Annual report 2023

Arbejdernes Landsbank

Aktieselskabet Arbejdernes Landsbank | CVR no. 31 46 70 12 | Vesterbrogade 5, 1502 Copenhagen, Denmark

Contents

SIMON S. JØRGENSEN
Executive Bank Director

JAN W. ANDERSEN
CEO

SVEND RANDERS
Executive Bank Director

FRANK MORTENSEN
Deputy CEO

GRY BANDHOLM
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.

Arbejdernes Landsbank

Management's report

Dear shareholders

2023 has been a year where high inflation, interest rate hikes and international crises have largely set the agenda, but where the Danish economy has proven robust and has performed well. The Group has achieved a total result for 2023 of DKK 2,511 mill. before tax. The result is characterised as highly satisfactory and is the best in the Group's history. During the year, the Group year has seen growth in our core business, both in the influx of new customers and in developments in business activity. This also means that the Group starts 2024 in a strong position. There is a high customer satisfaction within the Group, which has, among other things, resulted in Danish bank customers choosing Arbejdernes Landsbank as their preferred bank for the 15th consecutive year. As Chairman of Arbejdernes Landsbank, I am both pleased and proud of the strong development in the Group, and we will continue to build the business on sound values.

The consolidated financial statements for 2023 show a profit after tax of DKK 1,838 mill., which gives a return on equity of 13.7% after tax. The result for 2023 exceeds the original expectations at the beginning of the year and lands in the middle of the upwardly revised guidance announced on 18 September 2023. The favourable result is due to positive value adjustments, higher interest margins and reversed impairments. The results are deemed very satisfactory.

The Board of Directors and the Executive Board recommend to the General Meeting a dividend of DKK 525 mill., corresponding to DKK 0.25 per share of DKK 1.

Group management and more cooperation

Arbejdernes Landsbank and Vestjysk Bank operate as two independent banks, each with their own business model and strong brands. AL Finans is the Group's financing and leasing company, which mainly specialises in factoring, car loans and leasing.

In 2023, the collaboration between Arbejdernes Landsbank, Vestjysk Bank and AL Finans was expanded by increasing the number of group functions. This strengthens corporate governance and enhances the professional environment for employees in the Group. At the same time, it is a continued part of realising synergy potential in the organisation's staff and support functions.

Issuance of the Bank's first green bond

In the beginning of the third quarter of 2023, Arbejdernes Landsbank issued its first green bond with Senior Preferred status for DKK 1.0 bn. The issuance is a crucial step in meeting the MREL requirement, in line with the Bank's SIFI status, and simultaneously fulfills the ambition of becoming a more sustainable Bank and Group.

Arbejdernes Landsbank has a goal to issue more green bonds in 2024 and the subsequent years.

Financial expectations for 2024

The Group expects 2024 to see a soft landing for the Danish economy after recent high inflation, interest rate hikes, geopolitical turmoil and increased macroeconomic uncertainty.

The Group expects continued growth in business volume in 2024 and a normalisation of the impairment level. In addition, costs are expected to increase due to salary increases and continued investments in digitalisation and regulatory tasks, and the expectation of lower interest rates in 2024 will have a negative effect on expected income. Overall, the Group's pre-tax profit is expected to be in the range of DKK 2.0-2.4 bn.

Claus Jensen
Chairman of the Board of Directors

Financial review

		2023 DKK mill.	2022 DKK mill.	2021 DKK mill.	2020 DKK mill.	2019 DKK mill.
Financial highlights for the Group						
Income statement						
Net interest income		3,279	2,218	1,643	1,070	1,075
Net fee and commission income		1,409	1,565	1,197	699	688
Value adjustments and dividends		709	-127	293	285	342
Other operating income		73	98	412	70	69
Profit from equity investments in associated companies		-140	4	95	103	24
Total income		***5,329***	***3,757***	***3,640***	***2,228***	***2,198***
Costs and amortisation/depreciation		-2,998	-2,907	-2,424	-1,767	-1,663
Impairments on loans and receivables etc.		181	52	162	-79	54
Total costs		***-2,817***	***-2,855***	***-2,262***	***-1,846***	***-1,609***
Profit before tax		***2,511***	***903***	***1,378***	***382***	***588***
Tax		-673	-114	-49	-52	-44
Profit for the year		***1,838***	***789***	***1,329***	***330***	***545***
Selected balance sheet items						
Loans and other receivables at amortised cost		47,593	44,110	41,958	23,818	22,906
Bonds at fair value		33,660	28,590	28,116	21,903	20,860
Total assets		116,999	107,987	107,461	62,913	59,024
Deposits incl. pooled schemes		93,691	88,095	89,237	52,045	47,990
Equity		13,972	12,348	11,853	7,125	6,855
Selected ratios and key figures						
Capital ratio	%	21.0	19.8	18.2	20.6	19.8
Common Equity Tier 1 capital ratio	%	17.5	16.1	14.9	17.0	16.2
Return on equity before tax	%	18.7	7.0	14.8	5.5	8.6
Return on equity after tax	%	13.7	6.1	13.9	4.7	7.9
Ratio of operating income to operating expenses per DKK	DKK	1.89	1.32	1.61	1.21	1.37
Cost rate	%	54.8	77.4	68.4	83.2	76.5
Liquidity coverage ratio (LCR)	%	309.6	264.5	249.4	274.1	269.9
Impairment ratio for the year	%	0.2	0.6	0.5	0.2	-0.2
Lending growth for the year	%	7.9	5.1	76.2	4.6	3.7

See note 46 for definitions of ratios and key figures. Reversed reserves on lending, which was credit-impaired at initial recognition, have not been included in the calculation of the impairment ratio for the year.

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

Profit for the year

In 2023, the Group achieved a pre-tax profit of DKK 2,511 mill. compared to DKK 903 mill. in 2022. Profit after tax totalled DKK 1,838 mill. compared to DKK 789 mill. in 2022. The result for 2023 is positively impacted by rising interest rates and reversed impairment losses. The profit after tax provides a return on average equity of 13.7%.

The result lands in the middle of the upwardly revised profit guidance of DKK 2.4-2.6 bn. before tax, which the Group announced on 18 September 2023. The result is significantly better than the original expectations published in the Group's annual report for 2022. The results are deemed very satisfactory.

Income

The Group's total income totalled DKK 5,329 mill., which is significantly higher than in 2022, when income was DKK 3,757 mill.

Net interest income in 2023 increased by DKK 1,061 mill. to DKK 3,279 mill. The increase is primarily attributed to the increasing interest rates, as well as continued customer growth and increased business volume.

Net fee and commission income was DKK 1,409 mill., a decrease of DKK 156 mill. in relation to 2022. The decrease is primarily due to lower activity in the housing market, with fewer property transactions and fewer conversions of mortgage-credit loans compared to 2022.

In 2023, the financial markets have offered favourable returns, especially on the bond portfolio, which has resulted in positive value adjustments on the trading portfolio. In 2023, exchange rate adjustments and dividends amount to a total income of DKK 709 mill., compared to a loss of DKK 127 mill. in 2022.

Other operating income totalled DKK 73 mill., which is a slight decrease compared to 2022 due to extraordinary income in 2022 in Vestjysk Bank as a result of the divestment of branches.

The result of equity interests in associated companies shows a loss of DKK 140 mill. in 2023, primarily due to a negative development in the car rental company Mobility Service Denmark A/S and EgnsINVEST Tyske Ejendomme A/S. In 2023, these companies have been affected by one-off effects related to price developments in the used car market and the property market.

Costs and amortisation/depreciation

Total Group costs and amortisation/depreciation were DKK 2,998 mill., an increase of DKK 91 mill. in relation to 2022.

	2023 DKK mill.	**2022** DKK mill.	**Change** DKK mill.
Group			
Staff expenses	-1,598	-1,522	-77
Administration expenses	-1,172	-1,161	-11
Amortisation/depreciation and impairments on intangible and tangible assets	-175	-171	-4
Other operating expenses	-53	-54	1
Total costs and amortisation/depreciation	***-2,998***	***-2,907***	***-91***

Staff expenses showed an increase in 2023 of DKK 77 mill. compared with last year. The increase is due, among other things, to contractual salary increases and additional employees arising from increased regulatory requirements.

Other administration expenses increased by DKK 11 mill. compared with 2022. The increase is due to increased IT costs, primarily for BEC.

Impairments on loans and receivables etc.

Despite an increase in managerial estimates by DKK 41 mill., impairments on loans and receivables, etc. in 2023 constitute an income of DKK 181 mill. compared to an income of DKK 52 mill. in 2022. The soft landing in the Danish economy has led to a reduction in macroeconomic risks and has also contributed to a positive development in the Group's credit quality.

The Group's management estimate as at 31 December 2023 is a total of DKK 582 mill., an increase of DKK 41 mill. compared with 2022. The increase is primarily due to the allocation of DKK 150 mill. in management estimates for the upcoming CO_2-tax for agricultural customers. This is partly offset by a reduction of DKK 95 mill. in estimates related to macroeconomic uncertainties.

Results by segment

Income and costs by segment are described in note 3.

The Group's customer activities have seen continued growth in the number of customers and business volume compared to the previous year, with loans increasing by 7.9% and deposits by 5.6%. This, together with an improvement in the deposit margin, has had a positive effect on income. In addition, impairment losses are positively impacted by an improvement in customer credit quality, despite higher management judgement.

Investment activities are significantly better than expected at the start of the year due to increasing interest rates and thus higher returns on the trading portfolio.

Other activities include interest expenses for the Bank's MREL issues, the Group's properties, sector-related shares, associated companies, etc. The result is lower than expected, primarily due to higher interest expenses for the Bank's MREL issues and lower return on the investment portfolio.

Balance sheet

In 2023, the Group's balance sheet has increased by DKK 9.0 bn. to DKK 117.0 bn. compared to DKK 108.0 bn. in 2022, as a result of increasing business volume and an increase in equity.

The Group's loans have increased by DKK 3.5 bn. to DKK 47.6 bn., corresponding to a loan growth of 7.9%.

The Group's deposits amount to DKK 77.0 bn. at the end of 2023 compared to DKK 72.9 bn. at the beginning of the year, which corresponds to an increase of 5.6%.

Deposits in pooled schemes have increased by DKK 1.5 bn., driven by developments in the financial markets.

Equity totalled DKK 14.0 bn. after dividend payments of DKK 246 mill. for 2022. The Net increase is primarily due to the addition of comprehensive income for the year of DKK 1,922 mill.

Principal activities

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

The two banks in the Group operate as two independent banks, each with their own business model and brand. Common to the entire Group is an increased focus on sustainable growth, continued customer growth and strengthening the position in the market.

The Group includes the following entities:

- A/S Arbejdernes Landsbank (parent company)
- Vestjysk Bank A/S (subsidiary)
- AL Finans A/S (subsidiary)
- Ejendomsselskabet Sluseholmen A/S (subsidiary)
- Sluseholmen 7 A/S (subsidiary)

Aktieselskabet Arbejdernes Landsbank owns almost 73% of Vestjysk Bank A/S (hereafter Vestjysk Bank), while AL Finans A/S (hereafter AL Finans), Ejendomsselskabet Sluseholmen A/S (hereafter Ejendomsselskabet Sluseholmen) and Sluseholmen 7 A/S (hereafter Sluseholmen 7) are fully owned by the parent company.

Arbejdernes Landsbank

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

Arbejdernes Landsbank works systematically and strategically to develop a responsible and customer-oriented culture. The Bank's culture is crucial in retaining and developing our unique position relative both to the Bank's customers and to being an attractive workplace for our employees. Arbejdernes Landsbank sees a clear link between strategy and culture. The Bank launched a new strategic direction in November, "A bank as a bank should be", which maintains the Bank as a values-based bank. The strategic direction is implemented through four core elements. Values-based banking, focused and profitable growth, simplicity and efficiency, and an attractive workplace.

Vestjysk Bank

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

Vestjysk Bank wants to strengthen its position as a bank appealing to the business community, and in future it will specifically target businesses in the Bank's market area.

Vestjysk Bank expects growth in the scope of business related to renewable energy.

AL Finans

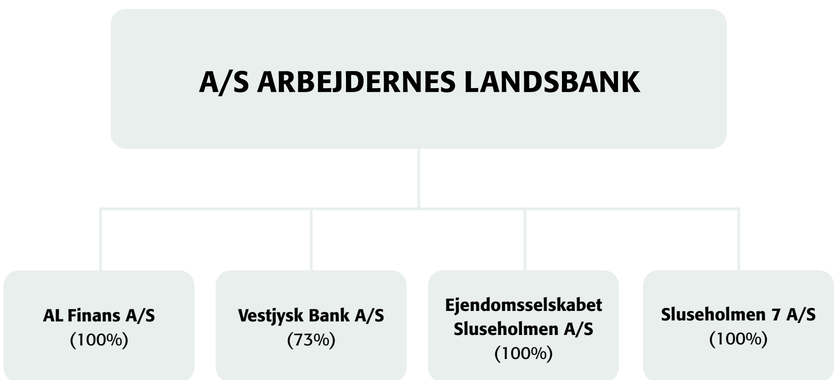
AL Finans is a finance company that offers financing solutions for private individuals and businesses. For private individuals, the company mainly provides car loans and leasing. For businesses, the company offers factoring, invoice purchasing and car leasing solutions. AL Finans aims to establish strong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

Ejendomsselskabet Sluseholmen

Ejendomsselskabet Sluseholmen is a property company that builds the new headquarters for Arbejdernes Landsbank and AL Finans. Completion is expected in May 2025.

Sluseholmen 7

This company is a property company that is building a property on the neighbouring plot of land to the new headquarters for Arbejdernes Landsbank and AL Finans. The land was purchased in connection with the construction of the new headquarters under the auspices of Ejendomsselskabet Sluseholmen. The property is expected to be sold once it is completed and fully leased.



Capital and liquidity

Capital management

The Group's capital target as at 31 December 2023 has been set as the solvency need plus the capital conservation buffer, a SIFI buffer and an excess cover of 4.5 percentage points. The excess cover is set such that it can also absorb a fully phased-in countercyclical capital buffer. Note that the part of the minority interests' capital that may not be included in own funds, see note 32, but which is included in the capital target in Vestjysk Bank, has been included to cover the Group's targets for capital buffers.

With a solvency need of 9.9% as at 31 December 2023, the Group's capital targets are:

	Common Equity Tier 1 capital %	Tier 1 capital %	Own funds %
Group			
Capital target	13.6	15.4	17.9
Deduction for minority interests	-0.4	-0.4	-0.4
Adjusted capital target	***13.2***	***15.1***	***17.5***
Status as at 31 December 2023	17.5	19.0	21.0
Excess cover	***4.3***	***3.9***	***3.5***

At the end of 2023, the Group's Common Equity Tier 1 capital ratio was 17.5% against 16.1% at the end of 2022. The total capital ratio was 21.0% compared with 19.8% at the end of 2022. In this context the Group has an individual solvency need of 9.9% and a combined capital buffer requirement of 6.0%, which currently consists of the capital conservation buffer of 2.5%, an institution-specific countercyclical buffer of 2.5% and a SIFI buffer of 1.0%

At the end of 2023, the Systemic Risk Council recommended the activation of the systemic buffer, specifically related to property exposures. The recommendation is still under consideration, but is included in the Group's capital planning as part of the Group's long-term capital management and can be handled within the Group's current excess capital adequacy. The Group's total capital requirement was 15.9% at the end of 2023. As of the year-end, the Group had a capital surplus of 5.1 percentage points, equivalent to DKK 3.2 bn. The Group's excess cover of the capital and MREL requirement in relation to risk-weighted exposures is shown in the following table:

	31.12.2023 %	Statutory require-ment %	Excess cover percentage points
Group			
Common Equity Tier 1 capital ratio	17.5	11.6	5.9
Tier 1 capital ratio	19.0	13.4	5.6
Capital ratio	21.0	15.9	5.1
MREL ratio	27,2	23.5	3.7

The Group regularly assesses the need to adjust its capital composition. Currently, the Group has a very robust capital excess cover to the capital requirements.

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

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

	01.01.2024[1] %	01.01.2026 %
Group		
Solvency need	9.9	10.3
Required loss-absorption amount	***9.9***	***10.3***
Solvency need	9.9	10.3
Capital conservation buffer requirement	2.5	2.5
SIFI buffer requirement	1.0	1.0
Required recapitalisation amount	***13.4***	***13.8***
Phase-in	-5.9	0.0
MREL requirement	***17.5***	***24.0***
Capital conservation buffer requirement	2.5	2.5
Institution-specific countercyclical buffer requirement	2.5	2.5
SIFI buffer requirement	1.0	1.0
Combined capital buffer requirement	***6.0***	***6.0***
Total MREL and combined capital buffer requirement	***23.5***	***30.0***

[1] As at 31 December 2023, the total MREL and capital buffer requirement was 20.3%

The MREL requirement can be met by own funds instruments, Senior Non-Preferred (SNP) instruments and Senior Preferred (SP) instruments. As part of the SIFI phase-in, the requirement of the MREL add-on will primarily be met by issuing SP- and SNP-instruments.

Issuances

Leading up to the final implementation of the MREL requirement on 1 January 2026, the Group expects to issue subordinated debt in the range of DKK 10.0 bn. to cover the MREL requirement, depending on changes in risk exposures, solvency need and requirements for the countercyclical capital buffer.

In 2023, Arbejdernes Landsbank issued MREL instruments totalling DKK 1.8 bn., devided between SEK 1.0 bn., EUR 20 mill., and DKK 1.0 bn. The SNP instruments have been admitted to trading on Nasdaq Copenhagen A/S as listed bonds.

On 30 August 2023, Arbejdernes Landsbank published a new base prospectus for the Bank's MTN program, opening the possibility for the Bank to issue both Senior Non-Preferred, and now also Senior Preferred. Arbejdernes Landsbank published a Green Bond Framework on 16 August 2023 allowing the Bank to issue green bonds.

The Bank's rating remains unchanged in 2023. The latest rating was published by Moody's on 24 August 2023, where the assessment of the Group was rated Baa2 for the baseline credit assessment, and a rating of A2/P-1 for bank deposits.

On 26 June 2023, Arbejdernes Landsbank issued Additional Tier 1 capital totalling DKK 50 mill. and Tier 2 capital totalling DKK 250 mill. to cover the redemption of Additional Tier 1 capital of DKK 50 mill. and Tier 2 capital of DKK 250 mill. in Vestjysk Bank. At the end of 2023, Arbejdernes Landsbank has issued a total of DKK 3.8 bn. MREL instruments consisting of DKK 2.7 bn. and DKK 1.0 bn. Senior Non Preferred and Senior Preferred, respectively.

Liquidity management

The Group aims to maintain a liquidity policy by which non-subordinated external capital is mainly financed based on deposits. Therefore, a positive deposits surplus is also an objective. The deposits surplus is defined by the Group as the difference between deposits (excluding pools), and loans. At the end of 2023, the Group's deposit surplus is estimated at DKK 29.4 bn., which is approximately the same level as at the end of 2022. The Group has a goal for the liquidity coverage ratio (LCR) and Net Stable Funding Ratio (NSFR), calculated according to the regulations in EU Regulation no. 61/2015, to always exceed 130,0% and 110,0%, respectively. At the end of 2023, the Group had an LCR of 309.6% (2022: 264.5%) and an NSFR ratio of 145.6% (2022:140.9%). The increase in the LCR can be attributed to an increase in the Group's liquidity buffer as a result of the Group's bond portfolio increasing by approx. DKK 5.1 bn. during 2023. The increase in the NSFR ratio is primarily attributable to an increase in the Group's deposits.

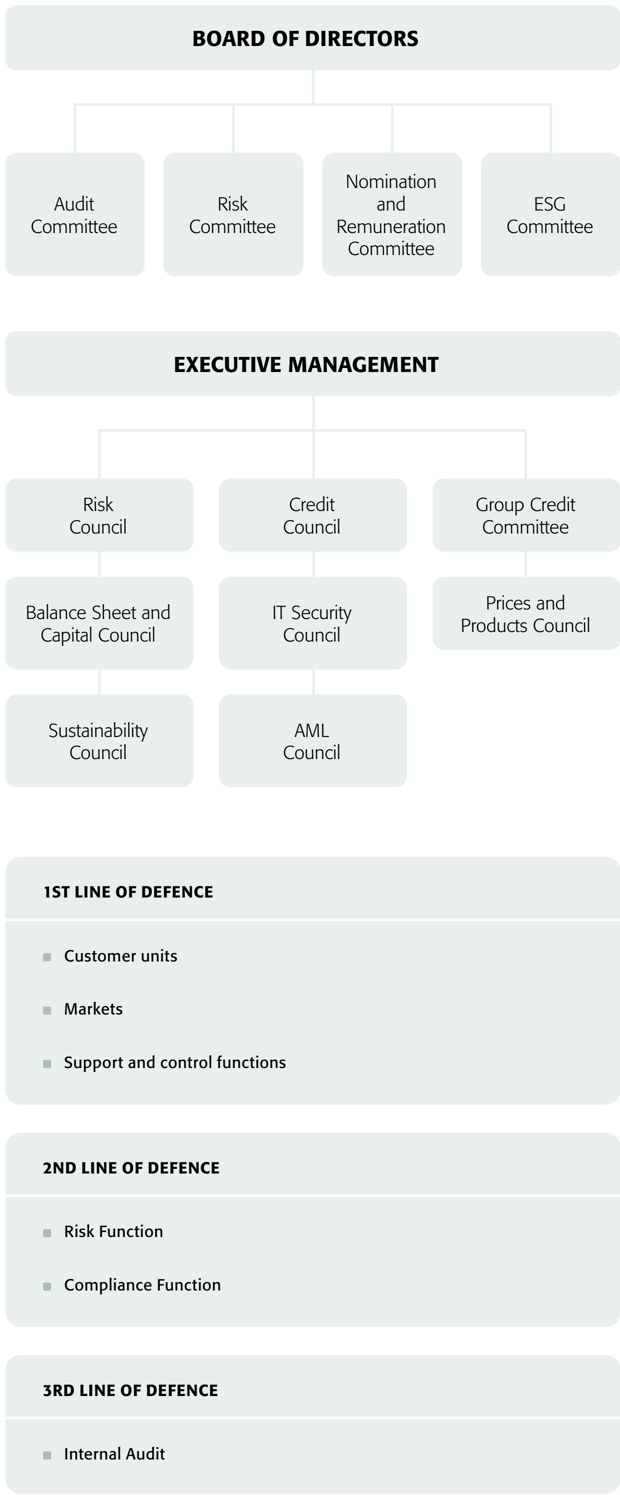
Risk management

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

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

The information in the annual report concerning risk management covers the Group. There are no differences between the consolidation basis for accounting purposes and consolidation in accordance with the CRR. The governance structure is illustrated in the figure below and explained in detail on the following pages. Further description of the Group's risks can be found in the Pillar 3 reporting as at 31 December 2023: www.al-bank.dk/pillar3-end-of-2023.

Organisational chart for risk management



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

- The business model for the Group includes AL Finans, Ejendomsselskabet Sluseholmen, Sluseholmen 7 and Vestjysk Bank, which is operated as an independent listed bank with its own business model within the framework for the Group.
- The Board of Directors of Arbejdernes Landsbank has designed a risk strategy for the Group, setting the overall framework for risk management. The risk strategy designed by the Board of Directors sets the framework for the Group's capital consumption and delegates capital to Arbejdernes Landsbank, Vestjysk Bank and AL Finans.
- The Board of Director's Group policies establish the risk appetite across all significant areas and delegate the risk appetite to individual companies within the Group.
- The Board of Directors has set up four support committees.
- The Executive Board has established a number of committees with the purpose of ensuring good governance for the operational management of the Group's business activities as well as checking and monitoring that the internal control, risk and security systems in the Group function effectively.

Organisation of risk management

Committees of the Board of Directors

The Board of Directors has overall responsibility for defining and managing the Group's risks, see the figure on page 11. This is done on the basis of a business model, a strategy, risk appetite, risk policies and contingency plans. Based on reporting, the Board of Directors regularly follows up on risk management to ensure that it is satisfactory and that the Group is operated responsibly and in accordance with guidelines and policies.

The Board of Directors has set up four support committees: The Nomination and Remuneration Committee, the Audit Committee, ESG Committee and the Risk Committee. They are further described on pages 17-18.

Executive Management committees and councils

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

The Executive Management of Arbejdernes Landsbank has set up a number of councils and committees focusing on governance and risk management in the Group and the Bank. The 2nd line of defence participates as observers in all committees and councils.

The **Risk Council** follows up on risk appetite, discusses the overall risk profile for financial and non-financial risks, follows up on the Group's risk reporting and discusses risk policies before they are considered by the Board of Directors' Risk Committee.

The task of the **Credit Council** is to authorise exposures of a certain size, approve depreciation levels, approve credit management tools and deal with other credit-related issues at Arbejdernes Landsbank. The Credit Council also processes cases from AL Finans, while Vestjysk Bank has its own credit council.

The purpose of the **Group Credit Committee** is to pre-process significant individual cases from Vestjysk Bank, and large cases outside the scope of the business model of Vestjysk Bank, as these have to be authorised by the Board of Directors of Arbejdernes Landsbank. Furthermore, the Committee ensures that the Board of Directors of Arbejdernes Landsbank receives adequate reports on credit risk in Vestjysk Bank.

The role of the **Balance Sheet and Capital Council** is to ensure efficient capital management across the Group and to monitor Group investments within and outside the trading portfolio.

The **IT Security Council** is responsible for coordination and collaboration on IT security across the Group. The role of the council is to ensure a risk-based IT security level that meets the business requirements, and to ensure that collaboration processes for handling IT security projects, tasks and incidents have been defined and work effectively across all stakeholders in the organisation.

The **Prices and Products Council** ensures good governance of the Bank's product management, including approving new products and services within its own mandate in Arbejdernes Landsbank and the closure of existing products.

The **Sustainability Council** aims to ensure that the sustainability strategy is implemented across business areas and units in the Group.

The purpose of the **AML Council** is to contribute to effective risk management and risk management of financial and non-financial risks related to money laundering, financing of terrorism and breaches of financial transactions at Arbejdernes Landsbank.

1st line of defence

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

The responsibility for the daily risk management in the first line of defence for the Bank's market risk is undertaken by the trading areas in Arbejdernes Landsbank and Vestjysk Bank, and it is supervised by the Regulation and Capital Management department. The respective banks Treasury functions are responsible for the banks own portfolios. The units are responsible for complying with relevant policies and instructions.

The responsibility for the daily monitoring of the Group's liquidity risk is anchored in Regulation & Capital Management, which is a group function. Operational management is handled by Arbejdernes Landsbank in the Bank's trading area, while management responsibility is anchored in the Bank's Treasury department. At Vestjysk Bank, operational management is anchored in the Bank's Markets department.

Management of operational risk (1st line of defence) is anchored in the individual business units in order to ensure efficient handling of events which have caused, or may potentially cause, operational losses. The Group has systems in place to capture all operational incidents that occur. Besides reporting for managerial purposes, these systems are used to improve procedures and contingency plans. Vestjysk Bank monitors and reports on its own operational incidents to its own executive management and board of directors and the Group Chief Risk Officer (CRO).

IT security unit in the 1st line of defence is responsible for securing the correct level of emergency response, including drawing up contingency plans and safeguarding secure IT risk management as well as a sufficient level of IT security. The IT security unit has been set up at Group level and it refers to the IT Director in Arbejdernes Landsbank.

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

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

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

2nd line of defence

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

The Group has a Compliance Function managed by the Group Head of Compliance. The Group Compliance Officer is tasked with assessing and verifying the Group's methods and procedures are suitable for detecting and minimising the risk of non-compliance with applicable legislation, market standards or internal regulations (compliance risks). The compliance function performs independent assessments and controls and advises the Executive Board on the implementation of rules and the ongoing responsible management of compliance risks. The Group Compliance Officer reports to the Executive Board of Arbejdernes Landsbank and reports independently to the Board of Directors. The Group Compliance Officer is also the Compliance Officer in Vestjysk Bank and reports to Vestjysk Bank's Executive Board and reports independently to the Board of Directors.

3rd line of defence

Internal Audit, under the leadership of the Group Chief Audit Executive, constitutes the third line of defence and is responsible for performing independent audits of the Group's management of risks, including internal controls and monitoring of the risk area. Internal Audit reports on its work and the results to the Board of Directors and the Audit Committee of the Board of Directors of both Arbejdernes Landsbank and Vestjysk Bank.

The supervisory diamond

The supervisory diamond presents a number of benchmarks which, as a general rule, are to be regarded as indications for high-risk banking activities. At the end of 2023, Arbejdernes Landsbank was within all the threshold values in the supervisory diamond.

	Limit values %	31.12.2023 %
Bank		
Sum of large exposures	< 175	73.0
Lending growth	< 20	7.1
Commercial property exposure	< 25	5.4
Liquidity benchmark	> 100	292.2

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

Vision and strategy work in 2023

The vision and strategy work is anchored separately in the parent company and in the individual subsidiaries, as the companies operate independently and according to individual business models. However, the Group focuses on collaboration within the group in areas where it is necessary or makes business sense.

Arbejdernes Landsbank

In November 2023, Arbejdernes Landsbank launched a new long-term strategic direction. The new strategic direction builds on the success of the past 15 years as the Danes' favourite bank and continues with the ambition to be the value-based bank in the Danish banking sector and with an increased focus on profitability as an important addition.

The ambition for Arbejdernes Landsbank is to become the bank that is "A bank as a bank should be". This means that the bank is profitable, value-based and takes social responsibility in society by welcoming all private customers. It also means that the bank needs to become better at attracting profitable industries and customer segments, thereby continuing to create long-term value for our shareholders. The financial objective of the new strategy, which only covers Arbejdernes Landsbank, is to achieve an expense ratio of 60-70% and a return on equity of 10-15% in the long term.

A bank as a bank should be

We are a socially responsible and values-based bank - today and even more so in the future.

Based on our values, we will realise our potential and ensure growth in profitable customer segments and industries.

This allows us to be the most attractive bank for customers and our colleagues.

To support the strategic objective, the bank has defined four new focus areas:

- Values-based banking
- Focused and profitable growth
- Simple and effective
- Attractive workplace

The new strategic direction replaces the current 2025 strategy in Arbejdernes Landsbank. To support strategy execution, the Bank has launched four transformation programmes (Strengthened Position, Private Bank of the Future, Business Bank of the Future and Attractive Workplace), which set the framework for the development of the Bank over the next year and ensure that Arbejdernes Landsbank remains relevant for bank customers, employees, society and owners.

Vestjysk Bank

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

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

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

AL Finans

During 2023, AL Finans has maintained its focused market and product strategy. At the end of the year, around 77% of the lending balance sheet was related to loans and leasing for cars for private and business customers, and about 23% of the lending balance was related to factoring and purchasing outstanding invoices from businesses. In 2023, AL Finans acquired 50% of the share capital in Mobility Service Denmark A/S.

AL Finans supports Arbejdernes Landsbank's business strategy by offering products within factoring, purchase of invoices and business leasing to both the Bank's current and potential business customers. In the car financing market, AL Finans works through three different distribution channels; business is generated through cooperation with a large number of car dealers, cooperation with Arbejdernes Landsbank, and through a number of digital channels for direct loan applications from private car buyers.

AL Finans is currently working on responding to expected major changes in the car market over the next few years due to electrification and new mobility solutions. With approximately 11,200 active loans for financing electric and plug-in hybrid vehicles, AL Finans has gained a good share of the market for financing electrified vehicles. In addition to the above-mentioned market initiatives, AL Finans continues to focus on process optimisation and implementation of a renewed IT infrastructure.

AL Finans expects to achieve growth in all existing business areas by 2024. It is expected that the collaboration with Mobility Service Denmark A/S will be further developed in 2024 and will lead to growth in business volume.

Focus on sustainability

Sustainability continues to be a priority area within the Group. An ESG committee has also been established under the Board of Directors to support the work of setting the direction for sustainability within the Group. In addition, a Head of Sustainability with group responsibility has been appointed, as well as a number of ESG partners representing business areas and subsidiaries within the Group.

In these accounts, the Group published a number of climate targets and action plans to support the Group's overall goal of being climate neutral by 2050. The process of developing the targets has involved all primary business areas and the climate plan has been published on the Bank's website. The targets follow the UN Principles for Responsible Banking's guidance on climate targets for banks as far as possible and it is planned that the targets and the climate accounts will be verified by an external auditor in 2024.

In 2023, we have focused on preparing the Group for new regulatory requirements from the EU, including the Corporate Sustainability Reporting Directive (CSRD), the Taxonomy Regulation and the Capital Requirements Regulation (CRR). The requirements for ESG reporting are growing significantly and it takes a lot of effort from many different areas of the Group to be able to deliver on the new reporting requirements.

In 2023, the Bank's Diversity, Equity and Inclusion (DEI) strategy was approved by the Board of Directors. The DEI strategy defines a number of concrete initiatives to strengthen the work with diversity, equity and inclusion in relation to both employees, customers and the society that surrounds us. The initiatives must contribute to addressing gender issues, ensure inclusive HR processes, supporting management decisions with data and staying ahead of statutory requirements.

