


NOVEMBER 2023

# Introduction and Credit Update

 Arbejdernes Landsbank



# Executive **summary**

- Arbejdernes Landsbank initiates issuance of Non-Preferred Senior for the purpose of meeting the bank's MREL requirement resulting from the Danish SIFI designation.
- The expected DKKbn 10 MREL requirement will be phased-in until year-end 2025.
- Issuance of Non-Preferred Senior will take place under Arbejdernes Landsbank's DKKbn 11 MTN Programme and will be listed on Nasdaq Copenhagen.
- A Non-Preferred Senior from Arbejdernes Landsbank will offer exposure towards:
  - A robust Danish SIFI bank focusing on private costumers and local business
  - A bank with a stable and committed ownership structure
  - A strong market position – ranked as the Danes' preferred bank 14 years in a row
  - A strong loan book – well-diversified in terms of sectors and industries with low levels of impairments
  - Robust A2/P-1 rating from Moody's – Baa1 exp. for Non-Preferred Senior
  - Well-capitalised bank with a strong and stable funding profile



# Agenda

- 1 Introduction to **Arbejdernes Landsbank Group** ..... 4
- 2 Update on **financial performance** ..... 15
- 3 Credit **update** ..... 22
- 4 Capital and **liquidity update** ..... 31
- 5 **ESG** ..... 38
- 6 Green Bond **Framework** ..... 41



Introduction to  
**Arbejdernes  
Landsbank  
Group**

# Arbejdernes Landsbank A/S

## A robust Danish retail bank focusing on private customers and local business

- Established in 1919
- Providing full-service and financial solutions for private customers, associations and companies
- Value driven and our goal is to remain a responsible, serious and competitive customer orientated retail bank
- Strong reputation and #1 in customer satisfaction
- Majority owner of Vestjysk Bank in 2021
- Designated SIFI-bank in 2021 and Group 1 bank in 2023
- Strong credit quality / Strong loan book based on a private customer base.



# No. 1

Danes' preferred bank  
**14th successive year**



Equity (DKK)  
**13.0 bn**  
(group)



**+130.000**  
new customers over  
the past **10 years**



**6th**  
**largest**  
Danish bank



**Low**  
impairments



**352.875**  
customers

# Arbejdernes Landsbank Group

## Arbejdernes Landsbank

- The 6th largest bank\* operating in Denmark
- Offering finance solutions to personal customers, corporates and unions
- 61 branches
- 1,155 employees
- More than 350,000 customers
- Total assets: DKKbn 112

(100%)

## al finans

- A finance company operating in Denmark
- Offering finance solutions to personal and corporate customers
- 88 employees
- More than 29,600 customers
- Total assets: DKKbn 8.3

(73%)

## vestjysk BANK

- Offering finance solutions to personal and corporate customers
- 23 branches
- 627 employees
- More than 179,000 customers
- Total assets: DKKbn 42.8

(100%)

## Ejendomsselskabet SLUSEHOLMEN A/S

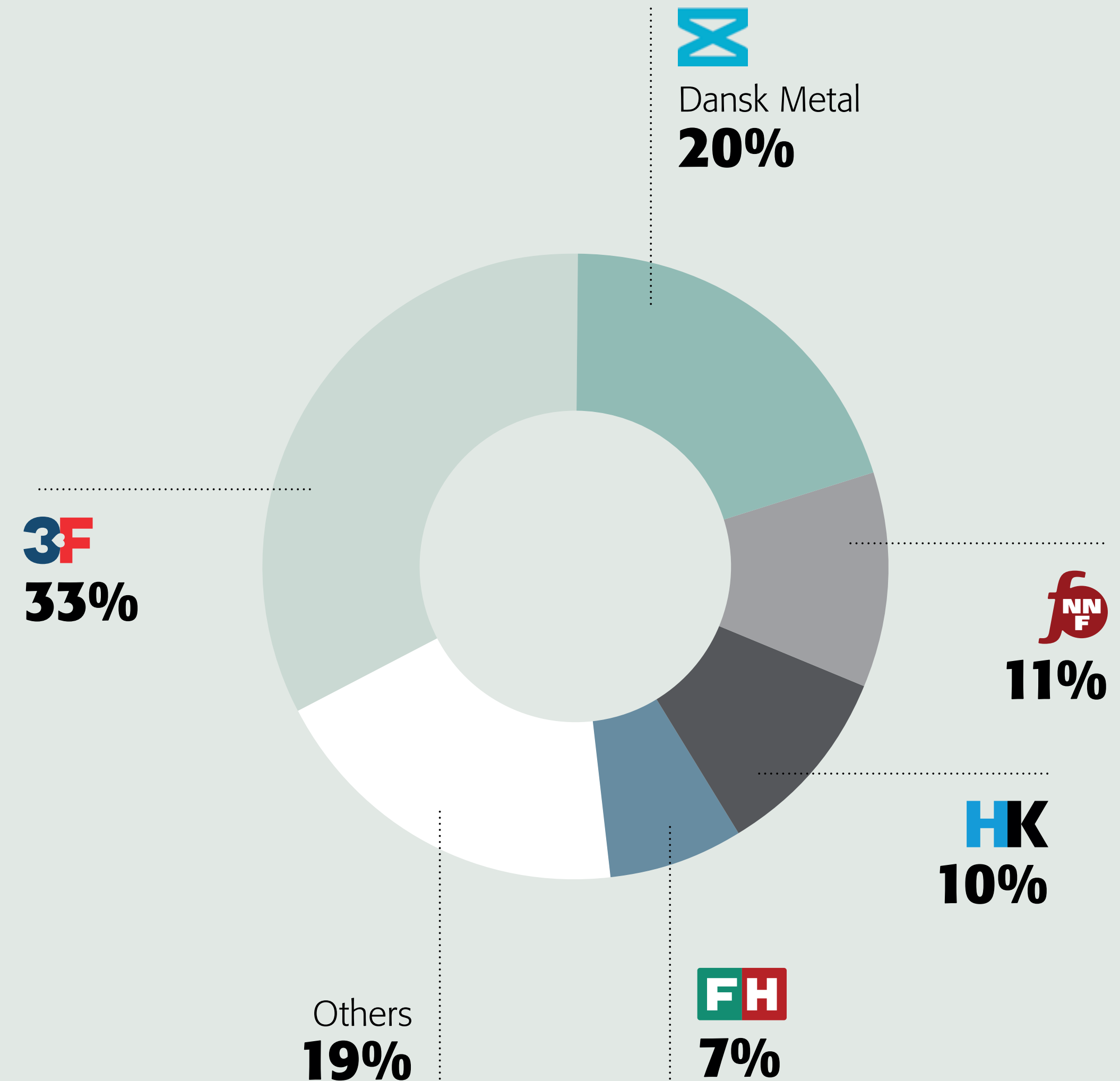
- Construction of a new domicile (completed in H1 2025)

# Stable and committed board

Arbejdernes Landsbank was founded in 1919 by 62 Danish trade union confederations and cooperatives.

Today, more than 80 % of the shares are owned by the trade union confederations and cooperatives in Denmark:

- 3F is the largest shareholder with 33% and Dansk Metal holds 20%
- Others consists of 22,000 private shareholders. All members of an approved workers union i.e. the articles of association of Arbejdernes Landsbank
- The five largest shareholders are represented in the Board of Directors
- Stable and committed board
  - Chairman Claus Jensen from Dansk Metal (Board member since 2013)
  - Deputy chairman Ole Dam Wehlast from NNF (Board member since 2016)



# A strong brand

- the Danes' preferred bank 14 years in a row

Arbejdernes Landsbank is ranked as the preferred Danish bank in the largest Danish bank survey for 14 consecutive years.

## Customers highlight:

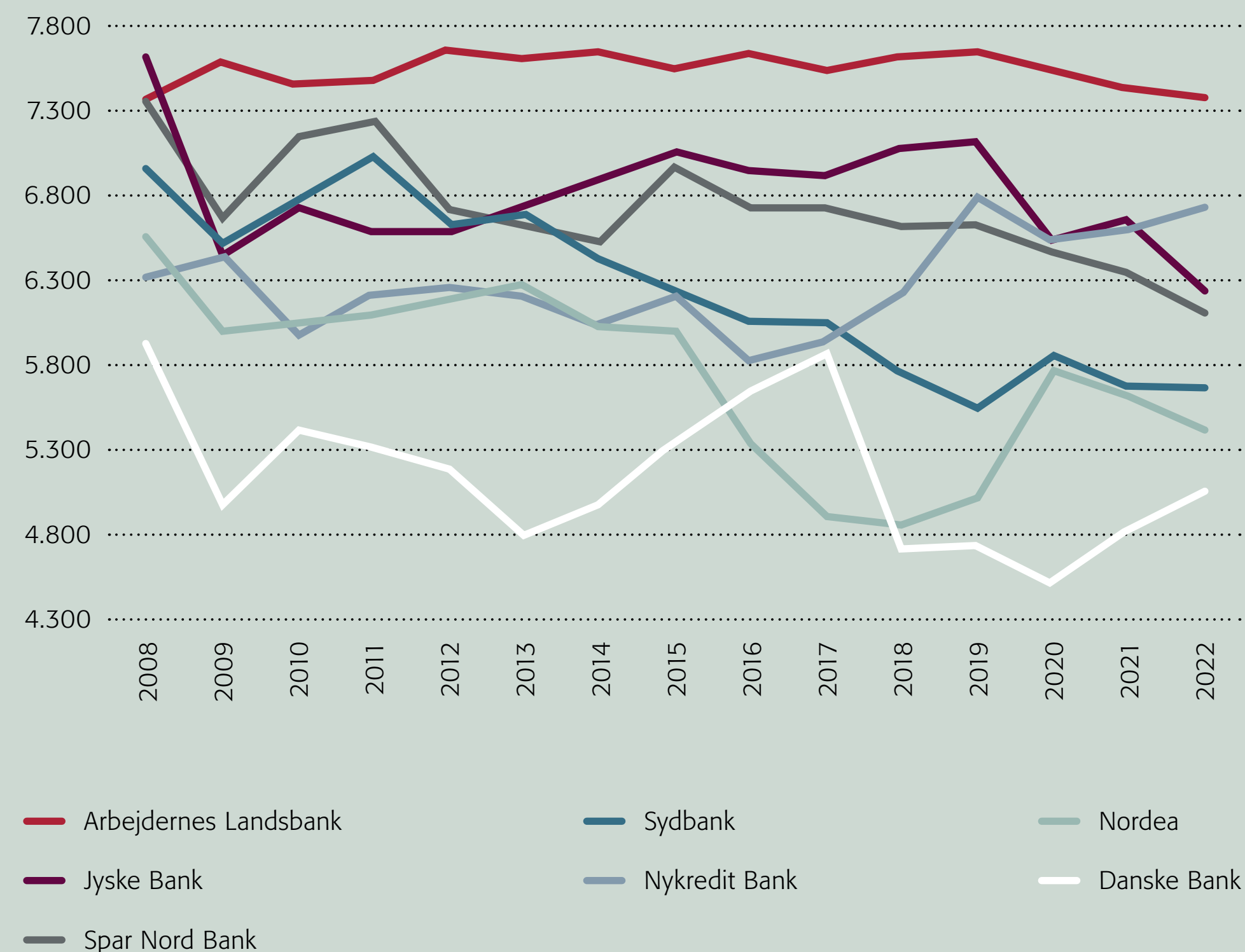
- A credible bank
- Provider of the best solutions in the market
- Advisors – not salespersons

Arbejdernes Landsbank is ranked as the **most attractive bank** according to bank customers in 2022 in Voxmeters survey.

- 27.1% of the bank clients points to Arbejdernes Landsbank as the bank they would choose if they were to choose another bank.
- This is twice as many as the second most popular bank in the Survey.

Strong market position:

## Highest customer satisfaction score (CEM) compared to our competitors, 2022



The survey, that is conducted by Voxmeter, is based on the testimonials of 60,000 bank clients chosen at random and ranks banks according to client satisfaction based on advisory, service, products, image ect.



# Customer value position is supported **by a strategic collaboration model**

The core business and the customer journey is supported and improved through:

- Strategic partnerships with well known partners in the Danish financial markets
- Joint solutions

 al finans

nærpension





erhvervs  sikring



 Totalkredit







 nets  
Merchant Services  
All you need to get paid







# Focus on creating more satisfied customers is core to future success

- Growth
- Profitability



# Majority owner of **Vestjysk Bank** in 2021

- In 2017, Arbejdernes Landbank joined a consortium together with Nykredit and AP Pension, and acquired DKKm 100 shares in Vestjysk Bank corresponding to 11.2 % of total shares in Vestjysk Bank in 2017.
- Today we own 73% of the shares in Vestjysk Bank and has no plans to increase the ownership in Vestjysk Bank
- Group Cooperation has been strengthened considerably.
  - Group functions established and Group Risk Policies adopted in Vestjysk Bank
  - Group manager appointed for Risk, Compliance and Internal Audit
  - Joint management meetings and participation of Vestjysk Bank in the group's committees



# Vestjysk Bank

## – Strategic objectives



Vestjysk Bank will continue to operate under own business model and own brand with an independent branch network to maintain a good market position and relationship with customers in the local area.



It is Arbejdernes Landsbank's ambition to create the foundation for a nationwide bank with a solid platform to serve private and corporate customers.



The acquisition of Vestjysk Bank leads to a better balance in business volume. Arbejdernes Landsbank is predominantly a private customer bank. Vestjysk Bank has the majority of its business with corporate customers.



