

Annual Report 2016

BANK

Arbejdernes Landsbank

 Arbejdernes Landsbank

Aktieselskabet Arbejdernes Landsbank | CVR-no. 31 46 70 12 | Copenhagen

Agenda

GENERAL MEETING 13 MARCH 2017

1. Election of chair
2. Review of the activities of the Bank in the past year
3. Submission of the audited annual report and auditors' report, see Article 21 of the Articles of Association, and approval hereof
4. Proposal on appropriation of the profit within the framework laid down in Article 22 of the Articles of Association, or on coverage of the loss according to the approved annual report
5. Processing of motions received *)
- 5.1. Motion from the board of directors to amend the articles of association of the bank

Amendments to articles 4(2) and 17(3):

The Board of Directors proposes that article 4(2) be amended so that the existing authority for the Board of Directors to increase the share capital is extended until 12 March 2020.

The Board of Directors proposes that article 17(3) be amended so that in future, a minimum of four and a maximum of nine members of the Board of Directors may be elected by the General Meeting.

6. Election of members to the Board of Directors

Provided that the motion in item 5.1 is adopted, the Board of Directors unanimously recommends re-election of:

Per Christensen (Chairman)	Claus Jensen (Vice Chairman)
Mette Kindberg	Lizette Risgaard
Kim Lind Larsen	Ole Wehlast
Lars Andersen	Torben Møger Pedersen

and election of a new member:

Christian Riewe, Advokat (H), Attorney-at-Law

The Bank's 2016 annual report and the Bank's website www.al-bank.dk/kandidater provide further information on the members of the Board of Directors and the proposed candidate, their qualifications as well as information about management positions in other enterprises.

If the motion in item 5.1 is not adopted, the Board of Directors unanimously recommends re-election of:

Per Christensen (Chairman)	Claus Jensen (Vice Chairman)
Mette Kindberg	Lizette Risgaard
Kim Lind Larsen	Ole Wehlast
Lars Andersen	Torben Møger Pedersen

7. Election of auditors

*) Pursuant to Article 16(2) of the Bank's Articles of Association, a resolution to amend the Articles of Association is only valid if it is endorsed by no less than two-thirds of the votes cast and of the voting share capital represented at the General Meeting (qualified majority).



The Annual 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.

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Strong results in challenged financial markets

With a profit before tax of DKK 514 mill. in 2016, the Arbejdernes Landsbank Group delivered very satisfactory results, despite challenges in the financial markets, and fierce competition in the banking sector.

In many ways, 2016 has been a tempestuous year in the financial sector, in which heated debate on increases in charges, controversies regarding tax havens and the morals and ethics of banks in general have attracted much media attention, and not least the attention of Danish bank customers. At the same time, during the first half year there was much turbulence and unrest in the financial markets, making them very hard to navigate. Therefore, as chairman of the Board of Directors of Arbejdernes Landsbank, I am particularly proud to look back at last year and see that, despite this turbulence in both the sector and the markets, Arbejdernes Landsbank can leave 2016 in an even stronger position.

During 2016, we welcomed no fewer than a net 10,401 new customers, and we have again positioned ourselves at the top of customer surveys time after time. Most recently, in early 2017, for the eighth consecutive year, Danes chose us as their preferred bank from among the 20 largest banks in Denmark in the comprehensive analysis of banks conducted by Voxmeter. These results have made a significant contribution to enhancing our already strong position in the Danish banking market and our image as a responsible bank.

In financial terms too, we leave 2016 in a stronger position. Despite challenging financial markets and continued low interest rates, we have delivered a very satisfactory profit for 2016 at DKK 514 mill. before tax. This exceeds our expectations reported in both the 2015 annual report and, most recently, in the 2016 interim report, with expectations of a profit of DKK 400 mill. and DKK 325 mill, respectively. The solid result is primarily due to the stabilisation of the financial markets in the second half-year, a reduced need for impairment charges, as well as continued good growth in our core business - classical banking activities.

Strong comeback

The results for the full year signify a strong comeback compared with the first half-year, which the Bank left with a loss of DKK 17.1 mill. The results for the first half-year were primarily due to negative investment portfolio earnings of DKK 351 mill. for which an otherwise satisfactory core profit of DKK 317.8 mill. was unfortunately unable to compensate. Drastically falling interest rates and financial uncertainty in particular impacted the Bank's investments negatively in the first half of 2016.

The poor result in the first half-year has now been reversed to a very satisfactory profit for the whole of 2016. Investment portfolio earnings ended at DKK 8 mill. and the core profit grew to DKK 509 mill., primarily due to a reduced need for impairment charges and continued high net customer inflow. The overall profit before tax of DKK 514 mill. and return on equity of 9.4% are very satisfactory.

With a view to improving and strengthening the Bank's own funds, we have decided to sell part of our shareholding in Alka Forsikring. This, and the very satisfactory profit for the year, has improved the capital ratio from 13.4 to 17.1.

New, exciting solutions with the customer constantly in focus

2016 was not just busy and eventful for the sector; it was also very much so for Arbejdernes Landsbank itself. We have made a very clear impression on the market during the year, and we have once more demonstrated that responsible banking, concentrating on customer needs, are not just empty words. It's how we run our Bank in practice.

We are constantly striving to target our consultancy and service as far as possible towards the needs of our customers, and we are always alert and ready to move very quickly if we see new opportunities on the market. For example, as a reaction to higher contribution rates and to be stronger in the face of sharper competition on the mortgages market, at the start of 2016 we launched AL-BoligBonus to secure our customers one of the strongest home-financing solutions on the market. AL-BoligBonus has become very popular with both new and existing customers, and without doubt it has put us in a strong position on the market. We still have great expectations of the product.

Furthermore, in 2016 we launched AL-ProvinsKlar; a housing loan that makes it easier to finance a home purchase in areas where mortgage-credit loans are not always an option. As a responsible bank, we also want to help people buy their dream homes in these areas.

As part of our goal to be as close as possible to our customers in their own local area, over recent years we have been working on various new branch solutions. For example, in spring 2016 we opened a “shop-in-shop” consultancy office in a Meny supermarket in the town of Skibby. This solution means that we can provide our customers with personal bank advice locally, every day, without having to have a fully staffed branch. It is a flexible solution for the Bank, but it is also very much an advantage for the community and the entire local area, which many other banks have abandoned.

Large influx of new customers

There was yet again an impressive influx of customers in 2016. The net increase was 10,401 customers in 2016 compared with 6,967 in 2015. We are extremely satisfied with this, in a continued fiercely competitive market, and we are enormously proud that so many people change to us when they are looking for a new bank. In addition to growth in market share, this also means new business, not least in the housing area, where our new customers bring with them increased demand for loans. New customers have been particularly attracted by our home-loan concepts, AL-BoligKlar and AL-BoligBonus, but in general our responsible and attentive consultancy and service has also been a major factor in helping us welcome so many new customers. Furthermore, we are convinced that impressive rankings in various customer satisfaction surveys and analyses are highly significant for the continued growth in our customer base.

Outlook for 2017

We are convinced that, with our values base and attentiveness to customer requirements, Arbejdernes Landsbank will continue to hold a very visible position in the Danish banking market. This will contribute to attracting and retaining customers and it will ensure that customers receive advice and services that meet their specific needs.

In 2017 we expect to achieve a profit before tax of around DKK 450-500 mill., corresponding to a return on equity before tax of about 8%.

The Board has recommended to the General Meeting a dividend of 10%, corresponding to DKK 30 mill.

On behalf of the Board of Directors and the Executive Management, I would like to say thank you to the Bank's shareholders, Board of Representatives, local councils and customers for good and constructive collaboration in 2016. I would also like to extend a special thank you to Group employees for an excellent and productive year. Together we make up a very strong team and I am convinced that the Bank will maintain its positive development in 2017 and thereafter.

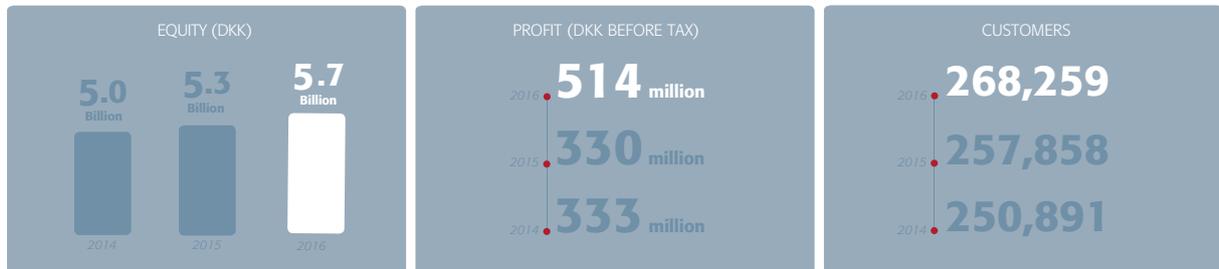


PER CHRISTENSEN

*Chairman of the Board
of Directors*

Arbejdernes Landsbank in 2016

A bank in good shape



Personal and attentive consultancy



High customer satisfaction



Experts in cooperative housing



Stronger focus on the housing area



This is our contribution Bonus for all homeowners

AL-BoligBonus gives you DKK 1,000 a year for every DKK 1 million you borrow on your home. Irrespective of whether you have a Totalkredit mortgage-credit loan or a similar loan with us.



3,689
purchases of own homes



7,802
new housing loans

A/S Arbejdernes Landsbank - Group

Financial and operating data

	2016 DKK '000	2015 DKK '000	2014 DKK '000	2013 DKK '000	2012 DKK '000
Income statement according to the core earnings model *)					
Net interest income	1,237,532	1,241,183	1,170,728	1,174,921	1,125,548
Net fees and commission income etc.	537,372	497,745	454,773	410,378	355,347
Core earnings, excl. net trading income	1,774,904	1,738,928	1,625,501	1,585,299	1,480,895
Net trading income	141,530	144,897	130,473	102,805	95,700
Total core earnings	1,916,434	1,883,825	1,755,974	1,688,104	1,576,595
Staff costs	-749,289	-718,383	-725,796	-699,863	-673,004
Administration expenses and depreciation/amortisation	-602,675	-576,708	-568,510	-570,894	-503,449
Core profit before impairments	564,470	588,734	461,668	417,347	400,142
Impairments on loans etc.	-55,674	-102,900	-230,351	-235,493	-277,193
Core profit	508,796	485,834	231,317	181,854	122,949
Investment portfolio earnings, excl. investment securities	-9,512	-151,300	3,360	289,822	378,919
Investment securities	18,005	43,406	142,870	86,940	84,022
Profit before sector solutions	517,289	377,940	377,547	558,616	585,890
Contributions to sector solutions	-3,295	-48,114	-44,602	-41,603	-26,015
Profit before tax	513,994	329,826	332,945	517,013	559,875
Tax	-94,578	-45,459	-37,967	-93,651	-103,274
Profit	419,416	284,367	294,978	423,362	456,601
Other financial and operating data					
Net interest and fee income	1,826,135	1,822,474	1,667,257	1,580,141	1,496,559
Value adjustments	-70,933	-240,542	25,135	278,719	344,709
Staff and administration expenses	-1,214,048	-1,195,059	-1,177,574	-1,152,574	-1,093,067
Profit from equity investments in associates and group undertakings	65,150	102,421	115,396	112,645	128,035
Loans and other receivables at amortised cost	20,951,136	19,768,336	18,330,380	18,148,528	17,751,986
Bonds at fair value	15,207,800	15,401,974	14,566,631	12,748,674	13,843,097
Deposits incl. pooled schemes	34,205,754	32,313,977	29,640,734	28,145,612	24,106,931
Issued bonds at amortised cost	0	250,000	262,158	262,158	3,090,796
Equity	5,681,749	5,279,627	5,049,098	3,929,360	3,607,213
Total assets	44,425,818	42,070,389	40,123,218	37,648,464	36,839,247
Total contingent liabilities	6,017,716	5,051,038	4,370,452	3,226,520	3,130,635

*) There is a description of the core earnings model in note 1, Accounting policies.

A/S Arbejdernes Landsbank - Group ratios and key figures ***)

		2016	2015	2014	2013	2012
Ratios and key figures						
Solvency						
Capital ratio	%	17.1	13.4	15.6	14.9	14.6
Tier 1 capital ratio	%	17.1	13.4	15.6	14.0	13.6
Earnings						
Return on equity before tax	%	9.4	6.4	7.4	13.7	16.6
Return on equity after tax	%	7.7	5.5	6.6	11.2	13.5
Ratio of operating income to operating expenses per	DKK	1.36	1.23	1.21	1.33	1.37
Profit per DKK 1,000 share	DKK	1,398.1	947.9	983.3	1,411.2	1,522.0
Return on capital employed	%	1.0	0.7	0.8	1.1	1.3
Market risk						
Interest-rate risk	%	-1.2	-1.0	-1.0	-1.8	-1.0
Currency position	%	2.4	1.6	3.0	4.4	3.3
Currency risk	%	0.0	0.0	0.1	0.1	0.0
Liquidity						
Loans plus impairments in relation to deposits	%	65.3	65.5	66.5	69.0	78.1
Excess liquidity in relation to statutory requirements for liquidity *)	%	191.9	199.4	229.9	261.2	261.2
Credit						
Sum of large exposures **)	%	0.0	10.6	20.8	46.4	35.4
Impairment ratio for the year	%	0.2	0.3	1.0	1.1	1.3
Growth in loans for the year	%	6.0	8.1	1.0	2.3	3.6
Loans in relation to equity		3.7	3.7	3.6	4.6	4.9
Equity						
Net asset value	DKK	1,610.9	1,476.9	1,400.0	1,309.8	1,202.4
Proposed dividend per DKK 1,000 nominal share value	DKK	100	100	150	200	350
Employees						
The average number of staff for the financial year converted to full-time employees		1,063	1,075	1,082	1,076	1,061

*) The definition of excess liquidity in relation to statutory requirements for liquidity was changed in 2013. Excess liquidity is calculated according to the highest value of the 10% and 15% requirement.

The figure for 2013-2016 is calculated according to the 15% requirement, other years according to the 10% requirement.

**) The definition of large exposures changed in 2014. Comparative figures have not been adjusted.

***) See note 43 for definitions of ratios and key figures.



Management's report

2016 for Arbejdernes Landsbank Group

In 2016, the Group achieved a profit before tax of DKK 514 mill., and this exceeded the expectations reported in the 2015 annual report. The expectation was for a profit of around DKK 400 mill. A reduced need for impairments is the primary explanation for the improvement. Core earnings before impairment charges, Investment portfolio earnings and Investment securities kept within budget. However, in 2016, Investment portfolio earnings displayed very large fluctuations, and a turbulent securities market, with credit spreads narrowing and expanding, made a significant impact on the profit over the year. The first half-year saw very large losses on these items, which were recovered in the second half-year.

Core earnings at DKK 1,916 mill. have grown by 1.7% compared with 2015, while costs have increased by 4.4%. Core profit has grown to DKK 509 mill. against DKK 486 mill. in 2015, and this is attributable to lower impairment needs. Continued net customer growth is a contributory factor to retaining stable earnings, despite sharper competition and shrinking interest-rate differentials.

Investment portfolio earnings, including the Bank's investment securities ended at DKK 8 mill. against a negative result of DKK 108 mill. in 2015. Financial markets were turbulent in 2016, and narrowing and expanding credit spreads caused major price fluctuations over the year.

The profit after tax of DKK 419 mill. and a return on equity of 7.7% are considered as very satisfactory in light of a difficult financial market and continued low interest rates which, with our traditional large deposits surplus, do not favour Arbejdernes Landsbank.

There was yet again an impressive increase in customers in 2016. The net increase was more than 10,000 customers in 2016 compared with almost 7,000 in 2015, and in addition to the growth in market share, this adds new business to the Group. Bank lending is now showing signs of growth, and a net increase of 6.0% is satisfactory, given our focus on sustainable growth. Bank deposits and pools continued the impressive growth rates of previous years and amounted to 5.9% in 2015.

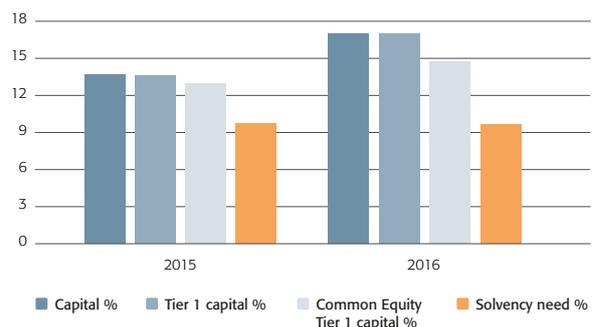
Distribution of profit

The Board has recommended to the General Meeting a dividend of 10%, corresponding to DKK 30 mill.

Solvency

The capital ratio amounted to 17.1%, against 13.4% in 2015. The sale of a large percentage of the holding in ALKA has contributed positively to this improvement. The Tier 1 capital ratio also amounted to 17.1% against 13.4% in 2015. The Common Equity Tier 1 capital ratio of 14.7% shows that the Bank only has moderate holdings of Additional Tier 1 capital as part of its own funds. Solvency need amounted to 9.6% against 9.5% in 2015.

Solvency



Outlook for 2017

The outlook for the Danish economy in 2017 is better, and we expect GDP growth of 1.5% this year. There was strong economic growth in the US and in the Eurozone at the start of the year and in 2017 this is expected to accelerate in the US and maintain its pace in the Eurozone. This will help Danish exports. The housing market is benefiting from low interest rates and increasing incomes. Higher amounts of equity in homes and continued growth in employment will bolster private consumption, and in 2017 this is likely to be an important locomotive for growth in the Danish economy. There are prospects for moderately increasing long interest rates on the financial markets, starting in the US. The ECB is expected to keep monetary-policy interest rates in check in 2017 and this will have a corresponding effect on short interest rates in Denmark. Stock markets have benefited from the progress in the global economy and they are expected to rise over the year.

These relatively positive economic prospects could be challenged by a number of uncertainties. The outcome of the American presidential election has initially seen a positive reaction from the financial markets, carried by expectations of more economic stimuli for the American economy. However, President Trump's distinctive and controversial foreign and trade policies could lead to increased uncertainty. Moreover, a number of geopolitical issues remain unresolved and may flare up again with unfavourable impacts on economic stability.

Our own activities are aimed at customer growth and business growth on a sustainable foundation, with focus on improving core earnings. The interest-rate differential will remain under pressure from the competition situation. Costs in 2017 will be extraordinarily encumbered by the establishment of a new mortgage-credit platform to improve customer experience and the process for authorising mortgage-credit loans. Years to come will see investments in digitisation and process optimisation to ensure our customers efficient and smooth processing of their cases. The level of impairments on loans and guarantees is expected to normalise at around 0.5%. Investment portfolio earnings will depend on developments in the financial markets and we expect modest profits in this area. Group expectations for 2017, expressed as profit before tax, are around DKK 450-500 mill., corresponding to a return on equity before tax of around 8%.

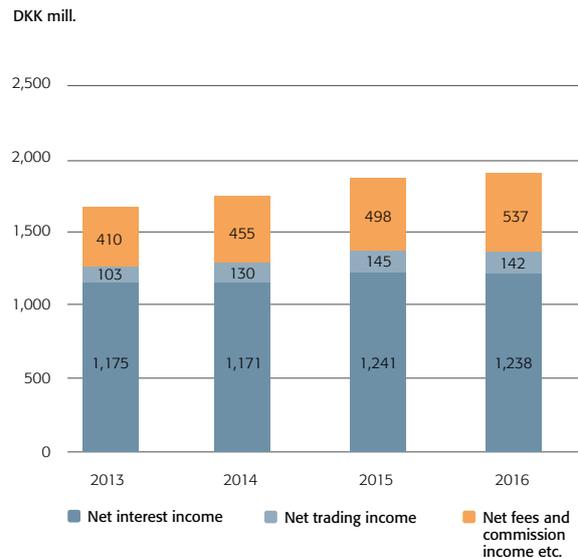
Income statement

On the basis of the core earnings model on page 7 of the annual report, developments in the operating profit for 2016 at Group level can be described as follows:

Core earnings

Core earnings amounted to DKK 1,916 mill., which is an increase of 1.7% compared with 2015. At DKK 1,238 mill., net interest income is at the same level as in 2015 and this testifies to the fierce competition in the current low-interest market. An increase of DKK 40 mill. to DKK 537 mill. for net fees and commission income testifies to a high level of activity. In 2016, the Bank decided to introduce AL-BoligBonus for customers with priority loans and/or customers to whom we have granted a mortgage-credit loan through Totalkredit. The bonus reduces net fee income, but also helps attract new business. At DKK 142 mill., net trading income has also remained at the 2015 level.

Core earnings



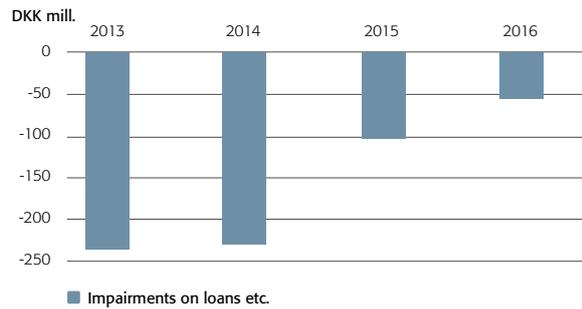
Staff and administrative expenses etc.

Staff costs amounted to DKK 749 mill. compared with DKK 718 mill. in 2015, and this is attributable to increasing payroll tax rates, redundancy schemes in connection with organisational adjustments, regulation of personnel-related provisions and pay increases in accordance with collective agreements. The number of employees calculated as the average number of full-time employees fell to 1,063 in 2016 against 1,075 in 2015.

Administrative expenses of DKK 603 mill. have increased by 4.5%, and this is primarily due to increasing depreciation charges on property, plant and equipment in the AL Finans subsidiary.

Impairments on loans etc.

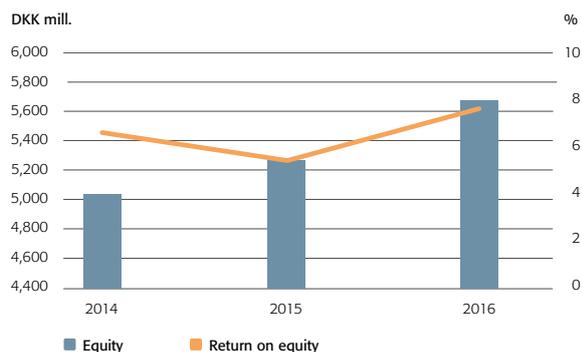
Impairments on loans etc. amounted to DKK 56 mill. against DKK 103 mill. in 2015. In 2016 a single large exposure with a customer was brought to an end, and in this context an individual impairment loss has been written back, which has contributed to the Bank being able to keep down the overall level of impairment charges. The impairment rate for the year was 0.2% of total loans and guarantees before impairment, and this is considered very satisfactory. The Group usually calculates impairments at a level of 0.5%.

Impairments on loans etc.**Investment portfolio earnings**

Investment portfolio earnings, excl. investment securities were DKK -10 mill. compared with DKK -151 mill. in 2015. This result reflects a securities market in which negative interest rates and hedging the interest-rate risk have put pressure on returns from our very large securities holding. There were dramatic fluctuations in credit spreads on mortgage-credit bonds and on corporate bonds in 2016 compared with government securities, which are traditionally applied to hedge interest rates, and this has led to large fluctuations in investment portfolio earnings over the year. The profit on investment securities amounted to DKK 18 mill. against DKK 43 mill. in 2015. The result varies to a large degree with changes in the results of ALKA. To account for current and future rules for capital adequacy in the Capital Requirements Regulation (CRR), we have reduced our shareholding in ALKA from 32% to 10%, and in future, the share will not have the same significance for the Bank's profit on investment securities. The sale was at net asset value and therefore resulted in no gain or loss in the income statement.

Profit for the year

The Group profit before tax was DKK 514 mill. against DKK 330 mill. in 2015. The profit after tax was DKK 419 mill. against DKK 284 mill. in 2015. Return on equity was 9.4% before tax and 7.7% after tax.

Equity and return on equity after tax**Balance sheet**

At the end of December 2016, total assets amounted to DKK 44.4 bn., and this is an increase of DKK 2.4 bn. compared with December 2015.

Deposits

Compared with the end of 2015, total deposits including savings in pool schemes increased by DKK 1.9 bn. and now amount to DKK 34.2 bn. The increase is primarily attributable to private customers, who continue to demonstrate great confidence in the Bank. Savings in the Bank's pension pools alone have risen by DKK 0.5 bn. and now amount to DKK 2.1 bn.

Lending

Group loans amounted to DKK 21.0 bn. at the end of 2016, which is an increase of DKK 1.2 bn. compared with the end of 2015. Continued customer growth and the consequential growth in business have contributed to this improvement, but strong competition and more customer willingness to repay debt mean optimism is only moderate for continued growth in lending in 2017.

Securities portfolio

The Group securities portfolio amounted to DKK 16.5 bn. in the form of bonds, shares and investment certificates, etc. The majority of the portfolio is placed on the bonds market; DKK 15.2 bn.

The Bank has reduced its considerable holding in investment securities from DKK 1.7 bn. in 2015 to DKK 1.1 bn. in 2016, primarily through the sale of our shares in ALKA. The portfolio is still dominated by shares in ALKA Forsikring, LR Realkredit and DLR Kredit.

Liquidity

New liquidity management regulations have been introduced at European level, and these are to be implemented over the years to come. The new regulations include a liquidity coverage ratio (LCR) for credit institutions to be phased in up to 2018. From 1 January 2017, the key figure requirement for non-SIFI banks rose from 70% to 80% and from 1 January 2018 this will rise by a further 20 percentage points to 100%. At the end of December 2016, Arbejdernes Landsbank had a key figure of 154% and therefore clearly meets this liquidity target. The key figure shows the Bank's capability to honour its payment obligations for the next 30-day period without access to market funding. The LCR key figure is calculated by comparing the Bank's liquid assets/easily realisable

assets with its payment obligations for the coming 30 days, calculated according to specific rules. Further liquidity regulations are to come on stable funding, as determined by the Net Stable Funding Ratio (NSFR), and these are to ensure that credit institutions and banks comply with certain minimum requirements when acquiring long-term liquidity. The regulations are about to be implemented, and the reporting date for the first official report has yet to be fixed, although it is unlikely to be before 2018.

On the basis of the Bank's liquidity forecast, the Bank expects to have sufficiently high cash resources throughout 2017.

Capital situation

Equity

Equity amounted to DKK 5,682 mill. at the end of 2016; an increase of DKK 402 mill. since the end of 2015. In addition to the profit for the year of DKK 419 mill., this amount includes an increase in revaluation reserves on properties of DKK 65 mill., a dividend distribution of DKK 30 mill. in March 2016, and payment of interest to owners of Additional Tier 1 capital of DKK 67 mill., less tax on this of DKK 15 mill.

Own funds

The own funds of the Group were considerably strengthened in 2016 by the profit for the year and by the sale of a large shareholding in ALKA Forsikring as well as the sale of equity instruments in other financial bodies. Own funds as at 31 December 2016 amounted to DKK 5,413 mill. against DKK 4,143 mill. in 2015 and the Tier 1 capital after deductions also amounted to DKK 5,413 mill. Common Equity Tier 1 capital amounted to DKK 4,660 mill.

Solvency

The Group capital ratio was 17.1%, and the Tier 1 capital ratio was also 17.1%. At the end of 2015, the capital ratio and Tier 1 capital ratio amounted to 13.4%. In addition to the effect of the profit for the year, the change of 3.7 percentage points is primarily attributable to the sale of equity instruments in other financial undertakings, which led to a deduction from own funds. The Group capital ratio and Tier 1 capital ratio already exceed the Group's capital targets for 2019, when the stricter requirements of the CRR will be fully phased in.

The total risk exposures amounted to DKK 31.6 bn. at the end of 2016, corresponding to an increase of 2.0% compared with the end of 2015. The changes in risk-weighted exposures are described in note 30. The Bank's projections for 2021 under various macro-economic scenarios, in combination with capital preservation and capital ratio improvement plans, confirm that the Group has the required financial strength to comfortably meet our own solvency objectives.

Solvency need

	2015	Group 2016
	%	%
Credit risk	6.4	6.8
Market risk	2.2	2.0
Operational risk	0.9	0.8
Other risks	0.0	0.0
Total solvency	9.5	9.6

The solvency need expresses the capital which the Group itself assesses as necessary in relation to our risk exposure. This is based on the Danish FSA's 8+ model, according to which a bank may not have a solvency need of less than 8%. The difference between the solvency need and the lower limit of 8% thus expresses the additional capital which we must hold in relation to our risk exposure. The solvency need is identical at Group and Bank level as the Bank provides 100% funding to its subsidiaries. The solvency need is 9.6% and is at the same level as similar calculations throughout 2016.

MREL requirement

The Danish Financial Supervisory Authority and the Financial Stability Company have introduced stricter requirements for banks' contingency plans and buffers with regard to addressing a resolution situation and securing optimal conditions regarding a possible reconstruction. In order to secure the bank's simple creditors as much as possible, a new concept has been introduced, known as the MREL (minimum requirement for own funds and eligible liabilities). In the event of a reconstruction of a credit institution or bank, the Financial Stability Company will initially be able to write down eligible liabilities in order to protect simple creditors as much as possible. It is expected that, before the end of 2017, the Danish Financial Supervisory Authority will stipulate individual requirements for banks, including Arbejdernes Landsbank.

Business model

General

At Arbejdernes Landsbank, we have built our business on sound values such as accountability, attentiveness and a straightforward approach for our customers and employees, and in various initiatives we launch. We offer relevant and competitive financial products and services combined with competent consultancy for private individuals, associations and small and medium-sized businesses.

Business strategy

Arbejdernes Landsbank wants to create value for Danish families, associations, small and medium-sized enterprises, and our owners by delivering highly professional and ethical financial services.

The goals for Arbejdernes Landsbank are to:

- Be an independent national bank with a full financial service concept aimed at private, corporate and association customers.
- Have decision-makers close to the customers, and efficient work processes, to ensure fast and competent business management.
- Have a social responsibility policy (CSR policy) which is an integral part of activities.
- Secure the consolidation necessary through sustainable growth.

