

'08

# Annual Report

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## BRFkredit Group in brief \*

### Mission

BRFkredit offers customers financial solutions and other services related to real property.

BRFkredit, a mortgage credit institution owned by a foundation, must

- guarantee inexpensive mortgage financing
- assure bondholders that their investments are safe.

### Vision

- that borrowers experience BRFkredit's sales and advisory services as the simplest in the market and BRFkredit's products and prices among the most competitive
- that bond investors believe that, by buying BRFkredit bonds, they make an investment that will give them a competitive return
- that business partners find that BRFkredit's products are easy to distribute and provide value-added benefits to procedures and customers
- that employees perceive BRFkredit as a healthy and attractive place of work.

\* BRFkredit Group simply referred to as BRFkredit

# Five-year summary of BRFkredit

Amounts in DKK million

## Core earnings/earnings from investment portfolios and profits or losses for the year

	2008	2007	2006	2005	2004
Core income from lending operations etc.	1,122	1,050	923	926	829
Core income from securities	488	482	380	350	262
<b>Total core income</b>	<b>1,610</b>	<b>1,532</b>	<b>1,303</b>	<b>1,276</b>	<b>1,091</b>
Operating expenses, depreciation and amortisation	917	852	810	744	703
<b>Core earnings before impairment</b>	<b>693</b>	<b>680</b>	<b>493</b>	<b>531</b>	<b>388</b>
Loan losses and impairment charges (- signifies an income)	647	56	-129	-81	-126
<b>Core earnings</b>	<b>46</b>	<b>624</b>	<b>622</b>	<b>613</b>	<b>514</b>
Earnings from investment portfolios	-621	106	119	152	-33
<b>Profit or loss before tax</b>	<b>-575</b>	<b>730</b>	<b>741</b>	<b>765</b>	<b>480</b>
Tax (- signifies an income)	-75	142	170	107	106
<b>Net profit or loss for the year</b>	<b>-500</b>	<b>588</b>	<b>572</b>	<b>657</b>	<b>374</b>

## Summary balance sheet

	2008	2007	2006	2005	2004
Lending	213,909	192,834	178,498	164,011	145,067
Bonds and shares etc.	11,253	13,251	9,804	25,116	44,229
Other assets	8,676	8,861	13,097	18,888	21,446
<b>Total assets</b>	<b>233,838</b>	<b>214,946</b>	<b>201,399</b>	<b>208,015</b>	<b>210,742</b>
Issued bonds <sup>1)</sup>	186,979	192,893	179,474	185,277	184,870
Other liabilities	36,469	11,006	11,551	13,028	16,843
Equity	10,390	11,047	10,374	9,710	9,029
<b>Total liabilities and equity</b>	<b>233,838</b>	<b>214,946</b>	<b>201,399</b>	<b>208,015</b>	<b>210,742</b>

<sup>1)</sup> In 2008 and 2007 the portfolio of own mortgage bonds, representing an amount of DKK 75 billion and DKK 53 billion, respectively, was set off against issued bonds.

## Selected key figures and ratios

	2008	2007	2006	2005	2004
Earnings per unit of cost (DKK)	0.64	1.80	2.08	2.14	1.82
Growth in lending during the year	9.2	10.9	11.5	11.2	3.0
Loan-to-equity ratio	20.6	17.5	17.2	16.9	16.1
Gross new lending (outstanding bond loans), DKK million	38,348	43,785	46,618	69,458	36,755
Number of new loans	17,600	21,900	29,600	45,900	29,700
Arrears percentage at end of year	1.85	0.19	0.07	0.10	0.65
Impairment ratio for the year	0.3	0.0	-0.1	0.0	-0.1
Administrative expenses, depreciation and amortisation as pc of average loan portfolio	0.44	0.45	0.47	0.49	0.49
Solvency ratio	12.3	12.6	12.5	13.3	14.1
Core capital ratio	12.3	10.9	10.8	11.5	12.1
Return on equity before tax	-5.4	6.8	7.4	8.2	5.4
Return on equity after tax	-4.7	5.5	5.7	7.0	4.2
Series reserve funds, DKK million.	8,091	8,716	8,322	6,977	5,048
Share capital and other reserves, DKK million	2,299	2,331	2,052	2,733	3,981
Equity, DKK million	10,390	11,047	10,374	9,710	9,029
Own funds (tier 1 + tier 2), DKK million	10,085	12,532	11,858	11,193	10,519
Foreign exchange position, pc	3.8	2.7	2.0	1.6	1.5

## Management's review

On 24 February 2009, the Supervisory Board approved the financial statements of BRFkredit for the year ended 31 December 2008.

BRFkredit generated a pre-tax loss for 2008 of DKK 575 million, against a profit of DKK 730 million in 2007. This represented a negative return on equity before tax of 5.4 pc per annum. BRFkredit came out of 2008 with a net loss of DKK 500 million, against a net profit of DKK 588 million in 2007.

At the time of the publication of the interim report for 2008, BRFkredit anticipated core earnings in the order of DKK 450-500 million. Actual core earnings closed at DKK 46 million. This

earnings performance reflects the quite exceptional conditions that prevailed and still prevail in the financial markets and in society at large as well as the fact that BRFkredit's activities are concentrated on lending to the property market. Thus, the decline in core earnings can primarily be ascribed to higher loan losses and impairment charges in the fourth quarter of 2008.

In 2008 BRFkredit repaid subordinated loan capital of DKK 1.5 billion.

After inclusion of net loss for the year, the solvency ratio at 31 December 2008 was 12.3 pc. Likewise, the core capital ratio was 12.3 pc at end-2008.

### THE SUPERVISORY BOARD SAYS

'2008 was dominated by significant economic disruption, which affected the entire financial sector. Our performance for 2008 reflects the turmoil in the capital markets and the general economic situation, and the period ahead is expected to be difficult, as well. BRFkredit runs a fundamentally healthy business with solid earnings and a solvency ratio considerable above the statutory requirement. BRFkredit is therefore well positioned to address the challenges of the future.'



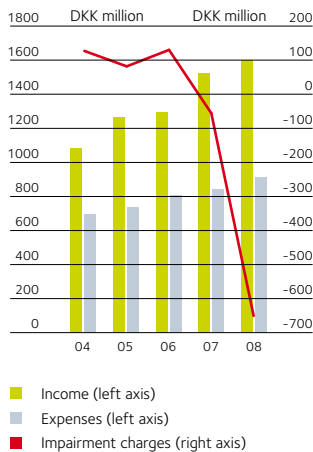
*Sven A. Blomberg, CEO*

*Carsten Tirsbæk Madsen, Executive Vice President*

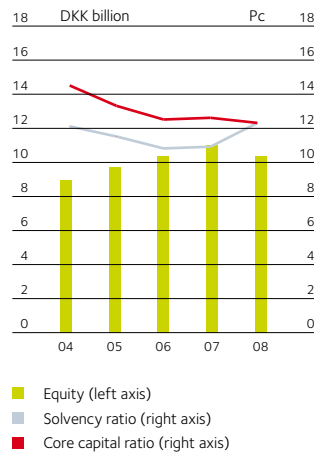
## SUMMARY FINANCIAL PERFORMANCE 2008

- Portfolio growth of DKK 17.4 billion to DKK 212.1 billion in 2008
- Expanding market share compared with 2007
- Core income up by DKK 78 million to DKK 1,610 million, against DKK 1,532 million in 2007
- Rise in costs and expenses from DKK 852 million in 2007 to DKK 917 million in 2008
- Loan losses and impairment charges of DKK 647 million, equivalent to 0.3 pc of total lending This broke down into realised losses etc. of DKK 22 million, impairment charges on individually assessed loans of DKK 451 million and impairment charges on groups of loans of DKK 174 million.
- Core earnings of DKK 46 million in 2008, down from DKK 624 million in 2007
- Earnings from investment portfolios were negative at DKK 621 million, against positive earnings of DKK 106 million in 2007. The decline can be ascribed to the massive turmoil in the financial markets, which generated unrealised capital losses on shares, bonds and financial instruments for hedging purposes
- BRFbank joined Denmark's Bank Rescue Package 1. The expenses for this came to DKK 18 million in 2008

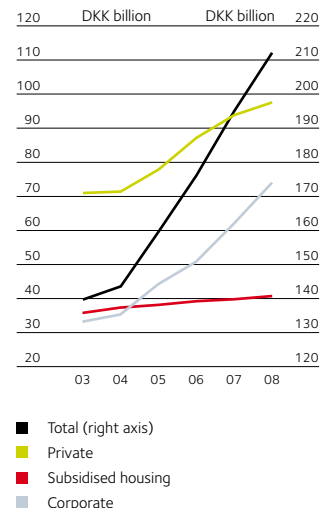
### Income and expenses



### Equity and solvency ratio



### Movements in portfolio



## BRFKREDIT'S SEGMENTS

BRFkredit comprises BRFkredit a/s (Parent Company), BRFbank a/s, Ejendomsselskabet Nørreport 26, 8000 Århus C. A/S and Ejendomsselskabet Nørgaardsvej 37-41, 2800 Lyngby A/S.

BRFkredit's business activities fall into two segments:

- 1) Mortgage lending etc.
- 2) Portfolio management

## MORTGAGE LENDING ETC.

Mortgage lending etc. comprises financial activities in the business areas of private customers, corporate customers and subsidised housing as well as the activities of BRFbank. The segment also comprises a risk-free return on the proprietary investment portfolio.

Core earnings of 'Mortgage lending etc.' was at DKK 46 million in 2008, against DKK 624 million in 2007.

Core earnings are made up as follows:

### Income from lending operations etc.

Income from lending operations primarily consists of income from commissions and brokerage, fees and charges from mortgage operations as well as income from bank lending.

Income from commissions was positively influenced by an expanding portfolio and came to DKK 857 million in 2008, up from DKK 780 million in 2007. Brokerage, fees and charges (net) totalled DKK 62 million in 2008, down from DKK 107 million in 2007. The decline in brokerage, fees and charges was mainly associated with the falling activity level.

### Core income from securities

Core income from securities, which comprises a risk-free return on the proprietary investment portfolio and other interest income, amounted to DKK 488 million in 2008, up from DKK 482 million in 2007. Risk-free return came to DKK 418 million in 2008, against DKK 362 million in 2007.

### Operating expenses, depreciation and amortisation

Operating expenses, including depreciation and amortisation, were up from DKK 852 million in 2007 to DKK 917 million in 2008. The increase can mainly be ascribed to the recruitment of new staff for administrative functions, development activities and the accrual of the holiday pay obligation. The expense ratio edged down from 0.45 pc in 2007 to 0.44 pc in 2008.

### Loan losses and impairment charges

As a result of falling property prices, loan impairment charges increased in 2008. Loan losses and impairment charges reduced earnings by DKK 647 million in 2008, against a negative contribution of DKK 56 million in 2007.

Loan losses and impairment charges for the year broke down into impairment charges on individually assessed loans of DKK 451 million, impairment charges on groups of loans of DKK 174 million and realised losses etc. of DKK 22 million.

The balance of total impairment charges at 31 December 2008 was DKK 779 million, equivalent to about 0.4 pc of total lending.

## PORTFOLIO MANAGEMENT

Earnings from investment portfolios comprise total returns on the securities portfolio net of risk-free returns, which are transferred to core earnings.

Total investment returns were negative to the tune of DKK 203 million in 2008, against positive returns of DKK 467 million in 2007. The negative investment returns in 2008 were attributable to the plummeting share prices and a lower return on fixed-income instruments as a result of widening spreads between government bond yields and mortgage bond yields as well as between Danish and European yields. Interest-rate risk on BRFkredit's fixed-income instruments was in the range of 1 pc to 2.5 pc of own funds in 2008, equivalent to interest-rate risk between DKK 100 million and DKK 250 million.

At the close of 2008, BRFkredit's securities portfolio comprised fixed-income instruments, primarily mortgage bonds, as well as financial derivatives such as futures, options and swaps for risk-hedging purposes. In addition, BRFkredit had DKK 0.8 billion worth of shares, predominantly made up of shares from the C20 Index and other Danish shares listed on OMX Nordic Exchange Copenhagen.

## Mortgage lending etc.

DKK million	2008	2007
<b>Core income</b>		
Income from lending operations etc.	1,122	1,050
Core income from securities	488	482
Total core income	1,610	1,532
Operating expenses, depreciation and amortisation	917	852
Core earnings before impairment	693	680
Loan losses and impairment charges	647	56
Core earnings	46	624

## BRFkredit's segmental financial statements 2008

DKK million	Mortgage lending etc.	Portfolio management	Total
<b>Core income</b>			
Core income from lending operations etc	1,122		
Core income from securities	488		
Total core income	1,610		
Operating expenses, depreciation and amortisation	917		
Core earnings before impairment	693		
Loan losses and impairment charges	647		
Core earnings	46		
Earnings from investment portfolios		-621	
<b>Profit or loss before tax</b>			<b>-575</b>
Tax (- signifies an income)			-75
<b>Net profit or loss for the year</b>			<b>-500</b>

In common with other financial institutions, BRFkredit presents its portfolio management performance by way of core earnings and earnings from investment portfolios. Core earnings are calculated as the risk-free returns on the securities portfolio. Risk-free returns, determined on the basis of a short-term, average money-market rate, were DKK 418 million in 2008.

Earnings from investment portfolios in 2008 can subsequently be calculated as total investment returns (negative DKK 203 million) less risk-free returns of DKK 418 million, which amount is transferred to core earnings. Earnings from investment portfolios were therefore negative at DKK 621 million in 2008, against positive earnings of DKK 106 million in 2007. Tax on profit or loss for the year was an income of DKK 75 million, against a tax expense of DKK 142 million in 2007. The effective tax rate was 13.0 pc. The 12 pc difference between this rate and the corporation tax rate of 25 pc is primarily rooted in capital losses on shares, as BRFkredit is not liable to capital gains tax on shares held for more than three years. Similarly, losses on shares held for more than three years are not deductible or are only deductible against capital gains.

### BALANCE SHEET TOTAL, EQUITY AND SOLVENCY

- BRFkredit had a balance sheet total of DKK 234 billion at 31 December 2008, against DKK 215 billion at the close of 2007. BRFkredit's mortgage lending rose by a nominal amount of DKK 17.4 billion to DKK 212.1 billion during 2008. BRFkredit's total lending measured at carrying amount was DKK 213.9 billion at 31 December 2008, up from DKK 192.8 billion at the end of 2007. Equity at year-end was DKK 10.4 billion.
- The solvency ratio was 12.3 pc at end-2008, against 12.6 pc at end-2007. Own funds (tier 1 + tier 2 capital) thus exceeded the statutory requirement by an amount of DKK 3.5 billion. If computed exclusively on the basis of core (tier 1) capital, the sol-

vency ratio at end-2008 was 12.3 pc, equalling an amount of DKK 3.6 billion above the statutory requirement. The solvency ratio was negatively affected by the repayment of subordinated loan capital of EUR 200 million (about DKK 1.5 billion) on 20 October 2008.

- In December 2008, BRFkredit obtained the Financial Supervisory Authority's approval to use the advanced Internal Ratings Based (IRB) approach for determining the capital requirement for credit risk with effect from 31 December 2008. The adoption of internal rating models for credit risk measurement reduced BRFkredit's capital requirement by DKK 2.3 billion at end-2008, compared with risk weighting under the standardised approach. The Group will not gain the full benefit of the capital requirement reduction from day one, however, as Danish legislation contains transitional rules limiting the reduction allowed for the initial two-year period. In 2008, own funds must account for at least 90 pc of the capital requirement calculated under the standardised approach before the CRD directive was implemented into Danish law. The transitional rules will be eased even further in 2009 when the reduction in regulatory capital is limited to 80 pc, and no limit will apply from 1 January 2010.

### Portfolio management

DKK million	2008	2007
<b>Investment returns</b>		
Return on fixed-income instruments	93	305
Return on shares	-296	162
<b>Total investment returns</b>	<b>-203</b>	<b>467</b>
Risk-free returns	-418	-362
Earnings from investment portfolios	-621	106









## Advisory services – what does the law say?

Like other mortgage credit institutions, BRFkredit is governed by extensive and detailed rules on advisory services. The objective of the rules is to provide customers with knowledge enabling them to make well-informed choices on how to finance their homes.

Mortgage credit institutions must comply with both Danish and European rules and standards in terms of advisory services. Advisory services must be relevant, true and fair and exhaustive at the same time as safeguarding customer interests and providing customers with a solid basis for decisions. BRFkredit customers are to receive different types of information such as information about BRFkredit, loan types, costs and terms of prepayment and redemption.

In 2007, the Executive Order on Good Business Practice for Financial Undertakings introduced new rules on advisory services in connection with loans secured by real property. The new rules mean that BRFkredit needs information about a customer's financial situation, experience, risk profile and expectations for the term of the loan. Moreover, the customer is to receive a large amount of information about the important properties of the loan, the annual percentage rate, terms of prepayment and redemption, possibilities and costs of remortgaging or extraordinary repayments as well as BRFkredit's price terms. This information is included in an advice sheet, which is submitted to the customer. The customer must acknowledge receipt of the advice sheet in writing before the agreement is entered into.

The sheet was introduced after a political debate about covered bonds. The objective of the sheet was to ensure that customers receive the information required – and thus to strengthen advisory services.

Rules on advisory services  
ensure that customers can make  
well-informed choices



## Performance against expectations

At the time of the publication of the financial statements for 2007, BRFKredit forecast core earnings for 2008 in the order of DKK 450–500 million. When the interim financial statements for 2008 were published, the forecast of full-year core earnings was maintained at DKK 450–500 million.

Actual core earnings closed at DKK 46 million and, thus, fell short of expectations, primarily as a consequence of higher loan losses and impairment charges in the fourth quarter of 2008.

### OUTLOOK FOR 2009

Mortgage lending activity in 2009 is expected to be down from the level of 2008. Falling property prices and a slowdown in economic activity are forecast to weaken the market for top-up loans and change-of-ownership loans. On the other hand, falling interest rates could pull in the opposite direction and stimulate refinancing activity.

Total core income for 2009 is forecast to be down on 2008. Costs, expenses, depreciation and amortisation are expected

to rise moderately from the level of 2008. Loan losses and impairment charges are predicted to be high as a consequence of continuously falling property prices and a slowdown in economic activity. Given these circumstances, earnings performance for 2009 will depend on developments in the financial markets and general economic climate, but BRFKredit expects to deliver an improved performance over 2008.

# The mortgage market

## THE FINANCIAL CRISIS

2008 was a year dominated by the financial crisis. The crisis, the worst since the 1930s, reflects the increasing international nature of the financial markets as the turmoil emerged from the US subprime mortgage market. However, the crisis quickly developed into a situation of distrust, which caused the freezing of the international money markets. This mainly affected banks and their possibilities of raising liquidity. The crisis soon spread like wildfire and has now snowballed into a global economic recession. The reactions to the frozen markets were partly that several well-known international banks needed state subsidies or were directly nationalised, partly that the crisis resulted in general loss of trust and confidence in the financial markets.

## THE SOLUTION WAS RESCUE PACKAGES

The international solution to the pending crisis was rescue packages for the financial sector. The starting point for offering rescue packages was to provide security for bank customers' deposits and to acquire securities. The latter part of the solution has primarily been a foreign solution. Moreover, the reaction from all western central banks was massive interest rate cuts - a trend that is assumed to continue in 2009. The Danish Parliament enacted the 'Bank Rescue Package', under

which the central government guarantees deposits and senior debt against the provision of a guaranteed payment from the banks of up to DKK 35 billion. BRFbank participates in the scheme whereas the 'Bank Rescue Package' does not apply to mortgage credit institutions. In 2008 the Danish Parliament also adopted the 'Stability Package', which was primarily targeted at the life and pensions industry, but indirectly contributed liquidity to the bond market. The 'Credit Package', enacted in February 2009, concerns both banks and mortgage credit institutions. The 'Credit Package' opens up an opportunity for injection of hybrid core capital while allowing mortgage credit institutions to issue junior covered bonds with a state guarantee and senior debt against payment of commissions on guarantees to the state. BRFkredit has as yet not decided whether or not it will make use of

the opportunities of the Credit Package. With a core capital ratio of 12.3 pc, BRFkredit already satisfies the intention of the Credit Package as far as solvency is concerned.

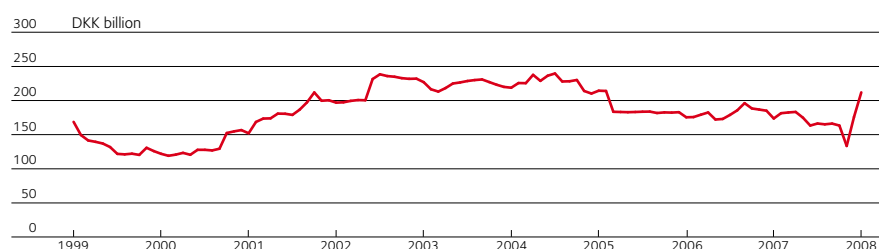
## DENMARK DOUBLE AFFECTED BY CRISIS

Denmark was affected extra hard by the financial crisis as a consequence of the fixed exchange rate policy against the euro. The Danish currency came under pressure because various investors sold off their shares and shifted into safer government bonds. This provoked a capital outflow from Denmark to other countries, and Denmark's Nationalbank was therefore forced to raise its policy rate more than once and, in that manner, widen the yield spread to the euro region substantially. When the situation reached its most critical point,

## BRFkredit's lending activity

DKK million	2008	2007
Gross new lending		
Private customers	17,545	19,865
Corporate customers	17,704	20,226
<i>Private rental housing</i>	6,888	10,665
<i>Office and business</i>	9,251	8,991
<i>Industry</i>	1,097	362
<i>Other</i>	468	209
Agriculture	15	11
Subsidised housing etc.	2,317	2,492
Total	37,581	42,594

Foreign exchange reserve



the foreign exchange reserve was halved in less than a month. The interest rate rises were therefore a logical consequence of the fixed exchange rate policy. Towards the end of 2008, the foreign exchange reserve improved, which paved the way for some normalisation of the yield spread.

## MORTGAGE MARKET DID NOT ESCAPE ECONOMIC DOWNTURN

The turmoil in the financial markets hit the Danish mortgage market in autumn 2008. This was not attributable to a general lack of confidence in the Danish mortgage finance system, which – during the crisis – demonstrated its strength once more, but to investors’ sales of mortgage bonds to raise cash. It weakened investors’ interest in the mortgage market, which immediately sparked excitement about how the refinancing of adjustable-rate mortgage bonds in December would work out. The refinancing turned out better than feared, however. The Danish mortgage finance system passed the test. Confidence in the system, based on the principle of continued balance between loan payments and payments to bondholders, remained strong.

Another consequence of sales of mortgage bonds and the general inclination towards government bonds among investors was that the yield spread between government bonds and mortgage bonds widened significantly. The financial rescue packages, however, will hopefully contribute to reducing the spread over the

coming months and help restore a more normal yield spread between government bonds and mortgage bonds at the end of 2009.

