Interim Report January-June 2021

Danske Mortgage Bank Plc

DANSKE MORTGAGE BANK PLC'S INTERIM REPORT FOR JANUARY-JUNE 2021

Danske Mortgage Bank Plc's financial performance remained solid in January–June 2021. No covered bonds were issued due to the Group's strong liquidity situation, and a covered bond with notional value of EUR 1.0 billion matured. Due to liquidity regulation, this redemption was financed from the parent well in advance. Loan portfolio matures at a constant pace, and it has been maintained with loan purchases and sales. Demand for mortgage loans remained at a good level at half-year period and as a result there is sufficient amount of collateral eligible loans on Danske Bank Group's Finnish businesses. Therefore, the Mortgage Bank is in a good state to issue covered bonds during the second half of the year.

Total operating income of Danske Mortgage Bank decreased being EUR 17.9 million for January-June 2021 (EUR 25.0 million for January-June 2020). Loan impairment charges totalled to EUR 5.4 million for January-June 2021 (EUR 0.8 million on January-June 2020). Non-performing loans were EUR 38.2 million (EUR 13.5 million at year end 2020), of which non-performing loans that are delayed for over 90 days amounted to EUR 0.5 million (EUR 0.5 million at the end of December 2020). On spring 2020, the Group and the Bank increased the use of concessions to assist customers affected by the corona crisis. In the Bank interest only periods increased remarkably during the spring 2020, but currently interest only periods have returned to pre-pandemic levels. On average, length of interest only was less than six months. Part of the COVID-19 concessions were defined to be forbearances according to the accounting principles found in the Annual Report. Almost all of the loans under forbearance measures are still performing normally. Also for the loan book over the time of entire pandemic, we cannot detect any adverse changes in the past due events for our customers compared to earlier.

The abnormally high impairments are explained by the Danish FSA order for the treatment of concessions affecting entire Group. According to the order all forbearance shall be booked in the lowest or second lowest stage. The order causes a move of performing loans under forbearance mark generally from rating category 8 to category 10. Further, the order has the effect that weaker customers with facilities on stage 2 must be classified to rating category 10. The lower credit classes will mean higher probability of defaults, which in impairment models means considerably higher impairments. Rating categories and corresponding probability of default ranges can be found in the Annual Report on page 18. However, we do not see deteriorating credit quality but the uncertainty brought by COVID-19, and consider the impairments having a technical nature. The final write-offs from the sale of loans were EUR 0.2 million euros which is at scaled annually 0.01 per cent in relation to average loan portfolio for the half year.

The annualized return on equity amounted to 2.1 per cent at the end of June 2021 (7.2 per cent in January - December 2020). Following the FIN-FSA's recommendation Danske Mortgage Bank's Annual General Meeting, held on 31 March 2021, decided that no dividend will be paid for financial year 2020. This increased company's equity by EUR 22.7 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. According to the FIN-FSA's guidance on December 18, 2020, it was recommended that the credit institutions under the FIN-FSA's direct supervision would exercise extreme prudence in their profit distribution paid in cash until 30 September 2021. On July 27, 2021, the FIN-FSA published a press release informing that the recommendation on the distribution of credit institutions' profits is not extended beyond 30 September 2021. The recommendation expires for both profit distribution and variable remuneration. According to the release credit institutions' profit distribution decisions should take place after 30 September 2021.

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 is operating as an issuer of covered bonds according to the Finnish Act on Mortgage Bank Operations. Issuance of covered bonds is part of 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 Finland Branch.

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

Operating environment

The Finnish economy has survived the corona pandemic so far with relatively little damage. In 2020, the Finnish GDP contracted 2.9 per cent, which is considerably less than what the predictions indicated during the early stages of crisis. In winter, the recovery came temporarily to a halt due to worsening of the epidemic and the following lockdown restrictions. However, over spring and summer 2021, vaccinations have proceeded as planned making it possible to open the economy gradually. Growth prediction for 2021 is quite high now that mobility is returning to normal and private consumption is recovering. The outlook for exports and investment is also good, and the global recovery supports the positive development of Finnish economy. Finnish export industry has survived the corona pandemic quite well, and there has not been any significant rise in bankruptcies. Business and consumer confidence indicators have risen to a quite high level during last few months. On the other hand, public finances will continue to add a significant amount of new debt in 2021.

Unemployment has risen due to the corona epidemic but noticeably less than feared. After last summer, the trend indicators for employment and unemployment have recovered. However, neither one is quite yet back to the pre-corona level. Temporary layoffs are still at an elevated level. Going forward, the labour market is expected to improve, now that the economy is undergoing a broad-based recovery that includes service industries. The number of open vacancies is high indicating strong labour demand.

