



Interim report – first half 2017

Interim report 2017

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GERT R. JONASSEN
CEO

JAN W. ANDERSEN
Executive Bank Director

The interim 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.



Record profit after strong first half-year

With a record profit of DKK 500 mill. before tax, Arbejdernes Landsbank achieved highly satisfactory interim results for the first six months of 2017, and this raises the expectations for 2017 as a whole.

A cool and rainy spring and summer in Denmark has in no way affected Danes' financial activity. On the contrary, the first six months have been influenced by the full bloom of spring and positive trends in Danish economy. The same positive atmosphere has been apparent at Arbejdernes Landsbank, where the solid development characterising the Bank over a long period of time has gathered even more momentum. The most prominent sign of this is the record profit of DKK 500 mill. before tax for the first half-year of 2017. The strong performance is the result of solid growth in the Bank's core business, low levels of impairment charges and an impressive net influx of 4,500 new private and business customers during the first six months. In addition to this, the Bank's long-term strategy to actively place excess liquidity in securities has also had a positive effect on the Bank's performance.

The positive signs in the economy have particularly affected impairment levels at the Bank, which are close to 0%. This is significantly better than expected at the beginning of the year, and it is a clear indication that the financial situation has improved for our customers. Furthermore, during the first half year we saw an increase in the number of house transactions and solid growth in loans of 2.3%. This has not least been driven by the large number of new customers with a high demand for loans and thus a great deal of new business. But the strong momentum in the first six months of 2017 has not only been driven by developments in the housing and lending areas. The increase in activities has characterised all parts of our business, and overall this has led to impressive core earnings of DKK 964 mill. before tax. We are obviously very satisfied with this, given that we are still operating in an extremely competitive market. Our strong results prove that classical banking activities at Arbejdernes Landsbank continue to move in a very positive direction.

We have experienced the same favourable trends in our investment portfolio earnings. Unlike last year, when we saw a decline in value adjustments at the end of the half-year, we are pleased to ascertain that the positive development experienced in the second half of 2016 has continued in 2017. At the end of the first half of 2017, investment portfolio earnings were DKK 177 mill.

We continue to welcome many new customers

Many of the 4,500 new customers the Bank has welcomed during the first six months are homeowner customers, and there is no doubt that our AL-BoligKlar and AL-BoligBonus concepts, combined with our attentive and responsible advisory services, have made important contributions to this development. We launched AL-BoligBonus at the beginning of 2016 with the purpose of maintaining and reinforcing our position as an attractive and competitive bank - also for homeowners. These efforts have been very successful in terms of the influx of new homeowner customers in the past year. The customers are also starting to feel the real impact of our bonus scheme: On 1 August this year, the first AL-BoligBonus payment, totalling almost DKK 42 mill., will be paid to all of our residential property customers with mortgage-credit loans or similar loans.

It has always been obvious and logical to us that the AL-BoligBonus scheme should be tax-neutral for our customers. However, at the end of June 2017, the Danish National Tax Tribunal decided that AL-BoligBonus is taxable as personal income if it is paid on the basis of a loan with Totalkredit, and that it is taxable as capital income if it is paid on the basis of our own loans (e.g. AL-Prioritet). This means that by far the majority of our customers will get less of out of their bonus after tax than we had originally told them to expect. To ensure that we can still offer our customers strong and competitive

products, also when it comes to home loans, we have decided to increase the bonus from DKK 1,000 to DKK 1,200 for each DKK 1 mill. that the customer has borrowed. As a responsible bank, we consider that this is the only proper action for our customers with regard to the first year's AL-BoligBonus. Therefore, the home loans that we offer are still some of the best and most competitive on the market, even though our customers are being taxed more heavily on their AL-BoligBonus payments than we had originally anticipated.

New business-customer set-up

The attractive profile the Bank has experienced not only centres on the private customer segment. Business customers too are showing great interest in our advisory and other services. To strengthen our market position and make Arbejdernes Landsbank even more attractive to business customers, we made a number of strategic and organisational changes in the business area in the first half-year. This has resulted in a brand new set-up, with six business centres throughout Denmark. The centres ensure strong local presence and roots in the local community. We are certain that the six new centres will strengthen the quality of our advisory services and generally make us even more accessible to both new and existing customers.

TestaViva – Danes offered wills for free online

At the beginning of 2017, the Bank entered into a strategic collaboration with TestaViva, who launched an online platform in April making it possible for all Danes - whether they are customers at Arbejdernes Landsbank or not - to draw up valid wills, marriage contracts and other important legal documents online, easily and securely and at no cost. Additionally, the Bank's customers and all members of the Confederation of Danish Trade Unions can receive up to five hours of free legal assistance if necessary. The cooperation with TestaViva demonstrates that we back up our words with action when we claim that we are constantly striving to expand and strengthen our range of products and services in order to create optimal conditions and financial security for our customers. Furthermore, it has been important for the Bank that TestaViva is available to all Danes. Every year, many Danes end in serious disputes and financial difficulties because wills and other important legal documents have not been in place. The Bank wants to help solve this problem. Not only for the Bank's own customers, but for all Danes.

Outlook for 2017

Based on the developments in the first half-year and the prospects of continued favourable trends in Danish economy, in June 2017 the Bank adjusted upwards its overall expectations for the profit for the year by DKK 100 mill. The Bank thus expects an overall profit for 2017 in the region of DKK 550-600 mill. before tax.

Vestjysk Bank

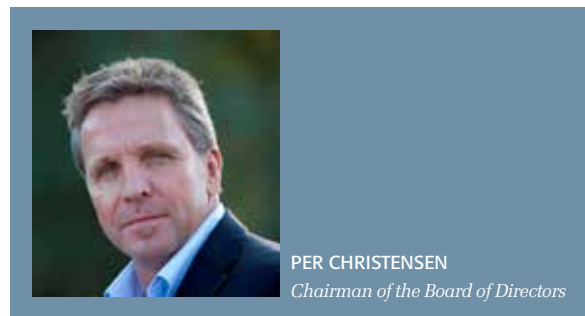
In June, as part of a larger consortium, the Bank made an offer to acquire the Danish state's shareholding in Vestjysk Bank. On 18 July, the offer to purchase the shares was accepted, and we are proud to have played a role in resolving a deadlock situation concerning infusion of capital to Vestjysk Bank, thus ensuring the continuation of a regional bank rooted in the north-western part of Denmark.

On behalf of the Board of Directors I would like to thank all the Bank's employees for their great efforts and for the strong and successful first half-year of 2017. Together, we make up a strong team, and I am convinced that with our strong values base and attentiveness to customer requirements, the Group will maintain its positive development throughout 2017 and onwards.

On behalf of the Board of Directors

Per Christensen

Chairman of the Board of Directors



A/S Arbejdernes Landsbank – Group

Financial and operating data

	30.06.2017 DKK '000	30.06.2016 DKK '000	31.12.2016 DKK '000
Income statement - according to the core earnings model			
Net interest income	605,934	619,906	1,237,532
Net fee and commission income etc.	280,688	256,295	537,372
Core earnings, excl. net trading income	886,622	876,201	1,774,904
Net trading income	77,417	60,368	141,530
Total core earnings	964,039	936,569	1,916,434
Staff costs	-381,747	-381,786	-749,289
Administration expenses and depreciation/amortisation	-322,904	-289,283	-602,675
Core profit before impairments	259,388	265,500	564,470
Impairments on loans etc.	7,134	52,342	-55,674
Core profit	266,522	317,842	508,796
Investment portfolio earnings, excl. investment securities	177,055	-350,743	-9,512
Investment securities	58,127	5,682	18,005
Profit/loss before sector solutions	501,704	-27,219	517,289
Contribution to sector solutions	-1,661	-1,647	-3,295
Profit/loss before tax	500,043	-28,866	513,994
Tax	-96,614	11,792	-94,578
Profit/loss	403,429	-17,074	419,416
Other financial and operating data			
Net interest and fee income	903,022	900,352	1,826,135
Value adjustments	228,790	-377,299	-70,933
Staff and administration expenses	-633,841	-608,904	-1,214,048
Profit from equity investments in associates and group companies	0	15,278	65,150
Loans and other receivables at amortised cost	21,421,131	20,452,659	20,951,136
Bonds at fair value	15,483,232	15,919,148	15,207,800
Deposits incl. pools	36,351,758	33,517,056	34,205,754
Issued bonds at amortised cost	0	250,000	0
Equity	6,028,398	5,269,259	5,681,749
Total assets	46,120,846	44,656,422	44,425,818
Total contingent liabilities	6,890,773	6,140,721	6,017,716

A/S Arbejdernes Landsbank – Group Ratios and key figures *)

		30.06.2017	30.06.2016	31.12.2016
Ratios and key figures				
Solvency				
Capital ratio	%	17.8	13.9	17.1
Tier 1 capital ratio	%	17.8	13.9	17.1
Earnings				
Return on equity before tax	%	8.5	-0.5	9.4
Return on equity after tax	%	6.9	-0.3	7.7
Ratio of operating income to operating expenses per DKK	DKK	1.71	0.95	1.36
Earnings per share (DKK 1,000)	DKK	1,344.8	-56.9	1,398.1
Return on capital employed	%	0.9	0.0	1.0
Market risk				
Interest-rate risk	%	-0.1	-1.7	-1.2
Currency position	%	2.0	2.0	2.4
Currency risk	%	0.0	0.0	0.0
Liquidity				
Loans plus impairments in relation to deposits	%	62.6	65.0	65.3
Excess liquidity in relation to statutory requirements for liquidity	%	244.8	202.8	191.9
Credit				
Sum of large exposures	%	0.0	10.1	0
Impairment ratio	%	0.0	-0.1	0.2
Lending growth	%	2.3	3.4	6.0
Loans in relation to equity		3.6	3.9	3.7
Equity				
Net asset value	DKK	1,726.5	1,473.4	1,610.9
Proposed dividend per share (DKK 1,000)	DKK	0	0	100
Employees				
Average number of employees during the period converted to full-time equivalents		1,054	1,069	1,063

*) See note 23 for definitions of ratios and key figures.



