

Interim report First half of 2021



dlr.kredit

Contents

Management review	3
Financial highlights	4
H1 2021 - Highlights	5
CEO statement	6
Comments on the results for H1 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
Financial statements H1 2021	15
Management's statement	35



DLR at a glance

DLR is a Danish mortgage credit institution owned primarily by a long range of 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 highlights¹

Profit and Loss Account, DKKm	H1 2021	H1 2020	Ratio 21/20	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Administration fee income	895	859	104	451	444	440	436
Other core income, net	78	71	111	36	42	35	34
Interest expenses, senior debt and subordinated debt	-33	-29	110	-16	-16	-16	-16
Fee and commission income, net	-244	-215	113	-116	-127	-117	-114
Core income (mortgage credit income)	697	685	102	354	343	341	340
Staff costs and administrative expenses, etc.	-158	-143	110	-80	-77	-85	-72
Other operating expenses	-9	-8	115	-4	-5	-4	-4
Results from core activities	531	534	99	270	261	252	264
Provision for loan and receivable impairment, etc.	74	-57	0	44	30	-4	-1
Portfolio earnings (securities)	-31	-35	0	3	-33	-1	8
Profit before tax	574	443	130	316	258	247	271
Profit after tax	448	345	130	247	201	192	211

Balance Sheet at 31 March	H1 2021	H1 2020	Ratio 21/20	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Assets							
Loans and advances	170,712	160,634	106	170,712	168,332	166,787	163,785
Bonds and shares	8,825	10,488	84	8,825	11,227	12,041	11,180
Other assets	2,987	2,121	141	2,987	2,466	2,255	3,139
Total assets	182,524	173,243	105	182,524	182,024	181,083	178,104
Liabilities and equity							
Issued bonds	165,316	157,266	105	165,316	164,847	164,433	161,575
Other debt and payables	1,278	912	140	1,278	1,494	1,167	1,252
Subordinated debt	1,300	1,300	100	1,300	1,300	1,300	1,300
Equity	14,631	13,766	106	14,631	14,384	14,183	13,977
Total liabilities and equity	182,524	173,243	105	182,524	182,024	181,083	178,104

¹ The figures in the interim report are presented in whole millions of DKK with no decimals unless decimals are considered essential.

Total amounts in the financial statements are calculated based on actual figures, which constitutes the correct mathematical method. A recalculation of total amounts may in certain cases result in a rounding difference, which reflects that the underlying decimals are not visible to the reader of the financial statements.

	H1 2021	H1 2020	Q2 2021	Q1 2021	Q4 2020	Q3 2020
Return on equity (ROE)						
Profit before tax in pc of equity*	4,0%	3,3%	2,2%	1,8%	1,7%	2,0%
Profit after tax in pc of equity*	3,1%	2,6%	1,7%	1,4%	1,4%	1,6%
Solvency						
Capital ratio*	18,0%	17,1%	18,0%	18,5%	18,8%	17,2%
Lending Activity						
Growth in loan portfolio, pc (nominel)*	4,1%	2,7%	2,0%	2,1%	1,8%	1,8%
New loans, gross (DKKm)	18.314	17.563	8.524	9.790	9.533	9.743

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

H1 2021 - Highlights

- Core income amounted to DKK 697m in H1 2021, which is 12m more than in the same period of 2020.
- The pre-tax profit was DKK 574m, up by DKK 131m on the year-earlier period.
- The result is positively affected by a positive operating effect of losses and write-downs in the first half of DKK 74m.
- Lending activities in H1 2021 were at a satisfactory level. Gross lending amounted to DKK 18.3bn (nominal value), and net lending was DKK 6.7bn (nominal value), against net lending of DKK 4.2bn 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 1,000 – 1,050m. The guidance for pre-tax profits has thus been raised by DKK 125m relative to the guidance provided in the interim report for the first quarter of 2021.

CEO statement

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

"At DKK 574m, DLR achieves satisfactory pre-tax profit for H1 2021 that was significantly better than expected. The profit is DKK 131m higher than in H1 2020, when the financial statements were strongly impacted by the COVID-19 pandemic and the first lockdowns of society.