Housing sales have been high during the corona epidemic apart from a temporary slowdown in spring of 2020. In surveys, households' intentions to purchase housing have been elevated for several months and currently the stock of housing loans grows at a faster rate than in years. A prolonged declining trend in apartment construction permits has turned into growth. The stock of unsold homes is at a low level and prices are rising strongly in growth centres. On the other hand, the supply of rental apartments has been plentiful. The corona epidemic has simultaneously decreased demand and brought new units to the market from, for example, temporarily empty Airbnb apartments.

The Board of the Financial Supervisory Authority (FIN-FSA) lowers the loan cap for residential mortgage loans other than first-home loans by five percentage points, to the pre-pandemic level of 85 percent, starting October 1st, 2021. The housing market recovered fast from the crisis and the FIN-FSA wants to limit risk of household over-indebtedness. The change may slow down the increase in housing prices.

Monetary policy has been accommodative for a long time and interest rates are going to stay low in 2021 and beyond. To combat the corona crisis, the European Central Bank began a new pandemic emergency purchase programme (PEPP) last year, and its size was increased to EUR 1,850 billion in December. The purchasing power of households continues to rise supported by earnings growth and rising employment, even though rising inflation slows down the growth of real income. Unusually low consumption demand last year has raised savings rate and increased deposits in many households. In the future, we expect the Finnish economy to recover and pent-up demand from accumulated savings strengthens growth. The corona pandemic remains a risk for the development of the operating environment but the progress with vaccinations implies that large-scale lockdown measures are unlikely going forward.

Financial review [1]

The Bank's profit before taxes for January–June 2020 was EUR 4.3 million (16.1 million). The result decreased to EUR 3.5 million (12.9 million). Annualized return on equity amounted to 2.1 per cent for the first half of 2021 (8.3 per cent).

Total operating income for the first half of 2021 decreased by 28.4 per cent compared to the same period a year earlier totalling EUR 17.9 million (25.0 million). The net interest income developed as expected totalling to EUR 17.2 million (23.1 million), and decreased by 25.5 per cent compared to the same period last year. The decrease was due to decrease in loan portfolio compared to same period last year and increase in financing costs. Net fee income remained on the same level EUR 1.1 million (1.1 million). Net result from items at fair value decreased and amounted to EUR -0.4 million (0.8 million).

Cost to income ratio was 45.4 per cent (32.5 per cent). Total operating income decreased compared to comparison period, which was mainly driven by the decrease in net interest income. Operating expenses from January-June remained on the same level compared to the same period last year and totalled to EUR 8.1 million (8.1 million).

Impairment charges and final write-offs totalled to EUR 5.4 million (0.8 million) of which final write-offs totalled to EUR 0.2 million (EUR 0.6 million). Impairment charges increased due to request from the Danish FSA according to which there were changes in the handling of concessions. Non-performing loans were sold regularly to Danske Bank A/S, Finland Branch and final-write offs realizes from loan sales.

Balance sheet and funding [2]

The Bank's balance sheet total was EUR 5,350.8 million (5,949.0 million) and loans and receivables from customers decreased to EUR 5,138.7 million (5,624.0 million). The decrease in balance sheet was mainly due to maturing of an issued covered bond in June 2021 and customers paying back loans.

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 173.6 million (228.9 million) and remained at a good level.

With a liquidity coverage ratio (LCR) of 688 per cent end of June 2021 (906 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 to required stable funding. Regulatory framework regarding binding Net Stable Funding Ratio was applicable from June 2021. Bank's NSFR was 115 per cent end of June 2020 (107 per cent) which complies with the 100 per cent requirement. Available stable funding totalled to EUR 4,289.3 million end of June 2021 (4,337.5), which is EUR 565.6 million (293.8) above the Required stable funding. The maturity of the funding received from parent company is 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 and tier 2 capital (IRB excess of provisions over expected losses eligible). On 30 June 2021, the total capital amounted to EUR 327.7

[1] The comparison figures in parentheses refer to the first six months of 2020.
[2] The comparison figures in parentheses refer to December 2020 figures.

million (297.6 million), and the total capital ratio was 39.0 (33.6) per cent. The common equity tier 1 capital ratio was 38.8 (33.6) per cent. Total capital has increased by EUR 30.2 million mainly due to the decision to refrain from dividend distributions as recommended by the FIN-FSA due to uncertainty created by the coronavirus pandemic. Profit after tax for January-December 2020 has been included in the Tier 1 distributable capital. Profit after taxes for January-June 2021 is not included in Tier 1 distributable capital.

