



Q1 2022

# Solvency need and selected key risk figures – Pillar 3

 Arbejdernes Landsbank

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## Introduction

Both the Arbejdernes Landsbank Group and A/S Arbejdernes Landsbank are obligated to disclose their solvency need every quarter. The Arbejdernes Landsbank Group has also decided to disclose selected risk information (Pillar 3 information) every quarter.

Disclosure of the solvency need for the Group and for A/S Arbejdernes Landsbank is in accordance with section 4 of the *Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need*.

Disclosure of selected key risk figures for the Group is in accordance with Article 433a of the European Commission's *Regulation on prudential requirements for credit institutions and investment firms* (Pillar 3 information).

The Arbejdernes Landsbank Group includes the following companies:

- A/S Arbejdernes Landsbank (parent company)
- Vestjysk Bank A/S (subsidiary)
- AL Finans A/S (subsidiary)
- Ejendomsselskabet Sluseholmen A/S (subsidiary)

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## Sufficient own funds and solvency need as at 31 March 2022

Disclosure of sufficient own funds and solvency need as at Q1 2022 for Arbejdernes Landsbank, cf. section 4 of the Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need.	Group		Bank	
	DKK mill.	%	DKK mill.	%
Capital to cover credit risk	4.409,5	7,1%	3.080,9	7,4%
Capital to cover market risk	1.104,2	1,8%	779,1	1,9%
Capital to cover operational risk	666,8	1,1%	380,2	0,9%
Capital to cover other risks	20,7	0,0%	34,2	0,1%
<b>Sufficient own funds/solvency need, cf. section 124(4) of the Danish Financial Business Act</b>	<b>6.201,2</b>	<b>10,0%</b>	<b>4.274,3</b>	<b>10,2%</b>
Supplement to sufficient own funds, cf. statutory requirements	0	0,0%	0	0,0%
<b>Sufficient own funds/solvency need, cf. section 124(1) and (2), no. 1, of the Danish Financial Business Act</b>	<b>6.201,2</b>	<b>10,0%</b>	<b>4.274,3</b>	<b>10,2%</b>
Common Equity Tier 1 capital/Common Equity Tier 1 capital ratio	9.272,9	14,9%	9.184,3	21,9%
Tier 1 capital/Tier 1 capital ratio	9.966,5	16,1%	9.613,3	22,9%
Own funds/Capital ratio	11.335,4	18,3%	10.513,3	25,1%

### Model

Arbejdernes Landsbank applies the 8+ method to set the individual solvency need for both the Group and the Bank.

The method is based on the minimum capital requirement of 8% of total risk exposure (Pillar I requirement). It is assumed that normal risks are covered by the 8% capital requirement. In addition, Tier 2 capital needs are calculated for risk areas that are deemed not to be covered by the 8% requirement. The total capital need is obtained by adding together the capital need according to the 8% requirement and the Tier 2 capital needs.

The model is based on the guidelines on sufficient own funds and solvency need for credit institutions ( *Vejledning om tilstrækkelig kapitalgrundlag og solvensbehov for kreditinstitutter* ) issued by the Danish FSA.

The solvency need is calculated as the total capital need as a percentage of the total risk exposure calculated according to the provisions of the CRR.

### Capital to cover credit risk

The capital requirement to cover credit risk is calculated as 8% of the risk exposures relating to credit risk plus Tier 2 capital to cover, among others, the following risks:

1. Concentration risk on the 20 largest exposures
2. Large exposures with financial problems
3. Sector concentration risk
4. Receivables from credit institutions
5. Shares etc. outside the trading portfolio
6. Other credit risks

### Capital to cover market risk

The capital requirement to cover market risk is calculated as 8% of the risk exposures relating to market risk plus Tier 2 capital to cover the following risks:

1. Market risk
2. Liquidity risks
3. Interest-rate risk outside the trading portfolio

### Capital to cover operational risk

Capital to cover operational risk is calculated according to the Basic Indicator Approach set out in Article 315 of the CRR. The Group makes its own calculations of operational risk based on a model in which the different units in the Bank construct a number of risk scenarios. Furthermore, the risk related to information and communications technology is assessed separately.

