Annual Report
2017

Arbejdernes Landsbank

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

Agenda

Annual general meeting, Monday 12 March 2018, 7:30 p.m. in the Tivoli Concert Hall.

1. Election of chair.

2. Report on the activities of the Bank over the past year.

3. Submission of the audited annual report and auditors' report, see Article 21(2) of the Articles of Association, and approval hereof.

4. Proposed allocation of profits within the framework laid down in Article 22 of the Articles of Association on coverage of the loss according to the approved annual report.

5. Processing of motions received *).

5.1 Proposal from the Board of Directors:
The Board of Directors requests approval from the General Meeting to permit the Bank to purchase its own shares. Approval is requested for a period of five years from the date of approval by the General Meeting. Approval is requested to acquire own shares up to the point where the nominal value of the Bank's total holding of own shares amounts to DKK 10 mill.

6. Election of members to the Board of Directors.

The Board of Directors has agreed on the proposal for re-election of:

Per Christensen	Claus Jensen
(Chairman)	(Vice Chairman)
Lizette Risgaard	Kim Lind Larsen
Ole Wehlast	Lars Andersen
Torben Möger Pedersen	Christian Riewe

and election of a new member, Kim Simonsen, Trade Union President, HK/Danmark.

See the Bank's 2017 annual report and website www.al-bank.dk for further information on the members of the Board of Directors and the proposed candidate, their qualifications as well as information about management positions in other enterprises.

7. Appointment of external auditors.

*) Pursuant to Article 16(2) of the Bank's Articles of Association, a resolution to amend the Articles of Association is only valid if it is endorsed by no less than two-thirds of the votes cast and of the voting share capital represented at the General Meeting (qualified majority).

GERT R. JONASSEN
CEO

JAN W. ANDERSEN
Executive Bank Director

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

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Management's report

Summary

The Arbejdernes Landsbank Group has achieved the best result in its almost 100-year history. The historic result is further enhanced by the significant capital gains on the Bank's shares in ALKA Forsikring. The gains were realised in connection with the process to sell off ALKA Forsikring launched in 2017.

The consolidated financial statements for 2017 showed a profit before tax of DKK 1,304.7 mill. against DKK 514.0 mill. for 2016. The profit after tax amounted to DKK 1,155.5 mill. and this provided an average return on equity of 18.6% after tax (21.0% before tax).

The result is above the expectations reported in the 2016 financial statements and in the interim financial statements for 2017, and it is in accordance with the statement issued by the Group in December 2017 of DKK 1.2-1.4 bn.

Gert R. Jonassen, CEO, regards the result for the year as confirmation that the strategy plan is the right plan and he notes in particular that the Bank has been able to maintain the level of its net interest and fee income in a fiercely competitive market, which in recent years has been subject to debt repayment rather than increasing lending activity. Developments have also been affected by recognition of a cost of DKK 48.0 mill. in connection with AL-BoligBonus. On 1 August 2017, customers received DKK 41.6 mill. as the first payment in the AL-Boligbonus scheme for the period 1 July 2016 to 30 June 2017. The Group was rewarded for maintaining its investment strategy, and ended 2017 with a result exceeding expectations at the start of the second half-year. The financial statements again emphasise that Arbejdernes Landsbank is a sound bank that in recent years has seen a good influx of customers, and where loyal customers and skilled employees together have contributed to the very satisfactory profit. Major technological investments are currently being made to ensure the necessary competitiveness and to secure customers rapid and competent service and advice. In 2018, the Group will also structure and target work to keep Group operations responsible, attentive and straightforward for all our customers.

The Chairman of the Board of Directors, Per Christensen, is pleased to note a return on equity of 18.6% after tax and that total lending increased in a fiercely competitive market. For the ninth consecutive year, Arbejdernes Landsbank has been selected in the Voxmeter market survey as Danes' preferred bank out of the 20 largest banks in Denmark. Of course, this is a cause for a certain amount of pride, but the Bank remains humble, as the award also comes with an obligation to sustain its position and to keep customer needs in focus at all times. Uninterrupted customer growth over the past 10 years has helped to enhance the Bank's position in the Danish banking market and to cement its position as a strong and responsible bank.

Selected results for the Group in 2017:

- Increase in value adjustments of DKK 972.2 mill. to DKK 901.3 mill.
- Lending growth of 4.3%.
- Increase in deposits incl. pooled schemes of 9.6%.
- Equity of DKK 6,761.5 mill.
- Capital ratio of 18.3%; Common Equity Tier 1 capital ratio of 16.2%.
- Drop in impairments on loans of DKK 41.3 mill.
- Drop in net interest and fee income of 2.0%.
- Rise in costs of 9.7%.
- Individual solvency need of 10.0%.
- Proposed dividend of DKK 500 per share.

Outlook for 2018

Bank activities aim at customer growth and business growth on a sustainable foundation, with focus on improving results from customer activities.

The competitive situation will continue to put pressure on the interest-rate differential. Costs in 2018 will be unusually encumbered by the high costs of establishing a new mortgage-credit platform and a new business support system in the jointly owned Bankernes EDB Central (BEC). The new platform and system will be based on customer expectations of a modern financial institution that is able to meet all customer needs.

Impairments on loans and guarantees are expected to remain at a low level of around 0.2%. New international impairment rules have been introduced from 1 January 2018 in IFRS 9, and this in itself has contributed to uncertainty about actual developments.

In 2018, Arbejdernes Landsbank expects to achieve a profit before tax of between DKK 300-400 mill. and a return on equity of 5-6% before tax.

Per Christensen, Chairman of the Board of Directors, and Gert R. Jonassen, CEO.

Arbejdernes Landsbank in 2017

A bank in good shape

EQUITY (DKK)

2015	2016	2017
5.3 billion	5.7 billion	6.8 billion

PROFIT (DKK BEFORE TAX)

2017	1,305 million
2016	514 million
2015	330 million

CUSTOMERS

2017	277,508
2016	268,259
2015	257,858

Personal and attentive consultancy

70
branches throughout Denmark

15,083
values interviews with our customers

178,166
users of AL-MobilBank - 1,304 new every month

High customer satisfaction

No. 1

Danes' preferred bank for the ninth successive year

Voxmeter, January 2018

Experts in cooperative housing

24 hours
was max. response time for loans for cooperative housing and owner-occupied properties

3,967
new cooperative housing loans were granted

5,054
free legal documents were set up on testaviva.dk

Stronger focus on the housing area

41,642,236
paid in AL-BoligBonus for our customers

7,539
new mortgage and housing loans were granted

Group review

In 2017, the Group earned a profit before tax of DKK 1,304.7 mill. and DKK 1,155.5 mill. after tax. This gave a return on equity of 18.6% (21.0% before tax). This is considered an extraordinarily good result.

The result reflects that the business is developing in accordance with expectations. Value adjustments in particular have been affected by a number of extraordinary and favourable conditions.

Income

There was yet again an impressive increase in customers in 2017. The net increase was 9,249 customers (10,401 in 2016), and in addition to the growth in market share, this adds new business to the Group. Bank lending is now showing signs of growth, and net growth of 4.3% is satisfactory considering continued focus on sustainable growth. Bank deposits and pools now amount to DKK 37.5 bn., continuing the impressive growth rates of previous years and amounting to 9.6% in 2017.

Net interest and fee income was DKK 1,792.9 mill. against DKK 1,829.8 mill. in 2016, corresponding to a decrease of 2.0%. The scope of business is growing and customer growth is continuing, so the decrease is considered as an effect of the highly competitive market.

The low level of interest rates made improvements difficult and net interest income amounted to DKK 1,193.6 mill. in 2017 against DKK 1,248.3 mill. in 2016. The reason for this is primarily attributable to a highly competitive market for bank loans and challenges to achieve a satisfactory return on investment assets. In this context the Bank has decided to hedge interest-rate risk against rising interest rates.

Net fee income increased slightly to DKK 555.5 mill. Greater activity and particular focus on home financing have had a positive impact in this context. Fee income from guarantees and agency commissions grew through the increased number of mortgage-credit loans arranged through Totalkredit. The Bank's AL-BoligBonus programme has been extremely successful. In August customers with mortgage-credit loans arranged through Totalkredit and priority loans with the Bank received DKK 41.6 mill. in loyalty bonus and this will continue with unchanged conditions with a new payment in August 2018.

Value adjustments amounted to DKK 901.3 mill. against DKK -70.9 mill. in 2016, corresponding to an improvement of DKK 972.2 mill. This is considered an extraordinarily good result. An agreement has been established on the sale of ALKA Forsikring to Tryg Forsikring. This is expected to be completed in the first half of 2018 and has had a very favourable effect on the value of the Bank's holding of shares in ALKA Forsikring, with a positive value adjustment in itself of more than DKK 0.5 bn. Total value adjustments etc. also reflect that the Bank achieved good results on other investment activities, and was able to recoup the negative value adjustments in 2016.

Other operating income amounted to DKK 90.5 mill. against DKK 81.8 mill. in 2016. This is in part attributable to operating leases in the AL Finans A/S subsidiary.

Expenses

Total expenses for the Group were DKK 1,465.6 mill., which is DKK 129.5 mill. (9.7%) higher than in 2016.

Of this total, DKK 826.7 mill. is attributable to staff costs. This is 8.6% higher than in 2016, and this is primarily due to collective agreements including the bonus scheme (3.6% in total), adjustments to provisions for future employee benefits (3.6%), as well as a higher payroll tax rate (0.5%), which will be successively phased in up to 2020.

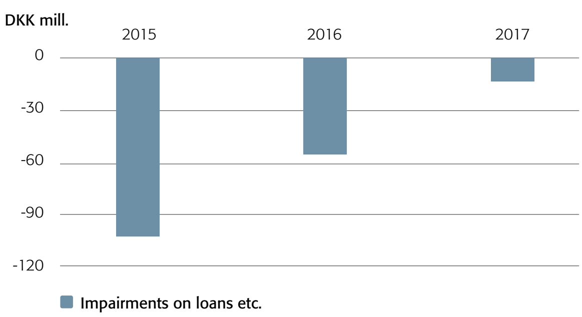
At the end of 2017, the Group employed 1,054 employees on average, converted to full-time employees. This compares with 1,063 in 2016.

Other Group expenses were DKK 638.9 mill., which is DKK 64.3 mill. (11.2%) higher than in 2016. The increase reflects a substantial investment in IT systems under Bankernes EDB Central (BEC), as part of a digital strategy to ensure competitiveness now and in the future.

Impairments on loans etc.

Impairments on loans etc. amounted to DKK 14.3 mill., which is an improvement of DKK 41.3 mill. compared with 2016. The low level reflects that customers continue to have high credit quality and that the economy is healthy.

Impairments on loans etc.

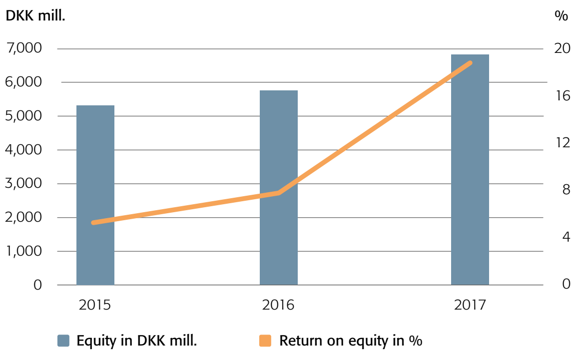


Total Group impairments and provisions on loans and guarantees amounted to DKK 1,344 mill. at the end of the year, which is DKK 110 mill. lower than at the end of 2016. As at 31 December 2017, accumulated impairments and provisions were 4.7% of gross loans and guarantees.

Profit

Profit before tax for the year was DKK 1,304.7 mill. against DKK 514.0 mill. for 2016. Group profit after tax amounted to DKK 1,155.5 mill., compared with DKK 419.4 mill. in 2016.

Equity and return on equity after tax



Results exceed both the expectations reported in the 2016 Annual Report and the interim financial report for the first six months of 2017, even though the latter included an upward adjustment. Therefore the Group decided in December 2017 to issue another upward adjustment notice to DKK 1.2-1.4 bn. before tax. In particular, the profit from the sale of ALKA Forsikring was not included in the expectations for 2017 and has led to a gain of more than DKK 0.5 bn. Therefore, the ratio of operating income to operating expenses also increased by an extraordinary amount from 1.37 in 2016 to 1.88 in 2017.

Changes in impairments on loans and guarantees have also affected the financial statements in a positive direction, and the lower credit impairment is an indication of an improvement in customer incomes and financial circumstances.

Distribution of profit

The Board has recommended to the General Meeting a dividend of DKK 150 mill., corresponding to 50% of the share capital.

Outlook for 2018

The Danish economy is very healthy. In 2018, BNP growth is expected to be 2.0%; marginally lower than in 2017. The continued growth in the Danish economy is supported by low interest rates, increasing global growth, and a resilient financial situation in Danish households. Economic progress in key trading partners with Denmark is expected to improve exports in 2018. Employment is rising, and unemployment is now down to 4.3%. However, despite a tighter labour market, there are no signs of overheating. Salary increases continue to be moderate and the workforce will gradually grow in the coming years, making room for continue growth in employment. The housing market is benefiting from low interest rates and increasing incomes.

Rises in house prices are no longer restricted to the largest towns, but can be seen throughout Denmark. Higher amounts of equity in homes and continued growth in employment will support private consumption, and in 2018 this is likely to be an important locomotive for growth in the Danish economy. There was more investment activity in 2017, and the Group expects that corporate investments will grow further in 2018. These relatively positive economic prospects could be challenged by a number of uncertainties: A steeper interest-rate increase than the bank expects, triggered by higher inflation and tighter monetary policy could hinder progress in the housing market, impede global recovery and block new investment. Moreover, a number of geopolitical problems remain unresolved, and they could flare up to the detriment of economic stability.

Our own activities aim at customer growth and business growth on a sustainable foundation, with focus on improving results from customer activities.

The competitive situation will continue to put pressure on the interest-rate differential. As in 2017, Group costs in 2018 will also be extraordinarily affected by the co-owned Bankernes EDB Central (BEC) in connection with the establishment of a new mortgage-credit platform and a new customer system. IT projects are based on expectations that the Bank's solutions should be responsible, attentive and straightforward for customers.

Impairments on loans and guarantees are expected to remain at a low level of around 0.2%. In future, impairments on loans and guarantees will be based on new accounting regulations in IFRS 9, which entered into force on 1 January 2018. IFRS 9 implements a new impairment model based on the expected losses. The future effect of this on operations entails a certain degree of uncertainty for 2018.

The Group expects a profit before tax in 2018 of between DKK 300-400 mill., corresponding to a return on equity of 5-6%.

Balance sheet

At the end of December 2017, total assets amounted to DKK 47.4 bn., and this is an increase of DKK 2.9 bn. compared with December 2016. Balance sheet structure is identical with previous years.

Deposits

Deposits including savings in pooled schemes increased by DKK 3.3 bn. and now amount to DKK 37.5 bn. Private customers represent DKK 1.8 bn. of the increase, and associations and business have risen by DKK 1.5 bn. Therefore, all customer groups continue to show great confidence in the Bank. The Bank has reported that it has no plans to introduce negative interest rates on ordinary deposits, and this has been welcomed by customers and is also a contributory factor in the continued growth.

Savings in the Bank's pooled schemes increased by DKK 0.7 bn. to DKK 2.7 bn.

Loans

Group loans amounted to DKK 22.0 bn. at the end of 2017, which is an increase of DKK 0.9 bn. compared with the end of 2016. Continued customer growth and the consequential growth in business have contributed to this improvement, but strong competition and more customer willingness to repay debt make lending growth difficult. The AL Finans A/S subsidiary has expanded its business of purchasing invoices with insurance cover, and by itself this contributed approximately DKK 0.4 bn. in 2017.

Securities portfolio

The Group securities portfolio amounted to DKK 13.9 bn. in the form of bonds, shares and investment certificates, etc. The majority of the portfolio, DKK 11.8 bn., is placed on the bonds market. The drop in this item compared with 2016 is attributable to sales of bonds in return for investments in certificates of deposit. These amounted to DKK 5.1 bn. against DKK 0.9 bn. at the end of 2016 and have been posted to amounts receivable from credit institutions.

The Bank has valued its shares in ALKA Forsikring on the basis of the price of DKK 8.2 bn. agreed between the shareholders in ALKA Forsikring and Tryg Forsikring, and this is the primary reason for the increase in the share portfolio, which on 31 December 2017 was DKK 2.0 bn. against DKK 1.3 bn. in 2016. In addition to the shares in ALKA Forsikring, the portfolio mainly consists of shares in LR Realkredit, Vestjysk Bank and DLR Kredit.

Liquidity

Liquidity is managed on the basis of the Liquidity Coverage Ratio (LCR). The key financial ratio measures the value of liquid assets in relation to the stressed outflows in the Group over a 30-day horizon. In 2017, in accordance with the legislation, this key financial ratio had to amount to at least 80%, and from 1 January 2018, 100%. The Group's own target is to maintain a ratio of 130%, which was clearly met at the end of 2017 with a Group LCR of 186%.

From 30 June 2018, a modified version of the LCR will also be implemented in the Danish FSA's benchmarks, see page 28.

Capital situation

Equity

Equity amounted to DKK 6,761.5 mill. at the end of 2017, and had increased by DKK 1,079.7 mill. since the end of 2016, of which the profit for the year contributed DKK 1,155.5 mill. In 2017, owners of Additional Tier 1 capital obtained a return of DKK 66.0 mill. From 1 January 2018, in line with the whole financial sector, the Group has adopted a new accounting policy in accordance with the rules of the international accounting standard on financial instruments (IFRS 9). The effect of implementing IFRS 9 is expected to amount to around DKK 85 mill. and from 1 January 2018 will affect the Bank's equity negatively.

Own funds

In 2017, Group own funds were considerably strengthened by the growth in the profit for the year. The planned sale of the shareholding in ALKA Forsikring will not have its full effect on the capital base until the first half of 2018, when the sale is expected to finally be completed. The effect of the sale will improve Additional Tier 1 capital by more than DKK 0.8 bn.

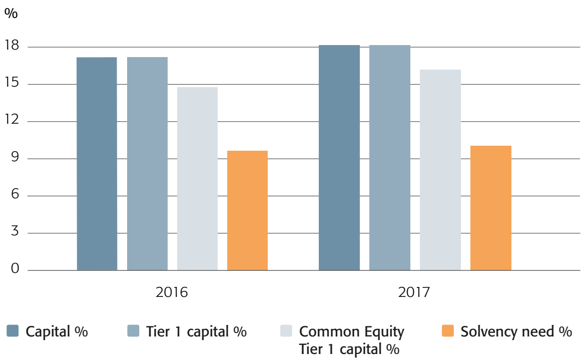
Own funds as at 31 December 2017 amounted to DKK 5,677.6 mill. against DKK 5,413.4 mill. in 2016 and Tier 1 capital after deductions also amounted to DKK 5,677.6 mill. Common Equity Tier 1 capital amounted to DKK 5,035.2 mill.

Solvency

The Group capital ratio was 18.3%, and the Tier 1 capital ratio was also 18.3%. The Common Equity Tier 1 capital ratio of 16.2% reflects that the Group only has a modest amount of leveraged capital as part of its own funds.

On 31 December 2017, the effect of the sale of shares in ALKA Forsikring would have affected the Tier 1 capital ratio positively by 2.6 percentage points to 20.9% with unchanged risk-weighted exposures, if the transaction had been fully completed and settled.

Solvency



The Group capital ratio target of 16.0% contains full phase-in of the stricter capital requirements in the CRR Regulation which will apply from 2019. The capital ratio and Tier 1 capital ratio already exceed the Group's capital ratio targets.

Total risk exposures for the Group amounted to DKK 31.0 bn. at the end of 2017, corresponding to a decrease of 1.7% compared with the end of 2016 (DKK 31.6 bn.). Changes in risk-weighted exposures are described in note 32. The Bank's projections for 2022 under various macro-economic scenarios, in combination with capital preservation and capital ratio improvement plans, confirm that the Group has the required financial strength to comfortably meet our own capital-ratio objectives.

Solvency need

	Group	
	2017	2016
	%	%
Credit risk	6.6	6.8
Market risk	2.4	2.0
Operational risk	0.9	0.8
Other risks	0.1	0.0
Total solvency need	*10.0*	*9.6*

The solvency need expresses the capital which the Group itself assesses as necessary in relation to its risk exposure. It is based on the Danish FSA's 8+ model, according to which a bank may not have a solvency need of less than 8%. The difference between the solvency need and the lower limit of 8% thus expresses the additional capital which the group must have in relation to its risk exposure. The solvency need is identical at Group and Bank level, as the Bank provides 100% funding for its subsidiaries. The solvency need amounted to 10.0% against 9.6% in 2016.

MREL requirement

The Danish Financial Supervisory Authority and the Financial Stability Company have introduced stricter requirements for banks' contingency plans and buffers with regard to addressing a resolution situation and securing optimal conditions regarding a possible reconstruction. In order to secure banks' simple creditors as much as possible, a new concept has been introduced, known as the MREL (minimum requirement for own funds and eligible liabilities). In the event of a reconstruction of a credit institution or bank, the Financial Stability Company will initially be able to write down own funds and eligible liabilities in order to protect simple creditors as much as possible. The Danish FSA has stipulated an individual MREL for Arbejdernes Landsbank of 6.8%, and this can be phased in over a period of five years starting in 2019. The Bank agrees with the gradual phase-in and regularly monitors capital and optimal capital planning in order to ensure compliance with the relevant requirements, including the new MREL requirement, which will be phased in from 2019. Note that, with the current capital ratio, the Group will also be able to comply with the requirements that will apply in 2019 and the Group is confident it will also be able to meet the future MREL requirements as well as other requirements to be phased in over the coming years.

On-site inspection by the Danish Financial Supervisory Authority 2017

In 2017, the Danish FSA carried out an ordinary on-site inspection at the Bank, and the conclusion of this will be published in February 2018. The Bank has taken note of the Danish FSA's order to make improvements in certain areas. As part of this, the Bank will ensure that its strong position in the area of cooperative housing loans becomes more clear in the business model, and ensure close follow-up and monitoring in connection with authorising housing loans in growth areas.

Business model

General

Business at Arbejdernes Landsbank is built on sound values such as accountability, attentiveness and a straightforward approach for our customers and employees. The Bank offers relevant and competitive financial products and services combined with competent consultancy for private individuals, associations as well as small and medium-sized businesses.

Business strategy

Arbejdernes Landsbank wants to create value for families, associations, small and medium-sized enterprises, and our owners by delivering highly professional and ethical consultancy and financial services. This is the values foundation for a sound bank with solid finances and with profound respect for customers' time and money.

The goals for Arbejdernes Landsbank are to:

- be an independent national bank with a full financial service concept aimed at private, business and association customers,
- be at the forefront in the field of home loans, including financing co-operative housing,
- have decision-makers close to the customers, and efficient work processes, to ensures fast and competent business management,
- have a social responsibility policy (CSR policy) which is an integral part of activities, and
- secure the consolidation necessary through sustainable growth.

With its profile as a service-oriented and technologically innovative group, with a nationwide network of 70 branches and a subsidiary with supplementary services and priority on personal consulting services, the Group aims to support customers throughout their lives. New customers must experience the Group in the same way, and they must want to recommend us to their acquaintances. Moreover the goal is to ensure that advisory services always create value for customers, and that the level of service is one of the highest in Denmark.

The Bank advises and services private customers, associations and organisations, as well as small and medium-sized businesses. The Bank primarily aims at full-scale customer relationships and focuses on consultancy for private customers as well as businesses where the target group is primarily owner-managed small and medium-sized enterprises within retail trade, the service sector, building and construction, industry, and other trading and manufacturing activities. Lending to Bank customers is granted within the framework of the Bank's credit policy, which should be sustainable for both the customer and the Group. The AL Finans A/S subsidiary supplements these services with leasing, factoring and car-loan products.

The Bank applies an accounting segment model based on three areas.

Customer activities is the largest segment and covers all direct customer activities and associated income and expenses from customer activities related to our product range.

Investment activities cover activities related to management of the Bank's large deposits surplus and other financial activities arising out of our trading function, for example position-taking, liquidity management and exchange-rate management.

Other activities primarily deal with own properties and certain participating interests owned for strategic purposes. Equity is allocated to areas on the basis of the solvency demands of the activities and based on the Bank's capital targets. Surplus capital is included under Other activities.

Group earnings are generated through servicing customers' banking transactions and the primary source is the interest-rate differential on deposits and lending, as well as a number of fees based on activities, e.g. assets management, lending and arranging mortgage-credit loans. Proactive focus on sustainable growth and awareness of the competition help raise the volume of business and are the foundation for continuous improvements in earnings.

The Bank has always had a large deposits surplus and as a result it is active on the financial markets to place funds in securities optimally. Therefore the Bank has built up solid knowledge and experience that also benefits a number of other smaller banks when they use us as a custodian bank, to perform foreign payments, etc. The Group aims at profitable earnings based on product pricing which reflects the risks and the tied-up capital accepted by the Group as well as an overall assessment of the scope of business with customers and counterparties. The Bank also aims at conducting active professional management of returns and risks on the Bank's securities and holdings, with returns at least at the same level as recognised benchmarks.

The capital base must be robust, support the business model and secure the required room for manoeuvre at any time during an economic cycle. There is special emphasis on ensuring that the excess solvency coverage is always at an appropriate distance from the calculated solvency need, including relevant buffer requirements. Liquidity should be appropriate and policy in the area should be sufficiently prudent and support the business model in the time scenarios that are reflected in the liquidity policy. The objective is to maintain an excess liquidity coverage at all times in relation to the relevant statutory rules in the area.

The business model builds on active management of the deposits surplus. The Bank's trading function monitors the market with a strategy to consider, on a daily basis, whether the current positions can be optimised in relation to the selected risk profile. Valuations at fair value form the basis for measurement of returns, risk monitoring, as well as buy-and-sell decisions for financial instruments. The trading function is also responsible for managing the Bank's liquidity. The aim is to generate a profit on own holdings so that the Bank can do all it can to maintain zero or positive interest rates for deposit customers.

Personnel resources account for the largest percentage of costs, and the Group is constantly endeavouring to maintain a process of efficiency improvements in order to move resources towards customer-oriented activities. Similarly, the Group has decided to proactively apply major resources to digitisation to ensure our customers optimal conditions in their interaction with the Group and when using the Group's many facilities.

Cooperation partners

Arbejdernes Landsbank utilises various cooperation partners and the Bank is co-owner of enterprises offering products and services such as mortgage credit, investment products, money transmission services and insurance. For information about our cooperation partners, visit the Bank's website: www.al-bank.dk/om-banken/fakta-og-historik/samarbejdspartnere/. Through these partners Group customers have access to a wide and flexible portfolio of products.

The Bank receives agency and guarantee commissions for arranging certain products and investment services.

New rules were introduced from 1 July 2017 on obligations to disclose agency commissions received for supplying discretionary portfolio management services and impartial investment advice. The Bank has adapted its business to comply with these new rules.

Organisation

Arbejdernes Landsbank has centrally located competency areas which work across the Bank. This helps secure a flat organisational structure with rapid decision processes and direct interplay between the customer, the advisor and the central specialist units. Staffing at the Bank's branches is adjusted to the customer base of the individual branch. Central specialist functions develop and coordinate the Bank's overall work within consultancy for pensions, property and investment. The specialist functions act as knowledge bases and sparring partners for advisors and customers alike.

For corporate customers, the Bank is organised with six business centres throughout Denmark. This organisation ensures a strong professional environment, with competent employees. Consultancy for corporate customers is provided at all the Bank's branches, as well as at the customer's address, and the business centres offer support if required.

The Bank has a number of specialist units that, in addition to supporting the customer-oriented functions, regularly submit reports to the Management and relevant authorities. Risk and Compliance are both forward-looking and preventive and they also meet the statutory requirement for an independent organisational function (second line in risk management by the Bank). Measures against money laundering and market abuse are placed organisationally in the Legal Department and in Securities Administration.

Technology

The technological platform is to all intents and purposes based on services supplied by Bankernes EDB Central (BEC), of which the Bank is part owner. It is vital that IT solutions lead to administrative improvements, simplification and more efficiency, as well as increased levels of self service. However, it is also important that IT solutions open opportunities for new business activity. Customers will experience this through several technical aids and more accessible user interfaces.

Digitisation and IT security are current focus areas and the Bank is constantly working to ensure that all systems, data and operational security are fully up to date. The overall IT strategy is that, with efficient and secure data processing, the Group can meet its business targets and at the same time function as a professional and credible bank, cooperation partner and workplace.

Employees

Arbejdernes Landsbank aims at providing a healthy, safe and inspirational working environment for all employees. There is no incompatibility between achieving ambitious goals and being challenged professionally, while at the same time having a sustainable work-life balance. Average seniority in the branch network of 14 years bears witness to solid experience and insight which helps instil a sense of confidence and security and maintain the close relationship with customers. In order to ensure that the Group maintains this balance as much as possible, there is particular focus on health and job satisfaction. Regular well-being and management surveys are conducted for all employees. The surveys show that job satisfaction and employee motivation are very high at Arbejdernes Landsbank.

In a sector experiencing ever increasing formal requirements for employees, there is also focus on systematic competence development, and employees' competences are documented regularly through statutory certification etc. Furthermore, all employees have a personal development plan and a number of personal goals to support the personal behaviour and professionalism that together contribute to the Group's strategic goals. Our employees are also covered by a bonus programme regulated by the collective agreement, which underpins the Arbejdernes Landsbank strategy and contributes to achievement of the overall goals.

Capital structure

Arbejdernes Landsbank is an unlisted limited company with a share capital of DKK 300 mill. Until 12 March 2020, the Board of Directors is authorised to increase the share capital in one or several steps by up to DKK 500 mill. The share capital is composed of 300,000 shares of DKK 1,000 each. There are 300,000 votes, meaning that each share carries one vote.

The Bank's Articles of Association contain provisions that shares may only be transferred through the Board of Directors and only at nominal value. The following people and organisations can be shareholders:

- Employee organisations and their members.
- Political organisations with which Danish employee organisations cooperate.
- Cooperative enterprises, consumer cooperative societies and cooperatives as well as organisations, enterprises or associations which these have established or establish.
- Arbejdernes Landsbanks Fond.
- Public sector and other institutions, organisations, enterprises or pension companies in which Danish employee organisations have a commercial interest.

At the end of 2017, Arbejdernes Landsbank had almost 22,000 shareholders. Notices convening general meetings must be published on the Bank's website: www.al-bank.dk/om-banken/presse-og-nyheder/nyheder/2018/tilmelding-til-generalforsamling/. Calls to meetings must also be sent in writing to the shareholders registered in the register of owners who have so requested.

Although the issued Additional Tier 1 instruments have been disclosed under equity, the General Meeting has not linked any voting rights to owners of these Additional Tier 1 instruments.

Dividend policy

The Bank's shares are valued at par, and shareholders can only earn returns on their investment through distribution of dividends. Therefore, the Bank aims at pursuing a dividend policy which is based on profit for the year, but which does not disregard the need for consolidation. The decision on the dividend for a specific year emphasises known aspects with focus on consolidation, but it also takes into account how the economic cycle or other specific matters have influenced the result positively or negatively. The Board has recommended to the General Meeting a dividend of DKK 150 mill., corresponding to 50% of the share capital.

