Annual Report 2022

Contents

This document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

DLR at a glance

DLR is a mortgage credit institution owned primarily by local and national banks that collaborate with DLR.
DLR has no local representation, as loans are distributed through the branch networks of DLR's shareholder banks.

DLR provides mortgage loans for the purpose of financing agricultural and commercial property in Denmark. DLR has been financing Danish agriculture since 1960, when DLR was originally established as Dansk Landbrugs Realkreditfond. The activities were extended in 2001 to include the financing of commercial property more broadly, and this lending area has now grown to represent close to half of the loan portfolio. DLR also grants loans in Greenland and the Faroe Islands, primarily for owner-occupied homes and residential rental properties and, on a smaller scale, also for office and retail properties. DLR's overriding risk is credit risk, i.e. the risk that borrowers default on their loans with DLR. Credit risk is limited by collateral in the form of DLR's mortgages on the properties and also by the guarantee and loss-mitigating agreements DLR has signed with its loan-distributing shareholder banks.

Five-year financial highlights

Key figures, DKKm	2022	2021	2020	2019	2018
Income statement					
Administration margin income	1,895	1,812	1,734	1,632	1,559
Other core income, net	168	163	140	143	103
Interest expenses, subordinated debt	-41	-33	-33	-18	-16
Interest expenses, senior debt	-54	-30Fi	-28	-26	-29
Fee and commission income, net	-491	-502	-446	-372	-326
Core income	**1,476**	**1,410**	**1,366**	**1,360**	**1,291**
Staff costs and administrative expenses, etc.	-326	-325	-300	-275	-276
Other operating expenses (contribution to resolution fund)	-19	-18	-15	-12	-11
Core earnings before impairment	**1,132**	**1,067**	**1,051**	**1,073**	**1,003**
Impairment of loans and advances, receivables, etc.	10	109	-62	86	-24
Portfolio earnings (securities)	-215	-38	-29	-75	-74
Profit before tax	**927**	**1,138**	**960**	**1,085**	**905**
Profit after tax	**720**	**888**	**749**	**846**	**707**

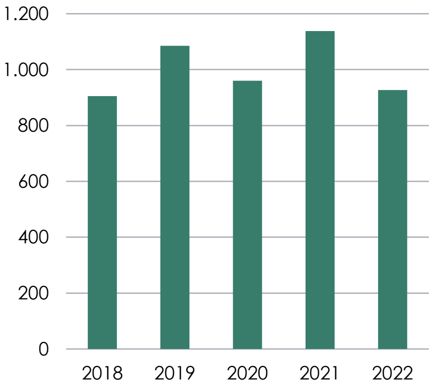
Balance sheet, end of period	2022	2021	2020	2019	2018
Assets					
Mortgage loans	169,920	175,213	166,787	156,837	148,611
Bonds and shares, etc.	8,141	6,424	12,041	11,769	8,945
Other assets	2,183	2,234	2,255	4,839	3,182
Total assets	**180,244**	**183,871**	**181,083**	**173,444**	**160,738**
Equity and liabilities					
Issued bonds	161,707	166,201	164,433	157,639	145,901
Other liabilities	1,448	1,299	1,167	1,195	1,213
Subordinated debt	1,298	1,300	1,300	1,300	650
Equity	15,791	15,071	14,183	13,311	12,974
Total liabilities and equity	**180,244**	**183,871**	**181,083**	**173,444**	**160,738**

Financial ratios *	2022	2021	2020	2019	2018
Solvency and capital (incl. profit for the period)					
Total capital ratio	24.3	18.6	18.8	17.1	16.9
Tier 1 capital ratio	22.5	17.1	17.1	15.5	16.0
Common equity tier 1 capital ratio	22.5	17.1	17.1	15.5	16.0
Own funds	17,004	15,887	14,918	13,947	12,994
Weighted risk exposure	69,844	85,249	79,467	81,784	77,074
Lending activity					
Growth in loan portfolio, % (nominal)	3.3	7.2	6.3	5.6	4.1
Gross new lending (DKKm)	45,751	36,608	36,839	43,061	27,717
Margins					
Admin. margin income as % of average loan portfolio	1.06	1.07	1.09	1.08	1.09

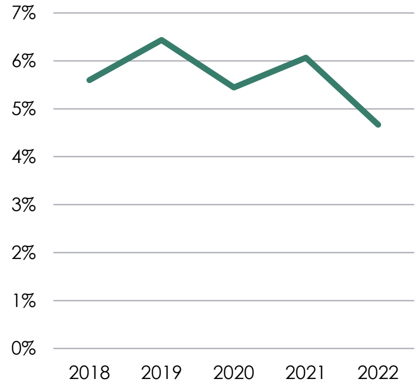
*) The key ratios are calculated in accordance with the FSA's definitions.

Overview figures

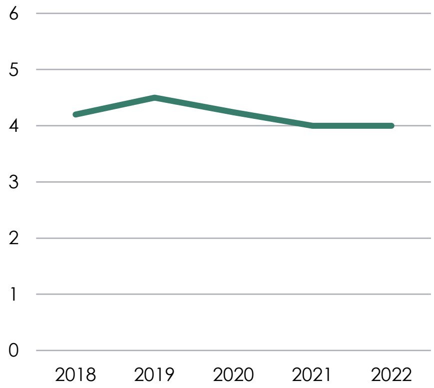
Pre-tax profit (DKKm)



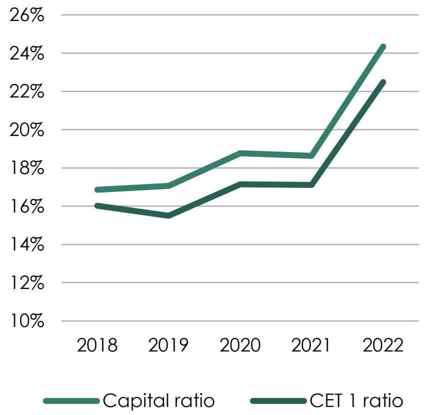
Net profit for the year as % of equity



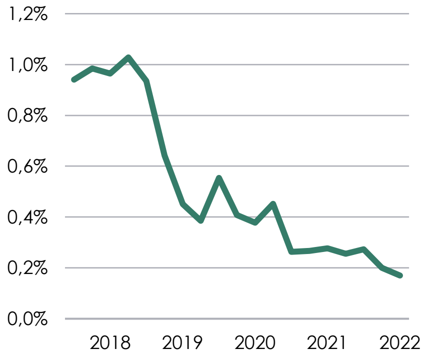
Income/cost ratio excl. impairment



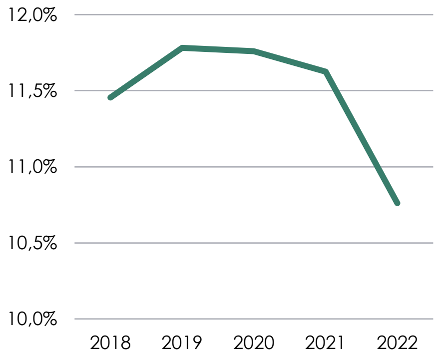
Total capital ratio



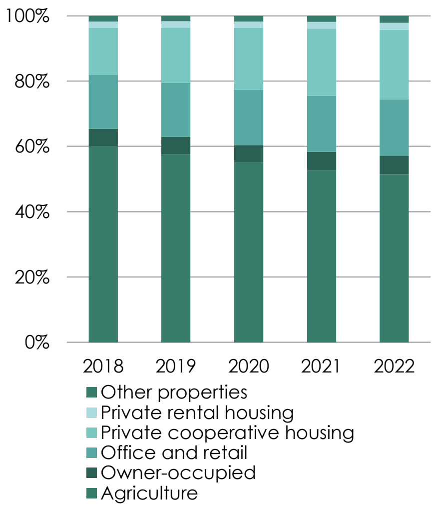
Arrears ratio (3½ month)



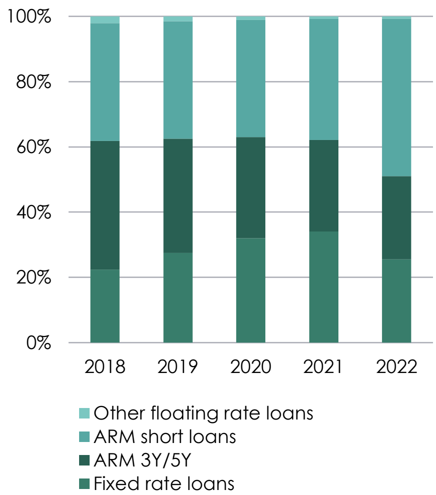
Ratio of lending to equity



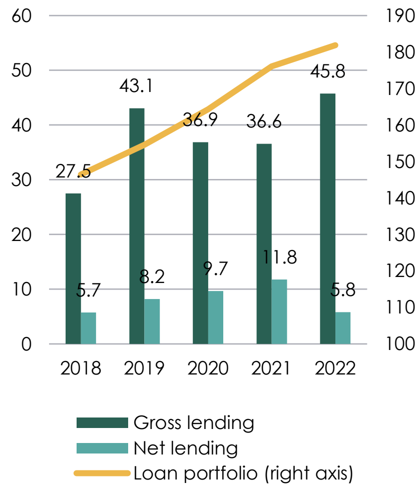
Lending by property category



Lending by loan type



Lending activity (DKKbn)



Financial review

Summary

- Administration margin income amounted to DKK 1,895m in 2022, an increase of DKK 83m compared with 2021.
- Losses and impairment on loans and receivables amounted to an income of DKK 10m.
- The return on the securities portfolio was negative at DKK 215m.
- Pre-tax profit amounted to DKK 927m.
- Net of tax paid, DKK 720m was added to DLR's equity.
- DLR's gross lending amounted to DKK 45.8bn in 2022.
- Net lending (calculated at outstanding bond debt) amounted to DKK 5.8bn in 2022.
- DLR's capital ratio was 24.3 at end-2022.

CEO statement

Statement by CEO Jens Kr. A. Møller on the release of the Annual Report for 2022:

"Many things turned out very differently in 2022 to what was expected at the beginning of a year which saw big increases in prices for energy, raw materials and food passing through to other parts of the economy and sparking a sharp rise in inflation.

The high rate of inflation prompted a monetary response from central banks in Europe and the US in the form of increases in policy rates, especially in the second half of the year. Higher interest rates gave borrowers with fixed-rate callable mortgages an opportunity to reduce their outstanding debt quite considerably. Extensive remortgaging in the wake of higher interest rates was a significant factor behind the strong gross lending and growth in income we saw in 2022.

The rise in interest rates, which was accompanied by considerable volatility in the bond market, impacted negatively on the return on DLR's bond holdings in 2022, but is expected to result in significant positive portfolio earnings in 2023.

Despite economic uncertainty, rising interest rates and inflation, the credit quality of DLR's customers remained satisfactory, with arrears falling and very limited losses.

DKK

927m

before tax

This was especially the case for agricultural lending, but also for urban commercial property.

DLR generated pre-tax profit of DKK 927m in 2022, which was very satisfactory given the performance of the bond market.

Operating earnings grew throughout the year as a result of historically high gross lending of DKK 45.8bn. One significant factor behind this high gross lending was remortgaging of loans from both DLR and other institutions. Significant remortgaging activity was seen across the different property categories.

Net lending came to DKK 5.8bn, down on 2021. Rising interest rates and building costs led to lower net lending especially for private residential rental and office/retail properties, while net lending for owner-occupied homes and agricultural properties grew satisfactorily.

Healthy lending activity and restrained cost growth meant that DLR delivered very satisfactory core earnings of DKK 1,132m before losses, impairment and portfolio earnings, up more than 6% on 2021.

Given the sharp rise in interest rates especially in the second half of the year, the negative remortgaged return on the securities portfolio of DKK 215m in 2022 was more negative than expected despite DLR's very limited interest rate risk. The net effect of losses and impairment was a modest gain of DKK 10m as a result of the credit quality of DLR's lending holding up satisfactorily despite the rise in inflation and interest rates.

Overall profitability in the agricultural sector was satisfactory in 2022, with property prices stable to rising slightly. Thanks to rising food prices, arable and dairy farmers in particular enjoyed historically high product prices which outweighed increases in input prices and interest rates. These two segments therefore delivered strong financial results, and satisfactory earnings are expected again in 2023 given high product prices.

Owing partly to weaker demand for pork in export markets, pig farmers did not benefit from the same rise in product prices to compensate for rising energy and feed bills, and therefore saw a deterioration in the terms of trade. As most pig farms produce a significant proportion of their feed grain themselves, most are nevertheless expected to have generated acceptable earnings in 2022.

We expect improved terms of trade in 2023 as the supply of pork adjusts to demand, enabling earnings in the segment to improve. There is, however, some uncertainty about when this will happen.

When it comes to urban commercial property, DLR saw decreased newbuild activity and lower turnover of investment properties, especially in the second half of the year. This was due to a combination of rising building costs and higher interest rates.

Demand for both commercial and residential rental property was strong throughout the year, despite rising rents for properties where they are indexed to prices. Vacancy rates therefore remained very low for most types of commercial property, with only some retail and hospitality properties proving a challenge to let. All in all, urban commercial property performed satisfactorily in 2022 with stable prices.

In 2023, we expect healthy demand for both residential and commercial rental properties, but a further decline in newbuild activity and turnover of investment properties due to higher interest rates.

DLR continued to focus on environmental, social and governance (ESG) issues in 2022 and on helping finance the green transition, as DLR and the loan-distributing banks are keen to play important role in this area.

We began gathering ESG data systematically when issuing new loans, both for use in the credit assessment process and, in the slightly longer term, for measuring the portfolio's ESG performance. DLR also started to fund its green loans with green bonds and expanded the criteria for properties that are eligible for green loans.

We anticipate increased volumes of green loans and bonds in the coming years, along with further broadening of the criteria for green loans, not least in the light of the expected green transition in agriculture."

Jens Kr. A. Møller
Managing Director & CEO

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

The income statement for 2022 is set out below.

Key figures, DKKm	2022	2021
Income statement		
Administration margin income	1,895	1,812
Other core income, net	168	163
Interest expenses, subordinated debt	-41	-33
Interest expenses, senior debt	-54	-30
Fee and commission income, net	-491	-502
Core income	**1,476**	**1,410**
Staff costs and administrative expenses, etc.	-326	-325
Other operating expenses (contribution to resolution fund)	-19	-18
Core earnings before impairment	**1,132**	**1,067**
Impairment of loans and advances, receivables, etc.	10	109
Portfolio earnings (securities)	-215	-38
Profit before tax	**927**	**1,138**
Profit after tax	**720**	**888**

Core earnings

Administration margin income amounted to DKK 1,895m in 2022, up DKK 83m 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. Income from this area amounted to DKK 168m in 2022, which was DKK 5m more than in 2021.

Interest expenses on subordinated debt amounted to DKK 41m. The DKK 8m increase was driven by the rising level of interest rates. Interest expenses for senior loans amounted to DKK 54m and rose by DKK 24m because of the rising level of interest rates. This was in spite of the fact that the actual level of issued senior debt declined by DKK 1bn during 2022.

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 agency and customer service commission and commission for the provision of loss guarantees, etc.

Fees and commission (net) amounted to an expense of DKK 491m, compared to an expense of DKK 502m in 2021. The lower net expense was due to a combination of a DKK 62m increase in fee and commission income and an increase of DKK 51m in fee and commission expenses. The development was driven by the substantial volume of gross lending and a higher level of refinancing and remortgaging activity in 2022.

Core income was subsequently DKK 1,476m, an increase of DKK 66m on 2021.

Staff costs and administrative expenses, etc. amounted to DKK 326m, which was on a level with 2021.

The "Other operating expenses" item concerns DLR's contribution to the Resolution fund, which in 2022 amounted to DKK 19m.

Losses and impairment on loans, advances and receivables, including prior-year adjustments, were calculated at an income of DKK 10m in 2022, compared with an income of DKK 109m in 2021.

Total impairment losses (allowance account) amounted to DKK 368m, which breaks down as follows:

- Individual impairment losses of DKK 58m, which is DKK69m lower than last year, primarily because of improved economic conditions for the major agricultural production areas.
- Modelled impairment of DKK 147m, which is an increase of DKK2m.
- Management overlays of DKK 163m, an increase of DKK 51m compared with 2021. The management overlays at end-2022 mainly relate to uncertainty caused by the situation in Ukraine, inflation, rising interest rates and the outlook for an economic downturn.

Portfolio earnings

Portfolio earnings represented an expense of DKK 215m, compared with an expense of DKK 38m in 2021. The negative return in 2022 equals a return of around -1% of the average "investment portfolio" in 2022. The "investment portfolio" consists of the total securities portfolio less temporary excess liquidity in connection with mortgage lending activity (balance sheet funds).

Allocation of comprehensive income for the year
Net profit for the year was DKK 720m, which has been transferred to DLR's equity.

Profit for the year relative to previous guidance
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.

This guidance was revised so that after Q3 2022 DLR guided for core earnings before impairment in the order of DKK 1,075m – 1,125m and a pre-tax profit of around DKK 825m – 875m.

The realised numbers for 2022 were core earnings before impairment of DKK 1,132m and a pre-tax profit of DKK 927m.

Balance sheet
Mortgage lending at fair value amounted to DKK 169.9bn at the end of 2022.

Bond holdings amounted to DKK 25.6bn of the total securities amount, which is DKK 1.1bn less than at year-end 2021. Of this amount, the portfolio of DLR bonds amounted to DKK 17.5bn, which is netted in "Issued bonds at fair value", while DKK 8.1bn was attributable to positions in government securities and other mortgage bonds.

In addition to the bond holding of DKK 25.6bn, DLR held other securities for DKK 1.9bn; hence, the total securities holding amounted to DKK 27.5bn (gross) at the end of 2022.

Of the total securities amount, balance sheet funds amounted to DKK 5.6bn, after which the "investment portfolio" amounted to DKK 21.9bn at year-end 2022.

DLR's total assets stood at DKK 180.2bn at year-end 2022.

Own funds

DLR's own funds increased by DKK 1,117m in 2022, amounting to DKK 17,004bn at end-2022.

The increase in own funds was mainly due to the profit after tax of DKK 720m and value adjustments, the full amount of which was added to DLR's reserves. Furthermore, deductions from own funds because of the difference between expected losses and impairment for accounting purposes on the IRB portfolio were reduced, which increased own funds by DKK 403m.

The weighted exposure amount for credit risk fell from DKK 80.9bn at year-end 2021 to DKK 64.9bn at year-end 2022 even though DLR continued to record lending growth in 2022. The reason for this relatively large fall was in part that the carrying amount of mortgage loans (loan exposure) was reduced because of falling prices of the underlying bonds. In accordance with CRR, in 2022 DLR also incorporated clarifications in its calculation of exposure on irrevocable credit commitments and loan offers and in the weighting of loans to a few small property categories. Finally, in Q4 2022, DLR implemented a new IRB model for the portfolio of full-time farms, which resulted in a lower and more accurate weighted risk exposure for this portfolio.

DLR's total capital ratio was 24.3 at year-end 2022, while DLR's common equity tier 1 capital ratio was 22.5. The total capital ratio rose by 5.7%-points relative to year-end 2021, primarily driven by the fall in the weighted risk exposure, and the common equity tier 1 capital ratio correspondingly rose by 5.4%-points. At year-end 2022, DLR's own funds were composed entirely of Tier 1 and Tier 2 capital. Tier 2 capital amounted to DKK 1,300m nominally, and in total the own funds amounted to DKK 17.0bn at year-end 2022 compared to DKK 15.9bn at year-end 2021.

	2022	2021
Own funds	17,004	15,887
Total risk-weighted exposure	69,844	85,249
Common equity tier 1 capital ratio	**22.5%**	**17.1%**
Total capital ratio	**24.3%**	**18.6%**

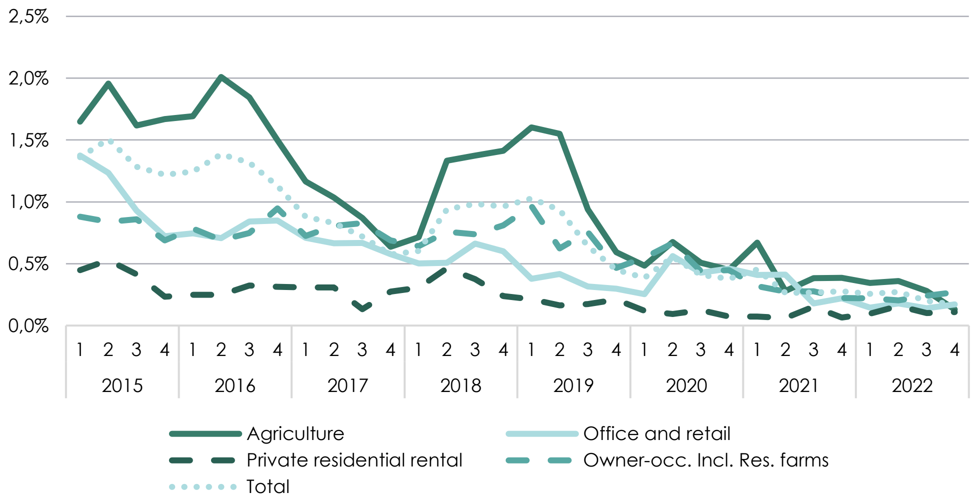
Arrears and foreclosure

DLR collected mortgage payments totalling DKK 8.6bn in 2022.

At year-end 2022, outstanding mortgage payments amounted to DKK 50m, against DKK 61m the year before. Of the amount in arrears, the bulk stems from mortgage payments that are less than 3½ months overdue.

Overall, the arrears ratio – measured as the percentage of mortgage payments in arrears 3½ months after the due date – was 0.17% in mid-January 2023, against 0.28% in January 2022. The level of arrears is historically low.

3½ months' arrears by property category



The number of completed forced sales of properties in which DLR held a mortgage was 22 in 2022, which was unchanged from the year before. Of these, DLR repossessed two properties. At 31 December 2022, DLR had no repossessed properties, which was also the case at year-end 2021.

In 2022, DLR furthermore recorded a loss on seven properties, six of which were repossessed by parties other than DLR at auction, and DLR has participated in eight voluntary sales agreements, etc. that resulted in a loss.

All in all, DLR recorded a loss on 17 properties in 2022, compared with 23 properties in 2021.

In addition, the loan-distributing banks have in connection with voluntary sales/forced sales redeemed DLR loans or covered losses that would have been covered by guarantees or be offset in commission payments.

Q4 2022

The pre-tax profit in Q4 2022 was DKK 373m.

The performance in Q4 was positively affected by the rising interest rates, which resulted in a positive coupon income on DLR's securities portfolio at the tail end of the year.

Events occurring after the reporting date

No events occurred after the reporting date that would change the income statement or balance sheet in the Annual Report.

Outlook for 2023

DLR's business primarily comprises lending for agricultural and commercial properties in close co-operation with local and national banks. DLR also has a substantial portfolio of bonds as a result of its robust own funds.

Our earnings are thus fundamentally linked to general economic performance and especially developments in the sectors it finances, as well as movements in interest rates.

The uncertainty about the economic outlook in 2022 is expected to continue in 2023, with inflation and interest rates still above the levels seen before 2022.

Higher food prices mean that earnings in much of the agricultural sector are expected to be satisfactory in 2023 despite rising costs.

For the commercial properties DLR finances, we expect continued strong tenant demand for rental housing and satisfactory tenant demand for commercial premises given the economic climate. The rise in interest rates in 2022 put a damper on construction activity and turnover of investment properties, and this effect is expected to continue in 2023.

For the businesses DLR finances, the overall outlook is for acceptable earnings in 2023 and so further satisfactory credit quality for our lending portfolio.

One positive effect of higher interest rates is that DLR expects a markedly higher return on its bond portfolio than in previous years. This will have a positive effect on our overall earnings in 2023.

Earnings forecast

For 2023, DLR expects core earnings before impairment in the order of DKK 1,000m – 1,100m and a pre-tax profit of around DKK 1,425m – 1,525m.

