Annual report
2021

Arbejdernes Landsbank

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

Contents

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

Arbejdernes Landsbank

Management's report

Dear shareholders

The Group earned a profit in 2021 of more than DKK 1.3 bn. after tax, and this is considered very satisfactory in a year strongly impacted by corona and economic uncertainty. Arbejdernes Landsbank experienced growth and high activity – both in the influx of new customers and in the development of business activity. In addition to growth in terms of many new customers, in 2021 Arbejdernes Landsbank also grew as a Group. In the spring, Arbejdernes Landsbank acquired a majority shareholding in Vestjysk Bank and today owns 73% of the shares in the regional bank in Jutland. In the wake of our new ownership of Vestjysk Bank, we were designated as a systemically important financial institution (SIFI) and we thereby moved up to a new league. We have greater responsibility and an even larger role in society. Corporate social responsibility rose even higher on the strategic agenda in 2021, with our new strategy for sustainability. Our ambition is to position the Bank as one of the most sustainable banks in the sector by 2025.

The consolidated financial statements for 2021 shows a profit after tax of DKK 1,328.9 mill., which gives a return on equity of 13.9% after tax. The result for 2021 adjusted for non-recurring items, as well as the effect of Vestjysk Bank, is higher than expected at the beginning of the year. This is primarily due to lower impairments on loans as a result of fewer adverse effects of Covid-19 than expected, as well as a general good and satisfactory trend in the scope of business and Group earnings. The Results are deemed very satisfactory.

Total Group income increased relative to 2020 after taking account of the effect of recognition of Vestjysk Bank as well as non-recurring income in connection with the acquisition of a majority of shares in the subsidiary.

Group net interest and fee income rose to DKK 2,839.4 mill. against DKK 1,769.6 mill. in 2020. Excluding the effect of recognising Vestjysk Bank from 31 May 2021, the increase is attributable to positive developments in customer activity.

Value adjustments and dividends amounted to DKK 293.4 mill., and are primarily attributable to positive developments on the financial markets. Other operating income of DKK 412.2 mill. was influenced by non-recurring income in the form of badwill of DKK 328.6 mill. from the purchase of a majority shareholding in Vestjysk Bank.

Impairments on loans and receivables etc. provide an income at DKK 162.3 mill., mainly as a result of positive developments in the loan portfolio, including write-backs of management estimates relating to Covid-19.

Costs and amortisation/depreciation for the Group rose to DKK 2,424.4 mill. against DKK 1,767.1 mill. in 2020. Adjusted for the effect of recognising Vestjysk Bank, the increase is attributable to higher IT costs and non-recurring costs in connection with the acquisition of shares in Vestjysk Bank.

The Board of Directors and the Executive Board recommend to the General Meeting a dividend of 25%, corresponding to DKK 0.25 per share of DKK 1.

Increased ownership interest in Vestjysk Bank A/S

In March 2021, Arbejdernes Landsbank entered an agreement to purchase the ownership interests in Vestjysk Bank held by AP Pension and Nykredit. The purchases were completed on 31 May, and Arbejdernes Landsbank thus became the majority owner of Vestjysk Bank.

After the acquisition of shares from AP Pension and Nykredit, Arbejdernes Landsbank obtained an ownership interest of 60.8% in Vestjysk Bank. This obligated the Bank to submit a purchase offer to the other shareholders in Vestjysk Bank. The purchase offer was announced on 7 June. The purchase offer was DKK 3.45 per share, corresponding to the same price as we paid for the shares owned by AP Pension and Nykredit. The purchase offer was open for four weeks. On 9 July, Arbejdernes Landsbank announced the final result with a purchase of an additional 6.4% of the shares in Vestjysk Bank. In the same period, Arbejdernes Landsbank also acquired a further 5.5% of the shares of Vestjysk Bank A/S on the market. This brought the Bank's total ownership interest up to 72.7%.

The Group in the future

Acquisition of the majority share holding in Vestjysk Bank is part of realisation of the Bank's 2025 strategy to spread our geographical presence, increase our customer base and take a stronger position in the business segment on the basis of growth in our own business and acquisitions.

The Management aims to continue Arbejdernes Landsbank and Vestjysk Bank as two independent banks; each with their strong brands and focus. The increase in our shareholding in Vestjysk Bank means that, in future, the Group will be able to play a larger role in the business customer market, and secure a better balance between business and private, so that the Group is in a stronger position to face future capital requirements for financial companies. The Group now has an even stronger presence throughout Denmark. Thus, we have built the foundation for a new and stronger banking group to benefit customers, society and shareholders in Vestjysk Bank and Arbejdernes Landsbank. Furthermore, we expect that the new, larger banking group will be able to achieve efficiency improvements through continued investments in IT and optimisation of staff and support functions. Consequently, we expect to realise a synergy potential over time by developing and increasing cooperation within the Group.

Capital increase

Arbejdernes Landsbank increased its share capital in order to acquire the majority shareholding in Vestjysk Bank. On 14 April, the Bank offered 1.8 bn. new shares of DKK 1 nominal value. The capital increase was completed as a rights issue for the Bank's existing shareholders. When the subscription period expired on 29 April, applications for 2,120,057,977 new shares had been received, corresponding to an over-subscription of 18%. The issue was therefore fully subscribed. The capital increase was registered with the Danish Business Authority on 10 May. After the capital increase, the Bank's total share capital is 2.1 bn. shares of nominal DKK 1, amounting to a nominal capital of DKK 2.1 bn. The gross proceeds from the issue amounted to DKK 1.8 bn., and the 1.8 bn. new shares subscribed for were distributed between 6,342 shareholders.

Designation as a SIFI

As expected, the Bank was designated as a SIFI (systemically important financial institution) by the Danish FSA in June 2021. The designation reflects the important societal role that the Bank and group has now play in the Danish banking market. Designation as a systemically important financial institution entails stricter requirements for us; both administratively and in terms of increased capital requirements.

Expansion of Executive Management

In order to strengthen our position in the future, from 1 May 2021 the Bank's Board of Directors decided to extend the Executive Management of the Bank by three persons to five persons. In this connection, Jan Walther Andersen was appointed as the Deputy CEO, which means that in the future he will be even more involved in profiling the Bank externally.

The Bank has expanded its activities significantly in recent years. This means that the management task has also grown, and the Bank's strategy indicates an even higher level of activity in the future. Therefore, it is logical to add more managerial resources so that we can continue with greater strength to exploit attractive opportunities for the Bank's further development. The expansion will also ensure a stronger and more solid foundation for future management of the Bank.

Overall, it will help ensure that we are well prepared to realise our long-term strategic targets and live up to the new stricter requirements from customers, the surrounding world and not least the new requirements for the Group as a consequence of designation as a SIFI.

New Chairman and Vice Chairman of the Board of Directors

The Board of Directors met for the first time on 26 January 2022 with a new Chairman and Vice Chairman. The new Chairman of the Board of Directors of the Bank is Claus Jensen, who is the President of the Danish Metalworkers' Union. The new Vice Chairman is Ole Wehlast, who is the President of the trade union NNF. Both were elected at an extraordinary meeting of the Board of Directors

The previous Chairman, Per Christensen, resigned as chairman at Arbejdernes Landsbank on 25 January 2022 when he also resigned from his position as the President of the Federation of Danish Workers (3F).

Arbejdernes Landsbank Danes' preferred bank for the 13th consecutive year

In January 2022, for the 13th consecutive year, Arbejdernes Landsbank was lauded as Danes' preferred bank in Voxmeter's major annual survey of customer satisfaction in our sector. Being number one of the 20 largest Danish banks for customer satisfaction, for the 13th consecutive year, once again confirms that our customers value the way we run our bank. The result confirms 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. In the same survey, Vestjysk Bank was placed tenth.

Extended collaboration with nærpension and Sparinvest

The Bank has been working with the pensions company nærpension on company pensions for several years. In 2021 we agreed to expand our collaboration with nærpension. Therefore, from 2022, the Bank will also offer nærpension's other pension products to customers. The new agreement means that the Bank can introduce exciting products and a completely new advice tool for customers.

The Bank is a joint owner of Sparinvest and for many years we have offered Sparinvest's products to our customers. In 2021, we entered into an agreement with Sparinvest on developing our collaboration, and in November 2021 we and Sparinvest were among the first banks to launch an exciting new account product for savings of disposable income. The product is called Investeringskonto FRI and it will make it even easier for our customers to invest in shares and bonds, for example.

The Bank is experiencing continued strong growth in our asset-management products and in this connection we have also entered into an agreement to convert the Bank's pension pools to Lokal Puljeinvest. Among other things, this gives our customers more options in terms of investments, including access to portfolios of investments in alternatives.

Sustainability

Sustainability has entered the strategic agenda for the financial sector in earnest. The sector has a vital role in the transition to a green economy, and it is encountering more regulation and increasing reporting requirements. For more than a century, Arbejdernes Landsbank has been run on an ethically and socially responsible foundation, and in 2021 the Bank took work on sustainability up to an even higher strategic level with even more ambitious objectives. Our ambition is to be recognised as one of the most sustainable banks in Denmark by 2025.

The Bank is a signatory to the UN Principles for Responsible Banking, the UN Principles for Responsible Investment and the UN Global Compact. Consequently, the Bank is obligated to report the Bank's footprint on the outside world and the UN Sustainable Development Goals as well as to set goals that contribute to increasing the positive impacts and reducing the negative impacts. In the 2021 Responsibility & Sustainability Report, we have published the Bank's first climate accounts of the indirectly financed emissions of CO_2e1, and these help shed light on how much our economic activities impact the climate. The accounts will play a role in our ambitions and work to set goals and reduce the Group's financed CO_2e footprint.

Outlook for 2022

In 2022, the Group expects continued customer growth and a healthy development in the economy. This is expected to lead to an increase in the revenues from customer activities, and a low level of impairments. The Group also expects to spend more resources on manage its new status as a SIFI, to investment in IT security and to continue development of digital customer services. Developments in income are still uncertain because of Covid-19, but it has been assessed that there is less uncertainty than in 2021. Expectations for Group profit before tax are around DKK 900-1,100 mill.

Claus Jensen
Chairman of the Board of Directors

[1] CO_2e stands for CO_2 equivalents and is a common unit used to measure the climate impact from different greenhouse gases in one figure. CO_2e includes carbon dioxide (CO_2), nitrous oxide (N_2O), methane (CH_4) and F gases.

The Arbejdernes Landsbank Group has grown

Arbejdernes Landsbank has grown considerably with the acquisition of the majority of shares in Vestjysk Bank.

The Group is nationwide, offering relevant and competitive financial products and services combined with competent advisory services for private individuals, associations and enterprises.

The two banks in the Group will be continued as two independent banks, each with its own focus and brand. Common for the whole of the Group is greater focus on continued influx of new customers and a stronger position on the market for business customers.

Map showing branches of Arbejdernes Landsbank

Map showing branches of Vestjysk Bank

Main activities of the Arbejdernes Landsbank Group

The Arbejdernes Landsbank Group includes the following companies:

- A/S Arbejdernes Landsbank (Parent Company)
- Vestjysk Bank A/S (subsidiary)
- AL Finans A/S (subsidiary)
- Ejendomsselskabet Sluseholmen A/S (subsidiary)

A/S Arbejdernes Landsbank holds almost 73% of the shares in Vestjysk Bank A/S, while AL Finans A/S and Ejendomsselskabet Sluseholmen A/S are fully owned by the Parent Company.

A/S Arbejdernes Landsbank

Arbejdernes Landsbank is a nationwide full-service bank for private individuals, associations and small and medium-sized enterprises. The Bank's business strategy is based on sound values.

Advisory services always take outset in the needs, values and dreams of the customer. This means that our approach is to 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.

Arbejdernes Landsbank works systematically and strategically to develop a dynamic and customer-oriented culture. The Bank's culture is crucial in retaining and developing our unique position relative both to our customers and to being an attractive workplace for our employees. We see a clear link between strategy and culture. We must practice what we preach.

Vestjysk Bank A/S

The strategic focus of Vestjysk Bank is to be Denmark's strongest local bank, offering advisory services to private and corporate customers, locally as well as regionally. Vestjysk Bank aims to be an attractive cooperation partner for both private and corporate customers.

In 2021, Vestjysk Bank successfully implemented a merger with Den Jyske Sparekasse, and the expected synergies are generally being realised as anticipated. Integration of IT systems was a major task, which has now been successfully completed.

Vestjysk Bank wants to strengthen its position as a bank appealing to the business community, and in the future, it will specifically target businesses in the bank's market area, taking into account the risks associated with this market, for example rising purchase prices for the bank's business customers in general.

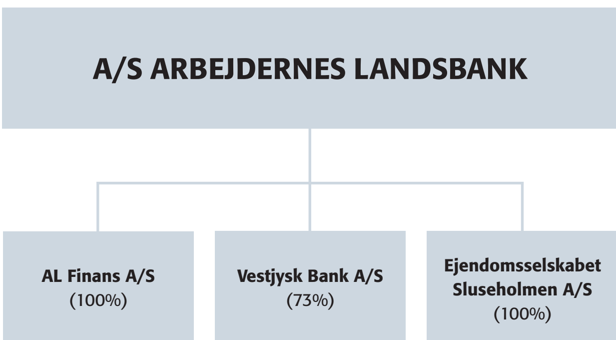
Vestjysk Bank has extensive expertise in the fisheries and agricultural sectors, and it will focus even more on fisheries. On 3 January 2022, the bank opened a centre of expertise targeting the fisheries sector. Because of the bank's strong foundation in west Jutland, an area with a long tradition of fishing, Vestjysk Bank has developed strong expertise and a considerable customer portfolio in the fisheries sector over a number of years.

AL Finans A/S

AL Finans A/S is a finance company offering financing solutions to private individuals and businesses. For private individuals, the company mainly provides car loans and car leasing. For businesses, the company offers factoring, invoice purchasing and car leasing solutions. AL Finans A/S aims to establish strong customer relations through close dialogue and collaboration.

Ejendomsselskabet Sluseholmen A/S

Ejendomsselskabet Sluseholmen A/S is the property company that owns the site on which the Arbejdernes Landsbank Group will build its new headquarters.



Financial highlights for the Group

		2021 DKK mill.	2020 DKK mill.	2019 DKK mill.	2018 DKK mill.	2017 DKK mill.
Income statement						
Net interest income		1,642.7	1,070.1	1,074.5	1,104.4	1,193.6
Net fee and commission income		1,196.7	699.5	688.1	580.3	555.5
Value adjustments and dividend		293.4	284.9	341.8	45.5	945.1
Other operating income		412.2	70.0	69.2	68.8	90.5
Profit from equity investments in associated companies		95.3	103.1	24.3	0.0	0.0
Total income		***3,640.3***	***2,227.6***	***2,197.9***	***1,799.0***	***2,784.7***
Costs and depreciation/amortisation		-2,424.4	-1,767.1	-1,663.4	-1,529.5	-1,465.6
Impairments on loans and receivables etc.		162.3	-78.6	53.9	69.5	-14.3
Total costs		***-2,262.1***	***-1,845.7***	***-1,609.5***	***-1,460.0***	***-1,479.9***
Profit before tax		***1,378.2***	***382.0***	***588.4***	***339.0***	***1,304.7***
Tax		-49.4	-52.0	-43.6	-40.1	-149.3
Profit for the year		***1,328.9***	***330.0***	***544.8***	***298.9***	***1,155.5***
Selected balance sheet items						
Loans and other receivables at amortised cost		41,958.3	23,817.7	22,906.4	22,085.8	21,958.1
Bonds at fair value		28,116.2	21,902.5	20,859.8	18,834.3	11,812.4
Total assets		107,460.6	62,913.3	59,024.0	55,106.5	47,368.9
Deposits incl. pooled schemes		89,236.6	52,044.6	47,989.8	44,872.7	37,483.7
Equity		11,852.9	7,125.2	6,855.2	6,873.2	6,761.5
Selected financial ratios and key figures						
Capital ratio	%	18.2	20.6	19.8	20.0	18.3
Common Equity Tier 1 capital ratio	%	14.9	17.0	16.2	17.6	16.2
Return on equity before tax	%	14.8	5.5	8.6	5.0	21.0
Return on equity after tax	%	13.9	4.7	7.9	4.4	18.6
Ratio of operating income to operating expenses per DKK	DKK	1.61	1.21	1.37	1.23	1.88
Liquidity coverage ratio (LCR)	%	249.4	274.1	269.9	268.1	185.7
Impairment ratio for the year	%	0.5	0.2	-0.2	-0.2	0.1
Lending growth for the year	%	76.2	4.6	3.7	0.8	4.3

See note 47 for definitions of ratios and key figures.

The subsidiary Vestjysk Bank A/S has been included in the financial highlights for the Group from 31 May 2021.

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

Financial review

Results for the year

In 2021, the Group earned a profit before tax of DKK 1,378.2 mill. against a profit last year of DKK 382.0 mill. The profit after tax was DKK 1,328.9 mill. against a profit last year of DKK 330.0 mill. The results have been impacted positively by non-recurring items related to badwill recognised in connection with the acquisition of the majority shareholding in Vestjysk Bank amounting to DKK 328.6 mill. The profit after tax provides a return on average equity of 13.9%.

The result for 2021 adjusted for non-recurring items, as well as the effect of Vestjysk Bank, is higher than expected at the beginning of the year. This is primarily due to lower impairments on loans as a result of fewer adverse effects of Covid-19, as well as a general good and satisfactory trend in the scope of business and Group earnings. The results are deemed very satisfactory.

The Group has been generally affected by recognition of Vestjysk Bank in all items from and including 31 May 2021, as the new subsidiary was not previously included in the consolidated financial statements. Vestjysk Bank has been included in the consolidated financial statements for 2021 with earnings for seven months amounting to DKK 281.6 mill. before tax. The period before 31 May 2021 includes earnings from Vestjysk Bank totalling DKK 76.7 mill. as profit from equity investments in associated companies.

The result includes the following:

- Increased earnings from net interest and fee income of DKK 2,839.4 mill. against DKK 1,769.6 mill. in 2020. Excluding the effect of recognising Vestjysk Bank from 31 May 2021, the increase is attributable to positive developments in customer activity.
- Value adjustments and dividends amounted to DKK 293.4 mill., and are primarily attributable to positive developments on the financial markets.
- Other operating income of DKK 412.2 mill. was influenced by non-recurring income in the form of badwill of DKK 328.6 mill. from the purchase of a majority shareholding in Vestjysk Bank.
- An increase in costs and amortisation/depreciation to DKK 2,424.4 mill. against DKK 1,767.1 mill. in 2020. Adjusted for the effect of recognising Vestjysk Bank, the increase is attributable to higher IT costs and non-recurring costs in connection with the acquisition of shares in Vestjysk Bank.
- Impairments on loans and receivables etc. provide an income at DKK 162.3 mill., mainly as a result of positive developments in the loan portfolio, including write-backs of management estimates relating to Covid-19.

Income

Total Group income amounted to DKK 3,640.3 mill., and this is better than in 2020, when taking account of the effect of recognition of Vestjysk Bank as well as non-recurring income in connection with the acquisition of a majority of shares in the subsidiary.

	2021 DKK mill.	2020 DKK mill.	Change DKK mill.
Group			
Net interest income	1,642.7	1,070.1	572.6
Net fee and commission income	1,196.7	699.5	497.3
Value adjustments and dividend	293.4	284.9	8.5
Other operating income	412.2	70.0	342.2
Profit from equity investments in associated companies	95.3	103.1	-7.8
Total income	*3,640.3*	*2,227.6*	*1,412.7*

Net interest income in 2021 increased by DKK 572.6 mill. to DKK 1,642.7 mill. In addition to the effects of the recognition of the new subsidiary, the increase is due to a continued increase in the level of activity in core business, and introduction of negative interest rates on larger deposits also for private customers. The Bank has decided to follow by Danmarks Nationalbank interest rates on deposits, i.e. not to introduce a marginal on deposits.

Net fee and commission income was DKK 1,196.7 mill., an increase of DKK 497.3 mill. in relation to 2020. Besides the effect of Vestjysk Bank, the increase is primarily due to customer influx, increased activity in the provision of mortgage-credit loans and portfolio management.

Value adjustments have been better than expected, with higher returns on bonds, incl. derivatives and value adjustments on shares. Value adjustments and dividends in 2021 showed gains of DKK 293.4 mill.

The increase in other operating income of DKK 342.2 mill. is primarily due to non-recurring income in the form of badwill, i.e. the difference between the acquisition price of the shares in Vestjysk Bank and the value of the net assets taken over. Badwill in connection with the purchase amounted to DKK 328.6 mill.

Profit on equity investments in associated companies includes income from Vestjysk Bank for the period from January up to and including May; i.e. from before the company became a group company.

Costs and depreciation/amortisation

Total Group costs and depreciation/amortisation were DKK 2,424.4 mill., an increase of DKK 657.3 mill. in relation to 2020.

	2021	2020	Change
	DKK mill.	DKK mill.	DKK mill.
Group			
Staff expenses	1,208.5	948.3	260.2
Administrative expenses	1,005.1	656.2	348.8
Amortisation/depreciation and impairments on intangible assets and property, plant and equipment	160.2	108.1	52.1
Other operating expenses	50.6	54.4	-3.8
Total costs and depreciation/amortisation	*2,424.4*	*1,767.1*	*657.3*

Staff costs showed an increase in 2021 of DKK 260.2 mill. Besides costs attributable to the new subsidiary, Vestjysk Bank, staff costs have remained stable as the number of employees has remained largely unchanged compared with last year.

Administrative expenses increased by DKK 348.8 mill. compared with 2020. Adjusted for the share of costs attributable to the new subsidiary, this corresponds to an increase of 8.5%. Most of this increase is attributable to non-recurring costs relating to the acquisition of further shares in Vestjysk Bank and higher IT costs.

Impairments on loans and receivables etc.

Impairments in 2021 amounted to a write-back of DKK 162.3 mill. against a charge of DKK 78.6 mill. in 2020, when uncertainty of the effects of Covid-19 in particular had a significant effect on the expected impairments. The write-back of impairment charges in 2021 is partly due to a lower managerial estimate related Covid-19, as a consequence of low unemployment and positive developments in the property market, but also a general improvement in credit ratings for the loan portfolio. The estimates are based on expected developments in different sectors and the general positive macro-economic developments.

Results by segment

Income and costs by segment are described in note 4.

Customer activities together with the new segment, Vestjysk Bank, will in future constitute the majority of the business activities of the Group. However, Vestjysk Bank is only included as a subsidiary in the Group annual report from 31 May 2021, which corresponds to seven months' earnings.

Both segments continue to grow in customers and business scope, and they are experiencing negative interest rates. Moreover, a high level of activity within the provision of mortgage-credit loans and assets management, also had a positive effect. At the same time, there is a reduction in the need for impairment charges on loans to customers, etc. further to Covid-19, and this has also had a positive impact. As a result, profits both including and excluding impairments are considerably better than in 2020.

Investment activities were better than expected in 2021, compared with 2020, when Covid-19 had a significant negative impact and led to major losses on the bonds portfolio.

Other activities include the Bank's properties, certain sector-related shares and associates, including Vestjysk Bank until 31 May 2021. Furthermore, badwill of DKK 328.6 mill. in connection with the acquisition of the majority shareholding in Vestjysk Bank was a major non-recurring income item in the financial year.

Balance sheet

The balance sheet total increased in 2021 by DKK 44.5 bn. to DKK 107.5 bn. The addition of Vestjysk Bank to the Group amounted to DKK 43.3 bn., and the remaining increase is attributable to a continued increase in customer business activities in the Group.

At the end of 2021, Group deposits amounted to DKK 71.7 bn. against DKK 45.1 bn. at the start of the year. This increase is primarily due to additions from Vestjysk Bank of DKK 26.0 bn.

Group lending increased by DKK 18.1 bn., primarily as a consequence of additions from Vestjysk Bank, to DKK 42.0 bn. for the entire Group. The lending growth at Group level was approximately 6% for the financial year.

Deposits in pooled schemes increased by DKK 10.5 bn., and the portfolio of securities in the form of bonds and shares increased by DKK 7.0 bn. Besides the growth in Vestjysk Bank, the increase in both items is due to good growth in Arbejdernes Landsbank.

There has been a shift between demand deposits with central banks and receivables from central banks, and this is primarily due to deposits on current accounts rather than certificates of deposit, as a consequence of interest rates being equalised between these two types of deposit.

Equity amounted to DKK 11.9 bn., and besides the additions of minority interests in Vestjysk Bank, there was a capital increase in the first half-year of 2021 of DKK 1.8 bn. in the Parent Company to purchase shares in Vestjysk Bank. The addition also contributed DKK 1,402.4 mill to comprehensive income for the year. The fall in equity is attributable to interest paid on Additional Tier 1 capital of DKK 44.7 mill., as well as costs incurred in connection with the capital increase by the Bank of DKK 24.9 mill.

Outlook for 2022

The Danish economy as a whole has put the corona crisis behind it. Today, GDP is higher than before the crisis, employment is breaking records and unemployment is at the lowest level since 2008. Growth in the Danish economy in 2021 is expected to be the highest for at least 15 years, and expectations for continued growth are strong. We expect growth in 2022 of more than 3%, followed by 2% in 2023. Although the Danish economy as a whole has put the corona crisis behind it, this does not apply to all business sectors. The corona crisis has hit some harder than others, and it is by no means over for the hardest hit sectors such as hotels, restaurants, nightlife and their suppliers. However, we are generally optimistic for the Danish economy, which stands robust for the years to come.

Danish consumers are in a strong position. Danes' personal finances are on the whole sound and well-cushioned, which satisfies an appetite to consume that has accumulated during the corona crisis, especially as there is strong job security. Deposits in Danish banks are more than DKK 1 bn., pensions savings are higher than ever and equity in property has also increased considerably. Private consumption will, however, flatten out in 2022, and therefore constitute a weaker locomotive for growth in the Danish economy than in 2021. On the other hand, exports will take a larger role in growth in the Danish economy as economies outside Denmark recover, particularly in Europe. Investment will also make a good contribution to Danish growth as capacity in the economy comes under pressure.

Inflation has become a hot topic after it rose to its highest level since 2008. Part of this higher inflation is temporary, however, triggered by higher energy, raw materials and freight prices, but we do not yet see clear signs of inflation in pay at the start of 2022. However, we expect that pay increases will be higher in 2022 as a consequence of the strong Danish economy and pressure on the labour market.

The booming economy is challenging capacity, and this may inhibit growth in 2022. Global bottlenecks have led to a shortage of equipment and materials, and at the same time, unemployment has fallen considerably. It is extremely positive that more people now have a job, and fewer are unemployed, including the long-term unemployed, but as a consequence companies are reporting a shortage of labour. This risks overheating the economy due to pressure on pay and prices which may lead to a subsequent economic downturn. However, we do not see overheating in the Danish economy at the moment, although we are monitoring the situation closely. Our main expectation is that the upswing in the Danish economy is long-term, and not an overheating with an abrupt end.

Capital and liquidity

Capital management

The Group's capital target at 31 December 2021 has been set as the solvency need plus capital conservation buffer and an excess cover of 6.0 percentage points. The excess cover has been set to absorb future capital requirements in the form of a fully phased-in countercyclical capital buffer and a SIFI buffer of 1.0%. The designation of Arbejdernes Landsbank as a SIFI means that the Group is subject to a SIFI capital buffer of 1.0% from the end of 2022. The SIFI capital buffer must be met with Common Equity Tier 1 capital. Note that the part of the minority interests' capital, which may not be included in the own funds, see note 34, but which is included in the capital target in Vestjysk Bank has been included to cover the Group's targets for capital buffers.

With a solvency need of 10.0% as at 31 December 2021, the Group's capital targets are:

	Common Equity Tier 1 capital	Tier 1 capital	Own funds
	%	%	%
Group			
Capital target	14.1	16.0	18.5
Deduction for minority interests	-0.7	-0.9	-1.1
Adjusted capital target	*13.4*	*15.1*	*17.4*
Status 31 December 2021	14.9	16.0	18.2
Excess cover	*1.5*	*0.9*	*0.8*

At the end of 2021, the Group's Common Equity Tier 1 capital ratio was 14.9% against 17.0% at the end of 2020, and the reduction is primarily attributable to the acquisition of Vestjysk Bank. The total capital ratio was 18.2% compared with 20.6% at the end of 2020. In this context the Group has an individual solvency need of 10.0% and the combined capital buffer requirement is 2.5% which currently only comprises the capital conservation buffer of 2.5% as there is no current requirement for a countercyclical capital buffer. In June 2021, the Minister for Industry, Business and Financial Affairs decided that the countercyclical capital buffer is to be reactivated at a rate of 1.0% from 30 September 2022. At a meeting in December 2021, the Systemic Risk Council recommended a further increase of the buffer to 2.0% with effect from the end of 2022.

The Group's overall capital requirement amounts to 12.5%. Therefore, at the end of the year the Group had a capital excess cover of 5.7 percentage points, corresponding to DKK 3.5 bn. The Group's excess cover of the capital and MREL requirement in relation to the risk-weighted exposures is described in the following table:

	31.12.2021	Statutory requirement	Excess cover
	pct.	pct.	pct. point.
Group			
Common Equity Tier 1 capital ratio	14.9	8.1	6.8
Tier 1 capital ratio	16.0	10.0	6.0
Capital ratio	18.2	12.5	5.7
MREL %	18.2	15.6	2.6

The Group regularly assesses the need to adjust its capital structure. The Group currently has a very solid capital excess cover in relation to the capital requirements.

The Danish FSA lays down annually a requirement for Danish SIFIs' own funds and eligible liabilities (MREL). The method for determining the MREL requirement is based on two-times the solvency need plus the combined capital buffer requirement, in relation to the risk-weighted assets. The MREL requirement will be phased in up to 1 January 2026 and is assessed on the basis that Arbejdernes Landsbank was designated as a SIFI at consolidated level in 2021.

The Group must meet the following MREL requirement up to 1 January 2026 on the dates stated in table:

	31.12.2021	01.01.2026
	%	%
Group		
Solvency need	10.0	10.0
Required loss-absorption amount	***10.0***	***10.0***
Solvency need	10.0	10.0
Capital conservation buffer requirement	2.5	2.5
SIFI buffer requirement	0.0	1.0
Required recapitalisation amount	***12.5***	***13.5***
Phase-in	-9.4	0.0
MREL requirement	***13.1***	***23.5***
Capital conservation buffer requirement	2.5	2.5
The always applicable countercyclical capital buffer requirement	0.0	0.0
SIFI capital buffer requirement	0.0	1.0
Combined capital buffer requirement	***2.5***	***3.5***
Total MREL and combined capital buffer requirement	***15.6***	***27.0***

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 January 2026, the Group expects to have to issue a minimum of DKK 9 bn. in SNP instruments to cover the MREL requirement, depending on changes in risk exposures, solvency need and requirements for the countercyclical capital buffer. The Group expects to commence issuing SNP instruments in Q2 2022. To support the future issues of SNP instruments, the Group will commence a rating process in which the objective is for the Group to have a credit rating in the first half-year of 2022.

On 24 January 2022, with approval from the Danish FSA, Arbejdernes Landsbank redeemed nom. DKK 429 mill. in Additional Tier 1 capital and at the same time issued new capital of the same quality and of the same size.

Liquidity management

The Group aims to maintain a liquidity policy by which non-subordinated external capital is mainly financed based on deposits. Therefore, a positive deposits surplus is also an objective. The deposits surplus is defined by Group as the difference between deposits excluding pools, and loans. At the end of 2021, the Group's deposits surplus amounted to DKK 29.8 bn. and this is DKK 8.5 bn. higher than at the end of 2020. The Group has a goal for the liquidity coverage ratio (LCR) and Net Stable Funding Ratio (NSFR), calculated according to the regulations in EU

Regulation no. 61/2015, to always exceed 130% and 110%, respectively. At the end of 2021, the Group had an LCR of 249.4% (2020: 274.1%) and an NSFR of 137.2%.

