

dlr·kredit



# Investor presentation

April 2021

# Interim report Q1 2021

## Financial summary

- At DKK 258m, DLR's pre-tax profit for Q1 2021 was satisfactory and better than expected
- The pre-tax profit was DKK 118m higher than in Q1 2020 – a period which was heavily influenced by the first corona lock-down
- The positive performance was mainly attributable to growing income as a result of a strong lending activity
- In addition, strong cyclical trends, not least in the agricultural sector, have had a positive effect on losses and impairment charges
- DLR has maintained the management-based assessment of additional impairment losses of DKK 130m due to corona

## Economic outlook 2021

- For 2021, DLR expects core earnings before impairment of DKK 1,000 – 1,050m and a pre-tax profit of DKK 875 – 925m
- The expectations have been unchanged since DLR published its annual report for 2020

## Own funds

- DLR's own funds amounted to DKK 14.9bn at the end of Q1 2021
- DLR's total capital ratio was 18.5% at the end of Q1 2021, when not adding DLR's profit after tax to the reserves

## Lending activity

- DLR's lending activity in Q1 2021 was satisfactory
- During the quarter, DLR recorded gross lending of DKK 9.8bn, and DLR's total lending increased by DKK 3.3, against DKK 2.5bn in Q1 2020

## Sustainability

- DLR plays a key role in the important sustainable transition, together with the shareholder banks
- In January 2021, DLR launched green loans to finance sustainable investments and properties in the agricultural sector and in the commercial property segment
- In the long term, DLR expects green loans to constitute a significant part of DLR's lending growth

# Agenda

## — **Interim financial results Q1 2021**

Lending and credit risk

Capital structure and rating

Funding

Green finance and CSR

# Income statement

<b>(DKKm)</b>	<b>Q1 2021</b>	<b>Q1 2020</b>	<b>Index</b>
Administration margin income	444	427	104
Other core income, net	42	40	105
Interest expenses, subordinated debt	-8	-8	98
Interest expenses, senior debt	-8	-6	138
Fee and commission income, net	-127	-109	117
<b>Core income</b>	<b>343</b>	<b>345</b>	<b>99</b>
Staff costs and administrative expenses, etc.	-77	-74	105
Other operating expenses (contribution to resolution fund)	-5	-3	150
Impairment of loans, advances and receivables, etc.	30	-52	
<b>Core profit</b>	<b>291</b>	<b>216</b>	<b>135</b>
Portfolio earnings (securities)	-33	-76	44
<b>Profit before tax</b>	<b>258</b>	<b>140</b>	<b>184</b>
<b>Profit after tax</b>	<b>201</b>	<b>109</b>	<b>184</b>

# Balance sheet

<b>(DKKm)</b>	<b>Q1 2021</b>	<b>Q4 2020</b>
<b>Assets</b>		
Loans and advances	168,332	166,787
Bonds and shares, etc.	11,227	12,041
Other assets	2,466	2,255
<b>Total assets</b>	<b>182,024</b>	<b>181,083</b>
<b>Equity and liabilities</b>		
Issued bonds	164,847	164,433
Other liabilities	1,494	1,167
Subordinated debt	1,300	1,300
Equity	14,384	14,183
<b>Total liabilities and equity</b>	<b>182,024</b>	<b>181,083</b>

# Return on portfolio holdings

(DKKm)	Q1 2021	Q1 2020
Bonds, interest rates	16.5	27.5
Bonds, price adjustments	-48.3	-102.6
Interest rates, credit institutions	-0.4	-0.7
Currency, price adjustments	0.0	0.0
Shares, price adjustments	0.0	0.0
Return on securities holdings, gross	<b>-32.3</b>	<b>-75.8</b>
Return on mortgage activities	-1.1	0.0
<b>Total return on securities holdings</b>	<b>-33.4</b>	<b>-75.8</b>
<b>Interest expenses on:</b>		
Senior debt	-8.1	-5.9
Subordinated capital (Tier 2)	-8.1	-8.3
<b>Total interest expenses on external capital</b>	<b>-16.2</b>	<b>-14.2</b>

# Agenda

Interim financial results Q1 2021

## **Lending and credit risk**

Capital structure and rating

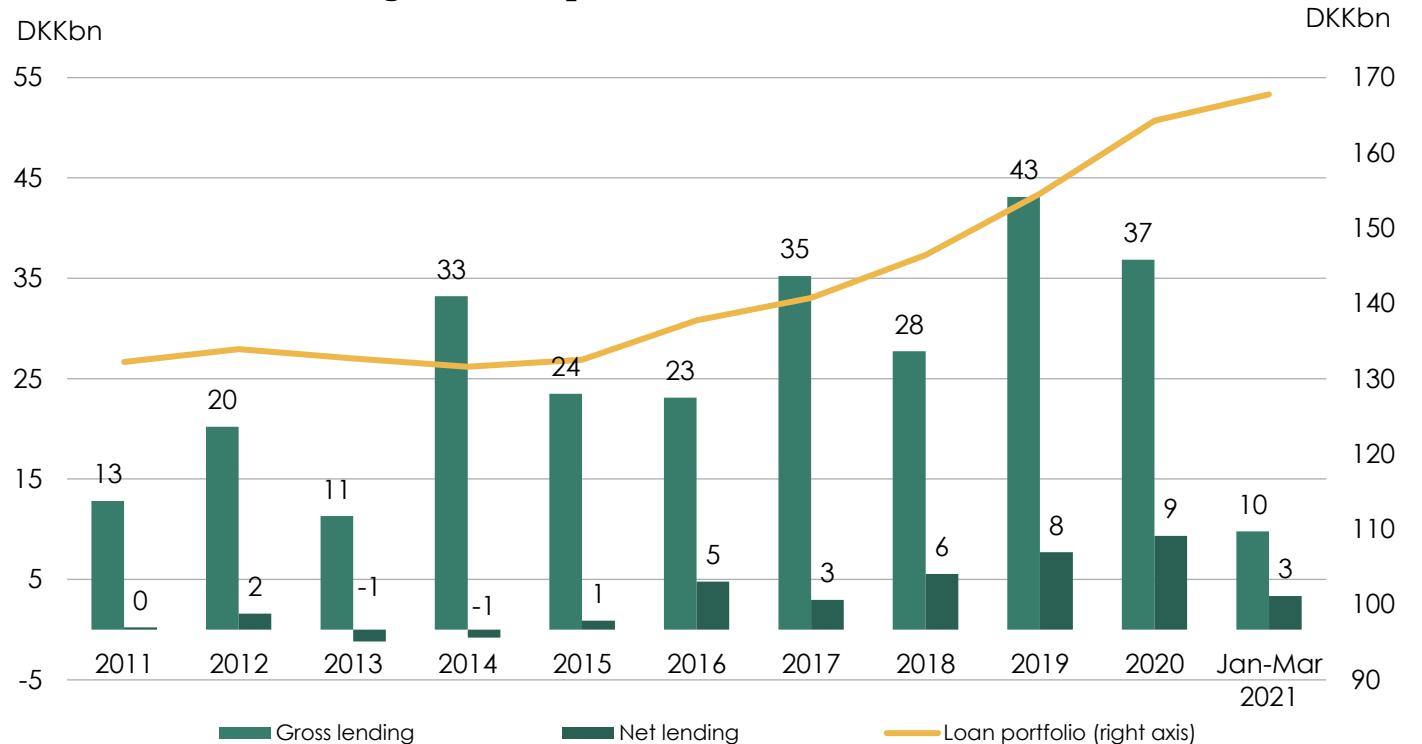
Funding

Green finance and CSR

# Lending activity

- Lending growth – net lending – amounted to DKK 3.3bn for the first quarter of the year, which is more than expected and better than the same period in 2020, when net lending totaled DKK 2.5bn
- Gross lending reached DKK 9.8bn, primarily driven by property sales, second mortgages and remortgaging activities
- The positive development in lending activity is not least due to a still very close and well-functioning collaboration with DLR's shareholder banks

## Lending activity - Gross and net lending and total portfolio

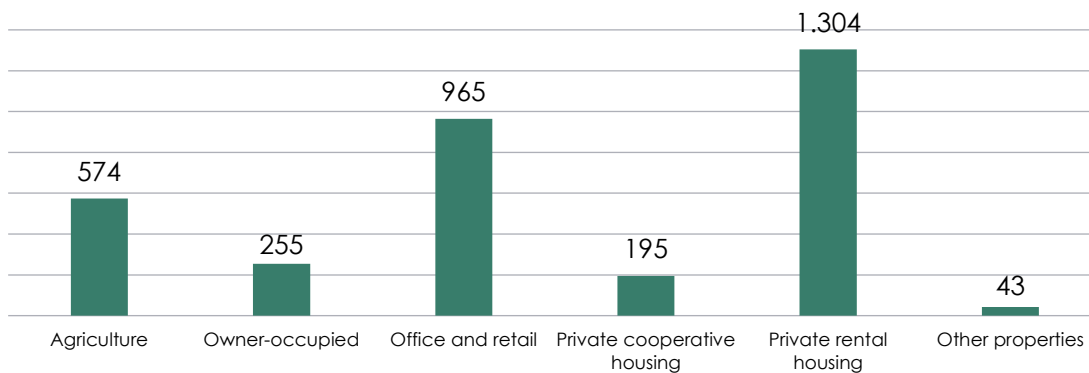




# Net lending

- DLR's net lending to commercial and private rental housing properties amounted to DKK 2.5bn in Q1 2021, whereas net lending to agriculture and owner-occupied dwellings amounted to DKK 0.8bn
- DLR has realized higher market shares within all major market segments since 2015

