

# INTERIM REPORT

Q1–Q3 2019

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## Financial summary Q1-Q3 2019

- Pre-tax profit amounted to DKK 842m, which is 20 pc higher than for the same period in 2018.
- Core income was DKK 1,010m, which is DKK 54m up on the same period in 2018.
- Losses and impairments amounted to an income of DKK 33m.
- DLR's net lending for the period totalled DKK 5.3bn (nominal)

## Financial highlights

### Profit and Loss Account

(DKKm)	Q1 - Q3 2019	Q1 - Q3 2018	Ratio 19/18	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Administration fee income	1,216	1,163	105	410	405	401	396
Other core income, net	100	73	136	42	30	27	30
Interest expenses, senior debt and subordinated debt	-34	-36	94	-12	-12	-10	-10
Fee and commission income, net	-272	-245	111	-93	-82	-97	-81
<b>Core income (mortgage credit income)</b>	<b>1,010</b>	<b>956</b>	<b>106</b>	<b>348</b>	<b>341</b>	<b>321</b>	<b>335</b>
Staff costs and administrative expenses, etc.	-199	-204	97	-65	-69	-65	-72
Other operating expenses	-9	-8	105	-3	-3	-3	-3
Provision for loan and receivable impairment, etc.	33	-7		22	16	-5	-17
<b>Results from core activities</b>	<b>835</b>	<b>736</b>	<b>113</b>	<b>302</b>	<b>286</b>	<b>247</b>	<b>243</b>
Portfolio earnings (securities)	7	-37		-32	12	27	-37
<b>Profit before tax</b>	<b>842</b>	<b>699</b>	<b>120</b>	<b>270</b>	<b>297</b>	<b>275</b>	<b>206</b>
<b>Profit after tax</b>	<b>657</b>	<b>545</b>	<b>120</b>	<b>211</b>	<b>232</b>	<b>214</b>	<b>162</b>

## Balance Sheet at 30 September

(DKKm)	Q1 - Q3 2019	Q1 - Q3 2018	Ratio 19/18	Q3 2019	Q2 2019	Q1 2019	Q4 2018
<b>Assets</b>							
Loans and advances	155,256	146,505	106	155,256	153,439	151,477	148,611
Bonds and shares	9,448	9,039	105	9,448	9,101	9,181	8,945
Other assets	9,319	3,358	278	9,319	3,190	2,871	3,182
<b>Total assets</b>	<b>174,023</b>	<b>158,903</b>	<b>110</b>	<b>174,023</b>	<b>165,730</b>	<b>163,529</b>	<b>160,738</b>
<b>Liabilities and equity</b>							
Issued bonds	158,005	144,079	110	158,005	150,234	148,139	145,901
Other debt and payables	1,522	1,385	110	1,522	1,209	1,416	1,213
Subordinated debt	650	650		650	650	650	650
Equity	13,847	12,789	108	13,847	13,637	13,324	12,974
<b>Total liabilities and equity</b>	<b>174,023</b>	<b>158,903</b>	<b>110</b>	<b>174,023</b>	<b>165,730</b>	<b>163,529</b>	<b>160,738</b>

## Financial ratios\*

	Q1 - Q3 2019	Q1 - Q3 2018	Q3 2019	Q2 2019	Q1 2019	Q4 2018
<b>Return on equity (ROE)</b>						
Profit before tax in pc of equity	6.3%	5.5%	2.0%	2.2%	2.1%	1.6%
Profit after tax in pc of equity	4.9%	4.3%	1.5%	1.8%	1.6%	1.3%
<b>Solvency</b>						
Capital ratio	15.6%	16.4%	15.6%	16.5%	16.7%	16.9%
<b>Lending Activity</b>						
Growth in loan portfolio, pc (nominel)	3.9	2.5	1.5	1.2	1.2	1.6
New loans, gross (DKKm)	30,908	19,612	14,453	9,571	6,884	8,104

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

## Executive summary

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Chief Executive Officer Jens Kr. A. Møller states in connection with the release of the interim report for Q1-Q3 2019:

*“DLR’s pre-tax profit for Q1-Q3 2019 of DKK 842m is satisfactory and better than expected.*

