

**CREDIT OPINION**

13 May 2025

New Issue

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**RATINGS**

**Arbejdernes Landsbank A/S**

Domicile	Copenhagen, Denmark
Long Term CRR	A2
Type	LT Counterparty Risk Rating - Fgn Curr
Outlook	Not Assigned
Long Term Debt	A2
Type	Senior Unsecured - Fgn Curr
Outlook	Stable
Long Term Deposit	A2
Type	LT Bank Deposits - Fgn Curr
Outlook	Stable

Please see the [ratings section](#) at the end of this report for more information. The ratings and outlook shown reflect information as of the publication date.

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# Arbejdernes Landsbank A/S

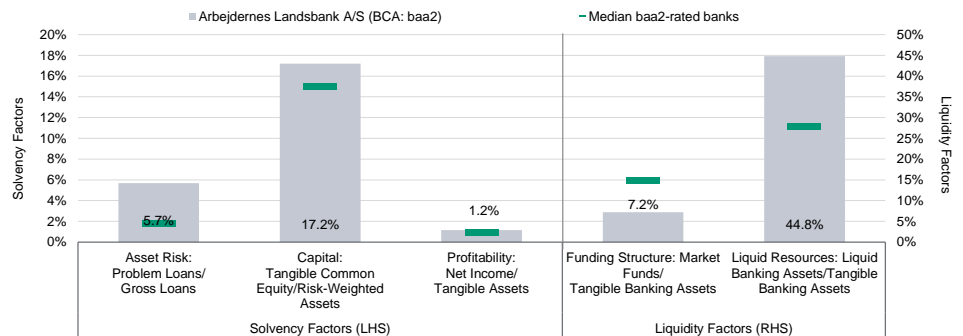
## Update to credit analysis

### Summary

[Arbejdernes Landsbank A/S's](#) (AL Bank's) A2 long-term deposit ratings and (P)A2 senior unsecured MTN program ratings reflect the bank's baa2 Baseline Credit Assessment (BCA) and a forward-looking view of the bank's bail-inable debt issuance. Moody's Advanced Loss Given Failure (LGF) analysis indicates an extremely low loss given failure and results in 3 notches of uplift to the ratings from its BCA.

AL Bank's baa2 BCA captures its strong capitalization, improved profitability, strong retail franchise with a stable deposit base, and high liquidity buffers. These strengths are balanced against elevated, but declining asset risks primarily from the majority stake in Vestjysk Bank A/S (Vestjysk Bank) and a degree of historical volatility in net income. Complexity in risk management and organisational control arising from the consolidation of Vestjysk Bank is also captured in the bank's BCA.

Exhibit 1  
Rating scorecard - Key financial ratios



The metrics presented in the exhibit are our [Banks Methodology](#) scorecard ratios. Asset risk and profitability reflect the weaker of either the three-year average or the latest annual figure. Capital is the latest reported figure. Funding structure and liquid resources reflect the latest fiscal year-end figures.

Source: Moody's Ratings

## Credit strengths

- » Strong retail franchise across Denmark
- » Strong capitalization
- » Very strong funding and liquidity profile
- » Improved profitability

## Credit challenges

- » Increased asset risk and complexity in group risk management due to the consolidation of Vestjysk Bank
- » Historic volatility in net income

## Rating outlook

The outlook on Arbejdernes Landsbank's long-term deposit ratings is stable, reflecting our expectation that the bank will demonstrate stable capitalisation and liquidity, while continuing to gradually reduce non-performing loans in Vestjysk Bank A/S. Profitability will moderately reduce from recent elevated levels as interest rate margins decline.

## Factors that could lead to an upgrade

- » The ratings could be upgraded due to an upgrade of the BCA. Factors that could lead to an upgrade of the BCA include: 1) evidence of strong governance control of Vestjysk Bank A/S by AL Bank, with an integrated risk management of the banks; or 2) meaningfully reduced asset risk combined with higher capitalization.

