

# Interim report Q1-Q3 2021



dlr.kredit

# Contents

<b>Management review</b>	<b>3</b>
Financial highlights	4
Q1-Q3 2021 - Highlights	5
CEO statement	6
Comments on the results for Q1-Q3	8
Capital and solvency	11
Risk factors	12
Outlook for 2021	13
Accounting policies	13
Events after the balance sheet date	14
Additional information	14
Contacts	14
<b>Financial statements Q3 2021</b>	<b>15</b>
<b>Management's statement</b>	<b>35</b>



# 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. Lending activities were 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, on a limited scale, 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 to a very large extent mitigated 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<sup>1</sup>

Profit and Loss Account, DKKm	Q1-Q3	Q1-Q3	Ratio	Q3	Q2	Q1	Q4
	2021	2020	21/20	2021	2021	2021	2020
Administration fee income	1,352	1,295	104	457	451	444	440
Other core income, net	116	104	111	37	36	42	35
Interest expenses, senior debt and subordinated debt	-49	-45	108	-16	-16	-16	-16
Fee and commission income, net	-368	-329	112	-124	-116	-127	-117
<b>Core income (mortgage credit income)</b>	<b>1,051</b>	<b>1,025</b>	<b>103</b>	<b>354</b>	<b>354</b>	<b>343</b>	<b>341</b>
Staff costs and administrative expenses, etc.	-231	-215	107	-73	-80	-77	-85
Other operating expenses	-13	-11	115	-4	-4	-5	-4
<b>Results from core activities</b>	<b>807</b>	<b>799</b>	<b>101</b>	<b>276</b>	<b>270</b>	<b>261</b>	<b>252</b>
Provision for loan and receivable impairment, etc.	78	-58		4	44	30	-4
Portfolio earnings (securities)	-37	-27		-7	3	-33	-1
<b>Profit before tax</b>	<b>848</b>	<b>714</b>	<b>119</b>	<b>274</b>	<b>316</b>	<b>258</b>	<b>247</b>
<b>Profit after tax</b>	<b>662</b>	<b>556</b>	<b>119</b>	<b>214</b>	<b>247</b>	<b>201</b>	<b>192</b>

Balance Sheet at 31 September	Q3	Q3	Ratio	Q3	Q2	Q1	Q4
	2021	2020	21/20	2021	2021	2021	2020
<b>Assets</b>							
Loans and advances	171,342	163,785	105	171,342	170,712	168,332	166,787
Bonds and shares	7,958	11,180	71	7,958	8,825	11,227	12,041
Other assets	3,513	3,139	112	3,513	2,987	2,466	2,255
<b>Total assets</b>	<b>182,812</b>	<b>178,104</b>	<b>103</b>	<b>182,812</b>	<b>182,524</b>	<b>182,024</b>	<b>181,083</b>
<b>Liabilities and equity</b>							
Issued bonds	165,051	161,575	102	165,051	165,316	164,847	164,433
Other debt and payables	1,617	1,252	129	1,617	1,278	1,494	1,167
Subordinated debt	1,300	1,300	100	1,300	1,300	1,300	1,300
Equity	14,844	13,977	106	14,844	14,631	14,384	14,183
<b>Total liabilities and equity</b>	<b>182,812</b>	<b>178,104</b>	<b>103</b>	<b>182,812</b>	<b>182,524</b>	<b>182,024</b>	<b>181,083</b>

<sup>1</sup> 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.

<b>Financial ratios</b>	<b>Q3 2021</b>	<b>Q3 2020</b>	<b>Q3 2021</b>	<b>Q2 2021</b>	<b>Q1 2021</b>	<b>Q4 2020</b>
<b>Return on equity (ROE)</b>						
Profit before tax in pc of equity	5.8%	5.2%	1.9%	2.2%	1.8%	1.7%
Profit after tax in pc of equity	4.6%	4.1%	1.4%	1.7%	1.4%	1.4%
<b>Solvency</b>						
Capital ratio	18.1%	17.2%	18.1%	18.0%	18.5%	18.8%
<b>Lending Activity</b>						
Growth in loan portfolio, pc (nominel)	5.2%	4.5%	1.1%	2.0%	2.1%	1.8%
New loans, gross (DKKm)	27,608	27,306	9,294	8,524	9,790	9,533

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

\*\*\*) The capital ratio for the first, 2nd and third quarters is calculated without recognition of the profit or loss for the period, as the accounts have not been subject to an audit.