The Group is a signatory to the UN Global Compact and the UN Principles for Responsible Banking and Arbejdernes Landsbank is also a signatory to the UN Principles for Responsible Investment. During the financial year, the Group has involved the external auditor to verify the next reporting to the UN Principles for Responsible Banking, which will be published on the Group's website no later than 30 April 2024. In addition, in 2023 we have reported to the UN Principles for Responsible Investment and the UN Global Compact.

Read more about the Group's work with sustainability in the Group's statutory corporate social responsibility report in accordance with section 135 b: www.al-bank.dk/sustainability-report-2023 and www.al-bank.dk/Taksonomi-rapport-2023.

Data ethics

The Group's approach to data ethics and the principles that apply to how the Group processes data ethically, responsibly and transparently are formulated in the "Group Policy for Data Ethics". The Group works continuously to ensure that the policy and underlying guidelines are relevant in relation to data ethics dilemmas, available technologies, etc. The Group Policy for Data Ethics was last revised at the end of 2023.

The Group defines "data ethics" as follows:

"Data ethics are conscious attitudes and actions that ensure that knowledge acquired through data is not used against the customer's legitimate interests. Data ethics is not just a matter of complying with the law, but is about treating other people's data with respect and doing it right, even when no one is looking."

The Group Policy on Data Ethics sets out a number of general principles for data processing:

- Data must be stored, processed and deleted in accordance with applicable law.
- Data must not be used to create an imbalance in the categorisation of similar customers.
- The customer's terms and conditions must always be based on an individual assessment of the customer's circumstances and never solely on data processing.
- The Group does not resell customer data to third parties and therefore does not ask customers for authorisation to do so.
- The Group continuously invests sufficient resources in data protection to safeguard against leakage and misuse.
- The Group continuously invests in employee training in relation to data processing in accordance with the Group's guidelines.
- When entering into and following up on data processing agreements with third parties, the Group shall set requirements in accordance with the policy on the processing and storage of data.

The financial reporting process

The Board of Directors and the Executive Management have responsibility for Group control and risk management in connection with the financial reporting process, including compliance with relevant legislation and other regulations during the process.

The Group has implemented procedures and manuals in important areas for the financial reporting process.

The financial reporting process takes its point of departure in a number of routines, and is carried out in collaboration with significant business areas and the Executive Management. The process is organised such that the CFO area is responsible for the Group's internal financial follow-up in the form of monthly reports, budget follow-up and development analyses. Furthermore, the finance department is responsible for preparing the Group's external financial statements and ensuring that the financial statements present a true and fair view without material misstatements and are prepared in accordance with applicable legislation.

Risk assessment

The Board of Directors and the Executive Management regularly assess the risks associated with the financial reporting process. In the annual report, the most significant identified risks are described in note 1 "Significant accounting estimates and judgements" and in note 47 "Risk management".

As part of the risk assessment, the Board of Directors and the Executive Management examine the risk of fraud and consider whether the measures taken to reduce and/or eliminate any risks are adequate. In this context, potential incentives/motives for financial manipulation or other fraudulent activities are discussed.

Control environment

The Group has implemented the internal controls and risk-management systems it considers necessary and effective with regard to countering the risks identified in connection with presentation of the financial statements. The Group's internal controls and risk-management systems are updated regularly and designed with a view to identifying and eliminating errors in the financial statements.

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

In addition, the Audit Committee continuously monitors whether the Group and the bank's financial reporting process functions effectively in order to ensure credibility, integrity and transparency in the financial reporting.

Significant accounting estimates and assessments

The determination of the accounting value of certain assets and liabilities requires estimates, assessments and assumptions about future events, see note 1.

The estimates and assessments are, in each case, based on the historical experience of the Group and other factors that the Management considers reasonable but which are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate. Future events or circumstances may arise which were not predicted at the time of the estimate. Making such estimates and assessments is therefore difficult. Estimates that also involve customer relationships and transactions with other counterparties will be associated with considerable uncertainty. Therefore, it may be necessary to change estimates made previously because of new information, further experience or subsequent events.

Events after the reporting period

No events have taken place after the end of the reporting period with an impact on the assessment of the Group and the Parent Company's financial position and profit for the year.

Organisation and management

All companies in the Group have a management consisting of a board of directors and an executive management. The management of Arbejdernes Landsbank comprises the Group's top-tier management and is described in more detail below.

The Board of Directors of AL Finans consists of members of the Executive Management of Arbejdernes Landsbank, the Deputy Director responsible for the corporate area and AL Markets, and the Deputy Director responsible for the credit area at Arbejdernes Landsbank. For more information on the executive management and management of AL Finans, go to the company website.

For more information on the Board of Directors and the Executive Management of Vestjysk Bank, see Vestjysk Bank's website and annual report.

The Board of Directors of Arbejdernes Landsbank
The Board of Directors of Arbejdernes Landsbank is composed of 14 members, including ten elected by the General Meeting and four elected by employees.

The Board of Directors held nine meetings in 2023, including two meetings with the Advisory Board of Representatives.

Information about the individual members of the Board of Directors, including their qualifications relative to their work in the Board of Directors, is available on pages 22-26 of the annual report.

Since 2022, Claus Jensen, Trade Union President for Dansk Metal, has been serving as the Chairman of the Board of Directors and Ole Wehlast, Trade Union President for Fødevareforbundet NNF, has also been serving as the Deputy Chairman since 2022.

At the annual general meeting in March 2023, Henning Overgaard, 3F, Kenneth Hove, 3F, and Caroline Søeborg Ahlefeldt joined the Board of Directors.

Election of members to the Board of Directors
Members of the Board of Directors elected by the General Meeting are elected annually at the General Meeting.

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

The number of employee representatives on the Board of Directors and the procedure for electing them comply with the provisions of the Danish Companies Act. Employee representatives are elected for four years. The members elected by employees have the same rights and responsibilities as the members elected by the General Meeting.

New members of the Board of Directors are recruited through a formal, thorough and transparent process to cover the competences required.

To be nominated, candidates for the Board of Directors must fulfil the requirements for board members in a financial company. 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 of Directors has the necessary competencies.

At present, the Board of Directors has decided that the following competences should be represented in the Board of Directors:

- Management, HR and Strategy
- Credit conditions
- Macroeconomic and Accounting Conditions

- Capital Market Affairs, Liquidity and Funding
- IT and Digitalization
- Business model and customer base
- Financial regulation
- Risk management

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.

Designation as a SIFI means increased requirements for the Board of Directors, including the time each member of the Board of Directors should expect to have to spend on board work.

The Board of Directors conducts an annual self-assessment of whether the necessary competences are present on the Board. The 2023 self-assessment included a survey and a review of the survey results. The results of the survey were discussed at a meeting of the Nomination and Remuneration Committee before being presented to the Board of Directors for discussion.

The result of the 2023 self-evaluation of the Board of Directors was satisfactory. The overall conclusion was that the Board of Directors collectively has the necessary competences and that the work of the board functions satisfactorily.

Committees of the Board of Directors

The Board of Directors of Arbejdernes Landsbank has set up four committees: an Audit Committee, a Risk Committee, a Nomination and Remuneration Committee well as an ESG Committee.

The committees' members and terms of reference are available (in Danish) on the Bank's website: www.al-bank.dk/corporate-governance.

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

In 2023, the Audit Committee held five meetings.

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

In 2023, the Risk Committee held eight meetings.

The **Nomination and Remuneration Committee** consists of four members. In addition, an employee representative takes part when there are issues related to remuneration. The Nomination and Remuneration Committee is responsible for preparatory work in relation to the Board's evaluation and nomination process as well as discussions on matters concerning remuneration.

The Nomination and Remuneration Committee held four meetings in 2023.

The remuneration policy is available (in Danish) on the Bank's website: www.al-bank.dk/corporate-governance.

The **ESG Committee** consists of three members. The committee was established in 2023 and had its first meeting on 12 September. The purpose of the ESG Committee is to prepare the Board of Directors' work within the ESG area, including the Group's and the Bank's current and future ESG strategy.

The ESG Committee held two meetings in 2023.

The **Advisory Board of Representatives** is established by the Board of Directors and aims to provide the Board of Directors with political and business input, ideas and concrete proposals in relation to the Bank and the Group's strategies. The Advisory Board of Representatives serves as the link between the Bank and its shareholders and customers, and it supports the development, growth and reputation of the Bank.

The framework for the Board of Representatives and a list of members is available (in Danish) on the Bank's website: www.al-bank.dk/corporate-governance.

The Executive Management of Arbejdernes Landsbank

The Executive Management is employed by the Board of Directors. In April, the Bank's long-standing CEO, Gert R. Jonassen, retired. As a result, the Executive Management was reduced from six to five members and consists of CEO Jan W. Andersen, Deputy CEO Frank Mortensen, Executive Bank Director Svend Randers, Executive Bank Director Gry Bandholm and Executive Bank Director Simon S. Jørgensen.

The Executive Management is the supreme daily management body observing the guidelines and instructions issued by the Board of Directors. The division of responsibilities between the Board of Directors and the Executive Management is described in the rules of procedure of the Board of Directors and the Board's instructions to the Executive Management.

Good corporate governance

The Board of Directors and the Executive Management of Arbejdernes Landsbank consider corporate governance to be a fundamental precondition to maintain a good relationship with internal and external stakeholders and to be able to meet the financial and non-financial goals of the Group. Management supports work to promote corporate governance and has decided to follow the majority of the recommendations from the Committee on Corporate Governance.

The Bank's position on the recommendations can be read (in Danish) on the Bank's website: www.al-bank.dk/corporate-governance.

Remuneration of members of the Board of Directors and the Executive Management

The Board of Directors are paid a fixed annual amount and are not covered by any bonus or option plans.

The employment relationship of the Executive Management, including the terms for resignation, is deemed to comply with common practice in the area and is subject to regular evaluation. In the opinion of the Board of Directors, total remuneration for the Executive Management is at a competitive and reasonable level that reflects their efforts and long-term value creation for shareholders.

In accordance with the Bank's remuneration policy, the Bank offers no incentive pay to the Board of Directors and the Executive Management, the Deputy Directors, the Heads of Division and the CEO of the AL Finans subsidiary. This also applies for the Chief Audit Executive, the Group CRO, the Group Head of Compliance and the person responsible for the money laundering area in the Group. In general, bonus schemes are not used in the bank.

The remuneration of the Board of Directors and the Management Board is available (in Danish) on the Bank's website: www.al-bank.dk/Ledelsens-aflønning-2023.

Policy and goals for the under-represented gender in management

The Board of Directors works constantly to promote diversity (for example in relation to gender) at all management levels in order to future-proof the Bank. The Board of Directors of Arbejdernes Landsbank has adopted a new policy and target figures to increase the percentage of the under-represented gender on the Board of Directors and at the other management levels.

The Board of Directors of Vestjysk Bank has adopted a separate policy for diversity as well as separate targets and policies for the under-represented gender in management.

The overall objective of Arbejdernes Landsbank and AL Finans is an equal number of men and women in the Board of Directors and at other management levels, defined as of least 40/60 of women and men, respectively in 2026.

The Board of Directors of Arbejdernes Landsbank consists of six women (42.85%) and eight men (57.15%) as at the end of 2023, including three women (30%) and seven men (70%) who are general meeting-elected members. The objective for members elected at the general assembly is therefore not fulfilled. As stated in the Bank's policy for diversity and suitability on the Board of Directors of Arbejdernes Landsbank, the Board of Directors wants a composition based on diversity in competences and backgrounds, with particular emphasis on the need for diversity in relation to differences in professionalism, professional experience, gender and age. In December 2023, the Board of Directors also clarified in the Policy for diversity and suitability on the Board of Directors of Arbejdernes Landsbank that the Board of Directors wants to take the lead in the work with the underrepresented gender, and that efforts are being made to ensure a gender distribution on the Board of Directors that at least complies with the target figures and policy for the underrepresented gender.

At the end of 2023, the other management levels in Arbejdernes Landsbank (defined as all managers with personnel responsibility) comprised 33% women and 67% men, and in AL Finans 25% women and 75% men[1]. Other management levels, defined as two management levels below the supreme governing body, cf. the statutory definition, consist of 25% women and 75% men at the end of 2023, which is why the target has not been met.

[1] *The definition of other management levels has been adapted to the new management structure in connection with organisational changes. The reporting is split between Arbejdernes Landsbank and AL Finans because the job categories in the two companies cannot be compared 1:1.*

The following is a schematic overview based on the mandatory definitions of a board of directors (only members elected general meeting) and other management levels (executive management and references to the executive management) which enter into force in 2023.

<table>
<tr><th></th><th></th><th></th><th>2022</th><th>2023</th><th>2024</th><th>2025</th><th>2026</th></tr>
<tr><td colspan="8">Arbejdernes Landsbank</td></tr>
<tr><td rowspan="4">Supreme management body</td><td rowspan="4">Board of Directors[1]</td><td>Total number of members</td><td>9</td><td>10</td><td></td><td></td><td></td></tr>
<tr><td>Under-represented gender in %</td><td>33.33</td><td>30</td><td></td><td></td><td></td></tr>
<tr><td>Target in %</td><td>40</td><td>40</td><td></td><td></td><td></td></tr>
<tr><td>Year to fulfil targets</td><td>2025</td><td>2026</td><td></td><td></td><td></td></tr>
<tr><td rowspan="10">Other management levels[2]</td><td rowspan="4">Executive Management</td><td>Total number of members</td><td>6</td><td>5</td><td></td><td></td><td></td></tr>
<tr><td>Under-represented gender in %</td><td>16.67</td><td>20</td><td></td><td></td><td></td></tr>
<tr><td>Target in %</td><td>40</td><td>40</td><td></td><td></td><td></td></tr>
<tr><td>Year to fulfil targets</td><td>2025</td><td>2026</td><td></td><td></td><td></td></tr>
<tr><td rowspan="4">References to the management</td><td>Total number of members</td><td>23</td><td>19</td><td></td><td></td><td></td></tr>
<tr><td>Under-represented gender in %</td><td>30</td><td>26.32</td><td></td><td></td><td></td></tr>
<tr><td>Target in %</td><td>40</td><td>40</td><td></td><td></td><td></td></tr>
<tr><td>Year to fulfil targets</td><td>2025</td><td>2026</td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Total number of members in other management levels</td><td>29</td><td>24</td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Total under-represented gender in the other management levels in %[3]</td><td>28</td><td>25</td><td></td><td></td><td></td></tr>
</table>

[1] *The target figure only includes board members elected by the general meeting. Employee representatives are not included in the calculation.*

[2] *The company's other management levels refer to two management levels below the top management body, in accordance with the Danish Business Authority's guidelines on Targets and Policies for Gender Composition of Management and Reporting thereof.*

[3] *The total number of underrepresented gender in other management levels consists of the 'executive management' and references to the executive management combined, excluding other management levels with personnel responsibility.*

In 2023, Arbejdernes Landsbank changed the time horizon for the fulfilment of the target for senior management and other management from 2025 to 2026 in accordance with the time horizon for other targets for strategic and financial KPIs. In 2023, the number of women on the board is unchanged, but the addition of one man to the board has reduced gender diversity on the board. At 'other management levels', there has been an increase in the underrepresented gender in Executive Management, while due to organisational changes, there has been a decrease in the total number of managers reporting directly to Executive Management, including the share of female managers.

However, when looking at all management levels with managerial responsibility at Arbejdernes Landsbank, there has been an increase in the percentage of women from 30% in 2022 to 33% in 2023. In 2023, there has been a 50/50 male/female split for new managers, which has contributed to an increase in the proportion of women.

In order to succeed in strengthening diversity and achieving the goal of an equal gender distribution at all management levels, Arbejdernes Landsbank has in 2023 worked purposefully to strengthen diversity, equality and inclusion (DEI) through the following initiatives, which will continue in 2024:

- The DEI agenda is elevated into the Bank's long-term strategy as a core element and a prioritised effort
- Adoption of the DEI strategy, where the Bank works with specific initiatives in relation to employees, customers and society. The initiatives must contribute to addressing gender issues, ensure inclusive HR processes, supporting management decisions with data and staying ahead of statutory requirements.
- Update guidelines and tools for HR and hiringmanagers to strengthen the focus on diversity in the advertising, selection and hiring of new employees and managers
- Procedures to ensure diversity in talent and career developmentprogrammes
- Increased frequency of HR reporting on diversity data such as gender, age, seniority, salary, positions, salary settings, manager recruitment, management training and talent programmes that can support diversity and inclusion efforts

The HR department, in collaboration with management, will execute the initiatives in the DEI strategy to achieve the goal.

A sound corporate culture

The Board of Directors of Arbejdernes Landsbank has adopted a policy for a sound corporate culture to secure and promote a sound corporate culture at Arbejdernes Landsbank.

Arbejdernes Landsbank's fundamental values and approach to customers, employees, cooperation partners and investments are built on respect for people, involvement of employees, and an objective to leave the most positive impression possible on society. This policy reflects the Board's opinion regarding the behaviour expected of the Group's employees in relation to supporting the Bank's values and social responsibility, and in relation to treatment of the Bank's customers.

Furthermore, the Bank has a number of policies outlining specific guidelines on specific risk areas. The Bank's policy for a sound corporate culture should therefore be read in the context of these policies. They include in particular a policy for corporate social responsibility and sustainability, a remuneration policy, code of conduct, and a policy for prevention of money laundering and financing of terrorism, as well as violations of sanctions.

Corporate culture is crucial to maintain and develop Arbejdernes Landsbank's unique position relative both to customers and to being an attractive workplace.

The Board of Directors of Vestjysk Bank has approved Vestjysk Bank's policy for a healthy corporate culture, which is intended to serve as a guideline for the behaviour of managers and employees internally as well as in customer relations. The policy is supported by a code of conduct, which, like the policy, is reviewed annually and approved by the Board of Directors, and an annual report on compliance with the policy is prepared for the Board of Directors' information. The Bank's goal with the Healthy Corporate Culture Policy is to support behaviour among managers and employees that contributes to the responsible execution of the Bank's business strategy by promoting an ethical, transparent and responsible approach to banking.

BOARD OF DIRECTORS

CLAUS JENSEN
CHAIRMAN

Born in 1964. Member of the Board of Directors since 2013. Deputy Chairman of the Board of Directors from 2015-2021. Chairman of the Board of Directors since 2022. Member of the Nomination and Remuneration Committee, the Risk Committee and the Audit Committee. Independent.

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

Member of the Board of Directors of:
- AE – Arbejderbevægelsens Erhvervsråd
- AlsFynForbindelsen (Chairman)
- Arbejderbevægelsens Kooperative Finansieringsfond
- Arbejdernes Landsbanks Fond
- A/S A-Pressen
- Bygnings og udviklingsfonden DTM 4.0. (Deputy Chairman)
- Centralorganisationen af industriansatte (Chairman)
- Dansk Metal's subsidiaries (1)
  - Sydporten P/S (Chairman)
- De Økonomiske Råd (Det Økonomiske Råd og Det Miljøøkonomiske Råd)
- Fagbevægelsens Hovedorganisation
- IndustriALL European Trade Union (Deputy Chairman)
- Industripension Holding A/S and subsidiaries (2)
  - Industriens Pensionsforsikring A/S
  - Industriens Pension Service A/S
- Nordic IN – Industriansatte i Norden (Chairman)
- Odense Havn A/S
- Sund & Bælt Holding A/S
- Øresundsbro Konsortiet I/S

Qualifications:
- Management, HR and Strategy
- Credit matters
- Macroeconomic and Accounting
- Capital Market Affairs, Liquidity and Funding
- IT and Digitalisation
- Business model and Customer Base
- Financial regulation
- Risk management

Attendance at meetings:
- Board of Directors: 9/9
- Audit Committee: 5/5
- Risk Committee: 8/8
- Nomination and Remuneration Committee: 4/4

Shareholding (no.):
65,000 (2022: 65,000)

OLE WEHLAST
DEPUTY CHAIRMAN

Born in 1959. Member of the Board of Directors since 2016. Deputy Chairman of the Board of Directors since 2022. Chairman of the Advisory Board of Representatives. Member of the Nomination and Remuneration Committee and the ESG Committee. Independent.

Trade Union President for Fødevareforbundet NNF

Member of the Board of Directors of:
- AE – Arbejderbevægelsens Erhvervsråd
- Arbejdernes Landsbanks Fond
- Dansk Folkeferie Fonden
- Fagbevægelsens Hovedorganisation
- Fødevareforbundet NNFs Legat, Hyrdevangen
- Københavns Bagerafdelings Fond
- Ulandssekretariatet – DTDA

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

Attendance at meetings:
- Board of Directors: 8/9
- Nomination and Remuneration Committee: 3/4
- The ESG Committee 2/2

Shareholding (no.):
14,000 (2022: 14,000)

LARS ANDERSEN

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

Managing Director of AE - Arbejderbevægelsens Erhvervsråd (Economic Council of the Labour Movement)

Member of the Board of Directors of:
- Arbejdernes Landsbanks Fond
- Danmarks Statistik
- Foreningen Divérs
- Industriens Pensionsforsikring A/S

Qualifications:
- Management, HR and Strategy
- Credit matters
- Macroeconomic and Accounting
- Capital Market Affairs, Liquidity and Funding
- IT and Digitalisation
- Business model and Customer Base
- Financial regulation
- Risk management

Attendance at meetings:
- Board of Directors: 9/9
- Audit Committee: 5/5
- Risk Committee: 8/8

Shareholding (no.):
7,000 (2022: 7,000)

BOARD OF DIRECTORS (CONTINUED)

LARS HOLST

Born in 1952. Member of the Board of Directors since 2022. Chairman of the Audit Committee. Member of the Risk Committee. Independent.

Professional board member

Member of the Board of Directors of:
- Arbejdernes Landsbanks Fond
- Grønlandsbanken A/S

Qualifications:
- Credit matters
- Macroeconomic and Accounting
- Capital Markets, Liquidity and Funding
- Business model and Customer Base
- Financial regulation
- Risk management

Attendance at meetings:
- Board of Directors: 8/9
- Audit Committee: 4/4
- Risk Committee: 7/8

Shareholding (no.):
0 (2022: 0)

CHRISTIAN RIEWE

Born in 1975. Member of the Board of Directors since 2017. Chairperson of the Nomination and Remuneration Committee. Member of Risk Committee. Independent.

Lawyer (H) and a partner in Advokatfirmaet Bjørst
CEO for Salvador ApS and Salvador 2018 ApS

Member of the Board of Directors of:
- Anchersen A/S and subsidiaries (1)
  - Anchersen-Fladså ApS
- Arbejdernes Landsbanks Fond
- KLC A/S
- Meliora Bio ApS
- RE Energy Properties A/S

Qualifications:
- Management, HR and Strategy
- Credit matters
- Macroeconomic and Accounting
- Capital Markets, Liquidity and Funding
- Business model and Customer Base
- Financial regulation
- Risk management

Attendance at meetings:
- Board of Directors: 9/9
- Risk Committee: 7/8
- Nomination and Remuneration Committee: 4/4

Shareholding (no.):
0 (2022: 0)

LIZETTE RISGAARD

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

Board member appointed by FH
(Danish Trade Union Confederation)

Member of the Board of Directors of:
- AKF Holding A/S
- Arbejdernes Landsbanks Fond

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

Attendance at meetings:
- Board of Directors: 9/9
- Nomination and Remuneration Committee: 4/4

Shareholding (no.):
13,146 (2022: 13,146)

BOARD OF DIRECTORS (CONTINUED)

HENNING OVERGAARD

Born in 1971. Member of the Board of Directors since 2023. Not independent.

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

Member of the Board of Directors of:
- AKF Holding A/S
- AE - Arbejderbevægelsens Erhvervsråd
- Arbejdernes Landsbanks Fond
- De Økonomiske Råd (Det Økonomiske Råd og Det Miljøøkonomiske Råd)
- Evida Holding A/S and subsidiaries (5)
  - Evida Co2 A/S
  - Evida Fyn A/S
  - Evida Nord A/S
  - Evida Service A/S
  - Evida Syd A/S
- Fagbevægelsens Hovedorganisation
- PensionDanmark Holding (Chairman) and subsidiaries (1)
  - PensionDanmark Pensionsforsikrings-aktieselskab (Chairman)

Qualifications:
- Management, HR and Strategy
- Credit matters
- Macroeconomic and Accounting
- Capital Market Affairs, Liquidity and Funding
- IT and Digitalisation
- Business model and Customer Base
- Financial regulation
- Risk management

Attendance at meetings:
- Board of Directors: 6/8

Shareholding (no.):
1,000 (2022: N/A)

ANJA C. JENSEN

Born in 1970. Member of the Board of Directors since 2022. Member of the ESG Committee. Independent.

Trade Union President for HK Denmark CEO of ASX 7 ApS (subsidiary of HK)

Member of the Board of Directors of:
- AE – Arbejderbevægelsens Erhvervsråd
- AKF Holding A/S
- Arbejdernes Landsbanks Fond
- Arbejdsmarkedets Tillægspension (ATP), incl.
  - Arbejdsmarkedets Fond for Udstationerede (AFU)
  - S/I Seniorpensionsenheden
  - Lønmodtagernes Garantifond (LG)
- A/S A-Pressen
- Copenhagen Business Academy S/I
- Fagbevægelsens Hovedorganisation
- Fonden for Entreprenørskab
- HK Danmarks A-kasse (Deputy Chairman)
- HK Danmarks and subsidiaries (1)
  - ASX 7 ApS
- HK Danmarks Uddannelsesfond
- Unord S/I

Qualifications:
- Management, HR and Strategy
- Credit matters
- Macroeconomic and Accounting
- IT and Digitalisation
- Business model and Customer Base
- Risk management

Attendance at meetings:
- Board of Directors: 8/9
- The ESG Committee 2/2

Shareholding (no.):
0 (2022: 0)

KENNETH HOVE

Born in 1972. Member of the Board of Directors since 2023. Not independent.

Treasurer for 3F (United Federation of Danish Workers)

Member of the Board of Directors of:
- Arbejdernes Landsbanks Fond
- Bolind A/S (Deputy Chairman)
- Laugesens Have, Kursuscenter A/S
- PensionDanmarks Branchebestyrelse for Organisationsansatte
- Fagbevægelsens Fordelsprogram A/S
- Rørvigcentret A/S (Deputy Chairman)
- Tænketanken Cevea

Qualifications:
- Credit matters
- IT and Digitalisation
- Financial regulation
- Risk management

Attendance at meetings:
- Board of Directors: 7/8

Shareholding (no.):
1,000 (2022: N/A)

BOARD OF DIRECTORS (CONTINUED)

CAROLINE SØEBORG AHLEFELDT

Born in 1968. Member of the Board of Directors since 2023. Chairman of the ESG Committee. Independent.

Investment Director at EIFO (Denmark's Export and Investment Fund). CEO for Casalbi ApS

Member of the Board of Directors of:
- Arbejdernes Landsbanks Fond
- Copenhagen Contemporary-Fonden
- DMC Nordic Group ApS
- DonkeyRepublic Holding A/S (Chairman) and subsidiaries (2)
  - Donkey Republic Admin ApS (Chairman)
  - Donkey Republic Bike ApS (Chairman)

Qualifications:
- Management, HR and Strategy
- Macroeconomic and Accounting
- Capital Markets, Liquidity and Funding
- IT and Digitalisation
- Business model and Customer Base
- Risk management

Attendance at meetings:
- Board of Directors: 8/8
- The ESG Committee 2/2

Shareholding (no.):
0 (2022: N/A)

YVONNE HANSEN

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

Pension Manager at A/S Arbejdernes Landsbank

Member of the Board of Directors of:
- Arbejdernes Landsbanks Fond

Qualifications:
- Management, HR and Strategy
- Credit matters
- Macroeconomic and Accounting
- Capital Markets, Liquidity and Funding
- IT and Digitalisation
- Business model and Customer Base
- Financial regulation
- Risk management

Attendance at meetings:
- Board of Directors: 9/9
- Nomination and Remuneration Committee: 4/4

Shareholding (no.):
11,000 (2022: 11,000)

JESPER PEDERSEN

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

Joint Staff Representative at A/S Arbejdernes Landsbank and AL Finans A/S

Member of the Board of Directors of:
- Arbejdernes Landsbanks Fond
- HK Privat OK-gruppen Organisationer & Finans bestyrelse (Deputy Chairman)
- HK Privat Sektor Bestyrelse

Qualifications:
- Management, HR and Strategy
- Credit matters
- Macroeconomic and Accounting
- Capital Markets, Liquidity and Funding
- IT and Digitalisation
- Business model and Customer Base
- Financial regulation
- Risk management

Attendance at meetings:
- Board of Directors: 8/9

Shareholding (no.):
7,000 (2022: 7,000)

BOARD OF DIRECTORS (CONTINUED)

NADJA LIND BØGH KARLSEN	TINA HOLM CHRISTENSEN
	
Born in 1986. Employee-elected member of the Board of Directors since 2018.	Born in 1971. Employee-elected member of the Board of Directors since 2020.
AML Officer at A/S Arbejdernes Landsbank	Financial advisor at A/S Arbejdernes Landsbank
Member of the Board of Directors of: ▪ Arbejdernes Landsbanks Fond	**Member of the Board of Directors of:** ▪ Arbejdernes Landsbanks Fond
Qualifications: ▪ Management, HR and Strategy ▪ Credit matters ▪ Capital Markets, Liquidity and Funding ▪ IT and Digitalisation ▪ Business model and Customer Base ▪ Risk management	**Qualifications:** ▪ Management, HR and Strategy ▪ Credit matters ▪ Macroeconomic and Accounting ▪ Business model and Customer Base ▪ Financial regulation ▪ Risk management
Attendance at meetings: ▪ Board of Directors: 9/9	**Attendance at meetings:** ▪ Board of Directors: 7/9
Shareholding (no.): 7,000 (2022: 7,000)	**Shareholding (no.):** 0 (2022: 0)

EXECUTIVE MANAGEMENT

JAN W. ANDERSEN

Born in 1958.

CEO

Member of the Board of Directors of:
- Arbejdernes Landsbank's subsidiaries (3)
  - AL Finans A/S (Chairman)
  - Ejendomsselskabet Sluseholmen A/S
  - Sluseholmen 7 A/S
- Arbejdsmarkedets Tillægspension[1], incl.
  - Arbejdsmarkedets Fond for Udstationerede (AFU)
  - S/I Seniorpensionsenheden
  - Lønmodtagernes Garantifond (LG)
- BI Holding A/S
- Forvaltningsinstituttet for Lokale Pengeinstitutter (Deputy Chairman)
- Landsdækkende Banker
- PFA Advisory Board (Chairman)
- PRAS A/S
- VP Securities A/S[2]

[1] member of the risk committee and chairman of the audit committee
[2] chairman of the risk committee and member of audit committee

Shareholding (no.):
13,145 (2022: 13,145)

FRANK MORTENSEN

Born in 1974.

Deputy CEO

Member of the Board of Directors of:
- Arbejdernes Landsbank's subsidiaries (3)
  - AL Finans A/S
  - Ejendomsselskabet Sluseholmen A/S
  - Sluseholmen 7 A/S
- DLR Kredit A/S (member of the audit committee)
- Nærpension Forsikringsformidling A/S (Deputy Chairman)

Shareholding (no.):
1,000 (2022: 0)

SVEND RANDERS

Born in 1968.

Executive Bank Director

Member of the Board of Directors of:
- Arbejdernes Landsbank's subsidiaries (3)
  - AL Finans A/S (Deputy Chairman)
  - Ejendomsselskabet Sluseholmen A/S
  - Sluseholmen 7 A/S
- Finanssektorens Uddannelsescenter
- Kooperationen
- Lokal Puljeinvest

Shareholding (no.):
33,000 (2022: 33,000)

EXECUTIVE MANAGEMENT (CONTINUED)

GRY BANDHOLM

Born in 1973.

Executive Bank Director

Member of the Board of Directors of:
- Arbejdernes Landsbank's subsidiaries (3)
  - AL Finans A/S
  - Ejendomsselskabet Sluseholmen A/S
  - Sluseholmen 7 A/S

Shareholding (no.):
1,000 (2022: 0)

SIMON S. JØRGENSEN

Born in 1973.

Executive Bank Director

Member of the Board of Directors of:
- Arbejdernes Landsbank's subsidiaries (3)
  - AL Finans A/S
  - Ejendomsselskabet Sluseholmen A/S
  - Sluseholmen 7 A/S
- BEC Financial Technologies a.m.b.a.
- TestaViva DK ApS
- UserTribe A/S

Shareholding (no.):
1,000 (2022: 0)

Statements and reports

Statement by Management

Today, the Board of Directors and the Executive Management presented and adopted the annual report of Aktieselskabet Arbejdernes Landsbank for 2023. The annual report is presented in accordance with legal requirements.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the assets, liabilities and financial position of the Group and of the Bank as at 31 December 2023, 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 2023.

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

It is our opinion that the annual report for 2023 for Aktieselskabet Arbejdernes Landsbank, with file identifier 549300D6BJ7XOOO3RR69-2023-12-31-da, has, in all material respects, been prepared in accordance with the ESEF Regulation.

