

Consolidated Act No. 582 of 8th July 1999

The following is a consolidation of the Danish Mortgage Credit Act, cf. consolidated Act No. 254 of 26th April 1999 with the amendments, which are a consequence of Act No. 328 of 31st May 1999.

Consequence of Act No. 333 of 16th May 2000, S.1. in Act No. 348 of 17th May 2000 and Act No. 389 of 30th May 2000 are embodied in accordance with the law text by Realkreditrådet (The Association of Danish Mortgage Banks).

Activities etc.

S.1. This Act shall apply to mortgage banks and to mortgage credit activities.

(2) In Denmark, mortgage banks are banks which undertake mortgage credit activities according to this present Act.

(3) The term "mortgage credit activities" covers the granting of loans against a mortgage on real property and funded through the issue of mortgage bonds.

(4) Mortgage credit loans shall not be granted against security in the form of "owner's mortgages" or "letters of indemnity". In such cases where security for mortgage credit loans is also given in the form of chattels, letters of indemnity can, however, be used to replace the chattel mortgage.

(5) The term "mortgage bonds" covers negotiable securities bearing the name of mortgage bonds and issued in connection with mortgage credit activities under this present Act and accepted for public listing at a stock exchange.

(6) Mortgage banks shall be operated in compliance with good business conduct and good mortgage credit practices. In the event that a mortgage bank fails to comply with this provision, the Danish Financial Supervisory Authority (Finanstilsynet) may order the mortgage bank in question to change its practices."

S.2. Mortgage banks shall be authorized to grant loans against a mortgage on real property, however, cf. S.1(4), on the basis of the issuing of other securities than mortgage bonds.

(2) Mortgage banks shall further be authorized to undertake activities which are considered to be accessory to their mortgage credit activities.

(3) The Danish Financial Supervisory Authority can decide that accessory activities must be undertaken by another company registered with the Danish Commerce and Companies Agency (Erhvervs- og Selskabsstyrelsen).

(4) Mortgage banks shall be authorized to undertake insurance activities and banking activities through subsidiary companies.

(5) A mortgage bank shall be allowed to undertake other activities than those specified in subsections (1)-(4) in co-operation with other companies, provided that

- 1) the mortgage bank does not directly or indirectly have a controlling interest in the company in question;
- 2) the mortgage bank is not operating the company in question in co-operation with financial institutions, insurance companies, brokerage houses or mortgage banks belonging to the same group as the mortgage bank in question; and
- 3) the activities are being undertaken in another company than the mortgage bank.

(6) In the event that a mortgage bank or a group should - through acquisition, merger etc - be in a situation where it is undertaking other activities in violation of S.1(3) or S.2(5), the Danish Financial Supervisory Authority may determine a deadline for the divestment of the other activities in the event that immediate sale would entail financial loss.

(7) Mortgage banks shall not be allowed to undertake other activities than the activities specified in subsections (1)-(5)."

S.3. Mortgage credit activities can be undertaken both by Danish mortgage banks and by a foreign credit institution through a branch in Denmark or as cross border activity, if the following conditions are met with:

Re. S.2(3)

Erhvervs- og Selskabsstyrelsen, cf. S.94(1).

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- 1) The main part of the activities of the institution in question must consist of the granting of loans against a mortgage on real property based on the issuing of bonds or other securities;
- 2) the lending activities and issuing of bonds of the institution in question must be governed by a principle of balance (i.e. absence of mismatch between assets and liabilities), and
- 3) mortgage bonds issued by the said institute in this country shall in compliance with the legislation of its home country give the holder of such bonds the same legal position as the holders of mortgage credit bonds in compliance with S.59.

(2) The rules applying to mortgage credit activities under S.1 are S.1(3) and (4), S.5(3), S.12, Chapters 4-6, S.94, S.95(1), S.101, and S.102.

(3) For foreign companies that are part of the same group of companies as Danish mortgage banks, cf. S.77(2)-(4), and that undertake mortgage banking activities in Denmark, S.2(7) and Chapter 7 of this Act shall also apply.

S.4. Mortgage banks which undertake mortgage credit activities in this country shall have the sole authorization to issue mortgage bonds in this country.

(2) A foreign mortgage bank shall, however, be authorized to issue mortgage bonds in this country as part of its lending activities based on mortgages on real property abroad in such cases where the mortgage bank in question meets with the requirements laid down in S.3.

S.5. Mortgage banks shall have the sole authorization to use names such as “realkreditinstitut”, “realkreditaktieselskab”, “kreditforening”, “realkreditfond”, or “reallånefond” or any translation into a foreign language thereof. Dansk Landbrugs Realkreditfond shall be authorized to continue their use of that name. However, KommuneKredit may continue to use the name Kreditforeningen af Kommuner i Danmark.

(2) Any mortgage bank which is converted into a public limited company in compliance with S.67 shall be entitled to use as part of its name the term “forening” or “fond”, whereas the term “aktieselskab” or an abbreviation thereof shall form part of the name of the mortgage bank.

(3) Other securities than mortgage bonds cannot bear this name nor any other name that leads to the impression that they are mortgage bonds.

S.6. The Danish Companies Act shall apply to mortgage banks organised as public limited companies with the limitations specified in this present Act.

(2) The provisions regarding reporting and registration in the Danish Companies Act shall apply similarly to mortgage banks which are not organised as public limited companies.

Approval etc.

S.7. Mortgage banks shall be organised as (public) limited companies.

(2) Mortgage banks must obtain approval from the Danish Financial Supervisory Authority (Finanstilsynet).

(3) Subsections (1) and (2) shall not apply to those mortgage banks which have already obtained approval at the time when this present Act comes into force. (4) Subsections (1) and (2) shall not apply to Dansk Landbrugs Realkreditfond.

S.8. Any application for approval shall be accompanied by a written operating plan containing detailed information regarding the nature of the intended activities as well as the organisational structure of the mortgage bank in question.

(2) The application shall further contain information about all investors who own - either directly or indirectly – at least 10% of the capital or the voting rights or any capital stake which enables such investors to exercise a considerable influence on

the management of the mortgage bank, or any other party with close connections to the mortgage bank in question, cf S.9(4) as well as their share of the capital.

Re. S.3(2)

Balance Principle, cf. S.49(4).

Re. S.5(1)

Kreditforening/Forening: An association of natural or legal persons working for specified tasks, as laid down in their respective Articles, By-Laws, or defined tasks. A mortgage credit association (mortgage bank) is an association of borrowers. They may be jointly or severally liable for the obligations of the association in question. The purpose of the association is to provide relatively cheap capital to finance real property purchases.

S.9. The approval shall not be granted, unless the mortgage bank in question has a fully paid-up share capital amounting to not less than DKK 150m before that mortgage bank is registered with Danish Commerce and Companies Agency (Erhvervs- og Selskabsstyrelsen).

(2) Approval can be refused in case a member of the Board of Management or the Board of Directors of the mortgage bank in question:

- 1) is considered not to have sufficient experience to carry out his position,
- 2) has been found guilty of a criminal offence when such an offence gives reason to believe that there is imminent danger of his abusing his position; or
- 3) in his occupation has acted in such a way that there is reason to believe that the person in question will not be able to fill his position in a suitable and sound manner.

(3) Also, approval can be denied if there are close connections, cf. (4), between the mortgage bank and other corporations or persons and if such connections may in any way obstruct the proper handling of the tasks of the Danish Financial Supervisory Authority.

(4) The term close connections is defined as follows:

- 1) Direct or indirect connections of the nature mentioned in S.1(2) item 8 of the Danish Act on the Presentation of Annual Accounts of Certain Companies;
- 2) Capital interests, cf. S.77(6), or
- 3) The joint connection of several corporations or persons with a given corporation, cf. item 1.

(5) Furthermore, approval can be denied if the legislation of any country outside the European Union or any country or countries with whom the European Union has entered into an agreement may in any way obstruct the proper handling of the tasks of the Danish Financial Supervisory Authority in regard to any corporation or any person with whom the mortgage bank has close connections, cf. (4).

(6) Approval can furthermore be refused in such a case where the investors mentioned in S.8(2) are considered likely to counteract the sound operation of the mortgage bank in question.

S.9a. When the Danish Financial Supervisory Authority has granted its approval of the intended operations as a mortgage bank, the mortgage bank in question shall be registered with the Danish Commerce and Companies Agency. As an appendix to the registration form, the mortgage bank in question shall submit a dated copy of its Articles of Association to the Danish Commerce and Companies Agency, which shall submit a copy thereof to the Danish Financial Supervisory Authority.

(2) In the event of subsequent amendments to the said Articles of Association, the mortgage bank in question shall be required to submit a dated copy of the complete, amended Articles to the Danish Commerce and Companies Agency, which shall submit a copy thereof to the Danish Financial Supervisory Authority.”

S.10. According to the procedures specified in Directives adopted by the European Union, The Danish Financial Supervisory Authority may suspend the handling of applications for approval submitted by mortgage banks which are owned directly or indirectly by companies domiciled outside the European Union or in countries with which the Community has entered into cooperation agreements.

S.11. Unless the Danish Financial Supervisory Authority expresses its opinion regarding an application for approval of the undertaking of mortgage credit activities submitted to it not later than 6 months from the receipt of such an application, the applicant shall be able to take the matter to Court

(2) A refusal to approve an application can be brought to Court by the applicant or the mortgage bank concerned not later than 8 weeks after the refusal has been made known to him or the mortgage bank in question.

S.12. A foreign bank which has obtained permission in another country within the European Union or in countries with which the European Union has entered into agreement shall be able to undertake mortgage credit activities in Denmark through a branch 2 months after the notification to the Danish Financial Supervisory Authority through the competent authorities in the home country of the mortgage bank in question.

(2) The notification by the authorities of the home country shall contain the following information:

- 1) a programme describing the activities of the branch, including information regarding its organisational structure and the intended activities,

Re. S.9(1)

Erhvervs- og Selskabsstyrelsen, cf. S.94(1).

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- 2) the address in Denmark of the branch,
- 3) the names of the managers in charge of the branch,
- 4) the size of the own funds and solvency ratio of the mortgage bank, and
- 5) information regarding any guarantee or indemnity schemes in the home country covering the owners of the mortgage bonds issued.

(3) A foreign mortgage bank, authorized in a Member State of the European Union or in a country with which the EU has entered into an agreement, shall be able to initiate mortgage credit activities in Denmark as cross-border activities, once the Danish Financial Supervisory Authority receives notification to that effect from the competent authorities in the home country.

(4) A financial institution shall be able to carry out the activities specified in (1) and (3) on the conditions laid down in Directives adopted by the European Community or by countries with which the Community has entered into cooperation agreements.

(5) In the case of changed conditions under (2), Nos. 1-3 and No. 5, the mortgage bank in question shall notify the Danish Financial Supervisory Authority not later than one month before the changes are made.

(6) The provisions of this Act shall apply to branches of mortgage banks domiciled outside the European Union or countries with which the Community has entered into cooperation agreements, and which intend to undertake mortgage bank activities in Denmark, with such deviations as required by the branch relationship or established in or resulting from any international agreement.

