Annual Report
2019

Arbejdernes
Landsbank

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

Contents

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

2019 was an exceptional year for Arbejdernes Landsbank. On 3 June the Bank celebrated its centenary, for the tenth year in succession the Bank was lauded by Danes as their preferred bank, and in the first half of the year we passed the historic milestone of 300,000 customers. Now, in early 2020, we are still strong. Danish bank customers have just voted us as their preferred bank for the eleventh successive year, and many people look to us when they are changing to a new bank. We have the highest customer satisfaction rate in the sector. We score highly too on employee satisfaction. As the chairman of Arbejdernes Landsbank, I am both pleased and proud of this development. We will do everything we can to maintain this position in 2020 and in the future. We will persist in building our business on sound values such as accountability, attentiveness and a straightforward approach, and with outset in our new strategy, we will strive for more customers and more satisfied customers up to 2025.

The consolidated financial statements for 2019 show a profit after tax of DKK 544.8 mill. with a return on equity of 7.9% after tax. The Bank adjusted upwards its expectations for the year in connection with the interim financial statements, and then again in early January 2020. The profit improvement in 2019 is particularly impacted by the sale of our shares in LR Realkredit A/S and Sparinvest Holdnings SE, which contribute positively to the value adjustments with DKK 176.0 mill. Moreover, our investment in Vestjysk Bank A/S resulted in a gross return of DKK 128.6 mill. in 2019. In 2019, there was a significant increase in net fee income, primarily attributable to extensive conversion activity for our customers with mortgage-credit loans. Over the past two years, impairments on loans, etc. have resulted credits to the income account, and in 2019 this amounted to DKK 53.9 mill., demonstrating solid credit quality. The Board of Directors and the Executive Management have proposed to the General Meeting a dividend of 15%, corresponding to DKK 150 per share of DKK 1,000.

The level of lending is increasing, with a growth rate of 3.7% against 0.8% in 2018. Deposits, including pooled deposits have shown significant growth rates in recent years, continuing in 2019 at 6.9% against 19.7% in 2018. However, the current low-interest environment is not favourable for a bank like ours with a large deposits surplus and when we aim at confining reinvestment to within a restricted risk profile. In 2019, in line with many of our competitors, the Bank introduced negative interest rates on deposits from businesses and associations.

In 2019, the Bank saw a further influx of 14,447 customers. Moreover, there were 8,357 related customers linked with the Bank's existing customers, and in future these will be included in our definition of customers. At the turn of the year, we have 318,720 customers at Arbejdernes Landsbank. We are enormously proud and grateful for this. 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 us.

Specific initiatives for 2019

Organisational upgrade

In 2019, we carried out a number of large organisational changes. Among other things, we increased the number of deputy bank directors and added more resources to the anti-money laundering department and compliance area. The organisational upgrade will ensure that we are ready to meet the large influx of new customers, that we can maintain the sector's highest customer satisfaction, and that we can remain at the forefront of innovation and development. And last, but not least, that we are ready to deal with the new regulatory demands we are constantly being faced with. This is the very foundation for realising our long-term strategic goal of attracting more customers and having more satisfied customers.

Development and implementation of new strategy

In early 2019, we started work on developing our new strategy. We call it *"Strategy 2025: More customers and more satisfied customers"*. All of the Bank's managers have been involved in the development process, and the strategy was implemented in the organisation at the start of 2020. The strategy is ambitious, and over the next five years it will set our course towards achieving our future goals.

Responsible lending

Another project on which we spent much time and resources in 2019 is the development of a new consumer loan, *Ansvarligt Lån* (responsible loan), which was launched in January 2020. *Ansvarligt Lån* is a product for Danes to borrow up to DKK 75,000 on responsible and sound terms. The target group for the loan is Danes who are not currently customers of the Bank. With an interest rate of 8.95%, the loan is a strong and responsible alternative to many other consumer loans (e.g. *kviklån*).

Green lending

Sustainable initiatives are increasingly being taken by our customers, owners, employees and the world, and for this reason, as a responsible bank, in the autumn we started offering our customers two new climate-friendly products on unique terms: a climate loan and a green car loan. Both loans have got off to a good start, and we have received positive feedback from existing and potential customers as well as positive publicity in the media.

AL² Aarhus

Back in 2018, we opened a new innovative customer universe, AL², at Nørreport in Copenhagen. The facility has been very well received by Copenhageners, and so, in spring 2019, we decided to open a similar AL² in Aarhus. AL² Aarhus has established a close collaboration with the Espresso House coffee chain, and just like in Copenhagen, the idea is to offer bank services to customers in a new and different way.

Outlook for 2020

Group activities aim at customer growth and business growth. Current conditions for banking activities point to lower expectations for future earnings in the years to come. The negative interest environment is not favourable for a bank like Arbejdernes Landsbank which manages a large deposits surplus and which is reluctant to deviate from its defined risk strategy. In addition, uncertainty about macro-economic developments will restrain customers' propensity for investment and to take out loans. Expectations for Group profit before tax are around DKK 225-275 mill.

On behalf of the Board of Directors and the Executive Management, I would like to say thank you to the Bank's shareholders, the Board of Representatives, local councils and customers for their good collaboration in 2019. And to all employees: A huge THANK YOU for the dedicated efforts you make for our bank every single day. Together we make up a very strong team and I am looking forward to sharing 2020 and the next hundred years of our bank's history with you!

Per Christensen
Chairman of the Board of Directors

Per Christensen
Chairman of the Board of Directors

Gert R. Jonassen
CEO

Arbejdernes Landsbank

2019 IN FIGURES

116,555
NEW CUSTOMERS OVER THE PAST **10 YEARS**

6TH LARGEST
DANISH BANK

NO.1
DANES' PREFERRED BANK FOR **11TH SUCCESSIVE YEAR**

318,720
CUSTOMERS

14,090
NEW MORTGAGE-CREDIT LOANS AND HOUSING LOANS GRANTED

EQUITY (DKK)
6.9 billion

1,040
EMPLOYEES AT THE BANK (AVE. FTE)

PROFIT FOR THE YEAR (DKK)
544.8 mill.

70
BRANCHES THROUGHOUT DENMARK

The main activities of Arbejdernes Landsbank

In accordance with our business model, our objective is to provide advice and services to 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. Our 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 to establish 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, the building and construction sector, 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 19.4 bn. at the end of 2019. 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 Department 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 advisor.

Our goal for our advisory services is to 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. This position is primarily based on a core set of values such that value for the individual customer is not only 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.

Financial highlights for the Group

		2019 DKK mill.	2018 DKK mill.	2017 DKK mill.	2016 DKK mill.	2015 DKK mill.
Income statement						
Net interest income *)		1,074.5	1,104.4	1,193.6	1,248.3	1,253.0
Net fee and commission income		688.1	580.3	555.5	536.0	517.3
Value adjustments and dividend		341.8	45.5	945.1	-25.5	-188.4
Other operating income *)		69.2	68.8	90.5	81.8	107.6
Profit from equity investments in as-sociated companies and group com-panies		24.3	0.0	0.0	65.2	102.4
Total income		***2,197.9***	***1,799.0***	***2,784.7***	***1,905.8***	***1,791.9***
Costs and depreciation/amortisation *)		-1,663.4	-1,529.5	-1,465.6	-1,336.1	-1,359.2
Impairments on loans and receivables etc.		53.9	69.5	-14.3	-55.7	-102.9
Total costs		***-1,609.5***	***-1,460.0***	***-1,479.9***	***-1,391.8***	***-1,462.1***
Profit before tax		***588.4***	***339.0***	***1,304.7***	***514.0***	***329.8***
Tax		-43.6	-40.1	-149.3	-94.6	-45.5
Profit for the year		***544.8***	***298.9***	***1,155.5***	***419.4***	***284.4***
Selected balance sheet items						
Loans and other receivables at amortised cost *)		22,906.4	22,085.8	21,958.1	21,058.3	19,768.3
Bonds at fair value		20,859.8	18,834.3	11,812.4	15,207.8	15,402.0
Total assets		59,024.0	55,106.5	47,368.9	44,425.8	42,070.4
Deposits incl. pooled schemes		47,989.8	44,872.7	37,483.7	34,205.8	32,314.0
Equity		6,855.2	6,873.2	6,761.5	5,681.7	5,279.6
Selected financial ratios						
Capital ratio	%	19.8	20.0	18.3	17.1	13.4
Common Equity Tier 1 capital ratio	%	16.2	17.6	16.2	14.8	12.8
Return on equity before tax	%	8.6	5.0	21.0	9.4	6.4
Return on equity after tax	%	7.9	4.4	18.6	7.7	5.5
Ratio of operating income to operating expenses per DKK *)	DKK	1.37	1.23	1.88	1.37	1.23
Liquidity coverage ratio (LCR)	%	269.9	268.1	185.7	153.5	152.3
Impairment ratio for the year	%	-0.2	-0.2	0.1	0.2	0.3
Lending growth for the year *)	%	3.7	0.8	4.3	6.5	8.1

See note 46 for definitions of ratios and key figures.

Comparative figures for 2015-2018 have not been adjusted for the effect of implementing IFRS 16, and comparative figures for 2015-2017 have not been adjusted for the effect of implementing IFRS 9.

*) 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. The comparative figure for 2016 has been adjusted.

Financial review

In 2019, the Group delivered a profit before tax of DKK 588.4 mill. (2018: DKK 339.0 mill.) and a profit after tax of DKK 544.8 mill. (2018: DKK 298.9 mill.). The result provides a return on equity of 7.9% after tax (2018: 4.4%).

Given also that, for the tenth consecutive year we have had a considerable growth in our customer base; growth now totalling 116,555 customers, and that over the past 11 years Danes have voted us the most attractive bank, we consider the results very satisfactory.

Dividing the profit before tax by segment, see note 4, customer activities still contribute most to the profit, and they give the best return based on the proportion of equity allocated. However, compared with 2018 there is a decline of DKK 85.5 mill., which is primarily a consequence of negative interest rates and increasing costs to cover increases in personnel and investments in technology, which will support continued customer and business growth in this segment.

Earnings on the Investment activities segment amounted to DKK 47.5 mill. compared to DKK -133.4 mill. in 2018, primarily because of better returns on the Bank's securities portfolio.

Earnings on Other activities also showed a significant increase of DKK 154.0 mill. This is primarily due to the sale of shares in LR Realkredit A/S, which contributed a net gain of DKK 140.2 mill. in 2019.

Based on the selected financial highlights for the Group on page 8, the accounting developments can be described as follows:

Income

Total income for the year amounted to DKK 2,197.9 mill.; an increase of DKK 398.9 mill. compared with 2018. The segment information in note 4 shows that Customer activities contributed most income and showed an improvement in relation to 2018. Increasing fee income is related to the extensive remortgaging activity for our customers with mortgage-credit loans. However, it is also a consequence of the continued influx of new customers and growth in deposits and lending.

Investment activities also show increases in earnings, and the return on the trading portfolio of securities in 2019 amounted to DKK 105.7 mill. compared to DKK -79.6 mill. in 2018. It has been a favourable year, with increasing prices of both bonds and shares, but the low interest rates have inhibited the level of earnings.

Other activities show an increase in earnings of DKK 161.4 mill. compared with 2018. In addition to profit of DKK 140.2 mill. in connection with the sale of LR Realkredit A/S, the investment in Vestjysk Bank A/S has contributed most positively to the development. In total, the Bank had a positive return on Vestjysk Bank A/S of DKK 128.6 mill. in 2019, of which DKK 24.3 mill. was realised after the company was classified as an associate.

Net interest income for the Group as a whole was DKK 1,074.5 mill., corresponding to a decrese of DKK 29.9 mill. or 2.7% compared with 2018. Lending led to an increase in earnings, with growth of DKK 820.6 mill., while a decrease in the interest-rate differential pulled in a negative direction. Deposits, including pools increased by DKK 3.1 bn. or 6.9%. In line with a number of other banks, the Bank has introduced negative interest rates on certain deposits for business and association customers, etc. The current low-interest environment, where banks pay interest for placing surplus liquidity in Danmarks Nationalbank, is likely to continue in 2020.

Net fee and commission income was DKK 688.1 mill., an increase of DKK 107.9 mill. compared with 2018. This improvement is primarily attributable to increased income for arranging mortgage-credit loans through Totalkredit, and fee and commission income from the extensive conversions of customers' mortgage-credit loans. In 2019, the Bank paid DKK 53.5 mill. in AL-BoligBonus compared with DKK 47.1 mill. in 2018. Since the introduction in 2016, the Bank has paid DKK 142.2 mill in AL-BoligBonus to our customers.

Value adjustments and dividends amounted to DKK 341.8 mill. against DKK 45.5 mill. in 2018. The increase was primarily due to the sale of LR Realkredit A/S and positive returns on the investment in Vestjysk Bank A/S.

Developments in the Bank's other portfolios of securities have been negative, including in particular value adjustments on bonds and derivative financial instruments at DKK -38.4 mill. in 2019 against DKK -167.6 mill. in 2018. Despite the increasing prices, the low interest rates make market conditions difficult.

Other operating income was at the same level as 2018, and amounted to DKK 69.2 mill. in 2019 against DKK 68.8 mill. last year. This item includes primarily income from operating leasing.

In 2019, the Bank acquired shares in Vestjysk Bank A/S, and our ownership is now more than 20%. Consequently, the ownership is now classified as an associated company. A share of profits of DKK 24.3 mill. has been posted to income under profit from equity investments in associated companies and group companies.

Expenses

Total expenses for the Group amounted to DKK 1,609.5 mill., which is DKK 149.5 mill. or 10.2% more than in 2018.

Out of the total expenses, DKK 876.9 mill. was attributable to staff costs etc. Realised payroll costs etc. amounted to DKK 35.2 mill. or 4.2% higher than in 2018, which can be explained by the increase in the number of employees, collective-agreement pay increases, provisions in connection with organisational changes, and anniversary bonuses related to the Bank's centenary.

Other operating expenses amounted to DKK 786.5 mill., which is DKK 98.7 mill. or 11.7% higher than in 2018. This increase is partly attributable to expenses related to strategic ICT projects with Bankernes EDB Central (BEC), and in the 'Totalkreditfællesskabet' community. Developments in expenses are generally influenced by the decisions in the Bank's strategy to maintain a comprehensive branch network with personal advisory services, and to ensure that our customers have access to advanced digital solutions. Continued investments in new technology will ensure that our customers receive even better bank facilities and that our employees have more time to advise customers.

Impairments on loans etc. showed a net credit in 2019 of DKK 53.9 mill. compared with a net credit of DKK 69.5 mill. in 2018. This favourable development can primarily be explained by the continuing improvement in underlying credit quality, with customers' creditworthiness becoming stronger because of continued low interest rates. This has a positive effect of the need for impairment.

Second half-year

The profit before tax for the second half-year 2019 amounted to DKK 335.9 mill. against DKK 252.5 mill. for the first half-year 2019. A comparison between the two periods of the primary items shows that net interest and fee income is at the same level, although there is slightly higher fee income in the second half-year because of the extensive conversions of mortgage-credit loans. The positive value adjustments on the portfolio of securities are primarily behind the growth in earnings.

Costs showed larger growth in the second half-year, although this was budgeted for.

Results

Profit before tax amounted to DKK 588.4 mill. against DKK 339.0 mill. in 2018. After tax the profit amounted to DKK 544.8 mill. against DKK 298.9 mill. in 2018. The shareholders' share amounted to DKK 495.5 mill. while the owners of Additional Tier 1 equity instruments received a return of DKK 49.3 mill. Profit after tax provided a return on equity of DKK 7.9% against 4.4% in 2018.

The Group profit before tax of DKK 588.4 mill. is higher than expectations announced at the beginning of 2019 of DKK 275-325 mill., which were adjusted upwards in connection with the interim financial statements to DKK 475-525 mill. The Group decided in early January 2020 to announce a further upward adjustment of DKK 75 mill. The reason for the upward adjustment was primarily the positive development in the price of shares in Vestjysk Bank A/S, and, in the second half-year, an expectation that the sale of shares in Sparinvest Holdings SE and shares in LR Realkredit A/S would be realised before the end of 2019.

Distribution of a dividend of 15% or DKK 45 mill., corresponding to 9.1% of the shareholders' share of the profit, has been proposed to the General Meeting, illustrating the need for continued consolidation

Balance sheet

At the end of 2019, the consolidated balance sheet amounted to DKK 59.0 bn. against DKK 55.1 bn. at the end of 2018. The increase of DKK 3.9 bn. is attributable to the increase in deposits including pools (+ DKK 3.1 bn.) and new Tier 2 capital (+ DKK 0.9 bn.). Capital was used on securities, including holdings in associated companies (+ DKK 2.5 bn.), pooled assets (+ DKK 1.5 bn.) and lending (+ DKK 0.8 bn.). Receivables from credit institutions were reduced by DKK 1.3 bn., and this is because the portfolio of certificates of deposit is posted to this item, and these have been reduced by DKK 1.2 bn. compared with the end of 2018.

Deposits

Deposits including savings in pooled schemes amounted to DKK 48.0 bn. against DKK 44.9 bn. at the end of 2018, and the increase of DKK 3.1 bn. is primarily attributable to private customers, with DKK 4.9 bn. Of this, savings in the Bank's pooled schemes increased by DKK 1.5 bn. and now amount to DKK 5.7 bn. This is evidence of the great customer loyalty and confidence in the Bank.

In November 2019, negative interest rates on deposits from business customers and associations were introduced. The decline in deposits from these customers of DKK 1.8 bn. is probably a result of this, but it also shows that these customers are increasingly placing their funds in securities.

Since 2019, the Bank has persisted in its policy that ordinary private deposits customers should not have to pay interest for having money deposited in the Bank, even though several of our competitors have gone this way. Arbejdernes Landsbank is particularly cautious not to attract customers with deposits who do not want to be full customers of the Bank.

Lending

At the end of 2019, lending amounted to DKK 22.9 bn. against DKK 22.1 bn. at the end of 2018. Continued customer growth and the consequential growth in business have contributed to this improvement, and it is expected to continue in the years to come, with stronger focus on the business segment. The Group is very aware that the current positive credit quality must be maintained and expanded.

Securities portfolio

The Group securities portfolio amounted to DKK 22.8 bn. in bonds, shares, investment certificates etc. and associated companies. This is an increase of DKK 2.5 bn. and it is a consequence of the increasing deposits. The majority of the portfolio, DKK 20.9 bn., is placed on the bonds market.

Equity

At the end of 2019, equity was unchanged compared with the end of 2018 at DKK 6.9 bn. Shareholders' share of equity increased by DKK 0.4 mill., while DKK 0.4 bn. of Additional Tier 1 debt instruments were redeemed. 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 acquired own shares of nominal DKK 7.3 mill.

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 by their nature are 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. Making such estimates and assessments is therefore difficult. If estimates also involve customer relationships and balances 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.

Outlook for 2020

The upswing in Denmark is entering its seventh year. There is still room for growth, but it will be in a lower rate than in the preceding years. Employment is at record heights and still increasing although at a slightly slower pace. Potential pressure on the labour market could present challenges, but this is being countered by a growing workforce and it is unlikely to stifle growth significantly in 2020.

We expect that private consumption will encourage growth in 2020. Consumers are strong, with a high level of employment, good increases in incomes and considerable interest savings. The greatest risk for the Danish economy in our assessment lies outside of Danish borders in the form of a drop in global growth and political risks such as trade wars and Brexit. This could potentially impact Danish exports and thereby Danish jobs and the economy as a whole.

The upswing is more durable than previous upswings. During the current upswing, consumers have saved up and reduced their debt. Companies have also been cautious in investing, and there are no signs of over-investment. This makes the economy more resilient and the risk of a serious recession is less than in previous upswings.

2019 was the year with the largest number of mortgage-credit loan conversions ever, and these have resulted in an increase in Danish mortgage-credit borrowing by households. Even though Danes are borrowing more, the extent of bank loans in Denmark has fallen. Low interest rates and increasing incomes are bolstering the housing market, and we expect continued increases in the market for houses, but a standstill in prices of freehold flats.

This is likely to be beneficial to Group lending growth. We also expect that continued customer growth and additional focus on the business segment will contribute positively to lending growth. Continued low market interest rates and fierce competition in the sector means that we still expect lower net interest income than in 2019. On the fee side, 2020 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 2019. There is also an expectation of high loan-conversion activity in 2020, but not to the same extent as in 2019.

Investment activities are expected to contribute only marginally positively to earnings, and placing the deposits surplus in securities is expected to lead primarily to negative returns.

With regard to expenses, there will be particular pressure on staff costs. This is the consequence of a need for more resources to deal with greater regulation, the continued increase in customer inflow, and IT costs, which include a number of major strategic projects for efficiency improvements.

Impairments on loans, etc. are expected to be low as a result of good economic trends, but also as a consequence of good customer credit quality.

Overall, on the basis of the above, the Group expects to realise a profit before tax for 2020 of approximately DKK 225-275 mill. These expectations are associated with high uncertainty, linked in part to investment returns, macro-economic developments, and the level of impairments.

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 risk and uncertainty. This also includes focus on the funding composition so that, at all times, this matches the expected MREL requirement for a minimum share of long-term debt obligations stipulated by the Danish FSA for a bank of the size of Arbejdernes Landsbank, referring to the provisions in the Resolution Executive Order (Danish Act on Restructuring and Resolution of Certain Financial Entreprises).

The policy of the Board of Directors is that the Bank and the Group should have a capital ratio such that the Group can continue its lending activities in periods 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 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 composition

The composition of capital respects for the following objectives, with outset in the current solvency need of 10.0%:

	2019 Tar	2019 Actual
Common Equity Tier 1	12.1	16.2
Tier 1 capital ratio	14.0	17.3
Capital ratio	16.5	19.8

The targets are set such that, at all times, the Group meets the combined capital buffer requirement, maximised at 5.0%, which may only be covered by Common Equity Tier 1 capital. The buffer requirements are currently 3.5%. and will in 2020 be increased to 4.5%.

The capital requirement of 13.5%. is defined as the solvency need plus the current combined capital buffer requirement, which as of 1 January 2020 amounted to 3.5%, meaning that the Group has an excess capital cover of 6.3 percentage points. The current capital buffer is well able to cover the additional capital requirement in the form of the announced increase in the combined capital buffer requirement to a total of 4.5%.

MREL requirement

In the period 2019-2023, the Group must meet the MREL (Minimum Requirement for own funds and Eligible Liabilities) requirement imposed by the Danish FSA, currently accumulating to 7.9% of the risk-weighted exposures at the start of 2023. The Bank expects that the requirement will primarily be met through raising senior non-preferred debt (MREL capital). Currently, the phased-in part of the MREL requirement of 1.9 percentage points as of 1 January 2020 is covered by the own funds.

Capital planning

Arbejdernes Landsbank regularly assesses its need to adjust its capital structure, including goals, policies and processes.

In the first half of 2019, the Bank redeemed Additional Tier 1 capital of DKK 400 mill. and raised subordinated debt of DKK 900 mill.

