

# Interim report 2010

What's the best thing you've  
ever spent your money on?



AKTIESELSKABET

 Arbejdernes Landsbank

CVR no 31 46 70 12, Copenhagen



**Gert R. Jonassen**  
*Chief Executive*

## Interim report 2010

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**Ebbe Castella**  
*Senior Executive Vice President*

## A/S Arbejdernes Landsbank – Key figures

	Group		Bank		
	30.06.2010	30.06.2009	30.06.2010	30.06.2009	
	DKK '000	DKK '000	DKK '000	DKK '000	
<b>Income statement</b>					
Core earnings, excl. trading income	602,151	576,593	548,123	529,786	
Trading income	45,424	35,377	45,424	35,377	
<b>Total core earnings</b>	<b>647,575</b>	<b>611,970</b>	<b>593,547</b>	<b>565,163</b>	
Costs and depreciation/amortisation	-567,208	-564,486	-529,367	-528,026	
<b>Core results before write-downs</b>	<b>80,367</b>	<b>47,484</b>	<b>64,180</b>	<b>37,137</b>	
Write-downs on loans, etc.	-92,916	-168,999	-85,377	-159,667	
<b>Core result</b>	<b>-12,549</b>	<b>-121,515</b>	<b>-21,197</b>	<b>-122,530</b>	
Investment portfolio earnings, excl. investment securities	-8,548	247,327	-8,548	247,327	
Investment securities	66,941	-41,307	73,796	-41,340	
<b>Profit before tax</b>	<b>45,844</b>	<b>84,505</b>	<b>44,051</b>	<b>83,457</b>	
Tax	10,418	-26,347	12,211	-25,299	
<b>Profit after tax</b>	<b>56,262</b>	<b>58,158</b>	<b>56,262</b>	<b>58,158</b>	
<b>Key figures</b>					
Net interest and fee income	675,478	624,828	637,691	593,382	
Value adjustments	-43,751	192,933	-43,949	193,047	
Staff and administration expenses	497,958	499,009	472,964	475,135	
Value adjustments of holdings in associated and group companies	48,408	-24,504	55,263	-24,537	
Loans	16,816,095	17,377,345	16,643,499	17,416,222	
Deposits, incl. pools	21,394,238	21,108,507	21,397,750	21,117,989	
Equity	2,995,973	2,905,696	2,995,973	2,905,696	
Total assets	31,891,459	30,216,020	31,686,680	30,195,574	
<b>Number of employees</b>					
Average number of employees converted to full-time employees	1,039	1,034	991	990	
<b>Key figures *)</b>					
Solvency ratio	%	12.2	13.1	12.2	12.9
Core capital ratio	%	11.3	12.2	11.3	12.1
Return on equity before tax	%	1.5	2.9	1.5	2.9
Return on equity after tax	%	1.9	2.0	1.9	2.0
Ratio of operating income to operating expenses	DKK	1.07	1.11	1.07	1.12
Interest-rate risk	%	2.3	3.2	2.0	2.9
Currency position	%	7.6	12.0	7.7	12.1
Currency risk	%	0.2	0.2	0.2	0.2
Loans and write-downs in relation to deposits	%	81.5	84.5	80.5	84.5
Excess liquidity in relation to statutory requirements for liquidity	%	233.7	204.0	241.9	207.9
Sum of large exposures	%	88.0	97.4	88.8	98.3
Write-down ratio for the year	%	0.5	0.8	0.4	0.7
Growth in loans for the year	%	-0.8	0.1	-1.8	0.1
Loans in relation to equity		5.6	6.0	5.6	6.0

\*) The definition of key figures is in accordance with guidelines from the Danish Financial Supervisory Authority.



## Management review for first half year of 2010

### Income statement

In the first six months of 2010, the Arbejdernes Landsbank Group saw a profit of DKK 45.8 million before tax against DKK 84.5 million for the first half year of 2009.

Profit after tax amounted to DKK 56.3 million against DKK 58.2 million for the first half year of 2009. Return on average Group equity was 1.5 per cent before tax and 1.9 per cent after tax.

Core results show an increase of DKK 109.0 million and, as anticipated, results are developing on the basis of customer growth and a declining need for write-downs on loans, etc.

Of particular note for the first half year of 2010 are

- Handsome increase in core earnings by DKK 35.6 million to DKK 647.6 million.
- Costs and depreciation/amortisation show a moderate increase of 0.5 per cent.
- Write-downs on loans etc. represent DKK 92.9 million against expenses of DKK 169.0 million after the first half year of 2009.
- Investment portfolio earnings show a gain of net DKK 58.4 million against a gain of DKK 206.0 million in 2009.

