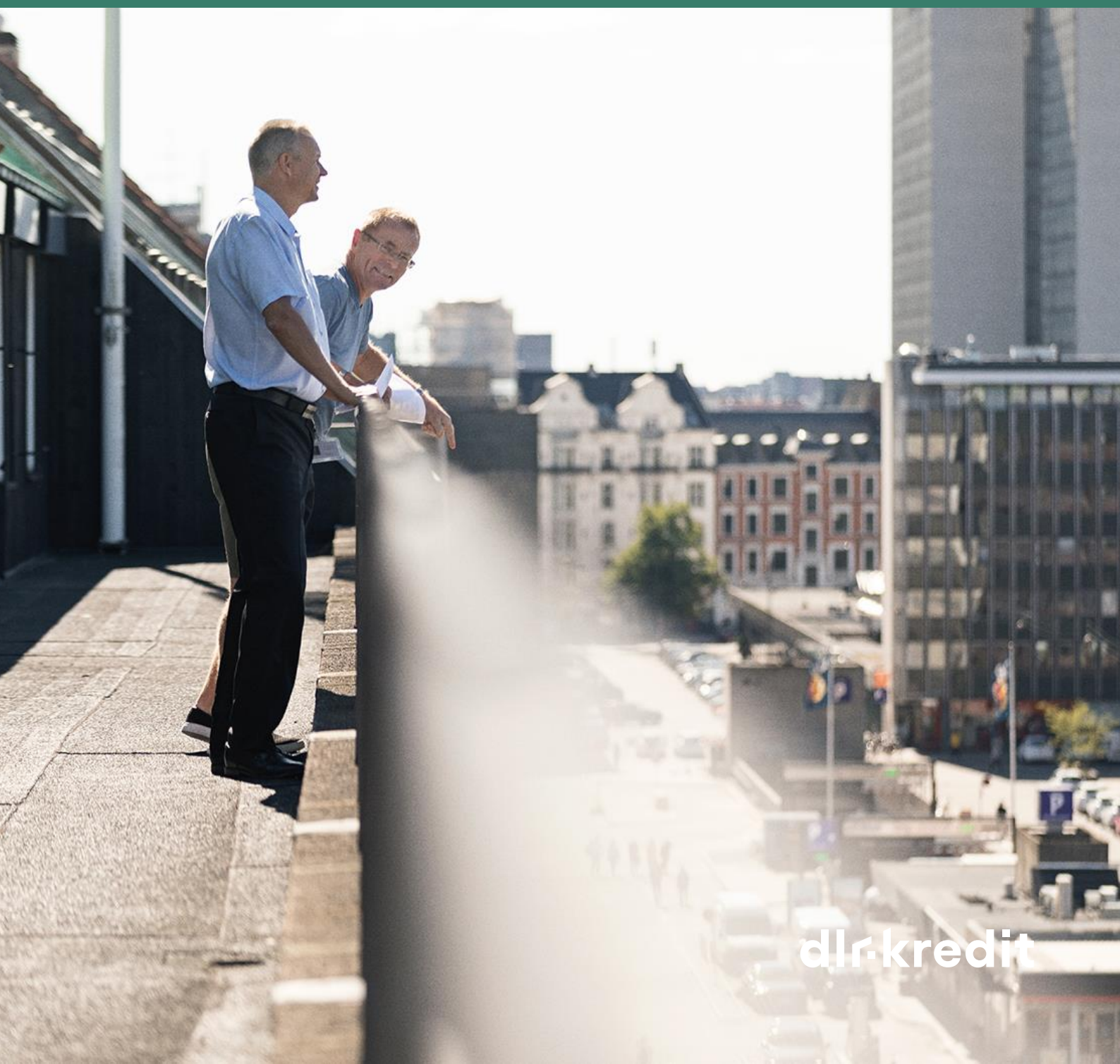


# Interim report Q1 2021



dlr.kredit

# Contents

<b>Management review</b>	<b>3</b>
Financial highlights	4
Q1 2021 - Highlights	4
Chief executive officer statement	6
Comments on the results for Q1 2021	8
Capital and solvency	11
Risk factors	12
Outlook for 2021	13
Accounting policies	13
Events after the balance sheet date	13
Additional information	14
Contacts	14
<b>Financial statements Q1 2021</b>	<b>15</b>
<b>Management's statement and auditors' reports</b>	<b>35</b>
<b>Management's statement</b>	<b>35</b>



# DLR at a glance

DLR is a Danish mortgage credit institution owned primarily by 50 local and national banks that collaborate with DLR.

DLR has no branch offices, as loans are distributed through the branch networks of DLR's shareholder banks.

DLR grants loans against mortgages on real property for the purpose of financing agricultural and commercial property in Denmark. DLR has been financing Danish agriculture since 1960, when DLR was established as Dansk Landbrugs Realkreditfond. The business expanded in 2001 to include the financing of commercial property more broadly, and this is now the fastest growing lending area. DLR also grants loans in Greenland and the Faroe Islands, primarily for owner-occupied homes and residential rental properties and, on a smaller scale, office and retail properties. DLR's overriding risk is credit risk, i.e. the risk that borrowers default on their loans with DLR. Credit risk is limited by collateral in the form of DLR's mortgages on the properties and also by the guarantee and loss-mitigating agreements DLR has signed with its loan-distributing shareholder banks.

