

28 April 2011



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To NASDAQ OMX Copenhagen  
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Today, the Board of Directors of DLR Kredit A/S approved the Financial Statements for the first quarter of 2011.

We enclose the Interim Report for DLR Kredit A/S covering the period 1 January – 31 March 2011.

Yours sincerely

DLR Kredit A/S

**Bent Andersen**  
Managing Director and CEO

**Jens Kr. A. Møller**  
Managing Director

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# Interim Report Q1 2011

## Management's Review

### Q1 2011 in headlines

- **Core earnings improved by 23 pc compared to Q1 2010**
- **Negative value adjustment affects results**
- **Net lending amounted to DKK 0.3bn**
- **Unchanged level of costs**
- **Expectations for 2011 maintained**

### Lending activities in Q1 2011

DLR's total lending at fair value amounted to DKK 132.1bn at 31 March 2011.

In the first quarter of 2011, net lending amounted to DKK 0.3bn (nominal), a decrease of well over 80 pc on the corresponding period in 2010. There was a significant but also expected fall in net lending to agricultural properties, but an increase in net lending to private rental housing properties as well as office and business properties. Net lending was distributed with 12 pc on owner-occupied homes (residential farms) and 88 pc on urban trade including co-operative housing properties.

### Profit and loss account

Net interest income increased from DKK 215.7m in Q1 2010 to DKK 251.5m in Q1 2011, whereas fee and commission income (net) showed expenses of DKK 79.0m in Q1 2011 compared with expenses of DKK 67.0m for the corresponding period in 2010.

The increase in net interest income is primarily attributable to increased commission income.

Total costs (staff costs and administrative expenses and depreciation and impairment losses on tangible assets) showed a slight decrease in Q1 2011 compared to Q1 2010 and came to DKK 47.0m (Q1 2010: DKK 47.5m).

DLR experienced a negative value adjustment of DKK 91.0m against an income of DKK 71.5m in the corresponding period of 2010. This negative adjustment was caused by the increasing interest rate level during the first quarter of 2011. To this should be added the effect of the shorter maturity on the portfolio of short-term bonds with coupon rates exceeding the market rate.

Provisions for loan and receivable impairment etc. impact the figures for Q1 2011 negatively by DKK 24.3m against an expense of DKK 39.5m in Q1 2010.

In Q1 2011, DLR generated a pre-tax profit of DKK 14.7m against DKK 137.6m in Q1 2010.

Tax on the profit for the period has been calculated at DKK 3.7m, resulting in a profit after tax for the period of DKK 11.0m against DKK 103.2m for the corresponding period of 2010.

**Balance Sheet**

At the end of March 2011, DLR's balance sheet amounted to DKK 136.7bn against DKK 144.5bn at the end of 2010.

**Equity**

At 31 March 2011, DLR's equity amounted to DKK 7,130.7m against DKK 7,112.0m at the end of 2010.

**Solvency**

At the end of Q1 2011, DLR's capital base amounted to DKK 12,715.5m, while weighted assets have been calculated at DKK 104,103.9m, corresponding to a solvency ratio of 12.2 pc (including profit for the period) at the end of Q1 2011.

**Capital Structure**

At the end of Q1 2011, DLR's total subordinated debt amounted to DKK 5,587.0m. This amount consists of hybrid core capital amounting to DKK 757.9m (EUR 100m adjusted for the fair value of interest rate swaps entered into to hedge cash flows on the hybrid core capital) and government hybrid core capital (Banking Package II) of DKK 4,829.1m.

**Risk exposure**

DLR's credit risk and market risk are considered limited. This is due to both a solid, legal basis and to DLR's internal credit policy guidelines. To this should be added the guarantee schemes that have been set up for DLR's various lending areas according to agreements with the banks that hold shares in DLR.

At the end of Q1 2011, approximately 90 pc of DLR's total loan portfolio was comprised by loan loss guarantees. The bulk of the loans that are not comprised by guarantees usually have a low LTV value.

