MERKUR ANDELSKASSE

Interim report 2023

Contents

Information about Merkur Cooperative Bank

Merkur's ambition

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

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

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

Board of Directors

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

Executive Board

Charlotte Skovgaard, CEO

Audit Committee

Jakob Brochmann Laursen (Committee Chair)
Cees Kuypers
Kristoffer Lüthi

Risk Committee

Jakob Brochmann Laursen (Committee Chair)
Cees Kuypers
Hilde Kjelsberg

Nomination Committee

Anneke Stubsgaard (Committee Chair)
Cees Kuypers
Bernhard Schmitz

Main office

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

Auditors

PwC, Statsautoriseret Revisionspartnerselskab

Statement by the Executive Board and the Board of Directors

Today, we have considered and approved the interim report of Merkur Cooperative Bank for the period 1 January – 30 June 2023.

The interim report has been prepared in accordance with the Danish Financial Business Act (*Lov om finansiel virksomhed*), including Executive Order on Financial Reports for Credit Institutions and Investment Firms, etc. In our opinion, the selected accounting policies are appropriate, ensuring that the interim report gives a true and fair view of the cooperative bank's assets, liabilities, financial position and results.

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

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

Copenhagen, 29 August 2023.

Executive Board

Charlotte Skovgaard, CEO

Board of Directors

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

Management review for H1 2023

H1 2023 at a glance

In H1 2023, Merkur saw a marked increase in income, with profit before tax of DKK 25.2m, delivering its best-ever interim results. Profit is in line with Merkur's original FY profit guidance. Therefore, we are raising our FY 2023 profit guidance.

This positive performance is driven mainly by higher interest rates, following several interest rate hikes by Danmarks Nationalbank. Merkur's excess liquidity amounts to just over DKK 2bn, most of which is held at Danmarks Nationalbank. Therefore, higher interest rates boost Merkur's earnings. Net interest and fee income grew by 37% relative to H1 2022. Costs increased by 7%, which we consider acceptable in a high-inflation environment. Merkur's basic earnings rose by just over DKK 25m on the prior-year period, taking basic earnings for H1 2023 to DKK 36.3m, up from DKK 10.8m in H1 2022.

Interim profit	Raised profit guidance for 2023
DKK 25.2m	**DKK 35-43m**
before tax	before tax

H1 2023 was marked by continued high inflation, which Danmarks Nationalbank tried to counter by repeatedly raising interest rates. Danmarks Nationalbank's current account rate[1] increased from 1.75% to 3.10% during the first six months of 2023. Higher interest rates made it harder for many customers to buy a home, causing mortgage brokering activity to decline somewhat.

Impairments were reduced by DKK 10.9m relative to the prior-year period. In H1 2022, there were a few individual impairments, while impairments in 2023 are mainly provisions for customers who are currently not failing and therefore classified in stages 1 or 2[2], including management estimates of these customers.

Merkur's unique set of values continues to appeal to a great many people. In H1 2023, Merkur attracted a total of 827 new full-service customers (gross). We expect the influx of customers to continue in light of our targeted efforts to offer even more value for even more customers. Merkur now has a total of 21,026 full-service customers.

In H1, Merkur welcomed 314 new shareholders. As at 30 June 2023, we had 8,027 shareholders, so 38% of Merkur's full-service customers are also shareholders. Shares are part of the foundation of Merkur's work, and for our shareholders they are intended as a long-term investment that at the same time supports Merkur's mission of being a catalyst for sustainable change.

Shareholders	Full-service customers
8,027	**21,026**

Since the financial crisis in 2008, the authorities have introduced a number of measures to boost the solvency of financial institutions, which are today required to meet stricter equity and subordinated capital requirements. To be at the forefront of future requirements, Merkur has prepared a capital plan covering the period until 2027. Our five-year capital plan shows that Merkur is expected to be well capitalised. Merkur's excess capital adequacy after buffer and MREL requirements currently amounts to 6.1 percentage points. If the interim profit for H1 2023 had been included in own funds, Merkur's excess capital adequacy would be 7.3 percentage points.

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[1] The current account is an account held by all Danish banks with Danmarks Nationalbank

[2] Customers are classified in four different stages, depending on the health of their finances. Stage 1 is for customers in good financial health. Stage 2 is for customers with healthy finances, but with some signs of weakness.

Financial performance

Results and operations

In H1, Merkur significantly boosted earnings. Net interest and fee income totals DKK 111.7m, up DKK 30.3m or just over 37%, relative to the prior-year period.

