

INTERIM REPORT

Q1-Q3 2017



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Financial summary Q1-Q3 2017

- Core income amounted to DKK 933m, an increase of DKK 57m on the same period in 2016.
- Losses and impairments amounted to an income of DKK 115m, which was due to improved conditions for the agricultural sector and DLR's loss mitigating schemes established in collaboration with our partner/shareholder banks.
- Pre-tax profit was DKK 898m, which is 16 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 645m has been added to DLR's equity capital.
- DLR's net lending on agricultural and urban trade property amounted to DKK 1.8bn.

Financial highlights

Profit and Loss Account							
(DKK m)	Q1-Q3 2017	Q1-Q3 2016	Ratio 17/16	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Administration fee income	1,127	1,092	103	377	376	374	369
Other core income, net	63	56	111	23	20	19	27
Interest expenses, senior debt	-35	-38	91	-12	-11	-11	-13
Fee and commission income, net	-222	-235	94	-58	-90	-74	-47
Core income (mortgage credit income)	933	876	107	330	295	308	337
Staff costs and administrative expenses, etc.	-186	-172	109	-63	-62	-61	-62
Other operating expenses	-9	-11	82	-3	-3	-3	-4
Provision for loan and receivable impairment, etc.	115	-71	-162	48	50	17	9
Results from core activities	854	622	137	312	281	261	281
Portfolio earnings (securities)	44	150	30	5	-3	42	-14
Profit before tax	898	772	116	317	278	303	266
Profit after tax	702	603	117	248	218	236	208

Balance Sheet at 30 September

(DKKm)	Q1-Q3 2017	Q1-Q3 2016	Ratio 17/16	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Assets							
Loans and advances	141,995	137,875	103	141,995	141,105	140,060	139,053
Bonds and shares	12,366	14,970	83	12,366	12,016	11,471	13,683
Other assets	4,415	3,964	111	4,415	2,298	3,361	3,002
Total assets	158,776	156,809	101	158,776	155,419	154,892	155,737
Liabilities and equity							
Issued bonds	144,193	143,032	101	144,193	140,872	140,928	142,074
Other debt and payables	1,697	1,706	99	1,697	1,243	1,458	1,404
Equity	12,236	12,072	101	12,236	13,303	12,506	12,259
Total liabilities and equity	158,776	156,809	101	158,776	155,419	154,892	155,737

Financial ratios*

	Q1-Q3 2017	Q1-Q3 2016	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Return on equity (ROE)						
Profit before tax in pc of equity	7.3%	6.3%	2.6%	2.2%	2.4%	2.2%
Profit after tax in pc of equity	5.7%	4.9%	2.0%	1.7%	1.9%	1.7%
Solvency						
Capital ratio ***	14.8%	14.1%	14.8%	15.7%	14.7%	14.3%
Lending Activity						
Growth in loan portfolio, pc (nominal)	1.5	2.6	0.3	0.7	0.5	1.2
New loans, gross (DKKm)	22,023	14,306	10,399	5,720	5,904	8,812
Number of new loans	6,432	4,578	2,791	1,652	1,989	2,775
Loan/equity ratio	11.6	11.4	11.6	10.6	11.2	11.3

*) 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 Q1-Q3 2017:

“DLR Kredit’s pre-tax profit of DKK 898m for the first 9 months of 2017 is satisfactory and exceeds expectations.

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

In addition, improved conditions for the agricultural sector have resulted in DLR being able to reduce the extent of net individual impairments. This has contributed to the operational impact of losses and impairments amounting to an income of DKK 115m.

In Q3 2017, DLR redeemed the DKK 1,300m in hybrid core capital (tier 1) it issued in 2012 and at the same time issued new subordinated capital for DKK 650m. The transactions should be viewed against DLR’s capital base being strengthened in Q2 2017 through the

sale of treasury shares at a market value of just over DKK 600m.

Hence, DLR’s solvency has not been significantly affected by the redemption of the hybrid core capital (tier 1).”

Financial review for Q1-Q3 2017

Income statement

DLR achieved a satisfactory pre-tax profit for the period of DKK 898m, which is DKK 126m up on the same period in 2016.

