Annual Report
2020

Arbejdernes Landsbank

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

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

In 2020, Arbejdernes Landsbank realised a profit after tax of DKK 330.0 mill. The result was negatively affected by the economic uncertainty arising from the corona crisis. Despite the circumstances – the corona crisis, periodically closed branches, uncertainty on the financial markets and increased impairment charges, we have still been able to maintain and develop our position in the financial sector. The massive customer growth we have experienced in recent years continued in 2020. During the year, we welcomed no less than a net 14,000 new customers, corresponding to 4.4% customer growth. Our many new customers have helped our continued high level of activity, and the positive interest in our bank means that today we have more than 332,000 customers. At the start of 2021, we were once again lauded as Danes' preferred bank – for the 12th successive year. This is the result of dedicated work by skilled employees and of keeping to our strategy, with its overall aim to attract more customers and more satisfied customers.

The consolidated financial statements for 2020 show a profit after tax of DKK 330.0 mill., giving a return on equity of 4.7%. The unsatisfactory results in interim financial statements meant that the Bank adjusted downwards its expectations for the year at that time. Improved returns on the investment portfolio in the 2nd half-year of gave rise to an upward adjustment in December 2020. Profit before tax of DKK 382.0 mill. is considerably better than the original expectations for the annual report for 2019, which indicated results remaining at the same level as the previous year of DKK 225-275 mill. before tax.

On 11 March 2020, the WHO declared that the outbreak of the new coronavirus, COVID-19 was a global pandemic. Governments throughout the world have introduced a number of initiatives to contain the pandemic. These initiatives have influenced the global economy, and they are likely to continue to do so.

The Group's impairment levels have generally increased as a result of COVID-19; mainly due to management additions to impairments. The government aid packages have contributed positively to our customers' financial situation. The Group's customers have received aid packages, and the Group has been able to obtain guarantees for COVID-19 loans, for example through the Danish Growth Fund (Vækstfonden), although these have only been exercised to a minor degree. As a result, our realised credit losses as a consequence of COVID-19 in 2020 have been modest. Even though the Group's basic operations have not been significantly impacted by the pandemic, other than a large management addition of DKK 114.3 mill. to impairment charges, the pandemic is likely to have negative consequences for the Group in the future.

Further lockdown of the economy and expiry of the aid packages are some of the factors that may influence the Group financial results negatively through negative price adjustments, increased impairment charges and ultimately credit losses. Furthermore, COVID-19 could lead to structural economic changes that may affect the sectors to which the Group is currently exposed.

Although 2020 brought difficult conditions for branch operations, with both full and partial lockdowns of the branch network, it has been possible to maintain the level of net interest earnings, while the underlying increases in activity and fee adjustments have led to an increase in net fee income compared with 2019. Provision of mortgage-credit loans to our customers shows still greater earnings, and customers' mortgage-credit loans in Totalkredit now amount to DKK 58.8 bn. against DKK 52.3 bn. at the end of 2019. This does not alter the fact that it is challenging to run a bank in a negative-interest environment with frequent new regulatory requirements. This is a challenge for the Bank's core earnings, and a number of initiatives in 2020 and 2021 will help improve the situation.

Impairments on loans, etc. have been affected by COVID-19, and in this respect a management addition of DKK 114.3 mill. has been provided, and this is the most important cause of the total net operating impairment charge of DKK 78.6 mill.

The level of lending is still increasing, with growth rate of 4.6% in 2020 against 3.7% in 2019. Deposits, including pooled deposits, have shown significant growth rates in recent years, continuing in 2020 at 8.4% against 6.9% in 2019. In common with many of our competitors, in 2020 we introduced negative interest rates on deposits from private customers, so that all customer groups are now covered by negative interest rates for the part of a deposit exceeding the lower limits announced.

The massive influx of new customers continued in 2020. During the year, more than 14,000 new customers (net) joined the Bank, and at the turn of the year the Bank had more than 332,000 customers. 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.

With outset in the Danish FSA's statements to the sector, the Board of Directors and the Executive Management recommend that no dividend be paid to shareholders for 2020.

Specific initiatives for 2020

Implementation of Strategy 2025

In early 2020, we implemented the Bank's new strategy: "Strategy 2025: More customers and more satisfied customers". This is an ambitious strategy, aiming at forging a more effective and profitable bank with an even stronger customer-oriented culture and an even clearer position in the sector over the next five years. We want the sector's strongest brand and we want to clearly differentiate ourselves from our competitors.

New business concept

In 2020, we targeted work on implementing a new business concept to ensure that we reach our goals with our strong ambitions for the area. The launch of the new concept was one of the Bank's most important strategic projects in 2020. Among other things, the new business concept will 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 Bank's overall business activities.

Sustainable Bank

Realising the government's ambition for a 70% CO_2 reduction by 2030 is a shared responsibility in Denmark, and as one of the country's largest banks, we have a special responsibility to contribute to sustainable development and the green transition of society. Therefore, in early 2020, we launched the Sustainable Bank project and over the course of the year we have worked on developing the right strategic foundation for the Bank's future work on corporate social responsibility and sustainability.

Accession to UN international principles

An important part of work in the Sustainable Bank project has been to ensure cohesion between global and societal goals and our business targets and initiatives. Therefore, in 2020 the Bank acceded the UN Principles for Responsible Banking, the UN Global Compact and the UN Principles for Responsible Investment. By signing the principles we are entering into a global community of companies and banks which have voluntarily committed themselves to implementing the principles in their business, and we will do this ourselves in the years to come.

Danes' preferred bank for the 12th successive year

In January 2021, for the 12th consecutive year, we were lauded as Danes' preferred bank in Voxmeter's major annual survey of customer satisfaction in our sector. Being number one among the 20 largest Danish banks for customer satisfaction, for the 12th consecutive year, once again confirms that our customers value the way we run our bank. And that they see a clear link between our values and their day-to-day interactions with us – whether face-to-face in one of our 70 branches throughout Denmark, or online, e.g. on social media.

Closure of the cashier function

On the basis of a significant drop in the number of cashier transactions in recent years, in 2020 we decided to close all our cashier desks by the end of the year. Ever more customers prefer to deal with their routine banking services via online banking and mobile banking, or by using our ATMs, and the trend has become even clearer during the corona crisis, when our cashiers have only been open for two days a month. The costs of having cashiers have outweighed demand, and the closure will help to create a more efficient and cost-effective bank.

Outlook for 2021

Group activities aim at customer growth and business growth. Expectations are based on better earnings on customer activities, but they are associated with great uncertainty in relation to COVID-19 with regard to developments in the national economy and the duration of the pandemic. Customers' propensity to invest and take out loans is also affected by this, but nevertheless there is an expectation of more positive developments in 2021. Expectations for Group profit before tax are around DKK 400-450 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 2020. And to all employees: A huge THANK YOU for your enormous efforts for our bank in 2020 under very difficult conditions. Together we make up a very strong team and I am looking forward to 2021. Hopefully, the pandemic will soon be over, but we will probably have to accept that it will cause difficulties for most of 2021.

Per Christensen
Chairman of the Board of Directors

Per Christensen
Chairman of the Board of Directors

Gert R. Jonassen
CEO

Arbejdernes Landsbank

2020 IN FIGURES

NO.1
DANES' PREFERRED BANK **12TH SUCCESSIVE YEAR**

6 BUSINESS CENTRES
THROUGHOUT DENMARK

6TH LARGEST
DANISH BANK

332,866
CUSTOMERS

128,125
NEW CUSTOMERS OVER THE PAST **10 YEARS**

EQUITY (DKK)
7.1 bn.

1,071
EMPLOYEES AT THE BANK (AVE. FTE)

PROFIT FOR THE YEAR (DKK)
330 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 for private customers, associations and organisations, as well as small and medium-sized businesses.

The core values of the group are based on Community, Openness, Integrity and Corporate Responsibility.

Advisory services always take outset in the needs, values and dreams of the customer. This means that we always look at the full financial situation of the customer, and responsible advice always comes before a sale. We make an extra effort to ensure in particular that no customer leaves a meeting without having understood what we have advised and what the point of our advice was. We see that customers demand attentive and personal advisory services, particularly in connection with major financial decisions, while they demand a wide range of digital services for more everyday needs. In other words, a combination of simplicity and convenience, on the one hand, and on the other hand a very clear desire for personal advisory services with a dedicated advisor. We believe that this trend will endure for a long time into the future, and therefore it will continue to be a cornerstone of the Bank.

At Arbejdernes Landsbank, we therefore want to embrace both the digital and the physical meeting. For us, it is essential that it is customers who decide where, when and how they want to meet us. Therefore, both options are available to our customers.

With respect to private customers, the Bank focuses on long-term advice with outset in customer wishes and needs, and we aim to establish a full-customer relationship. Customers should experience us as a responsible and attentive sparring partner, able to present services and advice simply and comprehensibly. We want to be close to our customers and their financial situation in all phases of life - both in good times and bad times.

For business customers, the target group is small and medium-sized, primarily owner-managed companies operating within retail, service, building and construction, industry as well as other trade and manufacturing.

The Bank's product range contains traditional products related to deposits and loans, guarantees and custody accounts. 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 core earnings based on market conformity and competitive pricing.

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 21.3 bn. at the end of 2020. 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 whether the current positions can be optimised in relation to the selected risk profile.

Our goal is for our advisory services 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 based primarily 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": Community, Openness, Integrity and Corporate Responsibility.

In 2020, we decided to sign the UN Principles for Responsible Banking, the UN Global Compact and the UN Principles for Responsible Investment on the basis of a desire to bring our work on responsibility and sustainability to an even higher level on the Bank's strategic agenda, so that it becomes a natural and integral part of our business model.

The very clear position of our brand on the banking market 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

		2020 DKK mill.	2019 DKK mill.	2018 DKK mill.	2017 DKK mill.	2016 DKK mill.
Income statement						
Net interest income *)		1,070.1	1,074.5	1,104.4	1,193.6	1,248.3
Net fee and commission income		699.5	688.1	580.3	555.5	536.0
Value adjustments and dividend		284.9	341.8	45.5	945.1	-25.5
Other operating income *)		70.0	69.2	68.8	90.5	81.8
Profit from equity investments in associated companies and group companies		103,1	24,3	0,0	0,0	65,2
Total income		***2,227.6***	***2,197.9***	***1,799.0***	***2,784.7***	***1,905.8***
Costs and depreciation/amortisation *)		-1,767.1	-1,663.4	-1,529.5	-1,465.6	-1,336.1
Impairments on loans and receivables etc.		-78.6	53.9	69.5	-14.3	-55.7
Total costs		***-1,845.7***	***-1,609.5***	***-1,460.0***	***-1,479.9***	***-1,391.8***
Profit before tax		***382.0***	***588.4***	***339.0***	***1,304.7***	***514.0***
Tax		-52.0	-43.6	-40.1	-149.3	-94.6
Profit for the year		***330.0***	***544.8***	***298.9***	***1,155.5***	***419.4***
Selected balance sheet items						
Loans and other receivables at amortised cost *)		23,817.7	22,906.4	22,085.8	21,958.1	21,058.3
Bonds at fair value		21,902.5	20,859.8	18,834.3	11,812.4	15,207.8
Total assets		62,913.3	59,024.0	55,106.5	47,368.9	44,425.8
Deposits incl. pooled schemes		52,044.6	47,989.8	44,872.7	37,483.7	34,205.8
Equity		7,125.2	6,855.2	6,873.2	6,761.5	5,681.7
Selected financial ratios and key figures						
Capital ratio	%	20.6	19.8	20.0	18.3	17.1
Common Equity Tier 1 capital ratio	%	17.0	16.2	17.6	16.2	14.8
Return on equity before tax	%	5.5	8.6	5.0	21.0	9.4
Return on equity after tax	%	4.7	7.9	4.4	18.6	7.7
Ratio of operating income to operating expenses per DKK *)	DKK	1.21	1.37	1.23	1.88	1.37
Liquidity coverage ratio (LCR)	%	274.1	269.9	268.1	185.7	153.5
Impairment ratio for the year	%	0.2	-0.2	-0.2	0.1	0.2
Lending growth for the year *)	%	4.6	3.7	0.8	4.3	6.5

See note 46 for definitions of ratios and key figures.

Comparative figures for 2016-2018 have not been adjusted for the effect of implementing IFRS 16, and comparative figures for 2016-2017 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

The Group earned a profit before tax of DKK 382.0 mill. (2019: DKK 588.4 mill.).

The profit before tax provided an average return on equity of 5.5%. The profit after tax amounted to DKK 330.0 mill. (2019: DKK 544.8 mill.). The profit after tax provided an average return on equity of 4.7%. The profit for 2020 is better than expected at the beginning of the year, primarily as a result of favourable returns on our securities holdings and despite the negative effects of COVID-19. The result is considered satisfactory.

This does not alter the fact that it is challenging to run a bank in a negative-interest environment with frequent new regulatory requirements. This challenges the Bank's core earnings, and a number of initiatives in 2020 and 2021 will help improve the situation. This has entailed introduction of negative interest rates on deposits over a lower limit affecting all customer groups, and a stronger focus on cost efficiency.

On the basis of the selected financial highlights for the Group on page 9, the accounting developments can be described as follows:

Income

Total income for the year amounted to DKK 2,227.6 mill.; an increase of DKK 29.7 mill. compared with 2019.

Net interest income for the Group as a whole was DKK 1,070.1 mill., corresponding to a fall of DKK 4.4 mill. or 0.4% compared with 2019. Lending pulled earnings in a positive direction, with growth of DKK 0.9 bn., while a fall in the interest-rate differential pulled in a negative direction. Deposits, including pools increased by DKK 4.1 bn. or 8.4%. In common with a number of other banks, the Bank has introduced negative interest rates on deposits above a lower limit. The current low-interest environment, where banks pay interest for placing surplus liquidity in Danmarks Nationalbank, is likely to continue in 2021.

Net fee and commission income was DKK 699.5 mill., an increase of DKK 11.3 mill. in relation to 2019. This is consequence of the continued influx of new customers and growth in deposits and lending. In 2020, the Bank paid DKK 66.0 mill. in AL-BoligBonus compared with DKK 56.2 mill. in 2019. In 2021, there will be a change in the terms for AL-BoligBonus, which will then only include Totalkredit loans, and will amount to 5% of the customer's gross payment to Totalkredit in each calendar year.

Value adjustments and dividends were DKK 284.9 mill. against DKK 341.8 mill. in 2019, although this included a large return (DKK 140.2 mill.) in connection with the sale of shares in LR Realkredit A/S. Value adjustments of shares and dividends from shares etc. alone accounted for income of DKK 258.1 mill. Combining value adjustments and dividends as well as profits from equity investments in associated companies, there was an increase of DKK 22 mill. Since Vestjysk Bank A/S was not an associate until during 2019, the gain in 2019 has been disclosed under value adjustments and under associated companies. In 2020, the Bank also benefited from our investment in Vestjysk Bank A/S, which contributed a return of DKK 98.6 mill., including changes under other comprehensive income, against DKK 128.6 mill. in 2019.

Other operating income was similar to 2019, at DKK 70.0 mill. in 2020 against DKK 69.2 mill. last year. This item includes primarily income from operating leasing.

Profit from equity investments in associated companies amounted to DKK 103.1 mill. and relates to the return on our investment in shares in Vestjysk Bank A/S.

Costs and impairment charges

Total costs for the Group were DKK 1,845.7 mill., which is DKK 236.2 mill. or 14.7% more than in 2019.

Out of the total costs, DKK 948.3 mill. was attributable to staff costs etc. Realised payroll costs etc. were DKK 71.4 mill. or 8.1% higher than in 2019, and this can be explained by the increase in the number of employees (+34 in terms of FTE), collectiveagreement pay in-creases and provisions in connection with resignations and organisational changes.

Other operating expenses were DKK 818.8 mill., which is DKK 32.2 mill. or 4.1% higher than in 2019. This increase is partly attributable to expenses related to strategic IT projects with Bankernes EDB Central (BEC). The in-creasing costs demonstrate that we are investing in improvements in both our physical and our digital customer services. Investments in the digital side build on a clear ambition to be able to offer our customers the best digital solutions, which, together with personal contact, can improve our customer experience and ensure that we are always ready to meet our customers' demands for an attentive bank. The combination of personal advisory services at our 70 branches and the very latest digital solutions is the key to high customer satisfaction.

Impairments on loans etc. amounted to DKK 78.6 mill. in 2020 compared with a net credit of DKK 53.9 mill. in 2019. The change is primarily due to an increase in additional impairments by management as a consequence of financial uncertainty related to Covid-19. The management additions increased by net DKK 81.0 mill., of which DKK 114.3 mill. is attributable to the uncertainty associated to the repercussions of COVID-19. DKK 67.0 mill. has been reserved for deterioration in the situation of business customers, while DKK 44.6 mill. has been reserved for macroeconomic uncertainty related to unemployment and falling property prices. Moreover, DKK 2.7 mill. has been reserved with regard to AL Finans A/S. The management additions related to model uncertainty, etc. have been reduced by DKK 33.3 mill. See also note 2, which deals with significant accounting estimates and assessments.

Segment accounts

Segment accounts in note 4 show that, in 2020, primarily Customer activities were negatively affected by COVID-19, and Investment activities and Other activities both provided better results and better returns on the allocated part of the equity.

The Customer activities segment experienced a decline in income of DKK 66.3 mill. to DKK 1,765.8 mill. and was primarily affected by a fall in net interest income. This is attributable to the negative-interest environment and a declining marginal on loans, while there was an increase in lending compared with 2019. On the expenditure side, there was an increase in staff and administration expenses and depreciation, amortisation and impairments of DKK 70.6 mill. in total, which was due to more employees and investments in technology to support continuing customer and business growth. Group impairments are solely attributable to customer activities. In 2019, revenue of DKK 53.9 mill. was recognised, but in 2020 this became a net charge 78.6 mill., primarily due to management additions because of COVID-19, which also had a negative impact on earnings on Customer activities.

The Investment activities segment saw in 2020 an increase in profit of DKK 74.6 mill.; primarily attributable to improved interest income. Value adjustments rose by DKK 8.9 mill., and the trading portfolio primarily consists of bonds with only a small amount of shares.

The Other activities segment maintained a high level of earnings at DKK 148.8 mill. against DKK 160.5 mill. in 2019. While 2019 was characterised by a profit of DKK 140.2 mill. in connection with the sale of shares in LR Realkredit A/S, the change in 2020 was due to generally increasing share prices.

Second half-year

The profit before tax for the second half-year 2020 amounted to DKK 472.3 mill. against DKK -90.3 mill. for the first half-year 2020. A comparison between the primary items for the two periods shows that net interest and fee income was at the same level, although there was slightly higher interest income in the second half-year, primarily because of the effect of introducing negative interest rates on deposits from private customers from 1 June 2020. The positive value adjustments on the portfolio of securities are primarily behind the growth in earnings.

Costs and depreciation/amortisation were DKK 938.6 mill. in the second half-year against DKK 828.5 mill. in the first half of 2020. Developments in the second half-year are primarily attributable to increased staff costs as a consequence of growth in the number of employees, higher bonuses and provisions for severance costs.

Result

Profit before tax amounted to DKK 382.0 mill. against DKK 588.4 mill. in 2019, which benefitted from a profit of DKK 140.2 mill. from the sale of shares in LR Realkredit A/S. After tax, the profit was DKK 330.0 mill., of which the shareholders share was DKK 291.1 mill. The profit for the year after tax provides a return on equity of 4.7% against 7.9% in 2019.

The Group profit before tax of DKK 382.0 mill. is higher than expectations announced in the annual report for 2019 of DKK 275-325 mill. The financial statements for the first half-year 2020 showed a loss of DKK 90.3 mill., after which a downward adjustment was announced to a new level of around DKK 50-100 mill. The Group decided in December 2020 to announce an upward adjustment to DKK 325-375 mill. before tax. The upward adjustment was primarily attributable to a positive development in the value of the securities portfolio.

In accordance with the recommendation from the Danish FSA, the Board has recommended to the General Meeting that no dividend be paid for the year.

Segment assets

At the end of 2020, the consolidated balance sheet amounted to DKK 62.9 bn. against DKK 59.0 bn. at the end of 2019. The increase of DKK 3.9 bn. is attributable to the increase in deposits including pools (+ DKK 4.1 bn.). Capital was used on securities, including holdings in associated companies (+ DKK 1.3 bn.), pooled assets (+ DKK 1.3 bn.), lending (+ DKK 0.9 bn.) and receivables from credit institutions (+ DKK 0.5 bn.).

Deposits

Deposits including savings in pooled schemes amounted to DKK 52.0 bn. against DKK 48.0 bn. at the end of 2019, and the increase is primarily attributable to private customers, with DKK 3.5 bn. Of this, savings in the Bank's pooled schemes rose by DKK 1.3 bn. and now amount to DKK 7.0 bn. This is evidence of great customer loyalty and confidence in the Bank Deposits from business customers rose by 1.0 bn. and this bears witness to the fact that the Bank's launch of a new business concept has begun to lead to increasing business with this customer group.

In common with most other banks, the Bank has decided that the negative interest rates are to apply for all customer groups, and therefore in 2020 they also applied for private customers. Arbejdernes Landsbank does not want to attract customers with deposits who do not want to be full customers of the Bank. Private customers who place all their business with the Bank will still have a lower limit of currently DKK 250,000. On ordinary deposits, only deposits above this limit will attract the negative interest rate.

Lending

At the end of 2020, lending amounted to DKK 23.8 bn. against DKK 22.9 bn. at the end of 2019. Continued customer growth and the consequential growth in business have contributed to maintaining this level. Growth is expected to continue in the years to come, with stronger focus on the business segment. The Group is very aware that the current good credit quality must be maintained and expanded.

Securities portfolio

At the end of 2020, the Group securities portfolio amounted to DKK 24.1 bn. in bonds, shares, investment certificates etc. and associated companies. This is an increase of DKK 1.3 bn. and it is a consequence of the increasing deposits. The majority of the portfolio, DKK 21.9 bn., is placed on the bonds market.

Equity

At the end of 2020, equity amounted to DKK 7.1 bn. against DKK 6.9 bn. at the end of 2019. Shareholders' share of equity rose by 0.3 bn. The Board of Directors has acquired own shares of nominally DKK 7.4 million as at 31 December 2020.

Significant accounting estimates and assessments

The calculation of the carrying amount of certain 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.

Events after expiry of the financial year

Vestjysk Bank A/S and Den Jyske Sparekasse A/S agreed on a merger on 13 January 2021 with Vestjysk Bank A/S as the continuing bank. Arbejdernes Landsbank has decided to maintain its ownership interest in the continuing merged bank. See further details in note 3.

Outlook for 2021

The Danish economy is deeply in the clutches of the corona crisis. The coronavirus crisis has proven to be longer than originally expected. The Danish economy has been hit by the crisis without significant imbalances, but with extensive and necessary measures by the authorities, including aid packages and pay compensation schemes. This will help strengthen growth conditions after the crisis. In 2021, after an economic downturn in the beginning of the year, we expect appreciable growth. In 2021 as a whole, we expect GDP to grow by around 2%, followed by 3.5% in 2022. The labour market, like GDP, will experience a decline in the first months followed by growth in the rest of the year.

Private consumption will drive growth in the Danish economy. Danes' private finances are generally robust, and unemployment will be held in check by pay compensation schemes. Furthermore, frozen holiday pay has been released and this has already affected consumption positively. The higher consumption will not, however, mean that private finances run loose, as Danes have strong savings and they will continue to save. Wealth increased in 2020, with higher deposits, growing pension assets and a buoyant property market, and we expect this to continue in 2021.

