Annual Report
2018

Arbejdernes Landsbank

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

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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.

GERT R. JONASSEN
CEO

JAN W. ANDERSEN
Executive Bank Director

Arbejdernes Landsbank

Management's report

Dear shareholders

Our almost 100-year-old bank is in very good shape, and well prepared for another 100 years – at least. We continue to keep to our fundamental values, with focus on customer needs and responsible banking. We have always made every effort to maintain close contact with our customers, and this will continue to be one of the cornerstones of our banking philosophy. We welcome innovative measures and constantly strive to secure the best customer experience possible.

The consolidated financial statements for 2018 show a profit after tax of DKK 298.9 mill., which gives a return on equity of 4.4%. We are pleased that we have been able to maintain our level of lending, and that deposits have increased by no less than 17.1%. Unfortunately, the current low-interest environment is not favourable for a bank like ours with large deposits surplus. 2018 was a challenging year for our investment activities, with much turbulence in the financial markets. Fortunately, we have benefitted from improvements in our customers' credit quality, and this has meant that we have been able to reduce our impairments on loans, with a resulting credit in the financial statements. The Board of Directors and the Executive Management have recommended to the General Meeting a dividend of 20%, corresponding to DKK 200 per share of DKK 1,000.

We are pleased and proud that, in early 2019, the Bank was lauded as Danes' preferred bank for the 10th successive year. This is a major factor behind our continued influx of many new customers. The net influx was 18,000 customers in 2018, and we are well on the way to a new landmark of more than 300,000 customers. We are very proud of this.

Shareholders and other customers are good ambassadors and they have favoured us by recommending the Bank to many new customers. We make great efforts every day to meet customers' expectations, so that both new and existing customers have a good experience every time they contact their bank.

In June 2018, we opened a new project and customer universe, AL², at Nørreport in Copenhagen. We want to run banking services in a new and different way at AL². The aim is to create an open community where, together with our customers and others, we can develop new value services, test new concepts and hold various events. AL² is open seven days a week and everybody is welcome; both the Bank's customers and others who just want to enjoy a cup of coffee, hold a meeting or couple their computer up to Wi-Fi.

AL² is an exciting project, and we have great expectations that the dialogue with our customers can be a catalyst to help us meet future needs for financial services. But we are in the present too, and we are pleased that we have finally been able to set up a branch on Bornholm in line with our strategic ambition to be nationwide.

In 2018, money laundering scandals and the ethics and morals of banks have loomed large in the media; not least for Danish bank customers. The scandals have cause deep cracks in the image of many banks and for the financial sector in general. At Arbejdernes Landsbank, the Board of Directors has concentrated on running the Group according to sound principles. The financial sector is subject to comprehensive regulation, which can be difficult to navigate. We welcome the Danish FSA's monitoring of banks and we are making all the adjustments necessary to comply with the guidelines issued.

In 2019, together with our shareholders and clients, we will be celebrating the Bank's centennial. Preparations are in full swing, and we look forward to the general meeting in March, when we will unveil and launch all the activities.

Outlook for 2019

The Group's activities aim at customer growth and business growth, and we are convinced that, with its responsible values and high customer satisfaction, in 2019 the Bank will continue to have a clear profile in the Danish banking market. Profit before tax for the Group is expected to end at between DKK 275 mill. and 325 mill., reflecting that the current low interest rates do not favour a bank like Arbejdernes Landsbank that has to manage a large deposits surplus and is unwilling to take on high risk. Furthermore, the expected positive macro-economic developments could fail to appear, if there is a drop in global growth.

On behalf of the Board of Directors and the Executive Management, I would like to say thank you to the Bank's shareholders, the Advisory Board of Representatives, local councils and customers for good and constructive collaboration in 2018. 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 Group will maintain its positive development in 2019 and thereafter.

Per Christensen,
Chairman of the Board of Directors

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Chairman of the Board of Directors

Gert R. Jonassen
CEO

Arbejdernes Landsbank in 2018

A bank in good shape

EQUITY (DKK)

2016	2017	2018
5.7 billion	6.8 billion	6.9 billion

THE BANK'S PROFIT BEFORE TAX (DKK)

	Profit before tax
2018	326.8 million
2017	1,296.1 million
2016	501.4 million

CUSTOMERS

	Customers
2018	295,916
2017	277,508
2016	268,259

Personal and attentive advisory services

71
branches throughout Denmark

13,195
values interviews with our customers

210,671
users of online banking and mobile banking. 2,709 new users every month

High customer satisfaction

No. 1

Danes' preferred bank
for the **tenth** successive year

Voxmeter, January 2019

Experts in cooperative housing

24 hours
was the max. response time for loans for cooperative housing and owner-occupied properties

3,482
new cooperative housing loans were granted

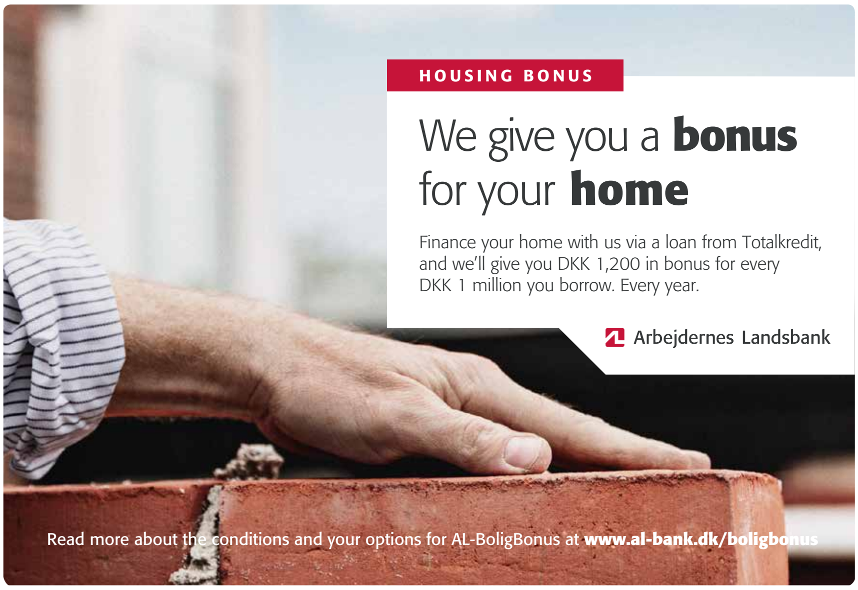
Free will

11,215
free legal documents were set up on testaviva.dk That is more than twice as many as in 2017

Stronger focus on the housing area

47,072,336
Danish kroner paid in AL-BoligBonus to our customers

7,897
new mortgage and housing loans were granted



The main activities of Arbejdernes Landsbank

In accordance with our business model, our objective is to provide advice and services for private customers, associations and organisations, as well as small and medium-sized businesses.

The core values of the Group are accountability, attentiveness and a straightforward approach. Advice is based on the needs, values and dreams of the customer, and responsible advice must always come before a sale. Personal advisory services, where the customer meets advisors who know the customer and the customer's financial situation are an important element in our business model.

For private customers, the Bank's focus is on providing long-term advice, with outset in the customer's wishes and needs, and we aim at establishing full-scale customer relations. For business customers, the target group is primarily small and medium-sized, owner-managed enterprises operating within the retail and service sectors, building and construction, industry as well as other trading and manufacturing businesses.

To ensure our customers optimal access to financial services, the Bank is part of a number of collaborations regarding arranging mortgage-credit loans, portfolio management, issuing credit cards, etc. The Bank's subsidiary, AL Finans A/S offers car loans, leasing, factoring and invoice purchasing.

The Group aims at profitable earnings based on product pricing that 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. The Group also aims at conducting active professional management of returns and risks on the Bank's securities and holdings.

Traditionally, the Bank has always had a significant deposits surplus, which amounted to DKK 18.9 bn. at the end of 2018. This is why the business model also includes investment activities based on active management of the deposits surplus within the selected risk profile. The Bank has a Treasury function that monitors the market with a strategy to consider, on a daily basis, whether the current positions can be optimised in relation to the selected risk profile.

The Bank aims to be present in the local area and it has a large branch network located throughout Denmark. The Bank wants to be recognised as a bank at which customers receive straightforward, attentive and personal advisory services, particularly in connection with larger financial decisions, while also offering wide range of digital services for more everyday needs. In other words, a combination of straightforwardness and accessibility, on the one hand, and on the other hand priority on meeting the desire for personal advisory services with a dedicated consultant.

Our goal is that our advisory services create value for our customers, and that we provide a high level of quality and service. With these core values, we operate a sound bank with solid finances and with profound respect for our customers' time and money.

Arbejdernes Landsbank has chosen a very clear position for its brand on the banking market. The position is based primarily on a core set of values that entail that value for the individual customer is not only is based on price, interest rates and customer programmes. Our values are more far-reaching, and therefore our fundamental principle for all the Bank's activities and all external communication and marketing is that we "build on sound values": accountability, attentiveness and a straightforward approach.

The very clear position for our brand on the banking market today is largely because we have clearly and consistently communicated our values, and because we have been able to transfer these values to our customer experience and to the products and services we offer our customers.

From vision to strategy

The world, and not least the financial sector, is developing extremely fast – perhaps faster than ever before. We run the bank very differently today than we did just a few years ago, and we expect this to continue in the future. Frequent changes and rapid developments have become a way of life, and competition in the financial sector is expected to continue to intensify in the future.

At Arbejdernes Landsbank we have everything necessary to manage the challenges and to grasp the opportunities this future brings. We have a unique market position and solid foundation to work from. A position and a foundation that are very much formed on the basis of our consistent strategy to focus on traditional banking and to offer all Danes personal and attentive advisory services via our branches throughout Denmark. Our strategy has given us impressive financial results, very satisfied customers and one of the sector's strongest brands. We are proud of this position, and we are determined to hold on to it.

Taking its outset in our fundamental business model, “Strategy 2019: Ready for the future” has been developed, presented and implemented for all employees.

The Group has a strategic ambition to retain high customer satisfaction and to forge growth through innovative development and new business areas. Through a combination of digital solutions and classical personal banking, our ambition is to supply professional, accountable and attentive service based on the needs of our customers. In addition to having at least 300,000 customers by the end of 2019, our financial ambition is that, through growth, increased market share and focus on costs, the Group will generate a return for owners that exceeds the market interest rate on risk capital in an ordinary bank.

This strategy takes its point of departure in four focus areas: Development, Digitisation, Customer focus and Earnings, to which we have linked a number of strategic action areas. We will work intensively on these action areas based on the premise that the expectations of us held by the surrounding world and our customers have changed significantly, and will change even more in the future.

The Group strategy will be updated during 2019. It is unlikely that the update of the strategy will change the business model significantly.

Financial highlights for the Group

		2018 DKK mill.	2017 DKK mill.	2016 DKK mill.	2015 DKK mill.	2014 DKK mill.
Income statement						
Net interest income		1,104.4	1,193.6	1,248.3	1,253.0	1,168.8
Net fee and commission income		580.3	555.5	536.0	517.3	462.7
Value adjustments and dividend		45.5	945.1	-25.5	-188.4	60.8
Other operating income		68.8	90.5	81.8	107.6	111.3
Profit from equity investments in associated companies and group companies		0.0	0.0	65.2	102.4	115.4
Total income		*1,799.0*	*2,784.7*	*1,905.8*	*1,791.9*	*1,919.1*
Costs and depreciation/amortisation		-1,529.5	-1,465.6	-1,336.1	-1,359.2	-1,355.8
Impairments on loans and receivables etc.		69.5	-14.3	-55.7	-102.9	-230.4
Total costs		*-1,460.0*	*-1,479.9*	*-1,391.8*	*-1,462.1*	*-1,586.1*
Profit before tax		*339.0*	*1,304.7*	*514.0*	*329.8*	*332.9*
Tax		-40.1	-149.3	-94.6	-45.5	-38.0
Profit for the year		*298.9*	*1,155.5*	*419.4*	*284.4*	*295.0*
Selected balance sheet items						
Loans and other receivables at amortised cost		22,085.8	21,958.1	21,058.3	19,768.3	18,330.4
Bonds at fair value		18,834.3	11,812.4	15,207.8	15,402.0	14,566.6
Total assets		55,106.5	47,368.9	44,425.8	42,070.4	40,123.2
Deposits incl. pooled schemes		44,872.7	37,483.7	34,205.8	32,314.0	29,640.7
Equity		6,873.2	6,761.5	5,681.7	5,279.6	5,049.1
Selected financial ratios and key figures						
Capital ratio	%	20.0	18.3	17.1	13.4	15.6
Common Equity Tier 1 capital ratio	%	17.6	16.2	14.8	12.8	14.0
Return on equity before tax	%	5.0	21.0	9.4	6.4	7.4
Return on equity after tax	%	4.4	18.6	7.7	5.5	6.6
Ratio of operating income to operating expenses per DKK *)	DKK	1.23	1.88	1.37	1.23	1.21
Liquidity coverage ratio (LCR)	%	268.1	185.7	153.5	152.3	-
Lending growth for the year *)	%	0.8	4.3	6.5	8.1	1.0

See note 45 for definitions of ratios and key figures.

*) In 2017 a number of leasing agreements in the subsidiary, AL Finans A/S, were reclassified. This is described in note 1 to the annual report for 2017. Comparative figures for 2016 have been adjusted.

Financial review

In 2018, the Arbejdernes Landsbank Group earned a profit before tax of DKK 339.0 mill. (2017: DKK 1,304.7 mill.) and a profit after tax of DKK 298.9 mill. (2017: DKK 1,155.5 mill.). The results provide a return on equity of 4.4% after tax (2017: 18.6%).

Earnings on the Investment activities segment, see note 3, amounted to DKK -133.4 mill., primarily due to negative value adjustments on the Bank's relatively large portfolio of securities. Earnings on Other activities also showed a marked downturn of DKK 583.0 mill. because 2017 was affected by the large surplus generated from the sale the Bank's shares in ALKA Forsikring. In contrast, earnings on the Customer activities segment once again showed an improvement of DKK 61.4 mill., due not least due to the customer influx of around 18,000 new customers. The result is considered acceptable, given the tough market conditions prevailing in 2018. If we also add the fact that for the tenth consecutive year, we have had a considerable growth in our customer base; growth now totalling 111,000 customers, and that over the same 10 years we have been rewarded by Danes voting us the most attractive bank, overall we consider the results as satisfactory.

On the basis of selected financial highlights for the Group on the previous page, the accounting developments can be described as follows:

Income

Total income for the year amounted to DKK 1,799.0 mill.; a drop of DKK 985.7 mill. compared with 2017. The segment information in note 3 shows that Customer activities contributed most income and showed an improvement in relation to 2017, in part as a consequence of the influx of new customers and growth in deposits and lending. Investment activities and Other activities both show drops in income, primarily because value adjustments are considered as income, irrespective of whether they are positive or negative. This bears witness to the fact that it has been difficult to achieve satisfactory returns on the securities markets.

Net interest income for the Group as a whole was DKK 1,104.4 mill., corresponding to a fall of DKK 89.2 mill. or 7.5% compared with 2017. On the other hand, lending pulled earnings in a positive direction with DKK 127.7 mill. (0.6%), while a drop in the interest-rate differential pulled in a negative direction. Deposits, including pools increased in the same period by DKK 7.4 bn. or 19.7%. We will abide by our decision that ordinary customers are not to pay interest for having deposits with the Bank, and the Bank accepts that investing our relatively large deposits surplus will have a price.

Partly as a consequence of MiFID II, net fee and commission income was DKK 580.3 mill., an increase of DKK 24.1 mill. in relation to 2017, despite lower income from investment associations etc. This improvement is primarily attributable to increased income for arranging mortgage-credit loans through Totalkredit. There has been continued growth in income from arranging mortgage-credit loans, driven by growth from existing as well as new customers. We have maintained payment of the AL-BoligBonus at DKK 1,200 per borrowed DKK 1 mill. We are proud that in 2018 the Bank paid DKK 47.1 mill. in AL-BoligBonus, compared with DKK 41.6 mill. in 2017.

Value adjustments and dividends were DKK 45.5 mill. against DKK 945.1 mill. in 2017.

Specifically with regard to the Group's portfolio of equity investments, value adjustments and dividends amounted to DKK 170.8 mill. against DKK 655.3 mill. in 2017. Ignoring the effect of the sale of shares in ALKA Forsikring, the other investment securities contributed positively to the profit for the year with DKK 140.2 mill., of which DKK 87.6 mill. is attributable to BI Holding A/S.

Developments in the Bank's other portfolio of securities have been negative, including in particular value adjustments on bonds and derivative financial instruments, which at DKK -167.6 mill. in 2018 against DKK 252.5 mill. in 2017 demonstrate that difficult market conditions have prevailed in 2018.

Other operating income amounted to DKK 68.8 mill. compared with DKK 90.5 mill. in 2017, and this is primarily attributable to isolated items applicable in only 2017.

Expenses

Total expenses for the Group were DKK 1,460.0 mill., which is DKK 19.9 mill. or 1.3% less than in 2017.

Out of the total expenses, DKK 841.7 mill. was attributable to staff costs etc. Realised payroll costs etc. were DKK 15.0 mill. or 1.8% higher than in 2017, and this can be explained by the increase in the number of employees, collective-agreement pay increases and provisions in connection with organisational changes.

Other operating expenses were DKK 687.8 mill., which is DKK 48.9 mill. or 7.7% higher than in 2017. This increase is partly attributable to costs related to strategic IT projects with Bankernes EDB Central (BEC), and in the Totalkredit cooperation. Developments in expenses are generally influenced by the decision in the Bank's strategy to maintain a comprehensive branch network with the possibility of personal advisory services and to ensure that our customers have access to advanced digital solutions. Technology will also ensure that our employees have more time to advise customers.

Impairments on loans etc. showed a net credit in 2018 of DKK 69.5 mill. compared with a net charge in 2017 of DKK -14.3 mill. Original expectations for 2018 were larger impairment charges than in 2017. In connection with the financial statements for the first half of 2018, this expectation was changed to a lower level tending to around DKK 0. The Group has therefore been favoured with a low level of operating impairments.

This favourable development can primarily be explained by the underlying credit quality, and customers' creditworthiness has improved because of continued low interest rates, and continued improvements in macro-economic conditions.

Second half-year

The profit after tax for the second half-year of 2018 amounted to DKK 72.4 mill. against DKK 266.5 mill. for the first half-year of 2018. A comparison between the two periods of the primary items shows that net interest and fee income is at the same level. Losses on the securities portfolio were the primary reason for the poorer result in the second half-year. Much of the explanation for this is because a new valuation method of BI Holding A/S led to an extraordinary gain of DKK 68.8 mill. in the first half-year. Value adjustments of shares were negative in the second half-year. Costs showed a larger growth in the second half-year, although this was partly compensated for by favourable developments in impairments on loans etc.

Result

Profit before tax for the year was DKK 339.0 mill. against DKK 1,304.7 mill. for 2017. After tax the profit was DKK 298.9 mill. against DKK 1,155.5 mill. for 2017. The shareholders' share amounted to DKK 233.2 mill. while the owners of Additional Tier 1 equity instruments received a return of DKK 65.7 mill. Profit after tax provided a return on equity of DKK 4.4% against 18.6% in 2017.

The Group's profit before tax of DKK 339.0 mill is in line with the expectations announced at the beginning of 2018 of a profit before tax of DKK 300-400 mill.

The General Meeting has been recommended to distribute a dividend of DKK 60 mill., corresponding to 25.7% of the shareholders' share of the profit.

Balance sheet

At the end of 2018, the consolidated balance sheet amounted to DKK 55.1 bn. against DKK 47.4 bn. at the end of 2017. The increase of DKK 7.7 bn. is attributable to securities, etc. (+ DKK 6.4 bn.) and pooled assets (+ DKK 1.5 bn.). A significant increase in deposits, including pools (+ DKK 7.3 bn.) is the main reason for this increase.

Deposits

Deposits including savings in pooled schemes amounted to DKK 44.9 bn. against DKK 37.5 bn. at the end of 2017, and this increase is related to the customer groups: Organisations /Associations etc. (+ DKK 3.4 bn.) and Private (+ DKK 4.2 bn.). This bears witness to very strong loyalty and support from our customers. For the time being, the Bank will maintain its policy that ordinary depositors shall not pay interest for having money deposited in the Bank, even though the leading money-market rates have been negative for a long period. We believe that our customers will remain loyal and stay with the Bank, if the market turns, and competitors cease to charge interest on deposits and return to paying interest on deposits.

Savings in the Bank's pooled schemes increased by DKK 1.5 bn. to DKK 4.2 bn.

Lending

At the end of 2018, lending amounted to DKK 22.1 bn. against DKK 22.0 bn. at the end of 2017. Continued customer growth and the consequential growth in business have contributed to this improvement, but strong competition and more customer willingness to repay debt make lending growth difficult.

Securities portfolio

The Group securities portfolio amounted to DKK 20.3 bn. in the form of bonds, shares and investment certificates, etc. The majority of the portfolio, DKK 18.8 bn., is placed on the bonds market. This is an increase of DKK 6.4 bn. and it is a consequence of the increasing deposits.

The Bank's shares in ALKA Forsikring have been transferred to the new owner (Tryg Forsikring) at a value of more than DKK 800 mill. As a consequence of this, the Group's portfolio of shares outside the trading portfolio has been reduced and amounted to DKK 1.3 bn. at the end of 2018 against DKK 1.8 bn. at the end of 2017.

Equity

At the end of 2018, equity amounted to DKK 6,873.2 mill. - an increase of DKK 111.7 mill. since the beginning of the year. Shareholders' share of equity amounted to DKK 6,024.3 mill. while the owners of Additional Tier 1 debt instruments had a share of DKK 848.9 mill. At the General Meeting in March 2018, the shareholders gave the Board of Directors the option to acquire and maintain a holding of own shares up to a nominal DKK 10.0 mill. The Board of Directors has so far exercised this option to acquire own shares for nominal DKK 6.0 mill., corresponding to ALKA Forsikring's ownership interest in the Bank. The transition to new accounting policies, particularly IFRS 9, under which impairment charges are assessed on the basis of expected losses, resulted in a negative adjustment of equity of DKK 115.4 mill. at the beginning of 2018.

Accounting estimates and assessments

The calculation of the carrying amount of certain significant assets and liabilities requires estimates, assessments and assumptions regarding 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. Assumptions for these can be incomplete or inaccurate. Unexpected future events or situations may arise which were not predicted at the time of the estimate. To make such estimates and assessments is therefore difficult. If estimates also involve customer relationships and intermediaries with other counterparties, they will be even more uncertain. Therefore, it may be necessary to change estimates made previously, because of new information, further experience or subsequent events.

Brexit

In connection with the UK's exit from the EU, there are naturally a number of uncertainties to which Arbejdernes Landsbank could be exposed. Assessment of the consequences is associated with uncertainty, as the final result of the negotiations on withdrawal from the EU have yet to be ratified, and the derived impacts on the financial markets cannot be predicted.

Only a few of Arbejdernes Landsbank's customers are directly exposed to the UK and may be affected by weaker growth.

Arbejdernes Landsbank has a limited exposure to assets denominated in GBP and overall the currency exposure is insignificant after hedging. The Bank's financial portfolio may, however, be indirectly affected by Brexit through increased credit spread, falling share prices etc. How these scenarios will unfold is difficult to quantify in advance.

The Group has a number of financial counterparties domiciled in the UK. Post-Brexit, banks domiciled in the UK will be considered as third-country banks in relation to European legislation. This means that if they are to continue to be able to offer financial services in the EU, they will have to document that they meet the requirements in European legislation. The Group's existing business with UK-based units is very likely to continue after Brexit, whereas new business will be conditional upon approval from the supervisory authorities. Some of the Group's counterparties domiciled in the UK have indicated that they have plans to move to an EU country after Brexit so that they will still have access to the Single European Market.

Outlook for 2019

The upswing in the Danish economy is entering its sixth year, but there is still room for growth in the years to come. Unlike previous recoveries, there has been no increase in credit growth, and households have largely used their increasing income to save and repay debt. Companies have also been reluctant to invest, and in contrast with previous upswings there are no signs of general over-investment in either housing construction or corporate investment. This makes the economy more robust and the risk of a serious recession is less than in previous upswings. Increasing pressure on the labour market could present challenges, but this is unlikely to stifle growth significantly in 2019. Low interest rates and increasing incomes will generally support the housing market. However, the market for owner-occupied flats in the largest cities, where prices have increased significantly over the past years, now seems to be slowing down and actual price drops are not unlikely. The greatest risk for the Danish economy in our assessment lies outside of Danish borders in the form of a drop in global growth, which may affect Danish exports.

On the basis of modest, but positive growth in the economy, this is expected to be beneficial to the Group's lending growth. Furthermore, we expect that strategic initiatives planned by the Bank, including continued customer growth and continued enhancement of our market position will also promote lending growth in relation to 2018. Despite the continued low market interest rates and fierce competition in the sector, net interest income is expected to be slightly higher than in 2018 as a consequence of the expected growth in volume. On the fees side, 2019 is expected to be yet another satisfactory year, and the growth in market share and business volume of recent years is expected to materialise in further growth in net fee income compared with 2018.

Investment activities are expected to contribute to earnings positively, although modestly, in contrast to the amounts realised in 2018.

With regard to expenses, there will be particular pressure on IT costs because of a number of major, strategic IT projects.

Impairments on loans etc. are expected to be higher than in 2018, but still at a low level.

Overall, on the basis of the above conditions, the Group expects to realise a profit before tax for 2019 of around DKK 275-325 mill. These expectations are associated with uncertainty, linked in part to macro-economic developments.

Capital and liquidity management

Capital management

Arbejdernes Landsbank actively manages its capital in relation to the CRR Regulation and the risk profile selected by the Group. The balance-sheet composition takes into account an assessment of existing and expected future risks and uncertainty. This includes focus on the composition of funding such that it matches at all times the expected MREL requirements for a minimum share of long-term debt obligations, which the Danish FSA imposes on a bank the size of Arbejdernes Landsbank with reference to the provisions in the Executive Order on Winding Up (*afviklingsbekendtgørelsen*).

The policy of the Board of Directors is that the Bank and the Group must have a capital ratio large enough to ensure that the Group can continue its lending activity in a period with difficult 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 large unexpected losses and changes in risks to which the Group has decided to be exposed.

Calculation of the capital ratio in pillar 1 uses the standard method for credit and market risk as well as the basic indicator method for operational risk. The Group regularly assesses its need to improve risk management.

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.

Capital situation

With regard to capital, Arbejdernes Landsbank's goal is to have a Common Equity Tier 1 capital ratio at least 11.4 and the total capital ratio of 16.2.

At the end of 2018, the Common Equity Tier 1 capital ratio was 17.6, while the total capital ratio was 20.0. This should be considered given that Arbejdernes Landsbank has calculated its individual solvency need at 9.7%, added to which there is a combined buffer requirement of 2.5%, so that the total capital requirement is 12.2%. Arbejdernes Landsbank thus has a total capital buffer of 7.8 percentage points or more than DKK 2.5 bn in relation to the capital requirement. On 31 March and 30 September 2019, a countercyclical buffer will be introduced of 0.5 percentage points on both dates, such that the combined buffer will increase to 3.5 percentage points. The current capital buffer is well able to cover this additional capital requirement.

Capital planning 2019

In the first half-year of 2019, Arbejdernes Landsbank expects to receive permission from the Danish FSA to redeem Additional Tier 1 equity instruments of DKK 400 mill. against raising Tier 2 capital of up to DKK 900 mill. The consequences are illustrated as follows:

	Group		Bank	
	2018	2018	2018	2018
	Now	After *)	Now	After *)
Common Equity Tier 1 capital ratio	17.6%	17.6%	17.4%	17.4%
Tier 1 capital ratio	20.0%	18.9%	19.9%	18.7%
Capital ratio	20.0%	21.6%	19.9%	21.4%

*) The calculation has been performed by simulating replacement from 31.12.2018 and raising DKK 900 mill. Tier 2 capital.

MREL requirement

In the period 2019-2023, the Group must meet the MREL requirement imposed by the Danish FSA, currently accumulating to 7.0% of the risk-weighted assets at the start of 2023. The Bank expects that the requirement will primarily be met through raising non-preferred senior debt (MREL capital).

Liquidity management

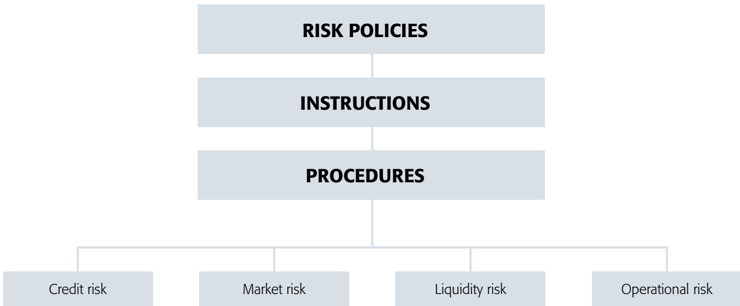
The Group aims to maintain a prudent liquidity policy, where financing of borrowed capital is mainly based on deposits. Therefore a positive deposits surplus is also an objective. The deposits surplus is defined by Arbejdernes Landsbank as the difference between deposits and loans. At the end of 2018, the Group's deposits surplus amounted to DKK 18.6 bn. and this is DKK 5.8 bn. high than at the end of 2017. At the end of 2018, the Group is therefore still in a situation in which the entire funding base consists of deposits and equity, and the Bank is independent of funding from the capital markets. The Bank is considering whether the new MREL requirement will be financed through MREL capital instruments.

The Group has a goal for the liquidity coverage ratio (LCR), calculated according to the regulations in EU Regulation no. 61/2015, to always exceed 145%. At the end of 2018, Arbejdernes Landsbank had an LCR of 268.1% (2017: 185.7%).

Risk management

The Board of Directors has overall responsibility for defining and managing the Group's risks. This is done on the basis of a business model, strategies, risk policies and contingency plans. Based on reporting, the Board of Directors regularly follows up on risk management to ensure that it is satisfactory and that the Group is operated responsibly and in accordance with the guidelines and policies.

The governance structure is illustrated in the figure below and explained in detail on the following pages.



1ST LINE OF DEFENCE	2ND LINE OF DEFENCE	3RD LINE OF DEFENCE
Credit Department/Credit Secretariat (Credit risk - Bank)	**Risk Department** (Group)	**Internal Audit** (Group)
Internal Risk Management and Control (Market, counterparty and liquidity risk - Bank)	**Compliance** (Group)	
Credit Department (Credit risk - AL Finans)	**Compliance and Risk** (AL Finans)	
AML Department (Operational risk - Bank)		
The individual areas, business areas and departments (Operational risk - Group)		

Two committees have been set up under the Board of Directors to enhance the Board's work on governance and risk management: The Nomination and Remuneration Committee and the Audit and Risk Committee.

The Nomination and Remuneration Committee is responsible for setting and monitoring pay policy, identifying significant risk takers and assessing the composition and competences of the Board of Directors.

The Audit and Risk Committee is responsible for monitoring and assessing accounting and auditing matters and preparing the Board's discussions and decisions with regard to accounting and auditing, and for ensuring the effectiveness of internal control systems and risk management systems.

The Executive Management is responsible for day-to-day management, including that the Group is operated in accordance with the strategy, policies, etc. adopted by the Board of Directors. The Executive Management is responsible for ensuring organisation, processes, systems and competences that support sound risk management. The Executive Management has set up four committees focusing on risk management in the Bank:

- The Risk and Liability Management Committee consists of the Executive Management, the Chief Risk Officer (CRO) and senior employees from Finance, the Credit Department and the Treasury & Finance Department. The tasks of the committee are to contribute to strong risk management across the organisation and to establish common ground on the desired composition of the balance sheet. The committee discusses the current risk exposure as well as other risk-management issues.

- The Credit Committee consists of the CEO, the Director of Credit and the CRO. The tasks of the Credit Committee are to authorise individual cases, approve impairment levels every quarter, approve credit management tools and discuss other credit-related issues. The CRO has no authority to grant loans.

- The Operational Risk Committee is composed of the Executive Management, the CRO, the Head of Compliance, the IT Director, and an employee from Finance responsible for operational risk. The tasks of the committee are to handle operational events concerning risks of losses, and to assess policies and insurance programmes.

- The IT Security Committee consists of the Bank's IT Director, senior employees from the IT Department, the CRO, the Bank's DPO, the Head of IT Security, management employees from the business areas and an employee from Finance responsible for operational risk. The tasks of the committee are to review and provide input on topics and tasks related to IT security and to ensure coordination and knowledge-sharing about IT security initiatives across the Bank.

- The Liquidity Committee consists of the Executive Management, the Deputy Bank Director, the Finance Director, employees from the Treasury & Finance Department (LIFI) responsible for market and liquidity risks, as well as the Bank's Chief Economist. The committee deals with topics related to the Bank's day-to-day liquidity management, including liquidity reporting to the Board of Directors.

The organisational structure focuses on segregation between authorising and controlling units, and any conflicts of interest are identified and managed.

