

# Interim report Q1-Q3 2023



# Contents

<b>Management's review</b>	<b>3</b>
Financial highlights	4
Q1-Q3 2023 - Highlights	6
CEO statement	7
Comments on the results for Q1-Q3 2023	9
Capital and solvency	12
Risk factors	13
Outlook for 2023	14
Accounting policies	14
Events after the balance sheet date	15
Additional information	15
Contacts	15
<b>Financial statements Q1-Q3 2023</b>	<b>16</b>
<b>Management's statement</b>	<b>37</b>





# 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 highlights<sup>1</sup>

<b>Profit and Loss Account, DKK m</b>	<b>Q1-Q3 2023</b>	<b>Q1-Q3 2022</b>	<b>Ratio 23/22</b>	<b>Q3 2023</b>	<b>Q2 2023</b>	<b>Q1 2023</b>	<b>Q4 2022</b>
<b>Profit and Loss Account</b>							
Administration fee income	1,443	1,416	102	481	482	480	479
Other core income, net	65	139	47	19	21	25	29
Interest expenses, senior debt and subordinated debt	-63	-55	115	-25	-19	-20	-40
Fee and commission income, net	-423	-362	117	-148	-120	-155	-130
<b>Core income (mortgage credit income)</b>	<b>1,021</b>	<b>1,138</b>	<b>90</b>	<b>327</b>	<b>363</b>	<b>331</b>	<b>338</b>
Staff costs and administrative expenses, etc.	-253	-245	103	-81	-84	-88	-81
Other operating expenses	-16	-14	117	-5	-6	-5	-5
<b>Results from core activities</b>	<b>751</b>	<b>879</b>	<b>85</b>	<b>240</b>	<b>272</b>	<b>239</b>	<b>253</b>
Provision for loan and receiva- ble impairment, etc.	4	-9		1	3	0	19
Portfolio earnings (securities)	492	-316		209	112	171	101
<b>Profit before tax</b>	<b>1,248</b>	<b>555</b>	<b>225</b>	<b>450</b>	<b>387</b>	<b>411</b>	<b>373</b>
<b>Profit after tax</b>	<b>937</b>	<b>430</b>	<b>218</b>	<b>336</b>	<b>293</b>	<b>308</b>	<b>290</b>
<b>Balance Sheet at 30 September</b>							
	<b>Q1-Q3 2023</b>	<b>Q1-Q3 2022</b>	<b>Ratio 23/22</b>	<b>Q3 2023</b>	<b>Q2 2023</b>	<b>Q1 2023</b>	<b>Q4 2022</b>
<b>Assets</b>							
Loans and advances	174,485	165,512	105	174,485	174,030	173,036	169,920
Bonds and shares	8,048	10,419	77	8,048	8,466	10,174	8,141
Other assets	3,581	5,148	70	3,581	3,452	2,999	2,183
<b>Total assets</b>	<b>186,114</b>	<b>181,080</b>	<b>103</b>	<b>186,114</b>	<b>185,948</b>	<b>186,209</b>	<b>180,244</b>
<b>Liabilities and equity</b>							
Issued bonds	165,679	162,392	102	165,679	166,505	166,380	161,707
Other debt and payables	2,409	1,887	128	2,409	1,754	2,432	1,448
Subordinated debt	1,298	1,300	100	1,298	1,298	1,298	1,298
Equity	16,728	15,501	108	16,728	16,391	16,099	15,791
<b>Total liabilities and equity</b>	<b>186,114</b>	<b>181,080</b>	<b>103</b>	<b>186,114</b>	<b>185,948</b>	<b>186,209</b>	<b>180,244</b>

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

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

<b>Financial ratios</b>	<b>Q1-Q3 2023</b>	<b>Q1-Q3 2022</b>	<b>Q3 2023</b>	<b>Q2 2023</b>	<b>Q1 2023</b>	<b>Q4 2022</b>
<b>Return on equity (ROE)</b>						
Profit before tax in pc of equity*	7.7%	3.6%	2.7%	2.4%	2.6%	2.4%
Profit after tax in pc of equity*	5.8%	2.8%	2.1%	1.8%	1.9%	1.9%
<b>Solvency</b>						
Capital ratio**	23.6%	21.5%	23.6%	23.5%	24.1%	24.3%
<b>Lending Activity</b>						
Growth in loan portfolio, pc (nominel)*	2.0%	2.7%	0.2%	0.8%	1.0%	3.3%
New loans, gross (DKKm)	19,431	35,775	6,259	5,981	7,191	9,976

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

\*\*\*) The total capital ratio for Q1, Q2 and Q3 is calculated before recognition of profit/loss for the period as the financial statements have not been reviewed by the auditors.

