

Interim report H1 2023



Contents

Management's review	3
Financial highlights	4
H1 2023 - Highlights	6
CEO statement	7
Comments on the results for H1 2023	9
Capital and solvency	11
Risk factors	13
Outlook for 2023	13
Accounting policies	14
Events after the balance sheet date	14
Additional information	15
Contacts	15
Financial statements H1 2023	16
Management's statement	37



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.

Financial highlights¹

	H1	H2	Ratio	Q2	Q1	Q4	Q3
Profit and Loss Account, DKKm	2023	2022	23/22	2023	2023	2022	2022
Administration fee income	962	940	102	482	480	479	476
Other core income, net	46	85	54	21	25	29	53
Interest expenses, senior debt and subordinated debt	-39	-31	125	-19	-20	-40	-24
Fee and commission income, net	-275	-249	111	-120	-155	-130	-113
Core income (mortgage credit income)	694	745	93	363	331	338	392
Staff costs and administrative expenses, etc.	-172	-164	105	-84	-88	-81	-81
Other operating expenses	-11	-9	117	-6	-5	-5	-5
Results from core activities	511	572	89	272	239	253	307
Provision for loan and receivable impairment, etc.	4	-7		3	0	19	-2
Portfolio earnings (securities)	283	-203		112	171	101	-112
Profit before tax	798	362	220	387	411	373	193
Profit after tax	600	282	213	293	308	290	152

	H1	H2	Ratio	Q2	Q1	Q4	Q3
Balance Sheet at 30 June	2023	2022	23/22	2023	2023	2022	2022
Assets							
Loans and advances	174,030	169,289	103	174,030	173,036	169,920	165,512
Bonds and shares	8,466	7,706	110	8,466	10,174	8,141	10,419
Other assets	3,452	2,813	123	3,452	2,999	2,183	5,148
Total assets	185,948	179,808	103	185,948	186,209	180,244	181,080
Liabilities and equity							
Issued bonds	166,505	161,868	103	166,505	166,380	161,707	162,392
Other debt and payables	1,754	1,287	136	1,754	2,432	1,448	1,887
Subordinated debt	1,298	1,300	100	1,298	1,298	1,298	1,300
Equity	16,391	15,353	107	16,391	16,099	15,791	15,501
Total liabilities and equity	185,948	179,808	103	185,948	186,209	180,244	181,080

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

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

Financial ratios*	H1 2023	H1 2022	Q2 2023	Q1 2023	Q4 2022	Q3 2022
Return on equity (ROE)						
Profit before tax in pc of equity *	5.0%	2.4%	2.4%	2.6%	2.4%	1.2%
Profit after tax in pc of equity *	3.7%	1.9%	1.8%	1.9%	1.9%	1.0%
Solvency						
Capital Ratio **	23.5%	21.1%	23.5%	24.1%	24.3%	21.5%
Lending Activity						
Growth in loan portfolio, pc (nominal) *	1.9%	2.1%	0.8%	1.0%	3.3%	0.6%
New loans, gross (DKKm)	13,172	22,008	5,981	7,191	9,976	13,767

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

**) The capital ratio for Q1, Q2 and Q3 has been calculated without taking into account the period's result, as the accounts have not been subject to an audit review.

H1 2023 - Highlights

- DLR generated core income of DKK 694m in H1 2023.
- Pre-tax profit was DKK 798m, which is the best six-month performance in DLR's history.
- Profit was positively impacted by portfolio earnings of DKK 283m.
- Lending activities in H1 2023 were at a more subdued level than in 2022. Gross lending was DKK 13.2bn, and net lending amounted to DKK 3.4bn (nominal value).
- In its Annual Report 2022, DLR guided for core earnings before impairment and portfolio earnings in the order of DKK 1,000m – 1,100m and a pre-tax profit of around DKK 1,425m – 1,525m. After 30 June 2023, this guidance has been adjusted to slightly lower core earnings before impairment and portfolio earnings of DKK 900m – 1,000m but on the other hand expectations of a higher pre-tax profit of DKK 1,500m – 1,600m.

CEO statement

Statement by CEO Jens Kr. A. Møller on the release of the interim report for the first half of 2023:

“DLR recorded a pre-tax profit of DKK 798m in the first half of 2023, which is our best-ever half-year performance. The performance was highly satisfactory and better than the expected profit and the year-earlier results.

During the first half of 2023, DLR recorded lower gross lending activity than in 2022. This was primarily due to a sharp drop in remortgaging activity because interest rates no longer rise at the same pace as they did at the beginning of 2022, with interest rates stabilising at a higher level than in 2022. DLR's gross lending amounted to DKK 13.2bn in H1 2023, against DKK 22.0bn in the same period of 2022.