The Stability Package for life insurers and pension companies helped boost demand for adjustable-rate mortgage bonds in connection with the refinancing of loans. At the end of the day, homeowner thus avoided the highest interest rates in the history of ARM loans, which were looming at some point. Still, interest rates closed slightly higher than a year earlier. The rate on a one-year interest ARM only loan went up from 4.70 to 5.17 pc.

## HOUSING MARKET STILL ADJUSTING

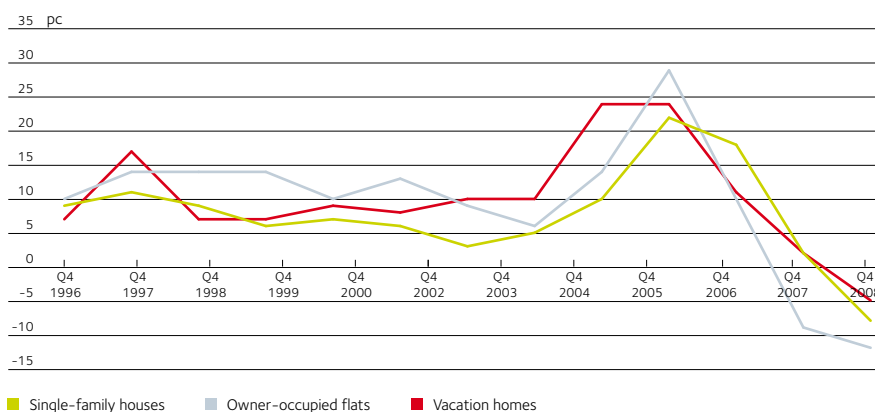
The Danish housing market was already adjusting property prices as the international financial crisis and recession took

hold, but the combination of international crisis and rising interest rates fostered an even more inflexible housing market in 2008 than in 2007. In the private owner-occupied property market, owner-occupied flats were still hit hardest, but single-family homes throughout Denmark were also affected. The latter class declined by 7.8 pc over the last year. Trading activity was correspondingly very low, partly due to interest rates and, partly resulting from growing job uncertainty that has emerged because more companies have been hit by the economic downturn. On the other hand, the Danes’ personal finances continue to be in good shape as Danes still possess substantial net worth to spend, and 2009 holds prospects of income tax cuts.

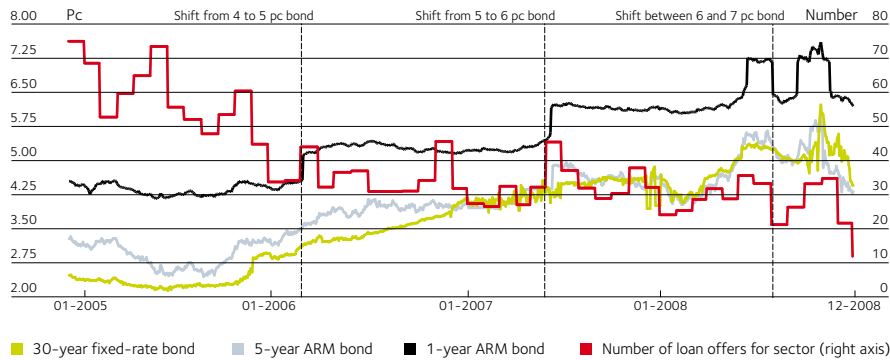
## Refinancing of ARM loans

Annual interest rates in pc – loans with interest-only option	Interest-rate adjustment 1.1.2009	Interest-rate adjustment 1.1.2008
Fixed-rate period		
1 year	5.17	4.70
2 years	4.68	4.61
3 years	4.52	4.60
4 years	4.58	4.60
5 years	4.60	4.60

Year-to-year rates of increases in housing market



## Interest level and loan offers



### SLOWER MORTGAGE LENDING ACTIVITY AFTER SETBACK IN HOUSING MARKET

The situation in the housing market fed through to the mortgage market. Hence, 2008 saw a considerably lower volume of new lending in the form of fewer change-of-ownership loans and top-up loans.

### STRONGER PORTFOLIO GROWTH

In spite of the generally slower activity in the mortgage market, the loan portfolio

grew. BRFkredit's share of the total loan portfolio in the mortgage market was 9.7 pc in 2008, against 9.6 pc in 2007.

### ARM LOANS ARE POPULAR

ARM loans are popular, accounting for 45.6 pc of total lending in 2008. The economic setback has induced Western central banks to cut rates, which - all other things being equal - will result in falling interest rates for borrowers and maintain the popularity of ARM loans.

### INTEREST-ONLY LOANS ARE ALSO POPULAR

Interest-only loans now account 53 pc of total lending. Interest-only loans are especially popular with old and young borrowers. Many young borrowers and first-time buyers use the loans to pay down more expensive loans for subsequent financing.

### MARKET SHARES

BRFkredit expanded or maintained its market shares in 2008. Gross new lending thus stayed at 9.3 pc in 2008. Net lending, derived by deducting refinanced loans with the same institution, provides a more accurate picture of the total market. BRFkredit expanded its market share of net lending in 2008. Market shares developed as follows:

### BRFkredit's total market shares

	2008	2007
Gross new lending <sup>1)</sup>	9.3	9.3
Net new lending <sup>2)</sup>	11.2	10.7
Net lending <sup>3)</sup>	11.4	10.5

<sup>1)</sup> Gross new lending indicates total lending translated into cash value.

<sup>2)</sup> Net new lending equals gross new lending less refinanced loans and extraordinary repayments.

<sup>3)</sup> Net lending equals net new lending less ordinary principal payments.

### BRFkredit's loan portfolio

	DKK million 2008	DKK million 2007	Shares in pc 2008	Shares in pc 2007
Fixed-rate loans	73,691	73,099	34.7	37.6
Guarantee Loans	25,677	28,357	12.1	14.6
ARM loans				
– ARM (1)	46,462	34,752	21.9	17.9
– ARM (2) – ARM (10)	44,573	38,320	21.0	19.7
Other types of loan	21,663	20,123	10.3	10.2
Total	212,168	194,650	100.0	100.0





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## Advisory services for private customers

BRFkredit considers it important that our customers are satisfied with the assistance they receive when financing a home through BRFkredit. Our advisory services are therefore based on the individual customer.

Our view on advisory services is that you cannot say that a loan is right or wrong – the explanation being that the right loan depends on the individual borrower's wishes, risk profile, needs and actual situation. The dialogue between adviser and customer is thus of importance before the customer decides on a loan type, etc. This is not least the case as the possibilities in the loan market continue to increase.

A very large number of BRFkredit customers opt for our self-service portal 'My loans' at [www.brf.dk](http://www.brf.dk). When entering the portal, customers are met by advisory services boxes aimed at ensuring that customers – also in the virtual world – receive thorough information about the advantages and disadvantages of the chosen product, alternative loan types, etc.

Whether our customers use the self-service facility at [brf.dk](http://brf.dk), call us or meet us face to face at our customer centre in Lyngby or a centre of one of our partners, our advisory services are always followed up by an advice sheet in keeping with the rules on good business practice. The sheet, of which the customer must acknowledge receipt, ensures that the customer has received the information required prior to raising a loan.

The right loan depends on the individual borrower's wishes, risk profile, etc.





# Business areas

BRFkredit is organised in three business areas – private customers, corporate customers and subsidised housing. In addition, BRFbank offers deposits and other products that are complementary to mortgage lending in connection with housing starts and property transactions and in connection with mortgage refinancing.

## PRIVATE CUSTOMERS

The private customer area comprises lending for owner-occupied homes and vacation homes and is BRFkredit's largest business area, accounting for 46.7 pc of total gross new lending in 2008. That corresponds to a share of 7.5 pc of total Danish mortgage lending, against 7.4 pc in 2007.

The private housing market experienced a general downturn in 2008, which also hit BRFkredit's business. Nonetheless, the private customer area experienced an expansion of its portfolio in concert with the market at large. This means that BRFkredit maintained its market share in the private customer segment. In terms of net new lending, the market share advanced from 7.2 pc in 2007 to 7.5 pc in 2008.

In 2008 the private customer area launched the Maximum Interest Rate Loan, which got off to a good start, but along with the rising interest rates and, therefore, falling bond prices, this type of loan was, after a few months, no longer attractive to borrowers. A wider range of deposit products are available, and BRFkredit's customers are now offered a variety of high-interest savings products from BRFbank. The BRFkredit Group gradually offers its customers more banking products to be able to meet even more of their financial needs within the Group. Interest in the Home Credit facility, introduced in 2007, is mounting. The Home Credit facility gives customers easy and flexible access to their home equity, allowing them to withdraw and deposit funds as needed.

## CORPORATE CUSTOMERS

In the corporate customer area, BRFkredit provides loans for office and business premises and for private rental and cooperative housing. The area also grants loans against the security of industrial properties in cooperation with FIH Erhvervsbank.

Towards the end of 2008 the market changed considerably. While the first three quarters developed more or less as in 2007, the market practically ceased to operate in the fourth quarter. During the first eight months of the year, the total market for corporate lending represented a volume of DKK 64.6 billion, up from DKK 53.9 billion a year earlier – an increase attributable partly to many transactions, partly to the rising bank rates, which made mortgage loans even more attractive than before. The strong lending activity in the first three quarters of 2008 compensated to some extent for the decline in the fourth quarter. As a result, BRFkredit reported gross new lending of 17,704 million in 2008, against DKK 20,226 million in 2007. The corporate portfolio grew DKK 12.3 billion to DKK 73.2 billion. Hence, BRFkredit holds a market share corresponding to 18.5 pc of net new lending in the entire market for corporate lending.

## SUBSIDISED HOUSING

Subsidised housing reported high activity in the past year, with the market share for new lending up from 26.2 pc in 2007 to 31.7 pc in 2008. It is particularly interesting to note that BRFkredit had positive net lending in the subsidised housing segment where the market showed negative net lending. This means that BRFkredit expanded its loan portfolio, while the market retracted as a result of the fact that principal payments and extraordinary repayments outgrew net new lending in the market at large. The performance is therefore satisfactory at a time when

housing starts in the subsidised housing sector are at a low level.

Over the past few years, activities in the subsidised housing sector have moved from housing starts towards comprehensive planning and renovation projects. In 2008 housing associations invited tenders for many loan contracts in compliance with the EU public procurement directives ('EU tenders'). Under EU law, all loan contracts involving interest expenses of EUR 200,000 or more are subject to EU tendering procedures, and in the scenario of rising interest rates, an increasing number of loan contracts have been put out to tender. In administrative terms, this imposes a highly onerous process on both customers and bidders, and the awarding of contracts is often decided by small margins.

The area is still focused on customer needs in relation to both loan-technical and social housing tasks. For instance, the activities of ACROSS, targeted at addressing social housing issues, are still in high demand. ACROSS aims to strengthen the welfare of residents in social housing districts and is based on cross-cutting cooperation in the local community. In 2008 ACROSS organised two conferences on social housing in Holstebro and Copenhagen, respectively, to conclude the project entitled 'ACROSS the Country 2007'. Besides, courses were held for the employees of many housing associations.

# Bond issuance

BRFkredit's mortgage loans are funded by the issuance of bonds. BRFkredit issued bonds for a total of DKK 94 billion in 2008 (DKK 98 billion in 2007), of which bonds worth slightly more than DKK 44 billion were issued in connection with the refinancing of ARM loans (DKK 37 billion in 2007).

In 2008 BRFkredit sold both mortgage bonds (ROs) and covered bonds (SDOs) to provide funding for new loans and the refinancing of existing loans. Below, both bond types are referred to as mortgage bonds unless the abbreviations ROs or SDOs are specifically mentioned.

The financial turmoil had a negative impact on the market for mortgage bonds in 2008. Investors were increasingly reluctant to buy mortgage bonds, whereas

a growing demand for government bonds was recorded. The yield spread between government bonds and mortgage bonds therefore widened, and in the second half of 2008 Danish pension funds and life insurers – for legislative reasons – were consequently forced, or risked being forced, to sell off their mortgage bond holdings. However, the agreement on the 'Stability Package', concluded between the Danish Minister for Economic and Business Affairs and the pension industry in late October 2008, prevented these involuntary bond sales.

Throughout 2008, in spite of the financial turmoil, BRFkredit was capable of providing funding for lending operations on a daily basis and the refinancing of mainly ARM loans.

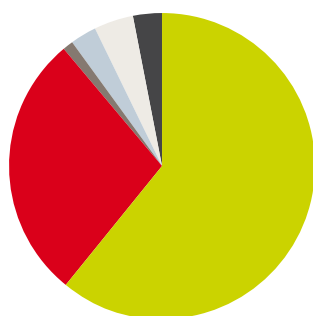
BRFkredit started issuing SDOs in 2008, and the bulk of all loans granted during the year were funded through sales of SDOs. In the first half of 2008, loans for slightly over DKK 2 billion were funded with ROs that had been block-issued in 2007.

At the end of 2007, BRFkredit closed the issuance of bonds in existing series. All ROs issued prior to 1 January 2008 have the status of covered bonds in accordance with the grand-fathering clause of SDO legislation and therefore have the same capital weight as SDOs.

In December 2008, BRFkredit opened a new one-year RO bond series, which does not fall within the scope of the grand-fathering clause of SDO legislation.



## Investors



- Financial institutions 61%
- Insurance companies and pension funds 28%
- Public-sector institutions 1%
- Households 3%
- Foreign investors 4%
- Other 3%

## Bonds by capital centre, end-2008

### Circulating nominal volume

Capital Centre E (SDOs)	DKK 69 billion
Capital Centre B (ROs)	DKK 173 billion
Other capital centres (ROs)	DKK 24 billion
<b>Total</b>	<b>DKK 266 billion</b>

Moreover, in 2008 BRFkredit issued and sold junior covered bonds (JDOs) for DKK 1 billion for the purpose of raising funds that can be used as supplementary collateral.

Redemptions of mortgage bonds amounted to DKK 89 billion in 2008, against DKK 62 billion in 2007. No JDOs were redeemed in 2008.

Adjustable rate mortgage bonds (ARM bonds) accounted for 87 pc of issues in 2008, whereas callable fixed-rate bonds accounted for 10 pc.

In late 2008, BRFkredit started issuing EUR-denominated mortgage bonds through the central securities depository VP Lux S.à.r.l. VP Lux was established in Luxembourg as a subsidiary of VP Securities

Services in Denmark. As Luxembourg is part of the euro zone, it has become possible to request that bonds issued through VP Lux be entered on the European Central Bank's Tier List of bonds that are eligible as collateral in credit institutions' transactions with ECB. This facility offers credit institutions an opportunity to invest in the bonds without having to commit liquidity to the investment. This is expected to stimulate investor interest in these bonds and, therefore, lower interest rates for borrowers.

All BRFkredit's other bonds have been issued through VP Securities Centre in Denmark and may be provided as collateral in Denmark's Nationalbank by credit institutions. Both VP Lux-registered and VP-registered bond transactions may be settled through VP in Denmark.

BRFkredit's bonds have been listed for trading on NASDAQ OMX Copenhagen (previously Copenhagen Stock Exchange), and trading is concentrated on bonds in few liquid, open series.

The volume of circulating bonds issued by BRFkredit represented a nominal value of DKK 265 billion at the close of 2008 (DKK 254 billion at end-2007). That equalled 9.9 pc of the total volume of mortgage bonds, covered bonds and covered mortgage bonds listed on NASDAQ OMX Copenhagen.

At the end of 2008, the volume of issued mortgage bonds was somewhat higher than the BRFkredit's mortgage lending. The main difference between issued bonds and lending volume stems from the refinancing of ARM loans, in which con-

## Moody's Investor Service ratings at year-end

	2008	2007	2006	2005	2004
Covered bonds, Capital Centre E	Aa1	Aa1			
Mortgage bonds, Capital Centre B	Aa1	Aa1	Aa1	Aa1	Aa1
Mortgage bonds, General Capital Centre	Aa2	Aa2	Aa2	Aa2	Aa2
Issuer	A2	A2	A2	A2	A2
Subordinated capital (subordinated loan capital)*	A3	A3	A3	A3	A3

\* BRFkredit repaid subordinated loan capital of EUR 200 million in October 2008 and had no subordinated loans at 31 December 2008.

## High safety

The introduction of SDO legislation has had no impact on the very high safety investors know from mortgage bonds. The same safety applies to both holders of mortgage bonds and holders of covered bonds.

Danish legislation requires balance between the amounts BRFkredit has undertaken to pay to investors in ROs and SDOs (funding) and the amounts BRFkredit receives from borrowers and from other financial assets.

This requirement of balance or matchfunding materially eliminates interest rate, foreign exchange and liquidity risks on BRFkredit's lending operations. The balance principle is a fundamental principle of Danish mortgage lending and is instrumental in offering investors high safety.

BRFkredit has chosen to subject the entire portfolio to regulation according to the general balance principle. BRFkredit will continue to organise its lending operations in such a manner that BRFkredit assumes no material financial risks in connection with mortgage lending and loan funding.

nection bonds for DKK 44 billion were issued in December 2008. The resulting proceeds were used for the redemption of corresponding bonds that matured on 1 January 2009.

SDOs are issued out of BRFkredit's Capital Centre E, whereas ROs are issued out of BRFkredit's Capital Centre B. Older issues of ROs have been issued out of other capital centres or the 'General Capital Centre'.

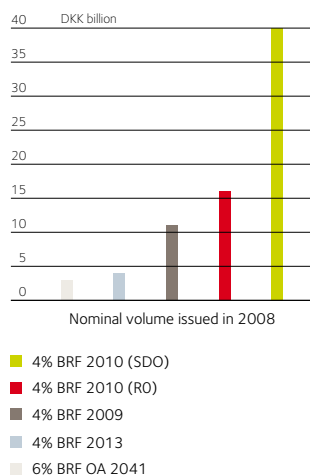
BRFkredit's mortgage bonds are predominantly owned by Danish institutional investors, i.e. banks, unit trusts, pension funds, insurance companies, etc. A small portion is owned by private investors and foreign investors. At 31 December 2008, 4 pc of BRFkredit's bonds were held by foreign investors according to Danmarks Nationalbank's statistics.

BRFkredit's bonds are rated by Moody's Investors Service. BRFkredit's ratings were not changed in 2008. Most recently,

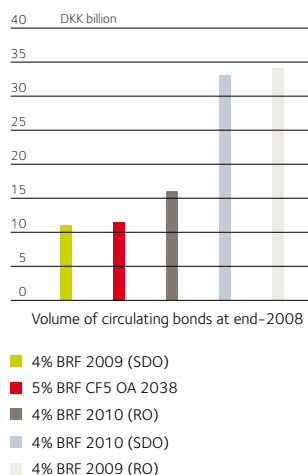
Moody's announced in January 2009 that the outlook for BRFkredit's ratings is stable.

Information on ratings and capital centres applying to all of BRFkredit's mortgage bonds and covered bonds is available at BRFkredit's investor website at [www.brfkredit.com](http://www.brfkredit.com).

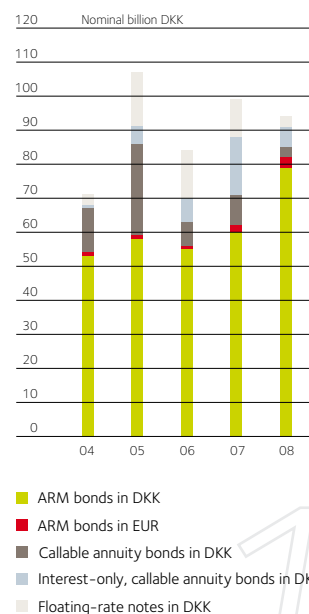
### Five biggest mortgage bonds by issue, 2008



### Top-five bonds end-2008



### Issues of ROs and SDOs, 2004-2008







## Bond concepts

### *Mortgage bonds (ROs)*

ROs may be issued to fund loans secured by real property and to fund non-secured loans granted to central and local governments. Lending limits must be observed at the time of loan disbursement. ROs issued prior to 2008 are covered bonds according to Danish legislation on capital adequacy, whereas ROs issued after 2007 are not covered. Investors falling within the scope of legislation on capital adequacy have, under the standardised approach, a reduced capital weighting of 10 pc in connection with investment in bonds designated as 'covered bonds', whereas the capital weighting is 20 pc for other bonds from credit institutions.

### *Covered bonds (SDOs)*

SDOs may be issued to fund loans secured by real property, including joint funding of loans by another credit institution, non-secured loans granted to central and local governments as well as investment in assets issued by other credit institutions. Lending limits (LTV ratios) must be monitored regularly. In the event that LTV ratios are exceeded, supplementary collateral needs to be provided, for instance in the form of government bonds or SDOs.

### *Junior covered bonds (JDOs)*

JDOs may be issued to provide assets that can be used as supplementary collateral for issued SDOs. Any proceeds from sales of JDOs must be invested in the same type of assets as allowed for SDOs.

## Financial calendar for 2009

24 February	Announcement of financial statements for 2008
27 April	Annual General Meeting of BRFKredit a/s
27 August	Interim Report 2009

## Company announcements in 2008

17 December	Result of BRFKredit's refinancing of rate adjustments
17 December	Correction: Result of BRFKredit's refinancing of ARM loans
3 December	BRFKredit Group approved as an advanced institution (Basel II)
26 November	Bond sales in connection with refinancing of ARM loans
9 November	BRFbank participates in the State guarantee scheme under the Private Contingency Committee
1 September	Repayment of subordinated loan capital
27 August	Appendix to BRFKredit's prospectuses
26 August	Interim Report 2008
7 July	Final terms of bond (junior covered bond)
7 July	Prospectus for bonds issued under s. 33e of Danish Mortgage Loans and Mortgage Bonds Act
27 June	Excess block issue of mortgage bonds cancelled
29 April	Minutes of Annual General Meeting of BRFKredit a/s
16 April	Annual General Meeting of BRFKredit a/s
21 February	Appendix to BRFKredit's prospectuses
20 February	Announcement of financial statements for 2007
9 January	Financial calendar for 2008

*Other company announcements concern: composition of debtors, extraordinary repayments, coupon rate determination, amortisation schedules, drawing rates, etc. For a complete list of company announcements, visit [www.brf.dk](http://www.brf.dk)*







## Advisory services for professional customers

BRFkredit aims at providing fine advisory services to all customer segments. To us, fine advisory services mean transparency in the individual products, for instance.

In the light of the above objective, BRFkredit's corporate department and subsidised housing supplemented the advisory services with the brochure 'Choosing loans in cooperative housing societies' in 2008. The general purpose of the brochure is to help cooperative housing societies understand the different loan types and their consequences. Therefore, the brochure lists the advantages and disadvantages of the many different loan types that we offer.

The starting point of the brochure is that cooperative housing societies differ. So the individual housing society should choose a strategy based on itself. The right strategy will allow the housing society to plan and choose a sound financial arrangement.

The brochure was well received – by both our partners managing the cooperative housing societies and the housing societies themselves.

We expect to maintain focus on the cooperative housing market in 2009 by providing additional advisory services to managers.

