

Interim report

First half of

2022

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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 highlights¹

Financial highlights, DKKkm	H1 2022	H1 2021	Ratio 22/21	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Profit and Loss Account							
Administration fee income	940	895	105	473	467	461	457
Other core income, net	85	78	109	42	43	47	37
Interest expenses subordi- nated debt	-16	-16	100	-8	-8	-8	-8
Interest expenses senior debt	-15	-16	90	-8	-7	-6	-8
Fee and commission in- come, net	-249	-244	102	-112	-137	-134	-124
Core income (mortgage credit income)	745	697	107	387	358	359	354
Staff costs and administra- tive expenses, etc.	-164	-158	104	-80	-84	-94	-73
Other operating expenses (contribution to settlement assets)	-9	-9	105	-5	-5	-4	-4
Results from core activities	572	531	108	302	270	260	276
Provision for loan and re- ceivable impairment, etc.	-7	74		1	-8	31	4
Portfolio earnings (securities)	-203	-31		-138	-66	3	-7
Profit before tax	362	574	63	166	197	294	274
Profit after tax	282	448	63	125	153	226	214
Balance Sheet end of period							
Assets							
Loans and advances	169,289	170,712	99	169,289	171,699	175,213	171,342
Bonds and shares	7,706	8,825	87	7,706	6,754	6,424	7,958
Other assets	2,813	2,987	94	2,813	2,612	2,234	3,513
Total assets	179,807	182,524	99	179,807	181,065	183,871	182,812
Liabilities and equity							
Issued bonds	161,868	165,316	98	161,868	162,802	166,201	165,051
Other debt and payables	1,287	1,278	101	1,287	1,739	1,299	1,617
Subordinated debt	1,300	1,300	100	1,300	1,300	1,300	1,300
Equity	15,353	14,631	105	15,353	15,224	15,071	14,844
Total liabilities and equity	179,807	182,524	99	179,807	181,065	183,871	182,812

¹ The figures in the 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.

Financial ratios*	H1 2022	H1 2021	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Return on equity (ROE)						
Profit before tax in pct. of equity	2.4%	4.0%	1.1%	1.3%	1.9%	1.9%
Profit after tax in pct. of equity	1.9%	3.1%	0.8%	1.0%	1.5%	1.4%
Solvency						
Capital ratio	21.1%	18.0%	21,1%	20.4%	18.6%	18.1%
Lending Activity						
Growth in loan portfolio, pct. (nominel)	2.1%	4.1%	1.1%	1.0%	2.0%	1.1%
New loans, gross (DKKm)	22,008	18,314	11,422	10,586	9,000	9,294

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

CEO statement

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

“DLR’s pre-tax profit of DKK 362m for H1 2022 is satisfactory, although the profit was lower than expected due to developments in the bond market.

The positive trends in both earnings and lending activity as well as the customer credit quality that characterised 2021 continued into the first half of 2022, despite rising interest rates and higher commodity and energy prices.

DLR’s core earnings before impairment and portfolio earnings amounted to DKK 572m in H1 2022, an increase of 8% compared with the same period of last year. The positive performance was mainly attributable to growing income resulting from strong lending activity, with respect to both new loans and remortgaging of existing loans.

We recorded decent growth rates in lending activity in H1. Gross lending was DKK 22.0bn, while net lending amounted to DKK 3.7bn. The loan portfolio increase reflects growth in both agricultural loans and loans for commercial property.

Given the continued good credit quality of our customers, DLR recorded only modest losses and a largely unchanged level of impairment charges compared with end-2021. In determining the level of impairment charges, we have taken account of the risk of a deterioration of borrower finances due to the currently volatile macroeconomic environment and persistently unsatisfactory terms of trade for pig farmers.

The negative earnings on the securities portfolio in H1 were considerably greater than anticipated due to negative value adjustments driven by rising bond yields, particularly during the last part of the reporting period. On the other hand, the rising yields mean that we expect higher coupon income on DLR’s portfolio of short-term bonds for the rest of the year. Expectations for the full-year return on the securities portfolio are therefore largely unchanged.

