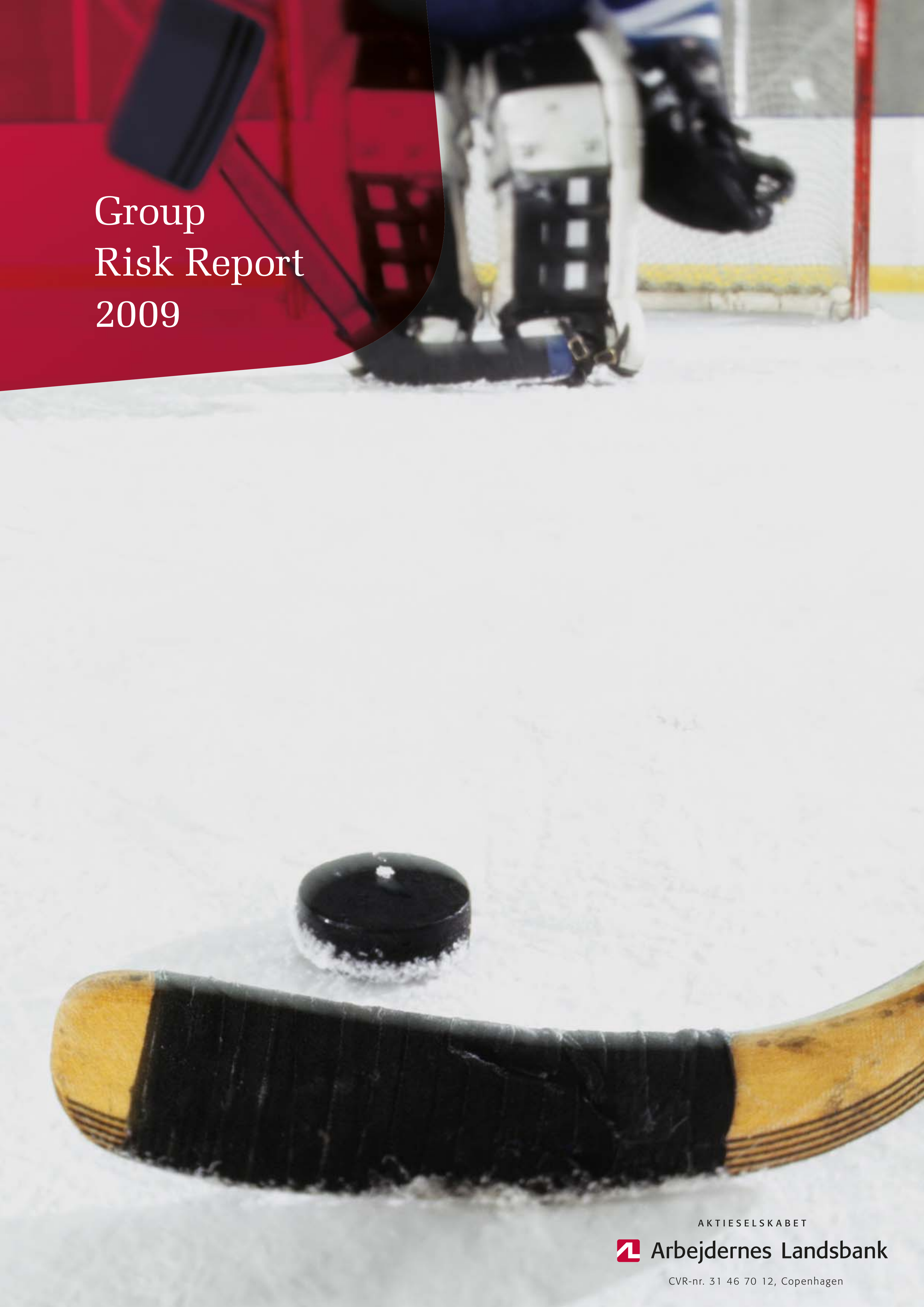
Group
Risk Report
2009



AKTIESELSKABET
Arbejdernes Landsbank

CVR-nr. 31 46 70 12, Copenhagen

Group Risk Report for Arbejdernes Landsbank 2009

Overall risk management

In order to ensure that Arbejdernes Landsbank remains a strong financial unit for both the owners of the Bank and its customers, it is important that the Bank is aware of and controls various risks.

Risk management in general aims at ensuring that the Bank obtains sufficient earnings on an ongoing basis – and thus consolidation - in order to provide a strong basis for performance of its business activities. The basis for overall risk management at Arbejdernes Landsbank is

- in part, written instructions from the Board of Directors, including “Instructions for segregation of responsibilities between the Board of Directors and the Executive Management of Aktieselskabet Arbejdernes Landsbank” (*Instruks for arbejdsfordelingen mellem bestyrelsen og direktionen i Aktieselskabet Arbejdernes Landsbank*) with the associated “Instructions for reporting to the Board of Directors of Aktieselskabet Arbejdernes Landsbank” (*Instruks for rapportering til bestyrelsen i Aktieselskabet Arbejdernes Landsbank*),
- in part, meetings of the Executive Management, where instructions on specific corporate decisions are specified, and other risks that the Bank is affected by are assessed, and
- in part, frequent reports on results, business areas, key figures and ratios, as well as relevant risk targets.

Management of risks directly associated with bank business is through regular follow-up by the Bank’s Credit Department of guarantees, loans and credits booked by the Bank’s branches, and monitoring by the Bank’s Treasury Division of compliance with section 152 of the Danish Financial Business Act, which stipulates a number of requirements on the liquidity of the Bank. In addition, monitoring is to ensure compliance with instructions and guidelines covering counterparty and market risks. The Board of Directors receives monthly and quarterly reports on the extent of risks accepted for the period. Monitoring by the Treasury Division is via the control function for the area, which refers directly to the Executive Management of the Bank. Accordingly, in the winter of 2009/2010 the Credit Department was divided into a credit department responsible for branch contact and credit advisory services for processing individual cases, as well as a Credit Analysis Department that deals with risk analyses, development and maintenance of tools for credit monitoring. The Bank’s Accounting Department follows up the operating financial developments arising from business decisions.

On the basis of systematic reporting of the risks of relevant business areas, the necessary action is ensured to correct business developments as required, and to ensure that risks accepted are in accordance with resolutions adopted.

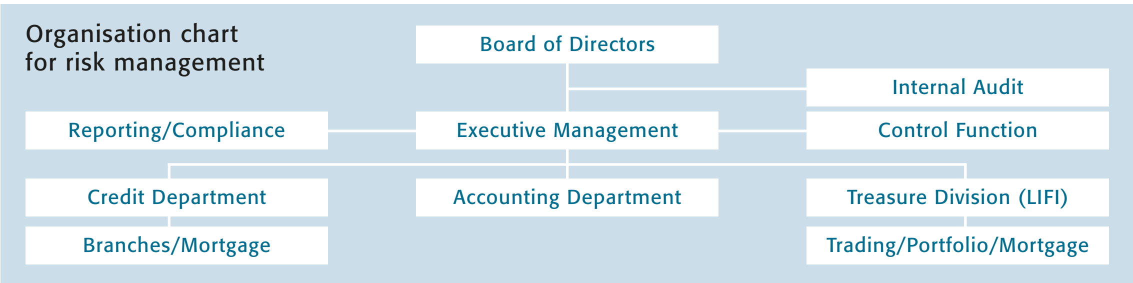
Bank funding is primarily from deposits, which remain larger than our lending. In order to satisfy our desire for around 100 per cent excess coverage of the liquidity requirement mentioned in the Danish Financial Business Act, bank funding is supplemented by liquidity from domestic and foreign cooperation partners. To ensure adequate funding for the Bank in 2010, Arbejdernes Landsbank applied for and was granted a state-guarantee under “Bank Package II” for funding in addition to the equity and capital base of up to DKK 5.6 bn. or EUR 750 mill.

If exposures in new areas are under consideration, the nature and scope of these are discussed at the daily meetings of the Executive Management before a recommendation is made to the Board of Directors, either to enter into specific business or to adjust previously completed instructions.