## Q1-Q3 2021 - Highlights

- Core income amounted to DKK 1,051m in Q1-Q3 2021, an increase of DKK 26m relative to the same period last year.
- The pre-tax profit was DKK 848m, up by DKK 134m on the year-earlier period.
- The result is positively affected by losses and impairment charges in Q1-Q3 of DKK 78m.
- Lending activities in Q1-Q3 2021 were at a satisfactory level, with net lending amounting to DKK 8.6bn (nominal value), against net lending of DKK 7.0bn 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 also of around DKK 1,000 – 1,050m.

# CEO statement

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

"At DKK 848m, DLR's pre-tax profit for Q1-Q3 2021 was satisfactory and better than expected. The profit is DKK 134m higher than in the same period of 2020, when the financial statements were strongly impacted by the COVID-19 pandemic and the initial lockdowns of society.

In 2021 to date, DLR has reported good business performance. For all customer segments, we have seen a positive development in customers' ability to pay, resulting in a persistent drop in arrears and impairment charges. At the present time, DLR has therefore not recorded any adverse credit quality impact from the COVID-19 pandemic, as we had otherwise feared. Furthermore, we have seen buoyant demand for loans in all major loan segments, not least in the non-agricultural sector, which resulted in fair growth in our loan portfolio.

The positive performance in the first three quarters of the year – both year-on-year and relative to our forecast – is partly attributable to growing income as a result of strong lending activity, partly to the persistently strong cyclical trends, also for the agricultural sector, which have had a positive effect on losses and impairment charges.

Similarly, there was a positive contribution from the return on the securities portfolio, as returns were not as negative as we had expected because of a decline in ultra-short interest rates.

We recorded a positive development in gross and net lending in the first nine months of the year. Net lending amounted to DKK 8.6bn, which is 25% higher than in the year-earlier period. The increase in lending was driven both by agricultural loans and loans for commercial property. The growing share of loans for residential rental property and office and retail has led to a persistently greater diversification of DLR's loan portfolio.

The major agricultural production areas, with the exception of pig farmers, generally experienced satisfactory earnings in the first nine months of the year, and this trend is expected to continue in the remainder of 2021 and into 2022 for dairy and arable farmers, among other things because of rising raw materials prices.

Since mid-2021, pig farmers have witnessed a sharp drop of some 30% in the price of pork and further price falls for weaners. The lower prices are due to continuing challenges in the European market because of African swine fever in Germany and Poland and the fact that China has reduced its imports of pork quite considerably. Consequently, the profitability of pig farming will be subject to some degree of uncertainty in the upcoming quarters.

In early October, a broad political agreement was reached on a green transition of Danish agriculture. The agreement aims to reduce greenhouse gas emissions, improve aquatic environments and make more room for nature.

It is very positive that the framework conditions for the agricultural sector in such an important area have now been defined. Also, it is positive that government funds have been allocated to taking out lowland soil areas based on a concept of voluntariness and that nitrogen efforts are also based on voluntariness and collective effects. Both elements are expected to ensure that the mortgaged values of agricultural properties are not impaired to any noticeable extent.

In the non-agricultural sector, demand for more or less all property types remains strong, and after a period of price increases on investment property, we have witnessed a satisfactory and stable performance.

On the basis of our performance in H1 2021, we upgraded 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.

We retain our guidance of a pre-tax profit for 2021 of DKK 1,000-1,050m.