Risks may occur throughout the Group. Some arise directly as a consequence of the Group's activities, including credit and market risks, and they can be isolated to the individual authorising areas, whereas operational risks can arise anywhere, as they are linked to processes, systems, employees, etc. All authorising units are subject to internal checks, i.e. that leaders in the individual departments have a duty to ensure and check that the department's tasks are performed securely and in accordance with internal procedures.

AL Finans A/S is a subsidiary of Arbejdernes Landsbank with its own board of directors consisting of the Bank's Executive Management and senior employees from the Bank. The Board of Directors of AL Finans A /S is responsible for determining the strategy and internal guidelines for the Executive Management in AL Finans A/S in accordance with the Group's business model, strategy and policies. The Executive Management at AL Finans A/S is responsible for day-to-day management of the subsidiary, including that the company is operated in accordance with the strategy, policies, etc. and that the internal organisation, processes, systems and competences support sound risk management. A credit committee has also been set up in AL Finans A/S.

In the credit-risk area, the 1st line of defence is placed in the credit departments at the Bank and AL Finans A/S, except for credit risks arising in connection with securities, derivatives, and activities regarding financial institutions. For these activities, the 1st line of defence is placed in Internal Risk Management and Control (IRK), which is responsible for supervision of liquidity, market and counterparty risk.

With regard to operational risk, the 1st line of defence is placed in the individual units. AML, the Bank's anti-money-laundering function, is anchored in a separate department in order to ensure strong focus on the area. The Finance Department of the Bank is the facilitator of the risk identification process in connection with other operational risks and follows up on incident reports. Responsibility for procedures is placed in the individual areas, for example, the IT area, Credit Department, etc.

Risk and Compliance is the 2nd line of defence at Bank level as well as at Group level. The units are under the Chief Risk Officer. The Chief Risk Officer 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 assessment by the Chief Risk Officer of the Group's risks and risk management is reported to the Board of Directors. A head of compliance is appointed by the compliance unit. Among other things, Compliance monitors Group compliance with legislation. The assessment by the Head of Compliance of the Group's compliance with current legislation is reported to the Board of Directors. At AL Finans A/S, the 2nd line of defence is placed in the Compliance and Risk department.

Audit is the 3rd line of defence. The Bank's Chief Audit Executive refers to the Board of Directors and reports to the Board of Directors and the Executive Management. Dismissal of the Chief Audit Executive requires prior approval from the Board of Directors. The work of Internal Audit is based on the annual plan approved by the Board of Directors and, among other things, includes audit of the procedures and internal controls on material and risky areas, including in connection with financial reporting.

The independent auditor is elected by the General Meeting for one year at a time. The audit focus is discussed by the Board of Directors annually on recommendations from the Audit and Risk Committee. The assessment is that the Group's governance structure supports the Group's risk management with outset in the business model, and that an appropriate internal, independent control environment has been established.

Arbejdernes Landsbank publishes a Risk Report and this is available at https://www.al-bank.dk/en/in-english/about-the-bank/financial-statements-etc/.

The supervisory diamond

The supervisory diamond presents a number of benchmarks which, as a general rule, are to be regarded as indications for high-risk banking activities. Breaches of the supervisory diamond are subject to reactions from the Danish FSA. At the end of 2018, Arbejdernes Landsbank was comfortably within all limit values in the supervisory diamond.

Benchmarks from the Danish FSA *)	Limit values	Bank
Funding ratio	< 1	0.4
Liquidity benchmark	> 100	247.4
Sum of large exposures	< 175	53.0
Lending growth	< 20	0.5
Commercial property exposure	< 25	3.5

*) See note 45 for definitions of ratios and key figures.

Corporate 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, accountability 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 world. This is one of the reasons why we have developed a set of customer pledges defining the behaviour our employees should strive for every day. This behaviour is based on the following three values: accountable, attentive and straightforward. This behaviour will ensure the best possible customer experience for customers, ensure the best possible workplace for fellow employees, and ensure the best possible conditions for society and the environment.

We strive to live up to our social and economic responsibilities as a financial undertaking within the following five focus areas:

- Customers and products
- Employees
- Society
- Climate and the environment
- Combating money laundering and corruption and supporting business ethics

The Group issues a separate CSR report describing our corporate social responsibility:

https://www.al-bank.dk/en/in-english/about-the-bank/financial-statements-etc/

Vision and strategy work in 2018

In 2015 we launched the Bank's new strategy, entitled "Strategy 2019: Ready for the future". Much of the strategy is about continuing to run and develop the Bank on the basis of the values chosen for our banking operations. In the Bank's assessment, the objectives are ambitious, but realistic, not least because we have a unique market position and solid foundation.

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 set of pledges to customers, which, on the basis of our fundamental values, specifically define how our behaviour in branches and departments can best contribute to improving customer experience, and ultimately achieve our strategic objectives.

Our pledges to customers are based on our cultural values: Accountable, Attentive and Straightforward. Furthermore, we focus strongly on value creation for customers through our work on development, digitisation, customer focus and costs. The customer is the focus of strategic development of the Bank, and we base our strategic work on how customers perceive us and what they can rightly expect of our service, advisory services, products and other initiatives.

In 2018, we worked primarily on the following strategic focus areas and goals:

Development

We will place higher priority on innovation and focus on rapid implementation:

- In June 2018, we opened AL², an innovative project and customer universe at Nørreport in Copenhagen. AL² is open every day of the week, and everybody is welcome. The aim is to form an open community where people can meet, inspire one another and create value together. Guests and customers can become involved in developing new initiatives, and the larger strategic projects are run from AL² to ensure faster implementation. For example, over the summer, guests could try out a chatbot for the housing area.

Digitisation

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

- At the end of 2018, we launched "AL Lommepenge" (AL pocket money), a free app that helps families keep track of pocket money and chores. The app has a simple and educational universe that makes it easy and fun for children and young people to learn about money, spending and savings. Furthermore, the app is a good basis for discussions between parents and children about healthy spending habits.

- During the year, we continued our work to have more documents signed digitally, and this option is now also open to some of our business customers. The extended possibilities for digital signatures save a lot of paper, thus benefitting the environment, and make the procedure simpler and more flexible for customers.

- Furthermore, in 2018 we worked on a number of large IT projects in collaboration with Bankernes EDB Central (BEC).

Customer focus

Our level of service should match customers' expectations, and our service and advisory services should always be based on customers' real needs:

- In 2018, we increased our accessibility so that our customers can now call us on all weekdays between 8 a.m. and 8 p.m. and on weekends between 10 a.m. and 4 p.m. Furthermore, we are now physically present and available to customers at weekends from 10 a.m. to 4 p.m. in AL², our new project and customer universe at Nørreport in Copenhagen.

- After meetings with customers, we collect feedback in order to optimise our work to give our customers the best possible customer experience.

Costs

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

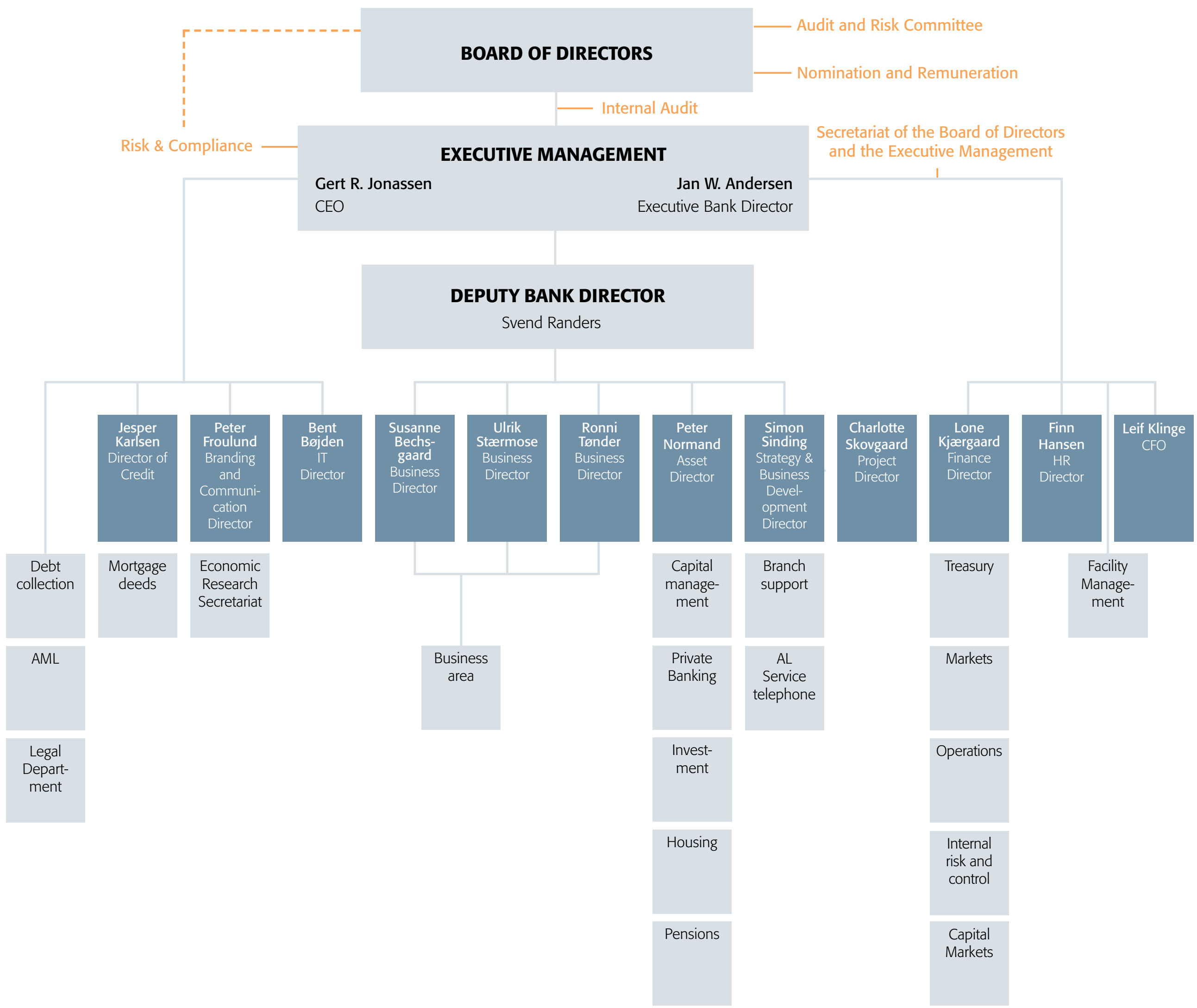
- During the year, we have targeted work on optimising and streamlining workflows and processes to release even more time for customers.

In 2019, we will work and focus on the same main areas, and our most tangible objective is to cross the 300,000 customer milestone. With approx. 296,000 customers at the end of 2018, we are dedicated to achieving this goal.

Organisation and management

The Board of Directors and Executive Management of Arbejdernes Landsbank consider corporate governance to be a fundamental precondition to maintain a good relationship with internal and external stakeholders and to be able to meet the financial and non-financial objectives of the Group. Therefore, the Management supports work to promote corporate governance and has decided to follow by far the majority of the latest recommendations from the Committee on Corporate Governance. The Group's position on the recommendations is available (in Danish) on the Bank's website:

https://www.al-bank.dk/om-banken/fakta-og-historik/corporate-governance/



Board of Directors

The Board of Directors of Arbejdernes Landsbank is composed of 13 members, including nine members elected by the General Meeting and four employee representatives. Members of the Bank's Executive Management are not part of the Board of Directors, but they attend meetings of the Board of Directors. New members of the Board of Directors are recruited through a formal, thorough and transparent process aimed at achieving an optimal mix of necessary competences. Information about the individual members of the Board of Directors, including their qualifications as members of the Bank's Board of Directors, is available on pages 22-25 of the annual report.

In order to be nominated to the Board of Directors, the candidate has to meet the requirements stipulated in current regulations and codes of conduct 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. This assessment is made in connection with the annual self-evaluation of the Board of Directors.

At present, the Board of Directors has decided that the following competences should be represented in the Board of Directors:

- 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

The Board of Directors also works to achieve a composition of members who supplement each other as well as possible 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 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 elected by the General Meeting are considered as independent. The Bank's largest shareholder, 3F (United Federation of Danish Workers), has two members of the Board of Directors. As 3F holds more than 20% of the share capital/voting rights, the two members from 3F are not considered independent. The number of employee representatives on the Board of Directors and the procedure for electing them comply with the provisions of the Danish Companies Act. Employee representatives are elected for four years.

Members of the Board of Directors elected by the General Meeting are elected annually at the General Meeting. The Board of Directors considers it important that all members of the Board have the time resources necessary for dedicated work on the Board. With regard to those of the current members of the Board with management positions in other companies, the Board considers that the number of such other management positions held is compatible with their work at Arbejdernes Landsbank. In 2018, the Board of Directors held ten ordinary meetings, two thematic meetings, and two meetings with the Advisory Board of Representatives.

On 12 March 2018, a new member, Kim Simonsen, Trade Union President at HK, joined the Board of Directors. Furthermore, Customer Advisor Nadja Lind Bøgh Karlsen replaced Union Consultant John Markussen as one of the employee representatives. Remuneration for a Board member resigning in 2018 (resigned on 12 March): DKK 29,000.

Committees of the Board of Directors

The Board of Directors of Arbejdernes Landsbank has set up an Audit and Risk Committee consisting of three members. The Committee is responsible for monitoring and controlling accounting and auditing matters and preparing the Board's discussions and decisions with regard to accounting and auditing. Furthermore, the Committee is responsible for preparatory work in relation to the Board's decisions concerning the Group's risk management and related topics. The Audit and Risk Committee held six meetings in 2018.

The Board of Directors has also set up a Nomination and Remuneration Committee with five members, one of whom is an employee representative, as stipulated in the legislation. The Nomination and Remuneration Committee is responsible for preparatory work in relation to the Board's evaluation and nomination process as well as discussions and decisions on matters concerning remuneration, including the pay policy of the Group.

The Nomination and Remuneration Committee held two meetings in 2018. The pay policy is available (in Danish) on the

Bank's website: www.al-bank.dk/handlers/documentarchive.ashx?id=255

Furthermore, the Board of Directors has established the Advisory Board of Representatives, which is responsible for contributing political and commercial input and ideas to the Board of Directors, and making specific suggestions for the Bank's strategies. The Advisory Board of Representatives serves as the link between the Bank and its shareholders and customers, and supports the development, growth and reputation of the Bank.

Details about the members and terms of reference/framework of the committees are available (in Danish) on the Bank's website: https://www.al-bank.dk/om-banken/fakta-og-historik/corporate-governance/

Executive Management

The Executive Management is appointed by the Board of Directors and is composed of Gert R. Jonassen, CEO and Jan W. Andersen, Executive Bank Director. The Executive Management constitutes the senior management group responsible for day-to-day operation in compliance with guidelines and instructions given by the Board of Directors. The specific division of responsibilities between the Board of Directors and the Executive Management is laid down in the rules of procedure of the Board of Directors and the Board's instructions to the Executive Management.

Remuneration of members of the Board of Directors and the Executive Management

Details about remuneration of the Board of Directors and the Executive Management are provided on the following pages. The Board of Directors are paid a fixed annual amount and are not covered by any bonus or option plans. The employment relationship of the Executive Management, including the terms for resignation, is deemed to comply with common practice in the area and is subject to regular evaluation. In the opinion of the Board of Directors, total remuneration for the Executive Management is at a competitive and reasonable level that reflects their efforts and long-term value creation for shareholders. In accordance with the Group's pay policy, the Group offers no incentive pay to the Board of Directors and the Executive Management, the Deputy Bank Director, the heads of division and the CEO of the AL Finans A/S subsidiary.

Policy and goals for the under-represented gender

The Board of Directors works constantly to promote diversity, for example in relation to gender, at all management levels within the Group. At the end of 2018, the Board of Directors was composed of three women and ten men. Of the nine members elected by the General Meeting, one is a woman and eight are men. The Board of Directors has developed a policy to increase the percentage of the under-represented gender on the Board of Directors and at the other management levels of the Group. The current gender distribution of 23/77 (2017: 17/83) on the Board of Directors shows that the objective of a 40/60 distribution by the end of 2021 has not yet been achieved. To a great extent, the composition of the Board of Directors elected by the General Meeting reflects the composition of the group of owners, where trade union presidents are elected in a democratic process in which no account is taken of gender. This means that achieving the objective can be a lengthy process. The Board of Directors still wants to be able to reach the goal of a more equal gender distribution on the Board of Directors, and work will continue towards this goal, for example in connection with electing members of the Board of Directors not representing the group of owners. However, based on the method for election of members for the Board of Directors by the General Meeting, in early 2019, the Board of Directors will decide whether to revise the objective and set a new objective stating that the Board of Directors is to be composed of at least one-third members of each gender by the end of 2021.

With regard to other management levels of the Group, a goal has been established always to hire the best candidate, irrespective of gender. If there are two end-candidates for a job or a promotion with similar professional and personal qualifications, the candidate from the under-represented gender will be chosen. Thus, the Group's objective is for the gender distribution at senior executive and middle-management level to develop towards more equal distribution between men and women, from the current 32% women in the Bank's management groups to at least 40%. The above results represent an improvement compared to 2017, but also show that it takes longer than expected to reach the objective. The Bank's objective is to achieve the goal by the end of 2021. Up to the end of 2021, focus will also be on HR initiatives supporting the desired developments.

BOARD OF DIRECTORS

PER CHRISTENSEN
CHAIRMAN

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.

Trade Union President - 3F
(United Federation of Danish Workers)

Member of the Board of Directors of:
- A/S A-Pressen
- Economic Council of Labour Movement
- FH – Danish Trade Union Confederation
- PensionDanmark Holding A/S (Chairman)
- PensionDanmark A/S (Chairman)

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

Meeting attendance:
- Meetings of the board of directors: 10/10
- Nomination and Remuneration Committee: 2/2

Shareholding (no.):
1

Remuneration (DKK '000):
375

CLAUS JENSEN
VICE CHAIRMAN

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.

Trade Union President - Dansk Metal
(Danish Metalworkers' Union)

Member of the Board of Directors of:
- Economic Council of Labour Movement
- Arbejderbevægelsens Kooperative Finansieringsfond
- A/S A-Pressen
- A/S Femern Landanlæg
- A/S Storebælt
- A/S Øresund
- Femern A/S
- Industriens Kompetenceudviklingsfond, IKUF
- Industriens Pensionsforsikring A/S
- Industriens Pension Service A/S
- Industriens Uddannelses- og Samarbejdsfond, IUS
- Industripension Holding A/S
- FH – Danish Trade Union Confederation
- Sund og Bælt Holding A/S
- Øresundsbro Konsortiet I/S
- Centralorganisationen af industriansatte i Danmark
- Innovation Fund Denmark
- Markedsmodningsfonden
- Lindø port of Odense A/S
- IndustriALL European Trade Union

(Deputy Chairman)

Member of:
- Disruptionrådet
- Tænketanken EUROPA
- Danish Economic Council
- TeknologipagtRådet
- Danmarks Erhvervsfremmebestyrelse

Qualifications:
- Management, HR and strategy
- Macroeconomic and accounting matters
- Credit matters
- Business model and customer base
- Operational risks and IT

Meeting attendance:
- Meetings of the board of directors: 9/10
- Audit and Risk Committee: 6/6
- Nomination and Remuneration Committee: 2/2

Shareholding (no.):
5

Remuneration (DKK '000):
325

LARS ANDERSEN

Born in 1958. Member of the Board of Directors since 2009. Chairman of the Audit and Risk Committee.

Managing Director of AE - Economic Council
of Labour Movement

Member of the Board of Directors of:
- Investeringsfonden for Udviklingslandene IFU
- Industriens Pensionsforsikring A/S
- Industripension Holding A/S
- Investeringsfonden for Østlandene (IØ-Fonden)

Qualifications:
- 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

Meeting attendance:
- Meetings of the board of directors: 10/10
- Audit and Risk Committee: 6/6

Shareholding (no.):
1

Remuneration (DKK '000):
225

BOARD OF DIRECTORS (CONTINUED)

TORBEN MÖGER PEDERSEN

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.

Chief Executive Officer at PensionDanmark A/S and at PensionDanmark Holding A/S

Member of the Board of Directors of:
- Axcelfuture
- Danish SDG Investment Fund
- Danish Society for Education and Business - DSEB (Chairman)
- INDEX: Design to Improve Life
- Foreningen til udvikling af bestyrelsesarbejde i Danmark
- Forsikring & Pension (Chairman)
- Gefion Gymnasium (Chairman)
- Danish Arthritis Association (Deputy Chairman)
- Hedorfs Fond
- PensionDanmark Group subsidiaries (Chairman)
- Symbion Fonden
- Det Udenrigspolitiske Selskab
- Aalborg University (Deputy Chairman)

Qualifications:
- 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

Meeting attendance:
- Meetings of the board of directors: 8/10
- Audit and Risk Committee: 6/6
- Nomination and Remuneration Committee: 2/2

Shareholding (no.):
0

Remuneration (DKK '000):
250

LIZETTE RISGAARD

Born in 1960. Member of the Board of Directors since 2016. Member of the Nomination and Remuneration Committee.

President of FH – Danish Trade Union Confederation

Member of the Board of Directors of:
- Fonden LO-Skolen Helsingør (Chairman)
- Højstrupgård A/S (Chairman)
- Economic Council of Labour Movement
- Arbejdsmarkedets Tillægspension – ATP
- Lønmodtagernes Dyrtidsfond
- Udlandssekretariatet
- DUI Leg og Virke/Børn Hjælper Børn Fonden
- Internationale Faglige Sammenslutning, IFS (Vice President)
- European Trade Union Confederation, ETUC, Executive Committee
- Council of Nordic Trade Unions (NFS)
- Danish Economic Council
- A/S A-Pressen (Chairman)
- Konventum (Chairman)

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

Meeting attendance:
- Meetings of the board of directors: 8/10
- Nomination and Remuneration Committee: 2/2

Shareholding (no.):
1

Remuneration (DKK '000):
175

KIM LIND LARSEN

Born in 1956. Member of the Board of Directors since 2016.

Group Chairman of 3F United Federation of Danish Workers

Member of the Board of Directors of:
- Fonden Femern Belt Development
- FH – Danish Trade Union Confederation
- PensionDanmark Holding A/S
- PensionDanmark A/S
- Rørvig Centret
- A/S Teknologisk Institut
- Fællesfonden af 1961

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

Meeting attendance:
- Meetings of the board of directors: 8/10

Shareholding (no.):
1

Remuneration (DKK '000):
150

BOARD OF DIRECTORS (CONTINUED)

KIM SIMONSEN

Born in 1961. Member of the Board of Directors since 2018.

Trade Union President, HK/Denmark

Member of the Board of Directors of:
- AKF Holding A/S
- AKF Invest CPH A/S
- Fonden for Entreprenørskab
- Arbejdsmarkedets Tillægspension – ATP
- A/S A-Pressen
- Refshaleøens Holding A/S
- ASX 7 ApS
- Kommanditselskabet Christiansminde
- Refshaleøens Ejendomsselskab A/S
- FH – Danish Trade Union Confederation
- Sampension Livsforsikring A/S
- Economic Council of Labour Movement
- Sampension Administrationsselskab A/S
- Copenhagen Business Academy
- Danish Refugee Council
- Danske Erhvervsskoler og Gymnasier

Qualifications:
- Management, HR and strategy
- Macroeconomic and accounting matters
- Financial regulation
- Business model and customer base
- Operational risks and IT

Meeting attendance
- Meetings of the board of directors: 7/8

Shareholding (no.):
0

Remuneration (DKK '000):
121

OLE WEHLAST

Born in 1959. Member of the Board of Directors since 2016.

Trade Union President - NNF

Member of the Board of Directors of:
- Dansk Folkeferie Fonden
- Economic Council of Labour Movement
- Københavns Bagerafdelings Fond
- AOF Danmark (Chairman)
- Board of Representatives at ATP (Arbejdsmarkedets Tillægspension)
- FH – Danish Trade Union Confederation
- Udlandssekretariatet

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

Meeting attendance
- Meetings of the board of directors: 6/10

Shareholding (no.):
2

Remuneration (DKK '000):
150

CHRISTIAN RIEWE

Born in 1975. Member of the Board of Directors since 2017.

Lawyer (H) and a partner in Advokatfirmaet Bjørst

Member of the Board of Directors of:
- Bjert Busser ApS (Chairman)
- Workz A/S (Deputy Chairman)
- Schmidts Turist A/S
- Friis-Holm Chokolade A/S (Chairman)
- KLC A/S
- Vikingbus A/S
- Brønnums (Turistfart) A/S (Chairman)
- Toftegaard Biler A/S

Qualifications:
- Management, HR and strategy
- Macroeconomic and accounting matters
- Credit matters
- Business model and customer base

Meeting attendance
- Meetings of the board of directors: 10/10

Shareholding (no.):
0

Remuneration (DKK '000):
150

BOARD OF DIRECTORS (CONTINUED)

NADJA LIND BØGH KARLSEN

Born in 1986. Employee-elected member of the Board of Directors since 2018.

Financial Advisor at A/S Arbejdernes Landsbank

Qualifications:
- Management, HR and strategy
- Market risk and liquidity
- Credit matters
- Business model and customer base
- Operational risks and IT

Meeting attendance:
- Meetings of the board of directors: 6/8

Shareholding (no.):
1

Remuneration (DKK '000):
121

JESPER PEDERSEN

Born in 1979. Employee-elected member of the Board of Directors since 2014.

Financial Advisor at A/S Arbejdernes Landsbank

Qualifications:
- 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

Meeting attendance:
- Meetings of the board of directors: 10/10

Shareholding (no.):
1

Remuneration (DKK '000):
150

YVONNE HANSEN

Born in 1964. Employee-elected member of the Board of Directors since 2016.

Pension Manager at A/S Arbejdernes Landsbank

Qualifications:
- Management, HR and strategy
- Macroeconomic and accounting matters
- Market risk and liquidity
- Financial regulation
- Business model and customer base
- Operational risks and IT

Meeting attendance:
- Meetings of the board of directors: 9/10

Shareholding (no.):
1

Remuneration (DKK '000):
150

LASSE THORN

Born in 1975. Employee-elected member of the Board of Directors since 2014.

Senior Shop Steward at A/S Arbejdernes Landsbank

Member of the Board of Directors of:
- HK/Privat

Qualifications:
- 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

Meeting attendance:
- Meetings of the board of directors: 10/10

Shareholding (no.):
1

Remuneration (DKK '000):
150

EXECUTIVE MANAGEMENT

GERT R. JONASSEN

Born in 1959.

CEO

Member of the Board of Directors of:
- AL Finans A/S (Chairman)
- Finanssektorens Uddannelsescenter (Vice Chairman)
- Bankernes EDB Central a.m.b.a. (Chairman)
- Kooperationen
- LR Realkredit A/S (Vice Chairman)
- PensionDanmark Holding A/S
- PensionDanmark A/S
- Pras A/S
- Landsdækkende Banker
- Totalkredit A/S
- DLR Kredit A/S

Member of the Executive Management in:
- Handels ApS Panoptikon

Shareholding (no.):
1

Remuneration (DKK '000):
3,400

JAN W. ANDERSEN

Born in 1958.

Executive Bank Director

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
- Danish Labour Market Fund for Posted Workers, AFU
- VP Securites A/S + Chairman of the Risk Committee
- PFA Advisory Board

Shareholding (no.):
0

Remuneration (DKK '000):
3,102

Overview of the development of the Bank

Year	Share capital DKK mill.	Equity DKK mill.	Total deposits DKK mill.	Total lending DKK mill.	Balance sheet DKK mill.	Dividends *) %
1919	2.0	2.1	8.5	6.2	10.8	2%
1924	3.0	3.1	32.1	27.3	35.7	0%
1929	3.0	3.2	34.5	27.1	38.1	0%
1934	4.0	5.8	54.7	30.5	60.9	5%
1939	5.7	8.3	79.1	53.8	91.0	5%
1944	6.1	10.4	112.7	39.6	132.3	5%
1949	9.0	14.7	148.2	107.0	185.2	5%
1954	12.3	20.0	236.4	166.5	280.9	5%
1959	20.0	34.4	324.5	208.1	397.0	5%
1964	27.5	51.2	512.4	391.1	687.7	5%
1969	73.2	132.2	1,112.6	859.1	2,020.2	8%
1974	84.0	189.6	1,416.9	1,055.9	1,952.3	8%
1979	155.0	386.4	3,302.9	2,042.2	4,138.4	8%
1984	250.0	1,065.3	7,160.0	4,113.0	9,193.0	10%
1989	300.0	1,038.4	8,874.5	6,816.2	12,114.4	5%
1990	300.0	1,127.1	9,604.3	7,246.7	13,190.2	5%
1991	300.0	1,141.1	10,066.2	7,589.8	13,503.8	7%
1992	300.0	910.2	9,518.1	6,321.7	11,909.4	0%
1993	300.0	1,017.1	9,810.7	5,915.7	12,056.0	6%
1994	300.0	978.8	9,497.1	5,980.6	13,019.9	6%
1995	300.0	1,107.8	9,366.6	6,120.8	12,481.7	8%
1996	300.0	1,244.3	9,509.5	5,954.8	12,992.8	8%
1997	300.0	1,253.9	8,600.6	6,253.0	13,593.7	8%
1998	300.0	1,324.8	9,073.7	6,129.1	13,634.4	9%
1999	300.0	1,366.1	8,703.3	5,767.1	13,304.5	8%
2000	300.0	1,447.8	8,647.4	6,612.6	14,694.4	8%
2001	300.0	1,517.6	9,462.6	6,798.6	13,584.2	8%
2002	300.0	1,572.7	9,931.4	6,718.1	12,966.8	8%
2003	300.0	1,776.4	10,064.1	7,243.9	14,818.5	35%
2004	300.0	1,985.2	11,172.1	7,995.4	17,632.3	18%
2005	300.0	2,577.0	11,901.9	9,147.1	20,155.4	15%
2006	300.0	2,826.0	12,635.4	11,158.2	22,266.0	20%
2007	300.0	2,951.3	14,575.9	13,255.1	25,721.9	20%
2008	300.0	2,847.5	19,079.5	17,401.1	31,819.4	0%
2009	300.0	2,939.7	21,406.2	16,954.7	30,512.1	0%
2010	300.0	3,118.2	20,942.4	16,917.4	32,344.2	8%
2011	300.0	3,157.3	22,932.6	16,948.1	34,570.2	8%
2012	300.0	3,607.2	24,100.6	17,687.2	36,773.2	35%
2013	300.0	3,929.4	28,134.6	18,051.8	37,568.0	20%
2014	300.0	5,049.1	29,640.5	18,201.9	40,060.3	15%
2015	300.0	5,279.6	32,314.4	19,637.1	41,978.3	10%
2016	300.0	5,681.7	34,204.5	20,850.0	44,340.3	10%
2017	300.0	6,761.5	37,460.7	21,682.8	47,261.3	50%
2018	300.0	6,873.2	44,839.3	21,798.8	54,973.8	20%

*) The dividend rate is calculated as the dividend paid in relation to the share capital.

Statements and reports

Statement by the Management

Today, the Board of Directors and Executive Management presented and adopted the annual report of Aktieselskabet Arbejdernes Landsbank for 2018.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted 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 parent financial statements give a true and fair view of the assets, liabilities and financial position of the Group and of the Bank as at 31 December 2018, 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 2018.

In our opinion, the Management's report provides a true and fair report of the developments of the activities and financial situation of the Group and of the Bank, as well as a description of the most significant risks and uncertainty factors that the Group and the Bank may be facing. We recommend the annual report for approval at the Annual General Meeting.

Copenhagen, 19 February 2019

Executive Management:

Gert R. Jonassen
CEO

Jan W. Andersen
Executive Bank Director

Board of Directors:

Per Christensen
Chairman

Claus Jensen
Vice Chairman

Lizette Risgaard

Kim Lind Larsen

Ole Wehlast

Kim Simonsen

Lars Andersen

Torben Möger Pedersen

Christian Riewe

Lasse Thorn

Jesper Pedersen

Yvonne Hansen

Nadja Lind Bøgh Karlsen

Intern Revisions påtegning

Opinion

We have audited the consolidated financial statements and the parent financial statements of Aktieselskabet Arbejdernes Landsbank for the financial year 1 January to 31 December 2018, comprising the income statement, statement of comprehensive income, balance sheet, statement of capital, and notes, including accounting policies, of the Group and the Bank, and the cash flow statement for the Group. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the financial statements for the Bank have been prepared in accordance with the Danish Financial Business Act.

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 2018 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 2018, 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 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 Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. These standards require 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

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, 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 in accordance with the consolidated financial statements and the parent financial statements. We did not identify any material misstatement of the Management's Report.

Copenhagen, 19 February 2019

Christoffer Max Jensen
Chief Audit Executive

Independent auditors' report

To the capital owners 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 to 31 December 2018, comprising the income statement, statement of comprehensive income, balance sheet, statement of capital, and notes, including accounting policies, of the Group and the Bank, and the cash flow statement for the Group. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and additional Danish disclosure requirements for financial undertakings, and the parent financial statements have been prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's assets, liabilities and financial position as at 31 December 2018 and of the results of the Group's activities and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU, as well as additional Danish disclosure requirements for financial undertakings.