Every endeavour is made to maintain up-to-date IT systems in order to be able to support risk management and quantify the size of risks to which the Group is exposed at any time.

Assessment of the effects of the total Group risks is carried out at least once a year in connection with preparation of proposals for the Board of Directors of the Bank on solvency need as well as stipulation of the level of adequate base capital.

Figure 1



Credit risk on loans to customers

Credit risk is defined as the risk that a customer is unable to make payments in accordance with a loan agreement. The risk covers the entire spectrum, from a customer being unable to pay on time, to a customer ultimately being declared bankrupt. For each loan the Bank must consider a customer's ability to meet his or her commitments. The Bank enters into loan agreements with customers for whom there is a very small probability of failure to make payments.

Credit risk is the largest risk item in the Bank's risk statement and amounted to 77.8 per cent at the end of 2009, see table 16 "Solvency requirement broken down by exposure categories". The Bank has allocated the most funds to this item in order to meet unforeseen losses. Therefore it is appropriate to maintain the largest possible spread in the portfolio. Overall, the credit risk of the Bank has increased as a result of the current economic situation. However, the quality of the loans is still deemed to be satisfactory, due in part to the large spread within portfolio. The following is a description of the Bank's practice in the credit area and the composition of the portfolio.

Strategies and procedures to manage customer credit risks

The Bank provides all types of advice on loans, credits and guarantees for private customers, associations as well as small and medium-sized Danish enterprises. Today the Bank has a large private customer base and with "Vision 2012" it wants to instigate sustainable growth within both the private customer and corporate customer areas. In order to provide the best advice, it is a matter of course that the Bank has good insight into the overall financial situation of its customers. Insight into customers' finances is also necessary to enable assessment of the risks in the individual exposure.

The Bank's practice with regard to credit is based on a number of policies, instructions and business procedures to measure and manage credit risks. Approval by the Bank of a loan or credit is given on the basis of an assessment of the customer's financial ability and desire to manage the repayment terms of the loan/credit. Approval of a loan is limited by authorities documented in authorisation instructions for individual employees for the respective lending areas. Authorisation to grant loans is built on a hierarchical framework so that larger exposures are always approved by the Credit Department and/or the Bank management. There are special restrictions in the authority to authorise exposures to customers with low credit quality.

The Bank uses risk codes to assess the credit quality of its portfolio of customers. These are currently subjective, but in 2010 objective risk codes will be added to supplement the subjective risk codes. Individual credit decisions, whether they be on new loans or existing loans, are always based on the Bank's customer assessments. The basis for the decision depends on the type of loan as well as the scope and complexity of the matter.

The risk environment

In early 2009, the number of bankruptcies rose and even though the number of bankruptcies at the end of the year was levelling out, the number of bankruptcies in 2009 was a record high. The number of compulsory sales increased and is now at the 1995/1996 level. Unemployment increased all year and at the end of the year was at the 2006 level. Unemployment is expected to increase in 2010 and perhaps also in 2011.

Increasing unemployment is a direct threat to the ability of private borrowers to repay their loans and an indirect threat to the individual company's ability to pay because, all else being equal, demand will drop off. In contrast, tax cuts in 2010 and historically low interest rates are giving a large number of private customers better financial flexibility than previously.

The importance of the Bank's portfolio is mentioned in the review of the individual segments below.

The need for write-downs and provisions is illustrated at group level in the section "Write-downs and provisions on loans and guarantees" on page 14.

Largest customer credit risks

Key customer exposures of more than DKK 10 mill. amounted to 31.8 per cent of total customer loan exposures, measured on the total loans and guarantees at the end of 2009. Table 1 shows a break-down of exposures of more than DKK 10 mill.

Table 1
Break-down of exposures of more than DKK 10 mill.

	Balance DKK '000	Number
DKK 10-25 mill.	919,662	59
DKK 25-50 mill.	917,989	26
DKK 50-100 mill.	345,010	5
>DKK 100 mill.	4,213,321	14
Total	*6,395,982*	*104*

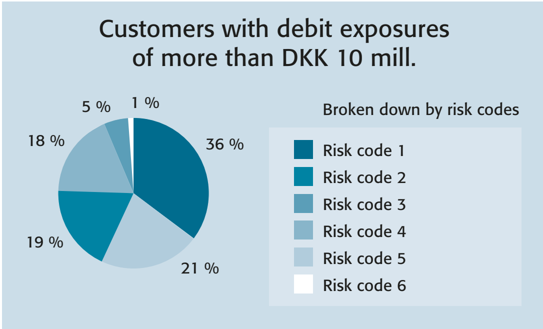
Note: The figures are calculated according to section 145 and include guarantees. The calculation excludes credit institutions which are included separately under "Credit risk on credit institutions".

In addition, note that, at Bank level, the figure "Sum of large exposures" (i.e. the sum of section 145 exposures after deductions, which are greater than or equal to 10 per cent of the base capital) amounted to 88 per cent as at the end of 2009, including loans to credit institutions. This corresponds to a total exposure of DKK 2.4 bn.

Section 145(2) of the Danish Financial Business Act allows "Sum of large exposures" to amount to 800 per cent. Only three individual exposures with credit risk that were not credit institutions were greater than or equal to 10 per cent of the base capital. For further information about credit institutions, see "Credit risk on credit institutions" on page 13.

The portfolio of the largest customer risks is of relatively good quality. Figure 2 in the next column illustrates the Bank's risk code on exposures larger than DKK 10 mill., measured by balance. The figure shows that a very small proportion of the total exposure is weak in terms of creditworthiness (risk codes 5 + 6). Because of a change in calculation method, this figure is not comparable to last year.

Figure 2



Note: The exposures are calculated according to section 145. Risk code 6 is the lowest score, signalling that the exposure was sent to debt collection.

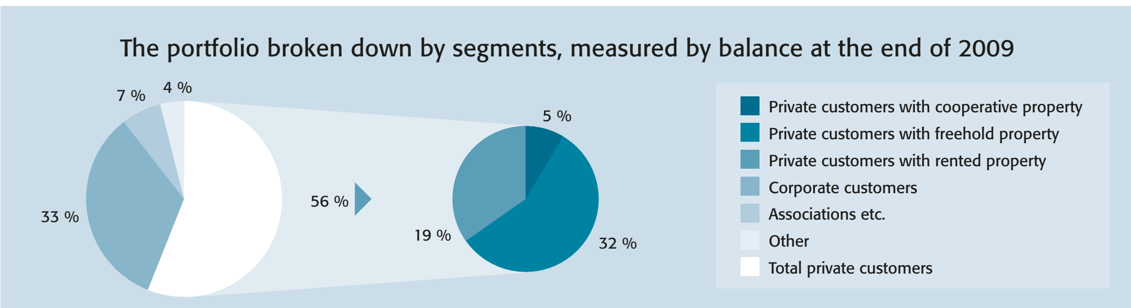
Customer credit risks broken down by segments

The overall credit risk is managed in accordance with policies and frameworks adopted and stipulated by the Bank's Board of Directors and Executive Management. The Bank's Credit Department lays down the framework for risk and collateralisation in its procedures.

Credit authorisation is delegated so that most decisions regarding private customers can be made by the individual branches. Large and particularly complicated credit relations are dealt with in close cooperation with the Credit Department.

Figure 3 below shows the Bank's exposure on significant customer segments, measured by balance (loans and guarantees). The Bank is characterised by holding a lower share of "Corporate customers", a higher share of "Private customers with cooperative property" and a higher share of "Associations etc" than comparative banks.

Figure 3



Note: The group "Other" includes loans to public institutions, exposures of less than DKK 50,000 and the Bank's staff.

Private customers

The Bank has a strategy for creating sustainable growth, particularly in the private customer area, see “Vision 2012”. In the customer loans area, loans to “Private customers” are the Bank’s largest business area with a share of 56 per cent, see figure 3. This is also the area where the highest growth was achieved in 2009. The portfolio of customer loans to private customers has a significant spread. The portfolio of customer loans to private customers has a significant spread. This means that individual losses can be considered as insignificant, unless there is a large number of a simultaneous loss, such as in the event of a serious recession in the entire economy.

