

**> ANNUAL REPORT**  
**2007**



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# BRFKREDIT GROUP IN BRIEF\*

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## MISSION

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

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

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

## VISION

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

\* BRFkredit Group simply referred to as BRFkredit.

## FIVE-YEAR SUMMARY OF BRFKREDIT

Amounts in DKK million

### CORE EARNINGS/EARNINGS FROM INVESTMENT PORTFOLIOS AND PROFITS FOR THE YEAR

FINANCIAL HIGHLIGHTS	2007	2006	2005	2004	2003
Core income from lending operations etc.	1,050	923	926	829	830
Core income from securities	482	380	350	262	252
<b>Total core income</b>	<b>1,532</b>	<b>1,303</b>	<b>1,276</b>	<b>1,091</b>	<b>1,082</b>
Operating expenses, depreciation and amortisation	846	810	744	703	695
<b>Core earnings before impairment losses</b>	<b>685</b>	<b>493</b>	<b>531</b>	<b>388</b>	<b>387</b>
Impairment losses on loans and receivables (- signifies an income)	56	-129	-81	-126	15
<b>Core earnings</b>	<b>629</b>	<b>622</b>	<b>613</b>	<b>514</b>	<b>372</b>
Earnings from investment portfolios	101	119	152	-33	385
<b>Profit before tax</b>	<b>730</b>	<b>741</b>	<b>765</b>	<b>480</b>	<b>758</b>
Tax	142	170	107	106	175
<b>Net profit for the year</b>	<b>588</b>	<b>572</b>	<b>657</b>	<b>374</b>	<b>582</b>

### SUMMARY BALANCE SHEET

KEY FIGURES AND RATIOS	2007	2006	2005	2004	2003
<b>Lending</b>	<b>192,834</b>	<b>178,498</b>	<b>164,011</b>	<b>145,067</b>	<b>141,112</b>
Bonds and shares etc.	13,251	9,804	25,116	44,229	35,915
Other assets	8,861	13,097	18,888	21,446	19,270
Total assets	214,946	201,399	208,015	210,742	196,297
Issued bonds <sup>1)</sup>	192,893	179,474	185,277	184,870	170,285
Other liabilities	11,006	11,551	13,028	16,843	17,464
Equity	11,047	10,374	9,710	9,029	8,548
Total liabilities and equity	214,946	201,399	208,015	210,742	196,297

<sup>1)</sup> In 2007 and 2006 the portfolio of own mortgage bonds, representing an amount of DKK 53 billion and DKK 40 billion, respectively, was set off against issued bonds.

### SELECTED KEY FIGURES AND RATIOS

Earnings per unit of cost (DKK)	1.80	2.08	2.14	1.82	2.06
Growth in lending during the year	10.9	11.5	11.2	2.9	3.6
Loan-to-equity ratio	17.5	17.2	16.9	16.1	16.5
Gross new lending (outstanding bond loans) DKK million	43,785	46,618	69,458	36,755	45,364
Number of new loans	21,900	29,600	45,900	29,700	38,300
Arrears percentage at end of year	0.19	0.07	0.10	0.65	0.22
Impairment ratio for the year	0.0	-0.1	0.0	-0.1	0.0
Administrative expenses, depreciation and amortisation as % of average loan portfolio	0.45	0.47	0.49	0.49	0.50
Capital adequacy ratio	12.6	12.5	13.3	14.1	13.5
Core capital ratio	10.9	10.8	11.5	12.1	11.5
Return on equity before tax	6.8	7.4	8.2	5.4	9.2
Return on equity after tax	5.5	5.7	7.0	4.2	7.1
Series reserve funds, DKK million	8,716	8,322	6,977	5,048	597
Share capital and other reserves, DKK million	2,631	2,052	2,733	3,981	7,951
Own funds (tier 1 + tier 2), DKK million	12,532	11,858	11,193	10,519	10,034
Foreign exchange position, %	2.7	2.0	1.6	1.5	0.5

## MANAGEMENT'S REVIEW

On 20 February 2008, the Supervisory Board approved the financial statements of BRFkredit for the year ended 31 December 2007.

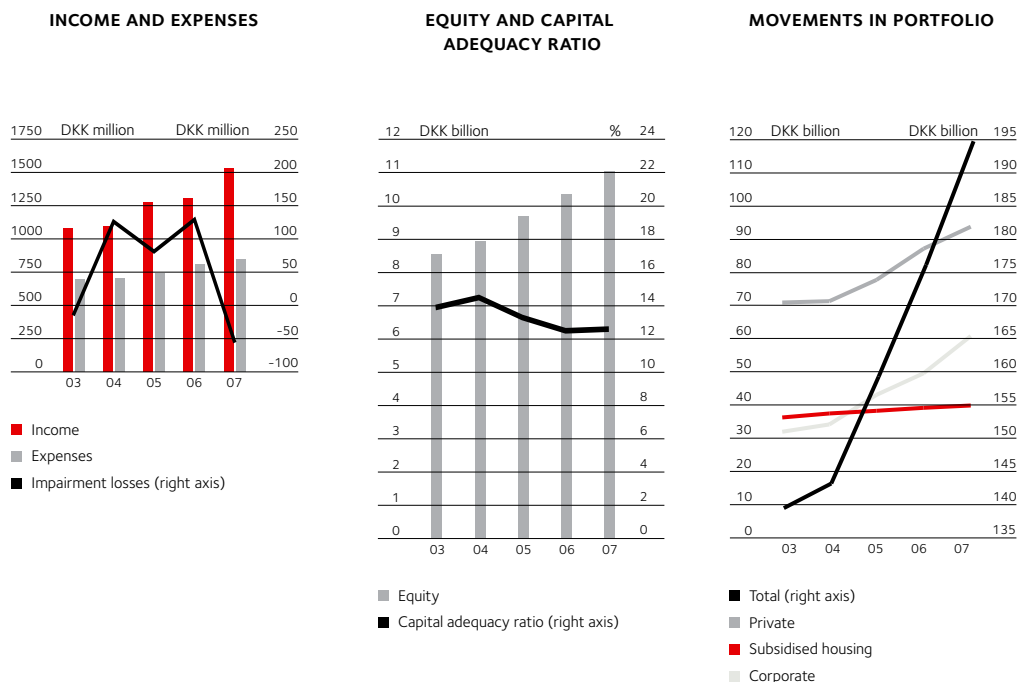
BRFkredit generated a pre-tax profit for 2007 of DKK 730 million, against DKK 741 million in 2006. This performance represented a return on equity before tax of 6.8% per annum. BRFkredit came out of 2007 with a net profit of DKK 588 million, against DKK 572 in 2006. In addition, a value adjustment of shares available for sales was recorded at a gain of DKK 33 million.

At the time of the publication of the interim report for 2007, BRFkredit anticipated core earnings in the order of DKK 450–500 million. Actual core earnings closed at DKK 629 million and, thus, surpassed expectations. The improved earnings performance was attributable to continued growth in the loan portfolio, combined with higher risk-free returns in response to rising interest rates.

### SUMMARY FINANCIAL PERFORMANCE 2007

- Portfolio growth of DKK 18.6 billion to DKK 194.6 billion in 2007
- Expanding market share compared with 2006
- Core earnings were up from DKK 622 million in 2006 to DKK 629 million in 2007
- Core income was DKK 1,532 million, up by 17.6% from DKK 1,303 million in 2006
- Rise in costs and expenses from DKK 810 million in 2006 to DKK 846 million in 2007
- "Impairment losses on loans and receivables" reduced profits by DKK 56 million
- Earnings from investment portfolios of DKK 101 million, against DKK 119 million in 2006.

After inclusion of net profit for the year, the capital adequacy ratio at 31 December 2007 was 12.6%. If computed exclusively on the basis of core (tier 1) capital, the capital adequacy ratio was 10.9% at end-2007.



## BRFKREDIT'S SEGMENTS

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

BRFkredit's business activities fall into two segments:

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

## BRFKREDIT'S SEGMENTAL FINANCIAL STATEMENTS 2007

DKK million	Mortgage lending etc.	Portfolio management	Total
<b>Core income</b>			
Core income from lending operations etc.	1,050		
Core income from securities	482		
Total core income	1,532		
Operating expenses, depreciation and amortisation	846		
Core earnings before impairment losses	685		
Impairment losses on loans and receivables	56		
Core earnings	629		<b>629</b>
Earnings from investment portfolios		101	<b>101</b>
<b>Profit before tax</b>			<b>730</b>
Tax			<b>142</b>
<b>Net profit for the year</b>			<b>588</b>

## 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 629 million in 2007, against DKK 622 million in 2006.

Core earnings are made up as follows:

### Income from lending operations etc.

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

Income from commissions was positively influenced by an expanding portfolio and came to DKK 780 million in 2007, up from DKK 710 million in 2006. Brokerage, fees and charges (net)

## MORTGAGE LENDING ETC.

DKK million	2007	2006
<b>Core income</b>		
Income from lending operations etc.	<b>1,050</b>	923
Core income from securities	<b>482</b>	380
Total core income	<b>1,532</b>	1,303
Operating expenses, depreciation and amortisation	<b>846</b>	810
Core earnings before impairment losses	<b>685</b>	493
Impairment losses on loans and receivables (- signifies an income)	<b>56</b>	-
Core earnings	<b>629</b>	622

increased from DKK 102 million to 107 million in 2007, mainly because BRFbank generated higher income from fees and charges.

### Core income from securities

Core income from securities, which comprises a risk-free return on the proprietary investment portfolio and other interest income, amounted to DKK 482 million in 2007, up from DKK 380 million in 2006. Risk-free returns came to DKK 362 million in 2007, against DKK 247 million in 2006.

### Operating expenses, depreciation and amortisation

Operating expenses, including depreciation and amortisation, were up by 4.4% from DKK 810 million in 2006 to DKK 846 million in 2007. The increase can mainly be ascribed to higher payroll costs and expenses for IT consultants. The expense ratio edged down from 0.47% in 2006 to 0.45% in 2007.

### Impairment losses

Impairment losses on loans and receivables reduced profits by DKK 56 million in 2007, against a net income of DKK 129 million in 2006. Loan losses and impairment provisions remained at a very low level.

The year-end balance of provisions for loan impairment was DKK 154 million in 2007, equivalent to 0.1% of the total loan portfolio. The next few years hold no prospects of income from "Impairment losses on loans and receivables". On the contrary, impairment losses and provisions must be expected to grow as market conditions become less favourable.



Sven A. Blomberg, CEO

Carsten Tirsbæk Madsen, Executive Vice President

#### PORTFOLIO MANAGEMENT

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

BRFkredit's gross investment returns were DKK 467 million in 2007, equivalent to a rate of return of 5.3%. This compares with a rate of return of 4.4% in 2006. Costs and expenses related to earnings from investment portfolios in the form of wages, salaries and brokerage, etc. amounted to DKK 5 million. The securities portfolio yielded

#### PORTFOLIO MANAGEMENT

DKK million	2007	2006
<b>Gross investment returns</b>		
Return on fixed-income instruments	305	240
Return on shares	162	131
<b>Total gross investment returns</b>	<b>467</b>	371
Costs and expenses related to earnings from investment portfolios	5	5
Net investment returns	462	366
Risk-free returns	-362	-247
Earnings from investment portfolios	101	119

risk-free returns of DKK 362 million in 2007. To calculate risk-free returns, BRFkredit chose an interest rate of 4.09% in 2007, against 2.94% in 2006. Risk-free returns are calculated on the basis of an average short-term money-market rate. Hence, earnings from investment portfolios came to a total of DKK 101 million in 2007, against DKK 119 million the year before. These earnings exclude the value of shares available for sale of DKK 33 million, which, until realisation, does not appear from profits, but has been taken directly to equity.

Computed in accordance with the rules of the Danish Financial Supervisory Authority, BRFkredit's interest rate risk at end-2007 was DKK 503 million. After offsetting interest rate risk between currencies, BRFkredit had net interest rate exposure of DKK 226 million. The maximum interest rate risk allowed under the rules of the Financial Supervisory Authority was DKK 1,002 million.

Tax on profit for the year was DKK 142 million, down from DKK 170 million in 2006. The effective tax rate was 19%. The difference between this rate and the corporation tax rate of 25% is primarily rooted in tax-exempt gains on shares, as BRFkredit is not liable to capital gains tax on shares held for more than three years. Accordingly, losses on shares are not deductible.

#### **BALANCE SHEET TOTAL, EQUITY AND CAPITAL ADEQUACY**

- BRFkredit had a balance sheet total of DKK 215 billion at 31 December 2007, against DKK 201 billion at the close of 2006. BRFkredit's mortgage loan portfolio widened by a nominal amount of DKK 18.6 billion to DKK 194.6 billion during 2007. BRFkredit's aggregate loan portfolio, measured at carrying amount, was DKK 192.8 billion at 31 December 2007, up from DKK 178.5 billion at the end of 2006. Equity was up by DKK 673 million to DKK 11,047 million at year-end.
- The capital adequacy ratio was 12.6% at end-2007, against 12.5% at end-2006. Own funds (tier 1 + tier 2 capital) thus exceeded the statutory requirement by an amount of DKK 4.6 billion. If computed exclusively on the basis of core (tier 1) capital, the capital adequacy ratio at end-2007 was 10.9%, equaling an amount of DKK 2.9 billion above the statutory requirement.

Shareholders equity was up by **DKK 673m** to **DKK 11,047m** at year-end



## PERFORMANCE AGAINST EXPECTATIONS

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At the time of the publication of the financial statements for 2006, BRFkredit forecast core earnings for 2007 in the order of DKK 375-425 million. When the interim financial statements for 2007 were published, the forecast of full-year core earnings was raised by DKK 75 million to DKK 450-500 million.

Actual core earnings closed at DKK 629 million and, thus, surpassed expectations. The improved earnings performance was attributable to continued growth in the loan portfolio, combined with higher risk-free investment returns in response to rising interest rates.

### OUTLOOK FOR 2008

Mortgage lending activity in 2008 is expected to be roughly at the level of 2007. The higher interest rates and the risk of a continued setback in the housing market are predicted to dampen the market for refinanced loans, top-up loans and change-of-ownership loans also in 2008.

BRFkredit's core income for 2008 is forecast to be in the range of DKK 1,375-1,425 million. Costs, expenses, depreciation and amortisation are expected to be 7% up on 2007. As in previous years, impairment losses on loans and receivables are expected to stay at a very moderate level. In these circumstances, BRFkredit anticipates total core earnings in the order of DKK 450-500 million.

BRFkredit's core income for 2007 is predicted to be in the range of **DKK 1,375-1,425m.** Costs, expenses, depreciation are expected to be **7% up on**



PROFESSIONAL EXPERTISE  
QUALITY  
HIGH SERVICE LEVEL



## COMPETENCE DEVELOPMENT

At BRFkredit, professionalism is about having the will and ability to develop. This applies to the individual employee and the company alike, and both must be capable of handling the high speed of change seen in the industry. To stay on top of things and to live up to what is expected of our company, we develop talents in a special development programme, strengthen managers through differentiating forms of management development and always concentrate on human resource development through individually agreed development programmes that are evaluated once a year.

BRFkredit supports supplementary training and has for many years been working closely together with the Copenhagen Business School and leading companies on management development programmes that hold a large development potential within both personal and business management. A large number of managers and employees opt for supplementary training, e.g. an Executive Master programme in management, project management programmes or a Graduate Diploma in Business Administration. These training programmes often contain solutions to specific company-related problems where both the individual employee and BRFkredit benefit significantly from the supplementary training.

The interaction between own development and completing competence development for managers and employees on the one hand and cooperating with external educational institutions on the other hand paves the way for exactly the right possibilities of developing competent and efficient managers and employees at BRFkredit.

## THE MORTGAGE MARKET

### SETBACK AND PRICE FALLS IN HOUSING MARKET

The 2007 housing market was characterised by rising interest rates, a vast supply of homes for sale and reluctant home buyers. The sharp price increases observed in recent years were consequently succeeded by a general slowdown in the housing market during the past year. The setback in the housing market was most pronounced in eastern Denmark where mainly owner-occupied flats in Copenhagen experienced a slide in prices. At the national level, prices of single-family houses went up by 2.2% from the fourth quarter of 2006 to the fourth quarter of 2007. Over the same period, prices of owner-occupied flats dropped by 9.1%, whereas vacation homes were up by 2.0%. The setback in the housing market is expected to continue into 2008.

### UNCHANGED MORTGAGE MARKET ACTIVITY

Rising interest rates, coupled with price movements in the housing market, contributed to slower activity in the mortgage market for private customers. The decline can primarily be ascribed to fewer refinanced loans and top-up loans. On the other hand, as corporate lending increased, BRFkredit's total gross new lending only declined by DKK 2 billion from 45 billion in 2006 to DKK 43 billion in 2007.

### BRFKREDIT'S LENDING ACTIVITY

Gross new lending, DKK million	2007	2006
Private customers	19,865	27,419
Corporate customers	20,226	15,296
Private rental housing	10,665	10,209
Office and business	8,991	4,321
Industry	362	230
Other	209	536
Agriculture	11	79
Subsidised housing etc.	2,492	2,303
<b>Total</b>	<b>42,594</b>	<b>45,097</b>

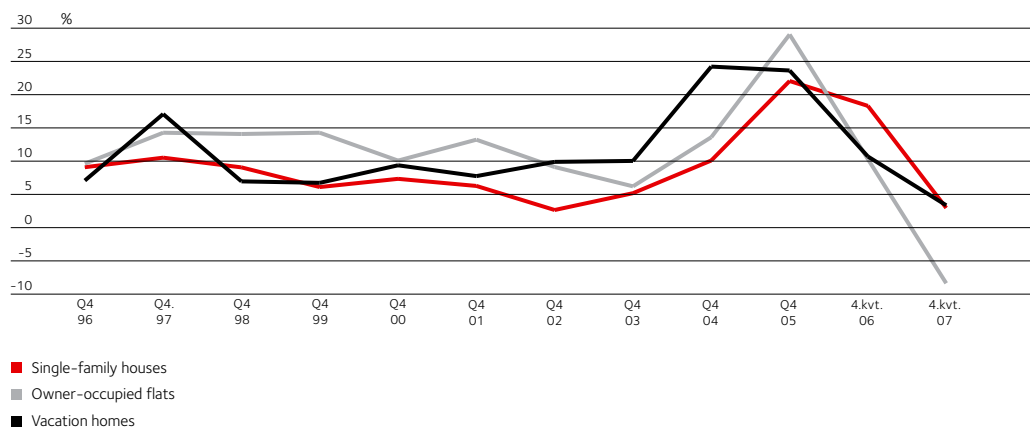
### MORTGAGE MARKET UNAFFECTED BY SDO LEGISLATION

The mortgage market was virtually unaffected by the new lending possibilities provided by Danish legislation on covered bonds (SDOs), which entered into force on 1 July 2007. Thus, the majority of the mortgage credit institutions have postponed the transition to SDO funding to 2008 – one of the reasons being that SDO funding requires an exchange of series into bonds with marginally longer maturities and, therefore, at somewhat lower prices.