Jens Kr. A. Møller

Managing Director & CEO

# Comments on the results for Q1-Q3 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 Q1-Q3 2021 is set out below.

<b>Profit and Loss Account, DKKm</b>	<b>Q1-Q3 2021</b>	<b>Q1-Q3 2020</b>
Administration fee income	1,352	1,295
Other core income, net	116	104
Interest expenses subordinated debt	-25	-25
Interest expenses senior loans	-24	-20
Fee and commission income, net	-368	-329
<b>Core income (mortgage credit income)</b>	<b>1,051</b>	<b>1,025</b>
Staff costs	-166	-144
Administrative expenses, etc.	-65	-71
Other operating expenses	-13	-11
<b>Result from core activities</b>	<b>807</b>	<b>799</b>
Provision for loan and receivable impairment, etc.	78	-58
Portfolio earnings (securities)	-37	-27
<b>Profit before tax</b>	<b>848</b>	<b>714</b>
<b>Profit after tax</b>	<b>662</b>	<b>557</b>

## Core earnings

Administration margin income amounted to DKK 1,352m, up DKK 57m 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 116m in Q1-Q3 2021, an increase of DKK 12m relative to the same period last year.



Interest expenses on subordinated debt amounted to DKK 25m, which is on a level with the same period of last year.

Interest expenses for senior loans amounted to DKK 24m, which is DKK 4m higher than in the year-earlier period. The increase covers opposite factors. On average, senior loans were issued for a lower amount in 2021 than in 2020 (reducing interest expenses), but on the other hand the reference rate (Cibor3) has been higher (less negative) in 2021. This resulted in a DKK 4m higher expense.

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 368m compared to an expense of DKK 329m in the same period of 2020. The higher expense primarily drives from higher fee and commission costs for DLR's shareholder banks. The increase should be seen in the context of the increasing loan portfolio, and the transition to a universal guarantee concept and the resulting higher expenses for commission for the provision of loss guarantees, etc.

Core income was subsequently DKK 1,051m, an increase of DKK 26m relative to the same period last year.

Staff costs and administrative expenses, etc. amounted to DKK 231m, which is DKK 16m more than in Q1-Q3 2020. The increase was driven by increased staffing due to a high level of activity in the lending business and stricter compliance requirements, etc. To this should be added the agreed pay increases under collective agreements and higher provisions for overtime pay and holiday pay.

Other operating expenses concern DLR's contribution to the Resolution Fund, amounting to DKK 13m.

Losses and impairment on loans and receivables amounted to an income of DKK 78m, against an expense of DKK 58m in the same period of 2020. The income is composed of the following components:

- Income in the form of reversed impairment charges of DKK 76m, relating primarily to the agricultural segment.
- Expenses of DKK 7m from net losses on loans during the period
- Income in the form of loss offsetting in the amount of DKK 4m
- Income in the form of positive adjustment of properties taken over and recovered debts previously written off in the amount of DKK 5m

**Portfolio earnings**

Due to persistently negative short-term interest rates, portfolio earnings in Q1-Q3 represented an expense of DKK 37m, against an expense of DKK 27m in Q1-Q3 2020.

**Profit and allocation of comprehensive income**

The profit before tax was DKK 848m, against DKK 714m in the year-earlier period.

Net profit for the period was DKK 662m, which has been transferred to DLR's equity.

**Balance sheet**

Mortgage lending at fair value amounted to DKK 171.3bn at the end of Q3 2021.

Bond holdings amounted to DKK 31.5bn, which is on a level with year-end 2020. Of this amount, the portfolio of DLR bonds amounted to DKK 23.6bn, which is netted in "Issued bonds at fair value", while DKK 7.9bn was attributable to positions in government securities and other mortgage bonds.

In addition to the bond holding of DKK 31.5bn, DLR held other securities for DKK 3.0bn; hence, the total securities holding amounted to DKK 34.5bn (gross) at the end of Q3 2021.

Of the total securities amount, temporary liquidity in connection with mortgage lending activity comprised DKK 12.5bn, so the investment holding was therefore DKK 21.9bn.

