

INTERIM REPORT

H1 2019



CONTENTS

Management report

| | |
|--|----|
| Financial summary H1 2019..... | 3 |
| Financial highlights..... | 3 |
| Executive summary | 5 |
| Financial review | 5 |
| Capital and solvency | 8 |
| Risk | 9 |
| Full-year outlook for 2019 | 10 |
| Accounting policies..... | 10 |
| Events occurring after the reporting date | 10 |
| Further information | 11 |
| Contacts..... | 11 |
| Statement by the Board of Directors and the Executive Board | 26 |



djr kredit

Financial summary H1 2019

- Pre-tax profit amounted to DKK 572m, which is 21 pc higher than for the same period in 2018.
- Core income was DKK 662m, which is DKK 19m up on the same period in 2018.
- Losses and impairments amounted to an income of DKK 11m.
- DLR's net lending to agricultural and business customers totalled DKK 3.6bn (nominal).
- We are revising our full-year expectations higher and now expect core earnings of DKK 900-1,000m and a pre-tax profit of DKK 850-950m.

Financial highlights

Profit and Loss Account

| (DKKm) | H1 2019 | H1 2018 | Ratio 19/18 | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 |
|--|------------|------------|----------------|------------|------------|------------|------------|
| Administration fee income | 806 | 773 | 104 | 405 | 401 | 396 | 390 |
| Other core income, net | 57 | 46 | 125 | 30 | 27 | 30 | 27 |
| Interest expenses, senior debt and subordinated debt | -22 | -24 | 93 | -12 | -10 | -10 | -12 |
| Fee and commission income, net | -179 | -152 | 118 | -82 | -97 | -81 | -93 |
| Core income (mortgage credit income) | 662 | 643 | 103 | 341 | 321 | 335 | 313 |
| Staff costs and administrative expenses, etc. | -134 | -138 | 97 | -69 | -65 | -72 | -66 |
| Other operating expenses | -6 | -6 | 105 | -3 | -3 | -3 | -2 |
| Provision for loan and receivable impairment, etc. | 11 | 0 | | 16 | -5 | -17 | -7 |
| Results from core activities | 533 | 500 | 107 | 286 | 247 | 243 | 237 |
| Portfolio earnings (securities) | 39 | -29 | | 12 | 27 | -37 | -8 |
| Profit before tax | 572 | 471 | 122 | 297 | 275 | 206 | 228 |
| Profit after tax | 446 | 367 | 122 | 232 | 214 | 162 | 178 |

Balance Sheet at 30 June

| (DKK m) | H1 2019 | H1 2018 | Ratio 19/18 | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Assets | | | | | | | |
| Loans and advances | 153,439 | 144,483 | 106 | 153,439 | 151,477 | 148,611 | 146,505 |
| Bonds and shares | 9,101 | 9,912 | 92 | 9,101 | 9,181 | 8,945 | 9,039 |
| Other assets | 3,190 | 3,534 | 90 | 3,190 | 2,871 | 3,182 | 3,358 |
| Total assets | 165,730 | 157,929 | 105 | 165,730 | 163,529 | 160,738 | 158,903 |
| Liabilities and equity | | | | | | | |
| Issued bonds | 150,234 | 143,413 | 105 | 150,234 | 148,139 | 145,901 | 144,079 |
| Other debt and payables | 1,209 | 1,083 | 112 | 1,209 | 1,416 | 1,213 | 1,385 |
| Subordinated debt | 650 | 650 | | 650 | 650 | 650 | 650 |
| Equity | 13,637 | 12,782 | 107 | 13,637 | 13,324 | 12,974 | 12,789 |
| Total liabilities and equity | 165,730 | 157,929 | 105 | 165,730 | 163,529 | 160,738 | 158,903 |

Financial ratios*

| | H1 2019 | H1 2018 | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 |
|--|------------|------------|------------|------------|------------|------------|
| Return on equity (ROE) | | | | | | |
| Profit before tax in pc of equity | 4.3% | 3.7% | 2.2% | 2.1% | 1.6% | 1.8% |
| Profit after tax in pc of equity | 3.4% | 2.9% | 1.8% | 1.6% | 1.3% | 1.4% |
| Solvency | | | | | | |
| Capital ratio | 16.5% | 16.5% | 16.5% | 16.7% | 16.9% | 16.4% |
| Lending Activity | | | | | | |
| Growth in loan portfolio, pc (nominal) | 2.4 | 1.0 | 1.2 | 1.2 | 1.6 | 1.5 |
| New loans, gross (DKK m) | 16,455 | 12,511 | 9,571 | 6,884 | 8,104 | 7,101 |

*) 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 2019:

“DLR’s pre-tax profit for H1 2019 of DKK 572m is satisfactory and considerably better than expected.