Furthermore, in our opinion, the parent financial statements give a true and fair view of the Bank's assets, liabilities and financial position as at 31 December 2018 and of the results of the Bank's activities for the financial year 1 January to 31 December 2018, in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the Audit and Risk Committee and the Board of Directors.

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 these 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. 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.

To the best of our knowledge, no prohibited non-audit services within the meaning of Article 5(1) of Regulation (EU) No. 537/2014 have been provided.

We were elected as auditors for Aktieselskabet Arbejdernes Landsbank for the first time on 21 December 1990 for the financial year 1990. Together with RI Statsautoriseret Revisionsaktieselskab, we have been re-elected annually by the General Meeting for a total engagement period of 18 consecutive years up to and including the financial year 2007. After tendering procedures in 2007 and in 2011, we were re-elected by the General Meeting for total engagement periods of four consecutive years, and subsequently seven consecutive years, up to and including the financial year 2018.

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 parent financial statements for the financial year 1 January to 31 December 2018. These matters were dealt with as part of our audit of the consolidated financial statements and the parent financial statements as a whole, and in the preparation of our opinion on the consolidated financial statements and the parent financial statements. We express no separate opinion on these matters.

Impairments on loans and provisions for losses on guarantees etc.

Lending by the Group amounted to DKK 22,086 mill. as at 31 December 2018, and guarantees amounted to DKK 5,226 mill. (lending amounted to DKK 21,958 mill. and guarantees amounted to DKK 4,783 mill. as at 31 December 2017). Impairments on loans and provisions for losses on guarantees etc. amounted to a write-back of DKK 69.5 mill. for the period 1 January to 31 December 2018 (impairments and provisions for losses on guarantees etc. amounted to a total charge of DKK -14.3 mill. for the period 1 January to 31 December 2017).

Determining expected impairments on loans and provisions for losses on guarantees etc. is associated with significant uncertainty and is based to some extent on management estimates. Due to the materiality of these estimates and the size of Group and Bank lending, impairments on loans and provisions for losses on guarantees are a central matter in the audit.

Lending-related matters with the highest degree of estimates, and thus requiring additional attention in the audit, are:

- Identification of credit-impaired exposures.
- Parameters and management estimates in the calculation model used to determine expected losses in stage 1 and stage 2.
- Measurement of collateral and future cashflows, including management estimates associated with determination of expected losses in stage 3.

The principles for calculating impairments on loans and provisions for losses on guarantees etc. are described in more detail in the accounting policies, and in Note 1, Note 9 and Note 46 to the consolidated financial statements, Management provides a description of credit risk management, and of assessments of the need for impairment charges.

Audit treatment

Based on our risk assessment, our audit has included a review of the Bank's relevant procedures for lending, tests of relevant controls and an analysis of developments in the credit quality of loans, including the size of impairments and provisions for losses on guarantees etc.

Our audit procedures have comprised tests of relevant controls with regard to:

- Ongoing assessment of credit risk.
- Assessment and validation of input and assumptions used to calculate impairments and provisions for losses on guarantees etc. in stage 1 and stage 2.
- Determination of management estimates in the model and in stage 3.

Furthermore, our audit procedures have included:

- Random reviews of exposures in order to ensure timely identification of credit impairment on loans as well as provisions for losses on guarantees etc.
- Collection and evaluation of an audit opinion with reasonable assurance from the Bank's data centre, including an assessment of the calculated parameters of the Bank and classification into stages.
- Challenging the most important assumptions in the calculation model applied, focusing particularly on objectivity and the data basis used.
- Challenging the management estimates in the calculation model applied, focusing particularly on consistency and on the objectivity of Management, including whether there is documentation to support the adequacy of management estimates.
- For loans and guarantees etc. classified as stage 3, we conducted random checks to ensure that the calculated need for impairment charges and the provisions for losses on guarantees etc. comply with the legislation and with the Group's guidelines. This included tests of collateral values and setting scenarios.

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 or 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 Business 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 Business 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 and fair presentation of consolidated financial statements in accordance with the International Financial Reporting Standards as approved by the EU, and additional requirements in the Danish Financial Business Act, as well as for the preparation and fair presentation of parent financial statements in accordance with the Danish Financial Business Act. Management is also responsible for the internal control deemed necessary by Management to prepare consolidated financial statements and parent financial statements without 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 Bank'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 Bank 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 International Standards on Auditing 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 Bank'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 Bank'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 Bank 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 senior Management 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 parent 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, 19 February 2019

DELOITTE
STATSAUTORISERET REVISIONSPARTNERSELSKAB
CVR NO. 33 96 35 56

ANDERS OLDAU GJELSTRUP
State-Authorised Public Accountant Identification number (MNE) 10777

JAKOB LINDBERG
State-Authorised Public Accountant Identification number (MNE) 40824

Consolidated financial statements and parent financial statements

Income statement and statement of comprehensive income

Note		Group 2018 DKK mill.	Group 2017 DKK mill.	Bank 2018 DKK mill.	Bank 2017 DKK mill.
	Income statement				
4	Interest income calculated using the effective interest method	1,110.9	1,160.9	1,008.9	1,047.2
4	Other interest income	51.7	85.9	51.7	85.9
5	Interest expenses	-58.1	-53.2	-57.7	-52.6
	Net interest income	***1,104.4***	***1,193.6***	***1,002.9***	***1,080.4***
	Dividends from shares etc.	60.3	43.8	60.3	43.8
6	Fees and commission income	659.4	663.7	611.8	596.9
6	Fees and commissions paid	-79.1	-108.2	-70.5	-61.7
	Net interest and fee income	***1,745.0***	***1,792.9***	***1,604.4***	***1,659.4***
7	Value adjustments	-14.8	901.3	-15.3	901.5
	Other operating income	68.8	90.5	34.5	57.4
8	Staff and administrative expenses	-1,405.9	-1,353.8	-1,313.3	-1,264.4
17-19	Amortisation/depreciation as well as impairment charges on intangible assets and property, plant and equipment	-64.2	-59.1	-30.6	-26.6
	Other operating expenses	-59.4	-52.7	-55.4	-47.2
9	Impairments on loans and receivables etc.	69.5	-14.3	71.1	-4.6
15	Profit from equity investments in group companies	0.0	0.0	31.4	20.7
	Profit before tax	***339.0***	***1,304.7***	***326.8***	***1,296.1***
10	Tax	-40.1	-149.3	-28.0	-140.6
	Profit for the year	***298.9***	***1,155.5***	***298.9***	***1,155.5***
	Broken down by:				
	Shareholders of Arbejdernes Landsbank	233.2	1,089.5	233.2	1,089.5
	Holders of Additional Tier 1 instruments	65.7	66.0	65.7	66.0
	Profit for the year	***298.9***	***1,155.5***	***298.9***	***1,155.5***
11	**Earnings per share**				
	Earnings per share (DKK)	834	3,680	834	3,680
	Diluted earnings per share (DKK)	834	3,680	834	3,680
	Comprehensive income				
	Profit for the year	***298.9***	***1,155.5***	***298.9***	***1,155.5***
	Other comprehensive income				
	Items that cannot be reclassified to the income statement:				
18	Change in the revalued amount of owner-occupied properties	142.5	5.8	142.5	5.8
20	Tax	-7.1	0.0	-7.1	0.0
	Total other comprehensive income	***135.4***	***5.8***	***135.4***	***5.8***
	Comprehensive income for the year	***434.3***	***1,161.3***	***434.3***	***1,161.3***
	Broken down by:				
	Shareholders of Arbejdernes Landsbank	368.6	1,095.3	368.6	1,095.3
	Holders of Additional Tier 1 instruments	65.7	66.0	65.7	66.0
	Comprehensive income for the year	***434.3***	***1,161.3***	***434.3***	***1,161.3***

Balance sheet

Note		Group 2018 DKK mill.	Group 2017 DKK mill.	Bank 2018 DKK mill.	Bank 2017 DKK mill.
	Assets				
	Cash in hand and demand deposits with central banks	970.7	908.4	970.7	908.4
9, 12	Receivables from credit institutions and central banks	5,211.5	6,015.7	5,202.3	6,007.8
9, 13	Loans and other receivables at amortised cost	22,085.8	21,958.1	21,798.8	21,682.8
14	Bonds at fair value	18,834.3	11,812.4	18,834.3	11,812.4
	Shares etc.	1,446.9	2,045.3	1,446.9	2,045.3
15	Equity investments in group companies	0.0	0.0	279.1	278.8
16	Assets linked to pooled schemes	4,177.2	2,727.5	4,177.2	2,727.5
17	Intangible assets	18.7	16.6	0.0	0.0
	Investment properties	36.4	37.6	36.4	37.6
	Owner-occupied properties	1,088.9	857.3	1,088.9	857.3
18	*Total land and buildings*	*1,125.3*	*894.8*	*1,125.3*	*894.8*
19	Other property, plant and equipment	180.0	149.0	103.2	74.6
	Current tax assets	23.9	32.7	41.9	47.9
20	Deferred tax assets	23.6	11.7	16.8	19.5
21	Other assets	978.8	767.0	951.3	736.0
	Prepayments and accrued income	29.8	29.7	26.1	25.6
	Total assets	*55,106.5*	*47,368.9*	*54,973.8*	*47,261.3*
	Equity and liabilities				
	Liabilities				
	Debt				
22	Debt to credit institutions and central banks	1,622.3	2,080.7	1,622.3	2,080.7
23	Deposits and other debt	40,695.5	34,756.2	40,662.1	34,733.2
	Deposits in pooled schemes	4,177.2	2,727.5	4,177.2	2,727.5
24	Other non-derivative financial liabilities at fair value	302.7	54.8	302.7	54.8
25	Other liabilities	1,269.8	882.5	1,203.3	811.1
	Accruals and deferred income	73.2	35.5	43.3	23.0
	Total debt	*48,140.6*	*40,537.2*	*48,011.0*	*40,430.3*
	Provisions				
	Guarantee loss provisions	22.8	30.8	22.8	30.8
	Other provisions	69.8	39.4	66.8	38.8
26	*Total provisions*	*92.7*	*70.2*	*89.6*	*69.5*
	Total liabilities	*48,233.3*	*40,607.4*	*48,100.6*	*40,499.8*
	Equity				
27	Share capital	300.0	300.0	300.0	300.0
	Revaluation reserves	454.0	326.7	454.0	326.7
	Reserve under the equity method	0.0	0.0	297.4	266.0
	Retained earnings	5,210.2	5,135.9	4,912.9	4,869.9
	Proposed dividend	60.0	150.0	60.0	150.0
	Shareholders of Arbejdernes Landsbank	*6,024.3*	*5,912.6*	*6,024.3*	*5,912.6*
32	Holders of Additional Tier 1 instruments	848.9	848.9	848.9	848.9
	Total equity	*6,873.2*	*6,761.5*	*6,873.2*	*6,761.5*
	Total equity and liabilities	*55,106.5*	*47,368.9*	*54,973.8*	*47,261.3*

Statement of capital

	Shareholders of Arbejdernes Landsbank						
	Share capital	Revaluation reserves	Retained earnings	Proposed dividend	Total	Additional Tier 1 capital	Total equity
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Group 2018							
Equity brought forward	300.0	326.7	5,135.9	150.0	*5,912.6*	848.9	*6,761.5*
Change in accounting policies, IFRS 9	0.0	0.0	-147.9	0.0	*-147.9*	0.0	*-147.9*
Tax effect, IFRS 9	0.0	0.0	32.5	0.0	*32.5*	0.0	*32.5*
Adjusted equity brought forward	*300.0*	*326.7*	*5,020.5*	*150.0*	*5,797.2*	*848.9*	*6,646.1*
Profit for the year	0.0	0.0	173.2	60.0	*233.2*	65.7	*298.9*
Other comprehensive income	0.0	135.4	0.0	0.0	*135.4*	0.0	*135.4*
Total comprehensive income	*0.0*	*135.4*	*173.2*	*60.0*	*368.6*	*65.7*	*434.3*
Other additions and disposals *)	0.0	-8.1	8.1	0.0	*0.0*	0.0	*0.0*
Dividend paid for 2017	0.0	0.0	0.0	-150.0	*-150.0*	0.0	*-150.0*
Interest paid on Additional Tier 1 capital	0.0	0.0	0.0	0.0	*0.0*	-65.7	*-65.7*
Purchase of own shares	0.0	0.0	-6.0	0.0	*-6.0*	0.0	*-6.0*
Tax	0.0	0.0	14.4	0.0	*14.4*	0.0	*14.4*
Total changes in equity	*0.0*	*127.3*	*189.7*	*-90.0*	*227.0*	*0.0*	*227.1*
Equity carried forward	*300.0*	*454.0*	*5,210.2*	*60.0*	*6,024.3*	*848.9*	*6,873.2*
Group 2017							
Equity brought forward	300.0	365.7	4,137.1	30.0	*4,832.8*	849.0	*5,681.7*
Profit for the year	0.0	0.0	939.5	150.0	*1,089.5*	66.0	*1,155.5*
Other comprehensive income	0.0	5.8	0.0	0.0	*5.8*	0.0	*5.8*
Total comprehensive income	*0.0*	*5.8*	*939.5*	*150.0*	*1,095.3*	*66.0*	*1,161.3*
Other additions and disposals *)	0.0	-44.8	44.8	0.0	*0.0*	0.0	*0.0*
Dividend paid for 2016	0.0	0.0	0.0	-30.0	*-30.0*	0.0	*-30.0*
Interest paid on Additional Tier 1 capital	0.0	0.0	0.0	0.0	*0.0*	-66.1	*-66.1*
Tax	0.0	0.0	14.5	0.0	*14.5*	0.0	*14.5*
Total changes in equity	*0.0*	*-39.0*	*998.8*	*120.0*	*1,079.8*	*-0.1*	*1,079.7*
Equity carried forward	*300.0*	*326.7*	*5,135.9*	*150.0*	*5,912.6*	*848.9*	*6,761.5*

*) Realised revaluation reserves as well as depreciation of revalued owner-occupied properties.

Statement of capital

	Shareholders of Arbejdernes Landsbank							
	Share capital	Revaluation reserves	Reserve under the equity method	Retained earnings	Proposed dividend	Total	Additional Tier 1 capital	Total equity
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Bank 2018								
Equity brought forward	300.0	326.7	266.0	4,869.9	150.0	*5,912.6*	848.9	*6,761.5*
Change in accounting policies, IFRS 9	0.0	0.0	0.0	-139.1	0.0	*-139.1*	0.0	*-139.1*
Tax effect, IFRS 9	0.0	0.0	0.0	23.8	0.0	*23.8*	0.0	*23.8*
Adjusted equity brought forward	*300.0*	*326.7*	*266.0*	*4,754.6*	*150.0*	*5,797.2*	*848.9*	*6,646.1*
Profit for the year	0.0	0.0	31.4	141.8	60.0	*233.2*	65.7	*298.9*
Other comprehensive income	0.0	135.4	0.0	0.0	0.0	*135.4*	0.0	*135.4*
Total comprehensive income	*0.0*	*135.4*	*31.4*	*141.8*	*60.0*	*368.6*	*65.7*	*434.3*
Other additions and disposals *)	0.0	-8.1	0.0	8.1	0.0	*0.0*	0.0	*0.0*
Dividend paid for 2017	0.0	0.0	0.0	0.0	-150.0	*-150.0*	0.0	*-150.0*
Interest paid on Additional Tier 1 capital	0.0	0.0	0.0	0.0	0.0	*0.0*	-65.7	*-65.7*
Purchase of own shares	0.0	0.0	0.0	-6.0	0.0	*-6.0*	0.0	*-6.0*
Tax	0.0	0.0	0.0	14.4	0.0	*14.4*	0.0	*14.4*
Total changes in equity	*0.0*	*127.3*	*31.4*	*158.,3*	*-90.0*	*227.0*	*0.0*	*227.1*
Equity carried forward	*300.0*	*454.0*	*297.4*	*4,912.9*	*60.0*	*6,024.3*	*848.9*	*6,873.2*
Bank 2017								
Equity brought forward	300.0	365.7	245.2	3,891.9	30.0	*4,832.8*	849.0	*5,681.7*
Profit for the year	0.0	0.0	20.7	918.8	150.0	*1,089.5*	66.0	*1,155.5*
Other comprehensive income	0.0	5.8	0.0	0.0	0.0	*5.8*	0.0	*5.8*
Total comprehensive income	*0.0*	*5.8*	*20.7*	*918.8*	*150.0*	*1,095.3*	*66.0*	*1,161.3*
Other additions and disposals *)	0.0	-44.8	0.0	44.8	0.0	*0.0*	0.0	*0.0*
Dividend paid for 2016	0.0	0.0	0.0	0.0	-30.0	*-30.0*	0.0	*-30.0*
Interest paid on Additional Tier 1 capital	0.0	0.0	0.0	0.0	0.0	*0.0*	-66.1	*-66.1*
Tax	0.0	0.0	0.0	14.5	0.0	*14.5*	0.0	*14.5*
Total changes in equity	*0.0*	*-39.0*	*20.7*	*978.1*	*120.0*	*1,079.8*	*-0.1*	*1,079.7*
Equity carried forward	*300.0*	*326.7*	*266.0*	*4,869.9*	*150.0*	*5,912.6*	*848.9*	*6,761.5*

*) Realised revaluation reserves as well as depreciation of revalued owner-occupied properties.

Cash flow statement

Note		Group 2018 DKK mill.	2017 DKK mill.
	Profit before tax	*339.0*	*1,304.7*
	Adjustment for non-cash operating items		
7	Fair value adjustments on investment properties	2.4	0.0
17	Depreciation, amortisation and impairment charges on intangible assets	9.5	6.1
18-19	Depreciation, amortisation, impairment charges and revaluations of property, plant and equipment	54.7	53.0
9	Impairments on loans and receivables etc.	-69.5	14.3
	Change in working capital		
	Loans and receivables with credit institutions, etc.	-32.7	-780.5
	Bonds and shares	-6,423.5	2,678.3
	Deposits and debt to credit institutions, etc.	6,930.6	2,087.3
	Other non-derivative financial liabilities at fair value	248.0	-208.4
	Other assets and liabilities	-1,387.3	-739.1
	Corporation tax paid	-3.6	-162.0
	Cash flows from operating activities	*-332.5*	*4,253.8*
17	Acquisition of intangible assets	-11.7	-9.9
18-19	Acquisition of property, plant and equipment	-209.4	-125.5
	Sale of property, plant and equipment	33.4	161.7
	Cash flows from investment activities	*-187.7*	*26.2*
29	Dividend paid	-150.0	-30.0
	Interest paid on Additional Tier 1 capital	-65.7	-66.1
28	Purchase of own shares	-6.0	0.0
	Cash flows from financing activities	*-221.7*	*-96.1*
	Cash flows for the year	*-741.8*	*4,184.0*
	Cash and cash equivalents brought forward	6,924.0	2,740.0
	Cash and cash equivalents carried forward	*6,182.2*	*6,924.0*
	Cash and cash equivalents carried forward include:		
	Cash in hand and demand deposits with central banks	970.7	908.4
12	Receivables from credit institutions and central banks with a term to maturity of less than three months	5,211.5	6,015.7
	Cash and cash equivalents carried forward	*6,182.2*	*6,924.0*

The cash flow statement cannot directly be derived from other components of the consolidated financial statements.

Notes

Note 1
Accounting policies

Aktieselskabet Arbejdernes Landsbank is domiciled in Denmark. The financial section of the annual report for the period from 1 January to 31 December 2018 includes the consolidated financial statements of Aktieselskabet Arbejdernes Landsbank and its subsidiaries, as well as the financial statements of the Parent Company.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as further Danish disclosure requirements stipulated in the IFRS Executive Order on Financial Undertakings issued pursuant to the Danish Financial Business Act.

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. (the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.), as well as guidelines issued by the Danish FSA.

On 19 February 2019, the Board of Directors and the Executive Management presented and adopted the annual report of Aktieselskabet Arbejdernes Landsbank for 2018. The annual report will be presented to the company's shareholders for adoption at the Annual General Meeting on 11 March 2019.

Figures in the financial statements are presented in DKK mill. unless otherwise indicated. This means that there may be rounding differences because the totals are rounded off, and all underlying decimals are not visible to the reader of the financial statements.

The regulations on recognition and measurement in the Parent Company are consistent with IFRS.

The accounting policies have been applied consistently over the financial year and for the comparative figures with the exception of new standards which will be implemented in the future without correction of comparative figures, as described below.

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 financial statements. The new standards and interpretation contributions will be implemented as they become mandatory.

Except for IFRS 16 Leases and IAS 12 Income Taxes, none of the new or amended standards or interpretation contributions are expected to have any significant influence on the presentation of financial statements for the Group.

Leasing according to IFRS 16

IFRS 16 replaces the current IAS 17 with related interpretation contributions. The new standard will enter into force for financial years commencing on or after 1 January 2019. IFRS 16 changes the accounting treatment of the Group's operating leases where the Group is the lessee.

The lessee must use one leasing model that largely follows the current accounting treatment of finance leases for all leases, except for short-term leases and leasing of small assets. Thus, all leases will be treated in the same way and recognised as leasing assets representing the right to use the asset, and they will be depreciated over the lease period. At initial recognition, the leasing asset will be measured at the present value of the lease commitment plus costs and prepayments. In addition, a lease commitment will be recognised at the present value of the future lease payments which will subsequently be treated as interest and repayments on the lease commitment.

The Group has assessed the potential effect of the new leasing standard on the financial statements, and has found the effect to be limited as the Group – via the subsidiary AL Finans A/S – is primarily a lessor, recognising both finance leases and operating leases in the balance sheet.

The analysis of the IFRS 16 effect on the consolidated financial statements and parent financial statements for 2019 will move off-balance sheet items of around DKK 100-125 mill. onto the balance sheet with respect to rental contracts with long notice periods (12 months or more) for properties used to operate branches, and, to a lesser extent, the Bank's operating leases for cars. This change is considered to have an insignificant effect on the income statement.

IAS 12 Income Taxes

Presentation of tax on Additional Tier 1 capital will be changed with effect from 2019 when the tax effects of the right of deduction for the interest will be posted to the income statement.

Based on the 2018 financial statements, the tax effect represents DKK 14.4 mill.

Implementation of new and changed standards

As of 1 January 2018, the Group has implemented the following new and changed standards:

- IFRS 9 on financial instruments.
- IFRS 15 on revenue from contracts with customers.
- Amended IAS 40 on transfers of property to or from investment property.

Of the above, only IFRS 9 has influenced recognition and measurement in the annual report, while IFRS 15 has influenced the disclosure requirements.

Effect of IFRS 9

IFRS 9, which replaces IAS 39, introduces new classification and measurement of financial assets based on the undertaking's business model and the characteristics of the underlying cash flows. IFRS 9 also introduces a new impairment model for financial assets.

Classification and measurement of financial assets and liabilities

Financial assets held to generate 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.

Other financial assets, including equity investments and derivatives, where the cash flows are not solely composed of interest and repayments, are part of a risk management system and an investment strategy based on fair values, and are included in the Bank's internal management reporting on this basis. Therefore, these financial assets are measured after initial recognition at fair value through the income statement.

Application of the IFRS 9 measurement categories for financial assets is unchanged in relation to the measurement criteria applied in the 2017 annual report.

Impairment of financial assets

With the implementation of IFRS 9, the former impairment approach for lending and provisions for guarantees and approval of loan facilities based on the incurred loss model has been replaced by an expected loss impairment mode. taking account of expected losses. The calculation of expected losses is based on PD (probability of default), EAD (customer's exposure at default) and LGD (loss given default) plus expectations for future developments in the economy. More simple methods, such as a portfolio-based loss ratio approach, may also be applied.

The transition to IFRS 9 means that recognition of future expected losses must take place at initial recognition.

During the financial year, there have been no changes to significant assumptions and assessment methods which formed the basis of the calculation in connection with the transition to the new impairment rules on 1 January 2018. If warranted by the validation results, certain improvements have been made as a consequence of the model assumptions having been adjusted. However, these have no material significance.

The Group has not changed the comparative figures as it was not deemed possible to apply the impairment provisions retrospectively. Moreover, the Group has applied management estimates where the model was unable to reflect the expected loss risk. In addition, IFRS 9 contains a clarification of the elements which must be recognised in the calculation of the effective interest rate which has meant that certain fee-like services will be included in the amortisation of the loans in the future. The accumulated effect of the changes has been recognised in retained earnings in equity at the beginning of the year (1 January 2018) without adjusting comparative figures. This is in accordance with the transitional provisions of IFRS 9. The consequence is an equity adjustment of DKK -115.4 mill. and this has been recognised in retained earnings in Group equity as at 1 January 2018. The accounting effects as at 1 January 2018 constituted a reduction of 1.7 per cent of the Group's and the Parent Company's equity, and the changes in the balance sheet are shown in the opening balance sheet on the following two pages.

	Group			Bank		
	31.12.2017		01.01.2018	31.12.2017		01.01.2018
	Previous accounting policy	Effect of policy change	New accounting policy	Previous accounting policy	Effect of policy change	New accounting policy
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Assets						
Cash in hand and demand deposits with central banks	908.4		908.4	908.4		908.4
Receivables from credit institutions and central banks	6,015.7	-4.5	6,011.2	6,007.8	-4.5	6,003.3
Loans and other receivables at amortised cost *)	21,958.1	-60.2	21,897.9	21,682.8	-38.1	21,644.7
Bonds at fair value	11,812.4		11,812.4	11,812.4		11,812.4
Shares etc.	2,045.3		2,045.3	2,045.3		2,045.3
Equity investments in group companies	0.0		0.0	278.8	-31.1	247.7
Assets linked to pooled schemes	2,727.5		2,727.5	2,727.5		2,727.5
Intangible assets	16.6		16.6	0.0		0.0
Investment properties	37.6		37.6	37.6		37.6
Owner-occupied properties	857.3		857.3	857.3		857.3
Total land and buildings	***894.8***		***894.8***	***894.8***		***894.8***
Other property, plant and equipment	149.0		149.0	74.6		74.6
Current tax assets	32.7	24.0	56.7	47.9	19.1	67.0
Deferred tax assets	11.7	8.5	20.2	19.5	4.6	24.1
Other assets	767.0		767.0	736.0		736.0
Prepayments and accrued income	29.7		29.7	25.6		25.6
Total assets	***47,368.9***	***-32.1***	***47,336.8***	***47,261.3***	***-49.9***	***47,211.4***

*) The effect under loans and other receivables at amortised cost which may be related to the change in impairment policy constitutes DKK -104.9 mill. for the Group and DKK -82.9 mill. for the Bank. The change of method of treatment of discounts/reserves for credit losses on bank business which had been impaired at initial recognition represents DKK 44.7 mill.

	Group			Bank		
	31.12.2017		01.01.2018	31.12.2017		01.01.2018
	Previous accounting policy	Effect of policy change	New accounting policy	Previous accounting policy	Effect of policy change	New accounting policy
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Equity and liabilities						
Liabilities						
Debt						
Debt to credit institutions and central banks	2,080.7		2,080.7	2,080.7		2,080.7
Deposits and other debt	34,756.2		34,756.2	34,733.2		34,733.2
Deposits in pooled schemes	2,727.5		2,727.5	2,727.5		2,727.5
Other non-derivative financial liabilities at fair value	54.8		54.8	54.8		54.8
Other liabilities	882.5		882.5	811.1		811.1
Accruals and deferred income	35.5	38.9	74.3	23.0	21.0	44.0
Total debt	*40,537.2*	*38.9*	*40,576.1*	*40,430.3*	*21.0*	*40,451.3*
Provisions						
Guarantee loss provisions	30.8	9.7	40.5	30.8	9.7	40.5
Other provisions	39.4	34.7	74.1	38.8	34.7	73.5
Total provisions	*70.2*	*44.4*	*114.6*	*69.5*	*44.4*	*113.9*
Total liabilities	*40,607.4*	*83.3*	*40,690.6*	*40,499.8*	*65.5*	*40,565.2*
Equity						
Share capital	300.0		300.0	300.0		300.0
Revaluation reserves	326.7		326.7	326.7		326.7
Reserve under the equity method	0.0		0.0	266.0		266.0
Retained earnings	5,135.9	-115.4	5,020.5	4,869.9	-115.4	4,754.6
Proposed dividend	150.0		150.0	150.0		150.0
Shareholders of Arbejdernes Landsbank	*5,912.6*	*-115.4*	*5,797.2*	*5,912.6*	*-115.4*	*5,797.2*
Holders of Additional Tier 1 instruments	848.9		848.9	848.9		849.0
Total equity	*6,761.5*	*-115.4*	*6,646.1*	*6,761.5*	*-115.4*	*6,646.2*
Total equity and liabilities	*47,368.9*	*-32.1*	*47,336.8*	*47,261.3*	*-49.9*	*47,211.4*

Consequences of the Capital Requirements Regulation

The Group has decided not to apply the voluntary transitional scheme, under which the European Commission allows for a five-year transitional period with negative influences from the IFRS 9 impairment rules only taking full effect on own funds after five years. This is based on the assessment that there is no need for the Group to have temporary relaxation of the capital requirement, as the capital base is deemed to be robust.

Effect of IFRS 15

IFRS 15, Revenue from contracts with customers, replaces the current standards on revenues (IAS 11 and 18) and associated interpretation contributions. With IFRS 15, a new model will be introduced for recognition and measurement of revenue concerning sales contracts with customers. The new model will be based on a five-step process to be followed for all sales contracts with customers to determine when and how revenues are to be recognised in the income statement. The standard does not change recognition and measurement of the Group's sales contracts with customers and therefore has no significance for operations and the balance sheet.

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. A group overview is included in note 43.

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 intragroup income and costs, shareholdings, internal balances and dividends, as well as gains and losses on transactions between the consolidated companies.

Foreign currency translation

The consolidated financial statements and the parent financial statements are presented in DKK, which is also the functional currency of the Group. At initial recognition, transactions denominated in foreign currencies are translated to the functional currency 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. The difference between the exchange rate at the reporting date and the exchange rate at the date of establishing the balances is recognised in the income statement under value adjustments.

Financial instruments in general

Financial assets are classified and measured on the basis of Arbejdernes Landsbank's business model and the underlying contractual cash flows associated with the characteristics of the financial assets:

- Amortised cost
- Fair value with value adjustment through other comprehensive income (FVTOCI)
- Fair value with value adjustment through profit or loss (FVPL).

Financial assets held to generate 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. Lending, receivables from credit institutions, interest and commission receivable, capital contributions to Bankernes EDB Central a.m.b.a., and other receivables are included in this category.

Financial assets held in a mixed business model where some financial assets are held both to generate contractual payments and to sell before maturity, and for which such contractual payments on the financial assets in the mixed business model consist solely of interest and instalments on the outstanding amount, are measured at fair value after the time of initial recognition through other comprehensive income. When the asset ceases to be recognised in the balance sheet, the accumulated gains and losses recognised under other comprehensive income are reclassified to the income statement. The Group does not have any assets in this category.

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. This residual category comprises financial assets acquired to be included in a portfolio of securities intended for frequent turnover, termed the trading portfolio, and financial assets managed and reported on a fair value basis. This includes assets linked to pooled schemes and other holdings of shares and bonds.

Financial liabilities which are not measured at fair value, see below, are measured at amortised cost and with separate recognition of embedded derivatives. Financial liabilities which are recognised at fair value comprise derivatives, deposits in pooled schemes and negative bond portfolios.

INCOME STATEMENT

Net interest income

Interest income and interest expenses include interest payable as well as accrued interest until the reporting date, and are recognised in the income statement in the period they concern.

- Interest-bearing financial instruments are recognised under the effective interest-rate method based on the value of the financial instrument at initial recognition. Negative interest income is recognised under Interest income, and negative interest expenses are recognised under Interest expenses.
- Premiums and discounts, as well as commissions 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.
- Interest on financial instruments valued at fair value is disclosed separately, except for interest concerning assets and deposits in pools, which is shown under value adjustments. Index adjustments to bonds and price adjustments to zero-coupon bonds are included under interest on bonds. Value adjustments to certificates of deposit issued by Danmarks Nationalbank are included under interest from credit institutions. A negative value adjustment is disclosed separately (negative interest).
- Interest on loans with individual impairment (stage 3) is recognised on the basis of the impaired value. Interest amounts in addition to this are recognised under Impairments on loans and receivables, etc.
- The interest element on repo/reverse transactions is included under the respective interest items depending on the counterparty.
- Premiums (net) for forward transactions and interest on swap transactions (net) are included under other interest income.

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

Net fee and commission income

Fees and commissions are viewed as the price of services from contracts with customers, irrespective of whether they can be related to a one-off service or an ongoing service. Fees and commissions regarding an ongoing service are accrued over the term of the contract. Commissions regarding guarantees are recognised as revenue over the term of the guarantees. Other fees are recognised in the income statement when the transaction has been completed.

Fees for arranging mortgage-credit loans for Totalkredit and DLR Kredit are calculated according to an offsetting model. Commissions for providing loans are recognised at the time of provision of the loan, and fees for ongoing servicing of the debtor are recognised as the Group manages the servicing and thus earns the right to receive fees. Registered losses with a right of set-off are treated as a reduction in income in the period in which the offsetting takes place.