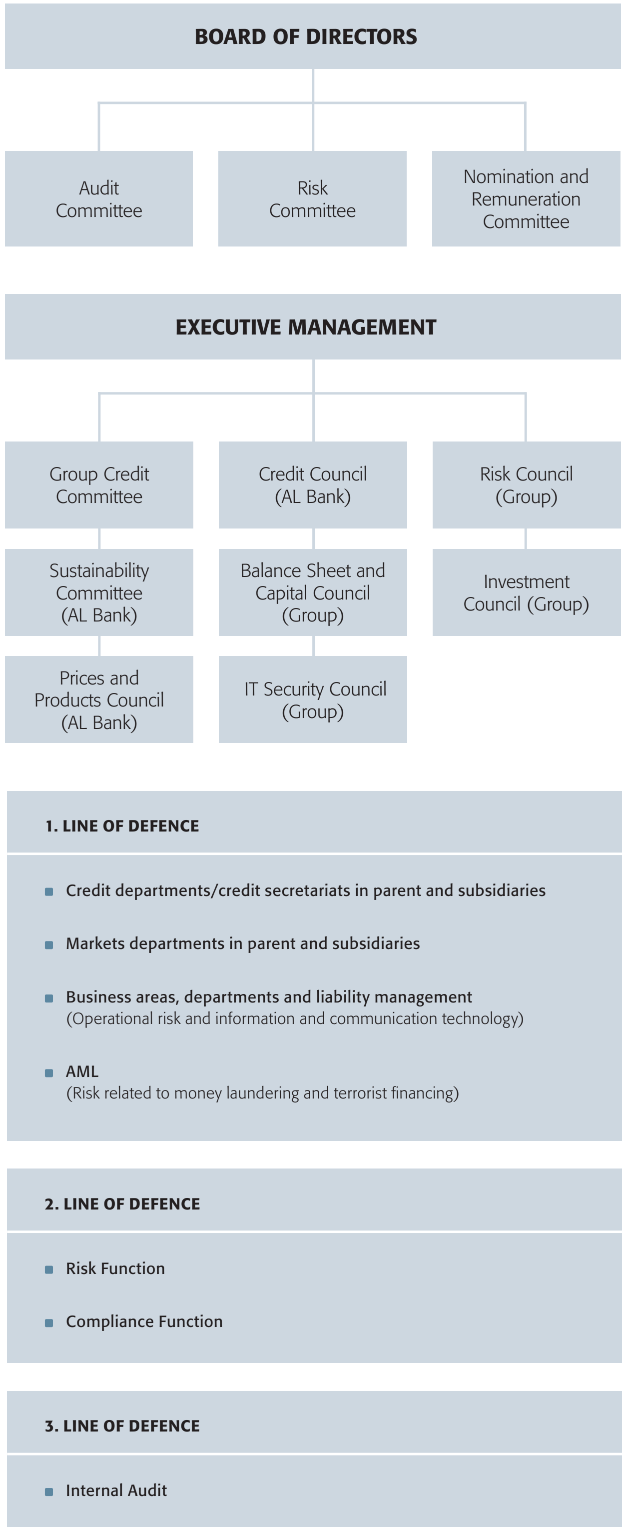
Risk management

The strategic ambition for risk management at the Group is to remain a strong financial enterprise for owners, customers and society. In this connection, there is focus on the Group being aware of the risks to which the Group is exposed as a result of the business model, and on managing these appropriately. The following risks are considered as the most important:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk, including IT security, outsourcing and money laundering risk

The information contained in the annual report on the risk management regarding the Group. There are no differences between the consolidation basis for accounting purposes and consolidation in accordance with the CRR.

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



The basis for the overall structure of risk management at the Group is as follows:

- The business model for the Group includes Vestjysk Bank, which is operated as an independent listed bank with its own business model and board of directors, within the framework set by the Board of Directors of the Group.
- The Board of Directors of Arbejdernes Landsbank has formulated a risk strategy for the Group, setting the overall framework for risk management. The risk strategy formulated by the Board of Directors sets the framework for the Group's capital consumption and delegates capital to Arbejdernes Landsbank, Vestjysk Bank and AL Finans A/S.
- Group policies developed by the Board of Directors determine the risk appetite in all significant areas, and they delegate risk appetite to the individual companies in the Group.
- The Board of Directors has set up a Risk Committee to assess whether the internal control, risk management and security systems of the Group are effective.
- The Executive Management has established a Group Credit Committee to pre-process significant individual cases from Vestjysk Bank, and cases outside the scope of the business model of Vestjysk Bank, as these have to be authorised by the Board of Directors of Arbejdernes Landsbank.
- The Executive Management has set up a Risk Council to process both financial and non-financial risks potentially influencing the Group. Furthermore, the Executive Management has set up a number of councils, committees and coordination groups, including a legislation group tasked with ensuring good governance for operational management of the Group's business activities.

Organisation of risk management

Committees of the Board of Directors

The Board of Directors has overall responsibility for defining and managing the Group's risks, see the figure on page 14. 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.

Three 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, the Audit Committee and the 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 most important task of the **Audit Committee** is to monitor and control matters related to accounting and auditing. Among other things, the committee must inform the Board of Directors about the result of the statutory audit. Furthermore, the Audit Committee monitors effective functioning of the Bank's internal control system, Internal Audit and risk management systems in relation to financial reporting.

The **Risk Committee** is responsible for dealing with risk-related issues. The committee reviews and assesses the adequacy and efficiency of the Bank's risk management policies, instructions and systems and advises the Board of Directors on the current and future risk profile and risk strategy of the Group.

Committees and councils of the Executive Management

The boards of directors in each of the companies within the Group have appointed an executive management, which is responsible for day-to-day management, including that the companies are operated in accordance with the strategy, policies, etc. adopted by the boards of directors. The executive managements are responsible for ensuring organisation, processes, systems and competences that support sound risk management in the companies within the Group.

The Executive Management of Arbejdernes Landsbank has set up a number of councils and committees focusing on risk management in the Group and the Bank:

In order to ensure effective risk management across group, the Executive Management has set up **Risk Council**. The Risk Council follows up on risk appetite, discusses the overall risk profile for financial and non-financial risks, follows up on the Group’s risk reporting and discusses risk policies before they are considered by the Board of Directors’ Risk Committee. The Risk Council is headed by the Chief Executive Officer (CEO) of Arbejdernes Landsbank and also comprises the other members of the Executive Management. The Group Chief Risk Officer (CRO), the Deputy Group Chief Risk Officer and Group Head of Compliance serve as observers.

As a consequence of acquiring a majority shareholding in Vestjysk Bank, a **Group Credit Committee** has been established. The purpose of the committee is to pre-process significant individual cases from Vestjysk Bank, and large cases outside the scope of the business model of Vestjysk Bank, as these have to be authorised by the Board of Directors of Arbejdernes Landsbank. Furthermore, the committee ensures that the Board of Directors of Arbejdernes Landsbank receives adequate reports on credit risk in Vestjysk Bank. The CEO of Arbejdernes Landsbank is the chairman of the committee. The Group Chief Risk Officer serves as an observer.

Arbejdernes Landsbank also has a **Credit Council**. The task of the Credit Council is to authorise exposures of a certain size, approve impairment levels, approve credit management tools and deal with any other credit-related issues at Arbejdernes Landsbank. The Credit Council also processes cases from AL Finans, while Vestjysk Bank has its own credit council. The council is headed by the Bank's CEO and also comprises the Executive Bank Director for Business, the Executive Bank Director CFO, the Executive Bank Director for Business Development, HR, IT and Credit and the Deputy Director of Credit. The Group CRO serves as an observer.

The role of the **Balance Sheet and Capital Council** is to ensure efficient capital management across the Group. The council is headed by the Executive Bank Director CFO at Arbejdernes Landsbank and moreover consists of the Deputy CEO at Arbejdernes Landsbank, the Head of Balance and Capital Management, as well as the director of credit and managing director and financial director at Vestjysk Bank. The Group CRO serves as an observer.

The **IT Security Council** is responsible for coordination and collaboration on IT security across the Group. The council must ensure a risk-based IT security level that meets the business requirements, as well as ensure that collaboration processes for handling IT security projects, tasks and incidents have been defined and work effectively across all stakeholders in the organisation. The council consists of the Executive Bank Director at Arbejdernes Landsbank responsible for Business Development, HR and IT, the Bank’s Head of IT Department, the Head of IT Security and the Head of IT Security and Contingency in the 1st line of defence, the Head of Equipment and Operations and the Bank’s Director for Business Development. The Deputy Group CRO serves as an observer.

The **Investment Council** is headed by the Deputy CEO at Arbejdernes Landsbank, and also comprises the Executive Bank Director CFO, the Head of Balance Sheet and Capital Management, the Senior Treasury Manager for the Bank and the executive bank director from Vestjysk Bank. The council follows up on the Bank's investments within and outside the trading portfolio and reconciles future tactical positioning. The Group CRO serves as an observer.

The **Prices and Products Council** approves launches of new products and services within its own mandate at Arbejdernes Landsbank and shutting down existing products. The council is headed by Executive Bank Director CFO of Arbejdernes Landsbank and also comprises the Executive Bank Director for Business, the Executive Bank Director for Business Development, HR and IT, the Director of Credit and AL-Markets’ proxy. The Deputy Group CRO and the Group Head of Compliance serve as observers.

The **Sustainability Committee** holds managerial responsibility for implementing the corporate social responsibility and sustainability policy, and the purpose of the committee is to make sure that the sustainability strategy is realised across business areas and units The Sustainability Committee is headed by the CEO of Arbejdernes Landsbank and also comprises the other members of the Executive Management, the Branding and Communication Director, and the project manager for sustainability. The Group CRO serves as an observer.

1. line of defence

The credit departments at Arbejdernes Landsbank, Vestjysk Bank and AL Finans A/S, respectively, are responsible for day-to-day, 1st-line-of-defence risk management of credit risk in the Bank's branches, business centres and subsidiaries. The credit departments ensure compliance with both the credit strategy and the credit policies. Furthermore, they are in contact with the branches and provide credit advisory services in relation to processing individual cases and performing checks and monitoring.

The markets departments at Arbejdernes Landsbank and Vestjysk Bank are responsible for day-to-day, 1st-line-of-defence risk management of the Bank's market risk. The various Treasury functions at the Bank are responsible for the Bank's own portfolios. The units are responsible for complying with relevant policies and instructions.

AL Markets and the Bank's CFO area are responsible for day-to-day risk management of liquidity risk at Arbejdernes Landsbank. The Bank's markets departments are responsible for short-term, day-to-day liquidity management at the Bank, while overall management responsibility lies with the Bank's Treasury unit under the CFO area.

Management of operational risk (1st line of defence) is anchored in the individual business units in order to ensure efficient handling of events which have caused, or may potentially cause, operational losses. Arbejdernes Landsbank has systems to identify risk events of an operational nature. Other than reporting for managerial purposes, these systems are used to improve procedures and contingency plans. Vestjysk Bank monitorsand reports on its own operational incidents to its own executive management and board of directors, and to the Group Chief Risk Officer (CRO).

An IT security unit has been set up in the 1st line of defence, responsible for drawing up contingency plans and safeguarding secure IT risk management as well as a sufficient level of IT security. The IT security unit has been set up at Group level.

The task of ensuring that Arbejdernes Landsbank is not exploited for money laundering or terrorist financing is anchored in the AML Department, which also has Group responsibility for the AML area. The person responsible for the AML area in each subsidiary is responsible for ensuring compliance by the subsidiary of the regulations in the Anti-Money Laundering Act. The persons responsible for the AML area in the Group's subsidiaries are subject to a dual reporting obligation, as they are to report both to the management of the subsidiary and to the person responsible for the AML area at Group level on matters of importance to the Group's compliance with the Anti-Money Laundering Act, Group policies etc.

The Board of Directors of Arbejdernes Landsbank has adopted a product policy and a governance structure to ensure that activities in new areas, as well as deliberations about new products and services, are considered by the Bank's Prices and Products Council before being recommended to the Board of Directors. Vestjysk Bank has a similar procedure for activities in new areas, and moreover, approval is required from the Board of Directors of the Group prior to any changes in Vestjysk Bank's business model.

There is focus on maintaining up-to-date IT systems in order to support risk management in significant business areas, and to quantify the size of the risks to which the Group is exposed at any time.

2. line of defence

Arbejdernes Landsbank has a Risk Function managed by the Group Chief Risk Officer (CRO). The Risk Function monitors risk management across the Group and ensures correct identification, measurement, handling and reporting of all significant risks in the Parent Company and its subsidiaries. The Group CRO reports to the Board of Directors and the Executive Management of Arbejdernes Landsbank concerning the Group's risks. The report includes assessments and selected recommendations from the Group CRO. The Risk Function provides advice to the Board of Directors and the Executive Management with regard to risk issues. Vestjysk Bank has an independent risk function, which reports to the executive management and board of directors of Vestjysk Bank. The CRO at Vestjysk Bank coordinates monitoring with the Group CRO and reports to the Group's Risk Function. Monitoring IT security in the Group is also part of the responsibility of the Risk Function and is carried out by the Head of IT security. The Group CRO reports to the CEO of Arbejdernes Landsbank, and reports independently to the Board of Directors.

The Group has a Compliance Function managed by the Group Head of Compliance. The Compliance Function is responsible for independent reporting to the Executive Management and the Board of Directors. The Compliance Function is responsible for assessing and checking compliance with current legislation, industry standards and internal rules. Furthermore, the Compliance Function provides advice on how to reduce compliance risks. Vestjysk Bank has an independent compliance function, which reports to the executive management and board of directors of Vestjysk Bank. The head of compliance at Vestjysk Bank coordinates monitoring with the Group Head of Compliance and reports to the Group's Compliance Function.

3. line of defence

Internal Audit is the 3rd line of defence and is responsible for carrying out independent audit of risk management by the Group, including the internal controls and monitoring of the risk area. The Chief Audit Executive at Arbejdernes Landsbank has Group responsibility, but Arbejdernes Landsbank and Vestjysk Bank each had their own internal auditors at the end of 2021.

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 2021, Arbejdernes Landsbank was comfortably within all limit values in the supervisory diamond.

	Limit Values	31.12.2021
	%	%
Bank		
Large exposures	< 175	41.2
Lending growth	< 20	6.8
Commercial property exposure	< 25	2.8
Liquidity benchmark	> 100	243.6

The definition of the ratios and key figures is explained in note 47.

Vision and strategy work in 2021

Arbejdernes Landsbank's business strategy "Strategy 2025: More customers and more satisfied customers" is the Bank's long-term strategy, and a cornerstone of the Bank's business model. The strategy was implemented in early 2020, and during 2021 we have worked on initiating specific initiatives, all of which aim to support the Bank's goals, up to 2025. Acquisition of the majority holding in Vestjysk Bank was part of realisation of our 2025 strategy to spread our geographical presence, increase our customer base and thereby take a stronger position in the business segment on the basis of growth in our own business and acquisitions.

The Group now consists of two independent banks, each with its own strategy and vision as well as the financing company, AL Finans A/S, and Ejendomsselskabet Sluseholmen.

Arbejdernes Landsbank

Implementation of Arbejdernes Landsbank's Strategy 2025: More customers and more satisfied customers, will be in three dimensions. Efficient bank, Customer-oriented culture and Position in the sector. Focus up to 2025 is to forge a more efficient and profitable bank. This will be on the basis of focus on a customer-oriented culture with high customer satisfaction, more customers, a strong brand and responsible banking activities.

Customer-oriented culture

All customers are welcome at Arbejdernes Landsbank, and 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 that we have a close dialogue with our customers, and that it is a focus area for all employees at the Bank.

We see that customers demand attentive and personal advisory services, particularly in connection with larger financial decisions. For their more everyday needs, customers want a broad range of digital services and their expectations for accessibility – both physically and online – are increasing. Customers expect us to be proactive and to meet them with specific recommendations for how their finances can best be organised. They want to be spoken to at their level and in a way that makes their choices easy and safe. They have a very clear desire for personal advisory services with a dedicated advisor, but they can have different wishes as to whether the relationship should primarily be online or in person. We believe that this trend is will endure for a long time into the future, and therefore it will continue to be a cornerstone in the Bank's strategy.

Our goal is that our customers always experience us as a responsible and attentive partner, able to present our message in a simple and easy-to-understand manner. We want to be close to our customers and the customer's financial situation in all phases of life – both in good times and bad times.

The Bank's future services for customers will help create a better balance between the service a customer experiences and the costs associated with supplying the service. An adjustment to the business model is necessary and preparations for this are in full swing. In future, a crucial part of this will be to be able to offer customers a digital empathetic bank.

Efficient Bank

Throughout 2021, the Bank has focussed on creating even better customer experiences and more efficient daily routines for employees at the Bank. During the year, we have targeted work on optimising and streamlining more workflows and processes that ultimately will release even more time to advise and service our customers.

Position in the sector

In 2021, the Bank has continuously worked to secure awareness of the Bank and to deliver good customer experiences to secure happy customers and high customer satisfaction. Both the takeover of the majority shareholding in Vestjysk Bank and the customer influx to Arbejdernes Landsbank help strengthen the Group's position and robustness.

Arbejdernes Landsbank still has a very strong position in the sector. In January 2022, for the 13th consecutive year, we were lauded as Danes' preferred bank in Voxmeter's CEM survey. Being number one among the 20 largest Danish banks for customer satisfaction, for the 13th consecutive year, once again confirms that our customers value the way we run our bank. 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.

The Bank continues to experience strong organic growth in the private area. Since the start of 2020, we have gained more than 26,000 new private customers. The Bank has been particularly successful at attracting customers who want to use the Bank for all of their banking requirements.

The positive interest in the Bank means that we currently have more than 344,000 private customers.

Similarly, the Bank has experienced an incipient growth in the business area. In 2020, the Bank launched a new organisation and a number of new concepts for business customers. In 2021, 100 small and medium-sized enterprises decided to become customers of the Bank. This means that the Bank has higher lending to business customers, and this also leads to further activity.

Corporate social responsibility and sustainability

With the EU's ambitious climate plan for the financial system, financing will in future be linked to a much greater extent to activities and solutions that contribute to a successful green transformation. At Arbejdernes Landsbank, we welcome these developments and maintain our overall sustainability ambition and focus on motivating and supporting our customers' sustainable development and green transition.

The EU has imposed considerable requirements on the financial sector to be transparent, report and communicate with customers and the outside world about what money is lent out for and invested in, and the secondary effects this has on the climate, the environment and social conditions. There will be more of these requirements in the years to come. All this aims to create incentives for the sector to contribute even more to financing the green transition.

In 2021, as a financial enterprise and credit institution, Arbejdernes Landsbank will have to report according to Article 8 of the EU Taxonomy Regulation on the percentage of exposures on the balance sheet that is covered by the Taxonomy Regulation - eligible versus non-eligible - as well as a number of qualitative reporting requirements.

In 2021 we also calculated the total climate footprint of Arbejdernes Landsbank and AL Finans. The calculation shows that more than 99% of our CO_2e emissions are indirect and come from what we finance or invest in. This shows that as a bank we can make the absolutely greatest difference for the green transition by working with our customers.

In autumn 2021, we launched our new digital value service, Valified, to business customers. Valified makes it easier for companies to report on sustainability. In the years to come, sustainability reporting will become a mandatory requirement for many companies and Valified is a specific example of how we want to pave the way towards more sustainability for our customers and support their green transition through an extended product range, more value services and targeted advice.

Read Arbejdernes Landsbank's Responsibility and Sustainability Report 2021 for the statutory report, see section 135a, 135b and the EU Taxonomy and see the Factsheet on sustainability 2021.

Vestjysk Bank

Vestjysk Bank wants to create a positive development for the bank's customers and stimulate activity in the local community that the bank is part of. This means that the bank has focus on and takes responsibility for development in the local area through its position as Denmark's strongest local bank.

Following the merger with Den Jyske Sparekasse, the bank now has the size and strength to focus even more on attracting new customers and to target advice for existing customers.

This will continue to take outset in the bank's branches, of which the bank will increase business through targeted work to attract new private customers and business customers, and through further business with current customers, not least in the leasing and investment areas.

Furthermore, the bank will have particular focus on attracting new larger business customers for the Large Customer Department and, in particular, for growth in the bank's specialist areas, where renewable energy is expected to contribute to growth in the extent of the bank's business.

Similarly, the bank will target work on strengthening fisheries and agriculture. These are areas in which the bank has a high market share and strong competences, and therefore there will still be a lot of attention on developments in these sectors.

AL Finans

During 2021, AL Finans A/S has maintained its focused market and product strategy. Around 80% of the balance sheet is related to loan and leasing financing for cars for private and corporate customers, and about 20% of the balance sheet is related to factoring and purchasing outstanding invoices from businesses.

A few years ago, all transactions in AL Finans concerning car financing came from collaboration with a large number of car dealers. In recent years, in parallel with the car dealer channel, a collaboration with Arbejdernes Landsbank has been developed for private car loans as well as a number of digital channels for direct loan applications from private car buyers. Loans from other channels than car dealers in 2021 amounted to approx. 70% of the total influx of new loan business. In addition to this, AL Finans has a particularly strong position in leasing financing for cars, with increasing volume. Overall, the market position of AL Finans for car financing has become stronger and more widely grounded in recent years.

AL Finans is currently working on responding to expected major changes in the car market in the years to come, with electrification, new mobility solutions and self-driving cars. With its green car loans, AL Finans has achieved an extremely satisfactory market share for financing electric and plug-in hybrid cars, and in the future AL Finans will attempt to further develop a strong green profile.

In addition to the above marked initiatives, in 2021 AL Finans has had strong focus on process optimisation and is conducting a major renewal of the entire IT infrastructure on the basis of a new ERP system.

In general, during 2021 AL Finans has been able to improve its market share in the majority of the company's market segments, and the total loan balance has increased by around 12% over the year.

Organisation and management of the Arbejdernes Landsbank Group

All companies in the Group have a management consisting of a board of directors and executive management. The management of A/S Arbejdernes Landsbank comprises the Group's supreme management and is described in more detail below.

For more information on board of directors and executive management of Vestjysk Bank A/S, see the bank website and annual report.

The board of directors of AL Finans A/S is composed of the Executive Management of Arbejdernes Landsbank and Jensmartin Bendi Frandsen, the Credit Director at Arbejdernes Landsbank. For more information on the executive management and management of AL Finans A/S, see the company website.

Board of Directors of Arbejdernes Landsbank

The Board of Directors of A/S Arbejdernes Landsbank is composed of 12 members, including eight elected by the General Meeting and four elected by employee. The term of office for members elected by the General Meeting is one year, and for the employee representatives four years. The Bank's Executive Management and the CRO participate at 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 2021, there was no change in the Board of Directors. In January 2022, the chairman resigned and Claus Jensen is the acting as new Chairman.

In order stand as a candidate for 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.

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 Board of Directors carries out an annual evaluation of the competences needed, and whether they are available in the Board of Directors. In 2021, self-evaluation was carried out in the first half-year and it included a questionnaire survey. The results of the survey were considered at a meeting of the Nomination and Remuneration Committee before discussions in the Board of Directors.

The result of the 2021 self-evaluation of the Board of Directors was satisfactory. The overall conclusion is that the work of the Board of Directors is conducted efficiently, and that cooperation between the Board of Directors and the Executive Management is satisfactory and trustful. The work of the Board is characterised by an open culture in which all members' views are dealt with appropriately.

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. The Council on Corporate Governance recommends that at least one-half of the members of the Board of Directors elected by the General Meeting are independent. The Bank follows this recommendation. See the Bank's report on the recommendations for corporate governance (in Danish) here: https://www.al-bank.dk/om-banken/baeredygtighed-og-governance/corporate-governance.

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. Designation as a SIFI means increased requirements for the Board of Directors, including the time each member of the Board of Directors should expect to have to spend on Board work. Therefore, there are specific regulations to limit the number of management positions as a member of a board of directors in a SIFI may have.

In 2021, the Board of Directors held 13 meetings, of which three were extraordinary meetings, and there were two meetings with the Advisory Board of Representatives.

Information about the individual members of the Board of Directors, including their qualifications relative to their work in the Board of Directors, is available on page 25-28 of the annual report.

Committees of the Board of Directors

In 2021, the Board of Directors of Arbejdernes Landsbank had an Audit and Risk Committee consisting of three members. The Committee was 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 was 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 2021.

The Board of Directors has decided to split the committee up into two independent committees from 1 January 2022: an Audit Committee and a Risk Committee. The division is a result of the Group's growth, designation as a SIFI and the additional requirements arising from this.

The task of the Risk Committee is to advise the Board of Directors on whether the Group's and the Bank's current and future risk profile and strategy and the Group's and the Bank's risk management, including policies, guidelines, instructions, methods, systems, processes and procedures, are adequate and effective. The committee currently has three members.

The Audit Committee prepares the audit and accounts work of the Board of Directors. The Committee is responsible for supporting, monitoring and assessing whether the Group and the Bank's accounting procedures, including the internal control and risk management systems, are working effectively with a view to ensuring the credibility, integrity and transparency in the financial reporting. The committee monitors the independence of the auditors and is responsible for the procedure for selection and recommendation of auditors for election. The committee has four members.

The Board of Directors has also set up a Nomination and Remuneration Committee with three members at present. In addition, an employee representative takes part 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 on matters concerning remuneration, including the Group's remuneration policy. In 2021, the Nomination and Remuneration Committee held three meetings.

The remuneration policy is available (in Danish) on the Bank website: https://www.al-bank.dk/om-banken/baeredygtighed-og-governance/corporate-governance.

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 it 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/baeredygtighed-og-governance/corporate-governance.

The Board of Directors and Executive Management of Arbejdernes Landsbank consider corporate governance to be a fundamental precondition to maintaining 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 Bank's position on the recommendations is available (in Danish) on the Bank's website: https://www.al-bank.dk/om-banken/baeredygtighed-og-governance/corporate-governance.

The Executive Management of Arbejdernes Landsbank

The Executive Management employed by the Board of Directors was extended in March 2021 from two to five members. The Executive Management is composed of Gert R. Jonassen, CEO, Jan W. Andersen, Deputy CEO, Svend Randers, Executive Bank Director, Business, Simon Sinding Jørgensen, Executive Bank Director, Business Development, HR and IT and Frank Mortensen, Executive Bank Director, CFO. The Executive Management is the supreme daily management body observing the guidelines and instructions issued by the Board of Directors. The division of responsibilities between the Board of Directors and the Executive Management is described 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

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 Bank's remuneration policy, the Bank offers no incentive pay to the Board of Directors and the Executive Management, the Deputy Directors, the Heads of Division and the CEO of the AL

Finans A/S subsidiary. This also applies for the Chief Audit Executive, the Group CRO, the Group Head of Compliance and the person responsible for the AML area in the Group.

The remuneration of the Board of Directors and the Executive Management is on the Bank's website (in Danish): https://www.al-bank.dk/om-banken/fakta-og-historik/al-i-tal.

Policy and goals for the under-represented gender

The Board of Directors works constantly to promote diversity, for example in relation to gender, at management levels. The Board of Directors of Arbejdernes Landsbank has developed a policy to increase the percentage of the under-represented gender on the Board of Directors and at the other management levels. The board of directors of Vestjysk Bank has adopted a separate policy on diversity and the under-represented gender in management.

The goal for the composition of men and women in the board of directors for Arbejdernes Landsbank and AL Finans is to have a balanced composition, which means a goal of at least one-third of each gender. At the end of 2021, the Board of Directors comprised five women and eight men, and our objective for gender composition has been met.

With regard to other management levels in Arbejdernes Landsbank and AL Finans A/S, the Board of Directors has set an objective for equal composition of men and women, which means a distribution of at least 40/60%. The strategy is to ensure that the most appropriate candidate is recruited, 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. At the end of 2021, the other management levels comprised 32% women and 68% men, which is a marginal drop from 2020, when 33% women were employed at other managerial levels.

In 2021, we prepared an action plan with initiatives to improve not only diversity at management level, but also the Bank's diversity and inclusion at a more general level. The HR department, in collaboration with the Management, will execute the action plan to achieve the targets.

See the further review in the Responsibility & Sustainability Report 2021, which is available on the Bank's website.

A sound corporate culture

The Board of Directors has adopted a policy for a sound corporate culture to secure and promote a sound corporate culture at Arbejdernes Landsbank. The policy was last updated in December 2021.

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 Bank has a number of policies outlining specific guidelines on specific risk areas. The Bank's policy for a sound corporate culture should therefore be read in the context of these policies. They include in particular 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 culture is crucial in to maintain and develop our unique position relative both to our customers and to being an attractive workplace.

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

Data Ethics

The Board of Directors has adopted a policy for data ethics. The policy describes Arbejdernes Landsbank's approach to good data ethics and the principles for how Arbejdernes Landsbank deals with data ethics correctly, responsibly and transparently.

Arbejdernes Landsbank takes its responsibilities as a data controller very seriously, as the Bank aims to be respected, competent and a good collaboration partner that complies with current legislation and monitors developments within good data ethics. The aim of Arbejdernes Landsbank's policy for data ethics is to ensure this.

BOARD OF DIRECTORS

CLAUS JENSEN
CHAIRMAN

Born in 1964. Member of the Board of Directors since 2013. Vice-Chairman of the Board of Directors from 2015-2021. Chairman of the Board of Directors since 2022. Member of the Nomination and Remuneration Committee. Member of the Audit Committee. Chairman of the Advisory Board of Representatives. Independent

Trade Union President – Danish Metalworkers' Union

Member of the board of:
- AE - Economic Council of the Labour Movement
- AKF Holding A/S
- A/S A-Pressen
- Industriansatte i Norden, IN (President)
- Industriens Pensionsforsikring A/S
- Industriens Pension Service A/S
- Industripension Holding A/S
- FH – Danish Trade Union Confederation
- Sund og Bælt Holding A/S
- Øresundsbro Konsortiet I/S
- Central Organisation of Industrial Employees (President)
- Odense Havn A/S
- IndustriALL European Trade Union (Vice President)
- Vestjysk Bank A/S

Member of:
- Board of Representatives of Danmarks Nationalbank
- Think Tank EUROPA
- Danish Economic Council
- Board of Byggefonden - the Danish Museum of Science & Technology (Vice Chairman)

Qualifications:
- Management, HR and Strategy
- Macroeconomic and Accounting
- Credit matters
- Business model and Customer base
- Operational risks and IT

Attendance at meetings:
- Meetings of the board of directors: 13/13
- Audit and Risk Committee: 8/8
- Nomination and Remuneration Committee: 3/3

Shareholding (no.):
65,000

OLE WEHLAST
DEPUTY CHAIRMAN

Born in 1959. Member of the Board of Directors since 2016. Vice Chairman of the Board of Directors since 2022. Independent.

Trade Union President – Fødevareforbundet NNF

Member of the board of:
- Dansk Folkeferie Fonden
- AE – Economic Council of the Labour Movement
- Københavns Bagerafdelings Fond
- Board of Representatives of ATP (Arbejdsmarkedets Tillægspension)
- FH – Danish Trade Union Confederation
- The GDV Secretariat:

Qualifications:
- Management, HR and Strategy
- Macroeconomic and Accounting
- Financial regulation
- Credit matters
- Business model and Customer base

Attendance at meetings:
- Meetings of the board of directors: 12/13

Shareholding (no.):
14,000

TORBEN MÖGER PEDERSEN

Born in 1955. Member of the Board of Directors since 2013. Chairman of the Audit Committee. Member of and Risk Committee. Not independent.

