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# **INTERIM FINANCIAL REPORT**

## **FIRST QUARTER 2016**

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## THE BRFKREDIT GROUP\*

<b>CORE PROFIT AND NET PROFIT FOR THE PERIOD</b>	<b>Q1</b>	<b>Q1</b>	<b>Index</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>The year</b>
DKKkm	<b>2016</b>	<b>2015</b>	<b>16/15</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
Contribution income, etc. <sup>1)</sup>	434	406	107	434	432	431	418	406	1,687
Other net interest income <sup>2)</sup>	-22	8	-	-22	-13	-18	-22	8	-45
Net fee and commission income, etc.	36	61	59	36	83	60	52	61	256
Value adjustments, etc. <sup>2)</sup>	16	13	123	16	17	-6	-130	13	-106
Other income	12	5	240	12	15	17	3	5	40
<b>Core income</b>	<b>475</b>	<b>494</b>	<b>96</b>	<b>475</b>	<b>534</b>	<b>483</b>	<b>321</b>	<b>494</b>	<b>1,832</b>
Core expenses	203	231	88	203	211	225	241	231	908
<b>Core profit before loan impairment charges</b>	<b>272</b>	<b>263</b>	<b>103</b>	<b>272</b>	<b>322</b>	<b>258</b>	<b>80</b>	<b>263</b>	<b>923</b>
Loan impairment charges and provisions for guarantees (- income)	-35	76	-	-35	82	-27	-28	76	103
<b>Core profit</b>	<b>307</b>	<b>187</b>	<b>164</b>	<b>307</b>	<b>241</b>	<b>285</b>	<b>108</b>	<b>187</b>	<b>821</b>
Investment portfolio earnings	-9	56	-	-9	38	-32	27	56	89
<b>Pre-tax profit</b>	<b>298</b>	<b>244</b>	<b>122</b>	<b>298</b>	<b>278</b>	<b>253</b>	<b>134</b>	<b>244</b>	<b>909</b>
Tax	65	56	116	65	64	57	33	56	210
<b>Net profit or loss for the period</b>	<b>233</b>	<b>187</b>	<b>125</b>	<b>233</b>	<b>214</b>	<b>196</b>	<b>102</b>	<b>187</b>	<b>699</b>

<sup>1)</sup> Contribution income, etc. covers contribution income as well as interest rate margin on jointly funded loans.

<sup>2)</sup> Cost of capital consists of:

Interest	31	33	94	31	32	32	36	33	133
Value adjustment	-4	25	-	-4	2	-19	-7	25	1
<b>Total capital charges</b>	<b>27</b>	<b>58</b>	<b>47</b>	<b>27</b>	<b>34</b>	<b>13</b>	<b>29</b>	<b>58</b>	<b>134</b>

<b>SUMMARY OF BALANCE SHEET, END OF PERIOD</b>	<b>Q1</b>	<b>Q1</b>	<b>Index</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>The year</b>
DKKkm	<b>2016</b>	<b>2015</b>	<b>16/15</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
Bank loans and advances	-	2,668	-	-	-	-	-	2,668	-
Mortgage loans, etc.	259,331	230,614	112	259,331	250,892	243,784	235,134	230,614	250,892
Bonds and shares, etc.	11,243	27,135	41	11,243	8,127	9,550	19,829	27,135	8,127
<b>Total assets</b>	<b>280,687</b>	<b>267,954</b>	<b>105</b>	<b>280,687</b>	<b>269,794</b>	<b>263,175</b>	<b>267,894</b>	<b>267,954</b>	<b>269,794</b>
Due to credit institutions and central banks	256	6,204	4	256	94	955	5,453	6,204	94
Bank deposits	-	4,554	-	-	-	-	-	4,554	-
Issued bonds at fair value	260,799	237,555	110	260,799	249,772	241,992	243,510	237,555	249,772
Issued bonds at amortised cost	4,715	5,178	91	4,715	4,719	4,716	4,715	5,178	4,719
Equity	12,014	11,269	107	12,014	11,781	11,555	11,357	11,269	11,781

<b>SELECTED DATA AND FINANCIAL RATIOS</b>	<b>Q1</b>	<b>Q1</b>	<b>Index</b>	<b>Q1</b>	<b>Q4</b>	<b>Q3</b>	<b>Q2</b>	<b>Q1</b>	<b>The year</b>
	<b>2016</b>	<b>2015</b>	<b>16/15</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
Net profit or loss for the period as a percentage of opening equity	2.5	2.2	-	2.5	2.4	2.3	1.2	2.2	8.2
Net profit or loss for the period after tax as a percentage of av. equity	2.0	1.7	-	2.0	1.7	1.7	0.9	1.7	6.1
Income/cost ratio (%)	2.8	1.8	-	2.8	1.9	2.3	1.6	1.8	1.9
Accumulated impairment ratio (%)	0.5	1.0	-	0.5	0.6	0.6	0.6	1.0	0.6
Impairment ratio for the period (%)	-0.01	0.03	-	-0.01	0.03	-0.01	-0.01	0.03	0.04
Capital ratio (%)	18.9	18.2	-	18.9	19.1	19.2	18.8	18.2	19.1
Common Equity Tier 1 capital ratio (CET1 %)	18.8	18.0	-	18.8	18.9	18.9	18.7	18.0	18.9
Individual solvency requirement (%)	9.2	10.3	-	9.2	9.6	9.7	9.7	10.3	9.6
Capital base (DKKkm)	11,958	11,161	-	11,958	11,820	11,583	11,275	11,161	11,820
Total risk exposure	60,291	61,236	-	60,291	61,770	60,291	59,854	61,236	61,770
No. of full-time employees at end-period	694	767	-	694	706	699	712	767	706

\* In the following the BRFkredit Group will be referred to as BRFkredit.

## SUMMARY OF INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER OF 2016

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- *Core income: DKK 475m (Q1 2015: DKK 494m).*
  - *Pre-tax profit for the period: DKK 298m (Q1 2015: DKK 244m).*
  - *Loan impairment charges and provisions for guarantees: income of DKK 35m (Q1 2015: expenses of DKK 76m).*
  - *Mortgage loans: DKK 259.3bn (End of 2015: DKK 250.9bn).*
  - *Capital ratio: 18.9% (end of 2015: 19.1%), of which the Common Equity Tier 1 capital ratio was 18.8% (end of 2015: 18.9%).*
  - *Individual solvency requirement: 9.2% (End of 2015: 9.6%).*
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### COMMENTS BY MANAGEMENT

In connection with the presentation of the Interim Financial Report for the first quarter of 2016, Carsten Tirsbæk Madsen, Chief Executive Officer, states:

BRFkredit generated a satisfactory pre-tax profit of DKK 298m for the first quarter of 2016, which is an improvement by DKK 54m relative to the same period last year. The improvement can primarily be attributed to falling impairment charges, falling costs and rising contribution income, etc. due to the increasing portfolio.

In the first quarter of 2016, the total nominal portfolio grew by DKK 6.3bn to DKK 254.2, of which jointly funded loans amounted to DKK 45.5bn. Over the quarter, BRFkredit was to an increasing degree contacted by clients and the activity level increased, one reason being BRFkredit's decision not to raise prices for personal clients in 2016.

At the end of March 2016, BRFkredit's capital base and surplus amounted to DKK 12.0bn and DKK 3.9bn, respectively.

For 2016, it is expected that the core business will improve relative to 2015, primarily due to growth in the mortgage credit portfolio. The overall profit is, in particular, sensitive to the development of loan impairment charges and provisions for guarantees as well as the development in the securities market', concludes Carsten Tirsbæk Madsen.

## FIRST QUARTER OF 2016

### NET PROFIT OR LOSS FOR THE PERIOD

Over the first quarter of 2016, BRFkredit generated a pre-tax profit of DKK 298m. Calculated tax amounted to DKK 65m, and net profit or loss for the period amounted to DKK 233m.

Pre-tax profit corresponded to a return on equity of 10.1% p.a. against a return of 8.8% p.a. for the corresponding period of 2015.

