

SUPPLEMENT NO 2 DATED 5 FEBRUARY 2019

# Nykredit

## Nykredit Realkredit A/S

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

### **Supplement no 2 to Base Prospectus for the issuance of CRD-compliant covered bonds, UCITS-compliant covered bonds and bonds issued in pursuance of section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act**

This supplement no 2 (the "**Supplement**") to the base prospectus dated 15 May 2018 (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 second supplement to the Base Prospectus, and it is a supplement to and should be read in conjunction with the Base Prospectus and Supplement no 1 dated 3 July 2018.

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 Annual Report of the Nykredit Realkredit Group for the period 1 January – 31 December 2018 and (b) to update 3 "SUMMARY", 4 "RISK FACTORS", 5 "LEGAL FRAMEWORK FOR NYKREDIT REALKREDIT'S BUSINESS ACTIVITIES", 10 "ABOUT NYKREDIT REALKREDIT", 14 "SUBSCRIPTION, SALE, RECORDING AND SETTLEMENT", 15 "SELLING RESTRICTIONS" and 16 "GENERAL INFORMATION" of the Base Prospectus.

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

The following text is added at the end of 8 "DOCUMENTS INCORPORATED IN THIS BASE PROSPECTUS BY REFERENCE":

"On 5 February 2019, the Issuer's Board of Directors approved the Issuer's audited Consolidated Annual Report for 2018 (for the period 1 January – 31 December 2018). The Financial Statements are hereby incorporated in the Supplement, and copies thereof have been submitted to the Danish Financial Supervisory Authority.

The documents incorporated in this Supplement are publicly available on the Issuer's website at [nykredit.com](http://nykredit.com), and copies 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 audited Consolidated Financial Statements of the Issuer as stated in the Annual Report of the Nykredit Realkredit Group for the period 1 January – 31 December 2018. 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**").

**Audited Consolidated Financial Statements of the Nykredit Realkredit Group for the period 1 January – 31 December 2018**

**Nykredit Realkredit A/S – Annual Report 2018**

Statement by the Board of Directors and the Executive Board .....	Page 43
Independent auditor's report.....	Pages 45-48
Income statements .....	Page 49
Balance sheets .....	Pages 51-52
Cash flow statement .....	Page 55
Accounting policies .....	Pages 57-69
Notes .....	Pages 56-156

Link to Annual Report 2018:

[https://www.nykredit.com/siteassets/ir/files/financial-reporting/financial-reports/nykredit-realkredit/nykredit\\_realkredit\\_group\\_q4\\_18\\_2019-02-05\\_en.pdf](https://www.nykredit.com/siteassets/ir/files/financial-reporting/financial-reports/nykredit-realkredit/nykredit_realkredit_group_q4_18_2019-02-05_en.pdf)

"

**CHANGES TO 3 "SUMMARY"**

In 3 "SUMMARY", B.4b, the existing text is deleted and replaced by:

"The prospects for Nykredit Realkredit and the Nykredit Realkredit Group have not deteriorated materially since 31 December 2018, and no significant changes to Nykredit Realkredit's or the Nykredit Realkredit Group's financial or trading position have occurred since 31 December 2018. No material investments have been made since 31 December 2018."

In B.12 the table and the relating text are deleted and replaced by:

"

<b>DKK million</b>	<b>2018</b>	<b>2017</b>
Income	12,023	14,010
Costs	4,865	4,977
Business profit before impairment charges	7,157	9,033
Impairment charges for loans and advances	380	379
Business profit	6,777	8,653
Legacy derivatives*	280	1,517
Profit (loss) before tax	7,057	10,170
Common Equity Tier 1 capital ratio, %	21.0	20.6

The Nykredit Realkredit Group had total assets of DKK 1,448 billion as at 31 December 2018. The Group's equity excluding Additional Tier 1 capital amounted to DKK 76,1 billion at 31 December 2018, and profit before tax for the financial year ended 31 December 2018 was DKK 7,057 million.

The prospects for Nykredit Realkredit have not deteriorated materially since the end of the last financial period.

No material changes in terms of financial or commercial position have been recorded since the period covered by historical financial information.

\*This item includes credit value adjustment of swaps involving an increased risk of loss. These value adjustments are not included in the business profit and comprise all net income from a number of derivatives which Nykredit Realkredit no longer offers its customers."

