

# Interim report Q1 2022



dlr.kredit

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## DLR at a glance

DLR is a Danish mortgage credit institution owned primarily by a large number 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 lending activities were extended 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. However, 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	Q1	Ratio	Q4	Q3	Q2	Q1
	2022	2021	22/21	2021	2021	2021	2021
Administration fee income	467	444	105	461	457	451	444
Other core income, net	43	42	101	47	37	36	42
Interest expenses subordinated debt	-8	-8	100	-8	-8	-8	-8
Interest expenses senior debt	-7	-8	81	-6	-8	-8	-8
Fee and commission income, net	-137	-127	108	-134	-124	-116	-127
<b>Core income (mortgage credit income)</b>	<b>358</b>	<b>343</b>	<b>104</b>	<b>359</b>	<b>354</b>	<b>354</b>	<b>343</b>
Staff costs and administrative expenses, etc.	-84	-77	108	-94	-73	-80	-77
Other operating expenses	-5	-5	100	-4	-4	-4	-5
<b>Results from core activities</b>	<b>270</b>	<b>261</b>	<b>103</b>	<b>260</b>	<b>276</b>	<b>270</b>	<b>261</b>
Provision for loan and receivable impairment, etc.	-8	30		31	4	44	30
Portfolio earnings (securities)	-66	-33		0	-7	3	-33
<b>Profit before tax</b>	<b>197</b>	<b>258</b>	<b>76</b>	<b>291</b>	<b>274</b>	<b>316</b>	<b>258</b>
<b>Profit after tax</b>	<b>153</b>	<b>201</b>	<b>76</b>	<b>226</b>	<b>214</b>	<b>247</b>	<b>201</b>

  

Balance Sheet at 31 March	Q1	Q1	Ratio	Q4	Q3	Q2	Q1
	2022	2021	22/21	2021	2021	2021	2021
<b>Assets</b>							
Loans and advances	171,699	168,332	102	175,213	171,342	170,712	168,332
Bonds and shares	6,754	11,227		6,424	7,958	8,825	11,227
Other assets	2,612	2,466		2,234	3,513	2,987	2,466
<b>Total assets</b>	<b>181,065</b>	<b>182,024</b>	<b>99</b>	<b>183,871</b>	<b>182,812</b>	<b>182,524</b>	<b>182,024</b>
<b>Liabilities and equity</b>							
Issued bonds	162,802	164,847	99	166,201	165,051	165,316	164,847
Other debt and payables	1,739	1,494		1,299	1,617	1,278	1,494
Subordinated debt	1,300	1,300	100	1,300	1,300	1,300	1,300
Equity	15,224	14,384	106	15,071	14,844	14,631	14,384
<b>Total liabilities and equity</b>	<b>181,065</b>	<b>182,024</b>	<b>99</b>	<b>183,871</b>	<b>182,812</b>	<b>182,524</b>	<b>182,024</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.

Totals in the financial statements have been calculated on the basis of actual amounts. A recalculation of total amounts may in certain cases result in a rounding difference, which reflects that the underlying decimals are not stated in the financial statements.

<b>Financial ratios*</b>	<b>Q1 2022</b>	<b>Q1 2021</b>	<b>Q4 2021</b>	<b>Q3 2021</b>	<b>Q2 2021</b>	<b>Q1 2021</b>
<b>Return on equity (ROE)</b>						
Profit before tax in pc of equity*	1.3%	1.8%	1.9%	1.9%	2.2%	1.8%
Profit after tax in pc of equity*	1.0%	1.4%	1.5%	1.4%	1.7%	1.4%
<b>Solvency</b>						
Capital ratio	20.4%	18.5%	18.6%	18.1%	18.0%	18.5%
<b>Lending Activity</b>						
Growth in loan portfolio, pc (nominal)	1.0%	2.1%	2.0%	1.1%	2.0%	2.1%
New loans, gross (DKKm)	10,546	9,790	9,000	9,294	8,524	9,790

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

# Q1 2022 - Highlights

- Core income amounted to DKK 358m in Q1 2022, an increase of DKK 15m relative to the same period last year.
- The pre-tax profit was DKK 197m, down by DKK 61m relative the year-earlier period.
- The profit was impacted by negative portfolio earnings of DKK 66 m.
- Lending activities in Q1 2022 were at a satisfactory level, with gross lending amounting to DKK 10.5bn and net lending DKK 1.8bn (nominal value).
- For 2022, DLR expects core earnings before impairment in the order of DKK 1,000 – 1,050m and a pre-tax profit of around DKK 975 – 1,025m.