Interest rate developments and thus the scale of portfolio earnings together with the operational impact of any additional losses and impairment in 2023 could, however, potentially have a relatively large significance for DLR's final results in 2023.

We expect continued positive net lending in 2023 and a higher loan portfolio.

Capital position

Capital requirements

DLR applies a long-term capital model for its capital management. The capital model incorporates assumptions regarding significant matters such as earnings and lending performance. The model also encompasses an assessment of the effect of upcoming regulatory requirements. The model is regularly recalibrated and adjusted in step with developments in DLR.

DLR's own funds consists primarily of equity and a small proportion of Tier 2 capital. Most recently in 2022, DLR redeemed an issue of Tier 2 capital of DKK 650m issued in 2017. In connection with the redemption, DLR made a new corresponding issuance of Tier 2 capital of DKK 650m to the effect that DLR has still issued DKK 1,300m in Tier 2 capital. DLR has currently not issued additional Tier 1 capital.

DLR also issues senior debt in the form of Senior Non-Preferred Notes (SNP) to meet the requirement for capital to cover both supplementary collateral and the debt buffer requirement. In 2022, DLR issued SNPs for DKK 1bn to replace a maturing issue of a corresponding size. At end-2021, DLR had issued SNPs totalling DKK 4bn. DLR has previously issued senior secured bonds (SSB) with a view to meeting the requirement for supplementary collateral, but it currently has no outstanding SSBs.

In 2022, DLR's own funds increased by DKK 1,117m. The increase was primarily attributable to the profit for the year and a reduction of regulatory deductions of DKK 403m. The reason for the change is mainly that DLR implemented a new IRB model in 2022, which has reduced "expected losses".

Capital and solvency

(DKKm)	2022	2021
Equity	15,791	15,071
Profit, etc. not recognised in tier 1 capital	0	0
Deduction due to prudent valuation	-22	-22
Deduction due to non-performing exposures (NPE)	-9	-4
Difference between expected losses and impairment losses	-54	-457
Common equity tier 1 capital	**15,706**	**14,587**
Subordinated debt (Tier 2 capital)	1,298	1,300
Own funds	**17,004**	**15,887**
Weighted risk exposure amount, credit risk etc.	64,862	80,871
Weighted risk exposure amount, market risk	2,500	1,930
Weighted risk exposure amount, operational risk	2,482	2,448
Total risk-weighted exposure	**69,844**	**85,249**
Common equity tier 1 capital ratio	**22.5%**	**17.1%**
Total capital ratio	**24.3%**	**18.6%**

Capital planning and capital targets

DLR's Board of Directors has defined capital targets for DLR. The total capital ratio target is set at 17.5%, while the common equity tier 1 capital ratio target is 14.0%. DLR's own funds and capital ratio have developed favourably in recent years, and at end-2022 DLR had a highly satisfactory excess coverage.

The targets were set on the basis of both known and expected requirements, including capital buffer requirements, which are expected to be increased in 2023. Furthermore, it is assumed that DLR's Pillar II add-on will be at the level of 1.0 – 2.0%. The capital targets are set annually, but are regularly reviewed at DLR's board meetings. The targets will thus be adjusted in case of significant events or changes to market conditions.

In addition to the capital level, DLR's long-term capital model also incorporates supplementary collateral, the OC (overcollateralisation) requirement and requirements associated with the debt buffer. Given its current own funds and its earnings forecasts, DLR expects to be in a position to comply with current and future capital requirements and to meet any additional capital needs relating to the anticipated growth in lending in coming years.

Debt buffer

As a mortgage credit institution, DLR must comply with a two-part debt buffer requirement, whereas banks must instead comply with an MREL requirement. The debt buffer requirement is set to represent a minimum of 2% of total unweighted lending, while the sum of the requirement for the issuer's capital and debt buffer must constitute at least 8% of the institution's total liabilities.

The debt buffer requirement of at least 2% of DLR's lending equated to DKK 3.4bn at end-2022, while the requirement that 8% of total liabilities must be covered by the debt buffer and required capital equals DKK 14.4bn.

To comply with the debt buffer requirement, DLR has issued so-called senior non-preferred notes, SNP. SNP is senior debt and absorbs losses before other debt, but after equity and other subordinated debt (additional Tier 1 capital and Tier 2 capital). The SNP issues may also be used in connection with the requirements for supplementary collateral for issued covered bonds. At year-end 2022, DLR had issued SNP totalling DKK 4bn.

With its existing own funds, capital requirement and issued SNP, DLR complies with both debt buffer requirements.

SIFI

DLR is a systemically important financial institution (SIFI)

DLR was designated a SIFI in connection with the first SIFI designations in Denmark in 2014 and has been SIFI classified since then. DLR was most recently redesignated a SIFI in 2022. The designation is made on the basis of new criteria for assessing how systemically important a SIFI is. These criteria were adopted through a change to the Danish Financial Business Act in 2021. The new designation approach applies 12 indicators instead of the previous three.

Alongside the designation as a SIFI follows a special SIFI buffer requirement based on an estimate of how systemically important DLR is. The buffer requirement has been set at 1% of DLR's total risk exposure amount and must be covered by common equity tier 1 capital.

Supervisory Diamond

The Danish FSA has defined a Supervisory Diamond for mortgage credit institutions The Supervisory Diamond contains five indicators with threshold values for lending growth, borrower interest-rate risk, interest-only option, loans with short-term funding and large exposures. The Supervisory Diamond has applied since 2018 for the indicators regarding lending growth, interest-rate risk and large exposures, while the other indicators did not take effect until in 2020.

At year-end 2022, DLR complies with and has throughout 2022 complied with all the Supervisory Diamond indicators. See the table below.

DLR's compliance with the Supervisory Diamond

Supervisory Diamond for mortgage credit institutions	Year-end 2022	Year-end 2021	FSA threshold values
1. Lending growth: (current quarter)			
Private homeowners	3.0%	15.1%	<15%
Property rental	6.9%	15.9%	<15%
Agriculture	1.1%	2.8%	<15%
Other corporate	5.4%	8.5%	<15%
2. Borrower's interest rate risk:	**20.5%**	**15.7%**	**<25%**
3. Interest-only loans to private individuals:	**0.8%**	**1.7%**	**<10%**
4. Loans with short-term funding: quarterly *			
Q1 2022	0.0%		<12.5%
Q2 2022	7.7%		<12.5%
Q3 2022	4.7%		<12.5%
Q4 2022	1.6%		<12.5%
4. Loans with short-term funding: annually	**13.9%**	**12.7%**	**<25%**
5. Large exposures	**31.9%**	**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 2022. As a result, the annual percentage does not tally with the sum of the percentage of the individual quarters.

Ownership and capital structure

Redistribution of shares

DLR's share capital has had a nominal value of DKK 569,964,023 since the latest increase in share capital in September 2013.

A redistribution of shares was carried out in March 2022 in accordance with DLR's shareholder agreement. The redistribution is based on the proportion of shares held by the loan-distributing shareholder banks matching the proportion of loans they distributed in relation to DLR's aggregate loan portfolio.

The redistribution in March 2022 was based on the outstanding bond debt at year-end 2021, with shares for a nominal value of DKK 34m being redistributed.

Tier 2 capital

DLR's own funds consists of share capital, retained earnings, non-distributable reserves and Tier 2 capital.

DLR currently has two issues of Tier 2 capital totalling DKK 1,300m nominally. The latest issue of DKK 650m was made in mid-October 2022 to be used for the redemption of DKK 650m of supplementary Tier 2 capital issued in 2017. DLR's other issue of DKK 650m was made in December 2019. Both issues comply with the relevant requirements of the CRR regulation.

Owners and share of ownership

At 31 December 2022, DLR had 49 shareholders. The number of shareholders has been falling slightly in recent years because mergers and acquisitions have reduced the number of banks.

DLR's shareholder banks mainly comprise members of Lokale Pengeinstitutter (Association of Local Banks, Savings Banks and Cooperative Banks in Denmark) and Landsdækkende Banker (National Banks in Denmark), who own 51% and 19%, respectively, of DLR's share capital, and who are active loan distributors in DLR.

In addition, PRAS A/S, whose shareholders are essentially the banks behind Lokale Pengeinstitutter and Landsdækkende Banker, holds 8% of DLR's share capital, while other shareholders hold 22% of the share capital. The above does not include DLR's 8.1% holding of treasury shares at end-2022.

DLR's lending areas

Agricultural sector

Throughout 2022, the agricultural sector focused extensively on creating a more sustainable food production. DLR contributes financing for this transition in collaboration with shareholder banks by way of loans and dialogue with joint customers.

The framework for the sustainable development of the agricultural sector was established in October 2021 when a broad political agreement was reached on a green transition of Danish agriculture. The agreement contains an ambitious goal of reducing the carbon footprint of Danish agriculture and will entail the need for substantial adjustments in the agricultural sector. The purpose of the political agreement is to secure the future of Danish agriculture so that it is developed instead of being curtailed. It appears from the platform of the newly formed Danish government that it aims to be even more ambitious in terms of reducing carbon emissions and that, accordingly, it intends to impose a carbon tax on agriculture. The size of the tax awaits proposals from an expert committee for a model. It is assumed that this model will be structured in such a way that the agricultural sector will be supported so as not to impair its competitive strength or cause jobs to be moved out of Denmark.

In recent years, selling prices of plant crops, dairy products and meat have been relatively high, ensuring high earnings for Danish farmers. Dairy farmers enjoyed historically high settlement prices in 2022. Despite steeply rising prices on energy and commercial fertilisers and an overall cost increase, the high settlement prices have generally ensured highly satisfactory results for the farms. In addition, strong earnings and satisfactory consolidation are underpinned by continuing efforts to enhance efficiency and productivity at the farms. An exception to the overall picture of satisfactory earnings capacity is that the elevated cost level has resulted in generally impaired terms of trade, squeezing earnings for producers of weaners who are less self-sufficient in feed grain. The relatively limited group of farmers in this category who also sell their pigs for export has also been challenged by periods of difficult market conditions due to factors such as African swine fever (ASF) in a number of central European countries.

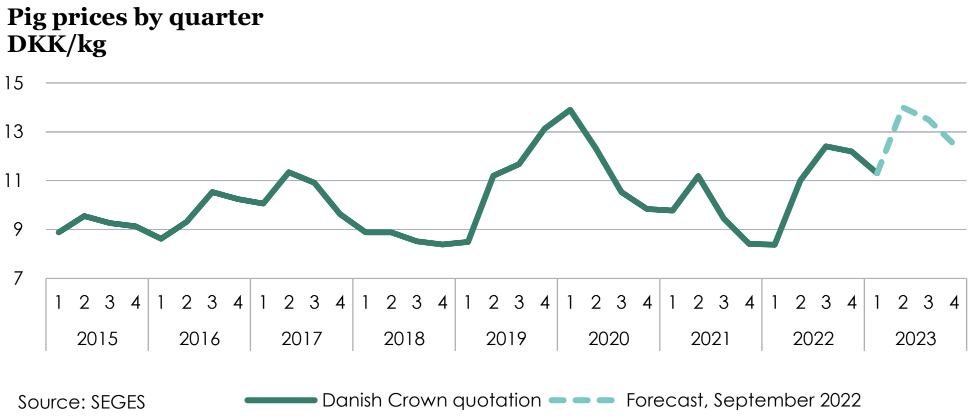
The earnings capacity has enabled farmers to repay a substantial proportion of their total debts, which have been reduced to just under DKK 300bn in the course of a few years.[1] The debt as a percentage of the value of the assets was 56% at end-2022. As a whole, the financial robustness of the sector has improved dramatically in recent years, which is a very positive trend for both the industry and its creditors.

Primary agriculture in Denmark is characterised by very high competence levels and ability to adapt and embrace change, and the positive prospects for Danish agriculture are expected to continue, with the focus on sustainable production of high-quality food.

The current situation for the main agricultural production areas is described briefly below.

Pork and weaners

Danish pig producers have endured difficult terms of trade and were hit hard by rising prices of especially feed, fertiliser and energy. Settlement prices for slaughter pigs have risen by about DKK 4 since early 2022 to an average of DKK 10.90 per kg before supplementary payment for the year as a whole. While this is an increase compared to an average settlement price of DKK 9.71 in 2021, it is not sufficient to offset the increase in costs, resulting in impaired terms of trade.



Danish producers of weaners who export pigs to Central and Eastern Europe have experienced strong price volatility in recent years. Prices were as low as DKK 150 per weaner in autumn 2021. The price rose to DKK 485 per weaner during 2022, but the year ended at an average price of DKK 362 per weaner. As producers of weaners are affected especially by developments in the German market, it is essential for them to keep informed about upcoming requirements for farm buildings and general environmental issues in Germany.

Pork exports to China are very limited because the pig population in China has started to grow following a substantial decline triggered by African swine fever

[1] Source: "Fakta om Fødevareklyngen", November 2022, published by The Danish Agriculture and Food Council.

(ASF). However, there is still a lot of demand for Danish by-products, and there are strong indications that China remains challenged in its efforts to control ASF.

It remains essential for Danish pig production that Denmark successfully prevents ASF from spreading into the country. The importance of the fencing initiative along the Danish–German border has only grown in step with the spread of ASF in Germany.

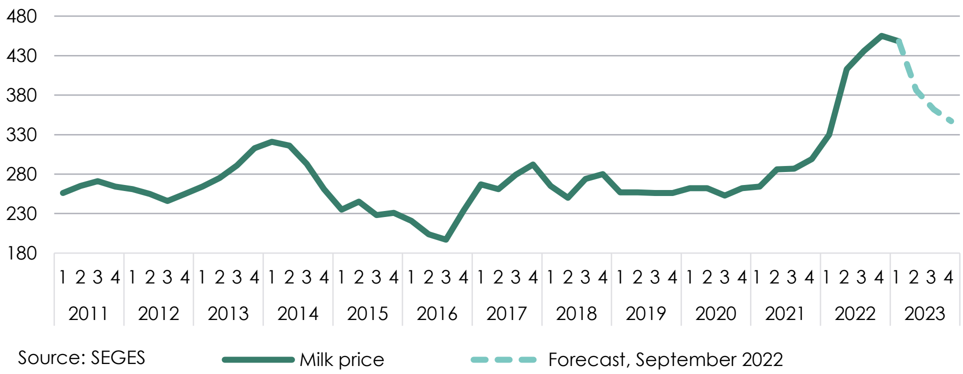
Meat consumption in Europe is declining, and there has been a reduction in the volume of pigs slaughtered in EU-27, which in early September was 4.4% lower than at the same time in 2021. Germany, Belgium and Poland witnessed a particularly strong decline, whereas the volume in Denmark fell by less than the average at 3%.

Dairy production

The price of milk is the most important factor for dairy farmers to achieve satisfactory operating results. In 2022, the settlement price for conventional milk increased by DKK 1.30 per kg to DKK 4.55 per kg at end-2022, which is an increase of DKK 0.40 over the course of the year. Although dairy farmers are also affected by rising prices of especially energy and commercial fertiliser, realised milk prices combined with fair growth in milk production, increased efficiencies and satisfactory roughage production enabled dairy farmers to achieve highly satisfactory financial results.

In the last couple of years, the global milk market has seen demand outpacing production. For 2023, expectations are for an improved balance between supply and demand with a slight increase in production in northern Europe and the USA and a lower output in New Zealand and Australia. The global dairy market is expected to be characterised by reduced demand in the EU and growing exports to China following the easing of COVID-19 restrictions. Settlement prices for dairy farmers are expected to fall in 2023, but from a historically high level to a level that remains satisfactory.

Milk price øre/kg

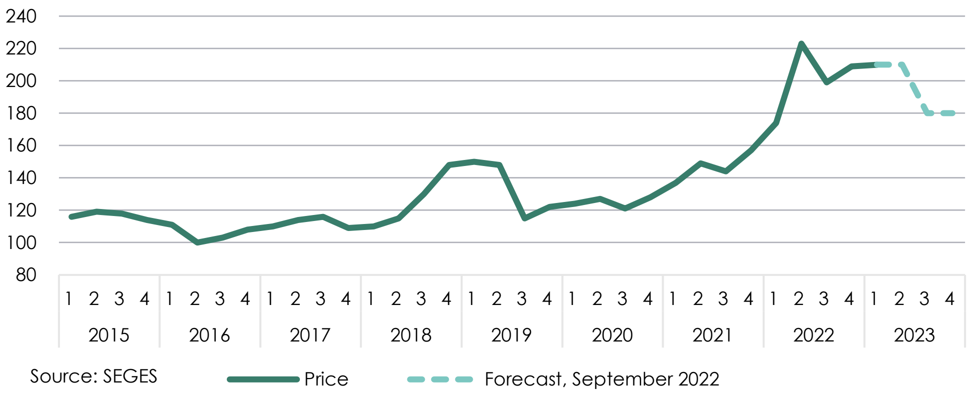


Source: SEGES

Arable farming

Arable farmers enjoyed good growth conditions in 2022 with crop yields 10–15% above normal-year average. In addition, prices of main products were relatively high, resulting in a historically high value of total crops in 2022. Although crop production was also impacted by the rising costs of, for example, commercial fertiliser and energy, arable farmers' overall finances and profitability were at acceptable levels in 2022.

Feed wheat price DKK/100 kg



Source: SEGES

Agricultural property market
In recent years, the agricultural property and land market has experienced largely unchanged activity and stable prices. The market continues to be characterised by an increasing price differentiation depending on the fertility and location of the land.

Overall, we assess that current price levels for farmland are supported by long-term expectations for crop prices and interest rate developments.

The climate agreement for the green transition of Danish agriculture signed in autumn 2021 is expected to entail that cultivated low-lying land areas are left fallow, resulting in a reduced area of arable land in use. Furthermore, there is demand for farmland to build infrastructure, such as solar power projects. In spite of the rising level of interest rates, land prices are generally expected to remain stable or to rise by a small margin.

Commercial property

DLR's lending for commercial properties comprises loans for private residential rental property, office and retail property, manufacturing and craft property, properties for social, cultural and educational purposes, community utility plants – including onshore wind turbines and solar power plants – and housing cooperatives in Denmark. Furthermore, DLR grants mortgage loans for properties in the Faroe Islands and in Greenland, where DLR also finances owner-occupied homes.

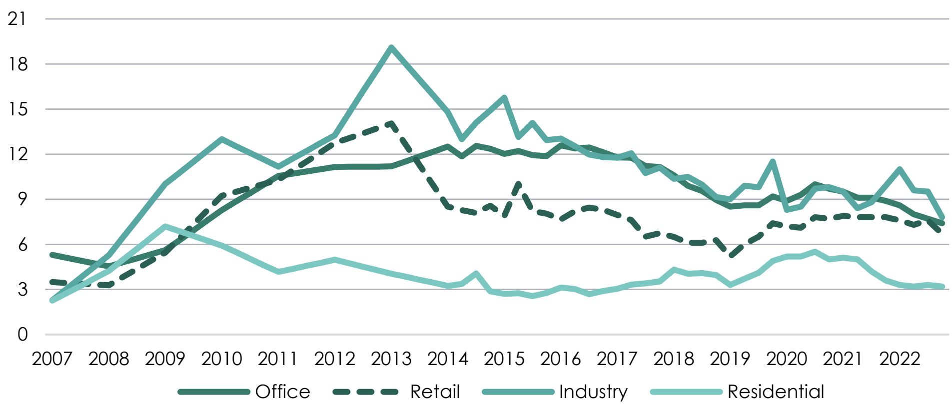
DLR's loan-distributing banks cover all parts of Denmark, although coverage of the Greater Copenhagen area is somewhat limited. Just under 90% of DLR's lending to the above-mentioned property categories in Denmark is thus for properties located outside the capital region.

Vacancy rates remain relatively low

Following quite a few years of falling rates, 2019 and 2020 saw vacancy rates edging higher, but in 2021, vacancy rates for residential and office properties declined once again, while overall vacancy rates for retail properties were largely unchanged. For industrial properties, which only make up a very limited proportion of DLR's loans, there was a slight increase in vacancy rates.

Throughout 2022, vacancy rates generally remained low and stable. For office properties, vacancy rates continued to move lower over the course of the year, while rates for retail properties appear to be unchanged despite the challenges faced by brick-and-mortar stores.

Vacancy rates (%)



Source: Ejendomsforeningen Danmarks markedstatistik

The post-pandemic market for commercial property

Although retailers re-opened in 2022 with no COVID-19 restrictions, there is still a risk that several brick-and-mortar stores will have to close, because an increasing number of retailers decide to relocate their business from local brick-and-mortar stores to online stores to match changes in consumer shopping patterns. In recent years, this has contributed to the pressure on rents for a number of prime-location retail properties. As these developments have been underway for some time, it is generally believed that the market has taken them into account. Prices of these properties have thus been adapting to this expected market trend for some time.

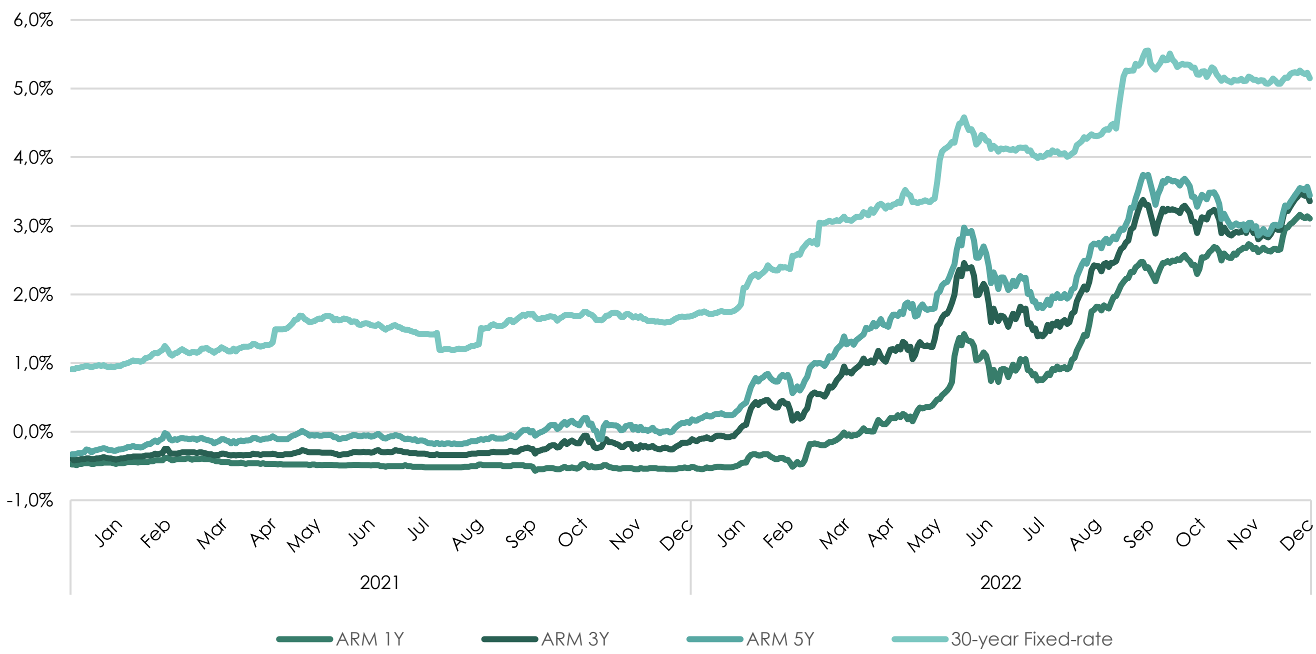
In the wake of the COVID-19 pandemic, some have expected that the need for office space would decline because more people will be working from home. However, the market is not showing any signs of this, as vacancy rates were continuing to fall during 2022, suggesting continued demand for office leases. It remains to be seen whether increased telecommuting in the slightly longer term will result in a reduced need for office space, but it has yet to feed through to vacancy statistics or falling rent levels for office properties.

Demand for rental properties appears to continue to grow, and vacancy rates are still very low.

