

Handling of negative interest rates

October 2013



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Realkredit Danmark issues bonds with coupon rates referencing CIBOR, CITA, EURIBOR, STIBOR, or NIBOR. As one or more of these reference rates may be quoted at a level below zero Realkredit Danmark has evaluated the legal basis for negative coupon rates on bonds issued and loans granted.

Following these legal evaluations of Realkredit Danmark's bond and loan documentation Realkredit Danmark will regard negative coupon rates as a coupon rate of zero – for both investor and debtor. The primary motives for this decision are:

1. Realkredit Danmark has a legal obligation to **comply with the Balance Principle**, and hence treat the investor and the debtor equally
2. A bond is a "promissory note" based on the prerequisite that the investor – after buying the bond – has a one-sided claim on payments **from the issuer**
3. Interest is considered to be **debtor's payment** for a temporal disposal of creditor's liquidity
4. Debtors have **never been expecting** to be paid for borrowing money from Realkredit Danmark

FlexLån® is not affected.

FlexLån® is funded by issuance of bonds with a coupon rate set by Realkredit Danmark. The loan interest rate is set on the basis of the bond coupon rate and the bond price. Negative loan interest rates may occur if bonds are traded at sufficiently high prices. In this scenario Realkredit Danmark will honour the negative loan interest rate in compliance with the balance principle.

If you have any further questions, please contact:

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