The main driver of the increase was net interest income, rising due to higher lending and the general upward trend in interest rates, with Danmarks Nationalbank raising interest rates on four occasions in H1 2023. As at 30 June 2023, Danmarks Nationalbank's interest rate was 3.1%, up from 1.75% as at 31 December 2022. Merkur's excess liquidity amounts to just over DKK 2bn, most of which is held at Danmarks Nationalbank. Therefore, higher interest rates boost Merkur's earnings. Higher interest rates also had an impact on the cost of borrowing money. But at Merkur, we have chosen to look after our lending customers by not matching Danmarks Nationalbank's interest rate hikes. Therefore, we raised our lending rate only by up to 0.6 percentage points in H1, and for some products, including climate loans for energy renovations and climate solutions for both business and personal customers, the interest rate rise was lower. We did so to maintain our efforts to promote the green transition.

Merkur raised interest rates on a number of savings accounts in H1 2023. We also launched a new savings account for Merkur shareholders only. This account comes with a lock-in period but pays higher interest.

Higher interest rates also impact the cost of subordinated debt provided to Merkur by a number of professional investors, given that interest rates on some of these agreements are variable. So, expenses related to these agreements rose by DKK 1.1m relative to the prior-year period.

Increase in net interest and fee income	Lending growth
37.3%	6.8%

In H1, our net fee and commission income was reduced by DKK 1.4m relative to last year. One reason is continued slow activity in the housing market because higher interest rates make it more difficult for customers to fulfil their housing dreams. This is causing a decline in earnings from mortgage lending and guarantees related to housing transactions. Earnings from securities trading and custody accounts are also decreasing because customers have been cautious about investing their money due to macroeconomic uncertainties.

Merkur's total expenses increased by 6.7% from H1 2022 to H1 2023. This is satisfactory in light of the past year's high inflation. Staff costs for H1 2023 were DKK 3.4m higher than in the prior-year period, which may be attributed in part to the 2.15% pay increase, effective on 1 July 2022, obtained through collective agreements, along with intense competition for specialised staff. On the other hand, the cost of remuneration of the Executive Board was reduced by DKK 0.5m because Merkur's Executive Board now has one member only.

Other administrative expenses, comprised mainly of IT costs, rose by close to DKK 2m. IT costs total just over DKK 20m and are in line with H1 2022. This is very positive because this item was previously a high increase item.

Merkur has invested DKK 216m of its excess liquidity in short-term government and mortgage bonds. Although interest rates have been trending upwards, we realised positive market value adjustments of DKK 1.3m as opposed to H1 2022 when we suffered a capital loss of DKK 6m.

Our portfolio of shares, mainly DLR financial sector shares, contributed positive market value adjustments of DKK 2.3m, resulting in a total capital gain of DKK 3.4m relative to a capital loss of DKK 5.0m in the prior-year period.

Losses and impairments totalled DKK 14.5m against DKK 25.4m in H1 2022, which was marked by two major impairment charges. In H1 2023, statistical impairments by way of IFRS 9-compliant impairments and management estimates accounted for most of the expenses related to losses and impairments. Relative to the beginning of 2023, management estimates increased by DKK 2.3 and IFRS 9 impairment charges rose by DKK 3.6m, while the remaining DKK 8.6m was attributed to adjustments for individual impairments etc. In spring 2023, BEC recalibrated the IFRS 9 model, leading to further IFRS 9 impairments because a number of customers migrated from stage 1 to stage 2. At the same time, we retained our management estimate model in which stage migration impacts the level of management estimates. As at 30 June 2023, the management estimate was DKK 11m, equivalent to 16% of total impairments and provisions.

Financial performance in H1 2023 and 2022 can be summarised as follows:

DKKm	**H1 2023**	**H2 2022**	**H1 2022**
Net interest income	74.3	54.4	42.6
Net fee income etc.	37.5	39.0	38.7
Total net interest and fee income etc.	111.8	93.4	81.3
Costs, depreciation and amortisation	-75.5	-72.0	-70.5
Basic earnings	36.3	21.4	10.8
Market value adjustments etc.	3.4	-2.0	-5.0
Losses and impairments, including management estimates	-14.5	-1.4	-25.4
Profit before tax	**25.2**	**18.0**	**-19.6**
Profit after tax	**21.5**	**14.6**	**-15.3**

Basic earnings continued to rise, totalling DKK 4.1m more in H1 2023 than in FY 2022. This is very positive as enhanced basic earnings are key to increasing Merkur's equity, thereby ensuring sufficient capital for continued lending growth. Net interest income was the main driver of the increase in basic earnings, while earnings from fees, on the other hand, decreased. Costs rose in line with expectations.

Share price

Calculations show a current share value of DKK 1,812.10 compared to DKK 1,744.30 at the beginning of the year – representing an increase of 3.9% for H1 2023. The price per share in EUR is set at 453.03. This is a direct consequence of the profit generated for the period. Merkur's goal and ambition is to deliver a return on investment of 3-5% so as to be able to always attract sufficient capital to enable Merkur and our shareholders and customers to continue to make a difference to the world.

