

Interim report

1 January - 30 June 2023

 Arbejdernes Landsbank



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**SIMON S.
JØRGENSEN**
Executive Bank Director

**JAN W.
ANDERSEN**
CEO

**SVEND
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Executive Bank Director

**FRANK
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Deputy CEO

**GRY
BANDHOLM**
Executive Bank Director

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



Management's report

Financial highlights for the Group

	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.	2022 DKK mill.	
Income statement				
Net interest income	1,564	1,010	2,218	
Net fee and commission income	707	790	1,565	
Value adjustments and dividends	275	-275	-127	
Other operating income	40	54	98	
Profit from equity investments in associated companies	-16	0	4	
Total income	2,569	1,579	3,757	
Costs and amortisation/depreciation	-1,500	-1,425	-2,907	
Impairments on loans and receivables etc.	84	63	52	
Total costs	-1,416	-1,362	-2,855	
Profit before tax	1,153	217	903	
Tax	-280	-41	-114	
Profit for the period	874	176	789	
Selected balance sheet items				
Loans and other receivables at amortised cost	45,349	44,313	44,110	
Bonds at fair value	31,250	29,337	28,590	
Total assets	111,683	106,087	107,987	
Deposits incl. pooled schemes	90,287	88,566	88,095	
Equity	12,951	11,472	12,348	
Selected key ratios				
Capital ratio	%	20.6	17.8	19.8
Common Equity Tier 1 capital ratio	%	16.9	14.5	16.1
Return on equity before tax	%	9.0	1.6	7.0
Return on equity after tax	%	6.8	1.3	6.1
Ratio of operating income to operating expenses per DKK	DKK	1.81	1.16	1.32
Liquidity coverage ratio (LCR)	%	293.7	250.5	264.5
Impairment ratio for the period	%	0.0	0.2	0.6
Lending growth for the period	%	2.8	5.6	5.1

See note 50 in the Annual Report for 2022 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 loss ratio for the period.

Highlights for the first half-year

General

Despite continued interest-rate increases in the first half of 2023, the Danish economy seems to be heading for a soft landing and has proven more resilient than first assumed. However, companies still face an uncertain future, with increasing production costs and corona loans requiring repayment, and the number of bankruptcies increased in the first half-year.

House prices seem to have bottomed out, and although high inflation has weakened Danes' purchasing power, employment is still high and deposits remain large. Overall, this gives Danes a solid buffer at a time with prospects of lower growth in the Danish economy.

Financial result of the Group

The overall result for the Group amounted to a profit of DKK 1,153 mill. before tax for the half-year. The result is very satisfactory, and better than anticipated because of positive value adjustments, higher interest margins, as well as reversed impairments.

The core business of the Group is developing positively, with continued growth in volume. Total lending increased by 2.8%, while total deposits increased by 2.5% compared with the start of the year. However, the value of mortgage loans administrated fell by 0.1%, primarily due to lower activity in the housing market, as well as customers converting fixed-interest mortgage loans to achieve lower outstanding debt. Costs have developed as expected, with increasing expenditure on staff and IT. Impairment charges are positive as a result of better macro-economic development than expected.

For Arbejdernes Landsbank alone, profit before tax for the first half-year of 2023 ended at DKK 900 mill. The Vestjysk Bank subsidiary, in which Arbejdernes Landsbank has a 73% ownership interest, earned a profit for the first half-year of 2023 of DKK 579 mill. before tax. The fully owned subsidiary, AL Finans A/S, also contributed positively, with a profit of DKK 36 million.

Change in the Executive Management on 1 April 2023

Jan W. Andersen took over as the CEO of Arbejdernes Landsbank after Gert R. Jonassen retired from the position on 1 April 2023. At the same time, Executive Bank Director and CFO Frank Mortensen was appointed as the new Deputy CEO of Arbejdernes Landsbank. Other members of the Executive Management are unchanged.

Attractive savings products

After a long period with negative interest, rates increased considerably in the first half of 2023. The Group regularly adjusts its range of savings and investment products for both private and business customers so that customers with savings can receive attractive returns.

Sustainability initiatives

Sustainability continues to be a priority area for the Group.

Organisationally, adjustments have been made to enhance implementation, for example a head of sustainability has been appointed for Group initiatives. An ESG Committee has been established under the Board of Directors to support work by setting the direction for sustainability in the Group. A number of ESG partners have also been appointed, representing business areas and subsidiaries in the Group.

The Group works purposefully with a strategy for Diversity, Equality and Inclusion (DEI), which will help underpin the Group as an attractive and inclusive workplace that, via inclusive management, behaviour and structures, creates space for diversity and equal opportunities for all.

In the investment area, a number of products are now classified according to the common European guidelines as Article 8 products that promote environmental and/or social characteristics. With respect to financing, through the "Fyr dit fyr" campaign, the Group is part of an agreement between the Danish Government and the Danish banks to contribute to Denmark's green transition and to help make Denmark independent of fossil fuels.

In April 2023, Arbejdernes Landsbank received the second UN evaluation report, which highlights that the Bank's progress report is transparent and supported with clear data. Efforts to improve, understand and use data have been supported by the implementation of new and comprehensive regulation on the area, including the Capital Requirements Regulation (CRR), and publication of Pillar 3, as well as preparation for compliance with the new reporting requirements from the 2024 financial year.

Continued integration with Vestjysk Bank

The acquisition of a majority shareholding in Vestjysk Bank in June 2021 means that the Group is now more broadly represented across Denmark, and we have built the foundation for a new and stronger banking group to benefit customers, society and shareholders in both Vestjysk Bank and Arbejdernes Landsbank.

We still expect that the new, larger banking group will be able to achieve efficiency improvements through continued investments in IT and optimisation of staff and support functions. Consequently, we expect to realise a synergy potential over time by developing and increasing cooperation within the Group. Up to now, focus has been on Group management, e.g. by assigning responsibility for Group-level responsibility for risk management, internal audit, compliance and AML. The Management's ambition remains to run Arbejdernes Landsbank and Vestjysk Bank as two independent banks; each with their strong brand and business model.

Investor relations

In the first half of 2023, focus at Arbejdernes Landsbank was on relations work and our investor network in the Nordic countries, aiming to attract MREL capital in the future. In parallel with this, we have updated and expanded the Bank's Medium Term Note Programme (MTN programme) with new elements, senior preferred and an option to issue green bonds. The Bank aims to establish a Green Bond Framework in accordance with the ICMA Green Bond Principles, which set the framework for identifying sustainable assets that can be financed by green bonds. The Arbejdernes Landsbank Green Bond Framework was published on 16 august 2023 and is available on the Arbejdernes Landsbank website.

Danes' preferred bank for the 14th consecutive year

Management is proud that, for the 14th consecutive year, Arbejdernes Landsbank was lauded as Danes' preferred bank in Voxmeter's major annual survey of customer satisfaction in the sector. Among other things, a high level of credibility and a strong ability to listen to customers contributed to the Bank's top position. The award is in line with the Bank's Strategy 2025 with regard to

“More customers and more satisfied customers”. In the same survey, Vestjysk Bank was placed eleventh. The Group continues to have strong focus on maintaining and improving customer satisfaction with both banks. In the first half year of 2023 there was a continued influx of around 4,000 new customers. Arbejdernes Landsbank now has more than 350,000 customers and the Group as a whole has over 500,000 customers.

Expectations for the full year 2023

In April, Arbejdernes Landsbank increased profit expectations for the Group by DKK 300 mill. and again on 15 June 2023 by DKK 400 mill. Group profit for the year is now expected to be around DKK 1.9-2.1 bn. before tax. The basis for the adjustments is primarily higher net interest income from increasing interest rates and market rates in the first and second quarters of 2023, as well as lower impairment charges than expected and more positive expectations for the rest of 2023.

Vestjysk Bank also raised profit expectations twice. Firstly by DKK 150 mill. on 17 April and later by DKK 200 mill. on 14 June, after which the profit for the year is expected to be around DKK 1,000–1,100 mill.

Financial review

Profit for the period

In the first half-year of 2023, the Group earned a profit before tax of DKK 1,153 mill. against DKK 217 mill. for the same period last year. The profit after tax was DKK 874 mill. against DKK 176 mill. for the first half of last year. The results for the first half of 2023 provide a return on average equity of 6.8% against a corresponding 1.3% for the same period last year.

The result is deemed to be very satisfactory and better than expected at the beginning of the year.

