



Interim report 2024

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Merkur Cooperative Bank • Interim report 2024

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Cover photo: Students at Flakkebjerg Efterskole, a residential school banking with Merkur. At Flakkebjerg Efterskole, special initiatives have been introduced to boost student well-being. Photo: Lau Thoft Haslund.



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 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

Cees Kuypers (Chair)
Anneke Stubsgaard (Vice-chair)
Bernhard Franz Schmitz
Hilde Kjelsberg
Jakob Brochmann Laursen
Kristoffer Lüthi
Jesper Kromann
Steffan Storgaard Mortensen
Søren Thomsen

Executive Board

Charlotte Skovgaard, CEO

Audit Committee

Jakob Brochmann Laursen (Committee Chair)
Cees Kuypers
Kristoffer Lüthi

Risk Committee

Jakob Brochmann Laursen (Committee Chair)
Cees Kuypers
Hilde Kjelsberg

Nomination Committee

Anneke Stubsgaard (Committee Chair)
Cees Kuypers
Bernhard Schmitz

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

Today, we have considered and approved the interim report of Merkur Cooperative Bank for the period 1 January – 30 June 2024.

The interim report has been prepared in accordance with the requirements of the law, including the Danish Financial Business Act and the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc.

We believe that the interim report gives a true and fair view of the assets, liabilities and financial position of Merkur Cooperative Bank as at 30 June 2024, as well as of the results of its activities for the period 1 January – 30 June 2024.

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 interim report has not been audited, nor has a review been carried out.

Copenhagen, 27 August 2024.

Executive Board

Charlotte Skovgaard

Board of Directors

Cornelis Anthonie Kuypers (Chair)

Anneke Stubsgaard (Vice-chair)

Bernhard Franz Schmitz

Hilde Kjelsberg

Jakob Brochmann Laursen

Kristoffer Lüthi

Jesper Kromann

Steffan Storgaard Mortensen

Søren Thomsen

Management review for H1 2024

H1 2024 at a glance

In the first half of 2024, Merkur surpassed all previous half-year results, generating a strong increase in revenue and a profit before tax of DKK 40.1m. Having already met our original profit guidance for the full year, we are therefore revising our outlook for 2024 as a whole.

DKK 40.1m

Profit for H1 before tax



The positive results are primarily due to increasing interest rates, but also to an increase in lending to our customers. Results are also positively impacted by increasing returns on Merkur's portfolio of bonds and equities in the form of both positive market value adjustments and dividends. Net interest and fee income grew by 22% relative to H1 2023. Costs were up 7.6% compared to H1 2023, which we consider to be an acceptable level following the substantial pay increases negotiated under the collective agreements that entered into force in 2023. Merkur's basic earnings were up just over DKK 10m on the prior-year period, taking basic earnings for H1 2024 to DKK 46.2m, up from DKK 36.3m in H1 2023.

Impairment losses amounted to DKK 11.9m, which represents a reduction of DKK 2.6m compared to the prior-year period. Changes in impairment losses in H1 2024 primarily concerned management estimates of future losses which cannot yet be identified for individual customers, including the expected effect of the upcoming carbon tax on agriculture.

Merkur's unique values continue to appeal to a great many people. Merkur attracted 766 new full-service customers (gross) in H1 2024 and now has a total of 21,259 full-service customers. In H1, Merkur also welcomed 286 new shareholders, and on 30 June 2024, Merkur had a total of 8,182 shareholders. Shares are part of the foundation for 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.



21,259

full-service customers



8,182

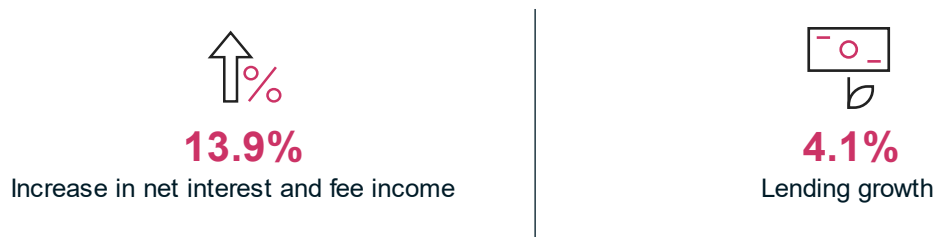
shareholders

Results and operations

In the first half of 2024, Merkur saw a satisfactory increase in net interest and fee income. Net interest and fee income totalled DKK 127.2m, up DKK 15.5m or just under 14% relative to the prior-year period. The main increase was in net interest income as a result of increased lending and interest rate rises, as also seen in the second half of 2023.