With its profile as a service-oriented and technologically innovative group, with a nationwide network of 71 branches and a subsidiary with supplementary services and priority on personal consulting services, the Group aims to support customers throughout their lives. New customers must experience the Group in the same way, and we want our customers to recommend us to their acquaintances. We want to ensure that our advisory services always create value for our customers, and that our level of service is one of the highest in Denmark. On this values foundation, we operate a sound financial undertaking with solid finances and with profound respect for our customers' time and money.

The Bank advises and services private customers, associations and organisations, as well as small and medium-sized businesses with a healthy financial base. For private customers, the Bank primarily aims at full-service customer relations and focuses on consulting services and loans for financially strong and stable private customers. The target group for corporate

business is primarily owner-managed small and medium-sized enterprises within retail trade, the service sector, building and construction, industry, and other trading and manufacturing activities. Lending to Bank customers is granted within the framework of the Bank's credit policy. The AL Finans subsidiary supplements these services with leasing, factoring and car-loan products.

The Bank's business model is based on being financed by deposits. In other words, customer lending is to be primarily financed by customer deposits so that the Bank is independent of external funding as much as possible. The Bank has always had a large deposits surplus and as a result it is active on the financial markets to place funds in securities optimally. The Group aims at conducting professional management of returns and risks on the securities and holdings acquired, with returns at least at the same level as recognised benchmarks. As a result, the Bank has built up solid knowledge and experience which also benefits a number of smaller banks when they use us as their custodian bank.

Group earnings are generated through servicing our customers' financial transactions and the primary source is the interest-rate differential on deposits and lending, as well as a number of fees based on activities, e.g. assets management, lending and processing mortgage-credit loans. Proactive focus on sustainable growth and awareness of the competition help raise the volume of business and are the foundation for continuous improvements in earnings.

The Group aims at profitable earnings based on product pricing which reflects the risks and the capital commitments accepted by the Group as well as an overall assessment of the scope of business with customers and counterparties. Despite the current market situation, the Bank has decided not to demand interest on deposits received.

The costs structure reflects the situation in which personnel resources account for the largest percentage of costs, and we are constantly endeavouring to maintain a process of efficiency improvements in order to move resources towards customer-oriented activities. Similarly, the Group has decided to proactively apply major resources to digitisation to ensure our customers optimal conditions in their means of communication with us and when using our many facilities.

Other cooperation

Arbejdernes Landsbank utilises various cooperation partners and the Bank is co-owner of enterprises offering products and services such as mortgage credit, investment products, money transmission services and insurance. For information about our cooperation partners, visit the Bank's website: Cooperation partners – Arbejdernes Landsbank. www.al-bank.dk/om-banken/fakta-og-historik/samarbejdspartnere/. Through these partners, our customers have access to a wide and flexible portfolio of products.

The Bank receives agency and guarantee commissions for arranging certain products and investment services, but our customers are always able to choose other solutions or providers.

Organisation

Arbejdernes Landsbank has centrally located competency areas which work across the bank. This helps secure a flat organisational structure with rapid decision processes and direct interplay between the customer, the advisor and the central specialist units. Staffing at the Bank's branches is adjusted to the customer base of the individual branch. Central specialist functions develop and coordinate the Bank's overall work within consultancy for pensions, property and investment. The specialist functions act as knowledge bases and sparring partners for advisors and customers alike.

The Bank has a number of specialist units that, in addition to supporting the customer-oriented functions, regularly submit reports to management and relevant authorities. In 2016, an independent function was established with responsibility for Risk and Compliance. The objective of the function is, through analyses, controls and advice, to assist management, staff and business areas to ensure that risks already accepted and planned risks are in accordance with the Group strategy, values and risk profile. The function also assists management in minimising the risk that the Bank will fail to comply with relevant legislation, market standards and associated internal rules. Furthermore, the function monitors whether the Bank's procedures to ensure compliance with regulations are effective, and it advises management, staff and business areas on the organisation of such procedures. Risk and Compliance are both forward-looking and preventive and they also meet the statutory requirement for an independent organisational function (second line in risk management by the Bank).

Measures against money laundering and market abuse are placed organisationally in Legal and in Securities Administration.

Technology

The technological platform is to all intents and purposes based on services supplied by BEC (Bankernes EDB Central), of which the Bank is part owner. It is vital that IT solutions lead to administrative improvements, simplification and more efficiency, as well as increased levels of self service. However, it is also important that IT solutions open opportunities for new business activity. Digitisation and IT security are current focus areas and the Bank is constantly working to ensure that all systems, data and operational security are fully up to date. The overall IT strategy is that, with efficient and secure data processing, the Group can meet its business targets and at the same time function as a professional and credible bank, cooperation partner and workplace.

Employees

Arbejdernes Landsbank aims at providing a healthy, safe and inspirational working environment for all employees. We see no incompatibility between achieving ambitious goals and being challenged professionally, while at the same time having a sustainable balance between home life and work life. Average seniority in the branch network of 15 years bears witness to solid experience and insight which helps instil a sense of confidence and security and helps maintain the close relationship with our customers. In order to ensure that we maintain this balance as much as possible, among other things we conduct regular well-being and management surveys of all employees. The surveys show that job satisfaction and employee motivation are very high at Arbejdernes Landsbank.

In a sector experiencing ever-increasing formal requirements for employees, we target systematic competence development, and we regularly document employees' competences through statutory certification etc. Furthermore, all employees have a personal-development plan and a number of personal goals to support the personal behaviour and professionalism that together contribute to the Group's strategic goals. Our employees are also covered by a bonus programme regulated by the collective agreement, which underpins the Arbejdernes Landsbank strategy and contributes to achievement of the overall goals.

Capital structure

Arbejdernes Landsbank is an unlisted limited company with a share capital of DKK 300 mill. Until 12 March 2017, the Board of Directors is authorised to increase the share capital in one or several steps by up to DKK 500 mill. The share capital is composed of 300,000 shares of DKK 1,000 each. There are 300,000 votes, meaning that each share carries one vote. The Bank's articles of association contain provisions on the transferability of shares, which must be through the Board of Directors and only at nominal value, and on the organisations and people who can be shareholders:

- Employee organisations and their members
- Political organisations with which Danish employee organisations cooperate
- Cooperative enterprises, consumer cooperative societies and cooperatives as well as organisations, enterprises or associations which these have established or establish
- Arbejdernes Landsbanks Fond
- Public sector and other institutions, organisations, enterprises or pension companies in which Danish employee organisations have a commercial interest

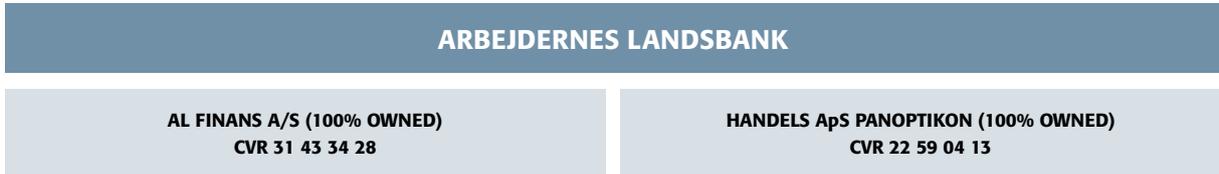
At the end of 2016, Arbejdernes Landsbank had almost 23,000 shareholders. Invitations to the General Meeting are announced on the Bank's website, al-bank.dk/om-banken/presse-og-nyheder/nyheder/2017/tilmelding-til-generalforsamling/. Furthermore, written invitations are sent to shareholders registered in the Bank's register of shareholders, if they have requested this

Although the issued Additional Tier 1 capital instruments have been reclassified to equity, the General Meeting has not linked any voting rights to owners of these Addition Tier 1 capital instruments.

Dividend policy

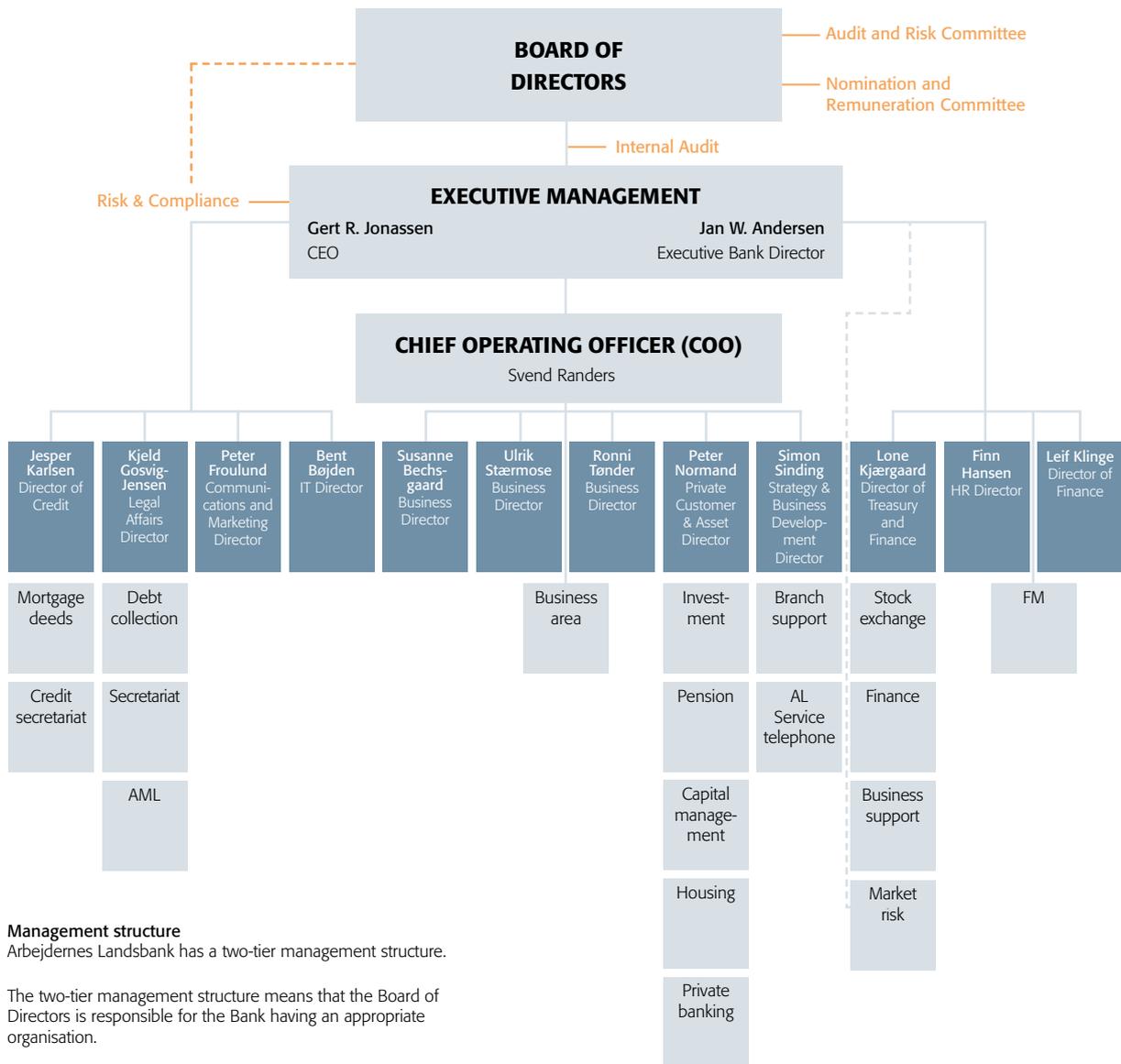
The Bank's shares are valued at par, and shareholders can only earn returns on their investment through distribution of dividends. Therefore, the Bank aims at pursuing a dividend policy which is based on profit for the year, but which does not disregard the need for consolidation. The decision on the dividend for a specific year emphasises known aspects with focus on consolidation, but it also takes into account how the economic cycle or other specific matters have influenced the result positively or negatively. The Board has recommended to the General Meeting a dividend of 10%, corresponding to DKK 30 mill.

Organisation chart for Arbejdernes Landsbank Group



Management structure
 Arbejdernes Landsbank consists of one parent company and two subsidiaries.

A/S Arbejdernes Landsbank – CVR 31 46 70 12
Parent



Management structure
 Arbejdernes Landsbank has a two-tier management structure.

The two-tier management structure means that the Board of Directors is responsible for the Bank having an appropriate organisation.

The Board of Directors appoints the Executive Management, the COO, the Chief Audit Executive and, if relevant a Deputy Chief Audit Executive. The Executive Management appoints the Bank's Heads of Division.

The Executive Management is responsible for the day-to-day management of the Bank.

Vision and strategy work in 2016

Strategy 2019: Ready for the future

In 2015 we launched the Bank's new strategy, entitled "Strategy 2019: Ready for the future". All the Bank's managers were actively involved in the development process, and in October 2015, the new strategy was presented to all employees of the Bank. Therefore, 2016 was the first full year in which the strategy could be realised and take root in the organisation and where it could function as the benchmark to steer by in practice.

A great part of the strategy is about continuing to run the Bank on the basis of the values which have characterised our banking operations in the past. At the same time, the strategy lays down a clear direction and some specific objectives in relation to the possibilities and challenges we are facing today and that will come in the future. According to the Bank's assessment, the objectives up to 2019 are ambitious, but realistic, not least because of our unique market position and solid foundation.

Strategic ambition

Our strategic ambition is growth, customer focus, profitability and straightforwardness. Through innovation, we want to retain high customer satisfaction and create growth through new business areas. We want to combine up-to-the-minute digital solutions with classic, personal banking and deliver professional, accountable and attentive service based on the needs of the customer.

Financial ambition

Our financial ambition is an objective to make core earnings of DKK 1.5 per DKK of operating expenses in 2019. Through growth and an increased market share we will generate a return for owners which, at all times, exceeds the market interest rate on risk capital in a normal Danish bank.

Strategic focus areas and objectives

To achieve our financial ambitions and realise our strategic ambitions, we have defined four strategic focus areas for the next four years.

Development

- We will place higher priority on innovation and focus on rapid implementation.

Digitisation

- Digitisation will be accorded higher priority, and digital opportunities will be better exploited.

Customer focus

- The level of service must be more adapted to the needs and profitability of our customers.

Costs

- We will evaluate and redefine the way in which we work with costs and efficiency improvements.

Code of conduct

Strategic objectives and a clear direction do not create much value if all employees are not on the same page, and if the long-term objectives cannot be transformed into specific action in their everyday work. Therefore, we have prepared a new code of conduct, which, on the basis of our fundamental values, specifically defines how our behaviour in branches and departments can best contribute to improving customers' experience, and ultimately achieve our strategic objectives:

Accountable

- We are cooperative and treat everyone fairly.
- We observe the procedures and processes of the Bank.
- We are well prepared and finish our assignments.
- We deliver quality in every assignment.

Attentive

- We are proactive and make specific recommendations and proposals.
- We are flexible and accessible.
- We are inquisitive and seek out knowledge so that we are always abreast of customers' wishes.
- We focus on the situation and needs of the customer.

Straightforward

- We communicate in an understandable manner and at the recipient's level.
- We are able to advise about both the substance and the detail.
- We prioritise and focus on what is most important.
- We use digital solutions whenever possible.

How we reached our objectives in 2016

The four focus areas in "Strategy 2019" have formed the hub of our specific activities and initiatives in 2016. The following section presents some of the results within each focus area.

Development

What have we done in 2016 to prioritise innovation and focus on rapid execution?

- At the start of 2016 we launched AL-BoligBonus that ensures our housing customers one of the strongest financing solutions on the market. With AL-BoligBonus, we are offering all customers with a mortgage-credit loan or similar with us a bonus of DKK 1,000 for every DKK million they have borrowed on their home. This is for fixed-interest and floating-rate loans, and irrespective of whether or not it is a repayment loan. Customers will automatically receive their bonus for the first time on 1 August 2017.
- In 2016 we prepared a new concept that enables us to rapidly analyse the possibilities for new local entrenchment. The concept will help establish a presence in new market areas if opportunities are assessed to be adequately attractive. For example, we opened a shop-in-shop office for advisory services in the Meny supermarket in the town of Skibby.
- We have developed a solution whereby we can offer customers attractive and rapid car financing via AL Finans. Financing via AL Finans secures a car loan for customers at an extremely competitive price comparable with other car-financing companies.
- In 2016 we launched AL-ProvinsKlar. This is a housing loan that makes it easier to finance a home purchase in areas where property prices are not as high and where mortgage-credit loans are often not an option.

Digitisation

How have we prioritised digitisation in 2016, and what new digital possibilities have we offered our customers?

- In the course of the year, we have extended our customers' possibilities to sign documents electronically, because almost all types of loan documents and agreements are now available in digital form. In particular, digital approval of documents for home financing saves a lot of paper, benefitting both the customer and the environment, while at the same time making the procedure simpler and more flexible for customers.
- We have completed the process to make it possible for customers to hold online meetings with the Bank via Skype Business. This means that in 2017 we can

offer our customers new opportunities for advisory services, if customers prefer an online meeting instead of a physical meeting at the Bank.

- In 2016 we launched a new function in AL-mobilbank by which the majority of our customers can rapidly and easily apply for a loan for either a property or a car, or they can apply for a consumer loan. The loan application arrives at the Bank immediately and we can provide a very quick reply for the customer. This secures a more flexible process for both the customer and the Bank, without having to compromise responsible advice and service.

Customer focus

How have we adapted our service in 2016 with regard to the needs of the individual customer?

- We are working actively with NPS, which measures customer satisfaction with our advisory services and our solutions. Despite our high NPS score, we still use customer feedback to develop the Bank and our services and consultancy. Customer satisfaction is reflected in several independent analyses and satisfaction surveys. Most recently, we were voted "Danes' preferred bank" for the eighth successive year in January 2017 in the annual Voxmeter customer survey, which is based on interviews with 91,000 Danish bank customers who are asked about their satisfaction with advice, services and products from banks. We were first among 20 of the largest banks in Denmark.
- In 2015 we launched a new concept for private customers and we further developed this in 2016. The concept has strengthened our advisory services on several fronts so that we can be even better at meeting the needs of individual customers. For example, customers can book a meeting for a home purchase at one-hour's notice and receive a reply to a specific loan enquiry within 24 hours. This service was in high demand in 2016. We call it AL-BoligKlar. We have also increased accessibility, so that all our customers can now call the Bank on business days from 8 am to 8 pm. Furthermore, customers can receive advisory services in all our branches from Monday to Thursday from 8 am to 6 pm and on Fridays between 8 am and 4 pm.

Costs

What have we done in 2016 to maintain focus on costs and how have we worked with efficiency improvements?

- During 2016 we have targeted work on optimising processes to release even more time, and this will benefit our customers. We have had particular focus on automating elements in work processes and among other things reinforced efforts with regard to developing automated processes.

CSR Report

A long history of social responsibility

Arbejdernes Landsbank has a long history of social responsibility, dating back to the founding of the Bank in 1919. At its establishment, the object of the Bank was to secure independence for the trade-union movement from capitalist banks in a conflict situation; to endeavour to safeguard members of the trade-union movement in a conflict situation; and to offer better and cheaper loans as alternatives to mortgage borrowers.

Today, social responsibility continues to be the foundation of our banking philosophy. Our fundamental values and the Bank's approach to customers, employees, cooperation partners and investments are built on respect for people and an objective to leave the most positive impression possible on the surrounding world. The Bank has a number of policies and objectives seeking to ensure and promote the well-being and financial security of its employees and customers.

Four focus areas

We are striving to live up to our social and economic responsibilities in the following four focus areas:

- Customers and products
- Employees
- Society
- Climate and the environment

Customers and products

As financial advisors, we undertake to ensure that customers are given the best possible conditions to live within their financial situation.

Our policy is to:

- Ensure that our customers understand their financial situation and the products we offer.
- Treat all customers professionally, with respect and concern for their individual needs.
- Offer all customers personal financial advice.
- Provide advice which meets our customers' needs.
- Train our customer advisors so that their competencies live up to the legitimate expectations of a full-service bank, and offer customers ethically screened investments.

Employees

As an employer, we consider it our responsibility to create the framework for a healthy, safe and motivational working environment.

Our policy is to:

- Provide working conditions which motivate and inspire our employees in their daily work.
- Offer flexible working hours which allow individual employees to create a better balance between their private life and life at work.
- Create career and development opportunities for employees at all levels in the Bank.
- Ensure a healthy physical and psychological working climate.
- Care for employees who suffer from stress or sickness.

Human rights and anti-corruption

In Arbejdernes Landsbank we respect human rights by complying with Danish legislation, collective agreements and labour-market practice which incorporate and specify protection of most of the basic rights. Furthermore, we strongly condemn any type of corruption, and we regularly assess the Bank's policies and procedures in relation to the corporate governance recommendations and the Code of Conduct regulations.

Society

We at Arbejdernes Landsbank want to support and get involved in good causes locally, nationally and internationally.

Our policy is to:

- Support information campaigns through recognised organisations.
- Establish sponsorship collaboration with sports clubs and non-profit organisations.
- Get involved in the local community and contribute to developing culture and recreational activities, and support humanitarian work through Danish and international relief organisations.

Climate and the environment

Our goal is for Arbejdernes Landsbank to be recognised as a climate-aware and environmentally aware enterprise. We are conscious of our responsibility for the environment and strive hard to reduce our energy consumption and achieve efficient and sustainable utilisation of our common resources.

Our policy is to:

- Reduce our CO₂ emissions by purchasing climate-friendly electricity and heating, and through energy optimisation of electricity, water and heating installations in our buildings and rental properties.
- Make environmentally responsible purchases from our suppliers whenever possible.

- Perform source separation and recycling of our waste.
- Create an optimal physical framework for our customers and employees.

The full CSR report is available on the Bank's website.

Corporate governance and statutory report on corporate governance

The statutory report on corporate governance covers the accounting period 1 January - 31 December 2016. The Board of Directors and the Executive Management of the Bank are constantly seeking to ensure that the management structure and control systems are appropriate and operate satisfactorily. The management makes regular assessments, at least once a year, that this is the case.

The basis for the organisation of management tasks is included in legislation and regulations, including the Danish Financial Business Act, the Executive Order on Management and Control of Banks etc., the Danish Securities Trading etc. Act, the regulations and recommendations for issuers from the OMX Nordic Exchange Copenhagen, the Global Exchange Markets Listing and Admission to Trading Rules, the management codex of the Danish Bankers' Association, the Bank's articles of association, as well as good practice for financial undertakings. A number of procedures have been developed and are maintained on this basis to ensure active, secure and profitable management of activities.

Recommendations on corporate governance

The recommendations on corporate governance were reaffirmed by the Board of Directors in September 2016, and they are available on the website of the Committee on Corporate Governance: www.corporategovernance.dk. The recommendations deal with the interaction and communication between shareholders, other stakeholders and the company, the tasks and responsibilities of the board of directors, the composition and organisation of the board of directors, remuneration of management, financial reporting, risk management, as well as audit.

The Bank generally follows the principles laid down in the recommendations on corporate governance, and therefore Arbejdernes Landsbank follows 44 out of 47 recommendations. The form used to account for the Bank's observance of the recommendations on corporate

governance is available on the Bank's website: www.al-bank.dk/handlers/documentarchive.ashx?id=266.

Policy on the under-represented gender in management positions

In 2013, the Bank's board of directors adopted a policy on the under-represented gender in order to promote equal opportunities between genders in management positions. The policy sets the following general goals:

- To create appropriate distribution between men and women in the Bank's management.
- To follow up on developments in the gender composition of management.
- To provide opportunity to assess and adjust goals and means.
- To ensure progress and results.

Specifically the goal is:

- To increase the percentage of the under-represented gender with a view to meeting the 40/60 ratio of genders laid down in legislation by 2017.
- To ensure that the Bank's employees know that they have equal opportunities to make a career and fill management positions.

At the end of 2016, the distribution was 30/70. Recruitment and promotion take place as laid down by the policy, according to which the best candidate must be hired for the job. If there are two end-candidates with similar professional and personal qualifications, the candidate from the under-represented gender will be chosen.

Board of Directors

In 2016 the Board of Directors was composed of eight members elected by the General Meeting and four elected by employee in accordance with the regulations in the Companies Act. The representatives elected by the employees were elected in 2015 for a period of four years. Re-election is permitted. There are more details about the individual members of the Board of Directors on pages 25-27 of the annual report. In order to stand for election to the Board of Directors, a candidate must meet the requirements stipulated in the current regulations and codex for members of the board of directors of a financial undertaking, including the Bank's requirements in this respect. When a person is recommended for election to the Board of Directors, there is an assessment of the knowledge and professional experience needed in order to ensure that the Board has the necessary competencies. The Board of

Directors also works to achieve a composition of members who supplement each other in the best possible way with regard to age, background, gender etc. in order to secure a competent and all-round contribution to Board work for the Bank.

There is no age limit for Board members. The members of the Board of Directors represent broad knowledge and experience from the business community. The Board aims to ensure continuity and to secure a composition which reflects the competencies and professional experience required, while taking into account the complexity of the Bank's activities. None of the members of the Board of Directors participate in the day-to-day management of the Bank. The members elected by employees have the same rights and responsibilities as the members elected by the General Meeting. In accordance with the Recommendations on Corporate Governance, at least one-half of the members of the Board of Directors are considered as independent. The report on compliance with the Recommendations on Corporate Governance is available (in Danish) on the Bank's website: www.al-bank.dk/handlers/documentarchive.ashx?id=266.

The members of the Board elected by employees are not considered as independent.

The work of the Board of Directors

The Board of Directors ensures that the Executive Management observes the objectives, strategies policies and procedures adopted by the Board of Directors. Reporting from the Executive Management is made systematically at meetings and in regular written and verbal reports. This reporting includes developments in society around the Bank, its own development and profitability as well as the financial position.

The general guidelines for the work of the Board of Directors have been laid down in rules of procedure, which are reviewed at least once a year and adjusted as required. The rules of procedure contain procedures for reporting by the Executive Management, the work methods of the Board of Directors, as well as a description of the tasks and responsibilities of the chairman of the Board of Directors. The Board of Directors meets according to a pre-arranged plan and also whenever necessary. The Board of Directors held 10 meetings in 2016.

Each member of the Board of Directors is evaluated annually to assess the need for competency development in the individual member of the Board of Directors and the Board of Directors as a whole.

Nomination and Remuneration Committee

Legislation stipulates that a nomination committee and a remuneration committee must be set up by the Group. The Board of Directors has decided to combine these two committees. The Nomination and Remuneration Committee is composed of four members of the Board of Directors. The Chairman of the Board of Directors is the chairman of the Committee. When working on and processing themes about remuneration, including the Bank's pay policy and other decisions relative to this, a representative elected by the employees participates. The Nomination and Remuneration Committee works according to a plan set out by the Board of Directors. The tasks of the Committee include:

- Drawing up recommendations in connection with new election and re-election of members for the Bank's Board of Directors as well as appointment of the Bank's Executive Management.
- Assessment of the size, structure, composition and results of the Board of Directors in relation to the tasks carried out, and reporting and making recommendations for any changes in this respect for the whole Board of Directors, regularly and at least once a year.
- Evaluation of the entire Board of Directors in relation to whether the Board of Directors has the required combination of knowledge, professional competences, diversity and experience, and whether the individual member is meeting the requirements laid down by the Financial Business Act. Reporting is carried out regularly and at least once a year to the entire Board of Directors, including recommendations on changes.
- Evaluation of the Bank's Executive Management and making recommendations for the Board of Directors in this respect, regularly and at least once a year.
- Annual assessment of the pay policy, including guidelines for severance pay in relation to the Board of Directors, the Executive Management and other senior employees and significant risk-takers.
- Annual identification of employees whose activities significantly influence the risk profile of the Bank.
- Annual checks of compliance with the pay policy.
- Assessment of performance-based remuneration and emoluments schemes for the Group in order to allow for value creation for the shareholders of the Group, as well as sound and effective risk management.
- Setting the remuneration of the Executive Management in accordance with the Group's pay policy, as well as controlling the remuneration of the management of the part of the organisation

that checks compliance with the limits for risk assumption and management of the part of the organisation that otherwise performs control and audits.

One meeting of the Nomination and Remuneration Committee was held in 2016.

Audit and Risk Committee

The Board of Directors has set up an Audit and Risk Committee composed of four members and chaired by Lars Andersen, Managing Director. The Audit and Risk Committee works according to a plan drawn up by the Board of Directors. The tasks of the Committee include:

- Notifying the Board of Directors about the results of the statutory audit, including the process for financial reporting.
- Monitoring the financial reporting process and submitting recommendations or proposals to secure integrity.
- Monitoring whether the internal control system at the Bank, internal audit and risk management systems are working effectively with regard to financial reporting.
- Monitoring the statutory audit of the annual reports etc. taking account of the results of the most recent quality control and audit activities.
- Checking and monitoring the independence of auditors and approving other services than audit etc. supplied by the auditors.
- Being responsible for the procedure for selection and recommendation of auditors for election.
- Tasks that Board of Directors want the Committee to perform.

With respect to risk in particular, work includes the following:

- Monitoring that the risk-management organisation at the Bank is appropriate in terms of the business model and risk profile.
- Monitoring and issuing recommendations to the Board of Directors regarding the adequacy of the capital resources of the Bank.
- Regularly, and at least once a year, assisting the Board of Directors in assessing the solvency need of the Bank. This is in cooperation with the Executive Management.
- To keep the Board of Directors briefed about the framework for risk management by the Bank. This means that the Committee regularly assesses, and at least once a year presents to the Board, recommendations regarding the Bank's risk profile, risk policies and limits for:

1. Operational risk
2. Credit risk
3. Market risk
4. Liquidity risk

The Audit and Risk Committee held seven meetings in 2016.

Remuneration policy

Every year, the Board of Directors receives fixed annual remuneration stipulated by the Nomination and Remuneration Committee. In the 2016 financial year, total remuneration for the Board of Directors amounted to DKK 2.1 mill. Members of the Board of Directors receive remuneration for their board work, including remuneration for participation in the Audit and Risk Committee set up by the Board of Directors. For some members, this remuneration is paid to the organisations which they represent. Board members who resign from the Board of Directors will receive remuneration until the time of resignation.

In 2016 the following members resigned from the Board of Directors:

Former President of the Confederation of Danish Trade Unions, Harald Børsting, (resigned March, remuneration DKK 25,000).