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

Copenhagen, 8 February 2024

Executive Management:

Jan W. Andersen
CEO

Frank Mortensen
Deputy CEO

Svend Randers
Executive Bank Director

Gry Bandholm
Executive Bank Director

Simon S. Jørgensen
Executive Bank Director

Board of Directors:

Claus Jensen
Chairman

Ole Wehlast
Vice Chairman

Lars Andersen

Lars Holst

Christian Riewe

Lizette Risgaard

Henning Overgaard

Anja C. Jensen

Kenneth Hove

Caroline Søeborg Ahlefeldt

Yvonne Hansen

Jesper Pedersen

Nadja Lind Bøgh Karlsen

Tina Holm Christensen

Independent auditor's report

To the shareholders of Aktieselskabet Arbejdernes Landsbank

Report on the audit of the Consolidated Financial Statements and Parent Company Financial Statements

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Aktieselskabet Arbejdernes Landsbank for the financial year 1 January – 31 December 2023, which comprise income statements, statements of comprehensive income, balance sheets, statements of changes in equity, a consolidated cash flow statement and notes, including material accounting policy information, for the Group and the Parent Company. The consolidated financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds, and the parent company financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2023 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2023 in accordance with IFRS Accounting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds.

Further, in our opinion the parent company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2023 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2023 in accordance with the Danish Financial Business Act.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Appointment of auditor

We were initially appointed as auditor of Aktieselskabet Arbejdernes Landsbank on 11 March 2019 for the financial year 2019. We have been reappointed annually by resolution of the general meeting for a total consecutive period of 5 year up until the financial year 2023.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2023. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matters

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

The Group's total loans amounted to DKK 47,593 mill. at 31 December 2023 (DKK 44,110 mill. at 31 December 2022), and total provisions for expected credit losses amounted to DKK 1,600 mill. at 31 December 2023 (DKK 1,548 mill. at 31 December 2022).

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

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

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

Reference is made to the accounting policies and note 9 and 47 to the consolidated financial statements for a description of the Group's credit risks and a description of uncertainties and estimates where matters that may affect the determination of expected credit losses are described.

How our audit addressed the key audit matter

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

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

We also assessed whether disclosures relating to exposures, impairment losses and credit risks meet the relevant accounting rules and tested the amounts therein (note 9 and 47).

Statement on the Management's review
Management is responsible for the Management's review.

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

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

Moreover, it is our responsibility to consider whether the Management's review provides the information required by relevant law and regulations.

Based on our procedures performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of relevant laws and regulations. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements
Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and additional Danish disclosure requirements for issuers of listed bonds and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Business Act.

Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and the parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation

As part of our audit of the Consolidated Financial Statements and Parent Company Financial Statements of Aktieselskabet Arbejdernes Landsbank, we performed procedures to express an opinion on whether the annual report of Aktieselskabet Arbejdernes Landsbank for the financial year 1 January – 31 December 2023 with the file name 549300D6BJ7XOOO3RR69-2023-12-31-da is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements including notes.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format;
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary;
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human readable format; and
- For such internal control as Management determines necessary to enable the preparation of an annual report that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

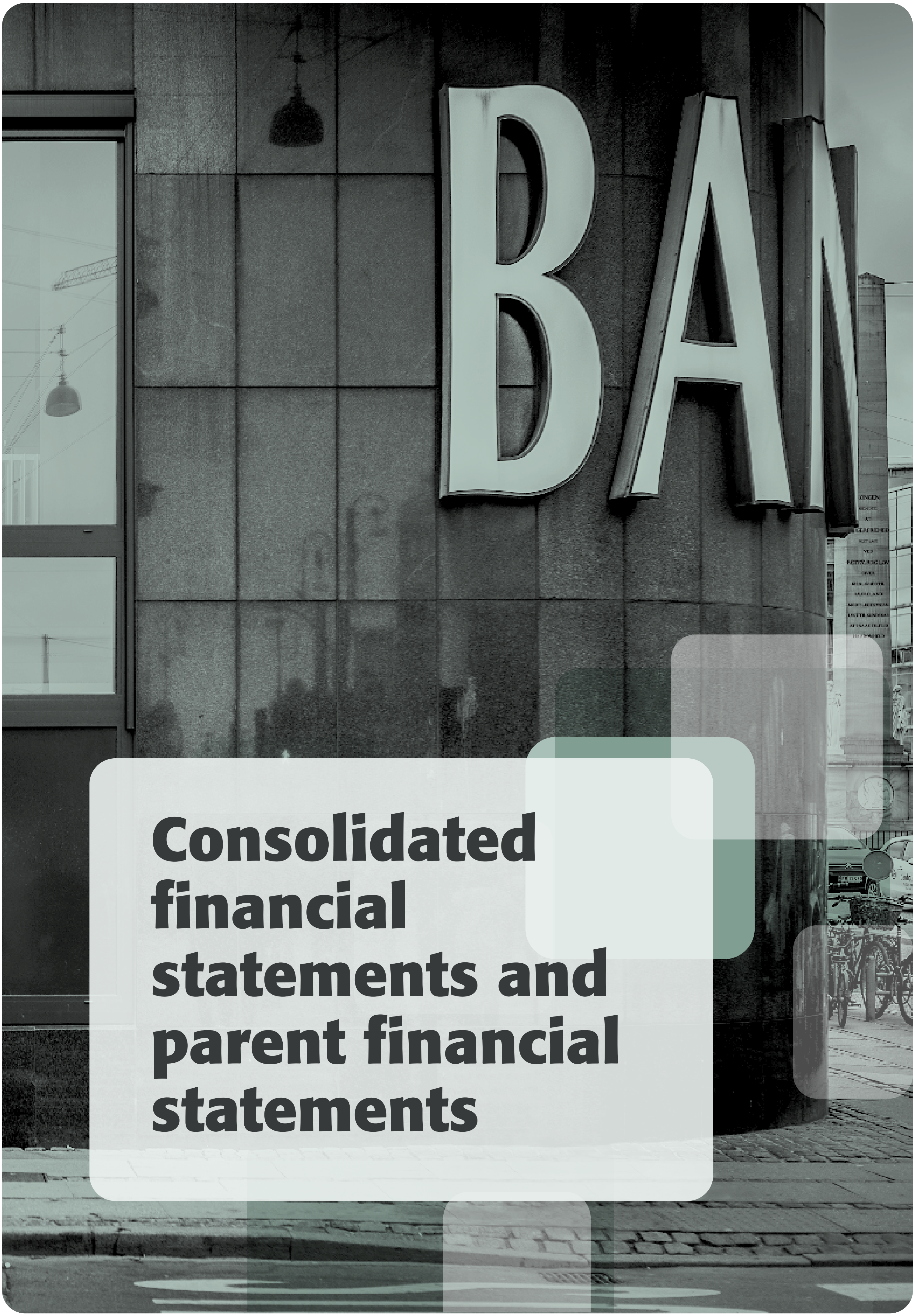
- Testing whether the annual report is prepared in XHTML format;
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process;
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements including notes;
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified;
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the annual report of Aktieselskabet Arbejdernes Landsbank for the financial year 1 January – 31 December 2023 with the file name 549300D6BJ7XOOO3RR69-2023-12-31-da is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 8 February 2024

EY
GODKENDT REVISIONSPARTNERSELSKAB
CVR NO. 30 70 02 28

Thomas Hjortkjær Petersen	**Bjørn Würtz Rosendal**
State Authorised Public Accountant	*State Authorised Public Accountant*
mne33748	*mne40039*



Consolidated financial statements and parent financial statements

Income statement

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
4	Interest income calculated using the effective interest-rate method	3,191	2,042	1,808	993
4	Other interest income	831	182	572	127
4	Positive interest expenses on financial liabilities	-	192	-	118
5	Interest expenses	-743	-156	-583	-89
5	Negative interest income on financial assets	-	-42	-	-25
	Net interest income	***3,279***	***2,218***	***1,797***	***1,124***
	Dividends from shares etc.	53	74	28	51
6	Fee and commission income	1,500	1,672	810	883
6	Fees and commissions paid	-92	-107	-42	-47
	Net interest and fee income	***4,740***	***3,856***	***2,594***	***2,011***
7	Value adjustments	656	-201	368	-48
	Other operating income	73	98	44	40
8	Staff and administrative expenses	2,770	-2,682	1,723	-1,667
	Amortisation/depreciation and impairments on intangible and tangible assets	-175	-171	-64	-83
	Other operating expenses	-53	-54	-41	-46
9	Impairments on loans and receivables etc.	181	52	82	48
14-15	Profit from equity investments in associated companies and group companies	-140	4	631	423
	Profit before tax	***2,511***	***903***	***1,891***	***679***
10	Tax	-673	-114	-313	-46
	Profit for the year	***1,838***	***789***	***1,578***	***633***
	Attributable to:				
	Shareholders of Arbejdernes Landsbank	1,530	598	1,538	598
	Holders of Additional Tier 1 instruments	46	52	39	35
	Non-controlling interests	261	139	-	-
	Profit for the year	***1,838***	***789***	***1,578***	***633***

Statement of comprehensive income

		Group		Bank	
Note		2023 DKK mill.	2022 DKK mill.	2023 DKK mill.	2022 DKK mill.
	Profit for the year	*1,838*	*789*	*1,578*	*633*
	Other comprehensive income				
	Items that cannot be reclassified to the income statement				
	Other comprehensive income after tax concerning group companies	-	-	-5	0
18	Changes in the revalued amount of owner-occupied properties	104	83	100	84
10	Tax related to the above	-20	-37	-20	-37
	Remeasurement of defined benefit plans	-1	1	-	-
10	Tax related to the above	0	-	-	-
	Total other comprehensive income	*84*	*47*	*75*	*47*
	Comprehensive income for the year	*1,922*	*836*	*1,653*	*680*
	Attributable to:				
	Shareholders of Arbejdernes Landsbank	1,614	645	1,614	645
	Holders of Additional Tier 1 instruments	46	52	39	35
	Non-controlling interests	263	139	-	-
	Comprehensive income for the year	*1,922*	*836*	*1,653*	*680*

Balance sheet

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
	Assets				
	Cash in hand and demand deposits with central banks	11,597	12,369	8,387	7,500
9, 11	Receivables from credit institutions and central banks	325	528	2,454	1,633
9, 12	Loans and other receivables at amortised cost	47,593	44,110	29,382	27,445
13	Bonds at fair value	33,660	28,590	22,359	19,158
	Shares etc.	2,323	2,155	988	900
14	Equity investments associated companies	109	146	9	16
15	Equity investments in group companies	-	-	5,090	4,472
16	Assets linked to pooled schemes	16,695	15,188	7,947	7,279
17	Intangible assets	189	216	-	-
	Investment properties	179	160	168	146
	Owner-occupied properties	2,373	1,933	1,375	1,292
18	*Total land and buildings*	*2,552*	*2,093*	*1,543*	*1,439*
19	Other tangible assets	130	153	74	88
	Current tax assets	-	83	-	3
20	Deferred tax assets	-	171	-	-
	Assets held temporarily	36	50	1	1
21	Other assets	1,707	2,054	1,020	1,277
	Prepayments and accrued income	83	81	42	38
	Total assets	*116,999*	*107,987*	*79,296*	*71,250*

Balance sheet (continued)

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
	Liabilities and equity				
	Liabilities				
	Debt				
22	Debts to credit institutions and central banks	571	716	592	719
23	Deposits and other debts	76,996	72,908	51,821	47,871
	Deposits in pooled schemes	16,695	15,188	7,947	7,279
24	Issued bonds at amortised cost	4,136	2,311	3,816	1,962
36	Other non-derivative financial liabilities at fair value	-	42	-	42
	Current tax liabilities	32	-	45	-
25	Other liabilities	2,888	2,893	1,677	1,642
	Accruals and deferred income	83	88	17	17
	Total debt	*101,401*	*94,145*	*65,914*	*59,531*
	Provisions				
	Provision for pensions and similar obligations	15	18	-	-
20	Provision for deferred tax	151	-	64	86
9, 26	Provision for losses on guarantees	30	33	9	9
27	Other provisions	156	169	37	52
	Total provisions	*351*	*220*	*111*	*148*
28	Subordinated debt	1,275	1,274	1,150	900
	Total liabilities	*103,027*	*95,639*	*67,175*	*60,579*
	Equity				
29	Share capital	2,100	2,100	2,100	2,100
	Revaluation reserves	589	514	582	510
	Reserve under the equity method	-	-	1,899	1,396
	Reserves according to the articles of association	511	506	-	-
	Retained earnings	7,511	6,503	6,130	5,617
31	Proposed dividend	525	210	525	210
	Shareholders of Arbejdernes Landsbank	*11,236*	*9,833*	*11,236*	*9,833*
34	Holders of Additional Tier 1 instruments	985	990	886	838
	Non-controlling interests	1,751	1,525	-	-
	Total equity	*13,972*	*12,348*	*12,121*	*10,671*
	Total liabilities and equity	*116,999*	*107,987*	*79,296*	*71,250*

Statement of changes in equity

	Shareholders of Arbejdernes Landsbank								
	Share capital DKK mill.	Revaluation reserves DKK mill.	Reserves according to the articles of association[2] DKK mill.	Retained earnings DKK mill.	Proposed dividend DKK mill.	Total DKK mill.	Additional Tier 1 capital DKK mill.	Non-controlling interests DKK mill.	Total equity DKK mill.
Group 2023									
Equity brought forward	2,100	514	506	6,503	210	*9,833*	990	1,525	*12,348*
Comprehensive income									
Profit for the year	-	-	5	1,000	525	*1,530*	46	261	*1,838*
Other comprehensive income									
Changes in the revalued amount of owner-occupied properties	-	103	-	-	-	*103*	-	1	*104*
Other additions and disposals[1]	-	-8	-	8	-	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	-0	-	*-0*	-	-0	*-1*
Tax	-	-20	-	0	-	*-20*	-	0	*-20*
Total other comprehensive income	*-*	*75*	*-*	*8*	*-*	*83*	*-*	*1*	*84*
Total comprehensive income	*-*	*75*	*5*	*1,008*	*525*	*1,614*	*46*	*263*	*1,922*
Transactions with owners									
Issue of Additional Tier 1 capital	-	-	-	-	-	-	50	-	*50*
Redemption of Additional Tier 1 capital	-	-	-	-	-	-	-50	-	*-50*
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-51	-	*-51*
Dividend paid for 2022	-	-	-	-	-210	*-210*	-	-37	*-247*
Dividend received on own shares	-	-	-	1	-	*1*	-	-	*1*
Purchase of own shares	-	-	-	-3	-	*-3*	-	-	*-3*
Sale of own shares	-	-	-	2	-	*2*	-	-	*2*
Total transactions with owners	*-*	*-*	*-*	*-1*	*-210*	*-211*	*-51*	*-37*	*-298*
Equity carried forward	*2,100*	*589*	*511*	*7,511*	*525*	*11,236*	*985*	*1,751*	*13,972*

[1] Realised revaluation reserves as well as depreciation on revalued of owner-occupied properties.

[2] Reserves according to the articles of association totalling DKK 703 mill. consist of DKK 569 mill. from the conversion of Den Jyske Sparekasse to a limited company in 2018, DKK 127 mill. that, in connection with an amendment of the articles of association in 2015, was transferred from guarantor capital to reserves according to the articles of association, and DKK 7 mill. in interest for the year. The reserves according to the articles of association may not be used for dividends, but can be used to cover losses that are not covered by the elements that can be used for dividends. The non-controlling interests' share of the reserves according to the articles of association amounted to DKK 192 mill.

Statement of changes in equity (continued)

	Shareholders of Arbejdernes Landsbank								
	Share capital DKK mill.	Revaluation reserves DKK mill.	Reserves according to the articles of association[2] DKK mill.	Retained earnings DKK mill.	Proposed dividend DKK mill.	Total DKK mill.	Additional Tier 1 capital DKK mill.	Non-controlling interests DKK mill.	Total equity DKK mill.
Group 2022									
Equity brought forward	2,100	476	506	6,105	525	*9,712*	755	1,386	*11,853*
Comprehensive income									
Profit for the year	-	-	-	388	210	*598*	52	139	*789*
Other comprehensive income									
Changes in the revalued amount of owner-occupied properties	-	88	-	-5	-	*83*	-	-0	*83*
Other additions and disposals[1]	-	-13	-	13	-	-	-	-	-
Remeasurement of defined benefit plans	-	-	-	1	-	*1*	-	0	*1*
Tax	-	-37	-	-	-	*-37*	-	-	*-37*
Total other comprehensive income	*-*	*38*	*-*	*9*	*-*	*47*	*-*	*0*	*47*
Total comprehensive income	*-*	*38*	*-*	*397*	*210*	*645*	*52*	*139*	*836*
Transactions with owners									
Issue of Additional Tier 1 capital	-	-	-	-	-	-	809	-	*809*
Redemption of Additional Tier 1 capital	-	-	-	-	-	-	-584	-	*-584*
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-42	-	*-42*
Dividend paid for 2021	-	-	-	-	-525	*-525*	-	-	*-525*
Dividend received on own shares	-	-	-	2	-	*2*	-	-	*2*
Purchase of own shares	-	-	-	-3	-	*-3*	-	-	*-3*
Sale of own shares	-	-	-	2	-	*2*	-	-	*2*
Total transactions with owners	*-*	*-*	*-*	*1*	*-525*	*-524*	*183*	*-*	*-341*
Equity carried forward	*2,100*	*514*	*506*	*6,503*	*210*	*9,833*	*990*	*1,525*	*12,348*

[1] Realised revaluation reserves as well as depreciation on revalued of owner-occupied properties.

[2] Reserves according to the articles of association totalling DKK 696 mill. consist of DKK 569 mill. from the conversion of Den Jyske Sparekasse to a limited company in 2018, and DKK 127 mill., that, in connection with an an amendment of the articles of association in 2015, was transferred from guarantor capital to reserves according to the articles of association. The reserves according to the articles of association may not be used for dividends, but can be used to cover losses that are not covered by the elements that can be used for dividends. The non-controlling interests' share of the reserves according to the articles of association amounted to DKK 190 mill.

Statement of changes in equity (continued)

	Shareholders of Arbejdernes Landsbank							
	Share capital DKK mill.	Revaluation reserves DKK mill.	Reserve under the equity method DKK mill.	Retained earnings DKK mill.	Proposed dividend DKK mill.	Total DKK mill.	Additional Tier 1 capital DKK mill.	Total equity DKK mill.
Bank 2023								
Equity brought forward	2,100	510	1,396	5,617	210	*9,833*	838	*10,671*
Comprehensive income								
Profit for the year	-	-	531	482	525	*1,538*	39	*1,578*
Other comprehensive income								
Other comprehensive income after tax concerning group companies	-	-	-5	-	-	*-5*	-	*-5*
Changes in the revalued amount of owner-occupied properties	-	100	-	-	-	*100*	-	*100*
Other additions and disposals[1]	-	-8	-24	32	-	-	-	-
Tax	-	-20	-	-	-	*-20*	-	*-20*
Total other comprehensive income	-	*72*	*-28*	*32*	-	*75*	-	*75*
Total comprehensive income	-	*72*	*503*	*514*	*525*	*1,614*	*39*	*1,653*
Transactions with owners								
Issue of Additional Tier 1 capital	-	-	-	-	-	-	50	*50*
Redemption of Additional Tier 1 capital	-	-	-	-	-	-	-42	*-42*
Dividend paid for 2022	-	-	-	-	-210	*-210*	-	*-210*
Dividend received on own shares	-	-	-	1	-	*1*	-	*1*
Purchase of own shares	-	-	-	-3	-	*-3*	-	*-3*
Sale of own shares	-	-	-	2	-	*2*	-	*2*
Total transactions with owners	-	-	-	*-1*	*-210*	*-211*	*8*	*-203*
Equity carried forward	*2,100*	*582*	*1,899*	*6,130*	*525*	*11,236*	*886*	*12,121*

[1] Realised revaluation reserves as well as depreciation on revalued of owner-occupied properties. Additionally, share of other equity movements in group companies.

Statement of changes in equity (continued)

	Shareholders of Arbejdernes Landsbank							
	Share capital DKK mill.	Revaluation reserves DKK mill.	Reserve under the equity method DKK mill.	Retained earnings DKK mill.	Proposed dividend DKK mill.	Total DKK mill.	Additional Tier 1 capital DKK mill.	Total equity DKK mill.
Bank 2022								
Equity brought forward	2,100	476	972	5,638	525	*9,712*	443	*10,155*
Comprehensive income								
Profit for the year	-	-	424	-36	210	*598*	35	*633*
Other comprehensive income								
Other comprehensive income after tax concerning group companies	-	-	0	-	-	*0*	-	*0*
Changes in the revalued amount of owner-occupied properties	-	84	-	-	-	*84*	-	*84*
Other additions and disposals[1]	-	-13	-	13	-	-	-	-
Tax	-	-37	-	-	-	*-37*	-	*-37*
Total other comprehensive income	*-*	*34*	*0*	*13*	*-*	*47*	*-*	*47*
Total comprehensive income	*-*	*34*	*424*	*-23*	*210*	*645*	*35*	*680*
Transactions with owners								
Issue of Additional Tier 1 capital	-	-	-	-	-	-	809	*809*
Redemption of Additional Tier 1 capital	-	-	-	-	-	-	-429	*-429*
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-20	*-20*
Dividend paid for 2021	-	-	-	-	-525	*-525*	-	*-525*
Dividend received on own shares	-	-	-	2	-	*2*	-	*2*
Purchase of own shares	-	-	-	-3	-	*-3*	-	*-3*
Sale of own shares	-	-	-	2	-	*2*	-	*2*
Total transactions with owners	*-*	*-*	*-*	*1*	*-525*	*-524*	*360*	*-164*
Equity carried forward	*2,100*	*510*	*1,396*	*5,617*	*210*	*9,833*	*838*	*10,671*

[1] Realised revaluation reserves as well as depreciation on revalued of owner-occupied properties.

Cash flow statement

Note		Group 2023 DKK mill.	Group 2022 DKK mill.
	Profit before tax	*2,511*	*903*
	Adjustment for non-cash operating items		
	Net interest income and dividends	-3,332	-2,292
7	Fair value adjustments on investment properties	-21	-0
17	Amortisation and impairments on intangible assets	43	43
	Depreciation, impairments and revaluations of tangible assets	132	127
	Gains and losses from the sale of tangible assets	-6	-9
9	Impairments on loans and receivables etc.	-181	-52
	Profit from equity investments in associated companies	140	-4
	Change in working capital		
	Loans and receivables from credit institutions etc.	-3,423	-2,474
	Bonds and shares	-5,238	-647
	Deposits and debt to credit institutions etc	3,943	1,523
	Other non-derivative financial liabilities at fair value	-42	42
	Other assets and liabilities	444	-772
	Interest received	3,867	2,417
	Interest paid	-678	-186
	Dividend received	53	74
	Corporate tax paid	-256	-52
	Cash flows from operating activities	*-2,043*	*-1,361*
14	Acquisition of associated companies	-43	-3
	Sale of associated companies	1	2
17	Acquisition of intangible assets	-16	-10
18-19	Acquisition of tangible assets	-435	-213
	Sale of tangible assets	32	102
	Cash flows from investment activities	*-461*	*-121*

Cash flow statement (continued)

Note		Group 2023 DKK mill.	Group 2022 DKK mill.
24	Proceeds of the issue of bonds	1,850	1,963
24	Redemption of bonds	-30	-
	Repayment on lease commitments	-37	-41
28	Issue of Tier 2 capital	250	-
28	Redemption of Tier 2 capital	-250	-225
34	Issue of Additional Tier 1 capital	50	809
34	Redemption of Additional Tier 1 capital	-50	-584
	Interest paid on Additional Tier 1 capital	-51	-42
	Dividend paid, excluding dividend on own shares	-246	-523
30	Purchase of own shares	-3	-3
30	Sale of own shares	2	2
	Cash flows from financing activities	*1,485*	*1,356*
	Cash flows for the year	*-1,019*	*-127*
	Cash and cash equivalents brought forward	12,896	13,023
	Cash and cash equivalents carried forward	*11,877*	*12,896*
	Cash and cash equivalents carried forward include:		
	Cash in hand and demand deposits with central banks	11,597	12,369
11	Receivables from credit institutions and central banks with less than 3 months maturity	280	528
	Cash and cash equivalents carried forward	*11,877*	*12,896*

The cash flow statement cannot directly be derived from other components of the consolidated financial statements.

	2023	2022
Changes in liabilities from financing activities		
Liabilities from financing activities brought forward	3,833	2,125
Proceeds of the issue of bonds and Tier 2 capital	2,100	1,963
Redemption of bonds and Tier 2 capital	-280	-225
Repayment on lease commitments	-37	-41
Non-cash changes		
Increase in lease commitments	2	1
Remeasurement of lease commitments	19	9
Exchange rate adjustments	1	2
Amortisation	5	0
Liabilities from financing activities carried forward	*5,643*	*3,833*

Liabilities from financing activities include issued bonds, lease liabilities and Tier 2 capital.

Index of notes

Note 1
Significant accounting estimates and assessments

The calculation of the carrying amount of certain assets and liabilities requires the Management to make a number of estimates and assessments regarding future conditions which could significantly influence the carrying amount of assets and liabilities.

The estimates and assessments made by the Management are based on assumptions that the Management considers reasonable but which are inherently uncertain and unpredictable. The assumptions may be incomplete or inaccurate, and unexpected future events or situations may arise. Accordingly, estimates and assessments are difficult to make, and if they also involve customer relationships and other counterparties, these will be associated with uncertainty. It may be necessary to change estimates made previously because of changes in the circumstances which formed the basis of the previous estimates or because of new knowledge or subsequent events.

The significant estimates made by the Management when applying the Group accounting policies, and the estimation uncertainties related to these, primarily related to the following in 2023:

Impairments on loans and provision for losses on guarantees resulting from credit impairment

When measuring the Group's total loans and guarantees according to IFRS 9, a model uncertainty arises in relation to the calculation of impairment. This uncertainty is partly due to uncertainty in relation to calculation of the model's input parameters, such as default probabilities, scenario weighting, and collateral values, and with regard to the assumptions forming the basis of the model. In addition, uncertainty may be associated with the cyclical sensitivity in relation to individual sectors.

Where there is objective evidence of credit impairment, the Group has estimated expected repayments from customers in accordance with current accounting standards. The Group's credit risk is described in note 47 on risk management.

Management estimates related to the Group's impairments

In 2023, the Danish economy was generally characterised by high prices on top of the strongest inflation in 40 years, high interest rates and continued economic uncertainty. However, there has been a slight improvement in the housing market as employment has increased and private consumption has grown.

The agricultural sector has been affected by high interest rates and squeezed earnings, while the construction industry has continued to be affected by high prices of building materials.

The negative macro-economic developments have so far only had a limited negative effect on the Group's exposures. This is partly due to the low unemployment rate and the fact that customers have been better cushioned than during the financial crisis.

The Group's management estimate as at 31 December 2023 is a total of DKK 582 mill., an increase of almost DKK 41 mill. compared with 2022.

The overall changes in the Group management estimates over the past year are shown in the table below.

	2023 DKK mill.	**2022** DKK mill.	**Change** DKK mill.
Group			
Model uncertainty	*22*	*23*	*-1*
Portefolios	*220*	*83*	*137*
Including agricultural customers, African swine fever	65	65	0
Including agricultural customers, CO_2 tax	150	0	150
Including agricultural customers, restoration of equity	0	10	-10
Including others	5	8	-3
Macro-economic estimates	*340*	*435*	*-95*
Including private customers, economic uncertainty	128	157	-28
Including business customers, economic uncertainty	147	208	-61
Including agricultural customers, rising interest rates	65	0	65
Including agricultural customers, low settlement prices	0	60	-60
Including others	0	10	-10
Total management estimates	*582*	*541*	*41*

Model uncertainty

The Group's management estimates related to model uncertainty amount to DKK 22 mill. as at the end of 2023, which is largely unchanged compared to the end of 2022.

Portefolios

The increase in management estimates for portfolios, totalling DKK 220 mill. at the end of 2023, can be attributed to a new estimate of DKK 150 mill. allocated for the upcoming CO_2 tax for agricultural customers.

In addition, the portfolio estimate related to agricultural customers' reestablishment of equity of DKK 10 mill. has been reversed as there is no longer an assessed risk that the customers no longer fulfil the earnings expectations.

Macro-economic estimates

Macroeconomic conditions still represent the most significant part of the total management estimate at the end of 2023, but have been reduced by DKK 95 mill. to DKK 340 mill. at the end of 2023. Macro estimates consist of management estimates as a result of stress tests of relevant economic variables (DKK 129 mill.) and specific estimates for macroeconomic conditions (DKK 211 mill.).

In determining the management estimates during 2023, the Group has continued to focus on macroeconomic developments and how they could affect the Group's loan portfolio. Arbejdernes Landsbank's economic secretariat monitors developments and regularly prepares the forecasts that are included in the determination of management estimates regarding macroeconomic conditions. Since the end of 2022, macroeconomic forecasts have improved significantly, and it is now expected that the Danish economy is facing a softer landing than first assumed. Arbejdernes Landsbank's economic secretariat expects, among other things, future interest rate cuts and that house prices will rise moderately in line with the coming interest rate cuts. The reduction in the macroeconomic estimate is partly attributable to the improved economic outlook, but also to the adjustment[1] of the model used to calculate the managerial macroeconomic estimate.

The model for calculating the management macro-estimate[2] stresses relevant economic variables and calculates the impairment effect on the Group's portfolio. Currently, private customers are stressed about disposable income, property prices, interest rates, unemployment and bankruptcies.

Facilities in stage 1 are stressed based on a one-year time horizon, while facilities in stages 2, 2 weak, and 3 are stressed over a longer time period. However, facilities in stage 2, 2 weak, and 3 cannot be stressed less than a facility in stage 1. The stress is based on three macroeconomic scenarios: a base scenario and two down scenarios.

The management estimate is determined based on an expert-assessed weighting between the scenarios. The main scenario, which is considered the most likely, is weighted 60%, and the two down scenarios are weighted 30% and 10% respectively.

The 10% weighting is related to the most severe of the two down scenarios. As with the scenarios, the expert-assessed weighting is determined by the Economic Secretariat of Arbejdernes Landsbank.

The applied weighting of the scenarios in the macro estimates results in a management estimate regarding financial uncertainty for private and business customers of DKK 129 mill. A 100% weighting of the main scenario would result in impairments that were DKK 5 mill. lower than this, while a 100% weighting of the more severe of the two down scenarios would result in impairments that were DKK 277 mill. higher than the weighted scenario at the end of 2023.

To give an indication of the hardness of the individual scenarios, the expectations for the model's macroeconomic variables for 2024 are presented in the tables below.

	Main	Down 1	Down 2
Forecasts for 2024			
Unemployment rate, unemployed as a percentage of the labour force, %	3.1	3.2	3.5
House prices, year-over-year changes, %	2.2	-0.1	-1.6
Apartment prices, year-over-year changes, %	0.6	-1.8	-4.2
Bankruptcies, number of bankruptcies in relation to number of companies, %	0.9	1.1	1.1
Short-term mortgage interest rate, end of the year, %	3.1	2.6	4.4
Lending rate, banks, end of the year, %	5.9	5.4	6.9

It should be noted that adjustments to the model must be approved by Arbejdernes Landsbank's Credit Committee, which must always consider whether or not proposed changes and adjustments to the model can be approved. This assessment is based on impact calculations and whether the assumptions underlying the changes are considered realistic and justifiable.

In addition to the reversal related to the modelled macro estimate, the most significant reversal relates to the management estimate related to low settlement prices for the Group's pig producers of DKK 60 mill. The estimate has been removed due to an improvement and thus normalisation of settlement prices and terms of trade.

[1] Compared to the end of 2022, a recovery rate is applied for customers with an exposure > DKK 500,000, which the model moves to stage 3. The adjustment has a positive impact on impairments and therefore results in a reduction of the management estimate.

[2] For Vestjysk Bank, the managerial macro estimate for their corporate portfolio is calculated using a separate model.

In addition, in its determination of the managerial macro estimates, the Group has established a new estimate specifically for the Group's agricultural portfolio of DKK 65 mill. related to observed interest rate increases that are currently not recognised in the budgets.

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. Note 41 describes the valuation models used and the inputs used in the valuation.

Valuation of investment and owner-occupied properties

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

Note 18 describes the sensitivity of the valuation if the required rate of return is increased by 0.5 percentage points.

Measurement of other financial instruments at fair value

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

Note 2

Events after the reporting period

No events have taken place after the end of the reporting period with an impact on the assessment of the Group and the Parent Company's financial position and profit for the year.

Note		Group 2023 DKK mill.	Group 2022 DKK mill.
3	**Segment information**		
	The Group only operates from locations in Denmark.		
	Revenue	5,595	4,186
	Revenue is defined as interest income, fee and commission income as well as other operating income.		