**Expectations for 2011**

For 2011 as a whole, DLR Kredit budgets with a profit before provisions and tax in the range of DKK 350-400m. DLR Kredit's outlook is unchanged compared with the outlook announced in the Annual Report and the Stock Exchange Announcement for 2010.

As a consequence of the continuing uncertain economic trends, we expect a largely unchanged level of losses and provisions for impairment for 2011.

**Accounting Policies**

DLR's Interim Financial Statements have been prepared in accordance with the accounting rules for mortgage banks issued by the Danish Financial Supervisory Authority as well as the disclosure requirements for issuers of listed bonds specified by the NASDAQ OMX Copenhagen.

The accounting policies are unchanged as compared with the Annual Report 2010, which may be downloaded from [www.dlr.dk](http://www.dlr.dk).

**Profit and Loss for the period 1 January – 31 March 20101**

Note	(DKKm)	Q1 2011	Q1 2010
<b>1</b>	Interest income	1,537.6	1,103.1
<b>2</b>	Interest expenses	(1,286.1)	(887.4)
	<b>Net interest income</b>	<b>251.5</b>	<b>215.7</b>
	Fee and commission income	14.2	21.8
	Fee and commission paid	(93.2)	(88.8)
	<b>Net interest and fee income</b>	<b>172.5</b>	<b>148.7</b>
<b>3</b>	Value adjustments	(91.0)	71.5
	Other operating income	4.5	4.4
<b>4</b>	Staff costs and administrative expenses	(45.5)	(45.9)
<b>11+12</b>	Depreciation and impairment losses, tangible assets	(1.5)	(1.6)
<b>5</b>	Provisions for loan and receivable impairment etc.	(24.3)	(39.5)
	<b>Profit before tax</b>	<b>14.7</b>	<b>137.6</b>
	Tax	(3.7)	(34.4)
	<b>Profit for the period</b>	<b>11.0</b>	<b>103.2</b>

## Balance Sheet at 31 March 2011

Note	(DKKm)	31 March 2011	31 Dec. 2010
<b>Assets</b>			
	Receivables from credit institutions and central banks	3,145.4	5,896.1
7	Loans, advances and other receivables at fair value	132,131.4	132,563.4
7	Loans, advances and other receivables at amortised cost	3.8	3.9
9	Bonds at fair value	939.9	5,437.0
10	Shares etc.	41.4	41.4
11	Land and buildings, domicile properties	82.2	82.8
12	Other tangible assets	6.2	6.7
	Current tax assets	34.2	6.0
	Deferred tax assets	2.2	2.1
	Assets temporarily foreclosed	122.8	69.2
13	Other assets	139.4	412.5
	Prepayments	14.8	11.7
	<b>Total assets</b>	<b>136,663.7</b>	<b>144,532.8</b>
<b>Liabilities and equity</b>			
	Payables to credit institutions and central banks	5,417.9	1,000.0
	Deposits and other liabilities	2,223.8	2,375.7
14	Issued bonds at fair value	113,053.3	122,842.2
15	Issued bonds at amortised cost	7.1	7.1
16	Other debt and payables	3,237.9	5,584.8
	Deferred income	4.8	2.6
	<b>Total debt</b>	<b>123,944.8</b>	<b>131,812.4</b>
	Provisions for deferred tax	1.2	1.3
	<b>Total provisions</b>	<b>1.2</b>	<b>1.3</b>
17	<b>Subordinated debt</b>	<b>5,587.0</b>	<b>5,607.1</b>
	Share capital	455.5	455.5
	Revaluation reserve	24.3	24.3
	Undistributable reserve	2,320.5	2,320.5
	Retained earnings	4,330.4	4,311.7
	<b>Total equity</b>	<b>7,130.7</b>	<b>7,112.0</b>
	<b>Total liabilities and equity</b>	<b>136,663.7</b>	<b>144,532.8</b>

### Statement of Changes in Equity

(DKKm)	Share capital	Revalu- ation reserve	Undis- tributable reserve	Retained Earnings	Total
<b>Equity at 31.12.2010</b>	<b>455.5</b>	<b>24.3</b>	<b>2,320.5</b>	<b>4,311.7</b>	<b>7,112.0</b>
Foreign exchange adjustments	0.0	0.0	0.0	7.7	7.7
Profit for the period	0.0	0.0	0.0	11.0	11.0
<b>Equity at 31.3.2011</b>	<b>431.2</b>	<b>24.3</b>	<b>2,320.5</b>	<b>4,330.4</b>	<b>7,130.7</b>

The share capital is divided into shares of each DKK 1.00. The number of shares remains unchanged for the period.