(7) The provisions of the Danish Companies Act regarding branches of foreign limited liability companies shall apply to the branches specified in (1), (4) and (6).

(8) Any foreign credit institution which establishes a representative office in this country shall notify the Danish Financial Supervisory Authority before the actual establishment of the office. The notification shall contain the following information:

- 1) the address of the representative office, and
- 2) the names of the management of the representative office.

(9). Any foreign mortgage bank with a representative office in Denmark shall announce to the Danish Financial Supervisory Authority any changes in the circumstances registered in compliance with (8)."

(10) The Danish Financial Supervisory Authority shall lay down rules under (6), as well as rules regarding the branches of foreign credit institutions as mentioned in (6), including rules granting the Danish Financial Supervisory Authority the possibility of dispensing from the rules.

Management

S.13. Notice of general assembly must be given publicly. The press shall be granted access to the general assembly.

S.14. The Board of Directors shall have not less than 5 members of whom the Minister of Housing shall appoint one.

(2) The Board of Management shall consist of not less than 2 members.

S.15. The regulations applying to group representation in the Danish Companies Act shall not apply to employees in companies through which a mortgage bank undertakes temporary activities as part of its disposals of foreclosed mortgages.

S. 16. Any member of the Board of Directors, any manager or any auditor may require the Board of Directors to be summoned. One manager and one auditor shall be entitled to be present and make statements at Board meetings unless the Board of Directors decides otherwise in each individual case. The appointed external auditors and the head of the internal audit shall at all times be entitled to participate in the meetings of the Board of Directors during the discussion of matters of importance to the auditors or to the presentation of the accounts.

(2) The appointed external auditors and the head of the internal audit shall be under an obligation to participate in the handling by the Board of Directors of the matters in question if just one Director so desires.

(3) Minutes shall be kept of the discussions of the Board of Directors just as the minutes shall be signed by all members present. Any member of the Board of Directors, any manager or any auditor who does not agree with the decision reached by the Board of Directors shall be entitled to have his opinion registered in the minutes.

S.17. The Board of Directors and the Board of Management shall be under an obligation to make sure that the institution follows satisfactory administrative and accounting procedures and that satisfactory internal control procedures exist.

S.18. The members of the Board of Management of any mortgage bank cannot be members of the Board of Directors as well.

(2) The Board of Directors shall prepare regulations limiting the disposals which the Board of Management can make without the prior presentation of the matter to the Board of Directors.

(3) The position as head of the internal audit cannot be held by a member of the Board of Directors.

S.18a. Directors, vice-directors, deputy directors and persons of a corresponding rank as well as internal audit managers and vice-managers of a mortgage bank shall not be able to carry out or participate in speculative transactions on their own account. The same shall apply to other senior staff members with particular responsibilities within the areas of securities or currency transactions.

(2) The Board of Directors shall be under an obligation to draw up internal guidelines regarding who among the other employees shall be prohibited from carrying out or participating in speculative transactions on their own account. These codes shall cover senior employees with particular responsibilities within the areas of securities, currency or credit functions not covered by (1).

(3) The Danish Financial Supervisory Authority (Finanstilsynet) shall lay down further rules regarding which transactions shall be considered as speculative.

S.18b. No mortgage bank shall without the approval of the Board of Directors, which shall be entered in the minutes of the meeting, approve transactions with

1) members of the Board of Directors and directors in the mortgage bank in question, or

2) companies in which the persons specified in 1) act as members of the Board of Directors or directors in the company.

(2) The transactions specified in (1) shall be approved in compliance with the general terms of business of the mortgage bank and at arm's length. The external auditors of the mortgage bank in question shall state in the Audit Report in the Annual Report and Accounts whether the requirements in (1) have been met with.

(3) The Board of Management and the Board of Directors shall particularly monitor the propriety and the course of the commitments specified in (1).

(4) The rules laid down in (1) and (2), first sentence, shall also apply to commitments involving persons connected with the said directors etc through marriage, family or relationship by marriage by lineal consanguinity, ascendants and descendants, and with companies in which such persons may act as directors.

(5) For executive vice presidents, senior vice presidents and other persons on the same level as well as other senior employees who hold special responsibilities in connection with securities or currency functions, the Board of Directors of the mortgage bank shall draw up further guidelines regarding the approval of transactions with these employees.

(6) No director shall hold office as director of a mortgage bank if the person in question has filed for suspension of payments, is involved in insolvency proceedings, has filed for debt restructuring, or is involved in proceedings to reach a composition with creditors.

S.18c. In regard to directors, vice-directors, deputy directors and persons of a corresponding rank, the Board of Directors shall draw up guidelines regarding the reporting of transactions comprised by the special exemptions as they appear from the executive order issued in compliance with S.18a(3).

(2) On the basis of the reports made, the appointed external auditors shall state in the Audit Report in the Annual Report and Accounts any comments they may have to the said reports, cf. S.18a(3).

(3) The appointed external auditors shall once per year study the internal guidelines of the mortgage bank regarding the approval and reporting in compliance with (1) and S.18b(5) and state in the Audit Report in the Annual Accounts and Report whether they consider the procedures of the mortgage bank in this connection satisfactory.

S.18d. Directors, vice-directors, deputy directors and persons of a corresponding rank as well as internal audit managers and vice-managers of a mortgage bank cannot hold or operate any form of independent business activity or act as members of the Board of Directors, officer or in any other way participate in the management or operations of any other business operation than the mortgage bank in question, however cf. SS.18e-18i. However, such persons may own, operate and participate in the administration of real property. Furthermore, directors may, with the approval of the Board of Directors,

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temporarily own or operate independent business activity which they own when they commence their employment with the mortgage bank or which they later inherit if the sale of the independent business activity in question would incur a financial loss. The Board of Management can give a corresponding permission to vice-directors, deputy directors and persons of a corresponding rank as well as internal audit managers and vice-managers.

(2) The prohibition specified in (1) shall not apply to tasks carried out in associations, institutions, councils, tribunals or the like, the purpose of which is not to further the financial interests of the participants through commercial operations.

(3) Irrespective of the provisions laid down in (1), internal audit managers or deputy audit managers may also function as internal audit managers or deputy audit managers in associated companies.

S.18e. The Board of Directors can permit a director to act as member of the Board of Directors of a subsidiary company of the mortgage bank or of a subsidiary company of the parent company of the mortgage bank that carries out activities that the mortgage bank may carry out through a subsidiary company. Correspondingly, the Board of Directors may grant such permissions to vice-directors, deputy directors and persons holding a similar rank.

(2) The same shall apply in cases when several mortgage banks, other credit institutions, insurance companies, investment or specialized funds jointly own a company that carries out activities which a mortgage bank is allowed to carry out through a subsidiary company, or activities that are accessory to mortgage credit activity.

(3) All permissions granted by the Board of Directors under (1) and (2) shall be listed in the minute book of the Board of Directors.

(4) The Annual Report and Accounts of the mortgage bank in question shall contain information about the offices specified in (1) and (2) approved by the Board of Directors, cf. S.89.

(5) Furthermore the appointed external auditors shall consider and report in the Audit Report in the Annual Report and Accounts whether commitments in regard to the companies in which such offices are held can be considered made in compliance with the general terms of business of the mortgage bank and at arm's length.

S.18f. The Board of Directors may allow a director to be member of the Board of Directors of a mortgage bank, another credit institution, an insurance company or a stock broking company, which is not part of the same group of companies as the mortgage bank in question, however cf. S.18i. The Board of Management can give a corresponding permission to vice-directors, deputy directors and persons of a corresponding rank. However, the person in question cannot assume the position as Chairman of the Board of Directors.

(2) The Board of Directors or the Board of Management shall only give the said permission if the mortgage bank has acquired a stake of not less than 10% in the company in question.

(3) The position on the Board of Directors can only be held if there are no interlocking directorates for the majority of the members of the Board of Directors of the company in question and the mortgage bank.

(4) S.18e(3) and (4) shall apply accordingly.

S.18g. The Board of Directors may give permission for a director to act as member of the Board of Directors of the companies specified in S.7 of the Danish Securities Transactions Etc. Act, however cf. S.18i. The Board of Management can give a corresponding permission to vice-directors, deputy directors and persons of a corresponding rank.

(2) S.18e(3) and (4) shall apply accordingly.

S.18h. The Board of Directors may permit an executive of a mortgage bank to act as executive of a foundation or association whose activities are solely or primarily concerned with holding capital stakes in the mortgage bank in question.

(2) The Board of Directors may permit an executive of a mortgage bank to function as executive of the parent company of the said mortgage bank, provided that the activities of the parent company consist solely or mainly in acting as the parent company of financial companies.

(3) The Board of Directors may permit an executive of a mortgage bank to act as executive of a foundation or association whose activities are solely or primarily concerned with holding capital stakes in the holding company of the mortgage bank in question.

(4) S.18.e(3) and (4) shall apply accordingly.

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S.18i. No director, vice-director, deputy director or person of a corresponding rank can serve on more than ten Boards of Directors in the commercial undertakings specified in SS.18f and 18g, and no more than five Boards of Directors in listed companies or companies with own funds exceeding DKK 50m.

S.19. The authority to sign vested in members of the Board of Directors or the Board of Management shall only be exercised by not less than two members jointly.

S.20. Chapter 9 and S.115(1) of the Danish Companies Act shall apply to mortgage banks organised as associations or funds with the adaptations and deviations required under this present Act.(2) S.51(2) of the Danish Companies Act shall not apply to mortgage banks.

(3) S.115(1) of the Danish Companies Act shall not apply to the granting of mortgage credit loans

Lifetimes and repayment profiles

SS. 21-23 have been abolished

S.24 The maximum lifetime shall be 30 years, cf (2). When the lifetime of the loan is fixed, the anticipated decrease in the value of the mortgage and the repayment profile of the loan shall be taken into consideration.

(2) The maximum lifetime shall be 35 years for loans granted to non-profit housing facilities, special housing facilities for the young, and private co-operative housing facilities, if the loan is granted on the basis of a commitment to subsidies in compliance with the Danish Act on Subsidised Housing and Subsidised, Private Housing Societies etc.

S.25. Loans to owner-occupied homes for all-year habitation and week-end cottages shall – irrespective of the degree of security offered – not be granted in such a way that they will be repaid more slowly than a 30-year loan repaid over its lifetime by constant payments of interest plus repayment corresponding to a fixed percentage of the principal amount (annuity loans.)

Lending Limits etc

General provisions

S.26 Within a lending limit of 80 per cent, loans can be granted to the following property categories:

- 1) Owner-occupied homes for all-year habitation,
- 2) private, co-operative housing facilities,
- 3) private, rental homes,
- 4) subsidised housing facilities,
- 5) housing facilities for young people,
- 6) housing facilities for the elderly etc, and
- 7) properties for social, cultural and educational purposes.

(2) Within a lending limit of 60 per cent, loans can be granted to the following property categories:

- 1) Week-end cottages,
- 2) office and shop premises,
- 3) properties for manufacturing and manual industries, and
- 4) collective energy supply corporations.

(3) Within a lending limit of 40 per cent, loans can be granted to other types of property, including unbuilt sites.