Despite lower gross lending activity, DLR recorded satisfactory growth in its loan portfolio in the first half of 2023. Net lending amounted to DKK 3.4bn, against DKK 3.7bn in the same period of last year. The increase in DLR's lending was distributed among all of the property categories against which DLR provides a mortgage, but predominantly loans for private residential rental and office and commercial properties. As such, DLR's credit risk continues to diversify towards categories other than agricultural property.

The positive trend in customer credit quality we have seen in the past few years continued through the first half of 2023 despite inflation and a higher level of interest rates. The current level of arrears is thus at a 15-year low, and DLR did not recognise any losses in the first half. At 30 June 2023, DLR maintained a largely unchanged level of impairment losses compared with end-2022. In determining the level of impairment losses, we have taken account of the risk of a deterioration of borrower finances due to the currently higher interest rates and uncertain macroeconomic conditions.

DLR's core earnings before impairment and portfolio earnings amounted to DKK 511m in H1 2023. Earnings on the securities portfolio were better than expected, driven by developments especially in short-term interest rates. Net portfolio earnings were DKK 283m in the period, a year-on-year improvement of DKK 485m.

The major agricultural production areas experienced less favourable prices than in the same period of 2022. During the period, dairy farmers experienced a drop in milk prices of around DKK 1.5 per kg, albeit from a historically high level. Pig farmers

experienced a positive and satisfactory development in prices of weaners, but the settlement price for slaughter pigs was unsatisfactory based on the level of costs. Arable farmers are currently facing uncertainties with respect to the size and quality of the ongoing harvest, and price expectations are subject to some uncertainty. Overall, however, and not least in light of recent years' strong earnings, the agricultural sector has a good foundation for the upcoming years despite periodic terms-of-trade challenges.

In the non-agricultural sector, tenant demand remains strong for most property types. However, we have experienced some restraint with respect to starting up new construction and a lower level of trading activity than in the preceding years, which is due to higher interest rates and rising salary and materials costs.

Earnings guidance for 2023

In its Annual Report 2022, DLR guided for core earnings before impairment and portfolio earnings of DKK 1,000m – 1,100m and a pre-tax profit of DKK 1,425m – 1,525m for 2023.

Based on an expected drop in gross lending activity, the guidance for core earnings before impairment and portfolio earnings has been lowered to DKK 900m – 1,000m. On the other hand, the pre-tax profit guidance has been raised to DKK 1,500m – 1,600m as a result of the positive trend in returns on the securities portfolio.

Jens Kr. A. Møller

Managing Director & CEO



Comments on the results for H1 2023

Income statement

DLR's earnings primarily stem from:

- Core earnings: Earnings from mortgage credit activity in the form of administration margins, fees and commission income, etc. less administrative expenses, losses and impairment losses.
- Portfolio earnings: Return on the securities portfolio

The income statement for H1 2023 is set out below.

Profit and Loss Account, DKKm	H1 2023	H1 2022
Administration fee income	962	940
Other core income, net	46	85
Interest expenses subordinated debt	-22	-16
Interest expenses senior debt	-16	-15
Fee and commission income, net	-275	-249
Core income (mortgage credit income)	694	745
Staff costs and pensions expenses	-121	-116
Administrative expenses	-51	-48
Other operating expenses	-11	-9
Results from core activities	511	572
Provision for loan and receivable impairment, etc.	4	-7
Portfolio earnings (securities)	283	-203
Profit before tax	798	362
Tax	-197	-80
Profit after tax	601	282

Core earnings

Administration margin income amounted to DKK 962m, an increase of DKK 22m relative to the same period of last year. The increase was driven by loan portfolio growth.

Other core income primarily concerns income from loan origination fees and also income from default interest and various other income. This income amounted to DKK 46m in H1 2023, which was lower than in the year-earlier period. The lower income was primarily due to lower remortgaging activity in H1 2023.

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 commission and commission for the provision of loss guarantees, etc.

Fees and commission (net) amounted to an expense of DKK 275m compared to an expense of DKK 249m in the same period of 2022. The increase in net expenses primarily derives from falling fee income due to the lower level of remortgaging activity.

This brought core income to DKK 694m, a decrease of DKK 51m relative to the same period of last year.

Staff costs and administrative expenses, etc. amounted to DKK 172m, which is DKK 8m more than in H1 2022. The higher costs partly reflect a small increase in the number of employees, partly agreed pay increases under collective agreements and price increases for a large number of expense items.

The line item "Other operating expenses" concerns DLR's contribution to the Resolution Fund, amounting to DKK 11m.