Creditworthiness of individual private households is assessed on the basis of an individual assessment of a customer’s disposable income, total assets (including debt gearing and pension savings), job situation, age etc. The assessment is based on customers’ pay slips, annual tax returns, account behaviour, budgets and knowledge about the customer as well as his or her financial situation. In view of unemployment developments, in future, the Bank will focus on e.g. private customers who despite tax cuts and low interest rates still have problems paying off their debt, and who are not able to satisfy their repayment obligations in the event of interest-rate rises.

The exposure on the Bank’s private customers is further broken down by customer segments, depending on the debtor’s status on the housing market. Each of the three customer segments is managed according to separate guidelines.

A. Customers with freehold property

Exposures to private customers owning freehold property amount to 32 per cent of the portfolio measured by balance. Customers’ equity in their property has fallen as a result of falling house prices. This has reduced the Bank’s mortgage security with a resulting increase in the risk of losses from this segment.

The number of weakly financed or technically insolvent home owners, who cannot sustain a significant drop in income, is limited to owners who have not been on the housing market for very long in the parts of the market where prices have fallen the most and/or owners who are highly geared, possibly due to excessive consumption. There is only a relatively modest proportion of this type of customer because of the good spread in the portfolio of customers owning freehold property.

Furthermore, the Bank does not have geared investment credits by which customers’ equity in real property is geared through loan-financed investments in securities. The repayment discipline of customers owning freehold property was unchanged in 2009, and this has not posed any greater problems than expected.

In connection with a very detailed review of all the Bank’s weak customers in spring and summer 2009, all the Bank’s customers with double payments (purchase before sale) were selected for separate follow-up. This customer group represent less than 1 per cent of the freehold property segment, measured by exposure. There is no indication of a significant risk in this segment.

At the beginning of the year, the Bank saw an increase in the number of compulsory sales compared with the previous year. Measured on an annual basis, the number of compulsory sales has nearly doubled from 33 in 2008 to 56 in 2009. Despite the large increase in the number of compulsory sales, the continuous low level shows that the freehold property segment at Arbejdernes Landsbank is not particularly affected by the current economic situation. Significantly increasing unemployment for a long period is assessed to be the largest risk in this segment. The significantly falling and now historically low interest rates are expected to compensate for any income drops in this customer segment.

B. Customers with cooperative property

Exposures to private customers with cooperative property have increased to 19 per cent of the portfolio measured by balance, since the amendment in 2005 that makes it possible to take out a mortgage in cooperative property. However, the growth rate on the cooperative property segment levelled out in 2009. Loans in the cooperative property area are expected to continue to grow, though not at the same rate as previously observed.

The market for cooperative housing is less transparent than that for freehold housing, and price changes in the cooperative market have been less uniform because of differing price-setting practices between individual cooperative housing associations. The drop in prices seen in 2008 and 2009 has lagged behind that seen for owner-occupied flats and houses. The portfolio of loans for cooperative property at Arbejdernes Landsbank is deemed to be relatively resilient and less sensitive than the freehold property segment, despite its concentration in the Greater Copenhagen region. This is because cooperative housing associations in the Bank’s portfolio have generally chosen more cautious valuation principles when setting the maximum legal value of a cooperative share. The disproportionate weight of loans in older housing stock further reduces risk compared with, e.g. loans for new building and freehold properties.

In order to reduce the risk on this segment, the Bank has developed special business procedures and tools to assess the financial situation of private borrowers as well as the financial situation of the underlying cooperative housing associations. The valuation is tested using comparisons with the prices of similar cooperative housing in the same area. Furthermore, valuations are compared with prices per square meter of freehold property in the same area and similarly gross/net payments are compared with comparable freehold residences. In connection with the valuation of cooperative housing is a requirement that both prices per square meter and gross/net payments are minimum 20 per cent under comparable freehold residences. The differential in price per square meter between the Bank's loans for cooperative housing and the reference prices for the freehold housing market has been reduced over the past year, but it is still less than the minimum differential of 20 per cent.

Repayment discipline has deteriorated for the cooperative housing segment, and the number of written reminders has increased. There has been an increase in the number of cases of repayment problems within the cooperative housing segment, but the absolute number is still very low. Trends in repayment discipline are continuously followed very closely.

C. Customers with rented property

Exposures to "private customers with rented property" amount to 5 per cent of the portfolio measured by balance, and therefore they are relatively less significant than segments in the freehold housing and cooperative housing areas at portfolio level.

Clearly this segment has not experienced the same drop in wealth over the past two years as the freehold property market, but neither has it benefitted from the "cushion" built up over previous years through the massive increases in the value of freehold housing. Repayment discipline among the very small exposures, in particular, has clearly deteriorated. However measured in terms of volume, losses remain modest. There is some uncertainty regarding the strength of future negative developments, especially those driven by increasing unemployment.

Associations etc.

As a result of its basic philosophy and historical foundation, the Bank has a certain exposure to associations, including trade unions, charitable housing companies etc. Therefore, the Bank has specialist experience in credit assessment of these segments.

The exposure is a relatively small, but not insignificant part of the portfolio of customer loans and there is a relatively good spread. The basis for approval includes the individual association's foundation and articles of association, its assets and collateral, as well as its operations and management.

Corporate customers

Exposure to "corporate customers" is limited in comparison with banks of a similar size. The corporate segment amounts to 33 per cent of the total portfolio measured by balance. Apart from a few larger corporate exposures, the segment is characterised by a large number of small and medium-sized, primarily owner-managed, enterprises. There is also a good spread between sectors (see break-down by sector at Group level in table 8 on page 14)

Creditworthiness is assessed on the basis of an enterprise's ability to manage its debt commitments. The basis for approval includes the revenue-generating abilities of the enterprise, its assets (equity ratio), collateral, sector, and management. The basis for processing and managing commitments with corporate customers is described in the internal business procedures. Typically the assessment is based on financial statements, budgets, business plans and insights into the business owner's private financial situation. The Bank's credit policy requires that the Bank aim at building a full customer relationship, especially with corporate customers, to provide the best possible advice, but also to maintain overall economic insight into the Bank's exposures with customers.

The Bank's strategy is to increase lending to small and medium-sized enterprises, primarily owner-managed enterprises, cf. "Vision 2012". The Bank's policy is that a significant part of corporate commitments must be covered by collateral in the assets of the company, possibly supplemented with collateral from the business owner. Several years ago, the Bank decided to limit lending to enterprises which are dependent upon changes in the property market, and the Bank's policy is not to engage in financing projects with no guarantees of the necessary operating income to service the total indebtedness. The Bank's policy is also not to lend to fisheries and agriculture.

The Bank has experienced an increase in the number of bankruptcies in the corporate property segment compared to 2008. The increase is still assessed to be smaller than the general developments in society, and the segment is not assessed to be severely affected. Repayment discipline has deteriorated in this segment, and the number of reminders has increased. Continued decreasing demand is assessed to be the largest risk in this segment.

Systems for risk reporting, measurement and monitoring

The basis for credit assessment is reassessed at least once a year, provided the commitment is more than a specific limit. In practice the basis is often updated more frequently, for example in connection with ongoing contact with a customer. During the credit assessment, the commitment is allocated a risk code (rating) in accordance with detailed guidelines.

Every quarter, the Board of Directors reviews a report on developments in the portfolio of loans. This report describes developments from the previous quarter and the previous year, with detailed specifications of approvals, balances, overall overdraft levels, 90-day overdrafts, loan segments, sectors, risk codes etc.

The quality of the overall portfolio of customer risks (credit quality) is also assessed during the annual review of assets by the Credit Department, and during the subsequent presentation of the review to the Board of Directors and the Bank's internal and external auditors.

Customers with objective evidence of impairment are selected mechanically on the basis of selected criteria, and all these customers are reviewed at least quarterly by their advisors to prepare action plans and to make any write-downs. The Credit Department subsequently reviews the work of the branches.

