Semi-annual Report

First Half of 2017

MERKUR
COOPERATIVE BANK

Table of Contents

Information about Merkur Cooperative Bank

Main Office
Merkur Cooperative Bank
Vesterbrogade 40, 1
DK-1620 Copenhagen
CVR number: 24255689
Place of Domicile: Copenhagen

Board of Directors:
Morten Gunge (Chair)
Henrik Tølløse (Vice-chair)
Klaus Loehr-Petersen
Jakob Brochmann Laursen
Annette Hartvig Larsen
Lene Diemer
Carsten Juul
Henrik Kronel
Søren Sivesgaard

Executive Board:
Lars Pehrson, CEO
Asbjørn Andersen, CFO and COO

Audit Committee
Henrik Tølløse (Chair)
Jakob Brochmann Laursen
Søren Sivesgaard

Auditing
PwC, State-Certified Auditing Firm, Limited Partnership Company

Branches:

Aalborg, Bispensgade 16,1 DK-9000 Aalborg

Copenhagen, Vesterbrogade 40,1 DK-1620 Copenhagen

Odense, Mageløs 12,1. tv DK-5000 Odense C

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Statement by the Executive Board and the Board of Directors

We have today processed and approved the semi-annual report for 1 January through 30 June 2017 for Merkur Cooperative Bank.

The semi-annual report has been prepared in accordance with the Danish Financial Business Act, including the executive order on financial reporting for credit institutions, investment companies, etc. We consider the accounting policies appropriate for the semi-annual report to provide a true and fair review of the cooperative bank's assets and liabilities, financial position and performance.

We consider that the management's review includes a fair review of the development in the cooperative bank's activities and finances, as well as a description of the most significant risks and uncertainties that might affect the cooperative bank.

The external auditors have not revised the semi-annual report nor performed a review.

Copenhagen, 14 August 2017

Executive Board:

Lars Pehrson, CEO

Asbjørn Andersen, CFO and COO

Board of Directors:

Morten Gunge (Chair)

Henrik Tølløse (Vice-chair)

Klaus Loehr-Petersen

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Søren Sivesgaard

Management's Review for the first half of 2017

The result for the first half of 2017 amounted to a loss of DKK 12.9m and is thereby substantially inferior to last year's profit of DKK 11.5m in the first half of 2016. This result is very unsatisfactory. The deficit was caused by increased impairments following an ordinary review by the Danish Financial Supervisory Authority (DFSA). The main cause for these impairments is that we now appraise a number of properties, offered as collateral for loans at Merkur, at a lower value than our previous appraisals of said properties, which were based on external appraisals. The extent of real losses is limited, since the majority of the customers associated with the impaired loans continue to pay interest and make payments as agreed.

Primary operations are characterised by a significant increase in income from fees and commissions, as well as net interest rate income being under pressure from low and in part negative interest rates for placing liquid funds. Finally, costs have risen due to greater IT expenditure and increased personnel resources, who were added in 2016 as a result of the greater number of loans and customer intake. Value adjustments have contributed positively but have fallen to under half of the level for the same period in 2016.

The loss during the six-month period and the increase in Merkur's ICAAP ration, which also is a consequence of changed appraisals of a small number of loan commitments following the DFSA's inspection, necessitate that Merkur for a time abstain from exploiting part of the opportunities that exist for growing our loan portfolio. Instead, our focus for the rest of the year, and presumably for 2018 also, will be to increase the solvency excess cover and strengthen the capital base. Likewise, internal credit procedures and other procedures will be made more rigorous in the sense of producing more detailed case narratives, more documentation and more control. This is a natural consequence of the growth that the cooperative bank has been through during the recent years. Our organisation has been through ongoing development apace with this growth, but we have to acknowledge that what we have already done in relation to streamlining and formalisation has not been enough. The necessary tightening and strengthening will be implemented as quickly as possible in the second half of the year.

Denmark's national economy continues to develop positively. It continues to be the case that a number of the areas in which Merkur has specialised are in a favourable period. This goes for e.g. organic farming and food production, the market for energy conservation, and independent schools. Also Merkur's large portfolio of private customers are in good financial standing with very few impairments. Therefore we expect that the increased impairments in the first half of the year will take the character of being a correction and that future impairments can be maintained at a normal level. It should be taken into account, however, that changes in appraisal principles in some instances may lead to lower property values.

