

INTERIM REPORT

H1 2020



CONTENTS

Management Report

Financial summary.....	1
Financial highlights	2
Executive summary.....	3
Financial review	5
Capital and solvency	8
Risk	9
Full-year outlook for 2020	10
Accounting policies	10
Events occurring after the reporting date	10
Further information	11
Contacts.....	11
Income statement etc.....	12
Balance sheet	13
Statement of equity.....	14
Capital and solvency	15
Notes - income statement.....	17
Notes – assets	19
Notes – liabilities, etc.....	24
Notes – key figures and financial and ratios ...	25
Notes – other	27
Management’s statement on the report	29



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Financial summary H1 2020

- DLR's earnings from core activities were satisfactory in the first half of 2020. Core profit before impairments amounted to DKK 534m, which is DKK 12m more than for the same period in 2019
- In Q1 2020, the corona pandemic had a significant, negative impact on the period's result due to increased impairments on loans and receivables along with a decline in portfolio earnings. Portfolio earnings corrected in Q2 and are again at a "normal level", while impairments on loans and receivables remain at a relatively high level.
- DLR has instituted additional impairment charges of DKK 106m, a management supplement to offset the expected consequences of the corona pandemic, mainly for DLR's commercial property customers.
- Pre-tax profit was DKK 443m, which is down DKK 129m on the same period in 2019.
- Lending activity in Q1 was at a relatively high level but has been more subdued in Q2. Gross lending in H1 2020 amounted to DKK 17.6bn (nominal), while net lending amounted to DKK 4.2bn (nominal).
- DLR expects a core profit before impairments in the range DKK 900-1,000m for 2020, and a pre-tax profit of DKK 775-825m. Due to the corona situation, the economic outlook for 2020 is subject to increased uncertainty, as is DLR's guidance on this year's financial results.

Financial highlights

Income statement

(DKK m)	H1 2020	H1 2019	Ratio 20/19	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Administration fee income	859	806	107	431	427	417	410
Other core income, net	71	57	124	30	40	44	42
Interest expenses, senior debt and subordinated debt	-29	-22	133	-15	-14	-10	-12
Fee and commission income, net	-215	-179	120	-106	-109	-100	-93
Core income (mortgage credit income)	685	662	103	340	345	351	348
Staff costs and administrative expenses, etc.	-143	-134	107	-69	-74	-77	-65
Other operating expenses	-8	-6	131	-5	-3	-3	-3
Results from core activities	534	522	102	267	268	271	280
Provision for loan and receivable impairment, etc.	-57	11	0	-5	-52	53	22
Portfolio earnings (securities)	-35	39	0	41	-76	-82	-32
Profit before tax	443	572	77	302	140	242	270
Profit after tax	345	446	77	236	109	189	211

Balance sheet summary at end of period

(DKK m)	H1 2020	H1 2019	Ratio 20/19	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Assets							
Loans and advances	160,634	153,439	105	160,634	157,889	156,837	155,256
Bonds and shares	10,488	9,101	115	10,488	12,667	11,769	9,448
Other assets	2,121	3,190	66	2,121	4,435	4,839	9,319
Total assets	173,243	165,730	105	173,243	174,991	173,444	174,023
Liabilities and equity							
Issued bonds	157,266	150,234	105	157,266	158,493	157,639	158,005
Other debt and payables	912	1,209	75	912	1,667	1,195	1,522
Subordinated debt	1,300	650	0	1,300	1,300	1,300	650
Equity	13,766	13,637	101	13,766	13,530	13,311	13,847
Total liabilities and equity	173,243	165,730	105	173,243	174,991	173,444	174,023

Financial ratios

	H1 2020	H1 2019	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Return on equity (ROE)						
Profit before tax in pc of equity	3.3%	4.3%	2.2%	1.0%	2.0%	2.0%
Profit after tax in pc of equity	2.6%	3.4%	1.7%	0.8%	1.5%	1.5%
Solvency						
Capital ratio	17.1%	16.5%	17.1%	17.0%	17.1%	15.6%
Lending Activity						
Growth in loan portfolio, pc (nominel)	2.7	2.4	1.0	1.7	1.7	1.5
New loans, gross (DKKm)	17,563	16,455	6,756	10,807	12,153	14,453

*) The financial ratios have been calculated on the basis of the definitions by the Danish Financial Supervisory Authority.