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

Member of the board of:
- Copenhagen Business School (Chairman)
- Denmarks Genopretningsfond A/S (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
- Det Udenrigspolitiske Selskab
- Climate Partnership for the Financial Sector (Chairman)
- PensionDanmark Group subsidiaries (Chairman)

Qualifications:
- Management, HR and Strategy
- Macroeconomic and Accounting
- 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: 12/13
- Audit and Risk Committee: 8/8
- Nomination and Remuneration Committee: 3/3

Shareholding (no.):
0

BOARD OF DIRECTORS (CONTINUED)

LARS ANDERSEN

Born in 1958. Member of the Board of Directors since 2009. Chairman of the Risk Committee. Member of the Audit Committee. Not independent.

Managing Director of AE – Economic Council of the Labour Movement

Member of the board of:
- Industriens Pensionsforsikring A/S
- Statistics, Denmark
- Foreningen Divérs

Qualifications:
- Management, HR and Strategy
- Macroeconomic and Accounting
- Market risk and Liquidity
- Financial regulation
- Credit matters
- Business model and Customer base
- Operational risks and I

Attendance at meetings:
- Meetings of the board of directors: 13/13
- Audit and Risk Committee: 8/8

Shareholding (no.):
7,000

CHRISTIAN RIEWE

Born in 1975. Member of the Board of Directors since 2017. Chairman of the Nomination and Remuneration Committee. Member of the Risk Committee. Not independent.

Lawyer (H) and a partner in Advokatfirmaet Bjørs

Member of the board of:
- Friis-Holm Chokolade A/S (Chairman)
- KLC A/S (Chairman)
- Re Energy Properties A/S
- RE Energy ApS
- Toftegaard Biler A/S
- Shopbox ApS
- Anchersen A/S
- Vridsløsemagle Turistfart ApS

Qualifications:
- Qualifications:
- Management, HR and Strategy
- Macroeconomic and Accounting
- Credit matters
- Business model and Customer base

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

Shareholding (no.):
0

ULLA SØRENSEN

Born in 1957. Member of the Board of Directors since 2020. Member of the Audit Committee. Not independent.

Treasurer for 3F United Federation of Danish Workers

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

Member of:
- PensionDanmarks branchebestyrelse Organisationsansatte

Qualifications:
- Management, HR and Strategy
- Macroeconomic and Accounting
- Market risk and Liquidity
- Business model and Customer base

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

Shareholding (no.):
0

BOARD OF DIRECTORS (CONTINUED)

LIZETTE RISGAARD

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

President of FH – Danish Trade Union Confederation

Member of the board of:
- AE – Economic Council of the Labour Movement
- Arbejdsmarkedets Tillægspension – ATP
- LD (Lønmodtagernes Dyrtidsfond) (Chairman)
- 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)
- Board of Representatives of Danmarks Nationalbank
- Trade Union Advisory Committee (TUAC) (Vice President)
- Højstrupfonden

Qualifications:
- Management, HR and Strategy
- Macroeconomic and Accounting
- Financial regulation
- Credit matters
- Business model and Customer base

Attendance at meetings:
- Meetings of the board of directors: 12/13
- Nomination and Remuneration Committee: 3/3

Shareholding (no.):
13,146

KIM SIMONSEN

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

Until 31 October 2021 Trade Union President, HK/Denmark

Member of the board of:
- AKF Holding A/S (Chairman)
- AKF Invest CPH A/S (Chairman)
- Refshaleøens Holding A/S
- Refshaleøens Ejendomsselskab A/S
- Sampension Livsforsikring A/S
- Sampension Administrationsselskab A/S
- Danish Refugee Council

Qualifications:
- Management, HR and Strategy
- Macroeconomic and Accounting
- Financial regulation
- Business model and Customer base
- Operational risks and IT

Attendance at meetings:
- Meetings of the board of directors: 10/13

Shareholding (no.):
0

YVONNE HANSEN

Born in 1964. Employee-elected member of the Board of Directors since 2016. Member of the Nomination and Remuneration Committee (only remuneration issues)

Pension Manager at A/S Arbejdernes Landsbank

Qualifications:
- Management, HR and Strategy
- Macroeconomic and Accounting
- 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: 13/13

Shareholding (no.):
11,000

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:
- HK/Privat: Board for the collective agreement group Organisationer og Finans A/S (Vice Chairman) and Sector Board in HK.

Qualifications:
- Management, HR and Strategy
- Macroeconomic and Accounting
- 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: 13/13

Shareholding (no.):
7,000

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: 13/13

Shareholding (no.):
7,000

TINA HOLM

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

Financial advisor at A/S Arbejdernes Landsbank

Qualifications:
- Management, HR and Strategy
- Macroeconomic and Accounting
- Market risk and Liquidity
- Business model and Customer base

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

Shareholding (no.):
0

EXECUTIVE MANAGEMENT

GERT R. JONASSEN	JAN W. ANDERSEN	SVEND RANDERS	SIMON S. JØRGENSEN	FRANK MORTENSEN
				
Born in 1959.	Born in 1958.	Born in 1968.	Born in 1973.	Born in 1974.
CEO	Deputy CEO	Executive Bank Director, Business	Executive Bank Director, Business Development, HR and IT	Executive Bank Director, CFO
Member of the board of: ▪ AL Finans A/S (Chairman) ▪ Ejendomsselskabet Sluseholmen A/S (Chairman) ▪ BEC Financial Technologies a.m.b.a. (Vice Chairman) ▪ PensionDanmark Holding A/S ▪ PensionDanmark A/S ▪ Pras A/S ▪ Landsdækkende Banker ▪ The Danish Green Investment Fund (Vice Chairman)	**Member of the board 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 ▪ Seniorpensionsenheden ▪ VP Securites A/S + Chairman of the Risk Committee	**Member of the board of:** ▪ AL Finans A/S (Vice Chairman) ▪ Finanssektorens Uddannelsescenter ▪ Kooperationen	**Member of the board of:** ▪ TestaViva DK ApS ▪ Ejendomsselskabet Sluseholmen A/S ▪ Bolighed A/S ▪ &Money ApS ▪ AL Finans A/S	**Member of the board of:** ▪ DLR Kredit A/S ▪ AL Finans A/S ▪ Ejendomsselskabet Sluseholmen A/S
Shareholding (no.): 13,145	**Shareholding (no.):** 13,145	**Shareholding (no.):** 33,000	**Shareholding (no.):** 0	**Shareholding (no.):** 0

Statements and reports

Statement by Management

Today, the Board of Directors and Executive Management presented and adopted the annual report of Aktieselskabet Arbejdernes Landsbank for 2021.

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 2021, 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 2021.

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, 17 February 2022

Executive Management:

Gert R. Jonassen
CEO

Jan W. Andersen
Deputy CEO

Svend Randers
Executive Bank Director

Simon S. Jørgensen
Executive Bank Director

Frank Mortensen
Executive Bank Director

Board of Directors:

Claus Jensen
Chairman

Ole Wehlast
Vice Chairman

Torben Möger Pedersen

Lars Andersen

Christian Riewe

Ulla Sørensen

Lizette Risgaard

Kim Simonsen

Yvonne Hansen

Jesper Pedersen

Nadja Lind Bøgh Karlsen

Tina Holm

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 2021, comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity 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 2021 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 2021, 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 the risks of material misstatement in the consolidated financial statements and the parent financial statements, whether due to fraud or error. In making risk assessments, the auditor considers internal controls relevant to the company's preparation and fair presentation of the consolidated financial statements and the parent financial statements. The purpose is to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the parent financial statements.

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

Statement on the Management's report

Management is responsible for the Management's report.

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

In 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, 17 February 2022

Dennis Lundberg
Chief Audit Executive

Independent auditor's report

To the shareholders of Aktieselskabet Arbejdernes Landsbank

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Aktieselskabet Arbejdernes Landsbank for the financial year 1 January – 31 December 2021, which comprise income statements, statements of comprehensive income, balance sheets, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company and a consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial institutions, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2021 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial institutions.

Further, in our opinion the parent company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2021 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2021 in accordance with the Danish Financial Business Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditor of Aktieselskabet Arbejdernes Landsbank on 11 March 2019 for the financial year 2019. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 3 years up until the financial year 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent company financial statements for the financial year 2021 (hereinafter collectively referred to as "the financial statements"). These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the key audit matters below. Our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Key audit matters

Measurement of loans and guarantees

A significant part of the Group's and the Bank's assets consists of loans which entail a risk of loss in case of the customer's inability to pay. Also, the Group offers guarantees and other financial products also implying a risk of loss.

The Group's total loans amounted to DKK 41,958.3 million at 31 December 2021 (DKK 23,817.7 million at 31 December 2020), and total provisions for expected credit losses amounted to DKK 1,290.4 million at 31 December 2021 (DKK 940.5 million at 31 December 2020).

We consider the Group's measurement of impairment provisions on loans and provisions for losses on guarantees, etc. (together "exposures") a key audit matter as the measurement implies significant amounts and management estimates. This concerns in particular the assessment of probability of default, staging and the assessment of indication of credit impairment, realisable value of collateral received as well as the customer's ability to pay in case of default.

Significant exposures with high risk are assessed individually, whereas all other loans and loans with lower risk are assessed on the basis of models for expected credit losses where methods and assumptions used to assess the expected credit loss are based on assumptions and management estimates.

The Group recognises additional impairment provisions based on management estimates in situations where the model-calculated and individually assessed impairment losses are not yet considered to reflect a specific loss risk, e.g. the effect of COVID-19.

Reference is made to the accounting policies and note 10 and 48 to the consolidated financial statements for a description of the Group's credit risks and a description of uncertainties and estimates where matters that may affect the determination of expected credit losses are described.

How our audit addressed the key audit matter

Based on our risk assessment and knowledge of the industry, we performed the following audit procedures regarding the Group's and the Bank's measurement of loans and guarantees:

- Assessment of the Group's methods for measuring provisions for expected credit losses and whether methods applied for model-based and individual measurement of expected credit losses are in accordance with IFRS 9.
- Test of the Group's procedures and internal controls, including monitoring of exposures, stage allocation of exposures, recording of indications of credit impairment and recording and valuation of collateral.
- Sample test of the largest and most risky exposures, including credit-impaired exposures.
- For model-based impairments, we tested completeness and accuracy of input data, model assumptions, accuracy of calculations and the Group's validation of models and methods.
- For management additions to individual and model-based impairments, we assessed whether the methods applied are relevant and appropriate. In addition, we assessed and tested the Group's basis for the assumptions used, including whether they are reasonable and well-founded compared to relevant bases of comparison.
- We also assessed whether disclosures relating to exposures, impairment losses and credit risks meet the relevant accounting rules and tested the amounts therein (note 10 and 48)

Business combination

During 2021, the Bank acquired a majority stake in Vestjysk Bank A/S. Consequently, the acquired activities are included in the consolidated financial statements of Aktieselskabet Arbejdernes Landsbank from the acquisition date 31 May 2021, based on estimated fair values of the acquired assets and liabilities.

The accounting treatment of the acquisition is a key audit matter as management exercises significant estimates in connection with:

- Determination of the fair value of the acquired assets and liabilities, including particularly the acquired customer relationships, loans and other credit exposures.
- Accounting treatment of acquired loans and other credit exposures, including staging and subsequent measurement.
- Presentation of the acquisition in the consolidated financial statements in accordance with the relevant accounting rules.

Reference is made to note 44.

We have audited the purchase accounts prepared by the Bank as at 31 May 2021, including the measurement of fair value of acquired assets and liabilities as well as the measurement of badwill related to the acquisition.

In this context we have assessed if the principles and methods applied are justified and in accordance the accounting rules.

For acquired loans and other credit exposures we have reviewed the staging, fair value and subsequent measurement at 31 December 2021.

Further, we have verified that the presentation of the acquisition in the consolidated financial statements is in accordance with the relevant IFRS requirements.

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 assurance conclusion thereon.

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 during the audit, or otherwise appears to be materially misstated.

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

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

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial institutions and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Business Act.

Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of financial statements that are 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Parent Company 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 as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 17 February 2022

EY
GODKENDT REVISIONSPARTNERSELSKAB
CVR-NO. 30 70 02 28

LARS RHOD SØNDERGAARD	THOMAS HJORTKJÆR PETERSEN
State Authorised	*State Authorised*
Public Accountant	*Public Accountant*
mne28632	*mne33748*

Consolidated financial statements and parent financial statements

Income statement

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
5	Interest income calculated using the effective interest-rate method	1,500.7	1,008.8	869.7	896.1
5	Other interest income	98.4	98.1	84.0	98.1
5	Positive interest expenses on financial liabilities	194.3	54.1	132.4	54.1
6	Interest expenses	-93.1	-52.4	-53.7	-51.2
6	Negative interest income on financial assets	-57.6	-38.4	-42.0	-38.4
	Net interest income	***1,642.7***	***1,070.1***	***990.4***	***958.6***
	Dividends from shares etc.	48.0	57.0	42.1	57.0
7	Fee and commission income	1,290.1	799.4	845.4	749.5
7	Fees and commissions paid	-93.4	-100.0	-51.7	-91.9
	Net interest and fee income	***2,887.4***	***1,826.6***	***1,826.1***	***1,673.3***
8	Value adjustments	245.4	227.9	174.5	228.5
	Other operating income	412.2	70.0	365.3	34.3
9	Staff and administrative expenses	-2,213.6	-1,604.5	-1,511.9	-1,501.3
19-21, 42	Amortisation/depreciation as well as impairments on intangible assets and property, plant and equipment	-160.2	-108.1	-84.0	-70.2
	Other operating expenses	-50.6	-54.4	-40.4	-50.8
10	Impairments on loans and receivables etc.	162.3	-78.6	245.0	-66.4
16-17	Profit from equity investments in associated companies and group companies	95.3	103.1	379.3	125.2
	Profit before tax	***1,378.2***	***382.0***	***1,354.0***	***372.5***
11	Tax	-49.4	-52.0	-143.5	-42.5
	Profit for the year	***1,328.9***	***330.0***	***1,210.6***	***330.0***
	Broken down by:				
	Shareholders of Arbejdernes Landsbank	1,179.0	291.1	1,179.0	291.1
	Holders of Additional Tier 1 instruments	44.3	38.9	31.5	38.9
	Minority interests	105.6	0.0	0.0	0.0
	Profit for the year	***1,328.9***	***330.0***	***1,210.6***	***330.0***
12	**Earnings per share**				
	Earnings per share (DKK) *)	0.94	994.90	0.94	994.90
	Diluted earnings per share (DKK) *)	0.94	994.90	0.94	994.90

*) In connection with the capital increase in the first half-year of 2021, the nominal denomination of the share has been changed from DKK 1,000 to DKK 1.

Statement of comprehensive income

Note		Group 2021 DKK mill.	Group 2020 DKK mill.	Bank 2021 DKK mill.	Bank 2020 DKK mill.
	Profit for the year	***1,328.9***	***330.0***	***1,210.6***	***330.0***
	Other comprehensive income				
	Items that cannot be reclassified to the income statement				
	Other comprehensive income after tax concerning associated and group companies	0.4	-4.5	-1.0	-4.5
20	Changes in the revalued amount of owner-occupied properties	88.0	32.4	89.3	32.4
	Remeasurement of defined benefit plans	-0.5	0.0	0.0	0.0
11	Tax	-14.4	-5.1	-14.4	-5.1
	Total other comprehensive income	***73.5***	***22.8***	***73.9***	***22.8***
	Comprehensive income for the year	***1,402.4***	***352.8***	***1,284.4***	***352.8***
	Broken down by:				
	Shareholders of Arbejdernes Landsbank	1,252.9	314.0	1,252.9	314.0
	Holders of Additional Tier 1 instruments	44.3	38.9	31.5	38.9
	Minority interests	105.2	0.0	0.0	0.0
	Comprehensive income for the year	***1,402.4***	***352.8***	***1,284.4***	***352.8***

Balance sheet

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
	Assets				
	Cash in hand and demand deposits with central banks	12,345.1	1,135.9	7,170.7	1,135.9
10, 13	Receivables from credit institutions and central banks	678.0	4,488.2	788.5	4,471.9
10, 14	Loans and other receivables at amortised cost	41,958.3	23,817.7	25,073.3	23,474.8
15	Bonds at fair value	28,116.2	21,902.5	18,800.0	21,902.5
	Shares etc.	1,981.2	1,179.4	1,121.8	1,179.4
16	Equity investments in associated companies	141.6	1,000.5	13.8	1,000.5
17	Equity investments in group companies	0.0	0.0	4,048.2	320.6
18	Assets linked to pooled schemes	17,516.6	6,970.7	8,293.3	6,970.7
19	Intangible assets	249.9	15.5	0.0	0.0
	Investment properties	242.7	63.3	39.2	36.6
	Owner-occupied properties	1,719.4	1,279.5	1,369.3	1,279.5
20	*Total land and buildings*	*1,962.1*	*1,342.8*	*1,408.4*	*1,316.1*
21	Other property, plant and equipment	186.9	214.7	108.1	130.5
	Current tax assets	0.0	0.0	11.9	0.0
22	Deferred tax assets	272.8	0.0	0.0	0.0
23	Assets held temporarily	246.6	3.5	198.0	3.5
24	Other assets	1,676.5	802.9	931.1	763.2
	Prepayments and accrued income	128.9	39.1	32.6	34.3
	Total assets	*107,460.6*	*62,913.3*	*67,999.8*	*62,703.9*

Balance Sheet (continued)

Note		Group 2021 DKK mill.	Group 2020 DKK mill.	Bank 2021 DKK mill.	Bank 2020 DKK mill.
	Equity and liabilities				
	Liabilities				
	Debt				
25	Debt to credit institutions and central banks	380.8	406.6	375.7	406.6
26	Deposits and other debt	71,720.0	45,073.8	45,638.0	44,988.8
	Deposits in pooled schemes	17,516.6	6,970.7	8,293.3	6,970.7
27	Issued bonds at amortised cost	348.4	0.0	0.0	0.0
	Current tax liabilities	73.9	26.1	0.0	8.7
28	Other equity and liabilities	3,685.1	2,213.0	2,468.1	2,127.7
	Accruals and deferred income	94.9	72.2	20.9	28.4
	Total debt	***93,819.7***	***54,762.4***	***56,796.0***	***54,530.9***
	Provisions				
	Provisions for pensions and similar obligations	25.7	0.0	0.0	0.0
22	Provisions for deferred tax	0.0	15.3	63.2	41.7
10, 29	Guarantee loss provisions	36.2	22.5	14.9	22.5
30	Other provisions	228.5	87.9	70.5	83.6
	Total provisions	***290.4***	***125.8***	***148.6***	***147.8***
31	Subordinated debt	1,497.7	900.0	900.0	900.0
	Total liabilities	***95,607.8***	***55,788.2***	***57,844.6***	***55,578.7***
	Equity				
32	Share capital	2,100.0	300.0	2,100.0	300.0
	Revaluation reserves	476.5	405.7	476.5	405.7
	Reserve under the equity method	0.0	0.0	972.5	460.5
	Reserves provided for by the articles of association	505.8	0.0	0.0	0.0
	Retained earnings	6,105.1	5,973.4	5,638.4	5,512.8
	Proposed dividend	525.0	0.0	525.0	0.0
	Shareholders of Arbejdernes Landsbank	***9,712.4***	***6,679.1***	***9,712.4***	***6,679.1***
36	Holders of Additional Tier 1 instruments	754.5	446.1	442.8	446.1
	Minority interests	1,385.9	0.0	0.0	0.0
	Total equity	***11,852.9***	***7,125.2***	***10,155.2***	***7,125.2***
	Total equity and liabilities	***107,460.6***	***62,913.3***	***67,999.8***	***62,703.9***

Statement of changes in equity

	Shareholders of Arbejdernes Landsbanks								
	Share capital DKK mill.	Revaluation reserves DKK mill.	Reserves provided for by the articles of association *) DKK mill.	Retained earnings DKK mill.	Proposed dividend DKK mill.	Total DKK mill.	Additional Tier 1 capital DKK mill.	Minority interests DKK mill.	Total equity DKK mill.
Group 2021									
Equity brought forward	300.0	405.7	0.0	5,973.4	0.0	*6,679.1*	446.1	0.0	*7,125.2*
Comprehensive income									
Profit for the year	0.0	0.0	0.0	654.0	525.0	*1,179.0*	44.3	105.6	*1,328.9*
Other comprehensive income									
Other comprehensive income after tax concerning associated companies	0.0	0.0	0.0	0.4	0.0	*0.4*	0.0	0.0	*0.4*
Changes in the revalued amount of owner-occupied properties	0.0	89.3	0.0	-1.1	0.0	*88.2*	0.0	-0.2	*88.0*
Other additions and disposals *)	0.0	-4.1	0.0	4.1	0.0	*0.0*	0.0	0.0	*0.0*
Remeasurement of defined benefit plans	0.0	0.0	0.0	-0.3	0.0	*-0.3*	0.0	-0.1	*-0.5*
Tax	0.0	-14.4	0.0	0.0	0.0	*-14.4*	0.0	0.0	*-14.4*
Total other comprehensive income	*0.0*	*70.7*	*0.0*	*3.1*	*0.0*	*73.9*	*0.0*	*-0.4*	*73.5*
Total comprehensive income	*0.0*	*70.7*	*0.0*	*657.2*	*525.0*	*1,252.9*	*44.3*	*105.2*	*1,402.4*
Transactions with owners									
Interest paid on Additional Tier 1 capital	0.0	0.0	0.0	0.0	0.0	*0.0*	-44.7	0.0	*-44.7*
Share issue	1,800.0	0.0	0.0	0.0	0.0	*1,800.0*	0.0	0.0	*1,800.0*
Costs of share issue	0.0	0.0	0.0	-24.9	0.0	*-24.9*	0.0	0.0	*-24.9*
Additions on acquisition of subsidiary	0.0	0.0	505.8	-505.8	0.0	*0.0*	308.9	1,161.2	*1,470.2*
Subsequent adjustment of purchase price allocation	0.0	0.0	0.0	3.9	0.0	*3.9*	0.0	119.5	*123.3*
Purchase of own shares	0.0	0.0	0.0	-1.1	0.0	*-1.1*	0.0	0.0	*-1.1*
Sale of own shares	0.0	0.0	0.0	2.6	0.0	*2.6*	0.0	0.0	*2.6*
Total transactions with owners	*1,800.0*	*0.0*	*505.8*	*-525.4*	*0.0*	*1,780.4*	*264.2*	*1,280.7*	*3,325.3*
Equity carried forward	*2,100.0*	*476.5*	*505.8*	*6,105.1*	*525.0*	*9,712.4*	*754.5*	*1,385.9*	*11,852.9*

*) Depreciation of revalued owner-occupied properties.

**) Reserves provided for by the articles of association totalling DKK 695.7 mill. consist of DKK 568.7 mill. from the conversion of Den Jyske Sparekasse to a limited company in 2018, and DKK 127.0 mill. that, in connection with an amendment of the articles of association in 2015, was transferred from guarantor capital to reserves provided for by the articles of association. The reserves provided for by the articles of association may not be used for dividends, but can be used to cover losses that are not covered by the elements that can be used for dividends. The minority interests' share of the reserves provided for by the articles of association amounted to DKK 189.9 mill.

Statement of changes in equity (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 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 changes in equity (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 2021								
Equity brought forward	300.0	405.7	460.5	5,512.8	0.0	*6,679.1*	446.1	*7,125.2*
Comprehensive income								
Profit for the year	0.0	0.0	509.1	144.9	525.0	*1,179.0*	31.5	*1,210.6*
Other comprehensive income								
Other comprehensive income after tax concerning associated and group companies	0.0	0.0	-1.0	0.0	0.0	*-1.0*	0.0	*-1.0*
Changes in the revalued amount of owner-occupied properties	0.0	89.3	0.0	0.0	0.0	*89.3*	0.0	*89.3*
Other additions and disposals *)	0.0	-4.1	0.0	4.1	0.0	*0.0*	0.0	*0.0*
Tax	0.0	-14.4	0.0	0.0	0.0	*-14.4*	0.0	*-14.4*
Total other comprehensive income	*0.0*	*70.7*	*-1.0*	*4.1*	*0.0*	*73.9*	*0.0*	*73.9*
Total comprehensive income	*0.0*	*70.7*	*508.1*	*149.0*	*525.0*	*1,252.9*	*31.5*	*1,284.4*
Transactions with owners								
Interest paid on Additional Tier 1 capital	0.0	0.0	0.0	0.0	0.0	*0.0*	-34.8	*-34.8*
Share issue	1,800.0	0.0	0.0	0.0	0.0	*1,800.0*	0.0	*1,800.0*
Costs of share issue	0.0	0.0	0.0	-24.9	0.0	*-24.9*	0.0	*-24.9*
Shares acquired from minorities	0.0	0.0	3.9	0.0	0.0	*3.9*	0.0	*3.9*
Purchase of own shares	0.0	0.0	0.0	-1.1	0.0	*0.0*	0.0	*-1.1*
Sale of own shares	0.0	0.0	0.0	2.6	0.0	*1.5*	0.0	*2.6*
Total transactions with owners	*1,800.0*	*0.0*	*3.9*	*-23.4*	*0.0*	*1,780.4*	*-34.8*	*1,745.6*
Equity carried forward	*2,100.0*	*476.5*	*972.5*	*5,638.4*	*525.0*	*9,712.4*	*442.8*	*10,155.2*

*) Depreciation of revalued owner-occupied properties.

Statement of changes in equity (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.

Cash flow statement

Note		Group 2021 DKK mill.	2020 DKK mill.
	Profit before tax	*1,378.2*	*382.0*
	Adjustment for non-cash operating items		
44	Badwill	-328.6	0.0
8	Fair value adjustments on investment properties	-3.7	-0.9
19	Amortisation and impairments on intangible assets	31.5	11.0
20-21, 42	Depreciation, impairments and revaluations of property, plant and equipment	128.7	97.1
10	Impairments on loans and receivables etc.	-162.3	78.6
16	Profit from equity investments in associated companies	-95.3	-103.1
	Change in working capital		
	Loans and receivables with credit institutions etc.	-2,095.6	-941.9
	Bonds and shares	2,391.7	-1,161.7
	Deposits and debt to credit institutions etc.	1,645.3	2,507.2
	Other non-derivative financial liabilities at fair value	0.0	-87.7
	Other assets and liabilities	212.0	158.9
	Corporation tax paid	-177.1	-65.1
	Cash flows from operating activities	*2,924.9*	*874.4*
16	Acquisition of associated companies	-316.9	-13.8
	Acquisition of subsidiaries	-1,713.2	0.0
19	Acquisition of intangible assets	-6.0	-7.2
20-21	Acquisition of property, plant and equipment	-203.6	-112.6
	Sale of property, plant and equipment	75.6	31.7
	Cash flows from investment activities	*-2,164.2*	*-101.8*
	Proceeds of the issue of bonds	179.0	0.0
	Repayment of lease commitments	-34.6	-25.5
	Interest paid on Additional Tier 1 capital	-44.7	-38.9
	Dividend paid, excluding dividend from own shares	0.0	-43.9
	Proceeds of share issue	1,775.1	0.0
33	Purchase of own shares	-1.1	-0.5
33	Sale of own shares	2.6	0.4
	Cash flows from financing activities	*1,876.2*	*-108.4*
	Cash flows for the year	*2,637.0*	*664.2*
	Cash and cash equivalents brought forward	5,624.1	4,960.0
44	Cash and cash equivalents from acquisition of subsidiary	4.761,9	0.0
	Cash and cash equivalents carried forward	*13,023.0*	*5,624.1*
	Cash and cash equivalents carried forward include:		
	Cash in hand and demand deposits with central banks *)	12,345.1	1,135.9
13	Receivables from credit institutions and central banks with a term to maturity of less than three months *)	678.0	4,488.2
	Cash and cash equivalents carried forward	*13,023.0*	*5,624.1*

The cash flow statement cannot directly be derived from other components of the consolidated financial statements. The acquisition of the subsidiary is included based on the balance sheet as at the date of acquisution.

*) See note 38 for specified information regarding collateral provided.

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Note 1
Accounting policies

Basis of preparation – general

Aktieselskabet Arbejdernes Landsbank is domiciled in Denmark. The financial section of the annual report for the period from 1 January to 31 December 2021 includes the consolidated financial statements of the Parent Company, Aktieselskabet Arbejdernes Landsbank, and its subsidiaries (the Group), 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. The regulations on recognition and measurement in the Parent Company are consistent with IFRS.

On 17 February 2022, the Board of Directors and the Executive Management presented and adopted the annual report of Aktieselskabet Arbejdernes Landsbank for 2021. The annual report will be presented to the company's shareholders for adoption at the Annual General Meeting on 14 March 2022.

The accounting policies are unchanged and applied consistently in preparation of the consolidated financial statements as well as the parent financial statements for all years presented, except where stated otherwise in the section "*Change in accounting policies*".

Presentation currency

The consolidated financial statements and the parent financial statements for Aktieselskabet Arbejdernes Landsbank, are presented in DKK, which is also the functional currency of the Parent Company, and rounded off to the nearest DKK mill. unless otherwise indicated. This means that there may be minor rounding differences because the totals are rounded off, and all underlying decimals are not visible to the reader of the financial statements. See the section "*Currency*" for further information.

Changes in accounting policies

Implementation of new or amended accounting standards and interpretations in 2021

From 1 January 2021, Aktieselskabet Arbejdernes Landsbank has implemented the following amended IFRS standards and interpretation contributions:

- IFRS 3 concerning business combinations as a consequence of the new subsidiary in the Group, from 31 May 2021.

Implementation of the changes mentioned above has not had any significant effect on accounting policies and/or the consolidated financial statements, including comparative figures, and it is also not expected to influence the current or future periods significantly.

No new or changed policies have been implemented in the Executive Order on Presentation of Financial Statements, based on which the Parent Company's annual report has been prepared.

New and amended accounting standards and interpretations not yet entered into force

A number of new or amended IFRS standards have been approved by the EU and are therefore in force for financial years starting on 1 January 2021, but they are not yet mandatory for annual reports for which the balance sheet date is 31 December 2021. Early implementation is permitted, but the Group has decided not to implement these new or amended standards ahead of time.

The new or 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).

These standards and amendments are not expected to have significant influence on the accounting policies and/or the consolidated financial statements for the current or future financial years.

No new or changed policies have been implemented in the Executive Order on Presentation of Financial Statements, based on which the Parent Company's annual report has been prepared.

General information on recognition and measurement

Assets which are controlled by Arbejdernes Landsbank and the Group as a result of previous events are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group, and the value of the asset can be reliably measured. Liabilities arising as a result of previous events are recognised in the balance sheet when the repayment is expected to result in an outflow of future economic benefits and when the value of the liability can be measured reliably.

At initial recognition, assets and liabilities are measured at fair value, and as regards assets and liabilities which are subsequently measured at amortised cost, directly attributable transaction costs are added to this amount. Subsequently, assets and liabilities are measured as described for each item.

Recognition and measurement take into account gains, losses and risks occurring before the presentation of the annual report which confirm or invalidate conditions existing at the balance sheet date.

Income is recognised in the income statement as it is earned. Costs incurred to obtain earnings for the year are recognised in the income statement. Value adjustments to financial assets, financial liabilities, and derivative financial instruments are recognised in the income statement.

