

To
NASDAQ Copenhagen A/S
The press

Announcement no. 79/2017

INTERIM FINANCIAL REPORT

FIRST HALF OF 2017

BRFcredit

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BRFKREDIT

As of the second quarter of 2017, BRFkredit is no longer under the obligation to prepare consolidated financial statements and will therefore in future only publish the financial statements of the Parent. The financial data, etc. of the Management's review were previously included in accordance with the consolidated financial statements, but in future they will be included in accordance with the Parent's financial statements. The comparative figures in the Management's review have been adjusted in accordance with the above. The adjustment did not result in any material changes, as the activities in the subsidiaries of the BRFkredit Group have in recent years been of a limited nature.

CORE PROFIT AND PROFIT FOR THE PERIOD DKKm	H1 2017	H1 2016	Index 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	The year 2016
Contribution income, etc.	932	878	106	473	459	457	451	444	1,785
Other net interest income ¹⁾	-34	-22	155	-19	-15	-16	-15	-0	-53
Net fee and commission income, etc.	116	62	187	53	63	79	66	26	207
Value adjustments ¹⁾	7	22	32	3	4	5	12	5	34
Other income	16	26	62	8	8	12	12	15	50
Core income	1,037	965	107	519	518	536	526	490	2,028
Core expenses	438	403	109	225	213	218	219	199	840
Core profit before loan impairment charges and provisions for guarantees	599	563	106	293	305	318	307	291	1,188
Loan impairment charges and provisions for guarantees (- = income)	120	-19	-	28	92	-12	-1	15	-32
Core profit	479	582	82	265	214	330	308	276	1,220
Investment portfolio earnings	64	22	291	21	44	36	21	31	80
Pre-tax profit	543	604	90	286	257	366	329	307	1,299
Tax	120	132	90	64	56	80	72	67	284
Net profit or loss for the period	423	473	90	222	201	286	257	240	1,015

¹⁾ Capital charges are included in the items 'Other net interest income' as well as 'Value adjustments, etc.' and are allocated as follows:

Interest	59	59	100	29	30	29	28	28	116
Value adjustment	-3	-5	-	-3	-0	1	-4	-1	-8
Total capital charges	56	54	104	27	29	29	24	27	107

SUMMARY OF BALANCE SHEET, END OF PERIOD

DKKm									
Mortgage loans	297,152	268,992	110	297,152	288,768	278,407	276,682	268,992	278,407
Bonds and shares, etc.	15,882	12,039	132	15,882	13,369	16,307	15,254	12,039	16,307
Total assets	318,078	293,815	108	318,078	307,474	307,027	304,848	293,815	307,027
Due to credit institutions and central banks	265	481	55	265	542	907	1,200	481	907
Issued bonds at fair value	298,044	274,631	109	298,044	287,335	285,676	284,052	274,631	285,676
Issued bonds at amortised cost	3,715	3,710	100	3,715	3,714	3,711	3,718	3,710	3,711
Equity	13,235	12,254	108	13,235	13,013	12,812	12,511	12,254	12,812

SELECTED DATA AND FINANCIAL RATIOS

Pre-tax profit p.a. as a percentage of opening equity	8.5	10.3	-	8.9	8.0	12.4	11.2	10.4	11.0
Profit for the period as a pct. of opening equity	6.6	8.0	-	6.9	6.3	9.7	8.7	8.1	8.6
Expenses as a percentage of income	42.2	42.7	-	43.4	41.1	40.7	41.6	40.6	41.4
Accumulated impairment ratio (%)	0.4	0.5	-	0.4	0.4	0.4	0.5	0.5	0.4
Impairment ratio for the period (%)	0.04	-0.01	-	0.01	0.03	-0.00	0.00	0.01	-0.01
Capital ratio (%)	17.9	17.8	-	17.9	18.3	19.0	18.2	17.8	19.0
Common Equity Tier 1 capital ratio (CET1 %)	17.9	17.8	-	17.9	18.3	19.0	18.2	17.8	19.0
Individual solvency requirement (%)	9.3	9.2	-	9.3	9.2	9.3	9.3	9.2	9.3
Capital base (DKKm)	12,636	11,989	-	12,636	12,577	12,593	12,225	11,989	12,593
Weighted risk exposure (DKKm)	70,553	67,184	-	70,553	68,771	66,426	67,136	67,184	66,426
No. of full-time employees at end-period	627	681	-	627	684	694	682	681	694

SUMMARY OF INTERIM FINANCIAL REPORT FOR THE FIRST HALF OF 2017

Profit before tax amounted to DKK 543m (1st half 2016: DKK 604m).

Net profit for the period amounted to DKK 423m (1st half 2016: DKK 473m).

The net profit for the period corresponded to an annualised return of 6.6% on opening equity (1st half 2016: 8.0% p.a.).

Loan impairment charges and provisions for guarantees amounted to an expense of DKK 120m (first half of 2016: an income of DKK 19m).

Mortgage loans: DKK 297.2bn (end of 2016: DKK 278.4bn).

Capital ratio: 17.9% (end of 2016: 19.0%), and Common Equity Tier 1 capital ratio of 17.9% (end of 2016: 19.0%).

Individual solvency requirement: 9.3% (end of 2016: 9.3%).

COMMENTS BY MANAGEMENT

In connection with the presentation of the Interim Financial Report for the first half of 2017, Carsten Tirsbæk Madsen, Chief Executive Officer, states:

'In the first half of 2017, BRFkredit achieved a post-tax profit of DKK 423m against DKK 473m for the first half of 2016. The profit was favourably affected by continued increases in core income due to a growing portfolio as well as a satisfactory return on securities. The opposite effect was seen from an increase in impairment charges, which can primarily be attributed to a value reassessment of hard-to-sell mortgaged properties in the first quarter of 2017.

With a view to strengthening the client focus, the organisation was in May 2017 adjusted through increasing integration of the Group's client-oriented functions and by gathering sales as well as advisory and client services in segment organisations. As a result of the adjustments, about 60 jobs were cut.

BRFkredit's capital base is solid and amounted to DKK 12.6bn at the end of June 2017. The surplus relative to the currently strongest capital requirement (Base I floor requirement) amounted to DKK 3.3bn.