The result includes the following:

- Higher earnings from net interest, fees and provisions of DKK 2,271 mill. against DKK 1,800 mill. in the first half-year of 2022. The increase is attributable to positive developments in customer activity as a result of better interest margins. Negative developments in the property area have had the opposite effect, with fewer transactions and a drop in business for mortgage loans, which together led to a fall in net fee and commission income of DKK 83 mill.
- Value adjustments and dividends amounted to DKK 275 mill., and this is primarily attributable to significantly better returns on the bonds portfolio.
- Costs and amortisation/depreciation increased to DKK 1,500 mill. from DKK 1,425 mill. in the first half of 2022, and this is primarily attributable to the effect of more staff and collective-agreement salary increases.
- Impairments on loans and receivables etc. provided an income of DKK 84 mill. as a result of reversals of previous reserves estimated by management relating to macro-economic uncertainties.

Income

Total income for the Group amounted to DKK 2,569 mill. and is significantly higher than for the first half of 2022. This is due to increasing interest income and positive developments in value adjustments and dividends, although these are partially offset by falls in fee income, primarily within the property area. There has been a fundamentally positive development in the Group's core business, with good customer activity, a continued influx of new customers, and increased earnings on deposits products.

	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.	Change DKK mill.
Group			
Net interest income	1,564	1,010	553
Net fee and commission income	707	790	-83
Value adjustments and dividends	275	-275	550
Other operating income	40	54	-13
Profit from equity investments in associated companies	-16	0	-17
Total income	2,569	1,579	990

Net interest income for the first half-year increased by DKK 553 mill. to DKK 1,564 mill. because of a general increase in the level of activity in the core business, as well as developments in the interest margins.

Net fee and commission income was DKK 707 mill., which is a drop of DKK 83 mill. compared with the first half of 2022. The drop is due to a reduction in the provision of mortgage loans and lower fee income from sales of houses and flats.

Value adjustments have developed positively due to the higher effective interest rates on the bond portfolio, which led to capital gains on bonds with low coupon. Value adjustments and dividends in the first half-year of 2023 show a positive result of DKK 275 mill., against a negative result of DKK -275 mill. for the first half-year of 2022.

Costs and amortisation/depreciation

Total Group costs and amortisation/depreciation were DKK 1,500 mill., an increase of DKK 75 mill. in relation to the first half of 2022. The increase is attributable to higher salaries and a general increase in the cost base for the Group as a result of increased costs arising from stricter regulatory requirements and IT requirements.

	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.	Change DKK mill.
Group			
Staff expenses	800	758	43
Administrative expenses	573	557	16
Amortisation/depreciation and impairments on intangible assets and property, plant and equipment	101	81	20
Other operating expenses	26	29	-3
Total costs and amortisation/depreciation	1,500	1,425	75

Staff expenses show an increase in the first half-year of 2023 of DKK 43 mill. to the current DKK 800 mill. The increase is due to higher staff numbers due to stricter regulatory requirements for the Group due to its status as a SIFI, as well as continued customer growth, and the general trend in levels of pay.

Impairments on loans and receivables etc.

Impairments in the first half of 2023 amounted to an income of DKK 84 mill. against an income of DKK 63 mill. for the same period last year. The reversal of impairments in the first half of 2023 is due to lower management estimates related to macro-economic risks. Generally, the Group loan portfolio has seen a positive development.

Results by segment

Income and costs by segment (customer activities, investment activities, and other activities) are described in note 4. The principles for segment accounting are changed compared with the annual financial statements. Results from Vestjysk Bank have been broken down by Group segments, rather than being presented as a separate segment.

Customer activities realised growth in business volume and income in the first half of 2023 compared with last year. Increasing administrative costs pull in the opposite direction, while the first half of 2023 also saw reversals of impairments. The total profit before tax for *Customer activities* was DKK 1,106 mill., which is better than expected.

As a consequence of increasing interest rates and thus higher returns on the bond portfolio, *Investment activities* were better than expected at the beginning of the year.

Other activities include the Group's properties, certain sector-related shares and associated companies. The result is lower than expected because of higher expenses for the SNP issuance and lower returns on investment securities.

Balance sheet

The balance sheet total rose by DKK 3.7 bn. to DKK 111.7 bn. in the first half of 2023. Among other things, this is due to increasing deposits, bond issues and higher equity.

Group deposits excluding pooled schemes amounted to DKK 74.4 bn. at the end of the first half of 2023 against DKK 72.9 bn. at the start of the year. This rise covers an increase in deposits in Arbejdernes Landsbank.

Group loans increased by DKK 1.2 bn., corresponding to an overall lending growth of 2.8%, and furthermore the value of bonds and shares increased by DKK 2.7 bn.

Equity amounted to DKK 13.0 bn. compared with DKK 12.3 bn. at the start of the year, and this increase is primarily due to retained profit of DKK 874 mill., but less dividend distributions of DKK 210 mill.

Capital situation

The Group's capital target at 30 June 2023 has been set as the solvency need plus a capital conservation buffer and SIFI buffer as well as an excess cover of 4.5 percentage points. The excess cover has been set to absorb a fully phased-in countercyclical capital buffer. Note that the part of the non-controlling interests' capital, which may not be included in the own funds, but which is included in the capital target in Vestjysk Bank has been included to cover the Group's targets for capital buffers.

With a solvency need of 10.4% as at 30 June 2023, the Group's capital targets are:

	Common Equity Tier 1 capital %	Tier 1 capital %	Own funds %
Group			
Capital target	13.8	15.8	18.4
Deduction for non-controlling interests	-0.4	-0.3	-0.3
Adjusted capital target	13.4	15.5	18.1
Status as at 30 June 2023	16.9	18.5	20.6
Excess cover	3.5	3.0	2.5

The Group's total capital ratio was 20.6% compared with 19.8% at the end of 2022. In this context the Group has an individual solvency need of 10.4% and the combined capital buffer requirement is 6%, which currently only comprises the capital conservation buffer of 2.5%, the SIFI buffer of 1% and the countercyclical capital buffer of 2.5%.

The Group's overall capital requirement amounts to 16.3%, and consequently, as at 30 June 2023, the Group had an excess cover of 4.3 percentage points. The Group's excess cover on capital and MREL requirements relative to the risk-weighted exposures is shown in the table below:

	30.06.2023 %	Statutory requirement %	Excess cover percentage points
Group			
Common Equity Tier 1 capital ratio	16.9	11.8	5.1
Tier 1 capital ratio	18.5	13.7	4.8
Capital ratio	20.6	16.3	4.3
MREL %	25.2	20.3	4.9

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

	30.06.2023	01.01.2026
	%	%
Group		
Solvency need	10.4	10.0
Required loss-absorption amount	10.4	10.0
Solvency need	10.4	10.0
Capital conservation buffer requirement	2.5	2.5
SIFI buffer requirement	1.0	1.0
Required recapitalisation amount	13.9	13.5
Phase-in	-9.9	0.0
MREL requirement	14.3	23.4
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	20.3	29.4

The MREL requirement can be met by Common Equity Tier 1 instruments and senior non-preferred (SNP) instruments, as well as a certain percentage of senior preferred instruments (depending on the subordination requirements set).

As part of the Group's funding plan, on 26 June 2023 Arbejdernes Landsbank issued nominal DKK 50 million in Additional Tier 1 capital and DKK 250 mill. in Tier 2 capital to cover redemption of the equivalent amount in Vestjysk Bank.

Liquidity

The Group's largest source of financing is deposits from customers, amounting to DKK 74.4 bn. and 67% of the balance sheet as at 30 June 2023. A large percentage of the deposits are from private customers as well as small and medium-sized enterprises.

Over the years, the deposits base has been stable, thus securing the Group's financing of bank lending. A deposits surplus is also an objective for the Group, and it is defined as the difference between deposits and loans. At the end of the first half of 2023,

the deposits surplus amounted to DKK 29 bn., and this is DKK 0.3 bn. higher than at the end of 2022.

Furthermore, an integral part of the Group's strategic liquidity management and work on investor relations is to maintain ongoing dialogue with participants in capital markets in order to support access to alternative sources of funding.

The Group's target is for the Liquidity Coverage Ratio (LCR), calculated according to the rules in EU Regulation no. 61/2015, to amount to at least 130.0%. The LCR has been calculated at 293.7% as at 30 June 2023 against 264.5% as at 31 December 2022, and this is comfortably in line with the Group's internal frameworks and the legal requirement.

