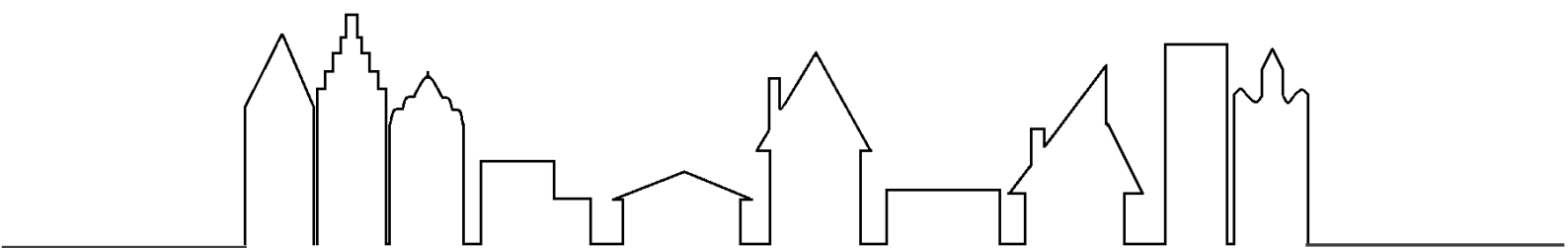


Annual Report 2016

BRFcredit





ANNUAL REPORT 2016 THE BRFKREDIT GROUP^{*)}

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



CORE PROFIT AND NET PROFIT FOR THE YEAR DKKm	2016	2015	Index 16/15	2014	2013	2012
Contribution income, etc.	1,785	1,687	106	1,494	1,408	1,250
Other net interest income ¹⁾	-53	-45	118	81	-60	-152
Net fee and commission income, etc.	207	256	81	184	136	117
Value adjustments, etc. (- is an expense) ¹⁾	30	-106	-	-61	50	17
Other income	52	40	130	15	8	2
Core income	2,021	1,832	110	1,713	1,542	1,235
Core expenses	837	908	92	963	952	910
Core profit before loan impairment charges and provisions for guarantees	1,184	923	128	751	590	324
Loan impairment charges and provisions for guarantees (- is income)	-32	103	-	1,069	505	493
Core profit	1,216	821	148	-318	85	-169
Investment portfolio earnings	80	89	90	-30	328	421
Pre-tax profit	1,295	909	142	-348	413	252
Tax (- is income)	285	210	136	-72	111	66
Profit for the year	1,011	699	145	-276	302	185
¹⁾ Capital charges are included in the items 'Other net interest income' as well as 'Value adjustments, etc.' and are allocated as follows:						
Interest	116	133	87	137	237	378
Value adjustment	-8	1	-	-1	13	-31
Total capital charges	107	134	80	137	250	346

Please see note 2 of the financial statements, which explains the relationship between the segmental financial statements and the official reporting format.

SUMMARY OF BALANCE SHEET, END OF PERIOD DKKm	2016	2015	Index 16/15	2014	2013	2012
Bank loans and advances	-	-	-	2,801	3,271	3,516
Mortgage loans	278,407	250,892	111	220,301	205,748	204,114
Bonds and shares, etc.	16,307	8,127	201	27,768	20,870	15,848
Total assets	307,037	269,794	114	261,300	233,770	229,219
Due to credit institutions and central banks	907	94	965	12,036	12,441	6,157
Bank deposits	-	-	-	4,990	5,343	5,250
Issued bonds at fair value	285,676	249,772	114	223,826	193,147	196,511
Issued bonds at amortised cost	3,711	4,719	79	5,203	8,820	7,362
Equity	12,812	11,781	109	11,084	10,362	10,048

SELECTED DATA AND FINANCIAL RATIOS	2016	2015	Index 16/15	2014	2013	2012
Pre-tax profit as a percentage of opening equity	11.0	8.2	-	-3.4	4.1	2.6
Net profit as a percentage of opening equity	8.6	6.3	-	-2.7	3.0	1.9
Expenses as a percentage of income	38.3	52.6	-	120.7	77.9	84.8
Accumulated impairment ratio (%)	0.4	0.6	-	1.1	0.9	0.8
Accumulated impairment ratio, BRFkredit a/s	0.4	0.6	-	0.7	0.5	0.5
Impairment ratio for the year (%)	-0.01	0.04	-	0.47	0.20	0.24
Capital ratio (%)	19.0	19.1	-	17.7	16.6	15.2
Common Equity Tier 1 capital ratio (CET1 %)	19.0	18.9	-	17.5	16.6	15.2
Individual solvency requirement (%)	9.3	9.6	-	10.8	10.5	10.3
Capital base (DKKm)	12,593	11,820	-	10,929	9,815	9,297
Weighted risk exposure (DKKm)	66,326	61,770	-	61,845	59,227	61,045
Number of full-time employees, year-end	694	706	-	793	869	820

With effect from 2014, the capital ratio and core capital ratio are calculated in accordance with CRD IV/CRR. Comparative figures have not been restated accordingly.



SUMMARY

- The Group's profit before tax amounted to DKK 1,295m (2015: DKK 909m).
- Net profit for the year amounted to DKK 1,011m (2015: DKK 699m).
- The net profit for the year corresponded to an annualised return of 8.6 % on opening equity (2015: 6.3 % p.a.).
- Loan impairment charges and provisions for guarantees amounted to an income of DKK 32m (2015: expenses of DKK 103m).
- Mortgage loans: DKK 278.4bn (2015: DKK 250.9bn).
- Capital ratio: 19.0% (2015: 19.1%, and Common Equity Tier 1 capital ratio of 19.0% (2015: 18.9)
- Individual solvency requirement: 9.3 % (2015: 9.6 %).

COMMENTS BY MANAGEMENT

In connection with the presentation of the Annual Report 2016, Carsten Tirsbæk Madsen, Chief Executive Officer, states:

"In 2016, BRFKredit achieved a pre-tax profit of DKK 1,295m, which is the best profit in the history of the company. The profit is considerably better than the one reported for 2015, primarily because of an increase in core income due to a positive development of the portfolio, falling costs as well as falling impairment charges. To this must be added a satisfactory return on securities considering the low interest-rate level.

Jyske Bank's continued success selling bank mortgage loans and the positive development of mortgage activities had the result that the overall portfolio in 2016 increased by a nominal amount of DKK 24.7bn to DKK 272.7bn. In 2016, the activity level increased and BRFKredit was to an increasing degree contacted by clients in the personal client segment primarily due to BRFKredit's strong competitive position. The corporate client segment also saw a rising number of inquiries from clients and a growing portfolio.

BRFKredit's capital base is solid and amounted to DKK 12.6bn at the end of 2016. The surplus relative to the currently strongest capital requirement (Base I floor requirement) amounted to DKK 3.8bn.

For 2017, a positive development of the portfolio is expected, both with respect to the personal client and the corporate client segments," concludes Carsten Tirsbæk Madsen.



THE YEAR 2016

2016 WAS A GOOD YEAR FOR BRFKREDIT

In 2016, BRFKredit continued the good development from 2015. Core income increased by 10%, and at the same time core expenses were reduced by 8%. The increase in core income can be attributed to higher portfolio income from the still growing loan portfolio, which more than offset the decline in activity-related income from new loans and refinancing. Together with the still low level of impairment charges and fairly stable investment portfolio earnings, the development contributed to an increase in the profit before tax of DKK 386m relative to 2015.

CONTINUED STRONG PORTFOLIO GROWTH

BRFKredit's portfolio grew by DKK 24.7bn in 2016. The big improvement can in particular be attributed to the stronger power of distribution after the merger with Jyske Bank.

COMPETITIVE PRODUCT RANGE

The power of distribution is supported by the fact that the Jyske Bank Group offers the widest range of home loans in the market to private individuals. As part of the Group's dual-channel strategy, BRFKredit offers traditional mortgage loans and Jyske Bank offers new bank mortgage loans to personal clients. The bank mortgage loans are financed by BRFKredit within the scope of the Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act.

COMPETITIVE PRICES

In 2016, BRFKredit offered new personal clients a transfer discount when they remortgaged with BRFKredit. Together with the unchanged contribution rates and the Group's decision not to raise prices in 2016, the discount of DKK 5,000 strengthened BRFKredit's competitive position.

COMPETITIVE FUNDING

In recent years, BRFKredit and Jyske Bank have initiated various initiatives with a view to strengthening the Group's access to competitive funding in the bond market. These include a series of investor-oriented activities, new types of issues as well as attempts with payment schemes for on-going pricing in BRFKredit's most important bond series. BRFKredit has also gathered refinancing of loans on certain dates and made targeted efforts to increase the size of the series.

As a consequence of the efforts, the liquidity has improved significantly, and BRFKredit's short-term adjustable rate mortgage bonds are now included in the short-term mortgage future. BRFKredit anticipates to continue the efforts in respect of investors in 2017.

FLEXIBLE FUNDING

In 2016, BRFKredit implemented a number of initiatives in respect of funding, including the issue of euro covered bonds, the extension of the funding of Jyske Bank's F1 loans (1-year bullet loans), and made efforts to increase flexibility in respect of funding, for instance, through the launch of home loans with an interest rate ceiling to Jyske Bank. The purpose was to exploit the financing opportunities in the European market, to reduce the annual refinancing and to increase the volume of the issued bonds to meet the requirements as to the sizes of the series that, in respect of investments, must be fulfilled due to the liquidity regulation in the form of LCR (Liquidity Coverage Ratio).

BRFKREDIT MAKES IT SIMPLER

It is the ambition of BRFKredit to simplify property financing and house hunting for existing and future homeowners. To this end, BRFKredit launched two mobile apps in 2016: *Bedste Lån* (Best Loan), which makes it easier for clients to select and monitor loans and offers on their mobile phones, and *Bedste Bolig* (Best Home), which facilitates house hunting through individual search criteria as well as a number of relevant details that make it easier for a client to find the desired home.



NET PROFIT FOR THE YEAR 2016

CORE PROFIT AND NET PROFIT FOR THE YEAR				Q4	Q3	Q2	Q1	Q4
DKKm	2016	2015	Index 16/15	2016	2016	2016	2016	2015
Contribution income, etc.	1,785	1,687	106	456	451	444	434	432
Other net interest income ¹⁾	-53	-45	118	-16	-15	-0	-22	-13
Net fee and commission income, etc.	207	256	81	79	66	26	36	83
Value adjustments ¹⁾	30	-106	-	-1	11	4	16	17
Other income	52	40	130	11	13	16	12	15
Core income	2,021	1,832	110	530	527	489	475	534
Core expenses	837	908	92	217	219	198	203	211
Core profit before loan impairment charges and provisions for guarantees	1,184	923	128	314	307	291	272	322
Loan impairment charges and provisions for guarantees (= income)	-32	103	-	-12	-1	16	-35	82
Core profit	1,216	821	148	325	309	275	307	241
Investment portfolio earnings	80	89	90	36	22	31	-9	38
Pre-tax profit	1,295	909	142	361	329	307	298	278
Tax	285	210	136	80	73	67	65	64
Post-tax profit or loss	1,011	699	145	281	258	239	233	214

¹⁾ Capital charges are included in the items 'Other net interest income' as well as 'Value adjustments, etc.' and are allocated as follows:

Interest	116	133	87	29	28	28	31	32
Value adjustment	-8	1	-	1	-4	-1	-4	2
Total capital charges	107	134	80	29	24	27	27	34

BUSINESS ACTIVITIES

BRFkredit's business activities are divided into two segments:

- 1) Lending activities (mortgage)
- 2) Investment portfolio earnings

LENDING ACTIVITIES (MORTGAGE)

Lending activities (mortgage) cover financial activities within the business areas Personal clients, Corporate clients and Subsidised housing. The segment also comprises a risk-free return on the own securities portfolio.

PROFIT/LOSS FOR THE YEAR

In 2016, BRFkredit generated a pre-tax profit of DKK 1,295m. Calculated tax amounted to DKK 285m, and net profit or loss for the year amounted to DKK 1,011m. The pre-tax profit corresponded to a return of 11.0 % p.a. on opening equity against 8.2% p.a. in 2015.

CORE PROFIT BEFORE IMPAIRMENT CHARGES AND PROVISIONS FOR GUARANTEES

In 2016, core profit before loan impairment charges and provisions for guarantees amounted to DKK 1,184m, i.e. an increase by 28% compared to 2015.

Core income consists primarily of contribution income, brokerage and fee income from mortgage activities and amounted to DKK 2,021m in 2016 against DKK 1,832m in 2015.

In 2016, contribution income amounted to DKK 1,785m against DKK 1,687m in 2015. The increase can primarily be attributed

to the larger portfolio, particularly within the Personal client area.

In 2016, capital charges relating, among other things, to covered bond (SDO) and rating requirements amounted (net) to DKK 107m against DKK 134m in 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 capital charges 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 2016, net fee and commission income, etc. amounted to DKK 207m against DKK 256m in 2015, which period was affected by an extraordinarily high level of refinancing activity in the first half of the year. The falling fee income can also be attributed to the fact that, in 2016, BRFkredit offered transfers of home loans at a fee of DKK 2,500 compared to the normal fee of DKK 7,500. Fee income did, however, increase in the second half of 2016 due to the higher lending activity.

Value adjustments, etc. amounted to an income of DKK 30m compared to an expense of DKK 106m in 2015, which period was affected by a one-off loss relating to the sale of the banking operations. In addition, the increase of DKK 136m can be attributed, among other things, to the positive value adjustment of the core portfolio of bonds as well as the shareholding.



Core expenses fell by 8% and amounted to DKK 837m in 2016 compared to DKK 908m in 2015. The decline can materially be attributed to lower payroll and administrative costs.

CORE EXPENSES DKKm	2016	2015
Employee expenses	557	590
IT	101	134
Rent, etc.	26	32
Amortisation, depreciation and impairment	9	17
Other administrative expenses	128	123
Other operating expenses	16	12
Total	837	908

LOAN IMPAIRMENT CHARGES AND PROVISIONS FOR GUARANTEES.

LOANS, ADVANCES AND GUARANTEES DKKm	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Loans, advances and guarantees	278,433	250,921	111	278,433	276,708	269,018	259,360	250,921
Balance of loan impairment charges and provisions for guarantees	1,183	1,425	83	1,183	1,394	1,418	1,409	1,425
Individual impairment charges and provisions for guarantees	1,067	1,070	100	1,067	1,066	1,085	1,086	1,070
Collective impairment charges and provisions for guarantees	116	355	33	116	328	332	323	355
Non-performing loans and guarantees:								
Loans, advances and guarantees before impairment charges	10,120	9,243	109	10,120	8,811	9,777	9,184	9,243
Impairment charges	1,067	1,070	100	1,067	1,066	1,085	1,086	1,070
Loans, advances and guarantees after impairment charges	9,053	8,173	111	9,053	7,745	8,692	8,098	8,173
NPL ratio (%)	3.3	3.3	-	3.3	2.8	3.2	3.1	3.3
NPL contribution ratio (%)	10.5	11.6	-	10.5	12.1	11.1	11.8	11.6
Past due mortgage loans (90 days)	618	981	63	618	1,007	799	712	981
Loan impairment charges and provisions for guarantees (effect on income statement)	-32	103	-	-12	-1	15	-35	82
Operating loss	295	437	68	228	27	12	28	113

In 2016, total loan impairment charges and provisions for guarantees amounted to an income of DKK 32m against an expense of DKK 103m in 2015.

Relative to total loans, the effect from the impairment charges on the income statement amounted to -0.01% in 2016 against 0.04% in 2015.

The effect on the income statement was in 2016 distributed with an expense of DKK 158m (2015: expense of DKK 231m) on personal clients and an income of DKK 190m (2015: an income of DKK 128m) on corporate clients.

Rising property prices in the major urban areas have a positive effect on BRFkredit's collateral. The number of credit events observed are still falling, both in the personal client as well as the commercial segment. It is assessed that the observed credit events are getting close to the expected average seen over an economic cycle.

BRFkredit's holding of assets held temporarily amounted to DKK 496m at the end of 2016 against DKK 393m at the end of 2015. The increase can chiefly be attributed to foreclosure on one exposure. Assets held temporarily are in the financial statements recognised at market value, cf. accounting policies.

Rising house prices in the major urban areas and the prospects of continued low unemployment and a low level of interest rates will have a positive impact on credit quality for the private portfolio in 2016. Outside the major urban areas, no significant improvement in respect of losses is expected.

BRFkredit had no exposures after deductions that accounted for more than 10% of the capital base. The concentration risk is followed closely and all large exposures are monitored on an on-going basis.

The total balance of loan impairment charges and provisions for guarantees amounted to DKK 1,183m at the end of 2016, corresponding to 0.4% of total loans. Of this, collective impairment charges amounted to DKK 116m against DKK 355m at the end of 2015. The decline in collective impairment charges can materially be attributed to the fact that statistically calculated impairment charges on minor lending cases were moved from collective impairment charges to individual impairment charges in 2016.

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 46m (2015: DKK 49m).

The arrears rate measured 90 days after the September repayment date amounted to 0.4% in 2016, against 0.3% for the corresponding repayment date in 2015. The arrears rate measured 15 days after the December 2016 repayment date amounted to 1.1% against 1.3% after the December 2015 repayment date.

ARREARS RATE	December 2016	September 2016	June 2016	March 2016	December 2015	September 2015
After 90 days		0.4	0.3	0.2	0.2	0.3
After 15 days	1.1	1.1	1.0	1.1	1.3	1.2

INVESTMENT PORTFOLIO EARNINGS

INVESTMENT PORTFOLIO EARNINGS DKK m	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Net interest income, etc.	123	172	72	26	27	32	39	40
Value adjustments, etc.	-44	-84	53	10	-5	-1	-48	-3
Investment portfolio earnings	80	89	90	36	21	31	-9	37

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

Investment portfolio earnings amounted in 2016 to an income of DKK 80m against an income of DKK 89m in 2015. Investment portfolio earnings were satisfactory considering the low rate of return in 2016.

The securities portfolio, which predominantly consisted of interest-bearing instruments, was mainly in the form of mortgage bonds with a short time to maturity and a limited interest rate sensitivity as well as financial instruments for risk hedging.

CORE PROFIT AND INVESTMENT PORTFOLIO EARNINGS

Pre-tax profits for 2016 and 2015 broken down by core profit and investment portfolio earnings are stated below:

BREAKDOWN OF PRE-TAX PROFIT DKK m	2016				2015			
	Core profit	Investment portfolio earnings	Reclassification	Total	Core profit	Investment portfolio earnings	Reclassification	Total
Net interest income, etc.	1,732	123	58	1,913	1,642	172	164	1,979
Net fee and commission income	207			207	256			256
Value adjustments, etc.	30	-44	-58	-72	-106	-84	-164	-354
Other income	52			52	40			40
Income	2,021	80	-	2,101	1,832	89	-	1,920
Expenses	837			837	908			908
Profit before loan impairment charges and provisions for guarantees	1,184	80	-	1,263	923	89	-	1,012
Loan impairment charges and provisions for guarantees	-32			-32	103			103
Pre-tax profit	1,216	80	-	1,295	821	89	-	909

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). BRFkredit's market risks relate to the securities portfolio for which the interest-rate risk and the spread risk on the bond portfolio are the most important ones. BRFkredit's currency risk is limited, and the funding denominated in EUR was hedged through currency swaps. 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 2016, BRFkredit's interest-rate risk calculated according to the standardised approach of the FSA came to DKK 33m (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 21m. (2015: DKK 22m).

The currency positions are very modest in BRFkredit's balance sheet and amounted to 1.1% of the capital base (2015: 1.2%).

BALANCE SHEET

At the end of 2016, BRFkredit's balance sheet amounted to DKK 307bn against 270bn at the end of 2015. In 2016, BRFkredit's mortgage loans amounted to a nominal value of DKK 273bn (2015: DKK 248bn). At the end of 2016, BRFkredit's total loans and advances amounted to a fair value of DKK 278bn (2015: DKK 251bn). Equity was affected by the net profit for the year in the amount of DKK 1,011m, by value adjustments of owner-occupied properties in the amount of DKK 16m, by equities available for sale in the amount of DKK 5m as well as by tax on other comprehensive income in the amount of DKK -1m. At the end of 2016, equity amounted to DKK 12,812m against 11,781m at the end of 2015.

BALANCE SHEET ABSTRACT, END OF PERIOD DKKm	2016	2015
Assets / equity and liabilities	307,037	269,794
Mortgage loans, nominal value	272,690	247,942
Loans and advances, fair value	278,407	250,892
Issued bonds, fair value	285,676	249,772
Equity	12,812	11,781



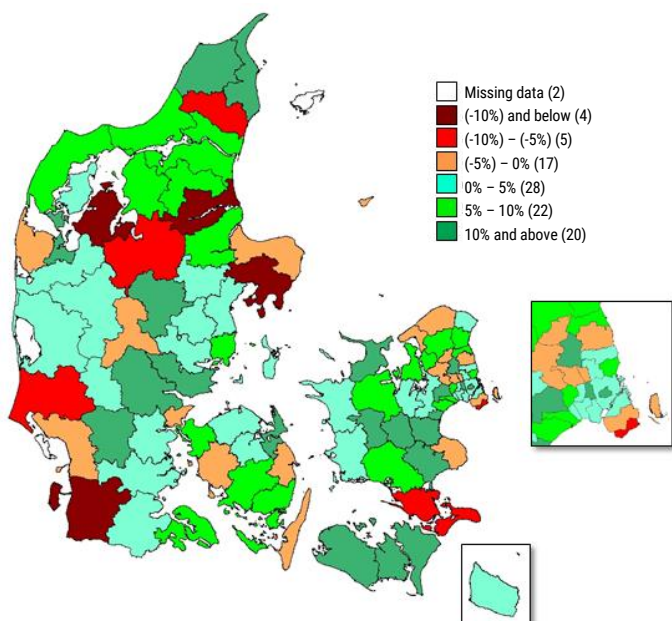
THE MORTGAGE CREDIT MARKET 2016

In 2016, mortgage loans increased by DKK 41.9bn from DKK 2,560.6bn in 2015 to DKK 2,602.0bn at the end of 2016. The positive development is a consequence of several factors, both corporate clients and personal clients have in 2016 become more price conscious and refinanced expensive bank loans with mortgage loans. In addition, personal clients increased their borrowing and focused on savings and repayment of loans. Finally, the low interest rates and the increasingly broad-based recovery in the housing market also contributed to the high activity level.

