

30 October 2008



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To OMX Nordic Exchange Copenhagen

Today, the Board of Directors of DLR Kredit A/S approved the Financial Statements for the first three quarters of 2008.

We enclose the Interim Report for DLR Kredit A/S covering the period 1 January – 30 September 2008.

Yours sincerely

DLR Kredit A/S

Bent Andersen
Managing Director and CEO

B. Dyreborg-Carlsen
Managing Director

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Interim Report Q1 – Q3 2008

Management's Review

Financial and Operating data, DKKm

Profit and Loss Account	2004	2005	2006	2007	2008
	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3	Q1-Q3
Net interest and fee income	346.3	415.3	427.6	486.9	557.4
Other operating income etc.	13.1	13.2	13.0	12.4	12.2
Staff costs and administrative expenses	(106.9)	(110.9)	(115.3)	(117.0)	(122.4)
Other operating costs	(11.8)	(3.7)	(4.6)	(5.2)	(5.3)
Provisions for loan and receivable impairment etc.	19.4	(10.3)	35.9	20.1	16.5
Core earnings	260.1	303.6	356.6	397.2	458.4
Value adjustments	(16.8)	35.4	(40.6)	(59.6)	(139.7)
Profit before tax	243.3	339.0	316.0	337.6	318.7
Profit after tax	170.0	244.3	228.4	258.5	239.1
Balance Sheet at 30 September					
Assets					
Loans and advances	66,630.2	81,862.4	89,444.8	99,564.2	116,072.6
Bonds and shares etc.	4,915.1	223.8	13.6	40.7	15.7
Other assets	5,777.8	10,638.0	4,636.1	4,174.9	3,845.5
Total assets	77,323.1	92,724.2	94,094.5	103,779.8	119,933.8
Liabilities and equity					
Issued bonds	67,826.5	77,776.9	84,131.2	92,811.1	108,339.1
Other debt and payables	2,568.5	7,399.5	2,175.4	2,772.8	3,026.8
Subordinated debt	3,771.9	3,729.9	3,697.8	3,659.0	3,676.8
Equity	3,156.2	3,817.9	4,090.1	4,536.9	4,891.1
Total liabilities and equity	77,323.1	92,724.2	94,094.5	103,779.8	119,933.8
Financial ratios					
Return on equity (ROE)					
Profit before tax in pc of equity *)	7.9	9.6	7.9	7.7	6.7
Profit after tax in pc of equity *)	5.5	6.9	5.7	5.9	5.0
Costs					
Costs in pc of loan portfolio	0.18	0.14	0.13	0.12	0.11
Income/cost ratio *)	3.45	3.71	4.76	4.31	3.87
Income/cost ratio, excl. write-downs for impairment	2.89	4.05	3.34	3.60	3.37
Solvency (incl. profit for H1)					
Solvency ratio, pc *)	11.8	11.6	11.4	10.3	9.3
Core capital ratio, pc *)	5.9	6.7	6.9	6.5	6.0
Losses and arrears					
Arrears, end of Q3 (DKKm)	65.6	67.5	66.2	115.3	127.3
Loss and impairment ratio for Q1 – Q3 (pc of loan portfolio *)	0.0	0.0	0.0	0.0	0.0
Accumulated loss and impairment ratio (pc of loan portfolio)	0.7	0.5	0.4	0.2	0.1
Lending activity					
Growth in loan portfolio (nominal) *)	15.3	15.2	7.4	10.6	11.5
New loans, gross (DKKm)	17,203	28,685	15,206	17,329	20,552
Number of new loans	9,087	12,715	5,863	5,852	5,943
Loan/equity ratio *)	21.0	21.4	22.0	21.9	23.7
Margins					
Percentage of average loan portfolio (nominal):					
Administrative margin	0.50	0.50	0.48	0.46	0.44
Percentage of core capital after deductions:					
Foreign exchange position *)	8.9	8.9	9.7	8.9	14.5

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

Q1 – Q3 2008 in headlines

- **High activity level**
- **Net lending amounted to DKK 12.5bn**
- **Continuously low cost level**
- **Improvement in core earnings by well over 15 pc**
- **Expectations for DLR's profit for 2008 maintained**
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Lending activities in Q1 – Q3 2008

In Q1 – Q3 2008 gross lending amounted to DKK 20.6bn, which is an increase of well over 19 pc compared to the corresponding period in 2007.

In the first three quarters of 2008, net lending amounted to DKK 12.5bn, an increase of 29 pc on the corresponding period in 2007. Net lending was distributed with 62 pc on agricultural properties and 38 pc on urban trade including co-operative housing properties.

Profit and loss account

In Q1 – Q3 2008, DLR generated a pre-tax profit of DKK 318.7m against DKK 337.6m in Q1 – Q3 2007.

