

# Interim report

## - first half 2018



Arbejdernes  
Landsbank

UAL<sup>2</sup>MINDELIG  
BANK

## Contents

Management's report	03
Statements and reports	10
Interim financial statements	12
Income statement and statement of comprehensive income	13
Balance sheet	14
Statement of capital	15
Cash flow statement	17
List of notes	18
Notes	19



GERT R. JONASSEN  
*CEO*

JAN W. ANDERSEN  
*Executive Bank Director*

The interim report has been prepared in a Danish and an English version. In the event of discrepancy between the Danish-language original text and the English-language translation, the Danish text shall prevail.



# Management's report



## Group ratios and key figures

	First half-year 2018 DKK '000	First half-year 2017 DKK '000	2017 DKK '000
<b>Income statement</b>			
Net interest income	550,668	598,736	1,193,609
Net fee and commission income	284,507	269,131	555,494
Value adjustments and dividend	111,792	266,746	945,109
Other operating income	34,118	47,493	90,480
<b>Total income</b>	<b>981,085</b>	<b>1,182,106</b>	<b>2,784,692</b>
Costs and amortisation/depreciation	-738,420	-689,197	-1,465,610
Impairments on loans and receivables etc.	23,879	7,134	-14,335
<b>Total costs</b>	<b>-714,541</b>	<b>-682,063</b>	<b>-1,479,945</b>
<b>Profit before tax</b>	<b>266,544</b>	<b>500,043</b>	<b>1,304,747</b>
Tax	-25,522	-96,614	-149,275
<b>Profit for the period</b>	<b>241,022</b>	<b>403,429</b>	<b>1,155,472</b>

<b>Selected balance sheet items</b>			
Loans and other receivables at amortised cost	22,214,625	21,551,019	21,958,056
Bonds at fair value	15,872,723	15,483,232	11,812,388
Total assets	49,800,282	46,120,846	47,368,881
Deposits incl. pooled schemes	39,500,889	36,351,758	37,483,724
Equity	6,740,442	6,028,398	6,761,498

<b>Selected financial ratios *)</b>				
Capital ratio	%	17.1	17.8	18.3
Common Equity Tier 1 capital ratio	%	14.6	15.4	16.2
Return on equity before tax	%	3.9	8.5	21.0
Return on equity after tax	%	3.6	6.9	18.6
Ratio of operating income to operating expenses per DKK **)	DKK	1.37	1.73	1.88
Interest-rate risk	%	-1.0	-0.1	-0.7
Liquidity coverage ratio (LCR)	%	195.5	166.5	185.7
Sum of large exposures	%	0.0	0.0	0.0
Impairment ratio for the period	%	0.0	0.0	0.1
Lending growth for the period **)	%	1.2	2.9	4.3
Net asset value	DKK	1,963.8	1,726.5	1,970.9
Average number of staff employed in the accounting period converted to full-time equivalents		1,072	1,054	1,054

\*) See note 27 for definitions of ratios and key figures.

\*\*) The comparative figure for the first half-year of 2017 has been adjusted as a result of reclassified leasing agreements in the subsidiary, AL Finans A/S, see note 1.

## Headlines for the first half-year

### Earnings

In the first half of 2018, the Group achieved a profit after tax of DKK 241.0 mill., corresponding to a return on equity after tax of 3.6%. This is considered satisfactory. There have been good developments in customer activity during the accounting period 1 January – 30 June 2018, among other things through customer growth, but increasing pressure on the interest-rate differential and persistently low interest rates are inhibiting returns on investment activities. Earnings in the first half of 2018 have been particularly influenced by changed valuation models for two shareholdings, which alone have contributed to a return of DKK 118.0 mill. consisting of value adjustments and dividends.

### Opening balance sheet

As a result of implementation of the new IFRS 9 financial reporting standard, at the beginning of 2018 the Group and the Bank adjusted equity by DKK -85 mill. The adjustment is primarily because of the net impact of the new impairment regulations, under which an expected loss is now calculated on all exposures in contrast to previous practices with focus on exposures which showed objective evidence of impairment.

### Danes' preferred bank for the ninth successive year

Again this year, Danish bank customers awarded Arbejdernes Landsbank first place in the annual independent customer survey conducted by Voxmeter. More than 50,000 Danish bank customers expressed their opinions in the comprehensive survey of customer satisfaction with Danish banks. Once again, this confirms our strategy of running a responsible bank, offering a broad range of financial services, not least on the digital area, and at the same time being present in the local area, close to customers so that we understand their needs and can provide personal consultancy relevant to the individual. This combination very clearly appeals strongly to Danes, and we are extremely proud of this recognition, but also humbled by our continuing responsibility to ensure high customer satisfaction.

### Customer growth

The past 10 years have seen uninterrupted customer growth, and this has continued into 2018. During the first half-year, the Bank has welcomed 7,471 new customers (net), and this has also strengthened our business.

### AL<sup>2</sup>

On 1 June 2018, the Bank opened its new, innovative customer universe at Nørreport in Copenhagen. AL<sup>2</sup> is about much more than classical banking services. The premises will be used to demonstrate that we are ready to embrace the future. Exciting events, exploration of ideas and design, as well as tests of new concepts will take place in the innovative space to which everyone is welcome every day of the week. The aim is to create an open community where, together with our customers and others, we can develop new value services and an even better banking experience for customers at Arbejdernes Landsbank.

### AL on Bornholm

Arbejdernes Landsbank has decided to open a branch in Rønne on Bornholm. This fits in well with our philosophy to cover all of Denmark. The planned branch opening is set for November 2018, and we look forward to providing people on Bornholm with an opportunity to experience a bank with our values in their local community.

### Regulation

Like the rest of the financial sector, Arbejdernes Landsbank has spent significant resources in 2018 on implementing new regulations and enhancing work on existing legislation. This work includes IFRS 9 (new principles for accounting for financial instruments), AML (money laundering legislation), MiFID II/MiFIR (extensive demands on trading in financial instruments in the EU) and GDPR (requirements on protection of personal data, as described in the EU General Data Protection Regulation).

### Board of Directors

At the general meeting in March 2018, the president of the HK trade union, Kim Simonsen, was elected to the Board of Directors. John Markussen, employee representative, was replaced by Nadja Lind Bøgh Karlsen, also an employee representative.

## Financial review

### Profit for the period

The Group's total profit before tax was DKK 266.5 mill. for the first half of 2018. Profit after tax amounted to DKK 241.0 mill. against DKK 403.4 mill. for the first half of 2017.

Net interest income was DKK 550.7 mill., representing a decrease of DKK 48.0 mill. compared with the first half of 2017. The customer growth of previous periods continued, amounting to 2.7% for the first half of 2018. Lending growth was 1.2% compared to the end of 2017, although margins have been under pressure as a consequence of tough competition.

Net fee and commission income was DKK 284.5 mill. against DKK 269.1 mill. for the first half of 2017, and this is attributable to the increased level of activity in the Group. The launch of AL-BoligBonus in 2016, whereby the Bank's share of the increase in charges on customer loans in Totalkredit largely accrues as a bonus payable to customers, has been successful. Increased business on the portfolio of loans arranged in Totalkredit and own housing loans in owner-occupied housing means that the AL-BoligBonus payment to customers amounted to DKK 47.2 mill. compared with DKK 41.6 mill. in 2017, with an unchanged bonus amount at DKK 1,200 per DKK million borrowed.

Value adjustments and dividends show an overall return of DKK 111.8 mill. The positive result is attributable to a new valuation model for the Bank's unlisted shares in BankInvest Holding A/S, which has resulted in a return of DKK 68.8 mill. including dividend in the first half of 2018. The new valuation model has been developed by BankInvest Holding A/S and is used in general by the owners. The method of calculating the fair value of the Bank's holding of listed shares in Vestjysk Bank has also been changed compared with 31 December 2017. The holding was subject to a contracted ban on sales until 21 July 2018, and as a consequence of the upcoming expiry of the lock-up period and the more stable share price, shares were measured at the official market price as at 30 June 2018, with a resulting return of DKK 49.2 mill. for the first half-year 2018.

Adjusting for these two equity investments, the remaining dividends and value adjustments on the Bank's total holdings of securities of DKK 18.1 bn. amounted to a loss of DKK -6.2 mill. of which DKK -35.8 mill. is attributable to investment activities. This

bears witness to the challenges involved in making positive returns from a low-interest market where the Bank has decided not to impose negative interest rates on customer deposits.

In December 2017, together with the other owners of ALKA Forsikring, the Bank entered a sales agreement with Tryg Forsikring, and valuation of the unlisted shares has been based on the price agreed. The transaction is subject to approval by the authorities, and this has not been granted yet.

Other operating income amounted to DKK 34.1 mill. for the first half of 2018, compared with DKK 47.5 mill. for the first half of 2017, and it includes primarily income from operating the Bank's properties and leasing activities in the AL Finans A/S subsidiary.

After this, total Group income amounted to DKK 981.1 mill. against DKK 1,182.1 mill. for the first half of 2017.

Total costs, excluding impairments on loans and other receivables etc. increased by DKK 49.2 mill. compared with the first half of 2017, of which DKK 27.2 mill. is attributable to increasing staff expenses. In addition to collective-agreement-based salary increases of 2.0% and higher payroll tax of 0.4 percentage points, staff expenses also increased as a result of a greater number of employees, primarily for customer activities and to meet the stricter regulatory requirements. Finally, staff expenses have risen because of severance schemes, which, among other things, are due to outsourcing of a number of activities related to facility management.

IT costs increased by DKK 18.7 mill., primarily because of higher strategic development costs under Bankernes EDB Central (BEC). This will make for even better services for customers. Other administrative expenses and depreciation, amortisation and impairment charges on intangible assets and property, plant and equipment were at par with the same period last year.

Other operating expenses amounted to DKK 29.8 mill. in the first half of 2018 against DKK 25.4 mill. in the first half of 2017. This item primarily concerns maintenance and administration of the Bank's properties.

Impairments on loans and other receivables etc. show a net reversal of DKK 23.9 mill. against a net reversal of DKK 7.1 mill. for the first half of 2017. There is generally a favourable development in the underlying credit quality, and customers' creditworthiness has improved

based on the continued low levels of interest rates, stable to increasing house prices, and greater job security due to increased economic growth. In May 2018, on the basis of a thematic investigation of six banks, including Arbejdernes Landsbank, on mortgaging of cooperative housing, the Danish FSA issued an order to the Bank that assessments of collateral must include a more extensive assessment of cooperative-housing associations as rental properties. This entails a risk of a higher unsecured-exposure value and a consequential increase in impairment charges recognised in total impairments at 30 June 2018.

The Group ratio for income in relation to costs was 1.37 for the first half of 2018 against 1.73 for the first half of 2017. This trend is primarily a consequence of very high earnings in 2017, particularly derived from high returns from investment activities.

Income and costs by segments can be broken down as follows:

	First half-year 2018	First half-year 2017
<b>Income (relative distribution)</b>		
Customer activities	92%	73%
Investment activities	-1%	20%
Other activities	9%	7%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Costs (relative distribution)</b>		
Customer activities	91%	92%
Investment activities	3%	3%
Other activities	6%	5%
<b>Total</b>	<b>100%</b>	<b>100%</b>
<b>Return on equity before tax</b>		
Customer activities	7.2%	6.9%
Investment activities	-2.6%	22.9%
Other activities	2.3%	3.2%
<b>Total</b>	<b>3.9%</b>	<b>8.5%</b>

The changes in the relative distribution are primarily due to a lower rate of earnings under investment activities.

Investment activities only comprise the Bank's activities related to treasury and liquidity management. The return on BankInvest Holding A/S is included under customer activities, whereas the return on Vestjysk Bank A/S is included under other activities.

## Balance sheet

The Group balance sheet amounted to DKK 49.8 bn. at as 30 June 2018, against DKK 47.4 bn. as at 31 December 2017.

Total lending amounted to DKK 22.2 bn. against DKK 22.0 bn. at the end of 2017. In addition to the traditional bank loans, the Group also arranges mortgage-credit loans from Totalkredit and DLR Kredit. As at 30 June 2018, total mortgage-credit loans arranged were DKK 44.0 bn., corresponding to growth of DKK 3.8 bn. since 31 December 2017.

IFRS 9 entered into force on 1 January 2018 and it entails earlier recognition of impairments on financial assets at amortised cost and provisions for losses on guarantees as well as committed loan facilities and unutilised credit facility. This means that, at the time of initial recognition, impairment must be charged corresponding to 12 months' expected credit loss. If, subsequently, there is a significant increase in the credit risk of the exposure, an expected credit loss for the entire remaining maturity of the exposure must be recognised.

With regard to the Group, the new impairment rules have meant that total impairment charges have increased by DKK 154 mill. Furthermore, the Group has a portfolio of loans that were credit-impaired at initial recognition and for which there has been an assessment of the booked discounted value as at 31 December 2017 in relation to the need for a credit reserve as at 1 January 2018. This assessment has led to a positive adjustment of DKK 45 mill., whereby the net adjustment of equity, before tax, amounted to DKK -109 mill.

At DKK 18.1 bn., the securities portfolio in the form of bonds and shares etc. is significantly higher at 30 June 2018 than at the start of the year, and this is primarily due to an investment in certificates of deposit that was converted to bonds during the first half of 2018.

Deposits including savings in pooled schemes amounted to DKK 39.5 bn., demonstrating growth of DKK 2.0 bn. compared with the end of 2017. Private deposits increased by DKK 2.0 bn. and this explains the growth in deposits. These developments bear witness to continued solid support for Arbejdernes Landsbank, and it has been assessed that the announcement that the Bank will not introduce negative interest rates on ordinary deposits has contributed to continued customer growth, which amounted to DKK 2.7% for the first half of 2018.

On 30 June 2018, Group equity totalled DKK 6.7 bn.

