

INTERIM REPORT

Q1 2020



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A black and white photograph of a building facade. The building has a modern design with large windows and a dark, curved sign that reads "kredit" in a stylized font. The sign is mounted on a dark, possibly metallic, surface. The building's facade is light-colored, and the windows are dark, creating a strong contrast. The photograph is taken from a low angle, looking up at the building.

Financial summary Q1 2020

- DLR's earnings from core activities were satisfactory in Q1 2020. Core income amounted to DKK 268m, an increase of DKK 16m on the same period in 2019.
- However, the ongoing coronavirus pandemic has had a considerable negative impact on the profit for the period.
- DLR has instituted additional impairment charges of DKK 62m, a management supplement based on the current expected consequences of the corona pandemic, mainly for DLR's commercial property customers.
- Furthermore, financial market turmoil and rising yields (and thus falling bond prices) in the latter part of March negatively affected the return on DLR's portfolio holdings by DKK 50-60m.
- Pre-tax profit was DKK 140m, down DKK 135m on the same period in 2019.
- Lending activity in Q1 2020 has been at a satisfactory level. Gross lending amounted to DKK 10.8bn(nominal), while net lending totalled DKK 2.6bn (nominal).
- For full-year 2020, DLR expects core earnings in the range DKK 900-1.000m and a pre-tax profit in the range DKK 675-775m. The economic outlook for 2020 carries a substantial degree of uncertainty, as does DLR's expectation for this year's profit.

Financial highlights

Income statement

(DKKm)	Q1 2020	Q1 2019	Ratio 20/19	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Administration fee income	427	401	107	417	410	405	401
Other core income, net	40	27	150	44	42	30	27
Interest expenses, senior debt and subordinated debt	-14	-10	138	-10	-12	-12	-10
Fee and commission income, net	-109	-97	112	-100	-93	-82	-97
Core income (mortgage credit income)	345	321	107	351	348	341	321
Staff costs and administrative expenses, etc.	-74	-65	113	-76	-65	-69	-65
Other operating expenses	-3	-3	108	-3	-3	-3	-3
Results from core activities	268	252	106	272	280	269	252
Provision for loan and receivable impairment, etc.	-52	-5	0	53	22	16	-5
Portfolio earnings (securities)	-76	27	0	-82	-32	12	27
Profit before tax	140	275	51	243	270	297	275
Profit after tax	109	214	51	189	211	232	214

Balance sheet at 31 March

(DKKm)	Q1 2020	Q1 2019	Ratio 20/19	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Assets							
Loans and advances	157,889	151,477	104	156,837	155,256	153,439	151,477
Bonds and shares	12,667	9,181	138	11,769	9,448	9,101	9,181
Other assets	4,435	2,871	154	4,839	9,319	3,190	2,871
Total assets	174,991	163,529	107	173,444	174,023	165,730	163,529
Liabilities and equity							
Issued bonds	158,493	148,139	107	157,639	158,005	150,234	148,139
Other debt and payables	1,667	1,416	118	1,195	1,522	1,209	1,416
Subordinated debt	1,300	650	0	1,300	650	650	650
Equity	13,530	13,324	102	13,311	13,847	13,637	13,324
Total liabilities and equity	174,991	163,529	107	173,444	174,023	165,730	163,529

Financial ratios

	Q1 2020	Q1 2019	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Return on equity (ROE)						
Profit before tax in pc of equity	1.0%	2.1%	2.0%	2.0%	2.2%	2.1%
Profit after tax in pc of equity	0.8%	1.6%	1.5%	1.5%	1.8%	1.6%
Solvency						
Capital ratio	17.0%	16.7%	17.1%	15.6%	16.5%	16.7%
Lending Activity						
Growth in loan portfolio, pc (nominel)	1.7	1.2	1.7	1.5	1.2	1.2
New loans, gross (DKKm)	10,807	6,884	12,153	14,453	9,571	6,884

*) 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 Q1 2020:

DLR's operations and earnings relating to core activities were satisfactory in Q1 2020. Gross lending of DKK 10.8bn and net lending of DKK 2.6bn in Q1 exceeded both the equivalent numbers in 2019 and our expectations.

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 268m for the first three months of the year compared to DKK 252m for the same period last year.