*“The positive development is mainly due to rising income from solid lending activity and a larger loan portfolio, plus a positive operational impact from losses and impairments.*

*“The increased loan portfolio was due to growth in both agricultural and business lending. Business lending grew by DKK 5.6bn over the past year, of which DKK 4.2bn was in Q1-Q3 2019, while lending on agricultural property including residential property increased by DKK 2.3bn over the past year. The trend towards greater diversification of the loan portfolio, with a rising share of office and retail property together with residential rental property means greater risk diversification in DLR’s lending, which should be characterised as positive.*

*“Portfolio earnings in Q1-Q3 2019 have been positive despite the still negative interest rate environment. This should be seen in light of yields generally declining since the start of the year and hence causing bond prices to rise.*

*“The overall outlook for the main agricultural sectors is for satisfactory earnings this year.*

*“This year’s harvest is expected to have been satisfactory with respect to volumes, which will compensate for falling produce prices compared to last year’s relatively high prices for grains, etc.*

*“Dairy producers have enjoyed satisfactory settlement prices slightly above the expected long-term level for quite some time now. This, together with rising milk production at many operations, has stabilised earnings in this sector of the agricultural business. For 2019, we generally expect the finances of milk producers to be balanced.*

*“The market for pork has been characterised by quite substantial price increases as a result of the massive outbreak of African swine fever in China. Settlement prices have risen by close to 50 pc since the start of March, and the expectation is that the relatively high price level can be maintained for an extended period. Hence, the outlook is for very satisfactory earnings in this agricultural sector in 2019.*

*“Mink breeders have realised very low pelt prices for a number of years, most recently considerably below production prices. This has resulted in distinctly unsatisfactory earnings for many producers, and this is also expected to be the case this year. We do not expect to see a balance in the market for mink pelts any time soon.*

*“Based on the results for the first nine months of 2019, we expect DLR’s full-year pre-tax profit to come in at the upper end of the DKK 850-950m range that was announced in connection with the release of the H1 financial report in August”*

## Financial review

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### Income statement

DLR achieved a satisfactory pre-tax profit of DKK 842m for Q1-Q3 2019.

Net profit was DKK 657m.

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

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Administration fee income	1,216	1,163	105	410	405	401	396
Other core income, net	100	73	136	42	30	27	30
Interest expenses, senior debt and subordinated debt	-34	-36	94	-12	-12	-10	-10
Fee and commission income, net	-272	-245	111	-93	-82	-97	-81
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Staff costs and administrative expenses, etc.	-199	-204	97	-65	-69	-65	-72
Other operating expenses	-9	-8	105	-3	-3	-3	-3
Provision for loan and receivable impairment, etc.	33	-7		22	16	-5	-17
<b>Results from core activities</b>	<b>835</b>	<b>736</b>	<b>113</b>	<b>302</b>	<b>286</b>	<b>247</b>	<b>243</b>
Portfolio earnings (securities)	7	-37		-32	12	27	-37
<b>Profit before tax</b>	<b>842</b>	<b>699</b>	<b>120</b>	<b>270</b>	<b>297</b>	<b>275</b>	<b>206</b>
<b>Profit after tax</b>	<b>657</b>	<b>545</b>	<b>120</b>	<b>211</b>	<b>232</b>	<b>214</b>	<b>162</b>

### Core earnings

Administration margin income amounted to DKK 1,216m, which is DKK 53m 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 34m, 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 interme-

diate 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 272m, 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 39m combined with an increase in fee and commission expenses of DKK 66m, which stemmed from the expanding loan portfolio and the resulting increase in expenses related to loss-guarantee commissions, etc.

Core income was subsequently DKK 1,010m, which is DKK 54m up on the same period in 2018.

Staff and administration expenses, etc. amounted to DKK 199m, a decrease of DKK 5m on the same period in 2018.

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

Losses and impairments on loans and receivables, including adjustments from previous years amounted to an income of DKK 33m. The amount covers the following items:

- Realised losses, etc. DKK -39m
- Realised losses offset in commission payments from the banks DKK +22m
- Net change in impairments DKK +50m, which is a result of the buoyant economic climate.