In H1, 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 have led to markedly improved earnings in the agricultural sector, especially for dairy and arable farmers, despite increasing production costs. In the course of H2 2022, we expect the terms of trade in pig farming to normalise, and thus an improvement in earnings, in step with supply side adjustments.

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

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 and commodity prices and the goal of reducing demand for natural gas imports to the EU. DLR therefore expects that green loans will account for a substantial proportion of lending in the slightly longer term."

Jens Kr. A. Møller

Managing Director & CEO

H1 2022 - Highlights

- Core income amounted to DKK 745m in H1 2022, an increase of DKK 48m relative to the same period last year.
- The pre-tax profit was DKK 362m, down by DKK 212m relative the year-earlier period.
- The profit was impacted by negative portfolio earnings of DKK 203m.
- Lending activities in H1 2022 were at a satisfactory level, with gross lending amounting to DKK 22.0bn and net lending DKK 3.7bn (nominal value).
- For 2022, DLR expects core income before impairment in the order of DKK 1,000m – 1,050m and a pre-tax profit of around DKK 975m – 1,025m, which is unchanged from previous guidance.

Comments on the results for H1 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 H1 2022 is set out below.

Profit and Loss Account, DKKm	H1 2022	H1 2021
Administration fee income	940	895
Other core income, net	85	78
Interest expenses subordinated debt	-16	-16
Interest expenses senior debt	-15	-16
Fee and commission income, net	-249	-244
Core income (mortgage credit income)	745	697
Staff costs and pensions expenses	-116	-114
Administrative expenses	-48	-44
Other operating expenses	-9	-9
Results from core activities	572	531
Provision for loan and receivable impairment, etc.	-7	74
Portfolio earnings (securities)	-203	-31
Profit before tax	362	574
Tax	-80	-126
Profit after tax	282	448

Core earnings

Administration margin income amounted to DKK 940m, up DKK 45m on H1 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 various interest income. This income amounted to DKK 85m in H1 2022, an increase of DKK 7m relative to the same period last year.

Interest expenses on subordinated debt amounted to DKK 16m, which is unchanged compared with the same period of 2021.

Interest expenses for senior loans amounted to DKK 15m, which is DKK 1m lower than in the year-earlier period. The decline was due to lower average issuance of senior loans in H1 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 primarily include commission for the provision of loss guarantees and, secondarily, commission for the mediation of mortgage loans.

Fees and commission (net) amounted to an expense of DKK 249m compared to an expense of DKK 244m in the same period of 2021. The DKK 5m increase in net expenses covers rising income of DKK 22m due to an increase in remortgaging activity in H1 2022 and a DKK 27m increase in costs of guarantee and mediation commissions, resulting both from a higher loan portfolio and growing remortgaging activity in H1 2022.

Core income subsequently amounted to DKK 745m, an increase of DKK 48m relative to the same period last year.

Staff costs and administrative expenses, etc. amounted to DKK 164m, which is DKK 6m more than in H1 2021. The higher costs partly reflect a small increase in the number of employees.

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 expense of DKK 7m, against an income of DKK 74m 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 2m
- Expenses of DKK 6m from net losses on loans during the period
- Income in the form of loss-mitigating agreements with loan-facilitating banks and recovered debts previously written off in the amount of DKK 1m

Portfolio earnings

Portfolio earnings were negative in H1 2022, strongly affected by plummeting prices of mortgage bonds, which resulted in an expense of DKK 203m, against an expense of DKK 31m in H1 2021. The negative value adjustment of DKK 203m should be seen in the context of the fact that DLR's securities portfolio averaged DKK 22.4bn in H1. This means the negative value adjustment made up 0.9% of the portfolio.

Profit and allocation of comprehensive income

The profit before tax was DKK 362m, against DKK 574m in the year-earlier period.