However, we expect the ongoing coronavirus pandemic to affect credit quality, especially with respect to DLR's portfolio of commercial property loans. Given this, DLR has extraordinarily increased impairment charges by DKK 62m to address this increase in credit risk. In connection with this, we should add that to the extent these impairments result in actual losses, DLR will to a very large degree be able to offset them in its commission payments to the intermediary banks.

In the current very unfortunate situation for many businesses and wage-earners due to the coronavirus, we can at least be relieved that the main areas of agricultural production have not been subject to any real negative impact on product prices or sales conditions. Nor is there any expectation that the terms of trade for the agricultural sector will deteriorate in the coming quarters due to the pandemic.

Significant financial market turmoil in the latter part of March due to the coronavirus negatively affected DLR's portfolio earnings. The direct effect at the end of Q1 was a further negative price revision of DKK 50-60m in addition to the already expected capital loss.

As a result of the above-mentioned factors, DLR's pre-tax profit for Q1 2020 came in at DKK 140m compared to DKK 275m for the same period in 2019. In light of the impact of the coronavirus, we consider the result to be satisfactory.

Financial review

Table 1 - Income statement

(DKKm)	Q1 2020	Q1 2019	Ratio 20/19	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Administration fee income	427	401	107	417	410	405	401
Other core income, net	40	27	150	44	42	30	27
Interest expenses, senior debt and subordinated debt	-14	-10	138	-10	-12	-12	-10
Fee and commission income, net	-109	-97	112	-100	-93	-82	-97
Core income (mortgage credit income)	345	321	107	351	348	341	321
Staff costs and administrative expenses, etc.	-74	-65	113	-76	-65	-69	-65
Other operating expenses	-3	-3	108	-3	-3	-3	-3
Results from core activities	268	252	106	272	280	269	252
Provision for loan and receivable impairment, etc.	-52	-5	0	53	22	16	-5
Portfolio earnings (securities)	-76	27	0	-82	-32	12	27
Profit before tax	140	275	51	243	270	297	275
Profit after tax	109	214	51	189	211	232	214

Earnings from core activities before losses and impairments

Administration margin income amounted to DKK 427m, which is DKK 26m up on the same period in 2019. The increase is mainly due to the loan portfolio expanding.

Interest expenses on senior and subordinated debt amounted to DKK 14m, an increase of DKK 4m. The increase was due to a further issuance of Tier 2 debt amounting to DKK 650m in Q4 2019.

Fees and commission (net) include, on the one hand, income in the form of fees and brokerage in connection with the disbursement and repayment of mortgage loans, including due to remortgaging, 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 intermediate 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 109m, which is DKK 12m 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 18m and an increase in fee and commission expenses of DKK 30m, which stemmed from the growing loan portfolio and the resulting increase in commission expenses relating to loss guarantees, etc.

Core income was subsequently DKK 345m, an increase of DKK 24m on the same period in 2019.

Staff costs and administration expenses, etc. amounted to DKK 74m, which is DKK 9m more than for the same period in 2019.

Other operating expenses 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 52m. The amount covers the following items:

- Realised losses, etc. DKK -11m.
- Losses offset in commission payments from the banks DKK +3m.
- Net change in impairments DKK -44m

The net change in impairments mainly comprises additional impairments of DKK 62m, primarily concerning DLR's lending on commercial property. The additional impairment charges 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 with respect to pig or dairy producers due to the coronavirus.

In contrast, there was a minor reduction in individual impairments and model impairments. These reduced impairment charges are, in particular, a consequence of the still favourable conditions for the main areas of agricultural production.

Portfolio earnings

DLR's investment portfolio (securities excl. temporary liquidity) amounted to DKK 23.5bn at the end of Q1 2020.

Portfolio earnings added up to an expense of DKK 76m. DLR has placed the bulk of its securities holdings in short-term mortgage bonds, which as they have a negative yield must be expected to generate a negative return of a certain level.

In Q1, however, the mortgage bond market experienced falling prices as a direct result of the market turmoil caused by the coronavirus. The effect of this has been calculated as a capital loss of DKK 50-60m.

Profit for the period, comprehensive income and its allocation

Pre-tax profit was subsequently calculated as DKK 140m, while the result after tax amounted to DKK 109m. The comprehensive income for the period was thus also DKK 109m, which has been added to DLR's equity capital.

Balance sheet

Mortgage credit lending amounted to DKK 157.2bn (nom.) at the end of Q1 2020.

