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and the press

Announcement no. 16/2011
24 February 2011

Annual Results 2010



3RF kredit

Press Release announcing the 2010 financial results of the BRFkredit Group*

Profit before tax of DKK 21 million and financial performance improvement of DKK 879 million from 2009

Summary financial performance

- Core income from lending operations etc. up by DKK 127 million to DKK 1,413 million in 2010, against DKK 1,286 million in 2009
- Core income from securities down from DKK 527 million in 2009 to DKK 258 million in 2010. The decline was attributable to a fall in the risk-free rate of return
- Costs and expenses were down by 9% to DKK 827 million in 2010, against DKK 910 million in 2009
- Loan losses and impairment charges etc. trimmed profits by DKK 471 million in 2010, down by DKK 1,654 million from an adverse impact of DKK 2,125 million in 2009
- Out of total loan losses and impairment charges during the year, BRFkredit a/s and BRFbank a/s accounted for DKK 363 million and DKK 108 million, respectively. DKK 358 million of impairment charges was accounted for by private customers and DKK 113 million by corporate customers
- The arrears rate measured 15 days after the fourth quarter of 2010 was 1.94%, against 4.22% at the same stage of 2009, and the arrears rate measured 105

days after the September 2010 repayment date was 1.04%, against 2.67% a year earlier

- Properties acquired on foreclosure were sold in 2010 for a total amount of DKK 2,444 million, which contributed to profits as these properties are generally sold above the carrying amounts. The portfolio of foreclosed properties was DKK 985 million at 31 December 2010. After the financial year end, BRFkredit has entered into final sales agreements for an additional amount of DKK 161 million
- Earnings from investment portfolios were negative at DKK 77 million, against a positive return of DKK 398 million in 2009

Capital base at 31 December 2010

- The solvency requirement was 8.7% or DKK 7.2 billion.
- Core capital and solvency ratios were 13.7% and 13.5%, respectively
- Equity amounted to DKK 9,742 million. Core capital and own funds were DKK 11,390 million and DKK 11,143 million, respectively
- BRFkredit held own funds in excess of the solvency requirement of DKK 3.9 billion

Outlook for 2011

2011 holds prospects of rebounding activity in the mortgage market compared with 2010 in the light of continued low interest rates

2011 is expected to see growth in core income from lending operations over the level of 2010. A slight increase in costs and expenses is predicted in the wake of a higher activity level and new credit granting procedures. The impact on 2011 profits from loan losses and impairment charges is still subject to uncertainty, but the total impact of loan losses and impairment charges is forecast to be lower than in 2010. Investment returns on BRFkredit's portfolio of bonds in 2011 are expected to be down on 2010 as a consequence of the lower interest level

Total cost of capital is assumed to rise in 2011 as senior debt raised in April 2010 involves payment of interest throughout 2011

Expectations are that this consolidation process will continue in 2011. Overall, profit before tax for 2011 is assumed to be an improvement over 2010's performance

* The BRFkredit Group will be referred to as BRFkredit below.

Management's review

On 24 February 2011, the Board of Directors approved the Annual Report of BRFkredit for the financial year 2010.

BRFkredit generated a profit before tax of DKK 21 million for 2010, against a loss of DKK 858 million in 2009.

BRFkredit came out of the year with a net profit of DKK 14 million, against a net loss of DKK 621 million in 2009.

After recognition of net profit for the year, the solvency ratio at 31 December 2010 was 13.5%. If computed exclusively on the basis of core (tier 1) capital, the solvency ratio at end-2010 was 13.7%. The solvency requirement was determined at 8.7%. The Board of Directors proposes that no dividends be paid for the financial year 2010.

The Board of Directors says:

'BRFkredit generated a profit before tax of DKK 21 million for 2010. This performance can mainly be ascribed to a solid improvement in profits for the

third and fourth quarters of 2010, based on rising core income from lending operations, falling costs and expenses and, in particular, a decline in impairment charges. BRFkredit's profit growth since 1st half 2009 is a result of the initiatives launched in 2009, coupled with the pick-up in economic activity.

2010 was a year characterised by consolidation, which included a targeted effort to reduce risks and sell foreclosed properties. The Board of Directors notes with satisfaction that BRFkredit managed to sell properties in 2010 for more than DKK 2.4 billion in an otherwise difficult market for commercial properties.

The credit quality of Capital Centre E improved in 2010, some of the reasons being falling levels of arrears and a reduction in the number of foreclosed properties. Given these circumstances, at the end of 2010 Moody's Investor Service eased the requirement for BRFkredit's over-collateralisation from

13.5% to 9.5% of lending out of Capital Centre E, equivalent to a reduction in the capital requirement of DKK 4 billion. The new requirement still reflects extremely high safety for BRFkredit's investors as Moody's requirement for capital behind Capital Centre E is currently in the order of DKK 10 billion.

In 2009 BRFkredit entered into an agreement for a government guarantee limit for the issuance of senior debt and junior covered bonds. The limit was utilised in the second quarter of 2010 when BRFkredit issued government-guaranteed senior debt for a total amount of DKK 7.2 billion. The funds from the issue will be devoted to strengthening the capital base of the active Capital Centre E.