## Notes to the Financial Statements

Note	(DKKm)	Q1 2011	Q1 2010
<b>1</b>	<b>Interest income from:</b>		
	Receivables from credit institutions and central banks	8.2	0.8
	Loans and advances	1,257.2	860.1
	Administration fees	260.1	234.6
	Bonds	151.8	82.4
	Other interest income	5.4	6.5
	<b>Total interest income</b>	<b>1,682.7</b>	<b>1,184.4</b>
	Interest from own mortgage bonds offset against interest on issued bonds	(145.1)	(81.3)
	<b>Total</b>	<b>1,537.6</b>	<b>1,103.1</b>
	<b>Of which interest income from genuine sale and repurchase transactions recognised as:</b>		
	Receivables from credit institutions and central banks	0.8	0.0
<b>2</b>	<b>Interest expenses for:</b>		
	Credit institutions and central banks	21.6	3.5
	Issued bonds	1,266.6	849.7
	Hybrid core capital	3.9	3.2
	Government hybrid core capital	111.2	111.2
	State guaranteed senior debt	27.7	0.0
	Other interest expenses	0.2	1.1
	<b>Total interest expenses</b>	<b>1,431.2</b>	<b>968.7</b>
	Interest from own mortgage bonds offset against interest on issued bonds	(145.1)	(81.3)
	<b>Total</b>	<b>1,286.1</b>	<b>887.4</b>
	<b>Of which interest expense from genuine sale and repurchase transactions recognised as:</b>		
	Payables from credit institutions and central banks	20.5	0.0
<b>3</b>	<b>Value adjustments of:</b>		
	Mortgage loans	(191.3)	(4.1)
	Bonds	(110.4)	76.7
	Foreign exchange	2.3	3.5
	Derivate financial instruments	15.8	(4.6)
	Issued bonds	192.6	0.0
	<b>Total value adjustments</b>	<b>(91.0)</b>	<b>71.5</b>

## Notes to the Financial Statements

Note	(DKKm)	Q1 2011	Q1 2010
<b>4</b>	<b>Staff costs and administrative expenses:</b>		
	Salaries and remuneration to the Board of Directors and Executive Board		
	Executive Board	1.4	1.8
	Board of Directors	0.3	0.3
	<b>Total</b>	<b>1.7</b>	<b>2.1</b>
	The company has no pension obligations to the Board of Directors and Executive Board.		
	Staff costs		
	Salaries	19.7	19.1
	Pension costs	2.1	2.0
	Social security costs	3.0	2.5
	<b>Total</b>	<b>24.8</b>	<b>23.6</b>
	Other administrative expenses		
	Valuation expenses	3.0	3.8
	Office expenses etc.	9.3	10.6
	Audit, supervision etc.	3.0	1.6
	Other operating costs	3.7	4.2
	<b>Total staff costs and administrative expenses</b>	<b>45.5</b>	<b>45.9</b>
<b>5</b>	<b>Provisions and impairment losses for loan and receivable impairment etc.</b>		
	Impairment losses for the period	(18.2)	(18.9)
	Recovery of debt previously written off	(0.2)	0.6
	Provisions for the period	(68.1)	(42.0)
	Reversal of provisions	62.2	20.8
	<b>Total provisions and impairment losses for loan and receivable impairment etc.</b>	<b>(24.3)</b>	<b>(39.5)</b>