Executive summary

Chief Executive Officer Jens Kr. A. Møller states in connection with the release of the interim report for the first half of 2020:

DLR's operations and earnings relating to core activities were satisfactory in H1 2020. Gross lending of DKK 17.6bn and net lending of DKK 4.2bn in H1 meant lending was higher than for the same period in 2019 despite a certain slowdown in lending activity in Q2. The positive development in the lending activity is due to a well-functioning collaboration with the owners.

Likewise, DLR's earnings before taking into account the effects of the coronavirus were also better than for the same period last year and expectations. The result from core activities before impairments and portfolio earnings amounted to DKK 534m for the first six months of the year compared to DKK 522m for the same period last year.

Because of the corona pandemic, DLR has extraordinarily increased impairment charges by DKK 106m in H1 2020 to address an expected increase in credit risk. Note that to the extent these impairments result in actual losses, they can to a large extent be offset in DLR's commission payments to its intermediary banks.

The impact of the corona pandemic on DLR's customers has so far been limited. DLR is only modestly exposed to the types of commercial customer that have been directly hit by the negative effects of the corona crisis. The number of corona-related loan payment deferrals has also been relatively low.

Despite a decline in product prices, particularly in Q2, the main areas of agricultural production continued to enjoy good terms of trade and satisfactory earnings. We expect this will continue for the rest of this year and into 2021.

Significant financial market turmoil in the latter part of Q1 due to the corona pandemic negatively affected DLR's portfolio earnings during this period. However, portfolio earnings subsequently corrected as bond markets normalised.

As the bulk of DLR's securities portfolio is invested in short-term mortgage bonds, portfolio earnings came in at minus DKK 35m for H1 2020 despite the normalisation. Nevertheless, this was better than expected following portfolio earnings of minus DKK 76m in Q1.

As a result of the above-mentioned factors, DLR's pre-tax profit for H1 2020 came in at DKK 443m compared to DKK 572m for the same period in 2019. Given the coronavirus situation, we consider the result to be satisfactory.

In light of the result for H1, we are raising our guidance for full-year 2020 pre-tax profit to DKK 775-825m from the DKK 675-775m announced in connection with the release of the interim report for Q1 2020. In relation to our guidance released at the start of the year for DLR's full-year 2020 result, we continue to expect a slightly lower profit. Due to the corona pandemic, full-year expectations are subject to considerable uncertainty.

Financial review

Table 1 - Income statement

(DKKm)	H1 2020	H1 2019	Ratio 20/19	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Administration fee income	859	806	107	431	427	417	410
Other core income, net	71	57	124	30	40	44	42
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Portfolio earnings (securities)	-35	39	0	41	-76	-82	-32
Profit before tax	443	572	77	302	140	242	270
Profit after tax	345	446	77	236	109	189	211

Core profit before impairments

Administration margin income amounted to DKK 859m, which is DKK 53m up on the same period in 2019. The increase is mainly due to the loan portfolio expanding.

Other core income (net), which concerns loan origination fees and various other income, amounted to DKK 71m, which is DKK 14m higher than for the same period in 2019.

Interest expenses on senior and subordinated debt totalled DKK 29m, which represents an increase of DKK 7m. The increase was due to a further issuance of Tier 2 debt amounting to DKK 650m in Q4 2019.

Fees and commissions (net) include, on the one hand, income in the form of fees and brokerage in connection with the disbursement and repayment of mortgage loans, plus spread income stemming from loan refinancing and disbursement and, on the other hand, expenses in the form of commission payments to the banks that have intermediated DLR's loans. Expenses include both intermediation commissions and commission for the provision of loss guarantees, etc.

Fees and commissions (net) amounted to an expense of DKK 215m, which is DKK 36m more than the same period in 2019. Higher net expenses were due to a combination of an increase in fee and commission income of DKK 7m and an increase in fee and commission expenses of DKK 43m, which stemmed from the growing loan portfolio and the resulting increase in commission expenses relating to loss guarantees, etc.

Core income was subsequently DKK 685m, an increase of DKK 23m on the same period in 2019.

Staff costs and administration expenses, etc. amounted to DKK 143m, which is DKK 9m more than for the same period in 2019.

Other operating expenses amounted to DKK 8m and concern a contribution to the Resolution Fund, which is administered by Finansielt Stabilitet.

