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# INTERIM FINANCIAL REPORT

Q1 - Q3 2016

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## THE BRFKREDIT GROUP\* - KEY FIGURES AND KEY RATIOS

## CORE PROFIT AND NET PROFIT FOR THE PERIOD

DKKm	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	The year 2015
Contribution income, etc. <sup>1)</sup>	1,329	1,255	106	451	444	434	432	431	1,687
Other net interest income <sup>2)</sup>	-37	-32	-	-15	-0	-22	-13	-18	-45
Net fee and commission income, etc.	128	173	74	66	26	36	83	60	256
Value adjustments, etc. <sup>2)</sup>	31	-123	-	11	4	16	17	-6	-106
Other income	40	24	167	13	16	12	15	17	40
<b>Core income</b>	<b>1,491</b>	<b>1,298</b>	115	<b>527</b>	<b>489</b>	<b>475</b>	<b>534</b>	<b>483</b>	<b>1,832</b>
Core expenses	620	697	89	219	198	203	211	225	908
<b>Core profit before loan impairment charges</b>	<b>870</b>	<b>601</b>	145	<b>307</b>	<b>291</b>	<b>272</b>	<b>322</b>	<b>258</b>	<b>923</b>
Loan impairment charges and provisions for guarantees (- = income)	-20	21	-	-1	16	-35	82	-27	103
<b>Core profit</b>	<b>891</b>	<b>580</b>	154	<b>309</b>	<b>275</b>	<b>307</b>	<b>241</b>	<b>285</b>	<b>821</b>
Investment portfolio earnings	44	52	85	22	31	-9	38	-32	89
<b>Pre-tax profit</b>	<b>934</b>	<b>632</b>	148	<b>329</b>	<b>307</b>	<b>298</b>	<b>278</b>	<b>253</b>	<b>909</b>
Tax	205	146	140	73	67	65	64	57	210
<b>Net profit for the period</b>	<b>730</b>	<b>485</b>	151	<b>258</b>	<b>239</b>	<b>233</b>	<b>214</b>	<b>196</b>	<b>699</b>

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

<sup>2)</sup> Of which capital charges:									
Interest	87	100	87	28	28	31	32	32	133
Value adjustment	-8	0	-	-4	-1	-4	2	-19	1
<b>Total capital charges</b>	<b>78</b>	<b>100</b>	<b>78</b>	<b>24</b>	<b>27</b>	<b>27</b>	<b>34</b>	<b>13</b>	<b>134</b>

## SUMMARY OF BALANCE SHEET, END OF PERIOD

DKKm	2016	2015	Index	2016	2015	2016	2015	2015	2015
Mortgage loans, etc.	276,682	243,784	113	276,682	268,992	259,331	250,892	243,784	250,892
Bonds and shares, etc.	15,254	9,550	160	15,254	12,039	11,243	8,127	9,550	8,127
<b>Total assets</b>	<b>304,664</b>	<b>263,175</b>	<b>116</b>	<b>304,664</b>	<b>293,633</b>	<b>280,687</b>	<b>269,794</b>	<b>263,175</b>	<b>269,794</b>
Due to credit institutions and central banks	1,200	955	126	1,200	481	256	94	955	94
Issued bonds at fair value	284,052	241,992	117	284,052	274,631	260,799	249,772	241,992	249,772
Issued bonds at amortised cost	3,718	4,716	79	3,718	3,710	4,715	4,719	4,716	4,719
<b>Equity</b>	<b>12,511</b>	<b>11,555</b>	<b>108</b>	<b>12,511</b>	<b>12,254</b>	<b>12,014</b>	<b>11,781</b>	<b>11,555</b>	<b>11,781</b>

## SELECTED DATA AND FINANCIAL RATIOS

Pre-tax profit p.a. as a percentage of opening equity	10.6	7.6	-	11.2	10.4	10.1	10.0	9.2	8.2
Profit for the period p.a. as a pct. of opening equity	8.3	5.8	-	8.7	8.1	7.9	7.7	7.1	6.3
Profit for the period as a pct. of av. equity	6.0	4.3	-	2.1	2.0	2.0	1.9	1.7	6.1
Expenses as a percentage of income	41.6	53.7	-	41.6	40.5	42.7	39.5	46.6	49.6
Accumulated impairment ratio (%)	0.5	0.6	-	0.5	0.5	0.5	0.6	0.6	0.6
Impairment ratio for the period (%)	-0.01	0.01	-	0.00	0.01	-0.01	0.03	-0.01	0.04
Capital ratio (%)	18.3	19.2	-	18.3	17.9	18.9	19.1	19.2	19.1
Common Equity Tier 1 capital ratio (CET1 %)	18.3	18.9	-	18.3	17.9	18.8	18.9	18.9	18.9
Individual solvency requirement (%)	9.3	9.7	-	9.3	9.2	9.2	9.6	9.7	9.6
Capital base (DKKm)	12,225	11,583	-	12,225	11,989	11,958	11,820	11,583	11,820
Weighted risk exposure (DKKm)	66,985	60,291	-	66,985	67,034	63,431	61,770	60,291	61,770
No. of full-time employees at end-period	682	699	-	682	681	694	706	699	706

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

## SUMMARY Q1 - Q3 2016

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- *Core income: DKK 1,491m (Q1 - Q3 2015: DKK 1,298m).*
  - *The pre-tax profit of DKK 934m (Q1 - Q3 2015: DKK 632m) corresponded to a return of 10.6% p.a. on opening equity (Q1 - Q3 2015: 7.6% p.a.).*
  - *The net profit for the period of DKK 730m (Q1 - Q3 2015: DKK 485m) corresponded to a return of 8.3% p.a. on opening equity (Q1 - Q3 2015: 5.8% p.a.).*
  - *Loan impairment charges and provisions for guarantees: income of DKK 20m (Q1 - Q3 2015: expenses of DKK 21m).*
  - *Mortgage loans: DKK 276.7bn (end of 2015: DKK 250.9bn).*
  - *Capital ratio: 18.3% (end of 2015: 19.1%), and Common Equity Tier 1 capital ratio: 18.3% (end of 2015: 18.9%).*
  - *Individual solvency requirement: 9.3% (end of 2015: 9.6%).*
  - *Capital requirement - transitional rules 13.1% (end of 2015: 12.6%).*
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### COMMENTS BY MANAGEMENT

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

'Over the first nine months of 2016, BRFkredit generated a pre-tax profit of DKK 934m. Calculated tax amounted to DKK 205m, and the net profit for the period amounted then to DKK 730m, i.e. an improvement of DKK 245m relative to the same period last year. The positive development can, among other things, be attributed to an increase in core income, including contribution income due to a growing portfolio, falling costs and falling impairment charges.

Mortgage activities continued to develop in a positive way, and in the first nine months of 2016, the total portfolio grew nominally by DKK 21.3bn to DKK 269.2bn, of which jointly funded loans amounted to DKK 52.1bn. Over the first nine months of the year, 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, at the end of September 2016, to DKK 12.2bn. The surplus relative to the currently strongest capital requirement (Base I floor requirement) amounted to DKK 3.4bn.

For 2016, it is expected that the pre-tax profit will improve solidly relative to 2015, primarily due to growth in the mortgage credit portfolio,' concludes Carsten Tirsbæk Madsen.

## Q1 - Q3 2016

## NET PROFIT FOR THE PERIOD

Over the first nine months of 2016, BRFkredit generated a pre-tax profit of DKK 934m. Calculated tax amounted to DKK 205m, and the net profit for the period amounted to DKK 730m. The pre-tax profit corresponded to an annualised return of 10.6% on opening equity (7.6% p.a. in Q1 - Q3 2015). The net profit for the period corresponded to an annualised return of 8.3% on opening equity (5.8% p.a. in Q1 - Q3 2015).