Core earnings, excl. trading income, have risen by 4.4 per cent or DKK 25.6 million. This increase is attributable to recent years' customer growth and an expansion of the interest margin. The margin expansion must be seen in light of the financial burdens on the Bank, including participation in Bank Package I.

Trading income has risen by 28.4 per cent as a consequence of increasing investment activity by our customers.

Costs and depreciation/amortisation represent DKK 567.2 million and increased by DKK 2.7 million compared with 2009. Staff costs have risen by DKK 11.3 million, corresponding to 3.8 per cent. The average number of employees amounted to 1,039 in the first half year of 2010 against 1,034 in the first half year of 2009.

Write-downs on loans etc. show a more moderate development compared with the previous year. However,

the need for write-downs of about DKK 92.9 million continues to be high, as a consequence of low turnover in property markets as well as unemployment, which also affected a number of our customers. A total amount of DKK 82.1 million has been provided to cover losses from failing banks under the Financial Stability Company, of which DKK 18.4 million has been recognised in these interim financial statements for 2010.

Investment portfolio earnings, excluding results from investment securities, were a negative result of DKK 8.5 million, and bear witness to the tough market conditions compared with the very good result for 2009 as a whole. The result under investment securities shows a gain of DKK 66.9 million against a loss of DKK 41.3 million in the first half year of 2009.

### Balance sheet

The Group balance sheet total amounts to DKK 31.9 billion against DKK 30.5 billion at the end of 2009. The loan portfolio was characterised by a slowdown in the demand for loans which, however, was greatly offset by the continued customer growth and the takeover by the Bank's subsidiary AL Finans A/S of a portfolio of factoring customers from Nordisk Factoring in the amount of DKK 200 million. The Bank continues to experience growth in loans with private customers, whereas other customer segments as a whole show a slowdown. The focus on sustainable growth characterises the everyday activities of the Bank, and we are well aware of the importance of protecting good relationships with our customers; an aspect which is put to the test when the financial latitude is limited. Customer analyses show that our customers appreciate the way in which the Bank runs its banking activities.

Group deposits, incl. loans in pooled schemes amounted to DKK 21.4 billion and are intact compared with at the turn of the year. The Group continues to have a large deposit surplus and the excess liquidity in relation to the statutory requirement is particularly solid at 233.7 per cent. In 2009, the Bank applied for and received a guarantee pledge from the government of about DKK 5.6 billion. At the beginning of July 2010 this guarantee had been utilised by more than DKK 5 billion, of which about DKK 2.9 billion is attributable to providing liquidity after the progress statement as at 30 June 2010. This ensures the Bank a particularly

good liquidity, also after 30 September, where the state guarantee scheme in Bank Package I will cease to apply.

### Solvency

Group solvency is at 12.2 per cent. The statutory requirement of 8.0 per cent emphasises the Group's solid financial position. The core capital ratio represents 11.3 per cent. The solvency requirement was calculated at 8.2 per cent. The Bank is strong, with solid capital backing and a loyal group of owners, providing the Group with the latitude required to maintain development, and focus on sustainable growth.

Profits for the half-year are not included in the solvency statement.

### Outlook for the second half of 2010

In the second half of 2010 there are expectations of difficult financial conditions for many private customers, remedied, however, by steady interest rates and low inflation. Moderation in the form of savings, and reducing consumption is characteristic of many Danish households, and the Bank therefore does not expect the need for write-downs on loans, etc. to be at the same high level as 2009. The risk of increased unemployment is still relevant, and the Bank is expecting a level of write-downs of about DKK 175 million for 2010 as a whole.

As part of the participation in Bank Package I under which, on behalf of the banks, the state guarantees customers against losses on their deposits, Arbejdernes Landsbank has set up a guarantee of DKK 218.9 million to cover losses from failing banks, of which DKK 82.1 million has already been provided. On the basis of the expectations from the Financial Stability Company, which administrates failing banks, no further provisions have currently been recognised in the budget up to the date of expiry for the guarantee on 30 September 2010.

Compared with the original budget for 2010, there are no significant changes in the developments in core earnings.

### Risks and uncertainty

The revenue basis of Arbejdernes Landsbank is business with private customers, corporate customers and organi-

sations, of which private customers account for most of the growth in loans, primarily related to home loans in owner-occupied and cooperative properties.