Net interest income rose from DKK 627.7m in Q1 – Q3 2007 to DKK 704.7m in Q1 – Q3 2008, whereas fee and commission income (net) showed expenses of DKK 147.3m in Q1 – Q3 2008 compared with expenses of DKK 140.8m for the corresponding period in 2007.

The increase in net interest income is primarily attributable to increased administration fee income caused by the increasing loan portfolio. At the same time, the increasing interest rate level also contributed to the growth in net interest income. However, interest expenses for the subordinated loan capital and the hybrid core capital have also increased.

Staff costs and administrative expenses showed a slight increase in Q1 – Q3 2008 compared to Q1 – Q3 2007 and came to DKK 122.4m (Q1 – Q3 2007: DKK 117.0m). For Q1 – Q3 2008, depreciation amounted to DKK 5.3m, which is largely at the same level compared to the corresponding period of 2007.

DLR experienced a negative value adjustment of DKK 139.7m against expenses of DKK 59.6m in the corresponding period of 2007. This negative adjustment was primarily caused by the strongly increasing interest rate level experienced since spring 2008.

Provisions for loan and receivable impairment etc. impact the figures for Q1 – Q3 2008 positively by DKK 16.5m against an income of DKK 20.1m in Q1 – Q3 2007.

Tax on the profit for the period has been calculated at DKK 79.6m, resulting in a profit after tax for the period of DKK 239.1m against DKK 258.5m for the corresponding period of 2007.

Balance Sheet

At the end of September 2008, DLR's balance sheet amounted to DKK 119.9bn against DKK 134.9bn at the end of 2007.

At 30 September 2008, total lending amounted to DKK 116.1bn against DKK 105.6bn at year-end 2007.

Equity

At 30 September 2008, DLR's equity amounted to DKK 4,891.1m against DKK 4,651.6m at the end of 2007.

Solvency

At the end of Q3 2008, DLR's capital base amounted to DKK 8,565.6m. After deduction of capitalised tax, the capital base has been calculated at DKK 8,563.7m, while weighted assets have been calculated at DKK 92,100.0m, corresponding to a solvency ratio of 9.3 pc (including profit for the period).

Capital Structure

At the end of Q3 2008, DLR's total subordinated debt amounted to DKK 3,676.8m. This amount consists of hybrid core capital amounting to DKK 692.6m (EUR 100m adjusted for the fair value of interest rate swaps entered into to hedge cash flows on the hybrid core capital) and supplementary capital amounting to DKK 2,984.2m (EUR 400m).

Risk exposure

DLR's credit risk and market risk are estimated as 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 Q3 2008, more than 91 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 2008

In the Interim Report H1 2008 the expectations for 2008 were a profit before tax in the range of DKK 395m to DKK 415m. These expectations had, among other factors, been based on a slight increase in the interest rate level in the second half of 2008 compared with the level at the end of June 2008.

Even though for 2008 as a whole, DLR must calculate with a negative value adjustment which will hardly be lower than the adjustment realized at the end of September 2008, the expectations for a profit before tax between DKK 395m – DKK 415m for 2008 are maintained. In this connection it should be noted that DLR holds no risk exposure in equity investments, except for the equity stake in e-nettet Holding A/S, which is an unlisted, jointly owned company.

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 OMX Nordic Exchange Copenhagen.

The accounting policies are unchanged as compared with the Annual Report 2007, which may be downloaded from www.dlr.dk.

Profit and Loss for the period 1 January – 30 September 2008

Note	(DKKm)	Q1 – Q3 2008	Q1 – Q3 2007
1	Interest income	4,420.5	3,812.1
2	Interest expenses	(3,715.8)	(3,184.4)
	Net interest income	704.7	627.7
	Dividends from shares etc.	1.1	1.7
	Fee and commission income	44.6	41.4
	Fee and commission paid	(193.0)	(183.9)
	Net interest and fee income	557.4	486.9
3	Value adjustments	(139.7)	(59.6)
	Other operating income	12.2	12.4
4	Staff costs and administrative expenses	(122.4)	(117.0)
11+12	Depreciation and impairment losses, tangible assets	(5.3)	(5.2)
5	Provisions for loan and receivable impairment etc.	16.5	20.1
	Profit before tax	318.7	337.6
	Tax	(79.6)	(79.1)
	Profit for the period	239.1	258.5