Advisory services targeted at cooperative housing societies pave the way for transparency.



# Portfolio and risk management

The risk involved in BRFkredit's activities is mainly associated with credit risks on loans granted and market risks inherent in BRFkredit's securities portfolio, which are primarily related to interest rate risk and equity risk.

## PORTFOLIO

The greater part of BRFkredit's loan portfolio comprises mortgage loans secured by real property, which has traditionally been a low-risk area. Risk is also limited by the fact that some lending is hedged by guarantees. This is particularly the case for subsidised lending. Apart from mortgage loans, which total DKK 212 billion, BRFkredit also provides lending through BRFbank to the tune of DKK 6 billion.

### Lending – BRFkredit

BRFkredit may finance all property classes falling within the scope of the Danish Mortgage Loans and Mortgage Bonds Act. However, BRFkredit has chosen to direct its focus at the following property classes:

- Owner-occupied homes, i.e. single-family houses, owner-occupied flats and vacation homes

- Private rental housing, including cooperating housing societies
- Office and business properties
- Subsidised housing
- And, under certain conditions, industrial properties

Lending for owner-occupied homes and vacation homes totalled DKK 99.8 billion at the end of 2008, equivalent to 47 pc of BRFkredit's loan portfolio. Private rental housing, including private, unsubsidised cooperative housing societies, represented DKK 43 billion or just over 20 pc of lending, whereas subsidised housing accounted for 16 pc. Altogether, loans for residential properties accounted for 83 pc of BRFkredit's lending, while the remaining 17 pc mainly comprised loans for office and business premises. A moderate share of corporate lending – slightly more than 1 pc – was secured by industrial properties.

Some of the loans are covered by guarantees, either in the form of a public guarantee or in connection with a guarantee furnished by the bank providing the loan. At end-2008, guarantee-covered loans accounted for 9 pc. This broke down

as follows: public guarantees 6 pc and guarantees from banks 3 pc. The public guarantees mainly relate to the subsidised housing segment where the guarantee as a rule covers the part of the loan that exceeds 65 pc of the property value.

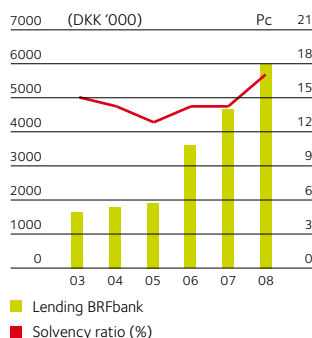
### Lending – BRFbank

BRFbank was established in 1995 to enable BRFkredit to provide mortgage loans without the intermediation of external banks as guarantors for loan origination etc. During the initial years, BRFbank therefore primarily offered products that were complementary to mortgage lending in connection with housing starts, property transactions and mortgage refinancings. Over the years, BRFbank has widened its product range, especially in the private customer segment where the bank's products today include an Internet banking facility and a Dankort/Visa debit card. In cooperation with BRFkredit, the bank offers a flexible credit facility, the Home Credit, which presents an opportunity to take out a long-term home loan linked to a savings account. The range of products targeted at the corporate segment has also been widened, combining BRFkredit's mortgage products with flexible banking products. Overall, this has facilitated customised solutions tailored to suit the specific needs of BRFkredit's corporate customers.

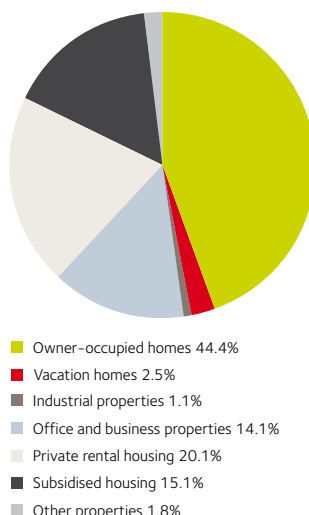
As a result of the widened product range, BRFbank's lending has increased – especially over the past three years. BRFbank has also reported growth in deposits, which amounted to DKK 3.3 billion at the end of the year.

Growth in lending generated a need for injection of own funds to BRFbank, and in 2008 BRFkredit contributed a total of DKK 200 million of share capital and DKK 150 million of subordinated loan capital, which means that BRFbank's own funds at 31 December 2008 were DKK 1.5 billion, equivalent to a solvency ratio of 17.0

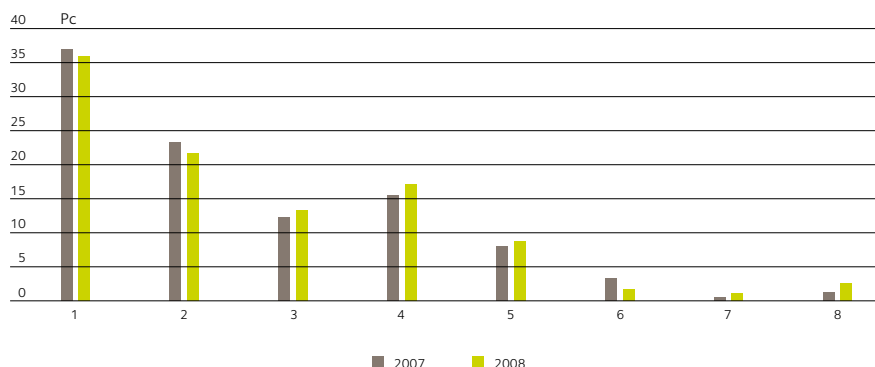
Lending and capitalisation



Loan portfolio by class of property, end-2008



## Lending by rating class (PD)



pc. This brought the core capital ratio of BRFbank to 10.2 pc.

### Securities portfolio

In addition to mortgage lending, which makes up by far the greater part of BRFkredit's balance sheet, BRFkredit's securities portfolio also represents a significant part of assets. At the end of 2008, BRFkredit's securities portfolio was mainly made up of positions in Danish government and mortgage bonds, fixed-income financial instruments, money market instruments and in shares.

BRFkredit has a relatively large portfolio of bonds, mainly because the Danish Financial Business Act requires at least 60

pc of the capital base of mortgage credit institutions to be invested in particularly safe assets such as government or mortgage bonds. As a consequence of the 60 pc requirement, BRFkredit must maintain a portfolio of these particularly safe instruments of at least DKK 4,8 billion. BRFkredit's investments in particularly safe instruments are far beyond the legal requirement, however.

In addition to a substantial portfolio of bonds, BRFkredit has also chosen to invest some of the quite substantial excess capital in shares. The portfolio of shares is an investment portfolio, which means that BRFkredit will change the composition of this portfolio to a very limited extent only.

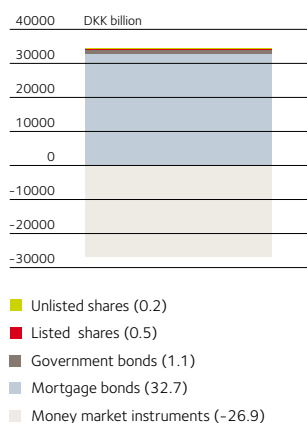
### Credit risks

Credit risk is understood as the risk of a loss resulting from a counterparty's failure to meet its payment obligation to the institution. The management of credit risks is a central element of day-to-day operations, and risk management systems are being continuously improved. Over the past few years, BRFkredit has been working with statistical rating models for measuring the risk associated with customers and for managing credit risks. BRFkredit therefore reached an important milestone in December 2008 when the company obtained the Danish Financial Supervisory Authority's approval to measure credit risks with the use of internal ratings based (IRB) models. With the approval of BRFkredit's internal ratings based models, these will be applied not only for managing credit risks, but also for measuring capital adequacy.

The internal statistical models estimate the customer's probability of default (PD), loss given default (LGD) and exposure at default (EAD). The product of the risk parameters PD, LGD and EAD is an indication of the expected loss for a given customer.

On the basis of their estimated PD, customers are grouped into rating classes defined at regular intervals. BRFkredit uses eight rating classes where rating class 1 contains the most creditworthy customers and rating class 7 contains the least creditworthy customers. Rating class 8 contains customers who have fal-

### Breakdown of assets in BRFkredit's securities portfolio

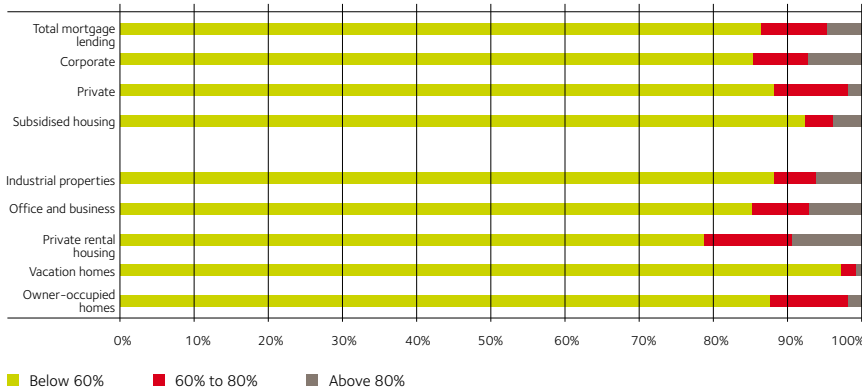


### RISK MANAGEMENT

The Supervisory Board of BRFkredit has formulated policies for the different types of risk to which BRFkredit may be exposed. These policies, together with the provisions of Danish legislation, provide the framework for risk management procedures.

The principal risks - i.e. credit risks, market risks, operational risks and liquidity risks - are outlined below. For more information about BRFkredit's risk exposure and management, please consult BRFkredit's website at [www.brfkredit.com](http://www.brfkredit.com), 'Risk and Capital Management 2008.pdf'

### Loan-to-value (LTV) ratios by class of property



len into default, i.e. credit facilities where the customer is either unlikely to repay his loan or where the customer has been in default with a substantial amount for more than 90 days.

The breakdown of BRFkredit's loan portfolio by rating class shows that more than 75 pc of all private customers belong in the two best rating classes. Customers tended to score marginally poorer ratings in 2008 compared with 2007, but the share of customers in rating classes 6 to 8 is still limited. More than 75 pc of corporate customers belonged in the four best rating classes, but the general tendency is rather moving towards a growing share in the upper-middle rating classes, and customers with the poorest ratings tend to shift into rating class 8, i.e. to default on their loans.

### Loan to value

The loan-to-value (LTV) ratio expresses the ratio between the unpaid principal amount of a home loan and the assessed value of the mortgaged property and is a central risk management concept for BRFkredit. With the possibility of issuing SDOs, BRFkredit - in common with other SDO-issuing institutions - is required to determine whether supplementary collateral for the individual loan needs to be provided if the statutory lending limits are exceeded, for instance in the event of a general fall in property prices. Out of BRFkredit's total lending of DKK 212 billion, DKK 34.6 billion relates to loans funded through the issuance of SDOs. In connection with the issuance of SDO loans, a need for supplementary collateral for DKK 1,5 billion existed at the end of 2008. DKK 1,4 billion of this amount

related to supplementary collateral in connection with lending limits being exceeded as a consequence of falling property prices. The balance can be ascribed to the requirement for supplementary collateral in connection with lending for commercial properties where borrowers with LTV ratios in the 60 to 70 pc range are required to furnish supplementary collateral for the portion of the loan that - at the time of loan disbursement - exceeds 60 pc. The capital requirement in connection with the supplementary collateral is met by the solvency capital already provided.

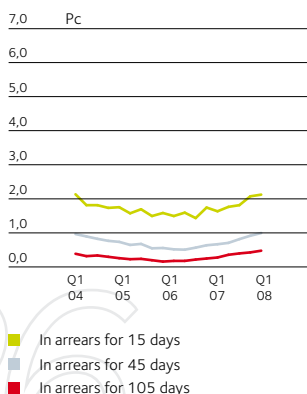
At the close of 2008, slightly more than 86 pc of total loans were assumed to have been granted against 60 pc or less of the estimated property values. This was marginally down from the prior-year level as a result of the decline in property prices during 2008.

As far as lending for owner-occupied properties and vacation homes is concerned, 88 pc of the loan portfolio was secured within 60 pc of the property value, and a mere 2 pc exceeded the 80 pc LTV ratio. In the private rental housing segment, nearly 79 pc of the loan portfolio was secured within 60 pc of the property value, whereas the percentage for office and business premises was 85 pc.

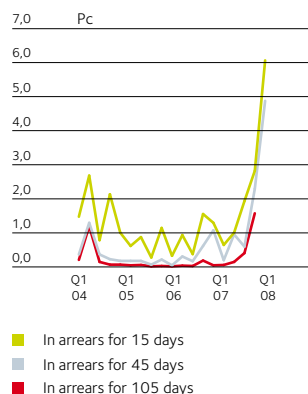
### Loans in arrears

2008 was marked by a considerable worsening of the Danish economy - as a consequence of the international financial

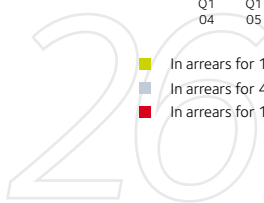
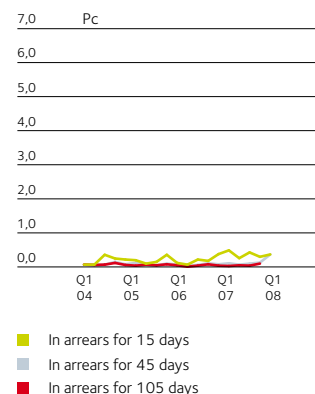
BRFkredit - Arrears Private



BRFkredit - Arrears Corporate



BRFkredit - Arrears Subsidised housing



crisis. This brought about an increase in arrears percentages in most of BRFkredit's lending segments. The increase in arrears percentages was most pronounced in the corporate segment where some relatively few, albeit large, loan facilities in the private rental housing segment showed signs of weakness. It should be noted in that connection that arrears in mortgage credit institutions and banks are not comparable. Arrears in mortgage credit institutions accumulate, while the accrual of interest on non-performing loans from banks is typically suspended. Arrears percentages in a mortgage credit institution will therefore, all other things being equal, be higher than in a bank.

Although developments in arrears in the private customer segment showed a slightly rising trend in 2008, the current level of arrears in the segment remains low and considerably below arrears in the early 1990s.

Arrears in lending for subsidised housing were still at a very low level.

### Credit events

The striking changes in the economy during 2008 engendered payment problems for several customers, resulting in increasing arrears. The market also saw a considerably higher number of bankruptcies, coupled with more forced sales. Although the number of forced sales grew, the 2008 level remained low compared with the early 1990s, but there are fears that the situation may worsen still further in 2009.

The number of announced forced sales of properties provided as security to BRFkredit increased to a total of 513 in 2008 (against 260 in 2007). The number of properties on which BRFkredit sustained a loss went up to 182 in 2008 (61 in 2007). At the close of 2008, BRFkredit had a portfolio of foreclosed properties of 53 (against 7 at end-2007). The portfolio of foreclosed properties comprised 52 private owner-occupied homes and one commercial property.

### Loan losses and impairment charges

Loans in arrears are included in an assessment of whether impairment is called for. All loans in arrears are divided into segments, depending on the underlying security and the age of the arrears. Loans with a principal balance in excess of DKK 2 million are reviewed individually, and impairment is basically provided for if the collateral is deemed to be insufficient. In the event of loans with a principal balance below DKK 2 million that have been in arrears for more than 45 days, provision is made for collective impairment, based on historical loss experience, adjusted by an estimate of the consequences of the current economic crisis.

Loan losses and impairment charges increased substantially in 2008 from the prior-year level. The sharpest increase was accounted for by impairment charges, while realised losses remained at a moderate level. Impairment charges totalled DKK 647 million in 2008, against

DKK 56 million in 2007. In the same period, realised losses rose from DKK 25 million to DKK 65 million.

The bank's impairment ratio was up from 0.7 pc in 2007 to 2.4 pc in 2008. This was a considerable increase from the year before. The bank's loan losses and impairment charges for the year broke down into impairment charges on individually assessed loans of DKK 171.4 million, impairment charges on groups of loans of DKK 14.8 million and realised losses in a total amount of DKK 2.5 million.

### MARKET RISKS

Market risk is the risk of a market value loss arising from movements in the financial markets (interest rate, equity and exchange rate risks). The primary market risks are associated with BRFkredit's securities portfolio where interest rate and equity risks are the most important ones. BRFkredit is practically not exposed to foreign exchange risk. Market risks associated with other balance sheet items are insignificant because lending and funding are closely interconnected by virtue of the unique matchfunding structure of the Danish mortgage finance system.

### Interest rate risk

Interest rate risk expresses the risk of a loss arising from an increase or decrease in interest rates equivalent to a parallel shift in the yield curve by 1 ppcpoint. BRFkredit measures interest rate risk on a day-to-day basis.

### Credit events for mortgage lending in 2008

Number	Workout	Debt	Forced sales		Foreclosed in period	Properties	
			Scheduled	Executed		Portfolio	Loss-making
Private properties	1.214	2.584	484	245	78	52	180
Corporate	70	373	28	11	1	1	1
Subsidised	32	16	1	0	0	0	1
<b>Total</b>	<b>2.226</b>	<b>2.978</b>	<b>513</b>	<b>256</b>	<b>79</b>	<b>53</b>	<b>182</b>

At 31 December 2008, BRFkredit's interest rate risk under the standardised approach was DKK 273 million, which was considerably below the 8 pc limit provided by law, equivalent to DKK 809 million. BRFkredit's interest rate risk essentially stems from its bond portfolio, which is mainly made up of Danish government and mortgage bonds and from financial instruments which are increasingly used to manage overall interest rate risk.

### Equity risk

Equity risk expresses the risk of a loss arising from movements in share prices of 10 pcpoints. At end-2008, BRFkredit held shares for a total of DKK 756 million, equivalent to 7 pc of own funds. A fall in share prices of 10 pcpoints will result in an equity loss of DKK 75.6 million. Most of the portfolio was made up of Danish shares, primarily shares from the C20 Index, whereas 29 pc was unlisted shares, including infrastructural shares such as the Danish VP Securities Services.

### Foreign exchange risk

Foreign exchange risk on BRFkredit's securities portfolio is very limited as practically all investments are based on Danish instruments. As a result of trading in futures and options for purposes of risk management and the maintenance of margin deposits as well as euro-denominated interest rate swaps, BRFkredit has lower exposure in euros. For other currencies, the risk is insignificant. The foreign exchange exposure of other items not included in the securities portfolio is also strongly limited as mortgage loans granted in EUR are backed by euro-denominated bonds.

Overall, at 31 December 2008, BRFkredit's foreign exchange risk was DKK 23 million, equivalent to 0.2 pc of own funds.

### Market risks at BRFbank

The bank's exposure to market risks is limited as it is predominantly BRFkredit that has and manages the Group's total interest rate, equity and option risks. BRFbank's total interest rate risk at end-2008 was determined at DKK 23 million,

resulting from a portfolio of fixed-rate mortgages issued in connection with loan facilities. Some of the interest rate risk on mortgages was hedged by swaps.

### LIQUIDITY RISK

The Danish Mortgage Loans and Mortgage Bonds Act prescribes a balance within a narrow range between payments on issued bonds and mortgage loans granted, allowing only a very limited liquidity risk on BRFkredit's loan portfolio as BRFkredit funds mortgage lending through the continuous issuance of bonds. BRFkredit's liquidity risk is associated with customers who default on their loan payments and where BRFkredit therefore, on behalf of customers, has to pay interest and maybe also reduction of principal to investors.

Management of liquidity risk at BRFbank is undertaken in full compliance with the provisions of Danish legislation, cf. the Financial Business Act. Section 152 of the Financial Business Act imposes restrictions on the required liquidity reserves etc. In addition to the restrictions imposed by law, the Group makes use of internal liquidity controls to estimate its future liquidity requirement under unfavourable market conditions.

BRFbank's primary source of funding is deposits as well as capital contributions from BRFkredit. As own funds (capital base) are not adequate in all cases, BRFbank continuously obtains funding in the money market and through loans and credits (committed lines) from other banks. Apart from subordinated loan capital in a total amount of DKK 600 million, BRFkredit has extended a credit line to BRFbank, allowing the bank to exercise the credit line if needed.

### OPERATIONAL RISKS

Operational risk is the risk of incurring a loss from an event that cannot be referred to credit or market risk. As a natural part of its business management, BRFkredit is focused on identifying and managing operational risks. Hence, BRFkredit pays particular attention to

minimising the risk of losses arising from system errors, computer breakdowns, procedural mistakes, fraud, wrong advice, etc. BRFkredit continuously updates procedures and work routines and has also established emergency plans and safety procedures to ensure swift resumption of operations in cases of errors, computer breakdowns or the like. Operational risks are therefore estimated to be of a limited extent as BRFkredit's principal activity is the issuance of mortgage loans, which is extensively regulated by legislation and internal procedures.

### CAPITAL STRUCTURE AND SOLVENCY

As BRFkredit obtained the Financial Supervisory Authority's approval to use the Internal Ratings-Based (IRB) approach for determining capital adequacy in 2008, BRFkredit's capital requirement from the full-year financial statements for 2008 onwards has been determined by calculating risk-weighted assets for credit risk according to the advanced IRB approach, for market risk according to the standardised approach and for operational risk according to the basic indicator approach.

The adoption of internal rating models for credit risk measurement reduced BRFkredit's capital requirement by DKK 2.3 billion at end-2008, compared with risk weighting under the standardised approach. The Group will not gain the full benefit of the capital requirement reduction from day one, however, as Danish legislation contains transitional rules limiting the reduction allowed for the initial two-year period. In 2008, own funds must account for at least 90 pc of the capital requirement calculated under the standardised approach before the CRD directive was implemented into Danish law. The reduction in capital requirements are thus 900 mio. DKK for 2008. The transitional rules will be eased even further in 2009 when the reduction in regulatory capital is limited to 80 pc, and no limit will apply from 1 January 2010, which means that BRFkredit, all other things being equal, will have more excess capital than today.

## Capital structure – Own funds of BRFkredit Group

(DKKm)		
Own funds of the Group at 31 December 2008	Standardised approach	IRB approach
Share capital	306	306
Share premium account	102	102
Reserves	2,344	2,344
Retained profit or loss	-500	-500
Reserves in series not subject to reimbursement obligation	8,091	8,091
<b>Core capital (tier 1) before deductions</b>	<b>10,344</b>	<b>10,344</b>
Intangible assets	-6	-6
Deferred capitalised tax assets	-69	-69
<b>Core capital (tier 1) after primary deductions</b>	<b>10,269</b>	<b>10,269</b>
Hybrid core capital	0	0
<b>Core capital including hybrid core capital after primary deductions</b>	<b>10,269</b>	<b>10,269</b>
Half of the difference between expected losses and accounting-related value adjustments and provisions	0	-117
<b>Core capital including hybrid core capital after deductions</b>	<b>10,269</b>	<b>10,151</b>
Subordinated loan capital	4	4
Revaluation reserve	46	46
<b>Supplementary capital</b>	<b>50</b>	<b>50</b>
<b>Own funds (capital base) before deductions</b>	<b>10,319</b>	<b>10,201</b>
Half of the difference between expected losses and accounting-related value adjustments and provisions	0	-117
<b>Own funds (capital base) after deductions</b>	<b>10,319</b>	<b>10,085</b>

BRFkredit's own funds totalled DKK 10,085 million at the end of 2008, in compliance with the IRB-method. The decline in own funds can be ascribed to several factors. First, the negative profit performance for 2008 had an impact on equity and, second, BRFkredit chose in the autumn of 2008 to repay its subordinated loan capital of DKK 1.5 billion. Finally, the adoption of the IRB approach for measuring capital adequacy implies a reduction in equity as the difference between the expected loss and the accounting-related value adjustments and provisions needs to be deducted. This deduction has appeared because it is an integral part of the IRB approach to take into account an expected loss for the comprised part of the portfolio. This may

be considered an indirect expense involved in the loan portfolio and is taken into account by deducting the expected loss from the capital base. Conversely, loans on which impairment charges have been made must not be punished twice, and offsetting of earlier impairment charges is therefore required.