### LOWER LAND REGISTRATION TAXES OFFER CHEAPER LOANS

Borrowers will benefit from the legislative amendments in the slightly longer term. From 1 July 2007, mortgages from mortgage credit institutions were ranked equally with owner's mortgages

### YEAR-TO-YEAR RATES OF INCREASES IN HOUSING MARKET



for the calculation of land registration tax. This has made it cheaper for borrowers to refinance into new mortgage loans. In addition, it ensures fairer competition between mortgage loans and bank loans backed by owner's mortgages. The changes in the calculation of land registration tax allow the transfer of the entire principal from mortgages registered on or after 1 July 2007, against only the principal balance outstanding on mortgages registered before 1 July 2007.

### DANISH MORTGAGE LENDING UNAFFECTED BY TURMOIL IN FINANCIAL MARKETS

The market for mortgage lending was affected only to a limited extent by the turmoil in the financial markets that arose from the problems in the US market for subprime housing loans. In spite of this turmoil, mortgage bonds were still regarded as a safe investment option and, therefore, experienced only a marginal widening of the yield spread to government bonds. Hence, investors retained confidence in the Danish mortgage finance system. This was notably due to Denmark's strict regulation where the balance principle (see the chapter on bond issuance below) protects mortgage credit institutions against liquidity and market risks.

### RISING INTEREST RATES IN 2007

Market rates went up during 2007 although the turmoil in the financial markets postponed the

expected interest rate increases by central banks in both Europe and the United States. Rising interest rates had an impact on refinancing at 1 January 2008, which pushed up interest rates by about 0.60%points compared with the refinancing the year before. From a historical perspective, the level of interest rates is still low.

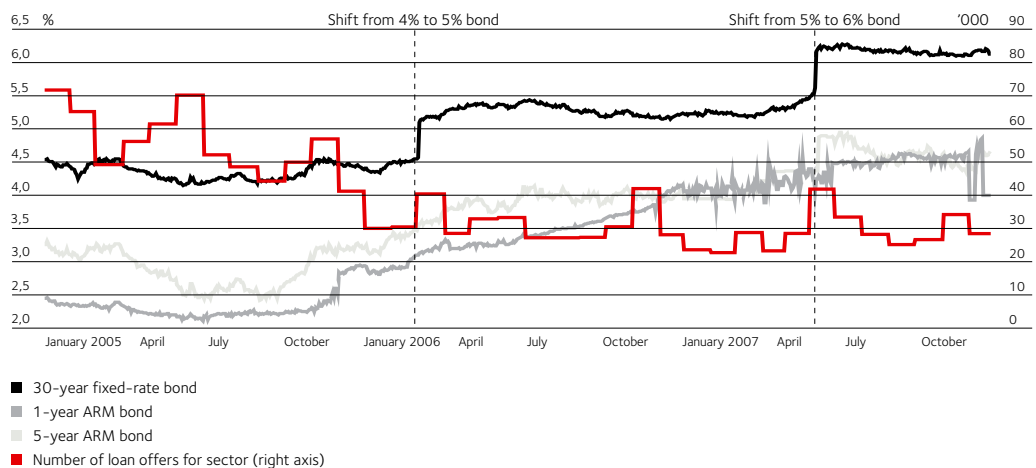
### FEW REFINANCINGS INTO HIGHER-RATE LOANS

The upturn in interest rates in 2007 presented an opportunity to reopen 30-year 6% loans. However, relatively few borrowers availed themselves of the possibility to refinance into higher-rate loans and, in that way, reduce the outstanding loan balance and improve the chances of lower

#### REFINANCING OF ARM LOANS

Annual interest rates in % - loans with interest-only option	Interest-rate adjustment 1 January 2008	Interest-rate adjustment 1 January 2007
Fixed-rate period:		
1 year	4.70	4.08
2 years	4.61	3.99
3 years	4.60	3.99
4 years	4.60	3.95
5 years	4.60	3.96

#### MOVEMENTS IN SHORT-TERM AND LONG-TERM INTEREST RATES



mortgage payments if interest rates go down again. The low number of borrowers moving into higher-rate loans is probably linked to the fact that mortgage payments typically increase in connection with this type of refinancing.

#### LOANS WITH FIXED INTEREST RATES OR INTEREST RATE CAPS

Rising interest rates increasingly induced borrowers to opt for fixed-rate loans and floating-rate loans with embedded interest rate caps (Guarantee Loans). In 2007 these types of loan accounted for about 80% of BRFkredit's total gross new lending.

#### BRFKREDIT'S TOTAL MARKET SHARES

	2007	2006
Gross new lending <sup>1)</sup>	9.3	9.6
New lending <sup>2)</sup>	10.2	9.9
Net new lending <sup>3)</sup>	10.7	10.3
Net lending <sup>4)</sup>	10.5	9.6

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

<sup>2)</sup> New lending equals gross new lending less refinanced loans with the same institution.

<sup>3)</sup> Net new lending equals gross new lending less refinanced loans and extraordinary repayments.

<sup>4)</sup> Net lending equals net new lending less ordinary principal payments.

#### GROWING SHARE OF INTEREST-ONLY LOANS

The share of interest-only loans is growing in the mortgage market. For nearly 65% of lending in the fourth quarter of 2007, the interest-only option was exercised in connection with the first payment of the loan. The interest-only option is mainly exercised to pay down more expensive bank loans and, thus, gain access to cheaper financing. More than 40% of the total loan portfolio was based on the interest-only option at end-2007.

#### CONTINUED EXPANDING MARKET SHARES

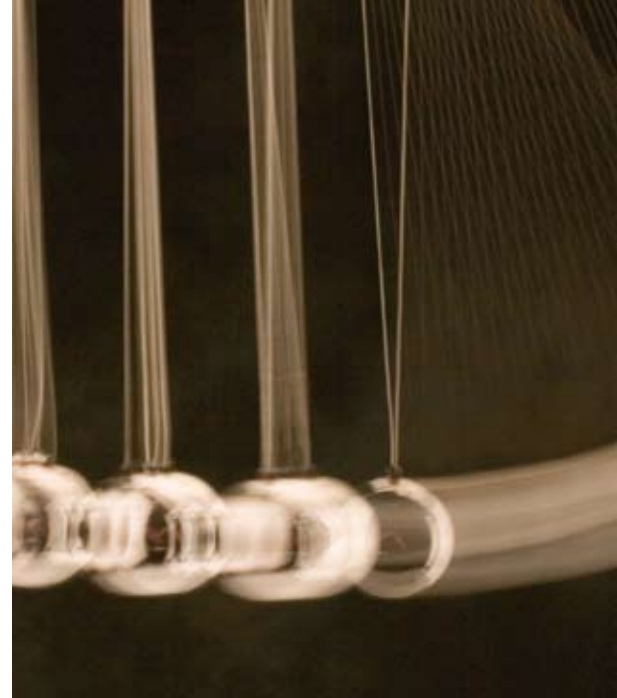
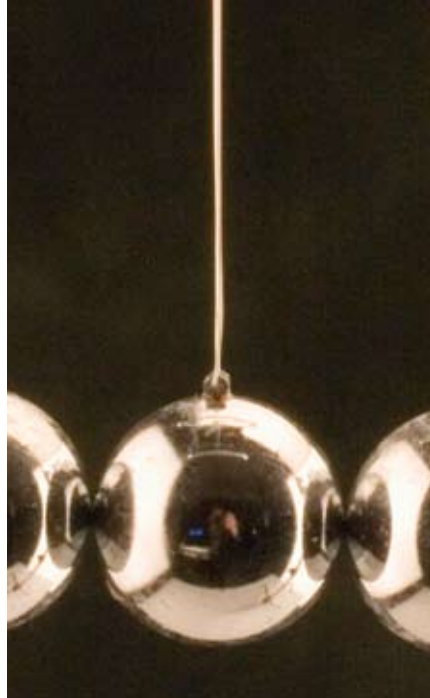
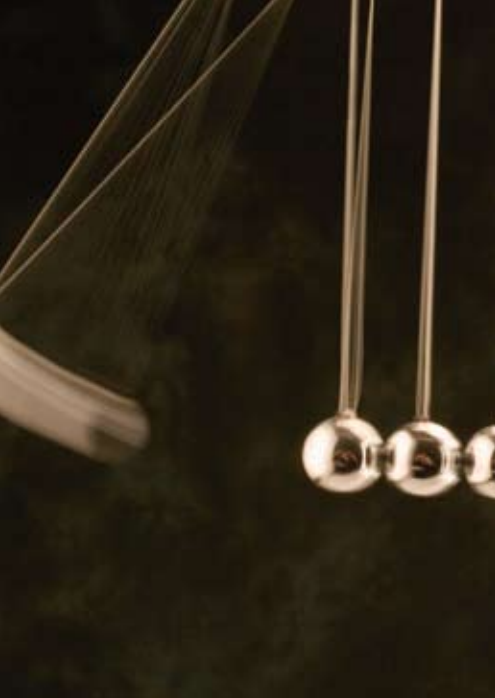
BRFkredit continued to expand its market shares in 2007. The expansion was observed in all market share categories, except for gross new lending, which is the only category to include refinancings with the same institution. The trend reflects BRFkredit's ability to attract new customers and do new business with existing customers.

#### PORTFOLIO GROWTH

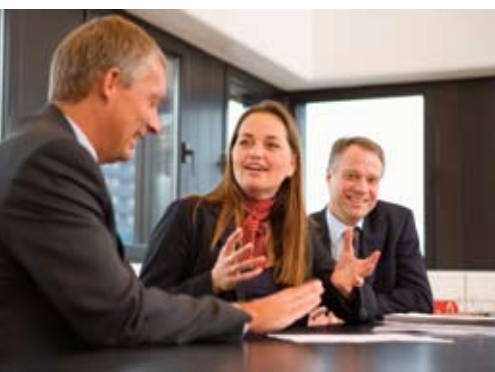
During 2007 the loan portfolio grew by DKK 18.6 billion to DKK 194.6 billion. Of the total improvement of DKK 18.6 billion, DKK 6.6 billion stemmed from BRFkredit's private customer area, DKK 11.3 billion from the corporate customer area and DKK 0.7 billion from subsidised housing. BRFkredit's share of the total loan portfolio in the Danish mortgage market advanced from 9.5% in 2006 to 9.6% in 2007.

#### BRFKREDIT'S LOAN PORTFOLIO BY TYPE OF LOAN

	DKK million 2007	DKK million 2006	Shares in % 2007	Shares in % 2006
Fixed-rate loans	73,099	65,626	37.6	37.2
Guarantee Loans	28,357	24,953	14.6	14.2
ARM loans				
– ARM (1)	34,752	33,032	17.9	18.7
– ARM (2) – ARM (10)	38,320	33,794	19.7	19.2
Other types of loan	19,770	18,931	10.2	10.7
Total	194,297	176,336	100.0	100.0



DEVELOPMENT  
JOB SATISFACTION  
COMMITMENT  
BETTER RESULTS



## MOTIVATION

Motivated and committed employees create better results. Hence, it is important that the manager side develops in precisely this respect. Against that background, motivation was a key theme in BRFkredit in 2007, and all managers therefore focused on understanding of and training in motivation creation and dialogue.

A two-day seminar entitled "Motivation and management" was held for all BRFkredit managers. The goals were to generate insight into staff motivation and train managers in how to motivate staff. Specifically, managers were enlightened about issues such as motivating interviews whether they be about change processes, tasks and challenges or disagreement and conflicts. Moreover, specific tools were developed for the managers for use in their future daily dialogue with the employees. The themes were inspired, for instance, by an employee satisfaction survey conducted by BRFkredit in the autumn of 2007.

The survey was conducted in concert with the University of Kent and explained in more detail a number of the factors that motivate our employees. For instance, it became evident that BRFkredit's employees consider clear and well-defined tasks, influence on job content and goals important, just as feedback is important with regard to employee motivation. The survey will be followed up in early 2008 by the individual teams and areas so the survey and its essential dialogue about motivation have a proximity and clear relevance to initiatives that may be taken.

At the end of 2008, an assessment will be made to establish whether the initiatives launched have had the expected effect – BRFkredit will complete a new study of employee motivation.

## BUSINESS AREAS

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BRFkredit's lending operations are concentrated on three business areas – private customers, corporate customers and subsidised housing – as well as products from BRFbank.

### PRIVATE CUSTOMERS

The private customer area comprises lending for owner-occupied homes and vacation homes and is BRFkredit's largest business area, accounting for 48% of the aggregate loan portfolio.

In spite of the slowdown in activity from 2006, mortgage credit institutions' total lending for owner-occupied homes and vacation homes advanced by DKK 100 billion in 2007. This increase was also to the benefit of BRFkredit's private customer area, which experienced portfolio growth of DKK 6.6 billion over 2006.

In 2007 several new initiatives were taken to serve private customers. For instance, from March private customers of BRFbank could use the Internet banking facility and obtain a Visa/Dankort debit card with their account. A customer satisfaction survey showed that the bank's customers were happy with this new option. The relaunch of BRFbank's high-interest account had strong customer appeal, as well. The high-interest account, offering a 4.5% interest rate on deposits at the end of 2007, provides an attractive savings opportunity.

With the introduction of Home Credit in mid-2007, BRFbank was capable of offering its customers a long sought-after product. Home Credit gives customers flexibility at a low interest rate, and at 31 December 2007 deposits in the account earned interest at the minimum rate of 4% p.a. A Home Credit facility can for instance be used for top financing of up to 105% of the home value.

New Danish legislation on covered bonds (SDOs) was followed by stricter requirements for the provision of advisory services and evidence of this. Consequently, BRFkredit's private customers now receive an advice sheet together with the loan offer. The advice sheet contains information about the selected loan, an alternative loan as well as information from the customer about personal finances, risk profile, etc. The customer signs the sheet and returns it to BRFkredit to acknowledge receipt of the relevant information.

### CORPORATE CUSTOMERS

The corporate customer area mainly provides loans for office and business properties, private rental and cooperative housing as well as industrial properties in cooperation with FIH Erhvervsbank.

Lending activity in the market for office and business properties was considerably higher in 2007 than in 2006. Prices of both private rental housing and commercial properties remained at a high level. Activity in the market for cooperative housing starts and rental housing transactions in the biggest cities slowed down, however, which should be seen against the backdrop of buyers' reluctant attitude towards the owner-occupied housing market, coupled with rising interest rates.

The corporate customer area developed extremely satisfactorily in 2007, reporting an enlarged share of a growing market and continuing the fine performance of 2006. The portfolio was up by DKK 11.3 billion, corresponding to a 22.7% increase. The market share for new lending went up from 17.0% in 2006 to 20.5% in 2007.

BRFkredit's product range in the corporate lending segment is continuously tailored to suit specific customer needs. Customers demand individual financing solutions that combine mortgage and banking products. Solutions are often offered in partnership with BRFbank. With the transition to SDO funding, BRFkredit has chosen to seize the opportunity to raise the lending limit from 60 to 70% for office and business properties and a few other segments.

### SUBSIDISED HOUSING

Subsidised housing reported high activity in the past year, with the market share for new lending up from 20.5% in 2006 to 26.2% in 2007. The portfolio grew by DKK 0.7 billion although the total lending volume in the subsidised housing segment narrowed by DKK 1.2 billion. This performance is very satisfactory in a fiercely competitive market.

Subsidised housing focuses on customer relations, in-depth knowledge of the building projects and great dedication to the social housing sector – for instance through the 'ACROSS' project<sup>1</sup>.

2007 was marked by numerous major and minor renovations. Quite a few contracts for very big loans were subject to tendering procedures in compliance with the EU public procurement directives, including comprehensive plans and the City of Copenhagen's project to build moderate-rent housing. EU tenders are generally demanding because of their high complexity. Finally, many customers in the subsidised housing segment chose to refinance old loans, which also generated bustling activity.

1) ACROSS is the name of various projects continuously initiated by the subsidised housing area together with players and residents in the social housing sector. The activities of ACROSS aim to strengthen the image of the housing districts and the welfare of residents. For more details, go to [www.paatvaers.dk](http://www.paatvaers.dk).

## BOND ISSUANCE

BRFkredit's mortgage loans are funded by the issuance of mortgage bonds and, from 2008, by the issuance of covered bonds (SDOs). The bonds are listed and traded on OMX Nordic Exchange (Copenhagen Stock Exchange).

### TRANSITION FROM MORTGAGE BONDS TO COVERED BONDS

The issuance of mortgage bonds stopped at the close of 2007, and BRFkredit's existing series of mortgage bonds are therefore secured the status of covered bonds in accordance with the grandfather clause of SDO legislation.

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

On 20 December 2007, BRFkredit opened a number of new covered bonds for the future funding of BRFkredit's mortgage lending. The transition from mortgage bonds to covered bonds implies a change of series, and some of the new bonds have therefore longer maturities than the old bonds. The longer maturities are typically accompanied by lower prices.

In December 2007, BRFkredit made a block issue of various mortgage bonds. In a block issue BRFkredit issues the bonds with a view to subsequent sale. In doing so, BRFkredit ensured that

customers who obtained a loan offer in 2007 that continues to be valid for a period of 2008 may choose to arrange for a loan disbursement on the basis of mortgage bonds. This solution gives customers a better bond price at the time of loan disbursement.

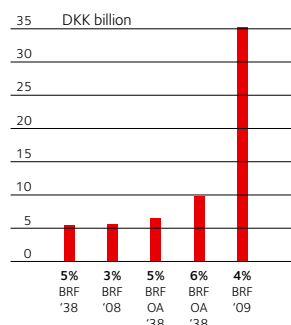
### CONTINUED BALANCE BETWEEN LOAN PAYMENTS AND PAYMENTS TO BONDHOLDERS

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

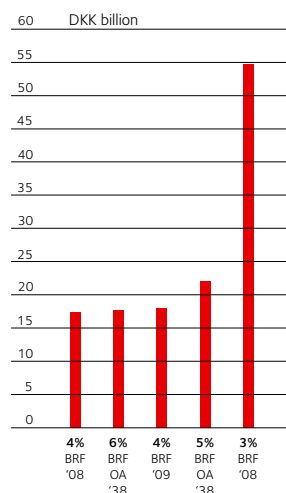
This requirement of balance materially eliminates interest rate, foreign exchange and liquidity risks on BRFkredit's mortgage loans. The balance principle is a fundamental principle of Danish mortgage lending and is instrumental in offering investors high safety.

BRFkredit has chosen to subject the entire portfolio to regulation according to the general balance principle. The general balance principle was introduced in 2007 as part of the amended SDO regulation and is an updated version of the previous balance principle. By opting for the general principle, BRFkredit has provided itself the opportunity to develop new loan and bond types. BRF will continue to organise its lending opera-

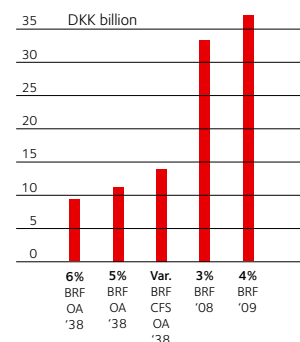
**FIVE BIGGEST MORTGAGE BONDS BY ISSUE, 2007**



**FIVE BIGGEST BONDS BY TURNOVER, 2007**



**FIVE BIGGEST BONDS BY VOLUME IN CIRCULATION, END-2007**





## COVERED BONDS

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New Danish legislation on covered bonds (SDOs) entered into force on 1 July 2007. The legislative amendments were motivated by amended EU directives and a political desire to assure borrowers of continuously cheap loans and maintain Danish mortgage credit institutions' international competitiveness. Moreover, politicians came forward with a request to allow banks to issue SDOs secured by, for instance, real property.