# Financial highlights

<b>Profit and Loss Account, DKKm</b>	<b>Q1 2021</b>	<b>Q1 2020</b>	<b>Ratio 21/20</b>	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Q2 2020</b>	<b>Q1 2020</b>
Administration fee income	444	427	104	440	436	431	427
Other core income, net	42	40	105	35	34	30	40
Interest expenses, senior debt and subordinated debt	-16	-14	115	-16	-16	-15	-14
Fee and commission income, net	-127	-109	117	-117	-114	-106	-109
<b>Core income (mortgage credit income)</b>	<b>343</b>	<b>345</b>	<b>99</b>	<b>341</b>	<b>340</b>	<b>340</b>	<b>345</b>
Staff costs and administrative expenses, etc.	-77	-74	105	-85	-72	-69	-74
Other operating expenses	-5	-3	150	-4	-4	-5	-3
<b>Results from core activities</b>	<b>261</b>	<b>268</b>	<b>97</b>	<b>252</b>	<b>264</b>	<b>267</b>	<b>268</b>
Provision for loan and receivable impairment, etc.	30	-52	0	-4	-1	-5	-52
Portfolio earnings (securities)	-33	-76	0	-1	8	41	-76
<b>Profit before tax</b>	<b>258</b>	<b>140</b>	<b>184</b>	<b>247</b>	<b>271</b>	<b>302</b>	<b>140</b>
<b>Profit after tax</b>	<b>201</b>	<b>109</b>	<b>184</b>	<b>192</b>	<b>211</b>	<b>236</b>	<b>109</b>

<b>Balance Sheet at 31 March</b>	<b>Q1 2021</b>	<b>Q1 2020</b>	<b>Ratio 21/20</b>	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Q2 2020</b>	<b>Q1 2020</b>
<b>Assets</b>							
Loans and advances	168.332	157.889	107	166.787	163.785	160.634	157.889
Bonds and shares	11.227	12.667	89	12.041	11.180	10.488	12.667
Other assets	2.466	4.435	56	2.255	3.139	2.121	4.435
<b>Total assets</b>	<b>182.024</b>	<b>174.991</b>	<b>104</b>	<b>181.083</b>	<b>178.104</b>	<b>173.243</b>	<b>174.991</b>
<b>Liabilities and equity</b>							
Issued bonds	164.847	158.493	104	164.433	161.575	157.266	158.493
Other debt and payables	1.494	1.667	90	1.167	1.252	912	1.667
Subordinated debt	1.300	1.300	100	1.300	1.300	1.300	1.300
Equity	14.384	13.530	106	14.183	13.977	13.766	13.530
<b>Total liabilities and equity</b>	<b>182.024</b>	<b>174.991</b>	<b>104</b>	<b>181.083</b>	<b>178.104</b>	<b>173.243</b>	<b>174.991</b>

	<b>Q1 2021</b>	<b>Q1 2020</b>	<b>Q4 2020</b>	<b>Q3 2020</b>	<b>Q2 2020</b>	<b>Q1 2020</b>
<b>Return on equity (ROE)</b>						
Profit before tax in pc of equity	1,8%	1,0%	1,7%	2,0%	2,2%	1,0%
Profit after tax in pc of equity	1,4%	0,8%	1,4%	1,6%	1,7%	0,8%
<b>Solvency</b>						
Capital ratio	18,5%	17,0%	18,8%	17,2%	17,1%	17,0%
<b>Lending Activity</b>						
Growth in loan portfolio, pc (nominel)	2,1%	1,7%	1,8%	1,8%	1,0%	1,7%
New loans, gross (DKKm)	9.790	10.807	9.533	9.743	6.756	10.807

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

## Q1 2021 - Highlights

- Core income amounted to DKK 343m in Q1 2021, which is on a level with the same period of 2020.
- The COVID-19 pandemic has not had any significant impact on the profit for the period.
- The pre-tax profit was DKK 258m, up by DKK 118m on the year-earlier period.
- Lending activities in Q1 2021 were at a satisfactory level. Gross lending amounted to DKK 9.8bn (nominal value), and net lending was DKK 3.3bn (nominal value), against net lending of DKK 2.5bn in the same period of 2020.
- For 2021, DLR expects core earnings before impairment in the order of DKK 1,000 – 1,050m and a pre-tax profit of around DKK 875 – 925m. The forecast is unchanged from that announced in Annual Report 2020.

# Chief executive officer statement

## Statement by CEO Jens Kr. A. Møller on the release of the interim report for the first quarter of 2021:

"At DKK 258m, DLR's pre-tax profit for Q1 2021 was satisfactory and better than expected. The profit is DKK 118m higher than in Q1 2020, which was strongly impacted by the COVID-19 pandemic and the first lockdown of major parts of society.

However, during 2020, it became evident that our business activities were not as severely affected by the pandemic as we had feared, and the favourable trends have continued into 2021.

The positive financial performance in Q1 was mainly attributable to growing income as a result of strong lending activity. In addition, persistently strong cyclical trends, especially for the agricultural sector, had a positive effect on losses and impairment charges. Although the process of re-opening the Danish society is well underway, much economic uncertainty still attaches to specific parts of business customer lending. DLR has therefore maintained a "COVID-19-related" management estimate of DKK 130m on top of the impairment charges, relating primarily to commercial property loans.

The negative earnings on the securities portfolio in Q1 were greater than anticipated due to negative value adjustments driven by rising yields. However, the rising yields mean that we expect higher coupon income on DLR's substantial portfolio of short-term bonds for the year as a whole.