	Customer activities DKK mill.	Investment activities DKK mill.	Other activities DKK mill.	Total DKK mill.
Group 2023				
Income statement				
Net interest income	3,405	7	-134	*3,279*
Net fee and commission income	1,409	-	-	*1,409*
Value adjustments and dividends	252	469	-13	*709*
Other operating income	39	-	34	*73*
Profit from equity investments in associated companies	-140	-	-	*-140*
Total income	*4,964*	*476*	*-113*	*5,329*
Costs and amortisation/depreciation	-2,836	-10	-152	*-2,998*
Impairments on loans and receivables etc.	181	-	-	*181*
Total costs	*-2,656*	*-10*	*-152*	*-2,817*
Profit before tax	*2,309*	*466*	*-264*	*2,511*
Assets				
Loans and other receivables at amortised cost	47,593	-	-	*47,593*
Bonds at fair value	1,010	32,651	-	*33,660*
Equity investments in associated companies	109	-	-	*109*
Other assets	20,310	12,069	3,257	*35,636*
Total assets	*69,022*	*44,720*	*3,257*	*116,999*
Liabilities and equity				
Deposits and other debts	76,996	-	-	*76,996*
Allocated equity	12,023	843	1,107	*13,972*
Other liabilities	18,601	696	6,734	*26,031*
Total liabilities and equity	*107,620*	*1,539*	*7,840*	*116,999*

Note

3 Segment information (continued)

	Customer activities DKK mill.	Investment activities DKK mill.	Other activities DKK mill.	Total DKK mill.
Group 2022				
Income statement				
Net interest income	2,218	20	-21	*2,218*
Net fee and commission income	1,565	-	-	*1,565*
Value adjustments and dividends	416	-603	60	*-127*
Other operating income	63	-	35	*98*
Profit from equity investments in associated companies	4	-	-	*4*
Total income	*4,266*	*-583*	*75*	*3,757*
Costs and amortisation/depreciation	-2,731	-10	-166	*-2,907*
Impairments on loans and receivables etc.	52	-	-	*52*
Total costs	*-2,678*	*-10*	*-166*	*-2,855*
Profit before tax	*1,587*	*-593*	*-92*	*903*
Assets				
Loans and other receivables at amortised cost	44,110	-	-	*44,110*
Bonds at fair value	892	27,698	-	*28,590*
Equity investments in associated companies	146	-	-	*146*
Other assets	19,247	13,127	2,766	*35,140*
Total assets	*64,396*	*40,824*	*2,766*	*107,987*
Liabilities and equity				
Deposits and other debts	72,908	-	-	*72,908*
Allocated equity	10,628	1,257	463	*12,348*
Other liabilities	17,269	853	4,609	*22,731*
Total liabilities and equity	*100,805*	*2,110*	*5,073*	*107,987*

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
4	**Interest income**				
	Receivables from credit institutions and central banks	305	36	328	43
	Loans and other receivables	2,883	2,006	1,478	950
	Other interest income	2	0	2	0
	Total interest income calculated using the effective interest-rate method	*3,191*	*2,042*	*1,808*	*993*
	Bonds	700	233	446	182
	Derivative financial instruments				
	Currency contracts	-10	-10	-13	-12
	Interest-rate contracts	140	-42	138	-43
	Total derivative financial instruments	*130*	*-51*	*125*	*-54*
	Total other interest income	*831*	*182*	*572*	*127*
	Debts to credit institutions and central banks	-	1	-	1
	Deposits and other debts	-	191	-	117
	Total positive interest expenses on financial liabilities	*-*	*192*	*-*	*118*
5	**Interest expenses**				
	Debts to credit institutions and central banks	-20	-5	-21	-5
	Deposits and other debts	-443	-56	-311	-29
	Issued bonds	-186	-25	-174	-17
	Subordinated debt	-87	-65	-71	-35
	Other interest expenses	-6	-6	-6	-4
	Total interest expenses	*-743*	*-156*	*-583*	*-89*
	Receivables from credit institutions and central banks	-	-31	-	-20
	Bonds	-	-11	-	-6
	Total negative interest income on financial assets	*-*	*-42*	*-*	*-25*

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
6	**Net fee and commission income**				
	Securities trading and custody accounts[1]	291	334	147	167
	Money transmission services	275	278	172	164
	Loan fees[2]	422	528	324	372
	Guarantee commission	157	179	63	79
	Other fees and commissions	356	352	105	101
	Total fee and commission income	*1,500*	*1,672*	*810*	*883*
	AL-BoligBonus	-25	-26	-25	-26
	Other fees and commissions paid	-67	-81	-17	-21
	Total fees and commissions paid	*-92*	*-107*	*-42*	*-47*
	Net fee and commission income	*1,409*	*1,565*	*769*	*836*

[1] The Group's income from trust and other fiduciary activities represents DKK 194 mill. (2022: DKK 215 mill.).
[2] The Group's provisions for mortgage credit institutions represent DKK 292 mill. (2022: DKK 346 mill.). The Group's received loan fees arising from financial instruments measured at amortised cost represent DKK 47 mill. (2022: DKK 50 mill.).

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
7	**Value adjustments**				
	Bonds	613	1,204	440	-959
	Shares etc.	109	64	27	4
	Investment properties	21	0	21	1
	Currency	92	94	58	60
	Derivative financial instruments				
	Currency contracts	-4	-1	-4	-1
	Interest-rate contracts	-179	857	-175	846
	Share contracts	-0	-0	0	0
	Total derivative financial instruments	*-183*	*855*	*-179*	*846*
	Assets linked to pooled schemes	1,488	-2,061	783	-992
	Deposits in pooled schemes	-1,488	2,061	-783	992
	Other assets	2	-10	1	-
	Total value adjustments	*656*	*-201*	*368*	*-48*

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
8	**Staff and administrative expenses**				
	Management emoluments				
	Board of Directors	-5	-5	-5	-5
	Executive Management	-23	-19	-23	-19
	Total management emoluments	***-28***	***-24***	***-28***	***-24***
	Staff expenses				
	Remuneration	-1,232	-1,174	-758	-730
	Pensions (contribution-based)	-145	-140	-87	-86
	Social security expenses	-10	-13	-6	-7
	Payroll tax	-183	-170	-110	-99
	Total staff expenses	***-1,570***	***-1,497***	***-961***	***-922***
	Administration expenses				
	IT expenses	-730	-722	-451	-443
	Other administration expenses	-442	-439	-283	-277
	Total administration expenses	***-1,172***	***-1,161***	***-733***	***-721***
	Total staff and administrative expenses	***-2,770***	***-2,682***	***-1,723***	***-1,667***
	Number of full-time employees				
	Average number of employees during the financial year converted to full-time equivalents	1,864	1,827	1,162	1,105
	Emoluments paid to the Board of Directors				
	Fixed remuneration	-5	-5	-5	-5
	Total emoluments paid to the Board of Directors	***-5***	***-5***	***-5***	***-5***
	Number of members of the Board of Directors during the financial year	16	15	16	15

Information on emoluments paid to the individual members of the Board of Directors can be found in the report on management remuneration for 2023 and 2022.

	Group 2023	Group 2022	Bank 2023	Bank 2022
Emoluments paid to Executive Management				
Fixed remuneration	-21	-18	-21	-17
Pensions (contribution-based)	-2	-2	-2	-2
Total emoluments paid to Executive Management	***-23***	***-19***	***-23***	***-19***
Number of members of Executive Management during the financial year	6	6	6	6

Information on emoluments paid to the individual members of the Board of Directors can be found in the report on management remuneration for 2023 and 2022

The remuneration of the Executive Management is determined by the Board of Directors and solely comprises a fixed remuneration, a contribution-based pension scheme through which a fixed percentage of the remuneration is paid to an independent pension company, and a company car plus other company-paid salary benefits.

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

For participation in Board work in the subsidiary AL Finans, each person receives an annual remuneration of DKK 10,000 per person. A board position in the subsidiary Vestjysk Bank, yielded a remuneration for the year of DKK 90,000. (2022: DKK 294,000).

The Executive Management has a notice period of 3 months, and the Bank has a notice period of 12 months. For the Executive Management, agreements have been made on severance pay corresponding to a maximum of one year's salary including pension and other remuneration components for the respective director. If a position is terminated in connection with a takeover bid concerning the Bank, special terms for resignation apply.

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
8	**Staff and administrative expenses (continued)**				
	Remuneration of employees with significant influence on the risk profile of the company in addition to Management				
	Fixed remuneration	-53	-74	-27	-40
	Variable remuneration	-1	-1	-1	-1
	Pensions (contribution-based)	-5	-7	-2	-4
	Severance pay	-2	-4	-	-3
	Total emoluments to significant risk takers	***-60***	***-87***	***-30***	***-48***
	Average number of significant risk takers converted to full-time equivalents	42	58	17	28
	Number of significant risk takers during the financial year	58	65	28	31
	Number of significant risk takers with severance pay	2	5	0	3

Variable remuneration only comprises a bonus scheme based on a collective agreement. The remuneration policy for Arbejdernes Landsbank was updated in March 2023, where the group of employees considered to be significant risk takers was reduced by eight people.

Remuneration policy

The Bank's website contains further information on the Group's remuneration policy, including identification of significant risk takers.

	Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
Remuneration for the audit firm elected by the General Meeting				
Statutory audit of the financial statements	-3	-3	-2	-1
Other assurance engagements	-1	-0	-0	-0
Tax counselling	-0	-0	-	-
Other services	-0	-1	-0	-0
Total	***-4***	***-4***	***-2***	***-2***

Remuneration for services other than statutory audit supplied by EY Godkendt Revisionspartnerselskab to the Group at DKK 1 mill. (2022: DKK 1 mill.) includes services related to ESG and capital raising, as well as various assurance engagements and other assistance tasks on legislative matters within the financial area. Fees are stated inclusive of non-deductible VAT.

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
9	**Impairments on loans and receivables etc.**				
	Net impact recognised in the income statement				
	Net movements on impairment and provision accounts				
	Receivables from credit institutions and central banks	2	-2	2	-2
	Loans and other receivables at amortised cost	-195	-369	58	14
	Guarantees	3	3	-0	6
	Unutilised credit lines and commitments	74	61	15	20
	Total net movements on impairment and provision accounts	***-116***	***-307***	***74***	***38***
	Ascertained losses not covered by previous impairments and provisions	-31	-37	-13	-9
	Recognised in claims previously written off	77	54	20	19
	Reversed reserves on lending which was credit-impaired at initial recognition	251	342	-	-
	Net impact recognised in the income statement	***181***	***52***	***82***	***48***

The positive operating profit from impairments on loans etc. in the Group and the Bank at the end of 2023 is attributable to healthy developments in the lending and guarantee portfolios which are reflected in increasing collateral values, improved ratings and positive shifts in the gross carrying amounts to stage 1. The management estimates for the Group have been increased by DKK 41 mill., while those for the Bank have been reduced by DKK 50 mill. For the Group, the increase is primarily attributable to a new management estimate for agricultural customers related to the upcoming CO_2 tax of DKK 150 mill.

Out of the Group's ascertained losses of DKK 124 mill. in 2023, steps are still being taken to recover DKK 79 mill.

Note

9 Impairments on loans and receivables etc. (continued)

	Group						
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Total gross value DKK mill.	Total impair-ments and provisions DKK mill.	Carrying amount DKK mill.
Gross carrying amounts broken down by stages as at 31 December 2023							
Receivables from credit institutions and central banks	325	0	8	-	***334***	-9	***325***
Loans and other receivables at amortised cost	41,668	4,548	1,738	1,116	***49,070***	-1,477	***47,593***
Guarantees	9,709	1,041	333	156	***11,240***	-30	***11,210***
Unutilised credit lines and commitments	23,005	1,924	242	209	***25,380***	-84	***25,296***
Total exposures	***74,708***	***7,513***	***2,321***	***1,481***	***86,023***	***-1,600***	***84,423***

Gross carrying amounts broken down by stages as at 31 December 2022							
Receivables from credit institutions and central banks	499	31	8	-	***538***	-10	***528***
Loans and other receivables at amortised cost	36,887	5,654	1,630	1,286	***45,457***	-1,347	***44,110***
Guarantees	11,673	1,080	154	250	***13,158***	-33	***13,125***
Unutilised credit lines and commitments	21,449	2,463	202	342	***24,455***	-158	***24,298***
Total exposures	***70,508***	***9,228***	***1,995***	***1,878***	***83,608***	***-1,548***	***82,061***

Note

9 **Impairments on loans and receivables etc. (continued)**

	Group				
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Credit-impaired on initial recognition** DKK mill.	**Total** DKK mill.
Accumulated impairments and provisions, broken down by stages as at 31 December 2023					
Receivables from credit institutions and central banks	1	0	8	-	*9*
Loans and other receivables at amortised cost	297	144	658	378	*1,477*
Guarantees	6	3	13	8	*30*
Unutilised credit lines and commitments	13	12	29	30	*84*
Total impairments and provisions	***318***	***159***	***708***	***415***	***1,600***

Accumulated impairments and provisions, broken down by stages as at 31 December 2022					
Receivables from credit institutions and central banks	2	0	8	-	*10*
Loans and other receivables at amortised cost	189	281	541	335	*1,347*
Guarantees	13	2	9	9	*33*
Unutilised credit lines and commitments	23	16	29	90	*158*
Total impairments and provisions	***227***	***300***	***587***	***434***	***1,548***

The increase in stages 1 and 3 and the decrease in stage 2 is primarily attributable to management estimates. The Group has a discount (unrecognised impairments) related to Vestjysk Bank totalling DKK 436 mill. as at the end of 2023, which is not included in the above overview.

Note

9 **Impairments on loans and receivables etc. (continued)**

	Group					
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Credit-impaired on initial recognition** DKK mill.	**Total impair-ments** DKK mill.	**Effect on profit** DKK mill.
Impairment account for receivables from credit institutions and central banks in 2023						
Total impairments brought forward	2	0	8	-	*10*	-
Transfers to stage 1	0	-0	-	-	*-*	-
Transfers to stage 2	-0	0	-	-	*-*	-
Impairments during the financial year as a consequence of changes in credit risk	-0	-0	-	-	*-0*	-0
Impairments on new exposures	0	-	-	-	*0*	0
Reversed impairments on redeemed exposures	-1	-	-	-	*-1*	-1
Total impairments carried forward	***1***	***0***	***8***	***-***	***9***	***-2***

	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total impair-ments	Effect on profit
Impairment account for receivables from credit institutions and central banks in 2022						
Total impairments brought forward	0	0	8	-	*8*	-
Transfers to stage 1	0	-0	-	-	*-*	-
Transfers to stage 2	-0	0	-	-	*-*	-
Impairments during the financial year as a consequence of changes in credit risk	1	0	-	-	*1*	1
Impairments on new exposures	1	-	-	-	*1*	1
Reversed impairments on redeemed exposures	-0	-	-	-	*-0*	-0
Total impairments carried forward	***2***	***0***	***8***	***-***	***10***	***2***

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

Note

9 **Impairments on loans and receivables etc. (continued)**

	Group					
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Credit-impaired on initial recognition** DKK mill.	**Total impair-ments** DKK mill.	**Effect on profit** DKK mill.
Impairment account for loans and other receivables at amortised cost in 2023						
Total impairments brought forward	189	281	541	335	*1,347*	-
Transfers to stage 1	48	-37	-11	-	-	-
Transfers to stage 2	-8	20	-12	-	-	-
Transfers to stage 3	-3	-14	16	-	-	-
Impairments during the financial year as a consequence of changes in credit risk	69	-98	149	91	*212*	212
Impairments on new exposures	26	9	20	-	*56*	56
Reversed impairments on redeemed exposures	-24	-18	18	-49	*-73*	-73
Interest adjustment	-	-	29	-	*29*	-
Ascertained losses covered by previous impairments	-	-	-93	-	*-93*	-
Total impairments carried forward	***297***	***144***	***658***	***378***	***1,477***	***195***

	Stage 1	Stage 2	Stage 3	Credit-impaired on initial recognition	Total impairments	Effect on profit
Impairment account for loans and other receivables at amortised cost in 2022						
Total impairments brought forward	176	172	443	236	*1,027*	-
Transfers to stage 1	40	-33	-7	-	-	-
Transfers to stage 2	-12	22	-11	-	-	-
Transfers to stage 3	-3	-10	13	-	-	-
Impairments during the financial year as a consequence of changes in credit risk	-31	141	100	133	*342*	342
Impairments during the financial year as a consequence of changes in impairment models and risk parameters	-4	-4	-0	-	*-9*	-9
Impairments on new exposures	51	19	42	-	*112*	112
Reversed impairments on redeemed exposures	-28	-26	11	-33	*-77*	-77
Interest adjustment	-	-	23	-	*23*	-
Ascertained losses covered by previous impairments	-	-	-72	-	*-72*	-
Total impairments carried forward	***189***	***281***	***541***	***335***	***1,347***	***369***

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

Note

9 **Impairments on loans and receivables etc. (continued)**

	Group					
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Credit-impaired on initial recognition** DKK mill.	**Total provisions** DKK mill.	**Effect on profit** DKK mill.
Provision account for guarantees in 2023						
Total provisions brought forward	13	2	9	9	*33*	-
Transfers to stage 1	0	-0	-0	-	-	-
Transfers to stage 2	-0	0	-0	-	-	-
Transfers to stage 3	-0	-0	1	-	-	-
Provisions during the financial year as a consequence of changes in credit risk	-2	1	8	0	*7*	7
Provisions for new exposures	0	0	0	-	*1*	1
Reversed provisions for redeemed exposures	-4	-1	-4	-2	*-11*	-11
Total provisions carried forward	*6*	*3*	*13*	*8*	*30*	*-3*

Provision account for guarantees in 2022						
Total provisions brought forward	9	1	14	13	*36*	-
Transfers to stage 1	1	-0	-0	-	-	-
Transfers to stage 2	-0	0	-0	-	-	-
Transfers to stage 3	-0	-0	0	-	-	-
Provisions during the financial year as a consequence of changes in credit risk	1	1	-3	2	*1*	1
Provisions during the financial year as a consequence of changes in impairment models and risk parameters	-0	-0	-0	-	*-0*	-0
Provisions for new exposures	5	0	1	-	*6*	6
Reversed provisions for redeemed exposures	-2	-0	-2	-5	*-10*	-10
Total provisions carried forward	*13*	*2*	*9*	*9*	*33*	*-3*

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

Note

9 **Impairments on loans and receivables etc. (continued)**

	Group					
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Credit-impaired on initial recognition** DKK mill.	**Total provisions** DKK mill.	**Effect on profit** DKK mill.
Provision account for unutilised credit lines and commitments in 2023						
Total provisions brought forward	23	16	29	90	***158***	-
Transfers to stage 1	8	-7	-1	-	-	-
Transfers to stage 2	-1	2	-1	-	-	-
Transfers to stage 3	-0	-1	1	-	-	-
Provisions during the financial year as a consequence of changes in credit risk	-14	2	3	-40	***-49***	-49
Provisions for new exposures	1	0	1	-	***2***	2
Reversed provisions for redeemed exposures	-3	-1	-4	-20	***-27***	-27
Total provisions carried forward	***13***	***12***	***29***	***30***	***84***	***-74***

Provision account for unutilised credit lines and commitments in 2022						
Total provisions brought forward	32	20	28	140	***219***	-
Transfers to stage 1	8	-6	-2	-	-	-
Transfers to stage 2	-2	4	-3	-	-	-
Transfers to stage 3	-0	-0	1	-	-	-
Provisions during the financial year as a consequence of changes in credit risk	-7	3	7	-4	***-2***	-2
Provisions during the financial year as a consequence of changes in impairment models and risk parameters	-9	-4	-0	-	***-13***	-13
Provisions for new exposures	5	1	1	-	***8***	8
Reversed provisions for redeemed exposures	-4	-3	-3	-46	***-55***	-55
Total provisions carried forward	***23***	***16***	***29***	***90***	***158***	***-61***

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

The Group's allowance account is at the same level as at the end of 2022. The increase in stage 1 and 3 impairments is primarily attributable to management estimates.

Note

9 **Impairments on loans and receivables etc. (continued)**

	Bank					
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Total gross value** DKK mill.	**Total impair-ments and provisions** DKK mill.	**Carrying amount** DKK mill.
Gross carrying amounts broken down by stages as at 31 December 2023						
Receivables from credit institutions and central banks	2,455	0	8	*2,463*	-9	*2,454*
Loans and other receivables at amortised cost	26,926	1,969	921	*29,816*	-434	*29,382*
Guarantees	4,711	743	79	*5,533*	-9	*5,524*
Unutilised credit lines and commitments	8,668	925	52	*9,646*	-27	*9,619*
Total exposures	*42,760*	*3,638*	*1,060*	*47,458*	*-479*	*46,979*

Gross carrying amounts broken down by stages as at 31 December 2022						
Receivables from credit institutions and central banks	1,604	31	8	*1,643*	-10	*1,633*
Loans and other receivables at amortised cost	25,007	1,969	976	*27,952*	-506	*27,445*
Guarantees	5,029	659	86	*5,773*	-9	*5,765*
Unutilised credit lines and commitments	7,042	921	59	*8,023*	-42	*7,981*
Total exposures	*38,681*	*3,580*	*1,129*	*43,391*	*-568*	*42,823*

Note

9 **Impairments on loans and receivables etc. (continued)**

	Bank			
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Total** DKK mill.
Accumulated impairments and provisions, broken down by stages as at 31 December 2023				
Receivables from credit institutions and central banks	1	0	8	***9***
Loans and other receivables at amortised cost	87	64	284	***434***
Guarantees	2	2	5	***9***
Unutilised credit lines and commitments	7	10	10	***27***
Total impairments and provisions	***96***	***76***	***307***	***479***

Accumulated impairments and provisions, broken down by stages as at 31 December 2022				
Receivables from credit institutions and central banks	2	0	8	***10***
Loans and other receivables at amortised cost	123	56	328	***506***
Guarantees	3	1	4	***9***
Unutilised credit lines and commitments	14	12	16	***42***
Total impairments and provisions	***143***	***69***	***356***	***568***

The drop in impairments in all stages is attributable to reductions in management estimates and a positive development in the portfolio of lending. As at the end of 2023, a total of DKK 34 mill. had been written off, of which DKK 21 mill. had previously been written down.

Note

9 **Impairments on loans and receivables etc. (continued)**

	Bank				
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Total impairments** DKK mill.	**Effect on profit** DKK mill.
Impairment account for receivables from credit institutions and central banks in 2023					
Total impairments brought forward	2	0	8	*10*	-
Transfers to stage 1	0	-0	-	-	-
Transfers to stage 2	-0	0	-	-	-
Impairments during the financial year as a consequence of changes in credit risk	-0	-0	-	*-0*	-0
Impairments on new exposures	0	-	-	*0*	0
Reversed impairments on redeemed exposures	-1	-	-	*-1*	-1
Total impairments carried forward	***1***	***0***	***8***	***9***	***-2***

Impairment account for receivables from credit institutions and central banks in 2022					
Total impairments brought forward	0	0	8	*8*	-
Transfers to stage 1	0	-0	-	-	-
Transfers to stage 2	-0	0	-	-	-
Impairments during the financial year as a consequence of changes in credit risk	1	0	-	*1*	1
Impairments on new exposures	1	-	-	*1*	1
Reversed impairments on redeemed exposures	-0	-	-	*-0*	-0
Total impairments carried forward	***2***	***0***	***8***	***10***	***2***

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

Note

9 **Impairments on loans and receivables etc. (continued)**

	Bank				
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Total impairments** DKK mill.	**Effect on profit** DKK mill.
Impairment account for loans and other receivables at amortised cost in 2023					
Total impairments brought forward	123	56	328	*506*	-
Transfers to stage 1	14	-8	-6	-	-
Transfers to stage 2	-4	6	-2	-	-
Transfers to stage 3	-1	-8	9	-	-
Impairments during the financial year as a consequence of changes in credit risk	-50	14	-14	*-49*	-49
Impairments on new exposures	20	9	17	*46*	46
Reversed impairments on redeemed exposures	-16	-5	-34	*-55*	-55
Interest adjustment	-	-	6	*6*	-
Ascertained losses covered by previous impairments	-	-	-21	*-21*	-
Total impairments carried forward	***87***	***64***	***284***	***434***	***-58***

Impairment account for loans and other receivables at amortised cost in 2022					
Total impairments brought forward	102	61	366	*529*	-
Transfers to stage 1	23	-17	-6	-	-
Transfers to stage 2	-6	16	-9	-	-
Transfers to stage 3	-1	-5	6	-	-
Impairments during the financial year as a consequence of changes in credit risk	-6	6	-0	*-0*	-0
Impairments during the financial year as a consequence of changes in impairment models and risk parameters	-4	-4	-0	*-9*	-9
Impairments on new exposures	31	7	15	*53*	53
Reversed impairments on redeemed exposures	-15	-8	-36	*-59*	-59
Interest adjustment	-	-	9	*9*	-
Ascertained losses covered by previous impairments	-	-	-16	*-16*	-
Total impairments carried forward	***123***	***56***	***328***	***506***	***-14***

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

Note

9 **Impairments on loans and receivables etc. (continued)**

	Bank				
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Total provisions** DKK mill.	**Effect on profit** DKK mill.
Provision account for guarantees in 2023					
Total provisions brought forward	3	1	4	*9*	-
Transfers to stage 1	0	-0	-0	-	-
Transfers to stage 2	-0	0	-0	-	-
Transfers to stage 3	-0	-0	0	-	-
Provisions during the financial year as a consequence of changes in credit risk	-2	1	2	*1*	1
Provisions for new exposures	0	0	0	*1*	1
Reversed provisions for redeemed exposures	-0	-0	-1	*-2*	-2
Total provisions carried forward	***2***	***2***	***5***	***9***	***0***

	Stage 1	Stage 2	Stage 3	Total provisions	Effect on profit
Provision account for guarantees in 2022					
Total provisions brought forward	7	1	7	*15*	-
Transfers to stage 1	1	-0	-0	-	-
Transfers to stage 2	-0	0	-0	-	-
Transfers to stage 3	-0	-0	0	-	-
Provisions during the financial year as a consequence of changes in credit risk	-4	0	-1	*-5*	-5
Provisions during the financial year as a consequence of changes in impairment models and risk parameters	-0	-0	-0	*-0*	-0
Provisions for new exposures	0	0	1	*2*	2
Reversed provisions for redeemed exposures	-1	-0	-1	*-3*	-3
Total provisions carried forward	***3***	***1***	***4***	***9***	***-6***

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

Note

9 **Impairments on loans and receivables etc. (continued)**

	Bank				
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Total provisions** DKK mill.	**Effect on profit** DKK mill.
Provision account for unutilised credit lines and commitments in 2023					
Total provisions brought forward	14	12	16	*42*	-
Transfers to stage 1	5	-5	-0	*-*	-
Transfers to stage 2	-1	2	-1	*-*	-
Transfers to stage 3	-0	-1	1	*-*	-
Provisions during the financial year as a consequence of changes in credit risk	-11	2	-5	*-14*	-14
Provisions for new exposures	1	0	1	*2*	2
Reversed provisions for redeemed exposures	-1	-0	-2	*-3*	-3
Total provisions carried forward	***7***	***10***	***10***	***27***	***-15***

Provision account for unutilised credit lines and commitments in 2022					
Total provisions brought forward	24	13	24	*62*	-
Transfers to stage 1	6	-5	-2	*-*	-
Transfers to stage 2	-1	4	-3	*-*	-
Transfers to stage 3	-0	-0	0	*-*	-
Provisions during the financial year as a consequence of changes in credit risk	-7	4	-2	*-5*	-5
Provisions during the financial year as a consequence of changes in impairment models and risk parameters	-9	-4	-0	*-13*	-13
Provisions for new exposures	2	0	0	*3*	3
Reversed provisions for redeemed exposures	-3	-2	-2	*-6*	-6
Total provisions carried forward	***14***	***12***	***16***	***42***	***-20***

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

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

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
10	**Tax**				
	Tax for the year may be broken down as follows:				
	Tax on profit for the year	-673	-114	-313	-46
	Tax on other comprehensive income	-20	-37	-20	-37
	Total tax	*-693*	*-150*	*-333*	*-83*
	Tax on profit for the year is calculated as follows:				
	Current tax for the year	-325	-73	-307	-59
	Adjustment of deferred tax for the year	-346	-62	-4	5
	Effect of change in tax rate	-	-3	-	9
	Adjustment of current tax concerning previous years	-2	25	-2	-1
	Total tax on profit for the year	*-673*	*-114*	*-313*	*-46*
	The effective tax rate can be explained as follows:				
	Current tax rate	22,0%	22,0%	22,0%	22,0%
	Special tax for financial companies	3,2%	0,0%	3,2%	0,0%
	Losses from previous years utilised	-11,9%	-12,0%	0,0%	0,0%
	Effect of change in tax rate	0,0%	0.4%	0,0%	-1,5%
	Tax-free value adjustments	0,3%	-1,3%	-8,2%	-16,7%
	Activated deferred tax	13,1%	4,5%	0,0%	6,1%
	Other adjustments	-0,1%	4,7%	-0,3%	0,8%
	Adjustment of tax concerning previous years	-0,1%	-3,0%	0,1%	0,2%
	Effective tax rate	*26,5%*	*15,3%*	*16,8%*	*10,9%*

The tax value of special tax for financial companies is due to the phasing-in of the new financial tax. In practice, tax on banks will increase from 22% in 2022 to 25.2% in 2023 and 26% in 2024 and onwards.

	Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
Tax on other comprehensive income is calculated as follows:				
Current tax for the year	-46	-	-46	-
Adjustment of deferred tax for the year	26	-37	26	-37
Total tax on other comprehensive income	*-20*	*-37*	*-20*	*-37*

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
11	**Receivables from credit institutions and central banks**				
	Receivables from credit institutions	325	528	2,454	1,633
	Total receivables from credit institutions and central banks	***325***	***528***	***2,454***	***1,633***
	Broken down by remaining term:				
	On demand	216	296	480	131
	Up to and including 3 months	65	232	65	232
	More than 1 year and up to and including 5 years	-	-	1,640	890
	Over 5 years	45	-	270	380
	Total receivables from credit institutions and central banks	***325***	***528***	***2,454***	***1,633***
	Of which reverse transactions represent	-	50	-	50
12	**Loans and other receivables at amortised cost**				
	Lending contracts with access to variable utilisation	14,444	11,586	11,768	9,812
	Receivables from finance leases	2,767	2,289	9	10
	Mortgage deeds	1,305	1,307	1,305	1,305
	Other loans and receivables	29,077	28,929	16,300	16,318
	Total loans and other receivables at amortised cost	***47,593***	***44,110***	***29,382***	***27,445***
	Broken down by remaining term:				
	On demand	6,817	5,545	1,391	121
	Up to and including 3 months	3,967	3,367	674	705
	More than 3 months and up to and including 1 year	6,285	5,047	10,105	8,270
	More than 1 year and up to and including 5 years	12,133	11,937	5,462	5,428
	Over 5 years	18,391	18,214	11,750	12,922
	Total loans and other receivables at amortised cost	***47,593***	***44,110***	***29,382***	***27,445***

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
12	**Loans and other receivables at amortised cost (continued)**				
	Loans and guarantees broken down by sectors and industries				
	Public authorities	63	70	62	69
	Business				
	Agriculture, hunting, forestry and fishing	3,219	3,460	1	1
	Industry and extraction of raw materials	1,455	1,377	168	168
	Energy supply	1,243	608	124	39
	Building and construction	1,795	1,441	1,028	562
	Trade	4,265	3,910	623	720
	Transport, hotels and restaurants	787	817	108	100
	Information and communication	156	132	46	41
	Financing and insurance	2,471	2,275	9,050	8,393
	Real property	4,729	4,108	1,816	1,225
	Other business	4,326	3,867	2,092	1,965
	Total business	***24,446***	***21,995***	***15,057***	***13,215***
	Private	34,294	35,171	19,788	19,926
	Total loans and guarantees	***58,802***	***57,235***	***34,906***	***33,210***

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
13	**Bonds at fair value**				
	Government bonds	2,571	2,552	2,161	2,117
	Mortgage-credit bonds	28,949	23,469	18,057	14,442
	Other bonds	2,141	2,569	2,141	2,599
	Total bonds at fair value	***33,660***	***28,590***	***22,359***	***19,158***

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
14	**Equity investments in associated companies**				
	Cost brought forward	124	123	17	14
	Additions	43	3	3	3
	Disposals	-1	-2	-	-
	Cost carried forward	***166***	***124***	***20***	***17***
	Revaluations and impairments brought forward	22	19	-0	-
	Results	-144	4	-14	-0
	Other changes in equity	65	-	4	-
	Disposals	0	-0	-	-
	Revaluations and impairments carried forward	***-57***	***22***	***-10***	***-0***
	Carrying amount carried forward	***109***	***146***	***9***	***16***

See note 44 for specified information regarding associated companies.

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
15	**Equity investments in group companies**				
	Cost brought forward	-	-	3,100	3,100
	Additions	-	-	80	-
	Cost carried forward	***-***	***-***	***3,180***	***3,100***
	Revaluations and impairments brought forward	-	-	1,373	949
	Results	-	-	640	424
	Dividend	-	-	-99	-
	Other changes in equity	-	-	-5	0
	Revaluations and impairments carried forward	***-***	***-***	***1,910***	***1,373***
	Carrying amount carried forward	***-***	***-***	***5,090***	***4,472***

See note 44 for specified information regarding consolidated subsidiaries.