“The positive development is mainly due to rising income from solid lending activity and a larger loan portfolio, very limited losses and impairments, and positive securities portfolio earnings.

“The increased loan portfolio was due to growth in both agricultural and business lending. Business lending grew by DKK 6.1bn over the past year, of which DKK 3.1bn was in H1 2019. This means greater risk diversification in DLR’s lending, which should be characterised as positive.

“Portfolio earnings in H1 2019 have been positive and better than expected, and should be seen in the light of yields declining since the start of the year and hence causing bond prices to rise.

“The financial situation of the agricultural sector has improved in 2019, especially for pork producers. The spread of swine fever in China has resulted in markedly higher prices for piglets and pork meat. Settlement prices for milk, piglets and pork meat are expected to be satisfactory overall in 2019. Moreover, the outlook is a normal harvest this year, in contrast to last year’s poor harvest following the extraordinarily dry summer. Given the above, we expect agricultural sector earnings will be acceptable this year.”

Financial review

Income statement

DLR achieved a satisfactory pre-tax profit of DKK 572m for H1 2019.

Net profit was DKK 446m.

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.

Profit and Loss Account

| (DKKm) | H1 2019 | H1 2018 | Ratio 19/18 | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 |
|--|------------|------------|----------------|------------|------------|------------|------------|
| Administration fee income | 806 | 773 | 104 | 405 | 401 | 396 | 390 |
| Other core income, net | 57 | 46 | 125 | 30 | 27 | 30 | 27 |
| Interest expenses, senior debt and subordinated debt | -22 | -24 | 93 | -12 | -10 | -10 | -12 |
| Fee and commission income, net | -179 | -152 | 118 | -82 | -97 | -81 | -93 |
| Core income (mortgage credit income) | 662 | 643 | 103 | 341 | 321 | 335 | 313 |
| Staff costs and administrative expenses, etc. | -134 | -138 | 97 | -69 | -65 | -72 | -66 |
| Other operating expenses | -6 | -6 | 105 | -3 | -3 | -3 | -2 |
| Provision for loan and receivable impairment, etc. | 11 | 0 | | 16 | -5 | -17 | -7 |
| Results from core activities | 533 | 500 | 107 | 286 | 247 | 243 | 237 |
| Portfolio earnings (securities) | 39 | -29 | | 12 | 27 | -37 | -8 |
| Profit before tax | 572 | 471 | 122 | 297 | 275 | 206 | 228 |
| Profit after tax | 446 | 367 | 122 | 232 | 214 | 162 | 178 |

Core earnings

Administration margin income amounted to DKK 806m, which is DKK 33m up on the same period in 2018. The increase is mainly due to the loan portfolio expanding.

Interest expenses on senior and subordinated debt amounted to DKK 22m, which represents a fall 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 179m, which is DKK 27m more than for the same period in 2018. The higher net expense was due to an increase in fee and commission income of DKK 2m combined with an increase in fee and commission expenses of DKK 29m, which stemmed from the expanding loan portfolio and the resulting increase in expenses related to loss-guarantee commissions, etc.

Core income was subsequently DKK 662m, which is DKK 19m up on the same period in 2018.

Staff and administration expenses, etc. amounted to DKK 134m, a decrease of DKK 4m on the same period in 2018.

Other operating expenses concern a contribution to the Resolution Fund, which is administered by Finansiell Stabilitet (“Financial Stability”).

Losses and impairments on loans and receivables, including adjustments from previous years amounted to an income of DKK 11m. The amount covers the following items:

- Realised losses, etc. DKK -31m
- Realised losses offset in commission payments from the banks DKK +17m
- Net change in impairments DKK +25m

Portfolio earnings

Portfolio earnings amounted to an income of DKK 39m. DLR has invested the bulk of its securities holdings in short mortgage bonds, which in the current interest rate climate should result in a negative return. The positive portfolio earnings in H1 2019 should be seen against the fall in yield levels since the start of the year, which has resulted in rising bond prices.

DLR’s investment portfolio (securities excl. temporary liquidity) totalled DKK 23.7bn at the end of H1 2019.

Allocation of comprehensive income for the period

The period’s comprehensive income amounted to DKK 446m, which has been added to DLR’s equity capital.

Balance

Mortgage credit lending amounted to DKK 150.0bn (nom.) at the end of H1 2019.

