

# **Addendum to Terms and Conditions for Pledging of Collateral for Credit Facilities in Danish Kroner at Danmarks Nationalbank**

These terms and conditions supplement the "Terms and Conditions for Pledging of Collateral for Credit Facilities in Danish Kroner at Danmarks Nationalbank". In addition to the assets listed in the "Terms and Conditions for Pledging of Collateral for Credit Facilities in Danish Kroner at Danmarks Nationalbank", collateral for credit facilities in Danish kroner may, until 30 December 2013, be pledged by way of government-guaranteed unsecured debt issued by banks and mortgage-credit institutes, government-guaranteed junior covered bonds and SPV bonds issued on the basis of government-guaranteed loans to Danish banks and mortgage-credit institutes.

In addition, collateral for credit facilities in Danish kroner may be pledged by way of shares in companies owned by a number of banks jointly (sector company shares). The eligibility of sector company shares as collateral may be terminated by Danmarks Nationalbank giving 30 days' notice.

Junior covered bonds traded at OMX NASDAQ Copenhagen that meet the rating requirements specified by Danmarks Nationalbank at any time may be pledged as collateral for credit facilities in Danish kroner in accordance with the "Terms and Conditions for Pledging of Collateral for Credit Facilities in Danish Kroner at Danmarks Nationalbank".

## **1. Establishment of custody account at VP Securities**

Account holders with a current account in Danish kroner may request opening of a Collateral Deposit with VP Securities for pledging of collateral for credit facilities in Danish kroner by way of the assets specified in section 2 below. In that case, Danmarks Nationalbank shall open a VP Account with Danmarks Nationalbank as the account controller.

If the financial institution already holds a VP Account under the general collateral provisions, cf. "Terms and Conditions for Pledging of Collateral for Credit Facilities in Danish Kroner at Danmarks Nationalbank", a new VP Account must, nonetheless, be opened as described above, but the existing pledged Yield Account shall also be used for the new VP Account. Holders of power of attorney under the "Guidelines for Withdrawal of Assets from a VP Account Pledged for Credit Facilities in Danish Kroner" shall also hold power of attorney to request withdrawal of securities from the new VP Account.

If a financial institution does not already hold a VP Account under the general collateral provisions, not only a new VP Account, but also a pledged Yield Account must be opened, and the financial institution must designate holders of power of attorney who may request withdrawal of pledged securities from the VP Account. This is done by completing the form

"Guidelines for Withdrawal of Assets from a VP Account Pledged for Credit Facilities in Danish Kroner".

A financial institution wishing to open a Collateral Deposit for the temporary extension of the collateral base should contact Danmarks Nationalbank, Accounting, on telephone (+45) 33 63 69 39.

## **2. Basis for lending**

Until 30 December 2013, collateral for credit facilities in Danish kroner at Danmarks Nationalbank may be pledged by way of unsecured debt with an individual government guarantee, cf. Section 16a of the Danish Financial Stability Act, and junior covered bonds with an individual government guarantee, cf. Section 16a of the Danish Financial Stability Act. To be eligible as collateral, the above must be included on the list of guaranteed issues published at any time at the website of the Financial Stability Company ([finansielstabilitet.dk](http://finansielstabilitet.dk)) and meet the requirements below.

Government-guaranteed junior covered bonds must comply with Section 33e of the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act or Section 152b of the Danish Financial Business Act.

Collateral for credit facilities in Danish kroner at Danmarks Nationalbank may also be pledged by way of sector company shares. The sector company shares that are eligible as collateral vis-à-vis Danmarks Nationalbank can be found in the "List of temporarily eligible securities", which is available at Danmarks Nationalbank's website.

The securities must be denominated in Danish kroner or euro and, except for SPV bonds, they must be issued by corporations or funds in the Kingdom of Denmark. Securities for which listing is a requirement must be traded at OMX NASDAQ Copenhagen, and all securities except sector company shares must be registered at VP Securities.

Banks and mortgage-credit institutes may not pledge as collateral unsecured debt or junior covered bonds issued by themselves or close links or sector company shares issued by themselves or close links. The definition of close links in Council Directive 2006/48 applies.