Fees and commissions paid are accounted for in the same way as fees and commissions received.

Value adjustments

Value adjustments comprise realised and unrealised value adjustments of financial instruments which are calculated at fair value in the income statement according to IFRS 9. For Arbejdernes Landsbank this includes interest rates and value adjustments related to assets linked to pooled schemes and contributions to pooled schemes, shares and bonds that form part of the trading portfolio or are otherwise managed and reported on a fair value basis, as well as payments related to derivative financial instruments which are not included under interest income. Furthermore, the impact on results of foreign currency translation adjustments is recognised under value adjustments.

Changes in the value of investment properties are recognised as value adjustments.

Staff and administrative expenses

Staff costs include remuneration and salaries, pension costs, holiday allowances, anniversary bonuses, payroll tax and other social benefits.

Administrative costs include rent, IT costs, marketing, office expenses, procurement of small items, audit, etc.

Other operating income and expenses

Other operating income and expenses include items secondary to the Bank’s activities, including administration of real property, operating lease payments, as well as gains and losses from selling leasing assets. Gains and losses from selling leasing assets are calculated as the selling price less costs of sales and the carrying amount of the leasing asset at contract expiry.

The Bank's proportionate share of statutory expenses for the Guarantee Fund for Depositors and Investors, as well as Afviklingsformuen (Resolution Fund) under the Financial Stability Company, is also included under Other operating expenses.

Profit from equity investments in group companies

Profit from equity investments in group companies includes the proportionate share of the profit after tax of the individual companies.

Tax

Arbejdernes Landsbank is taxed jointly with its Danish subsidiaries. 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.

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

Tax for the year, which comprises current tax for the year and changes in deferred tax, is recognised in the income statement as regards the amount attributable to the profit for the year; in other comprehensive income as regards the amount attributable to items posted to other comprehensive income; and in equity as regards the amount attributable to items posted directly to equity.

BALANCE SHEET

Cash in hand and demand deposits with central banks

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

Receivables from credit institutions and central banks

At initial recognition, receivables from credit institutions and receivables from central banks are recognised 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 and other receivables at amortised cost

This item includes lending, mortgage deeds, finance leases, factoring and reverse transactions where the counterparty is not a credit institution or a central bank.

At initial recognition, loans at amortised cost are measured at fair value plus directly attributable transaction costs, less fees and commissions received that are directly linked to granting the loan. Subsequently, loans at amortised cost are measured under the effective interest-rate method whereby commissions received, direct transaction costs as well as premiums and discounts are amortised over the expected term of the loan, less the expected credit loss.

Adjustments to provide for losses resulting from credit risk are recognised in the income statement under the item Impairments on loans and receivables, etc.

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

Receivables from factoring (invoice mortgaging) and purchasing invoices are recognised as loans. Income from discounts on purchased invoices is amortised over the term of the invoice until it falls due.

Loans are measured according to a model based on expected losses in accordance with IFRS 9. The calculation of expected losses is based on historical observations of PD (probability of default), EAD (the size of the customer's exposure at default) and LGD (loss given default) adjusted for expectations for future developments in the economy. With regard to portfolios for which the Group has no PD values, a simpler approach is applied, e.g. a portfolio approach based on expected loss ratios. This applies to mortgage deeds, lending by the subsidiary AL Finans A/S and credit institutions.

Determination of the probability of default (PD) is based on ascertained defaults over a period, converted to an estimated probability of default within a 12-month timeframe. Lifetime PD is calculated on the basis of ascertained rating migrations and determined on the basis of the contractual terms of the facilities as well as the customer's current rating.

Determination of credit exposure on default (EAD) takes into account the expected change in exposure after the reporting date, including payment of interest and repayments as well as further utilisation of loan commitments. Determination of EAD is based on historical information on expected changes in exposure over the lifetime of the loans within the framework of the individual loan. Consequently, the repayment profile, early repayment and changes in the use of credits are taken into account.

The expected Loss Given Default (LGD) in stage 1, stage 2 and stage 2 weak is based on a standard rate adopted from Basel II. The LGD for stage 3 is an individual calculation taking into account the stressed collateral values and repayment capacity.

Impairments on credit-impaired loans are calculated as the expected loss based on a number of possible outcomes (scenarios) for the debtor's financial situation and the collateral values, and based on the Group's credit management. In the calculation of the present value, the originally determined effective interest rate is applied for fixed-interest loans and receivables. For floating-rate loans and receivables, the current effective interest rate on the loan or receivable is applied.

Forward-looking information is included in the calculation of expected losses in the form of macroeconomic forecasts and projections. Arbejdernes Landsbank uses a model for this, which has been developed and is maintained by the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (LOPI).

The model is based on determination of historical correlations between impairments within a number of sectors and industries and a range of explanatory macroeconomic variables. These correlations are then supplemented with estimates for the macroeconomic variables based on forecasts from consistent sources, such as the Danish Economic Council, Danmarks Nationalbank, etc. Data from these sources generally look two years into the future and include variables such as increase in public consumption, increase in GDP, interest rates, etc. Thus, the model calculates the expected impairments for up to two years within individual sectors and industries, while for maturities that go beyond two years, a linear interpolation is made between the impairment ratio for year 2 and the impairment ratio for year 10. The model assumes that there will be long-term equilibrium, calculated as a structural level from the forecasts. Maturities of more than 10 years are assumed in the model to have the same impairment ratio as the long-term equilibrium in year 10. Finally, the calculated impairment ratios are transformed into adjustment factors adjusting the data centre's estimates in the individual sectors and industries. LOPI adapts these based on their own expectations for the future and on the composition of loans.

Subsequently, the Management assesses whether significant new information has emerged which has not yet been included in the calculations, and which gives cause to adjust the expected credit loss.

Impairments on loans and receivables etc. are carried on an allowance account set off against loans, and provisions on guarantees and unutilised credit commitments are recognised as provisions. In the income statement, impairments and provisions are recognised under impairments on loans and receivables, etc.

The calculation of the expected credit loss depends on whether there has been a significant increase in credit risk since initial recognition. The calculation of impairments follows a model in which the loan portfolio is divided into four stages:

- Stage 1: Exposures without a significant increase in credit risk since initial recognition. The asset is impaired by an amount corresponding to the expected credit loss through default within the next 12 months.
- Stage 2: Exposures where a significant increase in credit risk has been identified. The asset is impaired by an amount corresponding to the expected credit loss over the lifetime of the asset.
- Stage 2 weak: Exposures where a significant increase in credit risk has been identified and where the customer's ability to pay is characterised by significant signs of weakness. The asset is impaired by an amount corresponding to the expected credit loss over the lifetime of the asset.
- Stage 3 is credit-impaired assets where the financial asset has been subject to default or impaired in some other way. In stage 3, the impairments are calculated based on an individual assessment of the credit loss over the lifetime of the asset. In contrast to other stages, interest income is only recognised on the basis of the impaired value of the asset.

Ranking in stages and calculation of expected losses are based on PD-like models developed by Bankernes EDB Central (BEC) supplemented by the Group's internal rating and other registrations of credit weakness applied in internal credit management. The ranking takes no account of collateral and the size of the expected loss.

A loan with a 12-month PD of less than 0.2% at the balance sheet date is considered to have a low credit risk, provided that current or expected conditions do not indicate otherwise. Loans with low credit risk are maintained in stage 1. In addition to loans with a 12-month PD of less than

0.2%, the Bank assesses that receivables from Danish credit institutions and central banks generally have low credit risk.

An exposure is transferred from stage 1 to stage 2 when it is deemed that there is a considerable increase in credit risk, for example when the following increase is observed in the PD:

- An increase in the PD for the expected remaining term of the financial asset of 100%, and an increase in the 12-month PD of 0.5 percentage points when the 12-month PD at initial recognition was less than 1.0%.
- An increase in the PD for the expected remaining term of the financial asset of 100%, or an increase in the 12-month PD of 2.0 percentage points when the 12-month PD at initial recognition was 1.0% or more.
- The exposure has been in arrears/overdrawn for more than 30 days.

If the above-mentioned increase in PD is ascertained and at the same time the customer shows a weak ability to pay, the exposure will be transferred to stage 2 weak. Furthermore, the Group applies a number of its own criteria for evidence of credit weakness, expressed as the internal rating or other reason codes indicating weaknesses.

An exposure is transferred to stage 3 when the asset is credit-impaired. Loans and other receivables which are measured at amortised cost as well as guarantees and credit commitments may be credit-impaired if one or more of the following events have occurred:

- The debtor is in significant financial difficulties.
- Breach of contract by the debtor, for example in the form of non-compliance with its liability to make repayments and pay interest, or
- The institution or other lenders grant the debtor easier terms that would not have been considered if the debtor had not been in financial difficulties.
- It is likely that the debtor will go bankrupt or become subject to other financial reorganisation.
- The disappearance of an active market for that financial asset because of financial difficulties
- Acquisition or establishment of a financial asset at a considerable discount reflecting credit loss already incurred.

In addition, at the latest, the loan will be deemed to be credit-impaired if the borrower has been in arrears for more than 90 days.

Significant loans are assessed individually to identify indications of credit impairment at each closing date of the financial statements. At least once a year, the Group reviews individually all stage 3 loans and selected loans in stage 2 weak exceeding DKK 100,000. Stage 3 loans of less than DKK 100,000 are consistently written down by the unsecured-exposure value.

If a loan is no longer affected by the criteria on which the existing division into stages is based (as determined by the criteria values), the loan will be transferred to the stage matching the applicable criteria.

Determination of when a debtor is in default is crucial for calculation of the expected credit loss.

Arbejdernes Landsbank considers a debtor to be in default if:

- The debtor is more than 90 days in arrears with regard to significant parts of its liabilities, or
- It is unlikely that the debtor will be able to meet its liabilities in full.

The assessment of whether an individual debtor is credit-impaired, including whether it is unlikely that the debtor will be able to repay its liabilities, is based on both qualitative and quantitative indicators. A quantitative indicator could be the customer's rating, while a qualitative indicator could be any breach of contract by the customer.

If all options to help the debtor meet its obligations to service the debt to the Group seem to have been exhausted, debt collection procedures will be commenced, and any collateral will be realised and remaining debt will be written off.

Provisions for losses on guarantees and unutilised credits are treated according to the same rules as characterise the valuation of loans. Provisions for unutilised credits and guarantees are recognised under provisions.

See also the comments on credit risk in note 46.

Bonds

Bonds are recognised at the settlement date and measured at fair value exclusive of transaction costs at initial recognition. Subsequently, bonds are measured at fair value as they form part of the trading portfolio or are managed and reported on a fair value basis. Fair value is the amount at which the securities can be traded between independent parties. In an active market, the fair value is expressed as a listed price. When an active market exists, the fair value of bonds is measured on the basis of listed market prices for the instruments. A market is deemed to be active when the instrument is traded at sufficient frequency and in sufficient volumes to give valid pricing. The fair value of such instruments is calculated on the basis of the most recent observable closing prices on the balance sheet date (level 1). Alternatively, recognised models and observable market data for similar assets are applied to measure the fair value (level 2). A small part of the bonds is valued at level 2.

The fair value of called bonds is stated as the present value of the bonds. A small part of the bonds is valued by application of models and available data which are only to a lesser extent observable market data. Realised and unrealised gains and losses are included in value adjustments.

Strategic securities portfolios acquired by Arbejdernes Landsbank which do not form part of the trading portfolio are measured at fair value on the basis of available trading data or recognised valuation principles and current market data, including an assessment of future earnings and cash flows (level 3). The fair value is also affected by joint ownership, transactions and shareholders' agreements.

Purchases and sales of bonds are recognised on the settlement date. Fair value adjustments of bonds and shares, etc. are recognised in the income statement under value adjustments.

Shares etc.

Shares, etc. are measured at fair value both at initial recognition and subsequently. Fair value is the amount at which a financial asset can be traded between independent parties.

In an active market, the fair value is expressed as listed prices. In a less active or inactive market, the fair value is a model-calculated value on the basis of recognised models and observable market data for similar assets. A larger part of the shares is valued by application of models and available data which are only to a lesser extent observable market data.

The fair value of unlisted shares and other equity investments is calculated on the basis of available information on transactions, etc. Alternatively, it is calculated on the basis of expected cash flows. Realised and unrealised gains and losses are recognised under value adjustments, and dividends are recognised under dividends from shares etc. in the income statement

Purchases and sales of shares etc. are recognised on the settlement date. Fair value adjustments of shares etc. are recognised in the income statement under value adjustments.

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 and unsettled spot transactions are recognised on the trading day and measured at fair value both at initial recognition and subsequently. Positive fair values are recognised as other assets. Negative fair values are recognised as other liabilities.

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.

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. Returns on the securities are recognised in the income statement. Securities purchased with an agreement on sell-back (reverse transactions), are not recognised in the balance sheet. 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.

Equity investments in group companies

Equity investments in group companies are recognised and measured at net asset value in the parent 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.

Assets and deposits linked to pooled schemes
Assets and deposits linked to pooled schemes are measured at fair value and recognised as separate balance-sheet items, and yields on funds in pooled schemes are included as a separate operating item under value adjustments. An adjustment corresponding to the pool profits for the participants is also included under value adjustments and thus the results of the pool schemes are neutralised in the results of the Group and the Bank for the year.

Intangible assets
Intangible assets include software acquired and developed, and this 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.

Investment properties
Investment properties are properties owned for the purpose of collecting rent and/or achieving capital gains. Investment properties are recognised at cost at acquisition and are subsequently measured at fair value. Fair value is calculated on the basis of the returns method, with external experts being used to check the resulting fair value at least every three years. Changes in fair values are recognised under value adjustments.

Rental income is recognised in the income statement under other operating income No depreciation is charged on investment properties.

Owner-occupied properties
Owner-occupied properties are properties from where Arbejdernes Landsbank carries out its activity as a credit institution. Owner-occupied properties are recognised at cost at acquisition and are subsequently measured at a revalued amount equivalent to the fair value of the property at the time of the revaluation. The revaluation model is based on current market data which forms the basis of a returns model in which the rental income on the property and operating expenses such as administration and maintenance are included. Under special conditions, another method of valuation may be applied, which better reflects the market value of the property.

Revaluation is carried out at appropriate intervals, and at least once a year, on the basis of the current market and interest-rate level, 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. In connection with the annual valuation assessment, a number of properties are selected for valuation by an external assessor.

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

Land is not depreciated.

Revaluations of owner-occupied properties at fair value are recognised in other comprehensive income and transferred to a separate reserve under equity (revaluation reserves), unless the increase counteracts a reduction in value that was previously recognised in the income statement. Depreciation, amortisation and impairment charges as well as reversed impairment charges are recognised in the income statement under amortisation/depreciation as well as impairment charges on intangible assets and property, plant and equipment.

Other property, plant and equipment
Operating equipment in the form of IT equipment, cars, fixtures and equipment and improvements to rented premises is recognised at cost less accumulated depreciation and impairment. The cost covers the acquisition price and costs directly related to the acquisition up until the time when the asset is ready for use.

Leasing assets for operating leasing where the Group is the lessor are also recognised under other property, plant and equipment. The basis for depreciation of property, plant and equipment is the difference between the acquisition price of the asset and the residual value at the end of the asset's useful life, and the residual value is assessed regularly. For improvements to rented premises, depreciation is carried out for the term of the rental contract, however only up to five years. Other operating equipment is depreciated on a straight-line basis 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, typically up to ten years.

The need for impairment charges for property, plant and equipment is assessed when there are indications of impairment, and the asset is written down to the recoverable amount which is the higher of the net sales price and the value in use. Impairment charges are made in the income statement.

Other assets
Other assets include capital contributions to Bankernes EDB Central a.m.b.a., interest and commission amounts receivable and positive fair value of derivative financial instruments and spot transactions. With the exception of derivative financial instruments and spot transactions, other assets are measured 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 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 under assets primarily comprise prepaid remuneration and salaries. Prepayments and accrued income are recognised and measured at cost at initial recognition and subsequently.

Current and deferred tax assets
Current tax liabilities and current tax receivables are recognised in the balance sheet as calculated tax of taxable profit for the year adjusted for tax of previous years' taxable profits as well as tax paid on account and dividend tax.

Deferred tax is measured 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 how management plan to utilise the asset and how they plan to settle the liability.

Deferred tax is recognised in the balance sheet under the items deferred tax assets and deferred tax liabilities on the basis of the expected tax rate. 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.

Financial liabilities
Debt to credit institutions and central banks and deposits includes, for example, amounts received under repo transactions, i.e. sales of securities in which an agreement is also made for repurchase at a later time. Debt to credit institutions and central banks and deposits are recognised at the date the loan was taken up at fair value corresponding to amounts received after deduction of directly attributable transaction costs. Subsequent measurement of debt to credit institutions and central banks and deposits which are not repo transactions is at amortised cost by applying the effective interest rate method so that the difference between the net proceeds and the nominal value is recognised in the income statement under interest expenses over the term of the loan.

Other liabilities are measured at net realisable value.

Other non-derivative financial liabilities at fair value
This item concerns the 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
Other liabilities include various creditors, interest and commission payable, short-term employee obligations and negative fair value of derivative financial instruments and spot transactions. With the exception of derivative financial instruments and spot transactions, other liabilities are measured at amortised cost.

Accruals and deferred income, liabilities
Accruals and deferred income under liabilities include income received before the balance sheet date but which pertains to subsequent accounting periods, primarily prepaid interest and commission received. Accruals and deferred income are recognised and measured at cost at initial recognition and subsequently.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation as a result of an event that has occurred on or before the reporting date, and it is likely that an outflow of resources will be required to settle the obligation. For example, this applies to provisions for losses in connection with legal proceedings, but also provisions for losses on guarantees, unutilised credit lines and commitments where the loss risk is calculated in accordance with the rules under IFRS 9 as described in the section on loans in the accounting policies.

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.

Equity
In addition to paid-up share capital and accumulated retained earnings, equity consists of the following items:

Revaluation reserves
Revaluation reserves include revaluation of the Bank's owner-occupied properties after recognition of any deferred tax. The reserve will be dissolved when the revalued properties are depreciated, written down or sold.

Reserve under the equity method
Reserve under the equity method includes net revaluation of equity investments in group companies in relation to cost. The reserve is reduced by distributions of dividend to the Parent Company, other changes in equity in group companies as well as by full or partial realisation of equity investments.

Proposed dividend
Proposed dividend is recognised as a liability at the date on which it is approved by the Annual General Meeting (time of declaration). Dividend proposed for the year is included under equity until adoption.

Own shares
Own shares are not included as assets. Acquisition and consideration amounts as well as dividends on own shares are recognised directly in retained earnings under equity.

Additional Tier 1 capital
Additional Tier 1 capital issued with indefinite maturity and without contractual obligations to pay interest and capital repayments does not meet the conditions for financial liabilities under IAS 32. The issue is therefore treated as equity.

The net amount at issue is recognised as an increase in equity. Payment of interest is regarded as dividends and recognised directly in equity at the time the liability arises.

When the Bank repays Additional Tier 1 capital, at the time of repayment equity will be reduced by the repayment amount. Acquisition and consideration amounts for purchases and sales of Additional Tier 1 capital under the CRR are recognised directly in equity in the same way as own shares.

Contingent liabilities, etc.
This item includes potential liabilities arising from past events, and the existence of such liabilities is dependent on the occurrence of future uncertain events not wholly within the control of the Group. Contingent liabilities are disclosed that may, but probably will not, draw on the Group's resources. In addition, there is information on current liabilities which are not recognised as it is not likely that the liability will draw on the Group's resources, or because the size of the liability cannot be measured reliably.

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 of losses. Provision for losses is recognised under Impairments on loans and receivables, etc. in the income statement, and under Provisions in the balance sheet.

Cash flow statement
The cash flow statement shows cash flows for the year broken down into operation, investment and financing activities, changes in cash and cash equivalents, and cash and cash equivalents at the beginning and the end of the year.

Cash flows from operations are calculated according to the indirect method on the basis of profit before tax adjusted for non-cash operating items, changes in working capital, and tax paid.

Cash flows from investment activities comprise payments made in connection with acquisitions and disposals of companies and activities as well as intangible assets and property, plant and equipment.

Cash flows from financing activities comprise payment of dividends to shareholders and interest on Additional Tier 1 capital as well as buying and selling of own shares.

Cash and cash equivalents include cash in hand, demand deposits with central banks and receivables from credit institutions and central banks with a term to maturity of less than three months.

Segment information
The segment information has been prepared in accordance with Group accounting policies and follows the internal management reporting.

Transactions between the segments only concern interest on the liquidity surplus/deficit, and a liquidity premium related to the price of complying with the LCR target for the Group. The interest rate on the liquidity surplus/deficit is fixed on the basis of the Bank’s deposit rate. Common costs of items such as remuneration and salaries, rent, depreciation/amortisation, etc. are divided between the individual segments on the basis of an assessment of the proportionate share of the total level of activity. Segment assets and segment liabilities comprise the operating assets and liabilities that are used for the operation of a segment or that have arisen out of the operation of a segment and are directly linked or can reasonably be allocated to the segment. Each segment includes a calculation of the equity interest based on the capital objective. The share of equity that exceeds the necessary equity in terms of the capital objective is included under Other activities.

Customer activities are defined as:

- All business transactions/trading conducted with customers, where the Group generates earnings in the form of interest-rate differentials, commissions, fees or additional brokerage fees
- Returns on equity investments relating to customer activities
- Returns on derivative transactions entered into in order to hedge a market risk on customer activities

Investment activities are defined as:

- Activities related to Treasury and liquidity management

Other activities are defined as:

- Returns on equity investments not related to customer activities
- Property management
- Other activities not related to customer activities or investment activities.

Ratios and key figures

Earnings per share and diluted earnings per share are calculated in accordance with IAS 33.

Other calculations of ratios and key figures follow the requirements of the Danish FSA, see Annex 7 of the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc., and Annex 5 of the reporting guideline.

See note 45 for definitions of ratios and key figures.

Note 2
Significant accounting estimates and assessments

The calculation of the carrying amount of certain assets and liabilities requires the Management to make a number of estimates and assessments regarding future conditions which could significantly influence the carrying amount of assets and liabilities.

The estimates and assessments made by the Management are based on assumptions that Management considers reasonable but which are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected future events or situations may arise. Accordingly, estimates and assessments are difficult to make, and if they also involve customer relationships and other counterparties, these will be associated with uncertainty. It may be necessary to change estimates made previously because of changes in the circumstances which formed the basis of the previous estimates or because of new knowledge or subsequent events.

The areas in which critical estimates and assessments have the most important influence on the financial statements, are:

Impairments on loans and provisions for guarantees resulting from credit impairment

When measuring the Group’s total loans and guarantees according to IFRS 9, a model uncertainty is introduced in relation to the calculation of impairment. This uncertainty is partly due to uncertainty in relation to calculation of the model's input parameters, e.g. in the form of collateral values and mortgages on real property and setting up payment rows, but also based on the model assumptions forming the basis of the model. In addition, uncertainty may be associated with the financial consequences for the individual sub-portfolios.

If there is objective evidence of credit impairment, the Bank has prepared payment rows in accordance with current accounting standards. The credit risk is described in note 46 on risk management.

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.

When lending to cooperative housing associations, the Bank measures the mortgaged asset on the basis of a valuation of the cooperative housing association's property in alternative use as a rental property. A similar method of valuation is generally used when lending against a private customer's cooperative housing. In addition, the Bank always makes a “blue-stamping” of the individual cooperative housing association and its associated valuation report.

The “blue-stamping” is based on the financial statements of the cooperative housing association and is reconsidered annually. This method ensures updated and fair mortgaging values for the Bank's collateral in cooperative housing associations. 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.

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.

Valuation of investment and owner-occupied properties

Significant estimates are applied to determine required rates of return on investment and 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.

Note 18 describes the sensitivity of the valuation if the required rate of return is increased by 0.5%.

Measurement of fair value for other financial instruments

Measurement of fair value for OTC derivatives 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		Group 2018 DKK mill.	2017 DKK mill.
3	Segment information		
	The Group only operates from locations in Denmark.		
	Revenue	1,890.7	2,000.9

The revenue is defined as interest income, fee and commission income as well as other operating income.

	Customer activities DKK mill.	Investment activities DKK mill.	Other activities DKK mill.	Total DKK mill.
Group 2018				
Income statement				
Net interest income	1,031.1	53.0	20.3	***1,104.4***
Net fee and commission income	580.3	0.0	0.0	***580.3***
Value adjustments and dividend	133.7	-132.6	44.3	***45.5***
Other operating income	34.7	0.0	34.1	***68.8***
Total income	***1,779.8***	***-79.6***	***98.8***	***1,799.0***
Costs and depreciation/amortisation	-1,383.4	-53.8	-92.3	***-1,529.5***
Impairments on loans and receivables, etc.	69.5	0.0	0.0	***69.5***
Total costs	***-1,313.9***	***-53.8***	***-92.3***	***-1,460.0***
Profit before tax	***465.9***	***-133.4***	***6.5***	***339.0***
Assets				
Loans and other receivables at amortised cost	22,085.8	0.0	0.0	***22,085.8***
Bonds at fair value	0.0	18,834.3	0.0	***18,834.3***
Other assets	4,937.6	5,353.2	3,895.6	***14,186.4***
Total assets	***27,023.4***	***24,187.5***	***3,895.6***	***55,106.5***
Equity and liabilities				
Deposits and other debt	40,695.5	0.0	0.0	***40,695.5***
Allocated equity	3,440.8	1,362.7	2,069.7	***6,873.2***
Other equity and liabilities	4,342.3	2,252.1	943.4	***7,537.8***
Total equity and liabilities	***48,478.6***	***3,614.8***	***3,013.1***	***55,106.5***
Ratios and key figures				
Average allocated equity	3,604.1	1,172.4	1,983.2	***6,759.7***
Return on equity before tax (%)	12.9	-11.4	0.3	***5.0***
Ratio of operating income to operating expenses per DKK	1.35	-1.48	1.07	***1.23***

Note		Customer activities DKK mill.	Investment activities DKK mill.	Other activities DKK mill.	Total DKK mill.
3	Segment information (continued)				
	Group 2017				
	Income statement				
	Net interest income	1,087.7	99.8	6.1	***1,193.6***
	Net fee and commission income	555.5	0.0	0.0	***555.5***
	Value adjustments and dividend	72.3	260.7	612.1	***945.1***
	Other operating income	33.8	0.0	56.7	***90.5***
	Total income	***1,749.3***	***360.5***	***674.9***	***2,784.7***
	Costs and depreciation/amortisation	-1,330.4	-49.8	-85.4	***-1,465.6***
	Impairments on loans and receivables, etc.	-14.3	0.0	0.0	***-14.3***
	Total costs	***-1,344.7***	***-49.8***	***-85.4***	***-1,479.9***
	Profit before tax	***404.6***	***310.7***	***589.5***	***1,304.7***
	Assets				
	Loans and other receivables at amortised cost	21,958.1	0.0	0.0	***21,958.1***
	Bonds at fair value	0.0	11,812.4	0.0	***11,812.4***
	Other assets	3,651.9	6,839.8	3,106.8	***13,598.4***
	Total assets	***25,609.9***	***18,652.2***	***3,106.8***	***47,368.9***
	Equity and liabilities				
	Deposits and other debt	34,756.2	0.0	0.0	***34,756.2***
	Allocated equity	3,452.6	1,177.2	2,131.7	***6,761.5***
	Other equity and liabilities	2,893.1	2,398.4	559.7	***5,851.2***
	Total equity and liabilities	***41,101.9***	***3,575.6***	***2,691.3***	***47,368.9***
	Ratios and key figures				
	Average allocated equity	3,452.5	888.9	1,880.3	***6,221.6***
	Return on equity before tax (%)	11.7	35.0	31.4	***21.0***
	Ratio of operating income to operating expenses per DKK	1.30	7.24	7.90	***1.88***

Note		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
4	Interest income				
	Certificates of deposit	-20.4	-9.2	-20.4	-9.2
	Other receivables from credit institutions and central banks	-2.3	0.8	-2.3	0.8
	Loans and other receivables	1,110.1	1,162.9	1,007.8	1,048.8
	Other interest income	23.5	6.5	23.8	6.8
	Total interest income calculated using the effective interest method	***1,110.9***	***1,160.9***	***1,008.9***	***1,047.2***
	Bonds	151.7	178.8	151.7	178.8
	Derivative financial instruments				
	Currency contracts	-23.9	-15.0	-23.9	-15.0
	Interest-rate contracts	-76.1	-77.9	-76.1	-77.9
	Total derivative financial instruments	***-100.0***	***-93.0***	***-100.0***	***-93.0***
	Total other interest income	***51.7***	***85.9***	***51.7***	***85.9***
	Total interest income	***1,162.6***	***1,246.8***	***1,060.6***	***1,133.0***
	Of which, reverse transactions recognised under:				
	Other receivables from credit institutions and central banks	-2.2	-2.0	-2.2	-2.0

Negative interest income arisen as a consequence of negative interest rates have been offset in the respective interest income items. Negative interest income primarily derives from certificates of deposit.

Note		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
5	Interest expenses				
	Debt to credit institutions and central banks	-1.1	-2.5	-1.1	-2.5
	Deposits and other debt	-55.5	-50.7	-55.1	-50.2
	Other interest expenses	-1.5	0.0	-1.5	0.0
	Total interest expenses	***-58.1***	***-53.2***	***-57.7***	***-52.6***
	Of which, repo transactions recognised under:				
	Debt to credit institutions and central banks	0.0	0.3	0.0	0.3

Positive interest expenses arisen as a consequence of negative interest rates have been offset in the respective interest expense items. Positive interest expenses only derive from debt to credit institutions and central banks.

Note		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
6	Net fee and commission income				
	Securities trading and custody accounts *)	114.2	117.1	114.2	117.1
	Money transmission services *)	125.1	125.7	123.6	124.3
	Loan fees	302.0	305.5	268.6	253.2
	Guarantee commission	58.9	53.7	59.0	53.8
	Other fees and commissions *)	59.2	61.6	46.3	48.4
	Total fees and commission income	***659.4***	***663.7***	***611.8***	***596.9***
	AL-BoligBonus	-50.1	-48.0	-50.1	-48.0
	Other fees and commissions paid	-29.0	-60.2	-20.4	-13.8
	Total fees and commissions paid	***-79.1***	***-108.2***	***-70.5***	***-61.7***
	Net fee and commission income	***580.3***	***555.5***	***541.3***	***535.1***

*) As from 1 January 2018, a number of deposit fees and money transmission service fees have been classified under either securities trading and custody accounts or money transmission services. Both fee types were previously classified under other fees and commissions. Comparative figures have been adjusted. The reclassified deposit fees amounted to DKK 14.4 mill. in both 2018 and 2017. The reclassified money transmission service fees amounted to DKK 21.0 mill. in 2018 and DKK 20.5 mill. in 2017.

Note		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
7	Value adjustments				
	Bonds	-98.2	197.0	-98.2	197.0
	Shares etc.	132.0	636.5	132.0	636.5
	Investment properties	-2.4	0.0	-2.4	0.0
	Currency	22.1	13.4	21.4	13.6
	Derivative financial instruments				
	Currency contracts	2.2	5.2	2.2	5.2
	Interest-rate contracts	-71.5	50.3	-71.5	50.3
	Share contracts	-0.1	0.0	-0.1	0.0
	Total derivative financial instruments	***-69.4***	***55.5***	***-69.4***	***55.5***
	Assets linked to pooled schemes	-211.5	124.6	-211.5	124.6
	Deposits in pooled schemes	211.5	-124.6	211.5	-124.6
	Other assets	1.1	-1.1	1.2	-1.1
	Total value adjustments	***-14.8***	***901.3***	***-15.3***	***901.5***
8	Staff and administrative expenses				
	Management emoluments				
	Board of Directors	-2.5	-2.4	-2.5	-2.4
	Executive Management	-6.5	-6.3	-6.5	-6.2
	Total management emoluments	***-9.0***	***-8.6***	***-9.0***	***-8.6***
	Staff expenses				
	Remuneration	-666.5	-657.7	-612.7	-605.2
	Pensions (contribution-based)	-75.9	-70.0	-70.0	-64.5
	Social security expenses	-5.2	-5.0	-4.9	-4.6
	Payroll tax	-85.1	-85.4	-79.3	-79.7
	Total staff expenses	***-832.7***	***-818.1***	***-766.9***	***-753.9***
	Administrative expenses				
	IT costs	-343.0	-313.4	-329.4	-301.3
	Other administrative expenses	-221.2	-213.8	-208.0	-200.6
	Total administrative expenses	***-564.2***	***-527.1***	***-537.4***	***-501.9***
	Total staff and administrative expenses	***-1,405.9***	***-1,353.8***	***-1,313.3***	***-1,264.4***
	Emoluments paid to the Board of Directors				
	Fixed remuneration	-2.5	-2.4	-2.5	-2.4
	Variable remuneration	0.0	0.0	0.0	0.0
	Pension scheme (contribution-based)	0.0	0.0	0.0	0.0
	Total emoluments paid to the Board of Directors	***-2.5***	***-2.4***	***-2.5***	***-2.4***
	Number of members of the Board of Directors during the financial year	14	13	14	13

Information on emoluments paid to the individual members of the Board of Directors in 2018 can be found in the Management's report.