### **SDOs for funding of mortgage loans**

Against the background of the legislative amendments, BRFKredit applied for and was granted permission by the Danish Financial Supervisory Authority to issue SDOs and, from the end of 2007, started offering SDO-funded mortgage loans.

### **Continuously attractive bonds with SDO issuance**

The transition to SDO-funding of mortgage lending ensures that BRFKredit can continue to offer investors attractive bonds with a low 10% risk weighting as it is no longer possible from 1 January 2008 to issue mortgage bonds with the designation "covered" and a 10% risk weighting. As opposed to mortgage bonds, covered bonds meet the stricter requirements for bonds with the status of "covered", which apply as of 1 January 2008. The requirements mean that lending limits must be constantly observed, and additional security must be provided in approved assets – for instance government bonds – if lending limits are exceeded during the lives of the loans.

### **Continuous monitoring of lending limits**

BRFKredit has implemented new procedures for the continuous monitoring of lending limits. Properties with a low LTV (loan-to-value) ratio are filtered out and require no additional security. Other properties are analysed individually, either through an expert assessment on the desk or through a physical on-site inspection, to find out whether and, if so, the lending limit has been exceeded. The analysis forms the basis for determining the need to provide additional security.

The lending limits must be monitored at least every three years for vacation homes and residential properties and once a year for other property categories. Monitoring at shorter intervals is required in the event of considerably altered market conditions. Besides this regular monitoring, the individual properties need to be appraised to qualify for SDO funding. This also applies where mortgage loans are refinanced and switched from mortgage bonds into SDO funding.

### **BRFKredit issues SDOs and not SDROs**

BRFKredit has chosen to issue bonds with the designation "covered bonds" (SDOs), although Danish legislation also allows mortgage credit institutions to issue covered mortgage bonds (SDROs). SDOs have been chosen because they offer BRFKredit maximum flexibility. Basically, there are few differences between SDOs and SDROs when the issuer is a mortgage credit institution. The primary difference is the possibility to issue SDOs against the security of some asset types that may only be used as additional security for SDROs.

tions in such a manner that BRFkredit assumes no material financial risks in connection with mortgage lending and loan funding.

### ISSUES AND REDEMPTIONS

In 2007 BRFkredit issued new mortgage bonds for a nominal amount of DKK 97.8 billion. That was up from the level of 2006 when BRFkredit's nominal issue was DKK 87 billion.

11% of issues in 2006 were floating-rate notes for funding of Guarantee Loans, whereas the non-callable fixed-rate ARM bonds accounted for 63% and callable fixed-rate bonds 26%.

Redemptions of bonds amounted to DKK 62 billion in 2007. This compares with bond redemptions of DKK 69 billion in 2006.

### MARKET AND TURNOVER

Turnover of BRFkredit's bonds on OMX Nordic Exchange (previously Copenhagen Stock Exchange) is concentrated on bonds in few, liquid, open series. The total trading volume of BRFkredit bonds was DKK 280 billion in 2007 (DKK 516 billion in 2006), representing 7.5% of total turnover of mortgage bonds on OMX Nordic Exchange. 69% of the trading volume of BRFkredit bonds was divided into 10 bond series.

The volume of circulating bonds issued by BRFkredit represented a nominal value of DKK 254 billion at the close of 2007 (DKK 222 billion

at end-2006). That equalled 9.9% of the total volume of mortgage bonds, covered bonds and covered mortgage bonds listed on OMX Nordic Exchange (9.6% at end-2006).

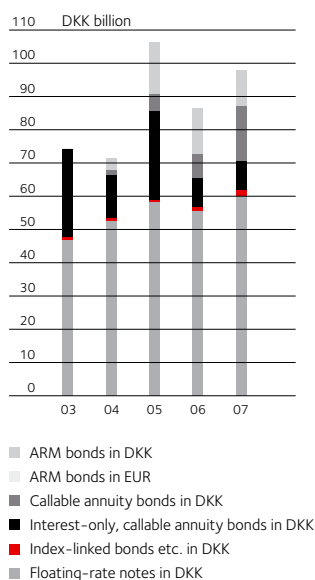
### INVESTORS

BRFkredit's 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 2007, 5% of BRFkredit's bonds were held by foreign investors according to Danmarks Nationalbank's statistics. It is BRFkredit's objective to serve a steadily broader range of investors, and BRFkredit's Investor Relations therefore aim to raise investors' and other market players' awareness of BRFkredit and Danish mortgage lending.

### RATING

BRFkredit's mortgage bonds are rated by Moody's Investors Service. Bonds issued after September 2002 are rated Aa1 and come from Capital Centre B. Bonds from the General Capital Centre of BRFkredit have obtained the Aa2 rating. Other mortgage bonds, primarily index-linked bonds, are not rated. BRFkredit's ratings were not changed in 2007, and Moody's has announced that the outlook for BRFkredit's ratings is stable.

**MORTGAGE BOND ISSUES,  
2003-2007**



BRFkredit's covered bonds, issued out of Capital Centre E, have been assigned the Aa1 rating by Moody's. Only a very limited volume of bonds had been issued out of Capital Centre E at the end of 2007.

At the end of 2007, Capital Centre B bonds represented DKK 227 billion of BRFkredit's total outstanding bonds, whereas bonds from the General Capital Centre and other capital centres made up DKK 13 billion and DKK 13 billion, respectively. The main difference between issued bonds and lending volume stems from the refinancing of ARM loans, in which connection bonds were issued for DKK 37 billion, coupled with a block issue of bonds for DKK 13 billion in late 2007.

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

<b>MOODY'S INVESTOR SERVICE RATINGS</b>	<b>2007</b>	2006	2005	2004	2003
Covered bonds, Capital Centre E	Aa1				
Mortgage bonds, Capital Centre B	Aa1	Aa1	Aa1	Aa1	Aa1
Mortgage bonds, General Capital Centre	Aa2	Aa2	Aa2	Aa2	Aa2
Issuer	A2	A2	A2	A2	A2
Subordinated capital	A3	A3	A3	A3	A3

#### **FINANCIAL CALENDAR FOR 2008**

20 February	Announcement of results for 2007 The annual report for 2007 is expected to be available in printed form in early March 2008
28 April	Annual General Meeting of BRFkredit a/s
26 August	Interim Report 2008

#### **COMPANY ANNOUNCEMENTS IN 2007**

28 December	Block issue of mortgage bonds
21 December	Covered bonds issued out of BRFkredit's Capital Centre E are assigned Aa1 rating by Moody's
17 December	Refinancing ARM loans
13 December	Final terms of covered bonds
13 December	Base prospectus for covered bonds
13 December	BRFkredit a/s issues SDOs for funding of mortgage loans
5 December	Sale of ARM bonds 2007
21 November	BRFkredit a/s refinances ARM loans by issuing mortgage bonds
25 October	BRFkredit a/s opts for covered bonds and general balance principle for entire portfolio
23 August	Interim Report 2007
14 June	Final terms of mortgage bonds
21 May	Final terms of new mortgage bond
30 April	New Chief Executive Officer of BRFBank
24 April	Result of Annual General Meeting of BRFkredit a/s
11 April	Notice of Annual General Meeting 2007
27 February	Announcement of financial statements for 2006
29 January	Financial calendar for 2007

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



## TRAINEES AT BRFKREDIT

GREAT PROFESSIONAL BALLAST  
ATTRACTIVE MANPOWER

Every year, BRFKredit employs a new class of trainees who receive a solid introduction to mortgage lending over a two-year education programme. On completion of the programme, the trainees earn the title of mortgage lending assistants. In 2007, BRFKredit trained 23 finance trainees.

Trainees are recruited once a year on the so-called trainee day. On this day the candidates gather, selected from all those who have applied for traineeships with BRFKredit. During the day, the candidates go over a number of exercises and hold a number of interviews, both individually and in groups. After the trainee day, BRFKredit selects the candidates who by virtue of their skills, competences and personalities hold the greatest potential for a career in the BRF Group.

The two-year traineeship programme offers practical skills courses at BRFKredit and theory courses at the Finance School, which is the financial sector's joint education programme for finance trainees. The courses at BRFKredit include an introduction to BRFKredit as a workplace, intensive training in basic mortgage lending and a traineeship where the trainees work in the BRF Group's different business areas, including BRFBank.

The traineeship provides the trainees with broad knowledge of BRFKredit's products and processes. This means that the trainees, having completed the programme, will possess great professional ballast that provides them with the competences to hold many different jobs in the BRF Group at the same time as it lays the foundation for further training.

## PORTFOLIO AND RISK MANAGEMENT

The main risks involved in BRFKredit's activities are credit risks on loans granted and market risks inherent in BRFKredit's securities portfolio, primarily interest rate risk.

### PORTFOLIO

The greater part of BRFKredit's loan portfolio comprises mortgage loans secured by real property and, to a lesser extent, mortgage-backed loans granted by BRFBank.

### Lending – BRFKredit

BRFKredit's lending focus is directed at private owner-occupied homes, private rental housing, cooperative housing, non-profit housing and office and business properties. At the end of 2007, 85% of BRFKredit's loans were granted against residential properties, which notoriously imply the lowest loss exposure. Lending for industrial properties accounted for 0.7% of the loan portfolio.

Since 2003 BRFKredit has been cooperating with FIH Erhvervsbank on mortgage lending for industrial properties, and a growing, albeit still very limited, share of lending therefore goes to this property segment. FIH Erhvervsbank furnishes guarantees to BRFKredit for these loans, and the total credit risk contained in BRFKredit's portfolio is therefore unaffected by lending for this segment.

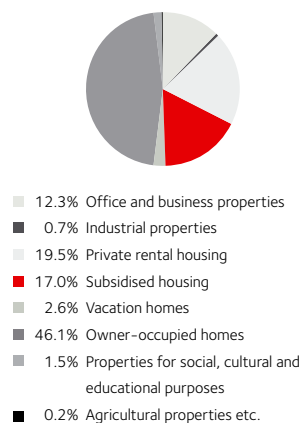
### Lending – BRFBank

The bank's lending focus is directed at bridge financing of property transactions and building projects as well as long-term financing of residential and commercial properties. Moreover, in 2007 BRFBank introduced a mortgage-secured home credit facility for private customers. The aggregate amount drawn on home credit facilities at the end of 2007 was in the order of DKK 383 million.

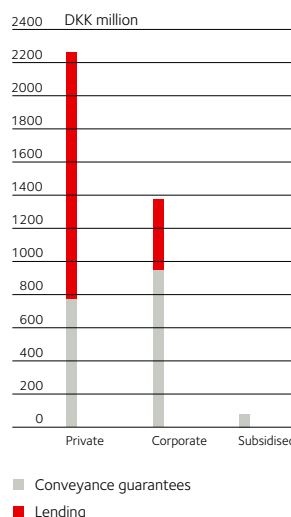
Bridge financing of property transactions comprises short-term conveyance guarantees and credits designed to meet the customer's cash requirements when selling or buying real property. At the end of 2007, bridging loans totalled DKK 1,794 million, equivalent to 38% of the bank's loan portfolio. In connection with property transactions, conveyance guarantees are furnished until the purchase amount is paid to the seller. At the end of 2007, the bank had furnished conveyance guarantees for DKK 1,921 million.

In conjunction with housing starts, alterations and extensions, the bank provides construction loans and furnishes advance mortgage guarantees. A significant part of construction loans is granted for non-profit housing. At the close of 2007, construction loans amounted to DKK 1,278 million or 27% of the loan portfolio. In addition, advance mortgage guarantees were granted for DKK 860 million.

**LOAN PORTFOLIO  
BY CLASS OF PROPERTY,  
END-2007**



**FINANCING  
– PROPERTY PURCHASES  
(BRFBANK)**



Long-term financing primarily comprises mortgages on residential properties and longer-term loans secured by commercial properties. Long-term financing accounts for 34% of the loan portfolio. The portfolio of mortgages on residential properties expands in parallel with new lending. To minimise loss and interest rate exposure, mortgages on residential properties are continuously sold to professional mortgage investors. The portfolio is reduced three or four times a year.

### Securities portfolio

At the end of 2007, BRFkredit's securities portfolio was mainly made up of positions in Danish government and mortgage bonds, mortgages, fixed-income derivatives, deposits and other money market instruments and in shares.

### RISK MANAGEMENT

The Supervisory Board of BRFkredit has laid down rules on securities investment policy, credit policy, lending policy and large facilities etc. to specify the risks BRFkredit is allowed to assume. The rules, together with the provisions of Danish legislation, provide the framework for risk management procedures.

BRFkredit is subject to the Danish Mortgage Loans and Mortgage Bonds Act. BRFkredit is also subject to the Danish Financial Business Act. BRFkredit's subsidiary BRFbank falls within the

scope of the Financial Business Act. Both BRFkredit and BRFbank are subject to supervision by the Danish Financial Supervisory Authority.

BRFkredit's All-Risk Committee has overall responsibility for the handling of ongoing risk management.

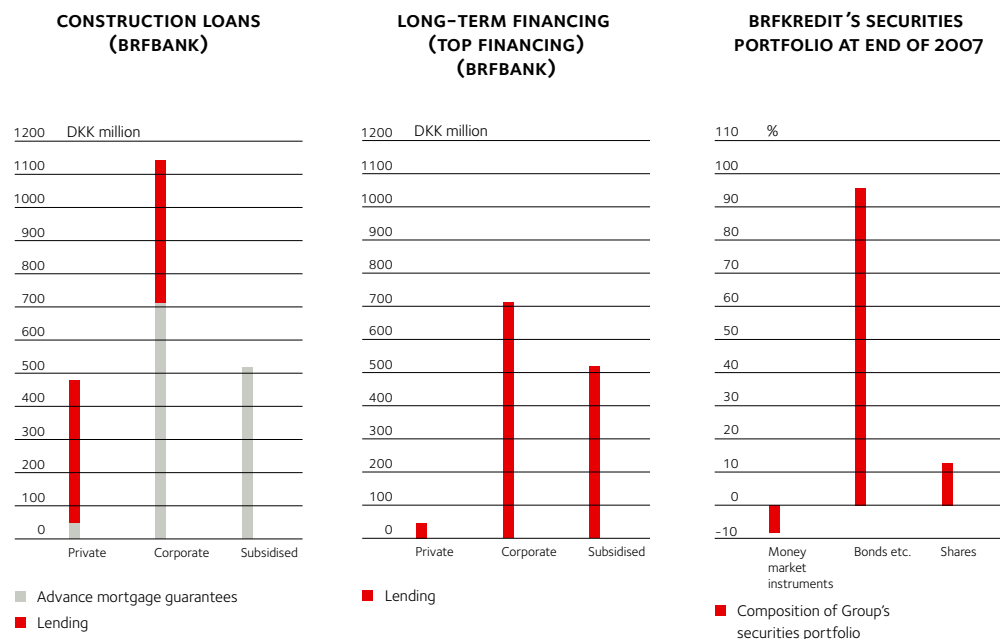
Data collection and processing and subsequent reporting of financial risks and credit risks to the All-Risk Committee and the Supervisory Board of BRFkredit are handled by BRFkredit's Finance Secretariat to ensure separation of functions between the company departments that manage risks and the unit that reports risks.

BRFkredit's Credit and Quality Department monitors and checks the appraisals and credit scores on a continuous basis. The department is accountable to the Executive Board.

The Financial Supervisory Authority receives quarterly reports from BRFkredit on market risk, capital adequacy and large loan facilities. The Authority performs spot checks of BRFkredit's property appraisals, loan calculations, etc.

### Mortgage lending

BRFkredit's financial risks involved in lending and funding of loans are very limited because of the balance principle. The credit risks inherent in lending activities, together with the market risk on BRFkredit's securities portfolio, are the principal risks assumed by BRFkredit.



Loan commitment procedures are regulated by legislation and by decisions of the Supervisory Board of BRFkredit. The Supervisory Board lays down the guidelines for BRFkredit's credit policies and grants large loan facilities. The Executive Board has set up a credit committee to make decisions in cases of customers whose loan agreements exceed the powers of the Credit and Quality Department.

BRFkredit's lending is based on an appraisal of the long-term value of the property, a credit score to evaluate the customer's credit-worthiness as well as a classification into rating classes in compliance with BRFkredit's internal rating-based models (IRB).

The appraisal primarily takes into account factors like marketability, location and expected movements in the price of the property concerned. The appraisal is made in accordance with the rules of Danish legislation and according to principles laid down by the Supervisory Board of BRFkredit. Most appraisals of BRFkredit's appraisals of private homes are made by EDC Mæglerne along principles established by BRFkredit. In other customer segments, particularly in the segment for more expensive private homes, appraisals are carried out by BRFkredit's own chief appraisers from the Credit and Quality Department.

To evaluate private customers' creditworthiness, BRFkredit places the emphasis on the customer's ability and willingness to repay the loan, and credit rating models are applied in this process. This is supported by an electronic credit scoring system for new customers.

Credit scores for customers in the corporate and subsidised housing segments are also compiled with the emphasis on the customer's ability to generate earnings and cash and, thereby, make timely loan payments.

To strengthen the management and handling of credit risks still further, BRFkredit has developed and implemented credit rating models. The models group BRFkredit's customers into different rating classes, based on their estimated probability of default.

Against the background of the credit score, including the customer's rating class, and an appraisal of the long-term value of the property, BRFkredit grants loans within the maximum lending limit provided for in the Danish Mortgage Loans and Mortgage Bonds Act. The lending limits are 80% for owner-occupied homes and private

rental housing and 60% for vacation homes. The lending limit for office and business properties and industrial properties was raised from 60 to 70% with the transition to SDO funding of mortgage lending.

### **Bank lending**

About 40% of the bank's loans and advances are funded by deposits and the rest by short-term and medium-term money-market loans.

### **Securities portfolio**

BRFkredit's securities portfolio is made up of fixed-income instruments that are managed actively with a view to achieving a positive return above a preset benchmark and of a portfolio of equity investments.

Within the framework of the securities investment policy formulated by the Supervisory Board and the Danish Financial Business Act, BRFkredit's securities portfolio was invested in bonds and other fixed-income instruments and, to a limited extent, in shares. BRFkredit used financial instruments for managing the securities portfolio and, over the year, raised loans and took negative positions for risk-hedging purposes.

### **CREDIT RISKS**

Mortgage credit institutions in Denmark operate at low earnings margins, which calls for limited losses. Credit risk management at BRFkredit is therefore designed to monitor developments in credit risks and ensure that these are kept within the limits specified by the Supervisory Board and Executive Board. BRFkredit's credit risk management is mainly undertaken on the basis of its credit policy, process descriptions, and credit handbooks targeted at the individual customer segments. BRFkredit manages the credit risk involved in securities trading by assigning credit lines to issuers and counterparties. In the securities investment policy the Supervisory Board also sets limits to the credit risks BRFkredit is allowed to assume when investing the securities portfolio. The loan portfolio is continuously monitored to ensure that the credit quality remains high at all times and that the necessary amounts are set aside for future losses. Large loan facilities in the corporate segment are reviewed at least every six months on the basis of updated accounting records. Loans associated with risk signals are likewise reviewed.