(4) The lending limit may be raised to 84 per cent for the establishment of subsidised housing facilities against a guarantee for that part of the loan that exceeds 65 per cent.

(5) Within a lending limit of 70 per cent, loans can be granted to agricultural or forestial properties, market gardens etc.

S.27 Loans can be granted over and above the lending limit against a guarantee or a suretyship issued by the central or local government for that part of the loan that exceeds the lending limit.

Refinancing

S.28 Loans can be granted over and above the lending limit in order to refinance mortgage loans previously granted by the same mortgage bank as well as higher ranking loans. Loans according to (1) shall be granted as a cash amount that cannot exceed the refinancing amount and the costs pertaining to the refinancing and the granting of the new loan.

(2) The Board of Directors of the mortgage bank in question shall draw up written guidelines to secure that the value of the mortgage shall not be significantly deteriorated in connection with refinancing under (1).

(3) In connection with loans granted for refinancing of loans in certain subsidised housing facilities, of the legislation pertaining to the refinancing of certain subsidised housing facilities etc, non-paid but due mortgage payments with accrued interest may form part of the basis for the granting of the said loan.

SS. 29 - 39 have been abolished.

Payments against guarantees

S40. For the purposes of construction as well as re-building and expansion etc, loans can be granted on the basis of the anticipated, future value of the property (loan granted ahead of building start) against a guarantee that the loan will be repaid or reduced in the event that – after the end of the period for completion of the building – it is found that the loan could not have been paid to the borrower to the actual amount granted.

(2) When the conditions for payment of the loan have been met, loans may be granted without security in the form of a registered mortgage, if a guarantee is made that a registered mortgage will be submitted.

(3) When the conditions for payment of the loan have been met, loans may be granted without the issuance of the document specified in S.42(3), if a guarantee is made that the document in question will be submitted.

(4) When the conditions for payment of the loan have been met, loans may be granted even though the borrower is not in possession of a registered title to the property, if a guarantee is made that the borrower will be given final title to the property.

(5) When the conditions for payment of the loan have been met, loans may be granted even though the mortgage deed is encumbered with an endorsement barring registration as requested, if a guarantee is made that such endorsements will be cancelled.

(6) In the assessment of the security received by the mortgage bank against loans, mortgages covering loans in subsidised housing facilities, which are re-mortgaged in compliance with the Act on the re-mortgaging of certain subsidised housing facilities etc, as well as mortgages covering non-callable loans taken over by the Finansstyrelsen in compliance with the Act on the offsetting of "lock-in" effects on non-callable mortgage loans etc, such security can be replaced by a corresponding claim on the Treasury. The claim can be wholly or partly prepaid if the Treasury surrenders mortgage bonds corresponding to the loans in question to the mortgage bank.

(7) Holders of rights to bonds issued in those series, whose security foundation is covered and amended by (6) shall not be able to demand that such bonds be prepaid or shall hold no other claims towards the mortgage bank in question.

(8) A mortgage bank can make an agreement with a borrower to grant a loan at a price fixed at the time when the loan offer is made or at a later date (fixed price contract).

(9) The Danish Financial Supervisory Authority can lay down rules pertaining to the granting of loans etc under (1)-(6).

Valuation and the Meting out of Loans

S.41. The mortgage bank shall assess the cash value of the property in question for use in the meting out of the loan.

(2) The assessed value shall be within the amount which a professional purchaser with knowledge of the price and market situation for that particular type of property is assumed to be prepared to pay for the property. Particular circumstances which could determine a particularly high price shall not be included in the valuation.

(3) In its valuation, the institution shall allow for any risks of changes in the market or structural conditions.

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S.42. Loans may be granted on the basis of real property owned by the borrower. All holders of a title to the property in question must be registered as debtors on the mortgage, however cf (2) and (3).

(2) The provisions in (1) sentence 2 may be deviated from, if the loan in question is being granted according to special legislation for the agricultural area.

(3) Loans may be granted on the basis of an undivided share of a real property, if there is a registered document that connects the share with a registered exclusive right of enjoyment. All holders of a title to the undivided share must be registered as debtors on the mortgage.

(4) Apart from land and buildings, fixtures and fittings, cf. S.38 of the Danish Land Registration Act, and the equipment mentioned in S.37(1) of the Danish Land Registration Act which are comprised by the registered mortgage on the real property in question, shall form part of the valuation.

(5) Irrespective of the provisions of (3), the valuation can always include equipment which is not comprised by the registered mortgage on the real property in question, cf. SS.37 and 38 of the Danish Land Registration Act, if this situation is caused by the fact that the equipment is owned by someone else than the owner of the real property in question, and if such equipment can be mortgaged under S.47 or S.47.b(2) of the Danish Land Registration Act as security for the loan on the real property in question.

(6) Indexed loans to property, except property belonging to collective energy supply corporations, can only be granted on the basis of the value of land, buildings and fixtures and fittings, cf. S.38 of the Danish Land Registration Act.

S.43. The Danish Financial Supervisory Authority of Housing shall set up regulations regarding valuation.

S.44. The size of the loan shall be so meted out that the cash proceeds shall lie within the lending limits specified in SS.26-28 for each property category.

(2) The Danish Financial Supervisory Authority shall set up regulations regarding the meting out of the loans.

S.45. The Danish Financial Supervisory Authority shall set up regulations regarding which property belongs to individual property categories as well as regulations regarding the redemption of loans in case the property in question is transferred to another property category.

(2) If on one property several property categories are represented, the valuation and lending limits shall be fixed on the basis of each separate property category.

(3) If one property category accounts for not less than 80% of the total gross floor area of the property in question, the entire property can be mortgaged under the regulations pertaining to this property category.

S.46. Any loan offer issued shall be accompanied by information which makes it possible to assess the effective interest rate to be paid by the debtor.

S.47. The mortgage banks' rates for their various fees – e.g. for administration and reserve funds for loans to which government subsidies are granted – shall, except in connection with loans in the agricultural sector, be subject to approval by the Minister of Economic Affairs following consultation with the Minister of Housing.

S.47.a. The loan agreement shall clearly state that the borrower shall be obliged to accept full or part remortgaging of a mortgage bank loan to a non-mortgage bank loan granted on similar conditions, if the mortgage bank loan has been granted in conflict with the provisions of Chapters 4-6 of this Act or with rules drawn up as a consequence of Chapters 4-6 of this Act.

(2) All costs in connection with the remortgaging shall be borne by the mortgage bank, unless the mortgage bank can substantiate that the borrower knew or ought to know that the mortgage bank loan was granted in conflict with the provisions of (1).

The Issuing of Bonds and the Balance Principle.

S.48. Funds procured through the issuance of mortgage credit bonds or other types of securities shall be used only for lending against a mortgage on real property, however, cf. (2).

(2) The Danish Financial Supervisory Authority can lay down rules pertaining to the fact that such funds can to a limited extent be used for other purposes than lending against a mortgage on real property.

National laws / Denmark

S.49. The Danish Financial Supervisory Authority shall lay down rules regarding the calculation of and limits to

- 1) the difference between future payments on issued mortgage credit bonds and other securities on the one hand, and mortgages and financial instruments on the other hand;
- 2) the interest risk pursuant to the difference mentioned in sentence 1; and
- 3) the difference between repayment terms for issued mortgage credit bonds and other securities on the one hand, and mortgages and financial instruments on the other hand.

Activities Abroad

S.50. A mortgage bank wishing to establish a branch in a foreign country shall inform the Minister of Housing of this and provide the following information regarding the intended branch:

- 1) the name of the country in which it is intended to establish the branch;
- 2) a programme for the branch including information regarding its organisational structure and the intended activities;
- 3) the address of the branch; and
- 4) the names of the persons in charge of the management of the branch.

(2) The Danish Financial Supervisory Authority shall convey the information stated in (1) and further information regarding the liable capital of the mortgage bank in question to the relevant authorities in the host country not later than 3 months after the receipt of such information and shall inform the mortgage bank accordingly.

(3) The Danish Financial Supervisory Authority shall be exempt from conveying the said information if there is reason to doubt that the administrative structure and the financial situation of the mortgage bank in question are sound in relation to the intended establishment. The Danish Financial Supervisory Authority shall inform the mortgage bank in question of this not later than 3 months after receipt of all the information mentioned in (1).

(4) If the Danish Financial Supervisory Authority decides that it cannot convey the information mentioned, the mortgage bank is entitled to take this decision to court not later than 8 weeks from the day the institution receives the decision.

(5) The mortgage bank shall be under an obligation to inform the Danish Financial Supervisory Authority and the supervisory authorities of the host country of any change in the conditions specified in (1) items. 1-4. Such notification shall be made not later than 1 month prior to the implementation of the change.

S.51. Any mortgage bank wishing to undertake cross-border service activities in any other country shall inform the Danish Financial Supervisory Authority with indication of the intended activities.

(2) The Danish Financial Supervisory Authority shall convey the information under (1) to the competent authorities in the host country not later than one month after receipt of such information.

(3) The Danish Financial Supervisory Authority shall have authority to prohibit any mortgage bank from undertaking mortgage credit activities in another country through a branch or in the form of cross-border services, in case the mortgage bank in question has been grossly or repeatedly negligent in the observance of regulations passed by the European Communities and in case neither prohibitions nor sanctions have made these infringements stop.

S.52. In connection with loans granted in other countries, the provisions in SS.25, 46 and 47 shall not apply. In special cases, the Danish Financial Supervisory Authority may grant a dispensation from the provisions regarding the maximum lifetimes.

(2) A mortgage bank shall be able to grant loans in foreign countries within the maximum lending limits for each property category within which the mortgage bank in question can grant loans without supplementary guarantee as laid down in Chapter 5. Loans can be granted beyond these lending limits against a suretyship offered by a public authority, a financial institution or an insurance company.

(3) If the guarantee for loans under (2), item 2, has been placed by a financial institution or an insurance company, the loan can be granted solely on the basis of the issuing of other securities than mortgage credit bonds, cf. S.2(1).

(4) In connection with loans granted abroad, the Danish Minister of Economic Affairs can grant an exemption from the prohibition specified in S.1(4), first sentence."

Solvency

S.53. In a mortgage bank, the liable capital and the short-term additional capital, cf. S.53.g(1), shall at all times amount to not less than 8% of the risk-weighted assets etc., of the mortgage bank, including items exposed to market risk; however, not less than DKK 150m. As regards items exposed to market risk, the claim of item 1 shall solely relate to the banking book of the mortgage bank, cf. S.53.h(1), and its foreign currency positions.

(2) The requirements to the liable capital and the short-term additional capital - apart from the minimum requirement of the DKK 150m - shall be met with both in individual series and their series reserve funds and for the mortgage bank in question as a whole.

(3) The Danish Financial Supervisory Authority shall control not less than twice per year that each mortgage bank fulfils the requirements of subsections (1) and (2).

(4) If a mortgage bank does not meet the requirements stipulated in (1) or (2), the Danish Financial Supervisory Authority can set a time limit within which these requirements are to be met.

(5) The Danish Financial Supervisory Authority shall lay down rules pertaining to the risk-weighting of assets etc., including items exposed to market risk as well as rules pertaining to the supervision of the fulfilment of the solvency requirement. Furthermore, the Danish Financial Supervisory Authority shall lay down rules pertaining to the calculation and reporting of the total interest risk of the mortgage bank in question.