# Q1-Q3 2023 - Highlights

- DLR generated administration margin income of DKK 1,443m in Q1-Q3 2023.
- Pre-tax profit was DKK 1,248m, which is the best nine-month performance in DLR's history.
- Profit was positively impacted by portfolio earnings of DKK 492m.
- Lending activities in Q1-Q3 2023 were at a more subdued level than in 2022. Gross lending was DKK 19.4bn, and net lending amounted to DKK 3.7bn (nominal value).
- In its half-year report for 2023, DLR guided for core earnings before impairment and portfolio earnings in the order of DKK 900m – 1,000m and a pre-tax profit of around DKK 1,500m – 1,600m for the full-year 2023. This guidance is maintained.

# CEO statement

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

“DLR generated a satisfactory profit of DKK 1,248m in the first three quarters of 2023, which is the best nine-month performance in DLR's history.

Core earnings before impairment and portfolio earnings amounted to DKK 751m in the first three quarters of 2023, against DKK 879m in the year-earlier period. The lower core earnings were mainly due to a lower level of borrower remortgaging activity. As expected, earnings on the securities portfolio were substantially better than in the corresponding period of 2022 owing to the higher level of interest rates. Net portfolio earnings amounted to DKK 492m, or just over DKK 800m better than in the year-earlier period.

Like the rest of the Danish mortgage credit sector, DLR recorded reduced gross lending activity in the first nine months of 2023 compared with 2022. The main reason for the decline is that the increase in yields on 20-year and 30-year fixed-rate bonds has levelled off, with yields stabilising at a higher level than in 2022. This strongly reduced the level of remortgaging activity, and the overall higher level of interest rates has also curbed demand for new loans. In the first three quarters of 2023, DLR's gross lending totalled DKK 19.4bn, against DKK 35.8bn in the same period of last year.

Despite the much lower level of gross lending activity, DLR recorded satisfactory loan portfolio growth in the first three quarters. Net lending amounted to DKK 3.7bn, against DKK 4.7bn in the same period of 2022. The increase in DLR's lending was distributed on all the property categories against which DLR provides a mortgage, but lending to private residential rental properties and office and commercial properties still accounted for the greater part.

In recent years, we have witnessed a positive trend in customer credit quality, which has continued in 2023 despite inflation and higher interest rates. The level of arrears in 2023 to date is thus the lowest in 15 years, and we did not record any net losses in the nine-month period. Irrespective of the positive trend in credit quality, there is still a risk of a deterioration in customers' ability to pay, not least given the higher level of interest rates and uncertainty relating to macroeconomic developments. At the end of September 2023, DLR has therefore kept its level of impairment charges more or less unchanged from end-2022.

In 2023 to date, the major agricultural production areas witnessed less favourable developments in their terms of trade compared with the same period of 2022. Dairy farmers experienced a significant fall in milk prices of some 30% over the course of the year, albeit from a historically high level. Pig farmers have seen a positive and satisfactory trend in prices of weaners, while settlement prices for slaughter pigs have not been satisfactory due to cost levels. Despite difficult growth conditions and weather-related challenges for harvests, arable farmers recorded an acceptable harvest and decent product prices, although there have been geographical differences. For the upcoming year, expectations are for stable to slightly falling selling prices of agricultural products and for falling prices of key input factors such as fertiliser and protein feed. For the agricultural sector, the overall conclusion is that – not least in light of recent years' strong earnings – there is a strong foundation for the years ahead despite periodic challenges to the terms of trade.

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

#### Earnings guidance for 2023

In the half-year report as at 30 June 2023, we adjusted our guidance for core earnings before impairment and portfolio earnings for 2023 to DKK 900m – 1,000m from the previous guidance of DKK 1,000m – 1,100m. The adjustment was driven by the reduced lending activity.

On the other hand, the pre-tax profit guidance was raised to DKK 1,500m – 1,600m from the previous pre-tax guidance of DKK 1,425m – 1,525m for 2023. The background for the expected increase in pre-tax profit was the positive trend in returns on the securities portfolio.

At 30 September, DLR maintained its profit forecast for 2023 relative to the guidance provided in the half-year report as at 30 June 2023.