After the negative effects the COVID-19 pandemic had on DLR's earnings in Q2 2020, developments started to stabilise both in terms of lending activity and returns on the securities portfolio, and we have not seen any significant impairment of our customers' ability to pay, as we had otherwise feared. During the second half of 2020, it became evident that our business activities were not as severely affected by the pandemic as we had anticipated. On the contrary, demand remained strong for mortgage loans combined with a persistently low arrears ratio. This favourable trend of growing demand for mortgage loans continued into the first half of 2021.

The satisfactory H1 performance was partly attributable to growing income as a result of strong lending activity, partly to the persistently strong cyclical trends, especially for the agricultural sector, which have had a positive effect on losses and impairment charges. Despite the broad-scale re-opening of society, a high degree of uncertainty still attaches to economic developments both in Denmark and internationally. DLR has therefore maintained a "COVID-19-related" add-on to impairment charges based on a management estimate, relating primarily to commercial property loans. In addition, the model-based impairment charges include a provision to address pandemic-related uncertainty.

The return on the securities portfolio was favourably affected by the decline in yields at the tail end of the second quarter. However, the lower yields make us expect reduced returns for the remaining part of the year.

We recorded decent growth rates in both gross and net lending in H1. Net lending amounted to DKK 6.7bn, and the loan portfolio increase is driven both by agricultural loans and loans for commercial property. 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.

The major agricultural production areas generally experienced decent earnings in H1, and this trend is expected to continue throughout 2021 driven by, among other things, generally rising commodity prices following the post-COVID-19 re-opening of society.

However, since mid-June Danish pig farmers have experienced a sharp drop in the prices of both pork and weaners. This development is driven partly by continuing challenges caused by African

swine fever in Germany and Poland, partly by the fact that the Chinese are not buying as much pork as they have previously. Consequently, the profitability of pig farming will be subject to some degree of uncertainty in the upcoming period.

Dairy farmers continue to experience stable settlement prices at or slightly above the expected long-term level. Coupled with improved efficiency and improved dairy yields at many farms, prospects are for satisfactory earnings in this part of the agricultural segment in 2021.

Arable farmers expect a "normal-level" harvest but subject to quite significant geographical differences due to varying volumes of precipitation, among other factors. On the basis of good overall demand worldwide for vegetable commodities, arable farmers expect satisfactory price levels.

An agreement has been signed in the EU to reform the EU's common agricultural policy for the period 2023-2027, and a climate agreement is expected to be concluded for the agricultural area later this year. Both may have a financial impact on the agricultural segment, not least for arable farmers.

In the non-agricultural sector, demand remains strong for most types of property, and prices of investment properties have moved higher by a fair margin. Specific types of properties in the hotel, restaurant and entertainment segments remain severely affected by the limited international tourism in the large cities. DLR only has moderate exposure to these types of property.

On the basis of our performance in H1 2021, we upgrade our pre-tax profit forecast for the full-year 2021 to DKK 1,000-1,050m from the DKK 875-925m range announced in connection with the presentation of the 2020 annual report.

Jens Kr. A. Møller

Managing Director & CEO

Comments on the results for H1 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 administrative expenses, losses and impairment charges.
- Portfolio earnings: Return on the securities portfolio.

The income statement for H1 2021 is set out below.

Profit and Loss Account, DKKm	H1 2021	H1 2021
Administration fee income	895	859
Other core income, net	78	71
Interest expenses subordinated debt	-16	-16
Interest expenses senior loans	-16	-13
Fee and commission income, net	-244	-215
Core income (mortgage credit income)	697	685
Staff costs	-114	-96
Administrative expenses, etc.	-44	-47
Other operating expenses	-9	-8
Result from core activities	531	534
Provision for loan and receivable impairment, etc.	74	-57
Portfolio earnings (securities)	-31	-35
Profit before tax	574	443
Profit after tax	448	345

Core earnings

Administration margin income amounted to DKK 895m, up DKK 36m 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 78m in H1 2021, an increase of DKK 7m relative to the same period last year.

Interest expenses on subordinated debt amounted to DKK 16m, which is on a level with the same period of last year.