Balance sheet

From the end of 2022 to H1 2023, lending rose by DKK 111m, to a total of DKK 1,743m. The increase was driven mainly by loans to Merkur's personal customers. For instance, new loans worth a further DKK 15m (net) were brokered earmarked for Environment and Energy, for instance loans for energy improvements and electric vehicles.

At the end of 2022, Merkur signed an agreement with the European Investment Fund (EIF) on guarantee schemes to promote small and medium-sized enterprises engaged in the green transition. In early July 2023, we signed yet another agreement with the EIF; this time on a guarantee scheme targeting enterprises with social missions. We have high hopes that these agreements will help to boost lending to our business customers because with this guarantee scheme, the EIF enables Merkur to provide loans to even more customers on favourable terms.

At DKK 4,032m, deposits (including pool schemes) were up 4.6% (DKK 177m) since the same time last year. Looking at H1 2023 in isolation, deposits grew by DKK 180m, driven in part by an increase in Merkur Impact Pools. Deposits of DKK 100m have now been invested in these pool schemes, an increase of DKK 12m since the turn of the year.

Merkur has a deposit surplus of more than DKK 2bn. The deposit surplus represents considerable potential for extending loans to sustainable, socially responsible and cultural projects, provided that equity is also increased proportionately.

Total loans and guarantees to business customers

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

Loans to business customers *DKK '000*	**30 June 2023**	**31 December 2022**	**Development relative to end-2022**
Education and Culture	265,585	280,909	-5.5%
People and Health	148,712	130,910	13.6%
Food products	451,864	435,083	3.9%
Environment and Energy	249,198	289,320	-13.9%
Communities	184,945	138,522	33.5%
Technology partners etc.	31,982	42,958	-25.5%
Total	**1,332,286**	**1,317,702**	**1.1%**

Overall, lending and guarantees to business customers were up 1.1% (DKK 15m) compared to the end of 2022.

On the positive side, Merkur provided more loans to residential communities, resulting in a 33.5% increase in lending to the Communities category. Lending to the People and Health category was up 13.6%, as we welcomed several accommodation facilities as new customers. We also increased lending to food production by 3.9% because new customers were added, and our existing customers took out new loans.

Lending to Education and Culture was down 5.5%, primarily lending to elementary schools and independent residential schools. We also saw a 13.9% decline in lending to Environment and Energy, driven mainly by a reduction in lending for renewable energy as we said goodbye to a group of customers whose financing needs are too high for Merkur to meet. Finally, lending and guarantees to Technology partners etc. declined by 25.5%. This category primarily covers guarantees provided by Merkur to its partners.

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

Mortgage portfolio

Merkur's mortgage portfolio (DKKm)	30 June 2023	31 December 2022	30 June 2022	Development relative to end-2022
Totalkredit	3,333	3,348	3,394	0%
DLR	1,339	1,305	1,261	3%
LR Realkredit	225	228	243	-1%
Total	**4,897**	**4,881**	**4,898**	**0%**

Merkur brokered mortgage loans totalling DKK 4,897m. Our largest mortgage partner is Totalkredit, and we mainly partner with them when brokering new mortgage loans to personal customers.

Mortgage lending to personal customers was stagnant relative to H1 2022 when activity was relatively high. This is due to a general slowdown in the housing market in which customers are challenged by higher interest rates and inflation, making it difficult to comply with statutory disposable income requirements.

We are not seeing the same slowdown in mortgage lending to business customers, and activity in brokering of DLR mortgage lending remained high. In H1 2023, Merkur brokered mortgage loans from DLR worth DKK 66m (gross).

Investments

Although Merkur's customers have been cautious when it comes to investing, they still have an appetite for impact investments, which can generate a financial return for customers, while at the same time driving positive change. The development in customer investments over the past year can be illustrated as follows:

Market value of customer investments in DKKm	30 June 2023	31 December 2022	30 June 2022	Development relative to end-2022
Triodos	2,033	1,886	1,786	147
SDG Invest	109	94	93	15
Sparinvest	61	66	73	-5
Maj Invest	10	11	12	-1
Total	**2,213**	**2,057**	**1,964**	**156**
Change in % over past six months	12.7%			

In 2022, share prices fell and bond yields rose, which, needless to say, also impacted market values for Merkur's customers. In 2023, share prices are bouncing back. This benefits our customers because the market value of their investments has increased. As already mentioned, our customers were cautious about making further investments in H1 2023, so growth in market values since the end of 2022 has been driven mainly by higher market prices.

Development in business volume

At the end of H1 2023, Merkur's business volume amounted to DKK 13.6bn, an increase of just over DKK 0.4bn since the beginning of the year.