## Notes to the Financial Statements

Note	(DKKm)	31 March 2011	31 Dec. 2010
<b>6</b>	<b>Provisions for loan and receivable impairment etc.</b>		
	<b>Individual provisions</b>		
	Provisions, loans and guarantees, beginning-of-year	235.6	257.0
	Provisions during the period	68.1	111.4
	Reversal of provisions	(62.2)	(132.8)
	<b>Provisions, end-of-period</b>	<b>241.5</b>	<b>235.6</b>
	<b>Group-based provisions</b>		
	Provisions, loans and guarantees, beginning-of-year	94.9	44.9
	Provisions during the period	0.0	56.6
	Reversal of provisions	0.0	(6.6)
	<b>Provisions, end-of-period</b>	<b>94.9</b>	<b>94.9</b>
	<b>Total provisions, end-of-period</b>	<b>336.4</b>	<b>330.5</b>
<b>7</b>	<b>Loans and advances</b>		
	Mortgage loans, nominal value	131,222.5	132,216.3
	Adjustment for interest risk etc.	1,002.0	469.5
	Adjustment for credit risk	(287.1)	(281.2)
	<b>Total mortgage loans at fair value</b>	<b>131,937.4</b>	<b>132,404.6</b>
	Arrears and outlays	194.0	158.8
	Other loans and advances	3.8	3.9
	<b>Total loans and advances</b>	<b>132,135.2</b>	<b>132,567.3</b>
	Pursuant to special legislation, a government guarantee of DKK 934.6m has been provided as supplementary security for young farmers' loans.		
	Pursuant to special legislation, a government guarantee of DKK 0.0m has been provided as supplementary security for debt rescheduling loans.		
	A guarantee of DKK 1,312.7m has been provided for advance loans.		
	As supplementary guarantee for mortgage loans, bankers' guarantees of DKK 16,639.8m have been provided.		
<b>8</b>	<b>Mortgage loans (nominal value) by property category, in pc</b>		
	Agricultural properties	63.6	63.8
	Owner-occupied dwellings	6.4	6.4
	Subsidised rental housing properties	0.2	0.2
	Private rental housing properties	13.0	12.9
	Office and business properties	16.3	16.2
	Properties for manufacturing and manual industries	0.4	0.4
	Other properties	0.1	0.1
	<b>Total, in pc</b>	<b>100.0</b>	<b>100.0</b>

## Notes to the Financial Statements

Note	(DKKm)	31 March 2011	31 Dec. 2010
<b>9</b>	<b>Bonds at fair value</b>		
	- Own mortgage bonds	27,311.8	76,504.8
	- Other mortgage bonds	939.9	5,437.0
	- Other bonds	5,049.6	5,077.1
	<b>Total bonds</b>	<b>33,301.3</b>	<b>87,018.9</b>
	Own mortgage bonds offset against issued bonds	(27,361.4)	(76,581.9)
	Own other bonds offset against issued bonds	(5,000.0)	(5,000.0)
	<b>Total</b>	<b>939.9</b>	<b>5,437.0</b>
<b>10</b>	<b>Shares etc.</b>		
	Other shares	41.4	41.4
	<b>Total shares etc.</b>	<b>41.4</b>	<b>41.4</b>
<b>11</b>	<b>Land and buildings</b>		
	<b>Domicile properties</b>		
	Fair value, beginning-of-year	82.8	85.1
	Additions during the period	0.0	0.0
	Depreciation	(0.6)	(2.3)
	<b>Fair value, end-of-period</b>	<b>82.2</b>	<b>82.8</b>
<b>12</b>	<b>Other tangible assets</b>		
	Cost, beginning-of-year	34.7	31.6
	Additions during the period	0.4	4.6
	Disposals during the period	(0.0)	(1.5)
	<b>Cost, end-of-period</b>	<b>35.1</b>	<b>34.7</b>
	Depreciation, beginning-of-year	28.0	24.7
	Depreciation for the period	0.9	4.4
	Depreciation written back	0.0	(1.1)
	<b>Depreciation, end-of-period</b>	<b>28.9</b>	<b>28.0</b>
	<b>Total other tangible assets</b>	<b>6.2</b>	<b>6.7</b>
<b>13</b>	<b>Other assets</b>		
	Positive market value of derivative financial instruments etc.	17.6	89.6
	Other receivables	12.1	89.3
	Interest and commission receivable	109.7	233.6
	<b>Total</b>	<b>139.4</b>	<b>412.5</b>