Vice President of the Confederation of Danish Trade Unions, Arne Grevsen, (resigned March – remuneration in DKK 25,000).

Former Head of Administration of NNF, Niels Sørensen (resigned March - remuneration DKK 25,000).

Head of Department, Henrik Thagaard – elected by employees, (resigned March – remuneration DKK 25,000).

Executive Management

The Executive Management is employed by the Board of Directors, who also set the terms of employment for the Executive Management. The Executive Management is composed of Gert R. Jonassen, CEO and Jan W. Andersen, Executive Bank Director. The Executive Management is responsible for the daily operations of the Bank. The framework for the work of the Executive Management is laid down in instructions on the segregation of responsibilities between the Board of Directors and the Executive Management. The members of the Executive Management are not members of the Board of Directors, but they usually take part in meetings of the Board of Directors. Remuneration of the Executive Management is set by the Board of Directors and only comprises a fixed remuneration and pension scheme, as well as a

car and telephone. Total emoluments for the Executive Management in 2016 amounted to DKK 6.5 mill. as disclosed in note 9 in the annual report.

The employment conditions, including remuneration and terms for resignation are stated in the Bank's pay policy which is available (in Danish) on the Bank website al-bank.dk/handlers/documentarchive.ashx?id=255.

Employees in the management group are paid a basic salary and pension, insurance, free telephone and possibly a company car. The Bank's other employees are paid a fixed salary and are covered by a bonus scheme which is regulated through collective agreements. Provisions regarding pay and terms for resignation are stated in the pay policy which is available (in Danish) on the Bank website, al-bank.dk/handlers/documentarchive.ashx?id=255.

Whistleblowing

To ensure that prevent important information from being withheld, in accordance with the Danish Financial Business Act, the Arbejdernes Landsbank Group has set up a whistleblower scheme to enable employees to notify unacceptable circumstances or transactions via a special and independent channel so as to reveal any violations of financial legislation. There were no notifications in 2016.

Shareholders

The Bank regularly informs shareholders about relevant matters and encourages dialogue with shareholders. Amongst other things, this is through newsletters, annual reports, interim reports and at general meetings. The Bank's website, www.al-bank.dk is updated regularly with published information.

BOARD OF DIRECTORS

PER CHRISTENSEN CHAIRMAN	CLAUS JENSEN VICE CHAIRMAN	LARS ANDERSEN	METTE KINDBERG
			
<p>Born in 1957. Member of the Board of Directors since 2014. Chairman of the Board of Directors since 2015. Chairman of the Nomination and Remuneration Committee.</p>	<p>Born in 1964. Member of the Board of Directors since 2013. Vice Chairman of the Board of Directors since 2015. Member of the Nomination and Remuneration Committee. Member of the Audit and Risk Committee. Chairman of the Advisory Board of Representatives.</p>	<p>Born in 1958. Member of the Board of Directors since 2009. Chairman of the Audit and Risk Committee.</p>	<p>Born in 1957. Member of the Board of Directors since 2008. Member of the Audit and Risk Committee.</p>
<p>Trade Union President - 3F (United Federation of Danish Workers)</p>	<p>Trade Union President of Dansk Metal (Danish Metalworkers' Union)</p>	<p>Managing Director of AE - Economic Council of Labour Movement</p>	<p>Vice President of HK/Danmark</p>
<p>Member of the Board of Directors of: A/S A-Pressen AKF Holding A/S (Vice-chairman) Arbejderbevægelsens Erhvervsråd Bolind A/S (Vice-chairman) Fagbevægelsens Erhvervsinvestering A/S Landsorganisationen i Danmark Pension Danmark A/S (Chairman) Pension Danmark Holding A/S</p>	<p>Member of the Board of Directors of: Arbejderbevægelsens Erhvervsråd Arbejderbevægelsens Kooperative Finansieringsfond A/S A/S A-Pressen Femern Landanlæg A/S Storebæltsforbindelsen A/S Øresundsforbindelsen Femern Bælt A/S Industriens Kompetenceudviklingsfond, IKUF Industriens Pensionsforsikring A/S Industriens Pension Service A/S Industriens Uddannelses- og Samarbejdsfond, IUS Industripension Holding A/S Landsorganisationen i Danmark Sund og Bælt Holding A/S Ulandssekretariatet Øresundsbro Konsortiet I/S Centralorganisationen af industriansatte i Danmark InnovationsFonden Markedsmodningsfonden Lindø Industripark A/S</p>	<p>Member of the Board of Directors of: DSB, Danske Statsbaner Investeringsfonden for Udviklingslandene IFU Industriens Pensionsforsikring A/S Industripension Holding A/S Investeringsfonden for Østlandene (IØ-Fonden)</p>	<p>Member of the Board of Directors of: Asx 7 ApS Fagbevægelsens Erhvervsinvestering A/S HK A-kasse Kommanditselskabet Christiansminde Landsorganisationen i Danmark NV Kraft A/S</p>
<p>Qualifications:</p> <ul style="list-style-type: none"> ■ Management, HR and strategy ■ Macroeconomic and accounting matters ■ Financial regulation ■ Credit matters ■ Business model and customer base 	<p>Qualifications:</p> <ul style="list-style-type: none"> ■ Management, HR and strategy ■ Macroeconomic and accounting matters ■ Credit matters ■ Business model and customer base ■ Operational risks and IT 	<p>Qualifications:</p> <ul style="list-style-type: none"> ■ Management, HR and strategy ■ Macroeconomic and accounting matters ■ Market risk and liquidity ■ Financial regulation ■ Credit matters ■ Business model and customer base ■ Operational risks and IT 	<p>Qualifications:</p> <ul style="list-style-type: none"> ■ Management, HR and strategy ■ Macroeconomic and accounting matters ■ Market risk and liquidity ■ Credit matters ■ Operational risks and IT area
<p>Shareholding: 0</p>	<p>Shareholding: 5</p>	<p>Shareholding: 0</p>	<p>Shareholding: 0</p>
<p>Remuneration (DKK '000): 271</p>	<p>Shareholding: 5</p>	<p>Remuneration (DKK '000): 203</p>	<p>Remuneration (DKK '000): 203</p>
	<p>Remuneration (DKK '000): 236</p>		

BOARD OF DIRECTORS, CONTINUED

TORBEN MÖGER PEDERSEN	LIZETTE RISGAARD	KIM LIND LARSEN	OLE WEHLAST
			
<p>Born in 1955. Member of the Board of Directors since 2013. Member of the Nomination and Remuneration Committee. Member of the Audit and Risk Committee.</p>	<p>Born in 1960. Member of the Board of Directors since 2016. Member of the Nomination and Remuneration Committee.</p>	<p>Born in 1964. Member of the Board of Directors since 2016.</p>	<p>Born in 1959. Member of the Board of Directors since 2016.</p>
<p>CEO of PensionDanmark A/S and of PensionDanmark Holding A/S</p>	<p>President of LO (Confederation of Danish Trade Unions)</p>	<p>Group Chairman of 3F United Federation of Danish Workers</p>	<p>Trade Union President NNF</p>
<p>Member of the Board of Directors of: Danish Society for Education and Business (Chairman) Danmark-Amerika Fondet DEA – tænketank for uddannelse og erhverv INDEX: Design to Improve Life Foreningen til udvikling af bestyrelsesarbejde i Danmark Forsikring & Pension Gigtforeningen (Vice-chairman) PensionDanmark koncernens datterselskaber (Chairman of the Board) Symbion Fonden</p>	<p>Member of the Board of Directors of: Fonden LO-Skolen, Helsingør Højstrupgård A/S Forsikringsaktieselskabet ALKA Arbejderbevægelsens Erhvervsråd Arbejdsmarkedets Tillægspension – ATP Lønmodtagernes Dyrtidsfond Ulandssekretariatet DUI Leg og Virke/Børn hjælper børn Fonden IFS vicepræsident EFS Eksekutivkomité NFS's styrelse Det Økonomiske Råd</p>	<p>Member of the Board of Directors of: Fonden Femern Belt Development Landsorganisationen i Danmark PensionDanmark Holding A/S PensionDanmark A/S Rørvig Centret A/S Teknologisk Institut</p>	<p>Member of the Board of Directors of: Forsikringsaktieselskabet ALKA Dansk Folkeferie Fonden Industriens Pensionsforsikring A/S Arbejderbevægelsens Erhvervsråd Københavns Bagerafdelings' Fond AOF Danmark (Chairman) ATP's repræsentantskab Landsorganisationen i Danmark Ulandssekretariatet</p>
<p>Qualifications:</p> <ul style="list-style-type: none"> ■ Management, HR and strategy ■ Macroeconomic and accounting matters ■ Market risk and liquidity ■ Financial regulation ■ Credit matters ■ Business model and customer base ■ Operational risks and IT 	<p>Qualifications:</p> <ul style="list-style-type: none"> ■ Management, HR and strategy ■ Macroeconomic and accounting matters ■ Financial regulation ■ Credit matters ■ Business model and customer base 	<p>Qualifications:</p> <ul style="list-style-type: none"> ■ Management, HR and strategy ■ Macroeconomic and accounting matters ■ Financial regulation ■ Credit matters ■ Business model and customer base 	<p>Qualifications:</p> <ul style="list-style-type: none"> ■ Management, HR and strategy ■ Macroeconomic and accounting matters ■ Financial regulation ■ Credit matters ■ Business model and customer base
<p>Shareholding: 0</p>	<p>Shareholding: 1</p>	<p>Shareholding: 0</p>	<p>Shareholding: 2</p>
<p>Remuneration (DKK '000): 203</p>	<p>Remuneration (DKK '000): 110</p>	<p>Remuneration (DKK '000): 110</p>	<p>Remuneration (DKK '000): 110</p>

BOARD OF DIRECTORS, CONTINUED			
JOHN MARKUSSEN	JESPER PEDERSEN	YVONNE HANSEN	LASSE THORN
			
Born in 1957. Employee-elected member of the Board of Directors since 1997.	Born in 1979. Employee-elected member of the Board of Directors since 2014.	Born in 1964. Employee-elected member of the Board of Directors since 2016.	Born in 1975. Employee-elected member of the Board of Directors since 2014.
Union consultant at A/S Arbejdernes Landsbank	Financial advisor at A/S Arbejdernes Landsbank	Pension Manager at A/S Arbejdernes Landsbank	Shop Steward at A/S Arbejdernes Landsbank
			Member of the Board of Directors of: HK/Privat
Qualifications: <ul style="list-style-type: none"> ■ Management, HR and strategy ■ Macroeconomic and accounting matters ■ Market risk and liquidity ■ Financial regulation ■ Credit matters ■ Business model and customer base ■ Operational risks and IT 	Qualifications: <ul style="list-style-type: none"> ■ Management, HR and strategy ■ Macroeconomic and accounting matters ■ Market risk and liquidity ■ Financial regulation ■ Credit matters ■ Business model and customer base ■ Operational risks and IT 	Qualifications: <ul style="list-style-type: none"> ■ Management, HR and strategy ■ Market risk and liquidity ■ Financial regulation ■ Business model and customer base ■ Operational risks and IT 	Qualifications: <ul style="list-style-type: none"> ■ Management, HR and strategy ■ Macroeconomic and accounting matters ■ Market risk and liquidity ■ Financial regulation ■ Credit matters ■ Business model and customer base ■ Operational risks and IT
Shareholding: 11	Shareholding: 1	Shareholding: 1	Shareholding: 1
Remuneration (DKK '000): 136	Remuneration (DKK '000): 136	Remuneration (DKK '000): 110	Remuneration (DKK '000): 136

DRAFT NOMINATED FOR ELECTION ON BOARD

CHRISTIAN RIEWE



Born in 1975.

Lawyer (H)
Partner, Law Firm Børst

Member of the Board of Directors of:

Rute Danmark ApS (Chairman)
Workz A/S (Vice Chairman)
Schmidts Turist A/S
Friis-Holm Chokolade A/S (Chairman)
KLC A/S
Vikingbus A/S
Brønnums (Turistfart) A/S (Chairman)

Qualifications:

- Management, HR and strategy
- Macroeconomic and accounting matters
- Financial regulation
- Credit matters
- Business model and customer base

Shareholding:

0

EXECUTIVE

GERT R. JONASSEN



Member of the Board of Directors of:

AL Finans A/S (Chairman)
Finanssektorens Uddannelsescenter (Næstformand)
Foreningen Bankernes EDB Central (Chairman)
Kooperationen
LR Realkredit A/S (Vice Chairman)
PensionDanmark Holding A/S
PensionDanmark A/S
Pras A/S
Regionale Bankers Forening (now: Landsdækkende Banker)
Totalkredit A/S

Member of the Executive Management of:

Handels ApS Panoptikon

Shareholding:

0

Remuneration from the Bank:

DKK '000
3,381

JAN W. ANDERSEN



Member of the Board of Directors of:

AL Finans A/S
Arbejdsmarkedets Tillægspension – ATP
BI Holding A/S
Forvaltningsinstituttet for Lokale Pengeinstitutter (Vice Chairman)
Lønmodtagernes Garantifond
Arbejdsmarkedets Fond for Udstationerede, AFU

Shareholding:

0

Remuneration from the Bank:

DKK '000
3,095

Risk management

General

Arbejdernes Landsbank is exposed to various types of risk and considers risk management an essential focus area for the Board of Directors, the Executive Management and the authorising units.

The Board of Directors regularly assesses the overall risk and the individual risk factors linked to Group activities. The Board of Directors adopts guidelines for the most important risk areas, monitors developments and ensures that there are plans to manage and follow up individual risk factors, including business and financial risks, compliance, audit plans, insurance and environmental aspects as well as compliance with competition legislation.

Overall responsibility for the Group's risk management and control in connection with financial reporting is placed with the Board of Directors and the Executive Management as well as in the Audit and Risk Committee set up by the Board of Directors, which has the necessary competencies pursuant to internal control and risk management regarding the process of financial reporting.

The Executive Management is responsible for ongoing risk management, including identifying and assessing individual risks associated with the Group's business activities.

Following an order from the Danish Financial Supervisory Authority regarding the need to enhance the risk and compliance areas, in 2016 the Group set up an independent Risk and Compliance unit. The tasks of the new department include ensuring compliance with frameworks and policies and ensuring that these are in accordance with legislation. The new department is also to ensure that the Executive Management and the Board of Directors receive frequent and relevant risk reporting at Bank and Group levels, and that such reporting is uniform and provides the overall view necessary to manage the Group's overall risk exposure.

Special issues of a cross-sectoral nature are treated by a Risk and Balance-Sheet Management Committee set up by the Executive Management and including the Executive Management as well as the experts responsible for risk.

Similarly, the Audit and Risk Committee established by the Board of Directors deals with individual risk areas in a frequent process which also includes possibilities to discuss extremely urgent or especially relevant matters.

The most important types of risk for the Group:

Credit risk is the risk that a counterparty is wholly or partly unable to, or fails to make payments.

Market risk is the risk of losses due to changes in market value of assets or liabilities as a result of changes in market conditions, including interest-rate changes.

Liquidity risk is the risk of losses due to failure to honour payment obligations by means of normal liquidity reserves. This includes the risk that, due to insufficient cash resources, the Group is prevented from making new deals and is ultimately unable to honour its obligations, while there is also the risk of losses due to disproportionately high increases in financing cost.

Operational risk is the risk of losses due to inadequate or erroneous internal processes, human errors or system errors.

The Group issues a risk report, which is available in English on the Bank's website: al-bank.dk/risiko_csr.

Benchmarks from the Danish Financial Supervisory Authority

As part of their monitoring of the financial sector and on the basis of a risk-based approach, the Danish FSA has laid down a set of selected financial ratios in the form of five benchmarks which are only utilised at bank level. The Danish FSA expects the Bank's Board of Directors to plan and implement the Bank's strategy to counteract any breaches, if the Bank is to prevent any supervisory reaction.

As in previous years, the Bank was also within the Danish FSA's limit values in 2016.

Benchmarks from the Danish FSA *)	Limit values	The Bank
Stable funding	< 1	0.6
Excess liquidity	> 50	191.8
Large exposures	< 125	0.0
Lending growth	< 20	6.2
Property exposures	< 25	5.0

*) The definition of the financial ratios is explained in note 43.

Stable funding means that loans must not exceed working capital. With a financial ratio of 0.6, the Bank has a good margin to the critical value of 1.

Excess liquidity is expressed as a key ratio and for the Bank amounts to 191.8%, which is far from the critical value, according to which excess cover must be at least 50% above the statutory requirement.

The Bank has no exposures falling under the definition of "large exposures". In 2018, this financial ratio will be replaced by a new ratio which measures the Bank's 20 largest exposures. At 67% the Bank is well within the future limit value of 175%.

Growth in lending excluding repurchase agreements must stay below a maximum of 20%. With moderate growth of 6.2% in 2016, the Bank is far from this critical value.

The Bank's property-related exposures before impairment charges amounted to 5.0% and the Danish FSA has set this critical value at a maximum 25%.

Capital management

Arbejdernes Landsbank actively manages its capital in relation to the CRR Regulation and the risk profile selected by the Group. The overall balance-sheet composition and assessment of risk are a fixed item for discussion at meetings of the Bank's Risk and Balance Sheet Management Committee held prior to each meeting of the Board of Directors and sometimes more often, if required. The Risk and Balance Sheet Management Committee is composed of participants from the Executive Management, management of the Credit Department, the Financial Department, the Treasury Division and Risk and Compliance.

The balance-sheet composition takes into account an assessment of existing and expected future risk and uncertainty. In 2017 the Group will also take into account the funding composition so that this matches the requirements for a minimum share of long-term debt obligations stipulated by the Danish FSA for a bank of the size of Arbejdernes Landsbank, referring to the provisions in the Executive Order on Winding Up (Afviklingsbekendtgørelsen). Pursuant to this, through its funding structure, a credit institution must contribute to ensuring optimum conditions for the government, in the form of the Danish FSA and the Financial Stability Company, to carry out a financial reconstruction of the institution through a necessary reconstruction of a failing institution.

The policy of the Board of Directors is that the Bank and the Group should have a capital ratio such that the Group can continue loan activities in periods with tough market conditions. Therefore the capital must be of such robustness that the statutory capital requirements can be met at any time, and such that it can counteract unexpected losses and changes in risks to which the Group has decided to be exposed.

To calculate the capital ratio in Pillar 1, the Bank applies the standard method for credit and market risks and the basic indicator approach for operational risks. The Group regularly assesses its need to improve risk management, but the Group sees no immediate need to apply more advanced models for calculation of the capital ratio.

The Group actively applies the calculation of the individual solvency need as an indicator for whether there is a sufficient safety margin in relation to the capital ratio. In accordance with guidelines set out by the Danish FSA for credit institutions, the Group has prepared a recovery plan and contingency plans for improving the capital ratio etc. if the limit values adopted are threatened or transgressed.

Process of financial reporting

The Board of Directors and Executive Management hold overall responsibility for the Bank's internal control and risk management in connection with the process of financial reporting, including compliance with relevant legislation and other regulation in relation to financial reporting. The Bank's risk management and internal control systems can only establish reasonable, but not absolute, certainty regarding prevention of material errors and omissions in financial reporting.

At least once a year, through the Audit and Risk Committee, the Board of Directors assesses the organisational structure, risk of fraud as well as the internal rules and guidelines. The Board of Directors and the Executive Management lay down and approve overall procedures in important areas in connection with the process of financial reporting. The Board of Directors has adopted procedures etc., for important areas within financial reporting, and these procedures are available to the whole organisation. Compliance is tightened regularly and there is regular sample follow-up of compliance.

The Executive Management regularly monitors compliance with relevant legislation and other regulations and provisions in connection with financial reporting and reports to the Board of Directors.

Audit

In compliance with rules for supervised financial undertakings, the Group has elected an independent audit firm, Deloitte, to manage the external audit. The Group also has an internal audit function, in which the chief internal auditor is appointed by and reports to the Board of Directors. The framework for work by the Internal Audit function is described in the internal audit charter established between the Board of Directors and the Internal Audit function, as well as the audit agreement approved by the Board of Directors between the Internal Audit function and the external auditors.

The auditors report directly to the Board of Directors at Board meetings as well as in the audit book. Accounting policies for the most important areas are reviewed in connection with the review of the annual report, and the Board of Directors and the auditors discuss observations from the audit.

Prior to the annual general meeting, the Board of Directors conducts a critical assessment of the competencies, independence etc. of the auditors, as recommended by the Audit and Risk Committee. After this, the Board of Directors recommends an independent auditor to the General Meeting. The external, elected auditors are responsible for safeguarding the interests of the shareholders and the public.

Accounting estimates and assessments

The calculation of the carrying amount of certain significant assets and liabilities requires estimates, assessments and assumptions about future events, see note 2. In each case, estimates and assessments applied are based on the Group's historical experience and other factors deemed prudent by the management, but which are by their nature uncertain and unpredictable. Assumptions for these can be incomplete or inaccurate. Future events or circumstances may arise which were not forecast at the time of the estimation. Accordingly, estimates and assessments are difficult to make, and if estimates also involve customer relationships and outstanding accounts with other counterparties, these will be associated with significant uncertainty, not least in periods with low business activity. Therefore, it may be necessary to change estimates made previously, either because of new information, further experience or subsequent events.

Events after expiry of the accounting period

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

Overview of the development of the Bank

Year	Share capital DKK '000	Equity DKK '000	Total deposits DKK '000	Total loans DKK '000	Balance sheet DKK '000	Dividend
1919	2,028	2,053	8,467	6,171	10,845	2%
1924	2,980	3,113	32,097	27,333	35,743	0%
1929	3,000	3,153	34,549	27,147	38,117	0%
1934	4,000	5,809	54,701	30,476	60,895	5%
1939	5,748	8,298	79,122	53,820	90,975	5%
1944	6,068	10,383	112,733	39,593	132,318	5%
1949	9,000	14,656	148,210	106,992	185,173	5%
1954	12,268	20,029	236,362	166,498	280,877	5%
1959	20,000	34,361	324,455	208,054	396,974	5%
1964	27,480	51,194	512,412	391,147	687,722	5%
1969	73,245	132,224	1,112,641	859,137	2,020,207	8%
1974	84,010	189,609	1,416,860	1,055,938	1,952,346	8%
1979	155,000	386,378	3,302,869	2,042,200	4,138,430	8%
1984	250,000	1,065,326	7,159,989	4,113,046	9,193,014	10%
1985	300,000	1,259,777	8,892,844	4,849,759	11,895,334	10%
1986	300,000	1,169,252	12,332,646	6,120,481	15,767,884	10%
1987	300,000	1,178,692	9,204,051	6,689,158	13,148,580	10%
1988	300,000	1,114,226	9,739,026	6,841,645	13,568,986	10%
1989	300,000	1,038,432	8,874,509	6,816,247	12,114,390	5%
1990	300,000	1,127,053	9,604,343	7,246,667	13,190,238	5%
1991	300,000	1,141,123	10,066,171	7,589,772	13,503,811	7%
1992	300,000	910,226	9,518,135	6,321,741	11,909,442	0%
1993	300,000	1,017,069	9,810,743	5,915,726	12,056,005	6%
1994	300,000	978,775	9,497,094	5,980,578	13,019,924	6%
1995	300,000	1,107,773	9,366,550	6,120,781	12,481,734	8%
1996	300,000	1,244,261	9,509,461	5,954,845	12,992,751	8%
1997	300,000	1,253,927	8,600,579	6,253,048	13,593,738	8%
1998	300,000	1,324,771	9,073,724	6,129,112	13,634,397	9%
1999	300,000	1,366,063	8,703,307	5,767,079	13,304,523	8%
2000	300,000	1,447,765	8,647,361	6,612,586	14,694,356	8%
2001	300,000	1,517,595	9,462,569	6,798,638	13,584,198	8%
2002	300,000	1,572,733	9,931,401	6,718,055	12,966,789	8%
2003	300,000	1,776,367	10,064,125	7,243,911	14,818,457	35%
2004	300,000	1,985,181	11,172,086	7,995,438	17,632,336	18%
2005	300,000	2,577,002	11,901,912	9,147,135	20,155,354	15%
2006	300,000	2,826,009	12,635,413	11,158,237	22,266,046	20%
2007	300,000	2,951,311	14,575,944	13,255,086	25,721,904	20%
2008	300,000	2,847,539	19,079,536	17,401,113	31,819,407	0%
2009	300,000	2,939,710	21,406,246	16,954,659	30,512,085	0%
2010	300,000	3,118,224	20,942,449	16,917,430	32,344,168	8%
2011	300,000	3,157,260	22,932,631	16,948,118	34,570,204	8%
2012	300,000	3,607,213	24,100,569	17,687,171	36,773,174	35%
2013	300,000	3,929,360	28,134,619	18,051,773	37,567,966	20%
2014	300,000	5,049,098	29,640,537	18,201,929	40,060,265	15%
2015	300,000	5,279,627	32,314,448	19,637,109	41,978,320	10%
2016	300,000	5,681,749	34,204,463	20,850,047	44,340,267	10%



Statements and reports

Statement by management

Today, the Board of Directors and Executive Management presented and approved the consolidated financial statements and financial statements of Aktieselskabet Arbejdernes Landsbank for the financial year 1 January to 31 December 2016.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as approved by the EU, and the financial statements of the Bank are presented in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Credit Institutions and Investment Companies etc. The management's report has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the financial statements give a fair presentation of the assets, liabilities and financial position of the Group and of the Bank as at 31 December 2016, and of the results of the activities of the Group and the Bank and the cash flows of the Group for the financial year 1 January to 31 December 2016.

In our opinion, the management's report provides a true and fair view of the developments of the activities and financial situation, results for the year and financial position of the Group and of the Bank, as well as a description of the most significant risks and uncertainty factors that may influence the Group and the Bank.

We recommend the annual report for approved at the annual general meeting.

Copenhagen, 14 February 2017

Executive Management:

Gert R. Jonassen
CEO

Jan W. Andersen

Bestyrelsen:

Per Christensen
Chairman

Kim Lind Larsen

Yvonne Hansen

Claus Jensen
Vice Chairman

Torben Möger Pedersen

John Markussen

Lars Andersen

Lizette Risgaard

Jesper Pedersen

Mette Kindberg

Ole Wehlast

Lasse Thorn

Internal auditor's report

Report of the consolidated financial statements and the parent financial statements

Opinion

In our opinion the consolidated financial statements and the parent financial statements of Aktieselskabet Arbejdernes Landsbank give a true and fair view of the Group's and the Bank's assets, liabilities and financial position as at 31 December 2016 and of the results of the Group's and the Bank's activities and the Group's cash flows for the financial year 1 January to 31 December 2016, in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, and in accordance with the Danish Financial Business Act in respect of the parent financial statements.

Basis for opinion

We have audited the consolidated financial statements and the parent financial statements for Aktieselskabet Arbejdernes Landsbank for the financial year 1 January to 31 December 2016, comprising income statement and statement of comprehensive income, balance sheet, statement of capital, cash flow statement and notes, including accounting policies for the Group and the Bank. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the parent financial statements have been prepared in accordance with the Danish Financial Business Act.

We have conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as financial groups, and pursuant to the international auditing standards and further requirements stipulated by Danish auditing legislation. This requires that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the consolidated financial statements and parent financial statements are free from material misstatement.

Our audit has been planned and performed such that we have assessed procedures and internal control procedures, including the risk management organised by management relevant to reporting processes and significant business risks.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in

the consolidated financial statements and the parent financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement in the consolidated financial statements and the parent financial statements, whether due to fraud or error. In making risk assessments, the auditor considers internal controls relevant to the company's preparation and fair presentation of the consolidated financial statements and the parent financial statements. The purpose is to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the parent financial statements.

Our audit has included the material areas of risk, and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Statement on the management's report

Our opinion on the consolidated financial statements and the parent financial statements does not include the management's report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management's report and, in doing so, consider whether the management's report is materially inconsistent with the consolidated financial statements, the parent financial statements or our knowledge obtained in connection with our audit, or otherwise appears to be materially misstated.

Moreover, we are responsible for considering whether the management's report includes the information required in accordance with the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management's report has been prepared in accordance with the Danish Financial Business Act, and that the information in the management's report is consistent with the consolidated financial statements and the parent financial statements. We did not identify any material misstatement of the management's report

Copenhagen, 14 February 2017

Christoffer Max Jensen
Chief Audit Executive

Independent auditor's report

To the shareholders of Aktieselskabet Arbejdernes Landsbank

Opinion

We have audited the consolidated financial statements and the parent financial statements of Aktieselskabet Arbejdernes Landsbank for the financial year 1 January – 31 December 2016, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent financial statements in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2016 and the results of their operations and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements and in accordance with the Danish Financial Statements Act in respect of the parent financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Central matters related to the audit

Central matters related to the audit are the matters which, according to our professional judgment, were

most significant in our audit of the consolidated financial statements and the financial statements for the financial year 1 January to 31 December 2016. These matters were dealt with as part of our audit of the consolidated financial statements and the financial statements as a whole, and in the preparation of our opinion on the consolidated financial statements and the financial statements. We express no separate opinion on these matters.

Impairments on loans

The determination of the need for impairment charges on loans is associated with estimates and assessments. Due to their materiality, impairments on loans are a central matter in the audit.

Lending by the Group and by the Bank constituted DKK 20,951 mill. and DKK 20,850 mill., respectively, and impairments on loans in the Group and in the Bank constituted DKK 1,375 mill. and DKK 1,367 mill., respectively, as at 31 December 2016.

The principles for calculating the need for impairment charges are described in the accounting policies, and in Note 44 management provides a more detailed description of credit risk management, and of assessments of the need for impairment charges.

We have assessed that the following areas are particularly associated with estimates, and they have consequently called for more attention in connection with our audit:

- Assessment of whether loans have objective evidence of impairment
- Valuation of collateral included in the calculation of the need for impairment charges
- Supplementary estimates by management

Audit treatment

We have audited measurements of loans, including impairments on loans. Our audit included a review of relevant business procedures, tests of controls and analyses of the size of impairment charges.