We recorded decent growth rates both in gross and net lending in Q1. Net lending increased by DKK 3.3bn in Q1 2021, and the loan portfolio increase reflects growth both in agricultural loans and in loans for commercial property. Loans for commercial property rose by DKK 2.5bn, while loans for agricultural property and residential property increased by DKK 0.8bn in Q1. The persistently growing share of loans for residential rental property and office and retail property has led to a greater diversification of DLR's loan portfolio, which is highly satisfactory.

The major agricultural production areas generally experienced decent earnings in 2020, and this trend is expected to continue in 2021 driven, among other things, by generally rising commodity prices following the post-COVID-19 re-opening of society.

For several years, dairy farmers have experienced stable settlement prices at or slightly above the expected long-term level. Coupled with improved efficiency and improved dairy yields at many farms, this makes us expect relatively strong earnings in this part of the agricultural segment in 2021.

Following a long period of good pork prices, pig farmers experienced a sharp drop in prices from Q2 2020, partly due to COVID-19 and partly the outbreak of African swine fever in wild boards in

the eastern parts of Germany. In particular, prices of weaners for exports plunged during the period. Quoted prices of pigs and weaners have moved higher recently, and are currently at a level that is acceptable to most farmers. Expectations for developments in earnings for pig farmers for the rest of 2021 are quite positive, among other things owing to persistently strong demand from China in particular.

Arable farmers were generally favoured by good crops and fair yields in 2020, and after a period of lower-than-expected product prices, selling prices recovered to a satisfactory level towards the tail end of 2020. On the basis of good overall demand worldwide for vegetable commodities, arable farmers are currently expected to record satisfactory earnings.

In the non-agricultural sector, demand remains strong for most types of property. Although initial economic forecasts during the COVID-19 pandemic predicted a quite substantial overall drop in property prices both in 2020 and 2021, prices rose by a fair margin in 2020, and most forecasts are pointing to price increases in 2021 and following years. However, much uncertainty still exists in terms of predicting the final repercussions of the COVID-19 pandemic on society and, by extension, on property prices – not least following the latest comprehensive lockdowns.

Certain types of property in the hotel, restaurant and retail segments were hard hit by the lockdowns. DLR only has moderate exposure to these types of property.

As a major lender both to Danish agriculture and significant parts of the business community, DLR and the loan-distributing banks play an important role in the transition to greater sustainability. In January 2021, DLR launched green loans for sustainable investments and green buildings for the agricultural and business segments. DLR expects that green loans, in the slightly longer term, will account for a substantial proportion of new lending."

Jens Kr. A. Møller

Managing Director & CEO

# Comments on the results for Q1 2021

## Income statement

DLR's earnings primarily stem from:

- Core earnings: Earnings from mortgage credit activity in the form of administration margins, fees and commission income, etc. less associated administrative expenses, losses and impairment charges.
- Portfolio earnings: Return on the securities portfolio.

The income statement for Q1 2021 is set out below.

<b>Profit and Loss Account, DKKm</b>	<b>Q1 2021</b>	<b>Q1 2020</b>
Administration fee income	444	427
Other core income, net	42	40
Interest expenses, senior debt and subordinated debt	-16	-14
Fee and commission income, net	-127	-109
<b>Core income (mortgage credit income)</b>	<b>343</b>	<b>345</b>
Staff costs and administrative expenses, etc.	-77	-74
Other operating expenses	-5	-3
<b>Results from core activities</b>	<b>261</b>	<b>268</b>
Provision for loan and receivable impairment, etc.	30	-52
Portfolio earnings (securities)	-33	-76
<b>Profit before tax</b>	<b>258</b>	<b>140</b>
<b>Profit after tax</b>	<b>201</b>	<b>109</b>

## Core earnings

Administration margin income amounted to DKK 444m, up DKK 17m on 2020. The increase was driven by a larger loan portfolio.

Other core income includes income from loan origination fees, fees from administration agreements with other financial institutions and default interest. This income amounted to DKK 42m in Q1 2021, which is DKK 2m more than in the same period of 2020.



Interest expenses on subordinated debt amounted to DKK 8m, which is on a level with the same period of last year.

Interest expenses for senior loans amounted to DKK 8m, which is slightly higher than in the year-earlier period.

Fees and commission (net) include, on the one hand, 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, commissions payable to the banks that have facilitated DLR's loans. Expenses include both intermediation commission and commission for the provision of loss guarantees, etc.

Fees and commission (net) amounted to an expense of DKK 127m compared to an expense of DKK 109m in the same period of 2020. The higher net expense was due to a combination of a DKK 11m decline in fee and commission income and an increase of DKK 7m in fee and commission expenses. The latter should be seen in the context of the increasing loan portfolio and the resulting higher expenses for commission for the provision of loss guarantees, etc.

Core income was subsequently DKK 343m, a decline of DKK 2m relative to the same period last year.

Staff costs and administrative expenses, etc. amounted to DKK 77m, which is DKK 4m more than Q1 2020.

Other operating expenses concern DLR's contribution to the Resolution Fund, amounting to DKK 5m.

Losses and impairment on loans and receivables amounted to an income of DKK 30m. The income is composed of the following components:

- Expenses of DKK 4m from Q1 net losses on loans
- Income in the form of loss offsetting in the amount of DKK 3m
- Income in the form of reversed impairment charges of DKK 32m, relating primarily to the agricultural segment.

### **Portfolio earnings**

Due to persistently negative short-term interest rates, portfolio earnings in Q1 represented an expense of DKK 33m, against an expense of DKK 76m in Q1 2020. The very negative returns in Q1 2020 were strongly affected by adverse developments in the securities markets in March 2020.

