

*This document is an English translation of the original Danish text. In the event of discrepancies between the original Danish text and the English translation, the Danish text shall prevail.*

*The Base Prospectus is dated 19 November 2018*



## **DLR Kredit A/S**

*(Incorporated as a public limited company in Denmark with CVR no 25781309)*

### **Base Prospectus (programme) for the issuance of CRD-compliant covered bonds, UCITS-compliant covered bonds and bonds issued in pursuance of section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act (Senior Secured Bonds)**

Under this Base Prospectus ("**Base Prospectus**") and subject to compliance with Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 as amended, including by Directive 2010/73/EC (the "**Prospectus Directive**") and the relevant implementation legislation in Denmark, DLR Kredit A/S ("**DLR**" or the "**Issuer**") will from time to time issue CRD-compliant covered bonds in the form of SDOs ("*særligt dækkede obligationer*") and UCITS-compliant covered bonds ("*realkreditobligationer*"). In addition, DLR will issue bonds in pursuance of section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act. ("**Senior Secured Bonds**").

CRD-compliant covered bonds and UCITS-compliant covered bonds are issued for the funding of mortgage loans. These bonds may carry interest at either a fixed or a variable rate and may fund bullet loans, amortising loans or a mix of the two types. Borrowers may prepay their mortgage loans under certain conditions, in which case DLR may demand redemption of the underlying bonds. Senior Secured Bonds are issued to post supplementary collateral or to increase overcollateralization in DLR's capital centers.

An application may be made for securities issued under this Base Prospectus to be admitted to trading on a regulated market in Denmark. Reference in this Base Prospectus to securities being "listed" (and all similar references) mean that such securities have been admitted to the official list of and to trading on a regulated market pursuant to Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments ("**MIFID**"). The securities will be issued in dematerialized form and settles through VP SECURITIES A/S or another securities depository specified in the relevant Final Terms.

This Base Prospectus has been prepared by the Issuer with a view to having the securities admitted to trading on a regulated market in Denmark and to enabling a public offering in Denmark. This Base Prospectus has been prepared as a prospectus in compliance with the Prospectus Directive (as defined below) and the relevant implementation legislation in Denmark for the purpose of providing information on the issued securities. This Base Prospectus is a base prospectus for the purpose of Article 5.4 of the Prospectus Directive.

The securities are not and will not be registered pursuant to the US Securities Act of 1933 ("**US Securities Act**") and may be subject to US tax law requirements. The securities may not be offered, sold or delivered within the US or to US persons (as defined in Regulation S of the US Securities Act). The securities may be offered and sold outside the US to non-US persons in accordance with Regulation S of the US Securities Act.

At the date of this Base Prospectus, DLR has been assigned an issuer rating ("long-term unsecured") of A- by S&P Global Ratings Europe Limited ("**S&P**"). The outlook on the rating is positive. S&P has assigned ratings of AAA to DLR's Capital Center B and to the General Capital center. CRD-compliant covered bonds and UCITS-compliant covered bonds have the same ratings as the capital centers through which they have been issued, while Senior Secured Bonds are expected to follow DLR's issuer rating. S&P is operating in the European Union and was registered in compliance with Regulation (EC) No 1060/2009 on the date of this Base Prospectus. At its website, the ESMA has published a list of registered and certified credit rating agencies (<http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>), which was last updated on 10 October 2018. A rating is not a recommendation to buy, sell or hold securities and may be suspended, downgraded or withdrawn by the assigning credit rating agency at any time.

**Investment in securities implies risk. Prospective investors in securities should ensure that they understand the terms governing the securities and the scope of their exposure to risk and that they assess the suitability of the securities as an investment in the light of their own circumstances and financial position. For information on these risks, reference is made to section 4 "RISK FACTORS" in this Base Prospectus.**

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# 1 INTRODUCTION

This Base Prospectus constitutes a base prospectus for the purpose of the Prospectus Directive and has been prepared for the purpose of providing all information with regard to the Issuer and the securities under this Base Prospectus which, according to the particular nature of the Issuer and the securities, is necessary to enable investors to make an informed assessment of the assets, liabilities and equity, financial position, results and outlook of the Issuer and the rights pertaining to the securities offered.

The securities issued under this Base Prospectus are governed by the rules of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act and related executive orders. Securities issued under this Base Prospectus are “Covered Bonds”, which means CRD-compliant covered bonds pursuant to section 33 b of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act in the form of “SDOs” (“*særligt dækkede obligationer*”) and UCITS-compliant covered bonds in the form of “ROs” (“*realkreditobligationer*”), cf section 18 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act. Further, bonds issued in pursuance of section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act (“**Senior Secured Bonds**”, or “**SSBs**”) may be issued under this Base Prospectus.

Any reference in this Base Prospectus to “**Bonds**” applies to all types of securities issued under this Base Prospectus, ie SDOs, ROs and SSBs. Investors holding Bonds are referred to as “**Bondholders**”. Where in this Base Prospectus the terms “CRD-compliant covered bonds”, “UCITS-compliant covered bonds” and “Senior Secured Bonds” are written without capital letters, they describe the type of security in general, ie the text applies to securities issued under this Base Prospectus as well as the type of security in general.

Any reference to “Final Terms” in this Base Prospectus” means the final bond terms which when read in conjunction with this Base Prospectus apply to an ISIN of securities issued under this Base Prospectus.

This Base Prospectus will be valid for 12 months from the date of approval, unless the public is otherwise informed.

This Base Prospectus has been prepared by the Issuer with a view to having the securities admitted to trading on a regulated market in Denmark, and to enabling a public offering in Denmark. This Base Prospectus has been prepared as a prospectus in compliance with the Prospectus Directive (as defined below) and the relevant implementation legislation in Denmark for the purpose of providing information on the issued securities. This Base Prospectus is a base prospectus for the purpose of Article 5.4 of the Prospectus Directive.

The Issuer or financial intermediaries approved by the Issuer will not arrange any public offer of securities issued under this Base Prospectus in any country outside Denmark where special action would be required to arrange a public offer.

The Bonds may only be resold under circumstances where there is no requirement to publish a prospectus. All persons taking possession of this Base Prospectus and/or the Final Terms for the securities offered are required to comply with all relevant laws and other regulations applicable in the country where they buy or sell the securities for their own account.

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

**No persons have been authorized to give any information or to make any representation other than those contained in this Base Prospectus in connection with the issue or sale of Bonds and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer.**

**The distribution of this Base Prospectus or a sale made in this connection shall not, under any circumstances, create any indication that there has not been any changes in the affairs of the Issuer since the date of this Base Prospectus or the date upon which this Base Prospectus was**

**last amended or supplemented or that any other information supplied in connection with this Base Prospectus is correct at any time subsequent to the date on which it is given.**

**The distribution of this Base Prospectus and the offering or sale of the Bonds in certain jurisdictions may be restricted by law. The Issuer presumes that persons into whose possession this Base Prospectus comes inform themselves about and observe any such restrictions.**

**The Bonds under this Base Prospectus have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the US, and the Bonds may be subject to US tax law requirements. The Bonds may not be offered, sold or delivered within the US or to, or for the account or benefit of, US persons (as defined in Regulation S of the US Securities Act). The securities may be offered and sold outside the US to non-US persons in accordance with Regulation S of the US Securities Act.**

**This Base Prospectus, including the Final Terms for the Bonds offered, does not constitute a recommendation to subscribe for or purchase the Bonds issued in pursuance of this Base Prospectus. Each recipient of this Base Prospectus and/or the Final Terms for the Bonds offered must make their own assessment of the Bonds and of the Issuer on the basis of the contents of this Base Prospectus, all documents incorporated by reference herein, the Final Terms for each offer under this Base Prospectus and any addendums to this Base Prospectus. Prospective investors are invited to carefully consult the section “RISK FACTORS”.**

## **2 RESPONSIBILITY STATEMENT**

### **2.1 DLR's responsibility**

DLR Kredit A/S, CVR no 25781309, Nyropsgade 17-21, 1780 Copenhagen V, Denmark, accepts responsibility for this Base Prospectus in pursuance of Danish law.

### **2.2 Responsible persons**

The persons listed below are responsible for this Base Prospectus on behalf of DLR:

#### Board of Directors:

Managing Director & CEO Vagn Hansen (Chairman)  
Managing Director Lars Møller (Deputy chairman)  
Managing Director Claus Andersen  
Farmer Peter Gæmelke  
Managing Director & CEO Gert R. Jonassen  
Managing Director Bjarne Larsen  
Managing Director & CEO Lars Petersson  
Head of Business Development and Communication Randi Holm Franke (Employee Board Member)  
Agricultural Account Manager Jakob G. Hald (Employee Board Member)  
Office Messenger Kim Hansen (Employee Board Member)  
Compliance Manager Søren Jensen (Employee Board Member)  
Administrative Officer Agnete Kjærsgaard (Employee Board Member)

#### Executive Board:

Managing Director & CEO Jens Kr. A. Møller  
Managing Director Michael Jensen

### **2.3 Statement**

The persons responsible, all the members of the Board of Directors and the Executive Board listed in 2 "RESPONSIBILITY STATEMENT" represent that they have used their best endeavours to ensure that the information contained in the Base Prospectus is consistent with the facts to the best of their knowledge and belief and that nothing has been omitted which is likely to affect its content.

This Base Prospectus (including the statements contained herein) is hereby signed on behalf of DLR's Management by special authority of DLR's Board of Directors:

Copenhagen, 19 November 2018

Jens Kr. A. Møller  
(Managing Director & CEO)

Michael Jensen  
(Managing Director)

### 3 SUMMARY

This summary is made up of disclosure requirements known as elements. These elements are numbered in sections A – E (A.1 – E.7).

This summary includes all the building blocks required in a summary prepared on this type of issuer and securities. Because not all building blocks are subject to disclosure requirements, the numbering of the building blocks is not complete.

Although a certain building block may be subject to requirement for inclusion in the summary due to the type of issuer or security, there may not be any relevant information on the building block in question. In such case the summary will provide a brief description of the building block and the text “Not relevant”.

<b>SUMMARY</b>		
<i>Section A – Introduction and warnings</i>		
A.1	Introduction and warnings	<p>DLR draws the attention to prospective investors to the fact that:</p> <ul style="list-style-type: none"> <li>• This summary should be read as an introduction to this Base Prospectus and the relevant Final Terms;</li> <li>• Any decision to invest in the Bonds should be founded on this Base Prospectus in its entirety, including documents incorporated by reference and the relevant Final Terms;</li> <li>• Any investor wishing to bring a claim relating to the information contained in this Base Prospectus and the relevant Final Terms before a court of law may, under the national legislation of the Member States, have to bear the costs of translating the Base Prospectus and the Final Terms before the legal proceedings are initiated; and</li> <li>• Civil liability attaches only to those persons who have tabled the summary or a translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus and the relevant Final Terms or it does not provide, when read together with the other parts of the Base Prospectus and the relevant Final Terms, key information in order to aid investors when considering whether to invest in the Bonds.</li> </ul>
A.2	Consent to use this Base Prospectus in connection with a subsequent resale	<ul style="list-style-type: none"> <li>• In connection with an offering of Bonds to the public which is not exempt from the requirement of the Prospectus Directive to publish a prospectus, the Issuer expressly consents to the use of this Base Prospectus and the relevant Final Terms for the resale or final placement of the Bonds, if this is set out in the relevant Final Terms.</li> <li>• The offer period within which the resale or final placement of the Bonds can be made is set out in the relevant Final Terms.</li> <li>• Any conditions attached to the consent given to the financial intermediaries are set out in the Final Terms for the specific issue and the attached summary for the specific issue.</li> <li>• <b>If a financial intermediary uses this Base Prospectus to make an offer of Bonds, the financial intermediary is obliged to inform investors of the terms and conditions of the offering at the time of the offering.</b></li> <li>• <b>Financial intermediaries using this Base Prospectus are obliged to state at their website that they use this Base Prospectus in accordance with the related consent and its conditions.</b></li> </ul>

*Section B – Issuer*

B.1	Legal name and secondary names of the Issuer	DLR Kredit A/S. The Issuer's only secondary name is: Dansk Landbrugs Realkreditfond A/S (DLR Kredit A/S).
B.2	The Issuer's registered office and legal form, legislation applying to the Issuer and country of incorporation	The Issuer's registered address is:  DLR Kredit A/S Nyropsgade 21 1780 Copenhagen V Denmark  DLR Kredit A/S is a limited liability company incorporated in Denmark which carries on mortgage credit business and other business permitted pursuant to the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act and any other applicable legislation governing mortgage banks in force at any given time. DLR Kredit is subject to Danish law and to supervision by the Danish Financial Supervisory Authority (the Danish FSA).  LEI: 529900PR2ELW8QI1B775
B.4b	Known trends affecting the Issuer and the sectors within which the Issuer is operating	The prospects for DLR have not deteriorated materially since 31 December 2017, and no material changes to DLR's financial or trading position have occurred since 31 December 2017. No material investments have been made since 31 December 2017.
B.5	Description of the group and the Issuer's group affiliation	Not relevant: DLR is not part of a group.
B.9	If any earnings expectations or forecasts are stated, the figure should be stated	Not relevant: DLR does not include any earnings expectations or forecasts.
B.10	Qualifications in the auditors' report concerning historical financial information	Not relevant: The auditors' report concerning historical financial information incorporated in the Base Prospectus by reference did not contain any qualifications.



B.12	Selected important historical financial information, statement of no material deterioration of prospects and description of material changes in the financial or trading position	<b>DKK millions</b>	<b>Q1-Q3 2018</b>	<b>Q1-Q3 2017</b>	<b>2017</b>	<b>2016</b>
		<i>Income statement:</i>				
		Core income (mortgage credit income)	956	933	1,293	1,213
		Staff costs, administrative expenses, etc.	-204	-186	-255	-233
		Other operating expenses (contribution to resolution fund)	-8	-9	-12	-15
		Impairment of loans, receivables, etc.	-7	115	-94	-62
		Core earnings	737	854	1,121	903
		Earnings from investment portfolios (sub-funds)	-37	44	6	136
		Profit before tax	699	898	1,126	1,039
		Profit after tax	545	702	880	811
		<i>Balance sheet:</i>				
		Loans	146,505	141,995	13	139,053
		Bonds issued	144,079	144,193	142,074	142,074
		Own funds after deductions	12,247	11,544	12,259	12,259
		<i>Financial ratios:</i>				
Capital ratio <sup>1)</sup>	16.4%	14.8%	14.3	14.3		
CET1 ratio <sup>1)</sup>	15.5%	13.9%	12.7	12.7		
Profit before tax as a percentage of equity	5.5%	7.3%	7.2	7.2		
	<sup>1)</sup> The capital ratio and CET1 ratio for the Q1-Q3 interim financial period is calculated excluding the non-revised profit of the period. At 31 December 2017, DLR's total assets amounted to DKK 163,375 million. There has been no material adverse change in DLR's prospects since the end of the last financial reporting period. There have been no significant changes in DLR's financial or trading position subsequent to the period covered by the historical financial information.					
B.13	Recent events which materially affect the assessment of the Issuer's capital adequacy	Not relevant.				

B.14	The Issuer's dependence on other entities in the Group	Not relevant.
B.15	Description of the Issuer's main activities	<p>DLR is a mortgage bank operating in Denmark. In addition, DLR operates a mortgage lending business in Greenland and the Faroe Islands of minor significance.</p> <p>DLR primarily offers mortgage financing of agricultural, forestry and market garden property, private residential rental property, private co-operative property, office and retail property and manufacturing and manual industry property.</p>
B.16	Statement as to whether the Issuer is directly or indirectly controlled by others, including who and how	DLR's shareholders are mainly countrywide and local financial institutions in Denmark. DLR has no knowledge of any direct or indirect external ownership or control of DLR.
B.17	Credit assessment of the Issuer	<p>At the time of this Base Prospectus, DLR has been assigned a Long-Term Credit Rating (ICR) from S&amp;P of 'A-' with a positive outlook and a Short-Term Credit Rating from Standard &amp; Poor's of 'A-2' with a stable outlook.</p> <p>Covered Bonds in the form of ROs issued out of the General Capital Center and SDOs issued out of Capital Center B are, at the time of this Base Prospectus, rated 'AAA' with a stable outlook by S&amp;P.</p> <p>If DLR opts to have Senior Secured Bonds issued under this Base Prospectus rated, the rating will appear from the Final Terms for the specific issue.</p>
<i>Section C - Securities</i>		
C.1	Type and class of securities offered	<p>The Bonds are issued pursuant to the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act and relevant executive orders.</p> <p>The following securities may be issued:</p> <ul style="list-style-type: none"> <li>• ROs ("<i>realkreditobligationer</i>") and SDOs ("<i>særligt dækkede obligationer</i>"), which are issued to fund mortgage loans;</li> <li>• Bonds issued in pursuance of section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act (Senior Secured Bonds, SSB), which are issued to provide supplementary collateral or to increase the overcollateralisation of loans funded by SDOs or ROs.</li> </ul> <p>The ISIN of the Bonds will be set out in the Final Terms.</p>
C.2	Currency of the Bonds	The currency will be set out in the Final Terms.
C.5	Description of any restriction on the negotiability of the securities	Not relevant: The Bonds are negotiable instruments issued in bulk.

C.8	Description of the rights pertaining to the Bonds	<p>The holders of Covered Bonds have a primary preferential right to all assets in the capital center through which the relevant Covered Bonds were issued.</p> <p>The holders of Senior Secured Bonds have a secondary preferential right to all assets in the capital center through which they were been issued. Any residual claims may be raised against the assets available for distribution of the General Capital Center.</p> <p>The Issuer is entitled to defer payments to holders of Senior Secured Bonds if:</p> <ul style="list-style-type: none"> <li>(a) such payments would cause a breach of the balance principle, and</li> <li>(b) DLR has initiated a reconstruction pursuant to the Danish Bankruptcy Act, or a bankruptcy order is issued over DLR.</li> </ul> <p>The Issuer may purchase the Bonds (or part thereof) prior to their maturity and keep such Bonds as self-issued Bonds or amortise them by cancellation.</p> <p>The bond terms are governed by Danish law.</p>
C.9	Interest and yield-to-maturity; deferral of interest, redemption on maturity; name of the bond representative	<p>Interest, including any yield-to-maturity and any deferral of interest payments, redemptions, any amortization, and maturity extension in connection with statutory refinancing are set out in the Final Terms.</p> <p>Representation of the Bondholders is not possible.</p>
C.10	Derivative component in the interest payment	Not relevant: The Bonds have no derivative component in the interest payment.
C.11	Admission to trading	If the Issuer applies for admission of the Bonds to trading on a regulated market such as Nasdaq Copenhagen A/S, the information will be set out in the Final Terms together with the expected date of admission to trading and the specific regulated market.

