

13 August 2015



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To NASDAQ Copenhagen

Today, the Board of Directors of DLR Kredit A/S approved the Interim Report for the first half of 2015.

We enclose the Interim Report for DLR Kredit A/S covering the period 1 January – 30 June 2015.

Yours sincerely

DLR Kredit A/S

Jens Kr. A. Møller
Managing Director and CEO

Michael Jensen
Managing Director

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Interim Report H1 2015

Management's Review

H1 2015 in headlines

- **Satisfactory interim financial results – DKK 377.0m before tax**
- **Core earnings improved by 6 pc compared to H1 2014**
- **Significant reduction in the volume of F1 loans**

Profit and loss account

For H1 2015, DLR's primary earnings driver – net interest income – which primarily comprises commission income relating to lending as well as return on the securities portfolio, amounted to DKK 807.5m. This constitutes an increase of 6.9 pc compared to H1 2014 when net interest income came to DKK 755.6m. Net fees and commissions came to an expense of DKK 126.0m for H1 2015 against an expense of DKK 115.8m for the same period in 2014.

Total costs (staff costs and administrative expenses as well as depreciation and impairment losses on tangible assets) showed an increase in H1 2015 to DKK 110.1m. The increase was primarily caused by increased lending activities compared to the corresponding period in 2014.

In H1 2015, DLR experienced a negative value adjustment of DKK 155.4m against a negative value adjustment of DKK 71.6m for the corresponding period of 2014. The negative adjustment was caused by the increasing interest rates in Q2 2015. Furthermore, the value adjustment of this item is negatively affected by shorter maturities on the portfolio of short-term bonds with coupon rates exceeding market rates.

Provisions for loan and receivable impairment etc. impact the figures for H1 2015 negatively by DKK 48.6m. For H1 2014 an expense of DKK 42.3m was recorded.

In H1 2015, DLR generated a pre-tax profit of DKK 377.0m against DKK 432.0m in H1 2014.

Tax on the profit for the period has been calculated at DKK 88.6m, resulting in a profit for the period of DKK 288.4m against DKK 325.7m for the corresponding period in 2014.

Lending activities in H1 2015

DLR's total lending measured at fair value amounted to DKK 132.6bn at 30 June 2015.

For H1 2015, DLR's gross lending amounted to a total of DKK 13.6bn, which constitutes more than a doubling compared to the corresponding period in 2014. The main reason behind this is the remortgaging of F1 and F2 loans into ARM Short loans or into fixed-rate loans. In H1 2015, net lending amounted to a positive DKK 0.3bn (nominal), against a negative DKK 0.4bn (nominal) for the corresponding period in 2014.

DLR introduced ARM Short loans (variable-interest CITA- or CIBOR-based bond loans) in December 2013, and both 2014 and this year so far saw a positive interest from borrowers in this loan type as a replacement primarily for F1 loans.

Throughout 2014 and 2015 so far, DLR has with considerable success been campaigning towards its borrowers with a view to reducing the portfolio of F1/F2 loans and thus also reducing DLR's remortgaging risk.

Balance Sheet

At the end of June 2015, DLR's balance sheet total amounted to DKK 144.2bn against DKK 157.6bn at the end of 2014.

Equity

At 30 June 2015, DLR's equity amounted to DKK 10,907.4m against DKK 10,619.0m at the end of 2014.

Capital Structure

At the end of H1 2015, DLR's capital base amounted to DKK 12,183.2m, while the total risk exposure has been calculated at DKK 98,151.0m, corresponding to a capital ratio of 12.4 pc (including profit for the period) at 30 June 2015. Excluding profit for the period, the capital ratio also came to 12.4 pc.

At the end of H1 2015, DLR's total subordinated debt amounted to DKK 1,300.0m, stemming from private hybrid core capital.

With the permission of the Danish Financial Supervisory Authority - FSA (Finanstilsynet), DLR on 16 June 2015 redeemed the EUR 100m hybrid core capital issued in 2005.

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 loss-mitigating measures, including 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 H1 2015, approximately 90 pc of DLR's total loan portfolio was comprised by loss-mitigating measures. The bulk of the loans that are not comprised by guarantees usually have a low LTV value.