### **Portfolio earnings**

Portfolio earnings amounted to an income of DKK 7m. 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 Q1-Q3 2019 should be seen against the fall in yield levels since the start of the year, which in itself has resulted in rising bond prices. Pulling in the opposite direction are negative price regulations resulting from maturity shortening, which occurs when bonds have a coupon rate that is higher than the market rate.

DLR's investment portfolio (securities excl. temporary liquidity) totalled DKK 24.8bn at the end of Q3 2019. However, senior loans totalling DKK 2bn were redeemed on 1 October, after which the investment portfolio amounted to DKK 22.8bn.

## Allocation of comprehensive income for the period

The period's comprehensive income amounted to DKK 657m, which has been added to DLR's equity capital.

## Balance

Mortgage credit lending amounted to DKK 152.1bn (nom.) at the end of Q3 2019.

DLR's bond holdings totalled DKK 32.6bn. Of this, DLR's portfolio of own bonds accounted for DKK 23.2bn, which is netted in "Issued bonds at fair value", while DKK 9.4bn was attributable to positions in government securities and other mortgage bonds.

As well as bond holdings of DKK 32.6bn, DLR held other securities assets in the form of receivables from Danmarks Nationalbank and credit institutions along with interest receivable from securities, which together totalled DKK 8.6bn, thus giving a total securities holding of DKK 41.2bn (gross) at the end of Q3 2019.

Temporary liquidity connected with refinancing auctions, mortgage payments and loan redemptions comprised DKK 16.4bn of the securities holding, so the investment holding was therefore DKK 24.8bn.

DLR's balance sheet stood at DKK 174.0bn at the end of Q3 2019.

## Capital and solvency

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### Capital base

DLR's capital base amounted to DKK 12,438m at the end of Q3 2019, which is DKK 556m lower than at the end of 2018.

The capital base at the end of Q3 was influenced by the following factors:

- After tax earnings of DKK 657m for Q1-Q3 2019 are not included in the capital base, as the accounts have not been audited.



- DKK 725m has been deducted from the capital base in anticipation of expected share buybacks in Q4 2019<sup>1</sup>.
- DLR sold own shares for DKK 216m (net) in Q1-Q3.
- Other diverse items resulted in the capital base being reduced by DKK 47m.

### **Total risk exposure amount**

DLR's total risk exposure amount (REA) at the end of Q3 2019 is calculated as DKK 79.9bn, which is DKK 2.8bn more than at the end of 2018.

The period saw an increase in credit risk exposure of DKK 3.7bn as a result of the increase in lending, while there has been a fall in market risk exposure of DKK 0.9bn.

### **Capital ratios**

DLR's total capital ratio can thus be calculated as 15.6 at the end of Q3 2019, which is a fall of 1.3 percentage points relative to year-end 2018. The common equity tier 1 (CET 1) capital ratio was 14.8 compared to 16.0 at year-end 2018.

Including the result for the period and the forthcoming DKK 650m in supplementary (Tier 2) capital would produce a total capital ratio of 17.2 and a CET 1 capital ratio of 15.6.

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<sup>1</sup> The expected share buybacks for DKK 725m are conditional on and will occur as part of a combined transaction in which DKK 650m will be issued in new supplementary (Tier 2) capital. However, unlike the share buybacks, the DKK 650m cannot be included in the capital base until it is issued, which is expected to happen sometime in Q4 2019.

## Capital and solvency

(DKKm)

	30 September 2019	31 December 2018
Equity	13,847	12,974
Profit etc. not recognised in tier 1 capital	-657	0
Expected buyback of shares	-725	0
Deductions as a consequence of prudent valuation	-25	-24
Difference between expected losses and impairment losses	-652	-607
Deferred tax	0	0
<b>Common equity tier 1 capital</b>	<b>11,788</b>	<b>12,344</b>
Subordinated capital (tier 2 capital)	650	650
<b>Own funds</b>	<b>12,438</b>	<b>12,994</b>
Risk-weighted exposure with credit risk etc.	75,400	71,665
Risk-weighted exposure with market risk	2,068	2,994
Risk-weighted exposure with operational risk	2,415	2,415
<b>Total risk-weighted exposure</b>	<b>79,883</b>	<b>77,074</b>
<b>Common equity tier 1 capital ratio</b>	<b>14.8%</b>	<b>16.0%</b>
<b>Total capital ratio</b>	<b>15.6%</b>	<b>16.9%</b>

## Risk

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DLR's credit and market risk are estimated as limited due to both the statutory requirements and DLR's internal credit policy guidelines. In addition, DLR has established loss-mitigating 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](http://www.dlr.dk/risk-reports).