Losses and impairments on loans and receivables, including adjustments from previous years amounted to an expense of DKK 57m. The amount covers the following items:

- Realised losses, etc. DKK -10m.
- Losses offset in commission payments from the banks DKK +4m.
- Net change in impairments DKK -51m

The change in impairments comprises a reduction in individual impairments of DKK 35m and a reduction in modelled impairments of DKK 25m. Both elements are primarily a result of the improved economic situation for the main areas of agricultural production. In contrast, additional impairment charges of DKK 106m have been made as a result of the corona pandemic. The latter were instituted as a management supplement based on the current expected consequences of the corona pandemic for the sectors that DLR has loan exposures to. We should also state here that no reason has been found to further increase impairment charges due to the coronavirus with respect to pig or dairy producers, or crop producers.

Portfolio earnings

DLR's investment portfolio (securities excl. temporary liquidity) amounted to DKK 21.4bn at the end of H1 2020.

Portfolio earnings added up to an expense of DKK 35m. DLR has placed the bulk of its portfolio holdings in short-term mortgage bonds, which because of a negative yield generated a negative return.

Profit for the period, comprehensive income and its allocation

Pre-tax profit can then be calculated at DKK 443m, while net profit was DKK 345m. The comprehensive income for the period was thus also DKK 345m, which has been added to DLR's equity capital.

Balance sheet

Mortgage credit lending amounted to DKK 158.8bn (nom.) at the end of H1 2020.

Bond holdings amounted to DKK 36.4bn, of which the portfolio of DLR bonds amounted to DKK 26.0bn, which is netted in "Issued bonds", while DKK 10.4bn was attributable to positions in government bonds and other mortgage bonds.

As well as bond holdings of DKK 36.4bn, DLR held other portfolio assets in the form of receivables from Danmarks Nationalbank and credit institutions and receivable interest on securities totalling DKK 1.7bn, thus giving a total securities holding of DKK 38.2bn (gross) at the end of H1 2020.

Temporary surplus liquidity connected with refinancing auctions, mortgage payments and loan redemptions comprised DKK 16.8bn, in all, of the total securities holding of DKK 38.2bn, so the investment holding, as mentioned, was DKK 21.4bn.

DLR's balance sheet stood at DKK 173.2bn at the end of H1 2020.

Capital and solvency

DLR's capital and solvency situation at the end of H1 2020 appears in the table below.

Tabel 2 - Capital and solvency

(DKKm)

	30 June 2020	31 December 2019
Equity	13,766	13,311
Profit etc. not recognised in tier 1 capital	-345	0
Deductions as a consequence of prudent valuation	-28	-26
Difference between expected losses and impairment losses	-646	-638
Common equity tier 1 capital	12,747	12,647
Subordinated capital (tier 2 capital)	1,300	1,300
Own funds	14,047	13,947
Risk-weighted exposure with credit risk etc.	77,538	76,853
Risk-weighted exposure with market risk	2,315	2,555
Risk-weighted exposure with operational risk	2,376	2,376
Total risk-weighted exposure	82,229	81,784
Common equity tier 1 capital ratio	15.5	15.5
Total capital ratio	17.1	17.1

Own funds

DLR's own funds increased by DKK 100m (net) in H1 2020.

The increase of DKK 100m was due to a combination of rising own funds via the sale of treasury shares for DKK 110m and, pulling in the opposite direction, a larger capital deduction as a result of a change in the "difference between expected losses and impairment losses" of DKK 8m along with an increase in deductions for prudent valuation of DKK 2m.

DLR's own funds at the end of H1 2020 do not include the result for the period, as the accounts have not been audited.

Risk exposure amount

DLR's total risk exposure amount (REA) is calculated as DKK 82.2bn at the end of H1 2020, which is DKK 0.4bn higher than at the end of 2019. The increase of DKK 0.4bn is due to a rise in credit risk exposure of DKK 0.7bn combined with a fall in market risk exposure of DKK 0.2bn.

The reason for the DKK 0.4bn rise in credit risk exposure is essentially an increase in the loan portfolio and the number of loan offers.

Capital ratios

The total capital ratio is calculated as 17.1 at the end of H1 2020, which is unchanged relative to the end of 2019. The common equity tier 1 (CET 1) capital ratio was 15.5, which is also unchanged compared to year-end 2019.

Including the result for the period would produce a total capital ratio of 17.5 and a CET 1 capital ratio of 15.9.

Risk

DLR's credit and market risk are estimated as limited due to both the statutory requirements and DLR's internal credit policy guidelines. Additionally, DLR has established loan loss schemes, including a guarantee provision that has been set up to cover DLR's various lending areas in accordance with agreements made with DLR's partner/shareholder banks.

For further details on credit and market risk, please refer to DLR's Risk and Capital Management Report 2019, available at www.dlr.dk/risk-reports.

