Interim report – first half 2022

Danske Mortgage Bank Plc

DANSKE MORTGAGE BANK PLC'S INTERIM REPORT FOR JANUARY-JUNE 2022

Danske Mortgage Bank Plc's ("the Bank") financial performance remained solid in January–June 2022. No covered bonds were issued due to the Group's strong liquidity situation. Loan portfolio matures at a constant pace. Demand for mortgage loans remained at reasonable level at half-year period and there is sufficient amount of collateral eligible loans on Danske Bank Group's Finnish businesses. Therefore, the Mortgage Bank is in a good position to issue covered bonds during the second half of the year.

Total operating income of Danske Mortgage Bank decreased being EUR 16.7 million for January-June 2022 (EUR 17.9 million for January-June 2021). Loan impairment charges totalled to EUR 0.5 million for January-June 2022 (EUR 5.4 million on January-June 2021). The high impairments in comparison period was due to matching the treatments of concessions with the Danske Bank Group's changed practices.

COVID-19 pandemic is no more affecting the quality of the loan portfolio. Russian invasion into Ukraine in turn has increased uncertainty. The Bank does not have direct dependencies to Ukraine, but may be affected by the general economic developments in Finland. These developments are higher inflation, energy prices, interest rates and disruption to supply chains. The adverse effects may hit the Bank mainly through the loan portfolio. The quality of the loan portfolio is good. It consists of housing loans of Finnish retail customers and is well diversified. The expectations for these developments are taken into account in impairments, which are moderate.

The annualized return on equity amounted to 3.7 per cent at the end of June 2022 (4.1 per cent in January - December 2021). Following the FIN-FSA's recommendation Danske Mortgage Bank's Annual General Meeting, held on 31 March 2022, decided that no dividend will be paid for financial year 2021. This increased company's equity by EUR 13.7 million and at the same time decreased return on equity. Return on equity was also affected by the declined profit for the first half year.

Danske Mortgage Bank Plc in brief

Danske Mortgage Bank Plc is a Finnish bank, which is part of the Danske Bank Group. The Danske Bank Group is one of the largest financial enterprises in the Nordic region. The Danske Bank Group has its headquarters in Copenhagen. Danske Bank A/S's share is quoted on the Nasdaq Copenhagen.

Danske Mortgage Bank Plc has been operating as an issuer of covered bonds according to the Finnish Act on Mortgage Bank Operations, and also will continue the same operations under the new Finnish Covered Bonds Act. Issuance of covered bonds is part of the Danske Bank Group's long-term funding and part of housing financing in Danske Bank's operations in Finland. Danske Mortgage Bank Plc does not grant housing loans, instead the loans used to cover the bonds are purchased from Danske Bank A/S, Finland Branch which offers Finnish customers a full range of banking services. As part of loan pool management process Danske Mortgage Bank Plc sells loans with lower quality back to the Finland Branch.

Throughout this Interim report the term "Bank" refers to Danske Mortgage Bank Plc.

Operating environment

The Finnish economy started to recover fast in 2021 from the 2020 recession. GDP volume grew 3.5 per cent and employment increased significantly. During the first quarter 2022 GDP increased by 0.2 percent from the previous quarter, but private consumption weakened slightly. Gradual lifting of covid lockdown measures has had a positive impact on growth in services consumption, but consumption of goods is being weakened by high inflation eroding consumer purchasing power. Increased household savings help to maintain consumption. Russian invasion into Ukraine with ramifications increased future uncertainty, weakened exports and accelerated inflation during spring 2022. The trend of employment rate reached 74 per cent in June, which is higher than ever since time before the depression of early 1990s. The trend of unemployment rate was 6.4 per cent, while the pre-covid low was 6.6 per cent. Open vacancies were record high during spring. Therefore, the labour market can be characterized as tight. Business confidence and especially consumer confidence weakened significantly during spring, because the war in Ukraine, inflation and rising interest rates pushed expectations lower.

Construction permits and housing starts began to increase in 2021. The flow of new finished apartments grew in the first half of 2022. The number of new housing construction permits started to fall in early 2022 already. Rising construction costs, higher interest rates and economic uncertainty weigh on future housing supply. Housing transactions were at a high level in early 2022, but volume has fallen during spring. Slowdown is visible also in housing loans. According to Bank of Finland new housing loan drawdowns fell by 10 per cent in April from year earlier. New buy-to-let mortgages fell by 26 per cent. Price level has remained stable.

Monetary policy has been accommodative for a long time, but the fast increase in inflation has lifted expectations of tighter monetary policy. Market interest rates rose rapidly during spring 2022. 12-month euribor rose from roughly -0.5 per cent at the beginning of the year to over 1 per cent in June. The interest rate is historically speaking still low, but the burden on households and companies grows.

Financial review [1]

The Bank's profit before taxes for January–June 2022 was EUR 7.9 million (4.3 million). The result increased to EUR 6.3 million (3.5million). Annualized return on equity amounted to 3.7 per cent for the first half of 2022 (2.1 per cent).

Total operating income for the first half of 2022 decreased by 6.7 per cent compared to the same period a year earlier totalling EUR 16.7 million (17.9 million). The net interest income developed as expected totalling to EUR 15.5 million (17.2 million), and decreased by 9.9 per cent compared to the same period last year. The decline was due to decrease in loan portfolio compared to same period last year. Net fee income was EUR 0.8 million (1.1 million). Net result from items at fair value increased an amounted to EUR 0.2 million (-0.4 million).

Cost to income ratio weakened to 49.6 per cent (45.4 per cent). This was due to decreased Total operating income compared to the same period last year while Operating expenses from January-June remained on the same level and totalled to EUR 8.3 million (8.1 million).