Consolidated financial statements

The consolidated financial statements include the financial statements for the Parent Company, Aktieselskabet Arbejdernes Landsbank, and the subsidiaries AL Finans A/S, Ejendomsselskabet Sluseholmen A/S and Vestjysk Bank A/S, in which the Parent Company directly or indirectly holds more than 50% of the voting rights or has a controlling influence, based on agreements. Companies in which the Group holds equity investments of between 20% and 50% of the voting rights, and exercises significant but not controlling influence, are considered associated companies.

From 31 May 2021, Vestjysk Bank A/S has been transferred from being an associated company to being a subsidiary.

The consolidated financial statements have been prepared as a consolidation of the financial statements of the Parent Company and the subsidiaries based on the Group's accounting policies by adding together uniform items. On consolidation, intragroup income and expenses, shareholdings, internal balances and dividends as well as realised and unrealised profits and losses on transactions between the consolidated companies have been eliminated.

The Group Overview in note 45 shows the subsidiaries whose financial statements are consolidated in the consolidated financial statements. All consolidated subsidiaries have the same balance sheet date as the Parent Company.

Business combinations

Newly acquired companies are recognised in the consolidated financial statements from the date of acquisition. Comparative figures are not adjusted for newly acquired companies.

The acquisition method is applied for purchases of new companies, whereby the Group obtains a controlling influence over the company acquired. The identifiable assets, liabilities and contingent liabilities in the purchased company are measured at fair value on the date of acquisition. Identifiable intangible assets are recognised if they can be separated or derive from a contractual right. Deferred tax is recognised on the revaluations made.

The date of acquisition is the date on which the Group actually gains control of the company acquired.

Negative differences (badwill) between, on the one hand, the purchase price, the value of the minority interests in the acquired company and the fair value of any previously acquired equity investments, and on the other hand, the fair value of the identifiable assets, liabilities and contingent liabilities acquired are recognised in the profit for the year on the date of acquisition.

The purchase price of a company consists of the fair value of the agreed contract price in the form of transferred assets, accepted liabilities and issued equity instruments.

Costs incurred in connection with acquisitions are recognised in administrative expenses in the year in which they are incurred.

If, on the date of acquisition, there is uncertainty relating to identifying or measuring assets, liabilities or contingent liabilities taken over, or in establishing the costs of the purchase, initial recognition is on the basis of preliminarily calculated values. If it subsequently transpires that the identification or measurement of assets, liabilities or contingent liabilities taken over was wrong at initial recognition, the statement will be adjusted retrospectively, including badwill until 12 months after the date of the acquisition and comparative figures will be adjusted. After this, badwill will not be adjusted.

When associated companies transition to become subsidiaries due to the Parent Company having obtained a controlling influence, it is considered a sale. Any profits or losses are calculated as the difference between the sales price at fair value and the carrying amount of net assets on the sales date.

Minority interests

Subsidiary financial statement items are fully recognised in the consolidated financial statements. The proportionate share of the minority interests in the fair value of the subsidiaries' equity is classified as part of the Group equity. The profits/losses of the subsidiaries are distributed proportionally through the appropriation of profit for minority interests and the Parent Company's share of equity.

At initial recognition, minority interests are measured as the proportionate share of the minority interests in the fair value of the identifiable assets, liabilities and contingent liabilities of the company acquired. Therefore, badwill is not recognised in the minority interests' share in the financial year.

Acquisition and sales of minority interests in a subsidiary which do not lead to a loss of controlling influence are treated in the consolidated financial statements as equity transactions, and the difference between the amount paid and the carrying amount is allocated to the Parent Company's share of equity.

Currency

The consolidated financial statements and the Parent Company's financial statements are presented in DKK, which is also the functional currency of the Group. Transactions in other currencies than the functional currency are transactions in foreign currency.

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. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as a financial item, under financial income or expenses.

Receivables, debt and other monetary items denominated in foreign currencies that have not been settled on the balance sheet date are translated at the exchange rate at the balance sheet date. The difference between the exchange rate at the balance sheet date and the exchange rate at the date of establishing the asset is recognised in the income statement under financial income or expenses.

Financial instruments
– General information on classification and measurement

On initial recognition, financial instruments are measured at fair value at the date of recognition plus/less directly attributable transaction costs.

In connection with initial recognition and measurement, financial assets must be classified in one of the categories below. The category determines how subsequent recognition and measurement will be made.

- Amortised cost
- Fair value via the income statement
- Fair value via other comprehensive income

The classification of financial assets depends on the business model in which the financial asset is included, as well as on the underlying contractual cash flows linked to the asset, i.e. whether or not the cash flows consist of repayments of the principal of the asset and associated interest at fixed dates.

Financial assets with cash flows not consisting of repayments of the principal of the asset and associated interest at fixed dates must – independently of the company's business model – be classified in the category "Fair value via the income statement" and subsequently be measured at fair value through the income statement. For example, this category includes shares, derivative financial instruments as well as other financial assets which are included in a trading portfolio or in a risk management system or an investment strategy based on fair values and are included on this basis in the Bank's internal management reporting. Examples of the latter include the Bank's assets linked to pooled schemes and other holdings of shares and bonds.

All other financial assets are categorised on the basis of Arbejdernes Landsbank's business model for the individual asset.

Financial assets which the Group holds to maturity under the business model and on which the Group receives the asset's contractual payments consisting solely of interest on and repayments of the outstanding balance at fixed dates are subsequently measured at amortised cost. Lending, receivables from credit institutions, interest and commission receivable, capital contributions to BEC Financial Technologies a.m.b.a., and other receivables are included in this category.

The Group's business models and financial assets are regularly reviewed with a view to making correct classification of the financial assets held by the Group.

As a rule, financial liabilities are subsequently measured at amortised cost. However, certain financial liabilities are subsequently measured at fair value, including derivative financial instruments (see next section), deposits in pooled schemes (to avoid accounting mismatch with the item Assets linked to pooled schemes) and negative bond portfolios.

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.

Leasing

Leased assets and leasing commitments are recognised in the balance sheet when, in accordance with a leasing agreement made for a specific identifiable asset, the Group is given disposal of the leased asset for the term of the lease and when the Group obtains the right to almost all financial benefits from the use of the identified asset and the right to determine how the identified asset is used.

On initial recognition, leasing commitments are measured at the present value of the future lease payments discounted by an alternative borrowing rate. Subsequently, the leasing commitment is measured at amortised cost using the effective interest-rate method. The lease commitment is recalculated when there are changes in the underlying contractual cash flows due to changes in an index or interest rate, if there are changes in the Group's estimate of a residual value guarantee, or if the Group changes its assessment of whether a purchase, extension or termination option is expected to be exercised with reasonable certainty.

On initial recognition, the leased asset is measured at cost, which corresponds to the value of the leasing commitment adjusted for prepaid lease payments plus directly related costs and estimated costs for impairment, repairs or the like and less any discounts received or other types of incentive payments from the lessor.

The asset is subsequently measured at cost less accumulated depreciation, amortisation and write-downs. The leased asset is depreciated over the shortest of the term of the lease and the useful life of the leased asset. Depreciation is recognised in the income statement on a straight-line basis.

The leased asset is adjusted for changes in the leasing commitment as a consequence of changes to the terms of the leasing agreement or changes to the contractual cash flows concurrently with changes in an index or interest rate.

The Group presents the leased asset and the leasing commitment separately in the balance sheet. Moreover, the Group has chosen not to recognise leased assets of low value and short-term leasing agreements in the balance sheet. Instead, lease payments relating to these leasing agreements are recognised on a straight-line basis in the income statement.

Offsetting

Assets and liabilities are offset when there is legal access to offsetting, and the Bank intends to carry out offsetting or settle the asset and the liability at the same time.

Cash flow statement

The cash flow statement presents 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.

The effect on cash flow of acquisition and disposal of companies is shown separately under cash flows from investment activities. Cash flows from companies acquired are recognised in the cash flow statement from the date of takeover.

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 acquisitions and disposals of intangible assets and property, plant and equipment as well as securities not presented as cash and cash equivalents.

Cash flows from financing activities 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 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. Cash and cash equivalents can be freely realised and with insignificant risk of changes in value.

Segment information

The segment information has been prepared in accordance with Group accounting policies and follows the internal management reporting. As a consequence of the new subsidiary in the Group, a new segment has been implemented containing this one subsidiary, in addition to the three segments already established. The accounting policies for segment information are otherwise unchanged.

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 market rates. 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.

Vestjysk Bank is defined as:

- All activity in the subsidiary Vestjysk Bank.

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.

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 4 of the reporting guideline.

See note 47 for definitions of ratios and key figures.

Income statement and other comprehensive income

Net interest income

Interest income and interest expenses include interest payable as well as accrued interest until the balance sheet date , and are recognised in the income statement at the amounts pertaining to that accounting period.

Interest income and interest expenses include:

- 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.

Dividends from shares etc.

Dividends from other equity interests and investments in equities are recognised as income in the income statement at the date when the dividend is declared.

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. Ascertained 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 consist of foreign exchange differences – see the section “Currency” – and realised and unrealised value adjustments of assets and liabilities as well as derivative financial instruments measured at fair value.

Other operating income and expenses

Other operating income and expenses include items secondary to the Group’s activities. Other operating income and expenses include rental income, administration of real property, operating lease payments as well as gains and losses from selling leased assets. Gains and losses from selling leased assets are calculated as the selling price less costs of sales and the carrying amount of the leased asset at contract expiry. For the Parent Company, the item also includes badwill related to acquisitions.

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.

Staff and administrative expenses

Staff expenses include remuneration and salaries and other staff-related expenses, including holiday allowances, anniversary bonuses, pension costs, payroll tax and other social benefits for staff and management. Wages and salaries which the Group expects to pay are recognised as an expense when the employees perform the services.

Administrative expenses include office costs, IT expenses, marketing, office expenses, procurement of small items, audit, etc. For the Parent Company, the item also includes costs related to acquisitions.

Profit from equity investments in associated companies and group companies

In the income statement, the proportionate share of the profit or loss of underlying companies is recognised after fully eliminating internal profits/losses and after tax. Full elimination of internal profits and losses is carried out in group companies without taking into account ownership interests. Only proportionate elimination of profits and losses is carried out in associated companies taking into account ownership interests.

In the income statement of the Parent Company, the proportionate share of the profit or loss after tax of individual group companies is recognised after fully eliminating internal profits/losses.

In the income statements of the Group and the Parent Company, the proportionate share of the profit or loss after tax of associated companies is recognised after eliminating the proportionate share of internal profits and losses.

The proportionate share of other comprehensive income recognised in the equity of the associated company is included in the Group's other comprehensive income.

Tax

Aktieselskabet Arbejdernes Landsbank is taxed jointly with its Danish subsidiaries. The Parent Company acts as a management company for the joint taxation and thus settles all payments of corporation tax with the tax authorities. Group companies are included in the joint taxation from the time when they are included in the consolidated financial statements and until the time when they are no longer included in the consolidated financial statements.

The jointly taxed companies are covered by the current tax scheme, and the Parent Company 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 recognised in respect of the difference under interest income and interest expenses, respectively, in the income statement.

Tax for the year comprises current tax for the year and changes in deferred tax. In addition, tax for the year comprises changes to previous years' tax amounts. Tax for the year is included in the profit or loss for the year, in other comprehensive income or directly in equity, depending on where the transaction related to tax for the year has been recognised. In the calculation of current tax for the year, the tax rates and rules applicable on the balance sheet date are used.

Current corporation tax is distributed between the companies taxed jointly in relation to the taxable income of the 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.

Balance sheet

Assets

Cash in hand and demand deposits with central banks

Cash in hand and demand deposits with central banks include cash at bank and in hand and unmortgaged receivables with central banks and mortgage-credit institutions with a term to maturity of less than three months. This classification requires that cash in hand, etc. is freely available, can readily be converted into cash and cash equivalents, is only at insignificant risk of value adjustment and in practice functions as liquidity by forming part of the company's ongoing liquidity management.

In accordance with the section "*Financial instruments – General information on classification and measurement*", these are measured at fair value on initial recognition and subsequently at amortised cost under the effective interest-rate method less impairment, see the section "Provisions for expected credit losses" below.

Receivables from credit institutions and central banks

Initial recognition of receivables from credit institutions and central banks is carried out at fair value plus transaction costs and less fees and commissions received that are linked to establishment of the receivables.

In accordance with the section "*Financial instruments – General information on classification and measurement*", measurement is at amortised cost using the effective interest-rate method.

Repo/reverse transactions

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

Loans and other receivables at amortised cost

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

On initial recognition, loans at amortised cost are measured at fair value plus directly attributable transaction costs, less fees and commissions received that are directly linked to granting the loan. Subsequently, loans and other receivables are measured at amortised cost 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.

Measurement of other receivables depends on the type of asset:

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

Provision for expected credit losses (“impairments”)

The Group makes provisions for expected credit losses (“impairments”) on all financial assets which are subsequently measured at amortised cost. Similarly, provisions are made for expected credit losses on unutilised credit lines, committed loan facilities and financial guarantees.

For financial assets recognised at amortised cost, the impairments on expected credit losses are recognised under “Impairments on loans and receivables, etc.” in the income statement and reduce the value of the asset in the balance sheet. Provisions for losses on unutilised credit lines, committed loan facilities and guarantees are recognised as a liability.

Impairment charges are based on an expectation-based model.

Impairment model

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 impairment 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 since the last recognition. 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 since the last recognition and where the customer's ability to pay shows 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 used in internal credit management.

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.

Assessment of considerable increase in credit risk – transfer to stage 2

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.

Credit-impaired – transfer to stage 3

An exposure is transferred to stage 3 when the asset is credit-impaired or subject to default. Loans and other receivables which are measured at amortised cost, receivables from credit institutions and central banks 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 reconstruction.
- The disappearance of an active market for that financial asset because of financial difficulties
- Acquisition or establishment of a financial asset at a considerable discount reflecting credit loss already incurred.

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

Significant loans are assessed individually to identify indications of credit impairment at the end of each financial statement period. The Group reviews individually all stage 3 loans and selected loans in stage 2 weak exceeding DKK 250,000, and a scenario weighting is also taken into account in the review at least once a year. 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.

Calculation of expected losses

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 balance sheet 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. 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. For this purpose, Arbejdernes Landsbank uses its own internally developed model for the private portfolio, while the model developed by the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (LOPI) is used for the business portfolio.

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 receivables from credit institutions and central banks as well as loans and receivables etc. are carried on an allowance account set off against receivables and 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.

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 48.

Acquired impairments

In connection with business combinations, impairments are amortised on stage 3 exposures acquired (exposures which were credit-impaired on initial recognition) over the expected remaining time to maturity.

Bonds at fair value

Bonds are recognised at the settlement date and measured at fair value exclusive of transaction costs at initial recognition. Subsequently, bonds are measured at fair value as they form part of the trading portfolio or are managed and reported on a fair value basis. Fair value is the amount at which the securities can be traded between independent parties. In an active market, the fair value is expressed as a listed price. When an active market exists, the fair value of bonds is measured on the basis of listed market prices for the instruments. A market is deemed to be active when the instrument is traded at sufficient frequency and in sufficient volumes to give valid pricing. The fair value of such instruments is calculated on the basis of the most recent observable closing prices on the balance sheet date (level 1). Alternatively, recognised models and observable market data for similar assets are applied to measure the fair value (level 2). A small part of the bonds is valued at level 3.

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

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

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

Shares etc.

Shares, etc. are measured at fair value both at initial recognition and subsequently. Fair value is the amount at which a financial asset can be traded between independent parties. In an active market, the fair value is expressed as listed prices (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.

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 balance sheet date are taken into account.

Equity investments in associated companies are recognised and measured in the Group annual financial statements according to the equity value method, which means that the equity investments are measured as the proportionate share of the companies' net asset value calculated in accordance with the Bank's accounting policies, less or plus unrealised intragroup profits and losses and plus the carrying amount of goodwill.

In the income statement item “Profit from equity investments in associated and group companies”, the proportionate share of the profit after tax of the individual companies is recognised, and unrealised internal profits and losses less any impairment charges on goodwill are eliminated. The proportionate share of all transactions and events recognised in the equity of the associated company is included in Group other comprehensive income.

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.

The proportionate ownership interest of the companies' net asset value is recognised less or plus unrealised intragroup profits and losses in the Parent Company's balance sheet under “Equity investments in group companies, etc.”. As regards equity investments in group companies, the Parent Company's share of any negative difference between the total cost and the fair value of the net assets is recognise at the date of acquisition in the income statement as badwill under “Other operating income”.

The share of group companies' share of the profit/loss after tax and after elimination of unrealised intragroup profits or losses is recognised in the Parent Company's income statement under “Profit from equity investments in associated companies and group companies”.

The total net revaluation of equity investments in group companies is provided through profit appropriation to “Reserve under the equity method” under equity.

Assets and deposits linked to pooled schemes

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

Intangible assets

Customer relations

Customer relations acquired in connection with the takeover are recognised at cost and amortised on a straight-line basis over the expected financial useful life, not exceeding 7-10 years. The financial useful life depends on customer loyalty.

Useful life is reassessed annually. Changes in amortisation due to changes to the useful life are recognised going forward as a change in accounting estimates.

Customer relations are tested for any impairment needs where there are indications of impairment, in which case the asset is impaired to the value in use.

Software

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

Other intangible assets

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 in progress are not depreciated. At the time of commissioning, the asset is moved to completed development projects (software) and typically depreciated over three years.

Investment properties

Investment properties are properties owned for the purpose of collecting rent and/or achieving capital gains. On acquisition, investment properties are recognised at cost, which includes the acquisition price of the property as well as costs directly related to the acquisition. Properties are subsequently measured at fair value.

Changes to fair value are recognised in the income statement as value adjustments of investment properties under “Value adjustments” in the financial year when the change occurs.

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: 75/100 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 BEC Financial Technologies a.m.b.a., interest and commissions receivable and positive fair value of derivative financial instruments and spot transactions. With the exception of derivative financial instruments and spot transactions, which are measured at fair value, see the section "*Derivative financial instruments*", other assets are measured at cost or amortised cost.

Assets held temporarily

Assets held temporarily include 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 subsequently.

Current and deferred tax assets

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

Deferred tax is measured as all temporary differences between carrying amounts and tax bases of assets and liabilities. Where calculation of tax base can be made according to different taxation rules, deferred tax is measured on the basis of how the Management plan to utilise the asset and how they plan to settle the liability.

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

Equity and liabilities

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.

Issued bonds at amortised cost

Issued bonds at amortised cost include non-preferred senior debt issued in order to comply with the MREL requirements imposed on SIFIs.

Other equity and liabilities

Other liabilities include various creditors, lease commitments where the Group is the lessee, interest and commissions 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. For more information on the leasing commitment, see the section “Leasing”.

Accruals and deferred income, liabilities

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

Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of an event that has occurred on or before the balance sheet 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.

Provisions are measured as the best estimate of the costs required to settle the obligations provided for on the balance sheet date. Provisions with an expected maturity beyond one year from the balance sheet date are measured at present value if significant, otherwise at cost.

Provisions for pensions, etc. are based on an external actuarial calculation of the present value of the expected pension benefits. Among other things, the present value is calculated on the basis of expectations for future staff turnover, discount rate and salary increases as well as returns on related assets. The difference between the expected development in pension payments and the actual development will result in actuarial losses and gains, and these are recognised under other comprehensive income.

For information about provisions for deferred tax, see the section on deferred tax.

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.

Capital increase

Transaction costs in connection with obtaining new capital are recognised directly in free reserves.

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.

Note 2

Significant accounting estimates and assessments

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 significant estimates made by the Management when applying Group accounting policies, and the uncertainties related to these estimates, primarily related to the following in 2021:

Calculation of fair values in connection with recognition of a new subsidiary

In accordance with accounting legislation, a purchase price allocation has been made, which includes a valuation of the assets and liabilities acquired after recognising Vestjysk Bank. The calculation of fair values of the net assets acquired, including, in particular, the measurement of loans taken over, is based on significant accounting estimates and assessments, and the valuation is therefore associated with uncertainty, in particular with regard to determining the fair value of credit risk. Recognition of customer lists valued in accordance with an acknowledged method of valuation and based on future earnings and degree of customer retention, as well as deferred tax assets, primarily attributable to a loss in the Bank's subsidiary and based on Vestjysk Bank's future earnings, includes conditions and assumptions that entail uncertainty.

Initial recognition of the loan portfolio acquired in connection with acquisition of the new subsidiary

There is uncertainty in the valuation of initial recognition of the lending portfolio acquired in connection with Arbejdernes Landsbank acquiring additional shares in Vestjysk Bank A/S and thus obtaining control.

Additional information related to notes on credit and risk

Some of the information in the notes on credit and risk concerns new statutory requirements for Vestjysk Bank. The bank does not prepare its financial statements in accordance with IFRS, and consequently, it has not previously reported this information. In the event of inadequate supporting data, the missing information has been estimated.

Impairments on loans and impairments on guarantees resulting from credit impairment

When measuring the Group’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 default probabilities, scenario weighting, collateral values and setting up cash flows, and with regard to the assumptions forming the basis of the model. In addition, uncertainty may be associated with the cyclical sensitivity in relation to individual sectors or to the consequence of the macro-economic developments.

Where there is objective evidence of credit impairment, the Group has prepared series of payments in accordance with current accounting standards. The Group's credit risk is described in note 48 on risk management.

Accounting estimates and assessments related to Group impairment charges

2021 has generally seen positive developments in the macro-economic indicators, and this has also had a positive effect on the Group's exposures. The positive developments in the housing market, in combination with lower unemployment than expected, mean that parts of the management estimates related to Covid-19 set by the Group at the end of 2020 can be written back.

The increasing uncertainty related to African swine fever, falling pig prices, particularly for piglet breeders, as well as economic uncertainty around increasing commodity and energy prices for the Group's corporate customers, however, also means that the Group's impairments through management estimates has increased at the end of 2021.

The Group has a major exposure in terms of lending for agriculture and forestry, real property and other business sectors as well as private co-operative housing customers and cooperative housing associations.

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

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

The Group’s impairment charges based on management estimates amounted to DKK 443 mill. as at 31 December 2021, of which DKK 325 mill. relate to Vestjysk Bank. Overall management estimates include impairment charges in response to impacts from Covid-19, totalling DKK 218 mill., of which DKK 130 mill. relate to Vestjysk Bank.

Measurement of unlisted shares at fair value

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

Valuation of investment and owner-occupied properties

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

Note 20 describes the sensitivity of the valuation if the required rate of return is increased by 0.5%.

Measurement of other financial instruments at fair value

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

Measurement of deferred tax assets

Deferred tax assets are recognised for all unutilised tax losses, insofar as it is considered likely that tax profits will be realised within five years against which the losses can be offset. Determination of the recognisable amount is based on estimates of the probable timing and size of future taxable profits. Budgets of the Bank's development are associated with estimates of the probable timing and size of future taxable profits, including the timing and the size of impairments.

As at the balance sheet date, the Bank's Management has assessed that a deferred tax asset of DKK 272.8 mill. concerning the tax loss will be realisable within a period of five years. If the budgets are not realised as expected, the deferred tax asset may prove to be overestimated.

Note 3

Events after expiry of the financial year

After the balance sheet date , Arbejdernes Landsbank has decided to redeem the Additional Tier 1 capital of DKK 429 mill. issued by the Bank in 2014. The Additional Tier 1 capital issued will be redeemed on 24 January 2022, and at the same time, new Additional Tier 1 capital of DKK 429 mill. will be issued.

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 and profit for the year.

Note		Group 2021 DKK mill.	2020 DKK mill.
4	Segment information		
	The Group only operates from locations in Denmark.		
	Revenue	3,495.7	2,030.3

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

	Customer activities DKK mill.	Investment activities DKK mill.	Vestjysk Bank DKK mill.	Other activities DKK mill.	Total DKK mill.
Group 2021					
Income statement					
Net interest income	952.7	165.8	524.0	0.2	*1,642.7*
Net fee and commission income	828.9	0.0	367.8	0.0	*1,196.7*
Value adjustments and dividend	156.1	70.5	76.5	-9.7	*293.4*
Other operating income	48.4	0.0	5.4	358.3	*412.2*
Profit from equity investments in associated companies	0.0	0.0	18.6	76.7	*95.3*
Total income	*1,986.1*	*236.2*	*992.4*	*425.6*	*3,640.3*
Costs and depreciation/amortisation	-1,597.3	-58.5	-636.1	-132.4	*-2,424.4*
Impairments on loans and receivables etc.	236.9	0.0	-74.6	0.0	*162.3*
Total costs	*-1,360.4*	*-58.5*	*-710.7*	*-132.4*	*-2,262.1*
Profit before tax	*625.7*	*177.7*	*281.6*	*293.2*	*1,378.2*
Assets					
Loans and other receivables at amortised cost	25,322.2	0.0	16,636.1	0.0	*41,958.3*
Bonds at fair value	0.0	18,770.0	9,346.2	0.0	*28,116.2*
Equity investments in associated companies	13.8	0.0	127.8	0.0	*141.6*
Other assets	9,282.0	7,557.7	17,179.0	3,225.8	*37,244.5*
Total assets	*34,618.0*	*26,327.7*	*43,289.1*	*3,225.8*	*107,460.6*
Equity and liabilities					
Deposits and other debt	45,696.1	0.0	26,023.9	0.0	*71,720.0*
Allocated equity	3,887.9	1,282.8	5,396.4	1,285.8	*11,852.9*
Other equity and liabilities	8,420.4	579.7	11,596.9	3,290.8	*23,887.8*
Total equity and liabilities	*58,004.4*	*1,862.5*	*43,017.2*	*4,576.6*	*107,460.6*
Key figures					
Average allocated equity	3,819.8	1,193.9	2,698.2	1,777.1	*9,489.0*
Cost rate	86.1	34.9	70.4	35.4	*73.5*

Since the presentation of the most recent annual report, the Group has established a further segment consisting of activity in the newly acquired subsidiary, Vestjysk Bank A/S, of which control was obtained on 31 May 2021. Figures for last year have not been adjusted as control had not been obtained at this time. Therefore, until 31 May 2021, earnings of Vestjysk Bank A/S have been included in Other activities under the item Profit from equity investments in associated companies, at DKK 76.7 mill. for 2021 and DKK 103.1 mill. for 2020, respectively.

Individual income statement and balance sheet items, including badwill, have not been allocated to the business areas, but have been included under Other activities.

Note

4 Segment information (continued)

	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	5,457.4	2,954.9	***16,192.6***
Total assets	*31,611.8*	*27,359.9*	*3,941.6*	*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***
Cost rate	94.0	33.2	271.5	***93.2***

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
5	Interest income				
	Receivables from credit institutions and central banks	0.2	0.1	1.1	0.1
	Loans and other receivables	1,500.3	1,008.6	868.3	895.6
	Other interest income	0.1	0.0	0.2	0.4
	Total interest income calculated using the effective interest-rate method	***1,500.7***	***1,008.8***	***869.7***	***896.1***
	Bonds	154.4	167.0	143.3	167.0
	Derivative financial instruments				
	Currency contracts	-0.8	-14.2	-1.3	-14.2
	Interest-rate contracts	-55.1	-54.7	-58.0	-54.7
	Total derivative financial instruments	***-56.0***	***-68.9***	***-59.3***	***-68.9***
	Total other interest income	***98.4***	***98.1***	***84.0***	***98.1***
	Debt to credit institutions and central banks	1.5	1.9	1.5	1.9
	Deposits and other debt	192.8	52.1	130.9	52.1
	Total positive interest expenses on financial liabilities	***194.3***	***54.1***	***132.4***	***54.1***
6	Interest expenses				
	Debt to credit institutions and central banks	-0.2	-1.4	-0.2	-1.4
	Deposits and other debt	-33.3	-18.1	-20.3	-16.9
	Issued bonds	-4.2	0.0	0.0	0.0
	Subordinated debt	-51.1	-31.1	-30.8	-31.1
	Other interest expenses	-4.3	-1.8	-2.4	-1.8
	Total interest expenses	***-93.1***	***-52.4***	***-53.7***	***-51.2***
	Receivables from credit institutions and central banks	-45.5	-27.2	-34.9	-27.2
	Loans and other receivables	0.0	-0.1	0.0	-0.1
	Bonds	-12.2	-11.1	-7.1	-11.1
	Total negative interest income on financial assets	***-57.6***	***-38.4***	***-42.0***	***-38.4***
	Of which, reverse transactions recognised under:				
	Receivables from credit institutions and central banks	-0.9	-0.7	-0.9	-0.7
	Loans and other receivables	0.0	-0.1	0.0	-0.1

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
7	Net fee and commission income				
	Securities trading and custody accounts *)	264.1	150.0	170.9	150.0
	Money transmission services	224.0	130.1	162.2	128.7
	Loan fees	450.0	362.4	353.4	330.3
	Guarantee commission	143.5	73.2	83.5	73.5
	Other fees and commissions	208.5	83.6	75.4	67.0
	Total fees and commission income	***1,290.1***	***799.4***	***845.4***	***749.5***
	AL-BoligBonus	-25.5	-66.0	-25.5	-66.0
	Other fees and commissions paid	-67.9	-34.0	-26.3	-25.9
	Total fees and commissions paid	***-93.4***	***-100.0***	***-51.7***	***-91.9***
	Net fee and commission income	***1,196.7***	***699.5***	***793.7***	***657.6***

*) The Group's income from management activities represents DKK 153.0 mill. (2020: DKK 81.8 mill.).

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
8	Value adjustments				
	Bonds	-145.3	-38.0	-142.1	-38.0
	Shares etc.	121.3	201.1	73.6	201.1
	Investment properties	3.7	0.9	2.5	0.9
	Currency	66.0	22.7	47.4	23.3
	Derivative financial instruments				
	Currency contracts	0.6	0.9	-0.2	0.9
	Interest-rate contracts	197.6	40.1	193.6	40.1
	Share contracts	0.3	0.3	-0.4	0.3
	Total derivative financial instruments	***198.6***	***41.4***	***193.0***	***41.4***
	Assets linked to pooled schemes	1,338.5	373.4	858.2	373.4
	Deposits in pooled schemes	-1,338.5	-373.4	-858.2	-373.4
	Other assets	-6.3	0.0	0.0	0.0
	Other liabilities	7.5	-0.3	0.0	-0.3
	Total value adjustments	***245.4***	***227.9***	***174.5***	***228.5***

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
9	Staff and administrative expenses				
	Management emoluments				
	Board of Directors	-3.3	-2.9	-3.2	-2.9
	Executive Management	-15.0	-7.3	-15.0	-7.3
	Total management emoluments	***-18.3***	***-10.3***	***-18.2***	***-10.2***
	Staff expenses				
	Remuneration	-943.7	-748.8	-653.7	-688.8
	Pensions (contribution-based)	-99.4	-84.5	-63.9	-78.4
	Social security expenses	-8.5	-5.1	-6.1	-4.8
	Payroll tax	-138.6	-99.6	-93.5	-93.4
	Total staff expenses	***-1,190.2***	***-938.0***	***-817.3***	***-865.3***
	Administrative expenses				
	IT expenses	-695.4	-449.5	-485.4	-433.0
	Other administrative expenses	-309.7	-206.7	-191.0	-192.7
	Total administrative expenses	***-1,005.1***	***-656.2***	***-676.4***	***-625.7***
	Total staff and administrative expenses	***-2,213.6***	***-1,604.5***	***-1,511.9***	***-1,501.3***
	Number of employees				
	Average number of employees during the financial year converted to full-time equivalents	1,804	1,156	1,060	1,071
	Emoluments paid to the Board of Directors				
	Fixed remuneration	-3.3	-2.9	-3.2	-2.9
	Total emoluments paid to the Board of Directors	***-3.3***	***-2.9***	***-3.2***	***-2.9***
	Number of members of the Board of Directors during the financial year	13	15	13	15

Information on emoluments paid to the individual members of the Board of Directors can be found in the report on management remuneration for 2021.

	Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
Emoluments paid to Executive Management				
Fixed remuneration	-13.4	-6.0	-13.4	-6.0
Pension scheme (contribution-based)	-1.6	-1.3	-1.6	-1.3
Total emoluments paid to Executive Management	***-15.0***	***-7.3***	***-15.0***	***-7.3***
Number of members of Executive Management during the financial year	5	2	5	2

Information on emoluments paid to the individual members of the Executive Management can be found in the report on management remuneration for 2021.

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 Bank's CEO and Deputy CEO have a notice period of 12 months, and the Bank has a notice period of 24 months. The rest of the Executive Management has a notice period of 3 months, and the Bank has a notice period of 8 months. If a position is terminated in connection with a takeover bid concerning the Bank, special terms for resignation apply.

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
9	Staff and administrative expenses (continued)				
	Remuneration of employees with significant influence on the risk profile of the company in addition to Management				
	Fixed remuneration	-58.5	-51.2	-34.5	-44.4
	Variable remuneration	-1.9	-1.2	-1.5	-0.9
	Pension scheme (contribution-based)	-6.1	-5.0	-3.8	-4.3
	Severance pay	0.0	-4.7	0.0	-4.7
	Total emoluments to significant risk takers	***-66.5***	***-62.0***	***-39.8***	***-54.3***
	Number of significant risk takers during the financial year	61	37	31	31
	Number of significant risk takers with severance pay	0	3	0	3

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 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
Remuneration for the audit firm elected by the General Meeting				
Statutory audit of the financial statements	-1.0	-0.7	-0.8	-0.6
Other assurance engagements	-0.2	-0.1	-0.2	-0.1
Other services	-4.4	-1.0	-4.4	-0.9
Total	***-5.6***	***-1.8***	***-5.3***	***-1.6***

Remuneration for services other than statutory audit supplied by EY Godkendt Revisionspartnerselskab to the Group at DKK 4.6 mill. (2020: DKK 1.1 mill.) includes extra engagements in connection with acquisition and raising capital in that connection as well as various assurance engagements and other assistance concerning statutory matters within the financial area.

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
10	Impairments on loans and receivables etc.				
	Net impact recognised in the income statement				
	Net movements on impairment and provision accounts				
	Receivables from credit institutions and central banks	2.3	-0.9	2.3	-0.9
	Loans and other receivables at amortised cost	-188.6	-29.6	285.7	-28.3
	Guarantees	16.6	-2.1	7.6	-2.1
	Unutilised credit lines and commitments	-102.8	-17.6	3.6	-17.2
	Total net movements on impairment and provision accounts	*-272.4*	*-50.2*	*299.2*	*-48.5*
	Interest adjustment	9.1	11.3	9.1	11.3
	Ascertained losses covered by previous impairments and provisions *)	-91.8	-60.8	-88.8	-57.6
	Ascertained losses not covered by previous impairments and provisions *)	-65.8	-24.5	-16.5	-16.0
	Recognised in claims previously subject to impairments	43.9	43.8	32.6	42.6
	Reversed reserve for losses on lending which was credit-impaired at initial recognition	539.3	1.8	9.4	1.8
	Net impact recognised in the income statement	*162.3*	*-78.6*	*245.0*	*-66.4*

The positive operating profit on impairments on loans, etc. in 2021 is attributable to a reduction in management estimates and healthy developments in the lending and guarantee portfolios which are reflected in increasing collateral values, improved ratings and positive shifts in the gross carrying amounts to stage 1, see page 75 and note 48. Group operations have been affected by the Bank’s acquisition of a majority shareholding in Vestjysk Bank A/S.

*) Out of the Group's ascertained losses in 2021, steps are still being taken to recover DKK 107.4 mill.

Note

10 Impairments on loans and receivables etc. (continued)

	Group				
	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Accumulated impairments and provisions, broken down by stages as at 31 December 2021.					
Receivables from credit institutions and central banks	0.2	0.0	8.0	0.0	***8.2***
Loans and other receivables at amortised cost	176.2	171.8	443.0	235.8	***1,026.9***
Guarantees	8.6	1.3	13.7	12.6	***36.2***
Unutilised credit lines and commitments	31.8	19.6	27.7	140.0	***219.1***
Total impairments and provisions	***216.8***	***192.7***	***492.4***	***388.5***	***1,290.4***
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***

The increases in stages 1 and 2 are attributable to the Bank's takeover of a majority shareholding in Vestjysk Bank A/S, but they are limited by reductions in management estimates and a positive development in the loan portfolio. The drop in stage 3 is also attributable to a positive development in the loan portfolio and a large write-off on one individual major customer. The drop is limited, however, by impairments on the part of the portfolio originating from Vestjysk Bank A/S which was not credit-impaired on initial recognition. The increase in impairments on facilities which were credit-impaired on initial recognition is due to a deterioration in credit quality. A total of DKK 157.6 mill. was written off at the end of 2021, of which DKK 91.8 mill. had previously been recognised as impairments. The Group has acquired impairments relating to Vestjysk Bank A/S totalling DKK 1,609.7 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 2021.					
Receivables from credit institutions and central banks	0.2	0.0	8.0	0.0	***8.2***
Loans and other receivables at amortised cost	101.9	60.5	366.3	0.0	***528.7***
Guarantees	7.3	0.8	6.8	0.0	***14.9***
Unutilised credit lines and commitments	24.4	13.2	24.3	0.0	***61.8***
Total impairments and provisions	***133.8***	***74.6***	***405.3***	***0.0***	***613.6***
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***

The drop in impairments in all stages is attributable to reductions in management estimates and a positive development in the loan portfolio. In addition, the drop in stage 3 is also affected by a large write-off on one individual major customer. A total of DKK 105.3 mill. was written off at the end of 2021, of which DKK 88.8 mill. had previously been recognised as impairments.

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 gross value DKK mill.	Impairments etc. total DKK mill.	Carrying amount DKK mill.
Gross carrying amounts broken down by stages as at 31 December 2021							
Receivables from credit institutions and central banks	662.4	15.8	8.0	0.0	*686.2*	-8.2	*678.0*
Loans and other receivables at amortised cost	34,405.4	5,735.3	1,369.0	1,475.5	*42,985.2*	-1,026.9	*41,958.3*
Guarantees	16,595.9	1,173.7	169.3	256.0	*18,194.9*	-36.2	*18,158.7*
Unutilised credit lines and commitments	19,950.7	2,464.7	307.4	197.0	*22,919.8*	-219.1	*22,700.7*
Total exposures	*71,614.3*	*9,389.4*	*1,853.8*	*1,928.5*	*84,786.1*	*-1,290.4*	*83,495.6*
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	8,488.1	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*

Bank

	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Total gross value DKK mill.	Impairments etc. total DKK mill.	Carrying amount DKK mill.
Gross carrying amounts broken down by stages as at 31 December 2021							
Receivables from credit institutions and central banks	772.9	15.8	8.0	0.0	*796.7*	-8.2	*788.5*
Loans and other receivables at amortised cost	22,704.4	1,887.4	1,010.2	0.0	*25,602.0*	-528.7	*25,073.3*
Guarantees	7,444.2	636.9	89.2	0.0	*8,170.2*	-14.9	*8,155.3*
Unutilised credit lines and commitments	5,533.0	711.1	81.7	0.0	*6,325.9*	-61.8	*6,264.1*
Total exposures	*36,454.5*	*3,251.1*	*1,189.1*	*0.0*	*40,894.8*	*-613.6*	*40,281.1*
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*

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 2021					
Total impairments brought forward	2.5	0.0	8.0	0.0	*10.5*
Transfers to stage 2	-0.1	0.1	0.0	0.0	*0.0*
Impairments during the financial year as a consequence of changes in credit risk	-2.2	0.0	0.0	0.0	*-2.3*
Impairments on new exposures	0.1	0.0	0.0	0.0	*0.1*
Reversed impairments on redeemed exposures	-0.1	0.0	0.0	0.0	*-0.1*
Total impairments carried forward	*0.2*	*0.0*	*8.0*	*0.0*	*8.2*
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*

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 2021					
Total impairments brought forward	153.3	169.4	499.9	15.7	***838.3***
Transfers to stage 1	62.9	-49.3	-13.6	0.0	***0.0***
Transfers to stage 2	-6.2	11.8	-5.6	0.0	***0.0***
Transfers to stage 3	-0.6	-18.0	18.6	0.0	***0.0***
Impairments during the financial year as a consequence of changes in credit risk	-13.6	99.1	38.0	220.1	***343.6***
Impairments during the financial year as a consequence of changes in impairment models and risk parameters	-14.3	-10.4	2.0	0.0	***-22.7***
Impairments on new exposures	31.5	9.9	26.6	0.0	***68.0***
Reversed impairments on redeemed exposures	-36.8	-40.6	-40.2	0.0	***-117.6***
Interest adjustment	0.0	0.0	9.1	0.0	***9.1***
Ascertained losses covered by previous impairments	0.0	0.0	-91.8	0.0	***-91.8***
Total impairments carried forward	***176.2***	***171.8***	***443.0***	***235.8***	***1,026.9***
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***

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.
Provision account for guarantees in 2021					
Total provisions brought forward	7.2	1.0	14.3	0.0	*22.5*
Provisions in connection with acquisition of subsidiary, see note 44	12.6	0.0	0.0	17.7	*30.3*
Transfers to stage 1	1.9	-0.3	-1.6	0.0	*0.0*
Transfers to stage 2	-0.6	1.1	-0.5	0.0	*0.0*
Transfers to stage 3	-5.0	-0.1	5.0	0.0	*0.0*
Provisions during the financial year as a consequence of changes in credit risk	-5.5	-0.6	-0.6	-5.1	*-11.8*
Provisions during the financial year as a consequence of changes in impairment models and risk parameters	-2.2	0.3	0.0	0.0	*-1.9*
Provisions for new exposures	5.5	0.2	1.7	0.0	*7.5*
Reversed provisions for redeemed exposures	-5.4	-0.4	-4.7	0.0	*-10.4*
Total provisions carried forward	***8.6***	***1.3***	***13.7***	***12.6***	*36.2*
Provision account for guarantees in 2020					
Total provisions brought forward	1.2	0.5	18.7	0.0	*20.5*
Transfers to stage 1	0.1	0.0	-0.1	0.0	*0.0*
Transfers to stage 2	0.0	1.0	-0.9	0.0	*0.0*
Provisions during the financial year as a consequence of changes in credit risk	1.0	-0.8	1.9	0.0	*2.1*
Provisions during the financial year as a consequence of changes in impairment models and risk parameters	0.1	0.1	0.0	0.0	*0.3*
Provisions for new exposures	5.0	0.4	0.2	0.0	*5.5*
Reversed provisions for redeemed exposures	-0.2	-0.2	-5.5	0.0	*-5.8*
Total provisions carried forward	***7.2***	***1.0***	***14.3***	***0.0***	*22.5*

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	Credit-impaired on initial recognition	Total impairments
	DKK mill.	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Provision account for unutilised credit lines and commitments in 2021					
Total provisions brought forward	34.9	8.5	25.7	0.0	*69.1*
Provisions in connection with acquisition of subsidiary, see note 44	12.5	0.0	0.0	34.8	*47.3*
Transfers to stage 1	4.3	-3.5	-0.8	0.0	*0.0*
Transfers to stage 2	-5.8	9.3	-3.5	0.0	*0.0*
Transfers to stage 3	-0.2	-0.8	1.0	0.0	*0.0*
Provisions during the financial year as a consequence of changes in credit risk	-14.0	-1.3	10.0	105.2	*99.9*
Provisions during the financial year as a consequence of changes in impairment models and risk parameters	1.1	4.9	0.0	0.0	*6.0*
Provisions for new exposures	5.4	3.2	0.2	0.0	*8.8*
Reversed provisions for redeemed exposures	-6.4	-0.7	-4.9	0.0	*-12.0*
Total provisions carried forward	*31.8*	*19.6*	*27.7*	*140.0*	*219.1*
Provision account for unutilised credit lines and commitments in 2020					
Total provisions brought forward	21.1	5.0	25.4	0.0	*51.4*
Transfers to stage 1	3.4	-1.2	-2.1	0.0	*0.0*
Transfers to stage 2	-1.0	2.0	-0.9	0.0	*0.0*
Transfers to stage 3	0.0	-0.2	0.3	0.0	*0.0*
Provisions during the financial year as a consequence of changes in credit risk	2.0	1.5	4.6	0.0	*8.1*
Provisions during the financial year as a consequence of changes in impairment models and risk parameters	1.5	1.2	0.0	0.0	*2.7*
Provisions for new exposures	9.4	1.2	1.1	0.0	*11.8*
Reversed provisions for redeemed exposures	-1.5	-0.9	-2.6	0.0	*-4.9*
Total provisions carried forward	*34.9*	*8.5*	*25.7*	*0.0*	*69.1*

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.

However, the Group's allowance accounts have been adversely affected by the acquisition of a majority shareholding in Vestjysk Bank A/S, see Impairments/Provisions during the financial year as a consequence of changes in credit risk.

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 2021					
Total impairments brought forward	2.5	0.0	8.0	0.0	*10.5*
Transfers to stage 2	-0.1	0.1	0.0	0.0	*0.0*
Impairments during the financial year as a consequence of changes in credit risk	-2.2	-0.1	0.0	0.0	*-2.3*
Impairments on new exposures	0.1	0.0	0.0	0.0	*0.1*
Reversed impairments on redeemed exposures	-0.1	0.0	0.0	0.0	*-0.1*
Total impairments carried forward	*0.2*	*0.0*	*8.0*	*0.0*	*8.2*
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*

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	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 2021					
Total impairments brought forward	144.4	165.2	489.0	15.7	*814.4*
Transfers to stage 1	61.3	-48.2	-13.0	0.0	*0.0*
Transfers to stage 2	-5.8	11.0	-5.2	0.0	*0.0*
Transfers to stage 3	-0.5	-17.9	18.4	0.0	*0.0*
Impairments during the financial year as a consequence of changes in credit risk	-73.0	-6.4	-28.5	-15.7	*-123.6*
Impairments during the financial year as a consequence of changes in impairment models and risk parameters	-14.3	-10.4	2.0	0.0	*-22.7*
Impairments on new exposures	26.6	7.8	23.6	0.0	*58.0*
Reversed impairments on redeemed exposures	-36.8	-40.6	-40.2	0.0	*-117.6*
Interest adjustment	0.0	0.0	9.1	0.0	*9.1*
Ascertained losses covered by previous impairments	0.0	0.0	-88.8	0.0	*-88.8*
Total impairments carried forward	***101.9***	***60.5***	***366.3***	***0.0***	***528.6***
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***

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 2021				
Total provisions brought forward	7.2	1.0	14.3	*22.5*
Transfers to stage 1	1.9	-0.3	-1.6	*0.0*
Transfers to stage 2	0.0	0.6	-0.5	*0.0*
Transfers to stage 3	0.0	-0.1	0.1	*0.0*
Provisions during the financial year as a consequence of changes in credit risk	0.3	-0.6	-2.5	*-2.8*
Provisions during the financial year as a consequence of changes in impairment models and risk parameters	-2.2	0.3	0.0	*-1.9*
Provisions for new exposures	5.5	0.2	1.7	*7.5*
Reversed provisions for redeemed exposures	-5.4	-0.4	-4.7	*-10.4*
Total provisions carried forward	*7.3*	*0.8*	*6.8*	*14.9*
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*

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 2021				
Total provisions brought forward	33.0	6.7	25.7	*65.4*
Transfers to stage 1	3.8	-3.0	-0.8	*0.0*
Transfers to stage 2	-2.5	6.0	-3.5	*0.0*
Transfers to stage 3	-0.1	-0.7	0.8	*0.0*
Provisions during the financial year as a consequence of changes in credit risk	-9.8	-3.0	6.8	*-6.0*
Provisions during the financial year as a consequence of changes in impairment models and risk parameters	1.1	4.9	0.0	*6.0*
Provisions for new exposures	5.2	2.9	0.2	*8.4*
Reversed provisions for redeemed exposures	-6.4	-0.7	-4.9	*-12.0*
Total provisions carried forward	*24.4*	*13.2*	*24.3*	*61.8*

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*

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

The reduction in the Bank's allowance accounts is attributable to reductions in management estimates and a positive development in the loan and guarantee portfolio.

On the basis of a materiality principle, it has been decided that, from the beginning of 2021, the Bank's remaining transactions from the takeover of portfolios from Østjydsk Bank A/S and Roskilde Bank A/S will be treated as transactions in the Bank's other portfolios.

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
11	Tax				
	Tax for the year may be broken down as follows:				
	Tax on profit for the year	-49.4	-52.0	-143.5	-42.5
	Tax on other comprehensive income	-14.4	-5.1	-14.4	-5.1
	Total tax	***-63.8***	***-57.1***	***-157.9***	***-47.6***
	Tax on profit for the year is calculated thus:				
	Current tax for the year	-172.7	-70.0	-133.2	-52.6
	Adjustment of deferred tax for the year	134.7	13.0	-7.0	5.1
	Adjustment of current tax concerning previous years	-4.0	5.1	-3.3	5.1
	Adjustment of deferred tax concerning previous years	-7.4	0.0	0.0	0.0
	Total tax on profit for the year	***-49.4***	***-52.0***	***-143.5***	***-42.5***
	Tax on profit for the year can be explained thus:				
	Calculated tax on profit before tax for the year at 22%	-303.2	-84.0	-297.9	-81.9
	Tax base of income not subject to tax	154.0	7.8	150.1	14.8
	Tax base of non-deductible expenses	-15.2	-3.4	-9.3	-3.1
	Tax base of profit/loss in associated companies	16.9	22.7	16.9	22.7
	Tax vale of losses brought forward in Vestjysk Bank A/S	109.5	0.0	0.0	0.0
	Adjustment of current tax concerning previous years	-4.0	5.1	-3.3	5.1
	Adjustment of deferred tax concerning previous years	-7.4	0.0	0.0	0.0
	Total tax on profit for the year	***-49.4***	***-52.0***	***-143.5***	***-42.5***
	Effective tax rate	3.6	13.6	10.6	11.4
	The effective tax rates are particularly affected by losses brought forward in Vestjysk Bank A/S and tax-free capital gains.				
	Tax on other comprehensive income is calculated as follows:				
	Adjustment of deferred tax for the year	-14.4	-5.1	-14.4	-5.1
	Total tax on other comprehensive income	***-14.4***	***-5.1***	***-14.4***	***-5.1***

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
12	Earnings per share				
	Arbejdernes Landsbank's shareholders' share of the profit for the year	***1,179.0***	***291.1***	***1,179.0***	***291.1***
	Average number of shares issued	1,260,120,000	300,000	1,260,120,000	300,000
	Average number of own shares	-3,898,028	-7,361	-3,898,028	-7,361
	Average number of shares in issue	***1,256,221,972***	***292,639***	***1,256,221,972***	***292,639***
	Earnings per share (DKK)	0.94	994.90	0.94	994.90
	Diluted earnings per share (DKK) *)	0.94	994.90	0.94	994.90

The issued share capital is divided into shares of nominally DKK 1. (2020: DKK 1.000). The Bank has only one class of shares.

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 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
13	Receivables from credit institutions and central banks				
	Receivables at notice from central banks	0.0	3,879.0	0.0	3,879.0
	Receivables from credit institutions	678.0	609.2	788.5	592.9
	Total receivables from credit institutions and central banks	***678.0***	***4,488.2***	***788.5***	***4,471.9***
	Broken down by remaining term:				
	On demand	678.0	243.8	498.5	227.4
	Up to and including 3 months	0.0	4,244.4	0.0	4,244.4
	More than 1 year and up to and including 5 years	0.0	0.0	290.0	0.0
	Total receivables from credit institutions and central banks	***678.0***	***4,488.2***	***788.5***	***4,471.9***
14	Loans and other receivables at amortised cost				
	Lending contracts with access to variable utilisation	10,229.4	2,249.2	7,790.9	6,855.0
	Receivables from finance leases	1,967.0	1,654.7	10.2	12.4
	Mortgage deeds	1,118.9	1,148.1	1,107.6	1,148.1
	Other loans and receivables	28,643.0	18,765.7	16,164.7	15,459.4
	Loans and other receivables at amortised cost	***41,958.3***	***23,817.7***	***25,073.3***	***23,474.8***
	Broken down by remaining term:				
	On demand	2,923.7	213.9	195.5	213.9
	Up to and including 3 months	5,614.5	2,581.0	591.7	957.4
	More than 3 months and up to and including 1 year	5,527.6	3,084.4	7,809.7	6,863.1
	More than 1 year and up to and including 5 years	11,897.1	6,696.4	4,760.1	4,741.4
	Over 5 years	15,995.4	11,242.0	11,716.3	10,699.1
	Loans and other receivables at amortised cost	***41,958.3***	***23,817.7***	***25,073.3***	***23,474.8***

Note		Group 2021 DKK mill.	Group 2020 DKK mill.	Bank 2021 DKK mill.	Bank 2020 DKK mill.
14	Loans and other receivables at amortised cost (continued)				
	Loans and guarantees broken down by sectors and industries				
	Public authorities	4.2	25.2	4.2	25.2
	Business				
	Agriculture, hunting, forestry and fisheries	3,843.4	34.1	1.2	2.2
	Industry and extraction of raw materials	1,250.3	464.7	196.4	156.0
	Energy supply	835.4	5.3	7.5	1.4
	Building and construction	1,418.6	484.4	178.1	165.8
	Trade	3,183.4	1,526.7	565.1	391.9
	Transport, hotels and restaurants	838.1	277.1	122.6	161.1
	Information and communication	112.5	60.0	20.0	23.6
	Financing and insurance	2,230.8	946.3	7,327.3	6,404.4
	Real property	3,300.6	856.6	883.2	847.0
	Other business	3,216.3	1,997.4	1,691.1	1,359.9
	Total business	*20,229.2*	*6,652.6*	*10,992.5*	*9,513.1*
	Private	39,883.5	25,333.4	22,231.9	22,178.6
	Total loans and guarantees	*60,117.0*	*32,011.3*	*33,228.6*	*31,716.9*
15	Bonds at fair value				
	Government bonds	2,083.8	2,159.2	1,672.2	2,159.2
	Mortgage-credit bonds	22,845.4	16,886.1	13,910.7	16,886.1
	Other bonds	3,187.1	2,857.2	3,217.0	2,857.2
	Total bonds at fair value	*28,116.2*	*21,902.5*	*18,800.0*	*21,902.5*
16	Equity investments in associated companies				
	Cost brought forward	878.8	865.1	878.8	865.1
	Additions	316.9	13.8	316.9	13.8
	Reclassification to group companies	-1,182.0	0.0	-1,182.0	0.0
	Additions on acquisition of subsidiary, see note 44	109.2	0.0	0.0	0.0
	Cost carried forward	*123.0*	*878.8*	*13.8*	*878.8*
	Revaluations and impairments brought forward	121.6	23.0	121.6	23.0
	Results	244.9	103.1	226.2	103.1
	Adjustment as a result of transition to group companies	-149.5	0.0	-149.5	0.0
	Other changes in equity	0.4	-4.5	0.4	-4.5
	Reclassification to group companies	-198.7	0.0	-198.7	0.0
	Revaluations and impairments carried forward	*18.6*	*121.6*	*0.0*	*121.6*
	Carrying amount carried forward	*141.6*	*1,000.5*	*13.8*	*1,000.5*

See note 45 for specified information regarding associated companies which are individually material to the Group.

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
17	Equity investments in group companies				
	Cost brought forward			5.6	5.6
	Reclassification from associated companies			1,380.7	0.0
	Additions			1,713.2	0.0
	Cost carried forward			*3,099.5*	*5.6*
	Revaluations and impairments brought forward			315.0	293.0
	Results			302.6	22.1
	Other changes in equity			331.0	0.0
	Revaluations and impairments carried forward			*948.7*	*315.0*
	Carrying amount carried forward			*4,048.2*	*320.6*
	See note 45 for specified information regarding consolidated subsidiaries.				
18	Assets linked to pooled schemes				
	Cash	706.7	180.5	706.7	180.5
	Bonds	1,824.8	2,541.6	1,824.8	2,541.6
	Investment units	14,116.6	3,260.7	4,893.3	3,260.7
	Other equity investments	868.5	988.0	868.5	988.0
	Total assets linked to pooled schemes	*17,516.6*	*6,970.7*	*8,293.3*	*6,970.7*
19	Intangible assets				
	Customer relations				
	Cost brought forward	0.0	0.0	0.0	0.0
	Additions on acquisition of subsidiary, see note 44	260.0	0.0	0.0	0.0
	Cost carried forward	*260.0*	*0.0*	*0.0*	*0.0*
	Amortisation and impairments brought forward	0.0	0.0	0.0	0.0
	Amortisation	21.8	0.0	0.0	0.0
	Amortisation and impairments carried forward	*21.8*	*0.0*	*0.0*	*0.0*
	Carrying amount carried forward	*238.2*	*0.0*	*0.0*	*0.0*
	Other intangible assets				
	Cost brought forward	85.1	78.0	0.0	0.0
	Additions	6.0	7.2	0.0	0.0
	Disposals	0.0	-0.1	0.0	0.0
	Cost carried forward	*91.0*	*85.1*	*0.0*	*0.0*
	Amortisation and impairments brought forward	69.6	58.6	0.0	0.0
	Amortisation	9.7	11.0	0.0	0.0
	Amortisation and impairments carried forward	*79.3*	*69.6*	*0.0*	*0.0*
	Carrying amount carried forward	*11.7*	*15.5*	*0.0*	*0.0*

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
20	Land and buildings				
	Investment properties	242.7	63.3	39.2	36.6
	Owner-occupied properties	1,463.8	1,115.8	1,189.0	1,115.8
	Right-of-use assets	255.6	163.6	180.3	163.6
	Total land and buildings	*1,962.1*	*1,342.8*	*1,408.4*	*1,316.1*

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.

Investment properties				
Fair value brought forward	63.3	35.7	36.6	35.7
Additions on acquisition of subsidiary, see note 44	80.8	0.0	0.0	0.0
Additions	144.4	26.7	0.0	0.0
Disposals	-49.6	0.0	0.0	0.0
Value adjustments	3.7	0.9	2.5	0.9
Fair value carried forward	*242.7*	*63.3*	*39.2*	*36.6*
Rental income	5.3	2.2	2.2	2.2
Operating expenses for rented-out areas	-1.4	-0.6	-1.1	-0.6

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 4.0–10.0% (2020: 4.4%) determined on the basis of the interest-rate level and the location of the property. All else being equal, an increase in the Group's required rate of return of 0.5 percentage points would reduce the fair value by approximately DKK 6.1 mill. (2020: DKK 3.7 mill.). The valuation of selected investment properties was carried out by an independent assessor in 2021.

Owner-occupied properties				
Revalued amount brought forward	1,115.8	1,099.5	1,115.8	1,099.5
Additions on acquisition of subsidiary, see note 44	337.9	0.0	0.0	0.0
Additions	0.3	0.0	0.0	0.0
Improvements	0.0	3.9	0.0	3.9
Disposals	-49.0	-9.2	0.0	-9.2
Depreciation	-11.1	-7.4	-7.6	-7.4
Value adjustments recognised in the income statement	-18.2	-2.1	-8.5	-2.1
Value adjustments recognised in other comprehensive income	88.0	31.1	89.3	31.1
Revalued amount carried forward	*1,463.8*	*1,115.8*	*1,189.0*	*1,115.8*

Owner-occupied properties are measured at 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 3.15–10.0% (2020: 3.0-7.5%) determined on the basis of the interest-rate level and the location of the property. All else being equal, an increase in the Group's required rate of return of 0.5 percentage points would reduce the fair value by approximately DKK 151.0 mill. (2020: DKK 113.8 mill.). The valuation of selected owner-occupied properties was carried out by an independent assessor in 2021.

Note		Group 2021 DKK mill.	Group 2020 DKK mill.	Bank 2021 DKK mill.	Bank 2020 DKK mill.
21	Other property, plant and equipment				
	Rental cars				
	Cost brought forward	124.1	124.8	0.0	0.0
	Additions and improvements	31.5	39.4	0.0	0.0
	Disposals	-56.4	-40.1	0.0	0.0
	Cost carried forward	***99.2***	***124.1***	***0.0***	***0.0***
	Depreciation and impairments brought forward	43.7	39.2	0.0	0.0
	Disposals	-31.6	-21.2	0.0	0.0
	Depreciation	22.4	25.6	0.0	0.0
	Impairment charges	-0.1	0.1	0.0	0.0
	Depreciation and impairments carried forward	***34.4***	***43.7***	***0.0***	***0.0***
	Carrying amount carried forward	***64.8***	***80.4***	***0.0***	***0.0***
	Other property, plant and equipment				
	Cost brought forward	226.4	206.5	217.7	198.4
	Additions on acquisition of subsidiary, see note 44	5.5	0.0	0.0	0.0
	Additions and improvements	27.7	42.6	18.7	40.7
	Disposals	-9.2	-22.7	-5.0	-21.4
	Cost carried forward	***250.5***	***226.4***	***231.4***	***217.7***
	Depreciation and impairments brought forward	92.2	73.7	87.2	69.3
	Disposals	-7.5	-19.1	-3.9	-18.4
	Depreciation	43.6	37.6	39.9	36.3
	Depreciation and impairments carried forward	***128.3***	***92.2***	***123.3***	***87.2***
	Carrying amount carried forward	***122.1***	***134.2***	***108.1***	***130.5***
22	Deferred tax assets and tax liabilities				
	Deferred tax brought forward	-15.3	-23.2	-41.7	-41.7
	Adjustment of deferred tax brought forward	7.4	0.0	0.0	0.0
	Additions on acquisition of subsidiary, see note 44	167.9	0.0	0.0	0.0
	Deferred tax included in the profit or loss for the year	127.3	13.0	-7.0	5.1
	Deferred tax included in other comprehensive income	-14.4	-5.1	-14.4	-5.1
	Deferred tax carried forward	***272.8***	***-15.3***	***-63.2***	***-41.7***
	Deferred tax concerns:				
	Loans	66.1	42.1	18.7	18.4
	Intangible assets and property, plant and equipment	-94.8	-70.7	-88.0	-73.3
	Employee obligations	7.0	9.7	2.7	9.5
	Other balance sheet items	4.9	3.6	3.4	3.6
	Tax losses	289.6	0.0	0.0	0.0
	Deferred tax carried forward	***272.8***	***-15.3***	***-63.2***	***-41.7***

The Group's deferred tax asset is primarily related to tax losses allowed for carryforward in Vestjysk Bank A/S which have been partially included by DKK 292.7 mill., of which DKK 289.6 mill. is deducted in the capital statement. Non-recognised tax losses allowed for carryforward constitute a contingent asset of DKK 113.2 mill. at the current corporation tax rate of 22%.

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
23	Assets held temporarily				
	Unlisted shares	195.6	0.0	195.6	0.0
	Properties	51.0	3.5	2.4	3.5
	Total assets held temporarily	***246.6***	***3.5***	***198.0***	***3.5***

Unlisted shares consists of investment association certificates that have previously been part of the pooled schemes, but are now included as a temporary holding as a result of a change of investment manager for the pooled schemes. The investment association certificates are expected to be realised within 12 months. Furthermore, former owner-occupied properties for sale are included when the Group expects them to be sold within 12 months.