Note		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
8	Staff and administrative expenses (continued)				
	Emoluments paid to Executive Management				
	Fixed remuneration	-5.3	-5.2	-5.3	-5.1
	Variable remuneration	0.0	0.0	0.0	0.0
	Pension scheme (contribution-based)	-1.2	-1.1	-1.2	-1.1
	Total emoluments paid to Executive Management	***-6.5***	***-6.3***	***-6.5***	***-6.2***
	Number of members of Executive Management during the financial year	2	2	2	2

The remuneration of the Executive Management is determined by the Board of Directors and solely comprises a fixed remuneration, a contribution-based pension scheme through which a fixed percentage of the remuneration is paid to an independent pension company, and a company car plus free telephone.

The Executive Management is not covered by any bonus schemes or other incentive programmes.

Information on emoluments paid to the individual members of the Executive Management in 2018 can be found in the Management's report. For participation in Board work in the subsidiary AL Finans A/S, each person receives an annual remuneration of DKK 10,000 per person.

The Executive Management has a notice period of 12 months, and the Bank has a notice period of 24 months. In case of elimination of jobs in connection with a takeover bid, special terms for resignation apply.

	Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
Remuneration of employees with significant influence on the risk profile of the company in addition to management				
Fixed remuneration	-37.5	-34.7	-32.7	-30.7
Variable remuneration	-1.2	-0.5	-0.9	-0.4
Pension scheme (contribution-based)	-3.8	-3.4	-3.3	-3.0
Severance pay	-3.1	0.0	-3.1	0.0
Total emoluments to significant risk takers	***-45.5***	***-38.5***	***-40.0***	***-34.1***
Number of significant risk takers during the financial year	29	25	25	22

Variable remuneration only comprises a bonus scheme based on a collective agreement.

Remuneration policy

The Bank's website contains further information on the Group's remuneration policy, including identification of significant risk takers.

	Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
Number of employees				
Average number of employees during the financial year converted to full-time equivalents	1,088	1,054	1,007	975
Remuneration for the audit firm elected by the General Meeting				
Statutory audit of the financial statements	-0.8	-0.7	-0.7	-0.5
Other assurance engagements	-0.1	-0.1	-0.1	-0.1
Tax counselling	0.0	-0.3	0.0	-0.3
Other services	-0.1	-0.1	-0.1	-0.1
Total	***-0.9***	***-1.2***	***-0.8***	***-1.0***

Remuneration for other assurance engagements by Deloitte Statsautoriserede Revisionspartnerselskab covers statutory assurance reports issued to public authorities. Remuneration for other services covers general accounting consultancy.

Note		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
9	Impairments on loans and receivables etc.				
	Net impact recognised in the income statement				
	Net movements on impairment and provision accounts				
	Receivables from credit institutions and central banks	21.4	0.0	21.4	0.0
	Loans and other receivables at amortised cost	73.7	106.3	63.0	108.7
	Guarantees	17.6	-0.2	17.6	-0.2
	Unutilised credit lines and commitments	5.1	3.8	7.5	3.8
	Total net movements on impairment and provision accounts	*117.8*	*109.9*	*109.5*	*112.3*
	Interest adjustment	15.5	44.8	15.5	44.8
	Ascertained losses covered by previous impairment charges and provisions *)	-70.1	-164.9	-65.6	-162.0
	Ascertained losses not covered by previous impairment charges and provisions *)	-18.6	-19.4	-12.9	-14.8
	Recognised in claims previously subject to impairment charges	14.0	15.3	13.6	15.1
	Reversed reserve for losses on lending which was credit-impaired at initial recognition	11.0	0.0	11.0	0.0
	Net impact recognised in the income statement	*69.5*	*-14.3*	*71.1*	*-4.6*

The positive operating profit on impairments on loans, etc. in 2018 is attributable to healthy developments in the lending and guarantee portfolio which is reflected in increasing collateral values, improved ratings and positive shifts in the gross carrying amounts from stage 2 to stage 1, see note 46.

*) Out of the Group's ascertained losses in 2018, steps are still being taken to recover DKK 52.3 mill.

	Group				
	Individual impairments 31.12.2017 DKK mill.	Collective impairments 31.12.2017 DKK mill.	Total 31.12.2017 DKK mill.	IFRS 9 adjustments 01.01.2018 DKK mill.	Total 01.01.2018 DKK mill.
Accumulated impairments and provisions on transition from IAS 39 to IFRS 9					
Receivables from credit institutions and central banks	25.9	0.0	*25.9*	4.5	*30.3*
Loans and other receivables at amortised cost	1,124.0	144.6	*1,268.6*	104.9	*1,373.5*
Guarantees	18.5	12.3	*30.8*	9.7	*40.5*
Unutilised credit lines and commitments	18.8	0.0	*18.8*	34.7	*53.5*
Total impairments and provisions brought forward	*1,187.1*	*156.9*	*1,344.0*	*153.8*	*1,497.8*

	Bank				
	Individual impairments 31.12.2017 DKK mill.	Collective impairments 31.12.2017 DKK mill.	Total 31.12.2017 DKK mill.	IFRS 9 adjustments 01.01.2018 DKK mill.	Total 01.01.2018 DKK mill.
Accumulated impairments and provisions on transition from IAS 39 to IFRS 9					
Receivables from credit institutions and central banks	25.9	0.0	*25.9*	4.5	*30.3*
Loans and other receivables at amortised cost	1,113.9	144.1	*1,258.0*	82.9	*1,340.8*
Guarantees	18.5	12.3	*30.8*	9.7	*40.5*
Unutilised credit lines and commitments	18.8	0.0	*18.8*	34.7	*53.5*
Total impairments and provisions brought forward	*1,177.0*	*156.4*	*1,333.4*	*131.7*	*1,465.1*

Note

9 Impairments on loans and receivables etc. (continued)

	Group				
	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total
	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.
Accumulated impairments and provisions, broken down by stages					
Receivables from credit institutions and central banks	4.5	0.0	25.9	0.0	*30.3*
Loans and other receivables at amortised cost	40.1	175.8	1,121.9	35.7	*1,373.5*
Guarantees	5.4	2.3	32.8	0.0	*40.5*
Unutilised credit lines and commitments	7.2	5.0	41.3	0.0	*53.5*
Total impairments and provisions brought forward	***57.1***	***183.1***	***1,221.9***	***35.7***	***1,497.8***
Receivables from credit institutions and central banks	1.0	0.0	8.0	0.0	*9.0*
Loans and other receivables at amortised cost	49.6	134.6	1,075.1	40.6	*1,299.9*
Guarantees	1.3	0.8	20.8	0.0	*22.8*
Unutilised credit lines and commitments	10.8	3.6	34.0	0.0	*48.4*
Total impairments and provisions carried forward	***62.7***	***138.9***	***1,137.8***	***40.6***	***1,380.0***

Of accumulated impairment charges, DKK 49.3 mill. represent management estimates based on information not incorporated in the models as well as forward-looking information based on macroeconomic forecasts and projections. The additional impairments by management are primarily related to uncertainty concerning price developments on the market for residential and cooperative property.

	Bank				
	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total
	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.
Accumulated impairments and provisions, broken down by stages					
Receivables from credit institutions and central banks	4.5	0.0	25.9	0.0	*30.3*
Loans and other receivables at amortised cost	32.0	172.6	1,100.4	35.7	*1,340.8*
Guarantees	5.4	2.3	32.8	0.0	*40.5*
Unutilised credit lines and commitments	7.2	5.0	41.3	0.0	*53.5*
Total impairments and provisions brought forward	***49.1***	***179.9***	***1,200.4***	***35.7***	***1,465.1***
Receivables from credit institutions and central banks	1.0	0.0	8.0	0.0	*9.0*
Loans and other receivables at amortised cost	43.9	131.0	1,062.2	40.6	*1,277.8*
Guarantees	1.3	0.8	20.8	0.0	*22.8*
Unutilised credit lines and commitments	10.3	1.9	33.9	0.0	*46.0*
Total impairments and provisions carried forward	***56.4***	***133.7***	***1,124.9***	***40.6***	***1,355.6***

Of accumulated impairment charges, DKK 49.0 mill. represent management estimates based on information not incorporated in the models as well as forward-looking information based on macroeconomic forecasts and projections. The additional impairments by management are primarily related to uncertainty concerning price developments on the market for residential and cooperative property.

Note

9 Impairments on loans and receivables etc. (continued)

	Group						
	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total gross value	Total impairment charges, etc.	Carrying amount
	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.
Gross carrying amounts broken down by stages							
Receivables from credit institutions and central banks	6,011.7	3.9	25.9	0.0	*6,041.5*	-30.3	*6,011.2*
Loans and other receivables at amortised cost	13,034.4	8,327.6	1,805.8	103.5	*23,271.4*	-1,373.5	*21,897.9*
Guarantees	3,495.5	1,874.6	151.4	0.0	*5,521.5*	-40.5	*5,481.1*
Unutilised credit lines and commitments	4,746.1	2,116.8	194.9	0.0	*7,057.8*	-53.5	*7,004.3*
Total exposures brought forward	*27,287.8*	*12,323.0*	*2,178.0*	*103.5*	*41,892.3*	*-1,497.8*	*40,394.4*
Receivables from credit institutions and central banks	5,212.5	0.0	8.0	0.0	*5,220.5*	-9.0	*5,211.5*
Loans and other receivables at amortised cost	15,985.6	5,359.8	1,957.2	83.0	*23,385.6*	-1,299.9	*22,085.8*
Guarantees	5,099.0	676.3	146.9	0.0	*5,922.2*	-22.8	*5,899.3*
Unutilised credit lines and commitments	5,188.8	1,443.2	328.4	0.0	*6,960.4*	-48.4	*6,912.0*
Total exposures carried forward	*31,485.9*	*7,479.3*	*2,440.5*	*83.0*	*41,488.7*	*-1,380.0*	*40,108.7*

	Bank						
	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total gross value	Total impairment charges, etc.	Carrying amount
	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.
Gross carrying amounts broken down by stages							
Receivables from credit institutions and central banks	6,003.9	3.9	25.9	0.0	*6,033.7*	-30.3	*6,003.3*
Loans and other receivables at amortised cost	13,865.8	7,337.0	1,679.1	103.5	*22,985.5*	-1,340.8	*21,644.7*
Guarantees	3,495.5	1,874.6	151.4	0.0	*5,521.5*	-40.5	*5,481.1*
Unutilised credit lines and commitments	4,644.9	1,495.8	148.5	0.0	*6,289.2*	-53.5	*6,235.7*
Total exposures brought forward	*28,010.1*	*10,711.4*	*2,004.9*	*103.5*	*40,829.9*	*-1,465.1*	*39,364.8*
Receivables from credit institutions and central banks	5,203.3	0.0	8.0	0.0	*5,211.3*	-9.0	*5,202.3*
Loans and other receivables at amortised cost	17,583.9	3,630.1	1,779.6	83.0	*23,076.6*	-1,277.8	*21,798.8*
Guarantees	5,099.0	676.3	146.9	0.0	*5,922.2*	-22.8	*5,899.3*
Unutilised credit lines and commitments	5,020.4	409.2	135.6	0.0	*5,565.2*	-46.0	*5,519.2*
Total exposures carried forward	*32,906.6*	*4,715.5*	*2,070.1*	*83.0*	*39,775.2*	*-1,355.6*	*38,419.6*

Note

9 Impairments on loans and receivables etc. (continued)

	Group				
	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total impairment charges
	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.
The impairment account for receivables from credit institutions and central banks *)					
Total impairment charges brought forward	4.5	0.0	25.9	0.0	*30.3*
Impairment charges during the financial year due to changes in credit risk	0.3	0.0	0.0	0.0	*0.2*
Impairment charges on new exposures	0.2	0.0	0.0	0.0	*0.2*
Reversed impairment charges for redeemed exposures	-4.0	0.0	0.0	0.0	*-4.0*
Ascertained losses covered by previous impairment charges	0.0	0.0	-17.8	0.0	*-17.8*
Total impairment charges carried forward	***1.0***	***0.0***	***8.0***	***0.0***	***9.0***
The impairment account for loans and other receivables at amortised cost *)					
Total impairment charges brought forward	40.1	175.8	1,121.9	35.7	*1,373.5*
Transfers to stage 1	38.5	-34.1	-4.4	0.0	*0.0*
Transfers to stage 2	-5.4	37.2	-31.8	0.0	*0.0*
Transfers to stage 3	-0.9	-15.9	16.9	0.0	*0.0*
Impairment charges during the financial year due to changes in credit risk	-27.6	-11.0	46.5	5.3	*13.3*
Impairment charges on new exposures	15.9	25.6	54.9	0.0	*96.4*
Reversed impairment charges for redeemed exposures	-10.9	-43.0	-92.2	-0.4	*-146.5*
Interest adjustment	0.0	0.0	15.5	0.0	*15.5*
Ascertained losses covered by previous impairment charges	0.0	0.0	-52.3	0.0	*-52.3*
Total impairment charges carried forward	***49.6***	***134.6***	***1,075.1***	***40.6***	***1,299.9***

Note

9 Impairments on loans and receivables etc. (continued)

	Group			
	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Total Provisions 2018 DKK mill.
The provision account for guarantees *)				
Total provisions brought forward	5.4	2.3	32.8	***40.5***
Transfers to stage 1	0.3	-0.3	0.0	***0.0***
Transfers to stage 2	-0.1	0.8	-0.7	***0.0***
Transfers to stage 3	0.0	-0.1	0.1	***0.0***
Provisions during the financial year due to changes in credit risk	-3.9	-0.6	-6.6	***-11.1***
Provisions for new exposures	0.4	0.2	2.3	***2.8***
Reversed provisions for redeemed exposures	-0.7	-1.4	-7.1	***-9.3***
Total provisions carried forward	***1.3***	***0.8***	***20.8***	***22.8***
The provision account for unutilised credit lines and commitments *)				
Total provisions brought forward	7.2	5.0	41.3	***53.5***
Transfers to stage 1	2.4	-1.6	-0.8	***0.0***
Transfers to stage 2	-0.2	1.9	-1.7	***0.0***
Transfers to stage 3	0.0	-0.1	0.1	***0.0***
Provisions during the financial year as a consequence of changes in credit risk	-0.8	-0.2	-1.1	***-2.1***
Provisions for new exposures	5.2	0.6	1.8	***7.7***
Reversed provisions for redeemed exposures	-3.0	-2.0	-5.7	***-10.7***
Total provisions carried forward	***10.8***	***3.6***	***34.0***	***48.4***

*) The Group's impairment charges, etc. have been reduced by a total of DKK 117.8 mill. in 2018. Ascertained losses covered by previous impairment charges represent DKK 70.1 mill.

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

Note

9 Impairments on loans and receivables etc. (continued)

	Bank				
	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total impairment charges
	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.
The impairment account for receivables from credit institutions and central banks *)					
Total impairment charges brought forward	4.5	0.0	25.9	0.0	*30.3*
Transfers to stage 1	0.0	0.0	0.0	0.0	*0.0*
Transfers to stage 2	0.0	0.0	0.0	0.0	*0.0*
Transfers to stage 3	0.0	0.0	0.0	0.0	*0.0*
Impairment charges during the financial year due to changes in credit risk	0.3	0.0	0.0	0.0	*0.2*
Impairment charges on new exposures	0.2	0.0	0.0	0.0	*0.2*
Reversed impairment charges for redeemed exposures	-4.0	0.0	0.0	0.0	*-4.0*
Interest adjustment	0.0	0.0	0.0	0.0	*0.0*
Ascertained losses covered by previous impairment charges	0.0	0.0	-17.8	0.0	*-17.8*
Total impairment charges carried forward	***1.0***	***0.0***	***8.0***	***0.0***	***9.0***
The impairment account for loans and other receivables at amortised cost *)					
Total impairment charges brought forward	32.0	172.6	1,100.4	35.7	*1,340.8*
Transfers to stage 1	38.1	-34.0	-4.1	0.0	*0.0*
Transfers to stage 2	-4.3	31.6	-27.3	0.0	*0.0*
Transfers to stage 3	-0.4	-15.8	16.2	0.0	*0.0*
Impairment charges during the financial year due to changes in credit risk	-25.4	-4.9	44.7	5.3	*19.7*
Impairment charges on new exposures	13.7	24.1	51.3	0.0	*89.1*
Reversed impairment charges for redeemed exposures	-9.7	-42.7	-86.7	-0.4	*-139.6*
Interest adjustment	0.0	0.0	15.5	0.0	15.5
Ascertained losses covered by previous impairment charges	0.0	0.0	-47.7	0.0	*-47.7*
Total impairment charges carried forward	***43.9***	***131.0***	***1,062.2***	***40.6***	***1,277.8***

Note

9 Impairments on loans and receivables etc. (continued)

	Bank			
	Stage 1	Stage 2	Stage 3	Total provisions
	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.	2018 DKK mill.
The provision account for guarantees *)				
Total provisions brought forward	5.4	2.3	32.8	***40.5***
Transfers to stage 1	0.3	-0.3	0.0	***0.0***
Transfers to stage 2	-0.1	0.8	-0.7	***0.0***
Transfers to stage 3	0.0	-0.1	0.1	***0.0***
Provisions during the financial year due to changes in credit risk	-3.9	-0.6	-6.6	***-11.1***
Provisions for new exposures	0.4	0.2	2.3	***2.8***
Reversed provisions for redeemed exposures	-0.7	-1.4	-7.1	***-9.3***
Total provisions carried forward	***1.3***	***0.8***	***20.8***	***22.8***
The provision account for unutilised credit lines and commitments *)				
Total provisions brought forward	7.2	5.0	41.3	***53.5***
Transfers to stage 1	2.4	-1.6	-0.8	***0.0***
Transfers to stage 2	-0.2	1.9	-1.7	***0.0***
Transfers to stage 3	0.0	-0.1	0.1	***0.0***
Provisions during the financial year due to changes in credit risk	-1.4	-1.9	-1.2	***-4.5***
Provisions for new exposures	5.2	0.6	1.8	***7.7***
Reversed provisions for redeemed exposures	-3.0	-2.0	-5.7	***-10.7***
Total provisions carried forward	***10.3***	***1.9***	***33.9***	***46.0***

*) The Bank's impairment charges, etc. have been reduced by a total of DKK 109.5 mill. in 2018. Ascertained losses covered by previous impairment charges represent DKK 65.6 mill.

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

Note		Group 2018 DKK mill.	Group 2017 DKK mill.	Bank 2018 DKK mill.	Bank 2017 DKK mill.
10	Tax				
	Tax for the year may be broken down as follows:				
	Tax on profit for the year	-40.1	-149.3	-28.0	-140.6
	Tax on other comprehensive income	-7.1	0.0	-7.1	0.0
	Tax on changes in equity for the year	14.4	14.5	14.4	14.5
	Total tax	***-32.8***	***-134.8***	***-20.7***	***-126.1***
	Tax on profit for the year is calculated as follows:				
	Current tax for the year	-53.1	-152.4	-30.3	-137.3
	Adjustment of deferred tax for the year	10.3	7.5	-0.4	1.0
	Adjustment of current tax concerning previous years	2.5	-4.3	2.5	-4.3
	Adjustment of deferred tax concerning previous years	0.2	0.0	0.2	0.0
	Total tax on profit for the year	***-40.1***	***-149.3***	***-28.0***	***-140.6***
	Tax on profit for the year can be explained as follows:				
	Calculated tax on profit for the year before tax of 22%	-74.6	-287.1	-71.9	-285.2
	Tax base of income not subject to tax	36.0	147.9	45.0	154.4
	Tax base of non-deductible expenses	-4.2	-5.8	-3.8	-5.6
	Adjustment of current tax concerning previous years	2.5	-4.3	2.5	-4.3
	Adjustment of deferred tax concerning previous years	0.2	0.0	0.2	0.0
	Total tax on profit for the year	***-40.1***	***-149.3***	***-28.0***	***-140.6***
	Effective tax rate	11.8%	11.4%	8.6%	10.9%

The effective tax rate for 2018 is particularly affected by significant tax-exempt gains in the form of capital gains and dividends from the investment securities.

Note		Group 2018 DKK mill.	Group 2017 DKK mill.	Bank 2018 DKK mill.	Bank 2017 DKK mill.
11	Earnings per share				
	Arbejdernes Landsbank's shareholders' share of the profit for the year	233.2	1,089.5	233.2	1,089.5
	Tax effect of interest on Additional Tier 1 capital, see the statement of capital and note 10	14.4	14.5	14.4	14.5
	Profit for the year adjusted for Additional Tier 1 capital	***247.6***	***1,104.0***	***247.6***	***1,104.0***
	Average number of shares issued, see note 27	300,000	300,000	300,000	300,000
	Average number of own shares, see note 28	-3,000	0	-3,000	0
	Average number of shares in issue	***297,000***	***300,000***	***297,000***	***300,000***
	Earnings per share (DKK)	834	3,680	834	3,680
	Diluted earnings per share (DKK) *)	834	3,680	834	3,680

The earnings per share for the year is calculated as though the Additional Tier 1 capital is treated as a liability whereby the financial ratio is calculated on the basis of the shareholders' share of the profit/loss and equity.

*) There are no outstanding share options which may potentially dilute the earnings per share in the future.

Note		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
12	Receivables from credit institutions and central banks				
	Receivables at notice from central banks	4,228.2	5,116.4	4,228.2	5,116.4
	Receivables from credit institutions	983.3	899.3	974.1	891.4
	Total receivables from credit institutions and central banks	*5,211.5*	*6,015.7*	*5,202.3*	*6,007.8*
	Broken down by remaining term:				
	On demand	549.2	58.2	540.0	50.3
	Up to and including 3 months	4,662.3	5,957.4	4,662.3	5,957.4
	More than 3 months and up to 1 year	0.0	0.0	0.0	0.0
	More than 1 year and up to and including 5 years	0.0	0.0	0.0	0.0
	More than 5 years	0.0	0.0	0.0	0.0
	Total receivables from credit institutions and central banks	*5,211.5*	*6,015.7*	*5,202.3*	*6,007.8*
	Of which reverse transactions represent	301.8	56.6	301.8	56.6
13	Loans and other receivables at amortised cost				
	Lending contracts with access to variable utilisation	2,521.7	2,613.4	5,868.0	5,541.7
	Receivables from finance leases	1,434.6	1,375.6	0.0	0.0
	Mortgage deeds	1,269.1	1,438.0	1,269.1	1,438.0
	Other loans and receivables	16,860.3	16,531.1	14,661.7	14,703.0
	Loans and other receivables at amortised cost	*22,085.8*	*21,958.1*	*21,798.8*	*21,682.8*
	Broken down by remaining term:				
	On demand	297.1	256.2	297.1	256.2
	Up to and including 3 months	2,272.5	2,226.2	4,318.4	927.7
	More than 3 months and up to 1 year	3,447.3	3,688.8	3,143.0	6,055.0
	More than 1 year and up to and including 5 years	8,191.2	8,302.6	6,414.2	7,158.1
	More than 5 years	7,877.6	7,484.4	7,626.0	7,285.8
	Loans and other receivables at amortised cost	*22,085.8*	*21,958.1*	*21,798.8*	*21,682.8*
	Of which reverse transactions represent	127.9	117.7	127.9	117.7
	Loans and guarantees broken down by sectors and industries				
	Public authorities	114.5	81.4	87.1	59.9
	Business				
	Agriculture, hunting, forestry and fisheries	40.9	43.8	4.4	18.3
	Industry and extraction of raw materials	941.3	684.6	200.3	142.9
	Energy supply	25.8	17.3	5.6	0.7
	Building and construction	602.6	615.2	271.3	326.6
	Trade	839.8	863.0	318.6	337.1
	Transport, hotels and restaurants	352.4	402.1	224.7	250.8
	Information and communication	85.4	158.8	11.7	99.5
	Financing and insurance	821.8	910.1	5,144.4	4,913.0
	Real property	888.8	1,198.3	859.4	1,176.3
	Other business	1,688.3	2,052.9	1,135.7	1,419.5
	Total business	*6,287.1*	*6,946.1*	*8,176.1*	*8,684.6*
	Private	21,583.5	20,421.4	19,434.9	18,429.0
	Total loans and guarantees	*27,985.1*	*27,448.9*	*27,698.1*	*27,173.6*

Note		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
14	Bonds at fair value				
	Government bonds	2,563.9	2,781.6	2,563.9	2,781.6
	Mortgage-credit bonds	13,768.8	7,063.0	13,768.8	7,063.0
	Other bonds	2,501.6	1,967.7	2,501.6	1,967.7
	Total bonds at fair value	*18,834.3*	*11,812.4*	*18,834.3*	*11,812.4*
15	Equity investments in group companies				
	Cost brought forward	0.0	0.0	5.6	5.6
	Cost carried forward	*0.0*	*0.0*	*5.6*	*5.6*
	Revaluations and impairment charges brought forward	0.0	0.0	273.2	252.5
	Result	0.0	0.0	31.4	20.7
	Change in accounting policies, IFRS 9	0.0	0.0	-31.1	0.0
	Revaluations and impairment charges carried forward	*0.0*	*0.0*	*273.5*	*273.2*
	Carrying amount carried forward	*0.0*	*0.0*	*279.1*	*278.8*

See note 43 for specified information regarding group companies.

Note		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
16	Assets linked to pooled schemes				
	Cash	354.2	109.1	354.2	109.1
	Bonds	1,607.6	1,282.3	1,607.6	1,282.3
	Investment association units	1,777.0	1,064.3	1,777.0	1,064.3
	Other equity investments	438.4	271.9	438.4	271.9
	Total assets linked to pooled schemes	*4,177.2*	*2,727.5*	*4,177.2*	*2,727.5*
17	Intangible assets				
	Cost brought forward	87.3	78.8	28.0	28.0
	Additions	11.7	9.9	0.0	0.0
	Disposals	-31.4	-1.4	-28.0	0.0
	Cost carried forward	*67.6*	*87.3*	*0.0*	*28.0*
	Amortisation and impairment charges brought forward	70.7	66.1	28.0	28.0
	Disposals	-31.4	-1.4	-28.0	0.0
	Amortisation	9.5	6.1	0.0	0.0
	Amortisation and impairment charges carried forward	*48.9*	*70.7*	*0.0*	*28.0*
	Carrying amount carried forward	*18.7*	*16.6*	*0.0*	*0.0*

The Group's intangible asset comprise fully developed and deployed computer software amounting to DKK 12.7 mill. (2017: DKK 10.4 mill.) and ongoing IT projects of DKK 6.0 mill. (2017: DKK 6.2 mill.).

Note		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
18	Land and buildings				
	Investment properties				
	Fair value brought forward	37.6	35.4	37.6	35.4
	Improvements	1.2	2.2	1.2	2.2
	Value adjustments	-2.4	0.0	-2.4	0.0
	Fair value carried forward	*36.4*	*37.6*	*36.4*	*37.6*
	Rental income	2.0	1.7	2.0	1.7
	Operating expenses for rented-out areas	-2.0	-1.3	-2.0	-1.3

Investment properties are measured at fair value (non-observable input). The measurement includes estimated rental income and operating expenses, as well as a required rate of return of around 4.1% (2017: 4.6%), determined on the basis of the interest-rate level and the location of the property. All other things being equal, an increase in the required rate of return of 0.5 percentage points will reduce the fair value by approx. DKK 3.9 mill. (2017: DKK 3.5 mill.). The valuation was carried out by an independent assessor in 2018.

		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
	Owner-occupied properties				
	Revalued amount brought forward	857.3	948.0	857.3	948.0
	Additions	84.6	1.5	84.6	1.5
	Improvements	25.5	0.0	25.5	0.0
	Disposals	-11.5	-88.5	-11.5	-88.5
	Depreciation	-5.7	-5.7	-5.7	-5.7
	Value adjustments recognised in the income statement	-3.8	-3.7	-3.8	-3.7
	Value adjustments recognised in other comprehensive income	142.5	5.8	142.5	5.8
	Revalued amount carried forward	*1,088.9*	*857.3*	*1,088.9*	*857.3*

Owner-occupied properties are measured at revalued amount (non-observable input). The measurement includes estimated rental income and operating expenses, as well as a required rate of return of around 3.3–7.5% (2017: 4.0–7.7%), determined on the basis of the interest-rate level and the location of the property. All other things being equal, an increase in the required rate of return of 0.5 percentage points will reduce the fair value by approx. DKK 112.3 mill. (2017: DKK 87.9 mill.). The valuation of selected properties was carried out by an independent assessor in 2018.

Note		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
19	Other property, plant and equipment				
	Cost brought forward	267.9	278.7	144.4	119.5
	Additions and improvements	97.6	118.8	53.3	25.3
	Disposals	-82.9	-129.6	-33.4	-0.4
	Cost carried forward	*282.5*	*267.9*	*164.3*	*144.4*
	Depreciation and impairment charges brought forward	118.8	134.8	69.8	56.0
	Disposals	-61.0	-56.5	-29.3	-0.3
	Depreciation	44.7	40.5	20.6	14.1
	Depreciation and impairment charges carried forward	*102.5*	*118.8*	*61.1*	*69.8*
	Carrying amount carried forward	*180.0*	*149.0*	*103.2*	*74.6*
	Of which assets rented out on operating leases	72.7	70.4	0.0	0.0
	Write-offs for the year	0.6	3.0	0.6	3.0

Note		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
20	Deferred tax assets				
	Deferred tax brought forward	11.7	4.2	19.5	18.5
	Deferred tax included in the profit or loss for the year	10.5	7.5	-0.2	1.0
	Deferred tax included in other comprehensive income	-7.1	0.0	-7.1	0.0
	Deferred tax recognised in equity	8.5	0.0	4.6	0.0
	Deferred tax carried forward	***23.6***	***11.7***	***16.8***	***19.5***
	Deferred tax concerns:				
	Lending	21.5	12.5	18.0	12.5
	Intangible assets and property, plant and equipment	-8.8	-13.0	-12.0	-3.5
	Employee obligations	6.8	6.4	6.6	6.2
	Other balance sheet items	4.2	5.9	4.2	4.3
	Deferred tax carried forward	***23.6***	***11.7***	***16.8***	***19.5***
21	Other assets				
	Positive fair value of derivative financial instruments and spot transactions	50.9	67.4	50.9	67.4
	Interest and commissions receivable	101.8	72.1	101.8	72.0
	Capital contributions in Bankernes EDB Central a.m.b.a.	460.3	407.2	460.3	407.2
	Other assets	365.8	220.3	338.3	189.4
	Total other assets	***978.8***	***767.0***	***951.3***	***736.0***
22	Debt to credit institutions and central banks				
	Debt to central banks	720.5	9.8	720.5	9.8
	Debt to credit institutions	901.8	2,070.9	901.8	2,070.9
	Total debt to credit institutions and central banks	***1,622.3***	***2,080.7***	***1,622.3***	***2,080.7***
	Broken down by remaining term:				
	On demand	1,023.1	1,261.3	1,023.1	1,261.3
	Up to and including 3 months	225.9	447.2	225.9	447.2
	More than 3 months and up to 1 year	0.0	0.0	0.0	0.0
	More than 1 year and up to and including 5 years	373.4	372.3	373.4	372.3
	More than 5 years	0.0	0.0	0.0	0.0
	Total debt to credit institutions and central banks	***1,622.3***	***2,080.7***	***1,622.3***	***2,080.7***
	Of which repo transactions represent	0.0	15.9	0.0	15.9

Note		Group 2018 DKK mill.	Group 2017 DKK mill.	Bank 2018 DKK mill.	Bank 2017 DKK mill.
23	Deposits and other debt				
	On demand	36,949.5	31,747.9	36,916.1	31,724.8
	Amounts with notice period	2,141.8	1,453.6	2,141.8	1,453.6
	Time deposits	0.6	0.6	0.6	0.6
	Special types of deposit	1,603.6	1,554.2	1,603.6	1,554.2
	Total deposits and other debt	***40,695.5***	***34,756.2***	***40,662.1***	***34,733.2***
	Broken down by remaining term:				
	On demand	38,291.8	32,582.8	38,258.4	32,559.8
	Up to and including 3 months	1,049.5	925.0	1,049.5	925.0
	More than 3 months and up to 1 year	128.2	146.5	128.2	146.5
	More than 1 year and up to and including 5 years	442.6	523.6	442.6	523.6
	More than 5 years	783.4	578.3	783.4	578.3
	Total deposits and other debt	***40,695.5***	***34,756.2***	***40,662.1***	***34,733.2***
24	Other non-derivative financial liabilities at fair value				
	Negative securities portfolios	302.7	54.8	302.7	54.8
	Total other non-derivative financial liabilities at fair value	***302.7***	***54.8***	***302.7***	***54.8***
25	Other liabilities				
	Negative fair value of derivative financial instruments and spot transactions	327.1	262.9	327.1	262.9
	Interest and commissions due	5.3	3.0	5.3	3.0
	Other liabilities	937.3	616.6	870.9	545.2
	Total other liabilities	***1,269.8***	***882.5***	***1,203.3***	***811.1***
26	Provisions				
	Guarantee loss provisions				
	Provisions brought forward	30.8	30.5	30.8	30.5
	Provision made in connection with the transition from IAS 39 to IFRS 9, see note 9	9.7	0.0	9.7	0.0
	Provisions made during the year	15.5	15.1	15.5	15.1
	Applied during the year	0.0	0.0	0.0	0.0
	Reversal of unutilised provisions	-33.2	-14.9	-33.2	-14.9
	Provisions carried forward	***22.8***	***30.8***	***22.8***	***30.8***
	Other provisions				
	Provisions brought forward	39.4	42.9	38.8	42.2
	Provision made in connection with the transition from IAS 39 to IFRS 9, see note 9	34.7	0.0	34.7	0.0
	Provisions made during the year	44.0	4.2	41.6	4.2
	Applied during the year	-3.5	-3.8	-3.5	-3.7
	Reversal of unutilised provisions	-44.8	-3.9	-44.8	-3.9
	Provisions carried forward	***69.8***	***39.4***	***66.8***	***38.8***
	Total provisions	***92.7***	***70.2***	***89.6***	***69.5***

Other provisions in the Group primarily concern provisions for losses on unutilised credit lines and commitments of DKK 48.4 mill. (2017: DKK 18.8 mill.), see note 9, and provisions for anniversary bonuses of DKK 12.7 mill. (2017: DKK 13.6 mill.).