Interest expenses for senior loans amounted to DKK 16m, 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 244m compared to an expense of DKK 215m in the same period of 2020. The higher net expense was due to a combination of a DKK 1m increase in fee and commission income and an increase of DKK 30m 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 697m, an increase of DKK 12m relative to the same period last year.

Staff costs and administrative expenses, etc. amounted to DKK 158m, which is DKK 15m more than in H1 2020. The increase was driven by increased staffing due to a high level of activity in the lending business and stricter compliance requirements, etc.

Other operating expenses concern DLR's contribution to the Resolution Fund, amounting to DKK 9m.

Losses and impairment on loans and receivables amounted to an income of DKK 74m. The income is composed of the following components:

- Income in the form of reversed impairment charges of DKK 72m, relating primarily to the agricultural segment.
- Expenses of DKK 1m from H1 net losses on loans
- Income in the form of loss offsetting in the amount of DKK 4m

Portfolio earnings

Due to persistently negative short-term interest rates, portfolio earnings in H1 represented an expense of DKK 31m, against an expense of DKK 35m in H1 2020.

Profit and allocation of comprehensive income

The profit before tax was DKK 574m, against DKK 443 in the year-earlier period.

Net profit for the period was DKK 448m, which has been transferred to DLR's equity.

Balance sheet

Mortgage lending at fair value amounted to DKK 170,7bn at the end of H1 2021.

Bond holdings amounted to DKK 36.6bn, which is DKK 5.3bn less than at year-end 2020. Of this amount, the portfolio of DLR bonds amounted to DKK 27.8bn, which is netted in "Issued bonds at fair value", while DKK 8.8bn was attributable to positions in government securities and other mortgage bonds.

In addition to the bond holding of DKK 36.6bn, DLR held other securities for DKK 2.5bn; hence, the total securities holding amounted to DKK 39.1bn (gross) at the end of H1 2021.

Of the total securities amount, temporary excess liquidity in connection with mortgage lending activity comprised DKK 16.5bn, so the investment holding was therefore DKK 22.5bn.

DLR's total assets stood at DKK 182.5bn at the end of H1 2021.

Capital and solvency

DLR's capital and solvency figures at the end of H1 2021 are shown in the table below.

Capital and solvency	H1 2021	Q4 2020
Equity	14.631	14.183
Profit, etc. not recognised in tier 1 capital	-448	0
Deductions of a consequence of prudent valuation	-22	-25
Deductions of a consequence of intangible assets	-5	0
Deductions of a consequence of non-performing exposures	0	0
Difference between expected losses and impairment losses	-537	-539
Common equity tier 1 capital	13.618	13.618
Subordinated capital (tier 2 capital)	1.300	1.300
Own funds	14.918	14.918
Risk-weighted exposure with credit risk etc.	78.213	74.846
Risk-weighted exposure with market risk	2.051	2.221
Risk-weighted exposure with operational risk	2.400	2.400
Total risk-weighted exposure	82.664	79.467
Common equity tier 1 capital ratio (%)	16,5%	17,1%
Total capital ratio (%)	18,0%	18,8%

Own funds at 30 June 2021 amounted to DKK 14,918m, which is unchanged from 31 December 2020, as the profit for H1 2021 is not recognised in own funds.

Weighted risk exposure

Weighted risk exposure amounted to DKK 82.7bn at 30 June 2021, which is DKK 3.2bn higher than at year-end 2020.

Risk-weighted exposure with credit risk increased by DKK 3.4bn in 2021, because of an increase in the loan portfolio and an increase in outstanding loan offers/loan commitments.

Risk-weighted exposure with market risk declined by DKK 0.2bn, which is due to a lower duration on the bond portfolio.

Total capital ratio

DLR's total capital ratio was 18.0% at 30 June 2021, against 18.8% at year-end 2020. The common equity tier 1 capital ratio was 16.5%, against 17.1% at year-end 2020.

If the profit for H1 2021 had been recognised, the total capital ratio would have been 18.6%, and the tier 1 capital ratio 17.0%.

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 30 June 2021, outstanding mortgage payments amounted to DKK 65m, 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 nine properties in H1 2021, against 28 in the same period of 2020.