Jens Kr. A. Møller

Managing Director & CEO





# Comments on the results for Q1-Q3 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 Q1-Q3 2023 is set out below.

<b>Profit and Loss Account, DKKm</b>	<b>Q1-Q3 2023</b>	<b>Q1-Q3 2022</b>
Administration fee income	1,443	1,416
Other core income, net	65	139
Interest expenses subordinated debt	-34	-27
Interest expenses senior debt	-30	-29
Fee and commission income, net	-423	-362
<b>Core income (mortgage credit income)</b>	<b>1,021</b>	<b>1,138</b>
Staff costs and pensions expenses	-176	-172
Administrative expenses	-77	-73
Other operating expenses	-16	-14
<b>Results from core activities</b>	<b>751</b>	<b>879</b>
Provision for loan and receivable impairment, etc.	4	-9
Portfolio earnings (securities)	492	-316
<b>Profit before tax</b>	<b>1,248</b>	<b>555</b>
Tax	-311	-124
<b>Profit after tax</b>	<b>937</b>	<b>430</b>

## Core earnings

Administration margin income amounted to DKK 1,443m, an increase of DKK 27m 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 65m in Q1-Q3 2023, which was significantly lower than in the year-earlier period. The lower income was primarily due to lower remortgaging activity in Q1-Q3 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 423m compared to an expense of DKK 362m 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 1,021m, a decrease of DKK 117m relative to the same period of last year.

Staff costs and administrative expenses, etc. amounted to DKK 253m, which is DKK 8m more than in the same period of last year. The higher costs partly reflect a small increase in the number of employees, partly the 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 16m.

Impairment on loans, advances and receivables (profit impact) amounted to an income of DKK 4m, against an expense of DKK 9m in the same period of last year. The development was driven by the fact that DLR continues to record very low levels of arrears on its loan portfolio. This is positive given the rapidly rising interest rates over the past year, which has resulted in substantially higher mortgage payments for many borrowers.

#### **Portfolio earnings**

Portfolio earnings in Q1-Q3 were strongly affected by the rising level of interest rates during the past year, which produced a much higher return in 2023 than in 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 1,248m, against DKK 555m in the year-earlier period.

In 2023, the current tax is calculated using the 2023 tax rate of 25.2%, while deferred tax is calculated at 26 %, which is the tax rate for 2024 onwards. Tax is subsequently calculated at DKK 311m.

Profit for the period after tax is subsequently DKK 937m.

#### **Balance sheet**

Mortgage lending at fair value amounted to DKK 174.5bn at the end of Q3 2023, which was an increase of DKK 4.6bn relative to the end of 2022.

Bond holdings amounted to DKK 29.7bn (note 14). Of this amount, the portfolio of DLR bonds amounted to DKK 21.7bn, which is netted in "Issued bonds at fair value", while DKK 8.0bn was attributable to positions in government securities and other mortgage bonds.

In addition to the bond holding of DKK 29.7bn, DLR held other securities for DKK 3.2bn; hence, the total securities holding amounted to DKK 32.8bn (gross) at the end of Q3 2023.

Of the total securities amount, temporary liquidity in connection with mortgage lending activity comprised DKK 10.0bn, leaving the investment holding at DKK 22.9bn.

DLR's total assets stood at DKK 186.1bn at the end of Q3 2023.

# Capital and solvency

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

	<b>30-Sep 2023</b>	<b>31-Dec 2022</b>
<b>Capital and solvency (DKKm)</b>		
Equity	16,728	15,791
Profit etc. not recognised in tier 1 capital	-937	0
Expected repurchase of own shares	-700	0
Deductions as a consequence of prudent valuation	-23	-22
Deductions as a consequence of non-performing exposures	-22	-9
Difference between expected losses and impairment losses	-124	-54
<b>Common equity tier 1 capital</b>	<b>14,922</b>	<b>15,706</b>
Subordinated capital (tier 2 capital)	1,298	1,298
Deductions from tier 2 capital	0	0
<b>Own funds</b>	<b>16,220</b>	<b>17,004</b>
Risk-weighted exposure with credit risk etc.	64,179	64,862
Risk-weighted exposure with market risk	1,975	2,500
Risk-weighted exposure with operational risk	2,482	2,482
<b>Total risk-weighted exposure</b>	<b>68,636</b>	<b>69,844</b>
<b>Common equity tier 1 capital ratio</b>	<b>21.7%</b>	<b>22.5%</b>
<b>Total capital ratio</b>	<b>23.6%</b>	<b>24.3%</b>

## Own funds

At 30 September 2023, own funds amounted to DKK 16.2bn. The profit for Q1-Q3 2023 has not been recognised in own funds because the auditors have not conducted a review of the financial statements. Relative to end-2022, own funds have been reduced by DKK 700m because DLR has been authorised by the Danish Financial Supervisory Authority to buy back DLR shares for DKK 700m. The authorisation is valid until the end of 2023, and pursuant to relevant legislation, deductions must be made during the period when the FSA authorisation is in force.

