



## **Interim Report H1 2017**

Approved and published 17 August 2017

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## Financial highlights H1 2017

Profit and Loss Account	Year to date			Comparison with other quarters			
	H1 2017	H1 2016	Ratio 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016
Administration fee income	750	725	103	376	374	369	367
Other core income, net	39	35	111	20	19	27	21
Interest expenses, senior debt	-22	-24	91	-11	-11	-13	-13
Fee and commission income, net	-164	-155	106	-90	-74	-47	-80
Core income (mortgage credit income)	603	582	104	295	308	337	295
Staff costs and administrative expenses, etc.	-123	-115	107	-62	-61	-62	-57
Other operating expenses	-6	-7	81	-3	-3	-4	-4
Provision for loan and receivable impairment, etc.	67	-61	-109	50	17	9	-10
<b>Results from core activities</b>	<b>541</b>	<b>398</b>	<b>136</b>	<b>281</b>	<b>261</b>	<b>281</b>	<b>224</b>
Portfolio earnings (securities)	39	118	33	-3	42	-14	32
<b>Profit before tax</b>	<b>581</b>	<b>517</b>	<b>112</b>	<b>278</b>	<b>303</b>	<b>266</b>	<b>256</b>
<b>Profit after tax</b>	<b>454</b>	<b>403</b>	<b>113</b>	<b>218</b>	<b>236</b>	<b>208</b>	<b>200</b>

Balance Sheet	H1 2017	H1 2016	Ratio 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016
	<b>Assets</b>						
Loans and advances	141,105	136,891	103	141,105	140,060	139,053	137,875
Bonds and shares	12,016	12,673	95	12,016	11,471	13,683	14,970
Other assets	2,298	1,167	197	2,298	3,361	3,002	3,964
<b>Total assets</b>	<b>155,419</b>	<b>150,731</b>	<b>103</b>	<b>155,419</b>	<b>154,892</b>	<b>155,737</b>	<b>156,809</b>
<b>Liabilities and equity</b>							
Issued bonds	140,872	137,203	103	140,872	140,928	142,074	143,032
Other debt and payables	1,243	1,206	103	1,243	1,458	1,404	1,706
Equity	13,303	12,322	108	13,303	12,506	12,259	12,072
<b>Total liabilities and equity</b>	<b>155,419</b>	<b>150,731</b>	<b>103</b>	<b>155,419</b>	<b>154,892</b>	<b>155,737</b>	<b>156,809</b>

Financial ratios*	H1 2017	H1 2016	Q2 2017	Q1 2017	Q4 2016	Q3 2016
	<b>Return on equity (ROE)</b>					
Profit before tax in pc of equity	4.5%	4.2%	2.2%	2.4%	2.2%	2.1%
Profit after tax in pc of equity	3.6%	3.2%	1.7%	1.9%	1.7%	1.6%
Return on hybrid core capital	4.1%	4.2%	2.1%	2.1%	2.1%	2.1%
Return on equity excl. hybrid core capital	3.3%	2.9%	1.5%	1.7%	1.5%	1.5%
<b>Solvency</b>						
Capital ratio ***	15.7%	14.5%	15.7%	14.7%	14.3%	14.1%
<b>Lending Activity</b>						
Growth in loan portfolio, pc (nominel)	1.2	0.5	0.7	0.5	1.2	1.4
New loans, gross (DKKm)	11,624	3,914	5,720	5,904	8,812	5,513
Number of new loans	3,641	2,740	1,652	1,989	2,775	1,838
Loan/equity ratio	10.6	11.1	10.6	11.2	11.3	11.4

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

## Financial summary

- Core income amounted to DKK 603m, an increase of DKK 21m on the same period in 2016.
- The operational impact of losses and impairments amounted to an income of DKK 67m, which was due to improved conditions for the agricultural sector and DLR's loss mitigating schemes established in collaboration with our partner banks.
- Pre-tax profit was DKK 581m, which is 12 pc up compared to the same period last year.
- After paying tax on the profit for the period and the holders of hybrid core capital (Tier 1), DKK 412m has been added to DLR's equity capital.
- DLR's net lending on agricultural and urban trade property amounted to DKK 1.5bn.
- DLR is raising its full-year guidance by DKK 100m and now expects core earnings of DKK 900-1,000m for 2017.

## Executive summary

Chief Executive Officer Jens Kr. A. Møller states in connection with the release of the interim report for the first half of 2017:

“DLR's pre-tax profit for H1 2017 of DKK 581m is satisfactory and exceeds expectations.