Balance Sheet at 30 September 2008

Note	(DKKm)	30 Sept. 2008	31 Dec. 2007
Assets			
	Cash balance	0.0	0.1
	Receivables from credit institutions and central banks	3,597.8	9,854.7
7	Loans, advances and other receivables at fair value	116,071.2	105,616.7
7	Loans, advances and other receivables at amortised cost	1.4	0.9
9	Bonds at fair value	0.0	18,429.6
10	Shares etc.	15.7	15.7
11	Land and buildings, domicile properties	88.0	89.7
12	Other tangible assets	11.2	10.7
	Deferred tax assets	1.9	1.5
13	Other assets	139.8	874.1
	Prepayments	6.8	6.2
	Total assets	119,933.8	134,899.9
Liabilities and equity			
14	Issued bonds at fair value	108,339.1	122,344.7
	Current tax liabilities	51.3	2.6
15	Other debt and payables	2,972.6	4,220.4
	Deferred income	0.3	0.8
	Total debt	111,363.3	126,568.5
	Provisions for deferred tax	2.6	3.0
	Total provisions	2.6	3.0
16	Subordinated debt	3,676.8	3,676.8
	Share capital	335.5	335.5
	Revaluation reserve	24.3	24.3
	Undistributable reserve	2,239.8	2,215.9
	Retained earnings	2,291.5	2,075.9
	Total equity	4,891.1	4,651.6
	Total liabilities and equity	119,933.8	134,899.9
17	Off-balance sheet items		

Notes to the Financial Statements

Note	(DKKm)	Q1 – Q3 2008	Q1 – Q3 2007
1	Interest income from:		
	Receivables from credit institutions and central banks	69.6	71.0
	Loans and advances	3,822.9	3,263.6
	Administration fees	499.2	445.7
	Bonds	273.0	221.6
	Other interest income	22.9	20.6
	Total interest income	4,687.6	4,022.5
	Interest from own mortgage bonds offset against interest on issued bonds	(267.1)	(210.4)
	Total	4,420.5	3,812.1
2	Interest expenses for:		
	Credit institutions	9.6	1.6
	Issued bonds	3,815.0	3,261.6
	Subordinated debt	124.6	102.5
	Hybrid core capital	33.2	28.2
	Other interest expenses	0.5	0.9
	Total interest expenses	3,982.9	3,394.8
	Interest from own mortgage bonds offset against interest on issued bonds	(267.1)	(210.4)
	Total	3,715.8	3,184.4
3	Value adjustments of:		
	Mortgage loans	(1,527.1)	(1,279.0)
	Other loans at fair value	0.1	0.1
	Bonds	(144.4)	(29.6)
	Shares etc.	0.0	20.9
	Foreign exchange	0.6	0.0
	Derivate financial instruments	3.9	(50.9)
	Issued bonds	1,527.2	1,278.9
	Total value adjustments	(139.7)	(59.6)

Notes to the Financial Statements

Note	(DKKm)	Q1 – Q3 2008	Q1 – Q3 2007
4	Staff costs and administrative expenses:		
	Salaries and remuneration to the Board of Directors and Executive Board		
	Executive Board	4.4	4.0
	Board of Directors	1.0	1.0
	Total	5.4	5.0
	The company has no pension obligations to the Board of Directors and Executive Board.		
	Staff costs		
	Salaries	51.0	43.4
	Pension costs	5.4	4.6
	Social security costs	7.0	6.7
	Total	63.4	54.7
	Other administrative expenses		
	Valuation expenses	13.6	14.2
	Office expenses etc.	22.8	22.1
	Audit, supervision etc.	2.2	1.8
	Other operating costs	15.0	19.2
	Total staff costs and administrative expenses	122.4	117.0
5	Provisions and impairment losses for loan and receivable impairment etc.		
	Impairment losses without previous provisions	(1.7)	(4.8)
	Recovery of debt previously written off	2.5	3.1
	Provisions for the period	0.0	0.0
	Reversal of provisions	15.7	21.8
	Total provisions and impairment losses for loan and receivable impairment etc.	16.5	20.1

Notes to the Financial Statements

Note	(DKKm)	30 Sept. 2008	31 Dec. 2007
6	Provisions for loan and receivable impairment etc.		
	Individual provisions		
	Provisions, loans and guarantees, beginning-of-year	175.5	211.4
	Provisions during the period	0.0	2.4
	Reversal of provisions	(15.7)	(38.3)
	Provisions, end-of-period	159.8	175.5
	Group-based provisions		
	Provisions, loans and guarantees, beginning-of-year	0.0	0.0
	Provisions during the period	0.0	0.0
	Reversal of provisions	0.0	0.0
	Provisions, end-of-period	0.0	0.0
	Total provisions, end-of-period	159.8	175.5
7	Loans and advances		
	Mortgage loans, nominal value	119,686.8	107,421.2
	Adjustment for interest risk etc.	(3,588.9)	(1,719.2)
	Adjustment for credit risk	(145.2)	(159.2)
	Total mortgage loans at fair value	115,952.7	105,542.8
	Arrears and outlays	118.5	73.9
	Other loans and advances	1.4	0.9
	Total loans and advances	116,072.6	105,617.6
	Pursuant to special legislation, a government guarantee of DKK 1,049.7m has been provided as supplementary security for young farmers' loans.		
	Pursuant to special legislation, a government guarantee of DKK 11.9m has been provided as supplementary security for debt rescheduling loans.		
	A guarantee of DKK 3,395.5m has been provided for advance loans.		
	As supplementary guarantee for mortgage loans, bankers' guarantees of DKK 13,353.4m have been provided.		
8	Mortgage loans (nominal value) by property category, in pc		
	Agricultural properties	64.3	65.4
	Owner-occupied dwellings	6.4	6.4
	Subsidised rental housing properties	0.3	0.4
	Private rental housing properties	13.0	12.9
	Office and business properties	15.3	14.2
	Properties for manufacturing and manual industries	0.5	0.5
	Properties for social, cultural and educational purposes	0.1	0.1
	Other properties	0.1	0.1
	Total, in pc	100.0	100.0