Other than higher credit risks as a consequence of the financial turbulence and fluctuating economic trends, the Group's most important risks are market risks in the form of interest-rate and share-price risk linked to the Bank's investment portfolio for which the interest-rate risk was calculated at 2.3 per cent against 3.2 per cent as at 30 June 2009.

The Group is also exposed to other risks such as liquidity risk and operational risk. For further information about the risk composition, see the Annual Report 2009 and the Group Risk Report 2009, both of which are available at the Bank's website [www.al-bank.dk](http://www.al-bank.dk).

In addition to expected expenses for losses and write-downs on loans and guarantees, and for failing banks, none of the other risks are expected to significantly influence the Group or its financial position negatively in the second half of 2010.

The Group is not a party in legal proceedings or disputes which might be expected to influence the Group or its financial position negatively in the second half of 2010.

No events have taken place since the end of the period which have a material effect on the result for the half year.

### Accounting Policies

This interim report is presented in accordance with the Financial Business Act, including the Executive Order on financial reports for credit institutions and investment companies etc. (the Danish Executive Order on the Presentation of Financial Statements).

The accounting policies have not been changed compared with the Annual Report 2009, which is available in English on the Bank's website at [www.al-bank.dk](http://www.al-bank.dk).

### Transactions with closely related parties

Transactions with related parties are based on contractually agreed prices on market terms. The Bank had no large transactions with closely related parties in the first half year of 2010.





## Balance sheet as at 30 June 2010

Note	Group		Bank		
	30.06.2010	31.12.2009	30.06.2010	31.12.2009	
	DKK '000	DKK '000	DKK '000	DKK '000	
<b>Assets</b>					
	Cash in hand and demand deposits with central banks	292,486	294,640	292,463	294,363
2	Receivables from credit institutions and central banks	1,570,732	2,233,635	1,567,323	2,230,099
3	Loans and other amounts receivable at amortised cost	16,816,095	16,943,243	16,643,499	16,954,659
	Bonds at fair value	10,557,199	8,722,428	10,557,199	8,722,428
	Shares etc.	820,853	826,116	820,853	826,116
	Holdings in associated companies	357,411	317,261	357,411	317,261
	Holdings in group companies	0	0	70,708	63,853
	Assets linked to pool schemes	324,423	307,761	324,423	307,761
	Intangible assets	12,946	11,172	7,884	10,509
	Total land and buildings	464,521	461,823	464,521	461,063
	Owner-occupied properties	464,521	461,823	464,521	461,063
	Other tangible assets	133,873	128,285	28,943	27,412
	Current tax assets	3,089	1,968	3,089	1,968
	Deferred tax assets	30,190	19,772	61,137	48,926
	Other assets	474,071	239,839	455,440	221,194
	Prepayments	33,570	25,759	31,787	24,473
	<b>Total assets</b>	<b>31,891,459</b>	<b>30,533,702</b>	<b>31,686,680</b>	<b>30,512,085</b>
<b>Liabilities</b>					
	Debt				
	Debt to credit institutions and central banks	5,426,087	4,390,766	5,426,087	4,390,766
4	Deposits and other debt	21,069,815	21,091,205	21,073,327	21,098,485
	Deposits in pooled schemes	324,423	307,761	324,423	307,761
	Issued bonds at amortised cost	814,231	813,663	813,238	812,669
	Other liabilities	774,691	489,974	572,008	466,747
	Prepayments	15,178	28,315	10,563	23,639
	<b>Total debt</b>	<b>28,424,425</b>	<b>27,121,684</b>	<b>28,219,646</b>	<b>27,100,067</b>
	Provisions				
	Provisions for pensions and similar liabilities	14,133	14,133	14,133	14,133
	Provisions for losses on guarantees	95,222	76,961	95,222	76,961
	Other provisions	33,706	53,214	33,706	53,214
	<b>Total provisions</b>	<b>143,061</b>	<b>144,308</b>	<b>143,061</b>	<b>144,308</b>
	Subordinated debt				
	Subordinate loan capital	328,000	328,000	328,000	328,000
	<b>Total subordinated debt</b>	<b>328,000</b>	<b>328,000</b>	<b>328,000</b>	<b>328,000</b>
	Equity				
	Share capital	300,000	300,000	300,000	300,000
	Revaluation reserves	116,610	117,266	116,610	116,610
	Other reserves	166,749	166,749	217,770	217,770
	Statutory reserves	166,749	166,749	217,770	217,770
	Retained earnings or losses	2,412,614	2,355,695	2,361,593	2,305,330
	<b>Total equity</b>	<b>2,995,973</b>	<b>2,939,710</b>	<b>2,995,973</b>	<b>2,939,710</b>
	<b>Total liabilities</b>	<b>31,891,459</b>	<b>30,533,702</b>	<b>31,686,680</b>	<b>30,512,085</b>