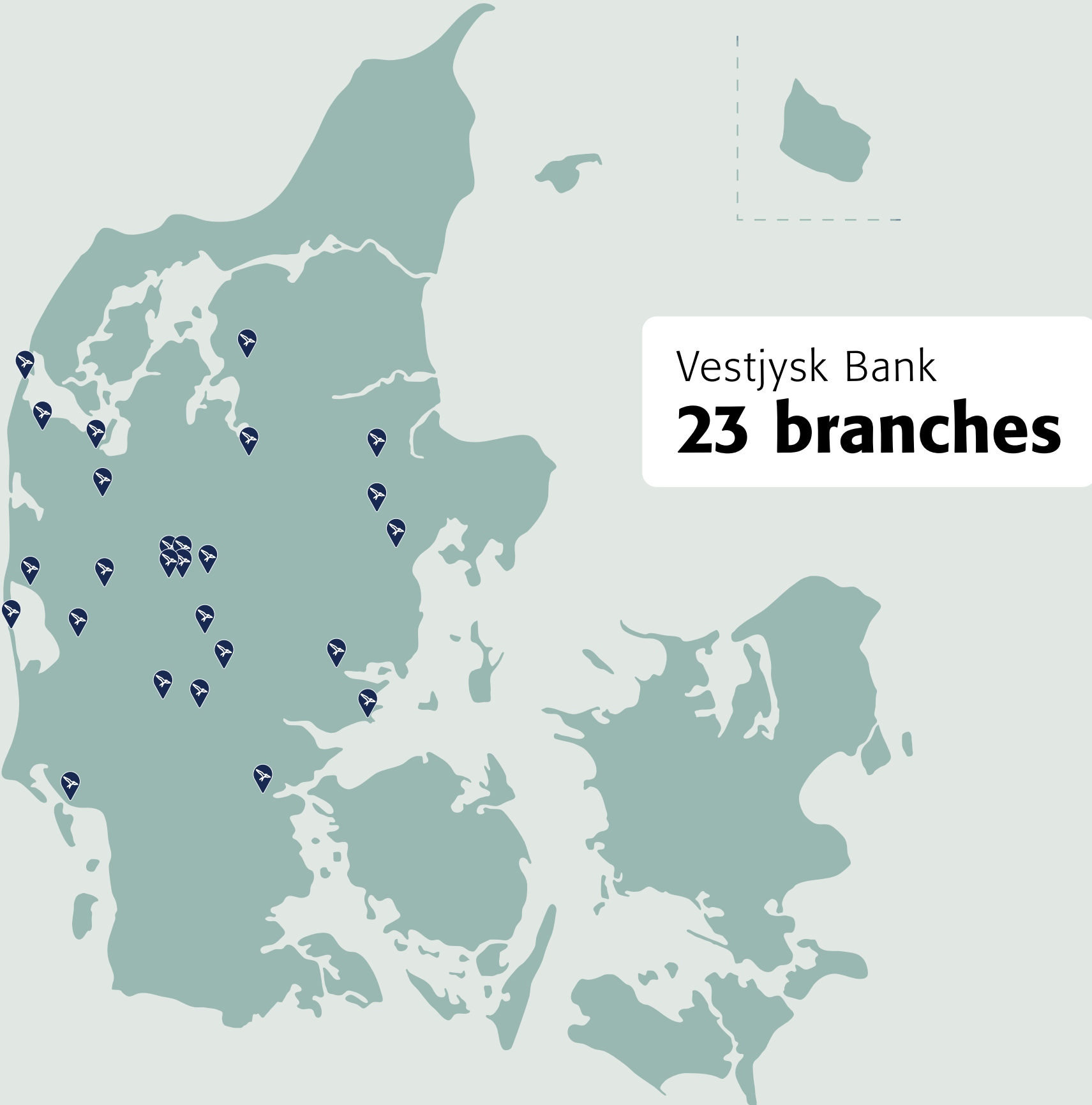
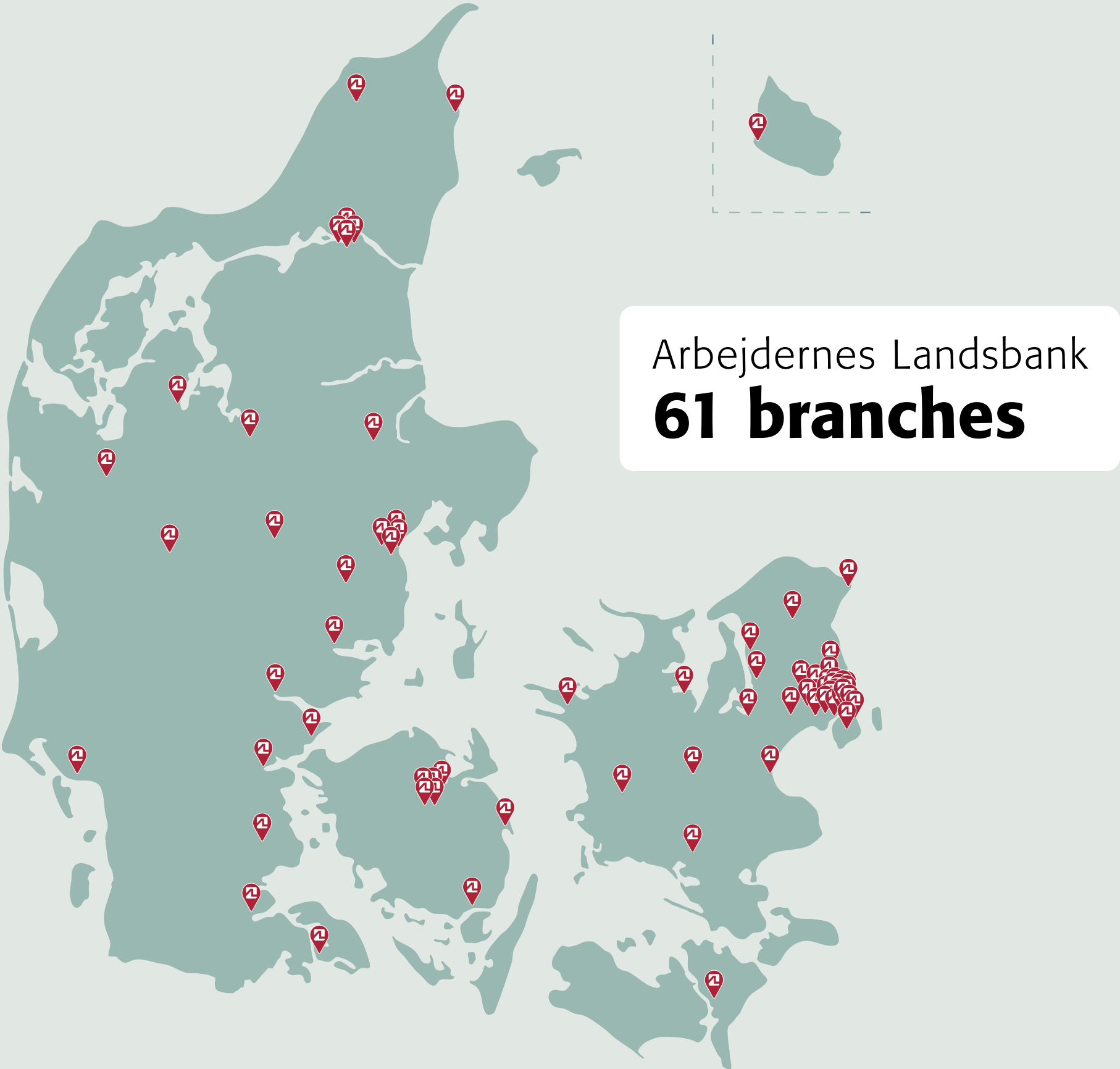
The new larger banking group can achieve efficiency improvements through continued investments in IT and optimization of staff and support functions.



The Group can realise synergy potential and value creation over time by developing and increasing cooperation within the Group. Furthermore, create broader competence centers in larger cities, where both banks are present.

# Nation wide retail network

– Focus on larger cities and perfect match to Vestjysk Bank



# Group position in the Danish retail banking market

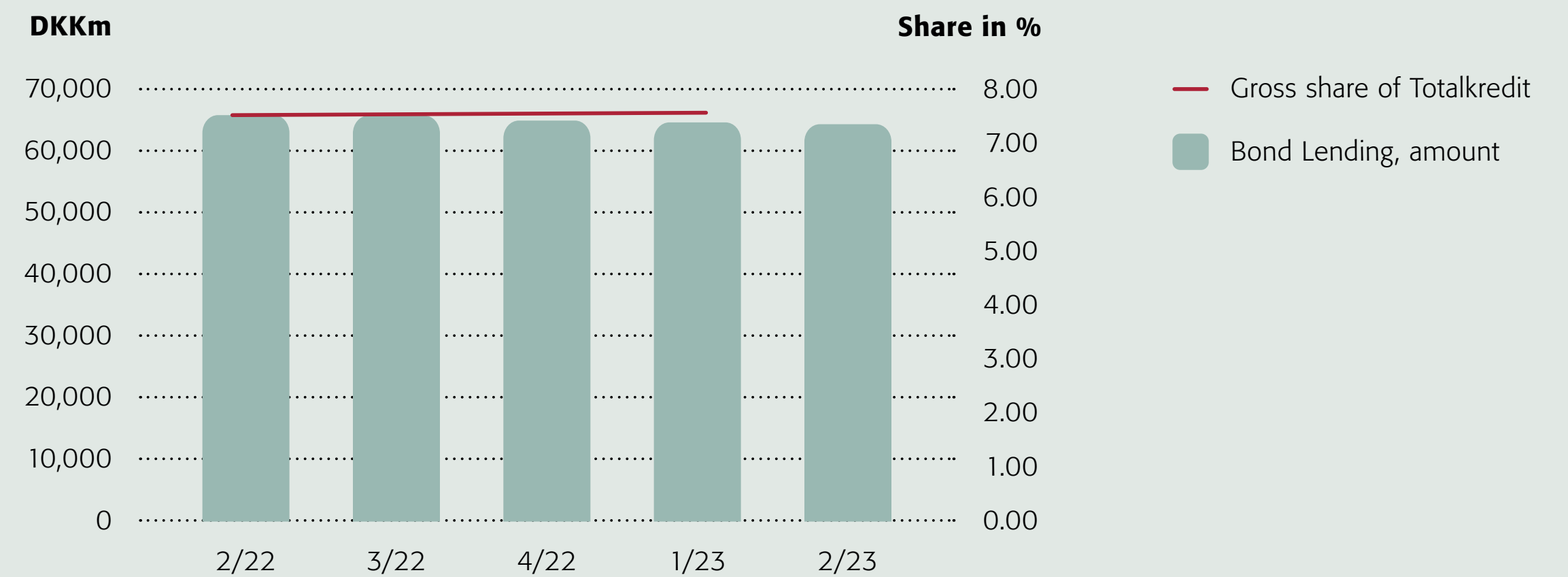
- Market share for the Arbejdernes Landsbank Group is 4.0% for domestic deposits among all banks in Denmark in 2022. And 2.4 % for domestic loans.
- Arbejdernes Landsbank's share of Totalkredit loans is 7.5%
- Vestjysk Bank's share of Totalkredit is 4.6%

Market share 2022	Arbejdernes Landsbank Group
Domestic deposits	4.0%
Domestic loans	2.4%

Source: Finanstilsynet (Pengeinstitutter: Statistisk materiale).

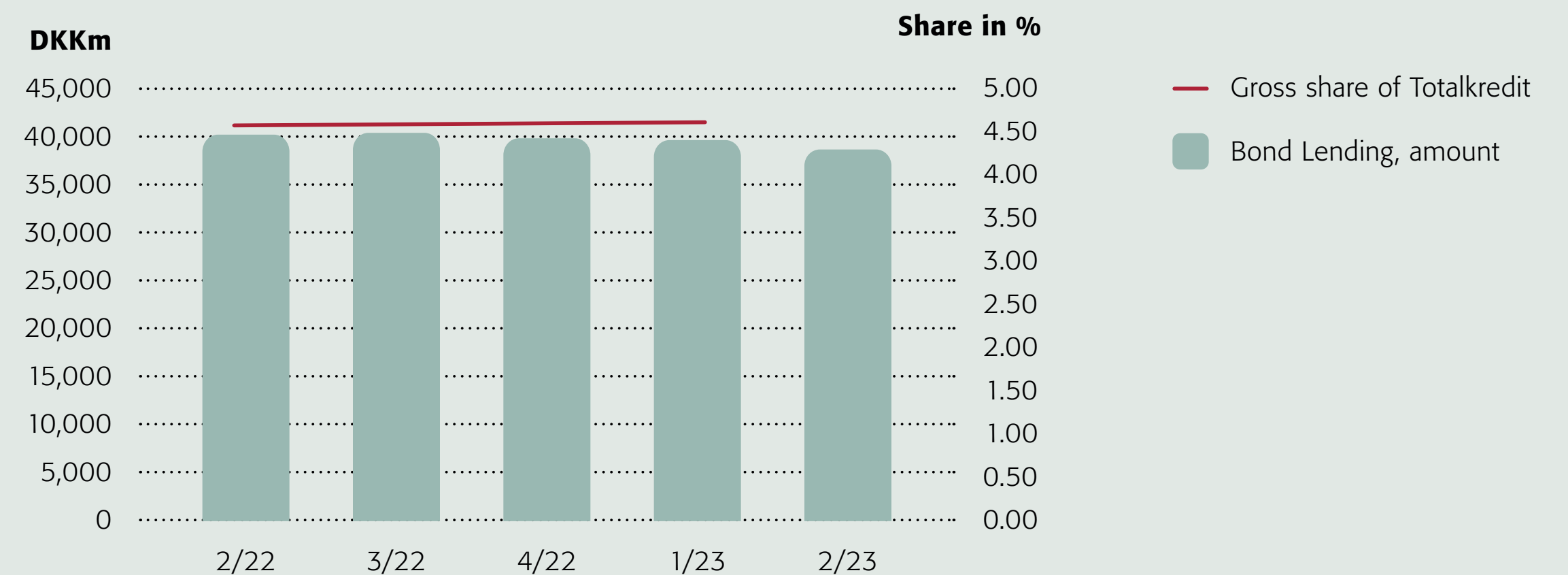
## Arbejdernes Landsbank

Share of Totalkredit loans 7.5%



## Vestjysk Bank

Share of Totalkredit loans 4.6%



# Update on **financial performance**



# Stable financial performance

- Cost increase related to regulatory and IT related investments
- 2021 impacted by one-off related to acquisition of Vestjysk Bank
- The Group's earnings are positively affected by the higher level of interest rates