The Board of Directors predicts that this consolidation process will continue in 2011. For 2011, BRFkredit expects its full-year performance to be ahead of 2010.'

Financial and operating data for BRFkredit

DKK million

CORE EARNINGS/EARNINGS FROM INVESTMENT PORTFOLIOS AND PROFITS OR LOSSES FOR THE YEAR

	2010	2009	2008	2007	2006
Core income from lending operations etc.	1,413	1,286	1,122	1,050	923
Core income from securities	258	527	488	482	380
Total core income	1,671	1,813	1,610	1,532	1,303
Operating expenses, depreciation and amortisation	827	910	917	852	810
Core earnings before loan losses and impairment charges etc.	844	903	693	680	493
Loan losses and impairment charges etc. (- signifies an income)	471	2,125	647	56	-129
Core earnings before cost of capital	373	-1,223	46	624	622
Hybrid core capital	199	31	-	-	-
Junior covered bonds	33	3	-	-	-
Senior loans	43	-	-	-	-
Core earnings	98	-1,257	46	624	622
Earnings from investment portfolios	-77	398	-621	106	119
Profit or loss before tax	21	-858	-575	730	741
Tax (- signifies an income)	7	-237	-75	142	170
Net profit or loss for the year	14	-621	-500	588	572

SUMMARY BALANCE SHEET

	2010	2009	2008	2007	2006
Lending	212,976	221,026	213,909	192,834	178,498
Bonds and shares etc.	9,870	13,307	11,253	13,251	9,804
Other assets	8,584	12,496	8,676	8,861	13,097
Total assets	231,430	246,829	233,838	214,946	201,399
Issued bonds ¹⁾	198,383	200,338	186,979	192,893	179,474
Other liabilities	23,305	36,761	36,469	11,006	11,551
Equity	9,742	9,730	10,390	11,047	10,374
Total liabilities and equity	231,430	246,829	233,838	214,946	201,399

¹⁾ In 2010 and 2009 the portfolio of own mortgage bonds, representing an amount of DKK 98 billion and DKK 102 billion, respectively, was set off against issued bonds.

SELECTED KEY FIGURES AND RATIOS

	2010	2009	2008	2007	2006
Earnings per unit of cost (DKK)	1.02	0.72	0.64	1.80	2.08
Growth in lending during the year	-4.1	1.3	9.2	10.9	11.5
Loan-to-equity ratio	21.9	22.7	20.6	17.5	17.2
Gross new lending (outstanding bond loans), DKK million	22,946	40,394	38,348	43,785	46,618
Number of new loans	14,500	23,900	17,600	21,900	29,600
Arrears rate (105 days) at end of year	1.04	2.67	1.85	0.19	0.07
Impairment ratio for the year	0.2	0.9	0.3	0.0	-0.1
Administrative expenses, depreciation and amortisation as % of average loan portfolio	0.38	0.41	0.44	0.45	0.47
Solvency ratio	13.5	13.0	12.3	12.6	12.5
Core capital ratio	13.7	13.3	12.3	10.9	10.8
Return on equity before tax	0.2	-8.5	-5.4	6.8	7.4
Return on equity after tax	0.1	-6.2	-4.7	5.5	5.7
Series reserve funds, DKK million	4,419	7,510	8,091	8,716	8,322
Share capital and other reserves, DKK million	5,323	2,220	2,299	2,331	2,052
Own funds (tier 1 + tier 2), DKK million	11,143	11,155	10,085	12,532	11,858
Foreign exchange position, %	4.3	4.8	3.8	2.7	2.0

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 social 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.' worked out at DKK 98 million in 2010, against a loss of DKK 1,257 million in 2009.

Core earnings are made up as follows:

Core income from lending operations etc.

Core income from lending operations, which primarily consists of income from commissions and brokerage, fees and charges from mortgage operations as well as income from bank lending, amounted to DKK 1,413 million in 2010, against DKK 1,286 in 2009.

Income from commissions came to DKK 1,279 million in 2010, up from DKK

1,018 million in 2009. Brokerage, fees and charges (net) totalled DKK 11 million in 2010, against DKK 100 million in 2009. The decline in brokerage, fees and charges was mainly associated with lower lending and refinancing activity.

Core income from securities

Core income from securities, which comprises a risk-free return on the proprietary investment portfolio and returns bonds in core portfolios, interest income on overdue payments, etc., amounted to DKK 258 million in 2010, against DKK 527 million in 2009. Risk-free returns came to DKK 147 million in 2010, against DKK 348 million in 2009. The difference of DKK 201 million was mainly attributable to the fall in the risk-free rate of return.

Operating expenses, depreciation and amortisation

Operating expenses, including depreciation and amortisation, were DKK 827 million in 2010, against DKK 910 million the year before. The decline was mainly due to falling payroll costs and administrative expenses.

The expense ratio edged down from 0.41% in 2009 to 0.38% in 2010.

Loan losses and impairment charges etc.

Loan losses and impairment charges etc. amounted to DKK 471 million in 2010, down from DKK 2,125 million in 2009. The impact on profits accounted for 0.2% of total lending in 2010 and

0,9% in 2009. Although the level of loan losses and impairment charges remains high, developments have been positive since the extensive charges in 1st half 2009.