CORE PROFIT AND NET PROFIT FOR THE PERIOD DKKm	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	The year 2015
Contribution income, etc. <sup>1)</sup>	1,329	1,255	106	451	444	434	432	431	1,687
Other net interest income <sup>2)</sup>	-37	-32	-	-15	-0	-22	-13	-18	-45
Net fee and commission income, etc.	128	173	74	66	26	36	83	60	256
Value adjustments, etc. <sup>2)</sup>	31	-123	-	11	4	16	17	-6	-106
Other income	40	24	167	13	16	12	15	17	40
<b>Core income</b>	<b>1,491</b>	<b>1,298</b>	<b>115</b>	<b>527</b>	<b>489</b>	<b>475</b>	<b>534</b>	<b>483</b>	<b>1,832</b>
Core expenses	620	697	89	219	198	203	211	225	908
<b>Core profit before loan impairment charges</b>	<b>870</b>	<b>601</b>	<b>145</b>	<b>307</b>	<b>291</b>	<b>272</b>	<b>322</b>	<b>258</b>	<b>923</b>
Loan impairment charges and provisions for guar- antees (= income)	-20	21	-	-1	16	-35	82	-27	103
<b>Core profit</b>	<b>891</b>	<b>580</b>	<b>154</b>	<b>309</b>	<b>275</b>	<b>307</b>	<b>241</b>	<b>285</b>	<b>821</b>
Investment portfolio earnings	44	52	85	22	31	-9	38	-32	89
<b>Pre-tax profit</b>	<b>934</b>	<b>632</b>	<b>148</b>	<b>329</b>	<b>307</b>	<b>298</b>	<b>278</b>	<b>253</b>	<b>909</b>
Tax	205	146	140	73	67	65	64	57	210
<b>Net profit for the period</b>	<b>730</b>	<b>485</b>	<b>151</b>	<b>258</b>	<b>239</b>	<b>233</b>	<b>214</b>	<b>196</b>	<b>699</b>

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

<sup>2)</sup> Of which capital charges:

Interest	87	100	87	28	28	31	32	32	133
Value adjustment	-8	0	-	-4	-1	-4	2	-19	1
Total capital charges	78	100	78	24	27	27	34	13	134

Core profit amounted to DKK 891m and had increased by 54% compared to the first nine months of 2015. The increase can be attributed to rising contribution income and value adjustments, lower core expenses and lower impairment charges, which more than offset the decline in net fee and commission income.

In the first nine months of 2016, contribution income, etc. amounted to DKK 1,329m and had increased by DKK 74m relative to the first nine months of 2015. The increase can be attributed to the growing portfolio in combination with an increase in interest income from jointly funded loans by DKK 59m to DKK 138m in the first nine months of 2016.

Total cost of capital relating, among other things, to covered bond (SDO) and rating requirements amounted (net) to an expense of DKK 78m in the first nine months of 2016, which is a decline by DKK 22m relative to the same period of 2015. A part of the decline can be attributed to the maturity of the senior secured bond issue in the amount of DKK 1.0bn on 1 April 2016. Other fluctuations in the cost of capital of the individual quarters can chiefly be attributed to value adjustments of the swaps used to hedge the currency risk on the senior loans raised.

In the first nine months of 2016, net fee and commission income amounted to DKK 128m against DKK 173m in the first nine months of 2015, which period was affected by an extraordinarily high level of refinancing activity. The falling fee income in the first nine months of 2016 can also be attributed to the fact that, in 2016, BRFkredit offers transfers of home loans at a fee of DKK 2,500 compared to the normal fee of DKK 7,500. Seen in isolation, there was an increase in fee income in the third quarter of 2016 due to rising lending activity.

Value adjustments etc. amounted to an income of DKK 31m in the first nine months of 2016 against an expense of DKK 123m in the first nine months of 2015. The increase of DKK 154m can be attributed, among other things, to a positive value adjustment of the core portfolio of bonds and also of equities as compared to a negative value adjustment in the corresponding period of 2015. Moreover, the financial statements for the first nine months of 2015 were affected by capital losses of DKK 101m relating to the sale of banking activities.

Core income amounted to DKK 1,491m against DKK 1,298m in the first nine months of 2015.

Core expenses fell by 11% and amounted to DKK 620m in the first nine months of 2016 compared to DKK 697m in the first nine months of 2015. The decline can materially be attributed to lower payroll and administrative costs. However, core expenses rose in the third quarter of 2016, primarily in step with the rising activity level.

In the first nine months of 2016, core profit before loan impairment charges and provisions for guarantees amounted to DKK 870m against DKK 601m in the first nine months of 2015.

#### LOAN IMPAIRMENT CHARGES AND PROVISIONS FOR GUARANTEES.

Total loan impairment charges and provisions for guarantees for the first nine months of 2016 amounted to an income of DKK 20m against an expense of DKK 21m in the first nine months of 2015. The fall in the impairment charges can be attributed to improving credit quality and improving economic trends.

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

The effect on the income statement was distributed with an expense of DKK 145m relating to personal clients and an income of DKK 165m relating to corporate clients, as a number of previous impairment charges were reversed.

BRFkredit's holding of assets held temporarily amounted to DKK 412m at the end of the third quarter of 2016 against DKK 393m at the end of 2015.

The total balance of loan impairment charges and provisions for guarantees amounted to DKK 1,394m at the end of the third quarter of 2016, corresponding to 0.5% of total loans. Of this, collective impairment charges amounted to DKK 328m against DKK 355m at the end of 2015.

For many years, BRFkredit has not granted loans to agriculture, forestry and market gardening. The total portfolio of loans for agriculture, etc. calculated at fair value amounted to DKK 48m at the end of the third quarter of 2016 (at the end of 2015: DKK 49m).

LOANS, ADVANCES AND GUARANTEES DKKm	Q1-Q3 2016	Q1-Q3 2015	Index 16/15	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	The year 2015
Loans, advances and guarantees	276,708	243,813	113	276,708	269,018	259,360	250,921	243,813	250,921
Balance of loan impairment charges and provisions for guarantees	1,394	1,448	96	1,394	1,418	1,409	1,425	1,448	1,425
Individual impairment charges and provisions for guarantees	1,066	1,111	96	1,066	1,085	1,086	1,070	1,111	1,070
Collective impairment charges and provisions for guarantees	328	336	98	328	332	323	355	336	355
Non-performing loans and guarantees:									
Loans, advances and guarantees before impairment charges	8,811	8,574	103	8,811	9,777	9,184	9,243	8,574	9,243
Impairment charges	1,066	1,111	96	1,066	1,085	1,086	1,070	1,111	1,070
Loans, advances and guarantees after impairment charges	7,745	7,463	104	7,745	8,692	8,098	8,173	7,463	8,173
NPL ratio (%)	2.8	3.1	-	2.8	3.2	3.1	3.3	3.1	3.3
NPL contribution ratio (%)	12.1	13.0	-	12.1	11.1	11.8	11.6	13.0	11.6
Past due mortgage loans	1,007	1,079	93	1,007	799	712	981	1,079	981
Loan impairment charges and provisions for guarantees (effect on income statement)	-20	21	-	-1	15	-35	82	-27	103
Operating loss	67	325	21	27	12	28	113	51	437

Non-performing loans comprise exposures with individually assessed impairment charges and exposures with high or full risk as well as exposures more than 90 days past due. If the criteria for non-performing exposures are no longer met, and if previously credit easing measures have been granted, clients are still subject to the criterion for non-performing exposures for at least a year after the credit easing was granted. The definition of non-performing exposures is based on the EBA's technical standards. At the end of the third quarter of 2016, non-performing loans and advances amounted to 2.8% of total loans against 3.3% at the end of 2015.

