Annual report 2024

MERKUR
COOPERATIVE BANK

Contents

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Editors: Pia Foss Henriksen, CFO, and Ann Hybertz Frandsen, Communications Consultant, EA
Cover photo: Merkur's customer Landsforeningen Natur & Ungdom is an association of volunteers that help children and young people connect with and learn about nature. The association builds meaningful communities among children and young people and organises activities that help them understand and enjoy nature. Natur & Ungdom is one of the recipients of funds from the Merkur Value Pool. Photo: Landsforeningen Natur & Ungdom

Merkur Cooperative Bank

Merkur's business area
Merkur Cooperative Bank is a socially responsible cooperative bank offering banking services for personal and business customers. Lending by the cooperative bank is financed through deposits, and the capital comes primarily from our customers. Merkur lends money to private individuals, sustainable and socially responsible enterprises and institutions, and we offer savings, investment and insurance products as well as payment solutions. Merkur applies comprehensive selection criteria and minimum requirements to ensure that not only do the bank's activities do no harm, they actually lead to positive changes for people, the climate, the environment and biodiversity. In brief: Merkur is a Danish value-based bank with a vision of acting as a catalyst for a better world.

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.

Merkur's mission
Merkur's mission is:
- to raise awareness of money as a catalyst for sustainable development and show that serving people, society and nature is compatible with running a responsible, sound and resilient business
- to run a straightforward and economically sustainable banking business characterised by a high degree of accountability and transparency
- to offer financial products and services that support a sustainable real economy, while at the same time catering for the needs of society and our customers
- to engage in an informational, value-adding and dynamic dialogue with our customers and partners, encouraging caring and sustainable behaviour
- to provide the framework for a community where our employees, customers and business partners all work together to create a better world.

Financial highlights

KEY FIGURES IN DKKm	2024	2023	2022	2021	2020
Income statement					
Net interest and fee income	246.5	238.6	174.7	158.2	146.6
Market value adjustments etc.	10.7	3.4	-7.0	1.3	-0.7
Staff costs and administrative expenses	159.9	148.1	139.3	134.8	130.4
Impairment of loans and receivables etc.	28.4	36.4	26.7	8.3	25.7
Profit or loss from investments in associates	0.0	0.0	0.0	0.2	0.3
Profit after tax for the year	50.4	40.6	-0.6	11.6	-10.4
Balance sheet					
Loans	1,922.8	1,843.1	1,631.7	1,669.2	1,642.7
Deposits	4,402.6	4,040.4	3,852.6	3,749.8	3,526.9
Equity	533.4	477.2	417.0	412.0	389.6
Total assets	5,361.6	4,854.2	4,564.7	4,497.5	4,153.0
Guarantees	521.7	606.7	686.4	773.2	688.3
Other information					
Number of full-service customers*	21,280	21,077	20,846	20,916	20,176
Number of shareholders	8,239	8,082	7,950	8,131	8,096
Ratios					
Capital ratio	29.3	29.2	25.7	23.9	20.8
Tier 1 capital ratio	21.5	21.9	19.3	17.9	19.0
Return on equity before tax (%)	13.0	12.2	-0.4	3.5	-7.0
Return on equity after tax (%)	10.0	9.1	-0.2	2.9	-5.4
Return on capital employed	0.9	0.8	-0.01	0.3	-0.3
Income/cost ratio	1.3	1.3	1.0	1.1	0.9
Cost per krone of income excl. market value adjustments etc. and impairment	1.5	1.6	1.2	1.2	1.1
Cost-to-income ratio excl. market value adjustments etc. and impairment	0.7	0.6	0.8	0.9	0.9
Interest rate risk (%)	3.0	0.3	0.8	0.2	0.9
Foreign exchange position (%)	1.7	1.3	1.6	3.2	0.8
Foreign exchange risk (%)	0.0	0.0	0.0	0.0	0.0
Liquidity coverage ratio (%)**	480.4	534.7	557.5	566.9	541.4
Net Stable Funding Ratio (NSFR)	227.0	242.9	255.8	238.8	
Loans and impairment in % of deposits	46.0	47.6	43.9	45.9	48.2
Lending-to-equity ratio	3.6	3.9	3.9	4.1	4.2
Growth in lending for the year (%)	4.3	13.0	-2.2	1.6	-1.5
Ratio of 20 largest exposures to Tier 1 capital	79.7	114.7	111.1	118.6	135.2
Share of loans with reduced interest (%)	0.3	1.6	1.7	0.8	0.5
Impairment ratio for the year	1.0	1.3	1.2	0.2	1.2
Accumulated impairment ratio	4.2	3.3	2.7	2.2	2.6

*We want to cater for even more of our existing customers' needs, and we therefore measure how many of our customers have chosen Merkur as their primary provider of banking services.
**The ratio is calculated LCR – excess capital adequacy is the figure shown minus 100.

2024 in headlines

For the second year in a row, Merkur posted its best results ever, recording a profit for the year of DKK 65.9m before tax (DKK 50.4m after tax). The extraordinarily strong results are due to high interest rates in particular, but also to the growing number of personal and business customers demanding socially responsible and sustainable banking services. Merkur grew its customer base and business volume per customer in 2024, achieving our strategy of offering all-round advisory services to our customers to meet more of their needs. In short, we can now make an even more positive difference for even more people. This is important because Merkur's business serves as a catalyst for sustainable change, and the more we are, the greater a difference we can make.

Total lending to personal customers increased, while bank lending to business customers fell slightly in 2024 as many customers repaid temporary loans taken out to pay for school renovations and the establishment of new residential communities. The very satisfactory results for the year were reflected in the price per share, which rose by 10.5% compared to the price calculated in connection with the preparation of the annual report for 2023. We are delighted to be able to honour the loyalty that many of our shareholders have shown us over the years.

In 2024, we renewed our B Corp certification, increasing our score by just over 24%. This once again confirms Merkur's ongoing commitment to making a difference and actively using our business to create positive change for people, nature and the environment. 2024 marked the second year of the Merkur Value Pool, under which we donate a portion of our net interest and fee income from the previous year to four charitable, not-for-profit customers in Merkur and the Merkur Foundation. In 2024, we donated DKK 715,000.

Highlights from 2024

PROFIT FOR THE YEAR
DKK 65.9m
before tax

LENDING
4.3%
increase in lending

INVESTMENTS
DKK 2.1bn
invested by our customers in Triodos' dark green funds

SHARES
10.5%
return on shares

PRIDE
99%
of Merkur's employees are proud of their work

DONATION
DKK 715,000
donated to four not-for-profit customers and the Merkur Foundation

Management review

Financial performance

The past year

In 2024, we posted the best results in Merkur's history, helped by continued high interest rate levels, positive market value adjustments and increasing dividends. But the growing appeal of Merkur's sustainable business model also contributes to the positive results. As a result, we posted a profit before tax of DKK 65.9m.

In 2024, inflation eased, resulting in declining interest rates in both Europe and Denmark in the second half of 2024. The year was characterised by uncertainty due to war in both Ukraine and the Middle East, but, fortunately, these events do not have a significant impact on the financial situation of Merkur's customers. The financial situation of Merkur's customers is generally relatively robust, resulting in a reduced need for impairment compared to 2023.

We maintained and even increased the high net interest income from 2023, which can be attributed to Danmarks Nationalbank's high interest rate, especially in the first half of 2024.

However, Merkur's costs increased, partly due to relatively substantial salary increases for our employees resulting from a collective bargaining agreement, but also because Merkur hired more employees to match the increased activity level.

We saw good activity among personal customers, helping many of them with loans to buy a home. On the other hand, business customers proved less willing to borrow money than in previous years, resulting in a decline in business lending in 2024. Consequently, lending growth amounted to 4.3% in 2024, driven by growth in mortgage lending to personal customers of over 16%, while lending to business customers fell by 5%. This was primarily due to several business customers repaying loans taken out for construction and remodelling projects etc.

At DKK 83.6m, Merkur's core earnings were marginally below the record seen in 2023. Basic earnings, calculated as the profit before tax less value adjustments etc., impairment and losses on loans, are one of the most important key figures as it is a measure of the company's primary operations. We maintained basic earnings due to the continued high interest level, but fee income fell slightly.

Merkur recorded a profit before tax of DKK 65.9m, which is DKK 11.6m more than in the record year 2023. This equates to a return on average equity of 13.0%, which also benefits our shareholders as the value of shares increases by 10.5% compared to the value calculated in the 2023 financial statements.

In the 2024 interim report, we expected a profit before tax for the year of DKK 46-56m. At DKK 65.9m, the profit before tax for the year clearly exceeded our expectations.

21.3%
growth in profit before tax

13.0%
return on equity before tax

Customers and shareholders

We value all our customers, and we want them to choose Merkur as their primary financial institution and become full-service customers. Full-service customers are customers who have their NemKonto with Merkur. At the end of 2024, Merkur had a total of 21,280 full-service customers, which is a net addition of 203 new full-service customers. We welcomed a total of 1,726 new customers, of whom 1,390 are full-service customers. More than half of the other new customers are children who do not yet have a NemKonto, which means that they do not count as full-service customers, even though Merkur is their primary bank. We are pleased that there are customers who actively choose Merkur and the values we stand for. However, not all those interested in banking with us can be welcomed as new customers. Unfortunately, we had to reject some loan applications from both existing and potential new customers, either because new business customers did not meet Merkur's minimum criteria or because a loan would put too much strain on the customer's finances.

In 2024, Merkur welcomed 540 new shareholders, which is slightly below the level in 2023. We are grateful for our new shareholders, as they enable us to offer loans to sustainable businesses and personal customers. At the end of 2024, Merkur had 8,239 shareholders, a net increase of 157.

In 2024, the share capital grew by DKK 5.5m, corresponding to 1.4%. Shares are primarily bought by Merkur's full-service customers, but Merkur also has a few professional investors among its shareholders who view shares in Merkur as a long-term impact investment.

In the coming years, the share capital and positive earnings will continue to play an important role in fulfilling the capital requirements that all financial institutions must meet. Maintaining and increasing shareholder numbers and our share capital will therefore continue to have high priority in the coming years.

21,280
full-service customers

8,239
shareholders

Deposits, loans and other forms of banking services

Never before have so many customers entrusted us with so much money. Merkur manages more than DKK 6bn of its customers' money, including our share capital. Deposits increased by DKK 362m (9.0%). Deposits in pools that allow pension savings to be invested in impact funds where sustainability is an integral part of the investment strategy amounted to DKK 202m, up DKK 88m, of which value added in the form of positive market value adjustments etc. amounted to DKK 12.3m.

DKK 4.4bn
in deposits

4%
increase in lending

DKK 2.3bn
invested by customers via Merkur

Ethically screened investments and so-called impact investments have really taken off in the Danish market. Merkur has very strict sustainability criteria for the investment products we offer to our customers. We work with several partners, including Triodos Investment Management, which is a reputable and extremely diligent company when it comes to selecting companies and projects in which to invest. Read more in the 'Sustainability' chapter on page 36. Merkur's customers have invested a total of DKK 2,087m in Triodos investment funds, an increase of DKK 43m compared to 2023. To this should be added investments in funds from other partners of DKK 194m. We expect the investment area to continue to grow in 2025, as many of Merkur's customers want their money to help promote sustainable change.

Customer investments

KEY FIGURES IN DKKm	2024	2023	Change
Triodos impact funds	2,087	2,044	43
SDG Invest	126	111	15
Sparinvest	62	60	2
Maj Invest	6	8	-2
Total	**2,281**	**2,223**	**58**

Merkur's lending grew by 4.3% in 2024, amounting to DKK 1,923m at the end of 2024 compared to DKK 1,843m at the end of 2023. Read more in the chapter 'Merkur's lending activities' on page 19. Going into 2024, we expected the housing market to be stagnant due to high interest rates and new housing taxes, but this turned out not to be the case. On the other hand, we saw good activity in the housing area in 2024, both from property transactions and loan conversions, with customers seeing the benefit of converting to other loan types. In gross terms, new mortgage loans to personal customers were almost on a par with 2023.

DKK 3.3bn
worth of mortgage loans with Totalkredit

DKK 1.5bn
worth of mortgage loans with DLR

Merkur also brokers mortgage loans via DLR, which showed a satisfactory increase in the period of 5% or DKK 65m. There were also many loan conversions among our agricultural and business customers.

Merkur's mortgage portfolio

IN DKKm	2024	2023	Development in %
Totalkredit A/S	3,345	3,344	0%
DLR Kredit A/S	1,454	1,389	5%
LR Kredit A/S	189	218	-13%
Total	**4,988**	**4,951**	**1%**

In 2024, guarantees fell by DKK 85m compared to the end of 2023 and now amount to DKK 522m. Guarantees are primarily provided in connection with property transactions and mortgage financing. 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.

At the end of 2024, the total volume of business, including brokered mortgage loans, amounted to DKK 14.1bn, an increase of just over DKK 0.4bn compared to the end of 2023.

As can be seen from the table below, we managed to grow the business volume with our full-service customers – growth which was seen in all business areas with the exception of guarantees. We are delighted to be able to cater for even more of our existing customers' needs, which is also part of Merkur's strategy of making an even more positive difference for even more people.

Development in business volume

KEY FIGURES IN DKKm	2024	2023
Loans	1,923	1,843
Deposits	4,200	3,926
Deposits with pool scheme	202	115
Guarantees	522	607
Value of customer custody accounts	2,281	2,223
Business volume before mortgage brokering	**9,128**	**8,714**
Brokered mortgage loans	4,988	4,951
Total business volume	**14,116**	**13,665**
Average business volume per full-service customer (DKK '000)	**663**	**648**

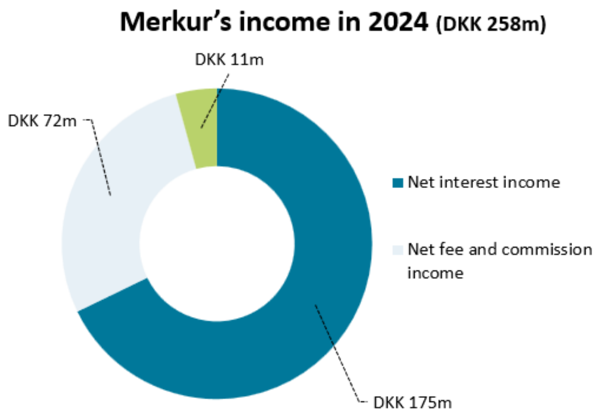
Income

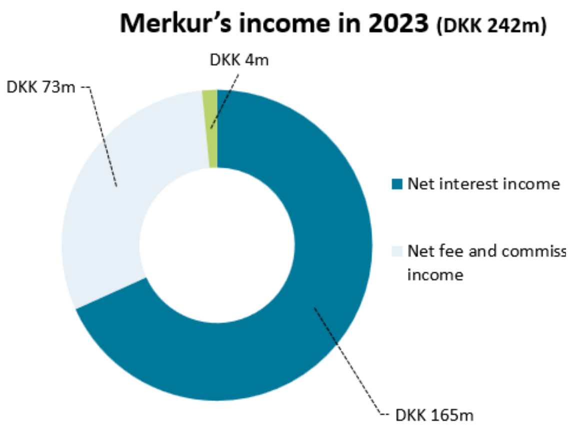
In 2024, Merkur recorded an increase in net interest and fee income of DKK 7.9m or 3.3% compared to 2023.

Merkur's large excess liquidity is primarily deposited with Danmarks Nationalbank and other credit institutions, contributing just over DKK 83m in interest income compared to DKK 72m in 2023. In 2024, interest income from lending to customers rose by just over DKK 8m, primarily as a result of increased lending. At the same time, interest expenses rose by 88% or DKK 13m, which is mainly due to our customers' increasing investments in Merkur's savings products.

Net fee and commission income for the year was DKK 68.7m, down DKK 4.1m on 2023.
In early 2024, we reduced the cost contribution price, which reduced the income earned from this. The cost contribution was introduced during the period of negative interest rates, where the interest income from our core business was insufficient to cover the costs associated with running a financial institution. As we are once again making money from interest rates, it is only fair to our customers to reduce the fee. On the other hand, we are seeing higher earnings from payment services, an area where income from customers' use of payment cards accounts for a significant part of our earnings.
At the same time, our fee expenses are rising in a number of areas. Among other things, we are increasingly using external experts to assess the value of our customers' properties, and the costs associated with customers' use of cards and other payment products are also increasing.

Dividend from Merkur's shares in primarily financial sector companies amounted to DKK 3.0m in 2024 compared to DKK 0.3m in 2023. In 2024, we received dividend from DLR, and part of the market value adjustment of the DLR shares in 2023 was in the form of dividend in 2024.





Costs

In 2024, Merkur's costs amounted to DKK 163.4m, up 7.8% compared to last year.

Salaries are Merkur's largest expense item, amounting to DKK 99.3m in 2024 – an increase of DKK 8.7m compared to 2023. In 2024, there was a relatively large salary adjustment resulting from a collective bargaining agreement, which contributed to the increase. However, the recruitment of more qualified employees and specialists also drove up costs.

Other administrative expenses amounted to DKK 60.7m, up DKK 3.2m or 5.5% compared to 2023. In 2023, Merkur launched the Merkur Value Pool, in which we donate 0.3% of our net interest and fee income from the previous year to selected not-for-profit customers. The donations form part of Merkur's administrative expenses. Read more about the Merkur Value Pool on page 49. In addition to salaries, the largest expense item remains our IT expenses, which in 2024 amounted to DKK 44.3m, up DKK 3.5m compared to 2023. Our main IT supplier, BEC Financial Technologies, accounted for most of Merkur's IT expenses, increasing by DKK 2m, but in 2024 other supplier costs such as consulting services related to website maintenance, preparation of new legislation, information about customers' CO_2 emissions etc. also rose.

Costs

(DKK '000)	2024	2023	Development
Salaries	99,265	90,581	9.6%
IT	44,285	40,832	8.5%
Administrative expenses	16,394	16,692	-1.8%
Depreciation and amortisation of tangible and intangible assets	3,333	3,418	-2.5%
Other operating expenses	111	112	0.0%
Total costs:	**163,388**	**151,635**	**7.8%**

A good indicator of the operational efficiency of a financial institution is the O/I ratio, which is calculated by dividing all costs by all income excluding market value adjustments etc. as well as impairment and losses on loans etc. Merkur's O/I ratio was 0.66, marginally above the 2023 level. This means that every time Merkur earns DKK 100, DKK 66 is spent on salaries, IT, office supplies etc.

Market value adjustments etc.

For several years, Merkur has pursued a more conservative investment strategy than many other financial institutions. First and foremost, we want the funds with which we are entrusted to make a difference, and we believe this is best achieved through lending to sustainable and socially responsible projects. We then balance return and impact requirements with the cash resources we are required to hold at all times, in combination with the capital burden associated with potential investments. Based on these considerations, we have decided to invest a small share of our excess liquidity in bonds, shares and investments in financial sector shares as well as in other partners. With the continued increase in excess liquidity, in autumn 2024 we decided to invest further in ultra-liquid bonds with short maturities and relatively low interest rate risk. As a result, Merkur's total bond portfolio amounted to DKK 531m at the end of the year.

In 2024, Merkur's bond portfolio contributed positively to results with a market value adjustment of DKK 5.9m compared to DKK 4.0m in 2023. Market value adjustments etc. of shares and equity investments showed a gain of DKK 5.0m against a loss of DKK 0.3m in 2023. Merkur's share portfolio consists primarily of investments in Danish financial sector shares and a small portion of shares in foreign value-based financial institutions that share Merkur's values.

Overall, market value adjustments represented a gain of DKK 10.7m – DKK 7.3m more than in 2023.

Impairment and losses

Impairment and losses for the year totalled DKK 28.4m compared to DKK 36.4m in 2023. In 2024, actual losses on customers amounted to DKK 7.6m compared to DKK 16.6m in 2023, most of which related to customers where weaknesses were already identified in previous years leading to subsequent impairment. In 2024, we decided to increase individual impairment of customers showing signs of weakness by DKK 20.6m, partly because we want to take a slightly more conservative approach to assessing the loan collateral provided by business customers, especially collateral provided as security for agricultural properties etc. At the end of 2024, Merkur's management estimates totalled DKK 21.8m, DKK 4.6m higher than in 2023. The management estimates are based on general uncertainties, including potential deterioration in our customers' financial situation and their ability to repay their loans, as well as our customers' potential difficulty in paying a future carbon tax on agriculture.

The impairment ratio amounted to 1.0% of our loans and guarantees compared to 1.3% in 2023.

Measured against the balance sheet as at 31 December 2024, accumulated impairments totalled 4.2% of loans and guarantees, compared to 3.3% at the end of last year. Generally, Merkur writes off impairments where it is deemed unlikely that the customers' ability to pay will improve in the foreseeable future. At the end of 2024, accumulated but not written-off impairments and provisions totalled DKK 113m, up DKK 24m compared to the end of 2023.

Impairment by stage can be found in note 9 to the financial statements.

Impairment ratio

	2024	2023	2022	2021	2020
Losses and impairment (DKK '000)	28,382	36,355	26,739	8,285	25,735
In % of loans and guarantees	1.0%	1.3%	1.2%	0.2%	1.2%

Profit for the year

In 2024, Merkur posted its largest ever profit. The continued high net interest income and market value adjustments etc. are the main reasons for the positive results, while impairment and losses on loans remain relatively high.

DKK 65.9m
profit before tax

Profit for the year before tax was DKK 65.9m and DKK 50.4m after tax, corresponding to a return on equity before tax of 13.0% and a return on equity after tax of 10.0%, which we consider to be extremely satisfactory, as this is the best result ever recorded in Merkur's 42-year history.

The interim report announced a profit guidance in the range of DKK 46m to DKK 56m before tax (DKK 34m to DKK 41m after tax). Expectations were exceeded partly because costs were lower than expected, and partly because we successfully grew the volume of business with our customers, which resulted in higher income than expected. This resulted in very strong results that significantly exceed our expectations. It is proposed that the profit for the year be transferred to equity. The profit will therefore be an important contribution to ensuring good capital adequacy in the years to come. This will enable Merkur to grow and welcome even more customers seeking a loan, among other things.

Profit for the year

(DKK '000)	2024	2023
Profit after tax for the year	50,368	40,629
Price per share at year-end	2,087.9	1,890.3
Return on shares during the financial year	10.5%	8.4%

Share capital and subordinated debt

The impressive results for 2024 are reflected in the price per share, which in relation to the price calculated on the basis of the 2023 financial statements increased by 10.5% to DKK 2,087.90.

Merkur has issued subordinated debt totalling DKK 175m to a number of professional investors, most of which was issued in 2021. In September 2024, following approval by the Danish Financial Supervisory Authority (FSA), Merkur redeemed a couple of minor issues totalling DKK 9.4m with less than five years to maturity. Subsequently, in December 2024, we took out new subordinated debt of EUR 5m (DKK 37.3m) through the European Investment Fund with a term to maturity of 10 years. Most of the subordinated debt has a relatively long remaining term to maturity, expiring in more than six years from now. Merkur thus has a very sensible capital composition and no refinancing need in the coming year.

Capital

Merkur's own funds amounted to DKK 662m, an increase of DKK 80m compared to 2023. The own funds consist of share capital, subordinated debt and the accumulated profits from the current and previous years less investments in financial companies and NPE backstop, among other things. The composition of own funds and developments can be seen below.

The own funds of DKK 662m should be measured in relation to Merkur's risk-weighted exposures of DKK 2,257m, resulting in a capital ratio of 29.3%, which is unchanged from 2023, as the weighted exposures have proportionally increased as much as the own funds. Growth is mainly seen in market risk, where we can see the effect of our investment in additional bonds.

At the end of 2024, Merkur had a high level of own funds and excess capital adequacy of 13.1 percentage points over and above the solvency need of 11.1%, the capital conservation buffer of 2.5%, the cyclical buffer of 2.5% and the systemic buffer for exposures to property companies of 0.1%. This equates to excess capital of DKK 296m.

Total own funds

(DKK '000)	2024	2023	Development
Share capital including share premium	390,791	385,301	1.4%
Reserves, revaluation reserves and retained earnings	142,629	91,894	55.2%
Subordinated debt	175,406	145,587	20.5%
Capital before deduction and transitional arrangement	**708,826**	**622,782**	**13.8%**
Miscellaneous deductions (investments in financial companies etc.)	-47,206	-41,432	13.9%
Own funds	**661,620**	**581,350**	**13.8%**
Risk-weighted assets and other risks	**2,257,268**	**1,993,750**	**13.2%**
Capital ratio	**29.3%**	**29.2%**	**0.5%**

A more detailed statement can be found in note 28.