Expectations for 2015

DLR expects the performance for 2015 to be at a satisfactory level, however somewhat below results for 2014, which came to DKK 817.2m before tax. DLR's outlook is unchanged compared with the outlook announced in the Annual Report and the Stock Exchange Announcement for 2014.

Accounting Policies

DLR's Interim Report has been prepared in accordance with the accounting rules for mortgage banks issued by the Danish FSA as well as the disclosure requirements for issuers of listed bonds specified by NASDAQ Copenhagen.

The accounting policies are unchanged as compared with the Annual Report 2014. For further details, see the section on Accounting Policies in DLR's Annual Report 2014, which may be downloaded from www.dlr.dk.

Profit and Loss Account and Statement of Comprehensive Income for the period 1 January – 30 June 2015

Note	(DKKm)	H1 2015	H1 2014
1	Interest income	1,843.0	1,906.9
2	Interest expenses	(1,035.5)	(1,151.3)
	Net interest income	807.5	755.6
	Dividends from shares etc.	0.6	0.6
	Fee and commission income	82.2	70.2
	Fee and commission paid	(208.2)	(186.0)
	Net interest and fee income	682.1	640.4
3	Value adjustments	(155.4)	(71.6)
	Other operating income	9.0	8.5
4	Staff costs and administrative expenses	(108.4)	(101.2)
11+12	Depreciation and impairment losses, tangible assets	(1.7)	(1.8)
5	Provisions for loan and receivable impairment etc.	(48.6)	(42.3)
	Profit before tax	377.0	432.0
	Tax	(88.6)	(106.3)
	Profit for the period	288.4	325.7

Statement of Comprehensive Income

Note	(DKKm)	H1 2015	H1 2014
	Profit for the period	288.4	325.7
	Revaluation of domicile properties	0.0	24.1
	Of which tax	0.0	(5.3)
	Other comprehensive income after tax	0.0	18.8
	Total comprehensive income for the period	288.4	344.5

Balance Sheet at 30 June 2015

Note	(DKKm)	30 June 2015	31 Dec. 2014
Assets			
	Cash in hand and demand deposits with central banks	250.0	47.6
	Receivables from credit institutions and central banks	3,122.1	14,552.5
7	Loans, advances and other receivables at fair value	132,599.2	133,198.3
7	Loans, advances and other receivables at amortised cost	21.5	20.3
9	Bonds at fair value	7,843.1	9,165.5
10	Shares etc.	55.3	68.0
11	Land and buildings, domicile properties	98.8	99.2
12	Other tangible assets	5.0	5.8
	Actual tax assets	14.2	14.2
	Deferred tax assets	1.5	2.5
	Assets temporarily foreclosed	23.7	30.8
13	Other assets	131.0	416.0
	Prepayments	16.7	15.9
	Total assets	144,182.1	157,636.6
Liabilities and equity			
	Debts to credit institutions and central banks	300.0	2,000.0
14	Issued bonds at fair value	120,945.2	132,522.0
15	Issued bonds at amortised cost	6,000.0	6,002.0
	Current tax liabilities	53.9	0.0
16	Other debt and payables	4,662.3	4,430.4
	Deferred income	8.6	3.3
	Total debt	131,970.0	133,832.4
	Provisions for deferred tax	4.7	4.8
	Total provisions	4.7	4.8
17	Subordinated debt	1,300.0	2,055.1
	Share capital	570.0	570.0
	Revaluation reserve	43.1	43.1
	Undistributable reserve	2,337.9	2,337.9
	Retained earnings	7,956.4	7,668.0
	Total equity	10,907.4	10,619.0
	Total liabilities and equity	144,182.1	157,636.6

Statement of Changes in Equity

(DKKm)	Share capital	Revalu- ation reserve	Undis- tributable reserve	Retained Earnings	Total
2014:					
Equity at 1.1.2014	570.0	24.3	2,337.9	7,052.1	9,984.3
Profit for the year	0.0	0.0	0.0	615.9	615.9
Other comprehensive income after tax	0.0	18.8	0.0	0.0	18.8
Equity at 31.12.2014	570.0	43.1	2,337.9	7,668.0	10,619.0
2015:					
Equity at 1.1.2015	570.0	43.1	2,337.9	7,668.0	10,619.0
Profit for the period	0.0	0.0	0.0	288.4	288.4
Other comprehensive income after tax	0.0	0.0	0.0	0.0	0.0
Equity at 30.6.2015	570.0	43.1	2,337.9	7,956.4	10,907.4

The share capital is divided into shares of each DKK 1.00. The number of shares remains unchanged compared to end of 2014. DLR Kredit A/S has only one class of shares where all shares carry the same rights.