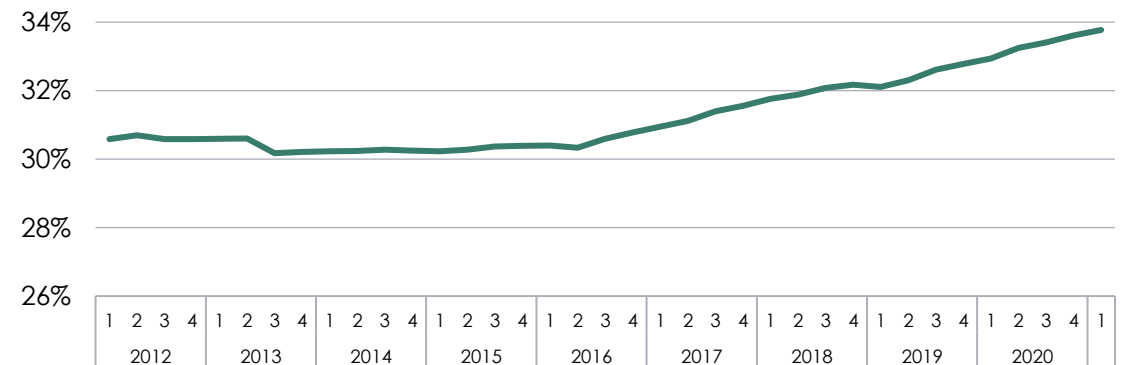
**DLR's net lending property segment (DKKbn)**



Note: Net lending calculated at cash value

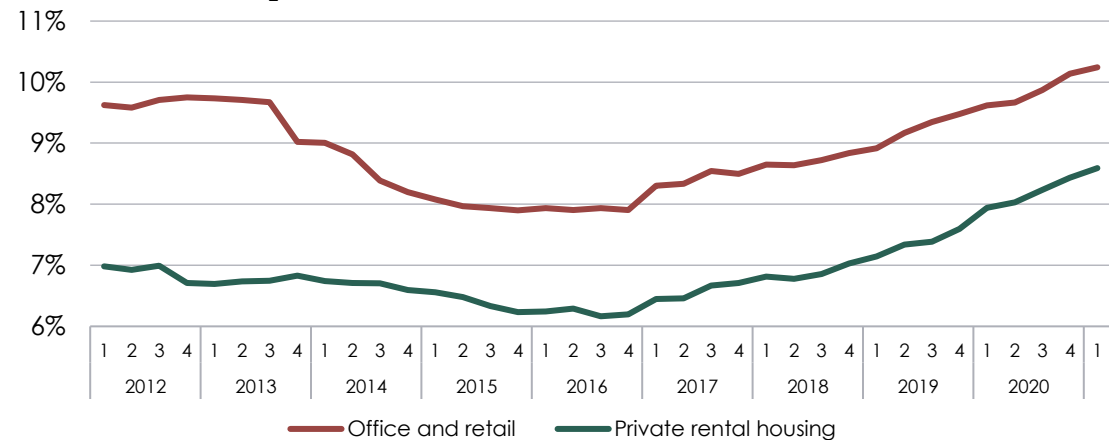
**DLR's market share**

Argriculture portfolio



**DLR's market share**

Commercial loan portfolio

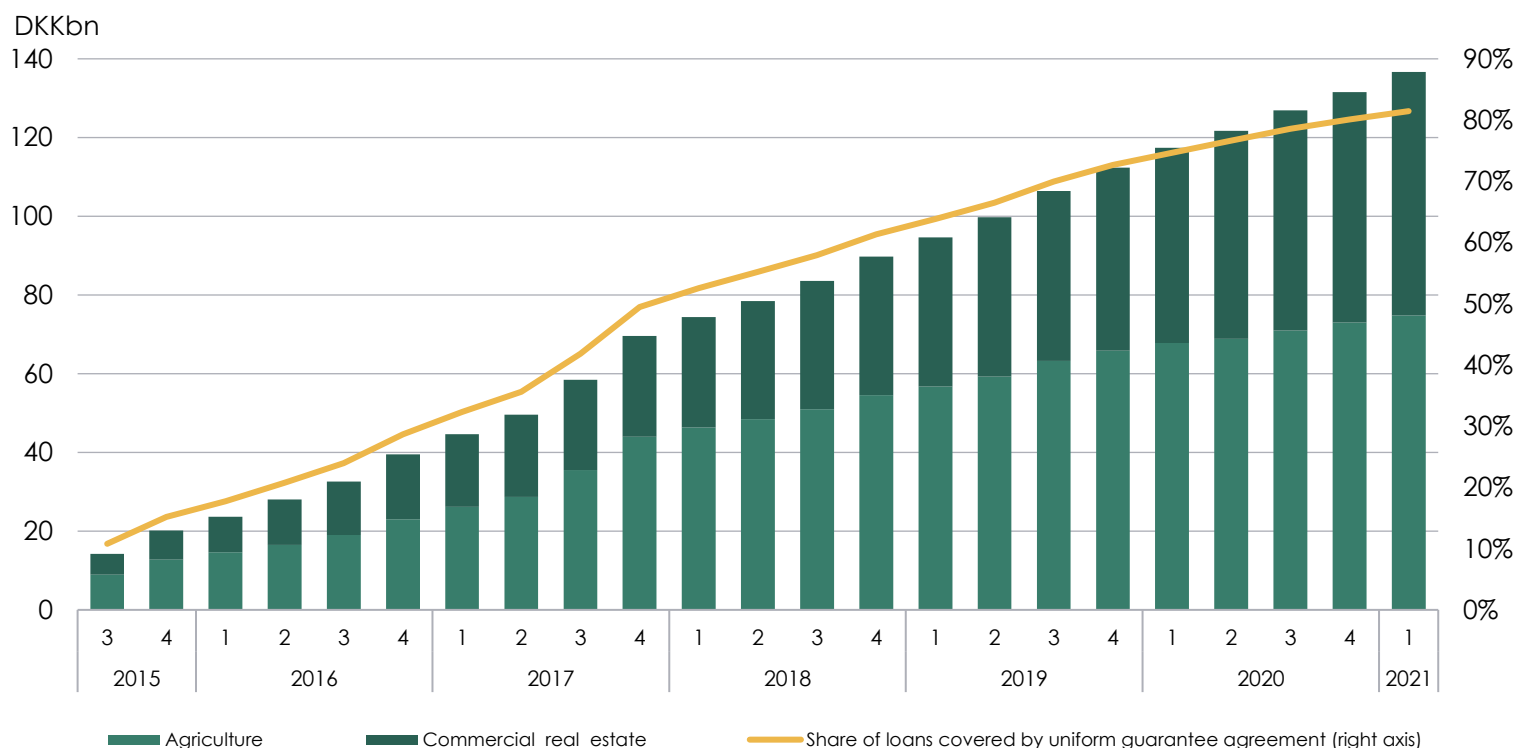


# Loans comprised by the uniform guarantee agreement

- The uniform guarantee agreement comprises all loans offered as from January 2015
- Loans granted until end-2014 are still covered by the former guarantee agreements for agricultural and commercial lending, respectively
- 81.4% of DLR's loan portfolio is now comprised by the uniform guarantee agreement which includes direct loss guarantees, a loss offsetting facility and a portfolio guarantee

## Lending covered by the uniform guarantee agreement

Applies to loans offered after 1/1/2015



# Loan portfolio

## Distributed on types of loans

### Loan portfolio, 31 March 2021

	Outstanding bond debt (bn DKK)	Distribution on property categories
Agriculture	90.9	54.2%
Owner occupied incl. Residential farms	9.2	5.5%
Office and retail	28.8	17.1%
Private residential rental housing	32.5	19.3%
Private cooperative housing	3.5	2.1%
Other properties	3.0	1.8%
<b>Total</b>	<b>167.8</b>	<b>100.0%</b>

