

**Financial statements from Arbejdernes Landsbank:****Arbejdernes Landsbank has seen progress in banking operations**

**Arbejdernes Landsbank's banking operations picked up the pace in 2011. Core earnings rose by 12%, and the Bank received more than net 7,000 new bank customers. However, capital losses as a consequence of financial market unrest and larger write-downs on loans than anticipated had a negative effect on the Bank's financial statements with a profit after tax of DKK 38.1 mill., which is not satisfactory. Capital was further strengthened in 2011 and the deposits surplus grew to nearly DKK 6 bn.**

In recent years Arbejdernes Landsbank has seen an extremely positive development. Because of the Bank's clear strategic focus on stable, customer-oriented banking and sustainable growth, the Bank has come out with renewed force despite recent years' turbulence in the Danish banking sector. The result has been a considerable net addition of new customers as well as steadily increasing earnings from banking activities. This is reflected in the financial statements for 2011.

"If we look at our core business, i.e. classic banking operations, we look back on 2011 with fairly great satisfaction and we are optimistic with regard to the future. In 2011, we increased our core earnings by 12% in total and saw a net addition of more than 7,000 new customers. Business with our existing customers increased, and with the handsome addition of new customers, business looks promising for our earnings in the years to come. We expect earnings to continue rising owing to increasingly high levels of activity among our 200,000 customers", says Gert R. Jonassen, Chief Executive, Arbejdernes Landsbank. He continues:

"With the positive trends in banking operations with rising deposits of 10% to about DKK 23 bn., we are definitely prepared to continue our sustainable growth. A profit after tax of just DKK 38.1 mill. is not satisfactory, but it is mainly attributable to unrealised drops in share prices on our DKK 13 bn. investment portfolio. In addition, write-downs on loans were higher than expected. We have a clear goal that already in 2012, we will reduce our need for write-downs, and, in the coming years, we also expect to regain the capital losses incurred on the financial markets."

**Positive outlook for 2012**

Already next year, Arbejdernes Landsbank is expecting significantly improved results. The goal for 2012 is to achieve a profit before tax of between DKK 275 and 325 mill., and the Bank will keep speeding up the realisation of the Bank's vision and strategic goals.

"In our Vision 2015, we have a goal to increase our business activities by 25%. This is an ambitious yet absolutely realistic goal, which we will achieve by continuing our strong developments in banking operations, including increased business in the corporate customers area. Also, if we spot the right opportunity for strategic acquisitions, we are ready," says Gert R. Jonassen.

*See the fact sheet below for details about the Group financial statements.*

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## Facts about the Arbejdernes Landsbank Group financial statements

### Result

- The Arbejdernes Landsbank Group obtained a profit after tax of DKK 38.1 mill. against a profit after tax of DKK 133.9 mill. in 2010.
- Expectations for 2011 were therefore not satisfied, despite good progress in core earnings. This is because of unrealised investment losses and larger than expected write-downs on loans.

### Equity

- Return on equity after tax in 2011 was 1.2%, compared with 4.4% in 2010.

### Core earnings

- Core earnings increased by DKK 159.5 mill. to DKK 1,493.3 mill., corresponding to 12.0%.
- Net interest income showed an increase of DKK 143.7 mill. to DKK 1,076.1 mill. against DKK 932.4 mill. in 2010. Developments in net interest income were affected by activity growth and an increase in the number of customers, among other things, as a result of the takeover of 4,000 private customers from the Financial Stability Company.  
In addition, there was an expansion of the interest margin, which was necessary due to rising funding costs and contributions for sector costs.
- Net fees and commission income increased by 8.6% to DKK 329.8 mill. The increase was achieved at many levels.
- Trading earnings fell by 10.5% to DKK 87.4 mill. partly due to falling willingness amongst our customers to trade in securities because of the uncertainties on the financial markets.

### Staff costs

- There was a small increase in staff costs of DKK 4.0 mill. corresponding to 0.6%. The average number of employees converted to full-time rose by 13 to 1,053 employees in 2011.

### Write-downs on loans, etc.

- Write-downs on loans, etc. showed a need for write-downs of DKK 209.9 mill. against DKK 174.9 mill. in 2010, which is higher than expected. The write-down ratio was 1.1%, which is the same as the previous year.

### Investment portfolio earnings, excl. investment securities

- Investment portfolio earnings, excl. investment securities amounted to DKK -195.3 mill., compared with DKK 81.0 mill. in 2010.  
The negative earnings from investment portfolios should be seen in the light of the developments on the financial markets, which have been characterised by falling share prices and increasing credit spreads.

### **Investment securities**

- Investment securities showed a profit of DKK 87.9 mill. against DKK 114.2 mill. for 2010. This drop is primarily attributable to the return from the companies Alka Forsikring and LR Realkredit that contributed with a return of DKK 102.2 mill. against DKK 147.5 mill. the previous year.

### **Contributions to sector solutions**

- Contributions to sector solutions are the costs paid by the Bank in connection with takeovers by the Financial Stability Company of banks in distress. These costs amounted to DKK 34.8 mill. against DKK 107.2 mill. in 2010.

### **Tax**

- Tax amounted to a tax income of DKK 33.6 mill. compared with a tax income of DKK 5.1 mill. in 2010. The reason for the tax income in 2011 is that the majority of the Bank's earnings from investment securities are tax free.

### **Solvency**

- Group solvency was 13.5% in 2011 against 13.1% in 2010. The solvency ratio is considerably above the Group's solvency need of 8.7%.

### **Capital**

- The Group capital base amounted to DKK 3,271.6 mill. at the end of 2011, of which core capital accounted for DKK 3,012.8 mill.
- In May 2011, the Bank raised hybrid core capital of DKK 391 mill. from an issue aimed solely at the Bank's own shareholders as well as pension companies linked to the trade-union movement.

### **Dividends**

- A proposal has been submitted to the General Meeting for a dividend of 8%, corresponding to DKK 24.0 mill.

### **Outlook for 2012**

- The Group expects that the interest-rate differential will remain unchanged, but that core earnings will be increasing as a result of higher levels of activity.
- The Group will continue constant focus on tight cost management.
- The Group expects a core result before write-downs of around DKK 275-325 mill.
- In the opinion of the Bank, the need for write-downs will continue to be relatively high. The expected write-down need is around 0.8% of total lending and guarantees.
- Positive investment portfolio earnings are expected as a result of recovering a number of unrealised losses that arose in 2011.
- Profit before tax is expected to be around DKK 275-325 mill.