Notes to the Financial Statements

Note	(DKKm)	H1 2015	H1 2014
1	Interest income from:		
	Loans and advances	1,028.5	1,167.2
	Administration fees	718.6	701.2
	Bonds	167.9	182.2
	Other interest income	19.0	8.9
	Total interest income	1,934.0	2,059.5
	Interest from own mortgage bonds offset against interest on issued bonds	(91.0)	(152.6)
	Total	1,843.0	1,906.9
2	Interest expenses for:		
	Credit institutions and central banks	3.5	0.2
	Issued bonds	1,023.2	1,159.4
	Hybrid core capital	60.4	62.1
	Government hybrid core capital	0.0	35.7
	Senior debt	39.4	46.1
	Other interest expenses	0.0	0.4
	Total interest expenses	1,126.5	1,303.9
	Interest from own mortgage bonds offset against interest on issued bonds	(91.0)	(152.6)
	Total	1,035.5	1,151.3
3	Value adjustments of:		
	Mortgage loans	(478.1)	691.9
	Bonds	(150.0)	(78.5)
	Shares etc.	(13.8)	(4.5)
	Other assets	0.7	0.4
	Foreign exchange	5.0	0.1
	Derivative financial instruments	2.7	11.2
	Issued bonds	478.1	(692.2)
	Total value adjustments	(155.4)	(71.6)

Notes to the Financial Statements

Note	(DKKm)	H1 2015	H1 2014
4	Staff costs and administrative expenses:		
	Salaries and remuneration to the Board of Directors and Executive Board		
	Executive Board	5.0	3.6
	Board of Directors	1.0	0.8
	Total	6.0	4.4
	The Company has no pension obligations to the Board of Directors and Executive Board.		
	Staff costs		
	Salaries	45.9	42.3
	Pension costs	4.7	4.5
	Social security costs	7.9	6.5
	Total	58.5	53.3
	Other administrative expenses		
	Valuation expenses	7.0	5.8
	Office expenses etc.	24.4	25.3
	Audit, supervision etc.	4.1	4.0
	Other operating costs	8.4	8.4
	Total staff costs and administrative expenses	108.4	101.2
5	Provisions and impairment losses for loan and receivable impairment etc.		
	Impairment losses for the period	(6.0)	(35.5)
	Recovery of debt previously written off	2.6	0.5
	Provisions for the period	(143.2)	(95.7)
	Reversal of provisions	98.0	88.4
	Total provisions and impairment losses for loan and receivable impairment etc.	(48.6)	(42.3)

Notes to the Financial Statements

Note	(DKKm)	30 June 2015	31 Dec. 2014
6	Provisions for loan and receivable impairment etc.		
	Individual provisions		
	Provisions, loans and guarantees, beginning-of-year	333.0	342.3
	Provisions during the period	143.3	125.7
	Reversal of provisions	(73.2)	(135.0)
	Provisions, end-of-period	403.1	333.0
	Collective provisions		
	Provisions, loans and guarantees, beginning-of-year	198.4	39.3
	Provisions during the period	0.0	188.3
	Reversal of provisions	(24.9)	(29.3)
	Provisions, end-of-period	173.5	198.4
	Total provisions for loan and receivable impairment etc., end-of-period	576.6	531.4
7	Loans and advances		
	Mortgage loans, nominal value	131,511.7	131,590.3
	Adjustment for interest risk etc.	1,502.8	1,990.4
	Adjustment for credit risk	(548.2)	(506.0)
	Total mortgage loans at fair value	132,466.3	133,074.7
	Arrears and outlays	132.9	123.6
	Other loans and advances	21.5	20.3
	Total loans and advances	132,620.7	133,218.6
	Pursuant to special legislation, a government guarantee of DKK 555.0m has been provided as supplementary security for young farmers' loans. A guarantee of DKK 662.2m has been provided for advance loans. As supplementary guarantee for mortgage loans, bankers' guarantees of DKK 15,550.3m have been provided.		
8	Mortgage loans (nominal value) by property category, in pc		
	Agricultural properties	64.3	64.2
	Owner-occupied dwellings	6.1	6.1
	Subsidised rental housing properties	0.1	0.2
	Private rental housing properties	13.0	12.9
	Office and business properties	15.2	15.1
	Properties for manufacturing and manual industries	0.5	0.5
	Other properties	0.8	1.0
	Total, in pc	100.0	100,0