## ARREARS RATE

The arrears rate measured 90 days after the June 2016 repayment date amounted to 0.3%, against 0.4% after the corresponding repayment date in 2015. The arrears rate measured 15 days after the September 2016 repayment date amounted to 1.1% against 1.2% after the September 2015 repayment date.

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

## INVESTMENT PORTFOLIO EARNINGS

INVESTMENT PORTFOLIO EARNINGS	Q1-Q3	Q1-Q3	Index	Q3	Q2	Q1	Q4	Q3	The year
DKKm	2016	2015	16/15	2016	2016	2016	2015	2015	2015
Net interest income	98	132	74	27	32	39	40	47	172
Value adjustments	-54	-80	-	-5	-1	-48	-3	-79	-84
<b>Investment portfolio earnings</b>	<b>44</b>	<b>52</b>	<b>85</b>	<b>21</b>	<b>31</b>	<b>-9</b>	<b>37</b>	<b>-32</b>	<b>89</b>

Investment portfolio earnings included the return on the securities portfolio holding less a risk-free return, which was attributed to core profit. In the first nine months of 2016, investment portfolio earnings amounted to an income of DKK 44m against an income of DKK 52m in the first nine months of 2015. The decline in net interest income can primarily be attributed to the falling interest-rate level in the first nine months of 2016. The negative value adjustments were chiefly affected by the on-going hedging of the interest-rate risk on the portfolio of securities through financial instruments (swaps).

The securities portfolio, which predominantly consisted of interest-bearing instruments, was mainly placed in mortgage bonds 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

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

BREAKDOWN OF THE PERIOD'S PROFIT	Q1- Q3 2016				Q1- Q3 2015			
	Core profit	Investment portfolio earnings	Reclassification	Total	Core profit	Investment portfolio earnings	Reclassification	Total
DKKm								
Other net interest income, etc.	1,292	98	-10	1,379	1,223	132	134	1,489
Net fee and commission income	128	-	-	128	173	-	-	173
Value adjustments, etc.	31	-54	10	-13	-123	-80	-134	-337
Other income	40	-	-	40	25	-	-	25
<b>Income</b>	<b>1,491</b>	<b>44</b>	<b>-</b>	<b>1,534</b>	<b>1,298</b>	<b>52</b>	<b>-</b>	<b>1,349</b>
Expenses	620	-	-	620	697	-	-	697
<b>Profit before loan impairment charges and provisions for guarantees</b>	<b>870</b>	<b>44</b>	<b>-</b>	<b>914</b>	<b>601</b>	<b>52</b>	<b>-</b>	<b>653</b>
Loan impairment charges and provisions for guarantees (= income)	-20	-	-	-20	21	-	-	21
<b>Pre-tax profit</b>	<b>891</b>	<b>44</b>	<b>-</b>	<b>934</b>	<b>580</b>	<b>52</b>	<b>-</b>	<b>632</b>

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

## MARKET RISK

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

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

At the end of the third quarter of 2016, BRFkredit's interest-rate risk calculated according to the standardised approach of the FSA came to DKK 82m (end of 2015: DKK 64m), which is considerably below the limit defined by the Supervisory Board as well as the statutory limit.

BRFkredit's shareholding consisted solely of infrastructure shares and strategic shares outside the trading portfolio. If share prices in general fall by 10%, BRFkredit will suffer an investment loss of DKK 21m.

## OUTLOOK 2016

For 2016, it is expected that the pre-tax profit will improve solidly relative to 2015, primarily due to growth in the mortgage credit portfolio.

## BALANCE SHEET

SUMMARY OF BALANCE SHEET, end of period DKKm	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	The year 2015
Assets / equity and liabilities	304,664	293,633	280,687	269,794	263,175	269,794
Mortgage loans, incl. jointly funded bank mortgage loans (nom. value)	269,243	262,148	254,194	247,942	239,816	247,942
Total loans (fair value)	276,682	268,992	259,331	250,892	243,784	250,892
Issued bonds, fair value	284,052	274,631	260,799	249,772	241,992	249,772
Equity	12,511	12,254	12,014	11,781	11,555	11,781

At the end of the third quarter of 2016, BRFkredit's balance sheet amounted to DKK 305bn (end of 2015: DKK 270bn).

At the end of the third quarter of 2016, BRFkredit's mortgage loans (inclusive of jointly funded bank mortgage loans) amounted to nominally DKK 269bn (end of 2015: DKK 248bn). On 30 September 2016, BRFkredit's total loans amounted to a fair value of DKK 277bn (end of 2015: DKK 251bn).

Equity was increased by the net profit for the period after tax etc., in total DKK 730m. Equity amounted then to DKK 12,511m at the end of September 2016 (end of 2015: DKK 11,781m).

## CAPITAL STRUCTURE

The development of BRFkredit's capital and Core Tier 1 capital ratios appear from the table below. At the end of the third quarter of 2016, the capital and Core Tier 1 capital ratios all amounted to 18.3%.

CAPITAL AND CORE CAPITAL RATIOS, end of period	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	The year 2015
Capital ratio (%)	18.3	17.9	18.9	19.1	19.2	19.1
Core Tier 1 Capital ratio (%)	18.3	17.9	18.8	18.9	18.9	18.9
Common Equity Tier 1 capital ratio (CET 1) (%)	18.3	17.9	18.8	18.9	18.9	18.9

At the end of the third quarter of 2016, Common Equity Tier 1 capital amounted to 100% of the capital base. The high proportion of Common Equity Tier 1 capital in the capital base is in line with the BRFkredit's wish to achieve the highest quality possible of its capital base.

CAPITAL BASE AND OVERALL RISK EXPOSURE DKKm	30 September 2016	31 December 2015
Equity	12,511	11,781
Intangible assets	-1	-3
Prudent valuation	-107	-94
Diff. between expected loss and impairment charges (deduction)	-178	-
<b>Core capital/Common Equity Tier 1 capital</b>	<b>12,225</b>	<b>11,684</b>
Diff. between expected loss and impairment charges (addition)	-	135
<b>Capital base</b>	<b>12,225</b>	<b>11,820</b>
<b>Total weighted risk exposure</b>	<b>66,985</b>	<b>61,770</b>



## MINIMUM CAPITAL REQUIREMENT

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

The minimum capital requirements for market and operational risks are measured according to the standardised approach.

MINIMUM CAPITAL REQUIREMENT BY RISK TYPE		
DKKm	30 September 2016	31 December 2015
Credit risk	4,951	4,528
Market risk	160	173
Operational risk	248	241
<b>Minimum capital requirement, Pillar I</b>	<b>5,359</b>	<b>4,942</b>
Capital requirement, transitional provisions	3,434	2,838
<b>Total minimum capital requirement</b>	<b>8,793</b>	<b>7,780</b>

The capital constraint for BRFkredit continues to be the transitional rule (Basel I floor), which on 30 September 2016 was calculated at DKK 8.8bn, corresponding to 13.1% of REA (Risk Exposure Amount) (end of 2015: DKK 7.8bn, corresponding to 12.6%).

## INDIVIDUAL SOLVENCY REQUIREMENT AND CAPITAL BUFFER

At the end of the third quarter of 2016, BRFkredit had determined an individual solvency requirement of 9.3%, to which must be added a SIFI requirement of 0.6% of REA as well as a capital conservation buffer of 0.625% of REA. The individual solvency requirement had fallen from 9.6% at the end of 2015 due to the improved credit quality.