Apart from the above, only minor adjustments were made to own funds in the first nine months of 2023, among other things regarding the difference between expected losses calculated using DLR's IRB model and the accounting impairment losses.

### Weighted risk exposure

Weighted risk exposure amounted to DKK 68.6bn at 30 September 2023, which is DKK 1.2bn less than at year-end 2022.

The risk exposure amount for credit risk has fallen by DKK 0.7bn, even though the loan portfolio calculated at fair value increased by DKK 4.6bn during the period. The reason is that two changes have been made in the standard REA calculation method, resulting in a total REA reduction of DKK 2.7bn. The changes relate partly to the implementation of a reduced weighting in those situations where the property values do not exclusively rely on customer finances. This had the effect of reducing REA by DKK 2bn. Furthermore, the REA calculation has been specified to the effect that a more precise risk weighting can be allocated to loans secured against mixed-use properties. This resulted in a reduction of REA of DKK 0.7bn.

Risk-weighted exposure with market risk declined by DKK 0.5bn, which is due to a lower duration on the bond portfolio, while the weighted risk exposures with operational risk are at the same level as at end-2022.

### Capital ratios

DLR's total capital ratio was 23.6% at 30 September 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 Q1-Q3 2023 had been recognised, the total capital ratio would have been 25.0%, and the common equity tier 1 capital ratio would have been 24.3%.

## 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 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 September 2023, outstanding mortgage payments amounted to DKK 65m, 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 4 properties in Q1-Q3 2023, against 14 in the same period of 2022.

DLR had no repossessed properties at 30 September 2023.

## Outlook for 2023

In the half-year report for 2023, we guided for core earnings before impairment and portfolio earnings in the order of DKK 900m – 1,000m and a pre-tax profit of around DKK 1,500m – 1,600m for the full-year 2023.

This guidance is maintained.

## 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 Q2, DLR made a change to its accounting policies.

The change concerns the fact that at 31 March 2023 DLR recognised a bond portfolio of DKK 1.2bn at amortised cost. In Q2, this was changed to the effect that the portfolio is now measured at fair value.

The profit after tax, equity and total assets in Q2 2023 would have been DKK 11m higher relative to Q1 2023 if no change had been made.

Profit after tax, equity and total assets for previous financial years are unaffected by the change, because DLR did not at that time had bond portfolios measured at amortised cost.

The financial statements have neither been audited nor reviewed.

## Events after the balance sheet date

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

## Additional information

For further information on DLR, please refer to <https://dlr.dk/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

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# Financial statements Q1-Q3 2023

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

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

Note		Q1-Q3 2023	Q1-Q3 2022
1	Interest income	4,954	2,610
2	Interest expenses	-3,143	-1,087
	<b>Net interest income</b>	<b>1,811</b>	<b>1,523</b>
	Share dividends etc.	0	0
	Fees and commission income	163	237
	Fees and commission paid	-586	-599
	<b>Net interest and fee income</b>	<b>1,388</b>	<b>1,162</b>
3	Market value adjustments	125	-353
	Other operating income	1	13
4-5	Staff costs and administrative expenses	-252	-243
	Depreciation and impairment of property, plant and equipment	-1	-2
	Other operating expenses	-16	-14
6	Impairment of loans, advances, receivables, etc.	4	-9
	<b>Profit before tax</b>	<b>1,248</b>	<b>555</b>
	Tax	-311	-124
	<b>Profit after tax</b>	<b>937</b>	<b>430</b>
	<b>Comprehensive income</b>		
	Profit for the year	937	430
	<b>Comprehensive income after tax</b>	<b>937</b>	<b>430</b>
	Attributable to equity	937	430

## Balance sheet

(DKKm)

Note		30-Sep 2023	31-Dec 2022
	<b>Assets</b>		
	Cash balance and demand deposits with central banks	2,841	1,433
7	Due from credit institutions and central banks	260	408
8, 10-13	Loans, advances and other receivables at fair value	174,481	169,912
9	Loans, advances and other receivables at amortised cost	4	7
14	Bonds at fair value	8,002	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
	Assets held temporarily	0	0
16	Other assets	311	115
	Prepayments	28	25
	<b>Total assets</b>	<b>186,114</b>	<b>180,244</b>
	<b>Equity and liabilities</b>		
17	Issued bonds at fair value	161,684	157,712
18	Issued bonds at amortised cost	3,994	3,994
	Current tax liabilities	197	0
19	Other liabilities	2,200	1,429
	Deferred income	0	0
	<b>Total liabilities</b>	<b>168,076</b>	<b>163,136</b>
	Provisions for deferred tax	12	19
	<b>Total provisions</b>	<b>12</b>	<b>19</b>
	Subordinated debt	1,298	1,298
	<b>Total subordinated debt</b>	<b>1,298</b>	<b>1,298</b>
	Share capital	570	570
	Revaluation reserve	75	75
	Undistributable reserve	2,355	2,338
	Retained earnings etc.	13,727	12,808
	<b>Total equity</b>	<b>16,728</b>	<b>15,791</b>
	<b>Total equity and liabilities</b>	<b>186,114</b>	<b>180,244</b>
20	<b>Off-balance sheet items</b>		
	Guarantees	0	0
	Contingent liabilities (loan offers, other contingent liabilities, etc.)	10,924	13,918
21	<b>Contingent assets</b>		
	Other contingent assets	0	0