*Section D - Risks*

D.2	Main risks pertaining to the Issuer	<p>DLR's activities involve element of risks. If the management of such risks fails, DLR may incur financial losses, and DLR's reputation may be damaged.</p> <p>DLR has defined and manages the following types of risks:</p> <ul style="list-style-type: none"> <li>• Credit risk</li> <li>• Market risk</li> <li>• Liquidity risk</li> <li>• Operational risk</li> <li>• Risk pertaining to DLR's business model</li> <li>• Risk pertaining ot the use of risk models</li> <li>• Transfer of funds between capital centers</li> <li>• Risk pertaining to deposit guarantee schemes and resolution funds</li> <li>• Risk pertaining to implementation of new regulation</li> <li>• Resolution tools and powers under the BRRD</li> <li>• Risk pertaining to regulatory cpital</li> <li>• Ratings do not necessarily relect all risks</li> <li>• Limitations of the liability of the Issuer</li> </ul>
D.3	Main risks pertaining to the securities	<p>Investment in the Bonds is subject to a number of risk factors of which interested investors should be aware. This includes:</p> <ul style="list-style-type: none"> <li>• Statutory maturity extension</li> <li>• Redemption prior to maturity of Covered Bonds</li> <li>• Non-compliance with the balance principle</li> <li>• Loss of SDO status</li> <li>• Investors to bear the risk of withholding tax</li> <li>• Interest on delayed payments under the Bonds</li> <li>• Deferral of payments</li> <li>• Risk pertaining to bankruptcy rules</li> <li>• Legislative changes</li> </ul> <p>If one or more of the risks mentioned above materialises, investors may lose the value of their entire investment in the Bonds or part of it.</p>

*Section E - Offer*

E.2b	The purpose of the offering and the use of the proceeds other than the purpose of generating a profit and/or hedging risk	<p>The proceeds from the issuance and sale of Covered Bonds serve to fund loans secured by mortgages on real property etc. provided by DLR. The proceeds may also serve to fund unsecured loans to public authorities or loans guaranteed by public authorities.</p> <p>The use of proceeds from issuing Senior Secured Bonds is defined by section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, and the proceeds may solely be used to meet an obligation to provide supplementary collateral, cf section 33 d (i) of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, or to increase the overcollateralization in a capital center.</p>
E.3	Terms and conditions of the offering	<p>No investors have any pre-emption rights to purchase Bonds issued under this Base Prospectus.</p> <p>The Bonds may be sold as:</p> <ul style="list-style-type: none"> <li>• Market sales;</li> <li>• Auction sales on Bloomberg’s auction system (AUPD);</li> <li>• Syndicated sales via arrangers; and</li> <li>• Private placements.</li> </ul> <p>Only securities dealers registered on Nasdaq Copenhagen A/S may participate in auctions held via Bloomberg’s auction system in connection with loan refinancing. Other investors may participate by making binds through a member of Nasdaq Copenhagen A/S.</p> <p>The terms and conditions of the bond offering will appear from the Final Terms.</p>
E.4	Interests which are material to the issuance, including conflicts of interest	<p>With respect to the Bonds, the stakeholders are the borrowers in accordance with the loans which have been funded by the Bonds, the Bondholders, DLR and public authorities.</p> <p>DLR is not aware of any interests and/or conflicts of interest which are important to the offering of the Bonds.</p> <p>A description of any conflicting interests material to DLR in connection with a bond issue, stating the persons involved and the nature of such interest, will be included in the Final Terms for the specific issue.</p>
E.7	Estimated expenses of investor	<p>Standard transaction costs (trading commission etc.).</p> <p>DLR is not aware of any expenses which an investor may be charged by a financial intermediary nor are they relevant to DLR.</p>

## 4 RISK FACTORS

DLR believes that the risk factors described below constitute the key risks associated with investment in the Bonds, but DLR does not guarantee that the description of risks associated with the Bonds is exhaustive, and the factors are not presented in any order of priority.

The factors outlined are events that may occur, but DLR does not take any position on the likelihood that such events will materialise.

Factors which the Issuer believes may be of importance to the assessment of market risk associated with the Bonds are also defined below.

Prospective investors should carefully study this Base Prospectus and relevant Final Terms in its entirety (including documents incorporated by reference) and make their own assessment, possibly consulting their own advisers, prior to making any decision to invest in the Bonds.

Should one or more of the risks described below materialise, investors may lose part or all of their investment in the Bonds.

### 4.1 Risk factors pertaining to the issuer

#### *General information*

The Issuer's business is to grant mortgage credit loans secured against properties within agriculture, office and retail, trade and industry and collective energy supply, land etc. and residential properties in Denmark. In addition, the Issuer to a limited extent grants mortgage loans in the Faroe Islands and Greenland. These business activities involve elements of risk, of which the most important are described below. Should these risks materialise, it may have a material adverse effect on the Issuer's financial position, business, results of operations, and reputation.

For an overview of selected parts of the legislative framework governing the issuance of bonds and the operations of the mortgage bank, see 5 "LEGAL FRAMEWORK GOVERNING DLR'S BUSINESS", and 6 "BUSINESS DESCRIPTION OF THE ISSUER" of this Base Prospectus for a description of the Issuer's business model and risk management framework.

The Issuer has defined and manages, among others, the following types of risk:

#### *Credit risk*

The Issuer's most significant risk is credit risk, defined as the risk of loss caused by the failure of any borrower to honour its payment obligations. This risk should be seen in light of the fact that the Issuer, as a mortgage bank, only grants loans secured against real property. Moreover, these loans are typically partially guaranteed by the financial institutions providing the loans under one of the Issuer's guarantee concepts, and the Issuer can under certain circumstances set-off losses against payments of commission to the financial institutions. A deterioration of the credit quality of the Issuer's borrowers may affect the value of the Issuer's assets and entail higher provisions for losses.

#### *Market risk*

Market risk is the risk of loss caused by movements in the financial markets, i.e. interest, share price and foreign exchange risks.

The Issuer's Board of Directors has also laid down principles for the management of and limits for market risks. As the Issuer has decided to comply with the specific balance principle, see section 5.8, the market risk associated with the issuance of SDOs for purposes of financing mortgage loans will reflect the loan terms of the mortgagors. The market risks assumed by the Issuer arise solely as a consequence of a natural need to invest the Issuer's own funds, senior debt and profits/results of operations (the securities portfolio) and prepaid funds.

The Issuer basically targets a low market risk, and the Issuer's policies and guidelines lay down detailed market risk targets as regards placement, amount of interest risk, currency risk, etc. The Issuer has also laid down a policy for the placement of the securities portfolio and specific limits for the amount and volatility of each type of risk.

On this basis, the Issuer has placed the main part of its securities portfolio in AAA-rated Danish ROs, SDOs and mortgage-covered bonds (SDRO), typically short-term papers, and a minor portion in AAA-rated government bonds.

Fluctuations in interest rate, foreign exchange and equity markets may result in losses and have an adverse impact on the income derived from the Issuer's primary activities.

#### *Liquidity risk*

Liquidity risks arise when a lack of funding in the form of bond sales prevents the Issuer from pursuing its business model or from fulfilling its payment obligations. Failure to address the liquidity risk may prevent the Issuer from continuing its operations at their current scope and/or meeting its payment obligations on a timely basis.

The Issuer's activities are concentrated exclusively around mortgage credit operations, with the funding structure being based solely on the issuance of Covered Bonds. Moreover, the Issuer's compliance with the specific balance principle implies that the Issuer, in connection with its day-to-day disbursement of loans, issues bonds subject to terms identical to those of the borrowers. In other words, the mortgage payments, excluding risk and administration fees, received by the Issuer must match the Issuer's payments to investors. The liquidity risk is therefore primarily related to the risk that the Issuer is unable to sell the required volume of Bonds in connection with refinancing. The rules of refinancing and extension of maturity of the Bonds are described in greater detail in section 5.10 "Refinancing risk". Lack of access to supplementary capital in the form of interest-bearing liabilities, such as Bonds issued pursuant to Section 15 of the Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, unsecured senior debt or other debt credit lines entails a direct liquidity risk.

#### *Operational risk*

The Issuer is exposed to potential operational risks, defined as the risk of loss resulting from inadequate procedures, human or system errors or from external events.

Moreover, activities conducted by the Issuer are increasingly dependent on highly advanced IT systems. IT systems are generally vulnerable to a number of threats, including physical damage to vital IT infrastructure centers and software or hardware malfunctions and risks related to cybercrime and similar issues.

The Issuer's Board of Directors has laid down policies and guidelines for operational risks and risk insurance with a view to minimising the Issuer's risks. IT contingency plans are part of the Issuer's measures to counter operational risks. If any of these procedures or guidelines fail, the Issuer may incur additional costs or liabilities.

#### *Risks relating to the Issuer's business model*

In addition to the mortgage collateral provided for the mortgaged properties and thorough credit assessments, the Issuer has reduced the credit risk relating to individual loans and portfolio risks by requiring the financial institutions (the Issuer's shareholders) to provide guarantees for the loans provided as part of the Issuer's business model. In consideration of the provision of loan guarantees and of making their distribution network available for the provision of DLR loans, customer services, etc., the Issuer pays commission to the financial institutions.

Changes to the loss-mitigating agreements made with financial institutions or failure on the part of the financial institutions to comply with these agreements may result in increased losses and thus lower earnings for the Issuer. Similarly, changes in the Issuer's current distribution collaboration with shareholder banks could affect the Issuer's future lending and earnings.

#### *Transfer of funds between capital centers*

The Issuer may transfer funds (excess cover) between its capital centers with a view to satisfying solvency requirements, requirements for supplementary collateral or additional overcollateralisation out of consideration for, for example, the rating of the capital center. The transfer of funds presupposes that the capital center in question still meets its solvency requirements.

In the event of a decline in the value of the assets of a capital center, e.g. due to falling property valuations, the Issuer will have less capital with which to cover the Covered Bonds of the capital center in question. A decline in the value of the assets of a capital center may also affect payments to holders of Senior Secured Bonds, who rank after holders of Covered Bonds for purposes of the order of priority of creditors.

In the event of bankruptcy of the Issuer, Bondholders will, under the general law of damages applicable in Denmark, only have a claim against the Issuer for any loss suffered on the transfer of funds from one capital center to another.

#### *Risks relating to deposit guarantee schemes and resolution fund*

In Denmark and other jurisdictions, deposit and covered cash funds guarantee schemes and similar funds (each, a “**Deposit Guarantee Scheme**”) have been implemented from which compensation for deposits and covered cash funds may become payable to customers of financial services firms in the event that such financial services firm is unable to pay, or unlikely to pay, claims against it.

The Danish Deposit Guarantee Scheme’s capital must amount to at least 0.8 per cent of the covered deposits of Danish banks and 0.8 per cent of the covered cash funds for Danish mortgage banks.

The Deposit Guarantee Scheme is currently fully funded. If the Deposit Guarantee Scheme does not have sufficient funds to make the requisite payments, extraordinary contributions of up to 0.5% of the covered deposits or covered cash funds of the individual institution may be required.

In addition, the Issuer contributes to the Danish resolution fund (“**Danish Resolution Fund**”) that has been established as the Danish funding arrangement under the BRRD where the capital of the Danish Resolution Fund must amount to 1.0% of the covered deposits of Danish commercial banks and 1.0% of the covered cash funds of Danish mortgage banks as at 31 December 2024.

It is still unclear whether Denmark, despite not being a Eurozone member, will become a member of the European Banking Union and thus become part of the *Single Resolution Mechanism*. It is therefore unclear which costs the Issuer will incur under the circumstances in coming years in relation to payments to deposit guarantee funds and/or resolution funds at national or European level.

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

The Issuer is subject to financial services laws and fiscal regulations, as well as administrative actions and policies in Denmark and in each other jurisdiction in which the Issuer carries on business. Changes in supervision and regulation, in particular in Denmark, could materially affect the Issuer’s business, the products and services offered or the value of its assets. Although the Issuer works closely with its regulators and continually monitors the situation, future changes in regulation, fiscal or other policies can be unpredictable and are beyond the control of the Issuer.

Various aspects of banking regulation are still under debate internationally, including, inter alia, proposals to review standardised approaches for capital requirements for credit, market and operational risk (together with a proposed capital floor based on the revised approaches for banks using internal models).

On 23 November 2016 the European Commission proposed a reform of the CRR and the CRD IV Directive by way of a proposal (COM (2016) 850) to amend the CRR and by way of a proposal (COM (2016) 852) to amend the CRD IV Directive (together the “**CRD IV Amendment Proposal**”).

The CRD IV Amendment Proposal introduces a new concept of so-called mandatory overcollateralisation in a cover pool (capital center). Pursuant thereto, assets placed in a cover pool (capital center) by virtue of legal or regulatory requirements, contractual commitments or for reasons of market discipline are considered mandatory overcollateralisation. It can be interpreted from the CRD IV Amendment Proposal that assets placed in a cover pool (capital center) as mandatory overcollateralisation is considered to be “encumbered assets” and thus illiquid for the purpose of the NSFR requirement. This implies that liquidity placed in cover pools (capital centers) for regulatory and rating purposes under the Danish mortgage model is by definition classified as unavailable and illiquid in this respect. Such assets are, however, not necessarily considered as “encumbered” for the



purpose of fulfilling the LCR requirement. Danish mortgage banks, including the Issuer, are likely to be able to adapt to this definition in regard to the NSFR. However their ability to do so will depend on the definition of assets encumbrance. If at some point in time the definition of mandatory overcollateralisation is extended to include the LCR, it will have significant consequences for the liquidity of the Issuer, as assets placed in cover pools (capital centers) for regulatory and rating purposes would therefore be considered “encumbered” and thus illiquid for the purpose of fulfilling the LCR requirement.

At the date of this Base Prospectus it is still uncertain whether and if so, to what extent, the CRD IV Amendment Proposal will impose additional capital and/or liquidity requirements on the Issuer, which in turn may affect the Issuer’s capacity to fulfil its obligations under the Bonds.

On 7 December 2017, the Basel Committee agreed on a new regulatory framework containing, among other things, a number of changes to and restrictions for credit institutions using internal models (informally referred to as the “**Basel IV**”).

The Basel IV framework includes a number of different requirements. The Issuer believes that the most important component for it is the introduction of a so-called capital floor requirement for credit institutions applying internal ratings-based risk models. The capital floor requirement entails that a credit institution will be subject to a minimum capital requirement across risk types (credit, market and operational risk) of 72.5 per cent of the capital requirement calculated according to the standardised approach. According to the Basel IV framework, a minimum capital requirement of 50 per cent will apply to the Issuer as early as 2022 and will gradually increase until fully implemented in 2027.

There can be no assurance, however, that the leverage ratio specified above, or any of the minimum own funds requirements, additional own funds requirements or combined buffer requirements applicable to the Issuer will not be amended in the future to include new and more onerous capital requirements, which in turn may affect the Issuer’s capacity to make payments of interest on the Bonds.

#### *Risk pertaining to regulatory capital*

The Issuer is supervised by the Danish FSA, and there are 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 Bonds.

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

The Danish FSA has approved DLR’s use of internal rating-based models for the calculation of risk exposures for credit risk on the full-time farm portfolio as from the first quarter of 2016. Changes to these models due to, for example, amendments to national or international legislation and changes in supervisory procedures may result in increased capital requirements for the Issuer and thereby reduce the current capital level.

#### *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: (a) the Issuer should have anticipated the factor causing the loss when the agreement or contract was

concluded or (b) 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.

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

On 23 November 2016, the European Commission, together with the CRD IV Amendment Proposal, proposed a reform of the BRRD by way of two proposals (COM(2016) 852 and COM(2016) 853) to amend the BRRD (together the “**BRRD Amendment Proposal**”). The BRRD Amendment Proposal includes, among other things, the introduction of a higher MREL requirement to take form as MREL guidance and that any shortfall of complying with the MREL requirement will automatically be filled up with Common Equity Tier 1 Capital. At the date of this Base Prospectus it is still uncertain whether and if so, to what extent, the proposed amendments will impose additional capital requirements on the Issuer, which in turn may affect the Issuer’s capacity to fulfil its obligations under the Bonds. According to the BRRD Amendment Proposal, mortgage banks, such as the Issuer, are still exempt from the application of the MREL requirement. However, there can be no assurance that mortgage banks will remain exempt from the MREL requirement in the future or that the conditions for exemption of the MREL requirement will continue to be fulfilled for Danish mortgage banks, such as the Issuer. In the event that an MREL requirement is imposed on the Issuer, it may have an adverse impact on the Issuer’s liquidity, its funding costs, its lending abilities and its financial position.

#### *Ratings may not reflect all risks*

DLR currently holds an issuer rating from S&P Global Ratings of ‘A-’ with a positive outlook.

DLR’s Capital Center B and the General Capital Center are both rated ‘AAA’ by S&P. Covered Bonds hold the same rating as the capital center out of which they were issued, while Senior Secured Bonds are expected to trace the issuer rating. DLR has currently selected not to have the issued Senior Secured Bonds rated.

The assigned ratings may not reflect the potential impact of all of the above and other risks that may affect the value of the Bonds or DLR’s credit rating.

A rating is not a recommendation to buy, sell or hold securities, and any credit rating agency may at any time revise, suspend or withdraw a rating assigned by it if, in the judgement of the credit rating agency, the credit quality of the bonds or of the Issuer, as the case may be, has deteriorated or been called into question.

Furthermore, there can be no assurance that a rating of the Bonds and/or the Issuer will be retained after the date of this Base Prospectus, and DLR assumes no liability, guarantee or similar responsibility in connection with a rating of DLR or the Bonds. If a rating assigned to the Bonds and/or DLR is downgraded, suspended or withdrawn, or is not retained by DLR, the market value of the Bonds may decline.

Finally, DLR's ratings may decline if the rating of the Kingdom of Denmark is downgraded without any direct correlation with DLR’s activities.

## **4.2 Risks pertaining to the market in general**

### *The secondary market in general*

There can be no assurance of a liquid market for the Bonds following issuance. Therefore, investors may not be able to sell their Bonds easily or at prices that will provide them with a return comparable with returns on similar investments in the secondary market.

### *Interest rate risk*

Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds, and there is also a risk that the coupon on floating-rate bonds without an interest rate floor will be negative.

### 4.3 General risks pertaining to the Bonds

#### *Risk pertaining to bankruptcy rules*

Investors should assess the ranking of creditors related to an estate in bankruptcy under which the holders of Covered Bonds together with certain derivatives counterparties have a primary preferential right to all assets in the capital center from which the Bonds have been issued, and the holders of Senior Secured Bonds have a secondary preferential right to all assets in the capital center from which the Bonds have been issued. Any residual claims from the holders of Covered Bonds rank before unsecured claims against the assets of the Issuer's estate in bankruptcy, while the residual claims from the holders of Senior Secured Bonds may be proved as unsecured claims against the Issuer's estate in bankruptcy. There will be no changes to the payments on the Bonds as long as the Issuer has assets available to satisfy the claims of Bond holders. Payments on the Bonds will thus not await the winding-up of the estate in bankruptcy.

#### *Change of law*

The terms of the Bonds are subject to and based on Danish law in effect as at the issue date. There can be no assurance as to the impact of any possible judicial decision or change to Danish law or administrative practice after the issue date of the Bonds.

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

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

#### *The regulation and reform of "benchmarks" may adversely affect the value of Bonds linked to or referencing such "benchmarks"*

Interest rates and indices which are deemed to be "benchmarks" (such as a Reference Rate), are subject to recent national and international regulatory guidelines and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequences could have a material adverse effect on any Bonds linked to or referring such a "benchmark".

The Benchmarks Regulation could have a material impact on any Bonds linked to or referencing a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmark Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulation or requirements. Such factors may have the following effect on certain "benchmarks": (i) discourage market participant from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark" or (iii) lead to the disappearance of the "benchmark".

#### *Future discontinuance of certain benchmarks (for example EURIBOR) may adversely affect the value of Bonds which are linked to or which reference any such benchmark rate*

Investors should be aware that, if a benchmark rate such as EURIBOR were discontinued or otherwise unavailable, the rate of interest on Bonds which are linked to or which reference such benchmark rate will be determined for the relevant period by the fallback provisions applicable to such Bonds. The

conditions provide for certain fallback arrangements in the event that a published benchmark, such as EURIBOR, (including any page on which such benchmark may be published (or any successor service)) becomes unavailable.

More generally, any of the above matters or any other significant change to the setting or existence of relevant benchmark rates could have a material adverse effect on the value or liquidity of, and the amount payable under, the Bonds. No assurance may be provided that relevant changes will not be made to relevant benchmark rates and/or that such benchmarks will continue to exist. Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmark Regulation reforms in making any investment decision with respect to any Bonds linked to or referencing a “benchmark”.

#### **4.4 Risks pertaining to the bond structure of SDOs and ROs**

##### *Redemption prior to maturity of Covered Bonds*

Borrowers may prepay mortgage loans either by (i) buying bonds at market price and applying them for prepayment; or (ii) in certain cases by prepaying the mortgage loan at a predetermined price, and therefore the market price will generally hardly rise significantly above this price. Borrowers will often utilize the prepayment option, if they can obtain more attractive financing in this way. Therefore, investors have prepayment risk and may have to reinvest at a lower interest rate.

##### *Loss of SDO status*

If DLR fails to provide supplementary collateral for SDOs as set out in Danish law, the Bonds will lose their covered bond status, which may affect their value.

##### *Non-compliance with the balance principle*

As described in 5 “LEGAL FRAMEWORK GOVERNING DLR’s BUSINESS” of this Base Prospectus, the Issuer adheres to the specific balance principle as set out in the Executive Order on Bonds. This principle ensures that the payments received from the borrowers and the payment obligations to Bondholders are fully matched. Further, the balance principle implies that the Issuer practically takes on no interest, currency or liquidity risk on the lending business, including risks related to loan prepayments.

Failure to comply with the balance principle may cause the Issuer to lose its authorisation to issue Bonds, which may adversely affect the value of the Bonds.

##### *Statutory refinancing*

As regards Covered Bonds comprised by section 6 under the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, see Consolidation Act no. 959 of 21 August 2015, and as set out in 5 “LEGAL FRAMEWORK GOVERNING DLR’s BUSINESS” of this Base Prospectus, DLR is obliged to extend the maturity of Covered Bonds if, at refinancing, the interest rate has increased by of more than 5 percentage points, or if there is an insufficient number of buyers for all the new bonds required.