Changes in equity can be broken down as follows:

Group	DKK
Equity 31.12.2017	6,762
Transition to new impairment policy in accordance with IFRS 9	-85
Profit for the period	241
Other comprehensive income (profit on owner-occupied properties)	4
Payment of dividends to shareholders	-150
Return for owners of Additional Tier 1 instruments	-33
Purchase of own shares	-6
Tax	7
Equity 30.06.2018	6,740

### Transactions with related parties

Arbejdernes Landsbank acts for a number of the Group's related parties. Significant transactions with related parties in the first half of 2018 are described in note 23.

### Own funds, capital ratio and business model

In accordance with legislation, the Group must have own funds that support its business model and risk profile. The business model is unchanged in relation to the description on pages 12-14 of the annual report for 2017: [https://www.al-bank.dk/media/130543/al\\_annual\\_report\\_2017.pdf](https://www.al-bank.dk/media/130543/al_annual_report_2017.pdf).

To calculate the capital ratio, the Management has chosen to calculate credit and market risks according to the standard method, and operational risks according to the basic indicator approach. In the opinion of the Management, there is currently no need to use more advanced methods to calculate the capital ratio. According to the Danish Financial Business Act, the Board of Directors and Executive Management must ensure that the Bank has adequate own funds, which is the minimum capital required, according to the assessment of the Management, to cover all significant risks. The objective is to have a Common Equity Tier 1 capital ratio of 11.4 and a total capital ratio of 15.5 with an individual solvency need of 9.5%. Total own funds for the solvency calculation as at 30 June 2018 amounted to DKK 5,464.6 mill. With a Common Equity Tier 1 capital ratio of 14.6 and a capital ratio 17.1, the Group continues to have solid capital buffers.

Own funds will be considerably strengthened when the transfer of ALKA Forsikring to Tryg Forsikring has been

completed following approval from the authorities of the sale agreement concluded in December 2017.

The value of the shares has currently not been included in own funds. If the shares had been transferred before 30 June 2018, and the Bank had decided to recognise the interim results in accordance with the authorisation from the Danish FSA, the capital ratio would have been 20.3% against the current 17.1% with unchanged risk-weighted exposures.

Stricter statutory requirements, including recognition of the MREL requirement (capital requirement to cover own funds and eligible liabilities) mean that we will continue our focus on building up the Bank's and the Group's own funds. The MREL requirement is currently set at 13.7% of total liabilities and own funds, corresponding to 18.8% of the risk-weighted exposures. The MREL requirement will be phased in successively in the period 1 January 2019 – 1 January 2023. In addition to the current own funds, the MREL requirement can also be met with convertible claims on which there is a contractual bail-in. The Bank has currently DKK 372.6 mill. that can be included in calculations of the bail-in.

### Risk management

The Board of Directors is responsible for ensuring effective risk management, including identifying significant risks, developing systems for risk management and establishing a risk policy and risk frameworks. Reporting on significant risks is part of the regular reporting to the Board of Directors. In this context, see note 47 in the 2017 Annual Report, [https://www.al-bank.dk/media/130543/al\\_annual\\_report\\_2017.pdf](https://www.al-bank.dk/media/130543/al_annual_report_2017.pdf), in which the most important risk factors are described. Every year, the Group issues a risk report describing risk management and the individual risk areas. The Group Risk Report 2017 is available in English on the Bank's website: [https://www.al-bank.dk/media/130544/al\\_groupriskreport\\_2017.pdf](https://www.al-bank.dk/media/130544/al_groupriskreport_2017.pdf).

### Liquidity

Group liquidity is good in terms of the LCR (Liquidity Coverage Ratio), by which the Group must be able to cover a stressed net outflow of liquidity for 30 days. The liquidity coverage ratio must be minimum 100%, and with a key ratio of 195.5% as at 30 June 2018, the Group fully meets the statutory requirement.

### Benchmarks from the Danish Financial Supervisory Authority

The Danish FSA stipulates a number of special risk areas and related benchmarks in the form of financial ratios with limit values which, as a starting point, banks should meet. These benchmarks are an integrated part of the reporting to the Board of Directors and they are considered and acted upon to counter any breaches.

Benchmarks from the Danish FSA *)	Limit values	Bank
Funding ratio	< 1	0.5
Liquidity benchmark	> 100	188.3
Large exposures	< 175	65.2
Lending growth	< 20	2.9
Commercial property exposure	< 25	4.4

\*) The definition of the ratios and key figures is explained in note 27.

The Bank comfortably meets all the benchmarks. Note that the financial ratio for excess liquidity from and including 30 June 2018 is based on a modified version of the LCR requirement, which here is measured on the ability to cope with a three-month liquidity stress. At the start of 2018, the financial ratio for large exposures was modified and it is now based on the Bank's 20 largest exposures. With a ratio of 65.2%, the Bank has maintained a comfortable distance to the limit value of 175%. The financial ratio for lending growth in the benchmarks from the Danish FSA is measured in relation to 30 June 2017, while the official financial ratio

for lending growth is measured in relation to 31 December 2017.

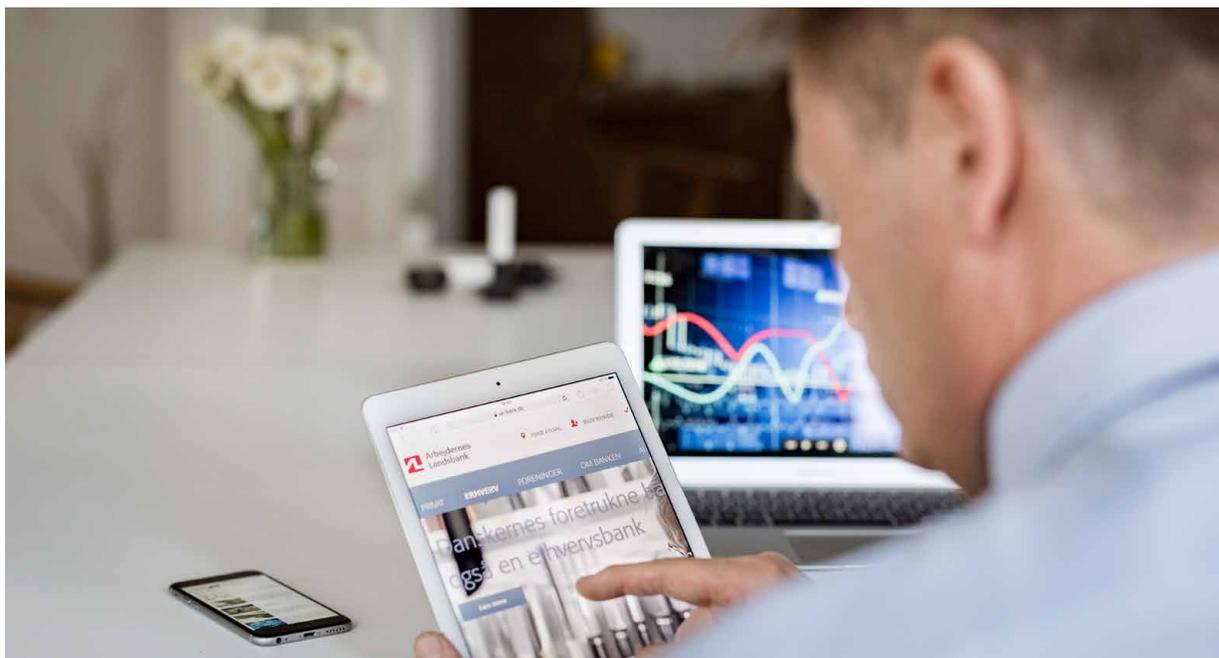
### Events after expiry of the accounting period

No other events have taken place after the end of the accounting period which have a significant impact on the assessment of the Group's financial position.

### Outlook for 2018

The outlook for the Danish economy in the second half of 2018 is generally good. Increasing employment, a buoyant housing market and good growth in real earnings will support private consumption. Investments in housing have increased, and there is a basis for increased business investment in line with increasing pressure on capacity. Increasing bottlenecks on the labour market could present challenges, but are unlikely to stifle growth significantly this year. Low interest rates and increasing incomes will generally support the housing market. However, the market for owner-occupied flats in the largest cities, where prices have increased significantly over the past years, now seems to be slowing down a little.

At the start of the year, the Group's expectations for 2018 were a profit before tax of DKK 300 - 400 mill. These expectations remain unchanged. The result for the first half-year include several one-off items, and therefore the result for the second half-year, seen in isolation, is expected to be lower. The greatest uncertainty relates to developments in the financial markets.





# Statements and reports



## Statement by the Management

The Board of Directors and Executive Management have today considered and approved the interim report of Aktieselskabet Arbejdernes Landsbank and the Group for the period 1 January to 30 June 2018.

The Group interim financial statements are presented in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU, and the interim financial statements for the Bank have been prepared in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

The Management's report has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the interim financial statements give a true and fair view of the assets, liabilities and financial position of the Group and of the Bank as at 30 June 2018, as well as of the results of the activities of the Group and the Bank and the cash flows of the Group for the period from 1 January to 30 June 2018.

In our opinion, the Management's report includes a fair review of the developments of the activities and financial position of the Group and of the Bank, as well as a description of the significant risks and uncertainty factors that may affect the Group and the Bank.

The interim financial report has not been subject to audit or review.

Copenhagen, 14 August 2018

### Executive Management:

Gert R. Jonassen  
*Chief Executive*

Jan W. Andersen  
*Executive Bank Director*

### Board of Directors:

Per Christensen  
*Chairman*

Claus Jensen  
*Vice Chairman*

Lizette Risgaard

Kim Lind Larsen

Ole Wehlast

Kim Simonsen

Lars Andersen

Torben Möger Pedersen

Christian Riewe

Lasse Thorn  
*Employee representative*

Jesper Pedersen  
*Employee representative*

Yvonne Hansen  
*Employee representative*

Nadja Lind Bøgh Karlsen  
*Employee representative*



# Interim financial statements



## Income statement and statement of comprehensive income

Note		Group First half-year 2018 DKK '000	First half-year 2017 DKK '000	Bank First half-year 2018 DKK '000	First half-year 2017 DKK '000
<b>Income statement</b>					
6	Interest income calculated according to the effective interest rate method	552,067	574,078	499,973	516,824
6	Other interest income	25,672	50,270	25,672	50,270
7	Interest expenses	-27,071	-25,612	-26,933	-25,554
	<b>Net interest income</b>	<b>550,668</b>	<b>598,736</b>	<b>498,712</b>	<b>541,540</b>
	Dividends from shares etc.	54,434	37,956	54,434	37,956
8	Fee and commission income	336,134	323,849	301,049	293,220
8	Fees and commissions paid	-51,627	-54,718	-33,237	-31,675
	<b>Net interest and fee income</b>	<b>889,609</b>	<b>905,823</b>	<b>820,958</b>	<b>841,041</b>
9	Value adjustments	57,358	228,790	56,924	229,388
	Other operating income	34,118	47,493	17,087	29,804
10	Staff and administrative expenses	-681,353	-633,841	-636,077	-592,092
	Amortisation/depreciation as well as impairment charges on intangible assets and property, plant and equipment	-27,258	-29,979	-10,598	-13,698
	Other operating expenses	-29,809	-25,377	-27,472	-23,948
11	Impairments on loans and receivables etc.	23,879	7,134	24,826	11,521
	Profit from equity investments in group companies	0	0	15,133	12,981
	<b>Profit before tax</b>	<b>266,544</b>	<b>500,043</b>	<b>260,781</b>	<b>494,997</b>
12	Tax	-25,522	-96,614	-19,759	-91,568
	<b>Profit for the period</b>	<b>241,022</b>	<b>403,429</b>	<b>241,022</b>	<b>403,429</b>
	Distributed as follows:				
	Shareholders of Arbejdernes Landsbank	208,336	370,475	208,336	370,475
	Holders of Additional Tier 1 instruments	32,686	32,954	32,686	32,954
	<b>Profit for the period</b>	<b>241,022</b>	<b>403,429</b>	<b>241,022</b>	<b>403,429</b>
13	<b>Earnings per share</b>				
	Earnings per share (DKK)	725.7	1,259.1	725.7	1,259.1
	Diluted earnings per share (DKK)	725.7	1,259.1	725.7	1,259.1
<b>Statement of comprehensive income</b>					
	<b>Profit for the period</b>	<b>241,022</b>	<b>403,429</b>	<b>241,022</b>	<b>403,429</b>
	<b>Other comprehensive income</b>				
	Items that cannot be reclassified to the income statement:				
15	Change in the revalued amount of owner-occupied properties *)	4,444	-1,048	4,444	-1,048
	<b>Total other comprehensive income</b>	<b>4,444</b>	<b>-1,048</b>	<b>4,444</b>	<b>-1,048</b>
	<b>Comprehensive income for the period</b>	<b>245,466</b>	<b>402,381</b>	<b>245,466</b>	<b>402,381</b>
	Distributed as follows:				
	Shareholders of Arbejdernes Landsbank	212,780	369,427	212,780	369,427
	Holders of Additional Tier 1 instruments	32,686	32,954	32,686	32,954
	<b>Comprehensive income for the period</b>	<b>245,466</b>	<b>402,381</b>	<b>245,466</b>	<b>402,381</b>
	*) Deferred tax on the Bank's properties amounts to DKK 0.				