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

INDIVIDUAL SOLVENCY REQUIREMENT				
DKKm	30 September 2016	% of REA	31 December 2015	% of REA
Credit risk	5,635	8.4	5,538	9.0
Market risk	309	0.5	173	0.3
Operational risk	268	0.4	241	0.4
<b>Total</b>	<b>6,213</b>	<b>9.3</b>	<b>5,952</b>	<b>9.6</b>

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

CAPITAL BUFFER				
DKKm	30 September 2016	% of REA	31 December 2015	% of REA
Capital base	12,225	18.3	11,820	19.1
a) Core capital	12,225	18.3	11,684	18.9
b) Supplementary capital less deductions	-		135	0.2
Individual solvency requirement + buffers	7,034	10.5	6,137	9.9
Capital requirement, transitional provisions	8,793	13.1	7,780	12.6
<b>Capital buffer</b>	<b>3,431</b>	<b>5.1</b>	<b>4,040</b>	<b>6.5</b>

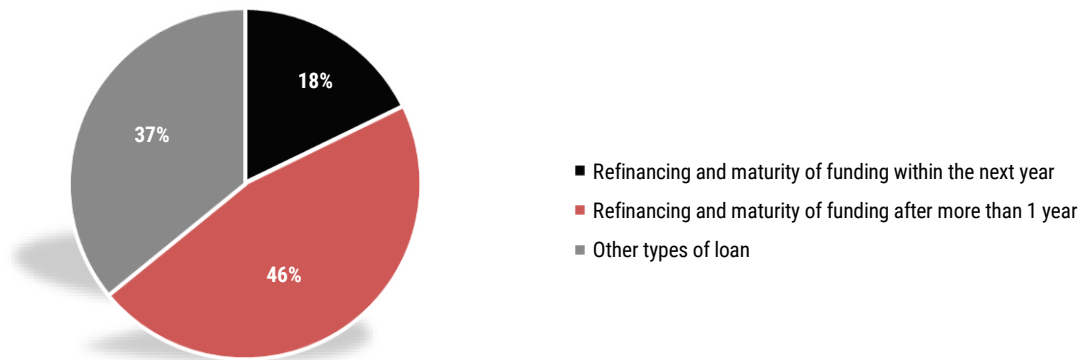
## REFINANCING

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

Moreover, in the first nine months of 2016, BRFkredit financed one-year adjustable-rate loans under the joint funding agreements by issuing bonds denominated in euro. These bonds have maturities between five and seven years. In this way, refinancing of bonds in Danish kroner is reduced while, at the same time, the financing opportunities in the European market are utilised. The currency and interest-rate risks between the loans in Danish kroner and the bonds in euro are fully hedged through swaps concluded with financial institutions. Therefore there is no currency or interest-rate risk, neither for the borrower nor the investor.

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



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

## OTHER INFORMATION

### RATING

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

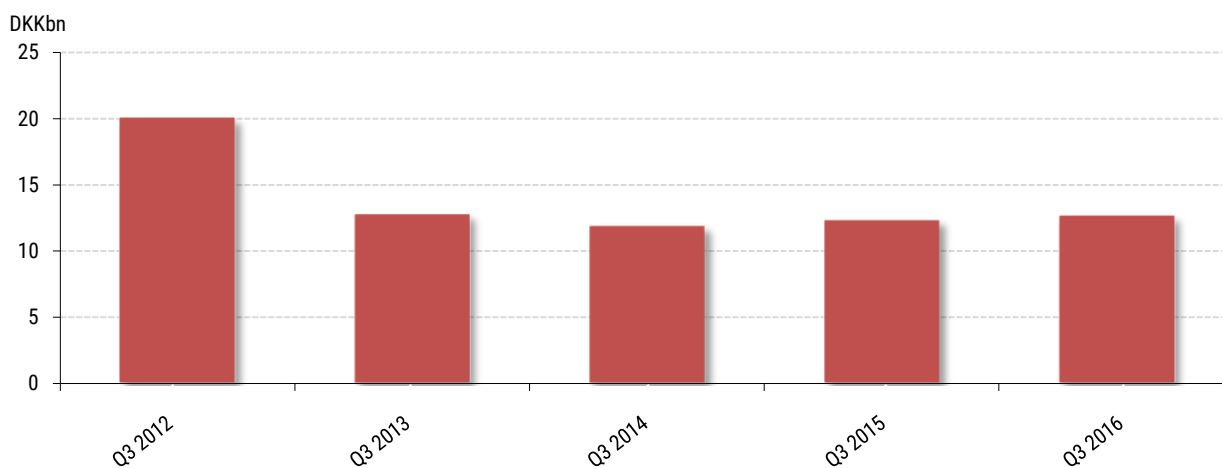
#### RATINGS

As at 30 September 2016	Rating	Date of rating / change of rating
Covered bonds		
- issued out of Capital Centre E	AAA	17-10-2011
Mortgage credit bonds		
- issued out of Capital Centre B	AAA	17-10-2011
- issued out of the General Capital Centre	AAA	27-12-2013
Issuer rating (long-term rating)	A- <sup>1)</sup>	12-10-2011
Issuer rating (short-term rating)	A-2 <sup>1)</sup>	12-10-2011
BRFkredit's EMTN programme	A-	05-12-2012

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

Standard & Poor's requirements for supplementary collateral to maintain the AAA rating was increased in the course of the past year. The increase can chiefly be attributed to an increase by DKK 29.5bn of the portfolio (primarily in respect of personal clients) as well as the implementation of a new criterion on the part of Standard & Poor's for loans secured by mortgages on commercial property.

#### REQUIREMENT OF SUPPLEMENTARY SECURITY, STANDARD & POOR'S



## THE SUPERVISORY DIAMOND FOR MORTGAGE CREDIT INSTITUTIONS

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

THE SUPERVISORY DIAMOND BENCHMARKS	Q3	Q2	Q1	Q4	Q3	The year
%	2016	2016	2016	2015	2015	2015
Concentration risk <100%	65.0	77.8	84.5	81.1	77.8	81.1
Increase in loans and advances <15% annually in the segment:						
- Owner-occupied home and vacation homes	16.4	20.3	23.1	27.4	25.4	27.4
- Residential rental property	9.4	6.3	8.0	7.8	5.8	7.8
- Other sectors	6.0	8.5	6.6	6.4	4.3	6.4
Borrower's interest-rate risk <25%*						
- Residential property	25.4	24.7	23.9	23.5	24.0	23.5
Interest-only schemes <10%						
- Owner-occupied home and vacation homes	9.7	10.0	9.9	10.3	10.4	10.3
Loans with short-term funding:						
- Refinancing (annually) <25%	20.5	21.9	22.5	22.4	24.0	22.4
- Refinancing (quarterly) <12.5%	2.7	0.0	3.5	15.7	3.9	15.7

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

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

## SUPERVISORY BOARD DECISIONS

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

## FOR FURTHER INFORMATION

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

## CONTACT

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

## STATEMENT BY THE EXECUTIVE AND SUPERVISORY BOARDS

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

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

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

In our opinion, the Interim Financial Statements give a true and fair view of the Group's and the Parent's financial position at 30 September 2016 and also of their financial performance as well as the cash flows of the Group for the period 1 January to 30 September 2016.