### Internal rating models

To assess the credit risk on mortgage loans, BRFkredit also applies internal rating models (advanced IRB models). The rating models estimate the credit risk inherent in each individual customer and property and are a significant element in the credit scoring of BRFkredit's customers. BRFkredit applies rating models to compile credit scores for private and corporate customers. A small portion of the loan portfolio is exempted from the internal rating models. That includes lending to public authorities and other credit institutions.

### Loan to value

Slightly more than 90% of total loans are assumed to have been granted against 60% or less of the estimated property values.

The estimated property value is determined on the basis of the following principle: If a property appraisal has been performed within the last two years, this assessment value is used. Otherwise, the public assessment value is used for commercial properties, and the public assessment value plus geographic indexation is used for private properties.

### Credit events

The number of scheduled forced sales of properties provided as security to BRFkredit decreased to a total of 260 in 2007 (against 284 in 2006), equivalent to an 8% drop. The number of properties on which BRFkredit sustained a loss declined by 27% to 61 in 2007 (84 in 2006). At the close of 2007, BRFkredit had a portfolio of foreclosed properties of 7 (against 6 at end-2006). All these properties were owner-occupied homes.

### Loans in arrears

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

Besides a low number of forced sales and foreclosed properties, arrears percentages were still at a very low level. 105 days after the final due date, arrears relating to the September repayment date accounted for 0.19% of due loan payments, against 0.07% at the same stage of 2006.

Arrears percentages are calculated 15, 45 and 105 days, respectively, after the due date.

### Losses and impairment provisions

Impairment losses on loans and receivables were moderate and reduced profits by DKK 56 million in 2007, against a net income of DKK 129 million in 2006. Loan losses and impairment provisions remained at a very low level.

#### LOAN-TO-VALUE RATIO

	Lending, DKKbn 2007	Loan to value (%) 2007	Loan to value (%) 2006
Private properties	95	49	45
Subsidised housing	33	17	19
Private rental housing	38	46	45
Office and business	24	48	43
Other	5	33	35
<b>Total</b>	<b>195</b>	<b>34</b>	<b>34</b>

Note: The figures in the loan to value 2006 column have been adjusted because of a minor change in the calculation method.

#### CREDIT EVENTS FOR MORTGAGE LENDING IN 2007

	Workout		Forced sales		Properties		Loss-making
	agreements	Debt collections	Scheduled	Executed	Foreclosed in period	Portfolio	
Private	1,216	1,973	244	96	16	7	58
Corporate	63	100	15	1	0	0	1
Subsidised housing	34	14	1	0	0	0	2
<b>Total</b>	<b>1,313</b>	<b>2,087</b>	<b>260</b>	<b>97</b>	<b>16</b>	<b>7</b>	<b>61</b>



## RATING MODELS

Customers with mortgage loans from BRFKredit are individually classified according to their PD (probability of default), calculated on the basis of the rating models. PD is the likelihood that a specific customer will default on his BRFKredit loan within the next twelve months. A loan falls into default when one of the following conditions is met:

- BRFKredit finds it unlikely that the customer is capable of repaying his loan
- The customer has been in default for more than 90 days.

The individual customers are classified into rating classes 1 to 8 according to their PD level. The lower the PD, the lower the class. Class 8 contains customers who default on their loans, and their PD has been determined at 100%. Around three fourths of BRFKredit's customers have a low PD and therefore belong in classes 1, 2 and 3. The number of customers in PD class 1 at the end of 2007 exceeded the number at the end of 2006. 18% of BRFKredit's customer scored better ratings in 2007 compared with the end of 2006.

An LGD (loss given default) is assessed for each property by means of the rating models. LGD specifies the percentage of each credit facility that is expected to be lost if the customer defaults. Along the lines of PD, the properties are

classified into rating classes according to their LGD level.

There are 10 LGD classes, and the lower the LGD, the lower the rating class. The vast majority of BRFKredit's loans have a low LGD and therefore belong in the low LGD classes 1, 2 and 3.

A high PD or LGD indicates correspondingly high exposure to credit risk.

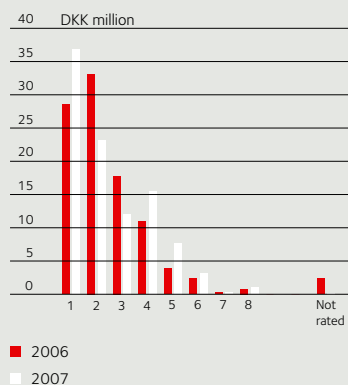
PD and LGD are forward-looking measures of credit risk at BRFKredit and are used for calculating risk-weighted assets, which determine the future capital requirement. It appears from the figure below that most of BRFKredit's loans have low PD and LGD values and, therefore, low exposure to credit risk.

**TREND IN RATINGS FROM END-2006 TO END-2007 BY NUMBER OF CUSTOMERS**

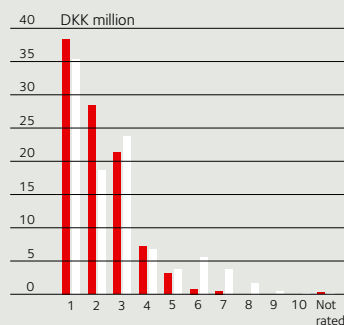


- 68% Unchanged rating
- 18% Better rating
- 14% Poorer rating

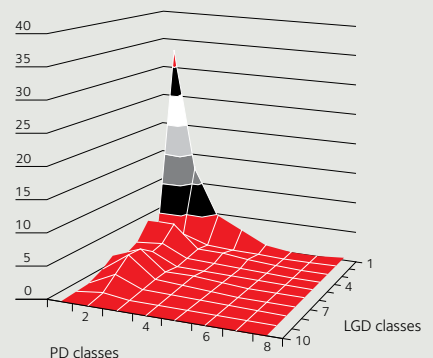
**PRINCIPAL BALANCE BY PD CLASSES**



**— AND LGD CLASSES**



**PRINCIPAL BALANCE BY PD AND LGD CLASSES**





WELFARE  
SATISFACTION  
SECURITY  
TEAM SPIRIT



## INNOVATION AND WELFARE

Every three years, BRFkredit completes a team training programme for all its employees, and a programme was completed again in 2007. To try something new and different, Kaospiloterne had been singled out as a partner for both the planning and performance of team training. Kaospiloterne apply a different approach to project work than the one traditionally applied by the financial sector so they and 10 innovation agents managed to modify BRFkredit's usual ideas.

The theme of the 2007 team training programme was innovation and welfare – a theme first and foremost chosen due to these years' dramatic changes in BRFkredit's conditions as a company.

We need to want change, be innovative and prepared to develop if we want to stay on top of things. It is therefore essential to have a culture where we dare move a little over the edge and face change.

Like a kind of yin and yang, innovation and welfare are mutually dependent: no welfare, no innovation and no innovation, no welfare. This is why the team training programme focused on how BRFkredit employees together can foster a culture that promotes welfare and innovation in BRFkredit. One of the goals of the team training days was to offer the employees a specific experience of how an appreciative and curious culture can pave the way for welfare and stimulate the organisation's ability to support change and innovation. These themes proved challenging, but employee curiosity was great.

The year-end balance of provisions for loan impairment was DKK 154 million in 2007, equivalent to 0.1% of the total loan portfolio. The next few years hold no prospects of income from "Impairment losses on loans and receivables". On the contrary, impairment losses and provisions must be expected to grow as market conditions become less favourable.

The bank's impairment ratio was up from 0.1 in 2006 to 0.7 in 2007. The impairment ratio remains very low, however, one of the reasons being the temporary nature of some of the portfolio. Provisions for loan impairment had an adverse impact on the financial statements for 2007, reducing profits by DKK 53 million.

### Counterparty risks

For the purpose of managing and limiting the credit risks arising from the investment of BRFkredit's securities portfolio, 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.

### MARKET RISKS

BRFkredit's market risks comprise interest rate, option risk, foreign exchange, equity and liquidity

risks and are measured against own funds. As a result of the principle of balance between lending and funding, BRFkredit's market risk from lending operations is very low. The primary market risks inherent in BRFkredit's activities are therefore the financial risks associated with BRFkredit's securities portfolio.

BRFkredit's Treasury Department manages market risks in compliance with guidelines determined by the Supervisory Board and Executive Board and subject to the limits and restrictions set out in legislation. Transactions are monitored by BRFkredit's Finance Secretariat.

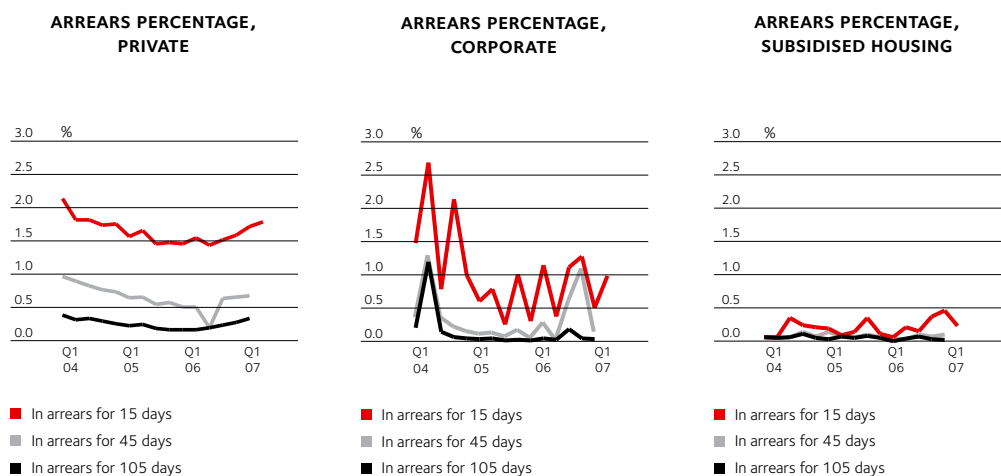
Moreover, Danish legislation limits the market risks BRFkredit is allowed to assume when investing its securities portfolio. BRFbank is subject to the rules applying to banks.

BRFkredit does not and has not invested in subprime instruments.

### Interest rate risk

Interest rate risk is defined as the loss or gain resulting from an increase or decrease in interest rates of 1%point (parallel shift in the interest rate curve). BRFkredit computes its interest rate risk on a day-to-day basis as an integral part of overall risk monitoring.

BRFkredit provides mortgage loans with a close link between lending and bonds, ensuring that the individual loans are matched by an equivalent



bond issuance (matchfunding). The interest rate risk on lending and funding is therefore so small that it is of no significance.

According to the rules of the Danish Financial Supervisory Authority, BRFkredit's other funds (other assets, liabilities and off-balance sheet items), which mainly comprise BRFkredit's securities portfolio, are allowed to represent a maximum interest rate risk of 8% of own funds, equivalent to DKK 1,002 million at the end of 2007 (DKK 949 million at end-2006). Computed in accordance with the key figures and ratios of the Financial Supervisory Authority, BRFkredit's interest rate risk was DKK 503 million at the end of 2007, or 4.0% of own funds, against DKK 352 million at the end of 2006. At the close of 2007, bonds in BRFkredit's securities portfolio contributed positively to interest rate risk, whereas positions in financial instruments made a negative contribution.

BRFbank reported interest rate exposure of DKK 19 million at 31 December 2007, against DKK 10 million a year earlier, computed in accordance with the key figures and ratios of the Financial Supervisory Authority. The bank's interest rate exposure stems from fixed-rate lending and investment in mortgages.

To manage interest rate risk, BRFkredit uses conventional bonds, forward contracts, repo/reverse agreements as well as swaps, futures and options.

BRFkredit hedges positions in Danish government and mortgage bonds with euro-denominated financial instruments. If this hedging is taken into account, BRFkredit's interest rate risk was DKK 226 million at end-2007 (DKK 284 million at end-2006).

### **Option risk**

BRFkredit may use options to hedge imbalances arising from mortgage lending, but as a result of the close link between lending and bonds, such imbalances do not occur.

The management of BRFkredit's securities portfolio includes the use of options and similar financial instruments. The option risk was DKK -2 million at the end of 2007<sup>2</sup>. The interest rate exposure of interest rate options is included in the computation of BRFkredit's total interest rate risk.

### **Foreign exchange risk**

As part of the management of the securities portfolio, BRFkredit takes positions in securities

and derivative financial instruments denominated in Danish kroner or euros. Swaps and forward exchange contracts are used to manage foreign exchange risk. Hedging is on a market value or cash flow basis, depending on the characteristics of the underlying instrument.

BRFkredit has raised own funds in the form of a euro-denominated subordinated loan. The foreign exchange risk on the loan is hedged on a cash flow basis.

The foreign exchange risk in currencies of the European Union, the European Economic Area and Switzerland is measured as the loss incurred on a 10% fall or 10% increase in the rate of exchange, whichever is higher. For other currencies, risk measurement is based on a 50% increase and fall in the exchange rate. Danish legislation does not allow foreign exchange risk to exceed 10% of own funds for euro and 1% of own funds for other currencies. At 31 December 2007, BRFkredit's exchange risk was at a modest 0.12% of own funds for euro and 0.01% of own funds for other currencies, respectively.

### **Equity risk**

BRFkredit's equity portfolio is predominantly made up of Danish listed shares. Its market value was DKK 1,164 million at the end of 2007 (DKK 994 million at end-2006).

The equity portfolio is an integral part of BRFkredit's securities portfolio. BRFbank had no equity investments at the end of 2007 and made no equity investments during the year.

### **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. BRFkredit therefore undertakes close liquidity management to ensure that payments from issues, redemptions and principal and interest payments correspond to payment obligations relating to bond drawings, coupon interest and loan disbursements. For liquidity management purposes, BRFkredit is an active player in the money market to hedge or identify short-term cash imbalances.

2) Vega is an option risk parameter that measures the sensitivity of the option price to 1%point changes in the price volatility of the underlying instrument.

**TABLE OF RISK-WEIGHTED EXPOSURE**

DKK million	BRFkredit a/s	BRFkredit Group
<b>Exposure category</b>		
Central governments or central banks	0	0
Banks and credit institutions	3.2	3.8
Companies	26.7	31.8
Retail customers	0	1.7
Loans secured by real property	50.5	50.5
Arrears or overdrafts	0.1	0.1
Other items	2.5	1.2
<i>Total credit risks</i>	<i>83.0</i>	<i>89.1</i>
<i>Total market risks</i>	<i>7.7</i>	<i>7.7</i>
<i>Total operational risks</i>	<i>2.3</i>	<i>2.9</i>
<b>Total weighted assets</b>	<b>93.0</b>	<b>99.7</b>

At BRFbank, deposits account for about 40% of lending. This, combined with the bank's guarantee commitments in connection with the processing of mortgage loans, places demands on the bank's liquidity. The bank therefore depends on the injection of medium-term capital and its ability to obtain short-term loans in the money market. In 2007 the Parent Company contributed capital to the bank in the form of share capital and own funds.

## OPERATIONAL RISKS

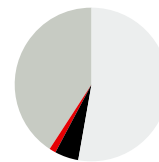
Operational risk is the risk of incurring a loss from an event that cannot be referred to credit or market risk. The introduction of the new capital adequacy framework from 2007 has increased the focus on operational risks by imposing separate requirements for working capital to cover the associated risks.

Mortgage finance business is regulated by legislation, and the provision of mortgage loans involves a high degree of automation. Operational risks are therefore limited for BRFkredit.

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 in connection with system errors, computer breakdowns, procedural mistakes, fraud, wrong advice, etc. Procedures and work routines are continuously updated and assessed by the company's internal audit department. The IT system structure follows 'best practices'. In addition, BRFkredit has established emergency plans and safety procedures to ensure swift resumption of operations in cases of errors and breakdowns.

BRFkredit's compliance function was further formalised in 2007 to live up to the requirements of the MiFID directive.

## BRFKREDIT'S WORKING CAPITAL AND AMOUNT ABOVE STATUTORY REQUIREMENT



- 6.6% Credit risks
- 0.6% Market risks
- 0.2% Operational risks
- 5.1% Amount above statutory requirement



In project work, it's important to be able to get an overall view of many complex matters at the same time and be able to analyse a given future scenario. You need to have excellent communication skills and be good at observing deadlines exactly. It's just like when I worked as a researcher at the university actually.

Stefan Svendsen, PhD in theology

## A DIVERSE WORKPLACE

BRFkredit regards diversity among its employees as a strength, and its staff mix therefore spans widely both in terms of professional background, nationality and competences.

In recent years, BRFkredit has employed a number of graduates in fields far from the world of mortgage lending. Academic competences from other fields than the ones normally found in the financial sector have proved to be able to complement functions and tasks at BRFkredit in a practical manner.

Some graduates embark on their careers at BRFkredit in an in-house stand-by corps where they are seconded to different departments upon thorough training in mortgage lending. This scheme has been in operation since 2004, and new graduates join it every year. Following a couple of years' service in the corps, the graduates typically find work elsewhere in BRFkredit.

BRFkredit's IT area has also been highly successful in recruiting new graduates who by virtue of their backgrounds and an 18-month in-house competence development programme will be qualified manpower. Long term, the goal for this group is to be able to make it in the important zone between mortgage lending and IT.



The operational risk of BRFkredit is assessed to be low. No events occurred in 2007 that provide grounds for changing this risk assessment.

### **CAPITAL STRUCTURE AND CAPITAL ADEQUACY**

BRFkredit's capital requirements are determined by calculating risk-weighted assets for market and credit risk according to the standardised approach and for operational risk according to the basic indicator approach. In December 2007, BRFkredit submitted an application to the Danish Financial Supervisory Authority for permission to use advanced IRB approaches in 2008 for determining risk-weighted assets for credit risk. The application of these internal ratings-based approaches is set to give BRFkredit a large amount of financial elbow room as the risk weighting according to the standardised approach overestimates actual capital requirements.

The Supervisory Board and the Executive Board hold overall responsibility for ensuring that the capital structure matches BRFkredit's risk profile. The minimum targets are a capital adequacy ratio of 9% and a core capital ratio of 6%.

At end-2007, the capital adequacy ratio was determined at 12.6%, up from 12.5% a year earlier, and the core capital ratio was determined at 10.9% at the end of 2007, up from 10.8% at the end of 2006.

BRFkredit's own funds totalled DKK 12,532 million at the end of 2007 compared to DKK 11,858 million at the end of 2006. Own funds mostly consist of core capital in the total amount of DKK 10,907 million. The core capital is made up of DKK 306 million of share capital, DKK 102 million of share premium account and DKK 10,499 million of other reserves, etc. Moreover, own funds represent subordinated capital and revaluation reserve of DKK 1,625 million in total.