DLR's total assets stood at DKK 182.8bn at the end of Q3 2021.

# Capital and solvency

DLR's capital and solvency figures at the end of Q3 2021 are shown in the table below.

	<b>30-sep</b>	<b>31-dec</b>
	<b>2021</b>	<b>2020</b>
Equity	14,844	14,183
Profit etc. not recognised in tier 1 capital	-662	0
Deductions as a consequence of prudent valuation	-23	-25
Deductions as a consequence of intangible assets	-7	0
Deductions as a consequence of non-performing exposures	-2	0
Difference between expected losses and impairment losses	-537	-539
<b>Common equity tier 1 capital</b>	<b>13,614</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>14,914</b>	<b>14,918</b>
Risk-weighted exposure with credit risk etc.	78,612	74,846
Risk-weighted exposure with market risk	1,266	2,221
Risk-weighted exposure with operational risk	2,400	2,400
<b>Total risk-weighted exposure</b>	<b>82,278</b>	<b>79,467</b>
<b>Common equity tier 1 capital ratio</b>	<b>16,5%</b>	<b>17,1%</b>
<b>Total capital ratio</b>	<b>18,1%</b>	<b>18,8%</b>

Own funds at 30 September 2021 amounted to DKK 14,914m, which is unchanged from 31 December 2020, as the profit for Q1-Q3 2021 is not recognised in own funds.

## Weighted risk exposure

Weighted risk exposure amounted to DKK 82.3bn at 30 September 2021, which is DKK 2.8bn higher than at year-end 2020.

Risk-weighted exposure with credit risk has increased by DKK 3.8bn 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 1.0bn, which is due to a lower duration on the bond portfolio.

#### Total capital ratio

DLR's total capital ratio was 18.1% at 30 September 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 Q1-Q3 2021 had been recognised, the total capital ratio would have been 18.9%, and the tier 1 capital ratio 17.4%.

## 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 September 2021, outstanding mortgage payments amounted to DKK 64m, 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 8 properties in Q1-Q3 2021, against 36 in the same period of 2020.

DLR had no repossessed properties at 30 September 2021.

## 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.

In the interim report for the first half of 2021, DLR upgraded its guidance to the effect that DLR still expects core earnings before impairment of DKK 1,000-1,050m, while the pre-tax profit guidance for 2021 was raised by DKK 125m to a range of DKK 1,000-1,050m.

The above guidance still applies at the end of Q3 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 7.3m was capitalised in Q1-Q3 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

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

# Financial statements Q3 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 - Q3 2021	Q1 - Q3 2020
1	Interest income	2,383	2,366
2	Interest expenses	-942	-958
	<b>Net interest income</b>	<b>1,441</b>	<b>1,408</b>
	Share dividends etc.	0	0
	Fees and commission income	185	186
	Fees and commission paid	-553	-515
	<b>Net interest and fee income</b>	<b>1,074</b>	<b>1,080</b>
3	Market value adjustments	-76	-100
	Other operating income	16	18
4-5	Staff costs and administrative expenses	-229	-213
	Depreciation and impairment of property, plant and equipment	-2	-2
	Other operating expenses	-13	-11
6	Impairment of loans, advances, receivables, etc.	78	-58
	<b>Profit before tax</b>	<b>848</b>	<b>714</b>
	Tax	-186	-157
	<b>Profit after tax</b>	<b>662</b>	<b>556</b>
	<b>Comprehensive income</b>		
	Profit for the year	662	556
	Property revaluations	0	0
	Tax on property revaluations	0	0
	<b>Other comprehensive income after tax</b>	<b>662</b>	<b>556</b>
	Attributable to shareholders of DLR Kredit A/S	662	556



## Balance sheet

(DKKm)

