Interim report 2022

Contents

Information about Merkur Cooperative Bank

Merkur's ambition

Merkur sees the world as one where everyone should have the opportunity to live a good and dignified life. As humans, we must to the greatest possible extent be able to freely decide where to apply our abilities, thereby taking co-responsibility for other people and for the world we are all a part of.

In our broadly based perspective, a sustainable world is about safeguarding life on earth. A good and dignified life for people is about the fulfilment of basic physical needs, being treated with respect, and about having a chance to lead fulfilling lives and be inspired through culture and education. However, this presupposes the balanced consumption of resources, while taking care of our planet and respecting the entire ecosystem.

Therefore, Merkur's ambition is to contribute to:

- A world of dignity, respect and care for every single person.
- A world where education and a diverse cultural life free from special interests drive education, creativity and innovation and enable personal development and the leading of fulfilling lives.
- A world with a diverse and resilient natural environment where the climate is in balance.

Board of Directors

Cees Kuypers (Chair)
Anneke Stubsgaard (Vice-chair)
Bernhard Franz Schmitz
Hilde Kjelsberg
Jakob Brochmann Laursen
Henrik Kronel
Jesper Kromann
Trine Møller Monrad

Executive Board

Charlotte Skovgaard, CEO

Audit Committee

Jakob Brochmann Laursen (Committee Chair)
Cees Kuypers

Risk Committee

Jakob Brochmann Laursen (Committee Chair)
Cees Kuypers
Hilde Kjelsberg

Main office

Merkur Cooperative Bank
Vesterbrogade 40, 1
DK-1620 Copenhagen V
CVR No.: 24255689
Municipality of domicile: Copenhagen

Auditors

PwC, Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and the Board of Directors

We have on this date considered and approved the interim report of Merkur Cooperative Bank for the period 1 January – 30 June 2022.

The interim report 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. In our opinion, the selected accounting policies are appropriate, ensuring that the interim report gives a true and fair view of the cooperative bank's assets, liabilities, financial position and results.

In our opinion, the management review includes a fair review of developments in the cooperative bank's operations and financial position and describes the significant risks and uncertainty factors that may affect the cooperative bank.

The external auditors have not audited or reviewed the interim report.

Copenhagen, 29 August 2022

Executive Board:

Charlotte Skovgaard, CEO

Board of Directors:

Cees Kuypers (Chair)	Anneke Stubsgaard (Vice-chair)
Bernhard Franz Schmitz	Hilde Kjelsberg
Jakob Brochmann Laursen	Henrik Kronel
Jesper Kromann	Trine Møller Monrad

Management review for H1 2022

H1 2022 at a glance

Continuing the trend from 2021, for the first six months of 2022 Merkur is posting 5.3% growth in net interest and fee income as well as stable basic earnings. However, due to extraordinary loan impairments and negative market value adjustments of our bond portfolio, H1 2022 ends with a loss of DKK 19.6m (DKK 15.3m after tax).

Interim results	Shareholders	Full-service customers
DKK -19.6m before tax	8,030	20,738

The first months of 2022 were turbulent in every way, with soaring inflation, interest rate hikes, declining corporate investments and a cautious mindset among personal customers. However, the rising interest rate level has made it attractive for our customers to refinance their mortgages as a way of reducing their bank debt. This has resulted in lower lending and thus lower interest income. Against this background, we are particularly pleased that we have succeeded in increasing our net interest and fee income. This is partly due to the success of our holistic advisory approach, which means that we make sure to cover all our customers' needs, in combination with improved pricing of our services. On the cost side, we have succeeded in keeping costs fairly stable despite high activity levels and generally increasing IT costs – especially to ensure compliance with regulatory requirements.

Impairments are making quite an impact in the present financial statements, mainly due to two extraordinary impairment charges, the largest relating to the aftermath of the coronavirus pandemic. The two cases resulted in combined impairments of DKK 17m. Other impairments are in line with expectations for the half-year. Impairments are obviously too high, and we are working hard at all times to reduce impairment levels. Merkur's customers are generally doing well, and the vast majority seem to have overcome the corona crisis without too many difficulties.

In July, rising inflation prompted Danmarks Nationalbank (the central bank of Denmark) to raise interest rates, and more interest rate increases seem likely, spelling the end of the negative interest rate environment. Some of our excess liquidity is held in mortgage bonds, and the steadily increasing interest rates during the first half of the year have unfortunately had an adverse effect on the value of our holdings. The results for H1 are thus impacted by a negative market value adjustment of DKK 6m. The interest rate increase will reduce Merkur's interest payments to Danmarks Nationalbank, which will strengthen basic earnings in the second half of the year.