BRFkredit's weighted assets at end-2007 worked out at a total of DKK 99.7 billion, up from DKK 95.1 billion at end-2006. The trend in weighted assets in 2007 was influenced by the following material factors:

- The introduction of the new capital adequacy framework on 1 January 2007 meant that the standard weights for loans secured by residential property were reduced from 50% to 35%. As a large proportion of BRFkredit's lending is to this segment, BRFkredit's weighted assets were reduced. The revisions of the capital adequacy

framework pull in the opposite direction as they meant that capital must be earmarked for outstanding offers. Finally, requirements were introduced to the effect that capital must be set aside to cover operational risks. The revisions of the capital adequacy framework are estimated to have reduced BRFkredit's capital requirements by a net DKK 0.6 billion.

- In addition to the revised framework for determining capital requirements, the growing loan portfolio and several assets involving a market risk in 2007 led to an increase in capital requirements.

Credit risks account for about 90% of BRFkredit's total risk-weighted assets. Loans secured by real property represent the single-biggest risk exposure of assets involving a credit risk. Furthermore, exposure towards banks and credit institutions exists.

Besides being exposed to credit risks, BRFkredit is exposed to market risks. This type of risk mainly stems from BRFkredit's portfolios of shares and bonds and accounts for some 8% of total weighted assets.

Finally, operational risks are included in weighted assets for the first time. They were calculated at DKK 2.3 billion at end-2007, or just under 3% of weighted assets.

BRFkredit's own funds totalled DKK 12.5 billion at the end of 2007, comprising a total of DKK 7.1 billion to cover credit risks, DKK 0.6 billion to cover the capital adequacy requirement for assets involving a market risk and DKK 0.2 billion to cover the capital requirement for operational risks. The remaining DKK 4.6 billion made up the amount exceeding the statutory capital adequacy requirement of 8%.

Apart from determining the statutory capital adequacy requirement on an ongoing basis, the Supervisory Board and the Executive Board of BRFkredit assess on a continuing basis the amount of adequate own funds in relation to BRFkredit's present and future risk profile.

Once a year, the Supervisory Board assesses all material risks to which BRFkredit is considered exposed, the approach of determining the various risks and the actual determination of adequate own funds. Adequate own funds are estimated on the basis of a mild recession scenario, but stress tests corresponding to a large-scale recession scenario are also performed.

## SUBSIDIARIES AND ASSOCIATED UNDERTAKINGS

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### **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. Moreover, in 2007 BRFbank widened its product range to include an Internet banking facility, a Visa/Dankort debit card and a Home Credit facility for private customers.

BRFbank posted a pre-tax profit for 2007 of DKK 38.6 million, against DKK 52.1 million in 2006. As expected, continued growth in lending had a positive impact on core income in 2007. By contrast, growth in impairment losses reduced profits from the level of 2006.

The heightened activity level and its impact on the bank's capital adequacy generated a need for capital injection. The bank's capital base was therefore expanded by DKK 150 million through an issue of additional share capital and DKK 100 million in the form of supplementary capital. The capital was contributed by BRFKredit.

In 2007 the bank experienced satisfactory growth in both deposits and lending activity. Lending grew in both the corporate and private segments and lifted interest income. On the other hand, impairment losses increased substantially in 2007. Core earnings were therefore down from DKK 52.7 million in 2006 to DKK 38.6 million in 2007.

BRFbank came out of 2007 with a pre-tax profit of DKK 38.6 million, against DKK 52.1 million in 2006. Net profit for the year was DKK 28.9 million. Return on equity before tax was 5.8% per annum, against 9.8% in 2006.

Earnings per unit of cost (DKK) were DKK 1.38 in 2007, down from DKK 2.19 in 2006.

At 31 December 2007, BRFbank had total assets of DKK 7,823 million and own funds of DKK 1,263 million. BRFbank's capital adequacy ratio was 14.2% at end-2007, which was unchanged from 2006.

To ensure efficient and flexible customer consultancy, some of the bank's procedures have been integrated into BRFKredit's procedures in connection with home transactions. In these circumstances, it has not been necessary to increase the number of employees at BRFbank in step with the activity growth.

### **Ejendomsselskabet Nørreport 26, 8000 Århus C. A/S**

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

The company came out of 2007 with a pre-tax profit of DKK 4.3 million, against DKK 2.9 million in 2006. Its equity at 31 December 2007 was DKK 60.5 million, out of total assets of DKK 83.4 million.

### **Ejendomsselskabet Nørgaardsvej 37-41, 2800 Lyngby A/S**

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

The company posted a pre-tax loss of DKK 4.2 million, against a loss of DKK 2.7 million in 2006. Its equity at 31 December 2007 was DKK 14.6 million, out of total assets of DKK 17.0 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 2006, when the company posted a pre-tax profit of DKK 2.7 million, against DKK 3.8 million in 2005. Its equity at 31 December 2006 was DKK 132.4 million, out of total assets of DKK 139.3 million.

### **OTHER UNDERTAKINGS**

In the first half of 2007, BRFKredit divested itself of Boligtorvet A/S. The divestment had a moderate positive impact on the financial statements.

BRFKredit also sold shares in Realkreditnettet Holding A/S in connection with a decision to expand the ownership base of the company. The divestment had a moderate positive impact on the financial statements.



## STATEMENT BY THE SUPERVISORY BOARD AND EXECUTIVE BOARD

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The Supervisory Board and Executive Board have today considered and approved the Annual Report of BRFkredit a/s for 2007, comprising a statement by the Supervisory Board and Executive Board, management's review, accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group and the Parent Company and a cash flow statement for the Group.

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards as adopted by the European Union, and the financial statements of

the Parent Company are presented in accordance with the Danish Financial Business Act. Furthermore, the Annual Report has been prepared in accordance with additional disclosure requirements for annual reports of listed financial companies as applied in Denmark. In our opinion, the accounting policies applied are appropriate and the Annual Report therefore gives a true and fair view of the Group's and Parent Company's assets, liabilities and financial position at 31 December 2007 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 2007.

We also believe that the management's review provides a true and fair description of developments in the activities and finances of the Group and the Parent Company as well as a presentation of the principal risks and uncertainty factors that may affect the Group and the Parent Company.

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

*Kgs. Lyngby, 20 February 2008*

### Executive Board

Sven A. Blomberg  
*Chief Executive Officer*

Carsten Tirsbæk Madsen  
*Executive Vice President*

### Supervisory Board

Oluf Engell  
*Chairman*

Kurt Bligaard Pedersen

Troels Behr

Laila Busted  
*Elected by employees*

Jan Frederiksen  
*Elected by employees*

Kristian May

Lars Henrik Munch

Aksel Nissen

Thomas Sandelius  
*Elected by employees*

*The Supervisory Board held seven board meetings and one seminar in 2007.*

## AUDITORS' REPORTS

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### INTERNAL AUDIT REPORT

We have audited the Annual Report of BRFkredit a/s for the financial year ended 31 December 2007. The consolidated financial statements are presented in accordance with the International Financial Reporting Standards as adopted by the European Union, and the financial statements of the Parent Company are presented in accordance with the Danish Financial Business Act. Furthermore, the Annual Report is presented in accordance with additional disclosure requirements for annual reports of listed financial companies as applied in Denmark.

#### **Basis of opinion**

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

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

In our opinion, the audit evidence obtained provides a reasonable and suitable basis for our opinion.

Our audit has not resulted in any qualification.

#### **Opinion**

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

reporting processes and material business risks of the Group and the Parent Company, function satisfactorily.

We also believe that the Annual Report gives a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2007 and of the results of the Group's and the Parent Company's operations and the Group's cash flows for the financial year ended 31 December 2007 in accordance with the International Financial Reporting Standards as adopted by the European Union in regard to the consolidated financial statements, in accordance with the Danish Financial Business Act in regard to the financial statements of the Parent Company and, furthermore, in accordance with additional financial reporting disclosure requirements for listed financial companies as applied in Denmark.

*Kgs. Lyngby, 20 February 2008*

Arne List  
*Head of Internal Audit Department*

## AUDITORS' REPORTS

### INDEPENDENT AUDITORS' REPORT

#### To the shareholders of BRFKredit a/s

We have audited the Annual Report of BRFKredit a/s for the financial year ended 31 December 2007, comprising a statement by the Supervisory Board and Executive Board, management's review, accounting policies, income statement, balance sheet, statement of changes in equity and notes for both the Group and the Parent Company and a cash flow statement for the Group. The consolidated financial statements are presented in accordance with the International Financial Reporting Standards as adopted by the European Union. The financial statements of the Parent Company are presented in accordance with the Danish Financial Business Act. Furthermore, the Annual Report is presented in accordance with additional disclosure requirements for annual reports of listed financial companies as applied in Denmark.

#### Responsibility of management for the Annual Report

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

#### Responsibility of the auditors and basis of opinion

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

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

Our audit has not resulted in any qualification.

#### Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's assets, liabilities and financial position at 31 December 2007 and of the results of the Group's operations and cash flows for the financial year ended 31 December 2007 in accordance with the International Financial Reporting Standards as adopted by the European Union and additional disclosure requirements for annual reports of listed financial companies as applied in Denmark.

We also believe that the Annual Report gives a true and fair view of the Parent Company's assets, liabilities and financial position at 31 December 2007 and of the results of the Parent Company's operations for the financial year ended 31 December 2007 in accordance with the Danish Financial Business Act and additional disclosure requirements for annual reports of listed financial companies as applied in Denmark.

*Hellerup, 20 February 2008*

PricewaterhouseCoopers  
Statsautoriseret Revisionsaktieselskab

Kim Füchsel  
State-Authorised  
Public Accountant

Jesper Edelbo  
State-Authorised  
Public Accountant

# INCOME STATEMENT

Amounts in DKK million

For the year ended 31 December	BRFkredit Group		BRFkredit a/s		Note
	2007	2006	2007	2006	
Interest income	8,855	7,403	8,654	7,297	3
Interest expenses	7,566	6,303	7,461	6,264	4
<b>Net interest income</b>	<b>1,289</b>	1,100	<b>1,193</b>	1,033	
Dividends on shares etc.	19	18	19	18	
Fees, charges and commission income	199	215	159	196	5
Fees, charges and commissions paid	109	125	101	126	
<b>Net interest income, fees and charges</b>	<b>1,398</b>	1,208	<b>1,270</b>	1,121	
Securities and foreign exchange income	209	197	231	236	6
Other operating income	22	19	25	21	
Staff costs and administrative expenses	834	799	793	762	7-10
Amortisation, depreciation and impairment of intangible and tangible assets	18	16	16	14	
Other operating expenses	0	0	0	0	
Impairment losses on loans and receivables etc. (- signifies an income)	56	-129	3	-131	11-12
Income from equity investments in associated and subsidiary undertakings	9	3	48	56	13
<b>Profit before tax</b>	<b>730</b>	741	<b>763</b>	789	
Tax	142	170	142	170	14
Net profit for the year	<b>588</b>	572	<b>621</b>	620	
<b>To be distributed as follows</b>					
Shareholders of BRFkredit a/s	<b>588</b>	572			
<b>Total</b>	<b>588</b>	572			

## BALANCE SHEET

Amounts in DKK million

at 31 December	BRFkredit Group		BRFkredit a/s		Note
	2007	2006	2007	2006	
<b>ASSETS</b>					
Cash balance and demand deposits with central banks	12	6	4	5	
Receivables from credit institutions and central banks	7,444	12,039	7,690	12,791	15
Bonds at fair value	12,087	8,810	12,087	8,810	16
Current tax assets	27	3	17	3	
Assets acquired temporarily	5	4	5	4	17
Other assets etc.	572	326	569	328	18
Shares etc.	1,164	994	1,164	994	19
Loans and other receivables at amortised cost	4,408	3,460	450	352	
Loans and other receivables at fair value	188,426	175,037	188,251	174,907	20-21
Intangible assets	9	8	9	8	22
Investment properties	136	134	136	134	23
Owner-occupied properties	569	490	475	402	24
Plant and equipment (other tangible assets)	22	16	22	16	25
Equity investments in associated undertakings	65	72	65	72	26
Equity investments in subsidiaries	-	-	889	701	27
<b>Total assets</b>	<b>214,946</b>	<b>201,399</b>	<b>211,832</b>	<b>199,528</b>	
<b>LIABILITIES AND EQUITY</b>					
Payables to credit institutions and central banks	2,398	3,620	1,351	3,515	28
Deposits and other payables	1,944	1,469	-	-	29
Other liabilities etc.	5,074	4,890	4,909	4,590	30
Issued bonds at fair value	192,893	179,474	192,893	179,474	31
<b>Total payables</b>	<b>202,309</b>	<b>189,454</b>	<b>199,153</b>	<b>187,579</b>	
<b>Subordinated capital</b>	<b>1,494</b>	<b>1,493</b>	<b>1,494</b>	<b>1,493</b>	32
<b>PROVISIONS</b>					
Provisions for deferred tax	33	26	31	24	33
Other provisions	63	54	108	58	34
<b>Total provisions</b>	<b>95</b>	<b>79</b>	<b>139</b>	<b>82</b>	
<b>EQUITY</b>					
Share capital	306	306	306	306	
Share premium account	102	102	102	102	
Accumulated changes in value	131	76	126	76	
Other reserves					
Statutory reserves	-	-	144	116	
Reserves in series	8,716	8,322	8,716	8,322	
Other reserves	1,792	1,568	1,653	1,452	
<b>Total</b>	<b>10,508</b>	<b>9,890</b>	<b>10,513</b>	<b>9,890</b>	
<b>Total equity</b>	<b>11,047</b>	<b>10,374</b>	<b>11,047</b>	<b>10,374</b>	
<b>Total liabilities and equity</b>	<b>214,946</b>	<b>201,399</b>	<b>211,832</b>	<b>199,528</b>	

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## STATEMENT OF CHANGES IN EQUITY

Amounts in DKK million

Statement of changes in equity, BRFkredit Group	Share capital <sup>1)</sup>	Share premium account	Accum- ulated changes in value	Reserves in series <sup>4)</sup>	Other reserves/ Shares available for sale <sup>5)</sup>	Other reserves/ Retained profits <sup>6)</sup>	Total
Equity at 1 January 2007	306	102	76	8,322	144	1,424	10,374
Shares available for sale - equity <sup>2)</sup>	-	-	-	-	33	-	33
Revaluation of owner-occupied properties	-	-	72	-	-	-	72
Reversal in connection with sale <sup>3)</sup>	-	-	-	-	-	-3	-3
Deferred tax on changes in equity	-	-	-17	-	-	-	-17
Recognised directly in equity, total	-	-	55	-	33	-3	85
Transferred between series	-	-	-	394	-	-394	-
Net profit for the year	-	-	-	-	-	588	588
Recognised in equity, total	-	-	55	394	33	191	673
Dividends paid	-	-	-	-	-	-	-
<b>Equity at 31 December 2007</b>	<b>306</b>	<b>102</b>	<b>131</b>	<b>8,716</b>	<b>177</b>	<b>1,615</b>	<b>11,047</b>

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 BRHolding 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 gain of DKK 33 million.

3) Revaluation of associated undertaking reversed in connection with a sale.

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

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

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

Statement of changes in equity, BRFkredit a/s	Share capital	Share premium accountn	Accum- ulated changes in value	Statutory reserves <sup>1)</sup>	Reserves in series	Other reserves/ Retained profits	Total
Equity at 1 January 2007	306	102	76	116	8,322	1,452	10,374
Revaluation of owner-occupied properties	-	-	67	5	-	-	72
Reversal in connection with sale <sup>2)</sup>	-	-	-	-3	-	-	-3
Deferred tax on changes in equity	-	-	-17	-0	-	-	-17
Recognised directly in equity, total	-	-	50	2	-	-	52
Transferred between series	-	-	-	-	394	-394	-
Net profit for the year	-	-	-	27	-	594	621
Recognised in equity, total	-	-	50	29	394	200	673
Dividends paid <sup>3)</sup>	-	-	-	-	-	-	-
<b>Equity at 31 December 2007</b>	<b>306</b>	<b>102</b>	<b>126</b>	<b>144</b>	<b>8,716</b>	<b>1,653</b>	<b>11,047</b>

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

2) Revaluation of associated undertaking reversed in connection with a sale.

3) 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

	2007	2006
<b>Cash flows from operating activities</b>		
Profit before tax for the year	730	741
Adjustment for non-cash operation items	-119	-193
	<b>611</b>	<b>548</b>
<b>Change in working capital</b>		
Bonds at fair value	-16,100	-1,065
Loans and other receivables	-14,423	-14,402
Payables to credit institutions and central banks, deposits and other payables	-748	-116
Issued bonds at fair value before set-off	26,311	10,658
Adjustment of other working capital	-76	-585
Corporation tax paid	-176	-167
<b>Total cash flows from operating activities</b>	<b>-4,601</b>	<b>-5,129</b>
<b>Cash flows from investing activities</b>		
Net investment in intangible assets	-5	-3
Net investment in tangible fixed assets	-27	-129
Net fixed asset investments	19	70
<b>Total cash flows from investing activities</b>	<b>-13</b>	<b>-63</b>
<b>Cash flows from financing activities</b>		
Subordinated capital	2	0
Dividends paid	-	-
<b>Total cash flows from financing activities</b>	<b>2</b>	<b>0</b>
<b>Total change in cash and cash equivalents</b>	<b>-4,612</b>	<b>-5,192</b>
<b>Cash and cash equivalents at beginning of year</b>		
Cash balance and demand deposits with central banks	6	75
Receivables from credit institutions and central banks	12,039	17,170
Of which receivables not directly available	-24	-32
<b>Total cash and cash equivalents at beginning of year</b>	<b>12,021</b>	<b>17,212</b>
<b>Cash and cash equivalents at end of year</b>		
Cash balance and demand deposits with central banks	12	6
Receivables from credit institutions and central banks	7,444	12,039
Of which receivables not directly available	-47	-24
<b>Total cash and cash equivalents at end of year</b>	<b>7,408</b>	<b>12,021</b>