Liquidity management

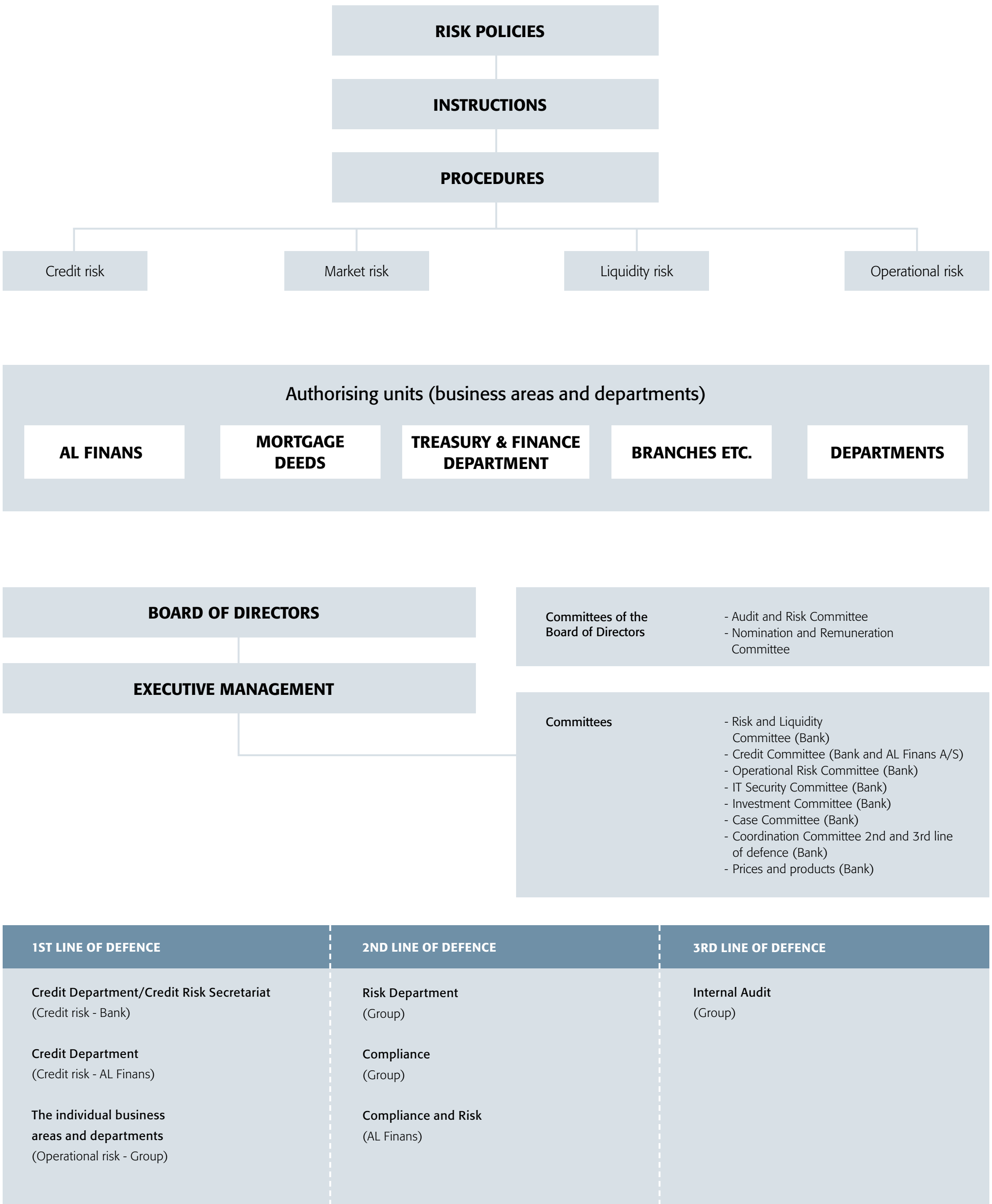
The Group aims to maintain a prudent liquidity policy, where financing of borrowed capital is mainly based on deposits. Therefore, a positive deposits surplus is also an objective. The deposits surplus is defined by Arbejdernes Landsbank as the difference between deposits excluding pools and loans. At the end of 2019, the Group's deposits surplus amounted to DKK 19.4 bn. and this is DKK 0.8 bn. higher than at the end of 2018.

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 2019, Arbejdernes Landsbank had an LCR of 269.9%. (2018: 268.1%).

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, a strategy, 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.



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 remuneration 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 at the Bank:

- The Risk and Liquidity Committee consists of the Executive Management, the Chief Risk Officer (CRO), Deputy Bank Directors responsible for Credit & Debt Collection, Treasury & Finance, CFO and Business, senior employees from the Risk Department, Credit, Finance, Treasury & Finance and the Bank's Chief Economist. 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 risk. The committee discusses the current risk exposure as well as other risk-management issues, including issues in relation to liquidity management by the Bank.
- The Credit Committee consists of the CEO, the Deputy Bank Director responsible for Credit & Debt Collection 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, the Bank's CFO and an employee from Finance responsible for reporting 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, senior employees from the business areas and an employee from Finance responsible for operational risk. The tasks of the IT Security 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 Investment Committee comprises the Executive Bank Director, the Deputy Bank Director for Treasury & Finance, the Bank's CFO and the Head of Treasury. The Committee follows up on the Bank's investment within and outside the trading portfolio and reconciles future tactical positioning.
- The Case Committee consists of the CEO, the Deputy Bank Directors responsible for Credit & Debt Collection and Business, the CRO and a business director. The Committee discusses cases at the edge of the credit policy.
- The committee for coordination of 2nd and 3rd lines of defence is composed of the CRO, the Chief Audit Executive and the Head of Compliance. The committee discusses compliance and risk issues and it coordinates and shares the risk assessments.
- Prices and products consist of the five Deputy Bank Directors, the CRO as well as a business director. The committee approves launches of new products and shutting down existing products.

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 managers in the individual departments have a duty to ensure and check that the department's tasks are performed properly 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 area, the 1st line of defence is placed in the credit departments at the Bank and AL Finans A/S.

In the market-risk area, the 1st line of defence tasks are divided between the Treasury & Finance Department and the Risk Department. The Risk Department is responsible for the calculation of the framework for market and liquidity risks.

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 business-operational risks and follows up on incident reports. The 1st line of defence for IT security is a part of the IT Department that has been allocated several employees who only work on IT security. Responsibility for procedures is placed in the individual areas, for example, the IT area, Credit Department, etc.

The Risk Department and Compliance is the 2nd line of defence at Bank level as well as at Group level. 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 Chief Risk Officer assesses the Group's risks and risk management and reports to the Board of Directors. Removal of the CRO requires prior authorisation from the Board of Directors. A head of compliance is appointed in the compliance unit. Among other things, Compliance monitors Group compliance with legislation. The assessment by the Head of Compliance of Group compliance with current legislation is reported to the Board of Directors. At AL Finans A/S, the 2nd line of defence is placed in Compliance & Risk.

Internal Audit is the 3rd line of defence. The 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 following 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 Group 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 individual key figures in the supervisory diamond are subject to reactions from the Danish FSA. At the end of 2019, Arbejdernes Landsbank was comfortably within all limit values in the supervisory diamond.

Benchmarks from the Danish FSA *)	Limit values	The Bank
Stable funding	< 1	0.4
Liquidity benchmark	> 100	252.2
Sum of large exposures	< 175	65.4
Lending growth	< 20	3.5
Commercial property exposure	< 25	3.2

*) See note 46 for definitions of ratios and key figures.

Corporate social responsibility

Ever since Arbejdernes Landsbank was established 100 years ago, responsibility and accountability have been at the core of how we run the Bank. Accountability to individual customers, and responsibility towards society. Today, accountability and responsibility remain high on our strategic agenda: Because we believe that commercial value creation and responsibility go hand in hand, and because we believe that business development and sustainability will be interdependent in the future.

Arbejdernes Landsbank today has 318,720 customers. We lend approx. DKK 23 bn. to private individuals and companies and we manage substantial assets on behalf of our owners and customers. This means we have a special responsibility. We are very much aware of this responsibility, and we're happy to take it on because accountability is one of our three rules of conduct, and it permeates everything we do. Both when it comes to meeting our customers on a day-to-day basis, treating them fairly and giving them qualified recommendations in relation to their financial situation, and when it comes to developing new products and launching new initiatives.

Our fundamental values and our 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 and on the climate. Through our core competencies in supplying financial services, we want to help move Denmark and the rest of the world in the best possible direction. Our Board of Directors and owners have made it clear that they want us to continue to make our mark as a socially responsible bank.

Our corporate social responsibility in 2019

During 2019 we have intensified our strategic work on CSR. Among other things, we have worked more strategically on combining several of our business areas with the UN Sustainable Development Goals (SDGs). We have decided to focus on five goals that are a central element in our work. Our selection of these five focus areas is based on our interpretation of some very general and global goals.

Two initiatives on which we have spent much time and resources in 2019 are development and launch of an interest-free and cost-free climate loan to finance climate-friendly initiatives in freehold housing, and a green car loan to finance electric cars and plug-in hybrid cars. Both our climate loans and green car loans have got off to a good start, and we have received positive feedback from existing and potential customers as well as positive publicity in the media.

Our ambitions in the area

There is no doubt that our customers and the outside world have ever greater expectations for our social responsibility. We welcome this, and we strive constantly to ensure that we live up to the authorities', our customers' and our own high demands and expectations to be a responsible bank, now and in the future.

However, we are also aware that customer satisfaction takes more than just complying with certain rules and guidelines. We also need to contribute even more actively to sustainable development, while exploiting the business potentials offered by a sustainable transition.

The Bank's new climate loans and green car loans are examples of how business development and sustainability can easily go hand in hand. We want to put much more focus on this type of initiative in the future, as a natural extension of our commitment to running a responsible bank.

Therefore, in 2019, we decided to take our work on sustainable business development to an even higher strategic level with even more ambitious objectives. In 2020, the Bank will:

1. Draw up a new ambitious CSR strategy with clearly defined goals in line with the UN Sustainable Development Goals and the Paris Agreement on climate change.

2. Sign up to the new UN Principles for Responsible Banking and establish a clear governance structure for the area.

3. Identify a number of strategic sustainable initiatives that the Bank will continue to work on in 2020, and in the years to come.

Taking outset in our fundamental values, our business model and our strong ambitions in the area, we aim to secure and promote the financial security of our customers, the well-being of our employees, and our involvement in society and the environment.

We issue 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 2019

From vision to reality

Back in 2015 we launched the Bank's strategy, entitled "Strategy 2019: Ready for the future". The level of ambition was high, and above all we wanted to generate growth in our business, value for our customers and owners, maintain high customer satisfaction and forge growth via new business areas and new innovative solutions. Four years later, these ambitions have been more or less achieved. First and foremost, we have achieved significant business growth. Since 2010, we have welcomed no fewer than 116,555 new customers, and today we have 318,720 customers. We have expanded our branch network with a new branch on Bornholm, and currently we have 70 branches throughout Denmark. With AL² we have launched an entirely new and innovative banking service. We have the highest customer satisfaction in the sector, and satisfaction among employees is either the same or higher than the average for the sector. For the eleventh consecutive year, we have been lauded by Danes as their preferred bank in one of Denmark's most comprehensive bank surveys, carried out by Voxmeter. We have also yielded solid business results.

We are proud of these impressive results, but we are also humbled by them, as they oblige us to set new challenges, not least because the world and the market are undergoing rapid change. Therefore, in 2019 we developed the Bank's new strategy towards 2025, which we have chosen to call "More customers and more satisfied customers". This strategy is based on our fundamental business model and sets out the Bank's direction and objectives in relation to opportunities and challenges in the market in the future.

New strategy towards 2025: More customers and more satisfied customers

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. Competition in the financial sector is likely to continue to intensify in the years to come, and the negative interest environment and increasing costs of compliance activities etc. mean that today we are looking at an entirely new earnings structure than just a few years ago. This also means that we are facing completely different challenges than previously.

The good news is that we have all that is required to deal with the challenges offered by the new reality. 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. Therefore, with outset in the position and our fundamental business model, in early 2019 we started work on the strategy process that has now resulted in implementation of Strategy 2025: More customers and more satisfied customers.

Strategy 2025 is an ambitious strategy. Over the next five years the strategy will set our course towards achieving our future goal. A goal that, before the end of 2025 we:

- will have grown by at least 80,000 private customers
- will continue as Danes' preferred bank
- will have achieved a total of NPS score (customer satisfaction score) of 80 or more.

In other words, more customers and more satisfied customers. As simple as that.

Over the next five years, our strategic initiatives therefore all aim at forging a more effective and profitable bank with an even stronger customer-oriented culture and an even clearer market position. We want the sector's strongest brand and we want to clearly differentiate ourselves from our competitors.

What does this mean in practice? New digital solutions are part of the answer, but they can certainly not stand alone. New products that make it simple for customers to choose responsibly, even better accessibility, so that we are always ready where and when it suits the individual customer best, will also have higher priority.

We will not stand still, but will go our own way in a sector in which competition is becoming ever more fierce and where it is becoming ever more difficult to earn profits as a bank. This is the reality today, and it is also the future.

But the future also holds a mass of opportunities. Opportunities we have every facility to seize if we will continue to incorporate our philosophy of "customer first" in everything we do and if we continue to remain true to our fundamental values.

Pledges to customers

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

The customer pledges were developed back in 2015 when we launched Strategy 2019, but they still have a huge relevance today, and they are therefore also an important part of our new Strategy 2025: More customers and more satisfied customers.

Our pledges to customers are based on our fundamental values: Accountable, Attentive and Straightforward.

Accountable

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

Attentive

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

Straightforward

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

How we reached our objectives in 2019

Strategy 2019, which we have followed up to today, took its point of departure in four focus areas:

Development, Digitisation, Customer Focus and Costs.

Common for the four areas is a strong ambition to create value for our customers on the basis of a mindset with the customer in focus at all times. This has also been the focal point for the specific activities and initiatives we have worked with in 2019. The following presents some of the results within each area:

Development

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

New business strategy

- In 2019, we targeted work on developing and implementing a new business strategy to ensure that we reach our goals with our strong ambitions for the area. The design and roll-out of the new business strategy has been one of the Bank's most important strategic projects in 2019. Among other things, the strategy is to help ensure that in future we are positioned as a recognised and preferred bank for business customers, particularly among small and medium-sized enterprises. The goal is that, by the end of 2025, the corporate sector will account for 40% of the Group's loans and guarantees.

Responsible lending

- Another project on which we spent much time and resources in 2019 is the development of an entirely new consumer loan *Ansvarligt Lån* (responsible loan), which was launched in January 2020. *Ansvarligt Lån* is a service for Danes to borrow up to DKK 75,000 on responsible and sound terms. The loan is aimed at Danes who are not currently customers of the Bank, and with an interest rate of 8.95%, the loan is a strong alternative to many other consumer loans (*e.g. kviklån*).

Green lending

- Sustainable initiatives are increasingly being taken by our customers, owners, employees and the world, and for this reason, as a responsible bank, in the autumn we started offering our customers two new climate-friendly products on unique terms: a climate loan and a green car loan. Both loans have got off to a good start, and we have received positive feedback from existing and potential customers as well as positive publicity in the media. The green car loan was developed in collaboration with AL-Finance and the Danish Society for Nature Conservation, which supports the transition to electric cars.

AL² Aarhus

- Back in 2018, we opened a new innovative customer universe, AL², at Nørreport in Copenhagen. The facility has been very well received by Copenhageners, and so, in spring 2019, we decided to open a similar AL² in Aarhus. We have established an exciting collaboration with Espresso House, a coffee chain, and just like in Copenhagen, the idea is to offer bank services to customers in a new and different way.

Digitisation

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

New CEM platform

- In 2019, we targeted strategic work on implementing a new CEM platform: Salesforce. The aim is to be able to act even more proactively with regard to our customers and to ensure that relevant customer data interact in the best possible way across the entire organisation. This will ensure even more efficient customer management, and it will help further improve the good customer experience.

Customer focus

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

Feedback from customers

- We collect feedback from customers after meetings and after they have changed bank. We do this to gain insight from customers about what they have experienced, so that we always make sure we provide them with the best experience in the future. In 2019, we received feedback from about 18,000 customers and we are proud that approximately eight out of ten customers are satisfied with the service they have received, and they are very likely to recommend Arbejdernes Landsbank to others. This is primarily due to the Bank's values as an accountable and attentive bank with professional advisors. We expect that the more efficient processes and digitisation will help to further improve customer satisfaction. The feedback we get from customers is reviewed by the Bank's customer ambassadors, who in close collaboration with the branches use it to make our customer concepts even better.

Costs

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

Implementation of new mortgage-credit platform

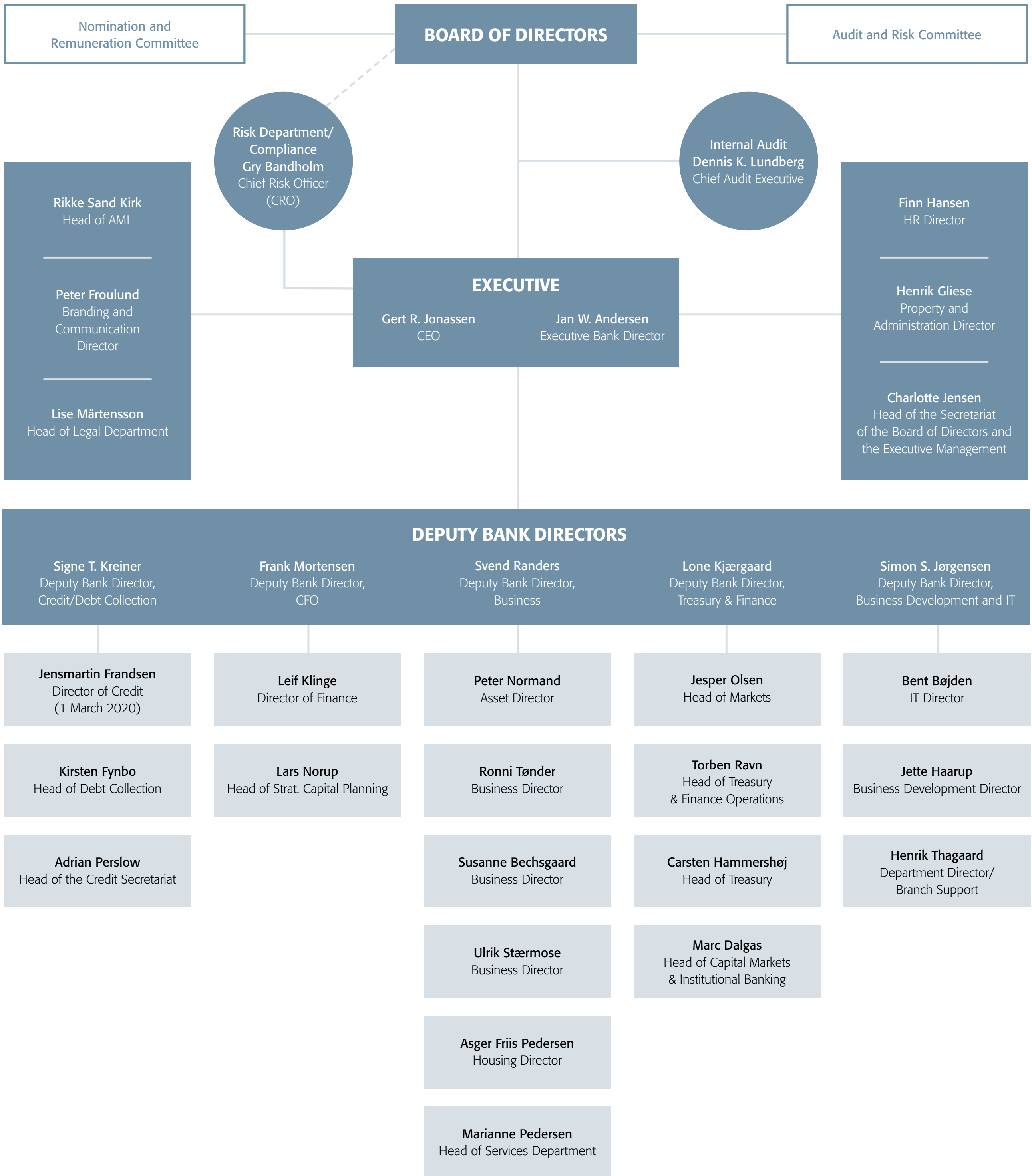
- During the year, we have targeted work on optimising and streamlining several workflows and processes to release even more time to advise and help customers. One of the largest projects in 2019 has been implementation of a new mortgage-credit platform. Implementation means that from 2020 it will be much quicker to convert a Totalkredit mortgage-credit loan and this will minimise our time consumption.

Furthermore, in 2019 we worked on a number of other large IT projects in collaboration with Bankernes EDB Central (BEC).

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 goals of the Group.

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. No members of the Board of Directors were replaced in 2019. Information about the individual members of the Board of Directors, including their qualifications as members of the Board of Directors, is available on pages 25-28 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 2019, the Board of Directors held ten ordinary meetings, four thematic meetings, and two meetings with the Advisory Board of Representatives.

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 nine meetings in 2019.

The Board of Directors has also set up a Nomination and Remuneration Committee with four members. In addition, an employee-elected member participates when there are issues related to remuneration. 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 remuneration policy of the Group.

The Nomination and Remuneration Committee held four meetings in 2019. The remuneration 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/ ombanken/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 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 remuneration 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. This also applies for the Chief Audit Executive, the CRO, the head of Compliance and the head of AML.

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 2019, 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 goal for the composition of men and women in the Board of Directors is to have a balanced composition, which means a goal of at least one-third of each gender by the end of 2021.

The current gender distribution on the Board of Directors of 23/77 shows that the objective 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, and this will help meet the goal in the long term. The Board of Directors still wants 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.

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 33% women in the Bank's management groups to at least 40%. The above results represent an improvement compared to the previous year. 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.

A sound corporate culture

In summer 2019, the Board of Directors adopted a policy for a sound corporate culture to secure and promote a sound corporate culture at the Bank. Arbejdernes Landsbank's fundamental values and approach to customers, employees, cooperation partners and investments are built on respect for people, involvement of employees, and an objective to leave the most positive impression possible on society. This policy reflects the Board's opinion regarding the behaviour expected of Group employees in relation to supporting the Bank's values and social responsibility, and in relation to treatment of the Bank's customers.

Furthermore, the Group has a number of policies outlining more specific guidelines on specific risk areas. This policy should therefore be read in the context of these policies. They include a policy for corporate social responsibility, a remuneration policy and a policy for prevention of money laundering and financing of terrorism, as well as violations of sanctions.

The corporate culture is crucial in retaining and developing our unique position - both in relation to our customers and in relation to being an attractive workplace. Furthermore, our corporate culture is key to realising our strategy in the years to come.

In 2019, there was work to establish a new strategy within the framework of the business model. The strategy has been developed with broad involvement of all the Bank's managers and it will be introduced to employees in January 2020, ensuring that all employees take ownership and act in accordance with the new strategy.

In 2020, there will be further development and implementation of the policy for sound corporate culture.

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 the 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: 9/10
- Nomination and Remuneration Committee: 4/4

Shareholding (no.):
1

Remuneration (DKK '000):
403

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 the Labour Movement
- Arbejderbevægelsens Kooperative Finansieringsfond
- AKF Holding A/S
- A/S A-Pressen
- A/S Femern Landanlæg
- A/S Storebælt
- A/S Øresund
- Femern Bælt A/S
- Industriens Kompetenceudviklingsfond, IKUF
- Industriens Pensionsforsikring A/S
- Industriens Pension Service A/S
- Industriens Uddannelses- og Samarbejdsfond, IUS
- Industripension Holding A/S
- FH – Danish Trade Union Confederation
- Sund og Bælt Holding A/S
- Øresundsbro Konsortiet I/S
- Centralorganisationen af industriansatte i Danmark (President)
- InnovationsFonden
- Lindø port of Odense A/S
- IndustriALL European Trade Union (Deputy Chairman)

Member of:
- Tænketanken EUROPA
- Danish Economic Council
- TeknologipagtRådet
- Danmarks Erhvervsfremmebestyrelse
- Grønt Erhvervsforum
- Nordic IN

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: 8/9
- Nomination and Remuneration Committee: 3/4

Shareholding (no.):
5

Remuneration (DKK '000):
349

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 the Labour Movement

Member of the Board of Directors of:
- Investeringsfonden for Udviklingslandene IFU
- Industriens Pensionsforsikring 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: 9/9

Shareholding (no.):
1

Remuneration (DKK '000):
242

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:
- Copenhagen Business School (Chairman)
- 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
- Danish Insurance Association
- Gefion Gymnasium (Chairman)
- Danish Arthritis Association (Deputy Chairman)
- Hedorfs Fond
- PensionDanmark Group subsidiaries (Chairman)
- Symbion Fonden
- Det Udenrigspolitiske Selskab

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: 9/9
- Nomination and Remuneration Committee: 4/4

Shareholding (no.):
0

Remuneration (DKK '000):
269

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 the Labour Movement
- Arbejdsmarkedets Tillægspension – ATP
- Lønmodtagernes Dyrtidsfond
- 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)
- Board of Representatives at Danmarks Nationalbank

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: 7/10
- Nomination and Remuneration Committee: 3/4

Shareholding (no.):
1

Remuneration (DKK '000):
188

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
- Rørvig Centret
- A/S Teknologisk Institut

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: 9/10

Shareholding (no.):
1

Remuneration (DKK '000):
161

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 the 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: 8/10

Shareholding (no.):
0

Remuneration (DKK '000):
161

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 the 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: 8/10

Shareholding (no.):
2

Remuneration (DKK '000):
161

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 (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: 9/10

Shareholding (no.):
0

Remuneration (DKK '000):
161

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: 10/10

Shareholding (no.):
1

Remuneration (DKK '000):
161

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):
161

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):
161

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
- HK/Sjælland
- Køge Handelsskole

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: 9/10

Shareholding (no.):
1

Remuneration (DKK '000):
161

PROPOSED NEW MEMBER OF THE BOARD OF DIRECTORS

ULLA SØRENSEN

Born in 1957.

