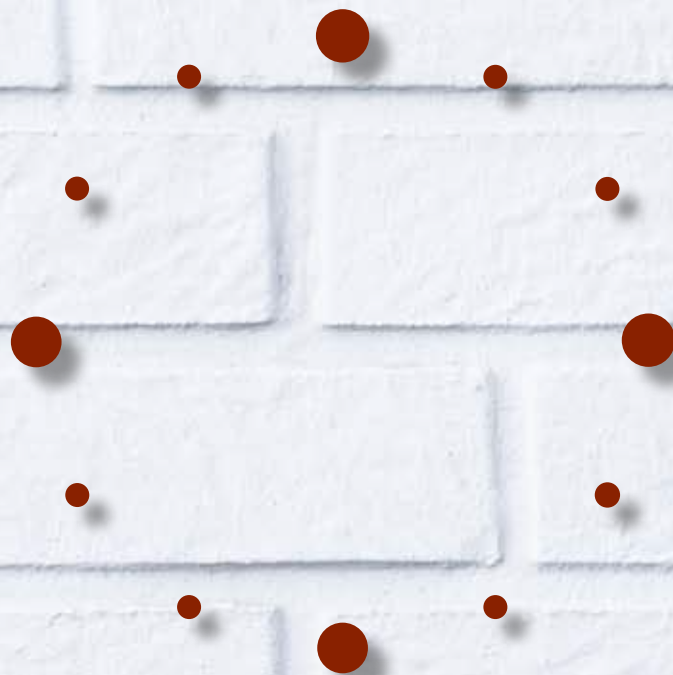


Annual Report

2010



BRF kredit

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The BRFkredit Group in brief*

Mission

BRFkredit provides funding for real property and offers a range of related financial products and services.

Vision

- that **borrowers** experience BRFkredit's sales and advisory services as the simplest in the market and BRFkredit's products and prices among the best and most competitive
- that bond **investors** believe that, by buying BRFkredit bonds, they make an investment that will give them a competitive return
- that our **business partners** find that BRFkredit's products are easier to distribute and bring value-added benefits to customers
- that we have a diverse mix of **employees** – and that employees perceive BRFkredit as a healthy and attractive place of work

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



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

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 after tax. 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 for the issuance of senior debt and junior covered bonds. The agreement 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 the consolidation process will continue in 2011. For 2011, BRFkredit expects its full-year performance to be ahead of 2010.'

Post balance sheet events

After the end of the financial year, the state-owned Financial Stability Company has taken over Amagerbanken after bankruptcy proceedings opened against this bank.

The BRFkredit Group has no exposure to Amagerbanken in the form of credit facilities, bonds or shares in Amagerbanken.

In a few cases, Amagerbanken has provided guarantees to BRFkredit on behalf of customers. After the collapse of Amagerbanken, these guarantees will not be fully honoured in a given situation. The estimated effect of this event has been recognised in impairment charges for 2010.

Furthermore, in common with the other Danish banks, BRFbank is liable for the loss the Guarantee Fund for Depositors and Investors must expect to suffer in connection with the bankruptcy of Amagerbanken. BRFbank's share of the banking sector's liability to the Guarantee Fund for Depositors and Investors has most recently been determined at 0.55%. In addition, as of 4 February 2011 BRFbank had a net receivable from Amagerbanken in the course of ordinary trading activity. Trading activity is expected to inflict a loss on BRFbank of under DKK 1 million.

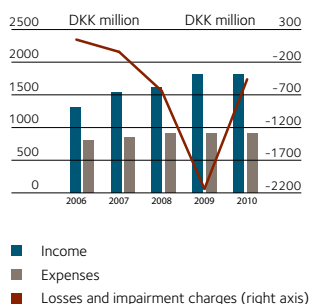
Summary financial performance

- 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

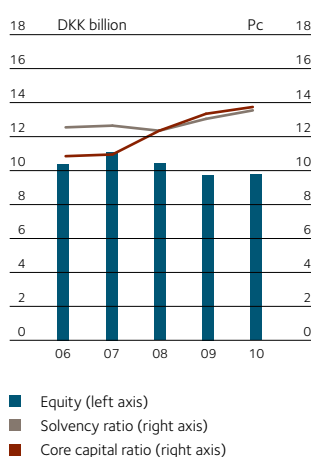
Capital base at 31 December 2010

- 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

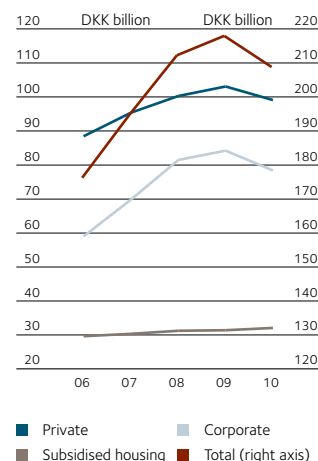
INCOME AND EXPENSES



EQUITY AND SOLVENCY RATIO



MOVEMENTS IN PORTEFOLIO



BRFkredit's segments

BRFkredit comprises BRFkredit a/s (Parent Company), BRFbank a/s, Ejendomsselskabet Nørreport 26, 8000 Århus C. A/S and Ejendomsselskabet Nørregaardsvej 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.' 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'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

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 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 investment 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.

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

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.

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

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 basically 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, please refer to the below 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, similarly 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

CSR – Corporate Social Responsibility

The Board of Directors of BRFkredit has adopted a Corporate Social Responsibility policy with focus on socially disadvantaged people and groups who have difficulties in gaining a foothold on the labour market, on customers in the subsidised housing sector and on employees, and the environment. BRFkredit has established a CSR department responsible for ensuring that BRFkredit's CSR policy is implemented.

CSR

BRFkredit has chosen to direct focus on socially disadvantaged people and on groups who have difficulties in gaining a foothold on the labour market. BRFkredit's cooperation partners in 2010 included Sandtoften, which is a job and activity centre operated by the local authority of Gentofte, on the provision of cleaning services; Centre for Autism, on the servicing and preparation of bicycles for BRFkredit's employees; Fountain House, which is an offer available to citizens in the City of Copenhagen, on on-the-job training programmes; IT-Recycling, a project

targeted at young unemployed people in the local authority of Ballerup, on the preparation of used computers; on the provision of apprenticeships to young apprentices, primarily refugees and immigrants, through building and renovation projects in subsidised housing areas. The feedback received from the many projects has been positive.

Customers

On the customer side, BRFkredit has chosen to concentrate its CSR initiatives in the subsidised housing sector through ACROSS™ activities. ACROSS™, in partnerships with local forces, is committed to improving conditions for tenants and contributes experience, ideas and resources. In 2010, for example, BRFkredit donated 214 computers to 19 new initiatives in Denmark. Activities in ACROSS™ receive massive backing from subsidised housing associations, and the initiatives are yielding fine results.

Human resources

In cooperation with the employees,

BRFkredit continuously develops various initiatives to ensure safe working conditions, a healthy and attractive place of work and ongoing development of the employees' skills and competencies. The employees support these activities, some of which are undertaken in cooperation with their professional organisation.

Environment

BRFkredit promotes effective and balanced utilisation of resources in relation to energy consumption, waste management and cuts in CO2 emissions. In connection with an in-house campaign, BRFkredit achieved a 14% reduction in its electricity consumption against 2009.

CSR initiatives in 2011

BRFkredit expects to continue the above initiatives in 2011, with special focus on new initiatives through ACROSS™ and through intensified attention to the employees' behaviour in relation to environment and climate issues.



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

The mortgage market

The crisis still presents challenges

In spite of continued uncertainty over how the global markets would develop, 2010 was marked by moderate economic growth in Denmark, primarily on the back of growth in the principal markets in Germany and Sweden. GDP was thus up by 2.1%, though still far from pre-financial crisis growth levels. The aftermath of the financial crisis is expected to influence the world economy also in 2011 as the financial markets are characterised by greater risk aversion than usual. Risk aversion causes greater sensitivity in the financial markets in relation to economic indicators, economic and financial news, etc. It is particularly southern European countries and Ireland that create uncertainty in the market. The problem of indebtedness therefore continuously places demands on the ability of European politicians to convince the markets that it is possible to find lasting solutions. The indebtedness problem had an immense impact on 2010 and will presumably influence economic development in the years ahead.

Historically low interest rates

Interest rates reached a new all-time low in the late summer of 2010 when rates fell below the previous low of

2005. The low interest rates can be ascribed partly to an extremely active monetary policy under which western central banks have cut policy rates to record-low levels and introduced government bonds purchase programmes, partly to the fact that investors have generally turned more risk-averse and have purchased bonds instead of shares. The Danish economy is doing relatively fine, one of the reasons being Denmark's moderate national debt. This has attracted foreign capital to Denmark. Danish mortgage bonds have in that connection benefited from their good reputation and have been considered an obvious refuge for investors looking for safe and stable returns.

In the first half of 2010, the foreign currency inflow was so strong that Denmark's Nationalbank made separate interest rate cuts to meet Denmark's obligation to peg its currency at a fixed rate against the euro. In the autumn, however, the central bank had to implement a few interest-rate increases as some of the liquidity was again withdrawn from Denmark. The last two months of 2010 therefore saw slightly increasing interest rates. Even so, this does not change the fact that homeowners and the Danish business community benefited from exceptionally low interest rates in 2010.

Weak, but stable growth in mortgage lending

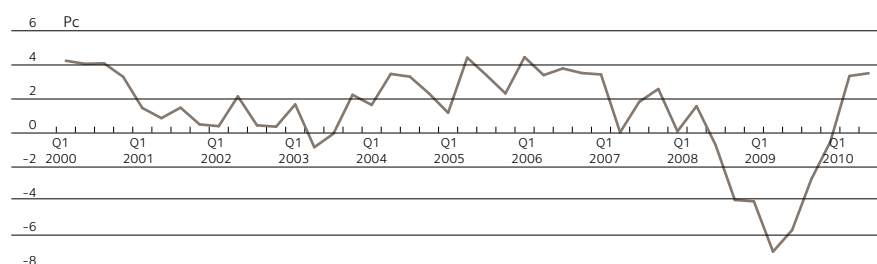
Growth in mortgage lending was positive for both the business community and households in 2010. At the start of the year, growth slowed down as a consequence of general credit tightenings throughout the mortgage lending sector. Towards the end of the year, growth was on the rise again, one of the contributory factors being very low mortgage bond rates. Mortgage bond rates, which are market-driven, fell more than the interest rates set by banks.

Some refinancing activity was seen during the year, attributable to the extremely low short-term interest rates at the beginning of the year and, later in the year, to a decline in long-term rates. The decline in interest rates went hand in hand with the central banks' decision to kick off bond purchase programmes and with the eruption of the European debt crisis.

Homeowners still opt for ARM loans

Because of the low interest rates, adjustable rate mortgage (ARM) loans were extremely popular throughout 2010. Six out of ten loans were ARM loans. The greater part of the ARM loans

MOVEMENTS I GDP



BOND RATES - SHORT AND LONG



were with deferred principal payments, and borrowers exercising the interest-only option today account for more than 50% of total mortgage lending in Denmark. Along with the rising level of interest rates towards the end of the year, the success of ARM loans diminished in relation to traditional fixed-rate loans. Fixed-rate loans, as opposed to ARM loans, are typically repaid with principal payments. This means that the mortgage market was more polarised in 2010 as customers preferred either lowest possible mortgage payments or highest possible safety.

The widespread use of ARM loans has made households and the Danish economy more sensitive to movements in interest rates. Turnover in the housing market is also affected, and experience has taught the creditors that ARM loans are associated with higher incidence of losses and arrears. Accordingly, more institutions charge higher commissions on ARM loans than on fixed-rate loans.

In 2010 BRFkredit directed its focus towards the general interest rate sensitivity of households. In September

2010, BRFkredit introduced a new mortgage product, called Short Guarantee Loan, which guarantees the customer an interest rate cap of 4% combined with a low variable interest rate up to 1 October 2016. The product met with a positive response from the customers.

Refinancing

BRFkredit carried out refinancing in late September and mid-December 2010. In September bonds were sold for about DKK 5 billion. In December the volume of bonds was just over DKK 60 billion. The first adjustment resulted in the lowest interest rate in the history of the F1 loan, at a cash loan rate of 1.43%. Since then, interest rates have shown a slight uptrend. This meant that the December adjustment resulted in an F1 rate of 1.65%. The decision to spread the refinancing auctions over the year was made on the recommendation of Denmark's Nationalbank to reduce the risk involved in one annual refinancing. Expectations are that the refinancing will gradually spread more evenly over the year.

Recovering housing market

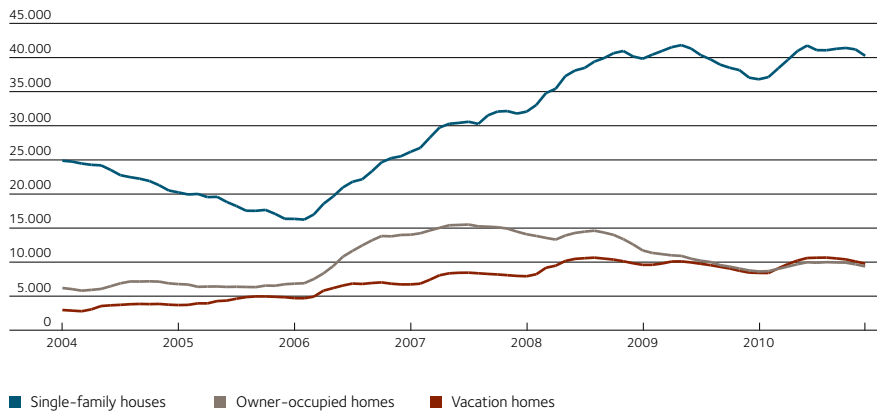
Property prices generally went up during the year, which can mainly be ascribed to the low interest rates. The burden of homeownership, i.e. the cost of owning a home relative to personal disposable income, was at an historic low in 2010 and, therefore, expanded the possibility for more people to purchase a house or flat. Developments in the housing market are marked by substantial geographical variations. At the national level, prices of single-family houses went up by 3.28%, prices of owner-occupied flats increased by almost 5.6%, while prices of vacation homes were up by 2.57%.

Trading activity growth was also observed in 2010, compared with 2009. Home transactions in 2010 were up by 17.6% from the level of 2009. With 45,710 home transactions in 2010, however, trading activity was still below the historical average of 59,973 annual transactions. Moreover, the positive trend contributed to an increase in the number of homes for sale.

In spite of the positive trend, the housing market remains fragile.

¹⁾ Based on the Property Price Statistics of the Association of Danish Mortgage Banks

SUPPLY OF HOMES



There is a real risk of a market downturn if interest rates rise again. Even so, relatively stable home prices are expected for the years ahead as the central banks have so far taken measures to ensure interest rate increases at a measured pace. In that connection it is worth noticing that home prices increased in 2010 at a much lower rate than experience would warrant in the light of the historically low interest rates. That is positive in relation to stability in the housing market.

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 subsidised 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 subsidised housing.



Business areas

BRFkredit is organised in three business areas - private customers, corporate customers and subsidised housing. In addition, BRFBank offers general deposit and lending products as well as services to private customers, for instance in connection with property transactions and mortgage refinancing.

Private customers

The private customer area comprises lending for owner-occupied homes and vacation homes and is BRFkredit's largest business area. The private customer area accounted for 4.9% of Denmark's total gross mortgage lending in 2010, against 8.5% in 2009. The decline was a result of the consolidation strategy BRFkredit pursued in 2009 and 2010, focusing on an effort to improve efficiency and profitability and minimise risks.

The private customer area issued loan offers in 2010 for about DKK 27 billion, divided into 24,000 offers.

2010 saw an adjustment of prices, which meant that commissions and some fees and charges were raised. The price increases were necessitated by a rising cost of capital.

As a consequence of a continuously difficult property market, attention was focused on the importance of making early contact with customers who fall into arrears in order to open a dialogue on payment options and, in that way, avoid a forced sale. The affected customers gave a positive response to the initiative.

BRFkredit's customers increasingly make use of the online features available at brf.dk. The customers can consult the self-service portal, 'My Loans', to see the status of their own loans and to calculate and change their loans. BRFkredit also observes a growing interest among customers who would like to communicate directly with an adviser, both by chat and email. Looking ahead, BRFkredit will widen the

range of communication options on the web, both in the form of self-service applications and electronic agreements, and will also explore the possibilities for customers to communicate even more closely with an adviser online.

Corporate customers

BRFkredit's corporate lending is concentrated in the areas of office and business premises, private rental housing and cooperative housing societies.

In addition, BRFkredit has provided loans for a small portfolio of industrial properties through its cooperation with FIH Erhvervsbank. FIH has furnished a guarantee for these loans.

BRFkredit has not been active in the agricultural area since 1992, and the portfolio in this segment was therefore less than DKK 0.2 billion in 2010.

Customers are served from BRFkredit's head office in Lyngby, from the office in Aarhus and from local home offices.

The corporate lending market was influenced by a limited number of property transactions in 2010. However, the market is seeing a slightly growing interest in and turnover of private rental properties centrally located in Copenhagen and Aarhus. Mounting interest is also reported in office premises, primarily in relation to properties with long leases. Retail properties are generally in lower demand, whereas the interest in high street shops in downtown Copenhagen and Aarhus is rising. In this segment, too, the period of non-terminability is an essential parameter, together with location.