Benchmarks from the Danish Financial Supervisory Authority

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

Bank	Limit values	30.06.2023
	%	%
Sum of large exposures	< 175	60.1
Lending growth p.a.	< 20	3.9
Commercial property exposure	< 25	4.4
Liquidity benchmark	> 100	293.4

See note 50 in the Annual Report for 2022 for definitions of ratios and key figures.

The Bank comfortably meets all the benchmarks.

Related parties

Arbejdernes Landsbank acts for a number of the Group's related parties. See note 18 for a description of significant transactions with related parties in the first half of 2023.

Risk management

A description of the Group's risk management is in the Annual Report for 2022 on the Bank website: https://al-bank-prod.imgix.net/khsherwh/al_annual_report_2022_final.pdf.

Reporting of the most significant risks, including the risk report, the solvency need, the quarterly Pillar 3 report, including the selected key risk figures, calculated at group level, is available at: <https://www.al-bank.dk/en/investor-relations/reports-and-figures>.

Statement by Management



Statement by Management

Today, the Board of Directors and Executive Management presented and adopted the interim report of Aktieselskabet Arbejdernes Landsbank for the period 1 January to 30 June 2023.

The consolidated interim financial statements are prepared in accordance with IAS 34, *Interim Financial Reporting*, as adopted by the EU, and other Danish disclosure requirements for financial undertakings and issuers of listed bonds. The interim financial statements of the Bank are prepared in accordance with the Danish Financial Business Act, including the Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc.

The Management's report has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the interim financial statements give a true and fair view of the assets, liabilities and financial position of the Group and of the Bank as at 30 June 2023, and of the results of the activities of the Group and the Bank and the cash flows of the Group for the period from 1 January to 30 June 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.

The half-year interim report has not been subject to audit or review, but external auditors have carried out verification of the profit and comprehensive procedures that correspond to the requirements for a review, and thus ensured that the conditions for ongoing recognition in the own funds of the profit for the period have been met.

Copenhagen, 23 August 2023

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 Sæborg Ahlefeldt

Yvonne Hansen
Employee representative

Jesper Pedersen
Employee representative

Nadja Lind Bøgh Karlsen
Employee representative

Tina Holm
Employee representative



Interim financial statements

Income statement

Note	Group		Bank		
	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.	
5	Interest income calculated using the effective interest-rate method	1,471	908	791	425
5	Other interest income	345	53	240	34
5	Positive interest expenses on financial liabilities	-	143	-	84
6	Interest expenses	-253	-56	-188	-25
6	Negative interest income on financial assets	-	-37	-	-23
	Net interest income	1,564	1,010	843	495
	Dividends from shares etc.	53	70	28	48
7	Fee and commission income	752	844	403	446
7	Fees and commissions paid	-45	-54	-20	-24
	Net interest and fee income	2,324	1,870	1,254	966
8	Value adjustments	222	-345	124	-204
	Other operating income	40	54	20	19
	Staff and administrative expenses	-1,373	-1,315	-832	-802
	Amortisation/depreciation and impairments on intangible assets and property, plant and equipment	-101	-81	-35	-39
	Other operating expenses	-26	-29	-19	-24
9	Impairments on loans and receivables etc.	84	63	59	82
	Profit from equity investments in associated companies and group companies	-16	0	330	132
	Profit before tax	1,153	217	900	130
10	Tax	-280	-41	-140	-8
	Profit for the period	874	176	759	122
	Attributable to:				
	Shareholders of Arbejdernes Landsbank	740	110	747	110
	Holders of Additional Tier 1 instruments	17	23	12	12
	Non-controlling interests	117	43	-	-
	Profit for the period	874	176	759	122

Statement of comprehensive income

Note	Group		Bank	
	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.
	874	176	759	122
Profit for the period				
Other comprehensive income				
Items that cannot be reclassified to the income statement				
Other comprehensive income after tax concerning group companies	-	-	-7	-3
Changes in the revalued amount of owner-occupied properties	16	-4	16	-
10 Tax	-4	-	-4	-
Total other comprehensive income	12	-4	4	-3
Comprehensive income for the period	886	172	764	119
Attributable to:				
Shareholders of Arbejdernes Landsbank	751	108	751	108
Holders of Additional Tier 1 instruments	17	23	12	12
Non-controlling interests	117	42	-	-
Comprehensive income for the period	886	172	764	119

Balance sheet

Note	Group		Bank		
	30.06.2023 DKK mill.	31.12.2022 DKK mill.	30.06.2023 DKK mill.	31.12.2022 DKK mill.	
Assets					
	Cash in hand and demand deposits with central banks	11,893	12,369	7,675	7,500
9	Receivables from credit institutions and central banks	507	528	2,341	1,633
9, 11	Loans and other receivables at amortised cost	45,349	44,110	28,021	27,445
	Bonds at fair value	31,250	28,590	21,180	19,158
	Shares etc.	2,186	2,155	896	900
	Equity investments in associated companies	175	146	19	16
	Equity investments in group companies	-	-	4,720	4,472
	Assets linked to pooled schemes	15,890	15,188	7,551	7,279
	Intangible assets	202	216	-	-
	Investment properties	159	160	146	146
	Owner-occupied properties	2,118	1,933	1,307	1,292
	Total land and buildings	2,276	2,093	1,453	1,439
	Other property, plant and equipment	135	153	72	88
	Current tax assets	12	83	-	3
	Deferred tax assets	35	171	-	-
	Assets held temporarily	36	50	2	1
	Other assets	1,611	2,054	1,079	1,277
	Prepayments and accrued income	126	81	76	38
	Total assets	111,683	107,987	75,087	71,250

Balance sheet (continued)

Note	Group		Bank		
	30.06.2023 DKK mill.	31.12.2022 DKK mill.	30.06.2023 DKK mill.	31.12.2022 DKK mill.	
Equity and liabilities					
Liabilities					
Debt					
	Debt to credit institutions and central banks	636	716	634	719
	Deposits and other debt	74,397	72,908	49,684	47,871
	Deposits in pooled schemes	15,890	15,188	7,551	7,279
12	Issued bonds at amortised cost	3,094	2,311	2,745	1,962
	Other non-derivative financial liabilities at fair value	-	42	-	42
	Current tax liabilities	-	-	48	-
	Other equity and liabilities	3,141	2,893	1,864	1,642
	Accruals and deferred income	82	88	11	17
	Total debt	97,239	94,145	62,538	59,531
Provisions					
	Provisions for pensions and similar obligations	15	18	-	-
	Provisions for deferred tax	-	-	93	86
9	Guarantee loss provisions	35	33	13	9
	Other provisions	168	169	45	52
	Total provisions	219	220	151	148
13	Subordinated debt	1,275	1,274	1,150	900
	Total liabilities	98,733	95,639	63,839	60,579
Equity					
	Share capital	2,100	2,100	2,100	2,100
	Revaluation reserves	523	514	519	510
	Reserve under the equity method	-	-	1,620	1,396
	Reserves according to the articles of association	508	506	-	-
	Retained earnings	7,243	6,503	6,135	5,617
	Proposed dividend	-	210	-	210
	Shareholders of Arbejdernes Landsbank	10,374	9,833	10,374	9,833
15	Holders of Additional Tier 1 instruments	971	990	873	838
	Non-controlling interests	1,606	1,525	-	-
	Total equity	12,951	12,348	11,247	10,671
	Total equity and liabilities	111,683	107,987	75,087	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 first half-year 2023									
Equity brought forward	2,100	514	506	6,503	210	9,833	990	1,525	12,348
Comprehensive income									
Profit for the period	-	-	3	737	-	740	17	117	874
Other comprehensive income									
Changes in the revalued amount of owner-occupied properties	-	16	-	-	-	16	-	-	16
Other additions and disposals ¹	-	-3	-	3	-	-	-	-	-
Tax	-	-4	-	-	-	-4	-	-	-4
Total other comprehensive income	-	9	-	3	-	12	-	-	12
Total comprehensive income	-	9	3	740	-	751	17	117	886
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	-	-	-	-	-	-	-36	-	-36
Dividend paid for 2022	-	-	-	-	-210	-210	-	-37	-247
Dividend on own shares received	-	-	-	1	-	1	-	-	1
Purchase of own shares	-	-	-	-2	-	-2	-	-	-2
Sale of own shares	-	-	-	1	-	1	-	-	1
Total transactions with owners	-	-	-	-0	-210	-210	-36	-37	-283
Equity carried forward	2,100	523	508	7,243	-	10,374	971	1,606	12,951

¹ Depreciation of revalued owner-occupied properties.