Treasurer for 3F United Federation of Danish Workers

Member of the Board of Directors of:
- AKF Holding A/S
- S/I Arbejdsmarkedets Erhvervssikring
- Rørvig Centret A/S

Qualifications:
- Management, HR and strategy
- Macroeconomic and accounting matters
- Market risk and liquidity
- Business model and customer base

Shareholding (no.):
0

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) - resigned 30.12.2019
- 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):
3,598

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

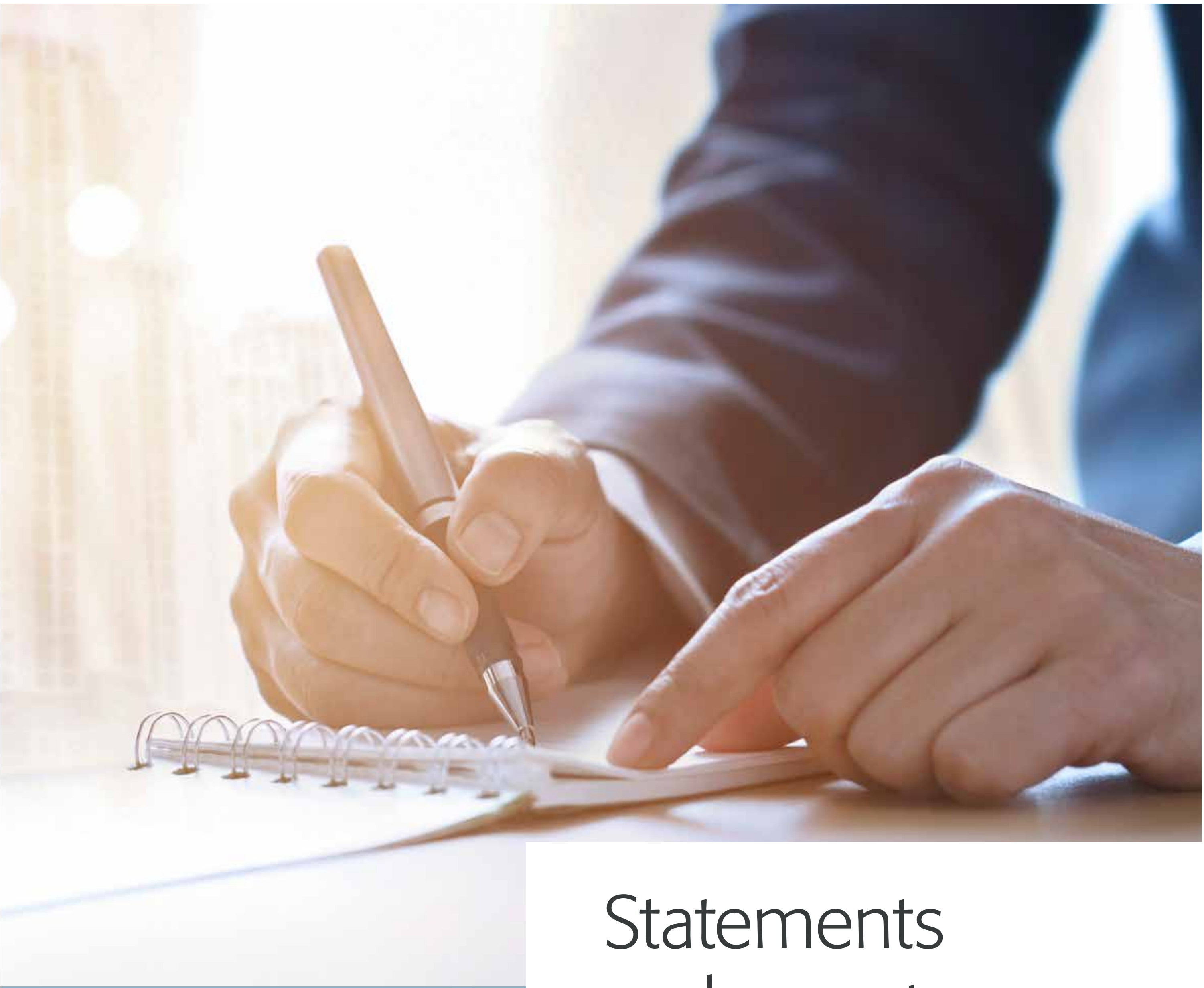
Shareholding (no.):
1

Remuneration (DKK '000):
3,282

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%
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%
2019	300.0	6,855.2	47,940.0	22,575.0	58,845.7	15%

*) 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 2019.

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 2019, 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 2019.

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, 18 February 2020

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

Internal auditor's report

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 2019, 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 2019 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 2019, 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 the 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 the Management, as well as evaluating the overall presentation of the consolidated financial statements and the 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

The 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, 18 February 2020

Dennis Lundberg
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 2019, 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 of 31 December 2019 and of the results of the Group's activities and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU, as well as additional Danish disclosure requirements for financial companies.

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 2019 and of the results of the Bank's activities for the financial year 1 January to 31 December 2019, 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" (hereafter referred to as "the financial statements"). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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. 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.

Election of auditors

We were elected as auditors for Aktieselskabet Arbejdernes Landsbank for the first time on 11 March 2019 for the financial year 2019.

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 financial statements for the financial year 2019. These matters were dealt with as part of our audit of the financial statements as a whole, and in the preparation of our opinion on them. We express no separate opinion on these matters. For each of the matters mentioned below, the description of how the matter was dealt with in our audit is provided in this context.

We have met our responsibilities as described in the section "Auditor's responsibilities for the audit of the financial statements", including in relation to the central matters for the audit mentioned below. Our audit has included the design and performance of auditing procedures as a reaction to our assessment of the risks of material misstatement in the financial statements. The result of our audit procedures, including audit procedures we have conducted to deal with the matters mentioned below, forms the basis for our opinion on the financial statements as a whole.

Impairments on loans

A significant part of the Bank's assets consists of loans to the Bank's customers. Loans to the Bank's customers entail a risk of losses, and material estimates made by the Management of the need for impairment is assessed to be a key element of the risk in the audit.

Impairments on loans to customers in stage 1 and stage 2 are calculated on the basis of model calculations, while impairments for customers in stage 3 (customers where there is objective evidence of credit impairment) are calculated on an individual assessment.

The Bank's statement of impairments on loans includes material amounts and many management estimates. This concerns division of exposures in stages, assessment of whether there is objective evidence of credit impairment, the risk of default, realisation value of the collateral, as well as the customer's ability to pay in the event of default. Similarly, there are management estimates in connection setting methods and parameters for calculating expected losses in the model calculations. See the Management's description of the principles for, and calculation of impairments on loans under the accounting policies.

Our audit of impairments on loans

Our audit of impairments on loans covered sample tests of the Bank's procedures for following up on loans, division of exposures into stages and registration of evidence of impairment.

Using analyses and sample tests and through reviewing the Bank's procedures, we have examined whether the calculation of impairments for expected losses is in accordance with the accounting policies.

Analyses and sample tests were made on the basis of a risk-based approach. For model-calculated impairments, we have reviewed the methods and parameters applied. We have reviewed the estimates by the Bank's Management in addition to the individually calculated and model-calculated impairments.

We have also reviewed and tested whether the information in the notes concerning lending, impairments and credit risks in our opinion meets the relevant accounting regulations.

Statement on the Management's report

Management is responsible for the Management's report.

Our opinion on the financial statements does not cover the Management's report, and we do not express any form of conclusion conveying assurance about the Management's report.

In connection with our audit of the 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 financial statements or our knowledge obtained from our audit, or whether it otherwise appears to contain material misstatement.

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 our audit performed, it is our opinion that the Management's report is consistent with the financial statements, and that it has been prepared in accordance with the Danish Financial Business Act. We found no material misstatement in the Management's report.

Management's responsibilities for the financial statements

The Management is responsible for the preparation of consolidated financial statements that provide a fair presentation and which are in accordance with the Danish Financial Business Act. The Management is also responsible for the internal control deemed necessary by the Management in order to prepare financial statements without material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether this be 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 financial decisions of users of the financial statements taken on the basis of these 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 in the financial statements, whether due to fraud or error, design and perform audit procedures in response 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 misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the going-concern basis of accounting in preparing the financial statements, and whether, based on the audit evidence obtained, a material uncertainty exists in relation to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Parent to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the 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 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, 18 February 2020

ERNST & YOUNG
GODKENDT REVISIONSPARTNERSELSKAB
CVR-NR. 30 70 02 28

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Consolidated financial statements and parent financial statements

Income statement and statement of comprehensive income

Note		Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
	Income statement				
5	Interest income calculated using the effective interest method	1,061.1	1,135.6	958.7	1,033.6
5	Other interest income	100.2	53.4	100.2	53.4
6	Interest expenses	-86.7	-84.6	-86.0	-84.1
	Net interest income	*1,074.5*	*1,104.4*	*972.9*	*1,002.9*
	Dividends from shares etc.	43.5	60.3	43.5	60.3
7	Fees and commission income	779.5	659.4	729.8	611.8
7	Fees and commissions paid	-91.4	-79.1	-82.4	-70.5
	Net interest and fee income	*1,806.1*	*1,745.0*	*1,663.8*	*1,604.4*
8	Value adjustments	298.3	-14.8	298.1	-15.3
	Other operating income	69.2	68.8	33.9	34.5
9	Staff and administrative expenses	-1,512.5	-1,405.9	-1,414.4	-1,313.3
19-21, 42	Depreciation, amortisation and impairment on intangible assets and property, plant and equipment	-100.4	-64.2	-65.0	-30.6
	Other operating expenses	-50.5	-59.4	-47.0	-55.4
10	Impairments on loans and receivables etc.	53.9	69.5	66.4	71.1
16-17	Profit from equity investments in associated companies and group com-panies	24.3	0.0	43.7	31.4
	Profit before tax	*588.4*	*339.0*	*579.5*	*326.8*
11	Tax	-43.6	-40.1	-34.7	-28.0
	Profit for the year	*544.8*	*298.9*	*544.8*	*298.9*
	Broken down by:				
	Shareholders of Arbejdernes Landsbank	495.5	233.2	495.5	233.2
	Holders of Additional Tier 1 instruments	49.3	65.7	49.3	65.7
	Profit for the year	*544.8*	*298.9*	*544.8*	*298.9*
12	**Earnings per share**				
	Earnings per share (DKK)	1,689	834	1,689	834
	Diluted earnings per share (DKK)	1,689	834	1,689	834
	Statement of comprehensive income				
	Profit for the year	*544.8*	*298.9*	*544.8*	*298.9*
	Other comprehensive income				
	Items that cannot be reclassified to the income statement				
16	Other comprehensive income after tax concerning associated companies	-1.3	0.0	-1.3	0.0
20	Changes in the revalued amount of owner-occupied properties	14.9	142.5	14.9	142.5
11	Tax	-63.8	-7.1	-63.8	-7.1
	Total other comprehensive income	*-50.2*	*135.4*	*-50.2*	*135.4*
	Comprehensive income for the year	*494.6*	*434.3*	*494.6*	*434.3*
	Broken down by:				
	Shareholders of Arbejdernes Landsbank	445.3	368.6	445.3	368.6
	Holders of Additional Tier 1 instruments	49.3	65.7	49.3	65.7
	Comprehensive income for the year	*494.6*	*434.3*	*494.6*	*434.3*

Balance sheet

Note		Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
	Assets				
	Cash in hand and demand deposits with central banks	1,005.2	970.7	1,005.2	970.7
10, 13	Receivables from credit institutions and central banks	3,954.8	5,211.5	3,947.8	5,202.3
10, 14	Loans and other receivables at amortised cost	22,906.4	22,085.8	22,575.0	21,798.8
15	Bonds at fair value	20,859.8	18,834.3	20,859.8	18,834.3
	Shares etc.	1,060.4	1,446.9	1,060.4	1,446.9
16	Equity investments in associated companies	888.1	0.0	888.1	0.0
17	Equity investments in group companies	0.0	0.0	298.6	279.1
18	Assets linked to pooled schemes	5,720.8	4,177.2	5,720.8	4,177.2
19	Intangible assets	19.3	18.7	0.0	0.0
20	Investment properties	35.7	36.4	35.7	36.4
20, 42	Owner-occupied properties	1,255.7	1,088.9	1,255.7	1,088.9
	Total land and buildings	***1,291.4***	***1,125.3***	***1,291.4***	***1,125.3***
21	Other property, plant and equipment	218.5	180.0	129.1	103.2
	Current tax assets	0.0	23.9	0.0	41.9
26	Deferred tax assets	0.0	23.6	0.0	16.8
22	Other assets	1,065.1	978.8	1,039.4	951.3
	Prepayments and accrued income	34.2	29.8	30.2	26.1
	Total assets	***59,024.0***	***55,106.5***	***58,845.7***	***54,973.8***

Balance Sheet (cont.)

Note		Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
	Equity and liabilities				
	Liabilities				
	Debt				
23	Debt to credit institutions and central banks	1,568.3	1,622.3	1,568.3	1,622.3
24	Deposits and other debt	42,269.0	40,695.5	42,219.2	40,662.2
	Deposits in pooled schemes	5,720.8	4,177.2	5,720.8	4,177.2
	Other non-derivative financial liabilities at fair value	87.7	302.7	87.7	302.7
	Current tax liabilities	26.2	0.0	5.6	0.0
25	Other liabilities	1,413.5	1,269.8	1,325.2	1,203.3
	Accruals and deferred income	70.4	73.2	36.2	43.3
	Total debt	***51,155.9***	***48,140.6***	***50,963.1***	***48,011.0***
	Provisions				
26	Provisions for deferred tax	23.2	0.0	41.7	0.0
10, 27	Guarantee loss provisions	20.5	22.8	20.5	22.8
28	Other provisions	69.3	69.8	65.3	66.8
	Total provisions	***112.9***	***92.7***	***127.4***	***89.6***
29	Subordinated debt	900.0	0.0	900.0	0.0
	Total liabilities	***52,168.8***	***48,233.3***	***51,990.5***	***48,100.6***
	Equity				
30	Share capital	300.0	300.0	300.0	300.0
	Revaluation reserves	385.3	454.0	385.3	454.0
	Reserve under the equity method	0.0	0.0	339.8	297.4
	Retained earnings	5,678.8	5,210.2	5,339.0	4,912.9
	Proposed dividend	45.0	60.0	45.0	60.0
	Shareholders of Arbejdernes Landsbank	***6,409.2***	***6,024.3***	***6,409.2***	***6,024.3***
35	Holders of Additional Tier 1 instruments	446.1	848.9	446.1	848.9
	Total equity	***6,855.2***	***6,873.2***	***6,855.2***	***6,873.2***
	Total equity and liabilities	***59,024.0***	***55,106.5***	***58,845.7***	***54,973.8***

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 2019							
Equity brought forward	300.0	454.0	5,210.2	60.0	*6,024.3*	848.9	*6,873.2*
Comprehensive income							
Profit for the year	0.0	0.0	450.5	45.0	*495.5*	49.3	*544.8*
Other comprehensive income							
Other comprehensive income after tax concerning associated companies	0.0	0.0	-1.3	0.0	*-1.3*	0.0	*-1.3*
Changes in the revalued amount of owner-occupied properties	0.0	14.9	0.0	0.0	*14.9*	0.0	*14.9*
Other additions and disposals *)	0.0	-2.9	2.9	0.0	*0.0*	0.0	*0.0*
Tax	0.0	-80.8	16.9	0.0	*-63.8*	0.0	*-63.8*
Total other comprehensive income	***0.0***	***-68.7***	***18.5***	***0.0***	***-50.2***	***0.0***	***-50.2***
Total comprehensive income	***0.0***	***-68.7***	***469.0***	***45.0***	***445.3***	***49.3***	***494.6***
Transactions with owners							
Redemption of Additional Tier 1 capital	0.0	0.0	0.0	0.0	*0.0*	-400.0	*-400.0*
Interest paid on Additional Tier 1 capital	0.0	0.0	0.0	0.0	*0.0*	-52.1	*-52.1*
Dividend paid for 2018	0.0	0.0	0.0	-60.0	*-60.0*	0.0	*-60.0*
Dividend on own shares received	0.0	0.0	0.9	0.0	*0.9*	0.0	*0.9*
Purchase of own shares	0.0	0.0	-2.0	0.0	*-2.0*	0.0	*-2.0*
Sale of own shares	0.0	0.0	0.7	0.0	*0.7*	0.0	*0.7*
Total transactions with owners	***0.0***	***0.0***	***-0.4***	***-60.0***	***-60.4***	***-452.1***	***-512.6***
Equity carried forward	***300.0***	***385.3***	***5,678.8***	***45.0***	***6,409.2***	***446.1***	***6,855.2***
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***
Comprehensive income							
Profit for the year	0.0	0.0	173.2	60.0	*233.2*	65.7	*298.9*
Other comprehensive income							
Changes in the revalued amount of owner-occupied properties	0.0	142.5	0.0	0.0	*142.5*	0.0	*142.5*
Other additions and disposals *)	0.0	-8.1	8.1	0.0	*0.0*	0.0	*0.0*
Tax	0.0	-7.1	0.0	0.0	*-7.1*	0.0	*-7.1*
Total other comprehensive income	***0.0***	***127.3***	***8.1***	***0.0***	***135.4***	***0.0***	***135.4***
Total comprehensive income	***0.0***	***127.3***	***181.3***	***60.0***	***368.6***	***65.7***	***434.3***
Transactions with owners							
Interest paid on Additional Tier 1 capital	0.0	0.0	0.0	0.0	*0.0*	-65.7	*-65.7*
Dividend paid for 2017	0.0	0.0	0.0	-150.0	*-150.0*	0.0	*-150.0*
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 transactions with owners	***0.0***	***0.0***	***8.4***	***-150.0***	***-141.6***	***-65.7***	***-207.2***
Equity carried forward	***300.0***	***454.0***	***5,210.2***	***60.0***	***6,024.3***	***848.9***	***6,873.2***

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

Statement of capital (cont.)

	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 2019								
Equity brought forward	300.0	454.0	297.4	4,912.9	60.0	*6,024.3*	848.9	*6,873.2*
Comprehensive income								
Profit for the year	0.0	0.0	43.7	406.8	45.0	*495.5*	49.3	*544.8*
Other comprehensive income								
Other comprehensive income after tax concerning associated companies	0.0	0.0	-1.3	0.0	0.0	*-1.3*	0.0	*-1.3*
Changes in the revalued amount of owner-occupied properties	0.0	14.9	0.0	0.0	0.0	*14.9*	0.0	*14.9*
Other additions and disposals *)	0.0	-2.9	0.0	2.9	0.0	*0.0*	0.0	*0.0*
Tax	0.0	-80.8	0.0	16.9	0.0	*-63.8*	0.0	*-63.8*
Total other comprehensive income	*0.0*	*-68.7*	*-1.3*	*19.8*	*0.0*	*-50.2*	*0.0*	*-50.2*
Total comprehensive income	*0.0*	*-68.7*	*42.5*	*426.6*	*45.0*	*445.3*	*49.3*	*494.6*
Transactions with owners								
Redemption of Additional Tier 1 capital	0.0	0.0	0.0	0.0	0.0	*0.0*	-400.0	*-400.0*
Interest paid on Additional Tier 1 capital	0.0	0.0	0.0	0.0	0.0	*0.0*	-52.1	*-52.1*
Dividend paid for 2018	0.0	0.0	0.0	0.0	-60.0	*-60.0*	0.0	*-60.0*
Dividend on own shares received	0.0	0.0	0.0	0.9	0.0	*0.9*	0.0	*0.9*
Purchase of own shares	0.0	0.0	0.0	-2.0	0.0	*-2.0*	0.0	*-2.0*
Sale of own shares	0.0	0.0	0.0	0.7	0.0	*0.7*	0.0	*0.7*
Total transactions with owners	*0.0*	*0.0*	*0.0*	*-0.4*	*-60.0*	*-60.4*	*-452.1*	*-512.6*
Equity carried forward	*300.0*	*385.3*	*339.8*	*5,339.0*	*45.0*	*6,409.2*	*446.1*	*6,855.2*

*) Depreciation of revalued owner-occupied properties.

Statement of capital (cont.)

	Shareholders of Arbejdernes Landsbank							
	Share capital	Revaluation reserves	Reserve under the equity method	Retained earnings	Proposed dividend	Total	Additional Tier 1capital	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*
Comprehensive income								
Profit for the year	0.0	0.0	31.4	141.8	60.0	*233.2*	65.7	*298.9*
Other comprehensive income								
Changes in the revalued amount of owner-occupied properties	0.0	142.5	0.0	0.0	0.0	*142.5*	0.0	*142.5*
Other additions and disposals *)	0.0	-8.1	0.0	8.1	0.0	*0.0*	0.0	*0.0*
Tax	0.0	-7.1	0.0	0.0	0.0	*-7.1*	0.0	*-7.1*
Total other comprehensive in-come	*0.0*	*127.3*	*0.0*	*8.1*	*0.0*	*135.4*	*0.0*	*135.4*
Total comprehensive income	*0.0*	*127.3*	*31.4*	*149.8*	*60.0*	*368.6*	*65.7*	*434.3*
Transactions with owners								
Interest paid on Addi-tional Tier 1 capital	0.0	0.0	0.0	0.0	0.0	*0.0*	-65.7	*-65.7*
Dividend paid for 2017	0.0	0.0	0.0	0.0	-150.0	*-150.0*	0.0	*-150.0*
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 transactions with owners	*0.0*	*0.0*	*0.0*	*8.4*	*-150.0*	*-141.6*	*-65.7*	*-207.2*
Equity carried forward	*300.0*	*454.0*	*297.4*	*4,912.9*	*60.0*	*6,024.3*	*848.9*	*6,873.2*

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

Cash flow statement

Note		Group 2019 DKK mill.	2018 DKK mill.
	Profit before tax	***588.4***	***339.0***
	Adjustment for non-cash operating items		
8	Fair value adjustments on investment properties	0.7	2.4
19	Amortisation and impairments on intangible assets	9.8	9.5
20-21, 42	Depreciation, impairments and revaluations of property, plant and equipment	90.7	54.7
10	Impairments on loans and receivables etc.	-53.9	-69.5
16	Profit from equity investments in associated companies	-24.3	0.0
	Change in working capital		
	Loans and receivables with credit institutions, etc.	-330.1	-32.7
	Bonds and shares *)	-2,122.0	-6,423.5
	Deposits and debt to credit institutions, etc.	3,063.2	6,930.6
	Other non-derivative financial liabilities at fair value	-215.1	248.0
	Other assets and liabilities	-2,088.8	-1,387.3
	Corporation tax paid	-10.7	-3.6
	Cash flows from operating activities	***-1,092.2***	***-332.5***
	Acquisition of associated companies	-382.1	0.0
19	Acquisition of intangible assets	-10.6	-11.7
20-21	Acquisition of property, plant and equipment	-119.9	-209.4
	Sale of property, plant and equipment	17.5	33.4
	Cash flows from investment activities	***-495.0***	***-187.7***
	Repayment of lease commitments	-22.4	0.0
29	Raising Tier 2 capital	900.0	0.0
35	Redemption of Additional Tier 1 capital	-400.0	0.0
	Interest paid on Additional Tier 1 capital	-52.1	-65.7
32	Dividend paid, excluding dividend from own shares	-59.1	-150.0
31	Purchase of own shares	-2.0	-6.0
31	Sale of own shares	0.7	0.0
	Cash flows from financing activities	***365.0***	***-221.7***
	Cash flows for the year	***-1,222.2***	***-741.8***
	Cash and cash equivalents brought forward	6,182.2	6,924.0
	Cash and cash equivalents carried forward	***4,960.0***	***6,182.2***
	Cash and cash equivalents carried forward include:		
	Cash in hand and demand deposits with central banks **)	1,005.2	970.7
13	Receivables from credit institutions and central banks with a term to maturity of less than three months **)	3,954.8	5,211.5
	Cash and cash equivalents carried forward	***4,960.0***	***6,182.2***

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

*) The change in 2019 includes the reclassified shareholding in Vestjysk Bank A/S, see note 16.
**) See note 38 for specified information regarding collateral provided.