Impairment charges and final write-offs totalled to EUR 0.5 million (5.4 million) of which final write-offs totalled to EUR 0.7 million (EUR 0.2 million). The high impairments in comparison period was due to matching the treatments of concessions with the Danske Bank Group's changed practices. Non-performing loans are sold regularly to Danske Bank A/S, Finland Branch and final-write offs are realized from loan sales.

Balance sheet and funding [2]

The Bank's balance sheet total was EUR 3,895.1 million (5,350.8 million) and loans and receivables from customers decreased to EUR 3,687.5 million (5,138.7 million). Balance sheet was declined naturally due to mortgages repayments. At the same time, no new issuance was made in first half of 2022.

The financial and liquidity situation remained good, and short-term funding from Danske Bank A/S performed well during the period. The LCR liquidity buffer was EUR 189.5 million (173.6 million) and remained at a good level.

[1] The comparison figures in parentheses refer to the first six months of 2021.
[2] The comparison figures in parentheses refer to December 2021 figures.

With a liquidity coverage ratio (LCR) of 975 per cent end of June 2022 (688 per cent), the Bank complies with the current regulatory minimum requirement of 100 per cent. Under the Capital Requirements Regulation (EU) No 575/2013 banks must have a LCR of 100 percent as from 1.1.2018.

Net Stable Funding Ratio (NSFR) presents the available stable funding compared to required stable funding. Regulatory framework regarding binding Net Stable Funding Ratio was applicable from June 2021. The Bank's NSFR was 122 per cent end of June 2022 (115 per cent) which complies with the 100 per cent requirement. Available stable funding totalled to EUR 3,485 million end of June 2022 (4,289 million), which is EUR 630 million (566 million) above the Required stable funding. Average remaining maturity of the funding received from the parent company remained above one year.

Capital and solvency [2]

The Bank is using the internal rating based (IRB) approach for calculation of capital requirements for credit risk for retail exposures. Otherwise, standard method is applied for credit risk. For operational risk standard method is applied in calculating capital requirement.

Total capital consists of tier 1 capital that is common equity tier 1 capital after deductions. On 30 June 2022, the total capital amounted to EUR 336.1 million (322.4 million), and the total capital ratio was 72.5 (63.4) per cent. The common equity tier 1 capital ratio was 72.5 (63.4) per cent. Total capital has increased by EUR 13.7 million due to the decision to refrain from dividend distributions. The Bank is planning to resume paying dividends on 2023, but actions depend on the general economic development particularly the Ukrainian situation. Profit after tax for January-December 2021 has been included in the Tier 1 distributable capital. Profit after taxes for January-June 2022 is not included in Tier 1 distributable capital. On 30 June 2022, Risk exposure amount (REA) was EUR 463.3 million (508.8 million).

From 1 January 2022 the Bank has been subject to a minimum requirement for own funds and eligible liabilities. More information of MREL requirement can be found on page 6 Risk Management.

Leverage ratio

The Bank´s leverage ratio was 8.5 per cent on 30 June 2022 (7.4 at the end of December 2021). The leverage ratio is calculated based on the second quarter end figures whereby the tier 1 capital was EUR 336.1 million (322.4 million) and leverage ratio exposure EUR 3,932.5million (4,351.6 million).

Leverage ratio table is presented after the solvency table as per 30 June 2022.

Capital buffers

In March 2022 the FIN-FSA decided that the countercyclical capital buffer (CCyB) will remain at 0%.

The minimum own funds requirements and capital buffers for the Bank are listed under the leverage ratio table.

[2] The comparison figures in parentheses refer to December 2021 figures.

SOLVENCY

Own funds	30.6.2022	31.12.2021	30.6.2021
EURm			
Common Equity Tier 1 capital before deductions	**346,1**	**339,8**	**329,6**
Share capital	70,0	70,0	70,0
Reserves for invested unrestricted equity	215,0	215,0	215,0
Retained earnings	54,8	41,2	41,2
Total comprehensive income for the period	6,3	13,7	3,5
Deductions from CET1 capital	**-10,1**	**-17,4**	**-3,5**
Proposed/paid dividends /part of profit not included in CET1	-6,3	-13,7	-3,5
Value adjustments due to the requirements for prudent valuation	-0,1	-0,1	-0,1
IRB shortfall of credit risk adjustments to expected losses	-3,7	-3,7	-
Common Equity Tier 1 (CET1)	**336,1**	**322,4**	**326,1**
Additional Tier 1 capital (AT1)	**-**	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**336,1**	**322,4**	**326,1**
Tier 2 capital (T2)	**-**	**-**	**1,6**
IRB excess of provisions over expected losses eligible	-	-	1,6
Total capital (TC = T1 + T2)	**336,1**	**322,4**	**327,7**
Total risk exposure amount (REA)	**463,3**	**508,8**	**840,7**
Capital requirement (8% of risk exposure amount)	**37,1**	**40,7**	**67,3**
Credit and counterparty risk	33,8	35,9	62,3
Operational risk	3,3	4,8	4,9
Common equity tier 1 capital ratio (%)	**72,5 %**	**63,4 %**	**38,8 %**
Tier 1 capital ratio (%)	**72,5 %**	**63,4 %**	**38,8 %**
Total capital ratio (%)	**72,5 %**	**63,4 %**	**39,0 %**

Company's capital adequacy ratio has been calculated both in accordance with Credit Institutions Act Sect 9-10 and EU Capital Requirement Regulation (CRR).