At the end of H1 2021, DLR had a portfolio of 0 repossessed properties.

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. This level was reiterated in the Q1 2021 interim report.

After the end of H1 2021, DLR retains its guidance for core earnings before impairment at DKK 1,000-1,050m, while the pre-tax profit guidance for 2021 has been raised by DKK 125m to a range of DKK 1,000-1,050m.

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 5.3m was capitalised in H1 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.

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Financial statements H1 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	H1 2021	H1 2020
1 Interest income	1,548	1,537
2 Interest expenses	-589	-599
Net interest income	959	937
Share dividends etc.	0	0
Fees and commission income	125	124
Fees and commission paid	-368	-339
Net interest and fee income	715	723
3 Market value adjustments	-59	-85
Other operating income	11	13
4-5 Staff costs and administrative expenses	-158	-142
Depreciation and impairment of property, plant and equipment	0	-1
Other operating expenses	-9	-8
6 Impairment of loans, advances, receivables, etc.	74	-57
Profit before tax	574	443
Tax	-126	-97
Profit after tax	448	345
Comprehensive income		
Profit for the year	448	345
Property revaluations	0	0
Tax on property revaluations	0	0
Other comprehensive income after tax	448	345
Attributable to shareholders of DLR Kredit A/S	448	345

Balance sheet

(DKKm)

Note		30-jun 2021	31-dec 2020
	Assets		
	Cash balance and demand deposits with central banks	2,177	50
7	Due from credit institutions and central banks	289	1,731
8	Loans, advances and other receivables at fair value	170,700	166,775
9	Loans, advances and other receivables at amortised cost	12	12
14	Bonds at fair value	8,789	12,007
	Shares etc.	36	34
	Intangible assets	5	0
15	Land and buildings, domicile properties	136	136
	Other property, plant and equipment	5	6
	Leasing assets	0	0
	Current tax assets	80	12
	Assets held temporarily	0	6
16	Other assets	257	293
	Prepayments	37	21
	Total assets	182,524	181,083
	Equity and liabilities		
17	Issued bonds at fair value	159,316	157,429
18	Issued bonds at amortised cost	6,000	7,004
	Leasing liabilities	0	0
19	Other liabilities	1,257	1,145
	Deferred income	2	2
	Total liabilities	166,575	165,580
	Provisions for deferred tax	19	20
	Total provisions	19	20
	Subordinated debt	1,300	1,300
	Total subordinated debt	1,300	1,300
	Share capital	570	570
	Revaluation reserve	75	75
	Undistributable reserve	2,338	2,338
	Retained earnings etc.	11,648	11,200
	Total equity	14,631	14,183
	Total equity and liabilities	182,524	181,083
20	Off-balance sheet items		
	Guarantees	0	0
	Contingent liabilities (loan offers, other contingent liabilities, etc.)	12,367	9,490
21	Other contingent assets	26	34

Statement of changes in equity

(DKKm)

Note	Share capital 1)	Revaluation reserve	Undistributable reserve	Retained earnings	Total
2020					
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
Equity at 31 December	570	75	2,338	11,200	14,183
2021					
Equity at 1 January	570	75	2,338	11,200	14,183
Profit for the year	0	0	0	448	448
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
Equity at 30 June	570	75	2,338	11,648	14,631

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 310 June 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	30-jun 2021	31-dec 2020
Equity	14,631	14,183
Profit etc. not recognised in tier 1 capital	-448	0
Deductions as a consequence of prudent valuation	-22	-25
Deductions as a consequence of intangible assets	-5	0
Deductions of a consequence of non-performing exposures	0	0
Difference between expected losses and impairment losses	-537	-539
Common equity tier 1 capital	13,618	13,618
Subordinated capital (tier 2 capital)	1,300	1,300
Deductions from tier 2 capital	0	0
Own funds	14,918	14,918
Risk-weighted exposure with credit risk etc.	78,213	74,846
Risk-weighted exposure with market risk	2,051	2,221
Risk-weighted exposure with operational risk	2,400	2,400
Total risk-weighted exposure	82,664	79,467
Common equity tier 1 capital ratio	16.5%	17.1%
Total capital ratio	18.0%	18.8%
Statement of excess capital adequacy	2021	2020
Own funds after deductions	14,918	14,918
Capital adequacy	-7,573	-7,296
SIFI buffer	-827	-795
Capital conservation buffer	-2,067	-1,987
Countercyclical buffer	0	0
Systemic buffer Faroe Islands	-11	-10
Reserved debt buffer	0	0
Excess capital adequacy	4,441	4,831