Organisation chart for Arbejdernes Landsbank Group

ARBEJDERNES LANDSBANK

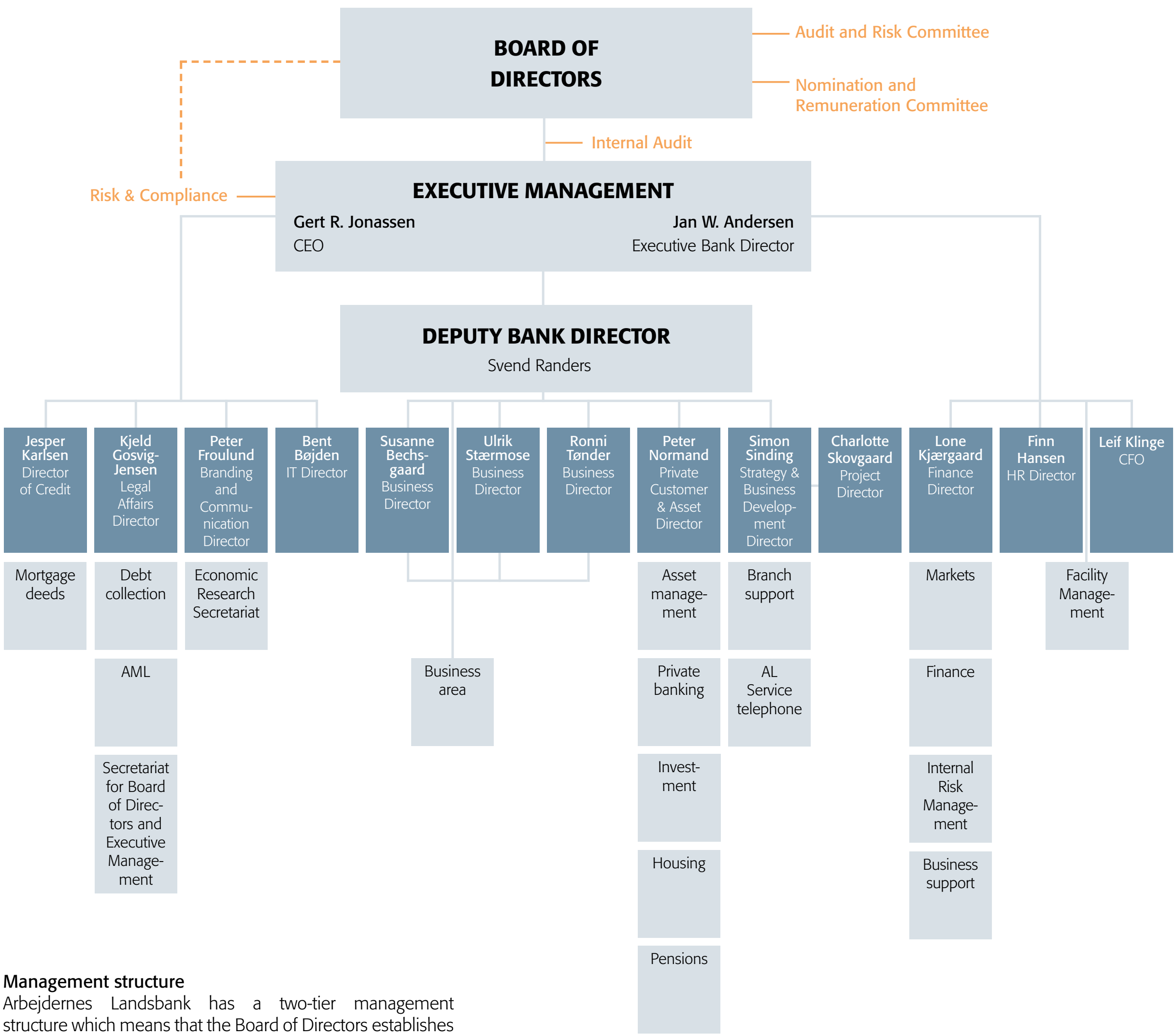
AL FINANS A/S (100% OWNED)
CVR 31 43 34 28

HANDELS ApS PANOPTIKON (100% OWNED)
CVR 22 59 04 13

Management structure

The Arbejdernes Landsbank Group consists of one parent company and two subsidiary companies.

A/S Arbejdernes Landsbank – CVR 31 46 70 12 Parent



Management structure

Arbejdernes Landsbank has a two-tier management structure which means that the Board of Directors establishes the overall principles for the Bank's operations, while the Executive Management are responsible for day-to-day operation.

The Board of Directors appoints the Executive Bank Directors, Chief Audit Executive and, if relevant, a Deputy Chief Audit Executive.

The Executive Management appoints the members of the business management and the Chief Risk Officer.

Vision and strategy work in 2017

Strategy 2019: Ready for the future

In 2015 the Bank launched its new strategy entitled "Strategy 2019: Ready for the future". All the Bank's managers were actively involved in the development process, and in October 2015, the new strategy was presented to all employees of the Bank. Over the past two years the strategy has had good opportunity to take root in the organisation, and today it functions as an important compass by which to set the management course.

A great part of the strategy is about continuing to run and develop the Bank on the basis of the values which have always characterised our banking operations in the past. At the same time, the strategy lays down a clear direction and some specific objectives in relation to the possibilities and challenges we are facing today and that will come in the future. According to the Bank, the objectives up to 2019 are ambitious, but realistic, not least because the Bank has a unique market position and solid foundation.

Strategic ambition

Our strategic ambition is growth, customer focus, profitability and straightforwardness. Taking our outset in the customer, through innovation we will retain high customer satisfaction and create growth through new business areas. The Bank will combine up-to-the-minute digital solutions with classic, personal banking and deliver professional, accountable and attentive service based on the needs of the customer.

Financial ambition

Our financial ambition is a target of 300,000 customers by the end of 2019. Business growth and an increased market share will contribute to generating a return for owners which, at all times, exceeds the market interest rate on risk capital in a normal Danish bank.

Strategic focus areas and objectives

To achieve our financial ambitions and realise our strategic ambitions, four strategic focus areas have been defined for the period up to 2019.

Development

- The Bank will place higher priority on innovation and focus on rapid implementation.

Digitisation

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

Customer focus

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

Costs

- The Bank will evaluate and redefine the way in which it works with costs and efficiency improvements.

RAS conduct

Strategic objectives and a clear direction do not create much value if all employees are not on the same page, and if the long-term objectives cannot be transformed into specific action in their everyday work. Therefore, we have prepared a set of pledges to customers, which, on the basis of our fundamental values, specifically defines how our behaviour in branches and departments can best contribute to improving customers' experience, and ultimately achieve our strategic objectives:

Responsible

- We remind ourselves and each other that all customers are good customers.
- We are cooperative, we greet customers with a smile, and we treat everyone fairly and professionally.
- Taking our outset in customer needs, we always provide the best possible service, consultancy and solutions for our customers.

Attentive

- We all contribute to ensuring progress in cases, projects and consultancy.
- We strive for rapid and regular briefing about a matter if a customer has a new consultant.
- We take a deep interest in the customer's situation and we are proactive with regard to our customers.

Straightforward

- We prepare for meetings in order to provide clear recommendations.
- We always communicate with customers to match their requirements and expectations.

- We always give the customer several options for meetings (time, place/platform).
- We follow the rules but never forget to use our common sense.

How we reached our objectives in 2017

The four focus areas in "Strategy 2019" have been an important hub for our specific activities and initiatives in 2017. The following section presents some of the results within each focus area.

Development

What has the Bank done in 2017 to prioritise innovation and focus on rapid execution?

- In 2017 the Bank decided to open an innovative customer unit in brand new premises at Nørreport in Copenhagen. The goal is to ensure an optimal framework for business development and better execution and implementation of our strategic projects. The new unit is planned to open in the summer of 2018, and focus will be on developing new concepts in partnership with customers.
- In spring 2017, the Bank adjusted its business concept and consolidated competences in six business centres throughout Denmark. With these new centres, the Bank is aiming to enhance the quality of its advice, create value for customers and help develop customers' businesses.

Digitisation

How has the Bank prioritised digitisation in 2017, and what new digital possibilities have we offered our customers?

- In the course of the year, the Bank has extended its customers' possibilities to sign documents electronically, because almost all types of loan documents and agreements have been digitised. In particular, digital approval of documents from Totalkredit saves a lot of paper, benefitting both the customer and the environment, while at the same time making the procedure simpler and more flexible for customers.
- In 2017, the Bank offered customers online meetings via Skype Business. We hope that this will make us even more flexible and enable us to meet customers where and when it suits them: whether it is a telephone meeting, an online meeting or a physical meeting is up to the customer.
- At the start of the year, Arbejdernes Landsbank launched AL-Wallet, which makes it possible for customers to make payments using their mobile phone. AL-Wallet is an app which acts as a digital wallet in which customers can put their debit cards and credit cards. This makes payments easy, quick and safe for customers by merely holding their mobiles against a shop's payment terminal.

Customer focus

How have we adapted our service in 2017 with regard to the needs of the individual customer?

- The Bank is working actively with NPS, which measures customer satisfaction with our advisory services and our solutions. Despite our high NPS score, we still use customer feedback to develop the Bank and our services and consultancy. Customer satisfaction is also reflected in several independent analyses and satisfaction surveys. Most recently, we were voted "Danes' preferred bank" for the ninth successive year in January 2018 in the annual Voxmeter customer survey, which is based on interviews with 50,000 Danish bank customers who are asked about their satisfaction with advice, services and products from banks. We were first among 20 of the largest banks in Denmark.
- At the start of 2016 the Bank launched AL-BoligBonus that ensures our housing customers one of the strongest financing solutions on the market. With AL-BoligBonus, we are offering all customers with a mortgage-credit loan or similar with us a bonus of DKK 1,200 for every DKK million they have borrowed on their home. This is for fixed-interest and floating-rate loans, and irrespective of whether or not it is a repayment loan. On 1 August 2017 our customers could fully benefit from the initiative when the Bank paid almost DKK 42 mill. in AL-BoligBonus to around 30,000 customers.
- In April, in collaboration with TestaViva, Arbejdernes Landsbank launched a completely new online platform to enable all Danes to easily, securely and free of charge draw up a will, marriage contract or other legal documents. The Bank hopes that through this platform it will be able to provide an even more comprehensive financial service for customers and also be able to help more Danes to decide what to do with their assets when they die or are divorced. Since the launch, more than 5,000 legal documents have been drawn up on www.testaviva.dk, and we have reached more than 380,000 Danes via our campaign.

Costs

What has the Bank done in 2017 to maintain focus on costs and how have we worked with efficiency improvements?

- During 2017, the Bank has targeted work on optimising processes to release even more time for customers. We have had particular focus on automating elements in work processes and furthermore we have reinforced efforts with regard to developing automated processes.
- One of several initiatives in 2017 is that the Bank has implemented a number of IT robots to take over a large proportion of the administrative tasks linked with our budget and follow-up service. The robots have many advantages that benefit customers. Among other things, customers' budgets will always be fully updated, and in future it will be even easier to obtain a quick overview of customers' day-to-day finances for credit ratings etc.

Review of corporate social responsibility – CSR

A long history of social responsibility

Arbejdernes Landsbank has a long history of social responsibility, dating back to the founding of the Bank in 1919. At its establishment, the object of the Bank was to secure independence for the trade-union movement from capitalist banks in a conflict situation; to endeavour to safeguard members of the trade-union movement in a conflict situation; and to offer better and cheaper loans as alternatives to mortgage borrowers.

Today, responsibility continues to be the foundation of our banking philosophy. Our fundamental values and the Bank's approach to customers, employees, cooperation partners and investments are built on respect for people and an objective to leave the most positive impression possible on the world. This is one of the reasons why the Bank has developed a set of customer pledges defining the behaviour our employees should strive for every day. This behaviour is based on the following three values: Responsible, attentive and straightforward. This behaviour will ensure the best possible customer experience for customers, ensure the best possible workplace for fellow employees, and ensure the best possible conditions for society and the environment.

Five focus areas

We strive to live up to our social and economic responsibilities in the following five focus areas:

- Customers and products.
- Employees.
- Society.
- Climate and the environment.
- Anti-corruption and bribery.

Customers and products

As financial advisors, we undertake to ensure that customers are given the best possible conditions to live within their financial situation.

Our policy is to:

- ensure that our customers understand their financial situation and the products the Group offers,
- treat all customers professionally, with respect and concern for their individual needs,
- offer all customers personal financial advice,
- provide advice which meets our customers' needs,

- train our financial advisors so that their competencies live up to the legitimate expectations of a full-service bank, and
- offer our customers ethically screened investments.

Employees

As an employer, we consider it our responsibility to create the framework for a healthy, safe and inspirational working environment.

Our policy is to:

- provide working conditions which motivate and inspire our employees in their daily work,
- offer flexible working hours which allow individual employees to create a better balance between their private life and life at work,
- create career and development opportunities for employees at all levels in the Bank,
- ensure a healthy physical and psychological working climate, and
- care for employees who suffer from stress or sickness.

Society

At Arbejdernes Landsbank, we want to support and get involved in good causes locally, nationally and internationally.

Our policy is to:

- support information campaigns through recognised institutions,
- establish sponsorship collaboration with sports clubs and non-profit organisations,
- get involved in the local community and contribute to developing culture and recreational activities,
- support humanitarian work through Danish and international relief organisations, and
- contribute to giving young people a better understanding of their personal finances through training and other means.

Climate and the environment

Our goal is for Arbejdernes Landsbank to be recognised as a climate-aware and environmentally aware enterprise. We are conscious of our responsibility for the environment and strive hard to reduce our energy consumption and achieve efficient and sustainable utilisation of our common resources.

Our policy is to:

- reduce our CO_2emissions by purchasing climate-friendly electricity and heating, and through energy optimisation of electricity, water and heating installations in our buildings and rental properties,
- make environmentally responsible purchases from our suppliers whenever possible, and
- minimise our environmental footprint, for example by performing source separation and recycling our waste.

Anti-corruption and bribery

At Arbejdernes Landsbank, we oppose and condemn any type of corruption. The Group has a common regulatory responsibility in relation to combatting corruption and bribery, and as a bank we have a special social responsibility to contribute to combatting money laundering and financing of terrorism.

Our policy is to:

- ensure that our employees do not give or receive gifts that have more than symbolic value, and
- identify suspicious financial behaviour and report it to the authorities if we suspect money laundering or financing of terrorism, with a view to combatting this.

The full CSR Report is available from the Bank's website: www.al-bank.dk/risiko_csr.

Corporate Governance and statutory report on corporate governance

The statutory report on corporate governance covers the accounting period 1 January – 31 December 2017. The Board of Directors and the Executive Management of the Bank are constantly seeking to ensure that the management structure and control systems are appropriate and operate satisfactorily. The Management makes regular assessments, at least once a year, that this is the case.

The basis for the organisation of management tasks is included in legislation and regulations, including the Danish Financial Business Act, the Executive Order on Management and Control of Banks etc., the Danish Securities Trading etc. Act, the regulations and recommendations for issuers from the OMX Nordic Exchange Copenhagen, the Global Exchange Markets Listing and Admission to Trading Rules, the management codex of the Finance Denmark, the Bank's Articles of Association, as well as good practice for financial undertakings. A number of procedures and internal controls have been developed and are maintained on this foundation to ensure active, secure and profitable management of the company.

Recommendations on corporate governance

The recommendations applying for the period 1 January 2017 to 31 October 2017 on corporate governance were reaffirmed by the Board of Directors in May 2017. New recommendations were published on 1 November 2017 applying from January 2018. These therefore have no impact on this annual report. The recommendations are available to the public on the Committee on Corporate Governance website: www.corporategovernance.dk. The recommendations deal with the interaction and communication between shareholders, other stakeholders and the company, the tasks and responsibilities of the Board of Directors, the composition and organisation of the Board of Directors, remuneration of Management, financial reporting, risk management, as well as audit.

The Bank generally follows the principles laid down in the Recommendations on Corporate Governance, and Arbejdernes Landsbank follows 44 out of the 47 recommendations. The form used to account for the Bank's observance of the Recommendations on Corporate Governance is available on the Bank's website: www.al-bank.dk/ handlers/documentarchive.ashx?id=266.

Policy on the under-represented gender in management positions

In 2013, the Bank's board of directors adopted a policy on the under-represented gender in order to promote equal opportunities between genders in management positions. The policy sets the following general goals:

- to create appropriate distribution between men and women in the Bank's Management,
- to follow up on developments in the gender composition of the Management,
- to provide opportunity to assess and adjust goals and means, and
- to ensure progress and results.

Specifically the objective is:

- to increase the percentage of the under-represented gender with a view to meeting the 40/60 ratio of genders laid down in the recommendations by 2021, and
- to ensure that the Bank's employees know that they have equal opportunities to make a career and fill management positions.

At the end of 2017, the ratio in management positions was 31/69 and 13/87 among the members of the Board elected by the General Meeting. Therefore the objective of a 40/60 ratio has not yet been reached. To a great extent, the composition of the Board of Directors elected by the General Meeting reflects the composition of the group of owners, where trade union presidents are elected in a democratic process in which no account is taken of gender. The Board of Directors is aware of its task to ensure gender equality as far as possible, but also acknowledges that this objective may not be met at specific times of measurement, provided that the qualifications of the individual candidate have been tested so as to rule out that selection of another candidate, on a qualified basis, could have resulted in a better gender composition. To increase the share of the under-represented gender, through career interviews and management development courses, the Group has focused extensively on developing future and current managers. Recruitment and promotion take place as laid down by the policy, according to which the best candidate must be hired for the job. If there are two end-candidates with similar professional and personal qualifications, the candidate from the under-represented gender will be chosen.

Board of Directors

In 2017 the Board of Directors was composed of nine members elected by the General Meeting and four elected by employees in accordance with the regulations in the Companies Act. Employee representatives are elected for a period of four years. The next election will be in 2018 and re-election is permitted. There are more details about the individual members of the Board of Directors on pages 24-26 of the annual report. In order to be nominated to the Board of Directors, the candidate has to meet the requirements stipulated in current regulations and codes of conduct for members of the board of directors of a financial undertaking, including the Bank's requirements in this respect. When a person is recommended for election to the Board of Directors, there is an assessment of the knowledge and professional experience needed in order to ensure that the Board has the necessary competencies. The Board of Directors also works to achieve a composition of members who supplement each other as well as possible with regard to age, background, gender etc. in order to secure a competent and all-round contribution to Board work for the Bank.

There is no age limit for Board members. The members of the Board of Directors represent broad knowledge and experience from the business community. The Board aims to ensure continuity and to secure a composition which reflects the competencies and professional experience required, while taking into account the complexity of the Bank's activities. None of the members of the Board of Directors participate in the day-to-day management of the Bank. The members elected by employees have the same rights and responsibilities as the members elected by the General Meeting. In accordance with the Recommendations on Corporate Governance, at least one-half of the members of the Board of Directors are considered as independent. The table summarising compliance by the Bank with the Recommendations on Corporate Governance is available from the Bank's website at www.al-bank.dk/handlers/documentarchive.ashx?id=266. The members of the Board elected by employees are not considered as independent.

The work of the Board of Directors

The Board of Directors ensures that the Executive Management observes the objectives, strategies, policies and procedures adopted by the Board of Directors. Reporting from the Executive Management is made systematically at meetings and in regular written and verbal reports. This reporting includes developments in society around the Bank, its own development and profitability as well as its financial position.

The general guidelines for the work of the Board of Directors have been laid down in rules of procedure, which are reviewed at least once a year and adjusted as required. The rules of procedure contain procedures for reporting by the Executive Management, the work methods of the Board of Directors, as well as a description of the tasks and responsibilities of the chairman of the Board of Directors. The Board of Directors meets according to a pre-arranged plan and also whenever necessary. The Board of Directors held 13 meetings in 2017.

Each member of the Board of Directors is evaluated annually to assess the need for competency development in the individual member of the Board of Directors and the Board of Directors as a whole.

Nomination and Remuneration Committee

Legislation stipulates that a nomination committee and a remuneration committee must be set up by the Group. The Board of Directors has decided to combine these two committees. The Nomination and Remuneration Committee is composed of four members of the Board of Directors. The Chairman of the Board of Directors is the chairman of the Committee. When working on and processing matters related to remuneration, including the Bank's pay policy and other decisions relative to this, a representative elected by the employees participates. The Nomination and Remuneration Committee works according to a plan set out by the Board of Directors.

The tasks of the Committee are:

- Drawing up recommendations in connection with new election and re-election of members for the Bank's Board of Directors as well as appointment of the Bank's Executive Management.
- Assessment of the size, structure, composition and results of the Board of Directors in relation to the tasks carried out, and reporting and making recommendations for any changes in this respect for the whole Board of Directors, regularly and at least once a year.
- Evaluation of the entire Board of Directors in relation to whether the Board of Directors has the required combination of knowledge, professional competences, diversity and experience, and whether the individual member is meeting the requirements laid down by the Financial Business Act. Reporting is carried out regularly and at least once a year to the entire Board of Directors, including recommendations on changes.

- Evaluation of the Bank's Executive Management and making recommendations for the Board of Directors in this respect, regularly and at least once a year.
- Annual assessment of the pay policy, including guidelines for severance pay in relation to the Board of Directors, the Executive Management and other senior employees and significant risk-takers.
- Annual identification of functions whose activities significantly influence the risk profile of the Bank.
- Annual checks of compliance with the pay policy.
- Assessment of performance-based remuneration and emoluments schemes for the Group in order to allow for value creation for the shareholders of the Group, as well as sound and effective risk management.
- Setting the remuneration of the Executive Management in accordance with the Group's pay policy, as well as controlling the remuneration of the Management of the part of the organisation that checks compliance with the limits for risk assumption and management of the part of the organisation that otherwise performs control and audits.

Two meetings of the Nomination and Remuneration Committee were held in 2017.

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

Audit and Risk Committee

The Board of Directors has set up an Audit and Risk Committee composed of four members of the Board of Directors, and chaired by Lars Andersen. The Audit and Risk Committee works according to a plan drawn up by the Board of Directors.

The tasks of the Committee are:

- Notifying the Board of Directors about the results of the statutory audit, including the process for financial reporting.
- Monitoring the financial reporting process and submitting recommendations or proposals to secure integrity.
- Monitoring whether the internal control system at the Bank, internal audit and risk management systems are working effectively with regard to financial reporting.
- Monitoring the statutory audit of the annual reports etc. taking account of the results of the most recent quality control and audit activities.
- Checking and monitoring the independence of auditors and approving other services than audit etc. supplied by the auditors.
- Being responsible for the procedure for selection and recommendation of auditors for election.
- Tasks that Board of Directors ask the Committee to perform.

With respect to risk in particular, work includes the following:

- Monitoring that the risk-management organisation at the Bank is appropriate in terms of the business model and risk profile.
- Monitoring and issuing recommendations to the Board of Directors regarding the adequacy of the capital resources of the Bank.
- Regularly, and at least once a year, assisting the Board of Directors in assessing the solvency need of the Bank. This is in cooperation with the Executive Management.
- Keeping the Board of Directors briefed about the framework for risk management by the Bank. This means that the Committee regularly assesses, and at least once a year presents to the Board, recommendations regarding the Banks's risk profile, risk policies and limits for:
- Operational risk.
- Credit risk.
- Market risk.
- Liquidity risk.

The Audit and Risk Committee held five meetings in 2017.

Remuneration policy

Every year, the Board of Directors receives fixed annual remuneration stipulated by the Nomination and Remuneration Committee. In the 2017 financial year, total remuneration for the Board of Directors amounted to DKK 2.4 mill. Members of the Board of Directors receive remuneration for their board work, including remuneration for participation in the Audit and Risk Committee and the Nomination and Remuneration Committee set up by the Board of Directors. For some members, this remuneration is paid to the organisations which they represent. Board members who resign from the Board of Directors will receive remuneration until the time of resignation.

In 2017, the following member resigned from the Board of Directors:

Mette Kindberg, former Vice President of HK, (resigned in November – remuneration DKK 195,000).

Executive Management

The Executive Management is employed by the Board of Directors, who also set the terms of employment for the Executive Management. The Executive Management is composed of Gert R. Jonassen, CEO and Jan W. Andersen, Executive Bank Director. The Executive Management is responsible for the daily operations of the Bank. The framework for the work of the Executive Management is laid down in instructions on the segregation of responsibilities between the Board of Directors and the Executive Management. The members of the Executive Management are not members of the Board of Directors, but they usually take part in meetings of the Board of Directors. Remuneration of the Executive Management is set by the Board of Directors and only comprises a fixed salary and pension scheme as well as a car and free telephone. Total emoluments for the Executive Management in 2017 amounted to DKK 6.3 mill. as disclosed in note 11 in the annual report.

Employees in the management group, including the Chief Risk Officer and the Chief Audit Executive, have a salary package comprising only a fixed remuneration and pension scheme, as well as a car and telephone. Employees in Internal Audit and Risk & Compliance are paid a fixed salary and pension scheme and are covered by a bonus scheme which is not affected by the financial performance of the Bank and which is regulated through collective agreements. The Bank's other employees are paid a fixed salary and pension scheme and are covered by a bonus scheme which is regulated through collective agreements.

Whistleblowing

To ensure that prevent important information from being withheld, in accordance with the Danish Financial Business Act, the Arbejdernes Landsbank Group has set up a whistleblower scheme to enable employees to notify unacceptable circumstances or transactions via a special and independent channel so as to reveal any violations of financial legislation.

Shareholders

The Bank regularly informs shareholders about relevant matters and encourages dialogue with shareholders. Amongst other things, this is through newsletters, annual reports, interim reports and at general meetings. The Bank's website, www.al-bank.dk is updated regularly with published information.

BOARD OF DIRECTORS

PER CHRISTENSEN
CHAIRMAN

Born in 1957. Member of the Board of Directors since 2014. Chairman of the Board of Directors since 2015. Chairman of the Nomination and Remuneration Committee.

Trade Union President - 3F (United Federation of Danish Workers)

Member of the Board of Directors of:
A/S A-Pressen
AKF Holding A/S (Vice-chairman)
Arbejderbevægelsens Erhvervsråd
Bolind A/S (Vice-chairman)
Fagbevægelsens Erhvervsinvestering A/S
Landsorganisationen i Danmark
PensionDanmark A/S (Chairman)
PensionDanmark Holding A/S (Chairman)

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

Shareholding:
1

Remuneration (DKK ´000):
323

CLAUS JENSEN
VICE CHAIRMAN

Born in 1964. Member of the Board of Directors since 2013. Vice Chairman of the Board of Directors since 2015. Member of the Nomination and Remuneration Committee. Member of the Audit and Risk Committee. Chairman of the Advisory Board of Representatives.

Trade Union President - Dansk Metal (Danish Metalworkers' Union)

Member of the Board of Directors of:
Economic Council of Labour Movement
Arbejderbevægelsens Kooperative Finansieringsfond A/S
A/S A-Pressen
A/S Femern Landanlæg
A/S Storebælt
A/S Øresund
Femern A/S
Industriens Kompetence-udviklingsfond, IKUF
Industriens Pensionsforsikring A/S
Industriens Pension Service A/S
Industriens Uddannelses- og Samarbejdsfond, IUS
Industripension Holding A/S
Danish Confederation of Trade Unions
Sund og Bælt Holding A/S
LO/FTF Council
Øresundsbro Konsortiet I/S
Central Organisation of Industrial Employees
Innovation Fund Denmark
Markedsmodningsfonden
Lindø port of Odense A/S
Industriansatte I Norden (IN) (Chairman)
IndustriALL European Trade

Member of:
Union (Vice Chairman)
Disruptionrådet
Tænketanken EUROPA
Danish Economic Council

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

Shareholding:
5

Remuneration (DKK ´000):
281

LARS ANDERSEN

Born in 1958. Member of the Board of Directors since 2009. Chairman of the Audit and Risk Committee.

Managing Director of AE - Economic Council of Labour Movement

Member of the Board of Directors of:
Investeringsfonden for Udviklingslandene IFU
Industriens Pensionsforsikring A/S
Industripension Holding A/S
Investeringsfonden for Østlandene (IØ-Fonden)

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

Shareholding:
0

Remuneration (DKK ´000):
214

TORBEN MÖGER PEDERSEN

Born in 1955. Member of the Board of Directors since 2013. Member of the Nomination and Remuneration Committee. Member of the Audit and Risk Committee.

Chief Executive Officer at PensionDanmark A/S and at PensionDanmark Holding A/S

Member of the Board of Directors of:
Danish Society for Education and Business (Chairman)
INDEX: Design to Improve Life
Foreningen til udvikling af bestyrelsesarbejde i Danmark Danish Insurance Association
Gigtforeningen (Vice-chairman)
PensionDanmark group subsidiaries (Chairman of the Board)
Symbion Fonden
Aalborg University
Det Udenrigspolitiske Selskab

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

Shareholding:
0

Remuneration (DKK ´000):
226

BOARD OF DIRECTORS, CONTINUED

LIZETTE RISGAARD

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

President of LO (Confederation of Danish Trade Unions)

Member of the Board of Directors of:
Fonden LO-Skolen Helsingør (Chairman)
Højstrupgård A/S (Chairman)
Forsikringsaktieselskabet ALKA
Economic Council of Labour Movement
Arbejdsmarkedets Tillægspension – ATP
Lønmodtagernes Dyrtidsfond
LO/FTF Council
DUI Leg og Virke/Børn Hjælper
Børn Fonden
IFS (Vice Præsident)
ETUC
Eksekutivkomité
NFS board
Danish Economic Council
A/S A-Pressen (Chairman)
Konventium (Chairman)

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

Shareholding:
1

Remuneration (DKK ´000):
155

KIM LIND LARSEN

Born in 1956. Member of the Board of Directors since 2016.

Gruppeformand i 3F

Member of the Board of Directors of:
Fonden Femern Belt Development
Danish Confederation of Trade Unions
PensionDanmark Holding A/S
PensionDanmark A/S
Rørvig Centret
A/S Teknologisk Insitut
Fællesfonden af 1961

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

Shareholding:
0

Remuneration (DKK ´000):
143

CHRISTIAN RIEWE

Born in 1975. Member of the Board of Directors since 2017.

Advokat (H)
Partner, Advokatfirmaet Bjørst

Member of the Board of Directors of:
Bjert Buses ApS (Chairman)
Workz A/S (Vice-Chairman)
Schmidts Tourist A/S
Friis-Holm Chokolade A/S (Chairman)
KLC A/S
Vikingbus A/S
Brønnums (Turistfart) A/S (Chairman)

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

Shareholding:
0

Remuneration (DKK ´000):
116

OLE WEHLAST

Born in 1959. Member of the Board of Directors since 2016.

Forbundsformand NNF

Member of the Board of Directors of:
Dansk Folkeferie Fonden
Economic Council of Labour Movement
Københavns Bagerafdelings' Fond
AOF Danmark (Chairman)
ATP board of representatives Danish Confederation of Trade Unions
LO/FTF Council

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

Shareholding:
2

Remuneration (DKK ´000):
143

BOARD OF DIRECTORS, CONTINUED

JOHN MARKUSSEN

Born in 1957. Employee-elected member of the Board of Directors since 1997.

Union Consultant at A/S Arbejdernes Landsbank

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

Shareholding:
11

Remuneration (DKK ´000):
143

JESPER PEDERSEN

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

Financial Advisor at A/S Arbejdernes Landsbank

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

Shareholding:
1

Remuneration (DKK ´000):
143

YVONNE HANSEN

Born in 1964. Employee-elected member of the Board of Directors since 2016.

Pension Manager at A/S Arbejdernes Landsbank

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

Shareholding:
1

Remuneration (DKK ´000):
143

LASSE THORN

Born in 1975. Employee-elected member of the Board of Directors since 2014.

Senior Shop Steward at A/S Arbejdernes Landsbank

Member of the Board of Directors of:
HK/Privat

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

Shareholding:
1

Remuneration (DKK ´000):
143

PROPOSED NEW MEMBER OF THE BOARD OF DIRECTORS

KIM SIMONSEN

Born in 1961.