The limited number of transactions provoked a significant drop in lending for transfer of ownership, and at the same time the market for top-up loans also receded as a consequence of the general fall in the property portfolio

SHORT GUARANTEE LOAN

In September 2010, BRFkredit introduced a mortgage product, called Short Guarantee Loan, 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 CIBOR 6 rate. When the period expires, the loan will automatically be refinanced with an ARM loan with annual interest-rate adjustment (F1).

Hence, BRFkredit was one of the few mortgage credit institutions to launch a new product in 2010.

In the years ahead, BRFkredit will continue to focus on its ability to introduce new products that make customers less sensitive to movements in interest rates while reducing the risk of unexpected increases in mortgage payments.

TEAM HOME HELP

In common with other credit institutions, BRFkredit experienced increased activity in arrears and loan losses compared with the extremely low level of the preceding years. A wide array of initiatives in the private customer segment were therefore launched to meet the challenges. Team Home Help is one of these initiatives.

Team Home Help aims to find solutions in cooperation with customers who have or are about to encounter financial problems. Customers are contacted in case of payment problems, and a dialogue is opened with nine out of ten customers.

The customer and BRFkredit share a common interest in preventing customers from struggling with payment problems and threatening losses, and in three out of four cases a solution is identified before the stage of foreclosure. This also minimises BRFkredit's losses. The customers have generally appreciated BRFkredit's home help initiatives, and about 2,000 agreements were concluded in 2010.

In addition, Team Home Help contributed, through the *ACROSS*™ activities, to giving a group of tenants in Randers a comprehensive overview of their financial situation, and theme nights on financial advice are planned for 2011 in a housing association in the western suburb of Copenhagen. It is currently being considered whether these activities should be provided to a larger audience.

equity, coupled with stricter requirements for customers' liquidity and creditworthiness.

BRFkredit's corporate customer segment focused on consolidation in 2010 and, as in 2009, devoted many resources to finding solutions for customers struggling with financial problems.

In 2010 BRFkredit foreclosed on a number of mainly well-located private rental properties in Copenhagen. The properties were acquired with a view to resale at a higher price than could be obtained in connection with a forced sale. Commercial properties were sold for a total amount of DKK 2.2 billion in 2010. The properties were generally sold at prices above the carrying amounts. The portfolio of commercial properties etc. acquired on foreclosure was DKK 859 million at the end of 2010 (end-2009: DKK 1,221 million).

In 2010 it was also necessary to provide for impairment of corporate lending, but to a significantly smaller

extent than in 2009. The impact on 2010 profits from loan losses and impairment charges on corporate lending was DKK 84 million. This compares with DKK 1,476 in 2009.

The balance of total impairment charges on loans in the corporate customer segment was DKK 1,471 million, equivalent to 1.8% of total corporate lending.

Subsidised housing

BRFkredit's lending for subsidised housing accounted for 30.3% of total gross lending in 2010. This compares with a market share of 27.2% in 2009.

2010 saw a substantial increase in activity in the market for subsidised housing. This activity increase also boosted activity in BRFkredit. Many housing starts saw the light of day as subsidised housing associations benefited from lower prices for construction services, among other favourable conditions. Moreover, high activity was

observed in projects for the renovation and refurbishment of properties.

On 1 January 2011, new Danish rules on value added tax on real property will come into force. One of the effects of the new legal framework is that the sale of construction sites, also in the subsidised housing area, will be subject to VAT as of this date. As a result, the last part of 2010 was characterised by exceptionally high activity aimed at obtaining consent for housing start projects and, in that way, ensure that a binding contract of sale had been entered into by 31 December 2010 to avoid payment of VAT.

The years ahead also hold prospects of a high activity level in response to many large-scale renovation and refurbishment projects (comprehensive plans) in the subsidised housing sector.



Bond issuance

BRFkredit's mortgage loans are funded by the issuance of bonds. BRFkredit issued bonds for a total of DKK 92.7 billion in 2010 (DKK 114 billion in 2009), of which bonds worth slightly more than DKK 60 billion were issued in connection with the refinancing of ARM loans (DKK 75 billion in 2009).

In 2010 BRFkredit sold covered bonds (SDOs) to provide funding for new loans and sold both SDOs and mortgage bonds (ROs) for the refinancing of existing loans. Below, both bond types are referred to as mortgage bonds unless the abbreviations ROs or SDOs are specifically mentioned.

BRFkredit expects to sell both SDOs and, to a limited extent, ROs in 2011 for the funding and refinancing of mortgage loans.

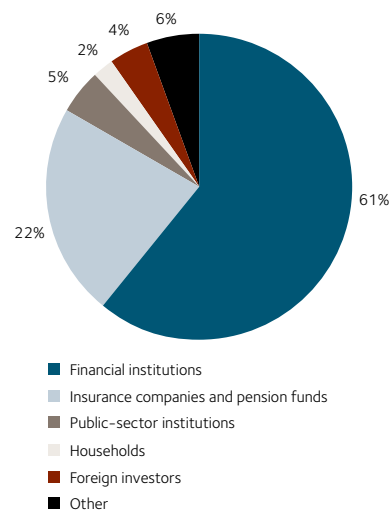
Moreover, in 2010 BRFkredit issued and sold junior covered bonds (JCBs) for DKK 2 billion for the purpose of raising funds that can be used as supplementary collateral.

JCBs were redeemed for DKK 1.5 billion in 2010. In 2011 BRFkredit expects to issue JCBs or other debt (senior debt), one purpose of which is to refinance DKK 2.0 billion worth of JCBs maturing in 2011.

Adjustable rate mortgage bonds (ARM bonds) accounted for 91% of issues in 2010 (97% in 2009), whereas callable fixed-rate bonds accounted for 8% (3% in 2009).

Since late 2008, BRFkredit has been issuing EUR-denominated mortgage bonds through the central securities depository VP Lux S.à.r.l. in Luxembourg. As Luxembourg is part of the euro zone, bonds issued through VP Lux can be entered on the European Central Bank's general list of bonds that are eligible as collateral for credit institutions' transactions in the system of European Central Banks. This facility offers credit institutions an opportunity to invest in the bonds without having to commit liquidity to the investment.

INVESTORS



BOND CONCEPTS

Mortgage bonds (ROs) – Realkreditobligationer

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. According to Danish legislation on capital adequacy, ROs issued up to 31 December 2007 are covered bonds under the 'grand-fathering' clause of SDO legislation, whereas ROs issued after 31 December 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% in connection with investment in bonds designated as 'covered bonds', whereas the capital weighting is 20% for other bonds from credit institutions.

Covered bonds (SDOs) – Særligt dækkede obligationer

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 unless other supplementary collateral is available, such as guarantees.

Hybrid core capital

Hybrid core capital can be included in the calculation of the credit institution's core capital. Hybrid core capital has characteristics resembling a debt instrument, but is subject to stricter requirements. For instance, maturity is not allowed to be fixed, and interest will cease to accrue on the debt if the credit institution has no distributable reserves.

Junior Covered Bonds (JCBs)

JCBs may be issued to provide assets that can be used as supplementary collateral for issued SDOs. Any proceeds from sales of JCBs must be invested in the same type of assets as allowed for SDOs. JCBs have prior ranking by law in the capital centre after the bondholders.

Senior debt

Senior debt may be issued to provide assets that can be used as supplementary collateral for issued SDOs. Any proceeds from sales of senior debt must be invested in the same type of assets as allowed for SDOs. Senior debt has no prior ranking by law in the capital centre, but it should be noted that the senior debt of DKK 7.2 billion issued in April 2010 is guaranteed by the Danish government.

BONDS BY CAPITAL CENTRE

Nominal volume in circulation, DKK billion	End-2010	Start-2011
Capital Centre E (SDOs)	161	108
Capital Centre B (ROs)	103	82
Other capital centres (ROs)	19	19
Total	283	209

All BRFkredit's other bonds have been issued through VP SECURITIES in Denmark and may be provided as collateral in Danmarks Nationalbank by credit institutions. Both VP SECURITIES Luxembourg-registered and VP SECURITIES-registered bond transactions may be settled through VP SECURITIES 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 bonds in circulation issued by BRFkredit represented a nominal value of DKK 283 billion at the close of 2010.

At the end of 2010, the volume of issued mortgage bonds was somewhat

higher than BRFkredit's mortgage lending. The main difference stems from bond sales in the period 29 November to 10 December 2010 in connection with the refinancing of ARM loans.

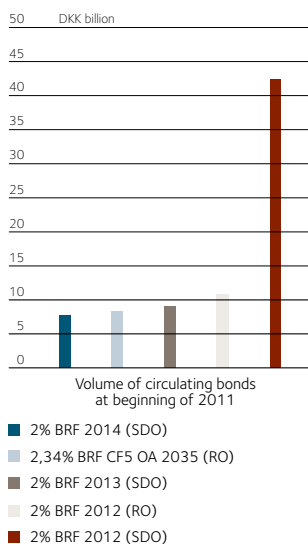
The resulting proceeds were used for the redemption of corresponding bonds that matured on 1 January 2011. Bonds maturing on 1 January 2011 accounted for DKK 70 billion.

As of that date, the volume of issued mortgage bonds in circulation was therefore down at DKK 209 billion.

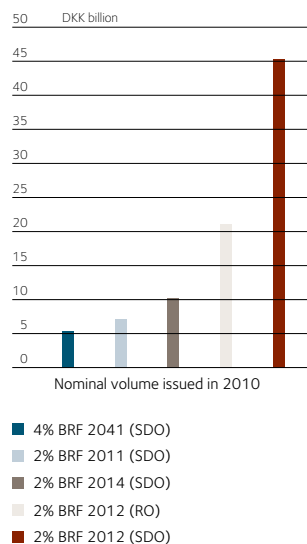
SDOs are issued out of BRFkredit's Capital Centre E, whereas ROs are issued out of BRFkredit's Capital Centre B. Older issues of ROs have been issued out of other capital centres or the 'General Capital Centre'.

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 2010, 4.2% (5% at end-2009) of BRFkredit's bonds were held by foreign investors according to Danmarks Nationalbank's statistics.

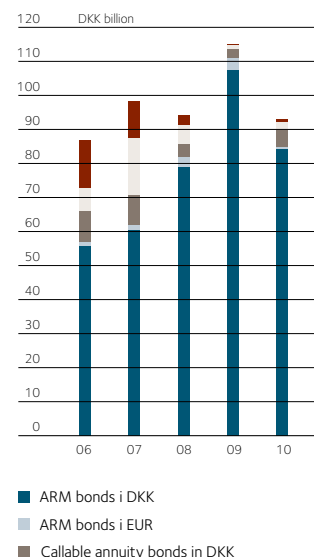
TOP-FIVE BONDS



FIVE BIGGEST MORTGAGE BONDS BY ISSUE, 2010



ISSUES OF ROS AND SDOS, 2006-2010



Rating

BRFkredit's bonds are rated by Moody's Investors Service.

BRFkredit's issuer rating was maintained in 2010. After Moody's reviewed the ratings of Danish banks and mortgage credit institutions in 2009, BRFkredit's issuer rating was downgraded from A2 to Baa1.

In September 2009, Moody's reviewed BRFkredit's SDOs and ROs for possible downgrade. The reason for this review was the lower issuer rating. The review process was concluded in March 2010 when the rating of BRFkredit's Capital Centre E was maintained at Aa1. An Aa3 rating was assigned to the other rated capital centres.

Moreover, the downgraded rating of BRFkredit as an issuer caused an increase in the requirement for the value of

INVESTOR SERVICE RATINGS AT YEAR-END

	2010	2009	2008	2007	2006
Covered bonds, Capital Centre E	Aa1	Aa1	Aa1	Aa1	
Mortgage bonds, Capital Centre B	Aa3	Aa1	Aa1	Aa1	Aa1
Mortgage bonds, General Capital Centre	Aa3	Aa2	Aa2	Aa2	Aa2
Issuer*	Baa1*	Baa1*	A2	A2	A2
Subordinated capital (subordinated loan capital) **	-	-	A3	A3	A3

* The rating is on negative outlook by Moody's Investors Service.

** At 31 December 2009, BRFkredit had no subordinated loans that were included in ratings.

the assets underlying the issued bonds (over-collateralisation). In connection with the conclusion of the review process, the requirement for Capital Centre E was increased to 13.5%.

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.

Information on ratings and capital centres applying to all of BRFkredit's mortgage bonds and covered bonds is available on BRFkredit's investor website at www.brfkredit.com.

FINANCIAL CALENDAR FOR 2011

24 February	Announcement of financial statements for 2010 The annual report for 2010 is expected to be available in printed form in early March 2011
28 April	Annual General Meeting of BRFkredit a/s
18 Maj	Interim Financial Report for Q1 2011
24 August	Interim Financial Report for the period 1 January to 30 June 2010
17 November	Interim Financial Report for Q3 2011

COMPANY ANNOUNCEMENTS IN 2010

10 December	Result of BRFkredit's refinancing of ARM loans
9 December	Moody's eases the requirement for BRFkredit's over-collateralisation
30 November	Appendix to BRFkredit's prospectuses
30 November	Base prospectus for JCB
30 November	Appendix to BRFkredit's prospectuses
25 November	Update on bond sales in connection with refinancing of ARM loans
18 November	Interim financial statements for the period 1 January to 30 September 2010
11 November	Bond sales in connection with refinancing of ARM loans
3 September	Update on bond sales in connection with refinancing of ARM loans
27 August	Appendix to BRFkredit's prospectuses
27 August	Financial calendar for 2011
24 August	Interim financial statements for the period 1 January to 30 June 2010
23 August	Bond sales in connection with refinancing of ARM loans
2 June	Appendix to BRFkredit's prospectuses
21 Maj	Interim financial statements for the period 1 January to 31 March 2010
28 April	Minutes of Annual General Meeting
9 April	BRFkredit a/s takes out bond loan of USD 1.3 billion
8 April	Notice of Annual General Meeting of BRFkredit a/s
25 Marts	Moody's review of bonds issued by BRFkredit is concluded
25 Marts	Appendix No. 7 to prospectus
25 Marts	Increase in commissions
23 Marts	Appendix to BRFkredit's prospectuses
25 February	Updated financial calendar for 2010
25 February	Announcement of financial statements for 2010
8 January	Financial calendar for 2010

Other company announcements concern: composition of debtors, extraordinary repayments, coupon rate determination, amortisation schedules, drawing rates, final terms of SDOs, ROs, etc. For a complete list of company announcements, visit brf.dk.

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.

The Danish Financial Business Act and the Executive Order on the Issuance of Bonds, Balance Principle and Risk Management provide the overall framework for interest rate and price risks on BRFkredit's securities portfolio and for foreign exchange risk.

Risk management in BRFkredit is a central element of day-to-day operations and contributes actively to ensuring that the Board of Directors and Executive Board have the necessary platform for pursuing BRFkredit's business in both the short and long term. Risk management is improved on a continuous basis, especially in the form of improvements of credit risk models for calculation of credit risk at BRFkredit. This is a natural step in the Group's continued ambition to develop tools and establish procedures for improving the quantification of the risks to which the Group is exposed.

Risk organisation

The Board of Directors has overall responsibility for establishing the Group's risk profile. Through policies and internal guidelines, the Board of Directors sets limits on the principal risks. Together with the Executive Board, the Board of Directors approves all significant aspects of the processes used for determining the Group's capital requirements. Finally, the Board of Directors is responsible for ensuring, together with the Executive Board, that BRFkredit has an organisation structure that facilitates compliance with statutory requirements and an appropriate separation of functions between developing, operating and monitoring units. In accordance with legislation, the Board of Directors has set up an Audit Committee, one of

whose responsibilities is to monitor the effectiveness of the internal control system and risk management systems.

The Executive Board is responsible for ensuring that the Board of Directors' adopted policies, guidelines, etc. for the Group's capital and risk management are operationalised and followed. The ongoing monitoring and management of risks in the Group is undertaken at the committee level.

In accordance with legislation, BRFkredit has designated a person to assume responsibility for the Group's risk management, including the Group's risk-bearing activities, across the boundaries of risk areas and organisational units as well as risks from outsourced functions. The risk manager reports to the Executive Board.

Reporting

BRFkredit's management, including committees, receives reports at regular intervals on the Group's risks.

The credit area reports quarterly to the Board of Directors and Executive Board of BRFkredit on credit risk on the loan

portfolio. Developments in the portfolio of properties acquired on foreclosure, impairment charges and critical exposures are reported monthly.

BRFbank's Board of Directors and Executive Board similarly receive quarterly reports on developments in credit quality, risks and losses for BRFbank's loan exposures.

Market risks on BRFkredit's securities portfolio are reported daily to BRFkredit's Executive Board, and a detailed monthly report is prepared for BRFkredit's Executive Board and a similar quarterly report for the Board of Directors.

The principal risks – i.e. credit risks, market risks, operational risks and liquidity risks – are outlined below.