Note

27 Share capital

The share capital is composed of 300,000 shares of DKK 1,000 each. The share capital is fully paid up. No shares carry special rights.

There are restrictions on the negotiability of the shares as the transfer of the right to a share may only be effected with the consent of the Board of Directors and at no more than par value.

Major shareholders

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

- FOA - Fag og Arbejde, Staunings Plads 1-3, 1790 Copenhagen V, Denmark, 5.52%
- Fødevareforbundet NNF, Molestien 7, 2450 Copenhagen SV, Denmark, 8.10%
- HK/Danmark, Weidekampsgade 8, 2300 Copenhagen C, Denmark, 9.90%
- Dansk Metal, Molestien 7, 2450 Copenhagen SV, Denmark, 12.71%
- Fagligt Fælles Forbund - 3F, Kampmannsgade 4, 1790 Copenhagen V, Denmark, 31.69%

Note		2018 psc	2017 psc	2018 DKK mill.	2017 DKK mill.
28	Own shares				
	Holding at the beginning of the year	0	0	0.0	0.0
	Purchases	6,000	0	6.0	0.0
	Holding at the end of the year	***6,000***	***0***	***6.0***	***0.0***

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

During the financial year, 6,000 own shares were repurchased at an acquisition price per share of DKK 1,000. As at 31 December 2018, the holding of own shares amounted to nominally DKK 6 mill., corresponding to 2.0% of the share capital.

The Bank acquired the shares as part of the agreement on divestment of the Bank's shares in ALKA Forsikring.

29 Dividend

A dividend of DKK 60 mill. (2017: DKK 150 mill.) is proposed, corresponding to a dividend of DKK 200 per share. (2017: DKK 500).

On 20 March 2018, the Bank distributed ordinary dividend to the shareholders of DKK 150 mill. (2017: DKK 30 mill.), corresponding to a dividend of DKK 500 per share (2017: DKK 100).

Note		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
30	Own funds				
	Transformation from equity to own funds				
	Equity	6,873.2	6,761.5	6,873.2	6,761.5
	Proposed dividend	-60.0	-150.0	-60.0	-150.0
	Intangible assets	-18.7	-16.6	0.0	0.0
	Additional Tier 1 capital, including interest payable	-848.9	-848.9	-848.9	-848.9
	Deductions for prudent valuation	-20.7	-14.2	-20.7	-14.2
	Capital instruments in financial entities	-160.6	-696.6	158.7	-695.3
	Common Equity Tier 1 capital	*5,764.3*	*5,035.2*	*5,784.8*	*5,053.1*
	Additional Tier 1 capital	829.0	829.0	829.0	829.0
	Capital instruments in financial entities	-12.6	-186.6	-12.6	-186.3
	Tier 1 capital	*6,580.6*	*5,677.6*	*6,601.2*	*5,695.8*
	Tier 2 capital	0.0	0.0	0.0	0.0
	Own funds	*6,580.6*	*5,677.6*	*6,601.2*	*5,695.8*

Note 31
Capital management

The objective of Arbejdernes Landsbank's capital management is to comply with the statutory requirements for Arbejdernes Landsbank's capital adequacy and to ensure that the Group and the Bank have sufficient capital available at all times to support future activities and growth.

In 2018, Arbejdernes Landsbank complied with all statutory requirements for the capital of the Group and the Bank.

The objectives as regards capital were revised most recently in November 2018 to the following:

	Objective (min.)	Current value 31.12.2018
Common Equity Tier 1 capital ratio	11.4	17.6
Tier 1 capital ratio	12.2	20.0
Total capital ratio	16.2	20.0

The capital objectives are based on the Group and the Bank being able to comply with the maximum combined buffer requirement of 5%. The size of the capital base should also enable the Group to continue its lending activities during a difficult business conditions, e.g. a period of severe economic decline or unexpected major credit losses.

In connection with the new regulations for resolution of Danish banks, the Danish FSA has ordered the banking sector to comply with individually imposed MREL requirements. In addition to the capital requirement applicable at any time, comprising the solvency need and the current combined buffer requirement, in the period 1 January 2019 to 1 January 2023, the Arbejdernes Landsbank Group must meet a MREL requirement totalling 7.0%, measured in terms of the Group's risk-weighted exposures. The MREL requirement must be complied with according to the following phase-in period:

- 1 January 2019 0.6%
- 1 January 2020 1.9%
- 1 January 2021 3.1%
- 1 January 2022 4.4%
- 1 January 2023 7.0%

Based on a current solvency need of 9.7% and the known combined buffer requirement of 3.5%, with a capital ratio of 20.2% at the beginning of 2023, the Group will be able to meet the MREL requirement. This should be seen in relation to the current capital ratio of 20.0%. However, the Group is considering that to some extent, the MREL requirement must be covered through issuing separate non-preferred senior debt (MREL capital). The Group's ambition is for own funds to remain robust and to be used for growing the business and protecting it against periods with turbulence on the financial markets.

Capital management is based on the calculation methods and financial ratios laid down by the Basel Committee and incorporated into Danish legislation. Management regularly monitors the Group's capital situation. Statements of Arbejdernes Landsbank's own funds, total risk exposure and capital adequacy ratios, including calculations of the Group's and the Bank's individual solvency needs, are prepared at the end of each quarter and reported to the Danish FSA in accordance with current regulations.

Arbejdernes Landsbank's individual solvency need expresses the Bank's own assessment of the required capital ratio in order to safeguard depositors against losses. Since the end of 2012, calculation of the individual solvency need has been based on the so-called 8+ method. This method is based on the minimum statutory requirement of 8.0% of total risk exposure (pillar I) with an addition for risks and conditions that are not fully reflected in the calculation of the total risk exposure. Thus, it is assumed that ordinary risks are covered by the 8% requirement, and that consequently it is important to consider the extent to which Arbejdernes Landsbank has risks beyond this that call for an addition to the capital need (pillar II), see the Danish FSA guidelines.

Arbejdernes Landsbank's own funds consist of equity of DKK 6,873.2 mill., including Additional Tier 1 capital of DKK 829 mill. When calculating own funds, a number of deductions are made, primarily with regard to proposed dividend and equity investments in other financial entities. The composition of own funds is described in note 30. The characteristics of Additional Tier 1 capital included as an equity instrument are described in note 32.

Total risk exposure is the calculated risk associated with the business areas operated by Arbejdernes Landsbank Group. The total risk exposure is calculated by weighting assets, items with market risk and exposures in the form of guarantees according to a set of standard weights that depend on the nature and counterparty of the individual items, and that take into account any collateral. To this are added supplements to cover operational risks.

Capital planning 2019

Arbejdernes Landsbank regularly assesses its need to adjust its capital structure, including goals, policies and processes. The Bank plans to redeem an issue of nominally DKK 400 mill. of Additional Tier 1 capital in spring 2019, on condition that new Tier 2 capital is subscribed at an expected level of DKK 900 mill., and provided authorisation is received from the Danish FSA.

Note				Group 2018 DKK mill.	Group 2017 DKK mill.	Bank 2018 DKK mill.	Bank 2017 DKK mill.
32	Additional Tier 1 capital						
	Nom. in DKK mill.	Interest rate	Maturity				
	400.0	6.602% (var.)	Indefinite *)	402.9	402.9	402.9	402.9
	429.0	9.059% (var.)	Indefinite **)	446.1	446.1	446.1	446.1
	Total Additional Tier 1 capital			***848.9***	***848.9***	***848.9***	***848.9***
	Additional Tier 1 capital included when calculating Tier 1 capital/own funds			829.0	829.0	829.0	829.0

*) Can be redeemed before maturity from 23 May 2019.
**) Can be redeemed before maturity from 22 January 2021.

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

Note		Group 2018	Group 2017	Bank 2018	Bank 2017
33	Contingent liabilities, etc.				
	Contingent liabilities				
	Financial guarantees *)	1,572.8	1,770.0	1,572.8	1,770.0
	Guarantees for losses on mortgage-credit loans	2,656.1	2,105.8	2,656.1	2,105.8
	Land registration and conversion guarantees *)	997.0	907.3	997.0	907.3
	Collateral for group companies	0.0	0.0	35.5	35.2
	Other contingent liabilities	673.4	707.8	637.9	672.6
	Total contingent liabilities	***5,899.3***	***5,490.8***	***5,899.3***	***5,490.8***
	Other binding commitments				
	Irrevocable credit commitments less than 1 year	830.1	858.6	0.0	0.0
	Irrevocable credit commitments more than 1 year	0.0	22.0	0.0	22.0
	Unutilised commitments regarding payment of pension contributions	14.6	24.1	14.6	24.1
	Additional binding commitments **)	291.5	202.2	293.9	203.3
	Total other binding commitments	***1,136.1***	***1,106.9***	***308.5***	***249.4***

*) Case guarantees concerning mortgage-credit loans have been classified under registration and conversion guarantees as from 01.01.2018. This type of guarantee was previously classified under financial guarantees. Comparative figures have been adjusted. The case guarantees amounted to DKK 994.6 mill. as at 31.12.2018, and DKK 900.0 mill. as at 31.12.2017.
**) Additional binding commitments include tenancy commitments in the period of interminability. Note 41 contains a breakdown by term of maturity of the Group's future minimum leasing payments.

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

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

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

Participation in the statutory resolution financing scheme means that the sector pays an annual risk-adjusted contribution pursuant to Articles 4-9 of the European Commission Delegated Regulation 63/2015 with a view to establishing a resolution fund of at least 1% of the covered deposits before 31.12.2024. In 2018, the Bank's contribution amounted to DKK 2.9 mill. (2017: DKK 3.3 mill.), corresponding to 0.47% (2017: 0.44%) of the sector's total contribution of DKK 617.5 mill. (2017: DKK 748.3 mill.).

The Bank is taxed jointly with other Danish companies in the Group. As a management company, the Bank is jointly and severally liable with the other consolidated companies for Danish corporation tax and withholding tax on dividends, interest and royalties within the joint taxation group. As a consequence of tax paid on account, there are no outstanding taxes as at 31 December 2018. Corporation tax receivable at group level amounted to DKK 23.9 mill. as at 31.12.2018 (2017: DKK 32.7 mill.). Any subsequent corrections of jointly taxable income and withholding taxes etc. may result in the Bank being liable for a larger amount.

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

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

Note		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
34	Collateral received				
	Collateral is received in connection with reverse transactions, and according to the terms and conditions of these contracts, the collateral may be sold or repledged.				
	Bonds at fair value	427.7	173.5	427.7	173.5
	Of which sold or repledged	302.7	70.7	302.7	70.7
35	Collateral provided				
	Cash in hand and demand deposits with central banks				
	Pledged in connection with clearing	624.5	0.0	624.5	0.0
	Total cash in hand and demand deposits with central banks	*624.5*	*0.0*	*624.5*	*0.0*
	Receivables from credit institutions and central banks				
	Margin receivables in connection with transactions in derivatives	376.5	296.2	376.5	296.2
	Pledged in connection with clearing	432.0	0.0	432.0	0.0
	Total receivables from credit institutions and central banks	*808.5*	*296.2*	*808.5*	*296.2*
	Loans and other receivables at amortised cost				
	Margin receivables in connection with settlement of securities	36.7	19.1	36.7	19.1
	Total loans and other receivables at amortised cost	*36.7*	*19.1*	*36.7*	*19.1*
	Bonds at fair value				
	Transferred in connection with repo transactions	0.0	15.9	0.0	15.9
	Pledged in connection with clearing	0.0	764.2	0.0	764.2
	Total bonds at fair value	*0.0*	*780.1*	*0.0*	*780.1*
	Total collateral provided	*1,469.6*	*1,095.3*	*1,469.6*	*1,095.3*
36	Hedge accounting				
	Interest-rate risks				
	Loans (fixed interest payments)				
	Amortised cost	0.0	0.0	0.0	0.0
	Carrying amount	0.0	0.0	0.0	0.0
	Capital loss for the financial year	0.0	-1.1	0.0	-1.1
	Hedging instruments				
	Interest-rate swaps (variable interest payments)				
	Nominal value (principal amount)	0.0	0.0	0.0	0.0
	Carrying amount	0.0	0.0	0.0	0.0
	Capital gain for the financial year	0.0	1.3	0.0	1.3

The Group and the Bank have applied the regulations for hedge accounting for fair values. The hedged loans and the hedging instruments either lapsed in 2017, or hedge accounting ceased in 2017.

Note		Group 2018 DKK mill.	Group 2017 DKK mill.	Bank 2018 DKK mill.	Bank 2017 DKK mill.
37	Transferred assets still recognised in the balance sheet				
	Carrying amount of transferred financial assets				
	Bonds on repo transactions	0.0	15.9	0.0	15.9
	Carrying amount of linked financial liabilities				
	Debt to credit institutions in repo transactions	0.0	15.9	0.0	15.9
	Net positions	***0.0***	***0.0***	***0.0***	***0.0***

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 the Group's and the Bank's balance sheet, because, by virtue of the repurchase agreement, the Bank maintains the most important risks associated with the bonds sold.

Bonds in repo transactions are treated as assets provided as collateral for liabilities. The counterparty is entitled to divest or repledge the securities received.

Note

38 Derivative financial instruments and spot transactions

	Group and Bank			
	Nominal value	Net fair value	Positive fair value	Negative fair value
	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Contracts broken down by type as at 31.12.2018				
Currency contracts				
Spot transactions, purchase	25.4	***0.0***	0.0	0.0
Spot transactions, sale	201.3	***-0.2***	0.1	0.3
Forward transactions/futures, purchase	479.2	***6.1***	6.6	0.5
Forward transactions/futures, sale	5,391.5	***-0.2***	7.0	7.2
Interest-rate contracts				
Spot transactions, purchase	107.7	***0.0***	0.0	0.0
Spot transactions, sale	82.8	***0.0***	0.0	0.0
Forward transactions/futures, purchase	1,849.4	***5.8***	6.0	0.2
Forward transactions/futures, sale	3,142.6	***-21.6***	0.0	21.6
Options, acquired	0.6	***0.4***	0.4	0.0
Interest-rate swaps	7,936.1	***-266.6***	29.3	295.9
Share contracts				
Spot transactions, purchase	3.2	***0.3***	0.7	0.4
Spot transactions, sale	2.0	***-0.2***	0.4	0.7
Forward contracts/futures, purchase	4.2	***-0.2***	0.0	0.2
Forward transactions/futures, sale	4.2	***0.2***	0.2	0.0
Total derivative financial instruments and spot transactions		*-276.2*	*50.9*	*327.1*
Contracts broken down by type as at 31.12.2017				
Currency contracts				
Spot transactions, purchase	31.5	***0.0***	0.0	0.0
Spot transactions, sale	0.4	***0.0***	0.0	0.0
Forward contracts/futures, purchase	545.7	***-0.4***	2.9	3.3
Forward transactions/futures, sale	3,905.3	***7.7***	9.8	2.0
Interest-rate contracts				
Spot transactions, purchase	745.5	***-0.3***	0.1	0.4
Spot transactions, sale	675.0	***0.2***	0.3	0.1
Forward contracts/futures, purchase	1,045.3	***4.9***	5.0	0.1
Forward transactions/futures, sale	2,378.9	***14.1***	15.0	0.9
Options, acquired	0.0	***0.0***	0.0	0.0
Interest-rate swaps	8,587.0	***-221.7***	33.9	255.6
Share contracts				
Spot transactions, purchase	1.6	***0.1***	0.3	0.2
Spot transactions, sale	1.6	***-0.1***	0.2	0.3
Forward contracts/futures, purchase	0.0	***0.0***	***0.0***	0.0
Forward transactions/futures, sale	0.0	***0.0***	0.0	0.0
Total derivative financial instruments and spot transactions		*-195.5*	*67.4*	*262.9*

Note

38 Derivative financial instruments and spot transactions (continued)

	Group and Bank				
	Up to and incl. 3 months	More than 3 months and up to and including 1 year	More than 1 year and up to and including 5 years	More than 5 years	Net fair value total
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Contracts broken down by term to maturity as at 31.12.2018					
Currency contracts					
Spot transactions, purchase	0.0	0.0	0.0	0.0	*0.0*
Spot transactions, sale	-0.2	0.0	0.0	0.0	*-0.2*
Forward contracts/futures, purchase	6.1	0.0	0.0	0.0	*6.1*
Forward transactions/futures, sale	-0.1	0.4	-0.5	0.0	*-0.2*
Interest-rate contracts					
Spot transactions, purchase	0.0	0.0	0.0	0.0	*0.0*
Spot transactions, sale	0.0	0.0	0.0	0.0	*0.0*
Forward contracts/futures, purchase	5.5	0.4	0.0	0.0	*5.8*
Forward transactions/futures, sale	-21.6	0.0	0.0	0.0	*-21.6*
Options, acquired	0.4	0.0	0.0	0.0	*0.4*
Interest-rate swaps	0.5	-2.7	-94.1	-170.2	*-266.6*
Share contracts					
Spot transactions, purchase	0.3	0.0	0.0	0.0	*0.3*
Spot transactions, sale	-0.2	0.0	0.0	0.0	*-0.2*
Forward contracts/futures, purchase	-0.2	0.0	0.0	0.0	*-0.2*
Forward transactions/futures, sale	0.2	0.0	0.0	0.0	*0.2*
Total derivative financial instruments and spot transactions	*-9.3*	*-1.9*	*-94.7*	*-170.2*	*-276.2*
Contracts broken down by term to maturity as at 31.12.2017					
Currency contracts					
Spot transactions, purchase	0.0	0.0	0.0	0.0	*0.0*
Spot transactions, sale	0.0	0.0	0.0	0.0	*0.0*
Forward contracts/futures, purchase	-0.3	-0.1	0.0	0.0	*-0.4*
Forward transactions/futures, sale	4.6	0.1	3.0	0.0	*7.7*
Interest-rate contracts					
Spot transactions, purchase	-0.3	0.0	0.0	0.0	*-0.3*
Spot transactions, sale	0.2	0.0	0.0	0.0	*0.2*
Forward contracts/futures, purchase	4.7	0.2	0.0	0.0	*4.9*
Forward transactions/futures, sale	14.1	0.0	0.0	0.0	*14.1*
Options, acquired	0.0	0.0	0.0	0.0	*0.0*
Interest-rate swaps	0.0	-10.0	-27.9	-183.9	*-221.7*
Share contracts					
Spot transactions, purchase	0.1	0.0	0.0	0.0	*0.1*
Spot transactions, sale	-0.1	0.0	0.0	0.0	*-0.1*
Forward contracts/futures, purchase	0.0	0.0	0.0	0.0	*0.0*
Forward transactions/futures, sale	0.0	0.0	0.0	0.0	*0.0*
Total derivative financial instruments and spot transactions	*23.1*	*-9.8*	*-24.9*	*-183.9*	*-195.5*

Note

39 Offsetting possibilities

	Group					
	Carrying amount before offsetting	Offsetting of financial instruments	Carrying amount after offsetting	Offsetting possibility according to master netting agreement	Collateral	Net value
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Offsetting possibilities as at 31.12.2018						
Financial assets						
Derivative financial instruments and spot transactions with positive fair values	50.9	0.0	50.9	14.3	0.0	36.6
Total financial assets	*50.9*	*0.0*	*50.9*	*14.3*	*0.0*	*36.6*
Financial liabilities						
Derivative financial instruments and spot transactions with negative fair values	327.1	0.0	327.1	14.3	309.1	3.7
Total financial liabilities	*327.1*	*0.0*	*327.1*	*14.3*	*309.1*	*3.7*
Offsetting possibilities as at 31.12.2017						
Financial assets						
Derivative financial instruments and spot transactions with positive fair values	67.4	0.0	67.4	6.7	1.0	59.7
Total financial assets	*67.4*	*0.0*	*67.4*	*6.7*	*1.0*	*59.7*
Financial liabilities						
Derivative financial instruments and spot transactions with negative fair values	262.9	0.0	262.9	6.7	254.2	2.0
Total financial liabilities	*262.9*	*0.0*	*262.9*	*6.7*	*254.2*	*2.0*

The Bank has master netting agreements with a number of financial counterparties, and this entitles the Bank to further offsetting in relation to a counterparty in default, but does not meet the conditions for offsetting in the balance sheet.

Assets provided as collateral for own debt obligations with Danmarks Nationalbank, clearing centres and credit institutions with which the Bank has entered into CSA agreements are all based on standard agreements conventionally used between financial market participants. These agreements define the terms on which collateral is transferred between the counterparties in order to reduce risk. With regard to collateral concerning fair value of derivative financial instruments, the CSA agreements stipulate daily exchange of collateral (cash).

Note

40 Fair value disclosures and classification of financial instruments

Financial instruments are recognised in the balance sheet at amortised cost or fair value in accordance with the Group's accounting policies and the table below.

	Group			
	Amortised cost 2018 DKK mill.	Fair value 2018 DKK mill.	Amortised cost 2017 DKK mill.	Fair value 2017 DKK mill.
Classification and measurement of financial instruments				
Financial assets				
Cash in hand and demand deposits with central banks	970.7		908.4	
Receivables from credit institutions and central banks	5,211.5		6,015.7	
Loans and other receivables at amortised cost	22,085.8		21,958.1	
Bonds at fair value		18,834.3		11,812.4
Shares etc.		1,446.9		2,045.3
Assets linked to pooled schemes		4,177.2		2,727.5
Derivative financial instruments and spot transactions		50.9		67.4
Interest and commissions receivable	14.9	86.9	18.2	53.9
Total financial assets	***28,282.9***	***24,596.2***	***28,900.3***	***16,706.5***
Financial liabilities				
Debt to credit institutions and central banks	1,622.3		2,080.7	
Deposits and other debt	40,695.5		34,756.2	
Deposits in pooled schemes *)		4,177.2		2,727.5
Other non-derivative financial liabilities at fair value		302.7		54.8
Derivative financial instruments and spot transactions		327.1		262.9
Interest and commissions due	2.8	2.6	2.5	0.5
Total financial liabilities	***42,320.6***	***4,809.6***	***36,839.4***	***3,045.7***

*) Designated at fair value under the fair value option.

Note

40 Fair value disclosures and classification of financial instruments (continued)

Methods and assumptions for calculating fair values

Fair value is defined as the price which can be obtained by selling an asset, or which must be paid in order to transfer a liability in a regular transaction between independent market participants at the time of measure.

Fair values are market-based, and not undertaking-specific, valuations. The Group uses the assumptions that market participants would use to set the price of the asset or liability based on existing market conditions, including assumptions pertaining to risks. Thus, the Group's purpose of owning the asset or disposing of the liability is not taken into consideration when calculating the fair value.

Financial assets and liabilities recognised in the balance sheet at fair value are categorised according to the fair value hierarchy as described below.

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

Observable input (level 2)
For financial assets and liabilities, where the 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.

Non-observable input (level 3)
In cases where observable prices based on market information are not available or not deemed to be useful in establishing fair value, own assumptions are used. For example, the assumptions may be for recent transactions in corresponding assets, expected future cash flows or the net asset value of the companies.

Instruments under 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 ownership agreements etc. or input from transactions carried out. The Association of Local Banks in Denmark, Savings Banks and Cooperative Banks in Denmark (LOPI) every quarter recommends fair values of certain of the so-called sector shares; i.e. shares owned by banks in order to participate actively in the infrastructure and the product supply that supports the business strategy of the industry. The prices recommended by LOPI are based on ownership agreements and transactions carried out in the sector. In some cases, 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 if owners sell between themselves. When calculating the fair value of sector shares according to LOPI's recommended rates, these are also 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 99 mill. (2017: DKK 190 mill.) on a change in the prices of 10%. Management assesses that alternative methods for measuring the fair value of these shares will not entail significantly different fair values.

With regard to derivative financial instruments, the Bank performs a Credit Value Adjustment (CVA) of the fair value. CVA reflects the credit risk of the counterparty in derivatives transactions and is performed on the basis of Loss Given Default (LGD), Expected Positive Exposure (EPE), and the Probability of Default (PD) of the counterparty. The Bank uses both a parametric and a semi-analytic model approach to quantifying future expected positive exposure. The probability of default is derived from observable credit information in the market, if possible. In the event that this is not possible, adjustment is based on proxy Credit Default Swap (CDS) curves. Total CVA adjustments amounted to DKK 1.4 mill. at the end of 2018 (2017: DKK 1.7 mill.).

Transfers between levels in the fair value hierarchy
If an update of prices does not occur over a five-day period, the standard procedure of the Group is that this will result in a transfer between the categories 'Listed prices' and 'Observable input'. In 2018, the Bank transferred DKK 3,949.9 mill. (2017: DKK 100.5 mill.), of bonds at fair value from level 1 to level 2 as a result of infrequent price updates. Conversely, DKK 100.6 mill. (2017: DKK 211.5 mill.) was transferred from level 2 to level 1.

Due to expiry of the lock-up period, a shareholding is now measured at market price (level 1), while previously, the fair value was calculated on the basis of an alternative market price based on an analysis of price/net asset value for a group of comparable banks (level 3).

Apart from the above, there have been no significant transfers between the three fair value levels in 2018 and 2017.

Note

40 Fair value disclosures and classification of financial instruments (continued)

	Group and Bank			
	Listed prices (level 1)	Observable input (level 2)	Non-observable input (level 3)	Total
	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Fair value hierarchy as at 31 December 2018				
Financial assets				
Bonds at fair value	11,527.7	7,257.0	49.6	*18,834.3*
Shares etc.	454.1	0.0	992.8	*1,446.9*
Assets linked to pooled schemes	3,720.4	456.8	0.0	*4,177.2*
Derivative financial instruments and spot transactions	0.6	50.3	0.0	*50.9*
Interest and commissions receivable	55.3	31.2	0.3	*86.9*
Total financial assets	*15,758.1*	*7,795.3*	*1,042.8*	*24,596.2*
Financial liabilities				
Deposits in pooled schemes	0.0	4,177.2	0.0	*4,177.2*
Other non-derivative financial liabilities at fair value	302.7	0.0	0.0	*302.7*
Derivative financial instruments and spot transactions	21.4	305.7	0.0	*327.1*
Interest and commissions due	2.6	0.0	0.0	*2.6*
Total financial liabilities	*326.7*	*4,482.8*	*0.0*	*4,809.6*
Fair value hierarchy as at 31 December 2017				
Financial assets				
Bonds at fair value	7,966.0	3,846.4	0.0	*11,812.4*
Shares etc.	144.2	0.0	1,901.1	*2,045.3*
Assets linked to pooled schemes	2,555.0	172.5	0.0	*2,727.5*
Derivative financial instruments and spot transactions	14.3	53.1	0.0	*67.4*
Interest and commissions receivable	39.0	14.9	0.0	*53.9*
Total financial assets	*10,718.5*	*4,087.0*	*1,901.1*	*16,706.5*
Financial liabilities				
Deposits in pooled schemes	0.0	2,727.5	0.0	*2,727.5*
Other non-derivative financial liabilities at fair value	54.8	0.0	0.0	*54.8*
Derivative financial instruments and spot transactions	0.0	262.9	0.0	*262.9*
Interest and commissions due	0.5	0.0	0.0	*0.5*
Total financial liabilities	*55.2*	*2,990.4*	*0.0*	*3,045.7*

Note

40 Fair value disclosures and classification of financial instruments (continued)

	Group 2018 DKK mill.	2017 DKK mill.
Non-observable input (level 3)		
Fair value brought forward	1,901.1	1,170.9
Value adjustments recognised in the income statement *)	136.3	623.9
Purchases	20.3	127.6
Sales **)	-874.6	-21.3
Transfers to level 1	-190.3	0.0
Transfers from level 2	49.6	0.0
Fair value carried forward	*1,042.4*	*1,901.1*

*) Of which DKK 105.6 mill. (2017: DKK 622.7 mill.) is attributable to assets held at the end of the accounting period.
**) Including completed sale of shares in ALKA Forsikring.

	Group			
	Carrying amount 2018 DKK mill.	Fair value 2018 DKK mill.	Carrying amount 2017 DKK mill.	Fair value 2017 DKK mill.
Financial instruments recognised at amortised cost				
Financial assets				
Cash in hand and demand deposits with central banks	970.7	970.7	908.4	908.4
Receivables from credit institutions and central banks	5,211.5	5,211.7	6,015.7	6,015.7
Loans and other receivables at amortised cost	22,085.8	22,196.5	21,958.1	22,112.4
Interest and commissions receivable	14.9	14.9	18.2	18.2
Total financial assets	*28,282.9*	*28,393.9*	*28,900.3*	*29,054.7*
Financial liabilities				
Debt to credit institutions and central banks	1,622.3	1,626.6	2,080.7	2,086.7
Deposits and other debt	40,695.5	40,695.5	34,756.2	34,756.2
Interest and commissions due	2.8	2.8	2.5	2.5
Total financial liabilities	*42,320.6*	*42,324.9*	*36,839.5*	*36,845.5*

Methods for calculating 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 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. Based on a materiality assessment, changes in fair values of debt to credit institutions due to changes in the Group's own credit rating are not included.

Note

40 Fair value disclosures and classification of financial instruments (continued)

	Group				
	Amortised cost		Fair value through the income statement		
	Assets DKK mill.	Liabilities DKK mill.	Trading portfolio DKK mill.	Other holdings DKK mill.	Total DKK mill.
Return and classification of financial instruments in 2018					
Return					
Interest income	1,110.9		51.7		*1,162.6*
Interest expenses		-58.1			*-58.1*
Net interest income	***1,110.9***	***-58.1***	***51.7***		***1,104.4***
Dividends from shares etc.			3.3	56.9	*60.3*
Value adjustments			-146.6	131.8	*-14.8*
Total return	***1,110.9***	***-58.1***	***-91.6***	***188.7***	***1,149.9***
Financial assets					
Cash in hand and demand deposits with central banks	970.7				*970.7*
Receivables from credit institutions and central banks	5,211.5				*5,211.5*
Loans and other receivables at amortised cost	22,085.8				*22,085.8*
Bonds at fair value			18,834.3		*18,834.3*
Shares etc.			100.0	1,346.9	*1,446.9*
Assets linked to pooled schemes				4,177.2	*4,177.2*
Derivative financial instruments and spot transactions			50.9		*50.9*
Interest and commissions receivable	14.9		86.9		*101.8*
Total financial assets	***28,282.9***		***19,072.1***	***5,524.0***	***52,879.1***
Financial liabilities					
Debt to credit institutions and central banks		1,622.3			*1,622.3*
Deposits and other debt		40,695.5			*40,695.5*
Deposits in pooled schemes *)				4,177.2	*4,177.2*
Other non-derivative financial liabilities at fair value			302.7		*302.7*
Derivative financial instruments and spot transactions			327.1		*327.1*
Interest and commissions due		2.8	2.6		*5.3*
Total financial liabilities		***42,320.6***	***632.4***	***4,177.2***	***47,130.2***

*) Designated at fair value under the fair value option.

Note

40 Fair value disclosures and classification of financial instruments (continued)

	Group				
	Amortised cost		Fair value through the income statement		
	Assets DKK mill.	Liabilities DKK mill.	Trading portfolio DKK mill.	Other holdings DKK mill.	Total DKK mill.
Return and classification of financial instruments in 2017					
Return					
Interest income	1,160.9		85.9		*1,246.8*
Interest expenses		-53.2			*-53.2*
Net interest income	*1,160.9*	*-53.2*	*85.9*	*0.0*	*1,193.6*
Dividends from shares etc.			9.6	34.3	*43.8*
Value adjustments	-1.1		281.2	621.1	*901.3*
Total return	*1,159.8*	*-53.2*	*376.7*	*655.4*	*2,138.7*
Financial assets					
Cash in hand and demand deposits with central banks	908.4				*908.4*
Receivables from credit institutions and central banks	6,015.7				*6,015.7*
Loans and other receivables at amortised cost	21,958.1				*21,958.1*
Bonds at fair value			11,812.4		*11,812.4*
Shares etc.			218.6	1,826.7	*2,045.3*
Assets linked to pooled schemes				2,727.5	*2,727.5*
Derivative financial instruments and spot transactions			67.4		*67.4*
Interest and commissions receivable	18.2		53.9		*72.1*
Total financial assets	*28,900.3*		*12,152.3*	*4,554.2*	*45,606.8*
Financial liabilities					
Debt to credit institutions and central banks		2,080.7			*2,080.7*
Deposits and other debt		34,756.2			*34,756.2*
Deposits in pooled schemes *)				2,727.5	*2,727.5*
Other non-derivative financial liabilities at fair value			54.8		*54.8*
Derivative financial instruments and spot transactions			262.9		*262.9*
Interest and commissions due		2.5	0.5		*3.0*
Total financial liabilities		*36,839.4*	*318.2*	*2,727.5*	*39,885.1*

*) Designated at fair value under the fair value option.