#### **4.5 Risks pertaining to the structure of Senior Secured Bonds**

##### *Deferral of payments*

DLR is entitled to defer payments to holders of Senior Secured Bonds if:

- (1) such payments would cause a breach of the balance principle; or
- (2) DLR has initiated a reconstruction pursuant to the Danish Bankruptcy Act; or
- (3) an order of liquidation is pronounced over DLR.

##### *Statutory maturity extension*

Under the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, DLR is in certain special situations, as set out in 5 “LEGAL FRAMEWORK GOVERNING DLR’s BUSINESS” of this Base

Prospectus, obliged to extend the term to maturity of Senior Secured Bonds. DLR must determine whether, and if so when, the conditions for statutory extension of term to maturity have been met.

#### **4.6 Additional risk factors**

For a description of additional risk factors, reference is made to DLR's latest annual report, see ANNEX 3. No risk factors have emerged other than those described in the latest annual report and risk reports.

## 5 LEGAL FRAMEWORK GOVERNING DLR'S BUSINESS

DLR's business activities are regulated by Danish legislation. As a mortgage bank, DLR is, among other things, subject to the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act (Consolidation Act no. 959 of 21/08/2015), the Danish Financial Business Act (Consolidation Act no. 1140 of 26/09/2017), the Executive Order on the Issuance of Bonds, the Balance Principle and Risk Management (the "**Executive Order on Bonds**") (Executive Order no. 1425 of 16/12/2014), as amended, and other executive orders issued in pursuance thereof.

This legislation governs the way in which DLR may fund lending against registered mortgages on real property, defines limits for the size, repayment profile and currency, interest rate and liquidity risks of individual loans and exposures and lays down capital requirements for issuers. The legislation also regulates the raising of loans with a view to providing supplementary collateral for the SDOs issued and provides rules on supervision.

Furthermore, DLR is subject to EU-based legislation, including Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "**CRR Regulation**"). CRR lays down, among other things, requirements regarding own funds, requirements regarding limitation of large exposures, liquidity requirements as well as reporting and disclosure requirements in relation thereto.

DLR is subject to supervision by the Danish FSA, which forms part of the Danish Ministry of Industry, Business and Financial Affairs. The Danish FSA carries out ongoing supervision of DLR's operations, including by on-location inspections and through regular reporting by DLR. Furthermore, the Danish FSA monitors DLR's compliance with the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, the Danish Financial Business Act, etc.

The following paragraphs provide an overview of the legislation regulating the Bond issuance and the operations of the mortgage bank.

If the legislation regulating the business of DLR is changed, DLR reserves the right to amend this Base Prospectus by a prospectus supplement, so that DLR's future issuance of Bonds under this Base Prospectus comply with the legislation in force at any given time and the business opportunities this provides.

### 5.1 Lending

DLR is authorised to lend against registered mortgages on real property, to provide unsecured loans to public sector entities, loans guaranteed by public sector entities or loans granted against other unsubordinated claims with and guarantees issued by credit institutions on the basis of SDOs and ROs.

DLR is authorised by the Danish FSA to issue SDOs and ROs. By extension, DLR is also authorised to issue bonds pursuant to section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act (Senior Secured Bonds).

### 5.2 Assets eligible as security for the issuance of SDOs and ROs

Under Article 129 of CRR, the following types of assets qualify as collateral for the issuance of ROs and SDOs:

- Loans secured by a registered mortgage on real property, including loans secured by temporary collateral.
- Loans secured by a registered mortgage on real property, including loans secured by temporary collateral, provided by other credit institutions in accordance with the statutory provisions on joint funding.
- Bonds and debt instruments issued by or guaranteed by public sector entities and central banks.

In addition, the following types of assets qualify as collateral for the issuance of SDOs:

- Exposures to or guaranteed by central governments, central banks, public sector entities or regional governments or local authorities in the EU.
- Exposures to credit institutions (such as guarantees) qualifying for credit quality step 1, provided that the total exposure does not exceed 15% of the nominal amount of the cover pool relating to the outstanding SDOs. Based on the level of concentration of the Danish mortgage credit system, Denmark has obtained permission to also apply exposures to credit institutions qualifying for credit quality step 2 up to 10% of the amount of outstanding SDOs, provided that the total exposure to credit institutions does not exceed 15% of the cover pool.
- Exposures to financial instruments concluded to hedge risk with credit institutions as the counterparty are included in the above 15% or 10% limit. Any exceeding of these limits must be immediately remedied by provision of supplementary collateral in secure and liquid assets not encompassed by the 15% or 10% limit mentioned above. In order to qualify as cover, financial instruments applied to hedge risks between assets and issued bonds must be concluded with a counterparty qualifying for credit quality step 2 or higher. The requirement as to the counterparty's credit quality step must be complied with at all times.

DLR's placement of claims arising in connection with mortgage payments on and redemptions of loans secured by mortgages on real property, refinancing and pre-issuance is not included in the 15% or 10% limit. Similarly, the placement – within the capital center – of funds from the lending business in own-issued bonds is not included in the 15% or 10% limit.

Financial instruments may be included only if they are applied to hedge risks between assets relating to, on the one hand, the series (the capital center) and, on the other, the bonds issued, provided that the agreement on the financial instrument provides that the mortgage bank's initiation of reconstruction pursuant to the provisions of the Danish Bankruptcy Act, bankruptcy or non-compliance with the duty of providing supplementary collateral does not constitute breach of contract.

Assets provided as security for issued SDOs or ROs are held in separate capital centers. ROs and SDOs may not be issued out of the same capital center.

### **5.3 Lending limits**

In connection with lending against registered mortgages on real property financed by issuing SDOs and ROs, mortgage banks must carry out valuation and assess loans pursuant to the provisions of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act; the Executive Order on Valuation of Collateral and Lending against Real Property placed as Collateral for the Issue of Covered Bonds; and the Executive Order on the Valuation and Granting of Loans of Mortgage Credit Institutions.

Loans against mortgages on real property are assessed on the basis of the value of the mortgaged property. The purpose of the rules on valuation and assessment of loans is to ensure that loans are granted in accordance with the statutory limits.

The value of the assets covering the SDOs, see section 33b(3) of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, must at any given time correspond at least to the value of the SDO issued, and the security for the individual mortgage loan included as such an asset must comply at all times with the loan limit applicable to the property category in question.

Loans may be granted for the following property categories with a loan-to-value limit of 80%:

- Owner-occupied residential homes
- Private co-operative housing
- Private rental housing
- Non-profit housing
- Youth housing
- Housing for the elderly etc.

- Properties for social, cultural and educational purposes (the LTV limit for mortgages based on the issuance of SDOs is 60% for this property category. This LTV limit may be raised to 70% if supplementary collateral of no less than 10% is provided for the portion of the loan exceeding the 60% LTV limit).

Loans may be granted for the following property category with an LTV limit of 75%:

- Holiday homes

Loans may be granted for the following property categories with a loan-to-value limit of 70% (loans granted on the basis of ROs) and 60% (loans granted on the basis of SDOs):

- Agricultural and forestry property, market gardens, etc.

The LTV limit of 60% (for loans granted on the basis of SDOs) may be raised to 70% if supplementary collateral of no less than 10% is provided for the portion of the loan exceeding the 60% LTV limit.

Loans may be granted for the following property categories with a loan-to-value limit of 60%:

- Office and retail property
- Manufacturing and manual industry property
- Collective energy plants
- Holiday homes for commercial letting

The LTV limit of 60% (for loans granted on the basis of SDOs) may be raised to 70% if supplementary collateral of no less than 10% is provided for the portion of the loan exceeding the 60% LTV limit.

Loans may be granted for the following property category with a loan-to-value limit of 40%:

- All other property, including undeveloped sites.

#### **5.4 Repayment profile and term of lending granted against mortgages on real property**

The maximum term of a loan granted against a mortgage on real property is 30 years. Determination of the loan term and repayment profile must consider the expected depreciation of the collateral value. However, the maximum term is 40 years for loans for non-profit housing, youth housing and private co-operative housing, if lending is granted on the basis of a subsidy commitment made in accordance with the Danish act governing non-profit housing and subsidised private co-operative housing etc.

Notwithstanding the quality of the security provided, loans granted for owner-occupied properties and holiday homes may not be amortised over a longer term than a 30-year loan amortised over its loan term with repayments constituting a fixed percentage of the principal (annuity loan). Within the term of the loan, this requirement may be derogated from for a period of up to ten years with due consideration to the expected depreciation of the collateral. For owner-occupied properties, the minimum amortisation may be derogated from for a period of more than ten years, provided that the loan does not exceed an LTV limit of 75% (70% for loans granted before 1 July 2009).

The following property categories are not subject to the 30-year maximum term for loans provided on the basis of SDOs if the loan does not exceed an LTV limit of 75% (70% for loans granted before 1 July 2009):

- Owner-occupied residential homes
- Private co-operative housing
- Private rental housing
- Non-profit housing
- Youth housing
- Housing for the elderly etc.



### **5.5 Liability for lending granted against registered mortgages on real property**

For loans granted against mortgages on real property, borrowers are liable both personally and to the extent of the mortgaged property. The Issuer may waive the requirement of personal liability.

### **5.6 Admission to raising loans**

Mortgage banks authorised to issue SDOs may raise loans pursuant to section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, including through issuance of bonds (Senior Secured Bonds) secured against the assets of a capital center, with a view to satisfying the requirement for the provision of supplementary collateral for the SDOs issued, or with a view to increasing the excess cover in a capital center.

Senior Secured Bonds may be issued before the requirement for providing supplementary collateral arises.

The Final Terms for the relevant issue must state the capital center to which the loan funds are allocated.

The funds must immediately be placed in investment grade assets, see Article 129 of CRR. As from the time when the loan is raised or the bonds are sold, the assets must be placed in a separate account, a separate custody account or otherwise be designated as deriving from the relevant loan until the assets, where necessary, are to be used as supplementary collateral or as excess cover. The requirement regarding the placement of the funds in investment grade assets applies irrespective of whether or not they have been used as supplementary collateral or as excess cover.

When the assets are used as supplementary collateral or excess cover, they must be included in the relevant capital center. However, there is no requirement for marking or segregation of the supplementary collateral. The deposited supplementary collateral is therefore part of the general assets of the capital center. This security is thus not dedicated solely to holders of Senior Secured Bonds.

### **5.7 Balance principle**

Pursuant to the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, mortgage banks must comply with a balance principle and a set of risk management rules in connection with the issuance of ROs or SDOs. The provisions are specified in the Executive Order on Bonds issued in pursuance of the Act.

The Executive Order on Bonds sets out limits to the differences allowed between the payments from borrowers servicing loans secured against mortgages on real property, unsecured lending to public sector entities or based on public guarantee, other placements in assets eligible as collateral, derivative financial instruments to hedge cash flow differences and placements of funds pursuant to section 4(5) of the Executive Order on Bonds on the one hand, and payments to holders of ROs, SDOs, other securities with preferential status issued by mortgage banks and derivative financial instruments to hedge cash flow differences on the other hand. The Executive Order on Bonds sets forth loss limits to the interest rate, currency, option and liquidity risk arising from cash flow differences in the balance sheet.

The Executive Order on Bonds further contains a number of other provisions limiting financial risks. Funds raised through borrowing pursuant to section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, including through the issuance of bonds, are governed solely by separate provisions on financial risk limits in the Executive Order. The same provisions apply to the mortgage bank's securities portfolio.

The balance principle and risk management rules are based on the following two main points:

- A. Statutory requirements for placing the proceeds in eligible assets when a mortgage bank issues ROs or SDOs and other securities with preferential status issued by a mortgage bank.
- B. Exposure to interest rate, currency and option risks is only permitted to a limited extent.

However, various technical aspects in relation to the lending activities of a mortgage bank cause a number of placements of funds to not be subject to the statutory limit to other unsubordinated claims against other mortgage banks in connection with the issuance of ROs and SDOs:

- Placement of funds in connection with the disbursement of new loans, refinancing or prepayment of existing loans that will lead to an outstanding amount of bonds for which the mortgage bank has not yet obtained a registered mortgage on real property (disbursements and refinancing) or awaits redemption of outstanding bonds (refinancing and prepayment).
- Registration guarantees that provide temporary collateral in connection with lending against a mortgage on real property until a registered mortgage has been produced.
- Own-issued bonds within the same capital center.

Mortgage banks authorised to issue ROs and SDOs must comply with a balance principle. The balance principle may be complied with by fulfilling the provisions of either the general balance principle (see part 2 of the Executive Order on Bonds) or the specific balance principle (part 3 of the Executive Order on Bonds).

#### *The general balance principle*

The present value of future payments into the capital center must at any time exceed the present value of future disbursements from the capital center. Further, interest payments to the capital center must exceed interest payments from the capital center over a period of 12 months. Excess cover and liquidity investments may be included as interest payments to the capital center, provided that they have been made in secure and liquid securities.

A mortgage bank may only assume limited interest rate risk arising from differences between future cash outflows on SDOs, ROs, other securities issued by the mortgage bank and financial instruments to hedge payment differences, and future cash inflows on mortgage deeds, lending to public sector entities or secured by a public guarantee, placements of funds and financial instruments to hedge payment differences. The interest rate risk is calculated as the largest decrease in the present value resulting from six different assumed yield curve developments. The interest rate risk must not exceed 1% of the solvency requirement for mortgage banks plus 2% of the additional excess cover or 5% of the solvency requirement for mortgage banks plus 10 per cent of the additional excess cover, depending on the assumed yield curve developments. Notwithstanding the fact that mortgage banks are not entitled to offset interest rate risks resulting from different currencies, they are entitled to offset an interest rate exposure resulting from differences in payments in EUR against an interest rate exposure resulting from differences in payments in DKK by up to 50% of the interest rate risk in the currency with the numerically smaller interest rate risk. In connection with the establishment or closure of a capital center, the interest rate exposure must not exceed DKK 20 million, irrespective of the limits stipulated above. The interest rate exposure on the mortgage bank's securities portfolio may not exceed 8% per cent of its own funds.

A mortgage bank may only assume limited currency exposure arising from differences between future cash outflows on SDOs, other securities issued by the mortgage bank and financial instruments to hedge payment differences, and future cash inflows on mortgage deeds, lending to public sector entities or secured by a public guarantee, placements of funds and financial instruments to hedge payment differences. Currency exposure is measured as the loss incurred from an increase or a decrease of 10% in exchange rates for currencies within the EU, EEA or Switzerland against DKK and as the loss incurred from an increase or decrease of 50% in the exchange rates for all other currencies against DKK. For mortgage banks, the calculated currency exposure may not exceed 10% of the solvency requirement plus 10% of additional excess cover for EUR or, for other currencies, 1% of the solvency requirement plus 1% of additional excess cover. For the securities portfolio of a mortgage bank, the currency exposure may not exceed 10% of its own funds.

Risk exposure pertaining to hedging of conditional (asymmetric) claims on debtors as well as term mismatches between conditional (asymmetric) claims on debtors and options hedging exposures in a capital center must be limited. The option risk is measured on the basis of the vega risk parameter and is stated as the larger loss of the present value of cash flows resulting from two different assumed

volatility structure developments. The option risk may not exceed 0.5% of the solvency requirement for mortgage banks plus 1% of the additional excess cover. Notwithstanding the fact that mortgage banks are not entitled to offset option risks resulting from different currencies, they are entitled to offset an option risk resulting from differences in payments in EUR against an option risk resulting from differences in payments in DKK by up to 50% of the option risk in the currency with the numerically smaller option risk.

#### *The specific balance principle*

The differences between the present value of future cash outflows on SDOs, other securities and financial instruments on the one side, and the present value of future cash inflows on mortgage deeds, financial instruments and placements of funds on the other must be calculated on a discounted daily cumulative basis for all future cash inflows and outflows.

Any future cash deficit resulting from the cash outflow exceeding the cash inflow may not exceed the following limits in respect of the mortgage bank's own funds:

- 25% in year 0 to year 3;
- 50% in year 4 to year 10; and
- 100% effective from year 11.

Each period runs from the date of calculation.

The mortgage bank may not assume an interest rate risk arising from the listed cash flow differences of more than 1% of its own funds. Payment differences do not include excess cash flows resulting from debtors making full or partial payments prior to the mortgage bank's payments to the owners of the underlying SDOs, unless the debtor is entitled to compensation for such early payment. In connection with the establishment or closure of a capital center, the interest rate exposure may not exceed DKK 20 million, irrespective of the limits stipulated above. The interest rate risk on the mortgage bank's securities portfolio and funds raised through the issuance of bonds in pursuance of section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act (Senior Secured Bonds) may not exceed 8% of its own funds.

The currency exposure on the mortgage bank's assets, liabilities and off-balance sheet items may not exceed 0.1% of its own funds. The exchange rate risk is calculated on the basis of currency indicator 2.

## **5.8 Capital adequacy**

The Issuer must have own funds representing at least 8% of Risk Exposure Amounts. This requirement applies to DLR overall, DLR Capital Center B, DLR General Capital Center and any capital centers DLR might subsequently decide to establish.

In the event that a capital center is unable to meet the capital adequacy requirement, funds must be transferred from the General Capital Center, unless such transfer would prevent the General Capital Center itself from meeting the 8% capital adequacy requirement. Excess capital may be transferred from individual capital centers to the General Capital Center. Transfer of excess capital to the General Capital Center is subject to a resolution by DLR's Executive Board.

DLR's capital management is based on the CRR Regulation, the Danish Financial Business Act and the Executive Order on Calculation of Risk Exposures, Own Funds and Solvency Need, together with the capital target set by the Board of Directors.

Among other things, the CRR/CRD IV rules governing mortgage bank own funds set forth requirements for more and better capital and the introduction of a number of capital buffers (capital conservation buffer, company-specific countercyclical capital buffer and systemic risk buffer), which must all be met by Common Equity Tier 1 capital.

As a general rule, the capital conservation buffer is 2.5% of Risk Exposure Amounts, while the countercyclical buffer varies between 0 and 2.5% depending on the country economic outlook and may be raised if necessary. In Denmark, the capital conservation buffer is 1.875% as from 1 January 2018

and will increase to 2.5% as from 1 January 2019 when it is fully implemented. As from Q1 2018, the countercyclical buffer is set at 0.5% effective from 31 March 2019, and will rise to 1.0% effective from 30 September 2019.

DLR has been designated as a Systemically Important Financial Institution (“**SIFI**”) because its total lending exceeds 6.5% of Denmark’s GDP. This means that DLR must maintain a SIFI buffer that will be gradually implemented in the period 2015 to 2019. DLR is subject to a further buffer requirement of 0.8% as regards Common Equity Tier 1 capital as of 2018. The requirement will rise to 1.0% in 2019.

Sanctioned by the Danish FSA, DLR has since the end of Q1 2016 applied the IRB approach for purposes of calculating risk exposures for credit risk on DLR’s loan portfolio to full-time farms. Under the IRB method, a deduction from or an addition to own funds must be made to reflect the difference between expected IRB losses and current impairment losses.

At 31 December 2017, DLR’s equity amounted to DKK 12,415 million, consisting of share capital of DKK 570 million, distributable reserves of DKK 9,507 million and a tied-up capital reserve of DKK 2,338 million.

At 31 December 2017, DLR’s own funds after deductions amounted to DKK 12,372 million, corresponding to a capital ratio of 15.9%, with the risk exposures for credit risk on the loan portfolio to full-time farms being computed according to the IRB approach, while the credit risk on the remaining part of the portfolio has been determined using the standard method. Own funds were affected by IRB deductions of DKK 667 million and the issuance of DKK 650 million tier-2 capital.

DLR’s total regulatory capital requirement at the beginning of Q1 2018 was 11.2%, consisting of an individual solvency need of 8.5% and capital buffers of a total of 2.7%. Relative to the above-mentioned capital ratio of 15.9%, this corresponds to an excess capital cover of 4.7 percentage points.

#### *The CRD IV Amendment Proposal*

On 20 July 2011, the European Commission presented a proposal to review the Capital Requirements Directives (2006/48/EC and 2006/49/EC), including implementation of Basel III in the European Union. The final versions of the CRR and the CRD IV Directive were adopted in June 2013. The CRR entered into force on 1 January 2014, whereas the CRD IV Directive was implemented in Denmark in March 2014. The framework implemented, among other things, Basel III in the European Union. Each of the CRR and the CRD IV Directive covers a wide range of prudential requirements for banks across Member States, including capital requirements, stricter and aligned definitions of capital, risk exposure amounts, leverage ratio, large exposure framework and liquidity and funding requirements. The CRD IV Directive covers the overall supervisory framework for banks (including the individual risk assessment) and other measures such as the combined capital buffer requirements, SIFI requirements and governance and remuneration requirements.