Note		30-sep 2021	31-dec 2020
	<b>Assets</b>		
	Cash balance and demand deposits with central banks	2,659	50
7	Due from credit institutions and central banks	281	1,731
8	Loans, advances and other receivables at fair value	171,332	166,775
9	Loans, advances and other receivables at amortised cost	10	12
14	Bonds at fair value	7,917	12,007
	Shares etc.	40	34
	Intangible assets	7	0
15	Land and buildings, domicile properties	136	136
	Other property, plant and equipment	7	6
	Leasing assets	0	0
	Current tax assets	22	12
	Assets held temporarily	0	6
16	Other assets	372	293
	Prepayments	28	21
	<b>Total assets</b>	<b>182,812</b>	<b>181,083</b>
	<b>Equity and liabilities</b>		
17	Issued bonds at fair value	160,051	157,429
18	Issued bonds at amortised cost	4,999	7,004
	Leasing liabilities	0	0
19	Other liabilities	1,596	1,145
	Deferred income	1	2
	<b>Total liabilities</b>	<b>166,648</b>	<b>165,580</b>
	Provisions for deferred tax	20	20
	<b>Total provisions</b>	<b>20</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.	11,861	11,200
	<b>Total equity</b>	<b>14,844</b>	<b>14,183</b>
	<b>Total equity and liabilities</b>	<b>182,812</b>	<b>181,083</b>
20	<b>Off-balance sheet items</b>		
	Guarantees	0	0
	Contingent liabilities (loan offers, other contingent liabilities, etc.)	14,536	9,490
21	Other contingent assets	22	34

## Statement of changes in equity

(DKKm)

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	662	662
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 30 September</b>	<b>570</b>	<b>75</b>	<b>2,338</b>	<b>11,861</b>	<b>14,844</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 30 September 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-sep 2021	31-dec 2020
Equity	14,844	14,183
Profit etc. not recognised in tier 1 capital	-662	0
Deductions as a consequence of prudent valuation	-23	-25
Deductions as a consequence of intangible assets	-7	0
Deductions of a consequence of non-performing exposures	-2	0
Difference between expected losses and impairment losses	-537	-539
<b>Common equity tier 1 capital</b>	<b>13,614</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>14,914</b>	<b>14,918</b>
Risk-weighted exposure with credit risk etc.	78,612	74,846
Risk-weighted exposure with market risk	1,266	2,221
Risk-weighted exposure with operational risk	2,400	2,400
<b>Total risk-weighted exposure</b>	<b>82,278</b>	<b>79,467</b>
<b>Common equity tier 1 capital ratio</b>	16.5%	17.1%
<b>Total capital ratio</b>	18.1%	18.8%
	<b>30-sep</b>	<b>31-dec</b>
<b>Statement of excess capital adequacy</b>	<b>2021</b>	<b>2020</b>
Own funds after deductions	14,914	14,918
Capital adequacy	-7,522	-7,296
SIFI buffer	-823	-795
Capital conservation buffer	-2,057	-1,987
Countercyclical buffer	0	0
Systemic buffer Faroe Islands	-11	-10
Reserved debt buffer	0	0
<b>Excess capital adequacy</b>	<b>4,501</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 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 – Q3
- 23 Financial ratios – Q3