Merkur's unique set of values continues to appeal to a great many people, although global unrest is making people less inclined to change banks. We have therefore welcomed fewer new customers than anticipated at the beginning of the year. Merkur attracted a total of 687 new customers in H1 2022 (gross). However, we expect the influx of customers to continue in light of our targeted efforts to offer even more value for even more customers. Merkur now has a total of 20,738 full-service customers.

Since the financial crisis in 2008, the authorities have introduced a number of measures to boost the solvency of financial institutions, which are today required to meet stricter equity and subordinated capital requirements. Merkur has prepared a capital plan covering the period up until 2026. In the first half of the year, new share capital of DKK 5.7m was contributed, and at the same time we welcomed 181 new shareholders. We had expected the figures to be higher, and in the second half of 2022, we will be making a special effort to tell existing as well as future customers about the uniqueness of Merkur as a customer-owned financial institution. Shares are the foundation of Merkur's work, and for our shareholders they are intended as a long-term investment that at the same time supports Merkur's mission of being a catalyst for sustainable change. Although we had budgeted for more share capital, our five-year capital plan shows that Merkur is expected to be well capitalised, and Merkur's excess capital adequacy currently equates to 6.1 percentage points. As of 30 June 2022, we have a total of 8,030 shareholders.

Financial developments

Results and operations

In the first half of the year, Merkur significantly boosted earnings. Net interest and fee income totals DKK 81.3m, up DKK 4.1m or 5.3% relative to the prior-year period.

Net interest income for H1 2022 is in line with the same period in 2021. Several factors affect interest income. Lending has fallen, resulting in a DKK 1.5m fall in interest income from loans. On the deposit side, interest on deposits with Danmarks Nationalbank is up DKK 1m. However, income from deposits also increases by DKK 3.8m. And finally, the cost of subordinated capital adds interest expenses of DKK 1.3m.

Increase in net interest and fee income	Increase in mortgage lending to personal and business customers
5.3%	3.8%

In the first half of the year, we increased our fee and commission income by DKK 3.6m compared to last year. This is a direct result of offering much more holistic advisory services to our customers, encompassing all aspects of their financial situation. The increase is therefore broadly based and generated within housing, investments and pension as well as insurance. In the first half of 2022, net mortgage lending of DKK 170m was arranged, based on gross new mortgages of more than DKK 700m.

On the other hand, revenue from own lending and guarantees is declining. That said, Merkur's main source of income is still interest related to lending. At the end of the first half of the year, lending is on a par with the end of 2021. In the first half of 2022, many of Merkur's customers have refinanced their mortgages, thereby reducing their outstanding debt with Merkur. For Merkur, it makes sense to advise customers on the possibility of reducing their outstanding debt by converting their mortgages to obtain a higher interest rate even though this will negatively affect the bank's earnings.

IT costs account for a large proportion of Merkur's total costs, and they have been steadily increasing for many years. However, as part of a deliberate strategy on the part of our data centre, BEC Financial Technologies, the cost increases have now flattened out. In the first half of 2022, IT costs totalled DKK 20.2m, which is marginally more than in the first half of 2021. Most of these costs were expected development costs in areas such as cybersecurity, compliance, GDPR and anti-money laundering.

Staff costs for H1 were DKK 1.9m higher than for the prior-year period. The main reasons for the increase are collective pay increases, as anticipated, and fierce competition for specialist employees. At the same time, the average number of employees has increased by 4 employees.

Almost DKK 220m of Merkur's excess liquidity is held in government and mortgage bonds. Unfortunately, rising interest rates have adversely affected the value of our holdings, which consequently contribute negative market value adjustments of DKK 6m. In order to minimise future uncertainty, in June Merkur converted most of its holdings into primarily short-term mortgage bonds. On the other hand, our holding of primarily financial sector shares in DLR has contributed positive market value adjustments of DKK 1.2m, resulting in total market value adjustments of DKK -5m.

Losses and impairments total DKK 25.4m, compared to DKK 5.5m in H1 2021. The relatively substantial reservations are primarily attributable to two extraordinary impairment charges, the largest of which is corona-related. Based on a management estimate, in 2020 Merkur made provisions to cover any corona-related losses. The management estimate has since been reduced due to positive outcomes for more and more customers.