Impairment losses on loans and receivables (operational impact) amounted to an income of DKK 4m, against an expense of DKK 7m in the same period of last year. The development is driven by the fact that DLR continues to experience very low levels of arrears in its loan portfolio. This is positive given the sharply rising level of interest rates over the past year, which has resulted in substantially higher mortgage payments for many borrowers.

Portfolio earnings

Portfolio earnings in H1 were strongly affected by the rising level of interest rates during the past year and thus produced a substantially higher return than in the 2022.

DLR's securities portfolio is placed primarily in floating-rate mortgage bonds based on a CIBOR rate plus a small premium.

Profit and allocation of comprehensive income

Profit before tax for the period was DKK 798m, against DKK 362m in the year-earlier period.

Net profit for the period was DKK 600m, which has been transferred to DLR's equity.

Balance sheet

Mortgage lending at fair value amounted to DKK 174bn at the end of H1 2023, which was an increase of DKK 4.1bn relative to the end of 2022.

Bond holdings amounted to DKK 42.7bn. Of this amount, the portfolio of DLR bonds amounted to DKK 34.3bn, which is netted in "Issued bonds at fair value", while DKK

8.4bn was attributable to positions in government securities and other mortgage bonds.

In addition to the bond holding of DKK 42.7bn, DLR held other securities for DKK 3.0bn; hence, the total securities holding amounted to DKK 45.7bn (gross) at the end of H1 2023.

Of the total securities amount, temporary liquidity in connection with mortgage lending activity comprised DKK 22.5bn, so the investment holding was therefore DKK 23.2bn.

DLR's total assets stood at DKK 185.9bn at the end of H1 2023.

Capital and solvency

DLR's capital and solvency figures at the end of H1 2023 are shown in the table below.

	30-Jun 2023	31-Dec 2022
Capital and solvency (DKKm)		
Equity	16,391	15,791
Profit etc. not recognised in tier 1 capital	-600	0
Expected repurchase of own shares	-700	0
Deductions as a consequence of prudent valuation	-22	-22
Deductions as a consequence of non-performing exposures	-9	-9
Difference between expected losses and impairment losses	-68	-54
Common equity tier 1 capital	14,992	15,706
Subordinated capital (tier 2 capital)	1,298	1,298
Deductions from tier 2 capital	0	0
Own funds	16,291	17,004
Risk-weighted exposure with credit risk etc.	64,234	64,862
Risk-weighted exposure with market risk	2,462	2,500
Risk-weighted exposure with operational risk	2,482	2,482
Total risk-weighted exposure	69,178	69,844
Common equity tier 1 capital ratio	21.7%	22.5%
Total capital ratio	23.5%	24.3%

Own funds

At 30 June 2023, own funds amounted to DKK 16.3bn. The profit for H1 2023 has not been recognised in own funds because the auditors have not performed a review of the financial statements. Relative to year-end 2022, own funds were reduced by DKK 700m because DLR has obtained permission from the Danish FSA to buy back DLR shares for DKK 700m, and DLR expects to carry out this buyback in the second half of 2023. Other than that, there were only small adjustments to own funds in H1 2023, among other things relating to the difference between expected losses calculated using DLR's IRB model and the impairment losses calculated for accounting purposes.

Weighted risk exposure

The weighted risk exposure amount was DKK 69.2bn at 30 June 2023, which is DKK 0.7bn lower than at year-end 2022.

The decline was mainly driven by a lower risk exposure amount for credit risk. The decline in weighted risk exposures was recorded despite the fact that the loan portfolio calculated at fair value rose by a little over DKK 4bn in the first half. The development was the result of more specific calculations because of improved data in the calculation of the weighted risk exposure amount for credit risk according to the standard method.

The risk exposure amount for market risk and the risk exposure amount for operational risk were on a level with year-end 2022.

Capital ratios

DLR's total capital ratio was 23.5% at 30 June 2023, against 24.3% at year-end 2022. The common equity tier 1 capital ratio was 21.7%, against 22.5% at year-end 2022.

If the profit for H1 2023 had been recognised, the total capital ratio would have been 24.4%, and the common equity tier 1 capital ratio 22.5%.

Risk factors

DLR's credit and market risks are assessed to be limited. This is partly due to the regulatory foundation, partly the defined internal credit policy guidelines. To this should be added measures to mitigate losses, including the guarantees and loss-offsetting measures established for DLR's various lending areas in accordance with agreements with DLR's partner banks.

For a more detailed description of market risk and credit risk, please see our report on Risk and Capital Management for 2022, which is available on <https://dlr.dk/en/investor/financial-statements/>.