Net profit for the period was DKK 282m, which has been transferred to DLR's equity.

Balance sheet

Mortgage lending at fair value amounted to DKK 169.3bn at the end of H1 2022, which was a decrease of DKK 5.9bn relative to the end of 2021. The decline was composed of the following opposing factors in H1 2022:

- The nominal outstanding bond debt on DLR's mortgage loans rose by DKK 3.7bn
- Falling prices on the issued bonds underlying the mortgage loans resulted in a DKK 9.6bn decline in the fair value of lending. As DLR's lending is funded subject to the specific balance principle, the price fall results in a similar drop in the fair value of the issued bonds on the liabilities side and, as a result, there is no derived impact on the income statement.

Bond holdings amounted to DKK 36.5bn. Of this amount, the portfolio of DLR bonds amounted to DKK 28.9bn, which is offset against "Issued bonds at fair value". The remainder of the bond holdings of DKK 7.7bn relates to investments in government securities and other mortgage bonds.

In addition to the bond holding of DKK 36.5bn, DLR held other securities for DKK 2.4bn; hence, the total securities holding amounted to DKK 38.9bn (gross) at the end of H1 2022.

Of the total securities amount, temporary liquidity in connection with mortgage lending activity comprised DKK 16.5bn, so the investment holding was therefore DKK 22.4bn.

DLR's total assets stood at DKK 179.8bn at the end of H1 2022.

Capital and solvency

DLR's capital and solvency figures at the end of H1 2022 are shown in the table below.

Capital and solvency (DKKm)	30-jun 2022	31-dec 2022
Equity	15,353	15,071
Profit, etc. not recognised in tier 1 capital	-282	0
Deductions of a consequence of prudent valuation	-22	-22
Deductions due to non performing exposures (NPE)	-1	-4
Difference between expected losses and impairment losses	-407	-457
Common equity tier 1 capital	14,641	14,587
Subordinated capital (tier 2 capital)	1,300	1,300
Own funds	15,941	15,887
Risk-weighted exposure with credit risk etc.	71,306	80,871
Risk-weighted exposure with market risk	1,830	1,930
Risk-weighted exposure with operational risk	2,448	2,448
Total risk-weighted exposure	75,584	85,249
Common equity tier 1 capital ratio (%)	19.4%	17.1%
Total capital ratio (%)	21.1%	18.6%

Own funds at 30 June 2022 amounted to DKK 15.9bn, which is unchanged from 31 December 2021, as the profit for H1 2022 is not recognised in own funds.

Weighted risk exposure

Weighted risk exposure amounted to DKK 75.6bn at 30 June 2022, which is DKK 9.7bn lower than at year-end 2021.

Weighted exposures with credit risk fell by DKK 9.6bn in H1 2022, primarily because of the following factors:

- A net decline equal to DKK 5.9bn in the carrying amount of mortgage loans (loan exposure).
- When calculating the exposure on irrevocable credit commitments and loan offers, DLR has previously, in all material respects, assigned a risk weighting of 100%. From Q1 2022, the risk weighting was made on the basis of property category and counterparty with due consideration to payment probability, which resulted in a reduced risk weighting.
- Changed weighting of loans for wind turbines in accordance with the CRR

Risk-weighted exposure with market risk declined by DKK 0.1bn, which is due to a marginally lower duration on the bond portfolio.

Capital ratios

DLR's total capital ratio was 21.1% at 30 June 2022, against 18.6% at year-end 2021.

The common equity tier 1 capital ratio was 19.4%, against 17.1% at year-end 2021.

If the profit for H1 2022 had been recognised, the total capital ratio would have been 21.5%, and the common equity tier 1 capital ratio 19.7%.

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/en/investor/financial-statements/>.

Arrears and forced sales

At 30 June 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 12 properties in H1 2022, against 19 in the same period of 2021. DLR had no repossessed properties at 30 June 2022.