<b>CORE PROFIT AND NET PROFIT FOR THE PERIOD</b> DKKm	<b>Q1</b> <b>2016</b>	<b>Q1</b> <b>2015</b>	<b>Index</b> <b>16/15</b>	<b>Q1</b> <b>2016</b>	<b>Q4</b> <b>2015</b>	<b>Q3</b> <b>2015</b>	<b>Q2</b> <b>2015</b>	<b>Q1</b> <b>2015</b>	<b>The year</b> <b>2015</b>
Contribution income, etc. <sup>1)</sup>	434	406	107	434	432	431	418	406	1,687
Other net interest income <sup>2)</sup>	-22	8	-	-22	-13	-18	-22	8	-45
Net fee and commission income, etc.	36	61	59	36	83	60	52	61	256
Value adjustments, etc. <sup>2)</sup>	16	13	123	16	17	-6	-130	13	-106
Other income	12	5	240	12	15	17	3	5	40
<b>Core income</b>	<b>475</b>	<b>494</b>	<b>96</b>	<b>475</b>	<b>534</b>	<b>483</b>	<b>321</b>	<b>494</b>	<b>1,832</b>
Core expenses	203	231	88	203	211	225	241	231	908
<b>Core profit before loan impairment charges</b>	<b>272</b>	<b>263</b>	<b>103</b>	<b>272</b>	<b>322</b>	<b>258</b>	<b>80</b>	<b>263</b>	<b>923</b>
Loan impairment charges and provisions for guarantees (- income)	-35	76	-	-35	82	-27	-28	76	103
<b>Core profit</b>	<b>307</b>	<b>187</b>	<b>164</b>	<b>307</b>	<b>241</b>	<b>285</b>	<b>108</b>	<b>187</b>	<b>821</b>
Investment portfolio earnings	-9	56	-	-9	38	-32	27	56	89
<b>Pre-tax profit</b>	<b>298</b>	<b>244</b>	<b>122</b>	<b>298</b>	<b>278</b>	<b>253</b>	<b>134</b>	<b>244</b>	<b>909</b>
Tax	65	56	116	65	64	57	33	56	210
<b>Net profit or loss for the period</b>	<b>233</b>	<b>187</b>	<b>125</b>	<b>233</b>	<b>214</b>	<b>196</b>	<b>102</b>	<b>187</b>	<b>699</b>
<sup>1)</sup> Contribution income, etc. covers contribution income as well as interest rate margin on jointly funded loans.									
<sup>2)</sup> Cost of capital consists of:									
Interest	31	33	94	31	32	32	36	33	133
Value adjustment	-4	25	-	-4	2	-19	-7	25	1
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Core income amounted to DKK 475m against DKK 494m in the first quarter of 2015.

Contribution income amounted to DKK 434m in the first quarter of 2016 against DKK 406m in the first quarter of 2015. The increase can be attributed to the combination of the factors that the portfolio grew and interest income from jointly funded loans increased by DKK 23m to DKK 42m in the first quarter of 2016.

Total cost of capital relating, among other things, to covered bond (SDO) and rating requirements amounted (net) to an expense of DKK 27m in the first quarter of 2016, which is a decline by DKK 31m relative to the first quarter of 2015. The fluctuations in the cost of capital of the individual quarters can chiefly be attributed to value adjustments of the swaps that hedge the currency risk on the senior loans raised.

In the first quarter of 2016, net fee and commission income amounted to DKK 36m against DKK 61m in the first quarter of 2015, which period was affected by an extraordinarily high level of refinancing activity.

Core expenses amounted to DKK 203m in the first quarter of 2016 against DKK 231m in the first quarter of 2015. The decline can materially be attributed to falling payroll and administrative costs.

Core profit before loan impairment charges and provisions for guarantees amounted to DKK 272m for the first quarter of 2016 against DKK 263m for the first quarter of 2015.

## LOAN IMPAIRMENT CHARGES AND PROVISIONS FOR GUARANTEES

LOANS, ADVANCES AND GUARANTEES DKKm	Q1 2016	Q1 2015	Index 16/15	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	The year 2015
Loans, advances and guarantees	259,360	233,848	111	259,360	250,921	243,813	235,166	233,848	250,921
Balance of loan impairment charges and provisions for guarantees	1,409	2,432	58	1,409	1,425	1,448	1,512	2,432	1,425
Individual impairment charges and provisions for guarantees	1,086	2,037	53	1,086	1,070	1,111	1,176	2,037	1,070
Collective impairment charges and provisions for guarantees	323	395	82	323	355	336	336	395	355
Non-performing loans and guarantees:									
Loans, advances and guarantees before impairment charges	9.184	10,544	87	9.184	9,243	8,574	9,207	10,544	9,243
Impairment charges	1.086	2,037	53	1.086	1,070	1,111	1,176	2,037	1,070
Loans, advances and guarantees after impairment charges	8.098	8,507	95	8.098	8,173	7,463	8,031	8,507	8,173
NPL ratio (%)	3,1	3.6	-	3,1	3.3	3.1	3.4	3.6	3.3
NPL contribution ratio (%)	11,8	19.3	-	11,8	11.6	13.0	12.8	19.3	11.6
Past due mortgage loans	712	1,224	58	712	981	1,079	1,328	1,224	981
Loan impairment charges and provisions for guarantees (effect on the income statement) (- = income)	-35	76	-	-35	82	-27	-28	76	103
Operating loss	28	168	17	28	113	51	105	168	437

BRFkredit Bank was included in the Group's figures until and including the first quarter of 2015.

Total loan impairment charges and provisions for guarantees for the first quarter of 2016 amounted to an income of DKK 35m against an expense of DKK 76m in the first quarter of 2015. The fall in the impairment charges can be attributed to improving credit quality and improving economic trends.

Relative to total loans, the effect from the impairment charges on the income statement amounted to -0.01% in the first quarter of 2016 against 0.03% in the same period of 2015.

The effect on the income statement was distributed with an expense of DKK 57m relating to personal clients and an income of DKK 92m relating to corporate clients, as a number of previous impairment charges have been reversed and amounts relating to claims previously written off have been received.

BRFkredit's holding of assets held temporarily amounted to DKK 428m at the end of the first quarter of 2016 against DKK 393m at the end of 2015. The increase can chiefly be attributed to foreclosure on two properties. Assets held temporarily are in the financial statements recognised at market value, cf. accounting policies.

The total balance of loan impairment charges and provisions for guarantees amounted to DKK 1,409m at the end of the first quarter of 2016, corresponding to 0.5% of total loans. Of this, collective impairment charges amounted to DKK 323m against DKK 355m at the end of 2015.

For many years, BRFkredit has not granted loans to agriculture, forestry and market gardening. The total portfolio of loans for agriculture, etc. calculated at fair value amounted to DKK 50m at the end of the first quarter of 2016.

The arrears rate measured 90 days after the December 2015 repayment date amounted to 0.2%, against 0.4% after the corresponding repayment date in 2014. The arrears rate measured 15 days after the March 2016 repayment date amounted to 1.1% against 1.2% after the March 2015 repayment date.

ARREARS RATE	March 2016	Dec. 2015	Sept. 2015	June 2015	March 2015	Dec. 2014
Repayment dates						
After 90 days	-	0.2	0.3	0.4	0.5	0.4
After 15 days	1.1	1.3	1.2	1.1	1.2	1.4

## INVESTMENT PORTFOLIO EARNINGS

INVESTMENT PORTFOLIO EARNINGS	Q1	Q1	Index	Q1	Q4	Q3	Q2	Q1	The year
DKKm	2016	2015	16/15	2016	2015	2015	2015	2015	2015
Net interest income	39	43	91	39	40	47	42	43	172
Value adjustments	-48	13	-	-48	-3	-79	-15	13	-84
<b>Investment portfolio earnings</b>	<b>-9</b>	<b>56</b>	<b>-</b>	<b>-9</b>	<b>37</b>	<b>-32</b>	<b>27</b>	<b>56</b>	<b>89</b>

Investment portfolio earnings included the return on the securities holding less a risk-free return that was attributed to the core profit.

The securities portfolio, which predominantly consisted of interest-bearing instruments, was mainly placed in mortgage bonds as well as financial instruments for risk hedging.

In the first quarter of 2016, investment portfolio earnings amounted to an expense of DKK 9m against an income of DKK 56m in the first quarter of 2015.

## CORE PROFIT AND INVESTMENT PORTFOLIO EARNINGS

The pre-tax profit for the first quarter of 2016 and the first quarter of 2015 broken down by core earnings and investment portfolio earnings is stated below.