## Balance sheet

Note	Group		Bank		
	30.06.2018 DKK '000	31.12.2017 DKK '000	30.06.2018 DKK '000	31.12.2017 DKK '000	
<b>Assets</b>					
	Cash in hand and demand deposits with central banks	878,264	908,364	878,264	908,364
	Receivables from credit institutions and central banks	3,170,828	6,015,661	3,154,113	6,007,782
11, 14	Loans and other receivables at amortised cost	22,214,625	21,958,056	21,934,950	21,682,772
	Bonds at fair value	15,872,723	11,812,388	15,872,723	11,812,388
	Shares etc.	2,252,046	2,045,320	2,252,046	2,045,320
	Equity investments in group companies	0	0	276,718	278,790
	Assets under pooled schemes	3,290,681	2,727,496	3,290,681	2,727,496
	Intangible assets	16,694	16,587	0	0
	Investment properties	38,785	37,563	38,785	37,563
	Owner-occupied properties	944,921	857,280	944,921	857,280
15	<b>Total land and buildings</b>	<b>983,706</b>	<b>894,843</b>	<b>983,706</b>	<b>894,843</b>
	Other property, plant and equipment	152,289	149,040	79,290	74,571
	Current tax assets	71,341	32,737	90,137	47,880
	Deferred tax assets	14,228	11,701	19,280	19,495
	Other assets	837,309	767,022	818,921	736,030
	Prepayments and accrued income	45,548	29,666	39,754	25,610
	<b>Total assets</b>	<b>49,800,282</b>	<b>47,368,881</b>	<b>49,690,583</b>	<b>47,261,341</b>
<b>Equity and liabilities</b>					
<b>Liabilities</b>					
<b>Debt</b>					
	Debt to credit institutions and central banks	2,085,852	2,080,697	2,085,852	2,080,697
16	Deposits and other debt	36,210,208	34,756,228	36,181,914	34,733,159
	Deposits under pooled schemes	3,290,681	2,727,496	3,290,681	2,727,496
	Other non-derivative financial liabilities at fair value	393,269	54,773	393,269	54,773
	Other liabilities	966,174	882,535	898,467	811,139
	Accruals and deferred income	31,963	35,485	18,899	23,044
	<b>Total debt</b>	<b>42,978,147</b>	<b>40,537,214</b>	<b>42,869,082</b>	<b>40,430,308</b>
<b>Provisions</b>					
11	Guarantee loss provisions	25,565	30,750	25,565	30,750
	Other provisions	56,128	39,419	55,494	38,785
	<b>Total provisions</b>	<b>81,693</b>	<b>70,169</b>	<b>81,059</b>	<b>69,535</b>
	<b>Total liabilities</b>	<b>43,059,840</b>	<b>40,607,383</b>	<b>42,950,141</b>	<b>40,499,843</b>
17-19	<b>Equity</b>				
	Share capital	300,000	300,000	300,000	300,000
	Revaluation reserves	326,709	326,709	326,709	326,709
	Reserve under the equity method	0	0	265,961	265,961
	Retained earnings	5,264,803	5,135,881	4,998,842	4,869,920
	Proposed dividend	0	150,000	0	150,000
	<b>Shareholders in Arbejdernes Landsbank</b>	<b>5,891,512</b>	<b>5,912,590</b>	<b>5,891,512</b>	<b>5,912,590</b>
20	Holders of Additional Tier 1 instruments	848,930	848,908	848,930	848,908
	<b>Total equity</b>	<b>6,740,442</b>	<b>6,761,498</b>	<b>6,740,442</b>	<b>6,761,498</b>
	<b>Total equity and liabilities</b>	<b>49,800,282</b>	<b>47,368,881</b>	<b>49,690,583</b>	<b>47,261,341</b>

# Statement of capital

## Shareholders of Arbejdernes Landsbank

	Share capital DKK '000	Revaluation reserves DKK '000	Retained earnings DKK '000	Proposed dividend DKK '000	Total DKK '000	Additional Tier 1 capital DKK '000	Total equity DKK '000
<b>Group first half-year 2018</b>							
Equity brought forward	300,000	326,709	5,135,881	150,000	5,912,590	848,908	6,761,498
Change in accounting policies, IFRS 9	0	0	-109,036	0	-109,036	0	-109,036
Tax effect, IFRS 9	0	0	23,987	0	23,987	0	23,987
<b>Adjusted equity brought forward</b>	<b>300,000</b>	<b>326,709</b>	<b>5,050,832</b>	<b>150,000</b>	<b>5,827,541</b>	<b>848,908</b>	<b>6,676,449</b>
Profit for the period	0	0	208,336	0	208,336	32,686	241,022
Other comprehensive income	0	4,444	0	0	4,444	0	4,444
<b>Total comprehensive income</b>	<b>0</b>	<b>4,444</b>	<b>208,336</b>	<b>0</b>	<b>212,780</b>	<b>32,686</b>	<b>245,466</b>
Other additions and disposals *)	0	-4,444	4,444	0	0	0	0
Dividend paid for 2017	0	0	0	-150,000	-150,000	0	-150,000
Interest paid on Additional Tier 1 capital	0	0	0	0	0	-32,664	-32,664
Purchase of own shares	0	0	-6,000	0	-6,000	0	-6,000
Tax	0	0	7,191	0	7,191	0	7,191
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>213,971</b>	<b>-150,000</b>	<b>63,971</b>	<b>22</b>	<b>63,993</b>
<b>Equity carried forward</b>	<b>300,000</b>	<b>326,709</b>	<b>5,264,803</b>	<b>0</b>	<b>5,891,512</b>	<b>848,930</b>	<b>6,740,442</b>
<b>Group first half-year 2017</b>							
Equity brought forward	300,000	365,689	4,137,084	30,000	4,832,773	848,976	5,681,749
Profit for the period	0	0	370,475	0	370,475	32,954	403,429
Other comprehensive income	0	-1,048	0	0	-1,048	0	-1,048
<b>Total comprehensive income</b>	<b>0</b>	<b>-1,048</b>	<b>370,475</b>	<b>0</b>	<b>369,427</b>	<b>32,954</b>	<b>402,381</b>
Other additions and disposals *)	0	-25,428	25,428	0	0	0	0
Dividend paid for 2016	0	0	0	-30,000	-30,000	0	-30,000
Paid interest on Additional Tier 1 capital	0	0	0	0	0	-32,981	-32,981
Tax	0	0	7,250	0	7,250	0	7,250
<b>Total changes in equity</b>	<b>0</b>	<b>-26,476</b>	<b>403,153</b>	<b>-30,000</b>	<b>346,677</b>	<b>-27</b>	<b>346,650</b>
<b>Equity carried forward</b>	<b>300,000</b>	<b>339,213</b>	<b>4,540,237</b>	<b>0</b>	<b>5,179,450</b>	<b>848,949</b>	<b>6,028,399</b>

\*) The Bank has realised revaluation reserves in connection with property sales.

# Statement of capital

## Shareholders of Arbejdernes Landsbank

	Share capital DKK '000	Revaluation reserves DKK '000	Reserve under the net asset value method DKK '000	Retained earnings DKK '000	Proposed dividend DKK '000	Total DKK '000	Additional Tier 1 capital DKK '000	Total equity DKK '000
<b>Bank first half-year 2018</b>								
Equity brought forward	300,000	326,709	265,961	4,869,920	150,000	5,912,590	848,908	6,761,498
Change in accounting policies, IFRS 9	0	0	0	-104,183	0	-104,183	0	-104,183
Tax effect, IFRS 9	0	0	0	19,134	0	19,134	0	19,134
<b>Adjusted equity brought forward</b>	<b>300,000</b>	<b>326,709</b>	<b>265,961</b>	<b>4,784,871</b>	<b>150,000</b>	<b>5,827,541</b>	<b>848,908</b>	<b>6,676,449</b>
Profit for the period	0	0	0	208,336	0	208,336	32,686	241,022
Other comprehensive income	0	4,444	0	0	0	4,444	0	4,444
<b>Total comprehensive income</b>	<b>0</b>	<b>4,444</b>	<b>0</b>	<b>208,336</b>	<b>0</b>	<b>212,780</b>	<b>32,686</b>	<b>245,466</b>
Other additions and disposals *)	0	-4,444	0	4,444	0	0	0	0
Dividend paid for 2017	0	0	0	0	-150,000	-150,000	0	-150,000
Interest paid on Additional Tier 1 capital	0	0	0	0	0	0	-32,664	-32,664
Purchase of own shares	0	0	0	-6,000	0	-6,000	0	-6,000
Tax	0	0	0	7,191	0	7,191	0	7,191
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>213,971</b>	<b>-150,000</b>	<b>63,971</b>	<b>22</b>	<b>63,993</b>
<b>Equity carried forward</b>	<b>300,000</b>	<b>326,709</b>	<b>265,961</b>	<b>4,998,842</b>	<b>0</b>	<b>5,891,512</b>	<b>848,930</b>	<b>6,740,442</b>
<b>Bank first half-year 2017</b>								
Equity brought forward	300,000	365,689	245,233	3,891,851	30,000	4,832,773	848,976	5,681,749
Profit for the period	0	0	0	370,475	0	370,475	32,954	403,429
Other comprehensive income	0	-1,048	0	0	0	-1,048	0	-1,048
<b>Total comprehensive income</b>	<b>0</b>	<b>-1,048</b>	<b>0</b>	<b>370,475</b>	<b>0</b>	<b>369,427</b>	<b>32,954</b>	<b>402,381</b>
Other additions and disposals *)	0	-25,428	0	25,428	0	0	0	0
Dividend paid for 2016	0	0	0	0	-30,000	-30,000	0	-30,000
Paid interest on Additional Tier 1 capital	0	0	0	0	0	0	-32,981	-32,981
Tax	0	0	0	7,250	0	7,250	0	7,250
<b>Total changes in equity</b>	<b>0</b>	<b>-26,476</b>	<b>0</b>	<b>403,153</b>	<b>-30,000</b>	<b>346,677</b>	<b>-27</b>	<b>346,650</b>
<b>Equity carried forward</b>	<b>300,000</b>	<b>339,213</b>	<b>245,233</b>	<b>4,295,004</b>	<b>0</b>	<b>5,179,450</b>	<b>848,949</b>	<b>6,028,399</b>

\*) The Bank has realised revaluation reserves in connection with property sales.

## Cash flow statement

Note	Group First half-year 2018 DKK '000	First half-year 2017 DKK '000
	266,544	500,043
Profit before tax for the period		
Adjustment for non-cash operating items		
Amortisation and impairment charges on intangible assets	4,454	2,872
Depreciation, impairment charges and revaluations of property, plant and equipment	22,804	27,107
11 Impairments on loans and receivables etc.	-23,879	-7,134
Change in operating equipment		
Loans and receivables with credit institutions, etc.	-243,136	-467,567
Bonds and shares	-4,267,061	-287,196
Deposits and debt to credit institutions, etc.	2,022,320	1,178,652
Other non-derivative financial liabilities at fair value	338,496	237,859
Other assets and liabilities	-656,493	-474,047
Corporation tax paid	-35,285	-50,701
<b>Cash flows from operating activities</b>	<b>-2,571,236</b>	<b>659,888</b>
Purchases of intangible assets	-4,561	-354
Purchases of property, plant and equipment	-130,105	-22,014
Sales of property, plant and equipment	19,633	58,704
<b>Cash flows from investment activities</b>	<b>-115,033</b>	<b>36,336</b>
18 Dividend paid	-150,000	-30,000
Interest paid on Additional Tier 1 capital	-32,664	-32,981
17 Purchase of own shares	-6,000	0
<b>Cash flows from financing activities</b>	<b>-188,664</b>	<b>-62,981</b>
<b>Cash flows for the period</b>	<b>-2,874,933</b>	<b>633,243</b>
Cash and cash equivalents brought forward	6,924,025	2,740,034
<b>Cash and cash equivalents carried forward</b>	<b>4,049,092</b>	<b>3,373,277</b>
Cash and cash equivalents include:		
Cash in hand	878,264	945,694
Receivables from credit institutions and central banks with a term to maturity of less than three months	3,170,828	2,427,583
<b>Cash and cash equivalents carried forward</b>	<b>4,049,092</b>	<b>3,373,277</b>

\* The cash flow statement includes value adjustments on security and currency forward transactions.

## Notes

Note	Page
1 Accounting Policies	19
2 Significant accounting estimates, assumptions and assessments	22
3 Financial and operating data for the Group	23
4 Financial ratios and key figures for the Group	24
5 Segment information	25
6 Interest income	27
7 Interest expenses	27
8 Net fee and commission income	27
9 Value adjustments	28
10 Staff and administrative expenses	28
11 Impairments on loans and provisions for guarantees etc.	28
12 Tax	37
13 Earnings per share	37
14 Loans and guarantees broken down by sectors and industries	38
15 Land and buildings	38
16 Deposits and other debt	39
17 Own shares	39
18 Dividends	39
19 Capital and solvency	40
20 Additional Tier 1 capital	40
21 Contingent liabilities, etc.	41
22 Financial assets and liabilities at fair value	42
23 Transactions and balances with related parties	44
24 Group overview	44
25 Financial and operating data for the Bank	45
26 Financial ratios and key figures for the Bank	46
27 Definitions of ratios and key figures	47

## Note 1

## Accounting policies

## Basis of preparation

The interim financial statements for the Group have been prepared in accordance with IAS 34, *Interim Financial Reporting* as approved by the EU as well as further Danish disclosure requirements stipulated in the IFRS Executive Order on Financial Undertakings issued in accordance with the Danish Financial Business Act. The financial part of the interim report follows the provisions in IAS 34 for condensed interim financial statements.

The interim financial statements for the Bank have been prepared in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc., as well as guidelines issued by the Danish FSA.

Apart from the information provided below, the accounting policies are unchanged in relation to the consolidated financial statements and the financial statements for the Bank for the year ended 31 December 2017. The annual report for 2017 contains a full description of accounting policies.