### Capital to cover other risks

Capital to cover other risks includes assessments of capital requirements for the level of earnings, lending growth, leverage, risk of falling prices on owner-occupied and investment properties, as well as other aspects, including statutory requirements.

## Key metrics (EU KM1)

(DKKm)		March 31. 2022	December 31. 2021	September 30. 2021	June 30. 2021	March 31. 2021
<b>Available own funds (amounts)</b>						
1	Common Equity Tier 1 (CET1) capital	9.272,9	9.246,1	9.152,7	9.342,0	5.914,4
2	Tier 1 capital	9.966,5	9.925,5	9.832,2	10.051,3	6.343,4
3	Total capital	11.335,4	11.270,2	11.177,9	11.428,5	7.243,4
<b>Risk-weighted exposure amounts</b>						
4	Total risk-weighted exposure amount	62.086,0	62.090,6	57.382,9	58.034,6	36.873,7
<b>Capital ratios (as a percentage of risk-weighted exposure amount)</b>						
5	Common Equity Tier 1 ratio (%)	14,9	14,9	16	16,1	16
6	Tier 1 ratio (%)	16,1	16	17,1	17,3	17,2
7	Total capital ratio (%)	18,3	18,2	19,5	19,7	19,6
<b>Additional own funds requirements to address risks other than the risk of excessive leverage (as a percentage of risk-weighted exposure amount)</b>						
EU-7a	Additional own funds requirements to address risks other than the risk of excessive leverage (%)	2,0	2,0	2,1	2,3	2,1
EU-7b	of which: to be made up of CET1 capital (percentage points)	1,1	1,1	1,2	1,3	1,2
EU-7c	of which: to be made up of Tier 1 capital (percentage points)	1,5	1,5	1,6	1,7	1,6
EU-7d	Total SREP own funds requirements (%)	10,0	10,0	10,1	10,3	10,1
<b>Combined buffer requirement (as a percentage of risk-weighted exposure amount)</b>						
8	Capital conservation buffer (%)	2,5	2,5	2,5	2,5	2,5
EU-8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0,0	0,0	0,0	0,0	0,0
9	Institution specific countercyclical capital buffer (%)	0,0	0,0	0,0	0,0	0,0
EU-9a	Systemic risk buffer (%)	0,0	0,0	0,0	0,0	0,0
10	Global Systemically Important Institution buffer (%)	0,0	0,0	0,0	0,0	0,0
EU-10a	Other Systemically Important Institution buffer	0,0	0,0	0,0	0,0	0,0
11	Combined buffer requirement (%)	2,5	2,5	2,5	2,5	2,5
EU-11a	Overall capital requirements (%)	12,5	12,5	12,6	12,8	12,6
12	CET1 available after meeting the total SREP own funds requirements (%)	9,3	9,3	10,3	10,3	10,3
<b>Leverage ratio</b>						
13	Total exposure measure	124.710,00	127.126,4	126.955,4	127.147,5	74.292,5
14	Leverage ratio (%)	8,0	7,8	7,9	7,9	8,5
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>						
EU-14a	Additional own funds requirements to address the risk of excessive leverage (%)	0,0	0,0	0,0	0,0	0,0
EU-14b	of which: to be made up of CET1 capital (percentage points)	0,0	0,0	0,0	0,0	0,0
EU-14c	Total SREP leverage ratio requirements (%)	3,0	3,0	3,0	3,0	3,0
<b>Leverage ratio buffer and overall leverage ratio requirement (as a percentage of total exposure measure)</b>						
EU-14d	Leverage ratio buffer requirement (%)	0,0	0,0	0,0	0,0	0,0
EU-14e	Overall leverage ratio requirements (%)	0,0	0,0	0,0	0,0	0,0
<b>Liquidity Coverage Ratio</b>						
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	31.832,5	28.722,0	25.623,3	22.057,9	21.615,9
EU-16a	Cash outflows - Total weighted value	12.245,0	11.031,1	9.795,7	8.668,3	8.470,3
EU-16b	Cash inflows - Total weighted value	1.138,6	1.112,5	1.028,9	1.060,9	982,3
16	Total net cash outflows (adjusted value)	11.098,3	9.910,6	8.758,7	7.599,3	7.487,9
17	Liquidity coverage ratio (%)	288%	290%	292%	291%	289%
<b>Net Stable Funding Ratio</b>						
18	Total available stable funding	88.628,8	90.215,3	88.596,8	88.991,3	
19	Total required stable funding	64.879,6	65.732,2	63.176,4	62.053,5	
20	NSFR ratio (%)	136,61%	137,25%	140,24%	143,41%	

