

8. februar 2018



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Til Nasdaq Copenhagen

## **Tillæg nr. 1 til Senior Resolution Notes Basisprospekt**

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I forbindelse med offentliggørelse af DLR Kredits årsrapport for 2017 offentliggøres hermed nedenstående prospekttillæg til "DLR Kredit A/S DKK5,000,000,000 Senior Resolution Notes Programme" dateret 15. maj 2017.

Med venlig hilsen

DLR Kredit A/S

**Addendum no 1 to DLR Kredit A/S DKK 5,000,000,000 Senior Resolution Notes Programme  
dated 15 May 2017**

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**Amendments to the original Base Prospectus**

Page 1  
Section 5      The Issuer has been rated A-/stable/A-2 (counterparty credit rating) by Standard and Poor’s Credit Market Services Europe Limited (“S&P”), following an upgrade on Additional Loss-Absorbing Capacity on 19 May 2017.

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29      **DOCUMENTS INCORPORATED BY REFERENCE**

The Base Prospectus should be read and construed in conjunction with:

(ii) The audited annual financial statements of the Issuer for the financial years ended 31 December 2016 and 31 December 2017 together, in each case, with the audit report thereon,

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save that any statement contained in a document which is incorporated by reference herein shall be modified or superseded for the purpose of the Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by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 Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of the Base Prospectus.

The audited annual financial statements of the Issuer for the two financial years ended 31 December 2016 and 31 December 2017, respectively, incorporated by reference herein have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and Danish disclosure requirements for issuers of listed bonds.

The audited annual financial statements of the Issuer for the financial year ended 31 December 2017 is presented and prepared in a form consistent with that which will be adopted in the Issuer’s next published annual financial statements.

The table below sets out the relevant page references for the audited annual financial statements of the Issuer for the financial years ended 31 December 2016 and 31 December 2017 as set out in the relevant annual report of the Issuer for such periods (respectively, the “**2016 Annual Report of the Issuer**”, the “**2017 Annual Report of the Issuer**” and together, the “**Annual Reports of the Issuer**”). Information contained in the documents incorporated by reference other than the information listed in the table below is for information purposes only and does not form part of the Base Prospectus.

**Audited annual financial statements of the Issuer for the financial year ended 31 December 2017**

**2017 Annual Report of the Issuer**

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**Audited annual financial statements of the Issuer for the financial year ended 31 December 2016**
**2016 Annual Report of the Issuer**

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| Income Statement .....                  | Page 40     |
| Statement of Comprehensive Income ..... | Page 40     |
| Balance Sheet .....                     | Page 41     |
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The 2017 Annual Report of the issuer incorporated by reference herein can be viewed online at <http://www.dlr.dk/financial-statements>.

The 2016 Annual Report of the issuer incorporated by reference herein can be viewed online at <http://www.dlr.dk/financial-statements>.

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**BUSINESS DESCRIPTION OF THE ISSUER**
**Ownership and legal structure**

The Issuer's registered office is situated in the City of Copenhagen, at Nyropsgade 21, DK-1780 Copenhagen V, Denmark. The legal and commercial name of the Issuer is DLR Kredit A/S. The Issuer carries on business under the secondary name, Dansk Landbrugs Realkreditfond A/S.

The Issuer is incorporated in Denmark as a limited liability company under the laws of Denmark and is registered in Denmark with the Danish Business Authority under company registration (CVR) number 25 78 13 09.

Pursuant to article 2 of the Issuer's Articles of Associations, the Issuer's object is to carry on business as a mortgage bank and other business deemed to be related to this object.

The Issuer's share capital amounts to DKK 569,964,023 divided into shares of DKK 1 each. The share capital is not divided into classes. At the date of preparation of the Addendum to the Base Prospectus, the Issuer holds 21,495,118 shares itself, representing 3.77 per cent of the share capital. The remaining share capital consisting of 548,468,905 shares has been fully paid up.

The Issuer's shares are primarily owned by domestic financial institutions. No shareholder holds a controlling interest. At the date of preparation of this Base Prospectus, the following shareholders have an ownership interest of more than 5 per cent: Jyske Bank A/S, Nykredit Realkredit A/S, Sydbank A/S, Spar Nord Bank A/S and PRAS A/S.