As a consequence of ongoing changes of already published regulatory technical standards under both the CRR and the CRD IV Directive, and ongoing development of regulatory technical standards yet to be published there remains the risk of possible changes. It is the European Banking Authority (the “**EBA**”), which is responsible for publishing and updating technical standards under the CRR and the CRD IV Directive.

Under the CRR, credit institutions are required to hold a minimum amount of regulatory capital equal to 8% of Risk Exposure Amounts (of which at least 4.5% must be Common Equity Tier 1 capital, and at least 6% must be Tier 1 capital). In addition to these so-called minimum own funds Pillar 1 requirements (the “**minimum own funds requirement**”), the CRD IV Directive (including, but not limited to, Article 128) also introduces capital buffer requirements in addition to the minimum own funds requirements, which must be met with Common Equity Tier 1 capital. For the Issuer, the capital buffer is comprised of three elements (referred to collectively as the “**combined buffer**”): (i) the capital conservation buffer; (ii) the institution-specific countercyclical buffer; and (iii) the systemic risk buffer. Subject to applicable transitional provisions, some or all of these capital buffers apply to the Issuer.

In addition to the minimum own funds requirements described above, the CRD IV Directive (including, but not limited to, Article 104(1)(a)) contemplates that competent authorities may require additional “Pillar 2” capital to be maintained by a credit institution relating to elements of risks which are not fully captured by the minimum own funds requirements (the “**additional own funds requirements**”) or to address macro-prudential requirements.

The EBA published guidelines on 19 December 2014 addressed to national supervisors on common procedures and methodologies for the supervisory review and evaluation process (“**SREP**”). The guidelines propose a common approach to determining the amount and composition of additional own funds requirements and were implemented on 1 January 2016 and in Denmark with effect from the same date by Executive Order no 1587 of 3 December 2015 on Capital to Fulfil the Individual Solvency Requirement of Credit Institutions. According thereto, institutions’ additional own funds requirement shall be met with at least 56% Common Equity Tier 1 capital and at least 75% Tier 1 capital. The remaining 25% of the additional own funds requirement may be fulfilled with Common Equity Tier 1 capital, Additional Tier 1 capital or Tier 2 capital.

In addition, the CRR and the CRD IV Directive include a requirement for credit institutions to calculate, report, monitor and publish their leverage ratio, defined as their Tier 1 capital as a percentage of their total exposure measure. The leverage ratio is expected to be maintained at a level of at least 3%. This requirement will be harmonized at European Union level, and regulators may apply such measures as they consider appropriate until such time.

On 23 November 2016, the European Commission proposed a reform of the CRR and the CRD IV Directive by way of a proposal (COM (2016) 850) to amend the CRR and by way of a proposal (COM (2016) 852) to amend the CRD IV Directive (together the “**CRD IV Amendment Proposal**”). The CRD IV Amendment Proposal introduces, among other things, a leverage ratio requirement of 3% Common Equity Tier 1 capital, harmonised binding requirement for stable funding (the Net Stable Funding Ratio or “**NSFR**”), strengthening of the conditions for use of internal models and changes to the relevant regulator’s application of the institution specific Pillar 2 capital add-ons (referred above as the additional own funds requirements).

The basic objective of the requirement and the methodology included in the provisions of calculation of the NSFR is that credit institutions should always have funding available for their lending activities covering one year ahead. The NSFR is a ratio of the credit institution’s amount of available stable funding to its amount of required stable funding over a one-year horizon. Credit institutions are to maintain a NSFR of at least 100%.

It can be interpreted from the CRD IV Amendment Proposal that assets placed in a cover pool (capital centee) as mandatory overcollateralization is considered to be “encumbered assets” and thus illiquid for the purpose of the NSFR requirement. This implies that liquidity placed in cover pools (capital centers) for regulatory and rating purposes under the Danish mortgage model is by definition classified as unavailable and illiquid in this respect. Such assets are, however, not necessarily considered as “encumbered” for the purpose of fulfilling the LCR requirement, see below. Danish mortgage banks, including the Issuer, are likely to be able to adapt to this definition in regard to the NSFR. However, their ability to do so will depend on the definition of asset encumbrance. If at some point in time the definition of mandatory overcollateralization is extended to include the LCR, it will have significant consequences for the liquidity of the Issuer, as assets placed in cover pools (capital centers) for regulatory and rating purposes would therefore be considered “encumbered” and thus illiquid for the purpose of fulfilling the LCR requirement.

At the date of this Base Prospectus, it is still unclear whether and if so, to what extent, the CRD IV Amendment Proposal will impose additional capital and/or liquidity requirements on the Issuer.

## 5.9 Placement of liquid funds

As a consequence of the Danish LCR implementation for SIFI institutions, as from 1 October 2015 SIFIs must comply with a fully implemented LCR requirement.

The LCR (Liquidity Coverage Ratio) requires a credit institution to hold sufficient liquidity to cover its needs for a period of 30 days. The LCR requirement is defined in a delegated regulation (the “**LCR Regulation**”). The LCR is expressed as a percentage that must at all times be at least 100 and is calculated as the institution’s liquidity buffer as a percentage of the net liquidity outflow over 30 days.

DLR’s liquidity buffer consists of High Quality Liquid Assets (“**HQLA**”), including cash in hand, the current account with the Danish Central Bank, government bonds and covered bonds (ROs, SDOs, SDROs) issued by other Danish mortgage banks. Covered bonds may be included in the liquidity buffer as so-called “level 1B” assets if the size of the bond series is more than EUR 500 million, subject to a 7% haircut. If the size of the bond series is more than EUR 250 million, the bonds may be included as so-called “level 2A” assets, subject to a 15% haircut.

## 5.10 Refinancing risk

Special conditions regarding statutory maturity extension and interest rate fixing apply in connection with refinancing of SDOs comprised by section 6 of the Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act (Consolidation Act no. 959 of 2015/08/21).

### *Interest rate trigger*

If the term to maturity of a mortgage-credit loan is longer than the term to maturity of the underlying SDOs and the Bonds are fixed-rate or floating-rate bonds with a term to maturity of up to and including 24 months at the time of the refinancing of the loan, the maturity of the Bonds to be replaced by new bonds at expiration will be extended by 12 months if the yield to maturity in connection with the refinancing becomes more than 5 percentage points higher than a given reference rate. The reference rate, the terms and conditions for the arrangement of bond sales and the interest rate fixing on extended bonds appear from section 4.7.7 in the “SECURITIES NOTE” in this Base Prospectus. At expiration of the concerned Bonds after the 12-month extension, new bonds must be issued to replace them. At this issue, the 1st clause does not apply.

### *Refinancing failure trigger*

If the term to maturity of a mortgage-credit loan is longer than the term to maturity of the underlying SDOs, the maturity of the Bonds to be replaced by new bonds at expiration will, if buyers cannot be found for the volume of Bonds required to be refinanced, be extended by 12 months at a time until refinancing can be completed with buyers for all the new bonds required. Section 4.7.7 in the “SECURITIES NOTE” in this Base Prospectus specifies how the interest rate on extended bonds is determined.

### *Statutory maturity extension - Senior Secured Bonds*

If the maturity of SDOs issued by DLR is extended under the statutory maturity extension based on the refinancing failure trigger, DLR must extend the maturity correspondingly for Senior Secured Bonds that have been issued out of the same capital center and have been used as supplementary collateral for the extended SDOs, if these Senior Secured Bonds mature during the extension period. However, the Senior Secured Bonds in question may be redeemed at ordinary maturity if DLR issues or has issued new loans to replace these in full or in part. The extension may comprise the entire or part of a given ISIN.

Reference is made to section 4.7.7 of the “SECURITIES NOTE” in this Base Prospectus for a more detailed description of the provisions governing statutory extension of bond maturities.

## 5.11 Recovery and resolution under the BRRD

On 15 May 2014, the European Parliament and the Council of the European Union adopted the BRRD. The BRRD, including the general bail-in tool and the minimum requirement for own funds and eligible liabilities (“**MREL**”) has been implemented into Danish law with effect as of 1 June 2015 by the Danish Recovery and Resolution Act and by amendments to the Danish Financial Business Act.

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

The BRRD contains four resolution powers which may be used alone or in combination where the relevant resolution authority considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest. The relevant resolution authority may use the following resolution tools and powers alone or in combination without the consent of the institution’s creditors: (i) sale of business; (ii) bridge institution; (iii) asset separation; and (iv) bail-in relating to eligible liabilities (the “**general bail-in tool**”). The general bail-in tool is not applicable on specialized mortgage banks such as the Issuer.

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

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

With the implementation in Denmark of the BRRD, Danish commercial banks, but not mortgage banks such as the Issuer, are required to have bail-in-able funds in order to fulfil the Minimum Requirement for own funds and Eligible Liabilities (“MREL”). In connection with the Danish implementation of BRRD, it was adopted that all Danish mortgage bank, such as the Issuer, must have a debt buffer of 2% calculated on the basis of the total unweighted lending of the individual mortgage bank.

On 29 May 2018, Bill no. 184 was adopted by the Danish Parliament. The Debt Buffer Amendment states that if a Danish mortgage bank, such as the Issuer, has been designated as a SIFI, the debt buffer requirement must be set at a level that ensures that the combined requirement to the mortgage bank’s debt buffer and own funds amounts to at least 8% of the institution’s total liabilities. This requirement will be fully applicable from 1 January 2022.

It is stated that the change to the debt buffer is to be evaluated by 2021 at the latest, and that the evaluation is to be conducted in light of, inter alia, the development of the MREL requirement on an EU level, including the effects of Basel IV.

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.

BRRD requires an internal recovery plan to be prepared by the financial undertaking and an external resolution plan to be prepared by the authorities. In its capacity as a SIFI, DLR must at 1 October of each year update and submit a recovery plan to the Danish FSA, and the Danish FSA must prepare a resolution plan for DLR, see the Danish Financial Business Act.

DLR’s recovery plan describes the measures taken by DLR to ensure that it does not encounter financial difficulties making a resolution necessary. The recovery plan contributes to ensuring that financial difficulties are addressed swiftly, and that the measures set out in the plan are put into action with a view to sustaining DLR’s long-term viability. The recovery plan describes different stages of DLR’s emergency management and indicators of these stages. The plan describes capital and liquidity measures as well as other matters of relevance to internal crisis management.

DLR’s recovery plan has been prepared taking into account the technical standards (RTS) and guidelines (GL) of the European Banking Authority (EBA).

The Danish Financial Business Act and the Danish Act on Restructuring and Resolution of Certain Financial Enterprises set out the following additional requirements in relation to recovery and resolution:

DLR must in the period 2015-2024 make deposits to a resolution fund that will contribute to resolving failing institutions. Mortgage banks contribute less to the resolution fund than commercial banks as mortgage banks do not accept deposits.

DLR must have a debt buffer calculated on the basis of its total unweighted lending, see item 3.13 below.

In the event that DLR experiences a significant deterioration of its financial situation, the Danish FSA may require DLR to implement relevant measures.

If resolution proceedings are initiated for DLR, Finansiel Stabilitet is required to write down or convert DLR's relevant capital instruments into Common Equity Tier 1 instruments when the conditions for resolution have been met. Finansiel Stabilitet may then apply the following resolution tools:

- A sale of all or a certain part of the shares or the institution's assets or liabilities to a third party;
- Transfer to a temporarily state-owned company;
- Transfer to a portfolio management company; and/or
- Write-down/conversion (bail-in) of DLR's contractual obligations. Mortgage banks are explicitly exempted from statutory write-down/conversion (bail-in) of other instruments than capital instruments, see below.

#### **5.12 Debt buffer**

The debt buffer may consist of equity, additional tier 1 capital, tier 2 capital and unsecured senior debt, provided that the capital/debt is issued by the general capital center. Furthermore, the issued capital/debt must have a maturity of at least two years when issued.

As per 30 September 2018, DLR has issued subordinated senior debt totalling DKK 3 billion with a view to satisfying the debt buffer requirement, of which DKK 2 billion Senior Resolution Notes (SRN) split on 2 issues of each DKK 1 billion issued in June and September 2017, maturing in June 2020 and June 2022, respectively, and DKK 1 billion Senior Non-Preferred Notes (SNP) issued in June 2018 and maturing on 1 July 2021. Both SRN and SNP are subordinate senior debt which may be written-down or converted into share capital in the event of a liquidation of the Issuer. Both types of senior debt are included in S&P's Loss-Absorbing Capacity ("ALAC") and thus support DLR's issuer rating.

#### **5.13 Bankruptcy**

If a mortgage bank, such as the Issuer, becomes insolvent, the Danish FSA may file a petition in bankruptcy. After a bankruptcy order has been issued, funds cannot be transferred between capital centers and the institution in general. The amount for which holders of ROs and SDOs and other securities have secured creditor status equals the assets available in a capital center from time to time net of allocation of income and expenses.

If an institution is declared bankrupt, the funds of a capital center, less costs incurred in connection with bankruptcy proceedings, etc, including liquidator's fees, salaries, etc., will be used to satisfy claims notified by holders of ROs and SDOs and other securities. Covered next is debt raised by the mortgage bank for the purpose of providing supplementary collateral, cf. section 27 of the Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, for the relevant capital center and claims for interest on such debt accrued from the date of the bankruptcy order. Pursuant to section 32 of the Bankruptcy Act, any excess funds will be included in the assets available for distribution.

Financial instruments qualify as assets or liabilities of a capital center only if they are used for hedging risks between the assets relating to the capital center on the one hand and the Bonds issued on the other, and if the agreement on the financial instrument specifies that a suspension of payments,



bankruptcy or failure to comply with the request for supplementary capital of the mortgage bank does not constitute breach. If a mortgage bank is declared bankrupt, counterparties to the financial instruments concluded to hedge risks in a capital center rank equally with the Bondholders.

The company in bankruptcy cannot effect payment in satisfaction of claims raised by holders of Bonds or other securities earlier than the date on which the mortgage bank was entitled to be discharged by effecting such payments. The liquidator must continue or resume as far as possible the fulfilment of a mortgage bank's obligations, in the form of payment of interest and repayment of capital to holders of Bonds and other securities in the individual capital centers. Insofar as there are insufficient funds, interest is paid to holders of SDOs, ROs and other securities before any drawings are effected.

The liquidator may issue refinancing bonds in replacement of expired Bonds in a bond series. If the bankruptcy trustee or liquidator is not allowed to issue refinancing bonds or if buyers cannot be found for the volume of Bonds required to be refinanced, the maturity of the Bonds will be extended by 12 months at a time. The bankruptcy trustee or liquidator determines the interest rate of the extended Bonds to a floating reference rate plus up to 5 percentage points.

If the Bonds are extended in connection with refinancing because buyers cannot be found for the volume of Bonds required to be refinanced, the maturity of bonds issued pursuant to section 15 of the Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act that mature during the extension period and which are connected to the extended Bonds, will be extended according to the maturity of the extended Bonds.

#### **5.14 Arrears**

If payments on a mortgage loan are not made in due time, DLR has the option of arranging a compulsory sale in order to raise funds for repayment. During any period in which the debtor fails to service his mortgage, DLR will pay the Bondholder for as long as funds are available in the capital center.

## 6 OVERVIEW OF DLR'S BUSINESS ACTIVITIES

### 6.1 Background

DLR is a Danish mortgage-credit institution subject to the Danish Financial Business Act. DLR conducts mortgage-credit activity and closely associate activities. DLR can issue CRD-compliant covered bonds (SDO) or UCITS-compliant covered bonds (RO) to fund the lending, supplemented by the issuance of debt securities for the purpose of LTV fulfilment, fulfilment of OC requirements from rating agencies, and compliance with the debt buffer requirement.

### 6.2 Business model

DLR grants loans against mortgages on real property within the agricultural (including residential farms), urban trade and private cooperative housing sectors. Urban trade is a catch-all term for private residential rental properties, office and retail properties, public housing properties, manufacturing and workshop properties, community power plants and "other properties" (mainly unbuilt land). Since 2002, DLR has also, albeit to a limited extent, been granting loans in Greenland and since 2009 the Faroe Islands. At end-December 2017, DLR's loan portfolio in terms of outstanding nominal bond debt amounted to DKK 140.7bn, of which loans to Greenland and the Faroe Islands amounted to DKK 1.9bn or 1.4 pc of the loan portfolio.

At the time of this Base Prospectus, DLR only issues SDOs to fund the mortgage-credit lending. DLR stopped issuing ROs for purposes of funding mortgage-credit loans at the beginning of 2008 in connection with the transition to SDO funding and the opening of a new Capital Center B for the issuance of SDOs.

DLR is owned by 59 local and nationwide banks, etc. The banks refer loans to DLR and receive agency fees and commissions from DLR, including commissions for providing loss guarantees on loans referred to DLR. Annual share redistributions aim at balancing the individual bank's ownership share with its share of provided loan.

DLR had 173 FTE employees on average in 2017. In addition, a number of locally employed agricultural valuers are affiliated to DLR. DLR has no branch offices, as loans are distributed through the branch networks of DLR's shareholder (owner) banks. DLR receives loan applications via the applicant's bank, after which DLR's independent valuation experts value the property. The application outcome is then decided by DLR's credit department based on the property valuation, the applicant's financial history and statements from the applicant's bank. DLR's valuation experts are independent of the credit-granting process. Hence, there is a clear separation between the functions of property valuation, credit assessment and loan granting, and loan administration and follow-up.

### 6.3 Overall risk management at DLR

Risk management is a key element of DLR's day-to-day operations. DLR's Board of Directors lays down DLR's overall risk profile and prepares policies and guidelines for the measurement, monitoring and reporting of risk. Pursuant to the CRR (Pillar III) disclosure requirements (CRR Articles 431-455), DLR at least once a year prepares a risk and capital management report, which is published on DLR's website, [www.dlr.dk/Investor](http://www.dlr.dk/Investor).

As a mortgage-credit institution, DLR is exposed to various types of risk, such as credit risk, market risk, liquidity risk and operational risk etc.

DLR has elected to operate with capital resources that exceed the regulatory minimum requirement. DLR's capital resources combined with its annual profit, which constitute a front-line buffer against loss, should therefore be able to absorb losses on a substantial scale.

Like other Danish mortgage-credit institutions, DLR is subject to the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, the Danish Financial Business Act, the Executive Order on the

Issue of Bonds, the Balance Principle and Risk Management (“The Executive Order on Bonds”) and other executive orders issued pursuant to the above legislation.

DLR applies the specific balance principle as defined in the Executive Order on Bonds to its lending activities. Applying the principle means there is a full funding match between the interest and principal payments received by DLR from borrowers and DLR’s payments to bondholders.

In reality, the balance principle means that DLR does not assume any interest rate, exchange rate or liquidity risk – including prepayment risk on the lending business. DLR is mainly exposed to credit risk, i.e. the risk that a borrower is unable to repay a loan.

#### *Credit risk*

As a mortgage-credit institution, DLR only grants loans against a registered mortgage on real property subject to statutory limits on loan-to-value (LTV), etc. This activity means that credit risk, arising from the risk of loss due to a borrower defaulting on payment obligations to DLR, constitutes by far the most significant share of DLR’s aggregate risk.

To identify credit risk, a detailed assessment is made of the mortgageable property and the borrower’s finances. Credit scoring is the responsibility of DLR’s credit department in Copenhagen. Credit scoring models are used for certain customer segments. As well as cover in the mortgaged property and a detailed credit assessment, DLR has further reduced its credit risk on individual loans and its risk at portfolio level via various guarantee schemes provided by DLR’s loan-distributing banks (DLR’s shareholders).

DLR’s *universal guarantee concept*, which covers all key property categories, came into force at the start of 2015. However, loans on properties such as manufacturing and workshop properties, community power plants (excluding wind turbines), plots of land and specialist properties are only granted when additional guarantees are in place.

The guarantee under the shared guarantee concept is structured in such a way that the loan providing bank provides an individual guarantee when disbursing the loan, covering the individual loan throughout the term of the loan. The guarantee generally covers 6% of the residual debt. Additional guarantee is required in connection with special mortgages etc. The guarantee is reduced as the loan is repaid at a proportionate share of the instalments, to the effect that the ratio of the guarantee to the residual debt remains unchanged throughout the term of the loan. The guarantee covers the top portion of the total mortgage loan in the individual property.

In addition, a loss set-off scheme has been established, under which DLR sets off all losses incurred by DLR in respect of loans provided by the bank in question beyond what is covered by the 6% guarantee provided at loan level. Losses are set off against the relevant bank’s total commissions relating to the total lending portfolio, except for agency commission and reimbursement of brokerage, and may be set off against commissions accrued over a number of years in accordance with specific terms and conditions. To the extent that losses eligible for set-off exceed the expected set-off basis, DLR may require that such losses are covered through drawings on direct guarantees provided by the bank in question.

