend on the Bank's holding activities, which secure the Bank's liquidity, but which also include the Bank's strategic sector shares. The regular operating report to the Executive Management contains the information and the aggregation level stated in the model. On this basis, the assessment is that the Group only has one operating segment which comprises core profit and investment portfolio earnings.



Note	Group	2011	Bank	2011
	2012	2011	2012	2011
	DKK '000	DKK '000	DKK '000	DKK '000
7 Interest income				
Receivables from credit institutions and central banks	9,961	26,320	9,814	26,204
Loans at amortised cost	1,236,827	1,213,377	1,146,535	1,134,846
Interest on exposures written down	-22,353	-19,901	-22,353	-19,901
Bonds	323,736	304,546	323,736	304,546
Derivative financial instruments				
Currency contracts	-632	-14,992	-632	-14,992
Interest-rate contracts	-18,650	-17,353	-18,650	-17,353
Share contracts	0	0	0	0
Total derivative financial instruments	-19,282	-32,345	-19,282	-32,345
Other interest income	-2,517	-42	612	177
Total interest income	1,526,372	1,491,955	1,439,062	1,413,527
Of this, genuine purchase and resale transactions posted under				
Receivables from credit institutions and central banks	1,001	1,061	1,001	1,061
Loans and other receivables	50	0	50	0
8 Interest expenses				
Debt to credit institutions and central banks	-32,844	-32,035	-32,844	-32,035
Deposits and other debt	-227,222	-272,837	-226,852	-272,447
Issued bonds	-48,074	-38,128	-48,054	-38,108
Subordinated debt	-44,589	-34,716	-44,589	-34,716
Other interest expenses	-11	-26	-10	-25
Total interest expenses	-352,740	-377,742	-352,349	-377,331
Of this, genuine sale and repurchase transactions posted under				
Debt to credit institutions and central banks	-4,641	-5,172	-4,641	-5,172
9 Fee and commission income				
Securities trading and custody accounts	63,682	61,104	63,682	61,104
Money transmission services	84,519	80,401	84,519	80,401
Loan fees	138,946	127,756	122,678	114,734
Guarantee commission	22,274	20,024	22,411	20,157
Other fees and commissions	78,136	76,738	50,650	49,084
Total fee and commission income	387,557	366,023	343,940	325,480
10 Value adjustments				
Bonds	406,695	60,456	406,695	60,456
Shares, etc,	56,027	-44,485	56,027	-44,485
Currency	13,703	8,839	13,777	8,732
Derivative financial instruments				
Currency contracts	30,734	-19,299	30,734	-19,299
Interest-rate contracts	-166,069	-234,235	-164,489	-228,269
Share contracts	3,543	25	3,543	25
Total derivative financial instruments	-131,793	-253,509	-130,213	-247,543
Assets linked to pooled schemes	35,014	-6,789	35,014	-6,789
Deposits in pooled schemes	-35,014	6,789	-35,014	6,789
Other assets	77	1,970	77	1,970
Other liabilities	0	0	0	0
Total value adjustments	344,709	-226,729	346,363	-220,870

Note	Group 2012 DKK '000	2011 DKK '000	Bank 2012 DKK '000	2011 DKK '000
11 Staff and administration expenses				
Emoluments to the Board of Directors, Executive Management and Board of Representatives				
Executive Management	-5,729	-7,739	-5,709	-7,719
Board of Directors	-1,688	-1,350	-1,688	-1,350
Board of Representatives	-525	-508	-525	-508
Total	-7,942	-9,597	-7,922	-9,577
Staff expenses				
Salaries	-555,546	-519,853	-512,379	-479,478
Pensions	-65,473	-58,368	-61,221	-54,462
Social security expenses	-5,542	-4,960	-5,121	-4,743
Payroll tax	-48,161	-47,751	-44,580	-44,315
Total	-674,722	-630,932	-623,301	-582,998
Other administrative expenses	-410,403	-434,288	-389,150	-415,575
Total staff and administration expenses	-1,093,067	-1,074,817	-1,020,373	-1,008,150
Executive Management's payment, pension and resignation terms, etc.				
Number of persons *)	2	3	2	3
Fixed remuneration	-4,799	-6,541	-4,779	-6,521
Variable remuneration	0	0	0	0
Pension scheme (contribution-based)	-930	-1,198	-930	-1,198
Total	-5,729	-7,739	-5,709	-7,719
*) Managing Director Ebbe Castella retired on 1 February 2012				
The Executive Management is not covered by incentive programmes. The Executive Management has a notice period of 24 months.				
The Bank can deduct 100% of Executive Management salaries, as the Bank has not subscribed for hybrid core capital through 'Bank Package II'.				
Terms of payment and pension for the Board of Directors				
Number of employees	11	11	11	11
Fixed remuneration	-1,688	-1,350	-1,688	-1,350
Variable remuneration	0	0	0	0
Pension scheme (contribution-based)	0	0	0	0
Total	-1,688	-1,350	-1,688	-1,350
Terms of payment and pension for other employees whose activities significantly influence the risk profile of the company (Risk Takers)				
Number of employees	5	5	4	4
Fixed remuneration	-6,185	-6,021	-4,641	-4,518
Variable remuneration	-85	-300	-85	-300
Pension scheme (contribution-based)	-630	-572	-496	-450
Total	-6,900	-6,893	-5,222	-5,268
Number of employees				
Average number of employees during the financial year, converted to full-time employees	1,061	1,053	987	988
Auditors' remuneration				
Total remuneration for the audit firm elected by the general meeting to carry out the statutory audit				
Statutory audit of the financial statements	-611	-1,519	-550	-1,375
Other declaration assignments with collateral	0	-1,213	0	-1,213
Tax counselling	0	-34	0	-34
Other services	-283	0	-77	0
Total	-894	-2,766	-627	-2,622
12 Other operating expenses				
Expenses for the Guarantee Fund for Depositors and Investors	-26,015	-34,259	-26,015	-34,259
Expenses for operating the Bank's properties	-36,221	-29,505	-36,221	-29,505
Other operating expenses	-5,152	-3,516	-5,152	-3,516
Total other operating expenses	-67,388	-67,280	-67,388	-67,280

Note	Group	2011	Bank	2011
	2012	2011	2012	2011
	DKK '000	DKK '000	DKK '000	DKK '000
13 Write-downs on loans and provisions on guarantees, etc.				
Write-downs and provisions				
Write-downs and provisions brought forward	893,576	847,117	879,568	824,272
Write-downs and provisions for the year	440,203	370,878	435,046	364,374
Reversal of write-downs and provisions for the year	-178,764	-177,736	-174,313	-175,495
Actual loss (written off) previously written down	-56,655	-166,584	-49,977	-153,484
Interest adjustment	22,353	19,901	22,353	19,901
Total write-downs and provisions carried forward	1,120,713	893,576	1,112,677	879,568
Write-downs on loans, etc. carried forward	1,085,178	866,550	1,077,142	852,542
Provisions on guarantees etc. carried forward	9,229	9,825	9,229	9,825
Write-downs/provisions on other items carried forward	26,306	17,201	26,306	17,201
Total write-downs and provisions carried forward	1,120,713	893,576	1,112,677	879,568
Net impact recognised in the income statement				
Net write-downs and provisions for the year	-261,439	-193,142	-260,733	-188,879
Loss, not previously written down	-24,357	-24,077	-18,319	-16,516
Recognised in claims previously written-off	8,603	6,826	8,165	5,886
Total net impact recognised in the income statement	-277,193	-210,393	-270,887	-199,509
Individual write-downs on loans				
Individual write-downs on loans brought forward	812,321	648,117	799,650	626,823
Write-downs for the year	412,480	355,238	407,472	348,735
Reversal of write-downs for the year	-151,384	-151,049	-147,845	-149,023
Actual loss (written off) previously written down	-56,655	-57,114	-49,977	-44,014
Interest adjustment	19,835	17,129	19,835	17,129
Total individual write-downs on loans carried forward	1,036,597	812,321	1,029,135	799,650
Individual provisions on guarantees, etc.				
Individual provisions on guarantees brought forward	5,566	115,278	5,566	115,278
Provisions for the year	1,833	571	1,833	571
Reversal of provisions for the year	-2,849	-813	-2,849	-813
Actual loss (written off) previously provided	0	-109,470	0	-109,470
Total individual provisions on guarantees, etc. carried forward	4,550	5,566	4,550	5,566
Individual write-downs on credit institutions				
Written down at the beginning of the year	17,201	17,233	17,201	17,233
Write-downs for the year	51	0	51	0
Reversal of write-downs for the year	0	-32	0	-32
Total write-downs on credit institutions carried forward	17,252	17,201	17,252	17,201
Individual provisions for other items				
Provisions at the beginning of the year	0	0	0	0
Provisions for the year	9,054	0	9,054	0
Reversal of provisions for the year	0	0	0	0
Total provisions for other items carried forward	9,054	0	9,054	0
Group write-downs on loans				
Group write-downs on loans brought forward	54,229	61,897	52,892	60,346
Write-downs for the year	16,123	14,931	15,974	14,930
Reversal of write-downs for the year	-24,289	-25,371	-23,377	-25,156
Interest adjustment	2,518	2,772	2,518	2,772
Total group write-downs on loans carried forward	48,581	54,229	48,007	52,892
Group provisions on guarantees etc.				
Group provisions on guarantees brought forward	4,259	4,592	4,259	4,592
Provisions for the year	662	138	662	138
Reversal of provisions for the year	-242	-471	-242	-471
Total group provisions on guarantees etc. carried forward	4,679	4,259	4,679	4,259