Merkur's management estimates have been revised to reflect, to a greater extent, high inflation, supply challenges, rising energy prices etc., which can affect both personal and business customers. Merkur's largest business customers have been assessed individually, and there is nothing to suggest that they may be challenged by the rising prices etc. At the end of H1, the management estimate is DKK 5.8m.

Financial developments in H1 2022 and H1 2021 can be summarised as follows:

DKK '000	**H1 2022**	**H2 2021**	**H1 2021**
Net interest income	42,584	43,079	42,236
Other income	38,734	37,883	34,993
Net interest and fee income etc. in total	81,318	80,962	77,229
Market value adjustments etc.	-4,982	1,311	455
Costs, depreciation and amortisation	-70,570	-70,509	-67,021
Losses and impairments, including management estimates	-25,353	-2,813	-5,472
Profit before tax	**-19,587**	**8,951**	**5,191**
Profit after tax	**-15,278**	**7,324**	**4,305**

Both income and costs are up compared to the prior-year period. Merkur has managed to keep costs on a par with levels for H2 2021.

In the first half of 2022, Merkur generated high earnings based on a generally high level of activity, not least in housing; also, investment activity levels were satisfactory at the very beginning of the year.

Share price

Calculations show a current share value of DKK 1,691.30 compared to DKK 1,770.30 at the beginning of the year – equating to a decrease of 4.5%. This is a direct consequence of the loss generated for the period. Merkur's ambition is still to deliver a return on investment of 3-5% so as to be able to always attract sufficient capital to enable Merkur and our shareholders and customers to continue to make a difference to the world.

Balance sheet

As mentioned earlier, lending is down, as many customers have chosen to pay off bank debt in connection with the conversion of mortgage loans. In addition, the debt appetite of both existing and potential new customers has been limited. At DKK 1,664m, lending is thus marginally below levels at the end of 2021.

At DKK 3,856m, deposits (including pool schemes) were up 4.6% (DKK 170m) since the same time last year, and DKK 106m since the beginning of the year, which is positive. Deposits are thus up despite the negative interest rates. Some of this development can be attributed to an increase in Merkur's sustainable pool schemes. Deposits of DKK 84m have now been invested in these schemes, marking an increase of 161% since the same time last year, when the pooled deposits amounted to DKK 32m.

Merkur has a deposit surplus of more than DKK 2bn. The deposit surplus represents considerable potential for extending loans to sustainable, socially responsible and cultural projects, provided that equity is also increased proportionately. We are working hard to increase customer interest in the green and ethical investment products that Merkur is making available together with partners such as Triodos and SDG Invest. Investing is associated with risk, and we always advise clients based on their risk profile. This means that in some cases it will be advisable for customers to leave their money in deposit accounts despite negative interest rates. So even though our investment portfolios are growing significantly, the increase has not been sufficient to absorb the growth in deposits.

Thematic distribution of Merkur's lending to business customers

Merkur wants to do everything it can to drive society in a sustainable and socially responsible direction through our lending activities. Merkur is therefore the only bank in Denmark to demand that the loans we offer must go towards projects that look after the planet's resources and contribute to better living conditions for all. We have divided Merkur's lending to business customers into six categories based on the purposes the money works for.

DKK '000	**30 June 2022**	**31 December 2021**	**Development relative to end of 2021**
Education and Culture	276,789	308,504	-10.3%
People and Health	132,625	146,039	-9.2%
Food products	460,223	446,241	3.1%
Environment and Energy	308,904	283,703	8.9%
Communities	139,823	151,865	-7.9%
Technology partners etc.	51,696	52,113	-0.8%
Total	**1,370,060**	**1,388,465**	**-1.3%**

Overall, lending to business customers is down 1.3% (DKK 18m) compared to the end of 2021.

Lending to Education and Culture is down 10.3%, primarily lending to independent residential schools and property rentals to cultural institutions. We also see a 7.9% decrease in lending to Communities, with stagnation primarily in lending to residential communities. In both cases, customers have paid off a lot of debt combined with the fact that some larger customers have been able to convert bank loans into mortgage loans.

On the positive side, lending to Environment and Energy is up 8.9%. We are pleased with this development as it is a direct result of Merkur's fossil-free strategy, which means that Merkur consistently finances initiatives that work against climate change, including lending for energy renovation projects and electric cars.

