

To NASDAQ Copenhagen

8 July 2016

## **Nykredit Realkredit A/S publishes new prospectus**

Nykredit Realkredit A/S publishes a new prospectus – Nykredit Realkredit A/S EUR 500,000,000 0.750% Senior Resolution Notes due 2021.

Nykredit Realkredit A/S EUR 500,000,000 0.750% Senior Resolution Notes due 2021 is available for download in English. The Prospectus can be found on Nykredit's website at [nykredit.com/ir](http://nykredit.com/ir).

Questions may be addressed to Group Treasury, Senior Vice President Nicolaj Legind Jensen, tel + 45 44 55 11 10, or Chief Investor Relations Manager Erik Holbek, tel +45 44 55 49 87.

Prospectus dated 8 July 2016

# Nykredit

## Nykredit Realkredit A/S

(incorporated as a public limited company in Denmark with CVR no. 12719280)

**EUR 500,000,000 0.750% Senior Resolution Notes due 2021**

**Issue price 99.668%**

The EUR 500,000,000 0.750% Senior Resolution Notes due 2021 (the "**Notes**") will be issued by Nykredit Realkredit A/S (the "**Issuer**" or "**Nykredit**"). Subject to Condition 6 (Loss absorption following a Resolution Event) in "Terms and Conditions of the Notes", the Notes will constitute direct and unsecured debt obligations of the Issuer which rank as described in Condition 4 (Status of the Notes) in "Terms and Conditions of the Notes" and, in particular, the Notes will rank junior to present or future claims of unsubordinated creditors of the Issuer. Unless previously redeemed or purchased and cancelled, the Notes will mature at their Outstanding Principal Amounts (as defined in Condition 2 (Definitions and Interpretation) in "Terms and Conditions of the Notes") plus accrued interest on 14 July 2021 (the "**Maturity Date**").

The Notes will bear interest on their Outstanding Principal Amounts, payable annually in arrear on 14 July in each year (each an "**Interest Payment Date**"), from (and including) 14 July 2016 (the "**Issue Date**") to (but excluding) the Maturity Date at the rate of 0.750% per annum. The first payment of interest will be made on 14 July 2017 in respect of the period from (and including) the Issue Date to (but excluding) 14 July 2017.

The Issuer may, at its option, redeem all, but not some only, of the Notes at any time at their Outstanding Principal Amounts plus accrued interest upon the occurrence of a Tax Event (as defined in Condition 2 (Definitions and Interpretation) in "Terms and Conditions of the Notes"). Any redemption upon the occurrence of a Tax Event is subject to certain conditions (see Condition 7 (Redemption and purchase) in "Terms and Conditions of the Notes"). The Issuer may also substitute or vary the terms of the Notes in certain circumstances described in Condition 7.4 (Substitution and variation) in "Terms and Conditions of the Notes".

Upon the occurrence of a Resolution Event (as defined in Condition 2 (Definitions and Interpretation) in "Terms and Conditions of the Notes"), the Outstanding Principal Amounts of the Notes may be written down permanently (in whole or in part) or the Notes may be converted (in whole or in part) into a subordinated instrument of the Issuer, all as determined by the Relevant Regulator and/or the Danish Resolution Authority (each as defined in Condition 2 (Definitions and interpretation) in "Terms and Conditions of the Notes"), provided that all other debt instruments and other obligations of the Issuer which are expressed to rank or which rank junior to the Notes in the case of bankruptcy or liquidation of the Issuer have already fully absorbed losses of the Issuer to the extent required by the Danish Resolution Authority before any write-down or conversion of the Notes pursuant to the application of this provision. See Condition 6 (Loss absorption following a Resolution Event) in "Terms and Conditions of the Notes".

Application has been made to Nasdaq Copenhagen A/S for the Notes issued under the Prospectus to be listed on the official list of Nasdaq Copenhagen A/S (the "**Official List**") and to be admitted to trading on Nasdaq Copenhagen A/S' regulated market. References in this Prospectus to Notes being "listed" (and all related references) shall mean that such Notes have been listed on the Official List and admitted to trading on Nasdaq Copenhagen A/S' regulated market. Nasdaq Copenhagen A/S' regulated market is a regulated market for the purposes of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments. The Notes are issued in uncertificated book entry form cleared through VP Securities A/S ("**VP**").

This Prospectus has been prepared by the Issuer for the admittance to trading of the Notes on Nasdaq Copenhagen A/S's regulated market. This Prospectus has been prepared as a prospectus issued in compliance with the Prospectus Directive (as defined below) and relevant implementing legislation in Denmark for the purpose of giving information with regard to the Issuer, the Issuer and its subsidiaries and affiliates taken as a whole (the "**Group**" or the "**Nykredit Realkredit Group**") and the Notes which, according to the particular nature of the Issuer, the Group and the Notes, is necessary to enable investors to make an informed assessment of the Notes and of the assets and liabilities, financial position, profit and losses and prospects of the Issuer and the Group. This Prospectus constitutes a prospectus for the purposes of Article 5.3 of the Prospectus Directive.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933 (the "**U.S. Securities Act**"). Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. The Notes may be offered and sold outside the United States to non U.S. persons in reliance on Regulation S ("**Regulation S**") under the U.S. Securities Act. For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of this Prospectus and other offering material relating to the Notes, see "Subscription and Sale".

The Notes are expected to be rated BBB+ by Standard & Poor's Credit Market Services Europe Limited ("**S&P**") and A by Fitch Ratings Limited ("**Fitch**"). S&P and Fitch are established in the European Union and registered under Regulation (EC) No 1060/2009 (the "**CRA Regulation**") and are included in the list of credit rating agencies registered in accordance with the CRA Regulation as of the date of this Prospectus. This list is available on the ESMA website at [www.esma.europa.eu/page/List-registered-and-certified-CRAs](http://www.esma.europa.eu/page/List-registered-and-certified-CRAs) (list last updated on 1 December 2015). A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

**An investment in the Notes involves certain risks. Prospective purchasers of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial situation. For a discussion of these risks see "Risk Factors" below.**

### Arrangers

Nykredit Realkredit A/S

Goldman Sachs International

### Joint-Lead Managers

Danske Bank

Goldman Sachs International

J.P. Morgan

Morgan Stanley

Nykredit Bank A/S

*This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Joint-Lead Manager (as defined below) to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Joint-Lead Manager have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Joint-Lead Manager to publish or supplement a prospectus for such offer. The expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and any relevant implementing measure in a relevant Member State of the European Economic Area.*

*This Prospectus is to be read in conjunction with all documents which are incorporated herein by reference (see "Documents Incorporated by Reference").*

The Issuer has confirmed to Danske Bank A/S, Goldman Sachs International, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc and Nykredit Bank A/S (the "Joint-Lead Managers") that this Prospectus is true, accurate and complete in all material respects and is not misleading; that any opinions and intentions expressed herein are honestly held, are based on reasonable assumptions and are not misleading; that there are no other facts in relation to the information contained or incorporated by reference in this Prospectus the omission of which would, in the context of the issue of the Notes, make any statement herein or opinions or intentions expressed herein misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

**No person has been authorised by the Issuer or any Joint-Lead Manager to give any information or to make any representation other than those contained in this Prospectus in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any Joint-Lead Manager.**

**No representation or warranty is made or implied by the Joint-Lead Managers or any of their respective affiliates, and neither the Joint-Lead Managers nor any of their respective affiliates (other than the Issuer) makes any representation or warranty or accepts any responsibility, as to the accuracy or completeness of the information contained in this Prospectus. Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Group since the date hereof, that there has been no adverse change in the financial position of the Issuer or the Group since the date hereof, that the information contained in this Prospectus is true subsequent to the date hereof or that any other information supplied in connection with the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.**

**The distribution of this Prospectus and the offering, sale and/or delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint-Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers and sales of Notes and on distribution of this Prospectus, see "Subscription and Sale".**

**This Prospectus does not constitute an offer of, or an invitation by or on behalf of the Issuer, the Joint-Lead Managers or any of them to subscribe for or purchase, any Notes.**

**IN CONNECTION WITH THE ISSUE OF THE NOTES, GOLDMAN SACHS INTERNATIONAL AS STABILISING MANAGER (THE "STABILISING MANAGER") (OR PERSONS ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. SUCH STABILISING OR OVER-ALLOTMENT SHALL BE CONDUCTED IN ACCORDANCE WITH ALL APPLICABLE LAWS, REGULATIONS AND RULES.**

**In this Prospectus, unless otherwise specified or the context otherwise requires, references to “euro”, “EUR” or “€” are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union (as amended from time to time) and “Danish Kroner”, “Kr” and “DKK” are to the lawful currency of the Kingdom of Denmark.**

## RESPONSIBILITY STATEMENT

### The Issuer's responsibility

The Issuer is responsible for this Prospectus in accordance with Danish law.

### Responsible persons

The following persons are responsible for this Prospectus on behalf of the Issuer:

#### *Board of Directors*

Steffen Kragh  
(Chairman, CEO)

Merete Eldrup  
(Deputy Chairman, CEO)

Nina Smith  
(Professor)

Hans Bang-Hansen  
(Farmer)

Erling Bech Poulsen  
(Farmer)

Anders C. Obel  
(CEO)

Michael Demsitz  
(CEO)

Helge Leiro Baastad  
(CEO)

Bent Naur  
(Former bank CEO)

Per W. Hallgren  
(CEO)

Allan Kristiansen  
(Elected by the employees, Chief Relations  
Manager)

Leif Vinther  
(Elected by the employees, Chairman of Staff  
Association)

Marlene Holm  
(Elected by the employees, Adviser)

Olav Brusen Barsøe  
(Elected by the employees, Deputy Chairman of  
Staff Association)

Inge Sand  
(Elected by the employees, Adviser)

who have pursuant to a board resolution passed on 11 May 2016 authorised that two members of the Executive Board may jointly sign this Prospectus and any future addenda. The members of the Executive Board are:

Michael Rasmussen  
(Group Chief Executive)

Søren Holm  
(Group Managing Director)

Kim Duus  
(Group Managing Director)

Anders Jensen  
(Group Managing Director)

**The Issuer's statement**

We hereby declare that we, as the persons responsible for this Prospectus on behalf of the Issuer, have taken all reasonable care to ensure that, to the best of our knowledge and belief, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of its contents.

Copenhagen, 8 July 2016

Kim Duus  
(Group Managing Director)

Søren Holm  
(Group Managing Director)

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## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations in relation to the Notes. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*Factors which the Issuer believes may be material for the purpose of assessing the market risks associated with the Notes are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in the Notes, but the Issuer may be unable to pay interest, principal or other amounts on or in connection with the Notes for other reasons and the Issuer does not represent that the statements below regarding the risks of holding the Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Prospectus (including any documents incorporated by reference herein) and reach their own views prior to making any investment decision.*

*If one or more of the risks described below materialize, the investors may lose some or all of their investment in the Notes.*

### **Factors that may affect the Issuer's ability to fulfil its obligations under the Notes**

#### *General*

The Issuer is exposed to a number of risks in connection with its business activities. If the Issuer fails to manage this exposure, it may incur financial losses and its reputation may be damaged. In the Issuer's view, efficient risk management is a crucial precondition for competent financial business management, and risk management is therefore seen as one of the Issuer's core competencies. The Issuer's Board of Directors determines the Issuer's overall risk tolerance, and issues instructions and guidelines for measuring, monitoring and reporting risk. The Issuer defines and manages exposure to the following main types of risk:

#### *Credit risk*

Credit risk is defined as the failure of any borrower, bond issuer or counterparty to honour its payment obligations to the Nykredit Realkredit Group. Credit risk is chiefly related to the Issuer's lending activities and to a lesser degree the Issuer's trading and investing activities. The Group Credits division of the Nykredit Realkredit Group monitors credit risk and provides management with reports on a current basis.

Traditional credit risk stems from the loan portfolio, undrawn credit facilities, guarantees and investments. The Issuer has a counterparty risk in connection with financial derivatives in the form of outstanding positive market value, which depends on market factors. The counterparty risk on financial derivatives is reduced through netting agreements and margin calls in accordance with standard documentation such as the International Swaps and Derivatives Association ("**ISDA**") and the International Capital Market Association ("**ICMA**") with major counterparties.

Settlement and delivery risk derives from securities, derivatives and foreign exchange trading. In order to reduce the risk of foreign exchange-related transactions, the Issuer participates in the Continuous Linked Settlement cooperation as a third-party member, which ensures that no payment transfers are made until opposite payments have been registered.

The Issuer's credit policy guidelines are laid down in the Board of Directors' credit instructions. The purpose of the credit policy is to ensure that the Issuer does not assume risk in connection with counterparties or sectors which is not within the risk limits laid down. As a result of the credit policy, the Issuer is mainly exposed to Danish counterparties and to other OECD-based counterparties. The Issuer has only limited exposure to non-OECD counterparties.

Adverse changes in the credit quality of the Issuer's borrowers or other counterparties could affect the recoverability and value of the Issuer's assets and require an increase in provisions made for bad and doubtful debts and other provisions.

Given that the Issuer's loans in its capital centres are secured by mortgages over real property, the credit risk may partly be related to the performance of the real estate and housing markets primarily in Denmark but also in other countries where the Issuer operates or will operate in future.



There can be no guarantees regarding the future development of the value of the collateral. Should the prices of real property and the housing market substantially decline, this could affect the Issuer's financial position and, in turn, its ability to service the Notes.

There are many circumstances that affect the level of credit loss, early repayments, withdrawals and final payments of interest and principal amounts, such as changes in the economic climate, both nationally and internationally, and changes regarding taxation, interest rate developments, inflation and/or the political environment. Borrowers may default on their loans as a result of interest rate increases or as a result of adverse developments in their personal circumstances, such as a redundancy or divorce. Defaults by borrowers could jeopardise the Issuer's ability to make payments in full or on a timely basis on the Notes.

#### *Market risk*

Market risk is defined as the risk of a loss prompted by unfavourable fluctuations in interest rates, foreign exchange rates and equity prices. The Issuer's overall risk limits are laid down in the Board of Directors' market risk instructions. The Board of Directors has delegated market risk limits to the Group Executive Board, which has in turn delegated the limits to the various trading units within the Issuer.

Market risk is monitored on an intra-daily basis in an integrated system. Risk limits are laid down both in general – in the form of Value-at-Risk ("**VaR**") – and in respect of gross/net positions, volatility and gamma risk. The Issuer's exposure to equity price risk is limited.

Fluctuations in the debt, foreign exchange or equity markets may affect the market value and liquidity of the Issuer's assets. In addition, the occurrence of such events may have an adverse impact on the revenue generated from the Issuer's primary activities.

#### *Liquidity risk*

Liquidity risk is defined as the risk of markedly higher funding costs and/or inability to honour payments when due. Currently, the Issuer's lending is primarily funded by the issue of match-funded covered bonds, but the Issuer may also fund its lending by non-match-funded bond issues. Fixed-rate bond loans have the same funding throughout the loan term. The funding of adjustable-rate mortgage loans is not the same throughout the loan term; they are funded by bonds with maturities between 1 and 11 years. On refinancing, loan rates are adjusted to the yield-to-maturity of the bonds sold for the purpose of refinancing. The liquidity risk is therefore primarily limited to the risk that borrowers do not make timely interest or principal payments on the loans. The Board of Directors' liquidity instructions include liquidity risk limits for the Issuer.

In the case of loans that are not match-funded the Issuer seeks to hedge its liquidity risk by entering into derivative contracts in accordance with the rules of the Danish Executive Order on Bond issuance, balance principle and risk management (executive order no. 1425 of 16 December 2014) (the "**Executive Order on Bonds**"), the balance principle and risk management to the extent that the Issuer has access to derivatives counterparties with sufficiently high credit ratings. Any financial difficulties of a derivatives counterparty may affect its ability to honour its contractual obligations to the Issuer.

#### *Risk pertaining to implementation of new regulation*

In December 2010, the Basel Committee on Banking Supervision adopted proposals imposing stricter capital and liquidity requirements ("**Basel III**"). On 20 July 2011, the European Commission presented a proposal to revise the CRD, including implementation of Basel III in the EU. The final legislative documents were published in the Official Journal of the European Union on 27 June 2013 (CRD IV, which was implemented in the Danish Financial Business Act, and the CRR, which is a regulation and thus directly applicable) and came into effect on 1 January 2014.