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

# STATEMENT OF CORE EARNINGS AND EARNINGS FROM INVESTMENT PORTFOLIOS

Amounts in DKK million

For the year ended 31 December

BRFkredit Group

SEGMENTAL FINANCIAL STATEMENTS OF BRFKREDIT GROUP	2007			2006		
(- signifies an income)	Mortgage lending etc.	Portfolio managem.	Total	Mortgage lending etc.	Portfolio managem.	Total
Core income from lending operations etc.	1,050			923		
Core income from securities	482			380		
<b>Total core income</b>	<b>1,532</b>			<b>1,303</b>		
Operating expenses, depreciation and amortisation	846			810		
<b>Core earnings before impairment losses</b>	<b>685</b>			<b>493</b>		
Impairment losses on loans and receivables etc.	56			-129		
<b>Core earnings</b>	<b>629</b>			<b>622</b>		
Earnings from investment portfolios		101			119	
<b>Profit before tax</b>	<b>629</b>	<b>101</b>	<b>730</b>	<b>622</b>	<b>119</b>	<b>741</b>
Tax			<b>142</b>			<b>170</b>
<b>Net profit for the year</b>			<b>588</b>			<b>572</b>
<b>Segment balance sheet at 31 December</b>						
Receivables from credit institutions and central banks	6,923	520	<b>7,444</b>	10,791	1,248	<b>12,039</b>
Bonds at fair value	3,781	8,306	<b>12,087</b>	1,503	7,307	<b>8,810</b>
Shares etc.	-	1,164	<b>1,164</b>	-	994	<b>994</b>
Loans and advances	192,834	-	<b>192,834</b>	178,495	2	<b>178,498</b>
Equity investments in associated undertakings	65	-	<b>65</b>	72	-	<b>72</b>
Other assets	1,204	148	<b>1,352</b>	870	116	<b>987</b>
<b>Total assets</b>	<b>204,807</b>	<b>10,138</b>	<b>214,946</b>	<b>191,732</b>	<b>9,667</b>	<b>201,399</b>
Payables to credit institutions and central banks	1,113	1,285	<b>2,398</b>	2,413	1,208	<b>3,620</b>
Issued bonds at fair value	192,893	-	<b>192,893</b>	179,474	-	<b>179,474</b>
Subordinated capital	1,494	-	<b>1,494</b>	1,493	-	<b>1,493</b>
Provisions	95	-	<b>95</b>	79	-	<b>79</b>
Other liabilities	7,013	5	<b>7,018</b>	6,042	317	<b>6,359</b>
<b>Total liabilities</b>	<b>202,609</b>	<b>1,290</b>	<b>203,899</b>	<b>189,501</b>	<b>1,525</b>	<b>191,025</b>
Equity			<b>11,047</b>			<b>10,374</b>
<b>Total liabilities and equity</b>			<b>214,946</b>			<b>201,399</b>
<b>RECONCILIATION TO FINANCIAL STATEMENTS</b>						
For the year ended 31 December	Core earnings	Earnings, investment portfolios	Total	Core earnings	Earnings, investment portfolios	Total
Net interest income	1,295	-6	<b>1,289</b>	1,092	8	<b>1,100</b>
Dividends on shares etc.	-	19	<b>19</b>	-	18	<b>18</b>
Fees, charges and commission income	199	-	<b>199</b>	215	-	<b>215</b>
Fees, charges and commissions paid	108	1	<b>109</b>	124	1	<b>125</b>
<b>Net interest income, fees and charges</b>	<b>1,386</b>	<b>12</b>	<b>1,398</b>	<b>1,184</b>	<b>24</b>	<b>1,208</b>
Securities and foreign exchange income	115	93	<b>209</b>	97	100	<b>197</b>
Other operating income	22	-	<b>22</b>	19	-	<b>19</b>
Staff costs and administrative expenses	828	5	<b>834</b>	793	5	<b>799</b>
Amortisation, depreciation, impairment of in-/ and tangible assets	18	-	<b>18</b>	16	-	<b>16</b>
Other operating expenses	0	-	<b>0</b>	0	-	<b>0</b>
Impairment losses on loans and receivables etc.	56	-	<b>56</b>	-129	-	<b>-129</b>
Income from equity investments in associated and subsidiary undertakings	9	-	<b>9</b>	3	-	<b>3</b>
<b>Profit before tax</b>	<b>629</b>	<b>101</b>	<b>730</b>	<b>622</b>	<b>119</b>	<b>741</b>



## 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 to existing legislation, executive orders, IFRS standards as well as IFRIC interpretations entered into force in 2007 have resulted in only one change to these accounting policies.

IFRS 7 Financial Instruments: Disclosures and the related amendment to IAS 1 on disclosures of the entity's capital management apply to financial years beginning on or after 1 January 2007 and have been implemented in advance. The standards relate to disclosure requirements and have therefore no effect on income statement, balance sheet or equity.

### OUTLINE OF ACCOUNTING POLICIES OF THE BRFKREDIT GROUP

#### Consolidated financial statements

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

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

#### Consolidation

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

The consolidated financial statements have been prepared as a summary of the financial statements of the Parent Company and the individual subsidiaries, stated in compliance with the Group's accounting policies. All 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 the settlement date. When recognition takes place at the trade date, recognition is subsequently said to have taken place according to the trade date approach. When recognition takes place at the settlement date, recognition

is subsequently said to have taken place according to the ownership-settlement approach.

Financial instruments are measured at fair value or amortised cost.

Fair value means the amount at which an asset can be sold or a liability repaid in a transaction between informed, willing and mutually independent parties. The publicly available market price is used for financial instruments traded in a marketplace. Different accepted valuation methods, depending on the type of instrument, are used for financial instruments that are not traded in a marketplace. The valuation of fixed-income instruments is based on the zero-coupon yield curve at the balance sheet date.

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

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

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

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

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

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

#### Hedge accounting

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

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

Hedges have only been established for individual assets.

#### Cash and cash equivalents

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

**Foreign currency translation**

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

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

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

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

**Impairment**

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

**INCOME STATEMENT**

Income is recognised in the income statement as earned. This includes recognition of value adjustments of financial assets and liabilities measured at fair value or amortised cost. All costs incurred to generate the earnings for the year are also recognised in the income statement.

**Interest income and expenses**

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

**Dividends on shares etc.**

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

**Fees, charges and commissions**

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

**Securities and foreign exchange income**

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

- Value adjustment of credit risk on loans and receivables recognised in the income statement under "Impairment losses on loans and receivables".
- 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, expenses of administration and sales, etc. are recognised in "Staff costs and administrative expenses".

**Impairment losses on loans and receivables**

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

**Tax**

BRFkredit a/s is taxed on a pooled basis with BRFFonden, 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 for the year is charged to the income statement. The following elements are recognised in tax on profit for the year:

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

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

**BALANCE SHEET – ASSETS****Cash balance and demand deposits with central banks**

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

**Receivables from credit institutions and central banks**

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

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.

## NOTE 1

Amounts in DKK million

**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**

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

The portfolio of mortgages, from which sales regularly take place, is measured at fair value.

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.

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

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

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

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

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

Impairment provisions determined in this manner are deducted from the respective asset entries, whereas the shifts in impairment provisions 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.

*IIT software etc.*

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

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

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

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

**Investment properties**

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

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

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

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

**Owner-occupied properties**

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

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

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

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

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

**Plant and equipment**

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

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

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

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

**Equity investments in associated undertakings**

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

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

**BALANCE SHEET – LIABILITIES AND EQUITY****Payables to credit institutions and central banks**

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

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

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

**Deposits and other payables**

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

**Other liabilities etc.**

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

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

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

**Issued bonds at fair value**

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

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

The portfolio of own mortgage bonds is deducted.

**Subordinated capital**

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

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

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

*Equity investments in subsidiaries*

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

*Strategic shares/shares available for sale*

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

**OTHER POLICIES****Intercompany transactions**

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

**Cash flow statement**

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

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

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

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

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

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

**Presentation of accounting figures**

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

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

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

## 2 MATERIAL ACCOUNTING ESTIMATES MADE BY MANAGEMENT

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

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

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

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

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

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

### Segmental financial statements

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

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

### Other standards and interpretations of no relevance to the BRFKredit Group

The following standards were in force in 2007, but are of no relevance to the company. They include IAS 11, IAS 20, IAS 26, IAS 29, IAS 33, IAS 41, IFRS 2, IFRS 3, IFRS 4, IFRS 5 and IFRS 6.

The International Accounting Standards Board (IASB) has issued the following new financial reporting standards and interpretations to be implemented for financial years beginning on or after 1 January 2008.

IAS 1 <i>Amended</i>	Presentation of Financial Statements. The amendment requires BRFKredit to include comparative figures for two years in its future balance sheets.
IAS 23 <i>Amended</i>	Borrowing Costs. The amendment of the standard will have no effect on the financial statements of BRFKredit.
IFRS 8	Operating Segments. The standard replaces the current IAS 14.
IFRIC 11 & IFRS 2	Group and Treasury Share Transactions. The interpretation is of no relevance to the BRFKredit Group.
IFRIC 12	Service Concession Arrangements. The interpretation will have no effect on the financial statements of BRFKredit.
IFRIC 13	Customer Loyalty Programmes. The interpretation will have no effect on the financial statements of BRFKredit.
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The interpretation will have no effect on the financial statements of BRFKredit.

## NOTES 3 4 5

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>3 INTEREST INCOME</b>				
Receivables from credit institutions and central banks <sup>1)</sup>	155	136	156	143
Loans and other receivables	7,704	6,353	7,501	6,239
Commissions	780	710	780	710
Bonds <sup>2)</sup>	180	153	180	153
Financial derivatives	19	38	19	38
Other interest income	17	13	17	13
<b>Total interest income</b>	<b>8,855</b>	<b>7,403</b>	<b>8,654</b>	<b>7,297</b>
1) Of which interest income on reverse transactions entered under "Receivables from credit institutions and central banks"	36	36	36	36
2) Interest received on own mortgage bonds, DKK 339 million (2006: DKK 233 million), has, according to the accounting rules, been set off against interest expenses for issued bonds under interest expenses. Real interest income on the bond portfolio is thus DKK 519 million (DKK 386 million).				
<b>4 INTEREST EXPENSES</b>				
Payables to credit institutions and central banks <sup>1)</sup>	103	65	57	59
Deposits and other payables	58	29	-	-
Issued bonds	7,325	6,145	7,325	6,145
Subordinated capital	74	56	74	56
Other interest expenses	6	8	5	4
<b>Total interest expenses</b>	<b>7,566</b>	<b>6,303</b>	<b>7,461</b>	<b>6,264</b>
1) Of which interest expenses from repo transactions entered under "Payables to credit institutions and central banks"	41	40	41	40
<b>5 FEES, CHARGES AND COMMISSION INCOME</b>				
Fees and charges	88	113	82	106
Brokerage	76	89	76	89
Other fees, charges and commission income	35	13	1	1
<b>Total fees, charges and commission income</b>	<b>199</b>	<b>215</b>	<b>159</b>	<b>196</b>
<b>Of which fees, charges and commission income from banking business</b>				
Payment services	0	0		
Originating fees	23	11		
Commissions on guarantees	13	9		
Other fees, charges and commission income	6	3		
<b>Total fees, charges and commission income from banking business</b>	<b>43</b>	<b>23</b>		

## NOTES 6 7 8

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>6 SECURITIES AND FOREIGN EXCHANGE INCOME (- SIGNIFIES A LOSS)</b>				
Mortgage loans <sup>1)</sup>	-5,275	-4,024	-5,276	-4,025
Other loans and receivables at fair value	14	3	7	-0
Bonds	25	-67	25	-67
Shares at fair value	144	114	176	161
Shares - available for sale <sup>2)</sup>	-1	-1	-	-
Investment properties	2	19	2	19
Foreign exchange	-1	0	-1	0
Interest-rate contracts and financial derivatives <sup>1)</sup>	48	94	46	89
Issued bonds <sup>1)</sup>	5,253	4,059	5,253	4,059
<b>Total securities and foreign exchange income/loss</b>	<b>209</b>	<b>197</b>	<b>231</b>	<b>236</b>

1) Adjustments of the balance principle brought a total gain of DKK 4 million (2006: DKK 5 million), resulting from a net value adjustment of the following items: Mortgage loans down by DKK 5,276 million (down by DKK 4,025 million), issued bonds up by DKK 5,253 million (up by DKK 4,059 million) and fixed-price agreements in connection with loan disbursements etc. up by DKK 28 million (down by DKK 29 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. In 2007 strategic shares brought a market value gain of DKK 33 million (2006: DKK 48 million), recognised directly in equity, and a market value loss of DKK 1 million (DKK 1 million), recognised in the income statement.

	2007	2006	2007	2006
<b>7 STAFF COSTS AND ADMINISTRATIVE EXPENSES</b>				
Staff costs (see note 8)	457	435	424	404
Administrative expenses	283	259	269	249
Sales costs	92	102	91	102
Other costs and expenses	2	2	9	7
<b>Total staff costs and administrative expenses</b>	<b>834</b>	<b>799</b>	<b>793</b>	<b>762</b>

	2007	2006	2007	2006
<b>8 STAFF COSTS</b>				
Emoluments and remuneration of Supervisory Board and Board of Representatives <sup>1)</sup>	3	3	3	3
Wages and salaries <sup>2)</sup>	375	360	346	332
Defined-contribution pensions <sup>3)</sup>	39	36	37	35
Social security costs	40	36	38	35
<b>Total staff costs</b>	<b>457</b>	<b>435</b>	<b>424</b>	<b>404</b>

1) The annual emoluments of ordinary members of the Supervisory Board were DKK 175,000 (2006: DKK 150,000). 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 5.7 million (2006: DKK 6.2 million). In addition, an amount of DKK 1.5 million was contributed to the Executive Board's pension schemes in 2007 (DKK 1.6 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 2007 (DKK 0.5 million).

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.

## NOTES 9 10 11 12

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>9 AUDITORS' FEES</b>				
Fee for statutory audit	2	2	2	2
Other fees of accounting company	8	6	8	6
<b>Total audit fees</b>	<b>10</b>	<b>8</b>	<b>10</b>	<b>8</b>

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

	2007	2006	2007	2006
<b>10 NUMBER OF EMPLOYEES</b>				
Average number of employees during the financial year (full-time equivalent)	780	781	713	714

	2007	2006	2007	2006
<b>11 IMPAIRMENT LOSSES ON LOANS AND RECEIVABLES</b>				
Net changes in impairment provisions for individually assessed loans	82	-57	31	-58
Net changes in impairment provisions for groups of loans	4	-27	4	-27
Realised losses, not previously provided for impairment	25	6	24	5
Recoveries of loan losses previously written off	57	50	57	50
Value adjustment of foreclosed properties	-0	-1	-0	-1
Other changes	1	0	1	0
<b>Total impairment losses on loans and receivables</b>	<b>56</b>	<b>-129</b>	<b>3</b>	<b>-131</b>
<i>Impairment provisions for individually assessed loans</i>				
Beginning of year	57	114	51	109
Impairment provisions during the year	118	7	62	3
Reversal of prior-year impairment charges	35	64	31	60
Other changes	-1	-0	-1	-0
<b>End of year</b>	<b>139</b>	<b>57</b>	<b>82</b>	<b>51</b>
<i>Impairment provisions for groups of loans</i>				
Beginning of year	11	38	11	38
Impairment provisions during the year	15	11	15	11
Reversal of prior-year impairment charges	11	38	11	38
<b>End of year</b>	<b>15</b>	<b>11</b>	<b>15</b>	<b>11</b>

	2007	2006	2007	2006
<b>12 ASSETS IMPAIRED</b>				
Loans and other receivables at amortised cost	17	1	-	-
Impairment	16	1	-	-
<b>Net</b>	<b>1</b>	<b>0</b>	<b>-</b>	<b>-</b>
Loans and other receivables at fair value	2,109	1,837	1,955	1,827
Impairment	138	67	57	62
<b>Net</b>	<b>1,971</b>	<b>1,770</b>	<b>1,898</b>	<b>1,764</b>
Shares etc.	16	9	-	-
Impairment	3	2	-	-
<b>Net</b>	<b>13</b>	<b>7</b>	<b>-</b>	<b>-</b>

No impairment has been recognised for other classes of assets.



## NOTES 13 14 15

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>13 INCOME FROM EQUITY INVESTMENTS IN ASSOCIATED AND SUBSIDIARY UNDERTAKINGS</b>				
Income from equity investments in associated undertakings (note 26)	9	3	9	3
Income from equity investments in subsidiaries before tax (note 27)	-	-	39	53
<b>Total income from equity investments in associated and subsidiary undertakings</b>	<b>9</b>	<b>3</b>	<b>48</b>	<b>56</b>
<b>14 TAX</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Current tax on income for the year	152	168	152	168
Readjustment of tax for previous years	0	0	0	0
Adjustment of deferred tax, temporary differences	-7	2	-7	2
Adjustment of deferred tax, change in corporation tax rate <sup>1)</sup>	-3	-	-3	-
<b>Total tax</b>	<b>142</b>	<b>170</b>	<b>142</b>	<b>170</b>
<b>Effective tax rate</b>				
Current tax rate for BRFkredit Group	25.0	28.0	25.0	28.0
Shares, non-taxable income and non-deductible expenses	-5.1	-4.7	-5.9	-6.6
Associated undertakings, non-taxable income and non-deductible expenses	-0.3	-0.1	-0.3	-0.1
Other non-taxable income and non-deductible expenses	0.3	-0.4	0.3	0.2
Change in corporation tax rate <sup>1)</sup>	-0.4	-	-0.4	-
Readjustment of current tax for previous years	0.0	0.0	0.0	0.0
<b>Effective tax rate</b>	<b>19.5</b>	<b>22.9</b>	<b>18.7</b>	<b>21.5</b>
1) The corporation tax rate in Denmark was reduced from 28% in 2006 to 25% in 2007.				
<b>15 RECEIVABLES FROM CREDIT INSTITUTIONS AND CENTRAL BANKS</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Time deposits with central banks	150	150	-	-
Receivables from credit institutions	6,923	7,897	7,320	8,799
Reverse transactions	370	3,992	370	3,992
<b>Total receivables from credit institutions and central banks</b>	<b>7,444</b>	<b>12,039</b>	<b>7,690</b>	<b>12,791</b>

DKK 0.5 billion of the above-mentioned receivables is included in BRFkredit's investment portfolio (2006: DKK 1.7 billion). The other receivables relate to the investment of temporary cash resulting from refinancing of ARM loans, immediate prepayments at par where the bonds have not yet been drawn as well as advance issues of bonds in connection with hedging of fixed-price agreements with loan customers.

## NOTES 16 17 18 19

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>16 BONDS AT FAIR VALUE</b>				
Own mortgage bonds	53,280	40,388	53,280	40,388
Other mortgage bonds	11,139	8,665	11,139	8,665
Government bonds	918	145	918	145
Other bonds	30	-	30	-
<b>Total before offsetting own mortgage bonds</b>	<b>65,367</b>	49,198	<b>65,367</b>	49,198
Own mortgage bonds (offset against "Issued bonds at fair value")	-53,280	-40,388	-53,280	-40,388
<b>Total bonds at fair value</b>	<b>12,087</b>	8,810	<b>12,087</b>	8,810

DKK 8.3 billion of the above-mentioned bonds is included in BRFkredit's investment portfolio (2006: DKK 7.3 billion). The other bonds relate to the investment of temporary surplus cash resulting from bonds for refinancing of ARM loans, immediate prepayments at par where the bonds have not yet been drawn as well as advance issues of bonds in connection with hedging of fixed-price agreements with loan customers. The portfolio of 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	
	2007	2006	2007	2006
<b>17 ASSETS ACQUIRED TEMPORARILY</b>				
Properties acquired temporarily <sup>1)</sup>	5	4	5	4
Subsidiary in possession with a view to sale	-	1	-	1
<b>Total assets acquired temporarily</b>	<b>5</b>	4	<b>5</b>	4

1) Properties acquired temporarily in connection with loan facilities. Net cash flows for these properties were DKK 0 million in 2007 (2006: DKK 0 million). At the end of 2007 the BRFkredit Group had seven foreclosed properties, all of which were acquired within the last twelve months.