Net profit for the period was DKK 702m 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

Tabel 1 - Profit and Loss Account

(DKKm)	Q1-Q3 2017	Q1-Q3 2016	Ratio 16/17
Administration fee income	1,127	1,092	103
Other core income, net	63	56	111
Interest expenses, senior debt	(35)	(38)	91
Fee and commission income, net	(222)	(235)	94
Core income (mortgage credit income)	933	876	107
Staff costs and administrative expenses, etc.	(186)	(172)	109
Other operating expenses	(9)	(11)	82
Provision for loan and receivable impairment, etc.	115	(71)	(162)
Results from core activities	854	622	137
Portfolio earnings (securities)	44	150	30
Profit before tax	898	772	116
Profit after tax	702	603	117

Core Earnings

Administration margin income amounted to DKK 1,127m, which is DKK 35m 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 35m, which is similar to the same period in 2016.

The figure for interest expenses covers 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 222m, which is DKK 13m lower than the same period in 2016. The decline was the result of an increase in fee and commission income of DKK 48m on the back of significant gross lending during the period combined with an increase in fee and commission expenses of DKK 35m, which should be seen against the increasing loan portfolio and hence higher expenses for loss-guarantee commissions, etc.

Core income was subsequently DKK 933m, an increase of DKK 57m on the same period in 2016. The increase equates to a rise of 7 pc.

Staff and administration, etc. expenses amounted to DKK 186m, an increase of DKK 14m relative to the same period in 2016. The rise in staff and administration expenses stems from an increase in employee numbers and also an increase in IT expenses connected with the development of DLR's digital advisory platform, among other things.

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 115m, calculated as follows:

- Realised losses DKK -45m
- Net change in impairments DKK +107m
- Losses offset in commission payments from the banks DKK +53m. The amount includes netting connected with losses realised in previous years

Portfolio earnings

Portfolio earnings amounted to an income of DKK 44m. 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 23.6bn at the end of Q3 2017.

Allocation of comprehensive income for the period

The period's comprehensive income amounted to DKK 702m. Of this, DKK 73m was paid to the owners of hybrid core capital. As this expense is tax deductible, DLR's net expense was DKK 57m. Overall, this means DKK 645m has been added to DLR's equity capital.

Balance

Mortgage credit lending amounted to DKK 139.6bn (nom.) at the end of Q3 2017.

The bond portfolio stood at DKK 38.4bn. Of this, DLR's own bonds accounted for DKK 26.1bn, which is netted in "Issued bonds at fair value", while DKK 12.3bn was attributable to positions in government securities and other mortgage bonds.

As well as bond holdings of DKK 38.4bn, DLR held other securities for DKK 4.2bn; hence, the total securities holding amounted to DKK 42.6bn (gross) at the end of Q3.

Temporary liquidity connected with mortgage payments, loan redemptions and refinancing auctions comprised DKK 19.0bn, in all, of the securities holding, so the investment holding was therefore DKK 23.6bn.

DLR's balance sheet stood at DKK 158.8bn at the end of Q3 2017.

Capital and solvency

Capital base

DLR's capital base at the end of Q3 2017 does not include the result for the period, as the accounts have not been audited. The capital base is at the same level as at the end of 2016.

DLR's capital base increased by DKK 646m in H1 2017, largely due to the sale of treasury shares for DKK 632m. However, in Q3 2017, DLR redeemed DKK 1,300m in hybrid core capital (tier 1) and at the same time issued DKK 650m in new subordinated capital.

Risk-weighted exposure amount

DLR's risk-weighted exposure amount fell from DKK 80.7bn to DKK 78.1bn in 2017 despite the loan portfolio expanding. The main reason was an improvement in the creditworthiness of the IRB portfolio, where the number of borrowers in default declined over the period.

Capital ratios

DLR's total capital ratio was 14.8 at the end of Q3 2017 compared to 14.3 at year-end 2016. The common equity tier 1 capital ratio was 13.9 compared to 12.7 at year-end 2016.

Including the result for the period would produce a total capital ratio of 15.6 and a common equity tier 1 capital ratio of 14.8.