Note		Group 2018 DKK mill.	2017 DKK mill.
41	Leasing		
	The Group as lessee		
	The Group has non-cancellable operating leases for businesses premises which are primarily being used for the Bank's operations.		
	Non-cancellable operating lease payments		
	Duration up to 1 year	18.5	18.5
	Duration between 1-5 years	54.7	64.0
	Duration more than 5 years	30.9	40.1
	Total	*104.1*	*122.6*
	Of which off-setting concerning subleases with the same non-cancellable term	19.7	0.0
	Operating lease payments are recognised in the income statement under administrative expenses.	18.5	14.2
	The Group as a lessor		
	The Group acts as a lessor within the areas of properties, cars, machinery, operating equipment, fixtures and equipment. Finance leases as well as operating leases are offered to business customers and private customers.		
	Finance leases are accounted for as purchases financed by loans, and consequently, the lease receivables are recognised in the balance sheet as loans at amortised cost, while the related interest income is recognised in the income statement.		
	Gross investments in finance leases		
	Duration up to 1 year	868.8	808.9
	Duration between 1-5 years	631.0	631.2
	Duration more than 5 years	0.8	3.0
	Total	*1,500.6*	*1,443.1*
	Unearned financing income	60.2	64.3
	Net investments in finance leases		
	Duration up to 1 year	832.1	771.2
	Duration between 1-5 years	607.5	604.6
	Duration more than 5 years	0.8	2.9
	Total	*1,440.4*	*1,378.7*
	Accumulated impairment charges on finance leases	5.8	3.1
	Operating leases are accounted for as rental contracts, and consequently the leasing assets are recognised in the balance sheet as property, plant and equipment, while rental income is recognised in the income statement under other operating income.		
	Non-cancellable operating lease payments		
	Duration up to 1 year	33.8	39.3
	Duration between 1-5 years	53.2	53.0
	Duration more than 5 years	8.6	10.3
	Total	*95.6*	*102.7*

Note		Group 2018 DKK mill.	2017 DKK mill.	Bank 2018 DKK mill.	2017 DKK mill.
42	Transactions with related parties				
	Shareholders with significant influence				
	Interest income	0.0	0.7	0.0	0.7
	Interest expenses	-0.3	-0.3	-0.3	-0.3
	Fees and commission income	1.4	4.3	1.4	4.3
	Loans	0.7	17.4	0.5	17.4
	Deposits	234.5	316.0	234.5	316.0
	Collateral and guarantees received	2,332.3	2,429.8	2,330.5	2,429.3
	Issued guarantees	0.0	0.0	0.0	0.0
	Unutilised credit lines and commitments	56.5	195.5	56.5	195.5
	Dividends paid	-47.5	-9.5	-47.5	-9.5
	Additional Tier 1 capital	361.3	361.3	361.3	361.3
	Interest paid on Additional Tier 1 capital	-29.0	-29.2	-29.0	-29.2
	Board of Directors and Executive Management				
	Interest income	0.1	0.1	0.1	0.1
	Interest expenses	-0.1	-0.1	-0.1	-0.1
	Fees and commission income	0.1	0.0	0.1	0.0
	Loans	2.2	2.4	2.2	2.4
	Deposits	25.5	14.5	25.5	14.5
	Collateral and guarantees received	2.3	2.3	2.3	2.3
	Issued guarantees	3.6	0.5	3.6	0.5
	Unutilised credit lines and commitments	1.8	1.5	1.8	1.5
	Dividends paid	0.0	0.0	0.0	0.0
	Additional Tier 1 capital	0.2	0.2	0.2	0.2
	Interest paid on Additional Tier 1 capital	0.0	0.0	0.0	0.0
	Group companies				
	Interest income	0.0	0.0	60.3	56.4
	Interest expenses	0.0	0.0	0.0	0.0
	Fees and commission income	0.0	0.0	0.4	0.4
	Value adjustments	0.0	0.0	0.1	0.0
	Other operating income	0.0	0.0	3.3	3.2
	Staff and administrative expenses	0.0	0.0	-0.9	-0.4
	Loans	0.0	0.0	4,346.2	4,028.3
	Deposits	0.0	0.0	12.7	12.7
	Interest receivable	0.0	0.0	0.3	0.3
	Other assets	0.0	0.0	1.4	1.3
	Issued guarantees	0.0	0.0	35.5	35.2
	Unutilised credit lines and commitments	0.0	0.0	416.3	202.1

Note

42 Transactions with related parties (continued)

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

All transactions with related parties which, in addition to those stated in note 8 on remuneration of members of the Board of Directors and the Executive Management, only include ordinary deposits and loans as well as credit facilities. All transactions with related parties are made on market terms.

All balances and outstanding accounts with shareholders with significant influence and group companies 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.

Balances and outstanding accounts with the Board of Directors and the Executive Management have been established on market terms. Interest rates on loans in 2018 were between 2.0% and 8.5% (2017: 2.0-9.5%) for members of the Board of Directors and their related parties, and between 3.0% and 9.5% (2017: 3.0-9.5%) for members of the Executive Management and their related parties. Interest rates on deposits for balances with the Board of Directors and the Executive Management as well as their related parties were between 0.0% and 1.0% in both 2018 and 2017.

Note		2018 DKK mill.	2017 DKK mill.
43	Group overview		
	Parent Company: Aktieselskabet Arbejdernes Landsbank, Copenhagen		
	Group companies		
	AL Finans A/S, Copenhagen		
	Share capital	6.0	6.0
	Equity	266.4	266.1
	Voting share and ownership interest (%)	100	100
	Profit for the year	31.4	20.7
	Average number of employees during the financial year converted to full-time equivalents	81	80
	AL Finans A/S offers car financing, leasing, factoring and invoice purchasing. The activities of the subsidiary are financed from equity and borrowing from the Parent Company.		
	Handels ApS Panoptikon, Copenhagen		
	Share capital	0.5	0.5
	Equity	12.7	12.7
	Voting share and ownership interest (%)	100	100
	Profit for the year	0.0	0.0
	Average number of employees during the financial year converted to full-time equivalents	0	0
	The subsidiary is currently inactive.		
	Associated companies		
	The Bank has no equity investments in associated companies which, individually, are significant for the Group.		

Note		2018 DKK mill.	2017 DKK mill.	2016 DKK mill.	2015 DKK mill.	2014 DKK mill.
44	Financial and operating data for the Group					
	Income statement					
	Net interest income	1,104.4	1,193.6	1,248.3	1,253.0	1,168.8
	Net fee and commission income	580.3	555.5	536.0	517.3	462.7
	Value adjustments and dividend	45.5	945.1	-25.5	-188.4	60.8
	Other operating income	68.8	90.5	81.8	107.6	111.3
	Profit from equity investments in associated companies and group companies	0.0	0.0	65.2	102.4	115.4
	Total income	***1,799.0***	***2,784.7***	***1,905.8***	***1,791.9***	***1,919.1***
	Costs and depreciation/amortisation	-1,529.5	-1,465.6	-1,336.1	-1,359.2	-1,355.8
	Impairments on loans and receivables, etc.	69.5	-14.3	-55.7	-102.9	-230.4
	Total costs	***-1,460.0***	***-1,479.9***	***-1,391.8***	***-1,462.1***	***-1,586.1***
	Profit before tax	***339.0***	***1,304.7***	***514.0***	***329.8***	***332.9***
	Tax	-40.1	-149.3	-94.6	-45.5	-38.0
	Profit for the year	***298.9***	***1,155.5***	***419.4***	***284.4***	***295.0***
	Selected balance sheet items					
	Loans and other receivables at amortised cost	22,085.8	21,958.1	21,058.3	19,768.3	18,330.4
	Bonds at fair value	18,834.3	11,812.4	15,207.8	15,402.0	14,566.6
	Total assets	55,106.5	47,368.9	44,425.8	42,070.4	40,123.2
	Deposits incl. pooled schemes	44,872.7	37,483.7	34,205.8	32,314.0	29,640.7
	Equity	6,873.2	6,761.5	5,681.7	5,279.6	5,049.1
	Other financial and operating data					
	Net interest and fee income	1,745.0	1,792.9	1,829.8	1,822.5	1,667.3
	Value adjustments	-14.8	901.3	-70.9	-240.5	25.1
	Staff and administrative expenses	-1,405.9	-1,353.8	-1,214.0	-1,195.1	-1,177.6
	Own funds	6,580.6	5,677.6	5,413.4	4,142.6	4,513.0
	Tier 1 capital	6,580.6	5,677.6	5,413.4	4,142.6	4,513.0
	Common Equity Tier 1 capital	5,764.3	5,035.2	4,660.2	3,969.3	4,041.2
	Exposures with credit risk	23,895.0	23,180.2	22,908.8	20,790.7	19,155.0
	Exposures with market risk	5,267.4	4,185.4	5,353.8	6,819.6	6,302.0
	Exposures with operational risk	3,660.0	3,665.9	3,314.2	3,352.8	3,488.9
	Total risk exposure	***32,822.4***	***31,031.5***	***31,576.8***	***30,963.1***	***28,946.0***

Note			2018	2017	2016	2015	2014
44	Ratios and key figures for the Group						
	Solvency						
	Capital ratio	%	20.0	18.3	17.1	13.4	15.6
	Tier 1 capital ratio	%	20.0	18.3	17.1	13.4	15.6
	Common Equity Tier 1 capital ratio	%	17.6	16.2	14.8	12.8	14.0
	Earnings						
	Return on equity before tax	%	5.0	21.0	9.4	6.4	7.4
	Return on equity after tax	%	4.4	18.6	7.7	5.5	6.6
	Ratio of operating income to operating expenses per DKK *)	DKK	1.23	1.88	1.37	1.23	1.21
	Earnings per share	DKK	834	3,680	1,225	777	888
	Diluted earnings per share	DKK	834	3,680	1,225	777	888
	Return on capital employed	%	0.6	2.5	1.0	0.7	0.8
	Market risk						
	Interest-rate risk	%	0.5	-0.7	-1.2	-1.0	-1.0
	Currency position	%	2.2	1.4	2.4	1.6	3.0
	Currency risk	%	0.0	0.0	0.0	0.0	0.1
	Liquidity						
	Loans plus impairments in relation to deposits *)	%	52.1	62.0	65.6	65.5	66.5
	Liquidity coverage ratio (LCR)	%	268.1	185.7	153.5	152.3	-
	Credit						
	Sum of large exposures **)	%	59.1	92.1	0.0	10.6	20.8
	Impairment ratio for the year	%	-0.2	0.1	0.2	0.3	1.0
	Lending growth for the year *)	%	0.8	4.3	6.5	8.1	1.0
	Loans in relation to equity		3.2	3.2	3.7	3.7	3.6
	Equity						
	Net asset value per share	DKK	20,081	19,709	16,109	14,769	14,000
	Proposed dividend per share	DKK	200	500	100	100	150
	Employees						
	Average number of employees during the financial year converted to full-time equivalents		1,088	1,054	1,063	1,075	1,082

See note 45 for definitions of ratios and key figures.

*) In 2017, a number of leasing agreements in the subsidiary, AL Finans A/S, were reclassified. This is described in note 1 to the annual report for 2017. As a consequence, comparative figures for 2016 have been adjusted.

**) The definition of the large exposures ratio changed in 2017. As a result, the ratio has been recalculated for 2017, but has not been restated for previous years.

Note		2018 DKK mill.	2017 DKK mill.	2016 DKK mill.	2015 DKK mill.	2014 DKK mill.
44	Financial and operating data for the Bank					
	Income statement					
	Net interest income	1,002.9	1,080.4	1,131.6	1,142.9	1,059.5
	Net fee and commission income	541.3	535.1	519.8	509.7	446.2
	Value adjustments and dividend	45.0	945.3	-25.8	-188.9	58.4
	Other operating income	34.5	57.4	36.2	41.5	47.3
	Profit from equity investments in associated companies and group companies	31.4	20.7	100.0	135.5	153.0
	Total income	*1,655.1*	*2,639.0*	*1,761.8*	*1,640.7*	*1,764.4*
	Costs and depreciation/amortisation	-1,399.3	-1,338.3	-1,210.9	-1,224.6	-1,221.4
	Impairments on loans and receivables, etc.	71.1	-4.6	-49.4	-99.0	-224.3
	Total costs	*-1,328.2*	*-1,342.9*	*-1,260.3*	*-1,323.5*	*-1,445.7*
	Profit before tax	*326.8*	*1,296.1*	*501.4*	*317.2*	*318.7*
	Tax	-28.0	-140.6	-82.0	-32.8	-23.7
	Profit for the year	*298.9*	*1,155.5*	*419.4*	*284.4*	*295.0*
	Selected balance sheet items					
	Loans and other receivables at amortised cost	21,798.8	21,682.8	20,850.0	19,637.1	18,201.9
	Bonds at fair value	18,834.3	11,812.4	15,207.8	15,402.0	14,566.6
	Total assets	54,973.8	47,261.3	44,340.3	41,978.3	40,060.3
	Deposits incl. pooled schemes	44,839.3	37,460.7	34,204.5	32,314.4	29,640.5
	Equity	6,873.2	6,761.5	5,681.7	5,279.6	5,049.1
	Other financial and operating data					
	Net interest and fee income	1,604.4	1,659.4	1,696.8	1,704.7	1,541.4
	Value adjustments	-15.3	901.5	-71.3	-241.0	22.7
	Staff and administrative expenses	-1,313.3	-1,264.4	-1,130.4	-1,111.5	-1,094.3
	Own funds	6,601.2	5,695.8	5,427.4	4,149.5	4,531.4
	Tier 1 capital	6,601.2	5,695.8	5,427.4	4,149.5	4,531.4
	Common Equity Tier 1 capital	5,784.8	5,053.1	4,673.6	3,975.6	4,057.1
	Exposures with credit risk	24,647.5	23,937.1	23,679.9	21,448.0	19,590.7
	Exposures with market risk	5,266.0	4,179.0	5,349.6	6,808.4	6,322.9
	Exposures with operational risk	3,311.8	3,312.0	2,944.1	2,957.0	3,156.7
	Total risk exposure	*33,225.2*	*31,428.2*	*31,973.6*	*31,213.4*	*29,070.3*

Note			2018	2017	2016	2015	2014
44	Ratios and key figures for the Bank						
	Solvency						
	Capital ratio	%	19.9	18.1	17.0	13.3	15.6
	Tier 1 capital ratio	%	19.9	18.1	17.0	13.3	15.6
	Common Equity Tier 1 capital ratio	%	17.4	16.1	14.6	12.7	14.0
	Earnings						
	Return on equity before tax	%	4.8	20.8	9.1	6.1	7.1
	Return on equity after tax	%	4.4	18.6	7.7	5.5	6.6
	Ratio of operating income to operating expenses per DKK	DKK	1.25	1.97	1.40	1.24	1.22
	Earnings per share	DKK	834	3,680	1,225	777	888
	Diluted earnings per share	DKK	834	3,680	1,225	777	888
	Return on capital employed	%	0.6	2.5	1.0	0.7	0.8
	Market risk						
	Interest-rate risk	%	0.5	-0.7	-1.2	-1.0	-1.4
	Currency position	%	2.2	1.3	2.3	1.3	3.0
	Currency risk	%	0.0	0.0	0.0	0.0	0.0
	Liquidity						
	Loans plus impairments in relation to deposits	%	51.5	61.2	65.0	65.1	66.1
	Liquidity coverage ratio (LCR)	%	268.1	185.7	153.5	152.3	-
	Credit						
	Sum of large exposures *)	%	53.0	80.3	0.0	10.6	20.7
	Impairment ratio for the year	%	-0.2	0.0	0.2	0.3	0.9
	Lending growth for the year	%	0.7	4.0	6.2	8.1	0.9
	Loans in relation to equity		3.2	3.2	3.7	3.7	3.6
	Equity						
	Net asset value per share	DKK	20,081	19,709	16,109	14,769	14,000
	Proposed dividend per share	DKK	200	500	100	100	150
	Employees						
	Average number of employees during the financial year converted to full-time equivalents		1,007	975	986	999	1,006

See note 45 for definitions of ratios and key figures.

*) The definition of the large exposures financial ratio changed in 2017. As a result, the ratio has been recalculated for 2017, but has not been restated for previous years.

Note

45 Definitions of ratios and key figures

The ratios used in the annual report are calculated as follows:

Solvency	
Capital ratio =	Own funds x 100 / Total risk exposure
Tier 1 capital ratio =	Tier 1 capital x 100 / Total risk exposure
Common Equity Tier 1 capital ratio =	Common Equity Tier 1 capital x 100 / Total risk exposure
Earnings	
Return on equity before tax =	Profit before tax x 100 / Equity (average)
Return on equity after tax =	Profit after tax x 100 / Equity (average)
Ratio of operating income to operating expenses per DKK =	Income / Costs (excl. tax)
Earnings per share =	Arbejdernes Landsbank's shareholders' share of the profit for the year, incl. tax base of return on Additional Tier 1 capital / Number of shares issued (average)
Diluted earnings per share =	Arbejdernes Landsbank's shareholders' share of the profit for the year, incl. tax base of return on Additional Tier 1 capital / Diluted number of shares issued (average)
Return on capital employed =	Profit after tax x 100 / Total assets (average)
Market risk	
Interest-rate risk =	Interest-rate risk x 100 / Tier 1 capital
Currency position =	Currency indicator 1 x 100 / Tier 1 capital
Currency risk =	Currency indicator 2 x 100 / Tier 1 capital
Liquidity	
Loans plus impairments in relation to deposits =	Loans + Impairments on loans / Deposits
Liquidity coverage ratio (LCR) =	Liquid assets and easily realisable assets x 100 / Payment obligations for the coming 30 days
Credit	
Sum of large exposures *) =	Sum of large exposures after deductions, excl. credit institutions x 100 / Common Equity Tier 1 capital
Impairment ratio for the year =	Impairments on loans and guarantees for the year x 100 / Loans + Impairment charges + Guarantees
Lending growth for the year =	(Loans, excl. reverse transactions carried forward - Loans, excl. reverse transactions brought forward) x 100 / Loans, excl. reverse transactions brought forward
Loans in relation to equity =	Loans x 100 / Equity
Equity	
Net asset value per share =	Arbejdernes Landsbank's shareholders share of equity / Number of shares
Proposed dividend per share =	Dividend yield x nominal value of the share / 100

Note

45	Definitions of ratios and key figures (continued)	
	Other financial ratios and key figures	
	Funding ratio *) =	Loans / Sum of deposits, including pooled schemes + Debt to Danmarks Nationalbank with remaining term > 1 year + Issued bonds with remaining term > 1 year + Subordinated debt + Equity
	Liquidity benchmark *) =	Modified formula in relation to liquidity coverage ratio (LCR), see the Danish FSA's guidance on the supervisory diamond for banks The liquidity benchmark indicates the ability to cope with three months of liquidity stress.
	Lending growth *)	(Loans, excl. reverse transactions carried forward - Loans, excl. reverse transactions carried forward 1 year before) x 100 / Loans, excl. reverse transactions carried forward 1 year before
	Commercial property exposure *) =	(Gross loans and guarantees within the sectors "Completion of building projects" and "Real property") x 100 / Gross loans + Guarantees

*) The key figure is used in the Danish FSA benchmarks, as described in the Management's report.

Note 46
Risk management

Arbejdernes Landsbank is exposed to various types of risk.

The most important types of risk for the Group are:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

This note to the annual report contains quantitative information about credit risk, market risk, liquidity risk and operational risk.

Credit risk

Credit risk is the risk that a counterparty is wholly or partly unable to make payments, or fails to make payments. The risk covers the entire spectrum, from a customer being unable to pay on time, to a customer ultimately being declared bankrupt.

Credit policy

The overall credit risk is managed in accordance with policies and frameworks adopted and stipulated by the Board of Directors. Authorisation guidelines are established by the Board of Directors and passed on to the Executive Management and then further on in the organisation.

A central element in Arbejdernes Landsbank's business model is to advise on, and grant loans, credits and other financial products to private individuals, associations and businesses, including financing solutions for car loans, leasing and factoring through the Bank's subsidiary AL Finans A/S.

Loans are authorised within the credit policy framework and with due consideration for various standard terms and conditions.

Business customers: The Group's notice of cancellation is usually 14 days. However, fixed-interest loans are non-cancellable by the Group and by the customer for the duration of the loan period. In the event of default, the Group may set aside this provision.

Private customers: The Group's notice of cancellation is usually three months. However, fixed-interest loans are non-cancellable by the Group for the duration of the loan period. In the event of default, the Group may set aside this provision.

The primary target group of the Bank is private customers, associations, as well as small and medium-sized Danish business customers where full-scale customer relationships are formed. Full-scale customer relationships provide a better insight into the overall financial situation of the customer, and this insight forms the basis for providing the best advisory services possible, and makes it easier to assess the risk of the individual exposure. Furthermore, the Bank aims at ensuring that the Bank's group of owners has the opportunity to conduct various forms of banking. The target group of the Bank's subsidiary, AL Finans A/S, is also private customers as well as small and medium-sized Danish business customers.

Generally, Arbejdernes Landsbank does not participate in geared investment transactions, nor does it wish to finance projects of a speculative nature. When providing credit, the assessment is based on an ethical profile and a desire to diversify risk over sectors, as well as the size of the exposure. This is important for the establishment of a sustainable foundation for Arbejdernes Landsbank's further development.

According to Arbejdernes Landsbank's policy for impairments on loans, loans that are considered uncollectable are written off. Guidelines for impairment are otherwise included in the instructions for the Executive Management.

Credit organisation

Arbejdernes Landsbank has 71 branches and two independent business centres as well as the Bank's subsidiary, AL Finans A/S.

The authority to grant loans is structured such that the branches, business centres and AL Finans A/S may authorise loans in the majority of cases, but in larger and more complex cases, as well as cases deviating from the general rule for credit risk profile, the branches, business centres or AL Finans A/S make a recommendation for authorisation to the central Credit Department, the Bank's Credit Committee or the Board of Directors.

Arbejdernes Landsbank 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.

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

Rating

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

The rating models are based on a combination of payment behaviour as well as other objective information about the customer, including financial statements 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 classified into four rating categories, corresponding to the Danish FSA credit quality categories:

- Rating categories 1-5: Customers with exposures of good/ normal credit quality.
- Rating categories 6-8: Customers starting to show weakness/certain signs of weakness
- Rating category 9: Customers with significant signs of weakness but without objective evidence of impairment (OEI).
- Rating categories 10-11: Customers with OEI, with and without individual impairment.

The rating categories are included in the quarterly credit risk reports to the Executive Management and the Board of Directors. In accordance with the credit policy, ratings 6-8 and 9 are treated collectively.

Regardless of the customer's rating, the individual credit decision will always be based on a total assessment of the customer.

The Bank's rating of customers is a central tool in ongoing monitoring and credit management and monitoring of the portfolio and in the Bank's model for impairments. Ranking of exposures in stages is based on the BEC's PD values, supplemented with the Bank's internal rating and various other criteria for credit weakness.

Rating distribution and rating development are monitored on an ongoing basis at portfolio as well as individual customer level.

In day-to-day risk management, rating is not used in the Bank's subsidiary AL Finans A/S. In AL Finans A/S, customers are generally dealt with on the basis of individual assessments. In the leasing area, an application model is used. In connection with the consolidated financial statements, customers of the AL Finans A/S subsidiary are rated in accordance with an internally developed model.

Credit risk management and monitoring

Arbejdernes Landsbank has ongoing focus on improving processes and tools that can contribute to more effective management and monitoring of credit risk.

With regard to the Bank, the branch network is responsible for collecting, registering and documenting the basis for authorising loans and for ongoing follow-up on customer relationships. This includes updating the credit basis and registrations used by the business, in the Bank's various follow-up tools, and in the Bank's rating model.

The branch management is responsible for ensuring that the employees have the required expertise, insight and detailed knowledge about the Bank's credit policy and their authorisations. The branch management is also responsible for ensuring that authorisation of credit that goes beyond the authority of the branch is recommended for authorisation by the Bank's central Credit Department.

The central Credit Department is responsible for ensuring that the branches comply with the Bank's credit strategy as well as its credit policy. Furthermore, the central Credit Department carries out branch contact, including credit advisory services and authorisation/recommendations on cases from branches and cases of a more complex nature that exceed the branch management's authority to grant loans.

The central Credit Department carries out ongoing inspection of branches, including reviewing large samples of weak customers and new-loan authorisations, focusing on the general management of exposures. There is a rotation system which ensures that, as a general rule, all branches are reviewed every three years. Where assessed necessary, the branch will then be required to prepare action plans for follow-up by the Credit Department.

There is also an annual asset review of Arbejdernes Landsbank's exposures on the basis of a materiality and risk-based approach. This review also covers the Bank's subsidiary AL Finans A/S. The Credit Department 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. The Credit Department monitors the processing of overdrafts on an ongoing basis.

Weak customers are dealt with on an ongoing basis, and each quarter, customers classified as stage 3 customers and stage 2 weak customers are examined individually, based on selected materiality criteria, in order to prepare action plans, and to assess whether the customer is credit-impaired and whether there is a need for impairment charges. The selected materiality criteria ensure that weak customers exceeding a certain exposure limit are examined at least once a year. Impairment charges concerning the part of the portfolio that is not credit-impaired, are calculated on the basis of a model calculation. The Bank's subsidiary, AL Finans A/S, has a procedure for reviewing loans with signs of weakness that entails individual impairments. For other loans, the calculation of the expected loss is based on a model calculation.

See also accounting policies, note 1.

The Group validates the expected losses. The purpose of the validation is to ensure that the allowance account is sufficient to cover the risk of losses on the Group's loan and guarantee portfolio, and to make an impairment allowance representing management estimates for areas in which the model does not adequately reflect the default risk. The validation includes both a quantitative validation and a qualitative validation. The quantitative validation is based on objective target figures and portfolio observations. It primarily includes validation of the model input parameters and the model assumptions. The validation has resulted in adjustment of one parameter. The qualitative validation is largely based on an individual review of specific exposures, identified as part of a sample review. The review ascertained that a number of property model values were too high, and this has caused Management to increase the allowance account.

All large lending exposures are regularly reassessed, and, at least once a year, on the basis of the customer's financial statements etc. If developments in objective indicators are assessed to warrant individual impairments, impairment charges are made according to regulations laid down for this purpose.

In practice, major lending exposures are reassessed more frequently, for example in connection with ongoing customer contact or the quarterly statement of the individual solvency need, when all lending exposures exceeding 1% of own funds are assessed. For weak exposures exceeding 2% of own funds, a further assessment is made to determine whether there are increased risks that call for an addition to the solvency need.

Credit risk is reported to the Executive Management and 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 stipulated in the credit policy.

Moreover, various management reports are prepared to provide additional monitoring of credit quality as well as relevant analyses to support credit monitoring.

The Risk Department (second line) monitors that credit management as well as internal controls are adequate. The Risk Department is also responsible for credit risk reports to the Bank's Executive Management and Board of Directors.

Counterparty risk

Counterparty risk is the risk of suffering a loss as a consequence of financial counterparties or customers defaulting on their obligations in connection with trade in derivative financial instruments.

Counterparty risk is managed in accordance with policies and frameworks adopted and established by the Board of Directors. Management of counterparty risk is based on calculations of the net value of transactions in which the market value is positive for Arbejdernes Landsbank. The risk is monitored daily, as is compliance with lines granted.

Arbejdernes Landsbank endeavours to reduce counterpart risk by entering into netting agreements and by demanding a cash collateral in derivative transactions wherever possible.

Risk hedging and risk reduction

Arbejdernes Landsbank uses all the options available to mitigate risk, and these generally involve securing collateral in the assets financed.

Arbejdernes Landsbank 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 assessed to be higher than the value calculated. To ensure independence and relevant competences, the valuation process is managed by specialised units. 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, cooperative housing and cars.

For individually assessed exposures, collateral is calculated in impairment calculations at estimated fair value less expected costs associated with takeover and realisation, while recognition of collateral values for model impairments is more prudent.

See page 113 for total collateral received by Arbejdernes Landsbank.

	Group		Bank	
	2018 DKK mill.	**2017** DKK mill.	**2018** DKK mill.	**2017** DKK mill.
Maximum credit exposure				
Receivables from credit institutions and central banks	5,211.5	6,015.7	5,202.3	6,007.8
Loans and other receivables at amortised cost	22,085.8	21,958.1	21,798.8	21,682.8
Guarantees	5,899.3	5,490.8	5,899.3	5,490.8
Irrevocable credit commitments	830.1	880.6	0.0	22.0
Other unutilised credit lines and commitments	6,082.0	6,123.7	5,519.2	6,213.7
Total credit exposure on items at amortised cost, guarantees and credit commitments	***40,108.7***	***40,468.8***	***38,419.6***	***39,417.0***
Bonds at fair value	18,834.3	11,812.4	18,834.3	11,812.4
Positive fair value of derivative financial instruments and spot transactions	50.9	67.4	50.9	67.4
Total credit exposure on items at fair value	***18,885.2***	***11,879.8***	***18,885.2***	***11,879.8***
Maximum credit exposure	***58,993.9***	***52,348.6***	***57,304.8***	***51,296.8***

	Group											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and excl. collateral			
	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Credit-impaired on initial recog-nition 2018 DKK mill.	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Credit-impaired on initial recog-nition 2018 DKK mill.	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Credit-impaired on initial recog-nition 2018 DKK mill.
Accounting credit exposure broken down by financial instruments												
Receivables from credit institutions and central banks	6,011.7	3.9	25.9	0.0	6,007.3	3.9	0.0	0.0	6,007.3	3.9	0.0	0.0
Loans and other receivables at amortised cost	13,034.4	8,327.6	1,805.8	103.5	12,995.3	8,152.6	684.2	67.8	4,838.7	3,236.9	266.4	59.0
Guarantees	3,495.5	1,874.6	151.4	0.0	3,490.1	1,872.4	118.6	0.0	3,241.4	1,714.0	111.6	0.0
Unutilised credit lines and commitments	4,746.1	2,116.8	194.9	0.0	4,738.0	2,111.0	153.3	0.0	3,215.2	1,116.9	103.7	0.0
Total exposures brought forward	*27,287.8*	*12,323.0*	*2,178.0*	*103.5*	*27,230.7*	*12,139.9*	*956.1*	*67.8*	*17,302.6*	*6,071.7*	*481.7*	*59.0*
Receivables from credit institutions and central banks	5,212.5	0.0	8.0	0.0	5,211.5	0.0	0.0	0.0	5,211.5	0.0	0.0	0.0
Loans and other receivables at amortised cost	15,985.6	5,359.8	1,957.2	83.0	15,936.0	5,225.3	882.1	42.4	6,019.5	1,674.1	251.5	27.6
Guarantees	5,099.0	676.3	146.9	0.0	5,097.8	675.5	126.1	0.0	4,784.8	631.5	114.7	0.0
Unutilised credit lines and commitments	5,188.8	1,443.2	328.4	0.0	5,177.9	1,439.6	294.5	0.0	3,763.3	432.1	91.2	0.0
Total exposures carried forward	*31,485.9*	*7,479.3*	*2,440.5*	*83.0*	*31,423.2*	*7,340.4*	*1,302.7*	*42.4*	*19,779.1*	*2,737.6*	*457.5*	*27.6*

The shift from stage 2 to stage 1 in 2018 is attributable to a positive development in the loan and guarantee portfolio as well as system improvements.