Eligible liabilities (MREL requirement)

The Danish FSA recalculates and determines the MREL requirement once a year, which until 1 January 2024 was being phased in. In the period 1 January 2024 - 31 December 2024, Merkur's MREL requirement amounted to 16.2%, while the MREL requirement determined by the Danish FSA from 1 January 2025 amounts to 17.4%. Merkur aims to continuously satisfy the MREL requirement using additional subordinated debt and non-preferred senior debt.

Merkur's eligible liabilities (MREL) amounted to DKK 687m and consist of own funds of DKK 662m as well as issued Tier 3 capital of DKK 25m. Measuring the eligible liabilities of DKK 687m against Merkur's risk-weighted exposures of DKK 2,257m results in an MREL ratio of 30.4%, exceeding the current requirement by 14.2 percentage points.

Merkur's target is a minimum excess capital adequacy of 5 percentage points at all times. We expect consolidation in the coming years to balance out the introduction of stricter regulatory requirements.

MREL requirement

	Current capital requirements and MREL requirements in %	Merkur's current capital and MREL conditions in %	Excess capital adequacy in percentage points
Capital ratio	8.0	29.3	21.3
Individual solvency need	11.1	29.3	18.2
MREL requirement	16.2	30.4	14.2
MREL requirement including capital buffers	21.3	30.4	9.1

Capital buffer and individual solvency need

The solvency need is our individual assessment of the capital buffer required to accommodate the various risks to which Merkur is exposed.

Merkur uses the so-called 8+ model to calculate the capital buffer and thus the individual solvency need. A description of the solvency need calculation method and the underlying assumptions can be found in a separate solvency need report which is available on our website www.merkur.dk/aarsrapporter.

At the end of 2024, the individual solvency need was an estimated 11.1% of risk-weighted exposures, including the basic requirement of 8% of risk-weighted exposures, which corresponds to a minimum capital requirement of DKK 250m for Merkur. The buffer and MREL requirements are in addition to this sum. At the end of 2023, the solvency need amounted to 11.4%. The solvency need has thus been reduced by 0.3 percentage points, which can primarily be attributed to lower credit risks as well as increased market risks resulting from the growing bond holdings.

9.1 percentage points
excess capital adequacy including buffers

11.1%
solvency need

Future capital requirements

Merkur's capital plan covering the period up until 2029 shows that based on realistic assumptions, we will be able to meet the future capital requirements and grow at the same time.

The Basel IV rules were finally implemented in the EU Capital Requirements Regulation and Capital Requirements Directive (CRR and CRD) with effect from 1 January 2025. The effect of the rules that came into force on 1 January 2025 is expected to primarily result in a minor increase in weighted exposures. Merkur expects to generate annual profits and share subscriptions, which will contribute to strengthening its own funds.

Considering the above, Merkur will be able to adhere to the excess capital ratio in the coming years, as we do not expect capital requirements beyond the known MREL requirement of 17.4% in 2025 and buffer requirements.

In addition to meeting the statutory requirements, the aim of the capital plan is also to meet the excess capital requirement of 5% defined by the Board of Directors for the coming five-year period.

Liquidity

Merkur still has a large deposit surplus which means that at the end of the year we had liquid funds and ultra-liquid bonds of more than DKK 2.9bn and thus meet all statutory liquidity coverage ratio requirements. Liquidity coverage is expressed in the LCR and NSFR ratios, the legal requirement for both being 100%.

As at 31 December, Merkur had an LCR ratio of 480% and an NSFR ratio of 227%, which is comfortably above the legal requirement for both.

Supervisory diamond

Following the financial crisis, the Danish FSA introduced four benchmarks which can give an indication of whether a financial institution is taking on excessive risks. The four benchmarks are known as the supervisory diamond. At the end of 2024, Merkur complied 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.

Supervisory diamond

in %	2024	2023	Limit value
Sum of large exposures	79.7	114.7	Max. 175%
Lending growth	4.3	12.8	Max. 20%
Commercial property exposure	5.7	4.5	Max. 25%
Liquidity requirement ratio	480.3	534.6	Min. 100%

Expectations for 2025

Even though geopolitics are currently getting a lot of attention in the public debate, many in Denmark still care about the green transition, how we create meaningful educational opportunities and respectful communities. We are therefore confident that the values on which Merkur is based, and the products and services we offer will still be in demand by more and more personal and business customers.

Looking into 2025, there are several factors that may affect the development of Merkur's business. The wars in Ukraine and Gaza may continue to impact economic development, and the political situation in the USA increases unpredictability in a number of areas, including tariffs and trade wars, which may also have macroeconomic implications.

Since summer 2024, we have seen several interest rate cuts by Danmarks Nationalbank. In our expectations for 2025, we expect interest rates to be lowered by 0.25 percentage points six times in 2025, meaning that Danmarks Nationalbank's interest rate will reach 1.10% at the end of 2025.

Income

For several years now, Merkur's business has proved resilient and has in recent years generated exceptionally high income from the return on Merkur's relatively large excess liquidity in Danmarks Nationalbank. With the prospect of declining interest rates, we expect Merkur's revenue to return to a more normal level in 2025.

DKK 33.4m
expected basic earnings in 2025

Merkur's ambition is to contribute to a positive development for people, nature and the environment through its banking operations. To achieve this ambition, Merkur must make an even more positive difference for even more people by taking the values on which its products, investment and service offerings are based to a wider audience. This also means that we expect higher lending to both personal and business customers in 2025, which will increase interest income from lending.

We expect fee income to rise, partly due to increased activity in the property market, not only in connection with property transactions, but also in connection with restructuring of mortgage loans when interest rates fall.

Costs and impairment

Merkur's largest expense item is salaries, which are also expected to increase in 2025, both due to a small growth in the number of employees, but also due to salary increases resulting from a collective bargaining agreement. IT costs also make up a significant share of Merkur's total costs, and we also expect to see increases in this area in 2025.

It is always difficult to predict how losses and impairment will develop, but the vast majority of Merkur's customers are deemed to be able to withstand crises should they occur. Yet we still budget for a relatively high impairment ratio as a matter of precaution due to the considerable global uncertainty and Merkur's historical impairment.
However, the expected impairment ratio in 2025 is at a slightly lower level than in 2024.

Capital

With this year's impressive results, we are fully on track with our capital plan. Going forward, it is our expectation that positive annual results along with our customers' continued subscription of share capital will contribute to the continued strengthening of our own funds.

Expected results

We consider the results for 2024 to be exceptionally good, due in large part to the high interest rate level. As described, we expect a considerable interest rate drop in 2025, which is reflected in the profit guidance for the year. We expect to post a profit for the year before tax of DKK 16-24m.

The profit guidance for the year is subject to a number of uncertainty factors, of which the most important are:

- development in the interest rate level
- demand for lending from business customers
- the effect of the expected carbon tax
- and the level of impairment.

Merkur's lending activities

Merkur's most important activity is lending. Based on our customers' deposits, we offer loans to sustainable and socially responsible companies and institutions as well as personal customers. Our goal is for our lending activities to be a catalyst of sustainable and socially responsible development. We therefore always demand of our business customers that they contribute to ensuring that people can lead good and dignified lives in a way that is respectful of the planet's resources. You can read more about Merkur's criteria for business customers on our website www.merkur.dk/kriterier.
In addition, openness is a core value for Merkur, and we are fully transparent about the business customers we offer loans to. Read more on page 53.

As described earlier, in 2024 we successfully increased lending to our personal customers, while lending to our business customers fell. In this chapter, the term lending covers loans, credits and guarantees – in short the ways in which we make funding available to our customers. However, to make the report easier to read, we only use the term lending, although the figures also include credits and guarantees.

Corporate sector

To clarify how Merkur's lending activities help to bring about positive change, we group our lending to business customers into six categories: Education and Culture, People and Health, Food products, Environment and Energy, Communities and Other. In 2024, lending fell in most categories, except the Education and Culture and People and Health categories.

Many of our customers have converted their Merkur loans to mortgage loans, which is good for the customers, although it means less lending for Merkur.

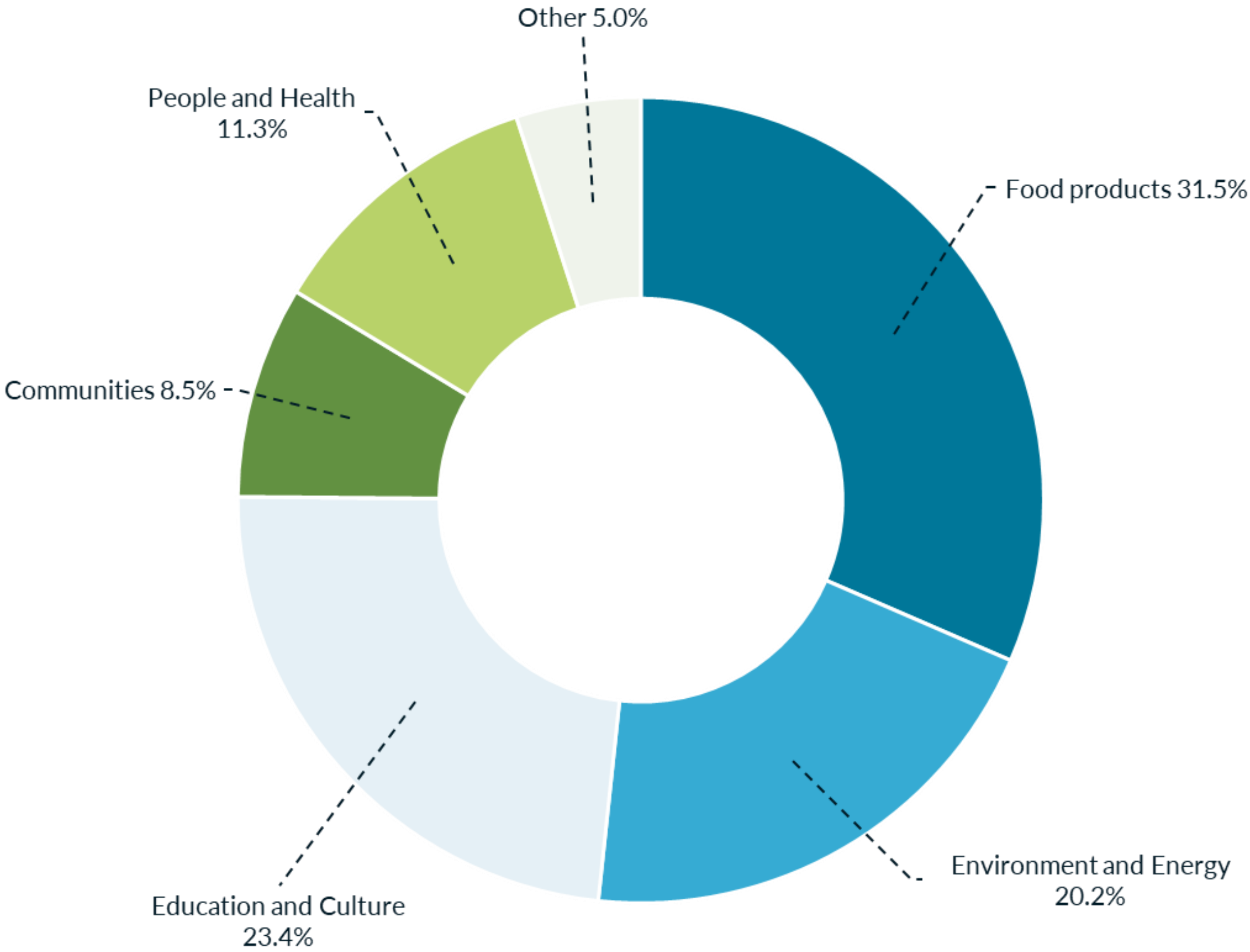
On the positive side, loans to Education and Culture increased by 17.8% compared to 2023, corresponding to DKK 46.5m. This is partly due to the fact that we granted a large loan for a school construction project, and partly because we welcomed more schools to Merkur. A slight increase of 0.6% was seen in lending to People and Health, corresponding to just under DKK 1m.

On the negative side, lending to Communities fell by 31.1% or DKK 50.5m, mainly due to the completion of construction of a large housing community on Zealand, Denmark.

Lending to the Food category also fell by 14.9%, corresponding to DKK 72.2m. This is due to the departure of a couple of large customers and one customer completing a large construction project.

The Other category primarily covers guarantees provided by Merkur to its partners. This category was down 10.2%, corresponding to DKK 7.4m.

In 2025, Merkur will sharpen its focus on attracting new business customers and increase lending to sustainable and socially responsible companies, schools and institutions.



Total committed loans and guarantees, business customers

(DKK '000)	2024	2023	Development relative to 2023
Education and Culture	307,524	261,051	17.8%
People and Health	148,746	147,852	0.6%
Food products	413,418	485,593	-14.9%
Environment and Energy	264,702	284,117	-6.8%
Communities	111,840	162,372	-31.1%
Other	65,615	73,054	-10.2%
Total	**1,311,845**	**1,414,040**	**-7.2%**

The table shows an overview of all granted loans, credits and guarantees and includes unutilised loan commitments.

Where your money works

Transparency is important to Merkur, and on our website we publish the names of all the companies and institutions to which we lend money. On the following pages, we present a selection of examples, outlining our reasons for offering loans to the various areas.

Read more about our lending criteria at www.merkur.dk/kriterier, or see the complete list of business customers at www.merkur.dk/her-arbejder-dine-penge.

Customer case · **Communities**

Hertha Bofællesskaber og Værksteder

Hertha Bofællesskaber og Værksteder was established in 1996 as a sheltered workshop facility for adults with intellectual disabilities. The goal of the sheltered workshops is to create safe workplaces with a diverse range of work tasks, employment and build social relationships for people with intellectual disabilities. The daily work tasks are adapted to the needs of people with intellectual disabilities, whether they prefer product-oriented work, therapeutic work or something else. The residential communities consist of 30 sheltered homes for people with intellectual disabilities which receive support under the Danish Act on Social Services. The residential communities are part of a larger living community for families, pensioners and singles, among others. Although the residents of the community have their own homes, they share many activities such as seasonal celebrations and work days. Photo: Hertha

Customer case · **Education and Culture**

KFUM Tennis

KFUM Tennis was founded in 1974 for tennis-loving Copenhageners who needed a place to play. Back then it was known as KFUM's Tennisklub. Today, the club has around 1,700 members and brings together both tennis and padel players of all ages and abilities. Everyone is welcome at KFUM Tennis, whether they are playing for fun, want private lessons or want to participate in tournaments. The club feels that money should not prevent sports enthusiasts from enjoying tennis, so they keep membership fees as low as possible. KFUM Tennis is located at Emdrupparkens Idrætsanlæg, which comprises two padel courts, two indoor tennis courts and eight clay courts. Photo: KFUM Tennis

Customer case · **Environment and Energy**

Econet

Econet is committed to creating a world with less and cleaner waste through consulting and education. Their services include waste analysis, user surveys, waste planning and training for waste collection workers, recycling centre staff and waste managers in companies. Among many projects, they have helped the Danish Road Directorate develop and implement efficient waste sorting at rest areas, trained waste collection workers in conflict management and helped Danish manufacturing companies increase waste separation and produce cleaner waste. Photo: Rene Møller

Customer case · **People and Health**

Drosthuset Glostrup

The work at Drosthuset Glostrup is based on the interests, desires and needs of its residents. The social psychiatric residential facility for adults is home to people with mental disorders such as schizophrenia, personality disorders, anxiety and stress who need extra support in their daily lives. During a stay at Drosthuset Glostrup, residents can get help with everyday tasks such as shopping and cleaning. The goal is to develop the residents' skills so they can manage life on their own once they leave Drosthuset. Drosthuset serves as the residents' home, which is why the focus is on giving them as much influence as possible on day-to-day life inside and outside the house. Photo: Drosthuset

Customer case · **Food products**

Contempehrary ApS

The food company Contempehrary has a vision of creating innovative and tasty plant-based foods. Combining traditional Indonesian fermentation methods with local organic ingredients and modern food technology, they offer green, healthy tasting experiences. Their core product, Nordic Tempeh, is a reinterpretation of the classic Indonesian tempeh made with beans, seaweed and peas. In addition to tempeh, they also produce sauces and paste, which can be used in the same way as soya sauce, miso or broth. All products are produced with a focus on quality, sustainability and transparency. Photo: Contempehrary

Personal customers

Many of our personal customers have chosen Merkur because of our focus on sustainability and social responsibility. By using our banking services, our personal customers indirectly help Merkur to finance even more sustainable development. Our personal customers are often discerning consumers who have actively chosen to bank with Merkur in order to support the transition to a more sustainable and socially responsible world through their bank. A good life is also about basic physical needs. In Merkur, we therefore offer loans tailored to the general needs of our personal customers. We offer loans to owner-occupied properties and cooperative housing. We also provide guarantees in connection with change of ownership and the arrangement of mortgages, and we help small owner-managed businesses that are also full-service customers of Merkur to finance their operations.

In 2024, Merkur successfully increased lending to its personal customers by as much as 10.7%. We helped many of our existing customers fulfil their housing dreams, but we also welcomed home buyers looking for a new bank. As a result, lending to owner-occupied properties rose by 17.6% or DKK 131.9m from 2023 to 2024, while lending to cooperative housing rose by 3.7% or DKK 22.1m. The strong growth in lending to owner-occupied properties is due to the generally high level of activity in the area, resulting in the granting of many home loans. In 2023, Merkur introduced its own mortgage loans to owner-occupied properties, where the interest rate on the loan is adjusted continuously. For some customers, this can be a cheaper option than a mortgage loan. Merkur's customers truly embraced this loan option in 2024, which is one of the reasons for the increase.

Merkur is constantly working to promote sustainable development. We therefore attempt to drive and provide incentives for sustainable behaviour when it comes to our personal customers. Merkur does not finance new fossil-fuel cars; instead we offer attractive loans for electric cars – a product that was in high demand in 2024. We have also decided that we will no longer offer loans to homeowners with oil or gas boilers unless the customer undertakes to replace their boiler with a more climate-friendly energy source.

Total ordinary loans, credits and guarantees, personal customers

(DKK '000)	2024	2023	Development relative to 2023
Owner-occupied property	879,685	747,835	17.6%
Cooperative housing	612,994	590,909	3.7%
Other private loans and credits	138,373	134,493	2.9%
Total	**1,631,052**	**1,473,137**	**10.7%**

The table gives an overview of all granted loans, credits and guarantees and includes unutilised loan commitments.

Statutory information

Management · Board of Directors

Cornelis (Cees) Anthonie Kuypers
CHAIR OF THE BOARD

Born: 1962. Founder and CEO of Kamelhuset. Elected to the Board of Directors in 2020. Current term expires in 2026. Member of the Risk Committee, the Audit Committee and the Nomination Committee.

INDEPENDENCE:
Complies with the Committee on Corporate Governance's definition of independence.

OWNER/CO-OWNER OF:

- Kamelhuset ApS
- BellyFood A/S
- Vild Is ApS
- Decameal ApS

CHAIR OF THE BOARD OF:

- Trademark Textiles A/S
- The Coffee Collective A/S
- BellyFood A/S
- Decameal ApS

COMPETENCY PROFILE:
MA in Business Administration. Former CEO of international companies. Co-owner of various food companies, board chair etc. Expertise in corporate strategy, market strategy, financing, organisation, management and sustainable food production.

MEETING ATTENDANCE:
Ordinary board meetings: 13/13
Extraordinary board meetings: 4/4 Audit Committee meetings: 4/4
Risk Committee meetings: 15/15
Nomination Committee meetings: 6/6

SHAREHOLDING
283 shares

Anneke E. Stubsgaard
VICE-CHAIR OF THE BOARD

Born: 1965. Consultant. Elected to the Board of Directors in 2018. Current term expires in 2027. Chair of the Nomination Committee.

INDEPENDENCE:
Complies with the Committee on Corporate Governance's definition of independence.

OWNER/CO-OWNER OF:

- Aurion A/S

CHAIR OF THE BOARD OF:

- Merkur Foundation

BOARD MEMBER OF:

- Earthwise Residency

COMPETENCY PROFILE:
MSc in Biology. Experience and further education in corporate management and professional board work. Expertise in sustainable farming and food production, including strategy development and risk assessments.

MEETING ATTENDANCE:
Ordinary board meetings: 13/13
Extraordinary board meetings: 4/4
Nomination Committee meetings: 6/6

SHAREHOLDING
58 shares

Management · Board of Directors

Jakob Brochmann Laursen

BOARD MEMBER

Born: 1963. Director of pricing at Topdanmark. Elected to the Board of Directors in 2011. Current term expires in 2025. Chair of the Audit Committee and the Risk Committee. The Board of Directors' independent and professional member of the Audit Committee.

INDEPENDENCE:
Does not fully comply with the Committee on Corporate Governance's definition of independence as Jakob Brochmann Laursen has served on Merkur's Board of Directors for more than 12 years. However, the Board does not believe that this actually affects Jakob Brochmann Laursen's independence.

OWNER/CO-OWNER OF:

· Sandaasen Ejendomme v/ Jakob Laursen

· Sandaasen Økologiske Gård v/ Jakob Laursen

BOARD MEMBER OF:

· Orange ApS

COMPETENCY PROFILE:
MSc in Economics, management degrees from IMD and INSEAD, among others. 34 years of experience from the financial sector, which has given him detailed knowledge of bank operations, insurance and mortgage lending, including strategic matters. Considerable insight into the running of independent schools from boardwork as well as lobbying for the Steiner schools.

MEETING ATTENDANCE:
Ordinary board meetings: 11.5/13
Extraordinary board meetings: 3/4 Audit Committee meetings: 4/4
Risk Committee meetings: 14/15

SHAREHOLDING
140 shares

Bernhard Franz Schmitz

BOARD MEMBER

Born: 1964. CEO of Marjatta.

Elected to the Board of Directors in 2018. Current term expires in 2027. Member of the Nomination Committee.

INDEPENDENCE:
Complies with the Committee on Corporate Governance's definition of independence.

OWNER/CO-OWNER OF:

· none

BOARD MEMBER OF:

· none

COMPETENCY PROFILE:
Special social educator and Master of Public Governance from Copenhagen Business School. In-depth knowledge of special social education and public enterprises, operations and management strategy. More than 30 years of management experience from the public sector. CEO of a large special social education enterprise with 500 employees.

MEETING ATTENDANCE:
Ordinary board meetings: 13/13
Extraordinary board meetings: 3/4 Nomination Committee meetings: 6/6

SHAREHOLDING
140 shares

Management · Board of Directors

Hilde Kjelsberg

BOARD MEMBER

Born: 1963. Until 15 December 2024 First Vice-President, Chief Risk Officer, Head of Risk & Compliance at Nordic Investment Bank. Elected to the Board of Directors in 2019. Current term expires in 2025. Member of the Risk Committee.

INDEPENDENCE:
Complies with the Committee on Corporate Governance's definition of independence.

OWNER/CO-OWNER OF:

· none

BOARD MEMBER OF:

· none

COMPETENCY PROFILE:
Business economist with master studies in Financing and Strategy/Organisation from the Norwegian School of Economics (NHH). Leadership programme from IMD and Harvard Business School, among others. More than 30 years of experience in Nordic and international finance, both from the business side and from senior positions within risk and credit.

MEETING ATTENDANCE:
Ordinary board meetings: 12.5/13
Extraordinary board meetings: 2/4
Risk Committee meetings: 15/15

SHAREHOLDING
10 shares

Kristoffer Lüthi

BOARD MEMBER

Born: 1972. Working Chair of Ekobanken, Sweden. Elected to the Board of Directors in 2023. Current term expires in 2026. Member of the Audit Committee.

INDEPENDENCE:
Complies with the Committee on Corporate Governance's definition of independence.

OWNER/CO-OWNER OF:

· Vd Mirabile AB

CHAIR OF THE BOARD OF:
· Ekobanken Medlemsbank
· Stiftelsen Rosendals Trädgård
· Stiftelsen Kristoffergården/Staffan Gabrielssons donation
· Anna-Lisa Dahlbergs Kulturfond/Syster Irenes fond
· LRH Fastighets AB
· Ekobankens stiftelse för idéutveckling
· Stiftelsen Skillebyholm/Skillebyholms odlingar

BOARD MEMBER OF:
· Stiftelsen Guldfällen
· Stiftelsen Mikaelgården
· Bostadsrättsföreningen Ekbacken 12
· Föreningen Solberga by
· Institute for Social Banking

COMPETENCY PROFILE:
Degree in economics from Uppsala University. Kristoffer Lüthi has held several different positions at Ekobanken since 2001 and has served as chair since 2019. Experience from Ekobanken with a focus on credit lending to companies. Experience from social enterprises, education, destination development, the restaurant business, property development and management through his work on several different boards.