Arrears and forced sales

At 30 June 2023, outstanding mortgage payments amounted to DKK 60m, against DKK 50m at year-end 2022. Of the amount in arrears, the bulk stems from mortgage payments that are less than 3½ months overdue.

DLR recorded a loss on three properties in H1 2023, against 12 in the same period of 2022.

DLR had no repossessed properties at 30 June 2023.

Outlook for 2023

In its Annual Report 2022, DLR guided for core earnings before impairment and portfolio earnings in the order of DKK 1,000m – 1,100m and a pre-tax profit of around DKK 1,425m – 1,525m for the full-year 2023.

After 30 June 2023, this guidance has been adjusted to slightly lower core earnings before impairment and portfolio earnings of DKK 900m – 1,000m but on the other hand expectations of a higher pre-tax profit of DKK 1,500m – 1,600m.

Accounting policies

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

In the second quarter of 2023, DLR has made a change to the accounting policies.

The change relates to recognizing a bond portfolio at amortized cost price of DKK 1.2 BN at the end of the first quarter of 2023. This was changed in the 2nd quarter so that this asset is now measured at fair value.

The change meant that profit after tax, equity and the balance were reduced by DKK 11m compared to the first quarter of 2023, while the result after tax, equity and the balance sheet total are unchanged for the previous years, as DLR at that time did not have bonds that were measured at amortized cost.

The account has not been subject to audit or notification.

Events after the balance sheet date

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

Additional information

For further information on DLR, please refer to <https://dlr.dk/en/investor/financial-statements/>, where the Annual Report 2022 and DLR's Risk and Capital Management Report, etc. are available for download.

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

Contacts

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

Financial statements H1 2023

Income statement and statement of comprehensive income	17
Balance sheet	18
Statement of changes in equity	19
Capital and solvency	20

Income statement and statement of comprehensive income (DKK m)

Note	H1 2023	H1 2022
1 Interest income	3,094	1,589
2 Interest expenses	-1,910	-601
Net interest income	1,183	988
Share dividends etc.	0	0
Fees and commission income	115	147
Fees and commission paid	-391	-396
Net interest and fee income	908	739
3 Market value adjustments	68	-205
Other operating income	1	8
4-5 Staff costs and administrative expenses	-171	-163
Depreciation and impairment of property, plant and equipment	-1	-1
Other operating expenses	-11	-9
6 Impairment of loans, advances, receivables, etc.	4	-7
Profit before tax	798	362
Tax	-197	-80
Profit after tax	600	282
Comprehensive income		
Profit for the year	600	282
Other comprehensive income after tax	600	282
Attributable to equity	600	282

Balance sheet

(DKKm)

Note		30-Jun 2023	31-Dec 2022
	Assets		
	Cash balance and demand deposits with central banks	2,720	1,433
7	Due from credit institutions and central banks	269	408
8, 10-13	Loans, advances and other receivables at fair value	174,026	169,912
9	Loans, advances and other receivables at amortised cost	5	7
14	Bonds at fair value	8,420	8,096
	Shares etc.	46	45
	Intangible assets	0	0
15	Land and buildings, domicile properties	135	135
	Other property, plant and equipment	5	5
	Leasing assets	0	0
	Current tax assets	0	63
	Deferred tax assets	1	0
	Assets held temporarily	0	0
16	Other assets	285	115
	Prepayments	36	25
	Total assets	185,948	180,244
	Equity and liabilities		
17	Issued bonds at fair value	161,511	157,712
18	Issued bonds at amortised cost	4,993	3,994
	Current tax liabilities	96	0
19	Other liabilities	1,657	1,429
	Deferred income	0	0
	Total liabilities	168,258	163,136
	Provisions for deferred tax	0	19
	Total provisions	0	19
	Subordinated debt	1,298	1,298
	Total subordinated debt	1,298	1,298
	Share capital	570	570
	Revaluation reserve	75	75
	Undistributable reserve	2,347	2,338
	Retained earnings etc.	13,400	12,808
	Total equity	16,391	15,791
	Total equity and liabilities	185,948	180,244
20	Off-balance sheet items		
	Guarantees	0	0
	Contingent liabilities (loan offers, other contingent liabilities, etc.)	10,127	13,918
21	Contingent assets		
	Other contingent assets	0	0

Statement of changes in equity

(DKKm)

	Share capital 1)	Revaluation reserve	Undistributable reserve	Retained earnings	Total
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 31 December	570	75	2,338	12,808	15,791
2023					
Equity at 1 January	570	75	2,338	12,808	15,791
Profit for the year	0	0	9	592	600
Disposal of treasury shares	0	0	0	0	0
Acquisition of treasury shares	0	0	0	0	0
Equity at 30 June	570	75	2,347	13,400	16,391

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 (2022: 46,122,083) treasury shares at 30 June 2023, corresponding to a nominal value of DKK 46.1m (2022: DKK 46.1m). The portfolio of treasury shares accounts for 8.1% (2022: 8.1%) of the total share capital.