Looking outside of Danish borders, the coronavirus crisis has also stolen the greatest attention, but the underlying political uncertainty has abated. The coronavirus crisis has not only taken hold in Denmark, but also in our important trading partners. It will therefore be crucial for a continuation of the Danish recovery that vaccination programmes progress according to plan both in Denmark and abroad. Politically, completion of the American presidential elections has reduced uncertainty, and Brexit has now been resolved in part. However, Brexit remains a threat to the Danish economy. The future framework for trade in services, which covers a little more than half of Danish exports to the United Kingdom has yet to be agreed. The composition of Danish exports means that we are less influenced by turbulence outside of Danish borders, but the Danish economy is not immune. The situation abroad, restoration after the coronavirus crisis and political events will continue to cause concern through 2021.

Overall, this is likely to be beneficial for Group lending growth. We also expect that continued customer growth and additional focus on the business segment will contribute positively to lending growth. The prospect of continued stable interest rates, our ambitions for growth, and the phase-in of negative interest rates on deposits underpin our expectations for increasing net interest income in 2021. On the fees side, 2021 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 2020.

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 costs, there will be focus on cost efficiencies to improve the Group's core earnings and compensate for the increased resources necessary because of increased regulation, the continued influx of new customers and IT development.

Impairments on loans, etc. are also expected to be impacted by consequences of the coronavirus crisis in 2021. In general, we see that our customers have good credit quality, but we are aware that some customers will be impacted severely if bankruptcy or unemployment strike because of the protracted pandemic.

Overall, on the basis of the above conditions, the Group expects to realise a profit before tax for 2021 of around DKK 400-450 mill. Expectations are based on expectations of better earnings on customer activities as a consequence of a number of specific initiatives, but they are associated with great uncertainty, especially regarding the length and consequences of the pandemic, but also in relation to returns on investments, macroeconomic developments and the level of impairments.

Capital and liquidity management

Capital management

Arbejdernes Landsbank actively manages capital in relation to the CRR and the established risk profile.

The policy of the Board of Directors is that capital resources must be adequate to ensure that the Group can continue its lending activity and maintain its risk exposures in periods with significant fluctuations on the financial markets and increases in the risk of losses and impairments.

To calculate the capital ratio, the Bank applies the standard method for credit and market risks and the basic indicator approach for operational risks.

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 targets and requirements

The Group's capital targets are based on the requirements for solvency need plus excess cover at 6.5%. With a current solvency need of 10.3%, the capital targets can be calculated as:

Group	Target	Status 2020	Excess cover
Common Equity Tier 1 capital ratio	12.9	17.0	4.1
Tier 1 capital ratio	14.2	18.1	3.9
Capital ratio	16.8	20.6	3.8

The targets are set such that, at all times, the Group meets the combined capital buffer requirement that can be up to 5.0 percentage points. The combined capital buffer requirement can only be covered by Common Equity Tier 1 capital and amounted to 2.5 percentage points at the end of 2020, against 3.5 percentage points at the end of 2019. The reduction is because the Minister for Industry, Business and Financial Affairs released the countercyclical buffer of 1.0 percentage points in the first half of 2020. The release is a result of the COVID-19 crisis and has helped strengthen the capital resources of financial sector institutions, thus strengthening their ability to grant loans during the current crisis.

The capital requirement is defined as the solvency need plus the combined capital buffer requirement. The capital requirements can thus be calculated as:

Group	Requirements	Status 2020	Excess cover
Common Equity Tier 1 capital ratio	8.3	17.0	8.7
Tier 1 capital ratio	10.2	18.1	7.9
Capital ratio	12.8	20.6	7.8

Capital planning

Arbejdernes Landsbank regularly assesses its need to adjust its capital structure. The Group currently has a very solid capital buffer in relation to the capital requirements, as well as its own objectives.

The Bank has issued a nominal DKK 429 mill. in Additional Tier 1 capital that can be redeemed before maturity on 22 January 2021, and then on the semi-annual instalment dates, provided this is approved by the Danish FSA. In light of COVID-19, Arbejdernes Landsbank is unlikely to redeem the Additional Tier 1 capital in 2021 before maturity, unless the Bank also issues new capital, with at least the same quality and the same scope.

MREL requirement

The Group has to meet a requirement for own funds and eligible liabilities (MREL) calculated as the solvency need plus an MREL add-on of 8.0%. The MREL add-on is being phased in up to 1 July 2023.

	31.12.2020	01.07.2021	01.07.2022	01.07.2023
Phase-in of the MREL add-on				
MREL add-on as % of total risk exposures	1.9	3.1	4.4	8.0

At the end of 2020, the MREL add-on was 1.9 percentage points, and the Group's MREL requirement was calculated at 12.2%. In addition to the MREL requirement, the Group must meet the combined capital buffer requirement, and the total requirements at the end of 2020 amounted to 14.7%.

The MREL requirement can be met by Common Equity Tier 1 instruments and Senior-Non-Preferred (SNP) instruments. The Group expects that the requirement for the MREL add-on will primarily be met by issuing SNP instruments.

Up to the final phase-in of the MREL add-on on 1 July 2023, the Group expects to have to issue a minimum of DKK 3.0 bn. in SNP instruments to cover the MREL requirement.

Liquidity management

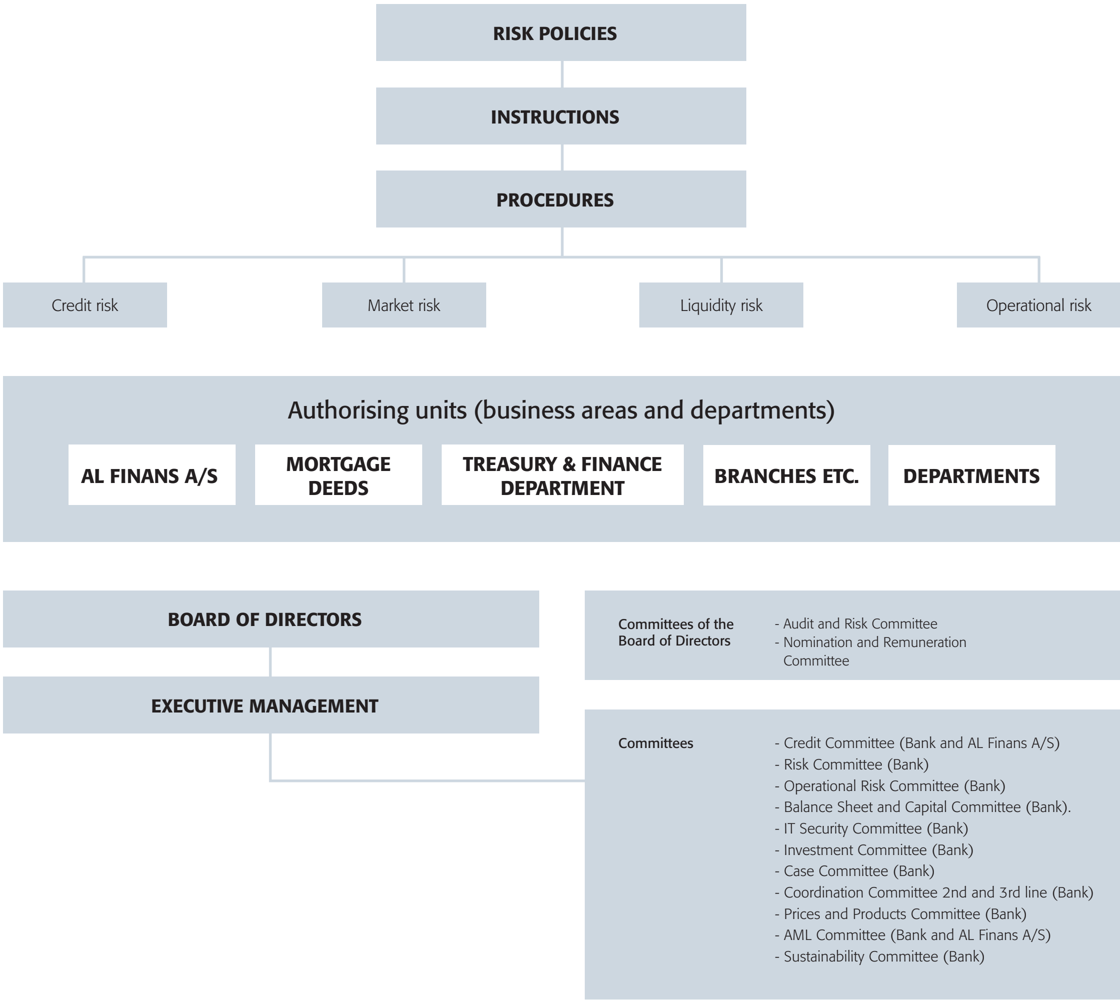
The Group aims to maintain a liquidity policy, where financing of borrowed capital is mainly based on deposits. Therefore a positive deposits surplus is also an objective. The deposits surplus is defined by Arbejdernes Landsbank as the difference between deposits excluding pools, and lending. At the end of 2020, the Group's deposits surplus amounted to DKK 21.3 bn. and this is DKK 1.9 bn. higher than at the end of 2019.

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 130%. At the end of 2020, the Group had an LCR of 274.1% (2019: 269.9%).

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 appetite, 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 guidelines and policies.

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



1ST LINE OF DEFENCE	2ND LINE OF DEFENCE	3RD LINE OF DEFENCE
Credit Department/Credit Secretariat (Credit risk – Bank)	**Risk Department** (Group)	**Internal Audit** (Group)
Credit Department (Credit risk – AL Finans A/S)	**Compliance** (Group)	
Treasury & Finance Department (Market and liquidity risk – Bank)	**Compliance and Risk** (AL Finans A/S)	
The individual business areas and departments (Operational risk and ICT* risk– Group)		
AML (Risks related to money laundering and terrorist financing – Group)		

*) Information and communication technologies.

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 eleven committees focusing on risk management at the Bank:

- The Credit Committee consists of the CEO, the Director of Credit and the CRO. The tasks of the Credit Committee are to authorise individual cases, approve impairment levels every quarter, approve credit management tools and discuss other credit-related issues.
- The Risk Committee is composed of the Executive Management, the CRO, the Deputy Bank Directors responsible for the CFO and Business, the Director of Credit, as well as senior employees from the risk department, the CFO area and the Treasury & Finance Department. The Committee is a second line of defence and is responsible for contributing to strong risk management across the organisation, for establishing common ground for the desired risk composition, as well as discussing other risk-management-related topics.
- The Operational Risk Committee includes the Executive Management, the CRO, the Head of Compliance, the IT Director, the Bank's CFO and an employee from the CFO area responsible for reporting operational risk. The Committee is responsible for handling operational events concerning risks of losses, monitoring compliance with the operational risk policy and supporting the Risk and Audit Committee in assessing operational risk.
- The Balance Sheet and Capital Committee is composed of the Executive Management, the Bank's three Deputy Bank Directors, the CRO, the Director of Credit and senior employees from the CFO area and the Treasury & Finance Department. The task of the Committee is to ensure efficient capital management.
- 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 Business and an employee from the CFO area responsible for operational risk. The tasks of the Committee are to review and provide input on topics and tasks related to IT security and to ensure coordination and knowledge-sharing about IT security initiatives across the Bank.
- The Investment Committee consists of the Executive Bank Director responsible for the Treasury & Finance Department, the Bank's CFO and the Head of Treasury. The Committee follows up on the Bank's investments within and outside the trading portfolio and reconciles future tactical positioning.
- The Case Committee consists of the CEO, the Deputy Bank Director responsible for Business, the Director of Credit, the CRO and a business director. The Committee discusses credit cases of principle, but does not authorise these.
- 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 risk assessments.
- The Prices and Products Committee consists of the Banks's three Deputy Bank Directors, the Director of Credit, the Head of Markets, the CRO, and the Head of Compliance. The Committee approves launches of new products and closure of existing products.
- The AML committee includes the Executive Management, the CEO of AL Finans A/S, the person responsible for the anti-money laundering area at the Bank, the person responsible for the anti-money laundering area at AL Finans A/S, the CRO and the Head of Compliance and a senior employee from the Treasury & Finance Department. The aim of the Committee is to ensure coordination and planning of activities within the anti-money laundering area across Arbejdernes Landsbank, including ensuring that Group procedures comply with legislative requirements.
- The Sustainability Committee consists of the Executive Management, the three Deputy Bank Directors, the CRO as well as the Chief Sustainability Officer of the Bank. The aim of the committee is to ensure that the Bank's sustainability strategy is implemented across the Bank.

The organisational structure focuses on segregation between authorising and controlling units, and on ensuring that any conflicts of interest are identified and managed. The CRO and the Head of Compliance do not have decision-making authority in the 1st line committees of which they are members.

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 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 CFO area. The Risk Department is responsible for 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 CFO area is the facilitator of the risk identification process in connection with other 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 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 are 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 Audit and Risk Committee and the Board of Directors. Removal of the CRO requires prior authorisation from the Board of Directors. A Head of Compliance is appointed by the compliance unit. Among other things, Compliance monitors Group compliance with legislation. The assessment by the Head of Compliance of the Group's compliance with current legislation is reported to the Audit and Risk Committee and the Board of Directors. At AL Finans A/S, the 2nd line of defence is placed in the Compliance and Risk Department.

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 2020, Arbejdernes Landsbank was comfortably within all limit values in the supervisory diamond.

Benchmarks from the Danish Financial Supervisory Authority *)	Limit Values	Bank
Large exposures	< 175	57.0
Lending growth	< 20	4.7
Commercial property exposure	< 25	2.9
Funding ratio	< 1	0.4
Liquidity benchmark	> 100	285.7

*) The definition of the ratios and key figures is explained in note 46.

Corporate social responsibility and sustainability

In 2020 the Bank took initiative to take our work on CSR and sustainability to an even higher strategic level with even more ambitious objectives towards 2025.

As one of the largest banks in Denmark, we have a special responsibility to contribute to sustainable development in society. Fundamentally, we are convinced that commercial value creation and accountability go hand in hand, and that healthy business development and sustainability will be mutually dependent in the future.

Taking outset in this, and building on the Bank's fundamental values and the way we run our bank, our strategic work on corporate social responsibility and sustainability was taken to a higher level in 2020.

New sustainability strategy

In 2020, the EY accountancy firm conducted a survey of where Arbejdernes Landsbank currently stands on compliance with the UN Principles for Responsible Banking, and the result was a number of recommendations for how the Bank could strengthen its work on corporate social responsibility and sustainability.

On this basis, the Bank launched a cross-cutting project aimed at building a new and strong strategic foundation for corporate social responsibility and sustainability to ensure cohesion between global and societal goals and Arbejdernes Landsbank's commercial objectives and efforts.

Contributions to achieving the UN Sustainable Development Goals

As a bank and a financial undertaking, an important part of our responsibility is to contribute to achieving the 17 UN Sustainable Development Goals. Nine of these are in special focus and are central benchmarks for the Bank's work on corporate social responsibility and sustainability in the future.

Selection of the individual goals is based on an assessment of where, as a Bank, we have the greatest impact on the environment and the world around us, where we have a potential for further improving our efforts, and where we can generally make the most significant contributions.

Quality education

As a bank, we want to improve Danes' financial understanding and make knowledge and tools available to help people get a better overview of their personal finances and make important legal decisions.

Equal opportunities

As a bank, we want to be a diverse workplace, reflecting the composition of the population in general, at all management levels.

Sustainable energy

As a bank, we want to focus on using green energy in operations in order to reduce the Bank's total climate footprint.

Decent work and economic growth

We arrange financial services that make it possible for private persons, companies and associations to access financing for housing, business activities, investment and savings solutions, etc. Furthermore, we work actively to create a workplace with high job satisfaction and good working conditions for our employees.

Sustainable cities and communities

As a bank, we want to contribute to the common good and show community spirit. We do this by providing capital when specific needs arise, and by sponsoring and supporting sport and culture in Denmark.

Responsible consumption and production

We want to minimise resource consumption in our internal operations, make environmentally responsible purchases, recycle and think green when we renovate and build new facilities.

Climate action

We want to offer products and solutions that make it easier for our customers and Danes in general to make sustainable choices. We also make demands on our suppliers, and we focus on reducing our own consumption.

Peace, justice and strong institutions

To help ensure that the general framework of our society is not undermined and that the Bank is not abused for money laundering or terrorism, we stay close to our customers, we systematically monitor transactions, and we report any suspicious behaviour to the authorities.

Partnerships for the goals

We believe that joining forces is key to making sustainable change at the Bank and in society. Therefore, we have gone into several strategic partnerships with sectororganisations, banks and other stakeholders to coordinate efforts together.

The Bank has acceded to the UN's international principles

As part of the Bank's new strategy, in 2020 we decided to sign the UN Principles for Responsible Banking, the UN Global Compact and the UN Principles for Responsible Investment.

By acceding to the UN principles, we are entering a global community of companies and banks that have voluntarily committed themselves to implementing the principles in their business. The principles are important for Arbejdernes Landsbank because they will guide our work on corporate social responsibility and sustainability in relation to our customers, cooperation partners and suppliers, and they obligate the Bank to report regularly on initiatives.

Strategic focus areas for sustainability

We want to to continue our work to reduce the Bank's own negative impact on the environment, and we have an ambition to make an even greater effort to incorporate sustainability into our core business in the following areas:

Strategic focus areas

- Sustainable credit
- Sustainable capital management
- Sustainable deposits surplus
- Sustainable internal banking

New Sustainability Committee

The internal management structure is crucial to running and developing a socially responsible and sustainable bank. Therefore, the Bank has established a new Sustainability Committee anchored in senior management, giving it a clear mandate to make decisions that help to ensure implementation of the sustainability strategy across different business areas and departments at the Bank.

Members of the Sustainability Committee include the Executive Management, Deputy Bank Directors, the Bank's CRO and the Bank's Chief Sustainability Officer.

We measure ESG metrics for 2020 and onwards

In 2020, we took the first steps to identify the extent of the challenge. Our point of departure was that if we can measure it, we can change it. Consequently, this year and onwards, we will report on far more ESG metrics than before in order to be even more transparent about the Bank's current situation, and to be able to document our initiatives and results.

For 2020, Arbejdernes Landsbank has prepared a report on corporate social responsibility and sustainability. Activities within social engagement are described in this report, which constitutes Arbejdernes Landsbank's statutory report on corporate social responsibility, see section 135 of the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. The report is available at: https://www.al-bank.dk/en/in-english/about-the-bank/financial-statements-etc

Sustainable direction

We believe and we expect that with these new, ambitious initiatives we will be able to focus the Bank's social responsibility and sustainability efforts in areas where, as a Bank, we can be of most use. Overall, they will help push the Bank, its customers, society and the outside world in an even more sustainable direction towards 2025. Read more in the Responsibility & Sustainnability Report.

Vision and strategy work in 2020

In early 2020, we implemented the Bank's new strategy: "Strategy 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 from more regulation and 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. Our strategy has given us good 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. With outset in the position and our fundamental business model, we are therefore implementing Strategy 2025: More customers and more satisfied customers.

Strategy 2025 is an ambitious strategy. Over the years to come, the strategy will set our course towards achieving our future goal. A goal that, before the end of 2025 we will grow organically by at least 80,000 customers. That we continue to be Danes' preferred bank, and that the Bank's basic operations secure an annual return on equity of 6-7%. That our NPS score as a whole is 80 or more, In other words, more customers and more satisfied customers. As simple as that.

Over the next 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, which makes it easy for our customers to select responsibly will be in focus. And 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 will be in the future as well.

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

How our customers should experience us

At Arbejdernes Landsbank, all customers are good customers, and they are treated in accordance with our fundamental values: Community, Openness, Integrity and Corporate Responsibility. On the basis of our good reputation among customers, we are dedicated to developing our organisation and our services at a rate that matches customers' expectations and needs. This requires close dialogue with our customers, and that this is a focus area for everyone at the Bank.

We see that customers demand attentive and personal advisory services, particularly in connection with larger financial decisions, while they demand a wide range of digital services for more everyday needs. In other words, a combination of simplicity and convenience, on the one hand, and on the other hand a very clear desire for personal advisory services with a dedicated advisor. We believe that this trend is will endure for a long time into the future, and therefore it will continue to be a cornerstone of the Bank.

Our objective is that our customers always consider us a responsible and attentive sparring partner that can create value and communicate clearly and comprehensibly. We want to be close to the customer and the customer's financial situation in all phases of life – both in good times and bad times.

How we reached our objectives in 2020

Strategy 2025 is called "More customers and to more satisfied customers", and the main strategic target for the Bank therefore also aims at our customers.

In January 2020, for the 12th consecutive year, we were lauded as Danes' preferred bank in Voxmeter's major annual survey of customer satisfaction in our sector. Being number one among the 20 largest Danish banks for customer satisfaction, for the 12th consecutive year, once again confirms that our customers value the way we run our bank. And that they see a clear link between our values and their day-to-day interactions with us – whether face-to-face in one of our 70 branches throughout Denmark, or online, e.g. on social media.

The massive customer growth we have experienced in recent years continued in 2020. During the year, we welcomed no less than 14,300 new customers (net), corresponding to a 4.4% customer growth. Along with all our existing customers, the many new customers help to increase our business volume and ensure a continued high level of activity. The positive interest in our bank means that we currently have more than 330,000 customers.

Strategy 2025 works with the following three areas: Efficient bank, Customer-oriented culture and Position in the sector. Below are the most important results for 2020.

Efficient bank

We work strategically to optimise processes, procedures and customer journeys across the Bank. We want to be a more efficient and profitable bank.

Throughout 2020, there has been focus on creating better customer experiences and more efficient daily routines for our customers and for employees at the Bank. 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. The corona situation has changed preferences and behaviour patterns for both customers and staff, and this has also been taken into account in the course of the year. Finally, it has been necessary to ensure profitability in light of the continuing negative-interest environment.

- Digital customer enquiries

We have extended our customers' possibilities to make enquiries to the Bank, find help and serve themselves through digital channels. There are new solutions to welcome new customers digitally, to submit digitally the necessary information to comply with the Bank's anti-money laundering procedures, and to provide help for customers through digital channels and answer their questions.

In all cases, this has ensured that receipt of enquiries and subsequent processing by the Bank is as efficient and as automated as possible, with increased use of the Bank's CEM platform.

- Digitisation of property processes

In 2020, we started using the first version of a new property-financing platform. The platform was supplied in collaboration with Totalkredit and Bankernes EDB Central (BEC). Initially, the platform has only been used when customers want to convert their mortgage-credit loans. However, over the coming years it will be extended so it can also be used when customers want additional financing and in connection with changes of ownership of a property. Property processes have been analysed, and the first automations have been implemented.

- Centralisation of service tasks

In 2020, we centralised some of the administrative tasks at the branches, and in future we will deal with them from central units with more specialist skills. This is generally more efficient and it releases a lot of time for advisors.

- Digitisation and simplification of administration

In 2020, we worked consistently to simplify and automate internal processes at the Bank. This has contributed to far more efficient processes within areas such as overdraft processing, finalisation of cases, transaction monitoring, the liquidity area and within the Bank's overall product management.

- Digital workplace and daily work

All employees at the Bank have transferred to a new digital workplace based on laptop computers. Everyday work has been made significantly more flexible with better possibilities to work remotely. Without compromising on IT security and the GDPR, today there is widespread use of video meetings and digital cooperation tools. This means that the working day in the Group and contact with customers has become far more digital. This is something we believe will remain on the other side of the COVID-19 situation.

- Closure of the cashier function

At the turn of the year, we closed the cashier functions at Bank. Customers' options for physical service by a cashier at the Bank were removed during the first lockdown in Denmark in spring 2020. We reopened after the lockdown, but since then we have observed that demand has dropped significantly. Customers have felt well served with other options. The time has come for us to close this option.

- Introduction of negative interest

In 2020 we had to introduce negative interest rates for both private and business customers of the Bank. In this connection, it was necessary to ensure that all systems and procedures effectively support this. It also created a natural opportunity to simplify the product range.

Customer-oriented culture

We have ongoing focus on developing a capable and customer-oriented culture.

In 2020, there was focus on identifying and securing the Bank's DNA. We believe that our culture is crucial for our position, and therefore we work actively on maintaining our most important virtues and promoting the right attitude and behaviour at the Bank.

The Bank's 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.