Notes to the Financial Statements

Note	(DKKm)	30 Sept. 2008	31 Dec. 2007
9	Bonds at fair value		
	- Own mortgage bonds	8,566.3	46,437.3
	- Other mortgage bonds	0.0	18,429.6
	- Other bonds (drawn)	37.6	43.8
	Total bonds	8,603.9	64,910.7
	Own mortgage bonds offset against issued bonds	(8,603.9)	(46,481.1)
	Total	0.0	18,429.6
10	Shares etc.		
	Other shares	15.7	15.7
	Total shares etc.	15.7	15.7
11	Land and buildings		
	Domicile properties		
	Fair value, beginning-of-year	89.7	92.0
	Additions during the period	0.0	0.0
	Depreciation	(1.7)	(2.3)
	Fair value, period-end	88.0	89.7
12	Other tangible assets		
	Cost, beginning-of-year	29.5	23.3
	Additions during the period	4.1	6.9
	Disposals during the period	0.0	(0.7)
	Cost, period-end	33.6	29.5
	Depreciation, beginning-of-year	18.8	14.6
	Depreciation for the period	3.6	4.8
	Depreciation written back	0.0	(0.6)
	Depreciation, period-end	22.4	18.8
	Total other tangible assets	11.2	10.7
13	Other assets		
	Positive market value of derivative financial instruments etc.	0.2	1.3
	Other receivables	6.0	63.4
	Interest and commission receivable	133.6	809.4
	Total	139.8	874.1

Notes to the Financial Statements

Note	(DKKm)	30 Sept. 2008	31 Dec 2007
14	Issued bonds		
	Mortgage bonds - nominal value	120,532.8	170,711.1
	Fair value adjustment	(3,589.8)	(1,885.3)
	Own mortgage bonds offset – at fair value	(8,603.9)	(46,481.1)
	Mortgage bonds at fair value	108,339.1	122,344.7
	Of which pre-issued	0.0	40,385.8
	Drawn for redemption in next term	278.5	290.6
15	Other debt and payables		
	Negative market value of derivative financial instruments etc.	53.7	56.1
	Interest and commission payable	1,880.8	216.7
	Lease commitments	1.0	1.3
	Other payables	1,037.1	3,946.3
	Total	2,972.6	4,220.4
16	Subordinated debt		
	Hybrid core capital ¹⁾	692.6	694.7
	Supplementary capital ²⁾	2,984.2	2,982.1
	Total subordinated debt	3,676.8	3,676.8
	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% 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%. For Q3 2008, the total hybrid core capital may be included in the capital base.		
	Interest: DKK33.2m.		
	2) Supplementary capital in DLR Kredit: EUR 400m raised on 30 June 2004. Term to maturity 8 years. The loan carries a floating interest rate pegged to the 3-month money market interest rate (EURIBOR) with an addition of 2.10% up to 30 June 2012. For Q3 2008, the total supplementary capital may be included in the capital base.		
	Interest: DKK 124.6m.		

Notes to the Financial Statements

Note	(DKKm)	30 Sept. 2008	31 Dec. 2007
17	Off-balance sheet items		
	Guarantees etc.	1.5	1.4
	Other liabilities	11.9	13.9
	Total off-balance sheet items	13.4	15.3

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 – 30 September 2008 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 OMX Nordic Exchange, Copenhagen for issuers of listed bonds.

Management's review constitutes a fair presentation 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 30 September 2008 and of the results of the Company's operations and cash flows for the period 1 January – 30 September 2008.

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

Copenhagen, 30 October 2008

Executive Board

Bent Andersen
Managing Director, CEO

B. Dyreborg-Carlsen
Managing Director

Board of Directors

Svend Jørgensen
Chairman

Preben Lund Hansen
Deputy Chairman

Kjeld Mosebo Christensen

Anders Dam

Peter Gæmelke

Tanja Bregninge Itenov

Jens Ole Jensen

Søren Jensen

Torben Thorup Jensen

Lars Møller

Steen Pedersen

Vagn T. Raun

Aage Thomsen