Improved conditions in the agricultural sector enabled DLR to reduce impairments by DKK 59m (net) in H1. This has contributed to the operational impact of losses and impairments posting an income of DKK 67m.

The result was also positively affected by DLR's still growing loan portfolio, which led to administration margin income increasing by DKK 25m despite the average margin remaining unchanged.

The positive trend in lending activity that DLR could note in 2016 has continued into 2017.

DLR's capital base was strengthened in H1 through the sale of treasury shares at a market value of DKK 632m. DLR's total capital ratio was thus 15.7 as of 30 June 2017, not including the H1 result.”

## Financial review

### Income statement

DLR achieved a satisfactory pre-tax profit for the period of DKK 581m, which is DKK 64m up on the same period in 2016.

Net profit for the period was DKK 454m after tax.

DLR's earnings primarily stem from:

- Core earnings: Earnings from mortgage credit activity in the form of administration margins, fees and commissions, etc. less associated administration costs, losses and impairments.
- Portfolio earnings: Return on securities portfolio.

Table 1. Income statement, DKKm

<b>Profit and Loss Account</b>	<b>H1 2017</b>	<b>H1 2016</b>
Administration fee income	750	725
Other core income, net	39	35
Interest expenses, senior debt	-22	-24
Fee and commission income, net	-164	-155
Core income (mortgage credit income)	603	582
Staff costs and administrative expenses, etc.	-123	-115
Other operating expenses	-6	-7
Provision for loan and receivable impairment, etc.	67	-61
<b>Results from core activities</b>	<b>541</b>	<b>398</b>
Portfolio earnings (securities)	39	118
<b>Profit before tax</b>	<b>581</b>	<b>517</b>
<b>Profit after tax</b>	<b>454</b>	<b>403</b>

#### Core earnings

Administration margin income amounted to DKK 750m, which is DKK 25m up on the same period in 2016. The increase is due to the loan portfolio expanding, as the average margin was the same as in 2016.

Interest expenses on senior debt amounted to DKK 22m, which is similar to the same period in 2016.

The figure for interest expenses conceals a rising volume of issued senior debt relative to the previous year. However, this was offset by the average interest rate in 2017 being lower than for the same period in 2016.

Fees and commissions (net) include, on the one hand, fee and brokerage income connected with the disbursement and repayment of mortgage loans plus spread income stemming from loan refinancing and disbursing and, on the other hand, commission expenses to the banks that intermediate DLR's loans. These expenses include both intermediation commissions and commissions for the provision of loss guarantees, etc.

Fees and commissions (net) amounted to an expense of DKK 164m, which is slightly higher than the same period in 2016. The increase should be seen in light of the expanding loan portfolio and the resulting rise in commission expenses for loss guarantees, etc.

Core income was subsequently DKK 603m, an increase of DKK 21m on the same period in 2016. The increase equates to a rise of 4 pc.

Staff costs and administration, etc. expenses amounted to DKK 123m, an increase of DKK 8m, or 7 pc, relative to the same period in 2016.

Other operating expenses concern a contribution to the Resolution Fund.

Losses and impairments on loans and receivables, including adjustments from previous years, amounted to an income of DKK 67m, calculated as follows:

- Realised loss DKK -31m.

- Net change in impairments DKK + 59m.
- Losses offset in commission payments from the banks DKK +39m. The amount includes netting connected with losses realised in previous years.

#### Portfolio earnings

Portfolio earnings amounted to an income of DKK 39m. Relatively high portfolio earnings were due to yields falling further in 2017 and bond prices subsequently rising.

DLR's investment portfolio (securities excl. temporary liquidity) amounted to DKK 22.9bn at the end of H1 2017.

#### Allocation of comprehensive income for the period

The period's comprehensive income amounted to DKK 454m. Of this, DKK 54m was paid to the owners of hybrid core capital. As this expense is tax deductible, DLR's net expense was DKK 42m. Overall, this means DKK 412m has been added to DLR's equity capital.

#### Balance sheet

Mortgage credit lending amounted to DKK 139.2bn (nom.) at the end of H1 2017.

The bond portfolio stood at DKK 26.2bn. Of this, DLR's own bonds accounted for DKK 14.2bn, which is netted in "Issued bonds at fair value", while DKK 12.0bn was attributable to positions in government securities and other mortgage bonds.

As well as bond holdings of DKK 26.2bn, DLR held other securities for DKK 2.0bn; hence, the total securities holding amounted to DKK 28.2bn (gross) at the end of the half-year.