## Factors that could lead to a downgrade

- » The ratings could be downgraded if the BCA was downgraded or if the LGF uplift was lowered. The BCA could be downgraded if: (i) problem loans increase rapidly; or (ii) tangible common equity to risk-weighted assets falls below 13%; or (iii) recurring profitability declines or if there is large volatility in profitability; or (iv) the liquidity position significantly deteriorates.
- » The LGF-driven rating uplift could be impacted if the bank issues significantly lower volumes of senior non-preferred debt than currently incorporated into the analysis.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on <https://ratings.moody's.com> for the most updated credit rating action information and rating history.

## Key Indicators

Exhibit 2

### Arbejdernes Landsbank A/S (Consolidated Financials) [1]

	12-24 <sup>2</sup>	12-23 <sup>2</sup>	12-22 <sup>2</sup>	12-21 <sup>2</sup>	12-20 <sup>2</sup>	CAGR/Avg. <sup>3</sup>
Total Assets (DKK Million)	126,857.0	116,927.0	107,859.0	107,365.8	62,842.6	19.2 <sup>4</sup>
Total Assets (USD Million)	17,615.1	17,326.8	15,479.5	16,359.8	10,330.0	14.3 <sup>4</sup>
Tangible Common Equity (DKK Million)	11,504.0	10,530.0	9,230.6	9,080.8	6,328.6	16.1 <sup>4</sup>
Tangible Common Equity (USD Million)	1,597.4	1,560.4	1,324.7	1,383.7	1,040.3	11.3 <sup>4</sup>
Problem Loans / Gross Loans (%)	4.8	5.8	6.4	6.6	4.9	5.7 <sup>5</sup>
Tangible Common Equity / Risk Weighted Assets (%)	17.2	17.0	15.4	14.6	17.6	16.3 <sup>6</sup>
Problem Loans / (Tangible Common Equity + Loan Loss Reserve) (%)	20.2	23.8	27.6	28.1	17.0	23.3 <sup>5</sup>
Net Interest Margin (%)	2.7	3.0	2.1	1.8	1.8	2.3 <sup>5</sup>
PPI / Average RWA (%)	3.3	4.0	1.3	1.4	0.9	2.2 <sup>6</sup>
Net Income / Tangible Assets (%)	1.2	1.5	0.7	0.9	0.5	1.0 <sup>5</sup>
Cost / Income Ratio (%)	60.1	55.3	78.5	76.4	84.7	71.0 <sup>5</sup>
Market Funds / Tangible Banking Assets (%)	7.2	4.8	3.4	1.1	2.9	3.9 <sup>5</sup>
Liquid Banking Assets / Tangible Banking Assets (%)	44.8	45.9	45.1	46.2	49.5	46.3 <sup>5</sup>
Gross Loans / Due to Customers (%)	67.4	63.8	62.3	59.9	54.7	61.6 <sup>5</sup>

[1] All figures and ratios are adjusted using Moody's standard adjustments. [2] Basel III - fully loaded or transitional phase-in; IFRS. [3] May include rounding differences because of the scale of reported amounts. [4] Compound annual growth rate (%) based on the periods for the latest accounting regime. [5] Simple average of periods for the latest accounting regime. [6] Simple average of Basel III periods.

Sources: Moody's Ratings and company filings

## Profile

Arbejdernes Landsbank A/S (AL Bank) is a retail and commercial bank established in 1919 by Danish trade unions as a workers' bank. Headquartered in Copenhagen, it offers banking services through 59 branches across Denmark as of December 2024, targeting retail and corporate clients. It also offers vehicle financing through its subsidiary AL Finans A/S. AL Bank also owns 73% of Vestjysk Bank (Vestjysk) since 2021. Vestjysk is consolidated in AL Bank's accounts and integrated into group risk management, but is maintained as a separate client-facing franchise with a further 25 branches.

AL Bank held total consolidated assets of DKK 127 million as of December 2024, and had market shares of 2.9% of bank lending (1.1% of lending by banks and mortgage credit institutions) and 4.4% of deposits in Denmark. It has been designated as a systemically important financial institution in Denmark since June 2021.

The bank's shares are c. 80% owned by major trade unions in Denmark, and the remainder by individual union members.

## Recent developments

On 7 May 2025, AL Bank announced that it has acquired PenSam Bank from Danish occupational pension provider PenSam Pension. The transaction is subject to approval by the Danish Financial Supervisory Authority and the Competition and Consumer Authority, with closing expected in Q3 2025. The bank expects to completely merge PenSam Bank into AL Bank.