### **Profit and allocation of comprehensive income**

The profit before tax was DKK 258m, against DKK 140m in the year-earlier period.

Net profit for the period was DKK 201m, which has been transferred to DLR's equity.

**Balance sheet**

Mortgage lending at fair value amounted to DKK 168.3bn at the end of Q1 2021.

Bond holdings amounted to DKK 27.0bn, which is DKK 4.3bn less than at year-end 2020. Of this amount, the portfolio of DLR bonds amounted to DKK 15.8bn, which is netted in "Issued bonds at fair value", while DKK 11.2bn was attributable to positions in government securities and other mortgage bonds.

In addition to the bond holding of DKK 27bn, DLR held other securities for DKK 1.9bn; hence, the total securities holding amounted to DKK 28.9bn (gross) at the end of Q1 2021.

Of the total securities amount, temporary excess liquidity in connection with mortgage lending activity comprised DKK 5.4bn, so the investment holding was therefore DKK 23.5bn.

DLR's total assets stood at DKK 182.0bn at the end of Q1 2021.

# Capital and solvency

DLR's capital and solvency figures at the end of Q1 2021 are shown in the table below.

<b>Capital and solvency</b>	<b>Q1 2021</b>	<b>Q4 2020</b>
Equity	14,384	14,183
Profit, etc. not recognised in tier 1 capital	-201	0
Deductions of a consequence of prudent valuation	-24	-25
Deductions of a consequence of intangible assets	-2	0
Difference between expected losses and impairment losses	-518	-539
<b>Common equity tier 1 capital</b>	<b>13,639</b>	13,618
Subordinated capital (tier 2 capital)	1,300	1,300
<b>Own funds</b>	<b>14,939</b>	<b>14,918</b>
Risk-weighted exposure with credit risk etc.	76,954	74,846
Risk-weighted exposure with market risk	1,578	2,221
Risk-weighted exposure with operational risk	2,400	2,400
<b>Total risk-weighted exposure</b>	<b>80,932</b>	<b>79,467</b>
Common equity tier 1 capital ratio (%)	16.9%	17.1%
Total capital ratio (%)	18.5%	18.8%

Own funds at 31 March 2021 amounted to DKK 14,939m, which is an increase of DKK 21m (note that results for Q1 2021 are not recognised in own funds), which primarily relates to a lower difference between expected credit losses and impairment charges.

## Weighted risk exposure

Weighted risk exposure amounted to DKK 80.9bn at 31 March 2021, which is DKK 1.5bn higher than at year-end 2020.

Risk-weighted exposure with credit risk increased by DKK 2.1bn due to a DKK 3.3bn increase in the loan portfolio and because loan offers/loan commitments have risen by DKK 1.6bn.

Risk-weighted exposure with market risk declined by DKK 0.6bn, which is due to a lower duration on ARM Short bonds in the bond portfolio.

#### Total capital ratio

DLR's total capital ratio was 18.5% at 31 March 2021, against 18.8% at year-end 2020. The common equity tier 1 capital ratio was 16.9%, against 17.1% at year-end 2020.

If the profit for Q1 2021 had been recognised, the total capital ratio would have been 18.7%, and the tier 1 capital ratio 17.1%.

## Risk factors

DLR's credit and market risks are assessed to be limited. This is partly due to the regulatory foundation, partly the defined internal credit policy guidelines. To this should be added measures to mitigate losses, including the guarantees and loss offsetting measures established for DLR's various lending areas in accordance with agreements with DLR's partner banks.

For a more detailed description of market risk and credit risk, please see our Risk and Capital Management Report for 2020, which is available on <https://dlr.dk/investor/regnskaber-rapporter/>.

#### **Arrears and forced sales**

At 31 March 2021, outstanding mortgage payments amounted to DKK 68m, against DKK 71m at year-end 2020. Of the amount in arrears, the bulk stems from mortgage payments that are less than 3½ months overdue.

DLR recorded a loss on 10 properties in Q1 2021, against 19 in the same period of 2020.

At the end of Q1 2021, DLR had a portfolio of 5 repossessed properties. The value of the repossessed properties was DKK 8m at 31 March 2021, which was unchanged from 31 December 2020.

## Outlook for 2021

In its Annual Report 2020, DLR guided for core earnings before impairment in the order of DKK 1,000 – 1,050m and a pre-tax profit of around DKK 875 – 925m for the full-year 2021.

After the end of Q1, DLR retains its guidance for both core earnings before impairment and pre-tax profit for 2021.

## Accounting policies

DLR's interim report has been prepared in accordance with the provisions of the Danish Financial Supervisory Authority on financial reports of mortgage credit institutions and the requirements of NASDAQ Copenhagen as regards the financial statements of issuers of listed bonds.

The accounting policies are consistent with those applied in Annual Report 2020.

It should be mentioned, however, that an amount of DKK 2.4m was capitalised in Q1 2021 concerning an IT development project, which meets the capitalisation requirements.

The financial statements have neither been audited nor reviewed.

## Events after the balance sheet date

No events occurred after the reporting date that would change the income statement or balance sheet in the interim report.

