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# **INTERIM FINANCIAL REPORT**

## **1ST HALF OF 2016**

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## THE BRFKREDIT GROUP\*

## CORE PROFIT AND NET PROFIT FOR THE PERIOD

DKKm	H1 2016	H1 2015	Index 16/15	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	The year 2015
Contribution income, etc. <sup>1)</sup>	878	824	107	444	434	432	431	418	1,687
Other net interest income <sup>2)</sup>	-22	-14	-	-0	-22	-13	-18	-22	-45
Net fee and commission income, etc.	62	113	55	26	36	83	60	52	256
Value adjustments, etc. <sup>2)</sup>	19	-117	-	4	16	17	-6	-130	-106
Other income	27	8	338	16	12	15	17	3	40
<b>Core income</b>	<b>964</b>	<b>815</b>	<b>118</b>	<b>489</b>	<b>475</b>	<b>534</b>	<b>483</b>	<b>321</b>	<b>1,832</b>
Core expenses	401	472	85	198	203	211	225	241	908
<b>Core profit before loan impairment charges</b>	<b>563</b>	<b>343</b>	<b>164</b>	<b>291</b>	<b>272</b>	<b>322</b>	<b>258</b>	<b>80</b>	<b>923</b>
Loan impairment charges and provisions for guarantees (= income)	-19	48	-	16	-35	82	-27	-28	103
<b>Core profit</b>	<b>582</b>	<b>295</b>	<b>197</b>	<b>275</b>	<b>307</b>	<b>241</b>	<b>285</b>	<b>108</b>	<b>821</b>
Investment portfolio earnings	22	83	27	31	-9	38	-32	27	89
<b>Pre-tax profit</b>	<b>605</b>	<b>378</b>	<b>160</b>	<b>307</b>	<b>298</b>	<b>278</b>	<b>253</b>	<b>134</b>	<b>909</b>
Tax	132	89	148	67	65	64	57	33	210
<b>Net profit or loss for the period</b>	<b>472</b>	<b>289</b>	<b>163</b>	<b>239</b>	<b>233</b>	<b>214</b>	<b>196</b>	<b>102</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> Of which capital charges:									
Interest	59	69	86	28	31	32	32	36	133
Value adjustment	-5	18	-	-1	-4	2	-19	-7	1
Total capital charges	54	87	62	27	27	34	13	29	134

## SUMMARY OF BALANCE SHEET, END OF PERIOD

DKKm									
Mortgage loans, etc.	268,992	235,134	114	268,992	259,331	250,892	243,784	235,134	250,892
Bonds and shares, etc.	12,039	19,829	61	12,039	11,243	8,127	9,550	19,829	8,127
Total assets	293,633	267,894	110	293,633	280,687	269,794	263,175	267,894	269,794
Due to credit institutions and central banks	481	5,453	9	481	256	94	955	5,453	94
Issued bonds at fair value	274,631	243,510	113	274,631	260,799	249,772	241,992	243,510	249,772
Issued bonds at amortised cost	3,710	4,715	79	3,710	4,715	4,719	4,716	4,715	4,719
Equity	12,254	11,357	108	12,254	12,014	11,781	11,555	11,357	11,781

## SELECTED DATA AND FINANCIAL RATIOS

Pre-tax profit as a percentage of opening equity	5.1	3.4	-	2.5	2.5	2.4	2.3	1.2	8.2
Profit for the period as a pct. of av. equity	3.9	2.6	-	2.0	2.0	1.7	1.7	0.9	6.1
Income/cost ratio (%)	2.6	1.7	-	2.4	2.8	1.9	2.3	1.6	1.9
Accumulated impairment ratio (%)	0.5	0.6	-	0.5	0.5	0.6	0.6	0.6	0.6
Impairment ratio for the period (%)	-0.01	0.02	-	0.01	-0.01	0.03	-0.01	-0.01	0.04
Capital ratio (%)	17.9	18.8	-	17.9	18.9	19.1	19.2	18.8	19.1
Common Equity Tier 1 capital ratio (CET1 %)	17.9	18.7	-	17.9	18.8	18.9	18.9	18.7	18.9
Individual solvency requirement (%)	9.2	9.7	-	9.2	9.2	9.6	9.7	9.7	9.6
Capital base (DKKm)	11,989	11,275	-	11,989	11,958	11,820	11,583	11,275	11,820
Total risk exposure	67,034	59,854	-	67,034	63,431	61,770	60,291	59,854	61,770
No. of full-time employees at end-period	681	712	-	681	694	706	699	712	706

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

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

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- *Core income: DKK 964m (1st half 2015: DKK 815m).*
  - *Pre-tax profit for the period: DKK 605m (1st half 2015: DKK 378m).*
  - *Loan impairment charges and provisions for guarantees: income of DKK 19m (H1 2015: expenses of DKK 48m).*
  - *Mortgage loans: DKK 269.0bn (end of 2015: DKK 250.9bn).*
  - *Capital ratio: 17.9% (end of 2015: 19.1%), of which the Common Equity Tier 1 capital ratio was 17.9% (end of 2015: 18.9%).*
  - *Individual solvency requirement: 9.2% (end of 2015: 9.6%).*
  - *Capital requirement - transitional rules 12.6% (end of 2015: 12.6%).*
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### COMMENTS BY MANAGEMENT

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

In the first half of 2016, BRFkredit generated a pre-tax profit of DKK 605m, i.e. an improvement of DKK 227m relative to the same period last year. The positive development can, among other things, be attributed to an increase in core income, including the contribution income due to a growing portfolio, still falling costs and falling impairment charges.

Mortgage activities continued to develop in a positive way, and in the first half of 2016, the total portfolio grew nominally by DKK 14.2bn to DKK 262.1bn, of which jointly funded loans amounted to DKK 49.1bn. Over the first half of the year, BRFkredit was to an increasing degree contacted by clients and the activity level increased primarily due to BRFkredit's decision not to raise contributions for personal clients in 2016.

In the first half of 2016, BRFkredit took advantage of some very advantageous funding opportunities in the euro market and funded parts of the loans by issuing bonds denominated in euro - Euro Covered Bonds. In March 2016, bonds in the amount of EUR 500m were sold, and in June 2016, another issue in the amount of EUR 750m was made.

BRFkredit's capital base and internal capital buffer are solid and amounted, at the end of June 2016, to DKK 12.0bn and DKK 3.5bn, 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.

# H1 2016

## NET PROFIT OR LOSS FOR THE PERIOD

Over the first half of 2016, BRFkredit generated a pre-tax profit of DKK 605m. Calculated tax amounted to DKK 132m, and the net profit for the period amounted to DKK 472m.

Pre-tax profit corresponded to a return on equity of 10.2% p.a. against a return of 6.7% p.a. for the corresponding period of 2015.