The acquisition will contribute to AL Bank's strategic growth objectives, with limited capital impact and execution risk. This relatively small purchase can be managed within AL Bank's current capital plan and its guidance for 2025 profit after tax remains unchanged in the range of DKK 1.3-1.7 billion. Pensam Bank's DKK 1 billion loan book will add 2% to AL Bank's loan portfolio and its 17 000 customers will grow the number of clients by 5%. Synergies can be expected as both banks share a focus on social housing lending, a client base in the Copenhagen region, and cultural and ownership connections to the Danish trade union movement. Execution risk appears limited because PenSam Bank is digital-only with only 40 staff and both banks operate on the BEC shared bank IT platform.

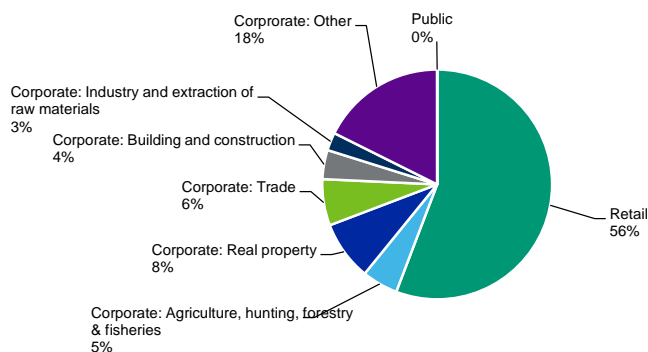
## Detailed credit considerations

### High asset risk, considering consolidation of Vestjysk Bank

Our assigned ba2 Asset Risk score reflects AL Bank's good track record, but also heightened asset risk following the consolidation of Vestjysk Bank in 2021, which has historically had a higher risk appetite. Our score also takes into account the loan portfolio's

concentration with 8% to real estate, 6% to trade and 5% to agriculture, forestry and fisheries of the total credit exposures as of year-end 2024 (Exhibit 4) and moderately high single name concentration with 19% of gross loans extended to the 20 largest borrowers.

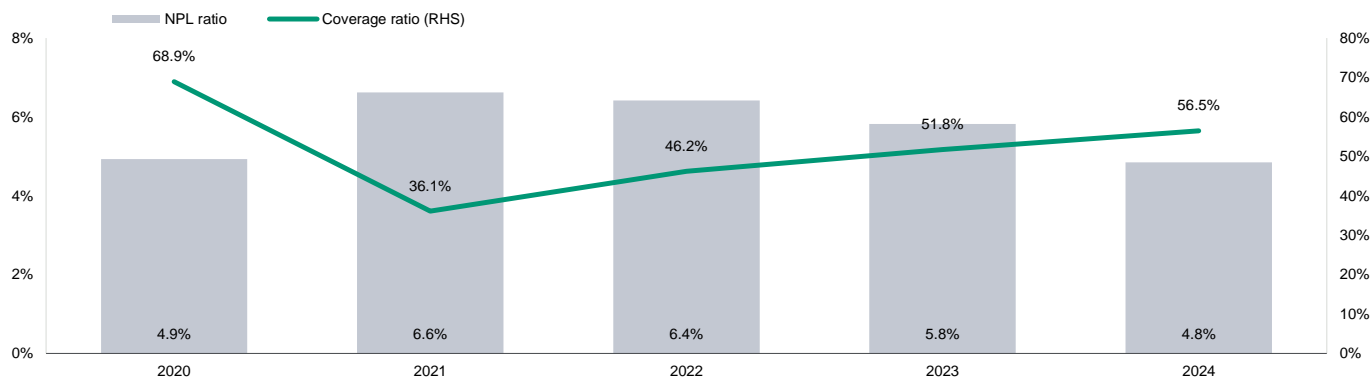
Exhibit 3  
**The loan portfolio is more diversified since the acquisition of Vestjysk Bank**  
 Loans and guarantees by sectors as of end-December 2024



Source: AL Bank's 2024 annual report

AL Bank has a comparatively high share of problem loans to gross loans at 4.8% of gross loans as of year-end 2024, a decrease from 5.8% the year before (Exhibit 5). The bank's problem loan ratio has been historically higher than its rated Danish peers' average of 1.7%. This relatively high share of problem loans is driven by Vestjysk Bank, with a problem loan ratio of 9.8% as of year-end 2024, largely due to legacy loans within the agriculture sector.