Temporary surplus liquidity connected with mortgage payments, loan redemptions and refinancing auctions comprised DKK 5.3bn, in all, of the securities holding, so the investment holding was therefore DKK 22.9bn.

DLR's balance sheet stood at DKK 155.4bn at the end of H1 2017.

## Capital and solvency

Table 2. DLR's capital and solvency

Capital and solvency		DKKm	
	30 Jun. 2017	31 Dec. 2016	
Equity	13,303	12,259	
Profit not recognised in equity	-412	0	
Hybrid core capital recognised in equity	-1,300	-1,300	
Deductions as a consequence of prudent valuation	-26	-22	
Difference between expected loss and write downs	-658	-676	
Deferred tax	-1	-1	
<b>Actual core capital</b>	<b>10,906</b>	<b>10,260</b>	
Hybrid core capital	1,300	1,300	
<b>Capital base</b>	<b>12,206</b>	<b>11,560</b>	
Risk-weighted exposure with credit risk, etc.	72,782	75,327	
Risk-weighted exposure with market risk	2,590	2,892	
Risk-weighted exposure with operational risk	2,456	2,456	
<b>Total risk-weighted exposure</b>	<b>77,828</b>	<b>80,674</b>	
<b>Actual core capital ratio</b>	<b>14.0%</b>	<b>12.7%</b>	
<b>Capital ratio</b>	<b>15.7%</b>	<b>14.3%</b>	

### Capital base:

DLR's capital base at the end of H1 2017 does not include the result for the half-year, as the accounts have not been audited.

DLR's capital base increased by DKK 646m in H1 2017, with the main contributor to the rise being the sale of treasury shares for DKK 632m.

### Risk-weighted exposure amount:

DLR's risk-weighted exposure amount declined from DKK 80.7bn to DKK 77.8bn in H1 2017. The decline should be seen against the improved situation for DLR's agricultural customers.

### Capital ratios:

DLR's total capital ratio was 15.7 at the end of H1 2017 compared to 14.3 at year-end 2016. The common equity tier 1 capital ratio was 14.0 compared to 12.7 at year-end 2016.

Including the result for the period would produce a total capital ratio of 16.2 and a common equity tier 1 capital ratio of 14.5.

## Risk

DLR's credit and market risk are estimated as limited due to both the statutory requirements and DLR's internal credit policy guidelines. Additionally, DLR has established loan loss schemes, including a guarantee provision that has been set up to cover DLR's various lending areas in accordance with agreements made with DLR's partner/shareholder banks.

For further details on credit and market risk, please refer to DLR's Risk and Capital Management Report 2016, available at [www.dlr.dk/risk-reports](http://www.dlr.dk/risk-reports).

### Arrears and losses

As of the end of H1 2017, mortgage payments outstanding amounted to DKK 107m versus DKK124m at year-end 2016. Of the amount in arrears, the bulk stems from mortgage payments that are less than 3½ months overdue.

DLR recorded a loss on 65 cases in H1 2017 compared to 54 during the same period in 2016.

DLR had 18 foreclosed mortgages in its portfolio at the end of H1 2017. The value of these properties amounted to DKK 62m at the end of H1 compared to DKK 159m at year-end 2016.

## **Full-year outlook for 2017**

DLR's Annual Report 2016 indicated expected core earnings for 2017 as a whole of DKK 800-900m. After H1, we now expect core earnings for full-year 2017 to be DKK 900-1,000m.

The main uncertainty for full-year core earnings is the operational impact of losses and impairments for the remainder of 2017. Furthermore, the year's pre-tax profit is subject to interest rate uncertainty and its potential impact on DLR's portfolio earnings during the rest of the year.

## **Accounting policies**

DLR's interim report has been prepared in accordance with the accounting provisions for mortgage banks laid down by the Danish Financial Supervisory Authority as well as the requirements provided by NASDAQ Copenhagen for the financial statements of issuers of listed bonds.

Accounting policies were changed in the Q1 financial statement with respect to the classification of the following items:

- Fees paid to agricultural property valuation experts: Previously this cost in the expenses note was classified as "Other administrative expenses". From 2017 it will be classified under "Staff costs".
- Losses offset in commission payments to shareholder banks were previously included in the accounting item "Fees and commissions paid". From 2017 income will be posted under "provision for loan and receivable impairment".

These reclassifications have no effect on DLR's pre-tax profit, comprehensive income or equity.

Comparative figures for the relevant items have also been adjusted.

No changes have been made to DLR's accounting policies in Q2 2017.

This financial statement has not been subject to audit or review.