CORE PROFIT AND NET PROFIT FOR THE PERIOD DKKm	H1 2016	H1 2015	Index 16/15	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	The year 2015
Contribution income, etc. <sup>1)</sup>	878	824	107	444	434	432	431	418	1,687
Other net interest income <sup>2)</sup>	-22	-14	-	-0	-22	-13	-18	-22	-45
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Value adjustments, etc. <sup>2)</sup>	19	-117	-	4	16	17	-6	-130	-106
Other income	27	8	338	16	12	15	17	3	40
<b>Core income</b>	<b>964</b>	<b>815</b>	<b>118</b>	<b>489</b>	<b>475</b>	<b>534</b>	<b>483</b>	<b>321</b>	<b>1,832</b>
Core expenses	401	472	85	198	203	211	225	241	908
<b>Core profit before loan impairment charges</b>	<b>563</b>	<b>343</b>	<b>164</b>	<b>291</b>	<b>272</b>	<b>322</b>	<b>258</b>	<b>80</b>	<b>923</b>
Loan impairment charges and provisions for guarantees (= income)	-19	48	-	16	-35	82	-27	-28	103
<b>Core profit</b>	<b>582</b>	<b>295</b>	<b>197</b>	<b>275</b>	<b>307</b>	<b>241</b>	<b>285</b>	<b>108</b>	<b>821</b>
Investment portfolio earnings	22	83	27	31	-9	38	-32	27	89
<b>Pre-tax profit</b>	<b>605</b>	<b>378</b>	<b>160</b>	<b>307</b>	<b>298</b>	<b>278</b>	<b>253</b>	<b>134</b>	<b>909</b>
Tax	132	89	148	67	65	64	57	33	210
<b>Net profit or loss for the period</b>	<b>472</b>	<b>289</b>	<b>163</b>	<b>239</b>	<b>233</b>	<b>214</b>	<b>196</b>	<b>102</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> Of which capital charges:									
Interest	59	69	86	28	31	32	32	36	133
Value adjustment	-5	18	-	-1	-4	2	-19	-7	1
Total capital charges	54	87	62	27	27	34	13	29	134

Core income amounted to DKK 964m against DKK 815m in the first half of 2015.

Contribution income amounted to DKK 878m in the first half of 2016 against DKK 824m in the first half of 2015. The increase can be attributed to the growing portfolio in combination with an increase in interest income from jointly funded loans by DKK 42m to DKK 88m in the first half of 2016.

Total cost of capital relating, among other things, to covered bond (SDO) and rating requirements amounted (net) to an expense of DKK 54m in the first half of 2016, which is a decline by DKK 33m relative to the first half of 2015. A part of the decline can be attributed to the maturity of the senior secured bond issue in the amount of DKK 1.0bn on 1 April 2016. Other fluctuations in the cost of capital of the individual quarters can chiefly be attributed to value adjustments of the swaps used to hedge the currency risk on the senior loans raised.

In the first half of 2016, net fee and commission income amounted to DKK 62m against DKK 113m in the first half of 2015, which period was affected by an extraordinarily high level of refinancing activity. The falling fee income in the first half of 2016 can also be attributed to the fact that, in 2016, BRFkredit offers transfers of home loans at a fee of DKK 2,500 compared to the normal fee of DKK 7,500.

In the first half of 2016, value adjustments amounted to an income of DKK 19m against an expense of DKK 117m in the first half of 2015. The increase of DKK 136m can be attributed, among other things, to a positive value adjustment of the core portfolio of bonds as compared to a negative value adjustment in the corresponding period of 2015. Moreover, capital losses of DKK 101m relating to the sale of banking activities affected the financial statements for the first half of 2015.

Core expenses fell by 15% and amounted to DKK 401m in the first half of 2016 compared to DKK 472m in the first half of 2015. The decline can materially be attributed to lower payroll and administrative costs.

In the first half of 2016, core profit before loan impairment charges and provisions for guarantees amounted to DKK 563m against DKK 343m for the first half of 2015.

## LOAN IMPAIRMENT CHARGES AND PROVISIONS FOR GUARANTEES.

Total loan impairment charges and provisions for guarantees for the first half of 2016 amounted to an income of DKK 19m against an expense of DKK 48m in the first half 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 half of 2016 against 0.02% in the same period of 2015.

The effect on the income statement was distributed with an expense of DKK 121m relating to personal clients and an income of DKK 140m relating to corporate clients, as a number of previous impairment charges were reversed.

BRFkredit's holding of assets held temporarily amounted to DKK 388m at the end of the first half of 2016 against DKK 393m at the end of 2015. 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 1,418m at the end of the first half of 2016, corresponding to 0.5% of total loans. Of this, collective impairment charges amounted to DKK 332m 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 half of 2016 (at the end of 2015: DKK 49m).

LOANS, ADVANCES AND GUARANTEES DKKm	H1 2016	H1 2015	Index 16/15	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	The year 2015
Loans, advances and guarantees	269,018	235,166	114	269,018	259,360	250,921	243,813	235,166	250,921
Balance of loan impairment charges and provisions for guarantees	1,418	1,512	94	1,418	1,409	1,425	1,448	1,512	1,425
Individual impairment charges and provisions for guarantees	1,085	1,176	92	1,085	1,086	1,070	1,111	1,176	1,070
Collective impairment charges and provisions for guarantees	332	336	99	332	323	355	336	336	355
Non performing loans and guarantees:									
Loans, advances and guarantees before impairment charges	9,777	9,207	106	9,777	9,184	9,243	8,574	9,207	9,243
Impairment charges	1,085	1,176	92	1,085	1,086	1,070	1,111	1,176	1,070
Loans, advances and guarantees after impairment charges	8,692	8,031	108	8,692	8,098	8,173	7,463	8,031	8,173
NPL ratio (%)	3.2	3.4	-	3.2	3.1	3.3	3.1	3.4	3.3
NPL contribution ratio (%)	11.1	12.8	-	11.1	11.8	11.6	13.0	12.8	11.6
Past due mortgage loans	799	1,328	60	799	712	981	1,079	1,328	981
Loan impairment charges and provisions for guarantees (effect on the income statement) (- = income)	-19	48	-	15	-35	82	-27	-28	103
Operating loss	40	273	15	12	28	113	51	105	437

Non-performing loans comprise exposures with individually assessed impairment charges and exposures with high or full risk as well as exposures more than 90 days past due. If the criteria for non-performing exposures are no longer met, and if previously credit easing measures have been granted, clients are still subject to the criterion for non-performing exposures for at least a year after the credit easing was granted. The definition of non-performing exposures is based on the EBA's technical standards. At the end of the first half 2016, non-performing loans and advances amounted to 3.2% against 3.3% at the end of 2015.

## ARREARS RATE

The arrears rate measured 90 days after the March 2016 repayment date amounted to 0.2%, against 0.5% after the corresponding repayment date in 2015. The arrears rate measured 15 days after the June 2016 repayment date amounted to 1.0% against 1.1% after the June 2015 repayment date.