## Statement of changes in equity

(DKKm)

	Share capital 1)	Revaluation reserve	Undistributable reserve	Retained earnings	Total
<b>2022</b>					
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
<b>Equity at 31 December</b>	<b>570</b>	<b>75</b>	<b>2,338</b>	<b>12,808</b>	<b>15,791</b>
<b>2023</b>					
Equity at 1 January	570	75	2,338	12,808	15,791
Profit for the year	0	0	18	919	937
Disposal of treasury shares	0	0	0	0	0
Acquisition of treasury shares	0	0	0	0	0
<b>Equity at 30 September</b>	<b>570</b>	<b>75</b>	<b>2,355</b>	<b>13,727</b>	<b>16,728</b>

1) The share capital is divided into shares of DKK 1.00 each. The total number of shares is 569,964,023. DLR has one share class, and all shares carry equal rights. DLR held 46,122,083 (2022: 46,122,083) treasury shares at 31 December 2022, 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)

	<b>30-Sep 2023</b>	<b>31-Dec 2022</b>
<b>Capital and solvency (DKKm)</b>		
Equity	16,728	15,791
Profit etc. not recognised in tier 1 capital	-937	0
Expected repurchase of own shares	-700	0
Deductions as a consequence of prudent valuation	-23	-22
Deductions as a consequence of non-performing exposures	-22	-9
Difference between expected losses and impairment losses	-124	-54
<b>Common equity tier 1 capital</b>	<b>14,922</b>	<b>15,706</b>
Subordinated capital (tier 2 capital)	1,298	1,298
Deductions from tier 2 capital	0	0
<b>Own funds</b>	<b>16,220</b>	<b>17,004</b>
Risk-weighted exposure with credit risk etc.	64,179	64,862
Risk-weighted exposure with market risk	1,975	2,500
Risk-weighted exposure with operational risk	2,482	2,482
<b>Total risk-weighted exposure</b>	<b>68,636</b>	<b>69,844</b>
<b>Common equity tier 1 capital ratio</b>	<b>21.7%</b>	<b>22.5%</b>
<b>Total capital ratio</b>	<b>23.6%</b>	<b>24.3%</b>
<b>Statement of excess capital adequacy</b>		
Own funds after deductions	16,220	17,004
Capital adequacy	-6,344	-6,413
SIFI buffer	-686	-698
Capital conservation buffer	-1,716	-1,746
Countercyclical buffer	-1,716	-1,397
Systemic buffer Faroe Islands	-11	-11
Reserved debt buffer	-417	-153
<b>Excess capital adequacy</b>	<b>5,331</b>	<b>6,584</b>

# 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		Q1-Q3	Q1-Q3
1	Interest income*	2023	2022
	Due from credit institutions and central banks	9	1
	Positive interest loans and advances **	3,285	979
	Contributions	1,443	1,416
	Bonds	486	47
	Issued bonds at fair value ***	0	75
	Other interest income	61	122
	<b>Total</b>	<b>5,283</b>	<b>2,639</b>
	Interest on own mortgage bonds offset against interest on issued bonds	-329	-28
	<b>Total</b>	<b>4954</b>	<b>2,610</b>
	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 increase 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.

<b>2 Interest expenses*</b>	<b>Q1-Q3 2023</b>	<b>Q1-Q3 2022</b>
Credit institutions and central banks	0	-1
Issued bonds at fair value **	-3,284	-985
Issued bonds at amortised cost	-123	-29
Subordinated capital injections	-65	-27
Negative interest loans and advances***	0	-75
Other interest expenses	0	0
<b>Total</b>	<b>-3,472</b>	<b>-1,115</b>
Interest on own mortgage bonds offset against interest on issued bonds	329	28
<b>Total</b>	<b>-3,143</b>	<b>-1,087</b>
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		Q1-Q3 2023	Q1-Q3 2022
<b>3</b>	<b>Market value adjustments</b>		
	Mortgage loans*	865	-14,399
	Bonds	119	-483
	Shares etc.	1	0
	Foreign currency	1	0
	Derivative financial instruments**	3	131
	Other assets	1	0
	Issued bonds	-865	14,399
	<b>Total</b>	<b>125</b>	<b>-353</b>

\* 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 0 million in both 2022 and 2023.