## Group Financial Performance – five-year comparison

	2018	2019	2020	2021*	2022	2023 H1
<b>DKKm</b>						
Net interest income	1,104	1,075	1,070	1,643	2,218	1,564
Net fees, charges and commissions	580	688	700	1,197	1,565	707
Market value adjustments and dividends	46	342	285	293	-127	275
Other income	69	94	173	508	102	24
<b>Core income</b>	1,799	2,198	2,228	3,640	3,758	2,569
Costs and expenses	-1,530	-1,663	-1,767	-2,424	-2,907	-1,500
Impairments of loans and advances, etc.	70	54	-79	162	52	84
<b>Profit before tax</b>	339	588	382	1,378	903	1,153
Tax	-40	-44	-52	-49	-114	-280
<b>Profit</b>	299	545	330	1,329	789	874

\*Vestjysk Bank was included in the consolidated financial statements of Arbejdernes Landsbank for 2021 with earnings for 7 month. One-off income of 329 mDKK related to the acquisition of Vestjysk Bank



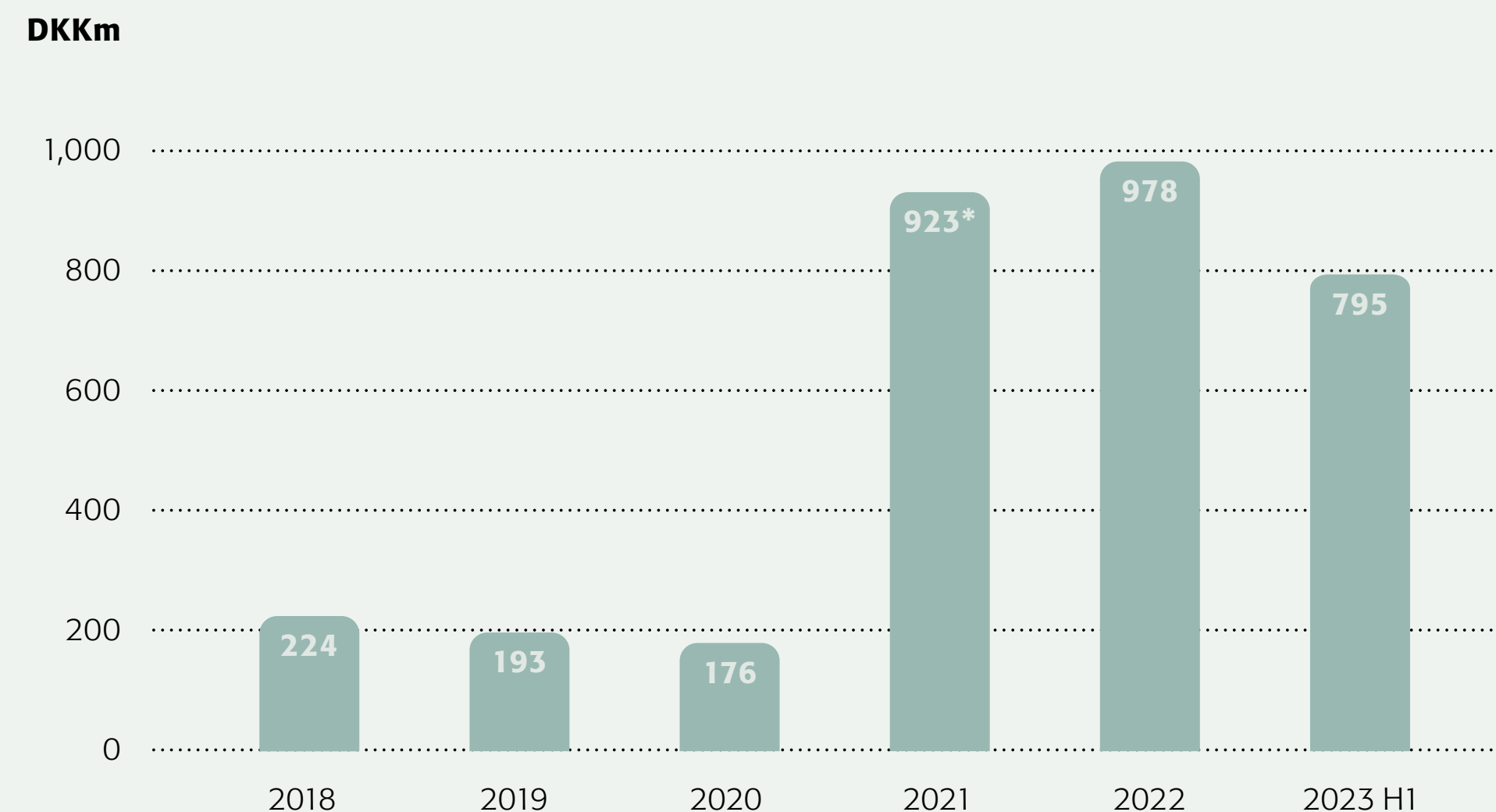
# Management focus

**Management is focused on improving core earnings with specific actions.**

- Normalization of market interest levels has improved profitability
- Continued organic growth
- Increase “share of wallet” on existing customer base
- Increase efficiency by optimize core bank processes (credit, onboarding and ALM)
- Realize synergies within the group (VB)

## Group core earnings

Core earnings are earnings before financial income, capital gains and impairments.



*\*Vestjysk Bank was included in the consolidated financial statements of Arbejdernes Landsbank for 2021 with earnings for 7 month. One-off income of 329 mDKK related to the acquisition of Vestjysk Bank*

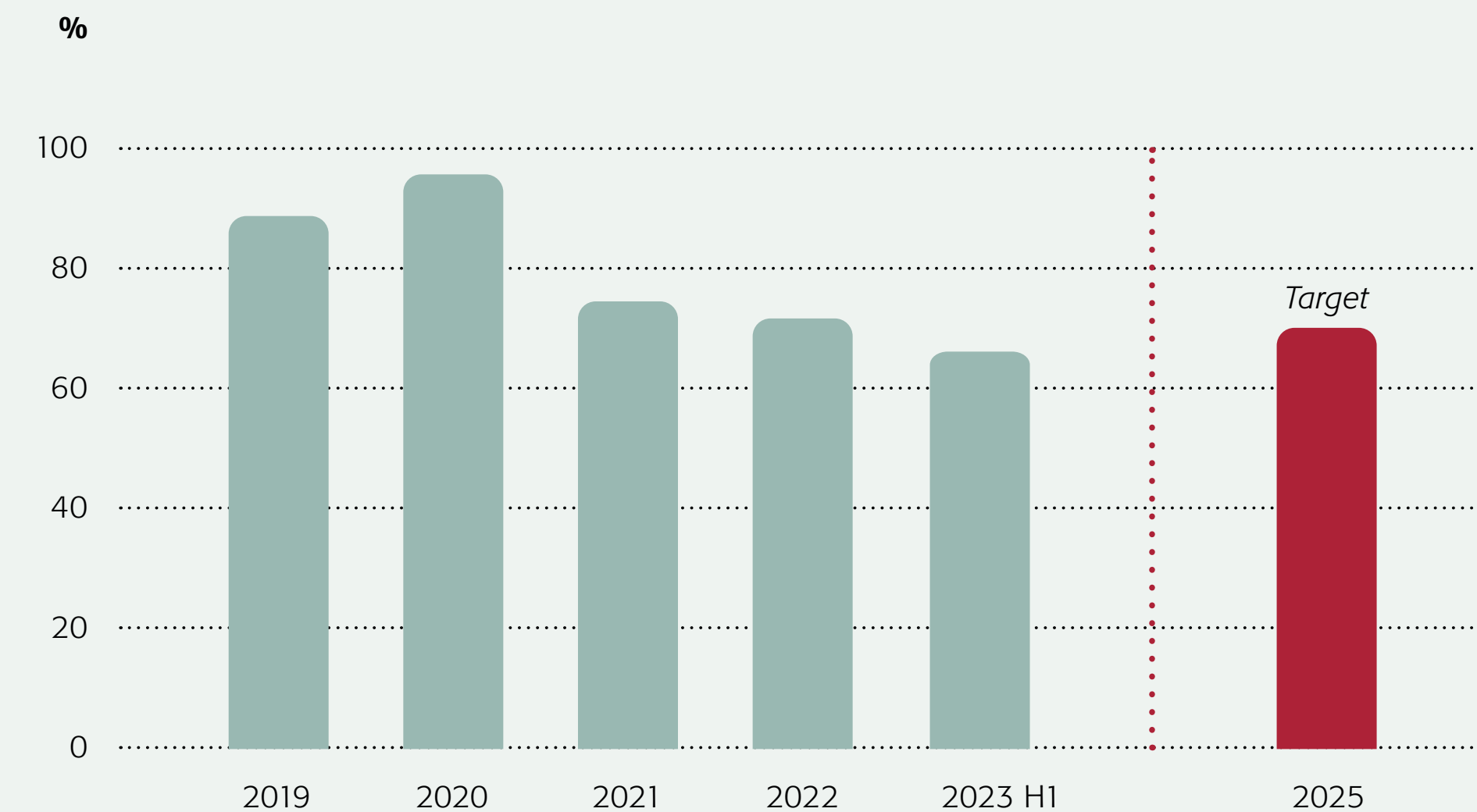
# Strategic focus on cost efficiency

Group-target for cost-ratio 70 pct.

## Management is focused on cost efficiency.

- Optimizing and streamlining our local branch network
  - **2021** - AL: 70 branches, VB: 35 branches
  - **2023 H1** - AL: 61 branches, VB: 23 branches
- Optimize core processes (credit, onboarding and ALM)
- Group synergies