Loans offered before 1 January 2015 are still subject to the separate loss-mitigating agreements for lending in the commercial and agricultural areas, respectively.

At year-end 2017, 95% of DLR’s loan portfolio was covered by the above-mentioned guarantee arrangements. In addition, a minor portion of the portfolio, totalling about DKK 0.3 billion, was covered by government guarantees. The main part of the exposures that are not covered by guarantees usually have a low LTV.

#### **6.4 DLR compliance with the balance principle**

ROs issued out of the General Capital Center and SDOs issued out of Capital Center B each comply with the provisions of the specific balance principle set out in part 3 of the Executive Order on Bonds. If DLR subsequently decides that ROs issued out of the General Capital Center and/or SDOs issued out of Capital Center B must instead comply with the general balance principle set out in part 2 of the Executive Order on Bonds, such a decision might entail increased exposure to market risks in the relevant capital center.

Proceeds from the issuance of Senior Secured Bonds are subject to the same risk management rules as the securities portfolio and are thus comprised by the rules on interest rate and currency risks applying thereto. Accordingly, interest rate and currency risks may not exceed 8% and 10%, respectively, of the own funds of the relevant capital center, see the Executive Order on Bonds.

It should furthermore be noted that the Executive Order on Bonds regulates the actual issuance of ROs, SDOs and other securities with preferential status issued by a mortgage bank. The actual bond issuance is not reflected directly in the key figures of annual and interim reports because the liability item “bonds issued” must be reduced by DLR’s holdings, if any, of own-issued ROs, SDOs and other preferential status securities issued by mortgage banks.

Similarly, the placing of funds in secure and liquid securities in pursuance of the Executive Order on Bonds will not be directly reflected in the assets because any holdings of own-issued ROs, SDOs and other securities with preferential status issued by mortgage banks must be eliminated in the liability item “bonds issued”.

## **7 OTHER RULES**

### **7.1 Placement of funds with financial institutions**

Bank accounts must be set up with financial institutions with a rating of not less than BBB/A-2 with S&P, but see below.

DLR continuously monitors bank deposits relating to, respectively, DLR Capital Center B and the General Capital Center to ensure that the total amount deposited with any one financial institution does not exceed 5% of the outstanding cover pool in Capital Center B and the General Capital Center, respectively. If the total deposit with an individual financial institution exceeds 5%, DLR will take immediate steps to reduce the deposit with that financial institution and place the amount in compliance with these rules.

If the financial institution is assigned a rating below BBB/A-2 with S&P, DLR will, within 30 days, discontinue receipt of payments with the relevant financial institution and transfer its deposits to a financial institution that holds a rating of not less than BBB/A-2 with S&P. In that connection, borrowers affected by the change will receive notification from DLR that future payments to DLR can no longer be made through the financial institution in question, but must be made through another financial institution as advised by DLR.

Notwithstanding the above, funds may be deposited with financial institutions that do not hold a rating of or above BBB/A-2 with S&P where the amount of the deposits does not exceed DKK 40 million in relation to Capital Center B and DKK 10 million in relation to the General Capital Center.

The above provision ceases to apply if the ROs and SDOs issued by DLR are no longer rated by S&P under an agreement with DLR Kredit A/S. If S&P changes its rating method or the criteria applied to counterparty risks, DLR may align the above provision with the changes implemented by S&P.

### **7.2 Exemption of asset-backed securities from the cover pool**

Pursuant to ECB rules, Asset-Backed Securities (ABSs) are not allowed in the cover pool for ROs, SDOs and SDROs, with the exception of those ABSs which:

- comply with the CRR requirements regarding ABSs in the cover pool;
- originate from a member of the same group as the issuer of SDOs, SDROs and ROs or an entity affiliated with the same organisation, institution or authority as the issuer of the bonds; and
- are used as a technical tool to transfer mortgages on real property or loans guaranteed by mortgages on real property from the entity to which they belong, as collateral for the relevant bonds.

Pursuant to the legal basis for the monetary policy of the Euro system, SDOs, SDROs and ROs are not considered ABSs.

DLR will at any time ensure that non-ECB compliant Asset-Backed Securities are not used as collateral for ROs and SDOs.

### **7.3 Joint funding**

The issuance of SDOs may, subject to approval from the FSA, be used for joint funding of lending against mortgages on real property originally granted by other financial institutions.

The original credit provider must hand over loans and mortgages to the ownership of the mortgage bank. The rules for joint funding are stated in S. 16b to 16g in the Danish Financial Business Act.

At present, DLR has not applied for such an approval from the FSA, but reserves the right to initiate a process in preparation for attaining a joint funding approval in accordance with the legislation on this subject.

## **8 REGISTRATION DOCUMENT**

For numbering, see Annex IV of Commission Regulation No 809/2004

### **1. Persons responsible**

#### *1.1 This Base Prospectus has been prepared by:*

DLR Kredit A/S  
Nyropsgade 21  
1780 Copenhagen V  
Denmark

#### *1.2 Declaration concerning the Base Prospectus*

Reference is made to the management statement in 2 "RESPONSIBILITY STATEMENT" of this Base Prospectus.

The information contained in this Base Prospectus must be read in conjunction with the Final Terms for the specific issue and the published documents referred to in this Base Prospectus, as listed in "ANNEX 2".

This Base Prospectus was prepared as at 19 November 2018 to replace "Base Prospectus for the issuance of covered bonds, mortgage bonds, bonds issued in pursuance of section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act (Senior Secured Bonds) and senior unsecured debt" issued by DLR Kredit A/S" dated 20 November 2019 with addendums.

### **2. Statutory auditors**

#### *2.1 DLR's external auditors are:*

Deloitte Statsautoriseret Revisionspartnerselskab  
Weidekampsgade 6  
2300 Copenhagen S  
Denmark

Deloitte has audited DLR's financial statements for the past five financial years and is a member of FSR – Danish Auditors.

DLR's internal audit department refers directly to DLR's Board of Directors through Chief Internal Auditor Brian Hansen.

#### *2.2 Change of auditors*

There has been no change of auditors since the approval of DLR's 2017 financial statements.

### **3. Selected financial information**

#### *3.1 Selected financial information for DLR for the two most recent financial years and for Q1 – Q3 2017 and Q1 – Q3 2018 is provided in the table below. The interim figures have not been audited. The financial statements may be found on DLR's website, [www.dlr.dk/investor](http://www.dlr.dk/investor).*

<b>DKK millions</b>	<b>Q1-Q3 2018</b>	<b>Q1-Q3 2017</b>	<b>2017</b>	<b>2016</b>
<i>Income statement:</i>				
Core income (mortgage credit income)	956	933	1,293	1,261
Staff costs, administrative expenses, etc.	-204	-186	-255	-233
Other operational expenses (contribution to resolution fund)	-8	-9	-12	-15
Impairment of loans, receivables, etc.	-7	115	94	-62
<b>Core earnings</b>	<b>737</b>	<b>854</b>	<b>1,121</b>	<b>903</b>
Earnings from investment portfolios (sub-funds)	-37	44	6	136
Profit before tax	699	898	1,126	1,039
Profit after tax	545	702	880	811
<i>Balance sheet:</i>				
Loans	154,505	141,995	143,061	139,053
Bonds issued	144,079	144,193	148,972	142,074
Own funds after deductions	12,247	11,544	12,372	12,259
<i>Financial ratios (%):</i>				
Capital ratio <sup>1)</sup>	16.4	14.8	15.9	14.3
CET1 capital ratio <sup>1)</sup>	15.5	13.9	15.1	12.7
Profit before tax as a percentage of equity	5.5	7.3	9.1	7.2

<sup>1)</sup> The capital ratios for the interim periods of Q1-Q3 2017 and Q1-Q3 2018 have been calculated excluding profits of the period.

3.2 As regards balance sheet comparables for Q1 – Q3 2018, reference is made to selected financial information as set out in item 3.1 of this “REGISTRATION DOCUMENT”.

#### 4. Risk factors

For information about risk factors that may affect DLR’s ability to fulfil its obligations in connection with the issuance of bonds comprised by this Base Prospectus and the management of mortgage loans, see 4 “RISK FACTORS” of this Base Prospectus.

#### 5. Information about the issuer

##### 5.1 DLR’s history and development

5.1.1 The Issuer’s full name is DLR Kredit A/S. The Issuer’s only secondary name is: Dansk Landbrugs Realkreditfond A/S (DLR Kredit A/S).

5.1.2 The Issuer’s registered office is situated in the City of Copenhagen. DLR’s company registration (CVR) number is: 25 78 13 09.

5.1.3 The Issuer established a mortgage credit business on 12 October 1960 under the name of Dansk Landbrugs Realkreditfond. Until 1 July 2000, the Issuer’s business was established on its own statutory basis, which limited its lending to agricultural, forestry and market garden property, etc. As at 1 July 2000, the Issuer’s statutory basis was changed to the legal framework of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, and, at the same time, the Issuer acquired a status equal to that of the other Danish mortgage banks. From then on, the Issuer’s lending was no longer limited to agricultural, forestry and market garden property, etc.

Effective 1 January 2001, the Issuer was converted into a limited liability company under its present name (DLR Kredit A/S), a company founded on 1 December 2000.

- 5.1.4 The Issuer's object, as stated in article 2 of its Articles of Association, is to carry on business as a mortgage bank pursuant to the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act and any other applicable legislation governing mortgage banks in force at any given time. The Issuer is governed by Danish law and is registered as a limited liability company in Denmark. The address and telephone number of the Issuer's registered office are:

DLR Kredit A/S  
Nyropsgade 21  
1780 Copenhagen V  
Denmark

Website: [www.dlr.dk](http://www.dlr.dk)  
Email: [dlr@dlr.dk](mailto:dlr@dlr.dk)  
Tel: +45 7010 0090

DLR's latest interim and annual reports as well as its company announcements are available from the website at [www.dlr.dk/Investor](http://www.dlr.dk/Investor).

DLR is licensed by the Danish FSA to operate its business, and the Danish FSA supervises DLR on an ongoing basis. DLR is also licensed by the Danish FSA to issue ROs and SDOs and bonds under section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act.

- 5.1.5 No event with significant impact on DLR's solvency has been reported since the publication of the latest interim report.

## 5.2 *Investments*

- 5.2.1 DLR has made no significant investments since the date of publication of DLR's latest interim report.

- 5.2.2 As at the date of this Base Prospectus, DLR has made no commitment to make any significant future investments.

- 5.2.3 Not applicable: As at the date of this Base Prospectus, DLR has made no commitment to make any significant future investments.

## 6. **Business overview**

### 6.1 *Principal activities*

- 6.1.1 DLR carries on mortgage credit business, including any kind of activities permitted pursuant to the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act and other applicable legislation on mortgage banks in force at any given time. Please refer to 4 "RISK FACTORS".

DLR primarily offers mortgage financing of agricultural, forestry and market garden property, private residential rental property, private co-operative property, office and business property and manufacturing and manual industry property. The distribution of the loan portfolio on the property categories is provided in the latest annual report, see "[ANNEX 3](#)" of this Base Prospectus.

- 6.1.2 DLR intends to develop new mortgage finance products and pursue new business opportunities within the mortgage finance business and to the extent it is deemed commercially viable. At the date of this Base Prospectus, DLR has no plans for introducing significant new mortgage credit products or pursuing new business opportunities.



6.2 *Principal markets*

DLR is a mortgage bank operating in Denmark. In addition, DLR operates a mortgage lending business in Greenland and the Faeroe Islands of very limited significance.

6.3 In this Base Prospectus, DLR expresses no opinion concerning the competitive situation in the market.

7. **Organisational structure**

7.1 DLR's shares are primarily owned by domestic financial institutions. DLR is not part of a group. DLR's shares are not admitted to trading on a regulated market and any share transaction, that is, transfer of ownership and/or voting rights, is subject to approval by the DLR Board of Directors. DLR distributes its products (loans) through its shareholding banks.

7.2 DLR is independent of group interests.

8. **Trend information**

8.1 The outlook for DLR has not been negatively affected since the publication of the latest interim report.

8.2 DLR has no information on any known trends, uncertainties, claims, obligations or events which may reasonably be expected to have a significant impact on DLR's outlook in the current financial year.

9. **Profit forecasts or estimates**

Earnings forecasts or estimates for DLR are basically immaterial to the price development of the issued bonds, and for this reason forecasts and estimates are omitted from this Base Prospectus.

10. **Board of directors, executive board and supervisory bodies**

10.1 DLR's business address (the business address of the Board of Directors and the Executive Board) in relation to this Base Prospectus is:

DLR Kredit A/S  
Nyropsgade 21  
1780 Copenhagen V  
Denmark

DLR is subject to supervision by:

Finanstilsynet (The Danish FSA)  
Århusgade 110  
2100 Copenhagen Ø  
Denmark

**DLR board of directors (with indication of other directorships, where relevant):**

*Elected at the Annual General Meeting on 30 April 2018:*

**Vagn Hansen (Chairman)**

Managing Director and CEO, Sparekassen Vendsyssel  
Chairman of the board of directors, Egnsinvest Holding A/S and two subsidiaries  
Chairman of the board of directors, HN Invest Tyskland 1 A/S  
Director, SparInvest Holding SE  
Director, Skandinavisk Data Center A/S (SDC)  
Director, Spar Pantebrevsinvest A/S  
Director, The Trust Corporation for The Association of Local Banks, Savings Banks and Co-Operative Savings Banks in Denmark (*Forvaltningsinstituttet for Lokale Pengeinstitutter*)

**Lars Møller (Deputy Chairman)**

Managing Director, Spar Nord Bank A/S  
Chairman of the board of directors, BI Holding A/S  
Chairman of the board of directors, BI Asset Management Fondsmæglerselskab A/S  
Chairman of the board of directors, BI Management A/S  
Director, Aktieselskabet Skelagervej 15

**Claus Andersen**

Managing Director, Ringkjøbing Landbobank A/S  
Chairman of the board of directors, Sæbygaard Skov A/S  
Director, Bankdata  
Director, The Association of Local Banks, Savings Banks and Co-Operative Savings Banks in Denmark (*Lokale Pengeinstitutter*)  
Director, BI Holding A/S

**Peter Gæmelke, Farmer – Vejen**

Chairman of the board of directors, Danske Spil A/S  
Chairman of the board of directors, Løvenholmfonden (commercial foundation)  
Chairman of the board of directors, NGF Nature Energy Biogas A/S  
Chairman of the board of directors, The Velliv Association (formerly Norliv)  
Chairman of the board of directors, The Green Museum (*Det Grønne Museum*)  
Director, Kirkbi A/S  
Director, Fællesfonden  
Director, Velliv (formerly Nordea Liv og Pension)  
Director and member of the board of representatives, Askov Højskole  
Member of the board of representatives, Tryghedsgruppen smba  
Member of the board of representatives, the Danish Central Bank (*Danmarks Nationalbank*)  
Member of the board of representatives, Sydbank A/S  
Member of the board of representatives, Hedeselskabet

**Gert R. Jonassen**

Managing Director & CEO, Arbejdernes Landsbank A/S  
Chairman of the board of directors, AL Finans A/S  
Chairman of the board of directors, Foreningen Bankernes EDB Central  
Director and deputy chairman, Finanssektorens Uddannelsescenter  
Director and deputy chairman, LR Realkredit A/S  
Director, Pension Danmark Holding A/S  
Director, Pension Danmark A/S  
Director, PRAS A/S  
Director, National Banks in Denmark (*Landsdækkende Banker*)  
Director, Totalkredit A/S  
President, Handels ApS Panoptikon

**Bjarne Larsen**

Managing Director, Sydbank A/S  
Director, Ejendomsselskabet af 1 June 1986 A/S  
Director and deputy chairman, DiBa A/S

**Lars Petersson**

Managing Director and CEO, Sparekassen Sjælland-Fyn A/S  
Chairman of the board of directors, Holbæk Kommunes Talentråd  
Chairman of the board of directors, Museum Vestsjælland  
Chairman of the board of directors, Lokal Puljepension  
Director and deputy chairman, Nærpension  
Director and CEO, Investeringselskabet af 10 March 2015 ApS  
Director, Ejendomsselskabet Sjælland-Fyn A/S  
Director, Investeringselskabet Sjælland-Fyn A/S  
Director, BI Holding A/S  
Director, Tilskuds-fonden for pensionister i DLR Kredit A/S  
Director, Copenhagen FinTech  
Director, Regional Invest Fyn A/S  
Director, Poulsgade A/S

*Staff-elected board members:*

**Randi Holm Franke**, Head of Business Development and Communication, DLR Kredit A/S

**Jakob G. Hald**, Chief Agricultural Account Manager, DLR Kredit A/S

**Kim Hansen**, Office Messenger, DLR Kredit A/S

**Søren Jensen**, Legal Consultant, DLR Kredit A/S  
Own agricultural business

**Agnete Kjærsgaard**, Administrative Officer, DLR Kredit A/S

**DLR executive board (with indication of other directorships, where relevant):**

**Jens Kr. A. Møller**, Managing Director & CEO

Director – Finance Denmark (*Finans Danmark*) and the Association of Mortgage Banks (*Realkreditrådet*)

Director – e-nettet A/S

Director – SEGES' sektorbestyrelse for økonomi og virksomhedsledelse

Director – FR I af 16. september 2015 A/S

**Michael Jensen**, Managing Director

**10.2** *Board of Directors and Executive Board – conflicting interests*

There are no potential conflicting interests between the DLR Board of Directors and Executive Board, between the obligations of the members of the DLR Board of Directors and Executive Board vis-à-vis DLR, and their private interests and/or other obligations.

**11. Board practices**

**11.1** As at 21 April 2009, DLR has set up an audit committee pursuant to section 2(2) of the Executive Order on Audit Committees in Companies and Groups Subject to Supervision by the Danish Financial Supervisory Authority (Executive Order No. 1393 of 19 December 2011).

The audit committee has been set up pursuant to the Executive Order and consists of the following members as at the date of this Base Prospectus:

Managing Director Claus Andersen (Chairman)  
Managing Director & CEO Gert R. Jonassen  
Head of Business Development and Communication Randi H. Franke

The framework of the work of the audit committee has been determined pursuant to section 3 of the Executive Order.

The audit committee has been assigned the task of monitoring the financial reporting process and reviewing significant matters relating to accounting policies and financial reporting – including any significant change to the choice and application of accounting policies. Furthermore, the audit committee is to monitor the work performed by the auditors in order to prepare the auditor's report or related work, for instance monitoring the independence of the auditor.

**11.2** No corporate governance regulations currently apply to unlisted bond issuers in Denmark.

**12. Major shareholders**

**12.1** No DLR shareholder holds a controlling interest.

At the date of preparation of the Base Prospectus, the following shareholders have an ownership interest of more than 5%:

- Jyske Bank A/S: 12.6%
- Nykredit Realkredit A/S: 12.2%
- Sydbank A/S: 10.4%
- Spar Nord Bank A/S: 7.9%
- Ringkjøbing Landbobank A/S: 7.9%
- PRAS A/S: 6.8%

A description of DLR's ownership is provided under item 7.1 of this "REGISTRATION DOCUMENT".

**12.2** DLR has no knowledge of any agreement which may result in others gaining control of the Issuer.

**13. Information concerning the issuer's assets and liabilities, Financial position and profits and losses**

**13.1** *Historical financial information*

A summary of accounting policies, the profit and loss account, balance sheet, notes and solvency and cash flow statements are provided in the relevant sections of DLR's annual reports for the last two years, see "ANNEX 3" of this Base Prospectus. The annual reports also provide information on previous accounting periods.

The latest annual report was prepared in accordance with the provisions of the Danish FSA on financial reports of mortgage banks and the requirements of NASDAQ Copenhagen A/S as regards the financial statements of issuers of listed bonds. The Issuer has no intention of changing its financial reporting principles or accounting policies within the current financial year.

**13.2** *Financial statements*

DLR does not prepare consolidated financial statements.

**13.3** *Auditing of historical annual financial information*

**13.3.1** The summary of accounting policies, the profit and loss account, balance sheet, notes and solvency and cash flow statements as presented in the two latest annual reports have been audited by DLR's external auditors.

**13.3.2** No other information in this Base Prospectus besides the information derived from the financial statements has been audited by DLR's external auditors.

**13.3.3** All the financial information concerning financial year 2017 and previous financial years may be found in DLR's audited annual reports.