Outlook for 2022

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

The earlier mentioned expectation is unchanged at the end of H1 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 the following link:

<https://dlr.dk/en/investor/financial-statements/>, 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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Income statement and statement of comprehensive income

(DKKm)

Note		H1 2022	H1 2021
1	Interest income	1,587	1,548
2	Interest expenses	-610	-589
	Net interest income	977	959
	Share dividends etc.	0	0
	Fees and commission income	147	125
	Fees and commission paid	-396	-368
	Net interest and fee income	729	715
3	Market value adjustments	-195	-59
	Other operating income	8	11
4-5	Staff costs and administrative expenses	-163	-156
	Depreciation and impairment of property, plant and equipment	-1	-1
	Other operating expenses	-9	-9
6	Impairment of loans, advances, receivables, etc.	-7	74
	Profit before tax	362	574
	Tax	-80	-126
	Profit after tax	282	448
	Comprehensive income		
	Profit for the year	282	448
	Property revaluations	0	0
	Tax on property revaluations	0	0
	Other comprehensive income after tax	282	448
	Attributable to shareholders of DLR Kredit A/S	282	448

Balance sheet

(DKKm)

Note		30-Jun 2022	31-Dec 2021
	Assets		
	Cash balance and demand deposits with central banks	2,104	1,581
7	Due from credit institutions and central banks	267	330
8, 10-12	Loans, advances and other receivables at fair value	169,280	175,203
9	Loans, advances and other receivables at amortised cost	9	10
14	Bonds at fair value	7,661	6,380
	Shares etc.	45	45
15	Land and buildings, domicile properties	136	136
	Other property, plant and equipment	5	6
	Leasing assets	0	0
	Current tax assets	157	25
	Assets held temporarily	0	0
16	Other assets	107	130
	Prepayments	37	26
	Total assets	179,807	183,871
	Equity and liabilities		
17	Issued bonds at fair value	156,873	161,203
18	Issued bonds at amortised cost	4,994	4,998
19	Other liabilities	1,266	1,279
	Deferred income	5	1
	Total liabilities	163,139	167,481
	Provisions for deferred tax	16	20
	Total provisions	16	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.	12,370	12,088
	Total equity	15,353	15,071
	Total equity and liabilities	179,807	183,871
20	Off-balance sheet items		
	Guarantees	0	0
	Contingent liabilities (loan offers, other contingent liabilities, etc.)	14,533	13,823
21	Contingent assets		
	Other contingent assets	8	16

Statement of changes in equity

(DKKm)

Note	Share capital 1)	Revaluation reserve	Undistributable reserve	Retained earnings	Total
2021					
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
Equity at 31 December	570	75	2,338	12,088	15,071
2022					
Equity at 1 January	570	75	2,338	12,088	15,071
Profit for the year	0	0	0	282	282
Disposal of treasury shares	0	0	0	0	0
Acquisition of treasury shares	0	0	0	0	0
Equity at 30 June	570	75	2,338	12,370	15,353

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) treasury shares at 30 June 2022, 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)

	30-Jun 2022	31-Dec 2021
Capital and solvency (DKKm)		
Equity	15,353	15,071
Profit etc. not recognised in tier 1 capital	-282	0
Deductions as a consequence of prudent valuation	-22	-22
Deductions as a consequence of intangible assets	0	0
Deductions as a consequence of non-performing exposures	-1	-4
Difference between expected losses and impairment losses	-407	-457
Common equity tier 1 capital	14,641	14,587
Subordinated capital (tier 2 capital)	1,300	1,300
Deductions from tier 2 capital	0	0
Own funds	15,941	15,887
Risk-weighted exposure with credit risk etc.	71,306	80,871
Risk-weighted exposure with market risk	1,830	1,930
Risk-weighted exposure with operational risk	2,448	2,448
Total risk-weighted exposure	75,584	85,249
Common equity tier 1 capital ratio	19.4%	17.1%
Total capital ratio	21.1%	18.6%
Statement of excess capital adequacy		
Own funds after deductions	15,941	15,887
Capital adequacy	-6,956	-7,799
SIFI buffer	-756	-852
Capital conservation buffer	-1,890	-2,131
Countercyclical buffer	0	0
Systemic buffer Faroe Islands	-11	-11
Reserved debt buffer	-772	0
Excess capital adequacy	5,556	5,094

Notes

Notes – Income statement

- 1 Interest income
- 2 Interest expenses
- 3 Market value adjustments
- 4 Staff costs and administrative expenses
- 5 Remuneration for members of the Executive Board
- 6 Impairment of loans, advances, receivables, etc.