\*\*During the year 2022, the adjustments in the value of derivative financial instruments were primarily associated with corrections in the pricing of forward sales in the context of refinancing. Since the refinancing transaction was fully hedged, there was a corresponding adverse adjustment in the pricing of bonds, ultimately resulting in a net effect of zero on the refinancing.

Note		Q1-Q3 2023	Q1-Q3 2022
<b>4</b>	<b>Staff costs and administrative expenses</b>		
	Staff costs		
	Salaries	-140	-136
	Pension costs	-14	-13
	Social security costs	-23	-23
	<b>Total</b>	<b>-176</b>	<b>-172</b>
	Other administrative expenses		
	IT expenses	-37	-35
	Audit, financial supervision and industry association	-8	-6
	Other expenses	-30	-29
	<b>Total</b>	<b>-75</b>	<b>-71</b>
	<b>Total staff costs and administrative expenses</b>	<b>-252</b>	<b>-243</b>

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



## Assets

(DKKm)

Note		30-Sep 2023	31-Dec 2022
<b>7</b>	<b>Due from credit institutions and central banks</b>		
	Due from credit institutions	260	408
	<b>Total amount due from credit institutions and central banks</b>	<b>260</b>	<b>408</b>

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

		30-Sep 2023	31-Dec 2022
<b>8</b>	<b>Loans, advances and other receivables at fair value</b>		
	Mortgage loans, nominal value	185,570	181,873
	Adjustment to fair value of underlying bonds	-10,778	-11,643
	Adjustment for credit risk	-362	-364
	<b>Mortgage loans at fair value</b>	<b>174,430</b>	<b>169,866</b>
	Arrears before impairment losses	65	50
	Other loans and outlays before impairment losses	-10	0
	Impairment losses on arrears and outlays	-4	-3
	<b>Total</b>	<b>174,481</b>	<b>169,912</b>

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

Both the mortgage loans and the issued mortgage bonds must, according to the Financial Supervisory Authority's accounting regulations, be measured at fair value. The fair value of these items is calculated based on the market prices of the listed issued bonds. As a result of the significant rise in interest rates in 2022, this led to a substantial decline in the market prices of the bonds and consequently very large fair value adjustments in 2022. However, the application of the specific balance principle means that the net effect is close to zero DKK in both 2022 and 2023.

		30-Sep 2023	31-Dec 2022
<b>9</b>	<b>Loans, advances and other receivables at amortised cost</b>		
	Loans and advances	5	8
	Adjustment for credit risk	-1	-1
	<b>Total</b>	<b>4</b>	<b>7</b>



**Note****12 Impairment losses by stage**

<b>Impairment of loans and advances at fair value and amortised cost *</b>	<b>30. September 2023</b>			<b>Total</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
Specification of impairment losses at the end of March:				
Loans and advances in stage 1 at beginning of year	16	13	2	<b>31</b>
Loans and advances in stage 2 at beginning of year	2	19	18	<b>39</b>
Loans and advances in stage 3 at beginning of year	0	1	51	<b>51</b>
New loans and advances	9	5	0	<b>14</b>
Management estimate	203	28	1	<b>232</b>
<b>Total</b>	<b>230</b>	<b>65</b>	<b>72</b>	<b>367</b>

DLR's total impairment losses at the end of Q3 2023 consisted of individual impairment losses of DKK 63.2m, model calculated impairment losses of DKK 72.2m 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.

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

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 2021 or 2022. Impairment losses on loans and advances at fair value and impairment losses on loans and advances at amortised cost have been aggregated as the amount of impairment of loans and advances at amortised cost represents less than 1% of the total impairment loss.