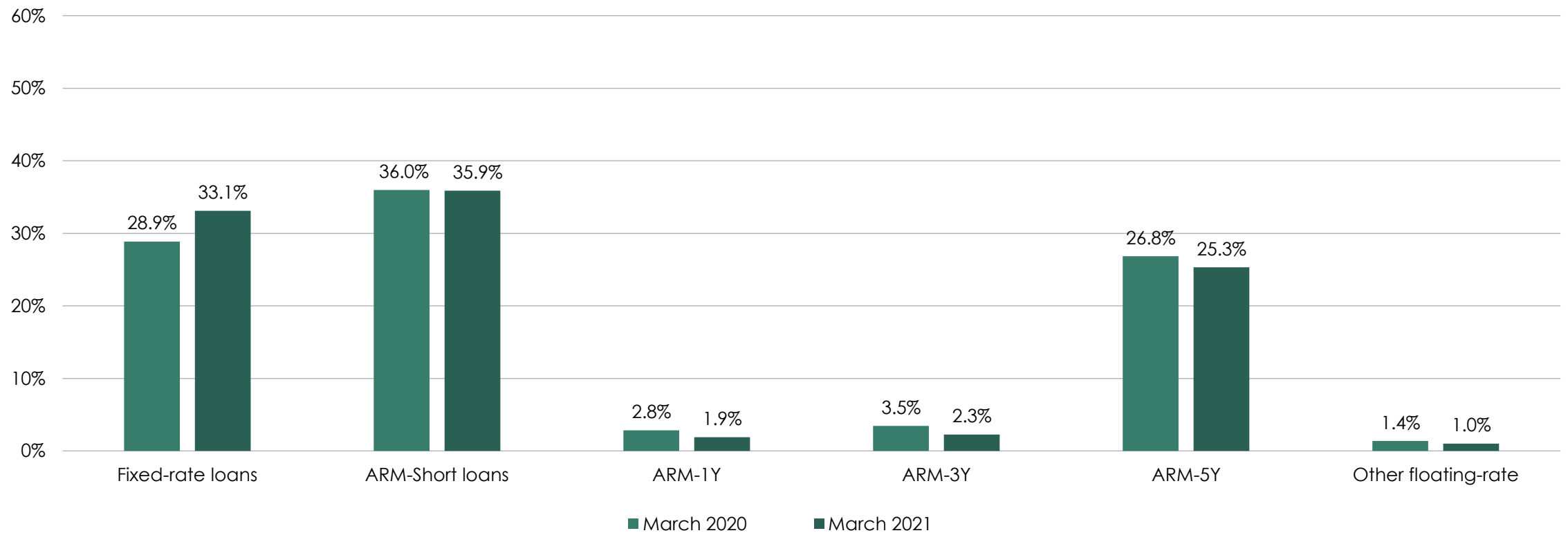
### Distribution on loan types

Fixed rate loans	ARM short	ARM 1Y/Y2	ARM 3Y/4Y	ARM 5Y	Other floating rate loans
22.2%	49.3%	1.9%	2.6%	22.8%	1.3%
55.6%	8.9%	5.3%	5.1%	23.5%	1.6%
44.2%	21.1%	2.1%	2.8%	29.0%	0.8%
42.2%	23.4%	1.6%	2.2%	30.1%	0.5%
66.8%	10.5%	0.1%	1.0%	20.6%	0.9%
51.4%	19.1%	0.9%	3.7%	24.7%	0.3%
<b>33.1%</b>	<b>35.9%</b>	<b>2.0%</b>	<b>2.7%</b>	<b>25.3%</b>	<b>1.0%</b>

# Loan portfolio

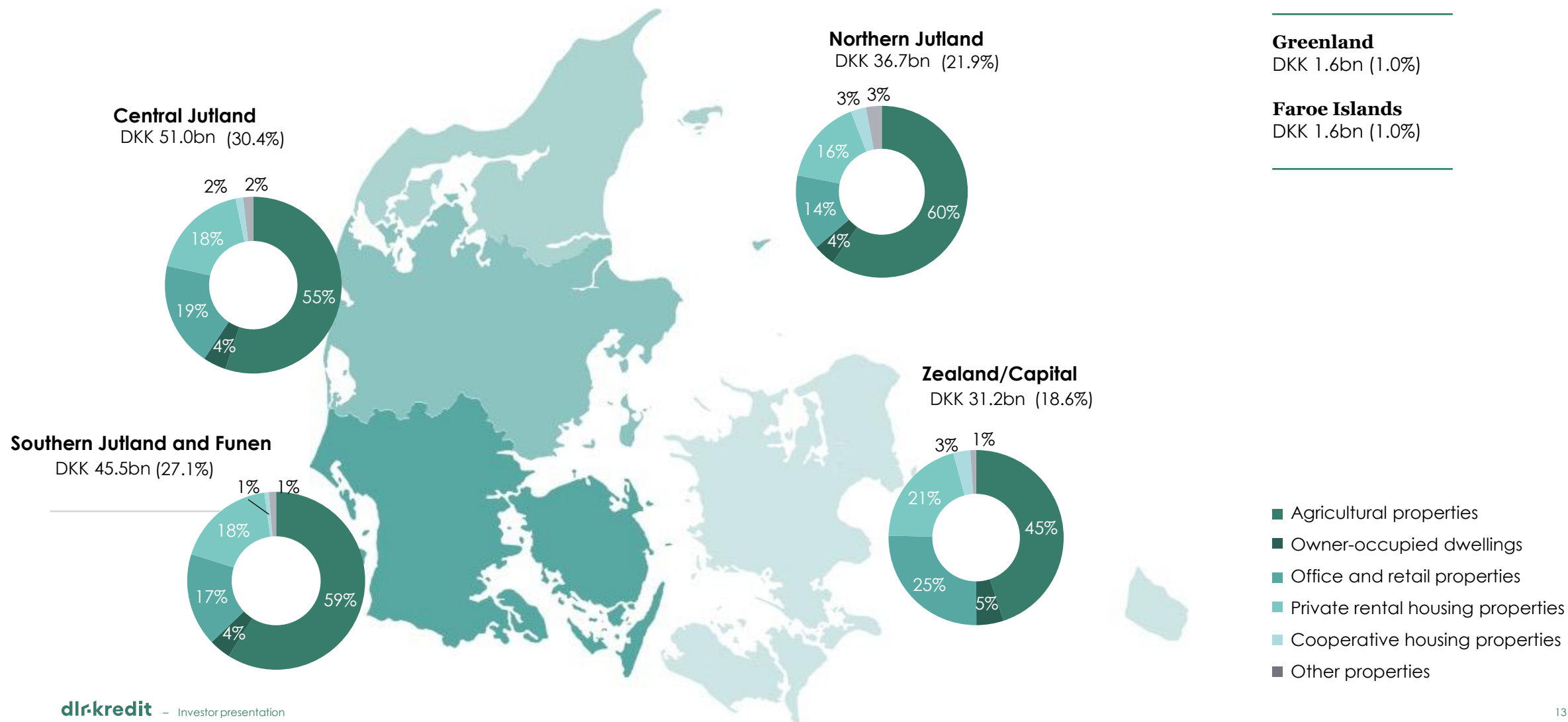
## Distributed on loan types

### Loan portfolio - distribution on loan types at year-end



# Geographical distribution of lending

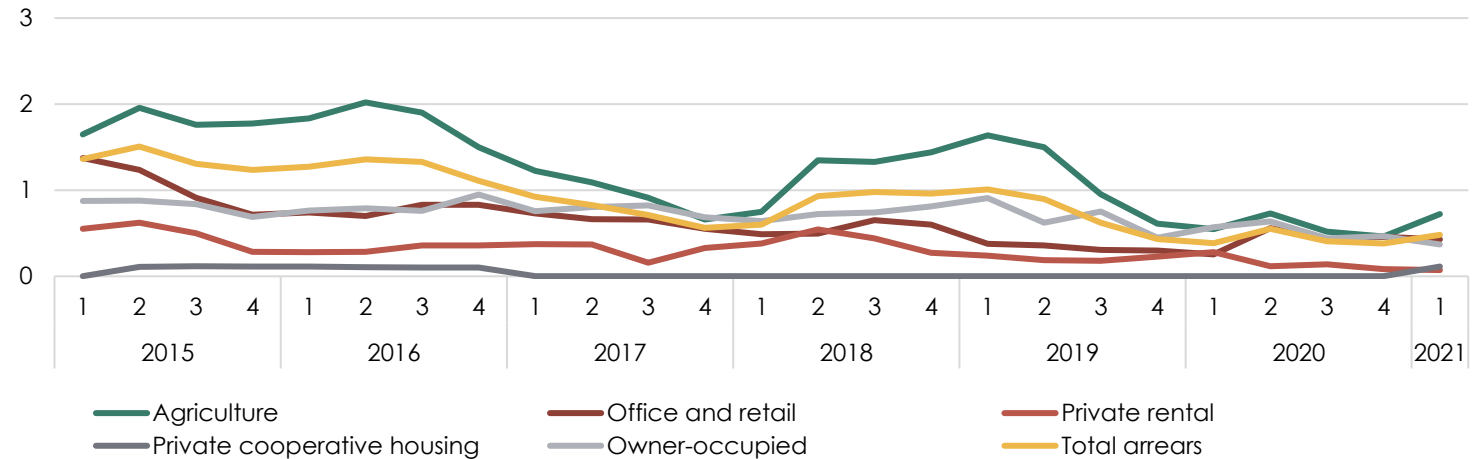
## Outstanding debt in March 2021



# Arrears and late payments

- DLR's arrears (105-days) increased modestly from 0.38% end-year 2020 to 0.48% at the end of Q1 2021
- The moderate increase was due to a limited few cases of payments problems
- The increase in arrears for agriculture relates to individual piglet producers and horticulture
- DLR has since March 2020 offered a temporary late payment agreement to borrowers affected negatively by the corona pandemic
- Only few borrowers have asked for the corona related late payment agreement
- DLR concluded 15 corona related late payment agreements in Q1 2021
- At the initial peak of the pandemic in March 2020, DLR concluded 260 corona related late payment agreements