We see both rising interest income from Merkur's deposits with Danmarks Nationalbank and increasing interest income from lending to customers. However, Merkur has chosen not to increase the lending rate by as much as the interest rate increase announced by Danmarks Nationalbank. At the same time, costs associated with customers' deposits are increasing as we have gradually been increasing interest rates on our savings and pension products.

Higher interest rates also impact the cost of the subordinated debt provided to Merkur by a number of professional investors, given that interest rates on some of these agreements are variable. So, expenses related to these agreements rose by DKK 1.6m relative to the prior-year period.



In H1, net fee and commission income declined by DKK 3.3m relative to the prior-year period. The decline in fee income is primarily due to our decision to reduce the cost contribution from 1 January 2024, which is good news for our customers. At the same time, we have seen a slight decline in activity levels in the property market for personal customers, among other things due to the introduction of new property taxes in Denmark, but also because high interest rates are affecting customers looking to buy a new home. On the other hand, we have seen an increase in earnings from payment services.

Fee expenses have increased by 38% or DKK 1.6m due to increasing expenses for external valuations of our customers' properties as well as increasing expenses in connection with customers' use of credit cards and the like.

Merkur's total expenses increased by 7.6% from H1 2023 to H1 2024 – primarily due to increasing staff costs as a result of the new collective agreement concluded in 2023. Staff costs for H1 2024 were DKK 4.3m higher than in the prior-year period, which may be attributed in part to the 4.5% pay increase, effective from 1 July 2023, negotiated under the collective agreements, and in part to intense competition for specialised staff. In addition, employee numbers are up compared to H1 2023.

Other administrative expenses, comprising mainly IT costs, were up DKK 1.4m, corresponding to 4.7%.

Our portfolio of shares, primarily financial sector shares, contributed DKK 3.7m in the form of positive market value adjustments as well as dividends of DKK 2.7m. In total, the return on financial sector shares etc. was DKK 6.4m, compared to DKK 2.3m in the prior-year period.

Merkur has invested DKK284m of excess liquidity in short-term government and mortgage bonds, realising positive market value adjustments of DKK 2.2m, which is DKK 0.8m higher than for H1 2023. Overall, market value adjustments etc. represented a gain of DKK 5.9m, compared to DKK 3.4m in the prior-year period.

Losses and impairments total DKK 11.9m, compared to DKK 14.5m in H1 2023. In H1 2024, we primarily made changes to impairments based on management estimates of future losses, including the expected effect of the upcoming carbon tax. Changes to the management estimates thus account for a total of DKK 6.5m out of the total losses and impairments.

In Q2 2024, the Danish Financial Supervisory Authority carried out an ordinary inspection of Merkur, addressing, among other things, the bank's largest exposures and impairments. The Danish Financial Supervisory Authority identified additional impairment charges totalling DKK 0.5m, which have been incorporated into the interim results.

Summarising the financial development, Merkur's core earnings are still trending upwards and total DKK 46.1m for H1 2024, up DKK 10m compared to H1 2023. The development can be summarised as follows:

<i>DKKm</i>	H1 2024	H2 2023	H1 2023
Net interest income	90.6	91.1	74.3
Net fee income etc.	36.8	36.0	37.5
Total net interest and fee income etc.	127.4	127.1	111.8
Costs, depreciation and amortisation	-81.3	-76.2	-75.5
Basic earnings	46.1	50.9	36.3
Market value adjustments etc.	5.9	0.0	3.4
Losses and impairments, including management estimates	-11.9	-21.9	-14.5
Profit before tax	40.1	29.1	25.2
Profit after tax	30.2	19.1	21.5

Share price

Calculations show a current share value of DKK 2,008.60 compared to DKK 1,890.30 at the time of adoption of the financial statements for 2023 – representing an increase of 6.3% for the half-year. The price per share in euro is EUR 502,15. This is a direct consequence of the profit generated for the period. Merkur's goal and ambition is to deliver an average return on investment of 4-6% 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

Lending is up DKK 76m since the end of 2023 and totals DKK 1,919m, with the primary increase seen in lending to Merkur's personal customers, while lending to business customers is falling.