Exhibit 4  
**Problem loans and provision coverage worsened after Vestjysk consolidation; have since improved**



Sources: AL Bank's financial statements, Moody's Ratings

Provision coverage for the Group stood at 56% as of year-end 2024, an increase from 52% a year earlier. We expect that the share of problem loans will continue to gradually decline due to active unwinding of problem loans, higher valuations of agricultural land allowing repayment of legacy mortgages, and loan book growth raising the denominator of the problem loan ratio.

**Robust capitalization**

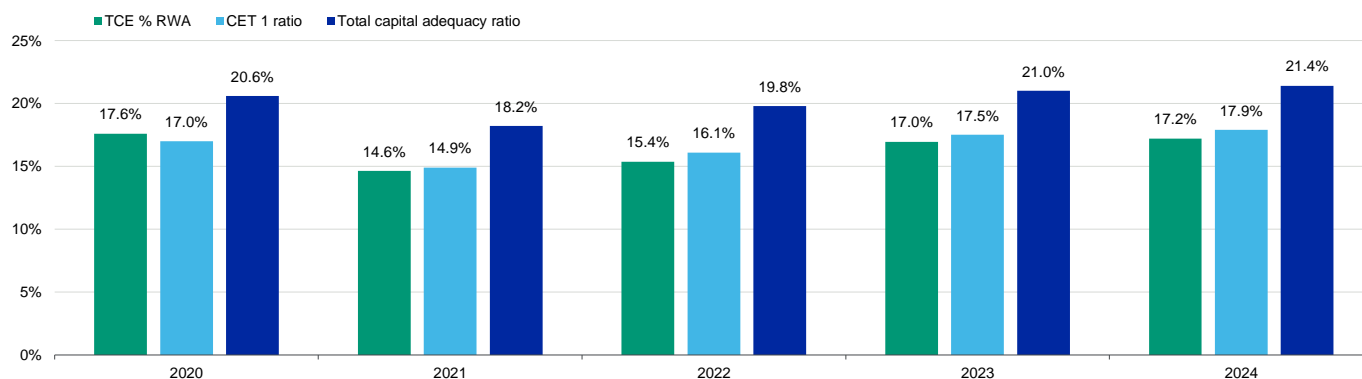
Arbejdernes Landsbank's capitalization is strong, reflected in the a1 assigned score. The bank's ratio of tangible common equity (TCE) to risk weighted assets (RWA) increased to 17.2% at year-end 2024, from 17.0% a year earlier. The bank's TCE ratio is slightly higher than the 15.0% average of global peers with a baa2 BCA and below the average of 20.3% for rated Danish peers. Our assigned score also reflects the bank's published capital targets, dividend guidance of 20-40% of post-tax profit, and an increase in risk-weighted assets from expected balance sheet growth.

The bank's Common Equity Tier 1 (CET1) capital ratio was 17.9% and the total capital ratio was 21.4% as of December 2024, up from the year before (Exhibit 6), and comfortably above the regulatory requirements of 12.1% and 16.5%, respectively.

As regards recent developments in regulatory requirements, the bank has been designated a systemically important financial institution since June 2021, following the consolidation of Vestjysk Bank, thereby requiring the bank to hold an additional buffer requirement of 1% from year-end 2022 onwards. The Danish Government has also increased the countercyclical buffer, as per the Danish Systemic Risk Council's recommendation, to 2.5% by March 2023 and activated a systemic buffer of 7% on risk-weighted commercial property exposures from June 2024.