BREAKDOWN OF THE PERIOD'S PROFIT	First quarter of 2016				First quarter of 2015			
	Core profit	Investment portfolio earnings	Reclassification	Total	Core profit	Investment portfolio earnings	Reclassification	Total
DKKm								
Other net interest income, etc.	412	39	-13	438	414	43	51	508
Net fee and commission income	36	-	-	36	61	-	-	61
Value adjustments, etc.	16	-48	13	-19	13	13	-51	-25
Other income	12	-	-	12	5	-	-	5
<b>Income</b>	<b>475</b>	<b>-9</b>	<b>-</b>	<b>466</b>	<b>494</b>	<b>56</b>	<b>-</b>	<b>550</b>
Expenses	203	-	-	203	231	-	-	231
<b>Profit before loan impairment charges and provisions for guarantees</b>	<b>272</b>	<b>-9</b>	<b>-</b>	<b>263</b>	<b>263</b>	<b>56</b>	<b>-</b>	<b>319</b>
Loan impairment charges and provisions for guarantees	-35	-	-	-35	76	-	-	76
<b>Pre-tax profit for the period</b>	<b>307</b>	<b>-9</b>	<b>-</b>	<b>298</b>	<b>187</b>	<b>56</b>	<b>-</b>	<b>244</b>

In BRFkredit's reporting format of core earnings and investment portfolio earnings, the total interest income, interest expenses and value adjustments relating to the balance principle are recognised under 'Net interest income, etc.'.

## MARKET RISK

Market risk is the risk of loss following movements in the financial markets (interest rate, share price and foreign currency risks). The most material market risks relate to BRFkredit's securities portfolio for which the interest-rate risk and the spread risk on the bond portfolio are the most important ones. BRFkredit has practically no exposure to foreign currencies. Market risks that stem from the other part of the balance sheet are modest due to the balance principle and the close correlation between loans and funding.

Interest-rate risk expresses the risk of loss following changes in interest rates corresponding to a parallel shift of the yield curve by 1 percentage point and is measured on a daily basis. BRFkredit's interest-rate instruments, etc. are chiefly placed in bonds with a short time to maturity with a limited interest-rate sensitivity.

At the end of the first quarter of 2016, BRFkredit's interest-rate risk calculated according to the standardised approach of the FSA came to DKK 37m. (end of 2015: DKK 64m), which is considerably below the limit defined by the Supervisory Board as well as the statutory limit.

BRFkredit's shareholding consisted solely of infrastructure shares and strategic shares outside the trading portfolio. If share prices in general fall by 10%, BRFkredit will suffer an investment loss of DKK 22m.

## BALANCE SHEET

At the end of the first quarter of 2016, BRFkredit's balance sheet amounted to DKK 281bn (end of 2015: DKK 270bn). At the end of the first quarter of 2016, BRFkredit's mortgage loans (inclusive of jointly funded bank mortgage loans) amounted to nominally DKK 254bn (end of 2015: DKK 248bn). BRFkredit's total loans and advances amounted to a fair value of DKK 259bn (end of 2015: DKK 251bn). Equity was increased by the net profit or loss for the period after tax etc., in total DKK 233m. At the end of March 2016, equity amounted to DKK 12,014m (end of 2015: DKK 11,781m).

## CAPITAL STRUCTURE

The development of BRFkredit's capital and Core Tier 1 capital ratios appear from the table below. At the end of the first quarter of 2016, the capital ratio was 18.9% and the Core Tier 1 capital ratio 18.8%.

CAPITAL STRUCTURE, end of period	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	The year 2015
Capital ratio (%)	18.9	19.1	19.2	18.8	18.2	19.1
Core Tier 1 Capital ratio (%)	18.8	18.9	18.9	18.7	18.0	18.9
Common Equity Tier 1 capital ratio (CET 1) (%)	18.8	18.9	18.9	18.7	18.0	18.9

At the end of the first quarter of 2016, the Common Equity Tier 1 capital amounted to 99% of the capital base, i.e. an unchanged level relative to the end of 2015. The high proportion of Common Equity Tier 1 capital in the capital base is in line with the BRFkredit's wish to achieve the highest quality possible of its capital base.

## CAPITAL BASE AND OVERALL RISK EXPOSURE

DKKm	31 March 2016	31 December 2015
Equity	12,014	11,781
Intangible assets	-2	-3
Prudent valuation	-85	-94
<b>Core capital/Common Equity Tier 1 capital</b>	<b>11,927</b>	<b>11,684</b>
Diff. between expected losses and impairment charges	31	135
<b>Capital base</b>	<b>11,958</b>	<b>11,820</b>
<b>Total weighted risk exposure</b>	<b>63,431</b>	<b>61,770</b>

## MINIMUM CAPITAL REQUIREMENT

Determination of the minimum capital requirement expresses the regulatory capital requirements and rests on the risk types credit, market and operational risk. BRFkredit has been approved to apply the advanced internal rating-based approach (AIRB) when determining credit risk. The approval extends to the application of advanced methods for determining the minimum capital requirement for the main part of the Group's credit portfolio.

The minimum capital for market risk and operational risk is determined according to the standardised approach.

## MINIMUM CAPITAL REQUIREMENT BY RISK TYPE

DKKm	31 March 2016	31 December 2015
Credit risk	4,682	4,528
Market risk	144	173
Operational risk	248	241
<b>Minimum capital requirement, Pillar I</b>	<b>5,074</b>	<b>4,942</b>
Capital requirement, transitional provisions	2,953	2,838
<b>Total minimum capital requirement</b>	<b>8,027</b>	<b>7,780</b>

## INDIVIDUAL SOLVENCY REQUIREMENT AND CAPITAL BUFFER

At the end of the first quarter 2016, the BRFkredit Group had determined an individual solvency requirement of 9.2% and a SIFI requirement of 0.6 percentage point as well as a capital conservation buffer of 0.625 percentage point. The change in the individual solvency requirement, which fell from 9.6% at the end of 2015, can be attributed to improving credit quality for major clients with financial problems as well as fewer impairment charges (smaller add-on due to the lower Tier 2).



The table below shows the contribution from the individual types of risk to the adequate capital base and the individual solvency requirement.

<b>INDIVIDUAL SOLVENCY REQUIREMENT</b> DKKm	<b>31 March 2016</b>	<b>% of RWA</b>	<b>31 December 2015</b>	<b>% of RWA</b>
Credit risk	5,469	8.6	5,538	9.0
Market risk	144	0.2	173	0.3
Operational risk	248	0.4	241	0.4
<b>Total</b>	<b>5,861</b>	<b>9.2</b>	<b>5,952</b>	<b>9.6</b>

The capital buffer plus earnings from operations denote the maximum sustainable loss without the need for additional capital. BRFkredit's large proportion of core capital cements the quality of the total capital.

<b>CAPITAL BUFFER</b> DKKm	<b>31 March 2016</b>	<b>% of RWA</b>	<b>31 December 2015</b>	<b>% of RWA</b>
Capital base	11,958	18.9	11,820	19.1
a) Core capital	11,927	18.8	11,684	18.9
b) Supplementary capital less deductions	31	0.1	135	0.2
Individual solvency requirement + SIFI requirement	6,638	10.5	6,137	9.9
Capital requirement, transitional provisions	8,027	12.7	7,780	12.6
<b>Capital buffer</b>	<b>3,931</b>	<b>6.2</b>	<b>4,040</b>	<b>6.5</b>

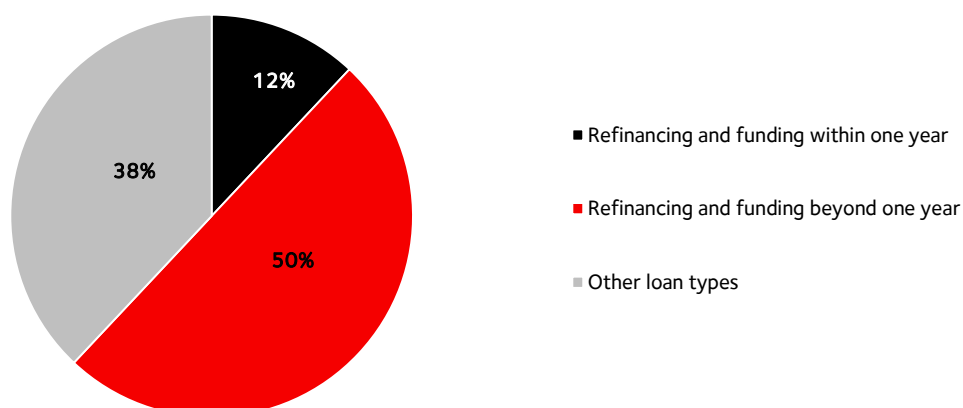
## REFINANCING

In 2016, BRFkredit will continue its efforts to reduce the refinancing risk on the loan portfolio. This will be achieved, for instance, by diversifying refinancing further over three annual payment dates considering that the individual series must be so large that in respect of liquidity buffers they meet the coming LCR requirement (Liquidity Coverage Ratio). BRFkredit finances and re-finances the so-called F1 loans and jointly funded home loans through RTL IT and RTL F bonds (pre-financed bonds).