Culture built on sound values

At Arbejdernes Landsbank we have our own culture. This has built and shaped the company for more than a century. In 2020, we decided to focus on culture and ensure that it steers our proud business in the direction we believe is right.

We came up with four main concepts from which our culture and behaviour emerge: Integrity, Openness, Corporate Responsibility and Community. Four strong but also wide-ranging concepts that we have specified and operationalised.

- Integrity – for employees, society and customers

Integrity means that you can always rely on us – and that we can rely on each other. Always. Responsible advice must always come before a sale. Even if it means we may miss a business opportunity. What is good for the customer always comes first.

All customers should not be treated the same. But they must all be treated with integrity. And that in no way prevents us from doing a little extra for customers who have a little extra business potential. On the contrary, it is not either/or – for us it is both.

- Openness – to customers, to new ideas and to new business areas

Openness because everyone – high or low – is welcome at our Bank. Of course, anyone can say that. However, for us these are not just nice words. We have products and services to back them up. To make sure that customers feel valued. We develop with our customers and not just for them. We are inquisitive about new trends and we seek always to be relevant.

There is always room at the Bank, irrespective of a customer's financial situation, and our skill and professionalism in an informal and relaxed atmosphere makes sure that we can always see eye to eye with customers.

- Corporate responsibility – for our customers and for the Bank

We all have strong corporate responsibility, irrespective of our position, to ensure the continued development of the Bank. We can only exist and develop if both our customers and the Bank are healthy, including financially. We can do this by making sure that we not only generate value for customers, but also for the Bank. There is no contradiction between providing the right advisory services and ensuring satisfactory earnings. Cooperation at a high professional level between the customer and the Bank is an important part of our work. At the same time, we must ensure that we constantly do our best, we are inquisitive, and we ask ourselves and each other: Have I created value for our customers? And for the Bank?

- Community – the team is stronger than the individual

An unbreakable team spirit permeates the entire Bank. We support one another – both in good times and in bad times. Together, we are best, and we are driven by a strong sense of community and we are not concerned about who raises the trophy at the end. We know that we can and will develop. The world outside demands this, and so do we. What we did well today, we can do even better tomorrow.

Position in the sector

We are competitive, open for acquisitions in the sector, and we have a clear strategy for growth. We have the sector's strongest brand and we clearly differentiate ourselves from our competitors.

Throughout 2020, there has been constant work to secure knowledge about the Bank and to deliver good customer experiences to ensure high customer satisfaction. Part of the strategy is an ambitious goal that by the end of 2025 the business sector is to account for 40% of the Bank's overall business. Therefore, there was strong focus in this during the year. We have also assessed that the general trends in society, with more focus on a sustainable future, will play a pivotal role for the Bank's future position.

- New business concept

In 2020, we targeted work on implementing a new business concept to ensure that we reach our goals with our strong ambitions for the area, while at the same time making sure that we maintain good credit quality. The launch of the new concept was one of the Bank's most important strategic projects in 2020. The new business concept will help to ensure that we are a recognised bank for corporate customers, and that we can provide a business-oriented range of products that makes us an attractive partner, particularly among small and medium-sized enterprises. In connection with the concept, a new business organisation has been set up at the Bank, and six business centres are ready to welcome corporate customers.

- Sustainable Bank

Sustainability at Arbejdernes Landsbank is much more than just a desire to comply with rules and requirements.

In 2020, we decided to sign the UN Principles for Responsible Banking, the UN Global Compact and the UN Principles for Responsible Investment on the basis of a desire to bring our work on responsibility and sustainability to an even higher level on the Bank's strategic agenda.

Global warming and climate change are some of the biggest challenges facing society, and the financial sector - including Arbejdernes Landsbank – plays a key role in transitioning to a greener economy. As a bank, we can do much to incorporate sustainability into our internal banking operations, our consumption and our procurement. But where we as a bank can make a real difference, is to consider and ensure that the capital we send into society – as loans, investments, or anything else – contributes to more sustainable development.

We want to target work to make the Bank's loans, credit and investments more sustainable. In order to deliver on this strategic goal, we will initially work to mature and calculate data on the area to gain an overview of the extent of the challenge and to set specific reduction targets.

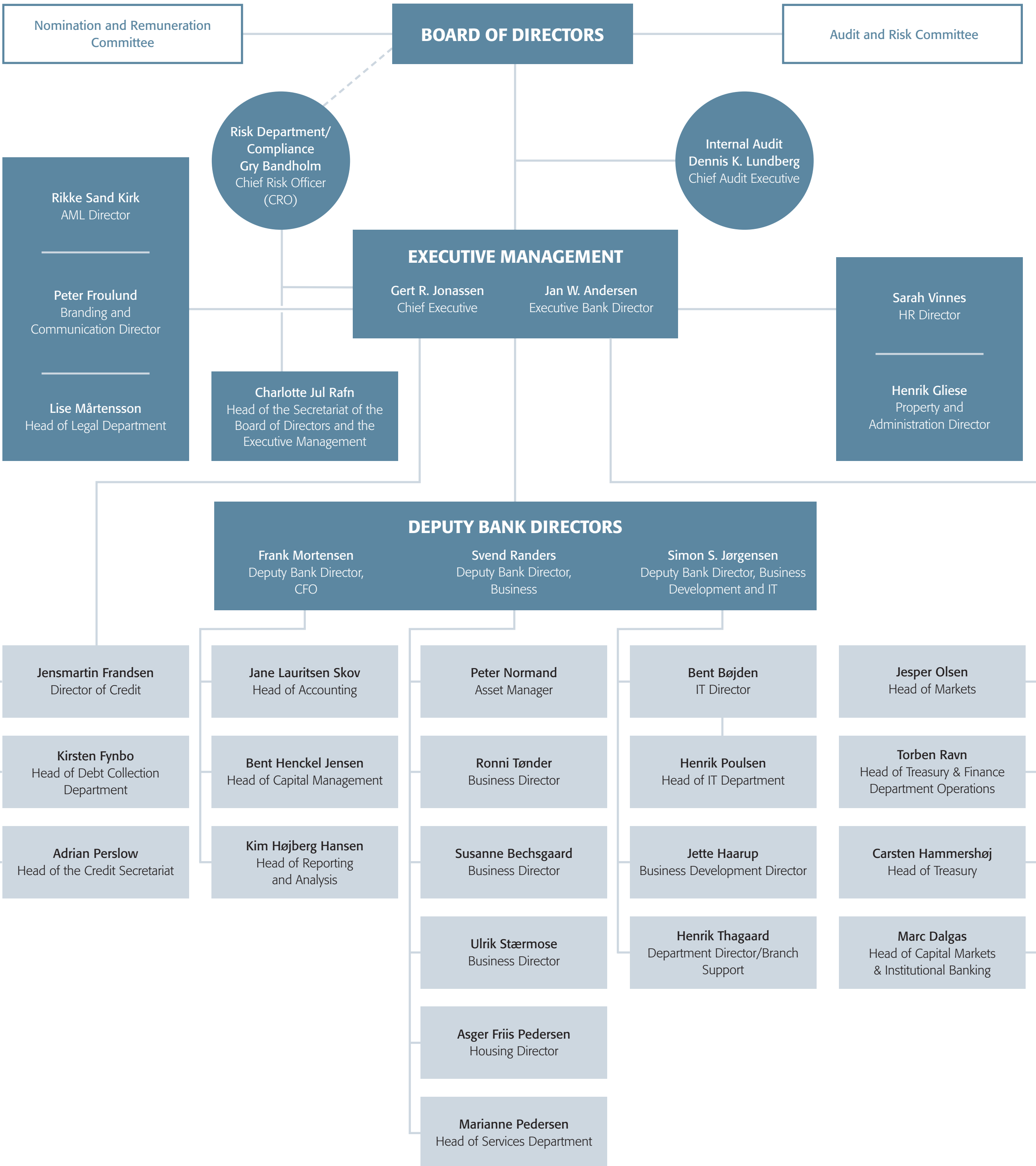
Moreover, the volume of sustainable investments and our existing green product range will be increased, and we will develop new products and initiatives that can motivate and make it easier for our customers and cooperation partners to make more sustainable choices.

Finally, we have focus on reducing our energy and water consumption and on setting higher standards for the physical framework to help significantly reduce the Group's total greenhouse gas emissions up to 2025.

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 the majority of the 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, the CFO and the CRO 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.

In 2020 Group Chairman of 3F United Federation of Danish Workers, Kim Lind Larsen, was replaced by the Treasurer of 3F United Federation of Danish Workers, Ulla Sørensen. The Senior Shop Steward at Arbejdernes Landsbank, Lasse Thorn, has resigned his position at the Bank. Customer Advisor Tina Holm has taken his seat on the Board of Directors. The remuneration for each of the resigning members of the Board of Directors in 2020 (both resigned from 31 March), amounted to DKK 43,000.

Information about the individual members of the Board of Directors, including their qualifications as members of the Board of Directors, is available on pages 28-31 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 2020, the Board of Directors held 14 ordinary meetings, of which four were 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 eight meetings in 2020.

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 2020. The remuneration policy is available (in Danish) on the Bank's website: https://www.al-bank.dk/handlers/documentarchive. ashx?id=255.

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

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

Executive Management

The Executive Management is appointed by the Board of Directors and is composed of Gert R. Jonassen, CEO and Jan W. Andersen, Executive Bank Director. The Executive Management constitutes the senior management group responsible for day-to-day operation in compliance with guidelines and instructions given by the Board of Directors. The 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 person responsible for the anti-money laundering area.

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. 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. At the end of 2020, the Board of Directors comprised five women and eight men, and our objective for by gender composition has been met.

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 34% women in the Bank's management groups to at least 40%.

The above results are an improvement in relation to previous years. 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 to support the desired developments.

A sound corporate culture

In November 2020, the Board of Directors adopted a updated policy for a sound corporate culture to secure and promote a sound corporate culture in the Group. 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 customer.

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 and sustainability, a remuneration policy, code of conduct, 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. There was broad work at the Bank in 2020 to map and analyse the corporate culture at Arbejdernes Landsbank. The culture is an important key to delivering on our strategy in the coming years.

Work to promote a sound corporate culture is part of Arbejdernes Landsbank's strategic work to realise the Group's Strategy 2025.

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)
- The Royal theatre and Chapel (Vice Chairman)
- Danish Economic Council
- Energy Technology Development and Demonstration Programme
- Evida Holding A/S

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

Attendance at meetings:
- Meetings of the board of directors: 14/14
- Nomination and Remuneration Committee: 4/4

Shareholding (no.):
1

Remuneration (DKK '000):
431

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
- Nordic IN (President)
- 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)
- Lindø port of Odense A/S
- IndustriALL European Trade Union (Deputy Chairman)
- Vestjysk Bank A/S

Member of:
- Board of Representatives at Danmarks Nationalbank
- Think Tank Europa
- Danish Economic Council
- Technology Pact Council
- Danmarks Erhvervsfremmebestyrelse
- Grønt Erhvervsforum

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

Attendance at meetings:
- Meetings of the board of directors: 13/14
- Audit and Risk Committee: 7/8
- Nomination and Remuneration Committee: 4/4

Shareholding (no.):
5

Remuneration (DKK '000):
374

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)
- Statistics, Denmark
- Foreningen Divérs

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

Attendance at meetings:
- Meetings of the board of directors: 14/14
- Audit and Risk Committee: 8/8

Shareholding (no.):
1

Remuneration (DKK '000):
259

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.

CEO at PensionDanmark A/S and at PensionDanmark Holding A/S

Member of the Board of Directors of:
- Copenhagen Business School (Chairman)
- Danish Society for Education and Business – DSEB (Chairman)
- Gefion Gymnasium (Chairman)
- Axcelfuture
- Danish SDG Investment Fund
- Foreningen til udvikling af bestyrelsesarbejde i Danmark
- Danish Insurance Association
- Hedorfs Fond
- PensionDanmark Group subsidiaries (Chairman)
- Symbion Fonden
- Det Udenrigspolitiske Selskab
- Climate Partnership for the Financial Sector (Chairman)
- Institutional Investors Group on Climate Change (Vice-chairperson)
- Denmarks Genopretningsfond A/S (Chairman)

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

Attendance at meetings:
- Meetings of the board of directors: 14/14
- Audit and Risk Committee: 8/8
- Nomination and Remuneration Committee: 3/4

Shareholding (no.):
0

Remuneration (DKK '000):
288

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)
- Economic Council of the Labour Movement
- Arbejdsmarkedets Tillægspension – ATP
- LD (Lønmodtagernes Dyrtidsfond) (Chairman)
- 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
- Trade Union Advisory Committee (TUAC)

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

Attendance at meetings:
- Meetings of the board of directors: 13/14
- Nomination and Remuneration Committee: 4/4

Shareholding (no.):
1

Remuneration (DKK '000):
201

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:
- HK-Huset A/S
- AKF Holding A/S (Chairman)
- AKF Invest CPH A/S (Chairman)
- Fonden for Entreprenørskab
- Arbejdsmarkedets Tillægspension – ATP
- A/S A-Pressen
- Refshaleøens Holding A/S
- ASX 7 ApS
- 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
- UNORD (Uddannelser i Nordsjælland)

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

Attendance at meetings:
- Meetings of the board of directors: 11/14

Shareholding (no.):
0

Remuneration (DKK '000):
173

BOARD OF DIRECTORS (CONTINUED)

ULLA SØRENSEN

Born in 1957. Member of the Board of Directors since 2020.

Treasurer for 3F United Federation of Danish Workers

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

Member of:
- PensionDanmarks branchebestyrelse and Organisationsansatte

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

Attendance at meetings:
- Meetings of the board of directors: 11/12

Shareholding (no.):
0

Remuneration (DKK '000):
129

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 Denmark
- 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

Attendance at meetings:
- Meetings of the board of directors: 11/14

Shareholding (no.):
2

Remuneration (DKK '000):
173

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 (Chairman)
- Vikingbus A/S
- Brønnums (Turistfart) A/S (Chairman)
- Toftegaard Biler A/S
- Shopbox ApS
- RE Energy ApS

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

Attendance at meetings:
- Meetings of the board of directors: 14/14

Shareholding (no.):
0

Remuneration (DKK '000):
173

BOARD OF DIRECTORS (CONTINUED)

JESPER PEDERSEN

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

Senior Shop Steward at A/S Arbejdernes Landsbank

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

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

Attendance at meetings:
- Meetings of the board of directors: 13/14

Shareholding (no.):
1

Remuneration (DKK '000):
173

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
- Credit matters
- Business model and customer base
- Operational risks and IT

Attendance at meetings:
- Meetings of the board of directors: 14/14

Shareholding (no.):
1

Remuneration (DKK '000):
173

NADJA LIND BØGH KARLSEN

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

AML officer 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

Attendance at meetings:
- Meetings of the board of directors: 13/14

Shareholding (no.):
1

Remuneration (DKK '000):
173

TINA HOLM

Born in 1971. Employee-elected member of the Board of Directors since 2020.

Customer Advisor at A/S Arbejdernes Landsbank

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

Attendance at meetings:
- Meetings of the board of directors: 12/12

Shareholding (no.):
0

Remuneration (DKK '000):
129

EXECUTIVE MANAGEMENT

GERT R. JONASSEN	JAN W. ANDERSEN
	
Born in 1959.	Born in 1958.
Chief Executive	Executive Bank Director
Member of the Board of Directors of: ▪ AL Finans A/S (Chairman) ▪ Ejendomsselskabet Sluseholmen A/S (Chairman) ▪ Bankernes EDB Central a.m.b.a. (Vice Chairman) ▪ PensionDanmark Holding A/S ▪ PensionDanmark A/S ▪ Pras A/S ▪ Landsdækkende Banker	**Member of the Board of Directors of:** ▪ AL Finans A/S ▪ Ejendomsselskabet Sluseholmen A/S ▪ Danish Labour Market Fund for Posted Workers, AFU ▪ Arbejdsmarkedets Tillægspension – ATP ▪ BI Holding A/S ▪ Forvaltningsinstituttet for Lokale Pengeinstitutter (Vice-Chairman) ▪ Lønmodtagernes Garantifond ▪ PFA Advisory Board (Chairman) ▪ Seniorpensionsenheden ▪ VP Securites A/S + Chairman of the Risk Committee
Shareholding (no.): 1	**Shareholding (no.):** 1
Remuneration (DKK '000): 3,823	**Remuneration (DKK '000):** 3,500

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	1112.6	859.1	2020.2	8
1974	84.0	189.6	1416.9	1055.9	1952.3	8
1979	155.0	386.4	3302.9	2042.2	4138.4	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
2020	300.0	7,125.2	51,959.5	23,474.8	62,703.9	0

*) 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 2020.

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 2020, 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 2020.

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 that the annual report be adopted at the Annual General Meeting.

Copenhagen, 16 February 2021

Executive Management:

Gert R. Jonassen *CEO*	Jan W. Andersen *Executive Bank Director*

Board of Directors:

Per Christensen
Chairman

Claus Jensen *Vice Chairman*	Lizette Risgaard	Ulla Sørensen
Ole Wehlast	Kim Simonsen	Lars Andersen
Torben Möger Pedersen	Christian Riewe	Tina Holm
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 2020, 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 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 2020 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 2020, in accordance with International Financial Reporting Standards as adopted by the EU and further Danish disclosure requirements for financial undertakings 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 risks of material misstatement in the consolidated financial statements and the parent financial statements, whether due to fraud or error. In making risk assessments, the auditor considers internal controls relevant to the company's preparation and fair presentation of the consolidated financial statements and the parent financial statements. The purpose is to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the parent financial statements.

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

Statement on the Management’s Report

Management is responsible for the Management’s Report.

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

In relation to our audit of the consolidated financial statements and the parent financial statements, we are responsible for reading through the Management's Report, and considering whether it is materially inconsistent with the consolidated financial statements, the financial statements or with knowledge obtained in connection with our audit, or whether it appears otherwise 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 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 in the Management’s Report.

Copenhagen, 16 February 2021

Dennis Lundberg
Chief Audit Executive

Independent auditors' report

To the capital owners of Aktieselskabet Arbejdernes Landsbank

Conclusion

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 2020, 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 2020 and of the results of the Group's activities and cash flows for the financial year 1 January to 31 December 2020 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 2020 and of the results of the Bank's activities for the financial year 1 January to 31 December 2020, 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. We have been re-elected annually by the General Meeting for total engagement periods of two consecutive years up to and including the financial year 2020.

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 2020. 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

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Management is also responsible for the internal control deemed necessary by Management to prepare the financial statements free from 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. In addition to this we:

- 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 the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, forgery, intentional omissions, misrepresentations or neglect to perform internal controls.

- 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, 16 February 2021

EY
GODKENDT REVISIONSPARTNERSELSKAB
CVR-NR. 30 70 02 28

LARS RHOD SØNDERGAARD	THOMAS HJORTKJÆR PETERSEN
State authorized public accountant	*State authorized public accountant*
mne33748	*mne28632*

Consolidated financial statements and parent financial statements

Income statement

Note		Group 2020 DKK mill.	2019 DKK mill.	Bank 2020 DKK mill.	2019 DKK mill.
5	Interest income calculated using the effective interest-rate method	1,008.8	1,061.1	896.1	958.7
5	Other interest income	87.0	93.2	87.0	93.2
5	Positive interest expenses on financial liabilities	54.1	7.0	54.1	7.0
6	Interest expenses	-52.4	-63.1	-51.2	-62.3
6	Negative interest income on financial assets	-27.3	-23.6	-27.3	-23.6
	Net interest income	***1,070.1***	***1,074.5***	***958.6***	***972.9***
	Dividends from shares etc.	57.0	43.5	57.0	43.5
7	Fee and commission income	799.4	779.5	749.5	729.8
7	Fees and commissions paid	-100.0	-91.4	-91.9	-82.4
	Net interest and fee income	***1,826.6***	***1,806.1***	***1,673.3***	***1,663.8***
8	Value adjustments	227.9	298.3	228.5	298.1
	Other operating income	70.0	69.2	34.3	33.9
9	Staff and administrative expenses	-1,604.5	-1,512.5	-1,501.3	-1,414.4
19-21, 42	Depreciation, amortisation and impairment on intangible assetsand property, plant and equipment	-108.1	-100.4	-70.2	-65.0
	Other operating expenses	-54.4	-50.5	-50.8	-47.0
10	Impairments on loans and receivables etc.	-78.6	53.9	-66.4	66.4
16-17	Profit from equity investments in associated companies and group companies	103.1	24.3	125.2	43.7
	Profit before tax	***382.0***	***588.4***	***372.5***	***579.5***
11	Tax	-52.0	-43.6	-42.5	-34.7
	Profit for the year	***330.0***	***544.8***	***330.0***	***544.8***
	Broken down by:				
	Shareholders of Arbejdernes Landsbank	291.1	495.5	291.1	495.5
	Holders of Additional Tier 1 instruments	38.9	49.3	38.9	49.3
	Profit for the year	***330.0***	***544.8***	***330.0***	***544.8***
12	**Earnings per share**				
	Earnings per share (DKK)	995	1,689	995	1,689
	Diluted earnings per share (DKK)	995	1,689	995	1,689

Statement of comprehensive income

Note		Group 2020 DKK mill.	Group 2019 DKK mill.	Bank 2020 DKK mill.	Bank 2019 DKK mill.
	Profit for the year	*330.0*	*544.8*	*330.0*	*544.8*
	Other comprehensive income				
	Items that cannot be reclassified to the income statement				
16	Other comprehensive income after tax concerning associated companies	-4.5	-1.3	-4.5	-1.3
20	Changes in the revalued amount of owner-occupied properties	32.4	14.9	32.4	14.9
11	Tax	-5.1	-63.8	-5.1	-63.8
	Total other comprehensive income	*22.8*	*-50.2*	*22.8*	*-50.2*
	Comprehensive income for the year	*352.8*	*494.6*	*352.8*	*494.6*
	Broken down by:				
	Shareholders of Arbejdernes Landsbank	314.0	445.3	314.0	445.3
	Holders of Additional Tier 1 instruments	38.9	49.3	38.9	49.3
	Comprehensive income for the year	*352.8*	*494.6*	*352.8*	*494.6*

Balance sheet

Note		Group 2020 DKK mill.	Group 2019 DKK mill.	Bank 2020 DKK mill.	Bank 2019 DKK mill.
	Assets				
	Cash in hand and demand deposits with central banks	1,135.9	1,005.2	1,135.9	1,005.2
10, 13	Receivables from credit institutions and central banks	4,488.2	3,954.8	4,471.9	3,947.8
10, 14	Loans and other receivables at amortised cost	23,817.7	22,906.4	23,474.8	22,575.0
15	Bonds at fair value	21,902.5	20,859.8	21,902.5	20,859.8
	Shares etc.	1,179.4	1,060.4	1,179.4	1,060.4
16	Equity investments in associated companies	1,000.5	888.1	1,000.5	888.1
17	Equity investments in group companies	0.0	0.0	320.6	298.6
18	Assets linked to pooled schemes	6,970.7	5,720.8	6,970.7	5,720.8
19	Intangible assets	15.5	19.3	0.0	0.0
	Investment properties	63.3	35.7	36.6	35.7
	Owner-occupied properties	1,279.5	1,255.7	1,279.5	1,255.7
20	*Total land and buildings*	*1,342.8*	*1,291.4*	*1,316.1*	*1,291.4*
21	Other property, plant and equipment	214.7	218.5	130.5	129.1
22	Other assets	806.4	1,065.1	766.6	1,039.4
	Prepayments and accrued income	39.1	34.2	34.3	30.2
	Total assets	*62,913.3*	*59,024.0*	*62,703.9*	*58,845.7*

Balance sheet (continued)