## Group cost ratio

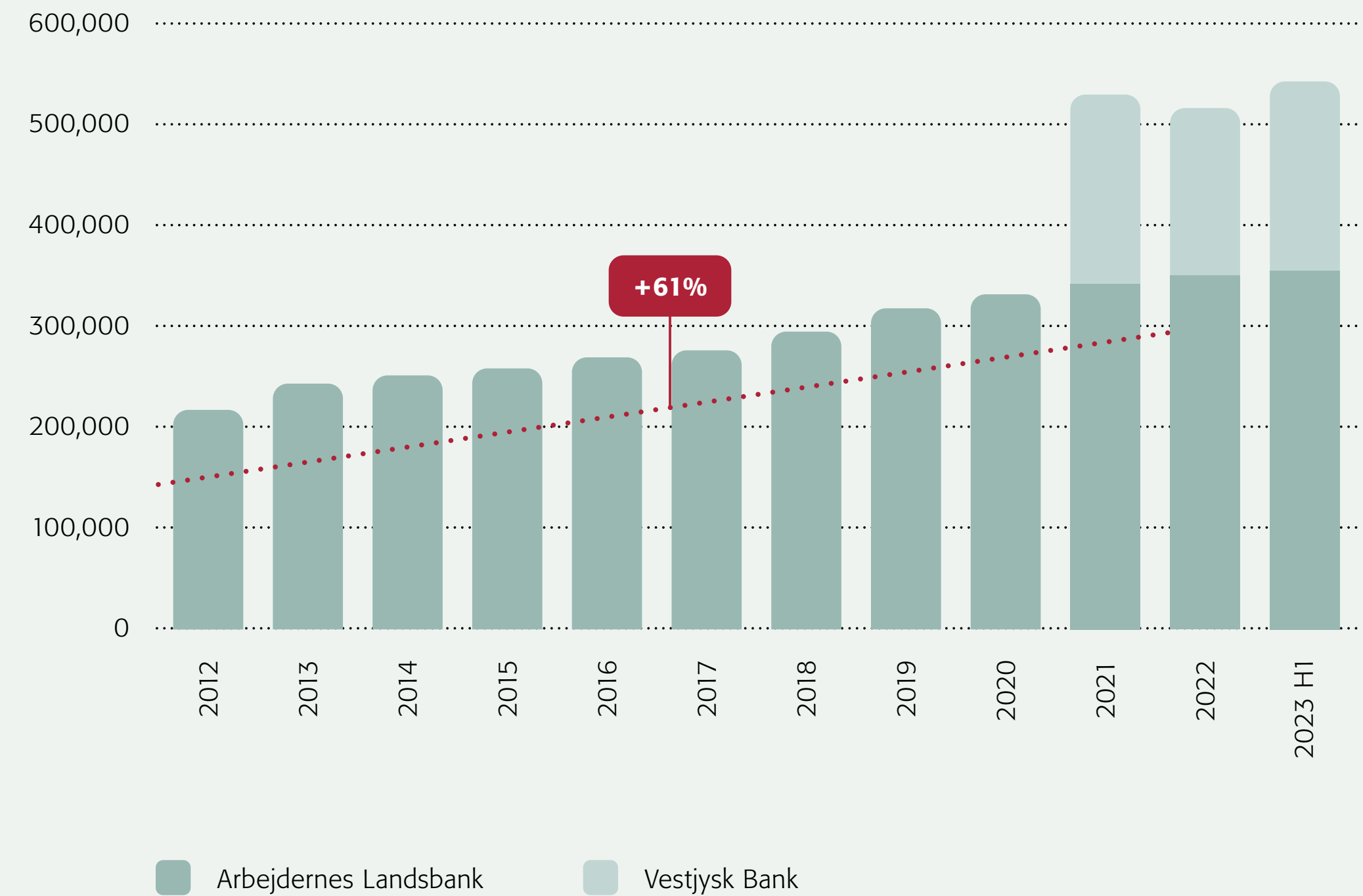


# Continuous customer

growth due to strong value proposition and excellent brand

■ Strong organic growth

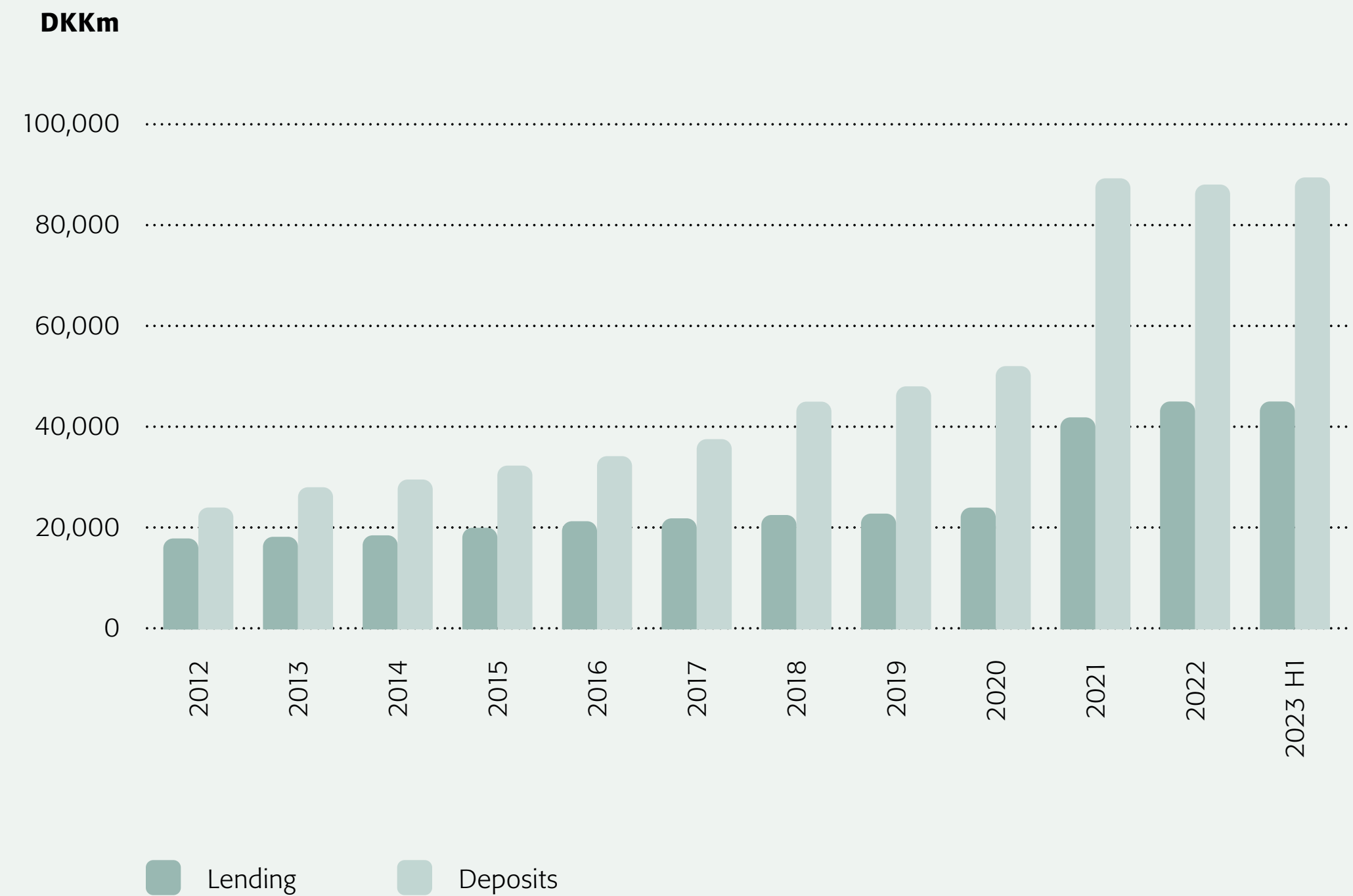
## Customer growth, 2011-2023 H1



# Growth in lending and deposits

- Solid organic growth since 2012
- The majority ownership of Vestjysk Bank affected the Group's lending and deposits from 2001

## Group balance



# Outlook 2023

- In 2023, the group anticipates continued customer growth and higher return on the group's fund holdings.
- Arbejdernes Landsbank has increased profit expectations for the Group by DKKm 300 in April, DKKm 400 in June and DKKm 500 in September 2023.
- **Thus, the group's expectations for the annual result for 2023 are in the range of DKKbn 2.4-2.6 before tax.**
- The basis for the adjustments is primary higher net interest income from increasing interest rates and higher return on our bond portfolio in the first 3 quarters of 2023, as well as lower impairment charges than expected. In addition, the Group have more positive expectations for the rest of 2023.



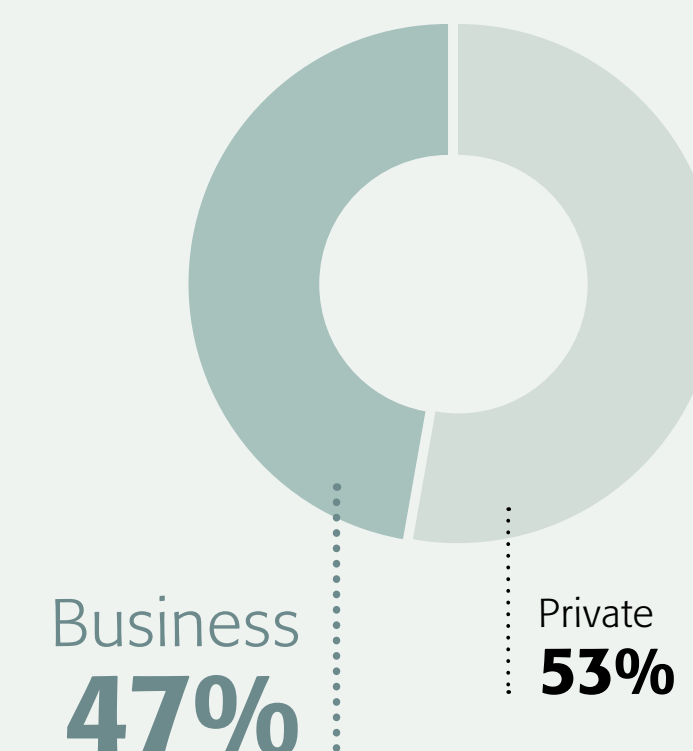


# Credit **update**

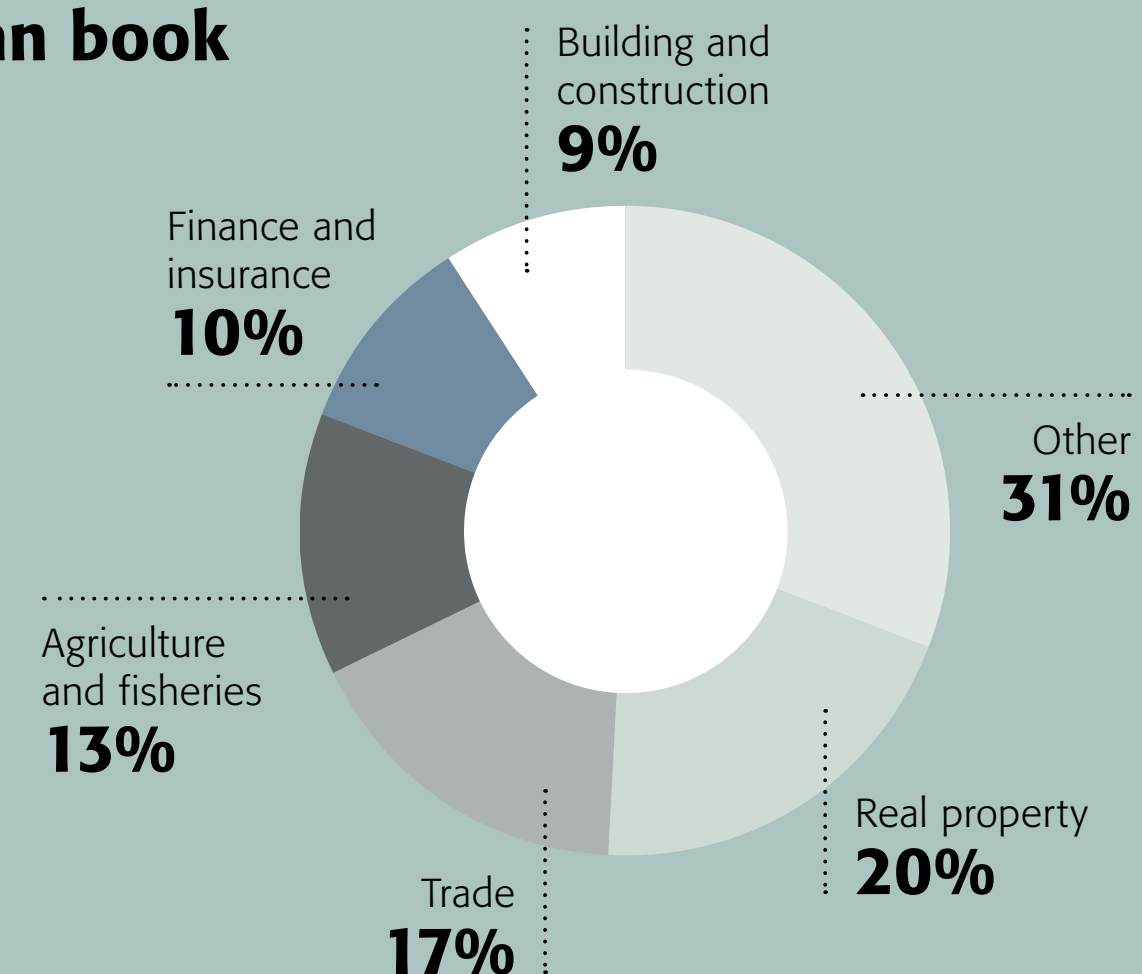
# Well-diversified loan book in terms of industries

- The group has a loan exposure of DKKbn 47 of which DKKbn 18 is located in Vestjysk Bank. Guarantees amount to DKKbn 12 in the Group ledger
- Traditionally focus on private customers
- The acquisition of Vestjysk Bank has increased the business segment of the loan book to over 40%
- The acquisition contributed to:
  - A strong position on the market for business customers
  - A well diversified portfolio in sectors and industries
  - Focused effort in Vestjysk Bank in getting a more balanced an well-diversified loan book

## Gross credit exposures for the group (before impairment) by sector and industry



### A well diversified business loan book

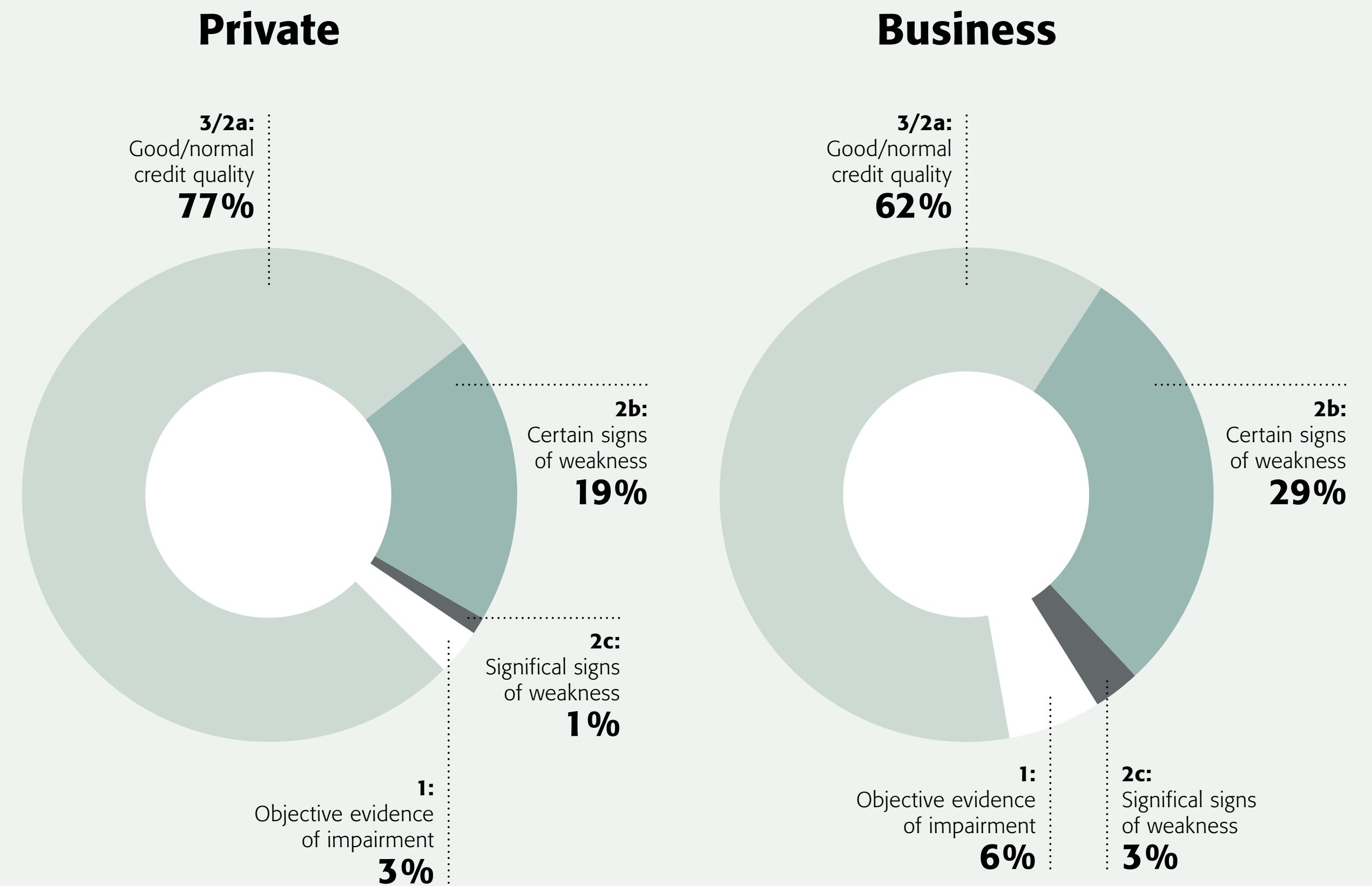


# Credit Quality

## – A Strong Loan Book

- 68% of Group exposures is classified in the best group indicating a normal/good credit quality
- Exposure to private customers has a better classification than the group's business customers
- The Group's business exposure is characterized by Vestjysk Bank's business lending, where a significant part of the portfolio experienced financial difficulties in the early 2010s