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

Kgs. Lyngby, 27 October 2016

### EXECUTIVE BOARD

Carsten Tirsbæk Madsen  
Chief Executive Officer

Lars Waalen Sandberg  
Executive Vice President

### SUPERVISORY BOARD

Sven A. Blomberg  
Chairman

Per Skovhus  
Deputy Chairman

Niels Erik Jakobsen

Laila Busted  
Elected by employees

Kim Henriksen  
Elected by employees

**INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME**

Note	DKKm	The BRFkredit Group				BRFkredit a/s	
		Q3 2016	Q3 2015	Q1-Q3 2016	Q1-Q3 2015	Q1-Q3 2016	Q1-Q3 2015
<b>INCOME STATEMENT</b>							
4	Interest income	1,678	1,860	5,138	5,798	5,138	5,752
5	Interest expenses	1,208	1,378	3,759	4,309	3,759	4,298
	<b>Net interest income</b>	<b>470</b>	<b>482</b>	<b>1,379</b>	<b>1,489</b>	<b>1,379</b>	<b>1,454</b>
	Dividends, etc.	-	-	7	4	7	4
6	Fees and commission income	84	80	182	234	182	222
	Fees and commission expenses	18	20	54	62	54	62
	<b>Net interest and fee income</b>	<b>536</b>	<b>541</b>	<b>1,514</b>	<b>1,666</b>	<b>1,514</b>	<b>1,618</b>
7	Value adjustments	-1	-103	-13	-337	-14	-254
	Other operating income	13	13	34	21	31	26
8	Employee and administrative expenses	213	212	601	672	603	640
	Amortisation, depreciation and impairment charges	2	4	7	13	7	13
	Other operating expenses	4	8	12	12	12	8
9	Loan impairment charges and provisions for guarantees (- is income)	-1	-27	-20	21	-20	104
	Profit on investments in associates and group enterprises	-	-	-	-	3	-6
	<b>Pre-tax profit</b>	<b>330</b>	<b>254</b>	<b>934</b>	<b>632</b>	<b>933</b>	<b>619</b>
10	Tax	72	57	205	146	204	148
	<b>Net profit for the period</b>	<b>257</b>	<b>196</b>	<b>730</b>	<b>485</b>	<b>729</b>	<b>471</b>
	Attributable to:						
	Shareholders of BRFkredit a/s	257	196	730	485		
	<b>Total</b>	<b>257</b>	<b>196</b>	<b>730</b>	<b>485</b>		

**STATEMENT OF COMPREHENSIVE INCOME**

Net profit for the period	257	196	730	485	729	471
Other comprehensive income:						
Items that can be recycled to the income statement:						
Shares available for sale	-1	1	-0	-14	-	-
Tax on other comprehensive income	-	-0	-	-0	-	-0
<b>Other comprehensive income after tax</b>	<b>-1</b>	<b>1</b>	<b>-0</b>	<b>-15</b>	<b>-</b>	<b>-0</b>
<b>Comprehensive income for the period</b>	<b>257</b>	<b>197</b>	<b>729</b>	<b>470</b>	<b>729</b>	<b>470</b>
Attributable to:						
Shareholders of BRFkredit a/s	257	197	729	470		
<b>Total</b>	<b>257</b>	<b>197</b>	<b>729</b>	<b>470</b>		

**BALANCE SHEET**

Note	The BRFkredit Group			BRFkredit a/s		
	30 Sept. 2016	31 Dec. 2015	30 Sept. 2015	30 Sept. 2016	31 Dec. 2015	30 Sept. 2015
DKKm						
<b>ASSETS</b>						
	Cash, cash equivalents and demand deposits with central banks					
	74	250	2,573	74	250	2,573
	Due from credit institutions and central banks					
	11,154	9,271	5,714	11,098	9,015	5,010
11	Loans and advances at fair value					
	276,682	250,892	243,784	276,682	250,892	243,784
	Bonds at fair value					
	15,042	7,909	9,329	15,042	7,909	9,329
	Shares, etc.					
	212	218	221	212	218	221
	Equity investments in group enterprises					
	-	-	-	330	527	970
	Intangible assets					
	1	3	5	1	3	5
	Land and buildings, total					
	490	492	480	399	402	391
	of which investment property					
	4	4	4	4	4	4
	of which owner-occupied properties					
	486	488	476	395	398	387
	Other property, plant and equipment					
	3	3	4	3	3	4
	Current tax assets					
	-	2	-	-	2	0
	Deferred tax assets					
	-	-	53	-	-	-
	Assets in temporary possession					
	412	393	438	412	393	438
12	Other assets					
	566	335	536	567	335	536
	Prepayments					
	27	26	39	27	26	39
	<b>Total assets</b>					
	<b>304,664</b>	<b>269,794</b>	<b>263,175</b>	<b>304,848</b>	<b>269,975</b>	<b>263,299</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Liabilities</b>						
	Due to credit institutions and central banks					
	1,200	94	955	1,200	94	955
13	Issued bonds at fair value					
	284,052	249,772	241,992	284,052	249,772	241,992
	Issued bonds at amortised cost					
	3,718	4,719	4,716	3,718	4,719	4,716
	Current tax liabilities					
	195	-	0	195	-	-
	Liabilities relating to assets held temporarily					
	6	5	8	6	5	8
14	Other liabilities					
	2,876	3,335	3,858	3,063	3,507	3,960
	Deferred income					
	22	4	11	22	4	11
	<b>Liabilities, total</b>					
	<b>292,068</b>	<b>257,929</b>	<b>251,541</b>	<b>292,255</b>	<b>258,101</b>	<b>251,642</b>
<b>Provisions</b>						
	Provisions for deferred tax					
	18	12	-	15	21	23
	Other provisions					
	67	72	80	67	72	80
	<b>Provisions, total</b>					
	<b>85</b>	<b>84</b>	<b>80</b>	<b>82</b>	<b>92</b>	<b>102</b>
<b>Equity</b>						
	Share capital					
	1,306	1,306	1,306	1,306	1,306	1,306
	Share premium					
	102	102	102	102	102	102
	Revaluation reserve					
	47	47	35	36	36	25
	Reserves in series					
	7,594	7,594	9,732	7,594	7,594	9,732
	Retained profit					
	3,461	2,731	379	3,472	2,743	390
	<b>Equity, total</b>					
	<b>12,511</b>	<b>11,781</b>	<b>11,555</b>	<b>12,511</b>	<b>11,781</b>	<b>11,555</b>
	<b>Equity and liabilities, total</b>					
	<b>304,664</b>	<b>269,794</b>	<b>263,175</b>	<b>304,848</b>	<b>269,975</b>	<b>263,299</b>
15	<b>OFF-BALANCE SHEET ITEMS</b>					
	Guarantees, etc.					
	26	29	29	26	29	29
	Other contingent liabilities, etc. (loan offers)					
	20,591	15,572	14,989	20,591	15,572	14,989
	<b>Total guarantees and other contingent liabilities</b>					
	<b>20,617</b>	<b>15,602</b>	<b>15,018</b>	<b>20,617</b>	<b>15,602</b>	<b>15,018</b>

**STATEMENT OF CHANGES IN EQUITY**

DKKm

<b>The BRFkredit Group</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Revaluation reserve</b>	<b>Reserves in series</b>	<b>Retained profit</b>	<b>Total</b>
Equity at 1 January 2016	1,306	102	47	7,594	2,731	11,781
Net profit for the period	-	-	-	-	730	730
Other comprehensive income	-	-	-	-	-0	-0
Comprehensive income for the period	-	-	-	-	729	729
<b>Equity at 30 September 2016</b>	<b>1,306</b>	<b>102</b>	<b>47</b>	<b>7,594</b>	<b>3,461</b>	<b>12,511</b>

Equity at 1 January 2015	1,306	102	35	9,732	-91	11,084
Net profit for the period	-	-	-	-	485	485
Other comprehensive income	-	-	-0	-	-14	-15
Comprehensive income for the period	-	-	-0	-	471	470
<b>Equity at 30 September 2015</b>	<b>1,306</b>	<b>102</b>	<b>35</b>	<b>9,732</b>	<b>379</b>	<b>11,555</b>

<b>BRFkredit a/s</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Revaluation reserve</b>	<b>Reserves in series</b>	<b>Retained profit</b>	<b>Total</b>
Equity at 1 January 2016	1,306	102	36	7,594	2,743	11,781
Net profit for the period	-	-	-	-	729	729
Comprehensive income for the period	-	-	-	-	729	729
<b>Equity at 30 September 2016</b>	<b>1,306</b>	<b>102</b>	<b>36</b>	<b>7,594</b>	<b>3,472</b>	<b>12,511</b>