## Additional information

For further information on DLR, please refer to <https://dlr.dk/investor/regnskaber-rapporter/>, where the Annual Report 2020 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

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- Pernille Lohmann, Managing Director, tel. +45 33 42 08 74

# Financial statements Q1 2021

Income statement and statement of comprehensive income	16
Balance sheet	17
Statement of changes in equity	18
Capital and solvency	19

## Income statement and statement of comprehensive income (DKKm)

Note	Q1 2021	Q1 2020
<b>1</b> Interest income	791	803
<b>2</b> Interest expenses	-312	-329
<b>Net interest income</b>	<b>479</b>	<b>473</b>
Share dividends etc.	0	0
Fees and commission income	54	65
Fees and commission paid	-181	-174
<b>Net interest and fee income</b>	<b>352</b>	<b>365</b>
<b>3</b> Market value adjustments	-48	-102
Other operating income	6	6
<b>4-10</b> Staff costs and administrative expenses	-77	-73
Depreciation and impairment of property, plant and equipment	0	-1
Other operating expenses	-5	-3
<b>6</b> Impairment of loans, advances, receivables, etc.	30	-52
<b>Profit before tax</b>	<b>258</b>	<b>140</b>
Tax	-57	-31
<b>Profit after tax</b>	<b>201</b>	<b>109</b>
<b>Comprehensive income</b>		
Profit for the year	201	109
Property revaluations	0	0
Tax on property revaluations	0	0
<b>Other comprehensive income after tax</b>	<b>201</b>	<b>109</b>
Attributable to shareholders of DLR Kredit A/S	201	109



## Balance sheet

(DKKm)

Note		31-mar 2021	31-dec 2020
	<b>Assets</b>		
	Cash balance and demand deposits with central banks	1,620	50
7	Due from credit institutions and central banks	257	1,731
8	Loans, advances and other receivables at fair value	168,320	166,775
9	Loans, advances and other receivables at amortised cost	12	12
14	Bonds at fair value	11,193	12,007
	Shares etc.	34	34
	Intangible assets	2	0
15	Land and buildings, domicile properties	136	136
	Other property, plant and equipment	6	6
	Leasing assets	0	0
	Current tax assets	148	12
	Assets held temporarily	6	6
16	Other assets	259	293
	Prepayments	32	21
	<b>Total assets</b>	<b>182,024</b>	<b>181,083</b>
	<b>Equity and liabilities</b>		
17	Issued bonds at fair value	157,843	157,429
18	Issued bonds at amortised cost	7,004	7,004
	Leasing liabilities	0	0
	Current tax liabilities	0	0
19	Other liabilities	1,474	1,145
	Deferred income	3	2
	<b>Total liabilities</b>	<b>166,323</b>	<b>165,580</b>
	Provisions for deferred tax	17	20
	<b>Total provisions</b>	<b>17</b>	<b>20</b>
	Subordinated debt	1,300	1,300
	<b>Total subordinated debt</b>	<b>1,300</b>	<b>1,300</b>
	Share capital	570	570
	Revaluation reserve	75	75
	Undistributable reserve	2,338	2,338
	Retained earnings etc.	11,401	11,200
	<b>Total equity</b>	<b>14,384</b>	<b>14,183</b>
	<b>Total equity and liabilities</b>	<b>182,024</b>	<b>181,083</b>
20	<b>Off-balance sheet items</b>		
	Guarantees	0	0
	Contingent liabilities (loan offers, other contingent liabilities, etc.)	11,125	9,490
21	Other contingent assets	34	34

## Statement of changes in equity

(DKK m)

Note	Share capital 1)	Revaluation reserve	Undistributable reserve	Retained earnings	Total
<b>2020</b>					
Equity at 1 January	570	62	2,338	10,341	13,311
Profit for the year	0	0	0	749	749
Property revaluations	0	17	0	0	17
Tax on property revaluations	0	-4	0	0	-4
Disposal of treasury shares 2)	0	0	0	110	110
Acquisition of treasury shares	0	0	0	0	0
<b>Equity at 31 December</b>	<b>570</b>	<b>75</b>	<b>2,338</b>	<b>11,200</b>	<b>14,183</b>
<b>2021</b>					
Equity at 1 January	570	75	2,338	11,200	14,183
Profit for the year	0	0	0	201	201
Property revaluations	0	0	0	0	0
Tax on property revaluations	0	0	0	0	0
Disposal of treasury shares 2)	0	0	0	0	0
Acquisition of treasury shares	0	0	0	0	0
<b>Equity at 31 March</b>	<b>570</b>	<b>75</b>	<b>2,338</b>	<b>11,401</b>	<b>14,384</b>

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 (2020: 46,122,083) treasury shares at 31 March 2021, corresponding to a nominal value of DKK 46.1m (2020: DKK 46.1m). The portfolio of treasury shares accounts for 8.1% (2020: 8.1%) of the total share capital.

## Capital and solvency

(DKKm)

Note	31-mar 2021	31-dec 2020
Equity	14,384	14,183
Profit etc. not recognised in tier 1 capital	-201	0
Deductions as a consequence of prudent valuation	-24	-25
Deductions as a consequence of intangible assets	-2	0
Difference between expected losses and impairment losses	-518	-539
<b>Common equity tier 1 capital</b>	<b>13,639</b>	<b>13,618</b>
Subordinated capital (tier 2 capital)	1,300	1,300
Deductions from tier 2 capital	0	0
<b>Own funds</b>	<b>14,939</b>	<b>14,918</b>
Risk-weighted exposure with credit risk etc.	76,954	74,846
Risk-weighted exposure with market risk	1,578	2,221
Risk-weighted exposure with operational risk	2,400	2,400
<b>Total risk-weighted exposure</b>	<b>80,932</b>	<b>79,467</b>
<b>Common equity tier 1 capital ratio</b>	<b>16.9%</b>	<b>17.1%</b>
<b>Total capital ratio</b>	<b>18.5%</b>	<b>18.8%</b>
<b>Statement of excess capital adequacy</b>	<b>2021</b>	<b>2020</b>
Own funds after deductions	14,939	14,918
Capital adequacy	-7,414	-7,296
SIFI buffer	-809	-795
Capital conservation buffer	-2,023	-1,987
Countercyclical buffer	0	0
Systemic buffer Faroe Islands	-10	-10
Reserved debt buffer	0	0
<b>Excess capital adequacy</b>	<b>4,681</b>	<b>4,831</b>