LEVERAGE RATIO

EURm	30.6.2022	31.12.2021	30.6.2021
Total assets	3 895,1	4 332,3	5 350,8
Derivatives accounting asset value	8,0	-9,0	-20,5
Derivatives exposure to counterparty risk ex. collateral	29,4	32,0	34,6
Undrawn committed and uncommitted facilities, guarantees and loan offers	-	-	-
Adjustment to CET1 due to prudential filters	-	-3,7	-
Total exposure for leverage ratio calculation	3 932,5	4 351,6	5 364,9
Reported tier 1 capital (transitional rules)	336,1	322,4	326,1
Tier 1 capital (fully phased-in rules)	336,1	322,4	326,1
Leverage ratio (transitional rules)	8,5 %	7,4 %	6,1 %
Leverage ratio (fully phased-in rules)	8,5 %	7,4 %	6,1 %

MINIMUM OWN FUNDS REQUIREMENTS AND CAPITAL BUFFERS:

Minimum requirements (% of total risk exposure amount):	30.6.2022	31.12.2021	30.6.2021
Common Equity Tier (CET) 1 capital ratio	4,5 %	4,5 %	4,5 %
Tier 1 capital ratio	6,0 %	6,0 %	6,0 %
Total capital ratio	8,0 %	8,0 %	8,0 %
Capital buffers (% of total risk exposure amount):			
Capital conservation buffer [1]	2,5 %	2,5 %	2,5 %
Institution-specific countercyclical capital buffer	0,0 %	0,0 %	0,0 %
Countercyclical buffer [2]	-	-	-
Systemic risk buffer [3]	-	-	-
Minimum requirement including capital buffers (% of total risk exposure amount):			
Common Equity Tier (CET) 1 capital ratio	7,0 %	7,0 %	7,0 %
Pillar 2 add-ons (EUR million)			
Interest rate risk in the banking book (IRRBB)	10,0	10,0	10,0
Leverage ratio requirement: [4]	3.0%	3.0%	

[1] Valid from 1.1.2015 onwards.
[2] On 29th June 2021, the FIN-FSA decided not to set any countercyclical buffer.
[3] On 6 April 2020 the FIN-FSA decided to remove Systemic risk buffer requirement
[4] Valid from 28.6.2021 onwards.

Credit ratings

Issued covered bonds are rated 'Aaa' by Moody's Investor Services.

Employees and organisation

The Bank had 7 employees at the end of the reporting period (31 December 2021: 6). The average amount of personnel in January-June was 6 (financial period 2021: 6).

Danske Mortgage Bank Plc's Board of Directors and auditors

The Annual General Meeting of the Bank was held on 10 March 2022. The composition of the Board of Directors was unchanged. As members of the Bank's Board of Directors remained Stojko Gjurovski (Chairman), Robert Wagner (Deputy Chairman), Kimberly Bauner, Riikka Laine-Tolonen, Tomi Dahlberg and Maisa Hyrkkänen.

Pekka Toivonen is the CEO of the Bank and Jari Raassina is his deputy.

The Annual General Meeting chose Deloitte Ltd Audit Firm, as its auditor, with Aleksi Martamo, APA, as the Key audit partner.

Danske Mortgage Bank Plc's shares, ownership and group structure

Danske Mortgage Bank Plc is part of the Danske Bank Group. The parent company of the Danske Bank Group is Danske Bank A/S.

The Bank's share capital is EUR 70 million, divided into 106,000 shares. Danske Bank A/S holds the entire stock of Danske Mortgage Bank Plc's shares.

Significant accounting policies

This interim report covers Danske Mortgage Bank Plc. The interim report has been drawn up according to the same accounting principles as in the annual financial statements for 2021. Accounting policies are explained in the Notes to the Interim report, and are presented in detail in the Notes to the 2021 financial statements.

Risk management

The Bank's principles for risk management are based on legislation for mortgage banks. The main objective of risk management is to ensure that the capital base is adequate in relation to the risks arising from the business activities. The Board of Directors of the Bank establishes the principles of risk management, risk limits and other general guidelines according to which risk management is organized at the Bank.

To ensure that the Bank's risk management organization meets both the external and internal requirements, the Board of Directors has also set up a Risk Council composed of the operative management members. The Risk Council's main objective is to ensure that the Bank is compliant with the risk management guidelines issued by the Board of Directors and that the Bank monitors all types of risk and provides reports to concerned parties.

The main risks associated with the Bank's activities are credit risk, interest rate and liquidity risks of banking book, non-financial and various business risks. Credit risk has the largest impact on capital requirement. The majority of the operative risks are related to outsourced services and processes.

The Bank's risk position has been low. Covid-19 pandemic is no more affecting the quality of the loan portfolio. The main risks associate with the increased future uncertainty due to war in Ukraine and development in the general economic environment, investment market and future changes in financial regulations.

From 1 January 2022 the Bank has been subject to a minimum requirement for own funds and eligible liabilities. The internal MREL consists of requirement based on the total risk exposure amount ("TREA"), amounting to 17.25%, and requirement based on the leverage ratio exposure measure ("LRE"), amounting to 5.91%. The requirement of LRE must be met in full as from 1 January 2024, so that a requirement of 5.33 % based on LRE must be met as from 1 January 2022.

The Group implemented a new Definition of Default in January 2022 in order to align the existing definition of default for accounting with the regulatory purposes. Danske Mortgage Bank did implement the new Definition of Default accordingly so all exposures in stage 3 are considered default. As a result, all non-performing loans are now considered default, and hence equal to the total of stage 3 exposures. According to new Definition of Default, non-performing loans were at a low level in relation to the loan portfolio totalling to EUR 0.2 million (EUR 6.8million at the end of December 2021).

More detailed information of risks and risk management can be found in the 2021 annual report. More information regarding credit exposures can be found in this interim report on page 16.

Events after the reporting period

No material events after the reporting period.

