

dlr·kredit



Investor presentation

April 2024

Agenda

— **Interim financial results Q1 2024**

Lending and credit risk

Capital structure and rating

Funding

Sustainability

Interim report Q1 2024

Financial summary

- DLR delivered a pre-tax profit of DKK 383m in Q1 2024, which is satisfactory and slightly ahead of budget
- The financial results were affected by a slight drop in core earnings, persistently low losses and impairment charges and continued high portfolio earnings driven by the higher level of interest rates
- Core income amounted to DKK 325m, a decrease of DKK 6m relative to the same period of 2023
- Impairment on loans, advances and receivables (profit impact) amounted to an expense of DKK 5m, while the item was neutral in the same period of last year
- Portfolio earnings amounted to DKK 163m in Q1, which was slightly lower than in the year-earlier period

Outlook

- In its Annual Report 2023, DLR guided for core earnings before impairment in the order of DKK 900m – 1,000m and a pre-tax profit of around DKK 1,450m – 1,650m for the full-year 2024. The guidance is unchanged after Q1

Own funds

- DLR's own funds amounted to 17.4bn at the end of Q1 and the capital ratio was 24.0%
- The profit in Q1 has not been added to DLR's own funds as the accounts have not been subject to an audit review. Changes compared to the end of 2023 only concerns smaller adjustments
- Based on the profit for the year 2023 and DLR's strong capital position it has been decided at the Annual General Meeting 25 April 2024 that dividends of DKK 750m will be distributed for the first time in DLR's history

Lending activity

- The satisfactory lending growth experienced in recent years continued in Q1 where DLR achieved net lending of DKK 2.4bn
- During the past 12 months, our loan portfolio grew by DKK 7.9bn, or 4.3%

- The increase of lending was reported in all of DLR's primary lending segments. At the same time, the share of lending to residential rental properties and office and retail properties continued to grow, making DLR's total lending more diversified

Sustainability and green financing

- DLR still expects the carbon tax will be fixed within the framework of the government platform so as not to impair the competitive strength of Danish agriculture and a resulting loss of jobs
- DLR generally aims to play a role as an active lender relative to the sustainable transition in close cooperation with the loan-distributing banks, for both agricultural and non-agricultural customers
- In our role as an active lender, DLR offers loans funded using green bonds, for which the criteria are being expanded to also include biogas and hydroelectric power

Income statement

(DKKm)	Q1 2024	Q1 2023	Index
Administration fee income	489	480	102
Other core income, net	22	25	87
Interest expenses, subordinated debt	-11	-11	100
Interest expenses, senior debt	-15	-9	177
Fee and commission income, net	-160	-155	103
Core income	325	331	98
Staff costs and administrative expenses, etc.	-95	-88	108
Other operating expenses	-5	-5	118
Core profit before impairment of loans, advances and receivables	225	239	94
Impairment of loans, advances and receivables, etc.	-5	0	
Portfolio earnings (securities)	163	171	
Profit before tax	383	411	93
Profit after tax	284	308	92

Balance sheet

(DKKm)	Q1 2024	Q1 2023
Assets		
Loans and advances	184,247	173,036
Bonds and shares, etc.	8,980	10,174
Other assets	3,523	2,999
Total assets	196,750	186,209
Equity and liabilities		
Issued bonds	175,268	166,380
Other liabilities	2,750	2,432
Subordinated debt	1,299	1,298
Equity	17,433	16,099
Total liabilities and equity	196,750	186,209

Return on portfolio holdings

- DLR's securities portfolio is placed primarily in variable rate covered bonds, which are based on the CIBOR interest rate plus a minor markup
- DLR's gross portfolio earnings amounted to DKK 213m in Q1 2024, which is DKK 8m higher than in the same period of 2023
- DKK 5.3bn of DLR's securities portfolio of DKK 23.9bn is funded through capital and debt instruments
- When calculating the net portfolio earnings, an internal intercompany interest rate (CIBOR3) on DLR's capital and debt issuance is deducted. Consequently, the net portfolio earnings amounted to DKK 163m in Q1 2024

(DKKm)	Q1 2024	Q1 2023
Bonds, interest rates	196.1	135.3
Bonds, price adjustments	12.7	68.5
Interest rates, credit institutions	3.5	0,9
Currency, price adjustments	0.2	0,5
Shares, price adjustments	0.0	0,0
Return on securities holdings, gross	212.5	205.2
CIBOR-interest rate on capital and debt instruments issued ¹⁾	-49.2	-33.7
Other	0.0	0.0
Return on securities holdings, net	163.4	171.4

1) The interest rate is calculated as the CIBOR part of the interest rate expenses on issued capital and debt instruments

Note: The sum of individual entries may differ from total sums due to rounding

Agenda

Interim financial results Q1 2024

Lending and credit risk

Capital structure and rating

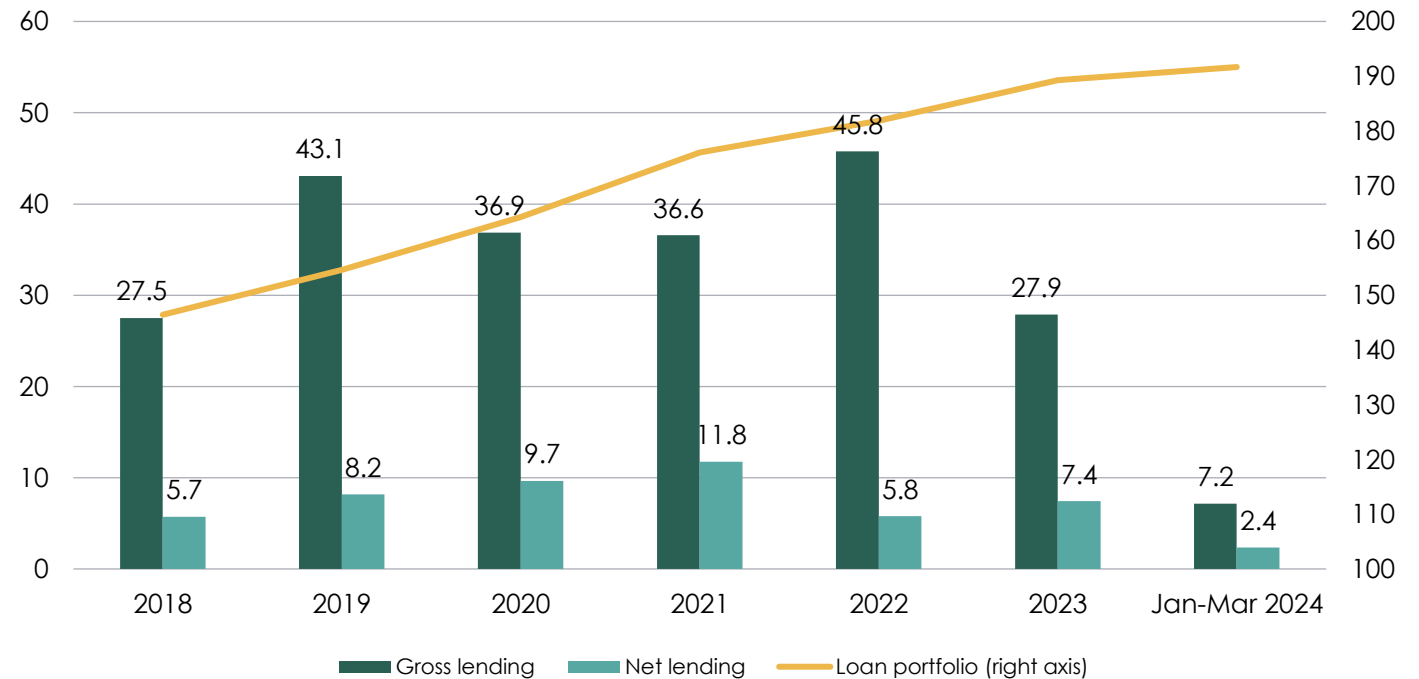
Funding

Sustainability

Lending activity

- DLR's loan portfolio expanded by DKK 2.4bn during Q1 2024, against DKK 1.9bn in the same period of 2023
- DLR's gross lending was DKK 7.2bn during Q1 2024, which is the same level as in Q1 2023
- At the end of Q1 2024, DLR's loan portfolio was DKK 191.7bn

Lending activity Gross and net lending and total portfolio (DKKbn)

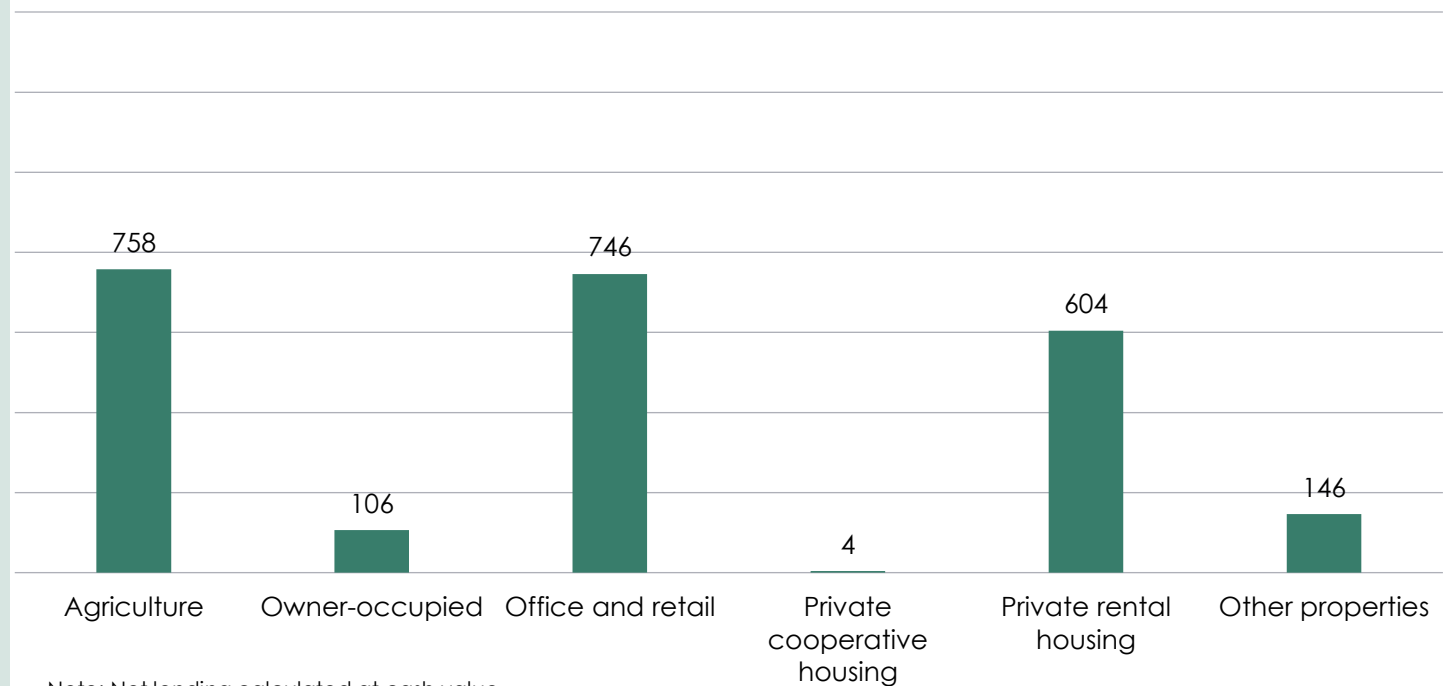


Note: Gross and net lending are denoted in nominal value

DLR's net lending

- DLR has experienced positive net lending within all major property segments in Q1 2024
- The major part of net lending came from agriculture, office/retail and private rental housing
- DLR's net lending to office and retail, private cooperative housing, other properties and private rental housing amounted to DKK 1.5bn
- Net lending to agriculture and owner-occupied dwellings including residential farms amounted to DKK 0.9bn