**Note****13 Impairment - other financial assets**

	30. September 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-Sep	31-Dec
		2023	2022
	Own mortgage bonds	21,655	17,481
	Other mortgage bonds	6,952	7,053
	Government bonds	1,050	1,043
	<b>Bonds - gross</b>	<b>29,657</b>	<b>25,577</b>
	Own mortgage bonds offset against issued bonds	-21,655	-17,481
	<b>Total</b>	<b>8,002</b>	<b>8,096</b>

Note		30-Sep	31-Dec
15	Land and buildings - domicile properties	2023	2022
	<b>Fair value, beginning of year</b>	<b>135.3</b>	<b>135.8</b>
	Additions during the year	0.0	0.0
	Depreciation	-0.3	-0.4
	Value changes recognised in other comprehensive income	0.0	0.0
	<b>Fair value, end of year</b>	<b>135.0</b>	<b>135.3</b>

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-Sep	31-Dec
		2023	2022
	Positive market value of derivative financial instruments etc.	8	12
	Interest and commission receivable	80	39
	Other receivables	223	65
	<b>Total</b>	<b>311</b>	<b>115</b>

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-Sep	31-Dec
17	Issued bonds at fair value	2023	2022
	Mortgage bonds - nominal value	194,481	186,898
	Fair value adjustment <sup>†</sup>	-11,141	-11,705
	<b>Issued bonds - gross</b>	<b>183,340</b>	<b>175,193</b>
	Offsetting of own mortgage bonds - fair value	-21,655	-17,481
	<b>Total</b>	<b>161,684</b>	<b>157,712</b>
	Of which pre-issued, market value	5,078	2,630
	Cash value of bonds drawn for redemption at next repayment date (settlement price)	833	979

\* DLR's mortgage loans and the corresponding issued mortgage bonds are granted in accordance with the specific balance principle.

According to the financial supervision's accounting regulations, both the mortgage loans and the issued mortgage bonds must be measured at their fair market value. The fair market value of these assets is determined based on the market prices of the publicly traded issued bonds. As a result of a significant increase in interest rates in 2022, this led to a substantial decrease in the bond prices and, consequently, significant fair value adjustments in 2022. Nevertheless, the application of the specific balance principle results in a net effect close to zero million Danish Kroner in both 2022 and 2023.

18	Issued bonds at amortised cost	30-Sep	31-Dec
		2023	2022
	Issues in connection with senior debt	3,994	3,994
	Offsetting of own bonds	0	0
	<b>Total</b>	<b>3,994</b>	<b>3,994</b>

19	Other liabilities	30-Sep	31-Dec
		2023	2022
	Negative market value of derivative financial instruments etc.	13	15
	Interest and commission payable	1,988	1,313
	Other liabilities	199	101
	<b>Total</b>	<b>2,200</b>	<b>1,429</b>

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



<b>Note</b>		<b>30-Sep</b>	<b>31-Dec</b>
<b>20</b>	<b>Off-balance sheet items - guarantees etc.</b>	<b>2023</b>	<b>2022</b>
	Financial guarantees	0.2	0.2
	<b>Total</b>	<b>0.2</b>	<b>0.2</b>
	<b>Other contingent liabilities</b>		
	Irrevocable credit commitments (loan offers)	10,924	13,918
	<b>Total</b>	<b>10,924</b>	<b>13,918</b>

In addition to the above guarantees and contingent liabilities, DLR's bond portfolio is used as intraday collateral in connection with settlement of interest and drawings on DLR's outstanding bonds. This is not expected to entail an outflow of the Company's financial resources.

## **21 Contingent assets**

Loss set-off agreements have been established between DLR and the 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 - Q1-Q3	2023	2022	2021	2020
	<b>Income statement</b>				
	Net interest and fee income	1,388	1,162	1,074	1,080
	Other operating income etc.	1	13	16	18
	Staff costs and administrative expenses etc.	-269	-259	-244	-226
	<b>Earnings</b>	<b>1,119</b>	<b>916</b>	<b>846</b>	<b>872</b>
	Impairment of loans, advances and receivables	4	-9	78	-58
	Market value adjustments	125	-353	-76	-100
	<b>Profit before tax</b>	<b>1,248</b>	<b>555</b>	<b>848</b>	<b>714</b>
	<b>Profit after tax</b>	<b>937</b>	<b>430</b>	<b>662</b>	<b>556</b>
	<b>Balance</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>Assets</b>				
	Loans and advances	174,485	165,512	171,342	163,785
	Bonds, shares, etc.	8,048	10,419	7,958	11,180
	Other assets	3,581	5,148	3,513	3,139
	<b>Total assets</b>	<b>186,114</b>	<b>181,080</b>	<b>182,812</b>	<b>178,104</b>
	<b>Equity and liabilities</b>				
	Issued bonds	165,679	162,392	165,051	161,575
	Other liabilities	2,409	1,887	1,617	1,252
	Subordinated debt	1,298	1,300	1,300	1,300
	Equity	16,728	15,501	14,844	13,977
	<b>Total equity and liabilities</b>	<b>186,114</b>	<b>181,080</b>	<b>182,812</b>	<b>178,104</b>