The implementation of CRD IV and the CRR has resulted in continuous phasing in of stricter requirements for Nykredit's liquidity and capital positions. If Nykredit fails to meet these stricter requirements, it could result in supervisory sanctions from the Danish Financial Supervisory Authority and in a worst-case scenario revocation of Nykredit's licence to carry on mortgage banking. Revocation of Nykredit's licence to carry on mortgage banking may affect Nykredit's ability to fulfil its obligations under the Notes.

Further, if Denmark should join the European Banking Union, it is most likely that Nykredit will be supervised by the European Central Bank rather than the Danish Financial Supervisory Authority from the start of the membership due to Nykredit's designation as a Danish systematically important financial institution ("**SIFI**").

On 2 July 2014, Directive 2014/59/EU on the recovery and resolution of failing credit institutions (“**BRRD**”) entered into force. The BRRD has been implemented into Danish law. The BRRD is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of the institution’s critical financial and economic functions, while minimising the impact of the institution’s failure on the economy and financial system.

The BRRD (and also the Danish implementation of BRRD) contains four resolution tools and 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: (i) sale of business - which enables resolution authorities to direct the sale of the firm or the whole or part of its business on commercial terms; (ii) bridge institution - which enables resolution authorities to transfer all or part of the business of the firm to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control); (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 - which gives resolution authorities the power to write down certain claims of unsecured creditors of a failing institution and to convert certain unsecured debt claims to equity (the “**general bail-in tool**”), which equity could also be subject to any future application of the general bail-in tool.

In the Danish implementation of BRRD, the general bail-in tool is, however, not applicable to Danish mortgage banks such as the Issuer. In addition, the minimum requirement of eligible liabilities as referred to in the BRRD and relevant implementing legislation in Denmark does not apply to Danish mortgage banks such as the Issuer.

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 the public equity support and temporary public ownership tools. Any such extraordinary financial support must be provided in accordance with the EU state aid framework.

An institution will be considered as failing or likely to fail when: 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; it is, or is likely in the near future to be, unable to pay its debts as they fall due; or it requires extraordinary public financial support (except in limited circumstances).

In connection with the Danish implementation of BRRD, it was adopted that all Danish mortgage banks must have a debt buffer calculated on the basis of the total unweighted lending of the individual mortgage bank. The implementation of the debt buffer is a political agreement, and the debt buffer requirement must be evaluated until 2018. If such evaluation results in a higher requirement than the agreed 2%, it may have an impact on Nykredit’s financial position.

The powers set out in the BRRD will impact how credit institutions and investment firms are managed as well as, in certain circumstances, the rights of creditors. The exercise of any power under the BRRD (and also the Danish implementation of BRRD) or any suggestion of such exercise could, therefore, materially adversely affect the rights of Noteholders, the price or value of their investment in the Notes and/or the ability of the Issuer to satisfy its obligations under the Notes.

Concurrently with the BRRD, the Financial Stability Board published a proposal for a minimum standard for total loss-absorbing capacity of a global systemically important bank. If the proposal is adopted as presented, it may give rise to similar requirements for national SIFIs. Consequently, the Issuer may also become subject to requirements for loss-absorbing capital.

There is a risk that the capital requirements for the Issuer will change further in the coming years. First, specific discussions are taking place at the Basel Committee and at the European Banking Authority (“**EBA**”) which may result in the introduction of minimum risk weights for home loans and other loans. Secondly, a new capital floor is in the pipeline for IRB institutions in 2017. This is likely to be based on the Basel Committee’s proposal for a new standardised approach for credit risk, which was published in December 2015. Thirdly, the EBA is working on technical standards on model calculations for IRB institutions. Each of the said regulatory measures will lead to increased capital requirements for lending with a low risk of loss, including especially mortgage lending.

### *Risk pertaining to regulatory capital*

The Issuer is supervised by the Danish Financial Supervisory Authority, and is subject to minimum statutory capital levels comparable with those of other banks in Western Europe. Non-compliance with capital requirements may result in administrative actions or sanctions against the Issuer, which may affect the Issuer's ability to fulfil its obligations under the Notes.

### *Risk pertaining to the use of risk models*

Nykredit uses internal ratings-based risk models to determine risk-weighted assets and credit risk. The models are in accordance with current national and international guidelines. As they are internal models, it is not certain that they capture the real credit risk satisfactorily. Nykredit's internal models may be changed as a result of various factors, including changes in credit markets, changes in national or international legislation, and changes in supervision practice. Changes to the models may result in increased capital requirements for Nykredit and thereby reduce the current capital level.

### *Operational risk*

Operational risk arises from human errors and system faults, insufficient or defective internal procedures or external events. Operational risk also includes risk pertaining to reputation and strategy as well as legal risk.

Operational risk is chiefly handled by way of a comprehensive setup of office procedures and controls. Also, the setup comprises IT contingency plans. The internal audit division checks the contents of and compliance with office procedures on a continuous basis.

If any of these procedures and controls fail, the Issuer may be exposed to additional costs and liabilities.

### *Business risk*

Given that the Issuer's lending through its capital centres is secured by mortgages over real estate, the credit risk may partly pertain to the performance of the real estate and housing markets primarily in Denmark, but also in other countries where the Issuer is operating or will operate in future.

There can be no assurance regarding the future development of the value of the collateral. Should real estate and housing prices decline substantially, this could affect the Issuer's financial position and, in turn, its ability to service the Notes.

There are many circumstances that affect the level of credit losses, prepayments, redemptions and final payments of interest and principal amounts, such as changes in the economic climate, both nationally and internationally, and changes in taxation, interest rates, inflation and/or the political environment. Borrowers may default on their loans as a result of interest rate increases or an adverse development in their personal circumstances, such as unemployment or divorce. In addition, the initial interest-only period of the loans of many borrowers will expire in the coming years, which may deteriorate borrowers' finances. Borrower defaults could jeopardise the Issuer's ability to make payments in full or on a timely basis in connection with the Notes.

### *Competition in the mortgage loan business*

The mortgage loan business in Denmark is very competitive. Both traditional and new lenders advertise extensively and use targeted marketing and loyalty schemes in an effort to expand their presence in, or to facilitate their entry into, the market and compete for customers. Increased competition may adversely impact the Issuer's position in the market for mortgage business, which could adversely affect the Issuer's financial position and, in turn, its ability to service the Notes.

### *Limitations to the liability of the Issuer*

The Issuer shall be liable for damages resulting from any delay or default in performing its obligations if such delay or default is due to errors or negligence. Even in areas where a stricter statutory liability applies, the Issuer shall not be liable for losses due to: (i) the breakdown of/lack of access to IT systems or damage to the data of these systems which can be attributed to the events below regardless of whether the Issuer itself or an external supplier is responsible for the operation of the systems; (ii) failures in the Issuer's power supply or telecommunications, statutory intervention or administrative acts, natural disasters, war, insurrections, civil riots, sabotage, terror or vandalism (including computer viruses and hacking); (iii) strike, lockout, boycott or blockade regardless of whether the conflict is directed at or initiated by the Issuer itself or its organisation and regardless of the reason for the conflict. This shall also apply where the conflict only affects part of the Issuer; (iv) other circumstances beyond the Issuer's

control. The Issuer's exemption from liability shall not apply if: (i) the Issuer should have anticipated the factor causing the loss when the agreement or contract was concluded or (ii) should have avoided or overcome the reason for the loss; or (iii) the Issuer is liable for the factor which caused the loss pursuant to current legislation.

#### *Other risks*

The Issuer is subject to extensive legal regulation, and legal amendments may have an adverse effect on the Issuer's potential for continuing its business scope and therefore its financial position and the results of its operations. Further, if the Issuer is unable to recruit competent staff, it may have difficulties in continuing its activities.

The Issuer is operating on a consolidated market where competition is keen and new entrants may erode the business scope. This continued pressure may have an adverse impact on the Issuer's financial position and the results of its operations.

#### *Danmarks Nationalbank's fixed exchange rate policy*

The Danish Central Bank has a fixed exchange rate policy, which keeps the currency cross DKK/EUR within a fixed spread. The policy is an integrated part of the Danish Central Bank's monetary regime. Failure to maintain the fixed exchange rate policy could result in a significant change in the value of the DKK relative to the EUR, which may have an adverse effect on the Danish economy and on the results and capital structure of the Issuer.

### **Factors which are material for the purpose of assessing the market risks associated with the Notes**

#### *Notes may not be a suitable investment for all investors*

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement to this Prospectus;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments, i.e. EUR, is different from the currency in which such potential investor's financial activities are principally denominated;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

### **Risks related to the structure of the Notes**

The features of the Notes contain particular risks for potential investors. Set out below is a description of certain of such features:

#### *Loss absorption following a Resolution Event*

The Notes include a principal loss absorption feature that means that the proceeds of their issue will be available to absorb any losses of the Issuer and/or the Group upon the occurrence of a Resolution Event. The principal loss absorption feature is included as a contractual provision of the Notes as a result of the fact that the general bail-in tool (as defined under "*Risk pertaining to implementation of new regulation*" above) under the BRRD as implemented in Denmark does not apply to Danish mortgage banks such as the Issuer. The principal loss absorption feature applicable to the Notes is (A) intended to have the same effect as the general bail-in tool would have to an institution to which the general bail-in tool applies and (B) included as a contractual provision in the Terms and Conditions of the Notes as the Notes are intended to be (i) used to fulfil the debt buffer requirement of the Issuer and Totalcredit A/S pursuant to

section 125i of the Danish Financial Business Act and (ii) eligible for inclusion in the Additional Loss-Absorbing Capacity of the Issuer as described by Standard & Poor's Rating Services.

Upon the occurrence of a Resolution Event, the Outstanding Principal Amounts of the Notes may be written down permanently (in whole or in part) or the Notes may be converted (in whole or in part) into a subordinated instrument of the Issuer, all as determined by the Relevant Regulator and/or the Danish Resolution Authority, provided that all other debt instruments and other obligations of the Issuer which are expressed to rank or which rank junior to the Notes in the case of bankruptcy or liquidation of the Issuer have already fully absorbed losses of the Issuer to the extent required by the Danish Resolution Authority before any write-down or conversion of the Notes pursuant to the application of this provision.

Noteholders will lose all or a part of their investment as a result of (i) such a write-down to the Outstanding Principal Amounts of the Notes or (ii) such a conversion of the Notes to a subordinated instrument. Any such write-down or conversion is not a default in payment pursuant to the Terms and Conditions of the Notes.

Following (i) a write-down of the Outstanding Principal Amounts of the Notes or (ii) a conversion of the Notes into a subordinated instrument of the Issuer, in either case as described above, the holders of Notes will be automatically deemed to waive irrevocably their right to receive, and no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of the Notes so written down or converted (such amount, the "**Written Down Amount**" or the "**Converted Amount**") or any accrued but unpaid interest on the Written Down Amount or Converted Amount.

Investors should note that any such write-down or conversion as a result of the occurrence of a Resolution Event will be irrevocable and that the holders of Notes will, following any such write-down or conversion, not be entitled (A) to any subsequent reinstatement of any Written Down Amount or any Converted Amount or (B) to receive any additional subordinated instruments or any other compensation in the event of a potential recovery of the Issuer and/or the Group.

The market price of the Notes is expected to be affected by the financial viability of the Issuer and/or the Group. Any indication that the Issuer is failing or likely to fail may have an adverse effect on the market price of the Notes.

Investors should note that, while neither a write-down of the Outstanding Principal Amounts of the Notes nor a conversion of the Notes into a subordinated instrument of the Issuer is common, the occurrence of either such event is an appreciable risk and is not limited to the liquidation or bankruptcy of the Issuer.

#### *Uncertainty in respect of the enforceability relating to the principal loss absorption feature*

The principal loss absorption feature included in the Terms and Conditions of the Notes grants broad powers and a wide discretion to the Relevant Regulator and/or the Danish Resolution Authority as to the precise scope and manner in which the loss absorption should be effected if a Resolution Event were to occur. Certain provisions of the BRRD as implemented into Danish law would apply to an application of the principal loss absorption feature. For example, according to section 49 of the Danish Act on recovery and resolution of certain financial undertakings, the Danish Resolution Authority can only exercise its powers to write down or convert the Notes as described in Condition 6 (*Loss absorption following a Resolution Event*) to the extent that the Noteholders do not incur greater losses than they would have incurred had the Issuer been wound up under normal insolvency proceedings. Moreover, section 125i, subsection 6 of the Danish Financial Business Act stipulates that the Danish Financial Supervisory Authority may require that the debt buffer requirement for a Danish mortgage bank be met in whole or in part with capital or debt instruments which contain a contractual provision providing for write down or conversion. However, unlike the general bail-in tool which applies to Danish banks, but not to Danish mortgage banks such as the Issuer, there is no explicit statutory basis for the principal loss absorption feature. The broad powers and large discretion granted to the Relevant Regulator and/or the Danish Resolution Authority and the lack of statutory basis for the principal loss absorption feature mean that there is some uncertainty in respect of (i) the enforceability of the principal loss absorption feature and (ii) the precise scope and manner in which it may be effected if a Resolution Event were to occur.

#### *The Issuer's obligations in respect of the Notes rank junior to unsubordinated creditors*

Subject to Condition 6 (*Loss absorption following a Resolution Event*), the Notes will constitute direct and unsecured debt obligations of the Issuer which rank as described in Condition 4 (*Status of the Notes*)

and, in particular, the Notes will rank junior to present or future claims of unsubordinated creditors of the Issuer.

The Issuer may issue (i) unsubordinated obligations and/or (ii) other obligations that rank or are expressed to rank pari passu with the Notes as regards the right to receive periodic payments on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer. In the event of a liquidation or bankruptcy of the Issuer, the Issuer will be required to pay its unsubordinated creditors before it can make any payments on the Notes. If this occurs, the Issuer may not have enough assets remaining after these payments are made to pay amounts due under the Notes. In addition, in the event of a liquidation or bankruptcy of the Issuer, to the extent the Issuer has assets remaining after paying its unsubordinated creditors, payments relating to other obligations of the Issuer that rank or are expressed to rank pari passu with the Notes may, if there are insufficient assets to satisfy the claims of all of the Issuer's pari passu creditors, further reduce the assets available to pay amounts due under the Notes on a liquidation or bankruptcy of the Issuer.

#### *Notes subject to redemption by the Issuer upon the occurrence of a Tax Event*

Subject as provided in the Terms and Conditions of the Notes, the Issuer may, at its option, redeem all, but not some only, of the Notes at any time at their Outstanding Principal Amounts plus accrued interest thereon upon the occurrence of a Tax Event.

An early redemption feature is likely to limit the market value of the Notes. During any period when the Issuer may elect to redeem the Notes, the market value of the Notes generally will not rise substantially above the price at which they can be redeemed.

The Issuer may be expected to redeem the Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

#### *Substitution and variation of the Notes without consent from holders of Notes*

If an Eligibility Event and/or a Rating Methodology Event has/have occurred and is/are continuing, the Issuer may, at its option, substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without any requirement for the consent or approval of the Noteholders, so that they become or remain Qualifying Notes.

Qualifying Notes are securities issued or guaranteed by the Issuer that have, inter alia, terms not materially less favourable to the Noteholders than the terms of the Notes (provided that the Issuer shall have delivered a certificate to that effect signed by two members of its Executive Board to the Fiscal Agent). There can be no assurance that, due to the particular circumstances of each Noteholder, any Qualifying Notes will be as favourable to each Noteholder in all respects or that, if it were entitled to do so, a particular Noteholder would make the same determination as the Issuer as to whether the terms of the relevant Qualifying Notes are not materially less favourable to Noteholders than the terms of the Notes.

#### *There are limited enforcement events in relation to the Notes*

The Notes will contain limited enforcement events relating to:

- (i) non-payment by the Issuer of any amounts due under the relevant Notes. In such circumstances, as described in more detail in Condition 10 (*Enforcement Events*) and subject as provided below, a Noteholder may institute proceedings in Denmark in order to recover the amounts due from the Issuer to such Noteholder; and
- (ii) the liquidation or bankruptcy of the Issuer. In such circumstances, as described in more detail in Condition 10 (*Enforcement Events*), the relevant Notes will become due and payable at their Outstanding Principal Amount, together with accrued interest thereon.

### **Risks related to Notes generally**

Set out below is a brief description of certain risks relating to the Notes generally:

#### *Meetings of holders of Notes and modification*

The Terms and Conditions of the Notes contain provisions for calling meetings of holders of Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all

holders of Notes including holders of Notes who did not attend and vote at the relevant meeting and holders of Notes who voted in a manner contrary to the majority.