Management's report

First half-year of 2017 for Arbejdernes Landsbank Group

Headlines for the first half-year

Earnings

The Group earned a profit before tax of DKK 500.0 mill., corresponding to a return on equity of 8.5%. This is an impressive performance for the first half-year of 2017, and in June the Group adjusted upwards its expectations for the overall profit for the year by DKK 100 mill. to DKK 550-600 mill.

AL-BoligBonus

In 2016, the Bank launched AL BoligBonus, a benefits scheme that guarantees competitive mortgage-credit loans to our customers. The bonus also benefits customers with our own priority loans. The first AL-BoligBonus payment will be made on 1 August 2017, based on the period 1 July 2016 - 30 June 2017. The bonus concept has been well-received by our customers, and we experience that the continued customer growth of more than 4,500 new customers in the first half-year of 2017 can be ascribed to new customers wanting to join the AL-BoligBonus scheme. We had expected that AL-BoligBonus would be tax-neutral for our customers, and thus be included as capital income in the same way as our customers' interest and contributions payments. The Danish National Tax Tribunal has decided that AL-BoligBonus is to be included as personal income when the bonus is paid on the basis of Totalcredit loans, although it will be included as capital income when the bonus is paid on the basis of loans with the Bank. As a result, the Bank has decided to grant an additional bonus to all its customers. Consequently, we will pay DKK 1,200 for each DKK 1 mill. a customer has borrowed, instead of the DKK 1,000 previously announced. The bonus increase has been recognised in the Bank's financial statements as at 30 June 2017.

TestaViva

In April, the Bank entered into a strategic collaboration with TestaViva to give all Danes access to draw up wills and/or marriage contracts for free via an online platform. Our ambition is to make a complex and difficult issue

accessible to everyone. In addition, the Group's customers and all members of the Confederation of Danish Trade Unions are offered five hours of free legal assistance, if necessary. The Bank considers that this initiative has great value for society because it offers all Danes the opportunity to draw up important legal documents. Our collaboration with TestaViva underlines the Bank's desire to take a holistic approach to benefit customers.

Business customers

During the first half-year, the Bank established six new business centres throughout Denmark. The centres will strengthen the quality of our advisory services and ensure the Bank's local presence, thus making us even more accessible to new and existing customers.

New collective agreement

In the spring of 2017, the collective agreement for the financial sector was revised. For the Bank, this resulted in overall salary increases of 5.85% over three years. This will put the Bank in an even better position to adapt to the competitive market in which it operates, thus benefitting the Bank's customers.

Sponsorships

In June, the Bank expanded its portfolio of sports sponsorships to include the Danish women's national football team. The women's national team has already delivered outstanding results, winning a silver medal at the 2017 Women's European Championship, and we are looking forward to seeing even more positive effects on our brand profile from our sponsorship.

Consortium takes over Vestjysk Bank

As part of a larger consortium, the Bank made an offer to acquire the Danish state's shareholding in Vestjysk Bank. This means that we will be investing DKK 100 mill. in share capital, and we will undertake to purchase additional shares in the amount of DKK 75 mill., should the other shareholders not want to exercise their subscription rights. The Bank considers this as a long-term investment, and we are confident that Vestjysk Bank will continue as an independent bank in the future. On 18 July 2017, the purchase offer was accepted, and consequently, the Bank will acquire shares in Vestjysk Bank of around DKK 100-175 mill.

Ruling by the Supreme Court

In June, the courts arrived at a final decision in a case concerning the Central Customs and Tax Administration (SKAT) and its refusal to accept that salaries of around DKK 800,000 paid by the Bank to credit employees in

connection with the Bank's acquisition of five branches of Roskilde Bank in 2008 constituted a tax-deductible expense. The case is of a principle nature, and the final ruling by the Supreme Court was not in favour of the Bank. The ruling has no significant impact on the Bank's interim results. Since the case has far-reaching consequences for the Danish business community, the Danish Ministry of Taxation has announced that relevant legislation will have to be adjusted.

Results for the period

The DKK 500.0 mill. profit before tax exceeds our expectations at the beginning of the year. In June, the Bank decided to issue a press release in which we adjusted upwards our expectations for the full year by around DKK 100 mill. before tax. Core profit before impairment charges has moved as expected, and positive impairment charges have contributed to a good improvement in core profit, which reflects the results of activities aimed at customers. The upward adjustment was based on these developments. Investment portfolio earnings have also exceeded expectations and reflect a favourable period with tightened credit spreads. Earnings after tax amounted to DKK 403.4 mill.

On the basis of the "core earnings model" on page 5, the Group operating profit reflects the following:

- Net interest income of DKK 605.9 mill., representing a small decline of DKK 14.0 mill. compared with the first half of 2016. The first half-year of 2017 has seen customer growth of 1.7% and lending growth of 2.3%, although margins have been declining because of tough competition.
- Net fee and commission income, etc. amounted to DKK 280.7 mill. against DKK 256.3 mill. after the first half of 2016, which emphasises the increased level of activity in the Group. The Bank's launch in 2016 of the AL-BoligBonus concept, in which the Bank's share of the contribution increase on customers' Totalkredit loans largely flows to customers, has been counteracted by the increase in commission income on the existing portfolio of Totalkredit mortgage-credit loans, and the concept has also attracted new customers who in turn generate commission income increases. The first year of the AL-BoligBonus concept ended on 30 June 2017, and on 1 August, our customers will receive around DKK 42 mill. Net trading income increased by DKK 17.1 mill., which testifies to increasing activity at our customers in relation to trade in securities, including real estate activities and loan conversions.
- Staff costs remain unchanged despite collectively agreed pay increases and an increase in the rate of payroll taxes.
- Administration expenses showed an increase of DKK 33.6 mill. to DKK 322.9 mill., which is mainly attributable to higher IT costs. As part of the Totalkredit collaboration, the Bank is involved in a large project concerning development of a new mortgage-credit platform which will benefit our customers. The Bank has made a strategic choice to allocate the required resources to expand its technological platform for digitisation and process optimisation. Furthermore, our AL Finans subsidiary has experienced increasing depreciation charges, particularly on cars, because of a significant increase in leasing activities.
- Similar to the first half-year of 2016, impairments on loans etc. were a positive DKK 7.1 mill. against positive impairments of DKK 52.3 mill. after the first half of 2016. This marks a positive development in customers' creditworthiness based on the continued low interest rate levels, stable to increasing house prices and greater job security due to increased economic growth.
- Investment portfolio earnings had returns of DKK 177.1 mill. compared with DKK -350.7 mill. after the first half of 2016, which was severely affected by increasing credit spreads between government securities and mortgage-credit bonds. The Group maintains its active investment strategy with focus on achieving solid returns on investments.
- Return on investment securities amounted to DKK 58.1 mill., reflecting the fact that many sector-owned companies are performing well.
- Contributions to sector solutions totalled DKK 1.7 mill., the same as in the first half-year of 2016, showing that the original guarantee fund was sufficient. This amount has been included in a new resolution fund, which is to be built up over the next 10 years and will entail a DKK 748 mill. payment for the sector in 2017.

Balance sheet

The Group balance sheet total amounted to DKK 46.1 bn. at the end of the first half of 2017, against DKK 44.4 bn. at the end of 2016. Total loans amounted to DKK 21.4 bn. against DKK 21.0 bn. at the end of 2016. Deposits including savings in pooled schemes amounted to DKK 36.4 bn., demonstrating growth of DKK 1.9 bn. compared with the end of 2016. This development shows that Arbejdernes Landsbank still enjoys great support, which is also reflected in continued customer growth of 3.4% converted to per annum growth. At DKK 16.8 bn., the portfolio of securities in the form of bonds and shares etc. was at the same level as the level at beginning of the year. As at 30 June 2017, the Bank's equity totalled DKK 6.0

bn. This is DKK 0.3 bn. more than at 31 December 2016. Equity was affected by the operating profit and payment of dividends concerning the 2016 financial year.