On 30 June 2021, Risk exposure amount (REA) was EUR 840.7 million (885.2 million).

Leverage ratio

The Bank´s leverage ratio was 6.1 per cent on 30 June 2021 (5.0 per cent at the end of December 2020). The leverage ratio is calculated based on the second quarter end figures whereby the tier 1 capital was EUR 326.1 million (297.6 million) and leverage ratio exposure EUR 5,364.9 million (5,912.2 million). Change in leverage ratio is mainly due to the decrease in loans and receivables from customers.

From 28 June 2021, credit institutions are subject to a 3 per cent leverage ratio requirement, which is a binding constraint. The requirement comes from a reform package issued on 7 June 2019 in order to improve the resilience of EU credit institutions.

Leverage ratio table is presented after the solvency table as per 30 June 2021.

Capital buffers

On April 2020 the FIN-FSA decided to lower the Finnish credit institutions' capital requirements. The systemic risk buffer remains still at 0 percent for Danske Mortgage Bank Plc.

On June 2021 the FIN-FSA decided not to increase the countercyclical capital buffer requirement (variable capital add-on) applicable to banks. The requirement will remain at zero until further notice.

The Pillar II requirement has increased, because the interest rate risk of banking book has been increased in Bank's internal calculations. The interest rate risk has increased, because for large part of the loan book the reference rate used in housing loan has been set to be at least zero, and this item affecting to the Bank's earnings has not been fully hedged.

The minimum own funds requirements and capital buffers for the Bank as well as the Pillar II requirement are listed under the leverage ratio table.

SOLVENCY

Own funds	30.6.2021	31.12.2020	30.6.2020
EURm			
Common Equity Tier 1 capital before deductions	**329.6**	**326.2**	**316.3**
Share capital	70.0	70.0	70.0
Reserves for invested unrestricted equity	215.0	215.0	215.0
Retained earnings	41.2	18.5	18.5
Total comprehensive income for the period	3.5	22.7	12.9
Deductions from CET1 capital	**-3.5**	**-28.6**	**-19.6**
Proposed/paid dividends /part of profit not included in CET1	-3.5	-22.7	-12.9
Value adjustments due to the requirements for prudent valuation	-0.1	-0.1	-0.1
IRB shortfall of credit risk adjustments to expected losses	-	-5.8	-6.6
Common Equity Tier 1 (CET1)	**326.1**	**297.6**	**296.8**
Additional Tier 1 capital (AT1)	**-**	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**326.1**	**297.6**	**296.8**
Tier 2 capital (T2)	**1.6**	**-**	**-**
IRB excess of provisions over expected losses eligible	1.6	-	-
Total capital (TC = T1 + T2)	**327.7**	**297.6**	**296.8**
Total risk exposure amount (REA)	**840.7**	**885.2**	**1,041.1**
Capital requirement (8% of risk exposure amount)	**67.3**	**70.8**	**83.3**
Credit and counterparty risk	62.3	65.9	78.5
Operational risk	4.9	4.9	4.8
Common equity tier 1 capital ratio (%)	**38.8 %**	**33.6 %**	**28.5 %**
Tier 1 capital ratio (%)	**38.8 %**	**33.6 %**	**28.5 %**
Total capital ratio (%)	**39.0 %**	**33.6 %**	**28.5 %**

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	30.6.2021	31.12.2020	30.6.2020
Total assets	5,350.8	5,949.0	6,617.5
Derivatives accounting asset value	-20.5	-74.1	-80.4
Derivatives exposure to counterparty risk ex. collateral	34.6	43.1	44.5
Undrawn committed and uncommitted facilities, guarantees and loan offers	-	-	0.0
Adjustment to CET1 due to prudential filters	-	-5.8	-6.6
Total exposure for leverage ratio calculation	5,364.9	5,912.2	6,575.1
Reported tier 1 capital (transitional rules)	326.1	297.6	296.8
Tier 1 capital (fully phased-in rules)	326.1	297.6	296.8
Leverage ratio (transitional rules)	6.1 %	5.0 %	4.5 %
Leverage ratio (fully phased-in rules)	6.1 %	5.0 %	4.5 %

MINIMUM OWN FUNDS REQUIREMENTS AND CAPITAL BUFFERS:

Minimum requirements (% of total risk exposure amount):	30.6.2021	31.12.2020	30.6.2020
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	6.0	6.0

[1] Valid from 1.1.2015 onwards.