Trade Union
President
HK/Denmark

Member of the Board of Directors of:
AKF Holding A/S
AKF Invest CPH A/S
Fonden for Entreprenørskab
Arbejdsmarkedets Tillægspension
A/S A-Pressen
Refshaleøens Holding A/S
ASX 7 ApS
Kommanditselskabet Christiansminde
Refshaleøens Ejendomsselskab A/S
Forsikringsaktieselskabet ALKA
Danish Confederation of Trade Unions
Sampension KP Livsforsikring A/S
Economic Council of Labour Movement

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

Shareholding:
0

EXECUTIVE MANAGEMENT

GERT R. JONASSEN

Member of the Board of Directors of:
AL Finans A/S (Chairman)
Finanssektorens Uddannelsescenter (Vice Chairman)
Foreningen Bankernes EDB Central (Chairman)
Kooperationen
LR Realkredit A/S (Vice Chairman)
PensionDanmark Holding A/S
PensionDanmark A/S
Pras A/S
Landsdækkende Banker
Totalkredit A/S
DLR Kredit A/S

Member of the Executive Management in:
Handels ApS Panoptikon

Shareholding:
0

Remuneration from the Bank (DKK '000):
3,253

JAN W. ANDERSEN

Member of the Board of Directors of:
AL Finans A/S
Arbejdsmarkedets Tillægspension – ATP
BI Holding A/S
Forvaltningsinstituttet for Lokale Pengeinstitutter (Vice Chairman)
Lønmodtagernes Garantifond
Danish Labour Market Fund for Posted Workers, AFU
VP Securites A/S + Chairman of the Risk Committee
PFA Advisory Board

Shareholding:
0

Remuneration from the Bank (DKK '000):
2,978

Risk management

General
Arbejdernes Landsbank is exposed to various types of risk and considers risk management an essential focus area for the Board of Directors, the Executive Management and the authorising units.

The Board of Directors regularly assesses the overall risk profile and the individual risk factors linked to Group activities. The Board of Directors adopts policies for the most important risk areas, monitors developments and ensures that there are plans to manage and follow up all areas, including business and financial risks, compliance, audit plans, insurance and environmental aspects.

Overall responsibility for the Group's risk management and control in connection with financial reporting is placed with the Board of Directors and the Executive Management as well as with the Audit and Risk Committee appointed by the Board of Directors. The Audit and Risk Committee deals with individual risk areas in a frequent process which also includes possibilities to discuss extremely urgent or especially relevant matters.

The Executive Management is responsible for ongoing risk management, including calculating, measuring and assessing individual risks associated with the Group's business activities.

The Group Risk & Compliance function is tasked with ensuring compliance with frameworks and policies and ensuring that these are in accordance with legislation. Tasks also include to ensure that the Executive Management and the Board of Directors regularly receive relevant risk reporting at Bank and Group levels, and that such reporting provides the overview necessary to be able to manage the Group's overall risk exposure.

Special issues of a cross-sectoral nature are treated by a Risk and Liability Management Committee set up by the Executive Management and including the Executive Management as well as the CRO.

The most significant types of risk for the Group are listed below:
Credit risk is the risk that a counterparty is wholly or partly unable to, or fails to make payments.

Market risk is the risk of losses due to changes in market value of assets or liabilities as a result of changes in market conditions, including interest-rate changes.

Liquidity risk is the risk of losses due to failure to honour payment obligations by means of normal liquidity reserves. This includes the risk that, due to insufficient cash resources, the Group is prevented from making new deals and is ultimately unable to honour its obligations, while there is also the risk of losses due to disproportionally high increases in financing cost.

Operational risk is the risk of losses due to inadequate or erroneous internal processes, human errors or system errors.

The Group issues a risk report, which is available in English on the Bank's website: al-bank.dk/risiko_csr.

Benchmarks from the Danish Financial Supervisory Authority

As part of their monitoring of the financial sector and on the basis of a risk-based approach, the Danish FSA has laid down a set of selected financial ratios in the form of five benchmarks which are only utilised at bank level. If the Bank is to prevent any supervisory reaction, the Danish FSA expects the Bank's Board of Directors to plan and implement the Bank's strategy taking into account the benchmarks stipulated.

As in previous years, the Bank was also within the Danish FSA's limit values in 2017.

Benchmarks from the Danish FSA *)	Limit values	The Bank
Funding ratio	< 1	0.5
Excess liquidity coverage	> 50	242.3
Sum of large exposures	< 125	0.0
Lending growth	< 20	4.0
Commercial property exposure	< 25	4.9

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

The funding ratio means that lending must not exceed working capital. With a ratio of 0.5, the Bank has a good margin to the critical value of 1.

Excess liquidity coverage is expressed as a key ratio and for the Bank and amounts to 242.3%, which is far from the critical value, according to which excess coverage must be at least 50% above the statutory requirement. From 30 June 2018 this ratio will be replaced by a new liquidity ratio based on the LCR financial ratio in the modified form to be able to cope with a three-month liquidity stress. An estimated calculation shows that the Bank will meet this benchmark.

The Bank has no exposures falling under the definition of "large exposures". On 1 January 2018, this key figure will be replaced by a new key figure which measures the sum of the Bank's 20 largest exposures. At 71.2% the Bank is well within the future limit value of 175%.

Lending growth excluding repurchase agreements must stay below a maximum of 20%. With moderate growth of 4.0% in 2017, the Bank is far from this critical value.

The Bank's commercial property exposures before impairment charges amounted to 4.9% and the Danish FSA has set this critical value at a maximum 25%.

Capital management

Arbejdernes Landsbank actively manages its capital in relation to the CRR Regulation and the risk profile selected by the Group. The overall balance-sheet composition and assessment of risk are a fixed item for discussion at meetings of the Bank's Risk and Liability Management Committee held prior to each meeting of the Board of Directors and sometimes more often, if required. The Risk and Liability Management Committee is composed of participants from the Executive Management, management of the Credit Department, Finance, the Treasury Department and Risk & Compliance.

The balance-sheet composition takes into account an assessment of existing and expected future risk and uncertainty. This also includes focus on the funding composition so that, at all times, this matches the expected MREL requirements for a minimum share of long-term debt obligations stipulated by the Danish FSA for a bank of the size of Arbejdernes Landsbank, referring to the provisions in the Resolution Executive Order *(Afviklingsbekendtgørelsen)*. Pursuant to this, through its funding structure, a credit institution must contribute to ensuring optimum conditions for the authorities, in the form of the Danish FSA and the Financial Stability Company, to carry out a financial reconstruction of the institution through a necessary reconstruction of a failing institution. The MREL requirement (Minimum Requirement for own funds and Eligible Liabilities) will be phased in progressively over a five-year period starting from 1 January 2019 and will be fully implemented from 1 January 2023.

The policy of the Board of Directors is that the Bank and the Group should have a capital ratio such that the Group can continue its lending activities in periods with difficult market conditions. Therefore the capital must be of such robustness that the statutory capital requirements can be met at any time, and such that it can counteract unexpected losses and changes in risks to which the Group has decided to be exposed.

To calculate the capital ratio in Pillar 1, the Bank applies the standard method for credit and market risks and the basic indicator approach for operational risks. The Group regularly assesses its need to improve risk management.

The Group actively applies the calculation of the individual solvency need as an indicator for whether there is a sufficient safety margin in relation to the capital ratio. In accordance with guidelines set out by the Danish FSA for credit institutions, the Group has prepared a recovery plan and contingency plans for improving the capital ratio etc. if the limit values adopted are threatened or transgressed.

Process of financial reporting

The Board of Directors and Executive Management hold overall responsibility for the Bank's internal control and risk management in connection with the process of financial reporting, including compliance with relevant legislation and other regulation in relation to financial reporting. The Bank's risk management and internal control systems can only establish reasonable, but not absolute, certainty regarding prevention of material errors and omissions in financial reporting.

At least once a year, through the Audit and Risk Committee, the Board of Directors assesses the organisational structure, risk of fraud as well as the internal rules and guidelines. The Board of Directors and the Executive Management lay down and approve overall procedures in important areas in connection with the process of financial reporting. The Board of Directors has adopted procedures etc., for important areas within financial reporting, and these procedures are available to the whole organisation. Compliance is tightened regularly and there is regular sample follow-up of compliance.

The Executive Management regularly monitors compliance with relevant legislation and other regulations and provisions in connection with financial reporting and reports to the Board of Directors.

Audit

In compliance with rules for supervised financial undertakings, the Group has appointed an independent audit firm, Deloitte as external auditor. The Group also has an internal audit function, in which the Chief Audit Executive is appointed by and reports to the Board of Directors. The framework for work by the Internal Audit function is described in the internal audit charter established between the Board of Directors and the Internal Audit function, as well as the audit agreement approved by the Board of Directors between the Internal Audit function and the external auditors.

The auditors report directly to the Board of Directors at Board meetings as well as in the long-form audit report. Accounting policies for the most important areas are audited in connection with the audit of the annual report, and the Board of Directors and the auditors discuss observations from the audit.

Prior to the annual general meeting, the Board of Directors conducts a critical assessment of the competencies, independence etc. of the auditors, as recommended by the Audit and Risk Committee. After this, the Board of Directors recommends an independent auditor to the General Meeting. The external, appointed auditors are responsible for safeguarding the interests of the shareholders and the public.

Accounting estimates and assessments

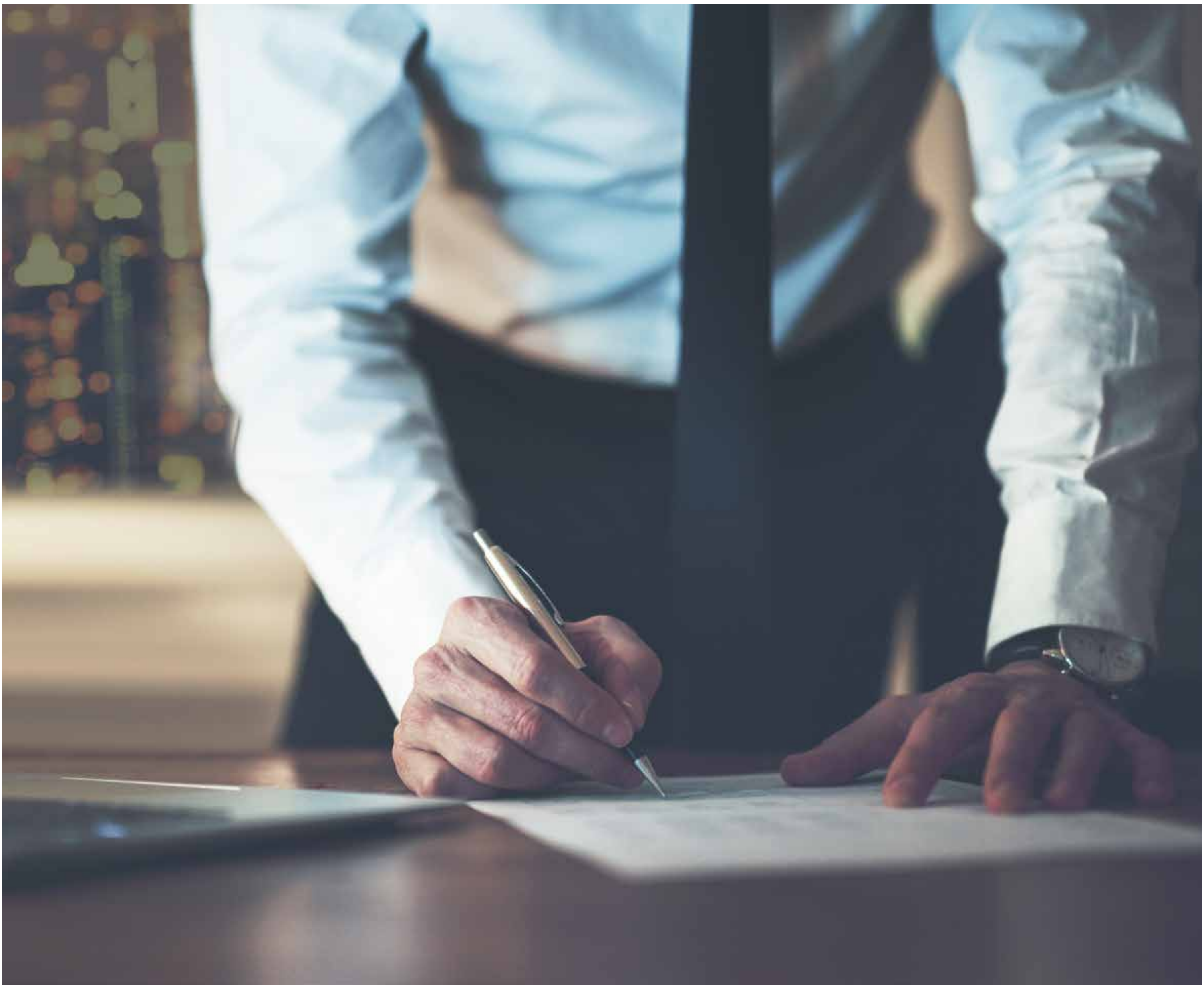
The calculation of the carrying amount of certain significant assets and liabilities requires estimates, assessments and assumptions about future events, see note 2. In each case, estimates and assessments applied are based on the Group's historical experience and other factors deemed prudent by the Management, but which are by their nature uncertain and unpredictable. Assumptions for these can be incomplete or inaccurate. Future events or circumstances may arise which were not forecast at the time of the estimation. Accordingly, estimates and assessments are difficult to make, and if estimates also involve customer relationships and outstanding accounts with other counterparties, these will be associated with significant uncertainty, not least in periods with low business activity. Therefore, it may be necessary to change estimates made previously because of new information, further experience or subsequent events.

Events after expiry of the accounting period

Apart from the consequences described in relation to transition to IFRS 9 as at 1 January 2018, no events have taken place after end of the financial year which have a significant impact on the assessment of the financial position of the Group.

Overview of the development of the Bank

Year	Share capital DKK '000	Equity DKK '000	Total deposits DKK '000	Total loans DKK '000	Balance sheet DKK '000	Dividend
1919	2,028	2,053	8,467	6,171	10,845	2%
1924	2,980	3,113	32,097	27,333	35,743	0%
1929	3,000	3,153	34,549	27,147	38,117	0%
1934	4,000	5,809	54,701	30,476	60,895	5%
1939	5,748	8,298	79,122	53,820	90,975	5%
1944	6,068	10,383	112,733	39,593	132,318	5%
1949	9,000	14,656	148,210	106,992	185,173	5%
1954	12,268	20,029	236,362	166,498	280,877	5%
1959	20,000	34,361	324,455	208,054	396,974	5%
1964	27,480	51,194	512,412	391,147	687,722	5%
1969	73,245	132,224	1,112,641	859,137	2,020,207	8%
1974	84,010	189,609	1,416,860	1,055,938	1,952,346	8%
1979	155,000	386,378	3,302,869	2,042,200	4,138,430	8%
1984	250,000	1,065,326	7,159,989	4,113,046	9,193,014	10%
1985	300,000	1,259,777	8,892,844	4,849,759	11,895,334	10%
1986	300,000	1,169,252	12,332,646	6,120,481	15,767,884	10%
1987	300,000	1,178,692	9,204,051	6,689,158	13,148,580	10%
1988	300,000	1,114,226	9,739,026	6,841,645	13,568,986	10%
1989	300,000	1,038,432	8,874,509	6,816,247	12,114,390	5%
1990	300,000	1,127,053	9,604,343	7,246,667	13,190,238	5%
1991	300,000	1,141,123	10,066,171	7,589,772	13,503,811	7%
1992	300,000	910,226	9,518,135	6,321,741	11,909,442	0%
1993	300,000	1,017,069	9,810,743	5,915,726	12,056,005	6%
1994	300,000	978,775	9,497,094	5,980,578	13,019,924	6%
1995	300,000	1,107,773	9,366,550	6,120,781	12,481,734	8%
1996	300,000	1,244,261	9,509,461	5,954,845	12,992,751	8%
1997	300,000	1,253,927	8,600,579	6,253,048	13,593,738	8%
1998	300,000	1,324,771	9,073,724	6,129,112	13,634,397	9%
1999	300,000	1,366,063	8,703,307	5,767,079	13,304,523	8%
2000	300,000	1,447,765	8,647,361	6,612,586	14,694,356	8%
2001	300,000	1,517,595	9,462,569	6,798,638	13,584,198	8%
2002	300,000	1,572,733	9,931,401	6,718,055	12,966,789	8%
2003	300,000	1,776,367	10,064,125	7,243,911	14,818,457	35%
2004	300,000	1,985,181	11,172,086	7,995,438	17,632,336	18%
2005	300,000	2,577,002	11,901,912	9,147,135	20,155,354	15%
2006	300,000	2,826,009	12,635,413	11,158,237	22,266,046	20%
2007	300,000	2,951,311	14,575,944	13,255,086	25,721,904	20%
2008	300,000	2,847,539	19,079,536	17,401,113	31,819,407	0%
2009	300,000	2,939,710	21,406,246	16,954,659	30,512,085	0%
2010	300,000	3,118,224	20,942,449	16,917,430	32,344,168	8%
2011	300,000	3,157,260	22,932,631	16,948,118	34,570,204	8%
2012	300,000	3,607,213	24,100,569	17,687,171	36,773,174	35%
2013	300,000	3,929,360	28,134,619	18,051,773	37,567,966	20%
2014	300,000	5,049,098	29,640,537	18,201,929	40,060,265	15%
2015	300,000	5,279,627	32,314,448	19,637,109	41,978,320	10%
2016	300,000	5,681,749	34,204,463	20,850,047	44,340,267	10%
2017	300,000	6,761,498	37,460,655	21,682,772	47,261,341	50%



Statements and reports

Statement by the Management

Today, the Board of Directors and Executive Management presented and adopted the consolidated financial statements and the parent financial statements of Aktieselskabet Arbejdernes Landsbank for the financial year 1 January to 31 December 2017.

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the financial statements of the Bank are presented in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Credit Institutions and Investment Companies etc. The Management's report has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements and the parent financial statements give a fair presentation of the assets, liabilities and financial position of the Group and of the Bank as at 31 December 2017, and of the results of the activities of the Group and the Bank and the cash flows of the Group for the financial year 1 January to 31 December 2017.

In our opinion, the Management's report provides a true and fair view of the developments of the activities and financial situation, results for the year and financial position of the Group and of the Bank, as well as a description of the most significant risks and uncertainty factors that may influence the Group and the Bank.

We recommend the annual report for approval at the Annual General Meeting.

Copenhagen, 19 February 2018

Executive Management:

Gert R. Jonassen *CEO*	Jan W. Andersen

The Board of Directors:

Per Christensen *Chairman*	Torben Möger Pedersen	Yvonne Hansen
Claus Jensen *Vice Chairman*	Christian Riewe	John Markussen
Lars Andersen	Lizette Risgaard	Jesper Pedersen
Kim Lind Larsen	Ole Wehlast	Lasse Thorn

Internal auditor's report

Opinion

We have audited the consolidated financial statements and the parent financial statements of Aktieselskabet Arbejdernes Landsbank for the financial year 1 January to 31 December 2017, comprising the income statement, statement of comprehensive income, balance sheet, statement of capital and notes, including accounting policies of the Group and the Bank, and the cash flow statement for the Group. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the financial statements for the Bank have been prepared in accordance with the Danish Financial Business Act.

In our opinion the consolidated financial statements and the parent financial statements of Aktieselskabet Arbejdernes Landsbank give a true and fair view of the Group's and the Bank's assets, liabilities and financial position as at 31 December 2017 and of the results of the Group's and the Bank's activities and the Group's cash flows for the financial year 1 January to 31 December 2017, in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, and in accordance with the Danish Financial Business Act in respect of the parent financial statements.

Basis for opinion

We conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Undertakings etc. as well as financial groups, and pursuant to the International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. These standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the consolidated financial statements and the parent financial statements are free from material misstatement.

Our audit has been planned and performed such that we have assessed procedures and internal control procedures, including the risk management organised by Management relevant to reporting processes and significant business risks.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent financial statements. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement in the consolidated financial statements and the parent financial statements, whether due to fraud or error. In making risk assessments, the auditor considers internal controls relevant to the company's preparation and fair presentation of the consolidated financial statements and the parent financial statements. The purpose is to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent financial statements.

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

Statement on the Management's report

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

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the Management's report and, in doing so, consider whether the Management's report is materially inconsistent with the consolidated financial statements, the parent financial statements or our knowledge obtained in connection with our audit, or otherwise appears to be materially misstated.

Moreover, we are responsible for considering whether the Management's report includes the information required in accordance with the Danish Financial Business Act.

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

Copenhagen, 19 February 2018

Christoffer Max Jensen
Chief Audit Executive

Independent auditors' report

To the shareholders of Aktieselskabet Arbejdernes Landsbank

Opinion

We have audited the consolidated financial statements and the parent financial statements of Aktieselskabet Arbejdernes Landsbank for the financial year 1 January to 31 December 2017, comprising the income statement and statement of comprehensive income, balance sheet, statement of capital and notes, including accounting policies for the Group and the Bank, and the cash flow statement for the Group. The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU, and the financial statements for the Bank have been prepared in accordance with the Danish Financial Business Act.

In our opinion the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Bank's assets, liabilities and financial position as at 31 December 2017, and of the results of the Group's and the Bank's activities and the Group's cash flows for the financial year 1 January to 31 December 2017, in accordance with International Financial Reporting Standards as adopted by the EU in respect of the consolidated financial statements, and in accordance with the Danish Financial Business Act in respect of the parent financial statements.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under these standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements" section. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge, no prohibited non-audit services within the meaning of Article 5(1) of Regulation (EU) No. 537/2014 have been provided.

We were elected as auditors for Aktieselskabet Arbejdernes Landsbank for the first time on 21 December 1990 for the financial year 1990. Together with RI Statsautoriseret Revisionsaktieselskab, we have been re-elected annually by the General Meeting for a total engagement period of 18 consecutive years up to and including the financial year 2007. After tendering procedures in 2007 and in 2011, we were re-elected by the General Meeting for total engagement periods of four consecutive years, and subsequently six consecutive years, up to and including the financial year 2017.

Central matters related to the audit

Central matters related to the audit are the matters which, according to our professional judgment, were most significant in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January to 31 December 2017. These matters were dealt with as part of our audit of the consolidated financial statements and the parent financial statements as a whole, and in the preparation of our opinion on the consolidated financial statements and the parent financial statements. We express no separate opinion on these matters.

Impairments on loans

The determination of the need for impairments on loans is associated with estimates and assessments. Due to their materiality, impairments on loans are a central matter in the audit.

Lending by the Group and by the Bank constituted DKK 21,958 mill. and DKK 21,683 mill., respectively, and impairments on loans in the Group and in the Bank constituted DKK 1,269 mill. and DKK 1,258 mill., respectively, as at 31 December 2017.

The principles for calculating the need for impairment charges are described in the accounting policies, and in Note 47 Management provides a more detailed description of credit risk management, and of assessments of the need for impairment charges.

We have assessed that the following areas are particularly associated with estimates, and they have consequently called for more attention in connection with our audit:

- Assessment of whether loans have objective evidence of impairment.

- Valuation of collateral included in the calculation of the need for impairment charges.
- Supplementary estimates by Management.

Audit treatment

We have audited measurements of loans, including impairments on loans. Our audit included a review of relevant business procedures, tests of controls and analyses of the size of impairment charges.

Furthermore, our auditing actions included:

- Tests on the Group's and the Bank's internal controls to identify loans associated with evidence for risks of losses.
- A critical approach to methods related to statistical models and areas requiring estimates, based on our knowledge and experience of the sector, including a review of changes compared to last year.
- An assessment of changes counter to trends in the sector and historical observations in assumptions regarding areas requiring estimates.
- A risk-based test of exposures to ensure timely identification of loans associated with objective evidence of impairment, and to ensure appropriate impairment charges on such loans.
- Obtaining audit evidence of supplementary impairments by Management.

Statement on the Management's report

Management is responsible for the Management's report.

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

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the Management's report and, in doing so, consider whether the Management's report is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

Management is also responsible for the internal control deemed necessary by Management in order to prepare consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and the parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with senior Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

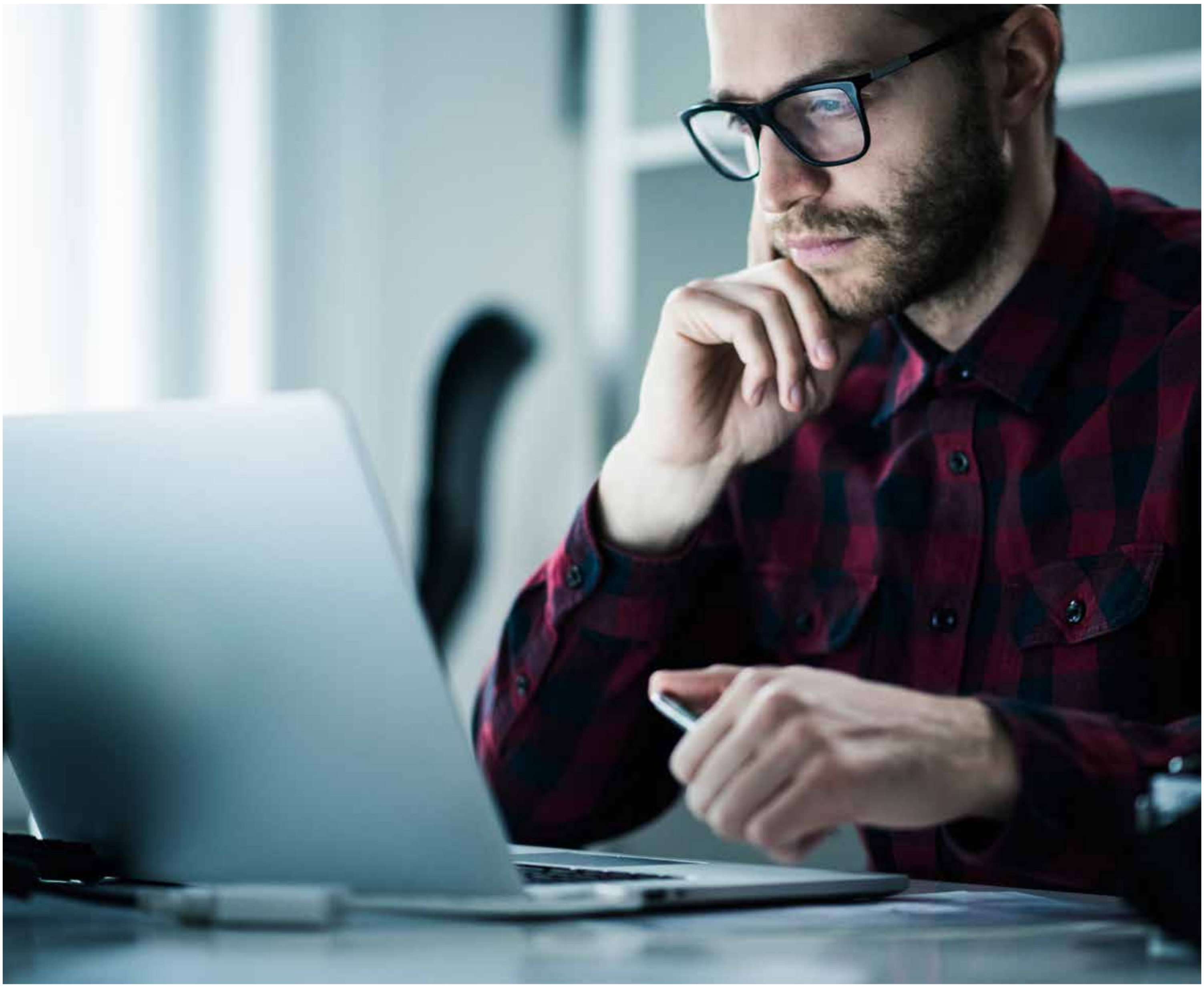
We also submit a statement to senior Management expressing that we comply with all ethical requirements regarding independence, and we inform senior Management about any relationships or other matters that could reasonably be expected to affect our independence, and, where relevant, any preventive measures taken.

Based on the matters communicated to senior Management, we decide which matters were most significant in our audit of the consolidated financial statements and the parent financial statements for the current period. These matters constitute central matters in the audit. We describe these matters in our auditors' report, unless legislation or other regulations prevent such matters from being disclosed to the public, or unless, in very rare cases, we conclude that the matter should not be communicated in our auditors' report because the negative consequences of this could reasonably be expected to outweigh the benefits of disclosing such matter to the public.

Copenhagen, 19 February 2018

DELOITTE
STATSAUTORISERET REVISIONSPARTNERSELSKAB
CVR NO. 33 96 35 56

ANDERS OLDAU GJELSTRUP	CHRISTIAN DALMOSE PEDERSEN
State-Authorised Public Accountant Identification number (MNE) 10777	*State-Authorised Public Accountant Identification number (MNE) 24730*



Financial statements and consolidated financial statements

Income statement and Comprehensive income for the period 1 January to 31 December

Note		Group 2017 DKK '000	Group 2016 DKK '000	Bank 2017 DKK '000	Bank 2016 DKK '000
	Income statement				
7	Interest income	1,246,793	1,330,708	1,133,040	1,213,874
8	Interest expenses	-53,184	-82,448	-52,622	-82,283
	Net interest income	*1,193,609*	*1,248,260*	*1,080,418*	*1,131,591*
	Dividends from shares etc.	43,824	45,483	43,824	45,482
9	Fees and commission income	663,669	612,221	596,877	549,459
9	Fees and commissions paid	-108,175	-76,205	-61,731	-29,695
	Net interest and fee income	*1,792,927*	*1,829,759*	*1,659,388*	*1,696,837*
10	Value adjustments	901,285	-70,933	901,522	-71,275
	Other operating income	90,480	81,782	57,402	36,209
11	Staff and administrative expenses	-1,353,845	-1,214,048	-1,264,432	-1,130,421
22-24	Amortisation/depreciation as well as impairment charges on intangible assets and property, plant and equipment	-59,073	-73,409	-26,635	-34,524
12	Other operating expenses	-52,692	-48,633	-47,235	-45,991
13	Impairments on loans and receivables, etc.	-14,335	-55,674	-4,626	-49,401
19-20	Profit from equity investments in associated companies and group companies	0	65,150	20,729	99,989
	Profit before tax	*1,304,747*	*513,994*	*1,296,113*	*501,423*
14	Tax	-149,275	-94,578	-140,641	-82,007
	Profit for the year	*1,155,472*	*419,416*	*1,155,472*	*419,416*
	Broken down by:				
	Shareholders of Arbejdernes Landsbank	1,089,481	352,902	1,089,481	352,902
	Holders of Additional Tier 1 instruments	65,991	66,514	65,991	66,514
	Profit for the year	*1,155,472*	*419,416*	*1,155,472*	*419,416*
	Earnings per share				
15	Earnings per share (DKK)	3,680.0	1,225.1	3,680.0	1,225.1
	Comprehensive income				
	Profit for the year	*1,155,472*	*419,416*	*1,155,472*	*419,416*
	Other comprehensive income				
	Items that cannot be reclassified to the income statement:				
23	Change in the revalued amount of owner-occupied properties *)	5,818	64,610	5,818	64,610
	Total other comprehensive income	*5,818*	*64,610*	*5,818*	*64,610*
	Comprehensive income for the year	*1,161,290*	*484,026*	*1,161,290*	*484,026*
	Broken down by:				
	Shareholders of Arbejdernes Landsbank	1,095,299	417,512	1,095,299	417,512
	Holders of Additional Tier 1 instruments	65,991	66,514	65,991	66,514
	Comprehensive income for the year	*1,161,290*	*484,026*	*1,161,290*	*484,026*

*) Deferred tax on the Bank's properties amounts to DKK 0.