## Notes to the Financial Statements

Note	(DKKm)	31 March 2011	31 Dec. 2010
<b>14</b>	<b>Issued bonds at fair value</b>		
	Mortgage bonds - nominal value	139,410.3	197,162.7
	Fair value adjustment	1,004.4	2,261.4
	Own mortgage bonds offset – at fair value	(27,361.4)	(76,581.9)
	<b>Mortgage bonds at fair value</b>	<b>113,053.3</b>	<b>122,842.2</b>
	Of which pre-issued	7,910.9	61,447.7
	Drawn for redemption in next term	1,085.0	2,283.0
<b>15</b>	<b>Issued bonds at amortised cost</b>		
	Issued bonds concerning state guaranteed senior debt	5,000.0	5,000.0
	Employee bonds	7.1	7.1
	<b>Issued bonds at amortised cost in total</b>	<b>5,007.1</b>	<b>5,007.1</b>
	Set-off of own other bonds	(5,000.0)	(5,000.0)
	<b>Total</b>	<b>7.1</b>	<b>7.1</b>
<b>16</b>	<b>Other debt and payables</b>		
	Negative market value of derivative financial instruments etc.	268.7	144.4
	Interest and commission payable	1,322.3	363.5
	Lease commitments	0.1	0.2
	Other payables	1,646.8	5,076.7
	<b>Total</b>	<b>3,237.9</b>	<b>5,584.8</b>
<b>17</b>	<b>Subordinated debt</b>		
	Hybrid core capital <sup>1)</sup>	757.9	778.0
	Government hybrid core capital <sup>2)</sup>	4,829.1	4,829.1
	<b>Total subordinated debt</b>	<b>5,587.0</b>	<b>5,607.1</b>
	1) Hybrid core capital in DLR Kredit: EUR 100m raised on 16 June 2005. The loan is perpetual. The loan carries a fixed rate of 4.269 pc up to 16 June 2015 after which it will carry a floating interest rate pegged to the 3-month money market interest rate (EURIBOR) with an addition of 1.95 pc. For Q1 2011, the total hybrid core capital may be included in the capital base.		
	Interest: DKK 3.9m.		
	2) Government hybrid core capital in DLR Kredit: DKK 4,829.1m raised on 26 June 2009. The loan is perpetual. The loan carries a fixed rate of 9.260603 pc. The capital injection is classified in two tranches DKK 3,154.3m without conversion obligation and DKK 1,674.8m with conversion obligation respectively. For Q1 2011, the total government hybrid core capital may be included in the capital base.		
	Interest: DKK 111.2m.		