DLR’s bond holdings totalled DKK 39.5bn. Of this, DLR’s portfolio of own bonds accounted for DKK 30.4bn, which is netted in “Issued bonds at fair value”, while DKK 9.1bn was attributable to positions in government securities and other mortgage bonds.

As well as bond holdings of DKK 39.5bn, DLR held other securities assets in the form of receivables from Danmarks Nationalbank and credit institutions along with interest receivable from secu-

rities, which together totalled DKK 2.7bn, thus giving a total securities holding of DKK 42.2bn (gross) at the end of H1 2019.

Temporary liquidity connected with refinancing auctions, mortgage payments and loan redemptions comprised DKK 18.5bn of the securities holding, so the investment holding was therefore DKK 23.7bn.

DLR's balance sheet stood at DKK 165.7bn at the end of H1 2019.

Capital and solvency

Capital base

DLR's capital base at the end of H1 2019 does not include the result for the period, as the accounts have not been audited. DLR's capital base has increased by DKK 185m since the start of the year. The change was mainly attributable to sales from DLR's holding of own shares to its shareholder banks during the period.

Total risk exposure amount

DLR's total risk exposure amount (REA) at the end of H1 2019 is calculated as DKK 74.5bn, which is DKK 2.9bn more than at the end of 2018.

The period saw an increase in credit risk exposure of DKK 2.8bn as a result of the increase in lending, while there has been a modest increase in market risk exposure of DKK 0.1bn

Capital ratios

DLR's total capital ratio can thus be calculated as 16.5 at the end of H1 2019, which is a fall of 0.4 percentage points relative to year-end 2018. The common equity tier 1 (CET 1) capital ratio was 15.7 compared to 16.0 at year-end 2018.

Including the result for the period would produce a total capital ratio of 17.0 and a CET 1 capital ratio of 16.2.

Capital and solvency (DKKm)

| | 30 June 2019 | 31 December 2018 |
|--|---------------|------------------|
| Equity | 13,636 | 12,974 |
| Profit etc. not recognised in tier 1 capital | -446 | 0 |
| Deductions as a consequence of prudent valuation | -26 | -24 |
| Difference between expected losses and impairment losses | -635 | -607 |
| Deferred tax | 0 | 0 |
| Common equity tier 1 capital | 12,529 | 12,344 |
| Subordinated capital (tier 2 capital) | 650 | 650 |
| Own funds | 13,179 | 12,994 |
| Risk-weighted exposure with credit risk etc. | 74,514 | 71,665 |
| Risk-weighted exposure with market risk | 3,066 | 2,994 |
| Risk-weighted exposure with operational risk | 2,415 | 2,415 |
| Total risk-weighted exposure | 79,995 | 77,074 |
| Common equity tier 1 capital ratio | 15.7% | 16.0% |
| Total capital ratio | 16.5% | 16.9% |

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 2018, available at www.dlr.dk/risk-reports.

Arrears and losses

As of the end of H1 2019, mortgage payments outstanding amounted to DKK 140m versus DKK120m at year-end 2018. Of the amount in arrears, the bulk stems from mortgage payments that are less than 3½ months overdue.

DLR recorded a loss on 45 cases in H1 2019 compared to 29 during the same period in 2018.

DLR held 10 foreclosed mortgages at the end of H1 2019. The value of these properties amounted to DKK 55m at the end of H1 2019 compared to DKK 48m at year-end 2018.

Full-year outlook for 2019

DLR's Annual Report 2018 indicated expected core earnings for full-year 2019 of DKK 825-925m and a pre-tax profit of DKK 750-850m. After the first half of 2019, DLR expects core earnings of DKK 900-1,000m and a pre-tax profit for 2019 in the range DKK 850-950m.

The main uncertainties with regard to the stated full-year expectations are 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 2019.

Accounting policies

DLR's interim report for the first half of 2019 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 relative to the Annual Report for 2018.

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

Events occurring after the reporting date

In July 2019, DLR received permission from the Danish FSA to buy back its own shares from DLR's shareholders up to a value of DKK 725m., which will reduce the capital ratio

by 0.9 percentage point. The share buyback programme is expected to be completed in the first half of September 2019.

In connection with the share buybacks, DLR will issue Tier 2 capital totalling DKK 650m that can be included in DLR's capital base, which will increase the capital ratio by 0.8 percentage point.

The net impact of the above mentioned transactions will be a reduction in the capital ratio by 0.1 percentage point.