S.53.a. The liable capital of a mortgage bank shall be calculated as the total sum of the core capital calculated according to SS.53.b and 53.e and the additional capital calculated according to SS.53.c and 53.e with deduction of the amounts mentioned in S.53.d.

(2) The supplementary capital together with the short-term additional capital shall not be included by more than 100% of the core capital calculated according to SS.53.b and 53.e.

(3) The Danish Financial Supervisory Authority shall be able to establish requirements regarding the calculation of the liable capital, including provisions regarding the inclusion of and conditions for raising other capital elements and conditions for the inclusion of the short-term supplementary capital, cf. S.53.g(1).

S.53.b. The original capital shall consist of

- 1) the series reserve funds of the mortgage banks in series without a repayment obligation to the borrowers;
- 2) that part of the series reserve funds in series with a repayment obligation, cf. S.57(2), which cannot be paid to the borrowers;
- 3) paid-up share capital
- 4) share premium accounts
- 5) other reserves.

(2) The original capital shall be reduced with the portfolio of own shares, immaterial assets, assets liable to taxation, and the current deficit of the year for the mortgage bank in question.

S.53.c. The additional capital shall consist of

- 1) revaluation reserves;
- 2) the part of the series reserve funds in series with repayment obligations which corresponds to the requirements of S.53(2); and
- 3) securities without a specified maturity and other capital investments.

(2) If capital is issued as stipulated in (1), No. 3, in the form of a bulk issue, the mortgage bank in question shall designate such securities "capital certificates".

S.53.d. If a mortgage bank holds a capital stake in another credit or financing institution exceeding 10% of any form of share capital or of the guarantee capital of the latter, that stake shall be deducted in the calculation of the said mortgage bank's liable capital. Also its subordinate capital investment in the said credit or financing institution shall be deducted.

Re. S.53(2)

Series: Mortgage bonds are divided into series to which many mortgages are attached. The division into series is made according to the time of the establishment of the underlying loans and their lifetimes, nominal interest, and repayment profile. The security of the bonds is limited to the mortgages and the accumulated reserves for each individual series, reserve funds and a general reserve fund.

National laws / Denmark

(2) If a mortgage bank holds other stakes than the capital stakes and subordinate capital investments as specified in (1) in another credit or financing institution which together exceed 10% of the said mortgage bank's liable capital before the deductions specified in (1) and (4), the remaining part of such stakes shall be deducted.

(3) A mortgage bank shall not deduct capital investments and subordinate stakes in other credit or financing institutions which are consolidated with the said mortgage bank.

(4) A mortgage bank which holds capital investments in a subsidiary company or an associated company undertaking insurance activities shall in the calculation of the liable capital of the mortgage bank deduct an amount corresponding to that share of the solvency margin of the insurance company which corresponds to the directly or indirectly owned stake in the capital of the insurance company. If a subsidiary insurance company does not have sufficient basic capital an amount corresponding to the entire solvency margin is deducted. If - according to its Articles of Association - the insurance company in question is not domiciled in Denmark, the calculation shall use the solvency margin calculated according to the rules of the home country of the insurance company, however, not less than the solvency margin resulting from the application of the rules in force in Denmark for insurance companies domiciled in this country.

S.53.e. The original capital, revaluation reserves and any other capital elements under S.53.a(3) of a mortgage bank shall be reduced by any kind of tax predictable at the time of the calculation of the amount or shall be adequately adjusted to the extent with which possible taxation will reduce the amount with which the said capital can be used to cover risk or losses

S.53.f. In series with repayment obligations which have been opened before 1st January, 1973, the requirements placed in the liable capital shall be met with the capital specified in S.53.c item 2.

(2) In series with repayment obligations opened before 1st January, 1973, the capital under S.53.b(1) item 2, which is not included in the covering of the required liable capital, shall be included as original capital in the fulfilment of the requirements in the liable capital for the said mortgage bank as such. The amount included under item 1 cannot exceed the sum total of other elements of original capital of the said mortgage bank.

S.53.g. The term short-term additional capital covers capital investments with an original maturity or a term of notice of not less than 2 years.

(2) The short-term additional capital shall only be included in the calculation of capital ratios for items exposed to market risk. The short-term additional capital shall be included at a maximum of 5.7% of the weighted items exposed to market risk.

S.53.h. The Danish Financial Supervisory Authority shall lay down rules pertaining to which items shall be considered part of the trading book.

(2) Under special circumstances, the Danish Financial Supervisory Authority may permit that the net profit from the trading book of a mortgage bank be included in the short-term additional capital. The Danish Financial Supervisory Authority shall lay down specific rules for the calculation of the net profits from the trading book.

Liability etc.

S.54. The mortgage bank shall be able to grant loans and issue mortgage bonds and other securities to finance its lending activities.

(2) The granting of loans and the issuing of mortgage bonds and other securities can take place in series. The issuing of mortgage credit bonds and other types of securities, cf. S.2(1), cannot take place within the same series.

(3) The conditions governing a series can stipulate that the holders of mortgage bonds or other securities shall only be able to advance their claims against the particular series which hold joint liability with the series involved, cf. S.56(4).

Re. S.54(3)

Joint and several liability, cf. S.56(1).

S.55. The borrowers are liable for their loans both with the mortgaged property and personally towards the series and the mortgage bank, respectively.

(2) The borrowers are not liable for other commitments of the mortgage bank.

S.56. The conditions of a series can stipulate that - apart from the loan - the borrowers shall be jointly and severally liable towards the series with an amount corresponding to a specific part of the principal amount of the mortgage less a proportional part of the funds of the series reserve fund. The borrowers shall not be personally liable for this amount.

(2) A series can raise additional capital in the form of securities without a specified maturity as well as other capital investments, cf. S.53.c(1), item 3. The joint and several liability specified in (1) cannot be called upon to cover claims from the depositors of the additional capital in the form of securities without a specified maturity as well as capital investments, cf. S.53.c(1), item 3. For series opened before 1st January, 1973, with repayment obligations, item 1 shall not apply.

(3) No series shall be liable for commitments of the mortgage bank.

(4) The conditions of a series can stipulate that particular series shall be liable for the obligations of other series. Such provisions can only be stipulated if the said other series contain similar provisions. In series which are mutually liable according to item 1, only mortgage bonds can be issued, cf. S.54(2), item 2.

S.57. For series in which the borrowers are jointly and severally liable or for which stipulations have been made under S.54(3), the mortgage bank shall set up a series reserve fund. The institution can decide to set up a series reserve fund for other series or groups of series.

(2) The Statutes or the loan conditions can stipulate that upon redemption of the loan the borrowers shall be entitled to a share of the series reserve fund.

(3) The earning of a series shall consist of interest received and similar amounts on mortgages, initial and ordinary contributions, fees and similar earnings as well as return on the assets of the said series and on off-balance sheet items. The expenses of a series shall consist of interest paid and similar amounts on bonds and other securities, payments of reserve fund shares, administrative and other expenses, expenses in connection with the raising of and interest payment on additional capital in the form of securities without a specified maturity as well as capital investments, cf. S.53.c(1), item 3, losses and provisions for contingent losses on the assets of the said series and on off-balance sheet items as well as the relevant share of the tax payment of the mortgage bank in question.

S.58. The funds of a series reserve fund shall be kept separate from the other funds of the mortgage bank.

(2) Funds shall be transferred to a series from the mortgage bank as such if this is required to meet the stipulated requirements to the liable capital of that series, cf. S.53(2), unless such a transfer will have the effect that the mortgage bank cannot subsequently meet the requirements under S.53(2).

(3) The mortgage bank can in its Statutes or its loan conditions stipulate that funds shall be transferred from the series reserve fund to the mortgage bank as such if the series reserve fund in question is or grows bigger than stipulated in S.53(2).

Re. S.56(1)

Joint and several liability: In mortgage banks, the borrowers are jointly and severally liable within one bond series or within wide groups of series. This means that borrowers within one series are equally jointly and severally liable, however, with this liability limited to a certain part of the principal of the loan. This liability is the security behind the underlying loan.

Re. S.56(1)-(3)

Series, cf. S.54(2)-(3).

Re. S.57(1)

Series, cf. S.54(2)-(3).

Re. S.57(1)

Joint and several liability, cf. S.56(1).

Re. S.57(3)

Contributions, cf. S.47.

Re. S.58(2)

Series, cf. S.54(2)-(3).

(4) The Danish Financial Supervisory Authority shall lay down further rules regarding series.

S.59. In the event that a mortgage bank is declared bankrupt, the funds of the series – after deduction of costs for the administration of the bankrupt estate and the like including costs for trustee, staff etc. - shall be used to cover claims from holders of mortgage bonds and other securities, cf. S.1(3) and S.2(1), of the individual series or group of series holding series reserve funds and to cover claims for the interest accrued on such claims from the date of the bankruptcy order. Subsequently, claims under S.57(2) shall be covered. Any surplus funds shall then form part of the bankrupt estate, cf. S.32 of the Danish Bankruptcy Act.

(2) In the event that a mortgage bank is declared bankrupt, the other funds of that mortgage bank cf. S59 (1) shall be used to meet claims presented by holders of mortgage bonds and other securities which were not issued in series covered by series reserve funds as well as claims for the interest accrued on such claims from the date of the bankruptcy order. The amount of funds used under item 1 cannot exceed the value of the mortgages corresponding to the said mortgage bonds and other securities, cf. S.1(3) and S.2(1), with the addition of an amount corresponding to 8% of the risk-weighted value of the said mortgages. Any surplus funds shall then form part of the bankrupt estate, cf. S.32 of the Danish Bankruptcy Act.

(3) The insolvent estate shall not be able to render payment to satisfy claims from holders of mortgage bonds or other securities at an earlier date than the date at which the mortgage bank in question would have been entitled to be discharged through payment of the sum in question.

(4) The insolvent estate shall not be able to terminate loans secured through a registered mortgage on real property to a larger extent than could the mortgage bank in question.

(5) The insolvent estate shall not be able to change contributions or the like.

(6) Any netting by creditors as described in S.42 of the Danish Bankruptcy Act shall not take place in settlement of any claim due to the mortgage bank

(7) The funds of the bankrupt estate shall be used to pay claims in compliance with the provisions of Chapter 10 of the Danish Bankruptcy Act. Claims from holders of mortgage bonds and other securities as well as claims for the interest accrued on such claims from the date of the bankruptcy order shall, however, be paid equally under the claims specified in S.96 of the Danish Bankruptcy Act, but prior to the claims specified in S.97 of that Act.

The Investment of Funds

S.60. A mortgage bank shall keep funds invested in listed bonds, at market value, corresponding to a minimum of 60% of the liable capital of the said mortgage bank less the amount with which the joint and several liability is included in this capital and with the addition of funds invested in series with repayment obligations which are not included in the liable capital.

S.61. A mortgage bank cannot purchase stakes exceeding an amount corresponding to more than 15% of the liable capital said mortgage bank in commercial companies or other companies in the same Group of companies which conduct other activities than mortgage bank activities or activities under S.2(4).