Note		Group 2020 DKK mill.	2019 DKK mill.	Bank 2020 DKK mill.	2019 DKK mill.
	Equity and liabilities				
	Liabilities				
	Debt				
23	Debt to credit institutions and central banks	1,270.7	1,568.3	1,270.7	1,568.3
24	Deposits and other debt	45,073.8	42,269.0	44,988.8	42,219.2
	Deposits in pooled schemes	6,970.7	5,720.8	6,970.7	5,720.8
	Other non-derivative financial liabilities at fair value	0.0	87.7	0.0	87.7
	Current tax liabilities	26.1	26.2	8.7	5.6
25	Other equity and liabilities	1,349.0	1,413.5	1,263.6	1,325.2
	Accruals and deferred income	72.2	70.4	28.4	36.2
	Total debt	***54,762.4***	***51,155.9***	***54,530.9***	***50,963.1***
	Provisions				
26	Provisions for deferred tax	15.3	23.2	41.7	41.7
10, 27	Guarantee loss provisions	22.5	20.5	22.5	20.5
28	Other provisions	87.9	69.3	83.6	65.3
	Total provisions	***125.8***	***112.9***	***147.8***	***127.4***
29	Subordinated debt	900.0	900.0	900.0	900.0
	Total liabilities	***55,788.2***	***52,168.8***	***55,578.7***	***51,990.5***
	Equity				
30	Share capital	300.0	300.0	300.0	300.0
	Revaluation reserves	405.7	385.3	405.7	385.3
	Reserve under the equity method	0.0	0.0	460.5	339.8
	Retained earnings	5,973.4	5,678.8	5,512.8	5,339.0
	Proposed dividend	0.0	45.0	0.0	45.0
	Shareholders of Arbejdernes Landsbank	***6,679.1***	***6,409.2***	***6,679.1***	***6,409.2***
35	Holders of Additional Tier 1 instruments	446.1	446.1	446.1	446.1
	Total equity	***7,125.2***	***6,855.2***	***7,125.2***	***6,855.2***
	Total equity and liabilities	***62,913.3***	***59,024.0***	***62,703.9***	***58,845.7***

Statement of capital

	Shareholders of Arbejdernes Landsbanks						
	Share capital DKK mill.	Revaluation reserves DKK mill.	Retained earnings DKK mill.	Proposed dividend DKK mill.	Total DKK mill.	Additional Tier 1 capital DKK mill.	Total equity DKK mill.
Group 2020							
Equity brought forward	300.0	385.3	5,678.8	45.0	*6,409.2*	446.1	*6,855.2*
Comprehensive income							
Profit for the year	0.0	0.0	291.1	0.0	*291.1*	38.9	*330.0*
Other comprehensive income							
Other comprehensive income after tax concerning associated companies	0.0	0.0	-4.5	0.0	*-4.5*	0.0	*-4.5*
Changes in the revalued amount of owner-occupied properties	0.0	32.4	0.0	0.0	*32.4*	0.0	*32.4*
Other additions and disposals *)	0.0	-6.9	6.9	0.0	*0.0*	0.0	*0.0*
Tax	0.0	-5.1	0.0	0.0	*-5.1*	0.0	*-5.1*
Total other comprehensive income	*0.0*	*20.4*	*2.4*	*0.0*	*22.8*	*0.0*	*22.8*
Total comprehensive income	*0.0*	*20.4*	*293.5*	*0.0*	*314.0*	*38.9*	*352.8*
Transactions with owners							
Interest paid on Additional Tier 1 capital	0.0	0.0	0.0	0.0	*0.0*	-38.9	*-38.9*
Dividend paid for 2019	0.0	0.0	0.0	-45.0	*-45.0*	0.0	*-45.0*
Dividend on own shares received	0.0	0.0	1.1	0.0	*1.1*	0.0	*1.1*
Purchase of own shares	0.0	0.0	-0.5	0.0	*-0.5*	0.0	*-0.5*
Sale of own shares	0.0	0.0	0.4	0.0	*0.4*	0.0	*0.4*
Total transactions with owners	*0.0*	*0.0*	*1.0*	*-45.0*	*-44.0*	*-38.9*	*-82.9*
Equity carried forward	*300.0*	*405.7*	*5,973.4*	*0.0*	*6,679.1*	*446.1*	*7,125.2*

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

Statement of capital (continued)

	Shareholders of Arbejdernes Landsbanks						
	Share capital DKK mill.	Revaluation reserves DKK mill.	Retained earnings DKK mill.	Proposed dividend DKK mill.	Total DKK mill.	Additional Tier 1 capital DKK mill.	Total equity 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*

*) Depreciation of revalued owner-occupied properties.

Statement of capital (continued)

	Shareholders of Arbejdernes Landsbanks							
	Share capital DKK mill.	Revaluation reserves DKK mill.	Reserve under the equity method DKK mill.	Retained earnings DKK mill.	Proposed dividend DKK mill.	Total DKK mill.	Additional Tier 1 capital DKK mill.	Total equity DKK mill.
Bank 2020								
Equity brought forward	300.0	385.3	339.8	5,339.0	45.0	*6,409.2*	446.1	*6,855.2*
Comprehensive income								
Profit for the year	0.0	0.0	125.2	166.0	0.0	*291.1*	38.9	*330.0*
Other comprehensive income								
Other comprehensive income after tax concerning associated companies	0.0	0.0	-4.5	0.0	0.0	*-4.5*	0.0	*-4.5*
Changes in the revalued amount of owner-occupied properties	0.0	32.4	0.0	0.0	0.0	*32.4*	0.0	*32.4*
Other additions and disposals *)	0.0	-6.9	0.0	6.9	0.0	*0.0*	0.0	*0.0*
Tax	0.0	-5.1	0.0	0.0	0.0	*-5.1*	0.0	*-5.1*
Total other comprehensive income	*0.0*	*20.4*	*-4.5*	*6.9*	*0.0*	*22.8*	*0.0*	*22.8*
Total comprehensive income	*0.0*	*20.4*	*120.7*	*172.8*	*0.0*	*314.0*	*38.9*	*352.8*
Transactions with owners								
Interest paid on Additional Tier 1 capital	0.0	0.0	0.0	0.0	0.0	*0.0*	-38.9	*-38.9*
Dividend paid for 2019	0.0	0.0	0.0	0.0	-45.0	*-45.0*	0.0	*-45.0*
Dividend on own shares received	0.0	0.0	0.0	1.1	0.0	*1.1*	0.0	*1.1*
Purchase of own shares	0.0	0.0	0.0	-0.5	0.0	*-0.5*	0.0	*-0.5*
Sale of own shares	0.0	0.0	0.0	0.4	0.0	*0.4*	0.0	*0.4*
Total transactions with owners	*0.0*	*0.0*	*0.0*	*1.0*	*-45.0*	*-44.0*	*-38.9*	*-82.9*
Equity carried forward	*300.0*	*405.7*	*460.5*	*5,512.8*	*0.0*	*6,679.1*	*446.1*	*7,125.2*

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

Statement of capital (continued)

	Shareholders of Arbejdernes Landsbanks							
	Share capital DKK mill.	Revaluation reserves DKK mill.	Reserve under the equity method DKK mill.	Retained earnings DKK mill.	Proposed dividend DKK mill.	Total DKK mill.	Hybrid Tier 1 capital DKK mill.	Total equity 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.

Cash flow statement

Note		Group 2020 DKK mill.	2019 DKK mill.
	Profit before tax	*382.0*	*588.4*
	Adjustment for non-cash operating items		
8	Fair value adjustments on investment properties	-0.9	0.7
19	Amortisation and impairments on intangible assets	11.0	9.8
20-21, 42	Depreciation, impairments and revaluations of property, plant and equipment	97.1	90.7
10	Impairments on loans and receivables etc.	78.6	-53.9
16	Profit from equity investments in associated companies	-103.1	-24.3
	Change in working capital		
	Loans and receivables with credit institutions etc.	-941.9	-330.1
	Bonds and shares *)	-1,161.7	-2,122.0
	Deposits and debt to credit institutions etc.	3,757.0	3,063.2
	Other non-derivative financial liabilities at fair value	-87.7	-215.1
	Other assets and liabilities	-1,091.0	-2,088.8
	Corporation tax paid	-65.1	-10.7
	Cash flows from operating activities	*874.4*	*-1,092.2*
16	Acquisition of associated companies	-13.8	-382.1
19	Acquisition of intangible assets	-7.2	-10.6
20-21	Acquisition of property, plant and equipment	-112.6	-119.9
	Sale of property, plant and equipment	31.7	17.5
	Cash flows from investment activities	*-101.8*	*-495.0*
	Repayment of lease commitments	-25.5	-22.4
29	Raising Tier 2 capital	0.0	900.0
	Redemption of Additional Tier 1 capital	0.0	-400.0
	Interest paid on Additional Tier 1 capital	-38.9	-52.1
	Dividend paid, excluding dividend from own shares	-43.9	-59.1
31	Purchase of own shares	-0.5	-2.0
31	Sale of own shares	0.4	0.7
	Cash flows from financing activities	*-108.4*	*365.0*
	Cash flows for the year	*664.1*	*-1,222.2*
	Cash and cash equivalents brought forward	4,960.0	6,182.2
	Cash and cash equivalents carried forward	*5,624.1*	*4,960.0*
	Cash and cash equivalents carried forward include:		
	Cash in hand and demand deposits with central banks **)	1,135.9	1,005.2
13	Receivables from credit institutions and central banks with a term to maturity of less than three months **)	4,488.2	3,954.8
	Cash and cash equivalents carried forward	*5,624.1*	*4,960.0*

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.

Index of notes

Note 1
Accounting policies

Aktieselskabet Arbejdernes Landsbank is domiciled in Denmark. The financial section of the annual report for the period from 1 January to 31 December 2020 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 16 February 2021, the Board of Directors and the Executive Management presented and adopted the annual report of Aktieselskabet Arbejdernes Landsbank for 2020. The annual report will be presented to the company's shareholders for adoption at the Annual General Meeting on 15 March 2021.

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

From 1 January 2020, the Group has implemented the following changed standards and interpretation contributions:

- Amendments to the Conceptual Framework for IFRS.
- Amendments to IAS 1 and IAS 8 concerning the definition of materiality.
- Amendments to IFRS 9, IAS 39 and IFRS 7 concerning the IBOR reform (interest-rate benchmarks), phase 1.

Implementation of these standards and interpretation contributions has had no impact on recognition and measurement. Consequently, the accounting policies are unchanged in relation to the consolidated financial statements and the financial statements for the Bank for 2019.

New regulations on financial statements

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

- Amendments to IAS 1 concerning the classification of liabilities as either current or non-current.
- Amendments to IAS 37 about which costs to include when estimating the cost of fulfilling a contract for the purpose of assessing whether that contract is onerous.
- Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 concerning the IBOR reform (interest-rate benchmarks), phase 2.
- IASB's Annual Improvements to IFRSs (2018-2020 Cycle).

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 on 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.

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.

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.

BALANCE SHEET

Cash in hand and demand deposits with central banks

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

Receivables from credit institutions and central banks

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

Loans and other receivables at amortised cost

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

Loans at amortised cost are recognised at initial recognition 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 invoice purchasing 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 estimates 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 250,000 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 is observed:

- 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 Group 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 250,000. Stage 3 loans of less than DKK 250,000 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, trade 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 (level 1).

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 (level 2). 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 (level 3).

Realised and unrealised gains and losses are recognised under value adjustments, and dividends are recognised under dividends from shares etc. in the income statement.

Purchases and sales of shares, etc. are recognised in the balance sheet 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. The return on the securities is 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 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 written off 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 (level 3), with external experts being used to measure the 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 (level 3) 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 5 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 10 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. Prepayments and accrued income are recognised and measured at cost at initial recognition and thereafter.

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 also includes 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 equity and 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 thereafter.

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.

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

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

This item comprises guarantees and warranties, representations and indemnities, irrevocable commitments to grant credit and similar liabilities that are not recognised in the balance sheet. Guarantees and other liabilities are included at the full nominal value less provision of losses. Provision for losses is recognised under Impairments on loans and receivables, etc. in the income statement, and under Provisions in the balance sheet.

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

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

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

Cash flows from financing 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

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.

At the end of 2020, four additional impairments by management related to COVID-19 of a total of DKK 114.3 mill. have been reserved. The four additions constitute:

- DKK 23.9 mill. related to increases in unemployment
- DKK 20.7 mill. related to developments in property prices
- DKK 67.0 mill. related to the Bank's business customers
- DKK 2.7 mill. related to the Bank's subsidiary AL Finans A/S.

The additional impairment related to changes in unemployment is based on a stress test in which the income of a percentage of the Bank's private customers is reduced to the unemployment benefits rate. The effect of the change in customers' disposable income impacts the ratings and stage placement of the customers and thus also impairment losses.

The additional impairment related to a drop in property prices is also based on a stress test in which the prices of single-family houses, owner-occupied flats and holiday homes are reduced. This means that the value of the customers' collateral is reduced, and the customers' unsecured exposure is increased.

The additional impairment by management related to vulnerable business customers is based on a review of the Bank's large business customers in which customers that are potentially vulnerable to the lockdown of the economy are identified. On the basis of the review, a vulnerability share per sector is estimated. This share is used to estimate the percentage of potentially vulnerable business customers at stage 1-2 weak in relevant sectors. On the basis of the average unsecured exposure to business customers at stage 1-2 weak and a weighted average of LGL (Loss Given Loss) based on the Bank's business customers written off as losses, an additional impairment is estimated by management for these customers.

The additional impairment related to the Bank's subsidiary AL Finans A/S is based on the history of losses at AL Finans during the financial crisis.

Due to the unpredictability of the financial situation, the estimates are subject to greater uncertainty than usual.

Where there is objective evidence of credit impairment, the Group has prepared payment rows in accordance with current accounting standards. The Group's credit risk is described in note 47 on risk management.

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 percentage points.

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

Vestjysk Bank A/S and Den Jyske Sparekasse A/S agreed on a merger on 13 January 2021. At the end of 2020, A/S Arbejdernes Landsbank owned 32.4% of the shares of Vestjysk Bank A/S. In Q4 2020, the Bank entered into conditional agreements on acquisition of more shares in Vestjysk Bank A/S for DKK 271.2 mill. This amount is recognised under additional binding commitments in note 36. With this acquisition, we ensured that our shareholding was not diluted, but that we maintained our ownership interest in the continuing merged bank.

As part of the merger agreement, the Bank's holding of shares in Den Jyske Sparekasse A/S was replaced with shares in Vestjysk Bank A/S at the exchange ratio of 1:34 plus cash proceeds of DKK 28.17 per share, equivalent to DKK 14.6 mill.

No other 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 2020 DKK mill.	2019 DKK mill.
4	Segment information		
	The Group only operates from locations in Denmark.		
	Revenue	2,019.2	2,010.0

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 2020				
Income statement				
Net interest income	915.0	167.1	-12.0	*1,070.1*
Net fee and commission income	699.5	0.0	0.0	*699.5*
Value adjustments and dividend	115.3	11.3	158.3	*284.9*
Other operating income	36.0	0.0	33.9	*70.0*
Profit from equity investments in associated companies	0.0	0.0	103.1	*103.1*
Total income	*1,765.8*	*178.4*	*283.3*	*2,227.6*
Costs and depreciation/amortisation	-1,576.2	-56.3	-134.5	*-1,767.1*
Impairments on loans and receivables etc.	-78.6	0.0	0.0	*-78.6*
Total costs	*-1,654.8*	*-56.3*	*-134.5*	*-1,845.7*
Profit before tax	*111.0*	*122.1*	*148.8*	*382.0*
Assets				
Loans and other receivables at amortised cost	23,817.7	0.0	0.0	*23,817.7*
Bonds at fair value	0.0	21,902.5	0.0	*21,902.5*
Equity investments in associated companies	13.8	0.0	986.7	*1,000.5*
Other assets	7,780.3	4,698.7	3,713.6	*16,192.6*
Total assets	*31,611.8*	*26,601.2*	*4,700.3*	*62,913.3*
Equity and liabilities				
Deposits and other debt	45,073.8	0.0	0.0	*45,073.8*
Allocated equity	3,384.8	1,195.7	2,544.7	*7,125.2*
Other equity and liabilities	7,174.9	1,612.0	1,927.4	*10,714.4*
Total equity and liabilities	*55,633.6*	*2,807.7*	*4,472.1*	*62,913.3*
Ratios and key figures				
Average allocated equity	3,317.8	1,342.4	2,330.0	*6,990.2*
Return on equity before tax (%)	3.3	9.1	6.4	*5.5*
Ratio of operating income to operating expenses per DKK (DKK)	1.07	3.17	2.11	*1.21*

Note

4 Segment information (continued)

	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 per DKK (DKK)	1.26	1.82	2.61	*1.37*

Note		Group 2020 DKK mill.	Group 2019 DKK mill.	Bank 2020 DKK mill.	Bank 2019 DKK mill.
5	Interest income				
	Receivables from credit institutions and central banks	0.1	1.2	0.1	1.2
	Loans and other receivables	1,008.6	1,058.8	895.6	956.1
	Other interest income	0.0	1.1	0.4	1.4
	Total interest income calculated using the effective interest-rate method	***1,008.8***	***1,061.1***	***896.1***	***958.7***
	Bonds	155.9	195.4	155.9	195.4
	Derivative financial instruments				
	Currency contracts	-14.2	-34.2	-14.2	-34.2
	Interest-rate contracts	-54.7	-68.0	-54.7	-68.0
	Total derivative financial instruments	***-68.9***	***-102.2***	***-68.9***	***-102.2***
	Total other interest income	***87.0***	***93.2***	***87.0***	***93.2***
	Debt to credit institutions and central banks	1.9	2.5	1.9	2.5
	Deposits and other debt	52.1	4.5	52.1	4.5
	Total positive interest expenses on financial liabilities	***54.1***	***7.0***	***54.1***	***7.0***
	Of which, repo transactions recognised under:				
	Debt to credit institutions and central banks	0.0	0.1	0.0	0.1
6	Interest expenses				
	Debt to credit institutions and central banks	-1.4	-2.8	-1.4	-2.8
	Deposits and other debt	-18.1	-40.9	-16.9	-40.2
	Subordinated debt	-31.1	-18.5	-31.1	-18.5
	Other interest expenses	-1.8	-0.8	-1.8	-0.8
	Total interest expenses	***-52.4***	***-63.1***	***-51.2***	***-62.3***
	Certificates of deposit	-22.6	-18.0	-22.6	-18.0
	Other receivables from credit institutions and central banks	-4.6	-5.5	-4.6	-5.5
	Loans and other receivables	-0.1	-0.1	-0.1	-0.1
	Total negative interest income on financial assets	***-27.3***	***-23.6***	***-27.3***	***-23.6***
	Of which, reverse transactions recognised under:				
	Other receivables from credit institutions and central banks	-0.7	-1.1	-0.7	-1.1
	Loans and other receivables	-0.1	-0.1	-0.1	-0.1

Note		Group 2020 DKK mill.	Group 2019 DKK mill.	Bank 2020 DKK mill.	Bank 2019 DKK mill.
7	Net fee and commission income				
	Securities trading and custody accounts *)	150.0	136.7	150.0	136.7
	Money transmission services	130.1	153.1	128.7	151.7
	Loan fees	362.4	359.3	330.3	325.6
	Guarantee commission	73.2	61.7	73.5	61.9
	Other fees and commissions	83.6	68.6	67.0	54.0
	Total fees and commission income	*799.4*	*779.5*	*749.5*	*729.8*
	AL-BoligBonus	-66.0	-56.2	-66.0	-56.2
	Other fees and commissions paid	-34.0	-35.1	-25.9	-26.2
	Total fees and commissions paid	*-100.0*	*-91.4*	*-91.9*	*-82.4*
	Net fee and commission income	*699.5*	*688.1*	*657.6*	*647.4*

*) The Group's income from management activities represents DKK 81.8 mill. (2019: DKK 75.2 mill.).

Note		Group 2020 DKK mill.	Group 2019 DKK mill.	Bank 2020 DKK mill.	Bank 2019 DKK mill.
8	Value adjustments				
	Bonds	-38.0	96.1	-38.0	96.1
	Shares etc.	201.1	310.8	201.1	310.8
	Investment properties	0.9	-0.7	0.9	-0.7
	Currency	22.7	26.1	23.3	25.9
	Derivative financial instruments				
	Currency contracts	0.9	0.8	0.9	0.8
	Interest-rate contracts	40.1	-135.3	40.1	-135.3
	Share contracts	0.3	0.0	0.3	0.0
	Total derivative financial instruments	*41.4*	*-134.5*	*41.4*	*-134.5*
	Assets linked to pooled schemes	373.4	637.5	373.4	637.5
	Deposits in pooled schemes	-373.4	-637.5	-373.4	-637.5
	Other assets	0.0	0.5	0.0	0.5
	Other liabilities	-0.3	0.0	-0.3	0.0
	Total value adjustments	*227.9*	*298.3*	*228.5*	*298.1*
9	Staff and administrative expenses				
	Management emoluments				
	Board of Directors	-2.9	-2.7	-2.9	-2.7
	Executive Management	-7.3	-6.9	-7.3	-6.8
	Total management emoluments	*-10.3*	*-9.6*	*-10.2*	*-9.6*
	Staff expenses				
	Remuneration	-748.8	-695.7	-688.8	-639.6
	Pensions (contribution-based)	-84.5	-72.3	-78.4	-66.5
	Social security expenses	-5.1	-6.0	-4.8	-5.6
	Payroll tax	-99.6	-93.3	-93.4	-87.6
	Total staff expenses	*-938.0*	*-867.3*	*-865.3*	*-799.2*
	Administrative expenses				
	IT expenses	-449.5	-395.0	-433.0	-380.2
	Other administrative expenses	-206.7	-240.5	-192.7	-225.4
	Total administrative expenses	*-656.2*	*-635.6*	*-625.7*	*-605.6*
	Total staff and administrative expenses	*-1,604.5*	*-1,512.5*	*-1,501.3*	*-1,414.4*

Note		Group 2020 DKK mill.	2019 DKK mill.	Bank 2020 DKK mill.	2019 DKK mill.
9	Staff and administrative expenses (continued)				
	Emoluments paid to the Board of Directors				
	Fixed remuneration	-2.9	-2.7	-2.9	-2.7
	Total emoluments paid to the Board of Directors	*-2.9*	*-2.7*	*-2.9*	*-2.7*
	Number of members of the Board of Directors during the financial year	15	13	15	13
	Information on emoluments paid to the individual members of the Board of Directors in 2020 can be found in the Management's report.				
	Emoluments paid to Executive Management				
	Gert R. Jonassen				
	Fixed remuneration	-3.0	-2.8	-3.0	-2.8
	Pension scheme (contribution-based)	-0.7	-0.6	-0.7	-0.6
	Total emoluments paid to the CEO	*-3.7*	*-3.4*	*-3.7*	*-3.4*
	To this should be added the taxation value of company car and other company-paid salary benefits of DKK 0.1 mill. (2019: DKK 0.1 mill.).				
	Jan W. Andersen				
	Fixed remuneration	-2.8	-2.6	-2.8	-2.6
	Pension scheme (contribution-based)	-0.6	-0.6	-0.6	-0.6
	Total emoluments paid to the Executive Bank Director	*-3.4*	*-3.2*	*-3.4*	*-3.2*
	To this should be added the taxation value of company car and other company-paid salary benefits of DKK 0.1 mill. (2019: DKK 0.1 mill.).				
	Total emoluments paid to Executive Management	*-7.1*	*-6.6*	*-7.1*	*-6.6*
	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 other company-paid salary benefits.

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

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.