Arrears and losses

As of the end of H1 2020, mortgage payments outstanding amounted to DKK 87m versus DKK 89m at year-end 2019. Of the amount in arrears, the bulk stems from mortgage payments that are less than 3½ months overdue.

DLR recorded a loss on 28 cases in H1 2020 compared to 45 during the same period in 2019.

DLR had 6 foreclosed mortgages in its portfolio at the end of H1 2020. The value of these properties amounted to DKK 8m at the end of H1 2020 compared to DKK 42m at year-end 2019.

At the March 2020 mortgage payment date, DLR noted a total of 260 corona-related payment deferrals, the vast majority of which were paid within three months. At the June 2020 mortgage payment date, around 40 deferrals were noted due to the corona situation.

Full-year outlook for 2020

DLR's Annual Report 2019 indicated expected core earnings for full-year 2020 of DKK 900-950m and a pre-tax profit of DKK 800-850m.

In connection with the release of the Q1 2020 interim report, guidance was adjusted to a core profit before impairment charges in the range DKK 900-1,000m and a pre-tax profit of DKK 675-775m.

Following developments in Q2 2020, we continue to see extraordinary uncertainties resulting from the corona pandemic. We still expect a core profit before impairments in the DKK 900-1,000m range, while we now expect a pre-tax profit of DKK 775-825m.

Accounting policies

DLR's interim report has been prepared in accordance with the accounting provisions for mortgage banks laid down by the Danish Financial Supervisory Authority as well as the requirements provided by NASDAQ Copenhagen for the financial statements of issuers of listed bonds.

Accounting policies are unchanged relative to DLR's Annual Report for 2019.

This financial statement has not been subject to audit or review.

Events occurring after the reporting date

No events have occurred after the reporting date that change DLR's result or balance sheet for H1 2020.

Further information

For further information on DLR, please refer to www.dlr.dk/welcome-investorpage, where the Annual Report 2019 and DLR's Risk and Capital Management Report, etc. can be downloaded.

You will also find further information here on DLR's cover pools and ratings.

Contacts

- CEO Jens Kr. A. Møller, tel. +45 33 42 07 24
- Managing Director Pernille Lohmann, tel. +45 33 42 08 74

Income statement and statement of comprehensive income
(DKKm)

Note	H1 2020	H1 2019
1 Interest income	1,537	1,580
2 Interest expenses	-599	-696
Net interest income	937	884
Share dividends etc.	0	0
Fees and commission income	124	117
Fees and commission paid	-339	-296
Net interest and fee income	723	706
3 Market value adjustments	-85	-17
Other operating income	13	12
4-5 Staff costs and administrative expenses	-142	-133
Depreciation and impairment of property, plant and equipment	-1	-1
Other operating expenses	-8	-6
6 Impairment of loans, advances, receivables, etc.	-57	11
Profit before tax	443	572
0 Tax	-97	-126
Profit after tax	345	446
Comprehensive income		
Profit for the year	345	446
<u>Attributable to:</u>		
Shareholders of DLR Kredit A/S	345	446

Balance Sheet
(DKKm)

Note	30 June 2020	31 December 2019
Assets		
	50	50
	1,665	4,129
7,13	160,622	156,821
8, 10-12	13	16
9, 12	10,443	11,732
14	45	36
	119	120
15	7	7
	83	13
	8	42
16	154	454
	35	24
	173,243	173,444
Equity and liabilities		
17	151,257	149,630
18	6,008	8,009
19	900	1,183
	3	4
	158,169	158,825
20	8	8
	8	8
21	1,300	1,300
	1,300	1,300
	570	570
	62	62
	2,338	2,338
	10,796	10,341
22	13,766	13,311
	173,243	173,444
20	Off-balance sheet items	
	0	2
21	9,173	10,118

Statement of changes in equity
(DKKm)

	Share capital 1)	Revalua- tion reserve	Undistrib- table reserve	Retained earnings	Total
2019					
Equity at 1 January	570	62	2.338	10.004	12.974
Profit for the year	0	0	0	846	846
Revaluation of property	0	0	0	216	216
Acquisition of treasury shares	0	0	0	-725	-725
Equity at 31 December	570	62	2.338	10.341	13.311
2020					
Equity at 1 January	570	62	2.338	10.341	13.311
Profit for the year	0	0	0	345	345
Disposal of treasury shares 2)	0	0	0	110	110
Acquisition of treasury shares	0	0	0	0	0
Equity at 30 June	570	62	2.338	10.796	13.766

1) The share capital is divided into shares of DKK 1.00 each. The total number of shares is 569,964,023. DLR has one share class, and all shares carry equal rights.