Capital and solvency

(DKKm)

	30-Jun 2023	31-Dec 2022
Capital and solvency (DKKm)		
Equity	16,391	15,791
Profit etc. not recognised in tier 1 capital	-600	0
Expected repurchase of own shares	-700	0
Deductions as a consequence of prudent valuation	-22	-22
Deductions as a consequence of non-performing exposures	-9	-9
Difference between expected losses and impairment losses	-68	-54
Common equity tier 1 capital	14,992	15,706
Subordinated capital (tier 2 capital)	1,298	1,298
Deductions from tier 2 capital	0	0
Own funds	16,291	17,004
Risk-weighted exposure with credit risk etc.	64,234	64,862
Risk-weighted exposure with market risk	2,462	2,500
Risk-weighted exposure with operational risk	2,482	2,482
Total risk-weighted exposure	69,178	69,844
Common equity tier 1 capital ratio	21.7%	22.5%
Total capital ratio	23.5%	24.3%
Statement of excess capital adequacy	30-Jun	31-Dec
Own funds after deductions	16,291	17,004
Capital adequacy	-6,346	-6,413
SIFI buffer	-692	-698
Capital conservation buffer	-1,729	-1,746
Countercyclical buffer	-1,729	-1,397
Systemic buffer Faroe Islands	-11	-11
Reserved debt buffer	0	-153
Excess capital adequacy	5,783	6,584

Notes

Noter - Income statement

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

Noter - Assets

- 7 Due from credit institutions and central banks
- 8 Loans, advances and other receivables at fair value
- 9 Loans, advances and other receivables at amortised cost
- 10 Mortgage loans (nominal value) by property category
- 11 Number of loans - end of period
- 12 Impairment losses by stage
- 13 Impairment - other financial assets
- 14 Bonds at fair value
- 15 Land and buildings - domicile properties
- 16 Other assets

Noter - Equity and liabilities

- 17 Issued bonds at fair value
- 18 Issued bonds at amortised cost
- 19 Other liabilities
- 20 Off-balance sheet items - guarantees etc.
- 21 Contingent assets

Noter - Key figures and financial ratios

- 22 Key figures – H1
- 23 Financial ratios – H1

Noter - Other notes

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

Income statement

(DKKm)

Note		H1	H1
1	Interest income*	2023	2022
	Due from credit institutions and central banks	6	0
	Positive interest loans and advances **	1,985	494
	Contributions	962	940
	Bonds	290	6
	Issued bonds at fair value ***	0	75
	Other interest income	42	74
	Total	3,285	1,589
	Interest on own mortgage bonds offset against interest on issued bonds	-191	1
	Total	3,094	1,589
	Of which interest income from reverse repo transactions	0	0

* Interest income is significantly higher in 2023 than in 2022. This is essentially a consequence of the rent in-crease during 2022. As a consequence of DLR's mortgage loan being granted under the specific balance principle (match funding), the increased interest income on lending matched by a corresponding increase in interest expenses for Issued liabilities at fair value.

** In 2022, certain loans received interest at a negative interest rate. This interest expense is included as interest expenses for issued bonds at fair value (note 2). In 2023, the interest rate is positive on all DLR's loans.

*** In 2022, certain issued bonds bore interest at a negative interest rate and are thus included in this item as interest income. In 2023, the interest rate is positive on all DLR's issued bonds.

2 Interest expenses*	H1 2023	H1 2022
Credit institutions and central banks	0	-1
Issued bonds at fair value **	-1,987	-495
Issued bonds at amortised cost	-74	-15
Subordinated capital injections	-41	-16
Negative interest loans and advances***	0	-75
Other interest expenses	0	0
Total	-2,102	-601
Interest on own mortgage bonds offset against interest on issued bonds	191	-1
Total	-1,910	-601
Of which interest expenses on repo transactions	0	0

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

* The interest expenses in 2023 are significantly higher than in 2022. This is essentially a consequence of the increase in interest rates during 2022. As a consequence of the fact that DLR's issued bonds at fair value are provided under the specific balance principle (match funding), the increased interest expense is on issued bonds at fair value, matched by a corresponding increase in interest income on loans at fair value.

** In 2022, certain bonds at fair value bore interest at a negative interest rate. This interest income is included as interest income on issued bonds at fair value (note 1). In 2023, the interest rate is positive on all DLR's issued bonds.