X Close

### søren sus

WITHOUT DOUBT - AC/DC in Parken on 19 June 2009  
- AWESOME REALLY AWESOME



X Close

### Ulla Juhl

A Ford Anglia veteran car - the one with the slanting rear window, just like when we were children in the back seat. We joined the Veteran Car Club in Tønder and now we've met the most wonderful people. And driving through narrow country lanes on a sunny summer's day gives us renewed vigour.



X Close

### Dorte Hedmark

The best thing I ever spent money on is MY ELECTRIC BIKE. Due to illness, it is impossible for me to use an ordinary bike. Now once again I have the freedom that a bike gives you. To ride my bike along rape fields etc. and enjoy the smells and sounds of the countryside. INDESCRIBABLY WONDERFUL.



# The best money spent by Danes

At the end of 2009, we asked Danes what was the best thing they'd ever spent money on. Not an entirely easy question to answer. Nevertheless, it is an important question because it is about defining wealth. And it is what good counselling and advice is all about. That is, to convert our customers' money into that which provides them with the greatest possible value for them. This could be huge investments in a summer cottage, a motor bike or foreign travel. Or it could be small things with huge value such as a diving-mask, running shoes or a guitar. See what the Danes answered (in Danish) at [rigdomsbarometeret.dk](http://rigdomsbarometeret.dk)

## Katrine Bendt

X Close

The best thing I ever spent money on was a trip to the most beautiful country in the world; New Zealand. The land of extreme sports offers everything you can wish for and for me it was river rafting, bungee jumping and skydiving. Adventures I will never forget.



## mau

X Close

Since October, I have been making hats for Save the Children. About 140 of them. They are very different and I have enjoyed many good and nice hours making the hats into different patterns and shapes. On top of that, each hat will save a child.



## Changes in equity

	Share capital DKK '000	Revaluation reserves DKK '000	Other reserves DKK '000	Retained earnings DKK '000	Dividend DKK '000	Total DKK '000
<b>Group - first half year 2010</b>						
Equity as at 01.01.2010	300,000	117,266	166,749	2,355,695	0	2,939,710
Dividend paid for 2009					0	0
Profit for the year				56,262		56,262
Income or expenses posted directly to equity:						
Change in the valuation of owner-occupied properties						
<b>Total</b>						
<b>Total income</b>				<b>56,262</b>		<b>56,262</b>
Other additions and disposals		-656		656		0
<b>Equity carried forward 30.06.2010</b>	<b>300,000</b>	<b>116,610</b>	<b>166,749</b>	<b>2,412,614</b>	<b>0</b>	<b>2,995,973</b>
<b>Group 2009</b>						
Equity as at 01.01.2009	300,000	100,675	184,615	2,262,249	0	2,847,539
Dividend paid for 2008					0	0
Profit for the year			-17,866	93,447	0	75,581
Income or expenses posted directly to equity:						
Change in the valuation of owner-occupied properties		16,590				16,590
<b>Total</b>		<b>16,590</b>				<b>16,590</b>
<b>Total income</b>		<b>16,590</b>	<b>-17,866</b>	<b>93,447</b>		<b>92,171</b>
<b>Equity carried forward 31.12.2009</b>	<b>300,000</b>	<b>117,266</b>	<b>166,749</b>	<b>2,355,695</b>	<b>0</b>	<b>2,939,710</b>
<b>Bank - first half year 2010</b>						
Equity as at 01.01.2010	300,000	116,610	217,770	2,305,330	0	2,939,710
Dividend paid for 2009					0	0
Profit for the year				56,262		56,262
Income or expenses posted directly to equity:						
Change in the valuation of owner-occupied properties						
<b>Total</b>						
<b>Total income</b>				<b>56,262</b>		<b>56,262</b>
<b>Equity carried forward 30.06.2010</b>	<b>300,000</b>	<b>116,610</b>	<b>217,770</b>	<b>2,361,593</b>	<b>0</b>	<b>2,995,973</b>
<b>Bank 2009</b>						
Equity as at 01.01.2009	300,000	100,020	228,338	2,219,181	0	2,847,539
Dividend paid for 2008					0	0
Profit for the year			-10,568	86,149	0	75,581
Income or expenses posted directly to equity:						16,590
Change in the valuation of owner-occupied properties		16,590				16,590
<b>Total</b>		<b>16,590</b>				<b>16,590</b>
<b>Total income</b>		<b>16,590</b>	<b>-10,568</b>	<b>86,149</b>		<b>92,171</b>
<b>Equity carried forward 31.12.2009</b>	<b>300,000</b>	<b>116,610</b>	<b>217,770</b>	<b>2,305,330</b>	<b>0</b>	<b>2,939,710</b>