Investments

Merkur's customers remain interested in investing some of their savings sustainably, which is positive for Merkur, for society and for our customers. More people are keen for their money to make a positive impact on society. A positive impact may be achieved through the bank's lending, but also through impact investments – which can generate a return for customers, instead of zero interest or even negative interest on their deposits, while at the same time driving positive change.

The development in customer investments over the past year can be illustrated as follows:

Market value of customer investments in DKKm	**H1 2022**	**End of 2021**	**H1 2021**	**Development relative to end of 2021**
Triodos	1,786	1,883	1,757	-97
Sparinvest	73	84	115	-11
SDG Invest	93	107	84	-14
Maj Invest	12	14	16	-2
Total	**1,964**	**2,088**	**1,972**	**-124**
Change in % over past six months	-0.4%	5.9%		

The first half of the year was marked by considerable turmoil in the financial markets following the Russian invasion of Ukraine, with falling stock prices and rising interest rates due to falling bond prices.

Merkur's customers saw a net increase in their nominal holdings in the first half of the year, with nominal growth in customers' investments in both Triodos and SDG Invest. At the same time, however, the considerable turmoil has resulted in a DKK 124m decrease in the total market value of their investments held in custody accounts with Merkur, relative to the end of 2021. Merkur's customers remain interested in investing in green and socially responsible investment certificates.

Capital structure

Merkur's equity has been increased by DKK 5.7m since the end of 2021 (1.6%), which is positive and a sign of confidence on the part of our shareholders and customers. This is something we greatly appreciate. Seen over the past 12 months, equity growth is DKK 9.7m or 2.7%. The increase does not quite meet our expectations, but we are working to ensure that the subscription of share capital in the second half of the year matches at least the first half.
Merkur's equity (totalling DKK 402m) consists mainly of three elements: Paid-up share capital (DKK 365m), accumulated results for the current and previous years (DKK 31m) and other reserves etc. (DKK 6m).

As at 30 June 2022, our own funds total DKK 499m after deductions, compared with DKK 536m at the end of 2021, representing a decrease of 6.9%.

The decrease is attributable to the loss posted for H1, the phasing-in of the IFRS9 transitional arrangements and the phasing-in of the so-called NPE prudential backstop. NPE stands for 'Non-Performing Exposures', and under the new rules any non-impaired exposures to customers in financial difficulties must be deducted from the Common Equity Tier 1 capital. In addition, subordinated debt in the amount of DKK 7.5m has been repaid, and not all of the subordinated debt can be included in own funds.

Continuous subscription of shares is important to enable both moderate growth in lending and to meet the increasing capital requirements imposed. At the end of 2022, the countercyclical buffer that was deactivated in 2020 in connection with the corona pandemic will be reactivated at 2.0%, and by 31 March 2023 it will be fully activated at 2.5%, which will require a continued increase in own funds.

Capital ratio	Own funds	Excess capital adequacy
22.2%	**DKK 498.7m**	**6.1** percentage points

Merkur's individual solvency need is 11.1%. Given the current capital ratio of 22.2%, this equates to pre-buffer excess capital adequacy of 11.1% or DKK 249m.The solvency need has increased by 0.3 percentage points since the beginning of the year. The solvency need increase is primarily attributable to the fact that we are allocating more capital for interest rate risk, and also to an expected increased deduction from own funds in connection with the phasing-in of the NPE backstop mentioned above. Basic earnings improved in the first half of the year, contributing to reducing the solvency need. In addition, we are seeing a slight decrease in other credit risks.

DKK ‘000	30 June 2022	31 December 2021
Share capital including share premium	365,281	359,568
Revaluation and other reserves	37,122	52,401
Subordinated debt	132,112	139,000
Aggregate liable capital before deduction and transitional arrangements	534,515	550,969
Various deductions (deferred tax, financial shares etc.)	-40,130	-23,885
Additions due to IFRS 9 transitional arrangement	4,324	8,649
Own funds	**498,709**	**535,733**
Credit risk exposures	1,911,447	1,921,639
Market risk exposures	56,143	54,877
Operational risk exposures	279,678	268,513
Risk-weighted assets and other risks	**2,247,448**	**2,245,029**
Capital ratio	**22.2%**	**23.9%**