Repayment discipline is monitored continuously using lists of overdrawn accounts, which are processed by advisors every day. Overdrafts of more than DKK 50,000 or DKK 10,000 and with a term of more than 90 days are commented weekly by the branch manager and sent to the Bank's Credit Department. Using samples and lists of overdrawn accounts, the Bank's Credit Department checks whether branches' action plans for customers with unsatisfactory payment records are adequate. The close central follow-up of action plans and strategies for credit-weak customers to reduce credit risk with the customer and losses for the Bank has been intensified in 2009.

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 fixed rotation arrangement, so that all branches will be reviewed within a given time.

Finally, credit monitoring is supported by ad hoc analyses on the basis of developments in the portfolio as well as fixed exercises such as quarterly contributions to solvency need and quarterly assessments of the need for individual and group-wise write-downs.

Developments in the Bank's 90-day overdrafts

The Bank's 90-day overdrafts are broken down by different sectors, but are dominated by "Property administration, estate agency, and business services" and "Retailers, restaurants and hotels", cf. table 2 below, The main reason is small amounts overdrawn on a few large exposures. The Bank has implemented "early warning" lists, which are to reduce the number of customers with 90-day overdrafts. The Bank has an objective to reduce the list by finding lasting solutions to possible problems rather than temporary solutions, collaboratively with the customer. This approach is expected to ensure that the number of customers on which the Bank will lose money is reduced in the long term.

Table 2
90-day overdrafts as at 31 December 2009

	Section 145 debit balance DKK '000	Of which, overdrawn accounts DKK '000	Of which, written down DKK '000	No. customers
Public authorities	580	9	176	2
Corporate				
Agriculture, hunting, forestry and fisheries	1,907	91	0	2
Manufacturing, extraction of raw materials, power, gas, water and heat plants	37,046	206	1,265	6
Building and construction	22,512	608	374	11
Retailers, restaurants and hotels	98,208	1,616	5,955	38
Transport, post and telephone	4,564	190	67	7
Credit and finance business as well as insurance business	4,092	112	2,996	2
Property administration, estate agency, and business services	69,250	8,795	1,879	15
Other corporate	6,686	257	0	3
Total corporate	*238,158*	*11,627*	*12,713*	*83*
Private	124,133	5,962	19,868	132
Total	*368,976*	*17,845*	*32,581*	*218*

Note: The calculation was made at section 145 level before write-downs.

Policies to hedge and reduce customer risks

The policies and business procedures described are methods to check and mitigate credit risks.

As far as possible, loans to private customers are hedged using different forms of collateral. This is usually by taking a registered mortgage deed in freehold and cooperative property. Moreover cars etc. are used as collateral.

Loans to corporate customers in owner-managed companies (A/S and ApS) as a rule require full or part personal guarantees, supplemented by various forms of collateral.

Loans to associations are frequently granted in return for a certain collateral for the liquidity in the form of members' liability to pay fees, alternatively with joint and several liability.

Table 3

Secured part of exposures broken down by customer segment as at 31 December 2009

	Corporate	Owner-occupied property	Cooperative property	Rented property	Associations
Fully secured part of exposures measured in per cent	40	60	81	20	32

Note: Credit institutions are not included in the calculation, but are processed separately in the section "Credit risks on credit institutions". Significant exposures are not included in the calculation, as they cannot fit into one group. All exposures are therefore assessed individually. The group "Associations" contains trade unions, unions and associations, housing associations, housing companies as well as other small associations and organisations.

Table 3 shows the secured part of exposures to the respective customer segments in the Bank's loan portfolio. Customers with freehold property and customers with cooperative property are the exposure groups with the highest collateral. Broken down by types of collateral, properties also make up the largest part of total collateral, cf. table 4 below.

The value at which the collateral has been calculated in tables 3 and 4 has been calculated according to a precautionary principle, cf. descriptions in the Bank's procedures. This implies that some assets are calculated at a reduced value or the value 0 for precautionary reasons, and therefore the real collateral value is significantly higher than calculated in tables 3 and 4.

Table 4

Loan value as at 31 December 2009

	Sum of loan value DKK '000
Securities, bonds, cash deposits etc.	916,023
Property	10,033,637
Cars	414,534
Transfers, including life-assurance and invoice discounting	16,728
Chattels	15,965
Warrants and guarantees	2,705
Other collateral	500,603
Boats and aircraft	17,372
Total	*11,917,567*

Note: Calculated loan values of deposited collateral, cf. the Bank's procedures.

The Bank does not use instruments such as credit default swaps or other types of insurance to hedge its risks on loans to customers.

Development of credit portfolio tools

Tools to measure and assess the Bank's credit risks are under constant development. A long-term project is to develop a credit classification model, which automatically and objectively will assign all the Bank's customers a risk code based on the customer's likelihood to default on his or her obligations to the Bank. The first phase of automatic risk code assignment will start up in early 2010, and the number of risk codes will be increased from six to ten. A new write-off and back-testing system has been developed, which in future will make it easier to identify the loss-making customers earlier and thus reduce the Bank's ultimate loss. In this context, reason codes will be registered on exposures that are at risk of failing, so it will become easier to identify, at portfolio level, the risk factors the Bank must be aware of in future. Lists of overdrawn accounts are and will be further differentiated and aimed at customers with increased risk. This ensures that the individual customer advisor will focus more on the customers that require quick action. Work is continuing to ensure that target figures for the branches also relate to credit risk and not only to sales targets, such as volume and gross income.

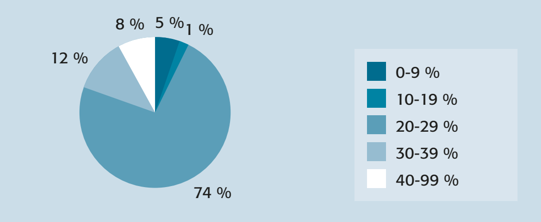
Activities in AL Finans A/S

The activities of the subsidiary company, AL Finans A/S, are spread over three business areas, car loans, leasing (primarily automobiles), and factoring.

AL Finans A/S has no internal rating and scoring system for assessment of credit risk, but has great experience in car loans, car leasing and factoring.

Quarterly manual reviews are carried out of all customers with signs of weakness, and customers are divided into manageable segments. The majority of all credits have collateral in the form of assets, for which there are public catalogues to assess the asset value, or there are statistical records covering many years. Furthermore, for more than 94 per cent of the car loans portfolio an initial payment of 20 per cent or more has been made, cf. figure 4.

Figure 4



Break-down of the initial payment percentage on car loans

Credit risks are assessed continuously, and provisions are made to the extent that there is objective evidence of impairment. Once a year an active review is carried out where the credit risk is assessed for larger exposures.

The risk on car loans and leasing is mainly concentrated on whether the value of underlying assets can be realised to the values estimated, cf. the high collateral coverage in tables 5-7. One of the material risk factors in AL Finans A/S is therefore declining realisation values on cars in particular.

There are two levels of repayment obligations in factoring. Debtor level is the first level, and if a debtor is unable to pay, then client level is the next level. In addition, claims are typically mortgaged by 80 per cent, which in normal circumstances provides good cover for repayment obligations. A growing number of bankruptcies among customers and debtors increases the risk of loss. To hedge this, an increasing number of exposures have now been hedged with credit insurance through guarantee insurance companies. Furthermore the Bank has taken out crime insurance, which insures the entire Group against major losses due to fraud.

This insurance will also cover losses in connection with any fraud involving invoices committed by factoring customers.

Loans and customer spread under the respective business areas are as follows:

Table 5

AL Finans A/S total business areas

	Balance DKK '000	Sum of loan value DKK '000	Total number of customers
Leasing	479,990	431,991	1,310
Car loans (debt instruments)	272,957	239,780	2,140
Car loans (purchase contracts)	795,770	716,193	7,465
Factoring	231,448	216,974	142
Total	*1,780,164*	*1,604,938*	*11,057*

Table 6

AL Finans A/S business area Private

	Balance DKK '000	Sum of loan value DKK '000	Number of private customers
Car loans (debt instruments)	178,593	166,860	1,673
Car loans (purchase contracts)	622,061	559,855	6,128
Total	*800,654*	*726,715*	*7,801*

Table 7

AL Finans A/S business area Corporate

	Balance DKK '000	Sum of loan value DKK '000	Number of corporate customers
Leasing	479,990	431,991	1,310
Car loans (debt instruments)	94,363	72,920	467
Car loans (purchase contracts)	173,709	156,338	1,337
Factoring	231,448	216,974	142
Total	*979,510*	*878,223*	*3,256*

Credit risk on credit institutions

General conditions

The “Instructions on segregation of responsibilities between the Board of Directors and the Executive Management of the Aktieselskabet Arbejdernes Landsbank” contain guidelines for managing counterparty risks as well as allocation of authority that the Executive Management may expose the Bank to credit risk on credit institutions and others.