Equity at 1 January 2015	1,306	102	25	9,732	-81	11,084
Net profit for the period	-	-	-	-	471	471
Other comprehensive income	-	-	-	-	-0	-0
Comprehensive income for the period	-	-	-	-	470	470
<b>Equity at 30 September 2015</b>	<b>1,306</b>	<b>102</b>	<b>25</b>	<b>9,732</b>	<b>390</b>	<b>11,555</b>



**CAPITAL STATEMENT**

DKKm	The BRFkredit Group			BRFkredit a/s		
	30 Sept. 2016	31 Dec. 2015	30 Sept. 2015	30 Sept. 2016	31 Dec. 2015	30 Sept. 2015
Equity	12,511	11,781	11,555	12,511	11,781	11,555
Intangible assets	-1	-3	-5	-1	-3	-5
Deferred tax assets	-	-	-53	-	-	-
Difference between expected loss and the carrying amount of impairment charges	-178	-	-	-178	-	-
Prudent valuation	-107	-94	-73	-106	-94	-73
<b>Common Equity Tier 1 capital / Core capital</b>	<b>12,225</b>	<b>11,684</b>	<b>11,425</b>	<b>12,225</b>	<b>11,684</b>	<b>11,477</b>
Difference between expected loss and the carrying amount of impairment charges	-	135	158	-	135	158
<b>Capital base</b>	<b>12,225</b>	<b>11,820</b>	<b>11,583</b>	<b>12,225</b>	<b>11,820</b>	<b>11,636</b>
Weighted risk exposure involving credit risk etc.	61,883	56,601	55,057	62,112	56,986	55,796
Weighted risk exposure involving market risk	1,998	2,160	2,224	1,998	2,160	2,224
Weighted risk exposure involving operational risk	3,105	3,010	3,010	3,026	2,888	2,888
<b>Total weighted risk exposure</b>	<b>66,985</b>	<b>61,770</b>	<b>60,291</b>	<b>67,136</b>	<b>62,033</b>	<b>60,908</b>
Capital requirement, Pillar I	5,359	4,942	4,823	5,371	4,963	4,873
Capital requirement, transitional provisions	3,434	2,838	2,541	3,432	2,834	2,530
<b>Capital requirement, total</b>	<b>8,793</b>	<b>7,780</b>	<b>7,364</b>	<b>8,803</b>	<b>7,797</b>	<b>7,403</b>
Capital ratio (%)	18.3	19.1	19.2	18.2	19.1	19.1
Core Tier 1 Capital ratio (%)	18.3	18.9	18.9	18.2	18.8	18.8
Common Equity Tier 1 capital ratio (%)	18.3	18.9	18.9	18.2	18.8	18.8

On 30 September 2016, the total weighted risk exposure according to Basel I amounted to DKK 137,397m (31.12.2015: DKK 121,569m) for the BRFkredit Group. The capital requirement according to the transitional provisions was for 80% of the capital requirement of 8% of the total weighted risk exposure corresponding to DKK 8,793m. At the end of 2015, the transitional provisions resulted in a capital requirement of DKK 7,780m for the BRFkredit Group. The transitional rules applying to total weighted risk exposure will still apply in the coming years.

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

**SUMMARY OF CASH FLOW STATEMENT**

DKKm	The BRFkredit Group	
	Q1-Q3 2016	Q1-Q3 2015
<b>Net profit for the period</b>	<b>730</b>	<b>485</b>
Adjustment for non-cash operating items and change in working capital	<b>1,895</b>	-236
<b>Cash flows from operating activities</b>	<b>2,624</b>	<b>249</b>
Acquisition of property, plant and equipment	-2	-0
Acquisition of intangible assets	1	-3
Sale of investments	15	0
<b>Cash flows from investment activities</b>	<b>14</b>	<b>-3</b>
Addition and redemption of senior secured bonds and senior debt	-1,000	-487
<b>Cash flows from financing activities</b>	<b>-1,000</b>	<b>-487</b>
<b>Cash flow for the period</b>	<b>1,638</b>	<b>-241</b>
Cash and cash equivalents, beginning of period	9,354	8,382
<b>Cash and cash equivalents, end of period</b>	<b>10,992</b>	<b>8,141</b>
Cash and cash equivalents, end of period, comprise:		
Cash in hand, etc.	74	2,573
Due from credit institutions and central banks	10,918	5,568
<b>Cash and cash equivalents, end of period</b>	<b>10,992</b>	<b>8,141</b>

## NOTES

## Note

**1 Accounting Policies**

The Interim Financial Report of BRFkredit a/s for the period 1 January to 30 September 2016 was prepared in accordance with IAS 34 Interim Financial Reporting with regard to the consolidated interim financial statements and in accordance with the Danish Financial Business Act with regard to the Parent's interim financial statements.

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

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

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

**2 Material accounting estimates**

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

In accordance with IAS 10 (events after the balance sheet date), the financial statements reflect adjusting events up to 27 October 2016.

**NOTES**
**Note**
**3 Financial ratios and key figures  
as at 30 September**

<b>The BRFkredit Group</b>	<b>2016</b>	<b>2015</b>
Capital ratio (%)	<b>18.3</b>	19.2
Core Tier 1 Capital ratio (%)	<b>18.3</b>	18.9
Return on equity (average) before tax for the period (%)	<b>7.7</b>	5.6
Return on equity (average) after tax for the period (%)	<b>6.0</b>	4.3
Income/cost ratio (%)	<b>2.6</b>	1.9
Currency position (%)	<b>0.9</b>	0.6
Accumulated impairment ratio (%)	<b>0.5</b>	0.6
Impairment ratio for the period (%)	<b>-0.01</b>	0.01
Increase in loans and advances for the period (%)	<b>8.6</b>	11.3
Loans relative to equity	<b>22.1</b>	21.1
Return on capital employed	<b>0.3</b>	0.2

**BRFkredit a/s**

Capital ratio (%)	<b>18.2</b>	19.1
Core Tier 1 Capital ratio (%)	<b>18.2</b>	18.8
Return on equity (average) before tax for the period (%)	<b>7.7</b>	5.5
Return on equity (average) after tax for the period (%)	<b>6.0</b>	4.2
Income/cost ratio (%)	<b>2.6</b>	1.8
Currency position (%)	<b>0.9</b>	0.6
Accumulated impairment ratio (%)	<b>0.5</b>	0.6
Impairment ratio for the period (%)	<b>-0.01</b>	0.04
Increase in loans and advances for the period (%)	<b>8.6</b>	12.7
Loans relative to equity	<b>22.1</b>	21.1
Return on capital employed	<b>0.3</b>	0.2