## Overview of total risk exposure amounts (EU OV1)

(DKKm)		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
		March 31. 2022	December 31. 2021	March 31. 2022
<b>1</b>	<b>Credit risk (excluding CCR)</b>	48.147,4	47.543,0	3.851,8
2	Of which the standardised approach	48.147,4	47.543,0	3.851,8
3	Of which the Foundation IRB (F-IRB) approach			
4	Of which: slotting approach			
5	Of which the Advanced IRB (A-IRB) approach			
<b>6</b>	<b>Counterparty credit risk - CCR</b>	530,7	430,0	42,5
7	Of which mark to market			
8	Of which original exposure			
9	Of which the standardised approach		316,0	
10	Of which internal model method (IMM)			
11	Of which risk exposure amount for contributions to the default fund of a CCP		28,0	
12	Of which CVA	96,7	86,0	7,7
<b>13</b>	<b>Settlement risk</b>		0,0	
<b>14</b>	<b>Securitisation exposures in the banking book (after the cap)</b>		0,0	
15	Of which IRB approach			
16	Of which IRB supervisory formula approach (SFA)			
17	Of which internal assessment approach (IAA)			
18	Of which standardised approach			
<b>19</b>	<b>Market risk</b>	7.037,8	7.747,0	563,0
20	Of which the standardised approach	7.037,8	7.747,0	563,0
21	Of which IMA		0,0	
<b>22</b>	<b>Large exposures</b>		0,0	
<b>23</b>	<b>Operational risk</b>	6.370,1	6.370,0	509,6
24	Of which basic indicator approach	6.370,1	6.370,0	509,6
25	Of which standardised approach			
26	Of which advanced measurement approach			
<b>27</b>	<b>Amounts below the thresholds for deduction (subject to 250% risk weight)</b>		0,0	
<b>28</b>	<b>Floor adjustment</b>		0,0	
<b>29</b>	<b>Total</b>	62.086,0	62.091,0	4.966,9