In the first half of 2017, the portfolio increased by DKK 18.7bn. For the full year 2017, a continued positive development of the portfolio is expected, both with respect to the personal client segment and the corporate client segment,' concludes Carsten Tirsbæk Madsen.

FIRST HALF OF 2017

NET PROFIT OR LOSS FOR THE PERIOD

Over the first half of 2017, BRFkredit generated a pre-tax profit of DKK 543m. Calculated tax amounted to DKK 120m, and the net profit for the period amounted to DKK 423m. The pre-tax profit corresponded to an annualised return of 8.5% on opening equity (1st half 2016: 10.3% p.a.). The net profit for the period corresponded to an annualised return of 6.6% on opening equity (1st half 2016: 8.0% p.a.).

CORE PROFIT AND PROFIT FOR THE PERIOD DKKm	H1 2017	H1 2016	Index 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	The year 2016
Contribution income, etc.	932	878	106	473	459	457	451	444	1,785
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Other income	16	26	62	8	8	12	12	15	50
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Pre-tax profit	543	604	90	286	257	366	329	307	1,299
Tax	120	132	90	64	56	80	72	67	284
Net profit or loss for the period	423	473	90	222	201	286	257	240	1,015

¹⁾ Capital charges are included in the items 'Other net interest income' as well as 'Value adjustments, etc.' and are allocated as follows:

Interest	59	59	100	29	30	29	28	28	116
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Total capital charges	56	54	104	27	29	29	24	27	107

BUSINESS ACTIVITIES

BRFkredit's business activities are divided into two segments:

- 1) Lending activities (mortgage)
- 2) Investment portfolio earnings

LENDING ACTIVITIES (MORTGAGE)

Lending activities (mortgage) cover financial activities within the business areas Personal clients, Corporate clients and Subsidised housing. The segment also comprises a risk-free return on the own securities portfolio.

CORE PROFIT BEFORE IMPAIRMENT CHARGES AND PROVISIONS FOR GUARANTEES

In the first half of 2017, core profit before loan impairment charges and provisions for guarantees amounted to DKK 599m against DKK 563m for the first half of 2016.

Core income consists primarily of contribution income, etc. as well as brokerage and fee income from mortgage activities and amounted to DKK 1,037m in the first half of 2017 against DKK 965m in the first half of 2016.

Contribution income amounted to DKK 932m in the first half of 2017 against DKK 878m in the first half of 2016. The increase can primarily be attributed to a larger portfolio, particularly within the Personal client area.

In the first half of 2017, capital charges relating, among other things, to covered bond (SDO) and rating requirements amounted (net) to DKK 56m against DKK 54m in the first half of 2016.

In the first half of 2017, net fee and commission income amounted to DKK 116m against DKK 62m in the first half of 2016. The increase can be attributed, among other things, to increasing lending activity and the end to discounts on fees in connection with refinancing of existing loans to loans with BRFkredit in early 2017.

Value adjustments, etc. amounted to an income of DKK 7m against an income of DKK 22m in the first half of 2016. The difference of DKK 15m can be attributed to a large value adjustment of the core portfolio of bonds in the first half of 2016.

Core expenses amounted to DKK 438m in the first half of 2017 against DKK 403m in the first half of 2016. The difference can be attributed to a provision of DKK 22m relating to the organisational adjustment in May 2017, which resulted in about 60 job cuts and increased expenses of IT, etc.

LOAN IMPAIRMENT CHARGES AND PROVISIONS FOR GUARANTEES.

LOANS, ADVANCES AND GUARANTEES DKK m	H1 2017	H1 2016	Index 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	The year 2016
Loans, advances and guarantees	297,160	269,018	110	297,160	288,794	278,433	276,708	269,018	278,433
Balance of loan impairment charges and provisions for guarantees	1,240	1,418	87	1,240	1,182	1,183	1,394	1,418	1,183
Individual impairment charges and provisions for guarantees	1,037	1,085	96	1,037	1,053	1,067	1,066	1,085	1,067
Collective impairment charges and provisions for guarantees	203	332	61	203	130	116	328	332	116
Non performing loans and guarantees:									
Loans, advances and guarantees before impairment charges	9,670	9,777	99	9,670	9,700	10,120	8,811	9,777	10,120
Impairment charges	1,037	1,085	96	1,037	1,053	1,067	1,066	1,085	1,067
Loans, advances and guarantees after impairment charges	8,633	8,692	99	8,633	8,647	9,053	7,745	8,692	9,053
NPL ratio (%)	2.9	3.2	-	2.9	3.0	3.3	2.8	3.2	3.3
NPL contribution ratio (%)	10.7	11.1	-	10.7	10.9	10.5	12.1	11.1	10.5
Past due mortgage loans	661	799	83	661	654	618	1,007	799	618
Loan impairment charges and provisions for guarantees (effect on income statement)	120	-19	-	28	92	-12	-1	15	-32
Operating loss	138	40	345	27	111	228	27	12	295

Loan impairment charges and provisions for guarantees for the first half of 2017 totalled an expense of DKK 120m against an income of DKK 19m in the first half of 2016. The increase in the impairment charges can primarily be attributed to reassessment of the value of hard-to-sell mortgaged properties in the first quarter of 2017.

Relative to total loans, the effect from the impairment charges on the income statement amounted to 0.04% in the first half of 2017 against -0.01% in the first half of 2016.

The effect on the income statement can for the first half of 2017 be broken down into an expense of DKK 53m (first half of 2016: an expense of DKK 121m) on personal clients and an expense of DKK 67m (first half of 2016: an income of DKK 140m) on corporate clients.

BRFkredit's holding of assets held temporarily amounted to DKK 479m at the end of the first half of 2017 against DKK 481m at the end of 2016. Assets held temporarily are in the financial statements recognised at market value, cf. accounting policies.

BRFkredit had no exposures after deductions that accounted for more than 10% of the capital base. The concentration risk is followed closely and all large exposures are monitored on an on-going basis.

The total balance of loan impairment charges and provisions for guarantees amounted to DKK 1,240m at the end of the first half of 2017 (end of 2016: DKK 1,183m), corresponding to 0.4% of total loans. Of this, collective impairment charges amounted to DKK 203m against DKK 116m at the end of 2016.