Own funds, capital ratio and business model

In accordance with legislation, the Group must have own funds that support its business model and risk profile. The business model is unchanged in relation to the description in the 2016 Annual Report: https://www.al-bank.dk/media/129866/al_annual_report_2016.pdf

To calculate the capital ratio, management has chosen to calculate credit and market risks according to the standard method, and operational risks according to the basic indicator approach. In the opinion of management, there is still no need to use more advanced methods to calculate the capital ratio. According to the Danish Financial Business Act, the Board of Directors and Executive Management must ensure that the Bank has adequate own funds, which is the minimum capital required, according to the assessment of management, to cover all significant risks. Own funds for use in solvency calculations as at the end of June were calculated at DKK 5,610.6 mill. With a capital ratio of 17.8 and an individual solvency need of 9.6%, we still have solid capital buffers. More demanding statutory requirements up to 2019 mean that we will continue our focus on building up the Bank's and the Group's own funds.

Risk management

The Board of Directors is responsible for ensuring effective risk management, including identifying significant risks, developing systems for risk management and establishing a risk policy and risk frameworks. Reporting on significant risks is part of the regular reporting to the Board of Directors. In this context, see note 44 in the 2016 Annual Report, https://www.al-bank.dk/media/129866/al_annual_report_2016.pdf, in which the most important risk factors are described. The Executive Management are responsible for day-to-day risk management, including identification and assessment of individual risks linked to the business activities of the Group. Every year, the Group issues a risk report describing risk management and the individual risk areas for the Group. The Group Risk Report 2016 is available in English on the Bank's website: https://www.al-bank.dk/media/129920/al_groupriskreport_2016.pdf.

Liquidity

Group liquidity is good in terms of the LCR financial ratio by which the Bank must be able to cover a stressed net outflow of liquidity for 30 days. The coverage ratio must

currently amount to 80%, increasing to 100% in 2018 at full phase-in. With a financial ratio of 166.4%, calculation at Group level shows that we fully meet this statutory requirement.

Benchmarks from the Danish Financial Supervisory Authority

The Danish FSA stipulates a number of special risk areas and related benchmarks in the form of financial ratios with limit values which, as a point of departure, banks should meet. These benchmarks are an integrated part of the reporting to the Board of Directors and they are considered and acted upon to counter any breaches.

Benchmarks from the Danish FSA *)	Limit values	Bank
Funding ratio	< 1	0.5
Excess liquidity coverage	> 50	245
Sum of large exposures	< 125	0
Lending growth	< 20	5
Commercial property exposure	< 25	6

*) The definition of the ratios and key figures is explained in note 23.

The Bank comfortably meets all the benchmarks. Note that the financial ratio for excess liquidity coverage is calculated according to the liquidity concept, see section 152 of the Financial Business Act. This is expected to be replaced by a new financial ratio based on the LCR requirements that will be set by the Danish FSA.

In 2018, the financial ratio for sum of large exposures will be replaced by a new calculation, measuring the Bank's 20 largest exposures. With a ratio of 64%, the Bank has maintained a comfortable distance to the future limit value of 175%. The financial ratio for lending growth in the benchmarks from the Danish FSA is measured in relation to 30 June 2016, while the official financial ratio for lending growth is measured in relation to the end of 2016.

Implementation of IFRS 9

The implementation of IFRS 9 will lead to a change in calculations by credit institutions of the default risk on a customer exposure. So far, the calculation has been based on objective indications of impairment and actual losses incurred, but, in future, this will be replaced by expected probabilities of default, where expected credit losses after 12 months are measured from initial recognition. If, subsequently, the exposure suffers a significant increase in credit risk, the expected credit loss will be recognised

over the entire lifetime of the loan. For a more detailed explanation, see note 1, "Accounting policies", in the 2016 Annual Report.

As a result of IFRS 9, impairment charges will be recognised sooner than previously, thus leading to a larger impairment account, also known as an allowance account. Implementation of IFRS 9 will take effect on 1 January 2018 and will result in a new opening balance sheet as at 1 January, because the effects of the changed policy must be posted directly to equity, and not through the income statement.

Current calculations show an expected increase in the Group's accounting impairment charges (allowances) in the region of DKK 50-150 mill., which corresponds to 3-10%. This increase, adjusted for the tax effect, will also reduce Common Equity Tier 1 capital at Arbejdernes Landsbank, but projected transition schemes in relation to calculating CET1 and capital ratio will not cause any significant changes to these calculations in the short term. The work on updating the IFRS 9 calculation model is ongoing, and in the second half-year of 2017, we will continue to implement necessary changes and conditions in order to ensure compliance with IFRS 9 and the Danish guidelines for compliance, which are likely to be adopted in the second half of 2017. The estimate is therefore associated with great uncertainty.

Outlook for 2017

On 28 June 2017, the Group's expectations for the results for 2017 were adjusted upwards to account for developments in the first half-year of 2017. The adjustment was particularly caused by an expected reduced need for impairment charges. Growth in the business base is expected to continue in the second half of 2017, partly through a continued influx of new customers and partly because of an increased demand for loans. Housing prices are on the rise, employment can be expected to increase, inflation is low, private consumption is growing, and, not least, the prospects for exports look bright. Thus, all the indicators of an approaching boom in the Danish economy are present. Changes in the economic climate have an impact on realising expectations regarding the level of impairments and market risk. With regard to realising expectations for the rest of 2017, uncertainty is linked in particular to developments in the market situation for interest rates and credit spread. Previously, we have seen that credit spreads may expand, which is not favourable for a bank such as Arbejdernes Landsbank due to our relatively large securities portfolio, with a large portion of the interest-rate risk being hedged by derivatives linked to government securities. In the annual financial statements for 2016, we stated that the Bank expected a profit before tax for 2017 of around DKK 450-500 mill. Expectations now are a profit before tax of around DKK 550-600 mill.





Statement by management

Today, the Board of Directors and Executive Management discussed and approved the Interim Report of Aktieselskabet Arbejdernes Landsbank and the Group for the period 1 January to 30 June 2017.

The group interim financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as approved by the EU. The interim financial statements for the Parent Company and the management's report have been prepared in accordance with the regulations laid down in the Danish Financial Business Act.

In our opinion, the interim financial statements provide a fair presentation of the assets, liabilities and financial position of the Group and the Parent Company as at 30 June 2017, as well as of the results of the activities and cash flows of the Group and the Parent Company for the period from 1 January to 30 June 2017.

We also believe that the management's report provides a true and fair review of the development of the activities of the Group and the Parent Company and the financial situation of the undertakings covered by the consolidated financial statements, as well as a description of the most significant risks and uncertainty factors that may influence the Group and the Parent Company.

This Interim Report has not been audited or reviewed.

Copenhagen, 16 August 2017

Executive Management:

Gert R. Jonassen
CEO

Jan W. Andersen
Executive Bank Director

Board of Directors:

Per Christensen
Chairman

Claus Jensen
Vice Chairman

Torben Möger Pedersen

Yvonne Hansen
Employee representative

Lars Andersen

Christian Riewe

John Markussen
Employee representative

Mette Kindberg

Lizette Risgaard

Jesper Pedersen
Employee representative

Kim Lind Larsen

Ole Wehlast

Lasse Thorn
Employee representative

Income statement and comprehensive income

Note		Group		Bank	
		30.06.2017 DKK '000	30.06.2016 DKK '000	30.06.2017 DKK '000	30.06.2016 DKK '000
Income statement					
5	Interest income	621,547	660,708	567,094	604,898
6	Interest expenses	-25,612	-47,392	-25,554	-47,305
	Net interest income	595,935	613,316	541,540	557,593
	Dividends from shares etc.	37,956	38,978	37,956	38,978
7	Fee and commission income	323,849	277,198	293,220	245,244
7	Fees and commissions paid	-54,718	-29,140	-31,675	-4,306
	Net interest and fee income	903,022	900,352	841,041	837,509
8	Value adjustments	228,790	-377,299	229,388	-377,443
	Other operating income	76,947	62,485	29,804	18,454
9	Staff and administration expenses	-633,841	-608,904	-592,092	-568,665
	Amortisation/depreciation as well as impairment charges on intangible assets and property, plant and equipment	-56,632	-48,488	-13,698	-12,193
	Other operating expenses	-25,377	-24,632	-23,948	-22,121
10	Impairments on loans and receivables etc.	7,134	52,342	11,521	55,680
	Profit from equity investments in associates and group companies	0	15,278	12,981	33,389
	Profit/loss before tax	500,043	-28,866	494,997	-35,390
11	Tax	-96,614	11,792	-91,568	18,316
	Profit/loss for the period	403,429	-17,074	403,429	-17,074
	Distributed as follows:				
	Shareholders of Arbejdernes Landsbank	370,475	-50,250	370,475	-50,250
	Holders of Additional Tier 1 instruments	32,954	33,176	32,954	33,176
	Profit/loss for the period	403,429	-17,074	403,429	-17,074
Comprehensive income					
	Profit/loss for the period	403,429	-17,074	403,429	-17,074
	Other comprehensive income that cannot be reclassified for the income statement				
14	Change in the valuation of owner-occupied properties	-1,048	62,570	-1,048	62,570
	Total other comprehensive income	-1,048	62,570	-1,048	62,570
	Comprehensive income	402,381	45,496	402,381	45,496
	Distributed as follows:				
	Shareholders of Arbejdernes Landsbank	369,427	12,320	369,427	12,320
	Holders of Additional Tier 1 instruments	32,954	33,176	32,954	33,176
	Comprehensive income	402,381	45,496	402,381	45,496