DLR's bond portfolio stood at DKK 31.1bn. Of this, DLR's own bonds accounted for DKK 18.5bn, which is netted in "Issued bonds at fair value", while DKK 12.6bn was attributable to positions in government securities and other mortgage bonds.

As well as bond holdings of DKK 31.1bn, DLR held other portfolio assets in the form of receivables from Danmarks Nationalbank and credit institutions and receivable interest on securities totalling DKK 3.5bn, thus giving a total securities holding of DKK 34.6bn (gross) at the end of Q1 2020.

Temporary surplus liquidity connected with refinancing auctions, mortgage payments and loan redemptions comprised DKK 11.1bn, in all, of the total securities holdings of DKK 34.6bn, so the investment holding, as mentioned, was DKK 23.5bn.

DLR's balance sheet stood at DKK 175.0bn at the end of Q1 2020.

Capital and solvency

DLR's capital and solvency situation at the end of Q1 2020 appears in the table below.

Table 2 - Capital and solvency

Capital and solvency	(DKKm)	
	31 March 2020	31 December 2019
Equity	13,530	13,311
Profit etc. not recognised in tier 1 capital	-109	0
Deductions as a consequence of prudent valuation	-25	-26
Difference between expected losses and impairment losses	-692	-638
Common equity tier 1 capital	12,703	12,647
Subordinated capital (tier 2 capital)	1,300	1,300
Own funds	14,003	13,947
Risk-weighted exposure with credit risk etc.	77,226	76,853
Risk-weighted exposure with market risk	2,533	2,555
Risk-weighted exposure with operational risk	2,376	2,376
Total risk-weighted exposure	82,135	81,784
Common equity tier 1 capital ratio	15.5	15.5
Total capital ratio	17.0	17.1

Own funds

DLR's own funds increased by DKK 56m over the period.

DLR's own funds at the end of Q1 2020 do not include the result for the quarter, as the accounts have not been audited.

The increase of DKK 56m 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 impairments" of DKK 54m.

Risk exposure amount

DLR's total risk exposure amount (REA) is calculated as DKK 82.1bn in Q1 2020, which is DKK 0.4bn higher than at the end of 2019. The increase of DKK 0.4bn is due to an increase in credit risk exposure.

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

Capital ratios

DLR's total capital ratio can thus be calculated as 17.0 at the end of Q1 2020, which is 0.1 percentage point lower than at the end of 2019. The common equity tier 1 (CET 1) capital ratio was 15.5, which is unchanged compared to year-end 2019.

Including the result for the period would produce a total capital ratio of 17.2 and a CET 1 capital ratio of 15.6.

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 Q1 2020, mortgage payments outstanding amounted to DKK 92m 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 19 cases in Q1 2020 compared to 36 during the same period in 2019.

DLR had 10 foreclosed mortgages in its portfolio at the end of Q1 2020. The value of these properties amounted to DKK 38m at the end of Q1 2020 compared to DKK 42m at year-end 2019.

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.

After Q1 and given the still ongoing impact of the corona crisis on the economy, our expectations for the full-year results are subject to extraordinary levels of uncertainty.

For while items such as core income along with salary, administration and operating costs can be estimated with a reasonable degree of accuracy, impairments and portfolio earnings are subject to a great deal of uncertainty. Below, we outline the uncertainties attached to these items:

Impairments on loans and receivables, etc.

- DLR's risk of credit loss is essentially greatly reduced by the guarantee schemes and the opportunity to offset losses in future commission payments. However, to the extent that DLR's credit exposures deteriorate, DLR will be burdened to a considerable extent by impairments, which - if they result in a loss - can be subsequently offset. As a result of the ongoing corona epidemic, there is a high degree of uncertainty related to the impact of pre-tax profit in 2020.

Portfolio earnings (securities)

- As mentioned above, DLR's securities holdings are largely invested in short-term mortgage bonds. Despite the limited interest rate risk on the securities holding, we assess there to be considerable unpredictability with respect to portfolio earnings in 2020 due to the great uncertainty on the future direction of the capital markets

Based on the above assumptions and taking into account the high degree of uncertainty, we expect core earnings for 2020 to be in the range DKK 900–1,000m, and pre-tax profit to be in the range DKK 675–775m.

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 deadline

The corona pandemic and its expected negative impact on the economy was still ongoing after the balance sheet date. Recent developments have resulted in DLR making adjustments to impairment levels, which are included in the Q1 2020 report.