MEETING ATTENDANCE:
Ordinary board meetings: 13/13
Extraordinary board meetings: 3/4
Audit Committee meetings: 4/4

SHAREHOLDING
4 shares

Management · Board of Directors

Jesper Kjærhus Kromann

BOARD MEMBER

Born: 1966. Project manager. Elected to the Board of Directors by the employees in 2019. Current term expires in 2027.

INDEPENDENCE:

DIRECTOR OF:

· Merkur Climate Fund

BOARD MEMBER OF:

· Profitten Trappelav

COMPETENCY PROFILE:
Educated in banking and project management. Solid knowledge of banking operations in general, with a special focus on personal customers, investments, climate projects and the development of financing solutions.

MEETING ATTENDANCE:
Ordinary board meetings: 12/13
Extraordinary board meetings: 4/4

SHAREHOLDING
29 shares

Steffan Storgaard Mortensen

BOARD MEMBER

Born: 1979. Personal banking adviser. Elected to the Board of Directors by the employees in 2023. Current term expires in 2027.

INDEPENDENCE:

OWNER/CO-OWNER OF:

· none

BOARD MEMBER OF:

· none

COMPETENCY PROFILE:
Educated in banking, diploma in business administration specialising in organisations. More than 20 years of experience from personal banking in the financial sector, with a special focus on new customers, credit and investment etc.

MEETING ATTENDANCE:
Ordinary board meetings: 12/13
Extraordinary board meetings: 3/4

SHAREHOLDING
2 shares

Management · Board of Directors

Søren Thomsen

BOARD MEMBER

Born: 1960. Elected to the Board of Directors by the employees in 2023. Current term expires in 2027.

INDEPENDENCE:

OWNER/CO-OWNER OF:

· none

BOARD MEMBER OF:

· none

COMPETENCY PROFILE:
Educated in banking. Diploma in business administration specialising in finance and credit services (CBS). Management degree. Søren Thomsen has more than 40 years of experience from the financial sector and has been with Merkur since 2009.

MEETING ATTENDANCE:
Ordinary board meetings: 11/13
Extraordinary board meetings: 2/4

SHAREHOLDING
66 shares

Management · Executive Board

Charlotte Skovgaard

CEO

Born: 1972. Joined Merkur in 2019, first as director and since September 2020 as CEO.

BOARD MEMBER OF:

· Danish Research Institute for Democratic Businesses

· BEC Financial Technologies a.m.b.a.

SHAREHOLDING
58 shares

Management code and corporate governance

The industry organisation Finance Denmark has prepared a management code with recommendations on a range of key management topics, including the composition of the Board of Directors and the Board of Directors' cooperation with the Executive Board. These recommendations go beyond the requirements of applicable law. Responsibility and openness guide the way we run Merkur Cooperative Bank. Therefore, Merkur's Board of Directors has considered all the recommendations of the code and fully complies with all recommendations. The management code is available on Merkur's website www.merkur.dk/ledelseskodeks.

Merkur also considers the Committee on Corporate Governance's 'Recommendations for Corporate Governance', which we comply with in the vast majority of cases. However, some recommendations are not relevant to a cooperative bank of Merkur's size. This report is available at www.merkur.dk/selskabsledelse.

Target figures for the underrepresented gender on the Board

Merkur wants an equal distribution of women and men at board level. The goal is for the underrepresented gender to make up at least 40% of the board members elected by the Committee of Representatives. The current gender distribution is four men and two women, corresponding to 66.7% men and 33.3% women. Our target of 40% is therefore not met. The composition of Merkur's Board of Directors is based on the principle that the best candidate is elected to the Board of Directors regardless of gender, age, ethnicity, disability, religion, culture or sexuality. However, when it comes to selecting and nominating candidates for the Board of Directors, Merkur follows a formal, thorough and transparent process that considers the need to continuously increase the share of the underrepresented gender on the Board of Directors, including fulfilling the established target. This ensures that account is taken of targets and the policy for gender distribution on the Board of Directors.

Board of Directors (supreme governing body) – board members elected by the Committee of Representatives

	2024	2023
Total	6.0	6.0
Underrepresented gender in %	33.3	33.3
Target figures in %	40.0	40.0
Year of achievement of target	2026	2026

In connection with the election of board members elected by the employees, we encourage employees of both genders to stand for election to the Board of Directors. Three male board members have been elected at present, and so the current gender distribution is three men and no women. The next election of employees to the Board of Directors will take place in 2027.

Read more about how Merkur works with diversity under corporate governance on page 53.

Training of members of the Board of Directors and the Executive Board

In its training budget, Merkur has allocated the necessary funds for education and further training etc. of the bank's Board of Directors and Executive Board, including onboarding and further training courses for the Board of Directors.

As soon as possible and no later than 12 months after joining Merkur's Board of Directors, newly elected board members must have started basic training in the competencies necessary to carry out the duties and functions required when serving on the board of a financial institution. Merkur's board members have completed mandatory basic training for board members at Finanssektorens Uddannelsescenter where relevant, which has been developed in partnership with Association of Local Banks, Savings Banks and Cooperative Banks in Denmark and approved by the Danish FSA.

Audit Committee

Merkur has set up a separate Audit Committee. The committee is charged with:

- overseeing the financial reporting process and making recommendations or proposals to ensure integrity
- informing the Board of Directors of the outcome of the statutory audit, including the financial reporting process
- monitoring the effective functioning of Merkur’s internal control and risk management systems in connection with Merkur’s financial reporting
- monitoring the statutory audit of financial statements etc., taking into account the results of the latest quality control of the auditor
- verifying and monitoring the independence of the auditor and approving the auditor’s provision of non-audit services
- being responsible for the procedure for selecting and nominating the auditor for election
- undertaking other tasks delegated by the Board of Directors of Merkur.

In 2024, the committee held four ordinary meetings to discuss matters of relevance to the annual and interim financial reporting and ongoing cooperation with the auditor. The committee has discussed accounting policies for selected areas. The committee has reviewed the annual report and interim report prior to their consideration by the Board of Directors and recommended terms of reference and an annual cycle for the commission to the Board of Directors.

Terms of reference have been prepared for the Audit Committee, providing a framework as well as an annual cycle for its work.

The members of the Audit Committee are:

- Jakob Brochmann Laursen, Chair
- Cees Kuypers
- Kristoffer Lüthi

The Board of Directors has appointed Jakob Brochmann Laursen as a professional member of the Audit Committee based on his risk management competencies from having worked for many years as a specialist and manager in banking, mortgage lending and insurance.

In the opinion of the Board of Directors, Jakob Brochmann Laursen possesses the necessary qualifications as set out in the Danish Executive Order on Audit Committees.

Risk Committee

Merkur has set up a separate Risk Committee. The committee is charged with:

- advising the Board of Directors on the company’s current and future risk profile and strategy.
- assisting the Board of Directors in ensuring the proper implementation of the risk strategy decided by the Board of Directors in the organisation.
- assessing whether the products offered by Merkur are aligned with the company’s business model and risk profile, and whether the earnings generated by the products offered reflect the risks involved, as well as proposing remedial action if the products or services and their earnings are not aligned with the company’s business model and risk profile.
- assessing whether the incentives forming part of the company’s remuneration structure take into account the risks, capital structure and liquidity of the company, as well as the probability of generating a profit and the time horizon thereof.
- assessing risk models, including their methodology, estimation processes and validation.
- assessing solvency needs, long-term capital requirements and capital policy.
- assisting the Board of Directors in assessing the appropriateness and adequacy of the resources allocated to the risk management function.

- discussing the risk manager's reporting to the Board of Directors prior to the discussion at the actual board meeting.

Terms of reference have been prepared for the Risk Committee, providing a framework as well as an annual cycle for its work.

In 2024, the committee held six meetings to discuss compliance in Merkur and Merkur's earnings as well as a number of policies prior to their consideration by the Board of Directors. Merkur's liquidity, capital and impairment reports were also considered by the committee with a view to qualifying their content. The committee also explored the possibility of using AQRISK's pricing tool. The committee has reviewed the risk manager's annual report as well as the risk assessment that precedes the coming year's annual cycle for the risk manager.
In 2024, the Risk Committee also held a total of nine meetings prior to board meetings, discussing relevant credit cases with a view to clarification and qualification of the details of the case.

The members of the Risk Committee are:
- Jakob Brochmann Laursen, Chair
- Cees Kuypers
- Hilde Kjelsberg

Nomination Committee

Merkur has set up a separate Nomination Committee. The committee is charged with:
- assessing whether the Board of Directors as a whole has the necessary combination of knowledge, professional competence, performance and experience, and whether the individual members meet the requirements of sections 64 and 64a of the Danish Financial Statements Act, and reporting and making recommendations on any changes in this respect to the Board of Directors.
- assessing the Board of Directors' gender distribution, diversity, composition, size and structure in relation to the tasks to be performed, and reporting and making recommendations on any changes in this respect to the Board of Directors.
- proposing candidates for election to the Committee of Representatives on the basis of the results of examinations of the competencies and composition of the Board of Directors.
- proposing candidates for election to the Board of Directors, including preparing a description of the functions and qualifications required for the particular post and indicating the expected time to be allocated for this purpose.
- making sure that the decision-making of the Board of Directors is not dominated by a single person or by a small group of people in a way that is detrimental to the interests of the company as a whole.
- describing the qualifications required for a given position on the Executive Board and assessing competence, knowledge, structure, size, composition and performance, including assessing whether the Executive Board performs its tasks in a satisfactory manner and in accordance with the established risk profile, the established policies and the guidelines applicable to the Executive Board. Based on this, the committee is tasked with recommending any changes to the Board of Directors and making sure the Board of Directors discusses succession plans for the Executive Board at least once a year.
- ensuring that Merkur uses a well-described and structured process when recruiting candidates for the Committee of Representatives, the Board of Directors and the Executive Board.

The Nomination Committee has no power to change the responsibilities or powers of the Board of Directors. Terms of reference have been prepared for the Nomination Committee, providing a framework as well as an annual cycle for its work.

In 2024, the committee conducted a revised assessment of the Board's competences, composition and work. The committee coordinated the nomination of candidates for the Committee of Representatives. The competencies, performance etc. of the Executive Board have been assessed and presented to the Board of

Directors. The committee has ensured that the Board of Directors considers the report on the annual review of Merkur's remuneration policy. The committee has, in consultation with the Committee of Representatives' Remuneration Committee, prepared proposals for the Committee of Representatives to adjust the fees paid to members of the Board of Directors. Additionally, the committee reviewed Merkur's board diversity policies and targets for the underrepresented gender and proposed the policies for adoption by the Board of Directors.

The members of the Nomination Committee are:

- Anneke E. Stubsgaard, Chair
- Cees Kuypers
- Bernhard Schmitz

Uncertainty of recognition and measurement

The main uncertainty of recognition and measurement relates to impairment of loans, provisions for guarantees and the valuation of financial instruments. Management finds the uncertainty associated with the financial reporting for 2024 to be at a safe level. For more information, see note 2.

Events after the end of the financial year

No events have occurred in the period from the balance sheet date until the adoption of the annual report that would influence the evaluation of the contents of the annual report.

Business risks

Merkur's main business risks are associated with lending and guarantees. Merkur aims to spread its lending activities across different sectors. Sectors with special risks are described in more detail below. In addition, Merkur is exposed to interest rate risk outside its trading portfolio.

Much of Merkur's lending is secured on real estate. This carries the risk of diminished collateral values in a recession where property prices fall. Agricultural properties and land prices are subject to uncertainty, in part due to the Green Tripartite Agreement and climate events such as drought and flooding. Merkur updates property values on a regular basis, but unexpected price falls in the property market will increase risk exposure in the property portfolio. A small part of Merkur's collateral is in properties with limited alternative uses, which is a special focus area. We monitor the situation and continuously assess the potential impact on our risks. Merkur has a constant focus on ensuring that its customers' finances are sustainable and that action is taken if signs of financial weakness should emerge.

Like everyone else in the banking sector, Merkur is exposed to the risks associated with money laundering and financing of terrorism. Merkur gives high priority to this area, and the necessary IT support is guaranteed by our data centre. In addition, continuous upskilling and testing of all employees ensures that the right skills are in place.

IT and cybercrime is an ever-growing risk. Geopolitical unrest and the current hybrid war have resulted in a very high threat level. Merkur's data centre has systems in place to mitigate some of the risk, but we also ensure that our employees are properly skilled and aware of the importance of IT security in their daily work. Merkur conducts ongoing awareness and contingency training in this area.
The market terms or regulatory framework for some of our customer segments may change in a way that would expose Merkur to business risk.

The most important business risks associated with such changes are:

- Organic farming may be negatively impacted by falling sales and settlement prices, while changes to agricultural subsidy schemes and taxes may disfavour organic agriculture. Consumption of organic products has been known to decline rapidly in times of high inflation. As a result, the agricultural sector is a special focus area for Merkur. Changing consumer behaviour and preferences for plant-based food and drink may drive down demand for dairy and meat in the future, resulting in an earnings squeeze for cattle and pig farmers while plant production will see increased demand. The climate crisis is a challenge for agriculture in general, and our organic farms may also be affected. Drought and flooding will affect crop producers in particular, while the implementation of a CO_2e tax will eventually affect animal production. Merkur has a strong focus on risks associated with the green transition and is working strategically to move the agricultural portfolio in a more plant-based direction. Plant and animal diversity is declining at an alarming rate due to human activity – in other words, we are facing a biodiversity crisis. The biodiversity crisis is likely to lead to taxes on pesticides or other forms of regulation of pesticide use. Merkur's portfolio of agricultural customers will not generally be affected by such taxes, as we only offer loans to organic farms. In the future, we must expect more years with droughts or high levels of rainfall, which will require major adaptations in agriculture, and increase the risks associated with Merkur's agricultural portfolio. Merkur's agricultural customers are not exposed to distant or politically unstable export markets.

- The conditions under which schools and institutions operate may deteriorate, for example due to public spending cuts. Historically, institutions have been impacted by such cuts, for example, when municipalities try to reduce the number of children and young people taken into residential care at socio-pedagogical accommodation facilities and other institutions. We therefore focus on follow-up to ensure that schools and institutions adjust their budgets in time. At the moment, conditions for schools and institutions are good, and parental interest is high. Merkur monitors legislative developments to enable us to take the necessary steps well in advance of possible changes to the regulatory framework for our customers.

- In the past year, our personal customers have felt the squeeze on their disposable incomes: Inflation is down and interest rates are expected to fall considerably in the coming year, all of which is good news for our personal customers, who weathered the high inflation well. Most of Merkur's lending is secured on real estate, and property prices therefore also have a significant impact on Merkur's risk exposure, particularly in the personal banking area. Prices and activity levels in the property market are picking up, which is good news for our personal customers. Our analysis shows that many of our customers would be able to withstand a significant drop in property prices due to the increases in property prices seen in recent years. Merkur's personal customers were thus in a relatively good position at the start of 2025.

- The geopolitical situation affects both security of supply and the threat landscape. There is a risk that Denmark's infrastructure may be hit by sabotage, which may bring all or part of society to a standstill for a brief or sustained period of time. The political situation in other countries can also directly and indirectly affect our customers, for example if the USA or other countries introduce tariffs. Last but not least, the EU's industrial policy, which is increasingly focusing on independence from other markets, can affect Merkur's customers, if focus shifts away from the green transition.

- Risks associated with climate change, including droughts and floods, can affect property prices, land prices and agricultural crops. As climate change becomes more evident, we expect new legislation to affect Merkur's loan portfolio. We monitor and analyse these risks on an ongoing basis. In 2024, flooding was a major problem for homeowners in flood-prone areas, and there is now talk of introducing a flood risk labelling scheme. This can lead to declining property values in vulnerable areas. Merkur has devised a climate stress test which shows that Merkur is not exposed to particularly high risk in this area.

- Aquatic environments are under threat, and as such it is a topic of considerable political focus and attention in the Agreement on Implementation of a Green Denmark. This may lead to demands that coastal land areas be left uncultivated, although we expect the affected farmers to be compensated for the loss of income.

Financial risks

Merkur is not exposed to extraordinary financial risks and does not engage in speculative activities. See also note 29 to the financial statements on risk management. Recent years' high interest rates have resulted in unusually strong earnings in the financial sector, including Merkur. This has led to significant risk exposure outside the trading portfolio, and the risk is linked to earnings and capital. Merkur focuses on the issue and considers it in its budgeting and capital planning.

Merkur's Pillar III disclosure obligation for 2024 can be found on our website www.merkur.dk/aarsrapporter.

Merkur's individual solvency need for 2024 can also be found on our website www.merkur.dk/aarsrapporter.

Sustainability

Introduction

Merkur is a value-based cooperative bank, and we consciously use our business as a catalyst for sustainable change.

In 2024, we saw the tangible effects of climate change and growing social problems. Yet politicians and business leaders are hesitant to tackle the challenges head on. While we wait for technology, legislation and ambitious political agreements to catch up, we could choose hopelessness. But not Merkur, we choose action. For the past 40 years, we have been doing value-based banking that benefits people, nature and the environment. We will continue to do so, as we are committed to being a beacon for sustainability and social responsibility in the financial sector. That is why it is crucial for us to constantly evolve and follow how our business affects the world around the us. We are not perfect, nor do we always achieve the goals we set for ourselves. But we will always hold ourselves and those we work with to high standards so that we can create positive change together. Merkur's ambition, which you can read more about on page 3, constitutes the overall framework for our efforts.

Highlights from 2024

Certified B Corporation

BEST FOR THE WORLD

24% improvement

Merkur has renewed its B Corp certification, proving that we work to create a better world. See page 37

INVESTMENTS

100% Article 9

All Merkur's investment products meet the requirements of the EU's highest sustainability category. See page 40

CARBON FOOTPRINT

89% of lending

Merkur calculates the carbon footprint of the activities made possible by our lending. It is difficult to measure, but in 2024, 89% of lending was included in the calculation. See page 43

DONATION

Merkur Value Pool

In 2024, Merkur distributed DKK 715,000 of its revenue to not-for-profit customers. See page 49

PRIDE

99%

of Merkur's employees are proud of their work. Read more about Merkur's job satisfaction survey on page 51

EQUALITY

50%/50%

The gender distribution on the Merkur management team is balanced. We are committed to promoting diversity across gender, origin, age etc. See page 54

In this chapter, we address how Merkur works to make a positive impact in terms of climate and the environment (E), social responsibility (S) and governance (G). In the ‘Climate and environment’ section, you can read about how this year we have calculated the CO_2e[1] emissions for 89% of our loan portfolio and the dilemmas we face when considering climate, environmental, biodiversity and animal welfare issues. The ‘Social responsibility’ section takes a closer look at the well-being of Merkur’s employees and Merkur’s social commitment to raising awareness of social responsibility. In the ‘Governance’ section, you can read about Merkur’s firm commitment to diversity, and why transparency is a core value for Merkur.

However, before we proceed to these sections, we want to highlight how B Corp and the SDGs generally shape our sustainability and social responsibility efforts, and we also explain how we ensure that the investment products we offer to our customers have a positive impact.

Merkur wants to contribute to the public debate about sustainability, social responsibility and the role of the financial sector in society. That is why we use our voice to highlight the potential of financial institutions to be a catalyst for the sustainable development of society. In other words, we use both the media and our own communication channels to shed light on socially relevant issues and create dialogue. Therefore, we begin each of the main sections of this report with an example of one of the topics we have talked about in the past year. We call it: Merkur believes.

Last but not least, we look at the difference the Merkur Foundation and the Merkur Climate Fund have made during the year.

Merkur believes...

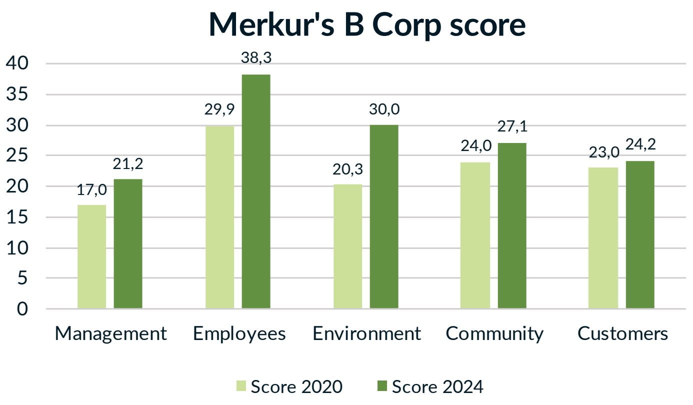
...that banks can play a crucial role in the green transition if policy-makers create the right incentives and framework conditions for doing so. Sustainability and social responsibility are not yet well integrated into the business models of most banks, as it is still more difficult to do something good for society than just focusing on the bottom line. But as financial institutions we have a huge potential to impact society by offering green investment products and by having clear guidelines on which companies we will lend money to and which ones we do not want to lend money to because they harm people, nature or the environment. If policy-makers really want banks to play a more active role in the green transition, they could lower the capital requirement when banks lend money to green projects and companies. This will encourage financial institutions to steer lending money in a more sustainable direction and encourage companies to implement more green projects as the interest expenses will be lower.

This opinion was published in the opinion piece Banker kan være en motor for grøn omstilling, hvis politikerne vil det (Banks can be a driving force for green transition if policy-makers want them to) in the Danish newspaper Information on 8 December 2024.

Merkur is B Corp-certified

In Merkur, we have no doubt that we are the financial institution with the strongest commitment to sustainability and social responsibility in Denmark. Of course, that is an easy claim to make. So, in 2020, we decided to back it up by completing a comprehensive B Corp certification programme, making Merkur the first B Corp-certified financial institution in Denmark. This means that we are recognised as being among the most ambitious companies when it comes to creating a sustainable world. A B Corp certification measures a company’s entire social and environmental performance and how it benefits people, communities and the planet.

[1] A company’s emissions can consist of different climate gases, which impact global warming in different ways. Therefore, in order to calculate the climate impact of a company’s emissions, a common unit of measure is needed to express the global warming potential of the various climate gases. The unit is CO_2e – or CO_2 equivalents.



This holistic assessment of what we have demonstrably done and are still doing is crucial for Merkur, as we see the world as an interconnected whole. This view is reflected in B Corp's assessment, which measures performance across five areas: Management, employees, community, environment and customers.

A B Corp certification must be renewed every three years. Merkur was B Corp-certified in 2020, and in 2023 we began the recertification process which was successfully completed in 2024. It was a lengthy process in which the B Corp team assessed every nook and cranny of Merkur's business. We had a goal of increasing our B Corp score by 10%, but we managed to achieve a score that is a good 24% higher than the one originally achieved by Merkur.

This means that Merkur has gone from a score of 115.5 across all categories to a score of 142.9. A score of 80 points is required to achieve B Corp certification.

The reason for the impressive improvement is that we have actively worked with the insights that the B Corp certification has given us. The B Corp certification not only showed us where we are doing well, but also where we could do better. We have introduced various measures to address these shortcomings.

In 2020, we introduced an ambitious procurement policy which is updated on a regular basis. Read more about the procurement policy on page 46.

We have also introduced a number of minimum requirements that must be met by businesses wanting to bank with Merkur. We did this to make absolutely clear and document what Merkur sees as sustainable and socially responsible behaviour. In other words, we have prepared a checklist of the type of behaviour that we as a financial institution with a strong focus on sustainability and social responsibility can and cannot accept. If a customer does not live up to the requirements, they must draw up a concrete action plan, setting out the course of action needed to make them compliant. Our aim is to finance change that benefits people, nature and the environment. The checklist serves as both a reference document for customers and advisers and as a manifesto demonstrating our commitment to sustainability and social responsibility.

As part of the EU action plan for financing sustainable growth, the EU has adopted a green taxonomy designed to help financial institutions, investors, companies and authorities to direct investments towards climate-friendly and circular economic activities. The EU Taxonomy Regulation defines which activities are sustainable. The taxonomy describes six climate and environmental targets, and we have chosen to use them as the basis for our screening criteria to ensure that Merkur at least meets the EU taxonomy when welcoming new customers. In order to be accepted as a full-service customer of Merkur, a company must make a substantial contribution to positive development in one of the three areas defined in our ambition (see page 3), and must not do significant harm in other areas. The principle of 'making a substantial positive difference' and 'doing no significant harm' are also the main pillars of the EU taxonomy regulation for sustainable activities.