In general the Bank adopts a tight practice for authorising exposures, and in day-to-day trading financial frameworks are only established with credit institutions known to the Bank. Authorisations of frameworks for Danish credit institutions are based on the most recent financial statements as well as the Bank’s knowledge about the counterparty. Frameworks for foreign credit institutions are granted primarily to large first-class banks with an international rating equal to or above level A1 (Moody’s long-term ratings). Authorisations of frameworks are also based on the same principles as mentioned above for Danish credit institutions.

Binding credit commitments

Arbejdernes Landsbank bases lending on business relationships, and as a point of departure credit is only granted to credit institutions having a natural cooperation potential with Arbejdernes Landsbank within other business areas.

In addition to obtaining knowledge about conditions relating to business counterparties, prior to entering into any commitment, the Bank carries out an analysis of the most recent interim financial statements, and the credit institution is interviewed on any issues arising. This analysis work is carried out by the Credit Department.

At least once a year, the Bank follows up all exposures and conducts a quality test for all commitments, often with a follow-up meeting with the counterparty. It is also routine practice that these credit institutions visit Arbejdernes Landsbank after publication of annual reports and provide more detailed information about developments.

Follow-up work is performed at management level in Arbejdernes Landsbank, and the Bank’s Credit Department is involved in specific situations in order to complete a follow-up analysis of the previous decision base.

All those with contact to the credit institutions involved may have access to potentially market-sensitive information about the credit institution. These persons are primarily from the management group at the Bank and they are subject to more rigid internal regulations on transactions with the relevant credit institution using personal assets.

Ordinary undisclosed credit lines:

This type of commitment is granted internally by the Bank on the basis of two main criteria:

1. A size criteria – whereby a credit line for credit institutions is measured according to objective criteria pursuant to internal instructions on segregation of responsibilities (”*Instruks for arbejdsfordelingen mellem bestyrelsen og direktionen i A/S Arbejdernes Landsbank*”). The size of a credit line is measured as both a specific percentage of Arbejdernes Landsbank’s equity and as a percentage of the credit institution’s equity.

2. A subjective assessment, whereby reviews of financial statements, market information, cooperation experience etc. are combined into a conclusion drawn by the Bank’s management.

Grants of credit lines to credit institutions are decided collaboratively between the head of the Credit Department, the head of the Treasury Division and the Bank’s Executive Management.

Risk assessment

On the basis of the adopted state guarantee for Danish credit institutions, the risk on regular loans for domestic credit institutions is currently very limited. Similar schemes have been made in many other EU countries.

The risk on Danish credit institutions is assessed to be primarily on specific product outstandings (share capital and capital base) that are not covered by the guarantee scheme as well as loans to credit institutions which have not acceded to and fulfilled the conditions for being covered by the scheme. Since the Bank’s policy is only to do business with Danish credit institutions covered by the guarantee, risks on Danish banks are deemed to be solely in connection with share capital and capital base. Here, the Bank’s policy is not to provide loans in the form of capital base.

The Bank is exposed to credit institutions in countries which have not acceded to a state guarantee scheme. The risk is assessed as limited, and all capital provisions have been carried out, which the Bank deems necessary in a worst case scenario.

Write-downs and provisions on loans and guarantees

The Group's statement of defaults on payments of receivables and impairment losses on receivables is pursuant to sections 51 – 54 of the Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

In 2009 the individual and group-wise write-downs on loans etc. as well as provisions on guarantees amounted to DKK 315 mill., cf. table 8, compared to DKK 158 mill. in 2008. The calculation in table 8 includes credit institutions. After this, accumulated write-downs and provisions amount to DKK 648 mill. at the end of 2009. Table 8 shows the breakdown of write-downs and provisions by sector. The increase in write-downs and provisions is primarily due to the negative trends in the economic cycle.

Note that the individual write-downs in 2009 are burdened by almost DKK 52 mill. for the Bank's share of estimated losses in the Private Contingency Association (*Det Private Beredskab*). Despite expectations that the economic crisis will continue in 2010, the Bank expects the level of write-downs and provisions in 2010 will be lower than that of 2009. The lower need for write-downs and provisions in 2010 is partly due to expectations that the crisis will ease off slightly in 2010, and partly that the Bank has made very detailed individual exposure reviews to identify all exposures with write-down and provision needs. There is a detailed description in the previous section under the individual customer segments in "Systems for risk reporting, measurement and monitoring".

Table 8
Sector breakdown of receivables from credit institutions and central banks, loans and guarantees

	Exposures carried forward at the end of 2009 DKK '000	Exposures, which have been written down/provided DKK '000	Write-down/ provisions carried forward at the end of 2009 DKK '000	Net write-down/ provisions 2009 DKK '000
Public authorities	216,277	165,589	9,107	-1,104
Corporate				
Agriculture, hunting and forestry	107,609	58,129	1,049	-308
Fisheries	0	0	0	3
Manufacturing, extraction of raw materials, power, gas, water and heat plants	501,288	267,612	35,267	-21,462
Building and construction	590,807	380,368	75,394	-20,455
Retailers, restaurants and hotels	1,868,191	1,197,620	88,447	-49,741
Transport, post and telephone	428,691	222,007	12,070	-4,574
Credit and finance business as well as insurance business	4,565,550	653,498	98,290	-74,979
Property administration, estate agency, and business services	2,531,044	1,396,396	35,597	-4,832
Other corporate	1,287,622	355,799	48,439	-22,508
Total corporate	***11,880,802***	***4,531,429***	***394,553***	***-198,857***
Private	11,606,451	8,625,588	244,631	-114,963
Total	***23,703,530***	***13,322,606***	***648,291***	***-314,924***

Table 9
Changes in impairment losses on receivables

	Individually written down credit institution DKK '000	Individually written down loans etc. DKK '000	Individually provided on guarantees DKK '000	Group-wise written down loans etc. DKK '000	Group-wise provided on guarantees DKK '000
Accumulated write-downs/provisions brought forward on loans and guarantee debtors	0	279,571	17,648	57,263	5,860
Write-downs/provisions for the year	16,871	319,426	54,288	23,937	730
Reversal of write-downs	0	97,316	481	20,563	1,084
Other movements	385	10,398	0	3,432	0
Actual loss (written off), previously individually written down/provided	0	22,076	0	0	0
Accumulated write-downs/provisions carried forward on loans and guarantee debtors	17,256	490,003	71,455	64,069	5,506
Actual loss (written off), not previously individually written down/provided	0	19,115			
Recognised in claims previously written-off	0	6,193			

Counterparty risk

Counterparty risk includes the Group's management of risks of losses on derivative financial instruments. Risks of losses on derivative financial instrument are included in the management of credit risk in both the authorisation process and in general exposure monitoring, cf. sections on this matter.

The Bank's and Group's exposures to items with counterparty risk are identical.

Table 10
Derivative financial instruments and spot transactions carried forward 2009

	Nominal value DKK '000	Net market value DKK '000	Positive market value DKK '000	Negative market value DKK '000
Currency contracts				
Spot transactions, purchase	5,789	25	25	0
Spot transactions, sale	3,676	15	15	0
Forward transactions/futures, purchase	44,401	427	498	71
Forward transactions/futures, sale	1,150,811	-680	389	1,069
Options, acquired	449,174	807	807	0
Options, issued	559,760	-1,260	0	1,260
Interest-rate contracts				
Spot transactions, purchase	105,947	-43	59	102
Spot transactions, sale	101,056	124	159	35
Forward transactions/futures, purchase	1,060,618	303	891	588
Forward transactions/futures, sale	2,849,141	-13,633	798	14,431
Options, acquired	297,660	3,364	3,364	0
Options, issued	297,660	-2,828	0	2,828
Swaps	2,933,373	0	61,673	61,673
Interest-rate swaps	3,690,995	-24,730	8,855	33,585
Share contracts				
Spot transactions, purchase	114,586	124	268	144
Spot transactions, sale	114,028	0	185	185
Options, acquired	435	591	591	0
Total	*13,779,110*	*-37,394*	*78,577*	*115,971*

The Bank does not apply netting in the statement of risks on items with counterparty risk.