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
16	**Assets linked to pooled schemes**				
	Cash	33	-	22	-
	Investment units	16,663	15,188	7,925	7,279
	Total assets linked to pooled schemes	***16,695***	***15,188***	***7,947***	***7,279***

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
17	**Intangible assets**				
	Customer relations	164	201	-	-
	Other intangible assets	25	15	-	-
	Total intangible assets	***189***	***216***	***-***	***-***
	Customer relations				
	Cost brought forward	260	260	-	-
	Cost carried forward	***260***	***260***	***-***	***-***
	Amortisation and impairments brought forward	59	22	-	-
	Amortisation	37	37	-	-
	Amortisation and impairments carried forward	***96***	***59***	***-***	***-***
	Carrying amount carried forward	***164***	***201***	***-***	***-***
	Other intangible assets				
	Cost brought forward	101	91	-	-
	Additions	16	10	-	-
	Cost carried forward	***116***	***101***	***-***	***-***
	Amortisation and impairments brought forward	86	79	-	-
	Amortisation	6	6	-	-
	Amortisation and impairments carried forward	***92***	***86***	***-***	***-***
	Carrying amount carried forward	***25***	***15***	***-***	***-***

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
18	**Land and buildings**				
	Investment properties	179	160	168	146
	Owner-occupied properties	2,159	1,700	1,234	1,141
	Right-of-use assets	215	233	142	152
	Total land and buildings	***2,552***	***2,093***	***1,543***	***1,439***

In addition to owner-occupied properties, the Group and the Bank have also recognised rented owner-occupied properties (right-of-use assets). See notes 42 and 48 for specified information regarding capitalised leases.

	Group 2023	Group 2022	Bank 2023	Bank 2022
Investment properties				
Fair value brought forward	160	243	146	39
Transfer from owner-occupied properties	-	106	-	106
Improvements	0	-	0	-
Disposals	-2	-18	-	-
Transfer to owner-occupied properties	-	-171	-	-
Value adjustments	21	0	21	1
Fair value carried forward	***179***	***160***	***168***	***146***
Rental income	5	6	4	4
Operating expenses for rented-out areas	-1	-0	-1	-0

Investment properties are measured at fair value based on non-observable input (level 3 in the fair value hierarchy). The measurement includes estimated rental income and operating expenses, as well as a required rate of return of around 7.1-10.0% (2022: 3.5-10.0%) determined on the basis of the interest-rate level and the location of the property. All else being equal, an increase in the Group's required rate of return of 0.5 percentage points would reduce the fair value by approximately DKK 1 mill. (2022: DKK 18 mill.). The valuation of selected investment properties was carried out by an independent assessor in 2023.

	Group 2023	Group 2022	Bank 2023	Bank 2022
Owner-occupied properties				
Revalued amount brought forward	1,700	1,464	1,141	1,189
Additions	384	152	-	-
Transfer from investment properties	-	171	-	-
Improvements	3	7	3	7
Disposals	-10	-52	-8	-19
Transfers to investment properties	-	-106	-	-106
Depreciations	-11	-11	-8	-8
Value adjustments recognised in the income statement	-11	-12	6	-6
Value adjustments recognised in other comprehensive income	104	87	100	84
Revalued amount carried forward	***2,159***	***1,700***	***1,234***	***1,141***

Owner-occupied properties are measured at their revalued amount based on non-observable input (level 3 in the fair value hierarchy). The measurement includes estimated rental income and operating expenses, as well as a required rate of return of around 3.8-9.0% (2022: 3.2-9.0%) determined on the basis of the interest-rate level and the location of the property. All else being equal, an increase in the Group's required rate of return of 0.5 percentage points would reduce the fair value by approximately DKK 111 mill. (2022: DKK 146 mill.). The valuation of selected owner-occupied properties was carried out by an independent assessor in 2023.

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
19	**Other tangible assets**				
	Rental cars	45	53	-	-
	Other property, plant and equipment	85	100	74	88
	Total other tangible assets	***130***	***153***	***74***	***88***
	Rental cars				
	Cost brought forward	83	99	-	-
	Additions	17	25	-	-
	Disposals	-24	-41	-	-
	Cost carried forward	***77***	***83***	***-***	***-***
	Depreciation and impairments brought forward	30	34	-	-
	Disposals	-13	-24	-	-
	Depreciations	15	19	-	-
	Impairments	0	0	-	-
	Depreciation and impairments carried forward	***32***	***30***	***-***	***-***
	Carrying amount carried forward	***45***	***53***	***-***	***-***
	Other property, plant and equipment				
	Cost brought forward	266	250	248	231
	Additions	29	29	22	24
	Disposals	-9	-14	-3	-8
	Cost carried forward	***286***	***266***	***267***	***248***
	Depreciation and impairments brought forward	165	128	159	123
	Disposals	-6	-9	-2	-5
	Depreciations	41	46	36	41
	Depreciation and impairments carried forward	***200***	***165***	***193***	***159***
	Carrying amount carried forward	***85***	***100***	***74***	***88***
20	**Deferred tax assets and tax liabilities**				
	Deferred tax brought forward	171	273	-86	-63
	Deferred tax included in the profit or loss for the year	-346	-65	-4	14
	Deferred tax included in other comprehensive income	26	-37	26	-37
	Other adjustments	-2	-	-	-
	Deferred tax carried forward	***-151***	***171***	***-64***	***-86***
	Deferred tax concerns:				
	Loans	68	70	22	22
	Intangible and tangible assets	-72	-128	-94	-119
	Employee obligations	8	11	4	8
	Reserves according to the articles of association	-181	-153	-	-
	Other balance sheet items	6	40	4	4
	Tax losses	20	331	-	-
	Deferred tax carried forward	***-151***	***171***	***-64***	***-86***

Reserves according to the articles of association consist of a restricted savings bank reserve, which was transferred from Den Jyske Sparekasse to Vestjysk Bank in connection with the merger in January 2021.

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
21	**Other assets**				
	Positive fair value of derivative financial instruments and spot transactions	217	391	178	338
	Interest and commissions receivable	323	168	243	146
	Capital contribution in BEC Financial Technologies a.m.b.a.	495	911	307	482
	Additional assets	672	583	291	311
	Total other assets	*1,707*	*2,054*	*1,020*	*1,277*

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
22	**Debts to credit institutions and central banks**				
	Central bank debt	-	0	-	0
	Debt to credit institutions	571	716	592	719
	Total debt to credit institutions and central banks	*571*	*716*	*592*	*719*
	Broken down by remaining term:				
	On demand	389	440	410	443
	Up to and including 3 months	182	276	182	276
	Total debt to credit institutions and central banks	*571*	*716*	*592*	*719*

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
23	**Deposits and other debts**				
	On demand	70,995	68,853	48,084	45,487
	Amounts with notice period	613	858	540	771
	Time deposits	2,300	92	1,580	40
	Special types of deposit	3,089	3,105	1,616	1,573
	Total deposits and other debt	*76,996*	*72,908*	*51,821*	*47,871*
	Broken down by remaining term:				
	On demand	72,926	70,108	48,497	45,820
	Up to and including 3 months	1,912	696	1,893	683
	More than 3 months and up to and including 1 year	220	182	101	85
	More than 1 year and up to and including 5 years	680	674	454	442
	Over 5 years	1,258	1,248	875	840
	Total deposits and other debt	*76,996*	*72,908*	*51,821*	*47,871*

Note					Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
24	**Issued bonds at amortised cost**							
	Currency	**Nom. in mill.**	**Interest rate**	**Maturity**				
	DKK	30	3.00%	27.09.2024[1]	-	30	-	-
	DKK	140	CIBOR-6M + 1.75%	11.03.2025[2]	140	140	-	-
	SEK	700	STIBOR-3M + 3.00%	09.12.2025[3]	470	467	470	467
	DKK	500	CIBOR-3M + 2.25%	09.05.2026[4]	499	499	499	499
	DKK	180	2.04%	18.06.2026[5]	180	179	-	-
	SEK	250	6.00%[6]	09.02.2027[7]	168	-	168	-
	SEK	800	STIBOR-3M + 3.10%	09.02.2027[7]	537	-	537	-
	DKK	1,000	CIBOR-3M + 2.00%	16.09.2027[8]	998	997	998	997
	EUR	20	EURIBOR-3M + 2.25%	26.04.2028[9]	149	-	149	-
	DKK	1,000	CIBOR-3M + 1.60%	22.09.2028[10]	997	-	997	-
	Total issued bonds at amortised cost				***4,136***	***2,311***	***3,816***	***1,962***
	Of which included in the MREL basis				3,816	1,962	3,816	1,962
	Broken down by remaining term:							
	More than 1 year and up to and including 5 years				4,136	2,311	3,816	1,962
	Total issued bonds at amortised cost				***4,136***	***2,311***	***3,816***	***1,962***

[1] Redeemed on 27 September 2023.
[2] Can be redeemed before maturity from 11 March 2024.
[3] Can be redeemed before maturity from 9 December 2024.
[4] Can be redeemed before maturity from 9 May 2025.
[5] Can be redeemed before maturity from 18 June 2025.
[6] The interest rate is fixed until 9 February 2026, then it will be changed to STIBOR-3M + 3.10%.
[7] Can be redeemed before maturity from 9 February 2026.
[8] Can be redeemed before maturity from 16 September 2026.
[9] Can be redeemed before maturity from 26 April 2027.
[10] Can be redeemed before maturity from 22 September 2027.

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
25	**Other liabilities**				
	Negative fair value of derivative financial instruments and spot transactions	107	69	70	22
	Interest and commissions due	84	24	71	15
	Lease commitments	232	248	158	167
	Additional liabilities	2,465	2,551	1,378	1,437
	Total other liabilities	***2,888***	***2,893***	***1,677***	***1,642***

See notes 42 and 48 for further information regarding lease commitments.

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
26	**Provision for losses on guarantees**				
	Provisions brought forward	33	36	9	15
	Provisions made during the year	14	17	5	3
	Reversal of unutilised provisions	-17	-20	-5	-9
	Provisions carried forward	***30***	***33***	***9***	***9***

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
27	**Other provisions**				
	Provisions brought forward	169	228	52	71
	Provisions made during the year	116	109	19	33
	Applied during the year	-1	-2	-1	-2
	Reversal of unutilised provisions	-128	-167	-33	-49
	Provisions carried forward	***156***	***169***	***37***	***52***

Other provisions in the Group primarily concern a liability to cover negative equity in an associated company amounting to DKK 61 mill. (2022: 0 mill.), provisions for losses on unutilised credit lines and commitments of DKK 84 mill. (2022: DKK 158 mill.), see note 9, and provisions for anniversary bonuses of DKK 5 mill. (2022: DKK 5 mill.).

28 Subordinated debt

Currency	Nom. in mill.	Interest rate	Maturity	Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
DKK	250	CIBOR-6M + 5,50%	26.06.2028[1]	-	250	-	-
DKK	125	3,75%[2]	28.08.2029[3]	125	125	-	-
DKK	900	CIBOR-6M + 3.50%	21.05.2031[4]	900	900	900	900
DKK	250	7,02%[5]	26.06.2033[6]	250	-	250	-
Total Tier 2 capital				***1,275***	***1,274***	***1,150***	***900***
Of which included in own funds, see note 32				1,275	1,274	1,150	900
Costs of issuing Tier 2 capital				0	-	0	-

[1] Redeemed on 26 June 2023.
[2] The interest rate is fixed until 28 August 2024, then it will be changed to CIBOR-6M + 4.09%.
[3] Can be redeemed before maturity from 28 August 2024.
[4] Can be redeemed before maturity from 21 May 2026.
[5] The interest rate is fixed until 26 June 2028, then it will be changed to CIBOR-6M + 3.60%.
[6] Can be redeemed before maturity from 26 June 2028.

Note		2023 shares	2022 shares	2023 DKK mill.	2022 DKK mill.
29	**Share capital**				
	Issued at the beginning of the year	2,100,000,000	2,100,000,000	2,100	2,100
	Issued at the end of the year	***2,100,000,000***	***2,100,000,000***	***2,100***	***2,100***

The share capital is composed of 2,100,000,000 shares of nom. value DKK 1 each. The share capital is fully paid up. No shares carry special rights.

There are restrictions on the negotiability of the shares as the transfer of the right to a share may only be effected with the consent of the Board of Directors and at no more than par value.

Major shareholders

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

- Fagbevægelsens Hovedorganisation, Islands Brygge 32D, 2300 Copenhagen S, Denmark, 7.05%
- HK/Danmark, Weidekampsgade 8, 2300 Copenhagen S, Denmark, 10.01%
- Fødevareforbundet NNF, Molestien 7, 2450 Copenhagen SV, Denmark,11.57%
- Dansk Metalarbejderforbund, Molestien 7, 2450 Copenhagen SV, Denmark, 19.82%
- Fagligt Fælles Forbund - 3F, Kampmannsgade 4, 1604 Copenhagen V, Denmark, 32.98%

Note		2023 shares	2022 shares	2023 DKK mill.	2022 DKK mill.
30	**Own shares**				
	Holding at the beginning of the year	6,741,548	5,933,368	7	6
	Purchase	3,216,109	2,872,549	3	3
	Sales	1,928,515	-2,064,369	-2	-2
	Holding at the end of the year	***8,029,142***	***6,741,548***	***8***	***7***

Pursuant to a resolution passed at the general meeting on 13 March 2023, the Bank may acquire own shares up to a maximum of nom. DKK 10 mill., corresponding to 0.5% of the share capital up to and including 13 March 2028.

As at 31 December 2023, the holding of own shares amounted to nom. value of DKK 8 mill. (2022: DKK 7 mill.), corresponding to 0.4% (2022: 0.3%) of the share capital.

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

31 Dividend

A dividend of DKK 525 mill. (2022: DKK 210 mill.) is proposed, corresponding to DKK 0.25 per share (2022: DKK 0.10).

On 14 March 2023, the Bank distributed ordinary dividends to shareholders of DKK 210 mill. (2022: DKK 525 mill.), corresponding to DKK 0.10 per share (2022: DKK 0.25).

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
32	**Own funds**				
	Transformation from equity to own funds				
	Equity	13,972	12,348	12,121	10,671
	Minority interests not included	-599	-492	-	-
	Additional Tier 1 capital, including interest payable	-991	-990	-886	-838
	Proposed dividend	-666	-247	-525	-210
	Intangible assets	-189	-216	-	-
	Deferred tax assets	-	-150	-	-
	Deduction for own shares in customers' safety deposit	-2	-1	-	-0
	Deduction for prudent valuation	-37	-32	-24	-21
	Deduction of non-performing exposures	-400	-263	-78	-35
	Capital instruments in financial entities	-241	-254	-	-
	Common Equity Tier 1 capital	*10,846*	*9,703*	*10,609*	*9,568*
	Additional Tier 1 capital	955	955	859	809
	Minority interests not included	-4	17	-	-
	Tier 1 capital	*11,797*	*10,675*	*11,468*	*10,377*
	Tier 2 capital	1,275	1,274	1,150	900
	Minority interests not included	11	-48	-	-
	Capital instruments in financial entities	-22	-29	-	-
	Own funds	*13,061*	*11,872*	*12,618*	*11,277*

Note 33
Capital management

The Group's own funds consists of Common Equity Tier 1 capital, Additional Tier 1 capital, and Tier 2 capital as disclosed in note 32.

Capital management is based on the EU Capital Requirements Regulation (CRR), which entered into force on 1 January 2014 and has direct legal effect in Denmark.

As part of capital management, the Group has drawn up a capital plan to ensure that the Group has sufficient capital to comply with current legislation and meet its own solvency targets at all times. The legislation concerns:

- Calculation of capital, risk exposures and capital requirements
- Calculation of individual solvency need
- Disclosure requirements

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

On 31 May 2021, Arbejdernes Landsbank became the majority shareholder of Vestjysk Bank with an ownership interest of 72.7% of the share capital and voting rights in Vestjysk Bank. This implies a 27.3% ownership in Vestjysk Bank which belongs to minority shareholders. In addition, there are minority interests in Vestjysk Bank in the form of owners of Additional Tier 1 capital instruments for DKK 96 mill. and Tier 2 capital instruments for DKK 125 mill. The share of minority shareholders and other minority interests in the capital of Vestjysk Bank can only be included in the consolidated own funds with an amount corresponding to the minority interests' share of the total capital requirement in Vestjysk Bank.

When determining the Group's capital targets, the Group recognises capital from minority interests corresponding to the minority interests' share of the capital target set for Vestjysk Bank. As a result of the limited possibilities for including minority interests' capital in the consolidated own funds, Arbejdernes Landsbank will continue to issue all Additional Tier 1 capital and Tier 2 capital in the Group, providing ongoing funding to Vestjysk Bank according to their capital needs.

MREL instruments issued in Vestjysk Bank cannot be recognised in the consolidated MREL, and Arbejdernes Landsbank has therefore similarly issued MREL instruments in the Group and will regularly fund Vestjysk Bank according to its MREL capital needs. Based on legal requirements and the limit values for capital indicators set in the recovery plan, the Group has set a capital target covering the solvency need plus the capital conservation buffer and the SIFI buffer, as well as an excess cover of 4.5 percentage points. The target corresponds to the yellow light indicator in the recovery plan and ensures that the Group can continue to absorb future capital requirements in the form of a fully phased-in countercyclical capital buffer.

The target for the Group's capital ratio has been calculated at 17.9%, and 17.5% after deduction for the minority interests' share in Vestjysk Bank. With a capital ratio of 21.0% at the end of 2023, the Group thus has an excess cover of 3.5 percentage points. The Group's capital requirements consist of the solvency need and the combined buffer requirement applicable at any given time. It is noted that the Systemic Risk Council has recommended the activation of a systemic buffer, specifically related to property exposures. If the buffer is capitalised, it is added to the Group's capital target.

The long-term capital planning of the Group is based on economic projections taking account of the Group's vision, but under different macro-economic and idiosyncratic stress scenarios and recognising the anticipated effects of future legislation. For further information, please refer to the Group's Pillar 3 reporting as at 31 December 2023: www.al-bank.dk/pillar3-end-of-2023. The reporting is not subject to audit.

Note					Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
34	**Additional Tier 1 capital**							
	Currency	**Nom. in mill.**	**Interest rate**	**Maturity**				
	DKK	50	7.50%	Perpetual[1]	-	52	-	-
	DKK	46	5.25%	Perpetual[2]	48	48	-	-
	DKK	50	4,75%[3]	Perpetual[4]	52	52	-	-
	DKK	380	CIBOR-6M + 4,35%	Perpetual[5]	392	388	392	388
	DKK	429	3,97%[7]	Perpetual[7]	441	450	441	450
	DKK	50	9,57%[8]	Perpetual[9]	53	-	53	-
	Total Additional Tier 1 capital				***985***	***990***	***886***	***838***
	Of which included in Tier 1 capital/own funds, see note 32				955	955	859	809
	Costs of issuing Additional Tier 1 capital				0	0	0	0

[1] Redeemed on 26 June 2023.
[2] Can be redeemed before maturity from 25 January 2026.
[3] The interest rate is fixed until 12 March 2026, then it will be changed to CIBOR-6M + 4.77%.
[4] Can be redeemed before maturity from 12 March 2026.
[5] Can be redeemed before maturity from 6 August 2027.
[6] The interest rate is fixed until 24 April 2029, then it will be changed to CIBOR-6M + 3.50%.
[7] Can be redeemed before maturity from 24 April 2029.
[8] The interest rate is fixed until 26 June 2028, then it will be changed to CIBOR-6M + 6.15%.
[9] Can be redeemed before maturity from 26 June 2028.

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

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
35	**Contingent liabilities and other binding commitments**				
	Contingent liabilities				
	Financial guarantees	2,219	3,192	1,439	1,593
	Guarantees for losses on mortgage-credit loans	4,911	5,998	2,267	2,786
	Land registration and conversion guarantees	1,857	1,462	1,049	602
	Collateral for group companies	-	-	51	51
	Other contingent liabilities	2,222	2,473	718	733
	Total contingent liabilities	***11,210***	***13,125***	***5,524***	***5,765***
	Other binding commitments				
	Irrevocable credit commitments less than 1 year	881	902	-	-
	Irrevocable credit commitments more than 1 year	10	118	-	-
	Other credit commitments less than 1 year	24,404	23,277	9,619	7,981
	Unutilised commitments regarding payment of pension contributions	3	1	3	1
	Additional binding commitments	770	1,123	222	259
	Total other binding commitments	***26,069***	***25,421***	***9,844***	***8,240***

Due to its size and scope of business activities, the Group is a party in various legal proceedings and disputes. The cases are regularly assessed and the necessary provisions are made on the basis of an assessment of the risk of losses. Pending legal proceedings are not expected to significantly influence the Group's financial position.

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

The Bank has made an agreement with certain employees giving them the right to retire from the labour market after they turn 60/62 years old. The scheme is a closed one, and the liability is fully hedged by securities which are used to honour liabilities that have fallen due for payment.

Participation in the statutory Guarantee Fund for Depositors and Investors (indskydergarantiordningen) entails that the Group and the Bank may be liable to pay contributions if the Guarantee Fund amounts to less than 0.8% of covered deposits in the Danish banking sector. Currently, the Guarantee Fund amounts to 1.0% (2022: 1.1%).

Participation in the statutory resolution financing scheme means that the sector pays an annual risk-adjusted contribution pursuant to Articles 4-9 of the European Commission Delegated Regulation 63/2015 with a view to establishing a resolution fund of at least 1% of the covered deposits before 31 December 2024. The Group's and the Bank's 2023 contributions totalled DKK 12 mill. (2022: DKK 10 mill.) and DKK 7 mill. (2022: DKK 6 mill.), corresponding to 1.0% (2022: 0.9%) and 0.6% (2022: 0.6%) of the sector's total contribution of DKK 1,206 mill. (2022: DKK 1,124 mill.).

The Bank is taxed jointly with other Danish subsidiaries in the Group. As a management company, the Bank is jointly and severally liable with the other group companies for Danish corporation tax and withholding tax on interest, dividends, and royalties within the joint taxation group. Corporation tax liabilities at group level amounted to DKK 32 mill. as at 31 December 2023 (2022: DKK -83 mill.). Any subsequent corrections of jointly taxable income and withholding taxes etc. may result in the Bank being liable for a larger amount.

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

AL Finans has issued a declaration of support to Mobility Service Denmark to provide liquidity in the form of capital contributions or loans if payment of the associated company's creditors requires this. The declaration of support is valid until 31 December 2024.

In connection with the upcoming demerger of Ejendomsselskabet Sluseholmen, the Bank has issued a declaration of support for the benefit of all creditors of Ejendomsselskabet Sluseholmen and Sluseholmen 7 at the demerger date.

The Group and the Bank are members of BEC (Bankernes EDB Central), and withdrawal as a going concern would entail a liability to pay compensation amounting to DKK 1,523 mill. (2022: DKK 3,372 mill.) and DKK 946 mill. (2022: DKK 1,777 mill.). The Danish FSA has generally entered into agreements with the data centres on special conditions for banks in distress, or banks likely to experience distress, such that claims from the data centres will rank after claims from other simple creditors.

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
36	**Collateral received which can be sold or repledged**				
	In connection with reverse transactions, collateral is received which may be sold or repledged under the contract terms.				
	Bonds at fair value	-	50	-	50
	Of which sold or repledged	-	42	-	42
37	**Collateral provided**				
	Cash in hand and demand deposits with central banks				
	Pledged in connection with clearing	13	169	-	169
	Total cash in hand and demand deposits with central banks	***13***	***169***	***-***	***169***
	Receivables from credit institutions				
	Margin receivables in connection with transactions in derivatives	46	28	34	11
	Total receivables from credit institutions	***46***	***28***	***34***	***11***
	Loans and other receivables at amortised cost				
	Margin receivables in connection with settlement of securities	12	10	12	10
	Total loans and other receivables at amortised cost	***12***	***10***	***12***	***10***
	Total collateral provided	***71***	***208***	***46***	***190***

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
38	**Hedge accounting**				
	The hedged items				
	Lending at amortised cost (fixed interest payments)				
	Amortised cost	33	40	-	-
	Carrying amount	34	39	-	-
	Accumulated fair value adjustment	1	-1	-	-
	Hedging instruments				
	Interest-rate swaps (variable interest payments)				
	Nominal value (notional principal amount)	33	40	-	-
	Fair value	-1	1	-	-
	Accumulated fair value adjustment	-1	1	-	-
	Broken down by remaining term:				
	More than 3 months and up to and including 1 year	2	-	-	-
	More than 1 year and up to and including 5 years	2	3	-	-
	Over 5 years	29	37	-	-
	Total nominal value	***33***	***40***	**-**	**-**
	Capital gain/loss for the year on hedged items	2	-10	-	-
	Capital gain/loss for the year on hedging instruments	-2	10	-	-
	Hedge ineffectiveness recognised in the income statement	**-**	**-**	**-**	**-**

The subsidiary Vestjysk Bank uses the regulations for hedge accounting of fair values to hedge the interest-rate risk on selected fixed-interest lending. Vestjysk Bank regularly evaluates and measures the efficiency of the hedged items that meet the criteria for hedge accounting.

Vestjysk Bank uses the hedge accounting to fully hedge the interest-rate risk on selected customers. The number of customers with a fixed interest rate is very small, and thus also the Bank's risk associated with this.

The assessment of the need for the hedging made is included in the Bank's overall management of market and credit risks.

Note

39 Derivative financial instruments and spot transactions

	Group			
	Nominal value DKK mill.	Net fair value DKK mill.	Positive fair value DKK mill.	Negative fair value DKK mill.
Contracts broken down by type as at 31 December 2023				
Currency contracts				
Spot transactions, purchase	211	*0*	0	0
Spot transactions, sale	244	*-0*	0	0
Forward transactions/futures/options, purchase	1,094	*-0*	6	6
Forward transactions/futures/options, sale	4,494	*3*	12	8
Currency swaps	1,313	*7*	16	9
Interest-rate contracts				
Spot transactions, purchase	300	*-0*	0	0
Spot transactions, sale	287	*0*	1	0
Forward transactions/futures, purchase	658	*10*	10	0
Forward transactions/futures, sale	1,697	*-30*	1	31
Interest-rate swaps	6,424	*119*	170	52
Cap/floor	7	-	0	0
Share contracts				
Spot transactions, purchase	158	*-0*	0	0
Spot transactions, sale	163	*0*	0	0
Total derivative financial instruments and spot transactions		*109*	*217*	*107*

Note

39 **Derivative financial instruments and spot transactions (continued)**

	Group			
	Nominal value DKK mill.	**Net fair value** DKK mill.	**Positive fair value** DKK mill.	**Negative fair value** DKK mill.
Contracts broken down by type as at 31 December 2022				
Currency contracts				
Spot transactions, purchase	77	*-0*	0	0
Spot transactions, sale	53	*0*	0	0
Forward transactions/futures/options, purchase	816	*-6*	5	11
Forward transactions/futures/options, sale	4,825	*17*	21	4
Currency swaps	476	*-9*	-	9
Interest-rate contracts				
Spot transactions, purchase	151	*0*	0	-0
Spot transactions, sale	111	*0*	0	0
Forward transactions/futures, purchase	996	*2*	5	3
Forward transactions/futures, sale	2,107	*46*	49	3
Interest-rate swaps	7,493	*272*	309	38
Share contracts				
Spot transactions, purchase	135	*-0*	0	1
Spot transactions, sale	143	*0*	1	0
Total derivative financial instruments and spot transactions		*323*	*391*	*69*

Note

39 **Derivative financial instruments and spot transactions (continued)**

	Group				
	Up to and including 3 months DKK mill.	More than 3 months up to and including 1 year DKK mill.	More than 1 year and up to and including 5 years DKK mill.	Over 5 years DKK mill.	Net fair value total DKK mill.
Contracts broken down by term to maturity as at 31 December 2023					
Currency contracts					
Spot transactions, purchase	0	-	-	-	*0*
Spot transactions, sale	-0	-	-	-	*-0*
Forward transactions/futures/options, purchase	-0	-1	0	-	*-0*
Forward transactions/futures/options, sale	2	2	-0	-	*3*
Currency swaps	-	-8	15	-	*7*
Interest-rate contracts					
Spot transactions, purchase	-0	-	-	-	*-0*
Spot transactions, sale	0	-	-	-	*1*
Forward transactions/futures, purchase	10	0	-	-	*10*
Forward transactions/futures, sale	-28	-2	-	-	*-30*
Interest-rate swaps	8	17	82	12	*119*
Cap/floor	-	-	-	0	*0*
Share contracts					
Spot transactions, purchase	-0	-	-	-	*-0*
Spot transactions, sale	0	-	-	-	*0*
Total derivative financial instruments and spot transactions	*-9*	*9*	*98*	*12*	*109*

Note

39 Derivative financial instruments and spot transactions (continued)

	Group				
	Up to and including 3 months DKK mill.	More than 3 months up to and including 1 year DKK mill.	More than 1 year and up to and including 5 years DKK mill.	Over 5 years DKK mill.	Net fair value total DKK mill.
Contracts broken down by term to maturity as at 31 December 2022					
Currency contracts					
Spot transactions, purchase	-0	-	-	-	*-0*
Spot transactions, sale	0	-	-	-	*0*
Forward transactions/futures/options, purchase	-3	-3	-0	-	*-6*
Forward transactions/futures/options, sale	14	3	0	-	*17*
Currency swaps	-	-	-9	-	*-9*
Interest-rate contracts					
Spot transactions, purchase	0	-	-	-	*0*
Spot transactions, sale	0	-	-	-	*0*
Forward transactions/futures, purchase	2	0	-	-	*2*
Forward transactions/futures, sale	46	1	-	-	*46*
Interest-rate swaps	-	17	194	60	*272*
Share contracts					
Spot transactions, purchase	-0	-	-	-	*-0*
Spot transactions, sale	0	-	-	-	*0*
Total derivative financial instruments and spot transactions	*58*	*19*	*185*	*60*	*323*

Note

39 **Derivative financial instruments and spot transactions (continued)**

	Bank			
	Nominal value DKK mill.	**Net fair value** DKK mill.	**Positive fair value** DKK mill.	**Negative fair value** DKK mill.
Contracts broken down by type as at 31 December 2023				
Currency contracts				
Spot transactions, purchase	165	***0***	0	0
Spot transactions, sale	196	***-0***	0	0
Forward transactions/futures, purchase	651	***-2***	1	3
Forward transactions/futures, sale	4,093	***3***	7	4
Currency swaps	1,313	***7***	16	9
Interest-rate contracts				
Spot transactions, purchase	259	***0***	0	0
Spot transactions, sale	231	***0***	0	0
Forward transactions/futures, purchase	608	***9***	9	0
Forward transactions/futures, sale	1,596	***-28***	1	29
Interest-rate swaps	5,874	***119***	143	24
Share contracts				
Spot transactions, purchase	138	***-0***	0	0
Spot transactions, sale	144	***0***	0	0
Total derivative financial instruments and spot transactions		***108***	*178*	*70*

Note

39 Derivative financial instruments and spot transactions (continued)

	Bank			
	Nominal value DKK mill.	Net fair value DKK mill.	Positive fair value DKK mill.	Negative fair value DKK mill.
Contracts broken down by type as at 31 December 2022				
Currency contracts				
Spot transactions, purchase	65	*-0*	0	0
Spot transactions, sale	38	*0*	0	0
Forward transactions/futures, purchase	212	*-1*	0	2
Forward transactions/futures, sale	4,294	*10*	10	0
Currency swaps	476	*-9*	-	9
Interest-rate contracts				
Spot transactions, purchase	106	*0*	0	0
Spot transactions, sale	76	*0*	0	0
Forward transactions/futures, purchase	663	*3*	5	2
Forward transactions/futures, sale	1,681	*44*	47	3
Interest-rate swaps	6,849	*271*	275	5
Share contracts				
Spot transactions, purchase	101	*-0*	0	0
Spot transactions, sale	109	*0*	0	0
Total derivative financial instruments and spot transactions		*317*	*338*	*22*

Note

39 Derivative financial instruments and spot transactions (continued)

	Bank				
	Up to and including 3 months DKK mill.	More than 3 months up to and including 1 year DKK mill.	More than 1 year and up to and including 5 years DKK mill.	Over 5 years DKK mill.	Net fair value total DKK mill.
Contracts broken down by term to maturity as at 31 December 2023					
Currency contracts					
Spot transactions, purchase	0	-	-	-	*0*
Spot transactions, sale	-0	-	-	-	*-0*
Forward transactions/futures, purchase	-2	-1	0	-	*-2*
Forward transactions/futures, sale	2	1	-0	-	*3*
Currency swaps	-	-8	15	-	*7*
Interest-rate contracts					
Spot transactions, purchase	0	-	-	-	*0*
Spot transactions, sale	0	-	-	-	*0*
Forward transactions/futures, purchase	9	0	-	-	*9*
Forward transactions/futures, sale	-27	-2	-	-	*-28*
Interest-rate swaps	8	17	82	12	*119*
Share contracts					
Spot transactions, purchase	-0	-	-	-	*-0*
Spot transactions, sale	0	-	-	-	*0*
Total derivative financial instruments and spot transactions	*-9*	*8*	*97*	*12*	*108*

Note

39 Derivative financial instruments and spot transactions (continued)

	Bank				
	Up to and including 3 months DKK mill.	More than 3 months up to and including 1 year DKK mill.	More than 1 year and up to and including 5 years DKK mill.	Over 5 years DKK mill.	Net fair value total DKK mill.
Contracts broken down by term to maturity as at 31 December 2022					
Currency contracts					
Spot transactions, purchase	-0	-	-	-	***-0***
Spot transactions, sale	0	-	-	-	***0***
Forward transactions/futures, purchase	-1	-1	-0	-	***-1***
Forward transactions/futures, sale	9	1	0	-	***10***
Currency swaps	-	-	-9	-	***-9***
Interest-rate contracts					
Spot transactions, purchase	0	-	-	-	***0***
Spot transactions, sale	0	-	-	-	***0***
Forward transactions/futures, purchase	3	0	-	-	***3***
Forward transactions/futures, sale	43	0	-	-	***44***
Interest-rate swaps	-	17	194	59	***271***
Share contracts					
Spot transactions, purchase	-0	-	-	-	***-0***
Spot transactions, sale	0	-	-	-	***0***
Total derivative financial instruments and spot transactions	***55***	***18***	***185***	***59***	***317***

Note

40 Offsetting possibilities

	Group					
	Carrying amount before offsetting DKK mill.	Offsetting of financial instruments DKK mill.	Carrying amount after offsetting DKK mill.	Offsetting possibility, see master netting agreement DKK mill.	Collateral DKK mill.	Net value DKK mill.
Offsetting possibilities as at 31 December 2023						
Financial assets						
Derivative financial instruments and spot transactions with positive fair values	217	-	***217***	33	137	***47***
Total financial assets	***217***	***-***	***217***	***33***	***137***	***47***
Financial liabilities						
Derivative financial instruments and spot transactions with positive fair values	107	-	***107***	33	53	***22***
Total financial liabilities	***107***	***-***	***107***	***33***	***53***	***22***

Offsetting possibilities as at 31 December 2022						
Financial assets						
Derivative financial instruments and spot transactions with positive fair values	391	-	***391***	17	306	***69***
Total financial assets	***391***	***-***	***391***	***17***	***306***	***69***
Financial liabilities						
Derivative financial instruments and spot transactions with positive fair values	69	-	***69***	17	8	***44***
Total financial liabilities	***69***	***-***	***69***	***17***	***8***	***44***

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

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

Note

41 Fair value disclosures and classification of financial instruments

Financial instruments are recognised in the balance sheet at amortised cost or fair value in accordance with the Group's accounting policies and the table below.