# Notes

## **Notes - 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 Impairment of loans, advances, receivables, 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 - Equity and liabilities**

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

## **Notes - Key figures and financial ratios**

- 22 Key figures - Q1
- 23 Financial ratios - Q1

## **Notes - Other notes**

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

## Income statement

(DKKm)

Note		Q1	Q1
1	Interest income	2021	2020
	Due from credit institutions and central banks	0	0
	Positive interest loans and advances *	285	306
	Contributions	444	427
	Bonds	16	26
	Issued bonds at fair value **	15	22
	Other interest income	35	32
	<b>Total</b>	<b>795</b>	<b>812</b>
	Interest on own mortgage bonds offset against interest on issued bonds	-4	-10
	<b>Total</b>	<b>791</b>	<b>803</b>
	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).

		Q1	Q1
2	Interest expenses	2021	2020
	Credit institutions and central banks	0	-1
	Issued bonds at fair value *	-284	-302
	Issued bonds at amortised cost	-8	-6
	Negative interest loans and advances**	-15	-22
	Other interest expenses	-8	-8
	<b>Total</b>	<b>-316</b>	<b>-339</b>
	Interest on own mortgage bonds offset against interest on issued bonds	4	10
	<b>Total</b>	<b>-312</b>	<b>-329</b>
	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).

<b>Note</b>		<b>Q1</b>	<b>Q1</b>
<b>3</b>	<b>Market value adjustments</b>	<b>2021</b>	<b>2020</b>
	Mortgage loans	-1,974	-1,530
	Bonds	-47	-116
	Shares etc.	0	0
	Other assets	0	0
	Foreign currency	0	0
	Derivative financial instruments	-1	14
	Issued bonds	1,974	1,530
	<b>Total</b>	<b>-48</b>	<b>-102</b>
<b>4</b>	<b>Staff costs and administrative expenses</b>	<b>Q1</b>	<b>Q1</b>
		<b>2021</b>	<b>2020</b>
	Staff costs		
	Salaries	-46	-40
	Pension costs	-4	-4
	Social security costs	-7	-6
	<b>Total</b>	<b>-57</b>	<b>-49</b>
	Other administrative expenses		
	IT expenses	-12	-12
	Audit, financial supervision and industry association	-2	-2
	Other expenses	-7	-10
	<b>Total</b>	<b>-20</b>	<b>-24</b>
	<b>Total staff costs and administrative expenses</b>	<b>-77</b>	<b>-73</b>

Note		Q1	Q1
<b>5</b>	<b>Remuneration for members of the Executive Board and the Board of Directors etc.</b>	<b>2021</b>	<b>2020</b>
	Fixed remuneration	2.1	2.0
	Variable remuneration	0.0	0.0
	<b>Total</b>	<b>2.1</b>	<b>2.0</b>
	Number of members of the executive management - year-end	2	2
<b>6</b>	<b>Impairment of loans, advances, receivables, etc.</b>	<b>Q1 2021</b>	<b>Q1 2020</b>
	Losses in the period	-4	-12
	Amounts received on claims previously written off	0	1
	Impairment losses in the period	-34	-100
	Reversal of impairment losses	66	56
	Losses offset against commission payments to banks	3	3
	<b>Total</b>	<b>30</b>	<b>-52</b>

## Assets

(DKKm)

Note		31-mar 2021	31-dec 2020
<b>7</b>	<b>Due from credit institutions and central banks</b>		
	Due from central banks	0	1,300
	Due from credit institutions	257	431
	<b>Total amount due from credit institutions and central banks</b>	<b>257</b>	<b>1,731</b>

DLR did not enter into any reverse repo transactions in 2021 or 2020.

		31-mar 2021	31-dec 2020
<b>8</b>	<b>Loans, advances and other receivables at fair value</b>		
	Mortgage loans, nominal value	167,775	164,286
	Adjustment to fair value of underlying bonds	928	2,902
	Adjustment for credit risk	-451	-481
	<b>Mortgage loans at fair value</b>	<b>168,252</b>	<b>166,707</b>
	Arrears before impairment losses	68	71
	Other loans and outlays before impairment losses	5	3
	Impairment losses on arrears and outlays	-5	-7
	<b>Total</b>	<b>168,320</b>	<b>166,775</b>

		31-mar 2021	31-dec 2020
<b>9</b>	<b>Loans, advances and other receivables at amortised cost</b>		
	Loans and advances	14	15
	Adjustment for credit risk	-3	-3
	<b>Total</b>	<b>12</b>	<b>12</b>