Furthermore, our auditing actions included:

- Tests on the Group's and the Bank's internal controls to identify loans associated with evidence for risks of losses
- A critical approach to methods related to statistical models and areas requiring estimates, based on our

knowledge and experience of the sector, including a review of changes compared to last year

- An assessment of changes counter to trends in the sector and historical observations in assumptions regarding areas requiring estimates
- A risk-based test of exposures to ensure timely identification of loans associated with objective evidence of impairment, and to ensure appropriate impairment charges on such loans
- Obtaining audit evidence of supplementary estimates by management

In the course of our audit, we have not identified material weaknesses in the Group's or the Bank's overall methods for monitoring the risk of losses on loans, and it is our assessment that material assumptions by management regarding accounting estimates and assessments comply with the accounting regulations.

Statement on the management's report

Management is responsible for the management's report.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management's report, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management's report and, in doing so, consider whether the management's report is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management's report provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management's report is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management's report.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial

statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements and in accordance with the Danish Financial statements Act in respect of the parent financial statements, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also submit a statement to senior management expressing that we comply with all ethical requirements regarding independence, and we inform senior management about any relationships or other matters that could reasonably be expected to affect our independence, and, where relevant, any preventive measures taken.

Based on the matters communicated to senior management, we decide which matters were most significant in our audit of the consolidated financial statements and the financial statements for the current period. These matters constitute central matters in the audit. We describe these matters in our auditors' report, unless legislation or other regulations prevent such matters from being disclosed to the public, or unless, in very rare cases, we conclude that the matter should not be communicated in our auditors' report because the negative consequences of this could reasonably be expected to outweigh the benefits of disclosing such matter to the public.

Copenhagen, 14 February 2017

DELOITTE

STATSAUTORISERET REVISIONSPARTNERSKAB
CVR NO. 33 96 35 56

CHRISTIAN DALMOSE PEDERSEN
*State-Authorised Public
Accountant*

THOMAS HJORTKJÆR PETERSEN
*State-Authorised Public
Accountant*



Financial statements and consolidated financial statements

Income statement, Comprehensive income and Distribution of profit

Note	Group		Bank		
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000	
Income statement					
5	Interest income	1,327,084	1,365,996	1,213,874	1,255,642
6	Interest expenses	-82,448	-112,956	-82,283	-112,788
	Net interest income	1,244,636	1,253,040	1,131,591	1,142,854
	Dividends from shares etc.	45,483	52,163	45,482	52,163
7	Fees and commission income	612,221	567,408	549,459	515,909
7	Fees and commissions paid	-76,205	-50,137	-29,695	-6,190
	Net interest and fee income	1,826,135	1,822,474	1,696,837	1,704,736
8	Value adjustments	-70,933	-240,542	-71,275	-241,015
	Other operating income	122,100	107,570	36,209	41,499
9	Staff and administration expenses	-1,214,048	-1,195,059	-1,130,421	-1,111,514
	Amortisation/depreciation as well as impairment charges on intangible assets and property, plant and equipment	-110,103	-66,126	-34,524	-15,029
10	Other operating expenses	-48,633	-98,012	-45,991	-98,012
11	Impairments on loans and receivables etc.	-55,674	-102,900	-49,401	-98,991
16, 17	Profit from equity investments in associates and group companies	65,150	102,421	99,989	135,497
	Profit before tax	513,994	329,826	501,423	317,171
12	Tax	-94,578	-45,459	-82,007	-32,804
	Profit for the year	419,416	284,367	419,416	284,367
	Broken down by:				
	Shareholders of Arbejdernes Landsbank	352,902	217,241	352,902	217,241
	Holders of Additional Tier 1 instruments	66,514	67,126	66,514	67,126
	Profit for the year	419,416	284,367	419,416	284,367
Comprehensive income					
	Profit for the year	419,416	284,367	419,416	284,367
	Other comprehensive income which cannot be reclassified to the income				
	Change in the revalued amount of owner-occupied properties	64,610	42,648	64,610	42,648
	Other comprehensive income	64,610	42,648	64,610	42,648
	Comprehensive income	484,026	327,015	484,026	327,015
Distribution of profit					
	Comprehensive income for the year broken down by				
	Shareholders of Arbejdernes Landsbank				
	Revaluation reserves	64,610	42,648	64,610	42,648
	Other reserves	37,045	77,756	71,884	110,830
	Retained earnings	285,857	109,485	251,018	76,411
	Proposed dividend	30,000	30,000	30,000	30,000
	Shareholders of Arbejdernes Landsbank in total	417,512	259,889	417,512	259,889
	Holders of Additional Tier 1 instruments	66,514	67,126	66,514	67,126
	Comprehensive income	484,026	327,015	484,026	327,015

Balance sheet as at 31 December

Note	Group		Bank		
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000	
Assets					
	Cash in hand and demand deposits with central banks	876,866	757,142	876,865	757,133
11, 13	Receivables from credit institutions and central banks	1,876,168	644,285	1,863,684	643,893
11, 14	Loans and other receivables at amortised cost	20,951,136	19,768,336	20,850,047	19,637,109
15	Bonds at fair value	15,207,800	15,401,974	15,207,800	15,401,974
	Shares etc.	1,328,188	1,083,859	1,328,188	1,083,859
16	Equity investments in associated companies	0	841,046	0	841,046
17	Equity investments in group companies	0	0	258,064	223,226
18	Assets linked to pooled schemes	2,056,027	1,551,741	2,056,027	1,551,741
19	Intangible assets	12,713	13,813	0	7,997
20	Total land and buildings	983,400	901,175	983,400	901,175
	Investment properties	35,413	0	35,413	0
	Owner-occupied properties	947,987	901,175	947,987	901,175
21	Other property, plant and equipment	250,978	198,464	63,467	69,057
	Current tax assets	12,972	16,694	28,375	28,923
22	Deferred tax assets	4,238	4,397	18,541	21,532
23	Other assets	837,723	852,969	781,496	786,300
	Prepayments and accrued income	27,609	34,494	24,313	23,355
	Total assets	44,425,818	42,070,389	44,340,267	41,978,320
Equity and liabilities					
Liabilities					
24	Debt to credit institutions and central banks	3,271,354	3,258,214	3,271,354	3,258,214
25	Deposits and other debt	32,149,727	30,762,236	32,148,436	30,762,707
	Deposits in pooled schemes	2,056,027	1,551,741	2,056,027	1,551,741
26	Issued bonds at amortised cost	0	250,000	0	250,000
27	Other liabilities	871,331	656,552	791,061	564,012
	Other non-derivative financial liabilities at fair value	263,148	174,709	263,148	174,709
	Prepayments and accrued income	23,292	22,170	23,292	22,170
	Total liabilities	38,634,879	36,675,622	38,553,318	36,583,553
28	Provisions				
	Guarantee loss provisions	30,520	35,109	30,520	35,109
	Other provisions	78,670	80,031	74,680	80,031
	Total provisions	109,190	115,140	105,200	115,140
Equity					
29, 30	Share capital	300,000	300,000	300,000	300,000
	Revaluation reserves	365,689	306,282	365,689	306,282
	Other reserves	0	690,535	245,233	900,929
	Reserve under the equity method	0	690,535	245,233	900,929
	Retained earnings or losses	4,137,084	3,103,811	3,891,851	2,893,418
	Proposed dividend	30,000	30,000	30,000	30,000
	Shareholders of Arbejdernes Landsbank	4,832,773	4,430,628	4,832,773	4,430,628
31	Holders of Additional Tier 1 instruments	848,976	848,999	848,976	848,999
	Total equity	5,681,749	5,279,627	5,681,749	5,279,627
	Total equity and liabilities	44,425,818	42,070,389	44,340,267	41,978,320

Statement of capital

Shareholders of Arbejdernes Landsbank

	Share capital	Revaluation reserves	Other reserves	Retained earnings	Dividends	Total	Additional Tier 1 capital	Total
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Group 2016								
Equity brought forward for 2016	300,000	306,282	690,535	3,103,812	30,000	4,430,628	848,999	5,279,627
Profit for the year	0	0	37,045	285,857	30,000	352,902	66,514	419,416
Net revaluation of properties	0	64,610	0	0	0	64,610	0	64,610
Total comprehensive income	0	64,610	37,045	285,857	30,000	417,512	66,514	484,026
Other additions and disposals *)	0	-5,203	-727,580	732,783	0	0	0	0
Dividend paid for 2015	0	0	0	0	-30,000	-30,000	0	-30,000
Paid interest on Additional Tier 1 capital	0	0	0	0	0	0	-66,537	-66,537
Tax	0	0	0	14,633	0	14,633	0	14,633
Total changes in equity	0	59,407	-690,535	1,033,272	0	402,145	-23	402,122
Equity carried forward 2016	300,000	365,689	0	4,137,084	30,000	4,832,773	848,976	5,681,749
Group 2015								
Equity brought forward for 2015	300,000	263,634	612,779	2,978,552	45,000	4,199,965	849,133	5,049,098
Profit for the year	0	0	77,756	109,485	30,000	217,241	67,126	284,367
Net revaluation on property	0	42,648	0	0	0	42,648	0	42,648
Total comprehensive income	0	42,648	77,756	109,485	30,000	259,889	67,126	327,015
Other additions and disposals	0	0	0	0	0	0	50	50
Dividend paid for 2014	0	0	0	0	-45,000	-45,000	0	-45,000
Paid interest on Additional Tier 1 capital	0	0	0	0	0	0	-67,310	-67,310
Tax	0	0	0	15,775	0	15,775	0	15,775
Total changes in equity	0	42,648	77,756	125,260	-15,000	230,664	-134	230,529
Equity carried forward 2015	300,000	306,282	690,535	3,103,812	30,000	4,430,628	848,999	5,279,627

*) Reclassification of DKK 727.6 mill. in connection with the Bank's ownership interest in the insurance company ALKA A/S was reduced to less than 20%, and therefore classified under the item "Shares etc.". The Bank has realised revaluation reserves of DKK 5.2 mill. in connection with property sale.

Statement of capital

Shareholders of Arbejdernes Landsbank

	Share capital DKK '000	Revaluation reserves DKK '000	Other reserves **) DKK '000	Retained earnings DKK '000	Dividends DKK '000	Total DKK '000	Additional Tier 1 capital DKK '000	Total DKK '000
Bank 2016								
Equity brought forward for 2016	300,000	306,282	900,929	2,893,418	30,000	4,430,628	848,999	5,279,627
Profit for the year	0	0	71,884	251,018	30,000	352,902	66,514	419,416
Net revaluation on properties	0	64,610	0	0	0	64,610	0	64,610
Total comprehensive income	0	64,610	71,884	251,018	30,000	417,512	66,514	484,026
Other additions and disposals *)	0	-5,203	-727,580	732,783	0	0	0	0
Dividend paid for 2015	0	0	0	0	-30,000	-30,000	0	-30,000
Paid interest on Additional Tier 1 capital	0	0	0	0	0	0	-66,537	-66,537
Tax	0	0	0	14,633	0	14,633	0	14,633
Total changes in equity	0	59,407	-655,696	998,433	0	402,145	-23	402,122
Equity carried forward 2016	300,000	365,689	245,233	3,891,851	30,000	4,832,773	848,976	5,681,749
Bank 2015								
Equity brought forward for 2015	300,000	263,634	790,099	2,801,232	45,000	4,199,965	849,133	5,049,098
Profit for the year	0	0	110,830	76,411	30,000	217,241	67,126	284,367
Net revaluation on properties	0	42,648	0	0	0	42,648	0	42,648
Total comprehensive income	0	42,648	110,830	76,411	30,000	259,889	67,126	327,015
Other additions and disposals	0	0	0	0	0	0	50	50
Dividend paid for 2014	0	0	0	0	45,000	-45,000	0	-45,000
Paid interest on Additional Tier 1 capital	0	0	0	0	0	0	-67,310	-67,310
Tax	0	0	0	15,775	0	15,775	0	15,775
Total changes in equity	0	42,648	110,830	92,186	-15,000	230,664	-134	230,529
Equity carried forward 2015	300,000	306,282	900,929	2,893,418	30,000	4,430,628	848,999	5,279,627

*) Reclassification of DKK 727.6 mill. in connection with the Bank's ownership interest in the insurance company ALKA A/S was reduced to less than 20%, and therefore classified under the item "Shares etc.". The Bank has realised revaluation reserves of DKK 5.2 mill. in connection with property sale.

**) Includes reserve for net revaluation according to the equity method for group companies.

Cash flow statement *)

Note	Group	
	2016 DKK '000	2015 DKK '000
Profit before tax for the year	513,994	329,826
Adjustment for non-cash operating items		
Depreciation, amortisation and impairment charges on intangible assets	16,733	12,289
Depreciation, amortisation, impairment charges and revaluations of property, plant and equipment	93,361	53,837
Loan impairment charges etc.	55,674	102,900
Corporation tax paid	-90,697	-41,221
Profit for the year adjusted for non-cash operating items	589,065	457,631
Loans and receivables with credit institutions, etc.	-1,143,947	-1,462,182
Bonds and shares	228,015	-852,869
Deposits and debt to credit institutions, etc.	1,904,917	3,121,365
Other non-derivative financial liabilities at fair value	88,439	-1,377,919
Other assets and liabilities	-351,739	-813,200
Change in working capital	725,685	-1,384,805
Cash flows from operating activities	1,314,750	-927,174
Sales of equity investments in associates **)	562,876	0
Purchases of intangible assets	-15,634	-1,018
Sales of intangible assets	1	3,893
Purchases of property, plant and equipment	-237,226	-104,200
Sales of property, plant and equipment	73,736	29,701
Cash flows from investment activities	383,753	-71,624
Repayment of issued bonds	-250,000	-12,158
Additional Tier 1 capital sold	0	50
Paid interest on equity instruments	-66,537	-67,310
Dividend paid	-30,000	-45,000
Cash flows from financing activities	-346,537	-124,418
Cash flows for the year	1,351,966	-1,123,216
Cash and cash equivalents brought forward	1,388,068	2,511,284
Change in cash and cash equivalents for the year	1,351,966	-1,123,216
Cash and cash equivalents carried forward	2,740,034	1,388,068
Cash and cash equivalents carried forward		
Cash in hand and demand deposits with central banks	876,866	757,142
Receivables from credit institutions and central banks with a term to maturity of less than three months	1,863,168	630,926
Cash and cash equivalents carried forward	2,740,034	1,388,068

*) Includes value adjustments of security and currency forward transactions.

**) The Bank's ownership interest in ALKA was reduced to less than 20%. The ownership interest in ALKA has subsequently been classified under the item "Shares etc.".

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Note 1

Accounting policies**GENERAL**

The consolidated financial statements of Arbejdernes Landsbank have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The Financial statements of the Parent Company have been prepared in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Credit Institutions, etc., as well as guidelines issued by the Danish FSA. Further Danish disclosure requirements are stipulated in the IFRS Executive Order for Financial Undertakings issued pursuant to the Danish Financial Business Act.

The annual report is presented in Danish kroner (DKK), which is the presentation currency for the Group's activities and the functional currency of the Parent Company, and rounded off to the nearest DKK 1,000.

To further increase visibility and to reduce the number of disclosures in the notes, where amounts as well as qualitative information are assessed as insignificant for the user, such information has been omitted.

Implementation of new and changed standards as well as interpretation contributions

Implementation of new and amended standards and interpretation contributions effective from 1 January 2016 has not led to changes in accounting policies.

Standards and interpretation contributions not yet entered into force

At the time of publication of this annual report, a number of new or changed standards and interpretation contributions had not yet entered into force, and therefore these have not been incorporated in these consolidated financial statements. The Group does not expect to implement the new accounting standards and interpretation contributions until they become mandatory. Changes of relevance to the consolidated financial statements are listed below:

Standard/ Amendment	Issued	Effective date	Approved
Amendments with effect on financial statements for the 2017			
Amendments to IAS 7, Disclosure initiative (Disclosure regarding financing activities)	Jan. 2016	1.1.2017	No
Amendments to IAS 12, Recognition of deferred tax assets for unrealised	Jan. 2016	1.1.2017	No
<i>Annual Improvements to IFRS 2014-2016 Cycle</i>	Dec. 2016	1.1.2017	No
Amendments entering into force in 2018 or later			
IFRS 15, Revenue from contracts with customers	May 2014	1.1.2018	Yes
IFRS 9, Financial Instruments	Juli 2014	1.1.2018	Yes
Amendments to IFRS 15, Clarifications (Identification of performance obligations, agent vs. principle, licences)	April 2016	1.1.2018	Yes
<i>Annual Improvements to IFRS 2014-2016 Cycle</i>	Dec. 2016	1.1.2018	No
Amendments to IAS 40, Transfers of investment	Dec. 2016	1.1.2018	No
IFRIC 22, Foreign currency transactions and advance consideration	Dec. 2016	1.1.2018	No
IFRS 16, Leases	Jan. 2016	1.1.2019	No

Apart from these changes, no new standards or interpretation contributions are expected to have any significant influence on the presentation of the Group's financial statements.

IFRS 9 replacing IAS 39 Financial instruments: Recognition and measurement, substantially reforms applicable rules on classification and measurement of financial assets, impairments, and, to some extent, the rules on hedge accounting.

IFRS 9 is mandatory for financial years beginning on or after 1 January 2018, and allows for earlier implementation. The Group plans to implement IFRS 9 in the financial year 2018 without adjusting comparative figures, in accordance with the transitional provisions of the standard.

IFRS 9 rules regarding financial instruments stipulate the following:

IFRS 9 – Classification and measurement

IFRS 9 changes the classification of financial assets so that classification depends on

I: The undertaking's business model for managing the financial asset

II. The cash flows generated by the asset

When implementing IFRS 9, financial assets must be classified according to one of the following four categories:

1. Amortised cost
2. Claims measured at fair value through other comprehensive income (FVTOCI)
3. Fair value through profit and loss (FVTPL)
4. Equity instruments measured at fair value through other comprehensive income (FVTOCI)

The categories 'held-to-maturity' and 'financial assets available for sale' have been phased out, but they have never been used by the Group.

Financial assets held for the purpose of generating contractual payments, and for which such contractual payments consist solely of interest and instalments on the outstanding amount, are measured at amortised cost after the time of initial recognition. A typical example in this measurement category is loans.

Financial assets are held in a mixed business model in which some financial assets are held for the purpose of generating contractual payments, whereas others are disposed of. Contractual payments on financial assets consist solely of interest and instalments on the outstanding amount, and are measured at fair value through other comprehensive income after the time of initial recognition. A typical example in this measurement category is bond portfolios forming part of daily liquidity management.

Financial assets not complying with the above business model criteria, or not associated with contractual cash flows consisting solely of interest and instalments on the outstanding amount, are measured at fair value through the income statement after the time of initial recognition. A typical example in this measurement category is financial assets in the trading portfolio.

The application of the IFRS 9 measurement categories for financial assets, based on the business model and on the characteristics of the contractual cash flows, are only expected to result in minor changes relative to the

measurement principles currently applied in financial reporting by the Group.

IFRS 9 - impairments:

With the implementation of IFRS 9, the current 'incurred loss' impairment model will be replaced by an 'expected loss' impairment model. This new expected-loss impairment model implies that, at the time of its initial recognition, the financial asset will be written down by an amount corresponding to the expected credit loss over a 12-month period (stage 1). If, subsequently, the credit risk of the asset increases significantly relative to the time of initial recognition, the value of the asset will be written down by an amount corresponding to the expected credit loss for the remaining term of the asset (stage 2). If the asset is found to be impaired (stage 3), its value will be written down by an amount corresponding to the expected credit loss for the remaining term of the asset, but based on a higher probability of loss.

Development work is currently ongoing at BEC (Bankernes EDB Central), a central data centre associated with the Bank, with participation of BEC member institutions and LOPI (Association of Local Banks in Denmark, Savings Banks and Cooperative Banks in Denmark). The aim of the work is to develop an impairment model which is compatible with IFRS 9.

The primary intention of this model is that it will be applied to customers/facilities in stage 1, and a subset of customers/facilities in stage 2. For weak stage 2 customers/facilities and stage 3 customers/facilities, it is expected that the calculation of impairment will be based on a manual, individual assessment of financial assets, and not on a model.

At this point, it is not possible to make a reasonable estimate of the accounting effect of initial application of IFRS 9 with regard to the impairment rules. However, it is generally expected that the new impairment rules for banks will overall lead to increases in impairments, and consequently larger allowance accounts, because according to the new rules, all loans and guarantees will be associated with impairment corresponding to the expected credit loss over a 12-month period, or the expected credit loss for the remaining term of the asset. However, phasing out of collective impairment charges according to current rules is expected to partly limit the effect of IFRS 9.

The management expects that the work on establishing new procedures and systems, and on calculating expected losses for a 12-month period and expected losses for the

remaining term of the asset, respectively, will not be completed until the second half of 2017. More detailed information on the effect of IFRS 9 with respect to impairment will be included in the 2017 interim report.

Any negative accounting effect of the new impairment rules in IFRS 9 will, in principle, have a similar effect on own funds.

To counter any unintended effect on own funds, and thereby on banks' capacity to support credit provision, on 23 October 2016, as part of its banking reform package (capital requirement package), the European Commission proposed a 5-year transitional scheme. According to this, any negative influence from the new IFRS 9 impairment rules will not take full effect on own funds until the 5-year period has expired. Consequently, it is the Group's assessment that the effect of IFRS 9 on the capital excess cover will be insignificant when the rules enter into force in 2018, whereas the effect on the capital excess cover going forward will be moderately negative in step with the effect of the transitional scheme being phased out.

IFRS 9 - hedge accounting:

The new rules on hedge accounting broaden the application of hedging rules in order to better align financial reporting by enterprises with their actual risk management.

The changed rules on hedge accounting have no effect on the Group's financial reporting, as all existing hedging relationships already qualify as hedging relationships according to the new rules.

IFRS 15, Revenue from contracts with customers, must be implemented by no later than 1 January 2018, and will replace IAS 11, Construction Contracts, with associated interpretation contributions, and IAS 18 Revenue Recognition. It will comprise a simple, but comprehensive model for recognition of revenue in the form of goods and services.

The effects of the implementation have not yet been analysed, but preliminary investigations show that the standard will only have limited effect on the Group.

IFRS 16 replaces the current standard on leases, IAS 17. IFRS 16 entails that almost all leases must be recognised in the balance sheet of the lessee as a leasing liability and an asset representing the lessee's right to use the underlying asset. A distinction is no longer made between operating and finance leasing.

The Group will implement IFRS 16 in the financial year 2019 by applying the more lenient transitional provisions.

Consequently, there will be no adjustment of comparative figures, and the effect of the implementation will be recognised in retained earnings as at 1 January 2019.

Furthermore, it is expected that the Group will use other more lenient transitional provisions as far as possible, also with respect to leased assets with low value, and leases with a remaining term of less than 12 months as at 1 January 2019.

The management has not completed the analysis of the effect of IFRS 16 on the consolidated financial statements, but does not expect that the standard will have any significant effect on either the balance sheet or on the income statement and related ratios and key figures, because operating leases are only used to a limited extent in the Group.

Apart from the above, accounting policies remained unchanged from previous years and are described below.

Consolidated financial statements

The consolidated financial statements include the financial statements of Aktieselskabet Arbejdernes Landsbank and its subsidiaries, which are controlled by the Parent Company. The consolidated financial statements have been prepared as a consolidation of the financial statements of the Parent Company and subsidiaries, calculated in accordance with Group accounting policies, and with elimination of internal income and expenses, intercompany shareholdings and internal balances.

General on recognition and measurement

Income is recognised in the income statement as it is earned, including value adjustments to financial assets, financial liabilities, and derivative financial instruments. However, increases in the value of the Bank's owner-occupied properties are recognised in other comprehensive income and posted to a separate reserve on equity to the extent that these do not cancel out previous impairment charges. Costs incurred to obtain earnings for the year are recognised in the income statement.

An asset is recognised in the balance sheet when it is probable that future financial benefits will flow to the Group and the value of the asset can be measured reliably. A liability is recognised in the balance sheet when the Group has a legal or actual obligation, and it is probable

that future financial benefits will flow from the Group, and the value of the liability can be measured reliably.

Purchases and sales of financial instruments are recognised on the settlement date. At recognition and measurement, unpredictable risks and losses are taken into account that arise before the annual financial statements are presented, and which confirm or disconfirm conditions that existed on the reporting date. At initial recognition, assets and liabilities are measured at cost, which usually corresponds to fair value at the date of transaction.

However, financial assets and liabilities, including derivative financial instruments are measured at the date of recognition at fair value. Measurements after initial recognition take place as described for each item below. Recognition of assets and liabilities ceases when the right to receive/surrender cash flows from the asset or liability has expired, or when it has been transferred and the Bank has essentially transferred all risks and returns attached to the beneficial ownership.

Financial assets are classified at the date of recognition into the following categories:

- Trading portfolio, which is measured at fair value
- Investment securities and pooled assets with fair value adjustment through the income statement (fair value option).
- Financial assets measured at amortised cost.

Financial liabilities are classified at the date of recognition into the following categories:

- Trading portfolio, which is measured at fair value
- Deposits in pooled schemes with fair value adjustment through the income statement (fair value option)
- Other financial liabilities measured at amortised cost

The trading portfolio includes securities acquired for the purpose of sale or repurchase within a short period of time. Derivative financial instruments are included in the trading portfolio.

Derivative financial instruments

Derivative financial instruments are instruments, the value of which has been derived from the value of an underlying asset, e.g. a security. Derivative financial instruments are measured at initial recognition and subsequently at fair value.

Positive and negative fair values of derivative financial instruments are recognised under other assets or other liabilities, respectively. A change in the fair value of derivative financial instruments is recognised in the income statement under interest income, currency exchange-rate adjustments or value adjustment of derivatives depending on the content of the value change, and are calculated on the basis of current market data and recognised methods of valuation.

Hedge accounting

For certain fixed-interest assets and liabilities measured at amortised cost, interest-rate risk is hedged by derivative financial instruments as part of risk management. Changes in fair value of the hedged asset or the hedged liability attributable to the risk, which is hedged effectively, are recognized in the income statement as value adjustments of other assets or other liabilities.

Repo/reverse transactions

Repo/reverse transactions are measured continuously at amortised cost. Securities sold, for which, at the time of the sale, agreement has been made on repurchase, are recognised in the balance sheet as though the securities were still part of the portfolio (repo transactions). The amount received is entered as debt and the difference between the selling price and the purchase price is recognised in the income statement during the term as interest. The return on the securities is recognised in the income statement. Securities purchased where agreement has been made on sell-back (reverse transactions), are not recognised in the balance sheet and the return is not part of the income statement. The amount paid is recognised as a receivable and the difference between the purchase and selling price is recognised in the income statement as interest during the term.

Foreign currency translation

The consolidated financial statements are presented in DKK, which is also the functional currency of the Bank.

Transactions denominated in foreign currencies are translated in accordance with the exchange rate ruling at the date of transaction. Gains and losses, which arise between the date of transaction and the settlement date, are recognised in the income statement. On the reporting date, monetary assets and liabilities are translated into foreign currency at the exchange rate ruling at the reporting date.

Holdings and balances in foreign currency are disclosed at the exchange rates published by Danmarks Nationalbank

(Denmark's central bank) as at the end of the year as a best estimate of closing rates.

RATIOS AND KEY FIGURES AND FINANCIAL AND OPERATING DATA

Core earnings

Core earnings are defined as net earnings before costs and excluding earnings from investment portfolios.

Core earnings are divided into net trading income and core earnings excluding net trading income.

Net trading income includes commission and extra brokerage fees on trading activities in financial instruments and currency. Net trading income also includes earnings concerning capital management and consultancy services, including commission and fees from investment associations and the Bank's pools and custody fees.

Core profit

Core profit is calculated from the total core earnings after deduction of costs relating to the core earnings.

Investment portfolio earnings, excl. investment securities
Investment portfolio earnings deal with the return on receivables from credit institutions and the portfolio of shares, bonds and derivatives. The results are calculated after expenses for funding and costs.

Investment securities

The profit from investment securities deal with the return on shares and equity investments, which the Bank considers to be sector-related, or which enable the Bank to be part of the infrastructure and cooperate with other financial institutions as an independent credit institution. The results are calculated after expenses for funding.

INCOME STATEMENT

Interest, fees and commissions

Interest income and interest expenses are recognised in the income statement in the period for which they concern. Index adjustments to bonds and price adjustments to zero-coupon bonds are included under interest from bonds. Value adjustments to certificates of deposit issued by Danmarks Nationalbank are included under interest from credit institutions.

The interest element on repo/reverse transactions is included under the respective interest items depending on the counterparty.

Income from finance leases is recognised in the income statement under interest income.

Interest income from loans, which have been wholly or partly written down, is only recognised under interest income at the calculated effective interest rate on the written down value of the loan. Further to this, interest income of the amount written down is recognised under the item "Impairments on loans and receivables etc."

Premium or discount, as well as commission and fees which are regarded as an integral part of the effective interest rate on a loan or long-term funding, are recognised as part of the amortised cost and thus as an integral part of the financial instrument under interest income or interest expenses, respectively.

Commission and fees regarding current interest and capital repayment are accrued during the term.

Other fees are recognised in the income statement when the transaction has been completed. Premiums (net) for forward transactions and interest on swap transactions (net) are included under other interest income.

Staff and administration expenses

Staff expenses include wages and salaries as well as social costs, pensions etc. for the Bank's staff. Long-term staff liabilities are recognised, on a current basis, taking into consideration the expected probability of employees resigning before the date of benefits.

Other operating income and expenses

Other operating income and expenses include items of secondary character in relation to the Bank's activities, including profit/loss incurred from administering real property and selling leasing assets.

Profit or loss from selling leasing assets is calculated as the selling price after deduction of selling costs and the carrying amount of the leasing assets at contract expiry. The Bank's proportionate share of statutory expenses for the Guarantee Fund for Depositors and Investors, as well as Afviklingsformuen under the Financial Stability Company, is also included in the item "Other operating expenses".

Tax

Arbejdernes Landsbank is taxed jointly with its group companies. Current corporation tax is distributed between the companies taxed jointly in relation to the taxable profit of such companies (full distribution with refund in respect

of tax losses). Calculated tax on income for the year and deferred tax is allocated to the individual company.

Tax for the year, which comprises current tax for the year and changes in deferred tax, is recognised in the income statement as the amount attributable to profit/loss for the year, and in other comprehensive income as the amount attributable to items posted to other comprehensive income. This applies to e.g. tax on revaluations of owner-occupied properties and directly in equity with amount attributable to items posted directly to equity.