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
24	Other assets				
	Positive fair value of derivative financial instruments and spot transactions	151.8	56.2	73.8	56.2
	Interest and commissions receivable	122.0	104.0	108.4	104.0
	Capital contribution in BEC Financial Technologies a.m.b.a.	691.3	348.1	399.1	348.1
	Other assets	711.4	294.7	349.8	254.9
	Total other assets	***1,676.5***	***802.9***	***931.1***	***763.2***
25	Debt to credit institutions and central banks				
	Debt to credit institutions	380.8	406.6	375.7	406.6
	Total debt to credit institutions and central banks	***380.8***	***406.6***	***375.7***	***406.6***
	Broken down by remaining term:				
	On demand	347.1	279.5	342.3	279.5
	Up to and including 3 months	33.4	127.1	33.4	127.1
	Over 5 years	0.3	0.0	0.0	0.0
	Total debt to credit institutions and central banks	***380.8***	***406.6***	***375.7***	***406.6***
26	Deposits and other debt				
	On demand	67,813.8	42,780.3	43,384.9	42,695.3
	Amounts with notice period	845.8	841.3	843.7	841.3
	Time deposits	58.8	0.0	0.0	0.0
	Special types of deposit	3,001.6	1,452.2	1,409.5	1,452.2
	Total deposits and other debt	***71,720.0***	***45,073.8***	***45,638.0***	***44,988.8***
	Broken down by remaining term:				
	On demand	68,906.6	42,728.3	43,621.1	42,699.3
	Up to and including 3 months	816.0	1,067.6	755.5	1,011.5
	More than 3 months and up to and including 1 year	326.5	78.6	76.7	78.6
	More than 1 year and up to and including 5 years	449.6	401.5	402.3	401.5
	Over 5 years	1,221.3	797.8	782.4	797.8
	Total deposits and other debt	***71,720.0***	***45,073.8***	***45,638.0***	***44,988.8***

Note				Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
27	Issued bonds at amortised cost						
	Nom. in DKK mill.	**Interest rate**	**Maturity**				
	30.0	3.00%	27.09.2024 *)	29.9	0.0	0.0	0.0
	140.0	CIBOR-6M + 1.75%	11.03.2025 **)	139.6	0.0	0.0	0.0
	180.0	2.04%	18.06.2026 ***)	178.8	0.0	0.0	0.0
	Total issued bonds at amortised cost			*348.4*	*0.0*	*0.0*	*0.0*
	Broken down by remaining term:						
	More than 1 year and up to and including 5 years			348.4	0.0	0.0	0.0
	Total issued bonds at amortised cost			*348.4*	*0.0*	*0.0*	*0.0*

Issued bonds includes non-preferred senior debt in the subsidiary, Vestjysk Bank A/S. The bonds issued cannot be included in the Group's MREL basis.

*) Can be redeemed before maturity from 27 September 2023.
**) Can be redeemed before maturity from 11 March 2024.
***) Can be redeemed before maturity from 18 June 2025.

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
28	Other equity and liabilities				
	Negative fair value of derivative financial instruments and spot transactions	299.2	341.4	217.7	341.4
	Interest and commissions due	19.7	5.6	4.8	5.6
	Lease commitments	279.1	177.7	193.7	177.7
	Other equity and liabilities	3,087.1	1,688.4	2,051.9	1,603.0
	Total other liabilities	*3,685.1*	*2,213.0*	*2,468.1*	*2,127.7*

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

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
29	Guarantee loss provisions				
	Provisions brought forward	22.5	20.5	22.5	20.5
	Provided for in connection with acquisition of subsidiary, see note 44	30.3	0.0	0.0	0.0
	Provisions made during the year	15.3	10.6	11.2	10.6
	Reversal of unutilised provisions	-32.0	-8.5	-18.8	-8.5
	Provisions carried forward	*36.2*	*22.5*	*14.9*	*22.5*

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
30	Other provisions				
	Provisions brought forward	87.9	69.3	83.6	65.3
	Provided for in connection with acquisition of subsidiary, see note 44	47.6	0.0	0.0	0.0
	Provisions made during the year	198.3	54.2	43.4	50.7
	Applied during the year	-4.0	-2.7	-3.9	-2.7
	Reversal of unutilised provisions	-101.3	-32.9	-52.5	-29.8
	Provisions carried forward	*228.5*	*87.9*	*70.6*	*83.6*

Other provisions in the Group primarily concern provisions for losses on unutilised credit lines and commitments of DKK 219.1 mill. (2020: DKK 69.1 mill.), see note 10, and provisions for anniversary bonuses of DKK 5.2 mill. (2020: DKK 11.6 mill.).

Note				Group 2021 DKK mill.	Group 2020 DKK mill.	Bank 2021 DKK mill.	Bank 2020 DKK mill.
31	Subordinated debt						
	Nom. in DKK mill.	**Interest rate**	**Maturity**				
	225.0	6.50%	16.08.2027 *)	224.6	0.0	0.0	0.0
	250.0	CIBOR-6M + 5,50%	26.06.2028 **)	248.8	0.0	0.0	0.0
	125.0	3.75%	28.08.2029 ***)	124.3	0.0	0.0	0.0
	900.0	CIBOR-6M + 3.50%	21.05.2031 ****)	900.0	900.0	900.0	900.0
	Total Tier 2 capital			*1,497.7*	*900.0*	*900.0*	*900.0*
	Of these included in own funds, see note 34			1,497.7	900.0	900.0	900.0

*) Can be redeemed before maturity from 16 August 2022.
**) Can be redeemed before maturity from 26 June 2023.
***) Can be redeemed before maturity from 28 August 2024.
****) Can be redeemed before maturity from 21 May 2026.

Note		2021 pcs.	2020 pcs	2021 DKK mill.	2020 DKK mill.
32	Share capital				
	Issued at the beginning of the year	300,000	300,000	300.0	300.0
	Change in nom. denomination from DKK 1,000 to DKK 1.	299,700,000	0	0.0	0.0
	Share issue	1,800,000,000	0	1,800.0	0.0
	Issued at the end of the year	***2,100,000,000***	***300,000***	***2,100.0***	***300.0***

The share capital is composed of 2,100,000,000 shares of nominally DKK 1 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:

- Fagbevægelsens Hovedorganisation, Islands Brygge 32D, 2300 Copenhagen S, Denmark, 7.05%
- HK/Danmark, Weidekampsgade 8, 2300 Copenhagen S, Denmark, 10.01%
- Fødevareforbundet NNF, Molestien 7, 2450 Copenhagen SV, Denmark, 11.57%
- Danish Metal Workers' Union, Molestien 7, 2450 Copenhagen SV, Denmark, 19.82%
- Fagligt Fælles Forbund - 3F, Kampmannsgade 4, 1790 Copenhagen V, Denmark, 32.98%

Note		2021 pcs.	2020 pcs	2021 DKK mill.	2020 DKK mill.
33	Own shares				
	Holding at the beginning of the year	7,417	7,305	7.4	7.3
	Change in nom. denomination from DKK 1,000 to DKK 1.	7,409,583	0	0.0	0.0
	Purchase	1,140,803	535	1.1	0.5
	Sale	-2,624,435	-423	-2.6	-0.4
	Holding at the end of the year	***5,933,368***	***7,417***	***5.9***	***7.4***

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 10.0 mill., corresponding to 0.5% (2020: 3.3%) of the share capital up to and including 12 March 2023.

As at 31.12.2021, the holding of own shares amounted to nominally DKK 5.9 mill. (2020: DKK 7.4 mill.), corresponding to 0.3% (2020: 2.5%) 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.

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
34	Own funds				
	Transformation from equity to own funds				
	Equity	11,852.9	7,125.2	10,155.2	7,125.2
	Minority interests not included	-649.8	0.0	0.0	0.0
	Additional Tier 1 capital, including interest payable	-754.5	-446.1	-442.8	-446.1
	Proposed dividend	-525.0	0.0	-525.0	0.0
	Intangible assets	-249.9	-15.5	0.0	0.0
	Deferred tax assets	-289.6	0.0	0.0	0.0
	Deduction for prudent valuation	-31.2	-23.6	-20.3	-23.6
	Deduction for non-performing exposures	-87.8	0.0	-5.3	0.0
	Capital instruments in financial entities	-18.9	-522.2	0.0	-519.2
	Common Equity Tier 1 capital	***9,246.1***	***6,117.8***	***9,161.8***	***6,136.3***
	Additional Tier 1 capital	729.7	429.0	429.0	429.0
	Minority interests not included	-50.3	0.0	0.0	0.0
	Capital instruments in financial entities	0.0	-25.4	0.0	-25.2
	Tier 1 capital	***9,925.5***	***6,521.4***	***9,590.8***	***6,540.1***
	Tier 2 capital	1,497.7	900.0	900.0	900.0
	Minority interests not included	-153.1	0.0	0.0	0.0
	Capital instruments in financial entities	0.0	-8.3	0.0	-8.2
	Own funds	***11,270.2***	***7,413.1***	***10,490.8***	***7,431.8***

In 2021, the Group's own funds increased by DKK 3.9 bn. compared to 2020. This can largely be explained by the increase in the shareholders' share of equity of DKK 4.4 bn., of which DKK 1.8 bn. is attributable to the share increase at Arbejdernes Landsbank, DKK 1.4 bn. is attributable to recognition of minority shareholders in Vestjysk Bank, and DKK 1.2 bn. is attributable to provisions from the profit for the year. Deductions for shares in financial undertakings are reduced by DKK 0.5 bn. compared with 2020 because Vestjysk Bank was part of the consolidated capital statement from 2021.

Non-recognised minority interests amounted to a total of DKK 0.9 bn., see also note 35.

Note 35
Capital management

Capital management is based on the EU Capital Requirements Regulation (CRR), which entered into force on 1 January 2014 and has direct legal effect in Denmark. As part of capital management, the Group 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
- Calculation of individual solvency need
- Disclosure requirements

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

Arbejdernes Landsbank’s acquisition of Vestjysk Bank has had a significant impact on developments in the Group's capital position in 2021. On 31 May 2021, Arbejdernes Landsbank became the majority shareholder of Vestjysk Bank with an ownership interest of 72.7% of the share capital and voting rights in Vestjysk Bank. In order to raise capital for the acquisition of Vestjysk Bank, on 14 April 2021 Arbejdernes Landsbank launched an increase of its share capital by offering 1.8 bn. new shares of DKK 1 nominal value. Consequently, the total share capital of Arbejdernes Landsbank now amounts to DKK 2.1 bn.

Arbejdernes Landsbank has acquired an ownership interest of Vestjysk Bank of 72.7%. Thus, 27.3% of the shares in Vestjysk Bank are held by minority shareholders. Furthermore, minority interests in Vestjysk Bank include owners of Additional Tier 1 instruments amounting to DKK 300.7 mill. and Tier 2 instruments amounting to DKK 597.7 mill. Minority shareholders’ and other minority interests’ share of the capital in Vestjysk Bank may only be recognised in consolidated own funds at an amount corresponding to the minority interests’ share of the total capital requirement in Vestjysk Bank.

When determining the Group's capital targets, the Group recognises capital from minority interests corresponding to the minority interests' share of the capital target set for Vestjysk Bank.

Due to the restrictions on recognising minority interest capital in consolidated own funds, Arbejdernes Landsbank expects to become the issuer of all Additional Tier 1 capital and Tier 2 capital in the Group, and to regularly fund Vestjysk Bank according to its capital need.

Senior Non-Preferred (SNP) instruments issued in Vestjysk Bank cannot be recognised in the consolidated MREL basis, and Arbejdernes Landsbank therefore similarly expects to become the issuer of SNP instruments in the Group, and to regularly fund Vestjysk Bank according to its MREL capital need.

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 plus the capital conservation buffer and the SIFI buffer, as well as an additional excess cover of 5.0 percentage points. The target corresponds to the yellow light indicator in the recovery plan and ensures that the Group can continue to absorb future capital requirements in the form of a fully phased-in countercyclical capital buffer.

The target for the Group's capital ratio has been calculated at 18.5%, and 17.4% after deduction for the minority interests’ share in Vestjysk Bank. With a capital ratio of 18.2% at the end of 2021, the Group thus has an excess cover of 0.8 percentage points.

The Group’s capital requirement comprises the solvency need and the combined capital buffer requirement of 2.5%, which currently only consists of the capital conservation buffer of 2.5%, as the reactivation of the countercyclical capital buffer will not be effective until 30 September 2022.

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

For further information, see the unaudited risk report at https://www.al-bank.dk/om-banken/fakta-og-historik/al-i-tal/risiko-og-csr-rapporter.

Note				Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
36	Additional Tier 1 capital						
	Nom. in DKK mill.	**Interest rate**	**Maturity**				
	429.0	CIBOR-6M + 7.25%	Indefinite *)	442.8	446.1	442.8	446.1
	155.0	8.50%	Indefinite **)	159.9	0.0	0.0	0.0
	50.0	7.50%	Indefinite ***)	51.9	0.0	0.0	0.0
	45.7	5.25%	Indefinite ****)	47.9	0.0	0.0	0.0
	50.0	4.75%	Indefinite *****)	51.9	0.0	0.0	0.0
	Total Additional Tier 1 capital			*754.5*	*446.1*	*442.8*	*446.1*
	Of these, included in Tier 1 capital/own funds, see note 34			729.7	429.0	429.0	429.0

*) As at 31 December 2021, the Additional Tier 1 capital had been called in for full repayment. On 24 January 2022, the Additional Tier 1 capital was repaid in full, and at the same time, new Additional Tier 1 capital was issued of DKK 429.0 mill. which can be fully recognised in the Bank's and the Group's Tier 1 capital/own funds.
**) Can be redeemed before maturity from 16 August 2022.
***) Can be redeemed before maturity from 26 June 2023.
****) Can be redeemed before maturity from 25 January 2026.
*****) Can be redeemed before maturity from 12 March 2026.

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

Note		Group 2021 DKK mill.	Group 2020 DKK mill.	Bank 2021 DKK mill.	Bank 2020 DKK mill.
37	Contingent liabilities and other binding commitments				
	Contingent liabilities				
	Financial guarantees	5,494.1	3,089.0	2,650.8	3,089.0
	Guarantees for losses on mortgage-credit loans	7,850.5	3,495.4	3,895.4	3,495.4
	Land registration and conversion guarantees	1,795.8	985.2	734.0	985.2
	Collateral for group companies	0.0	0.0	48.5	48.5
	Other contingent liabilities	3,018.4	624.0	826.6	624.0
	Total contingent liabilities	***18,158.7***	***8,193.6***	***8,155.3***	***8,242.1***
	Other binding commitments				
	Irrevocable credit commitments less than 1 year	968.4	943.1	0.0	0.0
	Irrevocable credit commitments more than 1 year	34.6	0.0	0.0	0.0
	Other credit commitments less than 1 year	21,697.7	7,402.9	6,264.1	7,087.2
	Unutilised commitments regarding payment of pension contributions	2.1	3.0	2.1	3.0
	Additional binding commitments	234.0	459.8	232.4	459.8
	Total other binding commitments	***22,936.8***	***8,808.7***	***6,498.6***	***7,550.0***

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 Group 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 Group’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 4.1 mill. (2020: DKK 5.1 mill.).

Participation in the statutory Guarantee Fund for Depositors and Investors (indskydergarantiordningen) entails that the Group and 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 1.1%. (2020: 1.2%).

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 Group's and the Bank's 2021 contributions totalled DKK 9.8 mill. (2020: DKK 4.9 mill.) and DKK 6.2 mill. (2020: DKK 4.9 mill.), respectively, corresponding to 0.9% (2020: DKK 0.5%) and 0.6% (2020: 0.5%) of the sector’s total contribution of DKK 1,061.3 mill. (2020: DKK 942.2 mill.).

The Bank is taxed jointly with other Danish subsidiaries in the Group. However, Vestjysk Bank A/S has only been jointly taxed since 31 May 2021. As a management company, the Bank is jointly and severally liable with the other consolidated companies for Danish corporation tax and withholding tax on interest, dividends and royalties within the joint taxation group. Corporation tax payable at group level amounted to DKK 73.9 mill. as at 31 December 2021 (2020: DKK 26.1 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 Group and the Bank are members of BEC (Bankernes EDB Central), and withdrawal as a going concern would entail a liability to pay compensation amounting to DKK 2,628.1 mill. (2020: DKK 1,314.7 mill.) and DKK 1,505.1 mill. (2020: 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.

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
38	Collateral provided				
	Cash in hand and demand deposits with central banks				
	Pledged in connection with clearing	1,926.8	759.3	1,926.8	759.3
	Total cash in hand and demand deposits with central banks	*1,926.8*	*759.3*	*1,926.8*	*759.3*
	Receivables from credit institutions				
	Margin receivables in connection with transactions in derivatives	307.0	352.3	208.7	352.3
	Pledged in connection with clearing	0.0	125.1	0.0	125.1
	Deposited to the Danish Growth Fund (Vækstfonden)	12.3	0.0	0.0	0.0
	Total receivables from credit institutions	*319.3*	*477.4*	*208.7*	*477.4*
	Loans and other receivables at amortised cost				
	Margin receivables in connection with settlement of securities	11.0	15.6	11.0	15.6
	Total loans and other receivables at amortised cost	*11.0*	*15.6*	*11.0*	*15.6*
	Bonds at fair value				
	Pledged in connection with clearing	646.7	0.0	0.0	0.0
	Total bonds at fair value	*646.7*	*0.0*	*0.0*	*0.0*
	Total collateral provided	*2,903.8*	*1,252.2*	*2,146.6*	*1,252.2*

Note

39 Derivative financial instruments and spot transactions

	Group			
	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 2021				
Currency contracts				
Spot transactions, purchase	115.1	*-0.1*	0.0	0.2
Spot transactions, sale	190.4	*0.2*	0.2	0.1
Forward transactions/futures, purchase	897.7	*16.1*	22.0	5.9
Forward transactions/futures, sale	5,745.5	*-6.7*	15.1	21.8
Interest-rate contracts				
Spot transactions, purchase	620.5	*0.1*	0.1	0.0
Spot transactions, sale	643.9	*0.2*	0.2	0.0
Forward transactions/futures, purchase	2,879.8	*10.7*	12.8	2.1
Forward transactions/futures, sale	1,862.5	*15.8*	21.5	5.7
Interest rate swaps	8,148.0	*-183.7*	79.1	262.8
Share contracts				
Spot transactions, purchase	3.1	*0.4*	0.6	0.2
Spot transactions, sale	3.0	*-0.4*	0.2	0.6
Total derivative financial instruments and spot transactions		*-147.4*	*151.8*	*299.2*
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*

Note

39 Derivative financial instruments and spot transactions (continued)

	Group				
	Up to and including 3 months	More than 3 months and up to and including 1 year	More than 1 year and up to and including 5 years	Over 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 2021					
Currency contracts					
Spot transactions, purchase	-0.1	0.0	0.0	0.0	*-0.1*
Spot transactions, sale	0.2	0.0	0.0	0.0	*0.2*
Forward transactions/futures, purchase	13.6	2.4	0.1	0.0	*16.1*
Forward transactions/futures, sale	-5.7	-0.7	-0.3	0.0	*-6.7*
Interest-rate contracts					
Spot transactions, purchase	0.0	0.0	0.0	0.1	*0.1*
Spot transactions, sale	0.2	0.0	0.0	0.0	*0.2*
Forward transactions/futures, purchase	9.9	0.8	0.0	0.0	*10.7*
Forward transactions/futures, sale	15.8	0.0	0.0	0.0	*15.8*
Interest rate swaps	-0.4	-1.9	-176.0	-5.3	*-183.7*
Share contracts					
Spot transactions, purchase	0.4	0.0	0.0	0.0	*0.4*
Spot transactions, sale	-0.4	0.0	0.0	0.0	*-0.4*
Total derivative financial instruments and spot transactions	*33.4*	*0.7*	*-176.2*	*-5.3*	*-147.4*
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*

Note

39 Derivative financial instruments and spot transactions (continued)

	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 2021				
Currency contracts				
Spot transactions, purchase	108.2	*-0.1*	0.0	0.1
Spot transactions, sale	176.4	*0.2*	0.2	0.0
Forward transactions/futures, purchase	616.3	*6.4*	9.3	2.9
Forward transactions/futures, sale	5,332.5	*-0.7*	9.5	10.3
Interest-rate contracts				
Spot transactions, purchase	578.8	*0.0*	0.1	0.0
Spot transactions, sale	604.1	*0.2*	0.2	0.0
Forward transactions/futures, purchase	2,876.6	*9.1*	11.2	2.1
Forward transactions/futures, sale	1,862.1	*16.0*	20.8	4.8
Interest rate swaps	7,300.3	*-175.0*	21.7	196.7
Share contracts				
Spot transactions, purchase	2.4	*0.2*	0.5	0.3
Spot transactions, sale	2.4	*-0.2*	0.3	0.5
Total derivative financial instruments and spot transactions		*-143.9*	*73.8*	*217.7*
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*

Note

39 Derivative financial instruments and spot transactions (continued)

	Bank				
	Up to and including 3 months	More than 3 months and up to and including 1 year	More than 1 year and up to and including 5 years	Over 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 2021					
Currency contracts					
Spot transactions, purchase	-0.1	0.0	0.0	0.0	*-0.1*
Spot transactions, sale	0.2	0.0	0.0	0.0	*0.2*
Forward transactions/futures, purchase	5.7	0.8	0.0	0.0	*6.4*
Forward transactions/futures, sale	-0.1	-0.6	0.0	0.0	*-0.7*
Interest-rate contracts					
Spot transactions, sale	0.2	0.0	0.0	0.0	*0.2*
Forward transactions/futures, purchase	8.4	0.7	0.0	0.0	*9.1*
Forward transactions/futures, sale	16.0	0.0	0.0	0.0	*16.0*
Interest rate swaps	-0.4	-1.9	-176.0	3.3	*-175.0*
Share contracts					
Spot transactions, purchase	0.2	0.0	0.0	0.0	*0.2*
Spot transactions, sale	-0.2	0.0	0.0	0.0	*-0.2*
Total derivative financial instruments and spot transactions	*29.8*	*-1.0*	*-176.0*	*3.3*	*-143.9*
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*

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 2021						
Financial assets						
Derivative financial instruments and spot transactions with positive fair values	151.8	0.0	*151.8*	23.3	11.1	*117.4*
Total financial assets	*151.8*	*0.0*	*151.8*	*23.3*	*11.1*	*117.4*
Financial liabilities						
Derivative financial instruments and spot transactions with negative fair values	299.2	0.0	*299.2*	23.3	224.3	*51.6*
Total financial liabilities	*299.2*	*0.0*	*299.2*	*23.3*	*224.3*	*51.6*
Offsetting possibilities as at 31 December 2020						
Financial assets						
Derivative financial instruments and spot transactions with positive fair values	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*

The Group has master netting agreements with a number of financial counterparties, and this entitles it 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 Group 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 2021 DKK mill.	Fair value 2021 DKK mill.	Amortised cost 2020 DKK mill.	Fair value 2020 DKK mill.
Classification and measurement of financial instruments				
Financial assets				
Cash in hand and demand deposits with central banks	12,345.1		1,135.9	
Receivables from credit institutions and central banks	678.0		4,488.2	
Loans and other receivables at amortised cost	41,958.3		23,817.7	
Bonds at fair value		28,116.2		21,902.5
Shares etc.		1,981.2		1,179.4
Assets linked to pooled schemes		17,516.6		6,970.7
Derivative financial instruments and spot transactions		151.8		56.2
Interest and commissions receivable	21.6	100.3	20.8	83.2
Total financial assets	*55,003.0*	*47,866.2*	*29,462.6*	*30,192.0*
Financial liabilities				
Debt to credit institutions and central banks	380.8		406.6	
Deposits and other debt	71,720.0		45,073.8	
Deposits in pooled schemes		17,516.6		6,970.7
Issued bonds at amortised cost	348.4		0.0	
Derivative financial instruments and spot transactions		299.2		341.4
Interest and commissions due	18.2	1.5	3.4	2.2
Subordinated debt	1,497.7		900.0	
Total financial liabilities	*73,965.1*	*17,817.4*	*46,383.9*	*7,314.3*

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 the 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 Group 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 156.2 mill. (2020: DKK 68.9 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 2.5 mill. (2020: DKK 7.2 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 Group 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 Group 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 0.1 mill. at the end of 2021 (2020: DKK 0.4 mill.).

Transfers between levels in the fair value hierarchy
If an update of prices does not occur over a five-day period, the standard procedure of the Group is that this will result in a transfer between the categories 'Listed prices' and 'Observable input'. In 2021, the Bank transferred DKK 56.2 mill. (2020: DKK 3,130.6 mill.) of bonds at fair value from level 1 to level 2 as a result of infrequent price updates. Conversely, DKK 1,144.3 mill. (2020: DKK 2,378.2 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 2021 and 2020.

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 2021				
Financial assets				
Bonds at fair value	18,552.3	9,539.2	24.7	*28,116.2*
Shares etc.	419.5	0.0	1,561.8	*1,981.2*
Assets linked to pooled schemes	15,984.9	1,531.7	0.0	*17,516.6*
Derivative financial instruments and spot transactions	15.9	135.9	0.0	*151.8*
Interest and commissions receivable	73.8	26.5	0.0	*100.3*
Total financial assets	*35,046.4*	*11,233.3*	*1,586.5*	*47,866.2*
Financial liabilities				
Deposits in pooled schemes	0.0	17,516.6	0.0	*17,516.6*
Derivative financial instruments and spot transactions	0.0	299.2	0.0	*299.2*
Interest and commissions due	0.4	1.1	0.0	*1.5*
Total financial liabilities	*0.4*	*17,817.0*	*0.0*	*17,817.4*
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	35.5	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*
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*

Note		Group 2021 DKK mill.	2020 DKK mill.
41	Fair value disclosures and classification of financial instruments (continued)		
	Non-observable input (level 3)		
	Fair value brought forward	761.4	774.2
	Value adjustments recognised in the income statement *)	103.5	17.5
	Net change in interest and commissions receivable	-0.5	-0.3
	Purchase	103.4	38.5
	Sale	-110.9	-97.6
	Transfers from level 2	0.0	29.2
	Additions on acquisition of subsidiary	759.4	0.0
	Other disposals	-29.9	0.0
	Fair value carried forward	*1,586.5*	*761.4*

*) Of which DKK 74.1 mill. (2020: DKK 17.0 mill.) is attributable to assets held at the end of the accounting period.

	Group			
	Carrying amount 2021 DKK mill.	Fair value 2021 DKK mill.	Carrying amount 2020 DKK mill.	Fair value 2020 DKK mill.
Financial instruments recognised at amortised cost				
Financial assets				
Cash in hand and demand deposits with central banks	12,345.1	12,345.1	1,135.9	1,135.9
Receivables from credit institutions and central banks	678.0	678.0	4,488.2	4,488.2
Loans and other receivables at amortised cost	41,958.3	42,127.5	23,817.7	23,937.5
Interest and commissions receivable	21.6	21.6	20.8	20.8
Total financial assets	*55,003.0*	*55,172.2*	*29,462.6*	*29,582.4*
Financial liabilities				
Debt to credit institutions and central banks	380.8	381.7	406.6	406.6
Deposits and other debt	71,720.0	71,719.3	45,073.8	45,073.8
Issued bonds at amortised cost	348.4	353.2	0.0	0.0
Interest and commissions due	18.2	18.2	3.4	3.4
Subordinated debt	1,497.7	1,510.6	900.0	901.3
Total financial liabilities	*73,965.1*	*73,983.1*	*46,383.9*	*46,385.2*

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, issued bonds 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 2021					
Return					
Interest income	1,500.7	194.3	113.4	-15.0	*1,793.4*
Interest expenses	-45.5	-93.1	-12.2		*-150.7*
Net interest income	*1,455.2*	*101.2*	*101.2*	*-15.0*	*1,642.7*
Dividends from shares etc.			1.0	47.0	*48.0*
Value adjustments			220.3	25.1	*245.4*
Total return	*1,455.2*	*101.2*	*322.5*	*57.1*	*1,936.1*
Financial assets					
Cash in hand and demand deposits with central banks	12,345.1				*12,345.1*
Receivables from credit institutions and central banks	678.0				*678.0*
Loans and other receivables at amortised cost	41,958.3				*41,958.3*
Bonds at fair value			28,116.2		*28,116.2*
Shares etc.			146.6	1,834.6	*1,981.2*
Assets linked to pooled schemes				17,516.6	*17,516.6*
Derivative financial instruments and spot transactions			133.3	18.5	*151.8*
Interest and commissions receivable	21.6		100.3		*122.0*
Total financial assets	*55,003.0*		*28,496.5*	*19,369.8*	*102,869.2*
Financial liabilities					
Debt to credit institutions and central banks		380.8			*380.8*
Deposits and other debt		71,720.0			*71,720.0*
Deposits in pooled schemes				17,516.6	*17,516.6*
Issued bonds at amortised cost		348.4			*348.4*
Derivative financial instruments and spot transactions			254.0	45.2	*299.2*
Interest and commissions due		18.2	1.5		*19.7*
Subordinated debt		1,497.7			*1,497.7*
Total financial liabilities		*73,965.1*	*255.5*	*17,561.9*	*91,782.4*

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	113.8	-15.7	*1,160.9*
Interest expenses	-27.3	-52.4	-11.1		*-90.8*
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		406.6			*406.6*
Deposits and other debt		45,073.8			*45,073.8*
Deposits in pooled schemes				6,970.7	*6,970.7*
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		*46,383.9*	*283.4*	*7,030.9*	*53,698.2*

Note		Group 2021 DKK mill.	2020 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 on acquisition of subsidiary, see note 44	56.3	0.0
	Additions	24.5	16.2
	Carrying amount carried forward	255.6	163.6
	Lease commitments recognised under other liabilities		
	Carrying amount carried forward	279.1	177.7
	See note 48 for an analysis of maturities on undiscounted lease commitments as at 31 December 2021.		
	Amount recognised in the income statement		
	Income from subleasing of right-of-use assets	0.2	0.6
	Interest costs on lease commitments	-1.3	-0.9
	Costs related to short-term leases	-0.1	0.0
	Costs related to low-value leases	0.0	-0.4
	Depreciation on right-of-use assets	-33.4	-24.4
	Gains from sale and lease back transactions	2.0	0.0
	Losses from sale and lease back transactions	-0.1	0.0
	Amount recognised in the cash flow statement		
	Total outgoing cash flows related to leases	36.0	26.9

Note		Group 2021 DKK mill.	2020 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 on the same terms as the main lease, and consequently, the subleases with the Group as the intermediary lessor are classified as finance leases.