We subsequently assess that the interim report for Q1 2020 has taken appropriate account of events that occurred between the end of the reporting period and the release date of 30 April 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

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

Income statement and statement of comprehensive income

(DKKm)

Note	Q1 2020	Q1 2019
1 Interest income	803	786
2 Interest expenses	-329	-348
Net interest income	473	438
Share dividends etc.	0	0
Fees and commission income	65	48
Fees and commission paid	-174	-144
Net interest and fee income	365	341
3 Market value adjustments	-102	1
Other operating income	6	6
4-10 Staff costs and administrative expenses	-73	-65
Depreciation and impairment of property, plant and equipment	-1	-1
Other operating expenses	-3	-3
11 Impairment of loans, advances, receivables, etc.	-52	-5
Profit before tax	140	275
12 Tax	-31	-60
Profit after tax	109	214
Comprehensive income		
Profit for the year	109	214
Revaluation of property	0	0
Tax on property revaluations	0	0
Other comprehensive income after tax	109	214
<u>Attributable to:</u>		
Shareholders of DLR Kredit A/S	109	214

Balance sheet

(DKKm)

Note	31 March 2020	31 December 2019
Assets		
	50	50
7,13	3,396	4,129
8, 10-12	157,875	156,821
9, 12	14	16
14	12,631	11,732
	36	36
15	120	120
	7	7
	150	13
	38	42
16	644	454
	31	24
Total assets	174,991	173,444
Equity and liabilities		
17	150,484	149,630
18	8,009	8,009
19	1,657	1,183
	2	4
Total liabilities	160,152	158,825
20	8	8
Total provisions	8	8
21	1,300	1,300
Total subordinated debt	1,300	1,300
	570	570
	62	62
	2,338	2,338
	10,561	10,341
22	13,530	13,311
Total equity and liabilities	174,991	173,444
20	Off-balance sheet items	
	2	2
21	9,776	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	109	109
Disposal of treasury shares	0	0	0	110	110
Acquisition of treasury shares	0	0	0	0	0
Equity at 31 March	570	62	2,338	10,561	13,530

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.

¹⁾ 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)

	31 March	31 December
	2020	2019
Equity	13,530	13,311
Profit etc. not recognised in tier 1 capital	-109	0
Deductions as a consequence of prudent valuation	-25	-26
Difference between expected losses and impairment losses	-692	-638
Common equity tier 1 capital	12,703	12,647
Subordinated capital (tier 2 capital)	1,300	1,300
Own funds	14,003	13,947
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Risk-weighted exposure with market risk	2,533	2,555
Risk-weighted exposure with operational risk	2,376	2,376
Total risk-weighted exposure	82,135	81,784
Common equity tier 1 capital ratio	15.5	15.5
Total capital ratio	17.0	17.1

List of notes to the financial statements

No. Name of note

Notes to the financial statements - income statement

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- 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.

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Notes - income statement

(DKKm)

Note	Q1 2020	Q1 2019
1 Interest income		
Due from credit institutions and central banks *	0	0
Loans and advances	306	355
Contributions	427	401
Bonds	26	29
Issued bonds at fair value **	22	0
Other interest income	32	18
Total	812	803
Interest on own mortgage bonds offset against interest on issued bonds	-10	-16
Total	803	786
Of which interest income from reverse repo transactions	0	0
<p>* 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).</p> <p>** 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).</p>		
2 Interest expenses		
Credit institutions and central banks	-1	0
Issued bonds at fair value *	-302	-354
Issued bonds at amortised cost	-6	-6
Loans and advances**	-22	0
Other interest expenses	-8	-4
Total	-339	-365
Interest on own mortgage bonds offset against interest on issued bonds	10	16
Total	-329	-348
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

(DKKm)

Note	Q1 2020	Q1 2019
3 Market value adjustments		
Mortgage loans	-1,530	1,041
Bonds	-116	-1
Shares etc.	0	0
Other assets	0	0
Foreign currency	0	1
Derivative financial instruments	14	1
Issued bonds	1,530	-1,041
Total	-102	1
4 Staff costs and administrative expenses		
Staff costs		
Salaries	-40	-36
Pension costs	-4	-3
Social security costs	-6	-5
Total	-49	-44
Other administrative expenses		
IT expenses	-12	-10
Audit, financial supervision and industry association	-2	-1
Other expenses	-10	-9
Total	-24	-21
Total staff costs and administrative expenses	-73	-65
5 Remuneration for members of the Executive Board and the Board of Directors etc.		
Fixed remuneration	2.0	2.2
Variable remuneration	0.0	0.0
Total	2.0	2.2
Number of members of the executive management - year-end	2	2
6 Impairment of loans, advances, receivables, etc.		
Losses in the period	-12	-29
Amounts received on claims previously written off	1	1
Impairment losses in the period	-100	-50
Reversal of impairment losses	56	65
Losses offset against commission payments to banks	3	8
Total	-52	-5