² Reserves according to the articles of association totalling DKK 699 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 3 mill. in interest for the period. 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 191 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 first half-year 2022									
Equity brought forward	2,100	476	506	6,105	525	9,712	755	1,386	11,853
Comprehensive income									
Profit for the period	-	-	-	110	-	110	23	43	176
Other comprehensive income									
Changes in the revalued amount of owner-occupied properties	-	0	-	-3	-	-3	-	-1	-4
Other additions and disposals ¹	-	-2	-	2	-	-	-	-	-
Total other comprehensive income	-	-2	-	-1	-	-3	-	-1	-4
Total comprehensive income	-	-2	-	109	-	108	23	42	172
Transactions with owners									
Issue of Additional Tier 1 capital	-	-	-	-	-	-	429	-	429
Redemption of Additional Tier 1 capital	-	-	-	-	-	-	-429	-	-429
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-29	-	-29
Dividend paid for 2021	-	-	-	-	-525	-525	-	-	-525
Dividend received on own shares	-	-	-	2	-	2	-	-	2
Purchase of own shares	-	-	-	-1	-	-1	-	-	-1
Sale of own shares	-	-	-	0	-	0	-	-	0
Total transactions with owners	-	-	-	1	-525	-524	-29	-	-553
Equity carried forward	2,100	475	506	6,216	-	9,296	749	1,427	11,472

¹ Depreciation of revalued 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 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 first half-year 2023								
Equity brought forward	2,100	510	1,396	5,617	210	9,833	838	10,671
Comprehensive income								
Profit for the period	-	-	231	516	-	747	12	759
Other comprehensive income								
Other comprehensive income after tax concerning Group companies	-	-	-7	-	-	-7	-	-7
Changes in the revalued amount of owner-occupied properties	-	16	-	-	-	16	-	16
Other additions and disposals ¹	-	-3	-	3	-	-	-	-
Tax	-	-4	-	-	-	-4	-	-4
Total other comprehensive income	-	9	-7	3	-	4	-	4
Total comprehensive income	-	9	223	519	-	751	12	764
Transactions with owners								
Issue of Additional Tier 1 capital	-	-	-	-	-	-	50	50
Interest paid on Additional Tier 1 capital	-	-	-	-	-	-	-28	-28
Dividend paid for 2022	-	-	-	-	-210	-210	-	-210
Dividend on own shares received	-	-	-	1	-	1	-	1
Purchase of own shares	-	-	-	-2	-	-2	-	-2
Sale of own shares	-	-	-	1	-	1	-	1
Total transactions with owners	-	-	-	-0	-210	-210	22	-188
Equity carried forward	2,100	519	1,620	6,135	-	10,374	873	11,247

¹ Depreciation of revalued owner-occupied properties.

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 first half-year 2022								
Equity brought forward	2,100	476	972	5,638	525	9,712	443	10,155
Comprehensive income								
Profit for the period	-	-	132	-22	-	110	12	122
Other comprehensive income								
Other comprehensive income after tax concerning Group companies	-	-	-3	-	-	-3	-	-3
Other additions and disposals ¹	-	-2	-	2	-	-	-	-
Total other comprehensive income	-	-2	-3	2	-	-3	-	-3
Total comprehensive income	-	-2	130	-20	-	108	12	119
Transactions with owners								
Issue of Additional Tier 1 capital	-	-	-	-	-	-	429	429
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	-	-	-	-1	-	-1	-	-1
Sale of own shares	-	-	-	0	-	0	-	0
Total transactions with owners	-	-	-	1	-525	-524	-20	-544
Equity carried forward	2,100	474	1,102	5,620	-	9,296	435	9,731

¹ Depreciation of revalued owner-occupied properties.

Cash flow statement

Note	Group	
	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.
Profit before tax	1,153	217
Adjustment for non-cash operating items		
Net interest income	-1,564	-1,010
Amortisation and impairments on intangible assets	21	22
Depreciation, impairments and revaluations of property, plant and equipment	80	59
9 Impairments on loans and receivables etc.	-84	-63
Profit/(loss) on investments in associated enterprises	16	-0
Change in working capital		
Loans and receivables with credit institutions etc.	-1,253	-2,517
Bonds and shares	-2,691	-1,275
Deposits and debt to credit institutions etc.	1,409	1,599
Other non-derivative financial liabilities at fair value	-42	121
Other assets and liabilities	588	-450
Interest received	1,876	1,302
Interest paid	-164	-207
Corporation tax paid	-71	-71
Cash flows from operating activities	-725	-2.274
Acquisition of associated companies	-45	-
Acquisition of intangible assets	-8	-4
Acquisition of property, plant and equipment	-209	-43
Sale of property, plant and equipment	10	11
Cash flows from investment activities	-252	-36

Cash flow statement (continued)

Note	Group	
	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.
	783	-
	-20	-20
13	250	-
13	-250	-
15	50	429
15	-50	-429
	-36	-29
	-246	-523
	-2	-1
	1	0
<i>Cash flows from financing activities</i>	481	-573
<i>Cash flows for the period</i>	-496	-2,882
Cash and cash equivalents brought forward	12,896	13,023
<i>Cash and cash equivalents carried forward</i>	12,400	10,141
Cash and cash equivalents carried forward include:		
Cash in hand and demand deposits with central banks	11,893	9,522
Receivables from credit institutions and central banks with a term to maturity of less than three months	507	619
<i>Cash and cash equivalents carried forward</i>	12,400	10,141

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

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Note 1

Accounting policies

The interim report for the Group for the period 1 January to 30 June 2023 has been prepared in accordance with IAS 34, *Interim Financial Reporting* as approved by the EU as well as further Danish disclosure requirements stipulated in the IFRS Executive Order on Financial Undertakings issued in accordance with the Danish Financial Business Act. The financial part of the interim report follows the provisions in IAS 34 for condensed interim financial statements. The application of IAS 34 entails that the presentation is limited compared with the preparation of an annual report, and that the principles for recognition and measurement in the International Financial Reporting Standards (IFRS) have been complied with.

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

Figures in the interim financial statements are presented in whole DKK mill. unless otherwise indicated. The totals stated have been calculated on the basis of actual figures, and due to rounding to DKK mill., there may be small differences between the sum of the individual figures and the totals stated.

From 1 January 2023, the Group has implemented the following amended standards:

- Amended IAS 1, Disclosure of accounting policies
- Amended IAS 8, Definition of accounting estimates
- Amended IAS 12, Deferred tax related to assets and liabilities arising from a single transaction

Implementation of the amendments to the standards has had no impact on recognition and measurement in 2023.

Besides the above amendments to accounting standards, the presentation of the segment financial statements has been adjusted. The activities of the subsidiary, Vestjysk Bank A/S, have previously been presented as a separate segment, but in future they will be included in the segments *Customer activities*, *Investment activities* and *Other activities*. Comparative figures have been adjusted.

Otherwise, the accounting policies are unchanged in relation to the consolidated financial statements and the financial statements for the Bank for the year ended 31 December 2022. The 2022 Annual Report contains a full description of accounting policies.

Note 2

Significant accounting estimates and assessments

Measurement of certain assets and liabilities requires management estimates of how future events affect the value of these assets and liabilities. Estimates that are significant for the financial statements are made, for example in connection with calculation of impairment on loans and fair values of unlisted financial instruments, see the description in note 2 of the 2022 Annual Report.

The estimates made are based on assumptions that the Management considers reasonable but which are inherently uncertain and the actual results may deviate from these estimates.

In the first half of 2023, the significant estimates made by the Management when applying the accounting policies, and the estimation uncertainties related to these, primarily related to impairments on loans and accounts receivable etc. As at 30 June 2023, Group management estimates amounted to DKK 518 mill, of which DKK 412 concerned the macro-economic situation. This is a reduction of DKK 23 mill. compared with the end of 2022. The reduction is primarily attributable to management estimates relating to the macro-economic situation, which overall have been reduced by DKK 23 mill. This is due to expectations of a softer landing for the Danish economy than previously assumed, despite the increase in management estimates for the agricultural portfolio as a consequence of increasing interest rates.

Other management estimates relate to model uncertainties and portfolios and amounted to DKK 106 mill., which is almost unchanged compared with the end of 2022. Of this, DKK 65 mill. has been set aside to cover the risk of a further spread of African swine fever.