(2) A mortgage bank cannot hold real property or hold property stakes in holding companies at an amount exceeding 20% of the liable capital of the said mortgage bank. Properties acquired by a mortgage bank with a view to conducting mortgage bank activities or accessory activities or activities under S.2(2) or (4) shall, however, not be comprised by this provision.

S.62. has been abolished.

S.62.a. Series funds cannot be deposited as additional capital in the form of securities without a specified maturity as well as other capital investments, cf. S.53.c(1), item 3, in other series or in the mortgage bank otherwise.(2) Other mortgage bank funds cannot be deposited as additional capital in the form of securities without a specified maturity as well as other capital investments, cf. S.53.c(1), item 3, in series, unless a similar amount has been deposited as additional capital in the form of securities without a specified maturity as well as other capital investments, cf. S.53.c(1), item 3, with the mortgage bank otherwise.

Re. S.59

Series, cf. S.54(2)-(3).

S.63. A mortgage bank cannot without the permission of the Danish Financial Supervisory Authority enter into commitments, cf. S.65.c(1), with corporations or persons who have - either through holdings of stock or in any other direct or indirect manner - a decisive influence on the operations of the mortgage bank or who are dominated by any corporation with such influence.

(2) The Danish Financial Supervisory Authority shall lay down the rules pertaining to transactions between a mortgage bank and companies that are directly or indirectly connected with the mortgage bank as subsidiaries, associated companies, parent companies or as the associated and subsidiary companies of the parent company and for transactions made between the mortgage bank in question and companies or persons, who directly or indirectly own 20 per cent or more of the capital stakes or voting rights in the mortgage bank or any subsidiary or associated company.

(3) In the event that the Danish Financial Supervisory Authority informs a mortgage bank in writing that it requires permission under (1), the transaction in question cannot be implemented until the Authority has changed its decision in the matter. It is the obligation of the mortgage bank in question to substantiate that the transaction can take place legally.

(4) Group-internal transactions made in violation of the rules contained in (2) shall be annulled with the effect that payments made shall be repaid wherever possible, just as any guarantees made shall be revoked. Payments made by the mortgage bank in connection with group-internal transactions made in violation of the rules contained in (2) shall be repaid together with an annual interest payment on the amount in question, corresponding to the interest that has been fixed under S.5(1) and (2) in the Act on interest on delayed payments etc.

S.64. The Danish Financial Supervisory Authority shall set up rules regarding the calculation of and limits to the interest risk of the funds of the mortgage bank, corresponding to the amount of the capital base of the mortgage bank with deduction of the amount at which the joint and several liability of the borrowers has been included and with addition of provisions for losses on lending and funds in non-callable bond series as well as the interest risk on off-balance sheet items.

Exposure Limits

S.65. The Danish Financial Supervisory Authority shall set up rules regarding the calculation of and limits to total exchange rate risk made by the mortgage bank.

S.65.a. The exposure beyond the commercial portfolio of a mortgage bank, not counting its trading book, cf. S.65.b, to a client or group of connected clients cannot exceed 25% of the liable capital of the mortgage bank, cf. S.53.a.

(2) The total amount of exposures, not counting the trading book, of a mortgage bank, equal to 10% or more of the liable capital, may not exceed 800% of the liable capital of the said mortgage bank.

(3) Exposures, not counting the trading book, which amount to 10% or more of the liable capital of any mortgage bank shall be reported to the Danish Financial Supervisory Authority every three months. The Supervisory Authority shall set up the detailed provisions for these reports, including provisions for exemption from the reporting of certain exposures, not counting the trading book.

(4) A mortgage bank shall at all times respect the maximum exposure limits specified in (1) and (2). If such exposures, not counting the trading book, exceed the limits specified, the Danish Financial Supervisory Authority shall immediately be notified. The Danish Financial Supervisory Authority can under special circumstances grant a mortgage bank a specified respite to ensure renewed respect of the limits.

(5) The limits specified in (1) and (2) shall not apply to exposures, not counting the trading book, to corporations covered fully by the consolidation, cf. S.77(10) or S.37.a(9), (11) item 2, or (12) of the Danish Banking Act.

(6) If an exposure, not counting the trading book, has been guaranteed by a credit institute in zone A, the guaranteed part of the exposure, not counting the trading book, will be considered a exposure, not counting the trading book, to the credit institute in question. The provisions specified in item 1 shall solely comprise guarantees required in the Danish mortgage bank legislation.

(7) Capital stakes and subordinate capital investments in a subsidiary company undertaking insurance activities shall not be included in the calculation according to (1) and (2) of the exposures of the mortgage bank towards the subsidiary company in question. However, the mortgage bank can as a maximum exclude an amount corresponding to the deduction in the capital of the mortgage bank under S.53.d(4).

(8) The Danish Financial Supervisory Authority can make provisions to the effect that particularly safe claims can be disregarded in the calculations of the limits specified in (1) and (2).

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S.65.b. The term “exposure, not counting the trading book” shall cover the sum of the following items:

- 1) loans granted under Chapter 5,
- 2) reserve fund loans,
- 3) mortgage bonds and other securities issued by the customer,
- 4) capital stakes,
- 5) guarantees and other off-balance sheet items,
- 6) interest and currency related items, and
- 7) other accounts which incur a credit risk for the institute.

(2) The Danish Financial Supervisory Authority can make further provisions on the subject.

S.65.c. The term Exposure covers the total amount of exposure, not counting the trading book, cf. S.65.b(1), plus the exposure within the trading book. The Danish Financial Supervisory Authority shall lay down rules regarding which items shall be part of the exposures within the trading book.

(2) The exposures of a mortgage bank, cf. (1), towards a client or group of connected clients cannot exceed 25% of the liable capital of the mortgage bank plus the short-term additional capital, cf. S.53.a.

(3) The total amount of the exposures of a mortgage bank which amounts to 10% or more of the liable capital plus the short-term additional capital shall not exceed 800% of the liable capital of the mortgage bank plus its short-term additional capital.

(4) Exposures accounting for 10% or more of the liable capital plus the short-term additional capital shall be reported quarterly to the Danish Financial Supervisory Authority. The Authority shall lay down specific rules regarding the reporting, including rules on exceptions for reporting of certain exposures.

(5) The limits stipulated in (2) and (3) shall not apply to exposures with companies fully taking part in the consolidation under S.77(10) or S.37.a(9), (11) item 2, or (12) of the Danish Banking Act.

(6) If an exposure has been guaranteed by a credit institution in Zone A, the guaranteed part of the exposure shall be considered an exposure with the credit institution in question. The provisions specified in item 1 shall solely comprise guarantees required in the Danish mortgage bank legislation

(7) A mortgage bank shall at all times respect the maximum exposure limits specified in (2) and (3). If the exposures exceed the said limits, the Danish Financial Supervisory Authority shall be notified immediately. Under certain circumstances, the Financial Supervisory Authority may permit that the limit specified in (2) for exposures within the trading book be exceeded. This excess entails an addition to weighted assets etc., including items exposed to market risk, cf. (8).

(8) The Danish Financial Supervisory Authority shall lay down rules regarding additions to the weighted assets etc., including items exposed to market risk for exposures within the trading book in the event of a temporary excess of the limit specified in (2), cf. (7), and supplementary provisions to the effect that particularly safe claims can be disregarded from the calculation of the limits mentioned in (2) and (3).

S.65.d The Danish Financial Supervisory Authority shall lay down further rules and regulations pertaining to the inclusion of guarantees in the calculation of exposure obligations, cf. S.65.a(6) item 2 and S.65.c(6) item 2.

Mergers, Divisions, and Conversion into Public Limited Company Status

S.66. The merging and division of mortgage banks can take place with the approval of the Minister of Economic Affairs.

S.67. With the approval of the Minister of Economic Affairs, the mortgage banks existing at the passing of this present Act as well as the institutes mentioned in S.103(7) shall be able to convert into public limited company status under the regulations specified in SS.68-76c.

(2) Subsection (1) shall apply accordingly to Dansk Landbrugs Realkreditfond.

S.68. On such a conversion, the assets and liabilities as a whole of the mortgage bank in question shall be transferred to a public limited company owned or formed by the mortgage bank.

(2) At the same time, the assets and liabilities can be re-transferred to a public limited company owned 100% by the company mentioned in (1).

S.69. In case the already existing mortgage bank is organised as a Fund, the Fund shall receive shares in the public limited company under S.68(1) corresponding to the value of the assets transferred after deduction of the liabilities of the institution. The Fund which thus ceases to be a mortgage bank shall be considered a commercial fund.

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(2) In case the already existing mortgage bank is organised as an association, the association shall receive shares in the public limited company under S.68(1) corresponding to the value of the assets transferred after deduction of the liabilities of the mortgage bank. The mortgage bank shall then cease to be considered a mortgage bank.

(3) A mortgage bank can decide to organise its conversion by dissolving the mortgage bank without liquidation, and by deciding to transfer shares in the public limited company under S.68(1) corresponding to the value of the transferred assets after deduction of the liabilities of the mortgage bank to a Fund which shall be considered a commercial fund.

S.70. For mortgage banks which have set up series reserve funds, the nominal share capital in the mortgage credit company at the time of the transfer of shares to the Fund or the association cannot exceed the value of the equity capital with deduction of the value of the series reserve funds.

S.71. The rights and obligations of bondholders and borrowers in relation to a series and a series reserve fund in an existing mortgage bank shall not be affected through the conversion under S.67.

S.72. The decision of conversion under S.67 shall be made by the highest authority of the mortgage banks in question with the same majority as is required by the statutes of each individual mortgage bank to decide on the dissolution of the mortgage bank. Transfer under S.68 can be made without the approval of the creditors.

S.73. SS.134-134i of the Danish Companies Act shall apply with the necessary adjustments to the transfers, cf. S.68, of the assets and liabilities of a mortgage bank to a public limited company.

(2) The joint accounts and opening balance of S.134b of the Danish Companies Act shall be prepared according to the accounting regulations in force for mortgage banks.

(3) Any documents to be submitted to the Danish Commerce and Companies Agency (Erhvervs- og Selskabsstyrelsen) in compliance with SS.134-134i of the Danish Companies Act shall also be submitted to the Danish Financial Supervisory Authority.

S.74. A Fund or association owning a mortgage credit company, cf. S.69, shall be governed by a Board of Directors of not less than 5 members.

(2) The borrowers of the mortgage credit company and the holders of mortgage bonds and other securities issued by the mortgage credit company shall each appoint one or more members of the Board. The number of members thus appointed shall total more than half the members of the Board. Members appointed by the holders of mortgage bonds etc. cannot take up more than half the number of members of the Board.

(3) The members of the Board shall be approved by the Minister of Economic Affairs. Such approval can be revoked if conditions call for such action.

(4) The Danish Financial Supervisory Authority shall lay down further regulations regarding the appointment and composition of the Board of Directors.

(5) The provisions stipulated in (2) and (4) shall not apply to Industriens Realkreditfond.

S.75. Any Fund or association owning a mortgage credit company, cf. S.69, shall in advance notify the Danish Financial Supervisory Authority of any direct or indirect acquisition of dominant participation in any commercial undertaking as well as the disposal of such dominant participation.