Own funds mostly consist of core capital in the total amount of DKK 10,151 million. The core capital is made up of DKK 306 million of share capital, DKK 102 million of share premium account and DKK 9,743 million of other reserves, etc.

At end-2008, the solvency ratio was determined at 12.3 pc, against 12.6 pc a year earlier. Similarly, the core capital ratio

was determined at 12.3 pc at the end of 2008, up from 10.9 pc at the end of 2007. The growth in the core capital ratio can be ascribed to the transition to the IRB approach for measurement of capital adequacy.

BRFkredit's own funds totalled DKK 10.1 billion at the end of 2008, comprising a total of DKK 5.6 billion to cover credit risks, DKK 0.7 billion to meet the solvency requirement for assets involving a market risk and DKK 0.3 billion to meet the capital requirement for operational risks. The remaining DKK 3.5 billion made up the amount exceeding the statutory solvency requirement of 8 pc.





# Human resources

810 persons were permanently employed by BRFkredit during 2008. At the close of the year, 48 pc of BRFkredit's employees were women. Women account for a steadily growing share of managers.

## EMPLOYEE SCHEMES

BRFkredit offers its employees a range of insurance schemes, including group life insurance, insurance against critical illness and health insurance. Another innovative feature is a gross salary scheme, which enables BRFkredit's employees to compose a flexible salary package every year. Employees may, for instance, choose newspaper subscriptions, massages, coaching, mobile and broadband subscriptions and employee bonds. For 2009, 59 pc of all employees have availed themselves of the opportunity to choose a flexible salary package, and 37 pc of these have opted for employee bonds.

## MANAGEMENT

In 2008 BRFkredit introduced a special integrated series of courses for new managers. The courses will introduce the new managers, who are often recruited in-house, to various management tools and provide them with the necessary skills to fill their new roles while giving them a joint platform for leadership. Later on, the new managers are offered to enrol in other courses to upgrade their competencies and expand the different elements of management.

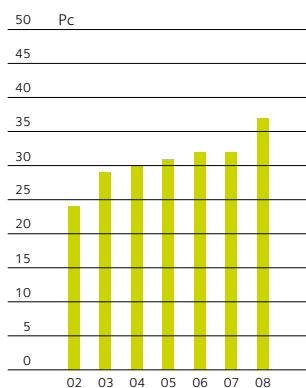
## COMPETENCE DEVELOPMENT

At BRFkredit both professional and personal development of employees and managers is a key element. In 2008 BRFkredit's employees spent 2.9 pc of their working hours on training and courses, corresponding to about 7 days of training per full-time employee, against 6.5 days in 2007.

## FOCUS ON HEALTH AND WELFARE

The Balance Project is run in cooperation between BRFkredit and its staff association. The Balance Project is designed to improve the employees' welfare and contribute to healthy exercise and dietary habits. In 2008 the employees were offered sessions in yoga, Pilates, massage, jogging and badminton, among other activities, as part of the Balance Project.

Share of female managers at BRFkredit







# Subsidiaries and associated undertakings

## BRFBANK A/S

BRFbank offers products that are complementary to mortgage lending in connection with housing starts and property transactions and in connection with mortgage refinancing.

In 2007 BRFbank took steps to widen its product range, especially for the private customer segment with the introduction of the Home Credit facility.

In 2008 focus was directed towards offering customers a variety of deposit products at competitive prices.

Core income from lending operations came to DKK 150.1 million in 2008, up from DKK 139.1 million in 2007. The rise in core income can primarily be ascribed to a combination of a widened loan portfolio and a higher interest margin.

Staff costs and administrative expenses advanced by DKK 17.1 million to a total of DKK 64.3 million. The increase was attributable to the higher payroll costs and IT expenses that followed from the bank's growth in deposits and lending in mainly the private customer segment, coupled with the accrual of the holiday pay obligation.

The item 'Other operating expenses' was DKK 11.7 million in 2008, against DKK 0 million in 2007. The increase in 'Other operating expenses' related to BRFbank's expenses for its participation in the state-guarantee scheme for deposits etc., which is an integral part of the Bank Rescue Package.

One of the aims of the Bank Rescue Package has been to encourage liquidity and confidence in the financial system through the central government's guarantee for deposits and senior debt against payment by the banks of up to DKK 35 billion.

The bank's impairment ratio was up from 0.7 pc in 2007 to 2.4 pc in 2008. Impair-

ment charges on loans and receivables had an adverse impact on the financial statements for 2008, reducing profits by DKK 188.7 million.

Impairment charges for the year break down into impairment charges on individually assessed loans of DKK 171.4 million, impairment charges on groups of loans of DKK 14.8 million and other impairment charges in a total amount of DKK 2.5 million.

BRFbank posted a pre-tax loss for 2008 of DKK 103 million, against a pre-tax profit of DKK 38.6 million in 2007.

At 31 December 2008, the bank indicated total assets of DKK 9.2 billion, versus DKK 7.8 billion at the end of 2007. The loan portfolio was up by 28 pc to DKK 6.0 billion in 2008, against DKK 4.7 billion at end-2007.

The deposit portfolio soared by 69 pc during 2008. Hence, deposits were DKK 3.3 billion at the close of 2008, against DKK 1.9 billion a year earlier. After inclusion of net loss for the year, the solvency ratio at 31 December 2008 was 17.0 pc, against 14.2 pc at end-2007. If computed exclusively on the basis of core (tier 1) capital, the solvency ratio was 10.2 pc at end-2008, up from 9.1 pc a year earlier. As it appears, the solvency ratio is comfortably above the statutory 8.0 pc minimum. The heightened activity level in 2008, coupled with the desire of a high solvency ratio in BRFbank, engendered a need for a capital injection of DKK 150 million of supplementary capital and DKK 200 million of share capital. The capital was contributed by BRFKredit a/s.

Return on equity before tax was negative at 11.8 pc per annum, against a positive return of 5.8 pc in 2007.

Earnings per unit of cost (DKK) were positive at DKK 0.61 in 2008, against positive earnings of DKK 1.38 in 2007.

## EJENDOMSSELSKABET NØRREPORT 26, 8000 ÅRHUS C. A/S

The company's core business is to manage and lease out the property at Nørreport 26/Knudrigsgade 4-6 in Aarhus, which houses BRFKredit's Aarhus office.

The company came out of 2008 with a pre-tax profit of DKK 1.2 million, against DKK 4.3 million in 2007. Its equity at 31 December 2008 was DKK 56.1 million, out of total assets of DKK 78.3 million.

## EJENDOMSSELSKABET NØRGAARDSVEJ 37-41, 2800 LYNGBY A/S

The core business of the company is to acquire, own and manage the properties Nørgaardsvej 27 - 41, 2800 Lyngby.

The company posted a pre-tax loss of DKK 6.5 million, against a loss of DKK 4.2 million in 2007. Its equity at 31 December 2008 was DKK 8.1 million, out of total assets of DKK 8.3 million.

## EDC-PARTNER A/S

The objective of EDC-partner is - through equity investments in other companies, investment and financing - to expand and maintain a nationwide distribution network for products targeted at the real estate market.

The latest financial statements of EDC-partner a/s are for 2007, when the company posted a pre-tax profit of DKK 3.0 million, up from DKK 2.7 million in 2006. Its equity at 31 December 2007 was DKK 133.0 million, out of total assets of DKK 138.2 million.



# Statement by the supervisory board and executive board

The Supervisory Board and Executive Board have today considered and approved the Annual Report of BRFkredit a/s for 2008, comprising a statement by the Supervisory Board and Executive Board, management's review, accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group and the Parent Company and a cash flow statement for the Group.

The consolidated financial statements are presented in accordance with the International

Financial Reporting Standards as adopted by the European Union, and the financial statements of the Parent Company are presented in accordance with the Danish Financial Business Act. Furthermore, the Annual Report has been prepared in accordance with additional disclosure requirements for annual reports of listed financial companies as applied in Denmark. In our opinion, the accounting policies applied are appropriate and the Annual Report therefore gives a true and fair view of the Group's and Parent Company's assets, liabilities and financial position at 31 December 2008 and of the

results of the Group's and Parent Company's operations and the Group's cash flows for the financial year ended 31 December 2008. We also believe that the management's review provides a true and fair description of developments in the activities and finances of the Group and the Parent Company as well as a presentation of the principal risks and uncertainty factors that may affect the Group and the Parent Company.

The Annual Report is laid before the Annual General Meeting for adoption.

Kgs. Lyngby, 24 February 2009

## Executive Board

Sven A. Blomberg  
*Chief Executive Officer*

Carsten Tirsbæk Madsen  
*Executive Vice President*

## Supervisory Board

Oluf Engell  
*Chairman*

Kurt Bligaard Pedersen  
*Deputy Chairman*

Troels Behr

Laila Busted  
*Elected by employees*

Jan Frederiksen  
*Elected by employees*

Kristian May

Lars Henrik Munch

Aksel Nissen

Thomas Sandelius  
*Elected by employees*

*The Supervisory Board held seven board meetings and one seminar in 2008.*

# Auditors' reports

## INTERNAL AUDIT REPORT

We have audited the Annual Report of BRFkredit a/s for the financial year ended 31 December 2008. The consolidated financial statements are presented in accordance with the International Financial Reporting Standards as adopted by the European Union, and the financial statements of the Parent Company are presented in accordance with the Danish Financial Business Act. Furthermore, the Annual Report is presented in accordance with additional disclosure requirements for annual reports of issuers of listed bonds as applied in Denmark.

### Basis of opinion

We conducted our audit on the basis of the Order of the Financial Supervisory Authority on Auditing Procedures of Financial Companies and Financial Groups and in accordance with Danish auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Annual Report is free of material misstatement.

The audit was conducted in compliance with the division of work agreed with the

elected auditors and comprised an assessment of procedures and internal controls, including management's risk management policy, which is directed at reporting processes and material business risks. Based on materiality and risk, we examined, on a test basis, evidence supporting the amounts and disclosures in the Annual Report. An audit also includes assessing whether the accounting policies applied by management are appropriate, assessing whether the accounting estimates made by management are reasonable and assessing the overall presentation of the Annual Report.

We participated in the audit of significant and risky areas, and we believe that the audit evidence obtained provides a reasonable and suitable basis for our opinion.

Our audit has not resulted in any qualification.

### Opinion

In our opinion, the established procedures and internal controls, including management's risk management policy, which is directed at the reporting processes and material business

risks of the Group and the Parent Company, function satisfactorily.

We also believe that the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2008 and of the results of the Group's and the Parent Company's operations and the Group's cash flows for the financial year ended 31 December 2008 in accordance with the International Financial Reporting Standards as adopted by the European Union in regard to the consolidated financial statements, in accordance with the Danish Financial Business Act in regard to the financial statements of the Parent Company and, furthermore, in accordance with additional financial reporting disclosure requirements for issuers of listed bonds as applied in Denmark.

Kgs. Lyngby, 24 February 2009

Arne List  
*Head of Internal Audit Department*



# Auditors' reports

## INDEPENDENT AUDITORS' REPORT

To the shareholders of BRFkredit a/s

We have audited the Annual Report of BRFkredit a/s for the financial year ended 31 December 2008, comprising a statement by the Supervisory Board and Executive Board, management's review, accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group and the Parent Company and a cash flow statement for the Group. The consolidated financial statements are presented in accordance with the International Financial Reporting Standards as adopted by the European Union. The financial statements of the Parent Company are presented in accordance with the Danish Financial Business Act. Furthermore, the Annual Report is presented in accordance with additional disclosure requirements for annual reports of issuers of listed bonds as applied in Denmark.

### Responsibility of management for the Annual Report

The Company's Supervisory Board and Executive Board are responsible for preparing and presenting an annual report which gives a true and fair view in conformity with the legislation and financial reporting standards mentioned above. This responsibility includes establishing, implementing and maintaining internal controls of relevance to the preparation and presentation of an annual report which gives a true and fair view and is free of material misstatement, regardless of whether such misstatement is the result of fraud or error, and choosing and applying appropriate accounting policies and making accounting estimates which are reasonable under the circumstances.

### Responsibility of the auditors and basis of opinion

Our responsibility is to express an opinion on the Annual Report based on our audit. We conducted our audit in accordance with Danish auditing standards. These standards require that we comply with ethical standards and plan and perform our audit to obtain reasonable assurance that the Annual Report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures chosen depend on the auditors' assessment, including an assessment of the risk of material misstatement in the Annual Report, regardless of whether such misstatement is the result of fraud or error. In this risk assessment, the auditors consider internal controls of relevance to the Company's preparation and presentation of an annual report which gives a true and fair view for the purpose of establishing audit procedures that are appropriate under the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes assessing whether the accounting policies applied by management are appropriate, assessing whether the accounting estimates made by management are reasonable and assessing the overall presentation of the Annual Report. In our opinion, the audit evidence obtained provides a reasonable and suitable basis for our opinion.

Our audit has not resulted in any qualification.

### Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's assets, liabilities and financial position at 31 December 2008 and of the results of the Group's operations and cash flows for the financial year ended 31 December 2008 in accordance with the International Financial Reporting Standards as adopted by the European Union and additional disclosure requirements for annual reports of issuers of listed bonds as applied in Denmark.

We also believe that the Annual Report gives a true and fair view of the Parent Company's assets, liabilities and financial position at 31 December 2008 and of the results of the Parent Company's operations for the financial year ended 31 December 2008 in accordance with the Danish Financial Business Act and additional disclosure requirements for annual reports of issuers of listed bonds as applied in Denmark.

Hellerup, 24 February 2009

PricewaterhouseCoopers  
*Statsautoriseret Revisionsaktieselskab*

Kim Fücksel  
*State-Authorised  
Public Accountant*

Jesper Edelbo  
*State-Authorised  
Public Accountant*

# Income statement

Amounts in DKK million

For the year ended 31 December	BRFkredit Group		BRFkredit a/s		Note
	2008	2007	2008	2007	
Interest income	10,664	8,855	10,339	8,654	3
Interest expenses	9,135	7,566	8,949	7,461	4
<b>Net interest income</b>	<b>1,529</b>	1,289	<b>1,390</b>	1,193	
Dividends on shares etc,	24	19	24	19	
Fees, charges and commission income	191	199	134	159	5
Fees, charges and commissions paid	133	109	116	101	
<b>Net interest income, fees and charges</b>	<b>1,611</b>	1,398	<b>1,432</b>	1,270	
Securities and foreign exchange income (- signifies an income)	-646	209	-700	231	6
Other operating income	34	22	39	25	
Staff costs and administrative expenses	890	834	833	793	7-10
Amortisation, depreciation and impairment of intangible and tangible assets	27	18	19	16	
Other operating expenses	12	0	0	0	
Loan losses and impairment charges	647	56	458	3	11-12
Income from equity investments in associated and subsidiary undertakings	1	9	-108	48	13
<b>Profit or loss before tax</b>	<b>-575</b>	730	<b>-647</b>	763	
Tax (- signifies an income)	-75	142	-75	142	14
<b>Net profit or loss for the year</b>	<b>-500</b>	588	<b>-573</b>	621	
<b>To be distributed as follows:</b>					
Shareholders of BRFkredit a/s	-500	588			
<b>Total</b>	<b>-500</b>	588			

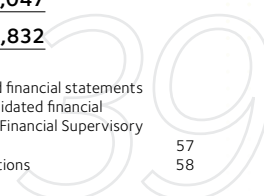
# Balance Sheet

Amounts in DKK million

At 31 December	BRFkredit Group		BRFkredit a/s		
	2008	2007	2008	2007	Note
<b>ASSETS</b>					
Cash balance and demand deposits with central banks	19	12	5	4	
Receivables from credit institutions and central banks	7,004	7,444	7,069	7,690	15
Bonds at fair value	10,497	12,087	10,497	12,087	16
Current tax assets	63	27	59	17	
Assets acquired temporarily	67	5	67	5	17
Other assets etc.	741	572	719	569	18
Shares etc.	756	1,164	756	1,164	19
Deferred tax assets	69	-	45	-	20
Loans and other receivables at amortised costs	5,915	4,408	600	450	
Loans and other receivables at fair value	207,994	188,426	208,015	188,251	21-22
Intangible assets	6	9	6	9	23
Investment properties	127	136	127	136	24
Owner-occupied properties	491	569	410	475	25
Plant and equipment (other tangible assets)	23	22	23	22	26
Equity investments in associated undertakings	65	65	65	65	27
Equity investments in subsidiaries	-	-	1,000	889	28
<b>Total assets</b>	<b>233,838</b>	<b>214,946</b>	<b>229,462</b>	<b>211,832</b>	
<b>LIABILITIES AND EQUITY</b>					
Payables to credit institutions and central banks	28,075	2,398	27,031	1,351	29
Deposits and other payables	3,286	1,944	-	-	30
Other liabilities etc.	5,009	5,074	4,942	4,909	31
Issued bonds at fair value	185,979	192,893	185,979	192,893	32
Issued bonds at amortised cost	1,000	-	1,000	-	
<b>Total payables</b>	<b>223,349</b>	<b>202,309</b>	<b>218,952</b>	<b>199,153</b>	
<b>Subordinated capital</b>	<b>4</b>	<b>1,494</b>	<b>4</b>	<b>1,494</b>	33
<b>Provisions</b>					
Provisions for deferred tax	-	33	-	31	20
Provisions for losses on guarantees	28	-	-	-	
Other provisions	67	63	116	108	34
<b>Total provisions</b>	<b>95</b>	<b>95</b>	<b>116</b>	<b>139</b>	
<b>Equity</b>					
Share capital	306	306	306	306	
Share premium account	102	102	102	102	
Accumulated changes in value	46	131	46	126	
Other reserves					
Statutory reserves	-	-	56	144	
Reserves in series	8,091	8,716	8,091	8,716	
Other reserves	1,844	1,792	1,788	1,652	
<b>Total</b>	<b>9,935</b>	<b>10,508</b>	<b>9,935</b>	<b>10,513</b>	
<b>Total equity</b>	<b>10,390</b>	<b>11,047</b>	<b>10,390</b>	<b>11,047</b>	
<b>Total liabilities and equity</b>	<b>233,838</b>	<b>214,946</b>	<b>229,462</b>	<b>211,832</b>	

## Additional notes:

Contingent equity, liabilities and security	35-37	Related party transactions	51	Difference between consolidated financial statements presented under IFRS and consolidated financial statements filed with the Danish Financial Supervisory Authority	57
Loan offers	38	Post balance sheet events	52		58
Five-year summary	39	Consolidated companies	53		
Capital adequacy statement / Capital	40	Credit, market and liquidity risks	54-56		
Special information on financial instruments	41-50				



# Statement of changes in equity

Amounts in DKK million

BRFkredit Group	Share Capital <sup>1)</sup>	Share premium account	Accumulated changes in value	Reserves in series <sup>4)</sup>	Other reserves /Shares available for sale <sup>5)</sup>	Other reserves Retained profits <sup>6)</sup>	Total
Equity at 1 January 2007	306	102	76	8,322	144	1,424	10,374
Shares available for sale - equity <sup>2)</sup>	-	-	-	-	33	-	33
Revaluation owner-occupied properties	-	-	72	-	-	-	72
Reversal in connection with sale <sup>3)</sup>	-	-	-	-	-	-3	-3
Deferred tax on changes in equity	-	-	-17	-	-	-	-17
Recognised directly in equity, total	-	-	55	-	33	-3	85
Transferred between series	-	-	-	394	-	-394	-
Net profit or loss for the year	-	-	-	-	-	588	588
Recognised in equity, total	-	-	55	394	33	191	673
Dividends paid	-	-	-	-	-	-	-
<b>Equity at 31 December 2007</b>	<b>306</b>	<b>102</b>	<b>131</b>	<b>8,716</b>	<b>177</b>	<b>1,615</b>	<b>11,047</b>
Shares available for sale - equity <sup>2)</sup>	-	-	-	-	-73	-	-73
Revaluation owner-occupied properties	-	-	-111	-	-	-	-111
Deferred tax on changes in equity	-	-	27	-	-	-	27
Recognised directly in equity, total	-	-	-84	-	-73	-	-157
Transferred between series	-	-	-	-625	-	625	-
Net profit or loss for the year	-	-	-	-	-	-500	-500
Recognised in equity, total	-	-	-84	-625	-73	125	-657
Dividends paid	-	-	-	-	-	-	-
<b>Equity at 31 December 2008</b>	<b>306</b>	<b>102</b>	<b>46</b>	<b>8,091</b>	<b>104</b>	<b>1,740</b>	<b>10,390</b>

<sup>1)</sup> The share capital is divided into 564,800 'A' shares of DKK 100 each and 2,500,000 'B' shares of DKK 100 each, all of which are fully paid up. The number of shares was unchanged during the financial year. Each 'A' share carries 10 votes, whereas each 'B' share carries one vote at the Annual General Meeting of the Company. Dividend is paid equally to 'A' and 'B' shares. No share options have been issued. All shares are owned by BRFHolding a/s.

<sup>2)</sup> Shares available for sale - equity: The year's value adjustments of shares classified as available for sale are recognised directly in equity at a loss of DKK 73 million (2007: a gain of DKK 33 million).

<sup>3)</sup> Revaluation of associated undertaking reversed in connection with a sale.

<sup>4)</sup> Reserves in series: Capital set aside for meeting the capital requirement in "Series not subject to repayment obligation".

<sup>5)</sup> Other reserves/Shares available for sale: Accumulated increases in the value of shares classified as 'Available for sale' (distributable reserves).

<sup>6)</sup> Other reserves/Retained profits: Capital set aside for meeting the capital requirement in the 'General Capital Centre'.