	2021 DKK mill.	2020 DKK mill.
Receivables from finance leases		
Broken down by remaining term:		
Under 1 year	1,168.4	1,115.4
Between 1 and 2 years	419.8	323.6
Between 2 and 3 years	227.5	186.1
Between 3 and 4 years	105.1	63.8
Between 4 and 5 years	67.3	27.5
Over 5 years	46.7	7.9
Total undiscounted lease payments	*2,034.8*	*1,724.2*
Of which unearned financing income	59.9	62.0
Total net investments	*1,974.9*	*1,662.2*
Accumulated impairments on finance leases	7.9	7.5
Amount recognised in the income statement		
Interest income from lease receivables	66.9	57.6

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

	2021 DKK mill.	2020 DKK mill.
Receivables from operating leases		
Broken down by remaining term:		
Under 1 year	38.0	43.1
Between 1 and 2 years	19.1	23.5
Between 2 and 3 years	14.7	14.1
Between 3 and 4 years	6.1	7.8
Between 4 and 5 years	2.7	3.9
Over 5 years	0.0	1.2
Total undiscounted lease payments	*80.7*	*93.5*

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

	2021 DKK mill.	2020 DKK mill.
Amount recognised in the income statement		
Rental income	52.8	56.6

Note		Group 2021 DKK mill.	Group 2020 DKK mill.	Bank 2021 DKK mill.	Bank 2020 DKK mill.
43	Related parties				
	Shareholders with significant influence				
	Interest income	2.7	2.0	2.7	2.0
	Fee and commission income	1.0	1.5	1.0	1.5
	Fees and commissions paid	-0.3	0.0	-0.3	0.0
	Loans	26.1	16.8	26.1	16.3
	Deposits	148.8	337.4	148.8	337.4
	Subordinated debt	385.0	385.0	385.0	385.0
	Share issue	597.6	0.0	597.6	0.0
	Collateral and guarantees received	73.2	2,580.5	71.4	2,580.0
	Unutilised credit lines and commitments	53.6	63.2	51.6	61.7
	Dividends paid	0.0	-14.3	0.0	-14.3
	Additional Tier 1 capital	205.0	205.0	205.0	205.0
	Interest paid on Additional Tier 1 capital	-16.6	-18.6	-16.6	-18.6
	Board of Directors and Executive Management				
	Interest income	0.2	0.1	0.2	0.1
	Fee and commission income	0.0	0.2	0.0	0.2
	Loans	2.2	4.2	2.2	4.2
	Deposits	28.6	26.0	28.6	26.0
	Share issue	0,2	0.0	0,2	0.0
	Collateral and guarantees received	5.2	6.7	5.2	6.7
	Issued guarantees	5.3	7.0	5.3	7.0
	Unutilised credit lines and commitments	4.2	10.1	4.2	10.1

Note		Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
43	Transactions with related parties (continued)				
	Group companies				
	Interest income			58.2	62.7
	Fee and commission income			2.3	0.6
	Other operating income			3.6	3.5
	Staff and administrative expenses			-1.0	-1.4
	Receivables from credit institutions			290.0	0.0
	Loans			6,523.6	5,455.8
	Bonds at fair value			29.9	0.0
	Deposits			2.7	0.2
	Positive fair value of derivative financial instruments and spot transactions			1.7	0.0
	Interest receivable			1.1	0.0
	Debt to credit institutions			12.8	0.0
	Negative fair value of derivative financial instruments and spot transactions			0.9	0.0
	Other equity and liabilities			1.5	1.5
	Issued guarantees			48.5	48.5
	Unutilised credit lines and commitments			300.5	603.5
	Associated companies				
	Interest income	0.1	0.0	0.1	0.0
	Fee and commission income	0.1	1.0	0.1	1.0
	Positive fair value of derivative financial instruments and spot transactions	0.0	0.4	0.0	0.4
	Debt to credit institutions	0.0	13.7	0.0	13.7
	Negative fair value of derivative financial instruments and spot transactions	0.0	0.2	0.0	0.2
	Unutilised credit lines and commitments	0.0	42.8	0.0	42.8

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 1.0-16.8% per annum (2020: 1.0-11.5% per annum), and loans to members of the Executive Management and their related parties carry interest in the interval 1.0-16.8% per annum (2020: 2.0-9.5% per annum).

Deposits from members of the Board of Directors and their related parties carry interest in the interval -0.6-0.0% per annum (2020: -0.6-1.0% per annum), and deposits from members of the Executive Management and their related parties carry interest in the interval -0.6-0.0% per annum (2020: -0.6-1.0% per annum).

Emoluments and shareholdings of individual members of the Board of Directors and the Executive Management are stated in the report on management remuneration for 2021 and the Management's report.

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

Note

44 Acquisition of subsidiaries

On 31 May 2021, Arbejdernes Landsbank acquired a further 28.4% of the capital of Vestjysk Bank A/S including mandatory purchase offers. Added to the original ownership interest of 32.4%, this corresponds to a total ownership interest of 60.8% of the shares and voting rights. A controlling influence was thereby obtained in Vestjysk Bank A/S, and after this Vestjysk Bank has been included as part of the Group.

Vestjysk Bank A/S carries out banking activities within the private and business segment and is strongly cemented in central and western Jutland. The acquisition is part of the strategy plan, and the ambition is to establish the foundation for a nationwide bank with a solid platform to service private and business customers.

In the period after 31 May 2021 and until the mandatory purchase offer was issued, the Group carried out further acquisitions in Vestjysk Bank A/S shares, and the ownership interest and voting rights at the end of the financial year were 72.7%.

The purchase price for 28.4% of the shares in Vestjysk Bank A/S was DKK 1,208.0 mill., corresponding to a price of DKK 3.45 per share. The purchase was settled in cash. The total price for 72.7% of the shares was DKK 3,093.9 mill. In connection with the acquisition, cash funds of DKK 4,761.9 mill. were added to the Group.

The Group has incurred transaction costs for the acquisition of DKK 11.9 mill. for legal and financial advisors. This amount has been recognised in the income statement under other administrative expenses.

The activities acquired have been included in the segment information for the Group in a separate segment referred to as Vestjysk Bank.

The distribution of the purchase price between net assets is shown in the table below:

Note		31.05.2021 DKK mill.
	Statement of fair value (adjusted)	
	Assets	
	Cash in hand and demand deposits with central banks	4,397.4
	Receivables from credit institutions and central banks	364.6
	Loans and other receivables	16,141.3
	Bonds	8,586.1
	Shares etc.	821.2
	Equity investments in associated companies	109.2
	Assets linked to pooled schemes	8,555.1
	Intangible assets (customer relations)	260.0
	Investment properties	80.8
	Owner-occupied properties	337.9
	Right-of-use assets	56.3
	Other property, plant and equipment	5.5
	Deferred tax assets	167.9
	Assets held temporarily	3.2
	Other assets	659.7
	Prepayments and accrued income	45.8
	Total assets	***40,592.0***

Note		31.05.2021 DKK mill.
44	Purchase of subsidiaries (continued)	
	Statement of fair value (adjusted)	
	Liabilities	
	Debt to credit institutions and central banks	453.3
	Deposits and other debt	24,521.8
	Deposits in pooled schemes	8,555.1
	Issued bonds	199.3
	Current tax liabilities	48.2
	Other equity and liabilities	1,069.6
	Accruals and deferred income	27.5
	Provisions for pensions and similar obligations	26.7
	Guarantee loss provisions	30.3
	Other provisions	47.6
	Subordinated debt	596.7
	Additional Tier 1 capital	308.9
	Total liabilities	***35,885.0***
	Equity (net assets acquired)	***4,707.1***
	Minority interests' share of net assets before badwill (27.3%)	1,161.2
	Equity excluding minority interests (Arbejdernes Landsbank's share)	***3,545.8***
	Cash purchase price including previous holdings of 32.4%.	3,093.9
	Badwill including minority interests' share	***451.9***

As control over Vestjysk Bank A/S was acquired as at 31 May 2021, a final identification and valuation of the company's assets and liabilities, including a statement of final badwill, had not yet been made at the time of presentation of the interim financial report. This review has now been carried out, and for the second half-year of 2021, it has been found necessary to make some adjustments in relation to lending and deferred tax assets. This has resulted in increased badwill of DKK 106.1 mill.

With the acquisition of Vestjysk Bank A/S, Arbejdernes Landsbank obtained an accounting profit and a capital benefit by recognising badwill of DKK 328.6 mill., as the purchase price for the acquired company was lower than the net asset value. The reason for this is that banks are generally traded at a price below the net asset value. Badwill has been posted under other operating income in the income statement, and the amount is not taxable.

The shares that the Group owned prior to obtaining control have been remeasured at a fair value of DKK 1,380.7 mill., resulting in a loss of DKK 149.5 mill. that has been recognised in the income statement under Profit from equity investments in associated companies.

The acquisition balance sheet is based on the balance sheet of Vestjysk Bank A/S as at 31 May 2021. The fair value of lending is based on an assessment of the market value of the portfolio taken over. Gross lending before the fair value adjustment totalled DKK 16.2 bn. on the date of acquisition. The fair value adjustment of lending amounted to DKK 90.0 mill. and total lending after the fair value adjustment amounted to DKK 16.1 bn.

The fair value of customer relations is set by means of a Multi-Period Excess Earnings method (MEEM). Customer relations are therefore calculated as the present value of the net cash flows obtained through sales to customers, after subtracting a reasonable return on all other assets which help to generate the cash flows. The value of the intangible asset has been calculated at DKK 260.0 mill., and the deferred tax on this is DKK 57.2 mill. Customer relations have been capitalised according to accounting legislation, and amortised over a period of seven years.

The minority interests of 27.3% in Vestjysk Bank A/S have been included at DKK 1,161.2 mill., corresponding to the minority shareholders' share of the net asset value including fair value adjustments in connection with allocation of the purchase price.

Note		
44	Acquisition of subsidiaries (continued)	

Consolidation effect

For the period since the takeover, Vestjysk Bank A/S has been included in Group net interest and fee income at DKK 891.8 mill. and the profit before tax at DKK 281.6 mill.

Net interest and fee income and the profit before tax for the Group for 2021, calculated as if Vestjysk Bank A/S had been taken over on 1 January 2021 were DKK 1,447.4 mill. and DKK 890.9 mill. respectively.

There were no business combinations in 2020.

Note		2021 DKK mill.	2020 DKK mill.
45	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	35.4	22.2
	Equity	343.4	308.0
	AL Finans A/S offers car financing, leasing, factoring and invoice purchasing. The activities of the subsidiary are financed from equity and borrowing from the Parent Company.		
	Ejendomsselskabet Sluseholmen A/S, Copenhagen		
	Voting share and ownership interest (%)	100	100
	Profit/loss for the year	-0.3	-0.1
	Equity	12.3	12.6
	The subsidiary is currently inactive, but at the end of 2021 it acquired a further two land parcels.		
	Vestjysk Bank A/S, Herning		
	Voting share and ownership interest (%)	73	
	Profit for the year	1,079.8	
	Equity	5,396.4	
	Vestjysk Bank A/S carries out banking activities aimed at both private and business customers, primarily in central and western Jutland.		

Note		2021 DKK mill.	2020 DKK mill.
45	Group Overview (continued)		
	Key associated companies		
	Vestjysk Bank A/S, Lemvig		
	Voting share and ownership interest (%)		32
	Revenue		923,8
	Profit for the year		477,7
	Other comprehensive income		-17,8
	Total comprehensive income		460,0
	Shareholders' share of this		441,5
	Loans and other receivables at amortised cost		10.220,9
	Other assets		11.971,0
	Total assets		22.191,9
	Deposits and other debt		13.042,8
	Other liabilities		6.192,9
	Total liabilities		19.235,7
	Equity		2.956,2
	Shareholders' share of this		2.801,2
	The Group' share of this		908,8

The summary financial information above originates from the company's annual financial statements for 2019. Revenue is defined as interest income, fee and commission income as well as other operating income.

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.

Note		2021 DKK mill.	2020 DKK mill.
45	Group Overview (continued)		
	Other associated companies		
	TestaViva ApS, Copenhagen		
	Voting share and ownership interest (%)	39	39
	Profit or loss for the year, see the most recent published financial statements (2020 and 2019).	-4.4	-0.5
	&Money ApS, Copenhagem		
	Voting share and ownership interest (%)	25	33
	Profit or loss for the year, see the most recent published annual financial statements (16.08.2019-31.12.2020).	-1.2	
	Thise Udviklingsselskab ApS, Skive		
	Voting share and ownership interest (%)	31	
	Profit or loss for the year, see the most recent published annual financial statements (2020).	0.0	
	HN Invest Tyskland 1 A/S under frivillig likvidation, Aalborg		
	Voting share and ownership interest (%)	33	
	Profit or loss for the year, see the most recent published annual financial statements (2020).	-0.2	
	EgnsINVEST Tyske Ejendomme A/S, Horsens		
	Voting share and ownership interest (%)	20	
	Profit or loss for the year, see the most recent published annual financial statements (2020).	16.9	
	Ejendomsfællesskabet Den Jyske Sparekasse and KGH Property I/S, Billund		
	Voting share and ownership interest (%)	50	
	Reconciliation of equity investments in associated companies		
	Carrying amount of equity investments in significant associated companies	0.0	986.7
	Carrying amount of equity investments in other associated companies	141.6	13.8
	Total carrying amount of equity investments in associated companies, see note 16	*141.6*	*1,000.5*

Note		2021 DKK mill.	2020 DKK mill.	2019 DKK mill.	2018 DKK mill.	2017 DKK mill.
46	Financial and operating data for the Group					
	Income statement					
	Net interest income	1,642.7	1,070.1	1,074.5	1,104.4	1,193.6
	Net fee and commission income	1,196.7	699.5	688.1	580.3	555.5
	Value adjustments and dividend	293.4	284.9	341.8	45.5	945.1
	Other operating income	412.2	70.0	69.2	68.8	90.5
	Profit from equity investments in associated companies	95.3	103.1	24.3	0.0	0.0
	Total income	***3,640.3***	***2,227.6***	***2,197.9***	***1,799.0***	***2,784.7***
	Costs and depreciation/amortisation	-2,424.4	-1,767.1	-1,663.4	-1,529.5	-1,465.6
	Impairments on loans and receivables etc.	162.3	-78.6	53.9	69.5	-14.3
	Total costs	***-2,262.1***	***-1,845.7***	***-1,609.5***	***-1,460.0***	***-1,479.9***
	Profit before tax	***1,378.2***	***382.0***	***588.4***	***339.0***	***1,304.7***
	Tax	-49.4	-52.0	-43.6	-40.1	-149.3
	Profit for the year	***1,328.9***	***330.0***	***544.8***	***298.9***	***1,155.5***
	Selected balance sheet items					
	Loans and other receivables at amortised cost	41,958.3	23,817.7	22,906.4	22,085.8	21,958.1
	Bonds at fair value	28,116.2	21,902.5	20,859.8	18,834.3	11,812.4
	Total assets	107,460.6	62,913.3	59,024.0	55,106.5	47,368.9
	Deposits incl. pooled schemes	89,236.6	52,044.6	47,989.8	44,872.7	37,483.7
	Equity	11,852.9	7,125.2	6,855.2	6,873.2	6,761.5
	Other financial and operating data					
	Net interest and fee income	2,887.4	1,826.6	1,806.1	1,745.0	1,792.9
	Value adjustments	245.4	227.9	298.3	-14.8	901.3
	Staff and administrative expenses	-2,213.6	-1,604.5	-1,512.5	-1,405.9	-1,353.8
	Own funds	11,270.2	7,413.1	7,013.4	6,580.6	5,677.6
	Tier 1 capital	9,925.5	6,521.4	6,120.7	6,580.6	5,677.6
	Common Equity Tier 1 capital	9,246.1	6,117.8	5,722.9	5,764.3	5,035.2
	Exposures with credit risk	47,973.0	26,992.0	25,685.6	23,895.0	23,180.2
	Exposures with market risk	7,747.5	5,373.4	6,022.8	5,267.4	4,185.4
	Exposures with operational risk	6,370.1	3,605.1	3,720.4	3,660.0	3,665.9
	Total risk exposure	***62,090.6***	***35,970.5***	***35,428.7***	***32,822.4***	***31,031.5***

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

Note			2021	2020	2019	2018	2017
46	Ratios and key figures for the Group						
	Solvency						
	Capital ratio	%	18.2	20.6	19.8	20.0	18.3
	Tier 1 capital ratio	%	16.0	18.1	17.3	20.0	18.3
	Common Equity Tier 1 capital ratio	%	14.9	17.0	16.2	17.6	16.2
	Earnings						
	Return on equity before tax	%	14.8	5.5	8.6	5.0	21.0
	Return on equity after tax	%	13.9	4.7	7.9	4.4	18.6
	Ratio of operating income to operating expenses per DKK	DKK	1.61	1.21	1.37	1.23	1.88
	Earnings per share	DKK	0.94	994.90	1,689.19	833.82	3,680.00
	Diluted earnings per share	DKK	0.94	994.90	1,689.19	833.82	3,680.00
	Return on capital employed	%	1.6	0.5	1.0	0.6	2.5
	Market risk						
	Interest-rate risk	%	1.7	1.8	1.2	0.5	-0.7
	Currency position	%	2.9	1.0	1.5	2.2	1.4
	Currency risk	%	0.0	0.0	0.0	0.0	0.0
	Liquidity						
	Loans plus impairments in relation to deposits	%	48.2	47.4	49.4	52.1	62.0
	Liquidity coverage ratio (LCR)	%	249.4	274.1	269.9	268.1	185.7
	Credit						
	Sum of large exposures	%	80.8	78.5	82.3	59.1	92.1
	Impairment ratio for the year	%	0.5	0.2	-0.2	-0.2	0.1
	Lending growth for the year	%	76.2	4.6	3.7	0.8	4.3
	Loans in relation to equity		3.5	3.3	3.3	3.2	3.2
	Equity						
	Net asset value per share	DKK	4.64	22,828.06	21,897.08	20,490.76	19,708.60
	Proposed dividend per share	DKK	0.25	0.00	150.00	200.00	500.00
	Employees						
	Average number of employees during the financial year converted to full-time equivalents		1,804	1,156	1,122	1,088	1,054

See note 47 for definitions of ratios and key figures.

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

Note		2021 DKK mill.	2020 DKK mill.	2019 DKK mill.	2018 DKK mill.	2017 DKK mill.
46	Financial and operating data for the Bank					
	Income statement					
	Net interest income	990.4	958.6	972.9	1,002.9	1,080.4
	Net fee and commission income	793.7	657.6	647.4	541.3	535.1
	Value adjustments and dividend	216.6	285.5	341.6	45.0	945.3
	Other operating income	365.3	34.3	33.9	34.5	57.4
	Profit from equity investments in associated companies and group companies	379.3	125.2	43.7	31.4	20.7
	Total income	***2,745.3***	***2,061.3***	***2,039.5***	***1,655.1***	***2,639.0***
	Costs and depreciation/amortisation	-1,636.2	-1,622.4	-1,526.4	-1,399.3	-1,338.3
	Impairments on loans and receivables etc.	245.0	-66.4	66.4	71.1	-4.6
	Total costs	***-1,391.2***	***-1,688.8***	***-1,460.0***	***-1,328.2***	***-1,342.9***
	Profit before tax	***1,354.0***	***372.5***	***579.5***	***326.8***	***1,296.1***
	Tax	-143.5	-42.5	-34.7	-28.0	-140.6
	Profit for the year	***1,210.6***	***330.0***	***544.8***	***298.9***	***1,155.5***
	Selected balance sheet items					
	Loans and other receivables at amortised cost	25,073.3	23,474.8	22,575.0	21,798.8	21,682.8
	Bonds at fair value	18,800.0	21,902.5	20,859.8	18,834.3	11,812.4
	Total assets	67,999.8	62,703.9	58,845.7	54,973.8	47,261.3
	Deposits incl. pooled schemes	53,931.3	51,959.5	47,940.0	44,839.3	37,460.7
	Equity	10,155.2	7,125.2	6,855.2	6,873.2	6,761.5
	Other financial and operating data					
	Net interest and fee income	1,826.1	1,673.3	1,663.8	1,604.4	1,659.4
	Value adjustments	174.5	228.5	298.1	-15.3	901.5
	Staff and administrative expenses	-1,511.9	-1,501.3	-1,414.4	-1,313.3	-1,264.4
	Own funds	10,490.8	7,431.8	7,036.8	6,601.2	5,695.8
	Tier 1 capital	9,590.8	6,540.1	6,144.0	6,601.2	5,695.8
	Common Equity Tier 1 capital	9,161.8	6,136.3	5,745.8	5,784.8	5,053.1
	Exposures with credit risk	32,450.8	27,908.4	26,504.2	24,647.5	23,937.1
	Exposures with market risk	6,024.9	5,371.3	6,024.1	5,266.0	4,179.0
	Exposures with operational risk	3,599.8	3,266.6	3,395.6	3,311.8	3,312.0
	Total risk exposure	***42,075.5***	***36,546.3***	***35,923.9***	***33,225.2***	***31,428.2***

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

Note			2021	2020	2019	2018	2017
46	Ratios and key figures for the Bank						
	Solvency						
	Capital ratio	%	24.9	20.3	19.6	19.9	18.1
	Tier 1 capital ratio	%	22.8	17.9	17.1	19.9	18.1
	Common Equity Tier 1 capital ratio	%	21.8	16.8	16.0	17.4	16.1
	Earnings						
	Return on equity before tax	%	15.7	5.3	8.4	4.8	20.8
	Return on equity after tax	%	14.0	4.7	7.9	4.4	18.6
	Ratio of operating income to operating expenses per DKK	DKK	1.97	1.22	1.40	1.25	1.97
	Earnings per share	DKK	0.94	994.90	1,689.19	833.82	3,680.00
	Diluted earnings per share	DKK	0.94	994.90	1,689.19	833.82	3,680.00
	Return on capital employed	%	1.9	0.5	1.0	0.6	2.5
	Market risk						
	Interest-rate risk	%	1.1	1.8	1.2	0.5	-0.7
	Currency position	%	3.0	1.0	1.5	2.2	1.3
	Currency risk	%	0.0	0.0	0.0	0.0	0.0
	Liquidity						
	Loans plus impairments in relation to deposits	%	47.5	46.7	48.7	51.5	61.2
	Liquidity coverage ratio (LCR)	%	238.4	277.4	269.9	268.1	185.7
	Credit						
	Sum of large exposures	%	41.2	57.0	65.4	53.0	80.3
	Impairment ratio for the year	%	-0.7	0.2	-0.2	-0.2	0.0
	Lending growth for the year	%	6.8	4.7	3.5	0.7	4.0
	Loans in relation to equity		2.5	3.3	3.3	3.2	3.2
	Equity						
	Net asset value per share	DKK	4.64	22,828.06	21,897.08	20,490.76	19,708.60
	Proposed dividend per share	DKK	0.25	0.00	150.00	200.00	500.00
	Employees						
	Average number of employees during the financial year converted to full-time equivalents		1,060	1,071	1,040	1,007	975

See note 47 for definitions of ratios and key figures.

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

Note

47 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 excl. minority interests x 100 / Equity excl. minority interests (avg.)
Return on equity after tax =	Profit after tax excl. minority interests x 100 / Equity excl. minority interests (avg.)
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 (avg.)
Diluted earnings per share =	Arbejdernes Landsbank's shareholders' share of the profit for the year / Diluted number of shares issued (avg.)
Return on capital employed =	Profit after tax x 100 / Total assets (avg.)
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 / Share capital

Note

47	Definitions of ratios and key figures (continued)	
	Other financial ratios and key figures	
	Lending growth *) =	(Loans, excl. reverse transactions carried forward - Loans, excl. reverse transactions carried forward 1 year before) x 100 / Loans, excl. reverse transactions carried forward 1 year before
	Commercial property exposure *) =	Gross loans and guarantees within the sectors "Completion of building projects" and "Real property") x 100 / Gross loans and guarantees
	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.
	Cost rate =	Costs and depreciation/amortisation excl. impairment charges x 100 / Net interest income + net fee and commission income + dividends + other operating income

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

Note 48
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 risks.

Credit risk

Credit risk is the risk that a counterparty is wholly or partly unable to make payments, or fails to make payments. The Group's credit policy is to conduct business transactions with customers with the ability and willingness to repay their loans.

Credit policy

The Group's companies have their own credit policies reflecting the individual company's business model, as well as the overall framework for managing credit risk established by the Board of Directors of Arbejdernes Landsbank. Authorisation guidelines are established by the board of directors and passed on to the executive management of the individual company and then further on down through the organisation.

A central element in the Group'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.

The primary target group of Arbejdernes Landsbank is private customers, associations, as well as small and medium-sized Danish business customers where full-scale customer relationships are formed. Full-scale customer relationships provide a better insight into the overall financial situation of the customer, and this insight forms the basis for providing the best advisory services possible, and makes it easier to assess the risk of the individual exposure. Furthermore, the Bank aims at ensuring that the Bank's group of owners has the opportunity to conduct various forms of banking. In the Bank's subsidiaries, AL Finans A/S and Vestjysk Bank A/S, the target group also includes private customers as well as small and medium-sized Danish enterprises. However, Vestjysk Bank's target group differs from that of the Bank, as Vestjysk Bank has particular focus on loans and financing for agriculture, fisheries and real property.

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

Credit organisation

Arbejdernes Landsbank has 70 branches and six independent business centres as well as the Bank's subsidiary, AL Finans A/S. Furthermore, Vestjysk Bank A/S has 29 branches and some specialist departments, including an agricultural centre, all of which are located in central, western and eastern Jutland.

The authority to grant loans is structured such that Arbejdernes Landsbank's 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 credit policy rules for credit risk profile, the Bank's branches, business centres or AL Finans A/S make a recommendation for authorisation to the Bank's Credit Department, Credit Council or the Board of Directors. Vestjysk Bank has its own credit organisation and associated hierarchy for authorising loans, as well as its own structure for processing larger and more complex cases, including cases deviating from the credit policy. Furthermore, the Group has set up a Group Credit Committee tasked with pre-processing significant individual cases from Vestjysk Bank as well as cases which, according to the Group's policies, are to be processed by the Arbejdernes Landsbank Board of Directors.

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

The Credit Department at Arbejdernes Landsbank is responsible for day-to-day credit management, controlling and monitoring at the Bank. In Vestjysk Bank, the Credit Department is similarly responsible for day-to-day credit management, while controlling and monitoring are carried out by the credit secretariat.

Rating

For several years, Arbejdernes Landsbank 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 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.

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

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 exposure in stages is based on Arbejdernes Landsbank's own PD values, which are based on the Bank's rating, supplemented by 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.

Internally developed rating models are 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. The Bank's subsidiary Vestjysk Bank A/S uses a rating model based on behaviour and developed by BEC (Bankernes EDB Central). For business customers, an internal segmentation model is used for day-to-day credit management.

For the purpose of the consolidated financial statements, the rating of Vestjysk Bank will be mapped via the Danish FSA credit quality categories for the Bank's rating.

Credit risk management and monitoring

The Group has focus on managing, controlling and monitoring credit risks, including compliance with policies and guidelines as well as ongoing reporting. Furthermore, there is ongoing focus on improving processes and tools that can contribute to more effective management and monitoring of credit risk.

The Board of Directors has set up a Risk Committee to assess whether the internal control, risk management and security systems of the Group are effective. Furthermore, the Executive Management has established a Group Credit Committee to pre-process significant individual cases from Vestjysk Bank, and cases outside the scope of the business model of Vestjysk Bank, as these have to be authorised by the Board of Directors of Arbejdernes Landsbank. Finally, the Executive Management has set up an internal Risk Council to process both financial and non-financial risks potentially influencing the Group.

Responsibility for day-to-day risk management of credit risk in the Bank's branches and subsidiaries lies with the 1st line of defence, which is composed of the credit departments at the Bank, Vestjysk Bank and AL Finans A/S, respectively. The Credit Departments ensure compliance with the credit strategy as well as the credit policies. The Credit Departments also coordinate branch contact and credit advisory services for processing individual cases.

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 and an assessment of any supplementary solvency need for weak exposures exceeding 2% of own funds are made according to regulations laid down for this purpose.

Furthermore, the Group performs an annual asset review of exposures on the basis of a materiality approach as well as themes. 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.

Weak customers are dealt with on an ongoing basis in order to prepare action plans, and to assess whether the customer is credit-impaired and whether there is a need for impairment. Impairments concerning the part of the portfolio that is not credit-impaired, are calculated on the basis of model calculations.

The Group validates the calculation of 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 any impairment allowances 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 Group's Risk Function constitutes the 2nd line of defence and is managed by the Group Chief Risk Officer. The Risk Function monitors risk management across the Group, including correct identification, measurement, handling and reporting of all significant risks in the Bank and its subsidiaries. Vestjysk Bank has an independent risk function, which reports to the executive management and board of directors of Vestjysk Bank, and to the Group Chief Risk Officer.

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

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

Risk hedging and risk reduction

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

The Group sets collateral values on all significant asset types. This implies that, for reasons of prudence, some assets are calculated at a reduced value, and therefore the real collateral value is assessed to be higher than the value calculated. To ensure independence and necessary competences, the valuation process of properties is outsourced to Totalkredit. Focus is on ensuring that assessments of mortgaged assets are updated and documented. The most common collateral is as mortgages on real property, cooperative housing and chattels such as cars, operating equipment, ships, etc.

For individually assessed exposures, collateral is calculated in impairment calculations at estimated fair values according to rules from the Danish FSA, while collateral values for model impairments are, in part, recognised more prudently.

See page 137 for total collateral received by the Group.