Credit risk

By credit risk is understood the risk of a loss resulting from a counterparty's failure to meet its payment obligation to the Group. BRFkredit's credit risk is calculated on the basis of internal models approved by the Danish Financial Supervisory Authority. BRFbank calcu-

ORGANISATION CHART



USE OF THE IRB METHOD IN THE BRFKREDIT GROUP

Exposure category	BRFkredit	BRFbank
Government exposure	Standard method	Standard method
Institute exposure	Standard method	Standard method
Corporate exposure	IRB method	Standard method
Retail exposure	IRB method	Standard method
Equity exposure	Standard method	n/a
Securitisation positions	n/a	n/a
Assets without counterparties	Standard method	Standard method

lates credit risk under the standardised approach of the Financial Supervisory Authority.

Credit risk models

Statistical models for calculating the capital requirement for credit risk have been used since 1 January 2008. Since December 2008, BRFkredit has been using the internal rating-based method (IRB) to calculate the capital requirement for credit risk, except for government exposures, institution exposures and exposures in BRFbank. BRFbank's portfolios are calculated in accordance with the standardised approach. Exposures covered by the IRB method account for about 94% of the Group's total lending.

The use of the IRB method means that BRFkredit calculates credit risk for the individual customer on the basis of internally developed credit models. The 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. The estimation of risk parameters is made for private and corporate customers alike. The statistically calculated PD is used for private customers, whereas the calculation of PD for selected corporate customers also takes the special circumstances of the company into account, for instance key financial ratios, management and industry. Estimates of PD are subsequently included in business dealings (underwriting procedure etc.).

The estimated probability of realisation and loss in case of the customer's default provides the basis for calculating the estimated LGD for both private customers and corporate customers.

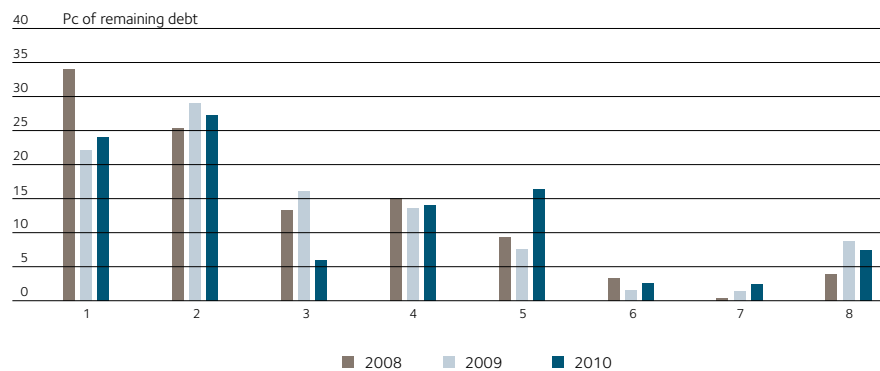
The statistically calculated LGD is used for private customers, whereas the statistically calculated LGD for corporate customers is supplemented with an expert judgement based on the uses

and location of the property. The LGD estimates subsequently provide the basis for the loan commitment procedure, risk monitoring, etc.

The properties are classified into rating classes based on the PD estimates. 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 comprises customers who have defaulted on their loans as well as customers who are in strained financial positions but, nevertheless, have so far been capable of meeting their payment obligations to BRFkredit.

The mortgaged properties provided as security are similarly classified into 10 rating classes according to their estimated LGD. Properties with the lowest LGD rates are assigned to rating class 1, whereas rating class 10 contains properties with the highest LGD rates.

DISTRIBUTION OF LOANS IN BRFKREDIT ON RATING CLASSES (PD)



Loan portfolio

The core business of BRFKredit is to provide mortgage loans secured by real property. Its lending focus is directed at private owner-occupied homes, private rental housing, cooperative housing, subsidised housing and office and business properties.

At the end of 2010, BRFKredit's mortgage loan portfolio totalled DKK 209 billion, of which lending to private customers accounted for 47%. The remaining part of the loan portfolio can be traced to BRFKredit's other key action areas, such as lending to customers in the corporate and subsidised housing segments. Overall, mortgage lending for residential housing (private owner-occupied homes, subsidised housing and private rental housing) accounted for 83% of the mortgage loan portfolio. The credit risk involved for nearly 20% of the portfolio is not only limited by the collateral value of the property, but also by a supplementary loss guarantee provided by the Government of Denmark, Danish local authorities or banks.

BRFbank reported a year-end loan portfolio of DKK 4.6 billion, and guarantees had been issued for DKK 1.5 billion. BRFbank's balance sheet total thus accounted for less than 5% of BRFKredit's balance sheet total.

The loan-to-value (LTV) ratio is a cen-

tral risk management concept for BRFKredit as it expresses the ratio between the unpaid principal amount of a home loan and the market value of the mortgaged property. 81% of loans to private customers had been granted against 60% or less of the property value. In the corporate customer segment, LTV ratios depend on the individual classes of property, but overall 77% of the corporate loan portfolio was secured within 60% of the property value.

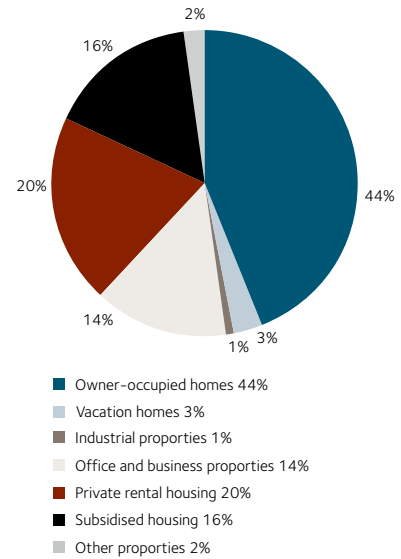
Mortgage payments in arrears

At the end of the year, combined arrears rates at BRFKredit were down from end-2009. The arrears rate measured 105 days after the September 2010 repayment date was 1.04%, against 2.62% in 2009, and the arrears rate measured 15 days after the December 2010 repayment date was 1.94%, against 3.93% at the same stage of 2009.

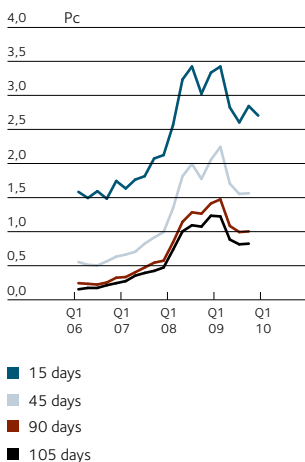
Arrears in lending for subsidised housing were still at a very low level. At the close of 2010, arrears rates for the corporate customer segment were lower than for the private customer segment.

BRFKredit continuously assesses customers' creditworthiness with a view to identifying loan exposures with an objective indication of impairment. If the customer's financial situation is as-

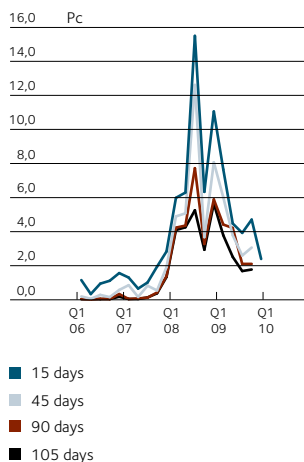
BRFKREDIT'S MORTGAGE CREDIT PORTEFOLIO BY CLASS OF PROPERTY



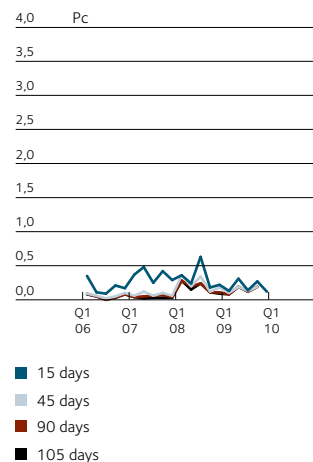
BRFKREDIT - ARREARS PRIVATE



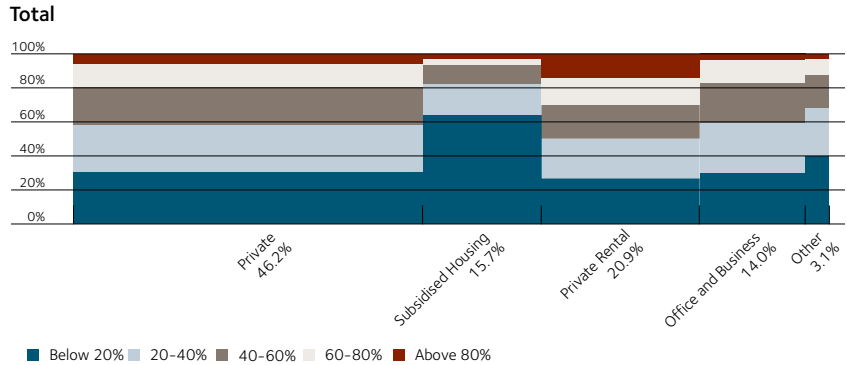
BRFKREDIT - ARREARS CORPORATE



BRFKREDIT - ARREARS SUBSIDISED HOUSING



DISTRIBUTION OF LOANS IN BRFKREDIT ON PROPERTY CATEGORIES BY LTV



sessed to influence future payments on the loan, BRFKredit calculates the indication of impairment. The calculation is based on the cash flow of the property and the estimated cost for BRFKredit if the property needs to be acquired on foreclosure with a view to resale. The calculation of the impairment charge thus includes foreclosure costs, expenses resulting from 18 months on market as well as expenses for the sale of the property.

In addition to the individual impairment charges, BRFKredit performs a collective assessment of all loans without provision for individual impairment. The collective impairment charges are based on developments in uniform risks for the individual groups.

BRFKredit closely follows developments in higher-risk loan exposures, i.e. loans that do not currently meet the condi-

tions for impairment. Capital is set aside for critical customers in the calculation of BRFKredit's adequate own funds.

For 2010, BRFKredit observed a decline in impairment charges after the extensive impairment charges made by BRFKredit in 2009. The overall impact of loan losses and impairment charges on the financial statements was negative at DKK 471 million, and the balance of total impairment charges at 31 December 2010 was DKK 2,128 million, of which impairment charges on loans provided by BRFKredit a/s accounted for DKK 1,262 million. The Group's total loan impairment charges represented 1.0% of total Group lending.

Non-performing loans

In 2010, BRFKredit experienced a significant decrease in the share of customers who encountered problems meeting their obligations. This was reflected in fewer customers who applied for workout agreements, fell into arrears or in any other way were incapable of meeting their obligations to BRFKredit. It was mainly seen in the private and corporate customer segments as customers in the subsidised housing segment were not in arrears to any significant extent during the financial crisis. To assist distressed customers in the best possible way, BRFKredit has established a separate unit, which opens a dialogue with these customers to find a solution for the benefit of the customer and BRFKredit alike.

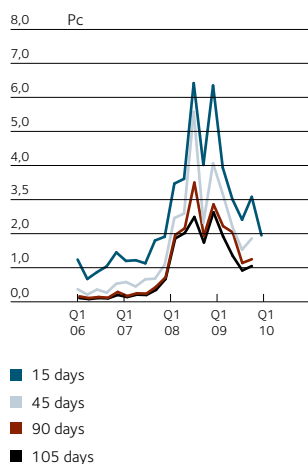
properties acquired on foreclosure were primarily well-located and rented residential properties. BRFKredit acquires properties on foreclosure if it turns out that buyers are not available for a reasonable market level. In essence, BRFKredit's strategy for selling the mortgaged properties is to sell them within a relatively short period of time, but with due regard to the importance of obtaining a reasonable price for the property.

In 2010 BRFKredit established a separate function with focus on the disposal of commercial properties acquired on foreclosure. This contributed to substantial sales of commercial properties acquired on foreclosure. 2010 also saw the establishment of a function for ensuring continuing operations as well as the development of acquired commercial properties with a view to resale.

In the area of owner-occupied housing, attention is particularly focused on ensuring a voluntary sale of the property before a forced sale become necessary. Owner-occupied homes acquired on foreclosure are sold on a continuous basis through estate agents.

At the close of 2010, BRFKredit had a portfolio of properties etc. acquired on foreclosure at a total value of DKK 985 million, DKK 309 million down from the level at end-2009.

BRFKREDIT - ARREARS TOTAL



Foreclosures

In the corporate customer area, pro-

Market risk

Market risk is the risk of a 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 price risks on the bond portfolio are the most important ones. BRFkredit is practically not exposed to foreign exchange risk. Market risks associated with other balance sheet items are moderate as a result of the balance principle and the close link between lending and funding, with lending being matched by bond issues in the ratio of one to one.

Legislation and market risk policy limits ensure that BRFkredit's market risks are at a moderate level, and the ongoing close monitoring of these risks, combined with short decision-making paths at BRFkredit, means that a reduction of market risks can quickly be implemented if considered necessary in the interests of BRFkredit's general risk profile and capital requirements.

To determine market risk in relation to the capital adequacy requirement, BRFkredit has so far chosen the standardised approach for calculation of risk-weighted assets. Hence, for reporting purposes BRFkredit uses the market risk ratios of the Danish Financial Supervisory Authority to determine interest rate risk.

BRFkredit has a relatively large portfolio of bonds, mainly because the Danish legislation requires at least 60% of the capital base of mortgage credit institutions to be invested in particularly safe assets such as government or mortgage bonds, equivalent to at least DKK 4.3 billion. BRFkredit's capital base comprises a much higher percentage of particularly safe assets than required by law, however, as BRFkredit endeavours to have maximum collateral for the issued bonds for the benefit of bond investors. In addition to a substantial portfolio of bonds, BRFkredit has infrastructural shares for an amount corresponding to about 2% of the capital base.

Out of BRFkredit's total risks, in terms

of risk-weighted items, aggregate items with market risk at the end of 2010 accounted for DKK 11.6 billion, corresponding to 14.1% of BRFkredit's weighted assets etc.

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%point and is calculated on a daily basis. Legislation allows a maximum interest rate risk of 8% of own funds, where up to half of interest rate risk in EUR may be offset against interest rate risk in DKK. BRFkredit's Board of Directors has decided to lower the statutory limit on interest rate risk to a maximum of 5% of own funds, but still allowing interest rate risk in EUR to be fully offset against interest rate risk in DKK.

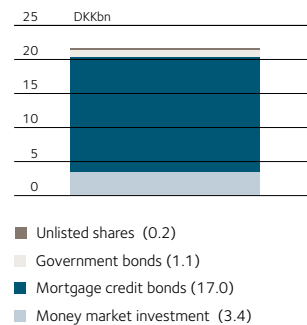
The scope of responsibilities delegated by the Board of Directors to the Executive Board has also been delegated to the securities area with additional restrictions, and additional risk targets and risk limits have been set.

For risk management purposes, daily updated option-adjusted risk measures are used to calculate interest rate risk on BRFkredit's portfolio of mortgage bonds. Volatility limits have been set for aggregate interest rate risk and for interest rate risk in four different maturities. In addition, supplementary limits have been set for other types of risk associated with fixed-income instruments.

At 31 December 2010, BRFkredit's interest rate risk under the standardised approach of the Danish Financial Supervisory Authority was DKK 368 million, which was considerably below the limit set by the Board of Directors as the statutory limit. After full offsetting between DKK and EUR, interest rate risk was DKK 212 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

DISTRIBUTION OF ASSETS IN BRFKREDIT'S SECURITIES PORTFOLIO



instruments, which are increasingly used to manage overall interest rate risk. By far the greater part of BRFkredit's portfolio of Danish mortgage bonds is made up of the most liquid bonds – including many one-year adjustable-rate mortgage bonds.

To manage interest rate risk, BRFkredit increasingly uses financial derivatives in the form of futures, options on futures, caps and swaps. The assets underlying BRFkredit's futures and options are German government bonds with different maturities, subject to daily margin settlement. Caps and swaps have been entered into with a few big Danish and international banks, and typically with netting agreements to limit counterparty risk.

Equity risk

Equity risk expresses the risk of a loss arising from movements in the share price. The Board of Directors of BRFkredit has set a limit allowing a maximum exposure in shares corresponding to 20% of BRFkredit's own funds. Moreover, the total risk exposure of consolidated enterprises is not allowed to account for more than 3% of BRFkredit's own funds. In addition, certain restrictions apply in relation to exposure in subordinated capital and unlisted companies.

At end-2010, BRFkredit held shares for

a total of DKK 233 million, equivalent to 2% of own funds. If share prices generally fall by 10%, BRFKredit will suffer a capital loss of DKK 23 million.

Foreign exchange risk

BRFKredit's foreign exchange risk on its securities portfolio is limited as most investments are denominated in Danish kroner. 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 euro. For other currencies, the risk is moderate. The foreign exchange exposure of other items not included in the securities portfolio is also strongly limited as mortgage loans granted in euro are backed by euro-denominated bonds.

BRFKredit's government-guaranteed loans taken out in US dollars are fully hedged and, therefore, involve no foreign exchange risk.

Overall, at 31 December 2010, BRFKredit's foreign exchange risk was calculated at less than 0.5% of own funds.

Counterparty risk

For the purpose of managing and limiting the credit risks arising from the investment of BRFKredit's securities portfolio and day-to-day operations, credit lines are assigned to counterparties where BRFKredit has invested funds or purchased loans. When using financial instruments where margins are not settled through a clearing centre, netting agreements are concluded to protect BRFKredit in the event of counterparty default. BRFKredit's counterparty risk is primarily related to credit institutions.