Further information

For further information on DLR please refer to www.dlr.dk/welcome-investorpage, where the Annual Report 2018 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 Pernille Lohmann, tel. 33 42 08 74

Profit and Loss Account and Statement of Comprehensive income
(DKK m)

| Note | H1 | | |
|------|--|------------|------------|
| | 2019 | 2018 | |
| 1 | Interest income | 1,580 | 1,566 |
| 2 | Interest expenses | -696 | -706 |
| | Net interest income | 884 | 860 |
| | Share dividends etc. | 0 | 0 |
| | Fees and commission income | 117 | 115 |
| | Fees and commission paid | -296 | -267 |
| | Net interest and fee income | 706 | 708 |
| 3 | Market value adjustments | -17 | -107 |
| | Other operating income | 12 | 13 |
| 4-5 | Staff costs and administrative expenses | -133 | -137 |
| | Depreciation and impairment of property, plant and equipment | -1 | -1 |
| | Other operating expenses | -6 | -6 |
| 6 | Impairment of loans, advances, receivables, etc. | 11 | 0 |
| | Profit before tax | 572 | 471 |
| | Tax | -126 | -104 |
| | Profit after tax | 446 | 367 |
| | Comprehensive income | | |
| | <u>Attributable to:</u> | | |
| | Shareholders of DLR Kredit A/S | 446 | 367 |

Balance Sheet
(DKKm)

| Note | 30 June 2019 | 31 December 2018 | |
|-------------------------------|---|---------------------|----------------|
| Assets | | | |
| | Cash balance and demand deposits with central banks | 49 | 49 |
| 7 | Due from credit institutions and central banks | 2,620 | 2,858 |
| 8, 10-13 | Loans, advances and other receivables at fair value | 153,421 | 148,593 |
| 9 | Loans, advances and other receivables at amortised cost | 17 | 18 |
| 14 | Bonds at fair value | 9,051 | 8,894 |
| | Shares etc. | 51 | 51 |
| 15 | Land and buildings, domicile properties | 120 | 120 |
| | Other tangible assets | 6 | 4 |
| | Current tax assets | 64 | 21 |
| | Assets held temporarily | 55 | 48 |
| 16 | Other assets | 251 | 64 |
| | Prepayments | 25 | 19 |
| | Total assets | 165,730 | 160,738 |
| Liabilities and equity | | | |
| 17 | Issued bonds at fair value | 141,244 | 137,911 |
| 18 | Issued bonds at amortised cost | 8,990 | 7,990 |
| 19 | Other liabilities | 1,195 | 1,203 |
| | Deferred income | 6 | 2 |
| | Total debt | 151,435 | 147,106 |
| | Provisions for deferred tax | 8 | 8 |
| | Total provisions | 8 | 8 |
| | Subordinated debt | 650 | 650 |
| | Subordinated debt | 650 | 650 |
| | Share capital | 570 | 570 |
| | Revaluation reserve | 62 | 62 |
| | Undistributable reserve | 2,338 | 2,338 |
| | Retained earnings etc. | 10,667 | 10,004 |
| | Total equity | 13,637 | 12,974 |
| | Total liabilities and equity | 165,730 | 160,738 |
| 20 | Off-balance sheet items | | |
| | Guarantees | 2 | 2 |
| | Other contingent liabilities | 9,202 | 7,184 |

Statement of changes in Equity (DKKm)

| | Share capital ¹⁾ | Revaluation reserve | Undistributable reserve | Retained earnings | Total |
|---|-----------------------------|---------------------|-------------------------|-------------------|---------------|
| 2018 | | | | | |
| Equity at 1 January | 570 | 43 | 2,338 | 9,464 | 12,415 |
| Profit for the year | 0 | 0 | 0 | 707 | 707 |
| Revaluation of property | 0 | 24 | 0 | 0 | |
| Tax on property revaluations | 0 | -5 | 0 | 0 | -5 |
| Acquisition of treasury shares | 0 | 0 | 0 | -167 | -167 |
| Equity at 31 December | 570 | 62 | 2,338 | 10,004 | 12,974 |
| 2019 | | | | | |
| Equity at 1 January | 570 | 62 | 2,338 | 10,004 | 12,974 |
| Comprehensive income | 0 | 0 | 0 | 446 | 446 |
| Disposal of treasury shares ²⁾ | 0 | 0 | 0 | 216 | 216 |
| | 0 | 0 | 0 | 0 | 0 |
| Equity at 30 June | 570 | 62 | 2,338 | 10,667 | 13,636 |

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.

2) DLR held 19,716,910 treasury shares at 30 June 2019, corresponding to a nominal value of DKK 19.7 million. The portfolio of treasury shares accounts for 3.5% of the total share capital.