Note	Group 2012 DKK '000	2011 DKK '000	Bank 2012 DKK '000	2011 DKK '000
14 Tax				
Calculated income tax for the year	-47,640	0	-26,399	0
Change in deferred tax in respect of the year	-55,693	32,637	-67,447	40,504
Adjustments in respect of previous years	59	1,010	82	-85
Total tax	-103,274	33,647	-93,764	40,419
Tax for the year broken down by type				
Tax calculated on profit for the year before tax by 25%	-139,969	-1,106	-137,591	587
Tax base of expenses not deductible for tax purposes	804	-4,186	2,873	-2,099
Tax base of holdings in associates	32,009	27,689	32,009	27,689
Tax base of gains not deductible for tax purposes	3,823	10,240	8,863	14,327
Adjustments in respect of previous years	59	1,010	82	-85
Total tax	-103,274	33,647	-93,764	40,419
15 Receivables from credit institutions and central banks				
Receivables with notice from central banks	0	0	0	0
Receivables from credit institutions	1,091,572	975,524	1,087,323	973,169
Total receivables from credit institutions and central banks	1,091,572	975,524	1,087,323	973,169
16 Bonds at fair value				
Government bonds	168,473	189,334	168,473	189,334
Mortgage-credit bonds	7,900,636	7,749,676	7,900,636	7,749,676
Other bonds	5,773,988	5,095,547	5,773,988	5,095,547
Total bonds at fair value	13,843,097	13,034,557	13,843,097	13,034,557
For collateral deposited with Danmarks Nationalbank, clearing centres etc,				
Market value of bonds	3,568,172	4,015,463	3,568,172	4,015,463
Of which, surplus collateral	3,568,172	4,015,463	3,568,172	4,015,463
17 Investments in associates				
Cost brought forward	441,948	150,512	441,948	150,512
Additions *)	3,792	291,436	3,792	291,436
Cost carried forward	445,740	441,948	445,740	441,948
Revaluations and write-downs brought forward	360,865	259,925	360,865	259,925
Adjustment of equity value *)	0	33,564	0	33,564
Profit	128,035	77,191	128,035	77,191
Dividend	12,740	9,815	12,740	9,815
Revaluations and write-downs carried forward	476,160	360,865	476,160	360,865
Carrying amount carried forward	921,900	802,813	921,900	802,813
*) In 2011, the Bank has invested a further DKK 124,1 mill, in Bankernes EDB Central (BEC), making the total investment DKK 291,4 mill, This additional investment means that the Bank's ownership interest exceeded 20% and Bankernes EDB Central is thus grouped as an associate,				
18 Assets linked to pooled schemes				
Cash	34,553	10,651	34,553	10,651
Index-linked bonds	38,745	62,507	38,745	62,507
Other bonds	187,440	167,869	187,440	167,869
Investment association units	125,929	42,395	125,929	42,395
Other shares, etc,	55,393	80,900	55,393	80,900
Other assets	572	2,177	572	2,177
Total pooled assets	442,632	366,499	442,632	366,499

Note	Group 2012 DKK '000	2011 DKK '000	Bank 2012 DKK '000	2011 DKK '000	
19	Land and buildings				
	Investment properties				
	Fair value brought forward	55,000	0	55,000	0
	Additions during the year	332	55,000	332	55,000
	Disposals during the year	0	0	0	0
	Revaluation for the year to fair value	0	0	0	0
	Total fair value carried forward	55,332	55,000	55,332	55,000
	Rent income	2,103	0	2,103	0
	Operating expenses	-2,423	-61	-2,423	-61
	The property was acquired in December 2011				
	Owner-occupied properties				
	Revalued amount brought forward	553,654	524,995	553,654	524,995
	Additions during the year	8,141	1,250	8,141	1,250
	Disposals during the year	1,800	0	1,800	0
	Depreciation	3,063	2,894	3,063	2,894
	Changes in value recognised in other comprehensive income	17,352	24,965	17,352	24,965
	Changes in value recognised in the income statement	-1,108	5,338	-1,108	5,338
	Total revalued amount carried forward	573,176	553,654	573,176	553,654
20	Other property, plant and equipment				
	Cost brought forward	253,144	200,186	67,735	52,033
	Additions during the year, including improvements	85,262	100,530	24,053	17,288
	Disposals during the year	65,019	47,572	9,777	1,586
	Total cost carried forward	273,387	253,144	82,011	67,735
	Amortisation/depreciation and write-downs brought forward	77,124	52,368	20,206	12,679
	Disposals during the year	31,590	13,192	6,407	572
	Depreciation for the year	47,081	37,948	9,157	8,099
	Total amortisation/depreciation and write-downs carried forward	92,615	77,124	22,956	20,206
	Total other property, plant and equipment	180,772	176,020	59,055	47,529
	Write-offs for the year	1,395	2,814	1,395	2,814

Note	Group	2011	Bank	2011
	2012	2011	2012	2011
	DKK '000	DKK '000	DKK '000	DKK '000
21 Intangible assets				
Total intangible assets				
Cost brought forward	19,227	14,580	2,126	1,640
Additions during the year	5,022	4,647	0	486
Disposals during the year	1,340	0	0	0
Total cost carried forward	22,909	19,227	2,126	2,126
Amortisation/depreciation and write-downs brought forward	8,235	5,289	248	0
Disposals during the year	1,340	0	0	0
Amortisation for the year	4,117	2,946	425	248
Write-downs for the year	0	0	0	0
Total amortisation/depreciation and write-downs carried forward	11,012	8,235	673	248
Total intangible assets	11,897	10,992	1,453	1,878
22 Other assets				
Positive market value of derivative financial instruments and spot transactions	39,552	38,425	48,121	44,558
Interest and commission receivable	159,774	182,398	159,556	182,130
Other assets	90,112	102,372	69,523	90,704
Total other assets	289,438	323,195	277,200	317,392
23 Deferred tax assets and tax liabilities				
+ = tax assets - = tax liabilities				
Deferred tax brought forward	58,482	24,833	100,653	60,233
Changes in deferred tax	-47,595	33,649	-68,080	40,420
Total deferred tax carried forward	10,887	58,482	32,573	100,653
Deferred tax broken down by type				
Property, plant and equipment	-19,881	-29,434	1,861	4,157
Loans	7,378	-353	7,322	-503
Losses carried forward	0	82,854	0	91,583
Employee obligations	18,234	18,990	18,234	18,990
Other	5,156	-13,575	5,156	-13,574
Total deferred tax carried forward	10,887	58,482	32,573	100,653
24 Debt to credit institutions and central banks				
Debt to credit institutions	4,081,768	3,448,197	4,081,768	3,448,197
Total debt to credit institutions and central banks	4,081,768	3,448,197	4,081,768	3,448,197
25 Deposits and other debt				
Call amounts	18,969,893	16,895,906	18,964,007	16,885,759
Amounts with notice period	188,105	504,297	187,629	503,955
Time deposits	42,225	931,782	42,225	931,782
Funding guaranteed by the Danish government	2,170,976	2,163,352	2,170,976	2,163,352
Special types of deposit	2,293,100	2,081,284	2,293,100	2,081,284
Total deposits and other debt	23,664,299	22,576,621	23,657,937	22,566,132

Note	Group	2011	Bank	2011
	2012	2011	2012	2011
	DKK '000	DKK '000	DKK '000	DKK '000
26 Issued bonds at amortised cost				
Bonds listed on London Stock Exchange *)	2,829,550	2,872,800	2,829,550	2,872,800
Bonds listed on Irish Stock Exchange	250,000	250,000	250,000	250,000
Other bonds	11,246	509,112	10,252	508,118
Total issued bonds at amortised cost	3,090,796	3,631,912	3,089,802	3,630,918
*) The bonds are guaranteed by the Danish government				
27 Other liabilities				
Negative market value of derivative financial instruments and spot transactions	204,145	187,301	204,145	187,301
Interest and commissions due	68,947	36,920	68,947	36,920
Set-off entry to negative bond portfolios in connection with repo/reverse transactions	466,216	0	466,216	0
Other liabilities	349,049	417,604	315,300	372,428
Total other liabilities	1,088,357	641,825	1,054,608	596,649
28 Provisions				
Provisions for pensions, etc.				
Provisions at the beginning of the year	8,673	10,300	8,673	10,300
Provisions for the year	1,527	0	1,527	0
Reversal of provisions for the year	0	1,627	0	1,627
Total provisions carried forward	10,200	8,673	10,200	8,673
Provisions for losses on guarantees				
Provisions at the beginning of the year	9,825	119,870	9,825	119,870
Provisions for the year	2,495	709	2,495	709
Reversal of provisions for the year	3,091	1,284	3,091	1,284
Final loss for the year	0	109,470	0	109,470
Total provisions carried forward	9,229	9,825	9,229	9,825
Other provisions				
Provisions at the beginning of the year	42,681	53,395	42,681	53,395
Provisions for the year	36,962	154	35,452	154
Reversal of provisions for the year	1,782	10,868	1,782	10,868
Total provisions carried forward	77,861	42,681	76,351	42,681
Total provisions carried forward	97,290	61,179	95,780	61,179
29 Subordinated debt				
Subordinated debt in the form of supplementary capital				
Variable % nominal DKK 328 mill., matures on 3 December 2018, can be redeemed before maturity on 1 December 2015	328,000	328,000	328,000	328,000
Subordinated debt in the form of hybrid core capital *)				
Variable % nominal DKK 390.6 mill., indefinite maturity, can be redeemed before maturity on 23 May 2018	392,951	390,620	392,951	390,620
Total subordinated debt	720,951	718,620	720,951	718,620
Subordinated debt as included in calculation of capital base	720,951	718,620	720,951	718,620
*) Costs for taking loans in the period	0	2,000	0	2,000

