MERKUR ANDELSKASSE

Interim report H1 2021

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Information about Merkur Cooperative Bank

Merkur's ambition

Merkur has a holistic world view where everyone should have the opportunity to live a good and dignified life. Each person must, to the greatest possible extent, be able to freely decide where to apply his or her abilities, thereby taking co-responsibility for other people and for the world as a whole.

Merkur views the world as one whole living system, where 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 having the opportunity to express oneself and be inspired through culture and education. However, this fundamentally relies on planet where the use of resources happens with respect of planetary boundaries and the living ecosystem as a whole.

Therefore, Merkur's ambition is to contribute to:

- A world of dignity, respect and care for every human being.
- 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

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

Executive Board

Charlotte Skovgaard, CEO
Alex Andersen, CFO and Chief Credit Officer

Audit Committee

Jakob Brochmann Laursen (Chair)
Henrik Tølløse
Cees Kuypers

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 2021.

The interim report has been prepared in accordance with the Danish Financial Business Act, including the Executive Order on the 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, 31 August 2021

Executive Board:

Charlotte Skovgaard, CEO	Alex Andersen, CFO and Chief Credit Officer

Board of Directors:

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

Management review for H1 2021

H1 2021 at a glance

Merkur turns loss into profit. High activity levels in the housing market and strong interest in sustainable investments, together with impressive lending growth, have significantly strengthened Merkur's basic earnings. The co-operative bank is thus posting a profit before tax of DKK 5.2m for H1 2021 (DKK 4.3m after tax).

Interim results	Shareholders	Full-service customers
DKK 5.2m before tax	**8,146**	**20,590**

For Merkur, the year started out with high levels of customer-centric activities. Property transactions took up a lot of time, but our customers' appetite for sustainable and socially responsible investments also reached new heights. Basic earnings are up, and we are pleased to note a significant increase in net interest and fee income for the half year. On the cost side, we have succeeded in keeping costs fairly stable despite the increase in activity levels and increasing IT costs. This is the result of determined efforts to optimise and streamline our processes. We are also seeing savings related to a change in behaviour, and we have significantly reduced our travel costs. The savings are partly ascribable to the corona pandemic, but very much also to increased awareness among Merkur's employees of the carbon emissions associated with travel.

In 2020, substantial impairments were made due to the uncertainty caused by the corona crisis. The phasing-out of the state aid packages is still giving rise to some uncertainty as to the possible negative consequences of the deferral of VAT and tax payments, which may or may not cause a spike in bankruptcies. Merkur has made substantial provisions to mitigate this risk. We estimate that the provisions will cover any losses that may arise in the wake of the corona pandemic.

The interest rate environment remains negative, and we see no signs of this changing in the foreseeable future. We have therefore taken the necessary steps to make sure that the costs associated with the deposits entrusted to us by our customers are covered. Merkur's customers are repaying their loans faster and investing more of their savings sustainably, but we are nevertheless still seeing an increase in deposits.

Since the financial crisis of 2008, a number of measures have been introduced to boost the solvency of financial institutions, which are today required to meet stricter equity and subordinated loan capital requirements so as to be able to draw on such resources if getting into financial difficulties, and these capital requirements are still increasing. We are therefore proud to announce that we have entered into agreements with a number of professional investors on the contribution of additional capital. A sum of DKK 25m is recognised as of 30 June 2021. We will elaborate on the other agreements in the section on capital. We see this development as a vote of confidence that Merkur's unique business model is both credible and sustainable.

We are finding that Merkur's unique set of values is appealing to ever more people, and in H1 2021 we welcomed more than 390 new shareholders. Together with our existing customers, they have contributed capital of DKK 5.4m. As at 30 June 2021, we had a total of 8,146 shareholders. Merkur attracted a total of 1,202 new full-service customers in H1 2021. We are proud of this influx of customers, which we expect to continue in light of our targeted efforts to offer even more value for even more customers. Merkur now has a total of 20,590 full-service customers, up 2.0% since the beginning of the year.