Tabel 2 - Capital and solvency

(DKKm)	30 Sept. 2017	31 Dec. 2016
Equity	12,236	12,259
Profit not recognised in equity	(645)	0
Hybrid core capital recognised in equity	0	(1,300)
Deductions as a consequence of prudent valuation	(31)	(22)
Difference between expected loss and write downs	(664)	(676)
Deferred tax	(1)	(1)
Actual core capital	10,894	10,260
Hybrid core capital	-	1,300
Additional capital	650	0
Capital base	11,544	11,560
Risk-weighted exposure with credit risk, etc.	72,405	75,327
Risk-weighted exposure with market risk	3,238	2,892
Risk-weighted exposure with operational risk	2,456	2,456
Total risk-weighted exposure	78,098	80,674
Actual core capital ratio	13.9%	12.7%
Capital ratio	14.8%	14.3%

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 loss-mitigating schemes, including a guarantee provision 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.

Arrears and losses

As of the end of Q3 2017, mortgage payments outstanding amounted to DKK 124m – the same as 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 104 cases in Q1-Q3 2017 compared to 80 during the same period in 2016.

DLR had 16 foreclosed mortgages in its portfolio at the end of Q3 2017. The value of these properties amounted to DKK 56m at the end of Q3 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, core earnings for full-year 2017 were expected to be DKK 900-1,000m. Now, after Q3, we expect core earnings to come in at the upper end of this range.

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 or Q3 2017.

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

Events scheduled for Q4 2017

Administration agreement signed

DLR has signed a framework agreement to undertake the administration of Landbrugets Finansieringsinstitut (LFI) in connection with the institution's reorganisation.

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

The administration agreement is expected to come into force in Q4 2017.

Forthcoming changes to the accounting rules

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). The initial impact

of the transition to the new rules is currently difficult to accurately estimate. However, given what is known at present, DLR expects the impact will be less than DKK 100m and thus not significantly affect DLR's capital position.

Further information

For further information on DLR please refer to 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

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	Q1-Q3 2017	Q1-Q3 2016
1 Interest income	2,506	2,583
2 Interest expenses	(1,232)	(1,312)
Net interest income	1,274	1,270
Dividends from shares etc.	0	0
Fee and commission income	143	95
Fee and commission paid	(365)	(330)
Net interest and fee income	1,052	1,036
3 Value adjustments	(88)	(23)
Other operating income	14	13
4 Staff costs and administrative expenses	(184)	(169)
Depreciation and impairment losses	(2)	(3)
Other operating expenses	(9)	(11)
5 Provisions for loan and receivable impairment, etc.	115	(71)
Profit before tax	898	772
Tax	(196)	(170)
Profit	702	603
Statement of Comprehensive Income		
Total comprehensive income	702	603
Attributable to:		
Shareholders of DLR Kredit A/S*	629	521
Owners of hybrid core capital	73	82
Total comprehensive income	702	603

* 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 16m in 2017 (22% of DKK 73m). For 2016, consolidation was similarly increased by DKK 18m.

Balance Sheet

(DKKm)

Note	30 Sept. 2017	31 Dec. 2016
Assets		
	50	48
6	4,021	2,428
7- 11	141,975	139,032
8	20	20
12	12,309	13,625
	57	58
13	97	98
	3	4
	1	1
	56	159
14	165	246
	21	18
Total assets	158,776	155,737
Liabilities and equity		
	0	0
15	134,193	134,074
16	10,000	8,000
	155	18
17	1,530	1,378
	8	4
Total debt	145,886	143,474
	4	4
	4	4
	650	0
	570	570
	43	43
	2,338	2,338
	9,285	8,008
	0	1,300
Total equity	12,236	12,259
Total liabilities and equity	158,776	155,737
18 Off-balance sheet items		
	7	17
	4,386	4,220

Statement of Changes in Equity

(DKKm)

	Share capital 1)	Revaluation reserve	Undistributable reserve	Retained earnings	Owners of hybrid core capital 2)	Total
2016						
Equity at 1 January 2016	570	43	2,338	8,252	1,300	12,503
Profit	0	0	0	702	109	811
Transactions with owners						
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
Equity at 31 December 2016	570	43	2,338	8,008	1,300	12,259
2017						
Equity at 1 January 2017	570	43	2,338	8,008	1,300	12,259
Profit	0	0	0	629	73	702
Transactions with owners						
Own shares	0	0	0	632	0	632
Interest on hybrid core capital	0	0	0	0	(73)	(73)
Tax value of deduction of interest on additional tier 1 capital	0	0	0	16	0	16
Redemption of hybrid core capital	0	0	0	0	(1,300)	(1,300)
Equity at 30 September 2017	570	43	2,338	9,285	0	12,236

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) Own shares

DLR Kredit has in the first 9 months of 2017 sold own shares corresponding to a market value of DKK 632m.