At DKK 4,218m, deposits (including pool schemes) were up 4.4% (DKK 178m), marking another positive development since the end of 2023. Deposits in Merkur Impact Pools show growth of 30% or DKK 34m, of which DKK 9.0m can be attributed to value added.

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.

In H1 2024, guarantees were reduced by DKK 47m compared to the end of 2023 and now total DKK 560m. The reduction is primarily ascribable to changes to our partnership models with DLR and Totalkredit, whereby the loss guarantees for our customers' mortgage loans have either been reduced or eliminated.

Loans and guarantees 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.

Total committed loans and guarantees, business customers

<i>DKK '000</i>	30.06.2024	31.12.2023	Development relative to end-2023
Education and Culture	312,810	261,051	19.8%
People and Health	147,779	147,852	0.0%
Food products	410,219	485,593	-15.5%
Environment and Energy	259,981	284,117	-8.5%
Communities	156,058	162,372	-3.9%
Other	69,672	73,054	-4.6%
Total	1,356,519	1,414,040	-4.1%

Overall, loans and guarantees to business customers were down 4.1% (DKK 58m) compared to the end of 2023. The reduction is partly attributable to the above-mentioned change to our partnership model with DLR. However, it is also due to lower borrowing needs among some of Merkur's business customers.

On the positive side, Merkur has provided several loans to schools. We have welcomed new customers, but also financed a major conversion, which is why lending to the Education and Culture category increases by 19.8%.

Lending to the Food products category, which includes Merkur's lending to organic farming, declined by 15.5%. The fall in guarantees is particularly evident, but the decline is also due to the fact that we have had to say goodbye to a number of large customers.

We see an 8.3% decrease in loans and guarantees for the Environment and Energy category due to the completion of a number of energy renovation projects and the repayment of loans by a small number of other customers.

Read more about Merkur's lending criteria at www.merkur.dk/kriterier (in Danish only) or see a complete list of our business customers at www.merkur.dk/her-arbejder-dine-penge (in Danish only).

Mortgage portfolio

Merkur's mortgage portfolio in DKKm	30.06.2024	31.12.2023	30.06.2023	Development relative to end-2023
Totalkredit	3,332	3,344	3,333	0%
DLR	1,414	1,389	1,339	2%
LR Realkredit	205	218	225	-6%
Total	4,951	4,951	4,897	0%

Merkur brokered mortgage loans totalling DKK 4,951m. Our largest mortgage partner is Totalkredit, and we mainly partner with them when brokering new mortgage loans to personal customers.

As expected and due to the new property taxes introduced in Denmark, mortgage lending to private

customers was stagnant following relatively high levels of activity in the last months of H2 2023. However, activity levels have been higher than predicted at the beginning of 2024, and Merkur has not seen the same decline as others in the industry. The slight decline in brokered loans to Totalcredit is due to the restructuring of mortgage loans and sale of homes by customers as well as the fact that Merkur's customers generally repay a lot on their loans.

We are not seeing the same slowdown in mortgage lending to business customers, and activity levels remain high for the brokering of DLR mortgage loans. In H1 2024, Merkur brokered mortgage loans from DLR worth DKK 166m, up significantly on H1 2023. Some of the DLR loans were brokered in connection with the restructuring of mortgage loans, and the total portfolio therefore only increases by 2% or DKK 25m.

Investments

For many years, it has been possible for Merkur's customers to invest their savings in impact investments, which can generate a financial return, while at the same time creating positive change. In H1 2024, most of the investment opportunities offered by Merkur have generated growth, which, together with other investments, results in a DKK 79m increase in the total market value of our customers' holdings.