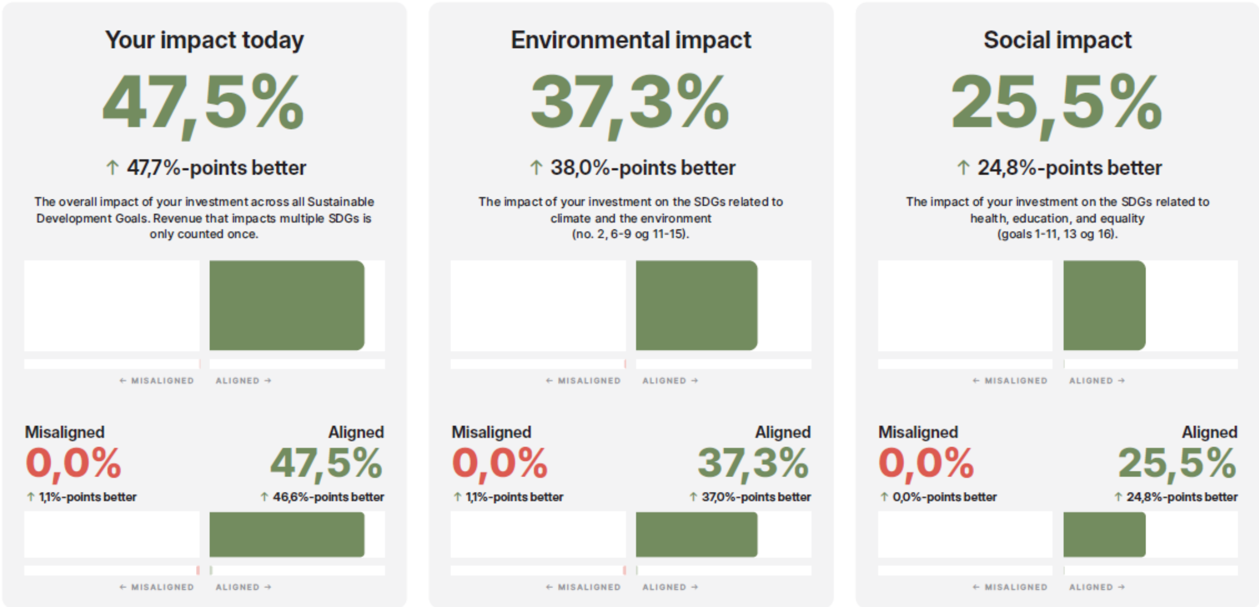
The minimum requirements and Merkur's screening procedure are updated on a regular basis as new sustainable solutions emerge and we learn more about what it takes to run a business that benefits people, nature and the environment. See all the criteria at [www.merkur.dk/kriterier.](www.merkur.dk/kriterier)

Merkur and the Sustainable Development Goals

There are obvious commonalities between the UN's 17 Sustainable Development Goals (SDGs) and Merkur's ambition for sustainable banking operations. The task that the UN has set the world's governments, businesses and citizens is thus very similar to the ambition pursued by Merkur since its foundation in 1982. The SDGs represent a holistic approach to addressing global challenges.

In 2024, Merkur entered into a new partnership with the Danish fintech company DoLand to offer personalised impact reports to Merkur's customers – read more on page 41. We asked DoLand to use their tool to identify how Merkur contributes to achieving the UN Sustainable Development Goals.

DoLand's tool looks at Merkur's business as an impact investment opportunity, which Merkur Andele indeed is. To better assess Merkur's contribution to the SDGs, DoLand compares Merkur with the general investment market. For this purpose, they have created a benchmark consisting of banks, insurance companies and similar players. Below you can see how Merkur's contribution to the UN Sustainable Development Goals exceeds the benchmark on all parameters. Just as importantly, Merkur does not work against any of the SDGs.



Investments

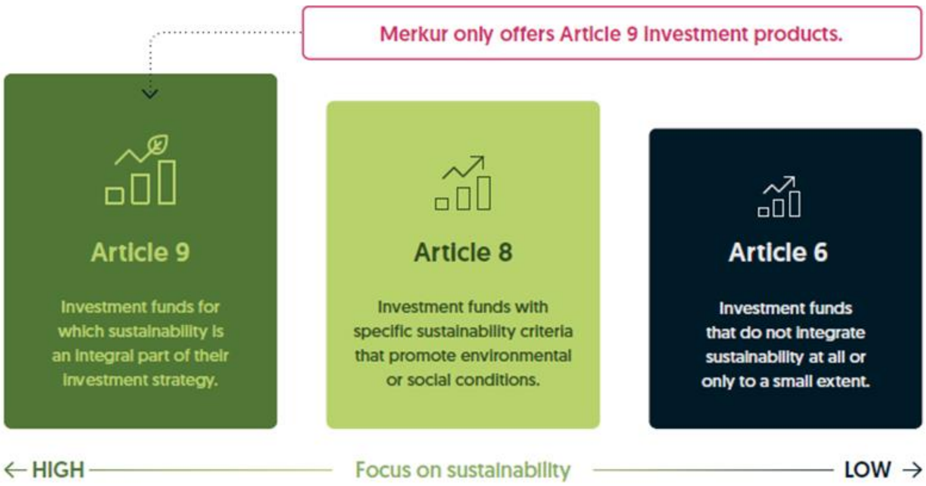
Merkur believes...

...that the ESG score of investments used by various investment indices has become a kind of ‘the emperor’s new black clothes’. The ESG score is wrongly seen as a quick fix that enables responsible investors and pension savers to easily invest their money in a green and sustainable future. A high ESG score has been seen as a sign of sustainability, but often the ESG score does not indicate how sustainable a company’s products or actions are. Instead, the score is an assessment of how resilient a company is to sustainability risks, i.e. to external ESG factors such as environment, society and corporate governance. In other words, a company can achieve a high ESG score if they have a convincing plan for how to address adverse weather events. That explains why an oil company can be included in some of the world’s major ‘sustainable’ investment indices. Of course, being good at policymaking is not the same as being sustainable. Instead, we need a more nuanced definition of sustainable investment that is measurable, comparable and credible.

This opinion was published in the debate piece Bankdirektør: ‘Esg-scoren er kejserens nye, sorte klæder’, (Bank CEO: The ESG score is the emperor's new black clothes) published in the Danish business and finance daily Børsen on 19 February 2024.

Investment universe focusing on sustainability

In continuation of the EU taxonomy for sustainable activities, the EU has adopted the Sustainable Finance Disclosure Regulation, which both sets out clear guidelines on how investment products should be classified in terms of sustainability and also requires investment product providers to disclose the extent to which sustainability is integrated into their investment strategy. To this end, the EU has introduced three categories: Dark green (Article 9), light green (Article 8) and grey (Article 6).



In the beginning, the Sustainable Finance Disclosure Regulation encouraged many asset managers to make more of an effort in order to be able to classify their products as dark green. But according to Morningstar, 40% of Article 9 funds were downgraded to Article 8 in Q4 2022, and although the pace has slowed, the trend has continued. There are three main reasons for this: fear of greenwashing, stricter documentation requirements for greener products, and, most worryingly, lowered ambitions to instead achieve quick gains at the expense of the climate.

Merkur has not lowered its ambitions, and has decided to only offer dark green investment products. The products are offered in collaboration with, among others, the Dutch firm Triodos Investment Management, which for more than 25 years has specialised in investments that make a positive social and environmental impact in the world.

Focus on impact in collaboration with DoLand

There have been several reports in Danish media about how so-called sustainable funds invest in companies with questionable sustainability credentials. This highlights the importance for customers of exercising due diligence before investing.

Merkur only offers investment funds that have been subjected to both positive and negative screening. They are known as impact investments. And we believe there needs to be much more focus on impact, i.e. the real difference an investment makes. To this end, we entered into a collaboration with the fintech company DoLand in 2024 to develop personalised impact reports for Merkur investment customers with substantial investments in the investment products that Merkur advises on.

The reports are based on some of the most widely recognised goals, such as how the customer's investments contribute to achieving the UN Sustainable Development Goals, and how the investments meet the EU taxonomy for sustainable activities. The reports also include data on selected ESG parameters and concrete examples of how the companies in the customer's portfolio are making a difference. The impact reports thus provide a nuanced picture of how sustainable the customer's investment portfolio is. The impact reports will be introduced for Merkur's largest investment customers in the course of 2025.

Read more about Merkur's investment universe at www.merkur.dk/investering.

DKK 2.1bn
invested
by customers in Triodos impact funds

100%
of Merkur's investment funds comply with EU Article 9

5
Nordic Swan Ecolabelled investment funds

Climate and environment

The global climate is changing, which is becoming more evident day by day. It is also becoming increasingly clear that we are in the midst of a biodiversity crisis of almost unimaginable proportions. Active efforts are needed, and the crisis can only be overcome if we all do our bit and take responsibility for the planet.

But it requires a holistic approach. Happily, in 2024, Denmark entered the Green Tripartite Agreement or the ‘Agreement on the Implementation of a Green Denmark’. It is very positive that the agreement includes an ambition to double the organic land area in Denmark and points out that organic farming is an important part of the transition to more sustainable agriculture. Merkur agrees that we need even more skilled organic farmers to drive the transition. We also welcome the fact that the agreement addresses set-aside and extensification of farmland, set-aside of low-lying farmland and afforestation. But we would have liked the agreement to have been based less on voluntary measures and to have given more consideration to unspoilt nature.

In addition, the agreement focuses too much on technological solutions aimed at maintaining a large industrialised conventional food production. For example, the feed additive Bovaer has been highlighted as a golden solution to reduce methane emissions from cattle. So, in the name of climate change, we should feed our cows chemicals that require the people feeding the animals to wear respirators, skin and eye protection, and at the same time prevent the cows from grazing, although it seems clear that natural grazing methods are just as effective in reducing methane emissions as feed additives. In our opinion, this is not a holistic approach, and we are concerned that the framework conditions are based on quick fixes rather than on promoting real change. Merkur had hoped that an agreement would be reached that provided a much greater incentive to convert to organic farming, and that the farm animals in our care can live a good life with more space and access to the outdoors.

In the following sections, we describe what Merkur is doing to protect nature and biodiversity and reduce our climate footprint.

Merkur believes...

...that cheap meat is not a human right, but a luxury that should reflect its true cost to the climate. Agriculture accounts for a substantial share of Denmark’s CO_2e emissions, and a CO_2e tax similar to that introduced for other sectors is necessary to promote the green transition. However, it is important that we as a society support farms that are already using sustainable farming practices, which is why Merkur supports a tax that considers CO_2e emissions, biodiversity and animal welfare. The current Green Tripartite Agreement focuses too much on technological solutions and not enough on regenerative and organic practices that have many environmental benefits.

This opinion was expressed in the op-ed Kød er på ingen måder en menneskeret, men en dyrebar luksus, (Meat is by no means a human right, but a precious luxury) which was published on the Danish news site Altinget on 14 August 2024.

Calculating Merkur’s CO_2e footprint

Merkur’s efforts to reduce its CO_2e footprint are divided into two components. One component is our own activities – i.e. direct emissions from our own business operations. However, as a financial institution our primary operations only have a modest footprint. The second component is about the emissions generated by the activities we finance. As a financial institution, we have a special responsibility for this component in that we influence society through our lending and the activities made possible by it.

What Merkur is doing to reduce its CO_2e emissions

PCAF – Finance Denmark

In 2019, Merkur, together with international colleagues from the Global Alliance for Banking on Values, committed to working with and defining criteria for calculating the CO_2e emissions generated by the activities we finance. The tool was developed by the Partnership for Carbon Accounting Financials (PCAF), an international network of financial institutions that are working together to develop a harmonised approach to assessing and disclosing the CO_2e footprint associated with their loans and investments. At the end of 2022, PCAF set up a Nordic network, which Merkur has joined. Finance Denmark has agreed to oversee the work in Denmark.

ConTerra

Merkur has invested in the ConTerra tool, which provides detailed climate accounting data for our agricultural customers. Based on ConTerra's data, we engage with our customers on how individual farms can reduce their climate footprint even more effectively. This may, for example, be through a dialogue on farming methods with a significant carbon storage potential as well as the set-aside of low-lying farmland.

Carbon accounting for activities financed by Merkur

Merkur has calculated the footprint of its loan portfolio since 2020. In order to be able to compare the relative CO_2e emissions associated with Merkur's loan portfolio year on year, we also measure emission intensity, which measures CO_2 emissions per million DKK of loans.

The Danish Parliament has passed a climate act that commits government to reducing Denmark's CO_2e emissions by 70% by 2030. Merkur believes that we need to set even more ambitious climate targets, and that is why we have raised the bar. It is therefore our goal to reduce our financed CO_2e emissions by 25% above the government's target. But reducing our CO_2e emissions is not going to be easy, and in some cases we are building the road as we travel.

Merkur makes a point of calculating the CO_2e emissions of its organic farming customers, as the agricultural sector is the biggest CO_2 emitter among its customers. Consequently, we are in continuous and close contact with our agricultural customers. Although we have a good understanding of where our emissions come from, reducing emissions is not a simple task and it is filled with dilemmas. For example, it is a dilemma if a good existing customer wants to expand their business with us, if it also means that we 'absorb' a greater share of the customer's CO_2e emissions so to speak. In such cases, we look at the difference the customer makes in the world. Reducing emissions can therefore in some cases be a lengthy and difficult process, and there are areas in which our data are insufficient or in which the sources of emissions are not fully understood. But we are doing what we can and learn all the time, while continuing the dialogue with our customers.

89%

of Merkur's loan portfolio is included in the CO_2e calculation

Merkur reports on its CO_2e emissions for all business customers, as well as property, climate and car loans for personal customers. We are especially proud that we calculated the CO_2e footprint for as much as 89% of our loan portfolio in 2024. When we look at how emissions per million DKK have developed, the intensity for 2024 was 7.5 tonnes per million DKK of loans, which is roughly on a par with 2023, when the intensity was 7.6 tonnes per million DKK.

Merkur's lending to agriculture accounts for 29% of our business lending, but for 86% of financed emissions for our business customers. Through its lending to agriculture, Merkur has financed 11,064 tonnes of CO_2e emissions, which is on a par with 2023.

At Merkur, we strongly believe that organic farming plays an important role in reducing the climate footprint of agriculture. We take a holistic approach to sustainability, and we believe that our efforts to reduce CO_2e emissions must also take into account animal welfare, the environment and biodiversity, among other factors. There is no doubt that agriculture as a whole needs to reduce its climate footprint, but we all need healthy food products. As consumers, we need to eat far more plant-based foods than we do today, but we also need to focus more on quality. Merkur wants to help ensure that the milk and meat sold in the shops are produced with as much care for the environment as possible. Organic farmers focus on improved animal welfare and do not use pesticides and fertilisers that are harmful to the environment and human health. This ensures a much more sustainable business model than in conventional agriculture, and that is why Merkur provides loans to organic farmers.

13,793 tonnes
fully funded CO_2e emissions

7.5
CO_2e intensity per million DKK of loans

Reducing the CO_2e footprint of our financed activities requires close collaboration with Merkur's agricultural customers. Merkur has always demanded that its agricultural customers consider the climate and the environment in their food production. Our customers have thus come a long way, and many have launched their own sustainability initiatives; some have established renewable energy plants on their farms or increased their focus on biodiversity, allocated a larger floor area per animal or become self-sufficient in feed, while others are adhering to the 'feed no food' philosophy whereby animals are not fed crops that can be eaten by humans etc. We are therefore confident that we can create positive change together. To accelerate this efforts, Merkur has decided to offer the ten agricultural customers with the highest emissions a climate action plan, an offer they have all accepted. We have received the first action plans which provide a good indication of where it makes sense to start, and the dialogue with our customers is good and constructive.

The high level of emissions from agriculture should be seen in relation to our customer mix. The rest of Merkur's lending is to low-emission sectors such as schools and institutions, and Merkur's business customers are usually strongly focused on their CO_2e footprint. This is due to Merkur's business model, according to which we only work with sustainable and socially responsible companies, always urging them to work actively to reduce their climate footprint. As regards our personal customers, we also give priority to loans for energy renovations and energy source replacements. Merkur no longer offers loans to homeowners with fossil-based heating systems unless a plan is drawn up for replacing the heat source with, for example, a heat pump. When advising our personal customers, we generally seek to influence and incentivise sustainable behaviour.

Workshop on regenerative agriculture

In collaboration with the Innovation Centre for Organic Farming, Merkur has invited its agricultural customers to a workshop on regenerative agriculture. One of the key principles of regenerative agriculture is to rebuild and improve soil health. By using low-impact practices such as minimal tillage, growing a variety of crops and using cover crops, farmers are working to create a more sustainable and resilient ecosystem. The introduction of livestock in the fields further contributes to soil fertility and biodiversity. Merkur's customers were also introduced to various tools such as the ESGreenTool and the innovation centre's biodiversity tool, which can help individual farms improve their environmental protection efforts.

Carbon accounting for Merkur's own activities

As mentioned at the beginning, CO_2e emissions from Merkur's own operations are limited. Emissions from Merkur's operations stem primarily from business travel, from our consumption of district heating and electricity and from our data centre BEC Financial Technologies. But we are still doing everything we can to minimise our footprint.

In order to reduce and keep emissions from our own activities to a minimum, we set high standards for our procurement, consumption and recycling practices, and we have introduced an ambitious procurement and transport policy. When it comes to choosing suppliers and products, we seek out providers with sustainable production methods. As a general rule, the food and drink we buy must be organic and vegetarian. Where possible, we buy second-hand, and we demand that our service providers and tradesmen offer collective agreement-like terms of employment. When travelling for work purposes – to and from customer meetings, between our branches, in connection with courses etc. – we generally aim to go by public transport, electric car, electric taxis or bike.

As mentioned above, Merkur's procurement policy limits our use of fossil cars to get around. However, because we visited many of our many agricultural customers in 2023, which involved driving large distances, not all journeys could be made by electric car for practical reasons. We are obviously not happy about this, so in 2024 we decided to invest in an electric car, which is now available to our advisers in Jutland. This and a general awareness of our driving habits meant that we successfully reduced our CO_2 emissions from driving by 41% from 2023 to 2024.

We continue to prioritise playing an active role in the Global Alliance for Banking on Values (GABV), which you can read more about on page 48. Working with other value-based financial institutions gives us better opportunities for creating change, as we can advise and inspire each other. However, our participation in the network is associated with international air travel, which has a negative impact on our CO_2e emissions. This is also the case when our employees occasionally travel abroad (which they did in 2024) to attend courses that are not offered in Denmark.

Procurement and transport policies • The main rules

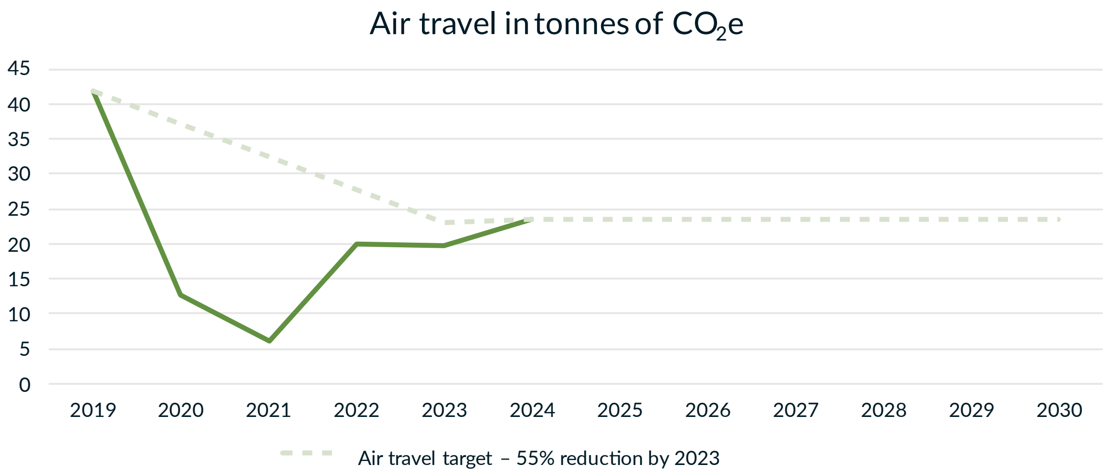
Catering services for meetings and employees
- ✓ Organic as a minimum requirement
- ✓ Vegetarian
- ✓ We are always pleased to do business with Merkur's customers
- ✓ We aim to avoid food waste

Office supplies and furniture
- ✓ Office supplies from Grønt Kontor
- ✓ Paper and printed matter from KLS Pureprint
- ✓ LED lighting
- ✓ Furniture is bought second-hand where possible
- ✓ New furniture must preferably be FSC-labelled or Nordic Swan Ecolabelled and PVC-free

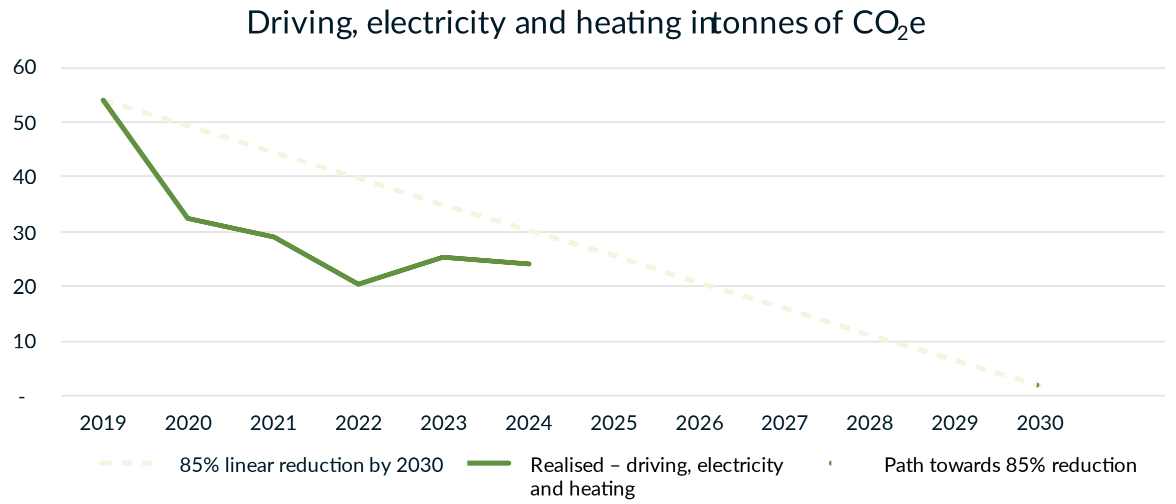
Transport
- ✓ CO2 budget for all departments
- ✓ Customer visits are generally made by train, bus or electric car
- ✓ Air travel is only permitted for international travel with an additional travel time of more than eight hours

Tradesmen and service providers
- ✓ Collective agreements must be in place
- ✓ Use of environmentally friendly products for the job
- ✓ Social profile
- ✓ Locally anchored

This means that Merkur's CO_2e emissions from air travel were slightly above the 2023 level in 2024. We recognise that it is difficult for us to reduce emissions from our air travel by more than the 55% we have already achieved compared to 2019. Our target towards 2030 is therefore to maintain this level while growing Merkur.



For other business travel, electricity and heating, we believe that it is realistic to aim for an 85% reduction in 2030, as the government's climate initiatives will have an effect on the proportion of renewable energy in the electricity grid etc. Here, the target is illustrated by a straight line, but obviously there will be fluctuations in both a positive and negative direction towards 2030.



In 2024, Merkur's energy consumption increased by 14%, mainly due to increased energy consumption for heating and cooling of our offices. We rent several of our premises, which makes it difficult to make them more energy-efficient than they are now. However, the energy produced by the renewable energy plants we own shares in means that we produce about half of the renewable energy we use ourselves.

While actively working to reduce our climate footprint, this year we purchased carbon credits in a project in Pakistan. The project acquires and preserves mangrove forests in intertidal areas on the southeast coast of Sindh, Pakistan. Carbon is stored in mangrove trees and soil for around 80 years. Mangroves not only help remove carbon from the air, but they also create important habitats for many species of animals and plants. Local residents are involved in making decisions and implementing the project, which provides them with financial security, among other things. In addition, we have purchased 14 hectares of degraded – i.e. felled or depleted – rainforest in Ecuador. The regrowing forest will sequester 70 tonnes of CO_2e a year. We bought the forest in collaboration with Birdlife Denmark's Climate and Biodiversity Fund, which ensures that forest is bought in areas that serve as habitats for rare bird species and where rich biodiversity can once again unfold.

Social responsibility

In Merkur's view, sustainability is not just about the climate and the environment. Merkur values social responsibility highly, and our written ambition clearly states that we work actively to promote a world of dignity, respect and care for every human being. This is the guiding star for Merkur as a workplace and when it comes to the customers and projects we finance. Merkur has many customers who work to improve lives and living conditions.

For example, Merkur believes that having different types of schools with different pedagogical approaches brings value to society, enabling parents or pupils to choose the type of teaching that best suits the pupil's abilities and personality. As such, Merkur has provided financing to independent residential schools and other independent schools for many years, and we specialise in advising schools on financial matters. In the chapter 'Merkur's lending activities', you can read more about the companies and causes that Merkur finances. See page 19.

73
independent residential schools and other independent schools are customers of Merkur

10,525
pupils attend independent residential schools and other independent schools

56
schools have received a loan from Merkur

In the following sections, we report on Merkur's social commitment – how we as a company use our influence to change the world around us and how we conduct ourselves as a workplace.