THE HOUSING MARKET TOOK OFF

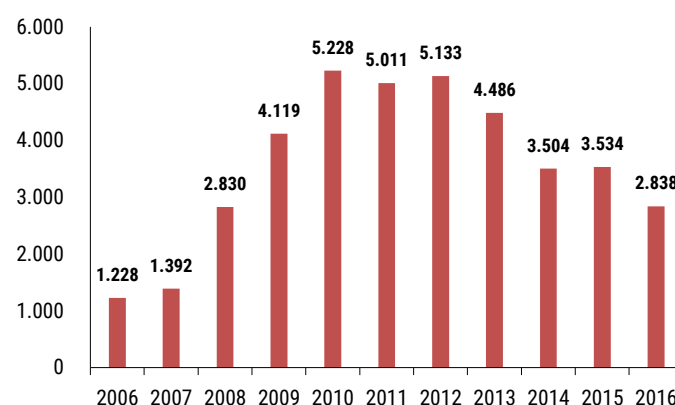
2016 was a good year for homeowners. Prices of single-family homes rose by 5.4%, while prices of flats rose by 8.9%. Even though the recovery was broad-based in 2016 with rising housing prices and trading activity in most Danish municipalities, the figures conceal large regional differences. Prices of vacation homes were practically unchanged relative to 2015.

MAP SHOWING DEVELOPMENT IN HOUSING PRICES



The housing market has become increasingly robust, and the level of foreclosure sales was in 2016 the lowest level since the culmination of the financial crisis in 2009. It is today easier for homeowners who are forced to sell their properties to sell their properties in regular trades on the open market than was the case earlier, and given the increasing employment, a lower number of foreclosure sales is to be expected in the time to come.

FORECLOSURE SALES 2006 - 2016

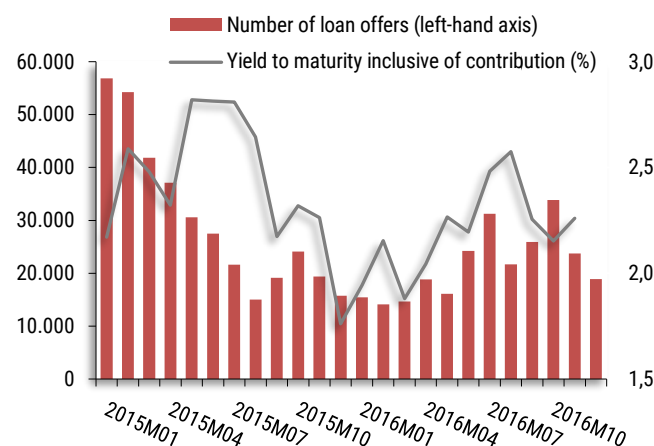


HIGH LEVEL OF MORTGAGE ACTIVITIES IN THE SECOND HALF OF 2016

In the first half of the year, just above 100,000 loan offers were issued in the sector, while in the second half of the year, 50% more were issued, corresponding to about 150,000 offers.

Relative to 2015, refinancing activity was lower in 2016. Changes to interest rates in connection with the referendum in the UK about the future membership of the EU resulted in a brief increase in the activity level as, for instance, loans at an interest rate of 1.5% with a term of 30 years were on the agenda.

INTEREST RATE DEVELOPMENT AND DEVELOPMENT IN THE NUMBER OF MORTGAGE OFFERS



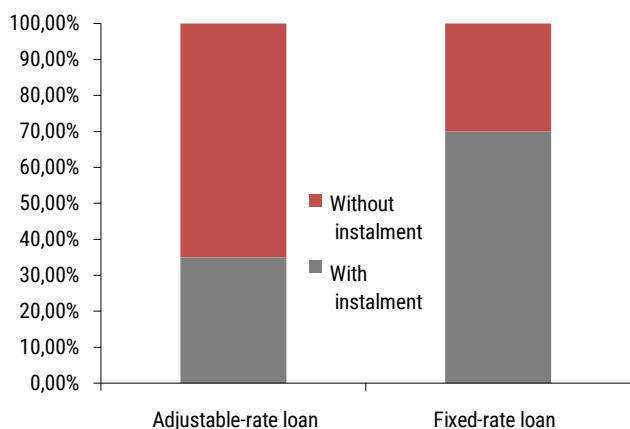
In 2016, the mortgage credit market was affected by increasing price consciousness on the part of borrowers as several players have raised their prices. As a result of increasing contributions, many personal clients approached alternative suppliers to find out whether it would be worth their while to transfer their loans. Likewise, to an increasing degree, it became common practice to obtain loan offers from several institutions to compare the price of loans, and this resulted in a heavy work load for the suppliers.

HOMEOWNERS PAY INSTALMENTS

Due to the lapse of interest-only options and due to the low interest-rate level, an increasing number of homeowners chose to pay instalments on their loans in 2016. Moreover, higher contributions on interest-only loans were also a reason why more borrowers choose instalment loans. The most recent figures for the composition of loans show that 50% of the homeowners have instalment loans. This reflects that the finances of homeowners are solid, and that the credit policy pursued by the institutions is effective.

Borrowers are divided into two groups: One group with fixed rate, instalment loans and another group with floating rate, interest-only loans.

DISTRIBUTION OF FIXED AND FLOATING RATE LOANS



There may be many reasons why some borrowers choose floating rate loans. However, all borrowers must be approved for loans with a fixed rate plus 1 percentage point above the market rate, yet minimum 4% in the areas where prices have increased most (the so-called initiative on prudent credit policy in growth areas).

BUSINESS AREAS

BRFkredit offers loans and financial services to personal clients, corporate clients and clients in the subsidised housing segment. The basis of the loan is the client's property. With a view to ensuring the best possible offer in relation to the client's individual needs and requirements, BRFkredit is organised in an area catering to personal clients and an area catering to corporate and subsidised housing clients. Moreover, BRFkredit has entered into cooperation agreements with other financial institutions than Jyske Bank with a view to offering mortgage loans to clients, where the loans are guaranteed by the respective financial institutions.

It is the ambition of BRFkredit to make property financing simpler for current and future homeowners, and in 2016 several digital solutions were developed to support this ambition.

PERSONAL CLIENTS

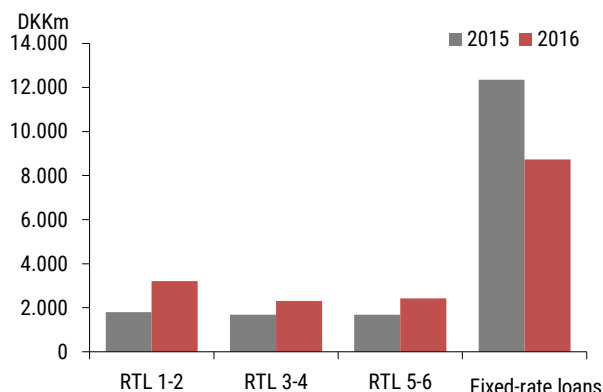
The personal client area covers lending to owner-occupied homes and vacation homes in Denmark. As part of the Group's dual-channel strategy, BRFkredit offers traditional mortgage loans and Jyske Bank's new bank mortgage loans to personal clients. The bank mortgage loans are financed by BRFkredit within the scope of the Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act.

Throughout 2016, the activity level was high, and BRFkredit communicated extensively with new and existing clients in a market with a low interest-rate level and more changes of ownership due to the upswing in the housing market. Together with the bank mortgage loan, this resulted in loan offers in the amount of DKK 32.7bn distributed over almost 20,000 offers. In 2016, BRFkredit offered an attractive price level, and this also attracted many new clients.

In 2016, gross new loans within the personal client area amounted to DKK 36.4bn, corresponding to a market share of 12.1% against DKK 49.9bn, corresponding to a market share of 12.8%, in 2015.

In 2016, Danish homeowners still focused on interest rate sensitivity, which meant that fixed-rate home loans are still the preferred choice of BRFkredit's personal clients.

HOMEOWNERS' CHOICE OF LOANS



BRFkredit's loans to personal clients are primarily distributed through BRFkredit's business area catering to personal clients, which consists of a client centre, a team of travelling advisers, online on www.brf.dk and Jyske Bank's branch network. In addition, in respect of home financing, BRFkredit cooperates with a number of independent estate agents and other players in the property market.

In the course of its digitalisation work, BRFkredit launched two mobile apps in 2016. *Bedste Lån* (Best Loan) was launched in April 2016 and offers mortgage clients the opportunity of monitoring their loans and offers on their mobiles. The app also targets clients of other mortgage credit institutions who can monitor their mortgage loans and use the other services offered by the app. *Bedste Lån* has been downloaded more than 65,000 times. *Bedste Bolig* (Best Home) was launched in November 2016. The app targets home buyers supporting their house hunting through individual search criteria as well as number of relevant details that home buyers would otherwise not be introduced to - including the price history of the home, the grade point average of local schools, distance to schools and institutions, local plans, noise nuisance, risk of flooding in connection with cloudbursts, etc. *Bedste Bolig* underpins BRFkredit's concept of Køberrådgivning™ (buyer advice), offering the client a comprehensive package with legal, building-technical and financial advice.

CORPORATES

Within the Corporate client's area, BRFkredit has its own sales organisation. Clients are served from BRFkredit's head office in Kgs. Lyngby, from the office in Aarhus and from local home offices.

BRFkredit offers all types of mortgage loans, TinglysningsService (registration service) and loan monitoring services with a view to refinancing of loans for corporate clients and cooperative housing societies. In addition, BRFkredit also offers banking products through Jyske Bank.

BRFkredit targets primarily clients in the Danish market who owns residential rental property, office and business properties, owner-occupied properties and cooperative housing societies.

In the first half of 2016, refinancing activity was high, while in the second half of the year the activity was affected by growing interest in investments in residential rental property in most of the country. Also, the number of newly established cooperative housing societies in the Copenhagen metropolitan area was high.

Pension funds and foreign investors were the principal players in the property market, and particularly foreign investors continued to boost the activity level. In the market for cooperative housing, primarily the low interest rates result in reasonable financing conditions to set up new associations as tenants make use of their right of pre-emption right. Also in 2016, there was a high activity level as regards new construction, particularly in Copenhagen and Aarhus, both of construction of residential rental property as well as office and business properties. Especially the major cities saw a falling required rate of return and rising prices.

In 2016, lending activity was higher than in the preceding years due, among other things, to a high level of activity and refinancing in an environment of low interest rates. Thus Corporate Clients was able to report new loans in excess of DKK 12.5bn. The portfolio within Corporate Clients and cooperative housing societies rose in 2016 by DKK 4.8bn and totalled DKK 78.3bn on 31 December 2016. In terms of gross new loans, this corresponds to a market share of 20.0%.

SUBSIDISED HOUSING

Clients in Subsidised Housing are serviced by corporate account managers and financial advisers from BRFkredit's head office in Lyngby and from the office in Aarhus as well as from local home offices.

Within subsidised housing, BRFkredit offers loans and financial services to non-profit housing associations. In connection with new construction, renovation, comprehensive plans, etc., financial package solutions with construction financing offered through by Jyske Bank. Lending in the subsidised housing segment is associated with low risk. In addition to income in the form of rent from tenants, it results in public subsidies, for instance, in the form of guarantees, partial mortgage payments and rent subsidies.

As in preceding years, activities in 2016 were affected by refinancing and financing of major renovation jobs (comprehensive plans).

The investments give a quality boost both to individual homes and to areas where the homes are located. Often energy and environmental improvements form part of the general quality boost.

The portfolio within Subsidised housing rose in 2016 by DKK 2.7bn and totalled DKK 47.3bn on 31 December 2016.



CAPITAL STRUCTURE AND CAPITAL MANAGEMENT

CAPITAL STRUCTURE	2016	2015	Index 16/15	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015
Capital ratio (%)	19.0	19.1	99.5	19.0	18.3	17.9	18.9	19.1
Core capital ratio incl. hybrid capital (%)	19.0	18.9	100.6	19.0	18.3	17.9	18.8	18.9
Core Tier 1 capital ratio (CET1)	19.0	18.9	100.6	19.0	18.3	17.9	18.8	18.9

CAPITAL MANAGEMENT OBJECTIVE AND PLANNING

BRFkredit's capital-management objective and desired risk profile aim to reach a solvency ratio sufficient for the institution to continue its lending activities during a period of difficult business conditions. The available capital must be such that regulatory and internal capital requirements are met during such a period, and it must be possible for BRFkredit to weather heavy unexpected losses.

The long-term objective of BRFkredit's capital planning is to support and ensure mortgage activities.

BRFkredit is well prepared for the gradual introduction of the stricter capital requirements over the period until 2019.

CAPITAL STRUCTURE

The development in BRFkredit's capital and core capital ratios is shown in the table above.

At the end of 2016, the capital and Core Tier 1 capital ratios were in line with corresponding ratios at the end of 2015, i.e. a solid level relative to the Group's objective. Total risk exposure increased by almost DKK 4.6bn, which amount was covered through the profit for 2016.

CAPITAL BASE

At the end of 2016, the Common Equity Tier 1 capital was identical with the capital base, compared to 99% at the end of 2015. The high proportion of Common Equity Tier 1 capital is in line with BRFkredit's wish to have a high quality of its capital base.

CAPITAL BASE AND OVERALL RISK EXPOSURE		
DKKm	2016	2015
Equity	12,812	11,781
Intangible assets	-1	-3
Prudent valuation	-17	-94
Diff. between expected loss and impairment charges (deduction)	-201	-
Core capital/Common Equity Tier 1 capital	12,593	11,684
Diff. between expected loss and impairment charges (addition)	-	135
Capital base	12,593	11,820
Total risk exposure	66,326	61,770

Improved credit quality resulted in lower impairment charges, and therefore a capital addition in the form of supplementary capital was turned into a deduction from the Common Equity Tier 1 capital.

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 a/s 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 BRFkredit's credit portfolio.

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

MINIMUM CAPITAL REQUIREMENT BY RISK TYPE		
DKKm	2016	2015
Credit risk	4,926	4,528
Market risk	132	173
Operational risk	248	241
Minimum capital requirement, Pillar I	5,306	4,942
Capital requirement, transitional provisions	3,532	2,838
Total minimum capital requirement	8,838	7,780

Due to the transitional rules that are still applicable and that relate to the former capital adequacy rules, the minimum capital requirement for 2016 increased by DKK 3.5bn (2015: DKK 2.8bn).

ICAAP AND INDIVIDUAL SOLVENCY REQUIREMENT

BRFkredit's ICAAP (Internal Capital Adequacy Assessment Process) forms the basis of the assessment of BRFkredit's capital structure and hence the determination of the Group's adequate capital base as well as its individual solvency requirement. The assessment is based on the current relation between the Group's risk profile and capital structure as well as forward-looking considerations that may affect this.

ADEQUATE CAPITAL BASE ACCORDING TO THE 8+ METHOD

The adequate capital base expresses BRFkredit's own assessment of the capital requirement given the Group's risk profile.

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



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

For a complete list of capital additions, please see appendix to Jyske Bank's Risk and Capital Management 2016.

INDIVIDUAL SOLVENCY REQUIREMENT AND CAPITAL BUFFER

At the end of 2016, the BRFkredit Group calculated an individual solvency requirement of 9.3%. (2015: 9.6%).

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	2016	% of REA	2015	% of REA
Credit risk	5,630	8.5	5,538	9.0
Market risk	269	0.4	173	0.3
Operational risk	268	0.4	241	0.4
Total	6,167	9.3	5,952	9.6

The statutory buffers are currently the SIFI buffer of 0.6% of the total risk exposure and the capital conservation buffer of 0.625% of the total risk exposure. Hence the individual solvency requirement plus statutory buffers amount to 10.5% of the total risk exposure.

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.

CAPITAL BUFFER				
DKKm	2016	% of REA	2015	% of REA
Capital base	12,593	19.0	11,820	19.1
a) Core capital	12,593	19.0	11,684	18.9
b) Supplementary capital less deductions	-	-	135	0.2
Individual solvency requirement	6,167	9.3	5,952	9.6
Individual solvency requirement plus buffers	6,979	10.5	6,137	9.9
Capital requirement, transitional provisions	8,838	13.3	7,780	12.6
Capital buffer	3,755	5.6	4,040	6.5

LEVERAGE RATIO

In the autumn of 2016, the EU Commission made extensive proposals for a revision of the CRR and CRD IV, including the introduction of a leverage ratio as a binding capital requirement. Hence the leverage ratio becomes a risk-neutral capital requirement that is to function as a stalwart defender of the existing risk-based capital requirements.

The leverage ratio is defined as the ratio between BRFkredit's core capital and total unweighted exposures (inclusive of items not recognised in the balance sheet) and must amount to at least 3%. According to the proposal set forth by the EU Commission, the leverage ratio as a capital requirement is to take effect as of 1 January 2019.

At the end of 2016, the leverage ratio for BRFkredit was 4.03%, which is a fall of 0.24 percentage point relative to the level at the end of 2015. The reduction of the leverage ratio can primarily be attributed to growth in loans. The leverage ratio is of greatest importance to an institute with a high proportion of loans with a low risk weight.

LEVERAGE RATIO		
DKKm/%	2016	2015
Core capital	12,593	11,684
Total exposure value	312,308	273,783
Leverage ratio	4.03	4.27

OTHER CAPITAL REQUIREMENTS

In addition to the regulatory capital requirements, there are further requirements to the size of BRFkredit's capital in the form of requirements from Standard & Poor's as regards over-collateralisation as well as supplementary collateral for covered bonds (SDO).

To maintain the AAA rating for all BRFkredit's capital centres (B, E and General Capital Centre), BRFkredit must meet the over-collateralisation from Standard & Poor's. The individual capital centres must meet various requirements depending on the composition of the portfolios. At the end of 2016, the requirement amounted to DKK 10.8 and must be met through liquid assets financed with both debt instruments and capital instrument.

Issue of covered bonds (SDO) for the financing of loans takes place in BRFkredit via capital centre E. Contrary to loans financed through mortgage bonds, loans based on the issue of covered bonds (SDO) must be monitored on an on-going basis to ensure that the LTV limit is complied with for each individual property. If the LTV limit is exceeded, for instance, due to a decline in the value of the property value, BRFkredit must provide supplementary collateral. At the end of 2016, the requirement of the supplementary collateral provided by BRFkredit can be calculated at DKK 8.4bn against DKK 9.0bn at the end of 2015.

DEBT BUFFER

Since June 2016, Danish mortgage credit institutions must hold capital for a debt buffer in order better to handle situations of crisis. The debt buffer amounts to 2% of the total unweighted loans and will be phased in gradually over the period 2016-2020. The debt buffer requirement can be met through core capital and supplementary capital that is not already applied to cover regulatory capital requirements, as well as senior debt. Currently, BRFkredit's overcollateralisation as regards the regulatory capital requirements suffices to meet the debt buffer requirement.



BASEL IV

It had been expected that the Basel Committee would present its final proposal for new global capital rules before the end of 2016. However, at the beginning of January 2017, these proposals were delayed indefinitely, and therefore there is still uncertainty about the recommendations from the Basel Committee and the possible implementation of these into EU regulations.

Among other things, the proposals comprise audit of the various methods of accounting for calculation of the overall risk exposure as well as the introduction of a capital floor requirement.

GROUP RECOVERY PLAN

Being part of the Jyske Bank Group, BRFkredit is covered by the Group's recovery plan, which can be used in the event that the Group or one of the institutions gets into critical financial problems.

The recovery plan includes a number of qualitative and quantitative recovery indicators for both the Group and BRFkredit. The purpose of the indicators is, at an early point in time, to identify an adverse development in the Group's or BRFkredit's capital, liquidity, profitability or asset quality as well as in relevant macroeconomic and market-based indicators.

The recovery plan aims to ensure continuation of the Group's critical business processes in a situation of significant financial stress. Also, the recovery plan includes a series of recovery options that can be initiated with a view to improvement of solvency, etc.

The Group recovery plan was revised and submitted to the Danish Financial Supervisory Authority in the third quarter of 2016.

In addition, as other Danish credit institutions, BRFkredit pays an annual contribution to the Resolution Fund, which is administered by Finansielt Stabilitet (the Danish resolution authority).

RISK AND CAPITAL MANAGEMENT 2016

Additional information about BRFkredit's internal risk and capital management procedures and the regulatory capital requirements is available in Jyske Bank's 'Risk and Capital Management 2016', available via links on brf.dk¹.

¹ <https://www.jyskebank.dk/ir/kapitalforhold>



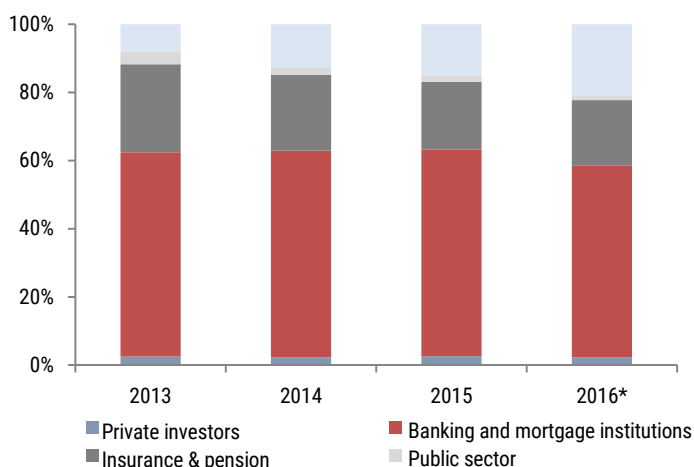
FUNDING AND LIQUIDITY

In 2016, BRFkredit launched several measures in order to comply with national and international regulation and to minimise the price spread to the other mortgage credit institutions.

ISSUES IN EURO

As the first Danish mortgage credit institution, BRFkredit issued in 2016 bonds denominated in euro to be used for the funding of 1-year adjustable-rate loans in Danish kroner. These bonds have maturities between five and ten 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 fully hedged through swaps concluded with financial institutions. In addition to taking advantage of low European interest rates and minimising the re-financing risk, BRFkredit also expands its investor base. The euro bonds were issued as non-callable bonds that are all Level 1B in respect of the LCR.

DISTRIBUTION OF INVESTORS IN BRFKREDIT'S BOND ISSUES



* October 2016

Source: Nationalbanken.dk and own calculations

BRFkredit's mortgage bonds are mainly owned by Danish institutional investors, i.e. banks, investment associations/mutual funds, pension funds, insurance companies, etc. However, the interest on the part of foreign investors has been on the increase in recent years, and this trend continued in 2016, for instance, through BRFkredit's bond issue in euro.

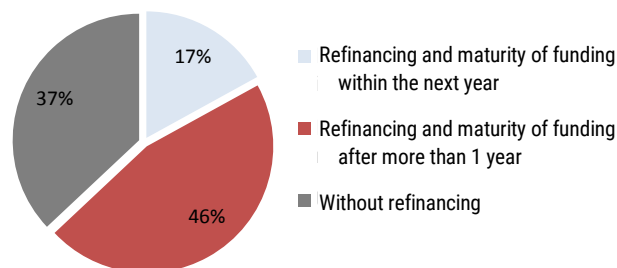
FINANCING OF HOMELOANS WITH INTEREST-RATE CEILING

In 2016, BRFkredit issued bonds to finance Jyske Bank's bank mortgage loans, where the borrower has an interest rate ceiling on the loan. These loans are financed by long-term cibor bonds, where BRFkredit buys interest-rate caps to hedge the borrowers' interest rate ceiling. In this way, BRFkredit minimises the re-financing risk by issuing bonds with a longer maturity at the same time as BRFkredit issues loans at a lower interest-rate and instalment risk.