Note		Group 2020 DKK mill.	Group 2019 DKK mill.	Bank 2020 DKK mill.	Bank 2019 DKK mill.
9	Staff and administration expenses (continued)				
	Remuneration of employees with significant influence on the risk profile of the company in addition to Management				
	Fixed remuneration	-51.2	-40.7	-44.4	-34.6
	Variable remuneration	-1.2	-1.0	-0.9	-0.7
	Pension scheme (contribution-based)	-5.0	-4.1	-4.3	-3.5
	Severance pay	-4.7	0.0	-4.7	0.0
	Total emoluments to significant risk takers	***-62.0***	***-45.9***	***-54.3***	***-38.8***
	Number of significant risk takers during the financial year	37	35	31	30
	Number of significant risk takers with severance pay	3	0	3	0

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 2020 DKK mill.	Group 2019 DKK mill.	Bank 2020 DKK mill.	Bank 2019 DKK mill.
Number of employees				
Average number of employees during the financial year converted to full-time equivalents	1,156	1,122	1,071	1,040
Remuneration for the audit firm elected by the General Meeting				
Statutory audit of the financial statements	-0.7	-0.5	-0.6	-0.4
Other assurance engagements	-0.1	-0.1	-0.1	-0.1
Other services	-1.0	-0.1	-0.9	-0.1
Total	***-1.8***	***-0.6***	***-1.6***	***-0.5***

Remuneration for services other than statutory audit delivered by EY Godkendt Revisionspartnerselskab to the Group at DKK 1.1 mill. (2019: DKK 0.2 mill.) includes various assurance engagements, CSR reporting as well as other compilation engagements concerning organisational or statutory matters within the financial area.

Note		Group 2020 DKK mill.	2019 DKK mill.	Bank 2020 DKK mill.	2019 DKK mill.
10	Impairments on loans and receivables etc.				
	Net impact recognised in the income statement				
	Net impact recognised in the income statement				
	Net movements on impairment and provision accounts	-0.9	-0.7	-0.9	-0.7
	Loans and other receivables at amortised cost	-29.6	491.1	-28.3	491.7
	Guarantees	-2.1	2.4	-2.1	2.4
	Unutilised credit lines and commitments	-17.6	-3.1	-17.2	-2.2
	Total net movements on impairment and provision accounts	*-50.2*	*489.8*	*-48.5*	*491.2*
	Interest adjustment	11.3	13.8	11.3	13.8
	Ascertained losses covered by previous impairments and provisions *)	-60.8	-439.9	-57.6	-436.4
	Ascertained losses not covered by previous impairments and provisions *)	-24.5	-30.6	-16.0	-22.8
	Recognised in claims previously subject to impairments	43.8	15.2	42.6	14.8
	Reversed reserve for losses on lending which was credit-impaired at initial recognition	1.8	5.7	1.8	5.7
	Net impact recognised in the income statement	*-78.6*	*53.9*	*-66.4*	*66.4*

The operating loss from impairments on loans etc. in 2020 is primarily attributable to management estimates of impairment losses related to COVID-19. The estimates are based on expected developments in real estate collateral and the expected financial development for private and business customers.

*) Out of the Group's ascertained losses in 2020, steps are still being taken to recover DKK 64.3 mill.

Note

10 Impairments on loans and receivables etc. (continued)

	Group				
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Total DKK mill.
Accumulated impairments and provisions, broken down by stages as at 31 December 2020					
Receivables from credit institutions and central banks	2.5	0.0	8.0	0.0	*10.5*
Loans and other receivables at amortised cost	153.3	169.4	499.9	15.7	*838.3*
Guarantees	7.2	1.0	14.3	0.0	*22.5*
Unutilised credit lines and commitments	34.9	8.5	25.7	0.0	*69.1*
Total impairments and provisions	***197.9***	***178.9***	***548.0***	***15.7***	***940.5***
Accumulated impairments and provisions, broken down by stages as at 31 December 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***

A total of DKK 85.3 mill. was written off in 2020, of which DKK 60.8 mill. has previously been recognised as impairments. The increase in stage 1 is primarily attributable to an increase in additional impairments by management. The increase in stage 2 is also attributable to an increase in estimates by management as well as an amended calculation method for the anticipated loss on syndicated loans. Of accumulated impairments, DKK 177.0 mill. (2019: DKK 96.0 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 management related to COVID-19 and macroeconomic additional impairments total DKK 121.0 mill.

Note

10 Impairments on loans and 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 December 2020					
Receivables from credit institutions and central banks	2.5	0.0	8.0	0.0	*10.5*
Loans and other receivables at amortised cost	144.4	165.2	489.0	15.7	*814.4*
Guarantees	7.2	1.0	14.3	0.0	*22.5*
Unutilised credit lines and commitments	33.0	6.7	25.7	0.0	*65.4*
Total impairments and provisions	*187.2*	*173.0*	*537.0*	*15.7*	*912.9*
Accumulated impairments and provisions, broken down by stages as at 31 December 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*

A total of DKK 73.6 mill. was written off in 2020, of which DKK 57.6 mill. has previously been recognised as impairments. The increase in stage 1 is primarily attributable to an increase in additional impairments by management. The increase in stage 2 is also attributable to an increase in estimates by management as well as an amended calculation method for the anticipated loss on syndicated loans. Of accumulated impairments, DKK 174.1 mill. (2019: DKK 95.7 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 management related to COVID-19 and macroeconomic additional impairments total DKK 118.1 mill.

Note

10 Impairments on loans and receivables etc. (continued)

Group

	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total gross value	Total impairments etc. total	Carrying amount
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Gross carrying amounts broken down by stages as at 31 December 2020							
Receivables from credit institutions and central banks	4,490.7	0.0	8.0	0.0	*4,498.7*	-10.5	*4,488.2*
Loans and other receivables at amortised cost	18,488.1	4,951.8	1,180.5	35.7	*24,656.1*	-838.3	*23,817.7*
Guarantees	7,450.9	653.5	111.7	0.0	*8,216.1*	-22.5	*8,193.6*
Unutilised credit lines and commitments	7,195.0	1,048.1	172.0	0.0	*8,415.0*	-69.1	*8,346.0*
Total exposures	*37,624.7*	*6,653.5*	*1,472.1*	*35.7*	*45,785.9*	*-940.5*	*44,845.5*
Gross carrying amounts broken down by stages as at 31 December 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*

Bank

	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total gross value	Total impairments etc. total	Carrying amount
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Gross carrying amounts broken down by stages as at 31 December 2020							
Receivables from credit institutions and central banks	4,474.4	0.0	8.0	0.0	*4,482.4*	-10.5	*4,471.9*
Loans and other receivables at amortised cost	19,415.5	3,776.2	1,061.8	35.7	*24,289.2*	-814.4	*23,474.8*
Guarantees	7,499.4	653.5	111.7	0.0	*8,264.6*	-22.5	*8,242.1*
Unutilised credit lines and commitments	6,546.7	517.0	88.9	0.0	*7,152.7*	-65.4	*7,087.2*
Total exposures	*37,936.1*	*4,946.8*	*1,270.4*	*35.7*	*44,188.9*	*-912.9*	*43,276.0*
Gross carrying amounts broken down by stages as at 31 December 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*

Note

10 Impairments on loans and 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 2020					
Total impairments brought forward	1.6	0.0	8.0	0.0	*9.6*
Impairments during the financial year as a consequence of changes in credit risk	2.0	0.0	0.0	0.0	*2.0*
Impairments on new exposures	0.1	0.0	0.0	0.0	*0.1*
Reversed impairments on redeemed exposures	-1.2	0.0	0.0	0.0	*-1.2*
Total impairments carried forward	***2.5***	***0.0***	***8.0***	***0.0***	*10.5*
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*

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 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 2020					
Total impairments brought forward	95.8	135.2	558.5	19.2	*808.7*
Transfers to stage 1	32.6	-16.6	-16.0	0.0	*0.0*
Transfers to stage 2	-10.6	33.8	-23.2	0.0	*0.0*
Transfers to stage 3	-0.8	-12.9	13.7	0.0	*0.0*
Impairments during the financial year as a consequence of changes in credit risk	-11.1	13.7	2.3	-0.9	*4.0*
Impairments during the financial year as a consequence of changes in impairment models and risk parameters	10.0	9.9	0.6	0.0	*20.5*
Impairments on new exposures	57.1	26.9	82.8	0.0	*166.8*
Reversed impairments on redeemed exposures	-19.8	-20.6	-71.4	-0.4	*-112.3*
Interest adjustment	0.0	0.0	11.3	0.0	*11.3*
Ascertained losses covered by previous impairments	0.0	0.0	-58.7	-2.1	*-60.8*
Total impairments carried forward	***153.3***	***169.4***	***499.9***	***15.7***	***838.3***
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***

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 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 2020				
Total provisions brought forward	1.2	0.5	18.7	*20.5*
Transfers to stage 1	0.1	0.0	-0.1	*0.0*
Transfers to stage 2	0.0	1.0	-0.9	*0.0*
Provisions during the financial year as a consequence of changes in credit risk	1.0	-0.8	1.9	*2.1*
Provisions during the financial year as a consequence of changes in impairment models and risk parameters	0.1	0.1	0.0	*0.3*
Provisions for new exposures	5.0	0.4	0.2	*5.5*
Reversed provisions for redeemed exposures	-0.2	-0.2	-5.5	*-5.8*
Total provisions carried forward	*7.2*	*1.0*	*14.3*	*22.5*
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*

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 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 2020				
Total provisions brought forward	21.1	5.0	25.4	*51.4*
Transfers to stage 1	3.4	-1.2	-2.1	*0.0*
Transfers to stage 2	-1.0	2.0	-0.9	*0.0*
Transfers to stage 3	0.0	-0.2	0.3	*0.0*
Provisions during the financial year as a consequence of changes in credit risk	2.0	1.5	4.6	*8.1*
Provisions during the financial year as a consequence of changes in impairment models and risk parameters	1.5	1.2	0.0	*2.7*
Provisions for new exposures	9.4	1.2	1.1	*11.8*
Reversed provisions for redeemed exposures	-1.5	-0.9	-2.6	*-4.9*
Total provisions carried forward	*34.9*	*8.5*	*25.7*	*69.1*
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*

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.

Increase in total impairments and provisions for the Group is primarily attributable to increase in management estimates, including, in particular, estimates related to COVID-19.

Note

10 Impairments on loans and 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 2020					
Total impairments brought forward	1.6	0.0	8.0	0.0	*9.6*
Impairments during the financial year as a consequence of changes in credit risk	2.0	0.0	0.0	0.0	*2.0*
Impairments on new exposures	0.1	0.0	0.0	0.0	*0.1*
Reversed impairments on redeemed exposures	-1.2	0.0	0.0	0.0	*-1.2*
Total impairments carried forward	*2.5*	*0.0*	*8.0*	*0.0*	*10.5*
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*

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 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 2020					
Total impairments brought forward	88.3	133.1	545.5	19.2	*786.1*
Transfers to stage 1	30.0	-15.9	-14.2	0.0	*0.0*
Transfers to stage 2	-9.8	32.3	-22.5	0.0	*0.0*
Transfers to stage 3	-0.7	-12.7	13.4	0.0	*0.0*
Impairments during the financial year as a consequence of changes in credit risk	-6.6	14.6	2.4	-0.9	*9.5*
Impairments during the financial year as a consequence of changes in impairment models and risk parameters	10.0	9.9	0.6	0.0	*20.5*
Impairments on new exposures	53.0	24.6	79.3	0.0	*156.8*
Reversed impairments on redeemed exposures	-19.8	-20.6	-71.4	-0.4	*-112.3*
Interest adjustment	0.0	0.0	11.3	0.0	*11.3*
Ascertained losses covered by previous impairments	0.0	0.0	-55.5	-2.1	*-57.6*
Total impairments carried forward	***144.4***	***165.2***	***489.0***	***15.7***	***814.4***
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***

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 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 2020				
Total provisions brought forward	1.2	0.5	18.7	***20.5***
Transfers to stage 1	0.1	0.0	-0.1	***0.0***
Transfers to stage 2	0.0	1.0	-0.9	***0.0***
Provisions during the financial year as a consequence of changes in credit risk	1.0	-0.8	1.9	***2.1***
Provisions during the financial year as a consequence of chang-es in impairment models and risk parameters	0.1	0.1	0.0	***0.3***
Provisions for new exposures	5.0	0.4	0.2	***5.5***
Reversed provisions for redeemed exposures	-0.2	-0.2	-5.5	***-5.8***
Total provisions carried forward	***7.2***	***1.0***	***14.3***	***22.5***
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***

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 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 2020				
Total provisions brought forward	19.1	3.8	25.3	*48.2*
Transfers to stage 1	2.8	-0.7	-2.1	*0.0*
Transfers to stage 2	-0.5	1.5	-0.9	*0.0*
Transfers to stage 3	0.0	-0.2	0.2	*0.0*
Provisions during the financial year as a consequence of changes in credit risk	2.3	1.1	4.7	*8.0*
Provisions during the financial year as a consequence of changes in impairment models and risk parameters	1.5	1.2	0.0	*2.7*
Provisions for new exposures	9.4	0.9	1.1	*11.4*
Reversed provisions for redeemed exposures	-1.5	-0.9	-2.6	*-4.9*
Total provisions carried forward	*33.0*	*6.7*	*25.7*	*65.4*
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*

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.

Increase in total impairments and provisions for the Bank is primarily attributable to increase in management estimates, including, in particular, estimates related to COVID-19.

Note		Group 2020 DKK mill.	2019 DKK mill.	Bank 2020 DKK mill.	2019 DKK mill.
11	Tax				
	Tax for the year may be broken down as follows:				
	Tax on profit for the year	-52.0	-43.6	-42.5	-34.7
	Tax on other comprehensive income	-5.1	-63.8	-5.1	-63.8
	Total tax	*-57.1*	*-107.5*	*-47.6*	*-98.5*
	Tax on profit for the year is calculated as follows:				
	Current tax for the year	-70.0	-53.0	-52.6	-32.4
	Adjustment of deferred tax for the year	13.0	10.6	5.1	-1.1
	Adjustment of current tax concerning previous years	5.1	-1.2	5.1	-1.2
	Total tax on profit for the year	*-52.0*	*-43.6*	*-42.5*	*-34.7*
	Tax on profit for the year can be explained as follows:				
	Calculated tax on profit before tax for the year at 22%	-84.0	-129.5	-81.9	-127.5
	Tax base of income not subject to tax	7.8	74.3	14.8	80.7
	Tax base of non-deductible expenses	-3.4	-3.4	-3.1	-2.9
	Tax base of profit/loss in associated companies	22.7	5.3	22.7	5.3
	Tax base of interest on Additional Tier 1 capital	0.0	10.8	0.0	10.8
	Adjustment of current tax concerning previous years	5.1	-1.2	5.1	-1.2
	Total tax on profit for the year	*-52.0*	*-43.6*	*-42.5*	*-34.7*
	Effective tax rate	13.6	7.4	11.4	6.0
	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	-5.1	-1.4	-5.1	-1.4
	Adjustment of current tax concerning previous years	0.0	-6.5	0.0	-6.5
	Adjustment of deferred tax concerning previous years	0.0	-56.0	0.0	-56.0
	Total tax on other comprehensive income	*-5.1*	*-63.8*	*-5.1*	*-63.8*

Note		Group 2020 DKK mill.	2019 DKK mill.	Bank 2020 DKK mill.	2019 DKK mill.
12	Earnings per share				
	Arbejdernes Landsbank's shareholders' share of the profit for the year	*291.1*	*495.5*	*291.1*	*495.5*
	Average number of shares issued, see note 30	300,000	300,000	300,000	300,000
	Average number of own shares, see note 31	-7,361	-6,653	-7,361	-6,653
	Average number of shares in issue	*292,639*	*293,348*	*292,639*	*293,348*
	Earnings per share (DKK)	995	1,689	995	1,689
	Diluted earnings per share (DKK) *)	995	1,689	995	1,689

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 2020 DKK mill.	2019 DKK mill.	Bank 2020 DKK mill.	2019 DKK mill.
13	Receivables from credit institutions and central banks				
	Receivables at notice from central banks	3,879.0	2,981.1	3,879.0	2,981.1
	Receivables from credit institutions	609.2	973.6	592.9	966.6
	Total receivables from credit institutions and central banks	*4,488.2*	*3,954.8*	*4,471.9*	*3,947.8*
	Broken down by remaining term:				
	On demand	243.8	559.2	227.4	552.2
	Up to and including 3 months	4,244.4	3,395.6	4,244.4	3,395.6
	Total receivables from credit institutions and central banks	*4,488.2*	*3,954.8*	*4,471.9*	*3,947.8*
	Of which reverse transactions represent	0.0	75.5	0.0	75.5
14	Loans and other receivables at amortised cost				
	Lending contracts with access to variable utilisation	2,249.2	2,116.7	6,855.0	6,306.1
	Receivables from finance leases	1,654.7	1,512.3	12.4	13.8
	Mortgage deeds	1,148.1	1,186.5	1,148.1	1,186.5
	Other loans and receivables	18,765.7	18,091.0	15,459.4	15,068.7
	Loans and other receivables at amortised cost	*23,817.7*	*22,906.4*	*23,474.8*	*22,575.0*
	Broken down by remaining term:				
	On demand	213.9	274.0	213.9	274.0
	Up to and including 3 months	2,581.0	2,460.1	957.4	797.8
	More than 3 months and up to and including 1 year	3,084.4	3,561.0	6,863.1	6,936.4
	More than 1 year and up to and including 5 years	6,696.4	8,102.3	4,741.4	6,406.7
	More than 5 years	11,242.0	8,509.0	10,699.1	8,160.1
	Loans and other receivables at amortised cost	*23,817.7*	*22,906.4*	*23,474.8*	*22,575.0*
	Of which reverse transactions represent	0.0	145.3	0.0	145.3

Note		Group 2020 DKK mill.	2019 DKK mill.	Bank 2020 DKK mill.	2019 DKK mill.
14	Loans and other receivables at amortised cost (continued)				
	Loans and guarantees broken down by sectors and industries				
	Public sector	25.2	101.5	25.2	101.4
	Business				
	Agriculture, hunting, forestry and fisheries	34.1	39.1	2.2	8.3
	Industry and extraction of raw materials	464.7	579.1	156.0	256.3
	Energy supply	5.3	7.1	1.4	3.2
	Building and construction	484.4	593.0	165.8	283.9
	Trade	1,526.7	1,561.2	391.9	421.7
	Transport, hotels and restaurants	277.1	300.1	161.1	179.9
	Information and communication	60.0	59.1	23.6	20.9
	Financing and insurance	946.3	767.5	6,404.4	5,570.8
	Real property	856.6	932.4	847.0	903.6
	Other business	1,997.4	1,894.7	1,359.9	1,309.2
	Total business	***6,652.6***	***6,733.3***	***9,513.1***	***8,957.8***
	Private	25,333.4	23,488.3	22,178.6	20,970.6
	Total loans and guarantees	***32,011.3***	***30,323.1***	***31,716.9***	***30,029.8***
15	Bonds at fair value				
	Government bonds	2,159.2	2,713.7	2,159.2	2,713.7
	Mortgage-credit bonds	16,886.1	15,054.2	16,886.1	15,054.2
	Other bonds	2,857.2	3,091.9	2,857.2	3,091.9
	Total bonds at fair value	***21,902.5***	***20,859.8***	***21,902.5***	***20,859.8***
16	Equity investments in associated companies				
	Cost brought forward	865.1	0.0	865.1	0.0
	Reclassification from shares etc. *)	0.0	483.0	0.0	483.0
	Additions	13.8	382.1	13.8	382.1
	Cost carried forward	***878.8***	***865.1***	***878.8***	***865.1***
	Revaluations and impairments brought forward	23.0	0.0	23.0	0.0
	Results	103.1	24.3	103.1	24.3
	Other changes in equity	-4.5	-1.3	-4.5	-1.3
	Revaluations and impairments carried forward	***121.6***	***23.0***	***121.6***	***23.0***
	Carrying amount carried forward	***1,000.5***	***888.1***	***1,000.5***	***888.1***

*) In 2019, the Group gradually acquired more shares in Vestjysk Bank A/S, and this 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 2020 DKK mill.	2019 DKK mill.	Bank 2020 DKK mill.	2019 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			293.0	273.5
	Results			22.1	19.4
	Revaluations and impairments carried forward			*315.0*	*293.0*
	Carrying amount carried forward			*320.6*	*298.6*
	See note 44 for specified information regarding consolidated subsidiaries.				
18	Assets linked to pooled schemes				
	Cash	180.5	182.0	180.5	182.0
	Bonds	2,541.6	1,916.3	2,541.6	1,916.3
	Investment units	3,260.7	2,923.1	3,260.7	2,923.1
	Other equity investments	988.0	699.4	988.0	699.4
	Total assets linked to pooled schemes	*6,970.7*	*5,720.8*	*6,970.7*	*5,720.8*
19	Intangible assets				
	Cost brought forward	78.0	67.6	0.0	0.0
	Additions	7.2	10.6	0.0	0.0
	Disposals	-0.1	-0.2	0.0	0.0
	Cost carried forward	*85.1*	*78.0*	*0.0*	*0.0*
	Amortisation and impairments brought forward	58.6	48.9	0.0	0.0
	Amortisation	11.0	9.8	0.0	0.0
	Amortisation and impairments carried forward	*69.6*	*58.6*	*0.0*	*0.0*
	Carrying amount carried forward	*15.5*	*19.3*	*0.0*	*0.0*
	The Group's intangible assets comprise fully developed and deployed computer software amounting to DKK 15.4 mill. (2019: DKK 17.2 mill.) and ongoing IT projects of DKK 0.1 mill. (2019: DKK 2.2 mill.).				
20	Land and buildings				
	Investment properties	63.3	35.7	36.6	35.7
	Owner-occupied properties	1,115.8	1,099.5	1,115.8	1,099.5
	Right-of-use assets	163.6	156.2	163.6	156.2
	Total land and buildings	*1,342.8*	*1,291.4*	*1,316.1*	*1,291.4*
	In addition to owner-occupied properties, the Group and Bank have also recognised rented owner-occupied properties (right-of-use assets). See notes 1 and 42 for further information regarding capitalised leases.				

Note		Group 2020 DKK mill.	Group 2019 DKK mill.	Bank 2020 DKK mill.	Bank 2019 DKK mill.
20	Land and buildings (continued)				
	Investment properties				
	Fair value brought forward	35.7	36.4	35.7	36.4
	Additions	26.7	0.0	0.0	0.0
	Value adjustments	0.9	-0.7	0.9	-0.7
	Fair value carried forward	***63.3***	***35.7***	***36.6***	***35.7***
	Rental income	2.2	2.2	2.2	2.2
	Operating expenses for rented-out areas	-0.6	-1.0	-0.6	-1.0

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% (2019: DKK 4.4%), determined on the basis of the interest-rate level and the location of the property. Generally, an increase in the required rate of return of 0.5 percentage points will reduce the fair value by approx. DKK 3.7 mill. (2019: DKK 3.6 mill.). The valuation was carried out by an independent assessor in 2020.

	Group 2020 DKK mill.	Group 2019 DKK mill.	Bank 2020 DKK mill.	Bank 2019 DKK mill.
Owner-occupied properties				
Revalued amount brought forward	1,099.5	1,088.9	1,099.5	1,088.9
Improvements	3.9	5.9	3.9	5.9
Disposals	-9.2	0.0	-9.2	0.0
Depreciation	-7.4	-7.0	-7.4	-7.0
Value adjustments recognised in the income statement	-2.1	-3.3	-2.1	-3.3
Value adjustments recognised in other comprehensive income	31.1	14.9	31.1	14.9
Revalued amount carried forward	***1,115.8***	***1,099.5***	***1,115.8***	***1,099.5***

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% (2019: DKK 3.0-7.5%), 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 113.8 mill. (2019: DKK 111.6 mill.). The valuation of selected properties was carried out by an independent assessor in 2020.