# Statement of changes in equity, continued

Amounts in DKK million

BRFKredit a/s	Share Capital	Share premium account	Accumulated changes in value	Statutory reserves <sup>1)</sup>	Reserves in series	Other reserves Retained profits	Total
Equity at 1 January 2007	306	102	76	116	8,322	1,452	10,374
Revaluation owner-occupied properties	-	-	67	5	-	-	72
Reversal in connection with sale <sup>2)</sup>	-	-	-	-3	-	-	-3
Deferred tax on changes in equity	-	-	-17	-0	-	-	-17
Recognised directly in equity, total	-	-	50	2	-	-	52
Transferred between series	-	-	-	-	394	-394	-
Net profit or loss for the year	-	-	-	27	-	594	621
Recognised in equity, total	-	-	50	29	394	200	673
Dividends paid <sup>3)</sup>	-	-	-	-	-	-	-
<b>Equity at 31 December 2007</b>	<b>306</b>	<b>102</b>	<b>126</b>	<b>144</b>	<b>8,716</b>	<b>1,652</b>	<b>11,047</b>
Revaluation owner-occupied properties	-	-	-106	-5	-	-	-111
Deferred tax on changes in equity	-	-	26	0	-	-	27
Recognised directly in equity, total	-	-	-79	-5	-	-	-84
Transferred between series	-	-	-	-	-625	625	-
Net profit or loss for the year	-	-	-	-84	-	-489	-573
Recognised in equity, total	-	-	-79	-89	-625	136	-657
Dividends paid <sup>3)</sup>	-	-	-	-	-	-	-
<b>Equity at 31 December 2008</b>	<b>306</b>	<b>102</b>	<b>46</b>	<b>56</b>	<b>8,091</b>	<b>1,788</b>	<b>10,390</b>

<sup>1)</sup> Statutory reserves relate to net revaluation of equity investments according to the equity method.

<sup>2)</sup> Revaluation of associated undertaking reversed in connection with a sale.

<sup>3)</sup> Restrictions apply to the distribution of reserves relating to the items 'Accumulated changes in value', 'Statutory reserves' and 'Reserves in series'.

# Cash flow statement

Amounts in DKK million

For the year ended 31 December	BRFkredit Group	
	2008	2007
<b>Cash flows from operating activities</b>		
Profit before tax for the year	-575	730
Adjustments for non-cash operating items	1,730	-119
	<b>1,156</b>	611
<b>Change in working capital</b>		
Bonds at fair value	-20,389	-16,100
Loans and other receivables	-21,700	-14,423
Payables to credit institutions and central banks, deposits and other payables	27,019	-748
Issued bonds at fair value before set-off	15,316	26,311
Adjustment of other working capital	-277	-76
Corporation tax paid	-37	-176
<b>Total cash flows from operating activities</b>	<b>1,088</b>	-4,601
<b>Cash flows from investing activities</b>		
Purchases of intangible assets	-2	-5
Purchases of tangible fixed assets	-58	-27
Sales of tangible fixed assets	1	0
Purchases of fixed asset investments	-195	-11
Sales of fixed asset investments	211	30
<b>Total cash flows from investing activities</b>	<b>-43</b>	-13
<b>Cash flows from financing activities</b>		
Subordinated capital	-1,490	2
Dividends paid	-	-
<b>Total cash flows from financing activities</b>	<b>-1,490</b>	2
<b>Total change in cash and cash equivalents</b>	<b>-445</b>	-4,612
<b>Cash and cash equivalents at beginning of year</b>		
Cash balance and demand deposits with central banks	12	6
Receivables from credit institutions and central banks	7,444	12,039
Of which receivables not directly available	-47	-24
<b>Total cash and cash equivalents at beginning of year</b>	<b>7,408</b>	12,021
<b>Cash and cash equivalents at end of year</b>		
Cash balance and demand deposits with central banks	19	12
Receivables from credit institutions and central banks	7,004	7,444
Of which receivables not directly available	-59	-47
<b>Total cash and cash equivalents at end of year</b>	<b>6,963</b>	7,408

BRFkredit's cash at bank and in hand is exceptionally high in connection with a repayment date, for instance at the end of the financial year. One of the reasons is extraordinary repayments of mortgage loans where the underlying bonds are drawn for redemption at the repayment date in relation to the bondholders, and temporary cash resulting from refinancing of ARM loans, immediate payments at par where the bonds have not yet been drawn as well as advance issues of bonds in connection with hedging of fixed-price agreements with loan customers.

# Statement of core earnings and earnings from investment portfolios

Amounts in DKK million

For the year ended 31 December

BRFkredit Group

Segmental financial statements of BRFkredit Group	2008			2007		
	Mortgage lending etc.	Portfolio management	Total	Mortgage lending etc.	Portfolio management	Total
Core income from lending operations etc.	1,122			1,050		
Core income from securities	488			482		
<b>Total core income</b>	<b>1,610</b>			<b>1,532</b>		
Operating expenses, depreciation and amortisation	917			852		
<b>Core earnings before impairment charges</b>	<b>693</b>			<b>680</b>		
Loan losses and impairment charges (- signifies an income)	647			56		
<b>Core earnings</b>	<b>46</b>			<b>624</b>		
Earnings from investment portfolios		-621			106	
<b>Profit before tax</b>	<b>46</b>	<b>-621</b>	<b>-575</b>	<b>624</b>	<b>106</b>	<b>730</b>
Tax			-75			142
<b>Net profit for the year</b>			<b>-500</b>			<b>588</b>
<b>Segment balance sheet at 31 December</b>						
Receivables from credit institutions and central banks	6,915	89	7,004	6,923	520	7,444
Bonds at fair value	3,213	7,283	10,497	3,781	8,306	12,087
Shares etc.	-	756	756	-	1,164	1,164
Loans and advances	213,909	-	213,909	192,834	-	192,834
Equity investments in associated undertakings	65	-	65	65	-	65
Other assets	1,521	85	1,606	1,204	148	1,352
<b>Total assets</b>	<b>225,624</b>	<b>8,213</b>	<b>233,838</b>	<b>204,807</b>	<b>10,138</b>	<b>214,946</b>
Payables to credit institutions and central banks	27,016	1,060	28,075	1,113	1,285	2,398
Issued bonds at fair value	185,979	-	185,979	192,893	-	192,893
Udstedteobligationer til amortiseret kostpris	1,000	-	1,000	-	-	-
Subordinated capital	4	-	4	1,494	-	1,494
Provisions	95	-	95	95	-	95
Other liabilities	7,978	317	8,295	7,013	5	7,018
<b>Total liabilities</b>	<b>222,072</b>	<b>1,376</b>	<b>223,448</b>	<b>202,609</b>	<b>1,290</b>	<b>203,899</b>
Equity			10,390			11,047
<b>Total liabilities and equity</b>			<b>233,838</b>			<b>214,946</b>
<b>RECONCILIATION TO FINANCIAL STATEMENTS</b>						
	Core earnings	Earnings investment portfolios	Total	Core earnings	Earnings investment portfolios	Total
Net interest income	1,438	91	1,529	1,295	-6	1,289
Dividends on shares etc.	-	24	24	-	19	19
Fees, charges and commission income	191	-	191	199	-	199
Fees, charges and commissions paid	133	-	133	108	1	109
<b>Net interest income, fees and charges</b>	<b>1,497</b>	<b>115</b>	<b>1,611</b>	<b>1,386</b>	<b>12</b>	<b>1,398</b>
Securities and foreign exchange income	90	-736	-646	115	93	209
Other operating income	34	-	34	22	-	22
Staff costs and administrative expenses	890	-	890	834	-	834
Amortisation, depreciation and impairment of intangible and tangible assets	27	-	27	18	-	18
Other operating expenses	12	-	12	0	-	0
Loan losses and impairment charges	647	-	647	56	-	56
Income from equity investments in associated and subsidiary undertakings	1	-	1	9	-	9
<b>Profit before tax</b>	<b>46</b>	<b>-621</b>	<b>-575</b>	<b>624</b>	<b>106</b>	<b>730</b>



# Note 1

## 1 ACCOUNTING POLICIES

The consolidated financial statements of the *BRFkredit Group* are presented in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union with interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and additional financial reporting disclosure requirements as applied in Denmark.

The annual report of *BRFkredit a/s* has been prepared in compliance with the Consolidated Danish Financial Business Act and the Danish Executive Order on Financial Reports of Credit Institutions and Brokerage Houses, etc.

Below follows a description of the accounting policies of the BRFkredit Group, which – with a few exceptions – are identical with the accounting policies of BRFkredit a/s. The exceptions are mentioned in a separate paragraph.

The annual report has been prepared on the historical cost basis of accounting. Subsequently, assets and liabilities are measured as described below for each accounting item

Compared with the latest financial statements, only one change has been made in the accounting policies. BRFbank's portfolio of mortgages, which has historically been a trading portfolio recorded at fair value and adjusted over the income statement, given the fact that there is no indication of trading intent, the portfolio of mortgages has been reclassified to 'loans and receivables' and now recognised at amortised cost. The impact on accounting figures appears from note 47.

Changes to existing legislation, executive orders, IFRS standards as well as IFRIC interpretations entered into force in 2008 have not resulted in any change in these accounting policies.

### OUTLINE OF ACCOUNTING POLICIES OF THE BRFKREDIT GROUP

#### Consolidated financial statements

When preparing the annual report, the management sets various assumptions that affect the use of accounting policies and the carrying amount of assets and liabilities as well as income and expenses. The accounting estimates and opinions that are considered material to the preparation of the annual report are mentioned below. Moreover, the measurement of assets and liabilities is described for each accounting item.

Material accounting estimates by management are described in a subsequent paragraph.

#### Consolidation

The consolidated financial statements comprise BRFkredit a/s and its wholly-owned subsidiaries: BRFbank a/s, Ejendomsselskabet Nørreport 26, 8000 Århus C. A/S and Ejendomsselskabet Nørgaardsvej 37-41, 2800 Lyngby A/S.

The consolidated financial statements have been prepared as a summary of the financial statements of the Parent Company and the individual subsidiaries, stated in compliance with the Group's accounting policies. All intercompany income, expenses and balances as well as unrealised profits on transactions between consolidated companies have been eliminated.

#### Offsetting

Receivables and payables are offset when the Group both has a legal right to offset the recognised amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### Financial instruments

Financial instruments are typically recognised at the trade date or the settlement date. When recognition takes place at the trade date, recognition is subsequently said to have taken place according to the trade date approach. When recognition takes place at the settlement date, recognition is subsequently said to have taken place according to the ownership-settlement approach.

Financial instruments are measured at fair value or amortised cost.

*Fair value* means the amount at which an asset can be sold or a liability repaid in a

transaction between informed, willing and mutually independent parties. The publicly available market price is used for financial instruments traded in a marketplace. Different accepted valuation methods, depending on the type of instrument, are used for financial instruments that are not traded in a marketplace. The valuation of fixed-income instruments is based on the zero-coupon yield curve at the balance sheet date.

*Amortised cost* means the amount at which a financial asset or a financial liability is measured for the first time, less principal payments and plus or less accumulated amortisation by application of the effective interest method to any premium or discount.

Financial assets and financial liabilities are classified at the time of recognition in one of the following categories:

- Financial assets or financial liabilities included in the trading portfolio, which is measured at fair value through the income statement. This category includes derivative financial instruments etc.
- Financial assets placed in the category 'fair value through the income statement'. This category is measured at fair value. This category includes mortgage loans etc.
- Loans and receivables measured at amortised cost.
- Financial assets available for sale. These are measured at fair value through equity. This category includes strategic shares etc.
- Financial liabilities placed in the category 'fair value through the income statement'. This category is measured at fair value. This category includes listed mortgage bonds etc.
- Other financial liabilities measured at amortised cost.

The Group does not apply the category 'Hold to maturity'.

The Group has chosen to dedicate mortgage loans funded by the issuance of listed bonds to the category 'fair value through the income statement'. This choice has been made to eliminate financial inconsistency between the recognition of mortgage loans at amortised cost and the fair value of the listed bonds resulting from the purchase and sale of own issued bonds.

Cash and cash equivalents received as part of margin settlement are recognised in the balance sheet as the BRFkredit Group has a

# Note 1

right of disposal over margin account balances. Securities formally assigned to the BRFKredit Group as part of security provided are not recognised in the balance sheet as the BRFKredit Group does not bear the risk of or receives the return on such securities. Similarly, securities formally assigned by the BRFKredit Group to the counterparty are still recognised in the balance sheet.

## Hedge accounting

Changes in the fair value of derivative financial instruments that are used to hedge the financial risk involved in a recognised financial asset or liability (the hedged risk) and which meet the hedging criteria are measured at fair value. Similarly, the hedged risk involved in a recognised asset or liability is measured at fair value.

The change in the fair value of the hedging instrument and of the hedged risk is recognised in the income statement.

Hedges have only been established for individual assets.

## Cash and cash equivalents

Cash and cash equivalents are defined as the sum of the items 'Cash balance and demand deposits with central banks' and 'Receivables from credit institutions and central banks'

## Foreign currency translation:

The consolidated financial statements are presented in Danish kroner (DKK), which is the parent's functional currency and currency of presentation.

Transactions in foreign currencies are translated into Danish kroner at the rates of exchange ruling at the dates of the transactions.

Gains and losses arising from the translation of balance sheet items in foreign currencies are translated into Danish kroner at the official rates of exchange ruling at the balance sheet date.

All currency translation adjustments are dealt with through the income statement.

## Impairment

The carrying amount of intangible and tangible fixed assets is reviewed annually to establish any indication of impairment in addition to what is expressed by amortisation and depreciation. If this is the case, an impairment test is conducted to determine whether the recoverable amount is lower than the carrying amount.

## INCOME STATEMENT

Income is recognised in the income statement as earned. This includes recognition of value adjustments of financial assets and liabilities measured at fair value or amortised cost.

All costs and expenses incurred to generate earnings for the year are also recognised in the income statement.

## Interest income and expenses

All interest and interest-like items are recognised in 'Interest income' and 'Interest expenses'. All interest income and expenses as well as commissions are included on an accruals basis, i.e. taken to the income statement for the financial year to which they relate.

## Dividends on shares etc.

Dividends on investments in shares are booked as income in the income statement in the financial year in which the dividends are declared.

## Fees, charges and commissions

Income from fees, charges and commissions and expenses from fees and charges are recognised in the income statement as paid. Fees, charges, etc. that are part of transaction costs in connection with financial assets and financial liabilities, which are measured at amortised cost, are included in the calculation by application of the effective interest method.

## Securities and foreign exchange income

Revaluation of securities comprises realised and unrealised value adjustments of equity investments, loans, bonds and investment properties. Moreover, currency translation adjustment and realised and unrealised gains and losses regarding derivative financial instruments are included.

Excepted are:

- Value adjustment of credit risk on loans and receivables recognised in the income statement under 'Loan losses and impairment charges'.
- Value adjustment of shares classified as available for sale. These value adjustments are recognised directly in equity.

## Other operating income

Other operating income comprises rental income as well as gains/losses on sales of tangible and intangible assets.

## Staff costs and administrative expenses

All payroll costs as well as expenses for administration, sales, etc. are recognised in 'Staff costs and administrative expenses'.

## Loan losses and impairment charges

This item includes the year's value adjustments of loans and receivables resulting from an objective indication of impairment in relation to the value at the establishment of a loan.

## Tax

BRFKredit a/s is taxed on a pooled basis with BRFFonden, BRFFholding a/s and Danish subsidiaries. Full intercompany allocation of tax takes place, and tax is allocated between the individual companies on a pro-rata basis. BRFFonden acts as the administration company in relation to payment of corporation tax.

The calculated tax on profit or loss for the year is charged to the income statement. The following elements are recognised in tax on profit or loss for the year:

- Current tax on taxable income for the year.
- Changes in all timing differences between accounting and taxation treatment (deferred tax).
- Any difference between the amount of tax actually paid and calculated tax for prior years.

Deferred tax is recognised in respect of all timing differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax is measured on the basis of the tax rules and tax rates which, under the legislation in force at the balance sheet date, will be applicable when the deferred tax liability is expected to crystallise as current tax. Changes in deferred tax as a result of changed tax rates are recognised in the income statement.

## BALANCE SHEET – ASSETS

### Cash balance and demand deposits with central banks

Cash balance and demand deposits with Danmarks Nationalbank are measured at nominal value in the balance sheet, which is equal to fair value.

### Receivables from credit institutions and central banks

Money market investments (deposits) and demand deposits with credit institutions are measured on initial recognition at fair value and subsequently at amortised cost.

# Note 1

The item also includes reverse transactions in the form of securities purchased, where, at the time of the purchase, a sell-back at a specific price at a later time is agreed.

Furthermore, the item includes margins receivable in connection with futures and options where the counterparty is a credit institution.

## Bonds at fair value

All listed bonds and other claims priced in active markets are recognised in 'Bonds at fair value', the exception being own mortgage bonds, which are set off against 'Issued bonds at fair value'. Recognition takes place according to the ownership-settlement approach

On initial and subsequent recognition the bonds are measured at fair value, which is determined on the basis of the last known market price. If such a price is not available for the past month, a price calculated on the basis of the official market rate is applied.

Bonds drawn for redemption and repayable immediately after the financial year end are, however, measured at par, whereas bonds drawn for redemption and repayable at a later payment date are recognised at a calculated market value.

Index-linked bonds are measured at index values at 31 December.

## Other assets etc.

Interest receivable and balances with customers in connection with loans in process etc. are recognised in 'Other assets etc.'. These assets are measured at amortised cost.

The item also includes positive market values of fixed-rate agreements with customers, swap transactions etc., which are measured at fair value on initial and subsequent recognition.

## Shares etc.

All shares are recognised according to the ownership-settlement approach.

Listed shares in the investment portfolio where the direct purpose is to achieve a return are classified as 'Financial instruments at fair value through the income statement' and measured at fair value on initial and subsequent recognition.

Listed and unlisted shares purchased where the achievement of a return is not the direct purpose (strategic shares) are classified as 'Available for sale' and measured at fair value on initial and subsequent recognition with the addition of transaction costs. Increases in the value of shares classified as available for sale are recognised in equity. When assets are sold, accumulated net gains previously recognised directly in equity are recognised in the income statement. Decreases in the value of shares

classified as available for sale are recognised in the income statement.

## Loans and other receivables

Mortgage loans are recognised according to the trade date approach and classified as 'Financial instruments at fair value through the income statement'. Mortgage loans are measured at fair value on initial and subsequent recognition. Index-linked loans are measured on the basis of the index value at the end of the year. The fair value is determined on the basis of the closing price at the balance sheet date or, if such price is not available for the past month, a price calculated on the basis of the official market rate.

Mortgages are recognised according to the ownership-settlement approach and classified as 'Loans and other receivables'. The item is measured at amortised cost.

Other loans and receivables are recognised according to the ownership-settlement approach and classified as 'Loans and receivables'. The item is measured at amortised cost.

Loans and other receivables are written down to the extent that there is an objective indication of impairment in relation to the value at the establishment of a loan.

An objective indication of impairment exists if one or more of the following events have occurred:

- The borrower is experiencing significant financial difficulty
- The borrower's actions, such as default on interest or principal payments, lead to a breach of contract
- The borrower is granted more lenient terms as a result of the borrower's financial difficulty
- It is assessed that the borrower is likely to enter bankruptcy proceedings or another type of financial reorganisation

The impairment charge is determined on the basis of an individual review of all loans in excess of DKK 5 million, but DKK 2 million if the loan is in arrears.

A review for impairment includes an estimate of the values of the mortgaged properties, the realisable value of the claim, lay-day costs of an estimated settlement period and sales costs. The indication of impairment is determined on the basis of a calculation of the present value of expected future payments.

Loans for which no individual impairment has been provided are included in a model assessing the need to subject groups of loans to a review for impairment.

The group model is a segmentation model where an initial segmentation is made with a view to dividing the portfolio into groups with similar credit characteristics.

A review for impairment of the respective segments is primarily made on the basis of an 'arrears model' and, alternatively, against the background of an assessment of whether the trend in various macro-variables has provided an objective indication of impairment.

Impairment charges determined in this manner are deducted from the respective asset entries, whereas the shifts in impairment charges and losses realised during the period are charged to the income statement.

## Intangible assets

All intangible assets with an estimated useful life of more than one year are recognised, including IT software etc.

## IT software etc.

Intangible assets acquired separately are capitalised at cost less accumulated amortisation and impairment. Amortisation is provided on a straight-line basis over the expected useful lives of the assets, typically 1-3 years.

Internally generated intangible assets which are not merely maintenance of existing software are capitalised at cost, which is determined as the necessary costs directly related to the generation of the intangible asset.

Amortisation is provided on a straight-line basis over the expected useful lives of the assets, typically 1-3 years.

The residual values and useful lives of the assets are assessed and adjusted if need be at each balance sheet date.

## Investment properties

Investment properties are measured on initial recognition at cost, including transaction costs, and subsequently at fair value at the balance sheet date.

The fair value is determined according to the income method where the operating income of the properties is set in relation to the required return on the properties.

The valuation is made by an internal valuation expert who is a specialist in assessing commercial properties and possesses the required professional qualifications and experience.

Properties where the Group itself occupies parts of them are only recognised as investment property if the occupation is limited (less than 10 pc).

# Note 1

## Owner-occupied properties

Owner-occupied properties are measured on initial recognition at cost, including transaction costs, and subsequently at fair value by means of a revaluation model. The choice of the revaluation model over the cost model was made as the fair value of the properties in question can be determined reasonably reliably, meaning that a more exact value of the asset and equity is achieved.

The fair value is determined according to the income method where the operating income of the properties is set in relation to the required return on the properties.

The valuation is made by an internal valuation expert; see under 'Investment properties' above.

Increases in the fair value of a property are recognised directly in 'Revaluation reserve' in equity unless an increase equals a decrease in value previously recognised in the income statement; in that case, the increase is recognised in the income statement. Decreases in the fair value of a property are recognised in the income statement unless a decrease equals an increase in value previously recognised directly in equity under 'Revaluation reserve'. In that case, the decrease in value is transferred directly as a reduction in 'Revaluation reserve'.

The depreciable amount is determined net of residual value. Depreciation is calculated on a straight-line basis over the expected useful lives of the assets, typically 50 years. The expected useful life is assessed at the time of the annual valuation of the property.

## Plant and equipment

Plant and equipment are measured at cost less accumulated depreciation and impairment.

Depreciation is provided on a straight-line basis over the expected useful life. The item comprises IT hardware etc. with a typical expected useful life of three to four years and cars with an expected useful life of five years.

Costs of repair and maintenance are recognised directly in the income statement.

Gains and losses arising from the sale or other disposal of a tangible asset are measured as the difference between the sales amount and the carrying amount. Gains and losses are recognised in the income statement as other income or expenses.

## Equity investments in associated undertakings

Equity investments in associated undertakings, i.e. undertakings in which BRFKredit a/s holds between 20 pc and 50 pc of voting rights, are measured at the value of a proportionate

share of the equity value at the end of the accounting period.

The proportionate share of net profits or losses of the individual undertakings is taken to 'Income from equity investments in associated undertakings'.

## BALANCE SHEET – LIABILITIES AND EQUITY

### Payables to credit institutions and central banks

Money market loans and other payables to credit institutions are measured on initial recognition at fair value and subsequently at amortised cost.