Work with streamlining and digitalisation continues and will require investment, among other investments, in development through our IT provider BEC in cooperation with other BEC members.

Financial Developments

Balance

During the first half of 2017, Merkur had a net customer intake of 1,016 new customers, which is at the same level as the first half of 2016. This demonstrates a continued high degree of interest in the cooperative bank. The overall customer number is now 29,480. Gross customer intake during the six-month period, has been 1,848, which corresponds more or less to the gross customer intake for the same period in 2016.

Deposits have grown strongly by 13.1% (DKK 351m) since the beginning of the year, and by 21.0% (DKK 526m) since 30 June 2016. Merkur's deposit surplus has thus grown from DKK 1,000m by year's end to DKK 1,266m.

Loans also show a satisfactory increase of 5.1% (DKK 85m) since the beginning of the year, and if one views the past 12-month period, there has been a growth of 14.3% (DKK 220m). We expect loans to remain more or less at the same level in the second half of 2017, which will therefore not contribute additionally to growth. This is a deliberate prioritisation based on capital considerations and not an expression of the opportunities we have in the market.

The case remains, however, that customers in Denmark in general wish to reduce their debt levels and prepare to meet the future with savings on hand. This entails that repayment on existing loans continually will make room for new loans, without loans increasing overall. Better utilisation of the large deposit surplus continues to be decisive for whether Merkur in the long term can achieve its goals, but this part of the strategy is pending the return to satisfactory solvency excess cover.

Capital Structure
Merkur's share capital has grown by DKK 7.4m or 3.1% in the first six months of 2017. Seen over a 12-month period, the growth has been fully DKK 23.5m, or 10.6%.

We are now working on revising our long-term capital plan and expect that share subscription will again reach a higher level than what we have seen during the first six months.

The number of shareholders has increased by 295 to a total of 6,362 in the year's first half. The total capital base, as of 30 June 2017, amounts to DKK 348.4m, after deductions, compared to DKK 348.1m at the close of 2016, a modest increase of 0.1%. Without the deficit the increase would have constituted 5.0%, and thereby have been on level with increased loans.

As of 30 June 2017, the capital ratio has thus decreased to 15.9% compared to 17.5% at year's end.

Merkur's individual solvency requirements (ICAAP) have been calculated to be 13.4%, including the capital conservation buffer at 1.25%, a significant increase that can exclusively be contributed to having to provide more capital to cover potential risk for a smaller number of customers. One of Merkur's most important priorities for the second half of the year will therefore be to reduce this additional tied-up capital and thereby release capital for more productive purposes. We consider that the possibilities for this as good in that the customers in question are actively operating businesses, the majority of which we see good prospects for.

	30 June 2017	30 June 2016
ICAAP ratio without capital conservation buffer	12.2%	10.1%
ICAAP incl. capital conservation buffer (2017)	13.4%	11.4%
Actual capital ratio (Formerly termed solvency ratio)	15.9%	17.5%
Capital excess coverage (2017)**	2.5%	6.1%
Minimum solvency requirement*	9.25%	8.625%

* The minimum requirement in 2017 includes a so-called capital conservation buffer of 1.25%, which is being phased in, and which is to reach 2.5% in 2019. In 2016, the buffer constituted 0.625%. EU regulations in 2017 furthermore allow authorities, with one year's warning, to introduce an additional add-on of 1.5%, as a so-called countercyclical buffer, which would bring the minimum capital requirement to 10.750%. This option has not been exercised.
** All other things being equal, from 1 January 2018 the excess coverage will fall to 1.9% as consequence of phasing in an additional 0.625% of the capital conservation buffer.

With its large deposit surplus, Merkur is especially well padded concerning liquidity, which as of June 30.06.2017 amounts to DKK 1,534m, compared to 1,274m at the end of 2016. At the half-year mark, this means an excess cover of DKK 1,141m compared to the requirements in the Supervisory Diamond.

The deposit surplus also represents great potential for providing loans to good projects.

By far the greater part of Merkur's deposits – 78.3% - are either fully covered (pension accounts, etc.) or within the Guarantee Fund's cover limit of approx. DKK 750,000.