	Group					
	Amortised cost		Fair value through the income statement			
	Assets DKK mill.	Liabilities DKK mill.	Trading portfolio DKK mill.	Other instruments at mandatory fair value DKK mill.	Fair value option DKK mill.	Total DKK mill.
Return and classification of financial instruments in 2023						
Return						
Interest income	3,191	-	830	0	-	*4,022*
Interest expenses	-	-743	-	-	-	*-743*
Net interest income	*3,191*	*-743*	*830*	*0*	*-*	*3,279*
Dividends from shares etc.	-	-	5	48	-	*53*
Value adjustments	2	-	575	1,566	1,488	*656*
Total return	*3,193*	*-743*	*1,411*	*1,614*	*1,488*	*3,987*
Financial assets						
Cash in hand and demand deposits with central banks	11,597	-	-	-	-	*11,597*
Receivables from credit institutions and central banks	325	-	-	-	-	*325*
Loans and other receivables at amortised cost	47,593	-	-	-	-	*47,593*
Bonds at fair value	-	-	33,660	-	-	*33,660*
Shares etc.	-	-	343	1,979	-	*2,323*
Assets linked to pooled schemes	-	-	-	16,695	-	*16,695*
Derivative financial instruments and spot transactions	-	-	217	-	-	*217*
Interest and commissions receivable	24	-	299	-	-	*323*
Total financial assets	*59,538*	*-*	*34,519*	*18,675*	*-*	*112,732*
Financial liabilities						
Debts to credit institutions and central banks	-	571	-	-	-	*571*
Deposits and other debts	-	76,996	-	-	-	*76,996*
Deposits in pooled schemes	-	-	-	-	16,695	*16,695*
Issued bonds at amortised cost	-	4,136	-	-	-	*4,136*
Other non-derivative financial liabilities at fair value	-	-	-	-	-	*-*
Derivative financial instruments and spot transactions	-	-	107	1	-	*107*
Interest and commissions due	-	84	0	-	-	*84*
Subordinated debt	-	1,275	-	-	-	*1,275*
Total financial liabilities	*-*	*83,062*	*107*	*1*	*16,695*	*99,864*

Note

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

	Group					
	Amortised cost		Fair value through the income statement			
	Assets DKK mill.	Liabilities DKK mill.	Trading portfolio DKK mill.	Other instruments at mandatory fair value DKK mill.	Fair value option DKK mill.	Total DKK mill.
Return and classification of financial instruments in 2022						
Return						
Interest income	2,042	192	183	-1	-	***2,416***
Interest expenses	-31	-156	-11	-	-	***-198***
Net interest income	***2,011***	***36***	***172***	***-1***	***-***	***2,218***
Dividends on shares etc.	-	-	7	67	-	***74***
Value adjustments	10	-	-293	-1,979	2,061	***-201***
Total return	***2,021***	***36***	***-115***	***-1,913***	***2,061***	***2,091***
Financial assets						
Cash in hand and demand deposits with central banks	12,369	-	-	-	-	***12,369***
Receivables from credit institutions and central banks	528	-	-	-	-	***528***
Loans and other receivables at amortised cost	44,110	-	-	-	-	***44,110***
Bonds at fair value	-	-	28,590	-	-	***28,590***
Shares etc.	-	-	285	1,870	-	***2,155***
Assets linked to pooled schemes	-	-	-	15,188	-	***15,188***
Derivative financial instruments and spot transactions	-	-	390	1	-	***391***
Interest and commissions receivable	22	-	146	-	-	***168***
Total financial assets	***57,029***	***-***	***29,411***	***17,059***	***-***	***103,499***
Financial liabilities						
Debts to credit institutions and central banks	-	716	-	-	-	***716***
Deposits and other debts	-	72,908	-	-	-	***72,908***
Deposits in pooled schemes	-	-	-	-	15,188	***15,188***
Issued bonds at amortised cost	-	2,311	-	-	-	***2,311***
Other non-derivative financial liabilities at fair value	-	-	42		-	***42***
Derivative financial instruments and spot transactions	-	-	69	-	-	***69***
Interest and commissions due	-	24	1	-	-	***24***
Subordinated debt	-	1,274	-	-	-	***1,274***
Total financial liabilities	***-***	***77,233***	***111***	***-***	***15,188***	***92,531***

Note

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

Methods and assumptions for calculating fair values
Fair value is defined as the price which can be obtained by selling an asset, or which must be paid in order to transfer a liability in a regular transaction between independent market participants at the time of measure.

Fair values are market-based, and not company-specific, valuations. The Group uses the assumptions that market participants would use to set the price of the asset or liability based on existing market conditions, including assumptions pertaining to risks. Thus, the Group's purpose of owning the asset or disposing of the liability is not taken into consideration when calculating the fair value.

Financial assets and liabilities recognised in the balance sheet at fair value are categorised according to the fair value hierarchy as described below.

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

Observable input (level 2)
For financial assets and liabilities where the closing price is not available or is not considered to reflect the fair value, the fair value is determined based on observable market information, including interest rates, exchange rates, volatilities, credit spreads, and indicative prices from leading market participants.

Non-observable input (level 3)
In cases where observable prices based on market information are not available or not deemed to be useful in establishing fair value, own assumptions are used. For example, the assumptions may be for recent transactions in corresponding assets, expected future cash flows or the net asset value of the companies.

Investments under unobservable inputs are mainly valued based on three different methods:
1) Redistribution prices for sector shares (2023: DKK 1,703 mill., 2022: DKK 1,598 mill.).
2) Reported fair value (2023: DKK 55 mill., 2022: DKK 38 mill.).
3) Recent transactions adjusted for subsequent development in the company (2023: DKK 222 mill., 2022: DKK 234 mill.).

Sector shares are valued on the basis of redistribution price provisions in ownership agreements and input from realised trades. In some cases, the fair value is based on the accounting equity (book value) in the underlying undertaking, as this forms the basis for the transaction price if owners sell among themselves.

Reported fair value typically includes private equity funds where the most significant assets and liabilities are measured at fair value and where the company acts as an investment company. For these investments, the reported Net Asset Value (NAV) is used as the basis for valuation.

Recent transactions adjusted for subsequent developments in the company include a portfolio of start-up companies in the pharmaceutical, technology and climate sectors. As the companies are start-ups, valuation is subject to significant judgement. The determination of fair value is based on recent capital raisings. If no recent capital raisings have been made, or if there is otherwise information that the development of the companies is not going as expected, a thorough analysis is made of whether a haircut should be made in relation to the most recent capital raising.

The valuation methods for unlisted equity investments do not utilise unobservable inputs such as discount rates or revenue multiples, and therefore it is not possible to indicate the sensitivity to changes in the most significant unobservable input parameters. The total value of the shares is changed by DKK 198 mill. (2022: DKK 187 mill.) in the event of a 10% change in exchange rates.

Bonds under non-observable input include a holding of unlisted credit bonds. The value of the bonds changes by DKK 21 mill. (2022: DKK 21 mill.) in the event of a 10% change in exchange rates.

With regard to derivative financial instruments, the Group performs a Credit Value Adjustment (CVA) of the fair value. CVA reflects the credit risk of the counterparty in derivatives transactions and is performed on the basis of Loss Given Default (LGD), Expected Positive Exposure (EPE), and the Probability of Default (PD) of the counterparty. The Group uses both a parametric and a semi-analytic model approach to quantifying future expected positive exposure. The probability of default is derived from observable credit information in the market, if possible. In the event that this is not possible, adjustment is based on proxy Credit Default Swap (CDS) curves. The total CVA adjustments amount to DKK 0 mill. as of 31 December 2023 (2022: DKK 0 mill.).

Transfers between levels in the fair value hierarchy
If an update of prices does not occur over a five-day period, the standard procedure of the Group is that this will result in a transfer between the categories 'Listed prices' and 'Observable input'. In 2023, the Bank transferred DKK 2,634 mill. (2022: DKK 5,018 mill.) of bonds at fair value from level 1 to level 2 as a result of infrequent price updates. Conversely, DKK 2,447 mill. (2022: DKK 496 mill.) was transferred from level 2 to level 1.

There has been no migration to and from level 3 in 2023.

Apart from the above, there have been no significant transfers between the three fair value levels in 2023 and 2022.

Note

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

	Group			
	Listed prices (level 1) DKK mill.	Observable input (level 2) DKK mill.	Non-observable input (level 3) DKK mill.	Total DKK mill.
Fair value hierarchy as at 31 December 2023				
Financial assets				
Bonds at fair value	18,582	14,867	211	***33,660***
Shares etc.	343	-	1,979	***2,323***
Assets linked to pooled schemes	16,695	-	-	***16,695***
Derivative financial instruments and spot transactions	-	217	-	***217***
Interest and commissions receivable	177	121	0	***299***
Total financial assets	***35,798***	***15,204***	***2,191***	***53,194***
Financial liabilities				
Deposits in pooled schemes	-	16,695	-	***16,695***
Other non-derivative financial liabilities at fair value	-	-	-	-
Derivative financial instruments and spot transactions	10	97	-	***107***
Interest and commissions due	0	-	-	***0***
Total financial liabilities	***10***	***16,792***	-	***16,803***

	Listed prices (level 1) DKK mill.	Observable input (level 2) DKK mill.	Non-observable input (level 3) DKK mill.	Total DKK mill.
Fair value hierarchy as at 31 December 2022				
Financial assets				
Bonds at fair value	13,741	14,644	206	***28,590***
Shares etc.	285	-	1,870	***2,155***
Assets linked to pooled schemes	15,188	-	-	***15,188***
Derivative financial instruments and spot transactions	36	355	-	***391***
Interest and commissions receivable	65	81	0	***146***
Total financial assets	***29,315***	***15,079***	***2,076***	***46,470***
Financial liabilities				
Deposits in pooled schemes	-	15,188	-	***15,188***
Other non-derivative financial liabilities at fair value	42	-	-	***42***
Derivative financial instruments and spot transactions	1	68	-	***69***
Interest and commissions due	1	-	-	***1***
Total financial liabilities	***43***	***15,256***	-	***15,299***

Note		Group 2023 DKK mill.	Group 2022 DKK mill.
41	**Fair value disclosures and classification of financial instruments (continued)**		
	Non-observable input (level 3)		
	Fair value brought forward	2,076	1,586
	Dividends recognised in the income statement	48	67
	Value adjustments recognised in the income statement[1]	85	128
	Net change in interest and commissions receivable	0	0
	Purchase	74	207
	Sales/distributions	-91	-101
	Transfers from level 2	-	188
	Fair value carried forward	***2,191***	***2,076***

[1] Of which DKK 85 mill. (2022: DKK 124 mill.) is attributable to assets held at the end of the reporting period.

Note

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

	Group			
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
	2023	**2023**	**2022**	**2022**
	DKK mill.	DKK mill.	DKK mill.	DKK mill.
Financial instruments recognised at amortised cost				
Financial assets				
Cash in hand and demand deposits with central banks	11,597	11,597	12,369	12,369
Receivables from credit institutions and central banks	325	325	528	528
Loans and other receivables at amortised cost	47,593	47,614	44,110	44,077
Interest and commissions receivable	24	24	22	22
Total financial assets	***59,538***	***59,560***	***57,029***	***56,995***
Financial liabilities				
Debts to credit institutions and central banks	571	571	716	716
Deposits and other debts	76,996	76,987	72,908	72,905
Issued bonds at amortised cost	4,136	4,186	2,311	2,319
Interest and commissions due	84	84	24	24
Subordinated debt	1,275	1,301	1,274	1,281
Total financial liabilities	***83,062***	***83,129***	***77,233***	***77,245***

Methods for calculating fair values of financial instruments recognised at amortised cost are based on non-observable input (level 3 in the fair value hierarchy).

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

Deposits, debt to credit institutions, issued bonds and subordinated debt have been recognised at amortised cost. The difference to fair values is assumed to be the interest-rate-level value adjustment, which is calculated by comparing current market interest rates with market interest rates when the transactions were established.

Note		Group 2023 DKK mill.	Group 2022 DKK mill.
42	**Leasing**		
	The Group as lessee		
	The Group has leases for businesses premises which are being used for the Bank's operations.		
	Right-of-use assets recognised under owner-occupied properties		
	Additions	2	9
	Carrying amount carried forward	215	233
	Lease commitments recognised under other liabilities		
	Carrying amount carried forward	232	248
	See note 47 for an analysis of maturities on undiscounted lease commitments as at 31 December 2023.		
	Amount recognised in the income statement		
	Income from subleasing of right-of-use assets	7	-
	Interest costs on lease commitments	-4	-3
	Costs related to short-term leases	-	-0
	Depreciations on right-of-use assets	-37	-38
	Gains from sale and lease back transactions	3	-
	Amount recognised in the cash flow statement		
	Total outgoing cash flows related to leases	41	44

Note		Group 2023 DKK mill.	Group 2022 DKK mill.
42	**Leasing (continued)**		

The Group as a lessor

Finance leases are accounted for as purchases financed by loans, and consequently the lease receivables are recognised in the balance sheet as loans at amortised cost, while the related interest income is recognised in the income statement.

The Group offers financing solutions to both business and private customers for cars and industrial machinery. In addition, the Group subleases business premises on the same terms as the main lease, and consequently, the subleases with the Group as the intermediary lessor are classified as finance leases.

	2023 DKK mill.	2022 DKK mill.
Receivables from finance leases		
Broken down by remaining term:		
Under 1 year	1,400	1,341
Between 1 and 2 years	373	355
Between 2 and 3 years	257	231
Between 3 and 4 years	188	162
Between 4 and 5 years	240	283
Over 5 years	462	23
Total undiscounted lease payments	*2,921*	*2,394*
Of which unearned financing income	144	97
Total net investments	*2,777*	*2,297*
Accumulated impairments on finance leases	10	9
Amount recognised in the income statement		
Interest income from lease receivables	146	80

Operating leases are accounted for as rental contracts, and consequently the leased assets are recognised in the balance sheet as property, plant and equipment, while rental income is recognised in the income statement under other operating income.

The Group leases out dwellings, business premises and cars.

	2023 DKK mill.	2022 DKK mill.
Receivables from operating leases		
Broken down by remaining term:		
Under 1 year	32	32
Between 1 and 2 years	14	19
Between 2 and 3 years	8	12
Between 3 and 4 years	2	3
Between 4 and 5 years	1	1
Total undiscounted lease payments	*56*	*66*

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

	2023 DKK mill.	2022 DKK mill.
Amount recognised in the income statement		
Rental income	51	54

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
43	**Related parties**				
	Shareholders with significant influence				
	Interest income	1	2	1	2
	Interest expenses	-26	-14	-26	-14
	Fee and commission income	2	2	2	2
	Loans	18	21	18	21
	Deposits	204	301	204	301
	Subordinated debt	511	385	511	385
	Collateral and guarantees received	76	78	74	77
	Issued guarantees	1	-	1	-
	Unutilised credit lines and commitments	69	72	67	70
	Dividends paid	-69	-173	-69	-173
	Additional Tier 1 capital	381	356	381	356
	Interest paid on Additional Tier 1 capital	-18	-15	-18	-15
	Board of Directors and Executive Management				
	Interest income	0	0	0	0
	Interest expenses	-0	-0	-0	-0
	Fee and commission income	0	0	0	0
	Loans	6	2	6	2
	Deposits	23	18	23	18
	Collateral and guarantees received	5	5	5	5
	Issued guarantees	1	1	1	1
	Unutilised credit lines and commitments	4	7	4	7
	Dividends paid	-0	-0	-0	-0

Note		Group 2023 DKK mill.	Group 2022 DKK mill.	Bank 2023 DKK mill.	Bank 2022 DKK mill.
43	**Related parties (continued)**				
	Group companies				
	Interest income	-	-	404	111
	Interest expenses	-	-	-1	-0
	Dividends received	-	-	99	-
	Fee and commission income	-	-	4	4
	Fees and commissions paid	-	-	-1	-2
	Other operating income	-	-	10	4
	Staff and administrative expenses	-	-	-1	-0
	Receivables from credit institutions	-	-	2,250	1,270
	Loans	-	-	8,477	7,742
	Bonds at fair value	-	-	-	30
	Cash capital contributions and group contributions	-	-	80	-
	Deposits	-	-	26	0
	Positive fair value of derivative financial instruments and spot transactions	-	-	1	2
	Interest receivable	-	-	22	12
	Debt to credit institutions	-	-	38	32
	Negative fair value of derivative financial instruments and spot transactions	-	-	2	1
	Other liabilities	-	-	2	2
	Issued guarantees	-	-	51	51
	Unutilised credit lines and commitments	-	-	1,006	706
	Associated companies				
	Interest income	18	-	-	-
	Fee and commission income	1	-	-	-
	Other operating income	0	-	-	-
	Loans	463	-	-	-
	Cash capital contributions	3	-	-	-
	Unutilised credit lines and commitments	496	-	-	-

Note

43 **Related parties (continued)**

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

Transactions and balances with related parties primarily include ordinary loans and deposits as well as credit facilities.

All exposures involving related parties have been entered into on market terms corresponding to the Group's other customers and cooperation partners. However, employee representatives on the Board of Directors may obtain the same staff terms as other employees. There are no credit-impaired (stage 3) exposures involving related parties.

Loans to members of the Board of Directors and their related parties carry interest in the interval 3.6-20.6% per annum (2022: 1.0-18.0% per annum), and loans to members of the Executive Management and their related parties carry interest in the interval 3.6-20.6% per annum (2022: 0.3-18.0% per annum).

Deposits from members of the Board of Directors and their related parties carry interest in the interval 0.0-2.8% per annum (2022: 0.0-1.8% per annum), and deposits from members of the Executive Management and their related parties carry interest in the interval 0.0-2.6% per annum (2022: 0.0-1.8% per annum).

Emoluments and shareholdings of individual members of the Board of Directors and the Executive Management are stated in the report on management remuneration for 2023 and the Management's report.

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

Note		2023 DKK mill.	2022 DKK mill.
44	**Group overview**		
	Parent company		
	Aktieselskabet Arbejdernes Landsbank, Copenhagen		
	Group companies		
	AL Finans A/S, Copenhagen		
	Voting share and ownership interest (%)	100	100
	Profit or loss for the year	-42	61
	Equity	363	404
	AL Finans A/S offers car financing, leasing, factoring and invoice purchases.		
	Ejendomsselskabet Sluseholmen A/S, Copenhagen		
	Voting share and ownership interest (%)	100	100
	Profit or loss for the year	-22	-8
	Equity	37	4
	On 1 December 2022, Ejendomsselskabet Sluseholmen A/S entered into a turnkey contract with MT Højgaard Danmark A/S on construction of the Group's new headquarters in Copenhagen's South Harbour, which is expected to be ready for occupancy in spring of 2025.		
	Sluseholmen 7 A/S, Copenhagen		
	Voting share and ownership interest (%)	100	-
	The first financial year covers the period from 8 November 2023 to 31 December 2024.		
	The newly founded subsidiary has no activity, but after the upcoming demerger of Ejendomsselskabet Sluseholmen A/S, the company is expected to own the neighbouring property to the Group's new headquarters.		
	Vestjysk Bank A/S, Herning		
	Voting share and ownership interest (%)	73	73
	Profit or loss for the year	1,035	543
	Equity	6,959	5,918
	Vestjysk Bank A/S carries out banking activities aimed at both private and business customers, primarily in east, central and western Jutland.		

Note		2023 DKK mill.	2022 DKK mill.
44	**Group overview (continued)**		
	Associated companies		
	Mobility Service Danmark A/S, Tårnby		
	Voting share and ownership interest (%)	50	-
	Profit or loss for the year, see the most recent published annual financial statements (2022)	6	-
	Equity, see the most recent published annual financial statements (2022)	21	-
	TestaViva DK ApS, Copenhagen		
	Voting share and ownership interest (%)	37	37
	Profit or loss for the year, see the most recent published annual financial statements (2022 and 2021)	-3	-7
	Equity, see the most recent published annual financial statements (2022 and 2021)	3	5
	HN Invest Tyskland 1 A/S dissolved after voluntary liquidation, Aalborg		
	Voting share and ownership interest (%)	-	33
	Profit or loss for the year, see the most recent published liquidation financial statements (2022 and 2021)	-0	0
	Equity, see the most recent published liquidation financial statements (2022 and 2021)	3	3
	Thise Udviklingsselskab ApS, Skive		
	Voting share and ownership interest (%)	31	31
	Profit or loss for the year, see the most recent published annual financial statements (2022 and 2021)	-0	-0
	Equity, see the most recent published annual financial statements (2022 and 2021)	0	0
	&Money ApS, Copenhagen		
	Voting share and ownership interest (%)	25	25
	Profit or loss for the year, see the most recent published annual financial statements (2022 and 2021)	-5	-2
	Equity, see the most recent published annual financial statements (2022 and 2021)	21	14
	EgnsINVEST Tyske Ejendomme A/S, Horsens		
	Voting share and ownership interest (%)	20	20
	Profit or loss for the year, see the most recent published annual financial statements (2022 and 2021)	22	98
	Equity, see the most recent published annual financial statements (2022 and 2021)	643	622

Note		2023 DKK mill.	2022 DKK mill.	2021 DKK mill.	2020 DKK mill.	2019 DKK mill.
45	**Financial highlights for the Group**					
	Income statement					
	Net interest income	3,279	2,218	1,643	1,070	1,075
	Net fee and commission income	1,409	1,565	1,197	699	688
	Value adjustments and dividends	709	-127	293	285	342
	Other operating income	73	98	412	70	69
	Profit from equity investments in associated companies	-140	4	95	103	24
	Total income	*5,329*	*3,757*	*3,640*	*2,228*	*2,198*
	Costs and amortisation/depreciation	-2,998	-2,907	-2,424	-1,767	-1,663
	Impairments on loans and receivables etc.	181	52	162	-79	54
	Total costs	*-2,817*	*-2,855*	*-2,262*	*-1,846*	*-1,609*
	Profit before tax	*2,511*	*903*	*1,378*	*382*	*588*
	Tax	-673	-114	-49	-52	-44
	Profit for the year	*1,838*	*789*	*1,329*	*330*	*545*
	Selected balance sheet items					
	Loans and other receivables at amortised cost	47,593	44,110	41,958	23,818	22,906
	Bonds at fair value	33,660	28,590	28,116	21,903	20,860
	Total assets	116,999	107,987	107,461	62,913	59,024
	Deposits incl. pooled schemes	93,691	88,095	89,237	52,045	47,990
	Equity	13,972	12,348	11,853	7,125	6,855
	Other financial data					
	Net interest and fee income	4,740	3,856	2,887	1,827	1,806
	Value adjustments	656	-201	245	228	298
	Staff and administrative expenses	-2,770	-2,682	-2,214	-1,605	-1,513
	Own funds	13,061	11,872	11,270	7,413	7,013
	Tier 1 capital	11,797	10,675	9,925	6,521	6,121
	Common Equity Tier 1 capital	10,846	9,703	9,246	6,118	5,723
	Exposures with credit risk	47,728	46,762	47,973	26,992	25,686
	Exposures with market risk	6,235	6,639	7,747	5,373	6,023
	Exposures with operational risk	8,157	6,697	6,370	3,605	3,720
	Total risk exposure	*62,121*	*60,098*	*62,091*	*35,970*	*35,429*

Note			2023	2022	2021	2020	2019
45	**Ratios and key figures for the Group**						
	Solvency						
	Capital ratio	%	21.0	19.8	18.2	20.6	19.8
	Tier 1 capital ratio	%	19.0	17.8	16.0	18.1	17.3
	Common Equity Tier 1 capital ratio	%	17.5	16.1	14.9	17.0	16.2
	Earnings						
	Return on equity before tax	%	18.7	7.0	14.8	5.5	8.6
	Return on equity after tax	%	13.7	6.1	13.9	4.7	7.9
	Ratio of operating income to operating expenses per DKK	DKK	1,89	1.32	1.61	1.21	1.37
	Return on capital employed	%	1.6	0.7	1.6	0.5	1.0
	Market risk						
	Interest-rate risk	%	1.7	2.1	1.7	1.8	1.2
	Currency position	%	0.8	1.0	2.9	1.0	1.5
	Currency risk	%	0.0	0.0	0.0	0.0	0.0
	Liquidity						
	Loans plus impairments in relation to deposits	%	52.4	51.6	48.2	47.4	49.4
	Liquidity coverage ratio (LCR)	%	309,6	264.5	249.4	274.1	269.9
	Credits						
	Sum of large exposures	%	112,0	102.5	80.8	78.5	82.3
	Impairment ratio for the year	%	0.2	0.6	0.5	0.2	-0.2
	Lending growth for the year	%	7.9	5.1	76.2	4.6	3.7
	Loans in relation to equity		3.4	3.6	3.5	3.3	3.3
	Equity						
	Proposed dividend per share	DKK	0.25	0.10	0.25	0.00	150.00
	Employees						
	Average number of employees during the financial year converted to full-time equivalents		1,864	1,827	1,804	1,156	1,122

See note 46 for definitions of ratios and key figures. Reversed reserves on lending, which was credit-impaired at initial recognition, have not been included in the calculation of the impairment ratio for the year.

Note		2023 DKK mill.	2022 DKK mill.	2021 DKK mill.	2020 DKK mill.	2019 DKK mill.
45	**Financial highlights for the Bank**					
	Income statement					
	Net interest income	1,797	1,124	990	959	973
	Net fee and commission income	769	836	794	658	647
	Value adjustments and dividends	396	3	217	286	342
	Other operating income	44	40	365	34	34
	Profit from equity investments in associated companies and group companies	631	423	379	125	44
	Total income	***3,636***	***2,426***	***2,745***	***2,061***	***2,039***
	Costs and amortisation/depreciation	-1,827	-1,795	-1,636	-1,622	-1,526
	Impairments on loans and receivables etc.	82	48	245	-66	66
	Total costs	***-1,745***	***-1,747***	***-1,391***	***-1,689***	***-1,460***
	Profit before tax	***1,891***	***679***	***1,354***	***372***	***579***
	Tax	-313	-46	-143	-42	-35
	Profit for the year	***1,578***	***633***	***1,211***	***330***	***545***
	Selected balance sheet items					
	Loans and other receivables at amortised cost	29,382	27,445	25,073	23,475	22,575
	Bonds at fair value	22,359	19,158	18,800	21,903	20,860
	Total assets	79,296	71,250	68,000	62,704	58,846
	Deposits incl. pooled schemes	59,768	55,150	53,931	51,960	47,940
	Equity	12,121	10,671	10,155	7,125	6,855
	Other financial data					
	Net interest and fee income	2,594	2,011	1,826	1,673	1,664
	Value adjustments	368	-48	174	229	298
	Staff and administrative expenses	-1,723	-1,667	-1,512	-1,501	-1,414
	Own funds	12,618	11,277	10,491	7,432	7,037
	Tier 1 capital	11,468	10,377	9,591	6,540	6,144
	Common Equity Tier 1 capital	10,609	9,568	9,162	6,136	5,746
	Exposures with credit risk	37,754	34,636	32,451	27,908	26,504
	Exposures with market risk	4,122	4,835	6,025	5,371	6,024
	Exposures with operational risk	4,403	3,735	3,600	3,267	3,396
	Total risk exposure	***46,279***	***43,206***	***42,076***	***36,546***	***35,924***

Note			2023	2022	2021	2020	2019
45	**Ratios and key figures for the Bank**						
	Solvency						
	Capital ratio	%	27.3	26.1	24.9	20.3	19.6
	Tier 1 capital ratio	%	24.8	24.0	22.8	17.9	17.1
	Common Equity Tier 1 capital ratio	%	22.9	22.1	21.8	16.8	16.0
	Earnings						
	Return on equity before tax	%	16.6	6.5	15.7	5.3	8.4
	Return on equity after tax	%	13.8	6.1	14.0	4.7	7.9
	Ratio of operating income to operating expenses per DKK	DKK	2,08	1.39	1.97	1.22	1.40
	Return on capital employed	%	2.1	0.9	1.9	0.5	1.0
	Market risk						
	Interest-rate risk	%	1.0	1.5	1.1	1.8	1.2
	Currency position	%	0.7	0.9	3.0	1.0	1.5
	Currency risk	%	0.0	0.0	0.0	0.0	0.0
	Liquidity						
	Loans plus impairments in relation to deposits	%	49,9	50.7	47.5	46.7	48.7
	Liquidity coverage ratio (LCR)	%	285,6	243.0	238.4	277.4	269.9
	Credits						
	Sum of large exposures	%	73.0	58.3	41.2	57.0	65.4
	Impairment ratio for the year	%	-0.2	-0.1	-0.7	0.2	-0.2
	Lending growth for the year	%	7.1	9.5	6.8	4.7	3.5
	Loans in relation to equity		2.4	2.6	2.5	3.3	3.3
	Equity						
	Proposed dividend per share	DKK	0.25	0.10	0.25	0.00	150.00
	Employees						
	Average number of employees during the financial year converted to full-time equivalents		1,162	1,105	1,060	1,071	1,040

See note 46 for definitions of ratios and key figures.

Note

46 Definitions of ratios and key figures

The ratios and key figures used in the annual report are calculated as follows:

Solvens

Capital ratio = $\frac{\text{Own funds x 100}}{\text{Total risk exposure}}$

Tier 1 capital ratio = $\frac{\text{Tier 1 capital x 100}}{\text{Total risk exposure}}$

CET 1 ratio = $\frac{\text{Common Equity Tier 1 capital x 100}}{\text{Total risk exposure}}$

Income

Return on equity before tax = $\frac{\text{Profit before tax excl. non-controlling interests x 100}}{\text{Equity excl. non-controlling interests (avg.)}}$

Return on equity after tax = $\frac{\text{Profit after tax excl. non-controlling interests x 100}}{\text{Equity excl. non-controlling interests (avg.)}}$

Ratio of operating income to operating expenses per DKK = $\frac{\text{Income}}{\text{Costs (excl. tax)}}$

Return on capital employed = $\frac{\text{Profit after tax x 100}}{\text{Total assets (avg.)}}$

Market risk

Interest-rate risk = $\frac{\text{Interest-rate risk x 100}}{\text{Tier 1 capital}}$

Currency position = $\frac{\text{Currency indicator 1 x 100}}{\text{Tier 1 capital}}$

Currency risk = $\frac{\text{Currency indicator 2 x 100}}{\text{Tier 1 capital}}$

Liquidity

Loans plus impairments in relation to deposits = $\frac{\text{Gross loans}}{\text{Deposits}}$

Liquidity coverage ratio (LCR) = $\frac{\text{Liquid assets and easily realisable assets x 100}}{\text{Amounts due within 30 days}}$

Credit

Sum of large exposures[1] = $\frac{\text{Sum of the 20 largest exposures after deductions, excl. credit institutions and jointly-owned data centres x 100}}{\text{Common Equity Tier 1 capital}}$

Impairment ratio for the year = $\frac{\text{Impairments on loans and guarantees for the year x 100}}{\text{Gross loans and guarantees}}$

Lending growth for the year = $\frac{\text{(Loans, excl. reverse transactions carried forward - Loans, excl. reverse transactions brought forward) x 100}}{\text{Loans excl. reverse transactions brought forward}}$

Loans in relation to equity = $\frac{\text{Loans}}{\text{Equity}}$

Equity

Proposed dividend per share = $\frac{\text{Proposed dividend}}{\text{Share capital}}$

Note

46 Definitions of ratios and key figures (continued)

Other financial ratios and key figures

Lending growth[1] =	(Loans, excl. reverse transactions carried forward - Loans, excl. reverse transactions carried forward 1 year before) x 100 / Loans, excl. reverse transactions carried forward 1 year before
Commercial property exposure[1] =	(Gross loans and guarantees within the sectors "Completion of building projects" and "Real property") x 100 / Gross loans and guarantees
Liquidity benchmark[1] =	Modified formula in relation to liquidity coverage ratio (LCR), see the Danish FSA's guidance on the supervisory diamond for banks. The liquidity benchmark indicates the ability to cope with three months' of liquidity stress.
Cost rate =	Costs and amortisation/depreciation excl. impairment charges x 100 / Net interest income + net fee and commission income + dividends + other operating income

[1] The key figure is used in the Danish FSA benchmarks, as described in the Management's report.