The current commercial property market

2022 was characterised by sharply rising interest rates, driven by factors such as surging prices of energy and food. The uncertainty primarily with respect to gas supplies and grain products due to the war in Ukraine pushed inflation rates to a level unparalleled since the 1970s.

Yield developments 2021–2022 (effective yield)

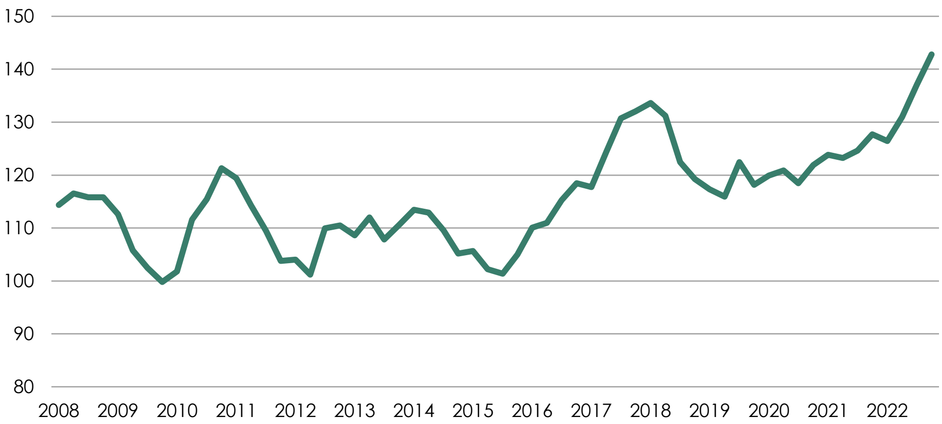


Since February 2022, when Russia attacked Ukraine, interest rates have risen sharply, and the 30-year yield, which DLR uses when assessing liquidity of rental properties, was more than five times higher than at the beginning of 2021.

Property prices

As shown in the charts below, prices of office and retail properties rose significantly in 2022.

Price index for office and retail properties (index 2006=100)



Source: Danmarks Statistik

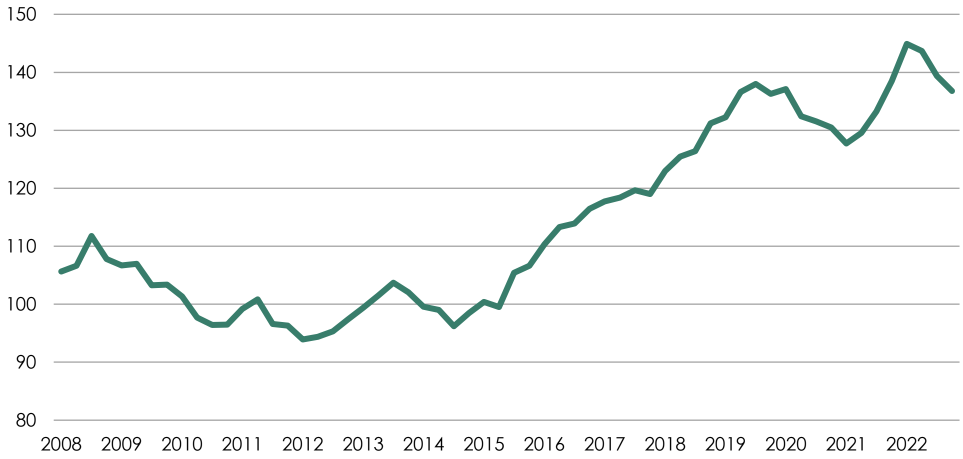
There was also a rising price development for industrial and warehouse properties in 2022.

Price index for industrial and warehouse properties (2006=100)

Source: Danmarks Statistik

Prices of residential rental properties rose considerably during 2021, but developments turned at the beginning of 2022, and by the end of the year prices were back at the level of early 2020.

Price development for properties with more than 4 flats (index 2006=100)



Source: Danmarks Statistik

DLR continues to experience fair-sized interest in remortgaging loans from other credit institutions to DLR loans, but there was only a limited number of property transactions in the second half of 2022. The lower number of new transactions was in part due to the fact that buying a property now requires a far greater proportion of own financing than it did only a year ago, because the high level of interest rates reduces the number of loan solutions especially for properties with the lowest returns due to the requirement for positive liquidity.

European building directive may have implications for property owners and the pricing of properties

The coming EU building directive is to contribute to enhancing energy efficiency in buildings across the EU. The directive stipulates that going forward, minimum requirements must be reached for energy improvements of existing buildings with the poorest energy performance and that national action plans will be drawn up for the renovation initiative.

The final requirements for properties are still being negotiated, but for some buildings the requirements may entail energy renovation costs of such a magnitude that they exceed the value of the building or that renovation would not be financially viable. This may have repercussions for the pricing and saleability of these properties and in particular for the least energy-efficient properties in which the energy consumption cannot be covered by renewable energy.

Lending activity and portfolio

DLR's primary lending areas are agricultural and commercial properties and, to a limited extent, residential properties and owner-occupied homes in the Faroe Islands and Greenland. DLR's lending is channelled exclusively through its shareholder banks, which cover the entire country, but primarily outside the Greater Copenhagen area.

Lending activity

There was a satisfactory trend in gross lending and lending growth throughout 2022. The satisfactory developments were driven by extensive remortgaging activity and continuing fair-sized demand for loans in DLR's significant loan segments.

Historically high level of activity in 2022

Loans disbursed

In 2022, DLR recorded the highest ever level of activity in terms of gross lending driven by a rising level of remortgaging activity and a continuing fair-sized increase of new loans.

DLR's loans disbursed (gross lending) totalled DKK 46bn (measured in terms of outstanding bond debt) in 2022, which was DKK 9.2bn higher than in 2021. The level of loan activity was higher than in 2019, which was also a year of strong remortgaging activity.

The rising level of loan remortgaging activity in 2022 was driven by a sharp rise in interest rates and, accordingly, falling prices of fixed-rate bond loans. Falling prices in 2022 enabled borrowers holding fixed-rate loans to substantially reduce their mortgage debts by remortgaging their loans. The bulk of the remortgaging was from fixed-rate loans into loans with short refinancing periods (ARM Short loans), which is described in greater detail in the section *Changed composition of portfolio by loan types.*

Lending growth

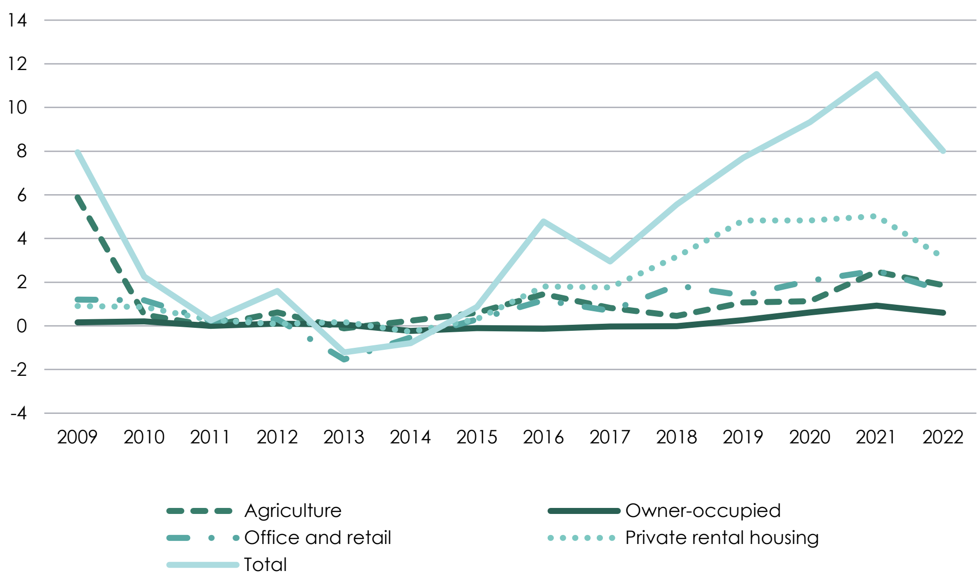
The large volume of loans that were remortgaged with the purpose of reducing the mortgage debt contributed to reducing DLR's outstanding loan portfolio in 2022 and seen in isolation this reduced DLR's lending growth by a little over DKK 2bn. Still, the underlying lending growth in 2022 was satisfactory due to a great competitive strength of the loan-distributing banks. In addition, demand for loans for all property types remained strong.

Overall, DLR's loan portfolio (outstanding bond debt) increased by DKK 5.8bn in 2022, against DKK 11.8bn in 2021. Disregarding the negative effect from remortgaging, there was an increase in loan activity of DKK 8.0bn (cash value) in 2022, against similar lending activity in 2021 of DKK 11.5bn.

Although DLR experienced decent activity in the market for office and retail property and residential rental in 2022, lending growth was lower than in 2021. However, growth in lending to the two segments still amounted to 60% of DLR's total lending growth in 2022. Lending growth to the agricultural sector accounted for 23% of total lending growth in 2022, while growth in lending for owner-occupied dwellings, including residential farms accounted for 7%, driven by lending growth in Greenland and the Faroe Islands.

Growth in loans for office and retail property and residential rental property resulted in added risk diversification in the loan portfolio in several lending segments again in 2022, which bond investors and rating agencies also consider to be an advantage.

DLR's lending growth (DKKbn)



DLR's portfolio and market share

DLR's loan portfolio amounted to DKK 181.9bn measured by the nominal outstanding bond debt at the end of 2022, equivalent to a market share of 5.8% of total mortgage lending.

DLR's portfolio in its lending areas
Looking only at DLR's main business areas, DLR has a market share of 17.2%. This may be broken into market shares of 37.0% for agricultural properties, 9.8% for private residential rental properties/cooperative housing properties and 11.1% for office and retail property. Over the past few years, DLR has increased its market share within these three lending areas.

Agriculture
Even though DLR's agricultural lending has increased, agricultural loans' share of DLR's total loan volume has been declining for some years. The reason is that loans for DLR's other segments have grown quicker than agricultural loans, especially during the years 2015-2021. At the end of 2022, agricultural loans accounted for 51.5% of DLR's total loans against 52.7% in 2021.

Urban commercial properties
The share of DLR's total lending for private residential rental properties was 21.3% at end-2022, while the share was 17.2% for office and retail properties. The share of DLR's lending for private residential rental properties increased by 0.8%-point in 2022, while the share for office and retail properties was unchanged.

Owner-occupied homes including residential farms
At the end of 2022, DLR had provided loans to owner-occupied properties and residential farms totalling DKK 10.4bn. Lending primarily covers residential farms in Denmark and owner-occupied homes in Greenland and the Faroe Islands. Lending to owner-occupied properties and residential farms rose by DKK 0.4bn during 2022.

Changed composition of portfolio by loan types
As a result of higher interest rates in 2022, DLR's borrowers extensively remortgaged their fixed-rate loans into loans with short refinancing periods (ARM Short) to reduce their mortgage debt. The share of fixed-rate loans fell from 34.1% at end-2021 to 25.5% at end-2022. During the same period, the share of ARM Short loans rose from 37.1% to 48.3%.

The higher interest rates also contributed to reduced demand for adjustable-rate loans with long refinancing periods and to slightly greater demand for loans with short refinancing periods. In DLR's loan portfolio, the share of 5Y ARMs was thus reduced by 3.3%-points during 2022 to 21.0% of DLR's total lending at end-2022. The share of 1Y/2Y ARMs rose from 1.6% to 2.4% during the same period.

DLR's loan portfolio at 31 December 2022

	Outstanding bond debt DKKbn	Distribution by property category	Fixed-rate loan	ARM Short	1Y/ 2Y	3Y/ 4Y	5Y	Other short-term interest rate loans
Agriculture, incl. horticultural properties	93.7	51.5%	14.1%	63.3%	2.7%	1.9%	17.2%	0.9%
Owner-occ. incl. res. farms	10.4	5.7%	54.2%	13.9%	3.9%	4.0%	22.9%	1.1%
Office and retail	31.4	17.2%	34.4%	34.0%	2.3%	2.3%	26.6%	0.4%
Private residential rental	38.7	21.3%	30.9%	39.3%	1.9%	2.1%	25.5%	0.3%
Private cooperative housing	3.9	2.2%	72.9%	9.1%	0.5%	0.7%	16.1%	0.7%
Other property	3.8	2.1%	50.3%	24.5%	0.4%	2.6%	22.1%	0.1%
Total	**181.9**	**100.0%**	**25.5%**	**48.3%**	**2.4%**	**2.1%**	**21.0%**	**0.7%**

Distribution of loan types by segment

In all DLR's loan segments, loans with short refinancing periods became more popular in 2022. At 64.2%, DLR's agricultural customers still accounted for the largest share of loans with short refinancing periods at end-2022. For office and retail property and residential rental property, loans with short refinancing periods accounted for 34.4% and 39.6%, respectively, at the end of 2022.

Funding

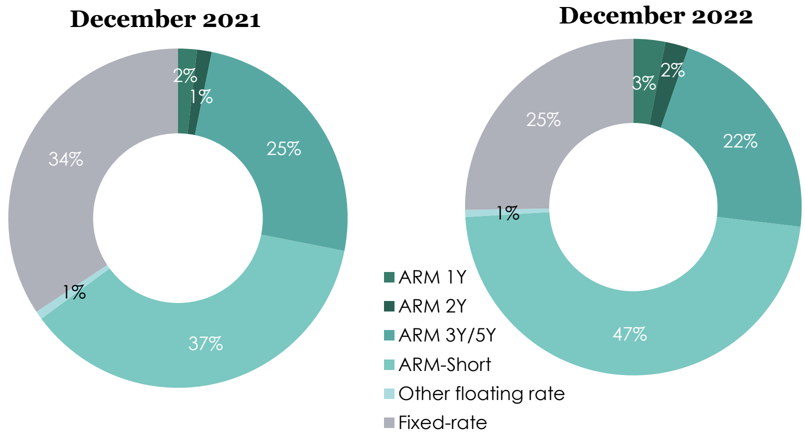
DLR funds its lending activities through the issuance of mortgage bonds listed on Nasdaq Copenhagen. Bonds are issued according to the specific balance principle, with financing through issuance of covered bonds (SDO) in a 1:1 ratio. DLR's funding structure thus reflects the composition of mortgage loans.

Funding and bond issuance

Fixed income markets were exceptionally volatile in 2022 and marked by substantially higher interest rates and price increases on energy, food and raw materials, among other things. The elevated level of inflation has prompted monetary policy reactions in the form of rate hikes by central banks in the USA and Europe. Throughout 2022, these events affected the mortgage bond market and, by extension, DLR's issued bonds. Through new lending and remortgaging, the uncertainty and higher interest rates resulted in many new issues of variable-rate bonds and extensive prepayment activity in callable bonds. DLR's new issues of variable-rate bonds also include DLR's green ARM Short bond. Listed for the first time in August 2022, the outstanding amount of these bonds grew to about DKK 400m at the end of the year.

Owing to the large number of new issues of floating-rate bonds and prepayment of callable bonds through 2022, ARM Short bonds accounted for nearly half of DLR's outstanding amount bonds at end-2022, which is an increase of close to 10%-points during the year. During the same period, the share of callable bonds was reduced from about one-third to one-fourth of all issues.

DLR's outstanding bonds by type



More DLR bond series

Lending growth in 2022 meant that the volume of DLR's outstanding bonds increased to DKK 183.5bn at the end of the year, not counting senior debt and bonds maturing on 1 January 2023.

The bonds are issued out of two capital centres with separate reserve funds. Since the beginning of 2008, DLR has exclusively issued covered bonds (SDO) out of Capital Centre B. The volume of DLR's outstanding bonds is slightly greater than the outstanding bond debt at end-2022, which is due to drawings, fixed-price agreements, partial repayments and immediate repayment.

Before 2008, DLR funded its loans by issuing mortgage bonds (RO) from the General Capital Centre, most of which have subsequently been redeemed or remortgaged into Capital Centre B. DLR's RO bonds merely accounted for about 0.4% of outstanding volume at end-2022.

All DLR's covered bonds (SDO and RO) meet the so-called UCITS requirements for covered bonds. The SDO bonds also meet the CRD requirements for covered bonds. Moreover, quarterly cover pool reporting at capital centre level ensures that disclosure obligations under CRR article 129(7) are complied with. The distribution of bonds by type and currency at 31 December 2022 (excluding bonds maturing on 1 January 2023, but including pre-issued bonds in connection with the refinancing of mortgage loans on 1 January 2023) is shown in the table below.

DLR's bonds, end-2022 (nominal)
DKKbn

	DKK bonds	EUR bonds	Total
SDO	181.6	1.1	182.8
RO	0.7	0	0.7
Total	**182.4**	**1.1**	**183.5**

EUR loans

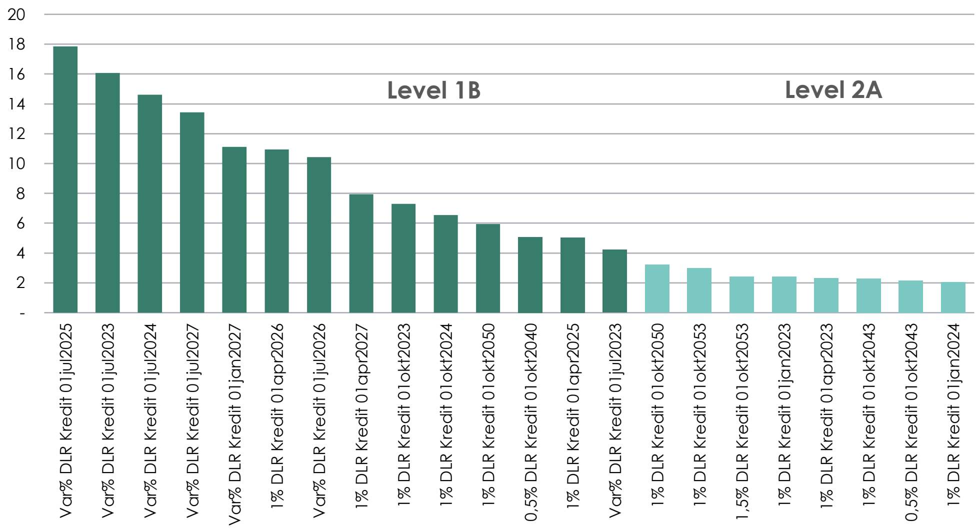
DLR's ARM loans in euros are only refinanced in January. A large proportion of DLR's 1Y ARM loans denominated in EUR has since 2014 been switched into either ARM Short loans or longer ARM loans denominated in DKK, as DLR has not offered loans in EUR since 2014. Likewise, a large proportion of the EURIBOR-based loans with 10-year funding was switched into other loan types denominated in DKK in connection with the 1 January 2018 and 1 January 2019 refinancing rounds. Hence, EUR-denominated bonds accounted for just 1.0% of the total outstanding volume of bonds at the end of 2022.

Series sizes

Shown below are DLR's largest bond series at the beginning of 2023. The series meet the LCR requirements of EUR 500m for level 1B assets and EUR 250m for level 2A assets. The largest series are made up of the longest non-callable bullet bonds and CIBOR-based ARM Short bonds.

At the end of 2022, 75% of DLR's series met the 1B requirement for series size in terms of outstanding volume, while a further 10% met the level 2A requirement.

DLR bond series meeting LCR size requirements (DKKbn)



In several callable bond series, the outstanding amount is limited due to the rapid and extensive interest rate developments in 2022, which resulted in tap issues of bond series with new and higher coupons. The relatively short opening periods for the individual coupons resulted in small outstanding amounts in several series. During 2022, DLR opened 30-year callable bond series with coupons of 2%, 2.5%, 3%, 4% and 5%. During the same period, 20-year callable bond series were opened with coupons of 2%, 2.5%, 3,5% and 4%.

Bond sales

DLR bonds are tapped as loans and paid out and regularly offered in the primary market to financial institutions, which publish transaction information on Nasdaq

Copenhagen. Publication helps ensure transparency in the market for Danish mortgage bonds.

In addition, DLR issues bonds in connection with the refinancing of ARM and ARM Short loans and other short-term interest rate loans.

DLR uses Bloomberg's auction system both for regular sales and to hold refinancing auctions for bonds with shorter maturities than the underlying loans. This helps ensure openness and transparency in the trading of DLR's bonds.

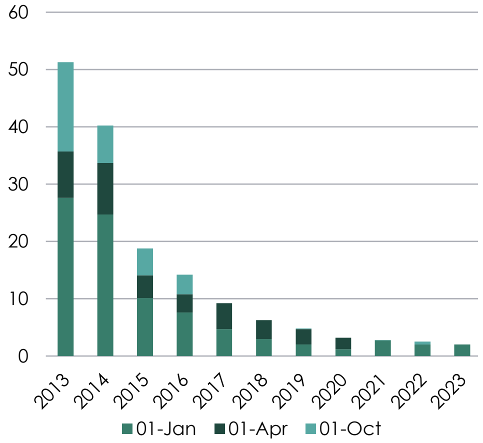
Since 2017, DLR has had Primary Dealer agreements with a number of banks. These agreements remunerate the institutions that actively quote prices for DLR's bonds for a continuous period. These agreements have contributed to strengthening liquidity and thus ensuring the continuous pricing of DLR's bonds.

Refinancing of ARM loans

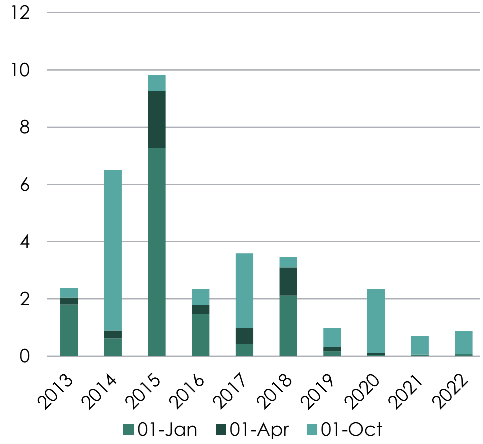
DLR held auctions in August and November-December 2022 in connection with the refinancing of ARM loans per 1 October 2022 and 1 January 2023, respectively. There were no ARM loans for refinancing at 1 April 2022 because the refinancing of short-term ARM loans was moved from April to January. In step with the switch to other loan types, refinancing volumes of short-term ARM loans have declined steadily in recent years. By contrast, volumes of floating-rate CIBOR and CITA loans rose steadily in 2022.

At the August auctions, DLR supplied DKK-denominated bonds for around DKK 8.2bn (nominal amount). At the November-December auctions, DLR supplied DKK-denominated bonds for about DKK 2.1bn and EUR-denominated bonds for about EUR 0.1bn (all nominal amounts). The refinancing of ARM loans of the 1Y type totalled DKK 2.6bn in 2022, which was about DKK 150m less than in 2021. The refinancing of the 5Y type amounted to DKK 4.7bn in 2022. In this respect, it is worth noting that the refinancing rate for the 5Y type loans was 58% in 2022, which is 15 percentage points lower than at the corresponding auction in 2021.