The development of the past year can be illustrated as follows:

Market value of customer investments in DKKm	30.06.2024	31.12.2023	30.06.2023	Development relative to end-2023
Triodos	2,100	2,044	2,033	56
SDG Invest	131	111	109	20
Sparinvest	65	60	61	5
Maj Invest	6	8	10	-2
Total	2,302	2,223	2,213	79
Change in % over past six months	4.0%			

Development in business volume

At the end of H1 2024, Merkur's business volume amounted to DKK 14.0bn, representing an increase of DKK 0.3bn since the beginning of the year.


At Merkur, we want to be able to cater for all our customers' banking services needs as a full-service financial partner. As will be seen below, despite the above-mentioned decline in guarantees, we succeeded in growing business volume with our full-service customers in H1, which is in line with our strategy of making an even more positive difference for even more people.

Business volume (DKKm)	30.06.2024	31.12.2023	30.06.2023
Loans	1,919	1,843	1,743
Deposits	4,070	3,926	3,932
Deposits with pool scheme	148	115	100
Guarantees	560	607	668
Value of customer custody accounts	2,302	2,223	2,213
Business volume before mortgage brokering	8,999	8,714	8,656
Brokered mortgage loans	4,951	4,951	4,897
Total business volume	13,950	13,665	13,553
Business volume per full-service customer (DKK '000)	656	650	645


Capital

Merkur's share capital has increased by DKK 4.9m since the end of 2023 (1.3%). Subscriptions for shares contribute to own funds and thus enable Merkur to provide loans to enterprises and projects based on sustainable and socially responsible business models.

Merkur's equity (totalling DKK 512m) consists mainly of three elements: Paid-up share capital (DKK 390m), accumulated results for the current and previous years (DKK 116m) and other reserves etc. (DKK 6m).


27.1%
capital ratio


DKK 567m
Own funds


6.9%
Excess capital adequacy
including buffers

As at 30 June 2024, our own funds total DKK 567m after deductions, compared to DKK 581m at the end of 2023, representing a decrease of 2.5%.

Merkur has been granted permission by the Danish Financial Supervisory Authority to redeem two minor subordinated debt issues totalling DKK 9.4m. We expect to redeem these by 30 September 2024, and they are no longer included in our own funds. The reduction in own funds can therefore primarily be attributed to this impending redemption, and to the fact that selected non-performing loans are increasingly having a negative impact on own funds.

In addition to the solvency need, like all other banks, Merkur must have a capital conservation buffer of 2.5%, a countercyclical buffer of 2.5% and from 30 June 2024 a sector-specific systemic buffer against real estate companies of 7% of our exposure to real estate companies. Merkur's exposure to real estate companies is relatively limited, and as of 30 June 2024, our sector-specific systemic buffer against real estate companies amounts to DKK 4m.

Merkur's individual solvency need is 10.7%, which – based on our current capital ratio of 27.1% – equates to excess capital adequacy before buffers of 16.4 percentage points or DKK 342m. Excess capital adequacy after MREL and buffer requirements and including MREL capital is 6.9%.

Under the Danish Executive Order on Capital Adequacy (*Kapitaldækningsbekendtgørelsen*), Merkur is obliged to publish certain information. This information can also be found on our website www.merkur.dk/aarsrapporter.

Excess capital adequacy in DKK '000	30.06.2024	30.06.2024	31.12.2023	31.12.2023
Weighted assets (basis for calculating capital ratio)		2,092,503		1,993,750
Capital ratio (own funds relative to weighted assets)	27.1%	566,841	29.2%	581,350
Solvency need	-10.7%	-224,800	-11.4%	-227,476
Excess capital adequacy before buffer and MREL requirements	16.4%	342,041	17.8%	353,874
MREL requirement	-5.5%	-114,184	-4.3%	-85,542
MREL capital	1.2%	25,000	1.4%	28,113
Excess capital adequacy before buffer requirements and inclusive of MREL requirements and capital	12.1%	252,857	14.9%	296,445
Capital conservation buffer	-2.5%	-52,313	-2.5%	-49,884
Countercyclical capital buffer	-2.5%	-52,313	-2.5%	-49,884
Systemic buffer for exposures to real estate companies	-0.2%	-3,780	-	-
Excess capital adequacy after buffer and MREL requirements	6.9%	144,451	9.9%	196,677

Similarly to previous years, the profit for H1 2024 has not been included in own funds as at 30 June 2024. If the profit for the period had been included, the capital ratio and the Tier 1 capital ratio would have been 1.5 percentage points higher.