**13.4** *Age of latest financial information*

**13.4.1** The latest audited financial information relates to financial year 2017.

**13.5** *Interim and other financial information*

**13.5.1** In the period since the release of the latest audited financial statements, DLR has prepared interim reports Q1 2018, H1 2018 and Q1-Q3 2018, see "ANNEX 3" of this Base Prospectus. The interim reports may be found on DLR's website, [www.dlr.dk/investor](http://www.dlr.dk/investor). The interim reports have not been audited.

**13.6** *Legal and arbitration proceedings*

No government, legal or arbitration proceedings have been brought against DLR. At the time of preparation of this Base Prospectus, DLR has no knowledge of any proceedings that may be brought against it.

**13.7** *Significant change in the Issuer's financial or trading position*

No significant changes have occurred with respect to DLR's financial or trading position since the period covered by the historical financial information.

**14. Additional information**

**14.1** *Share capital*

**14.1.1** DLR's share capital consists of 569,964,023 shares of DKK 1 each. The share capital is not divided into classes. At the date of preparation of this Base Prospectus, DLR holds 29,617,587 shares itself, representing 5.2% of the share capital. The remaining share capital consisting of 540,346,436 shares has been fully paid up.

**14.2** *Memorandum of Association and Articles of Association*

**14.2.1** DLR is registered with the Danish Business Authority under company registration (CVR) number 25 78 13 09. Pursuant to article 2 of the Articles of Association, the object of DLR is to carry on business as a mortgage bank and other business deemed to be related to this object. DLR's Memorandum of Association (*Stiftelsesdokument for KR 276 A/S*) contains no information on DLR's registration, registration number or statutory objects.

**15. Material contracts**

DLR has not concluded any material contracts outside DLR's normal business activities that might cause DLR to assume obligations or acquire rights that affect DLR's ability to comply with its obligations vis-à-vis bondholders in relation to the Bonds.

**16. Third party information and statement by experts and declarations of any interest**

This Base Prospectus contains no statement or report by external experts. The Base Prospectus contains no third party information.

**17. Documents on display**

DLR declares that the following documents are available for inspection in hard copy through contact with DLR or in electronic form at [www.dlr.dk/investor](http://www.dlr.dk/investor) for as long as this Base Prospectus remains valid:

- DLR's Articles of Association
- Memorandum of Association for KR 276 A/S
- Financial statements which DLR has incorporated by reference in the Base Prospectus, see "ANNEX 2"
- Company announcements
- Copy of press releases from rating agencies

## 9 SECURITIES NOTE

For numbering, see Annex IV of Commission Regulation No 809/2004

### 1. Persons responsible

1.1 Please refer to item 1.1 in 8 "REGISTRATION DOCUMENT".

1.2 Please refer to the declaration in 2 "RESPONSIBILITY STATEMENT".

### 2. Risk factors

2.1 Please refer to the information provided on risk factors in 4 "RISK FACTORS".

### 3. Essential information

3.1 *Interest of natural and legal persons involved in the issue/offer*

DLR has no knowledge of any interests and/or conflicting interests that are material to the offer of bonds under this Base Prospectus. A description of any conflicting interests material to DLR in connection with a bond issue, stating the persons involved and the nature of such interest, will be included in the Final Terms for the specific issue.

3.2 *Reasons for the offer and use of proceeds*

#### Covered Bonds (RO and SDO)

Funds from the issuance of Covered Bonds under this Base Prospectus are applied to fund lending secured by mortgages on real property etc. provided by DLR.

Pursuant to the Executive Order on the Issuance of Bonds, the Balance Principle and Risk Management (Executive Order No. 945 of 31 August 2011, section 21), the issuance of ROs, SDOs and other securities may be effected as a pre-issuance of fixed-price agreements concluded or as "block bond emission" on the basis of an estimated lending volume.

Under Danish mortgage credit legislation, excess funds from the issuance of Covered Bonds may be placed in secure and liquid securities or in accounts with credit institutions in Zone A, subject to a notice of up to 12 months. Excess funds must be kept separate from other funds.

Except during a transitional period, excess funds from a "block bond emission" may not exceed the budgeted gross lending for the next following 90 days of each individual series with a series reserve fund. This does not apply to "block bond emissions" made based on planned purchases in the market for the purpose of refinancing existing funding. Such "block bond emissions" may not have a maturity of more than 90 days, after which time any excess bonds must be cancelled.

#### Senior Secured Bonds

Pursuant to section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, DLR may raise loans, including through the issuance of bonds (Senior Secured Bonds), with a view to satisfying the requirement for the provision of supplementary collateral for the SDOs issued.

Bonds may be issued under the Base Prospectus before the requirement for providing supplementary collateral arises in order to build up a reserve.

Funds from the issuance of Senior Secured Bonds under this Base Prospectus will be applied to procure supplementary collateral in order to meet the requirement that the value of the assets provided as security for the SDOs issued by DLR must at any time correspond at least to the value of the SDOs issued by DLR.

The funds may also be applied to increase the excess cover in a capital center.

Funds from Senior Secured Bonds will be placed in investment grade assets. See section 152c(1) of the Danish Financial Business Act.

#### **4. Information concerning the securities to be admitted to trading**

4.1 Under this Base Prospectus, DLR will issue ROs, SDOs and bonds pursuant to section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act (Senior Secured Bonds). Bonds may be issued under this Base Prospectus for 12 months after approval by the Danish FSA, unless the public is otherwise informed.

The Bonds are subject to Danish law and legal venue.

The Bonds will be issued in one or more ISINs. The ISIN will be specified in the Final Terms.

4.2 The issuance of Bonds is regulated by the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act. For a detailed description of the statutory framework, please refer to 5 “LEGAL FRAMEWORK FOR DLR’S BUSINESS”.

Covered Bonds are negotiable instruments of debt or securities issued in bulk in the ordinary course of a mortgage credit business pursuant to the same act, and which are listed on a regulated market.

ROs issued out of the General Capital Center and SDOs issued out of Capital Center B each comply with the provisions of the specific balance principle in accordance with part 3 of the Executive Order on the Issuance of Bonds, the Balance Principle and Risk Management (Executive Order No 945 of 31 August 2011). If DLR subsequently decides that ROs issued out of the General Capital Center or SDOs issued out of DLR Capital Center B will instead comply with the general balance principle in accordance with part 2 of the Executive order on the Issuance of Bonds, the Balance Principle and Risk Management (Executive Order No 945 of 31 August 2011), such a decision might entail increased exposure to market risks in the relevant capital center. However, prior detailed quantification of the significance for investors cannot be made.

4.3 The Bonds will be issued under this Base Prospectus as bearer securities and will be registered electronically with a securities depository. No physical instruments of debt will be issued, and the Bonds will not be registered in the name of the holder.

At the time of this Base Prospectus, the Bonds are registered with:

VP Securities A/S  
Weidekampsgade 14  
P.O. Box 4040  
DK-2300 Copenhagen S, Denmark

Should the Issuer elect to register Bonds issued under this Base Prospectus with another securities depository than VP Securities A/S, this will be specified in the Final Terms.

4.4 The currency applied for the issuance of the Bonds will be stated in the Final Terms.

4.5 Holders of Covered Bonds enjoy a statutory preferential claim on all the assets in the DLR capital center out of which the Bonds have been issued.

Holders of Senior Secured Bonds have a secondary preferential right to all assets of the DLR capital center in which the Bonds have been issued.

A detailed description of the preferential position under Danish bankruptcy law etc. is provided in 5 “LEGAL FRAMEWORK GOVERNING DLR’S BUSINESS”.

4.6 The Bonds carry interest as described in item 4.7 of this section 9 “SECURITIES NOTE”.

Bonds issued under this Base Prospectus are irredeemable on the part of the Bondholders.

Bonds will be issued out of one of DLR’s capital centers in series with joint liability with a joint series reserve fund. Claims in relation to the Bonds may solely be made against the individual series and other series with joint liability with a joint series reserve fund in the relevant capital center.



The capital center out of which the Bonds are issued will be specified in the Final Terms. For an overview of Bonds issued out of the relevant capital center at the date of an issuance of Bonds under this Base Prospectus, please refer to the Final Terms.

DLR makes decisions on opening other Bond series.

The size of the reserve fund for a capital center must always comply with the requirements of the mortgage credit legislation currently in force. To the extent that the series meets the statutory capital adequacy requirements, any excess funds may be transferred from Capital Center B to DLR's assets (the General Capital Center).

Borrowers are not jointly and severally liable to DLR and are not entitled to payment of a share of DLR's assets upon redemption of their loans. Borrowers in the individual capital centers, including the General Capital Center, are liable for loans granted both to the extent of the mortgaged property and personally.

Covered Bonds are cancelled in accordance with the general provisions of Danish legislation. Claims for payment in respect of the Covered Bonds are subject to the general period of limitation under Danish law. Repayments and interest payments due do not carry interest from the due date and will accrue to the Issuer unless not claimed within the period of limitation.

DLR will defer payments to the holders of Senior Secured Bonds if:

- (1) such payments would entail a breach of the balance principle that applies to Covered Bonds and certain counterparties to the derivative financial instruments in the capital center;
- (2) DLR has initiated a reconstruction pursuant to the Danish Bankruptcy Act; or
- (3) a bankruptcy order is issued over DLR.

DLR will be liable for any tardy or defective performance of its contractual obligations to the Bondholders resulting from error or negligence.

Even in areas of increased liability, DLR will not be liable for losses incurred by Bondholders arising from:

- breakdown of or lack of access to IT systems or damage to data in these systems due to any of the factors listed below and regardless of whether or not DLR itself or a third-party supplier is responsible for the operation of these systems;
- power failure or a breakdown of DLR's telecommunications, legislative or administrative intervention, acts of God, war, revolution, civil unrest, sabotage, terrorism or vandalism (including computer virus attacks or hacking);
- strikes, lockouts, boycotts or picketing, regardless of whether such conflict targets or is started by DLR or its organisation, and regardless of its cause. This also applies if the conflict affects only parts of the organisation; or
- other circumstances beyond DLR's control.

DLR will not be exempt from liability in cases where:

- DLR ought to have foreseen the cause of a loss when the agreement was concluded or ought to have avoided or overcome the cause of the loss; or
- Danish law at any rate makes DLR liable for the cause of a loss.

Bondholders may exercise their rights by contacting DLR.

#### 4.7 *Interest*

##### 4.7.1 *Coupon rate*

The Bonds may be issued with either a fixed or floating coupon rate. The Final Terms will state whether the Bonds are issued with a fixed or floating coupon rate.

The annual coupon rate of fixed-rate Bonds will appear from the Final Terms.

The annual coupon rate of floating-rate Bonds is the reference rate plus, if applicable, a spread, as determined in accordance with item 4.7.6 of this section 7 “SECURITIES NOTE”, and will be set out in the Final Terms.

#### 4.7.2 *Provisions governing interest payments*

Bonds of the same ISIN may have 12, 4, 2, 1 or another number of annual payment dates. Interest is paid on a proportionate basis on each interest payment date according to a defined convention (day count convention). Bonds of the same ISIN pay interest on each interest payment date according to one of the following day count conventions:

- Actual/actual (fixed fraction): Interest is paid on a proportionate basis on each interest payment date according to the number of annual payment dates, i.e. the coupon payment on each interest payment date corresponds to the interest divided by the number of payment dates per year; or
- Actual/360: Interest is paid on each interest payment date according to the actual number of days in the payment period over 360 days, i.e. the coupon payment on each interest payment date corresponds to the interest multiplied by the actual number of days in the payment period divided by 360.

The number of annual payment dates and the day count convention applied will appear from the Final Terms. Addition and accrual of interest may be adjusted as a result of changes in market conventions.

The Issuer will pay interest and redemption amounts to bondholders by transferring the amounts on the due date to accounts with financial institutions, agents, securities dealers, etc. designated to VP Securities A/S to receive payment. Bondholders are not entitled to interest or other amounts arising from deferred payment or in pursuance of the validation rules applied by the financial institution in which the account is held.

#### 4.7.3 *First date of interest accrual*

The date on which interest begins to accrue on the bonds is set out in the Final Terms.

#### 4.7.4 *Payment dates*

Interest falls due on the first calendar day of a given month following the end of a payment period. On the opening of new ISINs, the Issuer may set due dates other than the first calendar day of a given month. If the interest payment date is a non-banking day, the payment is deferred to the next banking day.

The interest payment date of the Bonds will be specified in the Final Terms.

#### 4.7.5 *Period of limitation of claims for interest and principal*

Claims for payment of interest become barred by limitation after three years, and claims for payment of principal become barred by limitation after ten years, see the Danish act on the period of limitation for claims (the Danish Limitation Act). Interest does not accrue on interest due for payment after the payment date and will accrue to the Issuer if the amount has not been claimed prior to the expiry of the limitation period.

#### 4.7.6 *Floating interest rate*

If the Bonds carry a floating interest rate, it will be composed of the following elements:

- (1) a reference rate of interest  
plus, where applicable,
- (2) a pre-fixed interest rate spread

#### *Interest rate fixing frequency*

The floating interest rate is fixed at regular intervals (interest rate fixing frequency). The Issuer will set out the interest rate fixing frequency in the Final Terms.

#### *Interest rate fixing period and method*

The reference rate is fixed for a period (interest rate fixing period) in accordance with a defined method (fixing method) based on a recognised quoted or calculated interest rate index.

An interest rate fixing period begins on the first calendar day of a given month, and the reference rate fixed will apply for a period corresponding to the interest rate fixing frequency. At the opening of an ISIN, the Issuer may decide to let the interest rate fixing periods begin on a day other than the first calendar day of a given month. The interest rate fixing period will be specified in the Final Terms.

The interest rate of Bonds of the same ISIN will be fixed in accordance with one of the following fixing methods to be determined by the Issuer in connection with the specific issue, and will be set out in the Final Terms:

- $x^{\text{th}}$  last banking day:  
The reference rate is calculated in the following way (interest rate fixing method): The reference rate quoted on the  $x^{\text{th}}$  last banking day before the beginning of a new interest rate fixing period (interest rate fixing date).
- Average of the  $x$  last banking days before the  $x^{\text{th}}$  last banking day:  
The reference rate is calculated in the following way (interest rate fixing method): The average reference interest rate calculated as a simple average over the last  $x$  banking days before the  $x^{\text{th}}$  last banking date prior to the interest reset date (the interest rate fixing date).

The interest rate fixing method will be specified in the Final Terms.

#### *Reference rate*

The reference rate for the interest rate fixing period corresponds to the market consistent money market rate published or quoted on the interest rate fixing date of the relevant interest rate fixing period in the currency in which the bonds are issued. The reference rate of an interest rate fixing period may be negative.

If the relevant market consistent money market rate is no longer published or quoted, or no longer reflects the relevant money market, the Issuer will determine the reference rate based on the official lending rate determined by the Danish Central Bank or the central bank in the relevant money market.

The relevant reference rate will be specified in the Final Terms. In connection with the opening of a floating-rate ISIN, the Issuer will fix the reference rate for the period up to the first fixing period set out in the Final Terms.

#### *Interest rate spread*

Any interest rate spread will be specified in the Final Terms.

#### *Negative interest rate*

The floating rate for Covered Bonds issued before 1 March 2015 cannot be negative. If the fixing of the interest rate for an interest rate fixing period causes the reference rate plus the interest rate spread, where relevant, to be negative, the floating rate for those Bonds for the interest rate fixing period in question will be set at zero.

For Covered Bonds issued after 1 March 2015, specifications regarding negative interest rate will appear from the Final Terms.

The floating rate for Senior Secured Bonds issued under this Base Prospectus cannot be negative. If the fixing of the interest rate for an interest rate fixing period causes the reference rate plus the interest rate spread to be negative, the interest rate for the interest rate fixing period in question will be set at zero.

#### *Information on Bond price development*

Information on the historical and future Bond price development of the published or quoted market consistent money market rate that forms the basis for the reference rate will –if available – be set out in the Final Terms.

#### *Calculation of the floating interest rate*

The floating interest rate is calculated by the Issuer.

#### 4.7.7 *Maturity extension and fixing of interest rate in case of interest rate increase or insufficient number of buyers – applicable to SDOs and Senior Secured Bonds*

##### *(i) Interest rate trigger, fixed-rate bonds, maturity 0-12 months*

If the term to maturity of a mortgage-credit loan is longer than the term to maturity of the underlying SDOs, and if the underlying SDOs have a fixed interest rate and a term to maturity of up to and including 12 months at the refinancing of the loan, the Issuer may only initiate a sale of SDOs that are to replace the expiring bonds upon refinancing if the Issuer has a reasonable expectation that the sale can be made without the yield to maturity becoming 5 percentage points higher than the yield to maturity determined in connection with the latest refinancing. However, this does not apply if the Issuer sells a minor quantity of SDOs with a view to determining whether the yield to maturity will be 5 percentage points higher than the yield to maturity determined in connection with the latest refinancing. If a sale cannot be initiated, see the 1st clause, and if the expiring bonds are due for payment, the maturity of those bonds will be extended by 12 months. On expiration of the bonds after the 12-month extension, new SDOs will be issued to replace them. The 1st and 2nd clauses do not apply to that issue.

##### *(ii) Interest rate trigger, fixed-rate bonds, maturity 12-24 months*

If the term to maturity of a mortgage-credit loan is longer than the term to maturity of the underlying SDOs, and if the underlying SDOs have a fixed interest rate and a term to maturity from 12 and up to and including 24 months at the refinancing of the loan, the Issuer may only initiate a sale of SDOs that are to replace the expiring bonds upon refinancing if the Issuer has a reasonable expectation that the sale can be made without the yield to maturity becoming 5 percentage points higher than the yield to maturity of an equivalent bond with the same term to maturity 11 up to and including 14 months earlier. However, this does not apply if the Issuer sells a minor quantity of SDOs with a view to determining whether the yield to maturity will be 5 percentage points higher than the yield to maturity of an equivalent bond with the same term to maturity 11 up to and including 14 months earlier. If a sale cannot be initiated, see the 1st clause, and if the expiring bonds are due for payment, the maturity of those bonds will be extended by 12 months. On expiration of the bonds after the 12-month extension, new SDOs will be issued to replace them. The 1st and 2nd clauses do not apply to that issue.

##### *(iii) Interest rate trigger, floating-rate bonds, maturity 0-24 months*

If the term to maturity of a mortgage-credit loan is longer than the term to maturity of the underlying SDOs, and the underlying SDOs have a floating interest rate and a remaining maturity of up to and including 24 months when first used to fund mortgage-credit loans, the interest rate at fixing cannot be more than 5 percentage points higher than the most recently fixed interest rate and must remain unchanged for a period of 12 months or until the next refinancing if made within 12 months, unless a lower interest rate is fixed within the 12 month-period or before the next refinancing. The Issuer may only initiate a sale of SDOs that are to replace the expiring bonds upon refinancing if the Issuer has a reasonable expectation that the sale can be made without the interest rate becoming 5 percentage points higher than the most recently fixed interest rate. However, this does not apply if the Issuer sells a minor quantity of SDOs with a view to determining whether the interest rate will be 5 percentage points higher than the interest rate determined in connection with the latest refinancing. If a sale cannot be initiated, see the 1st clause, and if the expiring bonds are due for payment, the maturity of those bonds will be extended by 12 months. On maturity of the bonds after the 12-month extension, new SDOs will be issued to replace them. The 1st-3rd clauses do not apply to that issue.

##### *(iv) Refinancing failure trigger*

If the term to maturity of a mortgage-credit loan is longer than the term to maturity of the underlying SDOs, the maturity of the bonds to be replaced by new bonds on expiration will, if there is an insufficient number of buyers for all the new bonds required, be extended by 12 months at a time until refinancing can be completed with buyers for all the new bonds required. On expiration of those bonds after expiry of the 12-month extension, new SDOs will be issued to replace them. At this issue, (i), (ii) and (iii), 2nd clause, do not apply.

Notwithstanding (ii), (iii) and (iv), in case of a failed refinancing of loans where the maturity of the underlying bonds exceeds 12 months at refinancing, refinancing of the loan by SDOs with a shorter maturity may be attempted before extending the maturity.

*(v) Interest rate fixing, extended fixed-rate bonds, maturity 0-12 months*

The interest rate on fixed-rate SDOs with a term to maturity of up to and including 12 months at refinancing of the loan which are extended pursuant to (i) or (iv) will be set at the yield to maturity of the bonds fixed at the last refinancing, with the addition of 5 percentage points. The interest rate will be fixed initially at the time of extending the maturity of the bonds. For additional maturity extensions pursuant to (iv), the interest rate fixed pursuant to the 1st clause will continue to apply.