The Issuer is not part of a group. The Issuer'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 Issuer's Board of Directors. The Issuer primarily distributes its products (loans) through its shareholding banks, but also through other financial institutions.

The Issuer is licenced by the Danish Financial Supervisory Authority ("DFSA") to operate its business, and the DFSA supervises the Issuer on an ongoing basis.

The issuer had total assets of DKK 163.4bn (approx. EUR 22bn) as at 31 December 2017, and the Issuer's total equity amounted to DKK 12.4bn (approx. EUR 1.7bn) as at 31 December 2017. Profit before tax for the financial year ended 31 December 2017 was DKK 1,126m (approx. EUR 151m). The Issuer had 174 full-time equivalent employees on average in 2017, and employed 24 agricultural valuers.

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**Financial highlights**

| <b>DKK millions</b>                                      | <b>2017</b> | <b>2016</b> |
|--|-------------|-------------|
| <b><i>Income statement:</i></b>                          |             |             |
| Core income (mortgage credit income)                     | 1,292       | 1,213       |
| Staff costs and administrative expenses, etc.            | -255        | -233        |
| Other operating costs (contribution to Resolution Fund)  | -12         | -15         |
| Provisions for impairments on loans and receivables etc. | 94          | -62         |
| Core earnings  | 1,121       | 903         |
| Earnings from investment portfolios (sub-funds)          | 6           | 136         |
| Profit before tax  | 1,126       | 1,039       |
| Profit after tax   | 880         | 811         |
| <b><i>Balance sheet:</i></b>                             |             |             |
| Loans and advances                                       | 143,061     | 139,053     |
| Issued bonds at fair value                               | 148,972     | 142,074     |
| Equity   | 12,415      | 12,259      |
| Total assets   | 163,375     | 155,737     |
| <b><i>Financial ratios:</i></b>                          |             |             |
| Total capital ratio (per cent)                           | 15.9        | 14.3        |
| Tier 1 capital ratio (per cent)                          | 15.9        | 14.3        |
| Common Equity Tier 1 capital ratio (per cent)            | 15.1        | 12.7        |
| Profit before tax as a percentage of equity              | 9.13        | 8.40        |

**The Issuer's business activities**

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

The Issuer 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.

The Issuer primarily offers mortgage financing of agricultural, forestry and market garden property, private residential rental property, private cooperative property, office and retail property and manufacturing and workshop property.

At 31 December 2017, the Issuer's loan portfolio in terms of nominal outstanding bond debt amounted to DKK 140.7bn, of which loans to Greenland and the Faroe Islands amounted to DKK 1.9bn or 1.4 per cent of the loan portfolio. Total lending to agriculture including residential farms represented 67 per cent of the outstanding bond debt, and lending to commercial properties and private cooperative properties represented 32 per cent (as set out below):

| <b>The Issuer's mortgage loans at nominal value by property category as at 31 December 2017</b> | <b>Proportion (per cent)</b> |
|---|------------------------------|
| Agricultural properties, incl. market garden property   | 62.1                         |
| Owner-occupied dwellings, incl. residential farms   | 5.6                          |
| Office and retail properties  | 15.8                         |

|                                       |      |
|---------------------------------------|------|
| Private residential rental properties | 12.6 |
| Private cooperative properties        | 2.0  |
| Other properties                      | 1.8  |

### Capital structure

The Issuer's capital structure should provide an adequate capital surplus and thus create the foundation for running a sound mortgage-credit business that can sell bonds on competitive terms. Moreover, the capital structure should be based on having the largest possible equity given the cost of other capital components, including Additional Tier 1 capital and Tier 2 capital. The Issuer must also have sufficient surplus to ensure continual loan-to-value (LTV) compliance with respect to covered bond (SDO) loans and to meet over collateral (OC) requirements from the rating agencies, and also requirements concerning the accumulation of debt buffers.