Note	Group		Bank	
	30.06.2010 DKK '000	31.12.2009 DKK '000	30.06.2010 DKK '000	31.12.2009 DKK '000
<b>4 Deposits</b>				
Deposits taken with individual state-guarantee – expiry in 2013	2,166,870	0	2,166,870	0
<b>5 Contingent liabilities</b>				
<b>Guarantees</b>				
Financial guarantees	931,743	986,892	931,743	986,892
Guarantees for losses on mortgage loans	146,656	153,126	146,656	153,126
Private resources	136,838	155,228	136,838	155,228
Land registration and conversion guarantees	19,411	18,098	19,411	18,098
Guarantee for subsidiary	0	0	5,000	6,164
Other guarantees	1,358,960	1,191,041	1,353,960	1,184,877
<b>Total guarantees</b>	<b>2,593,608</b>	<b>2,504,385</b>	<b>2,593,608</b>	<b>2,504,385</b>
<b>Other liabilities</b>				
Irrevocable credit commitments less than 1 year	2,184,515	1,811,585	1,585,000	1,529,348
Irrevocable credit commitments more than 1 year	169,701	169,534	169,701	169,534
Unutilised pension commitments	16,400	16,400	16,400	16,400
Other liabilities	4,821	4,291	4,821	4,291
<b>Total other liabilities</b>	<b>2,375,437</b>	<b>2,001,810</b>	<b>1,775,922</b>	<b>1,719,573</b>
<b>Total contingent liabilities</b>	<b>4,969,045</b>	<b>4,506,195</b>	<b>4,369,530</b>	<b>4,223,958</b>
<b>6 For collateral deposited with Danmarks Nationalbank, clearing centres, etc.</b>				
Market value of bonds	3,992,169	5,951,494	3,992,169	5,951,494
Of which, surplus collateral	3,992,169	5,951,494	3,992,169	5,951,494
<b>7 Solvency statement</b>				
Base capital after deduction	2,716,685	2,714,613	2,690,800	2,686,122
Solvency requirement	1,782,282	1,672,631	1,770,368	1,677,798

## Group overview

AKTIESELSKABET  
**Arbejdernes Landsbank**  
COPENHAGEN

### AL Finans A/S

GLOSTRUP	DKK '000
Share capital as at 31 December 2009	6,000
Equity as at 31 December 2009	51,012
Half-year result 2010	6,575

### Handels ApS Panoptikon

COPENHAGEN	DKK '000
Share capital as at 31 December 2009	500
Equity as at 31 December 2009	12,841
Half-year result 2010	280

*Subsidiaries are fully owned by the parent company.*



## Statement by Management

The Board of Directors and Executive Management have today discussed and approved the interim report of Aktieselskabet Arbejdernes Landsbank for the period 1 January to 30 June 2010.

The interim report is presented in accordance with the Danish Financial Business Act, including the Executive Order on financial reports for credit institutions and investment companies etc.

In our opinion, the interim financial statements provide a true review of the development of the

assets, liabilities, financial situation and results of the Bank and the Group for the accounting period 1 January to 30 June 2010.

We also believe that the management review provides a true review of the development of the activities and financial situation of the Group as well as a description of the most significant risks and uncertainty factors that may influence the Bank and the Group.

Copenhagen, 17 August 2010

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### Executive Management:

**Gert R. Jonassen**  
*Chief Executive*

**Ebbe Castella**

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### Board of Directors:

**Poul Erik Skov Christensen**  
*Chairman*

**Lars Andersen**

**Harald Børsting**

**Thorkild E. Jensen**

**Mette Kindberg**

**Johnny Skovengaard**

**Ole Wehlast**

**Jette Kronborg**

**John Markussen**

**Ulla Strøm Nordenhof**

**Henrik Thagaard**

AKTIESELSKABET

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"Without a doubt, the old mask and snorkel that I bought for about DKK 500 in Australia 20 years ago. It meant the world to me when I was swimming around with three devil fish in a bay in Northern Sumatra."

Henrik



Building on sound values