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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 2019 includes the consolidated financial statements of Aktieselskabet Arbejdernes Landsbank and its subsidiaries, as well as the separate 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., as well as guidelines issued by the Danish FSA.

On 18 February 2020, the Board of Directors and the Executive Management presented and adopted the annual report of Aktieselskabet Arbejdernes Landsbank for 2019. The annual report will be presented to the company's shareholders for adoption at the Annual General Meeting on 16 March 2020.

Basis of preparation

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 described below have been applied consistently for the financial year and the comparative figures. No adjustments have been made in the comparative figures for standards implemented in the future.

Changes in accounting policies

As of 1 January 2019, the Group has implemented the following new and changed standards and interpretation contributions:

- IFRS 16 Leases
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Long-term interests in Associates and Joint Ventures (Amendments to IAS 28)
- IFRIC 23 Uncertainty over Income Tax Treatments
- Annual Improvements to IFRSs 2015-2017, including amendments to IAS 12 Income Taxes, according to which the tax effect of interest expenses from Additional Tier 1 capital (2019: DKK 10.8 mill.) must be presented in the income statement instead of under equity.

Of the above, only IFRS 16 has influenced recognition and measurement in the annual report.

Effect of IFRS 16

With effect from 1 January 2019, the Group has implemented the new leasing standard, IFRS 16, by applying the modified retrospective transition approach, and the Group has thus not adapted the comparative figures which are still presented in accordance with the rules of IAS 17 and IFRIC 4. Compared with previous years, the Group must now – with few exceptions – recognise all leases in the balance sheet when the Group is the lessee.

As a lessee with operating leases in the form of tenancy agreements to operate branches, only the Parent Company is affected by the new provisions of IFRS 16. The Bank has decided to implement early Danish FSA Amending Executive Order no. 1441 of 3 December 2018, to ensure similar recognition and measurement of leases in the Parent Company and in the Group.

The lease asset represents the lessee's right to use the underlying asset. Similarly, a lease commitment measured at the present value of the future lease payments on these tenancy agreements will be recognised.

In implementing the standard, in accordance with the transitional provisions of IFRS 16 and the potential exceptions, the Group has chosen not to recognise lease agreements with a term of less than 12 months or a low value.

As the Bank is funding the subsidiary AL Finans A/S, which is recognised using the equity method, intragroup lease agreements are not recognised in the financial statements of the Parent Company, as this would lead to double recognition in the balance sheet.

In the assessment of future lease payments, the Group has reviewed its operating lease contracts and identified any lease payments related to a leasing component which are fixed or variable, but which change in line with index or interest-rate fluctuations. The Group has decided not to recognise payments related to services as a part of the lease commitment. In its assessment of the expected lease period, the Group has identified the non-cancellable lease period in the contract plus any periods covered by an extension option which Management reasonably expects to utilise.

In the assessment of the expected lease period for owner-occupied properties with extension options, the expected term has been set to 5-10 years. The lease assets are amortised on a straight-line basis over the expected periods of use of 5-10 years, and the lease commitments are settled as annuities and measured at amortised cost.

When discounting lease payments to net present value, the Group has applied its alternative borrowing rate which represents the cost of external financing of a similar asset with a financing period corresponding to the term of the lease. All leases are paid in Danish kroner. The assessment of the Group's alternative borrowing rate for its leases on property tenancies has been calculated on the basis of a reference rate plus an estimated credit margin on the Bank. The borrowing rates currently applied lie between 0.3% and 0.6%.

Effect of implementation of IFRS 16

Lease assets which are recognised as a consequence of the implementation of IFRS 16 only comprise operating leases with the Bank as the lessee and pertain to property tenancy agreements. As at 1 January 2019, lease assets of DKK 166.2 mill. were recognised under owner-occupied property and similarly lease commitments were recognised under other liabilities. Until now, rent has been recognised as an administrative expense in the income statement. Now, this expense is instead recognised as depreciation of the lease asset and as interest on the lease commitment. Compared with previous practice, the effect of this change on the profit for the year is insignificant.

In the 2018 financial statements, operating lease commitments were included under contingent liabilities at DKK 110.0 mill. The primary reason for the DKK 56.2 mill. increase as at 1 January 2019 compared with 31 December 2018 is essentially that the term of the lease is longer under IFRS 16 because the Group has to recognise any expected exercise of extension options.

The effect of IFRS 16 on the consolidated financial statements and the financial statements of the Parent Company can be illustrated as follows:

DKK mill.

Income statement 2019	
Interest income	0.6
Interest expenses	-0.8
Other operating income	-1.9
Depreciation of property, plant and equipment (right-of-use assets)	-22.4
Staff and administrative expenses (rent)	24.5
Total effect on profit/loss	*-0.1*

Balance sheet as at 31.12.2019	Assets	Equity and liabilities
Owner-occupied properties (right-of-use assets)	156.2	
Lending (receivables from finance leases, sublease)	15.1	
Other liabilities (lease commitments)		171.4
Equity		-0.1
Total effect on balance sheet	*171.3*	*171.3*

Changed presentation of negative interest income and positive interest expenses

Negative interest income on financial assets and positive interest expenses on financial liabilities have previously been disclosed in interest income and interest expenses, respectively, due to their insignificant size. However, this has changed during 2019, and consequently, these are now disclosed separately in the note under interest income and interest expenses, respectively. The changed presentation does not affect the results.

New regulations on financial statements

At the time of publication of this annual report, a number of amended standards and interpretation contributions had not yet entered into force, and therefore these have not been incorporated in these financial statements. The amended standards and interpretation contributions will be implemented as they become mandatory:

- Amendments to the conceptual framework and amendments of IAS 1 and IAS 8 concerning materiality.
- Amendments to IFRS 3 on business combinations.
- Amendments to IFRS 9, IAS 39 and IFRS 7 concerning the IBOR reform (interest-rate benchmarks).

The overall assessment is that the amendments will not have a material impact on the Group's financial reporting.

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 44.

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. On 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 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 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. Interest from customers, credit institutions, etc. is recognised in the income statement under interest income, and interest paid to customers, credit institutions, etc. is recognised in the income statement 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.

- 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. The tax effect of the interest payment is included in the income statement under Tax.

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

Administrative costs include IT expenses, 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 lease assets. Gains and losses from selling lease assets are calculated as the selling price less costs of sales and the carrying amount of the lease 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 associated companies and group companies

Profit from equity investments in associated companies and group companies is recognised at the proportionate share of the profit after tax of the individual companies. The proportionate share of other comprehensive income recognised in the equity of the associated company is included in the Group's and the Parent Company's other comprehensive income.

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 current tax scheme, and the Bank pays corporation tax according to the current tax 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.

The tax effect of interest on Additional Tier 1 capital with indefinite maturity is recognised in the income statement.

BALANCE SHEET

Cash in hand and demand deposits with central banks

On 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

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

On 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 – less the expected credit loss – whereby commissions received, direct transaction costs as well as premiums and discounts are amortised over the expected term of the loan.

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 lease contracts are recognised as loans corresponding to the net investment in leasing contracts. Income from finance lease contracts is accrued over the term of the contract, 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 in 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.

As for the Bank's customers at stage 1, 2 and 2 weak, an unsecured Loss Given Default (LGD) is applied which is based on a standard rate adopted from Basel II. This applies to all segments covered by the PD approach, except for lending under DKK 100,000 where, as a precautionary measure, it is presumed that 100% of the unsecured exposure will be lost. For all stage 3 customers, an unsecured Loss Given Default of 100% is applied, and the calculation of this takes into account the customer's repayment capacity for stage 3 customers covered by individual review.

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 in combination with the customer's credit rating being characterised by considerable signs of weakness, 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 on an individual to identify indications of credit impairment at each closing of 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 in full or in part.

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 47.

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 3.

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 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 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 fair 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 associated companies

Associated companies are companies which are not Group companies but in which the Group holds equity investments and has significant, but not controlling influence. Significant influence is typically achieved through direct or indirect ownership or control of more than 20% of the voting rights, but not more than 50%. In the assessment of whether the Group has controlling or significant influence, the voting rights which can be exercised on the reporting date are taken into account.

Equity investments in associated companies are recognised and measured on the basis of the proportionate share of the net asset value on the balance sheet date less or plus the proportionate share of unrealised intragroup profits and losses. Equity investments in associated companies are tested for any impairment needs where there are indications of impairment.

Equity investments in group companies

Group companies are businesses in which the Parent Company Arbejdernes Landsbank A/S has controlling influence. Equity investments in group companies are recognised and measured at net asset value in the Parent financial statements.

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 pooled schemes are neutralised in the results of the Group and the Bank for the year.

Intangible assets

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

Development projects under construction include external costs for projects where a future development opportunity for the Group can be demonstrated but where commissioning is not yet possible. Development projects under construction are recognised at cost. Cost includes the costs incurred for the project. Development projects under construction are not depreciated. At the time of commissioning, the asset is moved to completed development projects and typically depreciated over 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 bank. 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 exceptional 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 expected useful life is reassessed each year and comprises:

- Headquarters: 100 years
- Owner-occupied properties used to operate branches: 50/75 years

Land value 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 impairments as well as reversed impairment charges are recognised in the income statement under amortisation/depreciation as well as impairments on intangible assets and property, plant and equipment.

Operating lease assets where the Group is the lessee in connection with a tenancy to conduct banking activities are also recognised under owner-occupied property and represent the lessee's right to use the underlying asset. This is counterbalanced by a lease commitment measured at the present value of the future lease payments on these tenancy agreements.

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.

Operating lease assets 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 over five years, however only up to the expected useful life. 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 of impairment for property, plant and equipment is assessed when there are indications of impairment, and the asset is impaired to the recoverable amount which is the higher of the net sales price and the value in use. Impairments 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 cost or 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. The assets are measured 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. Accruals and deferred 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 the 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, lease commitments, 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 expected losses in connection with legal proceedings, but also expected losses on issued guarantees, unutilised credit lines and commitments where the loss risk is calculated in accordance with the rules under IFRS 9 as described in the accounting policies under: Loans and other receivables at amortised cost

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

Subordinated debt
Subordinated debt is debt obligations in the form of Tier 2 capital and other capital contributions which, in the event of liquidation or bankruptcy, are to be repaid only after the claims of ordinary creditors have been met.

Subordinated debt is recognised at the date the loan was taken up at fair value, less directly attributable external transaction costs. Subsequently, subordinated debt is measured at amortised cost using the effective interest-rate method. Premature redemption of subordinated debt is subject to approval by the Danish FSA. Subordinated debt is included in own funds etc. in accordance with the Danish Financial Business Act.

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 deduction of any deferred tax. The reserve will be dissolved as the revalued properties are depreciated, impaired or sold.

Reserve under the equity method

Reserve under the equity method includes net revaluation of equity investments in associated and group companies in relation to cost. The reserve is reduced by distributions of dividend to the Parent Company, other changes in equity 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 Tier 1 capital is therefore recognised 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. The tax effect of the interest payment is recognised in the income statement under Tax.

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 activity comprise repayment of lease commitments, changes to the size of the composition of subordinated debt and Additional Tier 1 capital, payment of dividends to shareholders and interest on Additional Tier 1 capital as well as buying and selling of own shares.

Cash flows from financing activity comprise repayment of lease commitments, changes to the size of the composition of subordinated debt and Additional Tier 1 capital, 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 46 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 the 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 Bank's total loans and guarantees according to IFRS 9, a model uncertainty arises in relation to the calculation of impairment. This uncertainty is partly due to uncertainty in relation to calculation of the model's input parameters, such as collateral values and mortgages on real property and setting up cash flows, 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 Group has prepared cash flows in accordance with current accounting standards. The Group's credit risk is described in note 47 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 20 describes the sensitivity of the valuation if the required rate of return is increased by 0.5%.

Measurement of other financial instruments at fair value

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 3
Events after expiry of the financial year

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

Note		Group 2019 DKK mill.	2018 DKK mill.
4	Segment information		
	The Group only operates from locations in Denmark.		
	Revenue	2,010.0	1,917.2

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 2019				
Income statement				
Net interest income	978.0	103.2	-6.8	*1,074.5*
Net fee and commission income	688.1	0.0	0.0	*688.1*
Value adjustments and dividend	130.2	2.4	209.1	*341.8*
Other operating income	35.7	0.0	33.5	*69.2*
Profit from equity investments in associated companies	0.0	0.0	24.3	*24.3*
Total income	*1,832.1*	*105.7*	*260.2*	*2,197.9*
Costs and depreciation/amortisation	-1,505.6	-58.1	-99.7	*-1,663.4*
Impairments on loans and receivables etc.	53.9	0.0	0.0	*53.9*
Total costs	*-1,451.7*	*-58.1*	*-99.7*	*-1,609.5*
Profit before tax	*380.4*	*47.5*	*160.5*	*588.4*
Assets				
Loans and other receivables at amortised cost	22,906.4	0.0	0.0	*22,906.4*
Bonds at fair value	0.0	20,859.8	0.0	*20,859.8*
Equity investments in associated companies	0.0	0.0	888.1	*888.1*
Other assets	6,276.5	4,165.3	3,928.0	*14,369.8*
Total assets	*29,182.9*	*25,025.1*	*4,816.0*	*59,024.0*
Equity and liabilities				
Deposits and other debt	42,269.0	0.0	0.0	*42,269.0*
Allocated equity	3,148.2	1,382.7	2,324.3	*6,855.2*
Other equity and liabilities	5,753.7	2,055.7	2,090.3	*9,899.8*
Total equity and liabilities	*51,170.9*	*3,438.5*	*4,414.6*	*59,024.0*
Ratios and key figures				
Average allocated equity	3,338.7	1,286.5	2,239.0	*6,864.2*
Return on equity before tax (%)	11.4	3.7	7.2	*8.6*
Ratio of operating income to operating expenses (DKK)	1.26	1.82	2.61	*1.37*

Note

4 Segment information (continued)

	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 (DKK)	1.35	-1.48	1.07	***1.23***

Note		Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
5	Interest income				
	Receivables from credit institutions and central banks	1.2	2.1	1.2	2.1
	Loans and other receivables	1,058.8	1,110.1	956.1	1,007.8
	Other interest income	1.1	23.5	1.4	23.8
	Total interest income calculated using the effective interest method	***1,061.1***	***1,135.6***	***958.7***	***1,033.6***
	Bonds	195.4	151.7	195.4	151.7
	Derivative financial instruments				
	Currency contracts	-34.2	-23.9	-34.2	-23.9
	Interest-rate contracts	-68.0	-76.1	-68.0	-76.1
	Total derivative financial instruments	***-102.2***	***-100.0***	***-102.2***	***-100.0***
	Positive interest expenses on financial liabilities	7.0	1.7	7.0	1.7
	Total other interest income	***100.2***	***53.4***	***100.2***	***53.4***
	Total interest income	***1,161.2***	***1,189.0***	***1,058.8***	***1,087.0***
	Of which, repo transactions recognised under positive interest expenses on financial liabilities:				
	Debt to credit institutions and central banks	0.1	0.0	0.1	0.0
6	Interest expenses				
	Debt to credit institutions and central banks	-2.8	-2.9	-2.8	2.9
	Deposits and other debt	-40.9	-55.5	-40.2	-55.1
	Subordinated debt	-18.5	0.0	-18.5	0.0
	Other interest expenses	-0.8	-1.5	-0.8	-1.5
	Negative interest income on financial assets	-23.6	-24.7	-23.6	-24.7
	Total interest expenses	***-86.7***	***-84.6***	***-86.0***	***-84.1***
	Of which, reverse transactions recognised under negative interest income on financial assets:				
	Receivables from credit institutions and central banks	-1.1	-2.2	-1.1	-2.2
	Loans and other receivables	-0.1	0.0	-0.1	0.0
7	Net fee and commission income				
	Securities trading and custody accounts *)	136.7	114.2	136.7	114.2
	Money transmission services	153.1	125.1	151.7	123.6
	Loan fees	359.3	302.0	325.6	268.6
	Guarantee commission	61.7	58.9	61.9	59.0
	Other fees and commissions	68.6	59.2	54.0	46.3
	Total fees and commission income	***779.5***	***659.4***	***729.8***	***611.8***
	AL-BoligBonus	-56.2	-50.1	-56.2	-50.1
	Other fees and commissions paid	-35.1	-29.0	-26.2	-20.4
	Total fees and commissions paid	***-91.4***	***-79.1***	***-82.4***	***-70.5***
	Net fee and commission income	***688.1***	***580.3***	***647.4***	***541.3***

*) The Group's income from management activities represents DKK 75.2 mill. (2018: DKK 71.6 mill.).

Note		Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
8	Value adjustments				
	Bonds	96.1	-98.2	96.1	-98.2
	Shares etc.	310.8	132.0	310.8	132.0
	Investment properties	-0.7	-2.4	-0.7	-2.4
	Currency	26.1	22.1	25.9	21.4
	Derivative financial instruments				
	Currency contracts	0.8	2.2	0.8	2.2
	Interest-rate contracts	-135.3	-71.5	-135.3	-71.5
	Share contracts	0.0	-0.1	0.0	-0.1
	Total derivative financial instruments	***-134.5***	***-69.4***	***-134.5***	***-69.4***
	Assets linked to pooled schemes	637.5	-211.5	637.5	-211.5
	Deposits in pooled schemes	-637.5	211.5	-637.5	211.5
	Other assets	0.5	1.1	0.5	1.2
	Total value adjustments	***298.3***	***-14.8***	***298.1***	***-15.3***
9	Staff and administrative expenses				
	Management emoluments				
	Board of Directors	-2.7	-2.5	-2.7	-2.5
	Executive Management	-6.9	-6.5	-6.8	-6.5
	Total management emoluments	***-9.6***	***-9.0***	***-9.6***	***-9.0***
	Staff expenses				
	Remuneration	-695.7	-666.5	-639.6	-612.7
	Pensions (contribution-based)	-72.3	-75.9	-66.5	-70.0
	Social security expenses	-6.0	-5.2	-5.6	-4.9
	Payroll tax	-93.3	-85.1	-87.6	-79.3
	Total staff expenses	***-867.3***	***-832.7***	***-799.2***	***-766.9***
	Administrative expenses				
	IT expenses	-395.0	-343.0	-380.2	-329.4
	Other administrative expenses	-240.5	-221.2	-225.4	-208.0
	Total administrative expenses	***-635.6***	***-564.2***	***-605.6***	***-537.4***
	Total staff and administrative expenses	***-1,512.5***	***-1,405.9***	***-1,414.4***	***-1,313.3***
	Emoluments paid to the Board of Directors				
	Fixed remuneration	-2.7	-2.5	-2.7	-2.5
	Total emoluments paid to the Board of Directors	***-2.7***	***-2.5***	***-2.7***	***-2.5***
	Number of members of the Board of Directors during the financial year	13	14	13	14

Information on emoluments paid to the individual members of the Board of Directors in 2019 can be found in the Management's report.

Note		Group 2019 DKK mill.	Group 2018 DKK mill.	Bank 2019 DKK mill.	Bank 2018 DKK mill.
9	Staff and administrative expenses (continued)				
	Emoluments paid to Executive Management				
	Fixed remuneration	-5.7	-5.3	-5.7	-5.3
	Pension scheme (contribution-based)	-1.2	-1.2	-1.2	-1.2
	Total emoluments paid to Executive Management	*-6.9*	*-6.5*	*-6.8*	*-6.5*
	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 2019 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. If a position is terminated in connection with a takeover bid concerning the Bank, special terms for resignation apply.

	Group 2019 DKK mill.	Group 2018 DKK mill.	Bank 2019 DKK mill.	Bank 2018 DKK mill.
Remuneration of employees with significant influence on the risk profile of the company in addition to Management				
Fixed remuneration	-40.7	-37.5	-34.6	-32.7
Variable remuneration	-1.0	-1.2	-0.7	-0.9
Pension scheme (contribution-based)	-4.1	-3.8	-3.5	-3.3
Severance pay	0.0	-3.1	0.0	-3.1
Total emoluments to significant risk takers	*-45.9*	*-45.5*	*-38.8*	*-40.0*
Number of significant risk takers during the financial year	35	29	30	25

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 2019 DKK mill.	Group 2018 DKK mill.	Bank 2019 DKK mill.	Bank 2018 DKK mill.
Number of employees				
Average number of employees during the financial year converted to full-time equivalents	1,122	1,088	1,040	1,007
Remuneration for the audit firm elected by the General Meeting				
Statutory audit of the financial statements	-0.5	-0.7	-0.4	-0.6
Other assurance engagements	-0.1	-0.1	-0.1	-0.1
Other services	-0.1	-0.1	-0.1	0.0
Total	*-0.6*	*-0.9*	*-0.5*	*-0.8*

Note		Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
10	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	-0.7	21.4	-0.7	21.4
	Loans and other receivables at amortised cost	491.1	73.7	491.7	63.0
	Guarantees	2.4	17.6	2.4	17.6
	Unutilised credit lines and commitments	-3.1	5.1	-2.2	7.5
	Total net movements on impairment and provision accounts	***489.8***	***117.8***	***491.2***	***109.5***
	Interest adjustment	13.8	15.5	13.8	15.5
	Ascertained losses covered by previous impairments and provisions *)	-439.9	-70.1	-436.4	-65.6
	Ascertained losses not covered by previous impairments and provisions *)	-30.6	-18.6	-22.8	-12.9
	Recognised in claims previously subject to impairments	15.2	14.0	14.8	13.6
	Reversed reserve for losses on lending which was credit-impaired at initial recognition	5.7	11.0	5.7	11.0
	Net impact recognised in the income statement	***53.9***	***69.5***	***66.4***	***71.1***

The positive operating profit on impairments on loans, etc. in 2019 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 to stage 1, see note 47.

*) Out of the Group's ascertained losses in 2019, steps are still being taken to recover DKK 438.9 mill.

Note

10 Impairments on loans and other receivables etc. (continued)

	Group				
	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill
Accumulated impairments and provisions, broken down by stages as at 31.12.2019					
Receivables from credit institutions and central banks	1.6	0.0	8.0	0.0	***9.6***
Loans and other receivables at amortised cost	95.8	135.2	558.5	19.2	***808.7***
Guarantees	1.2	0.5	18.7	0.0	***20.5***
Unutilised credit lines and commitments	21.1	5.0	25.3	0.0	***51.4***
Total impairments and provisions	***119.8***	***140.7***	***610.5***	***19.2***	***890.2***
Accumulated impairments and provisions, broken down by stages as at 31.12.2018					
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	***62.7***	***138.9***	***1,137.8***	***40.6***	***1,380.0***

The drop in stage 3 impairments is primarily attributable to partial write-offs on individual major customers. A total of DKK 470.5 mill. was written off, of which DKK 439.9 mill. has previously been recognised as impairments. Of accumulated impairments, DKK 96.0 mill. (2018: 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 the Management are primarily related to uncertainty as to the pricing of owner-occupied properties and cooperative housing.