[2] On 29th June 2021, the FIN-FSA decided not to set any countercyclical buffer.

[3] Valid from 1.7.2019 onwards until the FIN-FSA decided on 6 April 2020 to remove Systemic risk buffer requirement.

Credit ratings

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

Employees and organisation

The Bank had 6 employees at the end of the reporting period (31 December 2020: 6). The average amount of personnel in January- June was 6 (financial period 2020: 6).

Danske Mortgage Bank Plc's Board of Directors and auditors

On 25 February 2021, Stojko Gjurovski (Chairman) was elected and Glenn Söderholm resigned from Bank's Board of Directors. As members of the Bank's Board of Directors remained Robert Wagner, 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 of the Bank held on 31 March 2021 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 2020. Accounting policies are explained in the Notes to the Interim report, and are presented in detail in the Notes to the 2020 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. During spring 2020, the Covid-19 pandemic led into an increase of interest only periods and forbearance registrations, however these recovered on a normal level during the end of 2020. If the pandemic prolongs it might still have an effect on credit quality of the portfolio going forward. The main risks associate with the development in the general economic environment and investment market and future changes in financial regulations.

From 28 June 2021, credit institutions are subject to 100 per cent minimum net stable funding ratio requirement, which is a binding constraint. The requirement comes from a reform package issued on 7 June 2019 in order to improve the resilience of EU credit institutions.

In relation to the loan portfolio, non-performing loans were at a low level. Non-performing loans that are past due for over 90 days amounted to EUR 0.5 million (EUR 0.5million at the end of December 2020).

More detailed information of risks and risk management can be found in the 2020 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 2021

The global economy is expected to recover quickly this year. The outlook for Finnish economy has also improved during spring, as the vaccinations have progressed. Accommodative financial policy and central banks' sizeable actions have supported financial markets, and the support will continue in the future. Domestic private consumption will increase accelerating the growth of the economy. Housing construction remains active.

However, it is expected that the net interest income will be significantly lower than in 2020. On early 2020 we purchased exceptionally large volume of loans, which has matured evenly making the balance sheet smaller. Smaller customer volume, flatter short end of yield curve and market's view on the basis in forward rates decreased net interest income compared to last year. Furthermore, the rate for the future financing transactions and level of interest rates has uncertainty, and the net interest income cannot be exactly forecasted for the rest of the year.

We expect the Bank's net profit for the year to be significantly lower than for 2020, but still remaining positive. The decline is mainly due to lower net interest income and increase in loan impairment charges.

The non-performing loans and impairments are expected to remain roughly on the current level. The quality of loan portfolio is high based on the fact that loans are covered by mortgage collaterals, based on 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, 12 August 2021

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	1-6/2021	1-6/2020	1-12/2020
Interest income calculated using the effective interest method	1	16.9	21.7	42.2
Other interest income	1	18.5	23.3	44.4
Interest expense	1	-18.2	-22.0	-44.4
Net interest income	1	17.2	23.1	42.2
Fee income		1.1	1.1	2.3
Fee expenses		0.0	0.0	0.0
Net result from items at fair value		-0.4	0.8	0.4
Other income		0.1	0.1	0.1
Total operating income		**17.9**	**25.0**	**44.9**
Staff costs		-0.4	-0.3	-0.7
Other operating expenses		-7.8	-7.8	-15.1
Total operating expenses		**-8.1**	**-8.1**	**-15.8**
Loan impairment charges	2	-5.4	-0.8	-0.7
Profit before taxes		**4.3**	**16.1**	**28.4**
Taxes		-0.9	-3.2	-5.7
Net profit after tax		**3.5**	**12.9**	**22.7**
Total comprehensive income for the financial year		**3.5**	**12.9**	**22.7**

BALANCE SHEET

MEUR	Note	6/2021	6/2020	12/2020
Assets				
Cash and balances with central banks		152.4	117.1	208.2
Loans and receivables to credit institutions	2	1.0	148.7	0.1
Trading portfolio assets	5, 6	20.5	80.4	74.1
Loans and receivables to customers	2	5,138.7	6,228.2	5,624.0
Tax assets		1.3	0.6	0.1
Other investment securities		35.6	40.7	40.8
Other assets		1.3	1.8	1.6
Total assets		**5,350.8**	**6,617.5**	**5,949.0**
Liabilities				
Due to credit institutions and central banks	7	2,249.7	1,460.6	1,789.3
Trading portfolio liabilities	5, 6	6.5	16.4	12.1
Debt securities in issue	8	2,763.0	4,819.1	3,800.3
Tax liabilities		-	0.4	-
Other liabilities		2.1	4.6	21.2
Total liabilities		**5,021.2**	**6,301.1**	**5,622.8**
Equity				
Share capital		70.0	70.0	70.0
Reserves		215.0	215.0	215.0
Retained earnings		44.6	31.3	41.2
Total equity		**329.6**	**316.3**	**326.2**
Total equity and liabilities		**5,350.8**	**6,617.5**	**5,949.0**