<b>Note</b>		<b>31-mar</b>	<b>31-dec</b>
<b>10</b>	<b>Mortgage loans (nominal value) by property category (as a percentage)</b>	<b>2021</b>	<b>2020</b>
	Owner-occupied dwellings	4.8%	4.8%
	Recreational dwellings	0.2%	0.2%
	Subsidised rental housing properties	0.1%	0.1%
	Co-operative housing	2.1%	2.0%
	Private rental housing properties	19.4%	18.8%
	Properties for manufacturing and manual industries	1.2%	1.3%
	Office and business properties	17.9%	17.6%
	Agricultural properties	54.2%	55.0%
	Properties for social, cultural and educational purposes	0.1%	0.0%
	Other properties	0.0%	0.2%
	<b>Total, %</b>	<b>100.0%</b>	<b>100.0%</b>
<b>11</b>	<b>Number of loans - end of period</b>	<b>31-mar</b>	<b>31-dec</b>
		<b>2021</b>	<b>2020</b>
		<b>68,296</b>	<b>67,254</b>

**Note****12 Impairment losses by stage**

<b>Impairment of loans and advances at fair value and amortised cost *</b>	<b>31-mar 2021 2020</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Specification of impairment losses at year-end:				
Loans and advances in stage 1 at beginning of year	5	15	0	20
Loans and advances in stage 2 at beginning of year	0	58	125	183
Loans and advances in stage 3 at beginning of year	0	1	39	39
New loans and advances	0	6	1	7
Management estimate	147	46	16	210
<b>Total</b>	<b>153</b>	<b>126</b>	<b>181</b>	<b>459</b>

<b>Impairment of loans and advances at fair value and amortised cost *</b>	<b>31-dec 2020 2019</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Specification of impairment losses at year-end:				
Loans and advances in stage 1 at beginning of year	3	8	2	13
Loans and advances in stage 2 at beginning of year	1	49	55	105
Loans and advances in stage 3 at beginning of year	0	3	134	137
New loans and advances	3	23	1	26
Management estimate	151	43	16	210
<b>Total</b>	<b>158</b>	<b>125</b>	<b>208</b>	<b>491</b>

\* No loans, advances or other receivables which were credit-impaired on initial recognition were recognised in 2020 or 2021.

\* 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.

## Note

**13 Impairment - other financial assets**

	31-mar 2021			Total
	Stage 1	Stage 2	Stage 3	
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.

	31-dec 2020			Total
	Stage 1	Stage 2	Stage 3	
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 were recognised in 2020 or 2021.

<b>14 Bonds at fair value</b>	31-mar	31-dec
	2021	2020
Own mortgage bonds	15,837	19,296
Other mortgage bonds	10,692	11,505
Government bonds	501	502
<b>Bonds - gross</b>	<b>27,029</b>	<b>31,302</b>
Own mortgage bonds offset against issued bonds	-15,837	-19,296
<b>Total</b>	<b>11,193</b>	<b>12,007</b>

<b>15 Land and buildings - domicile properties</b>	2021	2020
<b>Fair value, beginning of year</b>	<b>136.2</b>	<b>119.6</b>
Additions during the year	0.0	0.0
Depreciation	-0.2	-0.4
Value changes recognised in other comprehensive income	0.0	17.0
<b>Fair value, end of year</b>	<b>136.0</b>	<b>136.2</b>

Domicile properties are valued on an annual basis by DLR's in-house valuation expert, who specialises in commercial property valuation.

<b>Note</b>		<b>31-mar</b>	<b>31-dec</b>
<b>16</b>	<b>Other assets</b>	<b>2021</b>	<b>2020</b>
	Positive market value of derivative financial instruments etc.	0	1
	Interest and commission receivable	58	60
	Other receivables	201	233
	<b>Total</b>	<b>259</b>	<b>293</b>



Note 20	Off-balance sheet items - guarantees etc.	31-mar 2021	31-dec 2020
	Financial guarantees	0	0
	Other guarantees	0	0
	<b>Total</b>	<b>0</b>	<b>0</b>
	<b>Other contingent liabilities</b>		
	Irrevocable credit commitments (loan offers)	11,125	9,490
	<b>Total</b>	<b>11,126</b>	<b>9,490</b>

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.

DLR Kredit A/S has an administration agreement with LR Realkredit A/S, which may be terminated at three years' notice. Following Nykredit A/S' acquisition of LR Realkredit A/S, the agreement was terminated to expire at 31 December 2022. DLR Kredit A/S thus has a contingent asset in the form of an administration fee receivable of a total of DKK 29.8 million (Q1 2021).

## Key figures and financial ratios

(DKKm)

Note		2021	2020	2019	2018	2017
<b>22</b>	<b>Key figures - Q1</b>					
	<b>Income statement</b>					
	Net interest and fee income	352	365	341	352	342
	Other operating income etc.	6	6	6	6	4
	Staff costs and administrative expenses etc.	-82	-77	-68	-72	-64
	<b>Earnings</b>	<b>276</b>	<b>294</b>	<b>279</b>	<b>286</b>	<b>283</b>
	Impairment of loans, advances and re- ceivables	30	-52	-5	1	17
	Market value adjustments	-48	-102	1	-61	3
	<b>Profit before tax</b>	<b>258</b>	<b>140</b>	<b>275</b>	<b>225</b>	<b>303</b>
	<b>Profit after tax</b>	<b>201</b>	<b>109</b>	<b>214</b>	<b>175</b>	<b>236</b>
	<b>Balance sheet - Q1</b>					
	<b>Assets</b>					
	Loans and advances	168,332	157,889	151,477	143,768	140,060
	Bonds, shares, etc.	11,227	12,667	9,181	11,028	11,471
	Other assets	2,466	4,435	2,871	3,954	3,361
	<b>Total assets</b>	<b>182,024</b>	<b>174,991</b>	<b>163,529</b>	<b>158,750</b>	<b>154,892</b>
	<b>Equity and liabilities</b>					
	Issued bonds	164,847	158,493	148,139	144,171	140,928
	Other liabilities	1,494	1,667	1,416	1,339	1,458
	Subordinated debt	1,300	1,300	650	650	0
	Equity	14,384	13,530	13,324	12,590	12,506
	<b>Total equity and liabilities</b>	<b>182,024</b>	<b>174,991</b>	<b>163,529</b>	<b>158,750</b>	<b>154,892</b>