For many years, BRFkredit has not granted loans to agriculture, forestry and market gardening. The total portfolio of loans for agriculture, etc. calculated at fair value amounted to DKK 55m (end of 2016: DKK 46m).

The arrears rate measured 90 days after the March 2017 repayment date amounted to 0.2%, i.e. an unchanged level relative to the corresponding repayment date in 2016. The arrears rate measured 15 days after the June 2017 repayment date amounted to 1.1%

against 1.0% after the June 2016 repayment date.

ARREARS RATE	June 2017	March 2017	December 2016	September 2016	June 2016	March 2016
After 90 days		0.2	0.4	0.4	0.3	0.2
After 15 days	1.1	1.1	1.1	1.1	1.0	1.1

INVESTMENT PORTFOLIO EARNINGS

Investment portfolio earnings included the return on the securities holding less a risk-free return, which was attributed to the core profit.

In the first half of 2017, investment portfolio earnings amounted to an income of DKK 64m against an income of DKK 22m in the first half of 2016.

INVESTMENT PORTFOLIO EARNINGS DKKm	H1 2017	H1 2016	Index 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	The year 2016
Net interest income, etc.	65	71	92	36	30	26	27	32	123
Value adjustments, etc.	-1	-49	2	15	14	10	-5	-1	-44
Investment portfolio earnings	64	22	287	21	44	36	21	31	80

The securities portfolio, which predominantly consisted of interest-bearing instruments, was mainly in the form of mortgage bonds with a short time to maturity and a limited interest rate sensitivity as well as financial instruments for risk hedging.

CORE PROFIT AND INVESTMENT PORTFOLIO EARNINGS

Pre-tax profit for the first half of 2017 and the first half of 2016 broken into core earnings and investment portfolio earnings is stated below:

BREAKDOWN OF PRE-TAX PROFIT	1st half of 2017				1st half of 2016			
	Core profit	Investment portfolio earnings	Reclassifi- cation	Total	Core profit	Investment portfolio earnings	Reclassifi- cation	Total
Net interest income, etc.	898	65	-2	962	856	71	-18	909
Net fee and commission income	116	-	-	116	62	-	-	62
Value adjustments, etc.	7	-1	2	8	22	-49	18	-9
Other income	16	-	-	16	26	-	-	26
Income	1,037	64	-	1,101	965	22	-	988
Expenses	438	-	-	438	403	-	-	403
Profit before loan impairment charges and provisions for guarantees	599	64	-	663	563	22	-	585
Loan impairment charges and provisions for guarantees	120	-	-	120	-19	-	-	-19
Pre-tax profit	479	64	-	543	582	22	-	604

In BRFkredit's reporting format of core profit and investment portfolio earnings, the total interest income, interest expenses and value adjustments relating to the balance principle are recognised under 'Net interest income, etc.'

MARKET RISK

Market risk is the risk of loss following movements in the financial markets (interest rate, share price and foreign currency risks). BRFkredit's market risks relate to the securities portfolio for which the interest-rate risk and the spread risk on the bond portfolio are the most important ones. BRFkredit's currency risk is limited, and the funding denominated in EUR was hedged through currency swaps. Market risks that stem from the other part of the balance sheet are modest due to the balance principle and the close correlation between loans and funding.

Interest-rate risk expresses the risk of loss following changes in interest rates corresponding to a parallel shift of the yield curve by 1 percentage point and is measured on a daily basis. BRFkredit's interest-rate instruments, etc. are chiefly placed in bonds with a short time to maturity with a limited interest-rate sensitivity.

At the end of the first half of 2017, BRFkredit's interest-rate risk calculated according to the standardised approach of the FSA came to DKK 68m. (end of 2016: DKK 33m), which is considerably below the limit defined by the Supervisory Board as well as the statutory limit.

BRFkredit's shareholding consisted solely of infrastructure shares and strategic shares outside the trading portfolio. If share prices in general fall by 10%, BRFkredit will suffer an investment loss of DKK 21m. (end of 2016: DKK 21m).

The currency positions are very modest in BRFkredit's balance sheet and amounted to 0.6% of the capital base as at 30 June 2017 (end of 2016: 1.1%).

BALANCE SHEET

At the end of the first half of 2017, BRFkredit's balance sheet amounted to DKK 318bn (end of 2016: DKK 307bn). At the end of the first half of 2017, BRFkredit's mortgage loans amounted to a nominal value of DKK 290bn (end of 2016: DKK 273bn). At the end of the first half of 2017, BRFkredit's total loans and advances amounted to a fair value of DKK 297bn (end of 2016: DKK 278bn). Equity was affected by the net profit for the period by DKK 423m and amounted then to DKK 13,235m at the end of the first half of 2017 against DKK 12,812m at the end of 2016.

SUMMARY OF BALANCE SHEET, end of period DKKm	H1 2017	H1 2016	Index 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	The year 2016
Assets / equity and liabilities	318,078	293,815	108	318,078	307,474	307,027	304,848	293,815	307,027
Mortgage loans, nominal value	290,334	262,148	111	290,334	282,355	272,690	269,243	262,148	272,690
Loans and advances, fair value	297,152	268,992	110	297,152	288,768	278,407	276,682	268,992	278,407
Issued bonds, fair value	298,044	274,631	109	298,044	287,335	285,676	284,052	274,631	285,676
Equity	13,235	12,254	108	13,235	13,013	12,812	12,511	12,254	12,812

CAPITAL STRUCTURE

The development of BRFkredit's capital and Core Tier 1 capital ratios appear from the table below. At the end of the first half of 2017, the capital and core capital ratios had fallen by 1.1 percentage point relative to the end of 2016 due to lending growth of just about DKK 19bn and also due to the fact that the current profit was not recognised in the core capital/capital base in 2016. However, BRFkredit still has a solid base compared to the Group's target.

CAPITAL AND CORE CAPITAL RATIOS, end of period	H1 2017	H1 2016	Index 17/16	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	The year 2016
Capital ratio (%)	17.9	17.8	-	17.9	18.3	19.0	18.2	17.8	19.0
Core Tier 1 Capital ratio (%)	17.9	17.8	-	17.9	18.3	19.0	18.2	17.8	19.0
Common Equity Tier 1 capital ratio (CET 1) (%)	17.9	17.8	-	17.9	18.3	19.0	18.2	17.8	19.0

If the net profit for the period was recognised in the capital base, the capital ratio would be 18.5%.