Note	Bank	
	2012 DKK '000	2011 DKK '000
30 Share capital		
Share capital at nominal value	300,000	300,000
Composition of share capital		
Nominal price per share (DKK)	Number of shares	Number of shares
1,000	300,000	24,316
2,000	0	1,368
3,000	0	994
4,000	0	8,739
5,000	0	748
10,000	0	583
20,000	0	782
100,000	0	1,228
500,000	0	20
1,000,000	0	67
10,000,000	0	1

Share capital is fully paid. In 2012, the Bank's shares became electronic, and at the same time, the denomination was changed to DKK 1,000 for all shares.

The following of the Bank's shareholders hold shares the total nominal value of which is at least 5% of the share capital:

- Dansk Metal, Nyropsgade 38, 1780 Copenhagen V, Denmark
- FOA - Fag og Arbejde, Staunings Plads 1-3, 1790 Copenhagen V, Denmark
- Fagligt Fælles Forbund - 3F, Kampmannsgade 4, 1790 Copenhagen V, Denmark
- HK/Danmark, Weidekampsgade 8, 0900 Copenhagen C, Denmark
- Fødevareforbundet NNF, C. F. Richs Vej 103, 2000 Frederiksberg, Denmark

Fagligt Fælles Forbund – 3F holds shares of which the total nominal value is at least 20% of the share capital

Note	Group 2012 DKK '000	2011 DKK '000	Bank 2012 DKK '000	2011 DKK '000
31 Contingent liabilities				
Guarantees				
Financial guarantees	525,712	451,934	525,712	451,934
Guarantees for losses on mortgage loans	162,970	151,161	162,970	151,161
Private Contingency Association	1,464	10,268	1,464	10,268
Land registration and conversion guarantees	8,226	13,688	8,226	13,688
Guarantees for group companies	0	0	35,200	35,200
Other guarantees	1,349,135	1,379,477	1,313,935	1,344,277
Total guarantees	2,047,507	2,006,528	2,047,507	2,006,528
Other contingent liabilities				
Irrevocable credit commitments less than 1 year	1,061,453	2,047,800	475,000	1,545,000
Irrevocable credit commitments more than 1 year	0	0	0	0
Unutilised pension commitments	15,900	16,400	15,900	16,400
Other contingent liabilities	5,775	5,493	5,775	5,493
Total other contingent liabilities	1,083,128	2,069,693	496,675	1,566,893
Total contingent liabilities	3,130,635	4,076,221	2,544,182	3,573,421

The Bank is a party in various judicial proceedings and disputes. These are assessed regularly, and the necessary provisions are carried out in accordance with an assessment of the risk of loss. The pending judicial proceedings are not expected to affect the Group's financial position.

Loans by Totalkredit provided by the Bank from 2007 are covered by an agreed right of set-off against future ongoing commissions, which Totalkredit can apply in the event of any losses on the loans granted. The Bank does not expect this right of set-off to have a significant effect on the Bank's financial position.

The Bank's membership of Bankernes EDB Central (BEC) means that the Bank is obligated to pay compensation if the bank resigns its membership.

Note	Group 2012 DKK '000	2011 DKK '000	Bank 2012 DKK '000	2011 DKK '000
32 Hedge accounting				
Assets hedged with interest-rate contracts				
Loans				
Amortised cost	84,325	121,589	84,325	121,589
Changes in carrying amount brought forward	13,587	11,618	13,587	11,618
Changes in value for the year	77	1,969	77	1,969
<i>Changes in carrying amount carried forward</i>	<i>13,664</i>	<i>13,587</i>	<i>13,664</i>	<i>13,587</i>
<i>Carrying amount</i>	<i>97,989</i>	<i>135,176</i>	<i>97,989</i>	<i>135,176</i>
Interest-rate contracts				
Nominal value (principal amount)	83,174	119,620	83,174	119,620
Carrying amount of the hedge leg	97,349	134,045	97,349	134,045

The Bank applies the regulations for hedge accounting of fair values. The hedging instruments applied typically consist of interest-rate swaps applied to hedge against changes in fair value of fixed-rate loans as a result of changes in the base rate (swap interest rate). The swap interest rate alone is hedged and not credit margins or similar. Changes in the fair value of the hedged instruments, which can be attributed to the hedged interest-rate risk, are adjusted in the carrying amount of the hedged item and are recognised in the income statement. Changes in the fair value of the hedging instruments are also recognised in the income statement.

Note	Group 2012 DKK '000	2011 DKK '000	Bank 2012 DKK '000	2011 DKK '000
33 Genuine purchase and resale transactions as well as genuine sale and repurchase transactions				
Of asset items below, genuine purchase and resale transactions account for				
Receivables from credit institutions and central banks	464,458	267,369	464,458	267,369
Loans	146,799	0	146,799	0
Of the equity and liability items below, genuine sale and repurchase transactions account for				
Debt to credit institutions and central banks	1,704,019	530,381	1,704,019	530,361
Assets sold as part of genuine sale and repurchase transactions				
Bonds at fair value	1,617,065	538,909	1,617,065	538,909

Note	Nominal value DKK '000	Net market value DKK '000	Positive market value DKK '000	Negative market value DKK '000
34 Derivative financial instruments and spot transactions				
Group 2012				
Currency contracts				
Spot transactions, purchase	237,007	-564	52	616
Spot transactions, sale	252,398	-60	700	760
Forward transactions/futures, purchase	314,048	-1,496	2	1,498
Forward transactions/futures, sale	422,562	652	652	0
Options, acquired	199,885	702	702	0
Options, issued	30,879	0	0	0
Currency swaps	2,862,029	-35,359	0	35,359
Interest-rate contracts				
Spot transactions, purchase	369,833	21	95	74
Spot transactions, sale	392,872	-11	100	111
Forward transactions/futures, purchase	663,328	1,182	1,263	81
Forward transactions/futures, sale	7,748,487	-9,288	62	9,350
Options, issued	3,133,368	-6,218	0	6,218
Swaptions	0	0	0	0
Interest-rate swaps	4,297,753	-113,706	34,503	148,209
Share contracts				
Spot transactions, purchase	144,037	86	933	847
Spot transactions, sale	169,039	-534	488	1,022
Total	21,237,525	-164,593	39,552	204,145
Derivative financial instruments and spot transactions				
Group 2011				
Currency contracts				
Spot transactions, purchase	76,186	1	2	1
Spot transactions, sale	33,191	23	37	14
Forward transactions/futures, purchase	445,907	-7,788	40	7,828
Forward transactions/futures, sale	741,220	7,341	7,472	131
Options, acquired	1,304,283	3,681	3,681	0
Options, issued	1,258,993	-5,674	0	5,674
Currency swaps	2,862,029	-18,586	0	18,586
Interest-rate contracts				
Spot transactions, purchase	553,781	471	895	424
Spot transactions, sale	610,595	-515	459	974
Forward transactions/futures, purchase	442,739	2,070	2,096	26
Forward transactions/futures, sale	6,884,630	-50,214	19	50,233
Options, issued	223,026	-67	0	67
Swaptions	700,000	9,316	12,650	3,334
Interest-rate swaps	3,180,145	-88,947	10,313	99,260
Share contracts				
Spot transactions, purchase	103,239	521	628	107
Spot transactions, sale	106,653	-509	133	642
Total	16,918,051	-148,876	38,425	187,301