Outlook for 2022

Both the shortest market interest rates and the 12-month Euribor rate are expected to continue rising in late 2022. The European Central Bank is going to end the asset purchase programme and we expect 3 policy rate hikes during the second half of the year. Inflation currently at roughly 8 per cent is expected to fall towards the ECB 2 per cent target next year. Risk of persistently higher inflation is significant, however, and market interest rates could rise more than anticipated.

A recession threatens the economy as consumer is hit by uncertainty, inflation and rising interest rates, collapse of trade with Russia weakens exports, and supply bottlenecks continue to disrupt global supply chains. Risk of a recession is significant but in our main scenario, we expect the economy to stay fairly stable. Housing markets will book fewer transactions than last year and the price level does not change significantly. Residential construction slows down slightly. Demographic development influences housing markets regionally.

We expect the Bank's net profit for the year 2022 to be significantly lower than for 2021, but still being positive. The decline is mainly due to smaller balance sheet and longer Euribor rates returning again to positive level. The impairments are expected to remain roughly on the current level. The quality of loan portfolio is good based on the fact that loans are covered by mortgage collaterals, initial customer selection by risk profile, and due to regular sale of non-performing loans.

The Bank's solvency is expected to remain strong.

In the future, the Bank seeks to issue at least one benchmark-size covered bond each year.

This guidance is generally subject to uncertainty related to macroeconomic forecasts.

Helsinki, 11 August 2022

Danske Mortgage Bank Plc
Board of Directors

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Further information:

Pekka Toivonen, CEO
Tel. 010 546 7718

The figures in this interim report have not been audited.

Releases and other company information can be found on the Bank's website at danskebank.com/investor-relations/debt/danske-mortgage-bank.

STATEMENT OF COMPREHENSIVE INCOME

MEUR	Note	1-6/2022	1-6/2021	1-12/2021
Interest income calculated using the effective interest method	1	11,7	16,9	31,7
Other interest income	1	3,7	18,5	22,4
Interest expense	1	0,1	-18,2	-17,9
Net interest income	1	15,5	17,2	36,2
Fee income		0,8	1,1	2,1
Fee expenses		0,0	0,0	0,0
Net result from items at fair value		0,2	-0,4	-0,8
Other income		0,2	0,1	0,2
Total operating income		**16,7**	**17,9**	**37,7**
Staff costs		-0,3	-0,4	-0,7
Other operating expenses		-7,9	-7,8	-17,0
Total operating expenses		**-8,3**	**-8,1**	**-17,7**
Loan impairment charges	2	-0,5	-5,4	-2,9
Profit before taxes		**7,9**	**4,3**	**17,1**
Taxes		-1,6	-0,9	-3,4
Net profit after tax		**6,3**	**3,5**	**13,7**
Total comprehensive income for the financial year		**6,3**	**3,5**	**13,7**

BALANCE SHEET

MEUR	Note	6/2022	6/2021	12/2021
Assets				
Cash and balances with central banks		170,0	152,4	165,1
Loans and receivables to credit institutions	2	1,7	1,0	4,4
Trading portfolio assets	5, 6	8,0	20,5	9,0
Loans and receivables to customers	2	3 683,7	5 138,7	4 117,0
Tax assets		1,0	1,3	0,4
Other investment securities		29,7	35,6	35,4
Other assets		1,0	1,3	1,0
Total assets		**3 895,1**	**5 350,8**	**4 332,3**
Liabilities				
Due to credit institutions and central banks	7	1 300,0	2 249,7	1 732,5
Trading portfolio liabilities	5, 6	149,6	6,5	13,8
Debt securities in issue	8	2 097,1	2 763,0	2 245,3
Tax liabilities		-	-	-
Other liabilities		2,3	2,1	0,9
Total liabilities		**3 549,0**	**5 021,2**	**3 992,5**
Equity				
Share capital		70,0	70,0	70,0
Reserves		215,0	215,0	215,0
Retained earnings		61,1	44,6	54,8
Total equity		**346,1**	**329,6**	**339,8**
Total equity and liabilities		**3 895,1**	**5 350,8**	**4 332,3**

STATEMENT OF CHANGES IN EQUITY

EURm	Share capital	Reserves for invested unrestricted equity	Retained earnings	Total
Equity at 1 January 2021	**70,0**	**215,0**	**41,2**	**326,2**
Total comprehensive income			3,5	3,5
Equity at 30 June 2021	**70,0**	**215,0**	**44,6**	**329,6**
Equity at 1 January 2021	70,0	215,0	41,2	326,2
Total comprehensive income			13,7	13,7
Equit at 31 December 2021	**70,0**	**215,0**	**54,8**	**339,8**
Equity at 1 January 2022	**70,0**	**215,0**	**54,8**	**339,8**
Total comprehensive income			6,3	6,3
Equity 30 June 2022	**70,0**	**215,0**	**61,1**	**346,1**

CASH FLOW STATEMENT

EURm	1-6/2022	1-6/2021	1-12/2021
Cash flow from operations			
Profit before tax	7,9	4,3	17,1
Loan impairment charges	0,5	5,4	2,9
Tax paid	-2,2	-2,1	-3,7
Other non-cash operating items	1,5	-18,8	-19,9
Total	**7,8**	**-11,1**	**-3,6**
Changes in operating capital			
Due to credit institutions	-432,5	460,4	-56,8
Trading portfolio	136,9	48,1	66,8
Other financial instruments	5,7	5,2	5,4
Loans and receivables	432,8	479,8	1 504,1
Debt securities in issue net [1]	-148,2	-1 037,3	-1 555,0
Other assets/liabilities [3]	11,4	5,8	-0,3
Cash flow from operations	**13,9**	**-49,1**	**-39,4**
Cash and cash equivalents, beginning of period	148,8	188,2	188,2
Change in cash and cash equivalents [2] [3]	13,9	-49,1	-39,4
Cash and cash equivalents, end of period	**162,6**	**139,0**	**148,8**
Cash in hand and demand deposits with central banks [2]	160,9	138,1	144,4
Amounts due from credit institutions and central banks within 3 months	1,7	1,0	4,4
Total	**162,6**	**139,0**	**148,8**

[1] Debt securities in issue are presented separately including both debt securities issued and matured during the financial year. Comparison period corrected correspondingly.