DLR's net lending property segment Jan-Mar 2024 (DKKm)

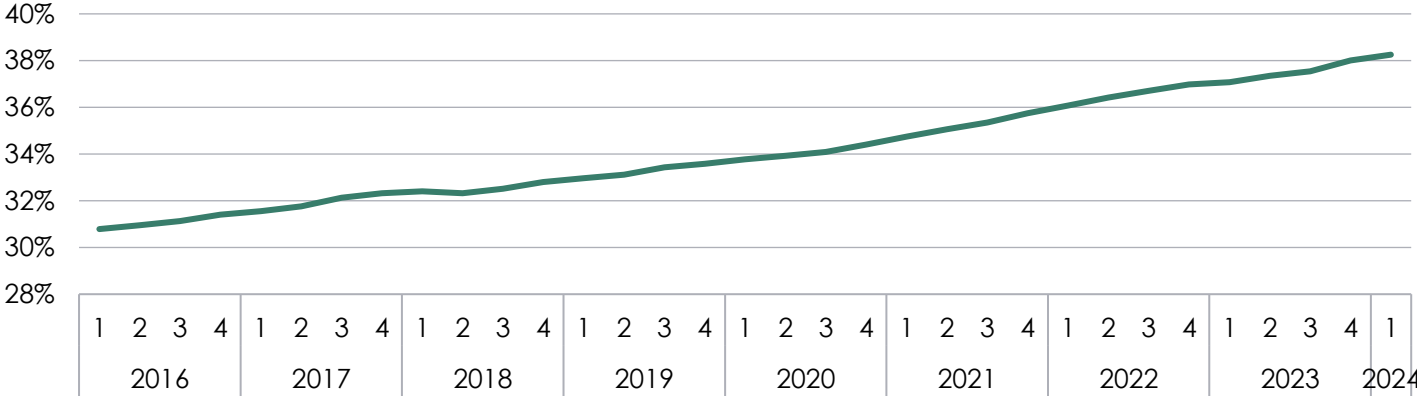


Note: Net lending calculated at cash value

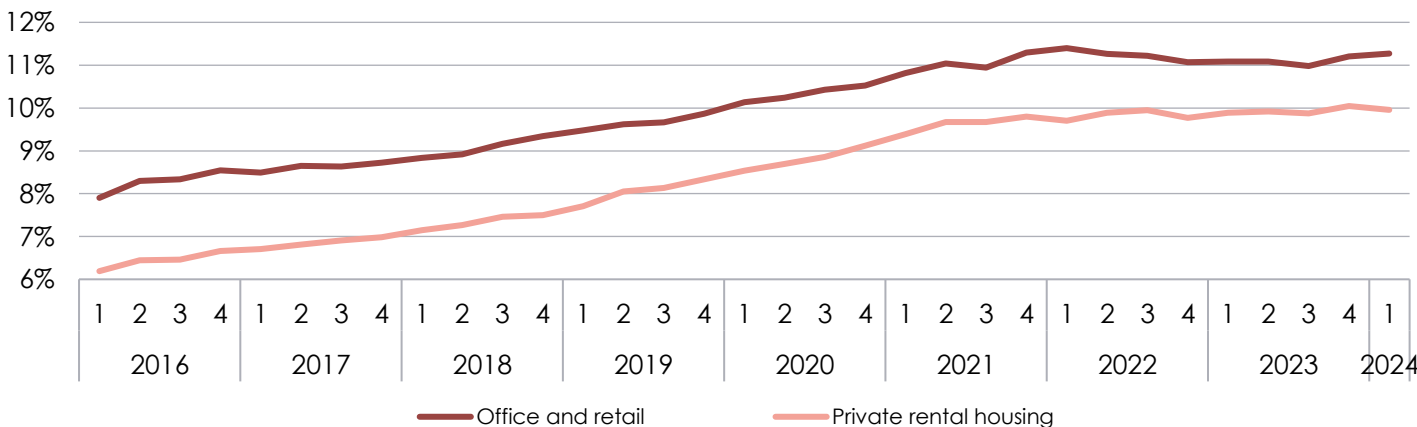
DLR's market share

- DLR's total loan portfolio of DKK 191.7bn represents a share of 6.1% of Danish mortgage banks' total outstanding mortgages of DKK 3,133bn
- DLR's market share within agricultural lending has increased since 2015
- DLR's market share to commercial properties has increased from 2016 to 2021 and have since stayed roughly unchanged

DLR's market share – Agriculture portfolio



DLR's market share – Commercial loan portfolio



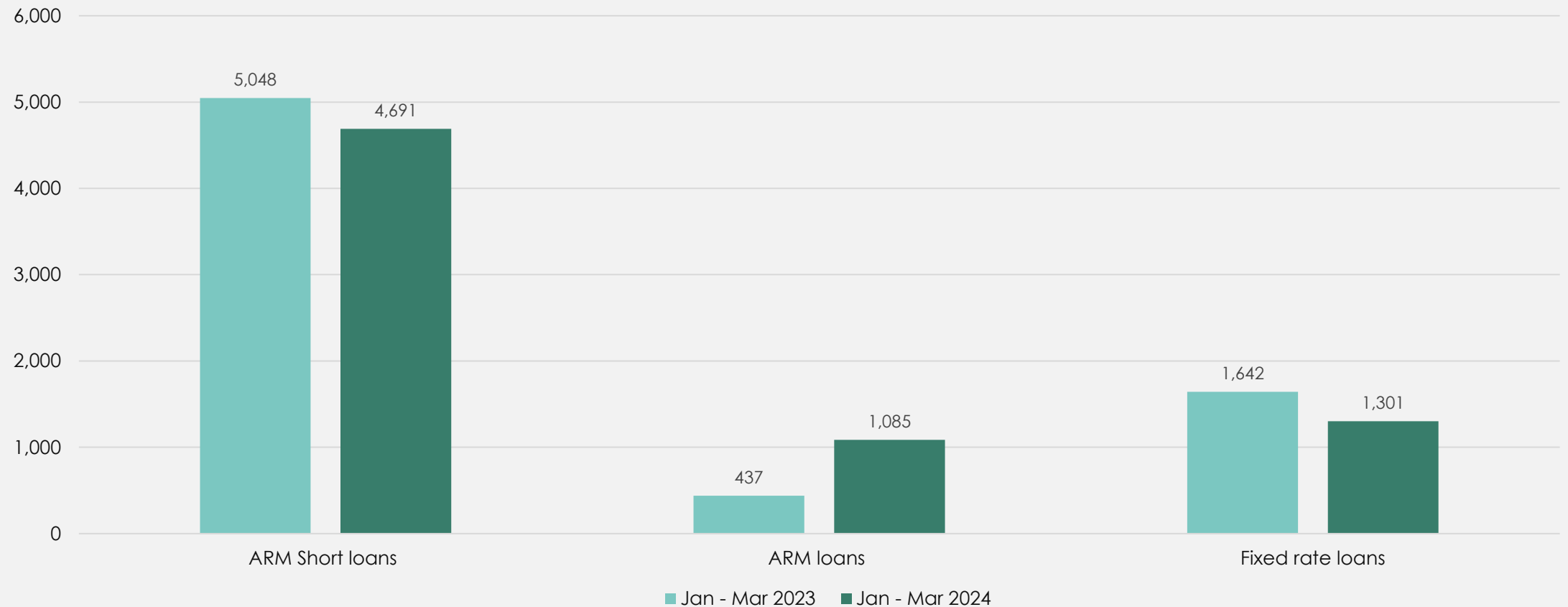
— Office and retail — Private rental housing

Sources: Finance Denmark and DLR

DLR's disbursed loans

Distributed on loan types

DLR's gross lending distributed on selected loan types (DKKm)



Note: Gross lending calculated at cash value

Loan portfolio

Distributed on property categories and types of loans

Loan portfolio end March 2024

	Outstanding bond debt (DKKbn)	Distribution on property categories
Agriculture	96.5	50.3%
Owner occupied incl. residential farms	10.6	5.5%
Office and retail	33.4	17.4%
Private residential rental housing	42.2	22.0%
Private cooperative housing	4.0	2.1%
Other properties	4.9	2.6%
Total	191.7	100.0%

Distribution on loan types

	Fixed rate loans	ARM short	ARM 1Y/2Y	ARM 3Y/4Y	ARM 5Y	Other floating rate loans
Agriculture	12.5%	68.9%	3.1%	1.8%	13.1%	0.6%
Owner occupied incl. residential farms	54.3%	16.5%	4.1%	4.3%	19.9%	0.9%
Office and retail	30.5%	42.2%	2.9%	2.7%	21.4%	0.3%
Private residential rental housing	27.2%	45.0%	2.7%	3.9%	21.0%	0.3%
Private cooperative housing	73.4%	8.1%	0.5%	2.8%	14.9%	0.3%
Other properties	46.5%	36.0%	0.6%	2.0%	14.9%	0.0%
Total	23.0%	54.0%	2.9%	2.6%	16.8%	0.5%