Refinancing risk on JCBs/senior debt

The requirement of supplementary collateral necessitates the injection

of extra capital to the capital centres in case the LTV ratio of the property exceeds the lending limit, for instance as a result of price decreases in the housing market. The capital base of the capital centre can contribute to this, but if this is inadequate, it may be necessary to supplement additional capital, exposing BRFKredit to refinancing risk. BRFKredit continuously follows developments in property prices and LTV ratios for properties in the SDO-issuing capital centre, which allows the planning of issuance and refinancing of supplementary capital. It is assessed that BRFKredit is not facing any refinancing risk.

Refinancing of ARM loans

The risk of refinancing of mortgage loans rests with the borrower and, therefore, has no direct impact on BRFKredit's risk. In 2010, as in earlier years, BRFKredit did not encounter problems in connection with the refinancing of customers' ARM loans. To address the concentration of refinancing activity around December, BRFKredit has, in common with the other mortgage credit institutions, chosen to spread the refinancing auctions over the year to the widest possible extent. ARM loans disbursed after February 2010 are generally refinanced in October instead of December.

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. Liquidity shortfalls, if any, are typically of a very short nature, for instance in connection with mortgage payments, and are mainly handled through cash budgets. Furthermore, there is a limited liquidity risk associ-

ated with customers who default on their mortgage payment.

Operational risk

By operational risk is understood the risk of a loss arising from inappropriate or inadequate internal procedures, human or system errors as well as external events, including legal risks. Losses arising from operational risks are thus due to a non-financial event.

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.

To meet operational risks, BRFKredit has formulated guidelines for how to write process descriptions. The purpose of the process descriptions is to make sure that the Group, at all times, has written instructions for all significant work routines. Besides, the process descriptions must at all times specify the allocation of responsibilities for the work tasks. The responsibility for preparing the individual process descriptions and their contents rests with the respective area managers, who are required every six months to submit a status report to the central control unit.

For additional information on the BRFKredit Group's risks, risk management and capital structure, see the report on risk and asset management for 2010, which is available at both brf.dk and brfkredit.com.



Human resources

The average number of people permanently employed by BRFkredit during 2010 was 747.

At the close of the year, 49% of BRFkredit's employees were women. Women accounted for 39% of managers.

The commitment to developing the employees' skills and competencies continued in 2010. In 2010 BRFkredit's employees spent 2.1% of their working hours on education and training, corresponding to about 5.3 days per full-time employee, against 4 days in 2009.

Communication to the employees about BRFkredit's strategy was strengthened in 2010 to raise their awareness of how to contribute daily

to ensuring that BRFkredit achieves its overall strategic objectives.

Every three years or so, BRFkredit organises a team training programme. One of BRFkredit's core values, 'responsibility', was the overall theme of the team training programme in 2010. During the year, the employees have also worked on various initiatives to support that meetings held at BRFkredit become even more efficient.

BRFkredit offers its employees a group life insurance scheme, insurance against critical illness and health insurance. All employees have also access to a wide range of exercise and healthcare services and are offered a gross salary scheme, enabling BRFkredit's employees to compose a flexible salary package every year.



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.

Ejendomsselskabet Nørgaardsvej 37-41, 2800 Lyngby A/S

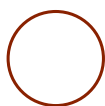
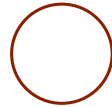
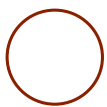
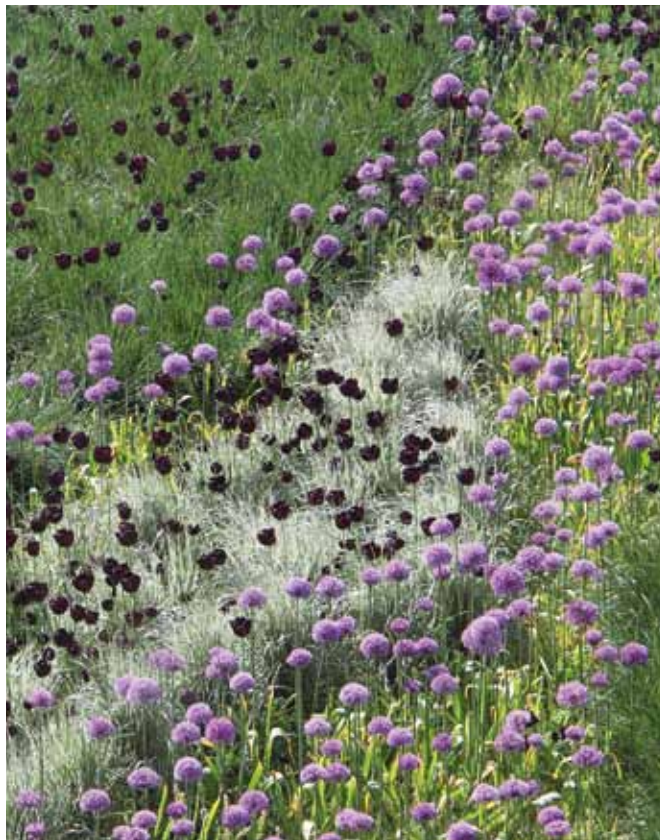
The core business of the company is to acquire, own and manage the properties Nørgaardsvej 37 - 41, 2800 Lyngby.

The company posted a profit before tax of DKK 0.1 million for 2010, against a loss of DKK 4.8 million in 2009. Its equity at 31 December 2010 was DKK 3.4 million, out of a balance sheet total of DKK 3.4 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 2009, when the company posted a profit before tax of DKK 7.4 million, against a loss of DKK 10.7 million in 2008. Its equity at 31 December 2009 was DKK 125.0 million, out of a balance sheet total of DKK 133.3 million.



Corporate Governance

Introduction

The Board of Directors of BRFKredit has decided that BRFKredit will follow the Recommendations on Corporate Governance made by the Committee on Corporate Governance. In future, the annual plan prepared by the Board of Directors will include a review of the Recommendations on Corporate Governance.

BRFKredit a/s is wholly owned by BRFFonden through BRFholding a/s. Hence, some of the Recommendations on Corporate Governance are not considered relevant for BRFKredit.

These include the recommendations on capital and share structures, general meetings and promotion of active ownership, the use of proxies in connection with general meetings and how to handle potential takeover bids. The recommendations on disclosure of information about shares, options and warrants held by board members are not relevant either as neither the Board of Directors nor the Executive Board is allowed to buy shares or derivative financial instruments in BRFKredit a/s.

Board of Representatives

The Board of Representatives of BRFKredit meets on a regular basis. At the meetings, the Executive Board gives an account of the Group's activities.

Annual General Meeting

In accordance with the Articles of Association, the Annual General Meeting is called by giving at least 14 days' notice. The Annual General Meeting adopts the Annual Report, elects the Board of Directors, the auditors and the Board of Representatives, discharges the Board of Directors and the Executive Board from their obligations, and passes a resolution on the distribution of profits or losses for the year. The Articles of Association of the Company

was last changed in April 2010 and are available at the website of BRFKredit.

The Board of Directors of BRFKredit The Board of Directors encompasses a broad range of skills and knowledge from directorships and executive positions in large Danish companies and skills relating to properties, financing, risk management, legal issues and marketing. The Board of Directors regularly assesses whether the skills and expertise need to be updated. The tasks and responsibilities of the Board of Directors and the interface between the Board of Directors and the Executive Board are laid down in rules of procedure for the Board of Directors and guidelines for the Executive Board of BRFKredit.

The Board of Directors consists of six members elected by the Annual General Meeting and three members elected by employees in accordance with the rules of Danish legislation on employee representation. The members elected by the Annual General Meeting are up for election every year. The employee representatives are elected for four-year terms. The next election of employee representatives will take place in 2011. According to the Articles of Association, the retirement age for members elected to the Board of Directors is 70. The Board of Directors believes that the number of members is appropriate in relation to the requirements of the Company.

The Board of Directors has made no restrictions as to what other directorships and executive positions members may hold. All Board members are believed to perform their duties in a satisfactory manner. Moreover, the commitment of the individual Board members is covered by the questions forming the basis of the self-evaluation of the Board's work the Board of Directors has decided to conduct.

Information about Board members can be found in the chapter 'Directorships and executive positions'.

The Board of Directors has decided to make an annual evaluation of its work using questionnaires distributed to and completed by the individual Board members. The evaluation will subsequently be discussed by the Board of Directors under the guidance of the Chairman. The Board of Directors has also decided to conduct an annual evaluation of the work performed by the Executive Board and its cooperation with the Board of Directors.

Board committees etc.

Chairmanship

The chairmanship of the Board of Directors consists of Oluf Engell (Chairman) and Kurt Bligaard Pedersen (Deputy Chairman). The chairmanship serves as the executive committee to which the Executive Board regularly reports between Board meetings. The chairmanship is subordinate to and reports to the Board of Directors.

Group Audit Committee

At the first meeting of the Board of Directors following the Annual General Meeting, the Board of Directors will concurrently set up a Group Audit Committee. The work of the Audit Committee is performed on behalf of the Boards of Directors with a view to brief the individual Boards of Directors and to provide a basis for the decisions made by the Boards of Directors of BRFKredit and BRFBank, respectively. The primary tasks of the Committee are to oversee the financial reporting process, review the efficiency of the companies' internal control systems, risk systems and internal audit, oversee the audit of the financial statements and oversee and safeguard the independence of the auditor.

The Group Audit Committee consists of Kurt Bligaard Pedersen (Chairman and specially competent member), Oluf Engell and Lars Munch. Kurt Bligaard Pedersen and Lars Munch are considered to be independent members. The Committee has held five meetings in 2010. The terms of reference of the Group Audit Committee are available at www.brf.dk.

Nomination and Remuneration Committee

The Board of Directors has decided to set up a Nomination and Remuneration Committee made up of the chairmanship of the Board of Directors. The task of the Committee is to review the composition and structure of the Board of Directors, including the skills of Board members, and to consider and recommend candidates for the management bodies. Another task of the Committee is to prepare and present recommendations for remuneration of the Board of Directors, the Executive Board and certain special employees. The pay and remuneration policy as adopted by the Board of Directors is updated once a year. No incentive schemes have been established for members of the Board of Directors and the Executive Board. The pay and remuneration policy is available at brf.dk.

Executive Board

Sven A. Blomberg, Chief Executive Officer, and Carsten Tirsbæk Madsen, Executive Vice President, are responsible for the day-to-day management of the Company within the limits set by the Board of Directors in guidelines and policies. Information about the Executive Board can be found in the chapter 'Directorships and executive positions'.

Details of the total remuneration of the Executive Board, including company car expenses, are set out in note 9 to the financial statements. The Board of Directors finds that this information, together with the information that no incentive schemes have been established for the Executive Board, is sufficient for external stakeholders

to evaluate the remuneration of the Executive Board.

Financial reporting

The Board of Directors and the Executive Board have overall responsibility for the Group's financial reporting. The financial reporting process is based on the assumption that all relevant financial transactions are entered correctly in the financial management system.

To ensure that all financial transactions are entered correctly in the financial management system, and for the purpose of preventing, detecting and correcting any errors, deviations and omissions, daily, monthly and quarterly internal controls are performed as described in procedures. Controls comprise both system controls and manual controls.

Internal controls are performed regularly by reconciling and rendering probable all financial accounts, and the Group Finance function checks and verifies the reconciliations made. The extent of reconciliation and control is based on an assessment of the risk of errors, deviations and omissions in the financial transactions/accounting items.

Special focus is on the financial transactions and accounting items where estimates and assessments can have a significant impact on the value of assets and liabilities. See note 2 in the financial statements for a detailed specification.

Reporting to the Board of Directors, the Executive Board, business area managements and the All Risk Committee is provided on an ongoing basis. This reporting includes, among other financial data:

- Income statement and balance sheet with comments on main items
- Returns and risks on BRFkredit's securities portfolio
- Credit risks, loan losses and impairment charges
- Capital adequacy and solvency requirement.

All reporting is based on joint primary data.

BRFkredit continuously monitors developments in relevant laws and regulations with a view to ensuring full compliance. In connection with the financial reporting process, detailed checklists are also filled in to ensure that all requirements are met.

The Internal Audit Department continuously reviews and reports on significant areas relating to internal controls, risk management and reporting.

Moreover, a Group Audit Committee has been set up to review accounting, auditing and security matters.

For a more detailed description of BRFkredit's risk management policy, reference is made to the chapter 'Risk management'.

Compliance function

In accordance with Danish legislation, the BRFkredit Group has a compliance function responsible for assisting the management in ensuring that the BRFkredit Group complies with current legislation, regulations and ethical standards relative to MiFID, Code of Business Conduct, etc. to minimise the risk of financial losses and loss of trust from customers, public authorities and the external environment in general.

The compliance activities primarily consist in carrying out reviews of selected areas. The reviews are made in close cooperation with the departments in BRFkredit responsible for the area under review. The work is concluded with a report to the Executive Board and an annual report to the Board of Directors of BRFkredit.

Internal controls

The Board of Directors sets policies and limits for the conduct of business, and the Board of Directors and the Executive Board lay down and approve the overall requirements for procedu-

res and internal controls in key business areas.

The internal control system is based on a separation of functions between customer-oriented functions and authorisation and control. Controls are performed at several levels and begin with self-review in business areas and the securities area as well as regular controls performed by the credit function, the compliance function and the finance function. In addition, the Internal Audit Department regularly reviews selected areas in accordance with the audit plan approved by the Group Audit Committee.

The Group's finance function collects financial data on a monthly basis and reports this to the chairmanship and the Executive Board. The Board of Directors receives such reports on a quarterly basis. Monthly and quarterly reports are also prepared on securities, credit risks, capital and portfolio developments.

Financial data control is undertaken partly by controllers in the finance function, partly by the Internal Audit Department. The Group Audit Committee and the Executive Board continuously monitor compliance with procedures, internal controls, relevant legislation and other rules and regulations in connection with financial reporting and submit reports to the entire Board of Directors.

Risk management

For a more detailed description of BRFkredit's risk management policy, reference is made to the chapter 'Risk management'.

Auditors

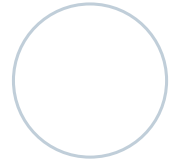
The Annual General Meeting elects an external auditor on the recommendation of the Board of Directors. Prior to the election, the Group Audit Committee has evaluated the skills, the independence, etc. of the nominated auditor. BRFkredit also has an indepen-

dent Internal Audit Department with seven employees. The Internal Audit Department reports to the Board of Directors.

The Internal Audit Department audits the financial statements together with the auditors elected by the Annual General Meeting. In addition, the Internal Audit Department performs audits of selected areas in accordance with an audit plan approved by the Group Audit Committee. As part of the audit, the auditors will report any weaknesses identified in procedures and internal controls etc. to the Executive Board and the Board of Directors, and the Internal Audit Department will also regularly follow up on the implementation of recommendations made.

The Head of the Internal Audit Department regularly participates in Group Audit Committee meetings and meetings of the Board of Directors. The external auditor also participates in Group Audit Committee meetings and in Board meetings from time to time.





Directorship and executive positions

Board of Directors

Oluf Engell, b. 1945

Member of the Board since 1991

Chairman since 2000

Fee: DKK 525,000

Member of the Group Audit Committee

Fee: DKK 0

Member of the Nomination and

Remuneration Committee

Fee: DKK 0

Academic background

1970 MA (Law)

Professional background

1973 Attorney-at-Law

1982 Right to appear before the

Danish Supreme Court

2006 Court-assigned counsel,
the Supreme Court

1976 Partner at Bruun & Hjejle

Ordinary judge at the Danish Labour Court

External examiner at the University
of Copenhagen

Chairman of Højesteretsskranken

Member of the London Court of
International Arbitration, European
Council

Other directorships and executive positions

BRFholding a/s, Chairman

A/S Einer Willumsen, Chairman

DADES A/S, Chairman

BRFkredit's Understøttelsesfond,
Chairman

Haldor Topsøe, member of the board
of directors

Lars Munch, b. 1959

Member of the Board since 2002.