Results and operations
The six-month period resulted in a loss of DKK 12.9m after tax, compared to a profit of DKK 11.5m for the first half of 2016.
Income from interest has only risen by 0.7%, or DKK 0.31m, compared to the first half of 2016 distributed across an increase of DKK 1.0m on interest on loans and a decrease of DKK 0.7m in interest from the bond holdings.

Interest expenses have risen by 24.1%, or DKK 0.8m, compared to the same period in 2016, which is a combination of paying increased negative interest to the central bank by DKK 1.6m and receiving lower interest on deposits by DKK 0.8m, even though deposits have increased significantly. This illustrates the considerable challenges the negative rates give Merkur and banks overall.

Net interest rate income has fallen by 1.1%, or DKK 0.5m.

Net income from fees and commissions have risen by 24.2%, (DKK 4.0m) compared to the first half of 2016, to a total of DKK 20.5m. This is a very positive development, which we will seek to maintain and expand upon in the coming period. The income stems primarily from mortgage lending, customers' investment activities, the pensions area and payment systems. To a wide extent, the income streams in question have been gained without straining capital, as opposed to what is the case if loans increase.

The total net income from interest and fees thus constitutes DKK 63.7m, an increase of 5.7%, or DKK 3.4m, compared to the same period in 2016.

Value adjustments have been positive by DKK 3.4m, significantly lower compared to previous year's DKK 9.0m, which must be deemed extraordinarily high, however. Value increases on Merkur's shares in the credit institutions and sector companies, with whom we collaborate constitute DKK 1.9m. Exchange gains on currency in connection with foreign transfers constitute DKK 1.0m, and bonds have contributed positively with a positive adjustment of DKK 0.5m. The last-mentioned item is significantly lower than last year, when it constituted to DKK 7.8m

Total costs, as of 30 June 2017, constituted DKK 54.2m; compared to DKK 47.8m in the same period in the previous year; that is, an increase of 13.5%. The increase of DKK 6.4m can first and foremost be attributed to expenses paid toward wages of DKK 4.2m, as a result of investing in more manpower, especially in the form of customer advisors and IT costs increasing by DKK 2.7m.

Earnings per cost unit (1 DKK), excluding value adjustments for bonds, impairments and the expenses related to the Guarantee Fund have fallen from DKK 1.29, as of 30 June 2016, to DKK 1.14, as of 30 June 2017. This is an unsatisfactory development, which it will now take longer to rectify because we cannot in the short term, as originally planned, increase income through growth in loans. Instead, we are currently analysing other opportunities to improve our primary operations. It should be mentioned, however, that the second half of the year typically sees greater revenue than the first half due to the distribution of certain income and expenses during the year.

The financial developments of the two six-month periods in 2016 and the first half of 2017 can be summarised in the following manner:

DKK 1,000

	H1 2016	H2 2016	H1 2017
Net interest rate income	43,673	47,135	43,184
Other income	16,826	22,397	20,717
Net income from interest and fees etc.	60,499	69,532	63,927
Value adjustments etc.	8,964	653	3,411
Costs	47,770	50,910	54,202
Losses and impairments	7,190	9,817	30,209
Result before taxes	**14,503**	**9,458**	**-17,073**

Extraordinary impairments amounting to DKK 1.8m have been made on Merkur's domicile property in Aalborg, so that their value now constitutes DKK 11.4m. This is due to an appraisal carried out by the DFSA. Merkur has hitherto recorded the property at a value determined every three years by an independent valuer.

Impairments on loans in the first half of 2017 constituted DKK 28.4m, compared to approx. DKK 7.2m in the first half of 2016. As mentioned earlier, this primarily concerns impairments of a small number of customers, as a consequence of lower appraisals of the properties serving as collateral for the commitments. Approx. DKK 10m of the impairments have been calculated by statistical means based on a random sample. The impairments apply for the main part to customers we have had through many years.

Since most impairments by far have occurred on customers actively engaged in business operations, and who make agreed interest payments and repayments, we see good opportunities to regain many of the impairments over time. In other words, this is not a case of losses being realised.

Supervisory Diamond

In light of the financial crisis, the Danish Financial Supervisory Authority (DFSA) has introduced a number of benchmarks, which can give an indication of whether a financial institution is beginning to take on risks that are too large.