Market risk

The Bank puts high priority on managing business with market risk because of the increasing scope of business in this area and the increasing complexity of a number of the products in recent years. In general the Bank is prudent in the size of its exposure to market risk.

The current financial crisis has further underscored the need for active and tight management of this area.

Market risk covers positions, the market value of which depends on developments in the general levels of a number of market variables such as interest rates, share prices, and currency rates. Moreover, risks of a more specific nature on specific market securities are included, if these risks can be traded explicitly. The statement includes market risk on both balance-sheet items and non-balance-sheet items and calculations also include positions in the trading portfolio and business outside the trading portfolio which could have market risks.

Under normal market conditions, general market risks are determined by macroeconomics, national and international political conditions, etc., as well as actions by central banks, which are independent of type of instrument and specific counterparties in a transaction.

Interest-rate risk is calculated on the basis of the modified duration and indicates the expected loss on positions with interest-rate risk in the event of a parallel change in the yield curve of 100 basis points. For convertible mortgage-credit bonds and bonds with an interest ceiling etc. correction factors issued by the Danish Financial Supervisory Authority and information obtained from leading market participants on modified duration are used. The calculations are made in the individual currencies and in duration intervals. The Bank's exposure is primarily in DKK interest.

Share-price risk is the risk of losses as a result of changes in share prices. The share price risk covers the net position in shares as well as share-related instruments in the individual share or share index. The share-price risk is calculated as the weighted positions across share instruments.

Currency risk reflects the Bank's risk of losses on positions in currency as a result of changes in currency exchange rates. The risk is calculated in part according to the Currency indicator 2 method, and in part as a weighted sum of net positions in the individual currencies, by which the weighting takes into account volatility.

Table 11

Group interest-rate risk at the end of 2009

Broken down by modified duration (D)	DKK '000
0 < D <= 3 months	2,854
3 < D <= 6 months	1,281
6 < D <= 9 months	176
9 < D <= 12 months	8,915
1 < D <= 2 years	16,182
2 < D <= 3.6 years	47,394
3.6 years < D	26,917
Total	*103,719*

Broken down by currency	DKK '000
DKK	107,353
EUR	-3,878
SEK	640
USD	-593
GBP	281
CHF	-82
Other currencies	-2
Total	*103,719*

Interest-rate risk has been calculated for a change in interest rates of 100 basis points.

Management of market risks

The Group's overall market risk is managed centrally by the Treasury Division.

The Bank ensures distinct segregation of responsibility in risk-taking at all levels of the Bank through setting maximum authorization frameworks for both the Executive Management and the management of the Treasury Division. On the basis of this, narrower frameworks are delegated to the individual authorising employees in the Treasury Division.

The individual risk areas are monitored continuously in relation to the frameworks set. Daily follow-up on this is via reports to the Executive Management and there are regular reports to the Board of Directors. The staff function, Internal Risk Management, monitors how much of the individual frameworks are used by the position takers and reports direct to the Executive Management.

The Bank's market risks are a result of customer trading or arising from the Bank's position-taking on the basis of tactical and strategic assessments of market developments, and partly from consideration of the scope of the bank's other business, including transactions with interest-rate risk, but outside the trading portfolio.

In order to be able to deal with customers' trading activities, the Bank has a holding of securities which cancels out the differences between the size of customer trading and standard transactions on the professional market.

The market risk linked to this is kept within well defined limits both in total and on the individual securities ID. These limits are included in the frameworks set by the Board of Directors and they are continually monitored.

Tactical, short-term investments are managed by the Bank's trading function within relatively narrow limits which are continually monitored. Strategic positions are decided by the Executive Management on the basis of an assessment of potential returns compared with the risk involved, and taking into account the Bank's overall appetite for risk, other risks of the Bank, as well as ongoing maintenance of a liquidity resource in the form of liquid assets.

In addition to daily calculations of the Bank's total market risks according to standard key figures, stress tests of the holdings are also performed occasionally.

Liquidity risk

Liquidity risk is the risk of losses resulting from the Bank having to pay more for the liquidity required to cover its payment obligations and to maintain normal liquidity reserves 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 Danish kroner (DKK), while the rest of the risk is concentrated in the major currencies.

The Bank has an objective to have excess liquidity of 100 per cent in relation to the 10 per cent and 15 per cent stipulated in section 152 of the Danish Financial Business Act. Liquidity resources are monitored daily and at the same time assessed in a long-term perspective in relation to business developments at the Bank, in the capital markets, and on deposits and loans.

In addition to regular calculation of the excess liquidity cover, occasional stress tests of the Bank's liquidity in the long term are carried out in order to reveal the Bank's sensitivity to significant changes in its ongoing terms of funding. Expiry of Bank Package I at the end of September 2010 gives rise to special monitoring of the liquidity risk, focusing on market and customer behaviour.

Interest-rate risk outside the trading portfolio

The Bank's interest-rate risk arises to a certain extent outside the trading portfolio in the form of fixed-interest loans or deposits for customers or variable interest loan products with built-in option elements.

The interest-rate risk outside the trading portfolio is part of the Treasury Division's calculations of the Group's overall interest-rate risk and it is managed within set limits.

Shares outside the trading portfolio

In collaboration with other banks, Arbejdernes Landsbank has acquired holdings in a number of sector companies. The object of these companies is to support the banks' business within mortgage credit, IT, money transmission services and investment associations. The holdings are not included in the trading portfolio, as participation in the sector companies is very important for the Bank's goal of being able to offer customers a broad range of financial services at competitive prices.

Table 12
Shares outside the trading portfolio

	DKK '000
Portfolio at carrying amount carried forward 2009 *)	741,369
Realised capital gains/losses in 2009	0
Unrealised capital gains/losses in 2009	-29,303

**) Of which, DKK 350.8 mill. amount to more than 10 per cent in the given enterprise This amount is deducted in the calculation of the Group's base capital, and 50 per cent, corresponding to DKK 175.4 mill., is deducted from the core capital.*

Holdings in sector companies are unlisted and are valued at fair value or cost, if it is deemed that the fair value cannot be calculated reliably.

Operational risk

Table 13
Operational risk is the risk of losses because of:

Type	Description
Internal fraud	Losses due to acts of a type intended to defraud, misappropriate property or circumvent regulations, the law or Bank policy, and which involve at least one Bank employee.
External fraud	Losses due to acts of a type intended to defraud, misappropriate property or circumvent the law, by a third party.
Employment practices and workplace safety	Losses arising from acts inconsistent with employment, health or safety legislation. Payment of claims arising from personal injury or from discrimination events.
Clients, products, and business practice	Losses arising from an unintentional or negligent failure to meet a professional obligation to specific clients, or losses arising from the nature or design of a product.
Damage to physical assets	Losses arising from loss or damage to physical assets from natural disaster or other events.
Business disruption and systems failures	Losses arising from disruption of business or system failures.
Execution, delivery and process management	Losses from failed transaction processing or process management.

As a rule, operational risk can be linked to specific individual events.

The organisation

In order to assist the management at the Bank with matters relating to operational risk, work in this area is based in the following departments:

- Legal Department with regard to compliance
- Internal Audit with regard to testing established controls
- IT Department with regard to following up IT security and emergency plans for transferring operations
- HR Department with regard to physical security relating to personnel and buildings
- The individual business areas with regard to their own exposures

Tasks

All operational losses exceeding DKK 5,000 are reported and commented by the individual business areas.