Merkur believes...

...that the fashion industry needs to slow the pace of production, as decades of overconsumption comes at a price. Many Western brands pride themselves on being sustainable, but are really just looking for a quick fix by labelling their products as being made of organic cotton. The product still needs to be cheap fast fashion. Merkur hopes that the EU Strategy for Sustainable and Circular Textiles will help slow the pace of clothing production to reduce overconsumption and not least improve working conditions for the people who make our clothes. For decades, we have overexploited the planet's natural and human resources, and now we have to pay the price.

This opinion was published in the column Den systemiske forandring lader vente på sig i modebranchen (The systemic change is slow to come in the fashion industry) in Børsen Bæredygtig on 1 July 2024.

Merkur involves itself

In Merkur, we want to raise awareness of the role of financial institutions in society, and with our way of doing business we want to show the world that a bank can be run with sustainability and accountability as overarching purposes. Because we are stronger together, we involve ourselves in networks and think-tanks that – like Merkur – are committed to creating a world in which people, nature and the environment are protected.

Selected networks

Global Alliance for Banking on Values

Merkur is the co-founder of this global network of banks whose mission is to use finance to deliver sustainable and socially responsible development of societies. The network consists of 70 banks in 45 countries, which together serve more than 50m customers. Merkur participates actively in the network every year, and in 2024 Charlotte Skovgaard attended the annual meeting in Italy and visited Georgia to attend a meeting with the CEOs from the other European banks in the network.

Danish Research Institute for Democratic Businesses

Merkur is a member of the Danish Research Institute for Democratic Businesses, which works to strengthen and promote democratic ways of doing business. In 2021, backed by broad political support, the Danish government set up an expert working group on democratic enterprises consisting of several of the think-tank's members. In 2022, the working group published a number of recommendations on how democratically owned enterprises can play a greater role in Danish society. In 2024, the think-tank published a report that concluded that customer-owned banks were better at helping their customers through the financial crisis than other banks. Merkur CEO Charlotte Skovgaard is a member of the Board of Directors of the think-tank.

Donations
In 2023, we introduced a new concept which involves donating each year 0.3% of our net interest and fee income from the year before[2]. In 2024, we donated a total of DKK 715,000. The donation goes to four of Merkur's charitable, not-for-profit customers as well as the Merkur Foundation. The concept is called Merkur Value Pool.

Three of the candidates are nominated by a committee in Merkur, one candidate is nominated by the Committee of Representatives, and the Merkur Foundation is a permanent annual recipient. At the same time, we invite Merkur's shareholders to vote on how the money should be distributed between the five candidates. All nominated candidates are guaranteed DKK 25,000. The remainder of the pool is divided proportionately between the three candidates receiving the most votes. In short, the more votes, the more money.

Merkur Value Pool supports the sense of community that exists between Merkur and its customers and shareholders. We usually say that when you bank with us, your money works for the greater good. On the one hand, our customers enable us to lend money to sustainable businesses and organisations. The introduction of the value pool makes it even clearer that contributing to Merkur's earnings also adds value to society. Read more about how the money has been distributed and the recipients on the next page.

[2] Merkur reserves the right to not make any donations from the value pool in years of modest profits or actual losses.

Recipients of the Merkur Value Pool 2024

Forests of the World · DKK 316,269

For 40 years, Forests of the World has been working to preserve the rainforest. Rainforests are home to most terrestrial species and play an essential role in the fight against climate change. Together with indigenous peoples, Forests of the World defends forests against threats such as illegal encroachment, logging and forest destruction, and develops forest restoration to restore forests and prevent forest fires.

Landsforeningen Praktisk Økologi · DKK 201,262

Landsforeningen Praktisk Økologi is an association for everyone who is passionate about organic farming, biodiversity and climate-friendly everyday actions. For almost four decades, the members of the association have been developing and sharing knowledge about ecology and sustainability.

Landsforeningen Natur & Ungdom · DKK 147,468

Natur & Ungdom is a nationwide voluntary children and youth association. Its core purpose is to educate children and young people about nature. Through relevant and meaningful activities and communities, the association fosters a love of nature, builds strong relationships between people and nature and an understanding that we humans are part of nature.

Sindslidendes Vilkår · DKK 25,000

Sindslidendes Vilkår is a local volunteer-run association that runs a social drop-in day centre for mentally vulnerable adults in Aarhus, Denmark. The drop-in day centre provides a place for users to socialise and serves healthy and organic communal evening meals. The drop-in day centre gives the users a chance to take a break from the struggles of everyday life by focusing on positive experiences, while socialising helps ease loneliness.

Sunflower lanyard

In Merkur, we believe that everyone should have the opportunity to live a good and dignified life. That is why we joined the Sunflower programme, which is the organisation behind the Sunflower lanyard. The Sunflower lanyard allows people with invisible disabilities and diagnoses to discreetly share that they may need understanding or a helping hand. We want to help improve the lives of these people, whether they are our customers or employees. We do this in the way we interact with them, but also by increasing understanding and raising awareness of invisible disabilities.

Merkur's employees have received training in what it means to have an invisible disability and will pay extra attention and ask about any special needs if they can see or a customer shares that they are wearing the Sunflower lanyard. The Sunflower lanyard is available free of charge at Merkur's branches.

Volunteering

In autumn 2023, Merkur introduced a volunteering scheme for its employees. It basically allows all our employees to do volunteer work during working hours and still be paid by Merkur for half of the hours spent volunteering.

The volunteering scheme was set up at the request of our employees, as many of them are already contributing to society by volunteering. We have developed the idea and come up with a concept, because we see it as a natural extension of Merkur's business model, which is centred on making a positive contribution to the communities we are part of.

Merkur as a workplace

A cornerstone in our organisation is our highly competent and committed employees, who all contribute to channelling money where it can make a positive difference in society. We look after our employees and actively work to create a corporate culture that provides incentives for spearheading the work for a better world, while instilling a sense of meaningfulness in our employees.

As a result, Merkur decided to give all employees an extra day off in 2024, which was made possible by our extraordinarily strong half-year results. Merkur's employees have worked with dedication and loyalty to achieve our ambition of creating a sustainable and professional alternative to a conventional bank, and we want to reward these efforts by giving them an extra day off.

Merkur also creates a sense of meaningfulness by organising Tuesday schools every other Tuesday, where our employees hear talks by our customers and other presenters who can inspire and give us new knowledge about sustainability and social responsibility. In addition, we bring together all employees once a year for the Merkur Course. In 2024, the topic of the course was the transformation of Danish agriculture with speakers from both Sustainable Agriculture and Organic Denmark, and the daily dilemmas we face as a value-based bank.

In 2024, all Merkur's customer advisers completed a special course on communication and needs identification with Merkur's values as the focal point. Moreover, one employee attended summer school in value-based banking in Vienna. The summer school was organised by the Institute for Social Banking, which has offered socially responsible banking courses to people from all over the world since 2006.

When new employees join Merkur, they are offered both preboarding and onboarding courses in Merkur's sustainable approach to banking.

Proud and happy employees

Merkur also conducted an annual job satisfaction survey in 2024. All of Merkur's full-time employees completed the survey, which was conducted for the first time in 2021. The survey showed a high level of well-being among Merkur's employees with an employee satisfaction score of 88% (85% in 2023). Merkur's employees state that Merkur is an inclusive workplace, that they feel highly committed to their work and that colleagues are good at supporting each other.

An impressive 99% (99% in 2023) of Merkur's employees are proud of their work, and 98% (93% in 2023) feel that they are making a difference in the society we are part of.

In Merkur, we believe that a meaningful working life where employees thrive does not happen automatically. Therefore, Merkur focuses on general well-being and physical and mental health.

All employees are offered a physical health check by a nurse, and Merkur also conducted several exercise campaigns during the year, which were joined by several employees.

Merkur has had a special focus on stress prevention. Our daily focus is on clear priorities and on providing conditions that ensure a meaningful working day. Instead of the annual performance interview, we have introduced feedback dialogues where individual employees and managers can give each other structured feedback and discuss well-being, challenges and development. The feedback dialogues are held three times a year. In 2024, the job satisfaction survey showed that we have maintained the momentum from previous years. In 2021, when we first conducted this version of the job satisfaction survey, 19% responded that they felt stressed to a greater or lesser extent. In 2024, the share was 7% (9% in 2023). Even though the figure is below the sector average, the figure is still too high, and we will continue our work to prevent stress.

Merkur wants to be an inclusive workplace, and we make an effort to organise the work to suit the individual employee's circumstances and abilities. This means that we welcome part-timers and flexi-jobbers. At the end of 2024, we had 41 employees in part-time jobs and three flexi-jobbers.

Absence due to illness

Absence due to illness is lower than our goal of keeping absence below 6.5 days a year per employee. The number of sick days per employee has decreased from 7.3 days per employee per year in 2023 to 5.9 sick days per employee in 2024, which is a positive development and another sign that Merkur employees are thriving.

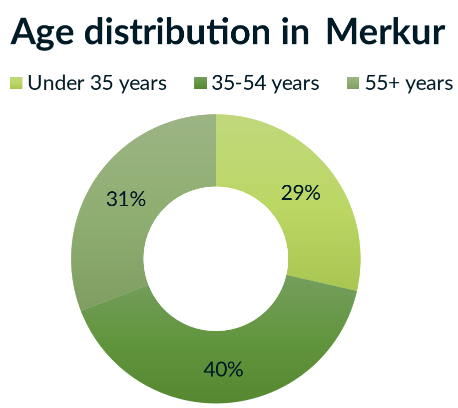
Staff turnover and mix

Companies are generally experiencing fierce competition for employees. The financial sector is no exception. Nevertheless, Merkur is succeeding in retaining its talented employees.

Merkur's staff turnover fell from 10% in 2023 to 9% in 2024. This is well below our target for 2024, which was a maximum turnover of 12% per year. We know that some of our employees plan to retire in 2025, so we expect a slightly higher staff turnover, which is why our target remains at 12% per year.

The age distribution of Merkur's employees is relatively even above and below the average age, which is 44 years, roughly in line with the sector average. Just under a third of Merkur's employees are over 54 years old, which is above the sector average. We find this extremely positive, as this age group brings considerable experience and specialist competencies to Merkur.

At the other end of the age spectrum are our trainees, who are also included in the statistics, which of course helps to reduce the average age. In recent years, Merkur has established a structured collaboration



with schools and educational institutions to welcome both interns and trainees who want to train with us. It is important for Merkur to help train young people to meet the future demand for skilled labour with expertise in sustainability and social responsibility. At the same time, young employees can contribute new and valuable inspiration to the company. You can read more about employee diversity on the following pages.

Corporate governance

Responsibility and ethics guide the way we run Merkur Cooperative Bank. In this section, you can read about our ownership structure, why we value transparency, how it is actually possible to increase diversity in the financial sector and, last but not least, what Merkur does to combat money laundering and financing of terrorism.

Merkur believes...

...that customer-owned banks make more long-term decisions and have a closer relationship with their customers than investor-owned banks. This close relationship creates a sense of community, which means that when the customers do well, the bank does well too, and vice versa. The goal of democratically owned banks is not to maximise profits for the owners, but rather to work for the greater good. This higher purpose gives customer-owned banks a strong inner compass and attracts customers who appreciate these values. The democratic ownership and clear objective have helped maintain stability in times of crisis and have resulted in fewer fluctuations compared to investor-owned banks.

This opinion appeared in an interview with the news site Finans.dk under the heading Ny analyse: Kundeejede banker var bedre til at hjælpe kriseramte kunder (New analysis: Customer-owned banks were better at helping crisis-stricken customers). The interview was published on 5 November 2024.

Democracy

Merkur is a democratically owned company that is primarily owned by its customers. All shareholders have the right to vote at the general meeting, each having one vote regardless of the size of their investment. The general meeting considers a number of issues of key importance for Merkur’s operations. Among other things, the general meeting elects a Committee of Representatives, which in turn elects six members to Merkur’s Board of Directors. The remaining three members of the Board of Directors are elected by Merkur’s employees. The commitment of Merkur’s Board of Directors is evident from the attendance rate, which in 2024 was an impressive 91% (93% in 2023).

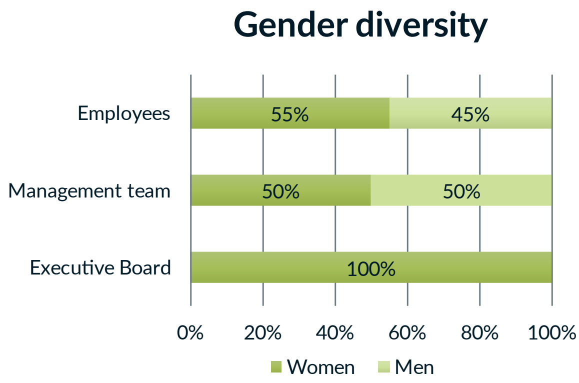
At the end of 2024, Danish Minister for Industry, Business and Financial Affairs, Morten Bødskov, set up a new committee to provide recommendations on corporate governance for democratic companies. Among other things, the recommendations are intended to help democratic companies deal with member democracy and governance issues that are specific to democratic companies in Denmark. Merkur’s CEO, Charlotte Skovgaard, has been appointed as one of the nine members of the committee.

Transparency

Merkur believes in transparency, including transparency about our lending, and we publish the names of all our business customers on our website to enable customers and other interested parties to keep an eye on which companies and industries their money is being lent to. We also demand transparency about the investment products offered by Merkur. Last but not least, we take pride in engaging with our customers, shareholders and other stakeholders about the choices made by Merkur and any dilemmas associated with such decision.

Diversity and equality

Diversity and equality are issues close to Merkur's heart, as we believe that everyone should be treated with respect and dignity and enjoy equal opportunities, and because we do not want to miss out on talent due to unconscious bias. For Merkur, diversity is about many different aspects such as gender and age, but also origin, social background and personality.



In Merkur, we know that diversity takes continuous commitment. This is one of the reasons why Merkur joined the Danish chapter of the European Diversity Charter. As a signatory to Diversity Charter Denmark, Merkur has committed to preventing all forms of discrimination in the workplace through concrete measures and ensuring that all our workflows can accommodate different competencies, talents and special needs.

In our recruitment process, we naturally encourage all qualified applicants to apply regardless of gender, age, ethnicity, disability, religion, culture or sexuality, and we further focus on diversity by, for example, striving for gender balance among the applicants shortlisted for all positions. It is crucial that our employees feel that we live this focus on a daily basis. We are pleased that an impressive 95% of Merkur's employees feel that everyone is treated fairly regardless of gender, age, ethnic background, sexual orientation etc. Of course, we want everyone to feel that they are treated well, and we work constructively with branches with a below average score in this area in the job satisfaction survey.

Overall, we have an equal gender[3] distribution. The share of female employees fell from 58% in 2023 to 55% in 2024. At management level, the share of female managers fell from 53% in 2023 to 50% in 2024. As such, Merkur has an equal number of male and female managers.

Gender diversity at other management levels

	2024	2023
Number of members (FTE)	14.0	15.0
Underrepresented gender in %	50.0	47.0
Target figures in %	40.0	40.0
Year of achievement of target	Not applicable*	Not applicable*

*The 40% target has already been achieved.

Merkur is one of a very small number of Danish banks with a female CEO. According to statistics from the employers' association under Finance Denmark, Merkur is well ahead of other banks, where an average of only 30% of managers are women. In other words, we show that it is possible to achieve gender diversity in the traditionally male-dominated financial sector.

But true equality is also about equal pay, and male employees in Merkur earn 1.2 times as much as their female colleagues, which has a lot to do with their job function. We continuously strive to ensure that salaries always reflect the job content, the level of responsibility involved and the employee's competencies, regardless of gender.

The gender distribution among the members of Merkur's Board of Directors elected by the Committee of Representatives and by the employees is currently four men and two women, corresponding to 66.7% men and 33.3% women. Merkur aims for an almost equal distribution of women and men at board level. See the

[3] Although there are more gender identities than the male/female binary, for data purposes Merkur operates with only two genders when following up on policies and reporting.

‘Statutory information’ chapter on page 29 for
information about targets. You can read more about Merkur’s Board of Directors on page 24.

Remuneration policy

The Executive Board is paid a fixed salary, and the remuneration is assessed every year as per the CEO’s contract of employment. Merkur has no bonus schemes. The remuneration of the Executive Board is based on the competencies and level of experience of members and on a comparison with the market level for similar positions. It is important for Merkur to be able to attract, motivate and retain competent members of the Executive Board and to ensure that the members of the Executive Board always have the competencies needed to carry out their duties. The CEO of Merkur earns 5.1 times the median salary for Merkur’s employees.

A specification of salaries and remuneration for the Board of Directors and the Executive Board can be found in the remuneration report on Merkur’s website: www.merkur.dk/aarsrapporter.

Combating money laundering and financing of terrorism

Preventing financial crime is high on the agenda in the financial sector and remained a high priority for Merkur in 2024. This applies to work processes, day-to-day preventive measures and testing of Merkur’s safeguards against accounts being misused for money laundering, fraud and terrorist financing.

Danmarks Nationalbank’s phasing out of the 1,000 kroner banknote also led to increased focus on cash in the past year, both among those of our customers who have these banknotes and in our handling of the increased level of cash activity.

In 2024, Merkur also implemented a new monitoring system that helps us detect various types of financial crime. The system sheds further light on the methods used by criminals to commit bank transfer fraud. This also involves a greater focus on bank transfers to and from high-risk countries, as financial crime is highly cross-border in nature and takes place through global networks. Our customers still have to meet documentation requirements, with a special focus on the elevated geographical risk associated with international transfers.

Merkur Foundation

The charitable Merkur Foundation was set up 25 years ago by Merkur Cooperative Bank.
The foundation donates money to recipients who have good, innovative and unconventional ideas but lack the funds to bring them to life. The money comes from donors who want their donations to make a difference.

In 2024, the smallest donation to the Merkur Foundation was DKK 100 and the largest was DKK 1m. In total, more than DKK 3.5m was donated – a new fundraising and donation record. Most donors in 2024 wanted their donation to benefit a particular organisation or activity. A small part of the donations was given to the foundation's so-called available funds, which are distributed upon application.

Total monetary gifts received in 2024

Monetary gifts received in 2024	
146 donors made donations to projects falling within the scope of the foundation's purpose	DKK 907,102
A special donation that made it possible to support Organic Denmark's work to document, educate and inform about organic farming	DKK 1,000,000
A special donation that made it possible to help the Vimby Foundation create meaningful working communities with room for everyone	DKK 700,000
A special donation that made it possible to support Aurion, which mills, processes and sells organic and biodynamic grain	DKK 1,000,000
Donation from the Merkur Value Pool	DKK 25,000
Total	**DKK 3,632,102**

Donations in high demand

In 2024, the foundation faced the difficult task of selecting this year's donation recipients among more than 500 applications. The foundation emphasised volunteering, interdisciplinarity and originality when selecting the 47 recipients of just over DKK 750,000 in free funds. In 2024, the foundation was able to grant just under 10% of applications.

In addition to the distribution of unrestricted funds, two forms of money transfer in particular have seen high activity in 2024: Special donations and personal pools.

DKK 3.6m
collected and donated in 2024

57
activities and projects received donations

DKK 878,000
collected for seven partnership projects

Personal pools

A pool is similar to setting up your own foundation without having to spend time and money on the legal and administrative tasks associated with running a foundation. This is a new way for people to donate larger sums of money to special causes or projects within the scope of the Merkur Foundation's overall objective over a period of time. The first two pools of DKK 500,000 each will be distributed over three to five years, but pool owners are free to define the amount and time horizon themselves. A personal pool in the Merkur Foundation can be a way for your money to make a difference in society. Pool owners can help with the prioritisation of applications or merely follow the benefits and joy the money brings from the sidelines.

Partnership projects raise large amounts of money

Much of the Merkur Foundation's work involves close collaboration with our seven partners. The partnerships rely on ongoing and sustained support to ensure that projects survive the start-up phase.
The corona years were tough for many of the foundation's partners, and the consequences of the pandemic were still being felt in 2024. Fortunately, the efforts to bounce back from corona were supported by many donors in 2023 and again in 2024, when we managed to raise DKK 878,000 for our partners – a new record.
In 2024, the Merkur Foundation entered into a new partnership with the Boldklubben Skjold football club, which offers other social and cultural activities in addition to football. The Merkur Foundation wants to extend its heartfelt thanks to everyone who has supported the partnerships.

Personal pools were off to a good start

In 2024, the Merkur Foundation granted the first donations from the two personal pools that were set up in late 2023. The pools support projects and activities under the headings 'Sustainable ways of life' and 'Democracy and community'.
In 2024, just over DKK 200,000 was donated to five activities in each pool. The foundation requires documentation for the impact of each project and that the results are published so that others can learn and benefit from them.

Donation example

Hope and action – future sustainability workshop for young people

On Black Friday 2024, 17 high school students met at the library in Ringe on Funen to rekindle climate hope. Two artists took the young people into a future workshop where artistic elements, exercises and sensory breaks were used to allow the young people to open up about their feelings about sustainability and the climate crisis. After completing the three phases of the future workshop, difficult feelings of hopelessness were turned into concrete activity proposals, and before going home the young people promised each other to make the activities happen. We will follow up on progress in 2025. In addition to the benefits gained by the 17 young people and the impact of subsequent activities on others, Faaborg-Midtfyn Bibliotekerne will expand the method and learnings to other libraries.

The Merkur Foundation's pool 'Sustainable ways of life' donated DKK 12,000 to the project. Photo: C.S. Asmussen

Merkur Climate Fund

In Merkur Cooperative Bank, we would like to show the way and turn out ambitions into actions. In 2020, Merkur therefore set up the Merkur Climate Fund. The fund is an independent and separate legal entity. The purpose of the Merkur Climate Fund is to support projects aimed at preventing and adapting to climate change.

Charging points in remote areas

Since its establishment, the fund has worked to expand the charging network for electric cars in Denmark. In early 2024, the Merkur Climate Fund launched a new charging point project focusing on installing charging points at businesses, schools and institutions in areas with few charging options to make electric cars attractive for as many people as possible, no matter where in Denmark they live. In 2024, 20 new charging outlets were installed at two schools and one business, with more projects in the pipeline for 2025.

149
charging points for electric cars

32,500
charging sessions completed at the Merkur Climate Fund's charging points in 2024

Pilot project on charging behaviour

In connection with the Merkur Climate Fund's project to install charging points at a business on Funen, we have, as an experiment, reviewed the price structure to get as many people as possible to charge their electric car when electricity is greenest in order to reduce their climate footprint. Simply put, the charging price is low when there is a lot of green electricity in the grid and high when electricity is black or the distribution grid is overloaded. The fund's charging point network is open to everyone, and for full-service customers of Merkur there is an additional discount of DKK 1.00 per kWh.

Roof-top solar panels

In 2024, the Merkur Climate Fund embarked on a new chapter, developing a concept for installing small solar systems in collaboration with schools, institutions and energy communities. The concept is to install the solar panels on the roof so that they do not take up land or become a blight on the landscape. In addition, the energy must be used locally and not transported over long distances. The Merkur Climate Fund finances the solar panels, and the cost of the solar system is covered by the electricity savings. Once paid off, the solar system is handed over free of charge to the school or energy community, which can then enjoy free green solar power for years to come.

In partnership with an energy community, the fund has applied for and received funding from an energy company to install the first solar system. The plan is to install the system in the first half of 2025.

Read more about the Merkur charging points and where they are located at www.merkur.dk/ladestandere.

Sustainability data

Emissions from Merkur's activities, tonnes of CO_2e

	2024	2023
District heating	11	9
Electricity	4	6
Business travel	33	30
Data centre BEC	17	16
Total emissions	**65**	**61**

Displaced and absorbed emissions

	2024	2023
Displaced emissions (renewable energy)		
Middelgrunden Vindmøllelaug	-1	-2
Hvidovre Vindmøllelaug	-6	-10
Plasticueros, photovoltaic facility in Spain	-6	-10
Absorbed emissions		
Purchased degraded rainforest in Ecuador	-70	-70
Purchased Verra Verified Carbon Standard	-51	-40
Net emissions	**-69**	**-71**

Total CO_2 emissions

Tonnes of CO_2e	2024	2023
Scope 1	0	0
Scope 2	15	15
Scope 3 – upstream	50	46
Scope 3 – downstream	13,793	12,919

Resources

	2024	2023
Energy consumption (GJ)	1,259	1,104
Renewable energy share (%)	51	60
Paper (kg)	1,897	5,209

Financed emissions, business customers

	Lending in DKKm 2024	Share of lending	Tonnes of CO_2e 2024	Share of emissions	Intensity* 2024	Targets for 2030	Intensity** 2023
Agriculture	233	29%	11,064	86%	47.5	43.2	45.2
Education and institutions	213	26%	770	6%	3.6	0.4	2.0
Other services, cultural institutions and organisations	78	10%	180	2%	2.3	0.6	1.4
Letting etc. of real estate – cooperative housing associations	119	15%	23	0%	0.2	0.1	0.2
Dairies and other food production	20	2%	138	1%	7,0	3.2	5.3
Other	99	12%	655	5%	6.6	2.1	2.5
Total	**762**	**94%**	**12,830**	**100%**	**16.8**	**13.8**	**15.7**
Excluding agriculture	529		1,766		3.3	0.4	1.9
Energy supply and climate projects***	19	2%	-259	-	-	-	-
Not included in calculation	31	4%	-	-			
Net emissions	**812**	**100%**	**12,571**	-	**-**	-	-

*Emissions per DKKm of lending.
**Merkur's baseline (starting point for CO_2e reductions) is the 2023 data, as we have new area maps for low-lying farmland. The new data affect our baseline, which has subsequently been corrected back to 2023.
***Loans to large customers developing renewable energy projects plus large renewable energy projects for non-full-service customers. Small renewable energy projects for full-service customers are linked directly to the customer.