## Notes to the Financial Statements

<b>Note</b>					
<b>18 Financial and operating data and Financial Ratios</b>					
<b>Financial and operating data, DKKm</b>					
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
	<b>Q1</b>	<b>Q1</b>	<b>Q1</b>	<b>Q1</b>	<b>Q1</b>
<b>Profit and Loss Account</b>					
Net interest and fee income	172.5	148.7	189.9	162.2	160.3
Other operating income etc.	4.5	4.4	6.7	4.0	4.3
Staff costs and administrative expenses	(45.5)	(45.9)	(46.9)	(38.8)	(37.3)
Other operating costs	(1.5)	(1.6)	(1.8)	(1.7)	(1.6)
Core earnings	130.0	105.6	147.9	125.7	125.7
Provisions for loan and receivable impairment etc.	(24.3)	(39.5)	(21.4)	7.0	5.5
Value adjustments	(91.0)	71.5	44.3	18.8	(2.9)
Profit before tax	14.7	137.6	170.8	151.5	128.3
Profit after tax	11.0	103.2	128.1	113.6	93.5
<b>Balance Sheet at 31 March</b>					
<b>Assets</b>					
Loans and advances	132,135.2	132,387.3	125,979.5	110,606.8	94,161.4
Bonds and shares etc.	981.3	15.7	15.7	551.1	423.1
Other assets	3,547.2	2,717.8	4,711.0	3,415.0	4,063.3
Total assets	136,663.7	135,120.8	130,706.2	114,572.9	98,647.8
<b>Liabilities and equity</b>					
Issued bonds	113,060.4	119,286.3	119,037.5	103,798.6	88,838.3
Other debt and payables	10,885.6	3,589.3	2,169.0	2,305.2	1,744.6
Subordinated debt	5,587.0	5,607.6	3,763.2	3,703.9	3,693.3
Equity	7,130.7	6,637.6	5,736.5	4,765.2	4,371.6
Total liabilities and equity	136,663.7	135,120.8	130,706.2	114,572.9	98,647.8
<b>Financial Ratios</b>					
<b>Return on equity (ROE)</b>					
Profit before tax in pc of equity *)	0.2	2.1	3.0	3.2	3.0
Profit after tax in pc of equity *)	0.2	1.6	2.3	2.4	2.2
<b>Costs</b>					
Income/cost ratio *)	1.21	2.58	3.44	5.52	4.85
Income/cost ratio, excl. write-downs for impairment	1.83	4.73	4.94	4.57	4.16
<b>Solvency (incl. profit for the period)</b>					
Solvency ratio, pc *)	12.2	11.8	9.7	9.8	11.0
Core capital ratio, pc *)	12.2	11.7	6.6	6.3	6.9
<b>Losses and arrears</b>					
Arrears, period-end (DKKm)	196.0	238.4	202.0	101.0	77.0
Loss and impairment ratio for the period (pc of loan portf.) *)	0.0	0.0	0.0	0.0	0.0
Accumulated loss and impairment ratio (pc of loan portfolio)	0.3	0.2	0.1	0.1	0.2
<b>Lending activity</b>					
Growth in loan portfolio, pc (nominal) *)	0.1	0.8	2.4	4.3	3.3
New loans, gross (DKKm)	2,873	5,428	5,341	7,051	4,888
Number of new loans	1,195	1,974	1,805	1,953	1,821
Loan/equity ratio *)	18.5	19.9	22.0	23.2	21.5
<b>Margins</b>					
Administrative margin in pc of average loan portfolio	0.20	0.18	0.15	0.15	0.16
Foreign exchange position in pc of core capital after deduct. *)	12.6	10.8	15.5	14.1	11.7

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

## Management's Statement on the Interim Financial Statements

Today, the Board of Directors and the Executive Board reviewed and approved the Interim Financial Statements for the period 1 January – 31 March 2011 of DLR Kredit A/S.

The Interim Financial Statements have been prepared in accordance with the accounting provisions for mortgage banks laid down by the Danish Financial Supervisory Authority and the additional disclosure requirements provided by the NASDAQ OMX Copenhagen for issuers of listed bonds.

Management's Review constitutes a fair review of the development in the Company's activities and financial position as well as a description of the most material risks and uncertainties that may influence the Company.

In our opinion, the accounting policies applied are appropriate and ensure that the Interim Financial Statements give a true and fair view of the Company's assets, liabilities, equity and financial position at 31 March 2011 and of the results of the Company's operations and cash flows for the period 1 January – 31 March 2011.

The Interim Financial Statements have not been subject to audit or review.

Copenhagen, 28 April 2011

### Executive Board

Bent Andersen  
*Managing Director, CEO*

Jens Kr. A. Møller  
*Managing Director*

### Board of Directors

Claus E. Petersen  
*Chairman*

Preben Lund Hansen  
*Deputy Chairman*

Anders Dam

Peter Gæmelke

Vagn Hansen

Tanja Bregninge Itenov

Jens Ole Jensen

Søren Jensen

Agnete Kjærsgaard

Lars Møller

Benny Pedersen

Flemming Petersen

Vagn T. Raun