The impact on 2010 profits broke down into a reduction in individual impairment charges of DKK 228 million, an increase in collective impairment charges of DKK 23 million and realised losses etc. of DKK 676 million. DKK 363 million of the total impact on profits related to BRFkredit a/s, while the remaining DKK 108 million related to BRFbank a/s. DKK 358 million of loan losses and impairment charges was accounted for by private customers and DKK 113 million by corporate customers.

The balance of total impairment charges at 31 December 2010 was DKK 2,128 million, equivalent to 1.0% of total lending. DKK 1,262 million of total impairment charges related to BRFkredit a/s, while the remaining DKK 866 million related to BRFbank a/s. DKK 628 million of total impairment charges was accounted for by private customers and DKK 1,500 million by corporate customers. Collective impairment charges totalled DKK 581 million.

BRFkredit has not granted loans for agriculture, forestry and horticulture since 1992, and it was therefore not necessary to provide for impairment of this loan segment in 2010. The aggregate portfolio of loans for agriculture

BRFKREDIT'S SEGMENTAL FINANCIAL STATEMENTS

DKK million	2010			2009		
	Mortgage lending etc.	Portfolio management	Total	Mortgage lending etc.	Portfolio management	Total
Core income from lending operations etc.	1,413			1,286		
Core income from securities	258			527		
Total core income	1,671			1,813		
Operating expenses, depreciation and amortisation	827			910		
Core earnings before impairment	844			903		
Loan losses and impairment charges etc.	471			2,125		
Core earnings before cost of capital	373			-1,223		
Hybrid core capital	199			31		
Junior covered bonds	33			3		
Senior debt	43			-		
Core earnings	98			-1,257		
Earnings from investment portfolios		-77			398	
Profit or loss before tax			21			-858
Tax (- signifies an income)			7			-237
Net profit or loss for the year			14			-621

ARREARS RATES

Repayment dates	December 2010	September 2010	June 2010	March 2010	December 2009	September 2009
Arrears rate after 105 days	-	1.04	0.91	1.34	1.91	2.67
Arrears rate after 15 days	1.94	3.07	2.40	3.01	4.22	5.80

etc., including agricultural properties used exclusively for housing, amounted to DKK 0.2 billion.

Arrears rates were down from the corresponding periods of 2009. The arrears rate measured 105 days after the September 2010 repayment date was 1.04%, against 2.67% in 2009, and the arrears rate measured 15 days after the December 2010 repayment date was 1.94%, against 4.22% at the same stage of 2009.

At 1 January 2010, assets acquired temporarily by BRFkredit (Group) amounted to DKK 1,294 million, primarily comprising properties, of which 78% were sold in 2010. Sales of these properties etc. had a small positive impact on the financial performance for 2010. Properties still in possession are continuously adjusted to market value, which had a small negative impact on the financial performance for 2010.

BRFkredit also acquired a significant number of properties in 2010, especially during the first half of the year, bringing the portfolio of assets acquired temporarily to DKK 2,195 million at 30 June 2010. Quite a few of these properties were sold during the second half of 2010. Hence, BRFkredit sold properties for a total amount of DKK 2,444 million in 2010. The properties are generally sold at prices slightly higher than the original carrying amounts.

At 31 December 2010, BRFkredit's portfolio of assets acquired temporarily amounted to DKK 985 million. Assets acquired temporarily are stated at or below market value in the financial statements, see accounting policies. After 31 December 2010, BRFkredit has entered into sales agreements for an additional amount of DKK 161 million.

Cost of capital etc.

Cost of capital (net) totalled DKK 275 million. The amount breaks down as follows: DKK 199 million of hybrid core capital, DKK 33 million of junior covered bonds and DKK 43 million of senior debt.

In addition, expenses of DKK 51 million were incurred for Bank Rescue Package I, DKK 22 million of which has been charged against profit under Loan losses and impairment charges.

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 positive to the tune of DKK 114 million in 2010, against returns of DKK 751 million in 2009. Returns were generated by BRFkredit's fixed-income instruments as the portfolio of shares was reduced

in 2009 and remained at a moderate level throughout 2010. At the close of the year, the share portfolio was valued at DKK 0.2 billion, predominantly made up of non-listed shares, including shares in VP SECURITIES A/S and E-Nettet Holding A/S.

BRFkredit's securities portfolio comprised about DKK 10 billion worth of fixed-income instruments, primarily in the shape of government and mortgage bonds, as well as financial derivatives such as futures, options and swaps for risk-hedging purposes. Interest-rate risk on BRFkredit's fixed-income instruments was limited in 2010. It was equivalent to between 1% and 3% of BRFkredit's capital base, yielding a rate of return in line with the one-year rate of interest.

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 risk-free returns on the securities portfolio. Risk-free returns, determined on the basis of a short-term interest rate at the beginning of the year, were DKK 147 million in 2010. Risk-free returns, net of earnings from investment portfolios, are transferred to core earnings.