(2) The Fund or association shall submit the annual accounts to the Danish Financial Supervisory Authority.

(3) S.90 shall also apply to the Fund or the association.

(4) The Danish Financial Supervisory Authority shall lay down further regulations regarding the submission of accounts.

Re. S.69(2)

Association, cf. S.5(1).

Re. S.73(3)

Erhvervs- og Selskabsstyrelsen, cf. S.94(1).

Re. S.74(1)

Association, cf. S.5(1).

Re. S.75(1) and (2)

Association, cf. S.5(1).

S.76. In the case of the dissolution of an association owning a mortgage credit company, the equity capital of such a company shall not be distributed to the members of the association.

S.76.a. In mortgage banks, which are organised as funds, the Committee of Representatives may decide to dissolve the funds without entering into liquidation by transferring all assets and liabilities of the fund to a limited liability company, which is owned or formed by the fund and which is authorised to undertake mortgage credit activities. In the said limited liability company, tied reserves shall be set up corresponding to the value of the assets transferred after deduction of the debt of the fund, cf SS.76.b and 76.c.

(2) SS.72 and 73 shall apply accordingly.

S.76.b. The tied reserves can be used to cover any deficit, which is not covered by amounts that may be used to pay dividends in the limited liability company.

(2) In the event that the mortgage bank in question is wound up, distribution of funds to the shareholders can only take place once the obligations specified in (4) have been met with.

(3) In the event of a merger with another mortgage bank, the continuing company shall take over the tied reserves on the same terms and conditions that were in force until the merger.

(4) In the event that the mortgage bank in question is wound up, the tied reserves shall be used for non-profit or charitable purposes according to rules laid down in the conversion document under S.76.a(1).

S.76.c. Not less than 10 per cent of that part of the profit for the year, which is not used to cover deficit from previous years, shall be transferred to the tied reserves. However, the amount transferred cannot exceed the interest payable on the tied reserves, which corresponds to the minimum interest rate stipulated by the Minister of Taxation less a relative proportion of the corporate tax for the year in question.

The Formation of Groups and Ownership

S.77. A mortgage bank can set up or acquire dominant participation in a commercial undertaking which carries out functions related to mortgage credit activities or accessory activities. This shall be reported to the Danish Financial Supervisory Authority not later than at the time of the foundation or the acquisition of the company. The provisions of the legislation shall apply to such companies with the required modifications.

(2) A company shall be considered a parent company if it:

- 1) holds the majority of the voting rights in a company;
- 2) is stockholder, shareholder, or owner of other stakes in the equity capital of a company (business partner) and is entitled to appoint or discharge the majority of members of the Board of Directors, Board of Management or similar management organ of the company in question;
- 3) is a business partner and is entitled to exercise a dominant participation over the company according to the Statutes or to general agreement;
- 4) is a business partner and - according to agreement with other stockholders, shareholders or holders of stakes in the equity capital of the company in question - commands the majority of the voting rights in the company; or
- 5) holds capital stakes in a company and exercises dominant participation over the company.

(3) Companies with the attachment specified in (2) to a financial holding company, cf. (5), or to a credit institution, shall be considered subsidiaries.

(4) A parent company together with its subsidiaries shall be considered a Group.

(5) A company shall be considered a financial holding company if the said company is a financing institution the sole or primary activities of which are to hold capital stakes in subsidiaries which are credit institutions or financing institutions and of which at least one subsidiary is a credit institutions.

(6) The term capital interests covers the direct or indirect holdings by a company of 20% or more of the voting rights or the capital of a company.

(7) The statement of voting rights and rights to appoint or discharge members of the managerial organs shall include rights held by both the parent company and its subsidiaries.

Re. S.76

Association, cf. S.5(1).

National laws / Denmark

(8) The statement of voting rights in a subsidiary shall disregard voting rights attached to capital stakes held by the company itself or its subsidiaries.

(9) The provisions in Chapter 11 regarding placement rules etc. except for S.65 shall not apply to the individual companies within a group of companies where the parent company is a mortgage bank, but only for the group as a whole, however cf. for the part of a group consisting of mortgage banks, the balance principle of chapter 7 should be applied at a consolidated level.

(10) In groups where the parent company is a financial holding company or a mortgage bank, Chapters 9, 11a and 15 as well as S.61(2), S.63(1) and (3) and S.97 shall also apply to the group as a whole. The provisions of SS.53-53e shall apply correspondingly to financial holding companies. The parent company shall make sure that these provisions are adhered to.

(11) The provisions of Chapters 9 and 15 shall not apply to that part of a group that is an insurance company, however cf S.53d(4) and D.90(2). However, the Danish Financial Supervisory Authority may decide that the provisions are to apply.

(12) The Danish Financial Supervisory Authority may grant exemption from the provision in (10).

(13) The Danish Financial Supervisory Authority may decide that (10) shall apply in other cases where mortgage banks – alone or together – may have such direct or indirect links to a company that it is considered necessary to use the said rules.

S.77a. For such parent companies, cf S.77(2), which are not financial holding companies, cf S.77(5), and the activities of which consist solely of mainly in owning capital shares in financial companies, SS.53-53e shall apply correspondingly to the parent company and the group as a whole.

(2) The Danish Financial Supervisory Authority may decide that SS.65a-65c shall apply to such groups as mentioned in (1).

(3) The Danish Financial Supervisory Authority shall lay down rules pertaining to the presentation of the annual accounts and the solvency ratio statement for such parent companies and groups as mentioned in (1).

S.77b. Under special circumstances, the Danish Financial Supervisory Authority may grant an exemption from the requirements specified in S.77a(1).

S.78. The Danish Financial Supervisory Authority shall receive prior notification of and shall approve of any physical or legal person acquiring - directly or indirectly - a qualified share of any mortgage bank as well as such increases in any such share which will have the effect that the share in question will reach or exceed a limit of 20, 33, or 50%, respectively, and notification of the mortgage bank becoming a subsidiary.

(2) The term qualified majority covers the acquisition of not less than 10% of the capital or the voting rights or any share which makes it possible to exercise a considerable influence on the management of the mortgage bank in question.

(3) Any acquisition or increase of any share as specified in (1) can only be approved when they do not endanger the consideration to ensure the sound and proper administration of the mortgage bank.

(4) In its approval of an acquisition or an increase under (1), the Danish Financial Supervisory Authority may stipulate a time limit for the implementation.

(5) The Danish Financial Supervisory Authority can suspend the consideration of an application presented by a company to acquire the stake mentioned under (1) in a mortgage bank if the acquiring company is domiciled outside the European Union or in countries with which the Community has entered into cooperation agreements.

(6) The approval or rejection by the Danish Financial Supervisory Authority shall be available not later than three months after it has been notified of the intended investment.

(7) When a mortgage bank is notified of the acquisition or the disposal of capital raising or reducing the share in relation to the limits fixed under (1) and (2), the mortgage bank shall notify the Danish Financial Supervisory Authority without delay.

(8) Capital owners in possession of not less than 10% and intending to reduce such share so that the share in question will fall below one of the limits mentioned in (1) shall notify the Danish Financial Supervisory Authority of the intended disposal in advance and shall indicate the size of the intended, future voting right influence.

(9) Once a year in connection with the submission of the annual accounts to the Danish Financial Supervisory Authority the mortgage banks shall report the names of such investors who hold qualified stakes in the mortgage bank and of the size of such stakes.

(10). The provisions in (1)-(9) shall apply correspondingly on the acquisition of qualified stakes in the parent company of a mortgage bank, when the activities undertaken by the parent company consist solely or mainly in owning capital stakes in financial companies.

S.79. In case capital owners, in possession of the appointed shares of a mortgage bank as fixed under S.78(1), counteract a sound and proper administration of the mortgage bank in question, the Minister of Housing can place the mortgage bank in question under an obligation to follow specific directions and abolish the voting rights attached to those particular capital owners' capital shares.

(2) The Danish Financial Supervisory Authority shall abolish the voting rights attached to capital shares owned by physical or legal persons that ignore the obligation regarding information of The Danish Financial Supervisory Authority in advance of any extension of shares under S.78(1), Voting rights can be re-instituted for such capital shares if The Danish Financial Supervisory Authority can approve the acquisition.

(3) The Danish Financial Supervisory Authority shall abolish any voting rights attached to capital shares owned by physical or legal persons having acquired shares as mentioned in S.78.(1), irrespective of whether the Minister of Housing refused to approve of this increase of the capital share.

(4) If the Danish Financial Supervisory Authority has cancelled the right to vote under subsections (1)-(3), the said share of the capital cannot be included in the calculation of the total voting rights represented at the general meeting.

S.79.a. The Danish Financial Supervisory Authority may order a holding company, which holds capital stakes in financial companies of which at least one is a mortgage bank, to separate its financial activities off into a part of the group under another holding company, the activities of which shall solely or mainly be to own capital stakes in financial companies, if

- 1) the group is structured in such a way that the holding company is not required to meet the solvency ratio requirements in SS.77 or 77.a;
- 2) one member of the Board of Directors or the Board of Management of the holding company is comprised by the situation described in S.9(2) (i)-(iii), or
- 3) the structure as such makes it difficult for the Supervisory Authority to carry out its tasks.

S.79.b. The Danish Financial Supervisory Authority may demand that the parent company of a mortgage bank, the activities of which are solely of mainly to own capital stakes in financial companies, sells its capital stakes in the mortgage bank in question, if

- 1) the parent company does not meet the solvency ratio requirements in SS.77 or 77.a;
- 2) one member of the Board of Directors or the Board of Management of the parent company is comprised by the situation described in S.9(2) (i)-(iii), or
- 3) the parent company is acting in conflict with the proper operations of the mortgage bank in question.

Withdrawal of Approval and Dissolution

S.80. The Danish Financial Supervisory Authority shall withdraw the approval granted to a mortgage bank

- 1) if mortgage credit activities are not initiated not later than 12 months following the approval; or
- 2) if mortgage credit activities are not conducted over a period of 6 months.

(2) The Danish Financial Supervisory Authority can withdraw the approval granted to a mortgage bank

- 1) if the mortgage bank grossly or repeatedly infringes decisions made in compliance with this present Act;
- 2) if a member of the Board of Management or of the Board of Directors of the mortgage bank in question does not comply with the experience and reputation requirements specified under S.9(2);
- 3) if a mortgage bank enters into a connection as specified in S.9(3) or (5); or
- 4) if a mortgage bank cannot meet the requirements placed in the own funds, cf. S.53(1) or (2), and cannot provide the prescribed own funds within the time limit stipulated in S.53(4).

(3) Any decision to withdraw an approval can be brought to court by the mortgage bank or the person concerned not later than 8 weeks after the decision has been made known to the mortgage bank or person in question.

National laws / Denmark

S.81. If the Board of Directors, the Board of Management or the auditors of a mortgage bank have reason to believe that the mortgage bank in question is no longer capable of meeting the requirements placed in the own funds, cf. S.53(1) or (2), the said parties shall immediately inform the Danish Financial Supervisory Authority of this.