## CEO statement

Statement by CEO Jens Kr. A. Møller on the release of the interim report for the first quarter of 2022:

“DLR’s pre-tax profit of DKK 197m for Q1 2022 is generally satisfactory, although the profit was lower than expected due to developments in the bond market.

In 2021, DLR recorded satisfactory developments with respect to earnings and lending activity as well as customer credit quality. These developments continued in Q1 2022 amid the post-pandemic re-opening of society and despite the effects of the war in Ukraine.

DLR’s core earnings before impairment and portfolio earnings were thus DKK 270m in Q1 2022, which is an increase of a little over 3% compared with the same period of last year. The positive performance was mainly attributable to growing income as a result of strong lending activity, both with respect to new loans and remortgaging of existing loans.

We thus recorded decent growth rates both in gross and net lending in Q1. Gross lending was DKK 10.5bn, while net lending amounted to DKK 1.8bn. The loan portfolio increase reflects growth both in agricultural loans and in 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, which is highly satisfactory.

The favourable economic conditions for non-agricultural exposures and large parts of the agricultural sector that characterised 2021 have continued into Q1 2022. In fact, DLR recorded only modest losses and lower impairment charges based on both individual and model assessments of the credit quality of our loan portfolio. We have taken account of some degree of risk for a deterioration of borrower finances due to continuing COVID-19 effects and persistently unsatisfactory terms of trade for pig farmers.

Although society has fully re-opened after the COVID-19 pandemic, much economic uncertainty still attaches to specific parts of business customer lending. Moreover, rising interest rates and higher raw materials and energy prices may increase the risk of loss for both the agricultural sector and parts of the non-agricultural segment. DLR has therefore made a management estimate of DKK 140m in addition to the impairment charges relating to these factors.

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

In Q1, the Danish agricultural sector experienced large price fluctuations for feed, fertiliser and energy and also in selling prices, with particularly pig farmers experiencing impaired terms of trade. Generally, current developments in food prices are expected to lead to improved earnings in the agricultural sector despite increasing production costs. We also expect the terms of trade for pig farmers to normalise in step with supply side adjustments.

The major agricultural production areas generally experienced decent earnings in 2021, and this trend is expected to continue in 2022 driven, among other things, by generally rising commodity prices following the post-COVID-19 re-opening of society.

In the non-agricultural sector, demand remains strong for most types of property. However, we have experienced some restraint with respect to starting up new construction, which is assumed to be driven by rising wage and materials prices and supply chain disruption for certain types of materials.

In 2022, DLR will continue to play a key role in the sustainable transition of both the non-agricultural sector and the agricultural sector. This transition has become even more pertinent given the rising energy prices and the goal of reducing demand for natural gas. DLR therefore expects that green loans, in the slightly longer term, will account for a substantial proportion of new lending."

Jens Kr. A. Møller

Managing Director & CEO



# Comments on the results for Q1 2022

## 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 2022 is set out below.

<b>Profit and Loss Account, DKKm</b>	<b>Q1 2022</b>	<b>Q1 2021</b>
Administration fee income	467	444
Other core income, net	43	42
Interest expenses subordinated debt	-8	-8
Interest expenses senior debt	-7	-8
Fee and commission income, net	-137	-127
<b>Core income (mortgage credit income)</b>	<b>358</b>	<b>343</b>
Staff costs and pensions expenses	-59	-57
Administrative expenses	-24	-20
Other operating expenses	-5	-5
<b>Results from core activities</b>	<b>270</b>	<b>261</b>
Provision for loan and receivable impairment, etc.	-8	30
Portfolio earnings (securities)	-66	-33
<b>Profit before tax</b>	<b>197</b>	<b>258</b>
Tax	-43	-57
<b>Profit after tax</b>	<b>153</b>	<b>201</b>

## Core earnings

Administration margin income amounted to DKK 467m, up DKK 23m on 2021. 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 43m in Q1 2022, which was on a par with Q1 2021.

Interest expenses on subordinated debt amounted to DKK 8m, which is unchanged compared with the same period of 2021.

Interest expenses for senior loans amounted to DKK 7m, which is DKK 1m lower than in the year-earlier period. The decline was due to lower average issuance of senior loans in Q1 2022 compared with the same period of 2021.

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 137m compared to an expense of DKK 127m in the same period of 2021. 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 rising loan portfolio.

Core income subsequently amounted to DKK 358m, an increase of DKK 15m relative to the same period last year.

Staff costs and administrative expenses, etc. amounted to DKK 83m, which is DKK 6m more than in Q1 2021. The higher costs partly reflect a small increase in the number of employees, to which 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 5m.