ISSUE IN BOTH RTL F AND RTL IT

In 2016, BRFkredit still used the possibility to minimise the re-financing risk by having a portion of the funding of 1-year adjustable-rate loans take place through issues of 3-year RTL F (pre-financed bonds). As the re-financing risk for BRFkredit was generally lowered in 2016, the choice was to fund 1-year adjustable-rate loans both by RTL F and RTL IT bonds.

BRFKREDIT'S LOAN PORTFOLIO BY TIME OF REFINANCING

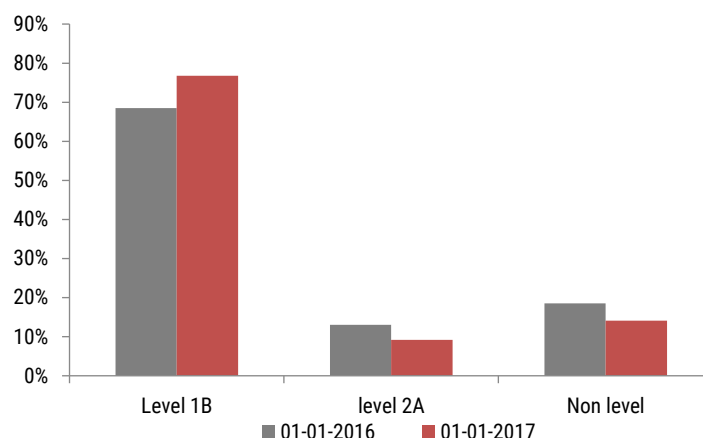


SIZES OF SERIES UNDER LCR

To ensure that the issued bond series meet the LCR requirements as to series sizes, BRFkredit has chosen to gather the financing and refinancing of F2 - F10 loans in April, F-1 loans in January and October, and loans financed through cibor bonds in July.

The portion of bonds meeting the LCR requirement rose in the course of 2016, among other things, by gathering refinancing, issuing in benchmark sizes, issuing in euro and by not transferring loans from Jyske Bank until the loan volume sufficed to build up Level 1B bonds.

PROPORTION OF ISSUED BONDS BROKEN DOWN BY LCR LEVEL FOR ACTIVE CAPITAL CENTRES



RATING

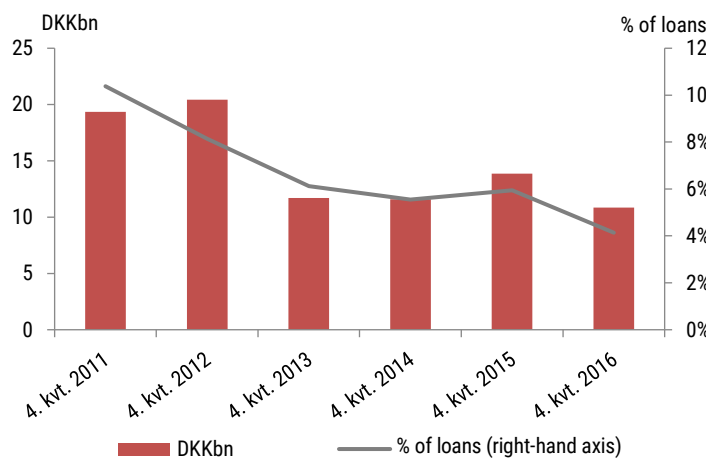
Jyske Bank and BRFkredit's joint issuer rating by Standard & Poor's (S&P) is A- (neutral outlook), and BRFkredit's bonds issued by Capital Centre E, Capital Centre B and the General Capital Centre are rated AAA (stable).

RATING On 31 December 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- ¹⁾	12/10 2011
Issuer rating (short-term rating)	A-2 ¹⁾	12/10 2011

¹⁾ On 15 November 2016, S&P confirmed BRFkredit's issuer rating at A-/stable/A-2.

Standard & Poor's percentage requirement of supplementary collateral to obtain the rating AAA for BRFkredit's bonds fell in the course of 2016. This development took place despite the considerable DKK 25bn increase in the loan portfolio, which substantiates that the quality of the loan growth is reasonable relative to the credit quality of the cover pool. The percentage requirement to achieve an AAA rating has not been lower than the level at the end of 2016 since S&P began to rate BRFkredit's bonds in 2011.

REQUIREMENT OF SUPPLEMENTARY COLLATERAL TO ACHIEVE AN AAA RATING BY S&P



LIQUIDITY COVERAGE RATIO (LCR)

Since 1 October 2015, BRFkredit has been subject to the LCR requirements. To comply with the LCR requirements, the ratio between high quality liquidity assets (HQLA) and a stressed target for the net cash outflows over the coming 30 days must generally be 100%.

In connection with the determination and compliance with the LCR, BRFkredit has been allowed to offset interdependent incoming and outgoing cash flows related to mortgage loans, cf. Article 26 of the LCR regulation. This permission came with a specific liquidity floor requirement of 2.5% of the total mortgage loans stipulated by the FSA.

BRFkredit's HQLA is primarily made up by the bond portfolio. The liquidity coverage ratio (LCR) amounted to 502% at the end of 2016.

NET STABLE FUNDING RATIO (NSFR)

Through its recommendation for a revision of CRR/CRD IV, EU Commission presented a proposal for a structural Net Stable Funding Ratio (NSFR) to ensure that the funding profile of the institutions is sufficiently long and stable in the 1-year term.

The recommendation acknowledges the Danish mortgage credit institution's loans a being financed in a stable manner as the loans are either match funded during the entire life of the loan or financed with short-term bonds permitting extension of maturities in the event of failed refinancing (refinancing trigger). On the other hand, it is inexpedient that the recommendation also suggests that minor mortgage bonds (series less than EUR 250m) and the assets that constitute the overcollateralisation of the mortgage credit institutions' capital centres are to be considered illiquid and hence require long-term, stable funding even though the assets are liquid.



OTHER INFORMATION

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	2016 %	2015 %
Concentration risk <100%	65.3	81.1
Increase in loans and advances <15% annually in the segment:		
- Owner-occupied home and vacation homes	12.7	27.4
- Residential rental property	7.5	7.8
- Other sectors	6.2	6.4
Borrower's interest-rate risk <25%		
- Residential property	24.5	23.5
Interest-only schemes <10%		
- Owner-occupied home and vacation homes	9.2	10.3
Loans with frequent interest-rate fixing:		
- Refinancing (annually) <25%	16.2	22.4
- Refinancing (quarterly) <12.5%	10.3	15.7

At the end of 2016, BRFkredit a/s met all benchmarks of the supervisory diamond.

On an on-going basis, BRFkredit a/s reviews the institution's positions relative to the benchmarks.

DIVIDEND

At the Annual General Meeting, the Supervisory Board will propose a dividend of 0% for 2016.

FINANCIAL CALENDAR 2017

21 February	Announcement of annual report for 2016
21 March	Annual general meeting of BRFkredit a/s
2 May	Announcement of Interim financial report for the first quarter of 2017
22 August	Announcement of Interim financial report for the first half of 2017
25 October	Announcement of Interim financial report for the first nine months of 2017



EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred after the balance sheet date that would influence the income statement or balance sheet set out in these financial statements.

PROFIT RELATIVE TO OUTLOOK

At the release of the financial statements for 2015, BRFkredit expected an improvement of core income, primarily due to growth in the mortgage credit portfolio. The overall result would also depend on the level of losses as well as the development of the securities markets.

The actual profit for 2016 came to a pre-tax profit of DKK 1,295m. The profit was better than expected, which, not least, can be attributed to the significantly improved core business, where core income and core profit before loan impairment charges were increased. Moreover, both the level of impairment charges and the investment result turned out to be better than envisaged at the beginning of 2016.

OUTLOOK 2017

For 2017, a positive development of the portfolio is expected, both with respect to the personal client and the corporate client segments.



EMPLOYEES

At the end of 2016 the number of permanent employees of BRFKredit was 694 (end of 2015: 706). Of these, a considerable number was employed in Group functions.

The year 2016 was characterised by several cross-organisational initiatives targeting leaders and employees in the entire Group.

The new concept of employee performance and development interviews was applied and hence a new fixed structure for annual employee performance and development interviews was established.

The new common set of values for the entire Jyske Bank Group was launched at the Group's Management Forum at the beginning of the year and followed up by dialogues about the values in the branches/departments. Over the year, seminars were held on Value-Based Management with the aim of working specifically with values in the day-to-day routines - initially the target group was senior management.

The first common employee survey in the Group was conducted in the autumn of 2016 - and with both an excellent response rate (95%) and, not least, most excellent results, ranking the Jyske Bank Group as the financial company with the second-highest rate of satisfaction among its employees. Subsequently dialogues have taken place in the branches/departments about the results and the scope for improvement.

As in 2015, the business area Personal Clients invested in massive training efforts, among other things, as a consequence of new processes to ensure that the clients will experience a much more flexible handling of their cases. The clients and the service concept was really introduced with focus on internal client relations - these efforts will be continued in 2017.

Corporate Clients and Subsidised housing have worked on the area's strategy 2020 and on how all branches/departments and employees contribute to the realisation of the strategy.

IT and Business Development worked intensely throughout 2016 on the implementation of the agile development method. This required, among other things, training in new roles and areas of responsibility.

CORPORATE SOCIAL RESPONSIBILITY

The Group's CSR function is responsible for ensuring that the Group's CSR policy is implemented. In 2016, a number of initiatives were launched to strengthen the anchoring of corporate social responsibility. In addition to the policy for social initiatives, policies have been prepared within the areas of climate and environment, social and employee conditions, anti-corruption and bribery as well as human rights.

SOCIALLY DISADVANTAGED GROUPS

Also in 2016, to provide cleaning services and maintain outside areas, BRFKredit employed mentally disabled persons from Sandtoften, a job and activity centre operated by the local Gentofte municipality.

CLIENTS

In 2016, community spirit, embellishment of the urban landscape and neighbourliness were areas of focus. Among other things, this had the result that, in cooperation with local players, the Group established Northern Europe's largest mural in the Port of Aalborg, which also resulted in internships and apprenticeships. Another example is 'Projekt NaboRum' (a project involving the neighbourhood and local community), under which three projects were launched in Aarhus.

ENVIRONMENT

BRFKredit promotes effective and balanced utilisation of resources in relation to energy consumption, waste management and reductions in CO₂ emissions. In 2016, BRFKredit delivered 4.4 tonnes of food waste to be turned in to biofuel, resulting in a CO₂ reduction of 1.7 tonnes. Moreover, a climate and environmental awareness campaign involving employees was carried out.

HUMAN RIGHTS

BRFKredit primarily operates in Denmark, which has acceded to the United Nations Universal Declaration of Human Rights, and therefore BRFKredit has found it of no relevance to adopt a policy on human rights.

Global Compact

Also in 2016, the Group intensified its international involvement through its membership of the UN Global Compact, which took effect in December 2016. In addition, the Group has actively chosen to work with the UN's 17 Global Goals, with particular focus on 5 out of the 17 goals.

For more information on the BRFKredit Group's CSR initiatives, reference is made to the CSR Report for 2016, which is available at brf.dk/csr and jyskebank.dk/CSR.²

² <https://www.jyskebank.dk/csr/rapport>

CORPORATE GOVERNANCE

The Supervisory Board of BRFKredit has decided that BRFKredit will apply the Recommendations on Corporate Governance made by the Committee on Corporate Governance. The Recommendations on Corporate Governance can be found on the website at www.corporate-governance.dk. The annual plan prepared by the Supervisory Board includes a review of the Recommendations on Corporate Governance.

BRFKredit a/s is wholly owned by Jyske Bank A/S. Hence, some of the Recommendations on Corporate Governance are considered to be of no relevance for BRFKredit. These include recommendations on dialogue between the company and shareholders etc., the holding of and presentation of information to general meetings, contingency planning in connection with takeover bids and the recommendation that at least half of the members of supervisory boards and committees should be independent.

ANNUAL GENERAL MEETING

In accordance with the Articles of Association, notice of the Annual General Meeting must be given not more than four weeks and not less than two weeks prior to the date of the meeting. The Annual General Meeting adopts the Annual Report, elects the Supervisory Board and the auditors, discharges the Supervisory Board and the Executive Board from their obligations, and passes a resolution on the distribution of profits or losses for the year. The Articles of Association of the company was last changed in June 2014 and are available on the website of BRFKredit at www.brf.dk.³

THE SUPERVISORY BOARD OF BRFKREDIT

The Annual General Meeting elects no less than three and no more than six members of BRFKredit's Supervisory Board. The Supervisory Board consists of five members, of whom three members are elected by the Annual General Meeting and two members are elected by employees in accordance with the rules of Danish legislation on employee representation. The members elected by the Annual General Meeting resign at each Annual General Meeting but can be re-elected. However, no member older than 70 years is eligible for election to the Supervisory Board. Employee representatives are elected for terms of four years.

The Supervisory Board has made no restrictions as to what other directorships and executive positions members may hold. All Board members are believed to perform their duties in a satisfactory manner. Information about Board members can be found in the chapter 'Directorships and executive positions'.

The Board of Directors encompasses a broad range of skills and knowledge from directorships and executive positions in large Danish companies and skills relating to properties, financing, risk management, legal issues and marketing. The Su-

pervisory Board regularly assesses whether the skills and expertise need to be updated. The tasks and responsibilities of the Supervisory Board and the interface between the Supervisory Board and the Executive Board are laid down in rules of procedure for the Supervisory Board and guidelines for the Executive Board of BRFKredit.

The Supervisory Board makes an annual evaluation of its work using questionnaires distributed to and completed by the individual Board members. The evaluation is subsequently discussed by the Supervisory Board under the guidance of the Chairman. In addition, the Supervisory Board conducts an annual evaluation of the work performed by the Executive Board and its cooperation with the Supervisory Board.

The Supervisory Board held 13 meetings in 2016.

BOARD COMMITTEES ETC.

GROUP AUDIT COMMITTEE AND RISK COMMITTEE

Jyske Bank's Audit Committee and Risk Committee cover BRFKredit and hence BRFKredit does not have any independent Audit Committee and Risk Committee.

The General Meeting has decided that BRFKredit and Jyske Bank follow the same remuneration policy. BRFKredit still has an independent Nomination Committee but is covered by the Remuneration Committee of Jyske Bank's Supervisory Board. The Nomination Committee held four meetings in 2016.

The task of the Remuneration Committee is to prepare and present the Supervisory Board with recommendations for remuneration of the Supervisory Board, the Executive Board and material risk takers, and also to propose any changes to the remuneration policy. Moreover, the committee is responsible for controlling that the policy is complied with.

At the end of the year, employees, etc. who were subject to the new tighter rules on variable remuneration were five board members, two managing directors and 20 material risk takers.

No one-off payments, bonuses or any special remuneration above the triviality limit of DKK 100,000 is paid to the Supervisory Board and the Executive Board. Information on fees and remuneration for the Executive Board and the Supervisory Board is stated in note 9 to the financial statements.

Three material risk takers were paid variable remuneration not exceeding the minimum amount of DKK 100,000. One material risk taker receives variable remuneration deferred from previous financial years.

Information on fees and remuneration for material risk takers appears in note 9 to the financial statements.

³ <http://www.brf.dk/Service-Pages/0m-BRFKredit/BRFKredit-i-tal/Selskabsledelse>



In line with the Jyske Bank Group's remuneration policy, it has been decided that after the merger material risk takers will not be paid variable remuneration in excess of the triviality limit.

No remuneration is payable in connection with new recruitments. No termination or severance benefits have been paid to members of the Executive Board and/or the Supervisory Board.

DIVERSITY AND GENDER COMPOSITION

The Group's policy on gender equality includes targets and a general framework to increase representation of members of the underrepresented gender in the Group, including BRFkredit's Supervisory Board and management. At least once a year, the Supervisory Board follows up on targets, policy and initiatives in the area.

When filling vacant positions, including positions at management level, it is the policy of BRFkredit to make allowances for BRFkredit's need for employees with the right competences irrespective of gender, age, ethnicity, etc. When choosing among equally qualified candidates, diversity in the composition of staff will be considered as, among other things, efforts are made to achieve minimum representation of either gender of 40% at managerial level.

When recruiting for all managerial positions, it must to the extent possible be ensured that either gender is represented among the candidates who are invited for a job interview. BRFkredit's focus on a diversified employee composition, also at managerial levels, must be evident in connection with recruitment.

The Supervisory Board nominates to the General Meeting the best suited candidates for vacant positions on the Supervisory Board. When nominating candidates to general meetings, the Supervisory Board is aware of the possibility of nominating candidates who in the long term may cause gender equality in the Supervisory Board. The target for 2016 was at 33 %.

Currently, the Annual General Meeting has not elected any female members of the Supervisory Board, but the Supervisory Board will bear this in mind when submitting proposals for future changes to the composition of the Supervisory Board to the Annual General Meeting. The Supervisory Board has one female member, who is elected by the employees.

The number of female managers at BRFkredit fell from 28% in 2015 to 27% in 2016.

EXECUTIVE BOARD

Carsten Tirsbæk Madsen, Chief Executive Officer, and Lars Waalen Sandberg, Executive Vice President, are responsible for the day-to-day management of the Company within the limits set by the Supervisory Board in guidelines and policies. Information about the other directorships and executive positions held by the members of the Executive Board can be found in the chapter 'Directorships and executive positions'.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS RELATING TO FINANCIAL REPORTING

The Supervisory Board and the Executive Board have overall responsibility for the Group's financial reporting. The financial reporting process is based on the assumption that all relevant financial transactions are entered correctly in the financial management system. To ensure that all financial transactions are entered correctly in the financial management system, and for the purpose of preventing, detecting and correcting any errors, deviations and omissions, daily, monthly and quarterly internal controls are performed as described in procedures. Controls comprise both system controls and manual controls. Internal controls are performed regularly through reconciliation and proof on a balance of probability for all financial accounts, and the finance function checks and verifies the reconciliation made. The extent of reconciliation and control is based on an assessment of the risk of errors, deviations and omissions in the financial transactions and accounting items. Special focus is on the financial transactions and accounting items where estimates and assessments can have a significant impact on the value of assets and liabilities. See note 65 in the financial statements for a detailed specification.

Reporting to the Supervisory Board, the Executive Board and business area managements takes place on an on-going basis. This reporting includes, among other financial data:

- Income statement and balance sheet with comments on main items
- Review of assets
- Returns and risks on BRFkredit's securities portfolio, including interest rate and foreign currency risk
- Credit risks, loan losses and impairment charges
- Counterparty risks
- Operational risks
- Capital adequacy and solvency requirement
- Liquidity

All reporting is based on joint data. BRFkredit continuously monitors developments in relevant laws and regulations with a view to ensuring full compliance. In connection with the financial reporting process, detailed checklists are also filled in to ensure that all requirements are met. The Internal Audit Department continuously reviews and reports on significant areas relating to internal controls, risk management and reporting. Moreover, the Group Audit Committee reviews accounting, auditing and security matters.

RISK MANAGEMENT FUNCTION

A separate risk management function assists the Executive Board of BRFkredit in gaining an overview of all material risks, ensuring a clear and unambiguous allocation of responsibility for proactive risk management, assessing the adequacy of the risk targets, reports and models employed in risk management and communicating its positions on the material risks and their size. Risk management at BRFkredit forms part of the Jyske Bank Group's overall risk management. The function is an entity in Finance and Risk Management at Jyske Bank, with



which professional interaction has been established.

For a more detailed description of BRFkredit's risk management, reference is made to Jyske Bank Risk and Capital Management 2016, which is available via links on brf.dk.⁴

COMPLIANCE FUNCTION

In accordance with Danish legislation, BRFkredit has a compliance function responsible for assisting management in ensuring that BRFkredit complies with current laws and regulations as well as ethical standards to minimise the risk of financial losses and loss of trust from clients, public authorities and the external environment in general. The compliance activities primarily consist of reviews of selected areas. The reviews are made in close cooperation with the departments in BRFkredit responsible for the area under review. The work is concluded with a report to the Executive Board and an annual report to the Supervisory Board of BRFkredit.

INTERNAL CONTROLS

The Supervisory Board sets policies and limits for the conduct of business, and the Supervisory Board and the Executive Board lay down and approve the overall requirements for business procedures and internal controls in key business areas. The internal control system is based on a separation of functions between client-oriented functions, authorisation and control. Controls are performed at several levels and are initiated through self-reviews in business areas and the securities area as well as regular controls performed by the credit function, the compliance function and the finance function. In addition, the internal audit regularly reviews selected areas in accordance with the audit plan approved by the Group Audit Committee. The Group's finance function collects and checks financial data on a monthly basis and reports this to the Executive Board.

The Group Audit Committee and the Executive Board continuously monitor compliance with business procedures, internal controls, relevant legislation and other rules and regulations in connection with financial reporting and submit reports to the entire Supervisory Board.

AUDIT

The Annual General Meeting elects an independent auditor on the recommendation of the Supervisory Board.

Prior to the election, the Group Audit Committee has evaluated the skills, the independence, etc. of the nominated auditor. BRFkredit is also covered by Jyske Bank's Internal Audit, which reports to the Supervisory Board. Internal Audit audits the financial statements in cooperation with the auditors elected by the Annual General Meeting. In addition, Internal Audit performs audits of selected areas in accordance with an audit plan approved by the independent auditors and submitted to the Group Audit Committee and the Supervisory Board. As part of the audit, the auditors will report any weaknesses identified in business procedures and internal controls etc. to the Executive Board and the Supervisory Board, and also Internal Audit will regularly follow up on the implementation of recommendations made. The Head of Internal Audit participates in Group Audit Committee meetings.

WHISTLEBLOWER SCHEME

BRFkredit is covered by the joint whistleblower scheme of the Jyske Bank Group.

⁴ <http://www.brf.dk/Service-Pages/0m-BRFkredit/BRFkredit-i-tal/Regnskaber>



DIRECTORSHIPS HELD BY THE SUPERVISORY BOARD IN OTHER COMMERCIAL ENTERPRISES AS AT 31 DECEMBER 2016

MEMBER OF THE SUPERVISORY BOARD	DIRECTORSHIPS HELD IN OTHER COMMERCIAL ENTERPRISES AS AT 31 DECEMBER 2016
Sven A. Blomberg, Chairman	- Board member, Soldaterlegatet (Fonden til Støtte for Danske Veteraner i Internationale Missioner)
Per Skovhus, Deputy Chairman	-
Niels Erik Jakobsen, Managing Director	- Board member (deputy chairmen), Letpension A/S
	- Board member, BI Holding A/S and on the board of a fully owned subsidiary
Laila Busted, Employee Representative	-
Kim Henriksen, Employee Representative	-

MEMBERS OF THE SUPERVISORY BOARD AS AT 31 DECEMBER 2016

NAME	YEAR OF BIRTH	APPOINTED A BOARD MEMBER	NOMINATION COMMITTEE
Sven A. Blomberg, Chairman, Managing Director and Deputy Chief Executive	1950	2014	Chairman
Per Skovhus, Deputy Chairman, Managing Director	1959	2014	Deputy Chairman
Niels Erik Jakobsen, Managing Director	1958	2014	
Employee representatives:			
Laila Busted, Account Manager	1960	1999	Member
Kim Henriksen	1960	2015	

DIRECTORSHIPS HELD BY THE EXECUTIVE BOARD IN OTHER COMMERCIAL ENTERPRISES AS AT 31 DECEMBER 2016

MEMBER OF THE EXECUTIVE BOARD	DIRECTORSHIPS HELD IN OTHER COMMERCIAL ENTERPRISES AS AT 31 DECEMBER 2016
Carsten Tirsbæk Madsen	-
Lars Waalen Sandberg	- E-nettet A/S



STATEMENT BY THE EXECUTIVE AND SUPERVISORY BOARDS

The Supervisory Board and the Executive Board have today considered and approved the Annual Report of the BRFkredit Group and BRFkredit a/s for 2016.