Excess capital adequacy	30 June 2022	30 June 2022	31 December 2021	31 December 2021
Risk-weighted assets and other risks (basis for calculating capital ratio)		2,247,448		2,245,029
Capital ratio (own funds relative to weighted assets)	22.2%	498,709	23.9%	535,733
Solvency need	-11.1%	-250,200	-10.8%	-242,794
Excess capital adequacy before buffer and MREL requirements	**11.1%**	248,509	**13.1%**	**292,929**
MREL requirement	-4.0%	-89,137	-3.1%	-69,596
Capital conservation buffer	-2.5%	-56,182	-2.5%	-56,126
Countercyclical capital buffer	0.0%	0	0.0%	0
Excess capital adequacy after buffer and MREL requirements	**4.6%**	103,190	**7.5%**	**167,218**
Non-preferred senior debt	1.5%	33,163	1.2%	26,532
Excess capital adequacy after buffer and MREL requirement	**6.1%**	136,353	**8.7%**	**197,750**

In addition to meeting the minimum solvency requirement, Merkur, like all other financial institutions, must hold a capital conservation buffer of 2.5%. Furthermore, banks may also be required to hold a countercyclical buffer of up to 2.5%. In connection with the coronavirus pandemic, this buffer was reduced to 0%, but it is due to be fully reactivated by the end of March 2023. In addition to these two requirements, the MREL requirements at the end of H1 2022 are of own funds and eligible liabilities of 4.0%, in total 6.5% of the risk-weighted assets or DKK 145m.The total capital requirement is thus 17.6% – based on an MREL capital ratio of 1.2% and the capital ratio of 22.2%, this results in excess capital adequacy of 6.1 percentage points.

Supervisory diamond

The Danish Financial Supervisory Authority has defined four benchmarks intended as an early warning system that a financial institution is assuming excessive risk. The four benchmarks are known as the supervisory diamond. At the end of H1 2022, Merkur complies with all four measuring points. As part of the general risk management, the Merkur management has added a buffer relative to the limit values for the various benchmarks to ensure internal attention well in advance of the limit values being exceeded.

	30 June 2022	31 December 2021	Limit values
Sum of large exposures	121.9%	119.0%	Max. 175%
Lending growth	-2.6%	1.6%	Max. 20%
Commercial property exposure	6.8%	7.5%	Max. 25%
Liquidity requirement ratio	458.6%	567.4%	Min. 100%

Outlook for the rest of 2022

The outlook for H2 2022 is very much dependent on developments in interest rates, inflation, the supply crisis, rising energy prices and the geopolitical situation. These factors may end up having an impact, in particular, on the investment appetite and financial circumstances of our personal customers, but also our business customers. We are therefore keeping a close eye on developments, including unemployment rates.

Merkur expects limited lending growth in H2 2022. The primary reason is the uncertainty surrounding developments in our customers' financial situation and expectations for the future.

Following Danmarks Nationalbank's rate increase in July and the expectation of further adjustments in the foreseeable future, negative interest rates seem to be on their way out. Despite this development, Merkur does not expect to see significant changes in deposits, as our customers' investment appetite has been weakened by last spring's stock market declines. However, there is hope for continued growth from our sustainable pool products, which ensure the automatic spreading of investments for customers. We expect to see continued strong interest in Merkur's sustainable investment universe and in the responsible pension products we offer to our customers, which will have a positive impact on results in the second half of the year.

The second half of the year is likely to be marked by slightly lower activity levels in the mortgage credit area after a very active first half of the year. However, the high level of activity in the first half will still rub off positively on Merkur's earnings, as our commission is based on the sum of the outstanding debt.

We expect impairments in the second half of the year to be on a par with the sector as a whole.

The estimate for H2 is a profit of DKK 15-25m before tax. Based on the loss posted for H1, the outlook for FY 2022 is revised downwards to a profit in the range of DKK -5m to DKK 5m before tax (DKK -4m to DKK 4m after tax).

Accounting policies

Uncertainties in recognition and measurement

In the opinion of management, no uncertainties are associated with recognition and measurement over and above what normally follows from the fact that the calculation of accounting values is always to some extent based on estimates and judgements.

No exceptional circumstances affected recognition and measurement in H1.

The accounting policies are applied consistently with the 2021 financial statements.

Events after the end of the period

No other events have occurred after the end of the accounting period which affect the assessment of the interim financial statements.

Other events

On 12 July, Merkur received the very sad news that our long-standing board member, Audit Committee member and former Chair of the Board of Directors Henrik Tølløse had died. The Nomination Committee is currently working on a plan for the future composition of the Board of Directors, including the various board committees.