Until 30 December 2013, upon request and subject to approval by Danmarks Nationalbank, collateral for credit facilities in Danish kroner at Danmarks Nationalbank may be pledged by way of SPV bonds based on loans to banks and mortgage-credit institutes with individual government guarantees, cf. Section 16a of the Danish Financial Stability Act. The SPV bonds must be issued by a company domiciled in Denmark or another EEA country and meet Danmarks Nationalbank's standard "Terms and Conditions for bonds eligible as collateral and issued on the basis of loans with individual government guarantees from the Financial Stability Company (SPV bonds)". In addition, the account holder must meet the requirements stipulated in the standard terms and conditions, and the necessary legal opinions must be acceptable to Danmarks Nationalbank. The standard terms and conditions can be found at Danmarks Nationalbank's website ([www.nationalbanken.dk](http://www.nationalbanken.dk)).

An account holder cannot pledge SPV bonds as collateral if the account holder has raised a loan from the SPV.

An account holder wishing to have SPV bonds approved as collateral, must submit the form "Request for Extension of Danmarks Nationalbank's Collateral Base to Include SPV Bonds". The documents listed on the request form must be enclosed.

The SPV bonds that are eligible as collateral vis-à-vis Danmarks Nationalbank can be found in the "List of temporarily eligible securities", which is available at Danmarks Nationalbank's website.

### **3. Collateral value**

The collateral value of the assets specified in section 2 is calculated on the last business day of each week and shall apply until the last business day of the following week, i.e. usually seven days later, but Danmarks Nationalbank may recalculate the collateral value in the intervening period.

The collateral value of quoted securities is calculated on the basis of the official price (all trades) on OMX NASDAQ Copenhagen, applying the following formula:

Collateral value = market value excluding coupon interest \* (1 - haircut).

If an asset has not been traded within the last 5 banking days, a theoretical price set by Danmarks Nationalbank may be used for the calculation of the collateral value of the asset.

For unquoted securities, excluding sector company shares, the collateral value is in principle calculated on the basis of the nominal value of the securities.

The following haircuts apply:

- ◆ Quoted unsecured debt with a government guarantee: 10 per cent
- ◆ Unquoted unsecured debt with a government guarantee: 20 per cent
- ◆ Quoted junior covered bonds with a government guarantee: 10 per cent
- ◆ Unquoted junior covered bonds with a government guarantee: 20 per cent
- ◆ Quoted SPV bonds: 10 per cent
- ◆ Unquoted SPV bonds: 20 per cent

The collateral value of sector company shares is calculated as a value determined by Danmarks Nationalbank less a haircut of 20 per cent.

For information about the collateral value of sector company shares, please contact Danmarks Nationalbank, Accounting, on telephone (+45) 33 63 69 39.

The collateral value in Danish kroner of assets in euro is calculated on the basis of the official exchange rate from Danmarks Nationalbank on the preceding day of listing, subject to a deduction of 3 per cent.

The collateral value will be included under "Collateral value of other assets", cf. "Terms and Conditions for Pledging of Collateral for Credit Facilities in Danish Kroner at Danmarks Nationalbank".

Securities maturing within one week are not eligible as collateral.

If the calculation of the account holder's excess collateral or disposable amount becomes negative at any time, cf. "Terms and Conditions for Pledging of Collateral for Credit Facilities in Danish Kroner at Danmarks Nationalbank" section 13, the account holder must pledge top-up collateral.

In this section, "quoted" shall be taken to mean traded at OMX NASDAQ Copenhagen.

#### **4. Pledging and collateral**

##### **VP-registered assets**

In order to use VP-registered assets as collateral, the account holder must first pledge the relevant VP Account to Danmarks Nationalbank. This is done by signing the "Deed of Pledge for Credit Facilities in Danish Kroner at Danmarks Nationalbank during the Temporary Extension of the Collateral Base" and forwarding it to Danmarks Nationalbank, Accounting. Danmarks Nationalbank registers the pledging of the VP Account.

Pledging of collateral by way of VP-registered assets is effected by transferring the assets to the pledged VP Account. Such transfer shall take place by 4.30 p.m. on the third last business day of the week, i.e. typically Wednesday. The collateral pledged will normally be included in the collateral value at 10 a.m. on the last business day, i.e. typically Friday.