Capital and solvency (DKKm)

| | 30 June 2019 | 31 December 2018 |
|--|-----------------|---------------------|
| Equity | 13,636 | 12,974 |
| Profit etc. not recognised in tier 1 capital | -446 | 0 |
| Deductions as a consequence of prudent valuation | -26 | -24 |
| Difference between expected losses and impairment losses | -635 | -607 |
| Deferred tax | 0 | 0 |
| Common equity tier 1 capital | 12,529 | 12,344 |
| Subordinated capital (tier 2 capital) | 650 | 650 |
| Own funds | 13,179 | 12,994 |
| Risk-weighted exposure with credit risk etc. | 74,514 | 71,665 |
| Risk-weighted exposure with market risk | 3,066 | 2,994 |
| Risk-weighted exposure with operational risk | 2,415 | 2,415 |
| Total risk-weighted exposure | 79,995 | 77,074 |
| Common equity tier 1 capital ratio | 15.7% | 16.0% |
| Total capital ratio | 16.5% | 16.9% |

List of notes to the financial statements

No. Name of note

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 for members of the Executive Board and the Board of Directors etc.
- 6 Impairment of loans, advances, 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
- 13 Impairment - other financial assets
- 14 Bonds at fair value
- 15 Land and buildings, domicile properties
- 16 Other assets

Notes to the financial statements - liabilities etc.

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

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

- 20 Off-balance sheet items
- 21 Contingent assets

Notes to the financial statements - key figures and financial ratios

- 22 Key figures - 1 H
- 23 Financial ratios - 1 H

Notes to the financial statements - other notes

- 24 Reconciliation of income statement for "core and portfolio earnings" against "official statements"
- 25 The Supervisory Diamond

Notes - income statement (DKKm)

| Note | H1 2019 | H1 2018 |
|--|--------------|--------------|
| 1 Interest income | | |
| Due from credit institutions and central banks * | 0 | 0 |
| Loans and advances | 713 | 729 |
| Contributions | 806 | 773 |
| Bonds | 57 | 81 |
| Other interest income | 38 | 27 |
| Total interest income | 1,614 | 1,610 |
| Interest on own mortgage bonds offset against interest on issued bonds | -34 | -44 |
| Total | 1,580 | 1,566 |
| * Of which interest income from reverse repo transactions | 0 | 0 |
| 2 Interest expenses | | |
| Credit institutions and central banks * | -1 | -2 |
| Issued bonds at fair value | -706 | -724 |
| Issued bonds at amortised cost | -14 | -16 |
| Other interest expenses | -8 | -8 |
| Total | -730 | -750 |
| Interest on own mortgage bonds offset against interest on issued bonds | 34 | 44 |
| Total | -696 | -706 |
| * Of which interest expenses on repo transactions | 0 | 0 |
| 3 Market value adjustments | | |
| Mortgage loans | 1,219 | 12 |
| Bonds | 0 | -96 |
| Shares etc. | 0 | 0 |
| Other assets | 0 | 0 |
| Foreign currency | 0 | 4 |
| Derivative financial instruments | -17 | -15 |
| Issued bonds | -1,219 | -12 |
| Total | -17 | -107 |

Notes - income statement (DKKm)

| Note | H1 2019 | H1 2018 |
|--|-------------|-------------|
| 4 Staff costs and administrative expenses | | |
| Staff costs | | |
| Salaries | -71 | -70 |
| Pension costs | -6 | -6 |
| Social security costs | -11 | -11 |
| Total | -88 | -87 |
| Other administrative expenses | | |
| IT expenses | -22 | -23 |
| Audit, financial supervision and industry association | -5 | -2 |
| Other expenses | -18 | -24 |
| Total | -45 | -50 |
| Total staff costs and administrative expenses | -133 | -137 |
| 5 Remuneration for members of the Executive Board and the Board of Directors etc. | | |
| Fixed remuneration | 4.2 | 3.6 |
| Variable remuneration | 0.0 | 0.0 |
| Total | 4.2 | 3.6 |
| Number of members of the executive management - end of period* | 3 | 2 |
| * In first quarter of 2019 the members of the executive management consisted of 2 members. But as of the 1st of April Pernille Lohmann entered the executive management, which hereafter consists of 3 members. | | |
| 6 Impairment of loans, advances, receivables, etc. | | |
| Losses in the period | -32 | -10 |
| Amounts received on claims previously written off | 1 | 2 |
| Impairment losses in the period | -81 | -68 |
| Reversal of impairment losses | 106 | 72 |
| Losses offset against commission payments to banks | 17 | 5 |
| Total | 11 | 0 |