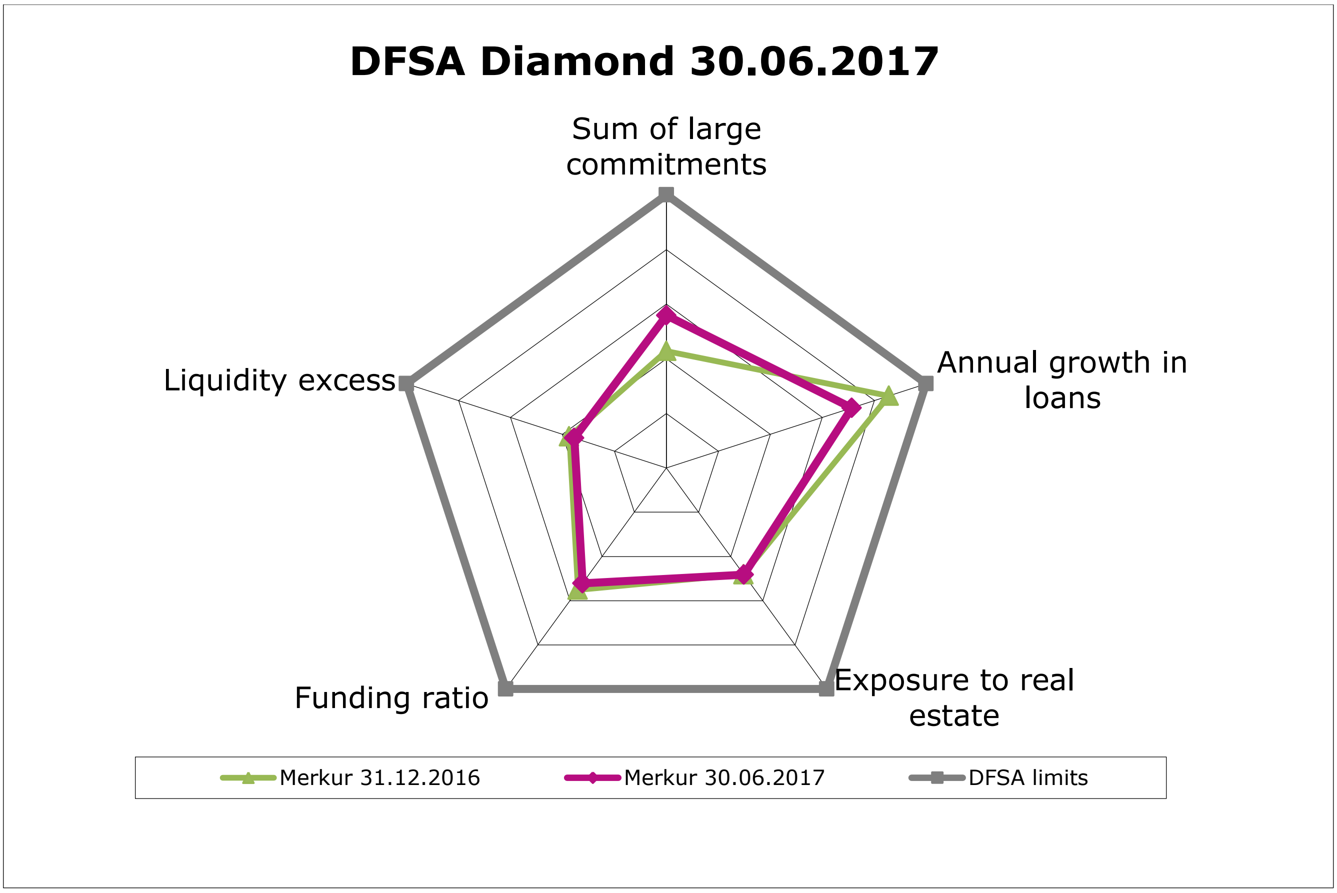
The five benchmarks can be configured in a pentagon, hence the term "diamond", and are the following:

1. The sum of large commitments should not exceed 125% of a bank's capital base. Large commitments are defined as commitments whose individual sizes are in excess of 10% of the capital base.
2. The ratio between loans measured in proportion to working capital (deposits + Tier 1 capital + Tier 2 capital*) should at most be 1:1. This ratio is defined as the funding ratio.
3. The bank should have excess liquidity coverage of at least 50% more than required by law.
4. The bank should at most have an exposure to the real estate sector of 25% of the loan and guarantee portfolio. It must be underscored that the real estate sector, naturally, includes many other elements than the speculators who have received so much attention in connection with foreclosing, and in other ways crisis-struck, banks.
5. The annual growth rate for loans should not exceed 20%.