STATEMENT OF CHANGES IN EQUITY

EURm	Share capital	Reserves for invested unrestricted equity	Retained earnings	Total
Equity at 1 January 2020	**70.0**	**215.0**	**18.5**	**303.5**
Total comprehensive income			12.9	12.9
Equity at 30 June 2020	**70.0**	**215.0**	**31.3**	**316.3**
Equity at 1 January 2020	70.0	215.0	18.5	303.5
Total comprehensive income			22.7	22.7
Equit at 31 December 2020	**70.0**	**215.0**	**41.2**	**326.2**
Equity at 1 January 2021	**70.0**	**215.0**	**41.2**	**326.2**
Total comprehensive income			3.5	3.5
Equity 30 June 2021	**70.0**	**215.0**	**44.6**	**329.6**

CASH FLOW STATEMENT

EURm	1-6/2021	1-6/2020	1-12/2020
Cash flow from operations			
Profit before tax	4.3	16.1	28.4
Loan impairment charges	5.4	0.8	0.7
Tax paid	-2.1	-2.3	-4.7
Other non-cash operating items	-18.8	-17.0	-0.7
Total	**-11.1**	**-2.4**	**23.7**
Changes in operating capital			
Due to credit institutions	460.4	331.1	659.7
Trading portfolio	48.1	11.6	14.2
Other financial instruments	5.2	-0.5	-0.5
Loans and receivables	479.8	-1,234.5	-630.2
Debt securities in issue net [1]	-1,037.3	1,000.9	-18.0
Other assets/liabilities [3]	5.8	-2.4	-6.8
Cash flow from operations	**-49.1**	**103.8**	**42.0**
Cash and cash equivalents, beginning of period	188.2	146.2	146.2
Change in cash and cash equivalents [2] [3]	-49.1	103.8	42.0
Cash and cash equivalents, end of period	**139.0**	**249.9**	**188.2**
Cash in hand and demand deposits with central banks [2]	138.1	101.2	188.1
Amounts due from credit institutions and central banks within 3 months	1.0	148.7	0.1
Total	**139.0**	**249.9**	**188.2**

[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.

[3] Figure corrected for comparative period 1-12/2020.

Reconciliation of liabilities arising from financing activities

On 30th June 2021 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

		1-6/2021	1-6/2020	1-12/2020
Net interest income	EURm	17.2	23.1	42.2
Total operating income	EURm	17.9	25.0	44.9
Total operating expenses	EURm	8.1	8.1	15.8
Impairment charges on loans and receivables [1]	EURm	5.4	0.8	0.7
Profit before taxes	EURm	4.3	16.1	28.4
Cost to income ratio	%	45.4	32.5	35.2
Total amount of balance sheet at the end of the period	EURm	5,350.8	6,617.5	5,949.0
Equity at the end of the period	EURm	329.6	316.3	326.2
Return on equity [2]	%	2.1	8.3	7.2
Solvency ratio	%	39.0	28.5	33.6
Number of staff (FTE) at the end of the period		6	6	6
Average number of staff		6	5	6
Return on assets [2]	%	0.1	0.4	0.4
Equity/assets ratio	%	6.2	4.8	5.5

[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.

Definitions 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 2021 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 2020.

On 1 January 2021, the Bank implemented amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform, phase 2) and IFRS 16 (Covid-19 Related Rent Concessions). 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 2020. Annual Report 2020 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 2020 provides a full description of new IFRSs and amendments to IFRSs that have not yet come into force. As mentioned in the Annual report 2020, 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 2020.

Financial calendar
The interim report has not been audited. The financial statements for 2020 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 2021.