Encouragement to consider loans with a longer interest fixation

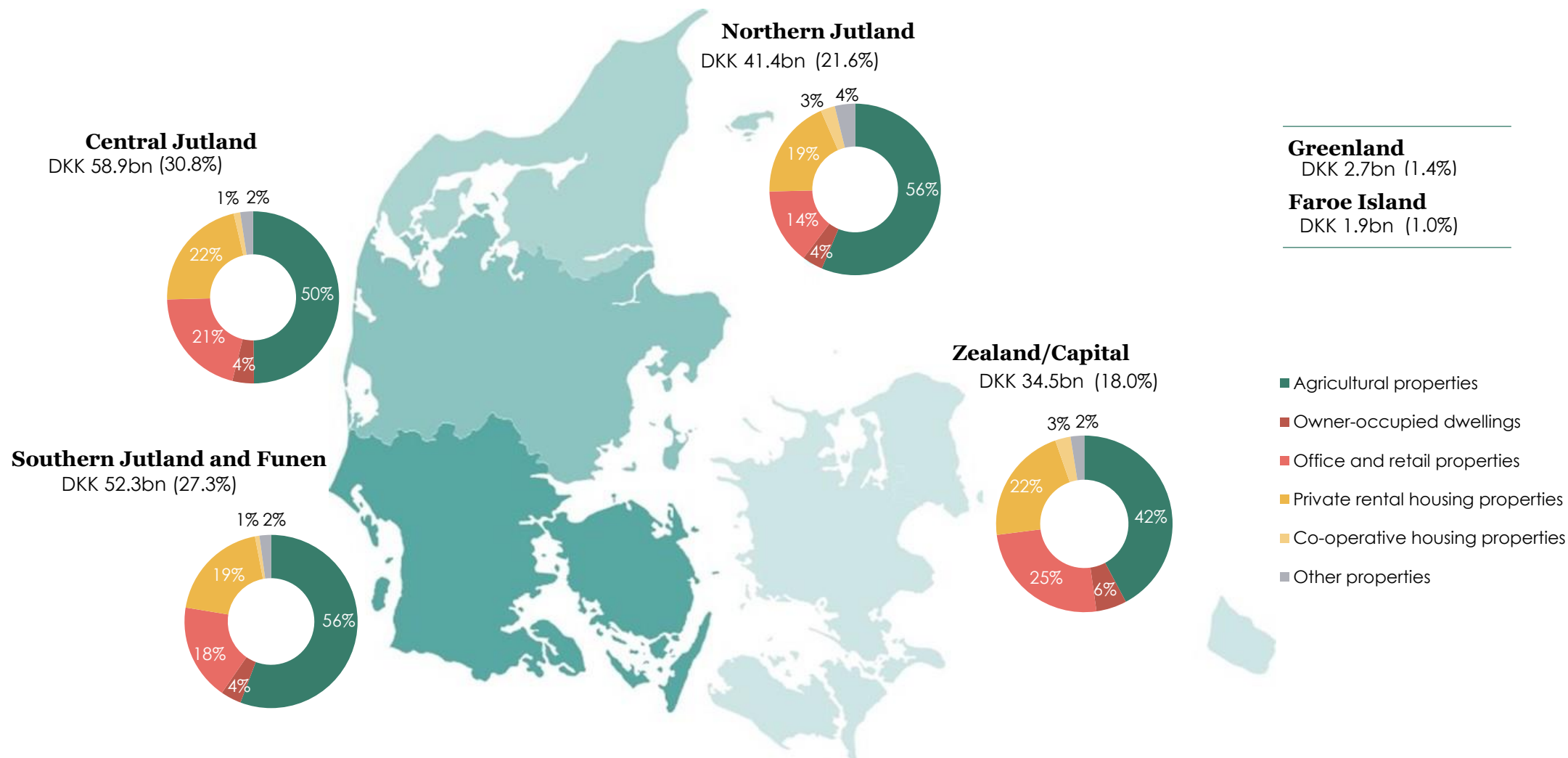
- Supervisory Diamond

- Due to the rise in interest rates, DLR has experienced an increasing share of borrower demanding variable interest rate loans with an interest rate fixation of under 2 years
- This has led to a proportion of loans within the residential owner-occupied and residential rental housing segments placed above 60 percent of the property value and with an interest rate fixation of under 2 years approaching the threshold of 25 percent, as set by the Financial Supervisory Authority's supervision framework for mortgage credit institutions
- To limit customers' interest rate risk, DLR encourages customers, which are taking out new loans or have the possibility to change interest rate fixation on existing loan, to consider whether it is appropriate to choose loans with a longer interest rate fixations periods. Additionally, customers are given price incentives.



Geographical distribution of lending

Outstanding debt at end March 2024



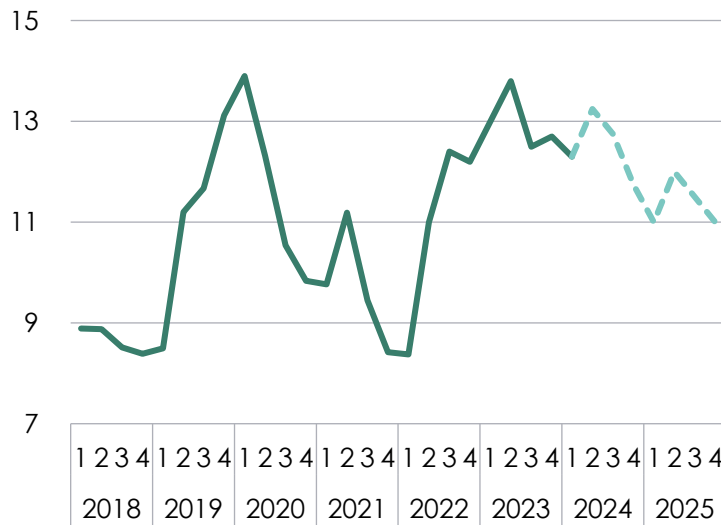
Developments in the agricultural sector

- For the agricultural sector, the positive cyclical trends continued into 2024 with terms of trade generally at satisfactory levels
- Milk prices, which fell throughout 2023, have now reached stable levels that remain supportive of satisfactory earnings
- With respect to the profitability of pig farming, producers of weaners have good price ratios, while producers of slaughter pigs, on the other hand, are feeling the impact of higher prices of weaners
- For arable farmers, the terms of trade have gradually deteriorated since the record year of 2022 in step with falling product prices, and they are now at a barely satisfactory level

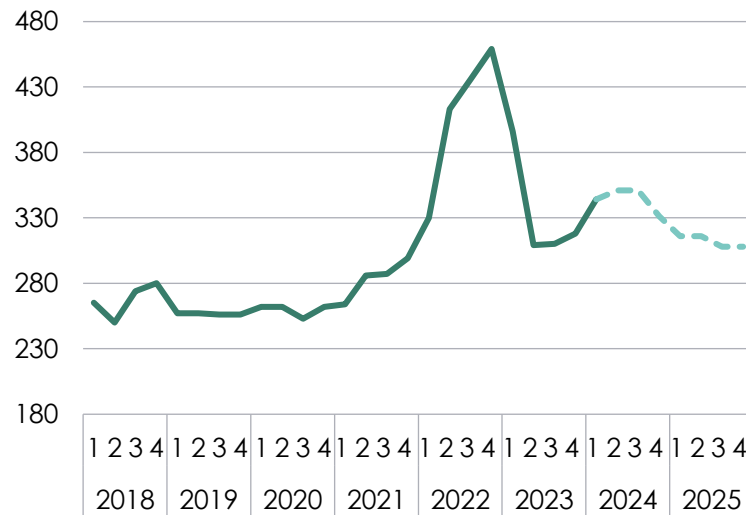


Development in the pricing of agricultural products

Development in pork price quotation (DKK/kg)



Milk price quotation (DKK0.01/kg)



Price on wheat (DKK/100 kg)

