

Disclosure of sufficient own funds and solvency need as at Q2 2023 for Arbejdernes Landsbank, cf. section 4 of the Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need.	Group		Bank	
	DKK mill.	% of REA	DKK mill.	% of REA
<b>Pillar 1 - Minimum 8% requirement</b>				
Credit risk	3.740,7	6,2%	2.897,1	6,5%
Market risk	514,7	0,9%	368,5	0,8%
Operational risk	535,8	0,9%	298,8	0,7%
<i>Total</i>	<i>4.791,2</i>	<i>8,0%</i>	<i>3.564,4</i>	<i>8,0%</i>
<b>Pillar 2 - Add-on to minimum requirement</b>				
Credit risk	423,3	0,7%	393,4	0,9%
Market risk	601,0	1,0%	452,1	1,0%
Operational risk	355,4	0,6%	295,8	0,7%
Other risks	36,5	0,1%	49,3	0,1%
Any add-on, if required by law	0,0	0,0%	0,0	0,0%
<i>Total</i>	<i>1.416,2</i>	<i>2,4%</i>	<i>1.190,6</i>	<i>2,7%</i>
<b>Sufficient own funds and solvency need, cf. 124 (2) of the Danish Financial Business Act</b>				
	6.207,4	10,4%	4.755,0	10,7%
<b>Combined capital buffer requirement</b>				
	3.563,5	6,0%	2.646,6	5,9%
<b>Sufficient own funds and solvency need as well as combined capital buffer requirement</b>				
	9.770,9	16,3%	7.401,6	16,6%
<b>Capital</b>				
Common Equity Tier 1 capital/Common Equity Tier 1 capital ratio	10.127,4	16,9%	9.989,5	22,4%
Tier 1 capital/Tier 1 capital ratio	11.077,8	18,5%	10.848,5	24,3%
Own funds/Capital ratio	12.333,4	20,6%	11.998,5	26,9%
<b>Excess capital<sup>1</sup></b>				
	2.562,6	4,3%	4.596,9	10,3%
<b>Model</b>				

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. NPE backstop
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. Credit spread risk
2. Interest-rate risk inside and 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 Group construct a number of risk scenarios.

#### 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.

1. Both the Group and the bank do not have tier 1 and tier 2 capital which exceeds the threshold values for inclusion in the excess coverage.