Note	Nominal value DKK '000	Net market value DKK '000	Positive market value DKK '000	Negative market value DKK '000
Derivative financial instruments and spot transactions, continued				
Bank 2012				
Currency contracts				
Spot transactions, purchase	237,007	-564	52	616
Spot transactions, sale	252,398	-60	700	760
Forward transactions/futures, purchase	314,048	-1,496	2	1,498
Forward transactions/futures, sale	422,562	652	652	0
Options, acquired	199,885	702	702	0
Options, issued	30,879	0	0	0
Currency swaps	2,862,029	-35,359	0	35,359
Interest-rate contracts				
Spot transactions, purchase	369,833	21	95	74
Spot transactions, sale	392,872	-11	100	111
Forward transactions/futures, purchase	663,328	1,182	1,263	81
Forward transactions/futures, sale	7,748,487	-9,288	62	9,350
Options, issued	3,133,368	-6,218	0	6,218
Swaptions	0	0	0	0
Interest-rate swaps	4,947,753	-105,137	43,072	148,209
Share contracts				
Spot transactions, purchase	144,037	86	933	847
Spot transactions, sale	169,039	-534	488	1,022
Total	21,887,525	-156,024	48,121	204,145
Derivative financial instruments and spot transactions				
Bank 2011				
Currency contracts				
Spot transactions, purchase	76,186	1	2	1
Spot transactions, sale	33,191	23	37	14
Forward transactions/futures, purchase	445,907	-7,788	40	7,828
Forward transactions/futures, sale	741,220	7,341	7,472	131
Options, acquired	1,304,283	3,681	3,681	0
Options, issued	1,258,993	-5,674	0	5,674
Currency swaps	2,862,029	-18,586	0	18,586
Interest-rate contracts				
Spot transactions, purchase	553,781	471	895	424
Spot transactions, sale	610,595	-515	459	974
Forward transactions/futures, purchase	442,739	2,070	2,096	26
Forward transactions/futures, sale	6,884,630	-50,214	19	50,233
Options, issued	223,026	-67	0	67
Swaptions	700,000	9,316	12,650	3,334
Interest-rate swaps	3,480,145	-82,814	16,446	99,260
Share contracts				
Spot transactions, purchase	103,239	521	628	107
Spot transactions, sale	106,653	-509	133	642
Total	17,218,051	-142,743	44,558	187,301

Net market value

Note	Net market value				Total DKK '000	
	Up to and incl. 3 mths. DKK '000	More than 3 months and up to 1 year DKK '000	More than 1 year and up to 5 years DKK '000	More than 5 years DKK '000		
35 Derivative financial instruments analysed by maturity Group 2012						
Currency contracts						
	Forward transactions/futures, purchase	-1,496	0	0	0	-1,496
	Forward transactions/futures, sale	592	60	0	0	652
	Options, acquired	702	0	0	0	702
	Options, issued	0	0	0	0	0
	Currency swaps	0	-35,359	0	0	-35,359
Interest-rate contracts						
	Forward transactions/futures, purchase	1,158	24	0	0	1,182
	Forward transactions/futures, sale	-9,288	0	0	0	-9,288
	Options, acquired	0	0	0	0	0
	Options, issued	-6,218	0	0	0	-6,218
	Swaps	0	0	0	0	0
	Interest-rate swaps	-553	0	-79,724	-33,429	-113,706
	Total	-15,103	-35,275	-79,724	-33,429	-163,531
Derivative financial instruments analysed by maturity Group 2011						
Currency contracts						
	Forward transactions/futures, purchase	-7,815	27	0	0	-7,788
	Forward transactions/futures, sale	7,341	0	0	0	7,341
	Options, acquired	670	3,011	0	0	3,681
	Options, issued	-2,481	-3,193	0	0	-5,674
	Currency swaps	0	0	-18,586	0	-18,586
Interest-rate contracts						
	Forward transactions/futures, purchase	2,059	11	0	0	2,070
	Forward transactions/futures, sale	-50,214	0	0	0	-50,214
	Options, acquired	0	0	0	0	0
	Options, issued	-67	0	0	0	-67
	Swaps	0	9,316	0	0	9,316
	Interest-rate swaps	0	-2,841	-34,092	-52,014	-88,947
	Total	-50,507	6,331	-52,678	-52,014	-148,868

Net market value

Note	Net market value				Total DKK '000
	Up to and incl. 3 mths. DKK '000	More than 3 months and up to 1 year DKK '000	More than 1 year and up to 5 years DKK '000	More than 5 years DKK '000	
Derivative financial instruments analysed by maturity, continued					
Bank 2012					
Currency contracts					
Forward transactions/futures, purchase	-1,496	0	0	0	-1,496
Forward transactions/futures, sale	592	60	0	0	652
Options, acquired	702	0	0	0	702
Options, issued	0	0	0	0	0
Currency swaps	0	-35,359	0	0	-35,359
Interest-rate contracts					
Forward transactions/futures, purchase	1,158	24	0	0	1,182
Forward transactions/futures, sale	-9,288	0	0	0	-9,288
Options, acquired	0	0	0	0	0
Options, issued	-6,218	0	0	0	-6,218
Swaps	0	0	0	0	0
Interest-rate swaps	-553	0	-71,155	-33,429	-105,137
Total	-15,103	-35,275	-71,155	-33,429	-154,962
Derivative financial instruments analysed by maturity					
Bank 2011					
Currency contracts					
Forward transactions/futures, purchase	-7,815	27	0	0	-7,788
Forward transactions/futures, sale	7,341	0	0	0	7,341
Options, acquired	670	3,011	0	0	3,681
Options, issued	-2,481	-3,193	0	0	-5,674
Currency swaps	0	0	-18,586	0	-18,586
Interest-rate contracts					
Forward transactions/futures, purchase	2,059	11	0	0	2,070
Forward transactions/futures, sale	-50,214	0	0	0	-50,214
Options, acquired	0	0	0	0	0
Options, issued	-67	0	0	0	-67
Swaps	0	9,316	0	0	9,316
Interest-rate swaps	0	-2,841	-27,959	-52,014	-82,814
Total	-50,507	6,331	-46,545	-52,014	-142,735

Note		Group	2011	Bank	2011
		2012	DKK '000	2012	DKK '000
36	Cash and cash equivalents				
	Brought forward				
	Cash in hand and demand deposits with central banks	383,352	400,728	383,340	400,712
	Receivables from credit institutions and central banks	549,643	1,585,981	549,384	1,585,710
	Total	932,995	1,986,709	932,724	1,986,422
	Carried forward				
	Cash in hand and demand deposits with central banks	723,817	383,352	723,812	383,340
	Receivables from credit institutions and central banks	594,589	549,643	593,618	549,384
	Total	1,318,406	932,995	1,317,430	932,724

37 Financial assets and liabilities

Bonds at fair value, shares etc., assets linked to pooled schemes and derivative financial instruments have been measured at fair value in the financial statements, so that recognised values correspond to fair values.

Loans have been recognised at amortised cost. The difference to fair values is assumed to be fees and commissions received, costs incurred in connection with loans as well as the interest-rate-level value adjustment, which is calculated by comparing current market interest rates with market interest rates when the loans were established. Changes in the credit quality are assumed to be included in write-downs on loans for carrying amounts as well as for fair values.

Deposits, issued bonds, subordinated debt and transactions with credit institutions have been recognised at amortised cost. The difference to fair values is assumed to be the interest-rate-level value adjustment, which is calculated by comparing current market interest rates with market interest rates when the transactions were established. Changes in the credit quality of receivables from credit institutions are assumed to be included in write-downs on credit institutions for carrying amounts as well as for fair values. Changes in fair values of issued bonds, subordinated debt and debt to credit institutions due to changes in Arbejdernes Landsbank's own credit rating are not included.

Note		Group			
		Carrying amount	Fair value	Carrying amount	Fair value
		2012	2012	2011	2011
		DKK '000	DKK '000	DKK '000	DKK '000
	Financial assets				
	Cash in hand and demand deposits with central banks	723,817	723,817	383,352	383,352
	Receivables from credit institutions and central banks	1,091,572	1,092,206	975,524	979,519
	Loans at amortised cost	17,751,986	17,805,262	17,001,600	17,050,186
	Bonds at fair value	13,843,097	13,843,097	13,034,557	13,034,557
	Shares, etc.	916,114	916,114	866,677	866,677
	Derivative financial instruments	39,552	39,552	38,425	38,425
	Total financial assets	34,366,138	34,420,048	32,300,135	32,352,716
	Financial liabilities				
	Debt to credit institutions and central banks	4,081,768	4,081,768	3,448,197	3,448,421
	Deposits	23,664,299	23,666,792	22,576,621	22,578,033
	Issued bonds at amortised cost	3,090,796	3,090,527	3,631,911	3,631,693
	Subordinated debt	720,951	720,714	718,620	717,839
	Derivative financial instruments	204,145	204,145	187,301	187,301
	Total financial liabilities	31,761,959	31,763,946	30,562,650	30,563,287

Note
37 Financial assets and liabilities, continued
Methods to measure fair value

Fair value is the price which can be obtained by selling an asset, or which must be paid in order to transfer a liability through a regular transaction between independent market participants at the time of measure.

All active markets use officially listed closing prices as fair value. For financial assets and liabilities, where closing price is not available or is not assessed to reflect the fair value, assessment techniques and other observable market information are used to establish the fair value.

In cases where observable prices based on market information are not available or not deemed to be useful in establishing fair value, recognised techniques and own assumptions are used to establish fair value. Assumptions may be recent transactions in comparable assets or liabilities, interest rates, exchange rates, volatility, credit spread etc.