## **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 - Q3	Q1 - Q3
1	Interest income	2021	2020
	Due from credit institutions and central banks	0	0
	Positive interest loans and advances *	854	890
	Contributions	1,352	1,295
	Bonds	42	80
	Issued bonds at fair value **	54	52
	Other interest income	95	79
	<b>Total</b>	<b>2,397</b>	<b>2,396</b>
	Interest on own mortgage bonds offset against interest on issued bonds	-14	-30
	<b>Total</b>	<b>2,383</b>	<b>2,366</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 - Q3	Q1 - Q3
2	Interest expenses	2021	2020
	Credit institutions and central banks	-1	-2
	Issued bonds at fair value *	-851	-888
	Issued bonds at amortised cost	-24	-20
	Negative interest loans and advances**	-54	-52
	Other interest expenses	-25	-25
	<b>Total</b>	<b>-956</b>	<b>-988</b>
	Interest on own mortgage bonds offset against interest on issued bonds	14	30
	<b>Total</b>	<b>-942</b>	<b>-958</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 - Q3</b>	<b>Q1 - Q3</b>
<b>3</b>	<b>Market value adjustments</b>	<b>2021</b>	<b>2020</b>
	Mortgage loans	-4,077	60
	Bonds	-92	-96
	Shares etc.	2	7
	Other assets	0	1
	Foreign currency	0	-1
	Derivative financial instruments	14	-11
	Issued bonds	4,077	-60
	<b>Total</b>	<b>-76</b>	<b>-100</b>
<b>4</b>	<b>Staff costs and administrative expenses</b>	<b>Q1 - Q3</b>	<b>Q1 - Q3</b>
		<b>2021</b>	<b>2020</b>
	Staff costs		
	Salaries	-132	-115
	Pension costs	-12	-11
	Social security costs	-21	-19
	<b>Total</b>	<b>-166</b>	<b>-144</b>
	Other administrative expenses		
	IT expenses	-32	-38
	Audit, financial supervision and industry association	-5	-4
	Other expenses	-26	-27
	<b>Total</b>	<b>-63</b>	<b>-69</b>
	<b>Total staff costs and administrative expenses</b>	<b>-229</b>	<b>-213</b>

<b>Note</b>		<b>Q1 - Q3</b>	<b>Q1 - Q3</b>
<b>5</b>	<b>Remuneration for members of the Executive Board</b>	<b>2021</b>	<b>2020</b>
	Fixed remuneration	6.3	6.0
	Variable remuneration	0.0	0.0
	<b>Total</b>	<b>6.3</b>	<b>6.0</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 - Q3</b>	<b>Q1 - Q3</b>
		<b>2021</b>	<b>2020</b>
	Losses in the period	-7	-10
	Amounts received on claims previously written off	2	2
	Adjustment of acquired properties	3	-2
	Impairment losses in the period	-113	-226
	Reversal of impairment losses	188	173
	Losses offset against commission payments to banks	4	5
	<b>Total</b>	<b>78</b>	<b>-58</b>

## Assets

(DKKm)

Note		30-sep 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	281	431
	<b>Total amount due from credit institutions and central banks</b>	<b>281</b>	<b>1,731</b>

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

		30-sep 2021	31-dec 2020
<b>8</b>	<b>Loans, advances and other receivables at fair value</b>		
	Mortgage loans, nominal value	172,853	164,286
	Adjustment to fair value of underlying bonds	-1,174	2,902
	Adjustment for credit risk	-409	-481
	<b>Mortgage loans at fair value</b>	<b>171,270</b>	<b>166,707</b>
	Arrears before impairment losses	64	71
	Other loans and outlays before impairment losses	2	3
	Impairment losses on arrears and outlays	-4	-7
	<b>Total</b>	<b>171,332</b>	<b>166,775</b>

		30-sep 2021	31-dec 2020
<b>9</b>	<b>Loans, advances and other receivables at amortised cost</b>		
	Loans and advances	12	15
	Adjustment for credit risk	-2	-3
	<b>Total</b>	<b>10</b>	<b>12</b>



<b>Note</b>		<b>30-sep</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	5.0%	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	20.1%	18.8%
	Properties for manufacturing and manual industries	1.2%	1.3%
	Office and business properties	17.8%	17.6%
	Agricultural properties	53.3%	55.0%
	Properties for social, cultural and educational purposes	0.2%	0.2%
	Other properties	0.0%	0.0%
	<b>Total, %</b>	<b>100.0%</b>	<b>100.0%</b>
<b>11</b>	<b>Number of loans - end of period</b>	<b>30-sep</b>	<b>31-dec</b>
		<b>2021</b>	<b>2020</b>
		<b>70,010</b>	<b>67,254</b>