2) DLR held 46,122,083 (2019: 50,752,863) treasury shares at 31 December 2019, corresponding to a nominal value of DKK 46.1m (2019: DKK 50.8m). The portfolio of treasury shares accounts for 8.1% (2019: 8.9%) of the total share capital.

Capital and solvency

(DKKm)

	30 June	31 December
	2020	2019
Equity	13,766	13,311
Profit etc. not recognised in tier 1 capital	-345	0
Deductions as a consequence of prudent valuation	-28	-26
Difference between expected losses and impairment losses	-646	-638
Common equity tier 1 capital	12,747	12,647
Subordinated capital (tier 2 capital)	1,300	1,300
Own funds	14,047	13,947
Risk-weighted exposure with credit risk etc.	77,538	76,853
Risk-weighted exposure with market risk	2,315	2,555
Risk-weighted exposure with operational risk	2,376	2,376
Total risk-weighted exposure	82,229	81,784
Common equity tier 1 capital ratio	15.5	15.5
Total capital ratio	17.1	17.1
Own funds after deductions	14,047	13,947
Internal capital base	-7,599	(7,529)
SIFI buffer	-822	(818)
Capital conservation buffer	-2,056	(2,045)
Countercyclical buffer	0	(818)
Systemic buffer Faroe Island	-9	(7)
Reserved "debtbuffer"	-212	-
Excess capital adequacy	3,349	2,730

List of notes to the financial statements

No. Name of note

Notes to the financial statements - income statement

- 1 Interest income
- 2 Interest expenses
- 3 Market value adjustments
- 4 Staff costs and administrative expenses
- 5 Remuneration for members of the Executive Board and the Board of Directors etc.
- 6 Remuneration for members of the Board of Directors etc.

Notes - assets

- 7 Due from credit institutions and central banks
- 8 Loans, advances and other receivables at fair value
- 9 Loans, advances and other receivables at amortised cost
- 10 Mortgage loans (nominal value) by property category (as a percentage)
- 11 Number of loans - end of period
- 12 Impairment losses by stage
- 13 Impairment - other financial assets
- 14 Bonds at fair value
- 15 Land and buildings, domicile properties
- 16 Other assets

Notes - liabilities etc.

- 17 Issued bonds at fair value
- 18 Issued bonds at amortised cost
- 19 Other liabilities
- 20 Off-balance sheet items
- 21 Contingent assets

Notes - key figures

- 22 Key figures - H1
- 23 Financial ratios - H1

Notes - other notes

- 24 Reconciliation of income statement for "core and portfolio earnings" against "official statements"
- 25 Supervisory diamond for mortgage-credit institutions

Notes - income statement

(DKKm)

Note	H1 2020	H1 2019
1 Interest income		
Due from credit institutions and central banks *	0	0
Loans and advances	570	713
Contributions	859	806
Bonds	56	57
Issued bonds at fair value **	23	0
Other interest income	53	38
Total	1,560	1,614
Interest on own mortgage bonds offset against interest on issued bonds	-23	-34
Total	1,537	1,580
Of which interest income from reverse repo transactions	0	0
* Interest on positive interest rate loans and advances is included in interest income (note 1), while interest on negative interest rate loans and advances is included in interest expenses (note 2).		
** Interest on positive interest rate issued bonds is included in interest expenses (note 2), while interest on negative interest rate issued bonds is included in interest income (note 1).		
2 Interest expenses		
Credit institutions and central banks	-1	-1
Issued bonds at fair value *	-569	-706
Issued bonds at amortised cost	-13	-14
Loans and advances**	-23	0
Other interest expenses	-16	-8
Total	-622	-730
Interest on own mortgage bonds offset against interest on issued bonds	23	34
Total	-599	-696
Of which interest expenses on repo transactions	0	0

* Interest on positive interest rate issued bonds is included in interest expenses (note 2), while interest on negative interest rate issued bonds is included in interest income (note 1).

** Interest on positive interest rate loans and advances is included in interest income (note 1), while interest on negative interest rate loans and advances is included in interest expenses (note 2).