In connection with preparation of the consolidated financial statements for 2017, reclassifications were made because a number of lease contracts in the AL Finans A/S subsidiary have been redefined as finance lease contracts. The net impact of this on the profit was DKK 0, and the net impact under assets in the balance sheet was also DKK 0. However, there were the following impacts on individual items in the income statement and the balance sheet compared with the Group interim financial statements for 2017, and thus on the comparative figures in the interim financial statements for 2018:

	Original First half-year 2017 DKK '000	Restated First half-year 2017 DKK '000
<b>Income statement items for the Group</b>		
Interest income	621,547	624,348
Other operating income	76,947	47,493
Amortisation/depreciation as well as impairment charges on intangible assets and property, plant and equipment	-56,632	-29,979
<b>Balance sheet items for the Group</b>		
Loans and other receivables at amortised cost	21,421,131	21,551,019
Other property, plant and equipment	266,036	136,148

The reclassifications have also had an impact on comparative figures in related notes, as well as on certain ratios and key figures.

## Change in accounting policies

With effect from 1 January 2018, the Group has implemented the following new standards:

- IFRS 9, *Financial instruments*
- IFRS 15, *Revenue from contracts with customers*.

Of the above, only IFRS 9 has influenced recognition and measurement in the interim financial statements. The effect of this in connection with the transition from 1 January 2018 is shown below.

## Effect of IFRS 9

IFRS 9, *Financial instruments*, replacing IAS 39, changes the principles for classification and the consequential measurement of financial assets and liabilities. IFRS 9 introduces a new approach to the classification of financial assets based on the undertaking's business model and specific assets' underlying cash flows. IFRS 9 also introduces a new impairment model for financial assets.

IFRS 9 is mandatory for financial years beginning 1 January 2018, from which date Arbejdernes Landsbank has applied the standard.

The implementation of IFRS 9 has only led to changes in amounts as a result of the new method in the standard to calculate impairments and provisions for credit losses as well as the new method for recognition of discounts/reserves on loans that were credit-impaired at initial recognition.

In accordance with the transitional provisions in IFRS 9, the Group has not implemented the changes with retrospective effect. The accumulated impact of the change has therefore been recognised in equity as at 1 January 2018, and the comparative figures for 2017 have not been restated. The accounting effect is shown in the table on the following page.

	31.12.2017 DKK mill.	01.01.2018 DKK mill.	01.01.2018 DKK mill.
Balance sheet items for the Group	IAS 39 Previous policy	Effect of changed measurement	IFRS 9 New policy
<b>Assets</b>			
Receivables from credit institutions and central banks	6,016	-4	6,012
Loans and other receivables at amortised cost	21,958	-61	21,897
Current tax assets	33	24	57
<b>Total</b>	<b>28,007</b>	<b>-41</b>	<b>27,966</b>
<b>Equity and liabilities</b>			
Guarantee loss provisions	31	10	41
Other provisions	19	34	53
Equity (retained earnings)	6,761	-85	6,676
<b>Total</b>	<b>6,811</b>	<b>-41</b>	<b>6,770</b>

The change in method for calculation of credit losses entails an increase in group impairments and provisions totalling DKK 154 mill. The change in method for treatment of discounts/reserves on loans that were credit-impaired at initial recognition has led to a positive adjustment of DKK 45 mill. With a reduction for the tax effect of 22% (DKK 24 mill.), this corresponds to a one-off effect of DKK -85 mill., or a reduction in shareholders' equity of 1.4% as at 1 January 2018.

The changes as a result of implementation of IFRS 9, including the new accounting policies are described below.

#### General rules in IFRS 9 on recognition and measurement

According to IFRS 9, financial assets must be classified on the basis of the undertaking's business model for management and the contractual cash-flow characteristics of the individual financial assets. On the basis of this, the measurement must be carried out in accordance with one of the following principles:

- Amortised cost
- Fair value with value adjustment through other comprehensive income (FVTOCI)
- Fair value with value adjustment through the income statement (FVTPL).

The Group only has financial assets measured at amortised cost and fair value with value adjustment through the income statement. The Group's financial

assets are measured at amortised cost, if they are held with a commercial objective to receive the contractual cash flows from the asset, and the contractual cash flows from the financial asset consist exclusively of payment of the principal amount and interest on the outstanding amount. The Group's other financial assets are measured at fair value with value adjustment through the income statement, including financial assets held with another commercial purpose, for example financial assets that are managed on a fair value basis or are included in the trading portfolio, and financial assets for which the contractual cash flows from the financial asset do not only consist of payment of the principal amount and interest on the outstanding amount.

The policies are unchanged from IAS 39 for financial liabilities. Recognition is therefore primarily at amortised cost. Financial liabilities which are recognised at fair value comprise derivatives, pool deposits and non-derivative financial instruments at fair value.

IFRS 9 has not led to changes in the Group's classification of financial exposures at amortised cost or fair value with value adjustment through the income statement.

#### Model for impairments for expected credit losses

IFRS 9 introduces a new model for impairments on certain financial instruments. Impairments are charged for expected credit losses on all financial assets recognised at amortised cost, and provisions are made correspondingly for expected credit losses on financial

guarantees as well as committed loan facilities and unutilised credit facilities.

For financial assets recognised at amortised cost, impairments for expected credit losses are recognised in the income statement and the value of the asset is reduced in the balance sheet. Provisions on financial guarantees, as well as committed loan facilities and unutilised credit facilities are recognised as a liability.

Impairments for expected credit losses depend on whether the credit risk for a financial asset has increased significantly since initial recognition, and are carried out in three stages:

- Stage 1 is exposures where there has not been a significant increase in credit risk. The asset is impaired by an amount corresponding to the expected credit loss as a result of likely default in the course of the next 12 months.
- Stage 2 is exposures where there has been a significant increase in credit risk. The asset is transferred to stage 2 and impaired by an amount corresponding to the expected credit loss over the lifetime of the asset.
- Stage 3 is exposures where the financial asset has been subject to default or impaired in some other way. In contrast to stages 1 and 2, interest income is only recognised on the basis of the impaired value of the asset.

Ranking in stages and calculation of expected losses are based on the Group's existing rating models in the form of the probability of default (PD) models developed by Bankernes EDB Central (BEC), and the Bank's internal credit management. An assessment of whether the credit risk has increased considerably since initial recognition is carried out to assess the changes in the risk of default over the financial asset's remaining lifetime rather than to assess the increase in the expected credit loss. An exposure is transferred from stage 1 to stage 2 when the following increase is observed in the PD:

- An increase in the PD for the expected remaining term of the financial asset of 100%, and an increase in the 12-month PD of 0.5 percentage points when the 12-month PD at initial recognition was less than 1.0%.
- An increase in the PD for the expected remaining term of the financial asset of 100%, or an increase in the 12-month PD of 2.0 percentage points when the 12-month PD at initial recognition was 1.0% or more.

- The exposure has been in arrears/overdrawn for more than 30 days.

Furthermore, the Group applies a number of its own criteria for evidence of credit impairment, expressed as customer ratings or other reason codes indicating weaknesses.

However, if the market generally considers the financial asset to have a low credit risk at the balance sheet date, and if the customer's 12-month PD is lower than 0.2%, the asset will continue to be in stage 1, which is characterised by the absence of a significant increase in credit risk.

An exposure is defined as belonging to stage 3 (credit-impaired) if it meets at least one of the following criteria:

- Observable information is available about events indicating that the exposure is credit-impaired, see the provisions in section 52(2) of the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
- The exposure has been in arrears/overdrawn for more than 90 days.

Impairments in stages 1 and 2, except for the weakest part of stage 2 are calculated on the basis of a model calculation. Impairments in the weakest part of stage 2, as well as stage 3 with exposures of more than DKK 100,000 are calculated via a qualitative individual assessment.

The model calculation is generally based on a PD-model approach, developed and maintained by Bankernes EDB Central (BEC), in combination with a forward-looking, macroeconomic module, developed and maintained by the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (LOPI).

The macroeconomic module is based on a number of regression models determining the historical correlation between impairments for the year, the Danish FSA's sector break-down and a number of explanatory macroeconomic variables. Macroeconomic scenarios are drawn up: worst-case, base case and best case, including an assessment of the probability for each scenario. The Credit Committee approves the scenarios.

Forecasts from the Danish Economic Council, Danmarks Nationalbank (Denmark's central bank), etc. are used as an estimate for the macroeconomic variables.

#### Effect of IFRS 15

IFRS 15, *Revenue from contracts with customers*, replaces IAS 11 and IAS 18 and associated interpretation contributions. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

A new model will be introduced for recognition and measurement of revenue concerning sales contracts with customers. The new model will be based on a five-step process to be followed for all sales contracts with customers to determine when and how revenues are to be recognised in the income statement. The standard does not change recognition and measurement of the Arbejdernes Landsbank Group sales contracts with customers and therefore has no great significance.

#### Note 2

### Significant accounting estimates, assumptions and assessments

Measurement of certain assets and liabilities requires management estimates for how future events affect the value of these assets and liabilities. Estimates that are significant for the financial statements are made in connection with the calculation of write-downs on impaired loans, collateral in cooperative housing, fair values of unlisted equity investments and other financial instruments, see the description in the 2017 annual report. The estimates made are based on assumptions that the Management considers reasonable but which are inherently uncertain. Furthermore, the Group is subject to risks and uncertainties which may result in actual results deviating from these estimates.

Note	First	First	2017
	half-year 2018	half-year 2017	2017
	DKK '000	DKK '000	DKK '000
<b>3 Financial and operating data for the Group</b>			
<b>Income statement</b>			
Net interest income	550,668	598,736	1,193,609
Net fee and commission income	284,507	269,131	555,494
Value adjustments and dividend	111,792	266,746	945,109
Other operating income	34,118	47,493	90,480
<b>Total income</b>	<b>981,085</b>	<b>1,182,106</b>	<b>2,784,692</b>
Costs and depreciation/amortisation	-738,420	-689,197	-1,465,610
Impairments on loans and receivables etc.	23,879	7,134	-14,335
<b>Total costs</b>	<b>-714,541</b>	<b>-682,063</b>	<b>-1,479,945</b>
<b>Profit before tax</b>	<b>266,544</b>	<b>500,043</b>	<b>1,304,747</b>
Tax	-25,522	-96,614	-149,275
<b>Profit for the period</b>	<b>241,022</b>	<b>403,429</b>	<b>1,155,472</b>
<b>Selected balance sheet items</b>			
Loans and other receivables at amortised cost	22,214,625	21,551,019	21,958,056
Bonds at fair value	15,872,723	15,483,232	11,812,388
Total assets	49,800,282	46,120,846	47,368,881
Deposits incl. pooled schemes	39,500,889	36,351,758	37,483,724
Equity	6,740,442	6,028,398	6,761,498
<b>Other financial and operating data</b>			
Net interest and fee income	889,609	905,823	1,792,927
Value adjustments	57,358	228,790	901,285
Staff and administrative expenses	-681,353	-633,841	-1,353,845
Total contingent liabilities	6,018,130	5,420,982	5,490,796

Note		First half-year 2018	First half-year 2017	2017	
4	Ratios and key figures for the Group *)				
	<b>Solvency</b>				
	Capital ratio	%	17.1	17.8	18.3
	Tier 1 capital ratio	%	17.1	17.8	18.3
	Common Equity Tier 1 capital	%	14.6	15.4	16.2
	<b>Earnings</b>				
	Return on equity before tax	%	3.9	8.5	21.0
	Return on equity after tax	%	3.6	6.9	18.6
	Ratio of operating income to operating expenses per DKK **)	DKK	1.37	1.73	1.88
	Earnings per share	DKK	725.7	1,259.1	3,680.0
	Diluted earnings per share	DKK	725.7	1,259.1	3,680.0
	Return on capital employed	%	0.5	0.9	2.5
	<b>Market risk</b>				
	Interest-rate risk	%	-1.0	-0.1	-0.7
	Currency position	%	3.2	2.0	1.4
	Currency risk	%	0.0	0.0	0.0
	<b>Liquidity</b>				
	Loans plus impairments in relation to deposits **)	%	59.7	63.0	62.0
	Liquidity coverage ratio (LCR)	%	195.5	166.5	185.7
	<b>Credit</b>				
	Sum of large exposures	%	0.0	0.0	0.0
	Impairment ratio for the period	%	0.0	0.0	0.1
	Lending growth for the period **)	%	1.2	2.9	4.3
	Loans in relation to equity		3.3	3.6	3.2
	<b>Equity</b>				
	Net asset value	DKK	1,963.8	1,726.5	1,970.9
	Proposed dividend per share	DKK	0	0	500
	<b>Employees</b>				
	Average number of staff employed in the accounting period converted to full-time equivalents		1,072	1,054	1,054

\*) See note 27 for definitions of ratios and key figures.

\*\*) The comparative figure for the first half-year of 2017 has been adjusted as a result of reclassified leasing agreements in the subsidiary, AL Finans A/S, see note 1.

## Note

## 5 Segment information

The Group only operates from locations established in Denmark.

	Customer activities DKK '000	Investment activities DKK '000	Other activities DKK '000	Total DKK '000
Group first half-year 2018				
<b>Income statement</b>				
Net interest income	511,391	27,609	11,668	550,668
Net fee and commission income	284,507	0	0	284,507
Value adjustments and dividend	89,292	-35,774	58,274	111,792
Other operating income	17,178	0	16,940	34,118
<b>Total income</b>	<b>902,368</b>	<b>-8,165</b>	<b>86,882</b>	<b>981,085</b>
Costs and depreciation/amortisation	-674,013	-23,729	-40,678	-738,420
Impairments on loans and receivables etc.	23,879	0	0	23,879
<b>Total costs</b>	<b>-650,134</b>	<b>-23,729</b>	<b>-40,678</b>	<b>-714,541</b>
<b>Profit before tax</b>	<b>252,234</b>	<b>-31,894</b>	<b>46,204</b>	<b>266,544</b>
<b>Assets</b>				
Loans and other receivables at amortised cost	22,214,625	0	0	22,214,625
Bonds at fair value	0	15,872,723	0	15,872,723
Other assets	4,227,336	3,944,855	3,540,743	11,712,934
<b>Total assets</b>	<b>26,441,961</b>	<b>19,817,578</b>	<b>3,540,743</b>	<b>49,800,282</b>
<b>Equity and liabilities</b>				
Deposits and other debt	36,210,208	0	0	36,210,208
Allocated equity	3,588,178	1,125,454	2,026,810	6,740,442
Other liabilities	3,438,331	2,803,523	607,778	6,849,632
<b>Total equity and liabilities</b>	<b>43,236,717</b>	<b>3,928,977</b>	<b>2,634,588</b>	<b>49,800,282</b>
<b>Financial ratios</b>				
Revenue *)	886,164	32,268	29,559	947,991
Return on equity before tax (%)	7.2	-2.6	2.3	3.9
Ratio of operating income to operating expenses per DKK	1.39	-0.34	2.14	1.37
Average allocated equity	3,525,452	1,206,701	2,018,817	6,750,970

\*) Revenue is defined as interest income, fee and commission income as well as other operating income.