	Listed prices DKK '000	Observable input DKK '000	Non- observable input DKK '000	Total DKK '000
Group 2012				
Financial assets				
Bonds at fair value	12,126,421	1,716,676	0	13,843,097
Shares, etc.	250,674	0	665,440	916,114
Derivative financial instruments	0	39,552	0	39,552
Total financial assets	12,377,095	1,756,228	665,440	14,798,763
Financial liabilities				
Derivative financial instruments	0	204,145	0	204,145
Total financial liabilities	0	204,145	0	204,145
Group 2011				
Financial assets				
Bonds at fair value	11,713,514	1,321,043	0	13,034,557
Shares, etc.	223,514	0	643,163	866,677
Derivative financial instruments	0	38,425	0	38,425
Total financial assets	11,937,028	1,359,468	643,163	13,939,659
Financial liabilities				
Derivative financial instruments	0	187,301	0	187,301
Total financial liabilities	0	187,301	0	187,301

	2012 DKK '000	2011 DKK '000
Group		
Non-observable prices		
Fair value brought forward	643,163	777,760
Capital gain/loss for the year in the income statement	22,918	5,932
Net purchase for the year	-641	26,849
Other disposals *)	0	-167,378
Total fair value carried forward	665,440	643,163

*) In 2011 the Bank invested additional capital in Bankernes EDB Central (BEC) The investment has meant that the ownership interest exceeds 20% and that Bankernes EDB Central (BEC) can be grouped as an associate.

Note	Fair value recognised in the income statement		Amortised cost		Total DKK '000
	Trading portfolio	Fair value option	Assets	Liabilities	
	DKK '000	DKK '000	DKK '000	DKK '000	
38 Return and classification of financial assets and liabilities - Group 2012					
Return					
Interest income	304,453	0	1,221,919	-	1,526,372
Interest expenses	-	-	-	-352,740	-352,740
Net interest income	304,453	0	1,221,919	-352,740	1,173,632
Dividends from shares, etc.	3,863	10,462	-	-	14,325
Value adjustments	325,083	19,549	77	0	344,709
Total return	633,399	30,011	1,221,996	-352,740	1,532,666
Financial assets					
Cash in hand and demand deposits with central banks	-	-	723,817	-	723,817
Receivables from credit institutions and central banks	-	-	1,091,572	-	1,091,572
Loans at amortised cost	-	-	17,751,986	-	17,751,986
Bonds at fair value	13,843,097	0	-	-	13,843,097
Shares, etc.	264,731	651,383	-	-	916,114
Derivative financial instruments	39,552	-	-	-	39,552
Assets linked to pooled schemes	-	442,632	-	-	442,632
Total financial assets	14,147,380	1,094,015	18,843,558	-	34,084,953
Financial liabilities					
Debt to credit institutions and central banks	-	-	-	4,081,768	4,081,768
Deposits	-	-	-	23,664,299	23,664,299
Issued bonds at amortised cost	-	-	-	3,090,796	3,090,796
Subordinated debt	-	-	-	720,951	720,951
Derivative financial instruments	204,145	-	-	-	204,145
Deposits in pooled schemes	-	442,632	-	-	442,632
Total financial liabilities	204,145	442,632	-	31,557,814	32,204,591
Return and classification of financial assets and liabilities - Group 2011					
Return					
Interest income	304,546	0	1,187,409	-	1,491,955
Interest expenses	-	-	-	-377,742	-377,742
Net interest income	304,546	0	1,187,409	-377,742	1,114,213
Dividends from shares, etc.	1,859	30,784	-	-	32,643
Value adjustments	-237,531	8,832	1,970	0	-226,729
Total return	68,874	39,616	1,189,379	-377,742	920,127
Financial assets					
Cash in hand and demand deposits with central banks	-	-	383,352	-	383,352
Receivables from credit institutions and central banks	-	-	975,524	-	975,524
Loans at amortised cost	-	-	17,001,600	-	17,001,600
Bonds at fair value	13,034,557	0	-	-	13,034,557
Shares, etc.	235,944	630,733	-	-	866,677
Derivative financial instruments	38,425	-	-	-	38,425
Assets linked to pooled schemes	-	366,499	-	-	366,499
Total financial assets	13,308,926	997,232	18,360,476	-	32,666,634
Financial liabilities					
Debt to credit institutions and central banks	-	-	-	3,448,197	3,448,197
Deposits	-	-	-	22,576,621	22,576,621
Issued bonds at amortised cost	-	-	-	3,631,912	3,631,912
Subordinated debt	-	-	-	718,620	718,620
Derivative financial instruments	187,301	-	-	-	187,301
Deposits in pooled schemes	-	366,499	-	-	366,499
Total financial liabilities	187,301	366,499	-	30,375,350	30,929,150

Note	Group	2011	Bank	2011
	2012	2011	2012	2011
	DKK '000	DKK '000	DKK '000	DKK '000
39 Transactions with related parties				
Group company balances				
Loans at amortised cost	0	0	2,314,123	1,883,561
Deposits and other debt	0	0	12,753	13,003
Issued guarantees	0	0	35,200	35,200
Collateral and guarantees received	0	0	0	0
Interest in respect of loans at amortised cost	0	0	37,564	41,859
Interest in respect of deposits and other debt	0	0	32	114
Fees and other operating income	0	0	1,878	1,857
Associates balances				
Loans at amortised cost	37,591	37,500	37,591	37,500
Deposits and other debt	260,569	206,972	260,569	206,972
Issued guarantees	0	0	0	0
Collateral and guarantees received	8,261	8,234	8,261	8,234
Interest in respect of loans at amortised cost	2,581	2,663	2,581	2,663
Interest in respect of deposits and other debt	2,559	2,439	2,559	2,439
Fees and other operating income	1,122	3,051	1,122	3,051
Executive Management and Board of Directors				
Loans at amortised cost	2,298	2,443	2,298	2,443
Deposits and other debt	8,626	7,515	8,626	7,515
Issued guarantees	2,736	2,268	2,736	2,268
Collateral and guarantees received	2,035	2,973	2,035	2,973
Interest in respect of loans at amortised cost	64	57	64	57
Interest in respect of deposits and other debt	100	111	100	111
Fees and other operating income	114	130	114	130
Major shareholders				
Loans at amortised cost	685	84,408	685	84,408
Deposits and other debt	72,886	62,111	72,886	62,111
Issued guarantees	0	0	0	0
Collateral and guarantees received	5,000	5,000	5,000	5,000
Interest in respect of loans at amortised cost	741	2,472	741	2,472
Interest in respect of deposits and other debt	900	1,011	900	1,011
Fees and other operating income	7,514	7,427	7,514	7,427

Related parties are defined by the Group to include members of the Bank's Executive Management and Board of Directors, including their related parties, as well as group companies and associates. Related parties also include shareholders who own more than 20% of the Bank's shares or has more than 20% of the voting rights.

All transactions with related parties which, in addition to those stated in the notes on emoluments, only include ordinary deposits and loans as well as credit facilities and are carried out on market terms.

All balances and outstanding accounts with group companies and associates as well as with major shareholders arise from regular business related to the activities of the companies. Balances and outstanding accounts carry interest and have been entered into on business terms corresponding to the Group's other customers and cooperation partners.

Balances and outstanding accounts with the Executive Management and the Board of Directors have been established on market terms. Interest rates for loans in 2012 are 4.0%-11.5% (2011: 4.0% - 11.5%) for the Executive Management and related parties, and 2.0% - 11.5% (2011: 2.0% - 11.5%) for the Board of Directors and related parties. The Executive Management has not been granted any incentive programmes. Remuneration for Board work in AL Finans A/S amounts to DKK 20,000. (2011: DKK 10,000)

Arbejdernes Landsbank compensates members of the Executive Management, if they resign or are dismissed without valid reason, or if they are made redundant as a result of a takeover.



Note	Group 2012 DKK '000	2011 DKK '000	Bank 2012 DKK '000	2011 DKK '000
40	Group overview			
	Associates			
	Forsikrings-Aktieselskabet ALKA, Høje Taastrup			
	Financial and operating data			
	Share capital	88,099	88,099	88,099
	Equity	1,809,514	1,549,665	1,809,514
	Ownership interest (%)	32.1	32.1	32.1
	Assets	4,548,961	4,257,798	4,548,961
	Liabilities	2,739,447	2,708,133	2,739,447
	Net assets	1,809,514	1,549,665	1,809,514
	Arbejdernes Landsbank's share of net assets	581,653	498,126	581,653
	Total revenue	1,325,414	1,640,751	1,325,414
	Total profit for the period	299,482	264,217	299,482
	Arbejdernes Landsbank's share of profit for the period	96,266	84,930	96,266
	Statement for 2012 as of 30 September 2012 (not revised)			
	Statement for 2011 as at 31 December 2011			
	Revenue is defined as premium income			
	Foreningen Bankernes EDB Central, BEC			
	Financial and operating data			
	Share capital	1,299,000	1,240,339	1,299,000
	Equity	1,499,200	1,419,091	1,499,200
	Ownership interest (%)	22.7	23.5	22.7
	Assets	1,872,200	1,821,544	1,872,200
	Liabilities	373,000	402,453	373,000
	Net assets	1,499,200	1,419,091	1,499,200
	Arbejdernes Landsbank's share of net assets	340,728	333,436	340,728
	Total revenue	860,800	1,254,633	860,800
	Total profit for the period	19,100	-2,890	19,100
	Arbejdernes Landsbank's share of profit for the period	4,341	-679	4,341
	Statement for 2012 as of 30 September 2012 (not revised)			
	Statement for 2011 as at 31 December 2011			