Capital and solvency

(DKKm)

	30 Sept. 2017	31 Dec. 2016
Equity	12,236	12,259
Profit not recognised in equity	(645)	0
Hybrid core capital recognised in equity	0	(1,300)
Deductions as a consequence of prudent valuation	(31)	(22)
Difference between expected loss and write downs	(664)	(676)
Deferred tax	(1)	(1)
Actual core capital	10,894	10,260
Hybrid core capital	0	1,300
Additional capital	650	0
Capital base	11,544	11,560
Risk-weighted exposure with credit risk, etc.	72,405	75,327
Risk-weighted exposure with market risk	3,238	2,892
Risk-weighted exposure with operational risk	2,456	2,456
Total risk-weighted exposure	78,098	80,674
Actual core capital ratio	13.9%	12.7%
Capital ratio	14.8%	14.3%

List of notes to the financial statements

(DKKm)

Nr. Name of note

Notes to the financial statements - income statement

- 1 Interest income
- 2 Interest expenses
- 3 Value adjustments
- 4 Staff costs and administrative expenses
- 5 Provisions and impairment losses for loans and receivables etc.

Notes to the financial statements - assets

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- 10 Number of loans
- 11 Provisions for loans and receivables impairment at fair value and amortised cost
- 12 Bonds at fair value
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Notes - income statement

(DKKm)

Note	Q1-Q3 2017	Q1-Q3 2016
1 Interest income		
Receivables from credit institutions and central banks	0	0
Loans and advances	1,264	1,369
Administration fees	1,127	1,092
Bonds	137	174
Other interest income	39	32
Total interest income	2,568	2,667
Interest from own mortgage bonds offset againsts interest on issued bonds	(61)	(85)
Total	2,506	2,583
2 Interest expenses		
Credit institutions and central banks	(2)	(2)
Issued bonds at fair value	(1,257)	(1,357)
Issued bonds at amortised cost	(35)	(38)
Other interest expenses	0	0
Total interest expenses	(1,294)	(1,397)
Interest from own mortgage bonds	61	85
Total	(1,232)	(1,312)
3 Value adjustments		
Mortgage loans	717	1,376
Bonds	(93)	(19)
Shares etc.	(0)	1
Other assets	0	(0)
Foreign exchange	4	(1)
Derivative financial instruments	0	(3)
Issued bonds	(717)	(1,376)
Total value adjustments	(88)	(23)

Notes - income statement

(DKKm)

Note	Q1-Q3 2017	Q1-Q3 2016
4 Staff costs and administrative expenses		
Staff costs		
Salaries *	(96)	(89)
Pension costs	(8)	(8)
Social security costs	(15)	(14)
Total	(119)	(110)
Other administrative expenses		
IT expenses	(32)	(27)
Audit, supervision and industry association	(6)	(6)
Other operating costs	(27)	(26)
Total	(65)	(59)
Total staff and administrative expenses	(184)	(169)
Executive Board*		
Fixed remuneration	(5.1)	(4.9)
Variable remuneration	0	0
Total	(5.1)	(4.9)
Number of members of the Executive Board - end of period	2	2
5 Provisions and impairment losses for loans and receivables etc.		
Impairment losses for the period	(47)	(95)
Recovery of debt previously written off	2	2
Provisions for the period	(65)	(187)
Reversal of provisions	173	172
Losses offset in comission payments to banks	53	37
Total provisions and impairment losses for loans and receivables etc.	115	(71)

Notes – assets

(DKKm)