INCOME STATEMENT

Note		30 June 2022	30 June 2021
		DKK '000	*DKK '000*
1	Interest income	44.171	43.855
1	Negative interest income	-8.017	-5.597
2	Interest expenses	-3.129	-1.682
2	Negative interest expenses	9.560	5.660
	Net interest income	**42.585**	**42.236**
	Dividends from shares etc.	129	3
3	Fee and commission income	43.627	39.701
	Fee and commission expenses paid	-5.023	-4.711
	Net interest and fee income	**81.318**	**77.229**
4	Market value adjustments etc.	-4.968	46
	Other operating income	176	2
5	Staff costs and administrative expenses	-68.942	-65.560
	Depreciation of tangible assets	-1.629	-1.461
	Other operating expenses	-167	-15
6	Impairment charges for loans etc.	-25.353	-5.472
	Share of profit or loss of associates	-23	422
	Profit before tax	**-19.587**	**5.191**
	Calculated tax on profit for the period	4.309	-886
	Profit after tax	**-15.278**	**4.305**

BALANCE SHEET

ASSETS

Note		30 June 2022	31 Dec 2021	30 June 2021
		DKK '000	*DKK '000*	*DKK '000*
	Cash in hand and demand deposits with central banks	2.412.964	2.352.775	2.196.225
	Accounts receivable from credit institutions and central banks	76.616	53.055	44.900
7/8	Loans at amortised cost	1.664.161	1.669.202	1.708.834
	Bonds at fair value	217.186	224.243	224.561
	Shares etc.	51.880	47.663	46.138
	Investments in associated undertakings	647	1.847	1.878
	Investments in affiliated undertakings	-	-	1.028
	Assets associated with pool schemes	83.734	51.479	27.016
	Intangible assets	290	381	472
	Land and buildings			
	Domicile properties	12.048	12.177	10.452
	Leased domicile properties	5.127	5.017	6.331
	Total land and buildings	**17.175**	**17.194**	**16.783**
	Tangible assets	1.848	1.691	1.794
	Current tax assets	91	76	436
	Deferred tax assets	15.235	10.926	12.303
	Other assets	70.161	63.832	60.367
	Prepayments and accrued income	4.431	3.142	3.785
	TOTAL ASSETS	**4.616.420**	**4.497.507**	**4.346.520**

BALANCE SHEET

LIABILITIES

Note		30 June 2022	31 Dec 2021	30 June 2021
		DKK '000	*DKK '000*	*DKK '000*
	Debt			
	Debt to credit institutions and central banks	156,617	123,082	146,453
9	Deposits and other debt	3,771,944	3,698,313	3,653,826
	Deposits with pool schemes	83,734	51,479	32,047
	Issued bonds	24,812	24,798	24,783
	Other liabilities	35,508	40,000	35,250
	Prepayments and accrued income	12	0	685
	Total debt	**4,072,627**	**3,937,672**	**3,893,044**
	Provisions			
	Provisions for pensions and similar liabilities	180	179	285
	Provisions for guarantees	6,071	8,091	5,083
	Provisions for other obligations	3,129	0	2,669
	Total provisions	**9,380**	**8,270**	**8,037**
	Subordinated debt	131,996	139,596	46,158
	Equity			
	Share capital	228,330	225,056	222,777
	Share premium account	136,965	134,512	132,777
	Revaluation reserves	1,350	1,350	-
	Other reserves	4,708	4,708	4,708
	Retained earnings, including profit for the period	31,064	46,343	39,019
	Total equity	**402,417**	**411,969**	**399,281**
	TOTAL LIABILITIES AND EQUITY	**4,616,420**	**4,497,507**	**4,346,520**
	Off-balance sheet items:			
	Guarantees etc.	792,160	773,182	785,853
	TOTAL OFF-BALANCE SHEET ITEMS	**792,160**	**773,182**	**785,853**