Exhibit 5

### Capitalisation is strong, underpinned by solid internal capital generation



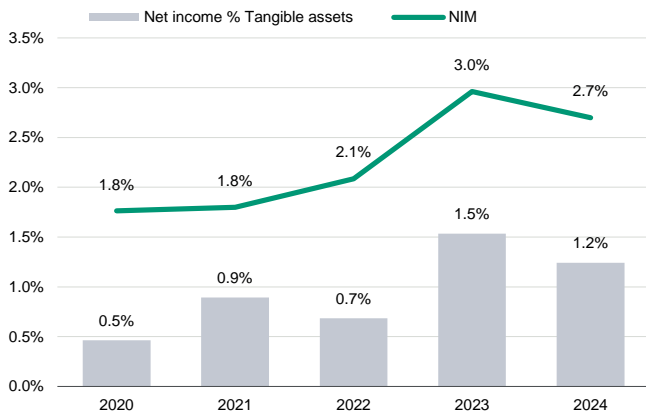
Sources: AL Bank's financial statements, Moody's Ratings

### Profitability to remain strong while moderating from elevated levels

The bank's profitability, as measured by the ratio of net income to tangible assets, has been strong in the last two years on the back of higher interest rates, but has begun to decline slightly (Exhibit 6). The decrease to 1.2% in 2024 from 1.5% in 2023 was mainly driven by higher expenses (up 8% year-on-year) and lower tail winds from impairment reversals and value adjustments. Net interest income remained stable at DKK 3.2bn year-on-year as 11% loan book growth counteracted a net interest margin decline from 3.0% in 2023 to 2.7% in 2024. Net fees and commissions income also remained stable at DKK 1.4bn year-on-year. The assigned baa2 profitability score also reflects that AL Bank's profitability has historically experienced volatility and a somewhat higher cost-to-income ratio than peers (Exhibit 7).

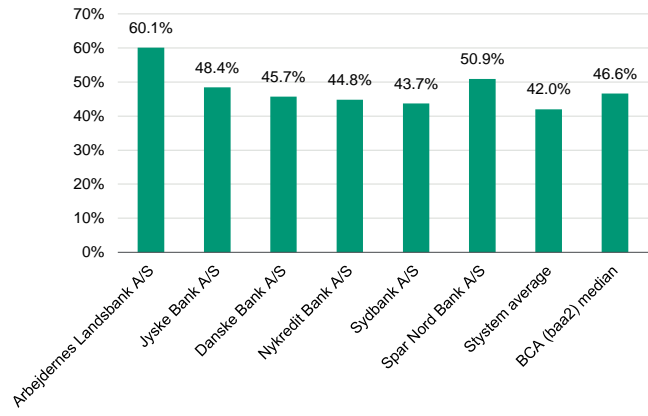
We generally expect that Danish banks' profitability will moderate from recent elevated levels over the next 12-18 months. Business volume is expected to increase, but earnings will be pressured by an expected lower interest margin, lower impairment reversals, rising costs due to salary increases and continued investments in growth, digitalization and compliance with regulatory requirements.

Exhibit 6  
AL's profitability remains strong



Sources: AL Bank's financial statements, Moody's Ratings

Exhibit 7  
Cost-to-income ratio peer comparison against Danish banks  
Cost % Income



Source: Moody's Ratings

**Very strong funding and liquidity profile**

AL Bank is primarily funded through deposits, with market funds accounting for only 7.2% of the bank's consolidated tangible banking assets as of year-end 2024. Market funding is expected to moderately increase compared to the year-end 2024 figures with the bank having issued senior debt in Q1 2025 to meet its fully phased in minimum requirement for own funds and eligible liabilities (MREL) of 30.5% of REA as of 1 January 2026. By the end of 2025, we expect a market funds ratio of approximately 10% in line with the bank's funding plans.

Like other medium-sized Danish banks, AL Bank can secure mortgage financing through specialised mortgage lenders, for example, Totalkredit A/S or DLR Kredit A/S. Mortgage loans are transferred to these institutions and do not appear on AL Bank's balance sheet.