Note	30 Sept. 2017	31 Dec. 2016
6 Receivables from credit institutions and central banks		
Receivables from credit institutions and central banks	4,021	2,428
Total receivables from credit institutions and central banks*	4,021	2,428
DLR had no reverse repo transactions at year-end / end of period		
7 Loans and advances at fair value		
Mortgage loans, nominal value	139,614	137,493
Adjustment to fair value of underlying bonds	2,699	1,966
Adjustment for credit risk	(474)	(566)
Total mortgage loans at fair value	141,839	138,893
Arrears before provisions	124	124
Other loans and charges before provisions	27	44
Provisions for arrears and charges	(15)	(28)
Total	141,975	139,032
8 Loans and advances at amortised cost		
Loans and advances	24	26
Adjustment for credit risk	(5)	(6)
Total	20	20
9 Mortgage loans (nominal value) by property category (as a percentage)		
Agricultural properties	62	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
Total, as a percentage	100	100
10 Number of loans - end of period	60,121	59,119

Notes – assets

(DKKm)

Note	30 Sept. 2017	31 Dec. 2016
11 Provisions for loans and receivables impairment at fair value and amortised cost		
Individual provisions		
Provisions on loans and guarantees, beginning-of-year	411	445
Reversal of provisions	(173)	(191)
Provisions for the period	59	156
Provisions - end of period	297	411
Collective provisions*		
Provisions on loans and guarantees, beginning of year	190	145
Reversal of provisions	0	(25)
Provisions for the period	7	70
Provisions - end of period	197	190
Total provisions for loans and receivables impairment, end of period	494	601
12 Bonds at fair value		
- Own mortgage bonds	26,107	23,866
- Other mortgage bonds	10,140	11,441
- Government bonds	2,169	2,184
Total bonds	38,416	37,492
Own mortgage bonds offset against issued bonds	(26,107)	(23,866)
Total	12,309	13,625

Notes – assets

(DKKm)

Note	30 Sept. 2017	31 Dec. 2016
13 Land and buildings (domicile properties)		
Fair value, beginning of year	98	98
Additions during the year	0	0
Depreciation	(1)	(1)
Value changes recognised in other comprehensive income	0	0
Fair value, end of period	97	98
The value of domicile properties is measured on an annual basis by DLR's commercial valuation experts.		
14 Other assets		
Positive market value of derivative financial instruments etc.	10	10
Interest and commission receivable	95	107
Other receivables	61	129
Total	165	246

Notes - liabilities and equity

(DKKm)

Note	30 Sept. 2017	31 Dec. 2016
15 Issued bonds at fair value		
Mortgage bonds - nominal value	157,364	155,775
Fair value adjustment	2,936	2,165
Issued bonds - gross	160,300	157,940
Own mortgage bonds set off - at fair value	(26,107)	(23,866)
Total	134,193	134,074
Of which pre-issued, market value	6,618	10,228
Drawn callable bonds for redemption in next term	3,544	2,152
16 Issued bonds at amortised cost		
Issues in connection with senior debt	10,000	8,000
Own mortgage bonds set off	0	0
Total	10,000	8,000
17 Other debt and payables		
Negative market value of derivative financial instruments	5	5
Interest and commission payable	1,240	1,180
Other payables	285	193
Total	1,530	1,378

Notes - liabilities and equity

(DKKm)

Note	30 Sept. 2017	31 Dec. 2016
18 Off-balance sheet items		
Guarantees etc.		
Financial guarantees	3	3
Other guarantees	4	15
Total	7	17
Other contingent liabilities		
Irrevocable credit commitments (loan offers)	4,386	4,220
Total	4,393	4,237

In addition to the above guarantees and contingent liabilities, DLR's bond portfolio is used as collateral for intra-day settlement of VP sumclearing. It is not estimated that it would entail a pull on the company's financial resources.

19 Contingent assets

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.

