

INTERIM REPORT

H1 2018



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Financial summary H1 2018

- Core income amounted to DKK 643m, which is an increase of DKK 40m compared to the same period in 2017.
- Losses and impairments (net) totalled DKK 0.1 m
- Pre-tax profit amounted to DKK 471m.
- Net profit came in at DKK 367m, all of which was added to DLR's equity capital.
- DLR's net lending to agricultural and business customers, etc. amounted to DKK 1.4bn.

Financial highlights

Profit and Loss Account

(DKKm)	H1 2018	H1 2017	Ratio 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Administration fee income	773	750	103	388	385	381	377
Other core income, net	46	39	117	22	24	28	23
Interest expenses, senior debt and subordinated debt	-24	-22	108	-12	-12	-8	-12
Fee and commission income, net	-152	-164	93	-73	-79	-35	-58
Core income (mortgage credit income)	643	603	106	325	318	360	330
Staff costs and administrative expenses, etc.	-138	-123	112	-69	-69	-69	-63
Other operating expenses	-6	-6	92	-3	-3	-3	-3
Provision for loan and receivable impairment, etc.	0	67	0	-1	1	-21	48
Results from core activities	500	541	92	253	247	267	312
Portfolio earnings (securities)	-29	39		-7	-22	-39	5
Profit before tax	471	581	81	246	225	228	317
Profit after tax	367	454	81	192	175	178	248

Balance Sheet at 30 June

(DKKm)	H1 2018	H1 2017	Ratio 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Assets							
Loans and advances	144,483	143,061	101	144,483	143,768	143,061	141,995
Bonds and shares	9,912	11,855	84	9,912	11,028	11,855	12,366
Other assets	3,534	8,458	42	3,534	3,954	8,458	4,415
Total assets	157,929	163,375	97	157,929	158,750	163,375	158,776
Liabilities and equity							
Issued bonds	143,413	148,972	96	143,413	144,171	148,972	144,193
Other debt and payables	1,083	1,338	81	1,083	1,339	1,338	1,697
Subordinated debt	650	650		650	650	650	650
Equity	12,782	12,415	103	12,782	12,590	12,415	12,236
Total liabilities and equity	157,929	163,375	97	157,929	158,750	163,375	158,776

Financial ratios *

	H1 2018	H1 2017	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Return on equity (ROE)						
Profit before tax in pc of equity	3.7%	4.5%	1.9%	1.8%	1.9%	2.6%
Profit after tax in pc of equity	2.9%	3.6%	1.5%	1.4%	1.4%	2.0%
Solvency						
Capital ratio	16.5%	15.7%	16.5%	15.9%	15.9%	14.8%
Lending Activity						
Growth in loan portfolio, pc (nominal)	1.0	1.2	0.4	0.6	0.7	0.3
New loans, gross (DKKm)	12,511	11,624	6,198	6,313	13,191	10,399

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

Executive summary

Chief Executive Officer Jens Kr. A. Møller states in connection with the release of the interim report for the first half of 2018:

"DLR's pre-tax profit for H1 2018 of DKK 471m is satisfactory and in line with expectations.

It is also satisfactory that DLR's loan portfolio has grown by close to DKK 3bn over the past year, creating the foundation for increased revenues.

Realised losses in the first half of 2018 were, as in previous quarters, limited. This, combined with the guarantee schemes of the loan-distributing banks and a modest reduction in previously written-off receivables, contributed to losses and impairments not having a negative effect on operating profit for the period.

Many agricultural operations may face reduced crop yields this year due to the significant lack of rainfall during the growing season. Depending on developments in produce prices, we should therefore expect that a sizeable number of agricultural enterprises may face liquidity challenges in the coming year.

As expected, the result for H1 2018 was negatively affected by portfolio earnings due to market rates for short-term liquidity investments having been negative."

Financial review

Income statement

DLR achieved a satisfactory pre-tax profit of DKK 471m in the first half of 2018.

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 expenses, losses and impairments.
- Portfolio earnings: Return on securities portfolio.

Table 1, Income Statement (DKKm)

(DKKm)	H1 2018	H1 2017	Ratio 18/17	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Administration fee income	773	750	103	388	385	381	377
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Core earnings

Administration margin income amounted to DKK 773m, which is DKK 23m up on the same period in 2017. The increase is mainly due to the loan portfolio expanding.

Interest expenses on senior and subordinated debt amounted to DKK 24m, an increase of DKK 2m.