Note 47
Risk management

The Group is exposed to various types of risk.

The most important types of risk for the Group are:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

This note to the annual report contains quantitative information about credit risk, market risk, liquidity risk and operational risks.

Credit risk

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

Credit policy

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

A central element in the Group's business model is to advise on, and grant loans, credits and other financial products to private individuals, associations and businesses, including financing solutions for car loans, leasing and factoring through the Bank's subsidiary AL Finans.

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

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

The Group emphasises being part of the sustainable development and green transition of society and works to reduce society's CO_2 emissions. Climate change can cause physical risks where financed properties become less valuable due to high energy consumption, climate impact, rising sea levels and more frequent flooding. Furthermore, it applies to transition risks associated with financed companies, which are faced with increasing demands for sustainability, green transition and decency assessed on the basis of social and governance conditions in the companies. For relevant customers, ESG-related aspects are involved in the credit assessment and understanding of the customer's business model and ability to adapt to new legislation and environmental change, as well as ensure optimal management and social conditions in the workplace.

The Group has a policy for depreciations on loans, to the effect that loans considered uncollectable are written off.

Credit organisation

Arbejdernes Landsbank is organised in 7 private regions with a total of 61 branches, 6 business centres, 6 local business centres and 3 housing association centres. Furthermore, Vestjysk Bank has 25 branches and some specialist departments, including an agricultural centre, all of which are located in central, western and eastern Jutland.

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

The Group has a structural separation between customer functions and the control and monitoring function. The credit departments are responsible for day-to-day credit management and various of the Bank's controls, while the Group risk function performs independent control and monitoring of the Bank's credit management and credit quality. The Group risk function also has overall responsibility for the Group's branch control. Branch control in Vestjysk Bank is performed by the credit secretariat in Vestjysk Bank.

Rating

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

The rating models are based on a combination of payment behaviour as well as objective information about the customer, including financial statements for business customers and financial information about private customers. The rating scale ranges from 1-11, with rating 1 being the best and rating 11 being the worst.

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

Regardless of the customer's rating, the individual credit decision will always be based on a total assessment of the customer.

The Bank's rating of customers is a central tool in ongoing monitoring and credit management and monitoring of the portfolio and in the Bank's model for impairment. Ranking of exposure in stages is based on Arbejdernes Landsbank's own PD values, which are based on the Bank's rating, supplemented by various other criteria for credit weakness.

Rating distribution and rating development are monitored on an ongoing basis at portfolio as well as individual customer level.

AL Finans does not use internally developed rating models. In AL Finans, customers are generally dealt with on the basis of individual assessments. Vestjysk Bank uses a behavioural rating model developed by BEC Financial Technologies. For business customers, an internal segmentation model is used for day-to-day credit management.

For the purpose of the consolidated financial statements, the ratings of Arbejdernes Landsbank and Vestjysk Bank are mapped to the Danish FSA credit quality categories.

Credit risk management and monitoring

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

The Board of Directors has set up a Risk Committee to assess whether the internal control, risk management and security systems of the Group are effective. Furthermore, the Executive Management has set up an internal Risk Council to process both financial and non-financial risks potentially influencing the Group.

Responsibility for the daily risk management of credit risk in the Group lies with the 1st line of defence, which is composed of the credit departments in the Bank, Vestjysk Bank and AL Finans, as well as the Group's customer-facing units.

All large lending exposures are regularly reassessed, and, at least once a year, on the basis of the customer's financial statements etc. If developments in objective indicators are assessed to warrant individual depreciations, depreciation charges and the assessment of any supplementary solvency need for weak exposures exceeding 2% of the own funds are made according to regulations laid down for this purpose.

There is also an annual portfolio and asset review of the Group's exposures on the basis of a materiality approach. Current and future risks on the selected portfolios and exposures are assessed, and checks are conducted on compliance with the credit policy and the authority to grant loans, satisfactory credit management and fair risk classification and depreciation. The conclusions are reported to the Board of Directors.

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

The Group validates the calculation of expected losses. The purpose of the validation is to ensure that the allowance account is sufficient to cover the risk of losses on the Group's loan and guarantee portfolio, and to make any impairment allowances representing management estimates for areas in which the model does not adequately reflect the default risk.

The validation includes both a quantitative and a qualitative validation.

For a description of the impairment model, including the transition between stages and how forward-looking information and accounting estimates and assessments are included in the Group's expected credit losses, see notes 1 and 48.

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

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

Risk hedging and risk reduction

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

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

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

The group's total received collateral is stated on page 125.

	Group		Bank	
	2023 DKK mill.	2022 DKK mill.	2023 DKK mill.	2022 DKK mill.
Maximum credit exposure				
Receivables from credit institutions and central banks	325	528	2,454	1,633
Loans and other receivables at amortised cost	47,593	44,110	29,382	27,445
Guarantees	11,210	13,125	5,524	5,765
Irrevocable credit commitments	892	1,021	-	-
Other unutilised credit lines and commitments	24,404	23,277	9,619	7,981
Total credit exposure on items at amortised cost, guarantees and credit commitments	*84,423*	*82,061*	*46,979*	*42,823*
Bonds at fair value	33,660	28,590	22,359	19,158
Positive fair value of derivative financial instruments and spot transactions	217	391	178	338
Total credit exposure on items at fair value	*33,877*	*28,981*	*22,537*	*19,496*
Maximum credit exposure	*118,300*	*111,042*	*69,517*	*62,319*

	Group											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and collateral used			
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.
Accounting credit exposure, broken down by financial instruments as at 31 December 2023												
Receivables from credit institutions and central banks	325	0	8	-	325	0	-	-	325	0	-	-
Loans and other receivables at amortised cost	41,668	4,548	1,738	1,116	41,370	4,404	1,080	738	11,263	1,096	136	-
Guarantees	9,709	1,041	333	156	9,703	1,038	320	148	9,211	941	308	138
Unutilised credit lines and commitments	23,005	1,924	242	209	22,992	1,912	213	179	14,852	1,155	88	33
Total exposures	*74,708*	*7,513*	*2,321*	*1,481*	*74,390*	*7,354*	*1,613*	*1,066*	*35,651*	*3,192*	*532*	*171*
Accounting credit exposure, broken down by financial instruments as at 31 December 2022												
Receivables from credit institutions and central banks	499	31	8	-	497	31	-	-	497	31	-	-
Loans and other receivables at amortised cost	36,887	5,654	1,630	1,286	36,698	5,373	1,089	950	9,887	1,437	167	106
Guarantees	11,673	1,080	154	250	11,661	1,078	146	241	11,091	968	133	217
Unutilised credit lines and commitments	21,449	2,463	202	342	21,426	2,447	173	252	14,177	1,577	71	177
Total exposures	*70,508*	*9,228*	*1,995*	*1,878*	*70,281*	*8,928*	*1,408*	*1,444*	*35,652*	*4,012*	*371*	*501*

	Group											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and collateral used			
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Credit-impaired on initial recognition** DKK mill.	**Stage 1** DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Credit-impaired on initial recognition** DKK mill.	**Stage 1** DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Credit-impaired on initial recognition** DKK mill.
Accounting credit exposure, broken down by sectors and industries as at 31 December 2023												
Credit Institutions and central banks	473	0	8	-	472	0	-	-	472	0	-	-
Public authorities	125	0	-	-	125	0	-	-	103	0	-	-
Business												
Agriculture, hunting, forestry and fishing	4,042	105	266	794	4,024	92	107	552	1,346	41	7	70
Industry and raw material extraction	1,675	257	367	59	1,665	255	302	43	724	84	243	2
Energy supply	1,809	79	13	18	1,791	79	1	12	1,334	6	0	0
Building and construction	2,877	632	76	40	2,861	605	57	32	1,608	202	11	1
Trade	5,714	926	165	118	5,692	908	132	100	1,125	243	14	12
Transport, hotels and restaurants	979	110	92	102	972	108	81	85	458	47	16	14
Information and communication	176	58	21	0	175	57	16	-0	90	14	7	1
Financing and insurance	3,733	301	74	35	3,714	286	13	12	2,967	220	4	4
Real property	7,450	728	111	76	7,414	714	94	51	5,129	200	50	7
Other business	5,932	691	183	37	5,904	676	119	27	2,768	265	15	3
Total business	***34,386***	***3,887***	***1,368***	***1,279***	***34,211***	***3,780***	***921***	***913***	***17,549***	***1,321***	***366***	***113***
Private	39,723	3,626	945	202	39,583	3,574	692	152	17,527	1,871	166	58
Total exposures	***74,708***	***7,513***	***2,321***	***1,481***	***74,390***	***7,354***	***1,613***	***1,066***	***35,651***	***3,192***	***532***	***171***

	Group											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and collateral used			
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Credit-impaired on initial recognition** DKK mill.	**Stage 1** DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Credit-impaired on initial recognition** DKK mill.	**Stage 1** DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Credit-impaired on initial recognition** DKK mill.
Accounting credit exposure, broken down by sectors and industries as at 31 December 2022												
Credit Institutions and central banks	839	31	8	-	836	31	-	-	832	31	-	-
Public authorities	124	1	0	-	123	1	0	-	102	1	0	-
Business												
Agriculture, hunting, forestry and fishing	3,504	702	211	964	3,492	689	133	707	1,012	266	17	266
Industry and raw material extraction	1,951	201	94	80	1,945	191	65	62	983	70	3	14
Energy supply	1,273	119	0	35	1,271	109	-	29	897	47	-	6
Building and construction	2,493	520	69	49	2,485	489	49	44	1,381	187	18	5
Trade	4,997	1,423	215	128	4,983	1,394	177	104	1,741	458	32	14
Transport, hotels and restaurants	810	194	80	132	807	187	69	117	354	88	10	16
Information and communication	184	35	24	0	183	33	13	0	93	20	5	0
Financing and insurance	3,013	166	95	34	2,993	152	29	11	2,221	127	18	4
Real property	6,881	849	107	166	6,861	806	85	147	4,937	350	51	84
Other business	4,875	1,111	147	41	4,847	1,089	89	29	3,364	369	18	5
Total business	***29,982***	***5,321***	***1,041***	***1,630***	***29,868***	***5,138***	***708***	***1,251***	***16,983***	***1,982***	***172***	***415***
Private	39,563	3,874	946	248	39,455	3,757	700	193	17,734	1,999	199	86
Total exposures	***70,508***	***9,228***	***1,995***	***1,878***	***70,281***	***8,928***	***1,408***	***1,444***	***35,652***	***4,012***	***371***	***501***

	Group											
	Credit exposure before impairments etc.				Credit exposure after impairments etc.				Credit exposure after impairments etc. and collateral used			
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Credit-impaired on initial recognition DKK mill.
Accounting credit exposure, broken down by rating category as at 31 December 2023												
Rating 1-5	60,274	1,154	-	21	60,006	1,140	-	21	29,563	729	-	12
Rating 6-8	13,687	5,430	-	222	13,641	5,317	-	221	5,796	2,101	-	49
Rating 9	706	842	-	264	702	817	-	262	278	326	-	64
Rating 10-11	41	88	2,321	974	40	81	1,613	560	14	36	532	47
Total exposures	***74,708***	***7,513***	***2,321***	***1,481***	***74,390***	***7,354***	***1,613***	***1,066***	***35,651***	***3,192***	***532***	***171***
Accounting credit exposure, broken down by rating category as at 31 December 2022												
Rating 1-5	55,901	1,032	-	13	55,733	1,022	-	13	28,859	637	-	9
Rating 6-8	13,736	6,928	-	121	13,682	6,686	-	120	6,415	2,884	-	26
Rating 9	838	1,131	-	278	833	1,099	-	277	361	446	-	131
Rating 10-11	34	137	1,995	1,466	33	122	1,408	1,032	16	46	371	336
Total exposures	***70,508***	***9,228***	***1,995***	***1,878***	***70,281***	***8,928***	***1,408***	***1,444***	***35,652***	***4,012***	***371***	***501***

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

	Bank								
	Credit exposure before impairments etc.			Credit exposure after impairments etc.			Credit exposure after impairments etc. and collateral used		
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Stage 1** DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Stage 1** DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.
Accounting credit exposure, broken down by financial instruments as at 31 December 2023									
Receivables from credit institutions and central banks	2,455	0	8	2,454	0	-	2,454	0	-
Loans and other receivables at amortised cost	26,926	1,969	921	26,839	1,905	637	13,965	470	129
Guarantees	4,711	743	79	4,709	741	74	4,385	667	67
Unutilised credit lines and commitments	8,668	925	52	8,661	915	42	7,211	705	25
Total exposures	*42,760*	*3,638*	*1,060*	*42,664*	*3,562*	*753*	*28,015*	*1,842*	*220*

Accounting credit exposure, broken down by financial instruments as at 31 December 2022									
Receivables from credit institutions and central banks	1,604	31	8	1,602	31	-	1,602	31	-
Loans and other receivables at amortised cost	25,007	1,969	976	24,884	1,913	648	12,675	608	144
Guarantees	5,029	659	86	5,026	657	82	4,622	579	76
Unutilised credit lines and commitments	7,042	921	59	7,028	910	43	5,744	732	30
Total exposures	*38,681*	*3,580*	*1,129*	*38,539*	*3,511*	*773*	*24,642*	*1,950*	*249*

	Bank								
	Credit exposure before impairments etc.			Credit exposure after impairments etc.			Credit exposure after impairments etc. and collateral used		
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Stage 1** DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Stage 1** DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.
Accounting credit exposure, broken down by sectors and industries as at 31 December 2023									
Credit institutions and central banks	2,603	0	8	2,601	0	-	2,601	0	-
Public authorities	125	0	-	124	0	-	103	0	-
Business									
Agriculture, hunting, forestry and fishing	2	1	1	2	1	1	1	1	0
Industry and raw material extraction	152	99	26	152	99	19	137	55	13
Energy supply	185	4	-	184	4	-	183	4	-
Building and construction	2,124	187	31	2,121	165	16	1,956	122	8
Trade	517	312	58	516	306	44	249	49	9
Transport, hotels and restaurants	111	30	25	111	29	22	67	14	12
Information and communication	25	31	14	25	31	12	20	6	7
Financing and insurance	10,389	96	32	10,385	95	7	10,205	71	0
Real property	3,737	64	45	3,731	62	37	3,218	42	27
Other business	2,708	271	54	2,697	265	28	1,411	170	4
Total business	***19,952***	***1,096***	***285***	***19,923***	***1,056***	***186***	***17,448***	***534***	***82***
Private	20,082	2,542	767	20,016	2,505	567	7,863	1,307	138
Total exposures	***42,760***	***3,638***	***1,060***	***42,664***	***3,562***	***753***	***28,015***	***1,842***	***220***

	Bank								
	Credit exposure before impairments etc.			Credit exposure after impairments etc.			Credit exposure after impairments etc. and collateral used		
	Stage 1 DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Stage 1** DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.	**Stage 1** DKK mill.	**Stage 2** DKK mill.	**Stage 3** DKK mill.
Accounting credit exposure, broken down by sectors and industries as at 31 December 2022									
Credit institutions and central banks	1,940	31	8	1,937	31	-	1,937	31	-
Public authorities	123	1	0	122	1	0	102	1	0
Business									
Agriculture, hunting, forestry and fishing	2	1	1	2	1	1	1	1	0
Industry and raw material extraction	226	44	16	225	42	6	174	34	2
Energy supply	40	6	0	40	6	-	36	6	-
Building and construction	1,256	121	19	1,253	102	9	1,104	93	1
Trade	505	362	70	501	351	50	366	295	28
Transport, hotels and restaurants	79	53	26	79	51	16	48	34	8
Information and communication	43	15	17	42	14	10	23	10	5
Financing and insurance	8,984	80	53	8,974	79	14	8,807	59	4
Real property	2,317	110	83	2,307	108	70	1,979	74	44
Other business	2,863	348	61	2,842	343	24	2,370	209	11
Total business	***16,317***	***1,138***	***346***	***16,264***	***1,097***	***200***	***14,907***	***813***	***102***
Private	20,302	2,409	775	20,216	2,382	573	7,696	1,106	147
Total exposures	***38,681***	***3,580***	***1,129***	***38,539***	***3,511***	***773***	***24,642***	***1,950***	***249***

	Bank								
	Credit exposure before impairments etc.			Credit exposure after impairments etc.			Credit exposure after impairments etc. and collateral used		
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.
Accounting credit exposure, broken down by rating category as at 31 December 2023									
Rating 1	108	-	-	108	-	-	68	-	-
Rating 2	13,996	20	-	13,990	20	-	12,423	18	-
Rating 3	11,187	59	-	11,167	59	-	8,225	54	-
Rating 4	7,153	97	-	7,128	96	-	3,389	57	-
Rating 5	5,903	428	-	5,882	427	-	2,547	294	-
Rating 6	2,442	1,061	-	2,432	1,049	-	731	667	-
Rating 7	1,275	1,398	-	1,269	1,361	-	366	470	-
Rating 8	541	307	-	536	298	-	213	152	-
Rating 9	113	194	-	112	184	-	39	95	-
Rating 10	41	67	-	40	61	-	14	31	-
Rating 11	1	8	1,060	1	7	753	0	3	220
Total exposures	*42,760*	*3,638*	*1,060*	*42,664*	*3,562*	*753*	*28,015*	*1,842*	*220*

Accounting credit exposure, broken down by rating category as at 31 December 2022									
Rating 1	1,785	0	-	1,782	0	-	1,546	0	-
Rating 2	3,650	13	-	3,635	13	-	2,357	13	-
Rating 3	16,268	30	-	16,233	30	-	13,421	28	-
Rating 4	7,001	118	-	6,967	116	-	3,516	54	-
Rating 5	5,904	280	-	5,875	278	-	2,413	224	-
Rating 6	2,085	969	-	2,074	957	-	620	782	-
Rating 7	1,464	1,494	-	1,453	1,477	-	595	495	-
Rating 8	349	353	-	346	346	-	113	193	-
Rating 9	142	205	-	141	191	-	44	118	-
Rating 10	31	99	-	30	88	-	16	38	-
Rating 11	2	20	1,129	2	16	773	1	6	249
Total exposures	*38,681*	*3,580*	*1,129*	*38,539*	*3,511*	*773*	*24,642*	*1,950*	*249*

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

	Group		Bank	
	2023 DKK mill.	2022 DKK mill.	2023 DKK mill.	2022 DKK mill.
Total collateral				
Collateral received	60,963	58,385	23,060	21,949
Collateral used	44,877	41,524	16,902	15,981
Surplus collateral	***16,086***	***16,861***	***6,159***	***5,967***

	Group		Bank	
	2023 DKK mill.	2022 DKK mill.	2023 DKK mill.	2022 DKK mill.
Collateral concentration used				
Stage 1				
Properties	23,636	22,648	13,047	13,171
Securities, bonds, cash deposits, etc.	1,256	1,254	702	668
Chattels, cars, operating equipment, ships etc.	8,682	7,589	38	39
Warranties and guarantees	2	9	2	9
Other collateral	5,164	3,130	860	10
Total stage 1	***38,739***	***34,629***	***14,649***	***13,896***
Stage 2				
Properties	2,428	2,478	1,390	1,431
Securities, bonds, cash deposits, etc.	183	212	64	65
Chattels, cars, operating equipment, ships etc.	968	1,329	3	3
Warranties and guarantees	21	61	21	61
Other collateral	562	836	242	1
Total stage 2	***4,162***	***4,915***	***1,720***	***1,561***
Stage 3				
Properties	657	647	501	511
Securities, bonds, cash deposits, etc.	6	4	4	3
Chattels, cars, operating equipment, ships etc.	269	238	2	2
Warranties and guarantees	6	8	6	8
Other collateral	145	140	20	0
Total stage 3	***1,081***	***1,037***	***532***	***524***
Credit-impaired at initial recognition				
Properties	676	683	-	-
Securities, bonds, cash deposits, etc.	4	5	-	-
Chattels, cars, operating equipment, ships etc.	166	193	-	-
Other collateral	49	62	-	-
Credit-impaired at initial recognition	***894***	***943***	***-***	***-***
Total	***44,877***	***41,524***	***16,902***	***15,981***

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

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

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

	Group		Bank	
	2023 DKK mill.	2022 DKK mill.	2023 DKK mill.	2022 DKK mill.
Exposures fully covered by collateral				
Loans and other receivables at amortised cost	21,802	19,870	8,608	8,026
Guarantees	315	356	195	232
Unutilised credit lines and commitments	6,264	6,141	1,252	1,213
Total exposures	*28,381*	*26,367*	*10,055*	*9,472*
Concentration risk on large exposures amounting to 10% or more of Tier 1 capital, see Article 392 of the CRR				
Credit institutions				
Credit exposure after deductions	-	-	-	-
Other business				
Credit exposure after deductions	2,587	1,553	3,522	2,604
Number of large exposures				
Credit institutions before deductions	6	6	6	5
Other business before deductions	2	1	4	3
Large exposures in % of Tier 1 capital				
10-15% of Tier 1 capital	21.9	14.6	30.7	25.1
Sum of large exposures, excl. credit institutions in % of Tier 1 capital	21.9	14.6	30.7	25.1

Credit relaxation (forbearance) and non-performing exposure

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

Non-Performing is defined as the group of non-performing exposures (based on the Basel criteria) and/or exposures which are credit-impaired, I.e. exposures to customers subject to write-offs, 90 days in arrears or impairments in stage 3.

	Group 2023	Group 2022	Bank 2023	Bank 2022
Exposures with relaxed credit terms				
Private				
Non-Performing	138	150	86	92
Performing	10	10	8	8
Total	*149*	*161*	*94*	*100*
Business				
Non-Performing	265	312	50	69
Performing	-	-	-	-
Total	*265*	*312*	*50*	*69*
Total loans with relaxed credit terms				
Non-Performing	404	462	136	162
Performing	10	10	8	8
Total	*414*	*473*	*144*	*169*

Market risk

Market risk is the risk of losses due to changes in fair value of assets and liabilities as a result of changes in market conditions.

The Group regularly accepts various forms of market risk, primarily as interest-rate risk, credit-spread risk, share-price risk or currency risk. Market risks arise primarily as a result of placing surplus cash in financial instruments, but also as a result of servicing customers' needs, and derivative financial instruments to manage and adjust market risks. Lastly, the Group has market risk on its banking book due to, partly due to fixed-rate loans and the Group's own issues.

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

Trading in shares, bonds, currencies and related derivative financial instruments is an important business area for the Group in relation to servicing its customers. In this regard, the Group keeps a small portfolio to respond to customers' business needs.

The market risk is managed at overall group level through delegated frameworks from the Board of Directors, whilst the daily management is carried out by individual companies. The Group's market risk is categorised into five overall risk classes: general interest-rate risk, specific interest-rate risk (credit spread risk and bankruptcy risk), share-price risk, currency risk and commodity risk.

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

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

Monitoring market risk

There is day-to-day monitoring and checks to assure that the calculated risks comply with the frameworks stipulated and the current strategy in the area. Any transgressions must be reported to the Board of Directors, the Executive Management, the Chief Risk Officer and to the Risk Committee.

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

General and specific interest-rate risk

Interest-rate risk can be divided into general risks in the form of influences affecting the financial markets in general (systematic risk), and specific risks specifically linked to single issuers of bonds or more sector-specific risk (idiosyncratic risk). The Group uses this distinction in day-to-day interest-rate risk management and in the calculation of risk exposures for the purpose of calculating the solvency need.

With regard to general interest-rate risk, the risk strategy establishes an overall framework for the Group's companies, and the Bank's market risk guidelines also establish a framework for total net interest-rate risk and net interest-rate risk per currency, as well as for various stress scenarios, including interest rate structure scenarios. This ensures that the Group manages and monitors the primary interest-rate risk targets through parallel shifts of yield curves, risk related to interest-rate spreads between currencies and risk related to the structure of interest rates. The frameworks are calculated, monitored and reported on a daily basis.

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

At the end of 2023, the general interest-rate risk was calculated at DKK -211 mill. (2022: DKK -233 mill.) calculated on the basis of a 1 percentagepoint interest-rate increase. This means that the profit before tax will be negatively affected by DKK 211 mill. by an increase in interest rates of 1 percentage point and positively by DKK 206 mill. (2022: DKK 220 mill.) in the event of a 1 percentagepoint interest-rate fall. The calculations include convexity risk.

The tables on the next page show the Group's interest-rate risk, broken down by type of business and by currency, in the event of an interest-rate increase and an interest-rate fall, respectively, of 1 percentage point:

	Group		Bank	
	1 percentage point increase DKK mill.	1 percentage point decrease DKK mill.	1 percentage point decrease DKK mill.	1 percentage point decrease DKK mill.
Interest-rate risk type broken down by type of business				
Bonds etc.	-258	251	-154	146
Derivative financial instruments	137	-145	135	-142
Mortgage deeds	-77	86	-77	86
Other items	-13	13	-29	29
Total	***-211***	***206***	***-125***	***118***
Interest-rate risk broken down by currency				
DKK	-220	216	-133	128
EUR	9	-10	9	-10
USD	0	-0	0	-0
GBP	0	-0	0	-0
CHF	0	-0	0	-0
SEK	-1	1	-1	1
NOK	0	-0	-0	0
Other	0	-0	0	-0
Total	***-211***	***206***	***-125***	***118***

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

At the end of 2023, the credit spread risk on the bond portfolio and the portfolio of bond derivatives was calculated at DKK 442 mill. (2022: DKK 431 mill.) calculated on the basis of a 1 percentagepoint credit spread increase. This means that there would be a negative effect on equity before tax of DKK 442 mill. in the event of an increase in the credit spread of 1 percentage point, and conversely, there would be a similar positive effect in the event of a narrowing of the credit spread.

In the market-risk guidelines, credit-spread risk is subject to a range of restrictions, including on bond types and other risk classifications. Monitoring is continuous and there are daily reports on utilisation of the frameworks.

The bankruptcy risk is addressed in the Group's issuer risk setup in which lines have been delegated based on the risk classification of the specific bond.

Most investments are in Danish and European government bonds and Danish mortgage-credit bonds that are used to secure the Group's liquidity buffer. Furthermore, by far the majority of investments are in highly rated assets: AAA-rated securities amount to almost 91.9%, and investment grade assets amount to 96.5% of the total portfolio.

Currently, there is an investment of 2.7% (2022: 3.0%) of the total bond portfolio has been invested in a diversified portfolio of corporate bonds, excl. banks, primarily in DKK and EUR-denominated bonds.

Investments in bonds issued by banks amounted to 4.2% of the Group's total bond portfolio (2022: 6.1%), and are predominantly in banks in the investment grade segment, with primary focus on banks with EUR-denominated bonds.

Relative composition of the bond portfolio at the end of 2023, broken down by external rating category and type of issuer, is provided in the tables on the next page.

	Group		Bank	
	2023 %	2022 %	2023 %	2022 %
Bond portfolio broken down by external rating[1]				
AAA	91,9	85.3	87.0	79.6
AA+, AA, AA-	0.8	1.6	1.2	2.5
A+, A, A-	1.6	8.4	2.6	10.8
BBB+, BBB, BBB-	2.2	2.2	3.4	3.4
< BBB-	0.6	0.8	1.0	1.2
No rating	2.9	1.7	4.7	2.5
Total	***100.0***	***100.0***	***100.0***	***100.0***
Bond portfolio broken down by issuers[2]				
Governments	5.3	9.1	6.3	11.4
Mortgage credit	87.9	81.8	82.7	74.9
Banks	4.2	6.1	6.7	9.1
Other businesses	2.7	3.0	4.3	4.6
Total	***100.0***	***100.0***	***100.0***	***100.0***

[1] The rating scale is based on the S&P, Fitch or Moody's ratings converted to corresponding ratings in the S&P scale.
[2] The allocation is based on the Group's positions according to the disposition principle. This means that positions are recognised from the date on which the contract or agreement to buy or sell is entered into.

Currency risk

Currency risk is managed by matching financial assets in accordance with the currency distribution of liabilities. Furthermore, currency risk is hedged using derivative financial instruments. The Group's strategy is to only have limited net positions in foreign currency, expressed as a low risk appetite in the Group's market risk policy.

An unfavourable fluctuation for the Group in the EUR exchange rate of 2% and in other currencies of 10% will lead to a negative effect on results and equity before tax of DKK 6 mill. (2022: DKK 10 mill.).

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

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

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

	Group		Bank	
	2023	2022	2023	2022
Currency risk				
Currency indicator 1 in DKK mill.	97	107	85	89
Currency indicator 1 in % of Tier 1 capital	0.8	1.0	0.7	0.9
Currency indicator 2 in DKK mill.	0	0	0	0
Currency indicator 2 in % of Tier 1 capital	0.0	0.0	0.0	0.0

Share-price risk

The Group invests on the stock markets to supplement its bond portfolio investments and cash placements. The Group primarily trades in shares and through investment associations on well-known, established markets.

Risk is calculated and monitored on a daily basis, and there is a fixed framework for net risk, gross risk and short/long positions, both at total level and on specific markets and product types.

The calculation of share risk distinguishes between share risk inside and outside the trading portfolio. Shares inside the trading portfolio are shares acquired for trading. A general fall in the share markets of 10% would lead to a capital loss in the trading portfolio and a negative impact on equity before tax of DKK 34 mill. (2022: DKK 29 mill.).

Shares outside the trading portfolio primarily comprise investments in sector companies. The object of these companies is to support the Group's transactions within mortgage credit, IT, money transmission services and investment management and a few strategic investments. A general change in prices of 10% would lead to a capital loss and a negative impact on equity before tax of around DKK 198 mill. (2022: DKK 187 mill.).

	Group		Bank	
	2023 DKK mill.	2022 DKK mill.	2023 DKK mill.	2022 DKK mill.
Share positions				
Shares within the trading portfolio				
Listed shares	338	279	289	228
Unlisted shares	6	6	2	4
Total shares within the trading portfolio	***344***	***285***	***291***	***232***
Shares outside the trading portfolio				
Listed shares	0	0	0	0
Unlisted shares	1,979	1,870	697	668
Total shares outside the trading portfolio	***1,979***	***1,870***	***697***	***668***
Total share positions	***2,323***	***2,155***	***988***	***900***

Commodity risk

The Group had no commodities positions at the end of 2023.

Liquidity risk

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

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

Liquidity management and monitoring

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

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

The Group uses a number of different methods to estimate the future liquidity need. These include an evaluation of the effect on liquidity in a number of severe stress scenarios simulating the Group's exposure to specific and market-related shocks that are considered improbable, but not unthinkable. The calculations are based on projections as well as historically known cash outflows.

Cash resources according to LCR

The Board of Directors has stipulated in its liquidity policy that the Group must have an excess liquidity cover in relation to the LCR minimum requirements. The Group's internal framework is 130% and thus above the statutory requirement of 100%

The Group also has a policy that liquidity forecasts and a number of stress test scenarios, which are prepared at least once a month, have an excess liquidity coverage that ensures that the Group has sufficient time to react and launch necessary initiatives if so required by the liquidity situation. Liquidity forecasts and stress tests for the Group are submitted to the Board of Directors on a quarterly basis, and more often, if required.

	Group		Bank	
	2023	2022	2023	2022
LCR calculation				
Total liquidity buffer in DKK bn.	39.9	35.1	26.6	21.8
Net outflow in DKK bn.	12.9	13.3	9.3	9.0
LCR in %	309.6	264.5	285.6	243.0

At the end of 2023, LCR was calculated at 309.6% (2022: 264.5%), which is comfortably above the Group's internal limits as well as legal requirement.

Financing structure and NSFR

Group activities are primarily financed through customer deposits, equity, issued bonds and subordinated debt, but they may alternatively be funded through loans or repurchase transactions with other credit institutions and the National Bank of Denmark.

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

	Group		Bank	
	2023	2022	2023	2022
NSFR funding calculation				
Available stable funding (ASF) in DKK bn.	100.8	92.5	68.9	61.8
Required stable funding (RSF) in DKK bn.	69.3	65.5	46.9	43.4
NSFR in %	145.6	140.9	147.0	142.5

For the group, the NSFR at the end of 2023 is calculated at 145.6% (2022: 140.9%) and thus within safe distance of the Group's internal framework and the legal requirement.