Financial developments

Results and operations

In the first half of the year, Merkur significantly boosted earnings. Net interest and fee income totalled DKK 77.2m, up DKK 6.6m or 9.4% compared to the prior-year period.

Increase in net interest and fee income	Lending growth	Increase in market value of customers' sustainable investments
9.4%	4.0%	11.5%

Net interest income was up DKK 1.1m in H1 2021, which is primarily attributable to the fact that full-service personal customers are now also paying negative interest on deposits of more than DKK 100,000.

In the first half of the year, we increased our fee and commission income by DKK 5.5m compared to last year. Most of the increase is ascribable to additional income from the investment area, the housing sector and the cost contribution.

Merkur's main source of income is still interest related to lending. Lending grew by 4.0% in H1, which is better than budgeted for. Both the impressive influx of customers and the increase in lending look set to continue as many new business customers have already indicated that they are looking for a sustainable and socially responsible bank.

IT costs account for an increasing share of Merkur's total costs. We have spent a total of DKK 19.9m on IT, which is approximately DKK 1.9m more than in H1 2020. 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 0.9m higher than the staff costs for the prior-year period. As expected, the main reasons for the increase are collective pay increases, higher financial services employer taxes and fierce competition for specialist employees.

Market value adjustments etc. are up compared to last year and can mainly be attributed to a favourable development for the mortgage lender DLR, of which Merkur is a co-owner.

Losses and impairments amount to DKK 5.5m, compared to DKK 24.5m in H1 2020. However, it is important to note that last year's figures include a management estimate of the impact of the corona crisis of DKK 17.1m. The management estimate has now been reduced to DKK 12.2m.

Financial developments in H1 2021 and 2020 can be summarised as follows:

DKK ‘000	**H1 2021**	**H2 2020**	**H1 2020**
Net interest income	42,236	42,303	41,076
Other income	34,993	33,650	29,525
Net interest and fee income etc. in total	77,229	75,953	70,601
Market value adjustments etc.	455	-544	159
Costs, depreciation and amortisation	-67,021	-68,287	-65,853
Losses and impairments, including management estimates	-5,472	-1,229	-24,506
Profit before tax	**5,191**	**5,893**	**-19,599**
Profit after tax	**4,305**	**5,085**	**-15,396**

Both income and costs are up compared to the prior-year period. Moreover, income for H1 2020 was impacted extraordinarily by the corona situation. In H1 2021, Merkur saw historically high levels of activity in the housing and investment areas, which resulted in high earnings. In H2, we expect continued growth in lending, but activity levels are expected to be slightly lower. Impairments remain the main source of uncertainty in H2 as the consequences of the COVID-19 delta variant are still not known. For FY 2021 as a whole, we expect to be able to realise a profit before tax of DKK 8-15m.

Share price

The value of the Merkur share has increased from DKK 1,728.80 to DKK 1,746.20, equating to a 1.0% increase in six months. This is a direct consequence of the profit generated for the period. Merkur’s ambition is 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 a positive impact on the world.

Balance sheet

We saw yet another marked increase in deposits, up 9.4% (DKK 316m) at DKK 3,686m since the same time last year, and DKK 159m since the beginning of the year. Deposits are thus up despite the negative interest rates. Some of this development is corona-related, in that many customers have been allowed to postpone payments of VAT and tax, or have been unable to spend as much on holidays and outings etc. as they would normally do.

Merkur’s deposit surplus has grown by DKK 93m from DKK 1,884m at the beginning of the year to now DKK 1,977m. The deposit surplus represents considerable potential for extending loans to sustainable, socially responsible and cultural projects, provided that equity is also increased proportionately. At the same time, we are working hard to increase customer interest in the green and ethical investment products that Merkur is making available with partners such as Triodos Investment Management and SDG Invest. Even though our investment portfolios have grown significantly, the increase has not been sufficient to absorb the growth in deposits.