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

Business volume (DKKm)	**30 June 2023**	**31 December 2022**	**30 June 2022**
Loans	1,743	1,632	1,664
Deposits	3,932	3,765	3,772
Deposits with pool scheme	100	88	84
Guarantees	668	686	792
Value of customer custody accounts	2,213	2,057	1,964
Business volume before mortgage brokering	**8,656**	**8,228**	**8,276**
Brokered mortgage loans	4,897	4,881	4,898
Total business volume	**13,553**	**13,109**	**13,174**
Business volume per full-service customer (DKK '000)	**645**	**629**	**632**

Capital structure

Merkur's equity has increased by DKK 5.5m since the end of 2022 (1.5%), which is positive and a sign of confidence on the part of our shareholders and customers. This is something we greatly appreciate. Subscriptions for shares contribute to own funds and thus enable Merkur to provide loans to enterprises and projects with sustainable and socially responsible business models.

Merkur's equity (totalling DKK 444m) consists mainly of three elements: Paid-up share capital (DKK 371m), accumulated results for the current and previous years (DKK 67m) and other reserves etc. (DKK 6m).

Capital ratio	**Own funds**	**Excess capital adequacy**
25.1%	**DKK 495.6m**	**6.1%**

As at 30 June 2023, our own funds total DKK 496m after deductions, compared with DKK 508m at the end of 2022, representing a decrease of 2.4%.

The decrease is attributable mainly to the full phasing-in of the IFRS 9 transitional arrangements and an increase in Merkur's portfolio of financial shares, providing greater deductibility of own funds.

Continuous subscription of shares is an important prerequisite for enabling both moderate growth in lending and for meeting the increasing capital requirements imposed. On 31 March 2023, the countercyclical buffer was fully activated at 2.5%, which will require a continued increase in Merkur's own funds. Moreover, the minimum requirement for eligible liabilities (MREL) is being phased in, and at the end of 2022 the Danish Financial Supervisory Authority (FSA) determined an MREL requirement of 15.7% for Merkur in 2023, increasing to 16.7% when the requirement is fully phased in at the beginning of 2024.

Merkur's individual solvency need is 11.3%. Given the current capital ratio of 25.1%, this equates to pre-buffer excess capital adequacy of 13.8 percentage points or DKK 273m. The solvency need has increased by 1.0 percentage point since the beginning of the year. The solvency need increase is primarily attributable to the fact that we are allocating more capital for interest rate risk and credit risk, including add-ons due to an expected increased deduction from own funds in connection with the phasing-in of the NPE backstop[3].

[3] The NPE backstop is a requirement for all banks to determine a minimum loss coverage amount for each non-performing exposure (loan or credit facility that is not repaid as agreed).

Total own funds

DKK '000	30 June 2023	31 Dec 2022	30 June 2022
Share capital including share premium	370,830	365,282	365,295
Reserves, revaluation reserves etc.	51,265	51,758	37,122
Subordinated debt	131,503	131,936	131,996
Capital before deduction and transitional arrangement	**553,598**	**548,976**	**534,413**
Various deductions (deferred tax, financial shares etc.)	-58,005	-45,388	-40,028
Additions due to IFRS 9 transitional arrangement	0	4,324	4,324
Own funds	**495,593**	**507,912**	**498,709**
Risk-weighted assets and other risks	**1,972,313**	**1,974,372**	**2,247,268**
Capital ratio	**25.1%**	**25.7%**	**22.2%**

A more detailed statement can be found in note 10.

Similar to the interim financial statements of previous years, the profit for H1 2023 has not been included in own funds as at 30 June 2023. If the profit for the period had been recognised, the capital ratio would be 1.5 percentage points higher. Similarly, the Tier 1 capital ratio would be 1.2 percentage points higher if the profit for the period had been recognised.

In addition to meeting the solvency need, Merkur, like all other financial institutions, must hold a capital conservation buffer of 2.5% and a countercyclical buffer of 2.5%.

In December 2022, an updated MREL requirement of 15.7% was imposed on Merkur, effective from 1 January 2023. Merkur has issued Tier 3 capital (senior non-preferred bonds) of DKK 25m to meet the MREL requirement.

As at 30 June 2023, capital to meet the MREL requirement totalled DKK 528.9m, equivalent to 26.8%. So, excess capital adequacy relative to the MREL requirement, including capital buffer requirements, was 6.1 percentage points. If the interim profit had been included in own funds, excess capital adequacy would be 7.3 percentage points.