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 152m, which is DKK 12m less than for the same period in 2017. The lower net expense was due to an increase in fee and commission income of DKK 37m combined with an increase in fee and commission expenses of DKK 25m, which stemmed from the expanding loan portfolio and the resulting increase in expenses related to loss-guarantee commissions, etc.

Core income was subsequently DKK 643m, which is DKK 40m up on the same period in 2017. The increase equates to a rise of 6 pc.

Staff and administration expenses, etc. amounted to DKK 138m, an increase of DKK 15m on the same period in 2017. The increase was in part due to DLR taking over the administration of Landbrugets Finansieringsinstitut (LFI) from 1 November 2017. In

addition, DLR's headcount increased, mainly in the IT and lending organisation, plus IT expenses rose, in part to fund the development of DLR's digital advisory platform.

Other operating expenses concern a contribution to the Resolution Fund.

Losses and impairments on loans and receivables, including adjustments from previous years amounted to DKK 0.1. The amount covers the following items:

- Realised losses, etc. DKK -9.9m
- Net change in impairments DKK +3.3m
- Included in previously written off receivables DKK +2.0m
- Losses offset in commission payments from the banks DKK +4.7m

Portfolio earnings

Portfolio earnings amounted to an expense of DKK 29m. The reason for the negative portfolio result is that DLR invests the bulk of its securities holdings in short mortgage bonds, where return has been negative.

DLR's investment portfolio (securities excl. temporary liquidity) totalled DKK 22.5bn at the end of H1 2018.

Allocation of comprehensive income for the period

The period's comprehensive income amounted to DKK 367m, which has been added to DLR's equity capital.

Balance sheet

Mortgage credit lending amounted to DKK 142bn at the end of H1 2018.

DLR's bond portfolio totalled DKK 41.6bn. Of this, DLR's own bonds accounted for DKK 31.8bn, which is netted in "Issued bonds at fair value", while DKK 9.8bn was attributable to positions in government securities and other mortgage bonds.

As well as bond holdings of DKK 41.6bn, DLR held other securities consisting of due from credit institutions and interest receivables from securities totalling DKK 2.8bn, thus giving a total securities holding of DKK 44.5bn (gross) at the end of the first half of the year.

Temporary surplus liquidity connected with mortgage payments, loan redemptions, refinancing auctions and the refinancing of senior debt comprised DKK 22bn, in all, of the securities holding, so the investment holding was therefore DKK 22.5bn.

DLR's balance sheet stood at DKK 157.9bn at the end of H1 2018.

Capital and solvency

Capital base

DLR's capital base at the end of H1 2018 does not include the result for the half-year, as the accounts have not been audited. DLR's capital base is thus at the same level as at year-end 2018.

Total risk exposure amount

DLR's total risk exposure amount (REA) at the end of H1 2018 is calculated as DKK 75.5bn, which is DKK 2.3bn lower than at the end of 2017. The period saw a fall in

credit risk exposure of DKK 2.0bn and a fall in market risk exposure of DKK 0.8bn.

Capital ratios

DLR's total capital ratio can thus be calculated as 16.5 at the end of H1 2018, which is an increase of 0.6 percentage points relative to year-end 2017. The common equity tier 1 (CET 1) capital ratio was 15.6 compared to 15.1 at year-end 2017. Including the result for the period would produce a total capital ratio of 17.0 and a CET 1 capital ratio of 16.1.

Table 2 – Capital and solvency (DKKm)

	30 June 2018	31 December 2017
Equity	12,782	12,415
Profit not recognised in equity	-367	0
Deductions as a consequence of prudent valuation	-25	-26
Difference between expected losses and impairment losses	-634	-667
Deferred tax	0	0
Common equity tier 1 capital	11,756	11,722
Subordinated capital (tier 2 capital)	650	650
Own funds	12,406	12,372
Risk-weighted exposure with credit risk, etc.	69,849	71,804
Risk-weighted exposure with market risk	2,906	3,667
Risk-weighted exposure with operational risk	2,401	2,401
Total risk-weighted exposure	75,156	77,872
Common equity tier 1 capital ratio	15.6%	15.1%
Total capital ratio	16.5%	15.9%

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 2017, available at www.dlr.dk/risk-reports.

Arrears and losses

As of the end of H1 2018, mortgage payments outstanding amounted to DKK 116m versus DKK101m at year-end 2017. Of the amount in arrears, the bulk stems from mortgage payments that are less than 3½ months overdue.

DLR recorded a loss on 29 cases in H1 2018 compared to 65 during the same period in 2017.