Earnings from investment portfolios can thus be calculated as total invest-

PORTFOLIO MANAGEMENT

DKK million	2010	2009
Investment returns		
Returns on fixed-income instruments	114	609
Return on shares	0	142
Total investment returns	114	751
Risk-free returns	-147	-348
Risk-free returns, hybrid core capital	-44	-4
Earnings from investment portfolios	-77	398

ment returns (DKK 114 million) adjusted for risk-free returns of DKK 147 million as well as DKK 44 million relating to risk-free returns on proceeds of hybrid core capital. Earnings from investment portfolios were therefore negative at DKK 77 million in 2010, against positive earnings of DKK 398 million in 2009.

Tax

Tax on profit or loss for the year was an expense of DKK 7 million, against an income of DKK 237 million in 2009. The effective tax rate was 34.8%. The difference between this rate and the corporation tax rate of 25.0% is primarily rooted in the adjustment of opening tax values of the equity portfolio in connection with the transition to new rules on capital gains taxation. The relatively high percentage difference in 2010 was due to the fact that net profit for the year was close to breakeven. The rules governing taxation of gains and losses on shares have changed with effect from 2010, making BRFkredit liable to tax on share gains or losses.

Balance sheet total, equity and solvency

BRFkredit had a balance sheet total of DKK 231.4 billion at 31 December 2010, against DKK 246.8 billion at the close of 2009. BRFkredit's mortgage lending decreased by a nominal amount of DKK 8.7 billion to DKK 208.0 billion during 2010. BRFkredit's total lending measured at carrying amount was DKK 213.0 billion at 31 December 2010. Equity was affected by the net profit for the year of DKK 14 million, a downward adjustment of shares of DKK 3 million and revaluation of owner-occupied properties of DKK 1 million. Following these changes, equity at 31 December 2010 was DKK 9,742 million.

Solvency and core capital ratios increased in 2010 to 13.5% and 13.7%, respectively. The difference between the solvency and core capital ratios is basi-

CHANGES IN EQUITY

DKK million	31 December 2010	31 December 2009
Equity at beginning of year	9,730	10,390
Income recognised in other comprehensive income (directly in equity)	-2	-39
Retained profit or loss for the year	14	-621
Equity at end of year	9,742	9,730

cally due to the fact that BRFkredit's own funds are almost exclusively made up of core capital, coupled with the fact that the advanced IRB approach is used to calculate the capital requirement for credit risk. For the latter reason, own funds are adjusted by 100% of the difference between impairment charges in the financial statements and estimated impairment charges calculated according to the IRB approach, whereas core capital is only affected by 50% of the above difference. This means that the solvency ratio becomes lower than the core capital ratio when impairment charges calculated according to the IRB approach exceed impairment charges in the financial statements.

The capital requirement for credit risk is calculated by using the advanced IRB approach, subject to the minimum requirements set out in the transitional rules of Danish law. The IRB approach was originally scheduled for full implementation in 2010, but the transitional rules have been extended to remain in force up to and including 2011. The full effect of the IRB approach has therefore not been achieved, see the sizes

of the capital requirement with and without regard to the transitional rules.

The individual solvency requirement is management's assessment of BRFkredit's total risks, including management's assessment of future earnings capacity and risk of losses. The individual solvency requirement is determined as the capital in percent of risk-weighted items that is estimated to be adequate to meet BRFkredit's risks in a stress scenario. For BRFkredit a/s, a capital provision of DKK 6.0 billion has been set aside to meet the general capital requirement, supplemented by capital of DKK 0.7 billion to meet all other risks not considered under the current regime. Adequate own funds can thus be determined at DKK 6.7 billion for BRFkredit a/s, equivalent to a solvency requirement of 8.6%. Adequate own funds for the BRFkredit Group was DKK 7.2 billion, equivalent to a solvency requirement of 8.7%. For additional information on BRFkredit's solvency capital requirement and own funds in excess of the statutory requirement (over-collateralisation), consult our website at brf.dk.

REQUIREMENT FOR OWN FUNDS AND OVER-COLLATERALISATION

	Requirement for own funds (DKK billion)		Requirement for own funds (%)		Excess capital (DKK billion)	
	BRFkredit a/s	BRFkredit Group	BRFkredit a/s	BRFkredit Group	BRFkredit a/s	BRFkredit Group
Capital requirement (without transitional rule)	6.3	6.6	8.0	8.0	5.1	4.5
Capital requirement (with transitional rule)	7.2	7.7	9.2	9.2	4.2	3.5
Adequate own funds	6.7	7.2	8.6	8.7	4.6	3.9

SOLVENCY AND CORE CAPITAL RATIOS OF BRFKREDIT GROUP

	31 December 2010	31 December 2009
Core capital, DKK million	11,390	11,386
Own funds (capital base), DKK million	11,143	11,155
Risk-weighted assets, DKK million	82,840	85,910
Solvency ratio	13.5	13.0
Core capital ratio	13.7	13.3

Market risks

There have been no material changes in the Group's market risks since the presentation of the financial statements for 2009.

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%point. Calculated under the standardised approach of the Danish Financial

Supervisory Authority, interest rate risk was DKK 368 million at 31 December 2010, against DKK 417 million at 31 December 2009. If full offsetting is done between Danish kroner and euro, market risk at 31 December 2010 could be determined at DKK 205 million.

