

SUPPLEMENT DATED 17 AUGUST 2017

# Nykredit

## Nykredit Realkredit A/S

(Incorporated with limited liability in Denmark under business reg (CVR) no 12 71 92 80)

### **Supplement no 1 to Base Prospectus for the issuance of CRD-compliant covered bonds, UCITS-compliant covered bonds, bonds issued in pursuance of section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act and senior unsecured debt**

This supplement no 1 (the "**Supplement**") to the base prospectus dated 15 May 2017 (the "**Base Prospectus**"), which is a supplement for the purposes of Article 16(1) of Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003, as amended (the "**Prospectus Directive**") and the relevant implementation legislation in Denmark, was prepared by Nykredit Realkredit A/S (the "**Issuer**"). Terms defined in the Base Prospectus (but not herein) have the same meaning when applied in the Supplement.

This Supplement is the first supplement to the Base Prospectus, and it is a supplement to and should be read in conjunction with the Base Prospectus.

The Issuer accepts responsibility for the information in the Supplement. To the best of the Issuer's knowledge (and the Issuer has used its best endeavours to ensure that this is the case), the information in this Supplement is consistent with the facts and omits nothing which is likely to affect the assessment of the circumstances of the Issuer.

#### **PURPOSE OF THIS SUPPLEMENT**

The purpose of this Supplement is (a) to update 8 "DOCUMENTS INCORPORATED IN THIS BASE PROSPECTUS BY REFERENCE" of the Base Prospectus with the H1 Interim Report of the Nykredit Realkredit Group for the period 1 January – 30 June 2017 and (b) to update 1 "INTRODUCTION", 3 "SUMMARY", 4 "RISK FACTORS", 5 "LEGAL FRAMEWORK FOR NYKREDIT'S BUSINESS ACTIVITIES", 10 "ABOUT NYKREDIT", 14 "SUBSCRIPTION, SALE, RECORDING AND SETTLEMENT" and 16 "GENERAL INFORMATION" of the Base Prospectus.

#### **CHANGES TO 8 "DOCUMENTS INCORPORATED IN THIS BASE PROSPECTUS BY REFERENCE"**

On 17 August 2017, the Issuer's Board of Directors approved the Issuer's unaudited consolidated financial statements for the period 1 January – 30 June 2017. Copies of said financial statements have been submitted to the Danish Financial Supervisory Authority, and the financial statements are hereby incorporated by reference in the Supplement. The Issuer's unaudited consolidated financial statements for the period 1 January – 30 June 2017 replace the previously incorporated Q1 Financial Statements 2017, and all references in 8 of the Base Prospectus to "*Nykredit's unaudited consolidated financial statements for the period 1 January to 31 March 2017*" have been deleted and replaced by "*Nykredit's unaudited consolidated financial statements for the period 1 January to 30 June 2017*". The Issuer's unaudited consolidated financial statements for the period 1 January – 30 June 2017 contain figures comparable to those of the Issuer's unaudited consolidated financial statements for the period 1 January – 30 June 2016.

The documents incorporated in this Supplement are publicly available on Nykredit's website at [nykredit.com](http://nykredit.com), and copies of both documents may be obtained on request in person at the registered office of the Issuer, Kalvebod Brygge 1-3, DK-1780 Copenhagen V, during ordinary business hours on all business days in Denmark.

For the sake of ease, the table below lists the relevant page references to the unaudited consolidated financial statements of the Issuer as stated in the interim report for the period 1 January – 30 June 2017 of the Nykredit Realkredit Group. The information incorporated by reference which is not included in the table below is considered to be supplementary information and is not mandatory pursuant to the relevant tables set out in Regulation (EC) no 809/2004 as amended (the "**Prospectus Regulation**").

## **UNAUDITED CONSOLIDATED INTERIM REPORT OF THE ISSUER FOR THE PERIOD 1 JANUARY – 30 JUNE 2017**

### **NYKREDIT REALKREDIT A/S – H1 INTERIM REPORT 2017**

Statements of income and other comprehensive income .....	Pages 28-29
Balance sheets .....	Pages 30-31
Cash flow statement .....	Page 34
Notes .....	Pages 35-57

Link:

[https://www.nykredit.com/aboutnykredit/ressourcer/dokumenter/pdf/\\_stock\\_exchange\\_2017/realkredit/nykredit-realkredit-koncernen-h1-interim-report-17082017.pdf](https://www.nykredit.com/aboutnykredit/ressourcer/dokumenter/pdf/_stock_exchange_2017/realkredit/nykredit-realkredit-koncernen-h1-interim-report-17082017.pdf)

### **CHANGES TO 1 "INTRODUCTION"**

The sixth paragraph (in **bold**), starting with "*If a financial intermediary uses this Base Prospectus...*" has been deleted and replaced with the following paragraph:

**"In connection with an offering of Bonds to the public which is not exempt from the requirement of the Prospectus Directive to publish a prospectus, if a financial intermediary uses this Base Prospectus to offer Bonds, the financial intermediary is obliged to inform investors of the terms and conditions for the offering at the time of the offering. Any such financial intermediaries using this Base Prospectus are also obliged to state on their website that they use this Base Prospectus in accordance with the consent and the related conditions."**

### **CHANGES TO 3 "SUMMARY"**

In 3 "SUMMARY", the table in element B.12 has been deleted and replaced as follows:

<b>DKK million</b>	<b>H1/2017</b>	<b>H1/2016</b>	<b>2016</b>	<b>2015</b>
Core income from business operations	6,820	5,764	12,159	12,126
Operating costs, depreciation and amortisation	2,365	2,435	5,260	5,005
Profit from core business before impairment losses	4,251	3,118	6,451	6,488
Impairment losses on loans and advances	(448)	125	680	920
Profit from core business	4,699	2,993	5,771	5,568
Investment portfolio income	803	533	1,331	750
Profit before tax	6,868	2,275	6,708	4,685

In element D.2 the following new bullet has been added to the list of bullets:

"▪ Resolution tools and powers under the BRRD"

In element D.3 the following new bullets have been added to the list of bullets:

"▪ Investors to bear the risk of withholding tax"

- "▪ No financial intermediaries have undertaken due diligence in respect of the loans and other assets contained or to be contained in the capital centres"
- "▪ Bondholders will only receive a limited description of the capital centres"

## **CHANGES TO 4 "RISK FACTORS"**

In 4.1 *"Risk factors pertaining to the Issuer"* the following new section has been added after the section headed *"Risk pertaining to implementation of new regulation"*:

### *"Resolution tools and powers under the BRRD"*

As described in "Legal Framework for Nykredit's Business", the BRRD has been implemented into Danish law through the Danish Financial Business Act and the Act on restructuring and resolution of certain financial undertakings.

The BRRD is designed to provide authorities designated by Member States with a credible set of tools to intervene sufficiently early and quickly in unsound or failing credit institutions or investment firms (each, an **"institution"**) to ensure the continuity of the institution's critical financial and economic functions while minimising the impact of an institution's failure on the economy and financial system.

The BRRD contains four resolution powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest. In that case, the relevant resolution authority may use the following resolution tools and powers alone or in combination without the consent of the institution's creditors: (i) sale of business – which enables resolution authorities to direct the sale of the institution or part of the institution on commercial terms; (ii) bridge institution – which enables resolution authorities to transfer all or part of the business of the institution to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control), which may limit the capacity of the institution to meet its repayment obligations; (iii) asset separation – which enables resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) bail-in relating to eligible liabilities – which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution (which write-down may result in the reduction of such claims to zero) and to convert certain unsecured debt claims to equity or other instruments of ownership (the "general bail-in tool"), which equity or other instruments could also be subject to any future application of the general bail-in tool. The general bail-in tool does not apply to mortgage banks such as Nykredit Realkredit. However, capital instruments or instruments with contractual provisions on write-down or conversion will be written down or converted, should Nykredit become subject to resolution.

The BRRD also provides for a Member State as a last resort, after having assessed and exploited the above resolution tools to the maximum extent possible whilst maintaining financial stability, to be able to provide extraordinary public financial support through additional financial stabilisation tools. These consist of public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the European Union state aid framework.

An institution will be considered as failing or likely to fail when either: (i) it is, or is likely in the near future to be, in breach of its requirements for continuing authorisation; its assets are, or are likely in the near future to be, less than its liabilities; (ii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iii) it requires extraordinary public financial support (except in limited circumstances).

The BRRD also provides resolution authorities with broader powers to implement other resolution measures with respect to distressed institutions, which may include (without limitation) the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the amount of interest payable and/or imposing a temporary suspension on payments) and discontinuing the listing and admission to trading of financial instruments. Bondholders may be subject to the applicable statutory resolution powers, which may result in Bondholders losing some or all of their investment.

