

GOVERNANCE

BRFkredit is wholly owned by Jyske Bank A/S. Consequently, the guidelines for corporate governance are stated in the Jyske Bank Group's Annual Report 2017 and reference is made to this. See also Jyske Bank Group's Annual Report 2017 for information as regards issues such as corporate social responsibility, employee issues, Group Audit Committee and Risk Committee, diversity and gender composition.

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS RELATING TO FINANCIAL REPORTING

The Supervisory Board and the Executive Board have overall responsibility for BRFkredit'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 53 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 of the Jyske Bank Group, to which BRFkredit belongs, will also review 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 materials 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 2017, which is available via links on brf.dk.¹

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

¹ <http://www.brf.dk/Service-Pages/Om-BRFkredit/BRFkredit-i-tal/Regnskab>

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 finance function collects and checks financial data on a monthly basis and reports this to BRFkredit's 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 Groups 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.

OTHER INFORMATION

For further information, please see brf.dk, which website gives detailed financial information about BRFkredit.

DIVIDEND

At the Annual General Meeting, the Supervisory Board will propose a dividend of 0% for 2017.

FINANCIAL CALENDAR 2018

BRFkredit anticipates that it will release financial statements on the following dates in 2018:

20 February	Announcement of annual report for 2017
20 March	Annual general meeting of BRFkredit a/s
9 May	Announcement of Interim financial report for the first quarter of 2018
21 August	Announcement of Interim financial report for the first half of 2018
30 October	Announcement of Interim financial report for the first nine months of 2018

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.