Equity risk expresses the risk of a loss arising from movements in share prices of 10%points.

At 31 December 2010, BRFkredit held shares for a total of DKK 232 million, equivalent to 2.1% of own funds. Equity risk was DKK 23 million.

BRFkredit is exposed to very limited foreign exchange risks as BRFkredit typically hedges such risks with financial instruments.

Other developments

Loan portfolio composition

At the end of the first half of 2010, the loan portfolio broke down as follows: 59.0% ARM loans, 22.7% fixed-rate loans, 10.4% Guarantee Loans and other floating-rate loans and 7.9% other types of loan. 50.7% of the loan portfolio was based on the interest-only option.

In September 2010, BRFkredit introduced a new mortgage product, called Short Guarantee, which guarantees the customer an interest rate cap of 4% combined with a low variable interest rate up to 1 October 2016.

During the guarantee period, the interest rate is fixed semi-annually on the basis of the CIBOR6 rate. When the period expires, the loan will automatically be refinanced with an ARM loan with annual interest-rate adjustment (F1).

BRFkredit's market shares and portfolio developments

BRFkredit's market shares fell as expected in 2010 as a result of the consolidation process initiated in the wake of the financial statements for the first six months of 2009. In gross new lending terms, BRFkredit thus controlled 5.1% of the total mortgage market in 2010. The business areas of BRFkredit, in gross new lending terms, had the following market shares: private customers 4.8%, corporate customers 5.8% and social housing 30.3%. BRFkredit's market shares of net new lending and net lending were negative in 2010.

The trend in market shares also affected the portfolio, which was down by DKK 9.2 billion from end-2009.

The downward trend was based on a decline of DKK 4.0 billion for private customers, a decline of DKK 5.9 billion for corporate customers and portfolio growth of DKK 0.7 billion for social housing.

Rating

At 31 December 2010, BRFkredit had the following ratings from Moody's Investors Service.

Issuer rating: Baa1*
SDOs (Capital Centre E): Aa1
ROs (Capital Centre B and General Capital Centre): Aa3

Bond issuance

In 2010, BRFkredit issued covered bonds (SDOs) for a nominal amount of DKK 80 billion and mortgage bonds (ROs) for a nominal amount of DKK 13 billion. In addition, BRFkredit issued junior covered bonds (JCBs) for DKK 2 billion in 2010. All JCBs were issued without a government guarantee.

Callable fixed-rate bonds accounted for 8% of all issues during the year, while ARM bonds accounted for 91%.

The volume of bonds in circulation issued by BRFkredit represented a nominal value of DKK 283 billion at 31 December 2010, made up of DKK 161 billion worth of SDOs in Capital Centre E with the Aa1 rating and DKK 103 billion worth of ROs in Capital Centre B with the Aa3 rating.

During the year, BRFkredit experienced a widening of the price differen-

tial on its bonds. BRFkredit's financial performance for the first half of 2009 surprised the markets negatively. Since then, BRFkredit has shown growth for the past six quarters. Moreover, uncertainty over the future regulatory framework in connection with the as yet not finalised Basel III and Solvency II regulations has also affected bond prices. Price differences are expected to narrow in parallel with a continued improvement in the company's financial performance and the establishment of the future regulatory framework.

Guaranteed senior debt

In the second quarter of 2010, BRFkredit launched an issue of senior debt of USD 1.3 billion, equivalent to just over DKK 7.2 billion. BRFkredit chose to issue the debt in US dollars because of the attractive US market terms compared with both the Danish krone and eurozone markets. USD interest rate and foreign exchange risks were hedged in the derivatives market in connection with the raising of loan capital. The senior debt is covered by a government guarantee and has a maturity of three years. The funds from the issue will be devoted to strengthening Capital Centre E for the future.

Capital increase in BRFbank a/s

In the second quarter of 2010, the equity of BRFbank was increased by a total amount of DKK 400 million through a new issue and the conversion of subordinated debt.

* BRFkredit's issuer rating is currently on negative outlook by Moody's Investors Service.

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. Over the following years, continuous adjustment measures have been launched on the deposit side in the form of various new deposit products at competitive prices. These efforts continued into 2009 and 2010 with the introduction of other products targeted at private customers, including strengthened services through the online banking facility. BRFbank aims to continue the expansion of its product range in the retail market.

BRFbank posted a net loss for 2010 of DKK 67.6 million, against a net loss of DKK 563.0 million in 2009.

Core income was DKK 122.1 million, against DKK 156.2 million in 2009. Net interest income came to DKK 135.8 million in 2010, 1.0% up from the level of 2009. Net fees, charges and commission income were down from DKK 17.3 million in 2009 to DKK 9.6 million in 2010. The bank reported a securities and foreign exchange loss of DKK 23.3 million, against an income of DKK 4.2 million in 2009.

Staff costs and administrative expenses totalled DKK 74.7 million in 2010, against DKK 74.0 million the year before.