* issued bonds with a remaining maturity of more than 1 year and debt to the Danish Central Bank may also be calculated as part of this category, but this is currently not relevant for Merkur.

It must be emphasised that exceeding the benchmarks, in and of themselves, does not entail a breach of legislation – non-adherence to the benchmarks will merely lead to different degrees of increased attention and reactions on the part of the DFSA.

At the end of the first six months of 2017, Merkur meets all five benchmarks.



SUPERVISORY DIAMOND IN NUMBERS

	30 JUNE 2017	**31 DEC. 2016**	**Diamond's threshold values**
Sum of large commitments	69.8%*	53.5%	Max. 125%
Ratio between loans measured in proportion to working capital (funding ratio)	52.0%	55.1%	Max. 100%
Excess liquidity coverage	290.4%	262.5%	Min. 50%
Exposure to the real estate sector	12.1%	12.0%	Max. 25%
Growth rate for loans	14.3%	17.1%	Max. 20%

* This includes an exposure to Merkur's IT provider BEC of 13.9%, in the form of a guarantee deposit etc. In the adjusted supervisory diamond, which enters into force from 1 January 2018, the exposure to joint IT providers is excluded. In addition to BEC, the financial ratio includes five other exposures.

Share price

The value of a share compared to year's end has fallen from DKK 1,873.80 to DKK 1,780.00 (EUR shares are lowered from EUR 472.50 to EUR 445.00), a decrease of 5.0% in six months. This is a direct consequence of the period's loss and is, as matter of course, not a satisfactory development. We expect a gradual return to the value we began this year with over the course of 2017 and 2018.

Important events in H1
The most important event of the first six-month period was the ordinary inspection by the DFSA, which most recently had been carried out in 2013. Even though Merkur in the four years elapsed since then, has developed organisationally (e.g. through establishing an independent credit and controlling department), we have had to realise that the DFSA expected something else and more. The DFSA found it necessary to express criticism on a number of points, which we will swiftly remedy. This concerns, among other things, the formulation of the business model, certain policies, strengthening of credit procedures, documentation, controls, etc. More information is provided on the cooperative bank's website (in Danish).

The visit by the DFSA has occasioned many useful instructions but also means that we will hold back on growing the loan portfolio for a period, until the solvency excess coverage again is above 3%. New loans will thus be kept within the limit of the rather considerable amounts that are repaid on an ongoing basis on existing loans.

Uncertainties relating to recognition and measurement
Management believes that there are no uncertainties relating to recognition and measurement, other than that drawing-up financial accounting values always requires a certain degree of estimation.

Recognition and measurement in this six-month period have not been affected by unusual circumstances, besides what has been mentioned concerning impairments.

Events after the balance sheet date
No events have occurred after the end of the financial period that would affect the evaluation of the semi-annual report.

Outlook for the remainder of 2017
Merkur expects no growth in loans in the second half of 2017, while deposits are expected to grow by 3-5% compared to 30 June 2016.

Following the large impairments in the first half of 2017 we expect that impairments in the year's second half can be kept at a significantly lower level. We must allow for a certain effect from the changed approach to property appraisals. Impairments for all of 2017 are therefore expected to amount to DKK 35m. This is an estimate associated with a certain degree of uncertainty in that it depends, among other things, on overall economic developments in our surrounding society. Developments in individual commitments may also influence the picture in either a positive or a negative direction.

The overall estimate for the result for 2017 as a whole is a loss in the interval of DKK 7-12m. The reason for the result's downward revision in the second half of the year is lower than originally expected growth in loans, as well possible costs following the adjustment of other of the cooperative bank's strategies, which are currently under consideration.

Accounting Policies
Accounting policies are consistent with the 2016 annual report.

Concerning new impairment principles in effect from 2018
The accounting policies in IFRS 9 will replace the current impairment model, which is based on incurred losses, with an impairment model based on expected losses. The new expectation-based impairment model entails that a financial asset at the time of its first recognition be impaired by an amount corresponding to the expected credit loss over 12 months (Stage 1). Subsequently, should there occur a significant increase in the credit risk compared to the first recognition, the asset is to be impaired by an amount equivalent to the expected credit loss for the asset's residual maturity (Stage 2). If the asset is ascertained as impaired (Stage 3), the asset's impairment will be carried out as the present rules require with an amount equivalent to the expected credit loss for the asset's residual maturity, but this is to be based on the increased probability of loss.