The overall changes in the Group's management estimates compared with the end of 2022 are shown in the table below:

	30.06.2023	31.12.2022
	DKK mill.	DKK mill.
Group		
Model uncertainty	24	23
Portfolios	82	83
Macro-economic situation	412	435
Interest rates, inflation, fall in house prices, bankruptcies, etc.	387	365
Other	25	70
Total management estimates	518	541

Otherwise, the estimates in this interim report are essentially the same as in the 2022 Annual Report.

Note 3

Events after the reporting period

No events have taken place after the end of the reporting period which have a significant impact on the assessment of the financial position of the Group or the Parent.



Note	Group			
	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.		
4 Segment information				
The Group only operates from locations in Denmark.				
Revenue	2,609	2,001		
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 first half-year 2023				
Income statement				
Net interest income	1,586	24	-47	1,564
Net fee and commission income	707	-	-	707
Value adjustments and dividends	147	149	-21	275
Other operating income	23	-	17	40
Profit from equity investments in associated companies	-16	-	-	-16
Total income	2,447	174	-51	2,569
Costs and amortisation/depreciation	-1,425	-5	-70	-1,500
Impairments on loans and receivables etc.	84	-	-	84
Total costs	-1,341	-5	-70	-1,416
Profit before tax	1,106	169	-121	1,153
Assets as at 30 June 2023				
Loans and other receivables at amortised cost	45,349	-	-	45,349
Bonds at fair value	810	30,439	-	31,250
Equity investments in associated companies	175	-	-	175
Other assets	19,522	12,638	2,750	34,910
Total assets	65,856	43,078	2,750	111,683
Equity and liabilities as at 30 June 2023				
Deposits and other debt	74,397	-	-	74,397
Allocated equity	11,229	1,203	518	12,951
Other equity and liabilities	17,754	783	5,799	24,336
Total equity and liabilities	103,380	1,986	6,318	111,683
Key figures				
Cost rate	60.2	18.7	-	63.5

Note

4 Segment information (continued)

	Customer activities DKK mill.	Investment activities DKK mill.	Other activities DKK mill.	Total DKK mill.
Group first half-year 2022				
Income statement				
Net interest income	934	68	7	1,010
Net fee and commission income	790	-	-	790
Value adjustments and dividends	223	-499	2	-275
Other operating income	37	-	17	54
Profit from equity investments in associated companies	0	-	-	0
Total income	1,984	-431	26	1,579
Costs and amortisation/depreciation	-1,347	-5	-73	-1,425
Impairments on loans and receivables etc.	63	-	-	63
Total costs	-1,284	-5	-73	-1,362
Profit before tax	700	-436	-47	217
Assets as at 31 December 2022				
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
Equity and liabilities as at 31 December 2022				
Deposits and other debt	72,908	-	-	72,908
Allocated equity	10,628	1,257	463	12,348
Other equity and liabilities	17,269	853	4,609	22,731
Total equity and liabilities	100,805	2,110	5,073	107,987
Key figures				
Cost rate	73.9	6.6	291.5	74.1

Note	Group		Bank	
	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.
5 Interest income				
Receivables from credit institutions and central banks	128	0	124	4
Loans and other receivables	1,343	907	667	422
Total interest income calculated using the effective interest-rate method	1,471	908	791	425
Bonds	293	90	191	72
Derivative financial instruments				
Currency contracts	-5	-5	-7	-6
Interest-rate contracts	58	-32	57	-33
Total derivative financial instruments	53	-37	50	-39
Total other interest income	345	53	240	34
Debt to credit institutions and central banks	-	1	-	1
Deposits and other debt	-	142	-	83
Total positive interest expenses on financial liabilities	-	143	-	84
6 Interest expenses				
Debt to credit institutions and central banks	-9	-1	-9	-1
Deposits and other debt	-125	-16	-80	-7
Issued bonds	-74	-4	-68	-
Subordinated debt	-42	-33	-29	-15
Other interest expenses	-4	-3	-3	-1
Total interest expenses	-253	-56	-188	-25
Receivables from credit institutions and central banks	-	-26	-	-17
Bonds	-	-11	-	-6
Total negative interest income on financial assets	-	-37	-	-23
7 Net fee and commission income				
Securities trading and custody accounts	147	168	75	83
Money transmission services	133	132	82	77
Loan fees	211	266	160	189
Guarantee commission	78	93	31	42
Other fees and commissions	183	184	55	55
Total fee and commission income	752	844	403	446
AL-BoligBonus	-12	-13	-12	-13
Other fees and commissions paid	-33	-41	-8	-11
Total fees and commissions paid	-45	-54	-20	-24
Net fee and commission income	707	790	383	423

Note	Group		Bank	
	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.
8 Value adjustments				
Bonds	152	-859	108	-676
Shares etc.	26	-60	-8	-81
Currency	44	46	27	30
Derivative financial instruments				
Currency contracts	-4	0	-5	0
Interest-rate contracts	3	535	2	523
Share contracts	0	0	0	1
Total derivative financial instruments	-1	535	-3	524
Assets linked to pooled schemes	772	-2,127	392	-1,024
Deposits in pooled schemes	-772	2,127	-392	1,024
Other assets	1	-8	-	-
Total value adjustments	222	-345	124	-204
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	1	0	1	0
Loans and other receivables at amortised cost	-57	-167	47	46
Guarantees	-2	-0	-4	5
Unutilised credit lines and commitments	1	34	7	24
Total net movements on impairment and provision accounts	-57	-134	51	76
Ascertained losses not covered by previous impairments and provisions	-13	-9	-5	-3
Recognised in claims previously written off	44	24	12	10
Reversed reserves on lending which was credit-impaired at initial recognition	110	181	-	-
Net impact recognised in the income statement	84	63	59	82

The operating profit from impairments on loans etc. for the Group and the Bank in the first half of 2023 is primarily attributable to reductions in management estimates of DKK 23 mill. and DKK 38 mill., respectively compared with the end of 2022, and a continued strong portfolio of lending and guarantees.

Out of the Group's total ascertained losses in the first half of 2023 of DKK 72 mill., steps are still being taken to recover DKK 36 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 30 June 2023							
Receivables from credit institutions and central banks	507	1	8	-	516	-9	507
Loans and other receivables at amortised cost	39,007	4,691	1,801	1,213	46,712	-1,363	45,349
Guarantees	10,697	1,031	311	182	12,220	-35	12,185
Unutilised credit lines and commitments	22,438	1,954	295	313	25,001	-157	24,844
Total exposures	72,649	7,677	2,415	1,709	84,449	-1,564	82,885
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 30 June 2023					
Receivables from credit institutions and central banks	1	0	8	-	9
Loans and other receivables at amortised cost	185	272	641	265	1,363
Guarantees	8	2	18	8	35
Unutilised credit lines and commitments	18	14	54	70	157
Total impairments and provisions	212	288	721	343	1,564
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 stage 3 is primarily attributable to management estimates and new impairments on the exposures in Vestjysk Bank A/S. As at 30 June 2023, a total of 72 mill. had been written off, of which DKK 59 mill. had previously been written down. The Group had acquired impairment charges related to Vestjysk Bank A/S totalling DKK 685 mill. as at 30 June 2023.

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.	Effect on profit DKK mill.
Changes in the summary impairment/provisions account in the first half of 2023						
Total impairments and provisions brought forward	227	300	587	434	1,548	-
Transfers to stage 1	60	-42	-18	-	-	-
Transfers to stage 2	-8	15	-7	-	-	-
Transfers to stage 3	-3	-8	11	-	-	-
Impairments and provisions for the period as a consequence of changes in credit risk	-102	5	122	-50	-25	-25
Impairments and provisions on new exposures	50	22	42	-	113	113
Reversal of impairments and provisions on redeemed exposures	-11	-3	26	-42	-31	-31
Interest adjustment	-	-	18	-	18	-
Ascertained losses covered by previous impairments and provisions	-	-	-59	-	-59	-
Total impairments and provisions carried forward	212	288	721	343	1,564	57
Changes in the summary impairment/provisions account in 2022						
Total impairments and provisions brought forward	217	193	492	388	1,290	-
Transfers to stage 1	48	-39	-9	-	-	-
Transfers to stage 2	-14	27	-14	-	-	-
Transfers to stage 3	-3	-11	14	-	-	-
Impairments and provisions for the financial year as a consequence of changes in credit risk	-37	146	104	130	342	342
Impairments and provisions for the financial year as a consequence of changes impairment models and risk parameters	-13	-8	-0	-	-21	-21
Impairments and provisions on new exposures	62	21	45	-	127	127
Reversal of impairments and provisions on redeemed exposures	-33	-29	6	-84	-141	-141
Interest adjustment	-	-	23	-	23	-
Ascertained losses covered by previous impairments and provisions	-	-	-72	-	-72	-
Total impairments and provisions carried forward	227	300	587	434	1,548	307

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 impairments/provisions account is at the same level as at the end of 2022. The increase in stage 3 impairments is primarily attributable to management estimates and new impairments on the exposures in Vestjysk Bank A/S.