ARREARS RATE	June	March	Dec.	Sept.	June	March
Repayment dates	2016	2016	2015	2015	2015	2015
After 90 days	-	0.2	0.2	0.3	0.4	0.5
After 15 days	1.0	1.1	1.3	1.2	1.1	1.2

## INVESTMENT PORTFOLIO EARNINGS

INVESTMENT PORTFOLIO EARNINGS			Index	Q2	Q1	Q4	Q3	Q2	The year
DKKm	H1 2016	H1 2015	16/15	2016	2016	2015	2015	2015	2015
Net interest income	71	85	84	32	39	40	47	42	172
Value adjustments	-49	-1	-	-1	-48	-3	-79	-15	-84
<b>Investment portfolio earnings</b>	<b>22</b>	<b>83</b>	<b>27</b>	<b>31</b>	<b>-9</b>	<b>37</b>	<b>-32</b>	<b>27</b>	<b>89</b>

Investment portfolio earnings included the return on the securities holding less a risk-free return, which was attributed to core profit. The investment portfolio earnings for the first half of 2016 amounted to DKK 22m against DKK 83m for the first half of 2015. The decline in net interest income can primarily be attributed to the falling interest-rate level in the first half of 2016. The negative value adjustments were primarily affected by the on-going hedging of the interest-rate risk on the portfolio of securities through financial instruments (swaps).

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

## CORE PROFIT AND INVESTMENT PORTFOLIO EARNINGS

Pre-tax profit for the first half of 2016 and the first half of 2015 broken into core earnings and investment portfolio earnings is stated below:

BREAKDOWN OF THE PERIOD'S PROFIT	H1 2016				H1 2015			
	Core profit	Investment portfolio earnings	Reclassification	Total	Core profit	Investment portfolio earnings	Reclassification	Total
DKKm								
Other net interest income, etc.	856	71	-18	909	811	85	112	1,007
Net fee and commission income	62	-	-	62	113	-	-	113
Value adjustments, etc.	19	-49	18	-12	-117	-1	-112	-230
Other income	27	-	-	27	8	-	-	8
<b>Income</b>	<b>964</b>	<b>22</b>	<b>-</b>	<b>987</b>	<b>815</b>	<b>83</b>	<b>-</b>	<b>899</b>
Expenses	401	-	-	401	472	-	-	472
<b>Profit before loan impairment charges and provisions for guarantees</b>	<b>563</b>	<b>22</b>	<b>-</b>	<b>585</b>	<b>343</b>	<b>83</b>	<b>-</b>	<b>426</b>
Loan impairment charges and provisions for guarantees (= income)	-19	-	-	-19	48	-	-	48
<b>Pre-tax profit</b>	<b>582</b>	<b>22</b>	<b>-</b>	<b>605</b>	<b>295</b>	<b>83</b>	<b>-</b>	<b>378</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 half of 2016, BRFkredit's interest-rate risk calculated according to the standardised approach of the FSA came to DKK 77m (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.

## Outlook 2016

For the full year, it is expected that the core business will increase compared 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.

## BALANCE SHEET

<b>SUMMARY OF BALANCE SHEET, end of period</b> DKKm	<b>Q2</b> <b>2016</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>
Assets / equity and liabilities	293,633	280,687	269,794	263,175	267,894
Mortgage loans, incl. jointly funded bank mortgage loans (nom. value)	262,148	254,194	247,942	239,816	230,315
Total loans (fair value)	268,992	259,331	250,892	243,784	235,134
Issued bonds, fair value	274,631	260,799	249,772	241,992	243,510
Equity	12,254	12,014	11,781	11,555	11,357

At the end of the first half of 2016, BRFkredit's balance sheet amounted to DKK 294bn (end of 2015: DKK 270bn).

At the end of the first half of 2016, BRFkredit's mortgage loans (inclusive of jointly funded bank mortgage loans) amounted to nominally DKK 262bn (end of 2015: DKK 248bn). On 30 June 2016, BRFkredit's total loans amounted to a fair value of DKK 269bn (end of 2015: DKK 251bn).

Equity was increased by the net profit for the period after tax etc., in total DKK 472m. Equity amounted then to DKK 12,254m at the end of June 2016 (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 half of 2016, the capital and Core Tier 1 capital ratios all amounted to 17.9%.

<b>CAPITAL AND CORE CAPITAL RATIOS,</b> <b>end of period</b>	<b>Q2</b> <b>2016</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>The year</b> <b>2015</b>
Capital ratio (%)	17.9	18.9	19.1	19.2	18.8	19.1
Core Tier 1 Capital ratio (%)	17.9	18.8	18.9	18.9	18.7	18.9
Common Equity Tier 1 capital ratio (CET 1) (%)	17.9	18.8	18.9	18.9	18.7	18.9

At the end of the first half of 2016, Common Equity Tier 1 capital amounted to 100% of the capital base. 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.

<b>CAPITAL BASE AND OVERALL RISK EXPOSURE</b> DKKm	<b>30 June 2016</b>	<b>31 December 2015</b>
Equity	12,254	11,781
Intangible assets	-2	-3
Prudent valuation	-98	-94
Diff. between expected loss and impairment charges (deduction)	-166	-
<b>Core capital/Common Equity Tier 1 capital</b>	<b>11,989</b>	<b>11,684</b>
Diff. between expected loss and impairment charges (addition)	-	135
<b>Capital base</b>	<b>11,989</b>	<b>11,820</b>
<b>Total weighted risk exposure</b>	<b>67,034</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 requirements for market and operational risks are measured according to the standardised approach.

#### MINIMUM CAPITAL REQUIREMENT BY RISK TYPE

DKKm	30 June 2016	31 December 2015
Credit risk	4,949	4,528
Market risk	166	173
Operational risk	248	241
<b>Minimum capital requirement, Pillar I</b>	<b>5,363</b>	<b>4,942</b>
Capital requirement, transitional provisions	3,102	2,838
<b>Total minimum capital requirement</b>	<b>8,465</b>	<b>7,780</b>

The capital constraint for BRFkredit continues to be the transitional rule (Basel I floor), which at the end of the first half of 2016 was calculated at DKK 8.5bn, corresponding to 12.6% of REA (which states the risk exposure amount) (end of 2015: DKK 7.8bn, corresponding to 12.6%).

#### INDIVIDUAL SOLVENCY REQUIREMENT AND CAPITAL BUFFER

At the end of the first half 2016, the BRFkredit Group had determined an individual solvency requirement of 9.2%, to which must be added a SIFI requirement of 0.6% of REA as well as a capital conservation buffer of 0.625% of REA. The individual solvency requirement had fallen from 9.6% at the end of 2015 due to the improved credit quality and lower impairment charges.