Note	Customer activities DKK '000	Investment activities DKK '000	Other activities DKK '000	Total DKK '000
5 Segment information (continued)				
Group first half-year 2017				
<b>Income statement</b>				
Net interest income	539,136	60,088	-488	<b>598,736</b>
Net fee and commission income	269,131	0	0	<b>269,131</b>
Value adjustments and dividend	42,505	171,343	52,898	<b>266,746</b>
Other operating income	18,041	0	29,452	<b>47,493</b>
<b>Total income</b>	<b>868,813</b>	<b>231,431</b>	<b>81,862</b>	<b>1,182,106</b>
Costs and depreciation/amortisation	-632,630	-20,883	-35,684	<b>-689,197</b>
Impairments on loans and receivables etc.	7,134	0	0	<b>7,134</b>
<b>Total costs</b>	<b>-625,496</b>	<b>-20,883</b>	<b>-35,684</b>	<b>-682,063</b>
<b>Profit before tax</b>	<b>243,317</b>	<b>210,548</b>	<b>46,178</b>	<b>500,043</b>
<b>Assets</b>				
Loans and other receivables at amortised cost	21,551,019	0	0	<b>21,551,019</b>
Bonds at fair value	0	15,483,232	0	<b>15,483,232</b>
Other assets	3,909,369	2,701,166	2,476,060	<b>9,086,595</b>
<b>Total assets</b>	<b>25,460,388</b>	<b>18,184,398</b>	<b>2,476,060</b>	<b>46,120,846</b>
<b>Equity and liabilities</b>				
Deposits and other debt	33,942,806	0	0	<b>33,942,806</b>
Allocated equity	3,660,493	1,061,597	1,306,308	<b>6,028,398</b>
Other liabilities	2,534,778	3,079,596	535,268	<b>6,149,642</b>
<b>Total equity and liabilities</b>	<b>40,138,077</b>	<b>4,141,193</b>	<b>1,841,576</b>	<b>46,120,846</b>
<b>Financial ratios</b>				
Revenue *)	902,636	63,918	29,136	<b>995,690</b>
Return on equity before tax (%)	6.9	22.9	3.2	<b>8.5</b>
Ratio of operating income to operating expenses per DKK	1.39	11.08	2.29	<b>1.73</b>
Average allocated equity	3,506,372	921,261	1,427,441	<b>5,855,074</b>
*) Revenue is defined as interest income, fee and commission income as well as other operating income.				

Note	Group First half-year 2018 DKK '000	First half-year 2017 DKK '000	Bank First half-year 2018 DKK '000	First half-year 2017 DKK '000
<b>6 Interest income</b>				
Certificates of deposit	-10,347	-1,729	-10,347	-1,729
Other receivables from credit institutions and central banks	-214	885	-214	885
Loans and other receivables	549,723	574,922	497,629	517,518
Bonds	75,273	97,914	75,273	97,914
Derivative financial instruments				
Currency contracts	-10,387	-7,578	-10,387	-7,578
Interest-rate contracts	-39,214	-40,066	-39,214	-40,066
<b>Total derivative financial instruments</b>	<b>-49,601</b>	<b>-47,644</b>	<b>-49,601</b>	<b>-47,644</b>
Other interest income	12,905	0	12,905	150
<b>Total interest income</b>	<b>577,739</b>	<b>624,348</b>	<b>525,645</b>	<b>567,094</b>
Of which, reverse transactions recognised under:				
Other receivables from credit institutions and central banks	-727	-977	-727	-977
Negative interest income arisen as a consequence of interest rates have been offset in the respective interest income items. Negative interest income primarily derives from certificates of deposit and reverse transactions.				
<b>7 Interest expenses</b>				
Debt to credit institutions and central banks	-522	-1,241	-522	-1,241
Deposits and other debt	-26,525	-24,340	-26,387	-24,282
Other interest expenses	-24	-31	-24	-31
<b>Total interest expenses</b>	<b>-27,071</b>	<b>-25,612</b>	<b>-26,933</b>	<b>-25,554</b>
Of which, repo transactions recognised under:				
Debt to credit institutions and central banks	24	273	24	273
Positive interest expenses arisen as a consequence of negative interest rates have been offset in the respective interest expense items. Positive interest expenses primarily derive from repo transactions.				
<b>8 Net fee and commission income</b>				
Securities trading and custody accounts	46,794	61,432	46,794	61,432
Payment services	51,837	50,271	51,153	49,625
Loan fees *)	165,634	143,959	137,465	120,404
Guarantee commission	26,629	22,838	26,765	22,973
Other fees and commissions *)	45,240	45,349	38,872	38,786
<b>Total fee and commission income</b>	<b>336,134</b>	<b>323,849</b>	<b>301,049</b>	<b>293,220</b>
AL-BoligBonus	-25,083	-26,008	-25,083	-26,008
Other fees and commissions paid	-26,544	-28,710	-8,154	-5,667
<b>Total fees and commissions paid</b>	<b>-51,627</b>	<b>-54,718</b>	<b>-33,237</b>	<b>-31,675</b>
<b>Net fee and commission income</b>	<b>284,507</b>	<b>269,131</b>	<b>267,812</b>	<b>261,545</b>

\*) Income from a number of fees related to loan processing, finance leases and factoring in the subsidiary AL Finans A/S has been classified under loan fees since the second half-year of 2017. Fee income has previously been classified under other fees and commissions. Comparative figures for the first half-year of 2017 have been adjusted.

Note	Group First half-year 2018 DKK '000	First half-year 2017 DKK '000	Bank First half-year 2018 DKK '000	First half-year 2017 DKK '000
<b>9 Value adjustments</b>				
Bonds	-34,919	82,655	-34,919	82,655
Shares etc.	112,715	54,854	112,715	54,854
Currency	6,902	3,679	6,468	4,277
Derivative financial instruments				
Currency contracts	2,906	3,548	2,906	3,548
Interest-rate contracts	-30,821	85,140	-30,821	85,140
Share contracts	24	33	24	33
<b>Total derivative financial instruments</b>	<b>-27,891</b>	<b>88,721</b>	<b>-27,891</b>	<b>88,721</b>
Assets linked to pooled schemes	-16,703	67,074	-16,703	67,074
Deposits in pooled schemes	16,703	-67,074	16,703	-67,074
Other assets	551	-1,119	551	-1,119
<b>Total value adjustments</b>	<b>57,358</b>	<b>228,790</b>	<b>56,924</b>	<b>229,388</b>
<b>10 Staff and administrative expenses</b>				
Remuneration and emoluments to the Executive Management and Board of Directors				
Executive Management	-3,687	-3,440	-3,677	-3,430
Board of Directors	-1,246	-1,072	-1,246	-1,072
<b>Total remuneration and emoluments to the Executive Management and Board of Directors</b>	<b>-4,933</b>	<b>-4,512</b>	<b>-4,923</b>	<b>-4,502</b>
Staff expenses				
Remuneration	-329,326	-306,606	-302,724	-282,356
Pensions (contribution-based)	-34,653	-32,014	-31,876	-29,480
Social security expenses	-2,869	-3,180	-2,686	-2,927
Payroll tax	-43,584	-41,397	-40,371	-38,448
<b>Total staff expenses</b>	<b>-410,432</b>	<b>-383,197</b>	<b>-377,657</b>	<b>-353,211</b>
Administrative expenses				
IT costs	-169,484	-150,779	-163,374	-145,530
Other administrative expenses	-96,504	-95,353	-90,123	-88,849
<b>Total administrative expenses</b>	<b>-265,988</b>	<b>-246,132</b>	<b>-253,497</b>	<b>-234,379</b>
<b>Total staff and administrative expenses</b>	<b>-681,353</b>	<b>-633,841</b>	<b>-636,077</b>	<b>-592,092</b>
<b>11 Impairments on loans and provisions for guarantees</b>				
Net effect recognised in the income statement				
Net changes in impairments/provisions accounts				
Receivables from credit institutions and central banks	22,005	-6	22,005	-6
Loans and other receivables at amortised cost	-8,574	25,195	-12,699	25,438
Guarantees	14,905	-2,348	14,905	-2,348
Committed loan facilities and unutilised credit facilities	17,407	-3,919	17,407	-3,919
<b>Total net changes in impairments/provisions accounts</b>	<b>45,743</b>	<b>18,922</b>	<b>41,618</b>	<b>19,165</b>
Interest adjustment	9,566	18,168	9,566	18,168
Losses covered by previous impairment charges and provisions	-36,715	-29,214	-34,002	-26,727
Losses not covered by previous impairment charges and provisions	-7,862	-7,029	-5,416	-5,228
Recognised in claims previously subject to impairment charges	6,392	6,287	6,305	6,143
Reversed reserve for losses on loans which were impaired at initial recognition	6,755	0	6,755	0
<b>Net effect recognised in the income statement</b>	<b>23,879</b>	<b>7,134</b>	<b>24,826</b>	<b>11,521</b>

## Note

## 11 Impairments on loans and provisions for guarantees (continued)

Group					
	Individual impairment charges	Collective impairment charges	Total	IFRS 9 adjustments	Total
	31.12.2017	31.12.2017	31.12.2017	01.01.2018	01.01.2018
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Acc. impairments and provisions in connection with the transition from IAS 39 to IFRS 9					
Receivables from credit institutions and central banks	25,882	0	25,882	4,456	<b>30,338</b>
Loans and other receivables at amortised cost	1,123,978	144,628	1,268,606	104,919	<b>1,373,525</b>
Guarantees	18,479	12,271	30,750	9,720	<b>40,470</b>
Committed loan facilities and unutilised credit facilities	18,800	0	18,800	34,688	<b>53,488</b>
<b>Total impairments and provisions brought forward</b>	<b>1,187,139</b>	<b>156,899</b>	<b>1,344,038</b>	<b>153,783</b>	<b>1,497,821</b>
Bank					
	Individual impairment charges	Collective impairment charges	Total	IFRS 9 adjustments	Total
	31.12.2017	31.12.2017	31.12.2017	01.01.2018	01.01.2018
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Acc. impairments and provisions in connection with the transition from IAS 39 to IFRS 9					
Receivables from credit institutions and central banks	25,882	0	25,882	4,456	<b>30,338</b>
Loans and other receivables at amortised cost	1,113,856	144,120	1,257,976	82,860	<b>1,340,836</b>
Guarantees	18,479	12,271	30,750	9,720	<b>40,470</b>
Committed loan facilities and unutilised credit facilities	18,800	0	18,800	34,688	<b>53,488</b>
<b>Total impairments and provisions brought forward</b>	<b>1,177,017</b>	<b>156,391</b>	<b>1,333,408</b>	<b>131,724</b>	<b>1,465,132</b>

## Note

## 11 Impairments on loans and provisions for guarantees (continued)

	Group				
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total
	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
<b>Acc. impairments and provisions by stage</b>					
Receivables from credit institutions and central banks	4,450	6	25,882	0	<b>30,338</b>
Loans and other receivables at amortised cost	40,074	175,768	1,121,938	35,746	<b>1,373,526</b>
Guarantees	5,392	2,252	32,826	0	<b>40,470</b>
Committed loan facilities and unutilised credit facilities	7,180	5,040	41,267	0	<b>53,487</b>
<b>Total impairments and provisions brought forward</b>	<b>57,096</b>	<b>183,066</b>	<b>1,221,913</b>	<b>35,746</b>	<b>1,497,821</b>
<b>Acc. impairments and provisions carried forward</b>					
Receivables from credit institutions and central banks	333	0	8,000	0	<b>8,333</b>
Loans and other receivables at amortised cost	65,334	207,532	1,063,863	45,371	<b>1,382,100</b>
Guarantees	4,984	2,542	18,039	0	<b>25,565</b>
Committed loan facilities and unutilised credit facilities	6,167	4,348	25,565	0	<b>36,080</b>
<b>Total impairments and provisions carried forward</b>	<b>76,818</b>	<b>214,422</b>	<b>1,115,467</b>	<b>45,371</b>	<b>1,452,078</b>
<b>Bank</b>					
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total
	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
<b>Acc. impairments and provisions in connection with the transition from IAS 39 to IFRS 9</b>					
Receivables from credit institutions and central banks	4,450	6	25,882	0	<b>30,338</b>
Loans and other receivables at amortised cost	32,048	172,640	1,100,403	35,746	<b>1,340,837</b>
Guarantees	5,392	2,252	32,826	0	<b>40,470</b>
Committed loan facilities and unutilised credit facilities	7,180	5,040	41,267	0	<b>53,487</b>
<b>Total impairments and provisions brought forward</b>	<b>49,070</b>	<b>179,938</b>	<b>1,200,378</b>	<b>35,746</b>	<b>1,465,132</b>
<b>Acc. impairments and provisions carried forward</b>					
Receivables from credit institutions and central banks	333	0	8,000	0	<b>8,333</b>
Loans and other receivables at amortised cost	57,585	204,204	1,046,376	45,371	<b>1,353,536</b>
Guarantees	4,984	2,542	18,039	0	<b>25,565</b>
Committed loan facilities and unutilised credit facilities	6,167	4,348	25,565	0	<b>36,080</b>
<b>Total impairments and provisions carried forward</b>	<b>69,069</b>	<b>211,094</b>	<b>1,097,980</b>	<b>45,371</b>	<b>1,423,514</b>