Note

9 Impairments on loans and receivables etc. (continued)

	Bank			Gross value DKK mill.	Total impairments and provisions DKK mill.	Carrying amount DKK mill.
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.			
Gross carrying amounts broken down by stages as at 30 June 2023						
Receivables from credit institutions and central banks	2,341	1	8	2,350	-9	2,341
Loans and other receivables at amortised cost	25,448	2,015	1,012	28,474	-454	28,021
Guarantees	5,123	744	85	5,952	-13	5,939
Unutilised credit lines and commitments	6,923	827	62	7,812	-35	7,777
Total exposures	39,834	3,587	1,168	44,589	-510	44,078
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			Total DKK mill.
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	
Accumulated impairments and provisions, broken down by stages as at 30 June 2023				
Receivables from credit institutions and central banks	1	0	8	9
Loans and other receivables at amortised cost	102	49	303	454
Guarantees	1	1	10	13
Unutilised credit lines and commitments	10	13	13	35
Total impairments and provisions	113	63	334	510
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 and provisions in all stages is attributable to reductions in management estimates and a continued strong portfolio of lending and guarantees. As at 30 June 2023, a total of DKK 17 mill. had been written off, of which DKK 12 mill. had previously been written down.

Note

9 Impairments on loans and receivables etc. (continued)

	Bank				Effect on profit DKK mill.
	Stage 1 DKK mill.	Stage 2 DKK mill.	Stage 3 DKK mill.	Total DKK mill.	
Changes in the summary impairment/provisions account in the first half of 2023					
Total impairments and provisions brought forward	143	69	356	568	-
Transfers to stage 1	12	-11	-2	-	-
Transfers to stage 2	-4	6	-1	-	-
Transfers to stage 3	-1	-6	7	-	-
Impairments and provisions for the period as a consequence of changes in credit risk	-39	3	-8	-44	-44
Impairments and provisions on new exposures	13	5	9	27	27
Reversal of impairments and provisions on redeemed exposures	-11	-3	-20	-35	-35
Interest adjustment	-	-	6	6	-
Ascertained losses covered by previous impairments and provisions	-	-	-12	-12	-
Total impairments and provisions carried forward	113	63	334	510	-51
Changes in the summary impairment/provisions account in 2022					
Total impairments and provisions brought forward	134	75	405	614	-
Transfers to stage 1	30	-22	-8	-	-
Transfers to stage 2	-8	20	-12	-	-
Transfers to stage 3	-2	-5	6	-	-
Impairments and provisions during the financial year as a consequence of changes in credit risk	-15	10	-4	-9	-9
Impairments and provisions during the financial year as a consequence of changes in impairment models and risk parameters	-13	-8	-0	-21	-21
Impairments and provisions on new exposures	36	8	16	59	59
Reversal of impairments and provisions on redeemed exposures	-18	-9	-40	-67	-67
Interest adjustment	-	-	9	9	-
Ascertained losses covered by previous impairments and provisions	-	-	-16	-16	-
Total impairments and provisions carried forward	143	69	356	568	-38

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 impairments/provisions account is attributable to reductions in management estimates totalling DKK 38 mill. and a continued strong portfolio of lending and guarantees.

Note	Group		Bank	
	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.
10 Tax				
Tax for the period may be broken down as follows:				
Tax on profit for the period	-280	-41	-140	-8
Tax on other comprehensive income	-4	-	-4	-
Total tax	-284	-41	-144	-8
Tax on profit for the period is calculated as follows:				
Current tax for the period	-148	-26	-138	-2
Adjustment of deferred tax for the period	-132	15	-3	4
Effect of change in tax rate	-	-38	-	-10
Adjustment of current tax concerning previous years	-0	5	-	-
Adjustment of deferred tax concerning previous years	-	2	-	-
Total tax on profit for the period	-280	-41	-140	-8
Tax on profit for the period can be explained as follows:				
Calculated tax on profit for the period before tax at 22%	-254	-48	-198	-29
Tax base of individual tax for financial undertakings	-37	-38	-29	-10
Tax base of income not subject to tax	18	29	90	34
Tax base of non-deductible expenses	-11	-11	-3	-3
Tax base of profit/loss in associated companies	4	-	-	-
Tax base of losses brought forward in Vestjysk Bank A/S	-	18	-	-
Adjustment of current tax concerning previous years	-0	5	-	-
Adjustment of deferred tax concerning previous years	-	2	-	-
Total tax on profit for the period	-280	-41	-140	-8
Effective tax rate	24.2	19.0	15.6	6.1
Tax base of individual tax for financial undertakings is due to phasing in new financial transactions tax. In practice, tax on banks will increase from 22% in 2022 to 25.2% in 2023 and 26% in 2024 and onwards.				
Tax on other comprehensive income is calculated as follows:				
Adjustment of deferred tax for the period	-4	-	-4	-
Total tax on other comprehensive income	-4	-	-4	-

Note	Group		Bank	
	30.06.2023 DKK mill.	31.12.2022 DKK mill.	30.06.2023 DKK mill.	31.12.2022 DKK mill.
11 Loans and guarantees broken down by sectors and industries				
Public authorities	48	70	48	69
Business				
Agriculture, hunting, forestry and fisheries	3,373	3,460	2	1
Industry and extraction of raw materials	1,392	1,377	158	168
Energy supply	870	608	71	39
Building and construction	1,641	1,441	847	562
Trade	4,089	3,910	705	720
Transport, hotels and restaurants	755	817	104	100
Information and Communication	155	132	44	41
Financial and insurance	2,393	2,275	8,694	8,393
Real property	4,160	4,108	1,349	1,225
Other business	4,176	3,867	2,066	1,965
Total business	23,004	21,995	14,040	13,215
Private	34,482	35,171	19,873	19,926
Total loans and guarantees	57,534	57,235	33,960	33,210

Note					Group		Bank	
					30.06.2023 DKK mill.	31.12.2022 DKK mill.	30.06.2023 DKK mill.	31.12.2022 DKK mill.
12	Issued bonds at amortised cost							
	Currency	Nom. in mill.	Interest rate	Maturity				
	DKK	30	3.00%	27.09.2024 ¹	30	30	-	-
	DKK	140	CIBOR-6M + 1.75%	11.03.2025 ²	140	140	-	-
	SEK	700	STIBOR-3M + 3.00%	09.12.2025 ³	440	467	440	467
	DKK	500	CIBOR-3M + 2.25%	09.05.2026 ⁴	499	499	499	499
	DKK	180	2.04%	18.06.2026 ⁵	179	179	-	-
	SEK	250	6.00% ⁶	09.02.2027 ⁷	157	-	157	-
	SEK	800	STIBOR-3M + 3.10%	09.02.2027 ⁷	503	-	503	-
	DKK	1,000	CIBOR-3M + 2.00%	16.09.2027 ⁸	997	997	997	997
	EUR	20	EURIBOR-3M + 2.25%	26.04.2028 ⁹	149	-	149	-
	Total issued bonds at amortised cost				3,094	2,311	2,745	1,962
	Of these, included in MREL basis				2,596	1,962	2,596	1,962

¹ Can be redeemed before maturity from 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.