**NOTES**

Note	The BRFkredit Group		BRFkredit a/s	
	Q1-Q3 2016	Q1-Q3 2015	Q1-Q3 2016	Q1-Q3 2015
DKKm				
<b>4 Interest income</b>				
Due from credit institutions and central banks <sup>1)</sup>	-9	-5	-9	-5
Loans and advances	3,821	4,289	3,821	4,247
Contribution	1,213	1,175	1,213	1,175
Bonds	206	475	206	471
Derivatives, interest-rate and currency contracts	38	91	38	91
Other interest income	0	1	0	1
Interest income before offsetting of interest against own bonds	5,270	6,025	5,270	5,979
Interest on own bonds, set off against interest on issued bonds	132	227	132	227
<b>Total</b>	<b>5,138</b>	<b>5,798</b>	<b>5,138</b>	<b>5,752</b>
<sup>1)</sup> Of which interest income on genuine reverse carried under "Due from credit institutions and central banks"	-5	-4	-5	-4
<b>5 Interest expenses</b>				
Due to credit institutions and central banks <sup>1)</sup>	17	1	17	8
Deposits	-	16	-	-
Issued bonds	3,829	4,413	3,829	4,414
Other interest expenses	44	105	44	104
Interest expenses before offsetting of interest against own bonds	3,891	4,536	3,891	4,525
Interest on own bonds, set off against interest on issued bonds	132	227	132	227
<b>Total</b>	<b>3,759</b>	<b>4,309</b>	<b>3,759</b>	<b>4,298</b>
<sup>1)</sup> Of which interest expenses on genuine repo carried under "Due to credit institutions and central banks"	-0	-8	-0	-8
<b>6 Fees and commission income</b>				
Securities trading and custody services	114	140	114	137
Money transfers and card payments	-	1	-	-
Loan management fees	67	89	67	85
Guarantee commission	-	2	-	-
Other fees and commissions	1	3	1	1
<b>Total</b>	<b>182</b>	<b>234</b>	<b>182</b>	<b>222</b>
<b>7 Value adjustments</b>				
Mortgage loans	4,390	-3,773	4,390	-3,773
Other loans, advances and receivables at fair value	7	2	7	2
Bonds	47	-151	47	-156
Shares, etc.	9	1	9	-14
Investment properties	-	-0	-	-0
Currency	-1	2	-1	1
Currency, interest-rate and other contracts as well as other derivatives	124	-94	124	-90
Other assets (sale of banking activities)	-	-101	-	-
Issued bonds	-4,589	3,777	-4,589	3,777
<b>Total</b>	<b>-13</b>	<b>-337</b>	<b>-14</b>	<b>-254</b>

Adjustments of the balance principle for the BRFkredit Group brought a total income of DKK 1m (2015: DKK 3m), resulting from a net value adjustment of the following items: Mortgage loans by DKK +4,390m (DKK -3,773m), issued mortgage bonds by DKK -4,589m (DKK +3,777m) and derivatives by DKK +200m (DKK -1m), recognised under "Currency, interest-rate and other contracts as well as other derivatives".

**NOTES**

Note	The BRFkredit Group		BRFkredit a/s	
	Q1-Q3 2016	Q1-Q3 2015	Q1-Q3 2016	Q1-Q3 2015
DKKm				
<b>8 Employee and administrative expenses</b>				
<b>Employee expenses</b>				
Wages and salaries, etc.	328	353	328	338
Pensions	39	41	39	40
Payroll tax	46	48	46	46
Social security	1	1	1	1
<b>Total</b>	<b>414</b>	<b>443</b>	<b>414</b>	<b>425</b>
<b>Salaries and remuneration to the Supervisory Board and Executive Board</b>				
Executive Board	5	5	5	5
Supervisory Board	0	0	0	0
<b>Total</b>	<b>5</b>	<b>5</b>	<b>5</b>	<b>5</b>
<b>Other administrative expenses</b>				
IT	67	103	67	91
Rent, lighting, heating, etc.	22	25	22	27
Other administrative expenses	94	95	96	92
<b>Total</b>	<b>182</b>	<b>223</b>	<b>184</b>	<b>210</b>
<b>Total</b>	<b>601</b>	<b>672</b>	<b>603</b>	<b>640</b>
<b>9 Loan impairment charges and provisions for guarantees (- is income)</b>				
Balance of loan impairment charges and provisions, beginning of period	1,425	2,516	1,425	1,585
Loan impairment charges/provisions for the period	-5	-176	-5	-92
Recognised as a loss, covered by impairment charges/provisions	-25	-90	-25	-45
Impairment charges on sold portfolio	-	-802	-	-
<b>Balance of loan impairment charges and provisions, end of period</b>	<b>1,394</b>	<b>1,448</b>	<b>1,394</b>	<b>1,448</b>
Mortgage loan impairment charges	1,374	1,431	1,374	1,431
Impairment charges on other loans and receivables, etc.	20	17	20	17
<b>Balance of loan impairment charges and provisions, end of period</b>	<b>1,394</b>	<b>1,448</b>	<b>1,394</b>	<b>1,448</b>
Loan impairment charges/provisions for the period	-5	-176	-5	-92
Recognised as a loss, not covered by individual loan impairment charges/provisions	42	234	42	231
Recoveries	-56	-37	-56	-34
<b>Net effect on income statement</b>	<b>-20</b>	<b>21</b>	<b>-20</b>	<b>104</b>
Individual loan impairment charges, beginning of period	1,070	2,138	1,070	1,271
Loan impairment charges for the period	21	-161	21	-115
Recognised as a loss, covered by impairment charges/provisions	-25	-90	-25	-45
Impairment charges on sold portfolio	-	-775	-	-
<b>Individual loan impairment charges, end of period</b>	<b>1,066</b>	<b>1,111</b>	<b>1,066</b>	<b>1,111</b>
Collective loan impairment charges, beginning of period	355	379	355	314
Loan impairment charges for the period	-27	-15	-27	23
Impairment charges on sold portfolio	-	-27	-	-
<b>Collective loan impairment charges, end of period</b>	<b>328</b>	<b>336</b>	<b>328</b>	<b>336</b>

Of 'Recognised as a loss, not covered by individual loan impairment charges/provisions' in the BRFkredit Group, the value adjustment of properties acquired in previous financial years amounted to DKK +13m (2015: DKK -1m), and operating profit on properties during the period of foreclosure DKK -2m (DKK -0m).

## NOTES

Note	The BRFkredit Group		BRFkredit a/s	
	Q1-Q3 2016	Q1-Q3 2015	Q1-Q3 2016	Q1-Q3 2015
DKKm				
<b>10 Tax</b>				
<b>Effective tax rate</b>				
Corporation tax rate in Denmark	22.0	23.5	22.0	23.5
Non-taxable income and non-deductible expenses, etc.	-0.1	0.5	-0.2	1.2
Effect of the change to the corporation tax rate	-	-0.8	-	-0.8
<b>Total</b>	<b>21.9</b>	<b>23.2</b>	<b>21.8</b>	<b>23.9</b>

Note	The BRFkredit Group			BRFkredit a/s		
	30 Sept. 2016	31 Dec. 2015	30 Sept. 2015	30 Sept. 2016	31 Dec. 2015	30 Sept. 2015
DKKm						
<b>11 Loans and advances at fair value</b>						
Mortgage loans, nominal value	269,243	247,942	239,816	269,243	247,942	239,816
Adjustment for interest-rate risk, etc.	8,143	3,751	4,797	8,143	3,751	4,797
Adjustment for credit risk	-1,374	-1,412	-1,431	-1,374	-1,412	-1,431
Mortgage loans at fair value	276,012	250,281	243,182	276,012	250,281	243,182
Arrears and outlays	155	58	46	155	58	46
Other loans and receivables	515	552	556	515	552	556
<b>Total</b>	<b>276,682</b>	<b>250,892</b>	<b>243,784</b>	<b>276,682</b>	<b>250,892</b>	<b>243,784</b>

Of 'Arrears and outlays', arrears before impairment charges amounted to DKK 71m (31.12.2015: DKK 76m).