Merkur's target is a minimum excess capital adequacy of 5 percentage points at all times. Consolidation in the coming years is expected to meet anticipated future requirements.

	Current capital requirements and MREL requirements in %	Merkur's current capital and MREL ratios in %	Excess capital adequacy in ppts
Capital ratio	8.0	27.1	19.1
Individual solvency need	10.7	27.1	16.4
MREL requirement	16.2	28.3	12.1
MREL requirements including buffer requirements	21.4	28.3	6.9

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 2024, 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.

in %	30.06.2024	31.12.2023	Limit values
Sum of large exposures	113.9	114.7	Max. 175%
Lending growth	4.1	12.8	Max. 20%
Commercial property exposure	4.9	4.5	Max. 25%
Liquidity requirement ratio	473.9	534.6	Min. 100%

Outlook for the rest of 2024

The outlook for H2 2024 is very much dependent on developments in interest rates and property prices, the effect of the proposed carbon tax on agriculture and geopolitical developments.

Merkur expects to see continued strong growth in lending in the second half of 2024, although not on a par with the second half of 2023. The primary reason is the uncertainty surrounding developments in our customers' financial situation and expectations for the future, but also competition for attractive customers.

Interest rate increases by Danmarks Nationalbank are believed to have peaked, and interest rate cuts are expected in the second half of 2024. Merkur is ready for the expected cuts, which will affect Merkur's income from excess liquidity deposited with Danmarks Nationalbank.

We also expect impairments and losses in 2024, but at a slightly lower level than in 2023.

DKK 46-56m

expected profit before tax in 2024



The results posted by Merkur for H1 far exceeded expectations, and at the end of H1, we have already achieved the FY 2024 profit guidance announced in the annual report for 2023. We are therefore raising our FY 2024 profit guidance to DKK 46-56m before tax (DKK 34-41m after tax).

Uncertainty of recognition and measurement

The main uncertainty of recognition and measurement relates to the impairment of loans, provisions for guarantees and the valuation of financial instruments. Management finds the uncertainty associated with the financial reporting to be at a safe level.

Significant events after the end of H1

No events have occurred since the balance sheet date of 30 June 2024 that would influence the evaluation of the interim report.

Accounting policies

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.

The interim financial statements are presented in Danish kroner and rounded to the nearest DKK 1,000.

The accounting policies are applied consistently with the 2023 financial statements. Reference is made to the 2023 annual report for a further description of the accounting policies.

Financial statements



INCOME STATEMENT

'000	H1 2024	H1 2023	Note
Interest income	103.646	79.631	1
Interest expenses	-13.084	-5.355	2
Net interest income	90.562	74.276	
Dividends from shares etc.	2.718	152	
Fee and commission income	39.261	41.015	3
Fee and commission expenses paid	-5.353	-3.780	
Net interest and fee income	127.188	111.663	
Market value adjustments etc.	5.927	3.362	4
Other operating income	168	141	
Staff costs and administrative expenses	-79.591	-73.773	5
Depreciation of tangible assets	-1.535	-1.586	
Other operating expenses	-112	-112	
Impairment charges for loans etc.	-11.906	-14.487	6
Profit before tax	40.139	25.208	
Calculated tax on profit for the period	-9.965	-3.711	
Profit after tax	30.174	21.497	