Note 23	Financial ratios - Q1	2021	2020	2019	2018	2017
<b>Return on equity</b>						
	Profit before tax in per cent of equity *)	1.8	1.0	2.1	1.8	2.4
	Profit after tax in per cent of equity *)	1.4	0.8	1.6	1.4	1.9
<b>Return on capital employed</b>						
	Return on capital employed *)	0.11	0.06	0.13	0.11	0.15
<b>Costs</b>						
	Costs in per cent of loan portfolio	0.05	0.05	0.05	0.05	0.05
	Income/cost ratio *)	6.0	2.1	4.7	4.2	7.4
	Income/cost ratio, excl. impairment losses	3.8	3.5	5.1	4.1	5.5
<b>Solvency</b>						
	Total capital ratio*	18.5	17.0	16.7	15.9	14.7
	Tier 1 capital ratio*	16.9	15.5	15.9	15.0	14.7
	Common equity tier 1 capital ratio	16.9	15.5	15.9	15.0	13.0
<b>Arrears and impairment losses</b>						
	Arrears, end of period (DKKm)	68	92	139	122	126
	Impairment ratio for the period *)	-0.02	0.03	0.00	0.00	0.00
	Accumulated impairment ratio	0.27	0.30	0.34	0.36	0.42
<b>Lending activity</b>						
	Growth in loan portfolio, per cent (nominal) *	2.1	1.7	1.2	0.6	0.5
	New loans, gross (DKKm)	9,790	10,807	6,884	6,313	5,904
	Number of new loans	4,481	3,373	2,225	2,061	1,989
	Loan/equity ratio *	11.7	11.7	11.4	11.4	11.2
<b>Margins</b>						
	Percentage of average loan portfolio (nominal):					
	Profit before tax	0.16	0.09	0.19	0.16	0.22
	Administration margin income	0.27	0.27	0.27	0.27	0.27
<b>Percentage of tier 1 capital after deductions</b>						
	Foreign exchange position as a percentage of tier 1 capital after deductions	1.8	2.9	4.3	6.6	12.3

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



## Other notes

(DKKm)

### Note

#### 24 Reconciliation of income statement for "core and portfolio earnings" against "official statements"

	Core earnings	Portfolio earnings	Total
	31-mar	31-mar	31-mar
	2021	2021	2021
Interest income	776	15	791
Interest expenses	-312		-312
<b>Net interest income</b>	<b>464</b>	<b>15</b>	<b>479</b>
Share dividends etc.	0		0
Fees and commission received	54		54
Fees and commission paid	-181		-181
<b>Net interest and fee income</b>	<b>337</b>	<b>15</b>	<b>352</b>
Market value adjustments	0	-48	-48
Other operating income	6		6
Staff costs and administrative expenses	-77		-77
Depreciation and impairment of property, plant and equipment	0		0
Other operating expenses	-5		-5
Impairment of loans, advances, receivables, etc.	30		30
<b>Profit before tax</b>	<b>291</b>	<b>-33</b>	<b>258</b>
Tax	-64	7	-57
<b>Profit after tax</b>	<b>227</b>	<b>-26</b>	<b>201</b>

## Note

25	Supervisory diamond for mortgage credit institutions	End of Q1 2020	End of year 2019	Threshold
<b>1. Lending growth</b>				
	Private homeowners	12.8	10.2	<15%
	Residential rental property	17.8	17.3	<15%
	Agriculture	1.8	1.6	<15%
	Other business lending	8.9	8.8	<15%
<b>2. Borrower interest-rate risk</b>				
		15.0	7.6	<25%
<b>3. Interest-only lending to private home owners</b>				
		1.9	1.1	<10%
<b>4. Loans with short-term funding (quarterly)</b>				
	Q2 2020	7.1		<12,5%
	Q3 2021	2.7		<12,5%
	Q4 2020	2.5		<12,5%
	Q1 2021	0.1		<12,5%
	<b>Loans with short-term funding annually</b>	<b>11.8</b>	<b>13.9</b>	<b>&lt;25%</b>
<b>5. Large exposures</b>				
		30.5	28.1	< 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 Q4 2020. The year's percentage therefore does not correspond to the sum of the percentages in the individual quarters.

# Management's statement

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 2021.

The interim report has been prepared in accordance with the Danish Financial Business Act and the provisions of the Danish Financial Supervisory Authority on financial reports of mortgage credit institutions and the requirements of NASDAQ Copenhagen as regards the financial statements of issuers of listed bonds.

In our opinion, the Management review includes a fair review of the matters covered by the review together with a description of the principal risks and uncertainties that may affect the Company.

In our opinion, the accounting policies applied are appropriate and the interim financial statements present a true and fair view of the Company's assets and liabilities and financial position at 31 March 2021, and of the results of the Company's activities for the reporting period 1 January – 31 March 2021. The financial statements have neither been audited nor reviewed by the Company's auditors.

Copenhagen, 29 April 2021

## 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

Lars Faber

Randi Holm Franke

Jakob G. Hald

Kim Hansen

Søren Jensen

Bjarne Larsen

Frank Mortensen

Lars Petersson

# dlr·kredit

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