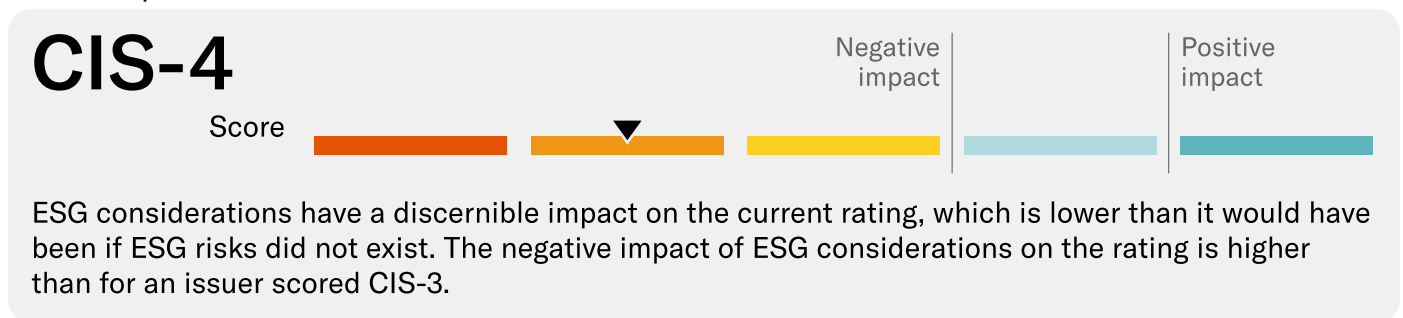
The bank's net loan-to-deposit ratio was 67% as of December 2024 and the bank invests a considerable share of its surplus deposits into mortgage bonds, which stood at DKK 27bn as of December 2024.

AL Bank's liquidity buffers are very strong, with liquid banking assets at 45% of tangible banking assets as of December 2024. Liquid assets primarily comprised of cash and equivalents (37%) and mortgage bonds (56%). AL Bank's liquidity coverage ratio stood at 318% as of December 2024, very comfortably above the 100% regulatory minimum requirement.

**ESG considerations**

**Arbejdernes Landsbank A/S' ESG credit impact score is CIS-4**

Exhibit 8  
ESG credit impact score

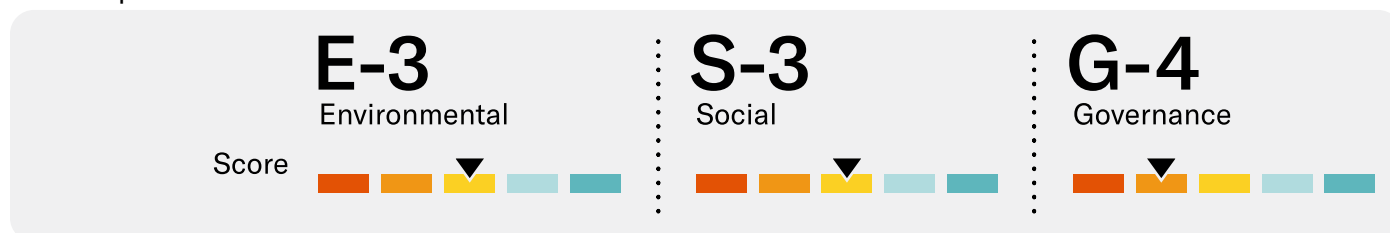


Source: Moody's Ratings

Arbejdernes Landsbank's **CIS-4** reflects that ESG considerations have a discernable impact on the credit ratings due to group risk management. More specifically, the consolidation of Vestjysk bank adds complexity and weaknesses in group risk management control. Environmental and social risk factors have a limited credit impact on the ratings to date.

Exhibit 9

#### ESG issuer profile scores



Source: Moody's Ratings

#### Environmental

Arbejdernes Landsbank faces moderately negative environmental risks primarily because of its portfolio exposure to carbon transition risk as a diversified bank. In line with its peers, the bank is facing mounting business risks and stakeholder pressure to meet broader carbon transition goals. In response, Arbejdernes Landsbank is developing its climate risk and portfolio management capabilities.

#### Social

Arbejdernes Landsbank faces moderate industry-wide social risks related to regulatory and litigation risks, requiring high compliance standards. These risks are mitigated by the bank's developed policies and procedures. High cyber and personal data risks are mitigated by the bank's strong IT framework. Arbejdernes Landsbank A/S has moderate exposure to customer relations risks.