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

INDIVIDUAL SOLVENCY REQUIREMENT DKKm	30 June 2016	% of REA	31 December 2015	% of REA
Credit risk	5,738	8.6	5,538	9.0
Market risk	166	0.2	173	0.3
Operational risk	248	0.4	241	0.4
<b>Total</b>	<b>6,152</b>	<b>9.2</b>	<b>5,952</b>	<b>9.6</b>

The internal capital buffer plus earnings from operations denote the maximum sustainable loss allowed without additional capital having to be added.

CAPITAL BUFFER DKKm	30 June 2016	% of REA	31 December 2015	% of REA
Capital base	11,989	17.9	11,820	19.1
a) Core capital	11,989	17.9	11,684	18.9
b) Supplementary capital less deductions	-	-	135	0.2
Individual solvency requirement + buffers	6,974	10.4	6,137	9.9
Capital requirement, transitional provisions	8,465	12.6	7,780	12.6
<b>Capital buffer</b>	<b>3,524</b>	<b>5.3</b>	<b>4,040</b>	<b>6.5</b>

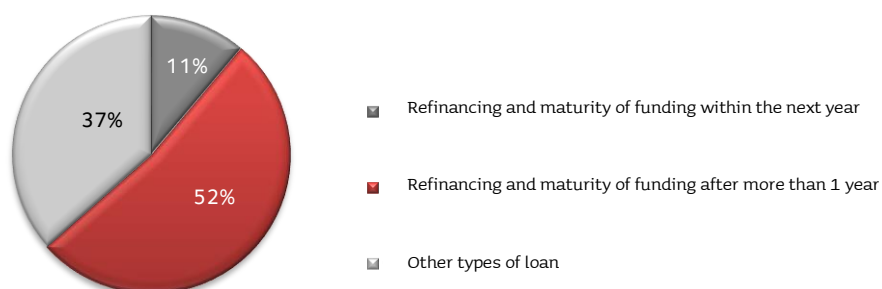
## REFINANCING

For the rest of 2016, BRFkredit will continue its efforts to reduce the refinancing risk on the loan portfolio. This will be achieved in consideration of the requirement that the individual series must be so large that, in respect of the liquidity buffer of the investors, they meet the LCR requirement (Liquidity Coverage Ratio). BRFkredit finances and re-finances the so-called F1 loans and jointly funded home loans with annual interest rate adjustment through RTL IT and RTL F bonds (pre-financed bonds).

Moreover, in the first half of 2016, BRFkredit financed one-year adjustable-rate loans under the joint funding agreements by issuing bonds denominated in euro. These bonds have maturities between five and seven years. 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 and interest-rate risks between the loans in Danish kroner and the bonds in euro are hedged through swaps concluded with financial institutions. Therefore there is no currency or interest-rate risk, neither for the borrower nor the investor.

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




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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.com](http://BRF.com).

## OTHER INFORMATION

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.

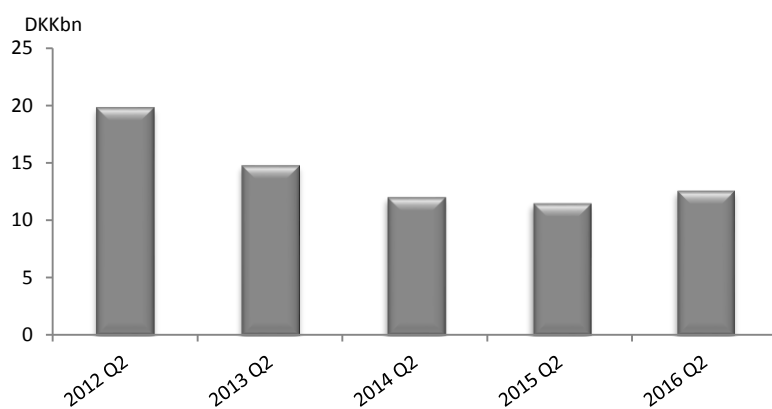
### RATINGS

As at 30 June 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 31.3bn of 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 %	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	The year 2015
Concentration risk < 100%	77.8	84.5	81.1	77.8	72.5	81.1
Increase in loans and advances < 15% annually in the segment:						
- Owner-occupied home and vacation homes	20.3	23.1	27.4	25.4	23.1	27.4
- Residential rental property	6.3	8.0	7.8	5.8	7.0	7.8
- Other sectors	8.5	6.6	6.4	4.3	4.7	6.4
Borrower's interest-rate risk < 25%*						
- Residential property	24.7	27.8	27.2	27.0	27.0	27.2
Interest-only schemes < 10%						
- Owner-occupied home and vacation homes	10.1	10.0	10.5	10.6	10.8	10.5
Loans with short-term funding:						
- Refinancing (annually) < 25%	21.9	22.5	22.4	24.0	26.3	22.4
- Refinancing (quarterly) < 12.5%	0.0	3.5	15.7	3.9	0.0	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 funding are included.

In the first half of 2016, BRFkredit a/s met the supervisory diamond's benchmarks for concentration risk, yearly and quarterly refinancing, borrower's interest-rate risk and two out of three 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 particularly 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. The benchmark for interest-only loans was exceeded marginally. On an on-going basis, BRFkredit a/s reviews the institution's positions relative to the benchmarks and expects to be meet all benchmarks 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 Copenhagen A/S" was adopted by the Supervisory Board during the first half of 2016.

### FOR FURTHER INFORMATION

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

### 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 ON THE ANNUAL REPORT

We have today discussed and approved the Interim Financial Report of BRFkredit a/s for the period 1 January to 30 June 2016.

The consolidated Interim Financial Statements of the BRFkredit Group 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 30 June 2016 and also of their financial performance as well as the cash flows of the Group for the period 1 January to 30 June 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, 18 August 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	The BRFkredit Group				BRFkredit a/s		
	Q2 2016	Q2 2015	H1 2016	H1 2015	H1 2016	H1 2015	
DKKm							
<b>INCOME STATEMENT</b>							
4	Interest income	1,727	1,970	3,460	3,938	3,460	3,892
5	Interest expenses	1,256	1,471	2,551	2,931	2,551	2,920
	<b>Net interest income</b>	<b>471</b>	<b>499</b>	<b>909</b>	<b>1,007</b>	<b>909</b>	<b>972</b>
	Dividends, etc.	4	2	7	4	7	4
6	Fees and commission income	43	70	99	155	99	143
	Fees and commission expenses	17	18	37	42	37	42
	<b>Net interest and fee income</b>	<b>501</b>	<b>553</b>	<b>978</b>	<b>1,124</b>	<b>978</b>	<b>1,077</b>
7	Value adjustment	7	-208	-12	-234	-11	-152
	Other operating income	12	3	21	8	19	15
8	Employee and administrative expenses	193	236	388	460	390	430
	Amortisation, depreciation and impairment charges	2	5	5	9	5	9
	Other operating expenses	3	1	8	4	8	-
9	Loan impairment charges and provisions for guarantees (- is income)	15	-27	-19	48	-19	132
	Profit on investments in associates and group enterprises	-	-	-	-	2	-6
	<b>Pre-tax profit</b>	<b>307</b>	<b>135</b>	<b>605</b>	<b>378</b>	<b>604</b>	<b>364</b>
10	Tax	67	33	132	89	132	91
	<b>Net profit or loss for the period</b>	<b>239</b>	<b>102</b>	<b>472</b>	<b>289</b>	<b>473</b>	<b>273</b>
	Attributable to:						
	Shareholders of BRFkredit a/s	239	102	472	289		
	<b>Total</b>	<b>239</b>	<b>102</b>	<b>472</b>	<b>289</b>		