Note		Group 2020 DKK mill.	2019 DKK mill.	Bank 2020 DKK mill.	2019 DKK mill.
21	Other property, plant and equipment				
	Rental cars				
	Cost brought forward	124.8	110.0	0.0	0.0
	Additions and improvements	39.4	51.7	0.0	0.0
	Disposals	-40.1	-36.9	0.0	0.0
	Cost carried forward	***124.1***	***124.8***	***0.0***	***0.0***
	Depreciation and impairments brought forward	39.2	37.3	0.0	0.0
	Disposals	-21.2	-22.5	0.0	0.0
	Depreciation	25.6	24.4	0.0	0.0
	Impairment charges	0.1	0.0	0.0	0.0
	Depreciation and impairments carried forward	***43.7***	***39.2***	***0.0***	***0.0***
	Carrying amount carried forward	***80.4***	***85.6***	***0.0***	***0.0***
	Other property, plant and equipment				
	Cost brought forward	206.5	172.5	198.4	164.3
	Additions and improvements	42.6	62.3	40.7	60.6
	Disposals	-22.7	-28.3	-21.4	-26.5
	Cost carried forward	***226.4***	***206.5***	***217.7***	***198.4***
	Depreciation and impairments brought forward	73.7	65.2	69.3	61.1
	Disposals	-19.1	-25.1	-18.4	-24.1
	Depreciation	37.6	33.6	36.3	32.3
	Depreciation and impairments carried forward	***92.2***	***73.7***	***87.2***	***69.3***
	Carrying amount carried forward	***134.2***	***132.8***	***130.5***	***129.1***
22	Other assets				
	Positive fair value of derivative financial instruments and spot transactions	56.2	53.6	56.2	53.6
	Interest and commissions receivable	104.0	99.8	104.0	99.8
	Capital contributions in Bankernes EDB Central a.m.b.a.	348.1	509.3	348.1	509.3
	Other assets	298.1	402.4	258.4	376.7
	Total other assets	***806.4***	***1,065.1***	***766.6***	***1,039.4***

Note		Group 2020 DKK mill.	Group 2019 DKK mill.	Bank 2020 DKK mill.	Bank 2019 DKK mill.
23	Debt to credit institutions and central banks				
	Debt to central banks	864.0	897.3	864.0	897.3
	Debt to credit institutions	406.6	671.0	406.6	671.0
	Total debt to credit institutions and central banks	*1,270.7*	*1,568.3*	*1,270.7*	*1,568.3*
	Broken down by remaining term:				
	On demand	1,143.6	1,173.7	1,143.6	1,173.7
	Up to and including 3 months	127.1	21.1	127.1	21.1
	More than 1 year and up to and including 5 years	0.0	373.5	0.0	373.5
	Total debt to credit institutions and central banks	*1,270.7*	*1,568.3*	*1,270.7*	*1,568.3*
24	Deposits and other debt				
	On demand	42,780.3	38,858.9	42,695.3	38,809.1
	Amounts with notice period	841.3	1,686.8	841.3	1,686.8
	Special types of deposit	1,452.2	1,723.2	1,452.2	1,723.2
	Total deposits and other debt	*45,073.8*	*42,269.0*	*44,988.8*	*42,219.2*
	Broken down by remaining term:				
	On demand	42,728.3	40,448.8	42,699.3	40,399.0
	Up to and including 3 months	1,067.6	396.6	1,011.5	396.6
	More than 3 months and up to and including 1 year	78.6	104.7	78.6	104.7
	More than 1 year and up to and including 5 years	401.5	379.6	401.5	379.6
	More than 5 years	797.8	939.3	797.8	939.3
	Total deposits and other debt	*45,073.8*	*42,269.0*	*44,988.8*	*42,219.2*
25	Other equity and liabilities				
	Negative fair value of derivative financial instruments and spot transactions	341.4	399.7	341.4	399.7
	Lease commitments	177.7	171.4	177.7	171.4
	Interest and commissions due	5.6	8.1	5.6	8.1
	Other equity and liabilities	824.3	834.3	739.0	746.1
	Total other liabilities	*1,349.0*	*1,413.5*	*1,263.6*	*1,325.2*

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

Note		Group 2020 DKK mill.	Group 2019 DKK mill.	Bank 2020 DKK mill.	Bank 2019 DKK mill.
26	Provisions for deferred tax				
	Provisions brought forward	23.2	-23.6	41.7	-16.8
	Deferred tax included in the profit or loss for the year	-13.0	-10.6	-5.1	1.1
	Deferred tax included in other comprehensive income	5.1	57.4	5.1	57.4
	Provisions carried forward	***15.3***	***23.2***	***41.7***	***41.7***
	Deferred tax concerns:				
	Lending	-42.1	-34.0	-18.4	-17.8
	Intangible assets and property, plant and equipment	70.7	66.7	73.3	68.9
	Employee obligations	-9.7	-5.6	-9.5	-5.5
	Other balance sheet items	-3.6	-3.9	-3.6	-3.9
	Provisions carried forward	***15.3***	***23.2***	***41.7***	***41.7***
27	Guarantee loss provisions				
	Provisions brought forward	20.5	22.8	20.5	22.8
	Provisions made during the year	10.6	11.6	10.6	11.6
	Reversal of unutilised provisions	-8.5	-14.0	-8.5	-14.0
	Provisions carried forward	***22.5***	***20.5***	***22.5***	***20.5***
28	Other provisions				
	Provisions brought forward	69.3	69.8	65.3	66.8
	Provisions made during the year	54.2	42.1	50.7	39.2
	Applied during the year	-2.7	-4.6	-2.7	-4.6
	Reversal of unutilised provisions	-32.9	-38.0	-29.8	-36.0
	Provisions carried forward	***87.9***	***69.3***	***83.6***	***65.3***

Other provisions in the Group primarily concern provisions for losses on unutilised credit lines and commitments of DKK 69.1 mill. (2019: DKK 51.4 mill.), see note 10, and provisions for anniversary bonuses of DKK 11.6 mill. (2019: DKK 12.0 mill.).

Note		Interest rate	Maturity	Group 2020	Group 2019	Bank 2020	Bank 2019
29	Subordinated debt						
	Nom. in DKK mill.	**Interest rate**	**Maturity**				
	900.0	CIBOR-6M + 3.5%	21.05.2031 *)	900.0	900.0	900.0	900.0
	Total Tier 2 capital			***900.0***	***900.0***	***900.0***	***900.0***
	Tier 2 capital included when calculating own funds, see note 33.			900.0	900.0	900.0	900.0

*) Can be redeemed before maturity from 21 May 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, 10.00%
- Dansk Metal, Molestien 7, 2450 Copenhagen SV, Denmark, 12.71%
- Fagligt Fælles Forbund - 3F, Kampmannsgade 4, 1790 Copenhagen V, Denmark, 31.69%

Note		2020 pcs	2019 pcs	2020 DKK mill.	2019 DKK mill.
31	Own shares				
	Holding at the beginning of the year	7,305	6,000	7.3	6.0
	Purchase	535	2,030	0.5	2.0
	Sale	-423	-725	-0.4	-0.7
	Holding at the end of the year	***7,417***	***7,305***	***7.4***	***7.3***

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 December 2020, the holding of own shares amounted to nominally DKK 7.4 mill. (2019: DKK 7.3 mill.), corresponding to 2.5% (2019: 2.4%) of the share capital.

The Bank primarily acquired the shares in 2018 as part of the agreement on divestment of the Bank's shares in ALKA Forsikring.

32 Dividend

A dividend of DKK 0, (2019: DKK 45 mill.) is proposed, corresponding to a dividend of DKK 0 per share. (2019: DKK 150).

On 17 March 2020, the Bank distributed an ordinary dividend to the shareholders of DKK 45 mill. (2019: DKK 60 mill.), corresponding to a dividend of DKK 150 per share. (2019: DKK 200).

Note		Group 2020 DKK mill.	Group 2019 DKK mill.	Bank 2020 DKK mill.	Bank 2019 DKK mill.
33	Own funds				
	Transformation from equity to own funds				
	Equity	7,125.2	6,855.2	7,125.2	6,855.2
	Proposed dividend	0.0	-45.0	0.0	-45.0
	Intangible assets	-15.5	-19.3	0.0	0.0
	Additional Tier 1 capital, including interest payable	-446.1	-446.1	-446.1	-446.1
	Deductions for prudent valuation	-23.6	-22.5	-23.6	-22.5
	Capital instruments in financial entities	-522.2	-599.5	-519.2	-595.9
	Common Equity Tier 1 capital	***6,117.8***	***5,722.9***	***6,136.3***	***5,745.8***
	Additional Tier 1 capital	429.0	429.0	429.0	429.0
	Capital instruments in financial entities	-25.4	-31.2	-25.2	-30.9
	Tier 1 capital	***6,521.4***	***6,120.7***	***6,540.1***	***6,144.0***
	Tier 2 capital	900.0	900.0	900.0	900.0
	Capital instruments in financial entities	-8.3	-7.3	-8.2	-7.2
	Own funds	***7,413.1***	***7,013.4***	***7,431.8***	***7,036.8***

Note 34
Capital management

Capital management is based on the calculation methods and ratios and key figures prepared by the Basel Committee and implemented in the EU Capital Requirements Regulation (CRR). As part of its capital management, Arbejdernes Landsbank has drawn up a capital plan to ensure that the Group has sufficient capital to comply with current legislation and meet its own solvency targets at all times. The legislation concerns:

- Calculation of capital, risk exposures and capital requirements (8% capital requirement)
- Calculation of individual solvency need
- Combined capital buffer requirement

The individual solvency need is described in the Danish Financial Business Act and encompasses any additional capital requirements to cover risks which are not adequately covered by the 8% minimum requirement according to the CRR. The combined capital buffer requirement is stated in the Capital Requirements Directive CRD IV and entails that the Group must have a capital preservation buffer of 2.5%. Moreover, the Minister for Industry, Business and Financial Affairs may decide to activate a countercyclical capital buffer of up to 2.5%. The combined capital buffer requirement was 2.5% at the end of 2020, as the Minister for Industry, Business and Financial Affairs has not activated the countercyclical capital buffer.

The Group’s capital plan has been supplemented by a recovery plan comprising a number of relevant risk and capital indicators for the Bank with associated limit values, stress test scenarios and recovery measures to ensure that the Bank is able to identify problems in time and implement measures to ensure the viability of the Bank. The Bank regularly monitors developments in risk indicators.

Based on legal requirements and the limit values for capital indicators set in the recovery plan, the Group has set a capital target covering the solvency need, the maximum combined capital buffer requirement of 5.0% as well as an additional buffer of 1.5%.

The long-term capital planning of the Group is based on economic projections taking account of the Bank's vision, but under different macro-economic and idiosyncratic stress scenarios and with recognition of anticipated effects of future legislation.

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 2020 DKK mill.	2019 DKK mill.	Bank 2020 DKK mill.	2019 DKK mill.
35	Additional Tier 1 capital						
	Nom. in DKK mill.	**Interest rate**	**Maturity**				
	429.0	9.059% (var.)	Indefinite *)	446.1	446.1	446.1	446.1
	Total Additional Tier 1 capital			*446.1*	*446.1*	*446.1*	*446.1*
	Additional Tier 1 capital included when calculating Tier 1 capital/own funds, see note 33.			429.0	429.0	429.0	429.0

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

The issue is covered by Additional Tier 1 capital under the CRR. It has indefinite maturity and payment of interest and repayment of principal is optional; consequently, they the issue is treated as equity in the financial statements.

	Group		Bank	
	2020	2019	2020	2019
	DKK mill.	DKK mill.	DKK mill.	DKK mill.
36 Contingent liabilities etc.				
Contingent liabilities				
Financial guarantees	3,089.0	2,486.7	3,089.0	2,486.7
Guarantees for losses on mortgage-credit loans	3,495.4	3,036.2	3,495.4	3,036.2
Land registration and conversion guarantees	985.2	1,318.2	985.2	1,318.2
Collateral for group companies	0.0	0.0	48.5	38.0
Other contingent liabilities	624.0	575.7	624.0	575.7
Total contingent liabilities	***8,193.6***	***7,416.7***	***8,242.1***	***7,454.7***
Other binding commitments				
Irrevocable credit commitments less than 1 year	943.1	889.7	0.0	0.0
Other credit commitments less than 1 year	7,402.9	6,513.7	7,087.2	6,069.8
Unutilised commitments regarding payment of pension contributions	3.0	7.9	3.0	7.9
Additional binding commitments	459.8	192.4	459.8	192.4
Total other binding commitments	***8,808.7***	***7,603.8***	***7,550.0***	***6,270.2***

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.

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

The Bank has made an agreement with certain employees giving them the right to retire from the labour market after they turn 60/62 years old. The scheme is a closed one, and the liability is fully hedged by securities which are used to honour liabilities that have fallen due for payment. The scheme is managed by PFA Pension. The sensitivity to a drop of 10% in the value of the securities can be calculated at DKK 5.1 mill.

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 1.2%. (2019: 1.3%).

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 December 2024. The Bank's 2020 contribution represents DKK 4.9 mill. (2019: DKK 3.2 mill.), corresponding to 0.5% (2019: DKK 0.4%) of the sector's total contribution of DKK 942.2 mill. (2019: DKK 724.1 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 26.1 mill. as at 31 December 2020 (2019: DKK 26.2 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 amounting to DKK 1,314.7 mill. 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.

		Group		Bank	
		2020 DKK mill.	2019 DKK mill.	2020 DKK mill.	2019 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	0.0	220.5	0.0	220.5
	Of which sold or repledged	0.0	87.7	0.0	87.7
38	Collateral provided				
	Cash in hand and demand deposits with central banks				
	Pledged in connection with clearing	759.3	719.7	759.3	719.7
	Total cash in hand and demand deposits with central banks	*759.3*	*719.7*	*759.3*	*719.7*
	Receivables from credit institutions				
	Margin receivables in connection with transactions in derivatives	352.3	417.6	352.3	417.6
	Pledged in connection with clearing	125.1	202.1	125.1	202.1
	Total receivables from credit institutions	*477.4*	*619.7*	*477.4*	*619.7*
	Loans and other receivables at amortised cost				
	Margin receivables in connection with settlement of securities	15.6	10.5	15.6	10.5
	Total loans and other receivables at amortised cost	*15.6*	*10.5*	*15.6*	*10.5*
	Total collateral provided	*1,252.2*	*1,349.9*	*1,252.2*	*1,349.9*

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 December 2020				
Currency contracts				
Spot transactions, purchase	45.4	*-0.3*	0.1	0.4
Spot transactions, sale	39.3	*0.0*	0.0	0.1
Forward transactions/futures, purchase	472.5	*-10.6*	0.5	11.1
Forward transactions/futures, sale	5,430.4	*11.1*	11.9	0.8
Interest-rate contracts				
Spot transactions, purchase	73.6	*0.0*	0.0	0.0
Spot transactions, sale	67.2	*0.0*	0.1	0.0
Forward transactions/futures, purchase	1,909.4	*19.0*	19.4	0.4
Forward transactions/futures, sale	1,339.3	*-5.1*	2.1	7.2
Interest rate swaps	6,396.5	*-299.6*	19.8	319.4
Share contracts				
Spot transactions, purchase	11.9	*-0.6*	0.7	1.3
Spot transactions, sale	14.5	*1.0*	1.7	0.6
Total derivative financial instruments and spot transactions		*-285.2*	*56.2*	*341.4*
Contracts broken down by type as at 31 December 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
Share 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*

Note

39 Derivative financial instruments and spot transactions (continued)

	Group and Bank				
	Up to and including 3 months	More than 3 months up to and including 1 year	More than 1 year and up to and including 5 years	More than 5 years	Net fair value total
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Contracts broken down by term to maturity as at 31 December 2020					
Currency contracts					
Spot transactions, purchase	-0.3	0.0	0.0	0.0	*-0.3*
Forward transactions/futures, purchase	-8.7	-1.9	0.0	0.0	*-10.6*
Forward transactions/futures, sale	8.8	2.3	0.0	0.0	*11.1*
Interest-rate contracts					
Forward transactions/futures, purchase	17.7	1.3	0.0	0.0	*19.0*
Forward transactions/futures, sale	-5.1	0.0	0.0	0.0	*-5.1*
Interest-rate swaps	0.0	0.0	-239.6	-60.0	*-299.6*
Share contracts					
Spot transactions, purchase	-0.6	0.0	0.0	0.0	*-0.6*
Spot transactions, sale	1.0	0.0	0.0	0.0	*1.0*
Total derivative financial instruments and spot transactions	*12.7*	*1.7*	*-239.6*	*-60.0*	*-285.2*
Contracts broken down by term to maturity as at 31 December 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*

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 December 2020						
Financial assets						
Derivative financial instruments and spot transactions with positive fair value	56.2	0.0	*56.2*	8.4	0.4	*47.4*
Total financial assets	*56.2*	*0.0*	*56.2*	*8.4*	*0.4*	*47.4*
Financial liabilities						
Derivative financial instruments and spot transactions with negative fair values	341.4	0.0	*341.4*	8.4	304.9	*28.1*
Total financial liabilities	*341.4*	*0.0*	*341.4*	*8.4*	*304.9*	*28.1*
Offsetting possibilities as at 31 December 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*

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 2020 DKK mill.	Fair value 2020 DKK mill.	Amortised cost 2019 DKK mill.	Fair value 2019 DKK mill.
Classification and measurement of financial instruments				
Financial assets				
Cash in hand and demand deposits with central banks	1,135.9		1,005.2	
Receivables from credit institutions and central banks	4,488.2		3,954.8	
Loans and other receivables at amortised cost	23,817.7		22,906.4	
Bonds at fair value		21,902.5		20,859.8
Shares etc.		1,179.4		1,060.4
Assets linked to pooled schemes		6,970.7		5,720.8
Derivative financial instruments and spot transactions		56.2		53.6
Interest and commissions receivable	20.8	83.2	15.0	84.9
Total financial assets	*29,462.6*	*30,192.0*	*27,881.3*	*27,779.6*
Financial liabilities				
Debt to credit institutions and central banks	1,270.7		1,568.3	
Deposits and other debt	45,073.8		42,269.0	
Deposits in pooled schemes		6,970.7		5,720.8
Other non-derivative financial liabilities at fair value		0.0		87.7
Derivative financial instruments and spot transactions		341.4		399.7
Interest and commissions due	3.4	2.2	4.3	3.8
Subordinated debt	900.0		900.0	
Total financial liabilities	*47,247.9*	*7,314.3*	*44,741.6*	*6,212.0*

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.

Equity investments under non-observable input includes unlisted shares, primarily in companies related to the financial sector, where fair value is set on the basis of provisions in ownership agreements etc. or input from transactions carried out. The Association of Local Banks in Denmark, Savings Banks and Cooperative Banks in Denmark (LOPI) every quarter recommends fair values of certain of the so-called sector shares; i.e. shares owned by banks in order to participate actively in the infrastructure and the product supply that supports the business strategy of the industry. The prices recommended by LOPI are based on ownership agreements and transactions carried out in the sector. In some cases, the fair value is based on the accounting equity (net asset value) in the underlying undertaking, as this forms the basis for the transaction price if owners sell between themselves. When calculating the fair value of sector shares according to LOPI's recommended rates, these are also included in the valuation as a non-observable input. The Bank carries out an independent assessment of the prices recommended and verifies their relationship with transactions carried out and published financial statements. The value of the shares changes by DKK 68.9 mill. (2019: DKK 71.6 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.

Bonds under non-observable input include a small holding of unlisted credit bonds issued by regional and local Danish banks. The value of the bonds changes by DKK 7.2 mill. (2019: DKK 5.8 mill.) on a change in the prices of 10%. The Management assesses that alternative methods for measuring the fair value of these bonds 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 0.4 mill. at the end of 2020 (2019: DKK 0.6 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 2020, the Bank transferred DKK 3,130.6 mill. (2019: DKK 3,447.5 mill.) of bonds at fair value from level 1 to level 2 as a result of infrequent price updates. Conversely, DKK 2,378.2 mill. (2019: DKK 1,359.9 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 2020 and 2019.

Note

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

	Group			
	Listed prices (level 1)	Observable input (level 2)	Non-observable input (level 3)	Total
	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Fair value hierarchy as at 31 December 2020				
Financial assets				
Bonds at fair value	11,027.1	10,803.1	72.4	*21,902.5*
Shares etc.	490.8	0.0	688.6	*1,179.4*
Assets linked to pooled schemes	5,891.1	1,079.7	0.0	*6,970.7*
Derivative financial instruments and spot transactions	1.9	54.3	0.0	*56.2*
Interest and commissions receivable	47.3	35.4	0.5	*83.2*
Total financial assets	*17,458.1*	*11,972.5*	*761.4*	*30,192.0*
Financial liabilities				
Deposits in pooled schemes	0.0	6,970.7	0.0	*6,970.7*
Other non-derivative financial liabilities at fair value	0.0	0.0	0.0	*0.0*
Derivative financial instruments and spot transactions	0.0	341.3	0.0	*341.4*
Interest and commissions due	1.3	0.9	0.0	*2.2*
Total financial liabilities	*1.3*	*7,312.9*	*0.0*	*7,314.3*
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*

Note		Group 2020 DKK mill.	2019 DKK mill.
41	Fair value disclosures and classification of financial instruments (continued)		
	Non-observable input (level 3)		
	Fair value brought forward	774.2	1,042.8
	Value adjustments recognised in the income statement *)	17.5	178.5
	Net change in interest and commissions receivable	-0.3	0.5
	Purchase	38.5	125.5
	Sales **)	-97.6	-535.4
	Redemptions	0.0	-12.6
	Transfers from level 2	29.2	0.0
	Transfers to level 2	0.0	-25.0
	Fair value carried forward	*761.4*	*774.2*

*) Of which DKK 17.0 mill. (2019: DKK -1.1 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.

	Group			
	Carrying amount 2020 DKK mill.	Fair value 2020 DKK mill.	Carrying amount 2019 DKK mill.	Fair value 2019 DKK mill.
Financial instruments recognised at amortised cost				
Financial assets				
Cash in hand and demand deposits with central banks	1,135.9	1,135.9	1,005.2	1,005.2
Receivables from credit institutions and central banks	4,488.2	4,488.2	3,954.8	3,954.8
Loans and other receivables at amortised cost	23,817.7	23,937.5	22,906.4	23,052.5
Interest and commissions receivable	20.8	20.8	15.0	15.0
Total financial assets	*29,462.6*	*29,582.4*	*27,881.3*	*28,027.5*
Financial liabilities				
Debt to credit institutions and central banks	1,270.7	1,270.7	1,568.3	1,568.3
Deposits and other debt	45,073.8	45,073.8	42,269.0	42,269.0
Interest and commissions due	3.4	3.4	4.3	4.3
Subordinated debt	900.0	901.3	900.0	900.0
Total financial liabilities	*47,247.9*	*47,249.2*	*44,741.6*	*44,741.6*

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 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 2020					
Return					
Interest income	1,008.8	54.1	102.7	-15.7	*1,149.8*
Interest expenses	-27.3	-52.4			*-79.7*
Net interest income	*981.4*	*1.7*	*102.7*	*-15.7*	*1,070.1*
Dividends from shares etc.			2.4	54.6	*57.0*
Value adjustments			77.2	150.7	*227.9*
Total return	*981.4*	*1.7*	*182.4*	*189.6*	*1,355.0*
Financial assets					
Cash in hand and demand deposits with central banks	1,135.9				*1,135.9*
Receivables from credit institutions and central banks	4,488.2				*4,488.2*
Loans and other receivables at amortised cost	23,817.7				*23,817.7*
Bonds at fair value			21,902.5		*21,902.5*
Shares etc.			170.7	1,008.7	*1,179.4*
Assets linked to pooled schemes				6,970.7	*6,970.7*
Derivative financial instruments and spot transactions			56.2		*56.2*
Interest and commissions receivable	20.8		83.2		*104.0*
Total financial assets	*29,462.6*		*22,212.6*	*7,979.5*	*59,654.6*
Financial liabilities					
Debt to credit institutions and central banks		1,270.7			*1,270.7*
Deposits and other debt		45,073.8			*45,073.8*
Deposits in pooled schemes				6,970.7	*6,970.7*
Other non-derivative financial liabilities at fair value					*0.0*
Derivative financial instruments and spot transactions			281.2	60.2	*341.4*
Interest and commissions due		3.4	2.2		*5.6*
Subordinated debt		900.0			*900.0*
Total financial liabilities		*47,247.9*	*283.4*	*7,030.9*	*54,562.2*

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		Group 2020 DKK mill.	2019 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	16.2	2.7
	Carrying amount carried forward	163.6	156.2
	Lease commitments recognised under other liabilities		
	Carrying amount carried forward	177.7	171.4
	See note 47 for an analysis of maturities on undiscounted lease commitments as at 31 December 2020.		
	Amounts recognised in the income statement		
	Income from subleasing of right-of-use assets	0.6	0.6
	Interest costs on lease commitments	0.9	0.8
	Costs related to short-term leases	0.0	0.8
	Costs related to low-value leases	0.4	0.6
	Depreciation on right-of-use assets	24.4	22.4
	Amount recognised in the cash flow statement		
	Total outgoing cash flows related to leases	26.9	24.6

Note		Group 2020 DKK mill.	2019 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.