The consolidated financial statements have been prepared and are presented in accordance with International Financial Reporting Standards as adopted by the EU, and the Parent's financial statements have been prepared and are presented in accordance with the Danish Financial Business Act. The management's review has been prepared in accordance with the Danish Financial Business Act. Furthermore, the Annual Report was prepared in accordance with the additional Danish disclosure requirements for financial reports of issuers of listed bonds.

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

We consider the Management's review to include a fair presentation of the development in the Group's and the Parent's activities and financial position as well as a description of the most material risks and elements of uncertainty that may affect the Group and the Parent.

The Annual Report is recommended for adoption at the Annual General Meeting.

Kgs. Lyngby, 21 February 2017

EXECUTIVE BOARD

Carsten Tirsbæk Madsen
Managing Director

Lars Waalen Sandberg
Executive Vice President

SUPERVISORY BOARD

Sven A. Blomberg
Chairman

Per Skovhus
Deputy Chairman

Niels Erik Jakobsen

Kim Henriksen
Employee Representative

Laila Busted
Employee Representative



INTERNAL AUDITORS' REPORT

OPINION

In our opinion, the consolidated financial statements and the Parent's financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2016 and of the Group's and the Parent's financial performance and the Group's cash flows for the financial year 1 January to 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies in regard to the consolidated financial statements and in accordance with the Danish Financial Business Act in regard to the Parent's financial statements.

BASIS OF OPINION

We have audited the consolidated financial statements and the financial statements of BRFkredit A/S for the financial year 1 January - 31 December 2016. The consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed financial companies. The financial statements have been prepared in accordance with the Danish Financial Business Act.

We conducted our audit in accordance with the Executive Order of the Danish Financial Supervisory Authority on Auditing Financial Enterprises, etc. as well as Financial Groups and in accordance with international auditing standards on planning and performance of the audit.

We planned and performed our audit with a view to obtaining a high degree of certainty that the consolidated financial statements and the Parent's financial statements do not contain any material misstatements. We participated in the audit of significant and risky areas.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

STATEMENT ON THE MANAGEMENT'S REVIEW

We have read the Management's Review pursuant to the Danish Financial Business Act. We did not perform any procedures other than those performed during the audit of the consolidated financial statements and the Parent's financial statements.

Based on this, we believe that the Management's Review was prepared in accordance with the Danish Financial Business Act and the disclosures in the Management's Review are consistent with the consolidated financial statements and the Parent's financial statements.

Silkeborg, 21 February 2017

Henning Sørensen
Head of Audit

THE INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDER OF BRFKREDIT A/S
OPINION

We have audited the consolidated financial statements and the financial statements for BRFKredit a/s the financial year 1 January – 31 December 2016 comprising the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, capital statement and notes, including accounting policies, for the Group as well as the company and the consolidated cash flow statement for the Group. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards as adopted by the EU and also in accordance with the additional Danish disclosure requirements for issuers of listed bonds, and the financial statements were prepared in accordance with the Danish Financial Business Act.

In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2016 and of its financial performance and cash flows for the financial year 1 January – 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds.

In addition, in our opinion, the financial statements give a true and fair view of the Parent's financial position at 31 December

2016 and of the company's financial performance for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Business Act.

BASIS OF THE AUDIT OPINION

We conducted our audit in accordance with the International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibility according to these standards and requirements are described in detail in the auditors' report under the heading "The auditor's responsibility for the audit of the consolidated financial statements and the Parent's financial statements". We are independent of the Group in accordance with the code of ethics of the International Ethics Standard Board for Accountants (IESBA) and also in accordance with the additional requirements applicable in Denmark; also, we have met our ethical obligations according to this code of ethics and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KEY AUDIT MATTERS

Key audit matters are the matters that in our professional opinion were the most important ones in connection with our audit of the consolidated financial statements and the Parent's financial statements for the financial year 1 January – 31 December 2016. These matters were discussed in the course of our audit of the consolidated financial statements and the Parent's financial statements as a whole and the preparation of our audit opinion. We do not issue a separate audit opinion about these matters.

LOAN IMPAIRMENT CHARGES

As at 31 December 2016, loans and advances amounted to DKK 278,407m, and as at 31 December 2016 impairment charges on these amounted to DKK 1,183m in the consolidated financial statements and the financial statements. Determination of the indication of loan impairment is associated with considerable uncertainty and to some extent based on the management's estimate. Due to the materiality of these estimates and the volume of lending by the Group and the Parent, the audit of loan impairment charges is a key audit matter.

The principles for the determination of the indication of impairment is described under accounting policies, and the management has described in detail the handling of credit risks as well as the assessment of the indication of impairment in notes 12,19 as well as 49-55.

The areas involving the highest degree of estimate and which therefore call for extra attention during the audit are:

- Assessment whether loans and advances have been impaired.

THE AUDIT HAS DEALT WITH THE MATTER IN THIS WAY

Based on our risk assessment, we have examined relevant business procedures, tested controls and analysed the extent of the impairment charges.

Our audit procedures also included specifically:

- An examination and assessment of the Group's and the Parent's general methods for monitoring of credit risk on loans and advances, including special focus on credit risk supervision.
- Tests of the Group's and the Parent's internal controls for identification of loans and advances with indication of risk of loss.
- For loans and advances with objective evidence of impairment we have through sampling tested whether the established indication of impairment is in line with the guidelines of the legislation as well as those of the Group and the Parent.
- Reviews based on random samples of other loans and advances with indication of weakness to assess whether, in our opinion, an assessment of impairment should have been conducted.
- With a view to determining a possible indication of impairment on impaired loans and advances, we compared the Group's and the Parent's principles for the appraisal of residential, commercial as well as subsidised housing, including required



- Measurement of collateral included in the calculation of the indication of impairment for impaired loans and advances.
- Management's additions.

rate of return and rent levels with reports from estate agency chains, current asking prices as well as announcements from the FSA, etc., and also tests were conducted of the controls implemented in the Parent's department responsible for property appraisal.

- Challenging of management's additions with special focus on consistency as well as objectivity on the part of management, including special focus on the documentation of management's additions.

STATEMENT ON THE MANAGEMENT'S REVIEW

The management is responsible for the Management's Review.

Our audit opinion on the consolidated financial statements and the Parent's financial statements does not cover the Management's Review, and we do not express any kind of unmodified audit opinion on the Management's Review.

In connection with our audit of the consolidated financial statements and the Parent's financial statements, it is our responsibility to read the Management's Review and in that connection consider whether the Management's Review is materially inconsistent with the consolidated financial statements or the Parent's financial statements or our knowledge attained through the audit or in other ways seems to contain any material misstatement.

In addition, it is our responsibility to consider whether the Management's Review contains the required information according to the Danish Financial Business Act.

Based on the work performed, we believe that the Management's Review is consistent with the consolidated financial statements and the Parent's financial statements and that it has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not find any material misstatement in the Management's Review.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT'S FINANCIAL STATEMENTS

Management is responsible for the preparation of consolidated financial statements that offer a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and in accordance with the additional Danish disclosure requirements for issuers of listed bonds as well as the preparation of the Parent's financial statements that offer a true and fair view according to the Danish Financial Business Act. Moreover, management is responsible for the internal control that management finds necessary to prepare consolidated financial statements and the Parent's financial statements that are free from material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements and the Parent's financial statements, management is responsible for

assessing the Group's and the Parent's ability to continue operations, and for disclosing circumstances relating to the continued operations, where relevant, and to prepare the consolidated financial statements and the Parent's financial statements on the basis of the accounting principle on continued operations, unless management intends to wind up the Group or the company, discontinue operations or does not have any other realistic alternative than doing so.

THE AUDITOR'S RESPONSIBILITY FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE FINANCIAL STATEMENTS

The objective of our audit is that of obtaining a high level of assurance and audit evidence that the consolidated financial statements and the Parent's financial statements are free of material misstatements, whether or not due to fraud or error. A high level of assurance is a high level of assurance, but no guarantee that an audit performed in accordance with the International Standards on Auditing and the additional requirements applicable in Denmark will reveal any material misstatement if such misstatement has been made. Misstatements can also be given due to fraud or error and can be considered material if it is reasonable to assume that such misstatements will individually or collectively affect the financial decisions that financial statement users make on the basis of the consolidated financial statements and the Parent's financial statements.

In the course of the audit that is performed in accordance with the International Standards on Auditing and the additional requirements applicable in Denmark, we make professional assessments with an attitude of professional scepticism during the audit. In addition:

- We identify and assess the risk of material misstatements in the consolidated financial statements and the Parent's financial statements, whether or not such misstatements are due to fraud or error; we design and perform audit procedures in reaction to these risks and also obtain audit evidence sufficient and suitable for the basis of our audit opinion. The risk of not detecting any material misstatement due to fraud is higher than that in connection with material misstatements caused by error, as fraud may comprise conspiracy, forgery, conscious omissions, misrepresentation or disregard of internal control.



- We gain an understanding of the internal control relevant for the audit in order to prepare audit procedures that are appropriate under the circumstances, but not to express an audit opinion on the efficiency of the Group's and the Parent's internal control.
- We make a decision wither the accounting policies applied by management are suitable, and whether the accounting estimates and relevant information that management has prepared are reasonable.
- We determine whether management's preparation of the consolidated financial statements and the Parent's financial statements on the basis the of accounting principle on going concern is suitable, as well as whether, on the basis of the audit evidence obtained, there is any material uncertainty linked to events or circumstances that may result in considerable doubt as to the Group's or the company's ability to continue operations. If we determine that there is material uncertainty, we must in our auditors' report draw attention to information of this in the consolidated financial statements and the Parent's financial statements, or if such information is not sufficient modify our audit opinion. Our audit opinion is based on the audit evidence that is obtained until the date of our auditors' report. However, future events or circumstances may result in the Group and the company not being able to continue operations any longer.
- We decide on the overall presentation, structure and contents of the consolidated financial statements and the Parent's financial statements, including disclosures in the notes, and whether the consolidated financial statements and the Parent's financial statements reflect the underlying transactions and events in such a way that they render a true and fair view of these.
- We obtain a sufficient and suitable audit evidence of the financial information in the companies or the business activities in the Group to express an audit opinion on the consolidated financial statements. We are responsible for directing, supervising and performing the consolidated financial statements audit. We are solely responsible for the audit opinion.

We communicate with senior management, among other things, on the planned extent and the timing of the audit as well as considerable audit observations, including any considerable shortcomings in the internal control that we identify during our audit.

We also make a statement to senior management to the effect that we comply with relevant ethical requirements as to independence and disclose to senior management all relations and other circumstances that may reasonably affect our independence and, where relevant, related security measures.

Based on the circumstances communicated to senior management, we establish the circumstances that were of greatest importance during our audit of the consolidated financial statements and the Parent's financial statements covering the relevant period and therefore constituted key audit matters. We describe these circumstances in our auditors' report, unless acts of law or other regulation preclude publication of the circumstance, or in the most rare cases where we establish that the circumstance is not to be communicated in our auditors' report because the negative consequences from this could reasonably be expected to carry a heavier weight than the benefit from such communication that would be in the public interest.

Silkeborg, 21 February 2017

DELOITTE
Statsautoriseret Revisionspartnerselskab
Business Reg. No. (CVR): 33 96 35 56

Hans Trærup
State-Authorised
Public Accountant

Kasper Bruhn Udam
State-Authorised
Public Accountant

Note	DKK m	The BRFKredit Group		BRFKredit a/s	
		2016	2015	2016	2015
INCOME STATEMENT					
5	Interest income	6,854	7,654	6,854	7,607
6	Interest expenses	4,941	5,675	4,941	5,664
	Net interest income	1,913	1,979	1,913	1,943
	Dividends, etc.	8	9	8	9
7	Fees and commission income	289	342	289	330
	Fees and commission expenses	82	86	82	86
	Net interest and fee income	2,128	2,244	2,128	2,196
8	Value adjustment (- is an expense)	-72	-354	-67	-270
	Other operating income	44	31	42	36
9-11	Employee and administrative expenses	813	879	815	848
25,26,28	Amortisation, depreciation and impairment charges	9	17	9	17
	Other operating expenses	16	12	16	8
12	Loan impairment charges and provisions for guarantees (- is income)	-32	103	-32	186
13	Profit on investments in associates and group enterprises	-	-	4	0
	Pre-tax profit	1,295	909	1,299	902
14	Tax	285	210	284	218
	Profit for the year	1,011	699	1,015	685
	Distributed to:				
	Shareholders of BRFKredit a/s	1,011	699		
	Total	1,011	699		

STATEMENT OF COMPREHENSIVE INCOME

Profit for the year	1,011	699	1,015	685
Other comprehensive income:				
Items that cannot be recycled to the income statement:				
Value adjustment of owner-occupied properties	16	13	13	13
Value adjustment of equity investments in group enterprises	-	-	3	-
Items that can be recycled to the income statement:				
Shares available for sale	5	-14	-	-
Tax on other comprehensive income	-1	-1	-1	-1
Other comprehensive income after tax	20	-2	15	12
Comprehensive income for the year	1,031	697	1,031	697
Distributed to:				
Shareholders of BRFKredit a/s	1,031	697		
Total	1,031	697		

BALANCE SHEET

Note	DKKm	The BRFKredit Group		BRFKredit a/s	
		2016	2015	2016	2015
BALANCE SHEET					
ASSETS					
	Cash balance and demand deposits with central banks	75	250	75	250
16	Due from credit institutions and central banks	10,892	9,271	10,656	9,015
17-18	Loans and advances at fair value	278,407	250,892	278,407	250,892
22	Bonds at fair value	16,096	7,909	16,096	7,909
23	Shares, etc.	211	218	211	218
24	Equity investments in group enterprises	-	-	333	527
25	Intangible assets	1	3	1	3
	Land and buildings, total	505	492	412	402
26	of which investment property	4	4	4	4
27	of which owner-occupied properties	501	488	408	398
28	Other property, plant and equipment	5	3	5	3
	Current tax assets	-	2	-	2
29	Assets in temporary possession	496	393	481	393
30	Other assets	326	335	327	335
	Prepayments	22	26	22	26
	Total assets	307,037	269,794	307,027	269,975
EQUITY AND LIABILITIES					
Liabilities					
31	Due to credit institutions and central banks	907	94	907	94
32	Issued bonds at fair value	285,676	249,772	285,676	249,772
	Issued bonds at amortised cost	3,711	4,719	3,711	4,719
	Current tax liabilities	282	-	282	-
	Liabilities relating to assets held temporarily	20	5	6	5
33	Other liabilities	3,555	3,335	3,564	3,507
	Deferred income	6	4	6	4
	Liabilities, total	294,157	257,929	294,150	258,101
Provisions					
34	Provisions for deferred tax	13	12	9	21
35	Other provisions	56	72	56	72
	Provisions, total	69	84	65	92
Equity					
	Share capital	1,306	1,306	1,306	1,306
	Share premium	102	102	102	102
	Revaluation reserve	63	47	49	36
	Reserves in series	10,799	7,594	10,799	7,594
	Retained profit	542	2,731	556	2,743
	Equity, total	12,812	11,781	12,812	11,781
	Equity and liabilities, total	307,037	269,794	307,027	269,975
OFF-BALANCE SHEET ITEMS					
	Guarantees, etc.	26	29	26	29
	Other contingent liabilities, etc. (loan offers, etc.)	19,287	15,572	19,287	15,572
	Total guarantees and other contingent liabilities	19,313	15,602	19,313	15,602

DKK m

	Share capital ¹⁾	Share premium	Revaluation reserve	Reserves in series ²⁾	Retained profit ³⁾	Total
Equity at 01 January 2016	1,306	102	47	7,594	2,731	11,781
Profit for the year	-	-	-	-	1,011	1,011
Transferred between series	-	-	-	3,204	-3,204	-
Other comprehensive income	-	-	15	-	5	20
Comprehensive income for the year	-	-	15	3,204	-2,189	1,031
Equity at 31 December 2016	1,306	102	63	10,799	542	12,812

Equity at 01 January 2015	1,306	102	35	9,732	-91	11,084
Profit for the year	-	-	-	-	699	699
Transferred between series	-	-	-	-2,138	2,138	-
Other comprehensive income	-	-	12	-	-14	-2
Comprehensive income for the year	-	-	12	-2,138	2,823	697
Equity at 31 December 2015	1,306	102	47	7,594	2,731	11,781

¹⁾ Share capital: All shares are owned by Jyske Bank A/S, and the share capital consists of 13,064,800 shares of DKK 100 each.

²⁾ Reserves in series: The amount of DKK 10,799m was allocated to meet the capital requirement at Capital centre E, Capital centre B, BRFKredit's series with joint and several liability and Husejernes Kreditkasse. Reference is also made to note 67, summary of Series financial statements

³⁾ Retained profit: The amount of 2,013m from Share capital, Share premium, Revaluation reserve and Retained profit or loss have been allocated to meet the capital requirement at General Capital Centre.



STATEMENT OF CHANGES IN EQUITY

BRFkredit a/s

DKK m

	Share capital	Share premium	Revaluation reserve	Reserves in series	Retained profit	Total
Equity at 01 January 2016	1,306	102	36	7,594	2,743	11,781
Profit for the year	-	-	-	-	1,015	1,015
Transferred between series	-	-	-	3,204	-3,204	-
Other comprehensive income	-	-	13	-	2	15
Comprehensive income for the year	-	-	13	3,204	-2,187	1,031
Equity at 31 December 2016	1,306	102	49	10,799	556	12,812

Equity at 01 January 2015	1,306	102	25	9,732	-81	11,084
Profit for the year	-	-	-	-	685	685
Transferred between series	-	-	-	-2,138	2,138	-
Other comprehensive income	-	-	11	-	1	12
Comprehensive income for the year	-	-	11	-2,138	2,823	697
Equity at 31 December 2015	1,306	102	36	7,594	2,743	11,781

It is not possible to make a distribution of reserves relating to the items: Revaluation reserve and Reserves in series.



DKKm	The BRFKredit Group		BRFKredit a/s	
	2016	2015	2016	2015
Equity	12,812	11,781	12,812	11,781
Intangible assets	-1	-3	-1	-3
Difference between expected loss and the carrying amount of impairment charges	-201	-	-201	-
Prudent valuation	-17	-94	-17	-94
Common Equity Tier 1 capital / Core capital	12,593	11,684	12,593	11,684
Difference between expected loss and the carrying amount of impairment charges	-	135	-	135
Capital base	12,593	11,820	12,593	11,820
Weighted risk exposure involving credit risk etc.	61,572	56,601	61,751	56,986
Weighted risk exposure involving market risk	1,649	2,160	1,649	2,160
Weighted risk exposure involving operational risk	3,105	3,010	3,026	2,888
Total weighted risk exposure	66,326	61,770	66,426	62,033
Capital requirement, Pillar I	5,306	4,942	5,314	4,963
Capital requirement, transitional provisions	3,532	2,838	3,531	2,834
Capital requirement total¹⁾	8,838	7,780	8,845	7,797
Capital ratio (%)	19.0	19.1	19.0	19.1
Core capital ratio (%)	19.0	18.9	19.0	18.8
Common Equity Tier 1 capital ratio (%)	19.0	18.9	19.0	18.8

¹⁾ On 31 December 2016, the total weighted risk exposure according to Basel I amounted to DKK 138,101m 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 8,838m for the BRFKredit Group. 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". The individual solvency requirement has not been audited.



CASH FLOW STATEMENT

DKKm	The BRFKredit Group	
	2016	2015
Profit for the year	1,011	699
Adjustment for non-cash operating items, etc.		
Loan impairment charges and provisions for guarantees	-242	-1,091
Amortisation, depreciation and impairment charges	8	17
Unrealised value adjustment of securities	-1	26
Other outstanding operating items	-1	-0
Tax charged to the income statement	285	210
Total	1,059	-138
Change in working capital		
Loans and advances	-27,273	-26,699
Bonds at fair value	4,584	25,178
Deposits	-	-4,990
Issued bonds	23,127	20,368
Due to credit institutions	813	-11,942
Other assets and liabilities	134	-316
Tax paid	-0	-2
Total	1,385	1,597
Cash flows from operating activities	2,444	1,459
Acquisition of intangible assets	0	-3
Acquisition of property, plant and equipment	-6	-1
Sale of property, plant and equipment	2	0
Purchases of investments	-0	-0
Sale of investments	19	1
Cash flows from investment activities	14	-2
Redeemed bonds at amortised cost (Senior Secured Bonds and Senior debt)	-1,000	-485
Dividends paid	-	-
Cash flows from financing activities	-1,000	-485
Cash flow for the year	1,458	972
Cash and cash equivalents, beginning of period	9,354	8,382
Cash and cash equivalents, end of period	10,812	9,354
Cash and cash equivalents, end of period, comprise:		
Cash balance and demand deposits with central banks	75	250
Due from credit institutions and central banks	10,892	9,271
Of which receivables not directly available	-155	-167
Cash and cash equivalents, end of period	10,812	9,354

The BRFKredit Group's cash at bank and in hand was exceptionally high in connection with a repayment date, for instance at the end of the financial year. Some of the reasons were extraordinary repayments of mortgage loans where, in relation to the bondholders, the underlying bonds are drawn for redemption at the beginning of the next year, temporary excess liquidity resulting from refinancing of ARM loans, immediate redemptions at par where the bonds have not yet been drawn as well as advance issues of bonds in connection with hedging of fixed-price agreements with loan clients.