Current tax liabilities and current tax receivable are recognised in the balance sheet as calculated tax on taxable profit for the year, adjusted for tax paid on account and dividend tax.

Deferred tax is recognised as all temporary differences between carrying amounts and tax bases of assets and liabilities.

Where calculation of tax base can be made according to different taxation rules, deferred tax is measured on the basis of utilisation of the asset planned by the management, as well as planned settlement of the liability.

Deferred tax is measured on the basis of tax regulations and tax rates which will apply at the time when the deferred tax is expected to become current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement.

The Bank pays corporation tax according to the payment of tax on account scheme. To the extent that tax paid on account does not correspond to expected income tax for the year, additions or deductions are included in respect of the difference under interest income and interest expenses, respectively.

BALANCE SHEET

Cash in hand and demand deposits with Danmarks Nationalbank

Cash in hand and demand deposits with central banks are recognised at initial recognition at fair value and subsequently measured at amortised cost.

Receivables from credit institutions, etc.

Receivables from credit institutions and receivables from central banks are recognised at initial recognition at fair value, and subsequently measured at amortised cost. Certificates of deposit are recognised at fair value at initial recognition, and subsequently at amortised cost.

Loans at amortised cost

Loans at amortised cost are recognised at initial recognition at fair value. Subsequently loans at amortised cost are measured under the effective interest-rate method less impairment charges for provision of losses. Front-end fees, which are considered an integral part of the effective interest rate of the loan, as well as premium and discount, are recognised at the carrying amount of the loan and thus recognised as income over the expected term of the loan.

In connection with individual assessments, objective evidence of impairment is ascertained if the debtor is considered to be in considerable financial difficulties, if the debtor has not fulfilled agreements entered into (breach of contract) or if the Bank has granted the debtor easier terms that would not have been considered if it had not been for the financial difficulties of the debtor. In addition, objective evidence of impairment is considered ascertained if it is considered likely that the debtor will go bankrupt or be subject to other financial reconstruction. For fixed-interest loans, discounting is based on the initially determined effective interest rate, and for floating-rate loans discounting is based on the current effective interest rate.

Impairment charges are assessed individually as well as collectively.

Loans which are not subject to individual impairment are included in the calculation of collective impairments carried out on groups of loans which are assumed to have uniform characteristics with regard to customer segment and rating groups. Customers are divided into low-risk, medium-risk and high-risk groups, depending on the customer's rating. If a customer's rating deteriorates, so that the customer is moved to another risk group, this will lead to a collective impairment. The Bank also makes a credit estimate to adjust for events which have occurred and which the model does not take into account, for example, changed behaviour/risk of losses within portfolios with the same characteristics, as well as changes in the economy which are expected to influence customers' future creditworthiness.

Significant loans are always tested for individual impairment.

Provision for unutilised credits and guarantees is recognised under provisions.

See also the comments on credit risk in note 44 on Risk management.

The Group as lessor

Receivables from lessees under finance leases are recognised as loans corresponding to the net investment in leasing contracts. Income from finance leases is accrued over the term of the contract, reflecting a constant periodic return on investment.

An operating lease is defined as a contract that is not a finance lease. Leasing income from operating lease contracts is recognised on a straight-line basis for the current leasing period. Profits and losses from selling leasing assets are recognised as other operating income or other operating expenses.

Bonds and shares, etc.

Bonds and shares, etc. which are traded on active markets, are measured at fair value at initial recognition and subsequent recognition. Fair value is the amount which the securities can be traded in between independent parties. In an active market, the fair value is expressed in a listed price.

In a less active market, the fair value is set by means of a model-calculated value on the basis of observable market data and recognised models, alternatively through price indications from leading market participants. The fair value of called bonds is stated at the present value of the bonds.

Fair value adjustments of bonds and shares, etc. are recognised in the income statement on a current basis.

Pension pool schemes

Yields on funds in pension pool schemes are included as a separate operating item under value adjustments. An adjustment corresponding to the pension pool profits for the participants is also included under value adjustments and thus the results of the pension pool schemes are neutralised in the results of the Group and the Bank for the year.

Equity investments in associates

Equity investments in associates are recognised and measured under the net asset value method (the equity value method) in the consolidated financial statements according to the IFRS, as well as in the parent's financial statements according to the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc., which means equity investments are measured in relation to the proportionate share of the net asset value of the companies. The value change is recognised under equity investments in associates.

Equity investments in group companies

Investments in group companies are recognised and measured at net asset value in the parent's financial statements according to the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. Shares of profit after tax of group companies are recognised in the income statement under profit from equity investments in group companies.

Shares of changes in equity of group companies are recognised directly in equity.

Intangible assets

Intangible assets include software acquired, which is recognised at cost. Cost includes the costs incurred to bring the individual piece of software into use. Software acquired is written off on a straight-line basis over its expected useful life, typically three years.

Unidentifiable intangible assets acquired in connection with takeover are recognised at fair value at the date of the takeover and subsequently amortised over the expected life expectancy, typically 3-10 years.

Investment properties

Investment properties held for the purpose of rental income and/or capital gain are recognised at cost at the time of acquisition, and subsequently measured at fair value. Gains or losses due to changes in the fair value of investment properties are included in the income statement for the period in which they are incurred.

Investment properties are not depreciated. Fair value is calculated on the basis of the returns method, with external experts being used to control the resulting fair value.

Owner-occupied properties

Owner-occupied properties which are about properties and attached fixtures and fittings from where the Group carries out its activity as a credit institution, are recognised at acquisition at cost and are subsequently measured at revalued amount.

Revaluation is carried out at appropriate intervals, and at least once a year, so that the carrying amount is not deemed to differ materially from the fair value of the owner-occupied properties at the balance sheet date. Calculation of fair value is decided on the basis of a rental income achieved by renting on market terms, as well as on internally determined requirements for rates of return on each property. Under special conditions, another method

of valuation may be applied, which reflects the market value of the property. The rate of return requirement for each property is fixed on the basis of the long-term interest-rate, a risk premium and a local allowance. Determination of the local allowance is made on the basis of external advice. As part of the annual valuation, a number of properties are selected for control calculation with regard to local allowance by obtaining a valuation from an independent assessor.

Increases in the revalued amount after tax are recognised directly in other comprehensive income in a separate reserve on equity, unless the increase counteracts a reduction in value that was previously recognised in the income statement.

Owner-occupied properties are depreciated on a straight-line basis over the expected useful life, taking into consideration the anticipated residual value at the expiry of the useful life. The anticipated useful life is assessed as:

Headquarters: 100 years

Owner-occupied properties used to operate branches: 50/75 years

Other owner-occupied properties: 40 years

Other property, plant and equipment

Other property, plant and equipment comprises machinery, fixtures and equipment and IT equipment as well as assets held under an operating lease, measured at cost less accumulated depreciation and any impairment losses.

The cost covers the acquisition price and costs directly related to the acquisition up until the time when the asset is ready for use.

The basis of amortisation is calculated taking into consideration the residual value of the asset and is reduced by any impairment charges. The residual value is determined at the date of acquisition and reassessed annually. If the residual value of the asset exceeds the carrying amount, depreciation ceases. Amortisation is carried out on a straight-line basis, taking into account expected residual value, over the expected useful life of the assets, which is expected to be up to 5 years. Cashpoints, coin counters and registers are assessed to have a longer useful life, however, typically up to ten years. For improvements to rented premises, depreciation is carried out for the term of the rent contract, typically ten years.

Impairment charges on property, plant and equipment and intangible assets

The carrying amounts of property, plant and equipment and intangible assets with determinable useful lives are reviewed on the reporting date to determine whether there is evidence of impairment. If so, the recoverable amount of the asset is calculated to determine any evidence of impairment and the extent of this.

Other assets

This item includes assets which are not placed under other asset items, e.g. positive market values of spot transactions and derivative financial instruments, measured at fair value at initial recognition and at subsequent recognition.

Other receivables, including interest receivables, are measured at initial recognition at fair value and subsequently at amortised cost.

The item also includes assets held temporarily, and comprises acquired properties and equity investments etc. awaiting disposal or settlement within a short period of time, where such disposal is very likely. Assets held temporarily are recognised at the lower of cost and fair value, less costs of sale. The assets are not depreciated from the date at which they are classified as assets held temporarily.

Prepayments and accrued income, assets

Prepayments and accrued income are recognised and measured at cost at initial recognition and subsequently. Prepayments and accrued income under assets primarily comprise prepaid remuneration and salaries.

Debt to credit institutions and deposits, etc.

Debt to credit institutions and central banks is recognised at the date the loan was taken up at the amount received after deduction of any transaction costs. It is subsequently measured at amortised cost.

The Bank applies the value of surplus collateral deposited for outstanding accounts with Danmarks Nationalbank in its calculation of cash resources. The value of the collateral deposited and the surplus collateral is disclosed in a note to the financial statements.

Deposits and other debt comprise debt to individuals and undertakings which are not credit institutions. Deposits and other debt are recognised at amortised cost at initial recognition, and subsequently at fair value.

Other non-derivative financial liabilities at fair value

This item concerns fair value of negative bond holdings arising when, in connection with reverse transactions, the Bank resells bonds received. The bonds received are not recognised in the balance sheet, which means that a resale results in a negative holding.

Other liabilities

This item includes liabilities which are not included under other equity and liability items, e.g. negative market values of spot transactions and derivative financial instruments, measured at fair value at initial recognition as well as at subsequent recognition. Other liabilities, including interest receivables, are measured at initial recognition at fair value and subsequently at amortised cost.

Accruals and deferred income, liabilities

Accruals and deferred income are recognised and measured at cost at initial recognition and subsequently. Accruals and deferred income under liabilities mainly comprise prepaid fees and commissions.

Provisions

Provisions include deferred tax, pension commitments and pension contributions (long-term staff liabilities), provisions for losses on guarantees and value-impaired unutilised credits, and other liabilities which are uncertain with regard to size and date of settlement, when it is probable that the liability will lead to an outflow of financial resources from the Bank and the liability can be measured reliably. The liability is calculated as the present value of the costs necessary to meet the liability.

Pension contributions are provided in the balance sheet when they concern employees with an agreement to terminate employment within the financial year and for whom the Bank has agreed to pay pension contributions until pension age, as well as pension commitments to retired executives and executives who have resigned. The liabilities are expected to be realised within 1-10 years. All liabilities are calculated on the basis of an actuarially calculated capitalised value.

Guarantee loss provisions and value-impaired unutilised credits are treated according to the same rules as characterise impairment tests on loans. These liabilities are expected to be realised within 1-5 years as actual losses or as reversed provisions due to lack of objective evidence of impairment.

Other provisions primarily deal with anniversary bonuses which are successively recognised on the basis of an estimate of employees, which are expected to obtain a right to anniversary bonus. This liability is expected to be realised within 1-40 years as the individual employees earn the right to an anniversary bonus.

Subordinated debt

Subordinated debt is quasi-equity instruments in the form of subordinate loan capital and/or Additional Tier 1 capital, which is recognised at fair value at first measurement and subsequently at amortised cost.

In the financial statements, Additional Tier 1 capital is presented as equity, if the conditions for this are met.

Equity

Share capital is classified as equity when there is no obligation to transfer cash or other assets. Proposed dividend is recognised as a liability at the date when it is approved at the General Meeting. The proposed dividend for the financial year is included as a separate item under equity.

Additional Tier 1 capital with indefinite maturity, and where the Bank has an unconditional right to omit paying interest, is classified as equity, and payment of interest is recognised directly in equity at the time of payment as distributions.

Gains on revaluations of owner-occupied properties are transferred to revaluation reserves after deduction of taxes, if the revaluation is assessed to involve a tax burden in relation to the tax base of the properties. The reserve is dissolved at any reversal of revaluations made, or if the properties are sold.

Contingent liabilities

This item comprises guarantees and warranties, representations and indemnities, irrevocable commitments to grant credit and similar liabilities that are not recognised in the balance sheet.

Guarantees and other liabilities are included at the full nominal value less provision for losses.

Provision for losses is recognised under the item "Impairments on loans etc." in the income statement and under the item provisions in the balance sheet.

Cash flow statement

The cash flow statement shows cash flows for the year as well as cash and cash equivalents at the beginning and the end of the year.

The cash flow statement is presented according to the indirect method based on profit/loss for the year before tax. Cash flows include value adjustments of security and currency forward transactions for the year. Cash flows from operations are calculated as profit/loss for the year before tax adjusted for non-cash operating items, changes in working capital and corporation tax paid. Cash flows from investment activities comprise acquisitions and sales of non-current assets, investments in associates, etc. Cash flows from financing activities comprise dividend payments and bonds issued. Cash and cash equivalents comprise cash and short-term money market deposits and amounts with a remaining term of less than three months.

Segment information

The Group and the Bank only has an operating segment which comprises core profit and investment portfolio earnings, and therefore no segment information is given.

Large exposures

Exposures which, before deductions pursuant to the CRR Regulation, constitute 10% or more of the own funds, are included in the calculation of ratios and key figures at their exposure after deduction.

Capital ratio

The Group and Aktieselskabet Arbejdernes Landsbank calculate the capital ratio according to the CRD IV Directive issued by the EU. A solvency need is also calculated, which reflects the requirements for necessary capital in relation to the assets acquired, the risk involved and stress testing of future developments in relation to the Bank's own strategy.

The solvency need is calculated according to the Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need and is reported to the Danish FSA quarterly with simultaneous announcement on the Bank's website al-bank.dk/kapital_solvens (Only available in Danish).

Note 2**Accounting estimates and assessments**

The most important risks and the basis for estimated uncertainty of the Group are mentioned in the management's report, whereas note 44 describes risk management. The areas where these estimates and assessments have the most important effect on the financial statements are:

Measurement of loans and guarantees in connection with impairment charges

When measuring the Bank's total loans and guarantees, estimates are associated with the quantification of risk that the debtor may not be able to honour all future payments. If it can be established that not all future payments will be received, determining the size of expected payment, including realisation values of collateral and expected payments of dividends from any estate inventories, may also be subject to considerable estimates.

Provisions for losses on guarantees are also associated with uncertainty with respect to establishing the extent to which the guarantee will be effective in the event of economic failure of the principal.

If there is objective evidence of impairment, the Bank has prepared payment rows in accordance with current accounting standards. The Bank's credit risk is described in note 44 on risk management.

Collateral in cooperative housing

The Bank has a large risk exposure in loans for cooperative housing and loans to cooperative housing associations.

The market for cooperative housing does not have the same degree of transparency as the residential property market, and this involves greater demands on the Bank's valuation of mortgaged assets.

The Bank has developed a method for 'blue-stamping' cooperative housing associations before the association can be accepted as a customer. This method ensures updated mortgaging values on the Bank's collateral in cooperative housing. The method also provides security that in addition to focusing on exposure development and credit rating, all necessary information is collected to give the Bank a sound foundation for determining the value of the mortgaged assets.

Collective impairments

A model for calculating collective impairment charges is in itself subject to significant estimates.

When applying the model, the Bank seeks to adjust the model to make it fit the specific conditions of the Bank.

The Bank also makes a credit estimate to adjust for events which have occurred and which the model does not take into account, for example, changed behaviour/risk of losses within portfolios with the same characteristics, as well as changes in the economy which are expected to influence customers' future creditworthiness.

Uncertainty about the Bank's model for collective impairments has been reduced by the Bank's rating model, as the model ensures customers automatically migrate to groups with lower or higher loss ratios corresponding to the customer's rating.

The uncertainty connected with collective impairments for private customers may thus be particularly attributable to high debts, floating-rate loans and expiry of non-payment and may result in failure to pay. For business customers, particularly societal trends have significance.

Measurement of revalued amount on properties

Significant estimates were applied to determine required rates of return on owner-occupied properties. Selecting a number of properties annually for external assessment by an assessor contributes to supporting these estimates, but it does not fully remove the uncertainty.

Measurement of unlisted shares at fair value

Measurement of unlisted shares at fair value is only to a certain extent based on observable market data. In addition, certain unlisted shares have not been traded for a number of years. Measurement of unlisted shares is therefore calculated at an estimated market value and is thus associated with uncertainty.

Measurement of other financial instruments at fair value

Measurement of OTC derivatives at fair value and listed financial instruments priced in markets with low turnover is based on observable market data, but may still be associated with some uncertainty.

Note 3**Events after expiry of the accounting period**

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

Note
4 Segment information for the Group

Group activities are concentrated in Denmark with focus on banking services for private customers, small and medium-sized enterprises as well as associations, etc. Banking services are offered across customer types in the entire branch network as well as in the Bank's group company; AL Finans. The return on these activities has been expressed in the core profit, see the model on page 7 in this Annual Report. Activities under core profit depend, however, on the Bank's investment portfolio activities, where the Bank's liquidity is secured, but also under which the Bank's strategic sector shares belong. The regular operating report to the Executive Management contains the information and the aggregation level stated in the model. On the basis of this, the Group is considered to have one operating segment, which includes core profit and investment portfolio earnings as one item.

	2016 DKK '000	2015 DKK '000
Group operating locations broken down by country		
The Arbejdernes Landsbank Group only operate from locations established in Denmark.		
Revenue *)	2,061,405	2,040,974

*) The revenue is defined as interest income, fees and commission income as well as other operating income.

Note	Group		Bank	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
5 Interest income				
Receivables from credit institutions and central banks	-1,370	-2,832	-1,370	-2,847
Loans at amortised cost	1,157,214	1,130,229	1,043,759	1,018,128
Bonds	263,530	296,942	263,530	296,942
Derivative financial instruments				
Currency contracts	-15,365	-26,654	-15,365	-26,654
Interest-rate contracts	-77,411	-31,991	-77,411	-30,431
Total derivative financial instruments	-92,776	-58,645	-92,776	-57,085
Other interest income	486	302	731	504
Total interest income	1,327,084	1,365,996	1,213,874	1,255,642
Of which, reverse transactions recognised under				
Receivables from credit institutions and central banks	-1,783	-5,553	-1,783	-5,553
Loans and other receivables	-16	-249	-16	-249

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 reverse transactions

6 Interest expenses				
Debt to credit institutions and central banks	-209	-639	-209	-639
Deposits and other debt	-79,205	-106,017	-79,039	-105,849
Issued bonds	-2,990	-6,212	-2,990	-6,212
Other interest expenses	-44	-88	-45	-88
Total interest expenses	-82,448	-112,956	-82,283	-112,788
Of which, repo transactions recognised under				
Debt to credit institutions and central banks	386	-1,304	386	-1,304

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.

Note	Group		Bank	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
7 Net fees and commission income				
Securities trading and custody accounts	108,678	115,042	108,679	115,042
Money transmission services	102,523	99,707	102,523	99,707
Loan fees	232,925	206,203	220,000	191,702
Guarantee commission	43,402	40,476	43,542	40,624
Other fees and commissions	124,693	105,980	74,715	68,834
Total fees and commission income	612,221	567,408	549,459	515,909
Total fees and commissions paid	-76,205	-50,137	-29,695	-6,190
Total net fees and commission income	536,016	517,271	519,764	509,719
8 Value adjustments				
Bonds	380,044	-173,877	380,044	-173,877
Shares etc.	1,218	39,088	1,218	39,088
Currency	30,076	12,187	29,734	12,290
Derivative financial instruments				
Currency contracts	-2,239	-240	-2,239	-240
Interest-rate contracts	-478,048	-116,921	-478,048	-117,497
Share contracts	-2,504	602	-2,504	602
Total derivative financial instruments	-482,791	-116,559	-482,791	-117,135
Assets linked to pooled schemes	84,023	31,103	84,023	31,103
Deposits in pooled schemes	-84,023	-31,103	-84,023	-31,103
Other assets	520	-1,381	520	-1,381
Total value adjustments	-70,933	-240,542	-71,275	-241,015
9 Staff and administration expenses				
Emoluments to the Board of Directors and the Executive Management				
Executive Management	-6,496	-6,019	-6,476	-5,999
Board of Directors	-2,060	-1,975	-2,060	-1,975
Total emoluments to the Board of Directors and the Executive Management	-8,556	-7,994	-8,536	-7,974
Staff expenses				
Remuneration	-603,810	-583,472	-554,359	-536,259
Pensions	-65,991	-65,010	-61,062	-60,161
Social security expenses	-7,207	-4,886	-6,955	-4,532
Payroll tax	-75,870	-67,389	-70,857	-63,520
Total staff expenses	-752,878	-720,757	-693,233	-664,472
Other administration expenses				
IT costs	-261,036	-257,872	-250,487	-249,032
Miscellaneous other administration expenses	-191,578	208,436	-178,165	-190,036
Total other administration expenses	-452,614	-466,308	-428,652	-439,068
Total staff and administration expenses	-1,214,048	-1,195,059	-1,130,421	-1,111,514
Executive Management's payment, pension and resignation terms, etc.				
Number of employees for the period	2	2	2	2
Fixed remuneration	-5,402	-4,930	-5,382	-4,910
Variable remuneration	0	0	0	0
Pension scheme (contribution-based)	-1,094	-1,089	-1,094	-1,089
Total remuneration and pension of Executive Management	-6,496	-6,019	-6,476	-5,999

The Executive Management is not covered by incentive programmes.

The Executive Management has a notice period of 12 months, and the Bank has a notice period of 24 months.

Information about remuneration policies can be found on the Bank's website al-bank.dk/handlers/documentarchive.ashx?id=255.

Note	Group		Bank	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
9	Staff and administration expenses, continued			
Board salary and pension terms				
	Terms of payment and pension for the Board of Directors			
	12	12	12	12
	Fixed remuneration			
	-2,060	-1,975	-2,060	-1,975
	Variable remuneration			
	0	0	0	0
	Pension scheme (contribution-based)			
	0	0	0	0
	Total remuneration and pension of Board of Directors	-2,060	-1,975	-1,975
Terms of payment and pension for persons other than members of the Executive Management whose activities significantly influence the risk profile of the company (Risk Takers)				
	Number of employees for the period			
	29	23	26	19
	Fixed remuneration			
	-33,282	-26,889	-29,389	-22,588
	Variable remuneration			
	-812	-680	-683	-571
	Pension scheme (contribution-based)			
	-3,251	-2,582	-2,882	-2,191
	Total remuneration and pensions to persons other than members of the Executive Management, who are categorised as Risk Takers	-37,345	-32,954	-25,350
Remuneration policy				
	Information about remuneration policies can be found on the Bank's website al-bank.dk/handlers/documentarchive.ashx?id=255 .			
Number of employees				
	Average number of employees during the financial year, converted to full-time employees			
	1,063	1,075	986	999
Auditors' remuneration				
	Total remuneration for the audit firm elected by the general meeting to carry out the statutory audit			
	Statutory audit of the financial statements			
	-1,010	-1,084	-788	-988
	Assurance engagements			
	-169	-75	-138	-75
	Tax counselling			
	-276	-41	-276	-41
	Other services			
	-109	-129	-105	-78
	Total	-1,564	-1,307	-1,182
10	Other operating expenses			
	Expenses for the Guarantee Fund for Depositors and Investors			
	0	-48,114	0	-48,114
	Expenses for operating the Bank's properties			
	-36,822	-43,146	-36,822	-43,146
	Other operating expenses			
	-11,811	-6,752	-9,169	-6,752
	Total other operating expenses	-48,633	-45,991	-98,012

Note	Group		Bank		
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000	
11	Impairments on loans and receivables etc.				
	Impairments on loans recognised in the income statement				
	Net impairment charges and provisions for the year	-48,733	-91,877	-45,154	-90,744
	Losses, not previously subject to impairment charges	-18,462	-24,084	-15,372	-20,792
	Recognised in claims previously subject to impairment charges	11,521	13,061	11,125	12,545
	Total net effect recognised in the income statement	-55,674	-102,900	-49,401	-98,991
	Impairment charges and provisions				
	Impairment charges and provisions brought forward	1,490,416	1,434,077	1,483,609	1,426,000
	Impairment charges and provisions for the year	442,223	432,420	429,363	422,433
	Reversal of impairment charges and provisions for the year	-393,490	-340,543	-384,209	-331,689
	Actual loss (written off) previously subject to impairment charges	-117,696	-74,933	-115,559	-72,530
	Interest adjustment	32,523	39,395	32,523	39,395
	Total impairment charges and provisions, carried forward	1,453,976	1,490,416	1,445,727	1,483,609
	Impairments on loans etc., carried forward	1,374,954	1,411,301	1,366,705	1,404,494
	Provisions on guarantees, etc., carried forward	30,520	35,109	30,520	35,109
	Impairment charges/provisions on other items, carried forward	48,502	44,006	48,502	44,006
	Total impairment charges and provisions, carried forward	1,453,976	1,490,416	1,445,727	1,483,609
	Individual impairments on loans				
	Individual impairments on loans brought forward	1,308,711	1,244,093	1,302,005	1,236,905
	Impairment charges for the year	262,986	341,874	250,701	332,045
	Reversal of impairment charges for the year	-251,627	-238,365	-242,779	-230,457
	Actual loss (written off) previously subject to impairment charges	-117,696	-74,933	-115,559	-72,530
	Interest adjustment	30,536	36,042	30,536	36,042
	Total individual impairments on loans, carried forward	1,232,910	1,308,711	1,224,904	1,302,005
	Individual provisions on guarantees, etc.				
	Individual provisions on guarantees, brought forward	23,299	13,329	23,299	13,329
	Provisions for the year	9,228	14,114	9,228	14,114
	Reversal of provisions for the year	-12,665	-4,144	-12,665	-4,144
	Actual loss (written off) previously provided	0	0	0	0
	Total individual provisions on guarantees, etc. carried forward	19,862	23,299	19,862	23,299
	Individual impairment charges on credit institutions				
	Impairments at the beginning of the year	28,003	17,200	28,003	17,200
	Impairment charges for the year	0	10,803	0	10,803
	Reversal of impairment charges for the year	-2,147	0	-2,147	0
	Total impairment charges on credit institutions carried forward	25,856	28,003	25,856	28,003
	Individual provisions for other items				
	Provisions for the year brought forward	16,003	10,164	16,003	10,164
	Provisions for the year	21,168	7,358	21,168	7,358
	Reversal of provisions for the year	-14,525	-1,519	-14,525	-1,519
	Total provisions for other items carried forward	22,646	16,003	22,646	16,003
	Collective impairments on loans				
	Collective impairments on loans brought forward	102,590	142,057	102,489	141,168
	Impairment charges for the year	104,905	52,057	104,330	51,899
	Reversal of impairment charges for the year	-67,438	-94,877	-67,005	-93,931
	Interest adjustment	1,987	3,353	1,987	3,353
	Total collective impairments on loans, carried forward	142,044	102,590	141,801	102,489
	Collective provisions on guarantees etc.				
	Collective provisions on guarantees etc. brought forward	11,810	7,234	11,810	7,234
	Provisions for the year	7,498	6,214	7,498	6,214
	Reversal of provisions for the year	-8,650	-1,638	-8,650	-1,638
	Total collective provisions on guarantees etc. carried forward	10,658	11,810	10,658	11,810
	Interest on impaired claims is calculated solely on the basis of the impaired balance				
	Interest recognised as revenue on impaired loans	-32,523	-39,395	-32,523	-39,395

Note	Group		Bank		
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000	
12	Tax				
	Tax related to profit for the year				
	Calculated tax on income for the year	-98,136	-49,045	-82,733	-36,816
	Change in deferred tax concerning the income year	-159	-2,826	-2,991	-1,994
	Change in corporation tax rate	0	20	0	-404
	Adjustments concerning previous year	3,717	6,392	3,717	6,410
	Total tax related to profit for the year	-94,578	-45,459	-82,007	-32,804
	Tax related to changes in equity	14,633	15,775	14,633	15,775
	Total tax	-79,945	-29,684	-67,374	-17,029
	Tax related to profit for the year broken down by type				
	Calculated tax of profit before tax for the year by 22% (23.5% in 2015)	-127,712	-93,284	-124,946	-90,310
	Tax base of non-deductible expenses	-8,642	-10,889	-6,393	-8,419
	Tax base of profit in associates	14,333	24,069	14,333	24,069
	Tax base of gains not deductible for tax purposes	23,726	28,234	31,282	35,850
	Change in corporation tax rate	0	20	0	-404
	Adjustment regarding previous years	3,717	6,392	3,717	6,410
	Total tax related to profit for the year	-94,578	-45,459	-82,007	-32,804
13	Receivables from credit institutions and central banks				
	Receivables at notice from central banks	910,082	0	910,082	0
	Receivables from credit institutions	966,086	644,285	953,602	643,893
	Total receivables from credit institutions and central banks	1,876,168	644,285	1,863,684	643,893
	Broken down by remaining term				
	On demand	665,916	447,725	653,432	447,725
	Up to and including 3 months	1,197,252	183,198	1,197,252	183,165
	More than 3 months and up to and including 1 year	0	106	0	3
	More than 1 year and up to and including 5 years	13,000	13,256	13,000	13,000
	More than 5 years	0	0	0	0
	Total	1,876,168	644,285	1,863,684	643,893
	Of which reverse transactions represent	287,174	183,165	287,174	183,165
14	Loans and other receivables at amortised cost				
	Loans before impairment charges	22,326,090	21,179,637	22,216,752	21,041,603
	Impairment charges	-1,374,954	-1,411,301	-1,366,705	-1,404,494
	Total loans	20,951,136	19,768,336	20,850,047	19,637,109
	Broken down by remaining term				
	On demand	244,353	354,937	244,353	359,103
	Up to and including 3 months	1,987,039	1,895,749	1,057,548	909,491
	More than 3 months and up to and including 1 year	3,420,659	3,226,188	5,560,343	2,579,334
	More than 1 year and up to and including 5 years	8,365,965	9,378,587	7,274,006	9,972,841
	More than 5 years	6,933,120	4,912,875	6,713,797	5,816,340
	Total	20,951,136	19,768,336	20,850,047	19,637,109
	Of which reverse transactions represent	121,316	111,013	121,316	111,013

Note	Group	2015	Bank	2015	
	2016	2015	2016	2015	
	DKK '000	DKK '000	DKK '000	DKK '000	
14	Loans and other receivables at amortised cost, continued				
	Loans and guarantees broken down by sectors and industries				
	Public authorities	77,421	38,048	77,070	3,807
	Business				
	Agriculture, hunting, forestry and fisheries	35,403	64,517	18,741	46,398
	Industry and extraction of raw materials	569,702	729,020	160,780	339,026
	Energy supply	6,392	2,939	4,976	980
	Building and construction	595,843	545,371	341,525	310,152
	Trade	847,450	845,805	390,029	356,609
	Transport, hotels and restaurants	343,513	363,374	246,188	238,544
	Information and communication	130,855	52,784	97,446	15,250
	Financing and insurance	1,268,863	1,119,905	4,939,780	4,489,765
	Real property	1,104,003	1,476,750	1,054,515	1,429,320
	Other business	1,916,470	1,805,961	1,418,634	1,489,239
	Total business	6,818,494	7,006,426	8,672,614	8,715,283
	Private	19,024,161	16,804,896	17,069,303	14,999,053
	Total	25,920,076	23,849,370	25,818,987	23,718,143
15	Bonds at fair value				
	Government bonds	3,100,213	3,032,795	3,100,213	3,032,795
	Mortgage-credit bonds	8,726,834	8,010,260	8,726,834	8,010,260
	Other bonds	3,380,753	4,358,918	3,380,753	4,358,918
	Total bonds at fair value	15,207,800	15,401,974	15,207,800	15,401,974
	Of which repo transactions represent	1,023,543	1,644,048	1,023,543	1,644,048
	For collateral deposited with Danmarks Nationalbank (Denmark's central bank), clearing centres etc.				
	Market value of bonds	3,921,361	3,780,575	3,921,361	3,780,575
	Of which surplus collateral	1,772,148	2,881,020	1,772,148	2,881,020
16	Equity investments in associates				
	Cost brought forward	150,512	150,512	150,512	150,512
	Disposals during the year	-102,831	0	-102,831	0
	Other disposals during the year *)	-47,681	0	-47,681	0
	Cost carried forward	0	150,512	0	150,512
	Revaluations and impairment charges brought forward	690,534	612,778	690,534	612,778
	Result **)	65,150	102,421	65,150	102,421
	Dividend **)	-28,104	-24,665	-28,104	-24,665
	Disposals during the year	-497,091	0	-497,091	0
	Other disposals during the year *)	-230,489	0	-230,489	0
	Revaluations and impairment charges carried forward	0	690,534	0	690,534
	Carrying amount carried forward	0	841,046	0	841,046

*) The Bank's ownership interest in ALKA was reduced to less than 20%. The ownership interest in ALKA has been classified under the item "Shares etc."