MREL requirement

	Current capital requirements and MREL requirements	Merkur's current capital and MREL conditions	Excess capital adequacy
Capital ratio	8.0%	25.1%	17.1 ppt
Individual solvency need	11.3%	25.1%	13.8 ppt
MREL requirement	15.7%	26.8%	11.1 ppt
MREL requirement incl. capital buffers	20.7%	26.8%	6.1 ppt

Merkur is constantly seeking to optimise its capital structure to ensure that we are able at all times to meet the Board of Directors' target of an excess capital adequacy ratio of at least of 6.5 percentage points relative to the MREL requirement. In 2021, we signed agreements with a number of professional investors on the subscription of subordinated debt. The agreement with one of these investors provided the possibility of a subscription for additional subordinated debt of DKK 30m if various conditions were met. We have been working with these conditions and we expect an injection of additional subordinated debt of DKK 15m in September 2023. By the end of 2023, we expect an injection of additional subordinated debt of DKK 15m, taking the total amount to DKK 30m. Viewed in isolation, the DKK 30m of subordinated debt will strengthen our excess capital adequacy relative to the MREL requirement by 1.5 percentage points.

Supervisory diamond

The Danish Financial Supervisory Authority has defined four benchmarks intended as an early warning system that a financial institution is assuming excessive risk. The four benchmarks are known as the supervisory diamond. At the end of H1 2023, Merkur complies with all four measuring points. As part of the general risk management, the Merkur management has added a buffer relative to the limit values for the various benchmarks to ensure internal attention well in advance of the limit values being exceeded.

	30 June 2023	31 Dec 2022	Limit values
Sum of large exposures	131.0%	111.1%	Max. 175%
Lending growth	6.8%	-2.2%	Max. 20%
Commercial property exposure	6.1%	6.3%	Max. 25%
Liquidity requirement ratio	477.0%	558.0%	Min. 100%

Outlook for the rest of 2023

The outlook for H2 2023 is very much dependent on developments in interest rates, inflation and the geopolitical situation. These factors may end up having an impact, in particular, on the investment appetite and financial circumstances of our personal customers, but also our business customers. We are therefore keeping a close eye on developments in interest rates and unemployment rates.

Merkur does not expect to see the same growth in lending in H2 2023 as in H1. The primary reason is the uncertainty surrounding developments in our customers' financial situation and expectations for the future, but also competition for attractive customers.

We believe Danmarks Nationalbank's interest rate hikes will have peaked soon, and aside from the 0.25 percentage point increase announced by Danmarks Nationalbank on 27 July, interest rate rises will be limited. On the other hand, we do not expect interest rates to drop in 2023.

The market values of the investment products we offer to our customers have risen in H1 2023. We hope this will rekindle their appetite for investing in Merkur's green investment universe and in the responsible pension products we offer to our customers, both by way of direct securities investment and by way of our impact pools that provide automatic diversification of investments.

We expect activity levels to remain high when it comes to assisting and servicing our customers and meeting all their banking services needs. However, we still expect demand for mortgage financing to be lower than in 2022.

We expect impairments in H2 to be on a par with H1.

The H1 profit far exceeded expectations, and at the end of H1, we have already achieved our FY 2023 profit guidance announced in the annual report. Therefore, we are raising our FY 2023 profit guidance to a profit of DKK 35-43m before tax (DKK 26-32m after tax).

Uncertainty in recognition and measurement

The main uncertainty of recognition and measurement relates to impairment of loans, provisions for guarantees and valuation of financial instruments. Management finds the uncertainty associated with the financial reporting for H1 2023 to be at a safe level.

Significant events after the end of H1

No events have occurred in the period from the balance sheet date of 30 June 2023 until today that would influence the evaluation of the interim report.

Accounting policies

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

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

The accounting policies are applied consistently with the 2022 financial statements. Reference is made to the 2022 annual report for a further description of the accounting policies.

Financial statements

INCOME STATEMENT

Note	1,000 kr.	H1 2023	H1 2022
1	Interest income	79,631	44,171
1	Negative interest income	0	-8,017
2	Interest expenses	-5,355	-3,129
2	Negative interest expenses	0	9,560
	Net interest income	**74,276**	**42,585**
	Dividends from shares etc.	152	129
3	Fee and commission income	41,015	43,627
	Fee and commission expenses paid	-3,780	-5,023
	Net interest and fee income	**111,663**	**81,318**
4	Market value adjustments etc.	3,362	-4,968
	Other operating income	141	176
5	Staff costs and administrative expenses	-73,773	-68,942
	Depreciation of tangible assets	-1,586	-1,629
	Other operating expenses	-112	-167
6	Impairment charges for loans etc.	-14,487	-25,353
	Share of profit or loss of associates	0	-22
	Profit before tax	**25,208**	**-19,587**
	Calculated tax on profit for the period	-3,711	4,309
	Profit after tax	**21,497**	**-15,278**