Financed emissions, personal customers

	Lending in DKKm	Share of lending	Tonnes of CO_2e 2024	Intensity* 2024	Target 2030	Intensity* 2023
Mortgages	942	78%	589	0.6	0.0	0.9
Car loans	71	6%	374	5.2	0.3	4.7
Climate loans	12	1%	-	-	-	-
Total	**1,025**	**85%**	**963**	**0.9**	**0.2**	**1.2**
Not included in calculation**	188	15%				
Total lending personal customers	**1,213**	**100%**				

*Emissions per DKKm of lending.
**It is not possible to quantify the emissions for, for example, consumer loans and private overdrafts, as we do not know what our customers are spending the money on.

Quality of financed emissions data: The data quality is rated on a scale of 1 to 5, with 1 being best. The score of Merkur's data for this reporting is 4.0 for business customers compared to 3.9 in 2023. For personal customers, the score is 4.1 against 4.5 in 2023.

Green Asset Ratio

	Share in DKKm		Share in % of total assets	
	Included	Excluded	Included	Excluded
Total assets	1,013	4,348	19	81
Non-NFRD companies*	0	710	0	13
Households	1,013	200	21	4
- of which: loans secured on residential properties	942	0	19	0
- of which: loans for motor vehicles	71	0	1	0
States etc.	0	2,411	0	45
Trading portfolio and interbank loans on demand	0	662	0	12
Other assets	**0**	365	0	7

The Green Asset Ratio describes how many of the institute's activities are currently covered by the EU taxonomy for sustainable activities.
*Non-Financial Reporting Directive (NFRD)

Social data

	2024	2023	Sector 2024	Target
Number of employees (FTEs), including students	112.2	104.3	-	-
Staff turnover (%)	9.0	10.0	11.5	< 12.0 in 2024
Absence due to illness (days/FTE)	5.9	7.3	6.6*	< 6.5 in 2024
Seniority (years)	5.1	5.0	-	-
Average age (years)	44.0	46.0	-	-
Under 35 years (%)	28.6	25.0	27.2	-
35-54 years (%)	40.6	42.0	45.8	-
55+ years (%)	30.9	33.0	26.9	-

*Figure from 2023.

Management data

	2024	2023	Sector 2024	Target figures
Gender diversity on the Board of Directors (%)	33.3	33.3	-	40
Gender diversity, employees (%)	55.0	58.0	49.0	Min. 40
Gender diversity at other management levels including the Executive Board*	63.0	61.0	30.0	Min. 40
Gender pay gap (times)	1.2	1.2	1.2	1.0
Board meeting attendance (%)	90.7	93.0	-	-
Pay gap between CEO and employees (times)	5.1	4.5	-	-

*Managers reporting to the Executive Board + Executive Board

Statements and reports

Statement by the Executive Board and the Board of Directors

Today, we have considered and approved the annual report for the financial year 1 January - 31 December 2024 for Merkur Cooperative Bank.

The annual 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 financial statements give a true and fair view of the assets, liabilities and financial position of Merkur Cooperative Bank as at 31 December 2024, as well as of the results of its activities for the financial year 1 January - 31 December 2024.

In our opinion, the management review includes a fair review of developments in the bank's operations and financial circumstances, the results for the year and the bank's financial position and describes the most significant risks and uncertainty factors that may affect the bank. The annual report is presented to the annual general meeting for adoption.

Copenhagen, 25 February 2025

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

The annual general meeting will be held in Copenhagen on 29 March 2025.

Independent auditor’s report

To the shareholders in Merkur Cooperative Bank

Conclusion

In our opinion, the financial statements give a true and fair view of Merkur Cooperative Bank’s assets, liabilities and financial position as at 31 December 2024 and of the results of the bank’s operations for the financial year 1 January - 31 December 2024 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

What have we audited

The financial statements of Merkur Cooperative Bank for the financial year 1 January - 31 December 2024 comprise the income statement and statement of comprehensive income, balance sheet, statement of capital and notes, including the accounting policies applied (‘the financial statements’).

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities according to these standards and requirements are further described in the section ‘*Auditor’s responsibility for the audit of the financial statements’.*

We believe that the audit evidence obtained is sufficient and appropriate as a basis for our opinion.

Independence

We are independent of Merkur Cooperative Bank in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code of Ethics) and the additional requirements applicable. We have fulfilled our other ethical responsibilities in accordance with IESBA Code of Ethics.

To the best of our knowledge, no prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014 have been performed.

Appointment

We were first appointed as auditors of Merkur Cooperative Bank on 1 April 2017 for the 2017 financial year. We have been reappointed by the annual general meeting for a total uninterrupted period of engagement of eight years, up until and including the 2024 financial year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for 2024. These matters were addressed as part of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

Impairment of loans

Loans are measured at amortised cost impairment of loans.

Impairment of loans represent management's best estimate of expected losses on loans as at the balance sheet date. Reference is made to the detailed description of accounting policies in note 1 to the financial statements.

As a result of the geopolitical and macroeconomic situation with a risk of an economic downturn, management has recognised a significant adjustment of impairment of loans in the form of an accounting estimate ('management estimate'). The impact of the geopolitical and macroeconomic situation on Merkur's customers remains largely unclear, and the assessment of the need for impairment is thus subject to increased uncertainty.

Impairment of loans is a key focus area because the accounting estimate is by nature complex and influenced by subjectivity and thus associated with a high degree of uncertainty.

The following areas are central to the calculation of the impairment of loans:

- Determination of credit classification.
- The model-based impairment charges for assets in stages 1 and 2, including management's determination of model variables adapted to Merkur's loan portfolio.
- Merkur's procedures to ensure the completeness of the registration of credit-impaired loans (stage 3) or loans with a significantly increased credit risk (stage 2).
- Main assumptions and estimates applied by management in the calculation of impairment charges, including principles for assessing various outcomes of the customer's financial position (scenarios) and for assessing collateral values of, for example, properties included in the calculations of impairment.
- Management's assessment of expected credit losses as at the balance sheet date as a result of possible changes in market conditions which are not included in the model-based calculations or individually assessed impairment charges (management estimate), including in particular the consequences of the geopolitical and macroeconomic situation for Merkur's customers.

Reference is made to note 9, notes 12-13, note 29 and note 2 'Material accounting estimates, assumptions and uncertainties' of the financial statements, where factors that may affect impairment of loans are described.

How the matters were addressed in our audit

We reviewed and assessed the impairment recognised in the income statement in 2024 and the balance sheet as at 31 December 2024.

We carried out risk assessment actions to gain an understanding of IT systems, business practices and relevant controls regarding the calculation of impairment of loans. For the controls, we assessed whether they had been designed and implemented to effectively address the risk of material misinformation.

For selected controls on which we planned to base ourselves, we tested whether they were carried out consistently.

We assessed the impairment model applied, which was prepared by the BEC data centre, and the use thereof, including the division of labour between BEC and Merkur.

We assessed and tested Merkur's calculation of model-based impairment charges in stages 1 and 2, and also assessed management's determination and adaptation of model variables to the bank's own conditions.

We reviewed and assessed Merkur's validation of the methods used to calculate expected credit losses as well as the procedures and internal controls designed to ensure that credit-impaired loans in stage 3 and weak loans in stage 2 are identified and recorded in a timely manner.

We assessed and tested the principles applied by Merkur to determine impairment scenarios, and to measure the collateral value of, for example, properties included in the calculation of the impairment of credit-impaired loans and loans with a significantly increased credit risk (weak stage 2 loans).

We tested the impairment calculations of a sample of credit-impaired loans in stage 3 and weak loans in stage 2 as well as the underlying data used for documentation purposes.

We made an assessment ourselves of the stages and credit classifications of a sample of other loans. This included a sample of large loans as well as loans characterised by generally increased risk levels.

We reviewed and challenged the significant assumptions underlying management's estimates of expected credit losses not covered by the model-based or individually assessed impairment charges based on our knowledge of the portfolio and the various sectors as well as our knowledge of current market conditions. We focused, in particular, on Merkur's calculation of the management estimates in respect of the covering of expected credit losses as a result of the geopolitical and macroeconomic situation.

We assessed whether the factor that may potentially affect impairment of loans were appropriately disclosed.

Statement on the management review

The management is responsible for the management review.

Our opinion on the financial statements does not cover the management review, and we do not express any assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management review and to consider whether the management review is materially inconsistent with the financial statements or our knowledge obtained in the course of our audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Financial Business Act. We did not identify any material misstatement in the management review.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as management determines is necessary to enable the presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing Merkur's ability to continue as a going concern, disclosing, as applicable, matters related to continuing as a going concern and using the going concern basis of accounting unless management either intends to liquidate the bank or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

As part of an audit in accordance with ISA and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risk of material misstatements in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the overriding of internal control.
- Obtain an understanding of the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Merkur's internal control.
- Evaluate the appropriateness of the accounting policies applied and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained conclude whether a material uncertainty exists related to events or conditions that may cast significant doubt on Merkur's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or circumstances may cause the bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the senior management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control identified during our audit.

We also provide the senior management with a statement that we have complied with relevant ethical requirements regarding our independence, and communicate to the senior management all relations and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Based on the matters communicated to the senior management, we determine those matters that were of most significance in the audit of the financial statements for the period in question, and which therefore constitute the key audit matters. We describe these matters in our auditor's report unless law or other regulation precludes public disclosure of such matters.

Herning, 25 February 2025

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 3377 1231

Lars Dalgaard Agersted State-authorised public accountant mne46258	Daniel Mogensen State-authorised public accountant mne45831

Financial statements

Income statement and statement of comprehensive income 2024

DKK ‘000	2024	2023	Note
Interest income	202,685	180,232	3
Interest expenses	-27,916	-14,813	4
Net interest income	**174,769**	**165,419**	
Dividends from shares etc.	2,983	348	
Fee and commission income	84,417	85,953	5
Fee and commission expenses paid	-15,668	-13,139	
Net interest and fee income	**246,501**	**238,581**	
Market value adjustments etc.	10,725	3,411	6
Other operating income	482	307	
Staff costs and administrative expenses	-159,944	-148,105	7
Depreciation, amortisation and impairment of tangible and intangible assets	-3,333	-3,418	8
Other operating expenses	-111	-112	
Impairment of loans and receivables etc.	-28,382	-36,355	9
Share of profit or loss of associates and affiliated undertakings	4	45	
Profit before tax	**65,942**	**54,354**	
Tax	-15,574	-13,725	10
Profit for the year	**50,368**	**40,629**	
Proposed distribution of net profit			
Carried forward to next year	50,368	40,629	
Statement of comprehensive income			
Profit for the year	50,368	40,629	
Other comprehensive income:			
Foreign currency translation adjustments, shares in EUR	-31	80	
Revaluation, property	496	0	
Tax on comprehensive income, revaluation	-129	0	
Other comprehensive income after tax	336	80	
Total comprehensive income for the year	**50,704**	**40,709**	

Balance sheet

ASSETS [DKK '000]	2024	2023	Note
Cash in hand and demand deposits with central banks	2,411,062	2,486,560	
Accounts receivable from credit institutions and central banks	130,953	79,676	11
Loans and other accounts receivable at amortised cost	1,922,757	1,843,102	12-13
Bonds at fair value	531,378	178,538	14
Shares etc.	73,080	68,168	15
Investments in associates	739	735	16
Assets associated with pool schemes	202,350	114,522	17
Intangible assets	0	15	18
Land and buildings			
Land and buildings (domicile property)	11,900	11,662	
Domicile properties, leased	5,476	5,361	
Total land and buildings	**17,376**	**17,023**	19
Other tangible assets	1,516	1,691	20
Current tax assets	4,275	1,028	10
Deferred tax assets	0	5,002	10
Other assets	60,907	53,856	21
Prepayments	5,187	4,324	
TOTAL ASSETS	**5,361,580**	**4,854,240**	

Balance sheet (continued)

LIABILITIES AND EQUITY [DKK '000]	2024	2023	Note
Debt to credit institutions and central banks	165,717	114,776	22
Deposits and other debt	4,200,210	3,925,852	23
Deposits with pool schemes	202,350	114,522	
Issued bonds	24,884	24,855	24
Other liabilities	43,862	34,976	25
Deferred income	27	201	
TOTAL DEBT	**4,637,050**	**4,215,183**	
Provisions for pensions and similar liabilities	760	385	
Provisions for deferred tax	3,869	2,837	10
Provisions for guarantees	5,413	4,608	
Other provisions	5,662	6,142	
TOTAL PROVISIONS	**15,704**	**13,972**	
Subordinated debt	175,406	147,890	
SUBORDINATED DEBT	**175,406**	**147,890**	26
EQUITY			
Share capital	242,457	239,536	
Share premium account	148,334	145,765	
Revaluation reserves	1,224	857	
Other reserves	4,708	4,708	
Retained earnings	136,697	86,329	
TOTAL EQUITY	**533,420**	**477,195**	
TOTAL LIABILITIES AND EQUITY	**5,361,580**	**4,854,240**	
OFF-BALANCE SHEET ITEMS			
Guarantees	521,652	606,711	27
TOTAL OFF-BALANCE SHEET ITEMS	**521,652**	**606,711**	

Statement of capital 2024

DKK ‘000	2024	2023
Share capital		
Share capital, beginning of year	239,536	228,322
Newly paid-up share capital	2,921	11,214
Total	**242,457**	**239,536**
Value of shares, end of year	2,087.90	1,890.30
Share premium account		
Share premium account, beginning of year	145,765	136,960
Share premium during the year	2,600	8,725
Other comprehensive income	-31	80
Total	**148,334**	**145,765**
Revaluation reserves		
Revaluation reserves, beginning of year	857	1,350
Revaluation, property	367	-493
Total	**1,224**	**857**
Other reserves		
Other reserves, beginning of year	4,708	4,708
Total	**4,708**	**4,708**
Retained earnings		
Retained earnings, beginning of year	86,329	45,700
Profit for the year	50,368	40,629
Total	**136,697**	**86,329**
Breakdown:		
Retained earnings, beginning of year	86,329	45,700
Profit for the year	50,368	40,629
Other comprehensive income	336	80
Total comprehensive income	50,704	40,709
Other comprehensive income transferred to share premium account	31	-80
Other comprehensive income, revaluation reserves	-367	0
Profit for the year	50,368	40,629
Total	**136,697**	**86,329**

Statement of capital 2024 [continued]

DKK ‘000	2024	2023
Composition of equity, end of year:		
Share capital	242,457	239,536
Share premium account	148,334	145,765
Revaluation reserves, property	1,224	857
Other reserves	4,708	4,708
Retained earnings	136,697	86,329
Total	**533,420**	**477,195**
Other information about reserves		
Free reserves (previously A capital)		
Balance, beginning of year	21,167	19,093
Proportionate share of profit for the year	2,473	2,074
Total free reserves	**23,640**	**21,167**
Share of other reserves	2,353	2,353
Total	**25,993**	**23,520**
Shareholders’ reserves (previously B capital)		
Balance, beginning of year	65,162	26,607
Proportionate share of profit for the year	47,895	38,555
Total shareholders’ reserves	**113,057**	**65,162**
Share of other reserves	2,355	2,355
Total	**115,412**	**67,517**

NOTES TO MERKUR'S FINANCIAL STATEMENTS 2024

NOTES

Note 1 Accounting policies

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

The accounting policies have been applied consistently with the 2023 annual report. Insignificant reclassifications have been made under individual items in the income statement and balance sheet, including the specification in the notes. These have not affected this year's or last year's profit and equity and were made solely to ensure comparability of the individual items in the financial statements.

Recognition and measurement
Assets are recognised in the balance sheet if, as a result of a past event, it is probable that future economic benefits will flow to Merkur and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when Merkur, as a result of a past event, has a legal or actual liability and it is probable that future economic benefits will flow from Merkur and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at fair value. However, intangible and tangible assets are measured at cost on initial recognition. Measurement after initial recognition is done for each item as described below.

Recognition and measurement take into account the foreseeable risks and losses which arise before the presentation of the annual report and which confirm or disconfirm conditions existing at the balance sheet date.

In the income statement, income is recognised as earned while expenses are recognised at the amounts that concern the financial year. However, any increases in the value of domicile properties are recognised directly in equity.

The purchase and sale of financial instruments is recognised at the transaction date, and they are derecognised when the cash flows associated with the financial asset or liability have ended, or if it has been transferred and all risks and rewards of ownership have substantially been transferred.

Foreign currency translation
On initial recognition, foreign currency transactions are translated at the exchange rate prevailing at the date of the transaction. At the balance sheet date, the closing rate is used. Foreign currency translation adjustments arising between the exchange rate prevailing at the date of the transaction and the exchange rate at the payment date or the closing rate, respectively, are recognised in the income statement under market value adjustments etc.

Income statement
Interest, fee and commission income etc.
Interest income and interest expenses are recognised in the income statement in the period to which they relate.
Interest income also includes interest income from finance lease agreements.

Front-end fees and similar income items that are an integral part of the effective interest rate on a loan are recognised under interest income over the term of the loan at the effective interest rate on the loan in question. Interest income from impaired loans is recognised in the income statement under the 'Impairment of loans and receivables etc.' item.

Commissions and fees as part of an ongoing service are accrued over the term of the loan. Other fees are recognised in the income statement at the transaction date.

Remuneration for mortgage lending services provided on behalf of Totalkredit and DLR Kredit A/S is recognised according to the set-off model.
Recorded losses are recognised at the time of the loss-making event, and the losses are expensed in the income statement under 'Impairment of loans and receivables etc.'.

Market value adjustments etc.
Market value adjustments etc. consist of realised and unrealised market value adjustments on securities, primarily bonds and shares. In addition, market value adjustments include foreign currency translation adjustments.
Returns on pool assets and deposits are presented together under market value adjustments etc. as these returns belong to pool customers.

Other operating income
Other operating income comprises income of a secondary nature in relation to Merkur's principal activity.

Staff costs and administrative expenses
Staff costs comprise salaries, social security costs and pensions etc. to Merkur's staff. Costs of services and benefits for employees are recognised in line with the employees performing the work tasks which entitle them to such services and benefits.

Merkur has entered into pension scheme agreements with most of its employees. Defined contributions are paid into an independent pension fund and to pension accounts with Merkur. Merkur has no obligation to make further contributions, and there are no pension obligations besides those mentioned above.

Other operating expenses
Other operating expenses include expenses of a secondary nature in relation to Merkur's principal activity, including contributions to the statutory depositor guarantee scheme (resolution fund).

Tax
Tax for the year, which comprises current tax and changes in deferred tax, is recognised in the income statement with the portion attributable to the profit for the year and in other comprehensive income or directly in equity with the portion attributable to entries in other comprehensive income and directly in equity.

Current tax payable or receivable is recognised in the balance sheet as tax calculated on the taxable income for the year adjusted for any tax paid on account.

The current tax for the year is calculated by applying the tax rates and tax rules in force at the balance sheet date.

Deferred tax is recognised on all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax assets are recognised in the balance sheet at the value at which the asset is expected to be realised, either through offsetting against deferred tax liabilities or as net assets for offsetting against future positive taxable income. It is assessed at each balance sheet date whether sufficient taxable income is likely to be generated in the future for the deferred tax asset to be utilised. Deferred tax is calculated net.

Balance sheet
Classification and measurement
Financial assets are classified and measured on the basis of the contractual cash flows from the financial assets and the business model for the financial assets.

This implies that financial assets, where the contractual cash flows consist solely of payments of principal and interest must be classified and measured on initial recognition according to one of the following business models:

- Financial assets held to generate the contractual cash flows, where the contractual cash flows consist solely of interest and repayments on the principal amount, are measured at amortised cost after the date of initial recognition.
- Financial assets held in a mixed business model, where some financial assets are held to generate the contractual payments and other financial assets are sold, and where the contractual payments on the financial assets of the mixed business model consist solely of interest and repayments on the outstanding amount, are measured at fair value through other comprehensive income after the date of initial recognition.
- Financial assets that do not meet the above business model criteria, or where contractual cash flows are not exclusively comprised of payments of principal and interest on the principal amount, are measured at fair value through the income statement after the date of initial recognition.

Merkur does not have financial assets that are included in the measurement category of recognition of financial assets at fair value through other comprehensive income. Instead, Merkur's holding of bonds at fair value is measured through the income statement, either because they are part of a trading portfolio or a risk management system or an investment strategy which is based on fair values and is included in Merkur's internal management reporting.

Accounts receivable from credit institutions and central banks
Accounts receivable from credit institutions and central banks comprise accounts receivable from other credit institutions and fixed-term deposits with central banks. Initial recognition is at fair value plus the transaction costs directly linked to the acquisition of the receivable and less fees and commissions received which are directly related to the establishment. Subsequent measurement is at amortised cost.

Loans and other accounts receivable at amortised cost
Loans which, after initial recognition, are continuously measured at amortised cost are measured at fair value on initial recognition plus the transaction costs directly related to the acquisition of the loan and less fees and commissions received which are an integral part of the effective interest rate. This item consists of loans where disbursement has been made directly to the borrower and leases where disbursement takes place directly as payment for the asset by the supplier.
Loans and other accounts receivable are subsequently measured at amortised cost, which usually corresponds to the nominal value less front-end fees etc. and any impairment for expected losses incurred but not yet realised.

Model for impairment of expected credit losses

Under the IFRS 9-compatible impairment rules, impairment is made for expected credit losses on all financial assets recognised at amortised cost, and provisions are made according to the same rules for expected credit losses on unutilised credit limits, loan commitments and financial guarantees.

For financial assets recognised at amortised cost, impairment for expected credit losses is recognised in the income statement and reduces the value of the asset in the balance sheet. Provisions for losses on unutilised credit limits, loan commitments and financial guarantees are recognised as a liability.

Stages of credit risk development

All loans are impaired in accordance with the IFRS 9-compatible impairment rules. The impairment model is based on a calculation of expected losses, with the loans being divided into three stages depending on the credit impairment of the individual loan since its initial recognition:

1. Loans without a significant increase in credit risk
2. Loans with a significant increase in credit risk
3. Credit-impaired loans

For stage 1 loans, impairment is made for expected losses over the next 12 months, while for stages 2 and 3 loans impairment is made for expected losses during the expected remaining term of the loans. Unlike stages 1 and 2, stage 3 interest income is recognised solely based on the impaired value of the asset.
As a general rule, the individual loans are classified into stage 1 on initial recognition, with impairment being made for 12 months of expected losses on initial recognition.

The classification into stages and calculation of the expected loss is based on Merkur's rating models, which are developed and maintained by the Merkur's data centre BEC and Merkur's internal financial and credit management function.

Assessment of significant increase in credit risk

When assessing the development in credit risk, a significant increase in the credit risk in relation to the date of initial recognition is deemed to have taken place in the following situations:

- An increase in PD[1] for the expected remaining term of the financial asset of 100% and an increase in the 12-month PD of 0.5 percentage points when the 12-month PD was below 1.0% on initial recognition.
- An increase in the probability of default (PD) for the expected remaining term of the financial asset of 100% or an increase in the 12-month PD of 2.0 percentage points when the 12-month PD was 1.0% or more on initial recognition.
- The financial asset has been in arrears for more than 30 days at an amount which is found to be substantial.

If the credit risk of the financial asset is considered to be low at the balance sheet date, the asset is, however, maintained at stage 1, which is characterised by the absence of a significant increase in credit risk. Merkur considers the credit risk to be low when the customer's 12-month PD is below 0.2%. In addition to loans and receivables that meet the PD criterion, the category of assets with low credit risk also comprises Danish government and mortgage bonds as well as accounts receivable from Danish credit institutions. New customers are always classified into stage 1 if they are not credit-impaired.