Balance sheet

Note	Group		Bank		
	30.06.2017 DKK '000	31.12.2016 DKK '000	30.06.2017 DKK '000	31.12.2016 DKK '000	
Assets					
	Cash in hand and demand deposits with central banks	945,694	876,866	945,694	876,865
	Receivables from credit institutions and central banks	2,440,583	1,876,168	2,433,868	1,863,684
13	Loans and other receivables at amortised cost	21,421,131	20,951,136	21,323,454	20,850,047
	Bonds at fair value	15,483,232	15,207,800	15,483,232	15,207,800
	Shares etc.	1,339,952	1,328,188	1,339,952	1,328,188
	Equity investments in group companies	0	0	271,045	258,064
	Assets linked to pooled schemes	2,408,952	2,056,027	2,408,952	2,056,027
	Intangible assets	10,195	12,713	0	0
	Investment properties	35,413	35,413	35,413	35,413
	Owner-occupied properties	890,844	947,987	890,844	947,987
14	Total land and buildings	926,257	983,400	926,257	983,400
	Other property, plant and equipment	266,036	250,978	61,724	63,467
	Current tax assets	0	12,972	0	28,375
	Deferred tax assets	12,919	4,238	15,322	18,541
	Other assets	812,768	837,723	766,671	781,496
	Prepayments and accrued income	53,127	27,609	48,757	24,313
	Total assets	46,120,846	44,425,818	46,024,928	44,340,267
Equity and liabilities					
Liabilities					
	Debt to credit institutions and central banks	2,304,002	3,271,354	2,304,002	3,271,354
15	Deposits and other debt	33,942,806	32,149,727	33,945,136	32,148,436
	Deposits in pooled schemes	2,408,952	2,056,027	2,408,952	2,056,027
	Other non-derivative financial instruments at fair value	501,009	263,148	501,009	263,148
	Current tax liabilities	34,372	0	2,023	0
	Other liabilities	790,029	871,331	726,229	791,061
	Prepayments and accrued income	13,241	23,292	13,241	23,292
	Total liabilities	39,994,411	38,634,879	39,900,592	38,553,318
	Provisions				
	Guarantee loss provisions	32,868	30,520	32,868	30,520
	Other provisions	65,169	78,670	63,070	74,680
	Total provisions	98,037	109,190	95,938	105,200
16	Equity				
	Share capital	300,000	300,000	300,000	300,000
	Revaluation reserves	339,213	365,689	339,213	365,689
	Reserve under the equity method	0	0	245,233	245,233
	Retained earnings or losses	4,540,236	4,137,084	4,295,003	3,891,851
12	Proposed dividend	0	30,000	0	30,000
	Shareholders of Arbejdernes Landsbank	5,179,449	4,832,773	5,179,449	4,832,773
17	Holders of Additional Tier 1 instruments	848,949	848,976	848,949	848,976
	Total equity	6,028,398	5,681,749	6,028,398	5,681,749
	Total equity and liabilities	46,120,846	44,425,818	46,024,928	44,340,267

Statement of capital – Group

Shareholders of Arbejdernes Landsbank

	Share capital	Revaluation reserves	Other reserves	Retained earnings	Dividends	Total	Additional Tier 1 capital	Total
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Equity brought forward for 2017	300,000	365,689	0	4,137,084	30,000	4,832,773	848,976	5,681,749
Profit for the period	0	0	0	370,475	0	370,475	32,954	403,429
Other comprehensive income	0	-1,048	0	0	0	-1,048	0	-1,048
Total comprehensive income	0	-1,048	0	370,475	0	369,427	32,954	402,381
Other additions and disposals *)	0	-25,428	0	25,428	0	0	0	0
Dividend paid for 2016	0	0	0	0	-30,000	-30,000	0	-30,000
Interest paid on Additional Tier 1 capital	0	0	0	0	0	0	-32,981	-32,981
Tax	0	0	0	7,250	0	7,250	0	7,250
Total changes in equity	0	-26,476	0	403,152	-30,000	346,676	-27	346,649
Equity carried forward 30.06.2017	300,000	339,213	0	4,540,236	0	5,179,449	848,949	6,028,398
Equity brought forward for 2016	300,000	306,282	690,535	3,103,812	30,000	4,430,628	848,999	5,279,627
Profit/loss for the period	0	0	0	-50,250	0	-50,250	33,176	-17,074
Other comprehensive income	0	62,570	0	0	0	62,570	0	62,570
Total comprehensive income	0	62,570	0	-50,250	0	12,320	33,176	45,496
Other additions and disposals *)	0	-1,860	0	1,860	0	0	0	0
Dividend paid for 2015	0	0	0	0	-30,000	-30,000	0	-30,000
Interest paid on Additional Tier 1 capital	0	0	0	0	0	0	-33,163	-33,163
Tax	0	0	0	7,300	0	7,300	0	7,300
Total changes in equity	0	60,710	0	-41,090	-30,000	-10,380	13	-10,367
Equity carried forward 30.06.2016	300,000	366,992	690,535	3,062,720	0	4,420,247	849,012	5,269,259
Equity brought forward for 2016	300,000	306,282	690,535	3,103,812	30,000	4,430,628	848,999	5,279,627
Profit for the year	0	0	37,045	285,857	30,000	352,902	66,514	419,416
Other comprehensive income	0	64,610	0	0	0	64,610	0	64,610
Total comprehensive income	0	64,610	37,045	285,857	30,000	417,512	66,514	484,026
Other additions and disposals **)	0	-5,203	-727,580	732,783	0	0	0	0
Dividend paid for 2015	0	0	0	0	-30,000	-30,000	0	-30,000
Interest paid on Additional Tier 1 capital	0	0	0	0	0	0	-66,537	-66,537
Tax	0	0	0	14,633	0	14,633	0	14,633
Total changes in equity	0	59,407	-690,535	1,033,272	0	402,145	-23	402,122
Equity carried forward 2016	300,000	365,689	0	4,137,084	30,000	4,832,773	848,976	5,681,749

*) The Bank has realised a revaluation reserve in connection with a property sale.

**) Reclassification of DKK 727.6 mill. in connection with the Bank's ownership interest in the insurance company ALKA being reduced to less than 20%, which resulted in the company being classified under the item "Shares etc.". The Bank has realised a revaluation reserve of DKK 5.2 mill. in connection with a property sale.

Statement of capital – Bank

Shareholders of Arbejdernes Landsbank

	Share capital	Revaluation reserves	Other reserves	Retained earnings	Dividends	Total	Additional Tier 1 capital	Total
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Equity brought forward for 2017	300,000	365,689	245,233	3,891,851	30,000	4,832,773	848,976	5,681,749
Profit for the period	0	0	0	370,475	0	370,475	32,954	403,429
Other comprehensive income	0	-1,048	0	0	0	-1,048	0	-1,048
Total comprehensive income	0	-1,048	0	370,475	0	369,427	32,954	402,381
Other additions and disposals *)	0	-25,428	0	25,428	0	0	0	0
Dividend paid for 2016	0	0	0	0	-30,000	-30,000	0	-30,000
Interest paid on Additional Tier 1 capital	0	0	0	0	0	0	-32,981	-32,981
Tax	0	0	0	7,250	0	7,250	0	7,250
Total changes in equity	0	-26,476	0	403,152	-30,000	346,676	-27	346,649
Equity carried forward 30.06.2017	300,000	339,213	245,233	4,295,003	0	5,179,449	848,949	6,028,398
Equity brought forward for 2016	300,000	306,282	900,929	2,893,418	30,000	4,430,628	848,999	5,279,627
Profit/loss for the period	0	0	0	-50,250	0	-50,250	33,176	-17,074
Other comprehensive income	0	62,570	0	0	0	62,570	0	62,570
Total comprehensive income	0	62,570	0	-50,250	0	12,320	33,176	45,496
Other additions and disposals *)	0	-1,860	0	1,860	0	0	0	0
Dividend paid for 2015	0	0	0	0	-30,000	-30,000	0	-30,000
Interest paid on Additional Tier 1 capital	0	0	0	0	0	0	-33,163	-33,163
Tax	0	0	0	7,300	0	7,300	0	7,300
Total changes in equity	0	60,710	0	-41,092	-30,000	-10,380	13	-10,367
Equity carried forward 30.06.2016	300,000	366,992	900,929	2,852,326	0	4,420,247	849,012	5,269,259
Equity brought forward for 2016	300,000	306,282	900,929	2,893,418	30,000	4,430,628	848,999	5,279,627
Profit for the year	0	0	71,884	251,018	30,000	352,902	66,514	419,416
Other comprehensive income	0	64,610	0	0	0	64,610	0	64,610
Total comprehensive income	0	64,610	71,884	251,018	30,000	417,512	66,514	484,026
Other additions and disposals **)	0	-5,203	-727,580	732,783	0	0	0	0
Dividend paid for 2015	0	0	0	0	-30,000	-30,000	0	-30,000
Interest paid on Additional Tier 1 capital	0	0	0	0	0	0	-66,537	-66,537
Tax	0	0	0	14,633	0	14,633	0	14,633
Total changes in equity	0	59,407	-655,696	998,433	0	402,145	-23	402,122
Equity carried forward 2016	300,000	365,689	245,233	3,891,851	30,000	4,832,773	848,976	5,681,749

*) The Bank has realised a revaluation reserve in connection with a property sale.