### Group's gross exposures to private and business customers divided into the Danish FSA's scoring system



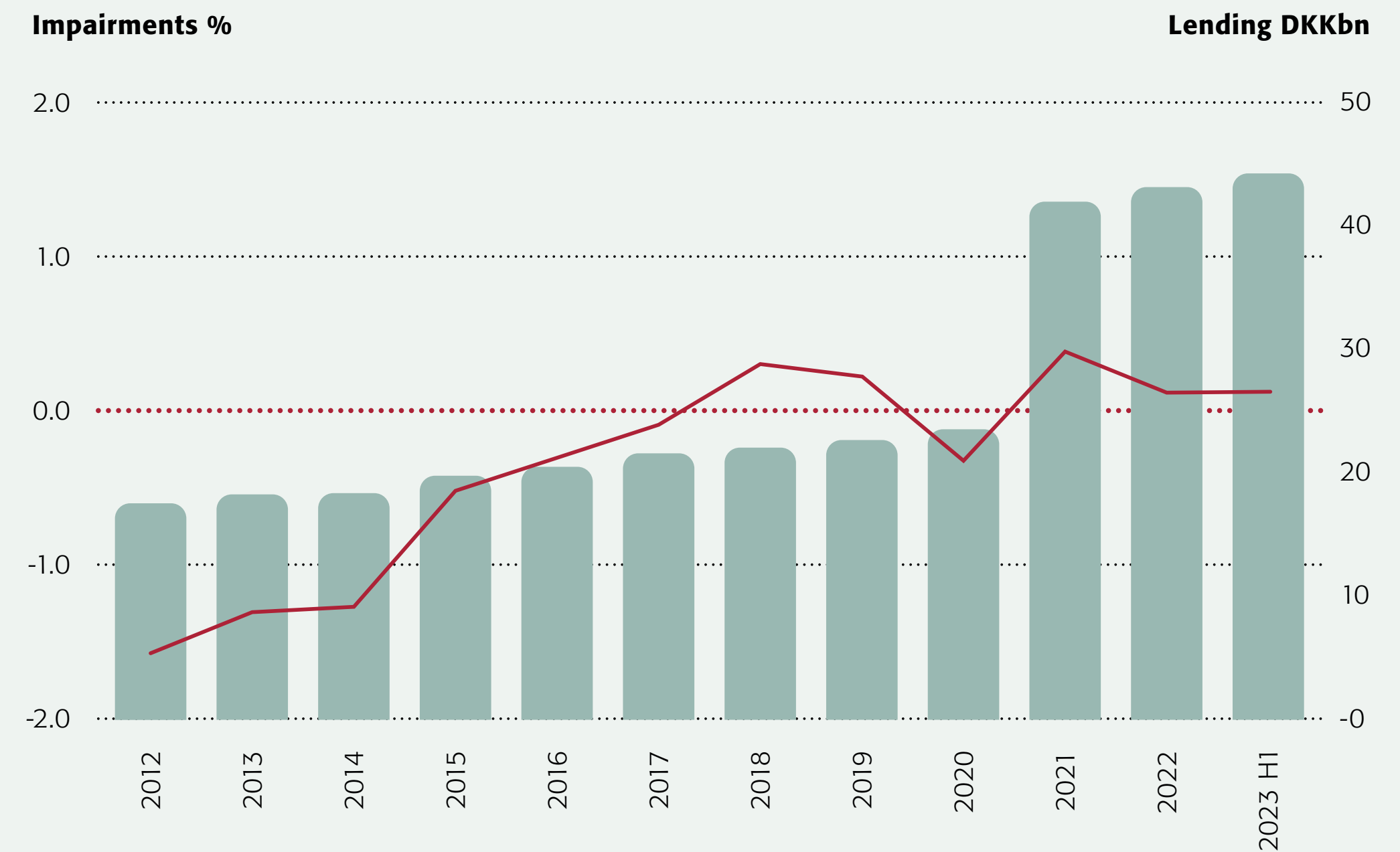


# High credit-standards

- proved by low level of impairments during the last decade

■ Primary lending to residential customers with security in real estate

## Group



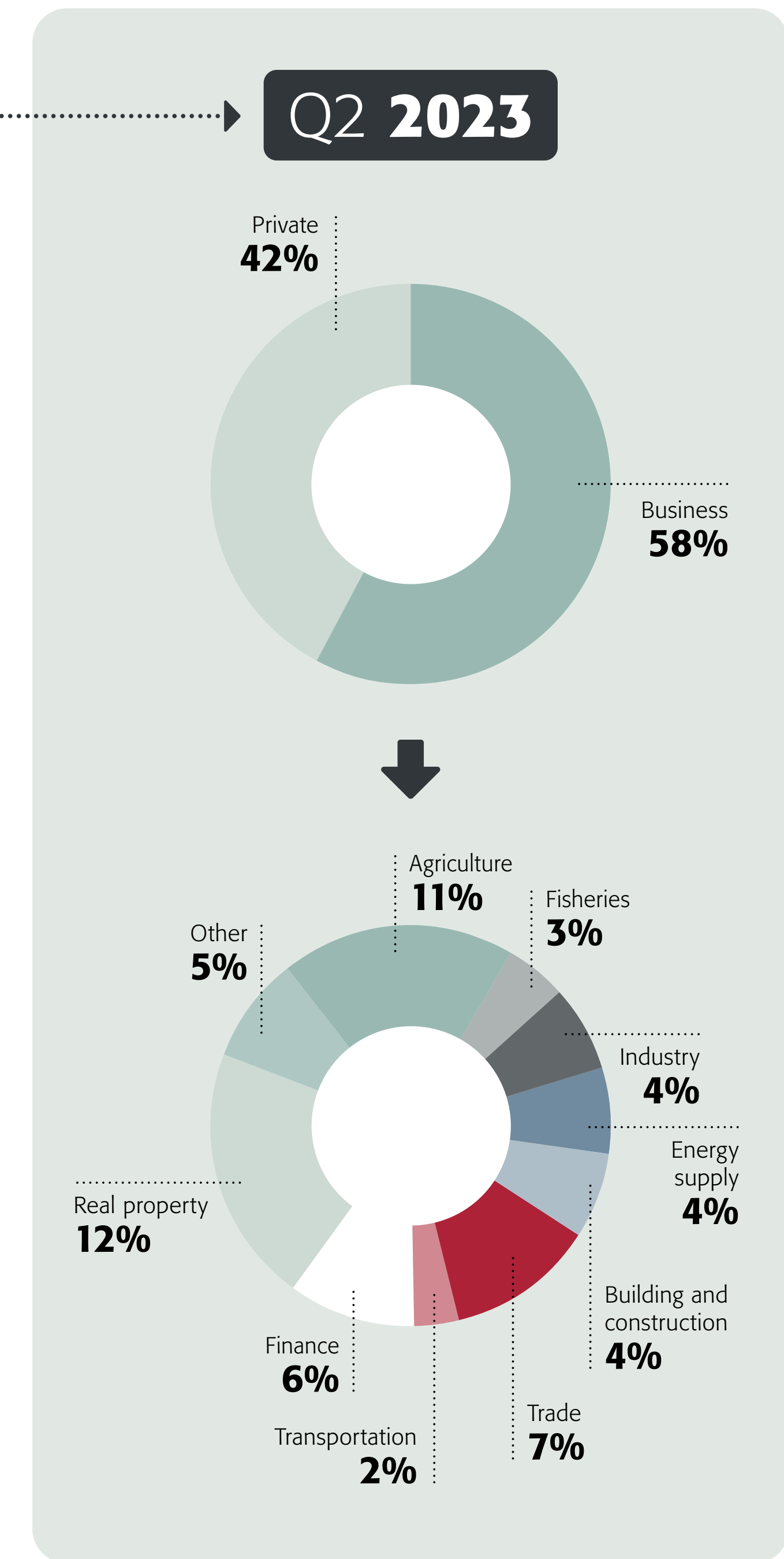
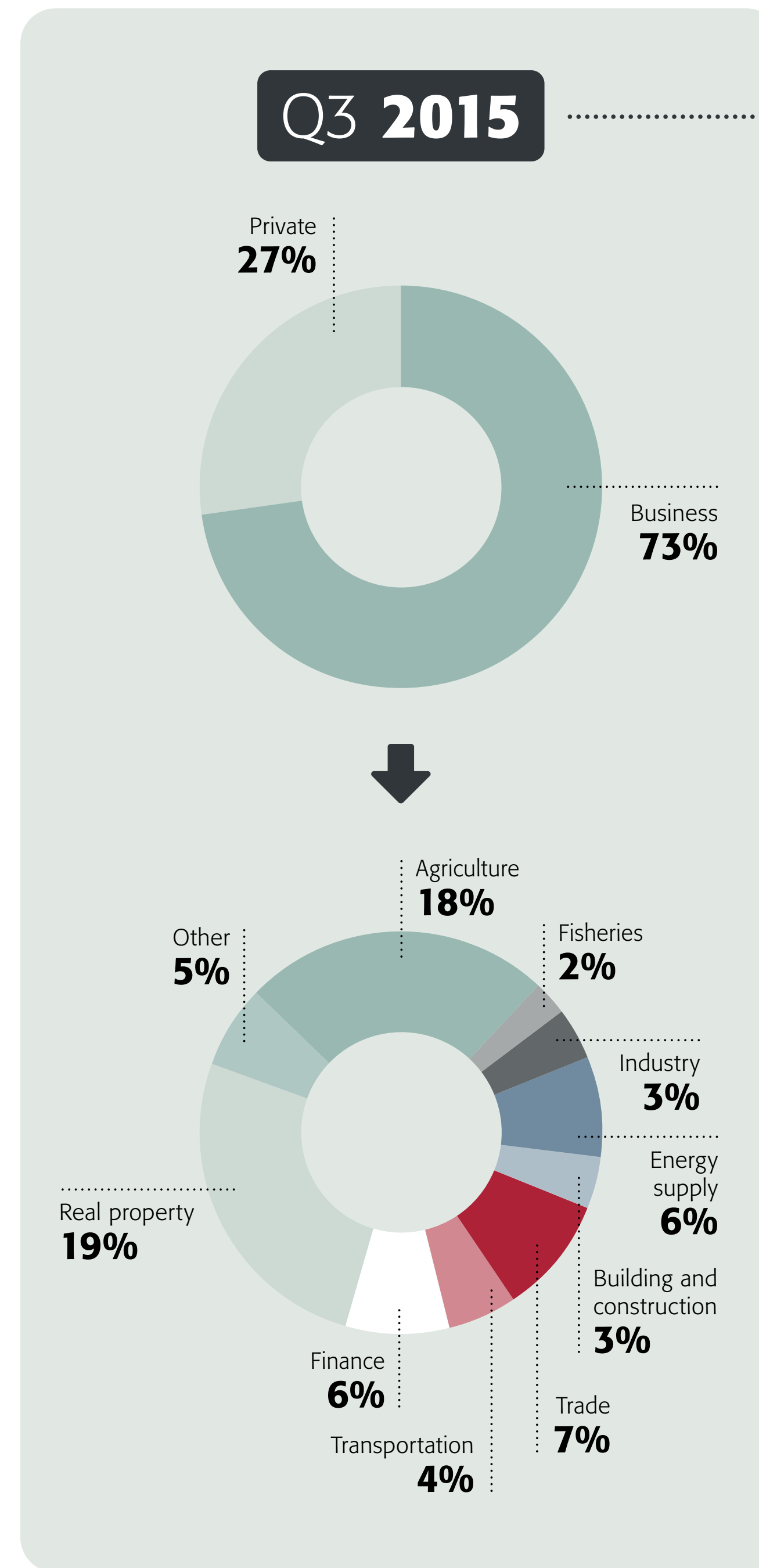
# Vestjysk Bank's loan book has improved significantly

- After facing financial difficulties in the wake of the financial crisis Vestjysk Bank has managed to improve credit quality significantly
- Loans to customers with good quality has increased to more than 50% of the portfolio
- Loans to impaired customers or customers with significant signs of weakness is now below 20%
- More balanced and well-diversified loan book.
  - Increased private vs. business
  - Decreased share of real property and agriculture

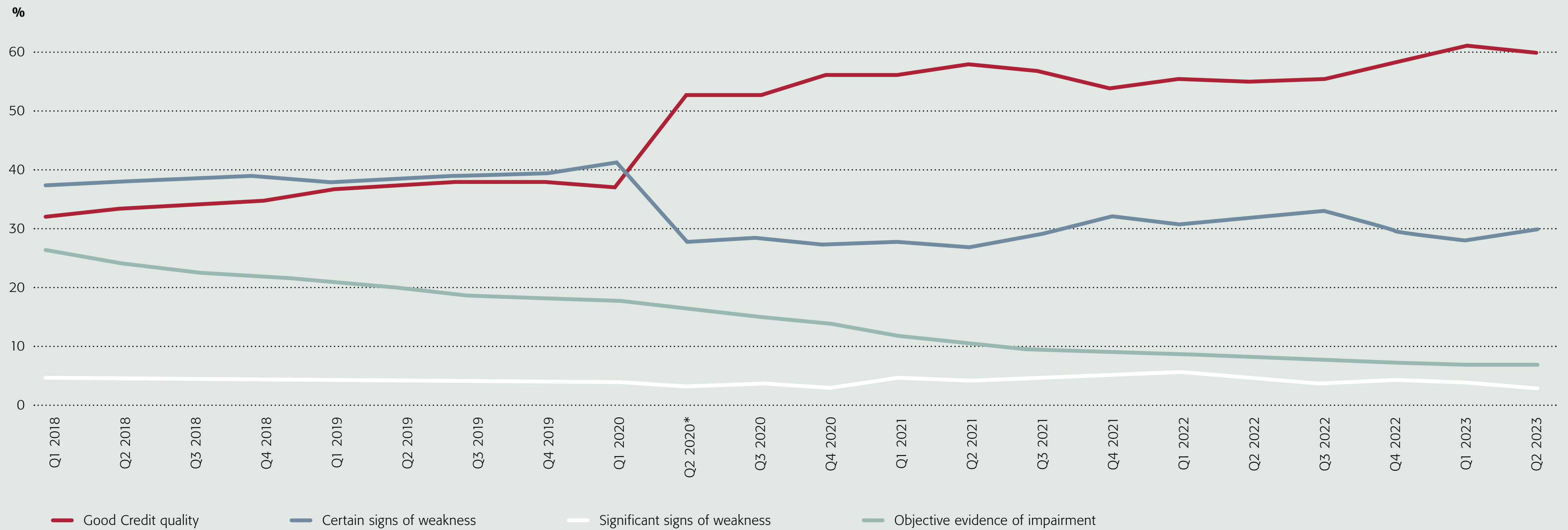


# Vestjysk Bank

has improved credit quality significantly



# Vestjysk Bank has improved credit quality significantly



# Management judgement

- AL Group has DKKm 518.0 in management judgement covering the uncertainty from the macro economic environment as well as uncertainty related to the interest, inflation, housing price drops, bankruptcies, ect.
- The management judgement is increased in 2022