Fee: DKK 175,000

Member of the Group Audit Committee

Fee: DKK 0

Academic background

1984 MSc (Econ. and Business Adm.),
Copenhagen Business School

Professional background

1984-1995 A/S Forlaget Børsen
CEO and director of Børsen
Holding A/S

1995-1999 Bonnier Group, Stockholm,
Director and CEO of Bonnier
Forlagene A/S

1999-2003 A/S Dagbladet Politiken,
CEO

2003- JP/Politikens Hus A/S,
CEO

Other directorships and executive positions

BRFfonden,
Member of the board of directors

BRFholding a/s,
Member of the board of directors

Louisiana Museum of Modern Art,
Chairman of the board of directors

Danish Newspaper Publishers' Association,
Deputy chairman of the board of directors

WAN-IFRA,
Member of the executive committee
and the board of directors

Europa Nostra,
Member of the board of directors

WWF, Member of the presidium

SOS Børnebyerne,
Member of the board of directors

Laila Busted, b. 1960

Member of the Board since 1999

Fee: DKK 175,000

Academic background

1992 Authorised estate agent
and appraiser

Professional background

1979-1981 Trainee at Nordea (SDS)

1981-1984 Bank clerk at Nordea

1984- BRFkredit

2001- Full-time chairman of the staff
association since 2001

Other directorships and executive positions

BRFfonden,
member of the board of directors

2006- Branch president of the
eastern branch of the Danish
Financial Service Union

2006- Member of the executive
committee of the Financial
Service Union

Member of the board of directors of
Vækstforum Sjælland

Directorship and executive positions, continued

Board of Directors

Kurt Bligaard Pedersen, b. 1959

Member of the Board since 2001

Deputy Chairman since 2006

Fee: DKK 350,000

Member of the Group Audit Committee

Fee: DKK 0

Member of the Nomination
and Remuneration Committee

Fee: DKK 0

Academic background

1988 MSc (Pol. Sci.),
Aarhus University

Kristian May, b. 1956

Member of the Board since 2006

Fee: DKK 175,000

Academic background

1977 Shippingman
1985 MA (Law)

Jan Frederiksen, b. 1955

Member of the Board since 2003

Fee: DKK 175,000

Academic background

1984-1985 Business diploma in computer
science and accounts

Professional background

1988-1992 The Parliamentary Social
Democratic Group, consultant

1992-1996 The Danish Ministry of
Finance, head of department
and later deputy permanent
secretary

1996-2000 City of Copenhagen, finance
director and from 1997,
managing director of the
finance administration

2000-2001 Falck Danmark A/S, CEO

2002- DONG Energy A/S,
executive vice president of
Energy Markets

Professional background

1975-1983 Rederiet AP Møller

1984-1985 Accounts manager,
Arbejdsløshedsforsikringen

1985 Executive secretary,

Det Danske Stålvalseværk A/S

1987 Supply and administrative
manager (same company)

1990 Vice president
(same company)

1992 Senior vice president and
member of the executive
board (same company)

1992-2002 CEO (same company)

2003- President and CEO
of MT Højgaard A/S

Professional background

1976-1985 P.E. Ehrhardt A/S,
office clerk/treasurer

1985- BRFKredit, SAS specialist

Member of the board of directors of
BRFKredit's Understøttelsesfond

Other directorships and executive positions

BRFholding a/s, Deputy Chairman

BRFKredit's Understøttelsesfond,
Deputy Chairman

BRFFonden,
member of the board of directors

The Copenhagen Zoo,
member of the board of directors

Other directorships and executive positions

Ajos A/S, chairman of the board of directors

Enemærke & Petersen A/S,
chairman of the board of directors

Greenland Contractors I/S,
chairman of the board of directors

Lindpro A/S,
chairman of the board of directors

Promecon A/S,
chairman of the board of directors

Scandi Byg A/S,
chairman of the board of directors

Timbra A/S,
chairman of the board of directors

MTH Insurance A/S, medlem af bestyrelsen

The Confederation of Danish Industry (DI),
member of the executive committee

Directorship and executive positions, continued

Board of Directors

Troels Behr, b. 1945

Member of the Board since 1990

Fee: DKK 175,000

Aksel Nissen, b. 1944

Member of the Board since 2003

Honorar: 175.000 kr.

Thomas Sandelius, b. 1966

Member of the Board since 2002

Fee: DKK 175,000

Academic background

1971 MA (Law),
University of Copenhagen

Academic background

1970 BSc (Econ. and Business Adm.)
Aarhus School of Business
1975 Graduate diploma in accounting
Esbjerg Business School

Academic background

1988 Banking background
1992 Business diploma in financing,
Niels Brock

Professional background

1971-1972 The Danish Ministry of Labour
and Social Affairs
1972-1973 Military service

Foreningen Socialt Boligbyggeri 1973-2000
1974-1984 - legal employee
1984-1987 - deputy director
1987-2000 - director

2001- Independent consultancy firm
2004-2006 PrivatBo - director
2006- KAB - special consultant

Professional background

1970-1982 Finance manager at Esbjerg
Matador Maskiner A/S
1982-1986 CEO of Esbjerg Matador
Maskiner A/S
1987-1988 Chief financial officer at
Colorlux A/S, Esbjerg
1988-1989 Chief financial officer at
Landbrugs Frø-forsyning
(DLF) A.m.b.a., Roskilde
1990-2006 CEO of DLF-Trifolium A/S,
Roskilde

Professional background

1986-1989 Den Danske Bank,
trainee and bank clerk

Certified project manager

1990- BRFKredit, trainee, home-
buying adviser, financing
adviser

Other directorships and executive positions

BRFFonden,
member of the board of directors

Virumgård Arkitekter A/S

Byplantegnestuen A/S

A/S Matr. nr. 432 af Amagerbro

Plekehjemskomiteen af 1965

Other directorships and executive positions

1990-2006 Chairman of a number of
subsidiaries to the group DLF-
Trifolium A/S in Denmark and
abroad

1992-2002 Deputy chairman of the
Danish Federation of Emplo-
yers for Trade, Transportation
and Services (AHTS)

1992-2002 Executive committee member
of the Confederation of
Danish Employers

2007- DLH A/S, Taastrup,
Member of the board of
directors

2008- A/S Einar Willumsen,
Member of the board of
directors

Directorship and executive positions

Executive Board

Sven A. Blomberg, b. 1950

Academic background

- 1980 MA (philosophy of social sciences), University of Copenhagen
- 1983 Graduate diploma in marketing, Copenhagen Business School
- 1988 Programme for Executive Development, IMD, Lausanne, Switzerland

Professional background

- 1980 PA to the CEO, Kgl. Brand
- 1984 Vice president, Kgl. Brand
- 1985 Sector director, Kgl. Brand
- 1986 Senior vice president, Kgl. Brand
- 1989 CEO, Kgl. Brand + from
- 1990 Senior vice president of Skandia Försäkring AB, Sweden
- 1995- Chief Executive Officer of BRFkredit a/s

Other directorships and executive positions

- CEO of BRFFholding a/s
- Head of secretariat at BRFFonden
- Chairman of the board of directors of BRFFbank a/s
- Chairman of the board of directors of Ejendomsselskabet Nørgaardsvej 37-41, 2800 Lyngby A/S
- Member of the board of directors of VP Securities A/S
- Member of the board of directors of BRFkredit's Understøttelsesfond
- Member of the board of directors of the Association of Danish Mortgage Banks

Carsten T. Madsen, b. 1962

Academic background

- 1990 MSc (Pol. Sci.), Aarhus University
- And studies at:
- 1987 The University of Essex, UK
- 1988 The American University, Washington DC, USA

Professional background

- BRFFkredit a/s from 1990:
- 1990-1991 Economist
- 1991-1996 Executive secretary
- 1996-1998 Plan manager
- 1998-1999 Area manager
- 1999-2000 Vice president
- 2000-2001 Senior vice president
- 2001- Executive vice president and member of the Executive Board

Other directorships and executive positions

- Member of the board of directors of the Association of Danish
- Member of the Danish committee of Nordisk Realkreditsamråd
- Præsident for Nordisk Realkreditsamråd
- Member of the advisory committee of OMX Nordic Exchange Copenhagen
- Member of the ECBC's Steering Committee ^{*)}
- Deputy Chairman of the board of directors of BRFFbank a/s
- Member of the board of directors of Ejendomsselskabet Nørgaardsvej 37-41, 2800 Lyngby A/S
- Member of the board of directors of E-Nettet Holding A/S

^{*)} ECBC = European Covered Bond Council

Statement re. the Group Audit Committee

Statement on the independent and qualified member of the Group Audit Committee of BRFKredit a/s in pursuance of article 6(1) and (2) of the Danish Financial Supervisory Authority's Order on Audit Committees of 22 December 2008 (replaced by article 6(1) and (2) of Order of 23 June 2010).

On 27 April 2010, the Board of Directors of BRFKredit a/s appointed the board members Oluf Engell, Kurt Bligaard Pedersen and Lars Munch as members of the Group Audit Committee. The Board of Directors finds that Kurt Bligaard Pedersen is independent and qualified as stipulated in article 5 of the above-mentioned Order.

Kurt Bligaard Pedersen's employer, DONG Energy A/S, has no relation to the BRFKredit Group other than ordinary public service obligations. Similarly, Kurt Bligaard Pedersen has no relation to BRFKredit other than his work, duties and services as a member of the supervisory boards of BRFKredit a/s, BRFholding a/s and

BRFFonden. Given these circumstances, Kurt Bligaard Pedersen is considered an independent member of the Board of Directors of BRFKredit a/s.

As a member of the executive management of DONG Energy A/S, and as chief executive officer of DONG Naturgas A/S, which prepares financial statements in accordance with IFRS, Kurt Bligaard Pedersen is also considered a qualified member of the Group Audit Committee of BRFKredit. Moreover, Kurt Bligaard Pedersen has years of experience in financial reporting.

Short CV of Executive Vice President Kurt Bligaard Pedersen:
Born 1959. MSc (Pol. Sci.) from Aarhus University 1988.

Member of the executive management of DONG Energy since 2002 with responsibility for Energy Markets as well as CEO of DONG Naturgas A/S.

Prior employment: Managing director of Falck Danmark A/S. Finance manager and chief executive of the City of Copenhagen. Head of sector and deputy permanent secretary of the Danish Ministry of Finance for four years.

Statement by the Board of Directors and Executive Board

The Board of Directors and Executive Board have today considered and approved the Annual Report of BRFkredit a/s for 2010.

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards as adopted by the European Union, and the financial statements are presented in accordance with the Danish Financial Business Act. Management's Review is prepared in accordance with the Danish Financial Business Act. Moreover the Financial Report has

been prepared in accordance with additional Danish disclosure requirements for issuers of listed bonds.

The consolidated Financial Statements and the Financial Statements gives in our opinion a true and fair view of the Group's and Parent Company's assets, liabilities and financial position at 31 December 2010 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 2010.

The management's review provides in our opinion a true and fair account 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 2011

Executive Board

Sven A. Blomberg
Chief Executive Officer

Carsten Tirsbæk Madsen
Executive Vice President

Board of Directors

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 Board of Directors held nine board meetings and one seminar in 2010.

Auditor's Report

Internal Auditor's Report

We have audited the Consolidated Financial Statements, the Financial Statements and Management's Review of BRFKredit a/s for the financial year ended 31 December 2010. The Consolidated Financial Statements are presented in accordance with International Financial Reporting Standards as adopted by the EU, and the Financial Statements of the Company are presented in accordance with the Danish Financial Business Act. Moreover, the Consolidated Financial Statements and the Financial Statements are prepared in accordance with additional Danish disclosure requirements for issuers of listed bonds. Management's Review is prepared in accordance with the Danish Financial Business Act.

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 Consolidated Financial Statements, the Financial Statements and Management's Review are 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 Consolidated Financial Statements, the Financial Statements and Management's Review. 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 Consolidated Financial Statements, the Financial Statements and Management's Review.

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 Company, function satisfactorily.

We also believe that the Consolidated Financial Statements and the Financial Statements give a true and fair view of the

Group's and the Company's assets, liabilities and financial position at 31 December 2010 and of the results of the Group's and the Company's operations and the Group's cash flows for the financial year ended 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU in regard to the Consolidated Financial Statements and in accordance with the Danish Financial Business Act in regard to the Financial Statements of the Company and, moreover in accordance with additional Danish disclosure requirements for issuers of listed bonds and, furthermore, that Management's Review includes a true and fair account in accordance with the Danish Financial Business Act.

Kgs. Lyngby, 24 February 2011

Arne List
Head of Internal Audit Department

Auditor's Report

Independent Auditor's Report

To the Shareholders of BRFkredit a/s

We have audited the Consolidated Financial Statements, the Financial Statements and Management's Review of BRFkredit a/s for the financial year 1 January - 31 December 2010. The Consolidated Financial Statements and the Financial Statements comprise Income Statement, Assets, Liabilities, Statement of Changes in Equity and Notes for both the Group and the Company as well as Statement of Comprehensive Income and Cash Flow Statement for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU, and the Financial Statements are prepared in accordance with the Danish Financial Business Act. Moreover, the Consolidated Financial Statements and the Financial Statements are prepared in accordance with additional Danish disclosure requirements for issuers of listed bonds. Management's Review is prepared in accordance with the Danish Financial Business Act.

Management's Responsibility

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements and the Financial Statements in accordance with International Financial Reporting Standards as adopted by the EU with regard to the Consolidated Financial Statements, and in accordance with the Danish Financial Business Act with regard to the Financial Statements, and moreover in accordance with additional Danish disclosure requirements for issuers of listed bonds. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Consolidated Financial Statements and Financial Statements that are free from material misstatement, whether due to fraud or error. The responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in

the circumstances. Furthermore, Management is responsible for preparing a Management's Review that includes a true and fair account in accordance with the Danish Financial Business Act.

Auditor's Responsibility and Basis of Opinion

Our responsibility is to express an opinion on the Consolidated Financial Statements, the Financial Statements and Management's Review based on our audit. We conducted our audit in accordance with Danish Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements, the Financial Statements and Management's Review are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements, the Financial Statements and Management's Review. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, the Financial Statements and Management's Review, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of Consolidated Financial Statements and Financial Statements and to the preparation of a Management's Review that includes a true and fair account in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements, the Financial Statements and Management's Review.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the Consolidated Financial Statements and the Financial Statements give a true and fair view of the financial position of the Group and the Company at 31 December 2010 and of the results of the Group and Company operations and the Group cash flows for the financial year 1 January - 31 December 2010 in accordance with International Financial Reporting Standards as adopted by the EU in regard to Consolidated Financial Statements and in accordance with the Danish Financial Business Act in regard to the Financial Statements of the Company, and moreover in accordance with additional Danish disclosure requirements for issuers of listed bonds. Furthermore, in our opinion Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Company, of the results for the year and of the financial position of the Group and the Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Company in accordance with the Danish Financial Business Act.

Hellerup, 24 February 2011

PwC
Statsautoriseret Revisionsaktieselskab

Kim Fücksel	Jesper Edelbo
State-Authorised	State-Authorised
Public Accountant	Public Accountant

Income statement

Amounts in DKK million

For the year ended 31 December	BRFkredit Group		BRFkredit a/s		Note
	2010	2009	2010	2009	
Interest income	8,716	11,082	8,480	10,805	4
Interest expenses	7,072	9,352	6,971	9,201	5
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	6
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	7
Other operating income	9	8	22	18	
Staff costs and administrative expenses	807	887	749	828	8-11
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	12-13
Income from equity investments in associated and subsidiary undertakings	4	-6	-83	-757	14
Profit or loss before tax	21	-858	18	-855	
Tax (- signifies an income)	7	-237	7	-237	15
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	Note
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	16
Bonds at fair value	9,637	13,069	8,228	12,515	17
Current tax assets	1	39	1	39	
Assets acquired temporarily	985	1,294	852	1,133	18
Other assets etc.	608	742	516	679	19
Shares etc.	233	239	233	239	20
Deferred tax assets	301	308	67	97	21
Loans and other receivables at fair value	208,450	216,250	208,425	216,299	22-23
Loans and other receivables at amortised cost	4,526	4,775	300	450	24
Intangible assets	4	6	4	6	25
Investment properties	5	129	5	129	26
Owner-occupied properties	458	458	381	381	27
Plant and equipment (other tangible assets)	18	21	17	21	28
Equity investments in associated undertakings	60	59	60	59	29
Equity investments in subsidiaries	-	-	1,170	835	30
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	31
Deposits and other payables	5,448	3,937	-	-	32
Liabilities relating to assets in temporary possession	45	6	45	6	
Other liabilities etc.	4,001	5,337	3,825	5,080	33
Issued bonds at fair value	193,886	196,248	194,439	196,299	34
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	35
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	36
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	

Additional notes:

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Loan offers	39	Related party transactions	52	Difference between consolidated financial statements IFRS and consolidated financial statements filed with the Danish Financial Supervisory Authority	
Financial and operating data	40	Post balance sheet events	53		
Solvency statement/Capital	41	Consolidated companies	54		

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	Accumulated 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'.

Cash flow statement

Amounts in DKK million

For the year ended 31 December	BRFkredit Group	
	2010	2009
Cash flows from operating activities		
Profit or loss before tax for the year	21	-858
Adjustments for non-cash operating items	-352	1,286
	-331	427
Change in working capital		
Bonds at fair value	7,929	-29,761
Loans and other receivables	8,254	-8,670
Payables to credit institutions and central banks, deposits and other payables	-12,163	-2,349
Issued bonds at fair value before set-off	-6,688	37,625
Issued bonds at amortised cost	407	3,090
Adjustment of other working capital	-843	-811
Corporation tax paid	37	25
Total cash flows from operating activities	-3,399	-424
Cash flows from investing activities		
Purchases of intangible assets	-3	-4
Purchases of tangible fixed assets	-32	-27
Sales of tangible fixed assets	143	1
Purchases of fixed asset investments	-2	-3
Sales of fixed asset investments	3	650
Total cash flows from investing activities	109	617
Cash flows from financing activities		
Subordinated capital	2	2,215
Dividends paid	-	-
Total cash flows from financing activities	2	2,215
Total change in cash and cash equivalents	-3,289	2,408
Cash and cash equivalents at beginning of year		
Cash balance and demand deposits with central banks	12	19
Receivables from credit institutions and central banks	9,428	7,004
Of which receivables are not directly available	-68	-59
Total cash and cash equivalents at beginning of year	9,371	6,963
Cash and cash equivalents at end of year		
Cash balance and demand deposits with central banks	58	12
Receivables from credit institutions and central banks	6,085	9,428
Of which receivables not directly available	-60	-68
Total cash and cash equivalents at end of year	6,083	9,371

BRFkredit Group'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 redemptions 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	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.