OTHER NOTES

1 NET INTEREST INCOME

EURm	1-6/2021	1-6/2020	1-12/2020
Interest income calculated using effective interest method			
Loans and receivables to credit institutions	-0.6	-0.5	-1.4
Loans and receivables to customers	17.4	22.0	43.2
Other interest income	0.2	0.2	0.4
Total	16.9	21.7	42.2
Interest income			
Debt securities	0.0	0.1	0.2
Derivatives, net	18.5	23.2	44.2
Total	18.5	23.3	44.4
Interest expenses			
Amounts owed to credit institutions	2.7	1.4	2.5
Debt securities in issue	-20.8	-23.4	-46.9
Other interest expenses	-	0.0	0.0
Total	-18.2	-22.0	-44.4
Net interest income	**17.2**	**23.1**	**42.2**

Negative interest income and negative interest expenses amounted to EUR 0.6 million (1-6/2020: EUR 0.5 million) and EUR 2.7 million (1-6/2020: EUR 1.5 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	6/2021	12/2020
Loans and receivables to customers		
Private customers	5,146.3	5,626.2
Impairment charges	-7.6	-2.2
Total	5,138.7	5624.0
Cash and balances at central banks and loans and receivables from credit institutions		
Balances with central banks*	152.4	208.2
Loans and receivables from credit institutions		
Other loans	1.0	0.1
Allowances	0.0	0.0
Total	153.4	208.3
Loans and receivables total	**5,292.1**	**5,832.3**

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

Loan impairment charges

1000 EUR	1-6/2021	1-6/2020	1-12/2020
Impact of net remeasurement of ECL (incl. changes in models)	5,545.2	1,377.7	867.0
ECL on assets derecognised	-134.9	-605.6	-139.8
Decrease of provisions to cover realised loan losses	-156.3	-638.8	-1,012.7
Final write-offs	156.3	638.8	1,012.7
Interest income, effective interest method	-0.1	0.0	0.0
Total	5,410.2	772.1	727.2

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	6/2021			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period, 1.1.2021	457.9	1,748.2	21.6	2,227.7
Transferred to Stage 1 during the period	152.2	-150.9	-1.3	-
Transferred to Stage 2 during the period	-78.7	84.2	-5.5	-
Transferred to Stage 3 during the period	-1.9	-67.6	69.5	-
ECL on new assets	86.1	10.7	-	96.9
ECL on assets derecognised	-29.2	-105.7	-	-134.9
Impact of net remeasurement of ECL (incl. changes in models)	-156.2	5,345.0	356.4	5,545.2
Write-offs debited to the allowance account	-1.2	-106.6	-48.6	-156.3
Other changes	-1.6	-38.5	12.0	-28.1
Balance at end of period, 30.6.2021	427.4	6,718.9	404.1	7,550.4

	12/2020			
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning of the period, 1.1.2020	186.8	1,689.8	6.7	1,883.3
Transferred to Stage 1 during the period	262.3	-262.3	-	-
Transferred to Stage 2 during the period	-37.9	47.8	-9.9	-
Transferred to Stage 3 during the period	-4.6	-377.8	382.4	-
ECL on new assets	451.8	174.1	-	625.9
ECL on assets derecognised	-27.9	-111.5	-0.4	-139.8
Impact of net remeasurement of ECL (incl. changes in models)	-385.1	990.5	266.4	871.8
Write-offs debited to the allowance account	-3.3	-426.8	-582.5	-1,012.7
Other changes	15.6	24.6	-42.1	-1.9
Balance at end of period, 31.12.2020	457.9	1,748.2	20.9	2,226.7

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 2020 Risk Management Disclosure starting from page 17.
Further information regarding Loan impairment charges is presented in the Annual Report 2020, note 6.

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

EURm

6/2021	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	272.1	0.1	-	0.0	0.0	-	272.1	0.1	-	152.8	0.0	-
3	0.03	0.06	872.7	6.5	-	0.0	0.1	-	872.7	6.4	-	5.3	0.0	-
4	0.06	0.14	1,584.8	14.5	-	0.1	0.2	-	1,584.8	14.3	-	13.9	0.1	-
5	0.14	0.31	1,269.5	25.1	-	0.1	0.3	-	1,269.4	24.8	-	14.7	0.2	-
6	0.31	0.63	600.9	32.9	-	0.1	0.2	-	600.8	32.6	-	9.9	0.5	-
7	0.63	1.90	187.2	152.4	-	0.1	1.3	-	187.1	151.0	-	3.9	2.1	-
8	1.90	7.98	15.0	21.3	-	0.0	0.2	-	15.0	21.1	-	0.4	0.3	-
9	7.98	25.70	7.1	202.9	10.0	0.0	4.0	0.3	7.1	199.0	9.7	0.1	2.2	0.1
10	25.70	99.99	0.0	20.9	2.6	0.0	0.5	0.1	0.0	20.4	2.5	0.0	0.4	0.1
11 (default)	100.00	100.00	0.0	0.3	0.0	0.0	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0
Total			4,809.4	476.7	12.5	0.4	6.7	0.4	4,809.0	469.9	12.2	200.9	5.8	0.1