**) Reclassification of DKK 727.6 mill. in connection with the Bank's ownership interest in the insurance company ALKA being reduced to less than 20%, which resulted in the company being classified under the item "Shares etc.". The Bank has realised a revaluation reserve of DKK 5.2 mill. in connection with a property sale.

Cash flow statement *)

	Group	
	30.06.2017 DKK '000	30.06.2016 DKK '000
Profit/loss before tax for the period	500,043	-28,866
Adjustment for non-cash operating items		
Amortisation and impairment charges on intangible assets	2,872	6,610
Depreciation, impairment charges and revaluations of property, plant and equipment	53,760	41,878
Loan impairment charges etc.	-7,134	-52,342
Corporation tax paid	-50,701	-18,739
Profit/loss for the period adjusted for non-cash operating items	498,840	-51,459
Loans and receivables with credit institutions, etc.	-444,807	-613,474
Bonds and shares	-287,196	-467,923
Deposits and debt to credit institutions, etc.	1,178,652	1,993,005
Other non-derivative financial instruments at fair value	237,859	226,895
Other assets and liabilities	-474,047	239,169
Change in working capital	210,461	1,377,672
Cash flows from operating activities	709,301	1,326,213
Purchases of intangible assets	-354	-11,543
Purchases of property, plant and equipment	-98,795	-135,146
Sales of property, plant and equipment	86,072	46,787
Cash flows from investment activities	-13,077	-99,902
Interest paid on equity instruments	-32,981	-33,163
Dividend paid	-30,000	-30,000
Cash flows from financing activities	-62,981	-63,163
Change in cash and cash equivalents	633,243	1,163,148
Cash and cash equivalents brought forward	2,740,034	1,388,068
Cash and cash equivalents carried forward	3,373,277	2,551,216

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

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Notes to the interim financial statements

NOTE 1

Accounting policies

The group interim financial statements for the first half-year of 2017 have been prepared in accordance with IAS 34, Interim Financial Reporting as approved by the EU, as well as further Danish accounting and disclosure requirements for interim financial reports. The application of IAS 34 entails that the IFRS principles for recognition and measurement have been adhered to, but that the presentation is not as comprehensive as in the annual report.

The Parent Company's financial statements for the first half-year of 2017 have been prepared according to the Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. from the Danish FSA.

IFRS 9

IFRS 9 must be implemented in respect of financial years starting on or after 1 January 2018. For Arbejdernes Landsbank, the new regulations on impairments on loans in particular will have an impact on the financial statements. For more details, see the description in the management's report on this Interim Report, and, more generally, the information in Note 1 on "Accounting policies" in the 2016 Annual Report.

New and changed standards, interpretation contributions and accounting regulations

No new accounting standards or interpretation contributions, as approved by the EU, have entered into force in 2017.

With respect to the information in note 1, Accounting policies, in the Annual Report 2016, no new accounting standards or interpretation contributions have been issued or approved, nor have any changes been made to the Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. from the Danish FSA, which have an influence on the Interim Report for the first half-year of 2017 for Arbejdernes Landsbank and the Arbejdernes Landsbank Group.

Additional information

Otherwise, the accounting policies are unchanged in relation to the 2016 Annual Report. A complete description of accounting policies for the Group and the Parent Company can be found in note 1 to the 2016 Annual Report, which is available in English at: https://www.al-bank.dk/media/129866/al_annual_report_2016.pdf.

NOTE 2

Accounting estimates and assessments

The measurement of certain assets and liabilities is based on accounting estimates made by management. Areas entailing assumptions and estimates which are significant for the financial statements include impairments on loans and guarantees, owner-occupied properties, and measurements at fair value of certain financial instruments, including measurement of unlisted shares at fair value. These are the same as for preparation of the 2016 Annual Report. See the accounting policies in the 2016 Annual Report for further descriptions of accounting estimates.

The estimates made are based on assumptions that are considered reasonable and realistic by management but which are inherently uncertain.

Unusual circumstances

The Interim Report has not been affected by unusual circumstances.

NOTE 3

Events after expiry of the accounting period

As part of a larger consortium, Arbejdernes Landsbank has undertaken to purchase the Danish state's shares in Vestjysk Bank. The purpose of this solution is to ensure the future position of Vestjysk Bank as an important regional bank.

The offer expired on 18 July 2017, and Arbejdernes Landsbank has committed itself to purchase 16.85 mill. shares of DKK 1 each, and it has also undertaken to purchase DKK 83.15 mill. worth of new shares at the same price per share by a subsequent direct placement. Furthermore, the Bank has undertaken to underwrite an issue of another 75 mill. shares of DKK 1 each if the other shareholders do not wish to exercise their subscription rights in connection with the issue. The purchase offer was accepted on 18 July 2017, and the Bank's ownership interest in Vestjysk Bank will amount to between 11.2% to 19.4%, depending on the extent to which the Bank's underwriting of the issue becomes effective.

For many years, Arbejdernes Landsbank has had a good business relationship with Vestjysk Bank, and through our involvement in the solution described above, our professional relations will be strengthened even further, which will benefit both companies. As at 30 June 2017, the commitment has been included as a contingent liability and recognised in the statement of capital, the weighted exposures and the calculation of solvency need. This leads to a capital ratio reduction of 0.4 percentage points and an increase in the solvency need of 0.2 percentage points.

Note

4 Segment information for the Group

Group activities are concentrated in Denmark with focus on banking services for private customers, small and medium-sized enterprises as well as associations, etc. Banking services are offered across customer types in the entire branch network as well as in the Bank's group company; AL Finans. The return on these activities is expressed in the core profit, see the model on page 5 in the Interim Report. Activities under core profit depend, however, on the Bank's investment portfolio activities which, in addition to managing the Bank's bond portfolio, also include the Bank's strategic sector shares and securing the Bank's liquidity. Regular operating reporting to the Executive Management includes the information and the aggregation level stated in the model. On the basis of this, the Group is considered to have one operating segment, which includes core profit and investment portfolio earnings as one item.

Note	Group		Bank	
	30.06.2017 DKK '000	30.06.2016 DKK '000	30.06.2017 DKK '000	30.06.2016 DKK '000
5 Interest income *)				
Receivables from credit institutions and central banks	-844	-205	-844	-205
Loans at amortised cost	572,121	565,770	517,518	509,810
Bonds	97,914	142,621	97,914	142,621
Derivative financial instruments				
Currency contracts	-7,578	-8,683	-7,578	-8,683
Interest-rate contracts	-40,066	-38,795	-40,066	-38,795
Total derivative financial instruments	-47,644	-47,478	-47,644	-47,478
Other interest income	0	0	150	150
Total interest income	621,547	660,708	567,094	604,898
Of which, reverse transactions recognised under				
Receivables from credit institutions and central banks	-977	-724	-977	-724
Loans and other receivables	0	-16	0	-16
*) Negative interest income arising as a consequence of negative interest rates is offset under the respective interest income items. Negative interest income primarily derives from certificates of deposit and reverse transactions.				
6 Interest expenses *)				
Debt to credit institutions and central banks	-1,241	-300	-1,241	-300
Deposits and other debt	-24,340	-44,156	-24,282	-44,069
Issued bonds	0	-2,894	0	-2,894
Other interest expenses	-31	-42	-31	-42
Total interest expenses	-25,612	-47,392	-25,554	-47,305
Of which, repo transactions recognised under				
Debt to credit institutions and central banks	273	-333	273	-333
*) Positive interest expenses arising as a consequence of negative interest rates have been offset in the respective interest expense items. Positive interest expenses primarily derive from repo transactions.				