##### **Sector company shares**

The sector company shares that are eligible as collateral vis-à-vis Danmarks Nationalbank can be found in the "List of temporarily eligible securities", which is available at Danmarks Nationalbank's website, cf. section 2. In addition to the above, the following forms must be submitted to Danmarks Nationalbank, Accounting: "Information about Sector Company Shares to be Pledged as Collateral at Danmarks Nationalbank" and possibly "Declaration Regarding Pledging of Sector Company Shares to Danmarks Nationalbank".

##### **Sector company shares not registered at VP**

To pledge shares, the account holder must fill in the forms "Request for Credit Facilities in Danish Kroner at Danmarks Nationalbank against Pledging of Sector Company Shares not registered at VP as Collateral" and "Deed of Pledge for Credit Facilities in Danish Kroner at Danmarks Nationalbank against Pledging of Sector Company Shares not registered at VP as Collateral" and submit them to Danmarks Nationalbank, Accounting. Danmarks Nationalbank sends a request to register the pledge to the company or to a registrar of shareholders designated by the company. No credit can be granted on the basis of the shares until Danmarks Nationalbank has received confirmation from the company or registrar,

respectively, that the pledge has been registered and that no other rights holders have been registered.

After approval of the pledge, it serves as collateral at Danmarks Nationalbank, and the collateral value is added to the account holder's total collateral value and included under "Collateral value of other assets", cf. "Terms and Conditions for Pledging of Collateral for Credit Facilities in Danish Kroner at Danmarks Nationalbank".

## **5. Withdrawal**

### **VP-registered assets**

Withdrawal of VP-registered assets from the Account can take place every day between 3.30 and 4.30 p.m., except on the second last business day of the week, i.e. typically Thursday. Account holders wishing to withdraw shares are to submit the form "Request for Withdrawal from Pledged VP Account for Credit Facilities in Danish Kroner at Danmarks Nationalbank against Pledging of Collateral under the Temporary Extension of the Collateral Base". The assets are transferred to the VP Account designated by the account holder, provided that control of cover has been completed, cf. "Terms and Conditions for Pledging of Collateral for Credit Facilities in Danish Kroner at Danmarks Nationalbank".

The request for withdrawal from the Account must be duly signed in accordance with the "Guidelines for Withdrawal of Assets from a VP Account Pledged for Credit Facilities in Danish Kroner".

### **Sector company shares not registered at VP**

Withdrawal takes place by faxing the form "Request for Withdrawal of Sector Company Shares not registered at VP" to Danmarks Nationalbank, Accounting.

The request must be duly signed by persons registered to sign for the company with the Danish Commerce and Companies Agency.

Danmarks Nationalbank shall notify the company or the registrar of shareholders, respectively, that the pledge has been withdrawn, provided that control of cover has been completed, cf. "Terms and Conditions for Pledging of Collateral for Credit Facilities in Danish Kroner at Danmarks Nationalbank".

Danmarks Nationalbank shall inform the account holder of when the shares can be withdrawn.

## **6. Yields**

Yields on VP-registered securities in the VP Account and on non-VP-registered sector company shares are credited to the account holder's Yield Account pledged to Danmarks Nationalbank. Danmarks Nationalbank will transfer the balance of the Yield Account to the account holder's current account. Such transfer shall, however, not take place, either in full or in part, if the calculation of the account holder's excess collateral or disposable amount

becomes negative, cf. "Terms and Conditions for Pledging of Collateral for Credit Facilities in Danish Kroner at Danmarks Nationalbank".

## **General**

### **7. Other terms and conditions**

Reference is made to the "General Terms and Conditions for Monetary Policy Instruments and Settlement of Payments in Danish Kroner, Swedish Kronor and Icelandic Kroner at Danmarks Nationalbank". In case of discrepancy between the General Terms and Conditions and this Addendum, the latter shall prevail.

### **8. Date of coming into force**

These terms and conditions shall enter into force with effect from 10 August 2011 and shall replace the "Addendum to Terms and Conditions for Pledging of Collateral for Credit Facilities in Danish Kroner at Danmarks Nationalbank" of 1 March 2011.

Copenhagen, 10 August 2011

**Danmarks Nationalbank**