The Issuer may also, subject to the provisions of Condition 17 (*Modification of Notes*), make any modification to the Notes which is not prejudicial to the interests of the Noteholders without the consent of the Noteholders. Any such modification shall be binding on the Noteholders.

#### *Change of law*

The Terms and Conditions of the Notes are subject to and based on Danish law in effect as of the date of issue of the Notes. No assurance can be given as to the impact of any possible judicial decision or change to Danish law or administrative practice, after the date of issue of the Notes.

#### *Minimum trading amount of Notes*

All trades in Notes shall be in a minimum amount of EUR 100,000 and, if more, in even multiples of EUR 1,000. If a holder of Notes holds a nominal amount in a custody account of less than EUR 100,000, such Notes may not be traded unless such holder of Notes purchases or transfers additional Notes in the custody account so that the requirements as to tradeable amounts are satisfied.

#### *Interests of the Joint-Lead Managers*

Certain of the Joint-Lead Managers and their affiliates have engaged, and may in the future, engage in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business.

### **Risks related to the market generally**

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit rating risk:

#### *The secondary market generally*

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market.

#### *Exchange rate risks and exchange controls*

The Issuer will pay principal and interest on the Notes in EUR. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than EUR. These include the risk that exchange rates may significantly change (including changes due to devaluation of EUR or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to EUR would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency-equivalent value of the principal payable on the Notes and (3) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

#### *Interest rate risks*

Investment in Notes with a fixed rate of interest involves the risk that subsequent changes in market interest rates may adversely affect the value of such Notes.

#### *Credit ratings may not reflect all risks*

S&P and Fitch are expected to assign a credit rating to the Notes. In addition, each of S&P and Fitch has assigned credit ratings to the Issuer. These ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes or the standing of the Issuer.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.

In addition, there is no guarantee that any rating of the Notes and/or the Issuer will be maintained by the Issuer following the date of this Prospectus. If any rating assigned to the Notes and/or the Issuer is revised lower, suspended, withdrawn or not maintained by the Issuer, the market value of the Notes may be reduced.

Finally, the Issuer's credit ratings may decline if the rating of the Kingdom of Denmark declines irrespective that there is no direct connection with the Issuer's activities.

*The Issuer is exposed to changing methodology by rating agencies*

The Issuer is exposed to changes in the rating methodologies applied by rating agencies. Any adverse changes of such methodologies may materially and adversely affect the Issuer's operations or financial condition, the Issuer's willingness or ability to leave individual transactions outstanding and adversely affect the Issuer's capital market standing.

*The Issuer may decline ratings and the Notes may be rated on a non-solicited basis*

To the extent permitted by a rating agency hired by the Issuer, the Issuer may decline a rating (which may include a non-investment grade rating) assigned by the hired rating agency to the Notes, which would typically delay the publication of that rating by such rating agency. In addition to ratings assigned by any hired rating agencies, rating agencies not hired by the Issuer to rate the Notes may assign unsolicited ratings. If any non-hired rating agency assigns an unsolicited rating to the Notes, there can be no assurance that such rating will not differ from, or be lower than, the ratings provided by a hired rating agency. The decision to decline a rating assigned by a hired rating agency, the delayed publication of such rating or the assignment of a non-solicited rating by a rating agency not hired by the Issuer could adversely affect the market value and liquidity of the Notes.

**Legal investment considerations may restrict certain investments**

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent the Notes (i) are legal investments for it, (ii) can be used as collateral for various types of borrowing and (iii) whether other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.



## OVERVIEW OF THE NOTES

The following description of key features of the Notes does not purport to be complete and is qualified in its entirety by the remainder of this Prospectus. Words and expressions defined in "Terms and Conditions of the Notes" below or elsewhere in this Prospectus shall have the same meanings in this description of key features of the Notes. References to a numbered "Condition" shall be to the relevant Condition in the Terms and Conditions of the Notes.

<b>Issuer:</b>	Nykredit Realkredit A/S
<b>Description:</b>	EUR 500,000,000 0.750% Senior Resolution Notes due 2021
<b>Arrangers:</b>	Nykredit Realkredit A/S and Goldman Sachs International
<b>Issuing, Fiscal and Paying Agent:</b>	Nykredit Realkredit A/S (being authorised by the VP to process and register issues in the system operated by the VP).
<b>Joint-Lead Managers:</b>	Danske Bank A/S, Goldman Sachs International, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc and Nykredit Bank A/S
<b>Issue Date:</b>	14 July 2016
<b>Issue Price:</b>	99.668%
<b>Denomination:</b>	The Notes are denominated in EUR. The Notes shall be registered in VP in multiples of EUR 1,000. All trades in Notes as well as the initial subscription for Notes shall be in a minimum amount of EUR 100,000 and, if more, in even multiples of EUR 1,000. If a Noteholder holds a nominal amount in a custody account of less than EUR 100,000, such Notes may not be traded unless such Noteholder purchases or transfers additional Notes in the custody account so that the requirements as to tradeable amounts are satisfied.
<b>Maturity date:</b>	14 July 2021
<b>Form of Notes:</b>	The Notes will be issued in dematerialised book-entry form in the electronic register of VP.
<b>Status of the Notes:</b>	<p>Subject to Condition 6 (<i>Loss absorption following a Resolution Event</i>), the Notes will constitute direct and unsecured debt obligations of the Issuer, and shall at all times rank:</p> <ul style="list-style-type: none"><li>(i) <i>pari passu</i> without any preference among themselves;</li><li>(ii) <i>pari passu</i> with any other obligations or instruments of the Issuer that rank or are expressed to rank equally with the Notes, in each case as regards the right to receive periodic payments on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer;</li><li>(iii) senior to holders of the Issuer's ordinary shares and any other obligations or capital instruments of the Issuer that rank or are expressed to rank junior to the Notes, including any obligations or capital instruments of the Issuer which constitute Additional Tier 1 Capital or Tier 2 Capital or which rank or are expressed to rank <i>pari passu</i> with Additional Tier 1 Capital or Tier 2 Capital, in each case as regards the right to receive periodic payments on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; and</li><li>(iv) junior to present or future claims of unsubordinated creditors of the Issuer.</li></ul>

The Issuer reserves the right in the future to issue other notes or capital instruments, with identical or other ranking than the Notes.

<b>Interest and Interest Payment Dates:</b>	The Notes will bear interest on their Outstanding Principal Amounts, payable annually in arrear on 14 July in each year, from (and including) the Issue Date to (but excluding) the Maturity Date at the rate of 0.750% per annum. The first payment of interest will be made on 14 July 2017 in respect of the period from (and including) the Issue Date to (but excluding) 14 July 2017.
<b>Redemption at maturity:</b>	Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their Outstanding Principal Amounts, together with accrued interest thereon, on the Maturity Date.
<b>Optional redemption by the Issuer upon the occurrence of a Tax Event:</b>	Upon the occurrence of a Tax Event, the Issuer may, at its option at any time redeem all (but not some only) of the outstanding Notes at their Outstanding Principal Amounts, together with accrued interest thereon. Such redemption is subject to, inter alia (i) the Debt Buffer Requirement of the Issuer and Totalkredit A/S and, if applicable, the MREL Requirement of the Issuer being complied with immediately following such redemption and (ii) the Issuer having notified the Relevant Regulator of such redemption.
<b>Substitution and variation:</b>	If an Eligibility Event and/or a Rating Methodology Event has/have occurred and is/are continuing, the Issuer may, at its option, substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without any requirement for the consent or approval of the Noteholders, so that they become or remain Qualifying Notes.
<b>Loss absorption following a Resolution Event:</b>	Upon the occurrence of a Resolution Event, the Outstanding Principal Amounts of the Notes may be written down permanently (in whole or in part) or the Notes may be converted (in whole or in part) into a subordinated instrument of the Issuer, all as determined by the Relevant Regulator and/or the Danish Resolution Authority, provided that all other debt instruments and other obligations of the Issuer which are expressed to rank or which rank junior to the Notes in the case of bankruptcy or liquidation of the Issuer have already fully absorbed losses of the Issuer to the extent required by the Danish Resolution Authority before any write-down or conversion of the Notes pursuant to the application of this provision.
<b>Negative pledge:</b>	None.
<b>Enforcement Events:</b>	There will be enforcement events relating only to non-payment (allowing a Noteholder to institute proceedings in Denmark in order to recover the amounts due from the Issuer to such Noteholder) and the liquidation or bankruptcy of the Issuer, provided that a Noteholder may not itself file for the liquidation or bankruptcy of the Issuer.
<b>Ratings:</b>	The Notes are expected to be rated BBB+ by S&P and A by Fitch.  A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.
<b>Representation of Noteholders:</b>	No trustee, agent or representative of the Noteholders has been appointed.
<b>Meetings of Noteholders and modifications:</b>	The Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.  The Issuer may also, subject to the provisions of Condition 17 ( <i>Modification of Notes</i> ), make any modification to the Notes which is not prejudicial to the interests of the Noteholders without the consent of the Noteholders. Any such modification shall be binding on the

Noteholders.

**Taxation:**

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Denmark or any political subdivision therein or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall, save in certain limited circumstances provided in Condition 9 (*Taxation*), be required to pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

**Governing law:**

The Terms and Conditions of the Notes shall be governed by Danish law.

**Listing:**

Application has been made to Nasdaq Copenhagen A/S for the Notes issued under the Prospectus to be listed on the official list of Nasdaq Copenhagen A/S and to be admitted to trading on Nasdaq Copenhagen A/S's regulated market.

**Selling restrictions:**

Certain selling restrictions apply in relation to sales of the Notes in the United States, the United Kingdom and Denmark.

## DOCUMENTS INCORPORATED BY REFERENCE

This Prospectus should be read and construed in conjunction with:

- (i) the audited consolidated annual financial statements of the Issuer for the financial years ended 31 December 2014 and 31 December 2015, together, in each case, with the audit report thereon;
- (ii) the unaudited consolidated interim financial statements of the Issuer for the first quarter ended 31 March 2016;
- (iii) the audited unconsolidated annual financial statements of the Issuer for the financial years ended 31 December 2014 and 31 December 2015, together, in each case, with the audit report thereon; and
- (iv) the unaudited unconsolidated interim financial statements of the Issuer for the first quarter ended 31 March 2016,

each of which has been previously published or is published simultaneously with this Prospectus. Such documents shall be incorporated in, and form part of, this Prospectus, save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

The audited annual consolidated financial statements of the Issuer for the two financial years ended 31 December 2014 and 2015, respectively, incorporated by reference herein have been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for issuers of listed bonds.

The table below sets out the relevant page references for (i) the audited consolidated and unconsolidated annual financial statements of the Issuer for the financial years ended 31 December 2014 and 31 December 2015 as set out in the relevant annual report of the Issuer for such periods (respectively, the **"2014 Annual Report of the Issuer"** and the **"2015 Annual Report of the Issuer"** and together, the **"Annual Reports of the Issuer"**) and (ii) the unaudited consolidated and unconsolidated interim financial statements of the Issuer for the first quarter ended 31 March 2016 as set out in the interim report of the Issuer for such period (the **"Interim Report of the Issuer"**). Information contained in the documents incorporated by reference other than information listed in the table below is for information purposes only and does not form part of this Prospectus.

### **Audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2015**

#### **2015 Annual Report of the Issuer**

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### **Audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2014**

#### **2014 Annual Report of the Issuer**

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**Audited unconsolidated annual financial statements of the Issuer for the financial year ended 31 December 2015**

**2015 Annual Report of the Issuer**

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**Audited unconsolidated annual financial statements of the Issuer for the financial year ended 31 December 2014**

**2014 Annual Report of the Issuer**

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**Unaudited consolidated interim financial statements of the Issuer for the first quarter ended 31 March 2016**

**Interim Report of the Issuer**

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Balance Sheet .....	Pages 27-28
Cash Flow Statement .....	Page 33
Accounting Policies.....	Page 35
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**Unaudited unconsolidated interim financial statements of the Issuer for the first quarter ended 31 March 2016**

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Balance Sheet .....	Pages 27-28
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The 2015 Annual Report of the Issuer incorporated by reference herein can be viewed online at [https://www.nykredit.com/aboutnykredit/ressourcer/dokumenter/pdf/\\_stock\\_exchange\\_2016/reakredit/nykredit-reakredit-group-annual-report-2015-110216.pdf](https://www.nykredit.com/aboutnykredit/ressourcer/dokumenter/pdf/_stock_exchange_2016/reakredit/nykredit-reakredit-group-annual-report-2015-110216.pdf).

The 2014 Annual Report of the Issuer incorporated by reference herein can be viewed online at [https://www.nykredit.com/aboutnykredit/ressourcer/dokumenter/pdf/\\_stock\\_exchange\\_2015/reakredit/nykredit-reakredit-group-annual-report-2014-050215.pdf](https://www.nykredit.com/aboutnykredit/ressourcer/dokumenter/pdf/_stock_exchange_2015/reakredit/nykredit-reakredit-group-annual-report-2014-050215.pdf).

The Interim Report of the Issuer incorporated by reference herein can be viewed online at [https://www.nykredit.com/aboutnykredit/ressourcer/dokumenter/pdf/\\_stock\\_exchange\\_2016/reakredit/nykredit-reakredit-group-q1-interim-report-2016-120516.pdf](https://www.nykredit.com/aboutnykredit/ressourcer/dokumenter/pdf/_stock_exchange_2016/reakredit/nykredit-reakredit-group-q1-interim-report-2016-120516.pdf)

The Annual Reports of the Issuer and the Interim Report of the Issuer are English translations of the original reports in the Danish language. The Issuer accepts responsibility for the English translations of the Annual Reports of the Issuer and the Interim Report of the Issuer.

## USE OF PROCEEDS

The issuance of the Notes will:

- be used to fulfil the debt buffer requirement of the Issuer and Totalkredit A/S pursuant to section 125i of the Danish Financial Business Act. The Issuer is, at the time of issuance, not subject to the minimum requirement of eligible liabilities as referred to in the BRRD and relevant implementing legislation in Denmark (the "**MREL Requirement**"). If and to the extent that the Issuer becomes subject to the MREL Requirement, the issuance of the Notes will be used to fulfil the MREL Requirement of the Issuer; and
- at the time of issuance, be eligible for inclusion in the Additional Loss-Absorbing Capacity of the Issuer as described by Standard & Poor's Ratings Services.

The proceeds of the Notes will be used for general business purposes *inter alia* supplementary collateral requirements.

The Notes will not qualify as regulatory capital according to CRD IV.

## TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes.

### 1 Introduction

#### 1.1 Notes:

The EUR 500,000,000 0.750% Senior Resolution Notes due 2021 (the "**Notes**", which expression shall in these Terms and Conditions (the "**Conditions**"), unless the context otherwise requires, include any further notes issued pursuant to Condition 18 (*Further Issues*) and forming a single series with the Notes) are issued by Nykredit Realkredit A/S, CVR no. 12719280 (the "**Issuer**").

#### 1.2 Issuing, Fiscal and Paying Agent:

Subject to Condition 12 (*Replacement of Agents*), the Issuer will perform the tasks of the issuing agent ("**Issuing Agent**"), fiscal agent ("**Fiscal Agent**") and paying agent ("**Paying Agent**"), which, as applicable, shall be defined and construed as follows:

- (i) *Issuing Agent*: the tasks of the Issuing Agent are (1) registering the Notes in the book entry system of VP Securities A/S, Weidekampsgade 14, P.O. Box 4040, DK-2300 Copenhagen S, Denmark ("**VP**") in accordance with an agreement between the Issuer and VP (effective date 19 July 1993), and (2) applying for the Notes to be listed and admitted to trading on Nasdaq Copenhagen A/S.
- (ii) *Fiscal Agent*: the tasks of the Fiscal Agent are as described in the Conditions.
- (iii) *Paying Agent*: the task of the Paying Agent is paying any amount due under the Notes in accordance with the Conditions.