Note	Group		Bank		
	30.06.2017 DKK '000	30.06.2016 DKK '000	30.06.2017 DKK '000	30.06.2016 DKK '000	
7	Net fee and commission income				
	Securities trading and custody accounts	61,432	47,606	61,432	47,606
	Money transmission services	49,625	49,534	49,625	49,534
	Loan fees	125,411	101,048	120,404	93,936
	Guarantee commission	22,838	20,302	22,973	20,302
	Other fees and commissions	64,543	58,708	38,786	33,866
	Total fee and commission income	323,849	277,198	293,220	245,244
	Fees and commissions paid	-54,718	-29,140	-31,675	-4,306
	Total net fee and commission income	269,131	248,058	261,545	240,938
8	Value adjustments				
	Bonds	82,655	286,548	82,655	286,548
	Shares etc.	54,854	-24,687	54,854	-24,687
	Currency	3,679	14,217	4,277	14,073
	Derivative financial instruments				
	Currency contracts	3,548	35	3,548	35
	Interest-rate contracts	85,140	-658,948	85,140	-658,948
	Share contracts	33	3,381	33	3,381
	Total derivative financial instruments	88,721	-655,532	88,721	-655,532
	Assets linked to pooled schemes	67,074	18,181	67,074	18,181
	Deposits in pooled schemes	-67,074	-18,181	-67,074	-18,181
	Other assets	-1,119	2,155	-1,119	2,155
	Total value adjustments	228,790	-377,299	229,388	-377,443
9	Staff and administration expenses				
	Emoluments to the Board of Directors and the Executive Management				
	Executive Management	-3,440	-3,474	-3,430	-3,464
	Board of Directors	-1,072	-1,046	-1,072	-1,046
	Total emoluments to the Board of Directors and the Executive Management	-4,512	-4,520	-4,502	-4,510
	Staff expenses				
	Remuneration	-306,606	-304,779	-282,356	-281,073
	Pensions	-32,014	-35,557	-29,480	-33,166
	Social security expenses	-3,180	-4,096	-2,927	-3,927
	Payroll tax	-41,397	-39,774	-38,448	-37,101
	Total staff expenses	-383,197	-384,206	-353,211	-355,267
	IT costs	-150,779	-124,955	-145,530	-119,770
	Miscellaneous other administration expenses	-95,353	-95,223	-88,849	-89,118
	Total staff and administration expenses	-633,841	-608,904	-592,092	-568,665

Note	Group		Bank		
	30.06.2017 DKK '000	30.06.2016 DKK '000	30.06.2017 DKK '000	30.06.2016 DKK '000	
10	Impairments on loans and provisions for guarantees etc.				
	Net effect recognised in the income statement				
	Net impairment charges and provisions for the period	7,876	52,276	10,606	54,549
	Losses, not previously subject to impairment charges	-7,029	-5,942	-5,228	-4,747
	Recognised in claims previously subject to impairment charges	6,287	6,008	6,143	5,878
	Total net effect recognised in the income statement	7,134	52,342	11,521	55,680
	Impairment charges and provisions				
	Impairment charges and provisions brought forward	1,453,976	1,490,416	1,445,727	1,483,609
	Impairment charges and provisions for the half-year	189,539	187,894	180,971	181,432
	Reversal of impairment charges and provisions for the half-year	-197,414	-240,170	-191,577	-235,981
	Actual loss (written off) previously subject to impairment charges	-29,214	-48,091	-26,727	-46,399
	Interest adjustment	18,168	19,470	18,168	19,470
	Total impairment charges and provisions, carried forward	1,435,055	1,409,520	1,426,562	1,402,131
	Impairments on loans etc., carried forward	1,349,760	1,342,890	1,341,267	1,335,501
	Provisions on guarantees, etc., carried forward	32,868	34,728	32,868	34,728
	Impairment charges/provisions on other items, carried forward	52,427	31,902	52,427	31,902
	Total impairment charges and provisions, carried forward	1,435,055	1,409,520	1,426,562	1,402,131
	Individual impairments on loans				
	Individual impairments on loans, brought forward	1,232,910	1,308,712	1,224,904	1,302,005
	Impairment charges for the half-year	122,478	130,156	114,210	124,068
	Reversal of impairment charges for the half-year	-141,531	-177,420	-135,805	-173,250
	Actual loss (written off) previously subject to impairment charges	-29,214	-48,091	-26,727	-46,399
	Interest adjustment	16,264	18,195	16,264	18,195
	Total individual impairments on loans, carried forward	1,200,907	1,231,552	1,192,846	1,224,619
	Individual provisions on guarantees, etc.				
	Individual provisions on guarantees, brought forward	19,862	23,299	19,862	23,299
	Provisions for the half-year	3,072	1,644	3,072	1,644
	Reversal of provisions for the half-year	-877	-3,505	-877	-3,505
	Actual loss (written off) previously provided	0	0	0	0
	Total individual provisions on guarantees, etc. carried forward	22,057	21,438	22,057	21,438
	Individual impairment charges on credit institutions				
	Impairments brought forward	25,856	28,003	25,856	28,003
	Impairment charges for the half-year	6	0	6	0
	Reversal of impairment charges for the half-year	0	-2,080	0	-2,080
	Total impairment charges on credit institutions carried forward	25,862	25,923	25,862	25,923
	Individual provisions for other items				
	Provisions brought forward	22,646	16,003	22,646	16,003
	Provisions for the half-year	7,476	1,763	7,476	1,763
	Reversal of provisions for the half-year	-3,557	-11,787	-3,557	-11,787
	Total provisions for other items carried forward	26,565	5,979	26,565	5,979
	Collective impairments on loans				
	Collective impairments on loans, brought forward	142,044	102,590	141,801	102,489
	Impairment charges for the half-year	50,969	52,386	50,669	52,012
	Reversal of impairment charges for the half-year	-46,064	-44,913	-45,953	-44,894
	Interest adjustment	1,904	1,275	1,904	1,275
	Total collective impairments on loans, carried forward	148,853	111,338	148,421	110,882
	Collective provisions on guarantees etc.				
	Collective provisions on guarantees etc. brought forward	10,658	11,811	10,658	11,811
	Provisions for the half-year	5,538	1,945	5,538	1,945
	Reversal of provisions for the half-year	-5,385	-465	-5,385	-465
	Total collective provisions on guarantees etc. carried forward	10,811	13,291	10,811	13,291
	Interest on impaired claims is calculated solely on the basis of the impaired balance				
	Interest recognised as revenue on impaired loans	18,168	19,470	18,168	19,470

Note	Group		Bank		
	30.06.2017 DKK '000	30.06.2016 DKK '000	30.06.2017 DKK '000	30.06.2016 DKK '000	
11	Tax				
	Tax related to profit/loss for the period				
	Calculated tax on income for the period	-105,100	0	-88,154	0
	Change in deferred tax concerning the income period	8,681	13,061	-3,219	19,585
	Adjustments concerning previous years	-195	-1,269	-195	-1,269
	Total tax related to profit/loss for the period	-96,614	11,792	-91,568	18,316
	Tax related to changes in equity	7,250	7,300	7,250	7,300
	Total tax	-89,364	19,092	-84,318	25,616
	Tax related to profit/loss for the period broken down by type				
	Calculated tax on profit/loss before tax for the period at 22%	-110,009	6,351	-108,899	7,786
	Tax base of non-deductible expenses	-1,947	-1,507	-1,731	-1,274
	Tax base of profit in associates	0	3,361	0	3,361
	Tax base of gains not deductible for tax purposes	15,537	4,856	19,257	9,712
	Adjustment concerning previous years	-195	-1,269	-195	-1,269
	Total tax	-96,614	11,792	-91,568	18,316
12	Dividends				
	On 14 March 2017, an ordinary dividend of DKK 30 mill., corresponding to DKK 100 per share of nominally DKK 1,000, was paid to the shareholders. (2016: DKK 100 per share).				
13	Loans and guarantees before impairments down by sectors and industries				
	Public authorities	29,034	77,421	6,037	77,070
	Business				
	Agriculture, hunting, forestry and fisheries	42,995	35,403	22,381	18,741
	Industry and extraction of raw materials	601,260	569,702	160,470	160,780
	Energy supply	3,777	6,392	982	4,976
	Building and construction	577,728	595,843	318,714	341,525
	Trade	899,710	847,450	341,878	390,029
	Transport, hotels and restaurants	375,749	343,513	245,825	246,188
	Information and communication	135,723	130,855	103,296	97,446
	Financing and insurance	960,363	1,268,863	4,700,578	4,939,780
	Real property	1,258,509	1,104,003	1,240,125	1,054,515
	Other business	1,932,800	1,916,470	1,464,203	1,418,634
	Total Business	6,788,614	6,818,494	8,598,452	8,672,614
	Private	20,024,465	19,024,161	18,139,947	17,069,303
	Total	26,842,113	25,920,076	26,744,436	25,818,987
14	Land and buildings				
	Investment properties				
	Fair value brought forward	35,413	0	35,413	0
	Additions during the period, reclassification from owner-occupied properties	0	35,413	0	35,413
	Additions during the period	0	0	0	0
	Disposals during the period	0	0	0	0
	Changes in value	0	0	0	0
	Fair value carried forward	35,413	35,413	35,413	35,413
	Rent income	839	133	839	133
	Operating expenses	-515	-50	-515	-50

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

The investment property is measured at fair value (non-observable input). The measurement includes rental income and operating expenses, as well as a required rate of return of around 4%, determined on the basis of the interest-rate level and the location of the property. Generally, an increase in the required rate of return of 0.5 percentage points will reduce the fair value by approx. DKK 4 mill.