Notes -Assets

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Notes - Other notes

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Income statement

(DKKm)

Note		H1	H1
1	Interest income	2022	2021
	Due from credit institutions and central banks	0	0
	Positive interest loans and advances *	494	552
	Contributions	940	895
	Bonds	6	31
	Issued bonds at fair value **	75	16
	Other interest income	74	64
	Total	1,589	1,559
	Interest on own mortgage bonds offset against interest on issued bonds	1	-11
	Total	1,589	1,548
	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).

2	Interest expenses	H1	H1
		2022	2021
	Credit institutions and central banks *	-1	-1
	Issued bonds at fair value **	-495	-550
	Issued bonds at amortised cost	-15	-16
	Subordinated capital injections	-16	-16
	Negative interest loans and advances***	-75	-16
	Other interest expenses	0	0
	Total	-601	-600
	Interest on own mortgage bonds offset against interest on issued bonds	-1	11
	Total	-601	-589
	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		H1	H1
3	Market value adjustments	2022	2021
	Mortgage loans	-9,610	-2,842
	Bonds	-210	-50
	Shares etc.	0	2
	Foreign currency	0	0
	Derivative financial instruments	5	-11
	Other assets	0	0
	Issued bonds	9,610	2,842
	Total	-205	-59
4	Staff costs and administrative expenses	H1	H1
		2022	2021
	Staff costs		
	Salaries	-92	-92
	Pension costs	-8	-8
	Social security costs	-16	-15
	Total	-116	-114
	Other administrative expenses		
	IT expenses	-23	-23
	Audit, financial supervision and industry association	-4	-4
	Other expenses	-19	-16
	Total	-47	-42
	Total staff costs and administrative expenses	-163	-156

Note		H1	H1
5	Remuneration for members of the Executive Board	2022	2021
	Fixed remuneration	3.7	3.4
	Variable remuneration	0.0	0.0
	Total	3.7	3.4
	Number of members of the executive management	2	2
6	Impairment of loans, advances, receivables, etc.	H1	H1
		2022	2021
	Losses in the period	-6	-7
	Amounts received on claims previously written off	1	2
	Impairment losses in the period	156	-103
	Reversal of impairment losses	-159	175
	Losses offset against commission payments to banks	0	4
	Total	-7	74

Assets

(DKKm)

Note		30-Jun 2022	31-Dec 2021
7	Due from credit institutions and central banks		
	Due from central banks	0	0
	Due from credit institutions	267	330
	Total amount due from credit institutions and central banks	267	330

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

		30-Jun 2022	31-Dec 2021
8	Loans, advances and other receivables at fair value		
	Mortgage loans, nominal value	179,755	176,065
	Adjustment to fair value of underlying bonds	-10,151	-541
	Adjustment for credit risk	-381	-379
	Mortgage loans at fair value	169,223	175,145
	Arrears before impairment losses	62	61
	Other loans and outlays before impairment losses	0	2
	Impairment losses on arrears and outlays	-5	-5
	Total	169,280	175,203

		30-Jun 2022	31-Dec 2021
9	Loans, advances and other receivables at amortised cost		
	Loans and advances	10	11
	Adjustment for credit risk	-1	-1
	Total	9	10