### 2 Definitions and interpretation

#### 2.1 Definitions:

In the Conditions the following expressions have the following meanings:

"**Additional Tier 1 Capital**" means capital which is treated as Additional Tier 1 capital (or any equivalent or successor term) under the CRD IV requirements by the Relevant Regulator for the purposes of the Issuer;

"**ALAC**" means Additional Loss-Absorbing Capacity (or such similar nomenclature used by S&P from time to time);

"**BRRD**" means the Directive (2014/59/EU) of the European Parliament and of the Council on resolution and recovery of credit institutions and investment firms dated 15 May 2014 and published in the Official Journal of the European Union on 12 June 2014, as amended or replaced from time to time;

"**Business Day**" means a day on which the TARGET System is operating;

"**Converted Amount**" shall have the meaning ascribed to it in Condition 6.1 (*Write-down or conversion*);

"**CRD IV**" means, as the context requires, any or any combination of the CRD IV Directive, the CRR and any CRD IV Implementing Measures;

"**CRD IV Directive**" means the Directive (2013/36/EU) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013 and published in the Official Journal of the European Union on 27 June 2013, as amended or replaced from time to time;

"**CRD IV Implementing Measures**" means any regulatory capital rules or regulations or other requirements, which are applicable to the Issuer and which prescribe (alone or in conjunction with any other rules or regulations) the requirements to be fulfilled by financial instruments for their inclusion in the regulatory capital of the Issuer (on a non-consolidated or consolidated basis) to the extent required by the CRD IV Directive or the CRR, including for the avoidance of doubt any regulatory technical standards released by the European Banking Authority (or any successor or replacement thereof);



“**CRR**” means the Regulation (2013/575) of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms dated 26 June 2013 and published in the Official Journal of the European Union on 27 June 2013, as amended or replaced from time to time;

“**Danish Financial Business Act**” means the Danish Financial Business Act (Consolidated Act No. 182 of 18 February 2015, as amended from time to time);

“**Danish Resolution Authority**” means Finansiell Stabilitet and any successor or replacement thereto, or other authority having primary responsibility for the restructuring and resolution of the Issuer, as determined by the Issuer;

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest for any period of time (the “**Calculation Period**”), “Actual/Actual (ICMA)” which means:

- (i) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in such Calculation Period divided by the actual number of days in such Regular Period; and
- (ii) where the Calculation Period is longer than one Regular Period, the sum of:
  - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the actual number of days in such Regular Period; and
  - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of the actual number of days in such Regular Period;

“**Debt Buffer Requirement**” means the debt buffer requirement referred to in section 125i of the Danish Financial Business Act;

“**Eligibility Event**” means, at any time, on or after the date of issue of the last tranche of the Notes, there is a change in the regulatory treatment of the Notes (as a result of (i) a change of laws, (ii) new laws or regulations coming into effect or (iii) a change in the interpretation or administrative practice by the Relevant Regulator) that results, or will result in, their exclusion in full from eligibility for the purposes of the Debt Buffer Requirement of the Issuer and/or Totalcredit A/S and/or the MREL Requirement (if applicable) of the Issuer;

“**Enforcement Events**” shall have the meaning ascribed to it in Condition 10 (*Enforcement Events*);

“**EUR**” means euro, the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union (as amended from time to time);

“**Interest Payment Date**” means 14 July in each year from (and including) 14 July 2017 to (and including) the Maturity Date;

“**Interest Period**” means each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

“**Issue Date**” means 14 July 2016;

“**Maturity Date**” means 14 July 2021;

“**MREL Requirement**” means the minimum requirement of eligible liabilities referred to in the BRRD and relevant implementing legislation in Denmark;

“**Noteholder**” means the Person evidenced as the owner of a Note by a book entry in the records of VP;

“**Noteholders’ Meeting**” means a Noteholders’ meeting held pursuant to Condition 14 (*Noteholders’ Meeting*);

**“Outstanding Principal Amount”** means, in respect of a Note, its principal amount or, if applicable, the outstanding principal amount less any Written Down Amount or Converted Amount and **“Outstanding Principal Amounts”** means the Outstanding Principal Amount of all of the Notes together;

**“Person”** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**“Qualifying Notes”** means, at any time, any securities issued or guaranteed by the Issuer that:

- (i) contain terms which at such time result in such securities being eligible to count towards fulfilment of the Debt Buffer Requirement of the Issuer and Totalkredit A/S, the MREL Requirement of the Issuer and the ALAC of the Issuer, in each case, to at least the same extent as the Notes prior to the relevant substitution or variation pursuant to Condition 7.4 (*Substitution and variation*); and
- (ii) carry the same rate of interest from time to time applying to the Notes prior to the relevant substitution or variation pursuant to Condition 7.4 (*Substitution and variation*); and
- (iii) have the same currency of payment, denomination, original principal amount and Outstanding Principal Amounts as the Notes prior to the relevant substitution or variation pursuant to Condition 7.4 (*Substitution and variation*); and
- (iv) rank *pari passu* with the Notes prior to the relevant substitution or variation pursuant to Condition 7.4 (*Substitution and variation*); and
- (v) shall not at such time, following the substitution or variation pursuant to Condition 7.4 (*Substitution and variation*), be subject to an Eligibility Event, a Rating Methodology Event and/or a Tax Event; and
- (vi) have terms not otherwise materially less favourable to the Noteholders than the terms of the Notes, as reasonably determined by the Issuer, and provided that the Issuer shall have delivered a certificate to that effect signed by two members of its Executive Board to the Fiscal Agent (and copies thereof will be available at the Fiscal Agent’s specified office during its normal business hours) not less than 5 Business Days prior to (x) in the case of a substitution of the Notes pursuant to Condition 7.4 (*Substitution and variation*), the issue date of the relevant securities or (y) in the case of a variation of the Notes pursuant to Condition 7.4 (*Substitution and variation*), the date such variation becomes effective; and
- (vii) if (A) the Notes were listed or admitted to trading on a regulated market immediately prior to the relevant substitution or variation, are listed or admitted to trading on a regulated market or (B) the Notes were listed or admitted to trading on a recognised stock exchange other than a regulated market immediately prior to the relevant substitution or variation, are listed or admitted to trading on any recognised stock exchange (including, without limitation, a regulated market), in either case as selected by the Issuer;

**“Rating Methodology Event”** means, at any time, on or after the date of issue of the last tranche of the Notes, there is a change in, clarification to or amendment of any relevant methodology of S&P (or in the interpretation of such methodology) as a result of which the ALAC assigned to the Notes by S&P is, in the reasonable opinion of the Issuer, reduced in full;

**“Regular Period”** means each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where **“Regular Date”** means 14 July in each year;

**“Relevant Date”** means, in relation to any payment, whichever is the later of (i) the date on which the payment in question first becomes due and (ii) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders in accordance with Condition 19 (*Notices*);

**“Relevant Regulator”** means the Danish Financial Supervisory Authority and any successor or replacement thereto, or other authority having primary responsibility for the prudential oversight and supervision of the Issuer, as determined by the Issuer;

**“Resolution Event”** means that a determination has been made by the Danish Resolution Authority that the conditions for resolution in accordance with section 4 of the Danish Act on recovery and resolution of certain financial undertakings have been satisfied;

**“S&P”** means Standard & Poor’s Credit Market Services Europe Limited (or any successor therefor);

**“Subsidiary”** means, in relation to any entity, any company which is for the time being a subsidiary within the meaning of Sections 5, 6 and 7 of Act No. 1089 of 14 September 2015 (in Danish: *Selskabsloven*) as amended;

**“TARGET System”** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

**“Tax Event”** means:

- (i) as a result of any change in the laws, regulations or rulings of Denmark or of any political subdivision thereof or any authority or agency therein or thereof having power to tax or in the interpretation or administration of any such laws, regulations or rulings which becomes effective on or after the date of issue of the last tranche of the Notes, the Issuer receives an opinion of external counsel in the Kingdom of Denmark that (A) it would be required to pay additional amounts as provided in Condition 9 (*Taxation*) or (B) it will no longer be able to obtain a tax deduction for the purposes of Danish tax for any payment of interest under the Notes; and
- (ii) (in the case of (i)(A) only) such obligation cannot be avoided by the Issuer taking reasonable measures available to it;

**“Tier 2 Capital”** means capital which is treated as a constituent of Tier 2 capital (in Danish: *supplerende kapital*) under the CRD IV requirements by the Relevant Regulator for the purposes of the Issuer;

**“Written Down Amount”** shall have the meaning ascribed to it in Condition 6.1 (*Write-down or conversion*); and

**“Written Procedure”** means a written procedure held pursuant to Condition 15 (*Written Procedure*).

## 2.2 Interpretation:

In the Conditions:

- (i) any reference to principal shall be deemed to include the Outstanding Principal Amounts, any additional amounts in respect of principal which may be payable under Condition 9 (*Taxation*) and any other amount in the nature of principal payable pursuant to the Conditions;
- (ii) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 9 (*Taxation*) and any other amount in the nature of interest payable pursuant to the Conditions; and
- (iii) any reference to a numbered “Condition” shall be to the relevant Condition in the Conditions.

## 3 Form, denomination, nominal amount, trades, transferability and title

### 3.1 Form of Notes, denomination, nominal amount and trades:

3.1.1 The Notes are issued in uncertificated and dematerialised book-entry form through VP.

3.1.2 The Notes are denominated in EUR. The Notes shall be registered in VP in multiples of EUR 1,000. All trades in Notes as well as the initial subscription for Notes shall be in a minimum amount of EUR 100,000 and, if more, in even multiples of EUR 1,000. If a Noteholder holds a nominal amount in a custody account of less than EUR 100,000, such Notes may not be traded unless such Noteholder purchases or transfers additional Notes in the custody account so that the requirements as to tradeable amounts are satisfied.

3.1.3 The ISIN code of the Notes is DK0009511537.

### 3.2 *Transferability and title:*

- 3.2.1 The Notes are freely transferable but the Noteholders may be subject to purchase or transfer restrictions with regard to the Notes under Condition 3.1.2 or under laws to which a Noteholder may be subject. Each Noteholder must ensure compliance with such restrictions at its own cost and expense.
- 3.2.2 Legal title to the Notes will pass by electronic registration in the book entry system and register maintained by VP in accordance with the rules and procedures of VP from time to time. A Noteholder shall (except as otherwise required by law) be treated as the absolute owner of the relevant Notes for all purposes and no Person shall be liable for so treating such Noteholder.
- 3.2.3 The Issuer shall, to the extent permitted under applicable regulations, including section 36.3 of the Danish Executive Order No. 819 of 26 June 2013 on Book-Entry etc. of Investment Securities with a Central Securities Depository, have access on demand to static data and ownership of the Noteholders registered in the securities register as regulated in section 36.3 of said executive order.
- 3.2.4 The Issuer may use the information referred to in Condition 3.2.3 only for the purposes of carrying out its duties and exercising its rights in accordance with the Conditions and shall not disclose such information to any Noteholder.

## **4 Status of the Notes**

### 4.1 *Status:*

Subject to Condition 6 (*Loss absorption following a Resolution Event*), the Notes will constitute direct and unsecured debt obligations of the Issuer, and shall at all times rank:

- (i) *pari passu* without any preference among themselves;
- (ii) *pari passu* with any other obligations or instruments of the Issuer that rank or are expressed to rank equally with the Notes, in each case as regards the right to receive periodic payments on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer;
- (iii) senior to holders of the Issuer's ordinary shares and any other obligations or capital instruments of the Issuer that rank or are expressed to rank junior to the Notes including any obligations or capital instruments of the Issuer which constitute Additional Tier 1 Capital or Tier 2 Capital or which rank or are expressed to rank *pari passu* with Additional Tier 1 Capital or Tier 2 Capital, in each case as regards the right to receive periodic payments on a liquidation or bankruptcy of the Issuer and the right to receive repayment of capital on a liquidation or bankruptcy of the Issuer; and
- (iv) junior to present or future claims of unsubordinated creditors of the Issuer.

The Issuer reserves the right in the future to issue other notes or capital instruments, with identical or other ranking than the Notes.

### 4.2 *No right of set-off or counterclaim:*

No Noteholder, who shall in the event of the liquidation or bankruptcy of the Issuer be indebted to the Issuer, shall be entitled to exercise any right of set-off or counterclaim against moneys owed by the Issuer in respect of the Notes held by such Noteholder.

## **5 Interest**

### 5.1 *Interest rate:*

The Notes bear interest on their Outstanding Principal Amounts at a fixed rate of 0.750% per annum from (and including) the Issue Date to (but excluding) the Maturity Date. Interest shall be payable annually in arrear on each Interest Payment Date, subject in any case as provided in Condition 8 (*Payments*).

5.2 *Accrual of interest:*

Interest in respect of any period is calculated on the basis of the Day Count Fraction. Each Note will cease to bear interest from the due date for final redemption unless payment of the Outstanding Principal Amounts on the Maturity Date is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until the day on which all sums due in respect of such Note up to that day are paid to the Noteholder shown in the relevant records of VP in accordance with, and subject to, the rules and regulations from time to time governing VP.

## **6 Loss absorption following a Resolution Event**

6.1 *Write-down or conversion:*

Upon the occurrence of a Resolution Event, the Outstanding Principal Amounts of the Notes may be written down permanently (in whole or in part) or the Notes may be converted (in whole or in part) into a subordinated instrument of the Issuer, all as determined by the Relevant Regulator and/or the Danish Resolution Authority, provided that all other debt instruments and other obligations of the Issuer which are expressed to rank or which rank junior to the Notes in the case of bankruptcy or liquidation of the Issuer have already fully absorbed losses of the Issuer to the extent required by the Danish Resolution Authority before any write-down or conversion of the Notes pursuant to the application of this provision.

Following a write-down of the Outstanding Principal Amounts of the Notes or a conversion of the Notes into a subordinated instrument of the Issuer, in either case as a result of the application of this Condition 6.1, the Noteholders will be automatically deemed to waive irrevocably their right to receive, and no longer have any rights against the Issuer with respect to, repayment of the aggregate principal amount of the Notes so written down or converted (such amount, the "**Written Down Amount**" or the "**Converted Amount**") or any accrued but unpaid interest on the Written Down Amount or Converted Amount.

The application of this Condition 6.1 is not a default in payment pursuant to the Conditions.

6.2 *Effect:*

A write-down or conversion as described in Condition 6.1 will take effect on the date and in the manner determined by the Relevant Regulator and/or the Danish Resolution Authority.

6.3 *Notice:*

- (i) Upon the occurrence of a Resolution Event or as soon as the Issuer becomes aware that a Resolution Event may or will occur; and
- (ii) upon any write-down or conversion of the Notes as a result of the application of Condition 6.1 (*Write-down or conversion*) or as soon as the Issuer becomes aware that any such write-down or conversion may or will occur,

the Issuer shall promptly give notice to the Noteholders in accordance with Condition 19 (*Notices*). Such notice will include: (A) in the case of a notice pursuant to (i) above, details of the relevant Resolution Event and (B) in the case of a notice pursuant to (ii) above, details of the relevant write-down or conversion.

## **7 Redemption and purchase**

7.1 *Scheduled redemption:*

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their Outstanding Principal Amounts on the Maturity Date, together with accrued interest thereon, subject as provided in Condition 8 (*Payments*).

7.2 *Early redemption upon the occurrence of a Tax Event:*

7.2.1 Upon the occurrence of a Tax Event, the Issuer may, at its option (but subject to the provisions of Condition 7.2.2) at any time and having given no less than thirty nor more than sixty days' notice to the Noteholders in accordance with Condition 19 (*Notices*) (which notice shall be irrevocable), redeem all (but not some only) of the outstanding Notes at their Outstanding Principal Amounts, together with accrued interest (if any) thereon.

7.2.2 The Notes may only be redeemed pursuant to Condition 7.2.1 if (i) the Issuer has notified the Noteholders in accordance with Condition 19 (*Notices*) within the notice period specified in

Condition 7.2.1 that such Tax Event has occurred or will occur no more than 90 days following the date fixed for redemption, as the case may be, (ii) the Issuer has delivered a certificate signed by two members of its Executive Board to the Fiscal Agent (and copies thereof will be available at the Fiscal Agent's specified office during its normal business hours) not less than 5 Business Days prior to the date set for redemption that such Tax Event has occurred or will occur no more than 90 days following the date fixed for redemption, as the case may be, (iii) the Debt Buffer Requirement of the Issuer and Totalkredit A/S and, if applicable, the MREL Requirement of the Issuer is complied with immediately following such redemption and (iv) the Issuer has notified the Relevant Regulator of such redemption.

**7.3** *Purchase:*

The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price. Such Notes may be held, resold or cancelled. The Notes so purchased, while held by or on behalf of the Issuer or such Subsidiary, shall not entitle the holder to vote at any meetings of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorum requirements at meetings of the Noteholders or for the purposes of Condition 13 (*Decisions by Noteholders*).

**7.4** *Substitution and variation:*

7.4.1 Subject to having given no less than thirty nor more than sixty days' notice to the Noteholders (in accordance with Condition 19 (*Notices*)) and the Fiscal Agent, if an Eligibility Event and/or a Rating Methodology Event has/have occurred and is/are continuing, the Issuer may, at its option, substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without any requirement for the consent or approval of the Noteholders, so that they become or remain Qualifying Notes.