The item also includes repo transactions in the form of securities sold where, at the time of the sale, a buy-back at a specific price at a later time is agreed.

The amount received is recognised in 'Payables to credit institutions and central banks', whereas the 'lent' securities remain recognised in the balance sheet.

### Deposits and other payables

Deposits and other payables are measured on initial recognition at fair value and subsequently at amortised cost.

### Other liabilities etc.

Interest payable and balances in connection with loans in process are recognised in 'Other liabilities etc.'. These liabilities are measured at amortised cost.

Negative bond portfolios (bonds received as collateral for a reverse transaction and sold) are also recognised. These negative portfolios, which equal the repurchase obligation, are recognised according to the ownership-settlement approach and measured at fair value on initial and subsequent recognition.

Negative market values of derivative financial instruments, including fixed-rate agreements with customers and swap transactions etc., are also recognised.

### Issued bonds at fair value

Issued mortgage bonds are recognised according to the ownership-settlement approach and measured at fair value on initial and subsequent recognition. The fair value is determined on the basis of the closing price at the balance sheet date or, if such price is not available for the past month, a price calculated on the basis of the official market rate.

Bonds drawn for redemption and repayable immediately after the financial year end are,

however, measured at par, whereas bonds drawn for redemption and repayable at a later repayment date are measured at a calculated market value. The portfolio of own mortgage bonds is deducted.

### Issued bonds at amortised cost

Issued junior covered bonds are recognised according to the ownership-settlement approach and measured on initial recognition at fair value and subsequently at amortised cost.

### Subordinated capital

Payables that cannot be settled until other creditors' claims have been satisfied in accordance with the terms of the loan are recognised in 'subordinated capital' according to the ownership-settlement approach. The payable includes expenses for loan establishment. Subordinated capital is measured on initial recognition at fair value and subsequently at amortised cost.

## OUTLINE OF ACCOUNTING POLICIES OF THE BRFKREDIT A/S

The accounting policies of BRFKredit a/s are identical to those outlined for the BRFKredit Group with the exception of:

### Equity investments in subsidiaries

The BRFKredit Group comprises subsidiaries on a consolidated basis, whereas they are recognised in 'Equity investments in subsidiaries' in BRFKredit a/s. Since the item in BRFKredit a/s is measured at equity value, neither profit before tax nor equity relating to subsidiaries differs from the amounts included in the BRFKredit Group.

### Strategic shares/shares available for sale

In BRFKredit a/s, strategic shares are measured at fair value and recognised in the income statement as opposed to the BRFKredit Group where profits are recognised directly in equity. Consequently, profits of BRFKredit a/s differ from those of the BRFKredit Group.

## OTHER DEVELOPMENTS

### Intercompany transactions

Transactions between BRFKredit a/s and companies which are directly or indirectly affiliated to BRFKredit a/s are settled according to written guidelines on an arm's length basis or on a cost recovery basis.

## Cash flow statement

The consolidated cash flow statement shows cash flows for the year, broken down by cash flows from operating activities, investing activities and financing activities, changes in cash at bank and in hand for the year and Group cash at bank and in hand at the beginning and end of the year.

The cash flow statement is presented according to the indirect method, based on net profit for the year.

Cash flows from operating activities are determined as net profit for the year adjusted for non-cash operating items and changes in working capital.

Cash flows from investing activities comprise purchases and sales for the financial year of tangible and intangible fixed assets etc.

Cash flows from financing activities relate to movements in subordinated capital, dividends paid and changes in equity.

Cash at bank and in hand comprises cash and demand deposits as well as time deposits with an original term to maturity of less than three months.

## Presentation of accounting figures

All figures in the financial statements are presented in millions of DKK rounded to zero decimal places.

Grand totals in the financial statements are based on actual figures, which is the most correct method of calculation from a mathematical point of view. A control check to verify the correctness of the grand totals will in some cases result in a rounding difference, which indicates that the hidden decimals are not visible to the reader of the financial statements.

Where '-' is stated instead of a figure in the financial statements, it means that the actual figure for the relevant accounting item is DKK 0.00, whereas '0' means that the figure for the item is between DKK 0.01 and DKK 499,999.99 and, therefore, has been rounded to zero.

# Note 2

## 2 MATERIAL ACCOUNTING ESTIMATES MADE BY MANAGEMENT

When preparing the annual report in accordance with generally accepted accounting principles, the management needs to make estimates and set assumptions affecting the financial reporting. The management bases its estimate on experience and various other assumptions considered reasonable and relevant by the management under the given circumstances. The management of the BRFkredit Group considers the following estimates and related assessments to be material to the preparation of the consolidated financial statements.

Mortgage loans are the Group's most important asset. The asset is measured at fair value, which is determined on the basis of the market price of the issued bonds to finance loans. Despite a difference in the credit risk of the above-mentioned asset items and liabilities and equity items, the opinion is that the additional earnings on mortgage loans in the form of commissions have been determined in an efficient market and hedge the higher credit risk in relation to the issued bonds, administrative expenses, capital adequacy costs and an appropriate profit. Consequently, the management is of the opinion that the method applied gives a true and fair view. The method has been accepted by the Danish Financial Supervisory Authority as useful in practice.

The fair value of financial instruments, including derivative financial instruments for which no listed market values exist, is based on the best available information under the circumstances. The methods of determination in this respect comprise a discount to net present value of future cash flows and an assessment of the underlying market conditions. The application of these methods includes assumptions of interest, risk premium, volatility, default, prepayments and other information.

The estimate of the useful lives of intangible assets is made by the management. The useful lives of intangible assets of the BRFkredit Group are estimated at 0-3 years.

Mortgage loans and other loans with an objective indication of impairment are written down. Individually impaired loans are subject to significant uncertainty as regards the value that the mortgaged property might fetch in the event of compulsory realisation, meaning that the impairment in such cases is subjectively estimated.

Decisions about the accounting treatment of contingent assets and contingent liabilities are based on an assessment of the expected outcome of the relevant case. In the event that a future economic benefit is likely to flow to the BRFkredit Group, such a benefit is recognised as an asset. In the event that the BRFkredit Group is likely to have to give up economic benefits to meet the obligation, such benefits are recognised as liabilities. If it is not possible to estimate an amount with sufficient certainty or it is not possible to determine the outcome of a given case, this is disclosed. Decisions about such matters may, in future accounting periods, lead to realised gains or losses that exceed the recognised amounts.

### Segmental financial statements

Information is provided about Group business segments. Segment information has been prepared in keeping with the accounting policies applied by the BRFkredit Group. The presentation of the segments is based on the ongoing reporting to the Group management and thus the principles used in internal financial planning and control. The segments reflect Group returns and risks and are considered to be the Group's primary segments. The distribution of costs and expenses between segments is based on a qualified estimate.

Since the BRFkredit Group mainly operates in Denmark, no geographical segmentation has been made.

Other standards and interpretations of no relevance to the BRFkredit Group  
All of the following standards or changes to existing standards as well as interpretations were in force in 2008, but are of no relevance to the company:

IAS 27, 32 and 39, IFRS 1, 3 and 4 and IFRIC 13, 14, 15, 16 and 17.

The International Accounting Standards Board (IASB) has issued the following new financial reporting standards and interpretations to be implemented for financial years beginning on or after 1 January 2009.

IAS 1  
Presentation of accounting figures. The amendment requires BRFkredit to include comparative figures for two years in its future balance sheets.

IAS 23  
Borrowing Costs. The amendment of the standard will have no effect on the financial statements of BRFkredit.

IFRS 8  
Operating Segments. The standard replaces the current IAS 14.

IAS 34  
Segment information. The amendment is a consequence of IFRS 8.

IAS 39  
Financial instruments. Relaxation of the provisions governing reclassification of financial instruments after initial recognition (was implemented in advance in 2008, see Note 1).



# Note 3, 4 and 5

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>3 INTEREST INCOME</b>				
Receivables from credit institutions and central banks <sup>1)</sup>	151	155	153	156
Loans and other receivables	9,385	7,704	9,058	7,501
Commissions	857	780	857	780
Bonds <sup>2)</sup>	233	180	233	180
Financial derivatives	16	19	16	19
Other interest income	23	17	23	17
<b>Total interest income</b>	<b>10,664</b>	<b>8,855</b>	<b>10,339</b>	<b>8,654</b>
<sup>1)</sup> Of which interest income on reverse transactions entered under 'Receivables from credit institutions and central banks'	<b>13</b>	36	<b>13</b>	36

<sup>2)</sup> Interest received on own mortgage bonds, DKK 783 million (2007: DKK 339 million), has, according to the accounting rules, been set off against interest expenses for issued bonds under interest expenses. Real interest income on the bond portfolio is thus DKK 1,016 million (DKK 519 million).

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>4 INTEREST EXPENSES</b>				
Payables to credit institutions and central banks <sup>1)</sup>	207	103	139	57
Deposits and other payables	118	58	-	-
Issued bonds	8,743	7,325	8,743	7,325
Subordinated capital	67	74	67	74
Other interest expenses	0	6	0	5
<b>Total interest expenses</b>	<b>9,135</b>	<b>7,566</b>	<b>8,949</b>	<b>7,461</b>
<sup>1)</sup> Of which interest expenses from repo transactions entered under 'Payables to credit institutions and central banks'	<b>133</b>	41	<b>133</b>	41

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>5 FEES, CHARGES AND COMMISSION INCOME</b>				
Fees and charges	70	88	62	82
Brokerage	72	76	72	76
Other fees, charges and commission income	50	35	1	1
<b>Total fees, charges and commission income</b>	<b>191</b>	<b>199</b>	<b>134</b>	<b>159</b>
<b>Of which fees, charges and commission income from banking business</b>				
Payment services	0	0		
Originating fees	35	23		
Commissions on guarantees	16	13		
Other fees, charges and commission income	8	6		
<b>Total fees, charges and commission income from banking business</b>	<b>60</b>	<b>43</b>		

## Note 6, 7 and 8

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>6 SECURITIES AND FOREIGN EXCHANGE INCOME</b> (- signifies a loss)				
Mortgage lending <sup>1)</sup>	2,641	-5,275	2,642	-5,276
Other loans and receivables at fair value	-7	14	3	7
Bonds	363	25	363	25
Shares at fair value	-360	144	-393	176
Shares - available for sale <sup>2)</sup>	40	-1	-	-
Investment properties	-10	2	-10	2
Foreign exchange	-1	-1	-1	-1
Interest-rate contracts and financial derivatives <sup>1)</sup>	-344	48	-336	46
Issued bonds <sup>1)</sup>	-2,968	5,253	-2,968	5,253
<b>Total securities and foreign exchange income/loss</b>	<b>-646</b>	<b>209</b>	<b>-700</b>	<b>231</b>

<sup>1)</sup> Adjustments of the balance principle brought a total loss of DKK 3 million (2007: gain of DKK 4 million), resulting from a net value adjustment of the following items: Mortgage lending up by DKK 2,642 million (down by DKK 5,276 million), issued bonds down by DKK 2,968 million (up by DKK 5,253 million) and fixed-price agreements in connection with loan disbursement etc. up by DKK 323 million (up by DKK 28 million), recognised in 'Interest-rate contracts and financial derivatives'.

<sup>2)</sup> Strategic shares (see accounting policies) are classified as 'available for sale' in accordance with IFRS. 2008 saw the realisation of a capital gain of DKK 44 million (2007: DKK 0 million), which has been transferred from equity where the value adjustment used to be recorded. Strategic shares at a market value loss came to DKK 5 million (DKK 1 million).

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>7 STAFF COSTS AND ADMINISTRATIVE EXPENSES</b>				
Staff costs (see note 8)	527	457	482	424
Administrative expenses	273	274	264	269
Sales costs	79	92	79	91
Other costs and expenses	11	11	9	9
<b>Total staff costs and administrative expenses</b>	<b>890</b>	<b>834</b>	<b>833</b>	<b>793</b>

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>8 STAFF COSTS</b>				
Emoluments and remuneration of Supervisory Board and Board of Representatives <sup>1)</sup>	3	3	3	3
Wages and salaries <sup>2) 3)</sup>	436	375	396	346
Defined-contribution pensions <sup>4)</sup>	44	39	41	37
Social security costs	44	40	42	38
<b>Total staff costs</b>	<b>527</b>	<b>457</b>	<b>482</b>	<b>424</b>

<sup>1)</sup> The annual emoluments of ordinary members of the Supervisory Board were DKK 175,000 (2007: DKK 175,000). The Deputy Chairman received double this amount, whereas the Chairman received triple this amount.

<sup>2)</sup> The Executive Board, comprising two persons, received remuneration of DKK 5.9 million (2007: DKK 5.7 million). In addition, an amount of DKK 1.7 million was contributed to the Executive Board's pensions schemes in 2008 (DKK 1.5 million). Finally, members of the Executive Board received benefits-in-kind, such as free car etc. where the Group paid paid expenses of DKK 0.4 million in 2008 (DKK 0.4 million).

<sup>3)</sup> Wages and salaries for 2008 include an adjustment of the holiday pay obligation by DKK 20 million as a result of the transition to a new calculation method.

<sup>4)</sup> The BRFkredit Group has concluded a pension agreement with PFA Pension. The premium, which is payable under a defined-contribution scheme, follows the agreement in force from time to time between the Danish Employers' Association for the Financial Sector, the Danish Financial Service Union and the BRFkredit Group.

Members of the Supervisory Board and Executive Board receive no shares, options, warrants or any other types of incentive pay.

# Note 9, 10, 11 and 12

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>9 AUDITORS' FEES</b>				
Fee for statutory audit	2	2	2	2
Other fees of accounting company	2	8	2	8
<b>Total audit fees</b>	<b>4</b>	<b>10</b>	<b>4</b>	<b>10</b>

The BRFkredit Group has an Internal Audit Department, which employed seven people on average.

	2008	2007	2008	2007
<b>10 NUMBER OF EMPLOYEES</b>				
Average number of employees during the financial year (full-time equivalent)	810	780	732	713

	2008	2007	2008	2007
<b>11 LOAN LOSSES AND IMPAIRMENT CHARGES</b>				
Net changes in impairment charges on individually assessed loans	451	82	281	31
Net changes in impairment charges on groups of loans	174	4	159	4
Realised losses, not previously provided for impairment	65	25	63	24
Recoveries of loan losses previously written off	47	57	47	57
Value adjustment of foreclosed properties	2	-0	2	-0
Other changes	2	1	1	1
<b>Total loan losses and impairment charges</b>	<b>647</b>	<b>56</b>	<b>458</b>	<b>3</b>

*Impairment charges on individually assessed loans:*

Beginning of year	139	57	82	51
Impairment charges during the year	509	118	321	62
Reversal of prior-year impairment charges	57	35	40	31
Other changes	-2	-1	-1	-1
<b>End of year</b>	<b>590</b>	<b>139</b>	<b>363</b>	<b>82</b>

*Impairment charges on groups of loans:*

Beginning of year	15	11	15	11
Impairment charges during the year	189	15	174	15
Reversal of prior-year impairment charges	15	11	15	11
<b>End of year</b>	<b>189</b>	<b>15</b>	<b>174</b>	<b>15</b>

	2008	2007	2008	2007
<b>12 ASSETS IMPAIRED</b>				
Loans and other receivables at amortised cost	410	17	-	-
Impairment	184	16	-	-
<b>Net</b>	<b>226</b>	<b>1</b>	<b>-</b>	<b>-</b>
Loans and other receivables at fair value	4,847	2,109	4,714	1,955
Impairment	566	138	501	97
<b>Net</b>	<b>4,281</b>	<b>1,971</b>	<b>4,213</b>	<b>1,858</b>
Shares etc.	36	16	-	-
Impairment	7	3	-	-
<b>Net</b>	<b>29</b>	<b>13</b>	<b>-</b>	<b>-</b>

No impairment has been recognised for other classes of assets.

# Note 13, 14 and 15

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>13 INCOME FROM EQUITY INVESTMENTS IN ASSOCIATED AND SUBSIDIARY UNDERTAKINGS</b>				
Income from equity investments in associated undertakings (note 27)	1	9	1	9
Income from equity investments in subsidiaries before tax (note 28)	-	-	-109	39
<b>Total income from equity investments in associated and subsidiary undertakings</b>	<b>1</b>	<b>9</b>	<b>-108</b>	<b>48</b>

	2008	2007	2008	2007
<b>14 TAX</b> (- signifies an income)				
Current tax on income for the year	1	152	1	152
Readjustment of tax for previous years	-0	0	-0	0
Adjustment of deferred tax, temporary differences	-75	-7	-75	-7
Adjustment of deferred tax, change in corporation tax rate <sup>1)</sup>	-	-3	-	-3
<b>Total tax</b>	<b>-75</b>	<b>142</b>	<b>-75</b>	<b>142</b>

#### Effective tax rate

Current tax rate for BRFkredit Group	25.0	25.0	25.0	25.0
Shares, non-taxable income and non-deductible expenses	-11.8	-5.1	-13.3	-5.9
Associated undertakings, non-taxable income and non-deductible expenses	0.0	-0.3	0.0	-0.3
Other non-taxable income and non-deductible expenses	-0.3	0.3	-0.3	0.3
Change in corporation tax rate <sup>1)</sup>	-	-0.4	-	-0.4
Readjustment of current tax for previous years	0.0	0.0	0.0	0.0
<b>Effective tax rate</b>	<b>13.0</b>	<b>19.5</b>	<b>11.5</b>	<b>18.7</b>

<sup>1)</sup> The corporation tax rate in Denmark was reduced from 28 pc in 2006 to 25 pc in 2007.

	2008	2007	2008	2007
<b>15 RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>				
Time deposits with central banks	150	150	-	-
Receivables from credit institutions	6,765	6,923	6,980	7,320
Reverse transactions	89	370	89	370
<b>Total receivables from credit institutions and central banks</b>	<b>7,004</b>	<b>7,444</b>	<b>7,069</b>	<b>7,690</b>

DKK 0.1 billion of the above-mentioned receivables is included in BRFkredit's investment portfolio (2007: DKK 0.5 billion). The other receivables relate to the investment of temporary cash resulting from refinancing of ARM loans, immediate prepayments at par where the bonds have not yet been drawn as well as advance issues of bonds in connection with hedging of fixed-price agreements with loan customers. The cash is transferred to Danish banks covered by the state guarantee.

# Note 16, 17, 18 and 19

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>16 BONDS AT FAIR VALUE</b>				
Own mortgage bonds	74,510	53,280	74,510	53,280
Other mortgage bonds	9,416	11,139	9,416	11,139
Government bonds	1,052	918	1,052	918
Other bonds	29	30	29	30
<b>Total before offsetting own mortgage bonds</b>	<b>85,006</b>	65,367	<b>85,006</b>	65,367
Own mortgage bonds (offset against 'Issued bonds at fair value')	-74,510	-53,280	-74,510	-53,280
<b>Total bonds at fair value</b>	<b>10,497</b>	12,087	<b>10,497</b>	12,087

DKK 33.2 billion of the above-mentioned bonds is included in BRFkredit's investment portfolio (2007: DKK 8.3 billion). The investment portfolio also includes bonds for DKK 18.1 billion (0.0 billion), which relate to ARM bonds purchased by BRFkredit in connection with the refinancing and subsequently provided as security for loans from Nationalbanken for 25.9 billion (0.0 billion).

The other securities relate to the investment of temporary surplus cash resulting from bonds for the refinancing of ARM loans, immediate prepayments at par where the bonds have not yet been drawn as well as advance issues of bonds in connection with hedging of fixed-price agreements with loan customers.

The portfolio of own bonds was extraordinarily high at end-2008 as BRFkredit, on request, repurchased matured ARM bonds for DKK 15.7 billion in December 2008 instead of redeeming these bonds at the beginning of 2009.

The portfolio of bonds at fair value at year-end is expected to be virtually recovered and reinvested within 12 months as part of the BRFkredit Group's continuous portfolio management process.

	2008	2007	2008	2007
<b>17 ASSETS ACQUIRED TEMPORARILY</b>				
Properties acquired temporarily <sup>1)</sup>	67	5	67	5
<b>Total assets acquired temporarily</b>	<b>67</b>	5	<b>67</b>	5

<sup>1)</sup> Properties acquired temporarily in connection with loan facilities. Net cash flows for these properties were DKK 1 million in 2008 (2007: DKK 0 million). At the end of 2008 the BRFkredit Group had 50 foreclosed properties, all of which were acquired within the last twelve months.

	2008	2007	2008	2007
<b>18 OTHER ASSETS ETC.</b>				
Positive market value of financial derivatives etc. <sup>1)</sup>	365	22	344	18
Interest and commissions receivable	321	375	321	376
Loan applications in process	25	146	25	146
Prepaid expenses	24	21	22	20
Other assets	6	8	6	10
<b>Total other assets etc.</b>	<b>741</b>	572	<b>719</b>	569

<sup>1)</sup> At the end of 2008 the BRFkredit Group had a positive gross fair value of DKK 693 million (2007: DKK 1,604 million).

	2008	2007	2008	2007
<b>19 SHARES ETC.</b>				
Shares at fair value <sup>1)</sup>	513	847	756	1,164
Shares – available for sale <sup>2)</sup>	244	317	-	-
<b>Total shares etc.</b>	<b>756</b>	1,164	<b>756</b>	1,164

<sup>1)</sup> 'Shares at fair value' are a portfolio for long-term investment with a view to a return.

<sup>2)</sup> 'Shares – available for sale' are acquired for a strategic purpose where the direct return on the shares is not the primary purpose. They include unlisted shares of DKK 234 million (2007: DKK 245 million), for which there is no observable market price. Such shares are valued in accordance with generally accepted valuation methods.



# Note 20

Amounts in DKK million

## 20 PROVISIONS FOR DEFERRED TAX

### BRFkredit a/s

Broken down into the following balance sheet items:

	Shares etc.	Intangible and tangible assets	Provisions for liabilities	Sub-ordinated capital	Other	Total
Carrying amount at beginning of 2007	-0	30	-8	4	-1	24
Adjustment, change in corporation tax rate	0	-3	1	0	0	-3
Adjustment against equity	-	17	-	-	-	17
Adjustments in income statement	0	2	-3	-7	1	-7
Carrying amount at end of 2007	-0	45	-11	-3	-	31
Adjustment against equity	-	-26	-	-	-	-26
Adjustments in income statement	-10	-3	-0	3	-38	-49
<b>Carrying amount at end of 2008 (- is an asset)</b>	<b>-10</b>	<b>15</b>	<b>-11</b>	<b>-</b>	<b>-38</b>	<b>-45</b>

### BRFkredit Group

Broken down into the following balance sheet items:

	Immater, og materi, Shares etc.	Intangible and tangible assets	Provisions for liabilities	Sub-ordinated capital	Other	Total
Carrying amount at beginning of 2007	0	31	-8	4	-1	26
Adjustment, change in corporation tax rate	0	-3	1	0	0	-3
Adjustment against equity	-	17	-	-	-	17
Adjustments in income statement	0	2	-3	-7	1	-7
Carrying amount at end of 2007	-0	47	-11	-3	-	33
Adjustment against equity	-	-27	-	-	-	-27
Adjustments in income statement	-10	-3	-0	3	-64	-75
<b>Carrying amount at end of 2008 (- is an asset)</b>	<b>-10</b>	<b>16</b>	<b>-11</b>	<b>-</b>	<b>-64</b>	<b>-69</b>

Of the BRFkredit Group's capitalised deferred tax, DKK 60 million (2007: DKK 0 million) represents the value of the tax loss that can be carried forward to subsequent years. The value of the tax loss has been capitalised as the BRFkredit Group anticipates taxable income for the years ahead, against which the balance of tax losses can be offset.