Note		30-Jun	31-Dec
10	Mortgage loans (nominal value) by property category	2022	2021
	Owner-occupied dwellings	5.1%	5.1%
	Recreational dwellings	0.3%	0.3%
	Subsidised rental housing properties	0.1%	0.1%
	Co-operative housing	2.2%	2.1%
	Private rental housing properties	20.9%	20.5%
	Properties for manufacturing and manual industries	1.1%	1.1%
	Office and business properties	17.9%	17.9%
	Agricultural properties	52.1%	52.7%
	Properties for social, cultural and educational purposes	0.3%	0.2%
	Other properties	0.0%	0.0%
	Total	100.0%	100.0%
11	Number of loans - end of period	30-Jun	31-Dec
		2022	2021
	Number of loans - end of period	72,314	70,998

Note

12 Impairment losses by stage

Impairment of loans and advances at fair value and amortised cost *	30-Jun 2022			Total
	Stage 1	Stage 2	Stage 3	
Specification of impairment losses at the end of June:				
Loans and advances in stage 1 at beginning of year	7	22	0	30
Loans and advances in stage 2 at beginning of year	1	46	5	51
Loans and advances in stage 3 at beginning of year	0	4	72	76
New loans and advances	5	8	0	13
Management estimate	134	80	4	218
Total	147	159	81	387

DLR's total impairment losses at the end of Q1 consisted of individual write-downs of DKK 68.9m DKK, model-calculated impairment losses of 100.5m and a management estimate of DKK 218.0m. 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			Total
	Stage 1	Stage 2	Stage 3	
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
Total	115	129	141	385

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**

	30-Jun 2022			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

	31-Dec 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

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

14 Bonds at fair value	30-Jun 2022	31-Dec 2021
Own mortgage bonds	28,852	20,328
Other mortgage bonds	6,968	5,777
Government bonds	694	602
Bonds - gross	36,513	26,707
Own mortgage bonds offset against issued bonds	-28,852	-20,328
Total	7,661	6,380

Note		30-Jun	31-Dec
15	Land and buildings - domicile properties	2022	2021
	Fair value, beginning of year	135.8	136.2
	Additions during the year	0.0	0.0
	Depreciation	-0.2	-0.4
	Value changes recognised in other comprehensive income	0.0	0.0
	Fair value, end of year	135.5	135.8

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

16	Other assets	30-Jun	31-Dec
		2022	2021
	Positive market value of derivative financial instruments etc.	5	0
	Interest and commission receivable	21	17
	Other receivables	81	113
	Total	107	130

Note		30-Jun	31-Dec
20	Off-balance sheet items - guarantees etc.	2022	2021
	Financial guarantees	0,2	0,2
	Other guarantees	0,2	0,2
	Total	0,2	0,2
	Other contingent liabilities		
	Irrevocable credit commitments (loan offers)	14,533	13,823
	Total	14,533	13,824

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 8 m (2021: DKK 16m)

Key figures and financial ratios

(DKKm)

Note						
22	Key figures - H1	2022	2021	2020	2019	2018
	Income statement					
	Net interest and fee income	729	715	723	706	708
	Other operating income etc.	8	11	13	12	13
	Staff costs and administrative expenses etc.	-173	-167	-151	-140	-143
	Earnings	564	559	585	578	578
	Impairment of loans, advances and receivables	-7	74	-57	11	0
	Market value adjustments	-195	-59	-85	-17	-107
	Profit before tax	362	574	443	572	471
	Profit after tax	282	448	345	446	367
	Balance					
	Assets					
	Loans and advances	169,289	170,712	160,634	153,439	144,483
	Bonds, shares, etc.	7,706	8,825	10,488	9,101	9,912
	Other assets	2,813	2,987	2,121	3,190	3,534
	Total assets	179,807	182,524	173,243	165,730	157,929
	Equity and liabilities					
	Issued bonds	161,868	165,316	157,266	150,234	143,413
	Other liabilities	1,287	1,278	912	1,209	1,084
	Subordinated debt	1,300	1,300	1,300	650	650
	Equity	15,353	14,631	13,766	13,637	12,782
	Total equity and liabilities	179,807	182,524	173,243	165,730	157,929