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Note

1 Key figures and ratios

The BRFKredit Group	2016	2015	2014	2013	2012
Net interest and fee income	2,128	2,244	2,305	2,098	1,693
Value adjustment (- is an expense)	-72	-354	-636	-235	-36
Employee and administrative expenses	813	879	932	920	888
Loan impairment charges and provisions for guarantees (- is income)	-32	103	1,069	505	493
Profit on investments in associates and group enterprises	-	-	-	-0	-3
Profit for the year	1,011	699	-276	302	185
Loans and advances	278,407	250,892	223,102	209,018	207,631
Equity	12,812	11,781	11,084	10,362	10,048
Total assets	307,037	269,794	261,300	233,770	229,219
Capital ratio ¹⁾	19.0	19.1	17.7	16.6	15.2
Core capital ratio ¹⁾	19.0	18.9	17.5	16.6	15.2
Common Equity Tier 1 capital ratio ¹⁾	19.0	18.9	17.5	17.2	16.1
Pre-tax profit as a pct. of average equity	10.5	8.0	-3.2	4.0	2.5
Net profit as a percentage of average equity	8.2	6.1	-2.6	3.0	1.9
Income/cost ratio	2.6	1.9	0.8	1.3	1.2
Currency position (%)	1.1	1.2	1.3	2.1	0.9
Accumulated impairment ratio (%)	0.4	0.6	1.1	0.9	0.8
Impairment ratio for the year (%)	-0.01	0.04	0.47	0.20	0.20
Increase in loans and advances for the year (%)	10.0	15.0	5.8	1.9	0.0
Loans relative to equity	21.7	21.3	20.1	20.2	20.7
Return on capital employed	0.33	0.26	-0.11	0.13	0.08
BRFKredit a/s					
Net interest and fee income	2,128	2,196	2,127	1,948	1,584
Value adjustment (- is an expense)	-67	-270	-598	-213	-23
Employee and administrative expenses	815	848	857	847	827
Loan impairment charges and provisions for guarantees (- is income)	-32	186	843	415	439
Profit on investments in associates and group enterprises	4	0	-168	-67	-58
Profit for the year	1,015	685	-287	306	184
Loans and advances	278,407	250,892	220,340	205,764	204,431
Equity	12,812	11,781	11,084	10,362	10,048
Total assets	307,027	269,975	256,145	228,653	224,344
Capital ratio ¹⁾	19.0	19.1	18.6	17.5	16.3
Core capital ratio ¹⁾	19.0	18.8	18.5	17.5	16.3
Common Equity Tier 1 capital ratio ¹⁾	19.0	18.8	18.5	18.1	17.1
Pre-tax profit as a pct. of average equity	10.6	7.9	-3.0	4.0	2.5
Net profit as a percentage of average equity	8.3	6.0	-2.7	3.0	1.8
Income/cost ratio	2.6	1.9	0.8	1.3	1.2
Currency position (%)	1.1	1.2	1.2	2.0	0.7
Accumulated impairment ratio (%)	0.4	0.6	0.7	0.5	0.5
Impairment ratio for the year (%)	-0.01	0.07	0.38	0.20	0.20
Increase in loans and advances for the year (%)	10.0	16.5	6.1	1.9	-0.1
Loans relative to equity	21.7	21.3	19.9	19.9	20.3
Return on capital employed	0.33	0.25	-0.11	0.13	0.08

¹⁾ With effect from 2014, capital ratios are calculated in accordance with CRD IV/CRR (Basel III). The new rules result in changes in the calculation of the capital base and the total weighted risk exposure. The comparative figures for 2013 and earlier years have not been adjusted.

Reference is made to definitions of financial ratios, cf. note 66.

Note
DKKm

2 Segmental financial statements

The BRFKredit Group

	2016				2015			
	Core earnings (Mortgage credit)	Investment portfolio earnings	Reclassification	Total	Core earnings (Mortgage credit)	Investment portfolio earnings	Reclassification	Total
Contribution income, etc.	1,785	-	-	1,785	1,687	-	-	1,687
Other net interest income, etc.	-53	123	58	128	-45	172	164	292
Net interest income	1,732	123	58	1,913	1,642	172	164	1,979
Net fee and commission income	207	-	-	207	256	-	-	256
Value adjustments	30	-44	-58	-72	-106	-84	-164	-354
Other income	52	-	-	52	40	-	-	40
Income	2,021	80	-	2,101	1,832	89	-	1,920
Expenses	837	-	-	837	908	-	-	908
Profit before loan impairment charges and provisions for guarantees	1,184	80	-	1,263	923	89	-	1,012
Loan impairment charges and provisions for guarantees	-32	-	-	-32	103	-	-	103
Pre-tax profit	1,216	80	-	1,295	821	89	-	909

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'.

Selected balance sheet items	2016				2015			
Due from credit institutions and central banks	10,892	-	-	10,892	9,271	-	-	9,271
Loans and advances	278,407	-	-	278,407	250,892	-	-	250,892
Bonds and shares	6,744	9,564	-	16,307	473	7,654	-	8,127
Due to credit institutions and central banks	904	3	-	907	94	-	-	94
Issued bonds at fair value ¹⁾	291,744	-6,069	-	285,676	255,908	-6,136	-	249,772
Issued bonds at amortised cost	-	3,711	-	3,711	-	4,719	-	4,719
Guarantees	26	-	-	26	29	-	-	29
Total assets	297,396	9,641	-	307,037	261,460	8,334	-	269,794

¹⁾ The negative value under Investment portfolio earnings comprises own bonds that have been offset in Issued bonds at fair value according to the accounting rules.

Core earnings (Mortgage credit)

Mortgage credit comprises the Group's lending activities, including BRFKredit Bank until May 2015, as well as funding of lending activities within the business areas Personal Clients, Corporate Clients and Subsidised Housing. The segment also comprises a risk-free return on the portfolio of bonds, etc.

Investment portfolio earnings

The investment portfolio earnings also comprise the relative return in addition to a risk-free return on the portfolio of bonds, etc.

Selected balance sheet items

Assets and liabilities are presented in the segments that obtain or lose the relevant financial advantages.

Note
DKKm

The BRFKredit Group
2016 2015

3 Segment information, income by business areas

Private clients	1,111	1,132
Corporate clients	786	778
Subsidised housing (rental housing)	112	99
Securities	146	45
Other	-55	-133
Total	2,101	1,920

4 Segments - sales, geography and public subsidies

In 2016, the BRFKredit Group's total sales amounted to DKK 7,188m (2015: 8,026m).

All the BRFKredit Group's loans are granted in Denmark.

In 2016, the BRFKredit Group did not receive any special subsidies related to mortgage banking activities.



Note	DKKm	The BRFkredit Group		BRFkredit a/s	
		2016	2015	2016	2015
5 Interest income					
Due from credit institutions and central banks ¹⁾		-14	-7	-14	-8
Loans and advances		5,041	5,681	5,041	5,639
Contribution		1,628	1,576	1,628	1,576
Bonds		313	658	313	654
Derivatives		106	119	106	119
Of which interest-rate contracts		106	119	106	119
Other interest income		0	1	0	1
Interest income before offsetting of interest on own bonds		7,075	8,028	7,075	7,981
Interest on own bonds, set off against interest on issued bonds		221	374	221	374
Total		6,854	7,654	6,854	7,607
¹⁾ of which interest income on reverse repos carried under "Due from credit institutions and central banks"		-8	-4	-8	-4
6 Interest expenses					
Due to credit institutions and central banks ¹⁾		23	7	23	14
Deposits		-	16	-	-
Issued bonds		5,081	5,872	5,081	5,872
Other interest expenses		58	154	58	153
Interest expenses before offsetting of interest on own bonds		5,162	6,049	5,162	6,038
Interest on own mortgage bonds, set off against interest on issued bonds		221	374	221	374
Total		4,941	5,675	4,941	5,664
¹⁾ Of which interest expenses on repos carried under "Due to credit institutions and central banks"		-1	-8	-1	-8
7 Fees and commission income					
Securities trading and custody services		192	223	192	220
Money transfers and card payments		-	1	-	-
Loan management fees		95	113	95	109
Guarantee commission		-	2	-	-
Other fees and commissions		1	3	1	1
Total		289	342	289	330
8 Value adjustment (- is an expense)					
Mortgage loans ¹⁾		2,420	-4,815	2,420	-4,815
Other loans, advances and receivables at fair value		10	2	10	2
Bonds		-55	-199	-55	-204
Shares, etc.		-	-	11	-16
Shares - available for sale ²⁾		7	-2	-	-
Investment properties		-	-0	-	-0
Currency		-1	3	-1	2
Currency, interest-rate and other contracts as well as other derivatives ¹⁾		-135	-55	-135	-52
Other assets (sale of banking activities)		-	-101	-	-
Issued bonds ¹⁾		-2,318	4,813	-2,318	4,813
Total		-72	-354	-67	-270

¹⁾ Adjustments of the balance principle for the BRFkredit Group brought a total income of DKK 2m (2015: DKK +13m), resulting from a net value adjustment of the following items: Mortgage loans by DKK +2,420m (DKK -4,815m), issued mortgage bonds by DKK -2,318m (DKK +4,813m) and derivatives by DKK -101m (DKK +15m), recognised under "Currency, interest-rate and other contracts as well as other derivatives".

²⁾ Strategic shares (see Accounting policies) are categorised according to IFRS as "available for sale".

Note	DKKm	The BRFKredit Group		BRFKredit a/s	
		2016	2015	2016	2015
9	Employee and administrative expenses				
	Employee expenses				
	Wages and salaries, etc.	439	466	439	451
	Pensions	51	54	51	53
	Payroll tax	58	60	58	59
	Social security	2	2	2	2
	Total	550	583	550	565
	Salaries and remuneration to management bodies				
	Executive Board	7	7	7	7
	Supervisory Board	0	0	0	0
	Total	7	7	7	7
	Other administrative expenses				
	IT	101	134	101	122
	Rent, lighting, heating, etc.	26	32	28	34
	Other administrative expenses	128	123	128	119
	Total	256	289	258	276
	Total	813	879	815	848
	Wages and salaries, etc.				
	Wages, salaries and short-term employee benefits	439	466	439	451
	Total	439	466	439	451

Remuneration of the Supervisory Board (DKK '000)

Jørgen Christensen (joined on 30.04.2014, resigned on 30.06.2015)	-	30	-	30
Laila Busted	60	60	60	60
Jan Frederiksen (resigned on 24.03.2015)	-	15	-	15
Anette Lykke Poulsen (resigned on 05.02.2015)	-	6	-	6
Lars Erik Heesche (joined on 05.02.2015, resigned on 18.05.2015)	-	16	-	16
Kim Henriksen (joined on 24.03.2015)	60	46	60	46
Total remuneration of the Supervisory Board	120	173	120	173

Members of the Supervisory Board employed by Jyske Bank A/S do not receive any Supervisory Board remuneration from BRFKredit a/s.

Members of the Supervisory Board receive no shares, options, warrants or any other types of incentive pay. Moreover, members of the Supervisory Board receive no pension in the performance of their duties and obligations as members of the Supervisory Board.

As members of supervisory boards or executive boards of other companies in the Jyske Bank Group, Sven A. Blomberg earned remuneration from these companies in 2016 in an amount of DKK 6.9m (2015: DKK 6.7m), Per Skovhus in the amount of DKK 6.0m (DKK 5.8m) and Niels Erik Jakobsen in the amount of DKK 6.0m (DKK 5.8m).

Remuneration of the Executive Board

Carsten Tirsbæk Madsen	4.0	3.9	4.0	3.9
Lars Waalen Sandberg	3.4	3.3	3.4	3.3
Total remuneration of the Executive Board	7.4	7.2	7.4	7.2

The above allows for the value for tax purposes of provisions such as company car, company-paid telephone, etc. Of the above remuneration, variable remuneration amounted to DKK 0.1m (2015: DKK - m) for each member of the Executive Board. Members of the Executive Board receive no shares, options, warrants or any other types of incentive pay, and the BRFKredit Group has no contractual obligations concerning annual contributions to the Executive Board's pension schemes. The BRFKredit Group has no pension obligations or special termination obligations towards the Executive Board.

Remuneration of risk takers

Number of members	20	23	20	22
Contractual remuneration	20.9	19.7	20.9	19.0
Variable remuneration	0.2	0.2	0.2	0.2
Defined contribution pensions	2.6	2.5	2.6	2.4

The group comprises employees (exclusive of the Executive Board) with a special impact on the Group's risk profile.

For further information of the Jyske Bank Group's remuneration policy, reference is made to:

<https://www.jyskebank.dk/wps/wcm/connect/8175c55d-136c-454c-903e-4598fa547f1d/l%C3%B8npolitik-intern-2015.pdf?MOD=AJPERES>



Note	DKKm	The BRFkredit Group		BRFkredit a/s	
		2016	2015	2016	2015
10	Number of employees				
	Average number of employees for the financial year (full-time employees)	687	748	687	730
	No. of employees at year-end	694	706	694	706
11	Audit fees				
	Total fee to BRFkredit a/s' auditors elected by the Annual General Meeting	1	1	1	1
	Breakdown of audit fees:				
	Fee for statutory audit of the financial statements	1	1	1	1
	Fee for other assurance services	0	0	0	0
	Fee for tax advice	-	0	-	0
	Fee for other services	0	0	0	0
12	Loan impairment charges and provisions for guarantees (- is income)				
	Balance of loan impairment charges and provisions, beginning of period	1,425	2,516	1,425	1,585
	Loan impairment/provisions for the year	-42	-198	-42	-113
	Recognised as a loss, covered by impairment charges/provisions	-200	-91	-200	-46
	Impairment charges on sold portfolio	-	-802	-	-
	Balance of loan impairment charges and provisions, end of period ¹⁾	1,183	1,425	1,183	1,425
	Mortgage loan impairment charges	1,076	1,412	1,076	1,412
	Impairment charges on other loans and receivables, etc.	107	13	107	13
	Balance of loan impairment charges and provisions, end of period	1,183	1,425	1,183	1,425
	Loan impairment/provisions for the year	-42	-198	-42	-113
	Recognised as a loss, not covered by individual loan impairment charges/provisions ²⁾	95	346	95	342
	Recoveries	-85	-45	-85	-43
	Net effect on income statement	-32	103	-32	186
	Individual loan impairment charges, beginning of period	1,070	2,138	1,070	1,271
	Loan impairment for the year	7	-201	7	-155
	Recognised as a loss, covered by impairment charges/provisions	-200	-91	-200	-46
	The previous collective impairment charges have been moved to individual impairment charges ³⁾	190	-	190	-
	Impairment charges on sold portfolio	-	-775	-	-
	Individual loan impairment charges, end of period	1,067	1,070	1,067	1,070
	Collective loan impairment charges, beginning of period	355	379	355	314
	Loan impairment for the year	-49	3	-49	41
	The previous collective impairment charges have been moved to individual impairment charges ³⁾	-190	-	-190	-
	Impairment charges on sold portfolio	-	-27	-	-
	Collective loan impairment charges, end of period	116	355	116	355

¹⁾ Impairment charges are recognised when there is objective evidence of impairment. This will, at the latest, occur when the loan becomes overdue. The timing difference from the first arrears event until a loss is incurred is one year on average for residential properties, while the average difference is considerably longer for commercial properties, and with a significant variance, depending on the complexity of the loan facility. Accordingly, a loan will always be impaired before a loss is incurred on the loan.

²⁾ "Recognised as a loss, not covered by individual loan impairment charges/provisions" relates mainly to loans with collective loan impairment. 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 +16m (2015: DKK -1m), and operating profit on properties during the period of foreclosure amounts to DKK -2m (DKK 1m).

³⁾ Statistically calculated impairment charges on minor loan cases have been moved from collective impairment charges to individual impairment charges.

For further details on credit risk, please see note 49.

Note	DKKm	The BRFKredit Group		BRFKredit a/s	
		2016	2015	2016	2015
13	Profit on investments in associates and group enterprises				
	Profit on investments in group enterprises	-	-	4	0
	Total	-	-	4	0
14	Tax				
	Current tax	284	1	292	176
	Change in deferred tax	0	209	-12	41
	Adjustment of tax for previous years	-	0	3	-
	Total	285	210	284	218
	Effective tax rate:				
	Current tax rate	22.0	23.5	22.0	23.5
	Adjustments as regards previous years	-	-0.0	-0.0	-
	Non-taxable income and non-deductible expenses, etc.	0.0	0.5	-0.1	0.8
	Effect of the change to the corporation tax rate ¹⁾	-	-0.9	-	-0.2
	Other	-0.0	-	-	-
	Effective tax rate	22.0	23.1	21.8	24.1

¹⁾ The corporation tax rate was gradually reduced from 25.0 in 2013 to 22.0 for 2016 and onwards.

15 Contractual time to maturity

Assets

Due from credit institutions and central banks

Demand deposits	1,038	1,734	801	1,478
Up to 3 months	9,855	7,537	9,855	7,537
Over 3 months and up to 1 year	-	-	-	-
Over 1 year and up to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Total	10,892	9,271	10,656	9,015

Loans and advances at fair value ¹⁾

Up to 3 months	2,200	1,816	2,200	1,816
Over 3 months and up to 1 year	6,491	5,263	6,491	5,263
Over 1 year and up to 5 years	33,946	30,633	33,946	30,633
Over 5 years	235,770	213,180	235,770	213,180
Total	278,407	250,892	278,407	250,892

Bonds at fair value

Up to 3 months	5,890	86	5,890	86
Over 3 months and up to 1 year	4,228	1,709	4,228	1,709
Over 1 year and up to 5 years	5,889	6,026	5,889	6,026
Over 5 years	90	89	90	89
Total	16,096	7,909	16,096	7,909

Note	DKKm	The BRFKredit Group		BRFKredit a/s	
		2016	2015	2016	2015
15	Contractual time to maturity – cont.				
	Liabilities				
	Due to credit institutions and central banks				
	Demand deposits	115	30	115	30
	Up to 3 months	792	15	792	15
	Over 3 months and up to 1 year	-	49	-	49
	Over 1 year and up to 5 years	-	-	-	-
	Over 5 years	-	-	-	-
	Total	907	94	907	94
	Issued bonds at fair value ¹⁾				
	Up to 3 months	5,722	2,659	5,722	2,659
	Over 3 months and up to 1 year	28,041	9,490	28,041	9,490
	Over 1 year and up to 5 years	140,935	152,589	140,935	152,589
	Over 5 years	110,977	85,035	110,977	85,035
	Total	285,676	249,772	285,676	249,772
	Issued bonds at amortised cost				
	Up to 3 months	-	-	-	-
	Over 3 months and up to 1 year	-	1,000	-	1,000
	Over 1 year and up to 5 years	3,711	3,719	3,711	3,719
	Over 5 years	-	-	-	-
	Total	3,711	4,719	3,711	4,719

The above amounts are exclusive of interest.

¹⁾ The cash flow imbalance between mortgage loans (the main item of 'Loans and other receivables') and issued bonds at fair value is due to the fact that 30-year adjustable rate mortgage loans (ARM) are funded by bonds with maturities of 1-10 years.

Financial guarantees

Following the sale of its banking activities, the BRFKredit Group does no longer provide financial guarantees.

For further details on the BRFKredit Group's liquidity risk, please see note 60.

16	Due from credit institutions and central banks				
	At notice with central banks	1,943	2,617	1,943	2,617
	Due from credit institutions	6,161	6,654	5,925	6,398
	Reverse repos	2,788	-	2,788	-
	Total	10,892	9,271	10,656	9,015

Most of the receivables from credit institutions were reduced in connection with the mortgage payments due on 02 January 2017. Cash is deposited with Danmarks Nationalbank, the central bank of Denmark, and Danish banks with ratings between A- and AA- (Standard & Poor's).

17	Loans and advances at fair value				
	Mortgage loans, nominal value	272,690	247,942	272,690	247,942
	Adjustment for interest-rate risk, etc. ¹⁾	6,171	3,751	6,171	3,751
	Adjustment for credit risk ²⁾	-1,076	-1,412	-1,076	-1,412
	Mortgage loans at fair value	277,785	250,281	277,785	250,281
	Arrears before loan impairment charges	111	61	111	61
	Outlays before loan impairment charges	79	4	79	4
	Impairment charges for arrears and outlays	-93	-7	-93	-7
	Arrears and outlays, total	98	58	98	58
	Other loans and receivables	524	552	524	552
	Total	278,407	250,892	278,407	250,892

¹⁾ Adjustment for interest-rate risk is determined on the basis of the price of the bonds financing the mortgage loans. Part of this price adjustment can be attributed to the development in the credit risk on the mortgage bonds. Reference is made to note 32 on Issued bonds at fair value and the measurement of this credit risk.

²⁾ Adjustment for credit risk is calculated so it allows for objective evidence whether loans and advances are impaired compared to the time of the establishment of the loans and advances.



Note	DKKm	The BRFkredit Group		BRFkredit a/s	
		2016	2015	2016	2015
18	Mortgage loans at fair value broken down by property category				
	Owner-occupied homes	137,563	120,915	137,563	120,915
	Vacation homes	6,920	6,411	6,920	6,411
	Subsidised housing (rental housing)	48,754	45,351	48,754	45,351
	Cooperative housing	15,371	14,815	15,371	14,815
	Private rental properties (rental housing)	32,108	28,334	32,108	28,334
	Industrial properties	1,260	1,389	1,260	1,389
	Office and business properties	32,252	30,177	32,252	30,177
	Agricultural properties, etc.	46	49	46	49
	Properties for social, cultural and educational purposes	3,437	2,783	3,437	2,783
	Other properties	75	58	75	58
	Total	277,785	250,281	277,785	250,281
19	Loans and advances showing objective evidence of impairment				
	Individually-assessed loans and advances before loan impairment charges	12,297	15,839	12,297	15,839
	Individually-assessed loans and advances recognised at nil	0	0	0	0
	Total of individually assessed loans and advances before loan impairment charges (less loans and advances recognised at nil)	12,296	15,839	12,296	15,839
	Loan impairment charges for individually-assessed loans and advances				
	Total impairment charges for loans and advances assessed individually	1,067	1,070	1,067	1,070
	Loan impairment charges for individually-assessed loans and advances recognised at nil	0	0	0	0
	Total impairment charges for loans and advances assessed individually (less loans and advances recognised at nil)	1,067	1,070	1,067	1,070
	Recognised value of individually-assessed loans and advances which show objective evidence of impairment	11,230	14,769	11,230	14,769
	Impairment charges on individually assessed loans to individually assessed loans	9%	7%	9%	7%
	No impairment was recognised for other asset classes.				
20	Value of securities realised during the financial year				
	Real property, residential	16	39	16	38
	Real property, commercial	1	133	1	133
	Total	17	172	17	171
21	Collateral by type				
	Guarantees	30,973	29,869	30,973	29,869
	Real property, residential	139,752	122,730	139,752	122,730
	Real property, commercial	104,478	95,642	104,478	95,642
	Total	275,203	248,241	275,203	248,241

The amounts are determined at fair value.

Guarantees mainly relating to central and local government guarantees were provided in connection with loans for subsidised housing societies, etc. as well as urban renewal projects. Remaining guarantees related, among other things, to guarantees against losses on mortgage loans from financial institutions.

Collateral relating to real property was calculated at BRFkredit's current assessment of the mortgaged properties less a haircut of 5%. Hence the collateral value of mortgages on real property equals loans at a LTV ratio of up to 95%.

Note	DKKm	The BRFKredit Group		BRFKredit a/s	
		2016	2015	2016	2015
22	Bonds at fair value				
	Own mortgage bonds	48,082	60,858	48,082	60,858
	Other mortgage bonds	15,385	7,124	15,385	7,124
	Government bonds	711	785	711	785
	Total before offsetting of own mortgage bonds	64,178	68,767	64,178	68,767
	Own bonds (offset against Issued bonds)	-48,082	-60,858	-48,082	-60,858
	Total	16,096	7,909	16,096	7,909

The major part of the securities portfolio is included in BRFKredit's investment portfolio.