In addition, BRFkredit has financed one-year adjustable-rate loans through the issue of long-term bonds. The interest-rate risk between short-term loans and long-term bonds has been hedged through swap agreements concluded with financial institutions. Hence the interest-rate risk is unchanged for both borrowers and investors.

Finally, in the first quarter of 2016, BRFkredit financed parts of the loans under the joint funding agreements by issuing bonds denominated in euro. In this way, refinancing of bonds in Danish kroner is reduced while, at the same time, the financing opportunities in the European market are utilised. The currency risk between the loans in Danish kroner and the bonds in euro is hedged through swaps. Therefore there is not currency risk, neither for the borrower nor the investor.

### BRFKREDIT'S LOAN PORTFOLIO BY TIME OF REFINANCING



The information according to the Article 129(7) CRR on covered bonds (SDO) (among other things, disclosure of the value of the cover pool and outstanding covered bonds (SDO), geographical distribution and type of covered assets, maturity structure and loans more than 90 days past due) will be disclosed in an ECBC label template quarterly simultaneously with interim and annual reports. Please see [BRF.dk/investors](http://BRF.dk/investors).

## OUTLOOK 2016

For the full year, it is expected that the core business will improve relative to 2015, primarily due to growth in the mortgage credit portfolio. The overall profit is, in particular, sensitive to the development of loan impairment charges and provisions for guarantees as well as the development in the securities market.

## OTHER INFORMATION

### RATING

Jyske Bank and BRFkredit's joint issuer rating by Standard & Poor's is A- (neutral outlook), and BRFkredit's bonds issued by Capital Centre E, Capital Centre B and the General Capital Centre were rated AAA (stable). Moreover, Standard & Poor's has assigned its A- rating to BRFkredit's EMTN programme.

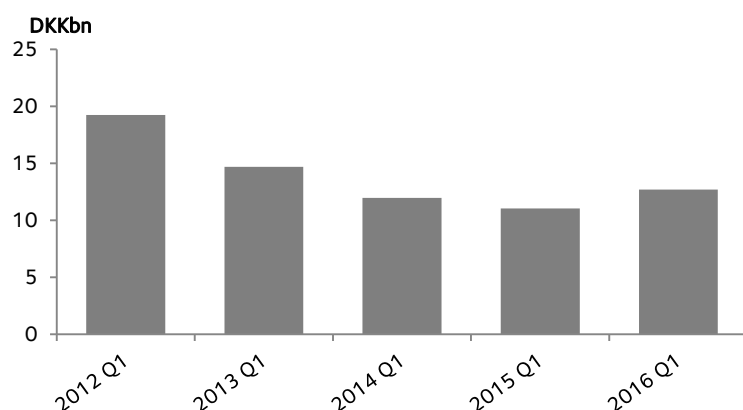
### RATINGS

As at 31 March 2016	Rating	Date of rating / change of rating
Covered bonds		
- issued out of Capital Centre E	AAA	17-10-2011
Mortgage credit bonds		
- issued out of Capital Centre B	AAA	17-10-2011
- issued out of the General Capital Centre	AAA	27-12-2013
Issuer rating (long-term rating)	A- <sup>1)</sup>	12-10-2011
Issuer rating (short-term rating)	A-2 <sup>1)</sup>	12-10-2011
BRFkredit's EMTN programme	A-	05-12-2012

<sup>1)</sup> On 13 July 2015, S&P confirmed BRFkredit's issuer rating at A-/stable/A-2

Standard & Poor's requirements for supplementary collateral to maintain the AAA rating was increased in the course of the past year. The increase can chiefly be attributed to an increase by DKK 33.4bn in the portfolio (primarily in respect of personal clients) as well as the implementation of a new criterion on the part of Standard & Poor's for loans secured by mortgages on commercial property.

### CAPITAL REQUIREMENTS, STANDARD & POOR'S



## THE SUPERVISORY DIAMOND FOR MORTGAGE CREDIT INSTITUTIONS

The supervisory diamond defines a number of special risk areas including specified limits that financial institutions should generally not exceed. The supervisory diamond limits applicable to BRFkredit a/s are shown below.

THE SUPERVISORY DIAMOND BENCHMARKS	Q1 2016 %	2015 %
Concentration risk < 100 %	84.5	81.1
Increase in loans and advances < 15 % annually in the segment:		
- Owner-occupied home and vacation homes	23.1	27.4
- Residential rental property	8.0	7.8
- Other sectors	6.6	6.4
Borrower's interest-rate risk < 25 %		
- Residential property	27.8	27.2*
Interest-only schemes < 10 %		
- Owner-occupied home and vacation homes	10.0	10.5
Loans with short funding:		
- Refinancing (annually) < 25 %	22.5	22.4
- Refinancing (quarterly) < 12.5 %	3.5	15.7

\*The proportion of loans from clients with Jyske Bank to BRFkredit through joint funding has been adjusted so that only loans with a short-term interest rate are included.

In the first quarter of 2016, BRFkredit a/s met the supervisory diamond's benchmarks for concentration risk, yearly and quarterly refinancing, interest-only loans and all but one of the growth limits for the loan segments. The increase for owner-occupied homes and vacation homes was a consequence of the transfer of home loans from known clients of Jyske Bank to BRFkredit through joint funding, which is considered unproblematic, as the increase was not driven by a favourable economic climate. On an on-going basis, BRFkredit a/s reviews the institution's positions relative to the benchmarks and expects to be compliant before they take effect in 2018 and 2020.

## SUPERVISORY BOARD DECISIONS

No other resolution that falls within the duty of disclosure set out in the "Rules for Issuers of Securities Listed on NASDAQ OMX Copenhagen A/S" was adopted by the Supervisory Board during the first quarter of 2016.

## FOR FURTHER INFORMATION

For further information, please see [brf.com](http://brf.com), which website also gives detailed financial information about BRFkredit. At [brf.com](http://brf.com), BRFkredit's Interim Report for the first quarter of 2016 can be downloaded.

## CONTACT

Carsten Tirsbæk Madsen, Chief Executive Officer,  
tel. +45 45 26 28 71 or mobile +45 40 25 88 74,

## STATEMENT BY THE EXECUTIVE AND SUPERVISORY BOARDS

We have today discussed and approved the Interim Financial Report of BRFkredit a/s for the period 1 January to 31 March 2016.

The consolidated Interim Financial Statements were prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU, and the Parent's Interim Financial Statements in accordance with the Danish Financial Business Act. Further, the Interim Financial Report was prepared in accordance with the additional Danish disclosure requirements for interim financial reports of issuers of listed bonds.

The Interim Financial Report is unaudited and has not been reviewed.

In our opinion, the interim financial statements give a true and fair view of the Group's and the Parent's financial position at 31 March 2016 and also of their financial performance as well as the cash flows of the Group for the period 1 January to 31 March 2016.

In our opinion, the Management's Review gives a fair presentation of the development in the Group's performance and financial position, the profit for the period and the Group's financial position as a whole as well as a description of the most material risks and elements of uncertainty that may affect the Group.