Under what can best be described as difficult lending conditions, lending was up DKK 66m in H1 2021 at DKK 1,709m.

Thematic distribution of Merkur’s lending

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 activities into six categories based on the purposes the money works for.

Committed loans and guarantees

	Number	30 June 2021 (DKK '000)	Relative to total	31 Dec 2020 (DKK '000)	*Development relative to 2020*
Education and Culture	447	296,318	9.9%	304,689	-2.7%
People and Health	320	185,054	6.2%	178,482	3.7%
Food products	467	461,504	15.4%	453,894	1.7%
Environment and Energy	2,477	371,450	12.4%	330,191	12.5%
Communities	198	157,889	5.3%	209,395	-24.6%
Ordinary loans, credits and guarantees	9,837	1,522,007	50.8%	1,370,789	11.0%
Total	**13,746**	**2,994,222**	**100.0%**	**2,847,440**	**5.2%**

The breakdown of granted loans and guarantees by purpose include unused drawing rights on overdraft facilities.

Loans to personal customers are made in several of these categories, but due to the many home loans taken out by personal customers, they are mainly found in the 'Ordinary loans, credits and guarantees' category.

The most significant relative change in the composition of guarantees, loans and credits is seen in the 'Communities' category, which includes housing communities such as ecological residential communities, village communities and cooperative housing associations, but also NGOs, cooperatives and foundation-owned enterprises. Committed loans in this category are down 24.6% since the New Year and now total DKK 158m, compared to DKK 209m at the end of last year. This is mostly attributable to extraordinary redemptions in connection with the completion of projects, which have been refinanced with mortgages, among other things through our partners DLR and Totalkredit.

Looking at the absolute change, we see an increase in 'Environment and Energy' of DKK 41m, or 12.5%. This can be explained, among other things, by a number of large loans for photovoltaic facilities, but also by a strong interest in energy optimisations.

Investments

Merkur's customers have become increasingly interested in investing some of their savings, which is positive both for Merkur 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 creating positive change.

In March, the EU launched the so-called Sustainable Finance Disclosure Regulation, which means that in future all investment products and funds must be classified into three categories, depending on their approach to sustainability. All investment products in Merkur's investment universe are classified as dark green funds (Article 9) – the most sustainable category. As the only financial institution in Denmark, we can therefore offer our customers a wide range of dark green investment products.

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

Market value of customer investments in DKKm	H1 2021	End of 2020	H1 2020	Development in relation to end of 2020
Triodos	1,757	1,542	1,263	215
Sparinvest	115	156	168	-40
SDG Invest	84	57	40	27
Maj Invest	16	14	9	2
Total	**1,972**	**1,768**	**1,481**	**204**
Change in % over past six months	11.5%	19.4%		

The first half of the year was considerably more stable than H1 2020, which was heavily impacted by the start of the corona crisis. Uncertainty about a potential third wave has not challenged the stock markets to any marked degree, while the bond market has seen some declines due to growing inflationary fears following the surge in fiscal bailouts. This year's growth in market value of approx. DKK 204m can thus primarily be attributed to Merkur's customers investing more of their savings in green and socially responsible investment certificates.

Capital structure

Merkur's equity has been increased by DKK 5.4m since the end of 2020 (1.5%), which is positive and a sign of confidence on the part of our cooperative shareholders and customers. This is something we greatly appreciate. Over the past 12-month period, growth has been an impressive DKK 30.4m, or 9.3%. We expect share subscription to continue at the same level in H2.
Our equity (totalling DKK 399m) consists mainly of three elements: Paid-up share capital (DKK 355), accumulated results for the current and previous years (DKK 39m) and other reserves (DKK 5m).

As at 30 June 2021, our own funds totalled DKK 436m after deductions, compared to DKK 424m at the end of 2020, representing a 2.8% increase. The increase can be attributed to the new subscription of share capital, but mainly to the subordinated debt of DKK 25m raised in May. In July, we signed and received another supplementary loan of DKK 50m, and finally we have been offered another DKK 75m on very attractive terms. All of this puts us in a favourable position as regards the stricter capital requirements being introduced.