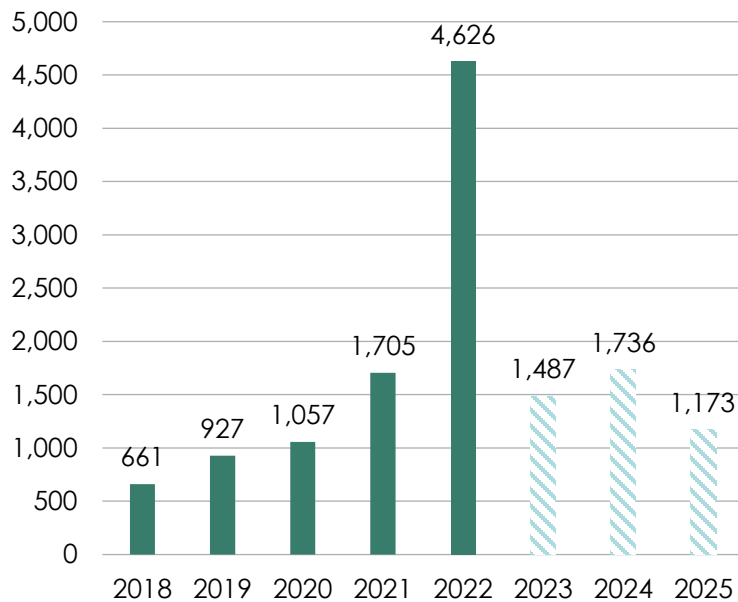


Source: SEGES
Note: Forecast, March 2024

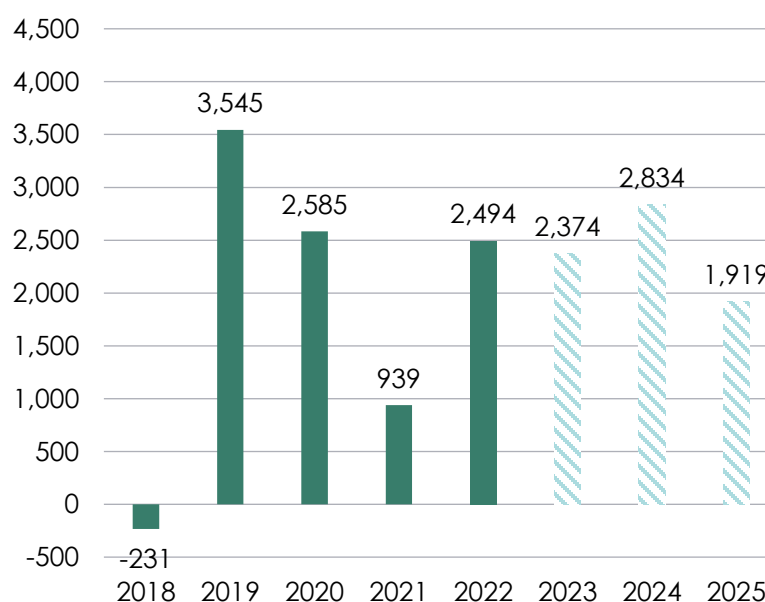
Agriculture income

- Measured in operating income before owner compensation

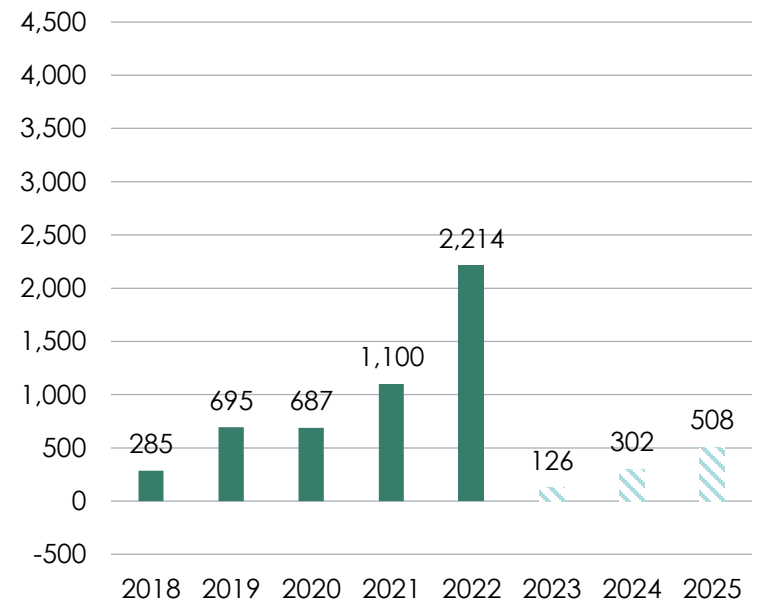
**Milk producers
(DKKt)**



**Pork producers
(DKKt)**



**Crop producers
(DKKt)**

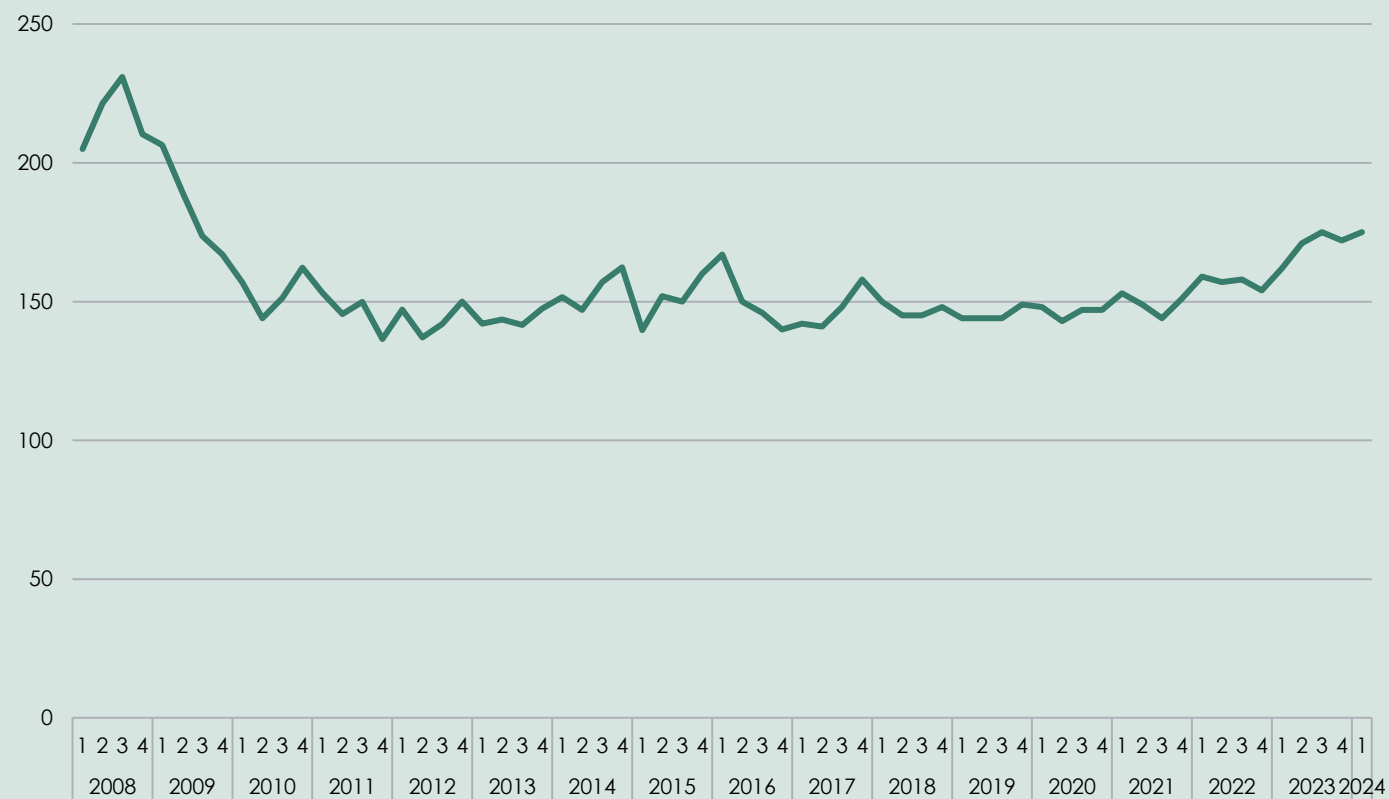


Source: SEGES

Note: The income statistics cover conventional full-time farms, and the forecasts are prepared by SEGES

Price on agricultural land

Average price of arable land DKKt/ha



Source: DLR, based on registered purchases and sales of agricultural properties with more than 10 ha of arable land

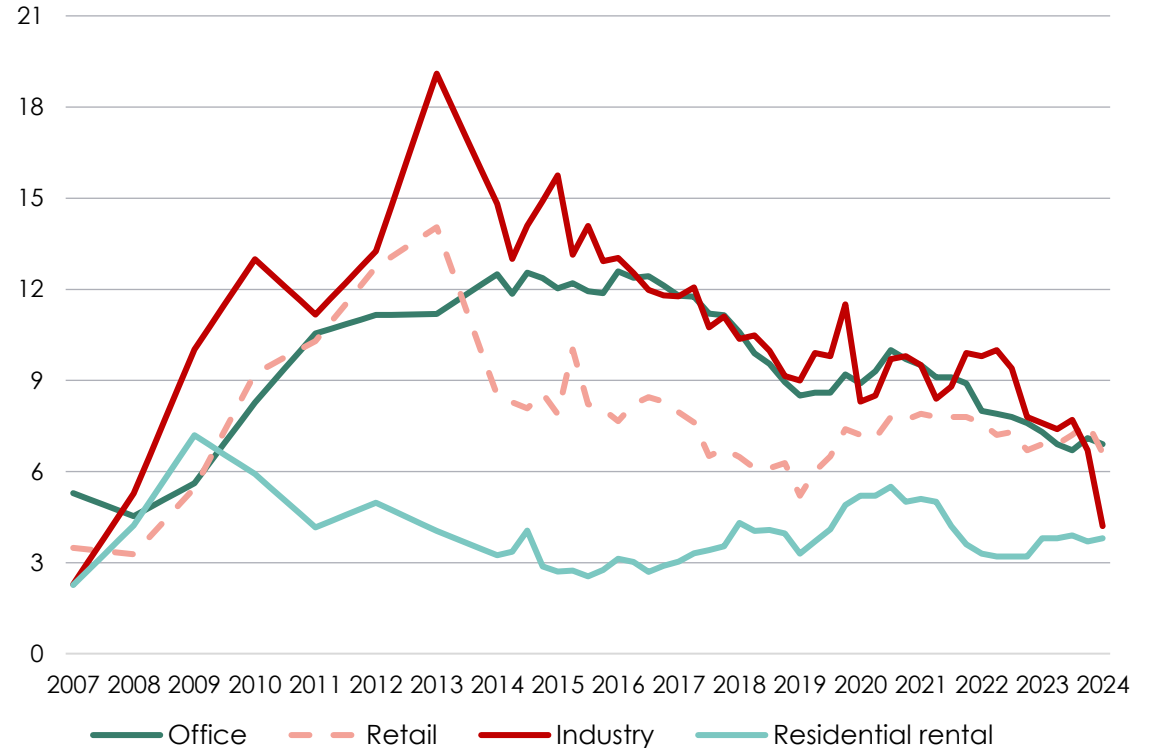
- After significant price declines on land and agricultural properties during the period from 2008 to 2010, there has been a period of very stable prices on these properties, and since the end of 2022, prices have risen in several locations
- The strong profitability in the agricultural sector generally supports land prices, while rising interest rates exert the opposite effect
- There is still an increasing demand for the use of land for other purposes, such as energy production, extraction of low-lying soils, etc., and there is a good demand for land for agricultural purposes - especially high-quality land in larger contiguous areas

The commercial real estate market

Q1 2024

- The commercial property segments characterized by low vacancy rates, and rent levels have successfully been aligned with the higher levels of inflation and interest rates, helping to maintain earnings
- However, the higher interest rates fed through to commercial property prices, which continued the slowing trend from 2023, although with geographical differences

Development in vacancy rates (%)

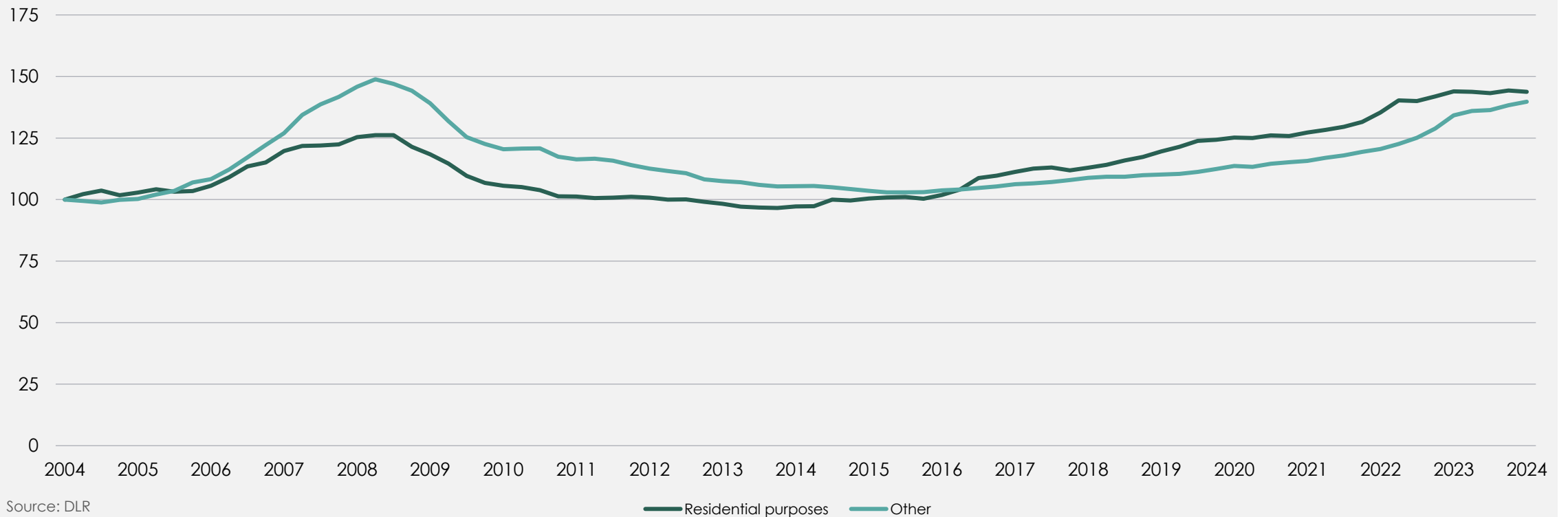


Source: EjendomDanmark

Note: A data breach in January 2024 resulted in significantly lower vacancy rates for the industrial sector