Notes - assets (DKKkM)

| Note | 30 June 31 December | |
|------|--|------------------------|
| | 2019 | 2018 |
| 7 | Due from credit institutions and central banks | |
| | Due from central banks | 2,239 1,881 |
| | Due from credit institutions | 381 977 |
| | Total amount due from credit institutions and central banks | 2,620 2,858 |
| | DLR had not entered into any reverse repo transactions in 2019 or in 2018 | |
| 8 | Loans, advances and other receivables at fair value | |
| | Mortgage loans, nominal value | 149,955 146,392 |
| | Adjustment to fair value of underlying bonds | 3,832 2,611 |
| | Adjustment for credit risk | -478 -517 |
| | Mortgage loans at fair value | 153,308 148,486 |
| | Arrears before impairment losses | 140 120 |
| | Other loans and outlays before impairment losses | 3 3 |
| | Impairment losses on arrears and outlays | -30 -16 |
| | Total | 153,421 148,593 |
| 9 | Loans, advances and other receivables at amortised cost | |
| | Loans and advances | 21 22 |
| | Adjustment for credit risk | -4 -4 |
| | Total | 17 18 |
| 10 | Mortgage loans (nominal value) by property category (as a percentage) | |
| | Owner-occupied dwellings | 4.6 5.4 |
| | Recreational dwellings | 0.1 0.0 |
| | Subsidised rental housing properties | 0.1 0.1 |
| | Private co-operative housing | 2.0 2.0 |
| | Private rental housing properties | 15.5 14.7 |
| | Properties for manufacturing and manual industries | 1.1 0.8 |
| | Office and business properties | 17.5 16.5 |
| | Agricultural properties | 58.8 60.0 |
| | Properties for social, cultural and educational purposes | 0.0 0.0 |
| | Other properties | 0.3 0.5 |
| | Total, % | 100.0 100.0 |
| 11 | Number of loans - end of period | |
| | | 63,424 62,280 |

Notes - assets (DKKm)

Note

12 Impairment of loans, advances and other receivables

| Impairment of loans, advances and other receivables at fair value | 2019 | | | |
|---|----------------|----------------|----------------|--------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Beginning of period | 5 | 244 | 284 | 533 |
| Change in period | 1 | -25 | -1 | -25 |
| End of period | 6 | 219 | 283 | 508 |
| Loans, advances and other receivables at amortised cost | Stage 1 | Stage 2 | Stage 3 | Total |
| Beginning of period | 0 | 2 | 2 | 4 |
| Change in period | 0 | -2 | 2 | 0 |
| End of period | 0 | 0 | 4 | 4 |
| Impairment of loans - total | 6 | 219 | 287 | 512 |

| Impairment of loans, advances and other receivables at fair value | 2018 | | | |
|---|----------------|----------------|----------------|--------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Beginning of period | 2 | 244 | 273 | 519 |
| Change in period | 3 | 0 | 11 | 14 |
| End of period | 5 | 244 | 284 | 533 |
| Loans, advances and other receivables at amortised cost | Stage 1 | Stage 2 | Stage 3 | Total |
| Beginning of period | 0 | 2 | 3 | 5 |
| Change in period | 0 | 0 | -1 | -1 |
| End of period | 0 | 2 | 2 | 4 |
| Impairment of loans - total | 5 | 246 | 286 | 537 |

There were no financial assets which were credit-impaired on initial recognition in 2018 or 2019.

13 Impairment - other financial assets

| | 2019 | | | |
|--|---------|---------|---------|-------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| 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 |

| | 2018 | | | |
|--|---------|---------|---------|-------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| 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 have been recognised in 2018 or 2019.

Notes - assets (DKKm)

| Note | 30 June | 31 December |
|---|---------------|---------------|
| | 2019 | 2018 |
| 14 | | |
| Bonds at fair value | | |
| - Own mortgage bonds | 30,420 | 22,561 |
| - Other mortgage bonds | 8,341 | 8,183 |
| - Government bonds | 710 | 711 |
| Bonds - gross | 39,471 | 31,455 |
| Own mortgage bonds offset against issued bonds | -30,420 | -22,561 |
| Total | 9,051 | 8,894 |
| 15 | | |
| Land and buildings, domicile properties | | |
| Fair value, beginning of year | 120 | 97 |
| Additions during the year | 0 | 0 |
| Depreciation | 0 | -1 |
| Value changes recognised in other comprehensive income | 0 | 24 |
| Fair value, end of period | 120 | 120 |
| Domicile properties are valued on an annual basis by DLR's valuation experts. | | |
| 16 | | |
| Other assets | | |
| Positive market value of derivative financial instruments etc. | 36 | 7 |
| Interest and commission receivable | 45 | 38 |
| Other receivables | 171 | 19 |
| Total | 251 | 64 |