**STATEMENT OF COMPREHENSIVE INCOME**

Net profit or loss for the period	239	102	472	289	473	273
Other comprehensive income:						
Items that can be recycled to the income statement:						
Shares available for sale	0	-13	0	-16	-	-
Tax on other comprehensive income	-	-0	-	-0	-	-0
<b>Other comprehensive income after tax</b>	<b>0</b>	<b>-13</b>	<b>0</b>	<b>-16</b>	<b>-</b>	<b>-0</b>
<b>Comprehensive income for the period</b>	<b>240</b>	<b>88</b>	<b>473</b>	<b>273</b>	<b>473</b>	<b>273</b>
Attributable to:						
Shareholders of BRFkredit a/s	240	88	473	273		
<b>Total</b>	<b>240</b>	<b>88</b>	<b>473</b>	<b>273</b>		

## BALANCE SHEET

Note	The BRFkredit Group			BRFkredit a/s		
	30 June 2016	31 Dec. 2015	30 June 2015	30 June 2016	31 Dec. 2015	30 June 2015
	DKKm					
<b>ASSETS</b>						
	Cash, cash equivalents and demand deposits with central banks					
	48	250	312	48	250	312
	Due from credit institutions and central banks					
	11,342	9,271	11,094	11,285	9,015	10,388
11	Loans and advances at fair value					
	268,992	250,892	235,134	268,992	250,892	235,134
	Bonds at fair value					
	11,819	7,909	19,611	11,819	7,909	19,611
	Shares, etc.					
	220	218	218	220	218	218
	Equity investments in group enterprises					
	-	-	-	330	527	970
	Intangible assets					
	2	3	7	2	3	7
	Land and buildings, total					
	491	492	481	400	402	392
	of which investment property					
	4	4	4	4	4	4
	of which owner-occupied properties					
	487	488	477	396	398	388
	Other property, plant and equipment					
	3	3	5	3	3	5
	Current tax assets					
	-	2	-	-	2	0
	Deferred tax assets					
	-	-	109	-	-	-
	Assets in temporary possession					
	388	393	523	388	393	523
12	Other assets					
	297	335	369	297	335	369
	Prepayments					
	31	26	30	31	26	30
	<b>Total assets</b>	<b>293,633</b>	<b>269,794</b>	<b>267,894</b>	<b>293,815</b>	<b>269,975</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Liabilities</b>						
	Due to credit institutions and central banks					
	481	94	5,453	481	94	5,453
13	Issued bonds at fair value					
	274,631	249,772	243,510	274,631	249,772	243,510
	Issued bonds at amortised cost					
	3,710	4,719	4,715	3,710	4,719	4,715
	Current tax liabilities					
	117	-	0	118	-	-
	Liabilities relating to assets held temporarily					
	6	5	9	6	5	9
14	Other liabilities					
	2,331	3,335	2,761	2,516	3,507	2,799
	Deferred income					
	15	4	9	15	4	9
	<b>Liabilities, total</b>	<b>281,291</b>	<b>257,929</b>	<b>281,477</b>	<b>258,101</b>	<b>256,494</b>
<b>Provisions</b>						
	Provisions for deferred tax					
	23	12	-	20	21	29
	Other provisions					
	65	72	80	65	72	80
	<b>Provisions, total</b>	<b>87</b>	<b>84</b>	<b>80</b>	<b>92</b>	<b>109</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					
	3,204	2,731	182	3,215	2,743	192
	<b>Equity, total</b>	<b>12,254</b>	<b>11,781</b>	<b>11,357</b>	<b>11,781</b>	<b>11,357</b>
	<b>Equity and liabilities, total</b>	<b>293,633</b>	<b>269,794</b>	<b>267,894</b>	<b>293,815</b>	<b>269,975</b>
<b>OFF-BALANCE SHEET ITEMS</b>						
	Guarantees, etc.					
	26	29	32	26	29	32
	Other contingent liabilities, etc. (loan offers)					
	20,455	15,572	15,275	20,455	15,572	15,275
	<b>Total guarantees and other contingent liabilities</b>	<b>20,481</b>	<b>15,602</b>	<b>15,306</b>	<b>20,481</b>	<b>15,306</b>

## STATEMENT OF CHANGES IN EQUITY

DKKm

## The BRFkredit Group

	Share capital	Share premium	Revalua- tion reserve	Reserves in series	Retained profit	Total
Equity at 1 January 2016	1,306	102	47	7,594	2,731	11,781
Net profit or loss for the period	-	-	-	-	472	472
Other comprehensive income	-	-	-	-	0	0
Comprehensive income for the period	-	-	-	-	473	473
<b>Equity at 30 June 2016</b>	<b>1,306</b>	<b>102</b>	<b>47</b>	<b>7,594</b>	<b>3,204</b>	<b>12,254</b>
Equity at 1 January 2015	1,306	102	35	9,732	-91	11,084
Net profit or loss for the period	-	-	-	-	289	289
Other comprehensive income	-	-	-0	-	-16	-16
Comprehensive income for the period	-	-	-0	-	273	273
<b>Equity at 30 June 2015</b>	<b>1,306</b>	<b>102</b>	<b>35</b>	<b>9,732</b>	<b>182</b>	<b>11,357</b>

## BRFkredit a/s

	Share capital	Share premium	Revalua- tion reserve	Reserves in series	Retained profit	Total
Equity at 1 January 2016	1,306	102	36	7,594	2,743	11,781
Net profit or loss for the period	-	-	-	-	473	473
Comprehensive income for the period	-	-	-	-	473	473
<b>Equity at 30 June 2016</b>	<b>1,306</b>	<b>102</b>	<b>36</b>	<b>7,594</b>	<b>3,215</b>	<b>12,254</b>
Equity at 1 January 2015	1,306	102	25	9,732	-81	11,084
Net profit or loss for the period	-	-	-	-	273	273
Other comprehensive income	-	-	-	-	-0	-0
Comprehensive income for the period	-	-	-	-	273	273
<b>Equity at 30 June 2015</b>	<b>1,306</b>	<b>102</b>	<b>25</b>	<b>9,732</b>	<b>192</b>	<b>11,357</b>