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

Owner-occupied homes	136,709	120,915	116,318	136,709	120,915	116,318
Vacation homes	6,951	6,411	6,205	6,951	6,411	6,205
Subsidised housing (rental housing)	48,450	45,351	44,299	48,450	45,351	44,299
Cooperative housing	15,350	14,815	14,632	15,350	14,815	14,632
Private rental properties (rental housing)	31,599	28,334	27,387	31,599	28,334	27,387
Industrial properties	1,366	1,389	1,447	1,366	1,389	1,447
Office and business properties	32,437	30,177	30,085	32,437	30,177	30,085
Agricultural properties, etc.	48	49	38	48	49	38
Properties for social, cultural and educational purposes	3,022	2,783	2,714	3,022	2,783	2,714
Other properties	79	58	58	79	58	58
<b>Total</b>	<b>276,012</b>	<b>250,281</b>	<b>243,182</b>	<b>276,012</b>	<b>250,281</b>	<b>243,182</b>

#### 12 Other assets

Positive fair value of derivatives	235	24	5	235	24	5
Interest and commission receivable	158	71	205	158	71	205
Other assets	173	241	325	174	241	326
<b>Total</b>	<b>566</b>	<b>335</b>	<b>536</b>	<b>567</b>	<b>335</b>	<b>536</b>

**NOTES**

Note	The BRFkredit Group			BRFkredit a/s		
	30 Sept. 2016	31 Dec. 2015	30 Sept. 2015	30 Sept. 2016	31 Dec. 2015	30 Sept. 2015
DKKm						
<b>13 Issued bonds at fair value</b>						
Issued mortgage bonds, nominal value	<b>302,056</b>	306,339	265,229	<b>302,056</b>	306,339	265,229
Adjustment to fair value	<b>8,558</b>	4,291	4,643	<b>8,558</b>	4,291	4,643
Own mortgage bonds, fair value	<b>-26,562</b>	-60,858	-27,880	<b>-26,562</b>	-60,858	-27,880
<b>Total</b>	<b>284,052</b>	249,772	241,992	<b>284,052</b>	249,772	241,992
<b>14 Other liabilities</b>						
Negative fair value of derivatives	<b>225</b>	211	184	<b>225</b>	211	184
Interest and commission payable	<b>2,391</b>	2,907	2,924	<b>2,391</b>	2,907	2,924
Other liabilities	<b>260</b>	218	751	<b>447</b>	389	852
<b>Total</b>	<b>2,876</b>	3,335	3,858	<b>3,063</b>	3,507	3,960
<b>15 Off-balance sheet items</b>						
<b>Guarantees, etc.</b>						
Other guarantees	<b>26</b>	29	29	<b>26</b>	29	29
<b>Total</b>	<b>26</b>	29	29	<b>26</b>	29	29
<b>Other guarantees</b>						
Other guarantees include other forms of guarantees at varying degrees of risk. The risk involved is deemed to be less than the risk involved in credit facilities subject to flexible drawdown.						
<b>Other contingent liabilities, etc.</b>						
Irrevocable credit commitments	<b>20,534</b>	15,486	14,898	<b>20,534</b>	15,486	14,898
Other contingent liabilities	<b>57</b>	86	91	<b>57</b>	86	91
<b>Total</b>	<b>20,591</b>	15,572	14,989	<b>20,591</b>	15,572	14,989

**Irrevocable credit commitments**

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

**16 Related parties**

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

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

Over the period 1 January to 30 September 2016, no other unusual related party transactions took place. Please see BRFkredit's Annual Report 2015 for a detailed description of transactions with related parties.



**NOTES**

Note	The BRFkredit Group
DKKm	

**17 Fair value of financial assets and liabilities**
**Methods for measuring fair value**

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

**The BRFkredit Group**
**30 September 2016**

	Quoted prices	Observ- able prices	Non- observable prices	Fair value, total	Recog- nised value
<b>Financial assets</b>					
Loans and advances at fair value	-	276,682	-	276,682	276,682
Bonds at fair value	15,036	6	-	15,042	15,042
Shares, etc.	-	-	212	212	212
Derivatives	9	227	-	235	235
<b>Total</b>	<b>15,045</b>	<b>276,915</b>	<b>212</b>	<b>292,171</b>	<b>292,171</b>
<b>Financial liabilities</b>					
Derivatives	-	225	-	225	225
Issued bonds at fair value	270,840	13,212	-	284,052	284,052
<b>Total</b>	<b>270,840</b>	<b>13,437</b>	<b>-</b>	<b>284,277</b>	<b>284,277</b>

**31 December 2015**

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

	Q1-Q3 2016	Q1-Q3 2015
<b>Non-observable prices</b>		
Fair value, beginning of period	218	235
Capital gain and loss reflected in the income statement	9	1
Capital gain and loss, recognised in equity	-0	-14
Purchases for the period	0	-
Sales for the period	-16	-0
<b>Fair value, end of period</b>	<b>212</b>	<b>221</b>

**NOTES**

Note	The BRFkredit Group			BRFkredit a/s		
	30 Sept. 2016	31 Dec. 2015	30 Sept. 2015	30 Sept. 2016	31 Dec. 2015	30 Sept. 2015
DKKm						
<b>18 Contractual time to maturity</b>						
<b>Assets</b>						
<b>Due from credit institutions and central banks</b>						
Demand deposits	623	1,734	1,267	566	1,478	562
Up to 3 months	10,531	7,537	4,448	10,531	7,537	4,448
Over 3 months and up to 1 year	-	-	-	-	-	-
Over 1 year and up to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
<b>Total</b>	<b>11,154</b>	<b>9,271</b>	<b>5,714</b>	<b>11,098</b>	<b>9,015</b>	<b>5,010</b>
<b>Loans and advances at fair value</b>						
Up to 3 months	2,649	1,816	1,798	2,649	1,816	1,798
Over 3 months and up to 1 year	5,857	5,263	5,062	5,857	5,263	5,062
Over 1 year and up to 5 years	34,027	30,633	31,215	34,027	30,633	31,215
Over 5 years	234,149	213,180	205,709	234,149	213,180	205,709
<b>Total</b>	<b>276,682</b>	<b>250,892</b>	<b>243,784</b>	<b>276,682</b>	<b>250,892</b>	<b>243,784</b>
<b>Bonds at fair value</b>						
Up to 3 months	3,143	86	456	3,143	86	456
Over 3 months and up to 1 year	3,322	1,709	1,752	3,322	1,709	1,752
Over 1 year and up to 5 years	8,485	6,026	7,028	8,485	6,026	7,028
Over 5 years	92	89	93	92	89	93
<b>Total</b>	<b>15,042</b>	<b>7,909</b>	<b>9,329</b>	<b>15,042</b>	<b>7,909</b>	<b>9,329</b>
<b>Liabilities</b>						
<b>Due to credit institutions and central banks</b>						
Demand deposits	118	30	45	118	30	45
Up to 3 months	1,083	15	910	1,083	15	910
Over 3 months and up to 1 year	-	49	-	-	49	-
Over 1 year and up to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
<b>Total</b>	<b>1,200</b>	<b>94</b>	<b>955</b>	<b>1,200</b>	<b>94</b>	<b>955</b>
<b>Issued bonds at fair value <sup>1)</sup></b>						
Up to 3 months	724	2,659	805	724	2,659	805
Over 3 months and up to 1 year	27,992	9,490	15,104	27,992	9,490	15,104
Over 1 year and up to 5 years	151,086	152,589	146,002	151,086	152,589	146,002
Over 5 years	104,250	85,035	80,081	104,250	85,035	80,081
<b>Total</b>	<b>284,052</b>	<b>249,772</b>	<b>241,992</b>	<b>284,052</b>	<b>249,772</b>	<b>241,992</b>
<b>Issued bonds at amortised cost</b>						
Up to 3 months	-	-	-	-	-	-
Over 3 months and up to 1 year	-	1,000	1,000	-	1,000	1,000
Over 1 year and up to 5 years	3,718	3,719	3,716	3,718	3,719	3,716
Over 5 years	-	-	-	-	-	-
<b>Total</b>	<b>3,718</b>	<b>4,719</b>	<b>4,716</b>	<b>3,718</b>	<b>4,719</b>	<b>4,716</b>

The above amounts are exclusive of interest.

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