Notes - income statement

(DKKkm)

Note		H1 2020	H1 2019
3	Market value adjustments		
	Mortgage loans	-336	1,219
	Bonds	-70	0
	Shares etc.	7	0
	Other assets	1	0
	Foreign currency	-1	0
	Derivative financial instruments	-23	-17
	Issued bonds	337	-1,219
	Total	-85	-17
4	Staff costs and administrative expenses		
	Staff costs		
	Salaries	-76	-71
	Pension costs	-7	-6
	Social security costs	-13	-11
	Total	-96	-88
	Other administrative expenses		
	IT expenses	-24	-22
	Audit, financial supervision and industry association	-3	-5
	Other expenses	-19	-18
	Total	-46	-45
	Total staff costs and administrative expenses	-142	-133
5	Remuneration for members of the Executive Board and the Board of Directors etc.		
	Fixed remuneration	4.0	4.2
	Variable remuneration	0.0	0.0
	Total	4.0	4.2
	Number of members of the executive management - year-end	2	3
6	Impairment of loans, advances, receivables, etc.		
	Losses in the period	-11	-32
	Amounts received on claims previously written off	1	1
	Impairment losses in the period	-201	-81
	Reversal of impairment losses	150	106
	Losses offset against commission payments to banks	4	17
	Total	-57	11

Notes - assets

(DKKm)

Note	30 June 2020	31 December 2019
7 Due from credit institutions and central banks		
Due from central banks	1,200	3,700
Due from credit institutions	465	429
Total amount due from credit institutions and central banks	1,665	4,129
DLR had not entered into any reverse repo transactions in 2020 or in 2019		
8 Loans, advances and other receivables at fair value		
Mortgage loans, nominal value	158,798	154,590
Adjustment to fair value of underlying bonds	2,216	2,552
Adjustment for credit risk	-474	-418
Mortgage loans at fair value	160,540	156,724
Arrears before impairment losses	87	89
Other loans and outlays before impairment losses	4	22
Impairment losses on arrears and outlays	-9	-14
Total	160,622	156,821
9 Loans, advances and other receivables at amortised cost		
Loans and advances	15	19
Adjustment for credit risk	-3	-3
Total	13	16

Notes - assets

(DKKm)

Note	30 June 31 December		
	2020	2019	
10	Mortgage loans (nominal value) by property category (as a percentage)		
	Owner-occupied dwellings	4.7	4.6
	Recreational dwellings	0.2	0.1
	Subsidised rental housing properties	0.1	0.1
	Co-operative housing	2.0	2.0
	Private rental housing properties	17.8	16.7
	Properties for manufacturing and manual industries	1.1	1.1
	Office and business properties	17.7	17.5
	Agricultural properties	56.3	57.6
	Properties for social, cultural and educational purposes	0.0	0.0
	Other properties	0.2	0.3
	Total, %	100.0	100.0
11	Number of loans - end of period	65,614	64,077

Note

12 Impairment losses by stage

	2020			
	Stage 1	Stage 2	Stage 3	Total
Impairment of loans and advances at fair value and amortised cost *				
<u>Impairment of loans and advances at fair value and amortised cost</u>				
Beginning of year 2020	7	183	246	435
Changes during the period	-129	58	20	-51
End of H1 2020	135	125	226	486
	2019			
<u>Impairment of loans and advances at fair value and amortised cost *</u>	Stage 1	Stage 2	Stage 3	Total
Beginning of year 2019	5	246	286	537
Changes during the period	0	1	-16	-15
End of year 2019	7	183	246	435

* No loans, advances or other receivables which were credit-impaired on initial recognition were recognised in 2019 or 2020.

* Impairment losses on loans and advances at fair value and impairment losses on loans and advances at amortised cost have been aggregated as the amount of impairment of loans and advances at amortised cost represents less than 1% of the total impairment loss.

* As a direct effect of the corona pandemic DLR has instituted additional impairment charges of DKK 106m.

Note

13 Impairment - other financial assets

	2020			
	Stage 1	Stage 2	Stage 3	Total
Impairment of cash and demand deposits with central banks	0	0	0	0
Impairment of receivables with credit institutions and central banks	0	0	0	0

All assets in the above table have been classified as stage 1, meaning that impairment losses of less than DKK 0.5m have been recognised. This was also the case at the beginning of the year.

	2019			
	Stage 1	Stage 2	Stage 3	Total
Impairment of cash and demand deposits with central banks	0	0	0	0
Impairment of receivables with credit institutions and central banks	0	0	0	0

No other financial assets which were credit-impaired on initial recognition have been recognised in 2019 or 2020.