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.

Changes and amendments to existing legislation, executive orders, IFRS standards as well as IFRIC interpretations entered into force in 2010 have not resulted in any changes to these accounting policies, but have solely involved some changes relating to presentation and disclosures. Such changes have been made in the following areas:

IAS 39 'Financial Instruments, Recognition and Measurement'

Amendments concerning hedge accounting with options and hedging of inflation risk.

All of the following standards or amendments to existing standards as well as interpretations were in force in 2010, but are of no significance or relevance to the Group:

IAS 27, IFRS 3, IFRIC 17 and 18.

The accounting policies are therefore consistent with those applied in the financial statements for the previous year.

Outline of accounting policies of the BRFkredit Group

Consolidated financial statements

When preparing the annual report, 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 and the individual subsidiaries, stated in compliance with the Group's accounting policies. All inter-company 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 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 financial derivatives etc.
- Financial assets placed in the category 'fair value through the income statement'. This category is measured at fair value. This category includes mortgage lending etc.
- Loans and receivables measured at amortised cost. This category includes mortgages etc.
- 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 and issued senior bonds etc.
- Other financial liabilities measured at amortised cost. This category includes hybrid core capital etc.

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

Note 1, continued

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.

The Group has chosen to dedicate issued senior bonds to the category 'fair value through the income statement'. This choice has been made because the issued senior bonds are fully hedged by financial derivatives in regard to interest rate and foreign exchange risks, and the choice therefore eliminates the financial inconsistency that would otherwise have emerged if they had been recognised at amortised cost.

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

Changes in the fair value of financial derivatives 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 not measured at fair value 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' according to the effective interest method. 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 or loss

Securities and foreign exchange income or loss 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 financial derivatives are included.

Exceptions 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'.

Other operating expenses

Other operating expenses comprise commissions on guarantees relating to membership of the Private Contingency Committee as well as losses on sales of intangible and tangible fixed assets.

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 jointly with BRFfonden, BRFholding 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.

Note 1, continued

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.

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 repayment date are recognised at a calculated market value.

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

Assets in temporary possession

Assets in temporary possession primarily comprise properties etc. acquired on foreclosure, which are in the possession of the company for a limited time only.

Properties in temporary possession are measured at the lower of fair value less sales costs and carrying amount at the time of acquisition.

Liabilities concerning the assets in question are presented in the balance sheet as liabilities concerning assets acquired temporarily.

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 of the underlying issued bonds or, if such price is not available for the past month, a price calculated on the basis of the market rate.

Mortgages are recognised according to the ownership-settlement approach and classified as 'Loans and 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 impairment review is based on 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 collective 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.

Moreover, a management judgement is

Note 1, continued

applied to determine whether the impairment charges recognised in accordance with the guidelines set out above are sufficient, and an additional impairment charge is made if required.

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.

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 needed 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 valuer who has specialised 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%).

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 valuer; see under 'Investment properties' above.

Increases in the fair value of a property are recognised directly in equity under 'Revaluation reserve' 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 3–4 years and cars with an expected useful life of 5 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 comprise undertakings in which BRFKredit a/s exercises significant influence over their operating and financial policy decisions, usually by holding between 20% and 50% of voting rights. These 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 and senior 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.

Note 1, continued

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

The portfolio of own mortgage bonds and senior 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.

Provisions

Provisions, including provisions for losses on guarantees, are recognised when a company in the Group, as a result of an event occurred on or before the balance sheet date, has a current legal or factual obligation and it is probable that an outflow of economic benefits will be required to meet the obligation.

Provisions are measured at management's best estimate of the amount which is expected to be required to meet the obligation.

Subordinated capital

Hybrid core capital and other 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. If built-in derivatives or equity elements are included, these are identified and measured. See note 36 for more information on repayment terms etc.

Outline of accounting policies of 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

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

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 accounting policies

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.

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, net change in cash and cash equivalents for the year and the Group's cash and cash equivalents at the beginning and end of the year.

The cash flow statement is presented according to the indirect method, based on net profit or loss 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 and cash equivalents comprise 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, management needs to make estimates and set assumptions affecting the financial reporting. Management bases its estimate on experience and various other assumptions considered reasonable and relevant by 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 lending is 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, 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.

Mortgage loans and other loans for which an objective indication of impairment exists are impaired. Individually impaired loans are subject to significant uncertainty as regards the value the mortgaged property might fetch in the event of compulsory realisation, meaning that the impairment in such cases is subjectively estimated. 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 valuation is made by internal valuers specialised in assessing properties. See notes 12 and 13 for more information. Loans subjected to collective impairment are based on an assumption that the probability that loans in arrears at the balance sheet date will turn into bad loans can be estimated on the basis of historical payment data (1-2 years old). In compliance with the general recommendations to the financial sector from the Danish Financial Supervisory Authority, an additional impairment charge has been made in the form of a management judgement. See notes 12 and 13 for more information.

Assets in temporary possession comprise properties that have been acquired on foreclosure and which BRFkredit actively endeavours to sell within the next 12

months. There is significant uncertainty over the value these properties might fetch in the event of a sale, as the valuation of such assets is subjectively estimated, see the description under 'Mortgage loans and other loans' above. See note 18 for more information.

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

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 it is virtually certain that a future economic benefit will flow to the BRFkredit Group, such a benefit is recognised as an asset. If it is probable that an outflow of economic benefits from the BRFkredit Group will be required 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.

Note 3

3 NEW STANDARDS AND INTERPRETATIONS

The following standards and interpretations have been issued by IASB and adopted by the EU and will be applicable to financial years beginning on or after 1 January 2011.

Amendment to IAS 24

'Related Party Disclosures'

Contains a simplified definition of related parties.

IFRIC 19

'Extinguishing Financial Liabilities with Equity Instruments'

The interpretation specifies how a debtor should account for the non-contractual extinguishment of a financial liability by the issue of equity instruments.

Amendment to IAS 32

'Financial Instruments: Presentation'

The amendment states that rights issues offered for a fixed amount of foreign currency should be classified as equity instruments if they are issued pro rata to all existing shareholders.

The amendment to IAS 32 is of no relevance to the Group.

None of the other new or amended standards or interpretations are expected to have an impact on the Group's results or equity.

Other amendments

Moreover, the IASB has issued the following new standards and new interpretations and amendments to these which have not yet been adopted by the EU.

Amendment to IFRS 7

'Financial Instruments: Disclosures'

Comprises extended disclosure requirements on derecognition of financial instruments.

IFRS 9

'Financial Assets and Liabilities: Classification and Measurement'

IFRS 9 divides all financial assets into two classifications - those measured at amortised cost and those measured at fair value.

The portion of the fair value change on financial liabilities that is attributable to fair value through the income statement and to changes in own credit risk is recognised in other comprehensive income unless such approach results in inconsistency in measurement.

Modifications to six existing standards and one interpretation.

Management has assessed the potential effect of IFRS 9 in regard to mortgage lending and issued mortgage bonds and concluded that the continued application of the current accounting policies is possible.

Management will assess the other effect of IFRS 9 and the effect of the other amendments to standards when they have been approved.

Note 4, 5 og 6

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
4 INTEREST INCOME				
Receivables from credit institutions and central banks ¹⁾	6	26	4	18
Loans and other receivables	7,210	9,676	7,002	9,429
Commissions	1,279	1,018	1,279	1,018
Bonds	1,006	1,497	982	1,475
Financial derivatives, interest rate contracts	35	37	33	37
Other interest income	19	25	19	25
Total	9,554	12,279	9,318	12,001
Interest on own mortgage bonds, set off against interest on issued bonds	838	1,197	838	1,197
Total interest income	8,716	11,082	8,480	10,805
¹⁾ Of which interest income on reverse transactions entered under 'Receivables from credit institutions and central banks'	1	1	1	1

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
5 INTEREST EXPENSES				
Payables to credit institutions and central banks ¹⁾	150	388	150	356
Deposits and other payables	89	114	-	-
Issued bonds	7,365	9,638	7,370	9,637
Financial derivatives	63	372	45	369
Subordinated capital	243	35	243	35
Other interest expenses	1	1	1	1
Total	7,910	10,548	7,809	10,398
Interest on own mortgage bonds, set off against interest on issued bonds	838	1,197	838	1,197
Total interest expenses	7,072	9,352	6,971	9,201
¹⁾ Of which interest expenses from repo transactions entered under 'Payables to credit institutions and central banks'	113	16	113	16

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
6 FEES, CHARGES AND COMMISSION INCOME				
Fees and charges	93	120	90	116
Brokerage	59	120	59	120
Other fees, charges and commission income	15	26	0	1
Total fees, charges and commission income	167	266	149	237
Of which fees, charges and commission income from banking business				
Payment services	1	1		
Originating fees	9	16		
Commissions on guarantees	7	11		
Other fees, charges and commission income	4	4		
Total fees, charges and commission income from banking business	20	31		

Note 7, 8 og 9

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
7 SECURITIES AND FOREIGN EXCHANGE INCOME (- signifies a loss)				
Mortgage lending ¹⁾	947	4,241	948	4,241
Other loans and receivables at fair value	1	6	0	3
Bonds	154	107	170	106
Shares at fair value	-	137	-8	129
Shares - available for sale ²⁾	-6	-10	-	-
Investment properties	-2	2	-2	2
Foreign exchange	-0	1	-0	1
Interest-rate contracts and financial derivatives ¹⁾	-356	-194	-346	-194
Issued bonds ¹⁾	-1,007	-3,940	-1,009	-3,940
Total securities and foreign exchange income/loss	-269	351	-248	349

¹⁾ Adjustments of the balance principle brought a total loss of DKK 3 million (2009: loss of DKK 3 million), resulting from a net value adjustment of the following items: Mortgage lending up by DKK 947 million (up by DKK 4,241 million), issued bonds down by DKK 1,007 million (down by DKK 3,940 million) and fixed-price agreements in connection with loan disbursements etc. up by DKK 57 million (down by DKK 304 million), recognised in 'Interest-rate contracts and financial derivatives'.

²⁾ Strategic shares (see accounting policies) are classified as 'available for sale' in accordance with IFRS. Strategic shares with a negative market value adjustment and no equity reserve were down by DKK 6 million (2009: down by DKK 10 million).

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
8 STAFF COSTS AND ADMINISTRATIVE EXPENSES				
Staff costs (see note 9)	516	549	475	504
Administrative expenses	224	249	209	237
Sales costs	49	73	49	73
Other costs and expenses	18	16	15	14
Total staff costs and administrative expenses	807	887	749	828

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
9 STAFF COSTS				
Emoluments and remuneration of Supervisory Board and Board of Representatives ¹⁾	3	3	3	3
Wages and salaries ²⁾	420	450	384	411
Defined-contribution pensions ³⁾	49	49	46	46
Social security costs	44	47	42	44
Total staff costs	516	549	475	504

¹⁾ The annual emoluments of ordinary members of the Supervisory Board were DKK 175,000 (2009: DKK 175,000). The Deputy Chairman received double this amount, whereas the Chairman received triple this amount.

²⁾ The Executive Board, comprising two persons, received remuneration of DKK 6.4 million (2009: DKK 6.2 million). In addition, an amount of DKK 1.9 million was contributed to the Executive Board's pension schemes in 2010 (DKK 1.7 million). Finally, members of the Executive Board received benefits-in-kind, such as free car etc. where the Group paid expenses of DKK 0.4 million in 2010 (DKK 0.4 million). Of this amount, no tax deduction for DKK 4.3 million (DKK 0.6 million) has been taken, equivalent to 50% of the expense in the period of the hybrid core capital.

³⁾ 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 10, 11 og 12

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
10 AUDITORS' FEES				
Fee for statutory audit	3	3	2	3
Other fees of accounting company	1	2	1	2
Total audit fees	3	4	3	4

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

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
11 NUMBER OF EMPLOYEES				
Average number of employees during the financial year (full-time equivalent)	747	818	671	737

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
12 LOAN LOSSES AND IMPAIRMENT CHARGES				
Net changes in impairment charges on individually assessed loans (- signifies an income)	-228	1,185	-164	587
Net changes in impairment charges on groups of loans	23	369	69	232
Net realised losses ¹⁾	739	578	492	517
Recoveries of loan losses previously written off	63	6	35	6
Other changes	-	-0	-	-0
Total loan losses and impairment charges	471	2,125	363	1,330

Impairment charges on individually assessed loans:

At beginning of year	1,775	590	950	363
Impairment charges during the period	650	1,525	389	828
Reversal of prior-year impairment charges	535	240	403	161
Realised losses, not previously provided for impairment	342	99	150	80
Other changes	-	0	-	0
At end of year	1,547	1,775	786	950

Impairment charges on groups of loans:

At beginning of year	558	189	406	174
Impairment charges during the period	581	558	475	406
Reversal of prior-year impairment charges	558	189	406	174
At end of year	581	558	475	406

¹⁾ Of Net realised losses for the Group, the value adjustment of assets acquired in prior financial years was negative at DKK 18 million (2009: DKK 5 million), and operating profit on properties during the period of foreclosure was DKK 10 million (DKK 4 million).

Note 13, 14 og 15

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
13 ASSETS IMPAIRED				
Loans and other receivables at amortised cost	1,345	1,370	-	-
Impairment	807	896	-	-
Net	538	474	-	-
Loans and other receivables at fair value	12,410	12,438	12,385	12,363
Impairment	1,266	1,376	1,258	1,342
Net	11,144	11,062	11,127	11,021
Shares etc.	49	38	-	-
Impairment	23	14	-	-
Net	25	24	-	-

No impairment has been recognised for other classes of assets.

In addition to the impairment charges set out above, provisions for losses on guarantees amounted to DKK 56 million (2009: DKK 60 million in the BRFkredit Group).

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
14 INCOME FROM EQUITY INVESTMENTS IN ASSOCIATED AND SUBSIDIARY UNDERTAKINGS				
Income from equity investments in associated undertakings (note 29)	4	-6	4	-6
Income from equity investments in subsidiaries before tax	-	-	-87	-751
Total income from equity investments in associated and subsidiary undertakings	4	-6	-83	-757

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
15 TAX (- signifies an income)				
Profit or loss before tax	21	-858	18	-855
Current tax on income for the year	1	1	1	1
Adjustment of deferred tax, temporary differences	7	-238	7	-238
Total tax	7	-237	7	-237
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	7.7	3.2	12.6	3.3
Associated undertakings, non-taxable income and non-deductible expenses	-5.2	-0.2	-6.0	-0.2
50% of management's salaries, non-deductible expenses	5.1	0.0	5.9	0.0
Other non-taxable income and non-deductible expenses	2.2	-0.4	2.5	-0.4
Effective tax rate	34.8	27.6	40.0	27.7

Note 16, 17 og 18

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
16 RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS				
Time deposits with central banks	-	150	-	-
Receivables from credit institutions	6,085	5,656	5,984	5,656
Reverse transactions	-	3,622	-	3,622
Total receivables from credit institutions and central banks	6,085	9,428	5,984	9,278

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 government guarantee.

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
17 BONDS AT FAIR VALUE				
Own mortgage bonds	97,539	101,866	96,987	101,815
Other mortgage bonds	7,326	10,943	6,017	10,389
Government bonds	1,086	1,613	1,086	1,613
Other bonds	1,225	513	1,125	513
Total before offsetting own mortgage bonds	107,176	114,934	105,215	114,330
Own mortgage bonds (offset against 'Issued bonds at fair value')	-97,539	-101,866	-96,987	-101,815
Total bonds at fair value	9,637	13,069	8,228	12,515

The greater part of the securities portfolio is included in BRFkredit's investment portfolio.

Other securities relate to the investment of temporary surplus cash resulting from bonds for the refinancing of ARM loans, immediate redemptions 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 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.

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
18 ASSETS ACQUIRED TEMPORARILY				
Properties acquired temporarily ¹⁾	896	1,221	852	1,133
Subsidiary in possession with a view to sale ²⁾	89	72	-	-
Total assets acquired temporarily	985	1,294	852	1,133

¹⁾ Properties acquired temporarily in connection with loan facilities. At 31 December 2010, the BRF Group had 267 (2009: 213) foreclosed properties, of which 214 were acquired within the last 12 months.

²⁾ Property company acquired temporarily in connection with a loan facility.

The sales strategy for all assets acquired temporarily by the Group is to ensure that BRFkredit actively endeavours to sell these assets as quickly as possible and within a period of 12 months, with due regard to the importance of obtaining an acceptable price.

Note 19 og 20

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
19 OTHER ASSETS ETC.				
Positive market value of financial derivatives etc. ¹⁾	161	93	133	60
Interest and commissions receivable	157	420	123	397
Loan applications in process	184	178	184	178
Prepayments	29	33	28	26
Other assets	77	19	48	19
Total other assets etc.	608	742	516	679

¹⁾ At the end of 2010, the BRFkredit Group had a positive gross fair value of DKK 16,186 million (2009: DKK 8,730 million).