BALANCE SHEET

Assets [DKK '000]	30.06.2024	31.12.2023	30.06.2023	Note
Cash in hand and demand deposits with central banks	2.535.841	2.486.560	2.506.429	
Accounts receivable from credit institutions and central banks	53.035	79.676	75.526	
Loans at amortised cost	1.919.476	1.843.102	1.743.172	7
Bonds at fair value	283.888	178.538	215.795	
Shares etc.	71.929	68.168	61.039	
Investments in associates	735	735	691	
Assets associated with pool schemes	148.333	114.522	100.063	
Intangible assets	0	15	107	
Land and buildings				
Domicile properties	11.533	11.662	11.790	
Leased domicile properties	6.389	5.361	6.254	
Total land and buildings	17.922	17.023	18.044	
Tangible assets	1.718	1.691	1.563	
Current tax assets	0	1.028	87	
Deferred tax assets	0	5.002	8.969	
Other assets	49.893	53.856	50.391	
Prepayments	3.649	4.324	3.801	
TOTAL ASSETS	5.086.419	4.854.240	4.785.677	

Liabilities and equity [DKK '000]	30.06.2024	31.12.2023	30.06.2023	Note
Debt				
Debt to credit institutions and central banks	121.076	114.776	102.715	
Deposits and other debt	4.069.832	3.925.852	3.932.344	8
Deposits with pool schemes	148.333	114.522	100.063	
Issued bonds	24.870	24.855	24.841	
Current tax liabilities	1.297	0	1.334	
Other liabilities	47.524	34.976	38.762	
Deferred income	3.468	202	2.171	
Total debt	4.416.400	4.215.183	4.202.230	
Provisions				
Provisions for pensions and similar liabilities	386	385	446	
Provisions for deferred tax	1.918	2.837	0	
Provisions for guarantees	3.896	4.608	3.138	
Provisions for other obligations	3.665	6.142	4.768	
Total provisions	9.865	13.972	8.352	
Subordinated debt	147.885	147.890	131.503	
Equity				
Share capital	242.138	239.536	231.525	
Share premium account	148.063	145.765	139.305	
Revaluation reserves	857	857	857	
Other reserves	4.708	4.708	4.708	
Retained earnings, including profit for the period	116.503	86.329	67.197	
Total equity	512.269	477.195	443.592	
TOTAL LIABILITIES AND EQUITY	5.086.419	4.854.240	4.785.677	
Off-balance sheet items:				
Guarantees etc.	559.986	606.711	668.310	
TOTAL OFF-BALANCE SHEET ITEMS	559.986	606.711	668.310	

Statement of capital

'000	30.06.2024	31.12.2023	30.06.2023
Share capital, beginning of period	239.536	228.322	228.322
Newly paid-up share capital	2.602	11.214	3.203
Share capital, end of period	242.138	239.536	231.525
Share price, end of the period	2.008,60	1.890,30	1.812,10
Share premium account, beginning of period	145.765	136.960	136.960
Share premium during the period	2.298	8.725	2.345
Other comprehensive income	0	80	0
Share premium account, end of period	148.063	145.765	139.305
Revaluation reserves, beginning of period	857	1.350	1.350
Revaluation property, reversal	0	-493	-493
Revaluation reserves, end of period	857	857	857
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	86.329	45.700	45.700
Retained earnings for the period	30.174	40.629	21.497
Retained earnings, end of period	116.503	86.329	67.197

NOTES

'000	H1 2024	H1 2023
Note 1. Interest income		
Accounts receivable from credit institutions and central banks	44.136	28.744
Loans	56.385	49.599
Bonds	2.743	1.261
Other interest income	382	27
Total interest income	103.646	79.631
Note 2. Interest expenses		
Credit institutions and central banks	1	0
Deposits	7.393	1.286
Subordinated debt	5.555	3.917
Other interest expenses	135	152
Total interest expenses	13.084	5.355
Note 3. Fee and commission income		
Securities trading and custody accounts	6.607	7.018
Payment handling	8.004	7.196
Loan business, fees and charges	1.964	2.365
Guarantee commission	11.257	11.421
Other fee and commission income	11.429	13.015
Total fee and commission income	39.261	41.015