The Issuer's capital structure at 31 December 2017 is shown below:

|   | 2017<br>(DKKm) | 2016<br>(DKKm) |
|---|----------------|----------------|
| <b>DLR's own funds at 31 December 2017</b>                      |                |                |
| Share capital   | 570            | 570            |
| Issuance premium  | 0              | 0              |
| Non-distributable reserves                                      | 2,338          | 2,338          |
| Retained earnings   | 8,683          | 7,325          |
| Profit for the year   | 824            | 726            |
| Tier 1 capital primary deductions:                              | -693           | -699           |
| Tier 1 capital after primary deductions                         | 11,722         | 10,260         |
| Additional Tier 1 capital                                       | 0              | 1,300          |
| Tier 1 capital incl. Additional Tier 1 capital after deductions | 11,722         | 11,560         |
| Other deductions  | 0              | 0              |
| Tier 1 capital incl. hybrid core capital                        | 11,722         | 11,560         |
| Tier 2 capital  | 650            | 0              |
| Included Tier 2 capital   | 650            | 0              |
| Own funds before deductions                                     | 12,372         | 11,560         |
| Deductions in own funds   | 0              | 0              |
| Own funds after deductions                                      | 12,375         | 11,560         |

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### DLR ratings

### S&P

Counterparty Credit Rating

A-/Stable/A-2

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

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### Credit risk

As a mortgage bank, the Issuer 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 the Issuer, constitutes the most significant share of the Issuer's aggregate risk.

Due to the chosen business model, the Issuer's credit risk is limited to and concentrated around agriculture, etc., together with commercial properties (office and retail properties, private residential rental properties, manufacturing and workshop properties, and community power plants) and cooperative housing properties, and – to a limited

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extent – owner-occupied dwellings in the form of residential farms and also properties on Greenland and the Faroe Isles.

The Issuer's Board of Directors has determined the Issuer's credit policies and guidelines for the granting of credit – including limits for the Executive Board's lending authorities – in order to achieve the desired level of risk. Within the set limits, internal business procedures and instructions further delegate lending authorities to the various sections/persons in the Issuer's organisation.

To identify credit risk, a detailed assessment is made of the mortgageable property and the borrower's finances. The starting point for assessing the mortgageable property is determining its market value. This is done by the Issuer's own valuation experts, who have significant local knowledge. The condition and marketability of the property, etc. are also taken into account in the valuation.

Assessing the customer's finances normally involves several years of financial statements. The assessment process takes into account both general economic factors and individual factors that may affect the loan applicant's score. Budgets are important in connection with purchases and substantial investments, including whether a reasonable financial balance can be achieved based on realistic expectations.

Credit scoring models are used for certain customer segments. Whether additional or more detailed information about the borrower is required varies from case to case and depends on the borrower's financial circumstances. The more complex and risky the case, the more detailed the investigations to ensure an adequate basis for decision-making, the Issuer's organisational set-up ensures a separation of functions between the property valuation and the credit assessment.

As well as cover in the mortgaged property and a detailed credit assessment, the Issuer has further reduced its credit risk on individual loans and its risk at portfolio level via various guarantee schemes provided by the Issuer's loan-distributing banks (the Issuer's shareholders).

At year-end 2017, 95 per cent of the Issuer's loan portfolio was covered by guarantee schemes. In addition, a minor share of the portfolio amounting to around DKK 0.3bn was covered by a government guarantee.

*1. Risk cover – 6 per cent guarantee provision (Universal guarantee concept)*

The loan-distributing bank generally provides an individual guarantee on disbursement that covers the individual loan for its entire term and covers the least secure part of the loan. The guarantee covers the outermost 6 per cent of the loan's outstanding debt. In some cases, for example when certain loans that have an extended business guarantee are remortgaged, the Issuer will require a supplementary guarantee to be posted; cf. below. The guarantee is reduced proportionally as the loan is paid down.

*2. Risk cover – Loss off-set scheme*

The Issuer's universal guarantee concept also encompasses an additional loss off-setting scheme in the commission payments made to the bank where each bank offsets all losses incurred by the Issuer beyond that covered by the 6 per cent guarantee provided at the loan level. Only losses on loans distributed by the particular bank are off-set in commission payments. As from 1 January 2017, the loss off-setting scheme has been expanded so losses can be off-set in commissions for up to 10 years compared to up to five years previously.