Other operating expenses fell from DKK 36.6 million in 2009 to DKK 29.3 million in 2010, relating mainly to expenses for the bank's membership of the Private Contingency Committee (Bank Rescue Package 1).

The bank's impairment ratio was down from 8.9% in 2009 to 1.6% in 2010. Loan losses and impairment charges had an adverse impact on the financial statements for 2010, reducing profits by DKK 107.9 million, of which the corporate segment accounted for DKK 99.6 million, while the private segment contributed a gain of DKK 13.5 million. The remaining loss of DKK 21.8 million concerns a guarantee provided to the Private Contingency Committee.

BRFbank had a balance sheet total of DKK 9.8 billion at 31 December 2010, which compares with DKK 9.2 billion at the end of 2009. The loan portfolio contracted by 5.2% to DKK 4.6 billion during 2010, against DKK 4.8 billion at end-2009. The decline in the loan portfolio related to both the corporate and private segments.

The deposit portfolio grew by 38.3% to DKK 5.5 billion at 31 December 2010, against DKK 2010 billion at end-2009.

At 31 December 2010, subordinated capital was DKK 300 million, against DKK 450 million at the end of 2009, while equity stood at DKK 1,105.2 million, up from DKK 772.8 million at end-2009.

The balance sheet total with the addition of guarantees amounted to DKK

11.3 billion at 31 December 2010.

The bank's solvency ratio, including net loss for 2010, was 17.9%, of which the core capital ratio was 13.3%.

The bank's individual solvency requirement was 9.8% at 31 December 2010, which means that own funds exceeded the statutory requirement by an amount of DKK 524 million.

Own funds at the close of 2010 were DKK 1,169 million. Own funds were made up of equity of DKK 1,105 million and subordinated capital of DKK 300 million net of capitalised deferred tax and intangible assets of DKK 236 million.

The income-cost ratio (DKK) was 0.58 in 2010, against 0.17 in 2009.

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 2010 with a profit before tax of DKK 3.1 million, against DKK 4.2 million in 2009. Its equity at 31 December 2010 was DKK 62.0 million, out of a balance sheet total of DKK 76.0 million.

Performance against forecast

At the time of the publication of the financial statements for 2009, it was announced that BRFkredit's financial performance for 2010 was associated with uncertainty because of the financial crisis. Overall, given the level of loan losses and impairment charges, BRFkredit was expected to deliver a net loss for 2010, albeit a stronger performance compared with 2009. The full-year 2010 forecast was based on expectations of rising core income from lending operations, falling costs and expenses, falling loan losses and impairment charges and a rising cost of capital. Overall, BRFkredit therefore

expected to come out of 2010 with a net loss, although its performance would be an improvement over 2009.

In 2010 core income from lending operations rose by 10%, whereas costs and expenses were down by 9%.

Impairment charges declined in the fourth quarter because of a continued positive trend in risk indicators, including falling arrears on loans. Impairment charges thus dipped markedly in both the third and fourth quarters of 2010. By the same token, it was possible, to a certain extent, to reverse prior-year

impairment charges. Loan losses and impairment charges trimmed full-year profits by DKK 471 million in 2010, down from DKK 2,125 million in 2009. As a result, impairment charges for 2010 overall turned out lower than anticipated.

Cost of capital (net) totalled DKK 275 million in 2010, against DKK 34 million in 2009.

Given these circumstances, BRFkredit generated a profit before tax of DKK 21 million.

Outlook for 2011

2011 holds prospects of rebounding activity in the mortgage market compared with 2010 in the light of continued low interest rates.

2011 is expected to see growth in core income from lending operations over the level of 2010. A slight increase in costs and expenses is predicted in the wake of a higher activity level and new

credit granting procedures. The impact on 2011 profits from loan losses and impairment charges is still subject to uncertainty, but the total impact of loan losses and impairment charges is forecast to be lower than in 2010. Investment returns on BRFkredit's portfolio of bonds in 2011 are expected to be down on 2010 as a consequence of the lower interest level.

Total cost of capital is assumed to rise in 2011 as senior debt raised in April 2010 involves payment of interest throughout 2011.

Expectations are that this consolidation process will continue in 2011. Overall, profit before tax for 2011 is assumed to be an improvement over 2010's performance.

Resolutions by the Board of Directors

In 2010 the Board of Directors decided to issue government-guaranteed senior debt for a total amount of DKK 7.2 billion to strengthen the capital base of Capital Centre E.

Additional information

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Relevant link

The 2010 Annual Report of BRFkredit is downloadable in pdf format from BRFkredit's website at brf.dk.