## CAPITAL STATEMENT

DKKm	The BRFkredit Group			BRFkredit a/s		
	30 June 2016	31 Dec. 2015	30 June 2015	30 June 2016	31 Dec. 2015	30 June 2015
Equity	12,254	11,781	11,357	12,254	11,781	11,357
Intangible assets	-2	-3	-7	-2	-3	-7
Deferred tax assets	-	-	-109	-	-	-
Difference between expected loss and the carrying amount of impairment charges	-166	-	-	-166	-	-
Prudent valuation	-98	-94	-75	-97	-94	-75
<b>Common Equity Tier 1 capital / Core capital</b>	<b>11,989</b>	<b>11,684</b>	<b>11,166</b>	<b>11,989</b>	<b>11,684</b>	<b>11,275</b>
Difference between expected loss and the carrying amount of impairment charges	-	135	109	-	135	109
<b>Capital base</b>	<b>11,989</b>	<b>11,820</b>	<b>11,275</b>	<b>11,989</b>	<b>11,820</b>	<b>11,384</b>
Weighted risk exposure involving credit risk etc.	61,857	56,601	53,668	62,085	56,986	54,407
Weighted risk exposure involving market risk	2,073	2,160	3,176	2,073	2,160	3,176
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>67,034</b>	<b>61,770</b>	<b>59,854</b>	<b>67,184</b>	<b>62,033</b>	<b>60,472</b>
Capital requirement, Pillar I	5,363	4,942	4,788	5,375	4,963	4,838
Capital requirement, transitional provisions	3,102	2,838	2,388	3,100	2,834	2,377
<b>Capital requirement, total</b>	<b>8,465</b>	<b>7,780</b>	<b>7,176</b>	<b>8,475</b>	<b>7,797</b>	<b>7,215</b>
Capital ratio (%)	17.9	19.1	18.8	17.8	19.1	18.8
Core Tier 1 Capital ratio (%)	17.9	18.9	18.7	17.8	18.8	18.6
Common Equity Tier 1 capital ratio (%)	17.9	18.9	18.7	17.8	18.8	18.6

On 30 June 2016, the total weighted risk exposure according to Basel I amounted to DKK 132,264m (31.12.2015: DKK 121,569m) 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 8,465m. 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	
	H1 2016	H1 2015
<b>Net profit or loss for the period</b>	<b>472</b>	<b>289</b>
Adjustment for non-cash operating items and change in working capital	<b>2,364</b>	2,764
<b>Cash flows from operating activities</b>	<b>2,836</b>	<b>3,053</b>
Acquisition of property, plant and equipment	-1	-0
Acquisition of intangible assets	-0	-2
Sale of investments	1	0
<b>Cash flows from investment activities</b>	<b>0</b>	<b>-2</b>
Addition and redemption of senior secured bonds and senior debt	-1,009	-489
<b>Cash flows from financing activities</b>	<b>-1,009</b>	<b>-489</b>
<b>Cash flow for the period</b>	<b>1,828</b>	<b>2,562</b>
Cash and cash equivalents, beginning of period	<b>9,354</b>	8,382
<b>Cash and cash equivalents, end of period</b>	<b>11,181</b>	<b>10,944</b>
Cash and cash equivalents, end of period, comprise:		
Cash in hand, etc.	<b>48</b>	312
Due from credit institutions and central banks	<b>11,133</b>	10,632
<b>Cash and cash equivalents, end of period</b>	<b>11,181</b>	<b>10,944</b>

**NOTES**

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**Note****1 Accounting Policies**

The Interim Financial Report of BRFkredit a/s for the period 1 January to 30 June 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. Therefore 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 18 August 2016.

## NOTES

## Note

3 Financial ratios and key figures  
at 30 June

<b>The BRFkredit Group</b>	<b>2016</b>	<b>2015</b>
Capital ratio (%)	<b>17.9</b>	18.8
Core Tier 1 Capital ratio (%)	<b>17.9</b>	18.7
Return on equity before tax (average) for the period (%)	<b>5.0</b>	3.4
Return on equity after tax (average) for the period (%)	<b>3.9</b>	2.6
Income/cost ratio (%)	<b>2.6</b>	1.7
Currency position (%)	<b>1.1</b>	2.0
Accumulated impairment ratio (%)	<b>0.5</b>	0.6
Impairment ratio for the period (%)	<b>-0.01</b>	0.02
Increase in loans and advances for the period (%)	<b>5.7</b>	6.9
Loans relative to equity	<b>22.0</b>	20.7
Return on capital employed	<b>0.2</b>	0.1

**BRFkredit a/s**

Capital ratio (%)	<b>17.8</b>	18.8
Core Tier 1 Capital ratio (%)	<b>17.8</b>	18.6
Return on equity before tax (average) for the period (%)	<b>5.0</b>	3.2
Return on equity after tax (average) for the period (%)	<b>3.9</b>	2.4
Income/cost ratio (%)	<b>2.6</b>	1.6
Currency position (%)	<b>1.1</b>	2.0
Accumulated impairment ratio (%)	<b>0.5</b>	0.6
Impairment ratio for the period (%)	<b>-0.01</b>	0.06
Increase in loans and advances for the period (%)	<b>5.7</b>	8.3
Loans relative to equity	<b>22.0</b>	20.7
Return on capital employed	<b>0.2</b>	0.1

**NOTES**

Note	The BRFkredit Group		BRFkredit a/s	
	H1 2016	H1 2015	H1 2016	H1 2015
DKKm				
<b>4 Interest income</b>				
Due from credit institutions and central banks <sup>1)</sup>	-2	-4	-2	-4
Loans and advances	2,600	2,896	2,600	2,854
Contribution	804	781	804	781
Bonds	137	345	137	341
Derivatives, interest and currency-rate contracts	7	76	7	76
Other interest income	0	-	0	-
<b>Interest income before offsetting of interest against own bonds</b>	<b>3,545</b>	<b>4,095</b>	<b>3,545</b>	<b>4,049</b>
<b>Interest on own bonds, set off against interest on issued bonds</b>	<b>85</b>	<b>157</b>	<b>85</b>	<b>157</b>
<b>Total</b>	<b>3,460</b>	<b>3,938</b>	<b>3,460</b>	<b>3,892</b>
<sup>1)</sup> Of which interest income on genuine reverse carried under "Due from credit institutions and central banks"	-0	-4	-0	-4
<b>5 Interest expenses</b>				
Due to credit institutions and central banks <sup>1)</sup>	12	-2	12	5
Deposits	-	16	-	-
Issued bonds	2,592	2,993	2,592	2,993
Other interest expenses	32	81	32	79
<b>Interest expenses before offsetting of interest against own bonds</b>	<b>2,636</b>	<b>3,088</b>	<b>2,636</b>	<b>3,077</b>
<b>Interest on own bonds, set off against interest on issued bonds</b>	<b>85</b>	<b>157</b>	<b>85</b>	<b>157</b>
<b>Total</b>	<b>2,551</b>	<b>2,931</b>	<b>2,551</b>	<b>2,920</b>
<sup>1)</sup> Of which interest income on genuine repo carried under "Due to credit institutions and central banks"	-0	-6	-0	-6
<b>6 Fees and commission income</b>				
Securities trading and custody services	60	78	60	75
Money transfers and card payments	-	1	-	-
Loan management fees	38	72	38	68
Guarantee commission	-	2	-	-
Other fees and commissions	0	2	0	0
<b>Total</b>	<b>99</b>	<b>155</b>	<b>99</b>	<b>143</b>
<b>7 Value adjustment</b>				
Mortgage loans	3,806	-2,881	3,806	-2,881
Other loans, advances and receivables at fair value	6	-5	6	-5
Bonds	67	-46	67	-51
Shares, etc.	3	-1	4	-16
Investment properties	-	-0	-	-0
Currency	-1	3	-1	2
Currency, interest-rate and other contracts as well as other derivatives	57	-99	57	-96
Other assets (sale of banking activities)	-	-101	-	-
Issued bonds	-3,949	2,896	-3,949	2,896
<b>Total</b>	<b>-12</b>	<b>-234</b>	<b>-11</b>	<b>-152</b>