**) Results for 2016 are recognised on the basis of results in associates for the period 1 October 2015 to 30 September 2016. (2015: for the period 1 October 2014 to 30 September 2015). See note 41 for specified information regarding associates.

Note	Group		Bank	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
17 Equity investments in group companies				
Cost brought forward	0	0	5,587	5,587
Cost carried forward	0	0	5,587	5,587
Revaluations and impairment charges brought forward	0	0	217,639	184,565
Result *)	0	0	34,839	33,077
Dividends *)	0	0	-1	-3
Revaluations and impairment charges carried forward	0	0	252,477	217,639
Carrying amount carried forward	0	0	258,064	223,226

*) See note 41 for specified information regarding group companies.

18 Assets linked to pooled schemes				
Cash	80,458	92,844	80,458	92,844
Bonds	1,029,127	762,249	1,029,127	762,249
Investment association units	752,108	541,905	752,108	541,905
Other shares, etc.	194,334	154,743	194,334	154,743
Total pooled assets	2,056,027	1,551,741	2,056,027	1,551,741
19 Intangible assets				
Cost brought forward	64,297	67,884	28,026	28,026
Additions during the year	15,634	1,018	0	0
Disposals during the year	-1,133	-4,605	0	0
Total cost carried forward	78,798	64,297	28,026	28,026
Amortisation/depreciation and impairment charges brought forward	50,484	38,907	20,029	14,424
Disposals during the year	-1,132	-712	0	0
Amortisation for the year	14,093	12,289	5,357	5,605
Impairment charges for the year *)	2,640	0	2,640	0
Total amortisation/depreciation and impairment charges carried forward	66,085	50,484	28,026	20,029
Total intangible assets	12,713	13,813	0	7,997

*) The Bank's impairment test at the end of 2016 of customer lists taken over from Østjyds Bank resulted in impairments of DKK 2.6 mill.

Note	Group		Bank	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
20 Land and buildings				
Investment properties				
Fair value brought forward	0	0	0	0
Additions during the year, reclassification from owner-occupied properties	35,413	0	35,413	0
Total fair value carried forward	35,413	0	35,413	0
Rent income	133	0	133	0
Operating expenses	-50	0	-50	0

In 2016, the Bank closed its branch at Nørrebro, Copenhagen, which, as a consequence, was subsequently classified as Investment property as at 1 December 2016.

The investment property is measured at fair value (non-observable input). The measurement includes rental income and operating expenses, as well as a required rate of return of around 4%, 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 4.0 mill. The property is being renovated as part of urban renewal, and will not be subject to external valuation until the renovation has been completed.

Owner-occupied properties				
Revalued amount brought forward	901,175	836,202	901,175	836,202
Additions during the year	41,739	1,611	41,739	1,611
Other additions	215	18,819	215	18,819
Disposals during the year	-12,120	-3,556	-12,120	-3,556
Disposals during the year, reclassification to investment properties	-35,413	0	-35,413	0
Depreciation for the year	-5,589	-5,054	-5,589	-5,054
Changes in value recognised in other comprehensive income	64,610	42,648	64,610	42,648
Changes in value recognised in the income statement	-6,630	10,505	-6,630	10,505
Total revalued amount carried forward	947,987	901,175	947,987	901,175

Owner-occupied properties are measured at revalued amount (non-observable input). The measurement includes rental income and operating expenses, as well as a required rate of return of around 3.81% to 8.01%, 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 93 mill.

21 Other property, plant and equipment				
Cost brought forward	324,536	308,388	112,950	123,987
Additions during the year, including improvements	194,274	102,663	12,214	13,648
Disposals during the year	-121,030	-64,693	-5,662	-2,863
Other disposals	0	-21,822	0	-21,822
Total cost carried forward	397,780	324,536	119,502	112,950
Amortisation/depreciation and impairment charges brought forward	126,072	108,260	43,893	35,445
Disposals during the year	-59,414	-38,547	-1,159	-2,849
Other disposals	0	-3,003	0	-3,003
Depreciation for the year	80,144	59,362	13,301	14,300
Total amortisation/depreciation and impairment charges carried forward	146,802	126,072	56,035	43,893
Total other property, plant and equipment	250,978	198,464	63,467	69,057
Write-offs for the year	998	576	998	576

Note	Group		Bank	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
22	Deferred tax assets and tax liabilities			
	+ = tax assets - = tax liabilities			
	4,397	7,345	21,532	24,055
	-159	-2,948	-2,991	-2,523
	4,238	4,397	18,541	21,532
	Deferred tax broken down by type			
	-18,901	-20,746	-2,496	-1,739
	11,412	10,596	11,412	10,596
	5,264	7,899	5,113	7,899
	6,463	6,648	4,512	4,776
	4,238	4,397	18,541	21,532
	The Bank has net deferred tax assets on properties of DKK 25.7 mill., which, however, have not been recognised, as the assets cannot be utilised on other types of deferred tax liabilities and thus are not expected to be realised.			
23	Other assets			
	90,902	157,093	90,902	157,093
	96,587	160,877	96,783	160,747
	366,924	339,078	366,924	339,078
	283,310	195,921	226,887	129,382
	837,723	852,969	781,496	786,300
24	Debt to credit institutions and central banks			
	3,271,354	3,258,214	3,271,354	3,258,214
	3,271,354	3,258,214	3,271,354	3,258,214
	Broken down by remaining term			
	1,527,823	1,289,168	1,527,823	1,289,168
	1,127,566	1,556,366	1,127,566	1,556,366
	244,252	412,680	244,252	412,680
	371,713	0	371,713	0
	0	0	0	0
	3,271,354	3,258,214	3,271,354	3,258,214
	932,787	1,609,983	932,787	1,609,983
25	Deposits and other debt			
	29,255,198	27,874,475	29,253,907	27,874,946
	1,289,560	1,234,505	1,289,560	1,234,505
	1,621	14,290	1,621	14,290
	1,603,348	1,638,966	1,603,348	1,638,966
	32,149,727	30,762,236	32,148,436	30,762,707
	Broken down by remaining term			
	29,255,198	27,874,475	29,253,907	27,874,946
	1,146,555	1,848,300	1,146,555	1,848,300
	154,930	21,483	154,930	21,483
	526,363	211,612	526,363	211,612
	1,066,681	806,366	1,066,681	806,366
	32,149,727	30,762,236	32,148,436	30,762,707

Note	Group		Bank		
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000	
26	Issued bonds at amortised cost				
	Bonds listed on the Irish Stock Exchange *)	0	250,000	0	250,000
	Total issued bonds at amortised cost	0	250,000	0	250,000
	Broken down by remaining term				
	On demand	0	0	0	0
	Up to and including 3 months	0	0	0	0
	More than 3 months and up to and including 1 year	0	250,000	0	250,000
	More than 1 year and up to and including 5 years	0	0	0	0
	More than 5 years	0	0	0	0
	Total issued bonds at amortised cost	0	250,000	0	250,000

*) The bond matured in July 2016

27	Other liabilities				
	Negative market value of derivative financial instruments and spot transactions	395,105	188,926	395,105	188,926
	Interest and commissions due	4,806	9,640	4,668	9,640
	Other liabilities	471,420	457,986	391,288	365,446
	Total other liabilities	871,331	656,552	791,061	564,012
28	Provisions				
	Guarantee loss provisions				
	Provisions for the year brought forward	35,109	20,563	35,109	20,563
	Provisions for the year	13,069	20,328	13,069	20,328
	Reversal of provisions for the year	-17,658	-5,782	-17,658	-5,782
	Total provisions carried forward	30,520	35,109	30,520	35,109
	Other provisions				
	Provisions for the year brought forward	80,031	74,217	80,031	74,217
	Provisions for the year	12,376	6,958	8,386	6,958
	Reversal of provisions for the year *)	-13,737	-1,144	-13,737	-1,144
	Total provisions carried forward	78,670	80,031	74,680	80,031
	Total provisions carried forward	109,190	115,140	105,200	115,140

*) It was not necessary to make use of the majority of the provisions reversed.

Note			Bank	2015
			2016 DKK '000	DKK '000
29	Share capital			
	Share capital at nominal value		300,000	300,000
	Composition of share capital of shares.		Number of shares	Number of shares
	Nominal price per share (DKK) 1,000		300,000	300,000

The following of the Bank's shareholders hold shares the total nominal value of which is at least 5% of the share capital:

- Dansk Metal, Molestien 7, 2450 Copenhagen SV, Denmark
- FOA - Fag og Arbejde, Staunings Plads 1-3, 1790 Copenhagen V, Denmark
- Fagligt Fælles Forbund - 3F, Kampmannsgade 4, 1790 Copenhagen V, Denmark
- HK/Danmark, Weidekampsgade 8, 0900 Copenhagen C, Denmark
- Fødevareforbundet NNF, C. F. Richs Vej 103, 2000 Frederiksberg, Denmark

Fagligt Fælles Forbund – 3F holds shares of which the total nominal value is at least 20% of the share capital.

Note	Group		Bank				
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000			
30	Capital and solvency						
	Transformation from equity to own funds						
	Equity	5,681,749	5,279,627	5,681,749	5,279,627		
	Proposed dividend	-30,000	-30,000	-30,000	-30,000		
	Intangible assets	-12,713	-13,813	0	-7,997		
	Additional Tier 1 capital, including interest payable	-848,976	-848,999	-848,976	-848,999		
	Deductions for prudent valuation	-16,232	-16,454	-16,232	-16,454		
	Capital instruments in financial entities	-113,657	-401,013	-112,894	-400,608		
	Common Equity Tier 1 capital	4,660,171	3,969,348	4,673,647	3,975,569		
	Additional Tier 1 capital	829,000	829,000	829,000	829,000		
	Capital instruments in financial entities	-75,772	-655,772	-75,263	-655,034		
	Tier 1 capital	5,413,399	4,142,576	5,427,384	4,149,535		
	Tier 2 capital	0	0	0	0		
	Own funds	5,413,399	4,142,576	5,427,384	4,149,535		
	Capital requirement from pillar I (8%)	2,526,147	2,477,049	2,557,887	2,497,069		
	Risk exposures						
	Items with credit risk	22,908,826	20,790,704	23,679,873	21,448,011		
	Items with market risk	5,353,819	6,819,611	5,349,594	6,808,357		
	Items with operational risk	3,314,191	3,352,794	2,944,123	2,957,000		
	Total risk exposure	31,576,836	30,963,109	31,973,590	31,213,368		
	Capital ratio	17,1	13,4	17,0	13,3		
31	Additional Tier 1 capital						
	Interest rate	Nom. in DKK '000	Maturity				
	6.737% (var.) *)	400,000	Indefinite	402,919	402,942	402,919	402,942
	9.059% (var.) **)	429,000	Indefinite	446,057	446,057	446,057	446,057
	Total Additional Tier 1 capital	848,976		848,999	848,976	848,999	848,999
	Additional Tier 1 capital included when calculating Tier 1 capital/own funds	829,000		829,000	829,000	829,000	829,000
	*) Can be redeemed from maturity on 23 May 2018						
	**) Can be redeemed from maturity on 22 January 2021						
	Costs for taking loans	0		0	0	0	0

Note	Group		Bank		
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000	
32	Contingent liabilities				
	Guarantees				
	Financial guarantees	1,511,588	1,606,344	1,511,588	1,606,344
	Guarantees for losses on mortgage-credit loans	1,511,573	946,895	1,511,573	946,895
	Land registration and conversion guarantees	18,694	11,948	18,694	11,948
	Collateral for group companies	0	0	35,200	35,200
	Other guarantees	1,927,085	1,515,847	1,891,885	1,480,647
	Total guarantees	4,968,940	4,081,034	4,968,940	4,081,034
	Other contingent liabilities				
	Irrevocable credit commitments less than 1 year	790,047	726,614	0	0
	Irrevocable credit commitments more than 1 year	44,000	0	44,000	0
	Unutilised pension commitments	27,600	23,200	27,600	23,200
	Other contingent liabilities	187,128	220,190	187,128	220,190
	Total other contingent liabilities	1,048,775	970,004	258,728	243,390
	Total contingent liabilities	6,017,715	5,051,038	5,227,668	4,324,424

The Bank 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 influence the Group's financial position.

Totalkredit loans 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 Bank does not expect this right of set-off to significantly influence the Bank's financial position.

Participation in the statutory resolution financing scheme (resolution fund) means that the sector pays an annual contribution of DKK 0.7 bn. until the resolution fund amounts to approx. DKK 7.0 bn., and the calculation of contributions by individual institutions is subject to specific rules.

Arbejdernes Landsbank is taxed jointly with all entities in the Group and has joint and several liability for the corporation taxes and withholding taxes etc. of these entities. Arbejdernes Landsbank is jointly registered for payroll tax and input VAT with all companies in the Group 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	Group		Bank	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
33	Hedge accounting			
Assets hedged with interest-rate				
Contracts Loans				
Amortised cost	45,206	45,446	45,206	45,446
Carrying amount	56,703	56,792	56,703	56,792
Capital gain/loss for the financial year	151	-1,332	151	-1,332
Interest-rate contracts				
Nominal value (principal amount)	44,791	45,067	44,791	45,067
Carrying amount	10,817	10,888	10,817	10,888
Capital gain/loss for the financial year	71	2,420	71	2,420

The Bank applies the regulations for hedge accounting of fair values. The hedging instruments applied typically consist of interest-rate swaps applied to hedge against changes in fair value of fixed-rate loans as a result of changes in the base rate (swap interest rate). Only the swap interest rate is hedged, and not credit margins or similar. Changes in the fair value of the hedged instruments, which can be attributed to the hedged interest-rate risk, are adjusted in the carrying amount of the hedged item and are recognised in the income statement. Changes in the fair value of the hedging instruments are also recognised in the income statement.

	Group		Bank	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
34	Transferred financial assets still recognised in the balance sheet			
Carrying amount of transferred financial assets				
Bonds on repo transactions	1,023,543	1,644,048	1,023,543	1,644,048
Of the equity and liability items below, repo transactions				
Debt to credit institutions and central banks	932,787	1,609,983	932,787	1,609,983
Net positions	90,756	34,066	90,756	34,066

Repo transactions mean the sale of bonds where, at the time of the sale, an agreement is made to repurchase the bond at a fixed price later on. Bonds sold in repo transactions continue to be recognised in Arbejdernes Landsbank's balance sheet, because, by virtue of the repurchase agreement, the Bank maintains the most important risks associated with the bonds sold.

Note	Nominal value DKK '000	Net market value DKK '000	Positive market value DKK '000	Negative market value DKK '000
35 Derivative financial instruments and spot transactions (Group and Bank) – 2016				
Currency contracts				
Spot transactions, purchase	380,718	2	80	78
Spot transactions, sale	20,891	-16	105	121
Forward transactions/futures, purchase	46,471	141	405	264
Forward transactions/futures, sale	5,289,098	-9,052	5,587	14,639
Options, acquired	0	0	0	0
Currency swaps	3,900	2,111	2,111	0
Interest-rate contracts				
Spot transactions, purchase	168,419	119	123	4
Spot transactions, sale	136,493	16	50	34
Forward transactions/futures, purchase	2,594,912	13,083	13,188	105
Forward transactions/futures, sale	4,812,443	-22,159	17,233	39,392
Options, acquired	353,410	5,236	5,236	0
Swaptions	371,713	6,748	6,748	0
Interest-rate swaps	9,882,551	-300,446	39,505	339,951
Share contracts				
Spot transactions, purchase	1,672	28	270	242
Spot transactions, sale	1,806	-14	261	275
Total		-304,203	90,902	395,105
Derivative financial instruments and spot transactions (Group and Bank) - 2015				
Currency contracts				
Spot transactions, purchase	33,498	-142	4	146
Spot transactions, sale	14,078	47	56	9
Forward transactions/futures, purchase	85,328	233	469	236
Forward transactions/futures, sale	6,142,058	13,781	21,299	7,518
Options, acquired	130,594	64	64	0
Currency swaps	3,900	0	0	0
Interest-rate contracts				
Spot transactions, purchase	908,617	-16,108	257	16,365
Spot transactions, sale	876,993	16,157	16,350	193
Forward transactions/futures, purchase	1,484,312	-366	2,309	2,675
Forward transactions/futures, sale	4,320,956	69,340	69,636	296
Options, acquired	0	0	0	0
Swaptions	0	0	0	0
Interest-rate swaps	8,074,298	-114,842	46,062	160,904
Share contracts				
Spot transactions, purchase	21,677	238	411	173
Spot transactions, sale	22,253	-235	176	411
Total		-31,833	157,093	188,926

Note	Net market value				Total DKK '000	
	Up to and incl. 3 month DKK '000	More than 3 months and up to 1 year DKK '000	More than 1 year and up to and 5 years DKK '000	More than 5 years DKK '000		
36	Derivative financial instruments broken down by maturity (Group and Bank) – 2016					
	Currency contracts					
	Forward transactions/futures, purchase	61	80	0	0	141
	Forward transactions/futures, sale	-8,473	-422	-157	0	-9,052
	Options, acquired	0	0	0	0	0
	Currency swaps	0	2,111	0	0	2,111
	Interest-rate contracts					
	Forward transactions/futures, purchase	12,457	626	0	0	13,083
	Forward transactions/futures, sale	-22,159	0	0	0	-22,159
	Options, acquired	5,236	0	0	0	5,236
	Swaptions	0	6,748	0	0	6,748
	Interest-rate swaps	-723	-24,027	-26,649	-249,047	-300,446
	Total	-13,601	-14,884	-26,806	-249,047	-304,338
	Derivative financial instruments broken down by maturity (Group and Bank) – 2015					
	Currency contracts					
	Forward transactions/futures, purchase	135	-21	119	0	233
	Forward transactions/futures, sale	14,839	-1,786	727	0	13,781
	Options, acquired	64	0	0	0	64
	Currency swaps	0	0	0	0	0
	Interest-rate contracts					
	Forward transactions/futures, purchase	-363	-76	0	73	-366
	Forward transactions/futures, sale	69,340	0	0	0	69,340
	Options, acquired	0	0	0	0	0
	Swaptions	0	0	0	0	0
	Interest-rate swaps	0	-513	-50,583	-63,746	-114,842
	Total	84,016	-2,396	-49,737	-63,673	-31,790

Note		Carrying amount before offsetting DKK '000	Financial instruments set off DKK '000	Carrying amount after offsetting DKK '000	Offsetting possibility according to master netting agreement DKK '000	Collateral DKK '000	Net value DKK '000
37	Offsetting possibilities, Group *)						
	2016						
	Derivative financial instruments with positive market value	90,902	0	90,902	33,214	12,769	44,919
	Total assets	90,902	0	90,902	33,214	12,769	44,919
	Derivative financial instruments with negative market value	395,105	0	395,105	33,214	325,229	36,662
	Total liabilities	395,105	0	395,105	33,214	325,229	36,662
	2015						
	Derivative financial instruments with positive market value	157,093	0	157,093	26,873	1,861	128,359
	Total assets	157,093	0	157,093	26,873	1,861	128,359
	Derivative financial instruments with negative market value	188,926	0	188,926	26,873	134,424	27,629
	Total liabilities	188,926	0	188,926	26,873	134,424	27,629

*) The Bank has master netting agreements with a number of financial counterparties, but does not meet the conditions for offsetting.

Note

38 Financial assets and liabilities

Financial instruments are included in the balance sheet either at fair value or amortised cost. For each item, financial instruments are broken down according to the method of valuation.

	Group			
	Amortised cost		Fair value	
	2016	2016	2015	2015
	DKK '000	DKK '000	DKK '000	DKK '000
Financial assets				
Cash in hand and demand deposits with central banks	876,866	0	757,142	0
Receivables from credit institutions and central banks	1,876,168	0	644,285	0
Loans at amortised cost	20,951,136	0	19,768,336	0
Bonds at fair value	0	15,207,800	0	15,401,974
Shares etc.	0	1,328,188	0	1,083,859
Assets linked to pooled schemes	0	2,056,027	0	1,551,741
Derivative financial instruments and spot transactions	0	90,902	0	157,093
Total financial assets	23,704,170	18,682,917	21,169,763	18,194,667
Financial liabilities				
Debt to credit institutions and central banks	3,271,354	0	3,258,214	0
Deposits	32,149,727	0	30,762,236	0
Issued bonds at amortised cost	0	0	250,000	0
Deposits in pooled schemes	0	2,056,027	0	1,551,741
Derivative financial instruments and spot transactions	0	395,105	0	188,926
Other non-derivative financial liabilities at fair value	0	263,148	0	174,709
Total financial liabilities	35,421,081	2,714,280	34,270,450	1,915,376

Methods for measurement of fair value of financial instruments recognised at fair value:

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 on the basis of observable input (level 2): For financial assets and liabilities, where closing price is not available or is not assessed to reflect the fair value, 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.

Valuation technique on the basis of 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, 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.

Non-observable input includes unlisted shares, primarily in companies related to the financial sector, where fair value is set on the basis of provisions in shareholders' agreements etc. or input from transactions carried out. The Association of Local Banks in Denmark, Savings Banks and Cooperative Banks in Denmark (LOPI) recommends quarterly fair values of certain 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 shareholders' 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 among 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 117 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.

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 2016, the Bank transferred DKK 1.9 bn. of bonds at fair value from level 1 to level 2 as a result of infrequent price updates. In 2016, the Bank transferred DKK 47 mill. of unlisted units in collective investment schemes from level 2 to level 3 as a result of insufficient turnover in these investment schemes. Apart from this, there have been no significant transfers between the three valuation categories in 2016 and 2015.

Note

38	Financial assets and liabilities, continued			
	Listed prices	Observable input	Non-observable input	Total
	DKK '000	DKK '000	DKK '000	DKK '000
Group 2016				
Financial assets				
Bonds at fair value	10,348,329	4,859,471	0	15,207,800
Shares etc.	157,284	0	1,170,904	1,328,188
Assets linked to pooled schemes	1,909,257	146,770	0	2,056,027
Derivative financial instruments and spot transactions	22,402	68,500	0	90,902
I alt finansielle aktiver	12,437,272	5,074,741	1,170,904	18,682,917
Financial liabilities				
Deposits in pooled schemes	0	2,056,027	0	2,056,027
Derivative financial instruments	35,170	359,935	0	395,105
Other non-derivative financial liabilities at fair value	263,148		0	263,148
Total financial liabilities	298,318	2,415,962	0	2,714,280
Group 2015				
Financial assets				
Bonds at fair value	14,169,350	1,232,624	0	15,401,974
Shares etc.	167,483	62,490	853,886	1,083,859
Assets linked to pooled schemes	1,328,501	223,240	0	1,551,741
Derivative financial instruments and spot transactions	0	157,093	0	157,093
Total financial assets	15,665,334	1,675,447	853,886	18,194,667
Financial liabilities				
Deposits in pooled	0	1,551,741	0	1,551,741
Derivative financial instruments	0	188,926	0	188,926
Other non-derivative financial liabilities at fair value	174,709	0	0	174,709
Total financial liabilities	174,709	1,740,667	0	1,915,376
Non-observable input - the Group				
Fair value brought forward			853,886	840,379
Reclassified from Associates *)			278,170	0
Moved from level 2			47,343	0
Capital gain/loss for the year in the income statement			2,636	5,784
Net purchase for the year			-11,131	7,723
Total fair value carried forward			1,170,904	853,886

*) The Bank's ownership interest in Forsikringselskabet ALKA was reduced to less than 20% in connection with a divestment of shares in 2016. The ownership interest in ALKA was subsequently classified under the item "Shares etc."

	Group			
	Carrying amount	Fair value	Carrying amount	Fair value
	2016	2016	2015	2015
	DKK '000	DKK '000	DKK '000	DKK '000
38 Financial assets and liabilities, continued				
Financial instruments recognised at amortised cost - information on fair value				
Financial assets				
Cash in hand and demand deposits with central banks	876,866	876,866	757,142	757,142
Receivables from credit institutions and central banks	1,876,168	1,876,666	644,285	644,285
Loans at amortised cost	20,951,136	21,054,931	19,768,336	19,799,905
Total financial assets	23,704,170	23,808,463	21,169,763	21,201,332
Financial liabilities				
Debt to credit institutions and central banks	3,271,354	3,279,223	3,258,214	3,258,214
Deposits	32,149,727	32,149,727	30,762,236	30,762,236
Issued bonds at amortised cost	0	0	250,000	250,000
Total financial liabilities	35,421,081	35,428,950	34,270,450	34,270,450

Methods for measurement of fair values of financial instruments recognised at amortised cost are based on observable input (level 2):

Loans and receivables in credit institutions have been recognised at amortised cost. The difference to fair values is assumed to be fees and commissions received in connection with loans as well as the interest-rate-level value adjustment, which is calculated by comparing current market interest rates with market interest rates when the loans were established. Changes in the credit quality are assumed to be included in impairments on loans for carrying amounts as well as for fair values.

Deposits, issued bonds and debt to credit institutions have been recognised at amortised cost. The difference to fair values is assumed to be the interest-rate-level value adjustment, which is calculated by comparing current market interest rates with market interest rates when the transactions were established. Changes in fair values of issued bonds and debt to credit institutions due to changes in Arbejdernes Landsbank's own credit rating are not included, based on a materiality assessment.

Note	Fair value recognition the income statement		Amortised cost		Total DKK '000	
	Trading portfolio DKK '000	Fair value option DKK '000	Assets DKK '000	Liabilities DKK '000		
39	Return and classification of financial assets and liabilities - Group 2016					
	Return					
	Interest income	170,754	0	1,156,330	0	1,327,084
	Interest expenses	0	0	-82,448	-82,448	-82,448
	Net interest income	170,754	0	1,156,330	-82,448	1,244,636
	Dividends from shares, etc.	12,043	33,440	0	0	45,483
	Value adjustment	-80,796	9,711	152	0	-70,933
	Total return	102,001	43,151	1,156,482	-82,448	1,219,186
	Financial assets					
	Cash in hand and demand deposits with central banks	0	0	876,866	0	876,866
	Receivables from credit institutions and central banks	0	0	1,876,168	0	1,876,168
	Loans at amortised cost	0	0	20,951,136	0	20,951,136
	Bonds at fair value	15,207,800	0	0	0	15,207,800
	Shares etc.	233,194	1,094,994	0	0	1,328,188
	Assets linked to pooled schemes	0	2,056,027	0	0	2,056,027
	Derivative financial instruments and spot transactions	90,902	0	0	0	90,902
	Total financial assets	15,531,896	3,151,021	23,704,170	0	42,387,087
	Financial liabilities					
	Debt to credit institutions and central banks	0	0	0	3,271,354	3,271,354
	Deposits	0	0	0	32,149,727	32,149,727
	Deposits in pooled schemes	0	2,056,027	0	0	2,056,027
	Issued bonds at amortised cost	0	0	0	0	0
	Derivative financial instruments and spot transactions	395,105	0	0	0	395,105
	Other non-derivative financial liabilities at fair value	263,148	0	0	0	263,148
	Total financial liabilities	658,253	2,056,027	0	35,421,081	38,135,361
	Return and classification of financial assets and liabilities - Group 2015					
	Return					
	Interest income	238,297	0	1,127,699	0	1,365,996
	Interest expenses	0	0	0	-112,956	-112,956
	Net interest income	238,297	0	1,127,699	-112,956	1,253,040
	Dividends from shares etc.	13,848	38,315	0	0	52,163
	Value adjustments	-239,847	638	-1,333	0	-240,542
	Total return	12,298	38,953	1,126,366	-112,956	1,064,661
	Financial assets					
	Cash in hand and demand deposits with central banks	0	0	757,142	0	757,142
	Receivables from credit institutions and central banks	0	0	644,285	0	644,285
	Loans at amortised cost	0	0	19,768,336	0	19,768,336
	Bonds at fair value	15,401,974	0	0	0	15,401,974
	Shares etc.	270,423	813,436	0	0	1,083,859
	Assets linked to pooled schemes	0	1,551,741	0	0	1,551,741
	Derivative financial instruments and spot transactions	157,093	0	0	0	157,093
	Total financial assets	15,829,490	2,365,177	21,169,763	0	39,364,430
	Financial liabilities					
	Debt to credit institutions and central banks	0	0	0	3,258,214	3,258,214
	Deposits	0	0	0	30,762,236	30,762,236
	Deposits in pooled schemes	0	1,551,741	0	0	1,551,741
	Issued bonds at amortised cost	0	0	0	250,000	250,000
	Derivative financial instruments and spot transactions	188,926	0	0	0	188,926
	Other non-derivative financial liabilities at fair value	174,709	0	0	0	174,709
	Total financial liabilities	363,635	1,551,741	0	34,270,450	36,185,826

Note	Group		Bank	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
40 Transactions with related parties				
Group company balances				
Loans at amortised cost	0	0	3,677,091	3,394,814
Deposits and other debt	0	0	12,739	12,730
Issued guarantees	0	0	35,200	35,200
Collateral and guarantees received	0	0	0	0
Interest in respect of loans at amortised cost	0	0	53,450	46,571
Interest in respect of deposits and other debt	0	0	25	22
Fees and other operating income	0	0	4,195	3,804
Associates balances				
Loans at amortised cost	0	0	0	0
Deposits and other debt	0	81,641	0	81,641
Issued guarantees	0	0	0	0
Collateral and guarantees received	0	22	0	22
Interest in respect of loans at amortised cost	0	22	0	22
Interest in respect of deposits and other debt	55	91	55	91
Fees and other operating income	1,341	1,633	1,341	1,633
Executive Management and Board of Directors				
Loans at amortised cost	2,863	989	2,863	989
Deposits and other debt	15,500	13,787	15,500	13,787
Issued guarantees	403	7,551	403	7,551
Collateral and guarantees received	2,666	571	2,666	571
Interest in respect of loans at amortised cost	33	102	33	102
Interest in respect of deposits and other debt	98	96	98	96
Fees and other operating income	52	63	52	63
Major shareholders				
Loans at amortised cost	17,572	18,035	17,572	18,035
Deposits and other debt	180,057	223,219	180,057	223,219
Issued guarantees	0	0	0	0
Collateral and guarantees received	2,379,737	2,278,173	2,379,114	2,278,173
Interest in respect of loans at amortised cost	751	780	751	780
Interest in respect of deposits and other debt	685	818	685	818
Fees and other operating income	10,743	10,520	10,743	10,520

Related parties are defined by the Group to include members of the Bank's Executive Management and Board of Directors, including their related parties, as well as group companies and associates. Related parties also include shareholders who own more than 20% of the Bank's shares or have more than 20% of the voting rights.