Balance sheet as at 31 December

Note		Group 2017 DKK '000	Group 2016 DKK '000	Bank 2017 DKK '000	Bank 2016 DKK '000
	Assets				
	Cash in hand and demand deposits with central banks	908,364	876,866	908,364	876,865
13, 16	Receivables from credit institutions and central banks	6,015,661	1,876,168	6,007,782	1,863,684
13, 17	Loans and other receivables at amortised cost	21,958,056	21,058,263	21,682,772	20,850,047
18	Bonds at fair value	11,812,388	15,207,800	11,812,388	15,207,800
	Shares etc.	2,045,320	1,328,188	2,045,320	1,328,188
19	Equity investments in associated companies	0	0	0	0
20	Equity investments in group companies	0	0	278,790	258,064
21	Assets linked to pooled schemes	2,727,496	2,056,027	2,727,496	2,056,027
22	Intangible assets	16,587	12,713	0	0
	Investment properties	37,563	35,413	37,563	35,413
	Owner-occupied properties	857,280	947,987	857,280	947,987
23	***Total land and buildings***	***894,843***	***983,400***	***894,843***	***983,400***
24	Other property, plant and equipment	149,040	143,851	74,571	63,467
	Current tax assets	32,737	12,972	47,880	28,375
25	Deferred tax assets	11,701	4,238	19,495	18,541
26	Other assets	767,022	837,723	736,030	781,496
	Prepayments and accrued income	29,666	27,609	25,610	24,313
	Total assets	***47,368,881***	***44,425,818***	***47,261,341***	***44,340,267***
	Equity and liabilities				
	Liabilities				
	Debt				
27	Debt to credit institutions and central banks	2,080,697	3,271,354	2,080,697	3,271,354
28	Deposits and other debt	34,756,228	32,149,727	34,733,159	32,148,436
	Deposits in pooled schemes	2,727,496	2,056,027	2,727,496	2,056,027
	Other non-derivative financial liabilities at fair value	54,773	263,148	54,773	263,148
29	Other liabilities	882,535	894,168	811,139	823,537
	Accruals and deferred income	35,485	36,235	23,044	23,292
	Total debt	***40,537,214***	***38,670,659***	***40,430,308***	***38,585,794***
30	***Provisions***				
	Guarantee loss provisions	30,750	30,520	30,750	30,520
	Other provisions	39,419	42,890	38,785	42,204
	Total provisions	***70,169***	***73,410***	***69,535***	***72,724***
	Total liabilities	***40,607,383***	***38,744,069***	***40,499,843***	***38,658,518***
	Equity				
31	Share capital	300,000	300,000	300,000	300,000
	Revaluation reserves	326,709	365,689	326,709	365,689
	Reserve under the equity method	0	0	265,961	245,233
	Retained earnings	5,135,881	4,137,084	4,869,920	3,891,851
	Proposed dividend	150,000	30,000	150,000	30,000
	Shareholders of Arbejdernes Landsbank	***5,912,590***	***4,832,773***	***5,912,590***	***4,832,773***
33	Holders of Additional Tier 1 instruments	848,908	848,976	848,908	848,976
	Total equity	***6,761,498***	***5,681,749***	***6,761,498***	***5,681,749***
	Total equity and liabilities	***47,368,881***	***44,425,818***	***47,261,341***	***44,340,267***

Statement of capital

	Shareholders of Arbejdernes Landsbank							
	Share capital	Revaluation reserves	Reserve under the equity method	Retained earnings	Proposed dividends	Total	Additional Tier 1 capital	Total equity
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Group 2017								
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 year	0	0	0	939,481	150,000	*1,089,481*	65,991	*1,155,472*
Other comprehensive income	0	5,818	0	0	0	*5,818*	0	*5,818*
Total comprehensive income	*0*	*5,818*	*0*	*939,481*	*150,000*	*1,095,299*	*65,991*	*1,161,290*
Other additions and disposals *)	0	-44,798	0	44,798	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*	-66,059	*-66,059*
Tax	0	0	0	14,518	0	*14,518*	0	*14,518*
Total changes in equity	*0*	*-38,980*	*0*	*998,797*	*120,000*	*1,079,817*	*-68*	*1,079,749*
Equity carried forward 2017	*300,000*	*326,709*	*0*	*5,135,881*	*150,000*	*5,912,590*	*848,908*	*6,761,498*
Group 2016								
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 revaluation reserves in connection with property sales.

**) Reclassification of DKK 727.6 mill. after the Bank's ownership interest in ALKA Forsikring was reduced to less than 20% and consequently classified under "Shares etc.". The Bank has realised revaluation reserves of DKK 5.2 mill. in connection with property sales, etc.

Statement of capital

	Shareholders of Arbejdernes Landsbank							
	Share capital	Revaluation reserves	Reserve under the equity method	Retained earnings	Proposed dividends	Total	Additional Tier 1 capital	Total equity
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
Bank 2017								
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 year	0	0	20,728	918,753	150,000	*1,089,481*	65,991	*1,155,472*
Other comprehensive income	0	5,818	0	0	0	*5,818*	0	*5,818*
Total comprehensive income	*0*	*5,818*	*20,728*	*918,753*	*150,000*	*1,095,299*	*65,991*	*1,161,290*
Other additions and disposals *)	0	-44,798	0	44,798	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*	-66,059	*-66,059*
Tax	0	0	0	14,518	0	*14,518*	0	*14,518*
Total changes in equity	*0*	*-38,980*	*20,728*	*978,069*	*120,000*	*1,079,817*	*-68*	*1,079,749*
Equity carried forward 2017	*300,000*	*326,709*	*265,961*	*4,869,920*	*150,000*	*5,912,590*	*848,908*	*6,761,498*
Bank 2016								
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 revaluation reserves in connection with property sales.

**) Reclassification of DKK 727.6 mill. after the Bank's ownership interest in ALKA Forsikring was reduced to less than 20% and consequently classified under "Shares etc.". The Bank has realised revaluation reserves of DKK 5.2 mill. in connection with property sales, etc.

Cash flow statement
for the period 1 January to 31 December *)

Note		Group 2017 DKK '000	2016 DKK '000
	Profit before tax for the year	1,304,747	513,994
	Corporation tax paid	-161,985	-90,697
	Adjustment for non-cash operating items		
22	Depreciation, amortisation and impairment charges on intangible assets	6,070	16,733
23-24	Depreciation, amortisation, impairment charges and revaluations of property, plant and equipment	53,003	56,667
13	Impairments on loans etc.	14,335	55,674
	Profit for the year adjusted for non-cash operating items	***1,216,170***	***552,371***
	Loans and receivables with credit institutions, etc.	-780,473	-1,251,074
	Bonds and shares	2,678,280	228,015
	Deposits and debt to credit institutions, etc.	2,087,313	1,904,917
	Other non-derivative financial liabilities at fair value	-208,375	88,439
	Other assets and liabilities	-739,104	-351,739
	Change in working capital	***3,037,641***	***618,558***
	Cash flows from operating activities	***4,253,811***	***1,170,929***
	Sales of equity investments in associated companies **)	0	562,876
	Purchases of intangible assets	-9,944	-15,633
22	Purchases of property, plant and equipment	-125,484	-93,405
23-24	Sales of property, plant and equipment	161,667	73,736
	Cash flows from investment activities	***26,239***	***527,574***
	Repayment of issued bonds	0	-250,000
	Paid interest on equity instruments	-66,059	-66,537
	Dividend paid	-30,000	-30,000
	Cash flows from financing activities	***-96,059***	***-346,537***
	Cash flows for the year	***4,183,991***	***1,351,966***
	Cash and cash equivalents brought forward	2,740,034	1,388,068
	Change in cash and cash equivalents for the year	4,183,991	1,351,966
	Cash and cash equivalents carried forward	***6,924,025***	***2,740,034***
	Cash and cash equivalents carried forward		
	Cash in hand and demand deposits with central banks	908,364	876,866
16	Receivables from credit institutions and central banks on demand	58,215	665,916
16	Receivables from credit institutions and central banks with a term to maturity of less than three months	5,957,446	1,197,252
	Cash and cash equivalents carried forward	***6,924,025***	***2,740,034***

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

**) The Bank's ownership interest in ALKA Forsikring was reduced to less than 20% in 2016. Consequently, the equity investments have been classified under "Shares etc.".

Oversigt over noter

Note 1
Accounting policies

Basis of preparation

Aktieselskabet Arbejdernes Landsbank is domiciled in Denmark. The financial section of the annual report for the period from 1 January to 31 December 2017 includes the consolidated financial statements of Aktieselskabet Arbejdernes Landsbank and its subsidiaries, as well as the financial statements of the Parent Company.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, as well as further Danish disclosure requirements stipulated in the IFRS Executive Order on Financial Undertakings issued pursuant to the Danish Financial Business Act.

The financial statements of the Parent Company have been prepared in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc., as well as guidelines issued by the Danish FSA.

The consolidated financial statements and the parent financial statements are presented in Danish kroner (DKK), and rounded off to the nearest DKK 1,000.

The regulations on recognition and measurement in the Parent Company are consistent with IFRS. The accounting policies described below have been applied consistently for the financial year and the comparative figures and are thus unchanged compared with last year.

However, there has been reclassification due to the fact that a number of leases in the AL Finans A/S subsidiary have been redefined as finance leases. This reclassification only affects the financial year 2016. The net impact on the result DKK 0. The net impact under assets in the balance sheet is also DKK 0. The impact on individual items in the income statement and the balance sheet compared with the consolidated financial statements for 2016, and thus on the comparative figures in the consolidated financial statements for 2017, is as follows:

	Original 2016 DKK '000	Restated 2016 DKK '000
Income statement - Group:		
Interest income	1,327,084	1,330,708
Other operating income	122,100	81,782
Amortisation/depreciation as well as impairment charges on intangible assets and property, plant and equipment	-110,103	-73,409
Balance sheet – Group:		
Loans and other receivables at amortised cost	20,951,136	21,058,263
Other property, plant and equipment	250,978	143,851

Furthermore, certain short-term staff liabilities have been reclassified from provisions to other liabilities in the consolidated financial statements and the parent financial statements. Finally, there has been a reclassification in the consolidated financial statements such that prepaid fee income for endorsements of mortgagees' interests in insurance policies have been reclassified from other liabilities to accruals and deferred income.

The impact under equity and liabilities in the balance sheet is DKK 0, but individual equity and liability items have been affected as follows:

	Original 2016 DKK '000	Restated 2016 DKK '000
Balance sheet – Group:		
Other liabilities	871,331	894,168
Other provisions	78,670	42,890
Accruals and deferred income - liabilities	23,292	36,235
Balance sheet – Bank:		
Other liabilities	791,061	823,537
Other provisions	74,680	42,204

The reclassifications also have an impact on comparative figures in related notes, as well as on certain ratios and key figures.

See the sections below with regard to implementation of new accounting standards. These have not given rise to changes in recognition and measurement in 2017. No adjustments have been made in the comparative figures for standards implemented in the future.

Implementation of new and changed standards as well as interpretation contributions

The Arbejdernes Landsbank Group has implemented standards and interpretation contributions entering into force in the EU for 2017 from 1 January 2017. Implementation of the adopted changes and new standards has not had any impact on recognition and measurement in 2017. However, "Amendments to IAS 7: Disclosure Initiative" had an impact on the structure and content of the cash flow statement.

Standards and interpretation contributions not yet entered into force

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

Apart from IFRS 9 "Financial Instruments" and IFRS 16 "Leases", no new standards or interpretation contributions are expected to have any significant influence on the presentation of financial statements for the Group.

IFRS 15 "Revenue from Contracts with Customers" will replace the current IAS 18 "Revenue" and IAS 11 "Construction contracts" as well as the related interpretation contributions, and the standard will enter into force for financial years commencing on 1 January 2018 or later. IFRS 15 will have no significant impact on the Group.

IFRS 9, replacing IAS 39, substantially reforms current rules on classification and measurement of financial assets, impairments, and, to some extent, the rules on hedge accounting. IFRS 9 is mandatory for financial years commencing on or after 1 January 2018.

The Arbejdernes Landsbank Group has applied IFRS 9 from 1 January 2018 without adjusting comparative figures, in accordance with the transitional provisions of the standard. A new opening balance sheet has been prepared as at 1 January 2018, reflecting the accounting effect through an equity adjustment and the asset and liability items that have been affected.

Classification and measurement according to IFRS 9

According to IFRS 9, financial assets are classified and measured on the basis of the business model for financial assets and the contractual cash flows relating to the financial assets.

Financial assets held to generate contractual payments, and for which such contractual payments consist solely of interest and instalments on the outstanding amount, are measured at amortised cost after the time of initial recognition.

The Group's financial assets in the form of bonds, shares and derivatives are part of a risk management system and an investment strategy based on fair values, and are included in the Group's internal management reporting on this basis. The Group's financial assets are measured at fair value after the time of initial recognition through the income statement, as the financial assets do not meet the criteria for the business model that are linked to the measurement categories amortised cost and fair value through other comprehensive income (FVTOCI). The application of the IFRS 9 measurement categories for financial assets, based on the business model and on the characteristics of the contractual cash flows is not expected to result in changes in the measurement principles relative to the measurement principles currently applied in the consolidated financial statements for 2017.

Impairment according to IFRS 9

With the implementation of IFRS 9, the former impairment approach based on the "incurred loss" model has been replaced by an "expected loss" impairment model, taking account of the expected loss on a financial asset, a guarantee or an approval of loan facilities. The calculation of expected losses is based on the PD (probability of default) and the LGD (loss given default) models, plus expectations for future developments in the economy. With regard to portfolios for which the Group has no PD models, a simpler approach is applied, e.g. a portfolio approach based on historical loss ratios. This new expected-loss impairment model implies that, at the time of its initial recognition, a financial asset, guarantee or approval of loan facilities will be written down by an amount corresponding to the expected credit loss over a 12-month period (stage 1). If, subsequently, the credit risk increases significantly relative to the time of initial recognition, the value of the asset will be written down by an amount corresponding to the expected credit loss for the remaining term of the asset (stage 2). If the asset is found to be credit-impaired (stage 3), its value will be written down by an amount corresponding to the expected credit loss for the remaining term of the asset, but interest income will be recognised in the income statement under the effective interest-rate method relative to the amount written down.

When assessing the development in credit risk, it is assumed that, as a minimum, a significant increase in credit risk has occurred relative to the time of initial recognition in the following situations:

- An increase in PD for the expected remaining term of the financial asset of 100%, and an increase in 12-month PD of 0.5 percentage points, when the 12-month PD was less than 1.0% at initial recognition.
- An increase in PD for the expected remaining term of the financial asset of 100%, or an increase in 12-month PD of 2.0 percentage points, when the 12-month PD was 1.0% or more at initial recognition.
- The loan has been in arrears/overdrawn for 30 days.

Furthermore, the Group applies a number of its own criteria for indications of credit impairment, expressed as changes in customer ratings or other reason codes indicating weaknesses.

However, if the market generally considers the financial asset to have a low credit risk at the balance sheet date, and if the customer's 12-month PD is lower than 0.2%, the asset will continue to be in stage 1, which is characterised by the absence of a significant increase in credit risk.

Loans and guarantees are defined as belonging to stage 3 (default) if they meet at least one of the following criteria:

- Observable information is available about events indicating that an asset is credit-impaired, see the conditions in section 52(2) of the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.
- The loan has been in arrears/overdrawn for 90 days.

Impairment charges on customers/facilities in stage 1 and 2, except for the weak part of stage 2, are calculated on the basis of a model calculation, while impairment charges on customers/facilities in the weak part of stage 2 and in stage 3 with exposures of more than DKK 100,000 are based on a qualitative individual assessment.

The model calculation is generally based on a PD (Probability of Default) approach, developed and maintained by Bankernes EDB Central (BEC), in combination with a forward-looking, macroeconomic module, developed and maintained by the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark (LOPI). The LOPI model generates a number of adjustment factors that can be customised to individual banks and used to adjust impairments in the model calculation. In applying the LOPI model, the Group has made use of the possibility to customise the model. Using the same method that LOPI used to calculate the predefined values of the customisation factors, values for the customisation factors have been calculated on the basis of the Group's own data. Furthermore, the Group's macroeconomic forecasts have been incorporated in the model.

The macroeconomic module is based on a number of regression models determining the historical correlation between impairments for the year, the Danish FSA's sector break-down and a number of explanatory macroeconomic variables.

LOPI uses forecasts from the Danish Economic Council, Danmarks Nationalbank (Denmark's central bank), etc. as an estimate for the macroeconomic variables.

The negative equity adjustment resulting from the impairment rules in IFRS 9 is expected to be around DKK 85 mill. after tax. This amount has been recognised in full in the opening balance sheet as at 1 January 2018. The amount is distributed between the following items in the consolidated financial statements:

Balance sheet item	Amount
Credit institutions	DKK -19 mill.
Loans	DKK -67 mill.
Other assets	DKK 24 mill.
Total assets	*DKK -62 mill.*
Other liabilities	DKK 23 mill.
Equity	DKK -85 mill.
Total equity and liabilities	*DKK -62 mill.*
Guarantees	DKK -5 mill.

The impact under other assets can be related to the tax consequences of the need to increase reserves for credit losses.

The impact under other liabilities can be related to provisions for guarantees and unutilised drawing rights.

The impairment level corresponds to a reduction of 1.3% of the equity as at 1 January 2018.

Consequences in relation to the Capital Requirements Regulation

To counter any unintended effect on own funds, and thereby on banks' capacity to support credit provision, as part of its reform package presented on 23 October 2016 (the risk reduction package, also known as CRR II/CRD V/BRRD II), the European Commission proposed a 5-year transitional scheme, so that any negative effect of the IFRS 9 impairment rules will not take full effect on own funds until the 5-year period has expired. The transitional scheme has now been adopted and entered into force together with IFRS 9 on 1 January 2018.

The Group has decided not to use the optional transitional scheme, based on the assessment that there is no need for a temporary relaxation of the capital requirement, as the capital base is already very robust.

The effect on own funds of IFRS 9 at the entry into force of the rules in 2018 thus corresponds to the increase in the allowance account on 1 January 2018, adjusted for the 22% tax effect.

Hedge accounting according to IFRS 9

The new rules on hedge accounting broaden the application of hedging rules in order to better align financial reporting by enterprises with their actual risk management.

The amended rules on hedge accounting do not influence the Group, because, as at 31 December 2017, the Bank and its subsidiaries did not use hedge accounting.

Leasing according to IFRS 16

IFRS 16 replaces the current IAS 17 with related interpretation contributions. The new standard will enter into force for financial years commencing on or after 1 January 2019. IFRS 16 will change the accounting treatment of the Group's operating leases where the Group is the lessee.

The lessee must use one leasing model that largely follows the current accounting treatment of finance leases for all leases, except for short-term leases and leasing of small assets.

The Group has assessed the potential effect of the new leasing standard on the financial statements, and has found the effect to be limited as the Group, being primarily a lessor, already recognises both finance leases and operating leases in the balance sheet. Lessors still have to distinguish between finance leases and operating leases.

The analysis of the effect of IFRS 16 on the consolidated financial statements and the parent financial statements for 2019 has not been completed, but overall, the standard is assessed to have limited effect on the Group, as the Group is primarily a lessor.

Consolidated financial statements

The consolidated financial statements include the financial statements of Aktieselskabet Arbejdernes Landsbank and its subsidiaries, which are controlled by the Parent Company. The Management's report includes a group overview.

The consolidated financial statements have been prepared as a consolidation of the financial statements of the Parent Company and subsidiaries, calculated in accordance with Group accounting policies, and with elimination of intragroup income and costs, shareholdings, internal balances and dividends, as well as realised and unrealised gains and losses on transactions between the consolidated companies.

General on recognition and measurement

Income is recognised in the income statement as it is earned, including value adjustments to financial assets, financial liabilities, and derivative financial instruments. However, increases in the value of the Bank's owner-occupied properties are recognised in other comprehensive income and posted to a separate reserve on equity to the extent that these do not cancel out previous impairment charges. Costs incurred to obtain earnings for the year are recognised in the income statement.

An asset is recognised in the balance sheet when it is probable that future financial benefits will flow to the Group and the value of the asset can be measured reliably. A liability is recognised in the balance sheet when the Group has a legal or actual obligation, and it is probable that future financial benefits will flow from the Group, and the value of the liability can be measured reliably.

Purchases and sales of financial instruments are recognised on the settlement date. At recognition and measurement, unpredictable risks and losses are taken into account that arise before the annual financial statements are presented, and which confirm or disconfirm conditions that existed on the reporting date. At initial recognition, measurements include:

- Deposits and loans which are subsequently measured at amortised cost, at fair value plus any transaction costs directly connected to the acquisition or issue of the financial instrument, and less fees and commissions received that are included as an integral part of the effective interest rate.
- Other financial instruments, including derivative financial instruments at fair value.
- Other assets and liabilities measured at cost, which usually corresponds to fair value at the date of transaction.

Measurements after initial recognition take place as described for each item below. Recognition of assets and liabilities ceases when the right to receive/surrender cash flows from the asset or liability has expired, or when it has been transferred and the Bank has essentially transferred all risks and returns attached to the beneficial ownership.

Derivative financial instruments

Derivative financial instruments are instruments, the value of which has been derived from the value of an underlying asset, e.g. a security. Derivative financial instruments are measured at initial recognition and subsequently at fair value.

Positive and negative fair values of derivative financial instruments are recognised under other assets or other liabilities, respectively. A change in the fair value of derivative financial instruments is recognised in the income statement under interest income, currency exchange-rate adjustments or value adjustment of derivatives depending on the content of the value change, and are calculated on the basis of current market data and recognised methods of valuation.

Repo/reverse transactions

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

Foreign currency translation

The consolidated financial statements are presented in DKK, which is also the functional currency of the Bank. On initial recognition, transactions denominated in foreign currencies are translated in accordance with the exchange rate ruling at the date of transaction. Gains and losses, which arise between the date of transaction and the settlement date are recognised in the income statement. On the reporting date, monetary assets and liabilities are translated into foreign currency at the exchange rate ruling at the reporting date. The difference between the exchange rate ruling at the reporting date and the exchange rate ruling at the date of establishing the balances is recognised in the income statement under value adjustments.

Ratios and key figures

Earnings per share (EPS Basic) are calculated in accordance with IAS 33.

Other ratios and key figures are prepared in line with the requirements of the Danish FSA, see Annex 7 of the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc, and Annex 5 of the reporting guideline.

See note 46 for definitions of ratios and key figures.

INCOME STATEMENT

Interest income and interest expenses

Interest income and interest expenses include interest payable as well as accrued interest until the reporting date, and are recognised in the income statement in the period they concern.

- Interest-bearing financial instruments are recognised under the effective interest-rate method based on the cost of the financial instrument. Negative interest income is recognised under “Interest income”, and negative interest expenses are recognised under “Interest expenses”.
- Premiums and discounts, as well as commissions and fees which are regarded as an integral part of the effective interest rate on a loan or long-term funding, are recognised as part of the amortised cost and thus as an integral part of the financial instrument under interest income or interest expenses, respectively.
- Interest is recognised on financial instruments valued at fair value, except for interest concerning assets and deposits in pools, which is shown under value adjustments. Index adjustments to bonds and price adjustments to zero-coupon bonds are included under interest on bonds. Value adjustments to certificates

of deposit issued by Danmarks Nationalbank are included under interest from credit institutions. A negative value adjustment is disclosed separately (negative interest).

- Interest on loans with individual impairment losses is recognised on the basis of the written-down value. Additional interest income on the amount written down is recognised under "Impairments on loans and receivables, etc."
- Interest income on finance leases is recognised on the basis of the effective interest rate agreed.
- Interest income from factoring is recognised, including discounts on invoices purchased, amortised over the term of the invoice until it falls due.
- The interest element on repo/reverse transactions is included under the respective interest items depending on the counterparty.
- Premiums (net) for forward transactions and interest on swap transactions (net) are included under other interest income.

Interest on Additional Tier 1 capital with indefinite maturity, where the Bank has an unconditional right to omit paying interest, is recognised directly in equity at the time of payment as a distribution.

Net fee and commission income

Commission and fees regarding current interest and capital repayment are accrued during the term. Commission regarding guarantees is recognised as revenue over the term of the guarantees. Other fees are recognised in the income statement when the transaction has been completed.

Fees for arranging mortgage-credit loans for Totalkredit and DLR are calculated according to an offsetting model. Commission for providing loans is recognised at the time of provision of the loan, and fees for ongoing servicing of the debtor are recognised as the Bank manages the servicing and thus earns the right to receive fees. Registered losses with a right of set-off are treated as a reduction in income in the period in which the offsetting takes place.

AL-BoligBonus paid to homeowner customers with priority loans and/or customers with a mortgage-credit loan through Totalkredit is recognised under commissions paid. Every year on 1 August, customers receive DKK 1,200 per million DKK borrowed, provided that the customer has a NemKonto at the Bank at the time of payment, and provided that the loan is not in arrears.

Value adjustments

Value adjustments cover realised and unrealised value adjustments of items in the trading portfolio, investment securities, pooled assets, deposits and pooled liabilities as well as other shares at fair value (fair value option). Furthermore, the impact on results of foreign currency translation adjustments is recognised under value adjustments.

Changes in the value of investment properties are recognised as value adjustments.

Staff and administrative expenses

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

Administrative costs include expenses for IT and marketing, office expenses, procurement of small items, audit, etc.

Other operating income and expenses

Other operating income and expenses include items secondary to the Bank's activities, including administration of real property, operating lease payments, as well as profits or losses from selling properties and leasing assets, as well as contributions to the Guarantee Fund and the resolution fund (Afviklingsformuen).

Profit or loss from selling leasing assets is calculated as the selling price after deduction of selling costs and the carrying amount of the leasing assets at contract expiry. The Bank's proportionate share of statutory expenses for the Guarantee Fund for Depositors and Investors, as well as Afviklingsformuen (Resolution Fund) under the Financial Stability Company, is also included in the item "Other operating expenses".

Profit from equity investments in group companies

Profit from equity investments in group companies includes the proportionate share of the profit after tax of the individual companies.

Tax

Arbejdernes Landsbank is taxed jointly with its group companies. Current corporation tax is distributed between the companies taxed jointly in relation to the taxable profit of such companies (full distribution with refund in respect of tax losses). Calculated tax on income for the year and deferred tax is allocated to the individual company.

Tax for the year, which comprises current tax for the year and changes in deferred tax, is recognised in the income statement as the amount attributable to the profit for the year, and in other comprehensive income as the amount attributable to items posted to other comprehensive income (e.g. tax on revaluations of owner-occupied properties). Tax attributable to items posted directly to equity is also posted directly to equity.

Current tax liabilities and current tax receivable are recognised in the balance sheet as calculated tax on taxable profit for the year, adjusted for tax paid on account and dividend tax.

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

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

The Bank pays corporation tax according to the payment of tax on account scheme. To the extent that tax paid on account does not correspond to expected income tax for the year, additions or deductions are included in respect of the difference under interest income and interest expenses, respectively.

BALANCE SHEET

Cash in hand and demand deposits with Danmarks Nationalbank

Cash in hand and demand deposits with central banks are recognised at initial recognition at fair value and subsequently measured at amortised cost.

Receivables from credit institutions, etc.

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

Loans at amortised cost

This item includes loans and receivables, including mortgages, factoring, finance leases and reverse repo transactions where the counterparty is not a credit institution or a central bank.

Loans at amortised cost are recognised at initial recognition at fair value, plus directly attributable transaction costs, less fees and commissions received that are directly linked to granting the loan. Subsequently loans at amortised cost are measured under the effective interest-rate method less impairment charges for provision of losses. Front-end fees, which are considered an integral part of the effective interest rate of the loan, as well as premium and discount, are recognised in the carrying amount of the loan and thus recognised as income over the expected term of the loan.

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

Receivables from factoring (invoice mortgaging) and purchasing of invoices are recognised as loans. Income from discounts on purchased invoices is amortised over the term of the invoice until it falls due. Amounts reserved in connection with invoice mortgaging or invoice purchasing are transferred to a special guarantee cover account until the invoice has been paid. The guarantee cover account is classified under deposits.

By making individual assessments, objective evidence of impairment is considered to exist if the debtor is deemed to be in considerable financial difficulties, if the debtor has not fulfilled agreements entered into (breach of contract) or if the Bank has granted the debtor easier terms that would not have been considered if it had not been for the financial difficulties of the debtor. In addition, objective evidence of impairment is considered ascertained if it is considered likely that the debtor will go bankrupt or be subject to other financial reconstruction.

For loans and groups of loans, where objective evidence of impairment has been ascertained as a consequence of events that occurred after initial recognition, any impairment charges are calculated on the basis of discounting expected future cash flows, including realisation value of any collateral. For fixed-interest loans, discounting is based on the initially determined effective interest rate, and for floating-rate loans discounting is based on the current effective interest rate.

Impairment charges are assessed individually as well as collectively.

Loans which are not subject to individual impairment are included in the calculation of collective impairments carried out on groups of loans which are assumed to have uniform characteristics with regard to customer segment and rating groups. Customers are divided into low-risk, medium-risk and high-risk groups, depending on the customer's rating. If a customer's rating deteriorates, so that the customer is moved to another risk group, this will lead to a collective impairment. The Bank also makes a credit estimate to adjust for events which have occurred and which the model does not take into account, for example, changed behaviour/risk of losses within portfolios with the same characteristics, as well as changes in the economy which are expected to influence customers' future creditworthiness.

Significant loans are always tested for individual impairment.

Guarantee loss provisions and value-impaired unutilised credits are treated according to the same rules as characterise impairment tests on loans. These liabilities are expected to be realised within 1-5 years as actual losses or as reversed provisions due to lack of objective evidence of impairment.

Provision for unutilised credits and guarantees is recognised under provisions.

See also the comments on credit risk in note 47.

Bonds and shares, etc.

Bonds and shares, etc. which are traded on active markets, are measured at fair value at initial recognition and subsequent recognition. Fair value is the amount at which the securities can be traded between independent parties. In an active market, the fair value is expressed in a listed price, unless the security is subject to special conditions, e.g. a lock-up presupposing application of recognised valuation models instead. The fair value of called bonds is stated at the present value of the bonds.

Fair value adjustments of bonds and shares, etc. are recognised in the income statement on a current basis.

Pooled schemes

Yields on funds in pension pool schemes are included as a separate operating item under value adjustments. An adjustment corresponding to the pool profits for the participants is included under value adjustments and thus the results of the pooled schemes are neutralised in the results of the Group and the Bank for the year.

Equity investments in group companies

Equity investments in group companies are recognised and measured at net asset value in the parent's financial statements according to the Danish Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. Shares of profit after tax of group companies are recognised in the income statement under profit from equity investments in group companies.

Shares of changes in equity of group companies are recognised directly in equity.

Intangible assets

Intangible assets include software acquired and developed and this is recognised at cost. Cost includes the costs incurred to bring the individual piece of software into use. Software acquired is written off on a straight-line basis over its expected useful life, typically three years.

Investment properties

Investment properties held for the purpose of rental income and/or capital gain are recognised at cost at the time of acquisition, and subsequently measured at fair value. Gains or losses due to changes in the fair value of investment properties are included in the income statement for the period in which they are incurred. Investment properties are not depreciated. Fair value is calculated on the basis of the returns method, with external experts being used to check the resulting fair value.