Prices on commercial real estate with a DLR mortgage

Price indices of DLR's assessed value of commercial real estate (2004 = index 100)



Source: DLR

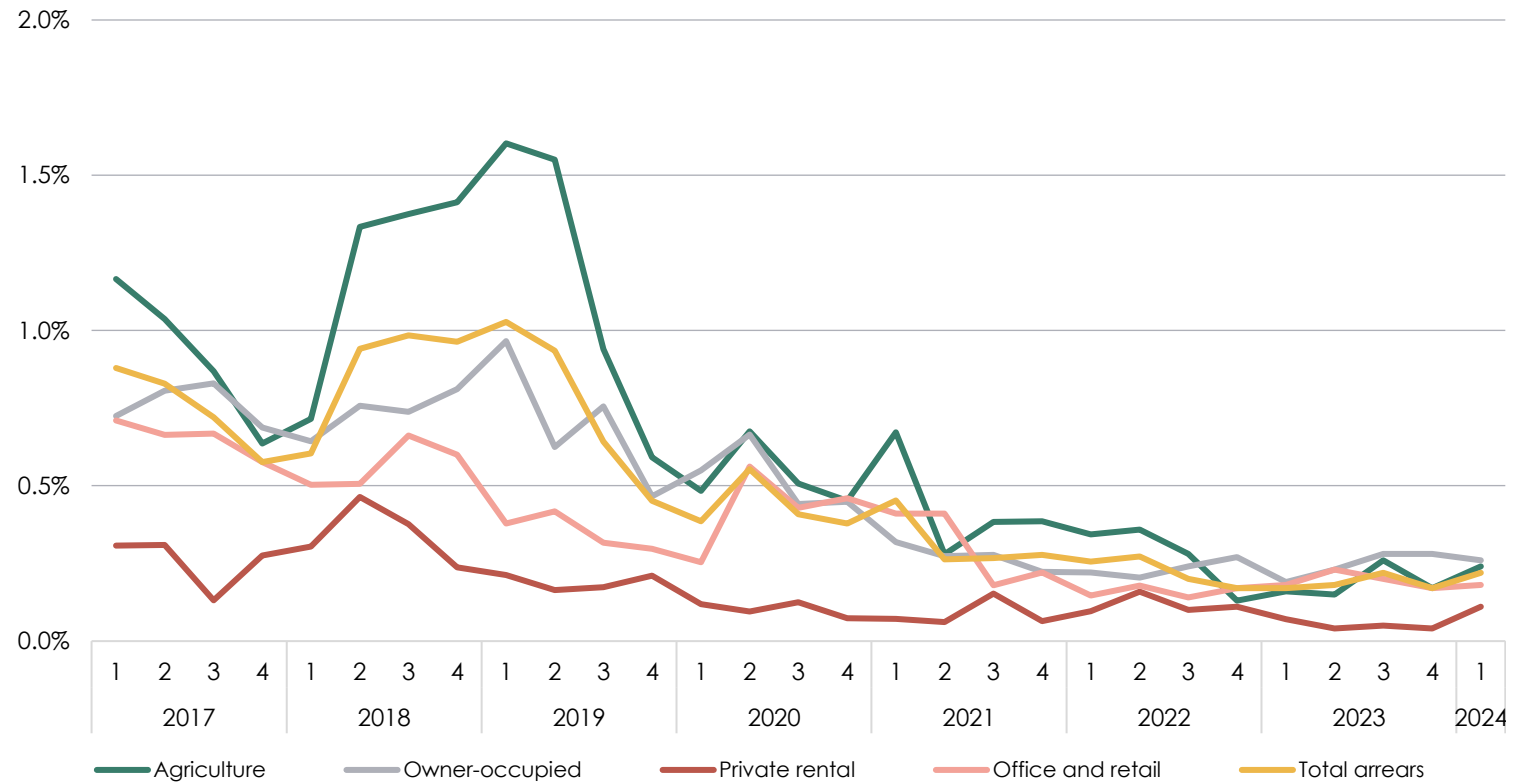
— Residential purposes — Other

Arrears

The borrowers' ability to pay timely keeps being high

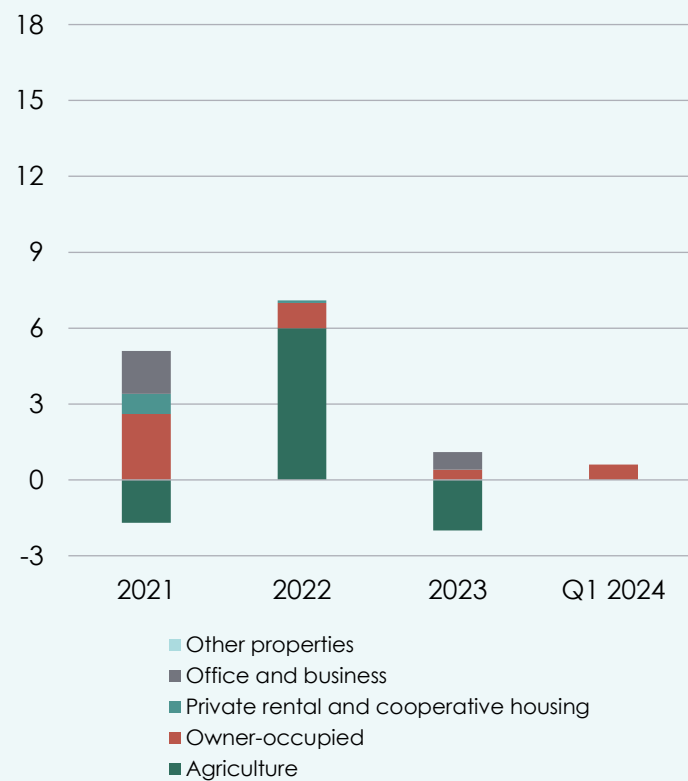
- Overall, the arrears ratio – measured as the percentage of mortgage payments in arrears 3½ months after the due date – was 0.22% in April 2024, against 0.17% in April 2023
- The arrears are low for all DLR's major business segments

105-days arrears, pct. of term payments



Losses and provisions

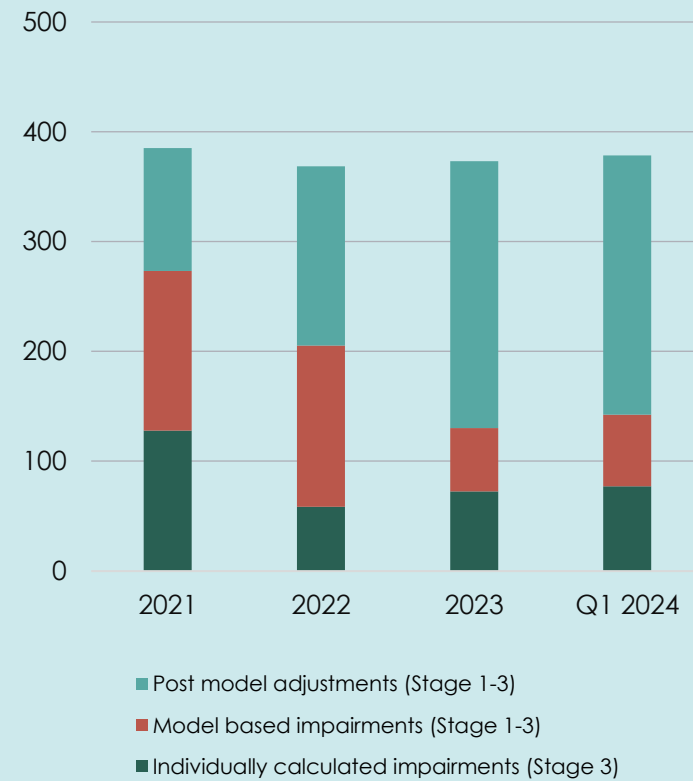
Actual loan losses before loss offsetting (DKKm)



Accumulated impairment provisions distributed on property (DKKm)



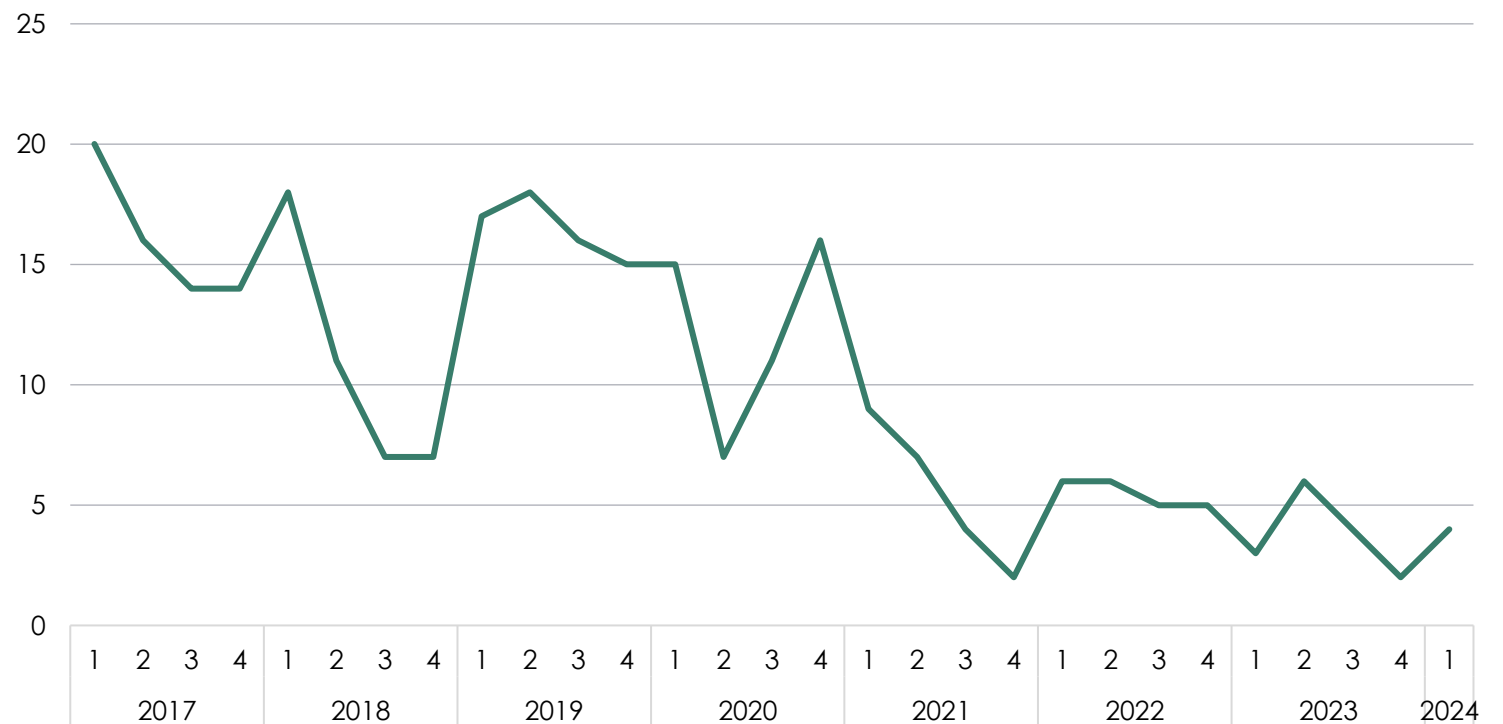
Accumulated impairment provisions distributed on impairment types (DKKm)