**105-days arrears, pc of term payments**

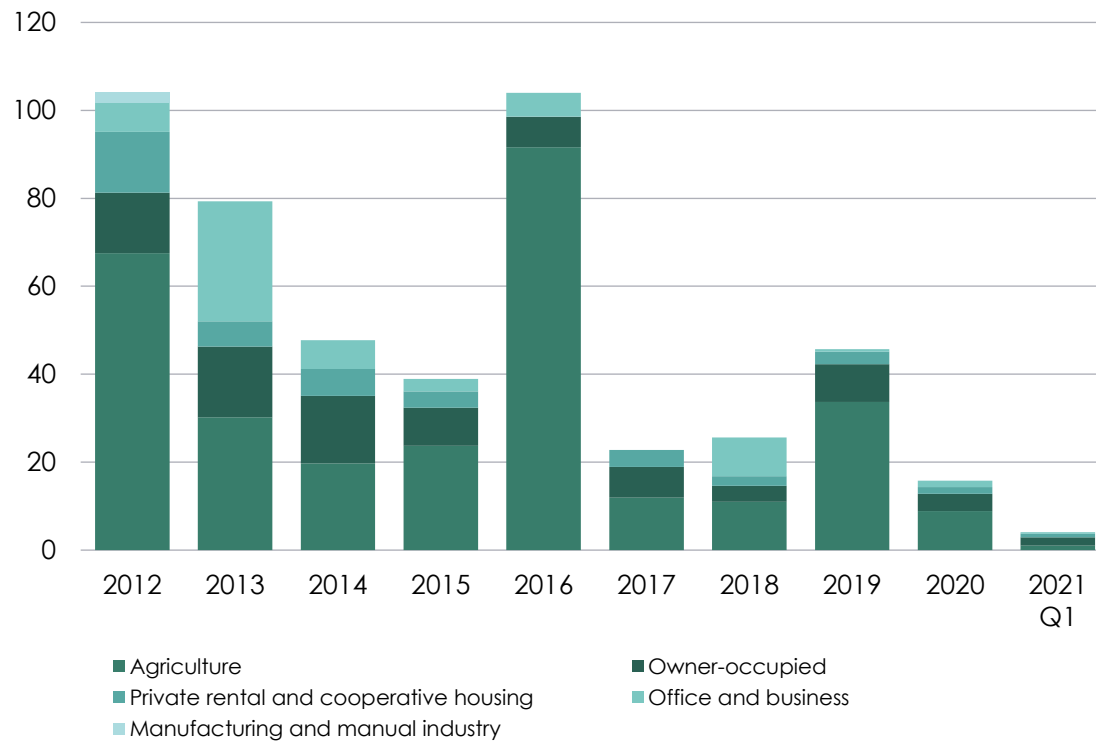


**Corona related late payments (numbers concluded)**

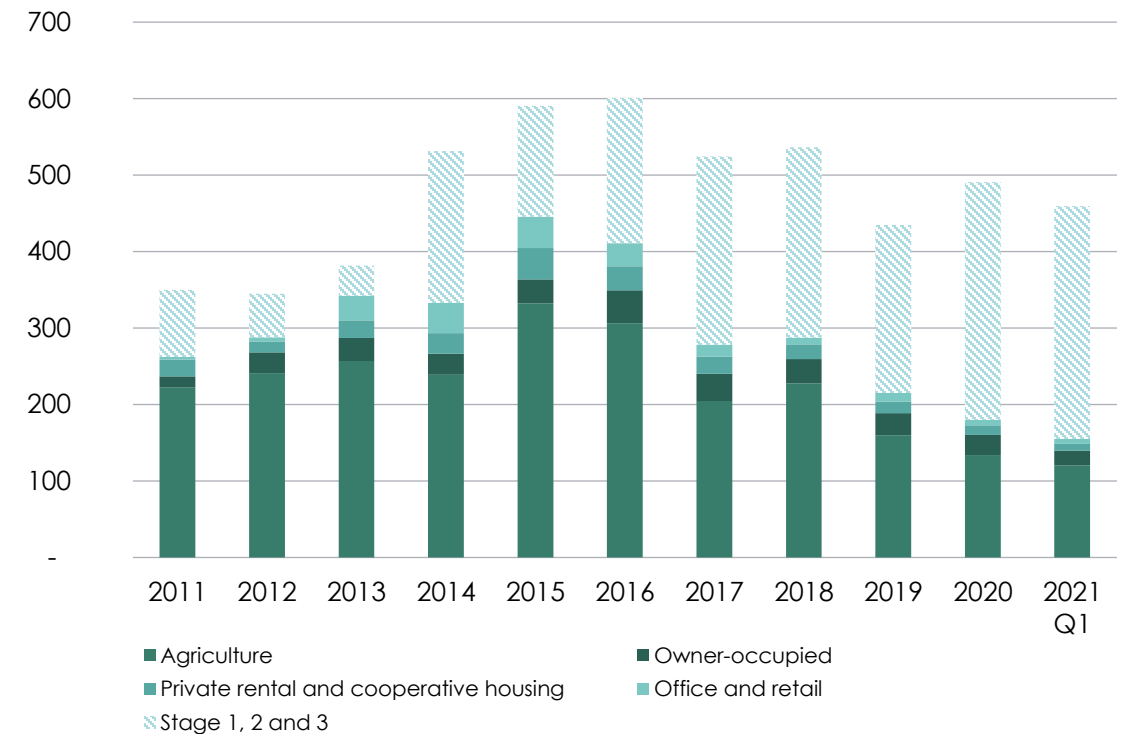


# Losses and provisions

**Actual loan losses before loss offsetting (DKKm)**



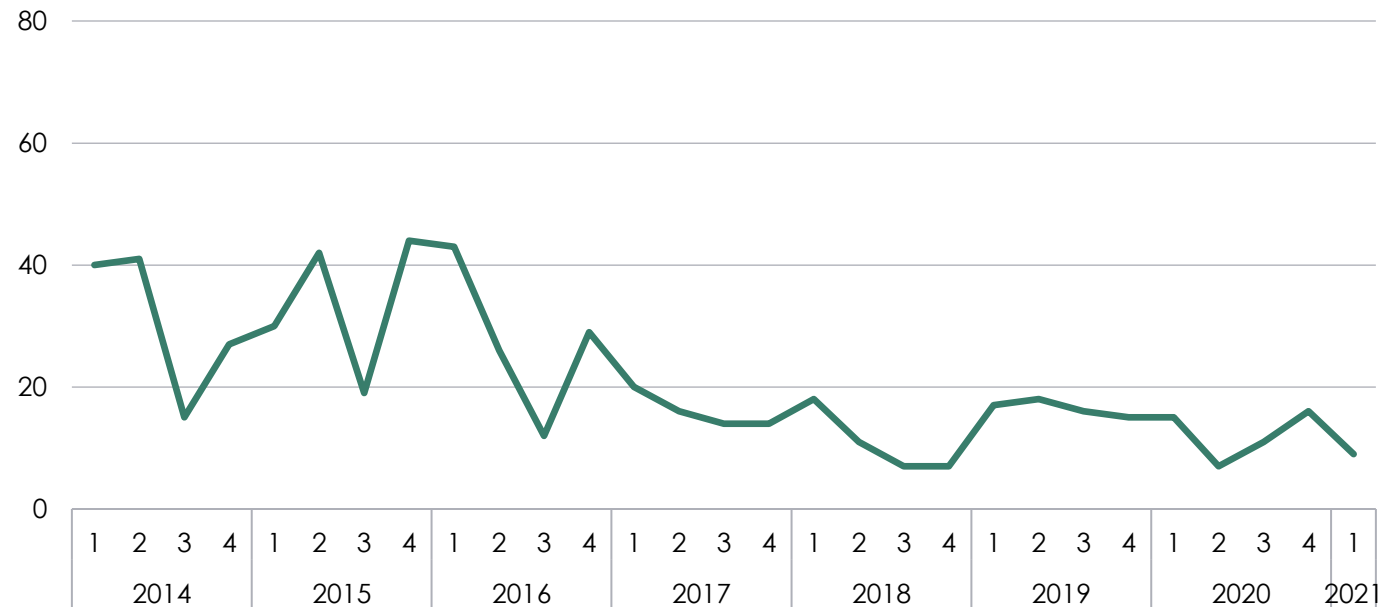
**Accumulated individual impairment provisions (DKKm)**



# Takeovers and forced sales

- The number of completed forced sales of properties – in which DLR held a mortgage – was 9 in the first quarter of 2021
- DLR has not repossessed any properties leading to losses in Q1 2021
- In Q1 2021, DLR had a stock of 2 repossessed properties
- The repossessed properties had a value of DKK 8m at the end of Q1 2021, which is the same as at end-year 2020