## Events scheduled for H2 2017

### Capital position

DLR plans to repay DKK 1,300m in hybrid Tier 1 capital at the end of August 2017 and at the same time issue new regulatory Tier 2 capital of DKK 650m.

The transaction should be seen in connection with DLR having sold treasury shares in H1 2017 at a market value of DKK 632m.

The net effect of the above-mentioned transactions in Q1-Q3 of 2017 will thus mean DLR's capital base remaining unchanged after the transactions have been performed.

### Administration agreement signed

DLR has signed a framework agreement to undertake the administration of Landbrugets Finansieringsbank (LFB) in connection with the bank's recent reorganisation.

DLR will assume no credit risk in administering LFB's loan portfolio. The framework agreement will run for five years and have a very limited impact on DLR's earnings.

## Forthcoming accounting rule changes

International financial reporting standard IFRS 9 is set to come into force on 1 January 2018, which will prompt adjustments to the Danish FSA's accounting standards, particularly concerning loan impairment rules.

Work is under way at DLR to develop the impairment models that will derive from the new set of rules.

DLR expects the initial application of the new accounting standard to result in increased provisions for impairments (allowance account balance). However, there is uncertainty related to give an estimate on the first time effect with the transition to the new rules. According to the current knowledge it is expected, that the capital effect will be less than DKK 100m, and therefore without material effect on DLRs capital base.

## Further information

For further information on DLR please refer to [www.dlr.dk/welcome-investorpage](http://www.dlr.dk/welcome-investorpage), where the Annual Report 2016 and DLR's Risk and Capital Management Report, etc. can be downloaded.

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

## Contacts

Please direct any enquiries concerning this financial statement to:  
CEO Jens Kr. A. Møller, tel. 33 42 07 24, or  
Managing Director Michael Jensen, tel. 33 42 07 06

<b>Profit and Loss Account and Statement of Comprehensive Income</b>		DKKm	
Note		<b>H1 2017</b>	<b>H1 2016</b>
<b>Profit and loss account</b>			
1	Interest income	1,666	1,706
2	Interest expenses	(825)	(866)
	<b>Net interest income</b>	<b>841</b>	<b>840</b>
	Dividends from shares etc.	-	-
	Fee and commission income	78	62
	Fee and commission paid	(242)	(217)
	<b>Net interest and fee income</b>	<b>677</b>	<b>685</b>
3	Value adjustments	(43)	6
	Other operating income	9	9
4	Staff costs and administrative expenses	(121)	(113)
	Depreciation and impairment losses	(2)	(2)
	Other operating expenses	(6)	(7)
5	Provisions for loan and receivable impairment, etc.	67	(61)
	<b>Profit before tax</b>	<b>581</b>	<b>517</b>
	Tax	(127)	(114)
	<b>Profit</b>	<b>454</b>	<b>403</b>
<b>Statement of Comprehensive Income</b>			
Note		<b>H1 2017</b>	<b>H1 2016</b>
	Profit	454	403
	<b>Total comprehensive income</b>	<b>454</b>	<b>403</b>
	<u>Attributable to:</u>		
	Shareholders of DLR Kredit A/S*	400	348
	Owners of hybrid core capital	54	55
	<b>Total comprehensive income</b>	<b>454</b>	<b>403</b>
* As a consequence of tax deductions for payments to holders of additional tier 1 capital, the consolidation was increased beyond the amount stated, i.e. by an additional DKK 12m in 2017 (22% of DKK 54m). For 2016, consolidation was similarly increased by DKK 12m.			

<b>Balance Sheet</b>		DKKm	
Note		<b>30 Jun. 2017</b>	<b>31 Dec. 2016</b>
<b>Assets</b>			
	Cash in hand and demand deposits with central banks	48	48
	Receivables from credit institutions and central banks	1,935	2,428
6	Loans, advances and other receivables at fair value	141,085	139,032
7	amortised cost	20	20
8	Bonds at fair value	11,958	13,625
12	Shares, etc.	57	58
	Land and buildings, domicile properties	97	98
13	Other tangible assets	4	4
	Deferred tax assets	1	1
	Assets temporarily foreclosed	62	159
	Other assets	126	246
14	Prepayments	24	18
	<b>Total assets</b>	<b>155,419</b>	<b>155,737</b>
<b>Liabilities and equity</b>			
	Debt to credit institutions and central banks	-	-
15	Issued bonds at fair value	131,872	134,074
16	Issued bonds at amortised cost	9,000	8,000
	Current tax liabilities	89	18
17	Other debt and payables	1,140	1,378
	Deferred income	9	4
	<b>Total debt</b>	<b>142,112</b>	<b>143,474</b>
	Provisions for deferred tax	4	4
	<b>Total provisions</b>	<b>4</b>	<b>4</b>
	Share capital	570	570
	Revaluation reserve	43	43
	Undistributable reserve	2,338	2,338
	Retained earnings	9,052	8,008
	Owners of hybrid core capital	1,300	1,300
	<b>Total equity</b>	<b>13,303</b>	<b>12,259</b>
	<b>Total liabilities and equity</b>	<b>155,419</b>	<b>155,737</b>
18	<b>Off-balance sheet items</b>		
	Guarantees	7	17
	Other liabilities	4,202	4,220