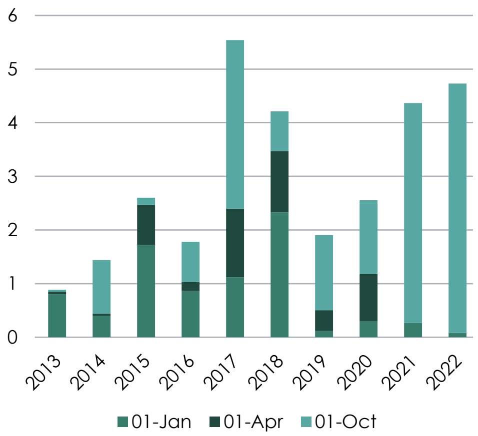
Supply of 1Y non-callable bullets (DKKbn)



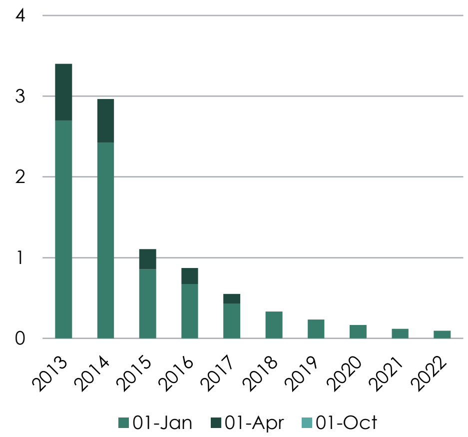
Supply of 3Y non-callable bullets (DKKbn)



Supply of 5Y non-callable bullets (DKKbn)



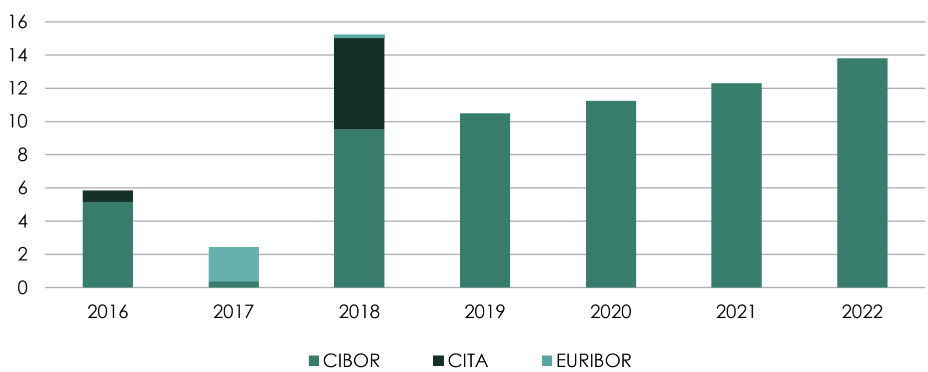
Supply of 1Y EUR non-callable bullets (DKKbn)



Refinancing of floating-rate loans

In May 2022, DLR carried out a refinancing auction of floating-rate bonds, offering bonds for a nominal amount of DKK 13.8bn. 5-year CIBOR6 bonds were used to re-finance ARM Short loans on 1 July 2022. On 7 July 2022, DLR opted to replace the funding of new ARM Short from CIBOR6-2025 to CIBOR6-2027 series.

DLR's refinancing of bonds underlying ARM Short loans and other floating-rate loans by reference rate (DKKbn)



Capital and debt instruments

DLR issues loss-absorbing senior debt with a view to meeting the debt buffer requirement and Tier 2 capital that forms part of DLR's own funds. DLR's loss-absorbing senior debt is also included in S&P's ALAC calculation (Additional Loss-Absorbing Capacity). The issues are thus supportive of DLR's issuer rating, see below, and can also be used for meeting OC requirements and other purposes.

DLR's has Tier 2 capital as stipulated in Regulation (EU) No. 575/2013 of the European Parliament and of the Council (CRR), which thus forms part of DLR's own funds. DLR has issued Tier 2 capital totalling DKK 1.3bn.

DLR's loss-absorbing senior debt consists of Senior Non-Preferred Notes (SNP) issued pursuant to the legislation on creditor hierarchy, which entered into force on 1 July 2018. The loss-absorbing senior debt can be written down or converted into share capital if DLR should become distressed.

DLR's outstanding capital and debt instruments at end-2022

Type	Amount (DKKm)	Issuance date	Maturity date	Maturity (years)	Reference rate	Rate premium
SNP	750	13 April 2019	1 July 2023	4¼	3M CIBOR	1.15%
SNP	250	12 April 2019	1 July 2023	4¼	Fixed interest rate	1.07%
SNP	1,000	3 November 2020	1 July 2024	3¾	3M CIBOR	0.85%
SNP	1,000	8 June 2021	1 July 2025	4	3M CIBOR	0.67%
SNP	700	15 June 2022	2 July 2026	4	3M CIBOR	1.25%
SNP	300	15 June 2022	2 July 2026	4	Fixed interest rate	2.50%
Total debt instruments	**4,000**					
Tier 2	650	6 December 2019	6 December 2029 *	10	6M CIBOR	2.50%
Tier 2	650	14 October 2022	14 October 2032 **	10	3M CIBOR	4.25%
Total capital instruments	**1,300**					
Total debt and capital instruments	**5,300**					

* First call option 06-12-2024
** First call option 14-10-2027

At year-end 2022, DLR had DKK 4bn in outstanding senior debt, against DKK 5bn the year before. The assessment is that DLR had adequate excess cover relative both to overcollateralisation requirements (OC) and to supplementary collateral in the short and medium term. At the end of 2022, the senior debt consisted of DKK 4bn in

Senior Non-Preferred notes (SNP), which was unchanged from 2021. Previously, Senior Secured Bonds (SSB) and Senior Resolution Notes (SRN) also formed part of DLR's senior debt.

DLR opted in 2022 not to refinance a maturing SSB issue of DKK 1bn because the level of supplementary collateral with SNPs for DKK 4bn was considered adequate.

Rating

DLR as an issuer and DLR's bonds are rated by S&P Global Ratings (S&P) as follows:

DLR's ratings

Bond rating	S&P
Capital Centre B (SDO)	AAA (stable)
General Capital Centre (RO)	AAA (stable)
General Capital Centre (SNP)	BBB (stable)
General Capital Centre (Tier 2)	BBB- (stable)
Issuer rating	
Issuer (Long-Term)	A- (stable)
Issuer (Short-Term)	A-2 (stable)

Since May 2017, DLR has held an issuer rating (Issuer Credit Rating – "ICR") of A-. The rating is supported by an ALAC support uplift of +1, which is added to DLR's Stand-Alone Credit Profile (SACP) of BBB+. DLR's covered bonds (SDOs) and mortgage bonds (ROs) have been assigned the highest rating of AAA. Under S&P's Covered Bond rating method, it is possible to obtain a bond rating that is up to nine notches above the ICR. S&P deducts one notch for DLR not committing to a particular OC level (voluntary OC). With an ICR of A-, DLR applies only six of the eight remaining notches to achieve the AAA rating and thus has two unused uplifts in its bond rating. This contributes to lowering the OC requirement on DLR's capital centres.

S&P's OC requirements compatible with the AAA rating have most recently been set at 8.96% for Capital Centre B and 2.50% for the General Capital Centre. The OC requirements are met for the nominal bond amount in the capital centre and covered by surplus capital in the capital centres. This is achieved using assets acquired for own capital together with funds obtained by issuing senior debt.

While DLR, as mentioned, has not made any commitment to S&P about maintaining a certain level of overcollateralisation in its capital centres, it has a clear ambition of maintaining its current AAA rating. As S&P's OC requirement is dynamic and changes with, for example, changes in asset levels, composition and quality, or due to a change in S&P's criteria or models, the need for additional collateral may change going forward. DLR therefore maintains a comfortable overcollateralisation buffer in Capital Centre B relative to S&P’s OC requirements.

The SNP issues are rated BBB, which is one notch below DLR’s SACP. DLR’s Tier 2 issue is rated BBB-, which is two notches below DLR’s SACP.

MSCI has assigned DLR an ESG rating of

AA

ESG ratings

The growing interest in society especially for climate and environmentally sustainable matters and for social and governance issues is also reflected among investors and issuers. ESG ratings (Environmental, Social and Governance) is a tool with which investors and other stakeholders can assess a company's position with respect to ESG issues.

MSCI, which is a provider of indices and also rates companies in terms of sustainability, has on its own account assigned a rating to DLR on the basis of publicly available information. In October 2021, MSCI upgraded DLR’s ESG rating from BBB to AA. Most recently on 28 November 2022, MSCI published a rating report affirming DLR’s ESG rating of AA. DLR is working actively to improve the factors underlying the ESG rating.

Risk factors

Risk management

DLR's business model is based on traditional mortgage credit activities. In other words, DLR grants loans against a mortgage on real property funded through the issuance of bonds. As a mortgage credit institution, DLR is subject to finely-meshed regulations, covering all important areas of DLR's operations. Due to these regulations, including the balance principle and the framework this provides for running DLR, the company is primarily exposed to credit risk. The balance principle stipulates strict limits for liquidity, option, interest rate and exchange rate risk.

DLR carries out a valuation of mortgaged properties and an internal credit assessment of all borrowers. The loan-distributing banks have also provided a substantial volume of loss guarantees for the loans granted, and DLR has the opportunity to offset losses in the commissions paid to the banks. These factors generally ensure a limited risk of loss on the loan mass, just as continuous attention to the setting of administration margins provides balanced earnings relative to credit risk. Issued mortgage loans are established and remain on DLR's balance sheet throughout the term of the loan.

DLR has two separate and independent departments that together comprise the second line of defence: Risk Management and Compliance. Both departments report to the Executive Board of DLR and have access to report to the Board of Directors.

DLR's anti-money-laundering and anti-terrorist financing initiatives are based on DLR's risk assessment and its anti-money laundering and anti-terrorist financing policy. DLR gives high priority to ensuring that DLR and its customers are not used for money laundering or terrorist financing purposes. DLR's AML officer reports directly to the member of DLR's Executive Board in charge of AML.

DLR's Risk and Capital Management Report provides a detailed description and review of DLR's risks and risk management. The report can be found at DLR's website under dlr.dk/en/investor/financial-statements/#risk-and-capital-management.

Solvency need

In accordance with the Danish Financial Business Act, DLR must determine its adequate own funds and solvency need. In its calculation, DLR applies the credit-reservation approach or the 8+ approach. The approach is described in the Danish FSA's guidelines on adequate own funds and solvency needs for credit institutions.

The calculation is based on 8% of the total risk exposure amount. Subsequently, an assessment is made of whether DLR in individual risk areas or operationally is exposed to material risk not covered by the 8% requirement. If such risk is identified, an add-on is made to the adequate own funds.

The calculation of the adequate own funds and solvency need is presented at least once quarterly to DLR's Board of Directors, while a more detailed methodology review of the calculation is made at least once annually. Before it is presented to DLR's Board of Directors, the calculation of the adequate own funds and solvency need is reviewed by DLR's Risk Committee. In addition, DLR's internal audit department undertakes an independent assessment of the calculation.

It is regularly assessed whether the calculated solvency need and adequate own funds reflect DLR's current risk profile.

As DLR's business model relies exclusively on operating a mortgage credit institution, by far the largest part of DLR's adequate own funds attaches to DLR's credit risk. See the table below.

DLR's adequate own funds and solvency need

(DKKm)	2022	2021
Credit risk	5,540	7,011
Market risk	675	592
Operational risk	199	196
Other factors	0	0
Internally calculated adequate own funds	6,413	7,799
Add-ons (special risks)	0	0
Total, adequate own funds	**6,413**	**7,799**
Solvency need	**9.18%**	**9.15%**

Please also refer to DLR's report "Risk and Capital Management " and the quarterly calculations of adequate own funds and the solvency need, which can be found at DLR's website under dlr.dk/en/investor/financial-statements/#risk-and-capital-management.

Large exposures

Exposures of more than 10% of DLR's own funds are designated large exposures by regulations. At year-end 2022, DLR only had exposures (after deductions) that amounted to more than 10% of DLR's own funds.

Supplementary collateral

As part of its lending activity, DLR regularly issues covered bonds (SDO) out of Capital Centre B. Particularly secure assets are used as collateral for the issued bonds – primarily mortgage on real property. Continual monitoring is carried out of the market value of the mortgaged properties, as legislation lays down limits that determine the extent to which the mortgaged property can be included as collateral for the issued SDOs.

If the amount of secure assets underlying the issued bond is insufficient, for example in case of falling prices on the properties provided as collateral for the loans granted, additional supplementary collateral must be added to the capital centre in a ratio of 1:1. Such supplementary collateral must consist of particularly secure assets, such as government bonds, own covered bonds or, up to a certain limit, claims against credit institutions.

At year-end 2022, DLR had provided DKK 6.1bn in supplementary collateral, which was down on the year-end 2021 level, when DLR provided DKK 8.6bn in supplementary capital. The need for additional collateral has generally declined in recent years.

DLR maintains a buffer that may be used as supplementary collateral in the form of both own funds and issued SNPs and guarantees, etc. provided by the loan-distributing banks. In this way, DLR is able to resist any general price falls on agricultural and commercial properties of 15-20% without having to source additional collateral.

Credit risk

Hedging of credit risk

DLR grants loans against a registered mortgage on real property subject to the regulations stipulated for mortgage credit institutions, including the rules governing LTV in real property, etc.

DLR's Board of Directors has drawn up guidelines for the granting of credit by DLR – including limits on the credit authorisation of the Executive Board – based on DLR's business model, etc. Within these limits, internal business procedures and instructions determine guidelines and limits for the credit authorisation of the various levels in DLR's credit organisation. The Board of Directors must approve exposures that exceed defined limits.

To identify credit risk, the financial position of the borrower and the collateral offered is closely reviewed. The review starts by determining the market value of the property to be mortgaged. In Denmark, this is done by DLR's own valuation experts. The other element is a credit assessment, including a credit scoring of the loan applicant and an assessment of the applicant's ESG factors, which is handled by DLR's credit department. This setup ensures a segregation of functions between the property valuation and the credit assessment.

The valuation expert pays attention to ground pollution, reviews production permits, looks at geographical data (such as the risk of flooding), considers the location (proximity to natural/urban areas etc.) and assesses land use (e.g. forestry, grazing, arable) and working conditions. In terms of credit risk, the assumption is that customers and properties with a positive ESG assessment, all else equal, are expected to be better placed in the coming years and so more financially robust, although account is also taken of the risks associated with using new technology etc. This is also set out in DLR's credit policy.

IRB (internal rating based) models are an integrated element in DLR's loan application and credit-granting process and in the risk management.

DLR's credit risk has been further reduced through loss-mitigating guarantee schemes with the loan-distributing banks, who are also DLR's shareholders.

At year-end 2022, 98.8% of DLR's total loan portfolio was covered by guarantee concepts. The guarantee schemes mean DLR's risk of loss on its lending activities is very limited. The loss-mitigating agreements are explained in the section *DLR's guarantee concepts* below.

Credit risk developments

As DLR continues to experience growth in lending to urban trade, especially for private residential rental properties, its share of agricultural loans continues to decline. See the descriptions in the sections Lending activity and portfolio. However, DLR maintains a large concentration of loans to agricultural customers and is the largest mortgage provider for full-time agricultural properties in Denmark.

Exposures of up to DKK 15m account for 43% of DLR's lending volume, and DLR's portfolio primarily consists of a large proportion of small and medium-sized exposures.

Agriculture

DLR's total lending to agricultural customers encompasses loans for nearly DKK 94bn. Of this amount, loans for actual full-time farms account for some DKK 81bn. For the portfolio, the past few years have seen a migration towards the better rating categories, reflecting the relatively good cyclical trends in the main production areas and a reduction of outstanding debt for properties with the highest LTV ratios through ordinary mortgage payments.

A little less than 86% of loans for agricultural customers are placed within an LTV ratio of 50, and only 0.7% above the 70% lending limit. DLR's loan portfolio is thus generally well covered by the value of the mortgage.

Commercial

DLR's total lending to urban commercial customers amounts to a little over DKK 78bn, of which loans for residential rental properties account for DKK 38.7bn and loans for office and retail properties account for DKK 31.4bn.

A little less than 81% of loans for residential rental properties are placed within an LTV ratio of 50, and only 0.5% above the 80% lending limit.

A little less than 92% of loans for office and retail properties are placed within an LTV ratio of 50, and only 0.5% above the 70% lending limit.

Owner-occupied

DLR's total lending for owner-occupied dwellings encompasses loans for nearly DKK 10bn.

A little more than 90% of loans for owner-occupied dwellings are placed within an LTV ratio of 50, and only 0.5% above the 80% lending limit.

DLR's loan portfolio is thus generally well covered by the value of the mortgage.

Arrears and impairment

The arrears ratio 15 days after the due payment date on the December 2022 mortgage payment has fallen by 0.3 of a percentage point relative to the year before, and considering generally elevated inflation and interest rate increases this is considered highly satisfactory.

Despite the fact that no increase in arrears has been registered at portfolio level, some customers and customer groups are expected to remain challenged. Against this background, DLR has made substantial management overlays to the impairment losses, primarily in relation to urban trade.

During 2022, the arrears ratios fell for all the major agricultural production areas. Overall, the arrears ratio was 0.21% in mid-January 2023, against 0.44% in January 2022. The major agricultural production areas, with the exception of pig farmers, generally experienced satisfactory earnings in 2022 owing to favourable developments in settlement prices, which have improved borrowers' ability to pay.

In spite of low prices of weaners and pork in 2022, DLR's arrears on loans for pig producers remain at a very low level. Following strong earnings in 2019 and 2020, most players in this sector are capable of coping with a period of weak prices. However, producers with a large need for purchasing feed should expect to experience a substantial drop in earnings when feed contracts expire due to rising feed prices. This has increased the likelihood of a collapse and a risk of falling prices of assets in the modelled impairment with a resulting increase in impairment losses for this very limited part of the portfolio.

DLR's guarantee concepts

DLR has agreed a uniform guarantee concept with its loan-distributing banks which covers all loans offered by DLR since the start of 2015.

Under the guarantee concept the loan-distributing bank provides an individual guarantee at the time of disbursement covering 6% of the outstanding debt for the entire term of the loan. The guarantee amount declines proportionally as the loan debt is paid off, meaning the guarantee percentage relative to outstanding debt remains unchanged throughout the term of the loan. The guarantee covers the least secure part of the overall loan on the individual property.

A complementary loss-offsetting agreement has also been established, whereby the individual distributing bank has to set off all losses DLR incurs from loans distributed by that bank over and above the guarantee provided at loan level in its commission payments. The loss is deducted from the bank's total fee and commission payments for its entire distributed loan portfolio excluding agency commissions and brokerage reimbursements. Losses that cannot be fully offset in that year's commissions can be carried forward and offset against commissions for up to a further nine years.

The opportunity to offset losses in the commissions paid to the banks is an important element in the uniform guarantee concept.

DLR's loan portfolio, which is covered by the uniform guarantee concept, is regularly increased as new loans are granted and also as the existing portfolio is remortgaged. In 2021, a portfolio transfer was carried out in which the bulk of the remaining portfolio comprised by the previous cooperation and guarantee concepts were transferred to the uniform guarantee concept. At year-end 2022, the universal guarantee concept covered an outstanding bond debt of DKK 178.5bn, or 98% of the total loan portfolio. An amount of approximately DKK 1.1bn remains covered by previous collaboration and guarantee concepts.

Interest rate risk

Short-term interest rates are expected to continue to move higher in 2023 compared with the first part of 2022 due to central bank policies, the purpose of which is to curb inflation by raising policy rates. Rising short-term interest rates combined with uncertainty regarding inflation developments are expected to lead to persistently high market volatility.

As DLR's lending is made subject to the specific balance principle, the interest rate risk deriving from the issuance of covered bonds (SDO) for the financing of mortgage loans reflects the borrower's loan terms. Hence, DLR's interest rate risk arises solely as a consequence of a need to invest DLR's proprietary portfolio, balancing funds and issued capital and debt instruments.

Danish law stipulates that the interest rate risk on the securities portfolio and funds acquired through the issuance of capital and debt instruments may not exceed 8% of own funds. With own funds of DKK 17.0bn at year-end 2022, this equates to a maximum permitted interest rate risk for DLR of DKK 1,360m.

DLR's interest rate risk complies with the Board of Directors' guidelines for overall market risk, whereby the interest rate risk on the securities portfolio (asset side and in the banking book) should be in the range 0-2.5% of DLR's own funds, which equates to between DKK 0 and 425m.

At the end of 2022, the interest rate risk on DLR's securities portfolio (asset side) was DKK 205m. Interest rate risk expresses the amount that DLR at the end of 2022 should expect as a price adjustment in the event of a shift in market rates of 1 percentage point. The relative interest rate risk can be calculated at 1.2% based on the own funds at year-end 2022.

The interest rate risk on issued capital and debt instruments (liabilities) – i.e. Tier 2 and Senior Non-Preferred Notes – is calculated at DKK 24m at end-2022, or 0.1% of DLR's own funds.

In connection with the calculation of interest rate risk, DLR also calculates convexity risk and credit spread risk. See DLR's Risk and Capital Management Report.

Liquidity risk

DLR's use of the specific balance principle means payments on loans and issued bonds closely track each other (match funding).

DLR's liquidity risk primarily concerns the risk that DLR cannot provide liquidity to cover the business's ongoing liquidity needs, such as the payment of interest and redemptions to bond owners, the disbursement of loans and the operational running of DLR.

DLR has determined a number of indicators for a potential liquidity crisis situation:

- Diminished selling opportunities for DLR's bonds
- Large increases in arrears
- Large increases in losses and impairment.

CRR/CRD IV established requirements – see section 8 (10) of the Danish Executive Order on Management and Control of Banks, etc. – for the calculation and assessment of liquidity and liquidity risk. DLR therefore prepares a separate annual liquidity report (ILAAP – Internal Liquidity Adequacy Assessment Process). along the lines of a solvency need assessment (ICAAP – Internal Capital Adequacy Assessment Process). The ILAAP is approved by DLR's Board of Directors prior to submission to the Danish FSA.

LCR

The LCR regulation (Liquidity Coverage Ratio) was revised effective 8 July 2022. The changes included changes to the exemption provision in Article 26 that DLR (and the other mortgage credit institutions) apply in relation to inflows and outflows concerning loans and bonds under the balance principle when calculating the LCR requirement. At the same time, the previous LCR floor requirement of 2.5% of total mortgage lending set by the Danish FSA has been repealed. To replace the floor requirement, the Danish FSA has instead introduced a binding LCR Pillar II liquidity requirement similar to the requirement which has so far only been a reporting requirement.

DLR has implemented the revised LCR rules.

In the LCR calculation, DLR's holding of eligible liquid assets (HQLA) are set in relation to DLR's net liquidity outflow (next 30 days)

The Danish FSA's Pillar II liquidity requirements takes into account institution-specific liquidity risks to which DLR is and may become exposed, resulting in a stricter liquidity reserve requirement. The Pillar II liquidity requirement emphasises that, in addition to maintaining an adequate liquidity buffer, DLR must also have a stable liquidity buffer from one mortgage payment date to the next.

The Pillar II liquidity add-on is accumulated and calculated on the basis of three elements; outflows concerning unknown arrears, outflows concerning unknown open remortgaging and outflows concerning refinancing.

Liquid assets to cover the Pillar II liquidity requirement must be of the same quality as under the LCR requirement.

DLR's internal requirement for both LCR and the Pillar II liquidity add-on has been set at a minimum of 110% relative to the minimum regulatory requirement of 100%.

At end-2022, DLR's LCR was calculated at 201%, and DLR also reserved liquid assets to cover the Pillar II liquidity add-on by 110%.

NSFR

The NSFR requirement (Net Stable Funding Ratio) includes a possible exception for "mutually dependent" assets and liabilities, which in practice exempts mortgage lending and issued bonds from the NSFR calculation (12 months ahead).

At end-2022, DLR's NSFR was calculated at 191%.

LCR and NSFR are explained in DLR's report on Risk and Capital Management.

Exchange rate risk

Owing to the specific balance principle and very modest loans in EUR, DLR assumes only a minimal exchange rate risk. According to Danish law, exchange rate risk calculated according to the Danish FSA's indicator 2 may not exceed 0.1% of own funds.

DLR's exchange rate risk amounted to 0.002% of the own funds at the end of 2022.

Equity risk

DLR generally does not place funds in equities apart from "sector equities". At the end of 2022, DLR's equity holdings consisted of unlisted shares in e-nettet A/S. With an equity portfolio of DKK 45.1m at 31 December 2022, DLR was thus exposed to limited equity risk.

Operational risk

Operational risk is the risk of loss resulting from inappropriate or deficient internal procedures, human or system error, or from external events, including legal risk. DLR constantly strives to minimise operational risk, and the extent thereof is assessed to be limited because DLR exclusively conducts mortgage lending business.