Note

10 Impairments on loans and other receivables etc. (continued)

	Bank				
	Stage 1	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total**
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill
Accumulated impairments and provisions, broken down by stages as at 31.12.2019					
Receivables from credit institutions and central banks	1.6	0.0	8.0	0.0	***9.6***
Loans and other receivables at amortised cost	88.3	133.1	545.5	19.2	***786.1***
Guarantees	1.2	0.5	18.7	0.0	***20.5***
Unutilised credit lines and commitments	19.1	3.8	25.2	0.0	***48.2***
Total impairments and provisions	***110.3***	***137.5***	***597.5***	***19.2***	***864.4***
Accumulated impairments and provisions, broken down by stages as at 31.12.2018					
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	***56.4***	***133.7***	***1,124.9***	***40.6***	***1,355.6***

The drop in stage 3 impairments is primarily attributable to partial write-offs on individual major customers. A total of DKK 459.2 mill. was written off, of which DKK 436.4 mill. has previously been recognised as impairments. Of accumulated impairments, DKK 95.7 mill. (2018: DKK 49.0 mill.) represent management estimates based on information not incorporated in the models as well forward-looking information based on macroeconomic forecasts and projections. The additional impairments by the Management are primarily related to uncertainty as to the pricing of owner-occupied properties and cooperative housing.

Note

10 Impairments on loans and other receivables etc. (continued)

Group

	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Total gross value DKK mill.	Total impairments etc. DKK mill.	Carrying amount DKK mill.
Gross carrying amounts broken down by stages as at 31.12.2019							
Receivables from credit institutions and central banks	3,956.4	0.0	8.0	0.0	*3,964.4*	-9.6	*3,954.8*
Loans and other receivables at amortised cost	17,469.2	4,982.3	1,215.9	47.7	*23,715.1*	-808.7	*22,906.4*
Guarantees	6,631.0	680.2	126.0	0.0	*7,437.2*	-20.5	*7,416.7*
Unutilised credit lines and commitments	6,145.7	1,061.2	248.1	0.0	*7,454.9*	-51.4	*7,403.5*
Total exposures	*34,202.3*	*6,723.7*	*1,597.9*	*47.7*	*42,571.6*	*-890.2*	*41,681.4*
Gross carrying amounts broken down by stages as at 31.12.2018							
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	*31,485.9*	*7,479.3*	*2,440.5*	*83.0*	*41,488.7*	*-1,380.0*	*40,108.7*

Bank

	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Total gross value DKK mill.	Total impairments etc. DKK mill.	Carrying amount DKK mill.
Gross carrying amounts broken down by stages as at 31.12.2019							
Receivables from credit institutions and central banks	3,949.4	0.0	8.0	0.0	*3,957.4*	-9.6	*3,947.8*
Loans and other receivables at amortised cost	18,392.2	3,811.1	1,110.1	47.7	*23,361.1*	-786.1	*22,575.0*
Guarantees	6,669.0	680.2	126.0	0.0	*7,475.2*	-20.5	*7,454.7*
Unutilised credit lines and commitments	5,614.4	422.1	81.6	0.0	*6,118.0*	-48.2	*6,069.8*
Total exposures	*34,624.9*	*4,913.4*	*1,325.7*	*47.7*	*40,911.7*	*-864.4*	*40,047.4*
Gross carrying amounts broken down by stages as at 31.12.2018							
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	*32,906.6*	*4,715.5*	*2,070.1*	*83.0*	*39,775.2*	*-1,355.6*	*38,419.6*

Note

10 Impairments on loans and other receivables etc. (continued)

	Group				
	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total impairments
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Impairment account for receivables from credit institutions and central banks in 2019					
Total impairments brought forward	1.0	0.0	8.0	0.0	*9.0*
Impairments during the financial year as a consequence of changes in credit risk	-0.3	0.0	0.0	0.0	*-0.3*
Impairments on new exposures	1.2	0.0	0.0	0.0	*1.2*
Reversed impairments on redeemed exposures	-0.3	0.0	0.0	0.0	*-0.3*
Total impairments carried forward	***1.6***	***0.0***	***8.0***	***0.0***	*9.6*
Impairment account for receivables from credit institutions and central banks in 2018					
Total impairments brought forward	4.5	0.0	25.9	0.0	*30.3*
Impairments during the financial year as a consequence of changes in credit risk	0.3	0.0	0.0	0.0	*0.2*
Impairments on new exposures	0.2	0.0	0.0	0.0	*0.2*
Reversed impairments on redeemed exposures	-4.0	0.0	0.0	0.0	*-4.0*
Ascertained losses covered by previous impairments	0.0	0.0	-17.8	0.0	*-17.8*
Total impairments carried forward	***1.0***	***0.0***	***8.0***	***0.0***	*9.0*

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

10 Impairments on loans and other receivables etc. (continued)

	Group				
	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total impairments
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Impairment account for loans and other receivables at amortised cost in 2019					
Total impairments brought forward	49.6	134.6	1,075.1	40.6	*1,299.9*
Transfers to stage 1	23.6	-12.5	-11.1	0.0	*0.0*
Transfers to stage 2	-9.9	46.7	-36.8	0.0	*0.0*
Transfers to stage 3	-0.5	-7.1	7.5	0.0	*0.0*
Impairments during the financial year as a consequence of changes in credit risk	-2.7	-25.1	-10.4	-3.2	*-41.4*
Impairments on new exposures	43.6	27.7	40.9	0.0	*112.2*
Reversed impairments on redeemed exposures	-7.9	-29.2	-97.7	-1.0	*-135.8*
Interest adjustment	0.0	0.0	13.8	0.0	*13.8*
Ascertained losses covered by previous impairments	0.0	0.0	-422.7	-17.2	*-439.9*
Total impairments carried forward	***95.8***	***135.2***	***558.5***	***19.2***	***808.7***
Impairment account for loans and other receivables at amortised cost in 2018					
Total impairments 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*
Impairments during the financial year as a consequence of changes in credit risk	-27.6	-11.0	46.5	5.3	*13.3*
Impairments on new exposures	15.9	25.6	54.9	0.0	*96.4*
Reversed impairments on 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 impairments	0.0	0.0	-52.3	0.0	*-52.3*
Total impairments carried forward	***49.6***	***134.6***	***1,075.1***	***40.6***	***1,299.9***

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

10 Impairments on loans and other receivables etc. (continued)

	Group			
	Stage 1	**Stage 2**	**Stage 3**	**Total provisions**
	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Provision account for guarantees in 2019				
Total provisions brought forward	1.3	0.8	20.8	***22.8***
Transfers to stage 1	0.3	-0.1	-0.2	***0.0***
Transfers to stage 2	0.0	0.9	-0.8	***0.0***
Provisions during the financial year as a consequence of changes in credit risk	-0.3	-0.8	5.7	***4.6***
Provisions for new exposures	0.3	0.1	2.0	***2.4***
Reversed provisions for redeemed exposures	-0.3	-0.2	-8.8	***-9.3***
Total provisions carried forward	***1.2***	***0.5***	***18.7***	***20.5***
Provision account for guarantees in 2018				
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 as a consequence of 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 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

10 Impairments on loans and other receivables etc. (continued)

	Group			
	Stage 1	**Stage 2**	**Stage 3**	**Total provisions**
	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Provision account for unutilised credit lines and commitments in 2019				
Total provisions brought forward	10.8	3.6	34.0	***48.4***
Transfers to stage 1	2.9	-1.6	-1.3	***0.0***
Transfers to stage 2	-0.3	4.2	-3.9	***0.0***
Transfers to stage 3	0.0	0.0	0.1	***0.0***
Provisions during the financial year as a consequence of changes in credit risk	-2.7	-2.2	1.9	***-3.0***
Provisions for new exposures	12.0	1.3	0.5	***13.9***
Reversed provisions for redeemed exposures	-1.7	-0.2	-5.9	***-7.8***
Total provisions carried forward	***21.1***	***5.0***	***25.4***	***51.4***
Provision account for unutilised credit lines and commitments in 2018				
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 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.

The Group's impairments and provisions have been reduced by a total of DKK 489.8 mill. in 2019, of which ascertained losses covered by previous impairments and provisions total DKK 439.9 mill.

Note

10 Impairments on loans and other receivables etc. (continued)

	Bank				
	Stage 1	**Stage 2**	**Stage 3**	**Credit-impaired on initial recognition**	**Total impairments**
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Impairment account for receivables from credit institutions and central banks in 2019					
Total impairments brought forward	1.0	0.0	8.0	0.0	*9.0*
Impairments during the financial year as a consequence of changes in credit risk	-0.3	0.0	0.0	0.0	*-0.3*
Impairments on new exposures	1.2	0.0	0.0	0.0	*1.2*
Reversed impairments on redeemed exposures	-0.3	0.0	0.0	0.0	*-0.3*
Total impairments carried forward	*1.6*	*0.0*	*8.0*	*0.0*	9.6
Impairment account for receivables from credit institutions and central banks in 2018					
Total impairments brought forward	4.5	0.0	25.9	0.0	*30.3*
Impairments during the financial year as a consequence of changes in credit risk	0.3	0.0	0.0	0.0	*0.2*
Impairments on new exposures	0.2	0.0	0.0	0.0	*0.2*
Reversed impairments on redeemed exposures	-4.0	0.0	0.0	0.0	*-4.0*
Ascertained losses covered by previous impairments	0.0	0.0	-17.8	0.0	*-17.8*
Total impairments carried forward	*1.0*	*0.0*	*8.0*	*0.0*	9.0

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

10 Impairments on loans and other receivables etc. (continued)

	Bank				
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Total impairments DKK mill.
Impairment account for loans and other receivables at amortised cost in 2019					
Total impairments brought forward	43.9	131.0	1,062.2	40.6	*1,277.8*
Transfers to stage 1	21.2	-11.0	-10.2	0.0	*0.0*
Transfers to stage 2	-9.7	45.2	-35.5	0.0	*0.0*
Transfers to stage 3	-0.4	-6.9	7.3	0.0	*0.0*
Impairments during the financial year as a consequence of changes in credit risk	1.0	-22.8	-12.3	-3.2	*-37.4*
Impairments on new exposures	40.2	26.8	37.1	0.0	*104.0*
Reversed impairments on redeemed exposures	-7.9	-29.2	-97.7	-1.0	*-135.8*
Interest adjustment	0.0	0.0	13.8	0.0	*13.8*
Ascertained losses covered by previous impairments	0.0	0.0	-419.1	-17.2	*-436.4*
Total impairments carried forward	***88.3***	***133.1***	***545.5***	***19.2***	***786.1***
Impairment account for loans and other receivables at amortised cost in 2018					
Total impairments 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	19.3	-3.0	*0.0*
Impairments during the financial year as a consequence of changes in credit risk	-25.4	-4.9	41.7	8.4	*19.7*
Impairments on new exposures	13.7	24.1	51.3	0.0	*89.1*
Reversed impairments on 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 impairments	0.0	0.0	-47.7	0.0	*-47.7*
Total impairments carried forward	***43.9***	***131.0***	***1,062.2***	***40.6***	***1,277.8***

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

10 Impairments on loans and other receivables etc. (continued)

	Bank			
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Total provisions** DKK mill.
Provision account for guarantees in 2019				
Total provisions brought forward	1.3	0.8	20.8	***22.8***
Transfers to stage 1	0.3	-0.1	-0.2	***0.0***
Transfers to stage 2	0.0	0.9	-0.8	***0.0***
Provisions during the financial year as a consequence of changes in credit risk	-0.3	-0.8	5.7	***4.6***
Provisions for new exposures	0.3	0.1	2.0	***2.4***
Reversed provisions for redeemed exposures	-0.3	-0.2	-8.8	***-9.3***
Total provisions carried forward	***1.2***	***0.5***	***18.7***	***20.5***
Provision account for guarantees in 2018				
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 as a consequence of 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***

Note

10 Impairments on loans and other receivables etc. (continued)

	Bank			
	Stage 1	Stage 2	Stage 3	Total provisions
	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Provision account for unutilised credit lines and commitments in 2019				
Total provisions brought forward	10.3	1.9	33.9	*46.0*
Transfers to stage 1	1.9	-0.6	-1.3	*0.0*
Transfers to stage 2	-0.3	4.2	-3.9	*0.0*
Provisions during the financial year as a consequence of changes in credit risk	-2.9	-2.4	1.9	*-3.4*
Provisions for new exposures	11.9	0.9	0.5	*13.3*
Reversed provisions for redeemed exposures	-1.7	-0.2	-5.9	*-7.8*
Total provisions carried forward	*19.1*	*3.8*	*25.3*	*48.2*
Provision account for unutilised credit lines and commitments in 2018				
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	-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 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.

The Bank's impairments and provisions have been reduced by a total of DKK 491.2 mill. in 2019, of which ascertained losses covered by previous impairments and provisions total DKK 436.4 mill.

Note		Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
11	Tax				
	Tax for the year may be broken down as follows:				
	Tax on profit for the year	-43.6	-40.1	-34.7	-28.0
	Tax on other comprehensive income	-63.8	-7.1	-63.8	-7.1
	Tax on changes in equity for the year	0.0	14.4	0.0	14.4
	Total tax	*-107.5*	*-32.8*	*-98.5*	*-20.7*
	Tax on profit for the year is calculated as follows:				
	Current tax for the year	-53.0	-53.1	-32.4	-30.3
	Adjustment of deferred tax for the year	10.6	10.3	-1.1	-0.4
	Adjustment of current tax concerning previous years	-1.2	2.5	-1.2	2.5
	Adjustment of deferred tax concerning previous years	0.0	0.2	0.0	0.2
	Total tax on profit for the year	*-43.6*	*-40.1*	*-34.7*	*-28.0*
	Tax on profit for the year can be explained as follows:				
	Calculated tax on profit before tax for the year at 22%	-129.5	-74.6	-127.5	-71.9
	Tax base of income not subject to tax	74.4	36.0	80.7	45.0
	Tax base of non-deductible expenses	-3.4	-4.2	-2.9	-3.8
	Tax base of profit in associated companies	5.3	0.0	5.3	0.0
	Tax base of interest on Additional Tier 1 capital	10.8	0.0	10.8	0.0
	Adjustment of current tax concerning previous years	-1.2	2.5	-1.2	2.5
	Adjustment of deferred tax concerning previous years	0.0	0.2	0.0	0.2
	Total tax on profit for the year	*-43.6*	*-40.1*	*-34.7*	*-28.0*
	Effective tax rate	7.4	11.8	6.0	8.6
	The effective tax rates are particularly affected by significant tax-exempt gains in the form of capital gains and dividends from the investment securities.				
	Tax on other comprehensive income is calculated as follows:				
	Adjustment of deferred tax for the year	-1.4	-7.1	-1.4	-7.1
	Adjustment of current tax concerning previous years	-6.5	0.0	-6.5	0.0
	Adjustment of deferred tax concerning previous years	-56.0	0.0	-56.0	0.0
	Total tax on other comprehensive income	*-63.8*	*-7.1*	*-63.8*	*-7.1*

Note		Group 2019 DKK mill.	Group 2018 DKK mill.	Bank 2019 DKK mill.	Bank 2018 DKK mill.
12	Earnings per share				
	Arbejdernes Landsbank's shareholders' share of the profit for the year	495.5	233.2	495.5	233.2
	Tax effect of interest on Additional Tier 1 capital, see the statement of capital and note 11	0.0	14.4	0.0	14.4
	Profit for the year adjusted for Additional Tier 1 capital	*495.5*	*247.6*	*495.5*	*247.6*
	Average number of shares issued, see note 30	300,000	300,000	300,000	300,000
	Average number of own shares, see note 31	-6,653	-3,000	-6,653	-3,000
	Average number of shares in issue	*293,348*	*297,000*	*293,348*	*297,000*
	Earnings per share (DKK)	1,689	834	1,689	834
	Diluted earnings per share (DKK) *)	1,689	834	1,689	834

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 2019 DKK mill.	Group 2018 DKK mill.	Bank 2019 DKK mill.	Bank 2018 DKK mill.
13	Receivables from credit institutions and central banks				
	Receivables at notice from central banks	2,981.1	4,228.2	2,981.1	4,228.2
	Receivables from credit institutions	973.6	983.3	966.6	974.1
	Total receivables from credit institutions and central banks	*3,954.8*	*5,211.5*	*3,947.8*	*5,202.3*
	Broken down by remaining term:				
	On demand	559.2	549.2	552.2	540.0
	Up to and including 3 months	3,395.6	4,662.3	3,395.6	4,662.3
	Total receivables from credit institutions and central banks	*3,954.8*	*5,211.5*	*3,947.8*	*5,202.3*
	Of which reverse transactions represent	75.5	301.8	75.5	301.8
14	Loans and other receivables at amortised cost				
	Lending contracts with access to variable utilisation	2,116.7	2,521.7	6,306.1	5,868.0
	Receivables from finance leases	1,512.3	1,434.6	13.8	0.0
	Mortgage deeds	1,186.5	1,269.1	1,186.5	1,269.1
	Other loans and receivables	18,091.0	16,860.3	15,068.7	14,661.7
	Loans and other receivables at amortised cost	*22,906.4*	*22,085.8*	*22,575.0*	*21,798.8*
	Broken down by remaining term:				
	On demand	274.0	297.1	274.0	297.1
	Up to and including 3 months	2,460.1	2,272.5	797.8	4,318.4
	More than 3 months and up to 1 year	3,561.0	3,447.3	6,936.4	3,143.0
	More than 1 year and up to and including 5 years	8,102.3	8,191.2	6,406.7	6,414.2
	More than 5 years	8,509.0	7,877.6	8,160.1	7,626.0
	Loans and other receivables at amortised cost	*22,906.4*	*22,085.8*	*22,575.0*	*21,798.8*
	Of which reverse transactions represent	145.3	127.9	145.3	127.9

Note		Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
14	Loans and other receivables at amortised cost (continued)				
	Loans and guarantees broken down by sectors and industries				
	Public authorities	101.5	114.5	101.4	87.1
	Business				
	Agriculture, hunting, forestry and fisheries	39.1	40.9	8.3	4.4
	Industry and extraction of raw materials	579.1	941.3	256.3	200.3
	Energy supply	7.1	25.8	3.2	5.6
	Building and construction	593.0	602.6	283.9	271.3
	Trade	1,561.2	839.8	421.7	318.6
	Transport, hotels and restaurants	300.1	352.4	179.9	224.7
	Information and communication	59.1	85.4	20.9	11.7
	Financing and insurance	767.5	821.8	5,570.8	5,144.4
	Real property	932.4	888.8	903.6	859.4
	Other business	1,894.7	1,688.3	1,309.2	1,135.7
	Total business	***6,733.3***	***6,287.1***	***8,957.8***	***8,176.1***
	Private	23,488.3	21,583.5	20,970.6	19,434.9
	Total loans and guarantees	***30,323.1***	***27,985.1***	***30,029.8***	***27,698.1***
15	Bonds at fair value				
	Government bonds	2,713.7	2,563.9	2,713.7	2,563.9
	Mortgage-credit bonds	15,054.2	13,768.8	15,054.2	13,768.8
	Other bonds	3,091.9	2,501.6	3,091.9	2,501.6
	Total bonds at fair value	***20,859.8***	***18,834.3***	***20,859.8***	***18,834.3***
16	Equity investments in associated companies				
	Cost brought forward	0.0	0.0	0.0	0.0
	Reclassification from shares etc. *)	483.0	0.0	483.0	0.0
	Additions	382.1	0.0	382.1	0.0
	Cost carried forward	***865.1***	***0.0***	***865.1***	***0.0***
	Revaluations and impairments brought forward	0.0	0.0	0.0	0.0
	Results	24.3	0.0	24.3	0.0
	Other changes in equity	-1.3	0.0	-1.3	0.0
	Revaluations and impairments carried forward	***23.0***	***0.0***	***23.0***	***0.0***
	Carrying amount carried forward	***888.1***	***0.0***	***888.1***	***0.0***

*) Since 31.12.2018, the Group has gradually acquired more shares in Vestjysk Bank A/S, and this has led to a change in the classification from shares etc. to equity investments in associated companies.

See note 44 for specified information regarding associated companies which are individually material to the Group.

Note		Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
17	Equity investments in group companies				
	Cost brought forward			5.6	5.6
	Cost carried forward			*5.6*	*5.6*
	Revaluations and impairments brought forward			273.5	273.2
	Results			19.4	31.4
	Change in accounting policies, IFRS 9			0.0	-31.1
	Revaluations and impairments carried forward			*293.0*	*273.5*
	Carrying amount carried forward			*298.6*	*279.1*

See note 44 for specified information regarding consolidated subsidiaries.

Note		Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
18	Assets linked to pooled schemes				
	Cash	182.0	354.2	182.0	354.2
	Bonds	1,916.3	1,607.6	1,916.3	1,607.6
	Investment association units	2,923.1	1,777.0	2,923.1	1,777.0
	Other equity investments	699.4	438.4	699.4	438.4
	Total assets linked to pooled schemes	*5,720.8*	*4,177.2*	*5,720.8*	*4,177.2*
19	Intangible assets				
	Cost brought forward	67.6	87.3	0.0	28.0
	Additions	10.6	11.7	0.0	0.0
	Disposals	-0.2	-31.4	0.0	-28.0
	Cost carried forward	*78.0*	*67.6*	*0.0*	*0.0*
	Amortisation and impairments brought forward	48.9	70.7	0.0	28.0
	Disposals	0.0	-31.4	0.0	-28.0
	Amortisation	9.8	9.5	0.0	0.0
	Amortisation and impairments carried forward	*58.6*	*48.9*	*0.0*	*0.0*
	Carrying amount carried forward	*19.3*	*18.7*	*0.0*	*0.0*

The Group's intangible assets comprise fully developed and deployed computer software amounting to DKK 17.2 mill. (2018: DKK 12.7 mill.) and ongoing IT projects of DKK 2.2 mill. (2018: DKK 6.0 mill.).

Note		Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
20	Land and buildings				
	Investment properties				
	Fair value brought forward	36.4	37.6	36.4	37.6
	Improvements	0.0	1.2	0.0	1.2
	Value adjustments	-0.7	-2.4	-0.7	-2.4
	Fair value carried forward	*35.7*	*36.4*	*35.7*	*36.4*
	Rental income	2.2	2.0	2.2	2.0
	Operating costs for rented-out areas	-1.0	-2.0	-1.0	-2.0

Investment properties are measured at fair value based on non-observable input (level 3 in the fair value hierarchy). The measurement includes estimated rental income and operating expenses, as well as a required rate of return of around 4.4% (2018: DKK 4.1%), determined on the basis of the interest-rate level and the location of the property. Generally, an increase in the required rate of return of 0.5 percentage points will reduce the fair value by approx. DKK 3.6 mill. (2018: DKK 3.9 mill.). The valuation was carried out by an independent assessor in 2019.

Note		Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
20	Land and buildings (continued)				
	Owner-occupied properties				
	Revalued amount brought forward	1,088.9	857.3	1,088.9	857.3
	Additions	0.0	84.6	0.0	84.6
	Improvements	5.9	25.5	5.9	25.5
	Disposals	0.0	-11.5	0.0	-11.5
	Depreciation	-7.0	-5.7	-7.0	-5.7
	Value adjustments recognised in the income statement	-3.3	-3.8	-3.3	-3.8
	Value adjustments recognised in other comprehensive income	14.9	142.5	14.9	142.5
	Revalued amount carried forward	***1,099.5***	***1,088.9***	***1,099.5***	***1,088.9***

Owner-occupied properties are measured at their revalued amount based on non-observable input (level 3 in the fair value hierarchy). The measurement includes estimated rental income and operating expenses, as well as a required rate of return of around 3.0-7.5% (2018: DKK 3.3-7.5%), determined on the basis of the interest-rate level and the location of the property. Generally, an increase in the required rate of return of 0.5 percentage points will reduce the fair value by approx. DKK 111.6 mill. (2018: DKK 112.3 mill.). The valuation of selected properties was carried out by an independent assessor in 2019.

In addition to recognising the owner-occupied properties referred to above, the Group and the Bank have recognised rented domicile properties (right-of-use assets) at a carrying amount of DKK 156.2 mill. as at 31.12.2019 (2018: DKK 0 mill.). See notes 1 and 42 for further information regarding capitalised leases.