*** In 2022, certain loans at fair value bore interest at a negative interest rate and are thus included in this item as an interest expense. In 2023, the interest rate is positive on all DLR's loans at fair value.

Note		H1	H1
3	Market value adjustments	2023	2022
	Mortgage loans	732	-9,610
	Bonds	87	-210
	Shares etc.	1	0
	Foreign currency	0	0
	Derivative financial instruments	-21	5
	Other assets	1	0
	Issued bonds	-731	9,610
	Total	68	-205

* DLR's mortgage loans and the corresponding mortgage bonds issued are granted under the specific balance principle.

According to the Danish Financial Supervisory Authority's accounting order, both the mortgage lending and the issued mortgage bonds must be measured at fair value. The fair value of these items is calculated based on the bond prices of the listed bonds. As a result of the significant increase in interest rates in 2022, this led to a significant drop in bond prices, and as a result very large price adjustments in 2022. The application of the specific balance principle, however, means that the net effect is close to DKK 0m in both 2022 and 2023.

4	Staff costs and administrative expenses	H1	H1
		2023	2022
	Staff costs		
	Salaries	-96	-92
	Pension costs	-9	-8
	Social security costs	-16	-16
	Total	-121	-116
	Other administrative expenses		
	IT expenses	-25	-23
	Audit, financial supervision and industry association	-5	-4
	Other expenses	-20	-19
	Total	-50	-47
	Total staff costs and administrative expenses	-171	-163

DLR's remuneration policy is available at <https://dlr.dk/governance/>

Note		H1	H1
5	Remuneration for members of the Executive Board	2023	2022
	Fixed remuneration	4.0	3.7
	Variable remuneration	0.0	0.0
	Total	4.0	3.7
	Number of members of the executive management	2	2

		H1	H1
6	Impairment of loans, advances, receivables, etc.	2023	2022
	Losses in the period	2	-6
	Amounts received on claims previously written off	1	1
	Adjustment of acquired properties	0	0
	Impairment losses in the period	-116	-159
	Reversal of impairment losses	117	156
	Losses offset against commission payments to banks	0	0
	Total	4	-7

Assets

(DKKm)

Note		30-Jun 2023	31-Dec 2022
7	Due from credit institutions and central banks		
	Due from central banks	0	0
	Due from credit institutions	269	408
	Total amount due from credit institutions and central banks	269	408

DLR did not enter into any reverse repo transactions in 2023 or 2022.

8	Loans, advances and other receivables at fair value	30-Jun 2023	31-Dec 2022
	Mortgage loans, nominal value	185,244	181,873
	Adjustment to fair value of underlying bonds	-10,911	-11,643
	Adjustment for credit risk	-361	-364
	Mortgage loans at fair value	173,972	169,866
	Arrears before impairment losses	60	50
	Other loans and outlays before impairment losses	0	0
	Impairment losses on arrears and outlays	-6	-3
	Total	174,026	169,912

9	Loans, advances and other receivables at amortised cost	30-Jun 2023	31-Dec 2022
	Loans and advances	5	8
	Adjustment for credit risk	-1	-1
	Total	5	7

Note		30-Jun	31-Dec
10	Mortgage loans (nominal value) by property category	2023	2022
	Owner-occupied dwellings	4.9%	5.0%
	Recreational dwellings	0.3%	0.3%
	Subsidised rental housing properties	0.1%	0.1%
	Co-operative housing	2.2%	2.2%
	Private rental housing properties	21.6%	21.2%
	Properties for manufacturing and manual industries	1.2%	1.1%
	Office and business properties	18.2%	18.0%
	Agricultural properties	50.8%	51.5%
	Properties for social, cultural and educational purposes	0.7%	0.5%
	Other properties	0.0%	0.0%
	Total	100.0%	100.0%
11	Number of loans - end of period	30-Jun	31-Dec
	Number of loans - end of period	2023	2022
	Number of loans - end of period	72,613	72,252

Note**12 Impairment losses by stage**

Impairment of loans and advances at fair value and amortised cost *	30. June 2023			Total
	Stage 1	Stage 2	Stage 3	
Specification of impairment losses at the end of June:				
Loans and advances in stage 1 at beginning of year	20	10	0	30
Loans and advances in stage 2 at beginning of year	2	24	19	45
Loans and advances in stage 3 at beginning of year	0	0	53	53
New loans and advances	6	2	0	8
Management estimate	204	27	1	232
Total	232	63	73	368

DLR's total impairment losses at H1 2023 consisted of individual impairment losses of DKK 66.4m, model calculated impairment losses of DKK 69.6m and a management overlay of DKK 232.0m. 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 2022			Total
	Stage 1	Stage 2	Stage 3	
Specification of impairment losses at year-end:				
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 estimate	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.