Note	Bank 2012 DKK '000	2011 DKK '000
Group overview, continued		
Consolidated group companies		
AL Finans A/S, Glostrup		
Share capital	6,000	6,000
Equity	103,152	82,446
Ownership interest (%)	100	100
Profit	20,707	16,499
<p>The financing company AL Finans A/S offers car financing, leasing and factoring. Activities of the company have been financed by equity and borrowing from the Parent Company. The company employed an average of 74 staff in terms of full-time employees in 2012.</p>		
Handels ApS Panoptikon, Copenhagen		
Share capital	500	500
Equity	12,729	12,790
Ownership interest (%)	100	100
Profit	5	67
<p>Currently, the company is inactive. The company has not employed any staff during 2012.</p>		



Note	2012 DKK '000	2011 DKK '000	2010 DKK '000	2009 DKK '000	2008 DKK '000
41 Financial and operating data for the Bank					
Income statement according to the core earnings model					
Net interest income	1,040,163	999,649	862,104	870,436	724,827
Net fees and commission income, etc.	291,426	272,706	256,377	228,870	209,352
Core earnings, excl. trading earnings	1,331,589	1,272,355	1,118,481	1,099,306	934,179
Trading earnings	95,700	87,436	97,721	81,670	87,153
Total core earnings	1,427,289	1,359,791	1,216,202	1,180,976	1,021,332
Staff costs	-621,562	-583,143	-587,552	-542,147	-489,071
Administrative costs and depreciation/amortisation	-440,579	-452,808	-444,897	-445,412	-352,811
Core profit before write-downs	365,148	323,840	183,753	193,417	179,450
Write-downs on loans, etc.	-270,887	-199,012	-163,226	-237,954	-98,712
Core profit	94,261	124,828	20,527	-44,537	80,738
Investment portfolio earnings, excl. investment securities	378,919	-195,251	80,981	369,772	-169,197
Investment securities	103,200	102,831	128,075	-80,558	41,315
Profit before sector solutions	576,380	32,408	229,583	244,677	-47,144
Contributions to sector solutions	-26,015	-34,756	-107,162	-132,198	-43,278
Profit before tax	550,365	-2,348	122,421	112,479	-90,422
Tax	-93,764	40,419	11,426	-36,898	30,650
Profit	456,601	38,071	133,847	75,581	-59,772
Other financial and operating data					
Net interest and fee income	1,390,745	1,342,172	1,264,843	1,183,738	994,531
Value adjustments	346,363	-220,870	26,968	276,784	-72,427
Staff and administration expenses	-1,020,373	-1,008,150	-1,005,347	-937,805	-817,285
Profit from equity investments in associates and group companies	148,747	127,321	116,672	-10,568	-47,160
Loans	17,687,171	16,948,118	16,917,430	16,954,659	17,401,113
Bonds at fair value	13,843,097	13,034,557	10,464,216	8,722,428	8,723,912
Deposits, incl. pools	24,100,569	22,932,631	20,942,449	21,406,246	19,079,536
Issued bonds at amortised cost	3,089,802	3,630,918	3,613,450	812,669	499,487
Subordinated debt	720,951	718,620	328,000	328,000	328,000
Equity	3,607,213	3,157,260	3,118,224	2,939,710	2,847,539
Total assets	36,773,174	34,570,204	32,344,168	30,512,085	31,819,407
Total contingent liabilities	2,544,182	3,573,421	3,713,886	4,223,958	4,088,436



Note		2012	2011	2010	2009	2008	
42	Financial ratios for the Bank						
	Solvency						
	Solvency ratio	%	14.6	13.3	13.0	12.8	11.9
	Core capital ratio	%	13.5	12.2	11.9	11.9	11.1
	Earnings						
	Return on equity before tax	%	16.3	-0.1	4.0	3.9	-3.1
	Return on equity after tax	%	13.5	1.2	4.4	2.6	-2.1
	Ratio of operating income to operating expenses per DKK	DKK	1.40	1.00	1.09	1.08	0.91
	Earnings per DKK 1,000 nominal share value	DKK	1,522.0	126.9	446.2	251.9	-199.2
	Market risk						
	Interest-rate risk	%	-1.4	0.2	3.0	3.8	5.3
	Currency position	%	3.3	7.1	8.1	6.7	15.8
	Currency risk	%	0.0	0.2	0.1	0.2	0.2
	Liquidity						
	Loans plus write-downs in relation to deposits	%	77.9	77.6	84.1	81.7	92.8
	Excess liquidity in relation to statutory requirements for liquidity	%	268.0	248.0	237.4	221.9	104.8
	Credit						
	Sum of large exposures *)	%	35.5	54.3	66.2	52.6	67.9
	Write-down ratio for the year	%	1.3	1.0	1.1	1.4	0.6
	Growth in loans for the year *)	%	3.5	0.2	-0.2	-2.6	25.7
	Loans in relation to equity		4.9	5.4	5.4	5.8	6.1
	Equity						
	Equity value	DKK	1,202.4	1,052.4	1,039.4	979.9	949.2
	Proposed dividend per DKK 1,000 nominal share value	DKK	350.0	80.0	80.0	0.0	0.0
	Employees						
	Average number of employees during the financial year, converted to full-time employees		987	988	987	991	921

*) The definition of growth in loans for the year (2012) and large exposures (2010) has changed. Comparative figures have been adjusted.

Note
43 Definition of 'Financial ratios'

Financial ratios are listed in accordance with the requirements laid down in the Danish Executive Order on the Presentation of Financial Statements. Earnings per share (EPS) and diluted earnings per share (Diluted EPS) have been calculated in accordance with IAS 33, however, the Bank's shares are not in circulation. Other financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' Recommendations and Key Figures 2010.

Financial ratios are calculated in accordance with guidelines from the Danish FSA, see the Danish Executive Order on the Presentation of Financial Statements.

1. Solvency ratio =	$\frac{\text{Capital base after deduction} \times 100}{\text{Risk-weighted assets}}$
2. Core capital ratio =	$\frac{\text{Core capital after deduction} \times 100}{\text{Risk-weighted assets}}$
3. Return on equity before tax =	$\frac{\text{Profit before tax} \times 100}{\text{Equity (average)}}$
4. Return on equity after tax =	$\frac{\text{Profit after tax} \times 100}{\text{Equity (average)}}$
5. Ratio of operating income to operating expenses per DKK =	$\frac{\text{Income}}{\text{Costs (excl. tax)}}$
6. Interest-rate risk =	$\frac{\text{Interest-rate risk} \times 100}{\text{Core capital after deductions}}$
7. Currency position =	$\frac{\text{Currency indicator 1} \times 100}{\text{Core capital after deductions}}$
8. Currency risk =	$\frac{\text{Currency indicator 2} \times 100}{\text{Core capital after deductions}}$
9. Loans plus write-downs in relation to deposits =	$\frac{\text{Loans} + \text{write-downs on loans}}{\text{Deposits}}$
10. Loans in relation to equity =	$\frac{\text{Loans}}{\text{Equity}}$
11. Growth in loans for the year *) =	$\frac{(\text{Loans, excl. repo transactions carried forward} - \text{loans, excl. repo transactions brought forward}) \times 100}{\text{Loans, excl. repo transactions brought forward}}$
12. Excess liquidity in relation to statutory requirements for liquidity *) =	$\frac{\text{Surplus liquidity after compliance with section 152, no. 2 of the Danish Financial Business Act}}{\text{The 10\% statutory requirement}}$
13. Sum of large exposures *) =	$\frac{\text{Sum of large exposures after deduction, excl. credit institutions}}{\text{Capital base after deduction}}$
14. Write-down ratio for the year =	$\frac{\text{Write-downs on loans and guarantees for the year} \times 100}{\text{Loans} + \text{write-downs} + \text{guarantees}}$
Supplementary financial ratios	
15. Earnings per DKK 1,000 nominal share value =	$\frac{\text{Profit}}{\text{DKK 1,000 shares}}$
16. Equity value =	$\frac{\text{Equity} \times 100}{\text{Share capital}}$
17. Proposed dividend per DKK 1,000 nominal share value =	$\frac{\text{Dividend yield} \times \text{nominal value of share}}{100}$
18. Property exposure *)	$\frac{(\text{Gross loans and guarantees within the sector 'Completion of building projects' + the sector 'Real property'}) \times 100}{\text{Gross loans} + \text{guarantees}}$
19. Stable funding *)	$\frac{\text{Loans}}{\text{Sum of deposits, including pools} + \text{debt to Danmarks Nationalbank with remaining term} > 1 \text{ year} + \text{issued bonds with remaining term} > 1 \text{ year} + \text{subordinated debt} + \text{equity}}$

*) Financial ratio used in the Danish FSA supervisory diamond.