Losses and impairment on loans and receivables amounted to an expense of DKK 8m, against an income of DKK 30m in the same period of 2021. The expense is composed of the following components:

- Expenses in the form of higher net impairment charges of DKK 3m
- Expenses of DKK 6m from net losses on loans during the period
- Income in the form of positive adjustments of properties taken over and recovered debts previously written off in the amount of DKK 1m

#### **Portfolio earnings**

Q1 portfolio earnings were negative and strongly affected by the plummeting prices on mortgage bonds with slightly longer maturities. This resulted in an expense of DKK 66m, against an expense of DKK 33m in Q1 2021.

**Profit and allocation of comprehensive income**

The profit before tax was DKK 197m, against DKK 258m in the year-earlier period.

Net profit for the period was DKK 153m, which has been transferred to DLR's equity.

**Balance sheet**

Mortgage lending at fair value amounted to DKK 171.7bn at the end of Q1 2022, which was a decrease of DKK 3.5bn relative to the end of Q1 2021. The decline was mainly composed of the following opposing factors in Q1 2022:

- The nominal outstanding bond debt on DLR's mortgage loans rose by DKK 1.8bn
- Falling prices on the bonds underlying the mortgage loans, of DKK 5.3bn

Bond holdings amounted to DKK 23.6bn, which is lower than at end-2021. Of this amount, the portfolio of DLR bonds amounted to DKK 16.9bn, which is netted in "Issued bonds at fair value", while DKK 6.7bn was attributable to positions in government securities and other mortgage bonds.

In addition to the bond holding of DKK 23.6bn, DLR held other securities for DKK 2.2bn; hence, the total securities holding amounted to DKK 25.8bn (gross) at the end of Q1 2022.

Of the total securities amount, temporary liquidity in connection with mortgage lending activity comprised DKK 3.2bn, so the investment holding was therefore DKK 22.6bn.

DLR's total assets stood at DKK 181.1bn at the end of Q1 2022.

# Capital and solvency

DLR's capital and solvency figures at the end of Q1 2022 are shown in the table below.

Capital and solvency	(DKKm)	
	31-Mar 2022	31-Dec 2021
Equity	15,224	15,071
Profit etc. not recognised in tier 1 capital	-153	0
Deductions as a consequence of prudent valuation	-23	-22
Deductions as a consequence of non-performing exposures	-2	-4
Difference between expected losses and impairment losses	-463	-457
<b>Common equity tier 1 capital</b>	<b>14,583</b>	<b>14,587</b>
Subordinated capital (tier 2 capital)	1,300	1,300
<b>Own funds</b>	<b>15,883</b>	<b>15,887</b>
Risk-weighted exposure with credit risk etc.	73,990	80,871
Risk-weighted exposure with market risk	1,462	1,930
Risk-weighted exposure with operational risk	2,448	2,448
<b>Total risk-weighted exposure</b>	<b>77,900</b>	<b>85,249</b>
<b>Common equity tier 1 capital ratio</b>	<b>18.7%</b>	<b>17.1%</b>
<b>Total capital ratio</b>	<b>20.4%</b>	<b>18.6%</b>

Own funds at 31 March 2022 amounted to DKK 15.9bn, which is unchanged from 31 December 2021, as the profit for Q1 2022 is not recognised in own funds.

## Weighted risk exposure

Weighted risk exposure amounted to DKK 77.9bn at 31 March 2022, which is DKK 7.3bn lower than at year-end 2021.

Weighted exposures with credit risk fell by DKK 6.9bn in Q1 2022, primarily because of the following factors:

- Falling bond prices and a resulting decline in the carrying amount of mortgage loans (loan exposure).

- For the calculation of the exposure to irrevocable credit commitments and loan offers, DLR has so far, in the main, risk-weighted these by 100 pct. From Q1 2022 the risk weighting is made on the basis of property category and counterparty, taking into account the property of payment.
- Changed weighting of loans for wind turbines in accordance with the CRR.

Risk-weighted exposure with market risk declined by DKK 0.5bn, which is due to a lower duration on the bond portfolio.

### Capital ratios

DLR's total capital ratio was 20.4% at 31 March 2022, against 18.6% at year-end 2021.

The common equity tier 1 capital ratio was 18.7%, against 17.1% at year-end 2021.

If the profit for Q1 2022 had been recognised, the total capital ratio would have been 20.6%, and the common equity tier 1 capital ratio 18.9%.

## 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 report on Risk and Capital Management for 2021, which is available on <https://dlr.dk/investor/regnskaber-rapporter/>.