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>18 OTHER ASSETS ETC.</b>				
Positive market value of financial derivatives etc. <sup>1)</sup>	22	33	18	33
Interest and commissions receivable	375	193	376	195
Loan applications in process	146	80	146	80
Prepaid expenses	21	18	20	18
Other assets	8	2	10	3
<b>Total other assets etc.</b>	<b>572</b>	326	<b>569</b>	328

1) At the end of 2007 the BRFkredit Group had a positive gross fair value of DKK 1.6 billion.

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>19 SHARES ETC.</b>				
Shares at fair value <sup>1)</sup>	847	720	1,164	994
Shares - available for sale <sup>2)</sup>	317	273	-	-
<b>Total shares etc.</b>	<b>1,164</b>	994	<b>1,164</b>	994

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 245 million (2006: DKK 191 million), for which there is no observable market price. Such shares are valued in accordance with generally accepted valuation methods.

## NOTES 20 21 22

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>20 LOANS AND OTHER RECEIVABLES AT FAIR VALUE</b>				
Mortgage loans, nominal value	<b>194,631</b>	176,081	<b>194,650</b>	176,104
Adjustment for interest-rate risk etc.	<b>-6,653</b>	-1,377	<b>-6,654</b>	-1,378
Adjustment for credit risk <sup>1)</sup>	<b>-125</b>	-39	<b>-51</b>	-39
<b>Total mortgage loans at fair value</b>	<b>187,853</b>	174,664	<b>187,945</b>	174,687
Arrears before impairment provisions	<b>137</b>	60	<b>137</b>	60
Execution before impairment provisions	<b>4</b>	3	<b>4</b>	3
Impairment provisions for arrears and execution	<b>-3</b>	-6	<b>-3</b>	-6
<b>Total arrears and execution</b>	<b>137</b>	57	<b>137</b>	57
Other loans	<b>436</b>	316	<b>169</b>	163
<b>Total loans and other receivables at fair value</b>	<b>188,426</b>	175,037	<b>188,251</b>	174,907

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.

<b>21 MORTGAGE LOANS BY CLASS OF PROPERTY, NOMINAL</b>	<b>2007</b>	2006	<b>2007</b>	2006
Owner-occupied homes	<b>46%</b>	46%	<b>46%</b>	46%
Vacation homes	<b>3%</b>	3%	<b>3%</b>	3%
Subsidised housing	<b>17%</b>	19%	<b>17%</b>	19%
Private rental housing	<b>20%</b>	19%	<b>20%</b>	19%
Industrial properties	<b>1%</b>	2%	<b>1%</b>	2%
Office and business properties	<b>12%</b>	11%	<b>12%</b>	11%
Agricultural properties etc.	<b>0%</b>	0%	<b>0%</b>	0%
Properties for social, cultural and educational purposes	<b>1%</b>	1%	<b>1%</b>	1%
Other properties	<b>0%</b>	0%	<b>0%</b>	0%
<b>Total mortgage loans by class of property</b>	<b>100%</b>	100%	<b>100%</b>	100%

<b>22 INTANGIBLE ASSETS</b>	<b>2007</b>	2006	<b>2007</b>	2006
Total cost at beginning of year	<b>180</b>	176	<b>179</b>	176
Additions	<b>5</b>	3	<b>5</b>	3
<b>Total cost at end of year</b>	<b>185</b>	180	<b>184</b>	179
Amortisation and impairment at beginning of year	<b>171</b>	167	<b>171</b>	167
Amortisation during the year	<b>4</b>	4	<b>4</b>	4
Amortisation and impairment at end of year	<b>176</b>	171	<b>175</b>	171
<b>Carrying amount at end of year</b>	<b>9</b>	8	<b>9</b>	8

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

## NOTES 23 24

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>23 INVESTMENT PROPERTIES</b>				
Carrying amount at beginning of year	134	115	134	115
Additions from subsequent expenses	0	0	0	0
Adjustment to fair value	2	19	2	19
<b>Carrying amount at end of year</b>	<b>136</b>	134	<b>136</b>	134

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

<i>Amounts recognised in income statement</i>				
Rental income	9	9	9	9
Direct expenses for properties rented in the period	1	3	1	3
<i>Future minimum payments under non-terminable contracts amount to DKK 9 million, broken down to the following periods</i>				
Within 1 year	9	9		
Between 1 and 5 years	-	-		
After 5 years	-	-		

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>24 OWNER-OCCUPIED PROPERTIES</b>				
<i>At beginning of year</i>				
Cost	484	360	385	262
Accumulated depreciation	77	74	70	68
Revaluation and impairment	83	34	87	37
<b>Carrying amount at beginning of year</b>	<b>490</b>	320	<b>402</b>	231
Additions	12	124	9	123
Depreciation during the year	3	2	3	2
Adjustment of impairment losses during the year	-2	-2	-	-
Adjustment to fair value	72	50	67	50
<b>Carrying amount at end of year</b>	<b>569</b>	490	<b>475</b>	402
<i>Future minimum payments under non-terminable contracts amount to DKK 23 million, broken down to the following periods</i>				
Within 1 year	4	7		
Between 1 and 5 years	9	8		
After 5 years	10	9		

Investment properties are recorded at fair value at 31 December.

Accumulated depreciation of owner-occupied properties for the BRFkredit Group was DKK 80 million (2006: DKK 77 million).

## NOTES 25 26

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>25 PLANT AND EQUIPMENT (OTHER TANGIBLE ASSETS)</b>				
<i>At beginning of year</i>				
Cost	66	62	65	61
Accumulated depreciation	50	43	50	43
<b>Carrying amount at beginning of year</b>	<b>16</b>	18	<b>16</b>	18
Additions	15	6	15	6
Disposals	0	1	0	1
Depreciation during the year	9	8	9	8
<b>Carrying amount at end of year</b>	<b>22</b>	16	<b>22</b>	16

Accumulated depreciation for the BRFkredit Group was DKK 59 million (2006: DKK 50 million).

	2007	2006	2007	2006
<b>26 EQUITY INVESTMENTS IN ASSOCIATED UNDERTAKINGS</b>				
Carrying amount at beginning of year	72	66	72	66
Share of profits after tax	9	3	9	3
Dividends received	1	2	1	2
Other changes in equity	-	5	-	5
Disposals of associated undertakings	15	0	15	0
<b>Carrying amount at end of year</b>	<b>65</b>	72	<b>65</b>	72

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

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

	BRFkredit's value	Assets	Liabil- ities	Revenue	Profit after tax	Ownership interest in %
<b>2006</b>						
EDC-partner a/s, Frederiksberg	65	141	8	7	3	50
Realkreditnettet Holding A/S, Copanhamen	7	128	46	10	-1	21
<b>2006 total</b>	<b>72</b>	<b>270</b>	<b>54</b>	<b>17</b>	<b>2</b>	
<b>2007</b>						
EDC-partner a/s, Frederiksberg <sup>1)</sup>	65	139	7	7	2	50
<b>2007 total</b>	<b>65</b>	<b>139</b>	<b>7</b>	<b>7</b>	<b>2</b>	

1) Measured on the basis of the latest financial statements at 31 December 2006.

## NOTES 27 28 29 30

Amounts in DKK million

	BRFkredit a/s	
	2007	2006
<b>27 EQUITY INVESTMENTS IN SUBSIDIARIES</b>		
Total cost at beginning of year	466	366
Additions	154	100
<b>Total cost at end of year</b>	<b>620</b>	466
Revaluation and impairment at beginning of year	235	198
Net profits	29	38
Other movements in capital	5	-
<b>Revaluation and impairment at end of year</b>	<b>269</b>	235
<b>Carrying amount at end of year</b>	<b>889</b>	701

	BRFkredit Group			
	2007	2006	2007	2006
<b>28 PAYABLES TO CREDIT INSTITUTIONS AND CENTRAL BANKS</b>				
Payables to credit institutions	1,113	1,198	66	1,092
Repo transactions	1,285	2,422	1,285	2,422
<b>Total payables to credit institutions and central banks</b>	<b>2,398</b>	3,620	<b>1,351</b>	3,515

	2007	2006
<b>29 DEPOSITS AND OTHER PAYABLES</b>		
Demand deposits	1,800	1,277
Time deposits	144	193
<b>Total deposits and other payables</b>	<b>1,944</b>	1,469

	2007	2006	2007	2006
<b>30 OTHER LIABILITIES ETC.</b>				
Negative market value of financial derivatives etc. <sup>1)</sup>	22	47	14	41
Negative securities portfolio in connection with reverse transactions	358	894	358	894
Interest and commissions payable	4,280	3,293	4,274	3,288
Loan applications in process	262	516	133	245
Other liabilities	150	130	127	113
Deferred income	2	10	2	9
<b>Total other liabilities etc.</b>	<b>5,074</b>	4,890	<b>4,909</b>	4,590

1) At the end of 2007 the BRFkredit Group had a positive gross fair value of DKK 1.2 billion.

## NOTES 31 32 33

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>31 ISSUED BONDS AT FAIR VALUE</b>				
Issued mortgage bonds, nominal value	253,702	221,894	253,702	221,894
Adjustment to fair value <sup>1)</sup>	-7,529	-2,033	-7,529	-2,033
Own mortgage bonds, fair value	-53,280	-40,388	-53,280	-40,388
<b>Total issued bonds</b>	<b>192,893</b>	179,474	<b>192,893</b>	179,474
Pre-issued	52,948	39,281	52,948	39,281
Drawn for redemption or maturing at next repayment date	947	1,175	947	1,175

- 1) Adjustment for credit risk was DKK 0 in 2007, unchanged from 2006. The amount was determined by an assessment of the following factors:  
a) credit risk on mortgage bonds is minimal, b) changes in fair value over the year were caused by changes in the benchmark rate,  
c) BRFkredit's credit ratings were unchanged in 2007.

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>32 SUBORDINATED CAPITAL</b>				
Subordinated bond loan, nom. EUR 200 million <sup>1)</sup>	1,490	1,488	1,490	1,488
Other subordinated loan capital				
Deposit account, Husejerns Kreditkasse <sup>2)</sup>	4	4	4	4
<b>Total subordinated capital <sup>3)</sup></b>	<b>1,494</b>	1,493	<b>1,494</b>	1,493

- 1) Interest on the loan in 2007: DKK 74 million (2006: DKK 56 million). The loan carries interest at the Euribor rate with the addition of 0.70% points. The loan is repayable on 19 October 2011 unless prepaid at par by BRFkredit from October 2008.  
2) The deposit account is written down in connection with the amortisation of the loan portfolio.  
3) DKK 1,494 million (2006: DKK 1,493 million) can be included in the calculation of own funds.

## 33 PROVISIONS FOR DEFERRED TAX

## BRFkredit a/s

Broken down into the following balance sheet items	Intangible and Provisions Sub-					Total
	Shares etc.	tangible assets	for liabilities	ordinated capital	Other	
Carrying amount at beginning of 2006	2	16	-8	2	-1	12
Adjustment against equity	-	11	-	-	-	11
Adjustments in income statement	-2	3	-1	1	0	2
<b>Carrying amount at end of 2006</b>	0	30	-8	4	-1	24
Adjustment, change in corporation tax rate	0	-3	1	-0	0	-3
Adjustment against equity	-	17	-	-	-	17
Adjustments in income statement	0	2	-3	-7	1	-7
<b>Carrying amount at end of 2007</b>	0	45	-11	-3	0	31

## NOTES 33 34 35

Amounts in DKK million

### BRFkredit Group

Broken down into the following balance sheet items	Intangible and tangible assets					Total
	Shares etc.	Intangible and tangible assets	Provisions for liabilities	Sub-ordinated capital	Other	
Carrying amount at beginning of 2006	2	17	-8	2	-1	13
Adjustment against equity	-	11	-	-	-	11
Adjustments in income statement	-2	3	-1	1	0	2
<b>Carrying amount at end of 2006</b>	<b>0</b>	<b>31</b>	<b>-8</b>	<b>4</b>	<b>-1</b>	<b>26</b>
Adjustment, change in corporation tax rate	0	-3	1	-0	0	-3
Adjustment against equity	-	17	-	-	-	17
Adjustments in income statement	0	2	-3	7	1	-7
<b>Carrying amount at end of 2007</b>	<b>0</b>	<b>47</b>	<b>-11</b>	<b>-3</b>	<b>0</b>	<b>33</b>

DKK -4 million (2006: DKK -5 million) is expected to be realised within 12 months, whereas DKK 37 million (DKK 31 million) is expected to be realised after 12 months.

34 OTHER PROVISIONS	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
At beginning of year	54	47	58	52
Additions	46	38	89	41
Provisions used	37	26	39	29
Provisions reversed	0	6	0	6
<b>At end of year</b>	<b>63</b>	<b>54</b>	<b>108</b>	<b>58</b>
<i>Provisions are expected to fall due</i>				
Within 1 year	37	42	82	46
Between 1 and 5 years	26	12	26	12

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

35 CONTINGENT LIABILITIES	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>Guarantees etc.</b>				
Financial guarantees <sup>1)</sup>	2,000	1,517	-	-
Other guarantees	46	22	42	18
<b>Total guarantees etc.</b>	<b>2,047</b>	<b>1,539</b>	<b>42</b>	<b>18</b>
<b>Other contingent liabilities <sup>2)</sup></b>				
Other liabilities <sup>3)</sup>	83	98	82	98
<b>Total other contingent liabilities</b>	<b>83</b>	<b>98</b>	<b>82</b>	<b>98</b>
<b>Total contingent liabilities</b>	<b>2,129</b>	<b>1,637</b>	<b>125</b>	<b>116</b>

1) Relate to conveyance and repayment 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 2007 BRFkredit had operating lease commitments of DKK 0.4 million in 2008 (2006: DKK 0.4 million in 2007) and DKK 0.3 million in total for the years 2009-2012 (DKK 0.4 million in total for 2008-2011). Lease payments under operational leases were DKK 0.7 million in 2007 (DKK 1.3 million).



## NOTES 36 37 38

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>36 SECURITY</b>				
Certificates of deposit with Danmarks Nationalbank provided as security for sum clearing	150	149	-	-
Margin account futures, options, etc.	47	24	47	24
Total security provided	197	173	47	24

Repo transactions involve an arrangement where bonds are provided as security for the amount borrowed. Reference is made to note 46 for details.

**37 LOAN OFFERS**

At 31 December 2007 the BRFkredit Group had open offers, pre-qualifications, etc. for DKK 29.6 billion (2006: DKK 30.2 billion). The life of these loan commitments was a maximum of six months.

<b>38 FIVE-YEAR SUMMARY</b>	2007	2006	2005	2004	2003
<b>BRFkredit Group</b>					
Capital adequacy ratio	12.6	12.5	13.3	14.1	13.5
Core capital ratio	10.9	10.8	11.5	12.1	11.5
Return on equity before tax (%)	6.8	7.4	8.2	5.4	9.2
Return on equity after tax (%)	5.5	5.7	7.0	4.2	7.1
Earnings per unit of cost (DKK)	1.80	2.08	2.14	1.82	2.06
Foreign exchange position (%)	2.7	2.0	1.6	1.5	0.5
Accumulated impairment ratio	0.1	0.0	0.1	0.2	0.3
Impairment ratio for the year	0.0	-0.1	0.0	-0.1	0.0
Growth in lending during the year (%)	10.9	11.5	11.2	3.0	3.5
Loan-to-equity ratio	17.5	17.2	16.9	16.1	16.5
Total weighted items	99,689	95,088	84,114	74,761	74,263
Core capital (tier 1) after deduction	10,907	10,290	9,701	9,025	8,538
Equity	11,047	10,374	9,710	9,029	8,548
Average equity	10,710	10,042	9,379	8,840	8,257
Lending, beginning of year	179,875	161,365	145,067	141,036	136,220
Lending, guarantees and impairment losses	195,035	180,104	165,046	145,811	141,714
Operating expenses	908	686	668	583	714
<b>BRFkredit a/s</b>					
Capital adequacy ratio	13.5	13.0	13.8	14.5	13.9
Core capital ratio	11.7	11.3	12.0	12.5	11.8
Return on equity before tax (%)	7.1	7.9	8.2	5.4	9.2
Return on equity after tax (%)	5.8	6.2	7.0	4.2	7.1
Earnings per unit of cost (DKK)	1.94	2.22	2.21	1.87	2.08
Foreign exchange position (%)	2.7	2.0	1.6	1.5	0.5
Accumulated impairment ratio	0.1	0.0	0.1	0.2	0.3
Impairment ratio for the year	0.0	-0.1	-0.1	-0.1	0.0
Growth in lending during the year (%)	10.6	10.7	11.3	2.9	3.4
Loan-to-equity ratio	17.1	16.9	16.7	15.9	16.3
Total weighted items	92,998	90,928	80,930	72,334	72,312
Core capital (tier 1) after deduction	10,912	10,290	9,701	9,025	8,538
Equity	11,047	10,374	9,710	9,029	8,548
Average equity	10,710	10,042	9,379	8,840	8,257
Lending, beginning of year	176,638	159,615	143,441	139,412	134,857
Lending, guarantees and impairment losses	188,840	175,340	162,427	143,727	139,824
Operating expenses	811	645	634	551	705

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

## NOTES 39 40 41 42

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>39 CAPITAL ADEQUACY STATEMENT/CAPITAL <sup>1)</sup></b>				
Core capital (tier 1) after deduction <sup>2)</sup>	<b>10,907</b>	10,290	<b>10,912</b>	10,290
Own funds (capital base) <sup>3)</sup>	<b>12,532</b>	11,858	<b>12,532</b>	11,858
Weighted items outside trading portfolio, including off-balance sheet items	<b>89,103</b>	88,416	<b>83,002</b>	85,460
Operational risk	<b>2,921</b>	-	<b>2,332</b>	-
Weighted items with market risk etc. <sup>4)</sup>	<b>7,664</b>	6,672	<b>7,664</b>	5,468
<b>Total weighted items</b>	<b>99,689</b>	95,088	<b>92,998</b>	90,928
Core capital (tier 1) after deduction as % of total weighted items	<b>10.9</b>	10.8	<b>11.7</b>	11.3
Capital adequacy ratio	<b>12.6</b>	12.5	<b>13.5</b>	13.0
BRFkredit's capital requirement according to rules of Financial Supervisory Authority <sup>5)</sup>	<b>7,975</b>	7,607	<b>7,440</b>	7,274

- 1) The capital adequacy statement for 2007 is based on the Basel II standardised approach. The capital adequacy statement for 2006 is based on former rules. Information required according to pillar 3 is included in the annual report.  
The BRFkredit Group applies two capital concepts: "Core capital after deduction" and "Own funds (capital base)", both of which are continuously monitored. The capital requirement is assessed in relation to risk-weighted assets (pillar 1) and in relation to the capital adequacy requirement (pillar 2) computed in accordance with the rules of the Financial Supervisory Authority. The definition of capital concepts and monitoring of the area are unchanged from 2006.
- 2) Core capital after deduction is derived by deducting intangible assets of DKK 9 million (2006: DKK 8 million) and revaluation reserve of DKK 131 million (DKK 76 million) from equity.
- 3) Own funds are derived by adding subordinated capital of DKK 1,494 million (DKK 1,493 million) and revaluation reserve of DKK 131 million (DKK 76 million) to core capital after deduction.
- 4) Of which weighted items with market risk related to assets are DKK 1.7 billion, equivalent to a capital adequacy requirement of DKK 139 million.
- 5) The BRFkredit Group complied with the capital adequacy requirement throughout 2007 with a margin at the above level.