Developmental work anchored on Merkur Cooperative Bank's IT supplier BEC is ongoing, with the participation of associated member institutions as well as *The Association of Local Banks, Savings Banks and Cooperative Banks in Denmark*, with a view to developing an IFSR compatible impairment model.

The model under development is intended to be used especially for customers / facilities in Stage 3, and a subset of customers / facilities in Stage 2. For weak Stage 2 customers / facilities and Stage 3 customers / facilities, it is expected that the impairment calculation will be made through a manual, individual assessment of the financial assets rather than a model-based calculation.

It is not possible at present to make an acceptable estimate of the accounting effect of the first-time use of IFSR 9, as far as impairment rules are considered. There is, however, a general expectation that the new impairment rules overall will lead to increased impairments for banks and thereby a greater provisions account, as all loans and guarantees according to the new rules will be related to an impairment equivalent to the expected credit loss for 12 months or the expected credit loss for the asset's residual maturity in the event of a significant increase in the asset's credit risk.

Collective impairments according the existing rules will lapse, which to some extent will lessen the impact of IFSR 9. In addition to this, the special Danish impairment rules in the Accounting Executive Order's Appendix 10, which Merkur uses for fulfilling the overall impairment principles in the IFSR rules, move the impairment forward in time, thereby partially factoring in the impact of the coming IFSR 9 impairment rules.

A negative accounting impact by the new expectation-based IFSR 9 impairment rules will initially have a corresponding effect on the capital base. In order to counteract an unintended effect on the capital base and thereby the banks' opportunities to support the granting of credit, the European Commission has proposed, as an element in the reform package that the commission presented on 23 October 2016 (the Capital Requirements Package), a five-year transitional arrangement so that a negative effect from the new IFRS 9 impairment rules will only reach full effect on the capital base after five years.

Overall, the cooperative bank assesses the effect of IFSR 9 on the capital excess coverage not to be significant when the rules come into effect in 2018, while the effect on the capital excess coverage going forward will be mutedly negative apace with the effect from the transitional arrangement is phased out.

Upcoming requirements to eligible liabilities
As a consequence of EU regulation concerning the winding up and restructuring of banks, all banks must in future fulfil requirements for so-called eligible liabilities (MREL). In real terms, this concerns an additional capital requirement, which is expected to be phased in over a number of years. We are standing by for authorities' determination of MREL requirements for the cooperative bank, to be expected in Q4 of 2017.

Income statement January-June 2017
In 1,000 DKK

Note		Period ended June 30 2017	Period ended June 30 2016
1	Interest income	47,473	47,129
2	Interest expense	4,289	3,456
	Net interest income	**43,184**	**43,673**
	Dividends from shares etc.	26	92
3	Fee and commission income	22,050	17,696
	Fee and commission expense	1,545	1,187
	Net interest and fee income	**63,715**	**60,274**
4	Securities and foreign exchange income	3,419	8,964
	Other operating income	212	220
5	Staff costs and administrative expenses	51,824	44,923
	Depreciation	699	414
	Other operating expenses	1,643	2,433
	Operating result before provisions and tax	**13,180**	**21,688**
6	Provisions for bad and doubtful debts	28,409	7,190
6	Impairments on domicile property	1,836	0
	Result from holdings in associated undertakings	-8	5
	Profit before tax	**-17,073**	**14,503**
	Computed tax of the period's result	-4,131	2,988
	Net profit after tax, H1	**-12,942**	**11,515**