### **Arrears and forced sales**

At 31 March 2022, outstanding mortgage payments amounted to DKK 62m, against DKK 61m at year-end 2021. Of the amount in arrears, the bulk stems from mortgage payments that are less than 3½ months overdue.



DLR recorded a loss on four properties in Q1 2022, against ten in the same period of 2021.

DLR had no repossessed properties at 31 March 2022.

## Outlook for 2022

In its Annual Report 2021, DLR guided for core earnings before impairment in the order of DKK 1,050 – 1,100m and a pre-tax profit of around DKK 975 – 1,025m for the full-year 2022.

The above guidance is unchanged at the end of Q1 2022.

## 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 2021.

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 2021 and DLR's Risk and Capital Management Report, etc. can be downloaded.

You will also find further information here on DLR's cover pools and ratings.

## Contacts

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# Financial statements Q1 2022

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

Note		Q1 2022	Q1 2021
1	Interest income	788	791
2	Interest expenses	-292	-312
	<b>Net interest income</b>	<b>496</b>	<b>479</b>
	Share dividends etc.	0	0
	Fees and commission income	59	54
	Fees and commission paid	-196	-181
	<b>Net interest and fee income</b>	<b>359</b>	<b>352</b>
3	Market value adjustments	-71	-48
	Other operating income	4	6
4-5	Staff costs and administrative expenses	-83	-77
	Depreciation and impairment of property, plant and equipment	-1	-1
	Other operating expenses	-5	-5
6	Impairment of loans, advances, receivables, etc.	-8	30
	<b>Profit before tax</b>	<b>197</b>	<b>257</b>
	Tax	-43	-57
	<b>Profit after tax</b>	<b>153</b>	<b>201</b>
	<b>Comprehensive income</b>		
	Profit for the year	153	201
	Property revaluations	0	0
	Tax on property revaluations	0	0
	<b>Other comprehensive income after tax</b>	<b>153</b>	<b>201</b>
	Attributable to shareholders of DLR Kredit A/S	153	201

## Balance sheet

(DKKm)

Note		31-Mar 2022	31-Dec 2021
	<b>Assets</b>		
	Cash balance and demand deposits with central banks	1,888	1,581
7	Due from credit institutions and central banks	286	330
8	Loans, advances and other receivables at fair value	171,689	175,203
9	Loans, advances and other receivables at amortised cost	10	10
14	Bonds at fair value	6,709	6,380
	Shares etc.	45	45
15	Land and buildings, domicile properties	136	136
	Other property, plant and equipment	6	6
	Leasing assets	0	0
	Current tax assets	198	25
	Assets held temporarily	0	0
16	Other assets	67	130
	Prepayments	33	26
	<b>Total assets</b>	<b>181,065</b>	<b>183,871</b>
	<b>Equity and liabilities</b>		
17	Issued bonds at fair value	157,804	161,203
18	Issued bonds at amortised cost	4,998	4,998
19	Other liabilities	1,714	1,279
	Deferred income	6	1
	<b>Total liabilities</b>	<b>164,521</b>	<b>167,481</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.	12,241	12,088
	<b>Total equity</b>	<b>15,224</b>	<b>15,071</b>
	<b>Total equity and liabilities</b>	<b>181,065</b>	<b>183,871</b>
20	<b>Off-balance sheet items</b>		
	Guarantees	0	0
	Contingent liabilities (loan offers, other contingent liabilities, etc.)	13,241	13,823
21	<b>Contingent assets</b>		
	Other contingent assets	12	16



## Statement of changes in equity

(DKKm)

	Share capital 1)	Revaluation reserve	Undistributable reserve	Retained earnings	Total
<b>2021</b>					
Equity at 1 January	570	75	2,338	11,200	14,183
Profit for the year	0	0	0	888	888
Disposal of treasury shares	0	0	0	0	0
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>12,088</b>	<b>15,071</b>
<b>2022 (Q1)</b>					
Equity at 1 January	570	75	2,338	12,088	15,071
Profit for the year	0	0	0	153	153
Disposal of treasury shares	0	0	0	0	0
Acquisition of treasury shares	0	0	0	0	0
<b>Equity at 31 March</b>	<b>570</b>	<b>75</b>	<b>2,338</b>	<b>12,241</b>	<b>15,224</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. DLR held 46,122,083 (2021: 46,122,083), corresponding to a nominal value of DKK 46.1m (2021: DKK 46.1m). The portfolio of treasury shares accounts for 8.1% (2021: 8.1%) of the total share capital.