Continuous subscription of shares is important to enable both moderate growth in lending and to meet the increasing capital requirements.

The capital ratio is calculated by dividing own funds by the risk-weighted assets. As at 30 June 2021, the capital ratio had decreased despite the fact that Merkur's own funds are at an all-time high. This is ascribable mainly to two changes that have significantly increased our risk-weighted assets. In February, together with much of the industry, we changed the principle for determining non-performing and forborne exposures. They impact the calculation of risk-weighted assets particularly hard – often by up to 150%. The other and more positive reason for the DKK 184m increase in risk-weighted assets since the end of 2020 is the increase in lending.

Capital ratio	Own funds	Excess solvency cover
19.6%	**DKK 436.5m**	**5.7%**

Merkur's individual solvency need is 10.7%. Given the current capital ratio of 19.6%, this equates to a pre-buffer excess cover of 8.9% or DKK 199m.The solvency need has thus decreased by 0.7 percentage points since the beginning of the year. Quite apart from the above-mentioned increase in risk-weighted assets, the decrease is primarily attributable to the furnishing of additional collateral by a number of our large customers. Our basic earnings improved in the first half of the year and thus also contribute to a lower solvency need.

DKK '000	**30 June 2021**	**31 Dec 2020**
Share capital including share premium	355,554	350,154
Revaluation and other reserves	39,422	39,422
Subordinated debt	45,892	37,353
Aggregate liable capital before deduction and transitional arrangements	440,868	426,929
Various deductions (deferred tax etc.)	-13,028	-15,217
Additions due to IFRS 9 transitional arrangement	8,649	12,108
Own funds	**436,489**	**423,820**
Credit risk exposures	1,900,528	1,738,355
Market risk exposures	53,549	47,720
Operational risk exposures	268,513	252,678
Total risk exposures	**2,222,590**	**2,038,753**
Capital ratio	**19.6%**	**20.8%**

Excess capital adequacy	**30 June 2021**	**30 June 2021**	**31 Dec 2020**	**31 Dec 2020**
Weighted assets (basis for calculating capital ratio)		2,222,590		2,038,753
Capital ratio (own funds relative to weighted assets)	19.6%	436,413	20.8%	423,820
Solvency need*	-10.7%	237,071	-11.4%	-232,049
Excess capital adequacy before buffer requirement	**8.9%**	199,418	**9.4%**	191,771
Capital conservation buffer	-2.5%	55,565	-2.5%	-50,969
Countercyclical capital buffer	0.0%	-	0.0%	0
Excess capital adequacy after buffer requirement	**6.4%**	143,853	**6.9%**	140,802
MREL requirement	-1.9%	42,229	-1.9%	-38,736
Senior Non-preferred debt (Tier 3)**	1.2%	25,575	1.4%	27,912
Excess capital adequacy after buffer and MREL requirement	**5.7%**	127,199	**6.4%**	129,977

* Standard 8% plus the calculated solvency need to cover the risks not covered by the standard requirement.

**Tier 3 capital does not count towards the capital ratio and consists of a number of elements, DKK 25M being one single Senior Non-preferred debt issue.

In addition to meeting the minimum solvency requirement, Merkur, like all other financial institutions, must have a capital conservation buffer of 2.5%. In connection with the corona crisis, the countercyclical buffer rate has been set to zero. In addition to these two requirements, the MREL requirements for H1 increases to 1.9%, in total 4.4% of the risk-weighted assets or DKK 98m.The total capital requirement is thus 15.1% – based on senior Non-preferred debt equal to a ratio of 1.2% and the capital ratio of 19.6%, this results in an excess capital cover of 5.7 percentage points.

Based on our current knowledge and expectations for the second half of the year, we expect to end the year with an excess capital adequacy of 6 percentage points. We regard the level as being acceptable under the current conditions.