DLR held 16 foreclosed mortgages at the end of H1 2018. The value of these properties amounted to DKK 37m at the end of H1 compared to DKK 35m at year-end 2017.

Full-year outlook for 2018

DLR's Annual Report 2017 indicated expected core earnings for full-year 2018 of DKK 800-900m and a pre-tax profit of DKK 700-800m. After H1 2018 the pre-tax profit for the full 2018 is expected to end in the upper range of the interval DKK 700-800 m.

The main uncertainty with regard to the stated full-year expectations is portfolio earnings, which essentially consist of interest income and price movements on bond holdings together with the operational impact of losses and impairments during the remainder of 2018.

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.

DLR's accounting policies are unchanged in relation to the Annual Report for 2017.

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

Further information

For further information on DLR please refer to www.dlr.dk/welcome-investorpage, where the Annual Report 2017 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

CEO Jens Kr. A. Møller, tel. 33 42 07 24.

Managing Director Michael Jensen, tel. 33 42 07 06.

Profit and Loss Account and statement of Comprehensive income

(DKKm)

Note		H1 2018	H1 2017
1	Interest income	1,566	1,666
2	Interest expenses	-706	-825
	Net interest income	860	841
	Share dividends etc.	0	0
	Fee and commission income	115	78
	Fee and commission paid	-267	-242
	Net interest and fee income	708	677
3	Market value adjustments	-107	-43
	Other operating income	13	9
4-5	Staff costs and administrative expenses	-137	-121
	Depreciation and impairment of property, plant and equipment	-1	-2
	Other operating expenses	-6	-6
6	Impairment of loans, advances, receivables, etc.	0	67
	Profit before tax	471	581
	Tax	-104	-127
	Profit after tax	367	454
	Statement of comprehensive income		
	Profit after tax	367	454
	Comprehensive income	367	454
	<u>Attributable to:</u>		
	Shareholders of DLR Kredit A/S*	367	400
	Owners of additional tier 1 capital	0	54
	Total comprehensive income	367	454

Balance Sheet (DKKm)

Note	30 June 2018	31 December 2017
Assets		
	50	50
7	2,743	7,951
8, 10-12	144,465	143,042
9	18	19
13	9,867	11,810
	46	46
14	96	97
	3	4
	74	27
	37	35
15	501	272
	28	22
Total assets	157,929	163,375
Liabilities and equity		
16	134,413	139,972
17	9,000	9,000
18	1,078	1,331
	3	4
Total debt	144,493	150,307
	3	3
Total provisions	3	3
	650	650
Subordinated debt	650	650
	570	570
	43	43
	2,338	2,338
	9,831	9,464
Total equity	12,782	12,415
Total liabilities and equity	157,929	163,375
19		
	2	7
	6,681	4,953

Statement of changes in Equity (DKKm)

	Share capital 1)	Revaluation reserve	Undistributable reserve	Retained earnings	Owners of additional tier 1 capital 2)	Total
2017						
Equity at 1 January	570	43	2,338	8,008	1,300	12,259
Comprehensive income	0	0	0	808	72	880
<u>Transactions with owners</u>						
Acquisition of treasury shares 3)	0	0	0	632	0	632
Interest on additional tier 1 capital	0	0	0	0	-72	-72
Tax base of deduction for interest on tier 1 capital	0	0	0	16	0	16
Repayment on additional tier 1 capital					-1,300	-1,300
Equity at 31 December	570	43	2,338	9,464	0	12,415
2018						
Equity at 1 January	570	43	2,338	9,464	0	12,415
Comprehensive income	0	0	0	367	0	367
Equity at 30 June	570	43	2,338	9,831	0	12,782

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.

2) Additional tier 1 capital that complies with the rules in the Capital Requirements Regulation (CRR).

3) DLR Kredit held 21,495,118 treasury shares at 30/06 2018, corresponding to a nominal value of DKK 21.5 million. The portfolio of treasury shares accounts for 3.8% of the total share capital.