## Note

## 11 Impairments on loans and provisions for guarantees (continued)

	Group						
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total gross value	Total impairments etc.	Carrying amount
	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
<b>Accounting gross values by stage</b>							
Receivables from credit institutions and central banks	6,011,737	3,924	25,882	0	<b>6,041,543</b>	-30,338	<b>6,011,205</b>
Loans and other receivables at amortised cost	13,034,447	8,327,625	1,805,794	103,548	<b>23,271,414</b>	-1,373,526	<b>21,897,888</b>
Guarantees	3,495,474	1,874,643	151,429	0	<b>5,521,546</b>	-40,470	<b>5,481,076</b>
Committed loan facilities and unutilised credit facilities	4,746,095	2,116,789	194,869	0	<b>7,057,753</b>	-53,487	<b>7,004,266</b>
<b>Total exposures brought forward</b>	<b>27,287,753</b>	<b>12,322,981</b>	<b>2,177,974</b>	<b>103,548</b>	<b>41,892,256</b>	<b>-1,497,821</b>	<b>40,394,435</b>
Receivables from credit institutions and central banks	3,171,161	0	8,000	0	<b>3,179,161</b>	-8,333	<b>3,170,828</b>
Loans and other receivables at amortised cost	14,320,176	7,326,138	1,850,102	100,309	<b>23,596,725</b>	-1,382,100	<b>22,214,625</b>
Guarantees	3,773,288	2,093,465	176,942	0	<b>6,043,695</b>	-25,565	<b>6,018,130</b>
Committed loan facilities and unutilised credit facilities	5,105,902	1,706,007	176,001	0	<b>6,987,910</b>	-36,080	<b>6,951,830</b>
<b>Total exposures carried forward</b>	<b>26,370,527</b>	<b>11,125,610</b>	<b>2,211,045</b>	<b>100,309</b>	<b>39,807,491</b>	<b>-1,452,078</b>	<b>38,355,413</b>

## Note

## 11 Impairments on loans and provisions for guarantees (continued)

	Bank						
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total gross value	Total impairments etc.	Carrying amount
	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
<b>Accounting gross values by stage</b>							
Receivables from credit institutions and central banks	6,003,858	3,924	25,882	0	<b>6,033,664</b>	-30,338	<b>6,003,326</b>
Loans and other receivables at amortised cost	13,865,844	7,336,986	1,679,120	103,548	<b>22,985,498</b>	-1,340,837	<b>21,644,661</b>
Guarantees	3,495,474	1,874,643	151,429	0	<b>5,521,546</b>	-40,470	<b>5,481,076</b>
Committed loan facilities and unutilised credit facilities	4,644,911	1,495,815	148,450	0	<b>6,289,176</b>	-53,487	<b>6,235,689</b>
<b>Total exposures brought forward</b>	<b>28,010,087</b>	<b>10,711,368</b>	<b>2,004,881</b>	<b>103,548</b>	<b>40,829,884</b>	<b>-1,465,132</b>	<b>39,364,752</b>
Receivables from credit institutions and central banks	3,154,446	0	8,000	0	<b>3,162,446</b>	-8,333	<b>3,154,113</b>
Loans and other receivables at amortised cost	15,255,327	6,190,670	1,742,180	100,309	<b>23,288,486</b>	-1,353,536	<b>21,934,950</b>
Guarantees	3,773,288	2,093,465	176,942	0	<b>6,043,695</b>	-25,565	<b>6,018,130</b>
Committed loan facilities and unutilised credit facilities	4,507,934	1,028,305	136,717	0	<b>5,672,956</b>	-36,080	<b>5,636,876</b>
<b>Total exposures carried forward</b>	<b>26,690,995</b>	<b>9,312,440</b>	<b>2,063,839</b>	<b>100,309</b>	<b>38,167,583</b>	<b>-1,423,514</b>	<b>36,744,069</b>

## Note

## 11 Impairments on loans and provisions for guarantees (continued)

	Group				
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total impairments
	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
<b>Impairment account for receivables from credit institutions and central banks</b>					
Total impairments brought forward	4,450	6	25,882	0	<b>30,338</b>
Transfers to stage 1	2	-2	0	0	<b>0</b>
Impairments for the period as a consequence of changes in credit risk	-223	0	-46	0	<b>-269</b>
Reversal of impairments on the redeemed exposures *)	-3,896	-4	0	0	<b>-3,900</b>
Losses covered by previous impairment charges	0	0	-17,836	0	<b>-17,836</b>
<b>Total impairments carried forward</b>	<b>333</b>	<b>0</b>	<b>8,000</b>	<b>0</b>	<b>8,333</b>
<b>Impairment account for loans and other receivables at amortised cost</b>					
Total impairments brought forward	40,074	175,768	1,121,938	35,746	<b>1,373,526</b>
Transfers to stage 1	34,376	-28,206	-6,170	0	<b>0</b>
Transfers to stage 2	-3,457	68,889	-65,432	0	<b>0</b>
Transfers to stage 3	-618	-10,095	10,713	0	<b>0</b>
Impairments for the period as a consequence of changes in credit risk	-1,780	3,410	40,764	9,677	<b>52,071</b>
Impairments on new exposures *)	5,168	25,015	24,971	0	<b>55,154</b>
Reversal of impairments on redeemed exposures *)	-8,429	-27,249	-53,608	-52	<b>-89,338</b>
Interest adjustment	0	0	9,566	0	<b>9,566</b>
Losses covered by previous impairment charges	0	0	-18,879	0	<b>-18,879</b>
<b>Total impairments carried forward</b>	<b>65,334</b>	<b>207,532</b>	<b>1,063,863</b>	<b>45,371</b>	<b>1,382,100</b>

\*) The figures for new and redeemed exposures may include changes whereby, for processing reasons, a new arrangement has been set up for redemption of an existing arrangement with the same customer. New exposures also include new arrangements with existing customers.

## Note

## 11 Impairments on loans and provisions for guarantees (continued)

	Group			
	Stage 1	Stage 2	Stage 3	Total provisions
	First half-year 2018 DKK '000			
<b>Provisions account for guarantees</b>				
Provisions brought forward	5,392	2,252	32,826	<b>40,470</b>
Transfers to stage 1	228	-228	0	<b>0</b>
Transfers to stage 2	-298	913	-615	<b>0</b>
Transfers to stage 3	0	-107	107	<b>0</b>
Provisions during the period as a consequence of changes in credit risk	41	497	-11,690	<b>-11,152</b>
Impairments on new exposures *)	205	113	3,032	<b>3,350</b>
Reversal of provisions on redeemed exposures *)	-584	-898	-5,621	<b>-7,103</b>
<b>Total provisions carried forward</b>	<b>4,984</b>	<b>2,542</b>	<b>18,039</b>	<b>25,565</b>
<b>Provisions account for committed loan facilities and unutilised credit facilities</b>				
Provisions brought forward	7,180	5,040	41,267	<b>53,487</b>
Transfers to stage 1	807	-747	-60	<b>0</b>
Transfers to stage 2	-159	2,449	-2,290	<b>0</b>
Transfers to stage 3	-1	-103	104	<b>0</b>
Provisions during the period as a consequence of changes in credit risk	-1,359	-1,186	-11,364	<b>-13,909</b>
Impairments on new exposures *)	423	412	890	<b>1,725</b>
Reversal of provisions on redeemed exposures *)	-724	-1,517	-2,982	<b>-5,223</b>
<b>Total provisions carried forward</b>	<b>6,167</b>	<b>4,348</b>	<b>25,565</b>	<b>36,080</b>

\*) The figures for new and redeemed exposures may include changes whereby, for processing reasons, a new arrangement has been set up for redemption of an existing arrangement with the same customer. New exposures also include new arrangements with existing customers.

## Note

## 11 Impairments on loans and provisions for guarantees (continued)

	Bank				
	Stage 1	Stage 2	Stage 3	Credit impaired at initial recognition	Total impairments
	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018	First half-year 2018
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
<b>Impairment account for receivables from credit institutions and central banks</b>					
Total impairments brought forward	4,450	6	25,882	0	<b>30,338</b>
Transfers to stage 1	2	-2	0	0	<b>0</b>
Impairments for the period as a consequence of changes in credit risk	-223	0	-46	0	<b>-269</b>
Reversal of impairments on redeemed exposures *)	-3,896	-4	0	0	<b>-3,900</b>
Losses covered by previous impairment charges	0	0	-17,836	0	<b>-17,836</b>
<b>Total impairments carried forward</b>	<b>333</b>	<b>0</b>	<b>8,000</b>	<b>0</b>	<b>8,333</b>
<b>Impairment account for loans and other receivables at amortised cost</b>					
Total impairments brought forward	32,048	172,640	1,100,403	35,746	<b>1,340,837</b>
Transfers to stage 1	31,554	-27,838	-3,716	0	<b>0</b>
Transfers to stage 2	-2,989	62,611	-59,622	0	<b>0</b>
Transfers to stage 3	-188	-9,981	10,169	0	<b>0</b>
Impairments for the period as a consequence of changes in credit risk	949	9,209	33,629	9,677	<b>53,464</b>
Impairments on new exposures *)	4,215	24,670	23,225	0	<b>52,110</b>
Reversal of impairments on redeemed exposures *)	-8,004	-27,107	-51,112	-52	<b>-86,275</b>
Interest adjustment	0	0	9,566	0	<b>9,566</b>
Losses covered by previous impairment charges	0	0	-16,166	0	<b>-16,166</b>
<b>Total impairments carried forward</b>	<b>57,585</b>	<b>204,204</b>	<b>1,046,376</b>	<b>45,371</b>	<b>1,353,536</b>

\*) The figures for new and redeemed exposures may include changes whereby, for processing reasons, a new arrangement has been set up for redemption of an existing arrangement with the same customer. New exposures also include new arrangements with existing customers.

## Note

## 11 Impairments on loans and provisions for guarantees (continued)

	Bank			Total provisions First half-year 2018 DKK '000
	Stage 1	Stage 2	Stage 3	
	First half-year 2018 DKK '000	First half-year 2018 DKK '000	First half-year 2018 DKK '000	
<b>Provisions account for guarantees</b>				
Provisions brought forward	5,392	2,252	32,826	<b>40,470</b>
Transfers to stage 1	228	-228	0	<b>0</b>
Transfers to stage 2	-298	913	-615	<b>0</b>
Transfers to stage 3	0	-107	107	<b>0</b>
Provisions during the period as a consequence of changes in credit risk	41	497	-11,690	<b>-11,152</b>
Impairments on new exposures *)	205	113	3,032	<b>3,350</b>
Reversal of provisions on redeemed exposures *)	-584	-898	-5,621	<b>-7,103</b>
<b>Total provisions carried forward</b>	<b>4,984</b>	<b>2,542</b>	<b>18,039</b>	<b>25,565</b>
<b>Provisions account for committed loan facilities and unutilised credit facilities</b>				
Provisions brought forward	7,180	5,040	41,267	<b>53,487</b>
Transfers to stage 1	807	-747	-60	<b>0</b>
Transfers to stage 2	-159	2,449	-2,290	<b>0</b>
Transfers to stage 3	-1	-103	104	<b>0</b>
Provisions during the period as a consequence of changes in credit risk	-1,359	-1,186	-11,364	<b>-13,909</b>
Impairments on new exposures *)	423	412	890	<b>1,725</b>
Reversal of provisions on redeemed exposures *)	-724	-1,517	-2,982	<b>-5,223</b>
<b>Total provisions carried forward</b>	<b>6,167</b>	<b>4,348</b>	<b>25,565</b>	<b>36,080</b>

\*) The figures for new and redeemed exposures may include changes whereby, for processing reasons, a new arrangement has been set up for redemption of an existing arrangement with the same customer. New exposures also include new arrangements with existing customers.

Note	Group	First	Bank	First	
	half-year 2018	half-year 2017	half-year 2018	half-year 2017	
	DKK '000	DKK '000	DKK '000	DKK '000	
12	Tax				
	Calculated tax on profit for the period	-31,551	-105,100	-23,045	-88,154
	Change in deferred tax concerning the income period	2,337	8,681	-406	-3,219
	Adjustment of tax for previous years	3,692	-195	3,692	-195
	<b>Total tax related to profit for the period</b>	<b>-25,522</b>	<b>-96,614</b>	<b>-19,759</b>	<b>-91,568</b>
	Tax related to changes in equity	7,191	7,250	7,191	7,250
	<b>Total tax</b>	<b>-18,331</b>	<b>-89,364</b>	<b>-12,568</b>	<b>-84,318</b>
	Tax related to profit/loss for the period broken down by type				
	Calculated tax on profit/loss before tax for the period at 22%	-58,640	-110,009	-57,372	-108,899
	Tax base of non-taxable revenues	30,468	15,537	34,811	19,257
	Tax base of non-deductible expenses	-1,042	-1,947	-890	-1,731
	Adjustment of tax for previous years	3,692	-195	3,692	-195
	<b>Total tax related to profit for the period</b>	<b>-25,522</b>	<b>-96,614</b>	<b>-19,759</b>	<b>-91,568</b>
13	Earnings per share				
	Shareholders in Arbejdernes Landsbank's share of profit for the period	208,336	370,475	208,336	370,475
	Tax effect of interest on Additional Tier 1 capital, see the statement of capital and note 12	7,191	7,250	7,191	7,250
	<b>Profit for the year adjusted for Additional Tier 1 capital</b>	<b>215,527</b>	<b>377,725</b>	<b>215,527</b>	<b>377,725</b>
	Average number of shares issued	300,000	300,000	300,000	300,000
	Average number of own shares, see note 17	-3,000	0	-3,000	0
	<b>Average number of shares issued</b>	<b>297,000</b>	<b>300,000</b>	<b>297,000</b>	<b>300,000</b>
	Earnings per share (DKK)	725.7	1,259.1	725.7	1,259.1
	Diluted earnings per share (DKK *)	725.7	1,259.1	725.7	1,259.1
	The issued share capital is divided into shares of nominal value DKK 1,000 each. The Bank only has one share class.				
	Earnings per share is calculated as if the Additional Tier 1 capital is treated as a liability, whereby the key figure is calculated on the basis of the shareholders' share of the profit and equity.				
	*) No share options have been issued that may potentially dilute earnings per share in the future.				