Balance sheet

ASSETS (IN 1,000 DKK)	June 30 2017	Dec. 31 2016	June 30 2016
Cash in hand and demand deposits with central banks	465,066	45,244	14,693
Due from credit institutions + deposits with central banks	27,727	498,586	286,676
Loans and advances	1,761,084	1,676,023	1,541,011
Bonds at fair value	1,081,506	747,770	979,465
Bonds at amortized cost	49,959	49,918	49,877
Shares etc.	37,212	50,470	49,540
Holdings in associated undertakings	640	648	648
Holdings in affiliated undertakings	1,078	0	0
Intangible assets	0	0	0
Real estate (investment properties)	3,800	3,800	4,000
Real estate in the use of the bank	11,397	13,336	12,952
Other tangible assets	5,256	3,148	2,233
Actual tax assets	3,399	0	3,524
Deferred tax assets	4,843	2,631	1,941
Assets in temporary possession	0	4,400	6,250
Other assets	56,200	47,114	45,274
Prepayments and accrued income	3,373	3,106	2,339
TOTAL ASSETS	**3,512,540**	**3,146,194**	**3,000,423**

EQUITY AND LIABILITIES (IN 1,000 DKK)

Due to credit institutions and central banks	104,268	86,436	136,501
Deposits	3,027,182	2,675,996	2,501,144
Current tax liabilities	0	389	2,988
Other liabilities	24,897	22,813	22,810
Total debt	**3,156,347**	**2,785,634**	**2,663,443**
Provisions for obligations:			
Provision for pensions and similar liabilities	292	292	137
Provisions for deferred taxes	0	0	0
Provisions for potential losses on guarantees	2,838	1,416	228
Provisions for other obligations	507	300	625
Total provisions for obligations	**3,637**	**2,008**	**990**
Subordinated debt:			
Subordinated debt	41,197	41,604	43,871
Net capital:			
Share capital	160,373	156,364	147,603
Share premium account	85,444	82,100	74,746
Revaluation of real property	859	859	859
Other reserves	4,708	4,708	4,708
Brought forward from previous years incl. result of period	59,975	72,917	64,203
Total net capital	**311,359**	**316,948**	**292,119**
TOTAL LIABILITIES	**3,512,540**	**3,146,194**	**3,000,423**
OFF-BALANCE SHEET ITEMS:			
Guarantees etc.	770,012	685,369	529,020
TOTAL OFF-BALANCE SHEET ITEMS	**770,012**	**685,369**	**529,020**

STATEMENT OF CAPITAL (1,000 DKK)

Statement of capital June 30, 2016	**June 30 2016**	**Dec 31 2015**	**June 30 2015**
Share capital, beginning of year	129,848	122,053	122,053
Capital increase	17,755	7,795	2,910
Share capital, end of period	**147,603**	**129,848**	**124,963**
Value of shares, end of period			
Value of shares, relative to 100	181	175	171
Share premium account, beginning of year	61,205	55,664	55,664
Share premiums from shares issued	13,541	5,502	2,004
Other comprehensive income	0	39	0
Share premium account, end of period	**74,746**	**61,205**	**57,668**
Other reserves, beginning of year	4,708	4,708	4,708
Other reserves, end of period	**4,708**	**4,708**	**4,708**
Revaluation reserves			
Beginning of the year	859	859	859
Revaluation reserves, end of period	**859**	**859**	**859**
Profit brought forward, beginning of year	52,688	44,864	44,864
Increased through net profit of year	11,515	7,824	3,168
Profit brought forward, end of period	**64,203**	**52,688**	**48,032**
Composition of net capital, end of period			
Share capital	147,603	129,848	124,963
Share premium account	74,746	61,205	57,668
Other reserves	4,708	4,708	4,708
Revaluation reserves, real estate	859	859	859
Brought forward from prior years	52,688	44,864	44,864
Appropriated from net profit for the period	11,515	7,824	3,168
Total net capital	**292,119**	**249,308**	**236,231**