* No loans, advances or other receivables which were credit-impaired on initial recognition were recognised in 2022 or 2023. Impairment losses on loans and advances at fair value and impairment losses on loans and advances at amortised cost have been aggregated as the amount of impairment of loans and advances at amortised cost represents less than 1% of the total impairment loss.

Note**13 Impairment - other financial assets**

	30. June 2023			Total
	Stage 1	Stage 2	Stage 3	
Impairment of cash and demand deposits with central banks	0	0	0	0
Impairment of receivables with credit institutions and central banks	0	0	0	0

All assets in the above table have been classified as stage 1, meaning that impairment losses of less than DKK 0.5m have been recognised. This was also the case at 1 January.

	31. December 2022			Total
	Stage 1	Stage 2	Stage 3	
Impairment of cash and demand deposits with central banks	0	0	0	0
Impairment of receivables with credit institutions and central banks	0	0	0	0

No other financial assets which were credit-impaired on initial recognition were recognised in 2022 or 2023.

14 Bonds at fair value	30-Jun	31-Dec
	2023	2022
Own mortgage bonds	34,278	17,481
Other mortgage bonds	7,376	7,053
Government bonds	1,044	1,043
Bonds - gross	42,698	25,577
Own mortgage bonds offset against issued bonds	-34,278	-17,481
Total	8,420	8,096

Note		30-Jun	31-Dec
15	Land and buildings - domicile properties	2023	2022
	Fair value, beginning of year	135.3	135.8
	Additions during the year	0.0	0.0
	Depreciation	-0.2	-0.4
	Value changes recognised in other comprehensive income	0.0	0.0
	Fair value, end of year	135.1	135.3

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

16	Other assets	30-Jun	31-Dec
		2023	2022
	Positive market value of derivative financial instruments etc.	28	12
	Interest and commission receivable	70	39
	Other receivables	187	65
	Total	285	115

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

Equity and liabilities

(DKKm)

Note		30-Jun 2023	31-Dec 2022
17	Issued bonds at fair value		
	Mortgage bonds - nominal value	206,632	186,898
	Fair value adjustment	-10,843	-11,705
	Issued bonds - gross	195,789	175,193
	Offsetting of own mortgage bonds - fair value	-34,278	-17,481
	Total	161,511	157,712
	Of which pre-issued, market value	19,265	2,630
	Cash value of bonds drawn for redemption at next repayment date (settlement price)	20,701	979

Note		30-Jun 2023	31-Dec 2022
18	Issued bonds at amortised cost		
	Issues in connection with senior debt	4,993	3,994
	Offsetting of own bonds	0	0
	Total	4,993	3,994

DLR has on 20 June 2023 issued senior debt for DKK 1 billion, which is compensation for the expiration of a similar senior issue that expires on 1 July 2023. This entails "double financing" for a period of almost 2 weeks, after which the senior debt will again amount to DKK 4 billion, which currently is DLR's desired level of senior debt.

Note		30-Jun 2023	31-Dec 2022
19	Other liabilities		
	Negative market value of derivative financial instruments etc.	19	15
	Interest and commission payable	1,420	1,313
	Other liabilities	219	101
	Total	1,657	1,429

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

Note		30-Jun	31-Dec
20	Off-balance sheet items - guarantees etc.	2023	2022
	Financial guarantees	0.2	0.2
	Total	0.2	0.2
	Other contingent liabilities		
	Irrevocable credit commitments (loan offers)	10,127	13,918
	Total	10,127	13,918

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.

Note
21 **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.

Key figures and financial ratios

(DKKm)

Note					
22	Key figures - H1	2023	2022	2021	2020
	Income statement				
	Net interest and fee income	908	729	715	723
	Other operating income etc.	1	8	11	13
	Staff costs and administrative expenses etc.	-183	-173	-167	-151
	Earnings	726	564	559	585
	Impairment of loans, advances and receivables	4	-7	74	-57
	Market value adjustments	68	-195	-59	-85
	Profit before tax	798	362	574	443
	Profit after tax	600	282	448	345
	Balance	2023	2022	2021	2020
	Assets				
	Loans and advances	174,030	169,289	170,712	160,634
	Bonds, shares, etc.	8,466	7,706	8,825	10,488
	Other assets	3,452	2,813	2,987	2,121
	Total assets	185,948	179,807	182,524	173,243
	Equity and liabilities				
	Issued bonds	166,505	161,868	165,316	157,266
	Other liabilities	1,754	1,287	1,278	912
	Subordinated debt	1,298	1,300	1,300	1,300
	Equity	16,391	15,353	14,631	13,766
	Total equity and liabilities	185,948	179,807	182,524	173,243

