

**Adequate capital base for BRFkredit a/s for Q1 2016**

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 2016.

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

### *Adequate capital base*

The adequate capital base for BRFkredit a/s amounts to DKK 5.9bn at Q1 2016, corresponding to an individual solvency requirement of 9.2 %. The capital base requirement, inclusive of the transitional rules for the determination of credit risk according to the IRB approach amounts to DKK 8.0bn (12.6 %).

The capital base for BRFkredit a/s amounts to DKK 12.0bn at Q1 2016, corresponding to a capital ratio of 18.8 %.

Adequate capital base and solvency requirement for BRFkredit a/s <sup>1</sup>				
DKKm	Q1 2016	% of REA	Q4 2015	% of REA
Credit risk	5,487	8.6	5,569	9.0
Market risk	144	0.2	173	0.3
Operational risk	242	0.4	231	0.4
Other	0	0.0	0	0.0
<b>Total</b>	<b>5,873</b>	<b>9.2</b>	<b>5,973</b>	<b>9.6</b>

<sup>1</sup> REA is an abbreviation of Risk Exposure Amount and was previously referred to as RWA (Risk-Weighted Assets).