Note						
23	Financial ratios Q1-Q3	2023	2022	2021	2020	2019
	<b>Return on equity</b>					
	Profit before tax in per cent of equity *	7.7	3.6	5.8	5.2	6.3
	Profit after tax in per cent of equity *	5.8	2.8	4.6	4.1	4.9
	<b>Return on capital employed</b>					
	Return on capital employed *	0.5	0.2	0.4	0.3	0.4
	<b>Costs</b>					
	Costs in per cent of loan portfolio	0.2	0.2	0.1	0.1	0.1
	Income/cost ratio *	5.7	3.1	6.1	3.5	5.8
	Income/cost ratio, excl. impairment losses	5.6	3.2	4.2	4.4	4.9
	<b>Solvency</b>					
	Total capital ratio*	23.6	21.5	18.1	17.2	15.6
	Tier 1 capital ratio*	21.7	19.7	16.5	15.6	14.8
	Common equity tier 1 capital ratio	21.7	19.7	16.5	15.6	14.8
	<b>Arrears and impairment losses</b>					
	Arrears, end of period (DKKm)	65	57	64	79	110
	Impairment ratio for the period *	0.00	0.01	-0.05	0.04	-0.02
	Accumulated impairment ratio	0.2	0.2	0.2	0.3	0.3
	<b>Lending activity</b>					
	Growth in loan portfolio, per cent (nominal) *	2.0	2.7	5.2	4.5	3.9
	New loans, gross (DKKm)	19,431	35,775	27,608	27,306	30,908
	Number of new loans	5,293	9,661	8,493	8,409	9,137
	Loan/equity ratio *	10.4	10.7	11.5	11.7	11.2
	<b>Margins</b>					
	Percentage of average loan portfolio (nominal):					
	Profit before tax	0.7	0.3	0.5	0.5	0.6
	Administration margin income	0.8	0.8	0.8	0.8	0.8
	<b>Percentage of tier 1 capital after deductions</b>					
	Foreign exchange position as a percentage of tier 1 capital after deductions	2.2	1.1	1.3	1.8	3.0

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

## Other notes

(DKKm)

### Note

#### 24 Reconciliation of income statement for "core and portfolio earnings" against "official statements" Q1-Q3 2023

	Core earnings	Portfolio earnings	Total
Interest income	4,586	368	4,954
Interest expenses	-3,143		-3,143
<b>Net interest income</b>	<b>1,443</b>	<b>368</b>	<b>1,811</b>
Share dividends etc.	0		0
Fees and commission received	163		163
Fees and commission paid	-586		-586
<b>Net interest and fee income</b>	<b>1,020</b>	<b>368</b>	<b>1,388</b>
Market value adjustments	0	124	125
Other operating income	1		1
Staff costs and administrative expenses	-252		-252
Depreciation and impairment of property, plant and equipment	-1		-1
Other operating expenses	-16		-16
Impairment of loans, advances, receivables, etc.	4		4
<b>Profit before tax</b>	<b>756</b>	<b>492</b>	<b>1,248</b>
Tax	-203	-108	-311
<b>Profit after tax</b>	<b>553</b>	<b>384</b>	<b>937</b>

### Note

25	Supervisory diamond for mortgage credit institutions	End of Q3 2023	End of Q4 2022	Threshold
	<b>1. Lending growth</b>			
	Private homeowners	-0.2	0.6	<15%
	Residential rental property	5.3	6.5	<15%
	Agriculture	0.7	0.4	<15%
	Other business lending	5.6	6.8	<15%
	<b>2. Borrower interest-rate risk</b>	23.0	22.1	<25%
	<b>3. Interest-only lending to private home owners</b>	0.9	0.8	<10%
	<b>4. Loans with short-term funding (quarterly)</b>			
	Q4 2022	1.6	4.7	<12.5%
	Q1 2023	0.7	1.6	<12.5%
	Q2 2023	10.4	0.7	<12.5%
	Q3 2023	2.8	10,4	<12.5%
	<b>Loans with short-term funding annually *</b>	<b>15.5</b>	<b>17.3</b>	<b>&lt;25%</b>
	<b>5. Large exposures</b>	39.1	35.9	< 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 September 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, 30 October 2023

**Executive Board**

Jens Kr. A. Møller  
*Managing Director &  
CEO*

*Pernille Lohmann  
Managing Director*

**Board of Directors**

Vagn Hansen  
*Chairman*

Bjarne Larsen  
*Vice Chairman*

Claus Andersen

Ole Beith

Carsten Levring Jakobsen

Frank Mortensen

Lars Petersson

Lars Faber

Randi Holm Franke

Jakob G. Hald

# dlr·kredit

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