Cash resources contingency plan

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

Contractual maturity of financial liabilities

Note		Carrying amount DKK mill.	Contractual cash flows DKK mill.	Within 1 year DKK mill.	More than 1 year DKK mill.
	Group 2023				
22	Debts to credit institutions and central banks	571	571	571	-
23	Deposits and other debts	76,996	77,020	75,082	1,938
	Deposits in pooled schemes	16,695	16,695	16,695	-
24	Issued bonds at amortised cost	4,136	4,716	846	3,870
	Derivative financial instruments	107	107	55	52
42	Lease commitments	232	276	47	230
28	Subordinated debt	1,275	1,517	212	1,305
	Contingent liabilities	11,210	11,210	5,927	5,283
	Group 2022				
22	Debts to credit institutions and central banks	716	717	717	-
23	Deposits and other debts	72,908	72,902	70,980	1,922
	Deposits in pooled schemes	15,188	15,188	15,188	-
24	Issued bonds at amortised cost	2,311	2,612	136	2,476
	Other non-derivative financial liabilities at fair value	42	42	42	-
	Derivative financial instruments	69	69	22	47
42	Lease commitments	248	277	47	230
28	Subordinated debt	1,274	1,491	323	1,168
	Contingent liabilities	13,125	13,125	6,381	6,744

The maturity analysis shows the contractual cash flows and includes agreed payments.

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

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

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

A large part of the Group's assets are highly negotiable assets with a high credit quality in the form of deposits on current accounts as well as government bonds and mortgage-credit bonds, which are adjusted as liquidity obligations mature.

Please refer to the notes to the financial statements for more detailed maturity information.

Operational risk

Operational risk means the risk of loss as a consequence of inappropriate or incomplete internal procedures, human errors and systems failure, or as a consequence of external events, including legal risks.

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

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

Follow-up on operational risk in the Group includes a number of underlying areas, the most important of which are: IT security, Outsourcing, Protection of Personal Data, Compliance Risks, Money Laundering Risks, Model Risk and risks associated with implementing new products and services.

Policy for operational risk

The Board of Directors of Arbejdernes Landsbank has laid down the Group's policy for operational risk, the purpose of which is to create an overview of operational risks, minimise the number of errors, and reduce the Group's losses due to operational errors, taking into account related costs.

The Group wants an open culture among its employees aimed at increasing the awareness of operational risks and ensuring knowledge-sharing among employees. Operational risks are assessed on the basis of the likelihood of the risk materialising in an operational incident, as well as the consequences of such incident. Risks are classified on a four-step scale from insignificant to very high. To maintain an acceptable operational risk level, the policy includes a definition of risk appetite as determined by the Board of Directors. Risks exceeding the defined risk appetite are assessed by the Board of Directors at least every six months.

Managing operational risks

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

Responsibility for day-to-day operational risk management is decentralised and lies with the relevant business units. Operational risks in the Group are mapped by the individual units identifying and assessing their own risks. At least annually, the Risk Function holds risk identification meetings with the individual units to review the risks identified and evaluate the likelihood and consequences of the risks. In connection with the review of the units' operational risks, an assessment is made to determine whether the risks have been sufficiently hedged against with controls and other risk-reducing measures.

The risk identification meetings support risk processing and ensure greater awareness of operational risks in the organisation. The mapping of operational risks highlights particularly risky processes, systems, products or behaviour and thereby represents an overall risk management tool.

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

Developments in operational risk are monitored continuously to provide the best possible foundation for operational risk management. In 2022, Arbejdernes Landsbank and AL Finans implemented a GRC platform to support operational-risk management, etc. The continued implementation of the GRC platform will also take place in Vestjysk Bank in the first half of 2024.

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

Reporting operational risks

Reporting to the Board of Directors and the Executive Management is on a quarterly basis and includes developments in operational incidents and information about major operational incidents. In addition to this, quarterly, the Board of Directors and the Executive Management receive a summary of significant changes in the risk profile. There is ongoing reporting to the CRO, the Executive Management and the Board of Directors, according to more detailed criteria stated in the risk policy.

IT security

The services provided by the Group are extensively supported by IT. This is an important element to consider when assessing operational risks. The Group shall ensure an appropriate level of security for the protection of data and IT systems. The board of directors of the banks in the Group have drawn up IT security policies setting and formulating the requirements for IT security management.

The geopolitical situation affects security of supply and the Group's threat scenario. The Group is in dialogue with BEC about this and regularly assesses the need for further emergency and contingency measures. The situation is also monitored under the auspices of the FSOR.

There is increased focus on supplier management to ensure the required level of security for the Group's IT systems. Among other things, this requires further insight at outsourcing suppliers.

The Group will continue work to increase its internal capacity in the area of IT security in 2024 to meet increasing demands and ensure IT security at an appropriate level. Concurrently with this work, there are ongoing efforts to ensure that all employees have adequate expertise within IT security. To this end, in 2023, all employees at the Bank acquired knowledge about IT security through a range of awareness-raising activities. In order to protect the Group from an ever more serious threat scenario, there is work to increase competencies with regard to handling potential attacks.

Outsourcing

The Group has outsourced a significant part of its critical banking systems, and outsourcing therefore remains an important element in operational risk management for the Group.

The Group's policy for outsourcing sets the framework for outsourcing activities and defines the Board of Directors' risk appetite for outsourcing activities. At the beginning of 2023, Arbejdernes Landsbank established a procurement function with responsibility for contract management and outsourcing, which will continue to work on increasing maturity in this area. The group outsourcing manager is part of the procurement function. Responsible persons have been appointed for each outsourcing contractual relationship and are organisationally placed in the first line of defence. They assist management in ensuring that outsourcing is done safely. In addition, the designated outsourcing manager is responsible for managing and monitoring outsourcing and ensuring the documentation of outsourcing. The outsourcing manager reports to the Executive Board and Board of Directors.

General Data Protection Regulation (GDPR)

The Group has a strong focus on ensuring that personal data is processed in accordance with the EU General Data Protection Regulation (GDPR), and data protection legislation is therefore an important element in the assessment of operational risks. A Group Data Protection Officer (DPO) is responsible for ensuring compliance with data protection law within the Group. In 2023, additional resources have been added to the GDPR area, which is placed in the 1st line of defence as part of IT.

Money laundering risks

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

Under management of the person responsible for anti-money laundering, the task of the AML Department is to ensure that the Group and its companies comply with the Act on Measures to Prevent Money Laundering and Terrorism Financing (the Anti-Money Laundering Act) as well as EU regulations on transfers of funds and combating terrorism. The AML Officer reports directly to the Executive Board and reports quarterly to the Executive Board and the Board of Directors. A joint AML group function has been established in 2023 and work on this will mature further in 2024.

Employee awareness and alertness plays an important role in protection from being abused for money laundering, financing of terrorism or violation of financial sanctions. To ensure that employees have the necessary knowledge, in 2023, Arbejdernes Landsbank once again conducted a mandatory e-learning course on prevention of money laundering, financing of terrorism and violation of financial sanctions. The employees have completed the course, which ended with a test. The number of employees working full-time with measures to prevent money laundering, financing of terrorism and violation of financial sanctions continued to increase in 2023.

Model risk

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

The Group's guidelines for model risk adopted by the Board of Directors lay down the requirements for regular reporting and follow-up on model risk, as well as requirements for the Group's model register, which provides an overview and ensures clearly defined roles and responsibilities. By 2023, an actual model register has been established and business procedures and processes for model checking, documentation and validation have been updated. In 2024, continued efforts will be devoted to advance management of model risk at Group level.

Products and services

The supply of products and services is subject to frequent changes that have significance for the Group's IT systems and employees' management hereof. This increases the risk of errors, and such changes are therefore important to assess in relation to operational risk management.

Risks associated with implementing new products and services are identified and assessed in accordance with internal procedures prior to approval by the Executive Management and/or the Board of Directors of Arbejdernes Landsbank.

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

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

Compliance risks

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

Note 48
Summary of significant accounting policies

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

The financial statements of the Parent Company have been prepared in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Credit Institutions, etc., as well as guidelines issued by the Danish FSA. The recognition and measurement principles applied in the parent company are compatible with IFRS.

The accounting policies are unchanged compared to 2022.

All figures are presented in DKK mill. The totals stated are calculated on the basis of actual figures, and due to rounding to DKK mill., there may be minor differences between the sum of the individual figures and the totals stated.

Change in the presentation of segment financial statements
The presentation of the segment financial statements has been adjusted as the activities in Vestjysk Bank have previously been presented as a separate segment, but are now included in the segments Customer Activities, Investment Activities and Other Activities. Comparative figures have been adjusted.

Implementation of new or amended accounting standards and interpretations in 2023
With effect from 1 January 2023, Arbejdernes Landsbank has implemented the following amended IFRS standards and interpretations that are relevant to Arbejdernes Landsbank:

- Amended IAS 1, Presentation of Financial Statements.
- Amended IAS 8, Accounting Policies, Changes in Accounting Estimates, and Errors.
- Amended IAS 12, Deferred tax related to assets and liabilities arising from a single transaction.

The adoption of the amendments to the standards has not had any impact on recognition and measurement.

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

New and amended accounting standards and interpretations not yet entered into force
The IASB has issued the following new accounting standards and interpretations that are not mandatory for the Group in the preparation of the annual report for 2023:

- Amendments to IAS 1 "Presentation of Financial Statements": Classification of liabilities as short-term or long-term, and long-term liabilities with covenants.
- Amendments to IFRS 16 "Leases": Lease obligations in a sale and leaseback.
- Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Note information": Supplier Finance-arrangementer.
- Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates": Lack of the ability to exchange a currency.

Not all of the above standards, amendments, and interpretations have been approved by the EU. The new or amended standards are implemented as they become mandatory and are not expected to have an impact on recognition and measurement.

Consolidated financial statements
The consolidated financial statements comprise the financial statements of the Parent Company, Arbejdernes Landsbank, and the businesses controlled directly or indirectly by Arbejdernes Landsbank. Control arises when Arbejdernes Landsbank:

- Has significant influence over another entity,
- Is exposed to or has the right to variable returns from its investment, and
- Has the ability to use its significant influence to obtain those returns.

The Group Overview in note 44 shows the subsidiaries whose financial statements are consolidated in the consolidated financial statements.

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

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

Currency

The consolidated financial statements and the parent financial statements are presented in DKK, which is also the functional currency of the Group. Transactions in currencies other than Danish kroner are initially recognised in Danish kroner at the exchange rate on the transaction date.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rate at the reporting date and the exchange rate at the date of establishing the balances is recognised in the income statement under "Value adjustments".

Financial instruments – General information on classification and measurement

Purchase and sale of financial instruments are recognized on the settlement date, and recognition ceases when the right to receive/deliver cash flows from the financial asset or liability has expired, or if it has been transferred, and the institution has substantially transferred all risks and rewards associated with ownership. With regard to financial instruments which are subsequently measured at fair value, changes in the fair value of the acquired or sold instrument in the period between the transaction date and the settlement date are recognised as a financial asset or liability under either "Other assets" or "Other liabilities", respectively, with a set-off entry under "Value adjustments" in the income statement.

For financial instruments subsequently measured at amortised cost, directly attributable transaction costs are added/subtracted.

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

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

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

Financial assets with cash flows not consisting of repayments of the principal of the asset and associated interest at fixed dates must – independently of the company's business model – be classified in the category "Fair value via the income statement" and subsequently be measured at fair value through the income statement. As examples, this category includes shares and derivative financial instruments.

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

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

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

Leasing as a lessee

A lease asset and a lease liability are recognized on the balance sheet when the group, under a lease agreement, obtains control of the leased asset for the lease term and obtains the right to virtually all the economic benefits of the use of the identified asset and the right to direct the use of the identified asset.

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

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

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

The leased asset is adjusted for changes in the leasing commitment as a consequence of changes to the terms of the leasing agreement or changes to the contractual cash flows concurrently with changes in an index or interest rate. The Group presents the leased asset and the leasing commitment separately in the balance sheet. Moreover, the Group has chosen not to recognise leased assets of low value and short-term leasing agreements in the balance sheet. Instead, lease payments relating to these leasing agreements are recognised on a straight-line basis in the income statement.

Hedge accounting

The Group applies hedge accounting for interest rate risk (fair value hedge) on a limited number of fixed-rate loans.

When hedging the fair value, the hedged items are adjusted to fair value for interest rate risk. Hedging is applied by utilising interest-rate swaps.

Offsetting

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

Cash flow statement

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

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

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

Cash flows from financing activities include repayments on lease liabilities, redemption and issuance of bonds, subordinated debt and Additional Tier 1 capital as well as payment of dividends to shareholders and interest on Additional Tier 1 capital and purchase and sale of treasury shares.

Cash and cash equivalents include cash in hand, demand deposits with central banks and receivables from credit institutions and central banks with a term to maturity of less than three months. Cash and cash equivalents can be freely realised and with insignificant risk of changes in value.

Segment information

The segment information has been prepared in accordance with Group accounting policies and follows the internal management reporting.

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

The share of equity that exceeds the necessary equity in terms of the capital objective is included under “Other activities”.

Customer activities are defined as:

- All transactions/deals with customers where the Group earns income through interest margins, commissions, fees, or exchange rate gains.
- Returns on equity investments relating to customer activities.
- Returns on derivative transactions entered into in order to hedge a market risk on customer activities.

Investment activities are defined as:

- Activities related to Treasury and liquidity management.

Other activities are defined as:

- Returns on equity investments not related to customer activities.
- Property management.
- Other activities not related to customer activities or investment activities.

Ratios and key figures
Key figure calculations follow the requirements of the Financial Supervisory Authority, as specified in Annex 7 of the accounting regulation and Annex 4 of the reporting guidelines.

See note 46 for definitions of ratios and key figures.

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

Interest income and interest expenses include:

- Interest-bearing financial instruments are recognised under the effective interest-rate method based on the value of the financial instrument at initial recognition. Interest from customers, credit institutions, etc. is recognised in the income statement under "Interest income", and interest paid to customers, credit institutions, etc. is recognised in the income statement under "interest expenses".
- Premiums and discounts, as well as commissions and fees which are regarded as an integral part of the effective interest rate on a loan or long-term funding, are recognised as part of the amortised cost and thus as an integral part of the financial instrument under "Interest income" or "Interest expenses", respectively.
- Interest on financial instruments valued at fair value is disclosed separately, except for interest concerning assets and deposits in pools, which is shown under "Value adjustments". Interest on financial instruments at fair value is recognised based on the nominal interest rates on the instruments. 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 the National Bank of Denmark are included under interest from credit institutions.
- Interest on loans with individual depreciation (stage 3) is recognised on the basis of the impaired value. Interest amounts in addition to this are recognised under "Impairments on loans and receivables etc".
- The interest element on repo/reverse transactions is included under the respective interest items depending on the counterparty.
- Premiums (net) for forward transactions and interest on swap transactions (net) are included under other interest income.

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

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

Net fee and commission income
Fees and commissions are viewed as the price of services from contracts with customers, irrespective of whether they can be related to a one-off service or an ongoing service. Fees and commissions regarding an ongoing service are accrued over the term of the contract. Commissions regarding guarantees are recognised as revenue over the term of the guarantees. Other fees are recognised in the income statement when the transaction has been completed.

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

Fees and commissions paid are accounted for in the same way as fees and commissions received.

Value adjustments
Value adjustments consist of foreign exchange differences – see the section "Currency" – and realised and unrealised value adjustments of assets and liabilities, including derivative financial instruments measured at fair value.

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

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

Other operating income and expenses

Other operating income and expenses include items secondary to the Group's activities. Other operating income and expenses include rental income, administration of real property, operating lease payments as well as gains and losses from selling leased assets. Gains and losses on the sale of property, plant and equipment are recognised as the selling price less selling costs and the carrying amount of the asset.

The Bank's proportionate share of statutory expenses for the Guarantee Fund for Depositors and Investors, as well as Afviklingsformuen (Resolution Fund) under the Financial Stability Company, is also included under "Other operating expenses".

Profit from equity investments in associated companies and group companies

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

The proportionate share of other comprehensive income in the associate or group company is recognised in other comprehensive income.

Tax

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

The jointly taxed companies are covered by the current tax scheme, and the Parent Company pays corporation tax according to the current tax scheme. To the extent that tax paid on account does not correspond to expected tax due for the year, interest additions or deductions are recognised in respect of the difference under "Interest income" and "Interest expenses", respectively, in the income statement.

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

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

BALANCE SHEET

Cash in hand and demand deposits with central banks and receivables from credit institutions and central banks

Initial recognition is at fair value plus transaction costs and deducting received fees and commissions. Subsequent measurement is at amortised cost, with an allowance for expected credit losses.

Repo/reverse transactions

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

Loans and other receivables at amortised cost

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

At initial recognition, loans at amortised cost are measured at fair value plus directly attributable transaction costs, less fees and commissions received that are directly linked to granting the loan. Subsequently, loans and other receivables are measured at amortised cost, net of expected credit losses, with received fees, direct transaction costs, and premiums or discounts amortised over the expected term of the loan.

Measurement of other receivables depends on the type of asset:

- Receivables from lessees under finance lease contracts are recognised as loans corresponding to the net investment in leasing contracts. Income from finance leases is accrued over the term of the contract, reflecting a constant periodic return on investment.
- Receivables from factoring (invoice mortgaging) and invoice purchasing are recognised as loans. Income from discounts on purchased invoices is amortised over the term of the invoice until it falls due.

Provision for expected credit losses ("impairments")

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

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

Impairment charges are based on an expectation-based model.

Impairment model

The calculation of the expected credit loss depends on whether there has been a significant increase in credit risk since initial recognition. The calculation of impairment follows a model in which the loan portfolio is divided into four stages:

- Stage 1: Exposures without a significant increase in credit risk since initial recognition. The asset is impaired by an amount corresponding to the expected credit loss through default within the next 12 months.
- Stage 2: Exposures where a significant increase in credit risk has been identified since the last recognition. The asset is impaired by an amount corresponding to the expected credit loss over the lifetime of the asset.
- Stage 2 weak: Exposures where a significant increase in credit risk has been identified since the last recognition and where the customer's ability to pay shows significant signs of weakness. The asset is impaired by an amount corresponding to the expected credit loss over the lifetime of the asset.
- Stage 3 is credit-impaired assets where the financial asset has been subject to default or impaired in some other way. In stage 3, the impairments are calculated based on an individual assessment of the credit loss over the lifetime of the asset. In contrast to other stages, interest income is only recognised on the basis of the impaired value of the asset.

Ranking in stages and calculation of expected losses are based on PD-like models used in internal credit management.

A loan with a 12-month PD of less than 0.2% at the balance sheet date is considered to have a low credit risk, provided that current or expected conditions do not indicate otherwise. Loans with low credit risk are maintained in stage 1. In addition to loans with a 12-month PD of less than 0.2%, the Group assesses that receivables from Danish credit institutions and central banks generally have low credit risk.

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

An exposure is transferred from stage 1 to stage 2 when it is deemed that there is a considerable increase in credit risk, for example when the following is observed:

- An increase in the PD for the expected remaining term of the financial asset of 100%, and an increase in the 12-month PD of 0.5 percentage points when the 12-month PD at initial recognition was less than 1.0%
- An increase in the PD for the expected remaining term of the financial asset of 100%, or an increase in the 12-month PD of 2.0 percentage points when the 12-month PD at initial recognition was 1.0% or more.
- The exposure has been in arrears/overdrawn for more than 30 days. If the above-mentioned increase in PD is ascertained in combination with the customer's credit rating being characterised by considerable signs of weakness, the exposure will be transferred to stage 2 weak. Furthermore, the Group applies a number of its own criteria for evidence of credit weakness, expressed as the internal rating or other reason codes indicating weaknesses.

Credit-impaired – transfer to stage 3

An exposure is transferred to stage 3 when the asset is credit-impaired or subject to default. Loans and other receivables from credit institutions and central banks, as well as guarantees and credit commitments, may be impaired if one or more of the following events have occurred:

- The debtor is in significant financial difficulties.
- Breach of contract by the debtor, such as failure to meet payment obligations for principal and interest, or

- The Group or other lenders grant the debtor easier terms that would not have been considered if the debtor had not been in financial difficulties.
- It is likely that the debtor will go bankrupt or become subject to other financial reconstruction.
- The disappearance of an active market for that financial asset because of financial difficulties
- Acquisition or establishment of a financial asset at a considerable discount reflecting credit loss already incurred.

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

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

If a loan is no longer affected by the criteria on which the existing division into stages is based (as determined by the criteria values), the loan will be transferred to the stage matching the applicable criteria. For stage 3, a waiting period is applied before transitioning to better stages.

Determination of when a debtor is in default is crucial for calculation of the expected credit loss.

A debtor is considered to have defaulted on its obligations if:

- The debtor is more than 90 days in arrears with regard to significant parts of its liabilities, or
- It is unlikely that the debtor will be able to meet its liabilities in full.

The assessment of whether an individual debtor is credit-impaired, including whether it is unlikely that the debtor will be able to repay its liabilities, is based on both qualitative and quantitative indicators. A quantitative indicator could be the customer's rating, while a qualitative indicator could be any breach of contract by the customer.

If all options to help the debtor meet its obligations to service the debt to the Group seem to have been exhausted, debt collection procedures will be commenced, and any collateral will be realised and remaining debt will be written off in full or in part.

Calculation of expected losses

The calculation of expected losses is based on historical estimates of PD (probability of default), EAD (the size of the customer's exposure at default) and LGD (loss given default) adjusted for expectations for future developments in the economy. With regard to portfolios for which the Group has no PD values, a simpler approach is applied, e.g. a portfolio approach based on expected loss ratios. This applies to mortgage deeds, lending in the subsidiary AL Finans and credit institutions.

Determination of the probability of default (PD) is based on ascertained defaults over a period, converted to an estimated probability of default within a 12-month timeframe. Lifetime PD is calculated on the basis of ascertained rating migrations and determined on the basis of the contractual terms of the facilities as well as the customer's current rating.

Determination of credit exposure on default (EAD) takes into account the expected change in exposure after the balance sheet date, including payment of interest and repayments as well as further utilisation of loan commitments.

Determination of EAD is based on historical information on expected changes in exposure over the lifetime of the loans within the framework of the individual loan. Consequently, the repayment profile, early repayment and changes in the use of credits are taken into account.

As for the Group's customers at stage 1, 2 and 2 weak, an unsecured Loss Given Default (LGD) is applied which is based on a standard rate adopted from Basel II. This applies to all segments covered by the PD approach. For all stage 3 customers, a blank loss allowance of 100% is applied, and the calculation of this takes into account the customer's repayment capacity for stage 3 customers covered by individual assessment.

Impairments on credit-impaired loans are calculated as the expected loss based on a number of possible outcomes (scenarios) for the debtor's financial situation and the collateral values, and based on the Group's credit management. In the calculation of the present value, the originally determined effective interest rate is applied for fixed-interest loans and receivables. For floating-rate loans and receivables, the current effective interest rate on the loan or receivable is applied.

Forward-looking information is included in the calculation of expected losses in the form of macroeconomic forecasts and projections. For this purpose, Arbejdernes Landsbank uses a proprietary model for both the private and corporate portfolios.

The model is based on determination of historical correlations between impairments within a number of sectors and industries and a range of explanatory macroeconomic variables. These correlations are then supplemented with estimates for the macroeconomic variables based on forecasts from consistent sources, such as the Danish Economic Council, the National Bank of Denmark, etc. Data from these sources generally look two years into the future and include variables such as increase in public consumption, increase in GDP, interest rates, etc. Thus, the model calculates the expected impairments for up to two years within individual sectors and industries, while for maturities that go beyond two years, a linear interpolation is made between the impairment ratio for year 2 and the impairment ratio for year 10. The model assumes that there will be long-term equilibrium, calculated as a structural level from the forecasts. Maturities of more than 10 years are assumed in the model to have the same depreciation ratio as the long-term equilibrium in year 10. Finally, the calculated impairment ratios are transformed into adjustment factors adjusting the data centre's estimates in the individual sectors and industries. The Group adapts these based on its own expectations for the future and on the composition of loans. Subsequently, the Group Management assesses whether significant new information has emerged which has not yet been included in the calculations, and which gives cause to adjust the expected credit loss.

Impairments on receivables from credit institutions and central banks as well as loans and receivables etc. are carried on an allowance account set off against receivables and loans, and provisions on guarantees and unutilised credit commitments are recognised as provisions. In the income statement, impairments and provisions are recognised under "Impairments on loans and receivables etc".

Provisions for losses on guarantees and unutilised credits are treated according to the same rules as characterise the valuation of loans. Provisions for unutilised credits and guarantees are recognised under "Other provisions".

Management estimates
At each balance sheet date, an assessment is made of whether adjustments are required to the expected credit losses calculated on the basis of the models used in stages 1 and 2. The reason for the correction is mainly due to modelling uncertainties and macro estimates. Please refer to note 1 for a more detailed description of management allowances.

See also the comments on credit risk in note 47.

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

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

Shares etc.
Shares etc. are measured at fair value both at initial recognition and subsequently. Fair value is the amount at which a financial asset can be traded between independent parties. In an active market, the fair value is expressed as listed prices (level 1).

In a less active or inactive market, the fair value is a model-calculated value on the basis of recognised models and observable market data for similar assets (level 2).

A larger part of the shares is valued by application of models and available data which are only to a lesser extent observable market data. The fair value of unlisted shares and other equity investments is calculated on the basis of available information on transactions, including capital increase rounds causing changes in the group of owners and partial sales, etc. For newer investments, the purchase price may be applied, and finally, the fair value may be calculated on the basis of expected cash flows (level 3).

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

Equity investments in associated companies
Associated companies are entities over which the Group has significant influence. Significant influence is typically achieved through direct or indirect ownership or control of more than 20% of the voting rights, but not more than 50% In the assessment of whether the Group has controlling or significant influence, the voting rights which can be exercised on the balance sheet date are taken into account.

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

In the income statement item "Profit from equity investments in associated companies and group companies", the proportionate share of the profit after tax of the individual companies is recognised, and unrealised internal profits and losses less any impairment charges on goodwill are eliminated. The proportionate share of the associate's other comprehensive income is recognised in other comprehensive income.

Equity investments in group companies

Group companies are entities in which the Parent Company has controlling influence. Equity investments in group companies are recognised and measured at net asset value in the parent financial statements.

The proportionate ownership interest of the companies' net asset value is recognised less or plus unrealised intragroup profits and losses in the Parent Company's balance sheet under "Equity investments in group companies".

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

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

Assets and deposits linked to pooled schemes

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

Intangible assets

Customer relations

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

Useful life is reassessed annually. Changes in amortisation due to a change in the useful life are recognized prospectively as a change in accounting estimates.

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

Software

Intangible assets in the form of internally developed and acquired software (completed development projects) are recognized at cost. Cost includes the costs and salaries incurred to bring the individual piece of software into use. Software is depreciated on a straight-line basis over its expected useful life, typically three years.

Other intangible assets

Development projects under construction include external costs for projects where a future development opportunity for the Group can be demonstrated but where commissioning is not yet possible. Development projects under construction are recognised at cost. Cost includes the costs incurred for the project. Development projects in progress are not depreciated. At the time of commissioning, the asset is moved to completed development projects (software) and typically depreciated over three years.

Investment properties

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

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

Fair value is calculated on the basis of the returns method (level 3), with external experts being used to measure the fair value at least every three years. Changes in fair values are recognised under "Value adjustments".

Rental income is recognised in the income statement under "Other operating income". No depreciation is charged on investment property.

Owner-occupied properties

Owner-occupied properties are properties from which the Group conducts its operations as a financial institution. Owner-occupied properties are recognised at cost at acquisition and are subsequently measured at a revalued amount equivalent to the fair value of the property at the time of the revaluation. The revaluation model is based on current market data which forms the basis of a returns model (level 3) in which the rental income on the property and operating expenses such as administration and maintenance are included. Under exceptional conditions, another method of valuation may be applied, which better reflects the market value of the property.

Revaluation is carried out at appropriate intervals, and at least once a year, on the basis of the current market and interest-rate level, so that the carrying amount is not deemed to differ materially from the fair value of the owner-occupied properties at the balance sheet date. In connection with the annual valuation assessment, a number of properties are selected for valuation by an external assessor.

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

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

Land value is not depreciated.

Revaluations of owner-occupied properties at fair value are recognised in other comprehensive income and transferred to a separate reserve under equity (revaluation reserves), unless the increase counteracts a reduction in value that was previously recognised in the income statement. Depreciation and impairments as well as reversed impairment charges are recognised in the income statement under "Amortisation/depreciation and impairments on intangible and tangible assets".

Operating lease assets where the Group is the lessee in connection with a tenancy to conduct banking activities are also recognised under owner-occupied property and represent the lessee's right to use the underlying asset. This is counterbalanced by a lease commitment measured at the present value of the future lease payments on these tenancy agreements.

Other tangible assets

Operating equipment in the form of IT equipment, cars, fixtures and equipment and improvements to rented premises is recognised at cost less accumulated depreciation and impairment. The cost covers the acquisition price and costs directly related to the acquisition up until the time when the asset is ready for use.

Operating lease assets where the Group is the lessor are also recognised under "Other tangible assets".

The basis for depreciation of a tangible asset is the difference between the acquisition price of the asset and the residual value at the end of the asset's useful life, and the residual value is assessed regularly. For improvements to rented premises, depreciation is carried out over 5 years, however only up to the expected useful life. Other operating equipment is depreciated on a straight-line basis over the expected useful life of the assets, which is expected to be up to 5 years. Cashpoints, coin counters and registers are assessed to have a longer useful life, typically up to 10 years.

The need of impairment for tangible assets is assessed when there are indications of impairment, and the asset is impaired to the recoverable amount which is the higher of the net sales price and the value in use. Impairments are made in the income statement.

Other assets

Other assets include capital contributions to BEC Financial Technologies a.m.b.a., interest and commissions receivable and positive fair value of derivative financial instruments and spot transactions. With the exception of derivative financial instruments and spot transactions, which are measured at fair value, other assets are measured at cost or amortised cost.

Assets held temporarily

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

Prepayments and accrued income

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

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

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

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

Financial liabilities
Debt to credit institutions and central banks and deposits also includes amounts received under repo transactions, i.e. sales of securities in which an agreement is also made for repurchase at a later time. Debt to credit institutions and central banks and deposits are recognised at the date the loan was taken up at fair value corresponding to amounts received after deduction of directly attributable transaction costs.

Subsequent measurement of debt to credit institutions and central banks and deposits which are not repo transactions is at amortised cost by applying the effective interest-rate method so that the difference between the net proceeds and the nominal value is recognised in the income statement under "Interest expenses" over the term of the loan. Other liabilities are measured at net realisable value.

Issued bonds at amortised cost
Issued bonds at amortised cost comprise bonds issued as part of compliance with the MREL requirements as a SIFI institution.

Other liabilities
Other liabilities include various creditors, lease commitments where the Group is the lessee, interest and commissions payable, short-term employee obligations and negative fair value of derivative financial instruments and spot transactions. With the exception of derivative financial instruments and spot transactions, other liabilities are measured at amortised cost. For more information on the leasing liability, refer to the section "Leasing as a lessee".

Accruals and deferred income
Accruals and deferred income under liabilities include income received before the balance sheet date but which pertain to subsequent accounting periods, primarily prepaid fees and commissions received. Prepayments and accrued income are recognised and measured at cost both at initial recognition and subsequently.

Provisions
Provisions are recognised when the Group has a legal or constructive obligation as a result of an event that has occurred on or before the balance sheet date, and it is likely that an outflow of resources will be required to settle the obligation. This includes expected losses in connection with legal proceedings, but also expected losses on issued guarantees, unutilised lines of credit and credit commitments, where the loss risk is calculated in accordance with the rules under IFRS 9.

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

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

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

Subordinated debt
Subordinated debt is debt obligations in the form of Tier 2 capital and other capital contributions which, in the event of liquidation or bankruptcy, are to be repaid only after the claims of ordinary creditors have been met.

Subordinated debt is recognised at the date the loan was taken up at fair value, less directly attributable external transaction costs. Subsequently, subordinated debt is measured at amortised cost using the effective interest-rate method. Premature redemption of subordinated debt is subject to approval by the Danish FSA. Subordinated debt is included in own funds etc. in accordance with the Danish Financial Business Act.

Equity

In addition to paid-up share capital and accumulated retained earnings, equity consists of the following items:

Revaluation reserves

Revaluation reserves include revaluation of the Bank's owner-occupied properties after deduction of any deferred tax. The reserve will be dissolved as the revalued properties are depreciated, impaired or sold.

Reserve under the equity method

The reserve under the equity method is the net revaluation of equity investments in associated and group companies in relation to cost. The reserve is reduced by distributions of dividend to the Parent Company, other changes in equity as well as by full or partial realisation of equity investments.

Proposed dividend

Proposed dividend is recognised as a liability at the date on which it is approved by the Annual General Meeting (time of declaration). Dividend proposed for the year is included under equity until adoption.

Own shares

Own shares are not included as assets. Acquisition and consideration amounts as well as dividends on own shares are recognised directly in retained earnings under equity.

Additional Tier 1 capital

Additional Tier 1 capital issued with indefinite maturity and without contractual obligations to pay interest and principal repayments does not meet the conditions for financial liabilities under IAS 32. The Tier 1 capital is therefore recognised as equity.

The net amount at issue is recognised as an increase in equity. Payment of interest is regarded as dividends and recognised directly in equity at the time the liability arises.

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

Contingent liabilities etc.

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

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

EHRHORN HUMMERSTON

AKTIESELSKABET

Arbejdernes Landsbank

CVR no. 31 46 70 12, Copenhagen

Panoptikonbygningen

Vesterbrogade 5 · 1502 Copenhagen V
Telephone +45 38 48 48 48 · www.al-bank.dk