Notes - assets

(DKKm)

Note	31 March 2020	31 December 2019
7 Due from credit institutions and central banks		
Due from central banks	2,900	3,700
Due from credit institutions	496	429
Total amount due from credit institutions and central banks	3,396	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	157,228	154,590
Adjustment to fair value of underlying bonds	1,023	2,552
Adjustment for credit risk	-465	-418
Mortgage loans at fair value	157,785	156,724
Arrears before impairment losses	92	89
Other loans and outlays before impairment losses	8	22
Impairment losses on arrears and outlays	-11	-14
Total	157,875	156,821
9 Loans, advances and other receivables at amortised cost		
Loans and advances	17	19
Adjustment for credit risk	-3	-3
Total	14	16

Notes - assets

(DKKm)

Note	31 March 2020	31 December 2019
10 Mortgage loans (nominal value) by property category (as a percentage)		
Owner-occupied dwellings	4.6	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	17.3	16.7
Properties for manufacturing and manual industries	1.1	1.1
Office and business properties	17.7	17.5
Agricultural properties	56.9	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	64,959	64,077

12 Impairment losses by stage

Impairment of loans and advances at fair value and amortised cost *	2020			
	Stage 1	Stage 2	Stage 3	Total
<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	-113	65	5	-44
End of Q1 2020	120	118	241	479
Impairment of loans and advances at fair value and amortised cost *	2019			
	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.

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	31 March 2020	31 December 2019
14 Bonds at fair value		
- Own mortgage bonds	18,500	21,252
- Other mortgage bonds	11,927	11,026
- Government bonds	704	706
Bonds - gross	31,130	32,984
Own mortgage bonds offset against issued bonds	-18,500	-21,252
Total	12,631	11,732
15 Land and buildings, domicile properties		
Fair value, beginning of year	120	120
Additions during the year	0	0
Depreciation	0	0
Value changes recognised in other comprehensive income	0	0
Fair value, end of period	120	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.	14	8
Interest and commission receivable	64	66
Other receivables	566	380
Total	644	454

Notes - liabilities etc

(DKKm)

Note	31 March 2020	31 December 2019
17 Issued bonds at fair value		
Mortgage bonds - nominal value	167,900	168,244
Fair value adjustment	1,084	2,638
Issued bonds - gross	168,984	170,882
Offsetting of own mortgage bonds - fair value	-18,500	-21,252
Total	150,484	149,630
Of which pre-issued, market value	3,156	3,669
Cash value of bonds drawn for redemption at next repayment date (settlement price)	3,828	6,647
18 Issued bonds at amortised cost		
Issues in connection with senior debt	8,009	8,009
Offsetting of own bonds	0	0
Total	8,009	8,009
19 Other liabilities		
Negative market value of derivative financial instruments etc.	24	7
Interest and commission payable	1,120	889
Other liabilities	514	286
Total	1,657	1,183
20 Off-balance sheet items		
Guarantees etc.		
Financial guarantees	2	2
Other guarantees	0	0
Total	2	2
Other contingent liabilities		
Irrevocable credit commitments (loan offers)	9,776	10,118
Total	9,777	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

(DKKm)

Note	2020	2019	2018	2017	2016
22 Key figures - Q1					
Income statement					
Net interest and fee income	365	341	352	342	346
Other operating income etc.	6	6	6	4	4
Staff costs and administrative expenses etc.	-77	-68	-72	-64	-61
Earnings	294	279	286	283	289
Impairment of loans, advances and receivables	-52	-5	1	17	-27
Market value adjustments	-102	1	-61	3	-12
Profit before tax	140	275	225	303	249
Profit after tax	109	214	175	236	194
Balance sheet					
Assets					
Loans and advances	157,889	151,477	143,768	140,060	134,237
Bonds, shares, etc.	12,667	9,181	11,028	11,471	11,623
Other assets	4,435	2,871	3,954	3,361	2,413
Total assets	174,991	163,529	158,750	154,892	148,274
Equity and liabilities					
Issued bonds	158,493	148,139	144,171	140,928	134,797
Other liabilities	1,667	1,416	1,339	1,458	1,342
Subordinated debt	1,300	650	650	0	0
Equity	13,530	13,324	12,590	12,506	12,135
Total equity and liabilities	174,991	163,529	158,750	154,892	148,274