Reports from the Internal Audit department are dealt with by the Board of Directors and the Executive Management.

Reports from public supervision are also dealt with by the Board of Directors and the Executive Management.

Reports are made to the Executive Management in the event of critical exposures from individual business areas when the management of a business area deems that reporting and follow up is necessary.

Management information is prepared in the form of descriptions of IT security, compliance and contingency plans.

On the basis of reports on current losses data from business areas, the IT department calculates total operational risk once a year.

Business risk

Business risk is defined as the risk of losses from changes in external conditions which influence the Bank, or incorrect assessments of the consequences of strategies adopted.

The risk becomes apparent in unexpected falls in revenues or unexpected rises in costs.

Examples of reasons are:

- Fierce price competition arising from a drop in business volume or falling revenues on the existing volume of business
- Increasing product-development costs to match new products from competitors
- Increasing marketing costs arising from negative press coverage
- Incorrect estimates of revenues from new activities

The Group continually assesses this type of risk, and always when setting the solvency need.

Property risk

Property risk is defined as the risk of losses on the portfolio of properties, arising from a general drop in property prices.

Aktieselskabet Arbejdernes Landsbank has a portfolio of owner-occupied properties of DKK 462 mill.

The properties are primarily used for the operation of the Bank. In addition parts of individual properties are rented out as dwellings or as professional offices.

The properties are widely located throughout Denmark, although on the basis of carrying value there is an over-weight in Greater Copenhagen.

The properties are measured annually at 31 December to ”revalued amount” which is the fair value on the date of valuation.

Consolidation

Aktieselskabet Arbejdernes Landsbank

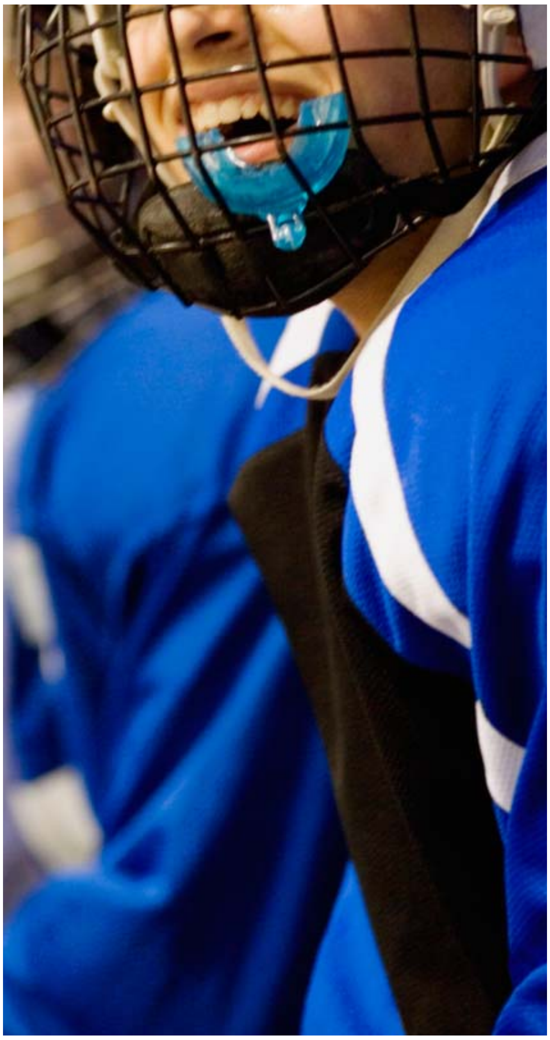
Consolidation includes both subsidiary companies,

- AL Finans A/S
- Handels ApS Panoptikon

which are both 100 per cent owned by the parent company Aktieselskabet Arbejdernes Landsbank. There are no differences between the consolidation bases for accounting purposes, and consolidation is in accordance with part 12 of the Danish Financial Business Act.

ALKA Forsikring A/S is an associated company and because it is an insurance company it has not been consolidated, and it has not been included in the calculation of base capital.

The activities of subsidiary companies are based on funding from the parent company.



Base capital

Table 14
Calculation of Group base capital as at 31 December 2009

	DKK '000
Share capital	300,000
Reserves	166,749
Retained earnings	2,355,695
Core capital	***2,822,444***
Proposed dividends	0
Intangible assets	11,172
Deferred tax assets	19,772
Core capital after primary deductions	***2,791,500***
50% of the capital requirement in associated companies, operating insurance business, cf. section 131(2), no. 2 of the Danish Financial Business Act	43,711
50% of equity investments >10% in credit and financing companies, cf. section 131(2), no. 3 of the Danish Financial Business Act	217,366
50% of the sum of equity investments >10%, cf. section 131(2), no. 3 of the Danish Financial Business Act	0
Core capital before deductions	***2,530,423***
Injections of subordinated debt	328,000
Revaluation reserves	117,266
Base capital before deductions	***2,975,689***
50% of the capital requirement in associated companies, operating insurance business, cf. section 139(1), no. 1 of the Danish Financial Business Act	43,710
50% of equity investments >10% in credit and financing companies, cf. section 139(1), no. 2 of the Danish Financial Business Act	217,366
50% of the sum of equity investments >10%, cf. section 139(2), no. 3 of the Danish Financial Business Act	0
Base capital after deductions	***2,714,613***

Solvency need

Model

An individual solvency need for both the Group and the Bank is set by Arbejdernes Landsbank

A model is used, where the solvency need is built on the basis of 0%, after which capital is allocated for each risk area. The total capital need is obtained by adding the capital need for each risk area. Thus the model takes no account of correlations between the individual risk areas.

The model is based on own data and risk assessments as far as possible. However, the Bank's historical database is limited, and therefore external data and methods for calculating risks are used to a large extent. In several risk areas, risk calculations have been made for own and external data/methods. The highest calculated risk is used in these cases.

Solvency need is calculated as the total capital need as a percentage of the weighted items calculated according to the provisions of the Executive Order on Capital Adequacy. Pursuant to the Executive Order on Capital Adequacy, the Bank calculates weighted items for both the Group and the Bank. The lowest calculated weighted items are used in the calculation of the solvency need.

This model was selected to ensure a high degree of prudence, clarity and transparency.

Adequate capital and solvency need

Bank and Group solvency need as at 31 December 2009 corresponds to the solvency need of 8 per cent pursuant to section 124(2), no. 1 of the Danish Financial Business Act. According to this provision, adequate base capital amounts to DKK 1,672.6 mill.

Bank and Group solvency need calculated according to section 124(4), of the Danish Financial Business Act without regard to section 124(2), no. 2 of the Danish Financial Business Act is at 7.37 per cent. According to this provision, the adequate base capital amounts to DKK 1,541.4 mill.

Calculation of adequate base capital and solvency need can be broken down into the following categories:

Table 15
Calculation of adequate base capital and solvency need as at 31 December 2009

	DKK '000	%
Capital to cover credit risk	832,443	3.98
Capital to cover market risk	488,738	2.34
Capital to cover operational risk	164,449	0.79
Capital to cover other risks	55,787	0.27
Adequate base capital/solvency need	**1,541,417**	**7.37**
Weighted items 31.12.2009	20,907,887	

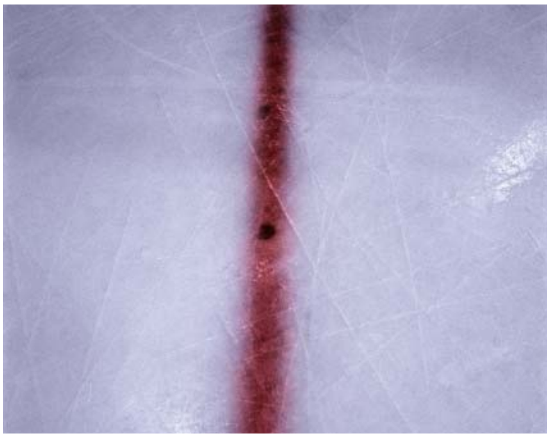
Capital to cover credit risk

Capital to cover credit risk is calculated by stress testing the Group's loan and guarantee portfolio with the sector's historical worst case loss rates broken down into sectors. In some situations higher loss rates are used, when the Group's historical data indicates a higher risk. The average loss rate used is 2.9. In addition, separate capital is set aside to cover credit risk on weak exposures, large exposures, receivables from credit institutions and the concentration of collateral.