CAPITAL BASE

At the end of the first half of 2017, the Common Equity Tier 1 capital was identical with the capital base, which is unchanged compared to the situation at the end of 2016. The high proportion of Common Equity Tier 1 capital in the capital base is in line with BRFkredit's wish to have a high quality of its capital base.

CAPITAL BASE AND OVERALL RISK EXPOSURE DKKm	30 June 2017	31 December 2016
Equity	13,235	12,812
Offsetting the profit for the period	-423	-
Intangible assets	-1	-1
Prudent valuation	-21	-17
Diff. between expected loss and impairment charges (deduction)	-154	-201
Core capital/Common Equity Tier 1 capital	12,636	12,593
Capital base	12,636	12,593
Total weighted risk exposure	70,553	66,426

MINIMUM CAPITAL REQUIREMENT

Determination of the minimum capital requirement expresses the regulatory capital requirements and rests on the risk types credit, market and operational risk. BRFkredit has been approved to apply the advanced internal rating-based approach (AIRB) when determining credit risk. The approval extends to the application of advanced methods for determining the minimum capital requirement for the main part of BRFkredit's credit portfolio.

The minimum capital requirements for market and operational risks are measured according to the standardised approach.

MINIMUM CAPITAL REQUIREMENT BY RISK TYPE			
DKKm	30 June 2017	31 December 2016	
Credit risk	5,226	4,940	
Market risk	165	132	
Operational risk	253	242	
Minimum capital requirement, Pillar I	5,644	5,314	
Capital requirement, transitional provisions	3,720	3,531	
Total minimum capital requirement	9,364	8,845	

Due to the transitional rules that are still applicable and that relate to the former capital adequacy rules, the minimum capital requirement for the first half of 2017 increased by DKK 3.7bn (end of 2016: DKK 3.5bn).

INDIVIDUAL SOLVENCY REQUIREMENT AND CAPITAL BUFFER

At the end of the first half of 2017, BRFkredit calculated an individual solvency requirement of 9.3%. (end of 2016: 9.3%).

The table below shows the contribution from the individual types of risk to the adequate capital base and the individual solvency requirement.

INDIVIDUAL SOLVENCY REQUIREMENT				
DKKm	30 June 2017	% of REA	31 December 2016	% of REA
Credit risk	5,992	8.5	5,644	8.5
Market risk	290	0.4	269	0.4
Operational risk	303	0.4	262	0.4
Total	6,585	9.3	6,175	9.3

The statutory buffers are currently the SIFI buffer of 0.9% of the total risk exposure and the capital conservation buffer of 1.25% of the total risk exposure. Hence the individual solvency requirement plus statutory buffers amount to 11.5% of the total risk exposure.

The capital buffer plus earnings from operations denote the maximum sustainable loss without the need for additional capital. BRFkredit's large proportion of core capital cements the quality of the total capital.

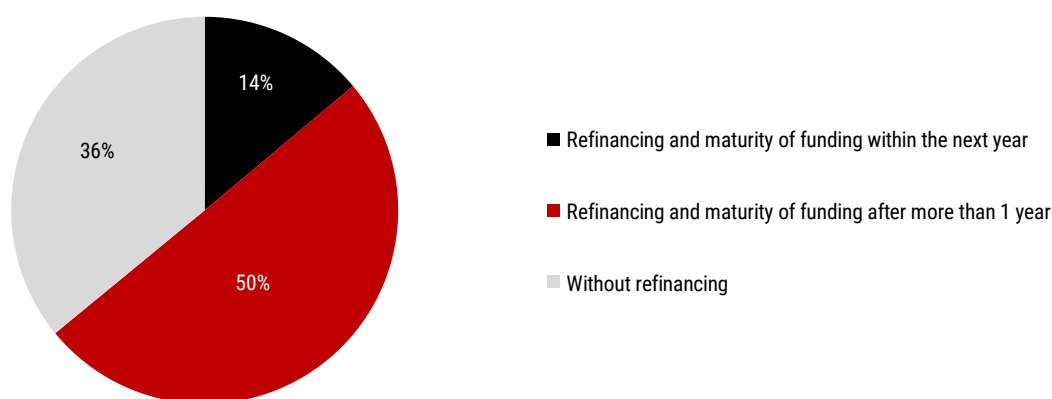
CAPITAL BUFFER				
DKKm	30 June 2017	% of REA	31 December 2016	% of REA
Capital base	12,636	17.9	12,593	19.0
a) Core capital	12,636	17.9	12,593	19.0
b) Supplementary capital less deductions	-	-	-	-
Individual solvency requirement	6,585	9.3	6,167	9.3
Individual solvency requirement plus buffers	8,102	11.5	6,989	10.5
Capital requirement, transitional provisions	9,364	13.3	8,845	13.3
Capital buffer	3,272	4.6	3,748	5.6

The capital buffer and the issued senior debt also meet the requirement of the size of the debt buffer, which when fully phased in 2020 will amount to 2% of total loans. Over the past year, the capital buffer has fallen due to increasing capital requirements.

REFINANCING

BRFkredit continues its efforts to reduce the refinancing risk on the loan portfolio. This will be achieved in consideration of the requirement that the individual series must be of such a size that, as far as possible, they meet the requirements of the most liquid assets under the LCR rules. Also, the clients will to a great extent ensure longer periods of fixed interest rates or interest rate ceilings for themselves.

A large proportion of the loans that BRFkredit financed in the first half of 2017 are based on the Cibar rate of interest and subject to an interest rate ceiling that protects the clients against large increases in interest rates for five or eight years. The borrower will achieve an overall rate of interest that is close to the rate of a one-year adjustable-rate loan. By funding these bonds with a longer time to maturity than one year, the re-financing risk is minimised, and at the same time the interest rate ceiling applicable to the client's loan will minimise the client's interest-rate risk.

BRFKREDIT'S LOAN PORTFOLIO BY TIME OF REFINANCING

The information according to Article 129(7) of the CRR on covered bonds (SDO) (among other things, disclosure of the value of the cover pool and outstanding covered bonds (SDO), geographical distribution and type of covered assets, maturity structure and loans more than 90 days past due) will be disclosed in an ECBC label template quarterly simultaneously with interim and annual reports. Please see BRF.com.