As a result, the exercise of any power under the Danish legislation implementing the BRRD or any suggestion of such exercise could materially adversely affect the rights of Bondholders, the price or value of their investment in the relevant Bonds and/or the ability of the Issuer to satisfy its obligations under the relevant Bonds."

In 4.4 *"General risk pertaining to the Bonds"* the following new text has been added:

*"Investors to bear the risk of withholding tax"*

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Kingdom of Denmark or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. If such withholding or deduction is required, the Issuer will not be obliged to pay any additional amounts and will make such deduction or withholding from the payment of principal or interest, and investors will therefore receive a reduced amount."

*"No financial intermediaries have undertaken due diligence in respect of the loans and other assets contained or to be contained in the capital centres"*

No financial intermediaries have undertaken, nor will they undertake, any investigations, searches or other actions in respect of the loans and other assets contained or to be contained in the capital centres, but will instead rely on the obligations of the Issuer under the Danish Mortgage-Credit Loan and Mortgage-Credit Bonds etc. Act."

*"Bondholders will only receive a limited description of the capital centres"*

The composition of each capital centre may vary from time to time. Bondholders will not receive detailed statistics or information in relation to each loan, location of each mortgaged residential or, as the case may be, commercial real estate or other assets contained or to be contained in the relevant capital centre, as it is expected that the constitution of the relevant capital centre may change from time to time."

## **CHANGES TO 5 "LEGAL FRAMEWORK FOR NYKREDIT'S BUSINESS ACTIVITIES"**

In 5.3 "SIFI" the last paragraph has been deleted and replaced by:

"The Danish FSA designates the Danish SIFI institutions once a year before the end of June. SIFI institutions are subject to higher capital requirements ("SIFI buffer requirement") and increased supervision. From 2014 onwards, Nykredit has been designated as a SIFI institution. Nykredit is expected to be designated continuously as a SIFI institution. If, against our expectations, Nykredit should cease to be designated, this Base Prospectus will be updated by way of a supplement. The phasing in of the SIFI buffer requirement commenced on 1 January 2015, with full effect from 1 January 2019. For 2017, the SIFI buffer requirement for Nykredit is 1.2%, increasing by 0.4 percentage point each January until fully phased in by January 2019 (2.0%)."

In 5.8 "Types of loans granted against mortgages over real estate", second sentence, the reference to "35 years" has been deleted and replaced by "40 years".

#### **CHANGES TO 10 "ABOUT NYKREDIT"**

In 10 "ABOUT NYKREDIT", the table in 10.2 has been deleted and replaced as follows:

<b>DKK million</b>	<b>H1/2017</b>	<b>H1/2016</b>	<b>2016</b>	<b>2015</b>
Core income from business operations	6,820	5,764	12,159	12,126
Operating costs, depreciation and amortisation	2,365	2,435	5,260	5,005
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Impairment losses on loans and advances	(448)	125	680	920
Profit from core business	4,699	2,993	5,771	5,568
Investment portfolio income	803	533	1,331	853
Profit before tax	6,868	2,275	6,708	4,685

#### **CHANGES TO 14 "SUBSCRIPTION, SALE, RECORDING AND SETTLEMENT"**

In 14 "Subscription, Sale, Recording and Settlement", the section headed "*Financial Intermediaries*" has been deleted and replaced with the following section:

##### ***Financial intermediaries***

In connection with an offering of Bonds to the public which is not exempt from the requirement of the Prospectus Directive to publish a prospectus, the Issuer accepts the use of this Base Prospectus by financial intermediaries for subsequent resale or final placement of the Bonds, cf the Commission Delegated Regulation (EU) No 862/2012, Annex XXX, if this is set out in the Final Bond Terms and if the financial intermediary has previously been granted consent by Nykredit and such consent has been published on its website together with information on the terms and conditions pertaining to the consent. Financial intermediaries who have been granted consent by the Issuer are hereinafter referred to as "**Authorised Financial Intermediaries**". Nykredit will regularly update this Base Prospectus, for instance by way of supplements, when required to ensure the issuance at any time of Bonds admissible to trading on a regulated market, and Nykredit accepts liability for the contents of this Base Prospectus. A consent may be in force as long as this Base Prospectus is valid – ie for up to 12 months from the date of approval unless this Base Prospectus has previously been revoked, cancelled or replaced, in which case the Issuer will release a stock exchange announcement to this effect. Any conditions relating to consent granted to Authorised Financial Intermediaries will be set out in the Final Bond Terms for the specific issue and the attached summary for the specific issue. At the time of approval of this Base Prospectus, no consent has been granted to any financial intermediaries.