Of deferred tax, DKK -68 million (2007: DKK -4 million) is expected to be realised within 12 months, whereas DKK -1 million (DKK 37 million) is expected to be realised after 12 months.

# Note 21, 22 and 23

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>21 LOANS AND OTHER RECEIVABLES AT FAIR VALUE</b>				
Mortgage loans, nominal value	212,047	194,631	212,065	194,650
Adjustment for interest-rate risk etc.	-4,012	-6,653	-4,013	-6,654
Adjustment for credit risk <sup>1)</sup>	-486	-125	-421	-51
<b>Total mortgage loans at fair value</b>	<b>207,548</b>	<b>187,853</b>	<b>207,631</b>	<b>187,945</b>
Arrears before impairment charges	289	137	289	137
Execution before impairment charges	4	4	4	4
Impairment charges on arrears and execution	-77	-3	-77	-3
<b>Total arrears and execution</b>	<b>216</b>	<b>137</b>	<b>216</b>	<b>137</b>
Other loans	230	436	168	169
<b>Total loans and other receivables at fair value</b>	<b>207,994</b>	<b>188,426</b>	<b>208,015</b>	<b>188,251</b>

<sup>1)</sup> Adjustment for credit risk is determined on whether there is an objective indication of impairment in relation to the value at the establishment of the loan.

	2008	2007	2008	2007
<b>22 MORTGAGE LOANS BY CLASS OF PROPERTY, NOMINAL</b>				
Owner-occupied homes	44%	46%	44%	46%
Vacation homes	3%	3%	3%	3%
Subsidised housing	16%	17%	16%	17%
Private rental housing	20%	20%	20%	20%
Industrial properties	1%	1%	1%	1%
Office and business properties	14%	12%	14%	12%
Agricultural properties etc.	0%	0%	0%	0%
Properties for social, cultural and educational purposes	2%	1%	2%	1%
Other properties	0%	0%	0%	0%
<b>Total mortgage loans by class of property</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

	2008	2007	2008	2007
<b>23 INTANGIBLE ASSETS</b>				
Total cost at beginning of year	185	180	184	179
Additions	2	5	1	5
<b>Total cost at end of year</b>	<b>187</b>	<b>185</b>	<b>186</b>	<b>184</b>
Amortisation and impairment at beginning of year	176	171	175	171
Amortisation during the year	5	4	5	4
<b>Amortisation and impairment at end of year</b>	<b>181</b>	<b>176</b>	<b>180</b>	<b>175</b>
<b>Carrying amount at end of year</b>	<b>6</b>	<b>9</b>	<b>6</b>	<b>9</b>

Intangible assets comprise software and licenses, all of which have limited useful lives, and are capitalised in accordance with the rules set out in the accounting policies.

# Note 24 and 25

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>24 INVESTMENT PROPERTIES</b>				
Carrying amount at beginning of year	136	134	136	134
Additions from subsequent expenses	1	0	1	0
Adjustment to fair value	-10	2	-10	2
<b>Carrying amount at end of year</b>	<b>127</b>	136	<b>127</b>	136

Investment properties are recorded at fair value at 31 December. The fair value is calculated according to the income method where the operating income of the properties is set in relation to the required return on the properties. The appraisal was made by an internal valuation expert who is a specialist in assessing commercial properties and, therefore, possesses the required professional qualifications. The Group's investment properties are valued on the basis of an investor's rate of return of 6.00 pc.

Amounts recognised in income statement:

Rental income	9	9	9	9
Direct expenses for properties rented in the period	2	1	1	1

Future minimum payments under non-terminable contracts amount to DKK 3 million, broken down to the following periods:

Within 1 year	3	9		
Between 1 and 5 years	-	-		
After 5 years	-	-		

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>25 OWNER-OCCUPIED PROPERTIES</b>				
<i>At beginning of year</i>				
Cost	496	484	394	385
Accumulated depreciation	80	77	73	70
Revaluation and impairment	153	83	154	87
<b>Carrying amount at beginning of year</b>	<b>569</b>	490	<b>475</b>	402
<i>Additions</i>	44	12	44	9
Depreciation during the year	3	3	3	3
Adjustment of impairment charges during the year	-8	-2	-	-
Adjustment to fair value	-111	72	-106	67
<b>Carrying amount at end of year</b>	<b>491</b>	569	<b>410</b>	475

Investment properties are recorded at fair value at 31 December.

Accumulated depreciation of owner-occupied properties for the BRFkredit Group was DKK 83 million (2007: DKK 80 million).

The Group's owner-occupied properties are valued on the basis of an investor's rate of return of 5.75-6.00 pc.

Future minimum payments under non-terminable contracts amount to DKK 21 million, broken down to the following periods:

Within 1 year	3	4		
Between 1 and 5 years	10	9		
After 5 years	8	10		

# Note 26, 27 and 28

Amounts in DKK million

26 PLANT AND EQUIPMENT (OTHER TANGIBLE ASSETS)	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<i>At beginning of year</i>				
Cost	81	66	80	65
Accumulated depreciation	59	50	58	50
<b>Carrying amount at beginning of year</b>	<b>22</b>	<b>16</b>	<b>22</b>	<b>16</b>
Additions	13	15	13	15
Disposals	1	0	1	0
Carrying amount at beginning of year	11	9	11	9
<b>Depreciation during the year</b>	<b>23</b>	<b>22</b>	<b>23</b>	<b>22</b>

Accumulated depreciation for the BRFkredit Group was DKK 69 million (2007: DKK 59 million).

27 EQUITY INVESTMENTS IN ASSOCIATED UNDERTAKINGS	2008	2007	2008	2007
Carrying amount at beginning of year	65	72	65	72
Share of profits after tax	1	9	1	9
Dividends received	1	1	1	1
Disposals of associated undertakings	-	15	-	15
<b>Carrying amount at end of year</b>	<b>65</b>	<b>65</b>	<b>65</b>	<b>65</b>

The fair value of investments in associated undertakings is estimated to be level with the value according to the equity method.

## GROUP INVESTMENTS IN ASSOCIATED UNDERTAKINGS, ALL OF WHICH ARE UNLISTED:

	BRFkredit's value	Assets	Liabil- ities	Revenue	Profit after tax	Ownership interest in Pc
<b>2007</b>						
EDC-partner a/s, Frederiksberg	65	139	7	7	2	50
<b>2008</b>						
EDC-partner a/s, Frederiksberg <sup>1)</sup>	65	138	5	7	2	50

<sup>1)</sup> Measured on the basis of the latest financial statements at 31 December 2007.

28 EQUITY INVESTMENTS IN SUBSIDIARIES	2008	2007
Total cost at beginning of year	620	466
Additions	200	154
<b>Total cost at end of year</b>	<b>820</b>	<b>620</b>
Revaluation and impairment at beginning of year	269	235
Net profits or losses	-84	29
Other movements in capital	-5	5
<b>Revaluation and impairment at end of year</b>	<b>180</b>	<b>269</b>
<b>Carrying amount at end of year</b>	<b>1,000</b>	<b>889</b>

# Note 29, 30, 31, 32 and 33

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>29 PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS</b>				
Payables to credit institutions	1,101	1,113	57	66
Repo transactions	26,975	1,285	26,975	1,285
<b>Total payables to credit institutions and central banks</b>	<b>28,075</b>	<b>2,398</b>	<b>27,031</b>	<b>1,351</b>

Of the above-mentioned repo transactions, DKK 26 billion relates to transactions concluded with Danmarks Nationalbank where mortgage bonds have been deposited in a special custody account as security. Of these, DKK 18 billion relates to transactions that have been concluded to fund the adjustable-rate mortgage bonds purchased by BRFkredit itself in connection with the refinancing of loans in December 2008.

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>30 DEPOSITS AND OTHER PAYABLES</b>				
Demand deposits	2,514	1,800		
Deposits at notice	61	-		
Time deposits	711	144		
<b>Total deposits and other payables</b>	<b>3,286</b>	<b>1,944</b>		

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>31 OTHER LIABILITIES ETC.,</b>				
Negative market value of financial derivatives etc. <sup>1)</sup>	414	22	382	14
Negative securities portfolio in connection with reverse transactions	90	358	90	358
Interest and commissions payable	4,275	4,280	4,257	4,274
Loan applications in process	52	262	63	133
Other liabilities	177	150	150	127
Deferred income	1	2	1	2
<b>Total other liabilities etc.</b>	<b>5,009</b>	<b>5,074</b>	<b>4,942</b>	<b>4,909</b>

<sup>1)</sup> At the end of 2008 the BRFkredit Group had a positive gross fair value of DKK 18,470 million (2007: DKK 1,160 million).

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>32 ISSUED BONDS AT FAIR VALUE</b>				
Issued mortgage bonds, nominal value	264,757	253,702	264,757	253,702
Adjustment to fair value <sup>1)</sup>	-4,269	-7,529	-4,269	-7,529
Own mortgage bonds, fair value	-74,510	-53,280	-74,510	-53,280
<b>Total issued bonds</b>	<b>185,979</b>	<b>192,893</b>	<b>185,979</b>	<b>192,893</b>
Pre-issued	48,757	52,948	48,757	52,948
Drawn for redemption or maturing at next repayment date	822	947	822	947

<sup>1)</sup> Adjustment for credit risk was DKK 0 in 2008, unchanged from 2007. The amount was determined by an assessment of the following factors: a) credit risk on mortgage bonds is minimal, b) changes in fair value over the year were caused by changes in the benchmark rate, c) BRFkredit's credit ratings were unchanged in 2008.

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>33 SUBORDINATED CAPITAL</b>				
Subordinated bond loan, nom, EUR 200 million <sup>1)</sup>	-	1,490	-	1,490
Other subordinated loan capital:				
Deposit account, Husejerners Kreditkasse <sup>2)</sup>	4	4	4	4
<b>Total subordinated capital <sup>3)</sup></b>	<b>4</b>	<b>1,494</b>	<b>4</b>	<b>1,494</b>

<sup>1)</sup> Interest on the loan in 2008: DKK 67 million (2007: DKK 74 million). The loan carries interest at the Euribor rate with the addition of 0.70 points, The loan was prepaid at par by BRFkredit in October 2008.

<sup>2)</sup> The deposit account is written down in connection with the amortisation of the loan portfolio.

<sup>3)</sup> DKK 4 million (2007: DKK 1,494 million) can be included in the calculation of own funds.



## Note 34, 35, 36, 37 and 38

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>34 OTHER PROVISIONS</b>				
At beginning of year	63	54	108	58
Additions	38	46	38	89
Provisions used	30	37	26	39
Provisions reversed	4	0	4	0
<b>At end of year</b>	<b>67</b>	<b>63</b>	<b>116</b>	<b>108</b>
<i>Provisions are expected to fall due:</i>				
Within 1 year	40	37	89	82
Between 1 and 5 years	27	26	27	26

The items relate to liabilities in the form of commitments of support and other obligations where either the size of the amount or the due date is uncertain. The uncertainty of the provisions made is considered limited.

### 35 CONTINGENT ASSETS

At 31 December 2008, the BRFkredit Group had a contingent asset in the form of the deferred tax asset of impairment charges on the property of Ejendomsselskabet Nørregaardsvej 37-41, 2800 Lyngby A/S. The tax asset is unlikely to be realised and is therefore not recognised in the financial statements. The value of the contingent asset is DKK 3 million.

	2008	2007	2008	2007
<b>36 CONTINGENT LIABILITIES</b>				
<b>Guarantees etc.</b>				
Financial guarantees <sup>1)</sup>	731	2,000	-	-
Other guarantees <sup>2)</sup>	159	46	36	42
<b>Total guarantees etc.</b>	<b>890</b>	<b>2,047</b>	<b>36</b>	<b>42</b>
<b>Other contingent liabilities <sup>3)</sup></b>				
Other liabilities <sup>4)</sup>	71	83	71	82
<b>Total other contingent liabilities</b>	<b>71</b>	<b>83</b>	<b>71</b>	<b>82</b>
<b>Total contingent liabilities</b>	<b>960</b>	<b>2,129</b>	<b>107</b>	<b>125</b>

<sup>1)</sup> Relate to conveyance and repayment guarantees furnished by BRFBank.

<sup>2)</sup> Of other guarantees of the BRFkredit Group, DKK 118 million relates to guarantee provided to the Private Contingency Committee in connection with Bank Rescue Package 1.

<sup>3)</sup> BRFkredit is registered jointly with BRFBank for settlement of VAT and payroll tax. The companies are jointly and severally liable for such settlement.

<sup>4)</sup> At 31 December 2008 BRFkredit had operating lease commitments of DKK 0.1 million (2007: DKK 0.4 million) and DKK 0.1 million in total for the years 2009-2014 (DKK 0.4 million in total for 2008-2013).

	2008	2007	2008	2007
<b>37 SECURITY</b>				
Certificates of deposit with Danmarks Nationalbank provided as security for sum clearing	149	150	-	-
Margin account futures, options, etc.	60	47	60	47
<b>Total security provided</b>	<b>208</b>	<b>197</b>	<b>60</b>	<b>47</b>

Repo transactions involve an arrangement where bonds are provided as security for the amount borrowed. Reference is made to note 48 for details.

### 38 LOAN OFFERS

At 31 December 2008 the BRFkredit Group had open offers, pre-qualifications, etc. for DKK 25.5 billion (2007: DKK 29.6 billion). The life of these loan commitments was a maximum of six months.

# Note 39

Amounts in DKK million

<b>39 FINANCIAL AND OPERATING DATA</b>	<b>2008</b>	2007	2006	2005	2004
<b>BRFkredit Group</b>					
Solvency ratio	12.3	12.6	12.5	13.3	14.1
Core capital ratio	12.3	10.9	10.8	11.5	12.1
Return on equity before tax (Pc)	-5.4	6.8	7.4	8.2	5.4
Return on equity after tax (Pc)	-4.7	5.5	5.7	7.0	4.2
Earnings per unit of cost (DKK)	0.64	1.80	2.08	2.14	1.82
Foreign exchange position (Pc)	3.8	2.7	2.0	1.6	1.5
Accumulated impairment ratio	0.4	0.1	0.0	0.1	0.2
Impairment ratio for the year	0.3	0.0	-0.1	0.0	-0.1
Growth in lending during the year (Pc)	9.2	10.9	11.5	11.2	3.0
Loan-to-equity ratio	20.6	17.5	17.2	16.9	16.1
Total weighted items	82,301	99,689	95,088	84,114	74,761
Core capital (tier 1) after deduction	10,151	10,907	10,290	9,701	9,025
Equity	10,390	11,047	10,374	9,710	9,029
Average equity	10,718	10,710	10,042	9,379	8,840
Lending, beginning of year (nominal)	199,487	179,875	161,365	145,067	141,036
Lending, guarantees and impairment charges	215,578	195,035	180,104	165,046	145,811
Operating expenses (incl. loan losses and impairment charges)	1,576	908	686	668	583
<b>BRFkredit a/s</b>					
Solvency ratio	13.2	13.5	13.0	13.8	14.5
Core capital ratio	13.3	11.7	11.3	12.0	12.5
Return on equity before tax (Pc)	-6.0	7.1	7.9	8.2	5.4
Return on equity after tax (Pc)	-5.3	5.8	6.2	7.0	4.2
Earnings per unit of cost (DKK)	0.51	1.94	2.22	2.21	1.87
Foreign exchange position (Pc)	3.8	2.7	2.0	1.6	1.5
Accumulated impairment ratio	0.3	0.0	0.0	0.1	0.2
Impairment ratio for the year	0.2	0.0	-0.1	-0.1	-0.1
Growth in lending during the year (Pc)	8.8	10.6	10.7	11.3	2.9
Loan-to-equity ratio	20.1	17.1	16.9	16.7	15.9
Total weighted items	76,675	92,998	90,928	80,930	72,334
Core capital (tier 1) after deduction	10,176	10,912	10,290	9,701	9,025
Equity	10,390	11,047	10,374	9,710	9,029
Average equity	10,718	10,710	10,042	9,379	8,840
Lending, beginning of year (nominal)	195,355	176,638	159,615	143,441	139,412
Lending, guarantees and impairment charges	209,188	188,800	175,340	162,427	143,727
Operating expenses (incl. loan losses and impairment charges)	1,311	811	645	634	551

The key financial figures and ratios set out above have been computed in compliance with the guidelines of the Danish Financial Supervisory Authority. For specifications, visit [www.finanstilsynet.dk](http://www.finanstilsynet.dk)

# Note 40, 41 and 42

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>40 SOLVENCY STATEMENT/CAPITAL <sup>1)</sup></b>				
Core capital (tier 1) after deduction <sup>2)</sup>	10,151	10,907	10,176	10,912
Own funds (capital base) <sup>3)</sup>	10,085	12,532	10,109	12,532
Weighted items outside trading portfolio, including off-balance sheet items	70,369	89,103	65,324	83,002
Operational risk	3,269	2,921	2,650	2,332
Weighted items with market risk etc. <sup>4)</sup>	8,663	7,664	8,701	7,664
<b>Weighted items with market risk etc.</b>	<b>82,301</b>	<b>99,689</b>	<b>76,675</b>	<b>92,998</b>
Core capital (tier 1) after deduction as Pc of total weighted items	12,3	10,9	13,3	11,7
Solvency ratio	12,3	12,6	13,2	13,5
<b>BRFkredit's capital requirement according to rules of Financial Supervisory Authority <sup>5)</sup></b>	<b>6,584</b>	<b>7,975</b>	<b>6,134</b>	<b>7,440</b>

<sup>1)</sup> The solvency statement for 2008 is based on the Basel II standardised approach. The solvency statement for 2007 is based on former rules.

The BRFkredit Group applies two capital concepts: 'Core capital after deduction' and 'Own funds (capital base)', both of which are continuously monitored. The capital requirement is assessed in relation to risk-weighted assets (pillar 1) and in relation to the solvency requirement (pillar 2) computed in accordance with the rules of the Financial Supervisory Authority. The definition of capital concepts and monitoring of the area are unchanged from 2007.

<sup>2)</sup> Core capital after deduction is derived by deducting intangible assets of DKK 6 million (2007: DKK 9 million), revaluation reserve of DKK 46 million (DKK 131 million) and capitalised deferred tax of DKK 69 million (2007: DKK 0 million) from equity. The use of the new approach (IRB) requires an additional deduction of half of the difference between impairment charges in the financial statements and expected losses included in the calculation of risk-weighted assets (2008: DKK -117 million).

<sup>3)</sup> Own funds are derived by adding subordinated capital of DKK 4 million (DKK 1.494 million) and revaluation reserve of DKK 46 million (DKK 131 million) to core capital after deduction. Half of the difference between impairment charges in the financial statements and expected losses included in the calculation of risk-weighted assets (2008: DKK -117 million) must also be deducted.

<sup>4)</sup> Of which weighted items with market risk related to assets are DKK 1.1 billion, equivalent to a solvency requirement of DKK 90 million.

<sup>5)</sup> The BRFkredit Group complied with the solvency requirement throughout 2008.

<b>41 CAPITAL GAINS AND LOSSES ON FINANCIAL ASSETS AND LIABILITIES</b>	<b>2008</b>	2007
<b>Fair value adjusted in income statement</b>		
Trading portfolio	19	73
Decided at fair value	-694	134
<b>Available for sale</b>		
Recognised directly in equity	-28	33
Transferred from equity and recognised in income statement	-44	0

<b>42 INTEREST INCOME AND EXPENSES ON FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE IN INCOME STATEMENT</b>	<b>2008</b>	2007
Receivables from credit institutions and central banks etc.	151	155
Loans and other receivables at amortised cost	327	212
Payables to credit institutions and central banks	-207	-103
Deposits and other payables	-118	-58
Issued bonds at amortised cost	-28	-
Financial liabilities at amortised cost	-67	-74

## Note 43, 44 and 45

Amounts in DKK million

	BRFkredit Group	
	2008	2007
<b>43 FEES, CHARGES AND EXPENSES RELATING TO FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE IN INCOME STATEMENT</b>		
Outstanding balances with credit institutions and central banks etc.	0	0
Loans and other receivables at amortised cost	9	10
Deposits and other payables	5	4

### 44 INTEREST INCOME FROM IMPAIRED FINANCIAL ASSETS

Interest income on financial assets in the BRFkredit Group on which an impairment charge had been recorded came to DKK 264 million in 2008 (2007: DKK 97 million).

	2008	2007
<b>45 IMPAIRMENT OF FINANCIAL INSTRUMENTS (GROUPS)</b>		
Shares etc.	7	3
Loans and other receivables at amortised cost	184	16
Loans and other receivables at fair value	566	138
<b>Total</b>	<b>758</b>	<b>157</b>

# Note 46 and 47

Amounts in DKK million

	BRFkredit Group	
<b>46 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE</b>	<b>2008</b>	<b>2007</b>
<b>Financial assets at fair value adjusted in income statement:</b>		
<i>Trading portfolio</i>		
Bonds at fair value	10,497	12,087
Other assets - derivative financial instruments (note 18)	365	22
<i>Decided at fair value</i>		
Loans and other receivables at fair value	207,994	188,426
Shares at fair value (note 19)	513	847
<b>Financial assets available for sale</b>		
Shares available for sale (note 19)	244	317
<b>Loans and receivables</b>		
Cash balance and demand deposits with central banks	19	12
Receivables from credit institutions and central banks	7,004	7,444
Loans and other receivables at amortised cost	5,915	4,408
<b>Financial liabilities at fair value adjusted in income statement:</b>		
<i>Trading portfolio</i>		
Other liabilities - derivative financial instruments (note 31)	414	22
<i>Decided at fair value</i>		
Issued bonds at fair value	185,979	192,893
<b>Financial liabilities at amortised cost</b>		
Payables to credit institutions and central banks	28,075	2,398
Deposits and other payables	3,286	1,944
Issued bonds at amortised cost	1,000	-
Subordinated capital	4	1,494

<b>47 SUPPLEMENTARY INFORMATION ON RECLASSIFICATION OF ASSETS</b>	<b>2008</b>	<b>2007</b>
Reclassified at 1 July 2008	341	-
Value of reclassified assets at end of year	272	-
Market value adjustment to fair value until reclassification at 1 July 2008	-13	10
Market value adjustment to fair value if no reclassification had been made from 1 July 2008	-17	-
Amount recognised in income statement from 1 July 2008	13	-

As mentioned in accounting policies, a portfolio of mortgages that used to be considered a trading portfolio and, therefore, was measured at fair value, has been reclassified and will in future be recognised at amortised cost. The reclassification was made at 1 July 2008. The asset is transferred from 'Lending and other receivables at fair value' to 'Lending and other receivables at amortised cost'.