Note	Group		Bank		
	30.06.2017 DKK '000	31.12.2016 DKK '000	30.06.2017 DKK '000	31.12.2016 DKK '000	
14	Land and buildings (Continued)				
	Owner-occupied properties				
	Revalued amount brought forward	947,987	901,175	947,987	901,175
	Additions during the period	948	41,739	948	41,739
	Other additions	0	215	0	215
	Disposals during the period	-50,882	-12,120	-50,882	-12,120
	Disposals during the period, reclassification to investment properties	0	-35,413	0	-35,413
	Depreciation for the period	-2,068	-5,589	-2,068	-5,589
	Changes in value recognised in other comprehensive income	-1,048	64,610	-1,048	64,610
	Changes in value recognised in the income statement	-4,093	-6,630	-4,093	-6,630
	Total revalued amount carried forward	890,844	947,987	890,844	947,987
	Owner-occupied properties are measured at revalued amount (non-observable input). The measurement includes rental income and operating expenses, as well as a required rate of return of around 3.81% to 8.01%, determined on the basis of the interest-rate level and the location of the property. Generally, an increase in the required rate of return of 0.5 percentage points will reduce the fair value by approx. DKK 91 mill.				
15	Deposits and other debt				
	On demand	31,101,610	29,255,198	31,103,940	29,253,907
	Amounts with notice period	1,279,558	1,289,560	1,279,558	1,289,560
	Time deposits	616	1,621	616	1,621
	Special types of deposit	1,561,022	1,603,348	1,561,022	1,603,348
	Total deposits and other debt	33,942,806	32,149,727	33,945,136	32,148,436
16	Capital and solvency				
	Transformation from equity to own funds				
	Equity	6,028,398	5,681,749	6,028,398	5,681,749
	Reserved/proposed dividend	-48,968	-30,000	-48,968	-30,000
	Intangible assets	-10,195	-12,713	0	0
	Additional Tier 1 capital, including interest payable	-848,949	-848,976	-848,949	-848,976
	Deductions for prudent valuation	-16,643	-16,232	-16,643	-16,232
	Capital instruments in financial entities	-247,196	-113,657	-245,610	-112,894
	Common Equity Tier 1 capital	4,856,447	4,660,171	4,868,228	4,673,647
	Additional Tier 1 capital	829,000	829,000	829,000	829,000
	Capital instruments in financial entities	-74,852	-75,772	-74,330	-75,263
	Tier 1 capital	5,610,595	5,413,399	5,622,898	5,427,384
	Tier 2 capital	0	0	0	0
	Own funds	5,610,595	5,413,399	5,622,898	5,427,384
	Capital requirement from pillar I (8%)	2,525,542	2,526,147	2,554,815	2,557,887
	Risk-weighted exposures				
	Items with credit risk	23,134,815	22,908,826	23,871,710	23,679,873
	Items with market risk	5,120,268	5,353,819	5,119,359	5,349,594
	Items with operational risk	3,314,191	3,314,191	2,944,123	2,944,123
	Total risk-weighted exposures	31,569,274	31,576,836	31,935,192	31,973,590
	Capital ratio	17.8	17.1	17.6	17.0

Note				Group		Bank	
				30.06.2017	31.12.2016	30.06.2017	31.12.2016
				DKK '000	DKK '000	DKK '000	DKK '000
17	Additional Tier 1 capital						
	Interest rate	Nom. in DKK '000	Maturity				
	6.675% (var.)	*) 400.000	Indefinite	402,892	402,919	402,892	402,919
	9.059% (var.)	**) 429.000	Indefinite	46,057	446,057	446,057	446,057
	Total Additional Tier 1 capital			848,949	848,976	848,949	848,976
	Additional Tier 1 capital included when calculating Tier 1 capital/own funds			829,000	829,000	829,000	829,000
	*) Can be redeemed from maturity on 23 May 2018						
	**) Can be redeemed from maturity on 22 January 2021						
	Costs for taking loans			0	0	0	0
18	Contingent liabilities						
	Guarantees						
	Financial guarantees *)			2,863,491	2,451,684	2,863,491	2,451,684
	Guarantees for losses on mortgage-credit loans			1,772,813	1,511,573	1,772,813	1,511,573
	Land registration and conversion guarantees			2,421	18,694	2,421	18,694
	Collateral for group companies			0	0	35,200	35,200
	Other guarantees *)			782,257	986,989	747,057	951,789
	Total guarantees			5,420,982	4,968,940	5,420,982	4,968,940
	Other liabilities						
	Irrevocable credit commitments less than 1 year			1,115,851	790,047	0	0
	Irrevocable credit commitments more than 1 year			44,000	44,000	44,000	44,000
	Unutilised pension commitments			27,600	27,600	27,600	27,600
	Other contingent liabilities			282,340	187,128	282,340	187,128
	Total other liabilities			1,469,791	1,048,775	353,940	258,728
	Total contingent liabilities			6,890,773	6,017,715	5,774,922	5,227,668

*) As at 30.06.2017, guarantees for payment of the purchase sum in connection with property transactions have been classified under "Financial guarantees". This type of guarantee was previously classified under "Other guarantees". Comparative figures have been adjusted. Guarantees for payment of the purchase sum in connection with property transactions amounted to DKK 1,202.3 mill. as at 30.06.2017 and DKK 940.1 mill. as at 31.12.2016.

The Bank is a party in various judicial proceedings and disputes. The cases are regularly assessed and the necessary provisions are made in accordance with an assessment of the risk of losses. Pending judicial proceedings are not expected to influence the Group's financial position negatively.

Totalkredit loans provided by the Bank in 2007 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 Bank does not expect this right of set-off to significantly influence the Bank's financial position.

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

Arbejdernes Landsbank is taxed jointly with all entities in the Group and has joint and several liability for the corporation taxes and withholding taxes etc. of these entities. Arbejdernes Landsbank is jointly registered for payroll tax and input VAT with all companies in the Group and is jointly and severally liable for settlement hereof.

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

Note	Group		Bank		
	30.06.2017 DKK '000	31.12.2016 DKK '000	30.06.2017 DKK '000	31.12.2016 DKK '000	
19	Collateral in the form of securities				
	For collateral deposited with Danmarks Nationalbank (Denmark's central bank), clearing centres etc.				
	Market value of bonds	3,908,854	3,921,361	3,908,854	3,921,361
	Of which, surplus value	3,392,482	1,772,148	3,392,482	1,772,148
20	Financial assets and liabilities at fair value				

Methods for measurement of fair value

Fair value is the price which can be obtained by selling an asset, or which must be paid in order to transfer a liability through a regular transaction between independent market participants at the time of measure. The fair value is calculated in accordance with the following valuation hierarchy:

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

Valuation technique on the basis of observable input (level 2): For financial assets and liabilities where 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.

Valuation technique on the basis of non-observable input (level 3): In cases where observable prices based on market information are not available or not deemed to be useful in establishing fair value, own assumptions are used to establish fair value. Among other things, the assumptions may be recent transactions in corresponding assets, expected future cash flows or the net asset value of the companies.

Non-observable input includes unlisted shares, primarily in companies related to the financial sector where fair value is set based on provisions in shareholders' agreements etc. or input from transactions carried out. The Association of Local Banks in Denmark, Savings Banks and Cooperative Banks in Denmark (LOPI) recommends quarterly fair values of some of the so-called sector shares, i.e. shares owned by banks with a view to participating actively in the infrastructure and products that underpin the business strategy of the sector. The prices recommended by LOPI are based on shareholders' agreements and transactions carried out in the sector. In some situations, the fair value is based on the accounting equity (net asset value) in the underlying undertaking, as this forms the basis for the transaction price, in the event of shares being sold between the owners. When calculating the fair value of sector shares in relation to the prices recommended by LOPI, these prices are thus included in the valuation as a non-observable input. The Bank carries out an independent assessment of the prices recommended and verifies their relationship with transactions carried out and published financial statements. The value of the shares would change by DKK 117 mill. on a change in the prices of 10%. Arbejdernes Landsbank assesses that alternative methods for measuring the fair value of these shares will not entail significantly different fair values.

If an update of prices does not occur over a five-day period, the standard procedure at the Bank is that this will result in a transfer between the categories 'listed prices' and 'observable input'. In 2016, the Bank transferred DKK 1.9 bn. of bonds at fair value from level 1 to level 2 as a result of infrequent price updates. Similarly, in the first half-year of 2017, the Bank transferred DKK 0.5 bn. of bonds at fair value from level 1 to level 2. In 2016, the Bank transferred DKK 47 mill. of unlisted units in collective investment schemes from level 2 to level 3 as a result of insufficient turnover in the investment associations in question. Apart from this, there have been no significant transfers between the three valuation categories in 2016 and the first half of 2017.