Note		Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
21	Other property, plant and equipment				
	Rental cars				
	Cost brought forward	110.0	115.4	0.0	0.0
	Additions and improvements	51.7	41.5	0.0	0.0
	Disposals	-36.9	-46.9	0.0	0.0
	Cost carried forward	***124.8***	***110.0***	***0.0***	***0.0***
	Depreciation and impairments brought forward	37.3	45.0	0.0	0.0
	Disposals	-22.5	-30.3	0.0	0.0
	Depreciation	24.4	22.6	0.0	0.0
	Depreciation and impairments carried forward	***39.2***	***37.3***	***0.0***	***0.0***
	Carrying amount carried forward	***85.6***	***72.7***	***0.0***	***0.0***
	Other property, plant and equipment				
	Cost brought forward	172.5	152.5	164.3	144.4
	Additions and improvements	62.3	56.0	60.6	53.3
	Disposals	-28.3	-36.0	-26.5	-33.4
	Cost carried forward	***206.5***	***172.5***	***198.4***	***164.3***
	Depreciation and impairments brought forward	65.2	73.9	61.1	69.8
	Disposals	-25.1	-30.7	-24.1	-29.3
	Depreciation	33.6	22.0	32.3	20.6
	Depreciation and impairments carried forward	***73.7***	***65.2***	***69.3***	***61.1***
	Carrying amount carried forward	***132.8***	***107.3***	***129.1***	***103.2***
	Write-offs for the year	0.0	0.6	0.0	0.6

Note		Group 2019 DKK mill.	Group 2018 DKK mill.	Bank 2019 DKK mill.	Bank 2018 DKK mill.
22	Other assets				
	Positive fair value of derivative financial instruments and spot transactions	53.6	50.9	53.6	50.9
	Interest and commissions receivable	99.8	101.8	99.8	101.8
	Capital contributions in Bankernes EDB Central a.m.b.a.	509.3	460.3	509.3	460.3
	Other assets	402.4	365.8	376.7	338.3
	Total other assets	***1,065.1***	***978.8***	***1,039.4***	***951.3***
23	Debt to credit institutions and central banks				
	Debt to central banks	897.3	720.5	897.3	720.5
	Debt to credit institutions	671.0	901.8	671.0	901.8
	Total debt to credit institutions and central banks	***1,568.3***	***1,622.3***	***1,568.3***	***1,622.3***
	Broken down by remaining term:				
	On demand	1,173.7	1,023.1	1,173.7	1,023.1
	Up to and including 3 months	21.1	225.9	21.1	225.9
	More than 1 year and up to and including 5 years	373.5	373.4	373.5	373.4
	Total debt to credit institutions and central banks	***1,568.3***	***1,622.3***	***1,568.3***	***1,622.3***
24	Deposits and other debt				
	On demand	38,858.9	36,949.5	38,809.1	36,916.1
	Amounts with notice period	1,686.8	2,141.8	1,686.8	2,141.8
	Time deposits	0.0	0.6	0.0	0.6
	Special types of deposit	1,723.2	1,603.6	1,723.2	1,603.6
	Total deposits and other debt	***42,269.0***	***40,695.5***	***42,219.2***	***40,662.1***
	Broken down by remaining term:				
	On demand	40,448.8	38,291.8	40,399.0	38,258.4
	Up to and including 3 months	396.6	1,049.5	396.6	1,049.5
	More than 3 months and up to 1 year	104.7	128.2	104.7	128.2
	More than 1 year and up to and including 5 years	379.6	442.6	379.6	442.6
	More than 5 years	939.3	783.4	939.3	783.4
	Total deposits and other debt	***42,269.0***	***40,695.5***	***42,219.2***	***40,662.2***
25	Other liabilities				
	Negative fair value of derivative financial instruments and spot transactions	399.7	327.1	399.7	327.1
	Lease commitments	171.4	0.0	171.4	0.0
	Interest and commissions due	8.1	5.3	8.1	5.3
	Other equity and liabilities	834.3	937.3	746.1	870.9
	Total other liabilities	***1,413.5***	***1,269.8***	***1,325.2***	***1,203.3***

See notes 1 and 42 for further information regarding lease commitments.

Note		Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
26	Provisions for deferred tax				
	Deferred tax brought forward	-23.6	-11.7	-16.8	-19.5
	Deferred tax included in the profit or loss for the year	-10.6	-10.5	1.1	0.2
	Deferred tax included in other comprehensive income	57.4	7.1	57.4	7.1
	Deferred tax recognised in equity	0.0	-8.5	0.0	-4.6
	Deferred tax carried forward	***23.2***	***-23.6***	***41.7***	***-16.8***
	Deferred tax concerns:				
	Lending	-21.7	-21.5	-17.8	-18.0
	Intangible assets and property, plant and equipment	54.4	8.8	68.9	12.0
	Employee obligations	-5.6	-6.8	-5.5	-6.6
	Other balance sheet items	-3.9	-4.2	-3.9	-4.2
	Deferred tax carried forward	***23.2***	***-23.6***	***41.7***	***-16.8***
27	Guarantee loss provisions				
	Provisions brought forward	22.8	30.8	22.8	30.8
	Provision made in connection with the transition from IAS 39 to IFRS 9	0.0	9.7	0.0	9.7
	Provisions made during the year	11.6	15.5	11.6	15.5
	Reversal of unutilised provisions	-14.0	-33.2	-14.0	-33.2
	Provisions carried forward	***20.5***	***22.8***	***20.5***	***22.8***
28	Other provisions				
	Provisions brought forward	69.8	39.4	66.8	38.8
	Provision made in connection with the transition from IAS 39 to IFRS 9	0.0	34.7	0.0	34.7
	Provisions made during the year	42.1	44.0	39.2	41.6
	Applied during the year	-4.6	-3.5	-4.6	-3.5
	Reversal of unutilised provisions	-38.0	-44.8	-36.0	-44.8
	Provisions carried forward	***69.3***	***69.8***	***65.3***	***66.8***

Other provisions in the Group primarily concern provisions for losses on unutilised credit lines and commitments of DKK 51.4 mill. (2018: DKK 48.4 mill.), see note 10, and provisions for anniversary bonuses of DKK 12.0 mill. (2018: DKK 12.7 mill.).

Note				Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
29	Subordinated debt						
	Nom. in DKK mill.	**Interest rate**	**Maturity**				
	900.0	3.26% (var.)	21.05.2031 *)	900.0	0.0	900.0	0.0
	Total Tier 2 capital			***900.0***	***0.0***	***900.0***	***0.0***
	Tier 2 capital included when calculating own funds			900.0	0.0	900.0	0.0
	Costs of raising Tier 2 capital in the year of establishment			0.1	0.0	0.1	0.0

*) Can be redeemed before maturity from 21.05.2026.

Note	
30	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, 8.11%
- 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		2019 pcs	2018 pcs	2019 DKK mill.	2018 DKK mill.
31	Own shares				
	Holding at the beginning of the year	6,000	0	6.0	0.0
	Purchase	2,030	6,000	2.0	6.0
	Sale	-725	0	-0.7	0.0
	Holding at the end of the year	***7,305***	***6,000***	***7.3***	***6.0***

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 DKK 3.3% of the share capital, up to and including 12 March 2023.

As at 31.12.2019, the holding of own shares amounted to nominally DKK 7.3 mill. (2018: DKK 6.0 mill.), corresponding to 2.4%. (2018: 2.0%) of the share capital.

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

32 Dividend

A dividend of DKK 45 mill, (2018: DKK 60 mill.) is proposed, corresponding to a dividend of DKK 150 per share. (2018: DKK 200).

On 12 March 2019, the Bank distributed an ordinary dividend to the shareholders of DKK 60 mill. (2018: DKK 150 mill.), corresponding to a dividend of DKK 200 per share. (2018: DKK 500).

Note		Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
33	Own funds				
	Transformation from equity to own funds				
	Equity	6,855.2	6,873.2	6,855.2	6,873.2
	Proposed dividend	-45.0	-60.0	-45.0	-60.0
	Intangible assets	-19.3	-18.7	0.0	0.0
	Additional Tier 1 capital, including interest payable	-446.1	-848.9	-446.1	-848.9
	Deductions for prudent valuation	-22.5	-20.7	-22.5	-20.7
	Capital instruments in financial entities	-599.5	-160.6	-595.9	-158.7
	Common Equity Tier 1 capital	***5,722.9***	***5,764.3***	***5,745.8***	***5,784.8***
	Additional Tier 1 capital	429.0	829.0	429.0	829.0
	Capital instruments in financial entities	-31.2	-12.6	-30.9	-12.6
	Tier 1 capital	***6,120.7***	***6,580.6***	***6,144.0***	***6,601.2***
	Tier 2 capital	900.0	0.0	900.0	0.0
	Capital instruments in financial entities	-7.3	0.0	-7.2	0.0
	Own funds	***7,013.4***	***6,580.6***	***7,036.8***	***6,601.2***

Note 34
Capital management

The capital-management objectives of Arbejdernes Landsbank at Group and Parent Company levels are:

- To comply with the statutory requirements for Arbejdernes Landsbank's capital adequacy.
- To ensure that Arbejdernes Landsbank has sufficient capital available at all times to support future activities and growth.
- To be able to continue its lending activities during a period of difficult business conditions (such as a period of severe economic decline or unexpected major credit losses).

During the year, Arbejdernes Landsbank complied with all statutory requirements for the capital of the Group and the Bank. Arbejdernes Landsbank's current capital objective is to have excess cover of 6.5 percentage points compared with the solvency need.

In addition to the capital requirement applicable at any time, comprising the solvency need and the current combined capital buffer requirement, in the period up to 1 January 2023, the Group must meet an MREL requirement totalling 7.9%, 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 2020 1.9%
- 1 January 2021 3.1%
- 1 January 2022 4.4%
- 1 January 2023 7.9%

The Group is considering whether, to some extent, the MREL requirement is to be covered through issuing separate non-preferred senior debt.

Capital management is based on the calculation methods and financial ratios developed by the Basel Committee and incorporated into Danish legislation. Management regularly monitors the Bank'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 Group's own assessment of the required capital ratio in order to safeguard depositors against losses. Since the end of 2012, Arbejdernes Landsbank's 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.

Total risk exposure is the calculated risk associated with the business areas operated by Arbejdernes Landsbank. The total risk exposure is calculated by weighting assets, items with market risk and exposures in the form of guarantees weighted according to 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 Arbejdernes Landsbank's operational risks.

Own funds are broken down in note 33.

The maturity profile for Arbejdernes Landsbank's subordinated debt is specified in note 47, page 127.

Arbejdernes Landsbank regularly assesses its need to adjust its capital structure, including the Bank's goals, policies and processes. For further information, see the unaudited risk report at https://www.al-bank.dk/en/in-english/about-the-bank/financial-statements-etc.

Note				Group 2019 DKK mill.	2018 DKK mill.	Bank 2019 DKK mill.	2018 DKK mill.
35	Additional Tier 1 capital						
	Nom. in DKK mill.	**Interest rate**	**Maturity**				
	400.0	6.602% (var.)	Indefinite *)	0.0	402.9	0.0	402.9
	429.0	9.059% (var.)	Indefinite **)	446.1	446.1	446.1	446.1
	Total Additional Tier 1 capital			***446.1***	***848.9***	***446.1***	***848.9***
	Additional Tier 1 capital included when calculating Tier 1 capital/own funds			429.0	829.0	429.0	829.0

*) Redeemed on 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 2019 DKK mill.	Group 2018 DKK mill.	Bank 2019 DKK mill.	Bank 2018 DKK mill.
36	Contingent liabilities, etc.				
	Contingent liabilities				
	Financial guarantees	2,486.7	1,572.8	2,486.7	1,572.8
	Guarantees for losses on mortgage-credit loans	3,036.2	2,656.1	3,036.2	2,656.1
	Land registration and conversion guarantees	1,318.2	997.0	1,318.2	997.0
	Collateral for group companies	0.0	0.0	38.0	35.5
	Other contingent liabilities	575.7	673.4	575.7	637.9
	Total contingent liabilities	***7,416.7***	***5,899.3***	***7,454.7***	***5,899.3***
	Other binding commitments				
	Irrevocable credit commitments less than 1 year	889.7	830.1	0.0	0.0
	Other credit commitments less than 1 year	6,513.7	6,082.0	6,069.8	5,519.2
	Unutilised commitments regarding payment of pension contributions	7.9	14.6	7.9	14.6
	Additional binding commitments	192.4	291.5	192.4	293.9
	Total other binding commitments	***7,603.8***	***7,218.1***	***6,270.2***	***5,827.7***

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 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 1.3%. (2018: 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 2019, the Bank's contribution amounted to DKK 3.3 mill. (2018: DKK 2.9 mill.), corresponding to 0.45% (2018: 0.47%) of the sector's total contribution of DKK 724.1 mill. (2018: DKK 617.5 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. Corporation tax payable at group level amounted to DKK 26.2 mill. as at 31.12.2019 (2018: DKK 0.0 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 as a going concern 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. The Danish FSA has generally entered into agreements with the data centres on special conditions for banks in distress, or banks likely to experience distress, such that claims from the data centres will rank after claims from other simple creditors.

Note		Group 2019 DKK mill.	Group 2018 DKK mill.	Bank 2019 DKK mill.	Bank 2018 DKK mill.
37	Collateral received which can be sold or repledged				
	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	220.5	427.7	220.5	427.7
	Of which sold or repledged	87.7	302.7	87.7	302.7
38	Collateral provided				
	Cash in hand and demand deposits with central banks				
	Pledged in connection with clearing	719.7	624.5	719.7	624.5
	Total cash in hand and demand deposits with central banks	*719.7*	*624.5*	*719.7*	*624.5*
	Receivables from credit institutions				
	Margin receivables in connection with transactions in derivatives	417.6	376.5	417.6	376.5
	Pledged in connection with clearing	202.1	432.0	202.1	432.0
	Total receivables from credit institutions	*619.7*	*808.5*	*619.7*	*808.5*
	Loans and other receivables at amortised cost				
	Margin receivables in connection with settlement of securities	10.5	36.7	10.5	36.7
	Total loans and other receivables at amortised cost	*10.5*	*36.7*	*10.5*	*36.7*
	Total collateral provided	*1,349.9*	*1,469.6*	*1,349.9*	*1,469.6*

Note

39 Derivative financial instruments and spot transactions

	Group and Bank			
	Nominal value DKK mill.	Net fair value DKK mill.	Positive fair value DKK mill.	Negative fair value DKK mill.
Contracts broken down by type as at 31.12.2019				
Currency contracts				
Spot transactions, purchase	143.0	*-0.4*	0.1	0.5
Spot transactions, sale	48.0	*-0.1*	0.0	0.1
Forward transactions/futures, purchase	622.3	*-7.5*	0.6	8.1
Forward transactions/futures, sale	6,583.7	*-3.7*	6.9	10.6
Interest-rate contracts				
Spot transactions, purchase	482.3	*0.0*	0.2	0.1
Spot transactions, sale	347.5	*0.1*	0.2	0.1
Forward transactions/futures, purchase	1,827.9	*3.8*	5.4	1.7
Forward transactions/futures, sale	2,917.6	*11.4*	12.1	0.6
Interest-rate swaps	6,885.0	*-349.9*	27.3	377.2
Interest-rate contracts				
Spot transactions, purchase	1.6	*-0.3*	0.2	0.5
Spot transactions, sale	1.7	*0.4*	0.5	0.2
Total derivative financial instruments and spot transactions		*-346.1*	*53.6*	*399.7*
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 transactions/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*

Note

39 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	Total net fair value
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Contracts broken down by term to maturity as at 31.12.2019					
Currency contracts					
Spot transactions, purchase	-0.4	0.0	0.0	0.0	*-0.4*
Spot transactions, sale	-0.1	0.0	0.0	0.0	*-0.1*
Forward transactions/futures, purchase	-7.4	-0.1	0.0	0.0	*-7.5*
Forward transactions/futures, sale	-3.8	0.1	0.0	0.0	*-3.7*
Interest-rate contracts					
Spot transactions, sale	0.1	0.0	0.0	0.0	*0.1*
Forward transactions/futures, purchase	3.6	0.2	0.0	0.0	*3.8*
Forward transactions/futures, sale	11.4	0.0	0.0	0.0	*11.4*
Interest-rate swaps	0.0	-1.8	-189.0	-159.1	*-349.9*
Share contracts					
Spot transactions, purchase	-0.3	0.0	0.0	0.0	*-0.3*
Spot transactions, sale	0.4	0.0	0.0	0.0	*0.4*
Total derivative financial instruments and spot transactions	*3.6*	*-1.6*	*-189.0*	*-159.1*	*-346.1*
Contracts broken down by term to maturity as at 31.12.2018					
Currency contracts					
Spot transactions, sale	-0.2	0.0	0.0	0.0	*-0.2*
Forward transactions/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					
Forward transactions/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 transactions/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*

Note

40 Offsetting possibilities

	Group					
	Carrying amount before offsetting	Offsetting of financial instruments	Carrying amount after offsetting	Offsetting possibility, see master netting agreement	Collateral	Net value
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Offsetting possibilities as at 31.12.2019						
Financial assets						
Derivative financial instruments and spot transactions with positive fair value	53.6	0.0	*53.6*	4.2	0.5	*48.9*
Total financial assets	*53.6*	*0.0*	*53.6*	*4.2*	*0.5*	*48.9*
Financial liabilities						
Derivative financial instruments and spot transactions with negative fair value	399.7	0.0	*399.7*	4.2	356.9	*38.7*
Total financial liabilities	*399.7*	*0.0*	*399.7*	*4.2*	*356.9*	*38.7*
Offsetting possibilities as at 31.12.2018						
Financial assets						
Derivative financial instruments and spot transactions with positive fair value	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 value	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*

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

41 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 2019 DKK mill.	Fair value 2019 DKK mill.	Amortised cost 2018 DKK mill.	Fair value 2018 DKK mill.
Classification and measurement of financial instruments				
Financial assets				
Cash in hand and demand deposits with central banks	1,005.2		970.7	
Receivables from credit institutions and central banks	3,954.8		5,211.5	
Loans and other receivables at amortised cost	22,906.4		22,085.8	
Bonds at fair value		20,859.8		18,834.3
Shares etc.		1,060.4		1,446.9
Assets linked to pooled schemes		5,720.8		4,177.2
Derivative financial instruments and spot transactions		53.6		50.9
Interest and commissions receivable	15.0	84.9	14.9	86.9
Total financial assets	***27,881.3***	***27,779.6***	***28,282.9***	***24,596.2***
Financial liabilities				
Debt to credit institutions and central banks	1,568.3		1,622.3	
Deposits and other debt	42,269.0		40,695.5	
Deposits in pooled schemes		5,720.8		4,177.2
Other non-derivative financial liabilities at fair value		87.7		302.7
Derivative financial instruments and spot transactions		399.7		327.1
Interest and commissions due	4.3	3.8	2.8	2.6
Subordinated debt	900.0		0.0	
Total financial liabilities	***44,741.6***	***6,212.0***	***42,320.6***	***4,809.6***

Note

41 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 situations, the fair value is based on the accounting equity (net asset value) in the underlying undertaking, as this forms the basis for the transaction price, in the event of shares being sold between the owners. When calculating the fair value of sector shares 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 71.6 mill. (2018: DKK 99.3 mill.) on a change in the prices of 10%. The 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 0.6 mill. at the end of 2019 (2018: DKK 1.4 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 2019, the Bank transferred DKK 3,447.5 mill. (2018: DKK 3,949.9 mill.) of bonds at fair value from level 1 to level 2 as a result of infrequent price updates. Conversely, DKK 1,359.9 mill. (2018: DKK 100.6 mill.) was transferred from level 2 to level 1.

Apart from the above, there have been no significant transfers between the three fair value levels in 2019 and 2018.

Note

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

	Group			
	Listed prices (level 1) DKK mill.	Observable input (level 2) DKK mill.	Non-observable input (level 3) DKK mill.	Total DKK mill.
Fair value hierarchy as at 31 December 2019				
Financial assets				
Bonds at fair value	9,499.4	11,302.6	57.7	*20,859.8*
Shares etc.	344.8	0.0	715.6	*1,060.4*
Assets linked to pooled schemes	5,344.9	376.0	0.0	*5,720.8*
Derivative financial instruments and spot transactions	10.4	43.2	0.0	*53.6*
Interest and commissions receivable	33.1	50.9	0.8	*84.9*
Total financial assets	*15,232.7*	*11,772.7*	*774.2*	*27,779.6*
Financial liabilities				
Deposits in pooled schemes	0.0	5,720.8	0.0	*5,720.8*
Other non-derivative financial liabilities at fair value	87.7	0.0	0.0	*87.7*
Derivative financial instruments and spot transactions	0.0	399.7	0.0	*399.7*
Interest and commissions due	2.6	1.2	0.0	*3.8*
Total financial liabilities	*90.2*	*6,121.8*	*0.0*	*6,212.0*
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*

Note		Group 2019 DKK mill.	2018 DKK mill.
41	Fair value disclosures and classification of financial instruments (continued)		
	Non-observable input (level 3)		
	Fair value brought forward	1,042.8	1,901.1
	Value adjustments recognised in the income statement *)	178.5	136.4
	Net change in interest and commissions receivable	0.5	0.3
	Purchases	125.5	20.3
	Sales **)	-535.4	-874.6
	Redemptions	-12.6	0.0
	Transfers to level 1	0.0	-190.3
	Transfers from level 2	0.0	49.6
	Transfers to level 2	-25.0	0.0
	Fair value carried forward	*774.2*	*1,042.8*

*) Of which DKK -1.1 mill. (2018: DKK 105.6 mill.) is attributable to assets held at the end of the accounting period.
**) Including completed sale of shares in LR Realkredit A/S in 2019 and ALKA Forsikring in 2018.

	Group			
	Carrying amount 2019 DKK mill.	Fair value 2019 DKK mill.	Carrying amount 2018 DKK mill.	Fair value 2018 DKK mill.
Financial instruments recognised at amortised cost				
Financial assets				
Cash in hand and demand deposits with central banks	1,005.2	1,005.2	970.7	970.7
Receivables from credit institutions and central banks	3,954.8	3,954.8	5,211.5	5,211.7
Loans and other receivables at amortised cost	22,906.4	23,052.5	22,085.8	22,196.5
Interest and commissions receivable	15.0	15.0	14.9	14.9
Total financial assets	*27,881.3*	*28,027.5*	*28,282.9*	*28,393.9*
Financial liabilities				
Debt to credit institutions and central banks	1,568.3	1,568.3	1,622.3	1,626.6
Deposits and other debt	42,269.0	42,269.0	40,695.5	40,695.5
Interest and commissions due	4.3	4.3	2.8	2.8
Subordinated debt	900.0	900.0	0.0	0.0
Total financial liabilities	*44,741.6*	*44,741.6*	*42,320.6*	*42,324.9*

Methods for calculating fair values of financial instruments recognised at amortised cost are based on non-observable input (level 3 in the fair value hierarchy).