The effective rate of interest on the reclassified assets averaged 8.65 Pc at 1 July 2008, and expected future cash flows were DKK 739 million at 1 July 2008.



# Note 48, 49 and 50

Amounts in DKK million

## 48 REPO AND REVERSE TRANSACTIONS

### Reverse transactions

In connection with reverse transactions concluded, BRFkredit has received bonds as security for the cash funds invested. The fair value of the bonds received was DKK 91 million (2007: DKK 361 million). In keeping with its management of interest rate risk, the BRFkredit Group sold back bonds for DKK 91 million (DKK 361 million).

### Repo transactions

In connection with repo transactions concluded, bonds transferred temporarily are still recognised in the balance sheet in compliance with the set of rules. As the transferred bonds have merely been 'lent' for a temporary period, the BRFkredit Group is still exposed to interest rate risk, and the 'lent' bonds are consequently included in the overall management of interest rate risk. The carrying amount of these bonds was DKK 27,217 million (2007: DKK 1,253 million).

	BRFkredit Group	
	2008	2007
<b>49 HEDGE ACCOUNTING</b>		
<b>Hedging of fixed-rate loans</b>		
Acquisition price	57	57
Carrying amount	63	61
Fair value	63	61
Nominal value	57	57
Market value adjustment	2	-2
<b>Underlying financial instruments</b>		
Nominal value of interest rate swap	56	56
Carrying value of interest rate swap	-5	-4
Fair value of interest rate swap	-5	-4
Market value adjustment of interest rate swap	-1	3

The fair value of the above-mentioned transaction has been hedged. The hedged item is a fixed-rate loan at a nominal value of DKK 57 million. The hedging instrument is an interest rate swap of DKK 56 million. After hedging, interest rate risk has practically been eliminated.

	Carrying amount		Fair value	
	2008	2007	2008	2007
<b>50 INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS NOT RECOGNISED AT FAIR VALUE – BRFKREDIT GROUP</b>				
Loans and other receivables at amortised cost	5,915	4,408	5,882	4,410
Issued bonds at amortised cost	1,000	-	986	-
Subordinated capital	4	1,494	4	1,482

For other financial assets and liabilities that are not recognised at fair value, the carrying amount primarily equals the fair value.

# Note 51

Amounts in DKK million

## 51 RELATED PARTY TRANSACTIONS

The Company is wholly owned by BRFHolding a/s, which again is wholly owned by BRFFonden, which is the ultimate parent of BRFKredit a/s.

### BRFKredit's related parties comprise:

The Company's parent company and ultimate parent, see above.

The Company's subsidiaries, see note 53.

The Company's associated undertakings, see note 27, and their subsidiaries,

Byggeriets Realkreditfonds Understøttelsesfond, which is a pension fund for certain employees of the Company.

The Company's Supervisory Board and Executive Board and the parent company's Supervisory Board and Executive Board.

BRFKredit undertakes continuing business with all above-mentioned groups of related parties.

BRFKredit has concluded agreements on joint administrative tasks with parent companies, subsidiaries and Byggeriets Realkreditfonds Understøttelsesfond.

BRFKredit rents and leases out premises from and to subsidiaries.

One subsidiary has furnished BRFKredit with land registration guarantees and advance mortgage guarantees.

The agreements are on an arm's length basis.

The remuneration of the Supervisory Board and Executive Board appears from note 8 to the financial statements.

### The following transactions have been concluded with related parties:

	Interest income	Interest expenses	Fees, charges and com- mission income	Fees, charges and com- missions paid	Securities and foreign exchange income	Other operating income	Staff cost and admin- istrative expenses
2007							
Parent companies	-	2	-	-	-	0	-
Subsidiaries	37	2	0	7	-	8	1
Supervisory Board etc.	0	0	-	-	-	-	9
Other related parties	-	5	-	-	-	0	-
	38	10	0	7	-	8	10

	Interest income	Interest expenses	Fees, charges and com- mission income	Fees, charges and com- missions paid	Securities and foreign exchange income	Other operating income	Staff cost and admin- istrative expenses
2008							
Parent companies	-	3	-	-	-	0	-
Subsidiaries	49	1	-	18	4	9	1
Supervisory Board etc.	1	0	-	-	-	-	10
Other related parties	-	5	-	-	-	0	-
	50	8	-	18	4	9	11

The parent company received dividends from associated undertakings of DKK 1 million (2007: DKK 1 million). The parent company did not receive dividends from subsidiaries in 2008 or 2007.

## Note 51, continued

Amounts in DKK million

### The following transactions have been concluded with related parties:

	Receivables from credit institutions etc.	Loans and other receiv- ables	Other assets	Payables to credit institutions etc.	Other liabilities	Issued bonds at fair value
<b>2007</b>						
Parent companies	-	-	-	51	-	-
Subsidiaries	3,356	468	9	3	6	-
Supervisory Board etc.	-	12	-	-	-	-
Other related parties	-	-	-	-	-	114
	3,356	480	9	54	6	114
<b>2008</b>						
Parent companies	-	-	-	52	-	-
Subsidiaries	3,195	618	10	0	14	-
Supervisory Board etc.	-	18	-	-	-	-
Other related parties	-	-	-	-	-	85
	3,195	636	10	52	14	85

Out of receivables from subsidiaries at 31 December 2008, demand deposits with BRFBank accounted for DKK 3,195 million (2007: DKK 3,356 million), whereas DKK 600 million (DKK 450 million) related to subordinated capital provided to BRFBank as a floating-rate loan repayable in 2014 (DKK 150 million), 2016 (DKK 100 million) and 2017 (DKK 350 million), unless BRFBank terminates the loan at one month's notice. Other receivables include a fixed-rate mortgage loan of DKK 18 million (DKK 18 million) to Ejendomsselskabet Nørreport and various other receivables of DKK 10 million (DKK 9 million).

Out of payables to subsidiaries at 31 December 2008, payables in demand deposits with BRFBank accounted for DKK 0 million (2007: DKK 3 million). Other payables related to intercompany accounts in a total amount of DKK 52 million (DKK 51 million).

In 2008 the Company increased the capital of subsidiaries by DKK 200 million (2007: DKK 154 million). The capital of associated undertakings was not increased in 2008 or 2007.

The Company had granted mortgage loans to members of the Supervisory Board and Executive Board with an outstanding loan balance of DKK 18 million at 31 December 2008 (2007: DKK 12 million). All the loans had been granted on normal business terms and amounted to DKK 15 million for fixed-rate loans carrying interest at 4-7 pc and DKK 3 million for a 4 pc floating-rate loan. Members of the Supervisory Board and Executive Board made interest and principal payments of DKK 1 million in 2008 (DKK 1 million).

The Company has not provided guarantees to the Supervisory Board of the Company or its parent company.

The Company has not granted loans or provided guarantees to the Executive Board of the Company or its parent company.

At 31 December 2008 Byggeriets Realkreditfonds Understøttelsesfond had a portfolio of mortgage bonds issued by BRFKredit of DKK 85 million (2007: DKK 114 million).

# Note 52, 53, 54 and 55

Amounts in DKK million

## 52 POST BALANCE SHEET EVENTS

No events have occurred after the balance sheet date that would influence the income statement or balance sheet set out in these financial statements.

## 53 CONSOLIDATED COMPANIES

Name and registered office	Company capital at year end <sup>*)</sup>	Equity at year-end <sup>*)</sup>	Share holding %	Profit or loss <sup>*)</sup>
<b>Subsidiaries included in consolidation:</b>				
BRFbank a/s, Kgs. Lyngby	235	936	100	-77
Ejendomsselskabet Nørreport 26, 8000 Århus C, A/S, Århus	5	56	100	1
Ejendomsselskabet Nørgaardsvej 37-41, 2800 Lyngby A/S, Kgs. Lyngby	3	8	100	-6

\*) According to latest published financial statements

### Parent companies preparing consolidated financial statements

BRFkredit a/s is included as a subsidiary of the following companies, which prepare consolidated financial statements:

BRFholding a/s, Kgs. Lyngby

BRFFonden, Kgs. Lyngby

## 54 CREDIT RISKS

The BRFkredit Group's credit risk exposure is described in detail in the management's review under 'Risk management'. To supplement the management's review, the following information has been included:

The BRFkredit Group's maximum credit risk on financial assets decided at fair value (loans and shares) theoretically amounted to DKK 208.7 billion (2007: 190.7 billion). Because of the collateral security involved in mortgage loans, however, the actual credit risk associated with mortgage lending is limited. A statement of impairment according to IFRS entailed an impairment requirement relating to credit risk of DKK 750 million at the end of 2008 (DKK 154 million).

The BRFkredit Group's maximum credit risk on fixed-income instruments (bonds and financial derivatives with a positive market value) theoretically amounted to DKK 10.9 billion (2007: DKK 12.1 billion). As all counterparties are major financial institutions within the EU, credit risk is assessed to be minimal.

In respect of loans of DKK 378 million (2007: DKK 138 million), workout agreements to reschedule one or more loan payments have been concluded.

55 MARKET RISKS <sup>1) 2)</sup>	BRFkredit Group	
	2008	2007
Interest rate risk, Financial Supervisory Authority method	273	503
Interest rate risk, Internal method	261	226

<sup>1)</sup> Under the Financial Supervisory Authority method, interest rate risk is determined in each currency and then added numerically. From December 2007, the Supervisory Authority allows half of interest rate risk in EUR to be offset.

The internal method is used to determine net risks in DKK and EUR.

<sup>2)</sup> The BRFkredit Group's market risk exposure is described in detail in the management's review under 'Risk management'.

# Note 56

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2008	2007	2008	2007
<b>56 LIQUIDITY RISKS BY REMAINING TERM TO MATURITY</b>				
<b>Receivables from credit institutions and central banks</b>				
On demand	3,401	3,981	4,083	4,491
Up to 3 months	3,590	3,446	2,972	3,183
Over 3 months and up to 1 year	2	2	2	2
Over 1 year and up to 5 years	10	12	10	12
Over 5 years	1	2	1	2
<b>Total</b>	<b>7,004</b>	<b>7,444</b>	<b>7,069</b>	<b>7,690</b>
<b>Loans and other receivables <sup>1)</sup></b>				
On demand	752	1,750	-	-
Up to 3 months	2,191	1,964	1,020	1,036
Over 3 months and up to 1 year	4,195	5,719	3,742	4,644
Over 1 year and up to 5 years	35,977	27,410	35,086	26,816
Over 5 years	170,796	155,991	168,766	156,205
<b>Total</b>	<b>213,910</b>	<b>192,834</b>	<b>208,615</b>	<b>188,701</b>
<b>Payables to credit institutions and central banks</b>				
On demand	57	63	57	66
Up to 3 months	26,975	1,535	26,975	1,285
Over 3 months and up to 1 year	-	-	-	-
Over 1 year and up to 5 years	1,044	800	-	-
Over 5 years	-	-	-	-
<b>Total</b>	<b>28,075</b>	<b>2,398</b>	<b>27,031</b>	<b>1,351</b>
<b>Deposits and other payables</b>				
On demand	2,614	1,800	-	-
Up to 3 months	148	143	-	-
Over 3 months and up to 1 year	524	1	-	-
Over 1 year and up to 5 years	-	-	-	-
Over 5 years	-	-	-	-
<b>Total</b>	<b>3,286</b>	<b>1,944</b>	<b>-</b>	<b>-</b>
<b>Issued bonds at fair value <sup>1)</sup></b>				
Up to 3 months	16,779	25,473	16,779	25,473
Over 3 months and up to 1 year	2,776	2,511	2,776	2,511
Over 1 year and up to 5 year	48,845	61,761	48,845	61,761
Over 5 years	117,579	103,147	117,579	103,147
<b>Total</b>	<b>185,979</b>	<b>192,893</b>	<b>185,979</b>	<b>192,893</b>
<b>Issued bonds at amortised cost</b>				
Up to 3 months	-	-	-	-
Over 3 months and up to 1 year	-	-	-	-
Over 1 year and up to 5 year	1,000	-	1,000	-
Over 5 years	-	-	-	-
<b>Total</b>	<b>1,000</b>	<b>-</b>	<b>1,000</b>	<b>-</b>

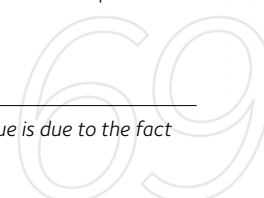
## Financial guarantees

The BRFkredit Group's financial guarantees at the end of 2008 were DKK 731 million (2007: DKK 2,000 million). The financial guarantees relate to conveyance and repayment guarantees where the BRFkredit Group historically has incurred no loss, and the cash flow effect is therefore expected to be DKK 0. Financial guarantees are usually for a term of under 1 year.

## Liquidity risks

Reference is made to the paragraph on risks for management of liquidity risk.

<sup>1)</sup> The cash flow imbalance between mortgage loans (the main item of 'Loans and other receivables') and issued bonds at fair value is due to the fact that 30-year ARM loans are funded by bonds with maturities of 1-10 years.



## Note 57

Amounts in DKK million

### 57 DIFFERENCE BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PRESENTED UNDER IFRS AND FINANCIAL STATEMENTS FILED WITH THE DANISH FINANCIAL SUPERVISORY AUTHORITY

In terms of profit or loss and equity, the difference between the consolidated financial statements presented under IFRS and the financial statements filed with the Financial Supervisory Authority can be specified as follows:

	Income statement		Equity	
	2008	2007	2008	2007
According to consolidated financial statements	-500	588	10,390	11,047
Shares – available for sale	-73	33	-	-
Tax effect	-	-	-	-
Group's accounting figures according to the rules of Financial Supervisory Authority	-573	621	10,390	11,047

*In accordance with IFRS, the net increase during the year in the value of shares classified as 'available for sale', see accounting policies, is recognised in equity until the asset is capitalised, after which the gain is transferred to the income statement. According to the rules of the Danish Financial Supervisory Authority, the value adjustments during the year are required to be recognised directly in the income statement.*



# Note 58

## 58 DIRECTORSHIPS AND EXECUTIVE POSITIONS

### Directorships and executive positions held by the Supervisory Board

The members of the Supervisory Board have disclosed the following directorships and executive positions with other Danish public limited companies, except for wholly-owned subsidiaries:

#### Oluf Engell

Chairman of the supervisory boards of:

BRFholding a/s  
Dades a/s  
Aktieselskabet Einar Willumsen

Member of the supervisory board of:

Haldor Topsøe Holding A/S

#### Troels Behr

Chairman of the supervisory boards of:

Arkitekttegnestuen Virumgård A/S

Member of the supervisory boards of:

A/S Matr.nr. 432 af Amagerbro  
Byplantegnestuen A/S

#### Lars Henrik Munch

Chairman of the supervisory board of:

Skandinavisk Film Kompagni Holding A/S

Chairman of the supervisory board of:

BRFholding a/s

Member of the executive board of:

JP/Politikens Hus A/S

#### Kurt Bligaard Pedersen

Member of the executive board of:

DONG Naturgas A/S

Member of the supervisory board of:

BRFholding A/S

#### Kristian May

President and CEO of:

MT Højgaard A/S

#### Aksel Nissen

Member of the supervisory board of:

Dalhoff Larsen & Horneman A/S  
Aktieselskab Einar Willumsen

### Directorships and executive positions held by the Executive Board

The Supervisory Board has approved the following directorships and executive positions held by the following members of the Executive Board:

#### Sven A. Blomberg

Chairman of the supervisory boards of:

BRFbank a/s  
Ejendomsselskabet Nørgaardsvej 37-41,  
2800 Lyngby A/S

Member of the supervisory boards of:

Værdipapircentralen A/S

Member of the executive board of:

BRFholding A/S

#### Carsten Tirsbæk Madsen

Member of the supervisory boards of:

BRFbank a/s  
Ejendomsselskabet Nørgaardsvej 37-41,  
2800 Lyngby A/S  
E-Nettet Holding A/S

Name	Age	Elected to Supervisory Board
Oluf Engell	63	April 1991
Kurt Bligaard Pedersen	49	April 2001
Troels Behr	63	May 1990
Laila Busted	48	April 1999
Jan Frederiksen	53	April 2003
Kristian May	52	April 2006
Lars Henrik Munch	49	April 2002
Aksel Nissen	64	April 2003
Thomas Sandelius	42	August 2002

# Series accounts

Amounts in DKK million

The series accounts of BRFKredit a/s have been prepared in compliance with Order of 20 November 1995 of the Danish Financial Supervisory Authority on Series Accounts of Mortgage Credit Institutions. The series accounts have been summarised below at 'association level', cf. section 30(3) of the Order.

The summary and the transfers between the series have been prepared in compliance with the Supervisory Board's proposal for distribution of net profit. The full and complete series accounts are available from BRFKredit a/s on demand.

## SUMMARY SERIES ACCOUNTS

	Husejernes Kreditkasse	BRFKredit series with joint and several liability	BRFKredit Capital Center E	BRFKredit Capital Center B	General Capital Center	Total
<b>Income statement for 2008</b>						
Income from lending	0	30	100	698	51	880
Interest on subordinated capital	0	0	0	0	67	67
Interest etc., net	0	-3	-18	-105	-9	-135
Administrative expenses etc., net	1	22	117	672	56	867
Loan impairment charges and provisions	0	5	192	264	-3	458
Tax	0	-2	-10	-58	-5	-75
Net profit or loss for the year	0	2	-216	-284	-74	-573

## Balance sheet at 31 December 2008

### Assets <sup>1)</sup>

Mortgage lending etc.	181	11,797	34,670	149,856	11,380	207,884
Other assets	42	1,885	45,455	44,775	3,931	96,088
<b>Total assets</b>	<b>223</b>	<b>13,682</b>	<b>80,125</b>	<b>194,631</b>	<b>15,311</b>	<b>303,972</b>

### Liabilities and equity

Issued mortgage bonds etc.	196	12,473	70,971	173,189	11,753	268,582
Other liabilities	18	1,125	6,589	16,005	1,259	24,996
Subordinated capital	4	0	0	0	0	4
Equity	4	84	2,566	5,437	2,299	10,390
<b>Total liabilities and equity</b>	<b>223</b>	<b>13,682</b>	<b>80,125</b>	<b>194,631</b>	<b>15,311</b>	<b>303,972</b>

### <sup>1)</sup> Assets in series accounts

Assets in financial statements

229,462

Assets in series accounts

303,972

### Difference

-74,510

The difference is due to:

Offsetting of own issued mortgage bonds – note 16

-74,510

### **Internal audit report**

The Internal Audit Department has audited the following series accounts for 2008 for series with joint and several liability, including Husejernes Kreditkasse, other series with joint and several liability and the General Capital Centre. The audit was conducted in compliance with generally accepted auditing standards and comprised such audit procedures as we considered necessary.

In our opinion, the series accounts are presented in accordance with Order No. 872 of 20 November 1995 of the Financial Supervisory Authority.

*Kgs. Lyngby, 24 February 2009*

Arne List  
*Head of Internal Audit Department*

### **Independent auditors' report**

In our capacity as auditors elected at the Annual General Meeting of BRFkredit a/s, we have audited the following series accounts for 2008 for series with joint and several liability, including Husejernes Kreditkasse, other series with joint and several liability and the General Capital Centre. The audit, undertaken in cooperation with the Company's Internal Audit Department, was conducted in compliance with generally accepted auditing standards and comprised such audit procedures as we considered necessary.

In our opinion, the series accounts are presented in accordance with Order No. 872 of 20 November 1995 of the Financial Supervisory Authority.

*Hellerup, 24 February 2009*

PricewaterhouseCoopers  
*Statsautoriseret Revisionsaktieselskab*

Kim Fücksel  
*State-Authorised  
Public Accountant*

Jesper Edelbo  
*State-Authorised  
Public Accountant*

# Glossary

## Balance principle

Mortgage credit institutions' issues of mortgage bonds, covered bonds and covered mortgage bonds are subject to a balance principle. The balance principle sets limits to the differences between, on the one hand, payments to bondholders on issued bonds and, on the other hand, payments on the underlying loans and, if applicable, financial instruments, etc.

## Bond series

Group of bonds subject to similar terms in respect of repayment and redemption terms and type of interest.

## Capital adequacy ratio

An indication of BRFkredit's capital adequacy, this ratio is computed as the relationship in pc between own funds and risk-weighted assets and market-risk items. Danish legislation requires a minimum ratio of 8 pc, both for the institution in general and for each individual capital centre.

## Capital centre

A capital centre is a group of bond series and underlying mortgages that are legally separate from BRFkredit's other bond series and mortgages. The capital centre has a separate series reserve fund (own funds), which must account for at least 8 pc of the risk-weighted assets in the capital centre under the Danish Financial Business Act.

## Cash flow statement

The cash flow statement shows BRFkredit's cash flows from operating activities, investing activities, financing activities as well as lending and funding activities during the financial year. The bond portfolio is defined as being included in cash and cash equivalents.

In mortgage credit institutions, a cash flow statement will often be strongly affected by the fact that 'money' is the product they trade in. Hence, at mortgage refinancing wave will often generate considerable surplus liquidity

because loan amounts paid prematurely by borrowers are received at the effective date of prepayment, whereas the prepaid instalments are not transferred to the owners of BRFkredit's bonds until the following loan repayment date. Surplus liquidity is also generated when borrowers conclude fixed-price agreements for the disbursement of their loans as BRFkredit issues and sells the underlying bonds at the date when the price is locked in, whereas the cash funds are not transferred to the borrower until the date of disbursement.

Finally, circumstances relating to the refinancing of adjustable rate mortgage loans have a substantial impact on cash flows from lending and funding activities.

## Commissions

Amounts paid by borrowers on each repayment date in addition to interest and principal payments and representing BRFkredit's margin.

## Core capital

Supplementary capital (tier 2) is included in own funds. Corresponds to equity, which is made up of series reserve funds, share capital and reserves.

## General Capital Centre

'The General Capital Centre' comprises the mortgage business not included in series with joint and several liability or in Capital Centre B or E.

## Own funds (capital base)

The equity concept used for the calculation of capital adequacy ratio. Is the sum of core capital (tier 1) and supplementary capital (tier 2).

## Risk-weighted assets

The sum of BRFkredit's assets where each asset category is weighted according to risk in compliance with the EU capital adequacy ratio directive. Used for calculating capital adequacy ratio.

## Series

Loans and underlying bonds as well as other assets and liabilities specifically connected to the series. The series has its own series reserve funds, which are the equity in the series.

## Subordinated capital

Capital which, under special circumstances, may be included in own funds as supplementary capital (tier 2).

## Supplementary capital

Supplementary capital (tier 2) is included in own funds. Comprises subordinated capital.

## Swap

The exchange of cash flows on loans. Can be the exchange of a fixed-rate loan for an adjustable rate mortgage loan or the exchange of one currency for another.