13	Subordinated debt							
	Currency	Nom. in mill.	Interest rate	Maturity				
	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 these included in own funds, see note 14				1,275	1,274	1,150	900

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	Group		Bank				
	30.06.2023 DKK mill.	31.12.2022 DKK mill.	30.06.2023 DKK mill.	31.12.2022 DKK mill.			
14 Own funds							
Transformation from equity to own funds							
Equity	12,951	12,348	11,247	10,671			
Non-controlling interests not included	-535	-492	-	-			
Additional Tier 1 capital, including interest payable	-971	-990	-873	-838			
Reserved/proposed dividend	-361	-247	-299	-210			
Intangible assets	-202	-216	-	-			
Deferred tax assets	-35	-150	-	-			
Deduction for own shares in customers' pledge accounts	-2	-1	-0	-0			
Deduction for prudent valuation	-34	-32	-22	-21			
Deduction of non-performing exposures	-357	-263	-64	-35			
Capital instruments in financial entities	-328	-254	-	-			
Common Equity Tier 1 capital	10,127	9,703	9,990	9,568			
Additional Tier 1 capital	955	955	859	809			
Non-controlling interests not included	-4	17	-	-			
Tier 1 capital	11,078	10,675	10,849	10,377			
Tier 2 capital	1,275	1,274	1,150	900			
Non-controlling interests not included	12	-48	-	-			
Capital instruments in financial entities	-31	-29	-	-			
Own funds	12,333	11,872	11,999	11,277			
15 Additional Tier 1 capital							
Currency	Nom. in mill.	Interest rate	Maturity				
DKK	50	7.50%	Infinite ¹	-	52	-	-
DKK	46	5.25%	Infinite ²	47	48	-	-
DKK	50	4.75% ³	Infinite ⁴	51	52	-	-
DKK	380	5.42% ⁵	Infinite ⁶	391	388	391	388
DKK	429	3.97% ⁷	Infinite ⁸	432	450	432	450
DKK	50	9.57% ⁹	Infinite ¹⁰	50	-	50	-
Total Additional Tier 1 capital				971	990	873	838
Of these, included in Tier 1 capital/own funds, see note 14				955	955	859	809

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 The interest rate is fixed until 16 August 2027, then it will be changed to CIBOR-6M + 4.35%.

⁶ Can be redeemed before maturity from 16 August 2027.

⁷ The interest rate is fixed until 24 April 2029, then it will be changed to CIBOR-6M + 3.50%.

⁸ Can be redeemed before maturity from 24 April 2029.

⁹ The interest rate is fixed until 26 June 2028, then it will be changed to CIBOR-6M + 6.15%.

¹⁰ Can be redeemed before maturity from 26 June 2028.

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

Note	Group		Bank		
	30.06.2023 DKK mill.	31.12.2022 DKK mill.	30.06.2023 DKK mill.	31.12.2022 DKK mill.	
16	Contingent liabilities and other binding commitments				
	Contingent liabilities				
	Financial guarantees	3,020	3,192	1,909	1,593
	Guarantees for losses on mortgage loans	5,237	5,998	2,497	2,786
	Land registration and conversion guarantees	1,497	1,462	775	602
	Collateral for group companies	-	-	51	51
	Other contingent liabilities	2,430	2,473	708	733
	Total contingent liabilities	12,185	13,125	5,939	5,765
	Additional binding commitments				
	Irrevocable credit commitments less than 1 year	1,078	902	-	-
	Irrevocable credit commitments more than 1 year	24	118	-	-
	Other credit commitments less than 1 year	23,741	23,277	7,777	7,981
	Unutilised commitments regarding payment of pension contributions	1	1	1	1
	Other binding commitments	947	1,123	217	259
	Total other binding commitments	25,792	25,421	7,996	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 contribution represents 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 receivable at group level amounted to DKK 12 mill. as at 30 June 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 A/S and is jointly and severally liable for settlement hereof.

The Group and the Bank are members of BEC (Bankernes EDB Central), and withdrawal as a going concern would entail a liability to pay compensation amounting to DKK 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

17 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	Amortised cost	Fair value
	30.06.2023 DKK mill.	30.06.2023 DKK mill.	31.12.2022 DKK mill.	31.12.2022 DKK mill.
Classification and measurement of financial instruments				
Financial assets				
Cash in hand and demand deposits with central banks	11,893	-	12,369	-
Receivables from credit institutions and central banks	507	-	528	-
Loans and other receivables at amortised cost	45,349	-	44,110	-
Bonds at fair value	-	31,250	-	28,590
Shares etc.	-	2,186	-	2,155
Assets linked to pooled schemes	-	15,890	-	15,188
Derivative financial instruments and spot transactions	-	345	-	391
Interest and commissions receivable	18	195	22	146
Total financial assets	57,767	49,865	57,029	46,470
Financial liabilities				
Debt to credit institutions and central banks	636	-	716	-
Deposits and other debt	74,397	-	72,908	-
Deposits in pooled schemes	-	15,890	-	15,188
Issued bonds at amortised cost	3,094	-	2,311	-
Other non-derivative financial liabilities at fair value	-	-	-	42
Derivative financial instruments and spot transactions	-	121	-	69
Interest and commissions due	102	0	24	1
Subordinated debt	1,275	-	1,274	-
Total financial liabilities	79,504	16,011	77,233	15,299

Note

17 Fair value disclosures and classification of financial instruments (continued)

Methods and assumptions for calculating fair values

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

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

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

Listed prices (level 1)

All active markets use officially listed closing prices as fair value.

Observable input (level 2)

For financial assets and liabilities, where the closing price is not available or is not assessed to reflect the fair value, observable market information, including interest rates, foreign exchange rates, volatilities and credit spreads, as well as currency indicators from leading market participants, are used to establish the fair value.

Non-observable input (level 3)

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

Equity investments under non-observable input includes unlisted shares, primarily in companies related to the financial sector, where fair value is set on the basis of provisions in ownership agreements etc. or input from transactions carried out. The Association of Local Banks in Denmark, Savings Banks and Cooperative Banks in Denmark (LOPI) every quarter recommends fair values of certain of the so-called sector shares; i.e. shares owned by banks in order to participate actively in the infrastructure and the product supply that supports the business strategy of the industry. The prices recommended by LOPI are based on ownership agreements and transactions carried out in the sector. In some cases, the fair value is based on the accounting equity (net asset value) in the underlying undertaking, as this forms the basis for the transaction price if owners sell between themselves. When calculating the fair value of sector shares according to LOPI's recommended rates, these are also included in the valuation as a non-observable input. The Group carries out an independent assessment of the prices recommended and verifies their relationship with transactions carried out and published financial statements. The value of the shares changes by DKK 190 mill. (2022: DKK 187 mill.) on a change in the prices of 10%. The Management assesses that alternative methods for measuring the fair value of these shares will not entail significantly different fair values.

Bonds under non-observable input include a small holding of unlisted credit bonds issued by regional and local Danish banks. The value of the bonds changes by DKK 21 mill. (2022: DKK 21 mill.) on a change in the prices of 10%. The Management assesses that alternative methods for measuring the fair value of these bonds will not entail significantly different fair values.

With regard to derivative financial instruments, the Group performs a Credit Value Adjustment (CVA) of the fair value. CVA reflects the credit risk of the counterparty in derivatives transactions and is performed on the basis of Loss Given Default (LGD), Expected Positive Exposure (EPE), and the Probability of Default (PD) of the counterparty. The Group uses both a parametric and a semi-analytic model approach to quantifying future expected positive exposure. The probability of default is derived from observable credit information in the market, if possible. In the event that this is not possible, adjustment is based on proxy Credit Default Swap (CDS) curves. Total CVA adjustments amounted to DKK 0 mill. as at 30 June 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 the first half-year of 2023, the Group transferred DKK 462 mill. (2022: DKK 5,018 mill.) of bonds at fair value from level 1 to level 2 as a result of infrequent price updates. In 2023, the Group did not transfer bonds (2022: DKK 496 mill.) level 2 to level 1 as a result of observed frequent price updates.

Apart from the above, there have been no significant transfers between the three fair value levels in the first half-year of 2023.

Note

17 Fair value disclosures and classification of financial instruments (continued)

	Group			Total DKK mill.
	Listed prices (level 1) DKK mill.	Observable input (level 2) DKK mill.	Non- observable input (level 3) DKK mill.	
Fair value hierarchy as at 30 June 2023				
Financial assets				
Bonds at fair value	15,760	15,282	208	31,250
Shares etc.	290	-	1,896	2,186
Assets linked to pooled schemes	15,890	-	-	15,890
Derivative financial instruments and spot transactions	14	331	-	345
Interest and commissions receivable	98	96	1	195
Total financial assets	32,052	15,709	2,104	49,865
Financial liabilities				
Deposits in pooled schemes	-	15,890	-	15,890
Derivative financial instruments and spot transactions	-	121	-	121
Interest and commissions due	0	-	-	0
Total financial liabilities	0	16,011	-	16,011
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

17 Fair value disclosures and classification of financial instruments (continued)

	Group	
	First half-year 2023 DKK mill.	2022 DKK mill.
Non-observable input (level 3)		
Fair value brought forward	2,076	1,586
Value adjustments recognised in the income statement ¹	18	128
Net change in interest and commissions receivable	0	0
Purchases	40	207
Sales	-30	-34
Transfers from level 2	-	188
Fair value carried forward	2,104	2,076

¹ Of which DKK 18 mill. (2022: DKK 124 mill.) is attributable to assets held at the end of the reporting period.