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 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 - H1
- 23 Financial ratios - H1

Notes - Other notes

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

Income statement

(DKKm)

Note		H1	H1
1	Interest income	2021	2020
	Due from credit institutions and central banks	0	0
	Positive interest loans and advances *	552	570
	Contributions	895	859
	Bonds	31	56
	Issued bonds at fair value **	16	23
	Other interest income	64	53
	Total	1,559	1,560
	Interest on own mortgage bonds offset against interest on issued bonds	-11	-23
	Total	1,548	1,537
	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).

		H1	H1
2	Interest expenses	2021	2020
	Credit institutions and central banks	-1	-1
	Issued bonds at fair value *	-550	-569
	Issued bonds at amortised cost	-16	-13
	Negative interest loans and advances**	-16	-23
	Other interest expenses	-16	-16
	Total	-600	-622
	Interest on own mortgage bonds offset against interest on issued bonds	11	23
	Total	-589	-599
	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).

Note		H1	H1
3	Market value adjustments	2021	2020
	Mortgage loans	-2,842	-336
	Bonds	-50	-70
	Shares etc.	2	7
	Other assets	0	1
	Foreign currency	0	-1
	Derivative financial instruments	-11	-23
	Issued bonds	2,842	337
	Total	-59	-85
4	Staff costs and administrative expenses	H1	H1
		2021	2020
	Staff costs		
	Salaries	-92	-76
	Pension costs	-8	-7
	Social security costs	-15	-13
	Total	-114	-96
	Other administrative expenses		
	IT expenses	-23	-24
	Audit, financial supervision and industry association	-4	-3
	Other expenses	-17	-19
	Total	-43	-46
	Total staff costs and administrative expenses	-158	-142

Note		H1	H1
5	Remuneration for members of the Board of Directors etc.	2021	2020
	Fixed remuneration	4,2	4,0
	Variable remuneration	0,0	0,0
	Total	4,2	4,0
	Number of members of the executive management - year-end	2	2
		H1	H1
6	Impairment of loans, advances, receivables, etc.	2021	2020
	Losses in the period	-7	-9
	Amounts received on claims previously written off	2	1
	Regulation of properties acquired	3	-2
	Impairment losses in the period	-103	-201
	Reversal of impairment losses	175	150
	Losses offset against commission payments to banks	4	4
	Total	74	-57

Assets

(DKKm)

Note		30-jun 2021	31-dec 2020
7	Due from credit institutions and central banks		
	Due from central banks	0	1,300
	Due from credit institutions	289	431
	Total amount due from credit institutions and central banks	289	1,731

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

		30-jun 2021	31-dec 2020
8	Loans, advances and other receivables at fair value		
	Mortgage loans, nominal value	171,001	164,286
	Adjustment to fair value of underlying bonds	61	2,902
	Adjustment for credit risk	-413	-481
	Mortgage loans at fair value	170,649	166,707
	Arrears before impairment losses	65	71
	Other loans and outlays before impairment losses	-10	3
	Impairment losses on arrears and outlays	-4	-7
	Total	170,700	166,775

		30-jun 2021	31-dec 2020
9	Loans, advances and other receivables at amortised cost		
	Loans and advances	14	15
	Adjustment for credit risk	-2	-3
	Total	12	12