#### Governance

Arbejdernes Landsbank faces risks of governance failures in terms of group risk management. Arbejdernes Landsbank's BCA incorporates a one notch negative adjustment reflecting the increased governance and group risk management risks due to the acquisition of the majority stake in Vestjysk Bank. While Moody's does not have concerns regarding governance at either banks individually, the consolidation increases Arbejdernes Landsbank's governance and control risks due to its limited formal ability to impose its own risk appetite on Vestjysk Bank, given its limited presence on the Board of Directors. Vestjysk bank has historically demonstrated a higher risk appetite than its parent with a focus on SME lending in western Denmark. Arbejdernes Landsbank has partly mitigated these risks by appointing a group risk manager for both risk management and compliance, and in practice all group policies have been adopted by Vestjysk Bank's Board of Directors.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moody's.com. In order to view the latest scores, please click [here](#) to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

### Support and structural considerations

#### Loss Given Failure (LGF) analysis

Arbejdernes Landsbank is subject to the EU's Bank Recovery and Resolution Directive (BRRD), which we consider an operational resolution regime. Therefore, in accordance with our methodology, we apply our Advanced LGF analysis to the bank's liabilities, considering the risk exposures of the different debt and deposit classes across its liability structure if the group enters resolution.

Our Advanced LGF analysis is applied to the bank's consolidated group in line with the Danish FSA's single-point-of-entry resolution strategy. We use our standard assumptions of residual tangible common equity of 3% and losses post-failure of 8% of tangible banking assets. We also assume a 25% run-off in "junior" wholesale deposits and a 5% runoff in preferred deposits, and assign a 25% probability to deposits being preferred to senior unsecured debt.

Under these assumptions and using a forward-looking horizon, for Arbejdernes Landsbank's A2 deposit rating, our LGF analysis indicates an extremely low loss given failure, leading to three notches of rating uplift from the entity's baa2 Adjusted BCA. The (P)Baa1 junior senior unsecured ratings receive one notch uplift, reflecting a low loss given failure.

The forward-looking LGF takes into account Moody's estimate of the issued level of senior non preferred debt of about DKK 10 billion by end of 2025, based on a fully phased in MREL of 30.5%. Starting in early 2026, the Group will have fully met MREL requirements. Total risk exposure amount was DKK 67 billion at end of 2024, and Moody's expects that the amount will expand to up to DKK 75 billion until the end of 2025.

### Government support considerations

We consider a low probability of support from the Government of Denmark for Arbejdernes Landsbank, resulting in no uplift incorporated in its A2 long-term Deposit and Senior Unsecured ratings. This reflects that, although the bank is of systemic importance, with a market share of 4.4% in deposits as of June 2024, the bank is small in the context of the Danish banking system.

### Counterparty Risk Ratings (CRRs)

#### Arbejdernes Landsbank's CRR is A2/P-1

The CRR, before government support, is three notches above the Adjusted BCA of baa2, reflecting a moderate loss given failure from the volume of instruments that will be subordinated to CRR liabilities. Further, the bank's CRR does not benefit from any rating uplift based on government support, in line with our support assumptions on senior debt.

### Counterparty Risk (CR) Assessment

#### Arbejdernes Landsbank's CR Assessment is A2(cr)/P-1(cr)

The preliminary CR Assessment is three notches above the entity's baa2 Adjusted BCA, reflecting the buffer against default provided to more junior obligations represented by the CR Assessment. To determine the CR Assessment, we focus purely on subordination, taking no account of the volume of the instrument class. Finally, the bank's CR Assessment does not benefit from any government support uplift.