[2] The minimum reserve is not included in the amount.

Reconciliation of liabilities arising from financing activities
On 30th June 2022 there were no liabilities arising from financing activities.

SEGMENT INFORMATION

Danske Mortgage Bank Plc has only one business segment and therefore a separate segment report outlined in IFRS 8 is not presented.

Danske Bank

DANSKE MORTGAGE BANK PLC'S FINANCIAL HIGHLIGHTS

		1-6/2022	1-6/2021	1-12/2021
Net interest income	EURm	15,5	17,2	36,2
Total operating income	EURm	16,7	17,9	37,7
Total operating expenses	EURm	8,3	8,1	17,7
Impairment charges on loans and receivables [1]	EURm	0,5	5,4	2,9
Profit before taxes	EURm	7,9	4,3	17,1
Cost to income ratio	%	49,6	45,4	47,0
Total amount of balance sheet at the end of the period	EURm	3 895,1	5 350,8	4 332,3
Equity at the end of the period	EURm	346,1	329,6	339,8
Return on equity [2]	%	3,7	2,1	4,1
Solvency ratio	%	72,5	39,0	63,4
Number of staff (FTE) at the end of the period		7	6	5
Average number of staff		6	6	6
Return on assets [2]	%	0,3	0,1	0,3
Equity/assets ratio	%	8,9	6,2	7,8

[1] Impairment on loans and receivables includes impairment charges, reversals of them, write-offs and recoveries. (-) net loss positive.

[2] Annualized

Definition of Alternative Performance Measures:

Danske Mortgage Bank Plc's management believes that the alternative performance measures (APMs) used in the Board of Directors' report provide valuable information to readers of the financial statements. The APMs provide more consistent basis for assessing the performance of the Company. The APM's play an important role when Danske Mortgage Bank's management monitors performance.

The annual report contains a number of key performance indicators (so-called alternative performance measures - APMs), which provide further information about Danske Mortgage Bank Plc. There are no adjusting items, which means that net profit is the same in the financial highlights and in the IFRS income statement. The differences between the financial highlights and the IFRS financial statements relate only to additional figures being presented in Board of Directors' disclosure which are not required by the IFRS -standards.

Def initions of additional performance measures presented in Financial Highlights:

Cost to income ratio, % :

$$\frac{\text{Staff costs + other operating expenses + depreciations and impairments}}{\text{Net interest income + net trading income + net fee income + share profit from associated undertakings + other operating income}} \times 100$$

Return on equity, % :

$$\frac{\text{Profit before taxes - taxes}}{\text{Equity + non-controlling interests (average)}} \times 100$$

Return on assets, % :

$$\frac{\text{Profit before taxes - taxes}}{\text{Average total assets}} \times 100$$

Equity/assets ratio, % :

$$\frac{\text{Equity + non-controlling interests}}{\text{Total assets}} \times 100$$

NOTES TO THE INTERIM REPORT

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

General
Danske Mortgage Bank Plc prepares its financial statements in accordance with the International Financial Reporting Standards (IFRSs), issued by the International Accounting Standards Board (IASB) and IFRIC Interpretations issued by IFRS Interpretations Committee, as adopted by the EU. In addition, certain requirements based on the Finnish Accounting Act, Finnish Act on Credit Institutions, Finnish Financial Supervisory Authority's regulations and guidelines as well as on the decision of the Ministry of Finance on financial statements of credit institutions have also been applied.

Danske Mortgage Bank Plc's Interim Report January - June 2022 has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by EU. The report is condensed and should be read in conjunction with the Annual Report 2021.

On 1 January 2022, the Bank Implemented the amendments to IAS 16 (proceeds before intended use), IAS 37 (onerous contracts - cost of fulfilling a contract), IFRS 3 (reference to the conceptual framework) and Annual Improvements to IFRS Standards 2018 – 2020 (amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41). The implementation of the amendments had no impact on the financial statements for Danske Mortgage Bank Plc.

Danske Mortgage Bank Plc has not changed its significant accounting policies from those applied in the Annual Report 2021. Annual Report 2021 provides a full description of the significant accounting policies.

Financial statements figures are stated in euro (EUR) and in whole millions with one decimal, unless otherwise stated. The figures in the notes are rounded so that combined individual figures might differ from the presented total amount.

Standards and interpretations not yet in force
The Annual report 2021 provides a full description of new IFRSs and amendments to IFRSs that have not yet come into force. As mentioned in the Annual report 2021, there are no new standards and amendments, that are likely to affect the future financial reporting.

Accounting estimates and assessments
The Management's estimates and assumptions of future events that will significantly affect the carrying amounts of assets and liabilities underlie the preparation of the financial statements. Management's judgement is also used with the adaption of accounting policies. The estimates and assumptions that are deemed critical to the financial statements are described in Notes to the Annual Report 2021.

Financial calendar
The interim report has not been audited. The financial statements for 2021 are available on Danske Mortgage Bank Plc's web site https://danskebank.com/investor-relations/debt/danske-mortgage-bank.

The Bank publishes one interim report during the financial year 2022.