Capital to cover market risk

Capital to cover market risk is calculated by stress testing full exploitation of the Group's budgeted framework for market risk. Capital corresponding to the solvency need is allocated on positions in debt instruments in the trading portfolio, in accordance with the standard method in the Executive Order on Capital Adequacy.

Significantly higher loss rates than the solvency need are used on share positions in the trading portfolio and currency positions, in accordance with the standard method in the Executive Order on Capital Adequacy. In addition, separate capital is set aside for risk of losses on specific bonds, liquidity risk as well as share and interest-rate risk outside the trading portfolio.



Capital to cover operational risk

Capital to cover operational risk is equivalent to the solvency need according to the base indicator of the Executive Order on Capital Adequacy. The Group makes its own calculations of the operational risk, in part based on historical losses. These calculations show a significantly lower risk than the solvency requirement.

Capital to cover other risks

Capital to cover other risks includes capital requirements for growth, decline in earnings, strategic and reputation risks.

Process

Assessment of the solvency need is an integrated part of the Bank's routine budget process, in which the Board of Directors approves annually the Group budget and the solvency need. In addition, the budget and solvency need are adjusted and corrected every quarter, and this is also presented to the Board of Directors.

Preparation of the annual budget and solvency need as well as quarterly adjustment is a coordinated process in the Group with the Accounting Department as the coordinating unit.

New guidelines from the Danish FSA

On 18 January 2010, the Danish FSA issued guidelines on adequate base capital and solvency need for banks. The guidelines contain a number of recommendations for stress scenarios and loss rates etc., which, to some extent, differ from the Bank's calculations as at 31 December 2009. The Bank's assessment is that an adjustment to reflect the recommendations from the Danish FSA could lead to an increase of around 0.5-1.0 percentage point in the solvency need of the Bank and the Group.

Solvency requirement

The Group solvency ratio at the end of 2009 was 13.0 compared with 12.0 at the end of 2008.

The Group uses the following methods to calculate the solvency ratio:

- Standard method to calculate credit risk
- Standard method to calculate market risk
- Market value method to calculate counterparty risk
- Base indicator method to calculate operational risk
- Collateral in the form of securities in accordance with the extended method
- Collateral in the form of guarantees for transactions with credit institutions
- Collateral in the form of mortgages in real property and cash deposits with the Bank

The solvency requirement (8 per cent of the weighted items) was DKK 1,672.6 mill. at the end of 2009 compared with DKK 1,703.4 mill. at the end of the previous year.

Table 16
Solvency requirement broken down by exposure categories

	Solvency requirement 31.12.2009 DKK '000	Solvency requirement 31.12.2008 DKK '000	Solvency requirement Average *) 2009 DKK '000
Exposure categories:			
Items with credit risk etc.			
Exposures to credit institutions	30,179	23,472	26,249
Exposures to businesses etc.	380,968	375,886	374,239
Exposures to retail customers	739,894	726,890	716,497
Exposures secured by mortgages in real property	63,450	59,049	63,422
Exposures, which have been overdrawn	34,408	23,974	43,473
Exposures in other items	53,046	55,897	54,298
Total items with credit risk etc.	***1,301,945***	***1,265,167***	***1,278,178***
Items with market risk			
Debt instruments, specific risk	102,270	105,990	90,927
Debt instruments, interest-rate risk	62,779	117,514	73,568
Position risk for shares	12,593	28,713	20,808
Position risk for collective investment schemes	7,542	10,591	8,681
Currency risk	13,475	30,055	20,771
Other items	436	127	238
Total items with market risk	***199,094***	***292,990***	***214,993***
Operational risk	177,158	149,802	155,273
Group-wise write-downs	-5,566	-4,581	-5,053
Total solvency requirement	***1,672,631***	***1,703,378***	***1,643,392***
Base capital for meeting the solvency requirement	2,714,613	2,555,356	2,616,488

**) Average is calculated on the basis of submissions to the Danish Financial Supervisory Authority from 31 December 2008 to 31 December 2009.*

Exposure categories

Exposure categories calculated using the standard method for credit risk pursuant to section 9 of the Executive Order on Capital Adequacy. Exposures are stated after individual write-downs and before taking account of the effects of credit reductions.

Table 17

Development and average in 2009 for items with credit risk

	Average 2009 DKK '000	Status 31.12.2009 DKK '000	Status 30.09.2009 DKK '000	Status 30.06.2009 DKK '000	Status 30.03.2009 DKK '000	Status 31.12.2008 DKK '000
Exposure categories:						
Exposures to central banks and central governments	726,550	1,059,491	223,711	170,440	1,242,944	936,164
Exposures to credit institutions	3,882,326	3,379,687	3,905,424	4,053,316	4,035,235	4,037,969
Exposures to businesses etc.	6,897,938	6,548,875	6,857,436	7,133,090	7,133,073	6,817,218
Exposures to retail customers	15,361,465	15,522,248	15,364,832	15,313,104	14,947,634	15,659,508
Exposures secured by mortgages in real property	2,191,281	2,184,125	2,244,854	2,233,469	2,238,428	2,055,528
Exposures, which have been overdrawn	431,456	345,188	697,882	390,759	441,095	282,356
Exposures in other items	970,831	961,999	944,838	965,749	962,648	1,018,923
Total items with credit risk etc.	*30,461,848*	*30,001,613*	*30,238,977*	*30,259,927*	*31,001,057*	*30,807,666*

Table 18

Balance-sheet items, broken down by remaining term – as at 31 December 2009

	Demand DKK '000	0-3 months DKK '000	3 months-1 year DKK '000	1-5 years DKK '000	Over 5 years DKK '000
Exposure categories:					
Exposures to central banks and central governments	7,794	1,025,334	1,384	24,668	213
Exposures to credit institutions	44,092	941,936	75,551	89,872	176,451
Exposures to businesses etc.	988,977	780,903	751,010	971,514	599,056
Exposures to retail customers	1,519,876	2,222,263	1,185,820	3,771,679	2,314,415
Exposures secured by mortgages in real property	76,662	72,839	300,534	839,161	859,127
Exposures, which have been overdrawn	70,773	21,191	84,418	88,161	45,483
Exposures in other items	387,511	0	0	112,045	462,444
Total balance-sheet items	*3,095,685*	*5,064,466*	*2,398,717*	*5,897,100*	*4,457,189*

Table 19

Sector breakdown by exposure category – as at 31 December 2009

	Central governments and central banks DKK '000	Institutions DKK '000	Enterprises DKK '000	Retail customers DKK '000	Mortgages in real property DKK '000	Arrears or overdrafts DKK '000	Other items DKK '000
Public authorities	27,763	0	230,550	284,137	37,860	470	0
Corporate							
Agriculture, hunting and forestry	0	0	40,400	74,221	13,104	3,164	0
Fisheries	0	0	0	0	0	0	0
Manufacturing, extraction of raw materials, power, gas, water and heat plants	0	0	229,064	217,200	54,564	26,806	0
Building and construction	0	0	233,831	420,315	63,232	14,201	0
Retailers, restaurants and hotels	0	0	1,054,002	842,581	158,705	93,085	0
Transport, post and telephone	0	0	309,786	125,000	35,750	4,873	0
Credit and finance business as well as insurance business	1,031,728	3,379,687	1,509,112	58,564	887	4,370	118,593
Property administration, estate agency, and business services	0	0	1,609,777	932,016	232,815	91,831	0
Other corporate	0	0	1,007,313	777,572	85,491	20,281	0
Total corporate	*1,031,728*	*3,379,687*	*5,993,285*	*3,447,469*	*644,548*	*258,611*	*118,593*
Private	0	0	325,040	11,790,642	1,501,717	86,107	0
Other items	0	0	0	0	0	0	843,406
Total	*1,059,491*	*3,379,687*	*6,548,875*	*15,522,248*	*2,184,125*	*345,188*	*961,999*

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