



## **DLR Kredit A/S**

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

**DKK 10,000,000,000**

## **Debt Issuance Programme**

This supplement No. 2 (the "**Supplement**") to the base prospectus dated 29 September 2023 as supplemented by the supplement no. 1 dated 19 February 2024 (the "**Base Prospectus**"), is a supplement for the purposes of Article 23.1 of Regulation 2017/1129 of the European Parliament and of the Council of 14 June 2017 (as amended) (the "**Prospectus Regulation**") and the relevant implementation legislation in Denmark, and is prepared by DLR Kredit A/S (the "**Issuer**").

Terms defined in the Base Prospectus (but not in this Supplement) have the same meaning when used in this Supplement.

This Supplement is the second supplement to the Base Prospectus, and it is a supplement to and should be read in conjunction with the Base Prospectus and any other supplements to the Base Prospectus issued by the Issuer.

### **Purpose of this Supplement**

The purpose of this Supplement is to (a) update the "Risk Factors"-section of the Base Prospectus, (b) update the "Investment considerations"-section of the Base Prospectus, (c) update the section headed "Credit Risk" in the "Business Description of the Issuer"-section of the Base Prospectus, and (d) amend the "Terms and Conditions of the Notes"-section of the Base Prospectus.

### **Changes to the section headed "Risk Factors"**

On 22 May 2024, the Issuer entered into a revised procurement- and guarantee agreement with each of the Issuer's loan distributing banks (the "**Revised Procurement and Guarantee Agreement**"). Consequently, the section headed "Risk Factors" shall be amended as follows:

The first paragraph of the risk factor headed "*Credit risk related to borrowers, counterparties and customers of the Issuer*" shall be deleted in its entirety and replaced by the following:

#### ***"Credit risk related to borrowers, counterparties and customers of the Issuer"***

*The Issuer's most significant risk is credit risk, defined as the risk of loss caused by the failure of any borrower or other counterparty to honour its payment obligations to the Issuer. 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 the Issuer's guarantee concept, and the Issuer can under certain circumstances set-off losses against payments of commission to the financial institutions. The guarantee concept implies, inter alia, that 6 per cent. of the loan's outstanding amount is guaranteed by the financial institutions providing the loans. From 30 June 2024 and onwards, the guarantee will be decreased to cover 2 per cent. of the loan's outstanding amount See the Section "Business description of the Issuer - Credit risk". In case the loss exceeds*

*the amount that can be set-off by the Issuer or covered by the guarantee concept, the Issuer may face a loss on the relevant loan.*

In the subsection headed "**Risks relating to the Issuer's business model**", the paragraph beginning with "*Changes to the loss-mitigating agreements made with financial institutions ...*" shall be deleted in its entirety and replaced with the following:

*"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. See the risk factor headed "Credit risk related to borrowers, counterparties and customers of the Issuer" above and the Section "Business description of the Issuer - Credit risk". Similarly, changes in the Issuer's current distribution collaboration with shareholder banks could affect the Issuer's future lending and earnings."*

On 1 January 2025 new rules under the CRR enters into application, which impacts to what extent guarantees from credit institutions are eligible as collateral for the issuance of covered bonds ( SDO's) and mortgage bonds (RO's), Consequently, the risk factor headed "*Basel III and CRR III/CRD VI Proposals: Finalising post-crisis reforms*" shall be amended as follows:

As a new second paragraph of this risk factor the following shall be added:

*"Another change to the CRR will mean that, as of 1 January 2025, only guarantees from credit institutions that has a credit rating will be eligible as collateral for for the issuance of covered bonds ( SDO's) and mortgage bonds (RO's). This means that guarantees issued by the Issuer's loan providing banks under the guarantee concept, see the Section "Business description of the Issuer - Credit risk" that do not have a credit rating will not be eligible as security for for the issuance of SDO's and RO's. This will require DLR to issue additional debt in consequence, which will result in increased funding costs for DLR.."*

#### **Changes to the section headed "Investment Considerations"**

In the "Investment considerations" section of the Prospectus, the following shall be added to the Investment consideration headed "*Combined capital buffer requirement*" at the end of the paragraph which begins "*The Danish Minister for Industry, Business and Financial Affairs determines the countercyclical buffer...*" on page 43 of the Base Prospectus:

*"On 3 October 2023, the Danish Systemic Risk Council announced its recommendation to the Danish Minister for Industry, Business and Financial Affairs to activate a sector specific systemic risk buffer with a buffer rate of 7.00 per cent. for corporate exposures to real estate companies in Denmark. (the "CRE-buffer"). The CRE-buffer will be activated from 30 June 2024 and increase the capital requirements of the Issuer through an increase in the combined buffer requirement. The Danish Systemic Risk Council must evaluate the CRE-buffer requirement at least every two years (and it can be released if the identified systemic risks abate). DLR estimates that the CRE-buffer will result in an increase to DLR's combined buffer requirement of 1 percentage point as of 1 July 2024."*

#### **Changes to the subsection headed "Credit Risk" in the "Business Description of the Issuer"-section**

As a consequence of the Revised Procurement- and Guarantee Agreement, the subsection headed Credit Risk shall be amended as follows:

The following paragraph shall be deleted:

*"At year-end 2022 98 per cent of the Issuer's loan portfolio was covered by guarantee schemes, including a minor share of the portfolio amounting to around DKK 0.1bn covered by a government guarantee. The bulk of the exposures not covered by guarantees generally have a low loan-to-value (LTV) value."*

The subsections headed "1. Risk cover - 6 per cent guarantee provision (Universal guarantee concept)", "2. Risk cover – Loss off-set scheme", "3. Risk cover – Portfolio guarantee" and "Loans granted up to 31 December 2014" shall be deleted in its entirety and replaced with the following:

*"1. Risk cover – guarantee provisions (Universal guarantee concept)*

*The loan-distributing bank generally provides an individual guarantee in favour of the Issuer on disbursement of the loan that covers the individual loan for its entire term and covers the least secured part of the loan. For loans provided by the Issuer, the guarantee covers the outermost 6 per cent. of the loan's outstanding amount, however from 30 June 2024 and onwards, the guarantee will be decreased to cover the outermost 2 per cent. of the loan's outstanding amount. The decrease will apply to all outstanding guarantees as of 30 June 2024 and all future guarantees provided thereafter as part of the Issuer's universal guarantee concept. In some cases (and both with regards to loans provided before or after 30 June 2024), for example when certain loans that have an extended business guarantee are remortgaged, the Issuer may require a supplementary guarantee to be posted.*

*The guarantee is reduced proportionally as the loan is paid down.*

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

*Loans for public housing construction are generally partly guaranteed by the Danish government or Danish municipalities.*

*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 loan distributing bank where the Issuer off-sets all losses incurred by the Issuer beyond that covered by the 2 per cent. guarantee provided at the loan level against the commission payments. Only losses on loans distributed by the particular bank are off-set in commission payments. Losses can be off-set in commissions for up to 10 years.*

*With effect from 30 June 2024, losses which are subject to off-set in future years' commission payments will be subject to interest payable to the Issuer at 3M CIBOR plus 6 percentage points per annum.*

*3. Risk cover – Portfolio guarantee*

*If losses to be off-set 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, which is based on the 2 per cent. guarantee provision on individual loans.*

*Termination of certain guarantee scheme and guarantee agreement*

*Effective as of 30 June 2024, the loan-loss guarantee scheme covering loans on commercial property and the guarantee agreement covering loans on agricultural and market garden property will be terminated.*

**Changes to the section headed "Terms and Conditions of the Notes"**

Condition 5(e)(ii) of the "Terms and Conditions of the Notes" section on page 93 of the Prospectus shall be deleted in its entirety and replaced with the following:

*"(ii) For the purposes of any calculations required pursuant to the Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (up or down in accordance with the rules and procedures of*

*the Securities Depository from time to time). For these purposes “unit” means the lowest amount of such currency that is available as legal tender in the country of such currency.”.*

#### **OTHER INFORMATION**

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

Save as disclosed in this Supplement, no other significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus has arisen or been noted, as the case may be, since the publication of the Base Prospectus.

## **RESPONSIBILITY STATEMENT**

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

This Supplement (including the above statement) is hereby signed on behalf of the Executive Board pursuant to a special authority dated 8 May 2024 from the Board of Directors:

Copenhagen, 23 May 2024

For and on behalf of DLR Kredit A/S

**Jens Kr. A. Møller**

(Managing Director and CEO)

**Pernille Lohmann**

(Managing Director)