OTHER INFORMATION

RATING

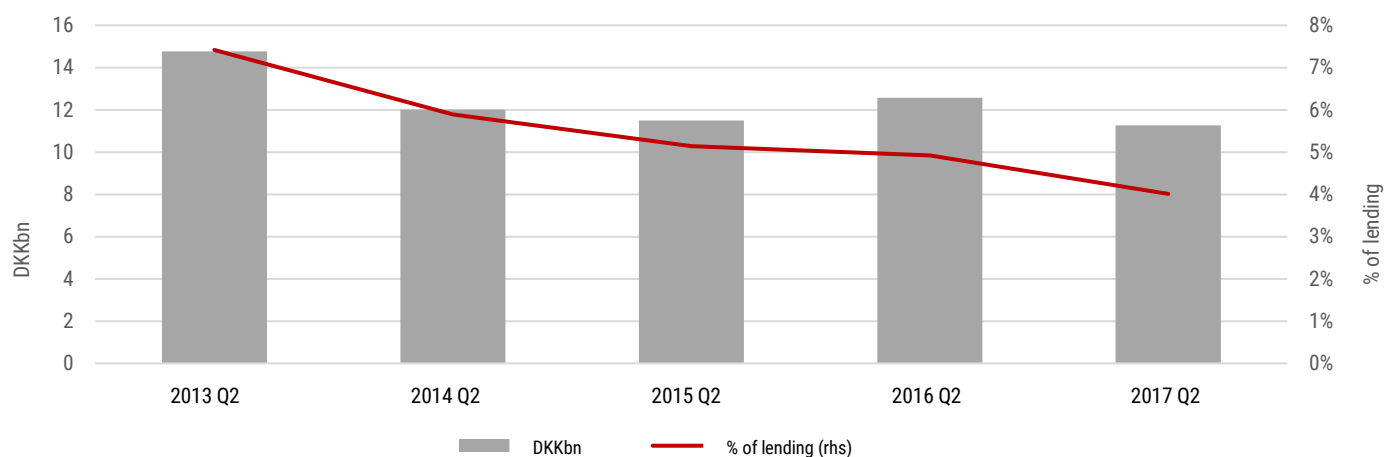
Jyske Bank and BRFkredit's joint issuer rating by Standard & Poor's (S&P) is A- (neutral outlook), and BRFkredit's bonds issued by Capital Centre E, Capital Centre B and the General Capital Centre are rated AAA (stable).

RATING		
As at 30 June 2017	Rating	Date of rating / change of rating
Covered bonds		
- issued out of Capital Centre E	AAA	17/10 2011
Mortgage credit bonds		
- issued out of Capital Centre B	AAA	17/10 2011
- issued out of the General Capital Centre	AAA	27/12 2013
Issuer rating (long-term rating)	A- ¹⁾	12/10 2011
Issuer rating (short-term rating)	A-2 ¹⁾	12/10 2011

¹⁾ On 15 November 2016, S&P confirmed BRFkredit's issuer rating at A-/stable/A-2

Standard & Poor's requirements for supplementary collateral to maintain the AAA rating was lowered in the course of the past year despite an increase in the portfolio. In addition to a general improvement of the credit quality, the lower requirements of supplementary security can be attributed to changes of methods at S&P. At the end of the first half of 2017, the rating requirement in terms of percentages of supplementary security was at the lowest level since S&P began to rate BRFkredit's bonds in 2011.

REQUIREMENT OF SUPPLEMENTARY SECURITY, STANDARD & POOR'S



THE SUPERVISORY DIAMOND FOR MORTGAGE CREDIT INSTITUTIONS

The supervisory diamond defines a number of special risk areas including specified limits that financial institutions should generally not exceed. The supervisory diamond limits applicable to BRFkredit are shown below.

THE SUPERVISORY DIAMOND - BENCHMARKS	30 June 2017	31 December 2016
	%	%
Concentration risk <100%	60.5	65.3
Increase in loans and advances <15% annually in the segment:		
- Owner-occupied home and vacation homes	14.4	15.7
- Residential rental property	9.9	6.7
- Other sectors	3.6	6.7
Borrower's interest-rate risk <25%		
- Residential property	22.0	24.2
Interest-only schemes <10%		
- Owner-occupied home and vacation homes	8.3	8.3
Loans with short-term funding:		
- Refinancing (annually) <25%	20.7	16.2
- Refinancing (quarterly) <12.5%	4.0	10.3

In the second quarter of 2017, the FSA revised its guidelines relating to the calculation of benchmarks of the supervisory diamond. This only resulted in a few changes to the benchmarks for the second quarter of 2017 and in the comparative figures for the fourth quarter of 2016.

At the end of the first half of 2017, BRFkredit a/s met all benchmarks of the supervisory diamond. On an on-going basis, BRFkredit reviews the institution's positions relative to the benchmarks.

SUPERVISORY BOARD DECISIONS

No other resolution that falls within the duty of disclosure set out in the "Rules for Issuers of Securities Listed on NASDAQ Copenhagen A/S" was adopted by the Supervisory Board during the first half of 2017.

ADDITIONAL INFORMATION

For further information, please see brf.com, which website also gives detailed financial information about BRFkredit. BRFkredit's Interim Financial Report for the first half of 2017 can be downloaded on brf.com.

CONTACT

Carsten Tirsbæk Madsen, Chief Executive Officer,
Tel. +45 45 26 28 71 or mobile +45 40 25 88 74.

STATEMENT BY THE EXECUTIVE AND SUPERVISORY BOARDS ON THE ANNUAL REPORT

We have today discussed and approved the Interim Financial Report of BRFkredit a/s for the period 1 January to 30 June 2017.

The Interim Financial Statements of BRFkredit are prepared according to the Danish Financial Business Act. Further, the Interim Financial Report was prepared in accordance with the additional Danish disclosure requirements for interim financial reports of issuers of listed bonds.

The Interim Financial Report is unaudited and has not been reviewed.

In our opinion, the Interim Financial Statements give a true and fair view of BRFkredit's financial position at 30 June 2017 and also of BRFkredit's financial performance for the period 1 January to 30 June 2017.