12/2020	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	0.0	-	-	0.0	-	-	0.0	-	-	0.0	-	-
2	0.01	0.03	323.2	0.1	-	0.0	0.0	-	323.2	0.1	-	209.0	0.0	-
3	0.03	0.06	956.0	2.9	-	0.0	0.0	-	956.0	2.9	-	5.9	0.0	-
4	0.06	0.14	1,693.8	5.2	-	0.0	0.0	-	1,693.8	5.2	-	17.3	0.0	-
5	0.14	0.31	1,416.8	9.5	-	0.0	0.0	-	1,416.8	9.5	-	19.2	0.2	-
6	0.31	0.63	703.6	32.3	-	0.1	0.0	-	703.6	32.3	-	12.7	1.1	-
7	0.63	1.90	234.6	110.3	-	0.2	0.3	-	234.4	110.0	-	5.3	1.5	-
8	1.90	7.98	24.3	22.3	-	0.1	0.1	-	24.2	22.2	-	0.8	0.4	-
9	7.98	25.70	29.3	261.3	2.1	0.0	1.2	0.0	29.3	260.1	2.1	0.4	3.8	0.0
10	25.70	99.99	0.2	6.0	0.3	0.0	0.1	0.0	0.2	5.9	0.3	0.0	0.2	0.0
11 (default)	100.00	100.00	0.0	0.1	0.3	0.0	0.0	0.0	0.0	0.1	0.3	0.0	0.0	0.0
Total			5,381.9	449.9	2.7	0.5	1.7	0.0	5,381.5	448.2	2.7	270.7	7.2	0.0

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	152.4					152.4
Loans and receivables to credit institutions	1.0					1.0
Trading portfolio assets						
Derivatives				35.6		35.6
Investment securities, bonds			20.5			20.5
Loans and receivables to customers	5,131.8			6.9		5,138.7
Tax assets					1.3	1.3
Other assets					1.3	1.3
Total 30.6.2021	**5,285.2**	**-**	**20.5**	**42.4**	**2.7**	**5,350.8**

LIABILITIES						
Due to credit institutions and central banks		2,249.7				2,249.7
Trading porfolio liabilities				6.5		6.5
Debt securities in issue						
-> Bonds		2,743.1		19.8		2,763.0
Other liabilities					2.1	2.1
Total 30.6.2021	**-**	**4,992.8**	**-**	**26.3**	**2.1**	**5,021.2**

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	208.2					208.2
Loans and receivables to credit institutions	0.1					0.1
Trading portfolio assets						
Derivatives				74.1		74.1
Investment securities, bonds			40.8			40.8
Loans and receivables to customers	5,611.7			12.3		5,624.0
Tax assets					0.1	0.1
Other assets					1.6	1.6
Total 31.12.2020	**5,820.0**	**-**	**40.8**	**86.4**	**1.7**	**5,949.0**

LIABILITIES						
Due to credit institutions and central banks		1,789.3				1,789.3
Trading porfolio liabilities				12.1		12.1
Debt securities in issue						
-> Bonds		3,742.3		58.0		3,800.3
Other liabilities					21.2	21.2
Total 31.12.2020	**-**	**5,531.6**	**-**	**70.0**	**21.2**	**5,622.8**

Danske Bank

4 MATURITY ANALYSIS OF THE BALANCE SHEET

EURm

Assets	Total	< 1 year	> 1 year
Cash and balances with central banks	152.4	152.4	-
Loans and receivables to credit institutions	1.0	1.0	-
Trading portfolio assets	20.5	-	20.5
Other investment securities	35.6	-	35.6
Loans and receivables to customers	5,138.7	416.8	4,721.9
Tax assets	1.3	1.3	-
Other assets	1.3	1.3	-
Total 30.6.2021	**5,350.8**	**572.9**	**4,777.9**

Liabilities	Total	< 1 year	> 1 year
Due to credit institutions and central banks	2,249.7	-	2,249.7
Derivatives and other financial liabilities held for trading	6.5	-	6.5
Debt securities in issue	2,763.0	1,000.2	1,762.7
Tax liabilities	-	-	-
Other liabilities	2.1	2.1	-
Total 30.6.2021	**5,021.2**	**1,002.3**	**4,018.9**