Adjustments of the balance principle for the BRFkredit Group brought a total expense of DKK 3m (2015: DKK 0m), resulting from a net value adjustment of the following items: Mortgage loans by DKK +3,806m (DKK -2,881m), issued mortgage bonds by DKK -3,949m (DKK +2,896m) and derivatives by DKK +140m (DKK -15m), recognised under "Currency, interest-rate and other contracts as well as other derivatives".

**NOTES**

Note	The BRFkredit Group		BRFkredit a/s	
	H1 2016	H1 2015	H1 2016	H1 2015
DKKm				
<b>8 Employee and administrative expenses</b>				
<b>Employee expenses</b>				
Wages and salaries, etc.	219	239	219	224
Pensions	26	28	26	27
Payroll tax	32	33	32	32
Social security	0	0	0	0
<b>Total</b>	<b>277</b>	<b>300</b>	<b>277</b>	<b>282</b>
<b>Salaries and remuneration to management bodies</b>				
Executive Board	3	4	3	4
Supervisory Board	0	0	0	0
<b>Total</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
<b>Other administrative expenses</b>				
IT	44	79	44	68
Rent, lighting, heating, etc.	12	17	12	19
Other administrative expenses	52	60	53	58
<b>Total</b>	<b>108</b>	<b>156</b>	<b>110</b>	<b>145</b>
<b>Total</b>	<b>388</b>	<b>460</b>	<b>390</b>	<b>430</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	18	-114	18	-30
Recognised as a loss, covered by impairment charges/provisions	-25	-88	-25	-43
Impairment charges on sold portfolio	-	-802	-	-
<b>Balance of loan impairment charges and provisions, end of period</b>	<b>1,418</b>	<b>1,512</b>	<b>1,418</b>	<b>1,512</b>
Mortgage loan impairment charges	1,398	1,503	1,398	1,503
Impairment charges on other loans and receivables, etc.	19	10	19	10
<b>Balance of loan impairment charges and provisions, end of period</b>	<b>1,418</b>	<b>1,512</b>	<b>1,418</b>	<b>1,512</b>
Loan impairment charges/provisions for the period	18	-114	18	-30
Recognised as a loss, not covered by individual loan impairment charges/provisions	15	185	15	181
Recoveries	-52	-23	-52	-20
<b>Net effect on income statement</b>	<b>-19</b>	<b>48</b>	<b>-19</b>	<b>132</b>
Individual loan impairment charges, beginning of period	1,070	2,138	1,070	1,271
Loan impairment charges for the period	40	-98	40	-52
Recognised as a loss, covered by impairment charges/provisions	-25	-88	-25	-43
Impairment charges on sold portfolio	-	-775	-	-
<b>Individual loan impairment charges, end of period</b>	<b>1,085</b>	<b>1,176</b>	<b>1,085</b>	<b>1,176</b>
Collective loan impairment charges, beginning of period	355	379	355	314
Loan impairment charges for the period	-22	-16	-22	23
Impairment charges on sold portfolio	-	-27	-	-
<b>Collective loan impairment charges, end of period</b>	<b>332</b>	<b>336</b>	<b>332</b>	<b>336</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 +7m (2015: DKK -4m), and operating profit on properties during the period of foreclosure DKK -2m (DKK -1m).				

## NOTES

Note	The BRFkredit Group		BRFkredit a/s	
	H1 2016	H1 2015	H1 2016	H1 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	0.9	-0.2	2.2
Effect of the change to the corporation tax rate	-	-0.8	-	-0.8
<b>Total</b>	<b>21.9</b>	<b>23.6</b>	<b>21.8</b>	<b>24.9</b>

Note	The BRFkredit Group			BRFkredit a/s		
	30 June 2016	31 Dec. 2015	30 June 2015	30 June 2016	31 Dec. 2015	30 June 2015
DKKm						
<b>11 Loans and advances at fair value</b>						
Mortgage loans, nominal value	262,148	247,942	230,315	262,148	247,942	230,315
Adjustment for interest-rate risk, etc.	7,559	3,751	5,678	7,559	3,751	5,678
Adjustment for credit risk	-1,398	-1,412	-1,503	-1,398	-1,412	-1,503
Mortgage loans at fair value	268,309	250,281	234,491	268,309	250,281	234,491
Arrears and outlays	166	58	86	166	58	86
Other loans and receivables	517	552	558	517	552	558
<b>Total</b>	<b>268,992</b>	<b>250,892</b>	<b>235,134</b>	<b>268,992</b>	<b>250,892</b>	<b>235,134</b>

Of 'Arrears and outlays', arrears before impairment charges amounted to DKK 78m (31.12.2015: DKK 76m).