Notes to the Financial Statements

Note	(DKKm)	30 June 2015	31 Dec. 2014
9	Bonds at fair value		
	- Own mortgage bonds	14,658.5	48,066.8
	- Other mortgage bonds	7,843.1	9,165.5
	- Other bonds	174.0	163.8
	Total bonds	22,675.6	57,396.1
	Own mortgage bonds offset against issued bonds	(14,832.5)	(48,230.6)
	Total	7,843.1	9,165.5
10	Shares etc.		
	Other shares	55.3	68.0
	Total shares etc.	55.3	68.0
11	Land and buildings		
	Domicile properties		
	Fair value, beginning-of-year	99.2	75.9
	Additions during the period	0.0	0.0
	Depreciation	(0.4)	(0.8)
	Value changes recognised in other comprehensive income	0.0	24.1
	Fair value, end-of-period	98.8	99.2
12	Other tangible assets		
	Cost, beginning-of-year	31.7	29.7
	Additions during the period	1.2	2.5
	Disposals during the period	(1.4)	(0.5)
	Cost, end-of-period	31.5	31.7
	Depreciation, beginning-of-year	25.9	23.5
	Depreciation for the period	1.5	2.9
	Depreciation written back	(0.9)	(0.5)
	Depreciation, end-of-period	26.5	25.9
	Total other tangible assets	5.0	5.8
13	Other assets		
	Positive market value of derivative financial instruments etc.	0.0	31.5
	Other receivables	58.5	198.4
	Interest and commission receivable	72.5	186.1
	Total	131.0	416.0

Notes to the Financial Statements

Note	(DKKm)	30 June 2015	31 Dec. 2014
14	Issued bonds at fair value		
	Mortgage bonds - nominal value	134,256.7	178,087.9
	Fair value adjustment	1,521.0	2,664.7
	Own mortgage bonds offset – at fair value	(14,832.5)	(48,230.6)
	Mortgage bonds at fair value	120,945.2	132,522.0
	Of which pre-issued	0.0	27,834.2
	Drawn for redemption in next term	3,471.2	2,800.1
15	Issued bonds at amortised cost		
	Issued bonds concerning state guaranteed senior debt	6,000.0	6,000.0
	Employee bonds	0.0	2.0
	Issued bonds at amortised cost in total	6,000.0	6,002.0
16	Other debt and payables		
	Negative market value of derivative financial instruments etc.	0.0	17.8
	Interest and commission payable	1,008.9	1,326.6
	Other payables	3,653.4	3,086.0
	Total	4,662.3	4,430.4
17	Subordinated debt		
	Hybrid core capital ¹⁾	1,300.0	2,055.1
	Total subordinated debt	1,300.0	3,077.5
	1) Hybrid core capital in DLR Kredit: An amount of DKK 1,300m was raised on 27 August 2012. The maturity is perpetual. The interest rate is floating and based on the six-month money market interest rate (CIBOR) with addition of 8.25 pc p.a. The total hybrid core capital can be included in the capital base at 30 June 2015.		
	Interest: DKK 56.7m.		
	On 16 June 2015 DLR redeemed the amount of EUR 100m raised on 16 June 2005.		
	Interest: DKK 3.7m.		
	Extraordinary prepayments: DKK 746.1m		