Management estimates (DKKm)	2021	2022	2023 H1
Model uncertainties	31.7	23.2	24.0
Portfolios	89.7	82.9	82.0
Macro-economic uncertainties	322.1	434.5	412.0
- Corona	220.7	0.0	0.0
- Interest rate, inflation, housing price drops, bankruptcies, etc.	0.0	364.5	387.0
- Other	101.4	70.0	25.0
<b>Total</b>	<b>443.5</b>	<b>540.6</b>	<b>518.0</b>



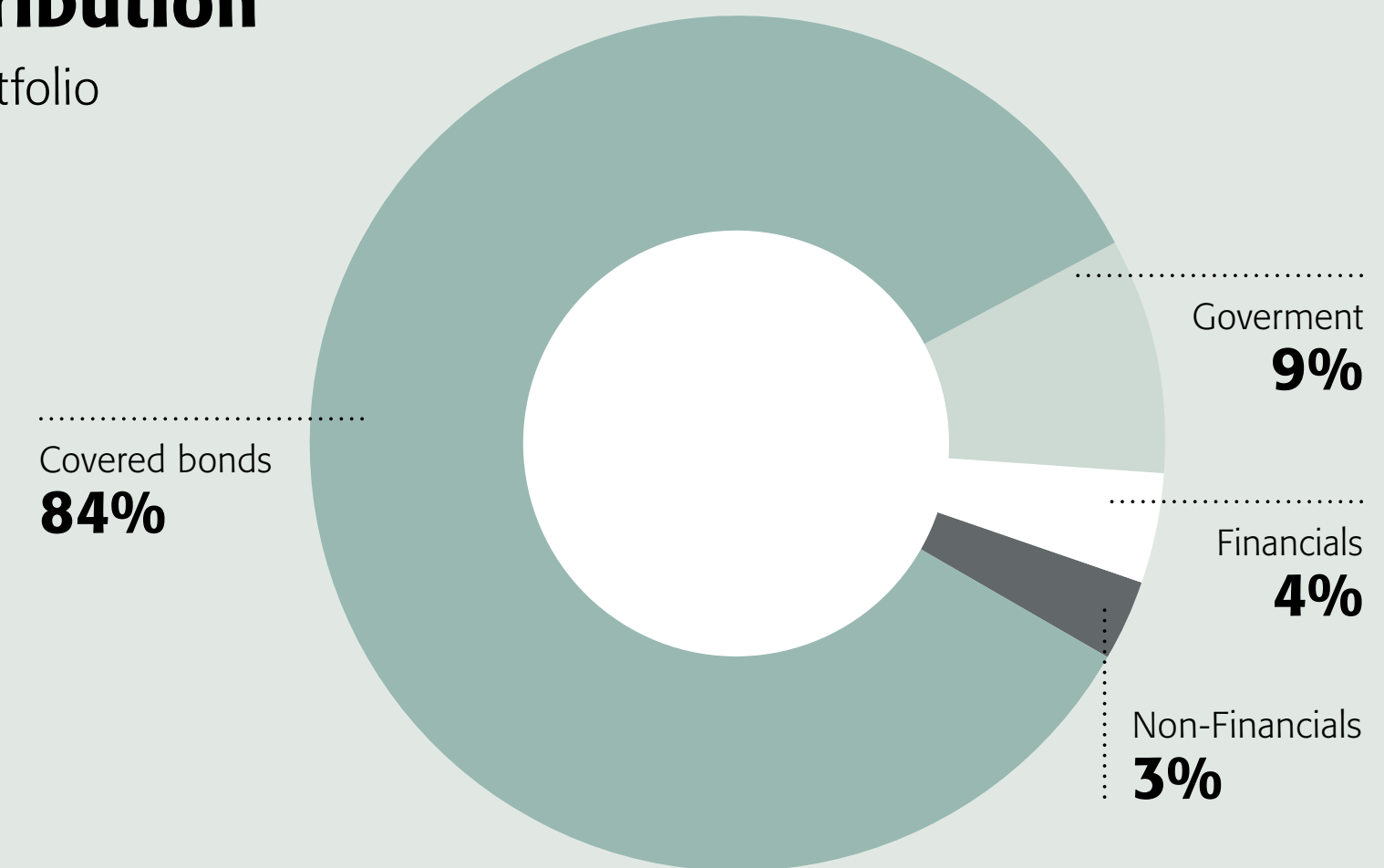
# Bond portfolio

- highly liquid and strong average rating

- Issuer segmentation is highly concentrated in covered bonds accounting for more than 84% of the total bond portfolio
- The Group's bond portfolio is highly concentrated in AAA-rated instruments and issuers. Only a small fraction of the Group's total portfolio is invested in non-investment grade and non-rated bonds
- Average duration on group's bond portfolio is 1.5 years.

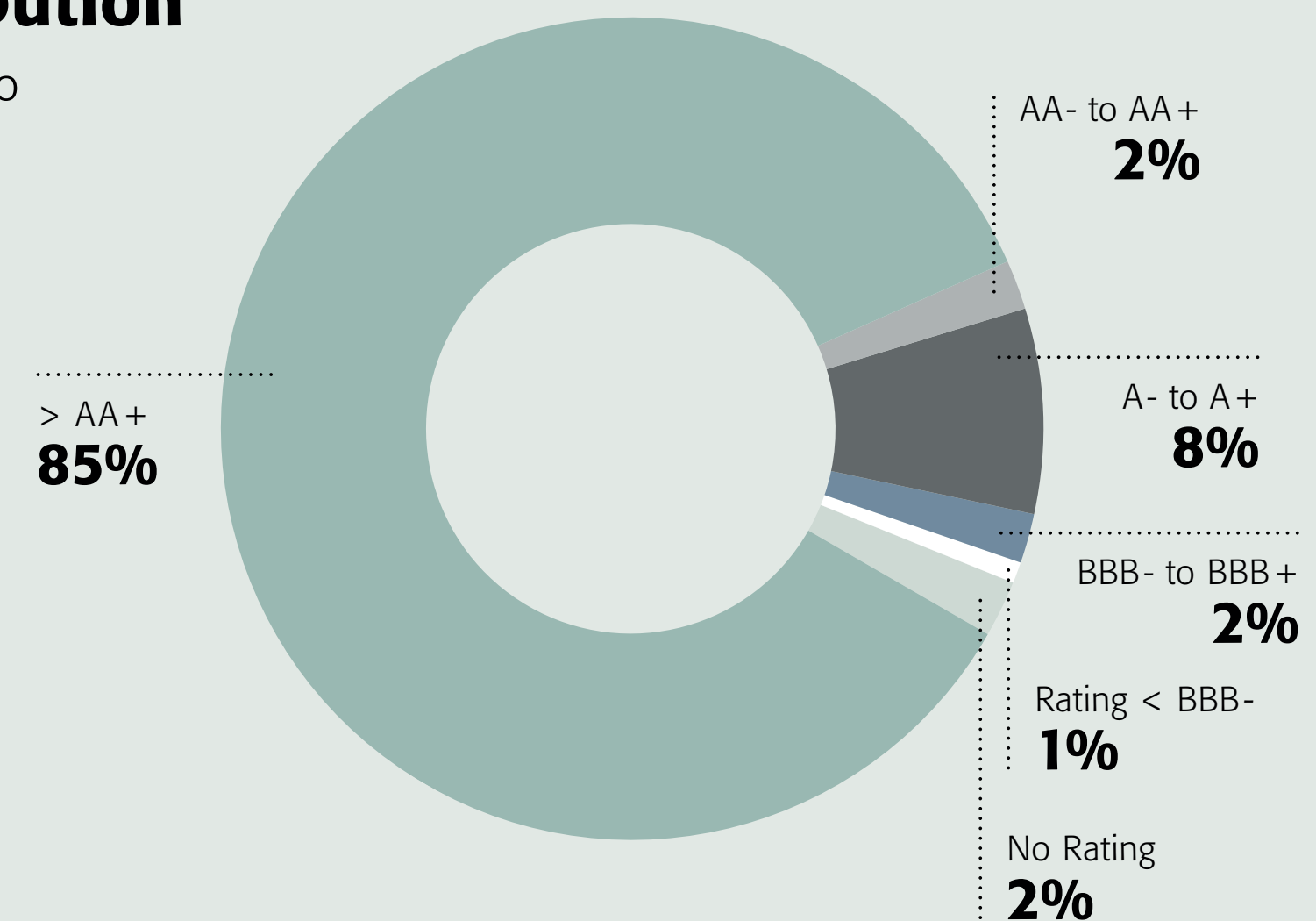
## Issuer Distribution

- Group Bond Portfolio



## Rating Distribution

- Group Bond Portfolio



# Capital and **liquidity** update



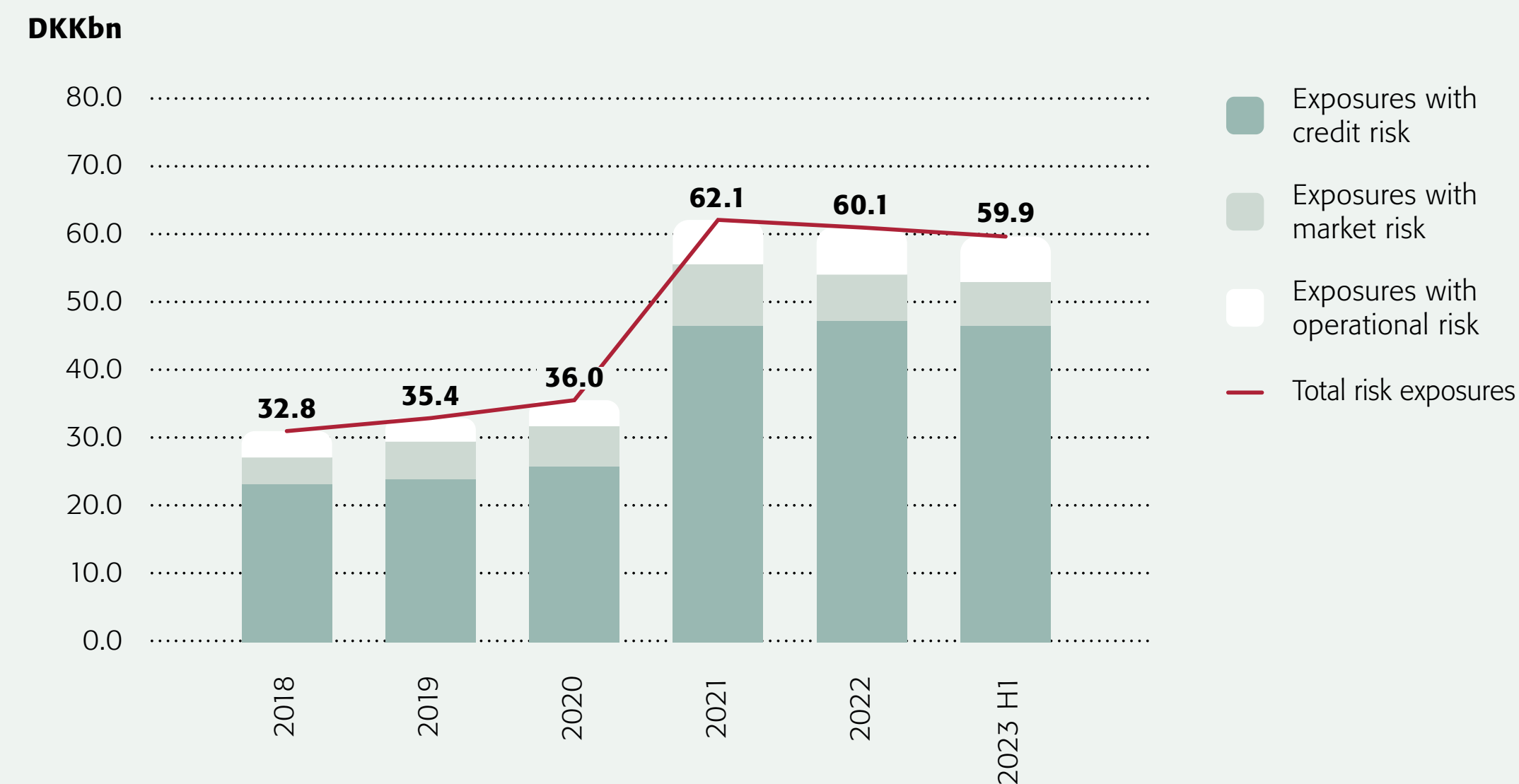
# Regulatory requirements and capital targets

- The Group's capital target has been set as the solvency need plus capital conservation buffer and an excess cover of 4.5 percentage points (based on severe recovery stress)
- Arbejdernes Landsbank applies the standardised approach for calculation of credit and market risk as well as CVA risk.

## Group Capital ratios, 2023 H1

	Capital ratios	Capital target	Reg. requirement incl. buffers	Surplus/requirement
	%	%	%	%
CET1	16.9	13.4	11.8	5.1
Tier 1 capital	18.5	15.5	13.7	4.8
Total capital	20.6	18.1	16.3	4.3
Total capital incl. MREL	25.2	22.3	20.3	4.9

## Group Risk Exposure Amount (REA) 2018-2023 H1





# MREL requirement fully phased in from the beginning of 2026

- Current forecasts indicates total MREL issuances around DKKbn 10, depending on future riskweighted assets and size of actual countercyclical capital buffer (CCyB). MREL requirement change 1:1 with CCyB.
- Forecast of DKKbn 10 is incl. estimated CCyB of 2.5 %
- Internal buffer to address regulatory guidance on refinancing risk
- The bank anticipates a requirement for MREL eligible debt instruments in 2024 and 2025 in an amount of DKKbn 3,5 per year (EURm 470), depending on changes in REA, solvency need and capital requirements ect.
- We are currently in the process of exploring the possibilities of issuing in EUR in 2024 and 2025.