Notes - liabilities etc. (DKKm)

| Note | 30 June | 31 December |
|--|----------------|----------------|
| | 2019 | 2018 |
| 17 | | |
| Issued bonds at fair value | | |
| Mortgage bonds - nominal value | 167,780 | 157,762 |
| Fair value adjustment | 3,884 | 2,710 |
| Issued bonds - gross | 171,665 | 160,472 |
| Offsetting of own mortgage bonds - fair value | -30,420 | -22,561 |
| Total | 141,244 | 137,911 |
| Of which pre-issued, market value | 10,552 | 5,996 |
| Cash value of bonds drawn for redemption at next repayment date (settlement price) | 15,343 | 2,647 |
| 18 | | |
| Issued bonds at amortised cost | | |
| Issues in connection with senior debt | 8,990 | 7,990 |
| Offsetting of own bonds | 0 | 0 |
| Total | 8,990 | 7,990 |
| 19 | | |
| Other liabilities | | |
| Negative market value of derivative financial instruments etc. | 27 | 10 |
| Interest and commission payable | 872 | 961 |
| Other liabilities | 295 | 232 |
| Total | 1,195 | 1,203 |
| 20 | | |
| Off-balance sheet items | | |
| Guarantees etc. | | |
| Financial guarantees | 2 | 2 |
| Other guarantees | 0 | 0 |
| Total | 2 | 2 |
| Other contingent liabilities | | |
| Irrevocable credit commitments (loan offers) | 9,202 | 7,184 |
| Total | 9,204 | 7,186 |

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 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 is expected to be able to offset any losses against future commission to the extent that impairment losses on exposures materialise as actual losses.

Notes - key figures (DKKm)

Note

| 22 | Key figures - 1 H | 2019 | 2018 | 2017 | 2016 | 2015 |
|----|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | Income statement | | | | | |
| | Net interest and fee income | 706 | 708 | 677 | 685 | 739 |
| | Other operating income etc. | 12 | 13 | 9 | 9 | 9 |
| | Staff costs and administrative expenses etc. | -140 | -143 | -129 | -122 | -110 |
| | Earnings | 578 | 578 | 557 | 572 | 638 |
| | Impairment of loans, advances and receivables | 11 | 0 | 67 | -61 | -49 |
| | Market value adjustments | -17 | -107 | -43 | 6 | -155 |
| | Profit before tax | 572 | 471 | 581 | 517 | 434 |
| | Profit after tax | 446 | 367 | 454 | 403 | 332 |
| | Balance sheet - 1 H | 2019 | 2018 | 2017 | 2016 | 2015 |
| | Assets | | | | | |
| | Loans and advances | 153,439 | 144,483 | 141,105 | 136,891 | 132,621 |
| | Bonds, shares, etc. | 9,101 | 9,912 | 12,016 | 12,673 | 7,898 |
| | Other assets | 3,190 | 3,534 | 2,298 | 1,167 | 3,663 |
| | Total assets | 165,730 | 157,929 | 155,419 | 150,731 | 144,182 |
| | Equity and liabilities | | | | | |
| | Issued bonds | 150,234 | 143,413 | 140,872 | 137,203 | 126,945 |
| | Other liabilities | 1,209 | 1,084 | 1,243 | 1,206 | 5,030 |
| | Subordinated debt | 650 | 650 | 0 | 0 | 0 |
| | Equity | 13,637 | 12,782 | 13,303 | 12,322 | 12,207 |
| | Total equity and liabilities | 165,730 | 157,929 | 155,419 | 150,731 | 144,182 |

Notes - financial ratios (DKKm)