Takeovers and forced sales

- The number of completed forced sales of properties in which DLR held a mortgage was 4 in Q1 2024
- In Q1 2024, DLR had no acquired properties

Forced Sales - Properties where DLR holds a mortgage (numbers)



Agenda

Interim financial results Q1 2024

Lending and credit risk

— **Capital structure and rating**

Funding

Sustainability

DLR's own funds

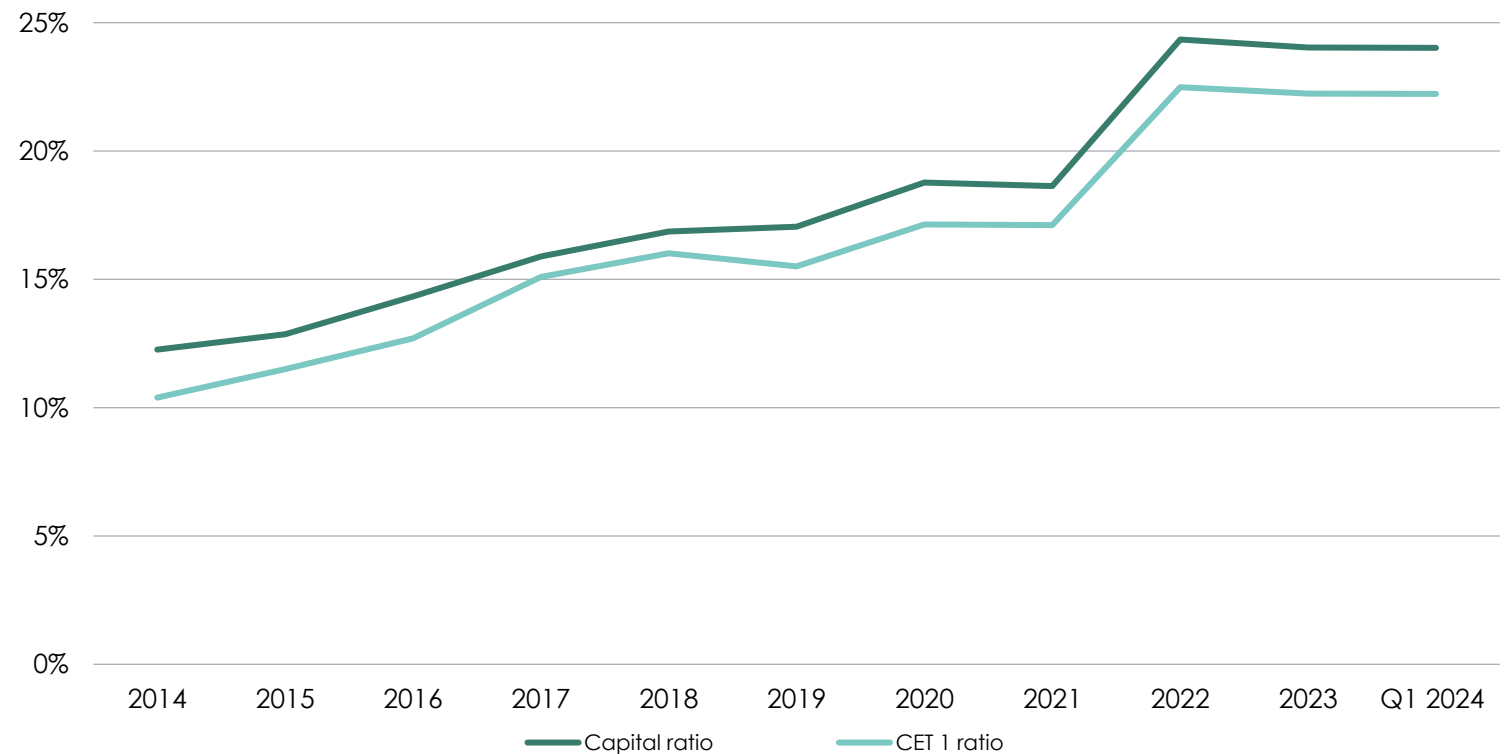
(DKKm)	Q1 2024	End-2023	End-2022
Equity			
- Distributable reserved	15,073	14,794	13,453
- Non-distributable reserves	2,360	2,355	2,338
Total equity	17,433	17,149	15,791
CET1 (total equity after capital deduction)	16,054	16,044	15,706
Tier 2 capital	1,299	1,298	1,298
Own funds	17,353	17,342	17,004
Total risk exposure	72,250	72,158	69,844
Total capital ratio, %	24.0	24.0	24.3
Capital requirement incl. debt buffer reservation, % ¹⁾	16.2	15.8	14.9
Capital surplus, %-points	7.8	8.2	9.4

1) At the end of Q1 2024 the capital requirement is based on the individual solvency requirement of 9.3%, plus a the SIFI requirement, which for DLR is 1.0%, a capital conservation buffer of 2.5% and a countercyclical capital buffer of 2.5%. In addition, 0.02% has been added due to systemic requirements on the Faroe Island. Additionally, a debt buffer reservation constitutes 0.9% of the capital surplus

Capital structure

- DLR's total capital ratio was 24.0 at the end of March 2024, which is unchanged from the end of 2023
- Based on the profit for the year 2023 and DLR's strong capital position it has been decided at the Annual General Meeting 25 April 2024 that dividends of DKK 750m will be distributed for the first time in DLR's history
- In 2023, own funds increased by DKK 338m, driven mainly by the profit for the year of DKK 1,347m, whereas DLR's own funds were reduced by an amount allocated to dividend payments of DKK 750m
- In December 2023, DLR acquired bonds of DKK 251m secured against DLR shares. The value of these shares of DKK 282m has been deducted from DLR's own funds

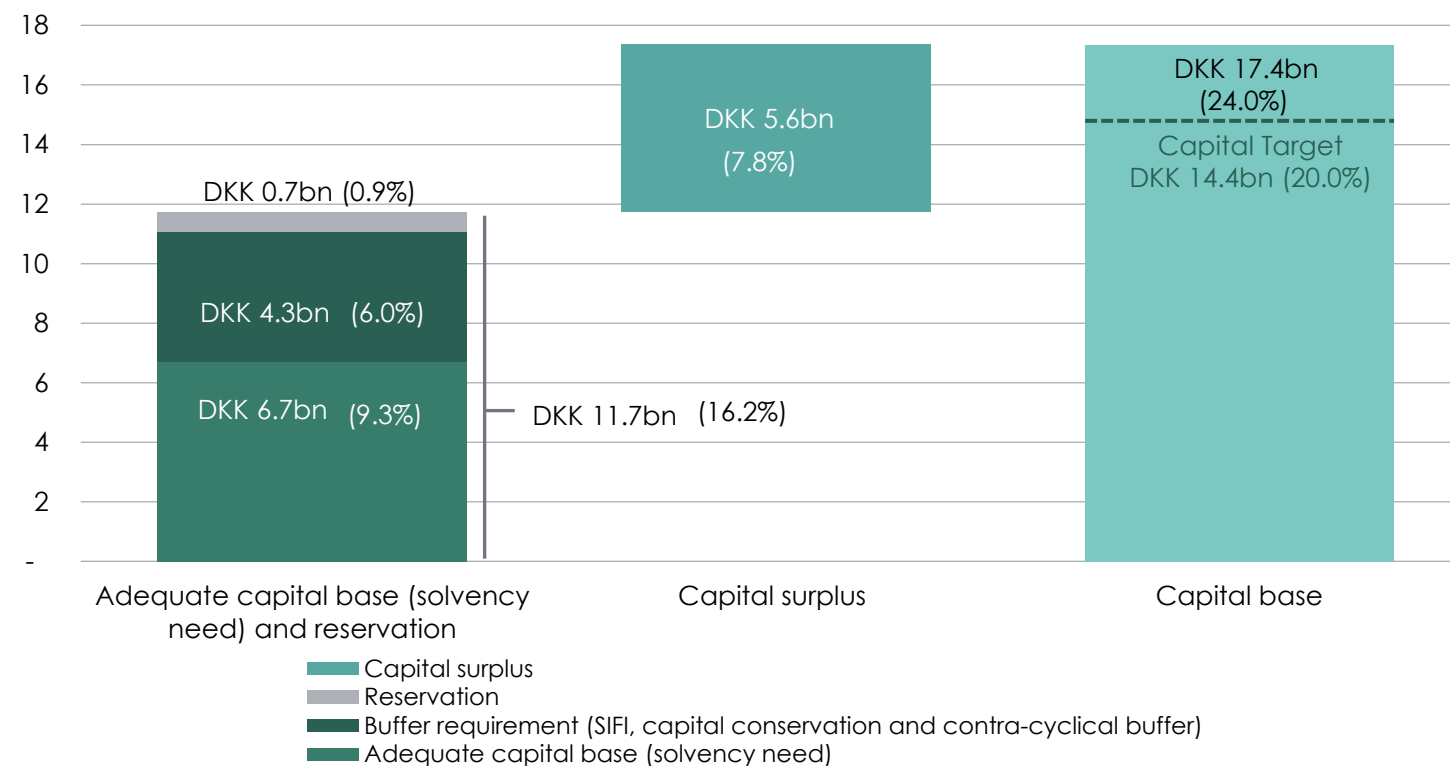
DLR's capital ratios



Capital requirement and capital ratio

- At the end of Q1 2024, DLR's own fund was DKK 17.4bn, while the total capital requirement amounted to DKK 11.1bn (15.3%)
- In addition, DLR has reserved DKK 0.7 bn (0.9%) to meet the debt buffer requirement
- Consequently, DLR had a capital surplus of DKK 5.6bn (7.8%)
- DLR has defined a target for its capital ratio of 20.0%, while the targets for the tier 1 capital ratio and the common equity tier 1 capital ratio are 18.0% and 16.5%, respectively
- The target for the capital ratio has in recent years been fixed at 17.5%, and 15.5% and 14.0%, respectively, for the tier 1 capital ratio and the common equity tier 1 capital ratio. The target has been raised in 2024 because of the expected effect of the implementation of the new capital adequacy rules (CRR) from the beginning of 2025