## Capital and solvency

(DKKm)

Note	31-Mar 2022	31-Dec 2021
Equity	15,224	15,071
Profit etc. not recognised in tier 1 capital	-153	0
Deductions as a consequence of prudent valuation	-23	-22
Deductions as a consequence of intangible assets	0	0
Deductions as a consequence of non-performing exposures	-2	-4
Difference between expected losses and impairment losses	-463	-457
<b>Common equity tier 1 capital</b>	<b>14,583</b>	<b>14,587</b>
Subordinated capital (tier 2 capital)	1,300	1,300
Deductions from tier 2 capital	0	0
<b>Own funds</b>	<b>15,883</b>	<b>15,887</b>
Risk-weighted exposure with credit risk etc.	73,990	80,871
Risk-weighted exposure with market risk	1,462	1,930
Risk-weighted exposure with operational risk	2,448	2,448
<b>Total risk-weighted exposure</b>	<b>77,900</b>	<b>85,249</b>
<b>Common equity tier 1 capital ratio</b>	<b>18.7%</b>	<b>17.1%</b>
<b>Total capital ratio</b>	<b>20.4%</b>	<b>18.6%</b>
	<b>31-Mar</b>	<b>31-Dec</b>
<b>Statement of excess capital adequacy</b>	<b>2022</b>	<b>2021</b>
Own funds after deductions	15,883	15,887
Capital adequacy	-7,131	-7,799
SIFI buffer	-779	-852
Capital conservation buffer	-1,947	-2,131
Countercyclical buffer	0	0
Systemic buffer Faroe Islands	-12	-11
Reserved debt buffer	-615	0
<b>Excess capital adequacy</b>	<b>5,398</b>	<b>5,094</b>

# Notes

## **Noter - Income statement**

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## Income statement

(DKKm)

Note		Q1	Q1
1	Interest income	2022	2021
	Due from credit institutions and central banks	0	0
	Positive interest loans and advances *	244	285
	Contributions	467	444
	Bonds	8	16
	Issued bonds at fair value **	36	15
	Other interest income	37	35
	<b>Total</b>	<b>793</b>	<b>795</b>
	Interest on own mortgage bonds offset against interest on issued bonds	-4	-4
	<b>Total</b>	<b>788</b>	<b>791</b>
	Of which interest income from reverse repo transactions	0	0

\* Interest on positive interest rate loans and advances is included in interest income (note 1), while interest on negative interest rate loans and advances is included in interest expenses (note 2).

\*\* Interest on positive interest rate issued bonds is included in interest expenses (note 2), while interest on negative interest rate issued bonds is included in interest income (note 1).

		Q1	Q1
2	Interest expenses	2022	2021
	Credit institutions and central banks *	0	0
	Issued bonds at fair value **	-245	-284
	Issued bonds at amortised cost	-7	-8
	Subordinated capital injections	-8	-8
	Negative interest loans and advances***	-36	-15
	Other interest expenses	0	0
	<b>Total</b>	<b>-297</b>	<b>-316</b>
	Interest on own mortgage bonds offset against interest on issued bonds	4	4
	<b>Total</b>	<b>-292</b>	<b>-312</b>
	Of which interest expenses on repo transactions	0	0

The DLR has not paid out reserve fund shares on redeemed mortgages

\* Interest expense on credit institutions and central banks relates to negative returns on the asset item "Loans and advances to credit institutions and central banks"

\*\* Interest on issued bonds remunerated at a positive interest rate is included under interest expense (Note 2), while interest is included under interest income (Note 1) if they are remunerated at a negative interest rate.

\*\*\* Interest on loans remunerated at a positive interest rate is included under interest income (Note 1), while interest is included under interest expense (Note 2) if they are remunerated at an interest rate that is negative.

Note		Q1	Q1
<b>3</b>	<b>Market value adjustments</b>	<b>2022</b>	<b>2021</b>
	Mortgage loans	-5,280	-1,974
	Bonds	-70	-47
	Shares etc.	0	0
	Foreign currency	0	0
	Derivative financial instruments	-1	-1
	Other assets	0	0
	Issued bonds	5,280	1,974
	<b>Total</b>	<b>-71</b>	<b>-48</b>
<b>4</b>	<b>Staff costs and administrative expenses</b>	<b>2022</b>	<b>2021</b>
	Staff costs		
	Salaries	-48	-46
	Pension costs	-4	-4
	Social security costs	-8	-7
	<b>Total</b>	<b>-59</b>	<b>-57</b>
	Other administrative expenses		
	IT expenses	-8	-7
	Audit, financial supervision and industry association	-2	-2
	Other expenses	-13	-11
	<b>Total</b>	<b>-24</b>	<b>-20</b>
	<b>Total staff costs and administrative expenses</b>	<b>-83</b>	<b>-77</b>
<b>Note</b>		<b>Q1</b>	<b>Q1</b>
<b>5</b>	<b>Remuneration for members of the Executive Board</b>	<b>2022</b>	<b>2021</b>
	Fixed remuneration	2.1	2.1
	Variable remuneration	0.0	0.0
	<b>Total</b>	<b>2.1</b>	<b>2.1</b>
	Number of members of the executive management	2	2
<b>6</b>	<b>Impairment of loans, advances, receivables, etc.</b>	<b>2022</b>	<b>2021</b>
	Losses in the period	-6	-4
	Amounts received on claims previously written off	1	0
	Impairment losses in the period	113	-34
	Reversal of impairment losses	-110	66
	Losses offset against commission payments to banks	0	3
	<b>Total</b>	<b>-8</b>	<b>30</b>