## Arrears and losses

As of the end of Q3 2019, mortgage payments outstanding amounted to DKK 110m versus DKK 120m 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 57 cases in Q1-Q3 2019 compared to 51 during the same period in 2018.

DLR held 10 foreclosed mortgages at the end of Q3 2019. The value of these properties amounted to DKK 52m at the end of Q3 2019 compared to DKK 48m at year-end 2018.

## **Full-year outlook for 2019**

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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, expectations were increased to core earnings of DKK 900-1,000m and a pre-tax profit for 2019 in the range DKK 850-950m. After Q3, we expect both core earnings and DLR's pre-tax profit to lie at the upper end at the above-mentioned ranges.

The main uncertainties with regard to the stated full-year expectations concern 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

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DLR's interim report for Q1-Q3 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

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No events have occurred after the reporting date that alter DLR's result or balance statements for Q1-Q3.

## Further information

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For further information on DLR please refer to [www.dlr.dk/welcome-investorpage](http://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

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- CEO Jens Kr. A. Møller, tel. 33 42 07 24.
- Managing Director Pernille Lohmann, tel. 33 42 08 74

## Income statement and statement of comprehensive income

(DKKm)

Note		Q1 - Q3 2019	Q1 - Q3 2018
1	Interest income	2,368	2,341
2	Interest expenses	-1,029	-1,051
	<b>Net interest income</b>	<b>1,339</b>	<b>1,291</b>
	Share dividends etc.	0	0
	Fees and commission income	195	156
	Fees and commission paid	-467	-401
	<b>Net interest and fee income</b>	<b>1,067</b>	<b>1,046</b>
3	Market value adjustments	-69	-148
	Other operating income	19	20
4-5	Staff costs and administrative expenses	-197	-203
	Depreciation and impairment of property, plant and equipment	-2	-2
	Other operating expenses	-9	-8
6	Impairment of loans, advances, receivables, etc.	33	-7
	<b>Profit before tax</b>	<b>842</b>	<b>699</b>
7	Tax	-186	-154
	<b>Profit after tax</b>	<b>657</b>	<b>545</b>
	<b>Comprehensive income</b>		
	Profit for the year	<b>657</b>	<b>545</b>
	<u>Attributable to:</u>		
	Shareholders of DLR Kredit A/S	657	545

## Balance Sheet

(DKKm)

Note		30 September 2019	31 December 2018
	<b>Assets</b>		
	Cash balance and demand deposits with central banks	50	49
7	Due from credit institutions and central banks	8,528	2,858
8, 10-13	Loans, advances and other receivables at fair value	155,240	148,593
9	Loans, advances and other receivables at amortised cost	16	18
14	Bonds at fair value	9,397	8,894
	Shares etc.	51	51
15	Land and buildings, domicile properties	120	120
	Other tangible assets	7	4
	Current tax assets	4	21
	Assets held temporarily	52	48
16	Other assets	534	64
	Prepayments	24	19
	<b>Total assets</b>	<b>174,023</b>	<b>160,738</b>
	<b>Equity and liabilities</b>		
17	Issued bonds at fair value	147,994	137,911
18	Issued bonds at amortised cost	10,011	7,990
19	Other liabilities	1,500	1,203
	Deferred income	14	2
	<b>Total debt</b>	<b>159,518</b>	<b>147,106</b>
	Provisions for deferred tax	8	8
	<b>Total provisions</b>	<b>8</b>	<b>8</b>
	Subordinated debt	650	650
	<b>Total subordinated debt</b>	<b>650</b>	<b>650</b>
	Share capital	570	570
	Revaluation reserve	62	62
	Undistributable reserve	2,338	2,338
	Retained earnings etc.	10,877	10,004
	<b>Total equity</b>	<b>13,847</b>	<b>12,974</b>
	<b>Total equity and liabilities</b>	<b>174,023</b>	<b>160,738</b>