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

In 4.1 "Risk factors pertaining to the Issuer" the following section is deleted in "*Risk pertaining to implementation of new regulation*":

"At the date of this Base Prospectus it is still uncertain whether and if so, to what extent, CRR2/CRD5 Amendment Proposals will impose additional capital and/or liquidity requirements on each of the Issuers, which in turn may affect the relevant Issuer's capacity to make payments on the Bonds."

and replaced by:

"At the date of this Base Prospectus it is still uncertain whether and if so, to what extent, CRR2/CRD5 Amendment Proposals will impose additional capital and/or liquidity requirements on each of the Issuers, which in turn may affect the relevant Issuer's capacity to make payments on the Bonds."

In the sub-section "Resolution tools and powers under the BRRD", the following sections are deleted:

"On 14 March 2018, Bill no. 184 was submitted to the Danish Parliament. Section 1 of the bill proposes, *inter alia*, certain amendments to the debt buffer requirement for mortgage banks as well as certain amendments related to the MREL requirement (the "**Debt Buffer Amendment Proposal**"). The Debt Buffer Amendment Proposal states that if a Danish mortgage bank in a group has been designated as a SIFI on a consolidated basis, and where an MREL requirement must be determined on a consolidated basis, the debt buffer must be set at a level that ensures that the combined requirement of the group's debt buffer, own funds and MREL amounts to at least 8% of the group's total liabilities. According to the Debt Buffer Amendment Proposal, this requirement will be fully applicable from 1 January 2022. The Debt Buffer Amendment Proposal further states that when determining the MREL requirement on a consolidated basis, Danish mortgage banks within the group are not included in the consolidation that forms the basis of the determination of the consolidated MREL requirement.

According to the Debt Buffer Amendment Proposal, the Danish Financial Supervisory Authority may permit that debt issued by a mortgage bank in the group is used to fulfil the consolidated MREL requirement if certain conditions are met; including that such debt can be contractually written down and/or converted without the use of the bail-in tool in a resolution scenario.

It is stated in the Debt Buffer Amendment Proposal that the proposed change to the debt buffer is to be evaluated by 2021 at the latest, and that the evaluation is to be conducted in light of, *inter alia*, the development of the MREL requirement on an EU level, including the effects of Basel IV. If the Debt Buffer Amendment Proposal is adopted, the aforementioned changes are set to enter into force on 1 July 2018."

and replaced by:

"Coming into force on 1 July 2018, the Danish Act no 706 of 8 June 2018 to amend the Danish Financial Business Act, the Danish Money Laundering Act, the Danish Alternative Investment Fund Managers etc. Act and other Acts ("**Act no 706**") changed the requirement for a mortgage bank's debt buffer. The debt buffer requirement is stipulated in section 125i of the Danish Financial Business Act ("**Debt Buffer Requirement**"). The Debt Buffer Requirement states that if a Danish mortgage bank in a group has been designated as a SIFI on a consolidated basis, and where an MREL requirement must be determined on a consolidated basis, the debt buffer must be set at a level that ensures that the combined requirement of the group's debt buffer, own funds and MREL amounts to at least 8% of the group's total liabilities. According to Act no 706 the Debt Buffer Requirement will be fully applicable from 1 January 2022.

Section 266(3) of the Danish Financial Business Act further states that when determining the MREL requirement on a consolidated basis, Danish mortgage banks within the group are not included in the consolidation that forms the basis of the determination of the consolidated MREL requirement.

According to section 267(3) of the Danish Financial Business Act, the Danish Financial Supervisory Authority may permit that debt issued by a mortgage bank in the group is used to fulfil the consolidated MREL requirement if certain conditions are met; including that such debt can be contractually written down and/or converted without the use of the bail-in tool in a resolution scenario.

It is stated in the preparatory work to Act no 706 that the Debt Buffer Requirement is to be evaluated by 2021 at the latest, and that the evaluation is to be conducted in light of, inter alia, the development of the MREL requirement on an EU level, including the effects of Basel IV."

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

In 5.1 "Legislation" the following first bullet in the first list of bullets is deleted: "Danish mortgage banks may be authorised by the Danish FSA to carry on business as securities dealers;"

In 5.3 "SIFI" the following second and third bullets in the list of bullets are deleted:

"

- The institution's lending in Denmark represents more than 5% of total lending in Denmark by Danish banks and mortgage lenders.
- The institution's deposits in Denmark represent more than 5% of total deposits of Danish banks in Denmark.

"

and replaced by:

"

- The institution's lending in Denmark represents more than 5% of total lending in Denmark. Total lending in Denmark consists of lending by Danish banks and mortgage lenders and material branches in Denmark of foreign banks and mortgage lenders.
- The institution's deposits in Denmark represent more than 3% of total deposits in Denmark. Total deposits in Denmark consist of deposits in Danish banks and material branches in Denmark of foreign banks.