## Assets

(DKKm)

Note		31-Mar 2022	31-Dec 2021
<b>7</b>	<b>Due from credit institutions and central banks</b>		
	Due from central banks	0	0
	Due from credit institutions	286	330
	<b>Total amount due from credit institutions and central banks</b>	<b>286</b>	<b>330</b>

DLR did not enter into any reverse repo transactions in 2022 or 2021.

<b>8</b>	<b>Loans, advances and other receivables at fair value</b>	31-Mar 2022	31-Dec 2021
	Mortgage loans, nominal value	177,836	176,065
	Adjustment to fair value of underlying bonds	-5,821	-541
	Adjustment for credit risk	-381	-379
	<b>Mortgage loans at fair value</b>	<b>171,634</b>	<b>175,145</b>
	Arrears before impairment losses	62	61
	Other loans and outlays before impairment losses	-1	2
	Impairment losses on arrears and outlays	-5	-5
	<b>Total</b>	<b>171,689</b>	<b>175,203</b>

<b>9</b>	<b>Loans, advances and other receivables at amortised cost</b>	31-Mar 2022	31-Dec 2021
	Loans and advances	11	11
	Adjustment for credit risk	-1	-1
	<b>Total</b>	<b>10</b>	<b>10</b>

<b>10</b>	<b>Mortgage loans (nominal value) by property category</b>	<b>31-Mar 2022</b>	<b>31-Dec 2021</b>
	Owner-occupied dwellings	5.1%	5.1%
	Recreational dwellings	0.3%	0.3%
	Subsidised rental housing properties	0.1%	0.1%
	Co-operative housing	2.1%	2.1%
	Private rental housing properties	20.4%	20.5%
	Properties for manufacturing and manual industries	1.1%	1.1%
	Office and business properties	18.0%	17.9%
	Agricultural properties	52.5%	52.7%
	Properties for social, cultural and educational purposes	0.3%	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>31-Mar 2022</b>	<b>31-Dec 2021</b>
		<b>71,855</b>	<b>70,998</b>

## 12 Impairment losses by stage

Impairment of loans and advances at fair value and amortised cost *	31-Mar 2022			
	Stage 1	Stage 2	Stage 3	Total
Specification of impairment losses at the end of March:				
Loans and advances in stage 1 at beginning of year	12	24	0	36
Loans and advances in stage 2 at beginning of year	1	73	33	107
Loans and advances in stage 3 at beginning of year	0	3	65	68
New loans and advances	4	1	1	5
Management estimate	148	23	1	172
<b>Total</b>	<b>164</b>	<b>124</b>	<b>99</b>	<b>388</b>

DLR's total impairment losses at the end of Q1 consisted of individual write-downs of DKK 82.2m DKK, model-calculated impairment losses of 133.5m and a management estimate of DKK 172.0m. In Accounting policies, the methods that form the basis for calculating the impairment losses are explained in more detail.

Impairment of loans and advances at fair value and amortised cost *	31-Dec 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	30	1	37
Loans and advances in stage 2 at beginning of year	3	51	40	94
Loans and advances in stage 3 at beginning of year	0	6	99	105
New loans and advances	8	28	1	37
Management estimate	98	14	1	112
<b>Total</b>	<b>115</b>	<b>129</b>	<b>141</b>	<b>385</b>

DLR's total impairment losses at the end of 2021 consisted of individual write-downs of DKK 127.7m DKK, model-calculated impairment losses of 145.4m and a management estimate of DKK 112.0m. In Accounting policies, the methods that form the basis for calculating the impairment losses are explained in more detail.