Other securities relate to the investment of temporary excess liquidity resulting from bonds for refinancing of ARM loans, immediate redemptions at par where the bonds have not yet been drawn as well as advance issues of bonds in connection with hedging of fixed-price agreements with loan clients. Investment is solely made in bonds where the issuer's credit rating is within the limits of the Group's risk policy.

23	Shares, etc.				
	Shares - fair value	-	-	211	218
	Shares - available for sale ¹⁾	211	218	-	-
	Total	211	218	211	218

¹⁾ Shares - available for sale are acquired for a strategic purpose where the direct return on the shares is not the primary purpose. The shareholding consisted solely of unlisted shares, for which there is no quoted market price. Such shares are valued in accordance with generally accepted valuation methods.

In accordance with the Danish accounting rules, all shares in the Parent Company are placed in the category 'Shares at fair value', whereas the shares are split into 'Shares at fair value' and 'Shares available for sale' in the consolidated financial statements.

24	Equity investments in group enterprises				
	Total cost, beginning of period			1,770	1,770
	Disposals			200	-
	Total cost, end of period			1,570	1,770
	Revaluations and impairment charges, beginning of period			-1,242	-793
	Post-tax profit or loss			4	0
	Dividend			-	-450
	Other capital movements			2	1
	Revaluations and impairment charges, end of period			-1,236	-1,242
	Recognised value, end of period			333	527

Note	DKKm	The BRFKredit Group		BRFKredit a/s	
		2016	2015	2016	2015
25	Intangible assets				
	Development projects:				
	Total cost, beginning of period	166	166	166	166
	Total cost, end of period	166	166	166	166
	Amortisation and impairment charges, beginning of period	166	166	166	166
	Amortisation and impairment charges, end of period	166	166	166	166
	Recognised value, end of period	-	-	-	-
	Other:				
	Total cost, beginning of period	42	40	42	40
	Additions	0	3	0	3
	Disposals	41	-	41	-
	Total cost, end of period	2	42	2	42
	Amortisation and impairment charges, beginning of period	40	30	40	30
	Amortisation for the year	2	9	2	9
	Impairment charges for the year	0	-	0	-
	Reversed amortisation, depreciation and impairment	40	-	40	-
	Amortisation and impairment charges, end of period	2	40	2	40
	Recognised value, end of period	1	3	1	3
	Total	1	3	1	3

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

26	Investment properties				
	Fair value, beginning of period	4	4	4	4
	Adjustment to fair value	-	-0	-	-0
	Fair value, end of period	4	4	4	4

Investment properties are recorded at fair value at 31 December and only comprise 4 vacation homes, which are rented to the Group's employees. The fair value is estimated to correspond to the most recent public land assessment value.

Amounts recognised in income statement

Rental income	0	0	0	0
Direct expenses for properties rented in the period	0	1	0	1

There are no future minimum payments under non-terminable contracts nor in 2015 or in 2016.

27	Owner-occupied properties				
	Beginning of period:				
	Cost	571	571	461	461
	Accumulated depreciation	108	105	99	96
	Revaluations and impairment charges	26	13	36	25
	Carrying amount at beginning of period	488	479	398	389
	Additions during the year	0	-	-	-
	Depreciation	3	4	3	3
	Positive changes in values recognised in other comprehensive income in the course of the year	16	13	13	11
	Positive changes in values recognised in the income statement in the course of the year	1	-	-	-
	Carrying amount, end of period	501	488	408	398

Owner-occupied properties were recorded at fair value at 31 December. The fair value is determined according to the income method where the operating income of the properties is set in relation to the required return on the properties. The valuation is made solely by internal valuers who have specialised in assessing commercial properties and, therefore, possesses the required professional qualifications. The Group's owner-occupied properties are valued on the basis of an investor's rate of return of 4.25 - 6.25% (2015: 4.5 - 6.50%).

Accumulated depreciation of owner-occupied properties for the BRFKredit Group was DKK 111m (2015: DKK 108m).

Future minimum rental income under non-terminable contracts amounted to DKK 18m (2015: DKK 14m), broken down to the following periods:

Within 1 year	4	3
Between 1 and 5 years	11	7
After 5 years	2	3



Note	DKKm	The BRFkredit Group		BRFkredit a/s	
		2016	2015	2016	2015
28 Other property, plant and equipment					
Total cost, beginning of period		59	59	59	59
Additions		6	1	6	1
Disposals		37	0	37	0
Total cost, end of period		28	59	27	59
Depreciation and impairment charges, beginning of period		56	52	55	51
Depreciation for the year		3	4	3	4
Impairment charges for the year		1	-	1	-
Reversed depreciation and impairment charges		37	0	37	0
Depreciation and impairment charges, end of period		22	56	22	55
Recognised value, end of period		5	3	5	3

Other property, plant and equipment consisted primarily of IT hardware, etc.

29 Assets held temporarily					
Properties acquired temporarily ¹⁾		110	94	110	94
Subsidiaries in possession with a view to sale ²⁾		386	299	372	299
Total		496	393	481	393

The sales strategy for all assets acquired temporarily by the Group is to ensure that BRFkredit actively endeavours to sell these assets as quickly as possible at a realistic price and within 12 months.

¹⁾ Properties acquired temporarily in connection with loan facilities. At end of 2016, the BRFkredit Group had 33 (2015: 41) properties acquired through foreclosure, of which 12 were acquired within the last 12 months.

²⁾ At the end of 2016, the BRFkredit Group had 2 property companies in temporary possession (2015: 1 property company) in connection with loan facilities.

30 Other assets					
Positive fair value of derivatives, etc. ¹⁾		87	24	87	24
Interest and commission receivable		53	71	53	71
Loan applications in process		148	209	148	209
Other assets		38	32	39	33
Total		326	335	327	335

¹⁾ Financial derivatives are used for hedging transactions solely where the counterparty's credit rating is within the limits of the Group's risk policy.

31 Due to credit institutions and central banks					
Due to credit institutions		127	45	127	45
Repos ¹⁾		780	49	780	49
Total		907	94	907	94

¹⁾ In connection with repo transactions concluded, bonds transferred temporarily are still recognised in the balance sheet in compliance with the IFRS rules. As the transferred bonds were merely 'lent' for a temporary period, the BRFkredit Group was still exposed to interest rate risk, and the 'lent' bonds were consequently included in the overall management of interest rate risk. The carrying amount of these bonds was DKK 786m (2015: DKK 49m). All repo transactions open at the end of 2016 fall due for payment on 02 January 2017.

Note	DKKm	The BRFKredit Group		BRFKredit a/s	
		2016	2015	2016	2015
32	Issued bonds at fair value				
	Issued mortgage bonds, nominal value	327,400	306,339	327,400	306,339
	Adjustment to fair value ¹⁾	6,357	4,291	6,357	4,291
	Own mortgage bonds, fair value	-48,082	-60,858	-48,082	-60,858
	Total	285,676	249,772	285,676	249,772
	Of issued mortgage bonds, nominal value:				
	Pre-issued	38,791	46,843	38,791	46,843
	Drawn for redemption at next repayment date	38,724	48,555	38,724	48,555

¹⁾ The change in the fair value of issued mortgage bonds (including covered bonds) that is attributable to credit risk can be calculated on the basis of the change in the Option-Adjusted Spread (OAS) relative to the swap curve. The calculation takes maturity and nominal portfolio into account. The calculation involves some estimate. The change in fair value that is attributable to credit risk was DKK 3.9bn in 2016 (2015: DKK -2.6bn). The accumulated change in credit risk since 1 January 2008 has been calculated at a negative value at DKK -2.6bn. Equity and earnings performance were not affected by the change since the value of mortgage lending changed correspondingly.

33	Other liabilities				
	Negative fair value of derivatives	358	211	358	211
	Interest and commission payable	2,407	2,907	2,407	2,907
	Other liabilities	790	218	799	389
	Total	3,555	3,335	3,564	3,507

Financial derivatives are used for hedging transactions solely where the counterparty's credit rating is within the limits of the Group's risk policy.

34 Provisions for deferred tax

The BRFKredit Group Broken down into the following balance sheet items:	Intangible assets and plant and equipment	Provisions for liabilities	Issued bonds at amortised cost	Tax losses	Other	Total
Adjustment in other comprehensive income (through equity)	-1	-	-	-	-	-1
Adjustment in income statement	0	-0	19	-227	-1	-209
Carrying amount at end of 2015	-1	10	-36	12	2	-12
Adjustment in other comprehensive income (through equity)	-1	-	-	-	-	-1
Adjustment in income statement	1	-3	14	-12	0	-0
Carrying amount at end of 2016	-1	7	-22	-	2	-13
BRFKredit a/s						
Carrying amount at beginning of 2015	2	11	-54	59	3	21
Adjustment in income statement	0	-0	19	-59	-1	-41
Carrying amount at end of 2015	2	10	-36	-	2	-21
Adjustment in income statement	1	-3	14	-	0	12
Carrying amount at end of 2016	3	7	-22	-	2	-9

Of the BRFKredit Group's capitalised deferred tax, the amount of DKK -m (2015: DKK 12m) represents the value of the tax loss that can be carried forward to subsequent years.

Of deferred tax, an amount of DKK 20m, (2015: DKK 3m) is expected to be realised within 12 months, whereas an amount of DKK -7m (DKK 9m) is expected to be realised within 1-5 years.



Note	DKK m	The BRFkredit Group		BRFkredit a/s	
		2016	2015	2016	2015
35	Other provisions				
	Beginning of period	72	87	72	80
	Additions	18	15	18	15
	Provisions used	29	24	29	24
	Provisions reversed	5	7	5	0
	End of period	56	72	56	72
	Provisions are expected to fall due:				
	Within 1 year	32	38	32	38
	Between 1 and 5 years	23	33	23	33

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

36 Off-balance sheet items

Guarantees, etc.

Other guarantees	26	29	26	29
Total	26	29	26	29

Other guarantees

Other guarantees include other forms of guarantees, etc. with a limited risk.

Other contingent liabilities, etc.

Operating leases	5	12	5	12
Other long-term contracts	1	2	1	2
Irrevocable loan commitments (mortgage offers)	19,235	15,486	19,235	15,486
Other contingent liabilities	45	72	45	72
Total	19,287	15,572	19,287	15,572

Operating leases

Terms of operating leases:

0-1 year	5	7	5	7
1-5 years	1	5	1	5
> 5 years	-	-	-	-
Total	5	12	5	12

Minimum payments on operating leases were recognised in the profit or loss for the year. 7 7 7 7

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.

BRFkredit is jointly taxed with the Jyske Bank Group, of which Jyske Bank A/S is the administration company. Therefore, BRFkredit is liable according to the rules on income tax, etc. for jointly taxed companies of the Danish Corporation Tax Act.

BRFkredit a/s is registered jointly with the Jyske Bank Group for settlement of VAT and payroll tax. The companies are jointly and severally liable for such settlement.

At the balance sheet date, the Group was a party to pending lawsuits. On the balance sheet date, pending lawsuits represented a total exposure for the Group of maximum DKK 3m. The lawsuits relate to circumstances that are part of the Group's normal business and must be considered part of its day-to-day operations. No provisions were made in connection with these lawsuits as the group does not expect to suffer any financial losses from these lawsuits.

37 Collateral

Margin accounts, derivatives, etc.	157	170	157	170
Total	157	170	157	170

Repo transactions involve an arrangement where bonds are provided as collateral for the amount borrowed. See note 31 for further details.

38 Security provided for financial assets and liabilities

The BRFKredit Group				
	Carrying amount	Offsetting, master netting agreement	Collateral	Net value
2016				
Financial assets				
Derivatives with positive fair value	87	87	-	0
Reverse repos	2,788	-	2,788	-
Total	2,875	87	2,788	0
Financial liabilities				
Derivatives with negative fair value	358	87	152	119
Repo transactions	780	-	780	-
Total	1,138	87	932	119
2015				
Financial assets				
Derivatives with positive fair value	24	0	-	24
Total	24	0	-	24
Financial liabilities				
Derivatives with negative fair value	211	0	167	44
Repo transactions	49	-	49	-
Total	260	0	216	44

On the balance sheet, reverse repo transactions are classified as "Due from credit institutions and central banks". On the balance sheet, repo transactions are classified as "Due to credit institutions and central banks".

Master netting agreements and similar agreements entitle a party to offsetting if a counterparty is in default, which lowers the exposure further when a counterparty is in default, but does not meet the conditions for accounting offsetting on the balance sheet.

39 Notes on fair value

Methods for measuring fair value

Fair value is the price which can be obtained at the time of measurement by selling an asset or which must be paid for transferring a liability in an ordinary transaction between independent market participants (exit value). The fair value should equal the book value where book value is recognised on the basis of underlying assets and liabilities measured at fair value.

For all assets listed on active markets, fair values are measured at official prices. Where no price is quoted, a different official price is used which is taken to reflect most closely the fair value. Financial assets and liabilities of which quoted prices or other official prices are not available or are not taken to reflect the fair value are measured at fair value according to other evaluation techniques and other observable market information. In cases where observable prices based on market information are not available or are not taken to be useful for measuring fair value, the fair value is measured by recognised techniques, including discounted future cash flows, and our own expertise. The basis of the measurement may be recent transactions involving comparable assets or liabilities, interest rates, exchange rates, volatility, credit spreads, etc.

Generally, quoted prices and observable data are obtained in the form of interest rates and share and bond prices, exchange rates, forward premiums, volatilities, etc. from recognised stock exchanges and providers.

39 Notes on fair value, cont.

Specific details on methods for measuring fair value

Bonds at fair value, shares, derivatives, loans and advances at fair value and issued bonds are measured at fair value in the financial statements.

Bonds are generally measured at prices quoted on a recognised stock exchange within the past month. Alternatively, calculated prices are applied. If such market price is not available for the past month, a calculated price based on the official market rate will be applied for determining the value. The calculated price is received from SIX Financial Information.

Shares that are listed are measured at prices quoted on a recognised stock exchange. However, at the end of 2016, BRFKredit's shareholding consisted solely of unlisted shares, where the value is measured, among other things, on the basis of the companies' most recent financial statements available.

Derivatives are valued on the basis of discounted future interest payments. Interest payments are calculated by taking into account payment frequencies and market conventions. Variable interest payments are estimated on the basis of market expectations for future values of the benchmark interest rate.

Loans at fair value comprise mortgage loans. These are generally measured at prices of the underlying issued bonds quoted on a recognised stock exchange within the past month. If such market price is not available for the past month, a calculated price based on the official market rate will be applied for determining the value. The calculated price is received from SIX Financial Information. If derivatives are part of the funding of the loans, the value of these will be integrated in the valuation of the loans.

Issued bonds at fair value are generally measured at prices quoted on a recognised stock exchange within the past month. If such market price is not available for the past month, a calculated price based on the official market rate will be applied for determining the value. The calculated price is received from SIX Financial Information.

Information about differences between recognised value and measurement of fair value

A small holding of issued bonds was recognised at amortised cost supplemented with the fair value of the hedged interest-rate risk. The difference to fair value was calculated on the basis of own-issue prices obtained externally.

For the items "Cash, cash equivalents and demand deposits with central banks", "Due from credit institutions and central banks", and "Due to credit institutions and central banks", the carrying amount is assessed to amount to a reasonable approximation of fair value.

Note	The BRFKredit Group	
	2016	2015
DKKm		
40 Recognised financial instruments		
Financial assets at fair value adjusted through the income statement		
<u>Trading portfolio</u>		
Bonds at fair value	16,096	7,909
Other assets - derivatives	87	24
<u>Designated at fair value</u>		
Loans and advances at fair value	278,407	250,892
Financial assets available for sale		
Shares available for sale	211	218
Loans and receivables		
Cash balance and demand deposits with central banks	75	250
Due from credit institutions and central banks	10,892	9,271
Financial liabilities at fair value adjusted through the income statement		
<u>Trading portfolio</u>		
Other liabilities - derivatives	358	211
<u>Designated at fair value</u>		
Issued bonds at fair value	285,676	249,772
Financial liabilities at amortised cost		
Due to credit institutions and central banks	907	94
Issued bonds at amortised cost	3,711	4,719



41 The fair value hierarchy

The BRFKredit Group

2016	Quoted prices	Observable prices	Non-observable prices	Fair value, total	Recognised value
Financial assets					
Loans and advances at fair value	-	278,407	-	278,407	278,407
Bonds at fair value	15,960	136	-	16,096	16,096
Shares, etc.	-	-	211	211	211
Derivatives	0	87	-	87	87
Total	15,960	278,630	211	294,801	294,801
Financial liabilities					
Derivatives	9	348	-	358	358
Issued bonds at fair value	273,078	12,598	-	285,676	285,676
Total	273,087	12,946	-	286,033	286,033

2015

Financial assets					
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
Total	7,851	250,973	218	259,043	259,043
Financial liabilities					
Derivatives	17	194	-	211	211
Issued bonds at fair value	240,697	9,076	-	249,772	249,772
Total	240,714	9,269	-	249,983	249,983

Non-observable prices

	2016	2015
Fair value, beginning of period	218	235
Capital gain and loss recognised in the income statement	7	-2
Capital gain and loss for the year, recognised in other comprehensive income	5	-14
Purchases made over the year	0	0
Sales or redemption	-19	-1
Fair value, end of period	211	218

No considerable transfers took place between the three levels in 2015 and in 2016.

Non-observable prices

Non-observable prices at the end of 2016 referred to unlisted shares recognised at DKK 211m (2015: DKK 218m). At the end of 2016, BRFKredit's shareholding consisted solely of unlisted shares, where the value is measured on the basis of the companies' most recent financial statements available. Individual assessment of the individual financial statements is thought to be the best valuation technique. As the majority of the company's assets (most of which are properties) and liabilities is recognised at fair value, the majority of the unlisted shares is measured at net asset value. As the measurement of the fair value of a property will be subject to some uncertainty, it is assessed that there is an uncertainty of +/-10% in connection with the price determination.

The capital gain and loss from unlisted shares recognised in the income statement can be allocated to shares owned at the end of 2016, and the recognition in the income statement and other comprehensive income appears from the above table about non-observable prices.

BRFKredit finds it of little probability that the application of alternative prices in the measurement of fair value would result in a material deviation from the recognised fair value.

Note	The BRFKredit Group
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42 Fair value of non-financial assets and liabilities

The BRFKredit Group				
2016	Quoted prices	Observable prices	Non-observable prices	Total
Non-financial assets				
Investment properties	-	-	4	4
Assets held temporarily	-	-	496	496
Total	-	-	500	500
2015				
Non-financial assets				
Investment properties	-	-	4	4
Assets held temporarily	-	-	393	393
Total	-	-	397	397

No transfers took place between the three levels in 2015 and in 2016.

Investment properties

For a description of measurement of fair value, see note 26.

Assets held temporarily

Assets held temporarily comprise properties and property companies acquired temporarily in connection with loan facilities. The value of this group of assets is determined according to the returns method where the operating income of the property is set in relation to the required return on the property. Valuations are made by the Group's internal valuers who have specialised in assessing properties and, therefore, possesses the required professional qualifications. The valuations are less of estimated sales costs.

43 Fair value of financial assets and liabilities recognised at amortised cost

The re-statement at fair value of financial assets and liabilities recognised at amortised cost shows a total non-recognised unrealised loss of DKK 99m at the end of 2016 against a loss of DKK 161m at the end of 2015.

The BRFKredit Group				
	2016		2015	
	Recognised value	Fair value	Recognised value	Fair value
Financial liabilities				
Issued bonds at amortised cost	3,711	3,810	4,719	4,880
Total	3,711	3,810	4,719	4,880

For other financial assets and liabilities that are not recognised at fair value, the carrying amount corresponds in essence to fair value.

Note	The BRFKredit Group	
DKKm	2016	2015

44 Interest income and expenses on financial assets and liabilities that are not measured at fair value through the income statement

Due from credit institutions and central banks, etc.	-14	-7
Loans, advances and other receivables at amortised cost	-	42
Due to credit institutions and central banks	-23	-7
Deposits and other debt	-	-16
Issued bonds at amortised cost	-103	-18



Note	DKKm	The BRFkredit Group	
		2016	2015
45	Fee income and expenses on financial assets and liabilities that are not measured at fair value through the income statement.		
	Loans, advances and other receivables at amortised cost	-	4
	Deposits and other debt	-	2
46	Capital gains and losses on financial assets and liabilities		
	Fair value adjusted through the income statement		
	Trading portfolio	-190	-254
	Decided at fair value	111	3
	Available for sale		
	Recognised in other comprehensive income (directly in equity)	5	-14
47	Interest income on impaired financial assets		
	Interest income on financial assets in the BRFkredit Group for which individual impairment charges were recognised amounted to DKK 135m (2015: DKK 187m).		
48	Risk exposure		
	The risk involved in BRFkredit's activities is materially related to credit risks on loans granted and market risks inherent in BRFkredit's securities portfolio primarily in the form of interest rate risk. Risk management in BRFkredit is a central element of day-to-day operations and contributes actively to ensuring that the Supervisory Board and Executive Board have the necessary decision-making basis for pursuing BRFkredit's business. Focus is continuously on the quality of risk management, particularly on the credit risk models. This is a natural step in the Group's continued ambition to develop tools and establish procedures for valid quantification of the various risks to which the Group is exposed.		
49	Credit risk		
	By credit risk is understood the risk of a loss resulting from a counterparty's failure to meet its payment obligation to the Group. BRFkredit's credit risk is calculated on the basis of internal models approved by the FSA.		
	Credit risk models		
	Since December 2008, BRFkredit has been using the advanced internal rating-based method (AIRB) to calculate the capital requirement for the majority of the credit risk. For other exposures, including government exposures and exposures to financial institutions, the standardised approach is used.		
	The use of the AIRB approach means that BRFkredit calculates credit risk for the individual client on the basis of internally developed credit models. The models estimate the client's probability of default (PD), loss given default (LGD) and exposure at default (EAD) to BRFkredit. According to the set of rules, LGD is required to be calibrated to a downturn scenario. This is done by including a risk premium for the statistically calculated LGD of the model. This premium is determined with a time lag of three months. The product of the risk parameters PD, LGD and EAD is an indication of BRFkredit's expected loss for a given client. The estimation of risk parameters is made for personal and corporate clients alike. The statistically calculated PD is used for personal clients, whereas the calculation of PD for selected corporate clients also takes the special circumstances of the company into account, for instance key financial ratios, management and industry. Estimates of PD are subsequently included in business dealings (loan commitment procedure etc.).		
	The properties are classified into rating classes based on the PD estimates. BRFkredit's rating system is converted into the credit ratings (STY) of Jyske Bank's credit models. Jyske Bank's credit ratings are on a scale from 1 to 14, 1 being the highest credit quality (the lowest PD) and 14 the lowest credit quality (the highest PD).		
	The loan-to-value (LTV) ratio is a central risk management concept for BRFkredit as it expresses the ratio between the unpaid principal amount of a home loan and the market value of the mortgaged property. 87% of loans to personal clients had been granted against 60% or less of the property value (2015: 85%). In the corporate client segment, LTV ratios depend on the individual classes of property, but overall 83% (81% of the corporate loan portfolio was secured within 60% of the property value.		
	BRFkredit continuously assesses clients' creditworthiness with a view to identifying loan exposures with an objective indication of impairment. If the client's financial situation is assessed to influence future payments on the loan, BRFkredit calculates the indication of impairment. The calculation is based on the cash flow of the property and the estimated cost for BRFkredit if the property needs to be acquired through foreclosure with a view to resale. The calculation of the impairment charge thus includes foreclosure costs, expenses resulting from time on market as well as expenses for the sale of the property.		