Note		2022	2021	2020	2019	2018
23	Financial ratios - H1					
	Return on equity					
	Profit before tax in per cent of equity *)	2.4	4.0	3.3	4.3	3.7
	Profit after tax in per cent of equity *)	1.9	3.1	2.6	3.4	2.9
	Return on capital employed					
	Return on capital employed *)	0.16	0.25	0.20	0.27	0.23
	Costs					
	Costs in per cent of loan portfolio	0.10	0.10	0.09	0.09	0.10
	Income/cost ratio *)	3.0	7.2	3.1	5.4	4.3
	Income/cost ratio, excl. impairment losses	3.1	4.0	4.3	5.0	4.3
	Solvency					
	Total capital ratio*	21.1	18.0	17.1	16.5	16.5
	Tier 1 capital ratio*	19.4	16.5	15.5	15.7	15.6
	Common equity tier 1 capital ratio	19.4	16.5	15.5	15.7	15.6
	Arrears and impairment losses					
	Arrears, end of period (DKKm)	62	65	87	140	116
	Impairment ratio for the period *)	0.00	-0.04	0.04	-0.01	0.00
	Accumulated impairment ratio	0.23	0.25	0.30	0.33	0.36
	Lending activity					
	Growth in loan portfolio, per cent (nominal) *	2.1	4.1	2.7	2.4	1.0
	New loans, gross (DKKm)	22,008	18,314	17,563	16,455	12,511
	Number of new loans	6,009	5,772	5,441	4,954	3,959
	Loan/equity ratio *	11.0	11.7	11.7	11.3	11.3
	Margins					
	Percentage of average loan portfolio (nominal):					
	Profit before tax	0.20	0.34	0.28	0.39	0.33
	Administration margin income	0.53	0.53	0.55	0.54	0.55
	Percentage of tier 1 capital after deductions					
	Foreign exchange position as a percentage of tier 1 capital after deductions	1.20	1.75	2.35	3.53	5.10

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

Other notes

(DKKm)

Note 24 Reconciliation of income statement for "core and portfolio earnings" against "official statements", H1 2022

	Core earnings	Portfolio earnings	Total
Interest income	1,595	-8	1,587
Interest expenses	-610		-610
Net interest income	985	-8	977
Share dividends etc.	0		0
Fees and commission received	147		147
Fees and commission paid	-396		-396
Net interest and fee income	737	-8	729
Market value adjustments	0	-195	-195
Other operating income	8		8
Staff costs and administrative expenses	-163		-163
Depreciation and impairment of property, plant and equipment	-1		-1
Other operating expenses	-9		-9
Impairment of loans, advances, receivables, etc.	-7		-7
Profit before tax	565	-203	362
Tax	-124	45	-80
Profit after tax	441	-158	282

Note 25	Supervisory diamond for mortgage credit institutions	End of Q2 2022	End of Q1 2022	Threshold
	1. Lending growth			
	Private homeowners	10.2	12.8	<15%
	Residential rental property	9.7	11.7	<15%
	Agriculture	2.5	2.9	<15%
	Other business lending	6.2	7.0	<15%
	2. Borrower interest-rate risk	17.4	16.6	<25%
	3. Interest-only lending to private home owners	0.8	1.3	<10%
	4. Loans with short-term funding (quarterly)			
	Q3 2021	3.3	7.3	<12.5%
	Q4 2021	2.3	3.3	<12.5%
	Q1 2022	0.0	2.3	<12.5%
	Q2 2022	7.7	0.0	<12.5%
	Loans with short-term funding annually	13.1	12.5	<25%
	5. Large exposures	30.3	29.2	< 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 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 30 June 2022, and of the results of the Company's activities for the reporting period 1 January – 30 June 2022. The financial statements have neither been audited nor reviewed by the Company's auditors.

Copenhagen, 25 august 2022

dlr·kredit

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