	Group		Bank	
	2021 DKK mill.	2020 DKK mill.	2021 DKK mill.	2020 DKK mill.
Maximum credit exposure				
Receivables from credit institutions and central banks	678.0	4,488.2	788.5	4,471.9
Loans and other receivables at amortised cost	41,958.3	23,817.7	25,073.3	23,474.8
Guarantees	18,158.7	8,193.6	8,155.3	8,242.1
Irrevocable credit commitments	1,003.0	943.1	0.0	0.0
Other unutilised credit lines and commitments	21,697.7	7,402.9	6,264.1	7,087.2
Total credit exposure on items at amortised cost, guarantees and credit commitments	*83,495.6*	*44,845.5*	*40,281.1*	*43,276.0*
Bonds at fair value	28,116.2	21,902.5	18,800.0	21,902.5
Positive fair value of derivative financial instruments and spot transactions	151.8	56.2	73.8	56.2
Total credit exposure on items at fair value	*28,268.1*	*21,958.7*	*18,873.7*	*21,958.7*
Maximum credit exposure	*111,763.7*	*66,804.2*	*59,154.9*	*65,234.7*

	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 2021												
Receivables from credit institutions and central banks	662.4	15.8	8.0	0.0	662.2	15.7	0.0	0.0	662.2	15.7	0.0	0.0
Loans and other receivables at amortised cost	34,405.4	5,735.3	1,369.0	1,475.5	34,229.2	5,563.5	926.0	1,239.7	10,419.3	1,381.9	206.2	10.0
Guarantees	16,595.9	1,173.7	169.3	256.0	16,587.2	1,172.4	155.6	243.5	15,935.0	1,110.0	142.3	216.9
Unutilised credit lines and commitments	19,950.7	2,464.7	307.4	197.0	19.918,9	2,445.1	279.7	57.0	14,444.5	1,707.4	174.4	8.0
Total exposures	*71,614.3*	*9,389.4*	*1,853.8*	*1,928.5*	*71,397.5*	*9,196.7*	*1,361.3*	*1,540.1*	*41,460.9*	*4,215.1*	*523.0*	*234.9*
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*

	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 2021												
Receivables from credit institutions and central banks	772.9	15.8	8.0	0.0	772.7	15.7	0.0	0.0	772.7	15.7	0.0	0.0
Loans and other receivables at amortised cost	22,704.4	1,887.4	1,010.2	0.0	22,602.5	1,826.8	644.0	0.0	12,455.8	625.8	187.6	0.0
Guarantees	7,444.2	636.9	89.2	0.0	7,436.8	636.0	82.4	0.0	7,082.2	600.5	74.9	0.0
Unutilised credit lines and commitments	5,533.0	711.1	81.7	0.0	5,508.7	697.9	57.5	0.0	4,524.3	553.6	32.0	0.0
Total exposures	*36,454.5*	*3,251.1*	*1,189.1*	*0.0*	*36,320.8*	*3,176.5*	*783.8*	*0.0*	*24,835.0*	*1,795.6*	*294.5*	*0.0*
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*

	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 2021												
Credit institutions and central banks	999.6	24.8	8.0	0.0	996.6	24.3	0.0	0.0	993.3	24.3	0.0	0.0
Public authorities	103.6	3.0	0.2	0.0	101.8	3.0	0.1	0.0	100.8	2.6	0.1	0.0
Business												
Agriculture, hunting, forestry and fisheries	3,507.2	1,007.8	140.2	935.9	3,493.3	989.9	127.6	706.4	1,245.6	338.9	97.2	53.5
Industry and extraction of raw materials	1,952.8	259.6	105.5	61.7	1,943.1	251.7	76.7	50.6	1,001.9	64.4	17.9	0.0
Energy supply	813.8	392.2	5.2	57.7	809.1	373.8	5.2	41.9	433.6	233.1	5.2	0.3
Building and construction	2,410.8	407.2	50.2	52.3	2,400.3	391.0	38.4	44.9	1,406.3	178.6	10.7	1.9
Trade	4,198.7	1,102.1	219.6	141.3	4,180.2	1,079.1	179.9	128.2	1,242.7	371.9	43.1	5.9
Transport, hotels and restaurants	874.0	235.7	52.8	125.1	870.2	228.1	40.6	111.3	383.4	122.6	10.8	14.9
Information and communication	164.9	30.8	18.0	0.7	163.9	29.8	13.3	0.4	90.5	18.2	2.7	0.0
Financing and insurance	2,666.3	163.4	74.1	77.3	2,638.2	153.8	25.8	68.4	2,150.1	125.8	6.4	25.2
Real property	5,378.5	794.3	103.4	147.8	5,353.6	766.9	75.5	128.2	3,863.0	299.9	53.6	33.8
Other business	3,971.1	1,040.1	140.1	41.9	3,922.0	1,023.1	112.6	30.1	2,616.0	283.4	33.5	0.0
Total business	***25,938.1***	***5,433.2***	***909.2***	***1,641.7***	***25,773.9***	***5,287.2***	***695.4***	***1,310.4***	***14,433.0***	***2,036.7***	***281.1***	***135.5***
Private	44,573.0	3,928.4	936.3	286.8	44,525.2	3,882.2	665.9	229.7	25,933.8	2,151.5	241.8	99.4
Total exposures	***71,614.3***	***9,389.4***	***1,853.8***	***1,928.5***	***71,397.5***	***9,196.7***	***1,361.3***	***1,540.1***	***41,460.9***	***4,215.1***	***523.0***	***234.9***

	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												
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*

	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 2021												
Credit institutions and central banks	1,106.5	24.8	8.0	0.0	1,103.5	24.3	0.0	0.0	1,103.5	24.3	0.0	0.0
Public authorities	103.6	3.0	0.2	0.0	101.8	3.0	0.1	0.0	100.8	2.6	0.1	0.0
Business												
Agriculture, hunting, forestry and fisheries	3.1	1.0	0.4	0.0	3.0	0.9	0.3	0.0	0.9	0.2	0.3	0.0
Industry and extraction of raw materials	284.6	28.0	13.3	0.0	280.2	26.3	5.1	0.0	270.3	20.3	2.5	0.0
Energy supply	8.3	0.3	0.0	0.0	8.0	0.2	0.0	0.0	7.9	0.2	0.0	0.0
Building and construction	452.3	42.8	24.0	0.0	446.9	41.1	13.4	0.0	335.9	23.2	3.0	0.0
Trade	483.3	274.1	81.1	0.0	474.1	262.3	51.0	0.0	357.1	237.9	32.0	0.0
Transport, hotels and restaurants	79.5	97.8	36.3	0.0	78.4	93.7	25.0	0.0	47.6	72.7	6.3	0.0
Information and communication	21.3	15.5	10.3	0.0	20.9	14.6	6.0	0.0	16.0	12.1	2.4	0.0
Financing and insurance	7,801.4	52.4	67.0	0.0	7,780.6	50.8	23.7	0.0	7,630.7	37.1	5.3	0.0
Real property	1,146.7	176.1	64.8	0.0	1,131.0	165.5	44.9	0.0	954.0	98.1	34.0	0.0
Other business	2,352.2	156.0	87.5	0.0	2,308.7	150.1	64.6	0.0	1,787.9	82.5	24.5	0.0
Total business	*12,632.6*	*843.9*	*384.8*	*0.0*	*12,531.7*	*805.7*	*234.1*	*0.0*	*11,408.3*	*584.5*	*110.3*	*0.0*
Private	22,611.8	2,379.4	796.1	0.0	22,583.8	2,343.6	549.6	0.0	12,222.4	1,184.2	184.1	0.0
Total exposures	*36,454.5*	*3,251.1*	*1,189.1*	*0.0*	*36,320.8*	*3,176.5*	*783.8*	*0.0*	*24,835.0*	*1,795.6*	*294.5*	*0.0*

	Bank											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and collateral used			
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.
Accounting credit exposure, broken down by 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												
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*

	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 category as at 31 December 2021												
Ratings 1-5	55,181.2	1,128.0	0.0	8.9	55,045.3	1,112.9	0.0	8.9	32,227.6	778.3	0.0	7.9
Ratings 6-8	15,274.0	6,801.3	0.0	18.1	15,206.4	6,665.1	0.0	17.9	8,674.3	2,828.6	0.0	4.6
Rating 9	1,098.5	1,274.0	0.0	125.9	1,090.1	1,251.0	0.0	125.5	515.9	531.9	0.0	44.3
Ratings 10-11	60.6	186.2	1,853.8	1,775.7	55.8	167.7	1,361.3	1,387.8	43.1	76.3	523.0	178.1
Total exposures	71,614.3	9,389.4	1,853.8	1,928.5	71,397.5	9,196.7	1,361.3	1,540.1	41,460.9	4,215.1	523.0	234.9
Accounting credit exposure, broken down by rating category as at 31 December 2020												
Ratings 1-5	32,895.9	993.9	0.0	2.1	32,723.2	979.4	0.0	2.0	19,883.8	643.9	0.0	0.7
Ratings 6-8	4,700.1	4,512.6	0.0	2.9	4,675.1	4,403.4	0.0	2.9	2,617.0	1,629.4	0.0	1.4
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
Ratings 10-11	10.9	444.7	1,472.1	30.5	10.8	407.5	924.2	14.9	5.5	192.7	354.3	6.6
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*

Rating categories are from 1-11, where ratings 1-5 are the best and ratings 10-11 are the poorest. Exposures in rating categories 10-11 that are ranked as stage 1 are due to a difference in timing between the rating and the system-ranking in stages.

Bank

	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and collateral used			
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recogni-tion DKK mill.
Accounting credit exposure, broken down by rating category as at 31 December 2021												
Rating 1	361.0	0.0	0.0	0.0	355.2	0.0	0.0	0.0	50.5	0.0	0.0	0.0
Rating 2	2,740.1	14.4	0.0	0.0	2,726.5	14.3	0.0	0.0	1,757.5	12.2	0.0	0.0
Rating 3	13,894.4	42.5	0.0	0.0	13,860.6	42.2	0.0	0.0	11,669.8	33.5	0.0	0.0
Rating 4	7,459.9	67.1	0.0	0.0	7,442.1	65.2	0.0	0.0	4,603.7	56.2	0.0	0.0
Rating 5	7,164.1	354.8	0.0	0.0	7,145.6	352.0	0.0	0.0	4,169.3	292.2	0.0	0.0
Rating 6	2,497.0	644.1	0.0	0.0	2,479.3	634.5	0.0	0.0	1,252.2	542.6	0.0	0.0
Rating 7	1,804.9	1,290.1	0.0	0.0	1,790.4	1,272.4	0.0	0.0	1,077.9	394.4	0.0	0.0
Rating 8	338.6	462.4	0.0	0.0	335.1	447.8	0.0	0.0	151.8	275.8	0.0	0.0
Rating 9	146.2	217.2	0.0	0.0	142.4	207.9	0.0	0.0	71.6	115.3	0.0	0.0
Rating 10	32.9	138.5	0.0	0.0	31.4	126.9	0.0	0.0	19.9	65.5	0.0	0.0
Rating 11	15.4	20.0	1,189.1	0.0	12.2	13.1	783.8	0.0	11.1	7.9	294.5	0.0
Total exposures	*36,454.5*	*3,251.1*	*1,189.1*	*0.0*	*36,320.8*	*3,176.5*	*783.8*	*0.0*	*24,835.0*	*1,795.6*	*294.5*	*0.0*
Accounting credit exposure, broken down by rating category 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*

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

	Group 2021 DKK mill.	2020 DKK mill.	Bank 2021 DKK mill.	2020 DKK mill.
Total collateral				
Collateral received	54,249.9	23,991.0	19,274.9	17,153.9
Collateral used	37,061.8	19,188.9	13,356.0	12,351.8
Surplus collateral	***17,188.1***	***4,802.1***	***5,918.9***	***4,802.1***
Collateral concentration used				
Stage 1				
Properties	19,462.5	8,921.8	10,766.2	8,921.8
Securities, bonds, cash deposits, etc.	1,190.3	712.3	625.2	712.3
Chattels, cars, operating equipment, ships etc.	6,606.0	3,162.1	36.6	79.1
Warranties and guarantees	50.2	68.4	50.2	68.4
Other collateral	2,627.6	2,042.5	7.6	8.4
Total stage 1	***29,936.6***	***14,907.1***	***11,485.7***	***9,789.9***
Stage 2				
Properties	2,633.1	2,073.0	1,319.3	2,073.0
Securities, bonds, cash deposits, etc.	194.7	65.7	21.7	65.7
Chattels, cars, operating equipment, ships etc.	1,307.7	746.8	4.9	16.3
Warranties and guarantees	34.2	6.8	34.2	6.8
Other collateral	812.0	808.6	0.9	2.2
Total stage 2	***4,981.6***	***3,700.8***	***1,381.0***	***2,164.0***
Stage 3				
Properties	566.5	367.4	471.9	367.4
Securities, bonds, cash deposits, etc.	9.8	10.8	9.2	10.8
Chattels, cars, operating equipment, ships etc.	130.9	58.6	1.7	2.8
Warranties and guarantees	6.5	5.4	6.5	5.4
Other collateral	124.6	127.7	0.0	0.3
Total stage 3	***838.4***	***569.9***	***489.3***	***386.7***
Credit-impaired at initial recognition				
Properties	1,028.7	11.1	0.0	11.1
Securities, bonds, cash deposits, etc.	7.1	0.0	0.0	0.0
Chattels, cars, operating equipment, ships etc.	196.4	0.1	0.0	0.1
Other collateral	73.0	0.0	0.0	0.0
Total credit-impaired at initial recognition	***1,305.2***	***11.1***	***0.0***	***11.1***
Total	***37,061.8***	***19,188.9***	***13,356.0***	***12,351.8***

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

Regular assessments are made to ascertain whether there have been changes in the quality of collateral and other aspects as a result of impairment, or changes in practice regarding collateral.

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

	Group		Bank	
	2021 DKK mill.	**2020** DKK mill.	**2021** DKK mill.	**2020** DKK mill.
Exposures fully covered by collateral				
Loans and other receivables at amortised cost	16,807.3	7,554.3	5,703.4	4,988.4
Guarantees	385.1	152.5	129.5	152.5
Unutilised credit lines and commitments	4,664.2	1,983.4	891.1	1,044.4
Total exposures	***21,856.6***	***9,690.3***	***6,723.9***	***6,185.4***
Concentration risk on large exposures amounting to 10% or more of Tier 1 capital/own funds, see Article 392 of the CRR.				
Credit institutions				
Credit exposure after deductions	0.0	1,029.3	0.0	1,029.3
Other business				
Credit exposure after deductions	0.0	1,538.4	0.0	783.9
Number of large exposures				
Credit institutions before deductions	7.0	8	6.0	8
Other business before deductions	0.0	2	1.0	2
Large exposures in % of Tier 1 capital/own funds				
10-15% of Tier 1 capital/own funds	0.0	20.8	0.0	10.6
Sum of large exposures, excl. credit institutions in % of Tier 1 capital/own funds	0.0	20.8	0.0	10.6

Credit relaxation (forbearance) and non-performing exposure

An exposure 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 write-offs, 90 days in arrears or impairments in stage 3.

	Group 2021 DKK mill.	Group 2020 DKK mill.	Bank 2021 DKK mill.	Bank 2020 DKK mill.
Exposures with relaxed credit terms				
Private				
Non-Performing	218.5	124.5	130.8	124.5
Performing	7.3	9.8	4.7	9.8
Total	***225.8***	***134.3***	***135.5***	***134.3***
Business				
Non-Performing	408.9	108.6	84.5	108.6
Performing	0.0	7.3	0.0	7.3
Total	***408.9***	***115.9***	***84.5***	***115.9***
Total loans with relaxed credit terms				
Non-Performing	627.4	233.1	215.3	233.1
Performing	7.3	17.1	4.7	17.1
Total	***634.7***	***250.2***	***220.0***	***250.2***

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.

The Group regularly accepts various forms of market risk, primarily as interest-rate risk, credit-spread risk, share-price risk or currency risk. Market risks arise primarily as a result of placing surplus cash in financial instruments, but also as a result of servicing customers' needs, and 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 is primarily by acquiring liquid assets in order to meet the Group's liquidity buffer, 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, the Group keeps a small portfolio to respond to customers' business needs.

The market risk is managed at overall group level through delegated frameworks from the Board of Directors, whilst the day-to-day management is carried out by individual companies. 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 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. 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.

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.

Monitoring market risk

Market Risk, which is independent in the 2nd line of defence, monitors and checks that the calculated risks comply with the frameworks stipulated and the current strategy in the area. Any transgressions must be reported to the Board of Directors, the Executive Management, the Chief Risk Officer and to the Risk Committee.

Reporting to the Executive Management is effected on a daily basis by the executive managements of the individual banks. Detailed qualitative and quantitative reporting to the Board of Directors and the Risk Committee is monthly for the Bank and quarterly for the Group.

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). The Group uses this distinction in day-to-day interest-rate risk management and in the calculation of risk exposures for the purpose of calculating the 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. 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 2021, the general interest-rate risk was calculated at DKK 184.8 mill. (2020: DKK 149.9 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 184.8 mill. in the event of a 1 percentage-point increase, and a positive effect of DKK 140.3 mill. (2020: DKK 78.1 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:

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.

	Group 1 percentage-point increase DKK mill.	Bank 1 percentage-point increase DKK mill.	Group 1 percentage-point fall DKK mill.	Bank 1 percentage-point fall DKK mill.
Interest-rate risk type broken down by type of business				
Bonds etc.	-392.3	-312.8	360.2	280.7
Derivative financial instruments	287.6	283.8	-304.9	-301.0
Mortgage deeds	-63.7	-63.7	68.6	68.6
Other items	-16.4	-25.0	16.4	4.9
Total	*-184.8*	*-117.7*	*140.3*	*73.2*
Interest-rate risk broken down by currency				
DKK	-229.7	-162.2	187.3	119.8
EUR	45.5	45.4	-47.7	-47.6
USD	-0.6	-0.7	0.6	0.7
GBP	0.1	0.1	-0.1	-0.1
CHF	0.0	0.0	0.0	0.0
SEK	0.0	-0.1	0.0	0.1
NOK	-0.2	-0.3	0.2	0.3
Other	0.1	0.0	-0.1	0.0
Total	*-184.8*	*-117.7*	*140.3*	*73.2*

At the end of 2021, the credit spread risk on the bond portfolio and the portfolio of bond derivatives was calculated at DKK 524.0 mill. (2020: DKK 418.5 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 524.0 mill. in the event of an increase in the credit spread of 1 percentage point, and conversely, there would be a similar positive effect in the event of a narrowing of the credit spread.

In the market-risk guidelines, credit-spread risk is subject to a range of restrictions, 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 lines 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 secure the Group's liquidity buffer. Furthermore, by far the majority of investments are in highly rated assets: AAA-rated securities amount to almost 82.5%, and investment grade assets amount to 97.4% of the total portfolio.

At present, 3.7% (2020: 5.0%) 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 6.3% of the Group's total bond portfolio (2020: 9.0%), 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 2021, broken down by external rating category and type of issuer:

	Group		Bank	
	2021	2020	2021	2020
	%	%	%	%
Bond portfolio broken down by external rating				
AAA	82.5	75.6	74.8	75.6
AA+, AA, AA-	2.0	2.2	2.9	2.2
A+, A, A-	10.8	5.3	15.3	5.3
BBB+	1.8	2.6	2.6	2.6
BBB	0.2	5.0	0.3	5.0
BBB-	0.2	1.8	0.3	1.8
Rating < BBB-	0.8	1.7	1.2	1.7
No Rating	1.8	5.9	2.7	5.9
Total	*100.0*	*100.0*	*100.0*	*100.0*
Bond portfolio broken down by issuers				
Governments	12.2	12.0	15.9	12.0
Mortgage credit	77.8	74.0	69.5	71.0
Banks	6.3	9.0	9.2	11.0
Other businesses	3.7	5.0	5.5	6.0
Total	*100.0*	*100.0*	*100.0*	*100.0*

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

Currency risk

Currency risk is managed by matching financial assets in accordance with the currency distribution of liabilities. Furthermore, currency risk is hedged using derivative financial instruments. The 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 7.8 mill. (2020: DKK 6.8 mill.).

In addition to the Bank's internal currency risk calculation, the Group 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 target for foreign-currency risk, which takes account of the amount by which the individual currencies have fluctuated in relation to the DKK, calculated on the basis of variances and correlations from the Danish FSA.

	Group		Bank	
	2021	2020	2021	2020
Currency risk				
Currency indicator 1 in DKK mill.	290.0	65.1	284.4	65.1
Currency indicator 1 in % of Tier 1 capital	2.9	1.0	3.0	1.0
Currency indicator 2 in DKK mill.	0.7	0.1	0.6	0.1
Currency indicator 2 in % of Tier 1 capital	0.0	0.0	0.0	0.0

Share-price risk

The Group invests on the stock markets to supplement its bond portfolio investments and cash placements. The Group 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 34.2 mill. (2020: DKK 10.9 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 and a few strategic investments to support sustainable development. A general change in prices of 10% would lead to a capital loss and a negative impact on equity before tax of around DKK 183.5 mill. (2020: DKK 100.9 mill.).

	Group		Bank	
	2021 DKK mill.	2020 DKK mill.	2021 DKK mill.	2020 DKK mill.
Share positions				
Trading portfolio				
Listed shares	140.9	165.9	138.8	165.9
Unlisted shares	5.7	4.8	2.8	4.8
Unlisted shares held temporarily	195.6	0.0	195.6	0.0
Total trading portfolio	*342.4*	*170.7*	*337.2*	*170.7*
Shares outside the trading portfolio				
Listed shares	269.9	324.8	225.5	324.8
Unlisted shares	1,564.7	683.9	754.7	683.9
Total shares outside the trading portfolio	*1,834.6*	*1,008.7*	*980.2*	*1,008.7*
Total	*2,176.8*	*1,179.4*	*1,317.4*	*1,179.4*

Commodity risk

The Group had no commodities positions at the end of 2021.

Liquidity risk

Liquidity risk is the risk of losses resulting from higher financing costs for the Group, from the Group being unable to fulfil its payment obligations or from the Group being unable to maintain its business model due to insufficient financing.

Liquidity risk reflects a maturity mismatch in the balance sheet between cash flows from assets and liabilities and equity, where the loan portfolio generally has a longer maturity than deposits and other financial transactions. The majority of the Group's liquidity risk is in DKK while a smaller part is in other currencies.

Liquidity management and monitoring

Management and monitoring of liquidity risk are based on liquidity policies, guidelines and contingency plans for the Group 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.

Besides the liquidity policies, guidelines and contingency plans for the Group, Vestjysk Bank is subject to its own liquidity policy, guidelines and contingency plan.

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 cash outflows.

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's internal framework is 130% and thus above the statutory requirement of 100%.

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 Group 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		Bank	
	2021 DKK bn.	2020 DKK bn.	2021 DKK bn.	2020 DKK bn.
LCR calculation				
Total liquidity buffer	34.8	21.7	21.4	21.7
Net outflow	13.9	7.9	9.0	7.8
LCR (%)	249.4	274.1	238.4	277.4

At the end of 2021, LCR was calculated at 249.4% (2020: 274.1%.), which is comfortably above the Group's internal frameworks and the legal requirement.

Financing structure and NSFR

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.

To secure a satisfactory funding structure, the Board of Directors has determined in its liquidity policy that the Group must have a minimum Net Stable Funding Ratio (NSFR) of 110% and thus excess cover compared with the legislative requirement of 100%.

	Group 2021 DKK bn.	Bank 2021 DKK bn.
NSFR funding calculation		
Available Stable Funding (ASF)	90.2	57.5
Required Stable Funding (RSF)	65.7	41.4
NSFR (%)	*137.2*	*138.8*

NSFR for the Group was calculated at the end of 2021 at 137.2% and thus comfortably above the Group's internal framework and the legislative requirement.

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 Group can implement if the liquidity situation so warrants.

Contractual maturity of financial liabilities for the Group

	Carrying amount DKK mill.	Contractual cash flows DKK mill.	Within 1 year DKK mill.	More than 1 year DKK mill.
2021				
Debt to credit institutions and central banks	380.8	380.8	380.4	0.3
Deposits and other debt	71,720.0	71,720.0	70,067.8	1,652.2
Deposits in pooled schemes	17,516.6	17,516.6	9,051.7	8,464.9
Issued bonds at amortised cost	348.4	348.4	0.0	348.4
Derivative financial instruments	299.2	299.2	116.4	182.8
Lease commitments	279.1	279.1	36.4	242.7
Subordinated debt	1,497.7	1,497.7	0.0	1,497.7
Contingent liabilities	18,158.7	18,158.7	7,433.7	10,725.0
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
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

The analysis of maturities shows contractual 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 means the risk of loss as a consequence of inappropriate or incomplete internal procedures, human errors and systems failure, or as a consequence of 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

Follow-up on operational risk in the Group includes a number of underlying areas, the most important of which are: IT security, outsourcing, protection of personal data, compliance risks, money laundering risks, model risk and risks associated with implementing new products and services.

Policy for operational risk

The boards of directors of A/S Arbejdernes Landsbank and Vestjysk Bank A/S have laid down policies, the purpose of which is to create an overview of operational risks, minimise the number of errors, and reduce losses in the Group due to operational errors, taking into account related costs.

The Group wants an open culture among its employees aimed at increasing the awareness of operational risks and ensuring knowledge-sharing among employees.

Operational risks are assessed on the basis of the likelihood of the risk materialising in an operational incident, as well as the consequences of such incident. In A/S Arbejdernes Landsbank and AL Finans A/S, risks are classified on a four-step scale from insignificant to very high. Vestjysk Bank A/S has a similar procedure for assessment of operational risks. To maintain an acceptable operational risk level, the policy includes a definition of risk appetite as determined by the Board of Directors. Risks exceeding the defined risk appetite are assessed by the Board of Directors at least every six months.

Managing operational risks

All activities in the organisation are associated with operational risks. In order to reduce the risk of operational incidents leading to significant losses, the Group's companies monitor and manage operational risks.

Follow-up and reporting on operational risk, including the role as risk facilitator, are anchored in the 2nd line of defence, and the Risk Council continuously addresses operational risks and reports on these risks.

Responsibility for day-to-day operational risk management is decentralised and lies with the relevant business units. The mapping of operational risks in A/S Arbejdernes Landsbank and AL Finans A/S is based on identification and assessment by the individual units of their own risks. At least annually, the Risk Department holds risk identification meetings with the individual units to review the risks identified and evaluate the likelihood and consequences of the risks. The risk identification meetings support risk processing and increase awareness of operational risks in the organisation. Furthermore, the mapping of operational risks highlights particularly risky processes, systems, products or behaviour, and thereby represents an overall risk management tool. Vestjysk Bank A/S has its own procedure for monitoring and reporting operational risks.

Developments in operational risk are monitored continuously to provide the best possible foundation for operational risk management.

Operational incidents

In addition to identifying operational risks, systematic registration, classification and reporting takes place of all operational incidents causing a loss of DKK 5,000 or more. The subsidiaries, AL Finans A/S and Vestjysk Bank A/S have set their own limit values for reporting, and report to A/S Arbejdernes Landsbank in accordance with Group limit values. In addition, profitable operational incidents as well as incidents potentially resulting in a loss and incidents that could have resulted in a loss, but did not (near misses) are registered. Each incident report must include a description of the incident and state the cause of the error and the source of the loss, as well as the time expenditure associated with handling the incident. Furthermore, any loss restoration related to the incident, including any insurance coverage, is registered. The systematic registration and classification are used to manage the operational risks and create a record of experience and knowledge-sharing in the organisation.

Depending on the specific operational incident, losses are addressed through an assessment and, if necessary, an adjustment of the organisation and operations of the

Group's companies, for example in the form of segregation of duties, controls, employee competences, business procedures or physical security measures.

The majority of loss incidents occurring in the Group in 2021 were incidents with minor financial consequences, and they were primarily in the categories external fraud; clients, products and business practices; and business disruption and system failures. External fraud primarily concerns abuse of credit card schemes and online banking fraud, for example in the form of phishing for customer information through fraudulent emails, text messages or phone calls where the fraudster claims to represent the Bank or a support team, and attempts to trick the customer into disclosing their password.

The Group is aware that increased digitisation, with ever more communication taking place online, may add to the risk of external fraud online in the form of cybercrime. Most cases of attempted fraud are prevented upfront by the Group's IT supplier, BEC, and through internal control environments and alert employees.

Reporting operational risks

Reporting to the Board of Directors and the Executive Management is on a quarterly basis and includes developments in operational incidents and information about major operational incidents. In addition to this, every six months, the Board of Directors and the Executive Management receive a summary of significant changes in the risk profile.

There is ongoing reporting to the CRO, the Executive Management and the Board of Directors, according to more detailed criteria stated in the risk policy.

IT security

The services provided by the Group are very much based on digital services, and the use of IT systems, as well as data and IT security constitutes a significant area when assessing operational risk at the Group. User-friendly, stable and secure IT systems are essential to support business activities at the Group, and consequently, protecting the IT environment against loss of accessibility, integrity and confidentiality is a vital issue. In particular, the growing cyber threat and the many attacks registered against Danish companies have led to increased focus on IT security.

The boards of directors at Arbejdernes Landsbank A/S and Vestjysk Bank A/S have drawn up IT security policies which set out and formulate the requirements for IT security management in the Group. The Group's work with IT security is based on various standards, external statutory requirements and "best practice". This includes increased focus on safeguarding the critical systems managed by BEC, through ongoing supplier management ensuring that the IT systems in the Group maintain the required level of security.

The 1st line of defence for IT security is the IT Security and Contingency Department, which is anchored in the IT Department. The Head of IT Security in the Group is part of the 2nd line of defence in the organisation. The Head of IT Security, the Executive Management and the Board of Directors address IT security matters on an ongoing basis. The IT Security Council, with members from the Executive Management, the IT area and the risk area, considers the IT risk profile and addresses IT security.

A/S Arbejdernes Landsbank conducts regular penetration tests of the Bank's cyber defence, including the Bank's ability to handle security incidents. The tests are conducted by external collaboration partners. Potential risks identified in the tests are subsequently reduced by mitigating initiatives.

To make sure that all employees have adequate expertise in IT security, in 2021, all employees at A/S Arbejdernes Landsbank acquired knowledge about IT security through a range of initiatives related to the Bank's awareness plan, onboarding procedure and a separate knowledge-sharing portal. In order to protect the Group from the ever more serious threat scenario, throughout 2021, the Head of IT Security conducted awareness activities for employees at the Bank, for example in the form of targeted phishing tests.

Outsourcing

The boards of directors at Arbejdernes Landsbank and Vestjysk Bank have drawn up policies for outsourcing. Establishing the framework for outsourcing activities and defining the Board of Directors' risk appetite in relation to outsourcing activities.

A/S Arbejdernes Landsbank's Legal Affairs Director has been assigned responsibility for outsourcing and has implemented a process for approval and assessment of outsourcing, and has established a register of outsourcing agreements. The person responsible for outsourcing at A/S Arbejdernes Landsbank has assessed the outsourcing agreements and identified activities that can be classified as critical outsourcing. Vestjysk Bank A/S has its own employee with responsibility for outsourcing.

The persons responsible for outsourcing are placed organisationally in the 1st line of defence, and assist the Management in ensuring that outsourcing is satisfactory. The persons responsible for outsourcing are responsible for the management and monitoring of outsourcing, and for securing outsourcing documentation.

In 2022, additional efforts will be devoted to advance outsourcing monitoring, including critical outsourcing, and to enhance Group management in the area.

General Data Protection Regulation (GDPR)

The executive managements of Arbejdernes Landsbank and Vestjysk Bank have appointed a Data Protection Officer (DPO) to ensure compliance with data protection regulations.

The function of the DPO is to advise the companies in the Group, and to monitor compliance with data protection regulations, including that business procedures have been developed and that processes have been established to ensure that the processing of personal data is in accordance with legislation.

The DPO at A/S Arbejdernes Landsbank as well as Vestjysk Bank A/S is placed organisationally in the Compliance Department and is thereby part of the 2nd line of defence and reports to the Executive Management and the Board of Directors.

Compliance risks

Operational risk includes compliance risks, which are identified by the Compliance Function. Compliance risk is the risk that sanctions are imposed on the Group, by law or by the authorities, or that the Group suffers a financial loss or a loss of reputation as a consequence of non-compliance with legislation, market standards or internal rules.

The aim of the Compliance Function is to assist the Management in ensuring compliance with current legislation, market standards and internal rules, thus identifying and reducing the risk that sanctions are imposed on the Group and its companies, that they suffer loss of reputation, or that the Group's customers or companies suffer significant financial losses. The Compliance Function regularly reviews critical business procedures in order to assess risks and recommendations for limiting each risk.

Money laundering risks

The Group has strong focus on anti-money laundering (AML), including risk mitigation measures to be implemented in order to prevent abuse of the Group's companies for money laundering and financing of terrorism.

Under management of the person responsible for anti-money laundering, the task of the AML Department is to ensure that the Group and its companies comply with the Act on Measures to Prevent Money Laundering and Terrorism Financing (the Anti-Money Laundering Act) as well as EU regulations on transfers of funds and combating terrorism. The person responsible for anti-money laundering reports directly to the Executive Management.

Employee awareness and alertness plays an important role in protection from being abused for money laundering, financing of terrorism or violation of financial sanctions. To ensure that employees have the necessary knowledge, in 2021, A/S Arbejdernes Landsbank conducted a mandatory e-learning course on prevention of money laundering, financing of terrorism and violation of financial sanctions. The employees at A/S Arbejdernes Landsbank have completed the course, which includes passing a test. The number of employees working full-time with measures to prevent money laundering, financing of terrorism and violation of financial sanctions continued to increase in 2021.

Model risk

Operational risk includes model risk, which covers the risk of losses resulting from decisions primarily based on results from models. Operational risks arise due to errors in the development, implementation or use of models, and may be caused, for example, by errors or weaknesses in the data base behind a model.

A/S Arbejdernes Landsbank applies internally developed models to calculate credit risk, and the Bank has a setup that ensures management and monitoring of model risk. The Risk Function carries out regular control and monitoring of model risk and prepares independent reports to the Board of Directors and the Executive Management.

In 2022, additional efforts will be devoted to advance management of model risk at Group level.

Products and services

Risks associated with implementing new products and services are identified and assessed in accordance with internal procedures prior to approval by Arbejdernes

Landsbank's Executive Management and/or Board of Directors.

The process ensures that risks are identified, assessed and managed. A/S Arbejdernes Landsbank has set up a Prices and Products Council to ensure adequate analysis, decision-making and involvement before changing the Bank’s range of products and services. Vestjysk Bank A/S and AL Finans A/S have established their own procedures in this area.

The approval procedure is regulated in the Group companies’ policies on the area.

EHRHORN HUMMERSTON

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