OTHER NOTES

1 NET INTEREST INCOME

EURm	1-6/2022	1-6/2021	1-12/2021
Interest income calculated using effective interest method			
Loans and receivables to credit institutions	-0,2	-0,6	-1,5
Loans and receivables to customers	11,9	17,4	32,9
Other interest income	0,0	0,2	0,2
Total	11,7	16,9	31,7
Interest income			
Debt securities	-0,1	0,0	0,0
Derivatives, net	3,8	18,5	22,4
Total	3,7	18,5	22,4
Interest expenses			
Amounts owed to credit institutions	2,1	2,7	6,1
Debt securities in issue	-2,0	-20,8	-24,0
Other interest expenses	0,0 -		-
Total	0,1	-18,2	-17,9
Net interest income	**15,5**	**23,1**	**36,2**

Negative interest income and negative interest expenses amounted to EUR 0.2 million (1-6/2021: EUR 0.6 million) and EUR 2.1 million (1-6/2021: EUR 2.7 million), respectively. Negative interest income is offset against interest income and negative interest expenses against interest expenses.

2 LOANS AND OTHER RECEIVABLES AND IMPAIRMENT

Loans and other receivables and impairment

EURm	6/2022	12/2021
Loans and receivables to customers		
Private customers	3 685,6	4 119,0
Impairment charges	1,9	2,0
Total	3 687,5	4121,0
Cash and balances at central banks and loans and receivables from credit institutions		
Balances with central banks*	170,0	165,1
Loans and receivables from credit institutions		
Other loans	1,7	4,4
Allowances	0,0	0,0
Total	171,7	169,5
Loans and receivables total	**3 859,2**	**4 290,5**

**Balances with central banks are situated on stage 1 in the stage division according to IFRS 9 -standard.*

Loan impairment charges

1000 EUR	1-6/2022	1-6/2021	1-12/2021
Impact of net remeasurement of ECL (incl. changes in models)	690,4	5 545,2	3 049,5
ECL on assets derecognised	-146,2	-134,9	-158,3
Decrease of provisions to cover realised loan losses	-711,8	-156,3	-3 258,2
Final write-offs	711,8	156,3	3 255,2
Interest income, effective interest method	0,0	-0,1	-0,1
Total	544,2	5 410,2	2 888,2

Presentation has been changed to be in line with Annual Report 2020. Figures for comparative period have been changed accordingly.

Reconciliation of total allowance account on loans

1000 EUR	6/2022			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period, 1.1.2022	323,4	1 517,9	144,2	1 985,6
Transferred to Stage 1 during the period	561,3	-553,9	-7,4	-
Transferred to Stage 2 during the period	-17,5	49,9	-32,5	-
Transferred to Stage 3 during the period	-0,8	-104,7	105,6	-
ECL on new assets	-	-	-	-
ECL on assets derecognised	-37,7	-108,4	-	-146,2
Impact of net remeasurement of ECL (incl. changes in models)	-419,3	586,8	523,5	691,1
Write-offs debited to the allowance account	-4,0	-9,0	-698,8	-711,8
Other changes	0,7	5,0	64,2	69,9
Balance at end of period, 30.6.2022	406,2	1 383,6	98,8	1 888,6

	12/2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period, 1.1.2021	457,9	1 748,2	20,9	2 226,7
Transferred to Stage 1 during the period	277,0	-275,0	-2,0	-
Transferred to Stage 2 during the period	-80,7	88,6	-7,9	-
Transferred to Stage 3 during the period	-3,9	-143,8	147,7	-
ECL on new assets	77,3	-	-	77,3
ECL on assets derecognised	-62,8	-95,5	-	-158,3
Impact of net remeasurement of ECL (incl. changes in models)	-239,7	2 818,2	477,1	3 055,6
Write-offs debited to the allowance account	-105,0	-2 675,0	-478,2	-3 258,2
Other changes	3,2	52,4	-13,4	42,1
Balance at end of period, 31.12.2021	323,4	1 517,9	144,2	1 985,6

Credit exposure from lending activities

Credit exposure from lending activities in the Danske Mortgage Bank Plc's core banking business includes loans, amounts due from central banks and irrevocable loan commitments. The exposure is measured net of expected credit losses. For reporting purposes, all collateral values are net of haircuts and capped at the exposure amount.

The table below breaks down the credit exposure by rating categories and stages. Further information on classification of customers from the Annual Report 2021 Risk Management Disclosure starting from page 15.
Further information regarding Loan impairment charges is presented in the Annual Report 2021, note 6.

Credit portfolio broken down by rating category and stages in IFRS 9

EURm

6/2022	PD level		Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	0,00	0,01	-	-	-	-	-	-	-	-	-	-	-	-
2	0,01	0,03	250,6	0,1	-	0,0	0,0	-	250,6	0,1	-	170,4	0,0	-
3	0,03	0,06	633,5	0,6	-	0,0	0,0	-	633,5	0,6	-	2,8	0,0	-
4	0,06	0,14	1 196,6	0,7	-	0,1	0,0	-	1 196,5	0,7	-	7,6	0,0	-
5	0,14	0,31	1 010,1	4,3	-	0,1	0,0	-	1 010,0	4,3	-	9,5	0,0	-
6	0,31	0,63	457,1	33,2	-	0,1	0,1	-	457,0	33,1	-	6,1	0,7	-
7	0,63	1,90	135,7	70,3	-	0,1	0,3	-	135,6	70,0	-	2,0	0,6	-
8	1,90	7,98	7,3	14,8	-	0,0	0,1	-	7,3	14,7	-	0,1	0,1	-
9	7,98	25,70	10,9	8,7	-	0,0	0,1	-	10,9	8,6	-	0,1	0,1	-
10	25,70	99,99	2,3	29,2	-	0,0	0,8	-	2,3	28,4	-	0,0	0,2	-
11 (default)	100,00	100,00	0,1	0,2	-	0,0	0,0	-	0,1	0,2	-	0,0	0,0	-
Total			3 704,2	162,1	0,0	0,4	1,4	0,0	3 703,8	160,7	0,0	198,7	1,7	0,0