"

In 5.7 "Lending" the following last section (just above the table) is deleted:

"Generally, lending against mortgages over real estate may not breach the statutory loan-to-value ("LTV") limit. Under certain circumstances, statutory LTV limits may be breached at the time the loans are granted, including when customers switch mortgage banks. However, the latter is subject to a legislative amendment with respect to the time of publication of this Base Prospectus. The legislative amendment allowing a mortgage bank switch in the event that the statutory LTV limit is breached is expected to come into effect in early July 2017. For CRD-compliant covered bonds, statutory LTV limits may only be breached if supplementary collateral is provided in proportion to the breach at the same time."

and replaced by:

"Generally, lending against mortgages over real estate may not breach the statutory loan-to-value ("LTV") limit. Under certain circumstances, statutory LTV limits may be breached at the time the loans are granted, including when customers switch mortgage banks. For CRD-compliant covered bonds, statutory LTV limits may only be breached if supplementary collateral is provided in proportion to the breach at the same time."

In 5.10 "Nykredit Realkredit's capital centres" the three references to "section 152 c(1) of the Danish Financial Business Act" are deleted and each replaced by "CRR article 129(1), subparagraph 1, points (a)-(f), and subparagraph 3".

In 5.14 "Bankruptcy remoteness" section 11 is deleted:

"In accordance with section 58 l of the Danish Securities Trading Act, supplementary collateral is as a general rule not subsequently voidable, cf section 33 d(5) of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act."

and replaced by:

"Supplementary collateral is as a general rule not subsequently voidable, cf section 33 d(5) of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act."

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

In 10 "ABOUT NYKREDIT REALKREDIT", 10.2 "Ownership and legal structure", the table and the relating text are deleted and replaced by:

"The Nykredit Realkredit Group had total assets of DKK 1,448 billion as at 31 December 2018. The Nykredit Realkredit Group's equity, excluding Additional Tier 1 capital, amounted to DKK 76,1 billion as at 31 December 2018, and profit before tax for the financial year ended 31 December 2018 was DKK 7,057 million. In 2018 the Nykredit Realkredit Group had an average number of full-time staff of 3,382.

<b>DKK million</b>	<b>2018</b>	<b>2017</b>
Income	12,023	14,010
Costs	4,865	4,977
Business profit before impairment charges	7,157	9,033
Impairment charges for loans and advances	380	379
Business profit	6,777	8,653
Legacy derivatives <sup>1</sup>	280	1,517
Profit (loss) before tax	7,057	10,170
Common Equity Tier 1 capital ratio, %	21.0	20.6

"

In 10.5.2 "Capital" a correction is made to table 1, which now has the following wording:

"Table 1

<b>Capital target</b>	
Total legal requirement	10.0-10.5%
Stress testing requirement (new FSA approach)	4.0%
Management buffers	1.0-1.5%
Buffer for reduced capital flexibility of investor model	0.5%
Common Equity Tier 1 capital target of investor model	15.5-16.5%
Total capital target	20.5-21.5%

"

<sup>1</sup> This item includes credit value adjustment of swaps involving an increased risk of loss. These value adjustments are not included in the business profit and comprise all net income from a number of derivatives which Nykredit Realkredit no longer offers its customers.

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

In 14 "SUBSCRIPTION, SALE, RECORDING AND SETTLEMENT", the reference to "the Danish Securities Trading Act" is deleted and replaced by a reference to "the Danish Capital Markets Act".

#### **CHANGES TO 15 "SELLING RESTRICTIONS"**

In 15 "SELLING RESTRICTIONS", the reference to "the Danish Securities Trading Act" is deleted and replaced by a reference to "the Danish Capital Markets Act".

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

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

"The prospects for Nykredit Realkredit and the Nykredit Realkredit Group have not deteriorated materially since 31 December 2018, and no significant changes to Nykredit Realkredit's or the Nykredit Realkredit Group's financial or trading position have occurred since 31 December 2018. No material investments have been made since 31 December 2018."

#### **OTHER INFORMATION**

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 Base Prospectus complemented by Supplement no 1 dated 3 July 2018.

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 7 February 2019, 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 Realkredit's Management by special authority from Nykredit Realkredit's Board of Directors:

**Copenhagen, 5 February 2019**

---

Kim Duus  
Group Managing Director

---

Søren Holm  
Group Managing Director