BALANCE SHEET

STATEMENT OF CAPITAL

	30 June 2022	31 Dec 2021	30 June 2021
	DKK '000	*DKK '000*	*DKK '000*
Share capital, beginning of period	225,056	219,658	219,658
Newly paid-up share capital	3,274	5,398	3,119
Share capital, beginning of period	**228,330**	**225,056**	**222,777**
Share price, end of the period	1,691.30	1,770.30	1,746.20
Share premium account, beginning of period	134,512	130,496	130,496
Share premium during the year	2,453	4,000	2,280
Other comprehensive income	0	16	0
Share premium account, end of period	**136,965**	**134,512**	**132,777**
Revaluation reserves:	1,350	0	0
Revaluation reserves, beginning of period	0	1,350	0
Adjustment for the period	**1,350**	**1,350**	**0**
Other reserves, beginning of period	4,708	4,708	4,708
Other reserves, end of period	**4,708**	**4,708**	**4,708**
Retained earnings, beginning of period	46,343	34,714	34,714
Retained earnings for the period	-15,278	11,629	4,305
Retained earnings, end of period	**31,064**	**46,343**	**39,019**
Equity at half-year end composed as follows:			
Share capital	228,330	225,056	222,777
Share premium account	136,965	134,512	132,777
Revaluation reserves	1,350	1,350	0
Other reserves	4,708	4,708	4,708
Brought forward from previous years	46,343	34,714	34,714
Retained earnings	-15,278	11,629	4,305
TOTAL EQUITY	**402,417**	**411,969**	**399,281**

NOTES

1	Interest income from:	30 June 2022	30 June 2021
	Accounts receivable from credit institutions and central banks	-	-
	Loans	41,807	43,270
	Bonds	1,967	583
	Other interest income	398	2
	Total interest income	**44,171**	**43,855**
	Negative interest income		
	Accounts receivable from credit institutions and central banks	6,562	5,520
	Bonds	1,455	77
	Total negative interest income	**8,017**	**5,597**

2	Interest expenses for:	30 June 2022	30 June 2021
	Credit institutions and central banks	12	12
	Deposits	184	63
	Subordinated debt	2,814	1,495
	Other	119	112
	Total interest expenses	**3,129**	**1,682**
	Negative interest expenses		
	Deposits and other debt	9,560	5,660
	Total negative interest expenses	**9,560**	**5,660**

3	Charges, fees and commission income:	30 June 2022	30 June 2021
	Securities trading and custody fees	8,722	7,730
	Payment handling	6,805	5,444
	Loan business, fees and charges	2,594	2,809
	Guarantee commission	12,172	10,474
	Other fee and commission income	13,334	13,244
	Total charges, fees and commission income	**43,627**	**39,701**

NOTES

4	Market value adjustment of:	30 June 2022	30 June 2021
	Bonds	-6.032	-1.064
	Shares	1.153	1.163
	Foreign exchange income	-147	-53
	Foreign exchange, interest rate, share, commodity and other contracts and derivative financial instruments	58	-
	Assets associated with pool scheme	-10.087	672
	Deposits with pool scheme	10.087	-672
	Total market value adjustment	**-4.968**	**46**

5	Staff costs and administrative expenses	30 June 2022	30 June 2021
	Salaries and remuneration for Board of Directors and Executive Board:		
	Executive Board	1.972	1.755
	Board of Directors	975	872
	Total	**2.947**	**2.627**
	Staff costs:		
	Salaries	29.919	28.300
	Pensions	3.555	3.433
	Financial services employer tax	5.539	5.388
	Total	**39.013**	**37.121**
	Other administrative expenses	26.982	25.812
	Total staff costs and administrative expenses	**68.942**	**65.560**

Average number of employees (full-time equivalents) was 104.3 in H1 2022.

6	Impairments and provisions	30 June 2022	30 June 2021
	Impairments for the period	32.007	8.355
	Write-offs for the period, previously impaired	-7.404	-2.880
	Write-offs, not previously impaired	1.327	765
	Received on claims previously written off	-99	-297
	Interest from impairments	-478	-471
	Total write-offs and impairments for the period	**25.353**	**5.472**

NOTES

7 **Impairments of loans and other claims, provisions for guarantees and unutilised loan commitments**

30 June 2022	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Beginning of period	8,267	10,997	38,807	58,071
New impairments/provisions	4,644	3,654	33,981	42,279
Reversal of impairments/provisions	-3,329	-6,579	-7,768	-17,676
Transfer to stage 1	1,140	-1,107	-33	-
Transfer to stage 2	-1,671	3,101	-1,430	-
Transfer to stage 3	-1,648	-3,321	4,969	-
Write-offs, previously impaired/provided for	-	-	-7,404	-7,404
End of	7,403	6,745	61,122	75,270