Owner-occupied properties

Owner-occupied properties which are properties and attached fixtures and fittings from where the Group carries out its activity as a credit institution, are recognised at acquisition at cost and are subsequently measured at revalued amount.

Revaluation is carried out at appropriate intervals, and at least once a year, so that the carrying amount is not deemed to differ materially from the fair value of the owner-occupied properties at the balance sheet date. Calculation of fair value is decided on the basis of a rental income achieved by renting on market terms, as well as on internally determined requirements for rates of return on each property. Under special conditions, another method of valuation may be applied, which reflects the market value of the property. The rate of return requirement for each property is fixed on the basis of the long-term interest-rate, a risk premium and a local allowance. Determination of the local allowance is made on the basis of external advice. As part of the annual valuation, a number of properties are selected for control calculation with regard to local allowance by obtaining a valuation from an independent assessor.

Increases in the revalued amount after tax are recognised directly in other comprehensive income in a separate reserve on equity, unless the increase counteracts a reduction in value that was previously recognised in the income statement.

Owner-occupied properties are depreciated on a straight-line basis over the expected useful life, taking into consideration the anticipated residual value at the expiry of the useful life. The anticipated useful life is assessed as:

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

Other property, plant and equipment

Other property, plant and equipment comprises machinery, fixtures and equipment and IT equipment as well as assets held under an operating lease, measured at cost less accumulated depreciation and any impairment losses.

The cost covers the acquisition price and costs directly related to the acquisition up until the time when the asset is ready for use.

The basis of depreciation is calculated taking into consideration the residual value of the asset and is reduced by any impairment charges. The residual value is determined at the date of acquisition and reassessed annually. If the residual value of the asset exceeds the carrying amount, depreciation ceases. Depreciation is calculated on a straight-line basis, taking into account expected residual value, over the expected useful life of the assets, which is expected to be up to 5 years. Cashpoints, coin counters and registers are assessed to have a longer useful life, however, typically up to ten years. For improvements to rented premises, depreciation is carried out for the term of the rent contract, typically ten years.

An operating lease is defined as a contract that is not a finance lease. Leasing income from operating lease contracts is recognised on a straight-line basis for the current leasing period. Profits and losses from selling leasing assets are recognised as other operating income or other operating expenses.

Impairment charges on property, plant and equipment and intangible assets

The carrying amounts of property, plant and equipment and intangible assets with determinable useful lives are reviewed on the reporting date to determine whether there is evidence of impairment. If so, the recoverable amount of the asset is calculated to determine any evidence of impairment and the extent of this.

Other assets

This item includes assets which are not placed under other asset items, e.g. positive market values of spot transactions and derivative financial instruments, measured at fair value at initial recognition and at subsequent recognition.

Other receivables, including interest receivables, are measured at initial recognition at fair value and subsequently at amortised cost.

The item also includes assets held temporarily, and comprises acquired properties and equity investments etc. awaiting disposal or settlement within a short period of time, where such disposal is very likely. Assets held temporarily are recognised at the lower of cost and fair value, less costs of sale. The assets are not depreciated from the date at which they are classified as assets held temporarily.

Prepayments and accrued income, assets

Prepayments and accrued income are recognised and measured at cost at initial recognition and subsequently. Prepayments and accrued income under assets primarily comprise prepaid remuneration and salaries.

Debt to credit institutions and deposits, etc.

Debt to credit institutions and central banks is recognised at the date the loan was taken up at the amount received after deduction of any transaction costs. It is subsequently measured at amortised cost.

The Bank applies the value of surplus collateral deposited for outstanding accounts with Danmarks Nationalbank in its calculation of cash resources. The value of the collateral deposited and the surplus collateral is disclosed in a note to the financial statements.

Deposits and other debt comprise debt to individuals and undertakings which are not credit institutions. Deposits and other debt are measured at fair value at initial recognition, and subsequently at amortised cost.

Other liabilities

This item includes liabilities which are not included under other equity and liability items, e.g. negative market values of spot transactions and derivative financial instruments, measured at fair value at initial recognition as well as at subsequent recognition. Additional other liabilities, including interest payable, are measured at initial recognition at fair value and subsequently at amortised cost.

Other non-derivative financial liabilities at fair value

This item concerns the fair value of negative bond holdings arising when, in connection with reverse transactions, the Bank resells bonds received. The bonds received are not recognised in the balance sheet, which means that a resale results in a negative holding.

Accruals and deferred income, liabilities

Accruals and deferred income are recognised and measured at cost at initial recognition and subsequently. Accruals and deferred income under liabilities mainly comprise prepaid fees and commissions.

Provisions

This item includes provisions for losses on guarantees and value-impaired unutilised credits, as well as other liabilities which are uncertain with regard to size and date of settlement, when it is probable that the liability will lead to an outflow of financial resources from the Bank and the liability can be measured reliably. The liability is calculated as the present value of the costs necessary to meet the liability.

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

Subordinated debt

Subordinated debt is quasi-equity instruments in the form of subordinate loan capital and/or Additional Tier 1 capital, which is recognised at fair value at first measurement and subsequently at amortised cost.

In the financial statements, Additional Tier 1 capital is presented as equity, if the conditions for this are met.

Equity

Share capital is classified as equity when there is no obligation to transfer cash or other assets. Proposed dividend is recognised as a liability at the date when it is approved at the General Meeting. The proposed dividend for the financial year is included as a separate item under equity.

Additional Tier 1 capital with indefinite maturity, and where the Bank has an unconditional right to omit paying interest, is classified as equity, and payment of interest is recognised directly in equity at the time of payment as distributions.

Gains on revaluations of owner-occupied properties are transferred to revaluation reserves after deduction of taxes, if the revaluation is assessed to involve a tax burden in relation to the tax base of the properties. The reserve is dissolved at any reversal of revaluations made, or if the properties are sold.

Contingent liabilities

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

Cash flow statement

The cash flow statement shows cash flows for the year as well as cash and cash equivalents at the beginning and the end of the year.

The cash flow statement is presented according to the indirect method based on profit/loss for the year before tax. Cash flows include value adjustments of security and currency forward transactions for the year. Cash flows from operations are calculated as profit for the year before tax, adjusted for corporation tax paid, non-cash operating items and changes in working capital. Cash flows from investment activities comprise acquisitions and sales of non-current assets, investments in associated companies, etc.

Cash flows from financing activities comprise interest paid on equity instruments and dividend payments. Cash and cash equivalents comprise cash and short-term money market deposits and amounts with a remaining term of less than three months.

Segment information

The Group has decided to replace its existing core earnings model with a segment model. For accounting purposes, the business areas are broken down into three segments: Customer activities, Investment activities and Other activities. The segments are described in note 6. Segment information is only presented at Group level. The information has been prepared in accordance with Group accounting policies and follows the internal management reporting. Comparative figures have been calculated for 2016 in accordance with the new segment structure.

Customer activities are defined as:

- All business transactions/trading conducted with customers, where the Bank generates earnings in the form of interest-rate differentials, commissions, fees or additional brokerage fees
- Income/expenses on equity investments acquired relating to customer activities
- Income/expenses on derivative transactions entered into in order to hedge a market risk on customer activities

Investment activities are defined as:

- Activities related to the Treasury Department and liquidity management

Other activities are defined as:

- Equity investments etc. not related to customer activities
- Properties
- Other activities not related to customer activities or investment activities.

Transactions between the segments only concern interest on the liquidity surplus/deficit, and a liquidity premium related to the price of complying with the LCR target for the Group. The interest rate on the liquidity surplus/deficit is fixed on the basis of the Bank's deposit rate. Common costs of items such as remuneration and salaries, rent, depreciation/amortisation, etc., are divided between the individual segments on the basis of an assessment of their proportionate share of the total level of activity or market prices. Segment assets and segment liabilities comprise the operating assets and liabilities that are used for the operation of a segment or that have arisen out of the operation of a segment and are directly linked or can reasonably be allocated to the segment. Each segment includes a calculation of the equity interest based on the capital objective. The share of equity that exceeds the necessary equity in terms of the capital objective is included under Other activities.

Large exposures

Exposures which, before deductions pursuant to the CRR Regulation, constitute 10% or more of the own funds, are included in the calculation of ratios and key figures at their exposure after deduction.

Capital ratio

The Group and Aktieselskabet Arbejdernes Landsbank calculate the capital ratio according to the CRD IV Directive issued by the EU. A solvency need is also calculated, which reflects the requirements for necessary capital in relation to the assets acquired, the risk involved and stress testing of future developments in relation to the Bank's own strategy.

The solvency need is calculated according to the Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need and is reported to the Danish FSA quarterly with simultaneous announcement on the Bank's website www.al-bank.dk/kapital_solvens (Only available in Danish).

Note 2

Significant accounting estimates, assumptions and assessments

The most important risks and the basis for estimated uncertainty of the Group are mentioned in the Management's report, while note 47 describes risk management. The areas where these estimates and assessments have the most important effect on the financial statements are:

Measurement of loans and guarantees in connection with impairment charges

When measuring the Bank's total loans and guarantees, estimates are associated with the quantification of risk that the debtor may not be able to honour all future payments. If it can be established that not all future payments will be received, determining the size of expected payment, including realisation values of collateral and expected payments of dividends from any estate inventories, may also be subject to considerable estimates.

Provisions for losses on guarantees are also associated with uncertainty with respect to establishing the extent to which the guarantee will be effective in the event of economic failure of the principal.

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

Collateral in cooperative housing

The Bank has a large risk exposure in loans for cooperative housing and loans to cooperative housing associations.

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

The Bank has developed a method for “blue-stamping” cooperative housing associations before the association can be accepted as a customer and as eligible to serve as collateral. The “blue-stamping” is based on the financial statements of the cooperative housing association and is reconsidered annually. This method ensures updated mortgaging values on the Bank's collateral in cooperative housing associations. The method also provides security that in addition to focusing on exposure development and credit rating, all information necessary to give the Bank a sound foundation for determining the value of the mortgaged assets is collected on an ongoing basis.

Collective impairments

A model for calculating collective impairment charges is in itself subject to significant estimates.

In connection with the transition to the IFRS 9 rules as at 1 January 2018, the model has been phased out.

Measurement of properties

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

Measurement of unlisted shares at fair value

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

Measurement of other financial instruments at fair value

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

Note 3

Events after expiry of the accounting period

Apart from the consequences described in relation to transition to IFRS 9 as at 1 January 2018, no events have taken place after end of the financial year which have a significant impact on the assessment of the financial position of the Group.

Note		2017 DKK '000	2016 DKK '000	2015 DKK '000	2014 DKK '000	2013 DKK '000
4	Financial and operating data for the Group					
	Income statement					
	Net interest income	1,193,609	1,248,260	1,253,040	1,168,832	1,141,768
	Net fee income	555,494	536,016	517,271	462,734	378,783
	Value adjustments and dividend	945,109	-25,450	-188,379	60,826	338,309
	Other operating income	90,480	81,782	107,570	111,306	103,436
	Profit from equity investments in associated companies and group companies	0	65,150	102,421	115,396	112,645
	Total income	***2,784,692***	***1,905,758***	***1,791,923***	***1,919,094***	***2,074,941***
	Costs and depreciation/amortisation	-1,465,610	-1,336,090	-1,359,197	-1,355,798	-1,322,434
	Impairments on loans and receivables, etc.	-14,335	-55,674	-102,900	-230,351	-235,494
	Total costs	***-1,479,945***	***-1,391,764***	***-1,462,097***	***-1,586,149***	***-1,557,928***
	Profit before tax	***1,304,747***	***513,994***	***329,826***	***332,945***	***517,013***
	Tax	-149,275	-94,578	-45,459	-37,967	-93,651
	Profit for the year	***1,155,472***	***419,416***	***284,367***	***294,978***	***423,362***
	Selected balance sheet items					
	Loans and other receivables at amortised cost	21,958,056	21,058,263	19,768,336	18,330,380	18,148,528
	Bonds at fair value	11,812,388	15,207,800	15,401,974	14,566,631	12,748,674
	Total assets	47,368,881	44,425,818	42,070,389	40,123,218	37,648,464
	Deposits incl. pooled schemes	37,483,724	34,205,754	32,313,977	29,640,734	28,145,612
	Issued bonds at amortised cost	0	0	250,000	262,158	262,158
	Equity (incl. Additional Tier 1 capital)	6,761,498	5,681,749	5,279,627	5,049,098	3,929,360
	Other financial and operating data					
	Net interest and fee income	1,792,927	1,829,759	1,822,474	1,667,257	1,580,141
	Value adjustments	901,285	-70,933	-240,542	25,135	278,719
	Staff and administrative expenses	-1,353,845	-1,214,048	-1,195,059	-1,177,574	-1,152,574
	Total contingent liabilities	5,490,796	4,968,940	4,081,034	3,400,013	2,159,408

Note			2017	2016	2015	2014	2013
5	Ratios and key figures for the Group *)						
	Solvency						
	Capital ratio	%	18.3	17.1	13.4	15.6	14.9
	Tier 1 capital ratio	%	18.3	17.1	13.4	15.6	14.0
	Earnings						
	Return on equity before tax	%	21.0	9.4	6.4	7.4	13.7
	Return on equity after tax	%	18.6	7.7	5.5	6.6	11.2
	Ratio of operating income to operating expenses per DKK **)	DKK	1.88	1.37	1.23	1.21	1.33
	Earnings per share	DKK	3,680.0	1,225.1	776.7	887.9	1,411.2
	Return on capital employed	%	2.5	1.0	0.7	0.8	1.1
	Market risk						
	Interest-rate risk	%	-0.7	-1.2	-1.0	-1.0	-1.8
	Currency position	%	1.4	2.4	1.6	3.0	4.4
	Currency risk	%	0.0	0.0	0.0	0.1	0.1
	Liquidity						
	Loans plus impairments in relation to deposits **)	%	62.0	65.6	65.5	66.5	69.0
	Excess liquidity coverage in relation to statutory requirements for liquidity (prev. Section 152 of the Danish Financial Business Act) ***)	%	242.3	191.9	199.4	229.9	261.2
	Excess liquidity coverage in relation to statutory requirements for liquidity in the Capital Requirements Regulation, Liquidity Coverage Ratio (LCR) ****)	%	132.1	119.3	153.8	-	-
	Credit						
	Sum of large exposures *****)	%	0.0	0.0	10.6	20.8	46.4
	Impairment ratio for the year	%	0.1	0.2	0.3	1.0	1.1
	Lending growth for the year **)	%	4.3	6.5	8.1	1.0	2.3
	Loans in relation to equity		3.2	3.7	3.7	3.6	4.6
	Equity						
	Net asset value	DKK	1,970.9	1,610.9	1,476.9	1,400.0	1,309.8
	Proposed dividend per share	DKK	500	100	100	150	200
	Employees						
	Average number of employees during the financial year converted to full-time equivalents		1,054	1,063	1,075	1,082	1,076

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

**) The comparative figure for 2016 has been adjusted as a result of reclassified leasing agreements in the subsidiary, AL Finans A/S, see note 1.

***) The definition of excess liquidity coverage in relation to statutory requirements (section 152 of the Danish Financial Business Act) for liquidity was changed in 2013. The excess coverage has been calculated as the largest value of the 10 per cent and 15 per cent requirement. The 2013-2017 ratios and key figures are calculated according to the 15% requirement. There is no longer a statutory requirement, but only an indicator issued by the Danish Financial Supervisory Authority.

****) Statutory requirements for excess liquidity coverage according to section 152 of the Danish Financial Business Act were repealed with effect from 1 January 2017. Statutory requirements for excess liquidity coverage according to the Capital Requirements Regulation are being phased in, and the excess liquidity coverage has been expressed as percentages in relation to the statutory requirements for the individual years (2015: 60%, 2016: 70%, 2017: 80%). For 2018, the statutory requirement is 100% and thus it has been fully phased in.

*****) The definition of large exposures changed in 2014. The comparative figures for 2013 have not been adjusted.

Note		2017 DKK '000	2016 DKK '000
6	Segment information		
	The Arbejdernes Landsbank Group only operates from locations established in Denmark.		
	Revenue *)	2,000,942	2,024,711
	*) The revenue is defined as interest income, fee and commission income as well as other operating income.		

Note	Customer activities DKK '000	Investment activities DKK '000	Other activities DKK '000	Group Total DKK '000
Group 2017				
Income statement				
Net interest income	1,087,664	99,848	6,097	*1,193,609*
Net fee income	555,494	0	0	*555,494*
Value adjustments and dividend	72,320	260,669	612,120	*945,109*
Other operating income	33,826	0	56,654	*90,480*
Profit from equity investments in associated companies and group companies	0	0	0	*0*
Total income	*1,749,304*	*360,517*	*674,871*	*2,784,692*
Costs and depreciation/amortisation	-1,330,401	-49,812	-85,397	*-1,465,610*
Impairments on loans and receivables, etc.	-14,335	0	0	*-14,335*
Total costs	*-1,344,736*	*-49,812*	*-85,397*	*-1,479,945*
Profit before tax	*404,568*	*310,705*	*589,474*	*1,304,747*
Assets				
Loans and other receivables at amortised cost	21,958,056	0	0	*21,958,056*
Bonds at fair value	0	11,812,388	0	*11,812,388*
Other assets	3,651,850	6,839,827	3,106,760	*13,598,437*
Total assets	*25,609,906*	*18,652,215*	*3,106,760*	*47,368,881*
Equity and liabilities				
Deposits and other debt	34,756,228	0	0	*34,756,228*
Allocated equity	3,452,637	1,177,208	2,131,653	*6,761,498*
Other equity and liabilities	2,893,079	2,398,392	559,684	*5,851,155*
Total equity and liabilities	*41,101,944*	*3,575,600*	*2,691,337*	*47,368,881*
Ratios and key figures				
Return on equity before tax (%)	11.7	35.0	31.4	*21.0*
Ratio of operating income to operating expenses per DKK	1.30	7.24	7.90	*1.88*
Average allocated equity	3,452,461	888,866	1,880,297	*6,221,624*

Note		Customer activities DKK '000	Investment activities DKK '000	Other activities DKK '000	Group Total DKK '000
6	Segment information, continued				
	Group 2016				
	Income statement				
	Net interest income	1,076,945	175,149	-3,834	*1,248,260*
	Net fee income	536,016	0	0	*536,016*
	Value adjustments and dividend	33,183	-64,333	5,700	*-25,450*
	Other operating income	45,795	0	35,987	*81,782*
	Profit from equity investments in associated companies and group companies	0	0	65,150	*65,150*
	Total income	*1,691,939*	*110,816*	*103,003*	*1,905,758*
	Costs and depreciation/amortisation	-1,221,276	-42,298	-72,516	*-1,336,090*
	Impairments on loans and receivables, etc.	-55,674	0	0	*-55,674*
	Total costs	*-1,276,950*	*-42,298*	*-72,516*	*-1,391,764*
	Profit before tax	*414,989*	*68,518*	*30,487*	*513,994*
	Assets				
	Loans and other receivables at amortised cost	21,058,263	0	0	*21,058,263*
	Bonds at fair value	0	15,207,800	0	*15,207,800*
	Other assets	3,695,756	2,174,780	2,289,219	*8,159,755*
	Total assets	*24,754,019*	*17,382,580*	*2,289,219*	*44,425,818*
	Equity and liabilities				
	Deposits and other debt	32,149,727	0	0	*32,149,727*
	Allocated equity	3,277,641	975,241	1,428,867	*5,681,749*
	Other equity and liabilities	2,186,067	3,929,607	478,668	*6,594,342*
	Total equity and liabilities	*37,613,435*	*4,904,848*	*1,907,535*	*44,425,818*
	Ratios and key figures				
	Return on equity before tax (%)	14.0	7.0	2.0	*9.4*
	Ratio of operating income to operating expenses per DKK	1.32	2.62	1.42	*1.37*
	Average allocated equity	2,974,763	975,648	1,530,277	*5,480,688*

Note		Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
7	Interest income				
	Certificates of deposit	-9,204	-3,083	-9,204	-3,083
	Other receivables from credit institutions and central banks	797	1,713	797	1,713
	Loans and other receivables	1,162,866	1,160,838	1,048,808	1,043,759
	Bonds	178,840	263,530	178,840	263,530
	Derivative financial instruments				
	Currency contracts	-15,040	-15,365	-15,040	-15,365
	Interest-rate contracts	-77,929	-77,411	-77,929	-77,411
	Total derivative financial instruments	*-92,969*	*-92,776*	*-92,969*	*-92,776*
	Other interest income	6,463	486	6,768	731
	Total interest income	*1,246,793*	*1,330,708*	*1,133,040*	*1,213,874*
	Of which, reverse transactions recognised under:				
	Other receivables from credit institutions and central banks	-2,018	-1,783	-2,018	-1,783
	Loans and other receivables	0	-16	0	-16

Negative interest income arisen as a consequence of interest rates have been offset in the respective interest income items. Negative interest income primarily derives from certificates of deposit and reverse transactions.

Note		Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
8	Interest expenses				
	Debt to credit institutions and central banks	-2,455	-209	-2,455	-209
	Deposits and other debt	-50,713	-79,205	-50,151	-79,039
	Issued bonds	0	-2,990	0	-2,990
	Other interest expenses	-16	-44	-16	-45
	Total interest expenses	*-53,184*	*-82,448*	*-52,622*	*-82,283*
	Of which, repo transactions recognised under:				
	Debt to credit institutions and central banks	300	386	300	386

Positive interest expenses arisen 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 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
9	Net fee and commission income				
	Securities trading and custody accounts	102,727	108,678	102,727	108,679
	Money transmission services	105,204	103,897	103,791	102,523
	Loan fees *)	305,544	268,661	253,200	220,000
	Guarantee commission	53,657	43,402	53,796	43,542
	Other fees and commissions *)	96,537	87,583	83,363	74,715
	Total fees and commission income	*663,669*	*612,221*	*596,877*	*549,459*
	AL-BoligBonus	-47,969	-17,706	-47,969	-17,706
	Other fees and commissions paid	-60,206	-58,499	-13,762	-11,989
	Total fees and commissions paid	*-108,175*	*-76,205*	*-61,731*	*-29,695*
	Total net fee and commission income	*555,494*	*536,016*	*535,146*	*519,764*

*) Income from a number of fees related to loan processing, finance leases and factoring in the subsidiary AL Finans A/S has been classified under loan fees in 2017. Fee income has previously been classified under other fees and commissions. Comparative figures have been adjusted.

Note		Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
10	Value adjustments				
	Bonds	197,033	380,044	197,033	380,044
	Shares etc.	636,470	1,218	636,470	1,218
	Currency	13,395	30,076	13,632	29,734
	Derivative financial instruments				
	Currency contracts	5,192	-2,239	5,192	-2,239
	Interest-rate contracts	50,310	-478,048	50,310	-478,048
	Share contracts	11	-2,504	11	-2,504
	Total derivative financial instruments	***55,513***	***-482,791***	***55,513***	***-482,791***
	Assets linked to pooled schemes	124,643	84,023	124,643	84,023
	Deposits in pooled schemes	-124,643	-84,023	-124,643	-84,023
	Other assets	-1,126	520	-1,126	520
	Total value adjustments	***901,285***	***-70,933***	***901,522***	***-71,275***
11	Staff and administrative expenses				
	Remuneration and emoluments to the Executive Management and Board of Directors				
	Executive Management	-6,251	-6,496	-6,231	-6,476
	Board of Directors	-2,366	-2,060	-2,366	-2,060
	Total remuneration and emoluments to the Executive Management and Board of Directors	***-8,617***	***-8,556***	***-8,597***	***-8,536***
	Staff expenses				
	Remuneration	-657,719	-603,810	-605,159	-554,359
	Pensions (contribution-based)	-69,991	-65,991	-64,499	-61,062
	Social security expenses	-4,985	-7,207	-4,595	-6,955
	Payroll tax	-85,390	-75,870	-79,690	-70,857
	Total staff expenses	***-818,085***	***-752,878***	***-753,943***	***-693,233***
	IT costs	-313,366	-261,036	-301,335	-250,487
	Other administrative expenses	-213,777	-191,578	-200,557	-178,165
	Total staff and administrative expenses	***-1,353,845***	***-1,214,048***	***-1,264,432***	***-1,130,421***
	Executive Management's payment, pension and resignation terms, etc.				
	Number of members of the Executive Management for the period	2	2	2	2
	Fixed remuneration	-5,152	-5,402	-5,132	-5,382
	Variable remuneration	0	0	0	0
	Pension scheme (contribution-based)	-1,099	-1,094	-1,099	-1,094
	Total remuneration and pensions of Executive Management	***-6,251***	***-6,496***	***-6,231***	***-6,476***

The Executive Management is not covered by incentive programmes. The Executive Management has a notice period of 12 months, and the Bank has a notice period of 24 months. In case of elimination of jobs in connection with a takeover bid, special rules apply.

Note		Group 2017 DKK '000	Group 2016 DKK '000	Bank 2017 DKK '000	Bank 2016 DKK '000
11	Staff and administrative expenses, continued				
	Terms of payment and pension for the Board of Directors				
	Number of members of the Board of Directors for the period	13	12	13	12
	Fixed remuneration	-2,366	-2,060	-2,366	-2,060
	Variable remuneration	0	0	0	0
	Pension scheme (contribution-based)	0	0	0	0
	Total remuneration and pensions of Board of Directors	***-2,366***	***-2,060***	***-2,366***	***-2,060***
	Terms of payment and pension for persons other than members of the Executive Management whose activities significantly influence the risk profile of the company (Risk Takers)				
	Number of Risk Takers for the period	25	29	22	26
	Fixed remuneration	-34,652	-33,282	-30,736	-29,389
	Variable remuneration	-507	-812	-378	-683
	Pension scheme (contribution-based)	-3,379	-3,251	-3,003	-2,882
	Total remuneration and pensions of Risk Takers	***-38,538***	***-37,345***	***-34,117***	***-32,954***
	Variable remuneration only comprises a bonus scheme based on a collective agreement.				
	Number of employees				
	Average number of employees during the financial year converted to full-time equivalents	1,054	1,063	975	986
	Auditors' remuneration				
	Total remuneration for the audit firm elected by the General Meeting				
	Statutory audit of the financial statements	-679	-1,010	-516	-788
	Other assurance engagements	-122	-169	-90	-138
	Tax counselling	-300	-276	-300	-276
	Other services	-104	-109	-100	-105
	Total	***-1,205***	***-1,564***	***-1,006***	***-1,307***
12	Other operating expenses				
	Expenses for operating the Bank's properties	-37,756	-36,822	-37,756	-36,822
	Other operating expenses	-14,936	-11,811	-9,479	-9,169
	Total other operating expenses	***-52,692***	***-48,633***	***-47,235***	***-45,991***

Note		Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
13	Impairments on loans etc.				
	Impairments on loans etc. recognised in the income statement				
	Net impairment charges and provisions for the year	-10,184	-48,733	-4,869	-45,154
	Losses, not previously subject to impairment charges	-19,442	-18,462	-14,834	-15,372
	Recognised in claims previously subject to impairment charges	15,291	11,521	15,077	11,125
	Net effect recognised in the income statement	***-14,335***	***-55,674***	***-4,626***	***-49,401***
	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 year	358,511	442,223	340,928	429,363
	Reversal of impairments and provisions for the year	-348,327	-393,490	-336,059	-384,209
	Actual loss (written off) previously subject to impairment charges/provided	-164,896	-117,696	-161,964	-115,559
	Interest adjustment	44,776	32,523	44,776	32,523
	Impairment charges and provisions carried forward	***1,344,040***	***1,453,976***	***1,333,408***	***1,445,727***
	Impairments on loans etc., carried forward	1,268,608	1,374,954	1,257,976	1,366,705
	Provisions on guarantees carried forward	30,750	30,520	30,750	30,520
	Impairment charges/provisions on other items, carried forward	44,682	48,502	44,682	48,502
	Impairment charges and provisions carried forward	***1,344,040***	***1,453,976***	***1,333,408***	***1,445,727***
	Individual impairments on loans, etc.				
	Individual impairments on loans etc. brought forward	1,232,910	1,308,711	1,224,904	1,302,005
	Impairment charges for the year	238,316	262,986	221,375	250,701
	Reversal of impairment charges for the year	-224,030	-251,627	-212,138	-242,779
	Actual loss (written off) previously subject to impairment charges	-164,896	-117,696	-161,964	-115,559
	Interest adjustment	41,679	30,536	41,679	30,536
	Individual impairments on loans etc., carried forward	***1,123,979***	***1,232,910***	***1,113,856***	***1,224,904***
	Individual provisions on guarantees				
	Individual provisions on guarantees, brought forward	19,862	23,299	19,862	23,299
	Provisions for the year	6,963	9,228	6,963	9,228
	Reversal of provisions for the year	-8,346	-12,665	-8,346	-12,665
	Actual loss (written off) previously provided	0	0	0	0
	Individual provisions on guarantees carried forward	***18,479***	***19,862***	***18,479***	***19,862***
	Individual impairment charges on credit institutions				
	Individual impairment charges on credit institutions brought forward	25,856	28,003	25,856	28,003
	Impairment charges for the year	26	0	26	0
	Reversal of impairment charges for the year	0	-2,147	0	-2,147
	Individual impairment charges on credit institutions carried forward	***25,882***	***25,856***	***25,882***	***25,856***
	Individual provisions for other items				
	Individual provisions for other items brought forward	22,646	16,003	22,646	16,003
	Provisions for the year	15,467	21,168	15,467	21,168
	Reversal of provisions for the year	-19,313	-14,525	-19,313	-14,525
	Individual provisions for other items carried forward	***18,800***	***22,646***	***18,800***	***22,646***
	Collective impairments on loans etc.				
	Collective impairments on loans etc. brought forward	142,044	102,590	141,801	102,489
	Impairment charges for the year	89,596	104,905	88,954	104,330
	Reversal of impairment charges for the year	-90,108	-67,438	-89,732	-67,005
	Interest adjustment	3,097	1,987	3,097	1,987
	Collective impairments on loans etc. carried forward	***144,629***	***142,044***	***144,120***	***141,801***
	Collective provisions on guarantees				
	Collective provisions on guarantees brought forward	10,658	11,810	10,658	11,810
	Provisions for the year	8,143	7,498	8,143	7,498
	Reversal of provisions for the year	-6,530	-8,650	-6,530	-8,650
	Collective provisions on guarantees carried forward	***12,271***	***10,658***	***12,271***	***10,658***
	Interest on impaired claims is calculated solely on the basis of the impaired balance				
	Interest recognised as revenue on impaired loans	-44,776	-32,523	-44,776	-32,523