Statement of Changes in Equity						DKKm
	Share capital 1)	Revaluation reserve	Undistributable reserve	Retained earnings	Owners of hybrid core capital 2)	Total
<b>2016</b>						
Equity at 1 January 2016	570	43	2,338	8,252	1,300	12,503
Profit	0	0	0	702	109	811
<u>Transactions with owners</u>						
Purchase of own shares	0	0	0	-970	0	-970
Interest on hybrid core capital	0	0	0	0	-109	-109
Tax value of deduction of interest on additional tier 1 capital	0	0	0	24	0	24
<b>Equity at 31 December 2016</b>	<b>570</b>	<b>43</b>	<b>2,338</b>	<b>8,008</b>	<b>1,300</b>	<b>12,259</b>
<b>2017</b>						
Equity at 1 January 2017	570	43	2,338	8,008	1,300	12,259
Profit	0	0	0	400	54	454
<u>Transactions with owners</u>						
Own shares	0	0	0	632	0	632
Interest on hybrid core capital	0	0	0	0	-54	-54
Tax value of deduction of interest on additional tier 1 capital	0	0	0	12	0	12
<b>Equity at 30 June 2017</b>	<b>570</b>	<b>43</b>	<b>2,338</b>	<b>9,052</b>	<b>1,300</b>	<b>13,303</b>
<p>1) The share capital is divided into shares of each DKK 1.00. The total number of shares is 569,964,023. DLR Kredit A/S has only one class of shares. All shares carry equal rights.</p> <p>2) Additional tier 1 capital that complies with the rules in the Capital Requirements Regulation (CRR). The DKK 1,300m with a conversion obligation was raised on 27 August 2012. The maturity is perpetual. The rate of interest is floating and based on the 6m money-market rate (CIBOR) plus 8.25 per cent p.a. The aggregate additional tier 1 capital can be included in total capital.</p> <p>3) Own shares DLR Kredit has in the first half of 2017 sold own shares corresponding to a market value of 632 DKKm.</p>						

<b>Capital and solvency</b>		DKKm	
	<b>30 Jun.</b>	<b>31 Dec.</b>	
	<b>2017</b>	<b>2016</b>	
Equity	13,303	12,259	
Profit not recognised in equity	-412	0	
Hybrid core capital recognised in equity	-1,300	-1,300	
Deductions as a consequence of prudent valuation	-26	-22	
Difference between expected loss and write downs	-658	-676	
Deferred tax	-1	-1	
<b>Actual core capital</b>	<b>10,906</b>	<b>10,260</b>	
Hybrid core capital	1,300	1,300	
<b>Capital base</b>	<b>12,206</b>	<b>11,560</b>	
Risk-weighted exposure with credit risk, etc.	72,782	75,327	
Risk-weighted exposure with market risk	2,590	2,892	
Risk-weighted exposure with operational risk	2,456	2,456	
<b>Total risk-weighted exposure</b>	<b>77,828</b>	<b>80,674</b>	
<b>Actual core capital ratio</b>	<b>14.0%</b>	<b>12.7%</b>	
<b>Capital ratio</b>	<b>15.7%</b>	<b>14.3%</b>	

## List of notes to the financial statements

### Nr. Name of note

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**Notes - income statement**