## Statement of changes in equity

(DKKm)

### Statement of changes in equity

(DKKm)

	Share capital	Revaluation	Undistributable reserve	Retained earnings	Total
<b>2018</b>					
Equity at 1 January	570	43	2,338	9,464	<b>12,415</b>
Profit for the year	0	0	0	707	<b>707</b>
Revaluation of property	0	24	0	0	<b>24</b>
Tax on property revaluations	0	-5	0	0	<b>-5</b>
Acquisition of treasury shares	0	0	0	-167	<b>-167</b>
<b>Equity at 31 December</b>	<b>570</b>	<b>62</b>	<b>2,338</b>	<b>10,004</b>	<b>12,974</b>
<b>2019</b>					
Equity at 1 January	570	62	2,338	10,004	<b>12,974</b>
Comprehensive income	0	0	0	657	<b>657</b>
Disposal of treasury shares 2)	0	0	0	216	<b>216</b>
<b>Equity at 30 September</b>	<b>570</b>	<b>62</b>	<b>2,338</b>	<b>10,877</b>	<b>13,847</b>

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

2) DLR held 19,716,910 treasury shares at 30 September 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)

### Capital and solvency

(DKKm)

	30 September 2019	31 December 2018
Equity	13,847	12,974
Profit etc. not recognised in tier 1 capital	-657	0
Expected buyback of shares	-725	0
Deductions as a consequence of prudent valuation	-25	-24
Difference between expected losses and impairment losses	-652	-607
Deferred tax	0	0
<b>Common equity tier 1 capital</b>	<b>11,788</b>	<b>12,344</b>
Subordinated capital (tier 2 capital)	650	650
<b>Own funds</b>	<b>12,438</b>	<b>12,994</b>
Risk-weighted exposure with credit risk etc.	75,400	71,665
Risk-weighted exposure with market risk	2,068	2,994
Risk-weighted exposure with operational risk	2,415	2,415
<b>Total risk-weighted exposure</b>	<b>79,883</b>	<b>77,074</b>
<b>Common equity tier 1 capital ratio</b>	<b>14.8%</b>	<b>16.0%</b>
<b>Total capital ratio</b>	<b>15.6%</b>	<b>16.9%</b>



## List of notes to the financial statements

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**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 - 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 - liabilities etc.**

- 17 Issued bonds at fair value
- 18 Issued bonds at amortised cost
- 19 Other liabilities
- 20 Off-balance sheet items
- 21 Contingent assets

**Notes - key figures (DKKm)**

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**Notes - other notes**

- 24 Reconciliation of income statement for "core and portfolio earnings" against "official statements"
- 25 Supervisory diamond for mortgage-credit institutions

## Notes - income statement

(DKKm)

Note	Q1 - Q3 2019	Q1 - Q3 2018
<b>1 Interest income</b>		
Due from credit institutions and central banks *	0	1
Loans and advances	1,047	1,085
Contributions	1,216	1,163
Bonds	85	116
Other interest income	71	45
<b>Total interest income</b>	<b>2,419</b>	<b>2,409</b>
Interest on own mortgage bonds offset against interest on issued bonds	-51	-68
<b>Total</b>	<b>2,368</b>	<b>2,341</b>
* Of which interest income from reverse repo transactions	0	0
<b>2 Interest expenses</b>		
Credit institutions and central banks *	-6	-3
Issued bonds at fair value	-1,040	-1,084
Issued bonds at amortised cost	-21	-20
Other interest expenses	-12	-12
<b>Total</b>	<b>-1,080</b>	<b>-1,118</b>
Interest on own mortgage bonds offset against interest on issued bonds	51	68
<b>Total</b>	<b>-1,029</b>	<b>-1,051</b>
* Of which interest expenses on repo transactions	0	0
<b>3 Market value adjustments</b>		
Mortgage loans	878	151
Bonds	-84	-154
Shares etc.	0	0
Other assets	0	0
Foreign currency	1	4
Derivative financial instruments	15	1
Issued bonds	-878	-151
<b>Total</b>	<b>-69</b>	<b>-148</b>