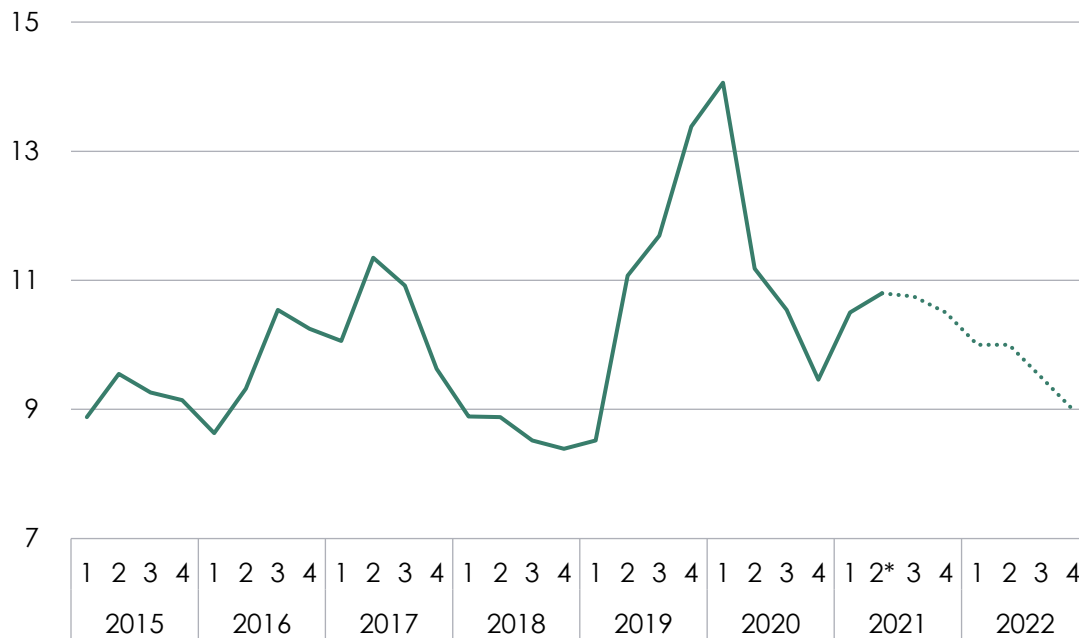
**Forced Sales - Properties where DLR holds a mortgage (numbers)**





# Price development on agricultural products

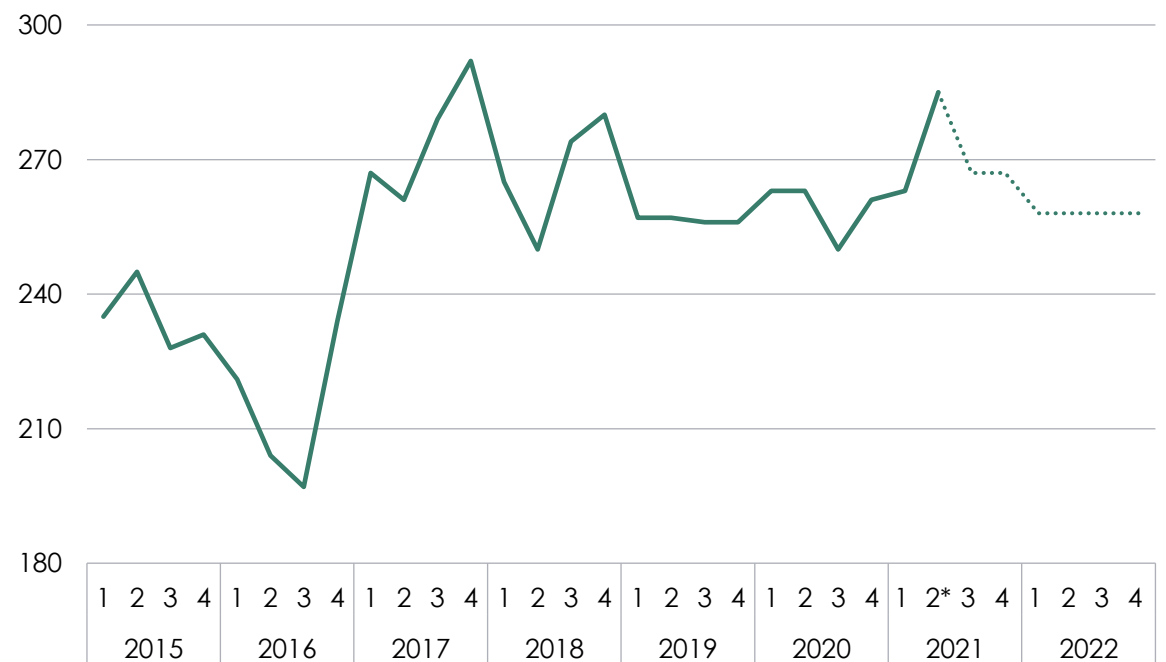
## Pork price quotation (DKK/kg)



Source: SEGES — Danish Crown quotation ..... Forecast, March 2021

\*Preliminary price quotations for Q2 2021

## Milk prices quotation (DKK0.01/kg)



Source: SEGES — Conventional ..... Forecast March 2021

\*Preliminary price quotations for Q2 2021

# Agenda

Interim financial results Q1 2021

Lending and credit risk

— **Capital structure and rating**

Funding

Green finance and CSR

# DLR's own funds

(DKKm)	Q1 2021	2020	2019
<b>Equity</b>			
- Distributable reserved	12,046	11,845	10,973
- Non-distributable reserves	2,338	2,338	2,338
<b>Total equity</b>	14,384	14,183	13,311
Tier 1 capital	13,639	13,618	12,647
Tier 2 capital	1,300	1,300	1,300
<b>Own funds</b>	14,939	14,918	13,947
<b>Total capital ratio, % <sup>1)</sup></b>	18.5	18.8	17.1
<b>Capital requirement, % <sup>2)</sup></b>	12.7	12.7	13.7
<b>Capital surplus, %-points</b>	5.8	6.1	3.4

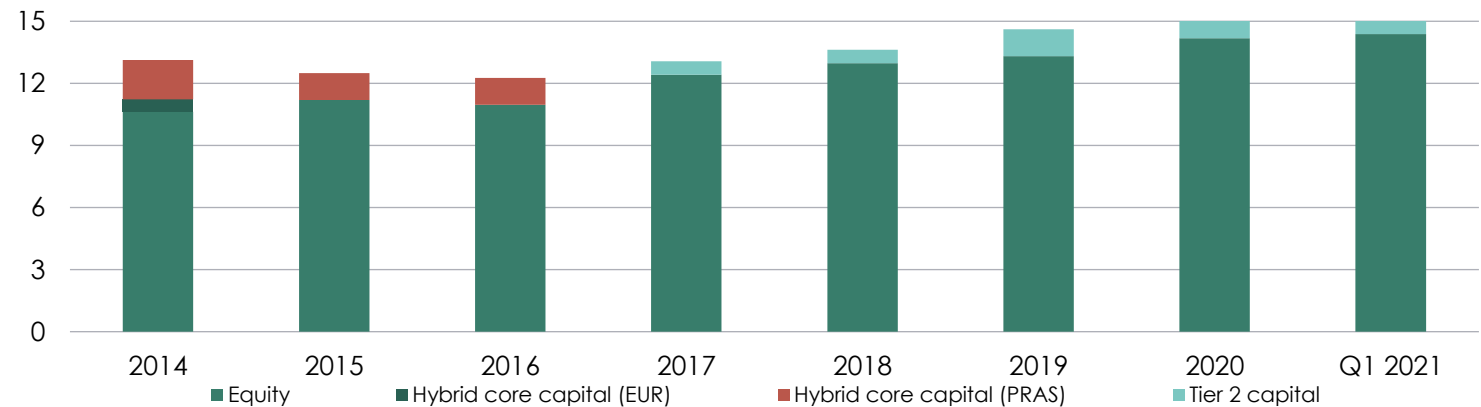
1) The total capital ratio at the end of Q1 2021 does not include profits earned in Q1 2021

2) The capital requirement is based on the classic 8% requirement plus the SIFI requirement, which for DLR is 1.0%, a capital conservation buffer of 2.5% and a solvency requirement (pillar II requirement) of about 1.2%. The countercyclical capital buffer has been set at 0% since March 2020