Assets	Total	< 1 year	> 1 year
Cash and balances with central banks	208.2	208.2	-
Loans and receivables to credit institutions	0.1	0.1	-
Trading portfolio assets	74.1	44.9	29.2
Other investment securities	40.8	0.1	40.7
Loans and receivables to customers	5,624.0	444.3	5,179.7
Tax assets	0.1	0.1	-
Other assets	1.6	1.6	-
Total 31.12.2020	**5,949.0**	**699.3**	**5,249.6**

Liabilities	Total	< 1 year	> 1 year
Due to credit institutions and central banks	1,789.3	78.3	1,711.0
Derivatives and other financial liabilities held for trading	12.1	6.9	5.2
Debt securities in issue	3,800.3	2,017.4	1,782.9
Other liabilities	21.2	21.2	-
Total 31.12.2020	**5,622.8**	**2,123.8**	**3,499.0**

Maturity analysis of past due financial assets, net

EURm	**6/2021**	**12/2020**
Assets past due 30-90 days	6.3	4.2
Unlikely to pay	37.6	13.0
Nonperforming assets past due at least 90 days but no more than 180 days	0.4	0.5
Nonperforming assets past due at least 180 days - 1 year	0.2	-
Nonperforming assets more than 1 year	-	-
Receivables with forbearance measures, gross carrying amount	298.9	269.2

Danske Bank

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 2020 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 2020, 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 2021, 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.

	6/2021			
EURm	Quoted prices	Observable input	Non-observable input	**Total**
Financial assets				
Investment securities, bonds	30.4	5.1	-	35.6
Derivative financial instruments	-	20.5	-	20.5
Total	**30.4**	**25.6**	**-**	**56.0**
Financial liabilities				
Derivative financial instruments	-	6.5	-	6.5
Total	**-**	**6.5**	**-**	**6.5**

	12/2020			
EURm	Quoted prices	Observable input	Non-observable input	**Total**
Financial assets				
Investment securities, bonds	30.6	10.2	-	**40.8**
Derivative financial instruments	-	74.1	-	**74.1**
Total	**30.6**	**84.3**	**-**	**114.9**
Financial liabilities				
Derivative financial instruments	-	12.1	-	**12.1**
Total	**-**	**12.1**	**-**	**12.1**

6 DERIVATIVE FINANCIAL INSTRUMENTS

EURm	6/2021		
	Fair value		Notional
Derivatives held for hedging	Assets	Liabilities	amount
Fair value hedges	**20.5**	**6.5**	**6,901.0**
Interest rate			
OTC derivatives	20.5	6.5	6,901.0
Total derivatives held for hedging	**20.5**	**6.5**	**6,901.0**

Nominal value of the underlying instrument

Remaining maturity	Less than 1 year	1-5 years	Over 5 years
	-	5,835.9	1,065.1

	12/2020		
	Fair value		Notional
Derivatives held for hedging	Assets	Liabilities	amount
Fair value hedges	**74.1**	**12.1**	**8,375.7**
Interest rate			
OTC derivatives	74.1	12.1	8,375.7
Total derivatives held for hedging	**74.1**	**12.1**	**8,375.7**

Nominal value of the underlying instrument

Remaining maturity	Less than 1 year	1-5 years	Over 5 years
	1,000.0	6,301.5	1,074.3

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

EURm

Derivatives with positive fair value	6/2021	12/2020
Derivatives with positive fair value before netting	20.5	89.5
Carrying amount	20.5	89.5
Netting (under capital adequacy rules)	6.5	13.9
Net current exposure	14.0	75.6
Collateral	29.7	78.7
Net amount	-15.6	-3.1

7 AMOUNTS OWED TO CREDIT INSTITUTIONS

EURm	6/2021	6/2020	12/2020
Deposits from credit insitutions	2,249.7	1,460.6	1,789.3
Total	**2,249.7**	**1,460.6**	**1,789.3**

8 DEBT SECURITIES IN ISSUE

EURm	6/2021	6/2020	12/2020
Finnish covered bonds	2,763.0	4,819.1	3,800.3

Nominal value

EURm

	1 January 2021	Issued	Redeemed	30 June 2021
Covered bonds	3,750.0		1,000.0	2,750.0

	1 January 2020	Issued	Redeemed	31 December 2020
Covered bonds	3,750.0	1,000.0	1,000.0	3,750.0

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 30.6.2021 (EUR 0.0 thousand at 31.12.2020). Allowances on off-balance sheet items totalled to EUR 0.0 thousand at 30.6.2021 (EUR 0.0 thousand on 31.12.2020).

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 31.12.2020.