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, debt to credit institutions and subordinated debt 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

41 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.	Fair value option DKK mill.	Total DKK mill.
Return and classification of financial instruments in 2019					
Return					
Interest income	1,061.1	7.0	93.2		*1,161.2*
Interest expenses	-23.6	-63.1			*-86.7*
Net interest income	*1,037.4*	*-56.1*	*93.2*		*1,074.5*
Dividends from shares etc.			2.1	41.4	*43.5*
Value adjustments			125.4	172.9	*298.3*
Total return	*1,037.4*	*-56.1*	*220.7*	*214.3*	*1,416.3*
Financial assets					
Cash in hand and demand deposits with central banks	1,005.2				*1,005.2*
Receivables from credit institutions and central banks	3,954.8				*3,954.8*
Loans and other receivables at amortised cost	22,906.4				*22,906.4*
Bonds at fair value			20,859.8		*20,859.8*
Shares etc.			164.3	896.1	*1,060.4*
Assets linked to pooled schemes				5,720.8	*5,720.8*
Derivative financial instruments and spot transactions			53.6		*53.6*
Interest and commissions receivable	15.0		84.9		*99.8*
Total financial assets	*27,881.3*		*21,162.6*	*6,617.0*	*55,660.9*
Financial liabilities					
Debt to credit institutions and central banks		1,568.3			*1,568.3*
Deposits and other debt		42,269.0			*42,269.0*
Deposits in pooled schemes				5,720.8	*5,720.8*
Other non-derivative financial liabilities at fair value			87.7		*87.7*
Derivative financial instruments and spot transactions			335.7	64.0	*399.7*
Interest and commissions due		4.3	3.8		*8.1*
Subordinated debt		900.0			*900.0*
Total financial liabilities		*44,741.6*	*427.1*	*5,784.8*	*50,953.6*

Note

41 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.	Fair value option DKK mill.	Total DKK mill.
Return and classification of financial instruments in 2018					
Return					
Interest income	1,135.6	1.7	51.7		*1,189.0*
Interest expenses	-24.7	-59.8			*-84.6*
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*

Note		Group 2019 DKK mill.	2018 DKK mill.
42	Leasing		
	The Group as lessee		
	The Group has leases for businesses premises which are being used for the Bank's operations.		
	Right-of-use assets recognised under owner-occupied properties		
	Additions	2.7	0.0
	Carrying amount carried forward	156.2	0.0
	Lease commitments recognised under other liabilities		
	Carrying amount carried forward	171.4	0.0
	See note 47 for an analysis of maturities on undiscounted lease commitments as at 31.12.2019.		
	Amount recognised in the income statement		
	Income from subleasing of right-of-use assets	0.6	0.0
	Interest costs on lease commitments	0.8	0.0
	Costs related to short-term leases	0.8	0.0
	Costs related to low-value leases	0.6	0.0
	Depreciation on right-of-use assets	22.4	0.0
	Amount recognised in the cash flow statement		
	Total outgoing cash flows related to leases	24.6	0.0

Note		Group 2019 DKK mill.	2018 DKK mill.
42	Leasing (continued)		

The Group as a lessor

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.

The Group works with car dealers throughout Denmark and offers financing solutions to both business and private customers. In addition, the Group subleases business premises at the same terms as the main lease, and consequently, the subleases with the Group as the intermediary lessor are classified as finance leases.

	2019	2018
Receivables from finance leases		
Broken down by remaining term:		
Under 1 year	964.6	868.8
Between 1 and 2 years	335.9	355.4
Between 2 and 3 years	166.7	173.7
Between 3 and 4 years	77.8	71.2
Between 4 and 5 years	24.8	30.8
More than 5 years	9.7	0.8
Total undiscounted lease payments	*1,579.6*	*1,500.6*
Of which unearned financing income	61.0	60.2
Total net investments	*1,518.6*	*1,440.4*
Accumulated impairments on finance leases	6.4	5.8
Amount recognised in the income statement		
Interest income from lease receivables	57.3	57.0

Operating leases are accounted for as rental contracts, and consequently the lease 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.

The Group leases out dwellings, business premises and cars.

	2019	2018
Receivables from operating leases		
Broken down by remaining term:		
Under 1 year	41.0	32.6
Between 1 and 2 years	29.8	26.3
Between 2 and 3 years	19.0	19.1
Between 3 and 4 years	7.4	4.9
Between 4 and 5 years	5.3	3.1
More than 5 years	3.5	8.6
Total undiscounted lease payments	*105.9*	*94.5*

Undiscounted lease payments include future minimum lease payments on non-cancellable leases, i.e. the payments which the lessee is or may be obliged to effect during the term of the lease.

	2019	2018
Amount recognised in the income statement		
Rental income	53.1	49.8

Note		Group 2019 DKK mill.	Group 2018 DKK mill.	Bank 2019 DKK mill.	Bank 2018 DKK mill.
43	Transactions with related parties				
	Shareholders with significant influence				
	Interest income	0.8	0.0	0.8	0.0
	Interest expenses	-0.1	-0.3	-0.1	-0.3
	Fees and commission income	1.6	1.4	1.6	1.4
	Loans	17.8	0.7	17.5	0.5
	Deposits	210.3	234.5	210.3	234.5
	Subordinated debt	385.0	0.0	385.0	0.0
	Collateral and guarantees received	2,167.0	2,332.3	2,166.7	2,330.5
	Unutilised credit lines and commitments	60.4	56.5	60.4	56.5
	Dividends paid	-19.0	-47.5	-19.0	-47.5
	Additional Tier 1 capital	205.0	361.3	205.0	361.3
	Interest paid on Additional Tier 1 capital	-23.8	-29.0	-23.8	-29.0
	Board of Directors and Executive Management				
	Interest income	0.0	0.1	0.0	0.1
	Interest expenses	-0.1	-0.1	-0.1	-0.1
	Fees and commission income	0.1	0.1	0.1	0.1
	Loans	0.7	2.2	0.7	2.2
	Deposits	17.8	25.5	17.8	25.5
	Collateral and guarantees received	3.8	2.3	3.8	2.3
	Issued guarantees	2.3	3.6	2.3	3.6
	Unutilised credit lines and commitments	19.0	1.8	19.0	1.8
	Additional Tier 1 capital	0.0	0.2	0.0	0.2

Note		Group 2019 DKK mill.	Group 2018 DKK mill.	Bank 2019 DKK mill.	Bank 2018 DKK mill.
43	Transactions with related parties (continued)				
	Group companies				
	Interest income			62.1	60.3
	Fees and commission income			0.4	0.4
	Value adjustments			0.0	0.1
	Other operating income			3.4	3.3
	Staff and administrative expenses			-1.3	-0.9
	Loans			4,790.2	4,346.2
	Deposits			13.0	12.7
	Interest receivable			0.0	0.3
	Other equity and liabilities			1.4	1.4
	Issued guarantees			38.0	35.5
	Unutilised credit lines and commitments			598.3	416.3
	Associated companies				
	Interest income	0.5	0.0	0.5	0.0
	Fees and commission income	0.4	0.0	0.4	0.0
	Positive fair value of derivative financial instruments and spot transactions	0.1	0.0	0.1	0.0
	Debt to credit institutions and central banks	10.4	0.0	10.4	0.0
	Negative fair value of derivative financial instruments and spot transactions	0.1	0.0	0.1	0.0

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

Transactions and balances with related parties primarily include ordinary deposits and loans as well as credit facilities.

All exposures involving related parties have been entered into on market terms corresponding to the Group's other customers and cooperation partners. However, employee representatives on the Board of Directors may obtain the same staff terms as other employees. There are no credit-impaired (stage 3) exposures involving related parties.

Loans to members of the Board of Directors and their related parties carry interest in the interval 2.0-14.0% per annum (2018: 2.0-8.5% per annum), and loans to members of the Executive Management and their related parties carry interest in the interval 3.0-9.5% per annum (2018: 3.0-9.5% per annum). Deposits from members of the Board of Directors and their related parties carry interest in the interval -0.5-1.0% per annum (2018: 0.0-1.0% per annum), and deposits from members of the Executive Management and their related parties carry interest in the interval 0.0-1.0% per annum, both in 2019 and 2018.

Emoluments and shareholdings in 2019 of individual members of the Board of Directors and the Executive Management are stated in the Management's report, while further information on remuneration terms is in note 9.

Besides ordinary banking exposures, guarantees issued and credit facilities provided, transactions and balances with group companies also include settlement of joint taxation contributions, rental of office premises and deposits received as well as car leasing on market terms.

Tier 2 capital in Vestjysk Bank A/S in the form of issued bonds amounting to DKK 12.6 mill. was redeemed during the second half-year of 2019.

Note		2019 DKK mill.	2018 DKK mill.
44	Group overview		
	Parent Company: Aktieselskabet Arbejdernes Landsbank, Copenhagen		
	Group companies		
	AL Finans A/S, Copenhagen		
	Voting share and ownership interest (%)	100	100
	Profit for the year	19.4	31.4
	Equity	285.8	266.4
	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		
	Voting share and ownership interest (%)	100	100
	Profit for the year	0.0	0.0
	Equity	12.7	12.7
	The subsidiary is currently inactive.		
	Associated companies		
	Vestjysk Bank A/S, Lemvig		
	Voting share and ownership interest (%)	32	
	Revenue	952.4	
	Profit for the year	296.2	
	Other comprehensive income	2.7	
	Total comprehensive income	***298.9***	
	Shareholders' share of this	278.6	
	Loans and other receivables at amortised cost	10,797.3	
	Other assets	10,400.9	
	Total assets	***21,198.2***	
	Deposits and other debt	12,902.0	
	Other liabilities	5,707.4	
	Total liabilities	***18,609.4***	
	Equity	2,588.8	
	Shareholders' share of this	2,358.8	
	The Group' share of this	765.3	
	The summary financial information originates from the company's published financial statements for 2018. Revenue is defined as interest income, fee and commission income as well as other operating income.		
	Based on the market price, the fair value of the Bank's shares in Vestjysk Bank A/S (level 1 in the fair value hierarchy) can be calculated at DKK 898.2 mill. as at 31.12.2019.		

Note		2019 DKK mill.	2018 DKK mill.	2017 DKK mill.	2016 DKK mill.	2015 DKK mill.
45	Financial and operating data for the Group					
	Income statement					
	Net interest income *)	1,074.5	1,104.4	1,193.6	1,248.3	1,253.0
	Net fee and commission income	688.1	580.3	555.5	536.0	517.3
	Value adjustments and dividend	341.8	45.5	945.1	-25.5	-188.4
	Other operating income *)	69.2	68.8	90.5	81.8	107.6
	Profit from equity investments in associated companies and group companies	24.3	0.0	0.0	65.2	102.4
	Total income	***2,197.9***	***1,799.0***	***2,784.7***	***1,905.8***	***1,791.9***
	Costs and depreciation/amortisation *)	-1,663.4	-1,529.5	-1,465.6	-1,336.1	-1,359.2
	Impairments on loans and receivables etc.	53.9	69.5	-14.3	-55.7	-102.9
	Total costs	***-1,609.5***	***-1,460.0***	***-1,479.9***	***-1,391.8***	***-1,462.1***
	Profit before tax	***588.4***	***339.0***	***1,304.7***	***514.0***	***329.8***
	Tax	-43.6	-40.1	-149.3	-94.6	-45.5
	Profit for the year	***544.8***	***298.9***	***1,155.5***	***419.4***	***284.4***
	Selected balance sheet items					
	Loans and other receivables at amortised cost *)	22,906.4	22,085.8	21,958.1	21,058.3	19,768.3
	Bonds at fair value	20,859.8	18,834.3	11,812.4	15,207.8	15,402.0
	Total assets	59,024.0	55,106.5	47,368.9	44,425.8	42,070.4
	Deposits incl. pooled schemes	47,989.8	44,872.7	37,483.7	34,205.8	32,314.0
	Equity	6,855.2	6,873.2	6,761.5	5,681.7	5,279.6
	Other financial and operating data					
	Net interest and fee income	1,806.1	1,745.0	1,792.9	1,829.8	1,822.5
	Value adjustments	298.3	-14.8	901.3	-70.9	-240.5
	Staff and administrative expenses	-1,512.5	-1,405.9	-1,353.8	-1,214.0	-1,195.1
	Own funds	7,013.4	6,580.6	5,677.6	5,413.4	4,142.6
	Tier 1 capital	6,120.7	6,580.6	5,677.6	5,413.4	4,142.6
	Common Equity Tier 1 capital	5,722.9	5,764.3	5,035.2	4,660.2	3,969.3
	Exposures with credit risk	25,685.6	23,895.0	23,180.2	22,908.8	20,790.7
	Exposures with market risk	6,022.8	5,267.4	4,185.4	5,353.8	6,819.6
	Exposures with operational risk	3,720.4	3,660.0	3,665.9	3,314.2	3,352.8
	Total risk exposure	***35,428.7***	***32,822.4***	***31,031.5***	***31,576.8***	***30,963.1***

Comparative figures for 2015-2018 have not been adjusted for the effect of implementing IFRS 16, and comparative figures for 2015-2017 have not been adjusted for the effect of implementing IFRS 9.

*) 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. The comparative figure for 2016 has been adjusted.

Note			2019	2018	2017	2016	2015
45	Ratios and key figures for the Group						
	Solvency						
	Capital ratio	%	19.8	20.0	18.3	17.1	13.4
	Tier 1 capital ratio	%	17.3	20.0	18.3	17.1	13.4
	Common Equity Tier 1 capital ratio	%	16.2	17.6	16.2	14.8	12.8
	Earnings						
	Return on equity before tax	%	8.6	5.0	21.0	9.4	6.4
	Return on equity after tax	%	7.9	4.4	18.6	7.7	5.5
	Ratio of operating income to operating expenses per DKK *)	DKK	1.37	1.23	1.88	1.37	1.23
	Earnings per share	DKK	1,689	834	3,680	1,225	777
	Diluted earnings per share	DKK	1,689	834	3,680	1,225	777
	Return on capital employed	%	1.0	0.6	2.5	1.0	0.7
	Market risk						
	Interest-rate risk	%	1.2	0.5	-0.7	-1.2	-1.0
	Currency position	%	1.5	2.2	1.4	2.4	1.6
	Currency risk	%	0.0	0.0	0.0	0.0	0.0
	Liquidity						
	Loans plus impairments in relation to deposits *)	%	49.4	52.1	62.0	65.6	65.5
	Liquidity coverage ratio (LCR)	%	269.9	268.1	185.7	153.5	152.3
	Credit						
	Sum of large exposures **)	%	82.3	59.1	92.1	0.0	10.6
	Impairment ratio for the year	%	-0.2	-0.2	0.1	0.2	0.3
	Lending growth for the year *)	%	3.7	0.8	4.3	6.5	8.1
	Loans in relation to equity		3.3	3.2	3.2	3.7	3.7
	Equity						
	Net asset value per share	DKK	21,897	20,491	19,709	16,109	14,769
	Proposed dividend per share	DKK	150	200	500	100	100
	Employees						
	Average number of employees during the financial year converted to full-time equivalents		1,122	1,088	1,054	1,063	1,075

See note 46 for definitions of ratios and key figures.

Comparative figures for 2015-2018 have not been adjusted for the effect of implementing IFRS 16, and comparative figures for 2015-2017 have not been adjusted for the effect of implementing IFRS 9.

*) 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. The comparative figure for 2016 has 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		2019 DKK mill.	2018 DKK mill.	2017 DKK mill.	2016 DKK mill.	2015 DKK mill.
45	Financial and operating data for the Bank					
	Income statement					
	Net interest income	972.9	1,002.9	1,080.4	1,131.6	1,142.9
	Net fee and commission income	647.4	541.3	535.1	519.8	509.7
	Value adjustments and dividend	341.6	45.0	945.3	-25.8	-188.9
	Other operating income	33.9	34.5	57.4	36.2	41.5
	Profit from equity investments in associated companies and group companies	43.7	31.4	20.7	100.0	135.5
	Total income	***2,039.5***	***1,655.1***	***2,639.0***	***1,761.8***	***1,640.7***
	Costs and depreciation/amortisation	-1,526.4	-1,399.3	-1,338.3	-1,210.9	-1,224.6
	Impairments on loans and receivables etc.	66.4	71.1	-4.6	-49.4	-99.0
	Total costs	***-1,460.0***	***-1,328.2***	***-1,342.9***	***-1,260.3***	***-1,323.5***
	Profit before tax	***579.5***	***326.8***	***1,296.1***	***501.4***	***317.2***
	Tax	-34.7	-28.0	-140.6	-82.0	-32.8
	Profit for the year	***544.8***	***298.9***	***1,155.5***	***419.4***	***284.4***
	Selected balance sheet items					
	Loans and other receivables at amortised cost	22,575.0	21,798.8	21,682.8	20,850.0	19,637.1
	Bonds at fair value	20,859.8	18,834.3	11,812.4	15,207.8	15,402.0
	Total assets	58,845.7	54,973.8	47,261.3	44,340.3	41,978.3
	Deposits incl. pooled schemes	47,940.0	44,839.3	37,460.7	34,204.5	32,314.4
	Equity	6,855.2	6,873.2	6,761.5	5,681.7	5,279.6
	Other financial and operating data					
	Net interest and fee income	1,663.8	1,604.4	1,659.4	1,696.8	1,704.7
	Value adjustments	298.1	-15.3	901.5	-71.3	-241.0
	Staff and administrative expenses	-1,414.4	-1,313.3	-1,264.4	-1,130.4	-1,111.5
	Own funds	7,036.8	6,601.2	5,695.8	5,427.4	4,149.5
	Tier 1 capital	6,144.0	6,601.2	5,695.8	5,427.4	4,149.5
	Common Equity Tier 1 capital	5,745.8	5,784.8	5,053.1	4,673.6	3,975.6
	Exposures with credit risk	26,504.2	24,647.5	23,937.1	23,679.9	21,448.0
	Exposures with market risk	6,024.1	5,266.0	4,179.0	5,349.6	6,808.4
	Exposures with operational risk	3,395.6	3,311.8	3,312.0	2,944.1	2,957.0
	Total risk exposure	***35,923.9***	***33,225.2***	***31,428.2***	***31,973.6***	***31,213.4***

Comparative figures for 2015-2018 have not been adjusted for the effect of implementing IFRS 16, and comparative figures for 2015-2017 have not been adjusted for the effect of implementing IFRS 9.

Note			2019	2018	2017	2016	2015
45	Ratios and key figures for the Bank						
	Solvency						
	Capital ratio	%	19.6	19.9	18.1	17.0	13.3
	Tier 1 capital ratio	%	17.1	19.9	18.1	17.0	13.3
	Common Equity Tier 1 capital ratio	%	16.0	17.4	16.1	14.6	12.7
	Earnings						
	Return on equity before tax	%	8.4	4.8	20.8	9.1	6.1
	Return on equity after tax	%	7.9	4.4	18.6	7.7	5.5
	Ratio of operating income to operating expenses per DKK	DKK	1.40	1.25	1.97	1.40	1.24
	Earnings per share	DKK	1,689	834	3,680	1,225	777
	Diluted earnings per share	DKK	1,689	834	3,680	1,225	777
	Return on capital employed	%	1.0	0.6	2.5	1.0	0.7
	Market risk						
	Interest-rate risk	%	1.2	0.5	-0.7	-1.2	-1.0
	Currency position	%	1.5	2.2	1.3	2.3	1.3
	Currency risk	%	0.0	0.0	0.0	0.0	0.0
	Liquidity						
	Loans plus impairments in relation to deposits	pct.	48.7	51.5	61.2	65.0	65.1
	Liquidity coverage ratio (LCR)	pct.	269.9	268.1	185.7	153.5	152.3
	Credit						
	Sum of large exposures *)	%	65.4	53.0	80.3	0.0	10.6
	Impairment ratio for the year	%	-0.2	-0.2	0.0	0.2	0.3
	Lending growth for the year	%	3.5	0.7	4.0	6.2	8.1
	Loans in relation to equity		3.3	3.2	3.2	3.7	3.7
	Equity						
	Net asset value per share	DKK	21,897	20,491	19,709	16,109	14,769
	Proposed dividend per share	DKK	150	200	500	100	100
	Employees						
	Average number of employees during the financial year converted to full-time equivalents		1,040	1,007	975	986	999

See note 46 for definitions of ratios and key figures.

Comparative figures for 2015-2018 have not been adjusted for the effect of implementing IFRS 16, and comparative figures for 2015-2017 have not been adjusted for the effect of implementing IFRS 9.

*) 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

46 Definitions of ratios and key figures

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

Ratio	Numerator	Denominator
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 =	Gross 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 the 20 largest exposures after deductions, excl. credit institutions and jointly-owned data centres x 100	Common Equity Tier 1 capital
Impairment ratio for the year =	Impairments on loans and guarantees for the year x 100	Gross loans and 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	Equity
Equity		
Net asset value per share =	Arbejdernes Landsbank's shareholders' share of equity	Number of shares issued
Proposed dividend per share =	Dividend yield x nominal value of the share	100

Note

46	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 and guarantees

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

Note 47
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 70 branches and six 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 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 customer 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 categories 6-8 and 9 are treated collectively in the reports.

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 credit reviews of branches where samples of new loan authorisations are reviewed, focusing on the basis for authorising the loans and on data quality. In addition, the quality of the branch's management of weak customers and selected management controls are assessed. There is a rotation system which ensures that all branches are reviewed every three to five 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. The selected materiality criteria ensure that weak customers exceeding a certain exposure limit are examined at least once a year. Impairments 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 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 qualitative validation is largely based on an individual review of specific exposures, identified as part of a sample review.

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 the ongoing customer contact or the quarterly statement of the individual solvency need, when all the 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.

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 necessary competences, the valuation process of properties is outsourced to Totalkredit. 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 121 for total collateral received by Arbejdernes Landsbank.

	Group		Bank	
	2019 DKK mill.	2018 DKK mill.	2019 DKK mill.	2018 DKK mill.
Maximum credit exposure				
Receivables from credit institutions and central banks	3,954.8	5,211.5	3,947.8	5,202.3
Loans and other receivables at amortised cost	22,906.4	22,085.8	22,575.0	21,798.8
Guarantees	7,416.7	5,899.3	7,454.7	5,899.3
Irrevocable credit commitments	889.7	830.1	0.0	0.0
Other unutilised credit lines and commitments	6,513.7	6,082.0	6,069.8	5,519.2
Total credit exposure on items at amortised cost, guarantees and credit commitments	*41,681.4*	*40,108.7*	*40,047.4*	*38,419.6*
Bonds at fair value	20,859.8	18,834.3	20,859.8	18,834.3
Positive fair value of derivative financial instruments and spot transactions	53.6	50.9	53.6	50.9
Total credit exposure on items at fair value	*20,913.4*	*18,885.2*	*20,913.4*	*18,885.2*
Maximum credit exposure	*62,594.8*	*58,993.9*	*60,960.8*	*57,304.8*

	Group											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and collateral used			
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.
Accounting credit exposure, broken down by financial instruments as at 31.12.2019												
Receivables from credit institutions and central banks	3,956.4	0.0	8.0	0.0	3,954.8	0.0	0.0	0.0	3,954.8	0.0	0.0	0.0
Loans and other receivables at at amortised cost	17,469.2	4,982.3	1,215.9	47.7	17,373.4	4,847.1	657.4	28.5	6,117.9	1,774.3	226.5	15.8
Guarantees	6,631.0	680.2	126.0	0.0	6,629.8	679.7	107.3	0.0	6,083.3	627.6	99.6	0.0
Unutilised credit lines and commitments	6,145.7	1,061.2	248.1	0.0	6,124.5	1,056.2	222.7	0.0	4,011.6	400.1	46.2	0.0
Total exposures	***34,202.3***	***6,723.7***	***1,597.9***	***47.7***	***34,082.5***	***6,583.0***	***987.4***	***28.5***	***20,167.6***	***2,802.1***	***372.3***	***15.8***

The increase in exposures at stage 1 is attributable to a positive development in the loan and guarantee portfolio. The reduction of stage 3 is primarily attributable to partial write-off of a few major customers.

	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.
Accounting credit exposure, broken down by financial instruments as at 31.12.2018												
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 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	***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***

	Bank											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and collateral used			
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.
Accounting credit exposure, broken down by financial instruments as at 31.12.2019												
Receivables from credit institutions and central banks	3,949.4	0.0	8.0	0.0	3,947.8	0.0	0.0	0.0	3,947.8	0.0	0.0	0.0
Loans and other receivables at at amortised cost	18,392.2	3,811.1	1,110.1	47.7	18,303.9	3,678.0	564.6	28.5	10,437.2	1,667.2	223.5	15.8
Guarantees	6,669.0	680.2	126.0	0.0	6,667.8	679.7	107.3	0.0	6,121.3	627.6	99.6	0.0
Unutilised credit lines and commitments	5,614.4	422.1	81.6	0.0	5,595.2	418.2	56.4	0.0	4,538.7	370.8	44.0	0.0
Total exposures	*34,624.9*	*4,913.4*	*1,325.7*	*47.7*	*34,514.6*	*4,776.0*	*728.2*	*28.5*	*25,045.0*	*2,665.6*	*367.1*	*15.8*

The increase in exposures at stage 1 is attributable to a positive development in the loan and guarantee portfolio. The reduction of stage 3 is primarily attributable to partial write-off of a few major customers.