BALANCE SHEET

ASSETS 1,000 kr. Note		30 June 2023	31 December 2022	30 June 2022
	Cash in hand and demand deposits with central banks	2,506,429	2,377,786	2,412,964
	Accounts receivable from credit institutions and central banks	75,526	99,577	76,616
7/8	Loans at amortised cost	1,743,172	1,631,674	1,664,161
	Bonds at fair value	215,795	213,495	217,186
	Shares etc.	61,039	48,150	51,880
	Investments in associates	691	690	647
	Assets associated with pool schemes	100,063	87,994	83,734
	Intangible assets	107	198	290
	Land and buildings			
	Domicile properties	11,790	11,919	12,048
	Leased domicile properties	6,254	4,066	5,127
	Total land and buildings	**18,044**	**15,985**	**17,175**
	Tangible assets	1,563	1,955	1,848
	Current tax assets	87	91	91
	Deferred tax assets	8,969	11,821	15,235
	Other assets	50,391	71,356	70,161
	Prepayments	3,801	3,932	4,432
	TOTAL ASSETS	**4,785,677**	**4,564,704**	**4,616,420**

BALANCE SHEET

LIABILITIES AND EQUITY

Note	1,000 kr.	30 June 2023	31 December 2022	30 June 2022
	Debt			
	Due to credit institutions and central banks	102,715	99,063	156,617
9	Deposits and other debt	3,932,344	3,764,612	3,771,944
	Deposits with pool schemes	100,063	87,994	83,734
	Issued bonds	24,841	24,827	24,812
	Current tax liabilities	1,334	0	0
	Other liabilities	38,762	32,058	35,508
	Prepayments and accrued income	2,171	63	12
	Total debt	**4,202,230**	**4,008,617**	**4,072,627**
	Provisions			
	Provisions for pensions and similar liabilities	446	446	180
	Provisions for guarantees	3,138	4,619	6,071
	Provisions for other obligations	4,768	2,046	3,129
	Total provisions	**8,352**	**7,111**	**9,380**
	Subordinated debt	131,503	131,936	131,996
	Equity			
	Share capital	231,525	228,322	228,330
	Share premium account	139,305	136,960	136,965
	Revaluation reserves	857	1,350	1,350
	Other reserves	4,708	4,708	4,708
	Retained earnings, including profit for the period	67,197	45,700	31,064
	Total equity	**443,592**	**417,040**	**402,417**
	TOTAL LIABILITIES	**4,785,677**	**4,564,704**	**4,616,420**
	Off-balance sheet items:			
	Guarantees etc.	668,310	686,385	792,160
	TOTAL OFF-BALANCE SHEET ITEMS	**668,310**	**686,385**	**792,160**

BALANCE SHEET

STATEMENT OF CAPITAL

1,000 kr.	30 June 2023	31 December 2022	30 June 2022
Share capital, beginning of period	228,322	225,056	225,056
Newly paid-up share capital	3,203	3,266	3,274
Share capital, beginning of period	**231,525**	**228,322**	**228,330**
Share price, end of the period.	1,812.10	1,744.30	1,691.30
Share premium account, beginning of period	136,960	134,512	134,512
Share premium during the year	2,345	2,449	2,453
Other comprehensive income	0	-1	0
Share premium account, end of period	**139,305**	**136,960**	**136,965**
Revaluation reserves, beginning of period	1,350	1,350	1,350
Adjustment of opening figures due to adjustments pertaining	-493	0	0
Revaluation reserves, end of period	**857**	**1,350**	**1,350**
Other reserves, beginning of period	4,708	4,708	4,708
Other reserves, end of period	**4,708**	**4,708**	**4,708**
Retained earnings, beginning of period	45,700	46,343	46,343
Retained earnings for the period	21,497	-643	-15,278
Retained earnings, end of period	**67,197**	**45,700**	**31,064**
Equity at the end of H1 is composed as follows:			
Share capital	231,525	228,322	228,330
Share premium account	139,305	136,960	136,965
Revaluation reserves	857	1,350	1,350
Other reserves	4,708	4,708	4,708
Brought forward from previous years	45,700	46,343	46,343
Retained earnings	21,497	-643	-15,278
TOTAL EQUITY	**443,592**	**417,040**	**402,417**

NOTES

1,000 kr.	H1 2023	H1 2022
1 Interest income		
Accounts receivable from credit institutions and central banks	28,744	0
Loans	49,599	41,807
Bonds	1,261	1,966
Other interest income	27	398
Total interest income	**79,631**	**44,171**
Negative interest income		
Accounts receivable from credit institutions and central banks	0	6,562
Bonds	0	1,455
Total negative interest income	0	**8,017**
2 Interest expenses		
Credit institutions and central banks	0	12
Deposits	1,286	184
Subordinated debt	3,917	2,814
Other	152	119
Total interest expenses	**5,355**	**3,129**
Negative interest expenses		
Deposits and other debt	0	9,560
Total negative interest expenses	0	**9,560**
3 Fee and commission income		
Securities trading and custody fees	7,018	8,722
Payment handling	7,196	6,805
Loan business, fees and charges	2,365	2,594
Guarantee commission	11,421	12,172
Other charges, fees and commission income	13,015	13,334
Total fee and commission income	**41,015**	**43,627**