DLR regularly collects and registers data on operational events above a certain threshold limit. The collection of data is undertaken to obtain an overview of the events and to prevent any future repetitions. Risks are also mitigated by insurance coverage where relevant. DLR is constantly focused on maintaining highly competent staff and high levels of control and security with regard to IT systems, cybercrime, etc.

DLR uses the basic indicator method to calculate operational risk. According to this method, the risk exposure amount for operational risk amounts to DKK 2.5bn. That equates to DKK 0.2bn to cover the 8% capital requirement for operational risk at year-end 2022.

Cyber security risk

The risk of cyber attacks – and the complexity of such attacks – is constantly rising for the financial sector, including for DLR. DLR has already established tools and processes to prevent, identify and respond to cyber threats. DLR will continue to invest in this area to ensure that its measures remain sufficient and adequate. Furthermore, DLR has taken out cyber risk insurance that partly covers any losses, partly provides access to IT security specialists in case of events.

In 2022, DLR strengthened its organisation in the area, among other things by recruiting an IT security manager.

Board committees

Four committees have been set up under DLR's Board of Directors to monitor specific areas or prepare matters to be discussed by the Board as a whole.

The following committees have been established:

Audit Committee
The tasks of the Audit Committee include the supervision of the financial reporting process and monitoring that DLR's internal controls and security as well as internal audit and risk management systems in the area of accounting and auditing function effectively. The Audit Committee furthermore monitors that the Executive Board responds effectively to any vulnerabilities and/or deficiencies and that initiatives agreed in relation to strengthening risk management and internal controls in the area of accounting and auditing – including in relation to the financial reporting process – are implemented as planned.

DLR's Audit Committee has three members – General Manager Claus Andersen (chairman), Deputy Director & CFO Frank Mortensen and Head of Business Development and Communications Randi Franke. The internal and external auditors also participate in Audit Committee meetings.

The Audit Committee met five times in 2022.

Risk Committee
The Risk Committee helps ensure that DLR's Board of Directors has the necessary foundation to address, manage, supervise and reduce the risks that DLR is or may be exposed to. DLR's Risk and Capital Management Report provides more details on relevant types of risk.

As such, the Risk Committee must maintain a comprehensive view of the risks associated with DLR's activities. This is accomplished by performing an analysis of the risks associated with DLR's business model as a mortgage credit institution and ongoing monitoring of DLR's most significant risks, based in part on DLR's risk register. With respect to DLR's risk situation, the Risk Committee reviews and has a preparatory role in the Board of Directors' approach to important policies and guidelines, the determination of the adequate own funds and the solvency need, etc.

The work of the Risk Committee does not change relative to the responsibilities or authorities of the Board of Directors. The combined members of the Board of

Directors are responsible for managing DLR's risk, but the work of the Committee is an important aspect of the preparatory work.

The Risk Committee has three members: Managing Director Lars Møller (chairman), Deputy Group Chief Executive Bjarne Larsen and Agricultural Account Manager Jakob G. Hald. DLR's Independent Risk Monitor also attends Risk Committee meetings.

The Risk Committee held six meetings in 2022.

Nomination Committee

The task of the Nomination Committee is to ensure that DLR's Board of Directors has the necessary level of knowledge and experience. The Committee nominates new board members, evaluates the competencies represented on the Board, etc. In addition, the Committee ensures diversity is considered in the composition of DLR's Board of Directors and that targets are set for the underrepresented gender.

The Nomination Committee consists of DLR's entire Board of Directors. The chairman is Managing Director & CEO Vagn Hansen, while Managing Director Lars Møller is vice chairman.

The committee held two meetings in 2022

Remuneration Committee

The Remuneration Committee undertakes preparatory work in relation to the Board of Directors' decisions, knowledge and controls with respect to remuneration. In addition, the Committee maintains a list of DLR's material risk takers.

The Remuneration Committee consists of three members – Managing Director & CEO Vagn Hansen (chairman), Managing Director Lars Møller and Agricultural Account Manager Jakob G. Hald.

The committee held two meetings in 2022

Organisation

Management

DLR Kredit A/S is mainly owned by banks that are members of either Lokale Pengeinstitutter (Association of Local Banks, Savings Banks and Cooperative Banks in Denmark) or Landsdækkende Banker (National Banks in Denmark). Jyske Bank A/S and PRAS A/S, among others, also own shares in DLR.

The Board of Directors had nine members at the end of 2022, of whom six were elected at the Annual General Meeting (AGM), while three were elected by the employees.

The Board of Directors decides matters that are strategic or principle in nature, including determining DLR's business model, policies and guidelines, etc. The division of work and responsibilities between the Board of Directors and the Executive Board is specified in the policies and guidelines laid down by the Board of Directors.

Members of the Board of Directors elected by the Annual General Meeting are elected for one year at a time and may stand for re-election. Employee representatives are elected for a four-year period and may stand for re-election. The next election of employee representatives will take place in 2025.

Employees

DLR had on average 229 permanent FTE employees in 2022. In addition, DLR has 23 agricultural valuation experts attached to the company on a fee basis. See note 10 to the financial statements. In 2021, DLR employed on average 230 permanent employees and 23 on a fee basis.

Knowledge resources

DLR's employees are a vital resource, and the organisation has many different competence areas. As DLR has committed to creating value and ensuring quality through a high degree of professionalism across the organisation, it is essential that DLR's employees actively follow developments and that they maintain and regularly extend their professional knowledge and specialist skills.

When hiring, DLR strives to prepare new employees adequately for their duties and to ensure a high degree of knowledge about DLR's business and strategy.

As DLR works closely with its shareholder banks on the distribution of loans to shared customers, it is also important that advisers and customer-facing staff at the banks are kept continually updated on DLR, DLR's loan types and the collaboration process. DLR is a member of the Education Centre of the Danish Financial Sector and has in collaboration with the Centre developed an e-learning course on the interaction with DLR, which is regularly updated. In addition, DLR invites new bank employees to intro days every six months.

DLR's in-house business procedures and workflows and instructions are regularly updated and expanded to ensure a documented basis for, among other things, DLR's property valuations, credit processing, loan administration, risk management and monitoring.

DLR updates and frequently provides training sessions for employees on anti-money laundering and terrorist financing and on appropriate handling of personal data.

As a financial organisation, DLR relies heavily on IT solutions for its day-to-day operations. For the IT area, this also includes comprehensive documentation of the IT systems used.

In areas where specialist competences are required, DLR enlists external know-how where necessary.

For further information, please see our sustainability report, which is found on our website under dlr.dk/en/investor/financial-statements/#sustainability.

Distribution channels

DLR grants mortgage credit loans for the financing of agricultural and commercial properties. Loans for owner-occupied homes are provided for hobby and residential farms, for homes in association with commercial property and for holiday homes for rental. In addition, DLR grants mortgage loans for properties in the Faroe Islands and Greenland, including owner-occupied dwellings.

DLR's business model is based on close collaboration with customer advisers and customer-facing staff with the loan-distributing banks in DLR's circle of owners, which comprises national and local banks with branches in Denmark, in the Faroe Islands and in Greenland.

The cooperative model between DLR and its owners ensures a cost-efficient lending process where the banks are remunerated for arranging loans to customers, advisory services, customer care and risk hedging through the provision of a guarantee, while DLR handles property valuations, loan processing and loan limits together with the issuance and sale of bonds to fund mortgage credit loans.

DLR's digital platform – DLRxperten – supports the banks' customer advisory services connected with mortgage lending and the day-to-day collaboration between the parties, for instance when they apply for loans, present loan offers to customers, enter into fixed-price agreements, obtain customer signatures, disburse loan proceeds, provide guarantees, shift profile, cancel and prepay loans.

Internal control and risk-management systems connected with financial reporting

The Board of Directors, the Audit Committee and the Executive Board have the overall responsibility for DLR's financial reporting, including compliance with relevant legislation and other regulations related to financial reporting.

The financial reporting process has been planned with a view to minimising the risk of errors and omissions in the financial statements.

Control environment

The Executive Board regularly assesses DLR's organisational structure and staffing in key areas, including those related to the financial reporting process. The Board of Directors, the Audit Committee and the Executive Board determine and approve general policies, procedures and controls in key areas of the financial reporting process.

The foundation for this is a clear organisational structure, well-defined reporting lines, authorisation and certification procedures, and appropriate segregation of people and functions. In accordance with legislative requirements, the Board of Directors has established an internal audit function that reports to the Board of Directors and which – in accordance with an audit strategy approved by the Board – audits processes and internal control procedures in significant and material risk areas. Business procedures and controls have been prepared for all important and material risk areas, including areas that influence the financial reporting process.

The Accounting and Finance Department is responsible for DLR's overall financial management and reporting as well as financial statements, including the responsibility for ensuring that financial reporting follows established principles and complies with applicable legislation.

The Accounting and Finance Department has established a reporting process that encompasses budget reporting and monthly earnings reports, including deviation reports with quarterly updates to the year's budget.

Monitoring

The Audit Committee receives regular reports from the Executive Board as well as from internal and external auditors on compliance with defined guidelines, business procedures and regulations.

Sustainability

In 2022, DLR actively pursued sustainability efforts in several areas, including in DLR's own business and towards borrowers. In its Sustainability Report, DLR annually reports on its work with social responsibility and sustainability.

The Sustainability Report is available on DLR's website under dlr.dk/en/investor/financial-statements/#sustainability. The report also includes facts on social issues and corporate governance.

DLR's sustainability report also provides a description of our diversity and gender diversity initiatives both on the Board of Directors and at DLR's other management levels in accordance with section 135a of the Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc.

Focus on financing the sustainable transition
In the lending area, DLR intensified its efforts in 2022 to contribute to the important sustainable transition of both the urban commercial and the agricultural sectors. The transition has become even more pertinent because of the shortage of natural gas and rising energy prices.

Sustainability data
DLR has started to collect ESG data from its borrowers. Since the beginning of 2022, agricultural customers have been asked to answer ESG questions when applying for a new loan. Similarly, urban commercial customers have provided ESG information since December 2022.

Their answers will help make DLR and the loan-distributing banks better prepared to assess the sustainability profile of individual customers. At the same time, the answers may be used when engaging with customers about what they do to transition to a more sustainable business model and prepare for climate change.

Climate change as a risk to the financial sector
In 2022, DLR addressed the risks associated with climate change and the sustainable transition of society – even though the time horizon for climate change is quite long.

In recent years, climate change has been recognised as a new risk factor for the financial sector. A changed climate could affect DLR's customers and the value of the mortgage security underlying DLR's loans.

These physical risks will grow larger if the global temperature increases are not reduced. At the same time, there is a huge pressure from both politicians and consumers to transition society in a more climate-friendly direction and thereby mitigate the physical risks.

Like climate change, the transition could affect customers' ability to pay and the value of mortgaged security.

CO_2 reduction target and action plan
DLR is focused on reducing CO_2e emissions of its loan portfolio. The reductions are to be achieved in collaboration with the shareholder banks and the borrowers. DLR has published its reduction targets and action plan for achieving the targets: dlr.dk/en/investor/financial-statements/#sustainability.

Green loans

Since 2021, DLR has granted green loans to finance properties and investments that contribute to the sustainable transition. Grøn RT-Kort, which is DLR's green mortgage loan, allows DLR to finance energy-efficient buildings, energy improvements, climate investments in farm buildings, sustainability energy sources and agricultural and forestry projects with a sustainability certification. The criteria for DLR's green loans were most recently extended to include PEFC and FSC-certified forests and solar cell panels in fields.

From September 2022, DLR has funded Grøn RT-Kort loans by issuing green bonds under DLR's Green Bond Framework. DLR expects that green loans and green bonds, in the slightly longer term, will account for a substantial proportion of new lending and bond issuance.

DLR's Green Bond Framework can be found at DLR's website under dlr.dk/en/investor/financial-statements/#sustainability.

Data ethics policy

In January 2022, DLR adopted a data ethics policy. This policy contains the framework for DLR's data ethical principles and covers the following areas:

- DLR's processing of customer data
- Openness and transparency about DLR's processing of customer data
- Procurement of data
- DLR's focus on the community
- Data processing by third parties
- Compliance within DLR and training of employee skills

DLR's data is available on DLR's website under www.dlr.dk/governance/.

Management and administra-tion

DLR Kredit's Board of Directors

At the end of 2022, DLR's Board of Directors consisted of nine members, of whom six were elected at DLR's Annual General Meeting. Of the shareholder-elected Board members, three were elected from among the members of the Association of Local Banks, Savings Banks and Cooperative Banks in Denmark, and three from among the members of National Banks in Denmark.

In addition, DLR employees elected three employee representatives to the Board of Directors.

At the end of 2022, DLR's Board of Directors consisted of the following members:

Elected at the General Meeting

- Vagn Hansen (chairman), Managing Director & CEO, Sparekassen Danmark
- Lars Møller (vice chairman), Managing Director, Spar Nord Bank A/S
- Claus Andersen, General Manager, Ringkjøbing Landbobank A/S
- Bjarne Larsen, Deputy Group Chief Executive, Sydbank A/S
- Frank Mortensen, Deputy Director & CFO, A/S Arbejdernes Landsbank
- Lars Petersson, Managing Director & CEO, Sparekassen Sjælland-Fyn A/S

At the Annual General Meeting on 28 April 2022, all Board members elected by the Annual General Meeting were re-elected.

Employee representatives

- Lars Faber, IT Operations Manager
- Randi Holm Franke, Head of Business Development and Communications
- Jakob G. Hald, Agricultural Account Manager

Executive Board

Jens Kr. A. Møller, Managing Director & CEO, MSc. (Economics)
Pernille Lohmann, Managing Director, MSc. (Economics)

Directorships held by the Executive Board

Jens Kr. A. Møller, Managing Director & CEO

- Member of the board of directors of e-nettet A/S
- Member of the board of directors of FR I af 16. september 2015 A/S
- Director, Finance Denmark (Finans Danmark) and the Association of Danish Mortgage Banks (Realkreditrådet)
- Member of the board of directors of The Danish Agriculture and Food Council's sector for Business Finance & Management
- Member of the board of directors of Klimaskovfonden

Pernille Lohmann, Managing Director

- Member of the board of directors of The Association of Danish Mortgage Banks (Realkreditrådet)
- Personal alternate for Jens Kr. A. Møller on the board of Finance Denmark

Executive Staff

Executive Board Secretariat
Lars Blume-Jensen, Senior Vice President, MSc (Economics)

Mortgage loans
Bent Bjerrum, Deputy Director, MSc (Agriculture)

Accounting & Finance
Lars Ewald Madsen, Accounting and Finance Director, MSc (Finance and Accounting)

IT
Peter Pihlsbech Rasmussen, IT Director, MSc (Economics)

Model and Data Innovation
Anette Rom, Head of Model and Data Innovation, MSc. (Economics)

Securities & Funding
Erik Bladt, Head of Securities, HD Graduate Diploma in Finance

Business Development & Communications
Randi Franke, Head of Business Development and Communications, HD Diploma in Organisation and Management, IPMA-B

Projects
Ole Mørch, Project Manager, HD Diploma in Informatics & Financial Management, IPMA-B

HR & Internal Services
Mette Bagge-Petersen, HR consultant, HD Diploma in Informatics & Financial Management, IPMA-B

Risk Management
Torben Thorgaard, Head of Risk Management, MSc. (Economics)

Compliance
Søren Jensen, Attorney, Head of Compliance

Internal Audit
Brian Houmann Hansen, Chief Internal Auditor, MSc (Business Administration, Accounting and Auditing)

Supervision

DLR is under the supervision of the Danish Financial Supervisory Authority.

Cooperation agreements

Outsourcing agreement with LR Realkredit A/S
DLR's outsourcing agreement with LR Realkredit A/S, under which DLR managed loans disbursed, was terminated at the end of 2022.

As LR Realkredit A/S was sold to Nykredit in 2019, the outsourcing agreement with DLR was terminated.

LR Realkredit's primary lending areas were the public housing sector, schools and social, cultural and training institutions.

Shareholder information

Share capital
DLR's share capital is mainly held by local, regional and national banks. DLR's share capital has a nominal value of DKK 570.0m (denomination of DKK 1), of which DLR Kredit A/S holds 46,122,083 own (treasury) shares, equivalent to a nominal value of DKK 46.1m.

Redistribution of shares
A shareholder agreement has been made between the shareholders according to which the shares are redistributed every year. The next redistribution will take place in March 2023 based on the outstanding bond debt at 31 December 2022.

Other directorships held by the Board of Directors

Vagn Hansen (Chairman), Managing Director & CEO, Sparekassen Danmark

- Chairman of the board of directors of EgnsInvest Holding A/S as well as two subsidiaries
- Vice-chairman of the board of directors of The Association of Local Banks, Savings Banks and Co-Operative Savings Banks in Denmark (Lokale Penge-institutter)
- Member of the board of directors of Sparinvest SE
- Member of the board of directors of Sparekassen Danmark Fonden Vendsyssel
- Director, Finance Denmark
- Member of the board of directors of FR I af 16. september 2015 A/S
- Member of the board of directors of PRAS A/S
- Director, Kunstbygningen i Vrå

Lars Møller (Vice Chairman)
Managing Director, Spar Nord Bank A/S

- Chairman of the board of directors of BI Holding A/S
- Chairman of the board of directors of BI Asset Management A/S
- Chairman of the board of directors of BI Management A/S
- Member of the board of directors of Aktieselskabet Skelagervej 15
- Member of the board of directors of Sparekassen Nordjyllands Fond af 29. marts 1976

Claus Andersen
Managing Director, Ringkjøbing Landbobank A/S

- Chairman of the board of directors of Sæbygaard Skov A/S
- Member of the board of directors of The Association of Local Banks, Savings Banks and Co-Operative Savings Banks in Denmark (Lokale Pengeinstitutter)
- Director, Education Fund under The Association of Local Banks, Savings Banks and Co-Operative Savings Banks in Denmark (Lokale Pengeinstitutter)
- Member of the board of directors of BOKIS A/S

Bjarne Larsen, Deputy Group Chief Executive, Sydbank A/S

- Vice Chairman of the board of directors of Syd Administration A/S
- Member of the board of directors of Ejendomsselskabet af 1. juni 1986 A/S

- Director, Opendo A/S
- Managing Director and member of the board of directors of Syd ABB A/S

Frank Mortensen, Senior Vice President and CFO, A/S Arbejdernes Landsbank

- Member of the board of directors of Ejendomsselskabet Sluseholmen A/S
- Member of the board of directors of AL Finans A/S
- Member of the board of directors of Nærpension forsikringsformidling A/S

Lars Petersson
Managing Director and CEO, Sparekassen Sjælland-Fyn A/S

- Chairman of the board of directors of Holbæk Kommunes Talentråd
- Chairman of the board of directors of Museum Vestsjælland
- Member of the board of directors of Impagt Invest Sjælland A/S
- Member of the board of directors of Holbæk Alliancen
- Member of the board of directors of Ejendomsselskabet Sjælland-Fyn A/S
- Member of the board of directors of Investeringsselskabet Sjælland-Fyn A/S
- Member of the board of directors of BI Holding A/S

Financial statements 2022

Income statement and statement of comprehensive income
(DKKm)

Note		2022	2021
1	Interest income	3,546	3,111
2	Interest expenses	-1,507	-1,181
	Net interest income	**2,039**	**1,930**
	Share dividends etc.	0	0
	Fees and commission income	306	244
	Fees and commission paid	-797	-746
	Net interest and fee income	**1,547**	**1,428**
3	Market value adjustments	-304	-87
	Other operating income	18	31
4-10	Staff costs and administrative expenses	-323	-323
	Depreciation and impairment of property, plant and equipment	-2	-3
	Other operating expenses	-19	-18
11	Impairment of loans, advances, receivables, etc.	10	109
	Profit before tax	**927**	**1,138**
12	Tax	-207	-250
	Profit after tax	**720**	**888**
	Comprehensive income		
	Profit for the year	720	888
	Other comprehensive income after tax	**720**	**888**
	Attributable to equity	720	888

Balance sheet
(DKKm)

Note		2022	2021
	Assets		
	Cash balance and demand deposits with central banks	1,433	1,581
13	Due from credit institutions and central banks	408	330
14, 16-21	Loans, advances and other receivables at fair value	169,912	175,203
15 -16, 19-21	Loans, advances and other receivables at amortised cost	7	10
22	Bonds at fair value	8,096	6,380
	Shares etc.	45	45
23	Land and buildings, domicile properties	135	136
	Other property, plant and equipment	5	6
	Lease assets	0	0
	Current tax assets	63	25
	Assets held temporarily	0	0
24	Other assets	115	130
	Prepayments	25	26
	Total assets	**180,244**	**183,871**
	Equity and liabilities		
25	Issued bonds at fair value	157,712	161,203
26	Issued bonds at amortised cost	3,994	4,998
27	Other liabilities	1,429	1,279
	Deferred income	0	1
	Total liabilities	**163,136**	**167,481**
28	Provisions for deferred tax	19	20
	Total provisions	**19**	**20**
29	Subordinated debt	1,298	1,300
	Total subordinated debt	**1,298**	**1,300**
	Share capital	570	570
	Revaluation reserve	75	75
	Undistributable reserve	2,338	2,338
	Retained earnings etc.	12,808	12,088
	Total equity	**15,791**	**15,071**
	Total liabilities equity and	**180,244**	**183,871**
30	**Shareholders information**		
31	**Off-balance sheet items**		
	Guarantees	0	0
	Contingent liabilities (loan offers, other contingent liabilities, etc.)	13,918	13,823
32	**Contingent assets**		
	Other contingent assets	0	16

Statement of changes in equity
(DKKm)

	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	720	720
Disposal of treasury shares	0	0	0	0	0
Acquisition of treasury shares	0	0	0	0	0
Equity at 00-Jan	**570**	**75**	**2,338**	**12,808**	**15,791**

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 31 December 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)

Capital and solvency (DKKm)	2022	2021
Equity	15,791	15,071
Deductions as a consequence of prudent valuation	-22	-22
Deductions as a consequence of non-performing exposures	-9	-4
Difference between expected losses and impairment losses	-54	-457
Common equity tier 1 capital	**15,706**	**14,587**
Subordinated capital (tier 2 capital)	1,298	1,300
Deductions from tier 2 capital	0	0
Own funds	**17,004**	**15,887**
Risk-weighted exposure with credit risk etc.	64,862	80,871
Risk-weighted exposure with market risk	2,500	1,930
Risk-weighted exposure with operational risk	2,482	2,448
Total risk-weighted exposure	**69,844**	**85,249**
Common equity tier 1 capital ratio	22.5%	17.1%
Total capital ratio	24.3%	18.6%

Statement of excess capital adequacy		
Own funds after deductions	17,004	15,887
Capital adequacy	-6,413	-7,799
SIFI buffer	-698	-852
Capital conservation buffer	-1,746	-2,131
Countercyclical buffer	-1,397	0
Systemic buffer Faroe Islands	-11	-11
Reserved debt buffer	-153	0
Excess capital adequacy	**6,584**	**5,093**

Notes

Notes - Income statement

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3 Market value adjustments
4 Staff costs and administrative expenses
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6 Remuneration of members of the Board of Directors
7 Disclosures on employees other than the Executive Board and Board of Directors influencing the risk profile
8 Amount of loans, security, surety or guarantees provided to members of the Executive Board and the Board of Directors
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Notes - Equity and liabilities

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27 Other liabilities
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Notes - Income statement
(DKKm)

Note		2022	2021
1	**Interest income**	**2022**	**2021**
	Due from credit institutions and central banks	1	0
	Positive interest loans and advances *	1,395	1,060
	Administration margin income	1,895	1,812
	Bonds	92	56
	Issued bonds at fair value **	75	79
	Other interest income	146	127
	Total	**3,603**	**3,134**
	Interest on own mortgage bonds offset against interest on issued bonds	-58	-24
	Total	**3,546**	**3,111**
	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).