<b>40 CAPITAL GAINS AND LOSSES ON FINANCIAL ASSETS AND LIABILITIES</b>	2007	2006
<b>Fair value adjusted in income statement</b>		
Trading portfolio (fixed-income instruments)	<b>73</b>	27
Decided at fair value (shares etc.)	<b>134</b>	152
<b>Available for sale</b>		
Recognised directly in equity	<b>33</b>	48
Transferred from equity and recognised in income statement	<b>0</b>	-

<b>41 INTEREST INCOME AND EXPENSES ON FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE IN INCOME STATEMENT</b>	2007	2006
Receivables from credit institutions and central banks etc.	<b>155</b>	136
Loans and other receivables at amortised cost	<b>212</b>	102
Payables to credit institutions and central banks	<b>-103</b>	-65
Deposits and other payables	<b>-58</b>	-29
Financial liabilities at amortised cost	<b>-74</b>	-56

<b>42 FEES, CHARGES AND EXPENSES RELATING TO FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE IN INCOME STATEMENT</b>	2007	2006
Outstanding balances with credit institutions and central banks etc.	<b>0</b>	-0
Loans and other receivables at amortised cost	<b>10</b>	5
Deposits and other payables	<b>4</b>	1

## NOTES 43 44 45 46

Amounts in DKK million

**43 INTEREST INCOME FROM IMPAIRED FINANCIAL ASSETS**

Interest income on financial assets in the BRFkredit Group on which an impairment loss had been recorded came to DKK 97 million in 2007 (2006: DKK 76 million).

	BRFkredit Group	
	2007	2006
<b>44 IMPAIRMENT OF FINANCIAL INSTRUMENTS (GROUPS)</b>		
Shares etc.	3	2
Loans and other receivables at amortised cost	16	1
Loans and other receivables at fair value	138	67
<b>Total</b>	<b>157</b>	<b>70</b>

**45 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE**

	2007	2006
<b>Financial assets at fair value adjusted in income statement</b>		
<i>Trading portfolio</i>		
Bonds at fair value	12,087	8,810
Other assets - derivative financial instruments (note 18)	22	33
<i>Decided at fair value</i>		
Loans and other receivables at fair value	188,426	175,037
Shares at fair value (note 19)	847	720
<b>Financial assets available for sale</b>		
Shares available for sale (note 19)	317	273
<b>Loans and receivables</b>		
Cash balance and demand deposits with central banks	12	6
Receivables from credit institutions and central banks	7,444	12,039
Loans and other receivables at amortised cost	4,408	3,460
<b>Financial liabilities at fair value adjusted in income statement</b>		
<i>Trading portfolio</i>		
Other liabilities - derivative financial instruments (note 30)	22	47
<i>Decided at fair value</i>		
Issued bonds at fair value	192,893	179,474
<b>Financial liabilities at amortised cost</b>		
Payables to credit institutions and central banks	2,398	3,620
Deposits and other payables	1,944	1,469
Subordinated capital	1,494	1,493

**46 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 361 million (2006: DKK 3,916 million). In keeping with its management of interest rate risk, the BRFkredit Group has sold back bonds for DKK 361 million (DKK 948 million).

**Repo transactions**

In connection with repo transactions concluded, bonds transferred temporarily are still recognised in the balance sheet in compliance with the set of rules. As the transferred bonds have merely been "lent" for a temporary period, the BRFkredit Group is still exposed to interest rate risk, and the "lent" bonds are consequently included in the overall management of interest rate risk. The carrying amount of these bonds is DKK 1,253 million (2006: DKK 2,369 million).

## NOTES 47 48

Amounts in DKK million

	BRFkredit Group	
	2007	2006
<b>47 HEDGE ACCOUNTING</b>		
<b>Hedging of fixed-rate loans</b>		
Acquisition price	57	57
Carrying amount	61	63
Fair value	61	63
Nominal value	57	57
Market value adjustment	-2	-5
<b>Underlying financial instruments</b>		
Nominal value of interest rate swap	56	56
Carrying value of interest rate swap	-4	-6
Fair value of interest rate swap	-4	-6
Market value adjustment of interest rate swap	3	3

The fair value of the above-mentioned transaction has been hedged. The hedged item is a fixed-rate loan at a nominal value of DKK 56.7 million. The hedging instrument is an interest rate swap of DKK 56.4 million. After hedging, interest rate risk has practically been eliminated.

	Carrying amount		Fair value	
	2007	2006	2007	2006
<b>48 INFORMATION ON FAIR VALUE OF FINANCIAL INSTRUMENTS</b>				
<b>NOT RECOGNISED AT FAIR VALUE - BRFKREDIT GROUP</b>				
Loans and other receivables at amortised cost	4,408	3,460	4,410	3,465
Subordinated capital	1,494	1,493	1,482	1,507

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

## NOTE 49

Amounts in DKK million

## 49 RELATED PARTY TRANSACTIONS

The Company is wholly owned by BRHolding 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 51.

The Company's associated undertakings, see note 26, and their subsidiaries.

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

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

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

BRFKredit has concluded agreements on joint administrative tasks with parent companies and subsidiaries.

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 6 to the financial statements.

**The following transactions were concluded with related parties**

	Interest income	Interest expenses	Fees, charges and commission income	Fees, charges and commissions paid	Other operating income	Staff costs and administrative expenses
<b>2006</b>						
Parent companies	-	2	-	-	0	-
Subsidiaries	27	2	-	6	6	1
Associated undertakings	0	-	-	-	-	-
Supervisory Board etc.	0	0	-	-	-	10
Other related parties	-	6	-	-	0	-
	28	10	-	6	6	11
<b>2007</b>						
Parent companies	-	2	-	-	0	-
Subsidiaries	37	2	0	7	8	1
Associated undertakings	-	-	-	-	-	-
Supervisory Board etc.	0	0	-	-	-	9
Other related parties	-	5	-	-	0	-
	38	10	0	7	8	10

The parent company received dividends from associated undertakings of DKK 1 million (2006: DKK 2 million).

The parent company did not receive dividends from subsidiaries in 2007 or 2006.

## NOTES 49 50

Amounts in DKK million

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

#### 31 December 2006

	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	-	-	-	50	-	-
Subsidiaries	4,062	372	5	195	5	-
Associated undertakings	-	2	0	-	-	-
Supervisory Board etc.	-	5	-	-	-	-
Other related parties	-	-	-	-	-	133
	4,062	380	5	245	5	133

#### 31 December 2007

	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	3,356	468	9	3	6	-
Associated undertakings	-	-	-	-	-	-
Supervisory Board etc.	-	12	-	-	-	-
Other related parties	-	-	-	-	-	114
	3,356	480	9	54	6	114

Out of receivables from subsidiaries at 31 December 2007, demand deposits with BRFBank accounted for DKK 3,356 million (2006: DKK 4,062 million), whereas DKK 450 million (DKK 350 million) related to subordinated capital provided to BRFBank as a floating-rate loan repayable in 2014 (DKK 150 million), 2016 (DKK 100 million) and 2017 (DKK 200 million) unless BRFBank terminates the loan at one month's notice. Other receivables include a fixed-rate mortgage loan of DKK 18 million (DKK 22 million) to Ejendomselskabet Nørreport and various other receivables of DKK 9 million (DKK 5 million).

Out of payables to subsidiaries at 31 December 2007, payables in demand deposits with BRFBank accounted for DKK 3 million (2006: DKK 195 million). Other payables related to intercompany accounts in a total amount of DKK 51 million (DKK 50 million).

The Company had granted a loan to an associated undertaking of DKK 2 million at 31 December 2006. The loan was repaid in early 2007. The loan had been granted on normal business terms, and interest and principal payments in 2007 were DKK 2 million (2006: DKK 2 million).

In 2007 the Company increased the capital of subsidiaries by DKK 154 million (2006: DKK 100 million). The capital of associated undertakings was not increased in 2007 or 2006.

The Company had granted mortgage loans to members of the Supervisory Board and Executive Board with an outstanding loan balance of DKK 12 million at 31 December 2007 (2006: DKK 5 million). All the loans had been granted on normal business terms and amounted to DKK 12 million for fixed-rate loans carrying interest at 4-6%. Members of the Supervisory Board and Executive Board made interest and principal payments of DKK 1 million in 2007 (DKK 1 million).

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

At 31 December 2007 Byggeriets Realkreditfonds Understøttelsesfond had a portfolio of mortgage bonds issued by BRFKredit of DKK 114 million (2006: DKK 133 million).

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

### 50 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.

## NOTES 51 52 53

Amounts in DKK million

**51 CONSOLIDATED COMPANIES**

Name and registered office	Company capital at year-end *)	Equity at year-end *)	Share-holding, %	Profit *
<b>Subsidiaries included in consolidation</b>				
BRFbank a/s, Kgs. Lyngby	195	813	100	29
Ejendomsselskabet Nørreport 26, 8000 Århus C. A/S, Århus	5	61	100	4
Ejendomsselskabet Nørgaardsvej 37-41, 2800 Lyngby A/S, Kgs. Lyngby	3	15	100	-4

**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

\*) According to latest published financial statements

**52 CREDIT RISKS**

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

The BRFkredit Group's maximum credit risk on financial assets decided at fair value (loans and shares) theoretically amounted to DKK 189.3 billion (2006: 175.8 billion). Because of the collateral security involved in mortgage loans, however, the actual credit risk associated with mortgage lending is limited. A statement of impairment according to IFRS entailed an impairment requirement relating to credit risk of DKK 153 million at the end of 2007 (DKK 67 million).

The BRFkredit Group's maximum credit risk on fixed-income instruments (bonds and financial derivatives with a positive market value) theoretically amounted to DKK 12.1 billion (2006: DKK 8.8 billion). As all counterparties are major financial institutions within the EU, credit risk is assessed to be minimal.

In respect of loans of DKK 138 million (2006: DKK 187 million), workout agreements to reschedule one or more loan payments have been concluded.

<b>53 MARKET RISKS</b> <sup>1,2)</sup>	BRFkredit Group	
	2007	2006
Interest rate risk, Financial Supervisory Authority method	503	352
Interest rate risk, Internal method	226	284

1) 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.

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

## NOTE 54

Amounts in DKK million

	BRFkredit Group		BRFkredit a/s	
	2007	2006	2007	2006
<b>54 LIQUIDITY RISKS</b>				
<b>BY REMAINING TERM TO MATURITY</b>				
<b>Receivables from credit institutions and central banks</b>				
On demand	3,981	3,307	4,491	4,209
Up to 3 months	3,446	8,615	3,183	8,465
Over 3 months and up to 1 year	2	103	2	103
Over 1 year and up to 5 years	12	13	12	13
Over 5 years	2	2	2	2
<b>Total</b>	<b>7,444</b>	<b>12,039</b>	<b>7,690</b>	<b>12,791</b>
<b>Loans and other receivables <sup>1)</sup></b>				
On demand	1,750	400	-	-
Up to 3 months	1,964	2,454	1,036	1,046
Over 3 months and up to 1 year	5,719	6,103	4,644	5,326
Over 1 year and up to 5 years	27,410	24,957	26,816	24,466
Over 5 years	155,991	144,584	156,205	144,421
<b>Total</b>	<b>192,834</b>	<b>178,498</b>	<b>188,701</b>	<b>175,259</b>
<b>Payables to credit institutions and central banks</b>				
On demand	63	423	66	317
Up to 3 months	1,535	3,197	1,285	3,197
Over 3 months and up to 1 year	-	-	-	-
Over 1 year and up to 5 years	800	-	-	-
Over 5 years	-	-	-	-
<b>Total</b>	<b>2,398</b>	<b>3,620</b>	<b>1,351</b>	<b>3,515</b>
<b>Deposits and other payables</b>				
On demand	1,800	1,277	-	-
Up to 3 months	143	193	-	-
Over 3 months and up to 1 year	1	-	-	-
Over 1 year and up to 5 years	-	-	-	-
Over 5 years	-	-	-	-
<b>Total</b>	<b>1,944</b>	<b>1,469</b>	<b>-</b>	<b>-</b>
<b>Issued bonds at fair value <sup>1)</sup></b>				
Up to 3 months	25,473	27,821	25,473	27,821
Over 3 months and up to 1 year	2,511	2,579	2,511	2,579
Over 1 year and up to 5 years	61,761	53,848	61,761	53,848
Over 5 years	103,147	95,226	103,147	95,226
<b>Total</b>	<b>192,893</b>	<b>179,474</b>	<b>192,893</b>	<b>179,474</b>

### Financial guarantees

The BRFkredit Group's financial guarantees at the end of 2007 were DKK 2,035 million (2006: DKK 1,517 million). The financial guarantees relate to conveyance and repayment guarantees where the BRFkredit Group historically has incurred no loss, and the cash flow effect is therefore expected to be DKK 0. Financial guarantees are usually for a term of under 1 year.

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.



**55 DIFFERENCE BETWEEN CONSOLIDATED FINANCIAL STATEMENTS PRESENTED UNDER IFRS AND CONSOLIDATED FINANCIAL STATEMENTS**

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

This difference means that the consolidated net profit for 2007 is DKK 33 million (2006: DKK 48 million) lower in the annual report than the amount reported to the Financial Supervisory Authority in compliance with the Authority's rules. Equity is identical in the two calculations.

**56 DIRECTORSHIPS AND EXECUTIVE POSITIONS****Directorships and executive positions held by the Supervisory Board**

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

**Oluf Engell**

*Chairman of the supervisory boards of:*

BRFholding a/s  
Dades a/s  
Aktieselskabet Einar Willumsen

*Member of the supervisory boards of:*

Andersen & Martini A/S  
Haldor Topsøe A/S

**Troels Behr**

*Chairman of the supervisory boards of:*

Arkitekttegnestuen Virumgård A/S

**Lars Henrik Munch**

*Chairman of the supervisory boards of:*

Skandinavisk Film Kompagni Holding A/S

*Member of the executive board of:*

JP/Politikens Hus A/S

**Kurt Bligaard Pedersen**

*Member of the executive board of:*

DONG Naturgas A/S

*Member of the supervisory boards of:*

BRFholding A/S

**Kristian May**

*President and CEO of:*

MT Højgaard A/S

**Aksel Nissen**

*Member of the supervisory boards of:*

Dalhoff Larsen & Horneman A/S

*Member of the executive board of:*

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

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

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

**Sven A, Blomberg**

*Chairman of the supervisory boards of:*

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

*Member of the supervisory boards of:*

Værdipapircentralen A/S  
Stig Jørgensen & Partners A/S

*Member of the executive board of:*

BRFholding A/S

**Carsten Tirsbæk Madsen**

*Member of the supervisory boards of:*

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

Name	Age	Elected to Supervisory Board
Oluf Engell	62	April 1991
Kurt Bligaard Pedersen	48	April 2001
Troels Behr	62	May 1990
Laila Busted	47	April 1999
Jan Frederiksen	52	April 2003
Kristian May	51	April 2006
Lars Henrik Munch	48	April 2002
Aksel Nissen	63	April 2003
Thomas Sandelius	40	August 2002

## SERIES ACCOUNTS

Amounts in DKK million

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

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

### SUMMARY SERIES ACCOUNTS

	Husejernes Kreditkasse	BRFKredit series with joint and several liability	BRFKredit Capital Centre B	General Capital Centre	Total
<b>Income statement for 2007</b>					
Income from lending	0	32	709	55	797
Interest on subordinated capital	0	0	0	74	74
Interest etc., net	1	30	620	194	844
Administrative expenses etc., net	1	26	541	233	801
Write-offs and provisions for losses on loans	0	0	4	-1	2
Tax	0	7	147	-11	143
Net profit for the year	0	30	638	-47	621
<b>Balance sheet at 31 December 2007</b>					
<b>Assets <sup>1)</sup></b>					
Mortgage loans etc.	197	12,008	163,755	12,142	188,102
Other assets	22	1,053	70,282	5,653	77,010
Total assets	219	13,061	234,037	17,796	265,112
<b>Liabilities and equity</b>					
Issued mortgage bonds etc.	211	12,767	255,069	13,936	251,983
Other liabilities	0	29	519	39	588
Subordinated capital	4	0	0	1,490	1,494
Equity	3	265	8,448	2,331	11,047
Total liabilities and equity	219	13,061	234,037	17,796	265,112
1) Assets in series accounts					
Assets in financial statements					211,832
Assets in series accounts					265,112
Difference					-53,280
The difference is due to:					
Offsetting of own issued mortgage bonds - note 16					-53,280

## AUDIT OPINIONS

### Internal auditor's opinion

The summary of the series accounts at association level has been prepared on the basis of the Annual Report and series accounts of BRFKredit a/s for the year ended 31 December 2007, which we have audited. We have verified that the summary has been prepared in compliance with the underlying series accounts and Order No. 872 of 20 November 1995 of the Danish Financial Supervisory Authority.

Kgs. Lyngby, 20 February 2008

Arne List  
Head of Internal Audit Department

### Independent auditors' opinion

The summary of the series accounts at association level has been prepared on the basis of the Annual Report and series accounts of BRFKredit a/s for the year ended 31 December 2007, which we have audited. In cooperation with the Company's Internal Audit Department, we have verified that the summary has been prepared in compliance with the underlying series accounts and Order No. 872 of 20 November 1995 of the Danish Financial Supervisory Authority.

Hellerup, 20 February 2008

Kim Füchsel  
State-Authorised Public Accountant

Jesper Edelbo  
State-Authorised Public Accountant

## GLOSSARY

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### Balance principle

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

### Bond series

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

### Capital adequacy ratio

An indication of BRFKredit's capital adequacy, this ratio is computed as the relationship in % 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.

### 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.

### Cash flow statement

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

In mortgage credit institutions, a cash flow statement will often be strongly affected by the fact that "money" is the product they trade in. Hence, at mortgage refinancing wave will often generate considerable surplus liquidity because loan amounts paid prematurely by borrowers are received at the effective date of prepayment, whereas the prepaid instalments are not transferred to the owners of BRFKredit's bonds until the following loan repayment date. Surplus liquidity is also generated when borrowers conclude fixed-price agreements for the disbursement of their loans as BRFKredit issues and sells the underlying bonds at the date when the price is locked in, whereas the cash funds are not transferred to the borrower until the date of disbursement.

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

### Commissions

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

### Core capital

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

### General Capital Centre

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

### Own funds (capital base)

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

### Risk-weighted assets

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

### Series

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

### Subordinated capital

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

### Supplementary capital

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

### Swap

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

Balance principle Bond  
**series** Capital adequacy  
ratio Capital centre  
**Cash flow statement**  
Commissions Core  
capital General Capital  
Centre **Own funds**  
Risk-weighted assets  
Series **Subordinated**  
**capital** Supplementary  
capital Swap Balance  
principle **Bond series**  
Capital adequacy ratio  
Capital centre **Cash**  
**flow statement**





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