Kgs. Lyngby, 28 April 2016

### EXECUTIVE BOARD

Carsten Tirsbæk Madsen  
Chief Executive Officer

Lars Waalen Sandberg  
Executive Vice President

### SUPERVISORY BOARD

Sven A. Blomberg  
Chairman

Per Skovhus  
Deputy Chairman

Niels Erik Jakobsen

Laila Busted  
Elected by employees

Kim Henriksen  
Elected by employees

**INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**

Note	DKKm	The BRFkredit Group		BRFkredit a/s	
		Q1 2016	Q1 2015	Q1 2016	Q1 2015
<b>INCOME STATEMENT</b>					
4	Interest income	1,733	1,968	1,733	1,937
5	Interest expenses	1,295	1,460	1,295	1,453
	<b>Net interest income</b>	<b>438</b>	<b>508</b>	<b>438</b>	<b>485</b>
	Dividends, etc.	3	2	3	2
6	Fees and commission income	56	85	56	76
	Fees and commission expenses	20	23	20	24
	<b>Net interest and fee income</b>	<b>477</b>	<b>572</b>	<b>477</b>	<b>539</b>
7	Value adjustment (- is an expense)	-19	-26	-19	-28
	Other operating income	9	5	8	10
8	Employee and administrative expenses	196	224	196	206
	Amortisation, depreciation and impairment charges	3	4	3	4
	Other operating expenses	5	3	5	-
9	Loan impairment charges and provisions for guarantees (- is income)	-35	76	-35	84
	Profit on investments in associates and group enterprises	-	-	1	10
	<b>Pre-tax profit</b>	<b>298</b>	<b>244</b>	<b>298</b>	<b>238</b>
10	Tax	65	56	65	53
	<b>Net profit or loss for the period</b>	<b>233</b>	<b>187</b>	<b>233</b>	<b>185</b>
	Distributed to:				
	Shareholders of BRFkredit a/s	233	187		
	<b>Total</b>	<b>233</b>	<b>187</b>		
<b>STATEMENT OF COMPREHENSIVE INCOME</b>					
	Net profit or loss for the period	233	187	233	185
	Other comprehensive income:				
	Items that can be recycled to the income statement:				
	Shares available for sale	-	-3	-	-
	<b>Other comprehensive income after tax</b>	<b>-</b>	<b>-3</b>	<b>-</b>	<b>-</b>
	<b>Comprehensive income for the period</b>	<b>233</b>	<b>185</b>	<b>233</b>	<b>185</b>
	Distributed to:				
	Shareholders of BRFkredit a/s	233	185		
	<b>Total</b>	<b>233</b>	<b>185</b>		

**BALANCE SHEET**

Note	The BRFkredit Group			BRFkredit a/s		
	31 March 2016	31 Dec. 2015	31 March 2015	31 March 2016	31 Dec. 2015	31 March 2015
DKKm						
<b>ASSETS</b>						
	Cash, cash equivalents and demand deposits with central banks					
	121	250	126	121	250	102
	Due from credit institutions and central banks					
	8,765	9,271	5,401	8,709	9,015	5,183
11	Loans and advances at fair value					
	259,331	250,892	230,614	259,331	250,892	230,614
	Loans and advances at amortised cost					
	-	-	2,668	-	-	-
	Bonds at fair value					
	11,023	7,909	26,904	11,023	7,909	24,234
	Shares, etc.					
	220	218	231	220	218	231
	Equity investments in group enterprises					
	-	-	-	328	527	987
	Intangible assets					
	2	3	7	2	3	7
	Land and buildings, total					
	491	492	482	401	402	393
	of which investment property					
	4	4	4	4	4	4
	of which owner-occupied properties					
	487	488	478	397	398	389
	Other property, plant and equipment					
	3	3	6	3	3	6
	Current tax assets					
	-	2	1	-	2	1
	Deferred tax assets					
	-	-	142	-	-	-
	Assets in temporary possession					
	428	393	532	428	393	505
12	Other assets					
	280	335	807	280	335	733
	Prepayments					
	23	26	33	23	26	23
	<b>Total assets</b>					
	<b>280,687</b>	<b>269,794</b>	<b>267,954</b>	<b>280,869</b>	<b>269,975</b>	<b>263,019</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Liabilities</b>						
	Due to credit institutions and central banks					
	256	94	6,204	256	94	5,838
	Deposits					
	-	-	4,554	-	-	-
13	Issued bonds at fair value					
	260,799	249,772	237,555	260,799	249,772	237,655
	Issued bonds at amortised cost					
	4,715	4,719	5,178	4,715	4,719	5,178
	Current tax liabilities					
	49	-	-	50	-	-
	Liabilities relating to assets held temporarily					
	5	5	10	5	5	10
14	Other liabilities					
	2,757	3,335	3,069	2,942	3,507	2,931
	Deferred income					
	5	4	28	5	4	28
	<b>Liabilities, total</b>					
	<b>268,586</b>	<b>257,929</b>	<b>256,599</b>	<b>268,771</b>	<b>258,101</b>	<b>251,640</b>
<b>Provisions</b>						
	Provisions for deferred tax					
	25	12	-	22	21	32
	Other provisions					
	62	72	86	62	72	78
	<b>Provisions, total</b>					
	<b>87</b>	<b>84</b>	<b>86</b>	<b>84</b>	<b>92</b>	<b>111</b>
<b>Equity</b>						
	Share capital					
	1,306	1,306	1,306	1,306	1,306	1,306
	Share premium					
	102	102	102	102	102	102
	Revaluation reserve					
	47	47	35	36	36	25
	Reserves in series					
	7,594	7,594	9,732	7,594	7,594	9,732
	Retained profit or loss					
	2,964	2,731	93	2,975	2,743	104
	<b>Equity, total</b>					
	<b>12,014</b>	<b>11,781</b>	<b>11,269</b>	<b>12,014</b>	<b>11,781</b>	<b>11,269</b>
	<b>Equity and liabilities, total</b>					
	<b>280,687</b>	<b>269,794</b>	<b>267,954</b>	<b>280,869</b>	<b>269,975</b>	<b>263,019</b>
15	<b>OFF-BALANCE SHEET ITEMS</b>					
	Guarantees, etc.					
	29	29	566	29	29	38
	Other contingent liabilities, etc. (loan offers)					
	17,588	15,572	15,270	17,588	15,572	15,197
	<b>Total guarantees and other contingent liabilities</b>					
	<b>17,617</b>	<b>15,602</b>	<b>15,836</b>	<b>17,617</b>	<b>15,602</b>	<b>15,235</b>

**STATEMENT OF CHANGES IN EQUITY**

DKKm

<b>The BRFkredit Group</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Revaluation reserve</b>	<b>Reserves in series</b>	<b>Retained profit or loss</b>	<b>Total</b>
Equity at 01 January 2016	1,306	102	47	7,594	2,731	11,781
Net profit or loss for the period	-	-	-	-	233	233
Comprehensive income for the period	-	-	-	-	233	233
<b>Equity at 31 March 2016</b>	<b>1,306</b>	<b>102</b>	<b>47</b>	<b>7,594</b>	<b>2,964</b>	<b>12,014</b>

Equity at 01 January 2015	1,306	102	35	9,732	-91	11,084
Net profit or loss for the period	-	-	-	-	187	187
Other comprehensive income	-	-	-	-	-3	-3
Comprehensive income for the period	-	-	-	-	185	185
<b>Equity at 31 March 2015</b>	<b>1,306</b>	<b>102</b>	<b>35</b>	<b>9,732</b>	<b>93</b>	<b>11,269</b>

<b>BRFkredit a/s</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Revaluation reserve</b>	<b>Reserves in series</b>	<b>Retained profit or loss</b>	<b>Total</b>
Equity at 01 January 2016	1,306	102	36	7,594	2,743	11,781
Net profit or loss for the period	-	-	-	-	233	233
Comprehensive income for the period	-	-	-	-	233	233
<b>Equity at 31 March 2016</b>	<b>1,306</b>	<b>102</b>	<b>36</b>	<b>7,594</b>	<b>2,975</b>	<b>12,014</b>

Equity at 01 January 2015	1,306	102	25	9,732	-81	11,084
Net profit or loss for the period	-	-	-	-	185	185
Comprehensive income for the period	-	-	-	-	185	185
<b>Equity at 31 March 2015</b>	<b>1,306</b>	<b>102</b>	<b>25</b>	<b>9,732</b>	<b>104</b>	<b>11,269</b>