\* No loans, advances or other receivables which were credit-impaired on initial recognition were recognised in 2021 or 2022. 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**

	<b>31. marts 2022</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
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

	<b>31. dec. 2021</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Impairment of cash and demand deposits with central banks	0	0	0	0
Impairment of receivables with credit institutions and central banks	0	0	0	0

No other financial assets which were credit-impaired on initial recognition were recognised in 2020 or 2021.

	<b>31-Mar 2022</b>	<b>31-Dec 2021</b>
<b>14 Bonds at fair value</b>		
Own mortgage bonds	16,881	20,328
Other mortgage bonds	6,108	5,777
Government bonds	601	602
<b>Bonds - gross</b>	<b>23,590</b>	<b>26,707</b>
Own mortgage bonds offset against issued bonds	-16,881	-20,328
<b>Total</b>	<b>6,709</b>	<b>6,380</b>

<b>15</b>	<b>Land and buildings - domicile properties</b>	<b>31-Mar 2022</b>	<b>31-Dec 2021</b>
	<b>Fair value, beginning of year</b>	<b>135.8</b>	<b>136.2</b>
	Additions during the year	0.0	0.0
	Depreciation	-0.1	-0.4
	Value changes recognised in other comprehensive income	0.0	0.0
	<b>Fair value, end of year</b>	<b>135.6</b>	<b>135.8</b>

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

<b>Note 16</b>	<b>Other assets</b>	<b>31-Mar 2022</b>	<b>31-Dec 2021</b>
	Positive market value of derivative financial instruments etc.	0	0
	Interest and commission receivable	18	17
	Other receivables	49	113
	<b>Total</b>	<b>67</b>	<b>130</b>

## Equity and liabilities

(DKKm)

Note		31-Mar 2022	31-Dec 2021
<b>17</b>	<b>Issued bonds at fair value</b>		
	Mortgage bonds - nominal value	180,507	182,022
	Fair value adjustment	-5,821	-492
	<b>Issued bonds - gross</b>	<b>174,685</b>	<b>181,531</b>
	Offsetting of own mortgage bonds - fair value	-16,881	-20,328
	<b>Total</b>	<b>157,804</b>	<b>161,203</b>
	Of which pre-issued, market value	0	3,020
	Cash value of bonds drawn for redemption at next repayment date (settlement price)	1,317	1,347
<b>18</b>	<b>Issued bonds at amortised cost</b>		
	Issues in connection with senior debt	4,998	4,998
	Offsetting of own bonds	0	0
	<b>Total</b>	<b>4,998</b>	<b>4,998</b>
<b>19</b>	<b>Other liabilities</b>		
	Negative market value of derivative financial instruments etc.	1	1
	Interest and commission payable	1,311	1,049
	Other liabilities	401	229
	<b>Total</b>	<b>1,714</b>	<b>1,279</b>

Note 20	Off-balance sheet items - guarantees etc.	31-Mar 2022	31-Dec 2021
	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)	13,241	13,823
	<b>Total</b>	<b>13,241</b>	<b>13,824</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 12 m (2021: DKK 16m)

## Key figures and financial ratios

(DKKm)

Note						
22	Key figures - Q1	2022	2021	2020	2019	2018
	<b>Income statement</b>					
	Net interest and fee income	359	352	365	341	352
	Other operating income etc.	4	6	6	6	6
	Staff costs and administrative expenses etc.	-88	-82	-77	-68	-72
	<b>Earnings</b>	<b>275</b>	<b>276</b>	<b>294</b>	<b>279</b>	<b>286</b>
	Impairment of loans, advances and re- ceivables	-8	30	-52	-5	1
	Market value adjustments	-71	-48	-102	1	-61
	<b>Profit before tax</b>	<b>197</b>	<b>258</b>	<b>140</b>	<b>275</b>	<b>226</b>
	<b>Profit after tax</b>	<b>153</b>	<b>201</b>	<b>109</b>	<b>214</b>	<b>175</b>
	<b>Balance</b>					
	<b>Assets</b>					
	Loans and advances	171,699	168,332	157,889	151,477	143,768
	Bonds, shares, etc.	6,754	11,227	12,667	9,181	11,028
	Other assets	2,612	2,466	4,435	2,871	3,954
	<b>Total assets</b>	<b>181,065</b>	<b>182,024</b>	<b>174,991</b>	<b>163,529</b>	<b>158,750</b>
	<b>Equity and liabilities</b>					
	Issued bonds	162,802	164,847	158,493	148,139	144,171
	Other liabilities	1,739	1,494	1,667	1,416	1,339
	Subordinated debt	1,300	1,300	1,300	650	650
	Equity	15,224	14,384	13,530	13,324	12,590
	<b>Total equity and liabilities</b>	<b>181,065</b>	<b>182,024</b>	<b>174,991</b>	<b>163,529</b>	<b>158,750</b>