Note						
23	Financial ratios H1	2023	2022	2021	2020	2019
	Return on equity					
	Profit before tax in per cent of equity *	5.0	2.4	4.0	3.3	4.3
	Profit after tax in per cent of equity *	3.7	1.9	3.1	2.6	3.4
	Return on capital employed					
	Return on capital employed *	0.32	0.16	0.25	0.20	0.27
	Costs					
	Costs in per cent of loan portfolio	0.11	0.10	0.10	0.09	0.09
	Income/cost ratio *	5.5	3.0	7.2	3.1	5.4
	Income/cost ratio, excl. impairment losses	5.3	3.1	4.0	4.3	5.0
	Solvency					
	Total capital ratio*	23.5	21.1	18.0	17.1	16.5
	Tier 1 capital ratio*	21.7	19.4	16.5	15.5	15.7
	Common equity tier 1 capital ratio	21.7	19.4	16.5	15.5	15.7
	Arrears and impairment losses					
	Arrears, end of period (DKKm)	60	62	65	87	140
	Impairment ratio for the period *	0.00	0.00	-0.04	0.04	-0.01
	Accumulated impairment ratio	0.21	0.23	0.25	0.30	0.33
	Lending activity					
	Growth in loan portfolio, per cent (nominal) *	1.9	2.1	4.1	2.7	2.4
	New loans, gross (DKKm)	13,172	22,008	18,314	17,563	16,455
	Number of new loans	3,547	6,009	5,772	5,441	4,954
	Loan/equity ratio *	10.6	11.0	11.7	11.7	11.3
	Margins					
	Percentage of average loan portfolio (nominal):					
	Profit before tax	0.43	0.20	0.34	0.28	0.39
	Administration margin income	0.52	0.53	0.53	0.55	0.54
	Percentage of tier 1 capital after deductions					
	Foreign exchange position as a percentage of tier 1 capital after deductions	2.4	1.2	1.8	2.4	3.5

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

Other notes

(DKKm)

Note

24 Reconciliation of income statement for "core and portfolio earnings" against "official statements" H1 2023

	Core earnings	Portfolio earnings	Total
Interest income	2,878	216	3,094
Interest expenses	-1,910		-1,910
Net interest income	967	216	1,183
Share dividends etc.	0		0
Fees and commission received	115		115
Fees and commission paid	-391		-391
Net interest and fee income	692	216	908
Market value adjustments	1	67	68
Other operating income	1		1
Staff costs and administrative expenses	-171		-171
Depreciation and impairment of property, plant and equipment	-1		-1
Other operating expenses	-11		-11
Impairment of loans, advances, receivables, etc.	4		4
Profit before tax	515	283	798
Tax	-135	-62	-197
Profit after tax	380	221	600

Note

25	Supervisory diamond for mortgage credit institutions	End of H1 2023	End of Q4 2022	Threshold
	1. Lending growth			
	Private homeowners	0.6	2.1	<15%
	Residential rental property	6.5	9.6	<15%
	Agriculture	0.4	0.3	<15%
	Other business lending	6.8	4.8	<15%
	2. Borrower interest-rate risk	22.1	21.1	<25%
	3. Interest-only lending to private home owners	0.8	0.9	<10%
	4. Loans with short-term funding (quarterly)			
	Q3 2022	4.7	7.7	<12,5%
	Q4 2022	1.6	4.7	<12,5%
	Q1 2023	0.7	1.6	<12,5%
	Q2 2023	10.4	0.7	<12,5%
	Loans with short-term funding annually *	17.2	14.4	<25%
	5. Large exposures	35.9	33.3	< 100%

*The percentage for the individual quarters is calculated on the basis of the quarter-end portfolio, while the annual percentage is calculated on the portfolio at the end of the last quarter. The percentage for the year therefore does not agree with the sum of the percentage in the individual quarters.

Management's statement

The Board of Directors and the Executive Board have today considered and approved the interim report of DLR Kredit A/S for the period 1 January - 30 June 2023.

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

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

In our opinion, the accounting policies applied are appropriate and the interim financial statements present a true and fair view of the Company's assets and liabilities and financial position at 30 June 2023, and of the results of the Company's activities for the reporting period 1 January – 30 June 2023. The financial statements have neither been audited nor reviewed by the Company's auditors.

Copenhagen, 24 August 2023

dlr·kredit

© DLR Kredit A/S

Nyropsgade 21 · 1780 Copenhagen V, Denmark

Tel. +45 70 10 00 90

www.dlr.dk · dlr@dlr.dk

Company reg. (CVR) no. 25781309