7.4.2 Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the Noteholders can inspect or obtain copies of the new terms and conditions of the Qualifying Notes. Such substitution or variation will be effected without any cost or charge to the Noteholders.

**8** **Payments**

**8.1** *Payments of principal and interest:*

Payments of principal and interest in respect of the Notes shall be made to Noteholders shown in the relevant records of VP in accordance with, and subject to, the rules and regulations from time to time governing VP.

**8.2** *Payments subject to fiscal laws:*

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

**8.3** *Payments on Business Days:*

If the due date for payment of any amount in respect of any Note is not a Business Day, the Noteholder shall not be entitled to payment of the amount due until the next succeeding Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

**9** **Taxation**

**9.1** *Gross up:*

All payments of principal and interest in respect of the Notes by or on behalf of the Issuer shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of Denmark or any political subdivision therein or any authority or agency therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in relation to any payment in respect of any Note:

- (i) to, or to a third party on behalf of, a Noteholder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of it having some connection with Denmark other than the mere holding of the Note or the receipt of principal, interest or other amount in respect of such Note; or
- (ii) where a claim for payment is made by the Noteholder more than thirty days after the Relevant Date, except to the extent that the relevant Noteholder would have been entitled to such additional amounts on claiming payment on or before the expiry of such period of thirty days.

9.2 *Taxing jurisdiction:*

If the Issuer becomes subject at any time to any taxing jurisdiction other than Denmark, references in the Conditions to Denmark shall be construed as references to Denmark and/or such other jurisdiction.

**10 Enforcement Events**

The following events or circumstances (each an “**Enforcement Event**”) shall be enforcement events in relation to the Notes:

- (i) if the Issuer shall fail to meet its payment obligations under the Notes and such payment obligations are not met within seven Business Days after the Issuer has received notice thereof, any holder may, at its own discretion and without further notice, institute proceedings in Denmark in order to recover the amounts due from the Issuer to such holder, provided that a holder may not at any time file for liquidation or bankruptcy of the Issuer. Any holder may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce any obligation, condition or provision binding on the Issuer under the Notes, provided that the Issuer shall not by virtue of the institution of any proceedings be obliged to pay any sum or sums sooner than the same would otherwise have been payable by it; and
- (ii) if an order is made or an effective resolution is passed for the liquidation or bankruptcy of the Issuer, then the Notes shall become due and payable at their outstanding principal amount together with interest (if any) accrued to such date.

**11 Prescription**

Claims against the Issuer for payment in respect of the Notes shall be subject to limitation under the Danish Limitation Act (in Danish: *lov om forældelse af fordringer*) and shall become void unless proceedings have been commenced or the limitation period has otherwise been suspended or interrupted pursuant to the rules of the Danish Limitation Act within 10 years (in the case of principal) or three years (in the case of interest) from the date when the creditor was entitled to claim payment within the meaning of section 2 of the Danish Limitation Act.

**12 Replacement of Agents**

The Issuer reserves the right at any time to appoint an additional or successor fiscal agent or paying agent; provided, however, that:

- (i) the Issuer shall at all times maintain a Fiscal Agent;
- (ii) the Issuer shall at all times maintain a Paying Agent (which may be the Fiscal Agent) which is authorized to act as an account holding institution with VP; and
- (iii) if and for so long as the Notes are admitted to listing and/or to trading and/or quotation on any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent (which may be the Fiscal Agent) with a registered office in the place required by such listing authority, stock exchange and/or quotation system.

**13 Decisions by Noteholders**

13.1 *Powers of meetings:*

13.1.1 A Noteholders' Meeting or a Written Procedure shall, subject to the Conditions, have power:

- (a) to sanction any proposal by the Issuer for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Noteholders against the Issuer, whether or not those rights arise under the Notes;

- (b) to sanction the exchange or substitution for the Notes of, or the conversion of the Notes into, shares, notes or other obligations or securities of the Issuer or any other entity;
  - (c) to assent to any modification of the Notes or the Conditions proposed by the Issuer;
  - (d) to appoint and elect a representative on behalf of the Noteholders pursuant to the Danish Securities Trading Act;
  - (e) to appoint any Persons (whether Noteholders or not) as a committee or committees to represent the Noteholders' interests and to confer on them any powers or discretions which the Noteholders could themselves exercise; and
  - (f) to approve the substitution of any entity for the Issuer (or any previous substitute) as principal debtor under the Notes or the Conditions.
- 13.1.2 The Issuer or the Fiscal Agent shall upon request provide the convening Noteholder(s) with the information available in the securities register kept by VP in respect of the Notes in order to convene and hold the Noteholders' Meeting or a Written Procedure, as the case may be.
- 13.1.3 Decisions to be taken by the Noteholders may be dealt with, at the option of the Issuer, at a Noteholders' Meeting or by way of a Written Procedure.
- 13.1.4 A Noteholders' Meeting will be held in accordance with the procedure pursuant to Condition 14 (*Noteholders' Meeting*).
- 13.1.5 A Written Procedure will be held in accordance with the procedure pursuant to Condition 15 (*Written Procedure*).
- 13.2 *Attendance:*
- 13.2.1 At the Noteholders' Meeting, each Noteholder must document its holdings of Notes by presenting a custody account statement from VP or an authorised account institution evidencing that such Noteholder was registered as a Noteholder on the Business Day specified in the notice pursuant to Condition 14.1.2. The following may attend and speak at a Noteholders Meeting:
- (a) Noteholders and proxies;
  - (b) the chairman; and
  - (c) the Issuer, the Issuing Agent, the Fiscal Agent (through their respective representatives) and their respective financial and legal advisers.
- 13.2.2 No one else may attend or speak.
- 13.3 *Chairman:*  
The chairman of the Noteholders' Meeting shall be such person as the Issuer may nominate or, if no nomination is made, the person elected by the Noteholders present at such meeting.
- 13.4 *Voting rights:*
- 13.4.1 Each Noteholder holds one vote for each Note. The Issuer has no voting rights in respect of Notes held by the Issuer or any of its Subsidiaries.
- 13.4.2 Only a person who is, or who has been provided with a power of attorney from a person who is, registered as a Noteholder:
- (a) on the date falling on the immediately preceding Business Day to the date of the Noteholders' Meeting being held, in respect of a Noteholders' Meeting; or



- (b) on the Business Day specified in the communication pursuant to Condition 15.1 (*Instigating a Written Procedure*), in respect of a Written Procedure,

may exercise voting rights as a Noteholder at such Noteholders' Meeting or in such Written Procedure.

13.5 *Percentage of Noteholders required to consent:*

13.5.1 The following matters shall require the consent of Noteholders representing at least 75% of the Outstanding Principal Amounts of Notes for which Noteholders are voting at a Noteholders' Meeting or for which Noteholders reply in a Written Procedure in accordance with the instructions given pursuant to Condition 15.1 (*Instigating a Written Procedure*):

- (a) a change to the terms of any provision of Condition 4 (*Status of the Notes*) and/or Condition 6 (Loss absorption following a Resolution Event);
- (b) a reduction of the amount payable upon the redemption or repurchase of any Note pursuant to Condition 7 (*Redemption and purchase*) other than as permitted or required by the Conditions;
- (c) a change to the interest rate or the nominal amount of the Notes (other than as permitted or required by the Conditions);
- (d) a change to the terms dealing with the requirements for Noteholders' consent set out in this Condition 13.5.1;
- (e) a change of Issuer (other than as permitted or required by the Conditions), an extension of the tenor of the Notes or any delay of the due date for payment of any principal or interest on the Notes;
- (f) a mandatory exchange of the Notes for other securities (other than as permitted by the Conditions); and
- (g) early redemption of the Notes, other than upon an acceleration of the Notes pursuant to Condition 10 (*Enforcement Events*) or as otherwise permitted or required by the Conditions.

13.5.2 Any matter not covered by Condition 13.5.1 above shall require the consent of Noteholders representing more than 50% of the Outstanding Principal Amounts of the Notes for which Noteholders are voting at a Noteholders' Meeting or for which Noteholders reply in a Written Procedure.

13.6 *Quorum:*

13.6.1 A quorum at a Noteholders' Meeting or in respect of a Written Procedure only exists if a Noteholder (or Noteholders) representing at least 50% of the Outstanding Principal Amounts of the Notes in case of a matter pursuant to Condition 13.5.1, and otherwise 20% of the Outstanding Principal Amounts of the Notes outstanding:

- (a) if at a Noteholders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or
- (b) if in respect of a Written Procedure, reply to the request.

13.6.2 No resolution may be passed if it is clear that that resolution is likely to give certain Noteholders or others an undue advantage over other Noteholders.

13.7 *Issuer's, Paying Agent's, Issuing Agent's or the Fiscal Agent's consent required:*

13.7.1 Any decision which extends or increases the obligations of the Issuer, the Paying Agent, the Issuing Agent or the Fiscal Agent or limits, reduces or extinguishes the rights or benefits of the Issuer, the Paying Agent, the Issuing Agent or the Fiscal Agent under the Notes shall be subject to the Issuer's, the Paying Agent's, the Issuing Agent's or the Fiscal Agent's consent, as the case may be.

- 13.8 *Decisions binding on all Noteholders and information to Noteholders:*
- 13.8.1 A matter decided at a duly convened and held Noteholders' Meeting or by way of Written Procedure is binding on all Noteholders, irrespective of them being present or represented at the Noteholders' Meeting or responding in the Written Procedure. The Noteholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Noteholders.
- 13.8.2 Information about decisions taken at a Noteholders' Meeting or by way of a Written Procedure shall promptly be notified to the Noteholders, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Noteholders' Meeting or Written Procedure shall at the request of a Noteholder be sent to it by the Issuer.
- 13.9 *Minutes:*
- 13.9.1 Minutes shall be made of all resolutions and proceedings at every Noteholders' Meeting or Written Procedure and, if purporting to be signed by the chairman of that meeting or of the next succeeding meeting, shall be conclusive evidence of the matters in them. Until the contrary is proved, every meeting for which minutes have been so made and signed shall be deemed to have been duly convened and held and all resolutions passed or proceedings transacted at it to have been duly passed and transacted.

#### **14 Noteholders' Meeting**

- 14.1 *Convening a Noteholders' Meeting:*
- 14.1.1 The Issuer may at any time, and shall, if so requested by a Noteholder (or Noteholders) representing at least 10% of the Outstanding Principal Amounts of the Notes convene a Noteholders' Meeting or initiate a Written Procedure. The Issuer may refrain from convening a Noteholders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any Person in addition to the Noteholders and such Person has informed the Issuer that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable laws.
- 14.1.2 The Issuer shall call the Noteholders by notice to each Noteholders' Meeting no later than 14 days after having received request to convene such Noteholders' Meeting from the Noteholders containing the subject of such meeting. If the Issuer does not call the Noteholders' Meeting within the deadline, the Noteholders shall be entitled to call the Noteholders' Meeting.
- 14.1.3 The notice pursuant to Condition 14.1.2 shall include the following: (i) time for the Noteholders' Meeting, (ii) place for the Noteholders' Meeting, (iii) agenda for the meeting (including each request for a decision by the Noteholders) and (iv) a form of power of attorney. Only matters that have been included in the notice may be resolved upon at the Noteholders' Meeting. Should prior notification by the Noteholders be required in order to attend the Noteholders' Meeting, such requirement shall be included in the notice.
- 14.1.4 All Noteholder's Meetings shall be held in the Copenhagen area and the Issuer shall pay expenses associated with the meeting other than travel and other expenses incurred by the Noteholders which shall be borne by each individual Noteholder.

#### **15 Written Procedure**

- 15.1 *Instigating a Written Procedure:*
- 15.1.1 The Issuer may instigate a Written Procedure at any time by sending a communication to each such Person who is registered as a Noteholder on the third Business Day prior to the date on which the communication is sent.
- 15.1.2 A communication pursuant to Condition 15.1.1 shall include the following: (i) each request for a decision by the Noteholders, (ii) a description of the reasons for each request, (iii) a specification of the Business Day on which a Person must be registered as a Noteholder in order to be entitled to exercise voting rights, (iv) instructions and directions on replying to the request (including a form for such reply containing an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Noteholder must reply to the request (such time period to last at least fifteen (15) Business Days from the

communication pursuant to Condition 15.1.1). If the voting shall be made electronically, instructions for such voting shall be included in the communication.

15.2 *Decisions:*

15.2.1 When the requisite majority consents of the principal amount of the Notes outstanding pursuant to Condition 13.5 (*Percentage of Noteholders required to consent*) have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Condition 13.5 (*Percentage of Noteholders required to consent*) even if the time period for replies in the Written Procedure has not yet expired.

**16 Representative**

No trustee, agent or representative of the Noteholders has been appointed.

**17 Modification of Notes**

The Issuer may make, without the consent of the Noteholders:

- (i) any modification to the Notes or the Conditions to correct a manifest error; or
- (ii) any modification to the Notes or the Conditions which is not prejudicial to the interests of the Noteholders.

Subject as provided in the Conditions, no other modification may be made to the Notes or the Conditions except with the sanction of a Noteholders' Meeting or a Written Procedure or as may be required by applicable laws or a court ruling or decision by a relevant authority.

Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 19 (*Notices*) as soon as practicable thereafter.

**18 Further issues**

The Issuer may from time to time, without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest, if any, on them and/or the issue price thereof) so as to form a single series with the Notes.

**19 Notices**

Notices to the Noteholders shall be given in accordance with the procedures of VP in force from time to time and in a manner which complies with the rules of any stock exchange or other relevant authority on or by which the Notes are for the time being listed or admitted to trading. Any such notice will be deemed to have been given on the date it is published in accordance with the procedure of VP.

**20 Waiver and remedies**

No failure to exercise, and no delay in exercising, on the part of a Noteholder, any right in the Conditions shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or future exercise thereof or the exercise of any other right. Rights hereunder shall be in addition to all other rights provided by law. No notice or demand given in any case shall constitute a waiver of rights to take other action in the same, similar or other instances without such notice or demand.

**21 Governing law and jurisdiction**

21.1 *Governing law:*

The Conditions and the Notes shall be governed by, and construed in accordance with, Danish law.

21.2 *Danish courts:*

The courts of Denmark shall have exclusive jurisdiction to settle any dispute arising from or connected with the Conditions and the Notes.

These Terms and Conditions of the Notes have been approved by the Issuer on 8 July 2016.

For and on behalf of Nykredit Realkredit A/S:

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Name: Kim Duus  
Title: Group Managing Director

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Name: Søren Holm  
Title: Group Managing Director

## DESCRIPTION OF THE ISSUER

### Background

The Danish mortgage system is one of the oldest in the world and dates back to 1797. The Issuer has issued mortgage bonds since 1985 under the name of "Nykredit", and has issued mortgage bonds under other names and through other legal entities since 1851.

Mortgage associations were established to enable their members to reduce their borrowing costs by combining their resources and funding their members' loans through the issuance of mortgage bonds secured against real estate. The formation of mortgage associations provided a cheap and effective lending system in Denmark, and today the Danish mortgage sector contributes significantly to the Danish economy.

The mortgage credit association Nykredit (which later became the public limited company Nykredit Realkredit A/S, as described below) was established on 1 April 1985 through the merger of two other mortgage associations dating back to 1851. Nykredit operated as a mortgage association on a purely wholesale basis until 1989, providing mortgage loans to commercial and personal customers through external distribution channels. In 1989, the mortgage sector in Denmark was deregulated, and banks were authorised to form mortgage banks, and mortgage associations were authorised to convert into public limited companies.

As a result of the deregulation of the mortgage sector, Nykredit changed from a wholesale to a retail business and later expanded its activities to include banking and insurance. In 1991, Nykredit was converted from a mortgage association to a public limited company – a mortgage bank – with a holding company structure. As part of the conversion, Nykredit transferred its assets and liabilities through its holding company Nykredit Holding A/S to the mortgage bank Nykredit A/S (renamed Nykredit Realkredit A/S in 2002 i.e. the Issuer (as previously defined)), which continued the mortgage activities of the former mortgage association. Foreningen Nykredit (the "**Nykredit Association**"), the members of which were the mortgage borrowers of the mortgage association, became the sole owner of Nykredit Holding A/S at the time of conversion. In 1992, the Issuer merged with IRF Industrifinansiering providing Industriens Realkreditfond (the Industrial Mortgage Fund of Denmark) with a stake in Nykredit Holding A/S.