Management, organisation etc. Management positions in other enterprises

Members of the Board of Directors

POUL ERIK SKOV CHRISTENSEN

Born in 1952

Trade Union President,

Fagligt Fælles Forbund – 3F

Member of the Board of Directors since 1997

Member of the board of directors in:

AKF Holding A/S

AE – Arbejderbevægelsens Erhvervsråd

A/S A-Pressen

Fagbevægelsens Erhvervsinvestering A/S

Fonden Femern Belt Development

Landsorganisationen i Danmark

Lønmodtagernes Dyrtidsfond

PensionDanmark Holding A/S

PensionDanmark Pensionsforsikringsaktieselskab

Malta Holding Ltd

Mellieha Holiday Centre Ltd

LARS ANDERSEN

Born in 1958

Managing Director,

AE – Arbejderbevægelsens Erhvervsråd

Member of the Board of Directors since 2009

Member of the board of directors in:

DSB, Danske Statsbaner

Industrialiseringsfonden for Udviklingslandene IFU

Industriens Pensionsforsikring A/S

Industripension Holding A/S

Investeringsfonden for Østlandene (Iø-Fonden)

HARALD BØRSTING

Born in 1952

Chairman, Landsorganisationen i Danmark

Member of the Board of Directors since 2008

Member of the board of directors in:

Arbejderbevægelsens Erhvervsråd

Arbejderbevægelsens Kooperative Finansieringsfond

Arbejdsmarkedets tillægspension - ATP

A/S A-Pressen

Fagbevægelsens Erhvervsinvestering A/S

Højstrupgård A/S

Lønmodtagernes Dyrtidsfond

Playa Atlantico S.A.

Malta Holding Ltd

Mellieha Holiday Centre Ltd

THORKILD E. JENSEN

Born in 1950

Trade Union Advisor, Dansk Metal

Member of the Board of Directors since 2004

Member of the board of directors in:

A/S A-Pressen

A/S Dansk Erhvervsinvestering

Fagbevægelsens Erhvervsinvestering A/S

Industriens Pensionsforsikring A/S

Industriens Pension Service A/S

Industripension Holding A/S

Sampension Administrationsselskab A/S

Sampension KP Livsforsikring A/S

Teknologisk Institut

METTE KINDBERG

Born in 1957

Vice President, HK/Danmark

Member of the Board of Directors since 2008

Member of the board of directors in:

ASX 7 ApS

Fagbevægelsens Erhvervsinvestering A/S

HK Huset A/S

Landsorganisationen i Danmark

Kommanditselskabet Christiansminde

Members of the Board of Directors, continued

JOHNNY SKOVENGAARD

Born in 1950

Vice President,

Fagligt Fælles Forbund – 3F

Member of the Board of Directors since 2009

Member of the board of directors in:

Forsikrings-Aktieselskabet ALKA

Landsorganisationen i Danmark

NIELS SØRENSEN

Born in 1954

Head of Administration, Fødevareforbundet NNF

Member of the Board of Directors since 2012

Member of the board of directors in:

Forsikrings-Aktieselskabet ALKA

DFF-Fonden

JETTE KRONBORG

Born in 1967

Customer Advisor,

Employee representative

Member of the Board of Directors since 2002

JOHN MARKUSSEN

Born in 1957

Customer Consultant,

Employee representative

Member of the Board of Directors since 1997

ULLA STRØM NORDENHOF

Born in 1966

Shop Steward,

Employee representative

Member of the Board of Directors since 1998

Member of the board of directors in:

Arbejderbevægelsens Kooperative Finansieringsfond

HENRIK THAGAARD

Born in 1963

Branch Support Manager,

Employee representative

Member of the Board of Directors since 2008

Management positions in other enterprises

Members of the Executive Management

GERT R. JONASSEN

Born in 1959

Chief Executive

Member of the Executive Management since 2004

Member of the board of directors in:

AL Finans A/S

LR Realkredit A/S

Bluegarden A/S

Bluegarden Holding A/S

Nets Holding A/S

Totalkredit A/S

Finanssektorens Uddannelsescenter

Foreningen Bankernes EDB Central

Kooperationen

Regionale Bankers Forening

Member of the Executive Management in:

Handels ApS Panoptikon

JAN W. ANDERSEN

Born in 1958

Executive Bank Director

Member of the Executive Management since 2011

Member of the board of directors in:

AL Finans A/S

Bankpension

BI Holding A/S

Forvaltningsinstituttet for Lokale Pengeinstitutter

Other employees appointed by the Board of Directors

Approved by the Board of Directors of Aktieselskabet Arbejdernes Landsbank, see section 80(8) of the Danish Financial Business Act

KJELD GOSVIG-JENSEN

Born in 1957

Head of Legal Department

Member of the board of directors in:

AL Finans A/S

Member of the Executive Management in:

Handels ApS Panoptikon

FINN HANSEN

Born in 1958

Executive Head of HR Department

Member of the executive management in:

Handels ApS Panoptikon

LASSE KIÆR NIELSEN

Born in 1966

Executive Head of Credit Department

Member of the board of directors in:

AL Finans A/S

Board of Representatives

Chairman:

Thorkild E. Jensen
Trade Union Advisor
Dansk Metal

Vice President:

Harald Børsting
Chairman
Landsorganisationen i Danmark

Lars Andersen

Managing Director
AE – Arbejderbevægelsens Erhvervsråd

Karen Bitsch

Head of Finances
HK/Danmark

Inger Bolwinkel

Trade Union Secretary
FOA – Fag og Arbejde

Jens Bærentsen

CEO
Forsikrings-Aktieselskabet ALKA

Poul Erik Skov Christensen

Trade Union President
Fagligt Fælles Forbund – 3F

Per Christensen

Trade Union Secretary
Fagligt Fælles Forbund – 3F

Jeppé Christiansen

Managing Director
Fondsmæglerselskabet Maj Invest A/S

Kurt Jakobsen

Former Organisation Secretary
Fødevareforbundet NNF

Claus Jensen

Trade Union President
Dansk Metal

Frank Jensen

Lord Mayor
The City of Copenhagen

Flemming Knudsen

Member of the Regional Council
Aarhus

Mette Kindberg

Vice President
HK/Danmark

Jane Korczak

Vice President
Fagligt Fælles Forbund – 3F

Max Meyer

Trade Union President
Blik- og Rørarbejderforbundet
i Danmark

Poul Monggaard

Trade Union President
Dansk Frisør- og Kosmetiker Forbund

Frode Nicolaisen

Managing Director
Lo-skolen

Jørn Erik Nielsen

Trade Union President
Malerforbundet i Danmark

Kaj Olsen

Treasurer
Serviceforbundet

Torben Poulsen

Treasurer
Dansk Metal

Jørgen Juul Rasmussen

Trade Union President
Dansk El-Forbund

Lizette Risgaard

Vice President
Landsorganisationen i Danmark

Kim Simonsen

Trade Union President
HK/Danmark

Johnny Skovengaard

Vice President
Fagligt Fælles Forbund – 3F

Niels Sørensen

Head of Administration
Fødevareforbundet NNF

Ulla Sørensen

Treasurer
Fagligt Fælles Forbund – 3F

Employee representatives

Rene Bo Nielsen

Bank Security Officer

Ulla Strøm Nordenhof

Shop Steward

Henrik Thagaard

Branch Support Manager

Management etc.

Board of Directors

Chairman:
Poul Erik Skov Christensen
Trade Union President

Lars Andersen
*Managing Director,
Chairman of the Audit Committee*

Harald Børsting
Chairman

Thorkild E. Jensen
*Trade Union Advisor,
member of the Audit Committee*

Mette Kindberg
Vice President, member of the Audit Committee

Johnny Skovengaard
Vice President

Niels Sørensen
Head of Administration

Elected by the Bank's employees:

Jette Kronborg
Customer Advisor

John Markussen
Customer Consultant

Ulla Strøm Nordenhof
Shop Steward

Henrik Thagaard
Branch Support Manager

Executive Management

Gert R. Jonassen
Chief Executive

Jan W. Andersen
Executive Bank Director

Other employees in day-to-day management

Bent Bøjden
Head of IT

Peter Froulund
Communication and Marketing Director

Finn Hansen
Executive Head of HR Department

Kjeld Gosvig-Jensen
Head of Legal Department

Leif Klinge
Head of Financial Department

Lasse Kiær Nielsen
Executive Head of Credit Department

Susanne Bechsgaard
Regional Manager
As of 1 January 2013 appointed Business Manager

Per Rick
Regional Manager
As of 1 January 2013 appointed Business Manager

Svend Randers
Regional Manager
As of 1 January 2012 appointed Managing
Director in AL Finans A/S

Simon Sinding Jørgensen
Head of the Executive Management Secretariat
As of 1 January 2013 appointed Strategy and
Business Director

Audit

Deloitte
Statsautoriseret Revisionspartnerselskab

Anne Marie Haas
Head of Internal Audit Department
Internal Audit

Departments

Management secretariat, Legal Department,
Debt collection and Compliance:

Kjeld Gosvig-Jensen

Executive Head of Legal Department, Head of Compliance

Simon Sinding Jørgensen

*Head of the Executive Management Secretariat
As of 1 January appointed Strategy and Business
Development Director*

Kirsten Fynbo

Manager of Debt Collection

Merete Svarre

Head of Compliance

HR Department:

Finn Hansen

Executive Head of HR Department

Lotte Bay

Manager of HR Development

Communication and Marketing Department:

Peter Froulund

Communication and Marketing Director

Lynne Scott Walters

Communication Manager

Lisbeth Holm Benattia

Marketing Manager

Ole Nybo Petersen

Customer Consultant

IT Department:

Bent Bøjden

Head of IT

Credit Department:

Lasse Kiær Nielsen

Executive Head of Credit Department

Jesper K. Karlsen

Credit Manager

Morten Pii Johannessen

Risk Analysis Manager

Treasury Division:

Lars Theilmann

Head of Business Support

Solvejg Skovgaard Jensen

Head of International Department

Jørn Pohl Nielsen

Head of Securities Department

Jørn N. Jensen

Head of Treasury and Finance

Carsten Hammershøj

Head of Trading

Peter Normand

Head of Customers Office

Yvonne Hansen

Head of Pensions

Thor Rasmussen

Head of Investment

Lone Kjærgaard

Chief Economist

Søren Ødum Nielsen

Head of Risk Management

Housing and Mortgage Department:

Søren Zak

Executive Head of Housing and Mortgages

Jens Damgaard Nielsen

Manager of Housing Association

Financial Department

Leif Klinge

*Executive Head of Financial Department,
responsible for all-risk reporting*

Bent Henckel Jensen

All-Risk Coordinator

Klaus Gydesen

Head of Buildings and Facilities

Henrik Krog-Meyer

Head of Distribution and Storage

Henrik Schneller

*Head of Procurement and
Property Administration*

Branch Support

Henrik Thagaard

*Branch Support Manager
Glostrup og Odense*

Morten Kjær

*Branch Support Manager
Aarhus*

Branches

Jutland

Branch in Esbjerg

Kongensgade 13
6701 Esbjerg
Branch manager Klaus K. Andersen

Branch in Fredericia

Danmarksgade 6
7000 Fredericia
Branch manager Tommy Stricker

Branch in Frederikshavn

Danmarksgade 67
9900 Frederikshavn
Branch manager Bent Fick

Branch in Frydenlund

Frydenlunds Allé 1
8210 Aarhus V
Branch manager Erik Dahl

Branch in Grindsted

Vestergade 12
7200 Grindsted
Head of branch Karin Liboriussen

Branch in Haderslev

Gravene 3
6100 Haderslev
Branch manager Henrik Borring

Branch in Herning

Østergade 44
7400 Herning
Branch manager John Dalum

Branch in Hjørring

Sct. Olai Plads 2
9800 Hjørring
Branch manager Jesper Stærmosé

Branch in Holstebro

Nørregade 32
7500 Holstebro
Branch manager Mette Danielsen

Branch in Horsens

Søndergade 48
8700 Horsens
Branch manager Karen Grøn

Branch in Kolding

Buen 1
6000 Kolding
Branch manager Jan Andersen

Branch in Nordals

Nordborgvej 24
6430 Nordborg
Head of branch Rene Grau

Branch in Nørresundby

Brotorvet 4
9400 Nørresundby
Head of Branch Kim Witte

Branch in Randers

Østervold 18
8900 Randers
Branch manager Lars Møller

Branch in Silkeborg

Tværgade 7
8600 Silkeborg
Branch manager Dorthe Bechmann

Branch in Skive

Nørregade 34
7800 Skive
Branch manager Ellen Sandholm

Branch in Sønderborg

Jernbanegade 7
6400 Sønderborg
Branch manager Hans Termansen

Branch in Vejgaard

Hadsundvej 39
9100 Aalborg
Branch manager Carsten Christensen

Branch in Vejle

Nørregade 18
7100 Vejle
Branch manager Lars Thøstesén

Branch in Viborg

Sct. Mathias Gade 34
8800 Viborg
Branch manager Jesper Grave Andersen

Branch in Viby

Skanderborgvej 190
8260 Viby J.
Branch manager Jens Vorup

Branch in Aabenraa

H.P. Hanssens Gade 12
6200 Aabenraa
Branch manager Tom Kronborg

Branch in Åbyhøj

Haslevej 17
8230 Åbyhøj
Branch manager Steffen Kristensen

Branch in Aalborg

Vingårdsgade 9
9100 Aalborg
Branch manager Morten Juhl

Branch in Aarhus

M.P. Bruuns Gade 22-24
8100 Aarhus C
Branch manager Torben Andersen



Greater Copenhagen

Branch on Amager

Amagerbrogade 60
2300 København S
Branch manager Jørgen Palle Jensen

Branch in Ballerup

Centrumgaden 35
2750 Ballerup
Branch manager Thomas Larsen

Branch on Bispebjerg

Frederiksborgvej 98
2400 København NV
Branch manager Anette Ryefelt

Branch in Brønshøj

Frederikssundsvej 160
2700 Brønshøj
Branch manager Christian Barrett

Branch in City

Vesterbrogade 5
1502 København V
Branch manager Bo Mellerkær Larsen

Branch at Enghave Plads

Enghave Plads 5
1670 København V
Branch manager Jørgen Petersen

Branch on Frederiksberg

Falkoner Allé 62
2000 Frederiksberg
Branch manager Lars Alsøe

Branch in Gladsaxe

Søborg Hovedgade 193
2860 Søborg
Branch manager Niels Lund Sørensen

Branch in Glostrup

Banegårdsvej 9
2600 Glostrup
Branch manager Jesper A. Nielsen

Branch in Herlev

Herlev Hovedgade 136
2730 Herlev
Branch manager Robert Bjarnholt

Branch in Hvidovre

Hvidovrevej 85
2650 Hvidovre
Branch manager Anita Skov Carlsen

Branch in Kastrup

Kastrupvej 201
2770 Kastrup
Branch manager Niels Jørgen Jørgensen

Branch on Kongelundsvej

Kongelundsvej 289
2770 Kastrup
Branch manager Marianne Skov Jacobsen

Branch in Lyngby

Jernbanepladsen 14
2800 Lyngby
Branch manager Jens Kristian Petersen

Branch in Mimersgade

Mimersgade 49
2200 København N
Head of branch Thomas H. Thøner

Branch on Nørrebro

Nørrebrogade 62
2200 København N
Branch manager Helge Olsen

New branch is opening on Nørrebro in May 2013 on the address:

Nørrebrogade 52
2200 København N
Branch manager Helge Olsen

Branch at Rundetårn

Landemærket 8
1119 København K
Branch manager Kåre S. M. Breinholt

Branch in Rødovre

Tårnvej 221
2610 Rødovre
Branch manager Kim Dam

Branch in Sydhavnen

Borgbjergsvej 32
2450 København SV
Branch manager Kim Foss Lund

Branch on Sydvestvej

Sydvestvej 130
2600 Glostrup
Branch manager Oskar Nielsen
Closed down on 1 January 2013

Branch in Taastrup

Køgevej 75
2630 Taastrup
Branch manager Jette Lund

Branch in Valby

Valby Langgade 136
2500 Valby
Head of branch Helle Hjarsø

Branch in Vanløse

Jernbane Alle 66
2720 Vanløse
Head of branch Lars Ottosen

Branch on Østerbro

Ndr. Frihavsgade 74
2100 København Ø
Branch manager Lisbeth Ringsted

Funen

Branch in Dalum

Dalumvej 52
5250 Odense SV
Head of branch Robert Abild

Branch in Hunderup

Skovsbovænget 10B
5230 Odense M
Branch manager John Schmidt

Branch in Højstrup

Rismarksvej 115A
5210 Odense NV
Branch manager Ann Daugaard Skøt

Branch in Nyborg

Kongegade 4
5800 Nyborg
Branch manager Ulrik Duvier Stærmosé

Branch in Odense

Fisketorvet 1
5100 Odense C
Branch manager Klaus Justesen

Branch in Seden

Svendsagervej 2A
5240 Odense NØ
Branch manager Claus Bo Petersen

Branch in Svendborg

Voldgade 16
5700 Svendborg
Branch manager Tenna Holm Malling

Zealand

Branch in Frederikssund

Havnegade 18
3600 Frederikssund
Branch manager Per Jegsen Schmidt

Branch in Helsingør

Klostergade 1
3000 Helsingør
Branch manager Anne Jørgensen

Branch in Hillerød

Nordstensvej 2
3400 Hillerød
Branch manager Claus Lundsgaard

Branch in Jyllinge

Jyllinge-centret 23
4040 Jyllinge
Head of branch Annette Jensen

Branch in Kalundborg

Bredgade 55
4400 Kalundborg
Branch manager Kim Krog

Branch in Køge

Torvet 9
4600 Køge
Branch manager Jane Skouv Lapain

Branch in Næstved

Vinhusgade 9
4700 Næstved
Branch manager Martin Bay Sørensen

Branch at Ro's Torv

Ro's Torv 14
4000 Roskilde
Branch manager Kenneth M. Olsen

Branch in Roskilde

Støden 1
4000 Roskilde
Branch manager John Nielsen

In May 2013, the branch in Roskilde and the branch at Ro's Torv will merge at:

Algade 14
4000 Roskilde
Branch manager John Nielsen

Branch in Slagelse

Jernbanegade 2
4200 Slagelse
Branch manager Jan Larsen

Lolland-Falster

Branch in Nykøbing F.

Langgade 32
4800 Nykøbing F.
Branch manager Flemming Møller

AKTIESELSKABET

 **Arbejdernes Landsbank**

CVR-no. 31 46 70 12, Copenhagen

Vesterbrogade 5 · DK-1502 Copenhagen V
Phone +45 38 48 48 48 · www.al-bank.dk