*(vi) Interest rate fixing, extended fixed-rate bonds, maturity exceeding 12 months*

The interest rate on SDOs with a term to maturity from 12 and up to and including 24 months at refinancing of the loan which are extended pursuant to (ii) or (iv) will be set at the yield to maturity of an equivalent bond with the same remaining term to maturity 11-14 months earlier, with the addition of 5 percentage points. The interest rate on fixed-rate bonds with a term to maturity exceeding 24 months at refinancing of the loan which are extended pursuant to (iv) will be set at the yield to maturity of an SDO with a remaining term to maturity of 11-14 months fixed 11-14 months earlier, with the addition of 5 percentage points. The interest rate will be fixed initially at the time of extending the maturity of the bonds. For additional maturity extensions pursuant to (iv), the interest rate fixed pursuant to the 1st or 2nd clause will continue to apply.

*(vii) Interest rate fixing, extended floating-rate bonds*

The interest rate on floating-rate SDOs which are extended pursuant to (iii) or (iv) will be set at the most recently fixed interest rate with the addition of 5 percentage points. The interest rate fixed according to the 1st clause will remain unchanged for the entire 12-month extension period. The interest rate will be fixed initially at the time of extending the maturity of the bonds. For additional maturity extensions pursuant to (iv), the interest rate fixed pursuant to the 1st clause will continue to apply.

*Extension of Senior Secured Bonds*

If SDOs are extended or changed as a result of a refinancing failure due to a shortage of buyers of all new bonds required in connection with a refinancing, the maturity of loans raised as supplementary collateral pursuant to section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act which ordinarily mature during the extension period and which are linked to the extended bonds will be extended or changed according to the maturity of the extended bonds concerned.

4.8 Covered Bonds are issued in series, either as callable or non-callable bonds. The repayment profile will be specified in the Final Terms.

If a Covered Bond series is callable under the Final Terms, the amounts that DLR has received from borrowers' prepayments will be part of the amortisation, unless DLR has used the options specified below for purchase and redemption of Bonds without concurrent drawing.

The amortisation will take place pursuant to a drawing carried out by DLR and is effected by redemption at the redemption price specified in the Final Terms as per an interest payment date for the concerned Bonds. The drawing determines which units of the issued Bonds will be redeemed. Immediately after the drawing, DLR will announce that the drawing has taken place, and the specific result of the drawing will be announced on the DLR website, [www.dlr.dk/investor](http://www.dlr.dk/investor) ("CK oplysninger").

DLR reserves the right to amortise the Bonds through purchase and cancellation with regard to the part of the amortisation of the Covered Bonds which exceeds the ordinary amortisation as calculated from time to time by DLR.

DLR reserves the right to offer the borrowers in a series that loans can be redeemed without a concurrent drawing or cancellation of Covered Bonds corresponding to those issued in connection with the loan.

If a bond series is non-callable according to the Final Terms, amounts received by DLR from the borrowers in connection with prepayments of loans within that series will not be included in the amortisation. The reason is that the amortisation is made as if prepaid loans were still amortised by ordinary instalments.

Payment dates for interest and drawings of Covered Bonds will be the first banking day after the end of a calendar quarter. Interest payments cover the preceding quarterly payment period and are made

on the basis of day count conventions in force at the time, currently actual days over actual days. From 8 February 2001, this convention replaced the previous convention of 90 days over 360 days as part of the adjustment of the trading terms of Danish bonds. When opening new maturities or coupon sections, DLR may change the dates for and/or the number of annual payments.

The terms and conditions in this Base Prospectus may be derogated from in the Final Terms, in which case the provisions of the Final Terms will apply. Reference is made to the templates for Final Terms included as “ANNEX 4” to this Base Prospectus.

- 4.9 The yield to maturity of Bonds depends on the coupon rate (including whether the rate is fixed or floating), the maturity and bid/offer prices when the Bonds are traded.

The yield to maturity is determined by discounting payments on each Bond using a discount rate that renders the value of the discounted payments equal to the actual amount invested. The yield to maturity then equals the discount rate. Payments are discounted to the settlement date.

The determination of the yield to maturity of the Bonds will be specified in the Final Terms.

- 4.10 Representation on behalf of the Bondholders is not possible.

- 4.11 This Base Prospectus is issued in pursuance of the Board of Directors’ authorisation to the Executive Board of DLR dated 25 October 2018.

The Board of Directors is authorised to open new series for issuance of Covered Bonds. This responsibility has been delegated to the Executive Board. Any further decisions, authorisations and approvals pursuant to which bonds under this Base Prospectus are specifically prepared and/or issued will appear from the Final Terms.

- 4.12 The issuance period for Bonds under this Base Prospectus will be set out in the Final Terms.

- 4.13 Covered Bonds are negotiable mass instruments of debt or investment securities and will be admitted to trading in a regulated market. Their free transferability is not subject to restrictions.

Senior Secured Bonds are also freely negotiable securities.

- 4.14 Taxation of investors fully liable to pay tax in Denmark will be subject to the following rules in force as at the date of this Base Prospectus:

Any interest income and capital gains from Bonds held by private individuals are taxable, whereas any capital loss is tax-deductible, subject to Act no. 1283 of 25 October 2016 (the “Capital Gains Act”). Any gains or losses on the Bonds are subject to the minimum threshold of DKK 2,000 specified in S. 14 of the Danish Gains on Securities and Foreign Currency Act.

Any interest income and capital gains from Bonds held by companies are taxable, and any capital loss is tax-deductible.

Interest due and possession, redemption and transfer of Bonds must be reported to the Danish tax authorities in compliance with applicable regulations.

Pursuant to current legislation, withholding tax at source will not be withheld in Denmark save for, in certain cases, to payments in respect of controlled debt in relation to DLR pursuant to the Danish Corporation Tax Act. Consequently, this will not have any impact on investors who do not control, or are controlled by, DLR.

Natural or legal persons that are not resident in Denmark for tax purposes are, pursuant to current legislation, not subject to taxation in Denmark on payments to said persons of interest or principal, save for, in certain cases, taxation on payments in respect of controlled debt in relation to DLR, as mentioned above.

No Danish withholding tax will be payable with respect to such payments, and no capital gain in connection with the sale, exchange or cancellation of the Bonds will be subject to taxation in Denmark, save for, in certain cases, taxation on payments in respect of controlled debt in relation to DLR, as mentioned above. This tax treatment applies only to investors who are not subject to full tax liability in Denmark or included in Danish joint taxation scheme and who do not carry on business in Denmark through a permanent establishment.

DLR is not liable for any changes in the tax treatment of the Bonds or in the tax position of the investors – including any withholding tax of any kind or collection of tax at source imposed by public authorities.

All investors, including those who are not tax residents of Denmark, are encouraged to seek separate and individual advice on their tax positions.

#### Financial Transaction Tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “Commission’s 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”).

The Commission’s Proposal has a very broad scope and could, if introduced, apply to certain dealings in Bonds (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EU) No 1287/2006 are exempt.

Under the Commission’s Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, FTT would apply to certain dealings in Bonds 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 Commission’s Proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. The timing of the FTT proposal remains unclear, and additional Member States may decide to participate. Prospective holders of Bonds are advised to seek their own professional advice in relation to the FTT.

## **5. Terms and conditions of the offer**

### **5.1 Offer statistics, expected timetable and action required to apply for the offer**

**5.1.1** New issues of Covered Bonds are made on an ongoing basis while the bond series are open. Issuance may be by daily tap issues, by block bond emission or by auction. At auctions, bids are made to DLR through the auction system used. The volume and distribution of bids received may give rise to *pro rata* allocation of Bonds.

In connection with current sales (tap issuance) of Covered Bonds, the volume offered for sale is not necessarily announced in advance. Where auctions are used in connection with refinancing of loans, the terms and the volume of Bonds offered for sale will be announced on DLR’s website, [www.dlr.dk/investor](http://www.dlr.dk/investor), before the auction, and the result of the auction will subsequently be announced on the same site.

The terms that apply to an issue of Senior Secured Bonds will be set out in the Final Terms.

**5.1.2** The final issuance requirement of Covered Bonds is not known until the series is closed.

The outstanding amount of Covered Bonds varies in step with DLR’s lending and the ordinary and extraordinary redemptions of mortgage-credit loans. The outstanding amount of Covered Bonds will be stated on DLR’s website at [www.dlr.dk/investor](http://www.dlr.dk/investor) on a current basis.

The outstanding amount of Senior Secured Bonds varies in step with DLR's requirement for supplementary collateral and/or excess capital cover. The outstanding amount of bonds will be stated on the website of NASDAQ Copenhagen A/S, [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com).

- 5.1.3 It applies to Covered Bonds that the bond series are open for new issues during an opening period fixed in advance. DLR may decide to close the offer for parts of the opening period. The opening period for Covered Bonds will be set out in the Final Terms.

The offer period and a detailed description of the subscription process for Senior Secured Bonds will be set out in the Final Terms.

- 5.1.4 DLR may fix limits for individual investors' numbers of subscriptions for Bonds. The possibility, if any, to limit individual investors' numbers of subscriptions and the method of repayment of excess amounts investors may have paid in connection with their subscription will be stated in the Final Terms.
- 5.1.5 The minimum investment equals the face value of the Bonds. The face value will be specified in the Final Terms. The maximum investment equals the outstanding amount of the Bond issue.
- 5.1.6 Delivery and clearing of Bonds issued under this Base Prospectus will take place through VP Securities A/S. Generally, Bonds are traded with two-day settlement, but exemptions may be made from this rule. The specific rules in this respect will be stated in the Final Terms.
- 5.1.7 Trades in Bonds admitted to trading on a regulated market are published in accordance with the rules issued under the Danish Securities Trading Act and other relevant legislation.
- 5.1.8 Trades in Bonds admitted to trading on NASDAQ Copenhagen A/S are reported pursuant to NASDAQ Copenhagen A/S' rules on reporting. Prices are stated on a current basis on the website of NASDAQ Copenhagen A/S, [www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com).

There are no subscription rights attached to the Bonds.

## 5.2 *Plan of distribution and allotment*

- 5.2.1 No investors have any pre-emptive rights to buy Bonds issued under this Base Prospectus.
- 5.2.2 In connection with ordinary issuance, including tap issues, and in connection with block bond emissions, the Bonds will be sold in the bond market. The agreement is signed in connection with the transaction, and the Bonds usually have two-day settlement.

Auction participants will be notified of the price and the allocated amount immediately after the auction. Trading in Bonds may take place before the Bonds have been issued. The Issuer has no influence on the Bond deals of third parties.

For private placements, the Bonds will be sold according to agreement with the individual buyers.

## 5.3 *Pricing*

- 5.3.1 Pricing is based on market terms and bids/offers. Other than the market price of the Bonds and any accrued interest, it is not expected that any costs besides ordinary transaction costs will be imposed on the purchaser. Any expenses and taxes specifically imposed on the purchaser in connection with the issuance of Bonds under this Base Prospectus will be stated in the Final Terms.

## 5.4 *Placing and underwriting*

- 5.4.1 DLR is the issuer of the Bonds and acts as a securities dealer. Bonds issued pursuant to the Final Terms annexed this Base Prospectus, are registered with VP Securities A/S or with another securities depository where the Bonds are registered. The choice of securities depository appears from the Final Terms. The securities depository handles the payment of interests and drawings.



DLR coordinates the overall issuance of Senior Secured Bonds and places the Bonds. In connection with an issue, DLR may appoint one or more securities dealers to place the Bonds. The names and addresses of any such securities dealers will be stated in the Final Terms.

5.4.2 In connection with a Bond issue, DLR may enter into an agreement to the effect that one or more entities make binding commitments to underwrite the issue or undertake to place the issue without obligation or “best possible”. If DLR makes such an agreement, the names and addresses of such entities and the key aspects of the agreement will be stated in the Final Terms.

5.4.3 If DLR enters into an agreement to the effect that one or more entities make binding commitments to underwrite a Bond issue, the Final Terms will state when the agreement was entered into.

## **6. Admission to trading and dealing arrangements**

6.1 Covered Bonds and Senior Secured Bonds covered by the previous base prospectus that is replaced by this Base Prospectus are, or is expected to be, listed on a regulated market place in Denmark, such as NASDAQ Copenhagen A/S ([www.nasdaqomxnordic.com](http://www.nasdaqomxnordic.com)).

The first date of listing will appear from the Final Terms.

6.2 The regulated market where the Bonds will be listed appears from the Final Terms.

6.3 DLR can enter into agreements (“Primary Dealer agreements”) on the pricing of Bonds issued under this Base Prospectus. Any such agreement may, possibly with a notice, at any time be terminated by the parties to the agreement. The agreements can relate to all, or only certain of the Bonds. DLR assumes no obligation to maintain any Primary Dealer agreements or enter into new agreements.

## **7. Additional information**

7.1 DLR has used no external advisers in connection with the preparation of this Base Prospectus.

7.2 DLR’s auditors have exclusively audited the annual reports to which this Base Prospectus refers. The Base Prospectus has not been inspected or audited by DLR’s auditors.

7.3 This Base Prospectus contains no statements or reports by experts.

7.4 This Base Prospectus contains no third party information.

7.5 DLR is rated by the credit rating agency S&P Global Ratings (“S&P”). S&P has been established in the European Community and is registered pursuant to European Parliament and Council Regulation 1060/2009 on credit rating agencies, see article 4.1.

(i) At the date of this Base Prospectus, DLR as an issuer has been assigned a Long-Term Credit Rating of ‘A-’ with a positive outlook and a Short-Term Credit Rating of ‘A-2’ with a stable outlook by S&P.

(ii) DLR SDOs issued out of Capital Center B have been assigned a rating of ‘AAA’ by S&P at the date of this Base Prospectus. DLR ROs issued out of the General Capital Center have also been assigned an ‘AAA’ rating by S&P.

DLR wishes to note that the S&P ratings are subject to change, and that DLR may choose not to have the issued Bonds rated. The rating of the Bonds will be specified in the Final Terms.

## **8. Use of this base prospectus by financial intermediaries**

8.1 DLR expressly declares that it accepts that this Base Prospectus may be used for resale or final placement of Bonds through financial intermediaries who have been given the consent of DLR, and DLR assumes responsibility for the contents of this Base Prospectus, also in connection with such use.

- 8.2 The consent regarding the use of the Base Prospectus mentioned in item 8.1 of this section 9 “SECURITIES NOTE” is valid for 12 months from the approval of this Base Prospectus.
- 8.3 The offer period during which any resale or final placement of the Bonds may take place is stated in the Final Terms.
- 8.4 Financial intermediaries who have been given the consent of DLR as set out in item 8.1 of this section 9 “SECURITIES NOTE” may solely use this Base Prospectus for resale and final placement of the Bonds in Denmark.
- 8.5 Any unambiguous and objective conditions attached to the consent set out in item 8.1 of this section 9 “SECURITIES NOTE” will be stated in the Final Terms.
- 8.6 **Where a financial intermediary uses this Base Prospectus to make an offer of Bonds, the financial intermediary will inform investors of the terms and conditions of the offer at the time of the offer.**
- 8.7 A list stating the names and addresses of the financial intermediaries holding permissions to use the Base Prospectus will be stated in the Final Terms.
- 8.8 Information about financial intermediaries not known at the date of approval of the Base Prospectus or the filing of the Final Terms will be stated on DLR’s website: [www.dlr.dk/investor](http://www.dlr.dk/investor).

**10 ANNEXES**

## **ANNEX 1: DEFINITIONS**

References in this Base Prospectus to:

- “latest annual report” mean the Annual Report 2017 of DLR Kredit A/S;
- “latest annual reports” mean the Annual Report 2016 of DLR Kredit A/S and the Annual Report 2017 of DLR Kredit A/S;
- “latest interim report” mean Interim Report, Q1-Q3 2018 of DLR Kredit A/S; and
- “latest risk report” mean Risk and Capital Management Report February 2018 of DLR Kredit A/S.

All the reports may be found on DLR’s website: [www.dlr.dk/investor](http://www.dlr.dk/investor). Future interim and annual reports and risk and capital management reports will also be made available on this site.

Where this Base Prospectus refers to “Banking days” or a “Banking day”, it means any day on which Danish payment systems and Danish financial institutions located in Denmark are open for business.

## **ANNEX 2: DOCUMENTS AND REFERENCES**

List of documents and references used entirely or in part for the preparation of this Base Prospectus.

- Annual Report 2016 of DLR Kredit A/S  
The annual report is available on DLR's website: [www.dlr.dk/investor](http://www.dlr.dk/investor) under "Financial Statements"
- Annual Report 2017 of DLR Kredit A/S  
The annual report is available on DLR's website: [www.dlr.dk/investor](http://www.dlr.dk/investor) under "Financial Statements"
- Interim Report, Q1 – Q3 2017 of DLR Kredit A/S  
The interim report is available on DLR's website: [www.dlr.dk/investor](http://www.dlr.dk/investor) under "Financial Statements"
- Interim report, Q1 – Q3 2018 of DLR Kredit A/S  
The interim report is available on DLR's website: [www.dlr.dk/investor](http://www.dlr.dk/investor) under "Financial Statements"
- Risk and Capital Management Report February 2018  
The risk and capital management report is available on DLR's website [www.dlr.dk/investor](http://www.dlr.dk/investor) under "Financial Statements"
- Risk and Capital Management – IRB Update April 2016  
The risk and capital management report is available on DLR's website [www.dlr.dk/investor](http://www.dlr.dk/investor) under "Financial Statements"
- Articles of Association for DLR Kredit A/S  
The Articles of Association may be obtained at DLR's premises at Nyropsgade 21, 1780 Copenhagen V, Denmark, or at DLR's website [www.dlr.dk/investor](http://www.dlr.dk/investor) under "Dokumentation og lovgivning" (Danish only).
- Memorandum of Association for KR 276 A/S  
The Memorandum of Association may be obtained at DLR's premises at Nyropsgade 21, 1780 Copenhagen V, Denmark.

**ANNEX 3: CROSS REFERENCE TABLE FOR DOCUMENTS REFERRED TO IN THE BASE PROSPECTUS**

<b>Where in the Base Prospectus is the reference</b>	<b>Document</b>	<b>Where in the document is the reference</b>
Section 4 “RISK FACTORS”, p. 22 item 4.6	Latest annual report of DLR	Risk, pp. 41-52
Section 8 “REGISTRATION DOCUMENT”, p. 41 item 6.1.1	Latest annual report of DLR	Lending Activity and Portfolio, pp. 27-30
Section 8 “REGISTRATION DOCUMENT”, p. 45 item 13.1	2 latest annual reports of DLR	<p><b>Annual Report 2017:</b>  Management Statement, p. 102  Management Review, pp. 6-63  Auditors’ Report, pp. 103-108  Significant accounting policies, pp. 93-100  Profit and Loss Account, p. 65  Balance Sheet, p. 66  Capital and Solvency, p. 68  Notes, pp. 70-92</p> <p><b>Annual Report 2016:</b>  Management Statement, p. 77  Management Review, pp. 4-38  Auditors’ Report, pp. 78-81  Significant Accounting Policies, pp. 70-75  Profit and Loss Account, p. 40  Balance Sheet, p. 41  Capital and solvency, p. 43  Notes, pp. 45-69</p>
Section 8 “REGISTRATION DOCUMENT”, p. 46 item 13.5.1	Latest interim reports of DLR	<p><b>Interim Report, Q1-Q3 2018:</b>  Profit and Loss Account, p. 11  Balance Sheet, p. 12  Notes, pp. 16-24</p> <p><b>Interim Report, H1 2018:</b>  Profit and Loss Account, p. 11  Balance Sheet, p. 12  Notes, pp. 16-24</p> <p><b>Interim Report, Q1 2018:</b>  Profit and Loss Account, p. 11  Balance Sheet, p. 12  Notes, pp. 16-24</p>

#### **ANNEX 4: TEMPLATE FOR FINAL TERMS**

Below are provided draft templates for the Final Terms for the Bonds comprised by this Base Prospectus. Reservation is made for the wording, which may differ in certain places from the template. However, important amendments to or information concerning the content of the Base Prospectus will be made by way of a new Base Prospectus or an addendum to the current prospectus.

The Issuer may add new series and ISINs to this Base Prospectus on an ongoing basis.



**FINAL TERMS FOR [CRR-COMPLIANT] [UCITS-COMPLIANT] COVERED BONDS  
[(SDOs)][(ROs)] [Senior Secured Bonds]**

**issued [in pursuance of section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit  
Bonds etc. Act] by**

**DLR KREDIT A/S**

**(DLR or Issuer)**



These final terms (the “**Final Terms**”) apply to [CRR-compliant covered bonds (SDOs)]/[UCITS-compliant covered bonds (ROs9)]/[Senior Secured Bonds] issued by DLR [under section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act]. The final terms exclusively relate to the specific issue or issues of [covered] bonds (the “**Bonds**”) listed in the Final Terms below.