Income statement

Amounts in DKK million

For the year ended 31 December	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
Interest income	8,716	11,082	8,480	10,805
Interest expenses	7,072	9,352	6,971	9,201
Net interest income	1,644	1,730	1,510	1,604
Dividends on shares etc.	5	15	5	15
Fees, charges and commission income	167	266	149	237
Fees, charges and commissions paid	212	152	205	147
Net interest income, fees and charges	1,604	1,860	1,459	1,708
Securities and foreign exchange income (- signifies a loss)	-269	351	-248	349
Other operating income	9	8	22	18
Staff costs and administrative expenses	807	887	749	828
Amortisation, depreciation and impairment of intangible and tangible assets	21	21	20	17
Other operating expenses	29	37	0	0
Loan losses and impairment charges	471	2,125	363	1,330
Income from equity investments in associated and subsidiary undertakings	4	-6	-83	-757
Profit or loss before tax	21	-858	18	-855
Tax (- signifies an income)	7	-237	7	-237
Net profit or loss for the year	14	-621	11	-618
To be distributed as follows:				
Shareholders of BRFkredit a/s	14	-621		
Total	14	-621		

Comprehensive income

For the year ended 31 December	BRFkredit Group	
	2010	2009
Net profit or loss for the year	14	-621
Recognised in other comprehensive income (directly in equity)		
Shares available for sale	-3	3
Value adjustment of owner-occupied properties	1	-43
Deferred tax on other comprehensive income	-0	2
Comprehensive income for the year	12	-660
To be distributed as follows:		
Shareholders of BRFkredit a/s	12	-660
Total	12	-660

Balance sheet

Amounts in DKK million

Balance sheet at 31 December	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
ASSETS				
Cash balance and demands deposits with central banks	58	12	11	9
Receivables from credit institutions and central banks	6,085	9,428	5,984	9,278
Bonds at fair value	9,637	13,069	8,228	12,515
Current tax assets	1	39	1	39
Assets acquired temporarily	985	1,294	852	1,133
Other assets etc.	608	742	516	679
Shares etc.	233	239	233	239
Deferred tax assets	301	308	67	97
Loans and other receivables at fair value	208,450	216,250	208,425	216,299
Loans and other receivables at amortised cost	4,526	4,775	300	450
Intangible assets	4	6	4	6
Investment properties	5	129	5	129
Owner-occupied properties	458	458	381	381
Plant and equipment (other tangible assets)	18	21	17	21
Equity investments in associated undertakings	60	59	60	59
Equity investments in subsidiaries	-	-	1,170	835
Total assets	231,430	246,829	226,256	242,169
LIABILITIES AND EQUITY				
Payables to credit institutions and central banks	11,401	25,075	11,346	24,693
Deposits and other payables	5,448	3,937	-	-
Liabilities relating to assets in temporary possession	45	6	45	6
Other liabilities etc.	4,001	5,337	3,825	5,080
Issued bonds at fair value	193,886	196,248	194,439	196,299
Issued bonds at amortised cost	4,497	4,090	4,497	3,990
Total payables	219,279	234,693	214,151	230,068
Provisions for losses on guarantees	56	60	-	-
Other provisions	133	127	142	152
Total provisions	189	187	142	152
Hybrid core capital	2,217	2,215	2,217	2,215
Subordinated capital	3	4	3	4
Total subordinated capital	2,221	2,219	2,221	2,219
Equity				
Share capital	306	306	306	306
Share premium account	102	102	102	102
Accumulated changes in value	6	5	6	5
Other reserves				
Statutory reserves	-	-	0	-
Reserves in series	4,419	7,510	4,419	7,510
Other reserves	4,909	1,807	4,909	1,807
Total other reserves	9,328	9,317	9,328	9,317
Total equity	9,742	9,730	9,742	9,730
Total liabilities and equity	231,430	246,829	226,256	242,169

Statement of changes in equity

Amounts in DKK million

BRFkredit Group	Share Capital ¹⁾	Share premium account	Accumulated changes in value	Reserves in series ³⁾	Other reserves /Shares available for sale ⁴⁾	Other reserves /Retained for sale ⁵⁾	Total
Equity at 1 January 2009	306	102	46	8,091	104	1,740	10,390
Shares available for sale - equity ²⁾	-	-	-	-	3	-	3
Value adjustment of owner-occupied properties	-	-	-43	-	-	-	-43
Deferred tax on changes in equity	-	-	2	-	-	-	2
Recognised in other comprehensive income	-	-	-41	-	3	-	-39
Transferred between series	-	-	-	-581	-	581	-
Net profit or loss for the year	-	-	-	-	-	-621	-621
Recognised in equity, total	-	-	-41	-581	3	-40	-660
Dividends paid	-	-	-	-	-	-	-
Equity at 31 December 2009	306	102	5	7,510	107	1,700	9,730
Shares available for sale - equity ²⁾	-	-	-	-	-3	-	-3
Value adjustment of owner-occupied properties	-	-	1	-	-	-	1
Deferred tax on changes in equity	-	-	-0	-	0	-	-0
Recognised in other comprehensive income, total	-	-	1	-	-3	-	-2
Transferred between series	-	-	-	-3,091	-	3,091	-
Net profit or loss for the year	-	-	-	-	-	14	14
Recognised in equity, total	-	-	1	-3,091	-3	3,105	12
Dividends paid	-	-	-	-	-	-	-
Equity at 31 December 2010	306	102	6	4,419	104	4,805	9,742

¹⁾ 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 BRFFholding a/s.

²⁾ 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 3 million (2009: a gain of DKK 3 million).

³⁾ Reserves in series: Capital set aside for meeting the capital requirement in 'Series not subject to repayment obligation'.