Note		2022	2021
2	**Interest expenses**	**2022**	**2021**
	Credit institutions and central banks *	-1	-2
	Issued bonds at fair value **	-1,394	-1,060
	Issued bonds at amortised cost	-54	-30
	Subordinated capital injections	-41	-33
	Negative interest loans and advances***	-75	-79
	Other interest expenses	0	0
	Total	**-1,565**	**-1,204**
	Interest on own mortgage bonds offset against interest on issued bonds	58	24
	Total	**-1,507**	**-1,181**
	Of which interest expenses on repo transactions	0	0

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			
3	**Market value adjustments**	**2022**	**2021**
	Mortgage loans	-11,102	-3,444
	Bonds	-312	-93
	Shares etc.	5	6
	Foreign currency	0	0
	Derivative financial instruments	3	0
	Other assets	1	0
	Issued bonds	11,102	3,444
	Total	**-304**	**-87**

4	**Staff costs and administrative expenses**	**2022**	**2021**
	Staff costs		
	Salaries	-177	-180
	Pension costs	-17	-16
	Social security costs	-30	-29
	Total	**-224**	**-226**
	Other administrative expenses		
	IT expenses	-49	-45
	Audit, financial supervision and industry association	-11	-11
	Other expenses	-39	-41
	Total	**-99**	**-97**
	Total staff costs and administrative expenses	**-323**	**-323**

DLR's remuneration policy is available at www.dlr.dk/Governance/

5	**Remuneration of members of the Executive Board**	**2022**	**2021**
	Total Executive Board *	**7.3**	**6.9**

* Members of the Executive Board do not receive variable remuneration or other incentive pay, and the remuneration for the individual members of the Executive Board is shown at www.dlr.dk/en/investor/about-dlr/organisation/

The remuneration may be specified as follows:		
Fixed remuneration	7.3	6.9
Variable remuneration	0.0	0.0
Total	**7.3**	**6.9**
Number of members of the Executive Board at year-end	2	2

6 Remuneration of members of the Board of Directors

	2022	2021
Board of Directors		
Fixed remuneration	1.9	1.6
Variable remuneration	0.0	0.0
Total	**1.9**	**1.6**
Number of members of the Board of Directors at year-end	9	9

The remuneration for the individual members of the Board of Directors is shown at www.dlr.dk/en/investor/about-dlr/organisation/

Members of the Board of Directors receive only a fixed remuneration, and there is no share allotment or other form of incentive pay.

7 Disclosures on employees other than the Executive Board and Board of Directors influencing the risk profile

	2022	2021
Employees other than the Executive Board and the Board of Directors influencing the risk profile		
Fixed remuneration	23.1	22.4
Variable remuneration	0.0	0.0
Total	**23.1**	**22.4**
Number of employees who have influenced the risk profile		
Number of employees who have influenced the risk profile during the year	19	19
- Of whom resigned during the year	1	1
Number of employees influencing the risk profile at year-end	**18**	**18**

The Company has no pension obligations to or incentive schemes for the above group of persons.

*The statement includes employees who have been elected to the board as employee representatives.

8 Amount of loans, security, surety or guarantees provided to members of the Executive Board and the Board of Directors

	2022	2021
Executive Board		
Loans etc.	0	0
Board of Directors:		
Loans etc.	0	0

Interest rates (incl. administration margins) 2022

Executive Board: No loans (2021: No loans)
Board of Directors: No loans p.a. (2021: No loans)

DLR has not charged any assets or provided other collateral or assumed any off-balance sheet liabilities on behalf of any member of the Executive Board or the Board of Directors or their related parties.

Exposures with related parties are granted on ordinary business terms and on an arm's length basis at current market rates.
DLR's related parties solely comprise the Executive Board and the Board of Directors and their related parties.

The interest rates (incl. administration margins) relate to different loan types based on different mortgage bonds / SDOs.
No impairment losses have been recognised on exposures with the Executive Board or the Board of Directors.

9 Audit fees

	2022	2021
Statutory audit of the financial statements	1.0	1.0
Other assurance engagements	0.3	0.2
Tax services	0.0	0.0
Other services	0.3	0.3
Total	**1.6**	**1.6**

The fee for non-audit services provided by EY relate to reports issued by DLR in its capacity as a financial business, tax services and a number of other advisory services.

10 Number of employees

	2022	2021
Average number of employees in the financial year converted into FTEs*	229	230
Total	**229**	**230**

* In addition to its 229 FTEs, DLR has 23 associated agricultural valuation experts (2021: 23), who perform valuations for DLR in connection with lending against agricultural property. Agricultural valuation experts are paid a combination of a fixed remuneration and a variable fee depending on the number and scope of valuation assignments performed for DLR. Fees paid to agricultural valuation experts are included in "Staff costs".

Note

Note	11 Impairment of loans, advances, receivables, etc.	2022	2021
	Losses in the period	-10	-6
	Amounts received on claims previously written off	2	3
	Adjustment of acquired properties	0	4
	Impairment losses in the period	-181	-138
	Reversal of impairment losses	197	243
	Losses offset against commission payments to banks	1	4
	Total	**10**	**109**

Note	12 Tax	2022	2021
	Tax (breakdown in DKKm)		
	Applicable tax rate for "Profit before tax"	-204	-250
	Non-taxable income and non-deductible expenses	-2	0
	Adjustment of prior-year tax charge	-1	0
	Total	**-207**	**-250**
	Tax (breakdown of effective tax rate)		
	Current tax rate	22.0%	22.0%
	Non-taxable income and non-deductible expenses	0.2%	0.1%
	Adjustment of prior-year tax charge	0.1%	0.0%
	Effective tax rate	**22.3%**	**22.1%**

Notes – Assets
(DKKm)

Note	13 Due from credit institutions and central banks	2022	2021
	Due from central banks	0	0
	Due from credit institutions	408	330
	Total amount due from credit institutions and central banks	**408**	**330**

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

Maturity distribution by term to maturity

Demand deposits	408	330
Up to and including three months	0	0
Over three months up to and including one year	0	0
Over one year up to and including five years	0	0
Over five years	0	0
Total	**408**	**330**

14	Loans, advances and other receivables at fair value	2022	2021
	Mortgage loans, nominal value	181,873	176,065
	Adjustment to fair value of underlying bonds	-11,643	-541
	Adjustment for credit risk	-364	-379
	Mortgage loans at fair value	**169,866**	**175,145**
	Arrears before impairment losses	50	61
	Other loans and outlays before impairment losses	0	2
	Impairment losses on arrears and outlays	-3	-5
	Total	**169,912**	**175,203**

15	Loans, advances and other receivables at amortised cost	2022	2021
	Loans and advances	8	11
	Adjustment for credit risk	-1	-1
	Total	**7**	**10**

Note

16	Loans, advances and other receivables at fair value and amortised cost	2022	2021
	Maturity distribution by term to maturity		
	Up to and including three months	1,151	1,385
	Over three months up to and including one year	3,503	4,122
	Over one year up to and including five years	20,087	23,924
	Over five years	145,178	145,781
	Total	**169,920**	**175,213**

Pursuant to special legislation, a government guarantee of DKK 97m (2021: DKK 134m) has been provided as supplementary collateral for loans to young farmers.

Collateral in the amount of DKK 819m has been provided for advance loans (2021: DKK 933m).

As supplementary collateral for mortgage loans, bankers' guarantees of DKK 14,469m in addition to mortgages have been provided (2021: DKK 11,395m)

17	Mortgage loans (nominal value) by property category	2022	2021
	Owner-occupied dwellings	5.0%	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	21.2%	20.5%
	Properties for manufacturing and manual industries	1.1%	1.1%
	Office and business properties	18.0%	17.9%
	Agricultural properties	51.5%	52.7%
	Properties for social, cultural and educational purposes	0.5%	0.2%
	Other properties	0.0%	0.0%
	Total	**100.0%**	**100.0%**

18	Number of loans - end of period	2022	2021
	Number of loans - end of period	**72,252**	**70,998**

Note

19 Impairment losses by stage

Impairment of loans and advances at fair value and amortised cost *	31 December 2022 Stage 1	Stage 2	Stage 3	Total
Specification of impairment losses at the end of September:				
Loans and advances in stage 1 at beginning of year	24	21	2	**47**
Loans and advances in stage 2 at beginning of year	3	27	21	**50**
Loans and advances in stage 3 at beginning of year	0	2	55	**56**
New loans and advances	28	23	1	**52**
Management overlay	142	20	1	**163**
Total	**196**	**93**	**80**	**368**

DLR's total impairment losses at the end of 2022 consisted of individual impairment losses of DKK 58.4m, model-calculated impairment losses of DKK 147.0m and a management overlay of DKK 163.0m. In the 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 December 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 overlay	98	14	1	**112**
Total	**115**	**129**	**141**	**385**

DLR's total impairment losses at the end of 2021 consisted of individual impairment losses of DKK 127.7m, model-calculated impairment losses of DKK 145.4m and a management overlay of DKK 112.0m. In the 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

20 Impairment - other financial assets

	31 December 2022			
	Stage 1	Stage 2	Stage 3	Total
Impairment of cash and demand deposits with central banks	0	0	0	**0**
Impairment of amounts due from 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 1 January.

	31 December 2021			
	Stage 1	Stage 2	Stage 3	Total
Impairment of cash and demand deposits with central banks	0	0	0	**0**
Impairment of amounts due from credit institutions and central banks	0	0	0	**0**

No other financial assets which were credit-impaired on initial recognition were recognised in 2021 or 2022.

Note

21 Loan exposures - rating classes, property categories and stages

Measured at fair value and amortised cost *	2022			
12 months PD band	Stage 1	Stage 2	Stage 3	Total
0 - 0,2	16,469	0	0	16,469
0,2 - 0,5	41,925	43	0	41,969
0,5 - 1,0	50,719	1,309	0	52,028
1,0 - 1,5	26,155	3,120	1	29,276
1,5 - 2,0	4,604	1,384	0	5,989
2,0 - 3,0	2,990	1,878	25	4,893
3,0 - 5,0	2,611	2,632	0	5,243
5,0 - 10,0	2,871	2,843	2	5,716
10,0 - 20,0	21	7,095	7	7,123
20,0 - 100,0	0	278	936	1,215
Total	**148,365**	**20,584**	**971**	**169,920**

Measured at fair value and amortised cost *	2021			
12 months PD band	Stage 1	Stage 2	Stage 3	Total
0 - 0,2	9,331	0	0	9,331
0,2 - 0,5	34,048	8	0	34,056
0,5 - 1,0	41,085	409	1	41,495
1,0 - 1,5	34,440	866	1	35,307
1,5 - 2,0	10,397	319	0	10,715
2,0 - 3,0	5,544	3,319	0	8,863
3,0 - 5,0	4,788	2,516	0	7,304
5,0 - 10,0	3,853	4,105	0	7,959
10,0 - 20,0	2,981	4,275	0	7,257
20,0 - 100,0	48	11,236	1,643	12,926
Total	**146,515**	**27,052**	**1,646**	**175,212**

*The division of the remaining debt takes place in each stages per 30 November and PD bands per 31 December. This may cause minor shifts in the locations.

Irrevocable credit commitments: At year-end 2022, unutilised loan offers amounted to DKK 13.9bn, all of which belong to stage 1.

Other financial assets: DLR's other financial assets consist of amounts due from banks and Danmarks Nationalbank, mortgage bonds, etc., all of which belong to stage 1.

No financial assets which were credit-impaired on initial recognition were recognised in 2022.

Note

21 Loan exposures - rating classes, property categories and stages

Stated at fair value and amortised cost *	2022			
	Stage 1	Stage 2	Stage 3	Total
Agricultural properties	75,240	11,625	706	87,572
Owner-occupied dwellings	7,686	764	60	8,510
Subsidised rental housing properties	18	72	0	91
Private rental housing properties	31,930	4,100	53	36,084
Office and business properties	27,224	3,244	109	30,577
Properties for manufacturing and manual industries	1,764	127	0	1,891
Properties for social, cultural and educational purposes	817	110	0	927
Co-operative housing	3,201	468	41	3,710
Recreational dwellings	428	67	0	496
Other properties	56	5	1	62
Total loans and advances	**148,365**	**20,584**	**971**	**169,920**

Stated at fair value and amortised cost *	2021			
	Stage 1	Stage 2	Stage 3	Total
Agricultural properties	75,425	15,677	1,240	92,343
Owner-occupied dwellings	7,640	1,130	98	8,869
Subsidised rental housing properties	34	109	0	143
Private rental housing properties	30,686	5,186	56	35,929
Office and business properties	26,990	4,234	151	31,374
Properties for manufacturing and manual industries	1,708	209	61	1,977
Properties for social, cultural and educational purposes	343	32	2	378
Co-operative housing	3,241	402	37	3,680
Recreational dwellings	375	72	0	447
Other properties	73	1	0	74
Total loans and advances	**146,515**	**27,052**	**1,646**	**175,213**

* Loans and advances at fair value and loans and advances at amortised have been aggregated as the loan exposure at amortised cost represents approximately 0.1 per mille of total exposures.

Note			
22	**Bonds at fair value**	**2022**	**2021**
	Own mortgage bonds	17,481	20,328
	Other mortgage bonds	7,053	5,777
	Government bonds	1,043	602
	Bonds – gross	**25,577**	**26,707**
	Own mortgage bonds offset against issued bonds	-17,481	-20,328
	Total	**8,096**	**6,380**

23	**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	-0.4	-0.4
	Value changes recognised in other comprehensive income	0.0	0.0
	Fair value, end of year	**135.3**	**135.8**

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

24	**Other assets**	**2022**	**2021**
	Positive market value of derivative financial instruments etc.	12	0
	Interest and commission receivable	39	17
	Loan in processing etc.	65	113
	Total	**115**	**130**

Positive market value of derivative financial instruments consists of forward transactions and spot transactions over the cut-off date with two-day settlement.

Notes - Equity and liabilities
(DKKm)

Note

25 Issued bonds at fair value

	2022	2021
Mortgage bonds - nominal value	186,898	182,022
Fair value adjustment	-11,705	-492
Issued bonds - gross	**175,193**	**181,531**
Offsetting of own mortgage bonds - fair value	-17,481	-20,328
Total	**157,712**	**161,203**
Of which pre-issued, market value	2,630	3,020
Cash value of bonds drawn for redemption at next repayment date (settlement price)	979	1,347

The change in the fair value of mortgage bonds and SDOs attributable to changes in credit risk may be calculated relative to corresponding mortgage bonds and SDOs offered by other Danish issuers. The bonds funding DLR's loan portfolio are rated AAA by Standard & Poor's, in line with the rating assigned to most other Danish mortgage bonds and SDOs.

Using this method, no fair value adjustment was made for changes in DLR's own credit risk, neither in the year 2022, nor in the period since issuance.

The aggregate fair value adjustment of issued mortgage bonds and SDOs as a consequence of changes in the fair value of own credit risk was therefore DKK 0.0m (2021: DKK 0.0m). Of the accumulated effect, DKK 0.0m relates to changes in 2022 (2021: DKK 0.0m).

Maturity distribution by term to maturity (gross portfolio at market value)

Up to and including three months	3,400	3,843
Over three months up to and including one year	29,720	28,682
Over one year up to and including five years	103,250	88,551
Over five years	38,823	60,455
Total	**175,193**	**181,531**

26 Issued bonds at amortised cost

	2022	2021
Issues in connection with senior debt	3,994	4,998
Offsetting of own bonds	0	0
Total	**3,994**	**4,998**
Maturity distribution by term to maturity		
Up to and including three months	0	0
Over three months up to and including one year	1,000	2,004
Over one year up to and including five years	2,995	2,994
Over five years	0	0
Total	**3,994**	**4,998**

Note

27 Other liabilities

	2022	2021
Negative market value of derivative financial instruments etc.	15	1
Interest and commission payable	1,313	1,049
Other liabilities	101	229
Total	**1,429**	**1,279**

Negative market value of derivative financial instruments consists of forward transactions and market value adjustment of pre-issued bonds with a negative market value.

28 Provisions for deferred tax

	2022	2021
Deferred tax, beginning of year	19.6	20.4
Change in deferred tax	-0.2	-0.8
Total	**19.4**	**19.6**
Land and buildings - domicile properties	15.0	12.8
Senior loans	2.9	7.4
Subordinated debt	2,2	0,0
Other property, plant and equipment	-0.7	-0.6
Total	**19.4**	**19.6**

29 Subordinated debt

	2022	2021
Subordinated debt	**1,298**	**1,300**

Subordinated debt amounts to DKK 1,300m divided between two issues, and has been recognised in full in own funds.

Interest payments amount to DKK -41m (2021: DKK -33m)

Subordinated capital has been issued and redeemed in 2022, while in 2021 no subordinated capital was either issued or redeemed.

The subordinated debt is denominated in DKK and carries interest at CIBOR 6M + 2.5% and CIBOR-3M + 4.25%.

The subordinated debt of DKK 650m falls due on 6 December 2029 but may, subject to approval by the Danish FSA, be repaid at par in part or in full at any time after 6 December 2024.

The subordinated debt of DKK 650m falls due on 14 October 2032 but may, subject to approval by the Danish FSA, be repaid at par in part or in full at any time after 14 October 2027.

30 Shareholder information

Details on movements in equity appear from the statement of changes in equity.

At 31 December 2022, the following shareholders held more than 5% of DLR's share capital:

Loan-distributing shareholders:

Sydbank A/S, Aabenraa
Vestjysk Bank A/S, Herning
Spar Nord Bank A/S, Aalborg
Sparekassen Danmark A/S, Vrå

Other shareholders:

Nykredit Realkredit A/S, Copenhagen
PRAS A/S, Copenhagen

None of the above-mentioned shareholders hold controlling interests.

31 Off-balance sheet items - guarantees etc.

	2022	2021
Financial guarantees	0	0
Other guarantees	0	0
Total	**0**	**0**
Other contingent liabilities		
Irrevocable credit commitments (loan offers)	13,918	13,823
Total	**13,918**	**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.

32 Contingent assets

Loss set-off agreements have been established between DLR and the loan-distributing shareholder banks, 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.

Notes - Risk Management
(DKKm)

Note
33 Risk management

Risk management is anchored with the Board of Directors and the Executive Board and is a key element of DLR's day-to-day operations. DLR's internal controls and risk management procedures have been organised with a view to ensuring effective management of relevant risks.

DLR's risks may be classified as follows:

- Credit risk: DLR provides loans against registered mortgages on real property in compliance with statutory limits for the ranking of collateral. DLR assesses the loan applicant's financial circumstances and the property mortgage offered. In this connection, the loan applicant's ESG conditions and climate risks are also assessed.

- Market risk: Mortgage loans and the underlying funding are regulated according to the balance principle, meaning that DLR is only exposed to insignificant market risk. DLR's market risk is thus associated with its securities portfolio and issued bonds at amortised cost.

- Liquidity risk: Losses as a result of financial obligations falling due in the short or medium term not being met (incl. funding risk).

- Non-financial risks: Non-financial risks concern operational risk (losses due to inappropriate or insufficient in-house procedures, human or system error or error caused by external events), compliance risk (losses due to non-compliance with applicable regulations, market standards or internal rules) and IT risks (losses due to system error or non-compliance with IT security protocols, incl. cyber security risk).

Credit, market and non-financial risks are hedged by holding sufficient capital, while liquidity risks are hedged by holding adequate cash resources.

Each year, DLR publishes a detailed report entitled Risk and Capital Management containing a number of risk indicators in compliance with the Capital Requirements Regulation (CRR). The report, which is not subject to auditing, may be found at dlr.dk/en/investor/Financial Statements.

Note

34 Credit risk - management of credit risk and collateral

DLR's lending area is concentrated around lending to agricultural, forestry and horticultural properties, owner-occupied homes connected with farming or other sectors, such as residential farms, as well as private rental housing properties, cooperative housing properties and office and business properties in Denmark. Furthermore, loans are provided on a minor scale in the Faroe Islands and Greenland.

DLR offers loans in cooperation with the banks holding shares in DLR, which - in their capacity as loan providers - offer advice to borrowers about DLR's products.

DLR's lending is generally based on three elements that form part of the overall assessment of a loan application:

- Valuation of the property
- Assessment of the loan applicant's creditworthiness
- Possibility of obtaining comprehensive finance, including the required business and operating credits from financial institutions

The valuation of properties is carried out in compliance with the Danish FSA's Executive Order on Valuation of Security and Lending against Real Property.

In the determination of the total loan amount, including to what extent the LTV for the property category in question can be utilised, emphasis is placed on the applicant's financial performance over a number of years, as well as the borrower's ESG situation, where relevant. If the applicant's financial position has not developed satisfactorily over an extended period of time, key emphasis will be placed on whether the loan in question will be given a ranking in the order of priority that must be considered risk-free.

In connection with lending for the acquisition of properties or for major investments, emphasis is on budgets, i.e. whether balanced finances can be achieved based on expected, achievable budget assumptions. Furthermore, the applicant's equity calculated on the basis of DLR's valuation of the applicant's properties is taken into account.

In connection with the provision of loans, the loan-providing financial institution will normally provide an individual guarantee for the individual loan throughout its term covering 6% of the remaining debt on the loan. The guarantee is reduced gradually as the loan is repaid, to the effect that the ratio of the guarantee to the residual debt remains unchanged throughout the term of the loan. The guarantee covers the least secure part of the total lending for the individual property. In addition, a loss set-off scheme has been established, under which DLR sets off against the commission payable to each financial institution all losses incurred beyond what is covered by the 6% guarantees provided at loan level. Losses may be set off against ten years' commission for losses incurred after 1 January 2017.

To the extent that losses eligible for set-off exceed the current year's and up to the following nine years' expected commissions, DLR may require that such losses are covered by drawings on the individual financial institution's aggregate guarantees. This part of the guarantee scheme has not been used so far. The guarantee concept was launched with loan offers issued from the beginning of 2015. The portfolio in question amounted to DKK 178bn at year-end 2022, equal to 98% of the total loan portfolio calculated at the outstanding bond debt.

For loans against agricultural properties offered before 2015, a collaboration agreement has been made with the loan-distributing banks setting out a collective loss guarantee limit and a right of set-off under which DLR can set off actual losses against the commission payable to the individual financial institutions. Set-off of losses thus results in a lower commission being paid by DLR to the relevant financial institution. This guarantee scheme, which is being phased out, applied to loans totalling DKK 0.6bn at year-end 2022.

For loans against other property categories than agricultural properties and closed-down farms/residential farms before 2015, the loan-distributing bank would previously provide a guarantee for the lowest-ranking DLR mortgage covering in the order of 25-100% of the mortgage in question. At the end of 2022, the loss-mitigating agreements under this guarantee concept comprised guarantees for a portfolio (outstanding bond debt) totalling DKK 0.4bn This guarantee concept is also being phased out.

As regards recognition and measurement of expected credit losses, see the accounting policies set out in note 50.

Note 35 Credit risk - exposures

The maximum credit risk, disregarding collateral, is as follows, which amounts have been recognised in the balance sheet.

Balance sheet items	2022	2021
Cash balance and demand deposits with central banks	1,433	1,581
Due from credit institutions and central banks	408	330
Loans, advances and other receivables at fair value	169,912	175,203
Loans, advances and other receivables at amortised cost	7	10
Bonds at fair value	8,096	6,380
Other assets	103	130
Derivative financial instruments	12	0
Total	**179,972**	**183,634**

Off-balance sheet items	2022	2021
Financial guarantees	0	0
Other guarantees	0	0
Irrevocable credit commitments (loan offers)	13,918	13,823
Other contingent assets	0	16
Total	**13,918**	**13,839**

Note 36 Credit risk - loan to value (excl. loans in arrears and impaired loans)

The credit quality of DLR's loan portfolio is shown in the tables below, which show the distribution of the total loan portfolio by LTV bands (loan-to-value intervals) at the end of 2022 for the most significant property categories. The tables do not include loans in arrears or individually impaired loans.

The LTV distributions show how large a share of the loan portfolio is placed in the respective loan-to-value intervals. The LTV distribution is based on DLR's most recent valuations or "approved market values" (valuations made without physical inspection in connection with the ongoing LTV monitoring for loans based on covered bonds). In addition, a forward indexation has been made of the valuations to the price level at Q4 2022 to ensure that the valuation basis applied reflects the current price level.