Note	NOTES (in 1,000 DKK)	Period ended June 30 2017	Period ended June 30 2016
1	**Interest income**		
	Credit institutions and central banks	13	12
	Loans	46,445	45,471
	Bonds	935	1,605
	Other interest income	41	41
	Negative interest deposits	39	0
	Total interest income	**47,473**	**47,129**
	of which repo transactions	0	0
2	**Interest expenses**		
	Credit institutions and central banks	2,291	640
	Deposits	793	1,698
	Subordinated debt	1,204	1,116
	Other interest expenses	1	2
	Total interest expenses	**4,289**	**3,456**
	of which repo transactions	0	0
3	**Fees and commission income**		
	Securities trade and securities in account	2,462	1,858
	Payment handling	3,003	3,081
	Loan business, fees and charges	2,569	1,976
	Guarantee commission	7,634	5,496
	Other charges, fees and commission income	6,382	5,285
	Total fees and commission income	**22,050**	**17,696**
4	**Securities and foreign exchange income**		
	Bonds (mark-to market valuation)	499	7,822
	Shares	1,909	1,346
	Value adjustments investment properties	0	-1,260
	Foreign exchange income	1,011	1,056
	Total securities and foreign exchange income	**3,419**	**8,964**
5	**Staff costs and administrative expenses**		
	Salaries and remuneration of board of directors, executive board and shareholders committee:		
	Executive board	770	710
	Board of directors	399	392
	Total	**1,169**	**1,102**
	Staff costs:		
	Salaries	23,904	20,577
	Pension costs	2,559	2,320
	Financial services employer tax	3,856	3,283
	Total	**30,319**	**26,180**
	Other administrative expenses	20,336	17,641
	Total staff costs and administrative expenses	**51,824**	**44,923**

Average number of employees (full time equivalents) for the period was 98.4

6 Impairments

	Individual impairments		Collective impairments	
	June 30 2017	**June 30 2016**	**June 30 2016**	**June 30 2016**
Impairments of the period	31,199	9,529	999	1,326
Reversal of impairments from previous years	2,897	5,649	1,531	94
Direct write offs	1,344	1,123	0	0
Income from prior years write offs and interest from impairments	912	1,045	0	0
Reassesed value of real estate in temporray possession/provisions on loans	207	2,000	0	0
Impairments on domicile property	1,836	0	0	0
Net impairments from income statement	**30,777**	**5,958**	**-532**	**1,232**
Write offs, previously impaired	3,491	2,778		

7 **Financial highlights**	**June 30 2017**	**June 30 2016**	**June 30 2015**	**June 30 2014**	**June 30 2013**
Net interest and fee income	43,184	43,673	40,492	55,575	50,858
Market value adjustments	3,419	8,964	2,711	2,934	984
Staff and administrative expenses	51,824	44,923	39,871	36,720	32,355
Impairments on loans etc.	28,409	7,190	11,881	13,446	17,515
Impairments on domicile property	1,836	0	0	0	0
Result from holdings in ass. undertakings	-8	5	0	0	0
Profit of the period	-12,942	11,515	3,168	3,425	-2,155
Deposits	3,027,182	2,501,144	2,347,874	2,149,584	1,926,211
Loans	1,761,084	1,541,011	1,348,795	1,287,862	1,198,051
Net capital	311,359	292,119	236,231	216,500	191,745
Total assets	3,512,540	3,000,423	2,747,137	2,546,189	2,244,847

8	**FINANCIAL RATIOS Profit**	**June 30 2017**	**June 30 2016**	**June 30 2015**	**June 30 2014**	**June 30 2013**
	Income/cost ratio DKK	0.80	1.26	1.05	1.07	0.95
	Income/cost ratio DKK, before impairments and bank packages	1.18	1.29	1.35	1.46	1.49
	Return on equity before tax (%)	-5.4	5.4	1.3	1.9	-1.5
	Return on equity after tax (%)	-4.1	4.3	1.4	1.6	-1.2
	Development in % of the value of shares, 12 months from 20. July the preceding year	-1.52	5.70	2.86	3.91	-1.99
	Solvency					
	Capital ratio (BIS Ratio)	15.9	17.4	16.2	15.1	13.8
	Core capital ratio	14.0	15.0	13.5	13.0	11.7
	Market risks					
	Interest-rate risk (%)	0.1	-0.6	0.5	2.9	0.9
	Currency position (%)	1.5	1.0	0.9	1.3	1.0
	Currency risk (%)	0.0	0.0	0.0	0.0	0.0
	Liquidity					
	Loans + impairments in % of deposits	86.2	63.8	59.9	62.3	64.8
	Excess cover in % relative to the statutory liquidity requirement	290.4	261.2	306.3	304.5	281.7
	Credit risk					
	Impairment ratio of the period	1.1	0.2	0.5	0.8	1.0
	Accumulated impairment ratio	3.1	2.5	3.0	3.0	3.0
	Sum total large-scale commitments in % of capital base	69.8	24.1	40.8	36.1	20.6
	Growth in % in loans of the period	5.1	7.7	-1.3	-0.3	3.5
	Loans relative to equity	5.7	5.3	5.7	6.0	6.2