12/2021	PD level		Gross exposure			Expected Credit Loss			Net exposure			Net exposure, ex collateral		
	Upper	Lower	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
1	0,00	0,01	-	-	-	-	-	-	-	-	-	-	-	-
2	0,01	0,03	259,8	0,3	-	0,0	0,0	-	259,8	0,3	-	165,4	-	-
3	0,03	0,06	700,3	7,3	-	0,0	0,0	-	700,3	7,3	-	3,1	0,1	-
4	0,06	0,14	1 332,1	14,3	-	0,1	0,0	-	1 332,1	14,3	-	9,9	0,2	-
5	0,14	0,31	1 052,2	24,9	-	0,1	0,0	-	1 052,1	24,9	-	10,7	0,2	-
6	0,31	0,63	515,0	24,4	-	0,1	0,0	-	514,9	24,3	-	6,4	0,5	-
7	0,63	1,90	134,0	128,7	-	0,1	0,5	-	133,9	128,2	-	2,4	1,0	-
8	1,90	7,98	9,7	16,0	-	0,0	0,1	-	9,7	15,9	-	0,2	0,2	-
9	7,98	25,70	2,8	19,9	0,2	0,0	0,1	0,0	2,8	19,8	0,2	0,1	0,1	-
10	25,70	99,99	3,6	32,3	6,0	0,0	0,7	0,1	3,6	31,6	5,9	0,0	0,3	0,1
11 (default)	100,00	100,00	0,0	0,2	0,1	0,0	0,0	0,0	0,0	0,2	0,1	0,0	0,0	0,0
Total			4 009,7	268,1	6,3	0,3	1,5	0,1	4 009,4	266,6	6,2	198,1	2,5	0,1

3 THE BALANCE SHEET CLASSIFICATION

EURm	Amortised cost		Fair value through profit or loss			
ASSETS	Held to collect financial assets	Liabilities	Managed at fair value	Hedge	Non-financial assets and liabilities	Total
Cash and balances with central banks	170,0					170,0
Loans and receivables to credit institutions	1,7					1,7
Trading portfolio assets						
Derivatives				29,7		29,7
Investment securities, bonds			8,0			8,0
Loans and receivables to customers	3 689,2			0,0	-5,5	3 683,7
Tax assets					1,0	1,0
Other assets					1,0	1,0
Total 30.6.2022	**3 860,9**	**-**	**8,0**	**29,7**	**-3,4**	**3 895,1**

LIABILITIES						
Due to credit institutions and central banks		1 300,0				1 300,0
Trading porfolio liabilities				149,6		149,6
Debt securities in issue						
-> Bonds		2 097,1		0,0		2 097,1
Other liabilities					2,3	2,3
Total 30.6.2022	**-**	**3 397,1**	**-**	**149,6**	**2,3**	**3 549,0**

EURm	Amortised cost		Fair value through profit or loss			
ASSETS	Held to collect financial assets	Liabilities	Managed at fair value	Hedge	Non-financial assets and liabilities	Total
Cash and balances with central banks	165,1					165,1
Loans and receivables to credit institutions	4,4					4,4
Trading portfolio assets						
Derivatives				9,0		9,0
Investment securities, bonds			35,4			35,4
Loans and receivables to customers	4 112,4			4,6		4 117,0
Tax assets					0,4	0,4
Other assets					1,0	1,0
Total 31.12.2021	**4 281,8**	**-**	**35,4**	**13,7**	**1,4**	**4 332,3**

LIABILITIES						
Due to credit institutions and central banks		1 732,5				1 732,5
Trading porfolio liabilities				13,8		13,8
Debt securities in issue						
-> Bonds		2 245,1		0,2		2 245,3
Other liabilities					0,9	0,9
Total 31.12.2021	**-**	**3 977,6**	**-**	**14,0**	**0,9**	**3 992,5**

4 MATURITY ANALYSIS OF THE BALANCE SHEET

EURm

Assets	Total	< 1 year	> 1 year
Cash and balances with central banks	170,0	170,0	-
Loans and receivables to credit institutions	2,7	2,7	-
Trading portfolio assets	8,0	7,1	0,9
Other investment securities	29,7	15,0	14,7
Loans and receivables to customers	3 688,6	292,6	3 396,0
Tax assets	2,6	2,6	-
Other assets	1,0	1,0	-
Total 30.6.2022	**3 902,5**	**490,9**	**3 411,6**

Liabilities	Total	< 1 year	> 1 year
Due to credit institutions and central banks	1 300,3	600,3	700,0
Derivatives and other financial liabilities held for trading	149,6	16,3	133,4
Debt securities in issue	2 245,6	3,1	2 242,5
Tax liabilities	-	-	-
Other liabilities	2,3	2,3	-
Total 30.6.2022	**3 697,8**	**621,9**	**3 075,9**

Assets	Total	< 1 year	> 1 year
Cash and balances with central banks	165,1	165,1	-
Loans and receivables to credit institutions	4,4	4,4	-
Trading portfolio assets	9,0	5,9	3,1
Other investment securities	35,4	-	35,4
Loans and receivables to customers	4 117,0	333,7	3 783,3
Tax assets	0,4	0,4	-
Other assets	1,0	1,0	-
Total 31.12.2021	**4 332,3**	**510,5**	**3 821,8**