It should be noted that, under the guarantee and set-off concepts described above, the loan-distributing bank cover part of DLR's risk.

Agriculture: An LTV of 70% provided that additional collateral of 10% of the value is provided in the interval of 60-70% for loans based on SDOs. Otherwise, an LTV of 60% applies. Loans for agricultural properties accounted for 51% of DLR's total loan portfolio at the end of 2022.

Loan-to-value limit (LTV) as a percentage	**0-60**	**60-70**	**70+**
Per cent of loans in LTV intervals	95.9	3.5	0.7

Office and business properties: An LTV of 70% provided that additional collateral of 10% of the value is provided in the interval of 60-70% for loans based on SDOs. Otherwise, an LTV of 60% applies. Loans for office and business properties accounted for 17% of DLR's total loan portfolio at the end of 2022.

Loan-to-value limit (LTV) as a percentage	**0-60**	**60-70**	**70+**
Per cent of loans in LTV intervals.	97.9	1.6	0.5

Rental properties, including cooperative housing: An LTV of 80% applies. Loans for private rental properties and private cooperative housing properties accounted for 23% of DLR's total loan portfolio at the end of 2022.

Loan-to-value limit (LTV) as a percentage	**0-80**	**80+**
Per cent of loans in LTV intervals	99.5	0.5

Owner-occupied homes: An LTV of 80% applies. Loans for owner-occupied homes accounted for 6% of DLR's total loan portfolio at the end of 2022.

Loan-to-value limit (LTV) as a percentage	**0-80**	**80+**
Per cent of loans in LTV intervals	99.8	0.2

Note

37 Financial assets - not impaired as a result of collateral

The collateral for DLR's loans is described in more detail in note 34. As a result of this collateral, an individual impairment review will not result in impairment losses being charged on some loans for which there is objective evidence of credit impairment, because the value of the collateral exceeds the remaining debt. Instead, modelled impairment will be recognised for these loans. DLR's impairment approach complies with the requirements of the Danish FSA's executive order on the presentation of financial statements, which is based on IFRS 9.

38 Market risk - policy

Interest rate risk
Under Danish law, the interest rate risk cannot exceed 8% of DLR's own funds. At the end of 2022, DLR's own funds amounted to DKK 17,004m after deductions, giving a maximum permitted interest rate risk of DKK 1,360m.

At the end of 2022, the interest rate risk on DLR's securities portfolio (asset side) was DKK 205m. Interest rate risk expresses the market value adjustment expected to result from a 1 percentage point change in market rates at year-end 2022. Based on own funds, the relative interest rate risk was 1,2% at year-end 2022.

The interest rate risk on issued securities (liability side) – additional tier 1 capital and senior secured bonds – is DKK 24m, equivalent to 0.1% of DLR's own funds.

Based on a specific assessment, DLR may use financial instruments to manage interest rate risk.

Liquidity risk
DLR's use of the specific balance principle means there is a close match between payments on loans granted and issued bonds (match-funding). However, in connection with prepayments of loans (immediate repayment), DLR receives liquidity which will subsequently be invested until the amount is due for payment to the bondholders as part of extraordinary drawings.

The liquidity is placed as short forward deposits with financial institutions or in short bonds. Likewise, prepaid funds arising from the borrower's quarterly repayments on ARM loans will be placed with financial institutions or in bonds, and will be kept separate from the remaining securities portfolio.

With the implementation of CRR/CRD IV, see section 8(9) of the executive order on governance, risk management, etc. for financial institutions, new requirements were implemented concerning the determination and assessment of liquidity position and liquidity risks (ILAAP - Internal Liquidity Adequacy Assessment Process). Accordingly, DLR has since 2014 prepared a separate report on liquidity for each year along with the capital adequacy report (ICAAP - Internal Capital Adequacy Assessment Process). The ILAAP is approved by the Board of Directors of DLR before filing with the Danish FSA.

Exchange rate risk
Calculated according to the Danish FSA's foreign exchange indicator 2, DLR's exchange rate risk at year-end 2022 was DKK 0.3m, equivalent to 0.002% of common equity tier 1 capital. Under Danish legislation, the exchange rate risk calculated on the basis of the Danish FSA's foreign exchange indicator 2 cannot exceed 0.1% of common equity tier 1 capital. DLR's limited exchange rate risk is explained by the fact that foreign-currency loans (only EUR) will always be funded in the foreign currency in question and that only a small proportion of DLR's securities portfolio is held in EUR bonds.

Equity risk
In general, DLR does not invest in shares, except for sector shares. At the end of 2022, DLR's equity portfolio consisted of holdings in e-nettet A/S and Landbrugets Finansieringsinstitut A/S. At year-end 2022, the equity risk after tax (determined as the earnings effect of a change in share prices of 10%) was DKK 4m.

Note

39 Market risk - sensitivity

DLR's risks and policies are set out in the risk management section of the Management's review. DLR is exposed to different types of market risk. To illustrate the exposure or sensitivity to each type of market risk, the change in profit and equity caused by various risk scenarios is set out below.

2022	Change in profit after tax	Change in equity
Interest rate risk exposure of the securities portfolio		
An interest rate increase of 1 percentage point	-160	-160
An interest rate decrease of 1 percentage point	160	160
Equity risk		
An increase in share value of 10%	4	4
A decrease in share value of 10%	-4	-4
Exchange rate risk		
A 1% increase in the DKK/EUR rate of exchange	3	3
A 1% drop in the DKK/EUR rate of exchange	-3	-3

2021	Change in profit after tax	Change in equity
Interest rate risk exposure of the securities portfolio		
An interest rate increase of 1 percentage point	-110	-110
An interest rate decrease of 1 percentage point	110	110
Equity risk		
An increase in share value of 10%	3	3
A decrease in share value of 10%	-3	-3
Exchange rate risk		
A 1% increase in the DKK/EUR rate of exchange	2	2
A 1% drop in the DKK/EUR rate of exchange	-2	-2

Notes - Financial instruments
(DKKm)

Note

40 Financial instruments: instruments used

DLR's financial instruments mainly consist of mortgage loans, deposits of liquid funds with banks and investments in mortgage bonds. DLR uses derivative financial instruments such as forward purchases and sales of bonds and, in certain periods, swap transactions. All derivative financial instruments may be used as part of DLR's risk management.

41 Financial instruments - Financial instruments not carried at fair value

Financial instruments are measured in the balance sheet at fair value or at amortised cost. The table below shows the fair value of instruments not carried at fair value in the balance sheet.

Fair value constitutes the amount at which a financial asset can be traded or at which a financial liability can be settled between independent parties and is calculated as the present value of the underlying cash flows. See accounting policies, recognition and measurement, for additional information.

2022	Carrying amount	Fair value
Loans, advances and other receivables at amortised cost	7	7
Issued bonds at amortised cost	3,994	3,915
Subordinated debt at amortised cost	1,298	1,307

2021	Carrying amount	Fair value
Loans, advances and other receivables at amortised cost	10	10
Issued bonds at amortised cost	4,998	5,032
Subordinated debt at amortised cost	1,300	1,300

For other financial assets and liabilities not carried at fair value, the carrying amount essentially corresponds to the fair value, for which reason additional information is not provided.

Note 42 Assets and liabilities at fair value

2022	Quoted prices	Observable inputs	Non-observable inputs	Total fair value
Financial assets:				
Recognised as trading portfolio:				
- bonds at fair value	6,934	1,162	0	8,096
- derivative financial instruments	12	0	0	12
Recognised through fair value option:				
- loans, advances and other receivables at fair value	0	169,912	0	169,912
Recognised as available for sale:				
- shares available for sale	0	0	45	45
Other assets				
Land and buildings, domicile properties	0	0	135	135
Total	**6,945**	**171,075**	**180**	**178,200**
Financial liabilities:				
Recognised as trading portfolio				
- derivative financial instruments	15	0	0	15
Recognised through fair value option:				
- issued bonds at fair value	141,137	16,575	0	157,712
Total	**141,152**	**16,575**	**0**	**157,728**

Note

42 Assets and liabilities at fair value (continued)

2021	Quoted prices	Observable inputs	Non-observable inputs	Total fair value
Financial assets				
Recognised as trading portfolio:				
- bonds at fair value	5,878	502	0	6,380
- derivative financial instruments	0	0	0	0
Recognised through fair value option:				
- loans, advances and other receivables at fair value	0	175,203	0	175,203
Recognised as available for sale:				
- shares available for sale	0	0	45	45
Other assets				
Land and buildings, domicile properties	0	0	136	136
Total	**5,878**	**175,705**	**180**	**181,763**
Financial liabilities				
Recognised as trading portfolio:				
- derivative financial instruments	1	0	0	1
Recognised through fair value option:				
- issued bonds at fair value	158,923	2,280	0	161,203
Total	**158,923**	**2,280**	**0**	**161,203**

Quoted prices
The Company's assets and liabilities at fair value are to the widest possible extent recognised at quoted prices in an active market for identical assets and liabilities.

Observable inputs
When an instrument is not traded in an active market, measurement is based on observable inputs in generally accepted calculation models with observable market data. For bonds for which an updated market price is not available, a price determined on the basis of the official market rate for a corresponding bond is used. For unlisted shares in sector-owned companies where the shares are reallocated, the reallocation is considered to constitute the principal market for the shares. The fair value is determined as the reallocation price, and the shares are included in this category.

Non-observable inputs
Where it is not possible to measure financial instruments at fair value based on prices in active markets or observable inputs, measurement is based on own assumptions and extrapolations, etc. To the extent possible, measurement is based on actual transactions adjusted for differences in, e.g., liquidity, credit spreads and maturities of the instruments, etc. The Company's portfolio of unlisted shares in sector companies where observable inputs are not immediately accessible are placed in this category.

Note 43	Derivative financial instruments by remaining term to maturity	2022	2021
	Forwards, bought *		
	Up to and including three months		
	Nominal value	3,716	3,907
	Net market value	-15	0
	Forwards, sold **		
	Up to and including three months		
	Nominal value	1,867	2,423
	Net market value	5	0

When loans are refinanced, DLR will carry out two opposite financial transactions. In one transaction, DLR sells bonds (equivalent to the amount to be refinanced) to bond investors. The price/interest rate achieved at such sale is passed directly on to the borrower's adjustable-rate mortgage, while in the other transaction the borrower obtains an interest rate on its adjustable-rate mortgage. The net earnings effect of these transactions is DKK 0m, if trading margin income in connection with the refinancing is disregarded.

* Forwards, bought: The refinancing, totalling DKK 2,693m at the turn of the year 2022/23, thus implicitly involves that DLR (via the loan terms) has an agreement with the borrower that the borrower "buys" this interest on its adjustable-rate loan. Furthermore, DLR has other forward contracts for DKK 1,023m.

** Forwards, sold: Of the DKK 2,693m refinancing, DLR has sold DKK 1,867m forward at 2 January 2023, while the remaining amount was sold for settlement in 2022 and is therefore not stated as forwards.

Notes - Key figures and financial ratios
(DKKm)

Note 44

Key figures	2022	2021	2020	2019	2018
Income statement					
Net interest and fee income	1,547	1,428	1,428	1,432	1,401
Other operating income etc.	18	31	24	25	27
Staff costs and administrative expenses etc.	-344	-343	-315	-287	-287
Earnings	**1,221**	**1,116**	**1,137**	**1,170**	**1,141**
Impairment of loans, advances and receivables	10	109	-62	86	-24
Market value adjustments	-304	-87	-114	-171	-211
Profit before tax	**927**	**1,138**	**960**	**1,085**	**905**
Profit after tax	**720**	**888**	**749**	**846**	**707**

Balance	2022	2021	2020	2019	2018
Assets					
Loans and advances	169,920	175,213	166,787	156,837	148,611
Bonds, shares, etc.	8,141	6,424	12,041	11,769	8,945
Other assets	2,183	2,234	2,255	4,839	3,182
Total assets	**180,244**	**183,871**	**181,083**	**173,444**	**160,738**
Equity and liabilities					
Issued bonds	161,707	166,201	164,433	157,639	145,901
Other liabilities	1,448	1,299	1,167	1,195	1,213
Subordinated debt	1,298	1,300	1,300	1,300	650
Equity	15,791	15,071	14,183	13,311	12,974
Total equity and liabilities	**180,244**	**183,871**	**181,083**	**173,444**	**160,738**

Note 45	Financial ratios	2022	2021	2020	2019	2018
	Return on equity					
	Profit before tax in per cent of equity *	6.0	7.8	7.0	8.3	7.1
	Profit after tax in per cent of equity *	4.7	6.1	5.4	6.4	5.6
	Return on capital employed					
	Return on capital employed *	0.40	0.48	0.41	0.49	0.44
	Costs					
	Costs in per cent of loan portfolio	0.2	0.2	0.2	0.2	0.2
	Income/cost ratio *	3.8	5.9	3.5	6.4	3.9
	Income/cost ratio, excl. impairment losses	3.7	4.0	4.2	4.5	4.2
	Solvency					
	Total capital ratio*	24.3	18.6	18.8	17.1	16.9
	Tier 1 capital ratio*	22.5	17.1	17.1	15.5	16.0
	Common equity tier 1 capital ratio	22.5	17.1	17.1	15.5	16.0
	Arrears and impairment losses					
	Arrears, end of period (DKKm)	50	61	71	89	120
	Impairment ratio for the period *	-0.01	-0.06	0.04	-0.05	0.02
	Accumulated impairment ratio	0.22	0.22	0.29	0.28	0.36
	Lending activity					
	Growth in loan portfolio, per cent (nominal) *	3.3	7.2	6.3	5.6	4.1
	New loans, gross (DKKm)	45,751	36,608	36,839	43,061	27,717
	Number of new loans	12,518	11,250	11,507	13,033	8,546
	Loan/equity ratio *	10.8	11.6	11.8	11.8	11.5
	Margins					
	Percentage of average loan portfolio (nominal):					
	Profit before tax	0.52	0.67	0.60	0.72	0.63
	Administration margin income	1.06	1.07	1.09	1.08	1.09
	Percentage of tier 1 capital after deductions					
	Foreign exchange position as a percentage of tier 1 capital after deductions	2.3	1.6	2.2	3.9	3.9

* The financial ratios have been calculated in accordance with the definitions of the Danish Financial Supervisory Authority.

Other notes
(DKKm)

Note		2022	2021
46	**Activities and geographical markets**		

DLR carries on mortgage credit activities in one geographical market, which is Denmark (including the Faroe Islands and Greenland).

	2022	2021
Net interest and fee income	1,547	1,428
Market value adjustments	-304	-87
Revenue	3,869	3,385
Government grants received	0	0

47 Related parties

DLR has no related parties exercising control.

The related parties of the institution comprise the members of the Board of Directors and the Executive Board, including their related parties.

During 2022, there were no direct transactions with the Board of Directors or the Executive Board apart from salaries and remuneration. Remuneration to members of the Board of Directors and the Executive Board is disclosed in notes 5 and 6.

In 2022, no loans, charges or guarantees have been granted to the institution's related parties in the form of the members of the Board of Directors and the Executive Board or their related parties. Disclosures on loans, charges or guarantees to the institution's Board of Directors and Executive Board are set out in note 8.

Some members of DLR's Board of Directors hold executive positions in the institution's shareholder banks, which makes these banks related parties of DLR. Guarantees provided by these shareholder banks amounted to DKK 6,202m at 31 December 2022 (2021: DKK 5,300m).

Transactions between DLR and these related parties concern commission payments such as mediation commissions and commission reimbursements. In 2022, the transactions amounted to DKK 36m. In addition, there have been payments of the previous year's commissions payable (2021: DKK 27m + commissions payable from the previous year).

DLR has commissions payable to the related parties in the form of guarantee commissions, etc. At 31 December 2022, this amount was DKK 301m (2021: DKK 239m).

	Reason for related party status	Address	Registered office
Sparekassen Danmark	A board member is an executive in the bank	Vrå	Denmark
Spar Nord Bank A/S	A board member is an executive in the bank	Aalborg	Denmark
Ringkjøbing Landbobank A/S	A board member is an executive in the bank	Ringkøbing	Denmark
Sydbank A/S	A board member is an executive in the bank	Aabenraa	Denmark
A/S Arbejdernes Landsbank	A board member is an executive in the bank	København V	Denmark
Sparekassen Sjælland-Fyn A/S	A board member is an executive in the bank	Holbæk	Denmark

DLR has exposures with companies in which related parties exercise control. At 31 December 2022, these exposures totalled DKK 216m (2021: DKK 219m).

	Reason for related party status	Address	Registered office
Sparekassen Danmark	A board member acts as chairman of boards of directors of companies which have exposures with DLR	Vrå	Denmark
Sparekassen Sjælland-Fyn A/S	The institution has ownership interests in a company which has a loan offer about an exposure with DLR	Holbæk	Denmark

All transactions, guarantees, deposits and exposures with related parties and companies in which related parties exercise control were made on an arm's length basis.

Note

48 Reconciliation of income statement for "core and portfolio earnings" against "official statements" 2022

	Core earnings	Portfolio earnings	Total
Interest income	3,457	89	3,546
Interest expenses	-1,507		-1,507
Net interest income	**1,950**	**89**	**2,039**
Share dividends etc.	0		0
Fees and commission received	306		306
Fees and commission paid	-797		-797
Net interest and fee income	**1,458**	**89**	**1,547**
Market value adjustments	0	-304	-304
Other operating income	18		18
Staff costs and administrative expenses	-323		-323
Depreciation and impairment of property, plant and equipment	-2		-2
Other operating expenses	-19		-19
Impairment of loans, advances, receivables, etc.	10		10
Profit before tax	**1,142**	**-215**	**927**
Tax	-254	47	-207
Profit after tax	**888**	**-167**	**720**

Note 49	Supervisory diamond for mortgage credit institutions	2022	2022	Threshold
	1. Lending growth			
	Private homeowners	3.0	15.1	<15%
	Property rental	6.9	15.9	<15%
	Agriculture	1.1	2.8	<15%
	Other corporate	5.4	8.5	<15%
	2. Borrower interest-rate risk	20.5	15.7	<25%
	3. Interest-only lending to private home owners	0.8	1.7	<10%
	4. Loans with short-term funding (quarterly)			
	Q1 2022	0.0	0.1	<12,5%
	Q2 2022	7.7	7.3	<12,5%
	Q3 2022	4.7	3.3	<12,5%
	Q4 2022	1.6	2,3	<12,5%
	Loans with short-term funding annually *	**13.9**	**12.7**	**<25%**
	5. Large exposures	31.9	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 2022. The year's percentage therefore does not correspond to the sum of the percentages in the individual quarters.

50 Accounting policies

General

DLR's annual report has been prepared in accordance with the Danish Financial Business Act, including the executive order on financial reports of credit institutions and investment firms, etc. (the Danish Executive Order on the Presentation of Financial Statements), and the requirements of NASDAQ Copenhagen as regards the financial reporting of issuers of listed bonds.

The accounting policies are consistent with those applied for 2021.

The figures in the financial statements 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 visible to the reader of the financial statements.

Future changes to accounting policies

At the time of publication of the annual report, no new rules have been adopted that will affect DLR's future financial reporting.

Accounting estimates and judgments

The preparation of financial statements requires the use of qualified accounting estimates. Such estimates and judgments are made by DLR's Management on the basis of historical experience and assessments of future circumstances. Accounting estimates and assumptions are tested and reviewed on a regular basis. The estimates and judgments applied are based on assumptions which Management considers reasonable and realistic, but which are inherently subject to uncertainty.

The most significant estimates affecting the financial statements concern:

- Loans, advances and other receivables at fair value (impairment)Bonds at fair value and loans, advances and other receivables at fair value (before impairment)
- Issued bonds at fair value
- Land and buildings, domicile properties
- Shares etc.

Loans, advances and other receivables at fair value (impairment)

The calculation of impairment losses on loans, advances and other receivables at fair value is partially based on a number of variables involving significant estimates. The most significant variables are:

- The value of the property
- Determination of 12-month PD (probability of default)

- Determination of PD throughout the term of the loan
- Scenarios for developments in PD
- Scenarios for developments in property values
- Assumptions regarding expected future developments (forward looking)
- Management overlays to ensure that provisions are made to cover risks not reflected in the individual impairment losses or the modelled impairment losses.

For these overlays, a more detailed description of the methods is provided in the section "Loans, advances and other receivables".

Issued bonds at fair value and loans, advances and other receivables at fair value (before impairment)

DLR's mortgage loans and underlying issued bonds adhere to the specific balance principle.

Issued mortgage bonds and mortgage loans are measured at fair value, which is the market price of these bonds. Issued mortgage bonds in less liquid series that are not traded actively are measured at a calculated price. As this price is based on an estimate, it is subject to some uncertainty. For further information, see note 42, "Assets and liabilities at fair value".

Bonds at fair value

Liquid bond portfolios are measured at fair value, which is the market price of these bonds. Portfolios of bonds in less liquid series that are not traded actively are measured at a calculated price. As this price is based on an estimate, it is subject to some uncertainty. For further information, see note 43, "Assets and liabilities at fair value".

Land and buildings, domicile properties

The measurement of DLR's domicile properties is based on valuations performed by in-house valuers specialising in the assessment of commercial property. However, such estimates are still subject to some uncertainty.

For the estimate, a more detailed description of the methods is provided in the section "Land and buildings, domicile properties".

Shares etc.

DLR does not own listed shares but has a small portfolio of unlisted shares, which are measured at fair value. If the Association of Local Banks, Savings Banks and Co-Operative Savings Banks in Denmark (Lokale Pengeinstitutter) provides a calculated price of its shares, this price is used. Alternatively, measurement is based on the company's equity value.

Presentation, recognition and measurement

Assets are recognised in the balance sheet when, as a consequence of a past event, it is probable that future economic benefits will flow to DLR and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when, as a consequence of a past event, it is probable that future economic benefits will flow from DLR and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below in respect of each individual item, but generally at fair value.

Recognition and measurement take into account predictable risks and losses occurring before the presentation of the annual report which confirm or invalidate circumstances existing at the balance sheet date.

Income is recognised in the income statement as earned, while costs are recognised at the amounts that relate to the financial year.

Financial instruments are recognised at the settlement date. Changes in the fair value of instruments purchased or sold in the period between the trading date and the settlement date are recognised as financial assets or liabilities.

Foreign currency translation

On initial recognition, transactions in foreign currency are translated at the exchange rates at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment or the balance sheet date, respectively, are recognised in the income statement under "Market value adjustments".

Income statement

Under the Danish executive order on the presentation of financial statements, net interest and fee income and market value adjustments must be disclosed by activity and geographical market where activities and markets are not identical. DLR has one single activity, i.e. mortgage credit business in Denmark and, to a limited extent, the Faroe Islands and Greenland. For risk purposes, these markets are considered one geographical market, and the above-mentioned information is therefore not disclosed.

Interest income and expenses

Interest income and expenses, including default interest and administration contributions, are accrued to the effect that interest and contributions incurred but not yet due are recognised in the income statement.

Fees and commission received

Loan fees, other fees, brokerage and spread income in connection with refinancing are recognised in the income statement on completion of the transaction.

Fees and commission paid

Agency commission for financial institutions is recognised in the income statement on completion of the transaction. Loss guarantee commission for financial institutions is recognised in the income statement in accordance with the accrual basis of accounting.

Market value adjustments

Capital gains and losses on financial instruments and other balance sheet items are recognised in the income statement and include both realised and unrealised gains and losses.

Staff costs and administrative expenses

Staff costs comprise payroll costs, social security costs, pensions, etc.

Administrative expenses comprise expenses related to IT, distribution, sale and administration, etc.

Impairment of loans and advances, receivables, etc.