**CAPITAL STATEMENT**

DKK m	The BRFkredit Group			BRFkredit a/s		
	31 March 2016	31 Dec. 2015	31 March 2015	31 March 2016	31 Dec. 2015	31 March 2015
Equity	12,014	11,781	11,269	12,014	11,781	11,269
Intangible assets	-2	-3	-7	-2	-3	-7
Deferred tax assets	-	-	-142	-	-	-
Prudent valuation	-85	-94	-76	-85	-94	-73
<b>Common Equity Tier 1 capital / Core capital</b>	<b>11,927</b>	11,684	11,044	<b>11,927</b>	11,684	11,189
Difference between expected loss and the carrying amount of impairment charges	31	135	57	31	135	57
Collective impairment under the standardised approach	-	-	60	-	-	-
<b>Capital base</b>	<b>11,958</b>	11,820	11,161	<b>11,958</b>	11,820	11,246
Weighted risk exposure involving credit risk etc.	58,530	56,601	54,632	58,757	56,986	52,761
Weighted risk exposure involving market risk	1,796	2,160	3,593	1,796	2,160	3,615
Weighted risk exposure involving operational risk	3,105	3,010	3,010	3,026	2,888	2,888
<b>Total weighted risk exposure</b>	<b>63,431</b>	61,770	61,236	<b>63,580</b>	62,033	59,264
Capital requirement, Pillar I	5,074	4,942	4,899	5,086	4,963	4,741
Capital requirement, transitional provisions	2,953	2,838	2,373	2,950	2,834	2,404
<b>Capital requirement, total</b>	<b>8,027</b>	7,780	7,272	<b>8,036</b>	7,797	7,145
Capital ratio (%)	18.9	19.1	18.2	18.8	19.1	19.0
Core capital ratio (%)	18.8	18.9	18.0	18.8	18.8	18.9
Common Equity Tier 1 capital ratio (%)	18.8	18.9	18.0	18.8	18.8	18.9

On 31 March 2016, the total weighted risk exposure according to Basel I amounted to DKK 125,419m (31.12.2015 DKK 121,382m) for the BRFkredit Group. The capital requirement according to the transitional provisions was for 80% of the capital requirement of 8% of the total weighted risk exposure corresponding to DKK 8,027m. At the end of 2015, the transitional provisions resulted in a capital requirement of DKK 7,780m for the BRFkredit Group. The transitional rules applying to total weighted risk exposure will still apply in the coming years.

For further information on the individual solvency requirement, see the section in the management's review on "Individual solvency requirement and capital buffer".



**SUMMARY OF CASH FLOW STATEMENT**

DKKm	The BRFkredit Group	
	Q1 2016	Q1 2015
<b>Net profit or loss for the period</b>	<b>233</b>	<b>187</b>
Adjustment for non-cash operating items and change in working capital	<b>-865</b>	<b>-3,301</b>
<b>Cash flows from operating activities</b>	<b>-632</b>	<b>-3,114</b>
Acquisition of property, plant and equipment	<b>-0</b>	<b>-0</b>
Acquisition of intangible assets	<b>-0</b>	<b>-</b>
Purchases of investments	<b>-</b>	<b>0</b>
Sale of investments	<b>-1</b>	<b>0</b>
<b>Cash flows from investment activities</b>	<b>-1</b>	<b>-0</b>
Addition and redemption of senior secured bonds and senior debt	<b>-4</b>	<b>-26</b>
<b>Cash flows from financing activities</b>	<b>-4</b>	<b>-26</b>
<b>Cash flow for the period</b>	<b>-637</b>	<b>-3,139</b>
Cash and cash equivalents, beginning of period	<b>9,354</b>	<b>8,382</b>
<b>Cash and cash equivalents, end of period</b>	<b>8,717</b>	<b>5,243</b>
Cash and cash equivalents, end of period, comprise:		
Cash in hand, etc.	<b>121</b>	<b>126</b>
Due from credit institutions and central banks	<b>8,596</b>	<b>5,117</b>
<b>Cash and cash equivalents, end of period</b>	<b>8,717</b>	<b>5,243</b>

## NOTES

## Note

**1 Accounting Policies**

The Interim Financial Report for the period 1 January to 31 March 2016 was prepared in accordance with IAS 34 Interim Financial Reporting with regard to the consolidated interim financial statements and in accordance with the Danish Financial Business Act with regard to the Parent's interim financial statements.

The accounting policies are identical to those applied to and described in detail in the Annual Report 2015.

At the time of the presentation of this Interim Financial Report, IASB has published a revised standard for "Financial instrument", IFRS 9. The standard has not yet been approved by the EU and is expected to take effect on 1 January 2018. The changes in IFRS 9 comprise classification and measurement of financial assets and liabilities. The new principles comprise calculation of impairment charges on loans and receivables that are measured at amortised cost. Therefor they are not expected immediately to have any material effect on process and method for valuation of BRFkredit's loans and advances that are measured at fair value, including mortgage loans.

At the time of the publication of this Interim Financial Report, IASB has not issued other new accounting standards and interpretations that are expected to have any material effect on the BRFkredit Group's financial reporting.

**2 Material accounting estimates**

Measurement of the carrying value of certain assets and liabilities requires the management's estimate of the influence of future events on the value of such assets and liabilities. Estimates of material importance to the financial reporting are, among other things, based on the impairment of loans and advances and also assets in temporary possession, cf. the detailed statement in the Annual Report 2015. The estimates are based on assumptions which management finds reasonable, but which are inherently uncertain. Besides, the Group is subject to risks and uncertainties which may cause results to differ from those estimates.

In accordance with IAS 10 (events after the balance sheet date), the financial statements reflect adjusting events up to 28 April 2016.

## NOTES

## Note

3 Financial ratios and key figures  
at 31 March

<b>The BRFkredit Group</b>	<b>2016</b>	<b>2015</b>
Capital ratio (%)	<b>18.9</b>	18.2
Core capital ratio (%)	<b>18.8</b>	18.0
Return on equity before tax for the period (%)	<b>2.5</b>	2.2
Return on equity after tax for the period (%)	<b>2.0</b>	1.7
Income/cost ratio (%)	<b>2.8</b>	1.8
Currency position (%)	<b>1.7</b>	2.0
Accumulated impairment ratio (%)	<b>0.5</b>	1.0
Impairment ratio for the period (%)	<b>0.0</b>	0.0
Increase in loans and advances for the period (%)	<b>2.5</b>	3.7
Loans relative to equity	<b>21.6</b>	20.7
Return on capital employed	<b>0.1</b>	0.1

<b>BRFkredit a/s</b>	<b>2016</b>	<b>2015</b>
Capital ratio (%)	<b>18.8</b>	19.0
Core capital ratio (%)	<b>18.8</b>	18.9
Return on equity before tax for the period (%)	<b>2.5</b>	2.1
Return on equity after tax for the period (%)	<b>2.0</b>	1.7
Income/cost ratio (%)	<b>2.8</b>	1.8
Currency position (%)	<b>1.7</b>	1.5
Accumulated impairment ratio (%)	<b>0.5</b>	0.7
Impairment ratio for the period (%)	<b>0.0</b>	0.0
Increase in loans and advances for the period (%)	<b>2.5</b>	3.7
Loans relative to equity	<b>21.6</b>	20.5
Return on capital employed	<b>0.1</b>	0.1