All transactions with related parties which, in addition to those stated in the notes on emoluments, only include ordinary deposits and loans as well as credit facilities and are carried out on market terms. All transaction with related parties are made on market terms.

All balances and outstanding accounts with group companies and associates as well as with major shareholders arise from regular business related to the activities of the companies. Balances and outstanding accounts carry interest and have been entered into on business terms corresponding to those of the Group's other customers and cooperation partners. The Bank's ownership interest in Forsikringsselskabet ALKA was reduced to less than 20% in connection with a divestment of shares. The ownership interest in ALKA was subsequently classified under the item "Shares etc."

Balances and outstanding accounts with the Executive Management and the Board of Directors have been established on market terms. Interest rates for loans in 2016 are 3.0%-9.5% (2015: 3.0% - 11.5%) for the Executive Management and related parties, and 2.0% - 14.0% (2015: 2.0% - 4.0%) for the Board of Directors and related parties. Interest rates on deposits for balances with the Executive Management as well as the Board of Directors and related parties are 0.0% - 1.0% for both 2015 and 2016. The Executive Management has not been granted any incentive programmes. Remuneration for Board work in AL Finans A/S amounts to DKK 20,000. (2015: DKK 20,000).

Note	Group and Bank	
	2016 DKK '000	2015 DKK '000
41 Group overview		
Associates		
Forsikrings-Aktieselskabet ALKA, Høje-Taastrup *)		
Financial and operating data		
Share capital	0	88,099
Equity	0	2,616,518
Ownership interest (%)	0	32.1
Assets	0	5,166,163
Liabilities	0	2,549,645
Net assets	0	2,616,518
Arbejdernes Landsbank's share of net assets	0	841,057
Net revenues	1,516,649	1,528,484
Total profit for the period	189,315	243,142
Arbejdernes Landsbank's share of profit for the year	60,854	78,156
The statement for 2016 is as at 30 September 2016 (not revised) The statement for 2015 is as at 31 December 2015 Net revenues are defined as premium income for own account.		

*) The Bank's ownership interest in Forsikringselskabet ALKA was reduced to less than 20% in connection with a divestment of shares in 2016. The ownership interest in ALKA was subsequently classified under the item "Shares etc."

	Bank	
	2016	2015
	DKK '000	DKK '000
41 Group overview, continued		
Consolidated group companies		
AL Finans A/S, Copenhagen		
Share capital	6,000	6,000
Equity	245,338	210,502
Ownership interest (%)	100	100
Profit	34,836	33,076
The financing company, AL Finans A/S, provides car financing, leasing and factoring. Activities of the company have been financed by equity and borrowing from the Parent Company. The company employed an average of 77 staff in terms of full-time employees in 2016.		
Handels ApS Panoptikon, Copenhagen		
Share capital	500	500
Equity	12,726	12,724
Ownership interest (%)	100	100
Profit	3	1
Handels ApS Panoptikon does not currently have activities in the company. The company has not employed any staff during 2016.		
Furthermore, the Bank holds 100% of the shares in PR Ejendoms Holding A/S. The undertaking is under liquidation and has been recognised with a carrying amount of DKK 0.		

Note		2016 DKK '000	2015 DKK '000	2014 DKK '000	2013 DKK '000	2012 DKK '000
42	Financial and operating data and ratios and key figures for the Bank					
Financial and operating data						
	Net interest and fee income	1,696,837	1,704,736	1,541,393	1,461,102	1,390,745
	Value adjustments	-71,275	-241,015	22,748	274,724	346,363
	Staff and administration expenses	-1,130,421	-1,111,514	-1,094,344	-1,066,358	-1,020,373
	Impairments on loans and receivables, etc.	-49,401	-98,991	-224,288	-229,778	-270,887
	Profit from equity investments in associates and group companies	99,989	135,497	152,986	149,336	148,747
	Profit for the year	419,416	284,367	294,978	423,362	456,601
	Loans	20,850,047	19,637,109	18,201,929	18,051,773	17,687,171
	Bonds at fair value	15,207,800	15,401,974	14,566,631	12,748,674	13,843,097
	Deposits incl. pools	34,204,463	32,314,448	29,640,537	28,134,619	24,100,569
	Issued bonds at amortised cost	0	250,000	261,164	261,164	3,089,802
	Equity (incl. Additional Tier 1 capital)	5,681,749	5,279,627	5,049,098	3,929,360	3,607,213
	Total assets	44,340,267	41,978,320	40,060,265	37,567,966	36,773,174
	Total contingent liabilities	5,227,668	4,324,424	3,631,691	2,518,258	2,544,182
Ratios and key figures ***)						
Solvency						
	Capital ratio	%	17.0	13.3	15.6	14.9
	Tier 1 capital ratio	%	17.0	13.3	15.6	13.9
Earnings						
	Return on equity before tax	%	9.1	6.1	7.1	13.4
	Return on equity after tax	%	7.7	5.5	6.6	11.2
	Ratio of operating income to operating expenses per DKK	DKK	1.40	1.24	1.22	1.35
	Earnings per share (DKK 1,000)	DKK	1,398.1	947.9	983.3	1,411.2
	Return on capital employed	%	1.0	0.7	0.8	1.1
Market risk						
	Interest-rate risk	%	-1.2	-1.0	-1.4	-2.3
	Currency position	%	2.3	1.3	3.0	4.5
	Currency risk	%	0.0	0.0	0.0	0.1
Liquidity						
	Loans plus impairments in relation to deposits	%	65.0	65.1	66.1	68.6
	Excess liquidity in relation to statutory requirements for liquidity *)	%	191.8	199.4	229.9	261.2
Credit						
	Sum of large exposures **)	%	0.0	10.6	20.7	46.5
	Impairment ratio for the year	%	0.2	0.3	0.9	1.1
	Growth in loans for the year	%	6.2	8.1	0.9	2.1
	Loans in relation to equity		3.7	3.7	3.6	4.6
Equity						
	Net asset value	DKK	1,610.9	1,476.9	1,400.0	1,309.8
	Proposed dividend per DKK 1,000	DKK	100	100	150	200
Employees						
	Average number of employees during the financial year, converted to full-time		986	999	1,006	999

*) The definition of excess liquidity in relation to statutory requirements for liquidity was changed in 2013. Excess liquidity is calculated according to the highest value of the 10%-15% requirement. The 2013-2016 ratios and key figures are calculated according to the 15% requirement; the other years are calculated according to the 10% requirement.

***) The definition of large exposures changed in 2014. Comparative figures have not been adjusted.

***) See note 43 for definitions of ratios and key figures.

Note

43 Definition of ratios and key figures

Ratios and key figures are listed in accordance with the requirements laid down in the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. Earnings per share (EPS) and diluted earnings per share (EPS) are calculated in accordance with IAS 33, however, the Bank's shares are not in circulation. Other ratios and key figures are prepared in accordance with the "Recommendations & Financial Ratios 2015" of the Danish Society of Financial Analysts.

Ratios and key figures are calculated in accordance with guidelines from the Danish FSA, see the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

1. Capital ratio =	$\frac{\text{Own funds} \times 100}{\text{Total risk exposure}}$
2. Tier 1 capital ratio =	$\frac{\text{Tier 1 capital} \times 100}{\text{Total risk exposure}}$
3. Return on equity before tax =	$\frac{\text{Profit before tax} \times 100}{\text{Equity (average)}}$
4. Return on equity after tax =	$\frac{\text{Profit after tax} \times 100}{\text{Equity (average)}}$
5. Ratio of operating income to operating expenses per DKK =	$\frac{\text{Income}}{\text{Costs (excl. tax)}}$
6. Return on capital employed =	$\frac{\text{Profit after tax} \times 100}{\text{Total assets (average)}}$
7. Interest-rate risk =	$\frac{\text{Interest-rate risk} \times 100}{100 \text{ Tier 1 capital}}$
8. Currency position =	$\frac{\text{Currency indicator 1} \times 100}{\text{Tier 1 capital}}$
9. Currency risk =	$\frac{\text{Currency indicator 2} \times 100}{\text{Tier 1 capital}}$
10. Loans plus impairments in relation to deposits =	$\frac{\text{Loans} + \text{impairments on loans}}{\text{Deposits}}$
11. Loans in relation to equity =	$\frac{\text{Loans}}{\text{Equity}}$
12. Growth in loans for the year *) =	$\frac{(\text{Loans, excl. repo transactions carried forward} - \text{loans, excl. repo transactions brought forward}) \times 100}{\text{Loans, excl. repo transactions brought forward}}$
13. Excess liquidity in relation to statutory requirements for liquidity *) =	$\frac{\text{Excess liquidity in relation to statutory requirements, see section 152 of the Financial Business Act}}{\text{Highest value of 10\% to 15\% requirement}}$
14. Sum of large exposures *) =	$\frac{\text{Sum of large exposures after deductions, excl. credit institutions} \times 100}{\text{Own funds}}$
15. Impairment ratio for the year =	$\frac{\text{Impairments on loans and guarantees for the year} \times 100}{\text{Loans} + \text{impairment charges} + \text{guarantees}}$
Supplementary ratios and key figures	
16. Earnings per share (DKK 1,000) =	$\frac{\text{Profit}}{\text{Number of shares (DKK 1,000)}}$
17. Net asset value =	$\frac{\text{Arbejdernes Landsbank's shareholders share of equity} \times 100}{\text{Share capital}}$
18. Proposed dividend per DKK 1,000 nominal share value =	$\frac{\text{Dividend yield} \times \text{nominal value of the share}}{100}$
19. Property exposure *) =	$\frac{(\text{Gross loans and guarantees within the sector "Completion of building projects"} + \text{the sector "real property"}) \times 100}{\text{Gross loans} + \text{guarantees}}$
20. Stable funding *) =	$\frac{\text{Loans}}{\text{Sum of deposits, including pooled schemes} + \text{debt to Danmarks Nationalbank with remaining term} > 1 \text{ year} + \text{issued bonds with remaining term} > 1 \text{ year} + \text{subordinated debt} + \text{equity}}$

*) Ratios and key figures used in the Danish FSA benchmarks.

Note 44

Risk management**General**

Based on the required risk profile, the Board of Directors establishes the overall structure of risk management by the Group. In risk policies and guidelines for the Executive Management, the Board of Directors sets the framework for risk management, and the risks the Group is permitted to accept. The Board of Directors regularly receives follow-up reports to monitor that risk management is satisfactory and that risk policies and guidelines are observed. The Board of Directors has set up an Audit and Risk Committee, focusing in particular on the risk profile and internal control environment.

The Risk and Balance Sheet Management Committee, set up by the Executive Management, is composed of the Executive Management, the Director of Finance, the Director of Treasury and Finance, the Director of Credit and the Head of Risk Management. The aim of the committee is to create a shared picture of required balance sheet and discuss the current risk exposure as well as other risk management issues.

The committee on Operational Risk is composed of the Executive Management, the IT Director, the Head of Risk Management, the Head of Compliance and an employee from the Finance Department. The committee handles operational events concerning risk of losses, and assesses policies and insurance programmes.

The Head of Risk Management and the risk department ensure that the Group's risk management is satisfactory. This includes correct identification, measurement, treatment and reporting of all significant risks. The Head of Risk Management assesses the Group's risks and risk management and reports to the Board of Directors.

Compliance monitors the Group's compliance with legislation to ensure that the Group will not be subject to sanctions or suffer loss of reputation. The Head of Compliance assesses the Group's compliance with current legislation and reports to the Board of Directors

Daily management of risks is rooted in the individual areas. Credit is responsible for operation of branches and the mortgage-credit area. Liquidity and Funding is responsible for market risk and liquidity, and the Finance Department is responsible for operational risk, including insurance cover.

Credit risk**Credit policy**

The overall credit risk is managed in accordance with policies and frameworks adopted and stipulated by the Bank's Board of Directors, and subsequently implemented in the Bank's standard operating procedures. Authorisation guidelines are established by the Board of Directors and passed on to the Executive Management and then further on in the organisation. Moreover, the Bank has a credit committee which authorises exposures over a certain size.

A central part of the Bank's business model is to advise on, and grant loans, credits and other financial products to private individuals and enterprises.

The primary target group is creditworthy private customers, associations as well as small and medium-sized business customers with full-scale customer relationships. With regard to business customers, focus is primarily on owner-managed enterprises.

Furthermore, the Bank aims at ensuring that the Bank's group of owners can have various forms of bank business conducted.

Generally, the Bank does not participate in geared investment transactions, nor does it wish to finance projects of a speculative nature.

The Bank is engaged with financial counterparties in the money and derivative markets.

When providing credit, the Bank's assessment is made on the basis of an ethical profile and a desire to diversify risk and take into account the spread of risk over sectors, as well as the size of the exposure. This is important for the establishment of a sustainable foundation for the Bank's further development.

Credit organisation

The Bank is organised with 71 branches. The authority to grant loans is structured such that the branches may grant loans in the majority of cases, but in larger and more complex cases, the branches must make a recommendation to this effect for authorisation by the central credit department or the Bank's credit committee.

The Bank has a structural separation between customer functions and the control and monitoring function. The

Bank also has independent departments responsible for property assessments, debt collection and mortgage deeds.

Credit is responsible for day-to-day credit management, monitoring and reporting to the branch network.

Rating

For several years, the Bank has been using its own internally developed rating model for private as well as business customers to support assessment of credit risk.

The rating model is a hybrid model, which is based on a combination of payment behaviour as well as objective information about the customer, including accounting data for business customers and financial information about private customers. Rating categories are from 1-11, where rating 1 is the best and rating 11 is the poorest.

The Bank's rating is a central tool in ongoing monitoring and credit management, including the identification of customers starting to show signs of weakness, or customers with OEL. Furthermore, the rating is used in the Bank's model for collective impairments.

Rating distribution and rating development are monitored on an ongoing basis at portfolio as well as branch level. Reporting is made quarterly to central and branch management.

Credit risk management, controls and monitoring

To a great extent, day-to-day responsibility for internal control and monitoring of the Bank's credit risk is placed in Credit. The Bank focuses on processes and on developing tools to improve the efficiency of internal controls and supervision.

Credit carries out ongoing inspection of branches by reviewing large samples of weak customers and new-loan authorisations, focusing on the general management of exposures. Conclusions from this review are reported to the Bank's management and Internal Audit. Where assessed necessary, the branch will then be required to prepare action plans for follow-up by Credit.

Every autumn, Credit makes an annual review (asset review) of the Bank's total exposures based on a materiality and risk-focused approach. Credit assesses current and future risks on selected exposures, checks compliance with the credit policy and with the authority to grant loans, and ensures satisfactory credit management and fair risk classification and impairment. The conclusions are reported to the Board of Directors.

Overdrafts are processed daily at the branches. Credit monitors the processing of overdrafts on an ongoing basis.

All large lending exposures are reassessed continuously and at least once every year based on the customers' accounts etc. However, all Group lending exposures exceeding 1 % of the Bank's own funds are assessed, as a minimum, each quarter and a calculation is carried out of the individual solvency need per exposure exceeding 2% of own funds. With regard to calculation of the individual solvency need, the Bank's risk concentrations are assessed on the basis of collateral, sectors and large exposures, etc.

Weak customers/customers in distress are handled on an ongoing basis and examined individually at least quarterly in order to prepare action plans, and to calculate/assess whether there is objective evidence of impairment and a need for impairment charges. The part of the portfolio not subject to individual impairment charges is assessed collectively.

Moreover, credit monitoring is underpinned by ad hoc analyses on the basis of developments in the portfolio, and cross-sectoral analyses and reports are prepared for specific areas.

Credit risk is reported quarterly to the Board of Directors. The report includes more detailed comments on developments in risk ratios and key figures, sectors and customer segments, and on achievement of and compliance with credit policy goals and requirements in the Bank's credit policy.

Risk hedging and risk reduction

The Bank utilises its possibilities to reduce risk by generally securing collateral in the assets that it finances.

The Bank applies prudent collateral values on all significant asset types. This implies that, for reasons of prudence, some assets are calculated at a reduced value, and therefore the real collateral value is significantly higher than the value calculated. Focus is on ensuring that assessments of mortgaged assets are updated and documented. The most common collateral is in the form of mortgages on real property and cooperative housing.

For individually assessed exposures, collateral is calculated in impairment calculations at estimated fair value, pursuant to regulations from the Danish FSA.

The development in the Bank's collateral is described on page 87.

Credit risk

Note	Group		Bank	
	2016 DKK '000	2015 DKK '000	2016 DKK '000	2015 DKK '000
44 Maximum credit exposure *)				
Receivables from credit institutions and central banks	1,876,168	644,285	1,863,684	643,893
Loans at amortised cost	20,951,136	19,768,336	20,850,047	19,637,109
Bonds at fair value	15,207,800	15,401,974	15,207,800	15,401,974
Shares etc.	1,328,188	1,083,859	1,328,188	1,083,859
Equity investments in associates	0	841,046	0	841,046
Equity investments in group companies	0	0	258,064	223,226
Positive market value of derivative financial instruments	90,902	157,093	90,902	157,093
Guarantees	4,968,940	4,081,034	4,968,940	4,081,034
Irrevocable credit commitments	834,047	726,614	44,000	0
Total	45,257,181	42,704,241	44,611,625	42,069,234

*) The credit exposure is composed of selected balance-sheet-items and off-balance-sheet items.

Loans and guarantees				
Loans before impairment charges	22,326,091	21,179,638	22,216,753	21,041,603
Guarantees before provisions	4,999,459	4,116,143	4,999,459	4,116,143
Total loans and guarantees before impairments etc.	27,325,550	25,295,781	27,216,212	25,157,746
Individual impairments on loans	1,232,910	1,308,712	1,224,904	1,302,005
Collective impairments on loans	142,044	102,590	141,801	102,489
Individual provisions on guarantees	19,862	23,299	19,862	23,299
Group provisions on guarantees	10,658	11,810	10,658	11,810
Total loans and guarantees after impairments etc.	25,920,076	23,849,370	25,818,987	23,718,143
Loans and guarantees analysed by groups of customers				
Private				
Loans and guarantees before impairments	19,710,428	17,475,040	17,750,304	15,665,378
Loans and guarantees after impairments	19,024,161	16,804,896	17,069,303	14,999,053
Collateral	9,872,218	8,913,834	8,078,155	7,229,023
Arrears	19,637	26,551	18,573	25,757
Actual loss written off	74,714	76,029	70,962	71,488
Business				
Loans and guarantees before impairments	7,615,122	7,820,741	9,465,908	9,492,368
Loans and guarantees after impairments	6,895,915	7,044,474	8,749,684	8,719,090
Collateral	3,565,509	3,882,234	1,852,240	2,247,820
Arrears	29,356	18,395	21,591	9,799
Actual loss written off	57,256	20,317	55,782	19,164
Total				
Loans and guarantees before impairments	27,325,550	25,295,781	27,216,212	25,157,746
Loans and guarantees after impairments	25,920,076	23,849,370	25,818,987	23,718,143
Collateral	13,437,727	12,796,068	9,930,395	9,476,843
Arrears	48,993	44,946	40,164	35,556
Actual loss written off	131,970	96,346	126,744	90,652

	Group		Bank	
	2016	2015	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000
Loans in arrears for non-impaired loans				
Age distribution for loans in arrears				
2-30 days	228,542	202,422	181,440	164,754
31-60 days	30,757	15,127	30,120	12,538
61-90 days	5,493	24,686	4,992	24,686
More than 90 days	19,653	29,753	19,495	29,725
Total loans in arrears	284,445	271,988	236,047	231,703
Value of collateral for loans in arrears				
Properties	130,326	142,270	131,057	142,270
Securities, bonds, cash deposits, etc.	8,849	2,364	9,003	2,364
Cars	34,683	29,102	606	1,326
Warrants and guarantees	4	9	4	9
Other collateral	14,875	10,684	131	2
Total	188,737	184,429	140,801	145,971
Age distribution for arrears				
2-30 days	25,816	26,541	17,189	17,278
31-60 days	14,376	3,205	14,350	3,106
61-90 days	2,574	6,120	2,557	6,120
More than 90 days	6,227	9,080	6,068	9,052
Total arrears	48,993	44,946	40,164	35,556

Loans at amortised cost, collateral value and payment in arrears > DKK 1,000 for customers which had arrears at the end of the year, and which were not subject to individual impairments. Loans in arrears and payments in arrears are calculated at account level. In previous years, calculations have been made at customer level. Comparative figures for 2015 have been adjusted.

Concentration risk

The Group's business strategy for loans activity is overall concentrated on the following customer groups: Private and business According to section 395 of the Danish Financial Business Act, an exposure with a customer or group of mutually connected customers may not, after subtracting particularly secure claims, exceed 25% of own funds.

Quarterly reports are submitted to the Danish FSA. The Group has not had exposures exceeding the limits laid down in section 395.

Concentration risk on large exposures amounting to 10% or more of own funds, see section 392 of the Danish Financial Business Act

Credit institutions				
Credit exposure after deductions	0	0	0	0
Other business				
Credit exposure after deductions	0	438,495	0	438,495
Number of large exposures				
Credit institutions before deductions	6	5	6	5
Other business before deductions	0	2	1	3
Larger than 20% of own funds	0	0	0	0
15-20% of own funds	0	0	0	0
10-15% of own funds	0	438,495	0	438,495
Sum of large exposures, excl. credit institutions in % of own funds	0	11	0	11

	Group		Bank	
	2016	2015	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000
Concentration on the Group's total collateral				
Private				
Properties	7,717,559	6,750,729	7,711,682	6,750,729
Securities, bonds, cash deposits, etc.	152,716	120,619	152,664	120,619
Cars	1,922,769	1,980,841	198,129	334,516
Warrants and guarantees	1,910	2,395	1,910	2,395
Other collateral	77,264	59,250	13,770	20,764
Total	9,872,218	8,913,834	8,078,155	7,229,023
Business				
Properties	1,296,423	1,524,994	1,293,228	1,524,994
Securities, bonds, cash deposits, etc.	538,608	694,190	538,556	694,190
Cars	970,960	829,442	8,569	13,529
Warrants and guarantees	2,624	8,284	2,624	8,284
Other collateral	756,894	825,324	9,263	6,823
Total	3,565,509	3,882,234	1,852,240	2,247,820
Total collateral				
Properties	9,013,982	8,275,723	9,004,910	8,275,723
Securities, bonds, cash deposits, etc.	691,324	814,809	691,220	814,809
Cars	2,893,729	2,810,283	206,698	348,045
Warrants and guarantees	4,534	10,679	4,534	10,679
Other collateral	834,158	884,574	23,033	27,587
Total	13,437,727	12,796,068	9,930,395	9,476,843

	Group		Bank	
	2016	2015	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000
Credit quality - Loans before impairments				
Customers not impaired				
Private				
Ratings 1-5	8,396,854	8,199,891	6,682,672	6,408,098
Ratings 6-8	5,772,707	4,956,399	5,589,503	4,956,399
Rating 9	540,711	448,792	509,513	448,792
Ratings 10-11	201,593	208,689	191,265	208,689
Total	14,911,865	13,813,771	12,972,953	12,021,978
Business				
Rating 1-5	3,462,036	3,350,503	6,158,500	5,544,516
Rating 6-8	1,311,835	1,130,821	829,378	802,346
Rating 9	432,361	289,496	184,855	194,093
Rating 10-11	404,677	512,213	298,491	420,708
Total	5,610,909	5,283,033	7,471,224	6,961,663

	Group		Bank	
	2016	2015	2016	2015
	%	%	%	%
Average impairment ratio for customers not individually impaired				
Private				
Ratings 1-5	0.136	0.307	0.170	0.392
Ratings 6-8	1.001	0.741	1.034	0.741
Rating 9	6.778	1.301	7.193	1.301
Ratings 10-11	4.781	1.394	4.938	1.394
Business				
Ratings 1-5	0.132	0.490	0.072	0.296
Ratings 6-8	0.481	0.330	0.753	0.465
Rating 9	1.053	0.848	2.444	1.265
Ratings 10-11	2.936	1.813	3.791	2.208

Credit quality of loans has been assessed on the basis of the Bank's rating model and the Bank's/Group's model for collective impairments. Credit margins (loss rates) of the Group and the Bank form the basis for collective impairments, estimated in terms of credit, where necessary. Rating groups have been changed to comply with the internal risk groups of the Bank. Comparative figures for 2015 have been adjusted.

	Group		Bank	
	2016	2015	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000
Reasons for individual impairment on loans				
Amortised cost, loans before impairments				
Bankruptcy	34,346	87,068	30,880	84,028
Debt collection	301,549	334,360	300,376	333,069
Debtors in financial difficulties	1,467,422	1,661,406	1,441,320	1,640,865
Amortised cost, loans before impairments	1,803,317	2,082,834	1,772,576	2,057,962
Impairment charged				
Bankruptcy	29,824	68,732	28,451	66,857
Debt collection	252,252	247,902	251,875	247,529
Debtors in financial difficulties	950,834	992,078	944,578	987,619
Impairment charged	1,232,910	1,308,712	1,224,904	1,302,005
Amortised cost, loans after impairments	570,407	774,122	547,672	755,957
Collateral	353,894	465,768	332,007	448,090
Unsecured part	216,513	308,354	215,665	307,867
Value of loans with objective evidence of impairment, and where the carrying amount is larger than zero				
Assessed individually				
Loans at amortised cost before impairments	1,575,966	1,824,023	1,545,938	1,800,939
Impairment charges	1,005,559	1,049,901	998,266	1,044,982
Loans at amortised cost after impairments	570,407	774,122	547,672	755,957
Collective assessment				
Loans at amortised cost before impairments	6,634,430	7,856,315	5,434,442	7,407,884
Impairment charges	142,044	102,590	141,801	102,489
Loans at amortised cost after impairments	6,492,386	7,753,725	5,292,641	7,305,395
Assessed in total				
Loans at amortised cost before impairments	8,210,396	9,680,338	6,980,380	9,208,823
Impairment charges	1,147,603	1,152,491	1,140,067	1,147,471
Loans at amortised cost after impairments	7,062,793	8,527,847	5,840,313	8,061,352

	Group		Bank	
	2016	2015	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000
Loans with relaxed credit terms				
Private				
Non-Performing	272,847	233,086	272,847	233,086
Performing	14,902	2,448	14,902	2,448
Total	287,749	235,534	287,749	235,534
Business				
Non-Performing	426,773	891,213	426,773	891,213
Performing	23,119	16,791	23,119	16,791
Total		908,004	449,892	908,004
Total loans with relaxed credit terms				
Non-Performing	699,620	1,124,299	699,620	1,124,299
Performing		19,239	38,021	19,239
Total	737,641	1,143,538	737,641	1,143,538
Credit relaxation (forbearance)				
A lending facility is defined as a loan with relaxed credit terms if, due to the debtor's financial difficulties, the Bank has granted relaxed terms on interest and/or repayment, or if the loan has been refinanced on more relaxed terms.				
Non-Performing is defined as the group of non-performing exposures (based on the Basel criteria) and/or exposures which are impaired, i.e. exposures to customers subject to depreciation/amortisation, impairment charges or 90 days in arrears.				

	Group		Bank	
	2016	2015	2016	2015
	DKK '000	DKK '000	DKK '000	DKK '000
The Group as lessor				
The subsidiary AL Finans A/S acts as a lessor within the areas of car leasing, machinery, equipment and similar. Finance leases as well as operating leases are offered.				
Net investments in finance leases				
Duration up to 1 year	518,504	229,426	0	0
Duration between 1-5 years	553,121	640,180	0	0
Duration more than 5 years	4,869	10,205	0	0
Total	1,076,494	879,811	0	0
Gross investments in finance leases				
Duration up to 1 year	549,463	234,724	0	0
Duration between 1-5 years	580,103	684,240	0	0
Duration more than 5 years	5,044	11,841	0	0
Total	1,134,610	930,805	0	0
Unearned financing income	58,116	50,994	0	0
Impairment charges on finance leases	1,918	590	0	0
AL Finans A/S is a lessor in a number of operating leases. The agreements primarily comprise operating equipment and fixtures and equipment, and assets are recognised under machinery and fixtures and equipment.				
Operating leases				
Duration up to 1 year	94,303	34,938	0	0
Duration between 1-5 years	88,398	89,244	0	0
Duration more than 5 years	0	198	0	0
Total	182,701	124,380	0	0

Credit risk on financial counterparties

As part of trading in securities, currencies and derivative financial instruments as well as money transmission services, etc. exposures to financial counterparties arise as settlement risk or credit risk.