Note		30-jun	31-dec
10	Mortgage loans (nominal value) by property category (as a percentage)	2021	2020
	Owner-occupied dwellings	4.9%	4.8%
	Recreational dwellings	0.2%	0.2%
	Subsidised rental housing properties	0.1%	0.1%
	Co-operative housing	2.2%	2.0%
	Private rental housing properties	19.9%	18.8%
	Properties for manufacturing and manual industries	1.2%	1.3%
	Office and business properties	17.8%	17.6%
	Agricultural properties	53.5%	55.0%
	Properties for social, cultural and educational purposes	0.1%	0.0%
	Other properties	0.0%	0.2%
	Total, %	100.0%	100.0%
11	Number of loans - end of period	30-jun	31-dec
		2021	2020
		69,404	67,254

12 Impairment losses by stage

Impairment of loans and advances at fair value and amortised cost *	30-jun 2021			
	Stage 1	Stage 2	Stage 3	Total
Specification of impairment losses at year-end:				
Loans and advances in stage 1 at beginning of year	8	36	0	44
Loans and advances in stage 2 at beginning of year	4	69	79	152
Loans and advances in stage 3 at beginning of year	0	1	68	69
New loans and advances	7	10	1	18
Management estimate	118	18	1	137
Total	137	134	149	419

Impairment of loans and advances at fair value and amortised cost *	31-dec 2020			
	Stage 1	Stage 2	Stage 3	Total
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
Total	158	125	208	491

* 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**

	30-jun 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.

14 Bonds at fair value	30-jun	31-dec
	2021	2020
Own mortgage bonds	27,779	19,296
Other mortgage bonds	8,289	11,505
Government bonds	500	502
Bonds - gross	36,568	31,302
Own mortgage bonds offset against issued bonds	-27,779	-19,296
Total	8,789	12,007

15 Land and buildings - domicile properties	30-jun	31-dec
	2021	2020
Fair value, beginning of year	136,2	119,6
Additions during the year	0,0	0,0
Depreciation	-0,4	-0,4
Value changes recognised in other comprehensive income	0,0	17,0
Fair value, end of year	135,8	136,2

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

Note		30-jun	31-dec
16	Other assets	2021	2020
	Positive market value of derivative financial instruments etc.	29	1
	Interest and commission receivable	33	60
	Other receivables	196	233
	Total	257	293

Equity and liabilities

(DKKm)

Note		30-jun	31-dec
17	Issued bonds at fair value	2021	2020
	Mortgage bonds - nominal value	186,984	173,746
	Fair value adjustment	110	2,978
	Issued bonds - gross	187,095	176,724
	Offsetting of own mortgage bonds - fair value	-27,779	-19,296
	Total	159,316	157,429
	Of which pre-issued, market value	12,348	4,137
	Cash value of bonds drawn for redemption at next repayment date (settlement price)	14,212	3,189
		30-jun	31-dec
18	Issued bonds at amortised cost	2021	2020
	Issues in connection with senior debt	6,000	7,004
	Offsetting of own bonds	0	0
	Total	6,000	7,004
		30-jun	31-dec
19	Other liabilities	2021	2020
	Negative market value of derivative financial instruments etc.	14	1
	Interest and commission payable	825	966
	Other liabilities	418	178
	Total	1,257	1,145

Note 20	Off-balance sheet items - guarantees etc.	30-jun 2021	31-dec 2020
	Financial guarantees	0	0
	Other guarantees	0	0
	Total	0	0
	Other contingent liabilities		
	Irrevocable credit commitments (loan offers)	12,367	9,490
	Total	12,367	9,490

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 25.5 million (Q2 2021).

Key figures and financial ratios

(DKKm)

Note						
22	Key figures - H1	2021	2020	2019	2018	2017
	Income statement					
	Net interest and fee income	715	723	706	708	677
	Other operating income etc.	11	13	12	13	9
	Staff costs and administrative expenses etc.	-167	-151	-140	-143	-129
	Earnings	559	585	578	578	557
	Impairment of loans, advances and re- ceivables	74	-57	11	0	67
	Market value adjustments	-59	-85	-17	-107	-43
	Profit before tax	574	443	572	471	581
	Profit after tax	448	345	446	367	454
	Balance sheet - H1					
	Assets					
	Loans and advances	170,712	160,634	153,439	144,483	141,105
	Bonds, shares, etc.	8,825	10,488	9,101	9,912	12,016
	Other assets	2,987	2,121	3,190	3,534	2,298
	Total assets	182,524	173,243	165,730	157,929	155,419
	Equity and liabilities					
	Issued bonds	165,316	157,266	150,234	143,413	140,872
	Other liabilities	1,278	912	1,209	1,084	1,243
	Subordinated debt	1,300	1,300	650	650	0
	Equity	14,631	13,766	13,637	12,782	13,303
	Total equity and liabilities	182,524	173,243	165,730	157,929	155,419