Capital and Solvency (DKKm)

	30 June 2018	31 December 2017
Equity	12,782	12,415
Profit not recognised in equity	-367	0
Deductions as a consequence of prudent valuation	-25	-26
Difference between expected losses and impairment losses	-634	-667
Deferred tax	0	0
Common equity tier 1 capital	11,756	11,722
Subordinated capital (tier 2 capital)	650	650
Own funds	12,406	12,372
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Risk-weighted exposure with market risk	2,906	3,667
Risk-weighted exposure with operational risk	2,401	2,401
Total risk-weighted exposure	75,156	77,872
Common equity tier 1 capital ratio	15.6%	15.1%
Total capital ratio	16.5%	15.9%

List of notes to the financial statement

Nr.	Name of note
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Notes to the financial statements - income statement

- | | |
|---|--|
| 1 | Interest income |
| 2 | Interest expenses |
| 3 | Market value adjustments |
| 4 | Staff costs and administrative expenses |
| 5 | Remuneration to members of the Executive Board, Board of Directors, etc. |
| 6 | Provisions and impairment losses for loans and receivables etc. |

Notes to the financial statements - 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 (as a percentage) |
| 11 | Number of loans - end of period |
| 12 | Impairment of loans, advances and other receivables at fair value and amortised cost |
| 13 | Bonds at fair value |
| 14 | Land and buildings, domicile properties |
| 15 | Other assets |

Notes to the financial statements - liabilities and equity

- | | |
|----|--------------------------------|
| 16 | Issued bonds at fair value |
| 17 | Issued bonds at amortised cost |
| 18 | Other liabilities |

Notes to the financial statements - off-balance sheet items etc.

- | | |
|----|-------------------------|
| 19 | Off-balance sheet items |
| 20 | Contingent assets |

Notes to the financial statements - key figures and ratios

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| 21 | Key figures - 1 H |
| 22 | Financial ratios - 1 Quarter |

Notes - other notes (DKKm)

- | | |
|----|--|
| 23 | Reconciliation of income statement "basic portfolio earnings" vs "official statements" |
|----|--|
-

Notes - income statement (DKKm)

Note	H1 2018	H1 2017
1 Interest income		
Due from credit institutions and central banks	0	0
Loans and advances	729	843
Contributions	773	750
Bonds	81	85
Other interest income	27	23
Total interest income	1,610	1,701
Interest on own mortgage bonds offset against interest on issued bonds	-44	-35
Total	1,566	1,666
Of which interest income from repo transactions:		
Due from credit institutions and central banks	0	0
2 Interest expenses		
Credit institutions and central banks	-2	-1
Issued bonds at fair value	-724	-837
Issued bonds at amortised cost	0	-22
Other interest expenses	-8	0
Total	-750	-860
Interest on own mortgage bonds offset against interest on issued bonds	44	35
Total	-706	-825
Of which interest expenses on repo transactions:		
Debt to credit institutions and central banks	0	0
3 Market value adjustments		
Mortgage loans	12	361
Bonds	-96	-49
Shares etc.	0	0
Other assets	0	0
Foreign currency	4	1
Derivative financial instruments	-15	5
Issued bonds	-12	-361
Total	-107	-43

Notes - income statement (DKKm)

Note	H1 2018	H1 2017
4 Staff costs and administrative expenses		
Staff costs		
Salaries *	-70	-63
Pension costs	-6	-5
Social security costs	-11	-10
Total	-87	-78
Other administrative expenses		
IT expenses	-23	-21
Audit, supervision and industry association	-2	-4
Other expenses	-24	-18
Total	-50	-43
Total staff and administrative expenses	-137	-121
5 Remuneration to members of the Executive Board, Board of Directors, etc.		
Fixed remuneration	3.6	3.4
Variable remuneration	0.0	0.0
Total	3.6	3.4
Number of members of the executive management - end of period	2	2
6 Provisions and impairment losses for loans and receivables etc.		
Losses in the period*	-10	-32
Amounts received on claims previously written off*	2	1
Impairment losses in the period	-68	-61
Reversal of impairment losses	72	119
Losses offset against commission payments to banks	5	39
Total	0	67

Notes – assets (DKKm)

Note	30 June 2018	31 December 2017
7 Due from credit institutions and central banks		
Due from credit institutions and central banks	2,743	7,951
Total amount due from credit institutions and central banks	2,743	7,951
DLR had not entered into any reverse repo transactions at year-end		
8 Loans, advances and other receivables at fair value		
Mortgage loans, nominal value	141,992	140,653
Adjustment to fair value of underlying bonds	2,855	2,843
Adjustment for credit risk	-498	-504
Mortgage loans at fair value	144,349	142,992
Arrears before impairment losses	116	101
Other loans and outlays before impairment losses	18	-36
Impairment losses on arrears and outlays	-18	-16
Total	144,465	143,042
9 Loans, advances and other receivables at amortised cost		
Loans and advances	23	24
Adjustment for credit risk	-5	-5
Total	18	19
10 Mortgage loans (nominal value) by property category (as a percentage)		
Agricultural properties	61	62
Owner-occupied dwellings	6	6
Subsidised rental housing properties	0	0
Private rental housing properties	16	15
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
Total, as a percentage	100	100
11 Number of loans - end of period	60,976	59,119