Notes to the Financial Statements

Note						
18 Financial and operating data and Financial Ratios						
Financial and operating data, DKKm		2015	2014	2013	2012	2011
Profit and Loss Account		H1	H1	H1	H1	H1
Net interest and fee income		682.1	640.4	582.1	478.5	432.4
Other operating income etc.		9.0	8.5	9.0	9.2	9.1
Staff costs and administrative expenses		(110.1)	(103.0)	(102.8)	(100.3)	(93.3)
Core earnings		581.0	545.9	488.3	387.4	348.2
Provisions for loan and receivable impairment etc.		(48.6)	(42.3)	(46.5)	(47.6)	(60.6)
Value adjustments		155.4	(71.6)	(153.2)	(59.3)	(215.5)
Profit before tax		377.0	432.0	288.6	280.5	72.1
Profit after tax		288.4	325.7	215.8	210.0	53.7
Balance Sheet at 30 June						
Assets						
Loans and advances		132,620.7	134,111.4	135,478.6	134,214.6	132,347.3
Bonds and shares etc.		7,898.4	4,667.8	1,677.3	1,918.1	2,164.3
Other assets		3,663.0	2,616.3	4,316.1	3,531.5	4,982.8
Total assets		144,182.1	141,395.5	141,472.0	139,664.2	139,494.4
Liabilities and equity						
Issued bonds		126,945.2	126,955.1	123,290.2	120,529.4	116,071.3
Other debt and payables		5,029.5	2,044.3	4,911.1	5,711.0	10,651.6
Subordinated debt		1,300.0	2,067.3	4,086.1	5,627.7	5,595.9
Equity		10,907.4	10,328.8	9,184.6	7,796.1	7,175.6
Total liabilities and equity		144,182.1	141,395.5	141,472.0	139,664.2	139,494.4
Return on equity (ROE)						
Profit before tax in pc of equity *)		3.5	4.3	3.2	3.6	1.0
Profit after tax in pc of equity *)		2.7	3.2	2.4	2.7	0.8
Return on capital employed						
Return on capital employed *)		0.20	0.23	0.15	0.15	0.04
Costs						
Income/cost ratio *)		3.38	3.97	2.93	2.90	1.47
Income/cost ratio, excl. write-downs for impairment		4.87	5.60	4.26	4.27	2.42
Capital						
Capital ratio, pc (incl. profit for the period)		12.4	12.8	12.6	12.6	12.3
Capital ratio, pc (excl. profit for the period) *)		12.4	12.5	12.4	12.4	12.2
Core capital ratio, pc (incl. profit for the period)		12.4	12.8	12.6	12.6	12.3
Core capital ratio, pc (excl. profit for the period) *)		12.4	12.5	12.4	12.4	12.2
Losses and arrears						
Arrears, period-end (DKKk)		142.1	122.7	149.0	192.9	206.6
Loss and impairment ratio for the period (pc of loan portf.) *)		0.04	0.03	0.03	0.04	0.05
Accumulated loss and impairment ratio (pc of loan portfolio)		0.43	0.29	0.26	0.25	0.25
Lending activity						
Growth in loan portfolio, pc (nominal) *)		(0.1)	(0.4)	0,0	1.3	0.0
New loans, gross (DKKk)		13,641	6,460	5,644	8,067	5,095
Number of new loans		5,314	2,125	2,499	3,284	2,055
Loan/equity ratio *)		12.2	13.0	14.8	17.2	18.4
Margins						
Administrative margin in pc of average loan portfolio		0.55	0.53	0.53	0.46	0.39
Foreign exchange position in pc of core capital after deductions*)		5.2	1.4	0.8	9.1	12.6

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

Management's Statement on the Interim Report

Today, the Board of Directors and the Executive Board reviewed and approved the Interim Report for the period 1 January – 30 June 2015 of DLR Kredit A/S.

The Interim Report has 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 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 30 June 2015 and of the results of the Company's operations and cash flows for the period 1 January – 30 June 2015.

The Interim Report has not been subject to audit or review.

Copenhagen, 13 August 2015

Executive Board

Jens Kr. A. Møller
Managing Director, CEO

Michael Jensen
Managing Director

Board of Directors

Vagn Hansen
Chairman

Anders Dam
Deputy Chairman

Claus Andreasen

Ole Selch Bak

Karen Frøsig

Peter Gæmelke

Jakob G. Hald

Søren Jensen

Agnete Kjærsgaard

Lars Møller

Torben Nielsen

Benny Pedersen

Jan Pedersen

Lars Petersson