DLR's capital requirement and capital ratio end-Q1 2024 (DKKbn)



Note: The discrepancy between the total capital requirement and adding up its subcategories is due to rounding

Solvency need statement

(DKKkm)	Q1 2024		Q4 2023		Q3 2023		Q2 2023	
	Standard	IRB	Standard	IRB	Standard	IRB	Standard	IRB
Credit risk	3,300	2,060	3,265	2,053	3,113	2,022	3,158	1,981
Supplements to 8% requirement	460		473		397		350	
Market risk	181		215		158		197	
Supplements to 8% requirement	481		487		455		462	
Operational risk	240		240		199		199	
Supplements to 8% requirement	0		0		0		0	
Other circumstances	0		0		0		0	
Adequate capital base, total	6,722		6,733		6,344		6,346	
Total risk exposure STA/IRB	72,250		72,158		68,636		69,178	
of which from credit risk	41,246	25,746	40,818	25,657	38,908	25,271	39,469	24,765
Individual solvency need, %	9.30		9.33		9.24		9.17	
Statutory adequate capital base	6,722		6,733		6,344		6,346	
Supplements due to statutory requirements	0		0		0		0	
Individual solvency need after supplements,%	9.30		9.33		9.24		9.17	
SIFI-requirement,%-points	1.00		1.00		1.0		1.0	
Capital preservation buffer, %-points	2.50		2.50		2.5		2.5	
Countercyclical buffer, %-points	2.50		2.50		2.5		2.5	
SIFI-requirement Faroe Island, %-points	0.02		0.02		0.02		0.02	
Total statutory capital requirement, %-points	15.3		15.3		15.3		15.2	

Ownership structure

	31 March 2024		31 March 2023
	Share capital (DKKm)	Share of share capital (%)	Share of share capital (%)
Local Banks	289	50.6%	49.8%
Nationwide Banks and Jyske Bank	103	18.1%	18.8%
Nykredit Realkredit	69	12.2%	12.2%
PRAS	41	7.2%	7.2%
PRIPS2022 ¹⁾	21	3.6%	3.8%
DLR	46	8.1%	8.1%
Other Banks	1	0.2%	0.2%
Total	570	100%	100%

1) PRIPS 2022 is a company, which is owned by 12 of DLR's owner-banks

DLR's ratings with S&P

- 19 January 2024 S&P affirmed DLR's issuer credit rating (ICR) of A- with a stable outlook
- The rating is supported by an ALAC-uplift of +1
- The high issuer credit rating adds an extra buffer of 2 unused 'uplifts' to the AAA-rating of DLR's covered bonds
- DLR's covered bonds are supported by a further high over-collateralization of Capital Center B compared to S&P's OC-requirements
- S&P's latest report on DLR can be found here: <https://dlr.dk/en/investor/rating/>

S&P Global

DLR Kredit A/S

SACP	bbb+		Support	+1		Additional Factors	0
Anchor	bbb+		ALAC Support	+1		Issuer Credit Rating	A- / Stable / A-2
Business Position	Moderate	-1	GRE Support	0		Resolution Counterparty Rating	A / -- / A-1
Capital and Earnings	Very Strong	+2	Group Support	0			
Risk Position	Moderate	-1	Sovereign Support	0			
Funding	Adequate						
Liquidity	Adequate	0					
Comparable Ratings Analysis							

Agenda

Interim financial results Q1 2024

Lending and credit risk

Capital structure and rating

— **Funding**

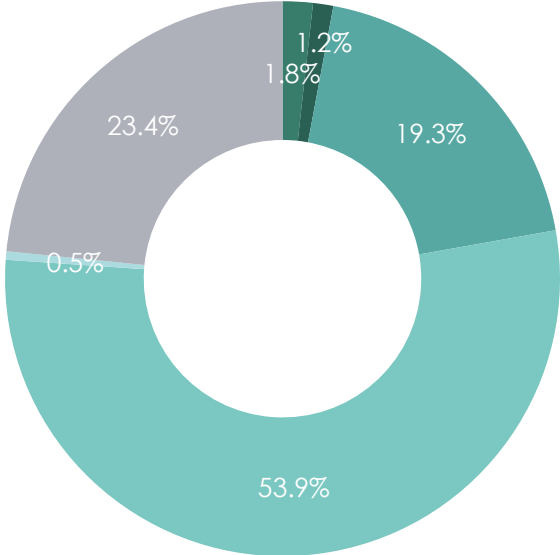
Sustainability

A well-balanced funding structure

- DLR has a diversified funding structure both in terms of maturities and bond types
- DLR's bonds were in April 2024 divided between 54% arm-Short-bonds, 23% fixed rate callable bonds, 19% ARM-bonds and 3% other floating rate bond types (the percentages do not add up to 100% due to rounding)
- DLR has a well-diversified investor base

DLR's outstanding bonds distributed on loan types their finance

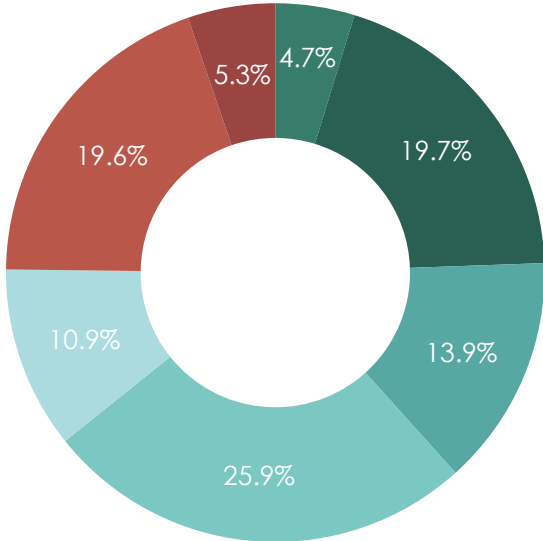
April 2024



- ARM 1Y
- ARM 2Y
- ARM 3Y/5Y
- ARM-Short
- Other floating rate
- Fixed-rate

Owner-distribution of DLR's bonds

February 2024



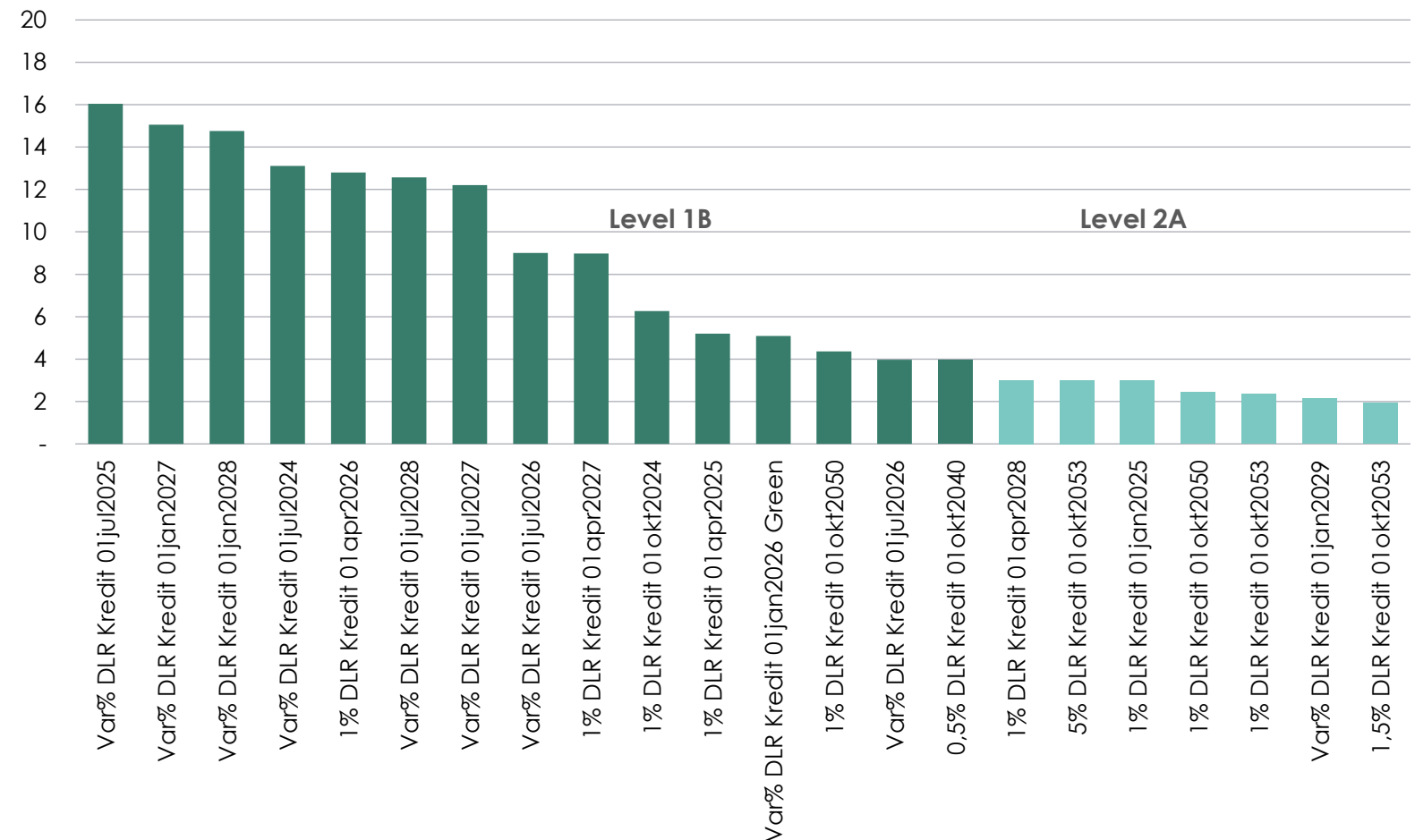
- Others
- Insurance and pension
- Foreign investors
- The central bank and commercial banks
- Mortgage banks
- Investment funds
- Undisclosed