49 Credit risk, cont.

In addition to individual impairment charges, BRFkredit performs a collective assessment of all loans without provision for individual impairment. The collective impairment charges are based on developments in uniform risks for the individual groups.

BRFkredit closely follows developments in higher-risk loan exposures, i.e. loans that do not currently meet the conditions for impairment. Capital is set aside for critical clients in the calculation of BRFkredit's individual solvency requirement.

In BRFkredit a/s, total impairment charges amounted to DKK 1,183m (2015: DKK 1,425m). Total impairment charges amounted to 0.4% (0.6%) of the Group's total loans and advances.

Non-performing loans

In 2016, BRFkredit experienced a decrease in the proportion of clients who encountered problems meeting their obligations. This was reflected in the lower number of clients who applied for workout agreements, fell into arrears or in any other way were incapable of meeting their obligations to BRFkredit. It was mainly seen in the personal and corporate client segments as clients in the subsidised housing segment at no time were in arrears to any significant extent during the financial crisis. To assist distressed clients in the best possible way, BRFkredit has established a separate unit, which opens a dialogue with these clients as early as possible to find a solution for the benefit of the client and BRFkredit alike.

At the end of 2016, exposure to clients with OEI amounted to DKK 12,297m before impairment charges (2015: DKK 15,839m). Of this, individual impairment charges were made on loans with exposure totalling DKK 5,897m (DKK 5,050m). Other individual impairment charges related to clients in financial difficulties. The increase in exposures with OEI can be attributed to the reclassification of static impairment charges from collective to individual impairment.

Foreclosures

BRFkredit acquires properties by forced sale if it turns out that buyers are not available for a reasonable market price level. In essence, BRFkredit's strategy for selling the foreclosed properties is to sell them within a relatively short period of time, but with due regard to the importance of obtaining a market price for the property.

BRFkredit has a separate function with focus on the operation and disposal of commercial properties acquired through foreclosure. This contributed to substantial sales of commercial properties acquired through foreclosure.

At the end of 2016, the portfolio of properties acquired through foreclosure was 33 properties (2015: 41), i.e. the lowest number since the first quarter of 2009. The portfolio of properties etc. acquired through foreclosure represented a value of DKK 110m at the end of 2016 (2015: DKK 94m).

In addition, BRFkredit acquired 2 property companies (2015: 1 property company), for which attempts are also made to dispose of them according to the same strategy used for properties acquired through foreclosure. The value of the assets in these companies amounted to DKK 380m at the end of 2016 (DKK 299m).

Then, at the end of 2016, BRFkredit's portfolio of assets acquired through foreclosure amounted to DKK 496m (2015: DKK 393m). See also note 29 on assets held temporarily.

50 Maximum credit exposure

The BRFkredit Group's maximum credit exposure consisted of the following:

- The BRFkredit Group's receivables from credit institutions and central banks amounted to DKK 10.9bn (2015: DKK 9.3bn).
- The BRFkredit Group's loans and other receivables at fair value amounted to DKK 278.4bn (2015: DKK 250.9bn).
- The BRFkredit Group's guarantees amounted to DKK 0.0bn (2015: DKK 0.0bn).
- The BRFkredit Group's trading portfolio (interest-bearing investments in bonds, etc.) amounted to DKK 16.1bn (2015: DKK 7.9bn).
- The BRFkredit Group's shares categorised as available for sale amounted to DKK 0.2bn (2015: DKK 0.2bn).

The calculation of maximum credit risk is theoretically based on the carrying amounts of the financial assets listed above. In practice, credit risk is significantly lower, and if defined on the basis of the statutory capital requirement (capital requirements stipulated in transitional rules), it amounted to DKK 8.8bn (2015: DKK 7.8bn).



Note	The BRFkredit Group				
51	Maturity matrix for undrawn irrevocable credit commitments				
2016	0 - 3 mths	3 mths - 1 year	1-5 years	Over 5 years	Total
Loans and advances ¹⁾	7,744	8,584	2,907	-	19,235
Total	7,744	8,584	2,907	-	19,235
2015					
Loans and advances ¹⁾	8,349	7,137	-	-	15,486
Total	8,349	7,137	-	-	15,486

¹⁾ Relating to mortgage offers.

Note	The BRFkredit Group		BRFkredit a/s	
DKKm	2016	2015	2016	2015
52	Impaired credit exposures, individual impairment charges and provisions			
	Balance before impairment charges:			
Loans and advances at fair value	5,897	5,050	5,897	5,050
Total	5,897	5,050	5,897	5,050
	Collateral:			
Real property, residential	2,129	175	2,129	175
Real property, commercial	2,800	3,805	2,800	3,805
Total	4,930	3,980	4,930	3,980

53 **Credit exposures neither overdue nor impaired, broken down by rating**

2016	Ratings 1-5	Ratings 6-11	Ratings 12-14	Other
Loans and advances	145,045	103,665	15,241	4,067
Total	145,045	103,665	15,241	4,067
2015				
Loans and advances	137,238	84,571	17,671	4,352
Total	137,238	84,571	17,671	4,352

54 **Overdue but not impaired credit exposures, broken down by rating**

2016	Ratings 1-5	Ratings 6-11	Ratings 12-14	Other
Overdue 0-90 days	17	6	2	2
Overdue > 90 days	1	-	-	6
Total	18	6	2	8
	Collateral:			
Real property, residential	1	2	-	-
Real property, commercial	17	4	2	8
Total	18	6	2	8
2015				
Overdue 0-90 days	3	3	2	1
Overdue > 90 days	-	0	1	3
Total	3	3	3	4
	Collateral:			
Real property, residential	1	2	0	0
Real property, commercial	1	2	3	4
Total	3	3	3	4



Note	The BRFkredit Group			
55 Loans and guarantee debtors by country and client segment				
2016	Clients	Banks	Central govts, etc.	Total
Denmark	273,598	1,367	2,846	277,811
Total	273,598	1,367	2,846	277,811
2015				
Denmark	246,986	1,429	2,435	250,850
Other EU	71	-	-	71
Total	247,057	1,429	2,435	250,921

56 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 price 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, where loans are matched by bond issues in the ratio of one to one.

Legislation and market risk policy limits ensure that BRFkredit's market risks are at a moderate level, and the on-going close monitoring of risks, combined with short decision-making paths at BRFkredit, means that a reduction of market risks can quickly be implemented if considered necessary in the interests of BRFkredit's general risk profile and capital requirements.

To determine market risk in relation to solvency, BRFkredit has so far chosen the standardised approach for calculation of risk-weighted assets, and, for reporting purposes, BRFkredit uses the market risk ratios of the FSA to determine interest rate risk.

BRFkredit has a large holding of bonds, which can, among other things, be attributed to compliance with the LCR requirement (see note 60).

At the end of 2016, risk-weighted items caused by market risk totalled DKK 1.6bn (2015: DKK 2.2bn).

Note	The BRFkredit Group	
DKKm	2016	2015
57 Interest-rate risk		
Interest-rate risk, the FSA's method	33	64
Interest-rate risk, internal method	35	60

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. In line with legislation, an interest-rate risk of 8% of the capital base is allowed. In this statement, only partial offsetting between Danish kroner and euros is allowed.

Also, due to the close correlation between the Danish krone and the euro, the interest-rate risk of BRFkredit is measured on the basis of an internal method allowing full offsetting between Danish kroner and euros. BRFkredit's Supervisory Board has chosen considerably to reduce the limits in the internal method relative to the statutory provisions.

The scope of responsibilities delegated by the Supervisory Board to the Executive Board has also been delegated to the securities area with additional restrictions. For risk management purposes, daily updated option-adjusted risk measures are used to calculate the interest rate risk on BRFkredit's portfolio of mortgage bonds. Interest-rate risk is managed on the basis of measurement of net interest-rate risk as well as risk measurements that limit BRFkredit's interest-rate risk across currencies and maturities. In addition, supplementary limits have been set for other types of risk, such as OAS and gamma risk, associated with interest bearing investments.

BRFkredit's interest rate risk essentially stems from its bond portfolio, which is mainly made up of Danish mortgage bonds, and from derivatives, which are used to manage overall interest rate risk. The majority of BRFkredit's portfolio theory of Danish mortgage bonds is invested in the most liquid bonds - including many 1-year adjustable rate mortgage bonds. BRFkredit's activities are close to being risk neutral to general changes in interest rates, but due to the strong concentration in Danish mortgage bonds, BRFkredit is sensitive to changes in the mortgage yield spread.

To manage interest-rate risk, BRFkredit uses derivatives, and to limit counterparty risk, BRFkredit has entered into relevant netting agreements.



58 Currency risk

BRFKredit's currency risk on its securities portfolio is limited as most investments are denominated in Danish kroner. As a result of trading in euro-denominated interest rate swaps, BRFKredit has lower exposure in euro.

The foreign exchange exposure of other items not included in the securities portfolio is also strongly limited as mortgage loans granted in euro are funded by euro-denominated bonds.

BRFKredit's senior unsecured bonds denominated in euro are fully hedged and, therefore, involve no currency risk. Overall, at the end of 2016, BRFKredit's foreign exchange risk was calculated at 1.1% of the capital base. (2015: 1.2%).

59 Share price risk

The share price risk expresses the risk of loss caused by changing share prices. BRFKredit's shareholding consists solely of infrastructure shares and strategic positions. At the end of 2016, BRFKredit's shareholding measured at market value amounted to DKK 211m (2015: DKK 218m), corresponding to 2% (2015: 2%) of the capital base. If share prices in general fall by 10%, BRFKredit will suffer an investment loss of DKK 21m. (2015: DKK 22m).

60 Liquidity risk

The Danish mortgage legislation prescribes a balance within a narrow range between payments on issued bonds and mortgage loans granted. Hence, there is only a very limited liquidity risk on BRFKredit's loan portfolio as BRFKredit funds mortgage lending through continuous issuance of bonds. Liquidity shortfalls, if any, are typically of a very short nature, for instance in connection with mortgage payments, and are mainly handled through cash budgets. Furthermore, there is a limited liquidity risk associated with clients who default on their mortgage payment. BRFKredit operates with a very low liquidity risk given the Danish mortgage finance model.

LCR expresses a ratio between an amount of liquid assets defined by regulation and the amount of net payments over the next 30 days. The ratio must always be 100%. BRFKredit meets the requirement.

61 Operational risk

By operational risk is understood the risk of a loss arising from inappropriate or inadequate internal procedures, human or system errors as well as external events, including legal risks. Losses arising from operational risks are thus due to a non-financial event.

As a natural part of its business management, BRFKredit is focused on identifying and managing operational risks. Hence, BRFKredit pays particular attention to minimising the risk of losses arising from system errors, computer breakdowns, procedural mistakes, fraud, wrong advice, etc. BRFKredit continuously updates business procedures and work routines and has also established emergency plans and safety procedures to ensure swift resumption of operations in case of errors, computer breakdowns or the like.

To meet operational risks, BRFKredit's Supervisory Board has adopted a policy on how to manage operational risks, and BRFKredit's Executive Board has formulated guidelines on how to write process descriptions. The purpose of the process descriptions is to make sure that the Group, at all times, has written instructions for all significant work routines. Besides, the process descriptions must at all times specify the allocation of responsibilities for the work tasks in regard to departments, managers and employees. The responsibility for the preparation and the professional content of the individual process descriptions rests with the people responsible for the relevant areas.

The risk management function in BRFKredit reviews the Group once a year to identify operational risks. BRFKredit calculates the capital requirements for operational risk on the basis of the standardised approach.

For further information about the BRFKredit Group's risks, management of risks as well as capital structure, see the report on the Jyske Bank Group's Risk And Capital Management 2016, available at brf.dk.



62 Derivatives

	Net fair value				Gross fair value			Principal amount
	Up to 3 months	Over 3 months and up to 1 year	Over 1 year and up to 5 years	Over 5 years	Positive	Negative	Net	Nominal value
2016								
Currency contracts								
Swaps	-	-	1	-4	37	-41	-3	18,559
Total	-	-	1	-4	37	-41	-3	18,559
Interest-rate contracts								
Forwards/futures, bought	-0	-	-	-	0	-0	-0	2,090
Forwards/futures, sold	-9	-	-	-	12	-21	-9	18,478
Swaps	-10	-5	13	-238	48	-289	-241	74,039
Total	-19	-5	13	-238	60	-310	-249	94,607
Total	-19	-5	14	-242	98	-350	-253	113,166
Outstanding spot transactions					2	-1	1	3,587
2015								
Currency contracts								
Swaps	-	-	-16	-	-	-16	-16	3,731
Total	-	-	-16	-	-	-16	-16	3,731
Interest-rate contracts								
Forwards/futures, bought	0	-	-	-	1	-0	0	212
Forwards/futures, sold	29	-	-	-	35	-6	29	23,978
Swaps	-10	-34	-22	-87	-6	-146	-152	44,022
Total	20	-34	-22	-87	30	-152	-123	68,212
Total	20	-34	-38	-87	30	-169	-139	71,943
Outstanding spot transactions					1	-18	-17	1,020

63 Transactions involving related parties

BRFKredit is 100% owned by Jyske Bank A/S.

In the financial year 2016, BRFKredit's related parties comprise:

- Parent company, Jyske Bank A/S
- The company's subsidiaries, see note 64.
- Subsidiaries and associates of Jyske Bank A/S.
- Companies in the Group's temporary possession, see note 29.
- Byggeriets Realkreditfonds Understøttelsesfond, which is a pension fund for certain employees of the company.
- The company's Supervisory Board and Executive Board and the parent company's Supervisory Board and Executive Board and also their related parties.

BRFKredit has, on an on-going basis, transactions with a number of related parties, characterised as regular financial transactions and services of an operational nature.

BRFKredit has concluded agreements on joint administrative tasks with the parent company, Jyske Bank A/S, and Byggeriets Realkreditfond's Understøttelsesfond.

BRFKredit rents premises from subsidiaries.

Transactions between BRFKredit and related parties were executed on an arm's length basis.

For the management's remuneration, see note 9.

The following transactions have been concluded with related parties:

The BRFKredit Group

	Interest income	Interest expenses	Fees and commission expenses	Value adjustments	Other ordinary income	Employee and administrative expenses
2016						
Parent companies	13	453	17	-240	41	10
Associates	-	-	-	-	-	40
Supervisory Board and Executive Board, etc.	1	-	-	-	-	8
Other related parties	-	2	-	1	0	7
Total	14	455	17	-239	41	64

2015

Parent companies	22	454	-	-139	27	8
Associates	-	-	-	-	-	64
Supervisory Board and Executive Board, etc.	0	0	-	-	-	7
Other related parties	-	2	-	-1	0	7
Total	22	456	-	-140	28	85

BRFKredit a/s

	Interest income	Interest expenses	Fees and commission expenses	Value adjustments	Other ordinary income	Employee and administrative expenses
2016						
The parent company	13	453	17	-240	41	10
Subsidiaries	-	-	-	-	0	3
Associates	-	-	-	-	-	40
Supervisory Board and Executive Board, etc.	1	-	-	-	-	8
Other related parties	-	2	-	1	0	7
Total	14	455	17	-239	41	67

2015

The parent company	22	454	-	-38	27	8
Subsidiaries	-	7	0	-0	8	3
Associates	-	-	-	-	-	64
Supervisory Board and Executive Board, etc.	0	-	-	-	-	7
Other related parties	-	2	-	-1	0	7
Total	22	463	0	-39	35	87

The parent company did not receive dividend from subsidiaries in 2016 (2015: DKK 450m).



63 Transactions involving related parties, cont.

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

The BRFKredit Group

	Due from credit institutions, etc.	Loans and advances and other receivables	Other assets	Due to credit institutions, etc.	Issued bonds at fair value	Other liabilities, etc.
2016						
The parent company	8,772	1,391	78	904	14,771	169
Associates	-	-	-	-	-	4
Supervisory Board and Executive Board, etc.	-	43	-	-	-	-
Other related parties	-	-	-	-	86	1
Total	8,772	1,435	78	904	14,857	174
2015						
The parent company	5,047	1,425	3	78	17,180	5
Associates	-	-	4	-	-	4
Supervisory Board and Executive Board, etc.	-	42	-	-	-	-
Other related parties	-	-	-	-	86	1
Total	5,047	1,467	8	78	17,266	10

BRFKredit a/s

	Due from credit institutions, etc.	Loans and advances and other receivables	Other assets	Due to credit institutions, etc.	Issued bonds at fair value	Other liabilities, etc.
2016						
The parent company	8,536	1,391	78	904	14,771	169
Subsidiaries	-	-	1	-	-	9
Associates	-	-	-	-	-	4
Supervisory Board and Executive Board, etc.	-	43	-	-	-	-
Other related parties	-	-	-	-	86	1
Total	8,536	1,435	78	904	14,857	183
2015						
The parent company	4,790	1,425	3	78	17,180	5
Subsidiaries	-	-	1	-	-	176
Associates	-	-	4	-	-	4
Supervisory Board and Executive Board, etc.	-	42	-	-	-	-
Other related parties	-	-	-	-	86	1
Total	4,790	1,467	8	78	17,266	186

Supervisory Board and Executive Board, etc. comprise BRFKredit's Supervisory Board and Executive Board, the Supervisory Board and Executive Board of the parent company Jyske Bank and their related parties.

In 2016, BRFKredit bought loans in the amount of DKK 19,655m from the parent company Jyske Bank (2015: DKK 31,519m).

In 2015, the subsidiary Investeringselskabet af 18. maj 2015 a/s (formerly BRFKredit Bank a/s) sold its banking activities to the parent company Jyske Bank A/S for an amount of DKK 701m. The sale took place at fair value and resulted in an investment loss of DKK 101m for the BRFKredit Group.

In 2016, BRFKredit a/s received DKK 200m from the subsidiary Investeringselskabet af 18. maj 2015 through repayment of share capital at par.

In 2016, joint taxation contribution in the amount of DKK 179m was paid to subsidiaries (2015: DKK -).

BRFKredit has granted mortgage loans to members of its Supervisory Board and the Executive Board and their related parties with an outstanding loan balance of DKK 13m at 31 December 2016 (2015: DKK 13m). All the loans have been granted on normal business terms. Floating-rate loans amounted to DKK 8m (2015: DKK 8m), carrying interest at 0-2%, and fixed-rate loans amounted to DKK 5m (2015: DKK 5m), carrying interest at 3%.

BRFKredit has granted mortgage loans to members of the parent company's Supervisory Board and Executive Board (exclusive of the members of BRFKredit's Supervisory Board) and their related parties with an outstanding loan balance of DKK 30m at 31 December 2016 (2015: DKK 29m). All the loans have been granted on normal business terms. Floating-rate loans amounted to DKK 28m (2015: DKK 27m), carrying interest at 0-2%, and fixed-rate loans amounted to DKK 2m (2015: DKK 2m), carrying interest at 3%.

The company has not provided guarantees to the Supervisory Board and Executive Board of the company, the parent company, Jyske Bank's Supervisory Board and Executive Board or their related parties.

Note		The BRFkredit Group							
64	The BRFkredit Group - overview	Activity	Share capital end of period 1.000 units	Ownership share (%)	Voting share (%)	Assets (DKKm)	Liabilities (DKKm)	Equity, end of period (DKKm)	Profit or loss (DKKm)
	Name and head office								
	Subsidiaries:								
	Investeringsselskabet af 18. maj 2015 A/S, Lyngby-Taarbæk	Other financial intermediation	225,000	100	100	234	0	234	0
	Ejendomsselskabet Nørreport 26, 8000 Århus C. A/S, Silkeborg	Property	4,600	100	100	99	6	93	3
	Ejendomsselskabet Nørgaardsvej 37-41 2800 Lyngby A/S, Silkeborg	Property	2,600	100	100	7	0	7	1
	Subsidiaries held temporarily								
	Bytorv Horsens ApS, Gentofte	Rental and operation of real property	1,080	100	100	352	426	-74	-59
	Gallerierne Hillerød A/S, Lyngby-Taarbæk	Rental and operation of real property	500	100	100	158	587	-429	-14
Accounting figures are stated according to the most recently published annual report.									

Financial data for subsidiaries held temporarily are stated according to annual reports as at 31 December 2015. A part of the companies' liabilities relate to the companies' loans with BRFkredit. As at 31 December 2016, the companies were recognised in BRFkredit's balance sheet at their expected sales price, cf. note 29.

Parent company prepares consolidated financial statements

BRFkredit a/s is a subsidiary 100% owned by Jyske Bank A/S, which is domiciled in Silkeborg.

The BRFkredit Group is included in the consolidated financial statements of the Jyske Bank Group, which are the largest and smallest consolidated financial statements in which the group is included.

65 Accounting policies

Basis of accounting

The consolidated financial statements of the BRFkredit Group were prepared and presented in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union with interpretations issued by the International Financial Reporting Interpretation Committee (IFRIC) and the additional Danish financial reporting disclosure requirements.

The Annual Report of BRFkredit a/s was prepared in compliance with the Consolidated Danish Financial Business Act and the Danish Executive Order on Financial Reports for Credit Institutions and Investment Companies, Etc.

The rules for recognition and measurement at BRFkredit a/s are identical to those applied by the BRFkredit a/s Group, except for the following:

Equity investments in group enterprises

In the BRFkredit Group, group enterprises are recognised on a consolidated basis, whereas in BRFkredit a/s they are recognised in 'Equity investments in group enterprises'. The item is measured in BRFkredit a/s at equity value adjusted for differences in accounting policies.

Strategic shares/shares available for sale

In BRFkredit a/s, strategic shares are measured at fair value and recognised in the income statement, contrary to the BRFkredit Group where positive results are recognised directly in other comprehensive income. Hence the profit or loss at BRFkredit a/s differs from that of the BRFkredit Group.

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

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

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

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

65 Accounting Policies, cont.

The annual report has been prepared on the basis of the historical cost convention. Subsequently, assets and liabilities are measured as described for each item below.

The accounting policies are identical to those applied to and described in the annual report 2015.

Future standards and interpretations

At the time of publication of this Annual Report, a number of new or amended standards and interpretations had not come into force or been approved for use in the EU. The BRFKredit Group expects that it will not implement the new standards and interpretations until they become mandatory. Except for the ones stated below, none of the new standards or interpretations are expected to have any material impact on the Group's financial reporting.