## 12 Impairment losses by stage

Impairment of loans and advances at fair value and amortised cost *	30-sep 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	6	35	1	42
Loans and advances in stage 2 at beginning of year	3	56	57	116
Loans and advances in stage 3 at beginning of year	0	4	80	84
New loans and advances	8	17	2	27
Management estimate	127	18	1	146
Total	145	130	140	415

  

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-sep 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-sep	31-dec
	2021	2020
Own mortgage bonds	23,578	19,296
Other mortgage bonds	7,315	11,505
Government bonds	603	502
<b>Bonds - gross</b>	<b>31,495</b>	<b>31,302</b>
Own mortgage bonds offset against issued bonds	-23,578	-19,296
<b>Total</b>	<b>7,917</b>	<b>12,007</b>

<b>Note</b>		<b>30-sep</b>	<b>31-dec</b>
<b>15</b>	<b>Land and buildings - domicile properties</b>	<b>2021</b>	<b>2020</b>
	<b>Fair value, beginning of year</b>	<b>136.2</b>	<b>119.6</b>
	Additions during the year	0.0	0.0
	Depreciation	-0.5	-0.4
	Value changes recognised in other comprehensive income	0.0	17.0
	<b>Fair value, end of year</b>	<b>135.7</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>16</b>	<b>Other assets</b>	<b>30-sep</b>	<b>31-dec</b>
		<b>2021</b>	<b>2020</b>
	Positive market value of derivative financial instruments etc.	14	1
	Interest and commission receivable	27	60
	Other receivables	331	233
	<b>Total</b>	<b>372</b>	<b>293</b>



Note 20	Off-balance sheet items - guarantees etc.	30-sep 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)	14,536	9,490
	<b>Total</b>	<b>14,536</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 21.8 million (Q3 2021).

## Key figures and financial ratios

(DKKm)

Note					
22	Key figures - Q1 - Q3	2021	2020	2019	2018
	<b>Income statement</b>				
	Net interest and fee income	1,074	1,080	1,067	1,046
	Other operating income etc.	16	18	19	20
	Staff costs and administrative expenses etc.	-244	-226	-207	-213
	<b>Earnings</b>	<b>846</b>	<b>872</b>	<b>878</b>	<b>854</b>
	Impairment of loans, advances and re- ceivables	78	-58	33	-7
	Market value adjustments	-76	-100	-69	-148
	<b>Profit before tax</b>	<b>848</b>	<b>714</b>	<b>842</b>	<b>699</b>
	<b>Profit after tax</b>	<b>662</b>	<b>556</b>	<b>657</b>	<b>545</b>
	<b>Balance sheet – Q3</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>Assets</b>				
	Loans and advances	171,342	163,785	155,256	146,505
	Bonds, shares, etc.	7,958	11,180	9,448	9,039
	Other assets	3,513	3,139	9,319	3,358
	<b>Total assets</b>	<b>182,812</b>	<b>178,104</b>	<b>174,023</b>	<b>158,902</b>
	<b>Equity and liabilities</b>				
	Issued bonds	165,051	161,575	158,005	144,079
	Other liabilities	1,617	1,252	1,522	1,385
	Subordinated debt	1,300	1,300	650	650
	Equity	14,844	13,977	13,847	12,789
	<b>Total equity and liabilities</b>	<b>182,812</b>	<b>178,104</b>	<b>174,023</b>	<b>158,902</b>