NOTES

'000	H1 2024	H1 2023
Note 4. Market value adjustments		
Bonds	2.160	1.322
Shares	3.795	2.271
Foreign exchange income	-154	-202
Foreign exchange, interest rate, share, commodity and other contracts and derivative financial instruments	126	-29
Assets associated with pool scheme	-8.981	5.066
Deposits with pool scheme	8.981	-5.066
Total market value adjustments	5.927	3.362
Note 5. Staff costs and administrative expenses		
Salaries and remuneration of Board of Directors and Executive Board:		
Executive Board	1.636	1.460
Board of Directors	947	930
Total	2.583	2.390
Staff costs:		
Salaries	36.324	32.843
Pensions	4.114	3.725
Social security costs (financial services employer tax etc.)	6.225	5.841
Total	46.663	42.409
Other administrative expenses	30.345	28.974
Total staff costs and administrative expenses	79.591	73.773
Number of employees, full-time equivalents	113,1	105,6
Note 6. Impairment and provisions		
Total write-offs and impairments for the period:		
Impairments for the period	20.060	29.164
Write-offs for the period, previously impaired	-6.141	-13.905
Write-offs, not previously impaired	339	278
Received on claims previously written off	-1.234	-285
Interest from impairment	-1.118	-765
Total write-offs and impairments for the period	11.906	14.487

NOTES

Note 6. Impairment and provisions [continued]

Impairments of loans and other accounts receivable, provisions for guarantees and unutilised credit facilities				
H1 2024	Stage 1	Stage 2	Stage 3	Total
Beginning of period	10.800	21.928	56.520	89.248
New impairments/provisions	4.215	13.793	15.151	33.159
Reversal of impairments/provisions	-4.740	-5.930	-8.570	-19.240
Transfer to stage 1	1.673	-1.671	-2	0
Transfer to stage 2	-942	942	0	0
Transfer to stage 3	-55	-1.607	1.662	0
Write-offs, previously impaired/provided for	0	0	-6.141	-6.141
End of period*	10.951	27.455	58.620	97.026
*) Of which management estimate	6.557	17.020	87	23.664

Impairments of loans and other accounts receivable, provisions for guarantees and unutilised credit facilities				
Full year 2023	Stage 1	Stage 2	Stage 3	Total
Beginning of period	5.146	12.645	49.259	67.050
New impairments/provisions	8.000	17.260	36.596	61.856
Reversal of impairments/provisions	-4.451	-4.577	-15.710	-24.738
Transfer to stage 1	2.951	-2.874	-77	0
Transfer to stage 2	-652	980	-328	0
Transfer to stage 3	-194	-1.506	1.700	0
Write-offs, previously impaired/provided for	0	0	-14.920	-14.920
End of period*	10.800	21.928	56.520	89.248
*) Of which management estimate	5.426	11.729	0	17.155

Impairments of loans and other accounts receivable, provisions for guarantees and unutilised credit facilities				
H1 2023	Stage 1	Stage 2	Stage 3	Total
Beginning of period	5.146	12.645	49.259	67.050
New impairments/provisions	4.843	10.746	17.418	33.007
Reversal of impairments/provisions	-3.670	-6.110	-7.968	-17.748
Transfer to stage 1	2.582	-2.582	0	0
Transfer to stage 2	-626	1.831	-1.205	0
Transfer to stage 3	-138	-1.012	1.150	0
Write-offs, previously impaired/provided for	0	0	-13.905	-13.905
End of period*	8.137	15.518	44.749	68.404
*) Of which management estimate	3.227	7.796	0	11.023

NOTES

'000	30.06.2024	31.12.2023	30.06.2023
Note 7. Loans			
On demand	284.978	294.410	267.282
Up to and including 3 months	29.017	31.198	20.690
Between 3 months and 1 year	121.134	132.953	120.763
Between 1 year and 5 years	366.599	344.388	324.689
More than 5 years	1.117.748	1.040.153	1.009.748
Total	1.919.476	1.843.102	1.743.172
Note 8. Deposits			
On demand	4.069.832	3.925.596	3.931.578
Up to and including 3 months	0	256	0
Between 3 months and 1 year	0	0	766
Total	4.069.832	3.925.852	3.932.344