Supervisory diamond

Following the financial crisis, the Danish FSA defined five benchmarks which can give an indication of whether a financial institution is taking on excessive risks. The five benchmarks are known as the supervisory diamond. At the end of H1 2021, Merkur complies with all five measuring points. Only marginal changes have been seen since the turn of the year. 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.

The supervisory diamond in numbers	30 June 2021	31 Dec 2020	Diamond limit values
20 largest customer exposures	114.3%	133.2%	Max. 175%
Funding ratio	41.5%	41.5%	Max. 100%
Liquidity requirement ratio	406.3%	441.4%	Min. 100%
Commercial property exposure	6.3%	7.4%	Max. 25%
Lending growth (12 mths)	2.7%	-1.5%	Max. 20%

Outlook for the rest of 2021

The outlook for the second half of 2021 will to a large extent depend on how the corona crisis develops. The uncertainty surrounds, in particular, the consequences of the phasing-out of the state aid packages.

Merkur expects lending growth of 3-5% in H2 2021. As described, the uncertainty relates, in particular, to the phasing-out of the corona aid packages and the subsequent normalisation of tax and VAT payments. We have launched a number of new products, and more are in the pipeline, which we expect to lead to further lending growth. Among other things, towards the end of 2020, we started working with Opendo on leasing, and we expect this product to grow strongly in the second half of the year.
Deposits are expected to decline slightly due to an increased focus on alternative investments, a shift which will be supported by our new pool products, for example. Also, deposits are expected to decline once the deadlines for paying VAT and withholding tax are normalised. We expect our share capital to increase by up to DKK 8m in H2.

The second half of the year is likely to be marked by a lower level of activity 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 we earn commission on the sum of the outstanding debt, which is expected to increase further. 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.

We expect a reasonable level of impairments in H2. We deem the societal uncertainty related to COVID-19 to have been covered by the management estimates made. Management estimates of impairment charges are always associated with some uncertainty, as they are influenced by a multitude of factors. At present, the most important factor is the general development in the economy.

The estimate for the second half of the year is a profit of DKK 8m before tax. We are thus raising our expectations for FY 2021 as a whole and expect to land on a profit of DKK 8-15m before tax (DKK 7-12m 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 2020 financial statements.

Events after the end of the period

In Q2, the Danish FSA conducted an ordinary inspection of the cooperative bank, which is nearing completion. All known impacts of impairments are incorporated into the results. Based on a management estimate, additional provisions of DKK 4m have been made to counter any additional impairments that the inspection may entail. We still expect to post a full-year profit of DKK 8-15m before tax for 2021.

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

INCOME STATEMENT

Note		30 June 2021	30 June 2020
		DKK '000	*DKK '000*
1	Interest income	43,855	44,028
1	Negative interest income	-5,597	-5,302
2	Interest expenses	-1,682	-1,633
2	Negative interest expenses	5,660	3,983
	Net interest income	**42,236**	**41,076**
	Dividends from shares etc.	3	64
3	Fee and commission income	39,701	33,667
	Fee and commission expenses paid	-4,711	-4,207
	Net interest and fee income	**77,229**	**70,600**
4	Market value adjustments etc.	46	-202
	Other operating income	2	10
5	Staff costs and administrative expenses	-65,560	-64,126
	Depreciation of tangible assets	-1,461	-1,727
	Other operating expenses	-15	-52
6	Impairment charges for loans etc.	-5,472	-24,506
	Share of profit or loss of associates	422	403
	Profit before tax	**5,191**	**-19,600**
	Calculated tax on profit for the period	-886	4,203
	Profit after tax	**4,305**	**-15,397**