DKKm

	H1 2017	H1 2016
<b>1 Interest income</b>		
Receivables from credit institutions and central banks	0	0
Loans and advances	843	913
Administration fees	750	725
Bonds	85	114
Other interest income	23	19
<b>Total interest income</b>	<b>1701</b>	<b>1771</b>
Interest from own mortgage bonds offset against interest on issued bonds	-35	-65
<b>Total</b>	<b>1666</b>	<b>1706</b>
<b>2 Interest expenses</b>		
Credit institutions and central banks	-1	-1
Issued bonds at fair value	-837	-905
Issued bonds at amortised cost	-22	-24
Hybrid core capital (non CRR-compliant)	0	0
Other interest expenses	0	0
<b>Total interest expenses</b>	<b>-860</b>	<b>-931</b>
Interest from own mortgage bonds	35	65
<b>Total</b>	<b>-825</b>	<b>-866</b>
<b>3 Value adjustments</b>		
Mortgage loans	361	1,295
Bonds	-49	15
Shares etc.	0	2
Other assets	0	0
Foreign exchange	1	-3
Derivative financial instruments	5	-9
Issued bonds	-361	-1,295
<b>Total value adjustments</b>	<b>-43</b>	<b>6</b>
<b>4 Staff costs and administrative expenses</b>		
Staff costs		
Salaries *	-63	-60
Pension costs	-5	-5
Social security costs	-10	-10
<b>Total</b>	<b>-78</b>	<b>-74</b>
Other administrative expenses		
IT expenses	-21	-18
Audit, supervision and industry association	-4	-4
Other operating costs	-18	-17
<b>Total</b>	<b>-43</b>	<b>-38</b>
<b>Total staff and administrative expenses</b>	<b>-121</b>	<b>-113</b>
<b>Executive Board*</b>		
Fixed remuneration	3.5	3.4
Variable remuneration	0.0	0.0
<b>Total</b>	<b>3.5</b>	<b>3.4</b>
Number of members of the Executive Board - end of period	2	2
<b>5 Provisions and impairment losses for loans and receivables etc.</b>		
Impairment losses for the period	-32	-64
Recovery of debt previously written off	1	1
Provisions for the period	-61	-153
Reversal of provisions	119	133
Losses offset in commission payments to banks	39	22
<b>Total provisions and impairment losses for loans and receivables etc.</b>	<b>67</b>	<b>-61</b>

Notes - assets		DKKm	
		30 Jun.	31 Dec.
		2017	2016
<b>6</b>	<b>Receivables from credit institutions and central banks</b>		
	Receivables at notice from central banks	0	0
	Receivables from credit institutions and central banks	1,935	2,428
	<b>Total receivables from credit institutions and central banks*</b>	<b>1,935</b>	<b>2,428</b>
	DLR had no reverse repo transactions at the end of the period.		
<b>7</b>	<b>Loans and advances at fair value</b>		
	Mortgage loans, nominal value	139,190	137,493
	Adjustment to fair value of underlying bonds	2,319	1,966
	Adjustment for credit risk	-515	-566
	<b>Total mortgage loans at fair value</b>	<b>140,994</b>	<b>138,893</b>
	Arrears before provisions	107	124
	Other loans and charges before provisions	7	44
	Provisions for arrears and charges	-22	-28
	<b>Total</b>	<b>141,085</b>	<b>139,032</b>
<b>8</b>	<b>Loans and advances at amortised cost</b>		
	Loans and advances	25	26
	Adjustment for credit risk	-5	-6
	<b>Total</b>	<b>20</b>	<b>20</b>
<b>9</b>	<b>Mortgage loans (nominal value) by property category (as a percentage)</b>		
	Agricultural properties	63	63
	Owner-occupied dwellings	6	6
	Subsidised rental housing properties	0	0
	Private rental housing properties	15	14
	Office and business properties	16	16
	Properties for manufacturing and manual industries	1	1
	Properties for social, cultural and educational purposes	0	0
	Other properties	1	1
	<b>Total, as a percentage</b>	<b>100</b>	<b>100</b>
<b>10</b>	<b>Number of loans - end of period</b>	<b>59,797</b>	<b>59,119</b>
<b>11</b>	<b>Provisions for loans and receivables impairment at fair value and amortised cost</b>		
	<b>Individual provisions</b>		
	Provisions on loans and guarantees, beginning-of-year	411	445
	Reversal of provisions	-119	-191
	Provisions for the period	54	156
	<b>Provisions - end of period</b>	<b>345</b>	<b>411</b>
	<b>Collective provisions*</b>		
	Provisions on loans and guarantees, beginning of year	190	145
	Reversal of provisions	0	-25
	Provisions for the period	7	70
	<b>Provisions - end of period</b>	<b>197</b>	<b>190</b>
	<b>Total provisions for loans and receivables impairment, end of period</b>	<b>542</b>	<b>601</b>



## Notes - assets

DKKm

30 Jun.  
2017 31 Dec.  
2016

<b>12 Bonds at fair value</b>		
- Own mortgage bonds	14,201	23,866
- Other mortgage bonds	9,786	11,441
- Government bonds	2,172	2,184
- Other bonds	0	0
<b>Total bonds</b>	<b>26,159</b>	<b>37,492</b>
Own mortgage bonds offset against issued bonds	-14,201	-23,866
Own non-mortgage bonds offset against issued bonds	0	0
<b>Total</b>	<b>11,958</b>	<b>13,625</b>

<b>13 Land and buildings (domicile properties)</b>		
<b>Fair value, beginning of year</b>	<b>98</b>	<b>98</b>
Additions during the year	0	0
Depreciation	0	-1
Value changes recognised in other comprehensive income	0	0
<b>Fair value, end of period</b>	<b>97</b>	<b>98</b>
The value of domicile properties is measured on an annual basis by DLR's commercial valuation experts.		