In 1994, the Issuer formed a wholly-owned subsidiary, Nykredit Bank A/S ("**Nykredit Bank**"), as a corporate bank, which later expanded activities to include personal customers. The Issuer and its subsidiaries are together referred to as the "**Nykredit Realkredit Group**". In 2000, the Issuer acquired the insurance company Østifterne Forsikring (later renamed Nykredit Forsikring A/S), which continued the existing insurance activities of the Nykredit Realkredit Group. Foreningen Østifterne became a shareholder of Nykredit Holding A/S.

In 2002 and 2003, the Issuer entered into a number of strategic partnerships, including with Sydbank and Spar Nord Bank, concerning the distribution of the Issuer's mortgage loans to strengthen distribution to personal customers.

To further strengthen its distribution capacity to personal customers, the Issuer acquired the mortgage bank Totalkredit A/S ("**Totalkredit**") in November 2003. Totalkredit is a mortgage bank granting mortgage loans to personal customers through a distribution network of about 58 local and regional banks. Together, these local and regional banks own the company, PRAS A/S, which became a shareholder of Nykredit Holding A/S following the Issuer's acquisition of Totalkredit.

On 2 November 2007, the Danish Financial Supervisory Authority authorised the Issuer to issue covered bonds pursuant to the then current capital requirements directive.

In October 2008, the Issuer acquired Forstædernes Bank A/S. Forstædernes Bank A/S was fully integrated in the Nykredit Realkredit Group as at 1 April 2010.

In March 2010, the Nykredit Realkredit Group sold Nykredit Forsikring A/S to Gjensidige Forsikring ASA. The parties also entered into a distribution agreement according to which the Issuer continues to supply and sell insurance products and services to its customers with Gjensidige as supplier. Personal customers

continue to be served under the Nykredit brand, whereas commercial – including agricultural – customers are served under the Gjensidige brand.

Since 1 April 2012, new mortgages to personal customers have been originated by the Issuer's sales force and issued through the Totalkredit brand.

In February 2016 Nykredit announced its plans for a listing of Nykredit Holding A/S.

The Nykredit Realkredit Group is one of the largest lenders in Denmark with a 30.5% market share of total domestic lending as at 31 December 2015 based on the MFI statistics of the Danish Central Bank (in Danish: *Danmarks Nationalbank*).

### **Ownership and legal structure**

The Issuer is a public limited company registered in Denmark with the Danish Business Authority under CVR no 12 71 92 80.

According to Article 3(2) of the Issuer's Articles of Association, the Issuer's object is to carry on mortgage banking, i.e. activities authorised under current Danish mortgage legislation. Another object is through subsidiaries to carry on other financial business, including banking and asset management. The Issuer's Memorandum of Association does not contain information on the Issuer's registration, CVR number or objects.

The Issuer's registered address is Kalvebod Brygge 1-3, DK-1780 Copenhagen V, Denmark.

The Issuer carries on business under the following secondary names: Industrikredit A/S, IRF Erhvervsfinansiering A/S, IRF Industrifinansiering A/S, IRF Industrikredit A/S, Nykredit A/S, Nykredit Industri A/S and Realkreditaktieselskabet Nykredit.

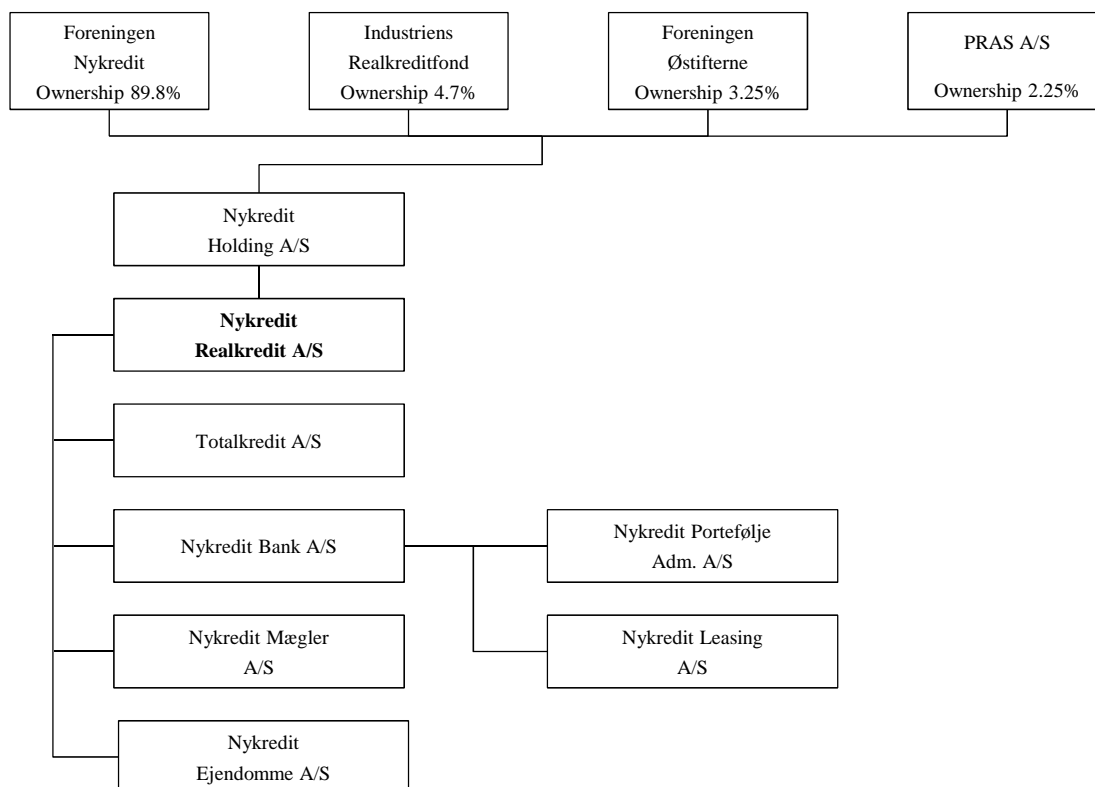
The Issuer's share capital is comprised of 11,822,157 shares, and its share capital amounts to DKK 1,182,215,700 (approx. EUR 159m) divided into shares of DKK 100. The share capital is fully paid up. The shares are registered in the names of the holders and have been entered in the Issuer's register of shareholders. No share certificates have been issued and consequently, the shares cannot be assigned to the bearer. The shares are non-negotiable and have not been divided into classes.

The Issuer is wholly-owned by Nykredit Holding A/S, the only activity of which is the ownership of the Issuer. The Nykredit Association is the largest shareholder of Nykredit Holding A/S. The business activities of the Nykredit Realkredit Group are carried on by the Issuer, which operates its mortgage business and other activities directly and also through its subsidiaries Totalkredit, Nykredit Bank, Nykredit Mægler A/S and Nykredit Ejendomme A/S.

As at the date of this Prospectus, Nykredit Holding A/S's shares were held as follows:

<b>Shareholders of Nykredit Holding A/S (%)</b>	<b>Proportion of equity holding and voting rights (%)</b>
Foreningen Nykredit.....	89.80
Industriens Realkreditfond.....	4.70
Foreningen Østifterne.....	3.25
PRAS A/S.....	2.25

The general structure of the Nykredit Realkredit Group, as at the date of this Prospectus, is set out in the following diagram:



All subsidiaries are 100 per cent. owned by the Issuer.

The Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, (act no. 959 of 21 August 2015, as amended) (the "**Danish Mortgage-Credit Loans and Mortgage-Credit Bonds Act**"), the Danish Companies Act, (act no. 1089 of 14 September 2015, as amended) (the "**Danish Companies Act**") and the Danish Financial Business Act, (act no. 182 of February 2015, as amended) (the "**Danish Financial Business Act**") lay down rules to counter a major shareholder's abuse of its control. The Issuer has not taken special measures to prevent Nykredit Holding A/S from abusing its control of the Issuer. The Issuer has no notice of any agreements that may lead to third-parties obtaining control of the Issuer.

The Nykredit Realkredit Group had total assets of DKK 1,384bn (approx. EUR 185bn) as at 31 December 2015. The Nykredit Realkredit Group's total equity amounted to DKK 65bn (approx. EUR 9bn) as at 31 December 2015 and profit before tax for the financial year ended 31 December 2015 was DKK 4,685m (approx. EUR 628m) In 2015, the Nykredit Realkredit Group had an average number of full-time staff of 3,757.

The financial position of the Issuer is dependent on the financial position of other companies in the Group, as a significant part of the assets and liabilities of the Group relate to assets and liabilities of subsidiaries of the Issuer including Nykredit Bank A/S and Totalkredit A/S.

## Key figures for the Nykredit Realkredit Group

DKK million (euro equivalent in EUR m)	2015	(EUR m)	2014	(EUR m)
Core income from business operations .....	11,945	(1,601)	11,509	(1,546)
Operating costs, depreciation and amortisation.....	5,005	(671)	5,103	(686)
Core earnings before impairment losses ...	4,752	(637)	1,386	(186)
Impairment losses on loans and advances	920	(123)	2,351	(316)
Core earnings after impairment losses.....	3,832	(514)	-965	(-129)
Investment portfolio income.....	853	(114)	779	(105)
Profit before tax. ....	4,685	(628)	-186	(-25)
Core Equity Tier 1 (CET1) / Core Tier 1 capital ratio, %.....	19.4		15.4	

Capital ratio for the Issuer	2015	2014
Core Equity Tier 1 (CET1) / Core Tier 1 capital ratio, %.....	16.5	14.7

### Authorised Nykredit business areas

The Issuer is authorised to carry on:

- mortgage lending as per the Danish Financial Business Act; and
- business as a securities dealer relating to mortgage banking activities.
- The Issuer carries on other financial business through its fully owned subsidiaries:
- mortgage lending (Totalkredit);
- banking (retail, commercial and investment banking) (Nykredit Bank);
- estate agency services (Nykredit Mægler A/S); and
- ownership and administration of office properties (Nykredit Ejendomme A/S).

### The Nykredit Realkredit Group business activities

Mortgage lending remains the core business of the Nykredit Realkredit Group. The Nykredit Realkredit Group's primary market is the Danish market for lending against mortgages over real estate. The Nykredit Realkredit Group provides mortgage loans to personal, commercial and agricultural customers. Nykredit Realkredit Group mortgage lending at nominal value totalled DKK 1,114bn (approx. EUR 150bn) as at 31 December 2015. Bank lending, including reverse transactions, totalled DKK 86bn (approx. EUR 12bn) as at 31 December 2015.

The Issuer and Totalkredit's most important business activity is lending for housing purposes. Total lending for private residential purposes represented 61.1% of the outstanding bond debt as at 31 December 2015 (as set out below):

The Nykredit Realkredit Group's nominal outstanding mortgage bond debt from lending as at 31 December 2015	Proportion (%)
Private residential property .....	61.1
Private rental .....	11.3
Office and retail.....	10.0
Agricultural property .....	8.5
Other (industry and trades, public housing, cooperative housing and other).....	9.1
Total .....	100



*Bond debt refers only to mortgage bonds and includes bonds issued under the Totalkredit brand.*

The Nykredit Realkredit Group is organised into the following business areas: Retail and Wholesale.

### **Retail**

The business area Retail comprises the Nykredit Realkredit Group's personal customers and small and medium enterprises, including agricultural customers, residential rental property and wealthy customers. The business area includes mortgage lending to the Issuer's personal customers originated via Totalkredit.

The Nykredit Realkredit Group's multi-channel strategy means that customers are served through 54 customer centres, 294 estate agencies (the Nybolig and Estate agency chains), and the nationwide sales and advisory centre, Nykredit Direkte<sup>®</sup>. Under the Nykredit brand, Retail customers are offered bank, mortgage, insurance, investment and pension products.

The Issuer also offers mortgages for private residential properties in France and Spain primarily. The customer base consists of Danish, Swedish and Norwegian citizens owning properties in France or Spain. These loans are granted in Denmark based on authorisations issued by the Danish Financial Supervisory Authority, and lending activities comply with Danish mortgage regulation.

	<b>France</b>	<b>Spain</b>	<b>Other</b>
<b>Lending as at 31 December 2015</b>	DKK 4.7bn (approx. EUR 630m)	DKK 5.4bn (approx. EUR 725m)	DKK 0.2bn (approx. EUR 27m)
<b>Share of total mortgage lending</b>	0.4 %	0.5 %	0.02 %

### **Wholesale**

The business area Wholesale comprises activities with the Nykredit Realkredit Group's corporate and institutional clients, including cooperative housing and non-profit housing. Wholesale also includes private banking clients and the activities of Nykredit Markets and Nykredit Asset Management.

About 58 banks have entered into a partnership agreement concerning distribution of mortgage loans issued by Totalkredit to their personal customers. Under the agreement, the loan-originating partner banks cover part of the credit risk on the loans through loss guarantees or set-off against commission payments from Totalkredit to the partner banks.

The Issuer offers mortgages for properties abroad owned by Danish and selected international corporate clients. The Issuer offers property finance in the UK, Norway, Sweden, Germany and Finland.

The Issuer's international mortgage lending is based on authorisations from the Danish Financial Supervisory Authority, and the lending activities are in accordance with Danish mortgage regulation.

### **Other areas of responsibility**

Responsibilities of the Chief Executive Officer include Strategy, Group Legal Affairs, HR & Corporate Communications and Marketing as well as Internal Audit.

Responsibilities of the Chief Operating Officer include IT, Production (back office), Facility Management and Procurement.

Responsibilities of the Chief Financial Officer/Chief Risk Officer include Group Finance, Group Treasury, Group Credits, Capital, Risk, as well as Valuation.

### **Capital structure**

The tables below show the Issuer's capital structure and the capital adequacy ratio of each of the Nykredit Realkredit Group and the Issuer.

## The Nykredit Realkredit Group

DKK million (Euro equivalent in EUR m)	2011	2012	2013	2014	2015
Core Equity Tier 1 (CET1) / Core Tier 1 capital.....	55,159 (7,420)	57,354 (7,688)	58,511 (7,843)	58,650 (7,880)	65,460 (8,786)
Additional Tier 1 capital .....	11,204 (1,507)	10,690 (1,433)	10,678 (1,431)	6,746 (906)	3,831 (515)
Tier 2 capital .....	200 (27)	241 (32)	237 (32)	4,463 (600)	10,820 (1,452)
Statutory deductions etc.....	-7,076 (-952)	-5,875 (-787)	-4,082 (-547)	-5,105 (-686)	-1,839 (-246)
<b>Capital base</b>	<b>59,487</b> <b>(8,002)</b>	<b>62,410</b> <b>(8,366)</b>	<b>65,344</b> <b>(8,759)</b>	<b>65,606</b> <b>(8,814)</b>	<b>74,498</b> <b>(10,000)</b>
Capital adequacy as a percentage of REA					
– capital base .....	17.1%	19.1%	18.9%	18.2%	23.9%
– Core Equity Tier 1 (CET1) / Core Tier 1 capital .....	13.9%	15.8%	15.8%	15.4%	19.4%

## The Issuer

	2011	2012	2013	2014	2015
– Core Equity Tier 1 (CET1) / Core Tier 1 capital .....	12.6%	13.6%	14.2%	14.7%	16.5%

Note. The capital structure and capital adequacy ratio is calculated in accordance with the Danish Financial Business Act.

## Ratings

The Issuer and the majority of the Group's covered securities have been rated by S&P. The Issuer has also been rated by Fitch. Each of these rating agencies is established in the European Union and registered under the CRA Regulation:

### Nykredit Realkredit Group ratings

Ratings	S&P	Fitch
Short-term unsecured rating .....	A-1	F1
Long-term unsecured rating .....	A	A
Tier 2	BBB	A-
Contingent Capital Notes (Tier 2) .....	BBB	BBB
Additional Tier 1 capital .....	BB+	BB+

A rating of a security may at any time be suspended, downgraded or withdrawn by the assigning credit rating agency. Further, the Issuer may terminate the relationship with one or more credit rating agencies.

## **Risk Management**

The Issuer's Board of Directors is responsible for defining limits to and monitoring group risk as well as approving overall instructions and policies. Risk exposures and activities are reported regularly to the Board of Directors.

The Board of Directors has assigned the day-to-day responsibility to the Group Executive Board, which has charge of implementing overall instructions. The continuous risk monitoring and management are the responsibility of committees, each chaired by a member of the Group Executive Board.

The Issuer's most important group committees are the Group Risk Committee, the Group Asset/Liability Committee and the Group Credits Committee.