Note	Listed prices DKK '000	Observable input DKK '000	Non-observable input DKK '000	Total DKK '000
20	Financial assets and liabilities at fair value, continued			
Group 30.06.2017				
Financial assets				
Bonds at fair value	10,303,944	5,179,288	0	15,483,232
Shares etc.	155,848	0	1,184,104	1,339,952
Assets linked to pooled schemes	2,139,603	269,349	0	2,408,952
Derivative financial instruments and spot transactions	34,380	61,425	0	95,805
Total financial assets	12,633,775	5,510,062	1,184,104	19,327,941
Financial liabilities				
Deposits in pooled schemes	0	2,408,952	0	2,408,952
Derivative financial instruments and spot transactions	77	274,508	0	274,585
Other non-derivative financial instruments at fair value	501,009	0	0	501,009
Total financial liabilities	501,086	2,683,460	0	3,184,546
Group 31.12.2016				
Financial assets				
Bonds at fair value	10,348,329	4,859,471	0	15,207,800
Shares etc.	157,284	0	1,170,904	1,328,188
Assets linked to pooled schemes	1,909,257	146,770	0	2,056,027
Derivative financial instruments and spot transactions	22,402	68,500	0	90,902
Total financial assets	12,437,272	5,074,741	1,170,904	18,682,917
Financial liabilities				
Deposits in pooled schemes	0	2,056,027	0	2,056,027
Derivative financial instruments and spot transactions	35,170	359,935	0	395,105
Other non-derivative financial instruments at fair value	263,148	0	0	263,148
Total financial liabilities	298,318	2,415,962	0	2,714,280

	30.06.2017 DKK '000	31.12.2016 DKK '000
Group		
Non-observable prices		
Fair value brought forward	1,170,904	853,886
Reclassified from Associates *)	0	278,170
Moved from level 2	0	47,343
Capital gain/loss for the period in the income statement	28,549	2,636
Net purchases for the period	-15,349	-11,131
Total fair value carried forward	1,184,104	1,170,904

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

Note	30.06.2017 DKK '000	31.12.2016 DKK '000
21 Group overview		
Parent Company: Aktieselskabet Arbejdernes Landsbank, Copenhagen		
Consolidated group companies		
AL Finans A/S, Copenhagen		
Share capital	6,000	6,000
Equity	258,320	245,338
Ownership interest (%)	100	100
Profit	12,982	34,836
The financing company, AL Finans A/S, provides car financing, leasing and factoring. Activities of the company have been financed by equity and borrowing from the Parent Company. In the first half of 2017, the company employed an average of 79.9 staff in terms of full-time employees.		
Handels ApS Panoptikon, Copenhagen		
Share capital	500	500
Equity	12,725	12,726
Ownership interest (%)	100	100
Profit	-1	3
The company is not currently active. In the first half of 2017, the company has not had any employed staff.		
Furthermore, the Bank holds 100% of the shares in PR Ejendoms Holding A/S. The undertaking is under liquidation and has been recognised with a carrying amount of DKK 0.		

Note		30.06.2017 DKK '000	30.06.2016 DKK '000	31.12.2016 DKK '000	
22	Financial and operating data and ratios and key figures for the Bank				
	Financial and operating data				
	Net interest and fee income	841,041	837,509	1,696,837	
	Value adjustments	229,388	-377,443	-71,275	
	Staff and administration expenses	592,092	-568,665	-1,130,421	
	Impairments on loans and receivables, etc.	-11,521	55,680	-49,401	
	Profit from equity investments in associates and group companies	12,981	33,389	99,989	
	Profit	403,429	-17,074	419,416	
	Loans and other receivables at amortised cost	21,323,454	20,333,527	20,850,047	
	Bonds at fair value	15,483,232	15,919,148	15,207,800	
	Deposits incl. pools	36,354,088	33,511,361	34,204,463	
	Issued bonds at amortised cost	0	250,000	0	
	Equity	6,028,398	5,269,259	5,681,749	
	Total assets	46,024,928	44,572,695	44,340,267	
	Total contingent liabilities	5,774,922	5,382,562	5,227,668	
	Ratios and key figures *)				
	Solvency				
	Capital ratio	%	17.6	13.7	17.0
	Tier 1 capital ratio	%	17.6	13.7	17.0
	Earnings				
	Return on equity before tax	%	8.5	-0.7	9.1
	Return on equity after tax	%	6.9	-0.3	7.7
	Ratio of operating income to operating expenses per DKK	DKK	1.80	0.94	1.40
	Earnings per share (DKK 1,000)	DKK	1,344.8	-56.9	1,398.1
	Return on capital employed	%	0.9	0.0	1.0
	Market risk				
	Interest-rate risk	%	-0.1	-1.6	-1.2
	Currency position	%	1.9	2.1	2.3
	Currency risk	%	0.0	0.0	0.0
	Liquidity				
	Loans plus impairments in relation to deposits	%	62.3	64.7	65.0
	Excess liquidity in relation to statutory requirements for liquidity	%	244.5	202.9	191.8
	Credit				
	Sum of large exposures	%	0.0	10.1	0.0
	Impairment ratio for the period	%	-0.1	-0.2	0.2
	Lending growth for the period	%	2.3	3.5	6.2
	Loans in relation to equity		3.5	3.9	3.7
	Equity				
	Net asset value	DKK	1,726.5	1,473.4	1,610.9
	Proposed dividend per share (DKK 1,000)	DKK	0	0	100
	Employees				
	Average number of employees during the period converted to full-time equivalents		974	993	986

*) See note 23 for definitions of ratios and key figures.

Note

23 Definition of ratios and key figures

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

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

1. Capital ratio =	$\frac{\text{Own funds} \times 100}{\text{Total risk exposure}}$
2. Tier 1 capital ratio =	$\frac{\text{Tier 1 capital after deductions} \times 100}{\text{Total risk exposure}}$
3. Return on equity before tax =	$\frac{\text{Profit before tax} \times 100}{\text{Equity (average)}}$
4. Return on equity after tax =	$\frac{\text{Profit after tax} \times 100}{\text{Equity (average)}}$
5. Ratio of operating income to operating expenses per DKK =	$\frac{\text{Income}}{\text{Costs (excl. tax)}}$
6. Return on capital employed =	$\frac{\text{Profit after tax} \times 100}{\text{Assets (average)}}$
7. Interest-rate risk =	$\frac{\text{Interest-rate risk} \times 100}{\text{Tier 1 capital after deductions}}$
8. Currency position =	$\frac{\text{Currency indicator 1} \times 100}{\text{Tier 1 capital after deductions}}$
9. Currency risk =	$\frac{\text{Currency indicator 2} \times 100}{\text{Tier 1 capital after deductions}}$
10. Loans plus impairments in relation to deposits =	$\frac{\text{Loans} + \text{impairments on loans}}{\text{Deposits}}$
11. Loans in relation to equity =	$\frac{\text{Loans}}{\text{Equity}}$
12. Lending growth for the period =	$\frac{(\text{Loans, excl. repo transactions carried forward} - \text{loans, excl. repo transactions brought forward}) \times 100}{\text{Loans, excl. repo transactions brought forward}}$
13. Excess liquidity in relation to statutory requirements for liquidity *)	$\frac{\text{Excess liquidity after meeting section 152, no. 2, of the Danish Financial Business Act}}{\text{The 10\% statutory requirement}}$
14. Sum of large exposures *) =	$\frac{\text{Sum of large exposures after deductions, excl. credit institutions}}{\text{Own funds}}$
15. Impairment ratio for the period =	$\frac{\text{Impairments on loans and guarantees for the period} \times 100}{\text{Loans} + \text{impairment charges} + \text{guarantees}}$
Supplementary ratios and key figures	
16. Earnings per share (DKK 1,000) =	$\frac{\text{Profit}}{\text{Number of shares (DKK 1,000)}}$
17. Net asset value =	$\frac{\text{Equity} \times 100}{\text{Share capital}}$
18. Proposed dividend per share (DKK 1,000) =	$\frac{\text{Dividend yield} \times \text{nominal value of the share}}{100}$
19. Lending growth *) =	$\frac{(\text{Loans, excl. repo transactions carried forward} - \text{loans, excl. repo transactions carried forward 1 year before}) \times 100}{\text{Loans excl. repo transactions carried forward 1 year before}}$
20. Commercial property exposure *) =	$\frac{(\text{Gross loans and guarantees within the sector "Completion of building projects" + the sector "Real property"}) \times 100}{\text{Gross loans} + \text{guarantees}}$
21. Funding ratio *) =	$\frac{\text{Loans excl. repo transactions}}{\text{Sum of deposits, including pools} + \text{debt to Danmarks Nationalbank with remaining term} > 1 \text{ year} + \text{issued bonds with remaining term} > 1 \text{ year} + \text{subordinated debt} + \text{equity}}$

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

AKTIESELSKABET

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