## Rating methodology and scorecard factors

Exhibit 10

### Rating Factors

<b>Macro Factors</b>										
<b>Weighted Macro Profile</b>	<b>Strong +</b>	<b>100%</b>								
Factor	Historic Ratio	Initial Score	Expected Trend	Assigned Score	Key driver #1	Key driver #2				
Solvency										
Asset Risk										
Problem Loans / Gross Loans	5.7%	baa2	↑	ba2	Quality of assets	Expected trend				
Capital										
Tangible Common Equity / Risk Weighted Assets (Basel III - transitional phase-in)	17.2%	aa2	↓	a1	Expected trend					
Profitability										
Net Income / Tangible Assets	1.2%	a3	↓	baa2	Earnings quality	Expected trend				
Combined Solvency Score		a2		baa2						
Liquidity										
Funding Structure										
Market Funds / Tangible Banking Assets	7.2%	aa3	↔	a3	Expected trend					
Liquid Resources										
Liquid Banking Assets / Tangible Banking Assets	44.8%	aa3	↔	aa3	Expected trend					
Combined Liquidity Score		aa3		a2						
Financial Profile										
				a1	baa1					
Qualitative Adjustments				Adjustment						
Business Diversification				0						
Opacity and Complexity				0						
Corporate Behavior				-1						
Total Qualitative Adjustments				-1						
Sovereign or Affiliate constraint				Aaa						
BCA Scorecard-indicated Outcome - Range				baa1 - baa3						
Assigned BCA				baa2						
Affiliate Support notching				0						
Adjusted BCA				baa2						
<b>Balance Sheet</b>										
		<b>in-scope (DKK Million)</b>	<b>% in-scope</b>	<b>at-failure (DKK Million)</b>	<b>% at-failure</b>					
Other liabilities		15,185	14.0%	23,395	21.6%					
Deposits		80,486	74.4%	72,276	66.9%					
Preferred deposits		59,560	55.1%	56,582	52.3%					
Junior deposits		20,926	19.4%	15,695	14.5%					
Senior unsecured bank debt		2,221	2.1%	2,221	2.1%					
Junior senior unsecured bank debt		4,751	4.4%	4,751	4.4%					
Dated subordinated bank debt		1,275	1.2%	1,275	1.2%					
Preference shares (bank)		955	0.9%	955	0.9%					
Equity		3,244	3.0%	3,244	3.0%					
Total Tangible Banking Assets		108,117	100.0%	108,117	100.0%					
<b>Debt Class</b>										
	<b>De Jure waterfall</b>	<b>De Facto waterfall</b>		<b>Notching</b>		<b>LGF</b>	<b>Assigned</b>	<b>Additional</b>	<b>Preliminary</b>	
	<b>Instrument</b>	<b>Sub-</b>	<b>Instrument</b>	<b>Sub-</b>	<b>De Jure</b>	<b>De Facto</b>	<b>Notching</b>	<b>LGF</b>	<b>Notching</b>	<b>Rating</b>
	<b>volume +</b>	<b>ordination</b>	<b>volume +</b>	<b>ordination</b>			<b>Guidance</b>	<b>notching</b>		<b>Assessment</b>
	<b>subordination</b>	<b>subordination</b>	<b>subordination</b>	<b>subordination</b>			<b>vs.</b>			
							<b>Adjusted</b>			
							<b>BCA</b>			
Counterparty Risk Rating	26.0%	26.0%	26.0%	26.0%	3	3	3	3	0	a2
Counterparty Risk Assessment	26.0%	26.0%	26.0%	26.0%	3	3	3	3	0	a2 (cr)
Deposits	26.0%	9.5%	26.0%	11.5%	3	3	3	3	0	a2
Senior unsecured bank debt	26.0%	9.5%	11.5%	9.5%	3	1	2	-	-	-
Junior senior unsecured bank debt	9.5%	5.1%	9.5%	5.1%	0	0	0	1	0	baa1

Instrument Class	Loss Given Failure notching	Additional notching	Preliminary Rating Assessment	Government Support notching	Local Currency Rating	Foreign Currency Rating
Counterparty Risk Rating	3	0	a2	0	A2	A2
Counterparty Risk Assessment	3	0	a2 (cr)	0	A2(cr)	
Deposits	3	0	a2	0	A2	A2
Senior unsecured bank debt	-	-	-	0	A2	A2
Junior senior unsecured bank debt	1	0	baa1	0	Baa1	Baa1

[1] Where dashes are shown for a particular factor (or sub-factor), the score is based on non-public information.

Source: Moody's Ratings

## Ratings

Exhibit 11

Category	Moody's Rating
<b>ARBEJDERNES LANDSBANK A/S</b>	
Outlook	Stable
Counterparty Risk Rating	A2/P-1
Bank Deposits	A2/P-1
Baseline Credit Assessment	baa2
Adjusted Baseline Credit Assessment	baa2
Counterparty Risk Assessment	A2(cr)/P-1(cr)
Issuer Rating	A2
Senior Unsecured	A2
Junior Senior Unsecured	Baa1
Junior Senior Unsecured MTN	(P)Baa1
ST Issuer Rating	P-1

Source: Moody's Ratings

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