NOTES

1,000 kr.	H1 2023	H1 2022
4 Market value adjustments		
Bonds	1,322	-6,032
Shares	2,271	1,153
Foreign exchange income	-202	-147
Foreign exchange, interest rate, share, commodity and other contracts and derivative financial instruments	-29	58
Assets associated with pool scheme	5,066	-10,087
Deposits with pool scheme	-5,066	10,087
Total market value adjustment	**3,362**	**-4,968**
5 Staff costs and administrative expenses		
Salaries and remuneration of Board of Directors and Executive Board:		
Executive Board	1,460	1,972
Board of Directors	930	975
Total	**2,390**	**2,947**
Staff costs:		
Salaries	32,843	29,919
Pensions	3,725	3,555
Financial services employer tax	5,841	5,539
Total	**42,409**	**39,013**
Other administrative expenses	28,974	26,982
Total staff costs and administrative expenses	**73,773**	**68,942**
Number of employees, full-time equivalents	105.6	104.3
6 Impairments and provisions		
Impairments for the period	29,164	32,007
Write-offs for the period, previously impaired	-13,905	-7,404
Write-offs, not previously impaired	278	1,327
Received on claims previously written off	-285	-99
Interest from impairment	-765	-478
Total write-offs and impairments for the period	**14,487**	**25,353**

NOTES

7 Impairments of loans and other claims, provisions for guarantees and unutilised credit facilities

H1 2023	Stage 1	Stage 2	Stage 3	Total
Beginning of period	5,146	12,645	49,259	67,050
New impairments/provisions	4,843	10,746	17,418	33,007
Reversal of impairments/provisions	-3,670	-6,110	-7,968	-17,748
Transfer to stage 1	2,582	-2,582	0	0
Transfer to stage 2	-626	1,831	-1,205	0
Transfer to stage 3	-138	-1,012	1,150	0
Write-offs, previously impaired/provided for	0	0	-13,905	-13,905
End of period*	8,137	15,518	44,749	68,404
*) Of which management estimate	3,227	7,796	0	11,023

Full year 2022	Stage 1	Stage 2	Stage 3	Total
Beginning of period	8,267	10,997	38,807	58,071
New impairments/provisions	3,111	9,515	22,597	35,223
Reversal of impairments/provisions	-5,375	-6,389	-6,624	-18,388
Transfer to stage 1	1,945	-1,904	-41	0
Transfer to stage 2	-1,217	4,085	-2,868	0
Transfer to stage 3	-1,585	-3,659	5,244	0
Write-offs, previously impaired/provided for	0	0	-7,856	-7,856
End of period*	5,146	12,645	49,259	67,050
*) Of which management estimate	2,379	6,372	0	8,751

H1 2022	Stage 1	Stage 2	Stage 3	Total
Beginning of period	8,267	10,997	38,807	58,071
New impairments/provisions	4,644	3,654	33,981	42,279
Reversal of impairments/provisions	-3,329	-6,579	-7,768	-17,676
Transfer to stage 1	1,140	-1,107	-33	0
Transfer to stage 2	-1,671	3,101	-1,430	0
Transfer to stage 3	-1,648	-3,321	4,969	0
Write-offs, previously impaired/provided for	0	0	-7,404	-7,404
End of period*	7,403	6,745	61,122	75,270
*) Of which management estimate	3,797	2,195	0	5,992

1,000 kr.	30 June 2023	31 December 2022	30 June 2022
8 Loans			
On demand	267,282	249,229	227,760
Up to and including 3 months	20,690	23,357	75,350
Between 3 months and 1 year	120,763	100,039	100,423
Between 1 year and 5 years	324,689	309,637	373,606
More than 5 years	1,009,748	949,412	887,022
Total	**1,743,172**	**1,631,674**	**1,664,161**
9 Deposits			
On demand	3,931,578	3,763,846	3,769,473
Up to and including 3 months	0	0	1,296
Between 3 months and 1 year	766	511	413
Between 1 year and 5 years	0	255	762
Total	**3,932,344**	**3,764,612**	**3,771,944**