**NOTES**

Note	The BRFkredit Group		BRFkredit a/s	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015
DKKm				
<b>4 Interest income</b>				
Due from credit institutions and central banks <sup>1)</sup>	-1	-0	-1	-0
Loans and advances	1,308	1,449	1,308	1,422
Contribution	399	385	399	385
Bonds	82	190	82	187
Derivatives, interest-rate contracts	-	32	-	32
Other interest income	0	4	0	4
<b>Interest income before offsetting of interest on own bonds</b>	<b>1,788</b>	<b>2,060</b>	<b>1,788</b>	<b>2,029</b>
Interest on own bonds, set off against interest on issued bonds	55	92	55	92
<b>Total</b>	<b>1,733</b>	<b>1,968</b>	<b>1,733</b>	<b>1,937</b>
<sup>1)</sup> Of which interest income on reverse repos carried under "Due from credit institutions and central banks"	-0	-0	-0	-0
<b>5 Interest expenses</b>				
Due to credit institutions and central banks <sup>1)</sup>	6	0	6	6
Deposits	-	12	-	-
Issued bonds	1,315	1,494	1,315	1,495
Other interest expenses	29	45	29	44
<b>Interest expenses before offsetting of interest on own bonds</b>	<b>1,350</b>	<b>1,552</b>	<b>1,350</b>	<b>1,545</b>
Interest on own bonds, set off against interest on issued bonds	55	92	55	92
<b>Total</b>	<b>1,295</b>	<b>1,460</b>	<b>1,295</b>	<b>1,453</b>
<sup>1)</sup> Of which interest income on genuine repo carried under "Due to credit institutions and central banks"	-0	0	-0	0
<b>6 Fees and commission income</b>				
Securities trading and custody services	38	48	38	45
Money transfers and card payments	-	0	-	-
Loan application fees	17	33	17	31
Guarantee commission	-	1	-	-
Other fees and commissions	0	1	0	0
<b>Total</b>	<b>56</b>	<b>85</b>	<b>56</b>	<b>76</b>
<b>7 Value adjustment (- is an expense)</b>				
Mortgage loans	2,105	2,133	2,105	2,133
Other loans, advances and receivables at fair value	4	2	4	2
Bonds	36	133	36	128
Shares, etc.	2	-1	2	-4
Investment properties	-	-0	-	-0
Currency	-1	4	-1	2
Currency, interest-rate and other contracts as well as other derivatives	-39	-162	-39	-154
Issued bonds	-2,125	-2,134	-2,125	-2,135
<b>Total</b>	<b>-19</b>	<b>-26</b>	<b>-19</b>	<b>-28</b>

Adjustments of the balance principle for the BRFkredit Group brought a total expense of DKK 1m (2015: DKK +1m), resulting from a net value adjustment of the following items: Mortgage loans by DKK +2,105m (DKK +2,133m), issued mortgage bonds by DKK -2,125m (DKK -2,134m) and derivatives by DKK +19m (DKK +3m), recognised under "Currency, interest-rate and other contracts as well as other derivatives".

**NOTES**

Note	The BRFkredit Group		BRFkredit a/s	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015
DKKm				
<b>8 Employee and administrative expenses</b>				
<b>Employee expenses</b>				
Wages and salaries, etc.	110	115	110	105
Pensions	13	14	13	13
Social security	14	17	14	16
<b>Total</b>	<b>137</b>	<b>145</b>	<b>137</b>	<b>134</b>
<b>Salaries and remuneration to management bodies</b>				
Executive Board	2	2	2	2
Supervisory Board	0	0	0	0
<b>Total</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Other administrative expenses</b>				
IT	24	37	24	31
Rent, lighting, heating, etc.	7	7	7	8
Other administrative expenses	26	32	26	31
<b>Total</b>	<b>57</b>	<b>77</b>	<b>58</b>	<b>70</b>
<b>Total</b>	<b>196</b>	<b>224</b>	<b>196</b>	<b>206</b>
<b>9 Loan impairment charges and provisions for guarantees (- is income)</b>				
Balance of loan impairment charges and provisions, beginning of period	1,425	2,516	1,425	1,585
Loan impairment charges/provisions for the period	9	-29	9	-19
Recognised as a loss, covered by impairment charges/provisions	-25	-55	-25	-28
<b>Balance of loan impairment charges and provisions, end of period</b>	<b>1,409</b>	<b>2,432</b>	<b>1,409</b>	<b>1,537</b>
Mortgage loan impairment charges	1,399	1,461	1,399	1,461
Impairment charges on other loans and receivables, etc.	10	970	10	76
<b>Balance of loan impairment charges and provisions, end of period</b>	<b>1,409</b>	<b>2,432</b>	<b>1,409</b>	<b>1,537</b>
Loan impairment charges/provisions for the period	9	-29	9	-19
Recognised as a loss, not covered by individual loan impairment charges/provisions	3	123	3	119
Recoveries	-47	-18	-47	-16
<b>Net effect on income statement</b>	<b>-35</b>	<b>76</b>	<b>-35</b>	<b>84</b>
Individual loan impairment charges, beginning of period	1,070	2,138	1,070	1,271
Loan impairment charges for the period	41	-45	41	-41
Recognised as a loss, covered by impairment charges/provisions	-25	-55	-25	-28
<b>Individual loan impairment charges, end of period</b>	<b>1,086</b>	<b>2,037</b>	<b>1,086</b>	<b>1,202</b>
Collective loan impairment charges, beginning of period	355	379	355	314
Loan impairment charges for the period	-32	16	-32	22
<b>Collective loan impairment charges, end of period</b>	<b>323</b>	<b>395</b>	<b>323</b>	<b>335</b>
Of 'Recognised as a loss, not covered by individual loan impairment charges/provisions' in the BRFkredit Group, the value adjustment of properties acquired in previous financial years amounted to DKK 0m (2015: DKK -7m), and operating profit on properties during the period of foreclosure DKK -0m (DKK -1m).				

**NOTES**

Note	The BRFkredit Group		BRFkredit a/s	
	Q1 2016	Q1 2015	Q1 2016	Q1 2015
DKKm				
<b>10 Tax</b>				
<b>Effective tax rate</b>				
Corporation tax rate in Denmark	22.0	23.5	22.0	23.5
Non-taxable income and non-deductible expenses, etc.	-0.1	0.3	-0.2	-0.4
Effect of the change to the corporation tax rate	-	-0.8	-	-0.8
<b>Total</b>	<b>21.9</b>	<b>23.0</b>	<b>21.8</b>	<b>22.3</b>

Note	The BRFkredit Group			BRFkredit a/s		
	31 March 2016	31 Dec. 2015	31 March 2015	31 March 2016	31 Dec. 2015	31 March 2015
DKKm						
<b>11 Loans and advances at fair value</b>						
Mortgage loans, nominal value	254,194	247,942	220,732	254,194	247,942	220,732
Adjustment for interest-rate risk, etc.	5,856	3,751	10,687	5,856	3,751	10,687
Adjustment for credit risk	-1,399	-1,412	-1,461	-1,399	-1,412	-1,461
Mortgage loans at fair value	258,651	250,281	229,958	258,651	250,281	229,958
Arrears and outlays	170	58	113	170	58	113
Other loans and receivables	510	552	543	510	552	543
<b>Total</b>	<b>259,331</b>	<b>250,892</b>	<b>230,614</b>	<b>259,331</b>	<b>250,892</b>	<b>230,614</b>

Of 'Arrears and outlays', arrears before impairment charges amounted to DKK 77m (31.12.2015: DKK 76m).

**Mortgage loans at fair value broken down by property category**

Owner-occupied homes	125,182	120,915	105,015	125,182	120,915	105,015
Vacation homes	6,617	6,411	5,873	6,617	6,411	5,873
Subsidised housing (rental housing)	46,264	45,351	43,940	46,264	45,351	43,940
Cooperative housing	15,139	14,815	14,872	15,139	14,815	14,872
Private rental properties (rental housing)	30,108	28,334	26,800	30,108	28,334	26,800
Industrial properties	1,384	1,389	1,459	1,384	1,389	1,459
Office and business properties	31,028	30,177	29,333	31,028	30,177	29,333
Agricultural properties, etc.	50	49	25	50	49	25
Properties for social, cultural and educational purposes	2,820	2,783	2,611	2,820	2,783	2,611
Other properties	58	58	30	58	58	30
<b>Total</b>	<b>258,651</b>	<b>250,281</b>	<b>229,958</b>	<b>258,651</b>	<b>250,281</b>	<b>229,958</b>

**12 Other assets**

Positive fair value of derivatives	47	24	179	47	24	115
Interest and commission receivable	134	71	388	134	71	381
Other assets	99	241	240	100	241	238
<b>Total</b>	<b>280</b>	<b>335</b>	<b>807</b>	<b>280</b>	<b>335</b>	<b>733</b>