Note	Group		Bank		
	30.06.2018 DKK '000	31.12.2017 DKK '000	30.06.2018 DKK '000	31.12.2017 DKK '000	
14	Loans and guarantees by sectors and industries				
	Public institutions	7,336	81,393	6,942	59,944
	Business				
	Agriculture, hunting, forestry and fisheries	40,357	43,770	6,194	18,253
	Industry and extraction of raw materials	533,329	684,593	147,104	142,888
	Energy supply	26,817	17,303	14,837	714
	Building and construction	659,776	615,163	324,894	326,646
	Trade	1,254,460	862,977	309,831	337,068
	Transport, hotels and restaurants	377,942	402,133	225,141	250,787
	Information and communication	87,512	158,821	15,377	99,471
	Financing and insurance	828,342	910,114	5,100,812	4,913,042
	Real property	1,122,386	1,198,272	1,094,305	1,176,256
	Other business	1,788,059	2,052,942	1,305,302	1,419,479
	<b>Total business</b>	<b>6,718,980</b>	<b>6,946,088</b>	<b>8,543,797</b>	<b>8,684,604</b>
	Private	21,506,439	20,421,370	19,402,341	18,429,019
	<b>Total loans and guarantees</b>	<b>28,232,755</b>	<b>27,448,851</b>	<b>27,953,080</b>	<b>27,173,567</b>

Note	Group		Bank		
	First half-year 2018 DKK '000	2017 DKK '000	First half-year 2018 DKK '000	2017 DKK '000	
15	Land and buildings				
	Investment properties				
	Fair value brought forward	37,563	35,413	37,563	35,413
	Additions during the period	1,222	2,150	1,222	2,150
	<b>Fair value carried forward</b>	<b>38,785</b>	<b>37,563</b>	<b>38,785</b>	<b>37,563</b>
	Rent income	892	1,713	892	1,713
	Operating expenses	-1.336	-1,271	-1,336	-1,271
	Investment properties are measured at fair value (non-observable input). Measurement includes estimated rental income and operating expenses as well as a required rate of return of 4.6% which is set on the basis of the interest rate level and the location of the property. All else being equal, an increase in the required rate of return of 0.5 percentage points will reduce the fair value by about DKK 3.6 mill.				
	Owner-occupied properties				
	Revalued amount brought forward	857,280	947,987	857,280	947,987
	Additions during the period	95,849	1,499	95,849	1,499
	Disposals during the period	-9,843	-88,532	-9,843	-88,532
	Depreciation for the period	-2,809	-5,747	-2,809	-5,747
	Changes in value recognised in the income statement	0	-3,745	0	-3,745
	Changes in value recognised in other comprehensive income	4,444	5,818	4,444	5,818
	<b>Revalued amount carried forward</b>	<b>944,921</b>	<b>857,280</b>	<b>944,921</b>	<b>857,280</b>
	Owner-occupied properties are measured at revalued amount (non-observable input). The measurement includes estimated rental income and operating expenses, as well as a required rate of return of around 4.0-7.7%, determined on the basis of the interest-rate level and the location of the property. Generally, an increase in the required rate of return of 0.5 percentage points will reduce the fair value by approx. DKK 95.5 mill.				

Note	Group		Bank		
	30.06.2018 DKK '000	31.12.2017 DKK '000	30.06.2018 DKK '000	31.12.2017 DKK '000	
16	Deposits and other debt				
	On demand	33,398,024	31,747,854	33,369,730	31,724,784
	Amounts with notice period	1,269,096	1,453,623	1,269,096	1,453,623
	Time deposits	608	588	608	588
	Special types of deposit	1,542,480	1,554,163	1,542,480	1,554,164
	<b>Total deposits and other debt</b>	<b>36,210,208</b>	<b>34,756,228</b>	<b>36,181,914</b>	<b>34,733,159</b>

Note	First half-year 2018	2017	First half-year 2018	2017
	No.	No.	DKK '000	DKK '000
17	Own shares			
	Holding brought forward	0	0	0
	Purchases in the period	6,000	6,000	0
	<b>Holding carried forward</b>	<b>6,000</b>	<b>6,000</b>	<b>0</b>

Pursuant to a resolution passed at the general meeting on 12 March 2018, the Bank may acquire own shares up to a maximum of nom. DKK 10 mill., corresponding to DKK 3.3% of the share capital, up to and including 12 March 2023.

During the accounting period, 6,000 own shares were purchased, corresponding to an acquisition price per share of DKK 1,000. As at 30 June 2018 the holding of own shares amounted to nominally DKK 6 mill., corresponding to 2.0% of the share capital.

#### 18 Dividends

On 12 March 2018, an ordinary dividend of DKK 150 mill., corresponding to DKK 500 per share (14 March 2017: DKK 100 per share) was paid to the Bank's shareholders.

Note	Group		Bank	
	30.06.2018 DKK '000	31.12.2017 DKK '000	30.06.2018 DKK '000	31.12.2017 DKK '000
<b>19 Capital and solvency</b>				
<b>Transformation from equity to own funds</b>				
Equity	6,740,442	6,761,498	6,740,442	6,761,498
Non-recognised profit/loss (shareholders' share)	-215,527	0	-215,527	0
Reserved/proposed dividend	0	-150,000	0	-150,000
Intangible assets	-16,694	-16,587	0	0
Additional Tier 1 capital, including interest payable	-848,930	-848,908	-848,930	-848,908
Deductions for prudent valuation	-18,504	-14,188	-18,504	-14,188
Capital instruments in financial entities	-992,540	-696,591	-990,870	-695,264
<b>Common Equity Tier 1 capital</b>	<b>4,648,248</b>	<b>5,035,224</b>	<b>4,666,612</b>	<b>5,053,138</b>
Additional Tier 1 capital	829,000	829,000	829,000	829,000
Capital instruments in financial entities	-12,625	-186,648	-12,625	-186,315
<b>Tier 1 capital</b>	<b>5,464,623</b>	<b>5,677,576</b>	<b>5,482,987</b>	<b>5,695,823</b>
Tier 2 capital	0	0	0	0
<b>Own funds</b>	<b>5,464,623</b>	<b>5,677,576</b>	<b>5,482,987</b>	<b>5,695,823</b>
Capital requirement from pillar I (8%)	2,555,235	2,482,517	2,589,938	2,514,252
<b>Risk exposures</b>				
Items with credit risk	23,745,532	23,180,236	24,540,547	23,937,131
Items with market risk	4,529,049	4,185,371	4,521,684	4,179,035
Items with operational risk	3,665,858	3,665,858	3,311,989	3,311,989
<b>Total risk exposures</b>	<b>31,940,439</b>	<b>31,031,465</b>	<b>32,374,220</b>	<b>31,428,155</b>
Capital ratio	17.1	18.3	16.9	18.1
<b>20 Additional Tier 1 capital</b>				
<b>Nominal in DKK '000</b>	<b>Interest rate</b>	<b>Maturity</b>		
400,000	6.630% (variable)	Indefinite *)	402,873	402,851
429,000	9.059% (variable)	Indefinite **)	446,057	446,057
<b>Total Additional Tier 1 capital</b>			<b>848,930</b>	<b>848,908</b>
Additional Tier 1 capital included when calculating Tier 1 capital/own funds			829,000	829,000

\*) Can be redeemed from 23.05.2019.

\*\*\*) Can be redeemed from 22.01.2021.

Both issues are covered by Additional Tier 1 capital under the CRR. They have indefinite maturity and payment of interest and repayment of principal is optional; consequently, they are treated as equity in the financial statements.

Note	Group		Bank		
	30.06.2018 DKK '000	31.12.2017 DKK '000	30.06.2018 DKK '000	31.12.2017 DKK '000	
21	Contingent liabilities, etc				
	<b>Contingent liabilities</b>				
	Financial guarantees *)	1,853,195	1,769,956	1,853,195	1,769,956
	Guarantees for losses on mortgage-credit loans	2,402,589	2,105,762	2,402,589	2,105,762
	Land registration and conversion guarantees *)	1,086,760	907,264	1,086,760	907,264
	Guarantee for group companies	0	0	35,500	35,200
	Other contingent liabilities	675,586	707,814	640,086	672,614
	<b>Total contingent liabilities</b>	<b>6,018,130</b>	<b>5,490,796</b>	<b>6,018,130</b>	<b>5,490,796</b>
	<b>Other binding commitments</b>				
	Irrevocable credit commitments less than 1 year	837,597	858,594	0	0
	Irrevocable credit commitments more than 1 year	0	22,000	0	22,000
	Unutilised commitments regarding payment of pension contributions	27,600	24,100	27,600	24,100
	Other binding commitments	221,259	147,802	223,627	148,845
	<b>Total other binding commitments</b>	<b>1,086,456</b>	<b>1,052,496</b>	<b>251,227</b>	<b>194,945</b>

\*) From 01.01.2018, case guarantees regarding mortgage-credit loans have been classified under land registration and conversion guarantees. This type of guarantee was previously classified under financing guarantees. Comparative figures have been adjusted. Case guarantees (guarantees for payment of the purchase sum in connection with property transactions) amounted to DKK 1,086 mill. as at 30.06.2018 and DKK 900 mill. as at 31.12.2017.

Due to its size and scope of business activities, the Group is a party in various judicial proceedings and disputes. The cases are regularly assessed and the necessary provisions are made in accordance with an assessment of the risk of losses. Pending judicial proceedings are not expected to have significant influence on the Group's financial position.

A loan to Totalkredit provided by the Bank in 2007 is covered by an agreement on a right of set-off against future commissions, which Totalkredit may invoke if losses are ascertained on the loans provided. The Management does not expect this right of set-off to significantly influence the Bank's financial position.

Participation in the statutory Guarantee Fund for Depositors and Investors (indskydergarantiordningen) entails that the Bank may be liable to pay contributions if the Guarantee Fund amounts to less than 0.8% of covered deposits in the Danish banking sector. Currently, the Guarantee Fund amounts to 1.4%.

Participation in the statutory resolution financing scheme means that the sector pays an annual risk-adjusted contribution pursuant to Articles 4-9 of the European Commission Delegated Regulation 2015/63 with a view to establishing a resolution fund of 1% of the covered deposits before 31.12.2024. In 2018, the Bank's contribution will amount to DKK 2.9 mill., corresponding to 0.47% of the sector's total contribution of DKK 617.5 mill.

The Bank is taxed jointly with other Danish consolidated companies. As a management company, the Parent Company is jointly and severally liable with the other consolidated companies for Danish corporation tax and withholding tax on dividends, interest and royalties within the joint taxation group. As a consequence of tax paid on account, there are no outstanding taxes as at 30.06.2018. Corporation tax receivable at group level amounted to DKK 71.3 mill. as at 30.06.2018. Any subsequent corrections of jointly taxable income and withholding taxes etc. may result in the Parent Company being liable for a larger amount.

The Bank is jointly registered for VAT and payroll taxes with the subsidiary AL Finans A/S and is jointly and severally liable for settlement hereof.

The Bank is a member of BEC (Bankernes EDB Central), and withdrawal would entail a liability to pay compensation to remaining members of BEC corresponding to about 2.5 times the payment for the previous year for IT services from BEC.

## Note

## 22 Financial assets and liabilities at fair value

**Methods and assumptions behind the calculation of fair values**

Fair value is the price which can be obtained by selling an asset, or which must be paid in order to transfer a liability through a regular transaction between independent market participants at the time of measure. The fair value is calculated in accordance with the following valuation hierarchy:

Listed prices (level 1): All active markets use officially listed closing prices as fair value.

Valuation technique based on observable input (level 2): For financial assets and liabilities, where closing price is not available or is not assessed to reflect the fair value, recognised techniques and observable market information, including interest rates, foreign exchange rates, volatilities and credit spreads, as well as currency indicators from leading market participants, are used to establish the fair value.

If an update of prices does not occur over a five-day period, the standard procedure at the Bank is that this will result in a transfer between the categories 'listed prices' and 'observable input'. In the first half-year of 2018 the Bank transferred DKK 3.5 bn. of bonds at fair value from level 1 to level 2 as a result of infrequent price updates. Because of the upcoming expiry of the lock-up period, the Bank has changed its valuation policy for the holding of shares in Vestjysk Bank A/S so that in future the shares will be measured at market price and transferred to level 1. Apart from this, there have not been any significant transfers between the three valuation categories in 2017 and in the first half-year of 2018.

Valuation technique based on non-observable input (level 3): In cases where observable prices based on market information are not available or not deemed to be useful in establishing fair value, recognised techniques and own assumptions are used to establish fair value. Among other things, the assumptions may be recent transactions in corresponding assets, expected future cash flows or the net asset value of the companies. When previous valuation policies are no longer applicable for shares due to sales agreements, the measurement is based on expected sales prices.