Note

17 Fair value disclosures and classification of financial instruments (continued)

	Group			
	Carrying amount	Fair value	Carrying amount	Fair value
	30.06.2023 DKK mill.	30.06.2023 DKK mill.	31.12.2022 DKK mill.	31.12.2022 DKK mill.
Financial instruments recognised at amortised cost				
Financial assets				
Cash in hand and demand deposits with central banks	11,893	11,893	12,369	12,369
Receivables from credit institutions and central banks	507	507	528	528
Loans and other receivables at amortised cost	45,349	45,281	44,110	44,077
Interest and commissions receivable	18	18	22	22
Total financial assets	57,767	57,700	57,029	56,995
Financial liabilities				
Debt to credit institutions and central banks	636	636	716	716
Deposits and other debt	74,397	74,390	72,908	72,905
Issued bonds at amortised cost	3,094	3,101	2,311	2,319
Interest and commissions due	102	102	24	24
Subordinated debt	1,275	1,275	1,274	1,281
Total financial liabilities	79,504	79,504	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.

18 Related party transactions

A shareholder with significant influence acquired DKK 126 mill. Tier 2 capital and DKK 25 mill. Additional Tier 1 capital in connection with issues of DKK 250 mill. and DKK 50 mill., respectively, see notes 13 and 15.

A/S Arbejdernes Landsbank has increased the credit limit for the AL Finans A/S subsidiary by DKK 600 million to DKK 8.9 bn. as a consequence of increased funding needs.

On 10 March 2023, AL Finans A/S acquired 50% of the shares in Mobility Service Denmark A/S (SIXT Denmark). As at 30 June 2023, AL Finans A/S had granted a credit limit of DKK 800 mill. to Mobility Service Denmark A/S to finance car-hire activities.

A/S Arbejdernes Landsbank has carried out a cash capital increase of DKK 25 mill. in the Ejendomsselskabet Sluseholmen A/S subsidiary.

A/S Arbejdernes Landsbank has granted the following loans to the Vestjysk Bank A/S subsidiary:

- A 5-year SNP loan of DKK 250 mill. to cover its MREL requirement. Interest on this is charged at a quarterly coupon rate of CIBOR-3M + 3.25%.
- A 10-year Tier 2 loan of DKK 250 mill. to refinance Tier 2 capital. Interest on this is charged at a half-yearly coupon rate of CIBOR-6M + 4.14%.
- An infinite AT1 loan of DKK 230 mill. to refinance Additional Tier 1 capital. Interest on this is charged at a half-yearly coupon rate of CIBOR-6M + 6.69%.

Apart from the above, there were no new significant transactions with related parties in the first half of 2023.

See the annual report for 2022 for a more detailed definition and description of transactions with related parties.

Note	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.	2022 DKK mill.
19 Financial highlights for the Group			
Income statement			
Net interest income	1,564	1,010	2,218
Net fee and commission income	707	790	1,565
Value adjustments and dividends	275	-275	-127
Other operating income	40	54	98
Profit from equity investments in associated companies	-16	0	4
Total income	2,569	1,579	3,757
Costs and amortisation/depreciation	-1,500	-1,425	-2,907
Impairments on loans and receivables etc.	84	63	52
Total costs	-1,416	-1,362	-2,855
Profit before tax	1,153	217	903
Tax	-280	-41	-114
Profit for the period	874	176	789
Selected balance sheet items			
Loans and other receivables at amortised cost	45,349	44,313	44,110
Bonds at fair value	31,250	29,337	28,590
Total assets	111,683	106,087	107,987
Deposits incl. pooled schemes	90,287	88,566	88,095
Equity	12,951	11,472	12,348
Other financial data			
Net interest and fee income	2,324	1,870	3,856
Value adjustments	222	-345	-201
Staff and administrative expenses	-1,373	-1,315	-2,682
Own funds	12,333	11,230	11,872
Tier 1 capital	11,078	9,847	10,675
Common Equity Tier 1 capital	10,127	9,144	9,703
Exposures with credit risk	46,759	49,226	46,762
Exposures with market risk	6,434	7,346	6,639
Exposures with operational risk	6,697	6,370	6,697
Total risk exposure	59,890	62,943	60,098

Note		First half-year 2023	First half-year 2022	2022	
19	Ratios and key figures for the Group				
	Solvency				
	Capital ratio	%	20.6	17.8	19.8
	Tier 1 capital ratio	%	18.5	15.6	17.8
	Common Equity Tier 1 capital ratio	%	16.9	14.5	16.1
	Earnings				
	Return on equity before tax	%	9.0	1.6	7.0
	Return on equity after tax	%	6.8	1.3	6.1
	Ratio of operating income to operating expenses per DKK	DKK	1.81	1.16	1.32
	Return on capital employed	%	0.8	0.2	0.7
	Market risk				
	Interest-rate risk	%	1.8	2.5	2.1
	Currency position	%	1.2	1.2	1.0
	Currency risk	%	0.0	0.0	0.0
	Liquidity				
	Loans plus impairments in relation to deposits	%	51.7	51.4	51.6
	Liquidity coverage ratio (LCR)	%	293.7	250.5	264.5
	Credit				
	Sum of large exposures	%	111.5	89.8	102.5
	Impairment ratio for the period	%	0.0	0.2	0.6
	Lending growth for the period	%	2.8	5.6	5.1
	Loans in relation to equity		3.5	3.9	3.6
	Employees				
	Average number of staff employed in the reporting period converted to full-time equivalents		1,865	1,812	1,827

See note 50 in the Annual Report for 2022 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 loss ratio for the period.

Note	First half-year 2023 DKK mill.	First half-year 2022 DKK mill.	2022 DKK mill.
19 Financial highlights for the Bank			
Income statement			
Net interest income	843	495	1,124
Net fee and commission income	383	423	836
Value adjustments and dividends	153	-156	3
Other operating income	20	19	40
Profit from equity investments in associated companies and group companies	330	132	423
Total income	1,728	913	2,426
Costs and amortisation/depreciation	-887	-865	-1,795
Impairments on loans and receivables etc.	59	82	48
Total costs	-828	-783	-1,747
Profit before tax	900	130	679
Tax	-140	-8	-46
Profit for the period	759	122	633
Selected balance sheet items			
Loans and other receivables at amortised cost	28,021	26,965	27,445
Bonds at fair value	21,180	20,054	19,158
Total assets	75,087	68,722	71,250
Deposits incl. pooled schemes	57,235	55,497	55,150
Equity	11,247	9,731	10,671
Other financial data			
Net interest and fee income	1,254	966	2,011
Value adjustments	124	-204	-48
Staff and administrative expenses	-832	-802	-1,667
Own funds	11,999	10,537	11,277
Tier 1 capital	10,849	9,637	10,377
Common Equity Tier 1 capital	9,990	9,208	9,568
Exposures with credit risk	36,214	34,279	34,636
Exposures with market risk	4,606	5,330	4,835
Exposures with operational risk	3,735	3,600	3,735
Total risk exposure	44,555	43,209	43,206

Note		First half-year 2023	First half-year 2022	2022	
19	Ratios and key figures for the Bank				
	Solvency				
	Capital ratio	%	26.9	24.4	26.1
	Tier 1 capital ratio	%	24.3	22.3	24.0
	Common Equity Tier 1 capital ratio	%	22.4	21.3	22.1
	Earnings				
	Return on equity before tax	%	8.2	1.3	6.5
	Return on equity after tax	%	6.9	1.2	6.1
	Ratio of operating income to operating expenses per DKK	DKK	2.09	1.17	1.39
	Return on capital employed	%	1.0	0.2	0.9
	Market risk				
	Interest-rate risk	%	1.2	1.7	1.5
	Currency position	%	1.1	1.2	0.9
	Currency risk	%	0.0	0.0	0.0
	Liquidity				
	Loans plus impairments in relation to deposits	%	49.7	49.5	50.7
	Liquidity coverage ratio (LCR)	%	284.5	223.7	243.0
	Credit				
	Sum of large exposures	%	60.1	41.9	58.2
	Impairment ratio for the period	%	-0.1	-0.2	-0.1
	Lending growth for the period	%	2.1	7.5	9.5
	Loans in relation to equity		2.5	2.8	2.6
	Employees				
	Average number of staff employed in the reporting period converted to full-time equivalents		1,155	1,083	1,105

See note 50 in the Annual Report for 2022 for definitions of ratios and key figures.

AKTIESELSKABET

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