	30.06.2023	01.01.2026
<b>MREL requirement - Group level</b>	%	%
- Solvency need	10.4	10.0
<b>Requirement for loss absorption</b>	10.4	10.0
- Solvency need	10.4	10.0
- Capital conservation buffer	2.5	2.5
- SIFI buffer	1.0	1.0
<b>Requirement for recapitalisation</b>	13.9	13.5
- Phase-in	-9.9	0.0
<b>MREL requirement</b>	14.3	23.4
- Capital conservation buffer	2.5	2.5
- Countercyclical buffer	2.5	0.0
- SIFI buffer	1.0	1.0
<b>Combined buffer requirement</b>	6.0	6.0
<b>Total MREL and combined buffer requirement</b>	20.3	29.4

# Regulatory requirements and capital targets

- Capital targets
  - Total Capital Ratio: 20.6%
  - CET1 ratio: 13.4%
  - Leverage ratio: Internal min. target 6.0%
- Arbejdernes Landsbanks capital targets are based on macro stress test results
- Arbejdernes Landsbank MTN program has been expanded with an option for issuing Senior Preferred and green bonds effective from August 2023.

## Capital requirement and targets as SIFI bank

Total capital ratio	2020	2021	2022	2023 H1
Pillar I	8.0	8.0	8.0	8.0
Pillar II	2.3	2.0	2.3	2.4
Conservation buffer	2.5	2.5	2.5	2.5
Countercyclical buffer	0.0	0.0	1.9	2.5
SIFI buffer	0.0	0.0	1.0	1.0
<b>Regulatory requirement</b>	<b>12.8</b>	<b>12.5</b>	<b>15.7</b>	<b>16.3</b>
<b>Capital target, whereof</b>	<b>16.8</b>	<b>17.4</b>	<b>17.8</b>	<b>18.1</b>
- solvency need	10.3	10.0	10.3	10.4
- combined buffer ex. Countercyclical buffer	2.5	2.5	3.5	3.5
- stress buffer	4.0	5.0	4.5	4.3
- adjustment for minority interests		-1.0	-0.5	-0.3

CET1 ratio	2020	2021	2022	2023 H1
Pillar I	4.5	4.5	4.5	4.5
Pillar II	1.3	1.1	1.3	1.3
Conservation buffer	2.5	2.5	2.5	2.5
Countercyclical buffer	0.0	0.0	1.9	2.5
SIFI buffer	0.0	0.0	1.0	1.0
<b>Regulatory requirement</b>	<b>8.3</b>	<b>8.1</b>	<b>11.2</b>	<b>11.8</b>
<b>Capital target, whereof</b>	<b>12.3</b>	<b>12.4</b>	<b>13.4</b>	<b>13.4</b>
- solvency need	5.8	5.6	5.8	5.8
- combined buffer ex. Countercyclical buffer	2.5	2.5	3.5	3.5
- stress buffer	4.0	5.0	4.5	4.5
- adjustment for minority interests	-	-0.7	-0.4	-0.4

# Rating

Moody's announced August 24th 2023 latest rating decision on Arbejdernes Landsbank, assigning the following ratings:

- Baseline credit rating: Baa2
- Bank deposit rating: A2/P-1
- Outlook: Stable

## **Key strength and challenges from the Credit Opinion:**

### **Credit strengths:**

- Popular retail franchise across Denmark
- Strong capitalization
- Very strong funding and liquidity profile

### **Credit challenges:**

- Increased asset risk due to the consolidation of Vestjysk Bank
- Volatile profitability



# Strong and stable funding profile

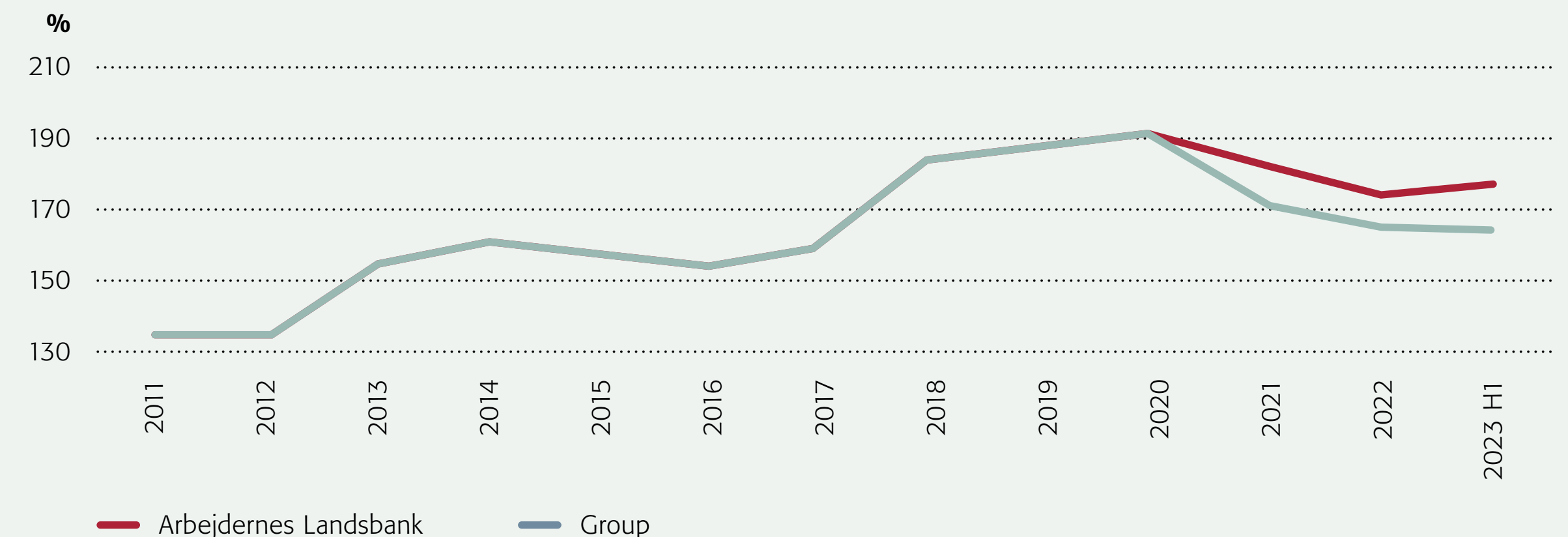
- Primary funding source is stable household deposits with a household/corporate deposit ratio of roughly 70/30 – based on a large and solid customer base
- Deposits make up around 80% of total funding base currently – around 75% after full MREL issuance
- Bond issuances to ensure proper capital base and MREL targets – not due to liquidity concerns/needs

## Funding profile, 2022-2027

DKKkm	Funding 2022	2023	2024	2025	2026	2027	>2027
Deposits	72,908	70,780	25	132	182	511	1,278
Credit institutions	716	716	0	0	0	0	0
Senior non-preferred	2,318	30	608	680	1.000		
Tier 2	1,275	250	125		900		
Additional Tier 1	955	50			96	380	429
Own Funds	11,358	0	0	0	0	0	11.358
<b>Contractual expiry</b>		<b>71,826</b>	<b>758</b>	<b>812</b>	<b>2,178</b>	<b>891</b>	<b>13,065</b>
<b>Total funding</b>	<b>89,530</b>	<b>17,704</b>	<b>16,946</b>	<b>16,134</b>	<b>13,956</b>	<b>13,066</b>	<b>0</b>

## Deposit surplus ratio

(deposits ex. AUM/net lending)

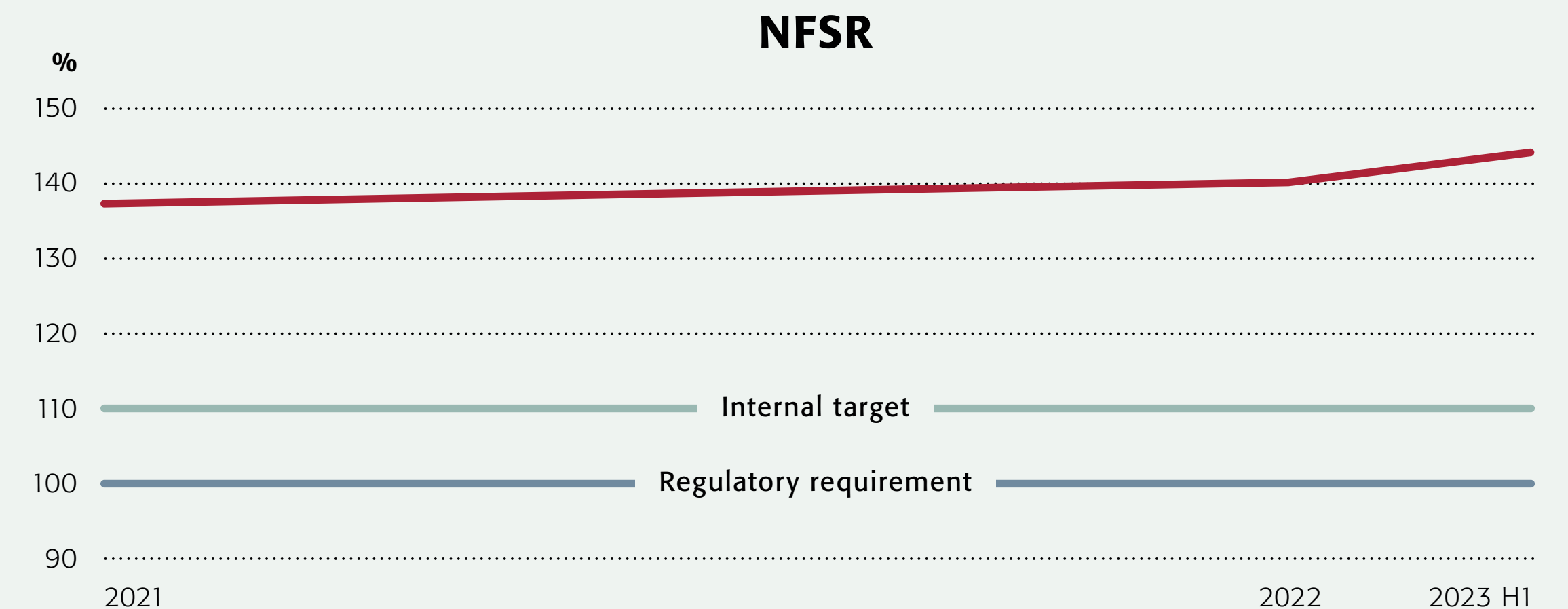
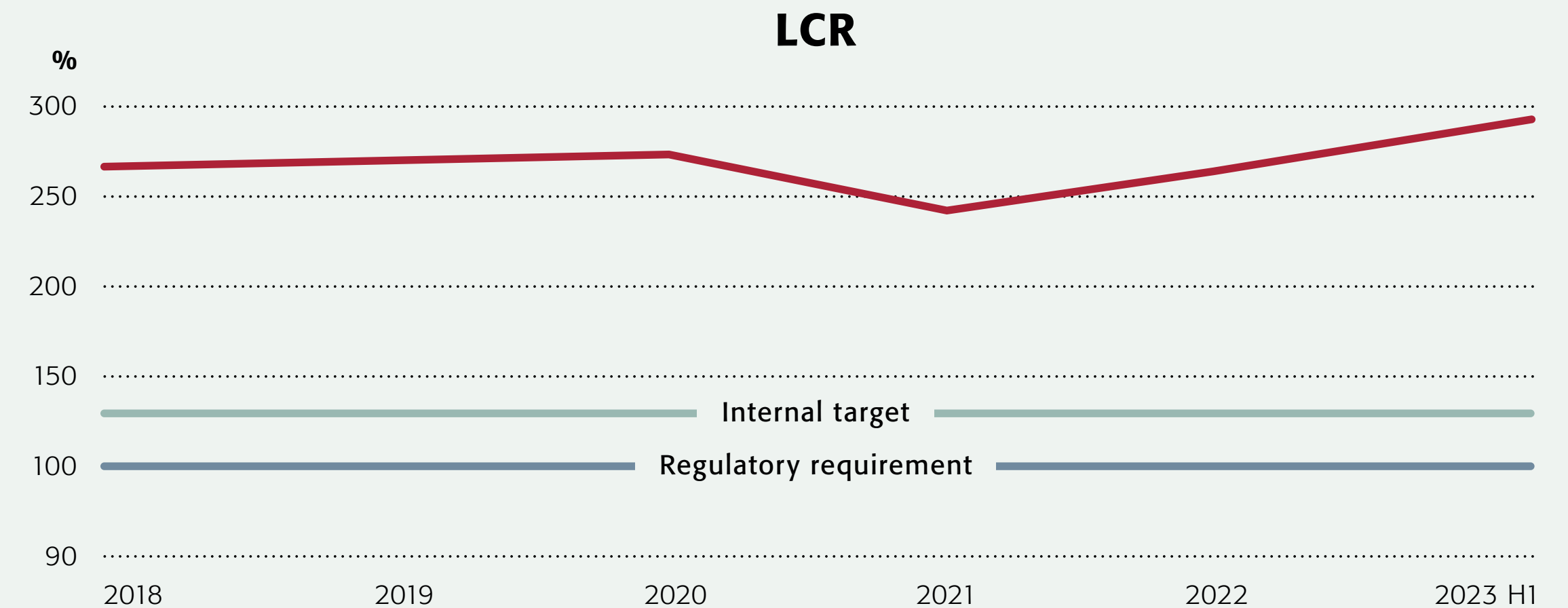


# Very strong liquidity risk profile

## Strong liquidity position with conservative risk profile

- Acquisition of Vestjysk Bank has not altered the liquidity risk profile materially
- Substantial liquidity buffer and a large share of (very) stable deposits – 69.2% categorized as stable in LCR-methodology
  - Deposit base well diversified, consisting primarily of smaller household customers

## Strong liquidity metrics well above internal targets and regulatory requirements





**ESG**

# Sustainability strategy



### Ambitious sustainability strategy

Launched in 2020 with the goal of integrating sustainability and consideration of ESG issues into our products and processes through all our business areas as well as our own operations in 2023 we included the goal of reaching net zero in 2050. In 2023 the strategy was revised to emphasize that the group is supporting a transition to reach net zero in 2050.

### Anchored in top management

A Sustainability Committee with Executive Management members responsible for the implementation of the sustainability strategy. Establishment of a Board Sustainability Committee from Q3 2023

### Guided by UN principles

In 2021 we signed and reported to UN Principles for Responsible Banking, UN Principles for Responsible Investments and UN Global Compact.

### Integrated through policies

A distinct CSR and Sustainability policy has been signed by the Board of Directors and ESG considerations has been integrated in policies for business areas including the credit policy.