Notes - assets

(DKKm)

Note	30 June 31 December	
	2020	2019
14	Bonds at fair value	
	Own mortgage bonds	25,996 21,252
	Other mortgage bonds	9,842 11,026
	Government bonds	602 706
	Bonds - gross	36,440 32,984
	Own mortgage bonds offset against issued bonds	-25,996 -21,252
	Total	10,443 11,732
15	Land and buildings, domicile properties	
	Fair value, beginning of year	119.6 120
	Additions during the year	0.0 0
	Depreciation	-0.2 0
	Value changes recognised in other comprehensive income	0.0 0
	Fair value, end of period	119.4 120
	Domicile properties are valued on an annual basis by DLR's in-house valuation expert, who specialises in commercial property valuation.	
16	Other assets	
	Positive market value of derivative financial instruments etc.	34 8
	Interest and commission receivable	36 66
	Other receivables	84 380
	Total	154 454

Notes - liabilities etc.

(DKKm)

Note	30 June 31 December	
	2020	2019
17 Issued bonds at fair value		
Mortgage bonds - nominal value	174,985	168,244
Fair value adjustment	2,268	2,638
Issued bonds - gross	177,254	170,882
Offsetting of own mortgage bonds - fair value	-25,996	-21,252
Total	151,257	149,630
Of which pre-issued, market value	11,298	3,669
Cash value of bonds drawn for redemption at next repayment date (settlement price)	13,874	6,647
18 Issued bonds at amortised cost		
Issues in connection with senior debt	6,008	8,009
Offsetting of own bonds	0	0
Total	6,008	8,009
19 Other liabilities		
Negative market value of derivative financial instruments etc.	21	7
Interest and commission payable	815	889
Other liabilities	64	286
Total	900	1,183
20 Off-balance sheet items		
Guarantees etc.		
Financial guarantees	0.4	2
Other guarantees	0.0	0
Total	0.4	2
Other contingent liabilities		
Irrevocable credit commitments (loan offers)	9,173	10,118
Total	9,173	10,120

In addition to the above guarantees and contingent liabilities, DLR's bond portfolio is used as intraday collateral in connection with settlement of interest and drawings on DLR's outstanding bonds. This is not expected to entail an outflow of the Company's financial resources.

21 Contingent assets

Loss set-off agreements have been established between DLR and the banks holding shares in DLR, under which DLR may offset any loss incurred against commission payable to the banks. Set-off can be made for a number of years, which means that DLR is expected to be able to offset any losses against future commission to the extent that impairment losses on exposures materialise as actual losses.

Notes - key figures

Note	2020	2019	2018	2017	2016
22 Key figures - H1					
Income statement					
Net interest and fee income	723	706	708	677	685
Other operating income etc.	13	12	13	9	9
Staff costs and administrative expenses etc.	-151	-140	-143	-129	-122
Earnings	585	578	578	557	572
Impairment of loans, advances and receivables	-57	11	0	67	-61
Market value adjustments	-85	-17	-107	-43	6
Profit before tax	443	572	471	581	517
Profit after tax	345	446	367	454	403
Balance sheet					
Assets					
Loans and advances	160,634	153,439	144,483	141,105	136,891
Bonds, shares, etc.	10,488	9,101	9,912	12,016	12,673
Other assets	2,121	3,190	3,534	2,298	1,167
Total assets	173,243	165,730	157,929	155,419	150,731
Equity and liabilities					
Issued bonds	157,266	150,234	143,413	140,872	137,203
Other liabilities	912	1,209	1,084	1,243	1,206
Subordinated debt	1,300	650	650	0	0
Equity	13,766	13,637	12,782	13,303	12,322
Total equity and liabilities	173,243	165,730	157,929	155,419	150,731