In connection with an offering of Bonds to the public which is not exempt from the requirement of the Prospectus Directive to publish a prospectus, except as stated above, the Issuer has not approved the use of the Base Prospectus by any financial intermediaries or other natural or legal persons in connection with a public offering of Bonds, and use of the Base Prospectus is thus not allowed. Any such public offering for which the Issuer has not approved the use of the Base Prospectus is not undertaken by the Issuer or on its behalf. Accordingly, the Issuer does not accept any responsibility or liability in damages for such offering or the persons undertaking the offering.

In connection with an offering of Bonds to the public which is not exempt from the requirement of the Prospectus Directive to publish a prospectus, any investor in the Bonds who buys, sells or is offered the

Bonds by Authorised Financial Intermediaries acts in accordance with an agreement between the investor and the Authorised Financial Intermediary, and the Issuer is not a party to any such agreements.

No financial intermediaries have contributed to the preparation of this Base Prospectus, and they therefore do not accept any liability for the information set out herein.

Prospective investors in the Bonds should reach their own views on the relevance of the information in this Base Prospectus and documents incorporated by reference, and any purchase of Bonds should be based on such investigations concerning own circumstances as prospective investors consider necessary.

This Base Prospectus does not constitute an offer to, or an invitation by or on behalf of any financial intermediaries to, subscribe for or purchase any securities. To the fullest extent permitted by law, any financial intermediaries disclaim any responsibility for the contents of this Base Prospectus or for any statement made or purported to be made by others in connection with the Issuer or the issue of the securities under this Base Prospectus. Accordingly, any financial intermediaries disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which they might otherwise have in respect of this Base Prospectus or any such statement. Neither this Base Prospectus nor any financial statements are intended to provide the basis of any credit or other evaluation of the Issuer and should not be considered as a recommendation by any financial intermediaries or any other parties to purchase securities under this Base Prospectus.

For the avoidance of doubt:

- (i) the first three paragraphs of this sub-section "*Financial Intermediaries*" only apply in the case of an offering of Bonds to the public which is not exempt from the requirement of the Prospectus Directive to publish a prospectus; and
- (ii) the immediately preceding three paragraphs of this sub-section "*Financial Intermediaries*" apply to any offering of Bonds to the public, irrespective of whether such offering is exempt or non-exempt from the requirement of the Prospectus Directive to publish a prospectus."

#### **CHANGES TO 16 "GENERAL INFORMATION"**

In 16 "GENERAL INFORMATION", the existing text in (3) has been deleted and replaced by:

"The prospects for Nykredit and the Nykredit Group have not deteriorated materially since the end of the last financial period, and no material changes to Nykredit's or the Nykredit Group's financial or trading position have been recorded since the period covered by historical financial information. No material investments have been made since the end of the last financial period."

In the event of discrepancy between (a) any representation in the Supplement or any representation incorporated by reference in the Base Prospectus by the Supplement, and (b) any other representation in or incorporated by reference in the Base Prospectus, (a) above shall take precedence.

Except as described in the Supplement, no other new material circumstance, material error or incorrectness regarding the information in the Base Prospectus has occurred since the publication of the Supplement dated 17 August 2017.

Investors who have accepted buying or subscribing for Bonds before the publication of this Supplement are entitled to withdraw their acceptance within a time limit of at least two working days after the publication of this Supplement, ie until 21 August 2017, pursuant to Article 16(2) of the Prospectus Directive and the relevant implementation legislation in Denmark.

**STATEMENT**

We declare that we have used our best endeavours to ensure that the information in this Supplement is consistent with the facts to the best of our knowledge and belief, that nothing has been omitted which is likely to affect its contents, and that all relevant information in the minutes of the Board of Directors, auditors' records and other internal documents has been included in the Base Prospectus.

This Supplement (including the above statement) is hereby signed on behalf of Nykredit's Management by special authority from Nykredit's Board of Directors:

**Copenhagen, 17 August 2017**

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Kim Duus  
Group Managing Director

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Søren Holm  
Group Managing Director