Impairment losses on loans and advances comprise:

- Actual losses for the year
- Amounts received on claims previously written off
- Adjustment of properties taken over
- Losses offset in commission payments to banks, which represent an income resulting from DLR's right to set off actual losses against the commission payable to individual banks
- Changes in loan loss provisions

Tax

Tax for the year consists of:

- Tax on taxable income for the year
- Change in deferred tax
- Difference between tax calculated and paid in prior years

Tax is recognised in profit or loss at the share attributable to profit or loss for the year and in other comprehensive income at the share attributable to other comprehensive income.

The current tax charge for the year is calculated based on the tax rates and rules applicable at the balance sheet date. As far as the deferred tax is concerned, it is recognized at a rate of 26%.

Comprehensive income

Comprehensive income comprises the profit for the year plus other comprehensive income such as revaluation of domicile properties.

Balance sheet

Cash balance and demand deposits with central banks

Demand deposits with Danmarks Nationalbank are measured at fair value on initial recognition and subsequently at amortised cost less impairment losses.

Due from credit institutions and central banks

Demand deposits and time deposits with financial institutions and certificates of deposit with Danmarks Nationalbank are measured at fair value on initial recognition and subsequently at amortised cost less impairment losses.

Loans, advances and other receivables at fair value and amortised cost

Mortgage loans are measured at fair value based on the fair value of the underlying issued mortgage bonds. Adjustment is made for credit risk based on evidence of impairment.

Other loans and advances, which are typically related to reserve fund lending, are measured at amortised cost, which usually corresponds to the nominal value less front-end fees etc., and less provisions for bad debts.

Adjustment for credit risk (impairment of loans and advances)

Fair value adjustments are made in accordance with IFRS 13 using the same method as the one applied for loans and advances at amortised cost (IFRS 9).

All loans and advances are categorised individually as stage 1, 2 or 3:

- Stage 1: Credit risk has not increased significantly since initial recognition. At this stage, the impairment loss is determined as the 12-month expected credit loss.
- Stage 2: Credit risk has increased significantly. At this stage, the impairment loss is determined as the lifetime expected credit loss.
- Stage 3: The asset is credit-impaired. At this stage, the impairment loss is determined as the lifetime expected credit loss.

This categorisation in stages is based on DLR's proprietary rating models. The principles governing the categorisation in stages 1, 2 and 3 are described below:

Loans and advances are categorised individually. First, an assessment is made as to whether a loan meets the criteria for assignment to stage 3. If this is not the case, it is assessed whether the loan meets the criteria for assignment to stage 2, and if this is not the case, the loan is placed in stage 1.

Stage 3: The loan is credit-impaired
Loans in stage 3 are loans which DLR considers to be in default. A loan is in default if one or more of the following characteristics apply:

- The customer is in material breach of contract
- It is probable that the customer will enter into bankruptcy
- The loan is individually impaired

Stage 2: Credit risk has increased significantly
The assessment as to whether credit risk has increased significantly is based on the rules of the Danish FSA. This means that if the probability of default (PD) is lower than 0.2%, credit risk has not increased significantly. If the PD is higher than 0.2%, credit risk has increased significantly:

- If the 12-month PD is lower than 1.0% on initial recognition but increases by 100% or more during the remaining term and the 12-month PD increases by 0.5 of a percentage point or more.
- If the 12-month PD is higher than 1.0% on initial recognition and increases by 100% or more during the remaining term or the 12-month PD increases by 2.0 percentage points or more.
- If the loan is more than 30 days in arrears and no special circumstances warrant that this should be ignored.

In pursuance of the rules of the Danish FSA, loans assigned to stage 2 are divided into two sub-stages, i.e. ordinary stage 2 and weak stage 2. The criteria for these two stages are as follows:

- Weak stage 2: The credit risk associated with the customer has increased significantly since initial recognition, and the customer's ability to pay is significantly impaired, which is defined as a PD above 5%.
- Ordinary stage 2: The credit risk associated with the customer has increased significantly since initial recognition, but the PD is lower than 5%.

Stage 1: Credit risk has not increased significantly
All loans and advances which after this procedure have not been placed in stage 3, weak stage 2 or ordinary stage 2 are placed in stage 1.

A loan with a 12-month PD of less than 0.2% is considered to carry low credit risk. Such loans are always assigned to stage 1.

DLR does not have any specific models for the calculation of PDs for loans to Danish credit institutions and central banks, but such receivables are assessed to carry low credit risk and are therefore assigned to stage 1.

Impairment method – individual review

All loans showing objective evidence of credit impairment (OECI) are reviewed for impairment on an individual basis, and an impairment loss is recognised based on a sales scenario in which the underlying collateral is realised.

Impairment method – mathematical model

All loans which do not show OECI or which do show OECI but are found not to be impaired based on the sales scenario are assessed based on a mathematical model which takes into account the probability of default (PD), the estimated credit exposure at default (EAD) and the expected loss given default (LGD).

The model incorporates both historical observations and forward-looking information, including macroeconomic conditions.

<u>Inputs for the impairment model</u>

PD is determined based on observed default events during a period covering an economic cycle. The observed default events are converted into an estimated probability at a specified point in time (12-month PD).

Lifetime PD is determined based on 12-month PD using mathematical models and extrapolations of 12-month PD. They are based on historical migrations between PD categories and adjusted to reflect observed default levels, and it is expected that future migrations may be estimated against this background.

The determination of estimated credit exposure at default (EAD) takes interest and principal payments into account.

Expected loss given default (LGD) is calculated based on the difference between contractual cash flows and the cash flows which DLR expects to receive after default, including cash flows from realisation of collateral.

<u>Forward-looking model</u>

With a view to making the impairment model forward-looking, DLR uses the forward-looking-factors designed by the Association of Local Banks, Savings Banks and Co-operative Banks in Denmark. The model calculates a number of industry-specific “adjustment factors” on the basis of expectations for macroeconomic developments (GDP, interest rates, unemployment, etc.).

Scenarios

Considering its most significant risk to be related to falling mortgage values, DLR has, in addition to the main scenario, which is the most likely scenario, incorporated four additional scenarios in which the following stress parameters are used:

- Property prices fall by 30%, and PD increases by 100%
- Property prices fall by 15%, and PD increases by 100%
- Property prices rise by 10%, and PD remains unchanged
- Property prices rise by 20%, and PD remains unchanged

DLR's Management has estimated the probabilities of these scenarios, taking into account that there is an increased risk of significant price falls following a period of significant price increases. Conversely, after a period of significant price falls, there is a lower risk of "new additional price falls".

Furthermore, a specific scenario has been incorporated for the pig farming sector, because substantially rising prices of animal feed, energy, etc. are still not adequately reflected in settlement prices. With a view to recognising adequate loss allowances, DLR has, in addition to the above scenarios, assumed that collateral value will decline by 15% and that PD will rise by 100% for loans to the pig farming sector. The probability of this scenario has also been determined by the DLR management team.

Impairment method – management overlay

In addition, a management overlay is made to the impairment to take account of any circumstances not captured by either the individual impairment losses or the model calculation.

The management overlay is divided into two categories:

- Category 1: Expected losses which are difficult to calculate in a world of constant change, including the fact that the determination of individual, manual impairment losses and modelled impairment to a large extent is based on historical data.
- Category 2: Errors and omissions in the calculation of expected losses, including errors and omissions in data or impairment models in general.

<u>Category 1:</u>

The determination of the management overlay is divided into the following sub-categories.

<u>Impairment of loans secured against agricultural properties</u>

The assessment is made for each of the following types of mortgage:

- Pig farmers

- Arable farmers
- Dairy farmers
- Horticultural properties
- Former mink farmers
- Poultry farmers, etc.

The assessment of the need for any management overlay is based on settlement prices for the various agricultural products combined with DLR's in-depth knowledge of this market. Since the modelled impairment already takes substantial stress scenarios into consideration, DLR has found that it would be sufficient to make an additional management overlay of DKK 10m.

Overlay due to the situation in Ukraine, inflation, rising interest rates and derived effects of the COVID-19 pandemic

The economic situation is notably affected by the effects of the war in Ukraine, elevated inflation and rising interest rates, etc.

DLR believes it has recognised adequate impairment losses on loans for full-time farms in the form of individual impairment losses, modelled impairment with special stress calculations for pig farmers and the above-mentioned management overlay of DKK 10m.

With respect to loans for residential rental property, office and retail property, etc., DLR believes that the higher level of uncertainty may involve a higher risk than that reflected in individual manual impairment losses and modelled impairment. To quantify this risk, DLR has used the losses incurred during the financial crisis to calculate a conservative, but not unrealistic, range of outcomes.

Against this background, DLR has made a management overlay of DKK 143m.

Category 2:
Impairment relating to model uncertainty: With respect to DLR's modelled impairment losses, a management assessment has resulted in additional impairment losses of DKK 10m relating to general model uncertainty.

Other circumstances regarding loans, advances and other receivables
Loans and advances cease to be recognised in the balance sheet when the loan has either been repaid or been transferred to DLR in connection with a forced sale or the like.

Claims previously written off which are expected to result in an inflow of future economic benefits are recognised in the balance sheet and adjusted through profit or loss. DLR is currently not believed to have any such claims.

Bonds at fair value
Bonds traded in active markets are measured at fair value. Index-linked bonds are recognised at the indexed value at the balance sheet date. Bonds not traded actively are recognised on the basis of a calculated market price.

The portfolio of own bonds is set off against the liability item "Issued bonds".

Bonds at amortised cost
Bonds acquired for the purpose of receiving a return throughout the period until maturity ("held-to-maturity") are measured at amortised cost.

On initial recognition, the bonds are measured at fair value equal to cost, which forms the basis of the amortisation calculation made.

Shares etc.
Unlisted shares are measured at fair value. If the company provides a calculated price of its shares, this price is used. Alternatively, measurement is based on the company's equity value.

Land and buildings, domicile properties
On initial recognition, domicile properties are recognised at cost. Subsequently, domicile properties are measured at their revalued amounts, being the fair value at the revaluation date less any subsequent depreciation. Revaluations are performed annually to ensure that the carrying amount does not differ materially from the value which would have been determined using the fair value at the balance sheet date. The annual assessment is made by an in-house valuer specialising in the valuation of commercial property.

Subsequent improvement expenses are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, when it is probable that the expenses incurred will result in an inflow of future economic benefits for DLR and the expenses can be measured reliably. Ordinary repair and maintenance expenses or when it is doubtful whether the expense will result in an inflow of future economic benefits are recognised in the income statement as incurred.

Positive value adjustments of own properties are recognised in the revaluation reserve under equity. Any decreases in value are recognised in the income statement unless the decrease offsets an increase in value previously recognised in the revaluation reserve.

Depreciation is provided on a straight-line basis over the estimated useful life of 50 years, taking into account the expected residual value at the end of the useful life. Land is not depreciated.

Other property, plant and equipment
Machinery, tools and equipment are measured at cost less accumulated depreciation and impairment. Depreciation is provided on a straight-line basis over the expected useful life of the asset, which is not to exceed five years.

On initial recognition, lease contracts for property, plant and equipment are recognised at the net value of the lease liability including costs. Subsequently, lease contracts for other property, plant and equipment are measured in the same way as other property, plant and equipment.

Current tax assets
Current tax assets are recognised in the balance sheet as the estimated tax charge on the taxable profit for the year adjusted for prepaid tax.

Temporary assets
Temporarily acquired properties are measured at the lower of cost and fair value less costs to sell.

The item includes properties acquired by DLR as part of measures to mitigate losses where, according to the strategy and expectations, DLR will only hold the properties in question temporarily.

Other assets
Other assets include interest receivable, sundry receivables and sundry debtors. Such assets are measured at amortised cost.

Also included are positive market values of derivative financial instruments measured at fair value.

Prepayments
Prepayments comprise expenses incurred relating to subsequent financial years. Prepayments and deferred income are measured at cost.

Issued bonds at fair value
Issued mortgage bonds are measured at fair value. Bonds not traded actively are recognised on the basis of a calculated market price.

Issued bonds at amortised cost
Issued senior debt is measured at fair value on initial recognition and subsequently at amortised cost.

Other liabilities
Other liabilities include interest payable, sundry payables and sundry creditors such as balances with customers in connection with loans. Such liabilities are measured at amortised cost.

Also included are negative market values of derivative financial instruments measured at fair value.

Deferred income

Deferred income comprises income received relating to subsequent financial years. Prepayments and deferred income are measured at cost.

Provisions for deferred tax

Deferred tax is calculated on all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax is recognised in the balance sheet as a net amount, which in DLR's case is a liability.

Subordinated debt

Subordinated debt is measured at fair value on initial recognition and subsequently at amortised cost.

Equity

In connection with the conversion of DLR into a limited liability company at 1 January 2001, an undistributable reserve corresponding to the value of contributed equity was established.

This undistributable reserve is not available for distribution but may be used to cover any losses when DLR's other reserves have been used up. In the event of the winding up of DLR, the undistributable reserve must be used to further agricultural purposes according to resolution by the annual general meeting.

DLR's portfolio of treasury shares is recognised in equity, which implies that purchases and sales of treasury shares will be reflected as a change in equity.

Management review, (continued)

Series financial statements

Pursuant to the Danish FSA's executive order no. 872 of 20 November 1995 on series financial statements of mortgage credit institutions, mortgage credit institutions are required to prepare separate series financial statements for series with series reserve funds, see section 25(1) of the Danish Mortgage Credit Loans and Mortgage Credit Bonds etc. Act.

The series financial statements have been prepared on the basis of DLR's annual report.

The distribution of profit is adopted by the Board of Directors of DLR and has been incorporated in the series financial statements. The series' calculated share of DLR's profit for the year determined in accordance with the executive order has been taken to the general reserves.

The series financial statements have been reprinted at association level, see section 30(3) of the executive order.

Complete series financial statements may be obtained from DLR.

Series financial statements	B - SDO	General Capital Centre (RO)	Total
Income statement			
Administration and reserve fund contributions	1,884	11	1,895
Front-end fees	135	1	136
Interest on subordinated debt and guarantee capital	-41	0	-41
Interest etc.	96	1	97
Market value adjustment of securities, foreign exchange, etc.	-302	-2	-304
Administrative expenses etc.	-861	-5	-867
Write-offs and provisions for loans and advances	10	0	10
Tax	-205	-1	-207
Profit	716	4	720
Balance sheet			
Assets			
Mortgage lending	169,604	626	170,230
Arrears on mortgage loans before impairment	50	0	50
Provisions for loans, advances and arrears	-359	-8	-367
Prepayments and deferred income	24	0	25
Other assets, including reserve fund loans	27,723	148	27,871
Total assets	197,042	766	197,808
Equity and liabilities			
Issued bonds etc.	174,530	663	175,193
Prepayments and deferred income	593	2	595
Other liabilities	4,930	0	4,930
Subordinated debt	1,293	5	1,298
Equity	15,695	96	15,791
Total liabilities and equity	197,042	766	197,808
Addition or deduction of funds (net)	0	0	0
Balance sheet total in the series financial statements			
Balance sheet total according to DLR's annual report			180,244
Set-off of own mortgage bonds			17,481
Set-off of interest receivable on own bonds etc.			83
Balance sheet total in DLR's series financial statements			197,808

* In the balance sheet of the series financial statements, the portfolio of "Own mortgage bonds" is not set off against the liability item "Issued bonds etc". As a result, the balance sheet total in the series financial statements is not consistent with the amount stated in the balance sheet of the DLR Annual Report.

Management's statement

The Board of Directors and the Executive Board have today considered and approved the annual report of DLR Kredit A/S for the financial year 1 January - 31 December 2022.

The annual 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. Furthermore, the annual report has been prepared in accordance with additional Danish disclosure requirements for listed financial enterprises.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January - 31 December 2022.

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.

We recommend that the annual report be adopted at the Annual General Meeting.

Copenhagen, 10 February 2023

Executive Board

Jens Kr. A. Møller
Managing Director & CEO

Pernille Lohmann
Managing Director

Board of Directors

Vagn Hansen
Chairman

Lars Møller
Vice Chairman

Bjarne Larsen

Claus Andersen

Frank Mortensen

Jakob G. Hald

Lars Petersson

Lars Faber

Randi Holm Franke

Internal auditor's report

Report on the financial statements

Opinion

In our opinion, the financial statements of DLR Kredit A/S give a true and fair view of the Company's assets, liabilities, equity and financial position at 31 December 2022 and of the results of the Company's operations for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Business Act and Danish disclosure requirements for issuers of listed bonds.

Furthermore, in our opinion, the Parent Company's risk management, compliance function, business procedures and internal controls in all critical audit areas have been organised and are working satisfactorily.

Our opinion is consistent with our long-form audit report to the Audit Committee and the Board of Directors.

Basis of opinion

We have audited the financial statements of DLR Kredit A/S for the financial year 1 January - 31 December 2022. The financial statements have been prepared in accordance with the Danish Financial Business Act and Danish disclosure requirements for issuers of listed bonds.

We conducted our audit on the basis of the Danish Financial Supervisory Authority's executive order on auditing financial enterprises etc. as well as financial groups and in accordance with international auditing standards on planning and performing the audit work.

We assessed the Company's risk management, compliance function, business procedures and internal controls in all critical audit areas.

We planned and performed the audit to obtain reasonable assurance as to whether the Financial Statements are free from material misstatement. We participated in the audit of all critical audit areas.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Statement on the Management review
Management is responsible for the Management review.

Our opinion on the financial statements does not cover the Management review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management review and, in doing so, consider whether the Management review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management review provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management review.

Copenhagen, 10 February 2023

Internal Audit

Brian Houmann Hansen
Chief Internal Auditor

Independent auditor's report

To the shareholders of DLR Kredit A/S

Opinion

We have audited the financial statements of DLR Kredit A/S for the financial year 1 January – 31 December 2022, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2022 and of the results of its operations for the financial year 1 January – 31 December 2022 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our long-form audit report to the Board of Directors.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge, we have not provided any prohibited non-audit services as described in article 5(1) of Regulation (EU) no. 537/2014.

Appointment of auditor

We were initially appointed as auditor of DLR Kredit A/S on 30 April 2020 for the financial year 2021. We have been re-elected annually by resolution of the Annual General Meeting for a total continuous assignment period of 2 years up until and including financial year 2022.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 2022. These matters were addressed during our audit of the financial statements as a whole and in forming our opinion thereon. We do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section, including in relation to the below key audit matters. Our audit included the design and performance of procedures to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Valuation of loans and provisioning for expected credit losses

Description of the matter

The Company's loans, advances and other receivables at fair value amounted to DKK 169,912 million at 31 December 2022 (DKK 175,203 million at 31 December 2021) and provisions for expected credit losses amounted to DKK 368 million at 31 December 2022 (DKK 385 million at 31 December 2021).

As described in the accounting policies (note 50) multiple variables are included in the measurement of expected credit losses related to loans measured value at fair value, and such variables are subject to significant estimation uncertainty. Such estimation uncertainty relates to - among other things - the realisable value of financed properties; estimating the 12-month and lifetime PDs (probability of default), scenarios regarding the future development of the real estate market. Additionally, expected credit losses are materially affected by managements estimates, which are established to account for risks which are not reflected in the individual credit loss assessment or the model-based credit losses (both the "in-model-adjustments" and the "post-model-adjustments").

For all loans with an objective indication of credit impairment (OIK), an individual credit loss assessment is applied, taking into consideration various weighted scenarios, including a sales scenario wherein the underlying collaterals are realised.

Credit losses for all other loans that do not contain OIK are calculated based on model-based calculations, taking into account the probability of default (PD), expected exposure to credit loss (Exposure At Default – "EAD") and the expected loss in a default situation (Loss Given Default – "LGD"). The model includes both historical and forward-looking information, including expected future macroeconomic conditions.

How the matter was addressed

Based on our risk assessment and knowledge of the industry, we performed the following audit procedures regarding measurement of loans, advances and other receivables at fair value:

- We have obtained an understanding of and tested the design and operating effectiveness of management's internal controls regarding measurement of expected credit losses on loans and receivables, including the monitoring of the exposures, staging of exposures and significant increases in credit risk, and valuation of underlying collateral.
- Assessment of the Company's methods for measuring expected credit losses, including an assessment as to whether methods applied for model-based and individual credit loss assessments comply with the accounting rules.
- On the basis of qualitative and quantitative sampling criterions, we have tested credit-impaired exposures on a sample basis, including assessing the assessment of the value of collateral and the conditions from management.
- With the involvement of our credit-risk specialists we have assessed the model-based credit losses, evaluated the completeness and accuracy of input data, the model's clerical methods and the Company's validation of the models and methods.
- On the basis of qualitative and quantitative sampling criterions, we have tested on a sample basis the credit-risk ratings, staging and the conditions applied in the measurement of PD-. LGD- and EAD-values, which are a part of management's estimate of expected credit losses on loans and

The audit of the Company's estimated credit losses on loans and receivables etc. is associated with a high complexity as a result of the significant management and accounting estimates, which involves forward-looking information, an assessment of the realisable value of the collateral and models used for the estimation of expected credit losses. In addition, the current macroeconomic environment, including increases inflationary- and interest rates, energy crisis and geopolitical tension, requires that management supplement model-based credit losses with management estimates.

Reference is made to the accounting policies and notes 34, 35 and 36 to the financial statements for a description of the Company's credit risks and a description of uncertainties and estimates where circumstances that may affect the statement of expected credit losses are described.

receivables with respect to the model-based credit loss measurement.

- We have assessed the relevance of management's estimates, including whether management have appropriately included both qualitative and quantitative information, input from the Company's own specialists, performed sensitivity analyses and tests of consistency in the method to determine management's estimates.

We also assessed whether the note disclosures regarding exposures, credit losses and credit risks comply with the relevant accounting rules and tested the figures included therein (notes 11, 14, 19, 20 and 21).

Statement on the Management's review

Management is responsible for the Management' review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review meets the disclosure requirements of the Danish Financial Business Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the Management commentary.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Business Act.

Management is also responsible for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Report on compliance with the ESEF Regulation

As part of our audit of the Financial Statements of DLR Kredit A/S, we performed procedures to express an opinion on whether the annual report of DLR Kredit A/S for the financial year – with the file name "DLR Kredit Årsrapport 2022.zip" is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes the preparing of the annual report in XHTML format.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The procedures consist of testing whether the annual report is prepared in XHTML format.

In our opinion, the annual report of DLR Kredit A/S for the financial year – with the file name "DLR Kredit Årsrapport 2022.zip" is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 10 February 2023
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Lars Rhod Søndergaard	Thomas Hjortkjær Petersen
State Authorised Public Accountant	State Authorised Public Accountant
mne28632	mne33748

Shareholders in DLR Kredit A/S

Ultimo 2022

Arbejdernes Landsbank A/S
BankNordik
Borbjerg Sparekasse
Broager Sparekasse
Danske Andelskassers Bank A/S
Djurslands Bank A/S
Dragsholm Sparekasse
Fanø Sparekasse
Faster Andelskasse
Forvaltningsinstituttet for Lokale Pengeinstitutter
Frørup Andelskasse
Frøs Sparekasse
Frøslev-Mollerup Sparekasse
Fynske Bank A/S
Fælleskassen
GrønlandsBANKEN A/S
Hvidbjerg Bank A/S
Jyske Bank A/S
Klim Sparekasse
Kreditbanken A/S
Lollands Bank A/S
Lån og Spar Bank A/S
Merkur Andelskasse
Middelfart Sparekasse
Møns Bank A/S
Nordfyns Bank
Nordoya Sparikassi
Nykredit Realkredit A/S
PRAS A/S
PRIPS2022 P/S
Ringkjøbing Landbobank A/S
Rise Sparekasse
Rønde Sparekasse
Skjern Bank A/S
Spar Nord Bank A/S
Sparekassen Balling
Sparekassen Bredebro
Sparekassen Danmark
Sparekassen Djursland
Sparekassen for Nr. Nebel og Omegn
Sparekassen Kronjylland
Sparekassen Sjælland-Fyn A/S
Sparekassen Thy
Stadil Sparekasse
Suduroyar Sparikassi
Sydbank A/S
Sønderhå-Hørsted Sparekasse
Totalbanken A/S
Vestjysk Bank A/S

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