## Strategy for sustainability

### UN Sustainable Development Goals



Sustainable finance	Sustainable asset management	Sustainable own portfolio	Sustainable internal operations
<b>Objective</b>	<b>Objective</b>	<b>Objective</b>	<b>Objective</b>
Supporting and inspiring our customers to adjust to a green economy and to make more sustainable choices.	Integrating sustainability as a key element in investment policies underlying the Bank's discretionary mandates.	Integrating sustainability in our investment strategy for the part of the deposits surplus in which conversion of investments is possible.	Integrating sustainability in the physical environment, the everyday green choices, the surrounding environment and the mental space.

### UN principles



### Reporting

### Governance

Source: The Responsibility & Sustainability Report 2021 that comprises Arbejdernes Landsbank and AL Finans and accounts for the Group's work and progress within sustainable financing, green sustainability, social sustainability and sustainable management.

# Sustainability initiatives



## Loans and Credits

---

### ESG integrated in the credit

The credit rating of relevant business customers include ESG-risks and sustainability factors.

### Electric and hybrid vehicles financing

DKKbn 2,5 loans making up 40% of the total car loan portfolio in AL Finans.

### Home energy efficiency

Dedicated loans with favourable conditions for small and large home renovations.

### ESG tool for business customers

Business customers get free access to a digital ESG tool to support their sustainable and reporting efforts.



## Asset Management

---

### Policy for responsible investments

Declaring our sustainability ambitions and requirements to service providers and suppliers.

### ESG screening

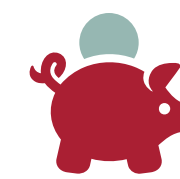
75% of AUM has been ESG screened in 2022.

### SFDR article 8 eligibility

66% of AUM in 2022 is estimated to be eligible to article 8 in the EU SFDR.

### Nordic Swan Ecolabel

17% of AUM is placed in Nordic Swan Ecolabel funds with strict ESG requirements.



## Own Portfolio

---

### Responsible investments

Long tradition for the importance of responsible investments.

### Green bonds

DKK 694 mill. invested in green bonds – ambition grow share as supply of green bonds increases.

### Investments in green solutions

Investments in funds and companies that develop and produce green energy solutions.

### Social impact investments

Anchor investor in social impact bond fund with focus on both social and financial return.



## Operations

---

### Growing sustainability skills

Business advisors and investment advisors completed training in 2022 to better discuss ESG issues with customers.

### Group climate impact report

Analysis of direct and indirect CO2e-emissions for the group made publicly available.

### Diversity and inclusion

Efforts to strengthen our culture, including development of HR policies, HR processes and HR structures and training.

### Best sustainable brand

Rated best sustainable brand in the industry in 2023 by Sustainale Brand Index™.





# Green Bond **Framework**

# Green Bond Framework 2023

## – Key highlights

- Aim to support AL Group's sustainability goal of reaching net zero in 2050
- Aligned with the four core components of the ICMA Green Bond Principles 2021
- Broadly aligned with the EU Taxonomy for sustainable activities
- Sustainalytics has conducted a Second-party opinion on Arbejdernes Landsbank's Green Bond Framework



# External review

## Sustainalytics has reviewed Arbejdernes Landsbank's Green Bond Framework and produced a Second Party Opinion

- Sustainalytics is of the opinion that the Arbejdernes Landsbank Green Bond Framework is **credible, impactful** and **align to the four core components of the Green bond principles 2021**

- Sustainalytics concluded the following:

*"Sustainalytics is confident that Arbejdernes Landsbank is well positioned to issue green bonds and that the Arbejdernes Landsbank Green Bond Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles 2021."*



The image shows a page from a report titled "Second-Party Opinion Arbejdernes Landsbank Green Bond Framework". The page includes a header with the Sustainalytics logo and the title. Below the title is an "Evaluation Summary" section. The main body of the page contains four sections, each with an icon and a brief description: "USE OF PROCEEDS", "PROJECT EVALUATION AND SELECTION", "MANAGEMENT OF PROCEEDS", and "REPORTING". On the right side of the page, there is a table with key information: "Evaluation Date" (July 03, 2023), "Issuer Location" (Copenhagen, Denmark), and a "Report Sections" table of contents. Below the table of contents, there is contact information for the Sustainable Finance Solutions project team, including names, titles, and contact details for Ananth Eragam, Amrita Kaur, Vedang Kulkarni, Astrid Bruchou, and Kibii Sisulu. The footer of the page contains the copyright notice "© Sustainalytics 2022".

Second-Party Opinion  
**Arbejdernes Landsbank Green Bond Framework**

Reviewed by: **SUSTAINALYTICS**

**Evaluation Summary**

Sustainalytics is of the opinion that the Arbejdernes Landsbank Green Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:

**USE OF PROCEEDS** The eligible categories for the use of proceeds – Renewable Energy, Energy Efficiency, Clean Transportation and Green Buildings – are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 7, 9 and 11.

**PROJECT EVALUATION AND SELECTION** Arbejdernes Landsbank has established a Green Bond Committee which is responsible for evaluating and selecting projects that are in line with the Framework's eligibility criteria. Arbejdernes Landsbank has an internal corporate sustainability policy, which is applicable to all allocation decisions made under the Framework. Sustainalytics is of the opinion that Arbejdernes Landsbank has risk management systems in place to identify and manage environmental and social risks associated with relevant projects. This is in line with market expectation.

**MANAGEMENT OF PROCEEDS** Arbejdernes Landsbank's Green Bond Committee will be responsible for the management of proceeds and will track the proceeds using internal tracking systems. Arbejdernes Landsbank has communicated to Sustainalytics that it intends to fully allocate proceeds within 12-24 months of issuance. Pending allocation, unallocated proceeds will be held in accordance with Arbejdernes Landsbank's liquidity management policy. Sustainalytics considers this process to be in line with market practice.

**REPORTING** Arbejdernes Landsbank commits to report on allocation of proceeds and, on a best-efforts basis, on the corresponding impacts in its Green Bond Investor Report and make it available on its website on an annual basis. Allocation reporting will include the total outstanding green bonds and the amount of proceeds allocated at the end of the reporting period, a per category breakdown of the eligible green asset portfolio, and the ratio of new financing to refinancing. Arbejdernes Landsbank is also committed to reporting on relevant impact metrics. Sustainalytics views Arbejdernes Landsbank's allocation and impact reporting as aligned with market practice.

<b>Evaluation Date</b>	July 03, 2023
<b>Issuer Location</b>	Copenhagen, Denmark

**Report Sections**

Introduction.....	2
Sustainalytics' Opinion .....	2
Appendix .....	10

**For inquiries, contact the Sustainable Finance Solutions project team:**

**Ananth Eragam (Amsterdam)**  
Project Manager  
ananth.eragam@morningstar.com

**Amrita Kaur (Mumbai)**  
Project Support

**Vedang Kulkarni (Mumbai)**  
Project Support

**Astrid Bruchou (Amsterdam)**  
Project Support

**Kibii Sisulu (London)**  
Client Relations  
susfinance.emea@sustainalytics.com  
(+44) 20 3880 0193

© Sustainalytics 2022

# Arbejdernes Landsbank's Green Bond Framework

## Use of Proceeds

- An amount equal to the proceeds of the Green Bonds will finance or refinance, in whole or in part, loans provided by Arbejdernes Landsbank that promote environmental benefits as determined by Arbejdernes Landsbank and in line with Arbejdernes Landsbank's corporate sustainability policy that correspond to the long-term vision of a social and environmentally sustainable society

## Process for project evaluation and selection

- Arbejdernes Landsbank has established a Green Bond Committee (GBC) that will ensure ongoing compliance with the Green Bond Framework. The GBC is responsible for evaluating and selecting projects that are in line with the framework's eligibility criteria. The GBC is comprised of representatives from Investor Relations, ESG and Sustainability, Credit, and the Business Department. The committee meets at least on an annual basis or when needed

## Management of Proceeds

- To manage the proceeds from green bonds the Green Bond Committee has established an Eligible Green Portfolio to ensure monitoring of the allocated proceeds. The Proceeds will be earmarked against the Eligible Green Portfolio and will be monitored within the internal systems of the bank

## Reporting

- Allocation reporting
- Impact reporting of environmental impacts of the Eligible Green Assets on an annual basis

# Eligible Green Projects & Assets



## Renewable energy

**Financing of loans for renewable energy production facilities, construction of supporting infrastructure, including, but not limited to, from the following sources:**

- Wind power
- Solar energy
- Geothermal energy
- Bio energy
- Green hydrogen
- District heating/cooling distribution
- Energy storage



UN SDG mapping



## Energy efficiency

**Financing of loans for energy efficiency measures including, but not limited to:**

- Addition of insulation to existing envelope components
- Replacement of existing windows and external doors
- Installation and replacement of energy efficient light sources
- Installation, replacement, maintenance and repair of heating, ventilation, and air-conditioning (HVAC) and water heating systems



UN SDG mapping



## Clean transportation

**Financing of loans for zero emission and low carbon transport solutions for public, passenger and freight purposes, including:**

- Road transport
- Relevant supporting infrastructure, including:
  - Infrastructure dedicated to non-motorized mobility,
  - Electrical charging and hydrogen refueling stations and installations.



UN SDG mapping



## Green buildings

**Financing of loans for the construction of new buildings and existing buildings:**

- New buildings built after 31 December 2020
- Existing buildings built before 31 December 2020
  - Renovations



UN SDG mapping

# Green bond issuance

## – Strategic objectives



The amount of Eligible Green Assets is expected to grow through new loan origination and addition of assets in the eligible categories



Arbejdernes Landsbank's MTN Program was updated on August 30, 2023 to enable green bond issuance. The Green Bonds can be issued in two formats: Senior preferred and Senior non-preferred Bonds



Green Bonds can be issued in DKK, SEK, NOK and EUR



The Proceeds from the green bonds will be earmarked against the Eligible Green Portfolio and will be monitored within the internal systems of the bank. It is Arbejdernes Landsbank's intention to maintain a balance where the Eligible Green Assets exceeds the proceeds of the outstanding green bonds with a solid margin.

# Eligible Green Assets Portfolio

– By category



DKKm	Total	Renewable energy	Energy efficiency	Clean transportation	Green Buildings
Eligible Green Assets Portfolio, Q2 2023	<b>4.043</b>	0	0	2.013	2.030

Arbejdernes Landsbank's method for assessing the top 15% most energy efficient buildings are based on Nykredit's MOE top 15% report. The report is an interpretation of the EU Taxonomy's 15% most energy efficient buildings-criterion in a Danish context, in terms of thresholds on energy use for different building categories

The method for identifying the top 15 % has been presented and evaluated by Sustainalytics as part of the second opinion process of the Green Bond Framework.

# Contact us at

**Frank Mortensen**

Telephone: +45 31 41 15 02  
frank.mortensen@al-bank.dk

**Mette Sønder Hansen**

Telephone: +45 38 48 45 92  
mesh@al-bank.dk

 Arbejdernes Landsbank



# Disclaimer

Each of this document (the "Presentation") and any related presentations (together with the Presentation, the "Information Package") has been prepared by Arbejdernes Landsbank (the "Bank") for the sole use of the parties to whom it is delivered. The Bank is solely responsible for the Information Package. The Information Package and its contents (the "Information") are strictly confidential, are intended for use by the recipient for information purposes only and may not be reproduced in any form or further distributed to any other person or published, in whole or in part, for any purpose. Failure to comply with this restriction may constitute a violation of applicable securities laws.

The Information Package does not constitute or form part of, and should not be construed as, an offer to sell, or the solicitation or invitation of any offer to buy or subscribe for, securities in any jurisdiction or an inducement to enter into investment activity.

No representation, warranty or undertaking, expressed or implied, is or will be made by the Bank, its affiliates, advisers or representatives or any other person as to, and no reliance should be placed on, the truth, fairness, accuracy, completeness or correctness of the information or the opinions contained herein (and whether any information has been omitted from the Information Package). To the extent permitted by law, the Bank and each of its directors, officers, employees, affiliates, advisers and representatives disclaim all liability whatsoever (in negligence or otherwise) for any loss however arising, directly or indirectly, from any use of the Information Package, the Information or otherwise arising in connection with the Information Package.

The Information Package contains financial information regarding the businesses and assets of the Bank and its consolidated subsidiaries. Such financial information may not have been audited, reviewed or verified by an independent accounting firm. The inclusion of such financial information in the Information Package should not be regarded as a representation or warranty by the Bank, any of its affiliates, advisers or representatives or any other person as to the accuracy or completeness of such information's portrayal of the business, financial condition, results of operations, trading position or prospects by the Bank and should not be relied upon when making an investment decision.

Certain data in the Information Package was obtained from various external data sources and the Bank has not verified such data with independent sources. Accordingly, the Bank makes no representations as to the accuracy or completeness of that data, and such data involves risks and uncertainties and is subject to change based on various factors. In addition, certain data in the Information Package has been rounded. As a result of such rounding, the totals of data prescribed in the Information Package may vary slightly from the arithmetic total of such data. The Information Package may include forward-looking statements prepared by the Bank. Any opinions, forecasts, projections or other statements other than statements of historical fact are forward-looking statements. Such statements are based on current expectations and are subject to risks and uncertainties that could cause actual results or developments to differ materially from any expected future events or results referred to in or implied by these forward-looking statements. The forward-looking statements contained in the Information Package speak only

as of the date that the Information Package was prepared and the Bank does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments, occurrence of unanticipated events or otherwise. Any forward-looking statements contained in the Information Package are expressly qualified in their entirety by the cautionary statements contained or referred to in this section.

The distribution of the Information Package in certain jurisdictions may be restricted by law and persons into whose possession the Information Package or other information referred to therein comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. The Information Package and any materials distributed in connection therewith are not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing with in such jurisdiction. The Bank does not accept any liability to any person in relation to the distribution or possession of the Information Package in or from any jurisdiction. Nothing in the Information Package should be construed as legal, tax, regulatory, accounting or investment advice. Each recipient of the Information Package should make its own independent investigation and appraisal of the business, operations, financial condition, prospects, creditworthiness, status and affairs of the Bank and consult with its own legal, tax, regulatory, accounting or investment advisers to the extent necessary.