The financial reporting standard IFRS 9, which replaces the standard IAS 39, changes to a considerable degree the existing rules for classification and measurement of financial assets, carrying amount of impairment charges and, to some extent, the rules on hedge accounting.

The IFRS 9 standard will be effective for financial years beginning on or after 1 January 2018 or later with early application permitted. The BRFKredit Group plans to implement the IFRS 9 standard as of 1 January 2018.

The IFRS 9 rules on financial instrument establish the following:

IFRS 9 classification and measurement

According to IFRS 9, classification and measurement of financial assets are made on the basis of the business model for the financial assets and the contractual cash flows that relate to the financial assets.

Financial assets that are held to generate the contractual cash flows and where the contractual cash flows solely consist of interest and instalments on the outstanding amounts are measured after the time of the first recognition at amortised cost. As a typical example, this measurement category comprises loans and advances and bonds in an investment portfolio.

Financial assets that are held in a mixed business model and where some financial assets are held with a view to generating the contractual cash flows and other financial assets are sold, and where the contractual cash flows on the financial assets in the mixed business model solely consist of interest and instalments on the outstanding amount, are measured after the time of the first recognition at fair value through other comprehensive income. Following subsequent sale of the financial assets, recirculation of the change in fair value will take place to the income statement. As a typical example, this measurement category comprises a bond portfolio included in the day-to-day liquidity management.

Financial assets that do not meet the above-mentioned business model criteria or where the contractual cash flows do not solely consist of interest and instalments on the outstanding amounts are measured after the time of the first recognition at fair value through the income statement. As a typical example, this measurement category comprises financial assets in a trading portfolio.

Mortgage loans etc. and issued mortgage bonds in the BRFKredit Group will be recognised in the latter category (recognition at fair value through the income statement) according to the IFRS 9 exemption clause on accounting mismatch. This choice has been made to eliminate financial inconsistency between the recognition of mortgage loans at amortised cost and the fair value of the listed bonds resulting from the purchase and sale of own issued bonds.

The application of the IFRS 9 measurement categories for financial assets on the basis of the business model is not expected to result in material changes to measuring principles for the BRFKredit Group's reporting.

However, with respect to the presentation, the application of a mixed business model for bonds included in the day-to-day liquidity management will entail that the value adjustment at fair value will until the sale be included in other comprehensive income rather than in the income statement according to current accounting policies. As regards the presentation, the effect will depend on the size of the bond portfolio and the related value adjustment of the portfolio.

IFRS 9 – impairment charges

BRFKredit calculates the fair value of financial assets and liabilities according to IFRS 13, including mortgage loans. Fair value adjustment of mortgage loans, etc. relating to credit risk are expected, to a high degree, to follow the principles in the rules in IFRS 9 on impairment of loans at amortised cost.

As a result of the introduction of IFRS 9, the existing incurred-loss impairment model will be replaced by an expected-loss impairment model.

As a consequence of the new expectations-based impairment model, a financial asset determined according to the amortised cost principle at the time of the first recognition will be written down with an amount corresponding to the expected credit loss over 12 months (phase 1). If subsequently the credit risk increases considerably relative to the time of the first recognition, the asset will be written down by an amount corresponding to the expected credit loss over the remaining life of the asset (phase 2). If an impairment on an asset is established (phase 3), the value of the asset will be impaired unchanged with an amount corresponding to the expected credit loss over the remaining life of the asset, but based on a higher probability of loss.



65 Accounting Policies, cont.

Development efforts are made in the Jyske Bank Group, of which BRFKredit is a part, with a view to developing a joint impairment model for all entities in the Group. The impairment model will be based on the Jyske Bank Group's approved advanced risk management set-up, adjusted to IFRS 9 in a number of specific areas. The purpose of the adjustment is to ensure that input variables applied express a true and fair view comprising all available information and expectations of the future.

The model under development is intended to be applied to all clients / facilities in the Group, of which a significant subset is in numerical terms expected to be impaired via a model calculation, while a minor, yet significant part of the weakest clients / facilities is expected to be impaired on the basis of a manual, individual assessment.

It is not possible at this point in time to make a reasonable assessment of the accounting outcome of the first application of IFRS 9 as regards the rules on impairment. However, it is generally expected that the new rules on impairment applying to credit institutions will on the whole result in higher impairment charges and hence a larger provisions account as all loans, advances and guarantees will according to the new rules be given an impairment amount corresponding to the expected credit loss over 12 months or the expected credit loss over the remaining life of the asset in the event of a considerable increase in credit risk.

Collective impairment according to the current rules will be discontinued, and it is only expected to reduce the impact from IFRS 9 to a minor degree. To this must be added that the special Danish accounting rules in Appendix 10 to the Danish Executive Order on the Preparation of Financial Statements, which the BRFKredit Group applies to comply with the general impairment principles in the IFRS rules, move forward the impairments and therefore discount in part the effect of the upcoming IFRS 9 impairment rules.

A negative accounting outcome from the new expectations-based IFRS 9 impairment rules will basically have a corresponding effect on the capital position. To avoid any unintended effect on the capital position and hence the credit institution's possibility of supporting the granting of credit, the European Commission has, as an element of the reform package that the Commission presented on 23 October 2016 (the capital requirement package) proposed a 5-year transitional arrangement so that any negative effect from the new IFRS 9 impairment rules will only take full effect after five years.

On the whole, the BRFKredit Group assesses the effect from IFRS 9 on overcollateralisation to be insignificant when the rules take effect in 2018, while the future overcollateralisation will be adversely affected as the effect of the transitional arrangement is phased out.

IFRS 9 - Hedge accounting

The new rules on hedge accounting will ensure application of the hedging rules and then to a higher degree bring the companies' financial reporting in line with the companies' actual risk management.

The changed rules on hedge accounting are not expected to affect BRFKredit's financial reporting as currently the BRFKredit Group is not applying these rules.

Accounting estimates

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

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

Mortgage loans and other loans for which an objective indication of impairment exists will be impaired. Individually impaired loans are subject to significant uncertainty as regards the value that the mortgaged property might fetch in the event of compulsory realisation, meaning that the impairment in such cases is subjectively estimated. Valuation of the mortgage includes an assessment of the value of the mortgaged properties, the realisable value of the claim, time-on-market expenses in an estimated settlement period and sales costs. Valuation is made by internal valuers specialised in assessing properties. See note 12 for further details.

Loans for which impairment charges are calculated statistically are based on an assumption that the probability that loans in arrears at the balance sheet date will turn into bad loans can be estimated on the basis of historical payment data (1-2 years old). In compliance with the general recommendations to the financial sector from the FSA, an additional impairment charge has been made in the form of a management judgement.

The impairment charge is determined on the basis of an individual review of all loans in excess of DKK 5m, yet DKK 2m if the loan is in arrears.

Assets held temporarily comprise properties that have been acquired through foreclosure and companies with properties in distress, and BRFKredit attempts actively to sell these. There is significant uncertainty about the value the properties might fetch in the event of a sale, as the valuation of such assets is subjectively estimated, see the description under 'Mortgage loans and other loans' above. See note 29 for further details.



65 Accounting Policies, cont.

The consolidated financial statements

The consolidated financial statements comprise BRFKredit a/s and its wholly-owned subsidiaries: Investeringselskabet af 18. maj 2015 a/s, Ejendomsselskabet Nørreport 26, 8000 Århus C. A/S and Ejendomsselskabet Nørgaardsvej 37-41, 2800 Lyngby A/S.

Companies held temporarily are recognised in the balance sheet under 'Assets held temporarily' and 'Liabilities relating to assets held temporarily'. The effect on the income statement from companies held temporarily are recognised in the income statement under 'Loan impairment charges and provisions for guarantees'.

The consolidated financial statements have been prepared as a summary of the financial statements of the parent and the individual subsidiaries, stated in compliance with the Group's accounting policies. All intra-group income, expenses and balances as well as guarantees have been eliminated.

Intra-group transactions

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

Foreign currency transactions

Transactions in currencies other than Danish kroner are translated at the official exchange rates on the day of the transactions.

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

All currency translation adjustments are recognised in the income statement.

Offsetting

Assets and liabilities are offset when the Group has a legal right to offset the recognised amounts and also intends to net or realise the asset and settle the liability at the same time.

Financial instruments

Financial instruments comprise cash balances and demand deposits with central banks, receivables from credit institutions and central banks, bonds at fair value, financial derivatives, shares, loans and advances, payables to credit institutions and central banks, deposits and issued bonds.

Financial instruments are recognised either at the trade date or at the settlement date as described below. When recognition takes place at the trade date, recognition is subsequently said to have taken place according to the trade date approach. When recognition takes place at the settlement date, recognition is subsequently said to have taken place according to the settlement approach.

Recognition of financial instruments ceases when the right to receive or deliver cash flows from the financial instrument has expired, or if the financial instrument has been transferred, and the Group has essentially transferred all risks and returns associated with the ownership.

Financial instruments are measured at fair value or amortised cost.

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

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

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

- Financial assets or financial liabilities included in the trading portfolio, which is measured at fair value through the income statement. This category includes financial derivatives etc.
- Financial assets placed in the category 'fair value through the income statement'. This category is measured at fair value. This category includes mortgage lending etc.
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- Financial assets that are measured at amortised cost. This category covers, among others, 'Due from credit institutions and central banks'.
- Financial assets available for sale. These are measured at fair value through other comprehensive income. This category includes strategic shares etc.
- Financial liabilities placed in the category 'fair value through the income statement'. This category is measured at fair value. This category includes listed mortgage bonds, among other things.
- Other financial liabilities measured at amortised cost. This category covers, among others, debt to credit institution and Senior Secured Bonds.

The Group does not apply the category 'Held to maturity'.



65 Accounting Policies, cont.

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

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

Tax

BRFKredit a/s is assessed for Danish tax purposes jointly with Jyske Bank A/S and its Danish subsidiaries. Full intercompany allocation of tax takes place, and tax is allocated between the individual companies on a pro-rata basis. Domestic tax is paid in accordance with the Danish tax prepayment scheme.

The calculated tax on profit or loss for the year is charged to the income statement. The following elements are recognised in tax on profit or loss for the year:

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

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

Deferred tax linked to items recognised as an expense or income, other comprehensive income is recognised in other comprehensive income.

Deferred tax assets and liabilities are offset where attributable to tax levied by the same tax authority, and where it is the intention of the Group to net its current tax assets and liabilities.

Balance sheet**Cash balance and demand deposits with central banks**

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

Due from credit institutions and central banks

Money market investments (deposits) and demand deposits with credit institutions are measured on initial recognition at fair value plus directly attributable transaction costs less fees and commissions received which are directly associated with the amount due. Subsequently, money market investments (deposits) and demand deposits with credit institutions are measured at amortised cost in accordance with the effective interest method.

The item also includes reverse transactions in the form of securities purchased, where, at the time of the purchase, a sell-back at a specific price at a later time is agreed.

Furthermore, the item includes margins receivable in connection with futures and options where the counterparty is a credit institution.

Loans and advances at fair value

Mortgage loans are recognised according to the trade date approach and classified as 'Financial instruments at fair value through the income statement'. Mortgage loans are measured at fair value on initial and subsequent recognition. Index-linked loans are measured on the basis of the index value at the end of the year. The fair value is determined on the basis of the closing price at the balance sheet date of the underlying issued bonds or, if such price is not available for the past month, a price calculated on the basis of the market rate. The closing price is regarded as the best bid for the fair value of Danish mortgage bonds. If financial derivatives are included in the financing of the mortgage loans, the value of these will also be included in the calculation of the fair value of the mortgage loans.

Other loans related to mortgage operations are measured at fair value on initial and subsequent recognition.

To the extent that there is an objective indication of impairment, loans and advances are written down in relation to the value at the establishment of the loan (credit risk adjustment).

An objective indication of impairment exists if one or more of the following events have occurred:

- The borrower is facing considerable financial difficulties
- The borrower's actions, such as default on interest or principal payments, lead to a breach of contract
- The borrower is granted more lenient terms as a result of the borrower's financial difficulty
- It is deemed probable that the borrower will enter bankruptcy or other financial reorganisation



65 Accounting Policies, cont.

A review for impairment includes an assessment of the value of the mortgaged properties, the realisable value of the claim and realisation costs.

Loans and advances for which no individual impairment has been made are included in a model assessing the need for statistical impairment.

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

A review for impairment of the respective segments is primarily made on the basis of an 'arrears model'.

Moreover, a management judgement is applied to determine whether the impairment charges recognised in accordance with the guidelines set out above are sufficient, and an additional impairment charge is made if required.

Impairment charges determined in this manner are deducted from the respective asset items, whereas the shifts in impairment charges over the year and losses realised over the year are charged to the income statement.

Bonds at fair value

All listed bonds and other claims priced in active markets are recognised in 'Bonds at fair value', the exception being own mortgage bonds, which are set off against 'Issued bonds at fair value'. Recognition takes place according to the settlement approach.

On initial and subsequent recognition the bonds are measured at fair value, which is determined on the basis of the last known market price. If such a price is not available for the past month, a price calculated on the basis of the official market rate is applied.

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

Index-linked bonds are measured at index values at 31 December.

Shares, etc.

All shares are recognised according to the settlement approach.

Listed shares in the investment portfolio where the direct purpose is to achieve a return are classified as 'Financial instruments at fair value through the income statement' and measured at fair value on initial and subsequent recognition.

Listed and unlisted shares purchased where the achievement of a return is not the direct purpose (strategic shares) are classified as 'Available for sale' and measured at fair value on initial recognition with the addition of transaction costs. On subsequent recognition, they are measured at fair value. Increases in the value of shares classified as available for sale are recognised in other comprehensive income. When assets are sold, accumulated net gains previously recognised directly in other comprehensive income are recognised in the income statement. Net losses on shares classified as available for sale are recognised in the income statement.

Unlisted shares are recognised at an estimated fair value on the basis of the available accounting or expected cash flows, etc. of the issuer in question or at management's best estimate.

Equity investments in group enterprises

A group enterprise is an enterprise in which the Group holds a controlling interest. Investments in group enterprises are recognised in the parent company's financial statements according to the equity method.

Intangible assets

All intangible assets with an estimated useful life of more than of 1 year are recognised, including IT software, etc.

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

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

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

The residual values and useful lives of the assets are assessed and adjusted if need be at each balance sheet date. Basically, residual value and useful life are 0 in respect of intangible assets.



65 **Accounting Policies, cont.****Investment properties**

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

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

The valuation is solely made by internal valuers who have specialised in assessing commercial properties and possess the required professional qualifications and experience.

Small investment properties (vacation homes) are recognised at the most recent public land assessment value.

Owner-occupied properties

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

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

The valuation is solely made by internal valuers; see under 'Investment properties' above.

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

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

Other property, plant and equipment

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

Amortisation is provided on a straight-line basis over the estimated useful life. The item comprises IT hardware etc. with a typical expected useful life of 2-4 years and cars with an expected useful life of 5 years.

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

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

The carrying amount is assessed annually to establish whether there is indication of impairment in excess of what is recognised through amortisation or depreciation. In that case, an impairment test is conducted to establish whether the recoverable amount is lower than the carrying amount. The recoverable amount is the higher value of the net sales price and the value in use.

Assets held temporarily

Assets in temporary possession primarily comprise properties that have been acquired through foreclosure, etc. that are only held temporarily and where a sale is very likely.

Properties held temporarily are recognised at the lower of fair value less costs of sale and the carrying amount

Liabilities relating to the assets in question are presented in the balance sheet as liabilities relating to assets held temporarily.

Other assets

Interest receivable and balances with clients in connection with loan applications in process etc. are recognised in 'Other assets'. These assets are measured at amortised cost.

The item also includes positive market values of fixed-rate agreements with clients, swap transactions, etc., which are measured at fair value on initial and subsequent recognition.



65 **Accounting Policies, cont.****Due to credit institutions and central banks**

Money market loans and other debt due to credit institutions are on initial recognition measured at fair value fair value equal to payments received less directly attributable transaction costs incurred. Subsequently, they are measured at amortised cost according to the effective interest method.

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

The amount received is recognised as 'Due to credit institutions and central banks', whereas the 'lent' securities remain recognised in the balance sheet.

Issued bonds at fair value

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

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

The portfolio of own mortgage bonds is deducted.

Issued bonds at amortised cost

Issued senior secured bonds and senior bonds are on initial recognition measured according to the settlement approach at fair value equal to payments received less directly attributable transaction costs incurred. Subsequently, they are measured at amortised cost according to the effective interest method.

Other liabilities

Interest payable and balances in connection with loan applications in process are recognised in 'Other liabilities'. These liabilities are measured at amortised cost.

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

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

Provisions

Provisions, including provisions for losses on guarantees, are recognised when a company in the Group, as a result of an event occurred on or before the balance sheet date, has a current legal or factual obligation and it is probable that an outflow of economic benefits will be required to settle the obligation and that a reliable estimate of the liability can be made. Provisions for debt expected to be payable later than 12 months after the balance sheet date are measured at present value, if this is considered of material importance, otherwise at cost.

Provisions are measured at management's best estimate of the amount which is expected to be required to settle the liability.

Equity

Share capital is classified as equity where there is no obligation to transfer cash or other assets. A proposed dividend is recognised as a liability when the motion has been approved at the Annual General Meeting. Dividend for the year is stated separately under equity.

Share premium comprises amounts paid as share premium when subscribing for the shares.

The revaluation reserve relates to the revaluation of property, plant and equipment less deferred tax on the revaluation. A reserve is dissolved once the assets are sold or lapse.

Reserves according to the equity method include value adjustment of investments in associates and group enterprises. The reserve is reduced by the distribution of dividend to the parent company and by other changes in equity in associates and group enterprises.

Reserves in series relate to capital set aside to meet the capital requirement in "Series not subject to reimbursement/repayment obligation".

Shares available for sale relate to accumulated increases in values of shares classified as 'Available for sale' (distributable reserve), cf. the section: 'Shares, etc.'.



65 **Accounting Policies, cont.****Income statement**

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

Interest income and interest expenses

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

Dividends, etc.

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

Fees and commission income

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

Value adjustments

Value adjustments comprise realised and unrealised value adjustments of equity investments, loans, bonds and investment properties. Moreover, currency translation adjustment and realised and unrealised gains and losses regarding financial derivatives are included.

Exceptions are:

- Value adjustment of credit risk on loans and advances recognised in the income statement under 'Loan losses and impairment charges'.
- Value adjustment of shares classified as available for sale. These value adjustments are recognised in other comprehensive income.

Other operating income

Other operating income comprises rental income as well as gains/losses on sales of tangible and intangible assets.

Employee and administrative expenses

All payroll costs as well as expenses for administration, sales, etc. are included in 'Employee and administrative expenses'.

Other operating expenses

Other operating expenses comprise commission payments to the Resolution Fund as well as losses on sales of intangible and tangible fixed assets.

Loan impairment charges and provisions for guarantees

The item 'Loan impairment charges and provisions for guarantees' includes the year's value adjustments of loans and advances resulting from an objective indication of impairment in relation to the value at the establishment of a loan.

Other remarks**Comprehensive income**

Comprehensive income comprises the profit or loss for the year plus other comprehensive income relating to increases in values of shares classified as 'Available for sale', property revaluations and tax adjustments.

Segmental financial statements

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

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



65 **Accounting Policies, cont.****Cash flow statement**

The consolidated cash flow statement shows cash flows for the year, broken down by cash flows from operating activities, investing activities and financing activities, net change in cash and cash equivalents for the year and the Group's cash and cash equivalents at the beginning and end of the year.

The Cash Flow Statement is presented in accordance with the indirect method based on the profit or loss for the year.

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

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

Cash flows from financing facility relate to movements in subordinated debt and distributions, if any.

Cash and cash equivalents comprise cash and demand deposits as well as time deposits with an original term to maturity of less than three months.

66 **Definition of financial ratios**

Financial ratios and key figures	Definition
Capital ratio (%)	Capital base divided by weighted risk exposure
Core Tier 1 Capital ratio (%)	Core capital including hybrid core capital after deductions divided by weighted risk exposure.
Common Equity Tier 1 capital ratio (%)	Core capital excluding hybrid core capital after deductions divided by weighted risk exposure.
Pre-tax profit as a pct. of average equity	Pre-tax profit divided by average equity during the year.
Net profit as a percentage of average equity	Net profit divided by average equity during the year.
Income/cost ratio (%)	Income divided by expenses inclusive of loan impairment charges and provisions for loss on guarantees.
Currency position (%)	Currency exposure indicator 1 at year-end divided by core capital after deductions at year-end.
Accumulated impairment ratio (%)	Total of loan impairment charges and provisions for loss on guarantees at year-end divided by total loans, advances, guarantees, provisions and impairment charges at year-end. Discount for acquired loans and advances is not included.
Impairment ratio for the year (%)	The year's loan impairments charges and provisions for loss on guarantees divided by total loans, advances, guarantees, provisions and impairment charges at year-end.
Increase in loans and advances for the year (%)	The increase in loans and advances divided by opening loans and advances.
Loans relative to equity	Loans and advances at year-end divided by equity at year-end.
Return on capital employed	Net profit for the year divided by total assets.

The above financial ratios are used in note 1 and are based on the definitions and guidelines laid down by the Danish Financial Supervisory Authority.

67 Summary of series financial statements

The series financial statements of BRFkredit a/s have been prepared in compliance with the FSA's Order of 20 November 1995 on series financial statements of mortgage credit institution. The series financial statements have been summarised below at 'association level', cf. section 30 (3) of the Order.

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

Summary of operation costing	Husejernes Kreditkasse	BRFkredit Series with joint and several liability	BRFkredit Capital Centre E	BRFkredit Capital Centre B	General Capital Centre	Total
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Income statement for the financial year 2016

Income from lending	0	12	1,402	200	14	1,628
Interest, etc. net	0	1	170	111	141	423
Administrative expenses, etc. net	0	2	315	206	261	783
Loan impairment charges and provisions (- is income)	-	-0	-13	-13	-6	-32
Tax	0	2	277	26	-22	284
Profit/loss	0	9	993	93	-79	1,015

Balance sheet at 31 December 2016**Assets ¹⁾**

Mortgage loans, etc.	28	8,441	246,652	16,972	5,721	277,812
Other assets	10	424	66,080	8,972	2,265	77,751
Total assets	37	8,865	312,731	25,944	7,986	355,563

Equity and liabilities

Issued mortgage bonds, etc.	37	8,770	303,111	22,487	5,921	340,327
Other liabilities	0	69	2,145	159	52	2,425
Equity	0	26	7,475	3,297	2,013	12,812
Equity and liabilities, total	37	8,865	312,731	25,944	7,986	355,563

¹⁾ Assets in series financial statements

Assets in the financial statements						307,027
Assets in series financial statements						355,563
Difference						-48,536

The difference is due to:

Offsetting of own issued mortgage bonds - note 32						-48,082
Offsetting of interest receivable on own issued bonds						-454
Total						-48,536