BALANCE SHEET

ASSETS

Note		30 June 2021	31 Dec 2020	30 June 2020
		DKK '000	*DKK '000*	*DKK '000*
	Cash in hand and demand deposits with central banks	2,196,224	79,500	49,121
	Accounts receivable from credit institutions and central banks	44,900	2,060,743	1,831,951
7/8	Loans at amortised cost	1,708,834	1,642,671	1,665,683
	Bonds at fair value	224,560	226,770	226,797
	Shares etc.	46,138	42,939	38,057
	Investments in associated undertakings	1,878	1,878	2,164
	Investments in affiliated undertakings	1,028	1,028	989
	Assets associated with pool schemes	27,016	454	-
	Intangible assets	472	564	655
	Land and buildings			
	Domicile properties	10,452	10,579	10,729
	Leased domicile properties	6,331	5,168	6,030
	Total land and buildings	**16,783**	**15,747**	**16,759**
	Tangible assets	1,793	2,386	2,058
	Current tax assets	436	436	802
	Deferred tax assets	12,303	13,189	14,113
	Assets temporarily held for sale	-	-	-
	Other assets	60,367	61,483	54,402
	Prepayments and accrued income	3,785	3,222	11,058
	TOTAL ASSETS	**4,346,517**	**4,153,010**	**3,914,609**

BALANCE SHEET

Note	LIABILITIES	30 June 2021	31 Dec 2020	30 June 2020
		DKK '000	*DKK '000*	*DKK '000*
	Debt			
	Debt to credit institutions and central banks	146,453	118,771	93,093
9	Deposits and other debt	3,653,826	3,526,874	3,369,893
	Deposits with pool schemes	32,047	453	0
	Issued bonds	24,783	24,768	0
	Other liabilities	35,250	45,700	38,136
	Prepayments and accrued income	684	0	0
	Total debt	**3,893,043**	**3,716,566**	**3,501,122**
	Provisions			
	Provisions for pensions and similar liabilities	285	285	2,045
	Provisions for guarantees	5,082	6,087	1,902
	Provisions for other obligations	2,669	0	2,235
	Total provisions	**8,036**	**6,372**	**6,182**
	Subordinated debt	46,158	40,496	47,667
	Equity			
	Share capital	222,777	219,658	205,173
	Share premium account	132,777	130,496	120,013
	Other reserves	4,708	4,708	4,708
	Retained earnings, including profit for the period	39,019	34,714	29,744
	Total equity	**399,281**	**389,576**	**359,638**
	TOTAL LIABILITIES AND EQUITY	**4,346,517**	**4,153,010**	**3,914,609**
	Off-balance sheet items:			
	Guarantees etc.	785,853	688,263	639,597
	TOTAL OFF-BALANCE SHEET ITEMS	**785,853**	**688,263**	**639,597**

BALANCE SHEET

STATEMENT OF CAPITAL

	30 June 2021	31 Dec 2020	30 June 2020
	DKK '000	*DKK '000*	*DKK '000*
Share capital, beginning of year	219,658	199,606	199,606
Newly paid-up share capital	3,119	20,052	5,567
Share capital, beginning of year	**222,777**	**219,658**	**205,173**
Share price, end of the period.	1,746.20	1,728.80	1,715.80
Share premium account, beginning of year	130,496	115,597	115,597
Share premium during the year	2,281	14,782	4,416
Other comprehensive income	0	117	0
Share premium account, end of period	**132,777**	**130,496**	**120,013**
Other reserves, beginning of year	4,708	4,708	4,708
Other reserves, end of period	**4,708**	**4,708**	**4,708**
Retained earnings, beginning of year	34,714	45,141	45,141
Retained earnings for the period	4,305	-10,427	-15,397
Retained earnings, end of period	**39,019**	**34,714**	**29,744**
Equity at half-year end composed as follows:			
Share capital	222,777	219,658	205,173
Share premium account	132,777	130,496	120,013
Other reserves	4,708	4,708	4,708
Brought forward from previous years	34,714	45,141	45,141
Retained earnings	4,305	-10,427	-15,397
TOTAL EQUITY	**399,281**	**389,576**	**359,638**