Definition of credit impairment and default

Exposures move to stage 3 when the asset is credit-impaired or in default.

Exposure is credit-impaired (stage 3) if one or more of the following indications of credit impairment are present:

- The borrower is in considerable financial difficulties, and Merkur is of the opinion that the borrower will no longer be able to fulfil its obligations as agreed.
- The borrower is in breach of contract, for example due to non-fulfilment of payment obligations regarding repayments and interest.
- Forbearance measures have been applied by Merkur that would not otherwise be considered had it not been for the borrower's financial difficulties.
- it is likely that the borrower will be declared bankrupt or become subject to some other form of financial restructuring.
- Loss of an active market for the financial asset due to financial difficulties.
- Acquisition of a financial asset at a substantial discount reflecting incurred credit losses.
- The exposure has been in arrears/overdrawn without authorisation for more than 90 days at an amount which is found to be substantial.

However, financial assets are maintained in the weak part of stage 2 in cases where the customer is in substantial financial

[1] PD stands for probability of default.

difficulties, or where Merkur has granted more lenient lending terms due to the customer's financial difficulties, provided that no losses are expected in the most probable scenario.

Default

The determination of when a borrower has defaulted on their obligations is crucial for the calculation of expected credit losses. Merkur considers a borrower to be in default if:

- A significant portion of the borrower's payment obligations are more than 90 days in arrears or
- Merkur finds that the exposure is highly likely to result in losses and/or forced realisation of collateral for Merkur or other creditors.

The definition of credit impairment used by Merkur when measuring the expected credit loss is consistent with the definition used for internal risk management purposes, and the definition is also adapted to the definition of default in the Capital Requirements Regulation. For example, customers are considered to be in default in case of bankruptcy, suspension of payments, debt restructuring, indication of current or expected future difficulties in balancing income and expenses etc.

There are only minor differences between Merkur's use of the definition of default, the accounting definition of credit-impaired loans (stage 3) and the definition of non-performing. Because Merkur has aligned the entry criteria for default, stage 3 and non-performing, the difference only lies in different withdrawal criteria and quarantine periods associated with the individual risk classification concepts.

Calculation of expected losses

The calculation of impairment of stages 1 and 2 exposures, except for the weakest stage 2 exposures, is based on a portfolio-based model calculation, while impairment of the remaining exposures is based on a manual, individual expert assessment based on three scenarios (a basic scenario, a more positive scenario and a more negative scenario) as well as the probabilities of the respective scenarios occurring.

In the portfolio model calculation, the expected loss is calculated as a function of PD (probability of default), EAD (exposure at default) and LGD (loss given default) on the basis of a PD model which is developed and maintained at Merkur's data centre, supplemented by a forward-looking, macroeconomic module developed and maintained by the trade association LOPI.

The macroeconomic module is constructed on the basis of a number of regression models that determine the historical correlation between impairment for the year within a number of sectors and industries and a number of explanatory macroeconomic variables. The regression models are then fed estimates for the macroeconomic variables based on forecasts from consistent sources such as the Danish Economic Council, Danmarks Nationalbank and others, where the forecasts ordinarily reach two years into the future and cover variables such as increases in public-sector spending, increases in GDP, interest rates etc. This forms the basis for a calculation of the expected impairment up to two years into the future within specific sectors and industries, while for maturities exceeding two years a linear interpolation is made under normal conditions between the impairment ratio for year 2 and the impairment ratio in year 10, where a long-term model equilibrium in the form of a normal level is assumed to occur. Maturities in excess of 10 years are assigned the same impairment ratio as the long-term equilibrium in year 10. Finally, the calculated impairment ratios are converted into adjustment factors that correct the data centre's estimates in the individual sectors and industries.

Model uncertainties and management estimates

In addition to determining expectations for the future, stages 1 and 2 impairment is also associated with uncertainty because the model does not take account of all relevant factors, and as a result Merkur has decided to include an adjustment in the form of a management estimate. As there is still considerable uncertainty about the effect of the Green Tripartite Agreement, a management estimate has been included for Merkur's loans and guarantees to the agricultural sector.
At the present time, no other industries among Merkur's customers have been identified as particularly risky. Most of the management estimates are therefore distributed on all industries and personal customers.

The management estimate consists of a model where adjustments are calculated based on the Danish FSA's macroeconomic stress test of loans and guarantees within the individual industries, and a model which assesses some degree of migration of customers from stage 1 to stage 2 and from stage 1 to stage 2 weak. Finally, a management estimate is made for model uncertainty.

Changes in impairment are recognised in the income statement under the 'Impairment of loans and receivables etc.' item.

Practice for the removal of financial assets from the balance sheet

Financial assets measured at amortised cost are fully or partially removed from the balance sheet if Merkur no longer has a reasonable expectation about full or partial coverage of the outstanding amount. Derecognition is based on a concrete, individual assessment of the individual exposures. For business customers, Merkur will typically base the assessment on indicators such as the customer's liquidity, earnings and equity as well as the collateral provided as security for the exposure. For personal customers, Merkur will typically base the assessment on the customer's liquidity, income and assets as well as the collateral provided by the customer as security for the exposure. When a financial asset is fully or partially removed from the balance sheet, the impairment of the financial asset is also removed from the statement of accumulated impairment, see note 9.

Merkur continues its collection efforts after the assets have been removed from the balance sheet, with actions depending on the situation. Merkur first seeks to enter into a voluntary agreement with the customer, for example through renegotiation of terms or reconstruction of a company, which means that Merkur does not resort to debt recovery or bankruptcy proceedings until other solutions have been attempted.

Bonds at fair value

Bonds traded in active markets are measured at fair value. The fair value is determined using the closing price of the relevant market at the balance sheet date. Drawn bonds are measured at present value. Unlisted bonds are recognised at fair value based on what the transaction price would be in a transaction between two independent parties.

Shares etc.

Shares are measured at fair value based on the closing price at the balance sheet date (level 1).

Unlisted and illiquid shares are measured at fair value based on what the transaction price would be in a transaction between two independent parties. For this purpose, we use available information about trades, published financial statements or, alternatively, capital value calculations (levels 2 and 3).

For unlisted shares in the form of shares in sector-owned companies where the shares are redistributed, redistribution is considered to constitute the primary market for the shares. The fair value is determined as the redistribution price, and the shares are included as level 2 shares.

Unlisted shares for which a reliable fair value cannot be determined are measured at cost less impairment (level 3).

Management actively considers the calculation of the fair values.

Investments in associates

An associated undertaking is an enterprise in which Merkur can exercise a significant but not a controlling influence.
Investments in associates are recognised and measured using the equity method, according to which investments are measured at the proportionate share of the equity value of the associates.
Merkur's share of profit or loss after tax in associates is recognised in the income statement.

Assets and deposits associated with pool schemes

Assets and deposits associated with pool schemes are measured at fair value and recognised in separate balance sheet items, and the return on the funds in the pool schemes is recognised in a separate item under market value adjustments etc. An adjustment corresponding to the pool returns paid to the pool participants is recognised under market value adjustments etc., so that the pool returns are balanced against the results.

Domicile properties

After initial recognition, domicile properties are recognised at their revalued amount. Revaluation is made with such frequency that there are no significant differences to the fair value. External experts are involved periodically in the measurement of the domicile property. Substantial increases in the revaluation of the domicile property are recognised under revaluation reserves in equity. Significant decreases in value are recognised in the income statement, unless there is a reversal of previous revaluations. Depreciation is based on the revaluation. Domicile properties are depreciated over a period of 50 years.

Domicile properties, leased

Merkur is party to two property leases. The leases are recognised in the balance sheet as an asset that represents the right to use the asset under 'Domicile properties, leased' with an associated lease liability under the 'Other liabilities' item. On initial recognition, leased properties are measured at cost, which corresponds to the present value of the future lease payments. When assessing the expected lease period, Merkur has identified the period of non-terminability set out in each lease and added such periods covered by an extension option as management is reasonably expected to exercise.

With respect to Merkur's leased properties, management has assessed that the expected lease periods constitute the periods of non-terminability set out in the leases as well as an extension option for leases with short periods of non-terminability, such that the lease period for each individual property is normally at least four years. When discounting the lease payments to present value, we have used an average alternative borrowing rate of 4% p.a. The leased domicile properties are subsequently measured at cost less accumulated depreciation and impairment. The lease asset is depreciated over the expected useful life of the lease asset. Depreciation and impairment are recognised in the income statement.

Other tangible assets

Other tangible assets are measured at cost less accumulated depreciation and impairment. Straight-line depreciation is based on the following assessment of the estimated useful lives of other assets:

IT equipment and machinery	3 years
Tools and equipment	3 years
Leasehold improvements	5 years
Air-conditioning systems	10 years
Wind turbines	25 years

Other assets
Other assets comprise remaining assets that do not belong under any other asset items. The item comprises the positive market value of derivative financial instruments, security deposits for leased premises, a pledged deposit with Merkur’s IT provider, BEC, and other accounts receivable falling due after the end of the financial year, including interest receivable. Except for derivative financial instruments which have a positive value at the balance sheet date and which are measured at fair value, the accounting item is measured on initial recognition at cost and subsequently at amortised cost.

Prepayments
Prepayments recognised under assets comprise costs incurred relating to subsequent financial years. Prepayments are measured at cost.

Debt to credit institutions and central banks
Debt to credit institutions and central banks is measured at amortised cost, which usually corresponds to nominal value.

Deposits and other debt
Deposits and other debt comprise deposits with counterparties other than credit institutions or central banks. Deposits and other debt are measured at fair value on initial recognition and subsequently at amortised cost.

Issued bonds
Issued bonds at amortised cost comprise senior non-preferred bonds, also known as senior non-preferred debt. Costs related to the issue are expensed as the loan is repaid, thereby maintaining the effective interest rate on the bonds issued throughout the term.

Other liabilities
Other liabilities comprise remaining liabilities that do not belong under any other liability items. This item comprises the negative market value of derivative financial instruments and expenses falling due for payment after the end of the financial year, including interest payable. Except for derivative financial instruments which have a positive value at the balance sheet date and which are measured at fair value, the accounting item is measured at cost on initial recognition and subsequently at amortised cost.

Accrued income
Accrued income recognised under liabilities includes income received before the balance sheet date but which relates to subsequent accounting periods, including interest and commissions received in advance. Accrued income is measured at cost.

Provisions
Obligations and guarantees which are uncertain as to the size or timing of their discharge are recognised as provisions when it is probable that the obligation will result in an outflow of Merkur’s financial resources and the obligation can be measured reliably. The obligation is determined at the present value of the costs necessary to discharge the obligation.

Subordinated debt
Subordinated debt is measured at amortised cost. Costs directly related to the raising of subordinated debt are deducted from the initial fair value and amortised beyond the expected maturity.

Revaluation reserves
Revaluation reserves include revaluations of domicile properties. Revaluation ceases when the property is impaired or sold.

Note 2 Material accounting estimates, assumptions and uncertainties

The financial statements are prepared based on certain assumptions that require the use of accounting estimates. These estimates are made by management in accordance with accounting policies and based on historical experience as well as assumptions that management considers reasonable and realistic. The assumptions may be incomplete, and unexpected future events or circumstances may occur, just as other people might arrive at other estimates. Areas involving a higher degree of estimation or complexity, or areas where assumptions and estimates are material to the financial statements, are listed below.

In preparing the financial statements, management makes various accounting assessments that form the basis for the presentation, recognition and measurement of Merkur's assets and liabilities. The financial statements are prepared in accordance with the going concern principle on the basis of the current practice and interpretation of the rules applying to Danish banks. The most significant estimates made by management in connection with recognition and measurement of these assets and liabilities and the material uncertainties associated with the preparation of the annual report for 2024 are:

- Impairment of loans and provisions for guarantees and credit commitments
- Measurement of fair value of financial instruments
- Measurement of domicile properties

Impairment of loans and provisions for guarantees and credit commitments

Impairment of loans and receivables is made in accordance with the accounting policies and is based on a number of assumptions. If these assumptions change, the financial statements may be affected, and the impact may be significant. Changes may occur as a consequence of a change in practice by the authorities, errors related to calculation models from the data provider as well as changes to principles by management – e.g. if the time frame changes.

Measurement of loans will be significantly affected by the economic development and the current macroeconomic conditions. Thus, there is a risk that negative developments in industries where Merkur has significant exposures may lead to further impairment.

If it is found that not all future payments will be received, the determination of the amount of the expected payments, including realisation values of collateral and anticipated dividend payments from estates, is also subject to significant estimates.

When measuring collateral secured on wholly or partly leased commercial or residential properties, the required return is one of the most important assumptions applied by Merkur. The value of properties is determined on the basis of an assessment of the expected return required by an investor in a property in that category. The required return for these properties is currently in the range of 5-15%. The required return depends, among other things, on geography, location, use of the property (commercial/residential), state of maintenance and any re-letting and level of vacancy etc.

The value of agricultural land plays a crucial role in the impairment of agricultural exposures. In the calculations of impairment for agricultural exposures that are assessed to be credit-impaired (stage 3), a maximum price per hectare of DKK 128 thousand has been used. If the price per hectare is instead set at a maximum of DKK 100 thousand, Merkur would have to make further impairment of DKK 6.6-6.8m. Furthermore, changes to milk quotas or the number of places in livestock housing units etc. may result in a need for further impairment, and such changes might be significant.

For personal customers, the calculation of impairment due to uncertainty concerning the future ability to pay is subject to uncertainty. Although some of Merkur's borrowers are currently able to pay instalments on their loans, the introduction of additional repayment or interest requirements will put pressure on their ability to pay. In addition, some homeowners will not be able to sell their homes without a loss.

The calculation of expected losses is based on management's expectations for the future economic development. Such expectations are subject to a significant degree of estimation on the part of management. In connection with individual impairment, management bases such estimation on different scenarios (a 'base case', a 'better case' and a 'worse case'). These three scenarios are assigned a probability weighting depending on management's assessment of current expectations for the future. The determination of scenarios and their probability weighting are subject to uncertainty, and a change to a 100% probability of a worse case scenario occurring will increase stage 3 impairment by approx. DKK 28.9m. A change to a 100% probability of a better case scenario occurring will reverse stage 3 impairment, corresponding to approx. DKK 13.1m.

The scenarios used to calculate collateral and hence impairment of financial assets are influenced by many assumptions concerning economic cycles, legislation, natural conditions etc. Merkur has deliberately skewed towards a worse case scenario, as it is management's assessment that collateral loses value more easily than it increases in value, although it depends on the type of asset.

In addition to determining expectations for the future, stages 1 and 2 impairment is also associated with uncertainty because the model does not take account of all relevant factors, and as a result Merkur has decided to include an adjustment in the form of a management estimate.

At the present time, it is not possible, among Merkur's customers, to identify specific industries other than agriculture as particularly

risky. The management estimate is therefore distributed on all industries and personal customers.
The management estimate consists of three models: a model where adjustments are calculated based on the Danish FSA's macroeconomic stress test of loans and guarantees within the individual industries, a model which assesses some degree of migration of customers from stage 1 to stage 2 and from stage 1 to stage 2 weak and an adjustment of the upcoming carbon tax on agriculture. Together, these assessments result in a management estimate of DKK 20.2m. In 2023, a management estimate of DKK 16.8m was recognised.

Moreover, management has specifically assessed that model-related uncertainties exist regarding the probabilities assigned to the individual exposures in the model. Consequently, impairment has been increased by an additional DKK 1.6m (2023: DKK 0.4m) compared to the model-based predictions.

Measurement of fair value of financial instruments

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing and independent parties in a normal transaction.

The measurement of unlisted shares and certain bonds is to a large extent based on observable market data. In addition, unlisted shares with a fair value of DKK 2.9m have not been traded for several years. Measurement of unlisted shares and bonds have been recognised at estimated market value and are therefore subject to uncertainty.

Measurement of domicile properties (non-leased)

The revaluation of domicile properties is subject to significant estimation. The estimation relates primarily to the determination of the required return. In addition to this, in autumn 2024, Merkur requested a valuation of Merkur's domicile properties from an estate agent in order to confirm their value. Domicile properties, which consist of three owner-occupied flats in Aalborg used for banking operations, are measured after initial recognition at their revalued amount, equivalent to the fair value at the date of revaluation. Revaluation is made with such frequency that there are no significant differences to the fair value. The value is shown less depreciation.

DKK '000	2024	2023
Note 3. Interest income		
Accounts receivable from credit institutions and central banks	83,206	72,079
Loans and other accounts receivable	113,677	105,281
Bonds	5,345	2,482
Other interest income, including administration of pools	457	390
Total	**202,685**	**180,232**
Note 4. Interest expenses		
Credit institutions and central banks	1	1
Deposits and other debt	16,756	5,469
Subordinated debt	10,057	8,270
Issued bonds, non-preferred senior debt	763	761
Other interest expenses, including lease payments	339	312
Total	**27,916**	**14,813**
Note 5. Fee and commission income		
Securities trading and custody accounts	17,046	16,795
Payment handling	18,113	16,066
Loan business, fees and charges	4,148	4,866
Guarantee commission	22,454	22,557
Other fee and commission income	22,656	25,669
Total	**84,417**	**85,953**
Note 6. Market value adjustments etc.		
Bonds	5,938	3,969
Shares and equity investments	4,979	-298
Foreign exchange income	-192	-260
Assets associated with pool schemes	12,296	10,849
Deposits with pool schemes	-12,296	-10,849
Total	**10,725**	**3,411**

DKK '000	2024	2023
Note 7. Staff costs and administrative expenses		
Staff costs		
Salaries	77,903	70,660
Pensions	8,457	7,890
Social security costs (financial services employer tax etc.)	12,905	12,031
Total	**99,265**	**90,581**
Other administrative expenses	60,679	57,524
Total	**159,944**	**148,105**
Of this, remuneration to the Board of Directors and other employees with a significant influence on Merkur's risk profile constitutes:		
Board of Directors		
Remuneration	1,950	1,878
Number of board members	9	9
Significant risk takers		
Fixed salary	11,501	10,842
Variable salary	0	0
Number of employees with influence on the risk profile	11	11
Number of employees, full-time equivalents	**113.9**	**106.6**
Merkur does not offer incentive pay or performance-based pay to the Executive Board, the Board of Directors or employees.		
Fee paid to the auditors elected by the annual general meeting (AGM)		
Statutory audit of the financial statements	632	559
Other assurance engagements	184	181
Tax advice and other assistance	24	40
Other services	25	0
Total fee paid to the firm of auditors elected by the AGM and performing the statutory audit	**865**	**780**
Fees for assurance services other than the statutory audit performed by PwC cover statutory statements to various public authorities and partners and tax advice regarding Merkur's tax return.		
Note 8. Depreciation, amortisation and impairment of tangible and intangible assets		
Domicile property	258	257
Machinery and equipment (including leasing of car)	1,188	1,246
Leasehold improvements	150	101
Leasing, rent including adjustment, depreciation previous years	1,722	1,631
Development costs	15	183
Total	**3,333**	**3,418**

DKK '000	2024	2023

Note 9. Impairment and provisions

DKK '000	2024	2023
Total write-offs and impairments for the year		
Accumulated changes in impairments during the year	24,099	22,196
Write-offs for the year, previously impaired	7,006	14,920
Write-offs, not previously impaired	641	1,715
Received on claims previously written off	-1,445	-1,088
Interest from impairment	-1,919	-1,388
Total write-offs and impairments for the year	**28,382**	**36,355**

Impairment of loans and other receivables, provisions for guarantees and unutilised credit facilities 31.12.2024	Stage 1	Stage 2	Stage 3	Total
Beginning of year	10,800	21,928	56,520	89,248
New impairment/provisions	5,552	17,248	34,084	56,884
Reversal of impairment/provisions	-6,959	-10,090	-8,730	-25,779
Transfer to stage 1	2,751	-2,751	0	0
Transfer to stage 2	-1,127	1,917	-790	0
Transfer to stage 3	-154	-2,870	3,024	0
Write-offs, previously impaired/provided for	0	0	-7,006	-7,006
End of year*	10,863	25,382	77,102	**113,347**
*) Of which management estimate	6,489	15,145	154	21,788

Impairment of loans and other receivables, provisions for guarantees and unutilised credit facilities 31.12.2023	Stage 1	Stage 2	Stage 3	Total
Beginning of year	5,146	12,645	49,259	67,050
New impairment/provisions	8,000	17,260	36,596	61,856
Reversal of impairment/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 year*	10,800	21,928	56,520	**89,248**
*) Of which management estimate	5,426	11,729	0	17,155

DKK ‘000	2024	2023

Note 9. Impairment and provisions [continued]

	2024	2023
Accumulated impairment ratio		
In % of loans and guarantees	4.2	3.3
Write-offs and impairment for the year in % of loans and guarantees	1.0	1.3
Zero-interest loans and reduced-interest loans due to borrower’s financial difficulties	6,474	46,490
In % of loans and guarantees before impairment	0.3	1.6
Further information on loans not fully impaired		
Loans and receivables with objective evidence of impairment, before impairment	217,044	196,110
Loans and receivables with objective evidence of impairment, after impairment	143,154	143,464

Migration between stages

	Migration stages 1 and 2		Migration stages 2 and 3		Migration stages 1 and 3	
Stage	**to 2 from 1**	**to 1 from 2**	**to 3 from 2**	**to 2 from 3**	**to 3 from 1**	**to 1 from 3**
Loans and guarantees before impairment/provisions 2024	122,620	60,953	51,180	6,786	15,351	889
Loans and guarantees before impairment/provisions 2023	222,321	62,711	26,412	701	19,112	39

2024 saw a migration towards poorer-performance stages, especially from stage 2 to stage 1, which should be seen in the context of the current situation with rising interest rates and new agreements generally being classified into stage 1 on establishment.

DKK '000	2024	2023
Note 10. Tax		
Current tax	-10,325	-4,014
Adjustment of deferred tax	-5,905	-8,928
Adjustment of deferred tax, previous years	0	-237
Adjustment of tax, previous years	656	-546
Total	**-15,574**	**-13,725**
Effective tax rate on profit for the year	**23.6**	**25.3**
Accounting profit before tax	**65,942**	**54,354**
Tax calculated thereon at a tax rate of 26% (25.2% in 2023).	-17,145	-13,697
Changes in deferred tax, adjustment previous years	656	-237
Permanent differences	1,616	544
Changes due to change in tax rate	-108	-330
Other adjustments	-593	-5
Tax on profit for the year	**-15,574**	**-13,725**
Deferred tax assets		
Other	0	0
Tax loss carry-forward	0	5,002
Total deferred tax assets	**0**	**5,002**
Provisions for deferred tax		
Other	3,869	2,837
Total provisions for deferred tax	**3,869**	**2,837**
Tax receivables		
Calculated tax on profit for the year	-10,325	-4,014
Tax paid in advance	14,000	5,000
Dividend tax paid	600	42
Dividend tax receivable regarding previous years	0	0
Total	**4,275**	**1,028**
Note 11. Accounts receivable from credit institutions and central banks		
Broken down by term to maturity		
Demand deposits	130,953	64,676
Between 3 months and 1 year	0	15,000
Total	**130,953**	**79,676**
Broken down by central banks and credit institutions		
Accounts receivable from credit institutions	130,953	79,676
Total	**130,953**	**79,676**

DKK '000	2024	2023

Note 12. Loans and other accounts receivable at amortised cost

	2024	2023
Loans with access to variable utilisation	510,659	490,899
Leasing	50,643	52,862
Other loans	1,361,455	1,299,341
Loans and other accounts receivable, total	**1,922,757**	**1,843,102**
Broken down by term to maturity		
On demand	252,149	294,410
Up to and including 3 months	49,705	31,198
Between 3 months and 1 year	118,771	132,953
Between 1 year and 5 years	351,703	344,388
More than 5 years	1,150,429	1,040,153
Total	**1,922,757**	**1,843,102**

The term to maturity has been calculated on the basis of fixed criteria, which, among other things, entails that overdraft facilities with no fixed date of expiry are classed as demand deposits.