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

Owner-occupied homes	132,345	120,915	108,900	132,345	120,915	108,900
Vacation homes	6,804	6,411	6,462	6,804	6,411	6,462
Subsidised housing (rental housing)	47,398	45,351	44,192	47,398	45,351	44,192
Cooperative housing	15,325	14,815	14,836	15,325	14,815	14,836
Private rental properties (rental housing)	29,547	28,334	26,592	29,547	28,334	26,592
Industrial properties	1,353	1,389	1,346	1,353	1,389	1,346
Office and business properties	32,434	30,177	29,345	32,434	30,177	29,345
Agricultural properties, etc.	50	49	28	50	49	28
Properties for social, cultural and educational purposes	2,982	2,783	2,756	2,982	2,783	2,756
Other properties	72	58	34	72	58	34
<b>Total</b>	<b>268,309</b>	<b>250,281</b>	<b>234,491</b>	<b>268,309</b>	<b>250,281</b>	<b>234,491</b>

**12 Other assets**

Positive fair value of derivatives	156	24	12	156	24	12
Interest and commission receivable	63	71	164	63	71	164
Other assets	77	241	192	78	241	193
<b>Total</b>	<b>297</b>	<b>335</b>	<b>369</b>	<b>297</b>	<b>335</b>	<b>369</b>

## NOTES

Note	The BRFkredit Group			BRFkredit a/s		
	30 June 2016	31 Dec. 2015	30 June 2015	30 June 2016	31 Dec. 2015	30 June 2015
DKKm						
<b>13 Issued bonds at fair value</b>						
Issued mortgage bonds, nominal value	277,950	306,339	258,668	277,950	306,339	258,668
Adjustment to fair value	7,730	4,291	5,119	7,730	4,291	5,119
Own mortgage bonds, fair value	-11,049	-60,858	-20,277	-11,049	-60,858	-20,277
<b>Total</b>	<b>274,631</b>	<b>249,772</b>	<b>243,510</b>	<b>274,631</b>	<b>249,772</b>	<b>243,510</b>
<b>14 Other liabilities</b>						
Negative fair value of derivatives	252	211	221	252	211	221
Interest and commission payable	1,839	2,907	2,298	1,839	2,907	2,298
Other liabilities	240	218	242	426	389	279
<b>Total</b>	<b>2,331</b>	<b>3,335</b>	<b>2,761</b>	<b>2,516</b>	<b>3,507</b>	<b>2,799</b>
<b>15 Off-balance sheet items</b>						
<b>Guarantees, etc.</b>						
Other guarantees	26	29	32	26	29	32
<b>Total</b>	<b>26</b>	<b>29</b>	<b>32</b>	<b>26</b>	<b>29</b>	<b>32</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>						
Irrevocable credit commitments	20,390	15,486	15,183	20,390	15,486	15,183
Other contingent liabilities	65	86	92	65	86	92
<b>Total</b>	<b>20,455</b>	<b>15,572</b>	<b>15,275</b>	<b>20,455</b>	<b>15,572</b>	<b>15,275</b>

**Irrevocable credit commitments**

Irrevocable credit commitments relate materially to the obligation to pay out loans according to offers for mortgage loans with a term of up to six months made by BRFkredit (the term may be longer within the subsidised housing sector). 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.

**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 half 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 half 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
DKKm	

## 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

## 30 June 2016

	Quoted prices	Observable prices	Non-observable prices	Fair value, total	Recognised value
<b>Financial assets</b>					
Loans and advances at fair value	-	268,992	-	268,992	268,992
Bonds at fair value	11,682	137	-	11,819	11,819
Shares, etc.	-	-	220	220	220
Derivatives	0	156	-	156	156
<b>Total</b>	<b>11,682</b>	<b>269,285</b>	<b>220</b>	<b>281,188</b>	<b>281,188</b>
<b>Financial liabilities</b>					
Derivatives	2	250	-	252	252
Issued bonds at fair value	264,810	9,821	-	274,631	274,631
<b>Total</b>	<b>264,812</b>	<b>10,071</b>	<b>-</b>	<b>274,883</b>	<b>274,883</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>

	H1 2016	H1 2015
<b>Non-observable prices</b>		
Fair value, beginning of period	218	235
Capital gain and loss reflected in the income statement	3	-1
Capital gain and loss, recognised in equity	0	-16
Purchases for the period	0	-
Sales for the period	-2	-0
<b>Fair value, end of period</b>	<b>220</b>	<b>218</b>

**NOTES**

Note	The BRFkredit Group			BRFkredit a/s		
	30 June 2016	31 Dec. 2015	30 June 2015	30 June 2016	31 Dec. 2015	30 June 2015
DKKm						
<b>18 Contractual time to maturity</b>						
<b>Assets</b>						
<b>Due from credit institutions and central banks</b>						
Demand deposits	538	1,734	1,292	481	1,478	586
Up to 3 months	10,804	7,537	9,802	10,804	7,537	9,802
Over 3 months and up to 1 year	-	-	-	-	-	-
Over 1 year and up to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
<b>Total</b>	<b>11,342</b>	<b>9,271</b>	<b>11,094</b>	<b>11,285</b>	<b>9,015</b>	<b>10,388</b>
<b>Loans and advances at fair value</b>						
Up to 3 months	1,867	1,816	1,626	1,867	1,816	1,626
Over 3 months and up to 1 year	6,246	5,263	5,177	6,246	5,263	5,177
Over 1 year and up to 5 years	32,662	30,633	31,055	32,662	30,633	31,055
Over 5 years	228,217	213,180	197,276	228,217	213,180	197,276
<b>Total</b>	<b>268,992</b>	<b>250,892</b>	<b>235,134</b>	<b>268,992</b>	<b>250,892</b>	<b>235,134</b>
<b>Bonds at fair value</b>						
Up to 3 months	2,204	86	2,076	2,204	86	2,076
Over 3 months and up to 1 year	3,510	1,709	2,375	3,510	1,709	2,375
Over 1 year and up to 5 years	6,014	6,026	14,017	6,014	6,026	14,017
Over 5 years	92	89	1,143	92	89	1,143
<b>Total</b>	<b>11,819</b>	<b>7,909</b>	<b>19,611</b>	<b>11,819</b>	<b>7,909</b>	<b>19,611</b>
<b>Liabilities</b>						
<b>Due to credit institutions and central banks</b>						
Demand deposits	301	30	32	301	30	32
Up to 3 months	180	15	5,421	180	15	5,421
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>481</b>	<b>94</b>	<b>5,453</b>	<b>481</b>	<b>94</b>	<b>5,453</b>
<b>Issued bonds at fair value <sup>1)</sup></b>						
Up to 3 months	925	2,659	576	925	2,659	576
Over 3 months and up to 1 year	34,393	9,490	19,264	34,393	9,490	19,264
Over 1 year and up to 5 years	142,578	152,589	142,190	142,578	152,589	142,190
Over 5 years	96,735	85,035	81,481	96,735	85,035	81,481
<b>Total</b>	<b>274,631</b>	<b>249,772</b>	<b>243,510</b>	<b>274,631</b>	<b>249,772</b>	<b>243,510</b>
<b>Issued bonds at amortised cost</b>						
Up to 3 months	-	-	-	-	-	-
Over 3 months and up to 1 year	-	1,000	1,000	-	1,000	1,000
Over 1 year and up to 5 years	3,710	3,719	3,715	3,710	3,719	3,715
Over 5 years	-	-	-	-	-	-
<b>Total</b>	<b>3,710</b>	<b>4,719</b>	<b>4,715</b>	<b>3,710</b>	<b>4,719</b>	<b>4,715</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.