

Adequate capital base for BRFkredit a/s for Q1 2015

To comply with the requirement of quarterly publication of the adequate capital base for BRFkredit a/s, a separate document regarding the solvency need situation has been prepared as a supplement to the publication of the interim report for Q1 2015.

The determination of the adequate capital base for BRFkredit a/s takes place according to the 8+ method based on the capital base requirement of 8 % of the total risk-weighted exposure with additions to cover further risks that are assessed not to be covered by the capital base requirement. These may be risks that are assessed not to be covered by the capital base requirement or risks that are assessed to be above normal in relation to the capital base requirement for the risk type on question.

When assessing the adequate capital base, all circumstances as mentioned in appendix 1 in the Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need are included. Based on BRFkredit's business model and risk profile, the importance of the individual circumstances on BRFkredit's capital structure is assessed, and for important circumstances, the size of the capital addition is quantified based on the guidelines in the instructions on adequate capital base and solvency requirements.

Credit risks

BRFkredit a/s has assumed credit risks necessitating separate additions for the capital base requirement for credit risk. These additions cover

- credit risk for large clients with financial problems,
- credit risk for weak clients in the remaining credit portfolio,
- credit risk concentration on individual exposures,
- credit risk concentration on clients with adjustable-rate loans,
- excessive impairment charges relative to expected losses, and
- model uncertainty.

Market risks

BRFkredit a/s has not assumed market risks necessitating any separate addition for the capital base requirement for market risk.

Operational risks

BRFkredit a/s has not assumed operational risks necessitating any separate addition for the capital base requirement for operational risk.

Other risks

BRFkredit a/s budgets for lending growth exceeding the limits of the instructions for allocation of additions, and therefore separately capital is reserved to cover this risk. In addition to this,

BRFkredit a/s has no other risks, including the risk of low earnings, liquidity risk and re-financing risk that will necessitate separate initiatives.

Adequate capital base

The adequate capital base for BRFkredit a/s amounted to DKK 6.0bn at Q1 2015, corresponding to an individual solvency requirement of 10.1 %. The capital base requirement, inclusive of the transitional rules for the determination of credit risk according to the IRB approach amounts to DKK 7.1bn (12.1 %). The capital base for BRFkredit a/s amounted to DKK 11.2bn at Q1 2015, corresponding to a capital ratio of 18.9 %.

Adequate capital base and solvency requirement for BRFkredit a/s				
DKKm	Q1 2015	% of REA	Q4 2014	% of REA
Credit risk	5,251	8.9	5,422	9.2
Market risk	289	0.5	318	0.5
Operational risk	231	0.4	240	0.4
Other	213	0.3	320	0.5
Total	5,984	10.1	6,300	10.6