The bonds will be issued pursuant to the Base Prospectus (programme) for the issuance of CRD-compliant covered bonds, UCITS-compliant covered bonds and bonds issued in pursuance of section 15 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act (Senior Secured Bonds) issued by DLR Kredit A/S dated [●] and any addendums to this base prospectus (together the “**Base Prospectus**”).

DLR represents:

- that the Final Terms have been prepared in accordance with Article 5(4) of Directive 2003/71/EC and must be read in conjunction with the Base Prospectus and any addendums to the Base Prospectus;
- that the Base Prospectus has been published online at DLR’s website, [www.dlr.dk/investor](http://www.dlr.dk/investor) and at the website of the Danish FSA, [www.ftnet.dk](http://www.ftnet.dk);
- that in order to obtain all information an investor must read the Base Prospectus, any addendums to the Base Prospectus and the Final Terms of the specific Bonds; and
- that the summary for this specific issue is attached as Annex A to the Final Terms.

## Fixed-rate, callable bonds

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	Bond terms
<b>Opening date:</b>	[Opening date]
<b>Capital center:</b>	[Indication of capital center]
<b>Bond type:</b>	[Indication of bond type]
<b>ISIN:</b>	[•]
<b>Maturity date/due date:</b>	[Maturity date]
<b>Currency:</b>	[Currency]
<b>Interest:</b>	
<i>Interest:</i>	Fixed interest rate
<i>Annual payment dates:</i>	[•]
<i>Nominal coupon:</i>	[•] % p.a.
<i>Day count convention:</i>	Actual/actual.
<i>Interest payment date:</i>	[Dates] of each year until the maturity date. If the interest payment date is not a Banking Day, the interest payment will be postponed to the next Banking Day.
<i>First date of interest accrual:</i>	[Date]
<i>Yield to maturity:</i>	Ex-post calculation of the yield-to-maturity is not possible as the Bonds will be issued on an ongoing basis throughout the offer period of the Bonds.
<b>Interest-only period:</b>	[None] [Up to [•] years of interest-only period on the loans behind].
<b>Amortisation:</b>	Annuity bonds. The Bonds are drawn according to the loans funded by the Bond series. At each payment date, a bond amount corresponding to the ordinary and extraordinary repayments on the loans is drawn. Drawing details are published on a current basis on DLR's website <a href="http://www.dlr.dk/ck-oplysninger">www.dlr.dk/ck-oplysninger</a> .
<b>Borrower's prepayment rights:</b>	The borrower can prepay his loan in one of the following ways: <ol style="list-style-type: none"><li>1. Redemption of bonds at market price;</li><li>2. Redemption on payment date at par; or</li><li>3. Immediate redemption at par.</li></ol> The Bonds are callable. This implies that the borrower may, at any future payment date and regardless of the actual market price, prepay his loan at par. The notice period for prepayment is 2 months before a payment date.

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## Terms for the issuance

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<b>Opening period:</b>	[Description of opening period]
<b>Restrictions on the individual investor's right to subscribe for the Bonds:</b>	Not relevant. DLR has set no limit to the number of subscriptions allowed for the individual investor.
<b>Denomination:</b>	DKK 0.01 (minimum denomination)
<b>Offer price:</b>	Market price
<b>Other expenses payable by Bond purchasers:</b>	No expenses other than standard trading expenses will be payable by Bond purchasers.
<b>Listing:</b>	The Bonds will be admitted to listing on Nasdaq Copenhagen A/S.  Date of expected admission to listing: [Date].
<b>Securities depository:</b>	The Bonds will be issued through and registered with:  [VP Securities A/S, Weidekampsgade 14, P.O. Box 4040, 2300 Copenhagen S, Denmark] [•].
<b>Value date:</b>	The Bonds are traded with a value date of [•] Banking days unless otherwise agreed.
<b>Agreements on the underwriting of the Bonds:</b>	DLR has made no agreement with securities dealers on the underwriting of the Bonds.
<b>Financial intermediaries' use of the Base Prospectus:</b>	DLR has granted no consent to any financial intermediary's use of the Base Prospectus in connection with offer or underwriting of the Bonds.
<b>Agreement on market making:</b>	[DLR has not entered into any agreement with any company concerning the quoting of bid and offer prices for the Bonds.] [DLR has entered into market maker agreements ("Primary Dealer" agreements) in covered bonds with a number of banks. The agreements may, possibly with a notice, be terminated by the contracting parties at any time. DLR is not under any obligation to maintain the contracted Primary Dealer agreements in the bonds.]

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## Other information on the Bonds

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<b>Capital center:</b>	The Bonds will be issued out of [ <i>indication of capital center</i> ].  <u>Annex B</u> to the Final Terms contains an overview as per today's date of bonds issued out of [ <i>indication of capital center</i> ].
<b>Information on the outstanding amount of Bonds:</b>	The outstanding amount of bonds is stated on DLR's website at <a href="http://www.dlr.dk/investor">www.dlr.dk/investor</a> and/or on Nasdaq Copenhagen A/S' website: <a href="http://www.nasdaqomxnordic.com">www.nasdaqomxnordic.com</a> on a current basis.
<b>Conflicts of interest:</b>	DLR has no notice of any conflicts of interest material to the offer of the Bonds.

**Authorisation and approval pursuant to which the Bonds are issued:**

[Specification of authorisations and approvals pursuant to which the Bonds are issued]

**Credit rating of the Bonds:**

[•]

These Final Terms have been approved by DLR on [date].

On behalf of DLR Kredit A/S:

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Name:  
Title:

### **Floating-rate bonds**

#### **Bond terms**

**Opening date:**

[Opening date]

**Capital center:**

[Indication of capital center]

**Bond type:**

[Indication of bond type]

**ISIN:**

[•]

**Maturity date/due date:**

[Maturity date]

[Pursuant to section 6 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, and the corresponding Executive Order on refinancing of adjustable-rate mortgages, the maturity of the Bonds can, under certain special circumstances, be extended as specified below.]

**Currency:**

[Currency]

**Interest:**

*Interest:*

The Bonds carry a floating interest rate. [However, until the first fixing date of [date] the Bonds carry an initial coupon rate of [•]% p.a.]

*Annual payment dates:*

[•]

*Nominal coupon rate:*

A floating coupon rate which is composed of the reference rate of interest plus the interest rate spread, if any.

[Specification of the coupon rate calculation]

[Description of terms in the event that the coupon rate becomes negative]

[In case the Bond terms are extended pursuant to section 6, special interest rate conditions will prevail, cf below.]

*Interest rate spread:*

[[•] percentage points p.a.][tbd]

*Interest cap:*

[None][•].

<i>Reference rate:</i>	[3m]/[6m] [CIBOR]/[CITA]/[EURIBOR]
<i>Interest rate fixing frequency:</i>	[Quarterly]/[semi-annually]
<i>Interest rate fixing method:</i>	[Description of method, dates and times for the fixing of the reference rate.]
<i>Interest rate fixing period:</i>	[Description of the fixing period]
<i>Day count convention:</i>	[Actual/actual] [Actual/360] [365/360] [●].
<i>Interest payment date:</i>	[Dates] of each year until the maturity date.  If the interest payment date is not a Banking Day, the interest payment will be postponed to the next Banking Day.
<i>First date of interest accrual:</i>	[Date]
<i>Information on the price development of the money market rate forming the basis for the reference rate:</i>	[Description of the quotation, collection, calculation and publication of the chosen reference rate]
<i>Yield to maturity:</i>	[Ex-post calculation of the yield-to-maturity is not possible as Bonds will be issued on an ongoing basis throughout the offer period of the Bonds.] [If possible, the yield to maturity is specified.]
<b>Interest-only period:</b>	[The loans are either bullet loans or annuity loans with up to [●] years of interest-only period.]  [Not applicable for Senior Secured Bonds]
<b>Amortisation:</b>	[The Bonds will be amortised on the basis of the loans provided in the series.]  [Not applicable for Senior Secured Bonds]
<b>Borrower's prepayment rights:</b>	[Redemption of Bonds at market price.  The Bonds are non-callable. ]  [Not applicable for Senior Secured Bonds]
<b>Statutory maturity extension in the event of interest rate increase:</b>	[The Bonds [are not][are] comprised by the statutory maturity extension in the event of interest rate increase, as specified in item 4.7.7. of the SECURITIES NOTE of the Base Prospectus.  [DLR will decide to extend the term-to-maturity of the Bonds, in full or in part, by 12 months from the ordinary maturity date of the Bonds if, at refinancing of expiring Bonds, the yield-to-maturity becomes more than five percentage points higher than the most recently fixed interest rate.  The coupon rate on extended Bonds will be set at the most recently fixed interest rate with the addition of five percentage points.  An extension of the maturity of the Bonds resulting from the activation of interest rate trigger will be made public on <a href="http://www.dlr.dk/investor">www.dlr.dk/investor</a> immediately after completion of the refinancing.]

[Not applicable for Senior Secured Bonds]

**Statutory maturity extension in the event of an insufficient number of buyers:**

[The Bonds [are not][are] comprised by statutory maturity extension in the event of an insufficient number of buyers, see item 4.7.7. in the SECURITIES NOTE of the Base Prospectus.

[DLR will decide to extend the term-to-maturity of the Bonds, in full or in part, by 12 months at a time from the ordinary maturity date of the Bonds if, at refinancing of expiring Bonds, there is an insufficient number of buyers for all the new bonds required.

The coupon rate on extended Bonds will be set at the most recently fixed interest rate with the addition of five percentage points. The coupon rate will remain unchanged for the entire 12-month extension period. The coupon rate will be fixed initially at the time of extending the time-to-maturity of the Bonds. For additional maturity extensions caused by an insufficient number of buyers, the coupon rate fixed at the first extension will continue to apply.

DLR will publish the coupon rate on extended Bonds by means of a company announcement. In the event of any further extension, the coupon rate fixed in connection with the first extension will continue to apply.

A decision on maturity extension can be taken until the ordinary maturity date of the Bonds and will be made public by means of a company announcement immediately hereafter.]

[If the term-to-maturity of SDOs issued out of Capital Center B is extended under the statutory maturity extension based on the refinancing failure trigger, see section 6 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, DLR is obliged to extend the term-to-maturity correspondingly on Senior Secured Bonds used as supplementary collateral for the SDOs if these Senior Secured Bonds expire during the extension period. However, the Senior Secured Bonds in question may be redeemed at ordinary maturity if DLR issues or has issued new bonds to replace these in full or in part. Please refer to section 4 “RISK FACTORS” of the Base Prospectus, item 4.4 and section 9 “SECURITIES NOTE”, item 4.9.1, for a detailed description of the provisions governing statutory maturity extension.]

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**Terms for the issuance**

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<b>Opening period:</b>	[Description of opening period]
<b>Restrictions on the individual investor’s right to subscribe for the Bonds:</b>	Not relevant. DLR has set no limit to the number of subscriptions allowed for the individual investor.
<b>Denomination:</b>	0.01 (minimum denomination)
<b>Offer price:</b>	Market price
<b>Other expenses payable by Bond purchasers:</b>	No expenses other than standard trading expenses will be payable by Bond purchasers.

<b>Listing:</b>	The Bonds will be admitted to listing on Nasdaq Copenhagen A/S. Date of expected admission to listing: [Date].
<b>Securities depository:</b>	The Bonds will be issued through and registered with: [VP Securities A/S, Weidekampsgade 14, P.O. Box 4040, 2300 Copenhagen S, Denmark] [●].
<b>Value date:</b>	The Bonds are traded with a value date of [●] Banking days unless otherwise agreed.
<b>Agreements on the underwriting of the Bonds:</b>	DLR has made no agreement with securities dealers on the underwriting of the Bonds.
<b>Financial intermediaries' use of the Base Prospectus:</b>	DLR has granted no consent to any financial intermediary's use of the Base Prospectus in connection with offer or underwriting of the Bonds.
<b>Agreements on market making:</b>	[DLR has not entered into any agreement with any company concerning the quoting of bid and offer prices for the Bonds.] [DLR has entered into market maker agreements ("Primary Dealer" agreements) in covered bonds with a number of banks. The agreements may, possibly with a notice, be terminated by the contracting parties at any time. DLR is not under any obligation to maintain the contracted Primary Dealer agreements in the bonds.]

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#### Other information on the Bonds

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<b>Capital center:</b>	The Bonds will be issued out of [ <i>indication of capital center</i> ]. <u>Annex B</u> to the Final Terms contains an overview as per today's date of bonds issued out of [ <i>indication of capital center</i> ].
<b>Information on the outstanding amount of Bonds:</b>	The outstanding amount of bonds is stated on DLR's website at <a href="http://www.dlr.dk/investor">www.dlr.dk/investor</a> and/or on Nasdaq Copenhagen A/S' website: <a href="http://www.nasdaqomxnordic.com">www.nasdaqomxnordic.com</a> on a current basis.
<b>Conflicting interests:</b>	DLR has no notice of any conflicts of interest material to the offer of the Bonds.
<b>Authorisation and approval pursuant to which the Bonds are issued:</b>	The Bonds will be issued out of [ <i>indication of capital center</i> ]. <u>Annex B</u> to the Final Terms contains an overview as per today's date of bonds issued out of [ <i>indication of capital center</i> ].
<b>Credit rating of the Bonds:</b>	[●]

These Final Terms have been approved by DLR on [date].

On behalf of DLR Kredit A/S:

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Name:  
Title:

## Fixed-rate bullet bonds

	Bond terms
<b>Opening date:</b>	[Opening date]
<b>Capital center:</b>	[Indication of capital center]
<b>Bond type:</b>	[Indication of bond type]
<b>ISIN:</b>	[•]
<b>Maturity date/due date:</b>	[Maturity date]  [Pursuant to section 6 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, and the corresponding Executive Order on refinancing of adjustable-rate mortgages, the maturity of the Bonds can, under certain special circumstances, be extended as specified below.]
<b>Currency:</b>	[Currency]
<b>Interest:</b>	
<i>Interest:</i>	Fixed interest rate
<i>Annual payment dates:</i>	1
<i>Nominal coupon rate (bond interest rate):</i>	[•] % p.a.  [In case the Bond terms are extended pursuant to section 6, special interest rate conditions will prevail, cf below.]
<i>Day count convention:</i>	[Actual/actual] [•]
<i>Interest payment date:</i>	[1 <sup>st</sup> calendar day in a month until maturity, starting [date]].  If the interest payment date is not a Banking Day, the interest payment will be postponed to the next Banking Day.
<i>First date of interest accrual:</i>	[Date]
<i>Yield to maturity:</i>	[Ex-post calculation of the yield-to-maturity is not possible as Bonds will be issued on an ongoing basis throughout the offer period of the Bonds] [If possible, the yield to maturity is specified.]
<b>Amortisation:</b>	Bullet bonds.  The Bonds are drawn by redemption at par on the date of maturity[, unless the maturity of the Bonds is extended according to the below specified.]
<b>Borrower's prepayment rights:</b>	[Redemption of Bonds at market price.  The Bonds are non-callable.]  [Not applicable for Senior Secured Bonds]
<b>Statutory maturity extension in case of interest rate increase (interest rate trigger):</b>	[The Bonds [are][are not] comprised by the statutory maturity extension in case of interest rate increase, see 4.7.7. of the SECURITIES NOTE in the Base Prospectus.  [DLR will decide to extend the term-to-maturity of the Bonds, in full or in part, by 12 months from their ordinary maturity date if, at refinancing, the yield-to-maturity becomes more



than five percentage points higher than the yield-to-maturity [fixed at the last refinancing] [of an equivalent bond with a similar term-to-maturity 11-14 months earlier].

The coupon rate on extended Bonds is set at the yield-to-maturity [on the Bonds fixed at the last refinancing][on an equivalent bond with a similar term-to-maturity 11-14 months earlier], with the addition of five percentage points.

An extension of the term-to-maturity of the Bonds resulting from an interest rate trigger will be made public on [www.dlr.dk/investor](http://www.dlr.dk/investor) immediately after completed refinancing.]

*[Not applicable for Senior Secured Bonds]*

**Statutory maturity extension in the event of an insufficient number of buyers (refinancing failure trigger):**

[The Bonds are comprised by statutory maturity extension in the event of an insufficient number of buyers, see section 4.7.7. in the SECURITIES NOTE of the Base Prospectus.

DLR will decide to extend the term-to-maturity of the Bonds, in full or in part, by 12 months at a time from their ordinary maturity date if, at refinancing, there is an insufficient number of buyers for all the new bonds required.

The coupon rate on extended Bonds is to be set at the yield-to-maturity [fixed at the last refinancing] [on a corresponding bond with a similar term to maturity 11-14 months earlier] [on a bond with a term-to-maturity of 11-14 months fixed 11-14 months earlier], with the addition of five percentage points.

A decision on maturity extension can be taken until the ordinary maturity date of the Bonds and will be made public by means of a company announcement immediately hereafter. DLR will publish the coupon rate on extended Bonds by means of a company announcement.

The coupon rate will be fixed initially at the time of extending the maturity of the Bonds. For additional maturity extensions caused by of an insufficient number of buyers, the coupon rate fixed at the first extension will continue to apply.]

[If the term-to-maturity of SDOs issued out of Capital Center B is extended under the statutory maturity extension based on the refinancing failure trigger, see section 6 of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act, DLR is obliged to extend the term-to-maturity correspondingly on Senior Secured Bonds used as supplementary collateral for the SDOs if these Senior Secured Bonds expire during the extension period. However, the Senior Secured Bonds in question may be redeemed at ordinary maturity if DLR issues or has issued new bonds to replace these in full or in part. Please refer to section 4 “RISK FACTORS” of the Base Prospectus , item 4.4 and section 9 “SECURITIES NOTE”, item 4.9.1, for a detailed description of the provisions governing statutory maturity extension.]

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**Terms for the issuance**

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<b>Opening period:</b>	[Description of opening period]
<b>Restrictions on the individual investor's right to subscribe for the Bonds:</b>	Not relevant. DLR has set no limit to the number of subscriptions allowed for the individual investor.
<b>Denomination:</b>	0.01 (minimum denomination)
<b>Offer price:</b>	Market price
<b>Other expenses payable by Bond purchasers:</b>	No expenses other than standard trading expenses will be payable by Bond purchasers.
<b>Listing:</b>	The Bonds will be admitted to listing on Nasdaq Copenhagen A/S. Date of expected admission to listing: [Date].
<b>Securities depository:</b>	The Bonds will be issued through and registered with: [VP Securities A/S, Weidekampsgade 14, P.O. Box 4040, 2300 Copenhagen S, Denmark] [•].
<b>Value date:</b>	The Bonds are traded with a value date of [•] Banking days unless otherwise agreed.
<b>Agreements on the underwriting of the Bonds:</b>	DLR has made no agreement with securities dealers on the underwriting of the Bonds.
<b>Financial intermediaries' use of the Base Prospectus:</b>	DLR has granted no consent to any financial intermediary's use of the Base Prospectus in connection with offer or underwriting of the Bonds.
<b>Agreements on market making:</b>	[DLR has not entered into any agreement with any company concerning the quoting of bid and offer prices for the Bonds.] [DLR has entered into market maker agreements ("Primary Dealer" agreements) in covered bonds with a number of banks. The agreements may, possibly with a notice, be terminated by the contracting parties at any time. DLR is not under any obligation to maintain the contracted Primary Dealer agreements in the bonds.]

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#### Other information on the Bonds

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<b>Capital center:</b>	The Bonds will be issued out of [indication of capital center]. <u>Annex B</u> to the Final Terms contains an overview as per today's date of bonds issued out of [indication of capital center].
<b>Information on the outstanding amount of Bonds:</b>	The outstanding amount of bonds is stated on DLR's website at <a href="http://www.dlr.dk/investor">www.dlr.dk/investor</a> and/or on Nasdaq Copenhagen A/S' website: <a href="http://www.nasdaqomxnordic.com">www.nasdaqomxnordic.com</a> on a current basis.
<b>Conflicting interests:</b>	DLR has no notice of any conflicts of interest material to the offer of the Bonds.
<b>Authorisation and approval pursuant to which the Bonds are issued:</b>	[Specification of authorisations and approvals pursuant to which the bonds are issued]
<b>Credit rating of the Bonds:</b>	[•]

These Final Terms have been approved by DLR on [date].

On behalf of DLR Kredit A/S:

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Name:  
Title:

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Name:  
Title:

**Annex A: Summary of the Base Prospectus for bonds, including information about the Final Bond Terms**

*[Summary of the Base Prospectus, including information on the Final Terms of the specific issue, to be inserted here.]*

**Annex B: Bonds issued out of [indication of capital center]**