31 December 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Beginning of period	6,707	11,765	46,025	64,497
New impairments/provisions	4,215	3,786	11,332	19,333
Reversal of impairments/provisions	-3,563	-4,859	-3,592	-12,014
Transfer to stage 1	1,632	-784	-848	-
Transfer to stage 2	-594	3,995	-3,401	-
Transfer to stage 3	-130	-2,906	3,036	-
Write-offs, previously impaired/provided for	-	-	-13,745	-13,745
End of	8,267	10,997	38,807	58,071

30 June 2021	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Beginning of period	6,707	11,765	46,025	64,497
New impairments/provisions	1,831	6,597	10,147	18,575
Reversal of impairments/provisions	-2,770	-2,890	-7,440	-13,100
Transfer to stage 1	1,480	-524	-956	-
Transfer to stage 2	-570	2,116	-1,546	-
Transfer to stage 3	-69	-2,694	2,763	-
Write-offs, previously impaired/provided for	-	-	-2,880	-2,880
End of	6,609	14,370	46,113	67,092

NOTES

8	Loans	30 June 2022	31 Dec 2021	30 June 2021
	On demand	227,760	264,044	10,495
	Up to and including 3 months	75,350	30,068	35,528
	Between 3 months and 1 year	100,423	95,161	95,221
	Between 1 year and 5 years	373,606	406,181	411,004
	More than 5 years	887,022	873,748	1,156,588
	Total	**1,664,161**	**1,669,202**	**1,708,835**

9	Deposits	30 June 2022	31 Dec 2021	30 June 2021
	On demand	3,769,473	3,694,497	3,647,456
	Up to and including 3 months	1,296	260	614
	Between 3 months and 1 year	413	2,794	2,785
	Between 1 year and 5 years	762	762	2,971
	Total	**3,771,944**	**3,698,313**	**3,653,826**

NOTES

10 **KEY FIGURES**	**30 June 2022**	**30 June 2021**	**30 June 2020**	**30 June 2019**	**30 June 2018**
Net interest and fee income	81,318	77,229	70,601	66,726	66,589
Market value adjustments etc.	-4,968	46	-202	2,360	-908
Staff costs and administrative expenses	-68,942	-65,560	-64,126	-58,008	-55,230
Impairment of loans and receivables	-25,353	-5,472	-24,506	-3,317	-6,403
Share of profit or loss of associates	-23	422	403	0	0
Profit after tax for the period	-15,278	4,305	-15,396	6,343	-5,530
Deposits	3,771,944	3,653,826	3,369,893	3,160,409	2,981,576
Loans	1,664,161	1,708,835	1,665,683	1,667,873	1,763,916
Equity	402,417	399,281	359,639	365,051	295,783
Total assets	4,616,420	4,346,523	3,914,609	3,704,064	3,416,981

NOTES

10 **RATIOS**	**30 June 2022**	**30 June 2021**	**30 June 2020**	**30 June 2019**	**30 June 2018**
Earnings					
Income/cost ratio	0.8	1.1	0.8	1.1	0.9
Income/cost ratio before market value adjustments and impairment charges (%)	1.2	1.2	1.1	1.1	1.2
Return on equity for the period before tax (%)	-4.8	1.3	-5.4	2.1	-2.4
Return on equity for the period after tax (%)	-3.8	1.1	-4.2	1.9	-1.9
Development in the price of shares, measured half-yearly against the year before (%)	-3.1	0.0	0.0	3.6	-2.7
Solvency					
Capital ratio	22.2	19.6	20.4	18.7	15.6
Tier 1 capital ratio	16.6	17.6	18.4	16.8	14.2
Market risk					
Interest rate risk (%)	0.4	0.2	0.3	0.4	0.7
Foreign exchange position (%)	0.8	1.1	0.4	2.0	0.4
Currency risk (%)	0.0	0.0	0.0	0.0	0.0
Liquidity					
Loans and impairment charges in % of deposits	44.8	48.2	52.7	55.6	62.5
Excess capital adequacy in % of statutory liquidity requirement	450.0	506.7	489.6	545.1	510.0
Net Stable Funding Ratio (NSFR)*	242.6	223.0	205.0		
Credit risk					
Impairment ratio	1.1	0.2	1.1	0.2	0.7
Accumulated impairment ratio	2.9	2.8	4.7	3.6	4.1
20 largest customer exposures in per cent of Tier 1 capital	121.9	114.3	146.3	126.8	131.3
Growth in lending for the period (%)	-0.3	4.0	-0.1	1.7	0.7
Lending-to-equity ratio	4.1	4.3	4.6	4.9	6.0

* Change in measurement method from 30 June 2021