Note		Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
14	Tax				
	Tax related to profit for the year				
	Calculated tax on taxable profit for the year	-152,401	-98,136	-137,258	-82,733
	Change in deferred tax concerning the income year	7,463	-159	954	-2,991
	Adjustments concerning previous years	-4,337	3,717	-4,337	3,717
	Total tax related to profit for the year	***-149,275***	***-94,578***	***-140,641***	***-82,007***
	Tax related to changes in equity	14,518	14,633	14,518	14,633
	Total tax	***-134,757***	***-79,945***	***-126,123***	***-67,374***
	Tax related to profit for the year broken down by type				
	Calculated tax of profit before tax for the year by 22%	-301,562	-127,712	-299,663	-124,946
	Tax base of non-deductible expenses	-5,817	-8,642	-5,556	-6,393
	Tax base of profit in associated companies	0	14,333	0	14,333
	Tax base of gains not deductible for tax purposes	162,441	23,726	168,915	31,282
	Adjustments concerning previous years	-4,337	3,717	-4,337	3,717
	Total tax related to profit for the year	***-149,275***	***-94,578***	***-140,641***	***-82,007***
15	Earnings per share				
	Arbejdernes Landsbank's shareholders' share of the profit for the year	1,089,481	352,902	1,089,481	1,089,481
	Tax effect of interest on Additional Tier 1 capital, see the statement of capital and note 14	14,518	14,633	14,518	14,633
	Profit for the year adjusted for Additional Tier 1 capital	***1,103,999***	***367,535***	***1,103,999***	***367,535***
	Average number of shares issued of DKK 1,000 each	***300,000***	***300,000***	***300,000***	***300,000***
	Earnings per share (DKK)	3,680.0	1,225.1	3,680.0	1,225.1
16	Receivables from credit institutions and central banks				
	Receivables at notice from central banks	5,116,368	910,082	5,116,368	910,082
	Receivables from credit institutions	899,293	966,086	891,414	953,602
	Total receivables from credit institutions and central banks	***6,015,661***	***1,876,168***	***6,007,782***	***1,863,684***
	Broken down by remaining term				
	On demand	58,215	665,916	50,336	653,432
	Up to and including 3 months	5,957,446	1,197,252	5,957,446	1,197,252
	More than 3 months and up to and including 1 year	0	0	0	0
	More than 1 year and up to and including 5 years	0	13,000	0	13,000
	More than 5 years	0	0	0	0
	Total	***6,015,661***	***1,876,168***	***6,007,782***	***1,863,684***
	Of which:				
	Reverse transactions	56,620	287,174	56,620	287,174
	Margin receivable in connection with transactions in derivatives	296,194	455,929	296,194	455,929

Note		Group 2017 DKK '000	Group 2016 DKK '000	Bank 2017 DKK '000	Bank 2016 DKK '000
17	Loans and other receivables at amortised cost				
	Loans before impairment charges	23,226,664	22,433,217	22,940,748	22,216,752
	Impairment charges	-1,268,608	-1,374,954	-1,257,976	-1,366,705
	Loans after impairment charges	*21,958,056*	*21,058,263*	*21,682,772*	*20,850,047*
	Broken down by remaining term				
	On demand	256,171	244,353	256,171	244,353
	Up to and including 3 months	2,226,154	2,013,679	927,740	1,057,548
	More than 3 months and up to and including 1 year	3,688,787	3,465,225	6,055,032	5,560,343
	More than 1 year and up to and including 5 years	8,302,575	8,401,884	7,158,079	7,274,006
	More than 5 years	7,484,369	6,933,123	7,285,750	6,713,797
	Total	*21,958,056*	*21,058,264*	*21,682,772*	*20,850,047*
	Of which:				
	Reverse transactions	117,727	121,316	117,727	121,316
	Margin receivable in connection with settlement of securities	19,059	18,927	19,059	18,927
	Loans and guarantees broken down by sectors and industries				
	Public authorities	81,393	73,586	59,944	77,070
	Business				
	Agriculture, hunting, forestry and fisheries	43,770	35,717	18,253	18,741
	Industry and extraction of raw materials	684,593	568,799	142,888	160,780
	Energy supply	17,303	6,511	714	4,976
	Building and construction	615,163	595,692	326,646	341,525
	Trade	862,977	848,651	337,068	390,029
	Transport, hotels and restaurants	402,133	342,500	250,787	246,188
	Information and communication	158,821	130,672	99,471	97,446
	Financing and insurance	910,114	1,268,863	4,913,042	4,939,780
	Real property	1,198,272	1,104,003	1,176,256	1,054,515
	Other business	2,052,942	1,920,743	1,419,479	1,418,634
	Total business	*6,946,088*	*6,822,151*	*8,684,604*	*8,672,614*
	Private	20,421,370	19,131,466	18,429,019	17,069,303
	Total	*27,448,851*	*26,027,203*	*27,173,567*	*25,818,987*
18	Bonds at fair value				
	Government bonds	2,781,633	3,100,213	2,781,633	3,100,213
	Mortgage-credit bonds	7,063,019	8,726,834	7,063,019	8,726,834
	Other bonds	1,967,736	3,380,753	1,967,736	3,380,753
	Total bonds at fair value	*11,812,388*	*15,207,800*	*11,812,388*	*15,207,800*
	Of which repo transactions represent	15,904	1,023,543	15,904	1,023,543
	For collateral deposited with Danmarks Nationalbank (Denmark's central bank), clearing centres, etc.				
	Market value of bonds	3,987,030	3,921,361	3,987,030	3,921,361
	Of which surplus collateral represents	3,222,863	1,772,148	3,222,863	1,772,148

Note		Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
19	Equity investments in associated companies				
	Cost brought forward	0	150,512	0	150,512
	Disposals during the year	0	-102,831	0	-102,831
	Transferred to Shares etc. *)	0	-47,681	0	-47,681
	Cost carried forward	***0***	***0***	***0***	***0***
	Revaluations and impairment charges brought forward	0	690,534	0	690,534
	Result	0	65,150	0	65,150
	Dividends	0	-28,104	0	-28,104
	Disposals during the year	0	-497,091	0	-497,091
	Transferred to Shares etc. *)	0	-230,489	0	-230,489
	Revaluations and impairment charges carried forward	***0***	***0***	***0***	***0***
	Carrying amount carried forward	***0***	***0***	***0***	***0***
	*) The Bank's ownership interest in ALKA Forsikring was reduced to less than 20% in 2016. Consequently, the equity investments have been classified under "Shares etc.".				
20	Equity investments in group companies				
	Cost brought forward	0	0	5,587	5,587
	Cost carried forward	***0***	***0***	***5,587***	***5,587***
	Revaluations and impairment charges brought forward	0	0	252,477	217,639
	Result *)	0	0	20,729	34,839
	Dividends	0	0	-3	-1
	Revaluations and impairment charges carried forward	***0***	***0***	***273,203***	***252,477***
	Carrying amount carried forward *)	***0***	***0***	***278,790***	***258,064***
	*) See note 43 for specified information regarding group companies.				
21	Assets linked to pooled schemes				
	Cash	109,064	80,458	109,064	80,458
	Bonds	1,282,296	1,029,127	1,282,296	1,029,127
	Investment association units	1,064,256	752,108	1,064,256	752,108
	Other shares, etc.	271,880	194,334	271,880	194,334
	Total pooled assets	***2,727,496***	***2,056,027***	***2,727,496***	***2,056,027***
22	Intangible assets				
	Cost brought forward	78,798	64,297	28,026	28,026
	Additions during the year	9,944	15,634	0	0
	Disposals during the year	-1,445	-1,133	0	0
	Cost carried forward	***87,297***	***78,798***	***28,026***	***28,026***
	Amortisation and impairment charges brought forward	66,085	50,484	28,026	20,029
	Disposals during the year	-1,445	-1,133	0	0
	Amortisation for the year	6,070	14,094	0	5,357
	Impairment charges for the year *)	0	2,640	0	2,640
	Amortisation and impairment charges carried forward	***70,710***	***66,085***	***28,026***	***28,026***
	Carrying amount carried forward	***16,587***	***12,713***	***0***	***0***
	*) The Bank's impairment test at the end of 2016 of customer lists taken over from Østjydsk Bank resulted in impairments of DKK 2.6 mill.				

Note		Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
23	Land and buildings				
	Investment properties				
	Fair value brought forward	35,413	0	35,413	0
	Transferred from owner-occupied property	0	35,413	0	35,413
	Additions during the year	2,150	0	2,150	0
	Fair value carried forward	***37,563***	***35,413***	***37,563***	***35,413***
	Rent income	1,713	133	1,713	133
	Operating expenses	-1,271	-50	-1,271	-50

The investment property is measured at fair value (non-observable input). The measurement includes estimated rental income and operating expenses, as well as a required rate of return of around 4.6%, determined on the basis of the interest-rate level and the location of the property. Generally, an increase in the required rate of return of 0.5 percentage points will reduce the fair value by approx. DKK 3.5 mill. The valuation was carried out by an independent assessor in 2017.

Note		Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
	Owner-occupied properties				
	Revalued amount brought forward	947,987	901,175	947,987	901,175
	Additions during the year	1,499	41,739	1,499	41,739
	Other additions	0	215	0	215
	Disposals during the year	-88,532	-12,120	-88,532	-12,120
	Transferred to investment properties	0	-35,413	0	-35,413
	Depreciation for the year	-5,747	-5,589	-5,747	-5,589
	Changes in value recognised in other comprehensive income	5,818	64,610	5,818	64,610
	Changes in value recognised in the income statement	-3,745	-6,630	-3,745	-6,630
	Revalued amount carried forward	***857,280***	***947,987***	***857,280***	***947,987***

Owner-occupied properties are measured at revalued amount (non-observable input). The measurement includes estimated rental income and operating expenses, as well as a required rate of return of around 4.0% to 7.7%, 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 87.9 mill. The valuation of selected properties was carried out by an independent assessor in 2017.

Note		Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
24	Other property, plant and equipment				
	Cost brought forward	253,959	324,536	119,502	112,950
	Additions during the year	118,791	50,453	25,277	12,214
	Disposals during the year	-129,595	-121,030	-412	-5,662
	Cost carried forward	***243,155***	***253,959***	***144,367***	***119,502***
	Depreciation and impairment charges brought forward	110,108	126,072	56,035	43,893
	Disposals during the year	-56,460	-59,414	-338	-1,159
	Depreciation for the year	40,467	43,450	14,099	13,301
	Depreciation and impairment charges carried forward	***94,115***	***110,108***	***69,796***	***56,035***
	Carrying amount carried forward	***149,040***	***143,851***	***74,571***	***63,467***
	Write-offs for the year	3,044	998	3,044	998

Note		Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
25	Deferred tax assets and tax liabilities				
	+ = tax assets - = tax liabilities				
	Deferred tax brought forward	4,238	4,397	18,541	21,532
	Changes in deferred tax	7,463	-159	954	-2,991
	Deferred tax carried forward	***11,701***	***4,238***	***19,495***	***18,541***
	Deferred tax broken down by type				
	Loans	12,486	11,412	12,486	11,412
	Intangible assets and property, plant and equipment	-13,025	-18,901	-3,539	-2,496
	Employee obligations	6,374	5,264	6,235	5,113
	Other	5,866	6,463	4,313	4,512
	Deferred tax carried forward	***11,701***	***4,238***	***19,495***	***18,541***

The Bank has net deferred tax assets on properties of DKK 21.7 mill., which, however, have not been recognised, as the assets cannot be utilised on other types of deferred tax liabilities and thus are not expected to be realised.

Note		Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
26	Other assets				
	Positive market value of derivative financial instruments and spot transactions	67,418	90,902	67,418	90,902
	Interest and commission receivable	72,089	96,587	72,048	96,783
	Capital contributions in Foreningen Bankernes EDB Central	407,212	366,924	407,212	366,924
	Other assets	220,303	283,310	189,352	226,887
	Total other assets	***767,022***	***837,723***	***736,030***	***781,496***
27	Debt to credit institutions and central banks				
	Debt to central banks	9,755	0	9,755	0
	Debt to credit institutions	2,070,942	3,271,354	2,070,942	3,271,354
	Total debt to credit institutions and central banks	***2,080,697***	***3,271,354***	***2,080,697***	***3,271,354***
	Broken down by remaining term				
	On demand	1,261,263	1,527,823	1,261,263	1,527,823
	Up to and including 3 months	447,181	1,127,566	447,181	1,127,566
	More than 3 months and up to and including 1 year	0	244,252	0	244,252
	More than 1 year and up to and including 5 years	372,253	371,713	372,253	371,713
	More than 5 years	0	0	0	0
	Total debt to credit institutions and central banks	***2,080,697***	***3,271,354***	***2,080,697***	***3,271,354***
	Of which repo transactions represent	15,898	932,787	15,898	932,787
28	Deposits and other debt				
	On demand	31,747,854	29,255,198	31,724,784	29,253,907
	Amounts with notice period	1,453,623	1,289,560	1,453,623	1,289,560
	Time deposits	588	1,621	588	1,621
	Special types of deposit	1,554,163	1,603,348	1,554,164	1,603,348
	Total deposits and other debt	***34,756,228***	***32,149,727***	***34,733,159***	***32,148,436***
	Broken down by remaining term *)				
	On demand	32,582,822	29,255,198	32,559,753	29,253,907
	Up to and including 3 months	924,987	1,670,801	924,987	1,670,801
	More than 3 months and up to and including 1 year	146,516	137,318	146,516	137,318
	More than 1 year and up to and including 5 years	523,637	482,036	523,637	482,036
	More than 5 years	578,266	604,374	578,266	604,374
	Total deposits and other debt	***34,756,228***	***32,149,727***	***34,733,159***	***32,148,436***

*) Minor adjustments have been made to the method for break-down by remaining term. Comparative figures have been adjusted.

Note		Group 2017 DKK '000	Group 2016 DKK '000	Bank 2017 DKK '000	Bank 2016 DKK '000
29	Other liabilities				
	Negative market value of derivative financial instruments and spot transactions	262,921	395,105	262,921	395,105
	Interest and commissions due	2,984	4,806	2,984	4,668
	Other liabilities	616,630	494,257	545,234	423,764
	Total other liabilities	***882,535***	***894,168***	***811,139***	***823,537***
30	Provisions				
	Guarantee loss provisions				
	Provisions brought forward	30,520	35,109	30,520	35,109
	Provisions for the year	15,106	13,069	15,106	13,069
	Reversal of provisions for the year	-14,876	-17,658	-14,876	-17,658
	Provisions carried forward	***30,750***	***30,520***	***30,750***	***30,520***
	Other provisions				
	Provisions brought forward	42,890	50,686	42,204	50,686
	Provisions for the year	1,322	5,572	1,322	4,886
	Reversal of provisions for the year *)	-4,793	-13,368	-4,741	-13,368
	Provisions carried forward	***39,419***	***42,890***	***38,785***	***42,204***
	Total provisions	***70,169***	***73,410***	***69,535***	***72,724***

*) In 2016, reversal of provisions was primarily attributable to the Group altering the conditions for anniversary bonuses.

		Bank 2017 DKK '000	Bank 2016 DKK '000
31	Share capital		
	Share capital at nominal value	300,000	300,000
	Composition of share capital	Number of shares	Number of shares
	Nominal price per share (DKK) 1,000	300,000	300,000

Major shareholders

The following of the Bank's shareholders hold shares the total nominal value of which is at least 5% of the share capital:

- Dansk Metal, Molestien 7, 2450 Copenhagen SV, Denmark
- FOA - Fag og Arbejde, Staunings Plads 1-3, 1790 Copenhagen V, Denmark
- Fagligt Fælles Forbund - 3F, Kampmannsgade 4, 1790 Copenhagen V, Denmark
- HK/Danmark, Weidekampsgade 8, 0900 Copenhagen C, Denmark
- Fødevareforbundet NNF, Molestien 7, 2450 Copenhagen SV, Denmark

Fagligt Fælles Forbund – 3F holds shares of which the total nominal value is at least 20% of the share capital.

Note		Group 2017 DKK '000	Group 2016 DKK '000	Bank 2017 DKK '000	Bank 2016 DKK '000
32	Capital and solvency				
	Transformation from equity to own funds				
	Equity	6,761,498	5,681,749	6,761,498	5,681,749
	Proposed dividend	-150,000	-30,000	-150,000	-30,000
	Intangible assets	-16,587	-12,713	0	0
	Additional Tier 1 capital, including interest payable	-848,908	-848,976	-848,908	-848,976
	Deductions for prudent valuation	-14,188	-16,232	-14,188	-16,232
	Capital instruments in financial entities	-696,591	-113,657	-695,264	-112,894
	Common Equity Tier 1 capital	***5,035,224***	***4,660,171***	***5,053,138***	***4,673,647***
	Additional Tier 1 capital	829,000	829,000	829,000	829,000
	Capital instruments in financial entities	-186,648	-75,772	-186,315	-75,263
	Tier 1 capital	***5,677,576***	***5,413,399***	***5,695,823***	***5,427,384***
	Tier 2 capital	0	0	0	0
	Own funds	***5,677,576***	***5,413,399***	***5,695,823***	***5,427,384***
	Capital requirement from pillar I (8%)	2,482,517	2,526,147	2,514,252	2,557,887
	Risk exposures				
	Items with credit risk	23,180,236	22,908,826	23,937,131	23,679,873
	Items with market risk	4,185,371	5,353,819	4,179,035	5,349,594
	Items with operational risk	3,665,858	3,314,191	3,311,989	2,944,123
	Total risk exposure	***31,031,465***	***31,576,836***	***31,428,155***	***31,973,590***
	Capital ratio	18.3	17.1	18.1	17.0

Note					Group 2017 DKK '000	Group 2016 DKK '000	Bank 2017 DKK '000	Bank 2016 DKK '000
33	Additional Tier 1 capital							
	Interest rate		**Nom. in DKK '000**	**Maturity**				
	6.580% (var.)	*)	400,000	Indefinite	402,851	402,919	402,851	402,919
	9.059% (var.)	**)	429,000	Indefinite	446,057	446,057	446,057	446,057
	Total Additional Tier 1 capital							
	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

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

Note		Group 2017 DKK '000	Group 2016 DKK '000	Bank 2017 DKK '000	Bank 2016 DKK '000
34	Contingent liabilities, etc.				
	Contingent liabilities				
	Financial guarantees *)	2,669,607	2,451,684	2,669,607	2,451,684
	Guarantees for losses on mortgage-credit loans *)	2,105,762	1,586,767	2,105,762	1,586,767
	Land registration and conversion guarantees	7,613	18,694	7,613	18,694
	Collateral for group companies	0	0	35,200	35,200
	Other contingent liabilities *)	707,814	911,795	672,614	876,595
	Total contingent liabilities	***5,490,796***	***4,968,940***	***5,490,796***	***4,968,940***
	Other binding commitments				
	Irrevocable credit commitments less than 1 year	858,594	790,047	0	0
	Irrevocable credit commitments more than 1 year	22,000	44,000	22,000	44,000
	Unutilised commitments regarding payment of pension contributions	24,100	27,600	24,100	27,600
	Additional binding commitments	66,862	187,128	66,862	187,128
	Total other binding commitments	***971,556***	***1,048,775***	***112,962***	***258,728***

*) 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 contingent liabilities". Comparative figures have been adjusted. Guarantees for payment of the purchase sum in connection with property transactions amounted to DKK 1,266 mill. as at 31.12.2017 and DKK 940.1 mill. as at 31.12.2016. As at 31.12.2017, a number of guarantees for losses have been classified under "Guarantees for losses on mortgage-credit loans" These guarantees were previously classified under "Other contingent liabilities". Comparative figures have been adjusted. These guarantees amounted to DKK 81.2 mill. as at 31.12.2017, and DKK 75.2 mill. as at 31.12.2016.

Due to its size and scope of business activities, the Group 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.

A loan to Totalkredit provided by the Bank in 2007 is covered by an agreement on a right of set-off against future commissions, which Totalkredit may invoke if losses are ascertained on the loans provided. 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. The Bank's participation in the Guarantee Fund for Depositors and Investors (indskydergarantiordningen) entails that the Bank may be liable to pay contributions if the Guarantee Fund amounts to less than 0.8% of deposits covered by the Danish banking sector.

The Bank is taxed jointly with other Danish consolidated companies. As a management company, the Parent Company is jointly and severally liable with the other consolidated companies for Danish corporation tax and withholding tax on dividends, interest and royalties within the joint taxation group. As a consequence of tax paid on account, there are no outstanding taxes as at 31.12.2017 and 31.12.2016. Corporation tax receivable at group level amounted to DKK 32.7 mill. as at 31.12.2017, and DKK 13.0 mill. as at 31.12.2016. Any subsequent corrections of jointly taxable income and withholding taxes etc. may result in the Parent Company being liable for a larger amount.

The Bank is jointly registered for VAT and payroll taxes with the subsidiary AL Finans A/S and is jointly and severally liable for settlement hereof.

The Bank is a member of BEC (Bankernes EDB Central), and withdrawal 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.

As at 31.12.2017, the Group has deposited collateral, of which a total of DKK 1,095 mill. has been used for the following transactions: In connection with repo transactions, provision of margins in relation to transactions in derivatives, and settlement of securities with other credit institutions. Of this amount, DKK 780 mill. in securities and DKK 315 mill. in cash has been deposited as collateral.

Note		Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
35	Hedge accounting				
	Assets hedged with interest-rate contracts				
	Loans				
	Amortised cost	0	45,206	0	45,206
	Carrying amount	0	56,703	0	56,703
	Capital gain/loss for the financial year	-1,096	151	-1,096	151
	Interest-rate contracts				
	Nominal value (principal amount)	0	44,791	0	44,791
	Carrying amount	0	10,817	0	10,817
	Capital gain/loss for the financial year	1,281	71	1,281	71

The Bank has applied the regulations for hedge accounting for fair values. The hedged loans and the hedging instruments have either lapsed in 2017, or hedge accounting has ceased in 2017.

Note		Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
36	Transferred financial assets still recognised in the balance sheet				
	Carrying amount of transferred financial assets				
	Bonds on repo transactions	15,904	1,023,543	15,904	1,023,543
	Of the equity and liability items below, repo transactions represent				
	Debt to credit institutions and central banks	15,898	932,787	15,898	932,787
	Net positions	6	90,756	6	90,756

Repo transactions mean the sale of bonds where, at the time of the sale, an agreement is made to repurchase the bond at a fixed price later on. Bonds sold in repo transactions continue to be recognised in the Bank's balance sheet, because, by virtue of the repurchase agreement, the Arbejdernes Landsbank maintains the most important risks associated with the bonds sold.

Bonds in repo transactions are treated as assets provided as collateral for liabilities. The counterparty is entitled to divest or remortgage the securities received.

Note		Nominal value DKK '000	Net market value DKK '000	Positive market value DKK '000	Negative market value DKK '000
37	Derivative financial instruments and spot transactions broken down by type (Group and Bank) - 2017				
	Currency contracts				
	Spot transactions, purchase	31,517	-2	4	6
	Spot transactions, sale	380	-4	0	4
	Forward contracts/futures, purchase	545,707	-393	2,913	3,306
	Forward transactions/futures, sale	3,905,335	7,707	9,756	2,049
	Currency swaps	0	0	0	0
	Interest-rate contracts				
	Spot transactions, purchase	745,512	-258	108	366
	Spot transactions, sale	675,034	166	278	112
	Forward contracts/futures, purchase	1,045,305	4,868	4,989	121
	Forward transactions/futures, sale	2,378,888	14,105	15,002	897
	Options, acquired	0	0	0	0
	Swaptions	0	0	0	0
	Interest-rate swaps	8,587,045	-221,726	33,851	255,577
	Share contracts				
	Spot transactions, purchase	1,605	93	293	200
	Spot transactions, sale	1,637	-59	224	283
	Total		*-195,503*	*67,418*	*262,921*
	Derivative financial instruments and spot transactions broken down by type (Group and Bank) - 2016				
	Currency contracts				
	Spot transactions, purchase	380,718	2	80	78
	Spot transactions, sale	20,891	-16	105	121
	Forward contracts/futures, purchase	46,471	141	405	264
	Forward transactions/futures, sale	5,289,098	-9,052	5,587	14,639
	Currency swaps	3,900	2,111	2,111	0
	Interest-rate contracts				
	Spot transactions, purchase	168,419	119	123	4
	Spot transactions, sale	136,493	16	50	34
	Forward contracts/futures, purchase	2,594,912	13,083	13,188	105
	Forward transactions/futures, sale	4,812,443	-22,159	17,233	39,392
	Options, acquired	353,410	5,236	5,236	0
	Swaptions	371,713	6,748	6,748	0
	Interest-rate swaps	9,882,551	-300,446	39,505	339,951
	Share contracts				
	Spot transactions, purchase	1,672	28	270	242
	Spot transactions, sale	1,806	-14	261	275
	Total		*-304,203*	*90,902*	*395,105*

Note		Net market value				
		Up to and incl. 3 months	More than 3 months and up to 1 year	More than 1 year and up to 5 years	More than 5 years	Total
		DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
38	Derivative financial instruments broken down by maturity (Group and Bank) - 2017					
	Currency contracts					
	Forward contracts/futures, purchase	-303	-90	0	0	*-393*
	Forward transactions/futures, sale	4,644	111	2,952	0	*7,707*
	Currency swaps	0	0	0	0	*0*
	Interest-rate contracts					
	Forward contracts/futures, purchase	4,670	198	0	0	*4,868*
	Forward transactions/futures, sale	14,105	0	0	0	*14,105*
	Options, acquired	0	0	0	0	*0*
	Swaptions	0	0	0	0	*0*
	Interest-rate swaps	0	-10,009	-27,863	-183,854	*-221,726*
	Total	*23,116*	*-9,790*	*-24,911*	*-183,854*	*-195,439*
	Derivative financial instruments broken down by maturity (Group and Bank) - 2016					
	Currency contracts					
	Forward contracts/futures, purchase	61	80	0	0	*141*
	Forward transactions/futures, sale	-8,473	-422	-157	0	*-9,052*
	Currency swaps	0	2,111	0	0	*2,111*
	Interest-rate contracts					
	Forward contracts/futures, purchase	12,457	626	0	0	*13,083*
	Forward transactions/futures, sale	-22,159	0	0	0	*-22,159*
	Options, acquired	5,236	0	0	0	*5,236*
	Swaptions	0	6,748	0	0	*6,748*
	Interest-rate swaps	-723	-24,027	-26,649	-249,047	*-300,446*
	Total	*-13,601*	*-14,884*	*-26,806*	*-249,047*	*-304,338*

Note		Group: Carrying amount before offsetting DKK '000	Financial instruments set off DKK '000	Carrying amount after offsetting DKK '000	Offsetting possibility according to master netting agreement DKK '000	Collateral DKK '000	Net value DKK '000
39	Offsetting possibilities *)						
	2017						
	Derivative financial instruments with positive market value	67,418	0	67,418	6,727	977	59,714
	Total assets	*67,418*	*0*	*67,418*	*6,727*	*977*	*59,714*
	Derivative financial instruments with negative market value	262,921	0	262,921	6,727	254,180	2,014
	Total liabilities	*262,921*	*0*	*262,921*	*6,727*	*254,180*	*2,014*
	2016						
	Derivative financial instruments with positive market value	90,902	0	90,902	33,214	12,769	44,919
	Total assets	*90,902*	*0*	*90,902*	*33,214*	*12,769*	*44,919*
	Derivative financial instruments with negative market value	395,105	0	395,105	33,214	325,229	36,662
	Total liabilities	*395,105*	*0*	*395,105*	*33,214*	*325,229*	*36,662*

*) The Bank has master netting agreements with a number of financial counterparties, and this entitles the Bank to further offsetting in relation to a counterparty in default, but does not meet the conditions for offsetting in the balance sheet.

Assets provided as collateral for own debt obligations with Danmarks Nationalbank, clearing centres and banks with which the Bank has entered into CSA agreements are all based on standard agreements conventionally used between financial market participants. These agreements define the terms on which collateral is transferred between the counterparties in order to reduce risk. With regard to collateral concerning market value of derivative financial instruments, the CSA agreements stipulate daily exchange of collateral (cash).

Note

40 Financial assets and liabilities at fair value

Financial instruments are included in the balance sheet at either fair value or amortised cost. For each item, financial instruments are broken down according to the method of valuation.

	Group			
	Amortised cost 2017 DKK '000	Fair value 2017 DKK '000	Amortised cost 2016 DKK '000	Fair value 2016 DKK '000
Financial assets				
Cash in hand and demand deposits with central banks	908,364		876,866	0
Receivables from credit institutions and central banks	6,015,661		1,876,168	0
Loans and other receivables at amortised cost	21,958,056		21,058,263	0
Bonds at fair value		11,812,388	0	15,207,800
Shares etc.		2,045,320	0	1,328,188
Assets linked to pooled schemes		2,727,496	0	2,056,027
Derivative financial instruments and spot transactions		67,418	0	90,902
Total financial assets	***28,882,081***	***16,652,622***	***23,811,297***	***18,682,917***
Financial liabilities				
Debt to credit institutions and central banks	2,080,697		3,271,354	0
Deposits and other debt	34,756,228		32,149,727	0
Deposits in pooled schemes		2,727,496	0	2,056,027
Other non-derivative financial liabilities at fair value		54,773	0	263,148
Derivative financial instruments and spot transactions		262,921	0	395,105
Total financial liabilities	***36,836,925***	***3,045,190***	***35,421,081***	***2,714,280***

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.

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 2017, the Bank transferred DKK 0.1 bn. of bonds at fair value from level 1 to level 2 as a result of infrequent price updates. Conversely, DKK 0.2 bn. was transferred from level 2 to level 1. Apart from this, there have been no significant transfers between the three valuation hierarchies in 2017 and 2016.

Valuation technique on the basis of 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 for recent transactions in corresponding assets, expected future cash flows or the net asset value of the companies. Where the market price of shares is deemed not to reflect the true value of the share, e.g. because of lock-up agreements, the shares are valued on the basis of an alternative market price determined by analysing the market price/net asset value of a peer group. When previous valuation principles are no longer applicable for shares due to sales agreements, the measurement is based on expected sales prices.

Non-observable input includes unlisted shares, primarily in companies related to the financial sector, where fair value is set on the basis of provisions in shareholders' agreements etc. or input from transactions carried out. The Association of Local Banks in Denmark, Savings Banks and Cooperative Banks in Denmark (LOPI) every quarter recommends fair values of certain of the so-called sector shares; i.e. shares owned by banks with a view to participating actively in the infrastructure and product supplies 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 among 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 changes by DKK 190 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.

With regard to derivative financial instruments, the Bank performs Credit Value Adjustment (CVA) of the fair value. CVA reflects the credit risk of the counterparty in derivatives transactions and is performed on the basis of Loss Given Default (LGD), future Expected Positive Exposure (EPE), and the Probability of Default (PD) of the counterparty. The Bank uses both a parametric and a semi-analytic model approach to quantifying future expected positive exposure. The probability of default is derived from observable credit information in the market, if possible. In the event that this is not possible, adjustment is based on proxy Credit Default Swap (CDS) curves. Total CVA adjustments amounted to DKK 1.7 mill. at the end of 2017.

Note

40 Financial assets and liabilities at fair value, continued

	Listed prices	Observable input	Non-observable input	Total
	DKK '000	DKK '000	DKK '000	DKK '000
Group 2017				
Financial assets				
Bonds at fair value	7,965,953	3,846,435	0	*11,812,388*
Shares etc.	144,240	0	1,901,080	*2,045,320*
Assets linked to pooled schemes	2,554,954	172,542	0	*2,727,496*
Derivative financial instruments and spot transactions	14,314	53,104	0	*67,418*
Total financial assets	*10,679,461*	*4,072,081*	*1,901,080*	*16,652,622*
Financial liabilities				
Deposits in pooled schemes	0	2,727,496	0	*2,727,496*
Other non-derivative financial liabilities at fair value	54,773	0	0	*54,773*
Derivative financial instruments and spot transactions	14	262,907	0	*262,921*
Total financial liabilities	*54,787*	*2,990,403*	*0*	*3,045,190*
Group 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*
Other non-derivative financial liabilities at fair value	263,148	0	0	*263,148*
Derivative financial instruments and spot transactions	35,170	359,935	0	*395,105*
Total financial liabilities	*298,318*	*2,415,962*	*0*	*2,714,280*

	2017 DKK '000	2016 DKK '000
Non-observable input - Group		
Fair value brought forward	1,170,904	853,886
Reclassified from associated companies	0	278,170
Moved from level 2	0	47,343
Capital gain/loss for the year in the income statement *)	623,928	2,636
Net purchases for the year **)	106,248	-11,131
Fair value carried forward	*1,901,080*	*1,170,904*

*) Includes value adjustment of ALKA Forsikring of more than DKK 0.5 bn. in 2017.