(2) If the requirements placed in the own funds no longer meet the provisions of S.53(1) or (2), the Danish Financial Supervisory Authority can decide that within a specified time limit the Board of Directors shall irrespective of the conditions specified to that effect in the Statutes call a general assembly or summon the supreme authority specified in the Statutes to provide an explanation of the financial position of the mortgage bank in question.

S.82. The Danish Financial Supervisory Authority can notify the suspension of payments of a mortgage bank in case this is called for in order to protect the rights of the bond holders.

(2) Suspension of payments cannot be revoked by the mortgage bank without the prior consent of the Danish Financial Supervisory Authority.

S.83. In case the approval of a mortgage bank is revoked, the mortgage credit activities shall be wound up, however cf. (2), item 2. No other activities can be commenced until the winding-up procedure has been terminated.

(2) In case the activities are wound up in any other manner than through liquidation, bankruptcy proceedings or in compliance with S.67, the winding-up procedure, its contents, and its implementation shall be approved by the Danish Financial Supervisory Authority. Instead of winding-up procedure, the Danish Financial Supervisory Authority can approve other solutions.

S.84. Unless provisions have been made through legislation, the decision to dissolve a mortgage bank shall be made by the general assembly or - in mortgage banks organised as associations or funds - by the supreme authority of that mortgage bank, just as the dissolution shall take place through liquidation, however cf. S.69(3). The Danish Financial Supervisory Authority can appoint a time limit for the passing of such a decision. In case such a time limit is exceeded, the Danish Financial Supervisory Authority can decide that the mortgage bank shall go into liquidation.

(2) The liquidation regulations applying to public limited companies shall apply to mortgage banks organised as associations or funds with the necessary modifications.

S.85. A mortgage bank can only be liquidated by liquidators appointed by the Danish Financial Supervisory Authority. The Danish Financial Supervisory Authority can suspend the Statutes of the mortgage bank regarding the authority of the management during liquidation.

S.86. In case a mortgage bank becomes insolvent, the Danish Financial Supervisory Authority shall file a petition for bankruptcy.

(2) Upon the issuing of the bankruptcy order, the Bankruptcy Court shall in cooperation with the Minister of Housing appoint one or more trustees in bankruptcy.

(3) The Danish Financial Supervisory Authority shall be entitled to participate in the meetings of the creditors and in meetings of the bankruptcy court. Drafts of accounts as well as of the distribution of the bankruptcy estate shall be submitted to the Danish Financial Supervisory Authority for approval.

S.87. The Danish Financial Supervisory Authority shall lay down rules regarding the dissolution and bankruptcy procedure of mortgage banks.

(2) The provisions of this Act regarding the powers of the Minister of Economic Affairs and the Danish Financial Supervisory Authority and regarding the obligations of mortgage banks to the Minister of Economic Affairs and the Danish Financial Supervisory Authority shall apply with the required adaptations to mortgage banks which have suspended payments or are being dissolved.

Accounts, Audits and Consolidations

S.88. For each accounting year, the Board of Directors and the Board of Management shall prepare the annual accounts in compliance with the regulations specified in the legislation and the Statutes of the mortgage bank. The accounts shall consist of balance sheet, profit and loss account, notes, and annual report.

Re. S.84(2)

Association, cf. S.5(1).

National laws / Denmark

(2) The annual accounts shall be signed by the Board of Directors and the Board of Management. In case a member of the Board of Directors or the Board of Management is of the opinion that the annual accounts shall not be passed, or in case a member wishes to inform the supreme authorities of the mortgage bank in question of other objections to the annual accounts, such objections shall be presented in the annual accounts.

S.89. The annual accounts shall present a true picture of the assets and liabilities as well as the financial position and result of the mortgage bank in question.

(2) The Danish Financial Supervisory Authority shall lay down regulations regarding the presentation of annual accounts by mortgage banks, including the items entered in the profit and loss account and the balance sheet, notes, valuation and annual report as well as regulations regarding the presentation of consolidated accounts when the parent company is either a financial holding company or a mortgage bank, including regulations regarding consolidation, as well as requirements regarding the information about group-internal transactions given in the annual report and accounts. The Act on the Presentation of Annual Accounts etc. by certain companies, except for Chapter 8.a of the said Act, shall not apply to such companies.

(3) The Danish Financial Supervisory Authority shall also lay down regulations regarding the presentation of accounts of branches of mortgage banks domiciled in another member country of the European Union or in a country with which the Community has entered into cooperation agreements.

(4) A note to the Annual Report and Accounts shall provide full information about the exposures of the mortgage bank in relation to both the Board of Directors and the Board of Management, cf. S.18b(1). This information shall cover all commitments for the accounting year in question.

(5) A note to the Annual Report and Accounts shall provide information about offices held which are approved by the Board of Directors, cf. SS.18e-18h. This information, which must describe all offices held during the accounting year in question, shall comprise an indication of the specific office held as well as the name of the person who holds the office."

S.90. The annual accounts of a mortgage bank shall be audited by not less than two auditors, of which one must be a state-authorized public accountant. The remaining auditors shall be either state-authorized public accountants or registered public accountants. The comments of the auditors shall be included in the Audit Report in the Annual Report and Accounts.

(2) The accountants used by a mortgage bank shall also be the accountants of the subsidiary companies of the said mortgage bank. If the mortgage bank has a parent company, which is a financial holding company, cf. S.77(5), the accountants of the mortgage bank shall also be the accountants of the financial holding company and its other subsidiary companies.

(3) Subsection (2) shall not apply in cases where the subsidiary company or the parent company is not domiciled in Denmark.

(4) Chapter 8.a of the legislation regarding the annual accounts etc. of certain companies shall also apply to mortgage banks. In the case of mortgage banks organised as funds or associations, these rules shall apply with the required modifications.

(5) The Danish Financial Supervisory Authority may under special circumstances appoint an additional state-authorized public accountant. The mortgage bank can be ordered to pay the fees of this accountant. The Danish Financial Supervisory Authority shall approve the amount of the fee.

(6) The Danish Financial Supervisory Authority shall lay down further rules regarding the audit procedure of mortgage banks, including the setting-up of internal audit departments and the assistance of such departments in the controlling of the observance by the mortgage bank in question of the provisions stipulated in Chapters 4-6 and their subsequent provisions.

S.91. The Danish Financial Supervisory Authority can demand the replacement of an auditor who is considered unfit for his job, and can appoint another auditor to undertake the job until a new appointment can take place.

(2) In the event of a change of auditor, both the mortgage bank and the auditor in question shall provide the Minister of Housing with their own explanation of the said change.

(3) The Danish Financial Supervisory Authority can require the auditors, including the retiring auditor, to provide - either alone or together with the internal accounting manager of the mortgage bank in question - information about the position of the mortgage bank in question.

(4) The Danish Financial Supervisory Authority may instruct the management of a mortgage bank to have a report drawn up on the financial position and future prospects of the mortgage bank in question.

Re. S.90(3)

Association, cf. S.5(1).

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The entire management as well as the auditors of the mortgage bank shall sign the instruction from the Danish Financial Supervisory Authority, thus confirming towards the Authority that they have been informed of the contents of the instruction. Annexed to the report shall be a statement by the external auditors of the mortgage bank, unless the report as a whole has been prepared by the external auditors. The report shall be submitted to the Board of Directors of the mortgage bank for approval. A copy of the report shall be submitted to the Danish Financial Supervisory Authority.

(5) A mortgage bank or companies within the same group cannot undertake commitments to or receive security from the appointed accountants or from the head or deputy head of the internal audit division.

(6) Subsections (3) and (5) as well as S.90 shall apply accordingly to the subsidiaries of a mortgage bank and to a financial holding company, cf. S.77(5), or a parent company comprised by S.77.a(1) and such companies.

(7) The Danish Financial Supervisory Authority can order an extraordinary audit of a mortgage bank. The mortgage bank can be ordered to pay for this extraordinary audit.

S.92. Together with a copy of the auditors' report and the Board of Directors' report if unnotated by an auditor, the audited annual accounts as approved by the Board of Directors shall be received by the Danish Financial Supervisory Authority not later than 8 days after that meeting of the Board of Directors when the Board approved the annual accounts, however not later than 3 months after the end of the accounting period.

(2) Immediately after the general assembly or the meeting of the Board of Representatives when the annual accounts are presented for approval, the mortgage bank shall inform the Danish Financial Supervisory Authority in writing whether the annual accounts were passed without alterations. In case the general assembly or the Board of Representatives makes alterations of the accounts as approved by the Board of Directors, the final annual accounts as approved by the general assembly or the Board of Representatives together with an indication of the alterations made shall be received by the Danish Financial Supervisory Authority not later than 8 days after the general assembly or the meeting of the Board of Representatives. The general assembly or the meeting of the Board of Representatives shall take place not later than 4 months after the end of the accounting year.

(3) The mortgage bank shall submit the annual accounts to the Danish Commerce and Companies Agency (Erhvervs- og Selskabsstyrelsen) not later than 4 months after the end of the accounting year.

(4) The audited Profit and Loss Account as well as the Balance Sheet shall be published in one or more daily newspapers published in the geographical region of the mortgage bank by the said mortgage bank not later than two weeks after the general assembly or the meeting of the Board of Representatives when the annual accounts are approved. The corresponding publication of the accounts for the first six months of the accounting year shall take place not later than 8 weeks after the expiry of the said six-months period.

S.93. The mortgage bank and its appointed auditors shall without delay inform the Danish Financial Supervisory Authority of any circumstances that may be of decisive importance to the continued activities of the mortgage bank. This obligation shall also apply to circumstances found by the appointed auditors if they are undertaking the work as auditors in any corporation with whom the mortgage bank has close connections, cf. S.9(4).

Supervision

S.94. The Danish Financial Supervisory Authority shall see to it that the mortgage banks keep the provisions of this Act as well as any regulations prepared in consequence of this Act with the exception of S.18a (1) and (3).

(2) The Danish Financial Supervisory Authority can order the mortgage bank to rectify circumstances infringing the provisions of the Act as well as regulations prepared as a result of the Act.

(3) The Danish Financial Supervisory Authority can, in compliance with the procedures laid down in directives passed by the European Communities, prohibit a foreign credit institution to undertake mortgage credit activities in this country, either through a branch or as cross-border services, if the institution in question has either grossly or repeatedly neglected or infringed provisions of this present Act or any other legislation regarding the institution, and if it has not been possible - neither through orders nor through sanctions under this present Act - to make such infringements stop.

Re. S.92(2)

Board of Representatives: This is a third management organ, apart from the Board of Management and the Board of Directors.

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(4) If a mortgage bank is part of a Group in which another credit institution is part which is domiciled in another country of the European Union or in a country with which the Community has entered into cooperation agreements, the Minister of Economic Affairs can agree to pass the powers of consolidated supervision on to the authority which supervises the foreign parent company of the mortgage bank.

S.95. The mortgage banks shall supply the Danish Financial Supervisory Authority with the information that is required in order that the Supervisory Authority may carry out its tasks. The Danish Financial Supervisory Authority can at all times against proper identification without a court order demand access to a mortgage bank and its branch offices with a view to obtaining information and in connection with inspection visits.