	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.
Accounting credit exposure, broken down by financial instruments as at 31.12.2018												
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 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	*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 collateral used			
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.
Accounting credit exposure, broken down by sectors and industries as at 31.12.2019												
Credit institutions and central banks	4,186.2	0.1	15.7	0.0	4,183.2	0.1	0.0	0.0	4,182.2	0.1	0.0	0.0
Public authorities	123.6	8.8	0.5	0.0	122.3	8.8	0.1	0.0	101.7	5.3	0.1	0.0
Business												
Agriculture, hunting, forestry and fisheries	28.4	9.7	18.8	0.0	28.4	9.5	5.1	0.0	3.4	1.7	4.5	0.0
Industry and extraction of raw materials	724.3	154.8	77.2	1.7	720.7	153.9	53.5	0.0	340.3	20.9	4.3	0.0
Energy supply	3.4	7.7	0.0	0.0	3.4	7.6	0.0	0.0	1.2	4.1	0.0	0.0
Building and construction	588.7	202.5	50.7	0.4	586.7	199.0	41.4	0.4	310.9	51.6	16.2	0.0
Trade	1,591.0	940.5	128.2	0.0	1,587.2	931.2	99.7	0.0	382.9	119.8	21.8	0.0
Transport, hotels and restaurants	193.9	192.3	123.0	0.0	193.1	189.5	103.3	0.0	113.2	45.1	8.8	0.0
Information and communication	61.8	30.0	5.1	0.0	61.4	29.5	2.2	0.0	21.7	11.4	1.4	0.0
Financing and insurance	956.4	57.1	65.3	0.0	951.1	54.7	22.6	0.0	865.4	32.7	6.3	0.0
Real property	941.0	299.3	86.1	2.6	936.3	287.1	48.0	1.7	725.6	119.9	40.4	1.7
Other business	2,590.2	1,058.8	75.9	0.0	2,574.0	1,043.6	38.7	0.0	1,271.1	607.6	6.3	0.0
Total business	***7,679.0***	***2,952.6***	***630.3***	***4.7***	***7,642.3***	***2,905.7***	***414.4***	***2.1***	***4,035.7***	***1,014.9***	***109.9***	***1.7***
Private	22,213.5	3,762.2	951.5	43.0	22,134.7	3,668.4	572.8	26.4	11,848.1	1,781.8	262.3	14.1
Total exposures	***34,202.3***	***6,723.7***	***1,597.9***	***47.7***	***34,082.5***	***6,583.0***	***987.4***	***28.5***	***20,167.6***	***2,802.1***	***372.3***	***15.8***

	Group											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and collateral used			
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.
Accounting credit exposure, broken down by sectors and industries as at 31.12.2018												
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	1.1	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	*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 collateral used			
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.
Accounting credit exposure, broken down by sectors and industries as at 31.12.2019												
Credit institutions and central banks	4,178.1	0.1	15.7	0.0	4,175.1	0.1	0.0	0.0	4,175.1	0.1	0.0	0.0
Public authorities	123.5	8.8	0.4	0.0	122.2	8.8	0.1	0.0	101.7	5.3	0.1	0.0
Business												
Agriculture, hunting, forestry and fisheries	4.8	2.7	18.5	0.0	4.8	2.6	4.8	0.0	1.2	1.1	4.5	0.0
Industry and extraction of raw materials	345.9	23.0	30.3	1.7	342.8	22.3	6.9	0.0	331.0	16.1	3.7	0.0
Energy supply	1.3	5.4	0.0	0.0	1.3	5.3	0.0	0.0	1.0	3.9	0.0	0.0
Building and construction	347.7	87.7	34.1	0.4	346.1	84.6	25.4	0.4	288.0	40.9	15.0	0.0
Trade	428.8	144.0	62.0	0.0	426.7	136.0	34.0	0.0	341.2	97.7	20.9	0.0
Transport, hotels and restaurants	135.7	73.7	46.2	0.0	135.0	71.0	26.8	0.0	108.4	39.1	8.7	0.0
Information and communication	21.3	14.9	4.8	0.0	21.0	14.4	1.9	0.0	19.5	10.7	1.4	0.0
Financing and insurance	6,343.4	52.1	64.7	0.0	6,338.2	49.8	22.0	0.0	6,288.0	32.2	6.2	0.0
Real property	910.1	291.5	85.0	2.6	905.5	279.3	46.9	1.7	722.6	119.1	40.3	1.7
Other business	1,858.9	670.2	55.6	0.0	1,844.2	655.6	18.9	0.0	1,202.7	586.5	4.9	0.0
Total business	*10,397.8*	*1,365.2*	*401.3*	*4.7*	*10,365.6*	*1,321.0*	*187.7*	*2.1*	*9,303.6*	*947.3*	*105.6*	*1.7*
Private	19,925.5	3,539.4	908.4	43.0	19,851.7	3,446.1	540.5	26.4	11,464.6	1,713.0	261.5	14.1
Total exposures	*34,624.9*	*4,913.4*	*1,325.7*	*47.7*	*34,514.6*	*4,776.0*	*728.2*	*28.5*	*25,045.0*	*2,665.6*	*367.1*	*15.8*

	Bank											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and collateral used			
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.
Accounting credit exposure, broken down by sectors and industries as at 31.12.2018												
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	79.8	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	*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 collateral used			
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.
Accounting credit exposure, broken down by rating class as at 31.12.2019												
Rating 1	3,418.4	0.4	0.0	0.0	3,417.6	0.4	0.0	0.0	3,083.1	0.4	0.0	0.0
Rating 2	1,962.4	4.5	0.0	0.0	1,952.9	4.4	0.0	0.0	1,551.0	4.2	0.0	0.0
Rating 3	5,606.7	53.5	0.2	0.0	5,586.6	53.1	0.2	0.0	3,588.3	42.9	0.2	0.0
Rating 4	7,606.4	187.3	2.1	0.3	7,579.9	184.5	1.9	0.3	4,427.0	134.0	0.1	0.1
Rating 5	10,164.5	552.7	26.7	0.7	10,121.8	545.8	26.7	0.6	4,500.4	475.3	2.2	0.6
Rating 6	3,480.2	582.4	0.2	3.0	3,468.5	575.0	0.2	3.0	1,740.6	430.1	0.0	0.8
Rating 7	1,784.4	2,595.6	45.8	1.1	1,776.7	2,535.4	45.8	1.1	1,158.8	453.7	0.9	0.7
Rating 8	154.8	1,324.1	1.4	2.4	154.4	1,307.0	1.1	2.4	102.9	722.5	0.0	1.0
Rating 9	21.8	948.4	25.8	1.0	21.3	931.4	25.8	1.0	13.3	385.5	0.3	0.5
Rating 10	1.8	448.9	23.5	0.6	1.8	424.7	22.1	0.6	1.7	139.9	5.6	0.2
Rating 11	0.9	25.7	1,472.2	38.6	0.9	21.2	863.7	19.5	0.6	13.6	362.9	11.9
Total exposures	*34,202.3*	*6,723.7*	*1,597.9*	*47.7*	*34,082.5*	*6,583.0*	*987.4*	*28.5*	*20,167.6*	*2,802.1*	*372.3*	*15.8*
Accounting credit exposure, broken down by rating class as at 31.12.2018												
Rating 1	4,696.3	0.3	0.0	0.0	4,695.1	0.3	0.0	0.0	4,562.8	0.3	0.0	0.0
Rating 2	2,638.8	11.4	0.3	0.2	2,628.8	11.4	0.2	0.2	2,222.2	9.3	0.0	0.1
Rating 3	4,083.0	111.6	1.9	0.1	4,077.2	103.6	1.6	0.1	2,190.2	77.0	0.4	0.0
Rating 4	6,216.1	159.8	5.8	1.2	6,205.0	157.7	4.8	1.2	3,653.7	132.4	0.9	0.8
Rating 5	8,316.7	286.2	37.5	2.4	8,296.8	276.3	35.9	2.4	4,069.4	201.4	9.9	1.8
Rating 6	3,487.1	511.1	82.9	2.9	3,480.1	500.6	81.5	2.9	1,718.4	404.9	7.8	1.2
Rating 7	1,884.9	3,919.3	172.8	2.3	1,877.7	3,858.9	171.1	2.3	1,252.1	563.8	18.0	1.6
Rating 8	127.0	1,386.1	50.3	4.3	126.7	1,369.3	46.6	4.3	80.7	810.0	17.5	1.8
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
Rating 10	6.6	357.8	69.0	1.6	6.5	343.8	60.5	1.6	6.0	152.7	13.7	1.3
Rating 11	0.4	22.7	1,963.4	65.9	0.4	19.5	846.1	25.3	0.4	14.3	370.9	18.0
Total exposures	*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*

Rating categories are from 1-11, where rating 1 is the best and rating 11 is the poorest. Exposures in rating categories 10-11 are ranked as stage 1 due to a difference in timing between the rating and the ranking in stages in the system.

	Bank											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and collateral used			
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.
Accounting credit exposure, broken down by rating class as at 31.12.2019												
Rating 1	3,414.5	0.4	0.0	0.0	3,413.8	0.4	0.0	0.0	3,082.6	0.4	0.0	0.0
Rating 2	1,870.2	4.5	0.0	0.0	1,860.9	4.4	0.0	0.0	1,528.4	4.2	0.0	0.0
Rating 3	5,159.8	53.5	0.2	0.0	5,140.4	53.1	0.2	0.0	3,509.6	42.9	0.2	0.0
Rating 4	12,039.9	187.3	0.0	0.3	12,015.0	184.5	0.0	0.3	9,750.9	134.0	0.0	0.1
Rating 5	7,316.3	552.7	0.3	0.7	7,279.4	545.8	0.3	0.6	4,260.7	475.3	0.1	0.6
Rating 6	2,860.6	582.4	0.0	3.0	2,850.1	575.0	0.0	3.0	1,635.6	430.1	0.0	0.8
Rating 7	1,784.4	1,352.1	1.7	1.1	1,776.7	1,294.1	1.7	1.1	1,158.8	365.9	0.3	0.7
Rating 8	154.8	1,230.0	1.0	2.4	154.4	1,213.1	1.0	2.4	102.9	698.3	0.0	1.0
Rating 9	21.8	610.8	0.0	1.0	21.3	594.4	0.0	1.0	13.3	363.8	0.0	0.5
Rating 10	1.8	314.0	22.0	0.6	1.8	290.0	20.7	0.6	1.7	137.1	5.5	0.2
Rating 11	0.9	25.7	1,300.5	38.6	0.9	21.2	704.3	19.5	0.6	13.6	361.0	11.9
Total exposures	*34,624.9*	*4,913.4*	*1,325.7*	*47.7*	*34,514.6*	*4,776.0*	*728.2*	*28.5*	*25,045.0*	*2,665.6*	*367.1*	*15.8*
Accounting credit exposure, broken down by rating class as at 31.12.2018												
Rating 1	4,691.2	0.3	0.0	0.0	4,690.1	0.3	0.0	0.0	4,562.3	0.3	0.0	0.0
Rating 2	2,564.5	11.4	0.3	0.2	2,554.6	11.4	0.2	0.2	2,206.6	9.3	0.0	0.1
Rating 3	3,548.9	111.6	1.9	0.1	3,543.8	103.6	1.6	0.1	2,132.4	77.0	0.4	0.0
Rating 4	10,484.4	159.8	4.5	1.2	10,474.2	157.7	4.0	1.2	8,367.0	132.4	0.9	0.8
Rating 5	6,689.5	286.2	22.5	2.4	6,672.9	276.3	20.9	2.4	3,919.1	201.4	9.1	1.8
Rating 6	2,880.2	511.1	28.3	2.9	2,874.3	500.6	27.0	2.9	1,636.2	404.9	7.7	1.2
Rating 7	1,884.9	1,376.2	30.1	2.3	1,877.7	1,320.6	28.7	2.3	1,252.1	338.8	9.7	1.6
Rating 8	127.0	1,321.3	50.1	4.3	126.7	1,304.6	46.5	4.3	80.7	787.5	17.5	1.8
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
Rating 10	6.6	313.7	47.9	1.6	6.5	299.7	39.5	1.6	6.0	150.4	13.6	1.3
Rating 11	0.4	22.7	1,829.0	65.9	0.4	19.5	723.7	25.3	0.4	14.3	370.3	18.0
Total exposures	*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*

Rating categories are from 1-11, where rating 1 is the best and rating 11 is the poorest. Exposures in rating categories 10-11 are ranked as stage 1 due to a difference in timing between the rating and the ranking in stages in the system.

	Group		Bank	
	2019 DKK mill.	**2018** DKK mill.	**2019** DKK mill.	**2018** DKK mill.
Total collateral				
Collateral received	24,104.9	22,432.5	17,735.2	16,604.2
Collateral used	18,323.6	17,107.0	11,953.9	11,278.8
Surplus collateral	***5,781.4***	***5,325.5***	***5,781.4***	***5,325.5***
Collateral concentration used				
Stage 1				
Properties	8,366.7	7,914.0	8,366.7	7,914.0
Securities, bonds, cash deposits, etc.	953.4	576.9	953.4	576.9
Cars	2,769.5	2,035.1	98.9	125.3
Warranties and guarantees	4.5	3.9	4.5	3.9
Other collateral	1,820.7	1,114.3	46.1	44.0
Total stage 1	***13,914.9***	***11,644.1***	***9,469.7***	***8,664.1***
Stage 2				
Properties	2,002.3	1,984.1	2,002.3	1,984.1
Securities, bonds, cash deposits, etc.	41.6	43.1	41.6	43.1
Cars	494.6	976.8	22.2	29.7
Warranties and guarantees	1.3	1.4	1.3	1.4
Other collateral	1,241.1	1,597.4	43.1	44.1
Total stage 2	***3,780.9***	***4,602.8***	***2,110.4***	***2,102.3***
Stage 3				
Properties	343.8	465.2	343.8	465.2
Securities, bonds, cash deposits, etc.	9.8	11.2	9.8	11.2
Cars	62.8	71.7	4.8	6.4
Warranties and guarantees	0.0	4.0	0.0	4.0
Other collateral	198.6	293.0	2.5	10.7
Total stage 3	***615.1***	***845.2***	***361.1***	***497.5***
Credit-impaired at initial recognition				
Properties	12.6	14.3	12.6	14.3
Securities, bonds, cash deposits, etc.	0.0	0.1	0.0	0.1
Cars	0.1	0.2	0.1	0.2
Other collateral	0.0	0.2	0.0	0.2
Total credit-impaired at initial recognition	***12.7***	***14.9***	***12.7***	***14.9***
Total	***18,323.6***	***17,107.0***	***11,953.9***	***11,278.8***

Collateral usually takes the form of mortgages on property and chattels, for example cars, etc. Furthermore, companies' shares, securities, invoices, guarantees and warranties can 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 with collateral value broken down by types and stages.

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. Valuation of properties has been outsourced to Totalkredit in 2019, but the standard procedure for valuation of collateral remains unchanged.

The calculation of collateral includes collateral to cover unutilised credit lines and commitments.

	Group		Bank	
	2019 DKK mill.	**2018** DKK mill.	**2019** DKK mill.	**2018** DKK mill.
Exposures fully covered by collateral				
Loans and other receivables at amortised cost	7,392.2	6,518.8	4,929.0	4,720.7
Guarantees	221.4	120.8	221.4	120.8
Unutilised credit lines and commitments	1,741.2	1,542.7	949.4	756.8
Total exposures	*9,354.8*	*8,182.4*	*6,099.9*	*5,598.3*
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	851.5	0.0	851.5	0.0
Other business				
Credit exposure after deductions	804.0	0.0	804.0	0.0
Number of large exposures				
Credit institutions before deductions	9	8	9	8
Other business before deductions	1	0	2	1
Large exposures in % of own funds				
10-15% of own funds	11.5	0.0	11.4	0.0
Sum of large exposures, excl. credit institutions in % of own funds	11.5	0.0	11.4	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 2019	Group 2018	Bank 2019	Bank 2018
Loans with relaxed credit terms				
Private				
Non-Performing	170.7	310.9	170.7	310.9
Performing	22.2	14.2	22.2	14.2
Total	*192.8*	*325.1*	*192.8*	*325.1*
Business				
Non-Performing	109.0	528.8	109.0	528.8
Performing	16.8	15.2	16.8	15.2
Total	*125.9*	*544.0*	*125.9*	*544.0*
Total loans with relaxed credit terms				
Non-Performing	279.7	839.7	279.7	839.7
Performing	39.0	29.4	39.0	29.4
Total	*318.7*	*869.1*	*318.7*	*869.1*

The reduction of loans with relaxed credit terms is primarily attributable to partial write-off of a few major customers.

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 Group in relation to servicing its customers. In this regard, Arbejdernes Landsbank 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 Group'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 Group 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. Market Risk is independent of business responsibilities and position management, and it checks that the 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 Liquidity 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 Liquidity 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 Group 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.

At the end of 2019, the general interest-rate risk amounted to DKK 71.7 mill. (2018: DKK 24.8 mill.) calculated on the basis of a 1 percentage-point interest-rate increase. This means that there will be a negative effect on equity before tax of DKK 71.7 mill. in the event of a 1 percentage-point increase, and a positive effect of DKK 19.4 mill. (2018: DKK -6.6 mill.) in the event of a 1 percentage-point interest-rate fall. The calculations include convexity risk.

The tables below show the Group's interest-rate risk, broken down by type of business and by currency, in the event of an interest-rate increase and an interest-rate fall, respectively, of 1 percentage point:

	Interest-rate increase of 1 percentage point 2019 DKK mill.	Interest-rate fall of 1 percentage point 2019 DKK mill.
Interest-rate risk broken down by type of business		
Bonds etc.	-381.7	341.0
Derivative financial instruments	386.9	-399.8
Mortgage deeds	-60.9	64.3
Other items	-15.9	13.8
Total	*-71.7*	*19.4*
Interest-rate risk broken down by currency		
DKK	-48.8	-6.8
EUR	-21.8	25.1
USD	1.5	-1.6
GBP	-0.7	0.7
CHF	-0.8	0.8
SEK	-0.6	0.6
NOK	-0.5	0.5
Other	0.0	0.0
Total	*-71.7*	*19.4*

	Interest-rate increase of 1 percentage point 2018 DKK mill.	Interest-rate fall of 1 percentage point 2018 DKK mill.
Interest-rate risk broken down by type of business		
Bonds etc.	-522.9	482.0
Derivative financial instruments	585.6	-576.5
Mortgage deeds	-71.1	75.9
Other items	-16.4	12.0
Total	*-24.8*	*-6.6*
Interest-rate risk broken down by currency		
DKK	-145.5	78.6
EUR	37.1	-39.3
USD	87.6	-50.1
GBP	-1.0	1.0
CHF	-0.7	0.8
SEK	-1.6	1.6
NOK	-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 2019, the credit spread risk on the bond portfolio and the portfolio of bond derivatives amounted to DKK 411.0 mill. (2018: 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 411.0 mill. in the event of an increase in 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 Group'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 59%, and investment grade assets amount to 93% of the total portfolio.

At present, 6% (2018: 4%) 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 11% of the Bank's total bond portfolio (2018: 7%), 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 2019, broken down by external rating category and type of issuer:

	Group 2019 %	2018 %
Bond portfolio broken down by external rating		
AAA	59	52
AA+, AA, AA-	15	28
A+, A, A-	7	5
BBB+	2	2
BBB	6	6
BBB-	2	3
Rating < BBB-	2	1
No Rating	7	3
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.

	Group 2019 %	2018 %
Bond portfolio broken down by issuer		
Governments	12	14
Mortgage credit	71	75
Banks	11	7
Other business	6	4
Total	*100*	*100*

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 Group's strategy is to only have limited net positions in foreign currency.

An unfavourable fluctuation for the Group in the EUR exchange rate of 2% and in other currencies of 10% will lead to a negative effect on results and equity before tax of DKK 9.8 mill. (2018: DKK 18.0 mill.).

Furthermore, Arbejdernes Landsbank 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.

	Group 2019	2018
Currency risk		
Currency indicator 1 in DKK mill.	93.1	144.5
Currency indicator 1 in % of Tier 1 capital	1.5	2.2
Currency indicator 2 in DKK mill.	0.5	1.2
Currency indicator 2 in % of Tier 1 capital	0.0	0.0

Share-price risk

Arbejdernes Landsbank 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 16.4 mill. (2018: DKK 10.0 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 89.6 mill. (2018: DKK 134.7 mill).

	Group 2019 DKK mill.	2018 DKK mill.
Share positions		
Trading portfolio		
Listed shares	155.3	95.5
Unlisted shares	9.0	4.5
Total trading portfolio	*164.3*	*100.0*
Shares outside the trading portfolio		
Listed shares	168.1	344.8
Unlisted shares	728.1	1,002.1
Total shares outside the trading portfolio	*896.1*	*1,346.9*
Total	*1,060.4*	*1,446.9*

Commodity risk

Arbejdernes Landsbank had no commodities positions at the end of 2019 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 result of a mismatch in the balance between the maturity of assets and liabilities. The Group'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 Group itself, or the sector as a whole, is affected by extraordinary circumstances. Most of the Group'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 Department, 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 Group must have an excess liquidity cover in relation to the LCR minimum requirements. The Group also has a policy that liquidity forecasts, which are prepared at least once a month, must comply with requirements for excess liquidity coverage that ensures a timely reaction by the Bank. Furthermore, the policy stipulates that stress tests must be performed to ensure timely reaction by the Group 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.

	Group	
	2019 DKK bn.	2018 DKK bn.
LCR liquidity statement		
Total liquidity buffer	19.6	20.4
Net outflow	7.2	7.6
LCR (%)	269.9	268.1

At the end of 2019, LCR was calculated at 269.9% (2018: 268.1%.), which is comfortably in line with the Group's objective.

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.

	Group	
	2019 DKK bn.	2018 DKK bn.
Funding ratio		
Equity and subordinated debt	7.8	6.9
Deposits	47.9	44.8
Total funding	55.7	51.7
Loans (excl. reverse)	23.2	23.0
Funding ratio (%)	41.7	44.4

At the end of 2019, the Group's funding has increased by DKK 4.0 bn. to DKK 55.7 bn. The most significant change is an increase in deposits, which is primarily attributable to deposits on demand. Moreover, the increase is attributable to the issue of subordinated debt. Deposits remain the Group's largest source of funding, amounting to 86.0% of total funding at the end of 2019.

The Group's funding exceeds the Group's lending by DKK 32.5 bn. as at 31 December 2019.

Cash resources contingency plan

The Group 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

	Carrying amount DKK mill.	Contractual cash flows DKK mill.	Within 1 year DKK mill.	More than 1 year DKK mill.
Group 2019				
Debt to credit institutions and central banks	1,568.3	1,568.3	1,194.8	373.5
Deposits and other debt	42,269.0	42,269.0	40,950.1	1,318.9
Deposits in pooled schemes	5,720.8	5,720.8	1,515.9	4,205.0
Other non-derivative financial liabilities at fair value	87.7	87.7	87.7	0.0
Derivative financial instruments	399.7	402.6	118.8	283.8
Lease commitments	171.4	171.4	25.2	146.2
Subordinated debt	900.0	900.0	0.0	900.0
Contingent liabilities	7,416.7	7,416.7	3,355.0	4,061.7
Group 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

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' pooled 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.

Operationel risiko

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 a complete overview of the most significant 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 Risk 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 in relation to 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.

Money laundering risks

Arbejdernes Landsbank has strong focus on anti-money laundering (AML), including risk mitigation measures to be implemented in order to prevent abuse of Arbejdernes Landsbank for money laundering and financing of terrorism.

The task of the AML Department is to ensure that Arbejdernes Landsbank complies with the Act on Measures to Prevent Money Laundering and Financing of Terrorism as well as EU regulations on transfers of funds and combating terrorism.

EHRHORN HUMMERSTON

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