| Note | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------|--------|--------|-------|--------|
| 23 Financial ratios - 1 H | | | | | |
| Return on equity | | | | | |
| Profit before tax in per cent of equity *) | 4.3 | 3.7 | 4.5 | 4.2 | 3.8 |
| Profit after tax in per cent of equity *) | 3.4 | 2.9 | 3.6 | 3.2 | 2.9 |
| Return on capital employed | | | | | |
| Return on capital employed *) | 0.27 | 0.23 | 0.29 | 0.27 | 0.23 |
| Costs | | | | | |
| Costs in per cent of loan portfolio | 0.09 | 0.10 | 0.10 | 0.10 | 0.10 |
| Income/cost ratio *) | 5.4 | 4.3 | 10.4 | 3.8 | 3.7 |
| Income/cost ratio, excl. impairment losses | 5.0 | 4.3 | 5.0 | 5.7 | 5.4 |
| Solvency **) | | | | | |
| Total capital ratio | 16.5 | 16.5 | 15.7 | 14.5 | 12.4 |
| Tier 1 capital ratio | 15.7 | 15.6 | 15.7 | 14.5 | 12.4 |
| Common equity tier 1 capital ratio | 15.7 | 15.6 | 14.0 | 12.9 | 11.0 |
| Arrears and impairment losses | | | | | |
| Arrears, end of period (DKKm) | 140 | 116 | 107 | 134 | 142 |
| Impairment ratio for the period *) | -0.01 | 0.00 | -0.05 | 0.06 | 0.04 |
| Accumulated impairment ratio | 0.33 | 0.36 | 0.38 | 0.44 | 0.43 |
| Lending activity | | | | | |
| Growth in loan portfolio, per cent (nominal) *) | 2.4 | 1.0 | 1.2 | 1.9 | -0.1 |
| New loans, gross (DKKm) | 16,455 | 12,511 | 11,624 | 8,793 | 13,641 |
| Number of new loans | 4,954 | 3,959 | 3,641 | 2,740 | 5,314 |
| Loan/equity ratio *) | 11.3 | 11.3 | 10.6 | 11.1 | 10.9 |
| Margins | | | | | |
| Percentage of average loan portfolio (nominal): | | | | | |
| Profit before tax | 0.39 | 0.33 | 0.42 | 0.39 | 0.33 |
| Administration margin income in per cent of average loan portfolio | 0.54 | 0.55 | 0.54 | 0.54 | 0.55 |
| Percentage of tier 1 capital after deductions | | | | | |
| Foreign exchange position as a percentage of tier 1 capital after deductions | 3.5 | 5.1 | 9.9 | 12.1 | 5.2 |

*) 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 2016-2019, as opposed to prior-year figures, which are based fully on the standard method.

Notes - other notes (DKKm)

Note

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

| | Core earnings | Portfolio earnings | Total |
|--|---------------|--------------------|------------|
| | 2019 | 2019 | 2019 |
| Interest income | 1,524 | 56 | 1,580 |
| Interest expenses | -696 | | -696 |
| Net interest income | 828 | 56 | 884 |
| Share dividends etc. | 0 | | 0 |
| Fees and commission received | 117 | | 117 |
| Fees and commission paid | -296 | | -296 |
| Net interest and fee income | 649 | 56 | 706 |
| Market value adjustments | 0 | -17 | -17 |
| Other operating income | 12 | | 12 |
| Staff costs and administrative expenses | -133 | | -133 |
| Depreciation and impairment of property, plant and equipment | -1 | | -1 |
| Other operating expenses | -6 | | -6 |
| Impairment of loans, advances, receivables, etc. | 11 | | 11 |
| Profit before tax | 533 | 39 | 572 |
| Tax | -126 | | -126 |
| Profit after tax | 407 | 39 | 446 |

25 The Supervisory Diamond

| | Q2 2019 | Q1 2019 | Limit value |
|--|-------------|-------------|----------------|
| 1. Lending growth | | | |
| Personal customers | 4.2 | 3.4 | <15% |
| Commercial residential properties | 19.7 | 16.4 | <15% |
| Agricultural properties | 1.9 | 1.0 | <15% |
| Other commercial | 6.4 | 8.1 | <15% |
| 2. Borrower's interest rate risk | 17.9 | 18.4 | <25% |
| 3. Interest-only period, Personal customers | 2.5 | 2.4 | <10% |
| 4. Loans with short-term funding | | | |
| Q3 2018 | 1.3 | | <12,5% |
| Q4 2018 | 4.1 | | <12,5% |
| Q1 2019 | 2.3 | | <12,5% |
| Q2 2019 | 7.1 | | <12,5% |
| Loans with short-term funding, yearly | 14.6 | 17.4 | <25% |
| 5. Large exposures | 31.2 | 30.0 | < 100% |

Statement by the Board of Directors and the Executive Board

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 2019.

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 Report provides a true and 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 2019 and of the results of the Company's operations for the period 1 January – 30 June 2019.

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

Copenhagen, 15 August 2019

Executive Board

Jens Kr. A. Møller
CEO

Pernille Lohmann
Managing Director

Board of Directors

Vagn Hansen
Chairman

Lars Møller
Vice Chairman

Claus Andersen

Randi Holm Franke

Jakob G. Hald

Kim Hansen

Søren Jensen

Gert R. Jonassen

Agnete Kjærsgaard

Bjarne Larsen

Lars Petersson