Notes - financial ratios

Note	2020	2019	2018	2017	2016
23 Financial ratios - H1					
Return on equity					
Profit before tax in per cent of equity *)	3.3	4.3	3.7	4.5	4.2
Profit after tax in per cent of equity *)	2.6	3.4	2.9	3.6	3.2
Return on capital employed					
Return on capital employed *)	0.20	0.27	0.23	0.29	0.27
Costs					
Costs in per cent of loan portfolio	0.09	0.09	0.10	0.10	0.10
Income/cost ratio *)	3.1	5.4	4.3	10.4	3.8
Income/cost ratio, excl. impairment losses	4.3	5.0	4.3	5.0	5.7
Solvency **)					
Total capital ratio	17.1	16.5	16.5	15.7	14.5
Tier 1 capital ratio	15.5	15.7	15.6	15.7	14.5
Common equity tier 1 capital ratio	15.5	15.7	15.6	14.0	12.9
Arrears and impairment losses					
Arrears, end of period (DKKm)	87	140	116	107	134
Impairment ratio for the period *)	0.04	-0.01	0.00	-0.05	0.06
Accumulated impairment ratio	0.30	0.33	0.36	0.38	0.44
Lending activity					
Growth in loan portfolio, per cent (nominal) *)	2.7	2.4	1.0	1.2	1.9
New loans, gross (DKKm)	17,563	16,455	12,511	11,624	8,793
Number of new loans	5,441	4,954	3,959	3,641	2,740
Loan/equity ratio *)	11.7	11.3	11.3	10.6	11.1
Margins					
Percentage of average loan portfolio (nominal):					
Profit before tax	0.28	0.39	0.33	0.42	0.39
Administration margin income in per cent of average loan portfolio	0.55	0.54	0.55	0.54	0.54
Percentage of tier 1 capital after deductions					
Foreign exchange position as a percentage of tier 1 capital after deductions	2.3	3.5	5.1	9.9	12.1

*) The financial ratios have been calculated in accordance with the definitions of the Danish Financial Supervisory Authority.

Notes - other notes

Note

24	Reconciliation of income statement for "core and portfolio earnings" against "official statements"	Core	Portfolio	Total
		earnings	earnings	
H1		2020	2020	2020
	Interest income	1,481	56	1,537
	Interest expenses	-595		-599
	Net interest income	886	51	937
	Share dividends etc.	0		0
	Fees and commission received	124		124
	Fees and commission paid	-339		-339
	Net interest and fee income	671	51	723
	Market value adjustments	1	-86	-85
	Other operating income	13		13
	Staff costs and administrative expenses	-142		-142
	Depreciation and impairment of property, plant and equipment	-1		-1
	Other operating expenses	-8		-8
	Impairment of loans, advances, receivables, etc.	-57		-57
	Profit before tax	478	-35	443
	Tax	-105	8	-97
	Profit after tax	373	-27	345

Notes - other notes

Note

25 Supervisory diamond for mortgage-credit institutions

	End of H1 2020	End of year 2019	Threshold
1. Lending growth*			
Private homeowners	8.4	8.8	<15%
Residential rental property	18.0	21.0	<15%
Agriculture	1.7	1.7	<15%
Other business lending	7.3	6.3	<15%
2. Borrower interest-rate risk*	16.2	16.3	<25%
3. Interest-only lending to private home owners*	1.9	1.9	<10%
4. Loans with short-term funding*			
Q3 2019	1.7	0.0	<12,5%
Q4 2019	2.4	0.0	<12,5%
Q1 2020	2.0	0.0	<12,5%
Q2 2020	7.1	0.0	<12,5%
Loans with short-term funding annually**	13.0	12.8	<25%
5. Large exposures*	27.9	29.1	< 100%

* The financial ratios have been calculated in accordance with the definitions of the Danish Financial Supervisory Authority.

** The percentage for the individual quarters is calculated on the basis of the end-of-quarter portfolio, while the annual percentage is calculated on the portfolio at the end of the second quarter 2020. The year's percentage therefore does not correspond to the sum of the percentages in the individual quarters.

Management's statement on the interim report

The Board of Directors and the Executive Board have today considered and approved the interim report of DLR Kredit A/S for the period 1 January – 30 June 2020.

DLR's interim report has been prepared in accordance with the accounting provisions for mortgage banks laid down by the Danish Financial Supervisory Authority as well as the requirements provided by NASDAQ Copenhagen for the financial statements of issuers of listed bonds.

The management report contains a true and fair review of developments in the Company's operations and financial position and describes significant risks and uncertainties that may affect the Company.

In our opinion, the accounting policies applied are appropriate and the interim financial statements give a true and fair view of the Company's assets, liabilities and financial position on 30 June 2020 and of the results of the Company's operations for the period 1 January – 30 June 2020.

DLR's interim report has not been subject to audit or review by the Company's auditors.

Copenhagen, 20 August 2020

Executive Board

Jens Kr. A. Møller
CEO

Pernille Lohmann
Managing Director

Board of Directors

Vagn Hansen
Chairman

Lars Møller
Vice Chairman

Claus Andersen

Randi Holm Franke

Jakob G. Hald

Kim Hansen

Søren Jensen

Agnete Kjærsgaard

Bjarne Larsen

Frank Mortensen

Lars Petersson