The Group Risk Committee is charged with assessing all group risk and capital adequacy ratios in the Group as well as implementing the capital policy. Further, the Group Risk Committee approves measurement methods and models for all types of risk and reports risk to the boards of directors of the group companies.

The Group Asset/Liability Committee is charged with the overall asset/liability and liquidity management.

The Group Credits Committee has the overall responsibility for managing group credit risk and market risk. The committee approves or endorses all major risk exposures within the limits provided by the Board of Directors to the Group Executive Board.

The Issuer distinguishes between the following general types of risk:

- Credit risk reflects the risk of loss as a result of the non-performance of counterparties.
- Market risk reflects the risk of loss as a result of movements in financial markets (interest rate, foreign exchange, equity price, volatility risk, etc).
- Liquidity risk reflects the risk of loss as a result of insufficient liquidity to cover current payment obligations.
- Operational risk reflects the risk of loss as a result of inadequate or failed internal processes, people and systems or external events.

### **Credit risk**

The Board of Directors lays down the overall framework for loans and credits and is presented with the largest credit applications for approval or briefing on a current basis.

Within the framework laid down by the Board of Directors, the Group Executive Board sets out the policies governing the individual business areas and Treasury. On behalf of the Group Executive Board, the Group Credits Committee considers large credit applications on a current basis.

Group Credits is responsible for managing and monitoring credit risk in accordance with the guidelines laid down by the Board of Directors and the Group Executive Board. The Group Credits Committee reports on individual credit exposures. The Group Credits Committee is responsible for approving credit risk models and reporting credit risk at portfolio level.

The Issuer's local centres are authorised to decide on most credit applications in line with the Group's aim to process most credit applications locally.

Credit applications exceeding the authority assigned to the centres are processed centrally by Group Credits. The applications submitted are decided by Group Credits unless they involve exposures requiring the approval of the Group Credits Committee or the Board of Directors. The Board of Directors grants or approves loans or credit facilities that, if granted, will bring the Nykredit Realkredit Group's total exposure to any one customer over DKK 200m (approx. EUR 27m) and, subsequently, whenever the exposure exceeds multiples of DKK 100m (approx. EUR 13m).

When processing credit applications, the local centres perform an assessment of the individual customer. The assessment is based on a customer rating computed by the Nykredit Realkredit Group's own credit models. The customer rating is supplemented with an assessment of the customer's financial position and any other relevant matters. In connection with mortgage loan applications, the statutory property

valuations are also performed. The overall guidelines on customer assessment and property valuation have been prescribed by Group Credits.

When establishing limits for derivative financial products, the Nykredit Realkredit Group will often demand contracts providing the Nykredit Realkredit Group with a netting option. The contractual framework will typically be based on market standards such as the ISDA or the ICMA agreements.

All exposures of a certain size are reviewed at least once a year. This is part of the monitoring of credit exposures based on updated financial and customer information. All exposures showing signs of risk are also reviewed.

The Nykredit Realkredit Group uses a statistical model for the ongoing monitoring of market values of properties funded by covered bonds and traditional mortgage bonds. The models are applied to detached houses, terraced houses, holiday homes and owner-occupied flats that satisfy specific requirements for loan-to-value ratios, risk classification and time since the last valuation. The statistical valuations are performed centrally and supplemented by local valuations as required. As prescribed by law, market values are monitored at least once a year in respect of commercial properties and at least every third year in respect of detached houses, holiday homes and owner-occupied flats.

A substantial part of the Nykredit Realkredit Group's residential mortgage lending is originated by Danish partner banks (local and regional banks). In these cases, the partner bank performs the initial assessment of the customer and valuation of the property.

The partner banks are responsible for serving customers and hedging the loan portfolio risk. Risk is hedged by agreement with the partner banks. Under the agreement, realised losses corresponding to the cash part of a loan exceeding 60% of the mortgageable value of the property at the time of granting are offset against future commission payments from Totalkredit to the partner banks. Since June 2014 a minor part of this right of set-off has been replaced by a loss guarantee provided by the partner bank. Through the set-off agreements with the partner banks, Totalkredit offset losses in the amount of DKK 277m in 2015.

### **Credit risk models**

The Nykredit Realkredit Group uses internal models for the determination of credit risk. Credit risk is determined using three key parameters: Probability of Default ("**PD**"), Loss Given Default ("**LGD**") and Exposure Value.

The models used to determine PD and LGD are built on historical data allowing for periods with low as well as high business activity. PD is therefore estimated by weighting current data against data dating back to the early 1990s. Current data carry a 40% weighting, while data from the early 1990s carry a 60% weighting. The LGD level for mortgage products is determined on the basis of loss data relating to the economic downturn in 1991-1993.

With respect to personal customers and small enterprises, PDs are determined on the basis of the customer's credit score and payment patterns. Credit scoring is a statistical calculation of the customer's creditworthiness chiefly based on the customer's financial circumstances.

With respect to other customer segments, statistical models have been developed based on conditional probabilities estimating PDs that factor in business-specific circumstances such as financial data, arrears and loan impairment as well as industry-specific conditions and the macroeconomic climate.

External ratings are used to a very limited extent in respect of a few types of counterparty for which no statistical models can be developed due to the absence of default data. External ratings are converted into PDs.

The PDs of individual customers are converted into ratings from 0 to 10, 10 being the highest rating. Customer ratings are an important element of the credit policy and customer assessment.

LGD is determined for each customer exposure. The LGDs of the majority of the Nykredit Realkredit Group's exposures are determined using internal approaches based on loss and default data. The

calculations factor in any security such as mortgages over real estate, including the type of security, its quality and ranking in the order of priority.

Mortgage banking is characterised by low LGDs as the security provided by way of mortgages over real estate offers good protection against losses. The following table shows the Nykredit Realkredit Group's mortgage lending by loan segment:

*The Nykredit Realkredit Group's mortgage lending by loan segment as at 31 December 2015*

<b>Loan segment (fair value)</b>	<b>Proportion (%)</b>
Private residential property, set-off agreements with partner banks .....	49.4
Private residential property, public authority and bank guarantees.....	1.6
Private residential property, no guarantees .....	9.7
Private rental, public authority guarantees .....	-
Private rental, no guarantees .....	7.8
Trade and industry, no guarantees.....	2.1
Office and retail, public authority guarantees .....	-
Office and retail, no guarantees.....	10.0
Agriculture, public authority guarantees. ....	-
Agriculture, no guarantees.....	8.6
Non-profit housing, public authority guarantees.....	4.5
Non-profit housing, no guarantees.....	1.3
Cooperative housing, public authority guarantees .....	0.2
Cooperative housing, no guarantees .....	3.2
Other, public authority guarantees.....	-
Other, no guarantees.....	1.5
Total mortgage lending.....	100.0

### **Market risk**

The Nykredit Realkredit Group's business activities involve a number of different market risks. The greater part of the Nykredit Realkredit Group's loan portfolio consists of match-funded mortgage loans. Mortgage lending is subject to the balance principle, which defines risk limits to all types of market risk.

The Nykredit Realkredit Group's market risk relates mainly to investment portfolios. Furthermore, the activities of Nykredit Markets and Nykredit Asset Management involve market risk.

The limits relating to market risk in the Nykredit Realkredit Group, including Value-at-Risk, interest rate, equity price, foreign exchange and volatility risk are subject to approval by the Issuer's Board of Directors. Within the limits provided by the Board of Directors, the Group Executive Board assigns or approves market risk limits for group companies. Compliance with risk limits is monitored daily and independently of the acting entities of the Nykredit Realkredit Group.

### **Market risk on mortgage lending**

The Issuer and Totalkredit's mortgage lending complies with the balance principle, which limits market risk. The legislative framework behind the balance principle is the Danish Financial Business Act, the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds Act, and the Executive Order on Bonds.

The above acts specify risk limits to all types of market risk. The Nykredit Realkredit Group's market and liquidity risk in connection with the issuance of bonds is much lower than the limits prescribed by law because practically all the Issuer's and Totalkredit's mortgage loans are match-funded, which eliminates any market risk.

More than 99% of the Nykredit Realkredit Group's mortgage loans are match-funded and have the following characteristics:

- On the granting of loans, the Issuer issues the bonds or other securities that fund the loans on a daily basis;
- The funding matching each loan is sold in the bond or derivatives market;
- The loan rate equals the yield-to-maturity of the bonds or other securities sold;
- Fixed-rate loans have fixed funding throughout the loan term. Adjustable-rate mortgage loans do not have fixed funding but are funded by bonds with maturities between 1 and 11 years. On refinancing, the loan rate is adjusted to equal the yield-to-maturity of the bonds funding the loan;
- When loans are prepaid, the matching proportion of the outstanding funding is reduced. Borrowers cover the Issuer's costs pertaining to prepayment;
- The dates for payment of interest and principal on the loans are fixed so that the Issuer receives the funds on or before the date on which the payments to bondholders fall due subject to timely payments by borrowers; and
- The Issuer's earnings margin consists of a separate administration margin, which is calculated on the basis of the debt outstanding, and it may be changed if market conditions change, for instance in loss-making periods. In addition, various fees may be charged.

In practice, these characteristics minimise the Issuer and Totalkredit's interest rate, liquidity and refinancing risk on mortgage lending and funding.

The Nykredit Realkredit Group applies a VaR model for its day-to-day management of market risk and for the determination of capital requirements and capital adequacy.

For the purpose of day-to-day business risk management, the Nykredit Realkredit Group calculates VaR at a confidence level of 99% and a time horizon of one day. VaR is calculated for both the trading book and the banking book for internal purposes. When determining capital requirements, the Issuer only calculates VaR for the trading book, whereas Nykredit Bank's calculations include both the trading book and the banking book excluding equities.

As a consequence of the Danish Executive Order on capital adequacy, the Issuer and Nykredit Bank are required to calculate a stressed VaR in addition to the current VaR for determining the capital requirement. Stressed VaR is also determined using a confidence level of 99%, but a time horizon of 10 days.

The Nykredit Realkredit Group's internal VaR was DKK 126m (approx. EUR 17m) as at 31 December 2015. According to its model, the Nykredit Realkredit Group would risk losing a maximum of DKK 126m (approx. EUR 17m) at a 99% probability in one day as a consequence of market fluctuations. The Nykredit Realkredit Group's total VaR for the determination of the capital requirement amounted to DKK 1.3bn (approx. EUR 175m) as at 31 December 2015.

### **Liquidity risk**

The overall liquidity risk of the Nykredit Realkredit Group is assessed by the Group Asset/Liability Committee, whereas day-to-day liquidity management is performed by the Group Treasury department.

The Nykredit Realkredit Group has structured its lending in a manner that ensures a high level of liquidity. The greater part of the Nykredit Realkredit Group's lending is mortgage loans funded in accordance with the balance principle. Further, lending by Nykredit Bank is generally funded by deposits.

### **Operational risk**

The business areas are responsible for the day-to-day management of operational risk. Operational risk management activities are coordinated centrally to ensure consistency and optimisation across the Nykredit Realkredit Group. The Nykredit Realkredit Group strives to limit operational risk from time to time, taking into consideration the related costs.

## Recent Developments

With effect from October 2015, Totalkredit gave banks in its distribution network the possibility to distribute loans to commercial customers in addition to personal customers. This has not led to a material effect on the financial or trading position of the Nykredit Realkredit Group.

## Legal and Arbitration Proceedings

Owing to its size and business scope, the Nykredit Realkredit Group is continuously involved in legal proceedings and litigation. The cases are subject to ongoing review, and necessary provisions are made based on an assessment of the risk of loss. Pending cases are not expected to have a significant effect on the Nykredit Realkredit Group's financial position.

## Board of Directors, Group Executive Board and Other Bodies

### *Board of Directors*

#### **Steffen Kragh**, *Managing Director and CEO, Chairman of Nykredit Realkredit A/S*

Managing Director and CEO of Egmont Fonden, Egmont International Holding A/S, Ejendomsselskabet Gothersgade 55 ApS, Ejendomsselskabet Vognmagergade 11 ApS and NKB Invest 103 ApS. Chairman of Egmont Administration A/S, Egmont Finansiering A/S, Egmont Holding A/S Lindhardt and Ringhof Forlag A/S, Nordisk Film A/S and Egmont Holding Limited. Deputy Chairman of Cappelen Damm Holding A/S, Lundbeckfonden and Lundbeckfond Invest A/S. Director of Foreningen Nykredit, Nykredit Holding A/S, Egmont Book Publishing Ltd, Egmont UK Ltd, MBG Sleeping Egmont A/S and N2L Sleeping Egmont A/S.

#### **Nina Smith**, *Professor at the School of Economics and Management, Aarhus University, Deputy Chairman of Nykredit Realkredit A/S*

Chairman of Aarhus Syposium, Dagpengekommisionen, Favrskov Gymnasium and KORA. Chairman of Foreningen Nykredit.

Director of A/S Høeghminde's Parkbebyggelse Carlsberg A/S, Carlsbergfondet, Carlsbergfondets Forskerboliger A/S, Ejendomsaktieselskabet C. F. Richsvej 99-101, Ejendomsaktieselskabet 'Haraldsborg', Ejendomsaktieselskabet 'Munken', Ejendomsaktieselskabet 'Ved Boldparken' and Ejendoms-Aktieselskabet Søborg Huse.

#### **Merete Eldrup**, *CEO, Deputy Chairman of Nykredit Realkredit A/S*

Managing Director of TV2/Danmark A/S. Chairman of TV2 BIB A/S, TV2 DTT A/S and TV2 Networks A/S. Deputy Chairman of Gyldendal A/S. Director of Rambøll Gruppen A/S, Foreningen Nykredit and Nykredit Holding A/S.

#### **Michael Demsitz**, *Managing Director*

Managing Director of Boligkontoret Danmark.

Chairman of Alment Bestyrelsesakademi and Byggeskadefonden.

Director of Foreningen Nykredit, Almen BoligNet and Boligselskabernes Landsforening.

#### **Hans Bang-Hansen**, *Farmer,*

First Deputy Mayor, Municipality of Horsens.

Chairman of Horsens Vand A/S, Horsens Vand Holding A/S, Håstrupgård ApS and Midttrafik. Director of Foreningen Nykredit and Jyske Medier A/S

Managing Director of Arnen Holding ApS, HGE Holding ApS, Håstrupgård Ejendomme ApS, LNT Invest ApS and Provstlund ApS.

#### **Anders C. Obel**, *CEO*

Managing Director of C.W. Obel A/S.

Chairman of C.W. Obel Bolig A/S, C.W. Obel Ejendomme A/S, C.W. Obel Projekt A/S, Obel-LFI Ejendomme A/S and Semco Maritime A/S.

Director of Foreningen Nykredit, Axzon A/S, Erhvervsinvest Management A/S, Fonden Det Obelske Jubilæumskollegium, Fritz Hansen A/S, Scandinavian Tobacco Group A/S, Skandinavisk Holding A/S, Skandinavisk Holding II A/S and Woodmancott Fonden.

#### **Per W. Hallgren**, *CEO*

Managing Director of Jeudan A/S

Chairman of Jeudan I A/S, Jeudan II A/S, Jeudan III A/S, Jeudan IV A/S, Jeudan V A/S, Jeudan VI A/S, Jeudan VII A/S, Jeudan VIII A/S, Jeudan IX A/S, Jeudan X A/S and Jeudan XI A/S.  
Director of Foreningen Nykredit, Daniamant ApS, Daniamant Electronics A/S, Daniamant Holding A/S, Daniamant Ltd, NTR Invest A/S, NTR Holding A/S, Ejendomsforeningen Danmark and CEPOS.

**Erling Bech Poulsen**, *Farmer*

Chairman of Foreningen Østifterne F.m.b.A.

Director of Agrovakia A/S, Axzon A/S, Kølhed Invest A/S, Polen Invest and Vandborg Karosserifabrik A/S.

Managing Director of Kølhed Holding ApS, Kølhed Invest A/S, Majbrit Poulsen Holding ApS, Malene Poulsen Holding ApS and Morten Poulsen Holding ApS,

**Bent Naur**, *former bank CEO*

Deputy Chairman of Finansiell Stabilitet A/S.

**Helge Baastad**, *CEO*

Managing Director and CEO of Gjensidige Forsikring ASA,

Chairman of Gjensidige Pensjon og Sparing holdings AS

Director of Nykredit Holding A/S and Ungt Entreprenørskab

Committee Member of Sparbanken Rogaland and Norske Skog

**Olav Brusén Barsøe**, *Deputy chairman staff of association*

Staff-elected

**Leif Vinther**, *Chairman of Staff Association*

Staff-elected director of Foreningen Nykredit.