<b>14 Other assets</b>		
Positive market value of derivative financial instruments etc.	0	10
Interest and commission receivable	72	107
Other receivables	53	129
<b>Total</b>	<b>126</b>	<b>246</b>

**Notes - liabilities and equity**

DKKm

**30 Jun.**    **31 Dec.**  
**2017**        **2016**

<b>15 Issued bonds at fair value</b>		
Mortgage bonds - nominal value	143,722	155,775
Fair value adjustment	2,351	2,165
<b>Issued bonds - gross</b>	<b>146,073</b>	<b>157,940</b>
Own mortgage bonds set off - at fair value	-14,201	-23,866
<b>Total</b>	<b>131,872</b>	<b>134,074</b>
Of which pre-issued, market value	0	10,228
Drawn callable bonds for redemption in next term	1,139	2,152

<b>16 Issued bonds at amortised cost</b>		
Issues in connection with senior debt	9,000	8,000
Own mortgage bonds set off	0	0
<b>Total</b>	<b>9,000</b>	<b>8,000</b>

<b>17 Other debt and payables</b>		
Negative market value of derivative financial instruments	0	5
Interest and commission payable	907	1,180
Other payables	233	193
<b>Total</b>	<b>1,140</b>	<b>1,378</b>

<b>18 Off-balance sheet items</b>		
<b>Guarantees etc.</b>		
Financial guarantees	3	3
Other guarantees	4	15
<b>Total</b>	<b>7</b>	<b>17</b>
<b>Other contingent liabilities</b>		
Irrevocable credit commitments (loan offers)	4,202	4,220
<b>Total</b>	<b>4,209</b>	<b>4,237</b>
<p>In addition to the above guarantees and contingent liabilities, DLR's bond portfolio is used as collateral for intraday settlement of VP sumclearing. It is not estimated that it would entail a pull on the company's financial resources.</p>		

<b>19 Contingent assets</b>	
<p>Loss guarantee agreements have been established between DLR and the banks holding shares in DLR which makes it possible for DLR to offset losses against commissions paid to the banks that hold shares in DLR. The set-off of losses against commissions can be made over several years going forward, which means that DLR may offset losses against commissions in the years to come in cases where the exposures lead to an actual losses.</p>	

## Notes - financial highlights and ratios

DKKm

20	Key figures in DKKm				
	H1 2017	H1 2016	H1 2015	H1 2014	H1 2013
<b>Income statement</b>					
Net interest and fee income	677	685	739	640	582
Other operating income etc.	9	9	9	9	9
Staff costs and administrative expenses etc.	-129	-122	-110	-103	-103
<b>Earnings</b>	<b>557</b>	<b>572</b>	<b>638</b>	<b>546</b>	<b>488</b>
Provision for loan and receivable impairment	67	-61	-49	-42	-47
Value adjustments	-43	6	-155	-72	-153
<b>Profit before tax</b>	<b>581</b>	<b>517</b>	<b>434</b>	<b>432</b>	<b>289</b>
<b>Profit after tax</b>	<b>454</b>	<b>403</b>	<b>332</b>	<b>326</b>	<b>216</b>
<b>Balance sheet</b>					
<b>Assets</b>					
Loans and advances	141,105	136,891	132,621	134,111	135,479
Bonds, shares, etc.	12,016	12,673	7,898	4,668	1,677
Other assets	2,298	1,167	3,663	2,616	4,316
<b>Total assets</b>	<b>155,419</b>	<b>150,731</b>	<b>144,182</b>	<b>141,396</b>	<b>141,472</b>
<b>Liabilities and equity</b>					
Issued bonds	140,872	137,203	126,945	126,955	123,290
Other debt and payables	1,243	1,206	5,030	2,044	4,911
Subordinated debt	0	0	0	2,067	4,086
Equity	13,303	12,322	12,207	10,329	9,185
<b>Total liabilities and equity</b>	<b>155,419</b>	<b>150,731</b>	<b>144,182</b>	<b>141,396</b>	<b>141,472</b>