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
20 SHARES ETC.				
Shares at fair value ¹⁾	-	-	233	239
Shares available for sale ²⁾	233	239	-	-
Total shares etc.	233	239	233	239

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

²⁾ '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 230 million (2009: DKK 234 million), for which there is no observable market price. Such shares are valued in accordance with generally accepted valuation methods.

Note 21

Amounts in DKK million

21 DEFERRED TAX ASSETS

BRFkredit Group						
Broken down into the following balance sheet items:						
	Share etc.	Intangible and tangible assets	Provisions for liabilities	Tax losses	Other	Total
Carrying amount at beginning of 2009	10	-16	11	61	3	69
Adjustment in other comprehensive income	-	2	-	-	-	2
Adjustments in income statement	-6	-3	-2	249	-1	237
Carrying amount at end of 2009	4	-18	10	310	2	308
Adjustment in other comprehensive income	-0	0	-	-	-	0
Adjustments in income statement	-1	16	1	-22	-1	-7
Carrying amount at end of 2010	3	-2	10	288	1	301
BRFkredit a/s						
Broken down into the following balance sheet items:						
	Share etc.	Intangible and tangible assets	Provisions for liabilities	Tax losses	Other	Total
Carrying amount at beginning of 2009	10	-15	11	35	3	45
Adjustment in other comprehensive income	-	2	-	-	-	2
Adjustments in income statement	-6	-3	-2	62	-1	50
Carrying amount at end of 2009	4	-16	10	96	2	97
Adjustment in other comprehensive income	-	-	-	-	-	-
Adjustments in income statement	-1	16	1	-44	-1	-29
Carrying amount at end of 2010	3	0	10	52	1	67

Of the BRFkredit Group's capitalised deferred tax, DKK 288 million (2009: DKK 310 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 45 million (2009: DKK 7 million) is expected to be realised within 12 months, whereas DKK 256 million (DKK 301 million) is expected to be realised after 12 months.

Note 22, 23 og 24

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
22 LOANS AND OTHER RECEIVABLES AT FAIR VALUE				
Mortgage loans, nominal value	207,796	216,517	207,826	216,594
Adjustment for interest-rate risk etc.	1,172	229	1,172	229
Adjustment for credit risk ¹⁾	-1,191	-1,112	-1,183	-1,077
Total mortgage loans at fair value	207,777	215,634	207,814	215,746
Arrears before impairment ²⁾	229	481	229	481
Execution before impairment	197	170	197	170
Impairment charges on arrears and execution	-71	-263	-71	-263
Total arrears and execution	355	388	355	388
Other loans	318	228	256	165
Total loans and other receivables at fair value	208,450	216,250	208,425	216,299
¹⁾ 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.				
²⁾ At 31 December 2010, the BRFkredit Group recorded arrears of DKK 70 million for which no impairment had been provided. All loans in question were in arrears for less than 45 days, most of them for just one day, however.				

	2010	2009	2010	2009
23 MORTGAGE LOANS BY CLASS OF PROPERTY, NOMINAL				
Owner-occupied homes	44%	44%	44%	44%
Vacation homes	3%	3%	3%	3%
Non-profit housing	16%	16%	16%	16%
Private rental housing	20%	20%	20%	20%
Industrial properties	1%	1%	1%	1%
Office and business properties	14%	15%	14%	15%
Agricultural properties etc.	0%	0%	0%	0%
Properties for social, cultural and educational purposes	1%	2%	1%	2%
Other properties	0%	0%	0%	0%
Total mortgage loans by class of property	100%	100%	100%	100%

24 LOANS AND OTHER RECEIVABLES AT AMORTISED COST

At 31 December 2010, the BRFkredit Group had arrears on loans and other receivables of DKK 8 million for which no impairment had been provided. All were in arrears for less than 30 days.

Note 25 og 26

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
25 INTANGIBLE ASSETS				
<i>Intangible assets, development projects:</i>				
Total cost at beginning of year	163	163	163	163
Total cost at end of year	163	163	163	163
Amortisation and impairment at beginning of year	163	163	163	163
Amortisation and impairment at end of year	163	163	163	163
Carrying amount at end of year	-	-	-	-
<i>Other intangible assets:</i>				
Total cost at beginning of year	27	24	26	23
Additions	3	4	3	3
Disposals	5	-	5	-
Total cost at end of year	25	27	24	26
Amortisation and impairment at beginning of year	21	18	20	17
Amortisation during the year	5	3	5	3
Reversal of amortisation and impairment losses	5	-	5	-
Amortisation and impairment at end of year	20	21	19	20
Carrying amount at end of year	4	6	4	6
Total intangible assets	4	6	4	6
<i>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 policie.</i>				

	2010	2009	2010	2009
26 INVESTMENT PROPERTIES				
Carrying amount at beginning of year	129	127	129	127
Additions from subsequent expenses	19	0	19	0
Disposals	143	-	143	-
Adjustment to fair value	-1	2	-1	2
Carrying amount at end of year	5	129	5	129
<i>Investment properties are recorded at fair value at 31 December and includes only 4 summerresidence. The fair value is calculated to the latest public value.</i>				
<i>Amounts recognised in income statement:</i>				
Rental income	4	3	4	3
Direct expenses for properties rented in the period	1	3	1	3
<i>Future minimum payments under non-terminable contracts amount to DKK 0 million (2009: DKK 48 million), broken down to the following periods:</i>				
Within 1 year	-	6		
Between 1 and 5 years	-	39		
After 5 years	-	3		

Note 27 og 28

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
27 OWNER-OCCUPIED PROPERTIES				
<i>At beginning of year</i>				
Cost	557	540	455	438
Accumulated depreciation	87	83	79	76
Revaluation and impairment	-13	34	5	48
Carrying amount at beginning of year	458	491	381	410
Additions	3	17	3	17
Depreciation during the year	4	3	3	3
Adjustment of impairment charges during the year	0	-4	-	-
Adjustment to fair value in other comprehensive income	1	-44	0	-43
Adjustment to fair value, income statement	0	1	-	-
Carrying amount at end of year	458	458	381	381

Owner-occupied properties are recorded at fair value at 31 December. 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 valuer who has specialised in assessing commercial properties and, therefore, possesses the required professional qualifications. The Group's owner-occupied properties are valued on the basis of an investor's rate of return of 6.00-6.50% (2009: 6.00-6.50%).

Accumulated depreciation of owner-occupied properties for the BRFkredit Group was DKK 90 million (2009: DKK 87 million).

Future minimum rental payments under non-terminable contracts amount to DKK 19 million (2009: DKK 22 million) broken down into the following periods:

Within 1 year	3	3
Between 1 and 5 years	12	12
After 5 years	4	7

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
28 PLANT AND EQUIPMENT (OTHER TANGIBLE ASSETS)				
Total cost at beginning of year	97	89	95	88
Additions	10	10	10	9
Disposals	28	2	27	2
Total cost at end of year	79	97	78	95
Amortisation and impairment at beginning of year	75	66	75	65
Amortisation during the year	12	11	12	11
Reversal of amortisation and impairment losses	27	1	27	1
Amortisation and impairment at end of year	61	75	60	75
Carrying amount at end of year	18	21	17	21

Note 29, 30, 31 og 32

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
29 EQUITY INVESTMENTS IN ASSOCIATED UNDERTAKINGS				
Carrying amount at beginning of year	59	65	59	65
Share of net profits or losses	4	-6	4	-6
Dividends received	3	-	3	-
Carrying amount at end of year	60	59	60	59

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	Liabilities	Revenue	Profit after tax	Ownership interest in %
2009						
EDC-partner a/s, Frederiksberg	59	122	4	7	-12	50
2010						
EDC-partner a/s, Frederiksberg ¹⁾	60	126	5	4	2	50

¹⁾ Measured on the basis of the latest interim report at 30 September 2010.

	2010	2009
30 EQUITY INVESTMENTS IN SUBSIDIARIES		
Total cost at beginning of year	1,220	820
Additions	400	400
Total cost at end of year	1,620	1,220
Revaluation and impairment at beginning of year	-384	180
Net profits or losses	-65	-565
Other movements in capital	0	-
Revaluation and impairment at end of year	-449	-384
Carrying amount at end of year	1,170	835

	2010	2009	2010	2009
31 PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS				
Payables to credit institutions	233	736	178	354
Repo transactions	11,168	24,340	11,168	24,340
Total payables to credit institutions and central banks	11,401	25,075	11,346	24,693

	2010	2009
32 DEPOSITS AND OTHER PAYABLES		
Demand deposits	2,503	2,300
Deposits at notice	16	24
Time deposits	2,919	1,613
Special deposits	10	-
Total deposits and other payables	5,448	3,937

Note 33, 34 og 35

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
33 OTHER LIABILITIES ETC.				
Negative market value of financial derivatives etc. ¹⁾	107	69	56	23
Negative securities portfolio in connection with reverse transactions	-	1	-	1
Interest and commissions payable	3,554	4,775	3,527	4,732
Loan applications in process	160	278	79	128
Other liabilities	176	209	159	192
Deferred income	3	4	3	4
Total other liabilities etc.	4,001	5,337	3,825	5,080

¹⁾ At the end of 2010, the BRFkredit Group had a positive gross fair value of DKK 6,641 million (2009: DKK 19,419 million).

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
34 ISSUED BONDS AT FAIR VALUE				
Issued mortgage bonds, nominal value	282,654	298,192	282,654	298,192
Adjustment to fair value ¹⁾	1,410	-79	1,410	-79
Own mortgage bonds, fair value	-97,539	-101,866	-96,987	-101,815
Total issued bonds	186,524	196,248	187,076	196,299
Issued senior bonds, fair value ²⁾	7,362	-	7,362	-
Total issued bonds at fair value	193,886	196,248	194,439	196,299
Pre-issued	64,004	69,861	64,004	69,861
Drawn for redemption or maturing at next repayment date	5,012	4,075	5,012	4,075

¹⁾ The change in the fair value of issued mortgage bonds (including covered bonds) that is attributable to credit risk can be calculated on the basis of the change in the Option-Adjusted Spread (OAS) relative to the swap curve. The calculation takes maturity and nominal portfolio into account. The calculation involves some estimate. The change in fair value that is attributable to credit risk was a gain of DKK 0.2 billion in 2010 (2009: gain of DKK 1.7 billion). The accumulated change in credit risk since 1 January 2008 has been calculated at a negative DKK 1.8 billion. Equity and earnings performance were not affected by the change, however, since the value of mortgage lending changed correspondingly.

²⁾ In April 2010, BRFkredit a/s issued senior debt of USD 1.3 billion, representing a fair value of DKK 7.4 billion at 31 December 2010. The bond loan is covered by an individual government guarantee and has a maturity of three years. The foreign exchange risk has been swapped into DKK.

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
35 OTHER PROVISIONS				
At beginning of year	127	67	152	116
Additions	84	103	82	85
Provisions used	78	41	81	47
Provisions reversed	0	2	11	2
At end of year	133	127	142	152
<i>Provisions are expected to fall due:</i>				
Within 1 year	110	106	120	131
Between 1 and 5 years	23	21	23	21

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

Note 36, 37, 38 og 39

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
36 SUBORDINATED CAPITAL				
Hybrid core capital ¹⁾	2,217	2,215	2,217	2,215
Other subordinated loan capital:				
Deposit account, Husejerns Kreditkasse ²⁾	3	4	3	4
Total subordinated capital ³⁾	2,221	2,219	2,221	2,219

¹⁾ Interest on hybrid core capital issued in 2009 was DKK 243 million (2009: DKK 35 million). The effective interest rate was 11.14%. The hybrid core capital is repayable at par in whole or in part in the period 11 November 2012 to 10 November 2014 provided that the company's core capital ratio is at least 12% after repayment. In the period 11 November 2014 to 10 November 2015 the capital is repayable at 105% of face value, and from 11 November 2015 the capital is repayable at 110% of face value. Valuation is based on the assumption that repayment may be effected in 2012.

²⁾ The deposit account is written down continuously in connection with the amortisation of the loan portfolio.

³⁾ DKK 2,221 million (2009: DKK 2,219 million) can be included in the calculation of own funds.

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
37 CONTINGENT LIABILITIES				
Guarantees etc.				
Financial guarantees ¹⁾	170	433	-	-
Other guarantees	130	125	52	45
Total guarantees etc.	300	558	52	45
Other contingent liabilities ²⁾				
Other liabilities ³⁾	48	51	48	51
Total other contingent liabilities	48	51	48	51
Total contingent liabilities	348	610	100	96

¹⁾ Relate to conveyance and payment guarantees furnished by BRFBank.

²⁾ BRFkredit is registered jointly with BRFBank for settlement of VAT and payroll tax. The companies are jointly and severally liable for such settlement.

³⁾ At 31 December 2010, BRFkredit had operating lease commitments of DKK 0.5 million (2009: DKK 1.1 million) which fall due within 1 year and DKK 0.9 million (DKK 1.0 million) which fall due between 1 and 5 years.

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
38 SECURITY				
Certificates of deposit with Danmarks Nationalbank provided as security for sum clearing	-	149	-	-
Bonds provided as security for sum clearing	151	-	-	-
Margin account futures, options, etc.	60	434	80	434
Total security provided	211	583	80	434
<i>Repo transactions involve an arrangement where bonds are provided as security for the amount borrowed. Reference is made to note 48 for details</i>				

39 LOAN OFFERS

At 31 December 2010, the BRFkredit Group had open offers, pre-qualifications, etc. for DKK 9.7 billion (2009: DKK 19,5 billion). The life of these loan commitments was a maximum of 6 months.

Note 40

Amounts in DKK million

40 FINANCIAL AND OPERATING DATA	2010	2009	2008	2007	2006
BRFkredit Group					
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
Earnings per unit of cost (DKK)	1.02	0.72	0.64	1.80	2.08
Foreign exchange position (%)	4.3	4.8	3.8	2.7	2.0
Accumulated impairment ratio	1.0	1.0	0.4	0.1	0.0
Impairment ratio for the year	0.2	0.9	0.3	0.0	-0.1
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
Total weighted items	82.840	85.910	82.301	99.689	95.088
Core capital (tier 1) after deduction	11.390	11.386	10.151	10.907	10.290
Equity	9.742	9.730	10.390	11.047	10.374
Average equity	9.736	10.060	10.718	10.710	10.042
Lending, beginning of year (nominal)	220.797	217.922	199.487	179.875	161.365
Lending, guarantees and impairment charges	215.405	223.917	215.578	195.035	180.104
Operating expenses (including impairment charges)	1.328	3.070	1.576	908	686
BRFkredit a/s					
Solvency ratio	14.6	14.0	13.2	13.5	13.0
Core capital ratio	14.9	14.3	13.3	11.7	11.3
Return on equity before tax (%)	0.2	-8.5	-6.0	7.1	7.9
Return on equity after tax (%)	0.1	-6.1	-5.3	5.8	6.2
Earnings per unit of cost (DKK)	1.02	0.61	0.51	1.94	2.22
Foreign exchange position (%)	4.2	4.7	3.8	2.7	2.0
Accumulated impairment ratio	0.6	0.6	0.3	0.0	0.0
Impairment ratio for the year	0.2	0.6	0.2	0.0	-0.1
Growth in lending during the year (%)	-4.1	1.8	8.8	10.6	10.7
Loan-to-equity ratio	21.4	22.3	20.1	17.1	16.9
Total weighted items	78.145	81.158	76.675	92.998	90.928
Core capital (tier 1) after deduction	11.625	11.598	10.176	10.912	10.290
Equity	9.742	9.730	10.390	11.047	10.374
Average equity	9.736	10.060	10.718	10.710	10.042
Lending, beginning of year (nominal)	216.520	212.627	195.355	176.638	159.615
Lending, guarantees and impairment charges	210.039	218.150	209.188	188.800	175.340
Operating expenses (including impairment charges)	1.132	2.174	1.311	811	645

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.

Note 41 og 42

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
41 STATEMENT OF SOLVENCY / CAPITAL				
Core capital (tier 1) after deduction	11,390	11,386	11,625	11,598
Own funds (capital base)	11,143	11,155	11,377	11,367
Weighted items outside trading portfolio, including off-balance sheet items	68,162	72,723	64,117	68,210
Operational risk	3,029	2,533	2,733	2,298
Weighted items with market risk etc.	11,649	10,654	11,295	10,651
Total weighted items	82,840	85,910	78,145	81,158
Core capital (tier 1) after deduction as % of total weighted items	13,7	13,3	14,9	14,3
Solvency ratio	13,5	13,0	14,6	14,0
BRFkredit's capital requirement under s. 124(2) of the Danish Financial Business Act	6,627	6,873	6,252	6,493
Core capital and own funds are derived as follows:				
Equity	9,742	9,730	9,742	9,730
Intangible assets	-4	-6	-4	-6
Deferred tax assets	-301	-308	-67	-97
Accumulated changes in value	-6	-5	-6	-5
Core capital, excluding hybrid core capital	9,430	9,410	9,665	9,622
Hybrid core capital	2,217	2,215	2,217	2,215
50% difference between expected loss and accounting-relating impairment	-257	-240	-257	-240
Core capital	11,390	11,386	11,625	11,598
Supplementary capital, excluding hybrid core capital	3	4	3	4
Accumulated changes in value	6	5	6	5
Remaining 50% difference between expected loss and accounting relating impairment	-257	-240	-257	-240
Own funds (capital base)	11,143	11,155	11,377	11,367

	2010	2009
42 CAPITAL GAINS AND LOSSES ON FINANCIAL ASSETS AND LIABILITIES		
Fair value adjusted in income statement		
Trading portfolio	-202	-87
Decided at fair value	-59	445
Available for sale		
Recognised in other comprehensive income (directly in equity)	-3	3
Transferred from equity and recognised in income statement	0	-

Note 43, 44 og 45

Amounts in DKK million

	BRFkredit Group	
	2010	2009
43 INTEREST INCOME AND EXPENSES ON FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE IN INCOME STATEMENT		
Receivables from credit institutions and central banks etc.	6	26
Loans and other receivables at amortised cost	217	208
Payables to credit institutions and central banks	-150	-388
Deposits and other payables	-89	-114
Issued bonds at amortised cost	-361	-135
Financial liabilities at amortised cost	-243	-35

	2010	2009
44 FEES, CHARGES AND EXPENSES RELATING TO FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE IN INCOME STATEMENT		
Loans and other receivables at amortised cost	-1	7
Deposits and other payables	3	3

45 INTEREST INCOME FROM IMPAIRED FINANCIAL ASSETS

Interest income on financial assets in the BRFkredit Group for which individual impairment has been provided was DKK 266 million (2009: DKK 251 million).