In our opinion, the Management's Review gives a fair presentation of the development in the company's performance and financial position, the profit for the period and the company's financial position as a whole as well as a description of the most material risks and elements of uncertainty that may affect the company.

Kgs. Lyngby, 22 August 2017

EXECUTIVE BOARD

Carsten Tirsbæk Madsen
Chief Executive Officer

Lars Waalen Sandberg
Executive Vice President

SUPERVISORY BOARD

Anders Christian Dam
Chairman

Per Skovhus
Deputy Chairman

Niels Erik Jakobsen

Laila Busted
Elected by employees

Kim Henriksen
Elected by employees

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

DKK m

Note		H1 2017	H1 2016
INCOME STATEMENT			
4	Interest income	3,300	3,460
5	Interest expenses	2,339	2,551
	Net interest income	962	909
	Dividends, etc.	2	7
6	Fees and commission income	142	99
	Fees and commission expenses	26	37
	Net interest and fee income	1,079	978
7	Value adjustment (- is an expense)	6	-11
	Other operating income	15	19
8	Employee and administrative expenses	424	390
	Amortisation, depreciation and impairment charges	3	5
	Other operating expenses	11	8
9	Loan impairment charges and provisions for guarantees (- is income)	120	-19
	Profit on investments in associates and group enterprises	2	2
	Pre-tax profit	543	604
10	Tax	120	132
	Net profit or loss for the period	423	473
	Attributable to:		
	Shareholders of BRFkredit a/s	423	473
	Total	423	473
STATEMENT OF COMPREHENSIVE INCOME			
	Net profit or loss for the period	423	473
	Comprehensive income for the period	423	473
	Attributable to:		
	Shareholders of BRFkredit a/s	423	473
	Total	423	473

BALANCE SHEET

DKKm

Note	30 June 2017	31 Dec. 2016	30 June 2016
ASSETS			
	50	75	48
	3,645	10,656	11,285
11	297,152	278,407	268,992
	15,670	16,096	11,819
	212	211	220
	102	333	330
	1	1	2
	407	412	400
	1	4	4
	406	408	396
	5	5	3
	479	481	388
12	330	327	297
	26	22	31
Total assets	318,078	307,027	293,815
EQUITY AND LIABILITIES			
Liabilities			
	265	907	481
13	298,044	285,676	274,631
	3,715	3,711	3,710
	406	282	118
14	2,369	3,569	2,522
	7	6	15
Liabilities, total	304,805	294,150	281,477
Provisions			
	5	9	20
	33	56	65
Provisions, total	37	65	84
Equity			
	1,306	1,306	1,306
	102	102	102
	49	49	36
	31	-	-
	10,799	10,799	7,594
	948	556	3,215
Equity, total	13,235	12,812	12,254
Equity and liabilities, total	318,078	307,027	293,815
OFF-BALANCE SHEET ITEMS			
	8	26	26
	19,435	19,287	20,455
Total guarantees and other contingent liabilities	19,443	19,313	20,481

STATEMENT OF CHANGES IN EQUITY

DKKm

	Share capital	Share premium	Revaluation reserve	Reserve according to equity method	Reserves in series	Retained profit	Total
Equity at 1 January 2017	1,306	102	49	-	10,799	556	12,812
Net profit or loss for the period	-	-	-	-	-	423	423
Transferred from Retained profit	-	-	-	31	-	-31	-
Comprehensive income for the period	-	-	-	31	-	393	423
Equity at 30 June 2017	1,306	102	49	31	10,799	948	13,235
Equity at 1 January 2016	1,306	102	36	-	7,594	2,743	11,781
Net profit or loss for the period	-	-	-	-	-	473	473
Comprehensive income for the period	-	-	-	-	-	473	473
Equity at 30 June 2016	1,306	102	36	-	7,594	3,215	12,254

CAPITAL STATEMENT

DKKm

	30 June 2017	31 Dec. 2016	30 June 2016
Equity	13,235	12,812	12,254
Offsetting the profit for the period	-423	-	-
Intangible assets	-1	-1	-2
Difference between expected loss and the carrying amount of impairment charges	-154	-201	-166
Prudent valuation	-21	-17	-97
Common Equity Tier 1 capital / Core capital	12,636	12,593	11,989
Capital base	12,636	12,593	11,989
Weighted risk exposure involving credit risk etc.	65,327	61,751	62,085
Weighted risk exposure involving market risk	2,061	1,649	2,073
Weighted risk exposure involving operational risk	3,165	3,026	3,026
Total weighted risk exposure	70,553	66,426	67,184
Capital requirement, Pillar I	5,644	5,314	5,375
Capital requirement, transitional provisions	3,720	3,531	3,100
Capital requirement, total	9,364	8,845	8,475
Capital ratio (%)	17.9	19.0	17.8
Core Tier 1 Capital ratio (%)	17.9	19.0	17.8
Common Equity Tier 1 capital ratio (%)	17.9	19.0	17.8

On 30 June 2017, the total weighted risk exposure according to Basel I amounted to DKK 146,320m (31.12.2016: DKK 138,201m) for the BRFkredit Group. The capital requirement according to the transitional provisions was for 80% of the capital requirement of 8% of the total weighted risk exposure corresponding to DKK 9,364m. At the end of 2016, the transitional provisions resulted in a capital requirement of DKK 8,845m for BRFkredit. The transitional rules applying to total weighted risk exposure will still apply in the coming years.

For further information on the individual solvency requirement, see the section in the management's review on "Individual solvency requirement and capital buffer".

NOTES

1 Accounting Policies

As of the second quarter of 2017, BRFkredit is no longer under the obligation to prepare consolidated financial statements and will therefore in future only publish the financial statements of the parent company.

The Interim Financial Report for the period 1 January - 30 June 2017 for BRFkredit a/s was prepared according to the Danish Financial Business Act as well as the relevant accounting rules in compliance with IFRS. Furthermore, the Interim Financial Report was prepared in accordance with the additional Danish disclosure requirements for the interim reports of listed financial undertakings.

Moreover, the accounting policies are identical to those applied to and described in detail in the Annual Report 2016.