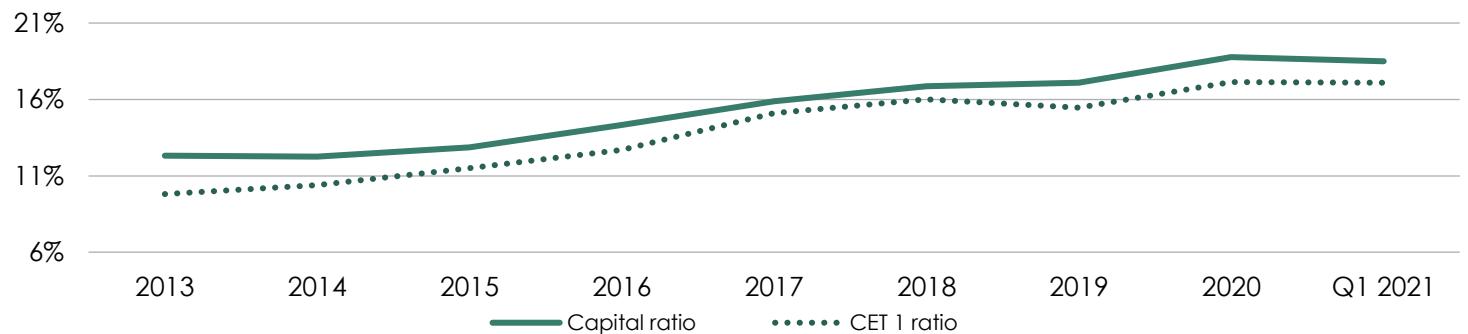
# Capital structure

- DLR's own funds increased by DKK 21m in the first quarter of 2021
- The increase was mainly driven by a smaller difference between expected losses and provisions
- DLR's total capital ratio was 18.5% at the first quarter of 2021, which is a decrease of 0.3 %-points relative to year-end 2020
- The common equity tier 1 (CET 1) capital ratio was 16.9%, which is a decrease of 0.2 %-point relative to the end of 2020
- If the profits earned in Q1 2021 had been included, the total capital ratio would have been 18.7% and the CET 1 17.1%, unchanged from year-end 2020

**DLR's capital structure (DKKbn)**



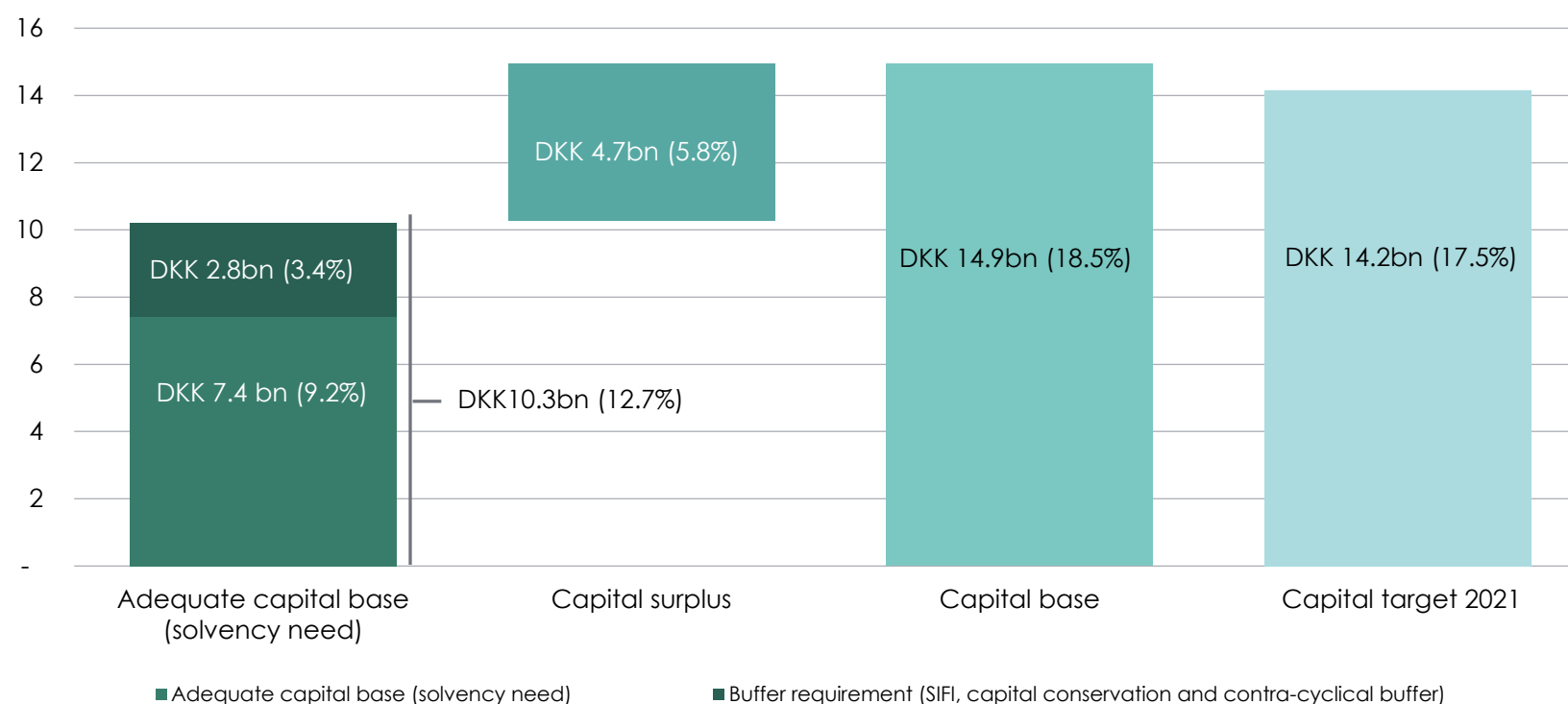
**DLR's capital ratios**



# Capital requirement and capital ratio

- At the first quarter of 2021 DLR's capital base was DKK 14.9bn, while the total capital requirement amounted to DKK 10.3bn
- Consequently, DLR had a capital surplus of DKK 4.7bn at the first quarter of 2021
- DLR has defined a target for its capital ratio for 2021 of 17.5%, while the targets for the tier 1 capital ratio and the common equity tier 1 capital ratio are 15.5% and 14.0%, respectively

**DLR's capital requirement and capital ratio 31. March 2021 (DKKbn)**



# Solvency need statement

(DKK)m	Q1 2021		Q4 2020		Q3 2020		Q2 2020	
	Standard	IRB	Standard	IRB	Standard	IRB	Standard	IRB
<b>Credit risk</b>	3,557	2,600	3,388	2,600	3,280	2,927	3,283	2,920
Supplements to 8% requirement		524		505		561		549
<b>Market risk</b>	126		178		132		185	
Supplements to 8% requirement	415		433		401		471	
<b>Operational risk</b>	192		192		190		190	
Supplements to 8% requirement	0		0		0		0	
<b>Other circumstances</b>	0		0		0		0	
<b>Adequate capital base, total</b>	7,414		7,296		7,491		7,599	
<b>Total risk exposure STA/IRB</b>	80,932		79,467		81,619		82,229	
of which from credit risk	44,457	32,497	42,352	32,494	40,998	36,589	41,039	36,499
<b>Individual solvency need, %</b>	9.16		9.18		9.18		9.24	
<b>Statutory adequate capital base</b>	7,414		7,296		7,491		7,599	
Supplements due to statutory requirements	0		0		0		0	
Individual solvency need after supplements,%	9.16		9.18		9.18		9.24	
SIFI-requirement,%-points	1.0		1.0		1.0		1.0	
Capital preservation buffer, %-points	2.5		2.5		2.5		2.5	
Countercyclical buffer, %-points	0.0		0.0		0.0		0.0	
SIFI-requirement Faroe Island, %-points	0.01		0.01		0.01		0.01	
<b>Total statutory capital requirement, %-points</b>	12.7		12.7		12.7		12.8	

# Ownership structure

	31 March 2021		31 March 2020
	Share capital (DKKm)	Share of share capital (%)	Share of share capital (%)
<b>Local Banks</b>	<b>269</b>	<b>47.2%</b>	<b>46.1%</b>
<b>Nationwide Banks and Jyske Bank</b>	<b>142</b>	<b>24.9%</b>	<b>26.0%</b>
Nykredit Realkredit	69	12.2%	12.2%
PRAS	41	7.2%	7.2%
DLR	46	8.1%	8.1%
Other Banks	3	0.5%	0.5%
<b>Total</b>	<b>570</b>	<b>100%</b>	<b>100%</b>

# DLR's ratings with S&P

- DLR has an issuer credit rating (ICR) of A- with a stable outlook
- The rating is supported by an ALAC-uplift of +1
- The high issuer credit rating adds an extra buffer of 2 unused 'uplifts' to the AAA-rating of DLR's covered bonds
- DLR's covered bonds are supported by a further high over-collateralization of Capital Center B compared to S&P's OC-requirements
- S&P's latest report on DLR can be found here: <https://dlr.dk/en/investor/rating/>

## S&P Global

### DLR Kredit A/S

SACP	bbb+		Support	+1		Additional Factors	0
<b>Anchor</b>	<b>bbb+</b>		ALAC Support	+1		Issuer Credit Rating	
Business Position	Moderate	-1	GRE Support	0		<b>A- / Stable / A-2</b>	
Capital and Earnings	Strong	+1	Group Support	0		Resolution Counterparty Rating	
Risk Position	Adequate	0	Sovereign Support	0		<b>A / -- / A-1</b>	
Funding	Average						
Liquidity	Adequate	0					