Note 46 og 47

Amounts in DKK million

	BRFkredit Group	
	2010	2009
46 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE		
Financial assets at fair value adjusted in income statement		
<i>Trading portfolio</i>		
Bonds at fair value	9,637	13,069
Other assets – financial derivatives (note 19)	161	93
<i>Decided at fair value</i>		
Loans and other receivables at fair value	208,450	216,250
Financial assets available for sale		
Shares available for sale (note 20)	233	239
Loans and receivables		
Cash balance and demand deposits with central banks	58	12
Receivables from credit institutions and central banks	6,085	9,428
Loans and other receivables at amortised cost	4,526	4,775
Financial liabilities at fair value adjusted in income statement		
<i>Trading portfolio</i>		
Other liabilities – financial derivatives (note 33)	107	69
<i>Decided at fair value</i>		
Issued bonds at fair value	193,886	196,248
Financial liabilities at amortised cost		
Payables to credit institutions and central banks	11,401	25,075
Deposits and other payables	5,448	3,937
Issued bonds at amortised cost	4,497	4,090
Subordinated capital	2,221	2,219
47 SUPPLEMENTARY INFORMATION ON RECLASSIFICATION OF ASSETS	2010	2009
Value of reclassified assets at end of year	192	226
Fair value of reclassified assets at end of year	196	225
Adjustment to fair value if assets had not been reclassified	4	15
Amount recognised in income statement after reclassification	19	25
<i>BRFbank's portfolio of mortgages, which used to be considered a trading portfolio and, therefore, was measured at fair value was reclassified at 1 July 2008 (DKK 341 million) and will in future be recognised at amortised cost.</i>		

Note 48, 49 og 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 is DKK 0 million (2009: DKK 3,514 million).

Repo transactions

In connection with repo transactions concluded, bonds transferred temporarily are still recognised in the balance sheet in 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 10,946 million (2009: DKK 24,337 million).

	BRFkredit Group	
	2010	2009
49 HEDGE ACCOUNTING		
Hedging of fixed-rate loans		
Acquisition price	57	57
Carrying amount	62	63
Fair value	62	63
Nominal value	57	57
Market value adjustment	-1	0
Underlying financial instruments		
Nominal value of interest rate swap	56	56
Carrying value of interest rate swap	-4	-5
Fair value of interest rate swap	-4	-5
Market value adjustment of interest rate swap	1	-0

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	
	2010	2009	2010	2009
50 INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS NOT RECOGNISED AT FAIR VALUE - BRFKREDIT GROUP				
Loans and other receivables at amortised cost	4,526	4,775	4,528	4,767
Issued bonds at amortised cost	4,497	4,090	4,528	4,120
Hybrid core capital	2,217	2,215	2,221	2,221

BRFkredit has issued hybrid core capital in a nominal amount of DKK 2,221 million. There is no active market for this liability. The fair value is assessed to equal the nominal value at which the liability is repayable in 2012.

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

BRFkredit Group

51 METHODS FOR DETERMINING THE FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

2009	Quoted prices (Level 1)	Observable input (Level 2)	Non-observable input (Level 3)	Total
Financial assets				
<i>Assets in trading portfolio</i>				
Bonds at fair value	12,867	202	-	13,069
Financial derivatives	32	60	-	93
<i>Decided at fair value</i>				
Loans and other receivables at fair value	-	216,250	-	216,250
<i>Available for sale</i>				
Shares available for sale	4	14	220	239
Total assets	12,904	216,526	220	229,650
Financial liabilities				
<i>Liabilities in trading portfolio</i>				
Financial derivatives	-	58	-	58
<i>Decided at fair value</i>				
Issued bonds at fair value	184,368	11,880	-	196,248
Total liabilities	184,368	11,938	-	196,306

Note 51, continued

Amounts in DKK million

2010	BRFkredit Group			Total
	Quoted prices (Level 1)	Observable input (Level 2)	Non-observable input (Level 3)	
Financial assets				
<i>Assets in trading portfolio</i>				
Bonds at fair value	9,535	101	-	9,637
Financial derivatives	-	161	-	161
<i>Decided at fair value</i>				
Loans and other receivables at fair value	-	208,450	-	208,450
<i>Available for sale</i>				
Shares available for sale	2	12	218	233
Total assets	9,538	208,724	218	218,480
Financial liabilities				
<i>Liabilities in trading portfolio</i>				
Financial derivatives	8	87	-	94
<i>Decided at fair value</i>				
Issued bonds at fair value	172,872	21,014	-	193,886
Total liabilities	172,880	21,101	-	193,981

Level 1: Comprised quoted prices in an active market for identical assets and liabilities.

Level 2: Comprised observable market inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3: Does not comprise observable market inputs.

Specification of level 3

	Shares available for sale	
	2010	2009
At beginning of year	220	222
Loss recognised in income statement	-3	-7
Gain recognised directly in equity	-1	3
Additions	2	3
At end of year	218	220

Note 52

Amounts in DKK million

52 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 54.

The Company's associated undertakings, see note 29, and their subsidiaries.

Companies in the Group's temporary possession, see note 18.

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 9 to the financial statements.

The following transactions have been concluded with related parties

2009

	Interest income	Interest expenses	Fees, charges and commissions paid	Securities and foreign exchange income	Other operating income	Staff costs and administrative expenses
Parent companies	-	1	-	-	0	-
Subsidiaries	30	3	9	1	15	1
Supervisory Board etc.	1	0	-	-	-	10
Other related parties	-	5	-	-	0	-
Total	31	9	9	1	15	11

2010

	Interest income	Interest expenses	Fees, charges and commissions paid	Securities and foreign exchange income	Other operating income	Staff costs and administrative expenses
Parent companies	-	1	-	-	0	-
Subsidiaries	12	10	3	-1	17	1
Supervisory Board etc.	1	0	-	-	-	10
Other related parties	-	4	-	-	0	-
Total	13	15	3	-1	18	12

The parent company received DKK 3.3 million in dividends from associated undertakings in 2010 (2009: DKK 0 million). The parent company received no dividends from subsidiaries in 2010 (2009: DKK 0 million).

Note 52, continued

Amounts in DKK million

The following outstanding balances with related parties existed at year-end:

31. december 2009	Receivables from credit institutions etc.	Loans and other receivables	Other assets	Payables to credit institutions etc.	Other liabilities	Issued bonds at fair value
Parent companies	-	-	-	52	-	-
Subsidiaries	2,837	527	4	302	11	51
Supervisory Board etc.	-	18	-	-	-	-
Other related parties	-	-	-	-	-	86
Total	2,837	545	4	354	11	137

31. december 2010	Receivables from credit institutions etc.	Loans and other receivables	Other assets	Payables to credit institutions etc.	Other liabilities	Issued bonds at fair value
Parent companies	-	-	-	51	-	-
Subsidiaries	2,637	330	4	-	8	552
Supervisory Board etc.	-	20	-	-	-	-
Other related parties	-	-	-	-	-	87
Total	2,637	349	4	51	8	639

Out of receivables from subsidiaries at 31 December 2010, demand deposits with BRFBank accounted for DKK 2,637 million (2009: DKK 2,837 million). Out of loans and other receivables DKK 300 million (DKK 450 million) are related to subordinated capital provided to BRFBank as a floating-rate loan repayable in 2016 (DKK 100 million) and 2017 (DKK 200 million) unless BRFBank terminates the loan at one month's notice. Other receivables include a fixed-rate mortgage loan to BRFBank of DKK 20 million (DKK 64 million) and to Ejendomselskabet Nørreport of DKK 9 million (DKK 13 million) and various other receivables of DKK 4 million (DKK 4 million).

BRFkredit had no payables to subsidiaries at 31 December 2010. At 31 December 2009, Loans and other receivables comprised a money market instrument made by BRFBank of DKK 300 million and payables on demand deposit accounts with BRFBank of DKK 2 million. In addition, BRFBank has a portfolio of bonds issued by BRFkredit of DKK 552 million (DKK 51 million). Other payables relate to intercompany accounts with parent companies in a total amount of DKK 51 million (DKK 52 million).

In 2010 the Company increased the capital of subsidiaries by DKK 400 million (2009: DKK 400 million), of which DKK 150 million (DKK 150 million) was subordinated loan capital converted into equity. The capital of associated undertakings was not increased in 2009 or 2010.

The Company had granted mortgage loans to members of the Supervisory Board and Executive Board with an outstanding loan balance of DKK 20 million at 31 December 2010 (2009: DKK 18 million). All the loans had been granted on normal business terms and amounted to DKK 8 million for fixed-rate loans carrying interest at 4% and DKK 12 million for floating-rate loans carrying interest at 2-4%. Members of the Supervisory Board and Executive Board made interest and principal payments of DKK 1 million (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 2010, Byggeriets Realkreditfonds Understøttelsesfond had a portfolio of mortgage bonds issued by BRFkredit of DKK 87 million (2008: DKK 86 million).

Note 53, 54 og 55

Amounts in DKK million

53 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. Furthermore, reference is made to Management's review.

54 CONSOLIDATED COMPANIES

Name and registered office	Company capital at year-end ¹⁾	Equity at year-end ¹⁾	Share holding P.c.	Profit or loss ¹⁾
Subsidiaries included in consolidation:				
BRFbank a/s, Kgs. Lyngby	395	1,105	100	-68
Ejendomsselskabet Nørreport 26, 8000 Århus C. A/S, Århus	5	62	100	2
Ejendomsselskabet Nørgårdsvej, 37-41, 2800 Lyngby A/S, Kgs. Lyngby	3	3	100	0

¹⁾ 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

55 CREDIT RISKS

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

The BRFkredit Group's loans and receivables decided at fair value amounted to DKK 208.5 billion (2009: DKK 216.25 billion).

The BRFkredit Group's loans and receivables measured at amortised cost amounted to DKK 10.7 billion (2009: DKK 14.2 billion).

The BRFkredit Group's trading portfolio (fixed-income investments such as bonds etc.) amounted to DKK 9.8 billion (2009: DKK 13.2 billion).

The BRFkredit Group's assets classified as available for sale amounted to DKK 0.2 billion (2009: DKK 0.2 billion).

The calculation of maximum credit risk is theoretically based on the carrying amounts of the financial assets listed above. In practice, credit risk is significantly lower, and if defined on the basis of the statutory capital requirement (the higher value of pillar and pillar 2), it amounted to DKK 6.3 billion (2009: DKK 7.9 billion).

In respect of loans of DKK 1,120 million (2009: DKK 2,607 million), workout agreements to reschedule one or more loan payments have been concluded. The workout agreements concern principal and interest payments etc. of DKK 38 million (DKK 75 million).

Note 56

Amounts in DKK million

	BRFkredit Group	
	2010	2009
56 MARKET RISKS		
Interest rate risk, Financial Supervisory Authority method	368	428
Interest rate risk, Internal method	212	269

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.

The BRFkredit Group's market risk exposure is described in detail in the management's review under 'Risk management'.

Note 57

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2010	2009	2010	2009
57 LIQUIDITY RISKS				
BY REMAINING TERM TO MATURITY				
Receivables from credit institutions and central banks				
On demand	4,116	4,336	4,023	4,347
Up to 3 months	1,940	5,062	1,939	4,911
Over 3 months and up to 1 year	4	3	3	3
Over 1 year and up to 5 years	22	25	17	15
Over 5 years	2	2	2	2
Total	6,085	9,428	5,984	9,278
Loans and other receivables ¹⁾				
On demand	14	81	-	-
Up to 3 months	1,974	2,437	1,289	1,599
Over 3 months and up to 1 year	4,268	5,223	3,453	4,398
Over 1 year and up to 5 years	33,538	32,554	33,048	32,079
Over 5 years	173,181	180,731	170,936	178,673
Total	212,976	221,026	208,725	216,749
Payables to credit institutions and central banks				
On demand	106	98	51	54
Up to 3 months	8,438	24,340	8,438	24,640
Over 3 months and up to 1 year	2,857	-	2,857	-
Over 1 year and up to 5 years	-	638	-	-
Over 5 years	-	-	-	-
Total	11,401	25,075	11,346	24,693
Deposits and other payables				
On demand	2,503	2,300	-	-
Up to 3 months	952	913	-	-
Over 3 months and up to 1 year	1,460	724	-	-
Over 1 year and up to 5 years	526	-	-	-
Over 5 years	8	-	-	-
Total	5,448	3,937	-	-
Issued bonds at fair value ¹⁾				
Up to 3 months	25,854	29,340	25,904	29,340
Over 3 months and up to 1 year	6,906	2,047	6,906	2,047
Over 1 year and up to 5 years	84,847	72,913	85,349	72,964
Over 5 years	76,279	91,948	76,279	91,948
Total	193,886	196,248	194,439	196,299
Issued bonds at amortised cost				
Up to 3 months	1,000	1,000	1,000	1,000
Over 3 months and up to 1 year	1,000	595	1,000	495
Over 1 year and up to 5 years	2,497	2,495	2,497	2,495
Over 5 years	-	-	-	-
Total	4,497	4,090	4,497	3,990
Financial guarantees				

The BRFkredit Group's financial guarantees at the end of 2010 were DKK 170 million (2009: DKK 433 million). The financial guarantees relate to conveyance and payment 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.

¹⁾ 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 58

Amounts in DKK million

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

	Income		Equity	
	2010	2009	2010	2009
According to consolidated financial statements	14	-621	9,742	9,730
Shares available for sale	-3	3	-	-
Tax effect	0	-	-	-
Group's accounting figures according to the rules of Financial Supervisory Authority	11	-618	9,742	9,730

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 other comprehensive income (directly in equity) until the asset is realised, after which the gain is transferred to the income statement. According to the rules of the Danish Financial Supervisory Authority, value adjustments during the year are required to be recognised directly in the income statement.

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	Generel Ca- pital Centre	Total
Income statement for 2010						
Income from lending	0	23	646	590	37	1,297
Interest on subordinated capital	0	6	66	103	68	242
Interest etc., net	0	4	41	73	49	166
Administrative expenses etc., net	1	21	229	355	234	839
Loan impairment charges and provisions	0	2	290	65	6	363
Tax	0	0	41	56	-89	7
Net profit or loss for the year	0	-1	61	84	-133	11

Balance sheet at 31 December 2010

Assets ¹⁾

Mortgage lending etc.	145	10,876	102,411	85,603	8,969	208,004
Other assets	37	1,745	82,635	24,234	6,587	115,239
Total assets	182	12,622	185,046	109,837	15,556	323,243

Liabilities and equity

Issued mortgage bonds etc.	172	12,155	176,140	104,147	9,694	302,308
Other liabilities	5	352	5,136	3,049	432	8,972
Subordinated capital	5	87	1,269	753	107	2,221
Equity	1	29	2,500	1,889	5,323	9,742
Total liabilities and equity	182	12,622	185,046	109,837	15,556	323,243

¹⁾ Assets in series accounts

<i>Assets in financial statements</i>	226,256
<i>Assets in series accounts</i>	323,243
	<u>-96,987</u>

Difference

The difference is due to:

<i>Offsetting of own issued mortgage bonds - note 17</i>	-96,987
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Series accounts, *continued*

Internal audit report

The Internal Audit Department has audited the following series accounts for 2010 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 2011

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 2010 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 2011

PwC
Statsautoriseret Revisionsaktieselskab

Kim Fücksel
*State-Authorised
Public Accountant*

Jesper Edelbo
*State-Authorised
Public Accountant*

Glossary

Subordinated capital

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

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.

Own funds (capital base)

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

Commissions

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

Hybrid core capital

Hybrid core capital can be included in the calculation of own funds (capital base). Hybrid core capital has characteristics resembling a debt instrument, but is subject to stricter requirements. For instance, maturity is not allowed to be fixed, and interest will cease to accrue on the debt if the bank has no distributable reserves. Hybrid core capital must not exceed 15% of core capital.

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% of the risk-weighted assets in the capital centre under the Danish Financial Business Act.

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.

Bond series

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

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 part of 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.

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.

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 solvency 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.

Capital adequacy ratio

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

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.