*3. Risk cover – Portfolio guarantee*

If losses to be offset exceed the current year's and the following nine years' commissions, the Issuer can demand that such losses be covered by drawing on the portfolio guarantee based on the 6 per cent guarantee provision on individual loans.

At year-end 2017, DKK 70bn, or 49 per cent, of the Issuer's loan portfolio was covered by the universal guarantee concept.

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*Loans granted up to 31 December 2014*

Until 2014 the Issuer's portfolio was covered by two different guarantee concepts that remain active but which will be reduced as the loans are redeemed or paid down, etc.

For loans on commercial property, in other words, private residential rental property, private cooperative housing, office and retail property plus manufacturing and workshop property, the loan-distributing banks have previously provided an individual loan-loss guarantee covering the outermost and most risky part of the loan. The guarantee covered as a minimum that part of the loan that exceeded 60 per cent of the value of residential rental housing and cooperative housing property without a municipal guarantee plus that part of the loan that exceeded 35 per cent of the value of office and retail property.

For manufacturing and workshop property/other property and loans issued on the Faroe Islands and Greenland, more comprehensive guarantees were required. The guarantee amount is reduced proportionally as principal payments are made and the guarantee period generally runs for up to 16 years (potentially longer for loans with interest-only payments).

Loan-loss agreements in the commercial area for loans offered up until the end of 2014 comprise at year-end 2017 a portfolio of DKK 23bn.

Loans on the Faroe Islands and Greenland are not covered by the universal guarantee concept and therefore still require more comprehensive guarantees.

Loans on agricultural and market garden property granted prior to 2015 were also covered by a guarantee agreement between the Issuer and its partner banks under the "cooperative agreement". This is a collective guarantee scheme for loans granted under the cooperative agreement between the Issuer and the loan-distributing banks that is invoked if the Issuer's aggregate losses on agricultural loans provided by distributing banks exceed a pre-determined amount (the Issuer's excess) within a single calendar year. The excess is defined as 1.5 times the un-weighted average of the losses in the preceding five years, though not less than 0.25 per cent of the loan portfolio covered by the agreement. The agreement covered around DKK 41bn of the loan portfolio at year-end 2017. Hence, the issuer could potentially have to bear losses up to roughly DKK 100m (the Issuer's excess) in 2018 (0.25 per cent of DKK 41bn).

Each bank's share of the guarantee is proportional to the share of loans it has distributed on behalf of the Issuer, with the banks' total loss limit potentially up to DKK 750m (5 x the Issuer's excess) in 2016. Losses above the Issuer's excess and the banks' total loss limit are borne solely by the Issuer.

The Issuer has, furthermore, an agreement ("cooperative agreement") allowing it to offset losses in commission payments to individual banks if loans granted for agricultural or horticultural properties via the bank result in a loss for the Issuer. Losses realised after 1 January 2017 that cannot be fully offset in commissions for a single year are carried forward and offset in commissions for the following up to nine years compared to previously up to a further four years.

Finally, loans for public housing construction are generally partly guaranteed by the Danish government or Danish municipalities.

Given both the previous guarantee schemes and the ongoing implementation of the universal guarantee concept, the Issuer's risk of loss in the above-mentioned lending areas may be characterised as manageable and limited.

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Investors who have accepted buying or subscribing for Bonds before the publication of this Supplement are entitled to withdraw their acceptance within a time limit of at least two working days after the publication of this Supplement, ie until 12 February 2018, pursuant to Article 16(2) of the Prospectus Directive and the relevant implementation legislation in Denmark.

## **RESPONSIBILITY STATEMENT**

The Board of Directors and the Executive Board are responsible for this Addendum to the Base Prospectus on behalf of the Issuer.

The Issuer's statement

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

Copenhagen, 8 February 2018.

For and on behalf of DLR Kredit A/S

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

Michael Jensen  
Managing Director