At the time of publication of this Interim Financial Report, a number of new or amended rules and interpretations had not come into force. The most important one of these amendments is the implementation of IFRS 9 in the Danish Executive Order on the Preparation of Financial Statements. In the following are set out the standards which are expected to have a material effect on the financial reporting of the company.

IFRS 9 on financial assets covers classification and measurement of financial assets and liabilities, impairment of financial assets as well as hedge accounting. The IASB completed the IFRS 9 in July 2014, and subsequently the standard has been approved by the EU. Compared to the current standard, IFRS 9 will, among other things, entail earlier recognition of loan impairment charges, etc. at amortised cost, as already at the time of the first recognition, impairment charges corresponding to the expected credit loss over 12 months must be recognised. If, subsequently, the probability of loss on the loan increases materially, the expected credit loss over the term must under certain circumstances be recognised. BRFkredit recognises loans and advances at fair value calculated according to IFRS 13. It is expected that adjustments relating to credit risk will be brought in line with the rules in IFRS 9 on impairment of loans at amortised cost. IFRS 9 replaces IAS 39 and will take effect on 1 January 2018. It is expected that corresponding amendments to the Danish Executive Order on the Preparation of Financial Statements will also take effect as of 1 January 2018.

Development efforts are made in the Jyske Bank Group with a view to developing a joint impairment model for all entities in the Group, including BRFkredit. The model will be based on the Jyske Bank Group's approved advanced risk management set-up, adjusted to IFRS 9 in a number of specific areas.

It is not possible at this point in time to make a reasonable assessment of the accounting outcome of the first application of IFRS 9 as regards the rules on impairment. In general, it is to be expected that the new impairment rules will, on the whole, result in increased impairment charges and hence a larger provisions account, as it is generally expected that impairment charges will be recognised at an earlier time.

2 Material accounting estimates

Measurement of the carrying value of certain assets and liabilities requires the management's estimate of the influence of future events on the value of such assets and liabilities. Estimates of material importance to the financial reporting are, among other things, based on the impairment of loans and advances and also assets in temporary possession, cf. the detailed statement in the Annual Report 2016. The estimates are based on assumptions which management finds reasonable, but which are inherently uncertain. Besides, the Group is subject to risks and uncertainties which may cause results to differ from those estimates.

The financial statements reflect adjusting events until 22 August 2017.

	30 June 2017	31 Dec. 2016	30 June 2016
3 Financial ratios and key figures			
Capital ratio (%)	17.9	19.0	17.8
Core Tier 1 Capital ratio (%)	17.9	19.0	17.8
Return on equity (average) before tax for the period (%)	4.2	10.6	5.0
Return on equity (average) after tax for the period (%)	3.3	8.3	3.9
Income/cost ratio (%)	2.0	2.6	2.6
Currency position (%)	0.6	1.1	1.1
Accumulated impairment ratio (%)	0.4	0.4	0.5
Impairment ratio for the period (%)	0.04	-0.01	-0.01
Increase in loans and advances for the period (%)	6.5	10.0	5.7
Loans relative to equity	22.5	21.7	22.0
Return on capital employed	0.1	0.3	0.2

NOTES - cont.

DKK m

	H1 2017	H1 2016
4 Interest income		
Due from credit institutions and central banks ¹⁾	-0	-2
Loans and advances	2,382	2,600
Contribution	836	804
Bonds	114	137
Derivatives, interest-rate and currency contracts	51	7
Other interest income	0	0
Interest income before offsetting of interest against own bonds	3,382	3,545
Interest on own bonds, set off against interest on issued bonds	81	85
Total	3,300	3,460
¹⁾ of which interest income on reverse repos carried under "Due from credit institutions and central banks"	-0	-0
5 Interest expenses		
Due to credit institutions and central banks ¹⁾	11	12
Issued bonds	2,384	2,592
Other interest expenses	25	32
Interest expenses before offsetting of interest against own bonds	2,420	2,636
Interest on own bonds, set off against interest on issued bonds	81	85
Total	2,339	2,551
¹⁾ Of which interest expenses on repo carried under "Due to credit institutions and central banks"	-0	-0
6 Fees and commission income		
Securities trading and custody services	101	60
Loan management fees	41	38
Other fees and commissions	0	0
Total	142	99
7 Value adjustment (- is an expense)		
Mortgage loans	1,233	3,806
Other loans, advances and receivables at fair value	0	6
Bonds	55	67
Shares, etc.	1	4
Investment properties	0	-
Currency	0	-1
Currency, interest-rate and other contracts as well as other derivatives	-222	57
Issued bonds	-1,062	-3,949
Total	6	-11
Value adjustment of the balance principle brought a total income of DKK 2m (2016: DKK -3m), resulting from a net value adjustment of the following items: Mortgage loans by DKK +1,233m (DKK +3,806m), issued mortgage bonds by DKK -1,062m (DKK -3,949m) and derivatives by DKK -169m (DKK +140m), recognised under "Currency, interest-rate and other contracts as well as other derivatives".		

NOTES - cont.

DKK m

	H1 2017	H1 2016
8 Employee and administrative expenses		
Employee expenses		
Wages and salaries, etc.	240	219
Pensions	25	26
Payroll tax	30	32
Social security	1	0
Total	296	277
Salaries and remuneration to the Executive Board and Supervisory Board		
Executive Board	3	3
Supervisory Board	0	0
Total	3	4
Other administrative expenses		
IT	49	44
Rent, lighting, heating, etc.	15	12
Other administrative expenses	61	53
Total	125	110
Total	424	390
9 Loan impairment charges and provisions for guarantees (- is income)		
Balance of loan impairment charges and provisions, beginning of period	1,183	1,425
Loan impairment charges/provisions for the period	137	18
Recognised as a loss, covered by impairment charges/provisions	-80	-25
Balance of loan impairment charges and provisions, end of period	1,240	1,418
Mortgage loan impairment charges	1,151	1,398
Impairment charges on other loans and receivables, etc.	89	19
Balance of loan impairment charges and provisions, end of period	1,240	1,418
Loan impairment charges/provisions for the period	137	18
Recognised as a loss, not covered by individual loan impairment charges/provisions	59	15
Recoveries	-76	-52
Net effect on income statement	120	-19
Individual loan impairment charges, beginning of period	1,067	1,070
Loan impairment charges for the period	50	40
Recognised as a loss, covered by impairment charges/provisions	-80	-25
Individual loan impairment charges, end of period	1,037	1,085
Collective loan impairment charges, beginning of period	116	355
Loan impairment charges for the period	87	-22
Collective loan impairment charges, end of period	203	332
Of 'Recognised as a loss, not covered by individual loan impairment charges/provisions', the value adjustment of properties acquired in previous financial years amounted to DKK 17m (2016: DKK +7m), and operating profit on properties during the period of foreclosure DKK -4m (DKK -2m).		
10 Tax		
Effective tax rate		
Corporation tax rate in Denmark	22.0	22.0
Non-taxable income and non-deductible expenses, etc.	0.1	-0.2
Total	22.1	21.8

NOTES - cont.