## Notes - income statement

(DKKm)

Note		Q1 - Q3 2019	Q1 - Q3 2018
4	<b>Staff costs and administrative expenses</b>		
	Staff costs		
	Salaries	-107	-104
	Pension costs	-9	-9
	Social security costs	-17	-16
	<b>Total</b>	<b>-133</b>	<b>-128</b>
	<b>Other administrative expenses</b>		
	IT expenses	-32	-35
	Audit, financial supervision and industry association	-6	-4
	Other expenses	-27	-35
	<b>Total</b>	<b>-64</b>	<b>-74</b>
	<b>Total staff costs and administrative expenses</b>	<b>-197</b>	<b>-203</b>
5	<b>Remuneration for members of the Executive Board and the Board of Directors etc.</b>		
	Fixed remuneration	6.4	5.3
	Variable remuneration	0.0	0.0
	<b>Total</b>	<b>6.4</b>	<b>5.3</b>
	Number of members of the executive management - end of period*	2	2
	* At the 1st of April Pernille Lohmann entered the executive management.		
	* At the 1st of September Michael Jensen resigned from the executive management due to his retirement.		
6	<b>Impairment of loans, advances, receivables, etc.</b>		
	Losses in the period	-41	-18
	Amounts received on claims previously written off	2	3
	Impairment losses in the period	-155	-97
	Reversal of impairment losses	205	98
	Losses offset against commission payments to banks	22	7
	<b>Total</b>	<b>33</b>	<b>-7</b>

## Notes – assets

(DKKm)

	30 September 2018	31 December 2017
<b>7 Due from credit institutions and central banks</b>		
Due from central banks	7,700	1,881
Due from credit institutions	828	977
<b>Total amount due from credit institutions and central banks</b>	<b>8,528</b>	<b>2,858</b>
DLR had not entered into any reverse repo transactions in 2019 or in 2018		
<b>8 Loans, advances and other receivables at fair value</b>		
Mortgage loans, nominal value	152,098	146,392
Adjustment to fair value of underlying bonds	3,491	2,611
Adjustment for credit risk	-460	-517
<b>Mortgage loans at fair value</b>	<b>155,129</b>	<b>148,486</b>
Arrears before impairment losses	110	120
Other loans and outlays before impairment losses	24	3
Impairment losses on arrears and outlays	-23	-16
<b>Total</b>	<b>155,240</b>	<b>148,593</b>
<b>9 Loans, advances and other receivables at amortised cost</b>		
Loans and advances	20	22
Adjustment for credit risk	-4	-4
<b>Total</b>	<b>16</b>	<b>18</b>
<b>10 Mortgage loans (nominal value) by property category (as a percentage)</b>		
Owner-occupied dwellings	5	5
Recreational dwellings	0	0
Subsidised rental housing properties	0	0
Co-operative housing	2	0
Private rental housing properties	16	17
Properties for manufacturing and manual industries	1	1
Office and business properties	17	16
Agricultural properties	58	60
Properties for social, cultural and educational purposes	0	0
Other properties	0	1
<b>Total, %</b>	<b>100</b>	<b>100</b>
<b>11 Number of loans - end of period</b>	<b>63,619</b>	<b>62,280</b>

## 12 Impairment of loans, advances and other receivables

	2019			
	Stage 1	Stage 2	Stage 3	Total
<b>Impairment of loans, advances and other receivables at fair value</b>				
Beginning of period	5	244	284	533
Change in period	2	-32	-19	-49
End of period	7	212	264	484
<b>Loans, advances and other receivables at amortised cost</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
Beginning of period	0	2	2	4
Change in period	0	-2	2	0
End of period	0	0	4	4
<b>Impairment of loans - total</b>	<b>7</b>	<b>212</b>	<b>268</b>	<b>487</b>

  

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

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)