Securities subject to non-observable input include unlisted shares, primarily in companies related to the financial sector where fair value is set based on provisions in ownership agreements etc. or input from completed transactions. The Association of Local Banks in Denmark, Savings Banks and Cooperative Banks in Denmark (LOPI) recommends quarterly fair values of some of the so-called sector shares, i.e. shares owned by banks with a view to participating actively in the infrastructure and products that underpin the business strategy of the sector. The prices recommended by LOPI are based on ownership agreements and transactions carried out in the sector. In some situations, the fair value is based on the accounting equity (net asset value) in the underlying undertaking, as this forms the basis for the transaction price, in the event of shares being sold between the owners. When calculating the fair value of sector shares in relation to the prices recommended by LOPI, these prices are thus included in the valuation as a non-observable input. The Bank carries out an independent assessment of the prices recommended and verifies their relationship with transactions carried out and published financial statements. The value of the shares changes by DKK 180 mill. on a change in the prices of 10%. Arbejdernes Landsbank assesses that alternative methods for measuring the fair value of these shares will not entail significantly different fair values.

With regard to derivative financial instruments, the Bank performs a Credit Value Adjustment (CVA) of the fair value. CVA reflects the credit risk of the counterparty in derivatives transactions and is performed on the basis of Loss Given Default (LGD), Expected Positive Exposure (EPE), and the Probability of Default (PD) of the counterparty. The Bank uses both a parametric and a semi-analytic model approach to quantifying the future expected positive exposure. The probability of default is derived from observable credit information in the market, if possible. In the event that this is not possible, adjustment is based on proxy Credit Default Swap (CDS) curves. Total CVA adjustments amounted to DKK 1.6 mill. as at 30.06.2018.

## Note

## 22 Financial assets and liabilities at fair value (continued)

	Group			Total DKK '000
	Listed prices (level 1) DKK '000	Observable input (level 2) DKK '000	Non-observable input (level 3) DKK '000	
Fair value hierarchy 30.06.2018				
<b>Financial assets</b>				
Bonds at fair value	8,261,594	7,611,129	0	<b>15,872,723</b>
Shares etc.	449,715	0	1,802,331	<b>2,252,046</b>
Assets linked to pooled schemes	3,006,130	284,551	0	<b>3,290,681</b>
Derivative financial instruments and spot transactions	1,481	52,987	0	<b>54,468</b>
<b>Total financial assets</b>	<b>11,718,920</b>	<b>7,948,667</b>	<b>1,802,331</b>	<b>21,469,918</b>
<b>Financial liabilities</b>				
Deposits in pooled schemes	0	3,290,681	0	<b>3,290,681</b>
Other non-derivative financial liabilities at fair value	393,269	0	0	<b>393,269</b>
Derivative financial instruments and spot transactions	23,869	300,533	0	<b>324,402</b>
<b>Total financial liabilities</b>	<b>417,138</b>	<b>3,591,214</b>	<b>0</b>	<b>4,008,352</b>
Fair value hierarchy 31.12.2017				
<b>Financial assets</b>				
Bonds at fair value	7,965,953	3,846,435	0	<b>11,812,388</b>
Shares etc.	144,240	0	1,901,080	<b>2,045,320</b>
Assets linked to pooled schemes	2,554,954	172,542	0	<b>2,727,496</b>
Derivative financial instruments and spot transactions	14,314	53,104	0	<b>67,418</b>
<b>Total financial assets</b>	<b>10,679,461</b>	<b>4,072,081</b>	<b>1,901,080</b>	<b>16,652,622</b>
<b>Financial liabilities</b>				
Deposits in pooled schemes	0	2,727,496	0	<b>2,727,496</b>
Other non-derivative financial liabilities at fair value	54,773	0	0	<b>54,773</b>
Derivative financial instruments and spot transactions	14	262,907	0	<b>262,921</b>
<b>Total financial liabilities</b>	<b>54,787</b>	<b>2,990,403</b>	<b>0</b>	<b>3,045,190</b>

	Group First half-year 2018 DKK '000	2017 DKK '000
Non-observable input (level 3):		
Fair value brought forward	1,901,080	1,170,904
Value adjustments recognised in the income statement *)	64,458	623,928
Purchases	53,788	127,567
Sales	-26,674	-21,319
Transfers to level 1	-190,321	0
<b>Fair value carried forward</b>	<b>1,802,331</b>	<b>1,901,080</b>

\*) Of this, DKK 64.3 mill. is attributable to assets held at the end of the accounting period.

**Note****23 Transactions and balances with related parties**

In the first half of 2018, additional credit facilities of approximately DKK 0.5 bn. were made available for one of the major shareholders for use in the event of industrial action. These were not utilised.

The Bank's subsidiary, AL Finans A/S, has had its credit facilities reduced by DKK 0.2 bn. in order to better reflect the actual funding need.

In addition, individual significant transactions were conducted with other related parties which, in common with the above, were all entered into on market terms.

See the Group's annual report for 2017 for a more detailed definition and description of transactions and balances with related parties.

Note	First half-year 2018 DKK '000	2017 DKK '000
<b>24 Group overview</b>		
<b>Parent Company: Aktieselskabet Arbejdernes Landsbank, Copenhagen</b>		
<b>Group companies</b>		
<b>AL Finans A/S, Copenhagen</b>		
Share capital	6,000	6,000
Equity	263,994	266,066
Ownership interest (%)	100	100
Profit	15,133	20,728
Average number of staff employed in the accounting period converted to full-time equivalents	80	80
AL Finans A/S offers car financing, leasing, factoring and invoice purchasing. Activities of the subsidiary have been financed by equity and borrowing from the Parent Company.		
<b>Handels ApS Panoptikon, Copenhagen</b>		
Share capital	500	500
Equity	12,724	12,724
Ownership interest (%)	100	100
Profit	0	1
Average number of staff employed in the accounting period converted to full-time equivalents	0	0
The subsidiary is currently inactive.		
<b>PR Ejendoms Holding A/S under voluntary liquidation, Copenhagen</b>		
Ownership interest (%)	100	100
The company has been recognised at a carrying amount of DKK 0.		
<b>Associates</b>		
The Bank has no equity investments in associated companies which, individually, are significant for the Group.		

Note	First	First	2017
	half-year 2018	half-year 2017	2017
	DKK '000	DKK '000	DKK '000
25	Financial and operating data for the Bank		
Income statement			
	498,712	541,540	1,080,418
Net interest income			
Net fee and commission income	267,812	261,545	535,146
Value adjustments and dividend	111,358	267,344	945,346
Other operating income	17,087	29,804	57,402
Profit from equity investments in associates and group companies	15,133	12,981	20,729
<b>Total income</b>	<b>910,102</b>	<b>1,113,214</b>	<b>2,639,041</b>
Costs and depreciation/amortisation	-674,147	-629,738	-1,338,302
Impairments on loans and receivables etc.	24,826	11,521	-4,621
<b>Total costs</b>	<b>-649,321</b>	<b>-618,217</b>	<b>-1,342,928</b>
<b>Profit before tax</b>	<b>260,781</b>	<b>494,997</b>	<b>1,296,113</b>
Tax	-19,759	-91,568	-140,641
<b>Profit for the period</b>	<b>241,022</b>	<b>403,429</b>	<b>1,155,472</b>
Selected balance sheet items			
Loans and other receivables at amortised cost	21,934,950	21,323,454	21,682,772
Bonds at fair value	15,872,723	15,483,232	11,812,388
Total assets	49,690,583	46,024,928	47,261,341
Deposits incl. pooled schemes	39,472,595	36,354,088	37,460,655
Equity	6,740,442	6,028,398	6,761,498
Other financial and operating data			
Net interest and fee income	820,958	841,041	1,659,388
Value adjustments	56,924	229,388	901,522
Staff and administrative expenses	-636,077	-592,092	-1,264,432
Total contingent liabilities	6,018,130	5,420,982	5,490,796

Note		First half-year 2018 DKK '000	First half-year 2017 DKK '000	2017 DKK '000	
26	Ratios and key figures for the Bank *)				
<b>Solvency</b>					
	Capital ratio	%	16.9	17.6	18.1
	Tier 1 capital ratio	%	16.9	17.6	18.1
	Common Equity Tier 1 capital	%	14.4	15.2	16.1
<b>Earnings</b>					
	Return on equity before tax	%	3.9	8.5	20.8
	Return on equity after tax	%	3.6	6.9	18.6
	Ratio of operating income to operating expenses per DKK	DKK	1.40	1.80	1.97
	Earnings per share	DKK	725.7	1,259.1	3,680.0
	Diluted earnings per share	DKK	725.7	1,259.1	3,680.0
	Return on capital employed	%	0.5	0.9	2.5
<b>Market risk</b>					
	Interest-rate risk	%	-1.0	-0.1	-0.7
	Currency position	%	3.0	1.9	1.3
	Currency risk	%	0.0	0.0	0.0
<b>Liquidity</b>					
	Loans plus impairments in relation to deposits	%	59.0	62.3	61.2
	Liquidity coverage ratio (LCR)	%	195.5	166.5	185.7
<b>Credit</b>					
	Sum of large exposures	%	0.0	0.0	0.0
	Impairment ratio for the period	%	0.0	-0.1	0.0
	Lending growth for the period	%	1.2	2.3	4.0
	Loans in relation to equity		3.3	3.5	3.2
<b>Equity</b>					
	Net asset value	DKK	1,963.8	1,726.5	1,970.9
	Proposed dividend per share	DKK	0	0	500
<b>Employees</b>					
	Average number of staff employed in the accounting period converted to full-time equivalents		992	974	975

\*) See note 27 for definitions of ratios and key figures.

## Note

## 27 Definition of ratios and key figures

Earnings per share and diluted earnings per share are calculated in accordance with IAS 33. Other calculations of ratios and key figures follow the requirements of the Danish FSA, see Annex 7 of the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc, and Annex 5 of the reporting guideline.

**Solvency**

Capital ratio =	$\frac{\text{Own funds} \times 100}{\text{Total risk exposure}}$
Tier 1 capital ratio =	$\frac{\text{Tier 1 capital} \times 100}{\text{Total risk exposure}}$
Common Equity Tier 1 capital ratio =	$\frac{\text{Common Equity Tier 1 capital} \times 100}{\text{Total risk exposure}}$

**Earnings**

Return on equity before tax =	$\frac{\text{Profit before tax} \times 100}{\text{Equity (average)}}$
Return on equity after tax =	$\frac{\text{Profit after tax} \times 100}{\text{Equity (ave.)}}$
Ratio of operating income to operating expenses per DKK =	$\frac{\text{Income}}{\text{Costs (excl. tax)}}$
Earnings per share =	$\frac{\text{Arbejdernes Landsbank's shareholders' share of the profit for the period, incl. tax base of return on Additional Tier 1 capital}}{\text{Number of shares issued (ave.)}}$
Diluted earnings per share =	$\frac{\text{Arbejdernes Landsbank's shareholders' share of the profit for the period, incl. tax base of return on Additional Tier 1 capital}}{\text{Diluted number of shares issued (ave.)}}$
Return on capital employed =	$\frac{\text{Profit after tax} \times 100}{\text{Total assets (ave.)}}$

**Market risk**

Interest-rate risk =	$\frac{\text{Interest-rate risk} \times 100}{\text{Tier 1 capital}}$
Currency position =	$\frac{\text{Currency indicator 1} \times 100}{\text{Tier 1 capital}}$
Currency risk =	$\frac{\text{Currency indicator 2} \times 100}{\text{Tier 1 capital}}$

**Liquidity**

Loans plus impairments in relation to deposits =	$\frac{\text{Loans} + \text{impairments on loans}}{\text{Deposits}}$
Liquidity coverage ratio (LCR) =	$\frac{\text{Liquid assets and easily realisable assets} \times 100}{\text{Payment obligations for the coming 30 days}}$

**Credit**

Sum of large exposures *) =	$\frac{\text{Sum of large exposures after deductions, excl. credit institutions} \times 100}{\text{Own funds}}$
Impairment ratio for the period =	$\frac{\text{Impairment charges on loans and guarantees for the half-year} \times 100}{\text{Loans} + \text{Impairment charges} + \text{Guarantees}}$
Loans in relation to equity =	$\frac{\text{Loans}}{\text{Equity}}$
Lending growth for the period =	$\frac{(\text{Loans excl. reverse transactions carried forward} - \text{loans, excl. reverse transactions brought forward}) \times 100}{\text{Loans excl. reverse transactions brought forward}}$

**Equity**

Net asset value =	$\frac{\text{Arbejdernes Landsbank's shareholders' share of equity} \times 100}{\text{Share capital}}$
Proposed dividend per share =	$\frac{\text{Dividend yield} \times \text{nominal value of the share}}{100}$

## Note

## 27 Definition of ratios and key figures (continued)

## Other financial ratios and key figures

	Loans
Funding ratio *) =	$\frac{\text{Sum of deposits, including pooled schemes} + \text{Debt to Danmarks Nationalbank with remaining term} > 1 \text{ year} + \text{Issued bonds with remaining term} > 1 \text{ year} + \text{Subordinated debt} + \text{equity}}{\text{Loans}}$
Liquidity benchmark *) =	Modified formula in relation to LCR, see the Danish FSA guidelines on the supervisory diamond for banks. The liquidity benchmark refers to the ability to cope with a three-month liquidity stress.
Lending growth *) =	$\frac{(\text{Loans, excl. reverse transactions carried forward} - \text{Loans, excl. reverse transactions carried forward 1 year before}) \times 100}{\text{Loans excl. reverse transactions carried forward 1 year before}}$
Commercial property exposure *) =	$\frac{(\text{Gross loans and guarantees within the sectors "Completion of building projects" and "Real property"}) \times 100}{\text{Gross loans} + \text{Guarantees}}$

\*) Ratios and key figures used in the Danish FSA benchmarks as mentioned in the Management's report.

AKTIESELSKABET

 **Arbejdernes Landsbank**

CVR-no. 31 46 70 12, Copenhagen

Vesterbrogade 5 · DK-1502 Copenhagen V  
Phone +45 38 48 48 48 · [www.al-bank.dk](http://www.al-bank.dk)