## Notes - key figures and ratios

DKKm

## 21 Financial ratios

	H1 2017	H1 2016	H1 2015	H1 2014	H1 2013
<b>Return on equity</b>					
Profit before tax in per cent of equity(*)	4.5	4.2	3.8	4.3	3.2
Profit after tax in per cent of equity(*)	3.6	3.2	2.9	3.2	2.4
<b>Return on capital employed</b>					
Return on capital employed(*)	0.29	0.27	0.23	0.23	0.15
<b>Costs</b>					
Costs in per cent of loan portfolio	0.09	0.09	0.08	0.08	0.08
Income/cost ratio*)	10.37	3.82	3.73	3.98	2.92
Income/cost ratio, excl. write-downs for impairment	4.98	5.74	5.39	5.60	4.25
<b>Solvency **)</b>					
Total capital ratio	15.7	14.5	12.4	12.8	12.6
Tier 1 capital ratio	15.7	14.5	12.4	12.8	12.6
<b>Losses and arrears</b>					
Arrears, end of period (DKKm)	107	134	142	123	149
Loss and impairment ratio for the period (in per cent of loan portfolio)(*)	-0.05	0.06	0.04	0.03	0.03
Accumulated loss and impairment ratio (in per cent of loan portfolio)	0.38	0.44	0.43	0.29	0.26
<b>Lending activity</b>					
Growth in loan portfolio, per cent (nominal)*)	1.2	1.9	-0.1	-0.4	0.0
New loans, gross (DKKm)	11,624	8,793	13,641	6,460	5,644
Number of new loans	3,641	2,740	5,314	2,125	2,499
Loan/equity ratio(*)	10.6	11.1	10.9	13.0	14.8
<b>Margins</b>					
Percentage of average loan portfolio (nominal):					
Profit before tax	0.42	0.54	0.55	0.53	0.53
Administrative margin in per cent of average loan portfolio	0.54	0.54	0.55	0.53	0.53
<b>Percentage of tier 1 capital after deductions:</b>					
Foreign exchange position as a percentage of tier 1 capital :	9.9	12.1	5.2	1.4	0.8

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

(\*\*) In March 2016, DLR received approval from the Danish FSA to use IRB models to determine the credit risk on the portfolio of

## 22 Reconciliation of income statement "basic portfolio earnings" vs "official statements"

## H1 2017

	Basic earnings	Portfolio earnings	Total
Interest income	1,583	83	1,666
Interest expenses	-825		-825
<b>Net interest income</b>	<b>758</b>	<b>83</b>	<b>841</b>
Dividends from shares etc.	0		0
Fee and commission income	78		78
Fees and commissions paid	-242		-242
<b>Net interest and fee income</b>	<b>594</b>	<b>83</b>	<b>677</b>
Value adjustments	0	-43	-43
Other operating income	9		9
Staff costs and administrative expenses	-121		-121
Depreciation and impairment losses	-2		-2
Other operating expenses	-6		-6
Impairment of loans and receivables, etc.	67		67
<b>Profit before tax</b>	<b>541</b>	<b>39</b>	<b>581</b>
Tax	-127		-127
<b>Profit after tax</b>	<b>415</b>	<b>39</b>	<b>454</b>

## Management's statement on the interim report

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 2017.

DLR's interim report has been prepared in accordance with the accounting provisions for mortgage banks laid down by the Danish Financial Supervisory Authority as well as the requirements provided by NASDAQ Copenhagen for the financial statements of issuers of listed bonds.

The management's review includes a fair review of developments in the Company's operations and financial position and describes significant risks and uncertainties that may affect the Company.

In our opinion, the accounting policies applied are appropriate and the interim financial statements give a true and fair view of the Company's assets, liabilities and financial position at 30 June 2017 and of the results of the Company's operations for the period 1 January – 30 June 2017.

DLR's interim report has not been subject to audit or review by the Company's auditors.

Copenhagen, 17 August 2017

### Executive Board

Jens Kr. A. Møller  
*CEO*

Michael Jensen  
*Managing Director*

### Board of Directors

Vagn Hansen  
*Chairman*

Lars Møller  
*Vice Chairman*

Claus Andersen

Randi Franke

Karen Frøsig

Peter Gæmelke

Jakob G. Hald

Kim Hansen

Søren Jensen

Gert R. Jonassen

Agnete Kjærsgaard

Torben Nielsen

Jan Pedersen

Lars Petersson