DKK m

	30 June 2017	31 Dec. 2016	30 June 2016
11 Loans and advances at fair value			
Mortgage loans, nominal value	290,334	272,690	262,148
Adjustment for interest-rate risk, etc.	7,430	6,171	7,559
Adjustment for credit risk	-1,151	-1,076	-1,398
Mortgage loans at fair value	296,613	277,785	268,309
Arrears and outlays	66	98	166
Other loans and receivables	474	524	517
Total	297,152	278,407	268,992

Of 'Arrears and outlays', arrears before impairment charges amounted to DKK 64m (31.12.2016: DKK 111m).

Mortgage loans at fair value broken down by property category

Owner-occupied homes	151,778	137,563	132,345
Vacation homes	7,451	6,920	6,804
Subsidised housing (rental housing)	49,342	48,754	47,398
Cooperative housing	15,652	15,371	15,325
Private rental properties (rental housing)	34,158	32,108	29,547
Industrial properties	1,229	1,260	1,353
Office and business properties	33,156	32,252	32,434
Agricultural properties, etc.	55	46	50
Properties for social, cultural and educational purposes	3,724	3,437	2,982
Other properties	69	75	72
Total	296,613	277,785	268,309

12 Other assets

Positive fair value of derivatives	56	87	156
Interest and commission receivable	47	53	63
Loan applications in process	199	148	65
Other assets	28	39	13
Total	330	327	297

13 Issued bonds at fair value

Issued mortgage bonds, nominal value	315,996	327,400	277,950
Adjustment to fair value	7,249	6,357	7,730
Own mortgage bonds, fair value	-25,201	-48,082	-11,049
Total	298,044	285,676	274,631

14 Other liabilities

Negative fair value of derivatives	459	358	252
Interest and commission payable	1,634	2,407	1,839
Other liabilities	276	804	431
Total	2,369	3,569	2,522

NOTES - cont.

DKKkm

	30 June 2017	31 Dec. 2016	30 June 2016
15 Off-balance sheet items			
Guarantees, etc.			
Other guarantees	8	26	26
Total	8	26	26

Other guarantees include other forms of guarantees at varying degrees of risk. The risk involved is deemed to be less than the risk involved in credit facilities subject to flexible drawdown.

Other contingent liabilities, etc.

Irrevocable credit commitments	19,373	19,235	20,390
Other contingent liabilities	63	52	65
Total	19,435	19,287	20,455

Irrevocable credit commitments relate materially to the obligation to pay out loans according to offers for mortgage loans with a term of up to six months made by BRFkredit (the term may be longer within the subsidised housing sector). All offers were made in accordance with BRFkredit's credit policy and constitute a customary part of the process of paying out mortgage loans. However, in the event that a client is subsequently registered with the RKI debtor register, etc., BRFkredit shall not be bound by the loan offer.

16 Related parties

BRFkredit has debit/credit balances, including bank accounts etc., with a number of its related parties. Transactions between related parties are characterised as ordinary financial transactions and services of an operational nature. Transactions with related parties were executed on an arm's length basis or at cost.

The subsidiary Investeringsselskabet af 18. maj 2015 a/s was dissolved through a declaration in March 2017. In that connection, the company's net assets, chiefly operating cash, were transferred to BRFkredit a/s.

Over the period 1 January to 30 June 2017, no other unusual related party transactions took place. Please see BRFkredit's Annual Report 2016 for a detailed description of transactions with related parties.

NOTES - cont.

DKKkm

	30 June 2017	31 Dec. 2016	30 June 2016
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17 Contractual time to maturity

Assets**Due from credit institutions and central banks**

Demand deposits	241	801	481
Up to 3 months	3,404	9,855	10,804
Over 3 months and up to 1 year	-	-	-
Over 1 year and up to 5 years	-	-	-
Over 5 years	-	-	-

Total	3,645	10,656	11,285
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Loans and advances at fair value

Up to 3 months	1,828	2,200	1,867
Over 3 months and up to 1 year	6,975	6,491	6,246
Over 1 year and up to 5 years	34,325	33,946	32,662
Over 5 years	254,024	235,770	228,217

Total	297,152	278,407	268,992
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Bonds at fair value

Up to 3 months	2,620	5,890	2,204
Over 3 months and up to 1 year	4,434	4,228	3,510
Over 1 year and up to 5 years	8,538	5,889	6,014
Over 5 years	78	90	92

Total	15,670	16,096	11,819
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Liabilities**Due to credit institutions and central banks**

Demand deposits	254	115	301
Up to 3 months	12	792	180
Over 3 months and up to 1 year	-	-	-
Over 1 year and up to 5 years	-	-	-
Over 5 years	-	-	-

Total	265	907	481
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Issued bonds at fair value ¹⁾

Up to 3 months	3,741	5,722	925
Over 3 months and up to 1 year	42,213	28,041	34,393
Over 1 year and up to 5 years	131,652	140,935	142,578
Over 5 years	120,438	110,977	96,735

Total	298,044	285,676	274,631
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Issued bonds at amortised cost

Up to 3 months	-	-	-
Over 3 months and up to 1 year	3,715	-	-
Over 1 year and up to 5 years	-	3,711	3,710
Over 5 years	-	-	-

Total	3,715	3,711	3,710
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The above amounts are exclusive of interest.

¹⁾ The cash flow imbalance between mortgage loans (the main item of "Loans and advances at fair value") and "Issued bonds at fair value" is due to the fact that 30-year adjustable rate mortgage loans (ARM) are funded by bonds with maturities of 1-10 years.