Notes - key figures and ratios

(DKKm)

Note	Q1-Q3 2017	Q1-Q3 2016	Q1-Q3 2015	Q1-Q3 2014	Q1-Q3 2013	
20	Key figures					
	Income statement					
	Net interest and fee income	1,052	1,036	1,110	990	893
	Other operating income etc.	14	13	13	13	13
	Staff costs and administrative expenses etc.	(195)	(183)	(162)	(154)	(153)
	Earnings	871	866	961	849	754
	Provision for loan and receivable impairment	115	(71)	(55)	(66)	(76)
	Value adjustments	(88)	(23)	(279)	(119)	(243)
	Profit before tax	898	772	627	664	435
	Profit after tax	702	603	480	501	325
	Balance sheet					
	Assets					
	Loans and advances	141,995	137,875	132,235	133,608	134,586
	Bonds, shares, etc.	12,366	14,970	9,691	9,056	4,520
	Other assets	4,415	3,964	4,368	4,065	2,227
	Total assets	158,776	156,809	146,294	146,729	141,333
	Liabilities and equity					
	Issued bonds	144,193	143,032	131,402	130,573	125,807
	Other debt and payables	1,697	1,706	2,557	3,591	2,605
	Subordinated debt	650	0	0	2,061	3,082
	Equity	12,236	12,072	12,334	10,504	9,839
	Total liabilities and equity	158,776	156,809	146,294	146,729	141,333

Notes - key figures and ratios

(DKKm)

Note	Q1-Q3 2017	Q1-Q3 2016	Q1-Q3 2015	Q1-Q3 2014	Q1-Q3 2013
21	Financial ratios				
	Return on equity				
	Profit before tax in per cent of equity(*)				
	7.3	6.3	5.2	6.5	4.6
	Profit after tax in per cent of equity(*)				
	5.7	4.9	4.0	4.9	3.5
	Return on capital employed				
	Return on capital employed(*)				
	0.4	0.4	0.3	0.3	0.2
	Costs				
	Costs in per cent of loan portfolio				
	0.1	0.1	0.1	0.1	0.1
	Income/cost ratio(*)				
	12.2	4.0	3.5	4.0	2.9
	Income/cost ratio, excl. write-downs for impairment				
	5.0	5.6	4.7	5.8	4.3
	Solvency **)				
	Total capital ratio				
	14.8	14.1	12.4	12.4	12.0
	Tier 1 capital ratio				
	14.8	14.1	12.4	12.4	11.9
	Losses and arrears				
	Arrears, end of period (DKKm)				
	124	137	139	128	145
	Loss and impairment ratio for the period (in per cent of loan portfolio)(*)				
	(0.08)	0.08	0.04	0.05	0.06
	Accumulated loss and impairment ratio (in per cent of loan portfolio)				
	0.35	0.44	0.43	0.31	0.28
	Lending activity				
	Growth in loan portfolio, per cent (nominal)*				
	1.5	2.6	0.1	(0.6)	(0.3)
	New loans, gross (DKKm)				
	22,023	14,306	17,247	13,393	7,918
	Number of new loans				
	6,432	4,578	6,684	4,219	3,589
	Loan/equity ratio(*)				
	11.6	11.4	12.0	12.7	13.7
	Margins				
	Percentage of average loan portfolio (nominal):				
	Profit before tax				
	0.65	0.58	0.41	0.50	0.33
	Administrative margin in per cent of average loan portfolio				
	0.81	0.81	0.82	0.80	0.79
	Percentage of tier 1 capital after deductions:				
	Foreign exchange position as a percentage of tier 1 capital after deductions(**)				
	9.3	9.1	4.4	2.8	1.7

(*) 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, as opposed to the figures at year-end 2015, which were solely based on the standard method.

Notes – others

(DKKm)

Note	Basic earnings	Portfolio earnings	Total
22	Reconciliation of income statement "basic portfolio earnings" vs "official statements"		
Q1-Q3 2017			
Interest income	2,373	133	2,506
Interest expenses	(1,232)		(1,232)
Net interest income	1,141	133	1,274
Dividends from shares etc.	0		0
Fee and commission income	143		143
Fees and commissions paid	(365)		(365)
Net interest and fee income	919	133	1,052
Value adjustments	0	(89)	(88)
Other operating income	14		14
Staff costs and administrative expenses	(184)		(184)
Depreciation and impairment losses	(2)		(2)
Other operating expenses	(9)		(9)
Impairment of loans and receivables, etc.	115		115
Profit before tax	854	44	898
Tax	(196)		(196)
Profit after tax	658	44	702

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 September 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 report provides a fair and accurate 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 September 2017 and of the results of the Company's operations for the period 1 January – 30 September 2017.

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

Copenhagen, 26 October 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