	Bank											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and excl. collateral			
	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recog-nition	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recog-nition	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recog-nition
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Accounting credit exposure broken down by financial instruments												
Receivables from credit institutions and central banks	6,003.9	3.9	25.9	0.0	5,999.4	3.9	0.0	0.0	5,999.4	3.9	0.0	0.0
Loans and other receivables at amortised cost	13,865.8	7,337.0	1,679.1	103.5	13,833.8	7,164.3	578.7	67.8	8,612.7	3,165.8	266.4	59.0
Guarantees	3,495.5	1,874.6	151.4	0.0	3,490.1	1,872.4	118.6	0.0	3,241.4	1,714.0	111.6	0.0
Unutilised credit lines and commitments	4,644.9	1,495.8	148.5	0.0	4,637.7	1,490.8	107.2	0.0	4,049.9	1,079.4	102.1	0.0
Total exposures brought forward	*28,010.1*	*10,711.4*	*2,004.9*	*103.5*	*27,961.0*	*10,531.4*	*804.5*	*67.8*	*21,903.4*	*5,963.1*	*480.1*	*59.0*
Receivables from credit institutions and central banks	5,203.3	0.0	8.0	0.0	5,202.3	0.0	0.0	0.0	5,202.3	0.0	0.0	0.0
Loans and other receivables at amortised cost	17,583.9	3,630.1	1,779.6	83.0	17,539.9	3,499.0	717.4	42.4	10,058.3	1,492.2	247.8	27.6
Guarantees	5,099.0	676.3	146.9	0.0	5,097.8	675.5	126.1	0.0	4,784.8	631.5	114.7	0.0
Unutilised credit lines and commitments	5,020.4	409.2	135.6	0.0	5,010.2	407.3	101.7	0.0	4,140.7	355.9	85.2	0.0
Total exposures carried forward	*32,906.6*	*4,715.5*	*2,070.1*	*83.0*	*32,850.2*	*4,581.8*	*945.2*	*42.4*	*24,186.1*	*2,479.5*	*447.7*	*27.6*

	Group											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and excl. collateral			
	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recog-nition	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recog-nition	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recog-nition
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Accounting credit exposure broken down by sectors and industries												
Credit institutions and central banks	6,208.9	23.0	33.5	0.0	6,199.2	21.4	0.0	0.0	6,199.2	21.4	0.0	0.0
Public authorities	141.9	37.0	1.0	0.0	141.7	37.0	0.7	0.0	126.5	1.5	0.0	0.0
Business												
Agriculture, hunting, forestry and fisheries	17.5	16.3	58.2	0.0	17.4	16.2	9.1	0.0	2.0	2.2	7.5	0.0
Industry and extraction of raw materials	588.4	476.0	87.5	2.0	586.8	473.3	45.3	0.0	107.1	123.5	6.6	0.0
Energy supply	37.1	3.1	0.1	0.0	37.1	3.1	0.1	0.0	1.3	2.4	0.0	0.0
Building and construction	327.9	486.5	109.2	2.7	326.6	482.7	61.2	0.6	142.6	261.0	29.6	0.1
Trade	1,098.3	815.4	121.6	0.2	1,095.2	808.4	52.3	0.0	250.6	194.5	17.9	0.0
Transport, hotels and restaurants	295.2	206.5	109.4	0.0	293.7	203.6	73.9	0.0	198.8	72.7	23.9	0.0
Information and communication	130.3	106.2	13.3	0.0	129.3	105.6	3.7	0.0	94.4	14.3	1.4	0.0
Financing and insurance	1,079.8	254.2	203.4	1.3	1,072.6	250.8	25.8	1.0	1,035.4	188.5	12.4	1.0
Real property	761.7	690.6	250.7	8.4	756.6	669.4	119.3	6.1	561.2	487.2	92.8	3.7
Other business	1,985.7	1,174.7	82.1	2.4	1,974.3	1,148.3	38.8	2.3	1,005.8	578.2	12.8	2.3
Total business	***6,322.1***	***4,229.5***	***1,035.4***	***17.0***	***6,289.9***	***4,161.4***	***429.5***	***10.1***	***3,399.1***	***1,924.4***	***204.9***	***7.1***
Private	14,615.0	8,033.5	1,108.1	86.6	14,599.9	7,920.2	525.8	57.7	7,577.8	4,124.4	276.8	51.9
Total exposures brought forward	***27,287.8***	***12,323.0***	***2,178.0***	***103.5***	***27,230.7***	***12,139.9***	***956.1***	***67.8***	***17,302.6***	***6,071.7***	***481.7***	***59.0***

	Group											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and excl. collateral			
	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Credit-impaired on initial recog-nition 2018 DKK mill.	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Credit-impaired on initial recog-nition 2018 DKK mill.	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Credit-impaired on initial recog-nition 2018 DKK mill.
Accounting credit exposure broken down by sectors and industries												
Credit institutions and central banks	5,477.8	0.0	15.7	0.0	5,475.4	0.0	0.0	0.0	5,474.6	0.0	0.0	0.0
Public authorities	142.2	5.5	0.0	0.0	141.1	5.4	0.0	0.0	110.3	2.3	0.0	0.0
Business												
Agriculture, hunting, forestry and fisheries	4.7	37.5	64.1	0.0	4.7	37.3	1.5	0.0	1.4	3.9	0.2	0.0
Industry and extraction of raw materials	464.2	494.1	90.6	2.0	461.8	492.3	52.8	0.0	255.1	56.6	4.7	0.0
Energy supply	11	13.9	0.0	0.0	1.1	13.8	0.0	0.0	0.4	4.7	0.,0	0.0
Building and construction	369.1	458.9	99.0	0.5	367.3	455.8	50.8	0.5	266.6	121.1	15.7	0.1
Trade	945.5	966.2	254.2	0.1	942.2	957.4	180.4	0.0	242.4	145.6	17.7	0.0
Transport, hotels and restaurants	243.8	173.8	152.7	0.0	242.5	170.0	122.7	0.0	164.4	47.1	16.5	0.0
Information and communication	33.0	119.7	4.9	0.0	32.8	119.3	3.0	0.0	13.3	9.0	1.5	0.0
Financing and insurance	1,108.4	90.2	218.2	0.0	1,098.3	81.2	35.5	0.0	1,052.1	44.2	21.6	0.0
Real property	832.1	253.4	221.5	4.0	829.3	240.2	116.0	1.0	641.6	109.7	64.1	1.0
Other business	1,822.9	1,050.7	118.5	0.0	1,812.7	1,036.1	69.7	0.0	949.0	351.6	14.4	0.0
Total business	***5,824.9***	***3,658.5***	***1,223.7***	***6.6***	***5,792.8***	***3,603.4***	***632.4***	***1.5***	***3,586.3***	***893.4***	***156.4***	***1.2***
Private	20,041.0	3,815.3	1,201.1	76.4	20,013.9	3,731.5	670.3	40.9	10,607.9	1,841.8	301.1	26,4
Total exposures carried forward	***31,485.9***	***7,479.3***	***2,440.5***	***83.1***	***31,423.2***	***7,340.4***	***1,302.7***	***42.4***	***19,779.1***	***2,737.6***	***457.5***	***27,6***

	Bank											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and excl. collateral			
	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Credit-impaired on initial recog-nition 2018 DKK mill.	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Credit-impaired on initial recog-nition 2018 DKK mill.	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Credit-impaired on initial recog-nition 2018 DKK mill.
Accounting credit exposure broken down by sectors and industries												
Credit institutions and central banks	6,201.0	23.0	33.5	0.0	6,191.4	21.4	0.0	0.0	6,191.4	21.4	0.0	0.0
Public authorities	126.0	24.5	0.0	0.0	125.9	24.5	0.0	0.0	125.2	0.5	0.0	0.0
Business												
Agriculture, hunting, forestry and fisheries	3.1	5.6	56.3	0.0	3.1	5.6	7.4	0.0	0.8	1.3	7.4	0.0
Industry and extraction of raw materials	107.6	135.6	52.5	2.0	106.7	133.5	14.7	0.0	97.9	116.8	6.4	0.0
Energy supply	1.0	2.3	0.0	0.0	1.0	2.3	0.0	0.0	1.0	2.3	0.0	0.0
Building and construction	174.2	315.0	95.9	2.7	173.2	311.5	49.6	0.6	129.6	247.3	29.4	0.1
Trade	254.3	255.4	96.3	0.2	252.4	249.5	29.2	0.0	218.3	165.7	17.7	0.0
Transport, hotels and restaurants	218.3	133.0	64.1	0.0	217.0	130.2	30.9	0.0	196.0	66.8	23.4	0.0
Information and communication	95.9	17.0	12.2	0.0	95.0	16.5	2.6	0.0	92.8	13.4	1.4	0.0
Financing and insurance	5,978.8	243.3	203.2	1.3	5,971.6	239.9	25.7	1.0	5,955.9	187.7	12.4	1.0
Real property	742.6	685.7	246.6	8.4	737.5	664.5	115.6	6.1	559.5	486.8	92.8	3.7
Other business	1,329.7	960.5	65.4	2.4	1,319.5	934.6	23.7	2.3	967.0	563.0	12.6	2.3
Total business	*8,905.6*	*2,753.4*	*892.5*	*17.0*	*8,877.1*	*2,688.0*	*299.5*	*10.1*	*8,218.7*	*1,851.0*	*203.6*	*7.1*
Private	12,777.5	7,910.5	1,078.8	86.6	12,766.7	7,797.5	505.0	57.7	7,368.1	4,090.1	276.4	51.9
Total exposures brought forward	*28,010.1*	*10,711.4*	*2,004.9*	*103.5*	*27,961.0*	*10,531.4*	*804.5*	*67.8*	*21,903.4*	*5,963.1*	*480.1*	*59.0*

	Bank											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and excl. collateral			
	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Credit-impaired on initial recog-nition 2018 DKK mill.	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Credit-impaired on initial recog-nition 2018 DKK mill.	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Credit-impaired on initial recog-nition 2018 DKK mill.
Accounting credit exposure broken down by sectors and industries												
Credit institutions and central banks	5,467.7	0.0	15.7	0.0	5,465.3	0.0	0.0	0.0	5,465.3	0.0	0.0	0,0
Public authorities	130.5	5.5	0.0	0.0	129.4	5.4	0.0	0.0	109.1	2.3	0.0	0,0
Business												
Agriculture, hunting, forestry and fisheries	4.7	3.0	63.2	0.0	4.7	2.9	0.6	0.0	1.4	0.8	0.1	0,0
Industry and extraction of raw materials	267.8	26.2	53.3	2.0	265.6	25.0	15.9	0.0	253.6	19.2	4.7	0,0
Energy supply	0.8	5.8	0.0	0.0	0.7	5.6	0.0	0.0	0.4	3.9	0.0	0,0
Building and construction	316.4	145.4	82.5	0.5	314.7	142.9	35.1	0.5	260.9	92.7	14.6	0,1
Trade	284.7	157.6	108.1	0.1	282.2	150.2	34.9	0.0	209.0	95.8	13.4	0,0
Transport, hotels and restaurants	202.4	81.4	66.8	0.0	201.1	77.8	37.7	0.0	163.0	38.8	16.4	0,0
Information and communication	16.8	9.4	4.5	0.0	16.6	9.2	2.6	0.0	13.2	6.8	1.5	0,0
Financing and insurance	5,852.2	66.2	217.9	0.0	5,842.1	57.2	35.3	0.0	5,812.7	42.0	21.5	0,0
Real property	828.9	228.8	214.3	4.0	826.0	215.7	108.7	1.0	641.3	107.4	63.4	1.0
Other business	1,450.8	375.3	79.7	0.0	1,441.3	362.0	31.4	0.0	916.0	293.4	11.6	0.0
Total business	***9,225.2***	***1,099.1***	***890.4***	***6.6***	***9,195.2***	***1,048.7***	***302.2***	***1.5***	***8,271.4***	***700.7***	***147.1***	***1.2***
Private	18,083.2	3,610.9	1,164.0	76.4	18,060.3	3,527.6	642.9	40.9	10,340.3	1,776.4	300.6	26.4
Total exposures carried forward	***32,906.6***	***4,715.5***	***2,070.1***	***83.1***	***32,850.2***	***4,581.8***	***945.2***	***42.4***	***24,186.1***	***2,479.5***	***447.7***	***27,6***

	Group											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and excl. collateral			
	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recog-nition	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recog-nition	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recog-nition
	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018	2018
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Accounting credit exposure, broken down by rating categories												
Ratings 1-5	22,662.0	3,965.1	12.7	0.9	22,615.4	3,942.6	9.8	0.9	14,850.8	2,598.1	3.0	0.8
Ratings 6-8	4,583.9	6,655.1	22.3	7.9	4,573.7	6,531.1	16.9	7.9	2,416.0	2,698.0	5.5	6.6
Rating 9	37.4	1,168.2	8.8	12.7	37.2	1,144.3	6.6	12.7	31.5	445.4	3.3	11.7
Ratings 10-11	4.4	534.6	2,134.1	82.0	4.4	521.9	922.7	46.3	4.3	330.2	469.9	40.0
Total exposures brought forward	*27,287.8*	*12,323.0*	*2,178.0*	*103.5*	*27,230.7*	*12,139.9*	*956.1*	*67.8*	*17,302.6*	*6,071.7*	*481.7*	*59.0*
Ratings 1-5	25,950.9	569.3	45.5	3.9	25,902.8	549.2	42.6	3.9	16,698.2	420.4	11.2	2.8
Ratings 6-8	5,499.0	5,816.4	306.1	9.5	5,484.5	5,728.7	299.3	9.4	3,051.2	1,778.8	43.3	4.7
Rating 9	29.0	713.0	56.6	2.2	29.0	699.2	54.2	2.2	23.3	371.4	18.4	0.8
Ratings 10-11	7.0	380.5	2,032.4	67.5	6.9	363.3	906.6	26.9	6.3	167.0	384.5	19.3
Total exposures carried forward	*31,485.9*	*7,479.3*	*2,440.5*	*83.1*	*31,423.2*	*7,340.4*	*1,302.7*	*42.4*	*19,779.1*	*2,737.6*	*457.5*	*27.6*

The note is based on the four rating categories corresponding to the Danish FSA credit quality categories. The rating categories are described on page 101. Exposures in rating categories 10-11 ranked as stage 1 are due to a timing difference between the rating and the ranking into stages.

	Bank											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and excl. collateral			
	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Credit-impaired on initial recog-nition 2018 DKK mill.	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Credit-impaired on initial recog-nition 2018 DKK mill.	Stage 1 2018 DKK mill.	Stage 2 2018 DKK mill.	Stage 3 2018 DKK mill.	Credit-impaired on initial recog-nition 2018 DKK mill.
Accounting credit exposure, broken down by rating categories												
Ratings 1-5	24,028.5	3,965.1	12.7	0.9	23,988.4	3,942.6	9.8	0.9	19,521.6	2,598.1	3.0	0.8
Ratings 6-8	3,939.7	5,349.2	22.3	7.9	3,931.1	5,227.8	16.9	7.9	2,346.0	2,606.5	5.5	6.6
Rating 9	37.4	862.5	8.8	12.7	37.2	839.2	6.6	12.7	31.5	428.2	3.3	11.7
Ratings 10-11	4.4	534.6	1,961.0	82.0	4.4	521.9	771.2	46.3	4.3	330.2	468.3	40.0
Total exposures brought forward	*28,010.1*	*10,711.4*	*2,004.9*	*103.5*	*27,961.0*	*10,531.4*	*804.5*	*67.8*	*21,903.4*	*5,963.1*	*480.1*	*59.0*
Ratings 1-5	27,978.5	569.3	29.2	3.9	27,935.6	549.2	26.8	3.9	21,187.5	420.4	10.4	2.8
Ratings 6-8	4,892.1	3,208.5	108.6	9.5	4,878.7	3,125.8	102.2	9.4	2,969.0	1,531.2	35.0	4.7
Rating 9	29.0	601.2	55.4	2.2	29.0	587.6	53.0	2.2	23.3	363.2	18.4	0.8
Ratings 10-11	7.0	336.4	1,876.9	67.5	6.9	319.2	763.2	26.9	6.3	164.7	383.9	19.3
Total exposures carried forward	*32,906.6*	*4,715.5*	*2,070.1*	*83.1*	*32,850.2*	*4,581.8*	*945.2*	*42.4*	*24,186.1*	*2,479.5*	*447.7*	*27.6*

The note is based on the four rating categories corresponding to the Danish FSA credit quality categories. The rating categories are described on page 101. Exposures in rating categories 10-11 ranked as stage 1 are due to a timing difference between the rating and the ranking into stages.

	Group		Bank	
	2018 DKK mill.	2017 DKK mill.	2018 DKK mill.	2017 DKK mill.
Concentration on total collateral				
Stage 1				
Properties	7,914.0	5,478.2	7,914.0	5,478.2
Securities, bonds, cash deposits, etc.	576.9	416.9	576.9	416.9
Cars	2,035.1	2,370.7	125.3	125.1
Warranties and guarantees	3.9	2.8	3.9	2.8
Other collateral	1,114.3	1,659.5	44.0	34.7
Total stage 1	***11,644.1***	***9,928.1***	***8,664.1***	***6,057.7***
Stage 2				
Properties	1,984.1	4,082.7	1,984.1	4,082.7
Securities, bonds, cash deposits, etc.	43.1	383.8	43.1	383.8
Cars	976.8	600.6	29.7	60.0
Warranties and guarantees	1.4	1.2	1.4	1.2
Other collateral	1,597.4	999.8	44.1	40.7
Total stage 2	***4,602.8***	***6,068.2***	***2,102.3***	***4,568.4***
Stage 3				
Properties	465.2	302.7	465.2	302.7
Securities, bonds, cash deposits, etc.	11.2	7.2	11.2	7.2
Cars	71.7	61.4	6.4	5.6
Warranties and guarantees	4.0	4.8	4.0	4.8
Other collateral	293.0	98.3	10.7	4.1
Total stage 3	***845.2***	***474.4***	***497.5***	***324.4***
Credit-impaired on initial recognition				
Properties	14.3	8.7	14.3	8.7
Securities, bonds, cash deposits, etc.	0.1	0.0	0.1	0.0
Cars	0.2	0.1	0.2	0.1
Warranties and guarantees	0.0	0.0	0.0	0.0
Other collateral	0.2	0.0	0.2	0.0
Total credit-impaired on initial recognition	***14.9***	***8.8***	***14.9***	***8.8***
Total	***17,107.0***	***16,479.4***	***11,278.8***	***10,959.3***

Collateral usually takes the form of mortgage on property and chattels, for example cars, etc. Furthermore, companies' shares, securities, letters of postponement, guarantees and warranties may possibly be used as collateral. Not all types of collateral are included at their full value in model impairment calculations. In stage 3, a specific assessment is made of individual forms of collateral. The note includes a specification of collateral, broken down by types and stages.

The disclosed collateral excludes the value of surplus collateral.

Regular assessments are made to ascertain whether there have been changes in the quality of collateral and other aspects as a result of impairment, or changes in practice regarding collateral. For 2018, there have been no changes with regard to the practice for valuing collateral or the practice for dealing with collateral.

The calculation of collateral includes collateral to cover unutilised credit lines and commitments. Comparative figures have been adjusted.

	Group 2018	Group 2017	Bank 2018	Bank 2017
Exposures fully covered by collateral				
Receivables from credit institutions and central banks	0.0	0.0	0.0	0.0
Loans and other receivables at amortised cost	6,518.8	6,677.8	4,720.7	4,790.2
Guarantees	120.8	160.7	120.8	160.7
Unutilised credit lines and commitments	1,542.7	1,250.9	756.8	529.4
Total exposures	***8,182.4***	***8,089.5***	***5,598.3***	***5,480.3***

	Group		Bank	
	2018 DKK mill.	2017 DKK mill.	2018 DKK mill.	2017 DKK mill.
Concentration risk on large exposures amounting to 10% or more of own funds, see Article 392 of the CRR.				
Credit institutions				
Credit exposure after deductions	0.0	579.2	0.0	579.2
Other business				
Credit exposure after deductions	0.0	0.0	0.0	0.0
Number of large exposures				
Credit institutions before deductions	8	7	8	7
Other business before deductions	0	1	1	2
Larger than 20% of own funds	0.0	0.0	0.0	0.0
15-20% of own funds	0.0	0.0	0.0	0.0
10-15% of own funds	0.0	0.0	0.0	0.0
Sum of large exposures, excl. credit institutions in % of own funds	0.0	0.0	0.0	0.0

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 credit-impaired, i.e. exposures to customers subject to depreciation/amortisation, impairments in stage 3 or 90 days in arrears.

	Group 2018	Group 2017	Bank 2018	Bank 2017
Loans with relaxed credit terms				
Private				
Non-Performing	310.9	302.5	310.9	302.5
Performing	14.2	24.9	14.2	24.9
Total	***325.1***	***327.5***	***325.1***	***327.5***
Business				
Non-Performing	528.8	432.6	528.8	432.6
Performing	15.2	19.5	15.2	19.5
Total	***544.0***	***452.1***	***544.0***	***452.1***
Total loans with relaxed credit terms				
Non-Performing	839.7	735.2	839.7	735.2
Performing	29.4	44.4	29.4	44.4
Total	***869.1***	***779.6***	***869.1***	***779.6***

Market risk

Market risk is the risk of losses due to changes in fair value of assets and liabilities as a result of changes in market conditions.

Arbejdernes Landsbank regularly accepts various forms of market risk, primarily as interest-rate risk, share-price risk or currency risk. Market risks arise partly as a result of servicing customers' needs, and partly from the Bank's positions in financial instruments, including derivative financial instruments, to manage and adjust market risks.

The Group's activities related to market risk arise from active management of the deposits surplus. Active management primarily takes the form of acquiring liquid assets in order to meet the Group's liquidity target for liquid assets (HQLA), and is supplemented by active placements based on return/risk considerations aiming at profitable earnings.

Trading in shares, bonds, currencies and related derivative financial instruments is an important business area for the Bank in relation to servicing its customers. In this regard, the Bank keeps a small portfolio in order to respond to customer flow.

Market risk is managed at Group level, and market risk in other units in the Group is regularly hedged with the Parent Company. The Group's market risk is categorised into five overall risk classes: general interest-rate risk, specific interest-rate risk, share-price risk, currency risk and commodity risk.

The purpose of market-risk management is to balance the overall market risk on assets and liabilities, in order to achieve a satisfactory return and risk balance.

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 outlines the framework for the maximum total market risk the Bank is permitted to accept. The Executive Management forwards parts of the risk framework to the Treasury & Finance Department. Otherwise, the framework is established based on the Executive Management's investment strategy, which depends on assessments of returns in relation to the risk in financial instruments with due consideration for the Group's other risks.

Monitoring market risk

Detailed risk reports are prepared daily, and these reports are sent to the Executive Management and other relevant parties.

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, the CRO and to the Risk and Liability Management Committee.

Reporting to the Executive Management and the Chief Risk Officer is on a daily basis, and detailed qualitative and quantitative reporting to the Board of Directors and the Risk and Liability Management Committee is monthly.

General and specific interest-rate risk

Interest-rate risk can be divided into general risks in the form of influences affecting the financial markets in general, and specific risks only affecting a single issuer of bonds. Arbejdernes Landsbank uses this distinction in day-to-day interest-rate risk management and in the calculation of risk exposures in the market risk used in the solvency statement.

With regard to general interest-rate risk, the market risk guidelines establish a framework for total net interest-rate risk and interest-rate risk per currency, as well as for a number of stress scenarios. This ensures that the Bank manages and monitors the primary interest-rate risk targets through parallel shifts of yield curves, risk related to interest-rate spreads between currencies and risk related to the structure of interest rates. The frameworks are calculated, monitored and reported on a daily basis.

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

A positive interest-rate risk expresses a gain for Arbejdernes Landsbank in the event of an interest-rate increase, and a loss in the event of an interest-rate fall. Conversely, a negative interest-rate risk expresses a gain in the event of an interest-rate fall and a loss in the event of an interest-rate increase.

At the end of 2018, the general interest-rate risk amounted to DKK 24.8 mill., calculated on the basis of a 1 percentage-point interest-rate increase. This implies a negative effect on equity before tax of DKK 24.8 mill in the event of a 1 percentage-point increase, and a negative effect of DKK 6.6 mill. in the event of a 1 percentage-point interest-rate fall. The calculations include convexity risk.

The table below shows the interest-rate risk, broken down by currency, in the event of an interest-rate increase and an interest-rate fall, respectively, of 1 percentage point.

	Increase of 1 percentage point DKK mill.	Fall of 1 percentage point DKK mill.
Interest-rate risk broken down by currency		
DKK	-145.5	78.6
USD	37.1	-39.3
EUR	87.6	-50.1
GBP	-1.0	1.0
NOK	-0.7	0.8
CHF	-1.6	1.6
SEK	-0.7	0.8
Other	0.0	0.0
Total	*-24.8*	*-6.6*

Specific interest-rate risk expresses the risk in relation to a specific issuer/issue, i.e. any loss in the event of changes in credit quality, liquidity, etc. for a specific issuer. The specific interest-rate risk is calculated as the initial default risk on a given issuer/issue, as well as the risk of changes in credit quality (credit-spread risk) expressed as changes in credit spread.

At the end of 2018, the credit spread risk on the bond portfolio and the portfolio of bond derivatives amounted to DKK 435.8 mill., calculated on the basis of a 1 percentage-point credit spread increase. This means that there would be a negative effect on equity before tax of DKK 435.8 mill. in the event of an increase of the credit spread of 1 percentage point, and conversely, there would be a similar positive effect in the event of a narrowing of the credit spread.

In the market-risk guidelines, credit-spread risk is subject to a range of restrictions. Monitoring is continuous and there are daily reports on utilisation of the frameworks.

Most investments are in Danish and European government bonds and Danish mortgage-credit bonds that are used to ensure that the Bank's liquidity target for liquid assets (HQLA) is met. Furthermore, by far the majority of investments are in highly rated assets: AAA-rated securities amount to almost 52%, and investment grade assets amount to 96% of the total portfolio.

At present, 4% (2017: 9%) of the total bond portfolio has been invested in a diversified portfolio of corporate bonds, excl. banks, primarily in DKK and EUR denominated bonds.

Investment in bonds issued by banks amount to 9% of the Bank's total bond portfolio (2017: 9%), and are mainly in banks in the investment grade segment or higher, with primary focus on banks with EUR-denominated bonds.

Relative composition of the bond portfolio at the end of 2018, broken down by external rating category and type of issuer:

	2018 %	2017 %
External rating		
AAA	52	64
AA+, AA, AA-	28	4
A+, A, A-	5	9
BBB+	2	3
BBB	6	10
BBB-	3	3
Rating < BBB-	1	2
No Rating	3	6
Total	*100*	*100*
Broken down by issuer		
Governments	14	24
Mortgage credit	75	58
Banks	7	9
Other business	4	9
Total	*100*	*100*

The rating scale is based on the S&P ratings or ratings from Moody's converted to corresponding ratings in the S&P scale.

Currency risk

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

An unfavourable exchange rate fluctuation in the EUR of 2% and in other currencies of 10% will lead to a negative impact on results and equity before tax of DKK 18.0 mill. (2017: DKK 8.2 mill.).

Furthermore, the Bank uses currency indicator 1 to manage currency risk.

Currency indicator 1 expresses the largest sum of positions in currencies in which the Bank has a net receivable and the sum of positions in which the Bank 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.

	2018	2017
Currency risk		
Currency indicator 1 in DKK mill.	144.5	80.7
Currency indicator 1 in % of Tier 1 capital	2.2	1.4
Currency indicator 2 in DKK mill.	1.2	0.3
Currency indicator 2 in % of Tier 1 capital	0.0	0.0

Share-price risk

The Bank invests on the stock markets to supplement its bond portfolio investments and cash placements. The Bank primarily trades in shares and through investment associations on well-known, established markets. Risk is calculated and monitored on a daily basis, and there is a fixed framework for net risk, gross risk and short/long positions, both at total level and on specific markets and product types.

The calculation of share-price risk distinguishes between share-price risk inside and outside the trading portfolio. Shares inside the trading portfolio are shares acquired for trading. A general fall in the share markets of 10% would lead to a capital loss in the trading portfolio and a negative impact on equity before tax of DKK 10.0 mill. (2017: DKK 21.9 mill).

Shares outside the trading portfolio primarily comprise investments in sector companies. The object of these companies is to support banks' transactions within mortgage credit, IT, money transmission services and investment associations. A general change in prices of 10% would lead to a capital loss and a negative impact on equity before tax of around DKK 135 mill. (2017: DKK 183 mill).

In 2018, Arbejdernes Landsbank completed the sale of shares in ALKA Forsikring, and this has reduced the portfolio of shares outside the trading portfolio.

	2018 DKK mill.	2017 DKK mill.
Share positions		
Trading portfolio		
Listed shares	95.5	141.1
Unlisted shares	4.5	77.5
Total trading portfolio	*100,0*	*218,6*
Shares outside the trading portfolio		
Listed shares	344,8	190,3
Unlisted shares	1.002,1	1.636,4
Total shares outside the trading portfolio	*1.346,9*	*1.826,7*
Total	*1.446,9*	*2.045,3*

Commodity risk

The Bank had no commodities positions at the end of 2018 and only accepts very limited commodity risks.

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 arises as 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.

Management and monitoring of liquidity risk are based on policies, guidelines and contingency plans decided by the Board of Directors. Furthermore, an internal framework has been established for liquidity management in the Treasury function, which is responsible for ensuring that the Group complies with the short-term liquidity framework. In cooperation with relevant staff functions, the Executive Management is responsible for managing long-term funding.

The Group has implemented various internal models to estimate the future liquidity need. These include stress test models, simulating exposure to specific and market-related shocks that are considered unthinkable, but not improbable. The models are based on projections as well as historically known liquidity features.

Cash resources according to LCR

The Board of Directors has stipulated in its liquidity policy that the Bank must have excess liquidity coverage in relation to the LCR minimum requirements. The Bank also has a policy that liquidity forecasts, which are prepared at least once a month, must comply with requirements for excess liquidity coverage ensuring a timely reaction by the Bank. Furthermore, the policy stipulates that stress tests must be performed to ensure timely reaction by the Bank with regard to ensuring excess liquidity coverage. Liquidity forecasts are submitted to the Board of Directors on a monthly basis, and more often, if required.

	2018 DKK bn.	2017 DKK bn.
LCR liquidity statement		
Total liquidity buffer	20.4	14.5
Net outflow	7.6	7.8
LCR (%)	268.1	185.7

At the end of 2018, LCR was calculated at 268%, which is comfortably in line with the Bank's objective of excess liquidity coverage, and an improvement compared with the level in 2017.

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.

	2018 DKK bn.	2017 DKK bn.
Funding ratio		
Equity and subordinated debt	6.9	6.8
Stable deposits	44.8	37.5
Stable funding	51.7	44.2
Loans before impaiments (excl. reverse transactions)	23.0	23.1
Funding ratio (%)	44.4	52.3

The Group's stable funding exceeds the Group's lending by DKK 28.7 bn. at the end of 2018.

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 DKK mill.	Contractual cash flows DKK mill.	Within 1 year DKK mill.	More than 1 year DKK mill.
2018				
Debt to credit institutions and central banks	1,622.3	1,622.3	1,249.0	373.4
Deposits and other debt	40,695.5	40,695.5	39,469.5	1,226.0
Deposits in pooled schemes	4,177.2	4,177.2	2,207.7	1,969.6
Other non-derivative financial liabilities at fair value	302.7	302.7	302.7	0.0
Derivative financial instruments	327.1	300.2	104.6	195.5
Contingent liabilities	5,899.3	5,899.3	2,327.6	3,571.7
2017				
Debt to credit institutions and central banks	2,080.7	2,080.7	1,708.4	372.3
Deposits and other debt	34,756.2	34,756.2	33,654.3	1,101.9
Deposits in pooled schemes	2,727.5	2,727.5	658.2	2,069.3
Other non-derivative financial liabilities at fair value	54.8	54.8	54.8	0.0
Derivative financial instruments	262.9	266.8	98.4	168.4
Contingent liabilities	5,490.8	5,490.8	2,936.7	2,554.1

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

Payments regarding contingent liabilities 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' pool scheme deposits are distributed, as the future returns for the participants in the pool depend on the return on assets in the pool. There will be a correlation between maturities of obligations and assets related to the pools.

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

A large part of the Group's assets are highly negotiable assets in the form of certificates of deposit and bonds, which are adjusted as liquidity obligations mature.

Operational risk

Operational risk is the risk of direct or indirect losses as a result of inappropriate or incomplete procedures or systems, human error or external events, including legal risks.

Policy for operational risk

Operational risks and losses resulting from such risks can be limited but not eliminated. Arbejdernes Landsbank's policy is that operational risks must be reduced, taking into account the costs associated with such risk reduction.

The treatment of operational risks must support Arbejdernes Landsbank's activities as a stable and sound financial enterprise. Consequently, Arbejdernes Landsbank's products and systems must be fully transparent to ensure a complete overview of operational complexity, and, where possible, a reduction of operational risks to an acceptable level. One way of achieving this is to use tested and well-documented solutions, and to ensure that the employees are highly professional.

Management of operational risk is regulated in the policy for operational risk, and is implemented in the organisation through business procedures related to this policy.

Management, monitoring and reporting

Arbejdernes Landsbank carries out a risk identification process, and this forms the basis for assessing operational risks in the coming year. The purpose if this is to ensure that the Group has the necessary overview of key processes and related operational risks.

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. Procedures and processes are regularly reviewed and assessed by the compliance function, as well as the internal and external auditors.

IT security

In the assessment of Arbejdernes Landsbank's operational risk, IT constitutes a significant area. IT is essential to support business activities at Arbejdernes Landsbank, and consequently, it is vital to protect the IT environment of Arbejdernes Landsbank against loss of availability, integrity and confidentiality. In particular, the growing cyber threat has led to increased focus on IT security.

A Head of IT Security and a Data Protection Officer (DPO) have been employed to manage IT security, and Management also regularly assesses IT security.

Arbejdernes Landsbank's work with IT security is based on various standards and best practice guidelines. This includes increased focus on safeguarding the critical systems managed by BEC, through ongoing supplier management ensuring that the IT systems at Arbejdernes Landsbank maintain the required level of security.

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