**Inge Sand**, *Senior Adviser*

Staff-elected

**Allan Kristiansen**, *Chief Relationship Manager*

Staff-elected director of Nykredit Realkredit A/S.

**Marlene Holm**, *Political Secretary*

Staff-elected director of Foreningen Nykredit.

The address of all the members of the Issuer's Board of Directors is:

Nykredit Realkredit A/S  
Kalvebod Brygge 1-3  
DK-1780 Copenhagen V  
Tel +45 44 55 10 00

The directors have no potential conflicts of interest between their obligations to Nykredit and their private interests and/or other obligations.

*Group Executive Board*

**Michael Rasmussen**, *Group Chief Executive*

Chief Executive Officer of Nykredit Holding A/S and Foreningen Nykredit.

President of the Association of Danish Mortgage Banks, Chairman of Investeringsfonden for Udviklingslande (IFU), Chairman of Totalkredit A/S, Nykredit Bank A/S and the Investment Fund for Central and Eastern Europe (IØ).

Director of Nykredits Fond and Creditklassens Jubilæumsfond.

**Søren Holm**, *Group Managing Director*

Group Managing Director of Nykredit Holding A/S.

Chairman of Ejendomsselskabet Kalvebod A/S.

Deputy Chairman of Nykredit Bank A/S.

Director of Totalkredit A/S, VP Securities A/S and the Association of Danish Mortgage Banks.



**Kim Duus, Group Managing Director**

Group Managing Director of Nykredit Holding A/S.  
Chairman of Nykredit Portefølje Administration A/S.  
Director of Nykredit Bank A/S and Totalkredit A/S.

**Anders Jensen, Group Managing Director**

Group Managing Director of Nykredit Holding A/S.  
Chairman of Nykredit Leasing A/S, Nykredit Mægler A/S, Bolighed A/S, Swipp ApS and Swipp Holding ApS.  
Director of Nykredit Bank A/S and Totalkredit A/S, The Danish Bankers Association, Grænsefonden, Niels Brock (Copenhagen Business College) and Det Private Beredskab.

As of 1 September 2016 Mr. David Hellemann will enter the Group Executive Board as new Group Managing Director of the Issuer.

The address of all the members of the Issuer's Board of Directors is:

Nykredit Realkredit A/S  
Kalvebod Brygge 1-3  
DK-1780 Copenhagen V  
Tel +45 44 55 10 00

The members of the Group Executive Board have no potential conflicts of interest between their obligations to Nykredit and their private interests and/or other obligations.

**Board committees and corporate governance**

The Board of Directors of Nykredit Realkredit A/S has appointed an Audit Board, a Remuneration Board and a Nomination Board. Each of these boards monitors selected areas and prepares cases for review by the entire Board of Directors.

*Audit Committee*

The Audit Board is a joint audit board for the companies of the Nykredit Realkredit Group that are obliged to appoint such a board. In addition to Nykredit Realkredit A/S, these companies are Totalkredit A/S and Nykredit Bank A/S.

The Audit Board consists of Anders C. Obel, CEO (Chairman), Merete Eldrup, CEO, Per W. Halgreen, CEO and Bent Naur, Former bank CEO, who are all board members elected by the General Meeting of Nykredit Realkredit A/S. The Board of Directors of Nykredit Realkredit A/S has appointed Steffen Kragh, CEO, as an independent, proficient member of the Audit Board.

The principal tasks of the Audit Board are to monitor the financial reporting process, the effectiveness of the Nykredit Realkredit Group's internal control systems, internal audit and risk management, the statutory audit of the financial statements, and to monitor and verify the independence of the auditors.

*Remuneration Board*

The Remuneration Board consists of Steffen Kragh, CEO (Chairman), Merete Eldrup, CEO, Nina Smith, Professor and Leif Vinther, Chairman of Staff association who are all board members of Nykredit Realkredit A/S.

The principal task of the Remuneration Board is drawing up recommendations in respect of the Issuer's remuneration policy, including guidelines on incentive pay, for the approval of the Board of Directors.

Also, the Remuneration Board makes proposals for remuneration of the Committee of Representatives, the Board of Directors and the Group Executive Board. Further, it reviews and considers draft resolutions concerning staff bonus budgets and ensures that the information in the Annual Report about remuneration of the Board of Directors and the Group Executive Board is correct, fair and satisfactory.

## **Nomination Board**

The Nomination Board consists of Steffen Kragh, CEO (Chairman), Merete Eldrup, CEO, and Nina Smith, Professor, who are all board members of Nykredit Realkredit A/S elected by the General Meeting.

The Nomination Board is tasked with drawing up recommendations for the Board of Directors on the nomination of candidates for the Committee of Representatives, the Board of Directors and the Group Executive Board. In addition, the Nomination Board, which is accountable to the Board of Directors, is overall responsible for the competency profiles and continuous evaluation of the work and results of the Board of Directors and the Group Executive Board.

### *Corporate Governance*

The Board of Directors of Nykredit Realkredit A/S has decided that the Nykredit Realkredit Group should act as a listed company for external purposes, operating on sound business terms.

In consequence, the Nykredit Realkredit Group complies with the revised Recommendations on Corporate Governance of the Danish Committee on Corporate Governance subject to the adjustments that follow from its special ownership and management structure. The recommendations form part of the rules of NASDAQ OMX Copenhagen A/S (now Nasdaq Copenhagen A/S).

## TAXATION

*Persons considering the purchase, ownership or disposition of the Notes should consult their own tax advisers concerning the tax consequences in the light of their particular situations. No representations with respect to the tax consequences of any particular holder of Notes are made hereby.*

### Denmark

*The following is a summary description of the taxation in Denmark of the Notes according to the Danish tax laws in force as of the date of this Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as professional dealers in securities) may be subject to special rules. Potential investors are under all circumstances strongly recommended to contact their own tax advisor to clarify the individual consequences of their investment, holding and disposal of the Notes. The Issuer makes no representations regarding the tax consequences of purchase, holding or disposal of the Notes.*

#### *Taxation at source*

Under existing Danish tax laws no general withholding tax or coupon tax will apply to payments of interest or principal or other amounts due on the Notes, other than in certain cases on payments in respect of controlled debt in relation to the Issuer as referred to in consolidated Act No. 680 of 20 May 2015, as amended. This will not have any impact on holders of Notes who are not in a relationship whereby they control, or are controlled by, the Issuer.

#### *Resident holders of Notes*

Private individuals, including persons who are engaged in financial trade, companies and similar enterprises resident in Denmark for tax purposes or receiving interest on the Notes through their permanent establishment in Denmark are liable to pay tax on such interest.

Capital gains are taxable to individuals and corporate entities in accordance with the Danish act on taxation of debt, debt claims and financial contracts (in Danish: *Kursgevinstloven*) (the "**Act**"). Gains and losses on Notes held by corporate entities are generally included in their taxable income in accordance with a mark-to-market principle (in Danish: *lagerprincippet*), i.e. on an unrealised basis. Gains and losses on Notes held by individuals are generally included in their taxable income on a realised basis and if the annual gains or losses do not exceed DKK 2,000, the gains or losses will be exempt from taxation.

Pension funds and other entities governed by the Danish act on taxation of pension yield (in Danish: *Pensionsafkastbeskatningsloven*) would, irrespective of realisation, be taxed on annual value increase or decrease of the Notes according to a mark-to-market principle (in Danish: *lagerprincippet*) as specifically laid down in the Act.

#### *Non-Resident holders of Notes*

Under existing Danish tax laws, payments of interest or principal amounts to any non-resident holders of Notes are not subject to taxation in Denmark, other than in certain cases on payments in respect of controlled debt in relation to the Issuer as referred to under "Taxation at source" above. No Danish withholding tax will be payable with respect to such payments and any capital gain realised upon the sale, exchange or retirement of a Note will not be subject to taxation in Denmark, other than in certain cases on payments in respect of controlled debt in relation to the Issuer as referred to under "Taxation at source" above.

This tax treatment applies solely to holders of Notes who are not subject to full tax liability in Denmark or included in a Danish joint taxation scheme and do not carry on business in Denmark through a permanent establishment.

### **The Proposed Financial Transactions Tax ("FTT")**

The European Commission has published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). However Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

However, the FTT proposal remains subject to negotiation between the Participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

The Joint-Lead Managers have, pursuant to a Subscription Agreement (the "**Subscription Agreement**") dated 8 July 2016, jointly and severally agreed to subscribe and pay for the Notes at the issue price of 99.668% of the principal amount of the Notes. A minimum subscription amount of EUR 100,000 applies. The Issuer will pay a commission to the Joint-Lead Managers pursuant to the Subscription Agreement. The Issuer will also reimburse the Joint-Lead Managers in respect of certain of their expenses, and has agreed to indemnify the Joint-Lead Managers against certain liabilities incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment to the Issuer.

### **Selling restrictions**

#### *United States*

The Notes have not been and will not be registered under the U.S. Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the U.S. Securities Act. The Issuer and each Joint-Lead Manager represents that it has not offered or sold, and agrees that it will not offer or sell, any Notes constituting part of its allotment in the United States or to, or for the account or benefit of, U.S. persons except in accordance with Rule 903 of Regulation S under the U.S. Securities Act ("**Regulation S**"). Accordingly, neither the Issuer, each Joint-Lead Manager, their affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act.

Each Joint-Lead Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer or sell the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Issue Date (the "**Distribution Compliance Period**") within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each distributor, dealer or person to which it sells the Notes during the Distribution Compliance Period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the respective meanings given to them by Regulation S under the Securities Act.

The Notes are being offered and sold outside of the United States in reliance on Regulation S. In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of the Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act.

#### *United Kingdom*

Each Joint-Lead Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

#### *Denmark*

Each Joint-Lead Manager has represented and agreed that it has not offered or sold and will not offer, sell or deliver any of the Notes directly or indirectly in the Kingdom of Denmark by way of public offering, unless in compliance with the Danish Securities Trading Act, Consolidation Act No. 1530 of 2 December 2015 as amended and Executive Orders issued thereunder and in compliance with Executive Order No. 623 of 24 April 2015 issued under the Danish Financial Business Act to the extent applicable.

*General*

No representation is made that any action has been or will be taken by the Issuer or the Joint-Lead Managers in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint-Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver the Notes or have in their possession or distribute such offering material, in all cases at their own expenses.

## GENERAL INFORMATION

- (1) Application has been made to Nasdaq Copenhagen A/S for Notes issued under the Prospectus to be listed on Nasdaq Copenhagen A/S. Prices and outstanding amounts of Notes admitted to trading on Nasdaq Copenhagen A/S are displayed on a current basis on the website of Nasdaq Copenhagen A/S, [nasdaqomxnordic.com](http://nasdaqomxnordic.com). The Notes are not expected to be listed on any regulated or similar markets other than Nasdaq Copenhagen A/S. The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be approximately DKK 30,000.
- (2) The Issuer has obtained all necessary consents, approvals and authorisations in the Denmark in connection with the approval of the Prospectus and the issuance of the Notes. The approval of the Prospectus and the issuance of the Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 11 May 2016.
- (3) Except as disclosed on page 46 of this Prospectus, neither the Issuer nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Prospectus which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.
- (4) There has been no material adverse change in the prospects of the Issuer or of the Group since 31 December 2015 and no significant change in the financial or trading position of the Issuer or of the Group since 31 March 2016.
- (5) The Issuer is unaware of any trends, uncertainties, demands, commitments or events which may reasonably be expected to significantly affect the future outlook for the Issuer for the current financial year. No events have occurred since the publication of the latest Annual Report that have a significant effect on the assessment of the Issuer's capital adequacy. This Prospectus does not include a separate earnings forecast.
- (6) Profit expectations or forecasts for the Issuer have not been included in this Prospectus due to the fact that such expectations or forecasts are not considered material to the listing of the Notes.
- (7) No material contracts have been entered into other than in the ordinary course of its business which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to holders of the Notes.
- (8) Where information in this Prospectus has been sourced from third parties this information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The source of third party information is identified where used.
- (9) The Notes are issued in uncertificated book entry form cleared through VP Securities A/S ("**VP**"). The International Securities Identification Number (ISIN) for the Notes is DK0009511537. The address of VP is Weidekampsgade 14, 2300 Copenhagen S. The method of, and deadline for, payment and delivery of the Notes may be agreed between the Issuer and the investors in the Notes. Legal title to the Notes will exclusively be evidenced by book entries in the register of VP. The Notes will not be exchangeable for physical notes. Registration and settlement of transactions in respect of the Notes will take place in accordance with the rules and procedures for the time being of VP.
- (10) A bridge currently exists between each of VP, Clearstream Banking, société anonyme ("**Clearstream**") and Euroclear Bank, SA / NV ("**Euroclear**", and together with Clearstream and VP and referred to as the "**Securities Depositories**" and each referred to as a "**Securities Depository**"). Holders of accounts with Clearstream and/or Euroclear will be able to purchase Notes without holding an account with VP. Holders of accounts with any Securities Depository will be able to transfer Notes to account holders with any other Securities Depository in accordance with the rules and procedures for the time being of the relevant Securities Depository. The Common Code for the Notes is 144654307.

(11) Copies and, where appropriate English translations of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Issuer in Denmark:

- (i) the Articles of Association of the Issuer;
- (ii) the Articles of Incorporation of the Issuer;
- (iii) the Annual Reports of the Issuer and the Interim Report of the Issuer; and
- (iv) a copy of this Prospectus.

The Annual Reports of the Issuer and the Interim Report of the Issuer can be viewed online at [www.nykredit.com](http://www.nykredit.com). Information contained in the above documents, other than information listed in the table on pages 19-21 concerning documents incorporated by reference, is for information purposes only and does not form part of this Prospectus. This Prospectus is published on the website of Nasdaq Copenhagen A/S (<http://www.nasdaqomx.com>).

(12) Deloitte Statsautoriseret Revisionspartnerselskab, Weidekampsgade 6, DK-2300 Copenhagen S, represented by Danish State-Authorised Public accountants Anders O. Gjelstrup, Per Rolf Larssen and Thomas Hjortkjær Petersen have audited the Issuer's consolidated and unconsolidated financial statements, without qualification, in accordance with International Financial Reporting Standards as adopted by the European Union for each of the financial years ended 31 December 2014 and 2015. The Issuer's external auditor is a member of FSR – Danish Auditors.

(13) This Prospectus does not refer to audited information other than that contained in the Annual Reports of the Issuer. As the Issuer publishes an audited annual report every February, the most recently audited financial information will never be more than fourteen months old.

(14) Certain of the Joint-Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Joint-Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Joint-Lead Managers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Joint-Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes. Any such short positions could adversely affect future trading prices of the Notes. The Joint-Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

(15) The yield at the time of issue is 0.752% per annum calculated as the nominal interest rate of 0.750% per annum divided by the Issue Price of 99.668%. It is not an indication of future yield.



**REGISTERED OFFICE OF THE ISSUER**

**Nykredit Realkredit A/S**

Kalvebod Brygge 1-3  
DK-1780 Copenhagen V  
Denmark  
Tel: +45 33 42 10 00

**ARRANGERS**

**Nykredit Realkredit A/S**

Kalvebod Brygge 1-3  
DK-1780 Copenhagen V  
Denmark

**Goldman Sachs  
International**

Peterborough Court 133  
Fleet Street  
London EC4A 2BB  
United Kingdom

**JOINT-LEAD MANAGERS**

**Danske Bank A/S**

Holmens Kanal 2 - 12  
DK-1092 Copenhagen K  
Denmark

**Goldman Sachs International**

Peterborough Court 133 Fleet Street  
London EC4A 2BB  
United Kingdom

**J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

**Morgan Stanley & Co. International plc**

25 Cabot Square, Canary Wharf  
London E14 4QA  
United Kingdom

**Nykredit Bank A/S**

Kalvebod Brygge 1-3  
DK-1780 Copenhagen V  
Denmark

**ISSUING, FISCAL AND PAYING AGENT**

**Nykredit Realkredit A/S**

Kalvebod Brygge 1-3  
DK-1780 Copenhagen V  
Denmark

**AUDITORS**

**Deloitte Statsautoriseret Revisionspartnerselskab**

Weidekampsgade 6  
DK-2300 Copenhagen S  
Denmark

**LEGAL ADVISERS**

*To the Issuer as to Danish law*

**Gorrissen Federspiel**

H.C. Andersens Boulevard 12

DK-1553 Copenhagen

Denmark

*To the Joint-Lead Managers as to English law*

**Allen & Overy LLP**

One Bishops Square

London E1 6AD

United Kingdom