Management grant lines on settlement risk and credit risk against financial counterparties, and this is based on the individual counterparty's risk profile, geographical location, rating, size and equity ratio. Risks and lines on financial counterparties are monitored regularly.

Market risk

The Arbejdernes Landsbank Group regularly accepts various forms of market risk, primarily as interest-rate risk, share-price risk or currency risk, as well as securities-related credit risks in the form of investments in credit bonds.

Market risks arise, partly as a result of servicing customers' needs, and partly from the Bank's positions in financial instruments. The Bank utilises derivative financial instruments to manage and adjust market risks.

Trading in shares, bonds, currency and related derivative financial instruments is an important business area for the Bank. As a result, and because of the Bank's wish to exploit the fluctuations in the financial markets, the Bank regularly takes on market risks.

The purpose of market-risk management is to counterbalance the overall market risk on assets and liabilities, in order to be in a position to consider return and risk satisfactorily.

The framework, objectives and strategies for the Bank's market risk have been laid down in a delegation system in which the Board of Directors of the Bank outlines the framework for the maximum total market risk the Bank is permitted to accept.

The Executive Management forwards the risk framework to the Liquidity and Funding area. Otherwise the framework is established based on the Executive Management's investment strategy, which depends on assessments of return in relation to risk in financial instruments and considering the Bank's other risks.

Market risk is managed at Group level, and market risk in other units in the Group is regularly hedged with the Parent Company.

Monitoring market risk

Detailed risk reports are generated daily on the basis of records in the Bank's systems of the risk-related instruments, and these reports are sent to the Executive Management and other relevant parties. The Bank has continuous focus on the quality of the risk statements.

Internal Risk Management and Control is independent on business responsibilities and position management, and it ensures that all calculated risks comply with the frameworks stipulated and the current strategy in the area. Any transgressions must be reported to the Board of Directors, the Executive Management and to the Risk and Balance-Sheet Management Committee.

Reporting to the Executive Management is on a daily basis and reporting to the Board of Directors and the Risk and Balance-Sheet Management Committee is monthly.

Interest-rate risk

Interest-rate risk is managed to achieve a balance in the interest-rate risk on assets and liabilities. For certain fixed-interest assets and liabilities, as part of risk management, interest-rate risk is hedged by derivative financial instruments such as futures, interest-rate swaps, options and forward transactions.

Interest-rate risk is the risk of losses as a result of a general parallel shift in market interest rates by one percentage point in all currencies. In calculation of interest rate risk on fixed-interest assets and liabilities, duration intervals are used.

The interest-rate risk is spread over seven duration zones. For day-to-day management of interest-rate risk, the interest-rate risk is calculated according to guidelines from the Danish FSA. Monitoring is continuous and there are daily reports on utilisation of the frameworks.

	2016 DKK '000	2015 DKK '000
Interest-rate risk type broken down by type of business		
Bonds etc.	492,257	701,048
Derivative financial instrument	-584,478	-769,479
Mortgage deeds	79,891	57,763
Other items	-54,158	-33,124
Total	-66,488	-43,792
Interest-rate risk type broken down by currency		
DKK	827	106,230
USD	-35,280	-93,122
EUR	-37,825	-63,781
GBP	2,225	2,813
NOK	227	-5
CHF	2,035	2,569
SEK	1,304	1,505
Other	-1	-1
Total	-66,488	-43,792
Interest-rate risk broken down by modified maturity (M)		
0 < M ≤ 3 months	14,027	12,294
3 < M ≤ 6 months	16,207	15,815
6 < M ≤ 9 months	-8,439	528
9 < M ≤ 12 months	31,707	11,568
1 < M ≤ 2 years	15	4,203
2 < M ≤ 3.6 years	21,786	31,746
3.6 years < M	-141,791	-119,946
Total	-66,488	-43,792

A positive interest-rate risk indicates a loss in connection with interest-rate increases and a gain in the event of general interest-rate falls. The negative net interest-rate risk across duration zones and currencies thus indicates a gain in the event of a general interest-rate increase of 1 percentage point of DKK 66 mill (2015: DKK 44 mill.). The risks are also assessed regularly in relation to the Bank's assessment of return opportunities and risks.

Currency risk

Currency risk is managed to a wide extent to match financial assets with the currency distribution of liabilities. Furthermore, the currency risk is hedged using derivative financial instruments. The Bank's investment strategy is to only have limited net positions in foreign currency.

An unfavourable fluctuation for the Group in EUR of 2% and in other currencies of 10% will lead to a negative effect on results and equity before tax of DKK 10.0 mill. (2015: DKK 14.3 mill.).

Currency indicator 1 expresses the largest sum of positions in currencies in which the Group has net assets and the sum of positions in which the Group has net liabilities.

Currency indicator 2 gives a target for foreign-currency risk, which takes account of the amount by which the individual currencies have fluctuated in relation to the DKK, calculated on the basis of variances and correlations from the Danish FSA.

	2016	2015
Currency risk		
Currency indicator 1 DKK '000	131,656	65,746
Currency indicator 1 in % of Tier 1 capital	2.4	1.6
Currency indicator 2 DKK '000	366	1,583
Currency indicator 2 in % of Tier 1 capital	0.0	0.0

Share-price risk

The size of the Group's share-price risk is set regularly on the basis of the Group's assessment of the macro-economic situation, as well as the situation of the individual companies. Sensitivity to general changes in the share markets is concentrated in the relatively small part of shareholdings held in the trading portfolio. Holdings are spread over as many companies as possible so that a general fall in the share markets of 10% would lead to a capital loss of DKK 23.3 mill. (2015: DKK 51.3 mill.).

However, investment securities are more specifically affected by developments in the individual companies, which cannot be assumed to be influenced correspondingly by market fluctuations.

	2016 DKK '000	2015 DKK '000
Share positions		
Trading portfolio		
Listed shares	146,551	177,314
Unlisted shares etc	86,643	93,109
Derivatives	0	242,194
Total trading portfolio	233,194	512,617
Investment securities		
Unlisted shares	1,084,741	802,700
Listed shares	10,253	10,736
Associates	0	841,046
Total investment securities	1,094,994	1,654,482
Total	1,328,188	2,167,099

Securities-related credit risk

Part of the Group's interest-rate risk is position-taking in credit bonds which involves an additional risk element in the form of fluctuations in credit-risk spreads which may be specific to the security or denote general changes in a wide spectrum of all securities. As a consequence of attractive prices in relation to investments in for example government bonds, credit bonds have become increasingly more important to the Group's bond portfolio. Naturally, this has given rise to increased focus on risk monitoring in this area.

Credit bonds are included in the trading portfolio and are recognised at fair value in the financial statements. The limitation in the credit-risk spread results in regular balancing of the portfolio with regard to the risk assessment.

Currently, DKK 1.2 bn., corresponding to 8% of the total bond portfolio has been invested in a very diversified portfolio of corporate bonds, excluding banks (2015: DKK 1.8 bn.). Interest rate sensitivity represents DKK 32.2 mill., mainly in DKK and EUR bonds against DKK 54.6 mill. at the end of 2015.

Investment in bonds issued by banks represents DKK 2.2 bn. (2015: DKK 2.6 bn.) and 14% of the Bank's total bond portfolio (2015: 17%). Interest rate sensitivity represents DKK 66.0 mill. (2015: DKK 83.4 mill.) – mainly in banks

with a BBB+ rating or higher and focused on banks in EUR bonds.

The total bond portfolio at the end of 2016:

Bond portfolio

	2016 %	2015 %
Rating		
AAA	54%	48%
AA+, AA, AA-	4%	5%
A+, A, A-	9%	19%
BBB+	7%	4%
BBB	12%	9%
BBB-	3%	4%
Rating < BBB-	2%	2%
No Rating	9%	9%
Total	100%	100%
Broken down by issuers		
States	20%	19%
Mortgage credit	58%	52%
Banks	14%	17%
Other businesses	8%	12%
Total	100%	100%

Figure: Distribution according to the S&P rating scale based on the S&P ratings or ratings from Moody converted to corresponding ratings in the S&P scale.

Commodity risk

The Group had no commodity positions at the end of 2016 and only assumes such risks to a very limited extent.

Operational risiko

Operational risk is the risk of direct or indirect losses as a result of inappropriate or incomplete internal procedures, human error and systems failure, or as a consequence of external events.

Policy for operational risk

The Board of Directors has adopted a policy for operational risk, the purpose of which is to create an overview of Group operational risk and to minimise the number of errors, thus reducing Group losses due to operational risk.

Control, monitoring and reporting

A systematic accumulation of events of an operational nature is carried out and this forms the basis for ongoing reporting of losses and events assessed to be attributable to operational risks. On the basis of developments and reporting, the Operational Risks Committee assesses whether business procedures etc. ought to be adjusted and improved in order to prevent or minimise any operational risks, and the Bank's procedures and processes are regularly reviewed and assessed by the Bank's compliance function, as well as the internal and external auditors.

IT security

In the assessment of the Bank's operational risk, IT supply is a significant area. The Bank's IT organisation and management regularly evaluate IT security, including prepared IT emergency preparedness plans, which lay down requirements and levels for the accessibility and stability of the IT systems and data used by the Bank. The requirements listed apply to the Bank's internal IT organisation, as well as to the Bank's IT supplier, BEC (Bankernes EDB Central), which the Bank owns together with a number of other banks.

Capital requirement

Pursuant to the capital adequacy rules, credit institutions must quantify and recognise an amount for operational risks in their capital-adequacy statement. The Group uses the basic indicator approach, according to which, on the basis of calculation of an average of the past three financial years' net income, an amount is quantified to which the risk-weighted items are added, in order to cover the Bank's operational risks. In 2016, the operational risk amounts to 10.5%. (2015: 10.8 pct.) of total risk exposure, corresponding to DKK 3,314.2 mill. at the end of 2016 (2015: DKK 3,352.8 mill.), which results in a capital requirement of DKK 265.1 mill. (2015: DKK 268.2 mill.).

Liquidity risk

Liquidity risk is the risk that the Group either fails to meet its payment obligations as they fall due, or is only able to meet its obligations by incurring disproportionately high financing costs.

Liquidity risk is a consequence of a mismatch in the balance between the maturity of assets and liabilities. The Bank's loan portfolio generally has a longer time to maturity than its liabilities, including deposits. This risk is reflected in a risk of additional expenses resulting from the Bank having to pay more for the liquidity required to cover its payment obligations in a situation where the Bank itself, or the sector as a whole, is affected by extraordinary circumstances. Most of the Bank's liquidity risk is in DKK, whereas a smaller proportion of the risk is primarily in EUR and USD.

Cash resources according to LCR

The Board of Directors has stipulated in its liquidity policy that the Bank must have excess liquidity in relation to the LCR minimum requirements of 30 percentage points. The Bank also has a policy that liquidity forecasts, which are prepared at least once a month, must demonstrate compliance with statutory requirements at least three months ahead. Furthermore, the policy stipulates that stress tests must be prepared. Liquidity forecasts are submitted to the Board of Directors on a monthly basis, and more often if required.

LCR liquidity statement	DKK bn.
Total liquidity buffer	11.6
Net outflow	7.6
LCR (%)	154

At the end of 2016, LCR was calculated at 154%, which is comfortably in line with the Bank's objective of excess cover, and at the same level as in 2015.

Funding structure

Group activities are primarily financed through customer deposits, equity and subordinated debt, and secondarily through loans and repo transactions with other credit institutions and Danmarks Nationalbank.

Funding ratio	DKK
Equity and subordinated debt	5.7
Stable deposits	34.2
Total stable funding	39.9
Loans (excl. reverse)	22.2
Funding ratio (%)	55.4

The Group's stable funding exceeded the Group's loans by DKK 17.7 bn. as at 31 December 2016.

Cash resources contingency plan

The Bank has also prepared a cash-resources contingency plan which states specific initiatives to improve liquidity and reduce risks, including borrowing against assets or disposal of assets, and these initiatives can be implemented if the liquidity forecasts cannot meet the policies. Activation of the contingency plan will also be considered if significant impairments in liquidity occur.

Contractual maturity of financial liabilities for the Group

	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year
	DKK '000	DKK '000	DKK '000	DKK '000
2016				
Debt to credit institutions and central banks	3,271,354	3,271,354	2,899,641	371,713
Deposits and other debt	32,149,726	32,149,726	30,556,682	1,593,044
Deposits in pooled schemes	2,056,027	2,056,027	924,552	1,131,475
Issued bonds at amortised cost	0	0	0	0
Derivative financial instruments	395,105	402,218	163,242	238,976
Other non-derivative financial liabilities at fair value	263,148	263,148	263,148	0
Guarantees	4,968,940	4,968,940	2,540,813	2,428,127
2015				
Debt to credit institutions and central banks	3,258,214	3,258,214	3,258,214	0
Deposits and other debt	30,762,236	30,762,236	29,744,258	1,017,978
Deposits in pooled schemes	1,551,741	1,551,741	732,618	819,123
Issued bonds at amortised cost	250,000	250,000	250,000	0
Derivative financial instruments	188,926	186,384	189,912	-3,528
Other non-derivative financial liabilities at fair value	174,709	174,709	174,709	0
Guarantees	4,081,034	4,081,034	1,840,975	2,240,059

The analysis of maturities shows contractual undiscounted cash flows, and includes payments agreed, excluding interest on non-derivative financial instruments.

Payments regarding guarantees mature if a number of predefined conditions have been met. Such payment obligations are included at the time of maturity of the agreements.

For pooled scheme deposits, only the customers' pension pool scheme deposits are distributed, as the future returns for the participants in the pool depend on the return on assets in the pool.

The maturity distribution above is based on the earliest time at which payment of an amount can be required.

Management, organisation etc.

The Advisory Board of Representatives

<p>Chairman: Claus Jensen <i>Trade Union President</i> Dansk Metal</p>	<p>Marina Hoffmann <i>Managing Director</i> Lo-skolen</p>	<p>Kim Simonsen <i>Trade Union President</i> HK/Danmark</p>
<p>Lars Andersen <i>Managing Director</i> AE – Arbejderbevægelsens Erhvervsråd</p>	<p>Frank Jensen <i>Lord Mayor City of</i> Copenhagen</p>	<p>Niels Sørensen <i>Former Administration Manager</i> Fødevareforbundet NNF</p>
<p>Mads Andersen <i>Group Chairman</i> Fagligt Fælles Forbund – 3F</p>	<p>Mette Kindberg <i>Vice President</i> HK/Danmark</p>	<p>Ulla Sørensen <i>Treasurer</i> Fagligt Fælles Forbund – 3F</p>
<p>Inger Bolwinkel <i>Trade Union Secretary</i> FOA – Fag og Arbejde</p>	<p>Henrik Kjærgaard <i>Vice President</i> Dansk Metal</p>	<p>Kresten Vendelboe <i>Trade Union President</i> Malerforbundet i Danmark</p>
<p>Jacob Bundsgaard <i>Mayor</i> City of Aarhus</p>	<p>Jane Korczak <i>Former Vice President</i> Fagligt Fælles Forbund – 3F</p>	<p>Ole Wehlast <i>Trade Union President</i> Fødevareforbundet NNF</p>
<p>Jens Bærentsen <i>Attorney-at-law</i> Forsikrings-Aktieselskabet Alka</p>	<p>Kim Lind Larsen <i>Group Chairman</i> Fagligt Fælles Forbund – 3F</p>	<p>EMPLOYEE REPRESENTATIVES René Bo Nielsen <i>Bank Security Officer</i></p>
<p>Per Christensen <i>Trade Union President</i> Fagligt Fælles Forbund – 3F</p>	<p>Max Meyer <i>Trade Union President</i> Blik- og Rørarbejderforbundet i Danmark</p>	<p>Lasse Thorn <i>Shop Steward</i></p>
<p>John Dybart <i>Trade Union President</i> Serviceforbundet</p>	<p>Torben Møger Pedersen <i>CEO</i> PensionDanmark A/S</p>	<p>Yvonne Hansen <i>Head of Pension Department</i></p>
<p>Villy Dyhr <i>Trade Union Secretary</i> HK/Danmark</p>	<p>Torben Poulsen <i>Treasurer</i> Dansk Metal</p>	
<p>Lone N. Frost <i>Chairman</i> Dansk Frisør & Kosmetiker Forbund</p>	<p>Jørgen Juul Rasmussen <i>Trade Union President</i> Dansk El-Forbund</p>	
<p>Arne Grevsen <i>Vice President</i> Landsorganisationen i Danmark</p>	<p>Lizette Risgaard <i>Chairman</i> Landsorganisationen i Danmark</p>	

Management etc.

BOARD OF DIRECTORS

Chairman:

Per Christensen

Trade Union President

Chairman of the

Nomination and

Remuneration Committee

Vice Chairman:

Claus Jensen

Trade Union

President

member of the Audit and Risk

Committee, member of the

Nomination and Remuneration

Committee

chairman of the Advisory

Board of Representatives.

Lars Andersen

Managing Director,

Chairman of the Audit

and Risk Committee

Mette Kindberg

Vice President,

member of the Audit

and Risk Committee

Kim Lind Larsen

Group Chairman

Torben Møger Pedersen

Managing Director,

member of the Audit and Risk

Committee, member of the

Nomination and Remuneration

Committee

Lizette Risgaard

Chairman

Member of the Nomination and

Remuneration Committee

Ole Wehlast

Trade Union President

ELECTED BY THE BANK'S EMPLOYEES

Yvonne Hansen

Head of Pension Department

John Markussen

Association Consultant

Jesper Pedersen

Customer Advisor

Lasse Thorn

Shop Steward

EXECUTIVE MANAGEMENT

Gert R. Jonassen

CEO

Jan W. Andersen

Executive Bank Director

OTHER EMPLOYEES IN

DAY-TO-DAY MANAGEMENT

Svend Randers

Chief Operating Officer (COO)

Bent Bøjden

IT Director

Peter Froulund

Communication and

Marketing Director

Kjeld Gosvig-Jensen

Legal Affairs Director

Finn Hansen

HR Director

Simon Sinding Jørgensen

Strategy and Business

Development Director

Jesper K. Karlsen

Director of Credit

Lone Kjærgaard

Director of Treasury and Finance

Leif Klinge

Director of Finance

Peter Normand

Asset Director

Susanne Bechsgaard

Business Director

Ulrik Duvier Stærmose

Business Director

Ronni Tønder

Business Director

AUDIT

Deloitte

State-authorized limited

partner company of

accountants

Christoffer Max Jensen

Chief Audit Executive

Staff functions

BUSINESS AREA:

Svend Randers

Chief Operating Officer (COO)

Kåre S.M. Breinholt

Corporate Banking Director

FACILITY MANAGEMENT:

Jan W. Andersen

Executive Bank Director

Henrik Gliese

Head of Facility Management and Property Administration

Henrik Schneller

Head of Facility Management

Henrik Krog-Meyer

Head of Service and Security

PLACEMENT OF ASSETS AND HOMES:

Peter Normand

Asset Director

Asger Friis Pedersen

Head of Housing Department

Thor Rasmussen

Head of Client Investments Department

Yvonne Hansen

Head of Pension Department

Henrik von der Ahé

Head of Private Banking

HR:

Finn Hansen

HR Director

Sarah Vinnes

Head of HR development

IT:

Bent Bøjden

IT Director

Henrik Poulsen

Head of IT Department

Lars Dalsgaard

Head of IT Operations Department

Bente Egedal

Head of IT Business Department

Dorte Poulsen

Head of Credit Cards Department

LEGAL:

- Debt collection, AML and the Secretariat of the Board of Directors and the Executive Management

Kjeld Gosvig-Jensen

Legal Affairs Director

Kirsten Fynbo

Head of Debt Collection Department

Merete Svarre

Head of AML

Charlotte Jensen

Manager of the Secretariat of the Board of Directors and the Executive Management

COMMUNICATION AND MARKETING:

Peter Froulund

Director of Marketing and Communications

Jesper Bjerrehuus

Communication and Press Officer

Lisbeth Holm Benattia

Head of Marketing Department

Signe Roed-Frederiksen

Chief Economist

CREDIT:

Jesper K. Karlsen

Director of Credit

Morten Pii Johannessen

Head of Credit Department

Adrian Perslow

Manager of the Credit Secretariat

MORTGAGES:

Ulrik Raft

Head of Mortgage Department

LIQUIDITY AND FUNDING:

Lone Kjærgaard

Director of Treasury & Finance

Lars Theilmann

Special Consultant

Torben Ravn

Head of International Affairs Department

Jørn Pohl Nielsen

Head of Funds and Administration Department

Carsten Hammershøj

Head of Treasury Department

Jesper Olsen

Head of Trading

Marc C. G. Dalgas

Head of Capital Markets Department

Michael Skovgaard Sjøgren

Head of Internal Risk Management Department

RISK AND COMPLIANCE:

Signe Thustrup Kreiner

Head of Risk Management

Gry Bandholm

Head of Credit Risk Management

Søren Ødum Nielsen

Chief analyst, market risk

Niels Thor Mikkelsen

Head of Compliance

STRATEGY AND MANAGEMENT:

Simon Sinding Jørgensen

Strategy & Business

Development Director

Jesper A. Nielsen

Head of Business Department

BRANCH SUPPORT:

Henrik Thagaard

Head of Department

Jann Schärfe

Branch Support Manager,

Odense

Tina Bundgaard

Assistant Branch Support Manager,

Glostrup

Christina Skov

Assistant Branch Support Manager,

Glostrup

Morten Kjær

Branch Support Manager, Aarhus

AL SERVICE TELEPHONE:

Marianne L. Pedersen

Head of Services Department

FINANCE:

Leif Klinge

Director of Finance

Branches

JUTLAND

Branch in Esbjerg

Kongensgade 13
6700 Esbjerg

Branch Manager Klaus K. Andersen

Branch in Fredericia

Danmarksgade 6
7000 Fredericia

Branch Manager Maiken Bang Madsen (as of 1 January 2017)

Branch in Frederikshavn

Danmarksgade 67
9900 Frederikshavn

Branch Manager Bent Fick

Branch in Frydenlund

Frydenlunds Allé 1
8210 Aarhus V

Branch Manager John Povlsen

6. Februar 2017: Merged with the Branch in Åbyhøj at the following address: Silkeborgvej 228, 8230 Åbyhøj

Branch in Gug

Gugvej 223
9210 Aalborg SØ

Assistant Branch Manager Lars Frilev

Branch in Haderslev

Gravene 3
6100 Haderslev

Branch Manager Henrik Borring

Branch in Herning

Østergade 44
7400 Herning

Branch Manager John Dalum

Branch in Hjørring

Sct. Olai Plads 2
9800 Hjørring

Branch Manager Jesper Stærmosé

Branch in Holstebro

Vestergade 6
7500 Holstebro

Branch Manager Mette Danielsen

Branch in Horsens

Søndergade 48
8700 Horsens

Branch Manager Morten Egedal Nielsen

Branch in Kolding

Buen 1
6000 Kolding

Branch Manager Jan Andersen

Branch in Nordals

Nordborgvej 24
6430 Nordborg

Assistant branch manager Rene Grau

Branch in Nørresundby

Brotorvet 4
9400 Nørresundby

Assistant branch manager Kim Witte

Branch in Randers

Østervold 18
8900 Randers

Branch Manager Lars Møller

Branch on Randersvej

Randersvej 69
8200 Aarhus N

Assistant branch manager Anders Graver Pedersen

Branch in Silkeborg

Tværgade 7
8600 Silkeborg

Branch Manager Dorthe Bechmann

Branch in Skanderborg

Adelgade 78
8660 Skanderborg

Branch Manager Anders Østergaard

Branch in Skive

Nørregade 34
7800 Skive

Branch Manager Ellen Sandholm

Branch in Sønderborg

Jernbanegade 7
6400 Sønderborg

Branch Manager Dorthe Lykke Jørgensen

Branch in Vejgaard

Hadsundvej 39
9100 Aalborg

Branch Manager Carsten Christensen

Branch in Vejle

Havnegade 22 A
7100 Vejle

Branch Manager Henrik Sørensen

Branch in Viborg

Sct. Mathias Gade 34
8800 Viborg

Branch Manager Jesper Grave Andersen

Branch in Viby

Skanderborgvej 190
8260 Viby J.

Branch Manager Mariann Haahr

Branch in Aabenraa

H.P. Hanssens Gade 12
6200 Aabenraa

Branch Manager Anne Marie Jessen

Branch in Åbyhøj

Silkeborgvej 228
8230 Åbyhøj

Branch Manager John Povlsen

Branch in Aalborg

Vingårdsgade 9
9000 Aalborg

Branch Manager Morten Juhl

Branch in Aarhus

M.P. Bruuns Gade 22-24
8000 Aarhus C

Branch Manager Torben Andersen

GREATER COPENHAGEN

Branch on Amager

Amagerbrogade 60
2300 København S

Branch Manager Lars Alsøe

Branch in Ballerup

Centrumgaden 35
2750 Ballerup

Branch Manager Thomas Larsen

Branch on Bispebjerg

Frederiksborgvej 98
2400 København NV

Branch Manager Thomas Thørner

Branch in Brønshøj

Frederikssundsvej 160
2700 Brønshøj

Branch Manager Anette Ryefelt

Branch in City

Vesterbrogade 5
1502 København V

Head of departmen

Bo Mellerkær Larsen

Branch at Enghave Plads

Enghave Plads 5
1670 København V

Branch Manager Jørgen Petersen

Branch on Frederiksberg

Falkoner Allé 62
2000 Frederiksberg

Branch Manager Jette Lund

Branch at Gl. Kongevej

Gl. Kongevej 51
1610 København V

Assistant branch manager

Gregor G.N. Pertsas

Branch in Gladsaxe

Søborg Hovedgade 193
2860 Søborg

Branch Manager

Niels Lund Sørensen

Branch in Glostrup

Banegårdsvej 9
2600 Glostrup

Branch Manager Anette Meier

Branch in Herlev

Herlev Hovedgade 136
2730 Herlev

Branch Manager Kim Dam

Branch in Hvidovre

Hvidovrevej 85
2650 Hvidovre

Branch Manager

Anita Skov Vallentin

Branch in Kastrup

Kastrupvej 201
2770 Kastrup

Branch Manager

Niels Jørgen Jørgensen

Branch on Kongelundsvej

Kongelundsvej 289
2770 Kastrup

Branch Manager

Marianne Skov Jacobsen

Branch in Lyngby

Jernbaneplassen 14
2800 Lyngby

Branch Manager

Jens Kristian Petersen

Branch in Mimersgade

Mimersgade 49
2200 København N

Branch on Nørrebro

Nørrebrogade 50-52
2200 København N

Branch Manager Helge Olsen

Branch at Rundetårn

Landemærket 8
1119 København K

Branch Manager Christian Barrett

Branch in Rødovre

Tårnvej 221
2610 Rødovre

Branch Manager Robert Bjarnholt

Branch in Sluseholmen

Sluseholmen 2-4
2450 København SV

Branch Manager

Jacob Hedegaard Christensen

Branch in Taastrup

Taastrup Hovedgade 75
2630 Taastrup

Branch Manager

Jørgen Palle Jensen

Branch in Valby

Valby Langgade 136
2500 Valby

Assistant branch manager

Michael N. Kragbæk

Branch in Vanløse

Jernbane Alle 66
2720 Vanløse

Assistant branch manager

Michael Dahl Jensen

Branch on Østerbro

Ndr. Frihavsgade 74
2100 København Ø

Branch Manager Kim Foss Lund

Branch at Østerfælled Torv

Østerfælled Torv 38
2100 København Ø

Assistant branch manager

Dennis Sejling

FUNEN

Branch in Dalum

Dalumvej 52
5250 Odense SV

Branch Manager
Malene Louise Givskov

Branch in Hunderup

Skovsbovænget 10B
5230 Odense M

Branch Manager John Schmidt

Branch in Højstrup

Rismarksvej 115A
5210 Odense NV

Branch Manager Ann Daugaard Skøt

Branch in Nyborg

Strandvejen 1
5800 Nyborg

Branch Manager Claus Bo Petersen

Branch in Odense

Fisketorvet 1
5100 Odense C

Branch Manager Klaus Justesen

Branch in Seden

Svendsagervej 2A
5240 Odense NØ

Branch Manager Robert Abild

Branch in Svendborg

Voldgade 16
5700 Svendborg

Branch Manager
Nicki L. Christiansen

ZEALAND

Branch in Frederikssund

Havnegade 18
3600 Frederikssund

Branch Manager Per Jegsen Schmidt

Branch in Helsingør

Klostergade 1
3000 Helsingør

Branch Manager Claus Lundgaard

Branch in Hillerød

Nordstensvej 2
3400 Hillerød

Branch Manager Carsten Nielsen

Branch in Holbæk

Smedelundsgade 16
4300 Holbæk

Branch Manager Annette Jensen

Branch in Jyllinge

Jyllingecentret 23
4040 Jyllinge

Assistant branch manager

Birthe Humle

Branch in Kalundborg

Bredgade 55
4400 Kalundborg

Branch Manager Kim Krog

Branch in Køge

Torvet 9
4600 Køge

Branch Manager
Thomas Kuhn Jacobsen

Branch in Næstved

Vinhusgade 9
4700 Næstved

Branch Manager
Martin Bay Sørensen

Branch in Roskilde

Algade 14
4000 Roskilde

Branch Manager John Nielsen

Branch in Ringsted

Nørregade 25
4100 Ringsted

Branch Manager
Helle Høgsbjerg Bang

Branch in Slagelse

Jernbanegade 2
4200 Slagelse

Branch Manager Jan Larsen

LOLLAND-FALSTER

Branch in Nykøbing F.

Langgade 32
4800 Nykøbing F.

Branch Manager
Flemming Møller

AKTIESELSKABET

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