DLR's covered bond series

LCR bond size requirements

- 83.6% of DLR's total amount of outstanding bond amount currently comply with the LCR bond size requirement for Level 1B (+500m EUR) or Level 2A (+250m EUR)
- A low demand on fixed rate mortgages have resulted in DLR's callable bonds not being LCR-compliant.
- The following bonds series open for issuance comply with the LCR bond size requirements:
 - 1% 01apr2027 (Level 1B)
 - CIBOR6 01jan2026 Green (Level 1B)
 - CITA6 01jul2026 (Level 1B)
 - 1% 01apr2028 (Level 2A)
 - 1% 01jan2025 (Level 2A)
 - CIBOR6 01jan2029 (Level 2A)

DLRs bond series that meets LCR size requirements (DKKbn) April 2024



Refinancing

- of bonds maturing in the coming 12 months

DKK 29.6bn DLR covered bonds are up for refinancing within the next 12 months

- Refinancing of ARM-bonds amounts to DKK 16.5bn and refinancing of ARM-Short-bonds amounts to DKK 13.1bn
- In 2020, it was decided to change the refinancing date for the longest ARM loans from October to April, and new 3Y-5Y ARM loans have subsequently been funded in April-series
- The changes were made because DLR for some time has focused on establishing a funding structure with fewer and larger series to support bond liquidity

Maturity date	Bond type	Loan type	Currency	Refinancing frequency	Amount (DKKm)
01-07-2024	SDO	ARM-Short	DKK	5 y	13,106
01-10-2024	SDO	ARM	DKK	3-5 y	6,264
01-01-2025	SDO	ARM	DKK & EUR	1-5 y	5,036
01-04-2025	SDO	ARM	DKK	3-5 y	5,202
Total					29,608

Issued senior debt and capital

- DLR has issued DKK 5.3bn capital and debt instruments of which DKK 4bn is SNP
- DLR also covers the debt buffer requirement with the current level of SNP along with a reservation of DKK 0.7bn of the capital surplus
- DLR expects in June 2024 to refinance a SNP maturing 1st of July 2024
- As part of the new CRR-rules in 2025 guarantees issued by non-rated partner banks can no longer be used as supplementary capital. Hence, DLR expects to reintroduce issuance of SSB's before year-end 2024

Type	Amount (DKKbn)	Issue date	Maturity date	Maturity (years)	Reference rate	Spread
SNP	1,000	03-11-2020	01-07-2024	3½	3M CIBOR	0.85%
SNP	1,000	08-06-2021	01-07-2025	4	3M CIBOR	0.67%
SNP	700	15-06-2022	02-07-2026	4	3M CIBOR	1.25%
SNP	300	15-06-2022	02-07-2026	4	Fixed	2.99%
SNP	1,000	20-06-2023	01-07-2027	4	3M CIBOR	2.40%
Tier 2 (10nc5)	650	06-12-2019	06-12-2029	10	6M CIBOR	2.50%
Tier 2 (10nc5)	650	14-10-2022	14-10-2032	10	3M CIBOR	4.25%
Total, senior debt and capital	5,300					

Agenda

Interim financial results Q1 2024

Lending and credit risk

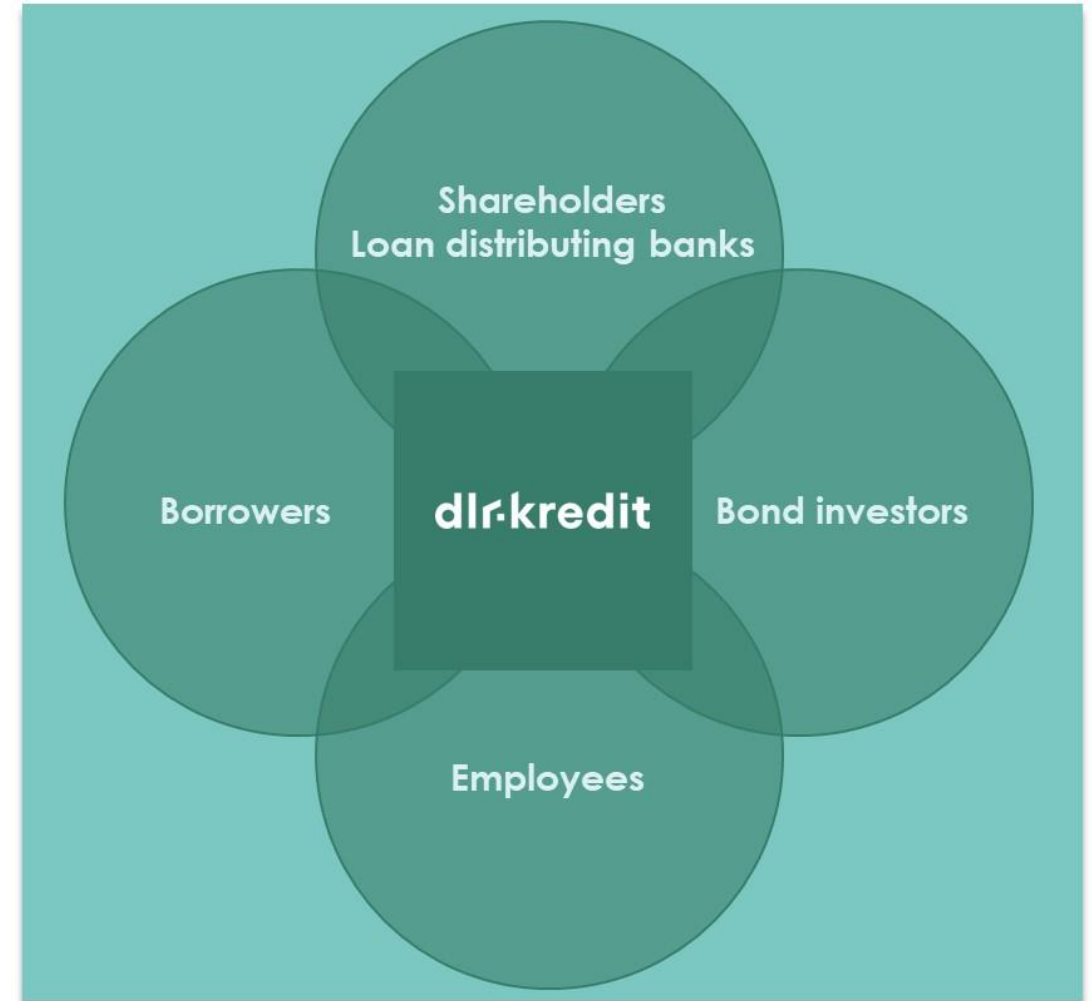
Capital structure and rating

Funding

— **Sustainability**

DLR's approach to sustainability

- DLR's strategic work on sustainability is based on the interests of DLR's significant stakeholders
- DLR's strategic position in the field of sustainability is largely defined by the preferences and requirements of these stakeholders
- DLR considers, among other things, the various ESG policies of shareholder banks, borrowers' opportunities related to the green transition, and investors' desire to reduce the CO₂ emissions financed by DLR's bonds



Targets and focus areas for 2024

Expand the eligibility criteria for green loans and explore the possibility of expanding DLR's green mortgage product range

Collect more and better farm- and property-specific data on at least 90 percent of the loan portfolio with to improve sustainability assessments of customers

Share more ESG data with DLR's shareholder banks

Structured development of sustainability skills among DLR's employees

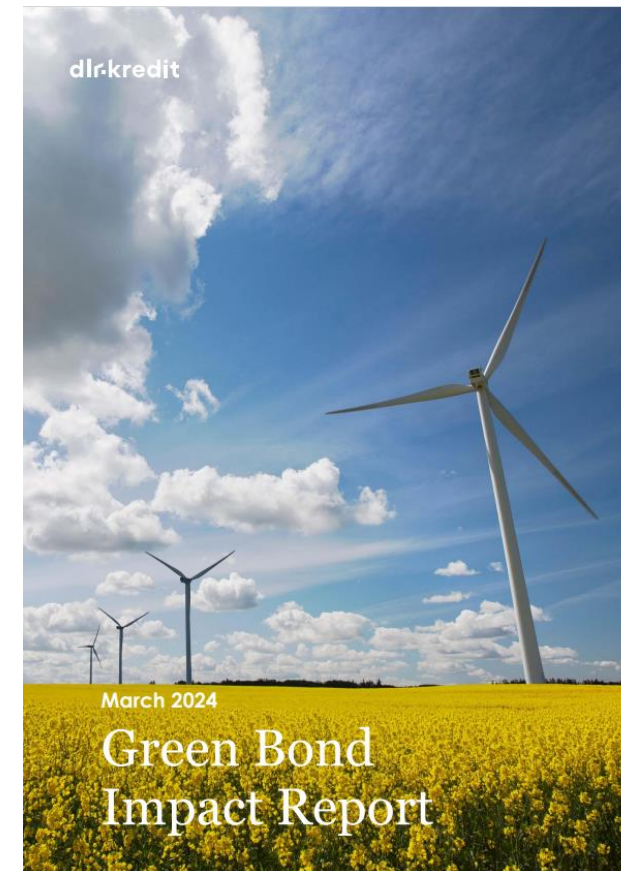
Conduct stakeholder and double materiality analyses for use in CSRD reporting

Prepare internal employee policy regarding diversity, equality and inclusion

DLR's Impact Report

- Read the report [here](#)

- DLR has had an annual review of DLR's impact report prepared, which describes the green assets financed with DLR's green bonds as of the end of 2023 - [Impact Report Review](#)
- In the review ISS ESG assesses that DLR adheres to the core principles as well as the main recommendations in the International Capital Market Association's (ICMA's) framework for impact reporting
- ISS ESG also assesses that the allocation of the green loans behind DLR's green bonds has been disclosed with a detailed breakdown across various categories, reflecting best practice



DLR's work in e-nettet

- DLR participates in the ESG Steering Group for e-nettet's ESG program, where DLR actively works to promote improvements of ESG data for agriculture and commercial real estate
- The first major data delivery from the ESG program was provided in February 2024. The delivery covers data on all CVR-registered agricultural enterprises in Denmark and provides an indication of an agricultural enterprise's estimated carbon footprint
- Another significant data delivery from the ESG program concerns consumption and emissions data on buildings. This data can eventually support DLR's reporting on its own portfolio. The first delivery of consumption and emissions data is expected in May 2024



DLR's green working group

- DLR has established a green advisory group with participation from loan distributing shareholder banks. The advisory group provides important input to DLR's sustainability efforts. Additionally, the advisory group serves as a forum for experience sharing
- The latest meeting in March 2024 focused on 'Future Climate Requirements for Buildings' during which the advisory group was given a tour of Eurowind's headquarters and heard about their history, business opportunities, and work with ESG



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