# Agenda

Interim financial results Q1 2021

Lending and credit risk

Capital structure and rating

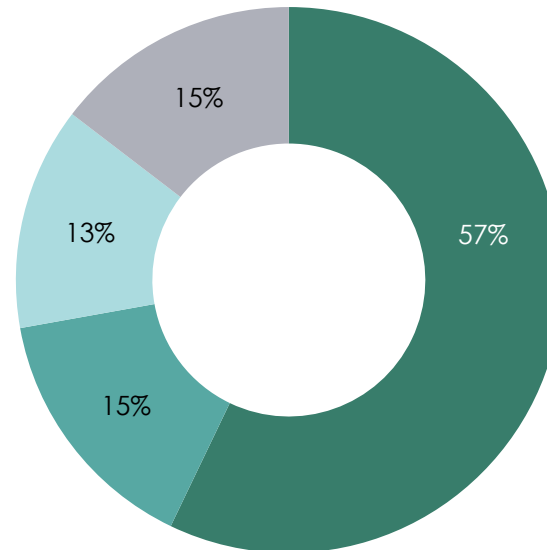
— **Funding**

Green finance and CSR

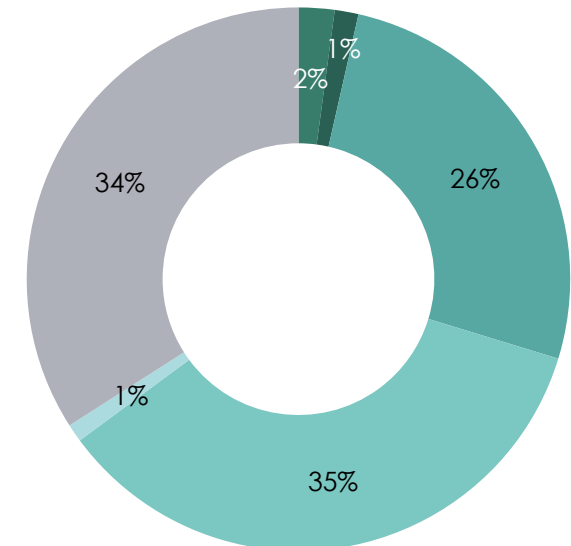
# A well-balanced funding structure

- A growing borrower demand for long-term fixed-rate loans through several years has resulted in 34% of all DLR's bonds in April 2021 being fixed-rate callable bonds
- Until 1 September 2020, the increase was based on bonds maturing in 2050 or 2040, but because of the three-year change of issuance series, fixed-rate loans have subsequently been based on new 30-year and 20-year series, maturing in 2053 and 2043, respectively

**December 2013**



**April 2021**

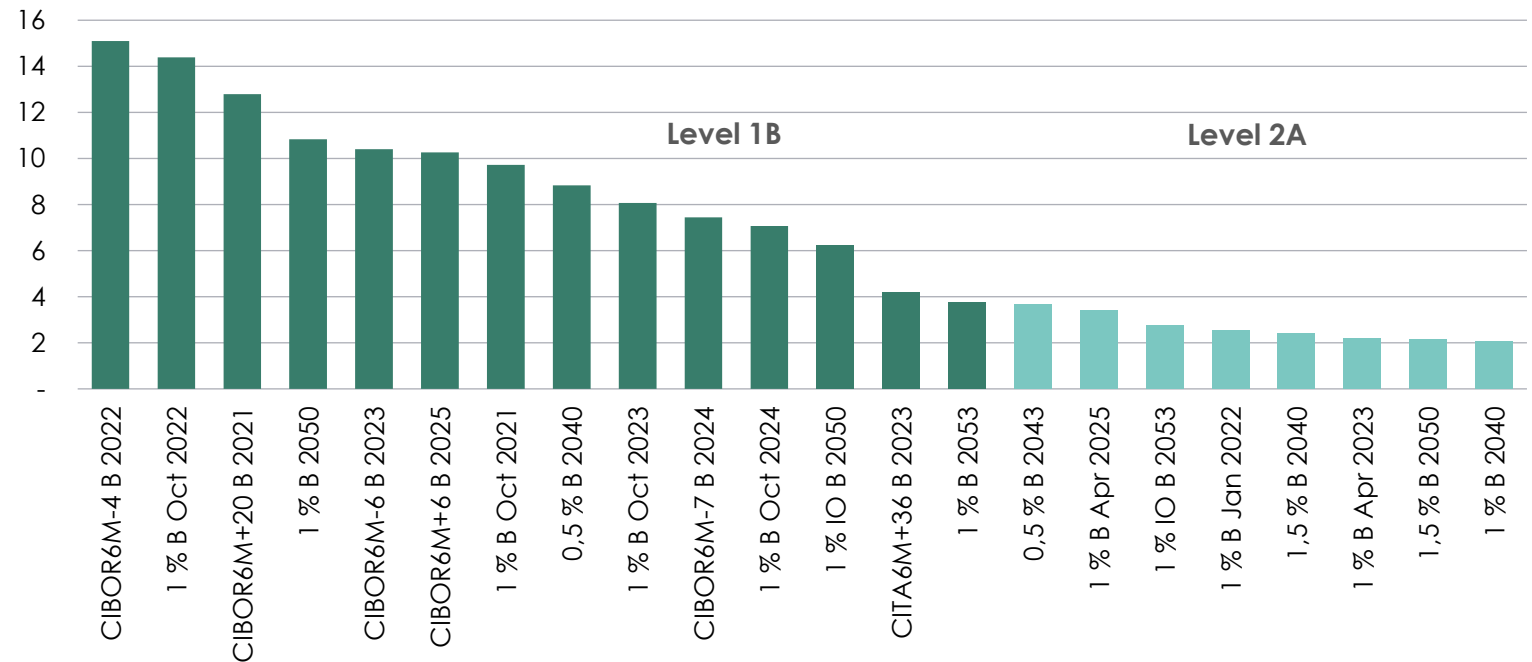


# DLR's covered bond series

## LCR bond size requirements

- 89% of DLR's total amount of outstanding bond amount currently comply with the LCR bond size requirement for Level 1B (+500m EUR) or Level 2A (+250m EUR)
- The largest series are made up of non-callable bullet bonds, CIBOR-based ARM Short bonds and callable bonds
- The new callable bond 1% 2053, which opened last fall, has already obtained Level 1B status, whereas 0.5% 2043 and 1% 2053 IO have obtained Level 2A status

## DLRs bond series that meets LCR size requirements (DKKbn) April 19th 2021



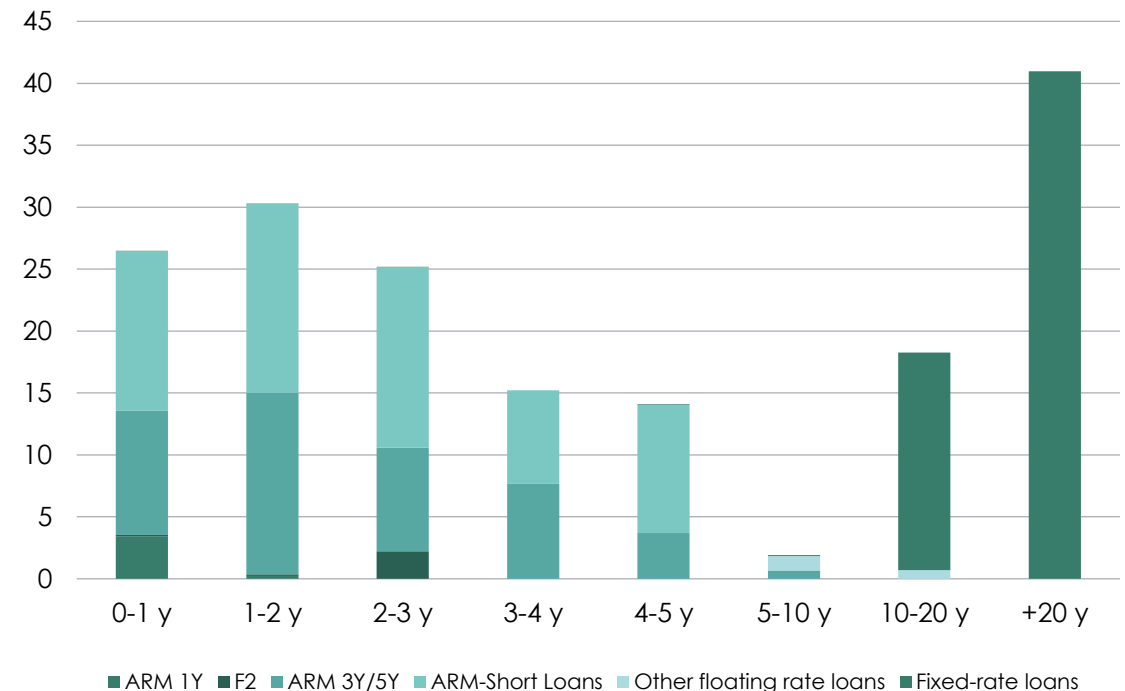
# Maturity profile

## on DLR's outstanding bonds

- The transition towards loans with longer interest reset periods has contributed to reduce DLR's annual refinancing need, and the most common interest rate fixation period on the reset loans is now 5 years
- When refinancing the variable rate bonds funding ARM-Short loans, DLR targets the 5-year segment for new issuances
- Only 16 pc of DLR's outstanding bonds is up for refinancing within the coming year