⁴⁾ Other reserves/Shares available for sale: Accumulated increases in the value of shares classified as 'Available for sale' (distributable reserves)

⁵⁾ 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	Accu- mulated changes in value	Statutory- reserves ¹⁾	Reserves in series	Other reserves /Retained profits	Total
Equity at 1 January 2009	306	102	46	56	8,091	1,788	10,390
Value adjustment of owner-occupied properties	-	-	-43	-	-	-	-43
Deferred tax on changes in equity	-	-	2	-	-	-	2
Recognised in other comprehensive income	-	-	-41	-	-	-	-41
Transferred between series	-	-	-	-	-581	581	-
Net profit or loss for the year	-	-	-	-56	-	-563	-618
Recognised in equity, total	-	-	-41	-56	-581	19	-660
Dividends paid ²⁾	-	-	-	-	-	-	-
Equity at 31 December 2009	306	102	5	-	7,510	1,807	9,730
Value adjustment of owner-occupied properties	-	-	0	-	-	-	0
Adjustment relating to subsidiaries	-	-	-	0	-	-	0
Deferred tax on changes in equity	-	-	-	-	-	-	-
Recognised in other comprehensive income, total	-	-	0	0	-	-	1
Transferred between series	-	-	-	-	-3,091	3,091	-
Net profit or loss for the year	-	-	-	-	-	11	11
Recognised in equity, total	-	-	0	0	-3,091	3,102	12
Dividends paid ²⁾	-	-	-	-	-	-	-
Equity at 31 December 2010	306	102	6	0	4,419	4,909	9,742

¹⁾ Statutory reserves relate to net revaluation of equity investments according to the equity method.

²⁾ Restrictions apply to the distribution of reserves relating to the items 'Accumulated changes in value', 'Statutory reserves' and 'Reserves in series'.

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	2010			2009		
	Mortgage lending etc.	Portfolio management	Total	Mortgage lending etc.	Portfolio management	Total
Core income from lending operations etc.	1,413			1,286		
Core income from securities	258			527		
Total core income	1,671			1,813		
Operating expenses, depreciation and amortisation	827			910		
Core earnings before impairment	844			903		
Loan losses and impairment charges	471			2,125		
Core earnings before hybrid core capital	373			-1,223		
Net expenses for hybrid core capital	199			31		
Net expenses for Junior Covered Bonds	33			3		
Net expenses for senior debt	43			-		
Core earnings	98			-1,257		
Earnings from investment portfolios		-77			398	
Profit or loss before tax	98	-77	21	-1,257	398	-858
Tax			7			-237
Net profit or loss for the year			14			-621

Statement of core earnings and earnings from investment portfolios, continued

Amounts in DKK million

BRFkredit Group

SEGMENT BALANCE SHEET AT 31 DECEMBER	2010			2009		
	Mortgage lending etc.	Portfolio management	Total	Mortgage lending etc.	Portfolio management	Total
Receivables from credit institutions and central banks	6,085	-	6,085	9,428	-	9,428
Bonds at fair value	2,471	7,166	9,637	3,065	10,003	13,069
Shares etc.	-	233	233	-	239	239
Lending	212,976	-	212,976	221,026	-	221,026
Equity investments in associated undertakings	60	-	60	59	-	59
Other assets	2,223	216	2,439	2,764	245	3,009
Total assets	223,815	7,615	231,430	236,342	10,487	246,829
Payables to credit institutions and central banks	11,401	-	11,401	24,736	340	25,075
Issued bonds at fair value	193,886	-	193,886	196,248	-	196,248
Issued bonds at amortised cost	4,497	-	4,497	4,090	-	4,090
Subordinated capital	2,221	-	2,221	2,219	-	2,219
Provisions	189	-	189	187	-	187
Other liabilities	9,434	61	9,495	8,898	382	9,279
Total liabilities	221,627	61	221,688	236,378	721	237,099
Equity			9,742			9,730
Total liabilities and equity			231,430			246,829

For the year ended 31 December

RECONCILIATION TO FINANCIAL STATEMENTS	2010			2009		
	Core earnings	Earnings from investment portfolio	Total	Core earnings	Earnings from investment portfolio	Total
Net interest income	1,589	55	1,644	1,792	-61	1,730
Dividends on shares etc.	-	5	5	-	15	15
Fees, charges and commission income	167	-	167	266	-	266
Fees, charges and commissions paid	212	-	212	152	-	152
Net interest income, fees and charges	1,544	60	1,604	1,906	-46	1,860
Securities and foreign exchange income or loss	-131	-138	-269	-94	444	351
Other operating income	9	-	9	8	-	8
Staff costs and administrative expenses	807	-	807	887	-	887
Amortisation, depreciation and impairment of intangible and tangible assets	21	-	21	21	-	21
Other operating expenses	29	-	29	37	-	37
Loan losses and impairment charges	471	-	471	2,125	-	2,125
Income from equity investments in associated and subsidiary undertakings	4	-	4	-6	-	-6
Profit or loss before tax	98	-77	21	-1,257	398	-858

Risk-free returns on the investment portfolio are transferred to core earnings. Risk-free returns are calculated on the basis of the effective interest rate on short-term mortgage bonds at the beginning of the year.