Notes – assets (DKKm)

Note	30 June 2018	31 December 2017
12 Impairment of loans, advances and other receivables at fair value and amortised cost		
Impairment of loans, advances and other receivables at fair value *		
Stage 1: Impairment of loans without significant increase in credit risk		
Beginning of period	2	
Change of period	-1	
End of period	1	
Stage 2: Impairment of loans with significant increase in credit risk		
Beginning of period	244	
Change of period	5	
End of period	249	
Stage 3: Impairment of loans which are credit impaired		
Beginning of period	273	
Change of period	-7	
End of period	266	
Impairment of loans, advances and other receivables at fair value - end of period	516	
Impairment of loans, advances and other receivables at amortised cost		
Stage 1: Impairment of loans without significant increase in credit risk		
Beginning of period	0	
Change of period	0	
End of period	0	
Stage 2: Impairment of loans with significant increase in credit risk		
Beginning of period	2	
Change of period	0	
End of period	2	
Stage 3: Impairment of loans which are credit impaired		
Beginning of period	3	
Change of period	0	
End of period	3	
Impairment of loans, advances and other receivables at amortised cost - end of period	5	
Individual impairment losses		278
Collective impairment losses		246
Total		524
	521	524
<p>* Impairment of loans, advances and other receivables in H1 2018 are calculated compliant to the danish FSA "Danish Executive Order on the Presentation of Financial Statements" (be. no. 1043), regarding calculation of impairment losses in a IFRS 9 compatible method. This has caused a changed lineup compared to 2017.</p>		

Notes – assets and liabilities (DKKm)

Note	30 June 2018	31 December 2017
13 Bonds at fair value		
- Own mortgage bonds	31,782	30,307
- Other mortgage bonds	8,462	10,243
- Government bonds	1,405	1,567
Bonds - gross	41,648	42,117
Own mortgage bonds offset against issued bonds	-31,782	-30,307
Total	9,867	11,810
14 Land and buildings, domicile properties		
Fair value, beginning of year	97	98
Additions during the year	0	0
Depreciation	0	-1
Value changes recognised in other comprehensive income	0	0
Fair value, end of period	96	97
Domicile properties are valued on an annual basis by DLR's valuation experts.		
15 Other assets		
Positive market value of derivative financial instruments etc.	32	4
Interest and commission receivable	53	85
Other receivables	416	183
Total	501	272
16 Issued bonds at fair value		
Mortgage bonds - nominal value	162,283	167,176
Fair value adjustment	2,912	3,103
Issued bonds - gross	165,195	170,279
Offsetting of own mortgage bonds - fair value	-30,782	-30,307
Total	134,413	139,972
Of which pre-issued, market value	14,707	13,291
Cash value of bonds drawn for redemption at next repayment date (settlement price)	18,215	8,321

Notes – liabilities (DKKm)

Note	30 June 2018	31 December 2017
17 Issued bonds at amortised cost		
Issues in connection with senior debt	10,000	9,000
Offsetting of own bonds	-1,000	0
Total	9,000	9,000
18 Other liabilities		
Negative market value of derivative financial instruments	18	5
Interest and commission payable	857	1,079
Other liabilities	202	247
Total	1,078	1,331
19 Off-balance sheet items		
Guarantees etc.		
Financial guarantees	2	3
Other guarantees	0	4
Total	2	7
Other contingent liabilities		
Irrevocable credit commitments (loan offers)	6,681	4,953
Total	6,683	4,960

In addition to the above guarantees and contingent liabilities, DLR's bond portfolio is used as collateral for intraday settlement of VP sumclearing. This is not expected to entail an outflow of the Company's financial resources.

20 Contingent assets

Loss set-off agreements have been established between DLR and the banks holding shares in DLR, 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 may offset any losses against future commission to the extent that impairment losses on exposures materialise as actual losses.