Notes – key figures

(DKKm)

Note	2020	2019	2018	2017	2016
23 Financial ratios - Q1					
Return on equity					
Profit before tax in per cent of equity *)	1.0	2.1	1.8	2.4	2.0
Profit after tax in per cent of equity *)	0.8	1.6	1.4	1.9	1.6
Return on capital employed					
Return on capital employed *)	0.06	0.13	0.11	0.15	0.13
Costs					
Costs in per cent of loan portfolio	0.05	0.05	0.05	0.05	0.04
Income/cost ratio *)	2.1	4.7	4.2	7.4	3.8
Income/cost ratio, excl. impairment losses	3.5	5.1	4.1	5.5	5.7
Solvency **)					
Total capital ratio	17.0	16.7	15.9	14.7	14.8
Tier 1 capital ratio	15.5	15.9	15.0	14.7	14.8
Common equity tier 1 capital ratio	15.5	15.9	15.0	13.0	13.1
Arrears and impairment losses					
Arrears, end of period (DKKm)	92	139	122	126	124
Impairment ratio for the period *)	0.03	0.00	0.00	0.00	0.00
Accumulated impairment ratio	0.30	0.34	0.36	0.42	0.43
Lending activity					
Growth in loan portfolio, per cent (nominal) *)	1.7	1.2	0.6	0.5	0.5
New loans, gross (DKKm)	10,807	6,884	6,313	5,904	3,914
Number of new loans	3,373	2,225	2,061	1,989	1,353
Loan/equity ratio *)	11.7	11.4	11.4	11.2	11.1
Margins					
Percentage of average loan portfolio (nominal):					
Profit before tax	0.09	0.19	0.16	0.22	0.19
Administration margin income in per cent of average loan portfolio	0.27	0.27	0.27	0.27	0.27
Percentage of tier 1 capital after deductions					
Foreign exchange position as a percentage of tier 1 capital after deductions	2.9	4.3	6.6	12.3	14.7

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

Notes - other notes

(DKKm)

Note	2020	2019
24 Reconciliation of income statement for "core and portfolio earnings" against "official statements"		
	Core earnings	Portfolio earnings
	2020	2020
	Total	2020
Interest income	776	27
Interest expenses	-329	
Net interest income	446	27
Share dividends etc.	0	
Fees and commission received	65	
Fees and commission paid	-174	
Net interest and fee income	338	27
Market value adjustments	1	-103
Other operating income	6	
Staff costs and administrative expenses	-73	
Depreciation and impairment of property, plant and equipment	-1	
Other operating expenses	-3	
Impairment of loans, advances, receivables, etc.	-52	
Profit before tax	216	-76
Tax	-48	17
Profit after tax	169	109

Note

25 Supervisory diamond for mortgage-credit institutions

	End of Q1 2020	End of year 2019	Threshold
1. Lending growth			
Private homeowners	8.8	7.1	<15%
Residential rental property	21.0	21.2	<15%
Agriculture	1.7	1.5	<15%
Other business lending	6.3	5.0	<15%
2. Borrower interest-rate risk	16.3	16.8	<25%
3. Interest-only lending to private home	1.9	2.1	<10%
4. Loans with short-term funding			
Q2 2019	7.1	0.0	<12,5%
Q3 2019	1.7	0.0	<12,5%
Q4 2019	2.4	0.0	<12,5%
Q1 2020	2.0	0.0	<12,5%
Loans with short-term funding annually	12.8	13.2	
5. Large exposures	29.1	26.8	< 100%

* 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 fourth quarter 2019. 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 – 31 March 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 at 31 March 2020 and of the results of the Company's operations for the period 1 January – 31 March 2020.

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

Copenhagen, 30 April 2020

Executive Board

Jens Kr. A. Møller
Managing Director & 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

Gert R. Jonassen

Agnete Kjærsgaard

Bjarne Larsen

Lars Petersson