NOTES

1,000 kr.	30 June 2023	31 December 2022	30 June 2022
10 Capital ratio			
Composition of capital			
Equity	443,592	417,040	402,417
Of which the unaudited profit for the period	-21,497	0	0
Transitional arrangement, IFRS 9*	0	4,324	4,324
Deductions:			
Capitalised deferred tax assets	-8,133	-10,022	-13,367
NPE backstop	-23,449	-24,158	-10,178
Common Equity Tier 1 capital instruments in the financial se	-18,348	-5,790	-8,548
Other deductions	-470	-460	-617
Common Equity Tier 1 capital	**371,696**	**380,934**	**374,031**
Subordinated debt	131,503	131,936	131,996
Deductions for share exceeding 33% of Tier1 capital etc.	-7,605	-4,958	-7,318
Own funds	**495,594**	**507,912**	**498,709**
Had the transitional arrangement for the implementation of IFRS9 not been used, own funds at the end of the period would amo	495,594	503,588	494,385
Risk exposure			
Credit risk	1,629,276	1,653,010	1,911,447
Market risk	42,938	41,684	56,143
Operational risk	300,099	279,678	279,678
Total risk exposure	**1,972,313**	**1,974,372**	**2,247,268**
Capital ratio**	**25.1**	**25.7**	**22.2**
Tier 1 capital ratio**	**18.8**	**19.3**	**16.6**
Capital ratio, without IFRS 9 transitional arrangement	**25.1**	**25.5**	**22.0**
Tier 1 capital ratio, without IFRS 9 transitional arrangen	**18.8**	**19.1**	**16.5**

*Merkur has used the static model for phasing in the IFRS 9 impairment rules in the period 2018-2022.
2022 is the final year of the transitional arrangement.
** Similarly to previous years, the profit for H1 2023 has not been included in own funds. Consequently, the calculated capital ratio is 1.5 percentage points lower than at the recognition of the profit for the period.
Similarly, the Tier 1 capital ratio is 1.2 percentage points lower than at the recognition of the profit for the period.

NOTES

11 KEY FIGURES 1,000 kr.	30 June 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Net interest and fee income	111,663	81,318	77,229	70,601	66,726
Market value adjustments etc.	3,362	-4,968	46	-202	2,360
Staff costs and administrative expenses	-73,773	-68,942	-65,560	-64,126	-58,008
Impairment of loans and receivables	-14,487	-25,353	-5,472	-24,506	-3,317
Share of profit or loss of associates	0	-22	422	403	0
Profit after tax for the period	21,497	-15,278	4,305	-15,396	6,343
Deposits	3,932,344	3,771,944	3,653,826	3,369,893	3,160,409
Lending	1,743,172	1,664,161	1,708,835	1,665,683	1,667,873
Equity	443,592	402,417	399,281	359,639	365,051
Total assets	4,785,677	4,616,420	4,346,523	3,914,609	3,704,064

NOTES

11 RATIOS	30 June 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Earnings					
Income/cost ratio	1.3	0.8	1.1	0.8	1.1
Income/cost ratio before market value adjustments and impairment charges (%)	1.5	1.2	1.2	1.1	1.1
Return on equity for the period before tax (%)	5.9	-4.8	1.3	-5.4	2.1
Return on equity for the period after tax (%)	5.0	-3.8	1.1	-4.2	1.9
Development in the price of shares, measured half-yearly against the year before (%)	7.3	-3.1	0.0	0.0	3.6
Solvency					
Capital ratio*	25.1	22.2	19.6	20.4	18.7
Tier 1 capital ratio*	18.8	16.6	17.6	18.4	16.8
Market risk					
Interest rate risk (%)	0.8	0.4	0.2	0.3	0.4
Foreign exchange position (%)	2.0	0.8	1.1	0.4	2.0
Currency risk (%)	0.0	0.0	0.0	0.0	0.0
Liquidity					
Loans and impairment charges in % of deposits	44.8	44.9	48.2	52.7	55.6
Excess capital adequacy in % of statutory liquidity requirement	477.1	450.0	506.7	489.6	545.1
Net stable funding ratio (NSFR)**	253.8	242.6	223.0	205.0	
Credit risk					
Impairment ratio	0.5	1.1	0.2	1.1	0.2
Accumulated impairment ratio	2.6	2.9	2.8	4.7	3.6
Ratio of 20 largest exposures to Tier 1 capital	131.0	121.9	114.3	146.3	126.8
Growth in lending for the period (%)	6.8	-0.3	4.0	-0.1	1.7
Lending-to-equity ratio	3.9	4.1	4.3	4.6	4.9

* Similarly to previous years, the profit for H1 2023 has not been included in own funds as at 30 June 2023.
Consequently, the calculated capital ratio is 1.5 percentage points lower than at the recognition of the profit for the period.
Similarly, the Tier 1 capital ratio is 1.2 percentage points lower than at the recognition of the profit for the period.
** Change in measurement method from 30 June 2021