Note 13. Loans and guarantee debtors [by sector and industry]

	2024	2023
Loans and guarantee debtors in %, end of year		
1. Public sector	**0.0**	**0.0**
2. Corporate sector		
2.1 Agriculture, hunting, forestry and fishery	10.2	12.8
2.2 Industry and mining	2.2	2.8
2.3 Energy	0.3	0.4
2.4 Building and construction	1.3	2.1
2.5 Trade	1.6	1.9
2.6 Transport, hotels and restaurants	1.2	1.4
2.7 Information and communication	0.8	0.4
2.8 Credit, finance and insurance	2.4	2.5
2.9 Real estate	5.6	3.9
2.10 Other	19.4	19.8
Total corporate sector	**45.0**	**48.0**
3. Personal customers	**55.0**	**52.0**
1-3 Total	**100.0**	**100.0**

DKK '000	2024	2023

Note 14. Bonds at fair value

	2024	2023
Mortgage bonds	518,523	163,605
Government bonds	9,089	8,988
Foreign bonds	3,766	5,945
Total	**531,378**	**178,538**

Note 15. Shares and other investments

	2024	2023
Investment portfolio		
Danish financial sector companies	**66,135**	**62,021**
Strategic partners		
Triodosbank, Netherlands	4,057	3,259
GLS Gemeinschaftsbank, Germany	39	39
Freie Gemeinschaftsbank, Switzerland	32	32
Banca Etica, Italy	820	819
Cultura Sparebank, Norway	814	858
Ekobanken, Sweden	313	312
SEFEA – Società Europea Finanza Etica ed Alternativa, Italy	82	62
Triodos II MIC ID	712	693
Shared Interest Society Limited, UK	18	17
Oikocredit, Netherlands	30	28
SIDI, France	28	28
Total	**73,080**	**68,168**

Note 16. Investments in associates

	Equity interest	Equity
Plasticueros ApS		
	37.50%	**EUR 264,562**

	2024	2023
Total cost, beginning of year	559	559
Total cost, end of year	**559**	**559**
Revaluations and impairments, beginning of year	176	131
Profit for the year	4	45
Revaluations and impairments, end of year	**180**	**176**
Total investments in associates	**739**	**735**

Important conditions:
Balances (loans in EUR) with the company are granted on Merkur's normal conditions. The company's activity is ownership of a photovoltaic facility in Spain. The acquisition has been made for the purpose of reducing Merkur's CO_2 emissions.

DKK ‘000	2024	2023

Note 17. Assets in pool schemes

	2024	2023
Investment units	191,567	110,597
Cash deposit	10,783	3,925
Total	**202,350**	**114,522**

Note 18. Intangible assets

	2024	2023
Cost, beginning of year	730	730
Total cost, end of year	**730**	**730**
Depreciation, beginning of year	715	532
Depreciation for the year	15	183
Depreciation, end of year	**730**	**715**
Carrying amount, end of year	**0**	**15**

Note 19. Land and buildings

	2024	2023
Domicile properties		
Revalued amount, beginning of year	15,241	15,241
Revaluation	496	0
Revalued amount before depreciation	**15,737**	**15,241**
Depreciation, beginning of year	3,579	3,322
Depreciation for the year	258	257
Depreciation, end of year	**3,837**	**3,579**
Value, end of year	**11,900**	**11,662**
Domicile properties, leased		
Value, beginning of year	12,239	9,158
Reassessment of leases during the period	1,941	3,081
Value before depreciation	**14,180**	**12,239**
Depreciation, beginning of year	6,879	5,092
Depreciation for the year	1,825	1,787
Depreciation, end of year	**8,704**	**6,879**
Value, end of year	**5,476**	**5,361**
Total property exposure	**17,376**	**17,023**

DKK '000	2024	2023

Note 20. Other tangible assets

Cost, beginning of year	20,555	19,472
Additions during the year	903	1,083
Total cost, end of year	**21,458**	**20,555**
Depreciation, beginning of year	18,864	17,676
Depreciation for the year	1,273	1,188
Depreciation, end of year	**20,137**	**18,864**
Carrying amount, end of year	**1,321**	**1,691**
Other tangible assets, leased cars		
Cost, beginning of year	477	477
Acquisition cost	260	0
Total cost, end of year	**737**	**477**
Depreciation, beginning of year	477	318
Depreciation for the year	65	159
Depreciation, end of year	**542**	**477**
Carrying amount, end of year	**195**	**0**
Total other tangible assets	**1,516**	**1,691**

Note 21. Other assets

Rent deposit and deposit with data centre	31,429	31,316
Interest receivable	4,474	1,470
Other receivables	25,004	21,070
Total	**60,907**	**53,856**

Note 22. Debt to credit institutions and central banks

Broken down by term to maturity		
On demand	165,717	114,776
Total	**165,717**	**114,776**
Broken down by central banks and credit institutions		
Debt to central banks	163,816	114,072
Debt to credit institutions	1,901	704
Total	**165,717**	**114,776**

DKK ‘000	2024	2023
Note 23. Deposits and other debt		
Broken down by term to maturity		
On demand	4,200,210	3,925,596
Deposits redeemable at notice:		
Up to and including 3 months	0	256
Total	**4,200,210**	**3,925,852**
Broken down by type of deposit		
On demand	3,549,625	3,389,262
Deposits redeemable at notice	405,333	294,197
Fixed-term deposits	0	256
Special deposits	245,252	242,137
Total	**4,200,210**	**3,925,852**
Note 24. Issued bonds		
Nominally DKK 25m, floating interest rate of 3.0% as at 31 December 2022, matures on 17 December 2028	24,884	24,855
Total issued bonds	**24,884**	**24,855**
Broken down by term to maturity		
Between 1 year and 5 years	24,884	24,855
Total	**24,884**	**24,855**
The issue meets the conditions for counting towards satisfying Merkur’s MREL requirement. The interest rate is 3.0% until December 2027. The bond can be redeemed for the first time in December 2027.		
Note 25. Other liabilities		
Various accounts payable	15,225	13,340
Interest and commission payable	3,442	3,808
Lease commitments	5,781	5,464
Other liabilities	19,414	12,364
Total	**43,862**	**34,976**

DKK '000	2024	2023

Note 26. Subordinated debt

	2024	2023
Subordinated debt at amortised cost	175,406	147,890
Total	**175,406**	**147,890**
Subordinated debt used for determination of own funds	175,406	145,587
Interest	10,057	8,270

Subordinated debt
Subordinated debt that represents more than 10% of the total capital base can be specified as follows:

Due date	Foreign exchange in	Interest rate*	Nominal value, DKK
08.07.2031	DKK	7.82	50,000
08.07.2031	DKK	5.64	60,000
28.05.2032	DKK	4.50	25,000
18.12.2034	EUR	5.36	37,299

*The interest rate on the subordinated debt mentioned is a floating interest rate with fixed interest-rate periods of variable duration. The interest rate mentioned is as at 31 December 2024. There are no special or alternative conditions relating to faster repayment or other terms for the above-mentioned subordinated debt. The subordinated debt is amortisable.

Merkur incurred DKK 0.3m in costs in connection with the raising of subordinated debt in 2024.

Note 27. Contingent liabilities

	2024	2023
Guarantees		
Financial guarantees	257,555	208,884
Loss guarantees for mortgage loans	190,137	340,440
Registration and conversion guarantees	60,441	43,155
Other guarantees	13,519	14,232
Total	**521,652**	**606,711**
Other obligating agreements		
Unutilised loan commitments	876,475	878,043

Merkur can terminate loan commitments without notice.

Contractual obligations
As a member of BEC, Merkur is obliged to pay a termination-of-service allowance. Like other Danish banks, Merkur is liable for the losses of the Guarantee Fund (Garantiformuen) and the Resolution Fund (Afviklingsformuen).

Lawsuits etc.
As part of its ordinary operations, Merkur is involved in disputes etc. from time to time. These risks are assessed continuously by Merkur's management, and any provisions for losses are made based on an assessment of the risk of losses. At the time of presentation, no major cases are pending.

Note 28. Capital ratio

DKK '000	2024	2023
Composition of capital		
Equity	533,420	477,195
Deductions:		
Capitalised deferred tax assets	0	-5,002
Intangible assets	0	-15
Other deductions, including NPEs	-28,954	-16,989
Value adjustment according to requirement for prudent measurement of assets	-604	-247
Actual Tier 1 capital instruments in the financial sector	-17,648	-18,929
Actual Tier 1 capital	**486,214**	**436,013**
Subordinated debt	175,406	145,587
Own funds	**661,620**	**581,600**
Risk exposure		
Credit risk	1,714,832	1,671,562
Operational risk	360,791	300,099
Market risk	181,741	22,089
Total risk exposure	**2,257,364**	**1,993,750**
Capital ratio	**29.3**	**29.2**
Tier 1 capital ratio	**21.5**	**21.9**

DKK '000	2024	2023

Note 29. Financial risks and policies and goals for managing financial risks

Risk management
Merkur is exposed to different types of risks. The purpose of Merkur's risk management is to minimise the losses which may arise as a consequence of, for example, unpredictable developments in the financial markets or within the loan areas in which Merkur is active. Merkur continuously develops its tools to identify and manage the risks that impact Merkur on a day-to-day basis. The Board of Directors decides the overall framework and principles for risk and capital management and continuously receives reports on the development of risks and the use of the assigned risk parameters. The day-to-day management of risks is carried out by the Executive Board and other senior executives.

Credit risk
One of the most significant risks, given the nature of Merkur's business, is credit risk, i.e. the risk assumed by Merkur in connection with its lending activities. Merkur's risk management policies are designed to ensure that transactions with customers and credit institutions comply at all times with the frameworks and policies approved by the Board of Directors, for example as regards collateral provided. Furthermore, policies have been adopted to limit exposure to any credit institution with which Merkur has business dealings.

Merkur regularly monitors all loans and guarantees.

Merkur classifies customers into credit rating groups – the distribution of customers in % is shown in the table below.

Credit rating groups	2024	2023
1 – Objective evidence of impairment (OEI)	8	8
2 – Weak	0	0
3 – Customers under observation	6	6
4 – Good customers below average	17	18
5 – Good customers	35	34
6 – Good customers above average	33	33
7 – Very good customers	1	1
Total	**100**	**100**

*Credit quality ratings are only applied to commitments in excess of DKK 10 thousand.
In 2024, we saw limited migration, unlike 2023 when there was a migration towards a slightly larger number of good customers below average and more good customers, and a reduction of 4 percentage points in the '6 – Good customers above average' group.
See 'Accounting policies' under the section 'Model for impairment of expected credit losses' for further details.

The Danish FSA uses five categories when assigning credit quality ratings to customers. In Merkur, we have chosen a more detailed customer classification that divides our customers into seven categories. Merkur's rating can be translated into the Danish FSA's rating as follows:

	Objective evidence of impairment (OEI)	Under observation	Below average	Good	Above average
FSA category	1	2c	2b	2a	3
Merkur credit rating	1	2-3	4-5	6	7

DKK '000

Note 29. Financial risks and policies and goals for managing financial risks [continued]

Accumulated impairment in DKK thousand by stage and FSA category at the end of 2024

Stage/FSA category	1	2c	2b	2a	3	**Total**
1	5	87	7,427	3,108	236	**10,863**
2	1	0	3,008	1,269	9	**4,287**
2 WEAK	507	12,801	7,009	778	0	**21,095**
3	74,494	2,381	227	0	0	**77,102**
Total	**75,007**	**15,269**	**17,671**	**5,155**	**245**	**113,347**

Accumulated impairment in DKK thousand by stage and FSA category at the end of 2023

Stage/FSA category	1	2c	2b	2a	3	**Total**
1	18	36	7,387	3,237	122	**10,800**
2	0	4	5,639	963	50	**6,656**
2 WEAK	1,657	9,841	3,367	407	0	**15,272**
3	56,354	0	166	0	0	**56,520**
Total	**58,029**	**9,881**	**16,559**	**4,607**	**172**	**89,248**

In addition to being assigned to a credit quality rating category, Merkur's exposures are also assigned a stage based on whether the exposure is credit-impaired or not.

The following stages are used:

1. Exposures without a significant increase in credit risk.
2. Exposures with a significant increase in credit risk.

2 weak. Credit-impaired exposure where no loss is expected in the most likely scenario.

3. Credit-impaired exposures.

A more detailed description can be found in 'Accounting policies' under the section 'Stages of credit risk development'.

DKK '000

Note 29. Financial risks and policies and goals for managing financial risks [continued]

Overview of loans and guarantees before impairment broken down by industry and stage

End of 2024 in DKK '000

Industry	Stage	1	2	2 weak	3	Total
1. Public sector		**0**	**0**	**0**	**0**	**0**
2. Corporate sector						
2.1 Agriculture, hunting, forestry and fishery		130,592	28,193	42,898	51,966	**253,649**
2.2 Industry and mining		8,575	1,265	16,683	11,705	**38,228**
2.3 Energy		7,326	0	136	0	**7,462**
2.4 Building and construction		17,765	2,549	1,526	2,944	**24,784**
2.5 Trade		26,702	1,677	7,785	9,185	**45,349**
2.6 Transport, hotels and restaurants		20,109	977	4,625	4,248	**29,959**
2.7 Information and communication		19,230	2,171	1,934	269	**23,604**
2.8 Credit, finance and insurance		30,053	0	20,281	1,623	**51,957**
2.9 Real estate		112,632	9,250	8,153	22,194	**152,229**
2.10 Other		86,762	11,488	26,245	34,660	**159,155**
2.10 Schools, kindergartens and institutions		189,067	16,558	105,343	37,768	**348,736**
Total corporate sector		**648,813**	**74,128**	**235,609**	**176,562**	**1,135,112**
3. Personal customers		**1,230,135**	**71,482**	**72,038**	**43,427**	**1,417,082**
1-3 Total		**1,878,948**	**145,610**	**307,647**	**219,989**	**2,552,194**

End of 2023 in DKK '000

Industry	Stage	1	2	2 weak	3	Total
1. Public sector		**0**	**0**	**0**	**0**	**0**
2. Corporate sector						
2.1 Agriculture, hunting, forestry and fishery		210,106	26,441	44,680	25,101	**306,328**
2.2 Industry and mining		22,671	4,645	19,177	12,575	**59,068**
2.3 Energy		8,166	0	1,010	1,001	**10,177**
2.4 Building and construction		30,728	14,157	2,821	3,436	**51,142**
2.5 Trade		27,514	2,505	12,615	4,842	**47,476**
2.6 Transport, hotels and restaurants		26,388	297	2,436	3,938	**33,059**
2.7 Information and communication		6,532	1,871	2,959	398	**11,760**
2.8 Credit, finance and insurance		31,889	1,448	20,383	1,118	**54,838**
2.9 Real estate		66,551	2,012	14,267	24,346	**107,176**
2.10 Other		99,637	6,116	42,239	55,220	**203,212**
2.10 Schools, kindergartens and institutions		150,489	41,080	90,487	24,944	**307,000**
Total corporate sector		**680,671**	**100,572**	**253,074**	**156,919**	**1,191,236**
3. Personal customers		**1,139,156**	**74,953**	**84,358**	**43,063**	**1,341,530**
1-3 Total		**1,819,827**	**175,525**	**337,432**	**199,982**	**2,532,766**

DKK '000

Note 29. Financial risks and policies and goals for managing financial risks [continued]

Overview of accumulated impairment broken down by industry and stage

Accumulated impairment, end of 2024 in DKK '000

Industry	Stage	1	2	2 weak	3	Total
1. Public sector		**0**	**0**	**0**	**0**	**0**
2. Corporate sector						
2.1 Agriculture, hunting, forestry and fishery		2,793	1,301	3,311	19,591	**26,996**
2.2 Industry and mining		161	185	2,577	3,312	**6,235**
2.3 Energy		117	0	0	0	**117**
2.4 Building and construction		108	0	31	2,943	**3,082**
2.5 Trade		863	79	485	2,091	**3,518**
2.6 Transport, hotels and restaurants		431	156	667	2,307	**3,561**
2.7 Information and communication		228	62	364	350	**1,004**
2.8 Credit, finance and insurance		194	2	1,870	1,553	**3,619**
2.9 Real estate		1,306	176	722	4,218	**6,422**
2.10 Other		624	804	3,174	20,923	**25,525**
2.10 Schools, kindergartens and institutions		1,724	464	6,300	9,016	**17,504**
Total corporate sector		**8,549**	**3,229**	**19,501**	**66,304**	**97,583**
3. Personal customers		**2,314**	**1,058**	**1,594**	**10,798**	**15,764**
1-3 Total		**10,863**	**4,287**	**21,095**	**77,102**	**113,347**

Accumulated impairment, end of 2023 in DKK '000

Industry	Stage	1	2	2 weak	3	Total
1. Public sector		**0**	**0**	**0**	**0**	**0**
2. Corporate sector						
2.1 Agriculture, hunting, forestry and fishery		2,579	3,250	2,945	7,682	**16,456**
2.2 Industry and mining		268	0	1,049	3,214	**4,531**
2.3 Energy		671	0	0	4,251	**4,922**
2.4 Building and construction		684	6	13	2,740	**3,443**
2.5 Trade		443	63	508	2,190	**3,204**
2.6 Transport, hotels and restaurants		1,003	144	487	1,776	**3,410**
2.7 Information and communication		14	55	187	400	**656**
2.8 Credit, finance and insurance		136	50	1,886	782	**2,854**
2.9 Real estate		114	199	434	1,502	**2,249**
2.10 Other		2,128	247	2,298	16,247	**20,920**
2.10 Schools, kindergartens and institutions		788	986	2,293	3,219	**7,286**
Total corporate sector		**8,828**	**5,000**	**12,100**	**44,003**	**69,931**
3. Personal customers		**1,972**	**1,656**	**3,172**	**12,517**	**19,317**
1-3 Total		**10,800**	**6,656**	**15,272**	**56,520**	**89,248**

DKK ‘000	2024	2023

Note 29. Financial risks and policies and goals for managing financial risks [continued]

Description of collateral
Under Merkur’s credit policy, most loans are collateralised, as a main rule on real estate, movable property and/or claims as security. In addition, shares in companies, letters of subordination and guarantees may be used as security.

Market risks
Merkur’s market risks are managed through fixed limits for a number of risk targets, which are calculated and monitored daily. The reporting is done by Merkur’s accounting department, and potential/identified risks are reported to the Executive Board. The Board of Directors receives quarterly reports on developments in market risks.

Foreign exchange risk
Merkur carries accounts in foreign currencies for a small number of customers. In connection with the cooperation with GLS Gemeinschaftsbank, Cultura Sparebank and Ekobanken, Merkur carries individual accounts in EUR, NOK and SEK. Finally, Merkur carries a number of individual accounts in other main currencies.
Merkur’s policy is to maintain a neutral foreign exchange position at all times. In practical terms, minor positions may arise that do not entail any substantial risk for Merkur.

	2024	2023
Assets in foreign currency	-100,515	-44,011
Liabilities in foreign currency	92,270	38,256
Total off-balance sheet items in foreign currency	0	0
Net positions	**-8,245**	**-5,755**
Of which long positions = currency indicator 1	-8,408	-5,850
Of which short positions	163	95
Currency indicator 1 in % of Tier 1 capital after deductions	**1.7**	**1.3**

Interest rate risk
The interest rate risk is calculated in accordance with the Danish FSA’s guidelines. Merkur’s interest rate risk is associated mainly with the placement of excess liquidity in floating-rate and fixed-income bonds. Under Merkur’s policy, the interest rate risk may constitute 4% of the Tier 1 capital after deductions. Tier 1 capital after deductions amounts to DKK 486m. The interest rate risk may therefore not exceed DKK 19.4m.

	2024	2023
The interest rate risk is calculated based on the following:		
Securities	14,144	1,055
Fixed-rate deposits and loans	551	144
Total	**14,695**	**1,199**
Interest rate risk disaggregated across currencies with the greatest interest rate risk		
Currency:		
DKK	15,076	1,279
NOK	-8	-8
EUR	-373	-72
Total	**14,695**	**1,199**

DKK ‘000	2024	2023

Note 29. Financial risks and policies and goals for managing financial risks [continued]

	2024	2023
Interest rate risk in % of Tier 1 capital		
Securities	2.9	0.3
Fixed-rate deposits and loans	0.1	0.0
Interest rate risk in % of Tier 1 capital	**3.0**	**0.3**

Interest rate risk is defined as the loss that Merkur will suffer on its Tier 1 capital in the event of a 1 percentage point increase in the effective interest rate on fixed-rate exposures.

Share price exposure
Merkur only buys shares in companies and credit institutions with which it has a strategic cooperation or some other type of cooperative relationship. Merkur thus does not buy shares for speculative purposes. Merkur’s share portfolio primarily consists of unlisted shares, and the portfolio is therefore to a large extent independent of developments in the general share market.

Liquidity risk
Merkur’s financial resources are managed by maintaining adequate levels of cash, ultra-liquid securities and adequate credit facilities. It is ensured that the financial resources are stable and adequate at all times.
The liquidity coverage ratio (LCR) is a key ratio which describes the level of highly liquid reserves available to cover the expected outflow for the coming month. LCR thus measures the high-quality funds available relative to the expected outflow. The statutory requirement is 100% coverage. At the end of 2024, Merkur had an LCR of 480%, thus exceeding the statutory requirement of 100% by 380%.
Merkur’s liquidity is substantially above the minimum statutory requirement of 100% determined in the supervisory diamond.
The total liquidity buffer constituted more than DKK 2.9bn as at 31 December 2024.

Operational risk
Merkur seeks to limit operational risk, taking into account the costs involved. The bank’s internal procedures are based on written business procedures and descriptions. Procedures are regularly updated with the aim, for example, of minimising dependence on individual employees.
IT contingency plans are in place to limit losses in the event of IT breakdowns or other similar emergencies. Insurance has been taken out to cover operational risk arising from criminal or tortious behaviour.

Note 30. Related-party transactions during the financial year

	2024	2023
Loans, credit lines etc. for management		
Executive Board	0	0
Board of Directors	378	382
Collateral		
Executive Board	0	0
Board of Directors	96	237

Important conditions:
Loans to members of the Executive Board and the Board of Directors have been provided on Merkur’s general terms. Interest of 3.35%-6.95% is charged on these loans. Loans to board members elected by the employees have been provided at special employee rates within the above-mentioned range. The Board of Directors does not hold shares representing more than 25% in companies which have outstanding accounts with Merkur.
Pursuant to section 120(4) of the Executive Order on Financial Reports for Credit Institutions and Investment Firms etc., information about outstanding accounts with the Committee of Representatives is omitted.

Note 31. Financial highlights

Key figures in DKKm	2024	2023	2022	2021	2020
Income statement					
Net interest and fee income	246.5	238.6	174.7	158.2	146.6
Market value adjustments etc.	10.7	3.4	-7.0	1.3	-0.7
Staff costs and administrative expenses	159.9	148.1	139.3	134.8	130.4
Impairment of loans and receivables etc.	28.4	36.4	26.7	8.3	25.7
Share of profit or loss of associated undertakings	0.0	0.0	0.0	0.2	0.3
Profit after tax for the year	50.4	40.6	-0.6	11.6	-10.4
Balance sheet					
Loans	1,922.8	1,843.1	1,631.7	1,669.2	1,642.7
Deposits, including pools	4,402.6	4,040.4	3,852.6	3,749.8	3,526.9
Equity	533.4	477.2	417.0	412.0	389.6
Total assets	5,361.6	4,854.2	4,564.7	4,497.5	4,153.0
Guarantees	521.7	606.7	686.4	773.2	688.3
Other information					
Number of full-service customers*	21,280	21,077	20,846	20,916	20,176
Number of shareholders	8,239	8,082	7,950	8,131	8,096
Ratios					
Capital ratio	29.3	29.2	25.7	23.9	20.8
Tier 1 capital ratio	21.5	21.9	19.3	17.9	19.0
Return on equity before tax (%)	13.0	12.2	-0.4	3.5	-7.0
Return on equity after tax (%)	10.0	9.1	-0.2	2.9	-5.4
Return on capital employed (%)	0.9	0.8	0.0	0.3	-0.3
Income/cost ratio	1.3	1.3	1.0	1.1	0.9
Income/cost ratio excl. market value adjustments and impairment	1.5	1.6	1.2	1.2	1.1
Cost-to-income ratio excl. market value adjustments and impairment	0.7	0.6	0.8	0.9	0.9
Interest rate risk (%)	3.0	0.3	0.8	0.2	0.9
Foreign exchange position (%)	1.7	1.3	1.6	3.2	0.8
Foreign exchange risk (%)	0.0	0.0	0.0	0.0	0.0
Liquidity coverage ratio (%)**	480.4	534.7	557.5	566.9	541.4
Net Stable Funding Ratio (NSFR)	227.0	242.9	255.8	238.8	
Loans and impairment of loans in % of deposits	46.0	47.6	43.9	45.9	48.2
Lending-to-equity ratio	3.6	3.9	3.9	4.1	4.2
Growth in lending for the year (%)	4.3	13.0	-2.2	1.6	-1.5
20 largest customer exposures in % of Tier 1 capital	79.7	114.7	111.1	118.6	135.2
Share of loans with reduced interest	0.3	1.6	1.7	0.8	0.5
Impairment ratio for the year	1.0	1.3	1.2	0.2	1.2
Accumulated impairment ratio	4.2	3.3	2.7	2.2	2.6

*We want to cater for even more of our existing customers' needs, and we therefore measure how many of our customers have chosen Merkur as their primary provider of banking services.

**The ratio is calculated LCR – excess coverage is the figure shown minus 100.