	2020 DKK mill.	2019 DKK mill.
Receivables from finance leases		
Broken down by remaining term:		
Under 1 year	1,115.4	964.6
Between 1 and 2 years	323.6	335.9
Between 2 and 3 years	186.1	166.7
Between 3 and 4 years	63.8	77.8
Between 4 and 5 years	27.5	24.8
More than 5 years	7.9	9.7
Total undiscounted lease payments	*1,724.2*	*1,579.6*
Of which unearned financing income	62.0	61.0
Total net investments	*1,662.2*	*1,518.6*
Accumulated impairments on finance leases	7.5	6.4
Amount recognised in the income statement		
Interest income from lease receivables	57.6	57.3

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.

	2020 DKK mill.	2019 DKK mill.
Receivables from operating leases		
Broken down by remaining term:		
Under 1 year	43.1	41.0
Between 1 and 2 years	23.5	29.8
Between 2 and 3 years	14.1	19.0
Between 3 and 4 years	7.8	7.4
Between 4 and 5 years	3.9	5.3
More than 5 years	1.2	3.5
Total undiscounted lease payments	*93.5*	*105.9*

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.

	2020 DKK mill.	2019 DKK mill.
Amount recognised in the income statement		
Rental income	56.6	56.6

Note		Group 2020 DKK mill.	Group 2019 DKK mill.	Bank 2020 DKK mill.	Bank 2019 DKK mill.
43	Transactions with related parties				
	Shareholders with significant influence				
	Interest income	2.0	0.8	2.0	0.8
	Interest expenses	0.0	-0.1	0.0	-0.1
	Fee and commission income	1.5	1.6	1.5	1.6
	Lending	16.8	17.8	16.3	17.5
	Deposits	337.4	210.3	337.4	210.3
	Subordinated debt	385.0	385.0	385.0	385.0
	Collateral and guarantees received	2,580.5	2,167.0	2,580.0	2,166.7
	Unutilised credit lines and commitments	63.2	60.4	61.7	60.4
	Dividends paid	-14.3	-19.0	-14.3	-19.0
	Additional Tier 1 capital	205.0	205.0	205.0	205.0
	Interest paid on Additional Tier 1 capital	-18.6	-23.8	-18.6	-23.8
	Board of Directors and Executive Management				
	Interest income	0.1	0.0	0.1	0.0
	Interest expenses	0.0	-0.1	0.0	-0.1
	Fee and commission income	0.2	0.1	0.2	0.1
	Lending	4.2	0.7	4.2	0.7
	Deposits	26.0	17.8	26.0	17.8
	Collateral and guarantees received	6.7	3.8	6.7	3.8
	Issued guarantees	7.0	2.3	7.0	2.3
	Unutilised credit lines and commitments	10.1	19.0	10.1	19.0

Note		Group 2020 DKK mill.	Group 2019 DKK mill.	Bank 2020 DKK mill.	Bank 2019 DKK mill.
43	Transactions with related parties (continued)				
	Group companies				
	Interest income			62.7	62.1
	Fee and commission income			0.6	0.4
	Other operating income			3.5	3.4
	Staff and administrative expenses			-1.4	-1.3
	Lending			5,455.8	4,790.2
	Deposits			0.2	13.0
	Other equity and liabilities			1.5	1.4
	Issued guarantees			48.5	38.0
	Unutilised credit lines and commitments			603.5	598.3
	Associated companies				
	Interest income	0.0	0.5	0.0	0.5
	Fee and commission income	1.0	0.4	1.0	0.4
	Positive fair value of derivative financial instruments and spot transactions	0.4	0.1	0.4	0.1
	Debt to credit institutions and central banks	13.7	10.4	13.7	10.4
	Negative fair value of derivative financial instruments and spot transactions	0.2	0.1	0.2	0.1
	Unutilised credit lines and commitments	42.8	0.0	42.8	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 loans and deposits 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 1.0-11.5% per annum (2019: 2.0-14.0% per annum), and loans to members of the Executive Management and their related parties carry interest in the interval 2.0-9.5% per annum (2019: 3.0-9.5% per annum).

Deposits from members of the Board of Directors and their related parties carry interest in the interval -0.6-1.0% per annum (2019: -0.5-1.0% per annum), and deposits from members of the Executive Management and their related parties carry interest in the interval -0.6-1.0% per annum (2019: 0.0-1.0% per annum).

Emoluments and share holdings in 2020 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.

Note		2020 DKK mill.	2019 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	22.2	19.4
	Equity	308.0	285.8
	AL Finans A/S offers car financing, leasing, factoring and invoice purchasing. The activities of the subsidiary are financed from equity and the Parent Company.		
	Ejendomsselskabet Sluseholmen A/S, Copenhagen		
	Voting share and ownership interest (%)	100	100
	Profit for the year	-0.1	0.0
	Equity	12.6	12.7
	The subsidiary is currently inactive, but at the end of 2020 it acquired a land parcel.		
	Significant associated companies		
	Vestjysk Bank A/S, Lemvig		
	Voting share and ownership interest (%)	32	32
	Revenue	923.8	954.2
	Profit for the year	477.7	296.2
	Other comprehensive income	-17.8	2.7
	Total comprehensive income	***460.0***	***298.9***
	Shareholders' share of this	441.5	278.6
	Loans and other receivables at amortised cost	10,220.9	10,797.3
	Other assets	11,971.0	10,400.9
	Total assets	***22,191.9***	***21,198.2***
	Deposits and other debt	13,042.8	12,902.0
	Other liabilities	6,192.9	5,707.4
	Total liabilities	***19,235.7***	***18,609.4***
	Equity	2,956.2	2,588.8
	Shareholders' share of this	2,801.2	2,358.8
	The Group' share of this	908.8	765.3
	The summary financial information above originates from the company's most recent published financial statements (2019 and 2018). Revenue is defined as interest income, fee and commission income as well as other operating income.		

Note		2020 DKK mill.	2019 DKK mill.
44	Group Overview (continued)		
	Significant associated companies (continued)		
	As at 31 December 2020, the Group's shares in Vestjysk Bank A/S are recognised at DKK 986.7 mill. (2019: DKK 888.1 mill.) corresponding to a proportionate share of the net asset value as at 30 September 2020 which is the company's most recently published balance sheet.		
	Based on the market price, the fair value of the Group's shares in Vestjysk Bank A/S (level 1 in the fair value hierarchy) can be calculated at DKK 805.2 mill. as at 31 December 2020 (2019: DKK 898.2 mill.).		
	The Group regards the investment in Vestjysk Bank A/S as a long-term financial investment. The Group supported the merger between Vestjysk Bank A/S and Den Jyske Sparekasse A/S and took advantage of the opportunity to acquire some of the new shares so that the Group's ownership interest remained at 32.4% after the merger.		
	Other associated companies		
	Legacy ApS, Copenhagen		
	Voting share and ownership interest (%)	39	49
	Profit or loss for the year, see the most recent published financial statements (2019 and 2018).	-0.5	0.1
	Young Money ApS, Aalborg		
	Voting share and ownership interest (%)	33	0
	The first financial year ran from 16 August 2019 to 31 December 2020.		
	Reconciliation of equity investments in associated companies		
	Carrying amount of equity investments in significant associated companies	986.7	888.1
	Carrying amount of equity investments in other associated companies	13.8	0.0
	Total carrying amount of equity investments in associated companies, see note 16	*1,000.5*	*888.1*

Note		2020 DKK mill.	2019 DKK mill.	2018 DKK mill.	2017 DKK mill.	2016 DKK mill.
45	Financial and operating data for the Group					
	Income statement					
	Net interest income *)	1,070.1	1,074.5	1,104.4	1,193.6	1,248.3
	Net fee and commission income	699.5	688.1	580.3	555.5	536.0
	Value adjustments and dividend	284.9	341.8	45.5	945.1	-25.5
	Other operating income *)	70.0	69.2	68.8	90.5	81.8
	Profit from equity investments in associated companies and group companies	103.1	24.3	0.0	0.0	65.2
	Total income	*2,227.6*	*2,197.9*	*1,799.0*	*2,784.7*	*1,905.8*
	Costs and depreciation/amortisation *)	-1,767.1	-1,663.4	-1,529.5	-1,465.6	-1,336.1
	Impairments on loans and receivables etc.	-78.6	53.9	69.5	-14.3	-55.7
	Total costs	*-1,845.7*	*-1,609.5*	*-1,460.0*	*-1,479.9*	*-1,391.8*
	Profit before tax	*382.0*	*588.4*	*339.0*	*1,304.7*	*514.0*
	Tax	-52.0	-43.6	-40.1	-149.3	-94.6
	Profit for the year	*330.0*	*544.8*	*298.9*	*1,155.5*	*419.4*
	Selected balance sheet items					
	Loans and other receivables at amortised cost *)	23,817.7	22,906.4	22,085.8	21,958.1	21,058.3
	Bonds at fair value	21,902.5	20,859.8	18,834.3	11,812.4	15,207.8
	Total assets	62,913.3	59,024.0	55,106.5	47,368.9	44,425.8
	Deposits incl. pooled schemes	52,044.6	47,989.8	44,872.7	37,483.7	34,205.8
	Equity	7,125.2	6,855.2	6,873.2	6,761.5	5,681.7
	Other financial and operating data					
	Net interest and fee income	1,826.6	1,806.1	1,745.0	1,792.9	1,829.8
	Value adjustments	227.9	298.3	-14.8	901.3	-70.9
	Staff and administrative expenses	-1,604.5	-1,512.5	-1,405.9	-1,353.8	-1,214.0
	Own funds	7,413.1	7,013.4	6,580.6	5,677.6	5,413.4
	Tier 1 capital	6,521.4	6,120.7	6,580.6	5,677.6	5,413.4
	Common Equity Tier 1 capital	6,117.8	5,722.9	5,764.3	5,035.2	4,660.2
	Exposures with credit risk	26,992.0	25,685.6	23,895.0	23,180.2	22,908.8
	Exposures with market risk	5,373.4	6,022.8	5,267.4	4,185.4	5,353.8
	Exposures with operational risk	3,605.1	3,720.4	3,660.0	3,665.9	3,314.2
	Total risk exposure	*35,970.5*	*35,428.7*	*32,822.4*	*31,031.5*	*31,576.8*

Comparative figures for 2016-2018 have not been adjusted for the effect of implementing IFRS 16, and comparative figures for 2016-2017 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			2020	2019	2018	2017	2016
45	Ratios and key figures for the Group						
	Solvency						
	Capital ratio	%	20.6	19.8	20.0	18.3	17.1
	Tier 1 capital ratio	%	18.1	17.3	20.0	18.3	17.1
	Common Equity Tier 1 capital ratio	%	17.0	16.2	17.6	16.2	14.8
	Earnings						
	Return on equity before tax	%	5.5	8.6	5.0	21.0	9.4
	Return on equity after tax	%	4.7	7.9	4.4	18.6	7.7
	Ratio of operating income to operating expenses per DKK *)	DKK	1.21	1.37	1.23	1.88	1.37
	Earnings per share	DKK	995	1,689	834	3,680	1,225
	Diluted earnings per share	DKK	995	1,689	834	3,680	1,225
	Return on capital employed	%	0.5	1.0	0.6	2.5	1.0
	Market risk						
	Interest-rate risk	%	1.8	1.2	0.5	-0.7	-1.2
	Currency position	%	1.0	1.5	2.2	1.4	2.4
	Currency risk	%	0.0	0.0	0.0	0.0	0.0
	Liquidity						
	Loans plus impairments in relation to deposits *)	%	47.4	49.4	52.1	62.0	65.6
	Liquidity coverage ratio (LCR)	%	274.1	269.9	268.1	185.7	153.5
	Credit						
	Sum of large exposures **)	%	78.5	82.3	59.1	92.1	0.0
	Impairment ratio for the year	%	0.2	-0.2	-0.2	0.1	0.2
	Lending growth for the year *)	%	4.6	3.7	0.8	4.3	6.5
	Loans in relation to equity		3.3	3.3	3.2	3.2	3.7
	Equity						
	Net asset value per share	DKK	22,828	21,897	20,491	19,709	16,109
	Proposed dividend per share	DKK	0	150	200	500	100
	Employees						
	Average number of employees during the financial year converted to full-time equivalents		1,156	1,122	1,088	1,054	1,063

See note 46 for definitions of ratios and key figures.

Comparative figures for 2016-2018 have not been adjusted for the effect of implementing IFRS 16, and comparative figures for 2016-2017 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		2020 DKK mill.	2019 DKK mill.	2018 DKK mill.	2017 DKK mill.	2016 DKK mill.
45	Financial and operating data for the Bank					
	Income statement					
	Net interest income	958.6	972.9	1,002.9	1,080.4	1,131.6
	Net fee and commission income	657.6	647.4	541.3	535.1	519.8
	Value adjustments and dividend	285.5	341.6	45.0	945.3	-25.8
	Other operating income	34.3	33.9	34.5	57.4	36.2
	Profit from equity investments in associated companies and group companies	125.2	43.7	31.4	20.7	100.0
	Total income	*2,061.3*	*2,039.5*	*1,655.1*	*2,639.0*	*1,761.8*
	Costs and depreciation/amortisation	-1,622.4	-1,526.4	-1,399.3	-1,338.3	-1,210.9
	Impairments on loans and receivables etc.	-66.4	66.4	71.1	-4.6	-49.4
	Total costs	*-1,688.8*	*-1,460.0*	*-1,328.2*	*-1,342.9*	*-1,260.3*
	Profit before tax	*372.5*	*579.5*	*326.8*	*1,296.1*	*501.4*
	Tax	-42.5	-34.7	-28.0	-140.6	-82.0
	Profit for the year	*330.0*	*544.8*	*298.8*	*1,155.5*	*419.4*
	Selected balance sheet items					
	Loans and other receivables at amortised cost	23,474.8	22,575.0	21,798.8	21,682.8	20,850.0
	Bonds at fair value	21,902.5	20,859.8	18,834.3	11,812.4	15,207.8
	Total assets	62,703.9	58,845.7	54,973.8	47,261.3	44,340.3
	Deposits incl. pooled schemes	51,959.5	47,940.0	44,839.3	37,460.7	34,204.5
	Equity	7,125.2	6,855.2	6,873.2	6,761.5	5,681.7
	Other financial and operating data					
	Net interest and fee income	1,673.3	1,663.8	1,604.4	1,659.4	1,696.8
	Value adjustments	228.5	298.1	-15.3	901.5	-71.3
	Staff and administrative expenses	-1,501.3	-1,414.4	-1,313.3	-1,264.4	-1,130.4
	Own funds	7,431.8	7,036.8	6,601.2	5,695.8	5,427.4
	Tier 1 capital	6,540.1	6,144.0	6,601.2	5,695.8	5,427.4
	Common Equity Tier 1 capital	6,136.3	5,745.8	5,784.8	5,053.1	4,673.6
	Exposures with credit risk	27,908.4	26,504.2	24,647.5	23,937.1	23,679.9
	Exposures with market risk	5,371.3	6,024.1	5,266.0	4,179.0	5,349.6
	Exposures with operational risk	3,266.6	3,395.6	3,311.8	3,312.0	2,944.1
	Total risk exposure	*36,546.3*	*35,923.9*	*33,225.2*	*31,428.2*	*31,973.6*

Comparative figures for 2016-2018 have not been adjusted for the effect of implementing IFRS 16, and comparative figures for 2016-2017 have not been adjusted for the effect of implementing IFRS 9.

Note			2020	2019	2018	2017	2016
45	Ratios and key figures for the Bank						
	Solvency						
	Capital ratio	%	20.3	19.6	19.9	18.1	17.0
	Tier 1 capital ratio	%	17.9	17.1	19.9	18.1	17.0
	Common Equity Tier 1 capital ratio	%	16.8	16.0	17.4	16.1	14.6
	Earnings						
	Return on equity before tax	%	5.3	8.4	4.8	20.8	9.1
	Return on equity after tax	%	4.7	7.9	4.4	18.6	7.7
	Ratio of operating income to operating expenses per DKK	DKK	1.22	1.40	1.25	1.97	1.40
	Earnings per share	DKK	995	1,689	834	3,680	1,225
	Diluted earnings per share	DKK	995	1,689	834	3,680	1,225
	Return on capital employed	%	0.5	1.0	0.6	2.5	1.0
	Market risk						
	Interest-rate risk	%	1.8	1.2	0.5	-0.7	-1.2
	Currency position	%	1.0	1.5	2.2	1.3	2.3
	Currency risk	%	0.0	0.0	0.0	0.0	0.0
	Liquidity						
	Loans plus impairments in relation to deposits	%	46.7	48.7	51.5	61.2	65.0
	Liquidity coverage ratio (LCR)	%	277.4	269.9	268.1	185.7	153.5
	Credit						
	Sum of large exposures *)	%	57.0	65.4	53.0	80.3	0.0
	Impairment ratio for the year	%	0.2	-0.2	-0.2	0.0	0.2
	Lending growth for the year	%	4.7	3.5	0.7	4.0	6.2
	Loans in relation to equity		3.3	3.3	3.2	3.2	3.7
	Equity						
	Net asset value per share	DKK	22,828	21,897	20,491	19,709	16,109
	Proposed dividend per share	DKK	0	150	200	500	100
	Employees						
	Average number of employees during the financial year converted to full-time equivalents		1,071	1,040	1,007	975	986

See note 46 for definitions of ratios and key figures.

Comparative figures for 2016-2018 have not been adjusted for the effect of implementing IFRS 16, and comparative figures for 2016-2017 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 and key figures used in the annual report are calculated as follows:

Solvency	
Capital ratio =	Own funds x 100 / Total risk exposure
Tier 1 capital ratio =	Tier 1 capital x 100 / Total risk exposure
Common Equity Tier 1 capital ratio =	Common Equity Tier 1 capital x 100 / Total risk exposure
Earnings	
Return on equity before tax =	Profit before tax x 100 / Equity (average)
Return on equity after tax =	Profit after tax x 100 / Equity (average)
Ratio of operating income to operating expenses per DKK =	Income / Costs (excl. tax)
Earnings per share =	Arbejdernes Landsbank's shareholders' share of the profit for the year / Number of shares issued (average)
Diluted earnings per share =	Arbejdernes Landsbank's shareholders' share of the profit for the year / 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 =	Proposed dividend x 1,000 / Share capital

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 *) =	(Bruttoudlån og -garantier inden for brancherne "Gennemførelse af byggeprojekter" og "Fast ejendom") x 100 / Bruttoudlån og -garantier

*) 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 down through 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 banking services. In the Bank's subsidiary, AL Finans A/S, the target group also includes private customers as well as small and medium-sized Danish enterprises.

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 and sustainable profile and a desire to diversify risk over sectors, as well as the size of the exposure. Moreover, the assessment includes a desire to help customers to reduce greenhouse gas emissions, support greener solutions, and focus on social responsibility. 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 Bank's Credit Department, 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 customers and financial information about private customers. Rating categories are from 1-11, where rating 1 is the best and rating 11 is the poorest.

The Bank's rating is classified into four rating categories, corresponding to the Danish FSA credit quality categories:

- Rating categories 1-5: Customers with exposures of good/normal credit quality.
- Rating categories 6-8: Customers starting to show weakness/certain signs of weakness.
- Rating class 9: Customers with significant signs of weakness, 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 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 the responsibility 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 Credit Department is responsible for ensuring that the branches comply with the credit strategy as well as the credit policy. Furthermore, the 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 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 an action plan for follow-up by the Credit Department. Segregation of duties ensures that employees in the Credit Department cannot control branches for which they have authority to grant loans. Segregation of duties ensures that the same employees in the Credit Department do not conduct authorisation and control for branches.

There is also an annual asset review of Arbejdernes Landsbank's exposures on the basis of a materiality approach. Current and future risks on selected exposures are assessed, and checks are conducted on compliance with the credit policy and the authority to grant loans, 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 and making 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 Risk Committee, the Audit and Risk Committee, the Credit Committee as well as 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 Risk Committee, the Audit and Risk Committee, the Credit Committee as well as Executive Management and the 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 an independent assessment and necessary competences, the valuation process of properties has been 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 128 for total collateral received by Arbejdernes Landsbank.