NOTES

1	Interest income from:	30 June 2021	30 June 2020
	Accounts receivable from credit institutions and central banks	-	20
	Loans	43,270	43,158
	Bonds	583	850
	Other interest income	2	-
	Total interest income	**43,855**	**44,028**
	Negative interest income		
	Accounts receivable from credit institutions and central banks	5,520	5,142
	Bonds	77	160
	Total negative interest income	**5,597**	**5,302**

2	Interest expenses for:	30 June 2021	30 June 2020
	Credit institutions and central banks	12	17
	Deposits	63	218
	Subordinated debt	1,495	1,257
	Other	112	141
	Total interest expenses	**1,682**	**1,633**
	Negative interest expenses		
	Deposits and other debt	5,660	3,983
	Total negative interest expenses	**5,660**	**3,983**

3	Charges, fees and commission income:	30 June 2021	30 June 2020
	Securities trading and custody fees	7,730	6,763
	Payment handling	5,444	5,049
	Loan business, fees and charges	2,809	2,180
	Guarantee commission	10,474	11,151
	Other fee and commission income	13,244	8,524
	Total charges, fees and commission income	**39,701**	**33,667**

NOTES

4	Market value adjustment of:	30 June 2021	30 June 2020
	Bonds	-1,064	-1,033
	Shares	1,163	798
	Forward trading	-	79
	Foreign exchange income	-53	-46
	Assets associated with pool scheme	672	-
	Deposits with pool scheme	-672	-
	Total market value adjustment	**46**	**-202**

5	Staff costs and administrative expenses	30 June 2021	30 June 2020
	Salaries and remuneration for Board of Directors and Executive Board:		
	Executive Board	1,755	1,837
	Board of Directors	872	904
	Total	**2,627**	**2,741**
	Staff costs:		
	Salaries	28,300	28,082
	Pensions	3,433	3,194
	Financial services employer tax	5,388	4,806
	Total	**37,121**	**36,082**
	Other administrative expenses	25,812	25,303
	Total staff costs and administrative expenses	**65,560**	**64,126**

Average number of employees (full-time equivalents) was 100.0 in H1 2021.

6	Impairments/provisions for loans and guarantees	30 June 2021	30 June 2020
		IFRS 9	**IFRS 9**
	Impairments for the period	19,575	46,588
	Reversal of impairments from previous years	-14,100	-22,890
	Direct write-offs	765	1,476
	Costs taken over property	-	350
	Received on claims previously written off	-768	-1,018
	Impairments/provisions for loans and guarantees in income statement	**5,472**	**24,506**

NOTES

7 Impairments of loans and guarantees by stage

	30 June 2021	31 Dec 2020	30 June 2020
Stage 1: Impairments of loans, guarantees and unutilised loan commitments			
Accumulated impairments beginning of period	6,707	5,756	5,756
Impairments for the period	2,010	4,494	5,096
Reversal of impairments from previous years	-2,108	-3,543	-6,109
Write-offs, previously impaired	0	0	0
Accumulated impairments	**6,609**	**6,707**	**4,743**
Stage 2: Impairments of loans, guarantees and unutilised loan commitments			
Accumulated impairments beginning of period	11,766	8,925	8,925
Impairments for the period	5,454	8,811	5,145
Reversal of impairments from previous years	-2,849	-5,970	-3,866
Write-offs, previously impaired	0	0	0
Accumulated impairments	**14,371**	**11,766**	**10,204**
Stage 3: Impairments of loans, guarantees and unutilised loan commitments			
Accumulated impairments beginning of period	46,023	73,062	73,062
Impairments for the period	12,112	28,394	36,347
Reversal of impairments from previous years	-9,142	-12,112	-12,914
Write-offs, previously impaired	-2,880	-43,321	-2,313
Accumulated impairments	**46,113**	**46,023**	**94,182**
Total impairments of loans, guarantees and unutilised loan commitments			
Accumulated impairments beginning of period	64,497	87,744	87,744
Impairments for the period	19,575	41,699	46,588
Reversal of impairments from previous years	-14,100	-21,625	-22,890
Write-offs, previously impaired	-2,880	-43,321	-2,313
Accumulated impairments	**67,092**	**64,497**	**109,129**