**) Includes acquisition of shareholding of DKK 100 mill. in Vestjysk Bank in 2017.

	Group			
	Carrying amount 2017 DKK '000	Fair value 2017 DKK '000	Carrying amount 2016 DKK '000	Fair value 2016 DKK '000
40 Financial assets and liabilities, continued				
Financial instruments recognised at amortised cost - information on fair value				
Financial assets				
Cash in hand and demand deposits with central banks	908,364	908,364	876,866	876,866
Receivables from credit institutions and central banks	6,015,661	6,015,685	1,876,168	1,876,666
Loans and other receivables at amortised cost	21,958,056	22,112,434	21,058,263	21,054,931
Total financial assets	***28,882,081***	***29,036,483***	***23,811,297***	***23,808,463***
Financial liabilities				
Debt to credit institutions and central banks	2,080,697	2,086,729	3,271,354	3,279,223
Deposits and other debt	34,756,228	34,756,228	32,149,727	32,149,727
Total financial liabilities	***36,836,925***	***36,842,957***	***35,421,081***	***35,428,950***

Methods for measurement of fair values of financial instruments recognised at amortised cost are based on observable input (level 2):

Loans and receivables in credit institutions have been recognised at amortised cost. The difference to fair values is assumed to be fees and commissions received in connection with loans as well as the interest-rate-level value adjustment, which is calculated by comparing current market interest rates with market interest rates when the loans were established. Changes in the credit quality are assumed to be included in impairments on loans for carrying amounts as well as for fair values.

Deposits and debt to credit institutions have been recognised at amortised cost. The difference to fair values is assumed to be the interest-rate-level value adjustment, which is calculated by comparing current market interest rates with market interest rates when the transactions were established. Based on a materiality assessment, changes in fair values of debt to credit institutions due to changes in Arbejdernes Landsbank's own credit rating are not included.

Note		Fair value recognition in the income statement		Amortised cost		
		Trading portfolio DKK '000	Fair value option DKK '000	Assets DKK '000	Liabilities DKK '000	Total DKK '000
41	Return and classification of financial assets and liabilities - Group 2017					
	Return					
	Interest income	85,872	0	1,160,921	0	*1,246,793*
	Interest expenses	0	0	0	-53,184	*-53,184*
	Net interest income	*85,872*	*0*	*1,160,921*	*-53,184*	*1,193,609*
	Dividends from shares etc.	9,563	34,261	0	0	*43,824*
	Value adjustments	281,247	621,134	-1,096	0	*901,285*
	Total return	*376,682*	*655,395*	*1,159,825*	*-53,184*	*2,138,718*
	Financial assets					
	Cash in hand and demand deposits with central banks	0	0	908,364	0	*908,364*
	Receivables from credit institutions and central banks	0	0	6,015,661	0	*6,015,661*
	Loans and other receivables at amortised cost	0	0	21,958,056	0	*21,958,056*
	Bonds at fair value	11,812,388	0	0	0	*11,812,388*
	Shares etc.	218,573	1,826,747	0	0	*2,045,320*
	Assets linked to pooled schemes	0	2,727,496	0	0	*2,727,496*
	Derivative financial instruments and spot transactions	67,418	0	0	0	*67,418*
	Total financial assets	*12,098,379*	*4,554,243*	*28,882,081*	*0*	*45,534,703*
	Financial liabilities					
	Debt to credit institutions and central banks	0	0	0	2,080,697	*2,080,697*
	Deposits and other debt	0	0	0	34,756,228	*34,756,228*
	Deposits in pooled schemes	0	2,727,496	0	0	*2,727,496*
	Other non-derivative financial liabilities at fair value	54,773	0	0	0	*54,773*
	Derivative financial instruments and spot transactions	262,921	0	0	0	*262,921*
	Total financial liabilities	*317,694*	*2,727,496*	*0*	*36,836,925*	*39,882,115*
	Return and classification of financial assets and liabilities - Group 2016					
	Return					
	Interest income	170,754	0	1,159,954	0	*1,330,708*
	Interest expenses	0	0	0	-82,448	*-82,448*
	Net interest income	*170,754*	*0*	*1,159,954*	*-82,448*	*1,248,260*
	Dividends from shares etc.	12,043	33,440	0	0	*45,483*
	Value adjustments	-80,796	9,711	152	0	*-70,933*
	Total return	*102,001*	*43,151*	*1,160,106*	*-82,448*	*1,222,810*
	Financial assets					
	Cash in hand and demand deposits with central banks	0	0	876,866	0	*876,866*
	Receivables from credit institutions and central banks	0	0	1,876,168	0	*1,876,168*
	Loans and other receivables at amortised cost	0	0	21,058,263	0	*21,058,263*
	Bonds at fair value	15,207,800	0	0	0	*15,207,800*
	Shares etc.	233,194	1,094,994	0	0	*1,328,188*
	Assets linked to pooled schemes	0	2,056,027	0	0	*2,056,027*
	Derivative financial instruments and spot transactions	90,902	0	0	0	*90,902*
	Total financial assets	*15,531,896*	*3,151,021*	*23,811,297*	*0*	*42,494,214*
	Financial liabilities					
	Debt to credit institutions and central banks	0	0	0	3,271,354	*3,271,354*
	Deposits and other debt	0	0	0	32,149,727	*32,149,727*
	Deposits in pooled schemes	0	2,056,027	0	0	*2,056,027*
	Other non-derivative financial liabilities at fair value	263,148	0	0	0	*263,148*
	Derivative financial instruments and spot transactions	395,105	0	0	0	*395,105*
	Total financial liabilities	*658,253*	*2,056,027*	*0*	*35,421,081*	*38,135,361*

Note		Group 2017 DKK '000	Group 2016 DKK '000	Bank 2017 DKK '000	Bank 2016 DKK '000
42	Transactions with related parties				
	Group company balances				
	Loans at amortised cost	0	0	4,028,335	3,677,091
	Deposits and other debt	0	0	12,744	12,739
	Issued guarantees	0	0	35,200	35,200
	Collateral and guarantees received	0	0	0	0
	Interest in respect of loans at amortised cost	0	0	56,055	53,450
	Interest in respect of deposits and other debt	0	0	19	25
	Fees and other operating income	0	0	4,612	4,195
	Associate company balances				
	Loans at amortised cost	0	0	0	0
	Deposits and other debt	0	0	0	0
	Issued guarantees	0	0	0	0
	Collateral and guarantees received	0	0	0	0
	Interest in respect of loans at amortised cost	0	0	0	0
	Interest in respect of deposits and other debt	0	55	0	55
	Fees and other operating income	0	1,341	0	1,341
	Executive Management and Board of Directors				
	Loans at amortised cost	2,363	2,863	2,363	2,863
	Deposits and other debt	14,488	15,500	14,488	15,500
	Issued guarantees	547	403	547	403
	Collateral and guarantees received	2,317	2,666	2,317	2,666
	Interest in respect of loans at amortised cost	69	33	69	33
	Interest in respect of deposits and other debt	103	98	103	98
	Fees and other operating income	31	52	31	52
	Major shareholders				
	Loans at amortised cost	17,366	17,572	17,366	17,572
	Deposits and other debt	315,955	180,057	315,955	180,057
	Issued guarantees	0	0	0	0
	Collateral and guarantees received	2,429,776	2,379,737	2,429,336	2,379,114
	Interest in respect of loans at amortised cost	733	751	733	751
	Interest in respect of deposits and other debt	321	685	321	685
	Fees and other operating income	4,269	10,743	4,269	10,743

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

All transactions with related parties which, in addition to those stated in the notes on remuneration and emoluments, only include ordinary deposits and loans as well as credit facilities. All transaction with related parties are made on market terms.

All balances and outstanding accounts with group companies and associated companies as well as with major shareholders arise from regular business related to the activities of the companies. Balances and outstanding accounts carry interest and have been entered into on business terms corresponding to those of the Group's other customers and cooperation partners. The Bank's ownership interest in Forsikringsselskabet ALKA was reduced to less than 20% in 2016 in connection with a divestment of shares. The ownership interest in ALKA was subsequently classified under "Shares etc.".

Balances and outstanding accounts with the Executive Management and the Board of Directors have been established on market terms. Interest rates on loans in 2017 were 3.0% - 9.5% (2016: 3.0% - 9.5%) for the Executive Management and related parties, and 2.0% - 9.5% (2016: 2.0% - 14.0%) for the Board of Directors and related parties. Interest rates on deposits for balances with the Executive Management as well as the Board of Directors and related parties are 0.0% - 1.0% for both 2017 and 2016. The Executive Management has not been granted any incentive programmes. Remuneration for Board work in AL Finans A/S amounts to DKK 20,000. (2016: DKK 20,000).

Note		2017 DKK '000	2016 DKK '000
43	Group overview		
	Parent Company: Aktieselskabet Arbejdernes Landsbank, Copenhagen		
	Consolidated group companies		
	AL Finans A/S, Copenhagen		
	Share capital	6,000	6,000
	Equity	266,066	245,338
	Ownership interest (%)	100	100
	Profit	20,728	34,836
	The financing company, AL Finans A/S, is a limited company offering car financing, leasing, factoring and invoice purchasing. Activities in the company are financed by equity and borrowing from the Parent Company. In 2017, the company employed an average of 80 employees converted into full-time equivalents.		
	Handels ApS Panoptikon, Copenhagen		
	Share capital	500	500
	Equity	12,724	12,726
	Ownership interest (%)	100	100
	Profit	1	3
	Handels ApS Panoptikon is a private limited company and it is currently inactive. The company had no employees during 2017.		
	The Bank holds 100% of the shares of PR Ejendoms Holding A/S, which is under voluntary liquidation. The company has been recognised at a carrying amount of DKK 0.		
	In 2017 and 2016, Arbejdernes Landsbank had no equity investments in associated companies which, individually, were significant for the Group.		

Note		2017 DKK '000	2016 DKK '000	2015 DKK '000	2014 DKK '000	2013 DKK '000
44	Financial and operating data for the Bank					
	Income statement					
	Net interest income	1,080,418	1,131,591	1,142,854	1,059,531	1,044,616
	Net fee income	535,146	519,764	509,719	446,171	356,896
	Value adjustments and dividend	945,346	-25,793	-188,852	58,439	334,314
	Other operating income	57,402	36,209	41,499	47,258	38,079
	Profit from equity investments in associated companies and group companies	20,729	99,989	135,497	152,986	149,336
	Total income	***2,639,041***	***1,761,760***	***1,640,717***	***1,764,385***	***1,923,241***
	Costs and depreciation/amortisation	-1,338,302	-1,210,936	-1,224,555	-1,221,439	-1,189,979
	Impairments on loans and receivables, etc.	-4,626	-49,401	-98,991	-224,288	-229,778
	Total costs	***-1,342,928***	***-1,260,337***	***-1,323,546***	***-1,445,727***	***-1,419,757***
	Profit before tax	***1,296,113***	***501,423***	***317,171***	***318,658***	***503,484***
	Tax	-140,641	-82,007	-32,804	-23,680	-80,122
	Profit for the year	***1,155,472***	***419,416***	***284,367***	***294,978***	***423,362***
	Selected balance sheet items					
	Loans and other receivables at amortised cost	21,682,772	20,850,047	19,637,109	18,201,929	18,051,773
	Bonds at fair value	11,812,388	15,207,800	15,401,974	14,566,631	12,748,674
	Total assets	47,261,341	44,340,267	41,978,320	40,060,265	37,567,966
	Deposits incl. pooled schemes	37,460,655	34,204,463	32,314,448	29,640,537	28,134,619
	Issued bonds at amortised cost	0	0	250,000	261,164	261,164
	Equity (incl. Additional Tier 1 capital)	6,761,498	5,681,749	5,279,627	5,049,098	3,929,360
	Other financial and operating data					
	Net interest and fee income	1,659,388	1,696,837	1,704,736	1,541,393	1,461,102
	Value adjustments	901,522	-71,275	-241,015	22,748	274,724
	Staff and administrative expenses	-1,264,432	-1,130,421	-1,111,514	-1,094,344	-1,066,358
	Total contingent liabilities	5,490,796	4,968,940	4,081,034	3,400,013	2,159,408

Note			2017 DKK '000	2016 DKK '000	2015 DKK '000	2014 DKK '000	2013 DKK '000
45	Ratios and key figures for the Bank *)						
	Solvency						
	Capital ratio	%	18.1	17.0	13.3	15.6	14.9
	Tier 1 capital ratio	%	18.1	17.0	13.3	15.6	13.9
	Earnings						
	Return on equity before tax	%	20.8	9.1	6.1	7.1	13.4
	Return on equity after tax	%	18.6	7.7	5.5	6.6	11.2
	Ratio of operating income to operating expenses per DKK	DKK	1.97	1.40	1.24	1.22	1.35
	Earnings per share	DKK	3,680.0	1,225.1	776.7	887.9	1,411.2
	Return on capital employed	%	2.5	1.0	0.7	0.8	1.1
	Market risk						
	Interest-rate risk	%	-0.7	-1.2	-1.0	-1.4	-2.3
	Currency position	%	1.3	2.3	1.3	3.0	4.5
	Currency risk	%	0.0	0.0	0.0	0.0	0.1
	Liquidity						
	Loans plus impairments in relation to deposits	%	61.2	65	65.1	66.1	68.6
	Excess liquidity coverage in relation to statutory requirements for liquidity (prev. Section 152 of the Danish Financial Business Act) **)	%	242.0	191.8	199.4	229.9	261.2
	Excess liquidity coverage in relation to statutory requirements for liquidity in the Capital Requirements Regulation, Liquidity Coverage Ratio (LCR) ***)	%	132.1	119.3	153.8	-	-
	Credit						
	Sum of large exposures ****)	%	0.0	0	10.6	20.7	46.5
	Impairment ratio for the year	%	0.0	0.2	0.3	0.9	1.1
	Lending growth for the year	%	4.0	6.2	8.1	0.9	2.1
	Loans in relation to equity		3.2	3.7	3.7	3.6	4.6
	Equity						
	Net asset value	DKK	1,970.9	1,610.9	1,476.9	1,400.0	1,309.8
	Proposed dividend per share	DKK	500	100	100	150	200
	Employees						
	Average number of employees during the financial year converted to full-time equivalents		975	986	999	1,006	999

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

**) The definition of excess liquidity coverage in relation to statutory requirements for liquidity was changed in 2013. Excess liquidity coverage is calculated according to the highest value of the 10% and the 15% requirement. The 2013-2017 ratios and key figures are calculated according to the 15% requirement. There is no longer a statutory requirement, but only an indicator issued by the Danish Financial Supervisory Authority.

***) Statutory requirements for excess liquidity coverage according to section 152 of the Danish Financial Business Act were repealed with effect from 1 January 2017. Statutory requirements for excess liquidity coverage according to the Capital Requirements Regulation are being phased in, and the excess liquidity coverage has been expressed as percentages in relation to the statutory requirements for the individual years (2015: 60%, 2016: 70%, 2017: 80%). For 2018, the statutory requirement is 100% and thus it has been fully phased in.

****) The definition of large exposures changed in 2014. The comparative figures for 2013 have not been adjusted.

Note

46 Definition of ratios and key figures

Earnings per share (EPS Basic) are calculated in accordance with IAS 33.

Other calculations of ratios and key figures follow the requirements of the Danish FSA, see Annex 7 of the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc, and Annex 5 of the reporting guideline.

Ratio	Numerator	Denominator
Capital ratio =	Own funds x 100	Total risk exposure
Tier 1 capital ratio =	Tier 1 capital x 100	Total risk exposure
Return on equity before tax =	Profit before tax x 100	Equity (average)
Return on equity after tax =	Profit after tax x 100	Equity (average)
Ratio of operating income to operating expenses per DKK =	Income	Costs (excl. tax)
Return on capital employed =	Profit after tax x 100	Total assets (average)
Interest-rate risk =	Interest-rate risk x 100	Tier 1 capital
Currency position =	Currency indicator 1 x 100	Tier 1 capital
Currency risk =	Currency indicator 2 x 100	Tier 1 capital
Loans plus impairments in relation to deposits =	Loans + impairments on loans	Deposits
Loans in relation to equity =	Loans	Equity
Lending growth for the year *) =	(Loans, excl. repo/reverse transactions carried forward - loans, excl. repo/reverse transactions brought forward) x 100	Loans, excl. repo/reverse transactions brought forward
Excess liquidity coverage in relation to statutory requirements for liquidity *) =	Excess liquidity coverage in relation to statutory requirement in prev. Section 152 of the Danish Financial Business Act	Highest value of 10% to 15% requirement
Liquidity Coverage Ratio (LCR) =	Liquid assets and easily realisable assets x 100	Payment obligations for the coming 30 days
Excess liquidity coverage in relation to statutory LCR requirement =	(LCR per cent - statutory requirement) x 100	Statutory requirement
Sum of large exposures *) =	Sum of large exposures after deductions, excl. credit institutions x 100	Own funds
Impairment ratio for the year =	Impairments on loans and guarantees for the year x 100	Loans + impairment charges + guarantees

Supplementary ratios and key figures

Ratio	Numerator	Denominator
Earnings per share =	Arbejdernes Landsbank's shareholders' share of the profit for the year, incl. tax base of return on Additional Tier 1 capital	Number of shares issued (average)
Net asset value =	Arbejdernes Landsbank's shareholders' share of equity x 100	Share capital
Proposed dividend per share =	Dividend yield x nominal value of the share	100
Commercial property exposure *) =	(Gross loans and guarantees within the sector "Completion of building projects" + the sector "Real property") x 100	Gross loans + guarantees
Funding ratio *) =	Loans	Sum of deposits, including pooled schemes + debt to Danmarks Nationalbank with remaining term > 1 year + issued bonds with remaining term > 1 year + subordinated debt + equity

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

Note 47
Risk management

General
Based on the required risk profile, the Board of Directors establishes the overall structure of risk management by the Group. In risk policies and guidelines for the Executive Management, the Board of Directors sets the framework for risk management, and the risks the Group is permitted to accept. The Board of Directors regularly receives follow-up reports to monitor that risk management is satisfactory and that risk policies and guidelines are observed. The Board of Directors has set up an Audit and Risk Committee, focusing in particular on the risk profile and internal control environment.

The Risk and Liability Management Committee, set up by the Executive Management, is composed of the Executive Management, the CFO, the Finance Director, the Director of Credit and the Chief Risk Officer. The aim of the committee is to create a shared picture of required balance sheet and discuss the current risk exposure as well as other risk management issues.

The Operational Risk Committee is composed of the Executive Management, the IT Director, the Chief Risk Officer, the Head of Compliance and an employee from Finance. The committee handles operational events concerning risks of losses, and assesses policies and insurance programmes.

The Chief Risk Officer and the risk department ensure that the Group's risk management is satisfactory. This includes correct identification, measurement, treatment and reporting of all significant risks. The Chief Risk Officer assesses the Group's risks and risk management and reports to the Board of Directors.

Compliance monitors Group compliance with legislation. The Head of Compliance assesses the Group's compliance with current legislation and reports to the Board of Directors.

Daily management of risks is rooted in the individual areas. The Credit Department is responsible for operation of branches and the mortgage-credit area. The Treasury Department is responsible for market risk and liquidity, and Finance is responsible for operational risk, including insurance cover.

Credit risk

Credit policy
The overall credit risk is managed in accordance with policies and frameworks adopted and stipulated by the Bank's Board of Directors, and subsequently implemented in the Bank's standard operating procedures. Authorisation guidelines are established by the Board of Directors and passed on to the Executive Management and then further on in the organisation. Moreover, the Bank has a Credit Committee composed of the CEO, the Director of Credit and the Head of the Credit Department, which processes and authorises exposures over a certain size. Although the Head of the Credit Department and his proxy are also members of the Credit Committee, they have no authority to grant loans.

A central part of the Bank's business model is to advise on, and grant loans, credits and other financial products to private individuals and enterprises.

The primary target group is private customers, associations as well as small and medium-sized business customers with full-scale customer relationships. With regard to business customers, focus is primarily on owner-managed enterprises.

Furthermore, the Bank aims at ensuring that the Bank's group of owners can have various forms of bank business conducted.

Generally, the Bank does not participate in geared investment transactions, nor does it wish to finance projects of a speculative nature.

The Bank is engaged with financial counterparties in the money and derivate markets.

When providing credit, the Bank's assessment is made on the basis of an ethical profile and a desire to diversify risk and take into account the spread of risk over sectors, as well as the size of the exposure. This is important for the establishment of a sustainable foundation for the Bank's further development.

Credit organisation
The Bank has 70 branches. The authority to grant loans is structured such that the branches may grant loans in the majority of cases, but in larger and more complex cases, the branches must make a recommendation for

authorisation by the central Credit Department or the Bank's Credit Committee.

The Bank has a structural separation between customer functions and the control and monitoring function. The Bank also has independent departments responsible for property assessments, debt collection and mortgage deeds.

The Credit Department is responsible for day-to-day credit management, monitoring and reporting to the branch network.

Rating

For several years, the Bank has been using its own internally developed rating model for private as well as business customers to support assessment of credit risk.

The rating model is a hybrid model, which is based on a combination of payment behaviour as well as objective information about the customer, including accounting data for business customers and financial information about private customers. Rating categories are from 1-11, where rating 1 is the best and rating 11 is the poorest.

The Bank's rating is a central tool in ongoing monitoring and credit management. Furthermore the rating is used in the Bank's model for calculating impairments.

Rating distribution and rating development are monitored on an ongoing basis at portfolio as well as branch level. Reporting is made quarterly to central and branch management.

Credit risk management, controls and monitoring

To a great extent, day-to-day responsibility for internal control and monitoring of the Bank's credit risk is placed in the Credit Department and the Credit Secretariat of the Bank. The Bank focuses on processes and on developing tools to improve the efficiency of internal controls and monitoring.

The Credit Department carries out ongoing inspection of branches by reviewing samples of weak customers and new-loan authorisations, focusing on the general management of exposures. Conclusions from this review are reported to the Bank's Management and Internal Audit. Where assessed necessary, the branch will then be required to prepare action plans for follow-up by the Credit Department.

Every autumn, the Credit Department makes an annual review (asset review) of the Bank's total exposures based on a materiality and risk-focused approach. The Credit Department assesses current and future risks on selected exposures, and ensures that impairments are fair. The conclusions are reported to the Board of Directors.

Overdrafts are processed daily at the branches. The Credit Department monitors the processing of overdrafts on an ongoing basis.

All large lending exposures are reassessed regularly, and at least once a year, on the basis of individual customers' financial statements etc. However, all Group lending exposures exceeding 1% of the Bank's own funds are assessed, as a minimum, each quarter, and for exposures exceeding 2% of own funds, a further assessment is made to determine whether there are increased risks that call for an addition to the solvency need. With regard to calculation of the individual solvency need, the Bank's risk concentrations are assessed on the basis of collateral, sectors and large exposures, etc.

Weak customers/customers in distress are handled on an ongoing basis and examined individually each quarter in order to prepare action plans, and to calculate/assess whether there is objective evidence of impairment and a need for impairment charges. The part of the portfolio not subject to individual impairment charges is assessed collectively.

Moreover, credit monitoring is underpinned by ad hoc analyses on the basis of developments in the portfolio, and cross-sectoral analyses and reports are prepared for specific areas.

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

Risk hedging and risk reduction

The Bank utilises its possibilities to reduce risk by securing collateral in the assets that it finances.

The Bank applies prudent collateral values on all significant asset types. This implies that, for reasons of prudence, some assets are calculated at a reduced value, and therefore the real collateral value is assessed to be higher than the value calculated. Focus is on ensuring that assessments of mortgaged assets are updated and documented. The most common collateral is in the form of mortgages on real property and cooperative housing.

For individually assessed exposures, collateral is calculated in impairment calculations at estimated fair value, pursuant to regulations from the Danish FSA.

Changes in the Group's collateral are described on page 91.

Credit risk

	Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
Maximum credit exposure *)				
Loans at amortised cost	21,958,056	21,058,263	21,682,772	20,850,047
Guarantees	5,490,795	4,968,940	5,490,795	4,968,940
Loans and guarantees	*27,448,851*	*26,027,203*	*27,173,567*	*25,818,987*
Receivables from credit institutions and central banks	6,015,661	1,876,168	6,007,782	1,863,684
Bonds at fair value	11,812,388	15,207,800	11,812,388	15,207,800
Positive market value of derivative financial instruments	67,418	90,902	67,418	90,902
Irrevocable credit commitments	880,594	834,047	22,000	44,000
Total	*46,224,912*	*44,036,120*	*45,083,155*	*43,025,373*

*) The credit exposure is composed of selected balance-sheet-items and off-balance-sheet items.

	Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
Loans and guarantees				
Loans before impairment charges	23,226,664	22,433,218	22,940,748	22,216,753
Guarantees before provisions	5,521,545	4,999,459	5,521,545	4,999,459
Total loans and guarantees etc. before impairments	*28,748,209*	*27,432,677*	*28,462,293*	*27,216,212*
Individual impairments on loans	1,123,979	1,232,910	1,113,856	1,224,904
Collective impairments on loans	144,629	142,044	144,120	141,801
Individual provisions on guarantees	18,479	19,862	18,479	19,862
Collective provisions on guarantees	12,271	10,658	12,271	10,658
Total loans and guarantees etc. after impairments	*27,448,851*	*26,027,203*	*27,173,567*	*25,818,987*
Loans and guarantees broken down by groups of customers				
Private				
Loans and guarantees before impairments	21,199,991	19,817,734	19,122,046	17,750,304
Loans and guarantees after impairments	20,500,707	19,131,466	18,428,963	17,069,303
Collateral	10,570,774	9,968,472	8,705,334	8,078,155
Arrears	20,952	19,637	19,420	18,573
Actual loss written off	52,783	74,714	50,851	70,962
Business				
Loans and guarantees before impairments	7,548,218	7,614,944	9,340,248	9,465,908
Loans and guarantees after impairments	6,948,144	6,895,737	8,744,604	8,749,684
Collateral	3,781,021	3,565,508	1,713,791	1,852,240
Arrears	13,421	29,355	7,623	21,591
Actual loss written off	131,555	57,256	125,947	55,782
Total				
Loans and guarantees before impairments	28,748,209	27,432,677	28,462,293	27,216,212
Loans and guarantees after impairments	27,448,851	26,027,203	27,173,567	25,818,987
Collateral	14,351,795	13,533,980	10,419,125	9,930,395
Arrears	34,373	48,992	27,043	40,164
Actual loss written off	184,338	131,970	176,798	126,744

	Group		Bank	
	2017 DKK '000	2016 DKK '000	2017 DKK '000	2016 DKK '000
Arrears on non-impaired loans				
Age distribution for loans in arrears				
2-30 days	292,899	228,542	229,664	181,440
31-60 days	13,336	30,757	12,989	30,120
61-90 days	3,663	5,493	3,492	4,992
More than 90 days	15,364	19,653	15,364	19,495
Total loans in arrears	***325,262***	***284,445***	***261,509***	***236,047***
Value of collateral for loans in arrears				
Properties	164,325	130,326	163,644	131,057
Securities, bonds, cash deposits, etc.	845	8,849	865	9,003
Cars	37,379	34,683	686	606
Warranties and guarantees	23	4	23	4
Other collateral	25,375	14,875	223	131
Total	***227,947***	***188,737***	***165,441***	***140,801***
Age distribution for arrears				
2-30 days	22,505	25,816	15,213	17,189
31-60 days	6,325	14,376	6,303	14,350
61-90 days	1,561	2,574	1,544	2,557
More than 90 days	3,983	6,227	3,983	6,068
Total arrears	***34,374***	***48,993***	***27,043***	***40,164***

Loans at amortised cost, collateral value and payment in arrears > DKK 1,000 for customers which had arrears at the end of the year, and which were not subject to individual impairments. Loans in arrears and payments in arrears are calculated at account level.

Concentration risk

The Group's business strategy for loans activity is overall concentrated on the following customer groups: Private and Business. According to Article 395 of the CRR, an exposure with a customer or group of mutually connected customers may not, after subtracting particularly secure claims, exceed 25% of own funds. Quarterly reports are submitted to the Danish FSA. The Group has not had exposures exceeding the limits laid down in Article 395 of the CRR.

Concentration risk on large exposures, see Article 392 of the CRR, amounting to 10% or more of own funds	Group 2017	Group 2016	Bank 2017	Bank 2016
Credit institutions				
Credit exposure after deductions	579,245	0	579,245	0
Other business				
Credit exposure after deductions	0	0	0	0
Number of large exposures				
Credit institutions before deductions	7	6	7	6
Other business before deductions	1	0	2	1
Larger than 20% of own funds	0	0	0	0
15-20% of own funds	0	0	0	0
10-15% of own funds	0	0	0	0
Sum of large exposures, excl. credit institutions in % of own funds	0	0	0	0

	Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
Concentration on the Group's total collateral				
Private				
Properties	8,327,925	7,717,559	8,320,276	7,711,682
Securities, bonds, cash deposits, etc.	194,489	152,716	194,179	152,664
Cars	1,946,099	2,019,022	175,501	198,129
Warranties and guarantees	1,695	1,910	1,695	1,910
Other collateral	100,566	77,264	13,683	13,770
Total	***10,570,774***	***9,968,471***	***8,705,334***	***8,078,155***
Business				
Properties	1,261,569	1,296,423	1,258,162	1,293,228
Securities, bonds, cash deposits, etc.	437,698	538,608	437,505	538,556
Cars	1,096,870	970,960	8,248	8,569
Warranties and guarantees	6,639	2,624	5,222	2,624
Other collateral	978,245	756,894	4,654	9,263
Total	***3,781,021***	***3,565,509***	***1,713,791***	***1,852,240***
Total collateral				
Properties	9,589,494	9,013,982	9,578,438	9,004,910
Securities, bonds, cash deposits, etc.	632,187	691,324	631,684	691,220
Cars	3,042,970	2,989,982	183,749	206,698
Warranties and guarantees	8,334	4,534	6,917	4,534
Other collateral	1,078,810	834,158	18,337	23,033
Total	***14,351,795***	***13,533,980***	***10,419,125***	***9,930,395***

	Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
Credit quality - Loans before impairments				
Customers not impaired, broken down by primary business areas				
Private				
Rating 1-5	8,590,789	8,504,160	6,809,520	6,682,672
Rating 6-8	6,316,839	5,772,707	6,069,509	5,589,503
Rating 9	596,212	540,711	579,959	509,513
Rating 10-11	203,557	201,593	191,507	191,265
Total	***15,707,397***	***15,019,171***	***13,650,495***	***12,972,953***
Business				
Rating 1-5	3,038,136	3,462,036	6,328,352	6,158,500
Rating 6-8	2,166,517	1,311,657	920,387	829,378
Rating 9	307,904	432,361	148,168	184,855
Rating 10-11	365,247	404,677	287,256	298,491
Total	***5,877,804***	***5,610,731***	***7,684,163***	***7,471,224***

	Group 2017 %	2016 %	Bank 2017 %	2016 %
Average impairment ratio for customers not individually impaired, broken down by business areas				
Private				
Rating 1-5	0.126	0.136	0.152	0.170
Rating 6-8	0.834	1.001	0.867	1.034
Rating 9	8.287	6.778	8.518	7.193
Rating 10-11	3.860	4.781	3.972	4.938
Business				
Rating 1-5	0.083	0.132	0.040	0.072
Rating 6-8	0.354	0.481	0.834	0.753
Rating 9	2.984	1.053	6.201	2.444
Rating 10-11	1.506	2.936	1.659	3.791

Credit quality of loans has been assessed on the basis of the Bank's rating model and the Group's/Bank's model for collective impairments. Loss rates of the Group/Bank form the basis of collective impairments, if relevant in combination with a credit estimate.

	Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
Reasons for individual impairment on loans				
Amortised cost, loans before impairments				
Bankruptcy	63,453	34,346	61,509	30,880
Debt collection	223,787	301,549	223,540	300,376
Debtors in financial difficulties	1,354,223	1,467,422	1,321,041	1,441,320
Amortised cost, loans before impairments	*1,641,463*	*1,803,317*	*1,606,090*	*1,772,576*
Impairment charged				
Bankruptcy	57,259	29,824	56,181	28,451
Debt collection	198,168	252,252	198,023	251,875
Debtors in financial difficulties	868,552	950,834	859,652	944,578
Impairment charged	*1,123,979*	*1,232,910*	*1,113,856*	*1,224,904*
Amortised cost, loans after impairments	*517,484*	*570,407*	*492,234*	*547,672*
Collateral	390,707	353,894	367,051	332,007
Unsecured part	*126,778*	*216,513*	*125,183*	*215,665*
Value of loans with objective evidence of impairment, and where the carrying amount is larger than zero				
Assessed individually				
Loans at amortised cost before impairments	1,400,929	1,575,966	1,365,558	1,545,938
Impairment charges	883,445	1,005,559	873,324	998,266
Loans at amortised cost after impairments	*517,484*	*570,407*	*492,234*	*547,672*
Value of loans included in a collective assessment for which a loss rate has been determined, and where the carrying amount is larger than zero				
Loans at amortised cost before impairments	5,744,658	6,634,430	5,177,309	5,434,442
Impairment charges	144,629	142,044	144,120	141,801
Loans at amortised cost after impairments	*5,600,029*	*6,492,386*	*5,033,189*	*5,292,641*
Total value of loans subject to impairment charges, and where the carrying amount is larger than zero				
Loans at amortised cost before impairments	7,145,587	8,210,396	6,542,866	6,980,380
Impairment charges	1,028,073	1,147,603	1,017,444	1,140,067
Loans at amortised cost after impairments	*6,117,514*	*7,062,793*	*5,525,422*	*5,840,313*

Credit relaxation (forbearance)

A lending facility is defined as a loan with relaxed credit terms if, due to the debtor's financial difficulties, the Bank has granted relaxed terms on interest and/or repayment, or if the loan has been refinanced on more relaxed terms.

Non-Performing is defined as the group of non-performing exposures (based on the Basel criteria) and/or exposures which are impaired, i.e. exposures to customers subject to depreciation/amortisation, impairment charges or 90 days in arrears.

	Group		Bank	
	2017 DKK '000	**2016** DKK '000	**2017** DKK '000	**2016** DKK '000
Loans with relaxed credit terms				
Private				
Non-Performing	302,546	272,847	302,546	272,847
Performing	24,914	14,902	24,914	14,902
Total	***327,460***	***287,749***	***327,460***	***287,749***
Business				
Non-Performing	432,639	426,773	432,639	426,773
Performing	19,493	23,119	19,493	23,119
Total	***452,132***	***449,892***	***452,132***	***449,892***
Total loans with relaxed credit terms				
Non-Performing	735,185	699,620	735,185	699,620
Performing	44,406	38,021	44,406	38,021
Total	***779,591***	***737,641***	***779,591***	***737,641***

	Group 2017 DKK '000	2016 DKK '000	Bank 2017 DKK '000	2016 DKK '000
The Group as a lessor				
The subsidiary, AL Finans A/S, acts as a lessor for cars, machinery, operating equipment, fixtures and equipment. Finance leases as well as operating leases are offered to business customers and private customers.				
Finance leases are accounted for as purchases financed by loans, and consequently, the lease receivables are recognised in the balance sheet as loans at amortised cost, while the related interest income is recognised in the income statement.				
Gross investments in finance leases				
Duration up to 1 year	808,890	612,815	0	0
Duration between 1-5 years	631,162	628,907	0	0
Duration more than 5 years	2,998	5,044	0	0
Total	*1,443,050*	*1,246,766*	*0*	*0*
Of which unearned financing income represents	64,335	63,145	0	0
Net investments in finance leases	*1,378,715*	*1,183,621*	*0*	*0*
Net investments in finance leases				
Duration up to 1 year	771,186	578,772	0	0
Duration between 1-5 years	604,619	599,980	0	0
Duration more than 5 years	2,910	4,869	0	0
Total	*1,378,715*	*1,183,621*	*0*	*0*
Accumulated impairment charges on finance leases	3,142	1,918	0	0
Finance lease income recognised in the income statement under interest income	51,754	45,188	0	0
Operating leases are accounted for as rental contracts, and consequently the leasing assets are recognised in the balance sheet as other property, plant and equipment, while rental income is recognised in the income statement under other operating income.				
Operating leases				
Duration up to 1 year	33,697	34,034	0	0
Duration between 1-5 years	36,713	41,539	0	0
Duration more than 5 years	0	0	0	0
Total	*70,410*	*75,573*	*0*	*0*
Lease payments from operating leases recognised in the income statement under other operating income	27,717	32,028	0	0

Credit risk on credit institutions

The greatest source of credit risk on credit institutions is the Group's bond portfolio. The portfolio, broken down by ratings and issuers, respectively, is described on page 98.

Another source of credit risk is outstanding accounts with credit institutions and central banks. In this context, the Bank's risk exposure is typically to central banks with an AAA rating or to other Danish banks with which the Bank's trading department has a customer relationship.

Receivables from credit institutions broken down by product type				
Certificates of deposit	5,116,368	910,082	5,116,368	910,082
Reverse transactions	56,620	287,174	56,620	287,174
Other accounts	842,673	678,912	834,793	666,428
Total	*6,015,661*	*1,876,168*	*6,007,781*	*1,863,684*

As part of trading in securities, currencies and derivative financial instruments as well as money transmission services etc., exposures to credit institutions arise as settlement risk or credit risk.

Management grants lines on settlement risk and credit risk against credit institutions, and this is done on the basis of the individual counterparty's risk profile, geographical location, rating, size and equity ratio. Risks and lines on credit institutions are monitored regularly.

Market risk

The Arbejdernes Landsbank Group regularly accepts various forms of market risk, primarily as interest-rate risk, share-price risk or currency risk. Market risks arise partly as a result of servicing customers' needs, and partly from the Bank's positions in financial instruments and derivative financial instruments to manage and adjust market risks.

The Group's activities related to market risk arise from active management of the deposits surplus. Active management primarily takes the form of acquiring liquid assets in order to meet the Group's liquidity target (HQLA assets), and is supplemented by active placements based on return/risk considerations aiming at profitable earnings.

Trading in shares, bonds, currencies and derivative financial instruments is an important business area for the Bank. In this regard, the Bank keeps a small portfolio, partly in order to respond to customer flow, and partly as active placements based on expectations for the market.

Market risk is managed at Group level, and market risk in other units in the Group is regularly hedged with the Parent Company. The Group's market risk is categorised into five overall risk classes: general interest-rate risk, specific interest-rate risk, share-price risk, currency risk and commodity risk.

The purpose of market-risk management is to balance the overall market risk on assets and liabilities, in order to achieve a satisfactory return and risk balance.

The framework, objectives and strategies for the Bank's market risk have been laid down in a delegation system in which the Board of Directors outlines the framework for the maximum total market risk the Bank is permitted to accept. The Executive Management forwards parts of the risk framework to the Treasury Department. Otherwise, the framework is established based on the Executive Management's investment strategy, which depends on assessments of returns in relation to the risk in financial instruments with due consideration for the Bank's other risks.

Monitoring market risk

Detailed risk reports are prepared daily, and these reports are sent to the Executive Management and other relevant parties.

Internal Risk Management and Control is independent on business responsibilities and position management, and it ensures that all calculated risks comply with the frameworks stipulated and the current strategy in the area. Any transgressions must be reported to the Board of Directors, the Executive Management, the CRO and the Risk and Liability Management Committee.

Reporting to the Executive Management and the CRO is on a daily basis, and detailed qualitative and quantitative reporting to the Board of Directors and the Risk and Liability Management Committee is monthly.

General and specific interest-rate risk

The market risk guidelines establish a framework in a number of dimensions in order to hedge significant interest-rate risks. Thus, there is a fixed framework for net interest-rate risk (total and short-term/long-term net risks) per currency and per duration zone. In combination, this ensures that the Bank manages and monitors the primary interest-rate risk targets through parallel shifts of yield curves, risk related to interest-rate spreads between currencies and risk related to the structure of interest rates.

Interest-rate risk is managed to achieve a balance in the interest-rate risk on assets and liabilities. For most of the fixed-interest assets and liabilities, as part of risk management, interest-rate risk is hedged by derivative financial instruments, primarily futures, interest-rate swaps and forward transactions.

General interest-rate risk is the risk of losses as a result of a general parallel shift in market interest rates by one percentage point in all currencies. Duration intervals are utilised in calculations of interest-rate risk on fixed-interest assets and liabilities.

The interest-rate risk is spread over seven duration zones. For day-to-day management of interest-rate risk, the interest-rate risk is calculated according to guidelines from the Danish FSA. Monitoring is continuous and there are daily reports on utilisation of the frameworks.

	2017 DKK '000	2016 DKK '000
Interest-rate risk broken down by type of business		
Bonds etc.	352,263	492,257
Derivative financial instruments	-399,167	-584,478
Mortgage deeds	79,904	79,891
Other items	-74,202	-54,158
Total	*-41,202*	*-66,488*
Interest-rate risk broken down by currency		
DKK	-10,766	827
USD	-45,698	-35,280
EUR	8,928	-37,825
GBP	1,706	2,225
NOK	969	227
CHF	1,522	2,035
SEK	2,138	1,304
Other	-1	-1
Total	*-41,202*	*-66,488*
Interest-rate risk broken down by modified maturity (M)		
0 < M <= 3 months	8,197	14,027
3 < M <= 6 months	21,289	16,207
6 < M <= 9 months	10,177	-8,439
9 < M <= 12 months	-8,153	31,707
1 < M <= 2 years	12,384	15
2 < M <= 3.6 years	37,476	21,786
3.6 years < M	-122,572	-141,791
Total	*-41,202*	*-66,488*

A positive interest-rate risk indicates a loss in connection with interest-rate increases and a gain in the event of general interest-rate falls. The negative net interest-rate risk across duration zones and currencies thus indicates a gain in the event of a general interest-rate increase of 1 percentage point of DKK 41 mill (2016: DKK 66 mill.). The risks are also assessed regularly in relation to the Bank's assessment of return opportunities and risks.

Specific interest-rate risk expresses the risk in relation to a specific issuer/issue, i.e. any loss in the event of changes in credit quality, liquidity, etc. for a specific issuer. The specific interest-rate risk is calculated as the initial default risk on a given issuer/issue, as well as the risk of changes in credit quality (credit-spread risk) expressed as changes in credit spread.

Credit-spread risk is calculated as the change in market value of the bond portfolio in the event of a change in credit spread of 1 basis point. For convertible mortgage-credit bonds, the option-adjusted credit-spread risk is used, which includes volatility and conversion risk. In the Group's portfolio, the specific interest-rate risk is related to the portfolio of bonds and bond futures.

In the market-risk guidelines, credit-spread risk is subject to a range of restrictions. Monitoring is continuous, with daily reporting on utilisation of the frameworks.

Most investments are in Danish and European government bonds and Danish mortgage-credit bonds that are used to ensure that the Bank's liquidity target (HQLA assets) is met. Furthermore, by far the majority of investments are in highly rated assets: AAA-rated securities amount to almost 64%, and investment grade assets amount to 92% of the total portfolio.

At present, DKK 1.1 bn. (2016: DKK 1.2 bn.), corresponding to 9% (2016: 8%) of the total bond portfolio has been invested in a diversified portfolio of corporate bonds, excl. banks, primarily in DKK- and EUR-denominated bonds.

Investments in bonds issued by banks represent DKK 1.1 bn. (2016: DKK 2.2 bn.), corresponding to 9% of the Bank's total bond portfolio (2016: 14%), and are mainly in banks in the investment grade segment or higher, with primary focus on banks with EUR-denominated bonds.

Relative composition of the bond portfolio at the end of 2017, broken down by rating and type of issuer:

	2017 %	2016 %
Rating		
AAA	64	54
AA+, AA, AA-	4	4
A+, A, A-	8	9
BBB+	3	7
BBB	10	12
BBB-	3	3
Rating < BBB-	2	2
No Rating	6	9
Total	*100*	*100*
Broken down by issuer		
Governments	24	20
Mortgage credit	58	58
Banks	9	14
Other businesses	9	8
Total	*100*	*100*

Figure: Distribution according to the S&P rating scale based on the S&P ratings or ratings from Moody's converted to corresponding ratings in the S&P scale. Currency risk

Currency risk

Currency risk is managed to a wide extent to match financial assets with the currency distribution of liabilities. Furthermore, the currency risk is hedged using derivative financial instruments. The Bank's investment strategy is to only have limited net positions in foreign currency.

An unfavourable fluctuation for the Bank in EUR of 2% and in other currencies of 10% will lead to a negative effect on results and equity before tax of DKK 8.2 mill. (2016: DKK 10.0 mill.).

Furthermore, the Bank uses currency indicators 1 and 2 to manage currency risk.

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

Currency indicator 2 gives a target for foreign-currency risk, which takes account of the amount by which the individual currencies have fluctuated in relation to the DKK, calculated on the basis of variances and correlations from the Danish FSA.

	2017	2016
Currency risk		
Currency indicator 1 in DKK 1,000	80,747	131,656
Currency indicator 1 in % of Tier 1 capital	1.4	2.4
Currency indicator 2 in DKK 1,000	294	366
Currency indicator 2 in % of Tier 1 capital	0.0	0.0

Share-price risk

The Bank invests on the stock markets to supplement its bond portfolio investments and cash placements. Moreover, the Bank holds an appropriate trading portfolio to service its customers. The Bank primarily trades in shares and through investment associations on well-known, established markets. Risk is calculated and monitored on a daily basis, and there is a fixed framework for net risk, gross risk and short/long positions, both at total level and on specific markets and product types.

The size of the Bank's share-price risk is set regularly on the basis of the Bank's assessment of the macro-economic situation, as well as the situation of the individual companies. Sensitivity to general changes in the share markets is concentrated in the relatively small part of shareholdings held in the trading portfolio. Holdings are spread over a broad portfolio distributed across markets and sectors. A general fall in the share markets of 10% would lead to a capital loss of around DKK 21.9 mill. (2016: DKK 23.3 mill.)

However, investment securities are more specifically affected by developments in the individual companies, which cannot be assumed to be influenced correspondingly by market fluctuations. A general change in prices of 10% would lead to a capital loss of around DKK 183 mill. (2016: DKK 109 mill.).

	2017 DKK '000	2016 DKK '000
Share positions		
Trading portfolio		
Listed shares	141,106	146,551
Unlisted shares etc.	77,467	86,643
Derivatives	0	0
Total trading portfolio	*218,573*	*233,194*
Market value of investment securities		
Unlisted shares *)	1,636,429	1,084,741
Listed shares	190,318	10,253
Total investment securities	*1,826,747*	*1,094,994*
Total	*2,045,320*	*1,328,188*

*) The valuation of shares in ALKA Forsikring is based on an expected sale of the company at a price of DKK 8.2 bn. The Bank's ownership share is more than 10%.

Commodity risk

The Bank had no commodities positions at the end of 2017 and only accepts very limited commodity risks.

Operational risk

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

Policy for operational risk

Operational risks and losses resulting from such risks can be limited but not eliminated. The Group's policy is that operational risks must be reduced, taking into account the costs associated with such risk reduction.

The treatment of operational risks must support the Group's activities as a stable and sound bank. Consequently, the Group's products and systems must be fully transparent to ensure a complete overview of operational complexity, and, where possible, a reduction of operational risks to an acceptable level. One way of achieving this is to use tested and well-documented solutions, and to ensure that the employees are highly professional.

Management of operational risk is rooted in the policy for operational risk, and is communicated on to the organisation through business procedures related to this policy.

Management, monitoring and reporting

The Group carries out a risk identification process, which forms the basis of assessing operational risks in the coming year. The purpose if this is to ensure that the Group has an overview of the most significant processes and related operational risks.

Events of an operational nature are collected together systematically. This forms the basis for ongoing reporting of losses and events assessed to be attributable to operational risks. On the basis of developments and reporting, the Operational Risks Committee assesses whether business procedures etc. ought to be adjusted and improved in order to prevent or minimise any operational risks. The Bank's procedures and processes are regularly reviewed and assessed by the Bank's compliance function, as well as the internal and external auditors.

IT security

In the assessment of the Bank's operational risk, IT supply is a significant area. The Bank's IT organisation and Management regularly evaluate IT security, including prepared IT emergency preparedness plans, which lay down requirements and levels for the accessibility and stability of the IT systems and data used by the Bank. The requirements listed apply to the Bank's internal IT organisation, as well as to the Bank's external IT supplier, BEC (Bankernes EDB Central), which the Bank owns together with a number of other banks. In 2017, the Bank established a new position, Head of IT security, referring to the Chief Risk Officer. This will ensure greater independence of assessments within this area.

Liquidity risk

Liquidity risk is the risk that the Group either fails to meet its payment obligations as they fall due, or is only able to meet its obligations by incurring disproportionately high financing costs.

Liquidity risk is a consequence of a mismatch in the balance between the maturity of assets and liabilities. The Bank's loan portfolio generally has a longer time to maturity than its liabilities, including deposits. This risk is reflected in a risk of additional expenses resulting from the Bank having to pay more for the liquidity required to cover its payment obligations in a situation where the Bank itself, or the sector as a whole, is affected by extraordinary circumstances. Most of the Bank's liquidity risk is in DKK, whereas a smaller proportion of the risk is primarily in EUR and USD.

Management and monitoring of liquidity risk are based on policies, guidelines and contingency plans decided by the Board of Directors. Furthermore, an internal framework has been established for liquidity management in the Treasury Department, which is responsible for ensuring that the Group complies with the short-term liquidity framework. In cooperation with relevant staff functions, the Executive Management is responsible for managing long-term funding.

The Group has implemented various internal models to estimate the future liquidity need. These include stress test models, simulating exposure to specific and market-related shocks that are considered unthinkable, but not improbable. The models are based on projections as well as historically known liquidity features.

Cash resources according to LCR

The Board of Directors has stipulated in its liquidity policy that the Bank must have excess liquidity coverage in relation to the LCR minimum requirements of 30 percentage points. The Bank also has a policy that liquidity forecasts, which are prepared at least once a month, must demonstrate compliance with requirements for excess liquidity coverage at least three months ahead. Furthermore, the policy stipulates that stress tests must be prepared. Liquidity forecasts are submitted to the Board of Directors on a monthly basis, and more often, if required.

LCR liquidity statement	DKK bn.
Total liquidity buffer	14.5
Net outflow	7.8
LCR (%)	185.7

At the end of 2017, LCR was calculated at 186%, which is comfortably in line with the Bank's objective of excess liquidity coverage, and an improvement compared with the level in 2016.

Funding structure

Group activities are primarily financed through customer deposits, equity and subordinated debt, and secondarily through loans and repo transactions with other credit institutions and Danmarks Nationalbank.

Funding ratio	DKK bn.
Equity and subordinated debt	6.8
Stable deposits	37.5
Stable funding	44.2
Loans (excl. reverse)	23.1
Funding ratio (%)	52.3

The Group's stable funding exceeds the Group's lending by DKK 21.1 bn. as at 31 December 2017.

Cash resources contingency plan

The Bank has also prepared a cash-resources contingency plan which states specific initiatives to improve liquidity and reduce risks, including borrowing against assets or disposal of assets, and these initiatives can be implemented if the liquidity forecasts cannot meet the policies. Activation of the contingency plan will also be considered if significant impairments in liquidity occur.

Contractual maturity of financial liabilities for the Group

	Carrying amount DKK '000	Contractual cash flows DKK '000	Within 1 year DKK '000	More than 1 year DKK '000
2017				
Debt to credit institutions and central banks	2,080,697	2,080,697	1,708,444	372,253
Deposits and other debt	34,756,228	34,756,228	33,654,325	1,101,903
Deposits in pooled schemes	2,727,496	2,727,496	658,218	2,069,278
Other non-derivative financial liabilities at fair value	54,773	54,773	54,773	0
Derivative financial instruments and spot transactions	262,921	266,751	98,364	168,387
Guarantees	5,490,796	5,490,796	2,936,714	2,554,082
2016				
Debt to credit institutions and central banks	3,271,354	3,271,354	2,899,641	371,713
Deposits and other debt	32,149,727	32,149,727	31,063,317	1,086,410
Deposits in pooled schemes	2,056,027	2,056,027	924,552	1,131,475
Other non-derivative financial liabilities at fair value	263,148	263,148	263,148	0
Derivative financial instruments and spot transactions	395,105	402,218	163,242	238,976
Guarantees	4,968,940	4,968,940	2,540,813	2,428,127

The analysis of maturities shows contractual undiscounted cash flows, and includes payments agreed, excluding interest on non-derivative financial instruments.

Payments regarding guarantees mature if a number of predefined conditions have been met. Such payment obligations are included at the time of maturity of the agreements.

For pooled scheme deposits, only the customers' pension pool scheme deposits are distributed, as the future returns for the participants in the pool depend on the return on assets in the pool. There will be a correlation between maturities of obligations and assets related to the pension pools.

The maturity distribution above is based on the earliest time at which payment of an amount can be required.

A large part of the Group's assets are highly negotiable assets in the form of certificates of deposit and bonds, which are adjusted as liquidity obligations mature.

Management, organisation etc.

The Advisory Board of Representatives

Chairman:
Claus Jensen
Trade Union President
Dansk Metal

Lars Andersen
Managing Director
AE – Arbejderbevægelsens Erhvervsråd

Mads Andersen
Group Chairman
Fagligt Fælles Forbund – 3F

Jacob Bundsgaard
Mayor
City of Aarhus

Per Christensen
Trade Union President
Fagligt Fælles Forbund – 3F

Tina Christensen
Vice President
Fagligt Fælles Forbund – 3F

John Dybart
Former Trade Union President
Serviceforbundet

Villy Dyhr
Trade Union Secretary
HK/Danmark

Lone N. Frost
Trade Union President
Dansk Frisør & Kosmetiker Forbund

Arne Grevsen
Vice President
Landsorganisationen i Danmark

Henrik Grønborg
CEO
ALKA Forsikring

Marina Hoffmann
Managing Director
Fonden LO-Skolen

Frank Jensen
Lord Mayor
City of Copenhagen

Jim Jensen
Vice President
Fødevareforbundet NNF

Henrik Kjærgaard
Vice President
Dansk Metal

Kim Lind Larsen
Group Chairman
Fagligt Fælles Forbund – 3F

Max Meyer
Trade Union President
Blik- og Rørarbejderforbundet i Danmark

Torben Möger Pedersen
CEO
PensionDanmark A/S

Torben Poulsen
Treasurer
Dansk Metal

Jørgen Juul Rasmussen
Trade Union President
Dansk El-Forbund

Lizette Risgaard
President
Landsorganisationen i Danmark

Kim Simonsen
Trade Union President
HK/Danmark

Christian Riewe
Attorney-at-law
Advokatfirmaet Bjørst I/S

Ulla Sørensen
Treasurer
Fagligt Fælles Forbund – 3F

Simon Tøgern
President
HK Privat

Kresten Vendelboe
Trade Union President
Malerforbundet i Danmark

Ole Wehlast
Trade Union President
Fødevareforbundet NNF

EMPLOYEE REPRESENTATIVES:
René Bo Nielsen
Bank Security Officer

Lasse Thorn
Senior Shop Steward

Yvonne Hansen
Head of Pension Department

Management etc.

BOARD OF DIRECTORS:
Chairman:
Per Christensen
Trade Union President
Chairman of the Nomination and Remuneration Committee

Vice Chairman:
Claus Jensen
Trade Union President
Member of the Audit and Risk Committee
Member of the Nomination and Remuneration Committee
Chairman of the Advisory Board of Representatives

Lars Andersen
Managing Director
Chairman of the Audit and Risk Committee

Kim Lind Larsen
Group Chairman

Torben Möger Pedersen
Managing Director
Member of the Audit and Risk Committee
Member of the Nomination and Remuneration Committee

Christian Riewe
Attorney-at-law

Lizette Risgaard
President
Member of the Nomination and Remuneration Committee

Ole Wehlast
Trade Union President

ELECTED BY THE BANK'S EMPLOYEES:
Yvonne Hansen
Head of Pension Department

John Markussen
Association Consultant

Jesper Pedersen
Customer Advisor

Lasse Thorn
Senior Shop Steward

EXECUTIVE MANAGEMENT:
Gert R. Jonassen
CEO

Jan W. Andersen
Executive Bank Director

OTHER EMPLOYEES IN DAY-TO-DAY MANAGEMENT:
Svend Randers
Deputy Bank Director

Susanne Bechsgaard
Business Director

Bent Bøjden
IT Director

Peter Froulund
Branding and Communication Director

Kjeld Gosvig-Jensen
Legal Affairs Director

Finn Hansen
HR Director

Simon Sinding Jørgensen
Strategy and Business Development Director

Jesper K. Karlsen
Director of Credit

Lone Kjærgaard
Finance Director

Leif Klinge
CFO

Peter Normand
Asset Director

Charlotte Skovgaard
Project Director

Ulrik Duvier Stærmose
Business Director

Ronni Tønder
Business Director

AUDIT:
Deloitte
Stateauthorised limited partner company of accountants

Christoffer Max Jensen
Chief Audit Executive

Staff functions

BUSINESS AREA:
Kåre S.M. Breinholt
Corporate Banking Director

FACILITY MANAGEMENT:
Henrik Gliese
Head of Facility Management and Property Administration

Henrik Schneller
Head of Facility Management

Henrik Krog-Meyer
Head of Service and Security

PLACEMENT OF ASSETS AND HOMES:
Peter Normand
Asset Director

Asger Friis Pedersen
Head of Housing Department

Thor Rasmussen
Head of Client Investments Department

Yvonne Hansen
Head of Pension Department

Henrik von der Ahé
Head of Private Banking

HR:
Finn Hansen
HR Director

Sarah Vinnes
Head of HR development

IT:
Bent Bøjden
IT Director

Henrik Poulsen
Head of IT Department

Lars Dalsgaard
Head of IT Operations Department

Michael Hartwig
Head of IT Business Department

Lars Taagaard
Team manager

Dorte Poulsen
Head of Credit Cards Department

Inge Brandi
Team manager

LEGAL:
Kjeld Gosvig-Jensen
Legal Affairs Director

Kirsten Fynbo
Head of Debt Collection Department

Rikke Sand Kirk
Head of AML (from 01.03.2018)

Charlotte Jensen
Manager of the Secretariat of the Board of Directors and the Executive Management

BRANDING AND COMMUNICATION
Peter Froulund
Branding and Communication Director

Jesper Bjerrehuus
Communication and Press Officer

Signe Roed-Frederiksen
Chief Economist

CREDIT:
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Director of Credit

Morten Pii Johannessen
Head of Credit Department

Adrian Perslow
Manager of the Credit Secretariat

Ulrik Raft
Head of Mortgage Department

LIQUIDITY AND FUNDING:
Lone Kjærgaard
Finance Director

Torben Ravn
Head of International Affairs Department

Jørn Pohl Nielsen
Head of Funds and Administration Department

Carsten Hammershøj
Head of Treasury Department

Jesper Olsen
Head of Trading

Marc C. G. Dalgas
Head of Capital Markets Department

Michael Skovgaard Sjøgren
Head of Internal Risk Management Department

RISK AND COMPLIANCE:
Signe Thustrup Kreiner
Chief Risk Officer, CRO

Gry Bandholm
Proxy, CRO

Jacob Høeg Simonsen
Head of IT security

Niels Thor Mikkelsen
Head of Compliance

STRATEGY AND BUSINESS DEVELOPMENT:

Simon Sinding Jørgensen
Strategy and Business Development Director

Charlotte Skovgaard
Project Director

Jesper A. Nielsen
Head of Business Department

BRANCH SUPPORT:

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Head of Department

Jann Schärfe
Branch Support Manager, Odense

Tina Bundgaard
Assistant Branch Support Manager, Glostrup

Christina Skov
Assistant Branch Support Manager, Glostrup

Morten Kjær
Branch Support Manager, Aarhus

AL SERVICE TELEPHONE:

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Leif Klinge
CFO

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Branch Manager John Dalum

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Branch Manager Jesper Stærmose

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Branch Manager Anders Østergaard

Branch in Skive
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Branch Manager Thomas Larsen

Branch on Bispebjerg
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Branch Manager Christina Hald

Branch in Brønshøj
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Branch Manager Anette Ryefelt

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Bo Mellerkær Larsen

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Branch Manager Jette Lund

Branch at Gl. Kongevej
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Branch Manager Thomas Thørner

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Branch Manager Trine Broustbo

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Branch in Valby
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2500 Valby
Assistant Branch Manager
Camilla Storm Eriksen

Branch in Vanløse
Jernbane Alle 66
2720 Vanløse
Assistant Branch Manager
Michael Dahl Jensen

Branch on Østerbro
Ndr. Frihavnsgade 74
2100 København Ø
Branch Manager Kim Foss Lund

Branch at Østerfælled Torv
Østerfælled Torv 38
2100 København Ø
Assistant Branch Manager
Helle Stauning

FUNEN:

Branch in Dalum
Dalumvej 52
5250 Odense SV
Branch Manager
Knud Erik Madsen

Branch in Hunderup
Skovsbovænget 10B
5230 Odense M
Branch Manager John Schmidt

Branch in Højstrup
Rismarksvej 115A
5210 Odense NV
Branch Manager
Ann Daugaard Skøt

Branch in Nyborg
Strandvejen 1
5800 Nyborg
Branch Manager
Malene Louise Givskov

Branch in Odense
Torvegade 3
5000 Odense C
Branch Manager Steen Tophøj

Branch in Seden
Svendsagervej 2A
240 Odense NØ
Branch Manager
Jakob Lynge Hansen

Branch in Svendborg
Voldgade 16
5700 Svendborg
Branch Manager
Nicki L. Christiansen

ZEALAND:

Branch in Frederikssund
Havnegade 18
3600 Frederikssund
Branch Manager
Per Jegsen Schmidt

Branch in Helsingør
Klostergade 1
3000 Helsingør
Branch Manager
Claus Lundsgaard

Branch in Hillerød
Nordstensvej 2
3400 Hillerød
Branch Manager Carsten Nielsen

Branch in Holbæk
Smedelundsgade 16
4300 Holbæk
Branch Manager Jens Skov Mohn

Branch in Jyllinge
Jyllingecentret 23
4040 Jyllinge
Assistant Branch Manager
Birthe Humle

Branch in Kalundborg
Bredgade 55
4400 Kalundborg
Branch Manager Maise Norlin

Branch in Køge
Torvet 9
4600 Køge
Branch Manager
Thomas Kuhn Jacobsen

Branch in Næstved
Banegårdspladsen 1
4700 Næstved
Branch Manager
Martin Bay Sørensen

Branch in Roskilde
Algade 14
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Branch Manager Jesper Henriksen

Branch in Ringsted
Nørregade 25
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Branch Manager
Helle Høgsbjerg Bang

Branch in Slagelse
Jernbanegade 2
4200 Slagelse
Branch Manager
Hans Erik Sonn

LOLLAND-FALSTER:

Branch in Nykøbing F.
Langgade 32
4800 Nykøbing F.
Branch Manager
Flemming Møller

EHRHORN HUMMERSTON

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