	30 September 2019	31 December 2018
14	<b>Bonds at fair value</b>	
	- Own mortgage bonds	23,191
	- Other mortgage bonds	22,561
	- Government bonds	8,689
	709	8,183
	<b>Bonds - gross</b>	<b>32,589</b>
	31,455	<b>31,455</b>
	Own mortgage bonds offset against issued bonds	-23,191
	<b>Total</b>	<b>8,894</b>
	9,397	<b>8,894</b>
15	<b>Land and buildings, domicile properties</b>	
	<b>Fair value, beginning of year</b>	<b>120.0</b>
	Additions during the year	96.8
	Depreciation	0.0
	Value changes recognised in other comprehensive income	-0.3
	<b>Fair value, end of period</b>	<b>119.7</b>
	120.0	<b>120.0</b>
	Domicile properties are valued on an annual basis by DLR's valuation experts.	
16	<b>Other assets</b>	
	Positive market value of derivative financial instruments etc.	12
	Interest and commission receivable	7
	Other receivables	44
	<b>Total</b>	<b>64</b>
	534	<b>64</b>

## Notes – liabilities etc.

(DKKm)

	30 September 2019	31 December 2018
17		
Issued bonds at fair value		
Mortgage bonds - nominal value	167,554	157,762
Fair value adjustment	3,631	2,710
<b>Issued bonds - gross</b>	<b>171,185</b>	<b>160,472</b>
Offsetting of own mortgage bonds - fair value	-23,191	-22,561
<b>Total</b>	<b>147,994</b>	<b>137,911</b>
Of which pre-issued, market value	2,490	5,996
Cash value of bonds drawn for redemption at next repayment date (settlement price)	6,316	2,647
18		
<b>Issued bonds at amortised cost</b>		
Issues in connection with senior debt	10,011	7,990
Offsetting of own bonds	0	0
<b>Total</b>	<b>10,011</b>	<b>7,990</b>
19		
<b>Other liabilities</b>		
Negative market value of derivative financial instruments etc.	15	10
Interest and commission payable	1,143	961
Other liabilities	342	232
<b>Total</b>	<b>1,500</b>	<b>1,203</b>
20		
<b>Off-balance sheet items</b>		
<b>Guarantees etc.</b>		
Financial guarantees	2	2
Other guarantees	0	0
<b>Total</b>	<b>2</b>	<b>2</b>
<b>Other contingent liabilities</b>		
Irrevocable credit commitments (loan offers)	8,429	7,184
<b>Total</b>	<b>8,431</b>	<b>7,186</b>

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)

### Notes - key figures

22 Key figures - Q1 - Q3	2019	2018	2017	2016	2015
<b>Income statement</b>					
Net interest and fee income	1,067	1,046	1,052	1,036	1,110
Other operating income etc.	19	20	14	13	13
Staff costs and administrative expenses etc.	-207	-213	-195	-183	-162
<b>Earnings</b>	<b>878</b>	<b>854</b>	<b>871</b>	<b>866</b>	<b>961</b>
Impairment of loans, advances and receivables	33	-7	115	-71	-55
Market value adjustments	-69	-148	-88	-23	-279
<b>Profit before tax</b>	<b>842</b>	<b>699</b>	<b>898</b>	<b>772</b>	<b>627</b>
<b>Profit after tax</b>	<b>657</b>	<b>545</b>	<b>702</b>	<b>603</b>	<b>480</b>
<b>Balance sheet - Q1 - Q3</b>					
<b>Assets</b>					
Loans and advances	155,256	146,505	141,995	137,875	132,235
Bonds, shares, etc.	9,448	9,039	12,366	14,970	9,691
Other assets	9,319	3,358	4,415	3,964	4,368
<b>Total assets</b>	<b>174,023</b>	<b>158,902</b>	<b>158,776</b>	<b>156,809</b>	<b>146,294</b>
<b>Equity and liabilities</b>					
Issued bonds	158,005	144,079	144,193	143,032	131,402
Other liabilities	1,522	1,385	1,697	1,706	2,557
Subordinated debt	650	650	650	0	0
Equity	13,847	12,789	12,236	12,072	12,334
<b>Total equity and liabilities</b>	<b>174,023</b>	<b>158,902</b>	<b>158,776</b>	<b>156,809</b>	<b>146,294</b>