NOTES

8 **Loans**	**30 June 2021**	**31 Dec 2020**	**30 June 2020**
On demand	10,493	160,999	149,600
Up to and including 3 months	35,528	79,361	57,984
Between 3 months and 1 year	95,221	102,314	135,931
Between 1 year and 5 years	411,004	481,725	499,971
More than 5 years	1,156,588	818,272	822,197
Total	**1,708,834**	**1,642,671**	**1,665,683**

9 **Deposits**	**30 June 2021**	**31 Dec 2020**	**30 June 2020**
On demand	3,647,455	3,212,243	3,037,778
Up to and including 3 months	614	9,189	8,338
Between 3 months and 1 year	2,785	15,119	25,856
Between 1 year and 5 years	2,971	80,156	82,379
More than 5 years	-	210,167	215,542
Total	**3,653,826**	**3,526,874**	**3,369,893**

NOTES

10 KEY FIGURES	30 June 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
Net interest and fee income	77,229	70,601	66,726	66,589	63,715
Market value adjustments etc.	46	-202	2,360	-908	3,419
Staff costs and administrative expenses	-65,560	-64,126	-58,008	-55,230	-51,824
Impairment of loans and receivables	-5,472	-24,506	-3,317	-6,403	-28,409
Impairment of domicile property	0	0	0	0	-1,836
Share of profit or loss of associates	422	403	0	0	-8
Profit after tax for the period	4,305	-15,396	6,343	-5,530	-12,942
Deposits	3,653,826	3,369,893	3,160,409	2,981,576	3,027,182
Loans	1,708,834	1,665,683	1,667,873	1,763,916	1,761,084
Equity	399,281	359,639	365,051	295,783	311,359
Total assets	4,346,517	3,914,609	3,704,064	3,416,981	3,512,540

NOTES

10 RATIOS	30 June 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
Earnings					
Income/cost ratio	1.1	0.8	1.1	0.9	0.8
Income/cost ratio before value adjustments, impairments and deposit guarantee fund (%)	1.2	1.1	1.1	1.2	1.2
Return on equity for the period before tax (%)	1.3	-5.4	2.1	-2.4	-5.4
Return on equity for the period after tax (%)	1.1	-4.2	1.9	-1.9	-4.1
Development in the price of shares, measured half-yearly against the year before (%)	1.8	0.0	3.6	-2.7	-1.5
Solvency					
Capital ratio	19.6	20.4	18.7	15.6	15.9
Tier 1 capital ratio	17.6	18.4	16.8	14.2	14.0
Market risk					
Interest rate risk (%)	0.2	0.3	0.4	0.7	0.1
Foreign exchange position (%)	1.1	0.4	2.0	0.4	1.5
Foreign exchange risk (%)	0.0	0.0	0.0	0.0	0.0
Liquidity					
Loans and impairment charges in % of dep	48.6	52.7	55.6	62.5	60.6
Excess capital adequacy in % of statutory	406.7	389.6	445.1	510.0	290.4
Net Stable Funding Ratio (NSFR)**	223.0	205.0			
Credit risk					
Impairment ratio	0.2	1.1	0.2	0.7	1.1
Accumulated impairment ratio	2.8	4.7	3.6	4.1	3.1
Sum of large customer exposures in per cent of own funds***					69.8
20 largest customer exposures in per cent of Tier 1 capital***	114.3	146.3	126.8	131.3	
Growth in lending for the period (%)	4.0	-0.1	1.7	0.7	5.1
Lending-to-equity ratio	4.3	4.6	4.9	6.0	5.7

* Measurement method based on LCR from 2018 and Section 152 before 2018

** Change in measurement method from 30 June 2021

*** Change in measurement method from 1 January 2018