Note 23	Financial ratios - H1	2021	2020	2019	2018	2017
Return on equity						
	Profit before tax in per cent of equity *	4.0	3.3	4.3	3.7	4.5
	Profit after tax in per cent of equity *	3.1	2.6	3.4	2.9	3.6
Return on capital employed						
	Return on capital employed *	0.25	0.20	0.27	0.23	0.29
Costs						
	Costs in per cent of loan portfolio	0.10	0.09	0.09	0.10	0.10
	Income/cost ratio *	7.2	3.1	5.4	4.3	10.4
	Income/cost ratio, excl. impairment losses	4.0	4.3	5.0	4.3	5.0
Solvency						
	Total capital ratio*	18.0	17.1	16.5	16.5	15.7
	Tier 1 capital ratio*	16.5	15.5	15.7	15.6	15.7
	Common equity tier 1 capital ratio*	16.5	15.5	15.7	15.6	14.0
Arrears and impairment losses						
	Arrears, end of period (DKKm)	65	87	140	116	107
	Impairment ratio for the period *	-0.04	0.04	-0.01	0.00	-0.05
	Accumulated impairment ratio	0.25	0.30	0.33	0.36	0.38
Lending activity						
	Growth in loan portfolio, per cent (nominal) *	4.1	2.7	2.4	1.0	1.2
	New loans, gross (DKKm)	18,314	17,563	16,455	12,511	11,624
	Number of new loans	5,772	5,441	4,954	3,959	3,641
	Loan/equity ratio *	11.7	11.7	11.3	11.3	10.6
Margins						
	Percentage of average loan portfolio (nominal):					
	Profit before tax	0.34	0.28	0.39	0.33	0.42
	Administration margin income	0.53	0.55	0.54	0.55	0.54
Percentage of tier 1 capital after deductions						
	Foreign exchange position as a percentage of tier 1 capital after deductions	1.7	2.3	3.5	5.1	9.9

*) 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
	30-jun	30-jun	30-jun
	2021	2021	2021
Interest income	1,519	29	1,548
Interest expenses	-589		-589
Net interest income	930	29	959
Share dividends etc.	0		0
Fees and commission received	125		125
Fees and commission paid	-368		-368
Net interest and fee income	687	29	715
Market value adjustments	0	-59	-59
Other operating income	11		11
Staff costs and administrative expenses	-158		-158
Depreciation and impairment of property, plant and equipment	0		0
Other operating expenses	-9		-9
Impairment of loans, advances, receivables, etc.	74		74
Profit before tax	605	-31	574
Tax	-133	7	-126
Profit after tax	472	-24	448

Note

25	Supervisory diamond for mortgage credit institutions	End of Q2 2021	End of Q1 2021	Threshold
1. Lending growth				
	Private homeowners	14.0	12.8	<15%
	Residential rental property	19.2	17.8	<15%
	Agriculture	2.4	1.8	<15%
	Other business lending	10.1	8.9	<15%
2. Borrower interest-rate risk				
		14.7	15.0	<25%
3. Interest-only lending to private home owners				
		1.7	1.9	<10%
4. Loans with short-term funding (quarterly)				
	Q2 2020	7.3		<12,5%
	Q3 2020	2.7		<12,5%
	Q4 2020	2.5		<12,5%
	Q1 2021	0.1		<12,5%
	Loans with short-term funding annually*	12.3	11.8	<25%
5. Large exposures				
		28.6	30.5	< 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 2021. 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 - 30 June 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 30 June 2021, and of the results of the Company's activities for the reporting period 1 January – 30 June 2021. The financial statements have neither been audited nor reviewed by the Company's auditors.

Copenhagen, 19 August 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

Bjarne Larsen

Frank Mortensen

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