### Maturity profile on DLR's circulating bonds (DKKbn)

April 2021



# Refinancing

## - of bonds maturing in the coming 12 months

### DKK 26.5bn DLR covered bonds are up for refinancing within the next 12 months

- Refinancing of ARM-bonds amounts to DKK 13.7bn and refinancing of ARM-Short-bonds amount to DKK 12.8bn
- In 2020, it was decided to change the refinancing date for the longest ARM loans from October to April, and new 3Y-5y ARM loans were subsequently funded in April 2023-2025 series
- In 2020, funding of CIBOR-based ARM Short loans changed from the CIBOR 2022 series to the CIBOR 2023 series maturing on 1 July 2023
- The changes were made because DLR for some time has focused on establishing a funding structure with fewer, larger series to support bond liquidity

Maturity date	Bond type	Loan type	Currency	Reference rate	Refinancing frequency	Amount (DKKbn)
01-07-2021	SDO	ARM-Short	DKK	01-07-2021	3 - 5 y	12,797
01-10-2021	SDO	ARM	DKK	01-10-2021	3 - 5 y	9,719
01-01-2022	SDO	ARM	DKK and EUR	01-01-2022	1 - 5 y	3,784
01-04-2022	SDO	ARM	DKK	01-04-2022	1 y	246
<b>Total</b>						<b>26,547</b>

# Issued senior debt

- In April 2021, DLR had DKK 5bn of outstanding senior debt, against DKK 7bn by the end of Q1 2021
- DLR decided not to refinance senior debt (SSB) of DKK 2bn expiring on 31 March 2021, which explains the reduction of outstanding senior debt
- The decision was based on an assessment that DLR has adequate excess cover relative both to over-collateralisation requirements (OC) and to supplementary collateral in the short and medium term
- DLR considers the current level of senior debt appropriate

Type	Amount (DKKm)	Issue date	Maturity date	Maturity (years)	Reference rate	Spread
SNP	1,000	02-07-2018	02-07-2021	3	3M CIBOR	0.70%
SRN	1,000	15-09-2017	15-06-2022	4½	3M CIBOR	0.75%
SSB	1,000	01-10-2019	01-10-2022	3	3M CIBOR	0.94%
SNP	750	13-04-2019	01-07-2023	4	3M CIBOR	1.15%
SNP	250	12-04-2019	01-07-2023	4	Fast rente	1.07%
SNP	1,000	03-11-2020	01-07-2024	3¾	3M CIBOR	0.85%
<b>Total, senior debt</b>	<b>5,000</b>					

# Senior Non-preferred Notes

## - Buffers to absorb losses

- DLR's total buffer to take losses before SNP/SRN must be taken into account is DKK 16.1bn
- This corresponds to 19.9% of REA (DKK 80.9 bn) and 9.6% of total loans outstanding (DKK 167.8bn)
- In addition, there are guarantees on DLR's mortgages as well as the possibility of offsetting losses in the commission payments to DLR's loan distributing shareholder banks
- For SNP/SRN to take losses DLR must be in a state of recovery or resolution

<b>Current buffers (end-Q1 2021)</b>	<b>DKKm</b>	
Impairments	459	
IRB-related deductions	518	
CET1	13,639	
Net profit Q1 2021	201	
Tier 2	1,300	
<b>Senior Non-Preferred Notes</b>	<b>3,000</b>	
Senior Resolution Notes	1,000	Debt buffer

# Forthcoming issue of DKK 1bn SNP to replace SNP maturing 2 July 2021

- DLR has mandated Danske Bank and Nykredit to arrange a series of investor meeting and manage an issue of DKK 1bn "Senior Non-Preferred Notes" (SNP) in DKK
- The issue is expected to be effectuated in week 22, 2021 taking the market development into consideration
- The expected maturity date of the issue is 1 July 2025
- DLR's total amount of loss-absorbing senior debt continues after the issue to be DKK 4bn
- The SNP complies with S&P's requirement regarding "Additional Loss Absorbing Capacity" (ALAC) and is consequently supporting DLR's rating
- Expected rating BBB



# Agenda

Interim financial results Q1 2021

Lending and credit risk

Capital structure and rating

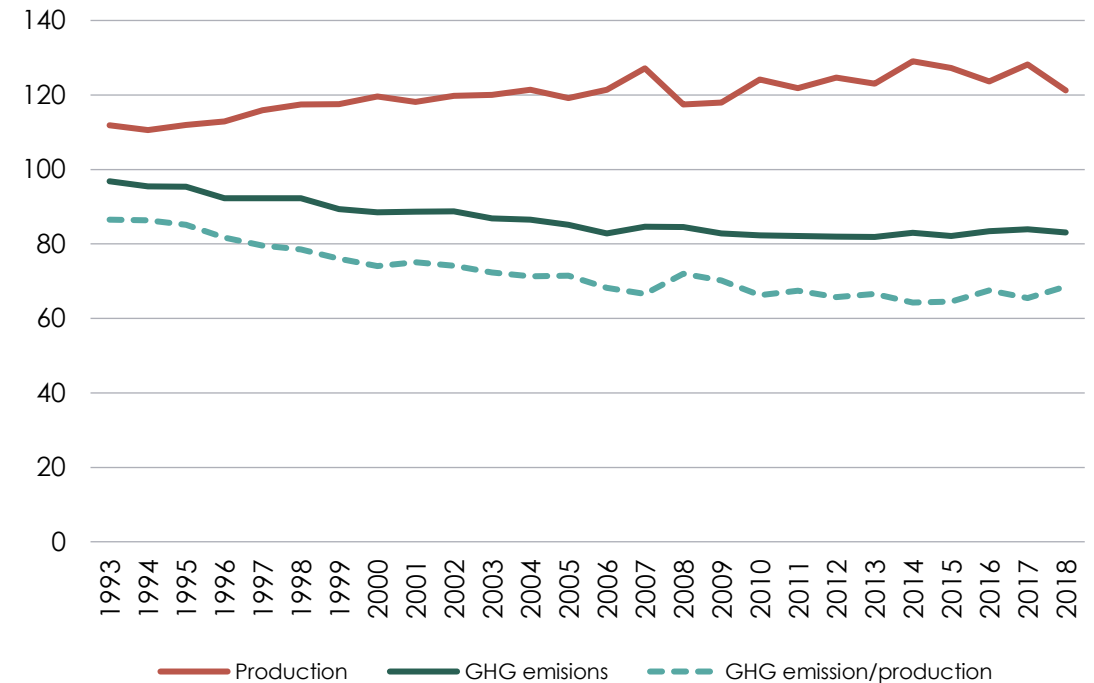
Funding

— **Green finance and CSR**

# Sustainable focus in DLR

- Sustainability is strategically important for DLR – new CSR policy
- DLR finances the sustainable transition of the Danish agricultural sector
- DLR finances commercial properties with high energy efficiency
- DLR finances properties country-wide
- ESG-considerations are incorporated in DLR's credit policy and appraisals
- DLR is highly transparent
- DLR engages in a proactive dialogue with stakeholders

**Agricultural GHG emission (1990=100)**



Source: Danmarks Statistik

# Two-step approach to green finance in DLR

## Step 1 – green mortgages

- DLR's new mortgage loan "Green ARM-Short"
- Same mortgage loan type as existing ARM-Short
- At first, the new mortgages are funded in traditional ARM-Short CIBOR6 bonds
- Price subsidizing corresponding to an interest rate discount as if the mortgage was funded by green bonds
- Clear criteria and documentation
- Offered to new project and new borrowers

## Step 2 – green bonds

- When sufficient loan volume is reached, green bonds are issued
- Issued with the same characteristics as traditional ARM-Short CIBOR6 based bonds
- New mortgages and remortgaging are funded in green bonds series, when issued
- Refinancing of green mortgages in green bond series
- Standard is yet to be established

# Initial criteria for DLR's green mortgages

## Green buildings

- ✓ New buildings constructed after 1 January 2021 with an energy performance at least 20% lower than the NZEP requirement (A2015) or obtained energy performance certificate of A2020 for office and commercial properties
- ✓ Energy-labeled buildings constructed before 1 January 2021 with energy performance certificates of A or B

## Energy improvements

- ✓ Investments in buildings that reduce energy consumption by at least 30%
- ✓ Agricultural investments in selected improvements reducing the climate footprint by at least 30%

## Sustainable energy

- ✓ Windmills
- ✓ Solar cell installed on buildings
- ✓ Heat pump system

## Sustainability-certified agriculture

- ✓ Organically certified farms with organic farming and / or with organic animal production
- ✓ Other sustainability certifications

# Social responsibility

- DLR works with social responsibility as a natural incorporated part of our business operation
- In 2020, social responsibility was even more integrated into DLR's business model
- In 2021, DLR will publish a new CSR policy, which sets the framework for how DLR works with social responsibility, including:
  - Sustainable financing
  - Funding
  - Employee relations
  - Climate and environment
  - Business ethics



# Contact IR



## Contact

---

Jakob Kongsgaard Olsson  
Head of IR & Rating

Direct number: +45 33 42 07 06

Mail: [jko@dlr.dk](mailto:jko@dlr.dk)

[www.dlr.dk](http://www.dlr.dk)