## Quantitative information of LCR (EU LIQ1)

		a	b	c	d	e	f	g	h
DKKm		Total unweighted value (average)				Total weighted value (average)			
EU-1a	Quarter ending on (March 31. 2022)	Mar. 31. 2022	Dec. 31. 2021	Sep. 30. 2021	Jun 30. 2021	Mar. 31. 2022	Dec. 31. 2021	Sep. 30. 2021	Jun. 30. 2021
EU-1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
<b>HIGH-QUALITY LIQUID ASSETS</b>									
1	Total high-quality liquid assets (HQLA), Total					31.832	28.722	25.623	22.058
<b>CASH - OUTFLOWS</b>									
2	retail deposits and deposits from small business customers, of which:	68.734	60.340	52.407	44.404	3.962	3.564	3.206	2.826
3	<i>Stable deposits</i>	49.186	44.513	39.801	34.705	2.459	2.226	1.990	1.735
4	<i>Less stable deposits</i>	13.074	11.823	10.772	9.697	1.490	1.338	1.216	1.091
5	Unsecured wholesale funding	10.703	9.860	9.006	8.317	5.268	4.770	4.282	3.893
6	<i>Operational deposits (all counterparties) and deposits in networks of cooperative banks</i>	-	-	-	-	-	-	-	-
7	<i>Non-operational deposits (all counterparties)</i>	10.664	9.857	9.004	8.317	5.228	4.767	4.280	3.893
8	<i>Unsecured debt</i>	39	2	2	-	39	2	2	-
9	<i>Secured wholesale funding</i>					-	-	-	-
10	Additional requirements	18.881	15.310	11.691	7.942	2.119	2.064	1.870	1.674
11	<i>Outflows related to derivative exposures and other collateral requirements</i>	385	457	455	445	378	454	453	441
12	<i>Outflows related to loss of funding on debt products</i>	-	-	-	-	-	-	-	-
13	<i>Credit and liquidity facilities</i>	18.497	14.853	11.236	7.497	1.741	1.610	1.417	1.233
14	Other contractual funding obligations	1.547	1.286	1.005	758	682	393	183	0
15	Other contingent funding obligations	8.204	5.738	3.019	275	214	241	255	275
16	<b>TOTAL CASH OUTFLOWS</b>					12.245	11.031	9.796	8.668
<b>CASH - INFLOWS</b>									
17	Secured lending (e.g. reverse repos)	147	141	75	43	2	2	2	1
18	Inflows from fully performing exposures	1.180	1.049	934	930	1.032	913	825	840
19	Other cash inflows	105	197	202	219	105	197	202	219
EU-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
EU-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	<b>TOTAL CASH INFLOWS</b>	1.432	1.387	1.211	1.192	1.139	1.112	1.029	1.061
EU-20a	<i>Fully exempt inflows</i>	0	0	0	0	0	0	0	0
EU-20b	<i>Inflows subject to 90% cap</i>	0	0	0	0	0	0	0	0
EU-20c	<i>Inflows subject to 75% cap</i>	1.432	1.387	1.211	1.192	1.139	1.112	1.029	1.061
<b>TOTAL ADJUSTED VALUE</b>									
21	<b>LIQUIDITY BUFFER</b>					31.832	28.722	25.623	22.058
22	<b>TOTAL NET CASH OUTFLOWS</b>					11.098	9.911	8.759	7.599
23	<b>LIQUIDITY COVERAGE RATIO</b>					288%	290%	292%	291%



## Qualitative information of LCR (EU LIQQ1)

As at 31 March 2022		
(a)	Explanations on the main drivers of LCR results and the evolution of the contribution of inputs to the LCR's calculation over time	From and including the end of June 2021, Vestjysk Bank has been included in the Group calculation of the LCR, and this is reflected in the figures as at 31 March 2022, 31 Dec. 2021 and 30 Sept. 2021. Consequently, there are increases in the liquidity buffer, as well as net cash flows, although such that the Group LCR is relatively stable and high, and considerably above the statutory requirement of 100% and the Group's internal target of 130%.
(b)	Explanations on the changes in the LCR over time	The minor quarterly fluctuations in net outflow are primarily due to changed short-term placement needs in the money market, while changes in the liquidity buffer are attributable to fluctuations in the Group's placement needs.
(c)	Explanations on the actual concentration of funding sources	Apart from the composition of the Group's liquidity buffer, the primary reason for the high and stable LCR development is the Group's deposits, where 68.5% are recognised as stable in accordance with the LCR regulation. The high degree of stable deposits result in a corresponding lower net outflow compared with non-stable deposits.
(d)	High-level description of the composition of the institution's liquidity buffer	The Group's liquidity buffer primarily consists of deposits in the current account, mortgage-credit bonds, as well as government bonds and government-guaranteed bonds, including local government and shipping credit issues. At the end of 2022, total L1 securities accounted for 93% of the Group's liquidity buffer.
(e)	Derivative exposures and potential collateral calls	Payments from derivative exposures represent an insignificant share of the Group's total net outflows, and cash collateral provided as a result of margin agreements with financial counterparties is not included in the Group's liquidity buffer.
(f)	Currency mismatch in the LCR	Most of the Group's liquidity risk is in DKK, while a smaller part of the risk is concentrated in major currencies, i.e. EUR and USD.
(g)	Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile	In addition to regular liquidity forecasts and calculations of the excess liquidity cover, stress tests of the Group's liquidity in the long term are carried out in order to reveal sensitivity to significant changes in ongoing needs for funding.