NOTES

'000	30.06.2024	31.12.2023	30.06.2023
Note 9. Capital ratio			
Composition of capital			
Equity	512.269	477.195	443.592
Of which the unaudited profit for the period	-30.174	0	-21.497
Deductions:			
Capitalised deferred tax assets	0	-5.002	-8.133
NPE backstop	-30.877	-16.989	-23.449
Actual Tier 1 capital instruments in the financial sector	-22.926	-18.929	-18.348
Other deductions	-377	-262	-470
Actual Tier 1 capital	427.915	436.013	371.695
Subordinated debt	147.885	145.587	131.503
Deduction for shares that cannot be included	-8.959	-250	-7.605
Own funds	566.841	581.350	495.593
Risk exposure			
Credit risk	1.688.417	1.671.562	1.629.276
Market risk	43.295	22.089	42.938
Operational risk	360.791	300.099	300.099
Total risk exposure	2.092.503	1.993.750	1.972.313
Capital ratio	27,1	29,2	25,1
Tier 1 capital ratio	20,4	21,9	18,8

* Similarly to previous years, the profit for H1 2024 has not been included in own funds as at 30 June 2024. If the profit for the period had been included, the capital ratio and the Tier 1 capital ratio would have been 1.5 percentage points higher.

NOTES

'000	30.06.2024	30.06.2023	30.06.2022	30.06.2021	30.06.2020
Note 10. Financial highlights					
Key figures					
Net interest and fee income	127.188	111.663	81.318	77.229	70.601
Market value adjustments etc.	5.927	3.362	-4.968	46	-202
Staff costs and administrative expenses	-79.591	-73.773	-68.942	-65.560	-64.126
Impairment of loans and receivables etc.	-11.906	-14.487	-25.353	-5.472	-24.506
Share of profit or loss from investments in associated undertakings	0	0	-22	422	403
Profit after tax for the period	30.174	21.497	-15.278	4.305	-15.396
Deposits	4.069.832	3.932.344	3.771.944	3.653.826	3.369.893
Loans	1.919.476	1.743.172	1.664.161	1.708.835	1.665.683
Equity	512.269	443.592	402.417	399.281	359.639
Total assets	5.086.419	4.785.677	4.785.677	4.346.523	3.914.609
Guarantees	559.986	668.310	792.160	785.853	639.597
Ratios					
Capital ratio*	27,1	25,1	22,2	19,6	20,4
Tier 1 capital ratio*	20,4	18,8	16,6	17,6	18,4
Return on equity before tax for the period (%)	8,1	5,9	-4,8	1,3	-5,4
Return on equity after tax for the period (%)	6,1	5,0	-3,8	1,1	-4,2
Return on capital employed for the period (%)	0,6	0,4	-0,3	0,1	-0,4
Income/cost ratio	1,4	1,3	0,8	1,1	0,8
Income/cost ratio excl. market value adjustments and impairments	1,6	1,5	1,2	1,2	1,1
Interest rate risk (%)	0,4	0,8	0,4	0,2	0,3
Foreign exchange position (%)	1,1	2,0	0,8	1,1	0,4
Foreign exchange risk (%)	0,0	0,0	0,0	0,0	0,0
Liquidity coverage ratio (%)	473,9	477,1	450,0	506,7	489,6
Net Stable Funding Ratio (NSFR)	227,2	253,8	242,6	223,0	-
Loans and impairment charges in % of deposits	47,6	44,8	44,9	48,2	52,7
Lending-to-equity ratio	3,7	3,9	4,1	4,3	4,6
Growth in lending for the period (%)	4,1	6,8	-0,3	4,0	-0,1
Sum of large exposures	113,9	131,0	121,9	114,3	146,3
Impairment ratio for the period	0,5	0,5	1,1	0,2	1,1
Accumulated impairment ratio	3,7	2,6	2,9	2,8	4,7

* Similarly to previous years, the profit for H1 2024 has not been included in own funds as at 30 June 2024. If the profit for the period had been included, the capital ratio and the Tier 1 capital ratio would have been 1.5 percentage points higher.