## Notes - financial ratios

23	Financial ratios - Q1 - Q3	2019	2018	2017	2016	2015
	<b>Return on equity</b>					
	Profit before tax in per cent of equity *)	6.3	5.5	7.3	6.3	5.2
	Profit after tax in per cent of equity *)	4.9	4.3	5.7	4.9	4.0
	<b>Return on capital employed</b>					
	Return on capital employed *)	0.38	0.30	0.40	0.40	0.30
	<b>Costs</b>					
	Costs in per cent of loan portfolio	0.1	0.1	0.1	0.1	0.1
	Income/cost ratio *)	5.8	4.2	12.2	4.0	3.9
	Income/cost ratio, excl. impairment losses	4.9	4.3	5.0	5.6	5.2
	<b>Solvency **)</b>					
	Total capital ratio	15.6	16.4	14.8	14.1	12.4
	Tier 1 capital ratio	14.8	15.5	13.9	14.1	12.4
	Common equity tier 1 capital ratio	14.8	15.5	13.9	12.4	11.3
	<b>Arrears and impairment losses</b>					
	Arrears, end of period (DKKm)	110	137	124	137	139
	Impairment ratio for the period *)	-0.02	0.00	-0.08	0.08	0.04
	Accumulated impairment ratio	0.31	0.36	0.35	0.44	0.43
	<b>Lending activity</b>					
	Growth in loan portfolio, per cent (nominal) *)	3.9	2.5	1.5	2.6	0.1
	New loans, gross (DKKm)	30,908	19,612	22,023	14,306	17,247
	Number of new loans	9,137	6,055	6,432	4,578	6,684
	Loan/equity ratio *)	11.2	11.5	11.6	11.4	12.0
	<b>Margins</b>					
	Percentage of average loan portfolio (nominal):					
	Profit before tax	0.56	0.49	0.65	0.58	0.41
	Administration margin income in per cent of average loan portfolio	0.81	0.82	0.81	0.81	0.82
	<b>Percentage of tier 1 capital after deductions</b>					
	Foreign exchange position as a percentage of tier 1 capital after deductions	3.0	4.2	9.3	9.1	4.4

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

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

	Core earnings	Portfolio earnings	Total
	2019	2019	2019
Interest income	2,291	77	2,368
Interest expenses	-1,029		-1,029
<b>Net interest income</b>	<b>1,262</b>	<b>77</b>	<b>1,339</b>
Share dividends etc.	0		0
Fees and commission received	195		195
Fees and commission paid	-467		-467
<b>Net interest and fee income</b>	<b>990</b>	<b>77</b>	<b>1,067</b>
Market value adjustments	0	-69	-69
Other operating income	19		19
Staff costs and administrative expenses	-197		-197
Depreciation and impairment of property, plant and equipment	-2		-2
Other operating expenses	-9		-9
Impairment of loans, advances, receivables, etc.	33		33
<b>Profit before tax</b>	<b>835</b>	<b>7</b>	<b>842</b>
Tax	-186		-186
<b>Profit after tax</b>	<b>650</b>	<b>7</b>	<b>657</b>

25 Supervisory diamond for mortgage-credit institutions	Q3	Q2	Threshold
<b>1. Lending growth</b>			
Private homeowners	5.4	4.2	<15%
Residential rental property	19.0	19.7	<15%
Agriculture	2.1	1.9	<15%
Other business lending	5.1	6.4	<15%
<b>2. Borrower interest-rate risk</b>	17.4	17.9	<25%
<b>3. Interest-only lending to private home owners</b>	2.3	2.5	<10%
<b>4. Loans with short-term funding</b>			
Q4 2018	4.1		<12,5%
Q1 2019	2.3		<12,5%
Q2 2019	7.1		<12,5%
Q3 2019	1.7		<12,5%
<b>Loans with short-term funding annually</b>	<b>14.9</b>	<b>14.6</b>	
<b>5. Large exposures</b>	31.6	31.2	< 100%

\* The percentage for the individual quarters is calculated on the basis of the end-of-quarter portfolio, while the annual percentage is calculated on the portfolio at the end of the third quarter 2019. The year's percentage therefore does not correspond to the sum of the percentages in the individual quarters.

## Statement by the Board of Directors and the Executive Board

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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 September 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 September 2019 and of the results of the Company's operations for the period 1 January – 30 September 2019.

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

Copenhagen, 24 October 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