## NOTES

Note	The BRFkredit Group			BRFkredit a/s		
	31 March 2016	31 Dec. 2015	31 March 2015	31 March 2016	31 Dec. 2015	31 March 2015
DKKm						
<b>13 Issued bonds at fair value</b>						
Issued mortgage bonds, nominal value	275,108	306,339	251,905	275,108	306,339	251,905
Adjustment to fair value	6,080	4,291	10,847	6,080	4,291	10,847
Own mortgage bonds, fair value	-20,389	-60,858	-25,196	-20,389	-60,858	-25,096
<b>Total</b>	<b>260,799</b>	<b>249,772</b>	<b>237,555</b>	<b>260,799</b>	<b>249,772</b>	<b>237,655</b>
<b>14 Other liabilities</b>						
Negative fair value of derivatives	218	211	514	218	211	419
Interest and commission payable	1,824	2,907	1,968	1,824	2,907	1,958
Other liabilities	715	218	587	900	389	554
<b>Total</b>	<b>2,757</b>	<b>3,335</b>	<b>3,069</b>	<b>2,942</b>	<b>3,507</b>	<b>2,931</b>
<b>15 Off-balance sheet items</b>						
<b>Guarantees, etc.</b>						
Financial guarantees	-	-	499	-	-	-
Other guarantees	29	29	67	29	29	38
<b>Total</b>	<b>29</b>	<b>29</b>	<b>566</b>	<b>29</b>	<b>29</b>	<b>38</b>
<b>Other guarantees</b>						
Other guarantees include other forms of guarantees at varying degrees of risk. The risk involved is deemed to be less than the risk involved in credit facilities subject to flexible drawdown.						
<b>Other contingent liabilities, etc.</b>						
Other contingent liabilities	74	86	107	74	86	106
Irrevocable credit commitments	17,514	15,486	15,162	17,514	15,486	15,091
<b>Total</b>	<b>17,588</b>	<b>15,572</b>	<b>15,270</b>	<b>17,588</b>	<b>15,572</b>	<b>15,197</b>

**Irrevocable credit commitments**

Irrevocable credit commitments relate materially to the obligation to pay out loans according to offers for mortgage loans with a duration of up to six months made by BRFkredit. All offers were made in accordance with BRFkredit's credit policy and constitute a customary part of the process of paying out mortgage loans. However, in the event that a client is subsequently registered with the RKI debtor register, etc., BRFkredit shall not be bound by the loan offer.

Previously, offers for mortgage loans were not recognised under "Other contingent liabilities, etc.", and therefore the comparative figures have been adjusted.

**16 Related parties**

BRFkredit has debit/credit balances, including bank accounts etc., with a number of its related parties. Transactions between related parties are characterised as ordinary financial transactions and services of an operational nature. Transactions with related parties were executed on an arm's length basis or at cost.

In the first quarter of 2016, the subsidiary Investeringsselskabet af 18. maj 2015 a/s (formerly BRFkredit Bank a/s) lowered its share capital by DKK 200m through a cash payment at par to the parent company BRFkredit a/s.

In the first quarter of 2016, no other unusual related party transactions took place. Please see BRFkredit's Annual Report 2015 for a detailed description of transactions with related parties.

## NOTES

Note	The BRFkredit Group
DKK m	

## 17 Fair value of financial assets and liabilities

**Methods for measuring fair value**

Please see note 40 in the Annual report for 2015 for further details on measurement of fair value,

## The BRFkredit Group

## 31 March 2016

	Quoted prices	Observable prices	Non-observable prices	Fair value total	Recognised value
<b>Financial assets</b>					
Loans and advances at fair value	-	259,331	-	259,331	259,331
Bonds at fair value	11,003	19	-	11,023	11,023
Shares, etc.	0	-	220	220	220
Derivatives	1	46	-	47	47
<b>Total</b>	<b>11,004</b>	<b>259,396</b>	<b>220</b>	<b>270,620</b>	<b>270,620</b>
<b>Financial liabilities</b>					
Derivatives	4	214	-	218	218
Issued bonds at fair value	237,865	22,934	-	260,799	260,799
<b>Total</b>	<b>237,869</b>	<b>23,148</b>	<b>-</b>	<b>261,017</b>	<b>261,017</b>

## 31 December 2015

<b>Financial assets</b>					
Loans and advances at fair value	-	250,892	-	250,892	250,892
Bonds at fair value	7,851	58	-	7,909	7,909
Shares, etc.	0	-	218	218	218
Derivatives	-	24	-	24	24
<b>Total</b>	<b>7,851</b>	<b>250,973</b>	<b>218</b>	<b>259,043</b>	<b>259,043</b>
<b>Financial liabilities</b>					
Derivatives	17	194	-	211	211
Issued bonds at fair value	240,697	9,076	-	249,772	249,772
<b>Total</b>	<b>240,714</b>	<b>9,269</b>	<b>-</b>	<b>249,983</b>	<b>249,983</b>

	Q1 2016	Q1 2015
<b>Non-observable prices</b>		
Fair value, beginning of period	218	235
Capital gain and loss reflected in the income statement	2	-1
Capital gain and loss, recognised in equity	-	-3
Sales for the period	-0	-0
<b>Fair value, end of year</b>	<b>220</b>	<b>231</b>



**NOTES**

Note	The BRFkredit Group			BRFkredit a/s		
	31 March 2016	31 Dec. 2015	31 March 2015	31 March 2016	31 Dec. 2015	31 March 2015
DKKm						
<b>18 Contractual time to maturity</b>						
<b>Assets</b>						
<b>Due from credit institutions and central banks</b>						
Demand deposits	570	1,734	963	514	1,478	632
Up to 3 months	8,195	7,537	4,438	8,195	7,537	4,551
Over 3 months and up to 1 year	-	-	-	-	-	-
Over 1 year and up to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
<b>Total</b>	<b>8,765</b>	<b>9,271</b>	<b>5,401</b>	<b>8,709</b>	<b>9,015</b>	<b>5,183</b>
<b>Loans and advances at fair value</b>						
Up to 3 months	1,896	1,816	1,779	1,896	1,816	1,779
Over 3 months and up to 1 year	5,710	5,263	4,962	5,710	5,263	4,962
Over 1 year and up to 5 years	31,263	30,633	30,664	31,263	30,633	30,664
Over 5 years	220,462	213,180	193,209	220,462	213,180	193,209
<b>Total</b>	<b>259,331</b>	<b>250,892</b>	<b>230,614</b>	<b>259,331</b>	<b>250,892</b>	<b>230,614</b>
<b>Bonds at fair value</b>						
Up to 3 months	339	86	896	339	86	896
Over 3 months and up to 1 year	5,818	1,709	5,631	5,818	1,709	5,338
Over 1 year and up to 5 years	4,763	6,026	18,565	4,763	6,026	16,189
Over 5 years	103	89	1,812	103	89	1,812
<b>Total</b>	<b>11,023</b>	<b>7,909</b>	<b>26,904</b>	<b>11,023</b>	<b>7,909</b>	<b>24,234</b>
<b>Liabilities</b>						
<b>Due to credit institutions and central banks</b>						
Demand deposits	181	30	420	181	30	53
Up to 3 months	75	15	5,784	75	15	5,784
Over 3 months and up to 1 year	-	49	-	-	49	-
Over 1 year and up to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
<b>Total</b>	<b>256</b>	<b>94</b>	<b>6,204</b>	<b>256</b>	<b>94</b>	<b>5,838</b>
<b>Issued bonds at fair value <sup>1)</sup></b>						
Up to 3 months	1,721	2,659	6,193	1,721	2,659	6,193
Over 3 months and up to 1 year	32,892	9,490	18,099	32,892	9,490	18,099
Over 1 year and up to 5 years	135,216	152,589	135,854	135,216	152,589	135,954
Over 5 years	90,971	85,035	77,409	90,971	85,035	77,409
<b>Total</b>	<b>260,799</b>	<b>249,772</b>	<b>237,555</b>	<b>260,799</b>	<b>249,772</b>	<b>237,655</b>
<b>Issued bonds at amortised cost</b>						
Up to 3 months	1,000	-	460	1,000	-	460
Over 3 months and up to 1 year	-	1,000	-	-	1,000	-
Over 1 year and up to 5 years	3,715	3,719	4,718	3,715	3,719	4,718
Over 5 years	-	-	-	-	-	-
<b>Total</b>	<b>4,715</b>	<b>4,719</b>	<b>5,178</b>	<b>4,715</b>	<b>4,719</b>	<b>5,178</b>

The above amounts are exclusive of interest.

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