	Group		Bank	
	2020 DKK mill.	2019 DKK mill.	2020 DKK mill.	2019 DKK mill.
Maximum credit exposure				
Receivables from credit institutions and central banks	4,488.2	3,954.8	4,471.9	3,947.8
Loans and other receivables at amortised cost	23,817.7	22,906.4	23,474.8	22,575.0
Guarantees	8,193.6	7,416.7	8,242.1	7,454.7
Irrevocable credit commitments	943.1	889.7	0.0	0.0
Other unutilised credit lines and commitments	7,402.9	6,513.7	7,087.2	6,069.8
Total credit exposure on items at amortised cost, guarantees and credit commitments	***44,845.5***	***41,681.4***	***43,276.0***	***40,047.4***
Bonds at fair value	21,902.5	20,859.8	21,902.5	20,859.8
Positive fair value of derivative financial instruments and spot transactions	56.2	53.6	56.2	53.6
Total credit exposure on items at fair value	***21,958.7***	***20,913.4***	***21,958.7***	***20,913.4***
Maximum credit exposure	***66,804.2***	***62,594.8***	***65,234.7***	***60,960.8***

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 financial instruments as at 31 December 2020												
Receivables from credit institutions and central banks	4,490.7	0.0	8.0	0.0	4,488.2	0.0	0.0	0.0	4,488.2	0.0	0.0	0.0
Loans and other receivables at amortised cost	18,488.1	4,951.8	1,180.5	35.7	18,334.8	4,782.4	680.6	19.9	6,192.5	1,699.0	213.0	8.8
Guarantees	7,450.9	653.5	111.7	0.0	7,443.7	652.5	97.3	0.0	7,055.8	607.7	92.4	0.0
Unutilised credit lines and commitments	7,195.0	1,048.1	172.0	0.0	7,160.1	1,039.6	146.2	0.0	4,783.3	467.1	49.0	0.0
Total exposures	*37,624.7*	*6,653.5*	*1,472.1*	*35.7*	*37,426.8*	*6,474.6*	*924.2*	*19.9*	*22,519.7*	*2,773.8*	*354.3*	*8.8*
Accounting credit exposure, broken down by financial instruments as at 31 December 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 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*

	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 financial instruments as at 31 December 2020												
Receivables from credit institutions and central banks	4,474.4	0.0	8.0	0.0	4,471.9	0.0	0.0	0.0	4,471.9	0.0	0.0	0.0
Loans and other receivables at amortised cost	19,415.5	3,776.2	1,061.8	35.7	19,271.1	3,611.0	572.8	19.9	11,063.8	1,565.0	207.5	8.8
Guarantees	7,499.4	653.5	111.7	0.0	7,492.2	652.5	97.3	0.0	7,104.3	607.7	92.4	0.0
Unutilised credit lines and commitments	6,546.7	517.0	88.9	0.0	6,513.7	510.3	63.2	0.0	5,319.0	437.1	46.8	0.0
Total exposures	*37,936.1*	*4,946.8*	*1,270.4*	*35.7*	*37,748.9*	*4,773.8*	*733.4*	*19.9*	*27,959.0*	*2,609.8*	*346.7*	*8.8*
Accounting credit exposure, broken down by financial instruments as at 31 December 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 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*

	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 December 2020												
Credit institutions and central banks	4,866.0	9.1	8.0	0.0	4,859.8	8.6	0.0	0.0	4,854.3	8.6	0.0	0.0
Public authorities	125.1	4.3	0.4	0.0	121.8	4.3	0.1	0.0	101.0	1.1	0.1	0.0
Business	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agriculture, hunting, forestry and fisheries	31.5	6.7	7.2	0.0	31.4	6.7	5.4	0.0	4.7	1.1	5.0	0.0
Industry and extraction of raw materials	674.5	251.9	54.1	1.0	671.4	230.6	39.6	0.0	209.3	131.9	4.8	0.0
Energy supply	15.8	2.2	0.0	0.0	15.8	2.2	0.0	0.0	13.0	1.3	0.0	0.0
Building and construction	525.4	220.3	74.6	0.2	522.0	217.5	24.4	0.2	260.4	76.9	8.1	0.0
Trade	2,105.0	655.3	133.0	0.0	2,088.9	647.1	91.8	0.0	491.7	137.0	23.1	0.0
Transport, hotels and restaurants	250.3	140.2	59.6	0.0	248.4	135.9	41.8	0.0	82.7	82.0	12.4	0.0
Information and communication	57.9	26.0	17.4	0.0	57.0	25.2	14.3	0.0	20.1	11.9	4.9	0.0
Financing and insurance	889.8	121.6	110.8	0.0	876.4	111.0	38.0	0.0	745.2	96.8	8.7	0.0
Real property	1,067.9	346.4	68.8	2.1	1,050.7	328.6	47.8	1.2	844.7	170.3	38.9	0.8
Other business	2,599.6	1,071.9	134.4	0.0	2,559.8	1,054.9	94.9	0.0	1,717.8	356.6	33.1	0.0
Total business	***8,217.7***	***2,842.5***	***660.0***	***3.3***	***8,121.9***	***2,759.7***	***398.1***	***1.4***	***4,389.6***	***1,065.8***	***138.9***	***0.8***
Private	24,415.9	3,797.6	803.7	32.4	24,323.3	3,702.0	525.9	18.5	13,174.8	1,698.4	215.3	8.0
Total exposures	***37,624.7***	***6,653.5***	***1,472.1***	***35.7***	***37,426.8***	***6,474.6***	***924.2***	***19.9***	***22,519.7***	***2,773.8***	***354.3***	***8.8***

	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 December 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***

	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 December 2020												
Credit institutions and central banks	4,843.6	9.1	8.0	0.0	4,837.4	8.6	0.0	0.0	4,837.4	8.6	0.0	0.0
Public authorities	125.1	4.3	0.4	0.0	121.8	4.3	0.1	0.0	101.0	1.1	0.1	0.0
Business	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agriculture, hunting, forestry and fisheries	4.2	1.6	7.1	0.0	4.1	1.5	5.3	0.0	2.0	0.7	5.0	0.0
Industry and extraction of raw materials	208.0	155.4	20.3	1.0	205.5	134.4	6.1	0.0	198.0	126.8	4.6	0.0
Energy supply	12.8	1.3	0.0	0.0	12.7	1.3	0.0	0.0	12.7	1.2	0.0	0.0
Building and construction	304.4	91.4	64.7	0.2	301.4	89.1	15.2	0.2	238.7	64.6	7.6	0.0
Trade	576.3	168.3	79.0	0.0	562.4	161.6	38.2	0.0	442.6	119.5	22.8	0.0
Transport, hotels and restaurants	109.4	113.5	41.0	0.0	107.7	109.4	23.5	0.0	77.9	80.0	10.7	0.0
Information and communication	23.4	14.7	12.4	0.0	22.5	14.0	9.3	0.0	17.5	11.0	4.9	0.0
Financing and insurance	6,931.6	116.1	105.8	0.0	6,918.3	105.5	33.0	0.0	6,818.3	96.3	8.2	0.0
Real property	1,055.4	341.2	68.1	2.1	1,038.3	323.4	47.3	1.2	862.0	169.8	38.9	0.8
Other business	2,235.2	373.7	98.4	0.0	2,196.1	359.2	59.3	0.0	1,686.3	307.1	30.1	0.0
Total business	*11,460.5*	*1,377.2*	*496.8*	*3.3*	*11,369.0*	*1,299.4*	*237.1*	*1.4*	*10,356.0*	*977.0*	*132.7*	*0.8*
Private	21,506.8	3,556.1	765.2	32.4	21,420.6	3,461.6	496.2	18.5	12,664.5	1,623.3	213.8	8.0
Total exposures	*37,936.1*	*4,946.8*	*1,270.4*	*35.7*	*37,748.9*	*4,773.8*	*733.4*	*19.9*	*27,959.0*	*2,609.8*	*346.7*	*8.8*

	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 December 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*

	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 December 2020												
Rating 1	570.5	0.2	0.0	0.0	561.6	0.2	0.0	0.0	234.8	0.2	0.0	0.0
Rating 2	1,786.8	16.7	0.0	0.0	1,765.7	15.9	0.0	0.0	1,311.0	7.6	0.0	0.0
Rating 3	6,271.1	92.9	0.0	0.0	6,218.3	91.3	0.0	0.0	3,992.2	58.8	0.0	0.0
Rating 4	13,334.3	347.6	0.0	0.0	13,295.1	342.7	0.0	0.0	9,492.6	228.8	0.0	0.0
Rating 5	10,933.1	536.6	0.0	2.1	10,882.4	529.3	0.0	2.0	4,853.3	348.6	0.0	0.7
Rating 6	2,822.8	659.0	0.0	0.1	2,808.5	636.5	0.0	0.1	1,478.2	486.6	0.0	0.0
Rating 7	1,762.0	2,564.4	0.0	1.2	1,754.2	2,505.2	0.0	1.2	1,058.3	496.1	0.0	0.1
Rating 8	115.3	1,289.2	0.0	1.6	112.4	1,261.7	0.0	1.6	80.5	646.7	0.0	1.2
Rating 9	17.8	702.2	0.0	0.2	17.7	684.4	0.0	0.2	13.4	307.7	0.0	0.1
Rating 10	10.5	434.0	140.4	0.5	10.4	399.5	130.0	0.5	5.2	187.9	8.4	0.1
Rating 11	0.4	10.8	1,331.8	30.0	0.4	8.0	794.1	14.4	0.4	4.8	345.9	6.5
Total exposures	*37,624.7*	*6,653.5*	*1,472.1*	*35.7*	*37,426.8*	*6,474.6*	*924.2*	*19.9*	*22,519.7*	*2,773.8*	*354.3*	*8.8*
Accounting credit exposure, broken down by rating class as at 31 December 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	0.0	0.0	5,586.6	53.1	0.0	0.0	3,588.3	42.9	0.0	0.0
Rating 4	7,606.4	187.3	0.0	0.3	7,579.9	184.5	0.0	0.3	4,427.0	134.0	0.0	0.1
Rating 5	10,164.5	552.7	0.0	0.7	10,121.8	545.8	0.0	0.6	4,500.4	475.3	0.0	0.6
Rating 6	3,480.2	582.4	0.0	3.0	3,468.5	575.0	0.0	3.0	1,740.6	430.1	0.0	0.8
Rating 7	1,784.4	2,595.6	0.0	1.1	1,776.7	2,535.4	0.0	1.1	1,158.8	453.7	0.0	0.7
Rating 8	154.8	1,324.1	0.0	2.4	154.4	1,307.0	0.0	2.4	102.9	722.5	0.0	1.0
Rating 9	21.8	948.4	0.0	1.0	21.3	931.4	0.0	1.0	13.3	385.5	0.0	0.5
Rating 10	1.8	448.9	125.7	0.6	1.8	424.7	123.6	0.6	1.7	139.9	9.4	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*

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 December 2020												
Rating 1	565.7	0.2	0.0	0.0	556.9	0.2	0.0	0.0	234.0	0.2	0.0	0.0
Rating 2	1,676.9	16.7	0.0	0.0	1,656.0	15.9	0.0	0.0	1,286.5	7.6	0.0	0.0
Rating 3	5,611.9	92.9	0.0	0.0	5,560.2	91.3	0.0	0.0	3,877.8	58.8	0.0	0.0
Rating 4	17,965.5	347.6	0.0	0.0	17,928.5	342.7	0.0	0.0	15,389.9	228.8	0.0	0.0
Rating 5	7,580.1	536.6	0.0	2.1	7,536.1	529.3	0.0	2.0	4,599.2	348.6	0.0	0.7
Rating 6	2,629.9	659.0	0.0	0.1	2,616.1	636.5	0.0	0.1	1,413.8	486.6	0.0	0.0
Rating 7	1,762.0	1,283.7	0.0	1.2	1,754.2	1,229.0	0.0	1.2	1,058.3	376.3	0.0	0.1
Rating 8	115.3	1,093.9	0.0	1.6	112.4	1,066.9	0.0	1.6	80.5	624.6	0.0	1.2
Rating 9	17.8	499.6	0.0	0.2	17.7	482.6	0.0	0.2	13.4	288.5	0.0	0.1
Rating 10	10.5	405.9	18.7	0.5	10.4	371.6	9.6	0.5	5.2	185.0	2.4	0.1
Rating 11	0.4	10.8	1,251.6	30.0	0.4	8.0	723.8	14.4	0.4	4.8	344.2	6.5
Total exposures	*37,936.1*	*4,946.8*	*1,270.4*	*35.7*	*37,748.9*	*4,773.8*	*733.4*	*19.9*	*27,959.0*	*2,609.8*	*346.7*	*8.8*
Accounting credit exposure, broken down by rating class as at 31 December 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	0.0	0.0	5,140.4	53.1	0.0	0.0	3,509.6	42.9	0.0	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	0.0	0.7	7,279.4	545.8	0.0	0.6	4,260.7	475.3	0.0	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	0.0	1.1	1,776.7	1,294.1	0.0	1.1	1,158.8	365.9	0.0	0.7
Rating 8	154.8	1,230.0	0.0	2.4	154.4	1,213.1	0.0	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	25.2	0.6	1.8	290.0	23.9	0.6	1.7	137.1	6.1	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*

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	
	2020 DKK mill.	2019 DKK mill.	2020 DKK mill.	2019 DKK mill.
Total collateral				
Collateral received	23,991.0	24,104.9	17,153.9	17,735.2
Collateral used	19,188.9	18,323.6	12,351.8	11,953.9
Surplus collateral	***4,802.1***	***5,781.4***	***4,802.1***	***5,781.4***
Collateral concentration used				
Stage 1				
Properties	8,921.8	8,366.7	8,921.8	8,366.7
Securities, bonds, cash deposits, etc.	712.3	953.4	712.3	953.4
Cars	3,162.1	2,769.5	79.1	98.9
Warranties and guarantees	68.4	4.5	68.4	4.5
Other collateral	2,042.5	1,820.7	8.4	46.1
Total stage 1	***14,907.1***	***13,914.9***	***9,789.9***	***9,469.7***
Stage 2				
Properties	2,073.0	2,002.3	2,073.0	2,002.3
Securities, bonds, cash deposits, etc.	65.7	41.6	65.7	41.6
Cars	746.8	494.6	16.3	22.2
Warranties and guarantees	6.8	1.3	6.8	1.3
Other collateral	808.6	1,241.1	2.2	43.1
Total stage 2	***3,700.8***	***3,780.9***	***2,164.0***	***2,110.4***
Stage 3				
Properties	367.4	343.8	367.4	343.8
Securities, bonds, cash deposits, etc.	10.8	9.8	10.8	9.8
Cars	58.6	62.8	2.8	4.8
Warranties and guarantees	5.4	0.0	5.4	0.0
Other collateral	127.7	198.6	0.3	2.5
Total stage 3	***569.9***	***615.1***	***386.7***	***361.1***
Credit-impaired at initial recognition				
Properties	11.1	12.6	11.1	12.6
Cars	0.1	0.1	0.1	0.1
Total credit-impaired at initial recognition	***11.1***	***12.7***	***11.1***	***12.7***
Total	***19,188.9***	***18,323.6***	***12,351.8***	***11,953.9***

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.

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

	Group 2020 DKK mill.	2019 DKK mill.	Bank 2020 DKK mill.	2019 DKK mill.
Exposures fully covered by collateral				
Loans and other receivables at amortised cost	7,554.3	7,392.2	4,988.4	4,929.0
Guarantees	152.5	221.4	152.5	221.4
Unutilised credit lines and commitments	1,983.4	1,741.2	1,044.4	949.4
Total exposures	*9,690.3*	*9,354.8*	*6,185.4*	*6,099.9*
Concentration risk on large exposures amounting to 10% or more of own funds, Credit institutionssee Article 392 of the CRR.				
Credit institutions				
Credit exposure after deductions	1,029.3	851.5	1,029.3	851.5
Other business				
Credit exposure after deductions	1,538.4	804.0	783.9	804.0
Number of large exposures				
Credit institutions before deductions	8	9	8	9
Other business before deductions	2	1	2	2
Large exposures in % of own funds				
10-15% of own funds	20.8	11.5	10.6	11.4
Sum of large exposures, excl. credit institutions in % of own funds	20.8	11.5	10.6	11.4

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.

Loans with relaxed credit terms	Group 2020	2019	Bank 2020	2019
Private				
Non-Performing	124.5	170.7	124.5	170.7
Performing	9.8	22.2	9.8	22.2
Total	*134.3*	*192.8*	*134.3*	*192.8*
Business				
Non-Performing	108.6	109.0	108.6	109.0
Performing	7.3	16.8	7.3	16.8
Total	*115.9*	*125.9*	*115.9*	*125.9*
Total loans with relaxed credit terms				
Non-Performing	233.1	279.7	233.1	279.7
Performing	17.1	39.0	17.1	39.0
Total	*250.2*	*318.7*	*250.2*	*318.7*

The reduction of loans with relaxed credit terms is primarily attributable to continuous write-off of credit-impaired loans.

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, credit-spread 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, 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 holding of securities in order to respond to customers' business needs.

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 (credit spread risk and bankruptcy risk), share-price risk, currency risk and commodity risk.

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

The framework, objectives and strategies for the Group's market risks 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. Thus, the Board of Directors delegates the framework to the Executive Management which delegates parts of the risk framework onwards to the Treasury & Finance Department. Otherwise, the framework is utilised on the basis of the Executive Management's investment strategy, which depends on assessments of returns/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 business areas.

The Risk Department (2nd line) monitors that risk management as well as internal controls are adequate, including that the market risks are in compliance with the frameworks stipulated and the current strategy in the area. Any transgressions must be reported to the Board of Directors, the Executive Management and to the Audit and Risk Committee.

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 (systematic risk), and specific risks specifically linked to single issuers of bonds or more sector-specific risk (idiosyncratic risk). Arbejdernes Landsbank uses this distinction in day-to-day interest-rate risk management and in the calculation of risk exposures for the statement of solvency need.

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, including yield curve 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.

Most of the Group's investments are in bonds where a large part of the general interest-rate risk is hedged by using derivative financial instruments, primarily futures and interest-rate swaps.

At the end of 2020, the general interest-rate risk amounted to DKK 149.9 mill. (2019: DKK 71.7 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 149.9 mill. in the event of a 1 percentage-point increase, and a positive effect of DKK 78.1 mill. (2019: DKK 19.4 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 2020 DKK mill.	Interest-rate fall of 1 percentage point 2020 DKK mill.
Interest-rate risk broken down by type of business		
Bonds etc.	-357.8	298.8
Derivative financial instruments	296.7	-314.5
Mortgage deeds	-66.2	71.5
Other items	-22.5	22.3
Total	*-149.9*	*78.1*
Interest-rate risk broken down by currency		
DKK	-156.0	87.7
EUR	9.8	-13.4
USD	-2.7	2.8
GBP	-0.1	0.1
CHF	0.0	0.0
SEK	-0.4	0.4
NOK	-0.5	0.5
Other	0.0	0.0
Total	*-149.9*	*78.1*

	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
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*

Specific interest-rate risk covers bankruptcy risk, i.e. the loss resulting from an actual bankruptcy, and the credit spread risk which expresses the price exposure vis-a-vis a specific issuer/issue due to the market's assessment of changes in credit quality, liquidity and similar for the specific issuer/issue.

At the end of 2020, the credit spread risk on the bond portfolio and the portfolio of bond derivatives amounted to DKK 418.5 mill. (2019: DKK 470.1 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 418.5 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, including on bond types and other risk classifications. Monitoring is continuous and there are daily reports on utilisation of the frameworks.

The bankruptcy risk is addressed in the Group's issuer risk setup in which frameworks have been delegated based on the risk classification of the specific bond. Line management is conducted on three overall risk levels which are further granulated in a number of other risk classifications, including risk class (instrument-specific) and rating category.

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 is met. Furthermore, by far the majority of investments are in highly rated assets: AAA-rated securities amount to almost 76%, and investment grade assets amount to 92% of the total portfolio.

At present, 5% (2019: 6%) of the total bond portfolio has been invested in a diversified portfolio of corporate bonds, excl. banks, primarily in DKK and EUR-denominated bonds.

Investments in bonds issued by banks amounted to 9% of the Group's total bond portfolio (2019: 11%), and are predominantly in banks in the investment grade segment, with primary focus on banks with EUR-denominated bonds.

Relative composition of the bond portfolio at the end of 2020, broken down by external rating category and type of issuer:

	Group 2020 %	2019 %
Bond portfolio broken down by external rating		
AAA	76	59
AA+, AA, AA-	2	15
A+, A, A-	5	7
BBB+	3	2
BBB	5	6
BBB-	2	2
Rating < BBB-	2	2
No Rating	6	7
Total	*100*	*100*
Bond portfolio broken down by issuers		
Governments	12	12
Mortgage credit	74	71
Banks	9	11
Other business	5	6
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, expressed as a low risk appetite in the Group's market risk policy.

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 6.8 mill. (2019: DKK 9.8 mill.).

In addition to the Bank's internal currency risk calculation, Arbejdernes Landsbank also uses currency indicator 1 to manage currency risk.

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

Currency indicator 2 is also calculated and gives a measure of the currency risk taking into account how much the individual currencies have fluctuated in relation to the DKK, calculated on the basis of variances and correlations from the Danish FSA.

	Group 2020	2019
Currency risk		
Currency indicator 1 in DKK mill.	65.1	93.1
Currency indicator 1 in % of Tier 1 capital	1.0	1.5
Currency indicator 2 in DKK mill.	0.1	0.5
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 17.0 mill. (2019: DKK 16.4 mill).

Shares outside the trading portfolio primarily comprise investments in sector companies. The object of these companies is to support the Group's transactions within mortgage credit, IT, money transmission services and investment management. A general change in prices of 10% would lead to a capital loss and a negative impact on equity before tax of around DKK 100.9 mill. (2019: DKK 89.6 mill).

	Group 2020 DKK mill.	2019 DKK mill.
Share positions		
Trading portfolio		
Listed shares	165.9	155.3
Unlisted shares	4.8	9.0
Total trading portfolio	*170.7*	*164.3*
Shares outside the trading portfolio		
Listed shares	324.8	168.1
Unlisted shares	683.9	728.1
Total shares outside the trading portfolio	*1,008.7*	*896.1*
Total	*1,179.4*	*1,060.4*

Commodity risk

Arbejdernes Landsbank had no commodities positions at the end of 2020 and only accepts very limited commodity risks.

Liquidity risk

Liquidity risk is the risk of losses resulting from higher financing costs or the risk that the Group is ultimately unable to fulfil its obligations due to a lack of liquidity in a situation where the Group itself, or the sector as a whole, is affected by extraordinary circumstances.

The liquidity risk thus reflects a maturity mismatch in the balance sheet between assets and liabilities and equity, where the loan portfolio generally has a longer duration than deposits and other financial transactions. By far the majority of the Group's liquidity risk is in DKK while the currency share 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 uses a number of different methods to estimate the future liquidity need. These include an evaluation of the effect on liquidity in a number of severe stress scenarios simulating the Group's exposure to specific and market-related shocks that are considered improbable, but not unthinkable. The calculations 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 and a number of stress test scenarios, which are prepared at least once a month, have an excess liquidity coverage that ensures that the Bank has sufficient time to react and launch necessary initiatives if so required by the liquidity situation. Liquidity forecasts and stress tests are submitted to the Board of Directors on a monthly basis, and more often, if required.

	Group	
	2020 DKK bn.	2019 DKK bn.
LCR liquidity statement		
Total liquidity buffer	21.7	19.6
Net outflow	7.9	7.2
LCR (%)	274.1	269.9

At the end of 2020, LCR was calculated at 274.1% (2019: 269.9%.), which is comfortably in line with the Group's internal frameworks and the legal requirement.

Funding structure

Group activities are primarily financed through customer deposits, equity and subordinated debt, but alternatively they may be funded through loans or repo transactions with other credit institutions and Danmarks Nationalbank.

	Group	
	2020 DKK bn.	2019 DKK bn.
Funding ratio		
Equity and subordinated debt	8.0	7.8
Deposits incl. pooled schemes	52.0	47.9
Total funding	60.0	55.7
Gross loans (excl. reverse)	24.7	23.6
Funding ratio (%)	41.2	42.5

At the end of 2020, the Group's funding has increased by DKK 4.3 bn. to DKK 60.0 bn. The most significant change is an increase in deposits, which is primarily attributable to deposits on demand. Deposits remain the Group's largest source of funding, amounting to 86.6% of total funding at the end of 2020.

The Group's funding exceeds the Group's lending by DKK 35.3 bn. as at 31 December 2020.

Cash resources contingency plan

The Group has also prepared a cash-resources contingency plan which states specific initiatives to improve liquidity and/or reduce risks, including borrowing against assets or disposal of assets, which the Bank can implement if the liquidity situation so warrants.

Contractual maturity of financial liabilities for the Group

	Carrying amount	Contractual cash flows	Within 1 year	More than 1 year
	DKK mill.	DKK mill.	DKK mill.	DKK mill.
2020				
Debt to credit institutions and central banks	1,270.7	1,270.7	1,270.7	0.0
Deposits and other debt	45,073.8	45,073.8	43,874.5	1,199.3
Deposits in pooled schemes	6,970.7	6,970.7	2,212.8	4,757.9
Other non-derivative financial liabilities at fair value	0.0	0.0	0.0	0.0
Derivative financial instruments	341.4	339.8	99.0	240.7
Lease commitments	177.7	177.7	26.1	151.5
Subordinated debt	900.0	900.0	0.0	900.0
Contingent liabilities	8,193.6	8,193.6	3,513.3	4,680.2
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

The table 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 with a high credit quality in the form of certificates of deposit as well as government bonds and mortgage-credit bonds, which are adjusted as liquidity obligations mature.

Operational risk

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

Operational risks are categorised according to the seven types of risk defined by the CRR:

- Employment practices and workplace safety
- External fraud
- Business disruption and system failures
- Internal fraud
- Clients, products, and business practice
- Execution, delivery and process management
- Damage to physical assets

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 Board of Directors of Arbejdernes Landsbank has laid down a policy for operational risk, the purpose of which is to create an overview of the Group's operational risks in order to minimise the number of errors and reduce losses.

The treatment of operational risks supports 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, system-supporting processes, and to ensure that 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, which forms the basis of assessing operational risks in the coming year. The purpose of this is to ensure that the Group has a complete overview of the most significant processes and related operational risks.

A systematic registration and categorisation of loss events above DKK 5,000 is carried out, and this forms the basis for ongoing reporting of losses and events assessed to be attributable to operational risks. Any loss event exceeding DKK 1 mill. is reported separately to the Executive Management and the Board of Directors.

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.

The Board of Directors of Arbejdernes Landsbank has drawn up an IT security policy which sets and formulates the requirements for IT security management in the Group. 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 maintains 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

AKTIESELSKABET
Arbejdernes Landsbank

CVR-nr. 31 46 70 12, København

Panoptikonbygningen

Vesterbrogade 5 · 1502 København V
Telefon 38 48 48 48 · www.al-bank.dk