Liabilities	Total	< 1 year	> 1 year
Due to credit institutions and central banks	1 732,5	632,5	1 100,0
Derivatives and other financial liabilities held for trading	13,8	-4,0	17,8
Debt securities in issue	2 245,3	3,0	2 242,3
Other liabilities	0,9	0,9	-
Total 31.12.2021	**3 992,5**	**632,3**	**3 360,1**

Maturity analysis of past due financial assets, net

EURm	**6/2022**	**12/2021**
Assets past due 30-90 days	3,8	4,9
Unlikely to pay	0,2	6,4
Nonperforming assets past due at least 90 days but no more than 180 days	0,0	0,4
Nonperforming assets past due at least 180 days - 1 year	-	-
Nonperforming assets more than 1 year	-	-
Receivables with forbearance measures, gross carrying amount	127,6	159,7

5 FAIR VALUE INFORMATION FOR FINANCIAL INSTRUMENTS

Financial instruments are carried on the balance sheet at fair value or at amortised cost. Note 10 in Annual Report 2021 includes description for classification of financial assets and liabilities by valuation type and detailed measurement bases of financial assets and liabilities.

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

There is more specific information regarding company's financial instruments measured at fair value in Annual Report 2021, note 10.

Financial instruments valued on the basis of quoted prices on an active market are recognised in the Quoted prices category (level 1). Financial instruments valued substantially on the basis of other observable input are recognised in the Observable input category (level 2). Other financial instruments are recognised in the Non-observable input category (level 3).

If, at the balance sheet date, a financial instrument's classification differs from its classification at the beginning of the year, the classification of the instrument changes. Changes are considered to have taken place at the balance sheet date.

During the reporting period ending 30 June 2022, there were no transfers between Level 1 (Quoted prices) and Level 2 (Observable input) fair value measurements, and no transfers into and out of Level 3 (Non-observable input) fair value measurement.

All financial assets and liabilities are measured at observable input. The company does not have any financial assets or libilities that fall in the category non-observable input.

	6/2022			
EURm	Quoted prices	Observable input	Non-observable input	**Total**
Financial assets				
Investment securities, bonds	24,8	4,9	-	29,7
Derivative financial instruments	-	8,0	-	8,0
Total	**24,8**	**12,9**	**-**	**37,7**
Financial liabilities				
Derivative financial instruments	-	149,6	-	149,6
Total	**-**	**149,6**	**-**	**149,6**

	12/2021			
EURm	Quoted prices	Observable input	Non-observable input	**Total**
Financial assets				
Investment securities, bonds	30,3	5,1	-	**35,4**
Derivative financial instruments	-	9,0	-	**9,0**
Total	**30,3**	**14,1**	**-**	**44,4**
Financial liabilities				
Derivative financial instruments	-	13,8	-	**13,8**
Total	**-**	**13,8**	**-**	**13,8**

6 DERIVATIVE FINANCIAL INSTRUMENTS

EURm	6/2022		
	Fair value		Notional
Derivatives held for hedging	Assets	Liabilities	amount
Fair value hedges	**8,0**	**149,6**	**5 950,0**
Interest rate			
OTC derivatives	8,0	149,6	5 950,0
Total derivatives held for hedging	**8,0**	**149,6**	**5 950,0**

Nominal value of the underlying instrument

Remaining maturity	Less than 1 year	1-5 years	Over 5 years
	-	4 938,8	1 011,3

	12/2021		
	Fair value		Notional
Derivatives held for hedging	Assets	Liabilities	amount
Fair value hedges	**9,0**	**13,8**	**8 247,4**
Interest rate			
OTC derivatives	9,0	13,8	8 247,4
Total derivatives held for hedging	**9,0**	**13,8**	**8 247,4**

Nominal value of the underlying instrument

Remaining maturity	Less than 1 year	1-5 years	Over 5 years
	-	8 103,9	143,5

All of the Company's derivatives held for hedging are contracts with Group companies.

EURm **Derivatives with positive fair value**	**6/2022**	**12/2021**
Derivatives with positive fair value before netting	8,0	9,0
Carrying amount	8,0	9,0
Netting (under capital adequacy rules)	149,6	13,8
Net current exposure	-141,7	-4,7
Collateral	0,0	-12,5
Net amount	-141,7	7,7

7 AMOUNTS OWED TO CREDIT INSTITUTIONS

EURm	6/2022	6/2021	12/2021
Deposits from credit insitutions	1 300,0	2 249,7	1 732,5
Total	**1 300,0**	**2 249,7**	**1 732,5**

8 DEBT SECURITIES IN ISSUE

EURm	6/2022	6/2021	12/2021
Finnish covered bonds	2 097,1	2 763,0	2 245,3

Nominal value

EURm

	1 January 2022	Issued	Redeemed	30 June 2022
Covered bonds	2 250,0		0,0	2 250,0

	1 January 2021	Issued	Redeemed	31 December 2022
Covered bonds	3 750,0	500,0	2 000,0	2 250,0

9 CONTINGENT LIABILITIES AND COMMITMENTS

Danske Mortgage Bank Plc does not have significant off-balance sheet items or significant non-cancellable operating leases.

Company's off-balance sheet items consists undrawn loans that totalled EUR 0.0 thousand at 30.6.2022 (EUR 0.0 thousand at 31.12.2021). Allowances on off-balance sheet items totalled to EUR 0.0 thousand at 30.6.2022 (EUR 0.0 thousand on 31.12.2021).

10 RELATED PARTY TRANSACTIONS WITH GROUP COMPANIES AND OTHER RELATED PARTIES

Related party comprises the parent company, the key management personnel and other related-party companies. Parties with significant influence include the parent company and its branches. The key management personnel comprises Board of Directors and executive management, including close family members and companies, in which the key management personnel or their close family members have considerable influence.

Related party transactions have not changed materially since 31.12.2021.