Notes – key figures (DKKm)

Note	2018	2017	2016	2015	2014	
21	Key figures - 1 H					
	Income statement					
	Net interest and fee income	708	677	685	739	640
	Other operating income etc. etc.	13	9	9	9	9
		-143	-129	-122	-110	-103
	Earnings	578	557	572	638	546
	Impairment of loans, advances and receivables	0	67	-61	-49	-42
	Market value adjustments	-107	-43	6	-155	-72
	Profit before tax	471	581	517	434	432
	Profit after tax	367	454	403	332	326
	Balance sheet					
	Assets					
	Loans and advances	144,483	141,105	136,891	132,621	134,111
	Bonds, shares, etc.	9,912	12,016	12,673	7,898	4,668
	Other assets	3,534	2,298	1,167	3,663	2,616
	Total assets	157,929	155,419	150,731	144,182	141,396
	Equity and liabilities					
	Issued bonds	143,413	140,872	137,203	126,945	126,955
	Other liabilities	1,083	1,243	1,206	5,030	2,044
	Subordinated debt	650	0	0	0	2,067
	Equity	12,782	13,303	12,322	12,207	10,329
	Total equity and liabilities	157,929	155,419	150,731	144,182	141,396

Notes – Financial ratios

Note	2018	2017	2016	2015	2014	
22	Financial ratios - 1H					
	Return on equity					
	Profit before tax in per cent of equity(*)	3.7	4.5	4.2	3.8	4.3
	Profit after tax in per cent of equity(*)	2.9	3.6	3.2	2.9	3.2
	Return on capital employed					
	Return on capital employed(*)	0.23	0.29	0.27	0.23	0.23
	Costs					
	Costs in per cent of loan portfolio	0.10	0.10	0.10	0.10	0.10
	Income/cost ratio*)	4.3	10.4	3.8	3.7	4.0
	Income/cost ratio, excl. impairment losses	4.3	5.0	5.7	5.4	5.6
	Solvency **)					
	Total capital ratio	16.5	15.7	14.5	12.4	12.8
	Tier 1 capital ratio	15.6	15.7	14.5	12.4	12.8
	Arrears and impairment losses					
	Arrears, end of period (DKKm)	116	107	134	142	123
	of loan portfolio) *)	0.00	-0.05	0.06	0.04	0.03
	of loan portfolio)	0.36	0.38	0.44	0.43	0.29
	Lending activity					
	Growth in loan portfolio, per cent (nominal)*)	1.0	1.2	1.9	-0.1	-0.4
	New loans, gross (DKKm)	12,511	11,624	8,793	13,641	6,460
	Number of new loans	3,959	3,641	2,740	5,314	2,125
	Loan/equity ratio(*)	11.3	10.6	11.1	10.9	13.0
	Margins					
	Percentage of average loan portfolio (nominal):					
	Profit before tax	0.33	0.42	0.39	0.33	0.33
	average loan portfolio	0.55	0.54	0.54	0.55	0.53
	Percentage of tier 1 capital after deductions:					
	Foreign exchange position as a percentage of tier 1 capital after deductions(**)	5.1	9.9	12.1	5.2	1.4

(*) 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 loans to full-time farms, which has been incorporated in the figures for 2016-2018, as opposed to the figures at year-end 2015, which were solely based on the standard method.

***) As a rule DLR display the capital ratio in the interim report excluding the profit for the period. However, in 2014 - 2016 the capital ratio was calculated including that part of the profit, where audit procedures had been made.

Notes – Others (DKKm)

	Basic earnings	Portfolio earnings	Total
23 Reconciliation of income statement "basic portfolio earnings" vs "official statements"			
Interest income	1,487	79	1,566
Interest expenses	-706		-706
Net interest income	781	79	860
Share dividends etc.	0		0
Fees and commission received	115		115
Fees and commission paid	-267		-267
Net interest and fee income	629	79	708
Market value adjustments	0	-107	-107
Other operating income	13		13
Staff costs and administrative expenses	-137		-137
Depreciation and impairment of property, plant and equipment	-1		-1
Other operating expenses	-6		-6
Impairment of loans, advances, receivables, etc.	0		0
Profit before tax	500	-29	471
Tax	-104		-104
Profit after tax	396	-29	367

Statement by the Board of Directors and the Executive Management

The Board of Directors and the Executive Board have today considered and approved this interim report of DLR Kredit A/S for the period 1 January – 30 June 2018.

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 true and fair review of developments in the Com-

pany'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 2018 and of the results of the Company's operations for the period 1 January – 30 June 2018.

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

Copenhagen, 16 August 2018

Executive Board

Jens Kr. A. Møller
CEO

Michael Jensen
Managing Director

Board of Directors

Vagn Hansen
Chairman

Lars Møller
Vice Chairman

Claus Andersen

Randi Holm Franke

Peter Gæmelke

Jakob G. Hald

Kim Hansen

Søren Jensen

Gert R. Jonassen

Agnete Kjærsgaard

Bjarne Larsen

Lars Petersson