Note		2021	2020	2019	2018	2017
<b>23</b>	<b>Financial ratios - Q1 - Q3</b>					
<b>Return on equity</b>						
	Profit before tax in per cent of equity *)	5.8	5.2	6.3	5.5	7.3
	Profit after tax in per cent of equity *)	4.6	4.1	4.9	4.3	5.7
<b>Return on capital employed</b>						
	Return on capital employed *)	0.36	0.31	0.38	0.30	0.40
<b>Costs</b>						
	Costs in per cent of loan portfolio	0.14	0.14	0.14	0.10	0.10
	Income/cost ratio *)	6.1	3.5	5.8	4.2	12.2
	Income/cost ratio, excl. impairment losses	4.2	4.4	4.9	4.3	5.0
<b>Solvency</b>						
	Total capital ratio*	18.1	17.2	15.6	16.4	14.8
	Tier 1 capital ratio*	16.5	15.6	14.8	15.5	13.9
	Common equity tier 1 capital ratio	16.5	15.6	14.8	15.5	13.9
<b>Arrears and impairment losses</b>						
	Arrears, end of period (DKKm)	64	79	110	137	124
	Impairment ratio for the period *)	-0.05	0.04	-0.02	0.00	-0.08
	Accumulated impairment ratio	0.24	0.30	0.31	0.36	0.35
<b>Lending activity</b>						
	Growth in loan portfolio, per cent (nominal) *	5.2	4.5	3.9	2.5	1.5
	New loans, gross (DKKm)	27,608	27,306	30,908	19,612	22,023
	Number of new loans	8,493	8,409	9,137	6,055	6,432
	Loan/equity ratio *	11.5	11.7	11.2	11.5	11.6
<b>Margins</b>						
	Percentage of average loan portfolio (nominal):					
	Profit before tax	0.50	0.45	0.56	0.49	0.65
	Administration margin income	0.80	0.82	0.81	0.82	0.81
<b>Percentage of tier 1 capital after deductions</b>						
	Foreign exchange position as a percentage of tier 1 capital after deductions	1.3	1.8	3.0	4.2	9.3

\*) 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" Q1-Q3

	Core earnings 2021	Portfolio earnings 2021	Total 2021
Interest income	2,344	39	2,383
Interest expenses	-942		-942
<b>Net interest income</b>	<b>1,402</b>	<b>39</b>	<b>1,441</b>
Share dividends etc.	0		0
Fees and commission received	185		185
Fees and commission paid	-553		-553
<b>Net interest and fee income</b>	<b>1,035</b>	<b>39</b>	<b>1,074</b>
Market value adjustments	0	-76	-76
Other operating income	16		16
Staff costs and administrative expenses	-229		-229
Depreciation and impairment of property, plant and equipment	-2		-2
Other operating expenses	-13		-13
Impairment of loans, advances, receivables, etc.	78		78
<b>Profit before tax</b>	<b>885</b>	<b>-37</b>	<b>848</b>
Tax	-194	8	-186
<b>Profit after tax</b>	<b>691</b>	<b>-29</b>	<b>662</b>

## Note

25	Supervisory diamond for mortgage credit institutions	End of Q3 2021	End of Q2 2021	Threshold
<b>1. Lending growth</b>				
	Private homeowners	14.0	14.0	<15%
	Residential rental property	16.6	19.2	<15%
	Agriculture	2.8	2.4	<15%
	Other business lending	7.5	10.1	<15%
<b>2. Borrower interest-rate risk</b>				
		15.7	14.7	<25%
<b>3. Interest-only lending to private home owners</b>				
		1.8	1.7	<10%
<b>4. Loans with short-term funding (quarterly)</b>				
	Q4 2020	2.5		<12,5%
	Q1 2021	0.1		<12,5%
	Q2 2021	7.3		<12,5%
	Q3 2021	3.3		<12,5%
	<b>Loans with short-term funding annually</b>	<b>12.9</b>	<b>12.3</b>	<b>&lt;25%</b>
<b>5. Large exposures</b>				
		29.8	28.6	< 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 Q3 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 September 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 September 2021, and of the results of the Company's activities for the reporting period 1 January – 30 September 2021. The financial statements have neither been audited nor reviewed by the Company's auditors.

Copenhagen, 28 October 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

Lars Petersson

# dlr·kredit

© 2020 DLR Kredit A/S

Nyropsgade 21 · 1780 Copenhagen V, Denmark

Tel. +45 70 10 00 90

[www.dlr.dk](http://www.dlr.dk) · [dlr@dlr.dk](mailto:dlr@dlr.dk)

Company reg. (CVR) no. 25781309