Note		2022	2021	2020	2019	2018
<b>23</b>	<b>Financial ratios - Q1</b>					
<b>Return on equity</b>						
	Profit before tax in per cent of equity *)	1.3	1.8	1.0	2.1	9.1
	Profit after tax in per cent of equity *)	1.0	1.4	0.8	1.6	7.1
<b>Return on capital employed</b>						
	Return on capital employed *)	0.08	0.11	0.06	0.13	0.54
<b>Costs</b>						
	Costs in per cent of loan portfolio	0.05	0.05	0.05	0.05	0.19
	Income/cost ratio *)	3.0	6.0	2.1	4.7	7.5
	Income/cost ratio, excl. impairment losses	3.3	3.8	3.5	5.1	4.9
<b>Solvency</b>						
	Total capital ratio*	20.4	18.5	17.0	16.7	15.9
	Tier 1 capital ratio*	18.7	16.9	15.5	15.9	15.1
	Common equity tier 1 capital ratio	18.7	16.9	15.5	15.9	15.1
<b>Arrears and impairment losses</b>						
	Arrears, end of period (DKKm)	62	68	92	139	101
	Impairment ratio for the period *)	0.00	-0.02	0.03	0.00	-0.07
	Accumulated impairment ratio	0.23	0.27	0.30	0.34	0.37
<b>Lending activity</b>						
	Growth in loan portfolio, per cent (nominal) *	1.0	2.1	1.7	1.2	2.3
	New loans, gross (DKKm)	10,546	9,790	10,807	6,884	35,214
	Number of new loans	2,986	4,481	3,373	2,225	10,225
	Loan/equity ratio *	11.3	11.7	11.7	11.4	11.5
<b>Margins</b>						
	Percentage of average loan portfolio (nominal):					
	Profit before tax	0.11	0.16	0.09	0.19	0.81
	Administration margin income	0.26	0.27	0.27	0.27	1.08
<b>Percentage of tier 1 capital after deductions</b>						
	Foreign exchange position as a percentage of tier 1 capital after deductions	1.4	1.8	2.9	4.3	6.6

\*) 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
	Q1	Q1	Q1
	2022	2022	2022
Interest income	783	5	788
Interest expenses	-292		-292
<b>Net interest income</b>	<b>491</b>	<b>5</b>	<b>496</b>
Share dividends etc.	0		0
Fees and commission received	59		59
Fees and commission paid	-196		-196
<b>Net interest and fee income</b>	<b>354</b>	<b>5</b>	<b>359</b>
Market value adjustments	0	-71	-71
Other operating income	4		4
Staff costs and administrative expenses	-83		-83
Depreciation and impairment of property, plant and equipment	-1		-1
Other operating expenses	-5		-5
Impairment of loans, advances, receivables, etc.	-8		-8
<b>Profit before tax</b>	<b>262</b>	<b>-66</b>	<b>197</b>
Tax	-58	14	-43
<b>Profit after tax</b>	<b>204</b>	<b>-51</b>	<b>153</b>

## Note

25	Supervisory diamond for mortgage credit institutions	End of Q1 2022	End of year 2021	Threshold
<b>1. Lending growth</b>				
	Private homeowners	12.8	15.1	<15%
	Residential rental property	11.7	15.9	<15%
	Agriculture	2.9	2.8	<15%
	Other business lending	7.0	8.5	<15%
<b>2. Borrower interest-rate risk</b>				
		16.6	15.7	<25%
<b>3. Interest-only lending to private home owners</b>				
		1.3	1.7	<10%
<b>4. Loans with short-term funding (quarterly)</b>				
	Q2 2021	7.3	7.3	<12,5%
	Q3 2021	3.3	3.3	<12,5%
	Q4 2021	2.3	2.3	<12,5%
	Q1 2022	0.0	2.3	<12,5%
	<b>Loans with short-term funding annually*</b>	<b>12.5</b>	<b>12.7</b>	<b>&lt;25%</b>
<b>5. Large exposures</b>				
		29.2	29.3	< 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 - 31 March 2022.

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

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

In our opinion, the accounting policies applied are appropriate and the interim financial statements present a true and fair view of the Company's assets and liabilities and financial position at 31 March 2022, and of the results of the Company's activities for the reporting period 1 January – 31 March 2022. The financial statements have neither been audited nor reviewed by the Company's auditors.

Copenhagen, 28 April 2022

## 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

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