(2) All costs incurred in the supervision of the mortgage banks shall be paid by the mortgage banks in proportion to the book value of their balance sheet totals.

(3) The supervisory authorities shall prepare an annual report of their supervisory activities.

S.96. Upon previous notification to the Danish Financial Supervisory Authority, the competent authorities of a foreign country shall be permitted to inspect the branches situated in this country of credit institutions domiciled in the foreign country in question.

S.97. To the extent that is necessary for the assessment of the financial position of a mortgage bank, the Danish Financial Supervisory Authority shall be allowed to gather information and shall at all times against proper identification without a court order be given access to those companies with which the mortgage bank in question has a special direct or indirect connection, cf the definitions in the Danish Annual Accounts Act S.1(2) (v) and (viii).

(2) The Danish Financial Supervisory Authority shall be permitted to obtain information of real property from other public authorities in connection with the administration of this present Act.

S.98. The employees of the Danish Financial Supervisory Authority, including such persons who undertake service assignments as part of the operations of the Authority and experts who act on behalf of the Authority, shall be under a legal obligation under SS.152-152e of the Danish Penal Code to keep secret any information of which they gain knowledge in connection with their work. This professional secrecy shall also apply after the termination of the employment or contract in question.

(2) A consent given by the party protected by the provisions concerning professional secrecy shall not entitle any employees or experts hired by the Danish Financial Supervisory Authority, who are acting or who have acted on behalf of the Authority, to pass on confidential information.

(3) The provisions in subsection (1) shall not prevent the Danish Financial Supervisory Authority from independently passing on confidential information in any summary form, provided that neither the mortgage bank in question nor its borrowers can be identified.

(4) Confidential information can be passed on during a civil trial, if a mortgage bank has been declared insolvent, and if the information does not relate to loans or any third party who is or has been involved in attempts to rescue the mortgage bank in question.

(5) The provisions in subsection (1) do not mean that confidential information cannot be passed on to:

- 1) The Danish Securities Council,
- 2) Other public authorities, including the prosecution service and the police, in connection with the investigation and prosecution of any criminal offence comprised by the Danish Penal Code or the legislation on supervision,
- 3) The relevant government minister as part of the overall supervisory functions,
- 4) Administrative authorities and courts of law that handle decisions made by the Danish Financial Supervisory Authority,
- 5) The Ombudsman of the Folketinget,
- 6) A parliamentary commission set up by the Folketinget,
- 7) Inspection committees set up under law or according to the Danish Act on inspection committees,
- 8) The standing committee, appointed by the Folketinget, on the general financial situation of a mortgage bank as part of the parliamentary control with the administration, in so far as mortgage banks under suspension of payments or in liquidation are concerned, if the government is granting a guarantee or making funds available for the termination of the said mortgage bank,
- 9) The Danish Public Accounts Committee and the National Auditors of Denmark,
- 10) The bankruptcy court and other authorities that take part in the liquidation, insolvency proceedings or similar proceedings in connection with the mortgage bank in question, and any other person who is responsible for the legally required audit of the accounts of the credit or finance institution,

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provided that the recipients of such information needs the information in order to carry out their functions,

- 11) Institutions that manage depositor or investor guarantee schemes, provided that the information is required in order that they may carry out their functions,
- 12) Danmarks Nationalbank and foreign central banks, provided that the information is required for them in their capacity of monetary authorities, or that the information is needed in the supervision by the Nationalbanken of the payments systems,
- 13) Any institution that handles the clearing of securities of funds, provided that the information is necessary to secure that the institution in question may react appropriately to default or potential default in the market where the institution in question is responsible for the clearing,
- 14) Authorities that supervise credit institutions in other countries in the European Union or countries with which the European Union has entered into agreement,
- 15) Authorities in other countries within the European Union or countries with which the European Union has entered into agreement, which are responsible for the supervision of finance institutions, insurance companies or the supervision of capital markets and organs that take part in the liquidation, insolvency proceedings or similar proceedings of the credit institution in question, as well as persons who are responsible for the legally required audit of the annual report and accounts of the credit or finance institution in question, provided that the recipients of such information need the information in the carrying-out of their duties,
- 16) Authorities in countries outside the European Union or outside countries with which the European Union has entered into agreement, which are responsible for the supervision of finance institutions, insurance companies or capital markets,
- 17) Authorities and organs that take part in the liquidation, insolvency proceedings or similar proceedings of the credit institution in question, and persons who are responsible for the legally required audit of the annual report and accounts of the credit or finance institution in question in countries outside the European Union or outside countries with which the European Union has entered into agreement.

(6) Any party that receives confidential information under subsections (4) and (5) from the Danish Financial Supervisory Authority shall be subjected to the professional secrecy specified in subsection (1) in regard to such information.

(7) Confidential information passed on to the Danish Financial Supervisory Authority can only be used in connection with the supervisory functions, with the imposing of sanctions or if a decision made by the Authority is appealed to a higher administrative authority or is brought before the courts.

(8) The access to pass on confidential information to the standing committee of the Folketinget under subsection (5) point 8 shall be limited to documents in matters taken up by the Authority after 1 June 1995.

(9) The passing-on of confidential information under subsection (5) point 16 or 17 can only take place

- 1) on the basis of an international co-operation agreement, and
- 2) under the provision that the recipients of such information are subjected to a legally stipulated professional secrecy that at least corresponds to the professional secrecy stipulated in subsection (1), and that such recipients of information need the information in the carrying-out of their duties.

(10) The passing-on under subsection (5) point 16 or 17 of confidential information that derives from any other country within the European Union can only take place if the competent authorities that have passed on the information in question has granted their express permission; the information in question can only be used for the purpose specified in the permission.

S.98a The term "party", seen in relation to the Danish Financial Supervisory Authority, shall only cover the mortgage bank against which a decision made by the Authority is directed, however cf subsections (2) and (3).

(2) In the following instances, other parties than the mortgage bank in question shall also be considered parties to the decision made by the Danish Financial Supervisory Authority, in regard to that part of the matter that involves the party in question:

- 1) The party that violates the prohibition by law to undertake mortgage banking activity, cf S.4 and S.5(1) sentence 1.
- 2) Any company that applies for permission to undertake mortgage banking activity, cf S.7(2) and S.8, or whose application is suspended, cf S.10.

- 3) Any member of the Board of Directors or the Board of Management of a mortgage bank, or a holder of capital in the event that the Danish Financial Supervisory Authority refuses permission to a mortgage bank or withdraws its permission, cf S.9(2) and S.80(2) sentence 2.
 - 4) The accountant of a mortgage bank, if the Danish Financial Supervisory Authority orders the accountant to provide information about the circumstances of the mortgage bank in question, as well as in cases regarding the prohibition that an accountant may be involved etc in the mortgage bank for which (s)he acts as accountant, cf S.91 subsections (1), (3) and (5), and in cases where the appointed accountants have failed to meet their information obligations towards the Danish Financial Supervisory Authority, cf S.93.
 - 5) Any acquirer or holder of a qualified capital share, if the Danish Financial Supervisory Authority refuses approval, suspends the handling of the matter or reacts due to lack of information about the capital share or withdraws the voting rights attached to the capital share in question, cf S.78 subsections (1), (3)-(5) and (8), and S.78 subsections (1)-(3).
 - 6) The parent company, if it is a financial holding company or a mortgage bank, cf S.77(10).
 - 7) Companies, which the Danish Financial Supervisory Authority believes to be closely linked with a specific mortgage bank and for which reason the permission is refused or withdrawn, cf S.9 subsections (3) and (5) and S.80(2) sentence 3.
 - 8) Parent companies, subsidiary companies and companies associated with the mortgage bank, and from which the Danish Financial Supervisory Authority may request information and to which the Authority has access, cf S.97(1).
- (3) Furthermore, any member of the Board of Directors, any accountant, any executive or senior employee of a mortgage bank may be considered a party, if the action or order on the part of the Danish Financial Supervisory Authority is directly aimed at the party in question under the Act or any of its provisions.
- (4) Finally, the Danish Financial Supervisory Authority may – when it opens a case concerning good business practices and good mortgage banking practices, cf S.1(6) – under special circumstances also consider as parties other natural or legal persons than those specified in subsections (2) and (3). Such persons can only be considered parties in relation to that part of the case, which is of direct and significant importance to the person in question. For such a person to be considered a party, this must take place in regard to the protection of confidential information about the companies and activities under scrutiny.
- (5) The identification and the rights and obligations of a party under subsections (2)-(4) shall be limited to circumstances where the Authority has made decisions after 20 October 1998.

S.99. Any person involved in supervisory activities cannot be a member of the Board of Management, the Board of Directors or the Board of Representatives or be employed by any mortgage bank subjected to supervision under this present Act, nor by any organisation formed by these.

S.100. The Minister of Economic Affairs can transfer his authority under this present Act to the Danish Financial Supervisory Authority.

(2) In case the Minister of Economic Affairs transfers his authority to the Danish Financial Supervisory Authority in compliance with (1), the Minister can lay down regulations to the effect that any decisions made cannot be brought before any other administrative authority.

(3) Any decision made by the Danish Financial Supervisory Authority or by the Danish Commerce and Companies Agency (Erhvervs- og Selskabsstyrelsen) in pursuance of this present Act or any regulations issued in compliance with the Act can be brought before the Erhvervsankenævnet within 4 weeks after the defendant has received the said decision.

(4) Any orders issued by the Danish Financial Supervisory Authority, cf. S.94(2), regarding the correction of loans granted in conflict with the provisions in Chapters 4-6 of this Act or with rules drawn up as a consequence of Chapters 4-6 of this Act can be brought to court within 4 weeks after the defendant has received the said decision. Decisions brought before the Erhvervsankenævnet can be brought to court within 4 weeks after the Erhvervsankenævnet has informed the defendant of its decision.

Re. S.99

Board of Representatives, cf. S.92(2).

Re. S.100(3)

Erhvervsankenævnet was set up through special legislation at the beginning of 1988. Its task is to function as appeal board for decisions taken by the supervisory authorities, and the Danish Commerce and Companies Agency, cf. note Re. S.94(1). Its tasks comprise decisions regarding banks and savings banks, insurance companies, mortgage banks, and other liberal trades.

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S.100.a The time limits stipulated in or in pursuance of this present Act shall commence as from the date following the date when the event takes place that triggers the time limit. This shall apply to the calculation of both daily, weekly, monthly and yearly time limits.(2) If the time limit has been stipulated in weeks, the time limit, cf. (1), shall expire on the day of the week corresponding to the day when the event triggering the time limit took place.

(3) If the time limit has been stipulated in months, the time limit, cf. (1), shall expire on the day of the month corresponding to the day when the event triggering the time limit took place. If the day when the event triggering the time limit took place is the last day of a month, or if the time limit expires on a non-existent date of a month, the time limit shall always expire on the last day of that month, irrespective of its length.

(4) If the time limit has been stipulated in years, the time limit, cf. (1), shall expire on the day of the year corresponding to the day when the event triggering the time limit took place.

(5) If a time limit expires during a weekend, on a holiday, on the Danish Constitution Day on 5th June, on 25th December, or on 31st December, the time limit shall be extended to the following working day.

S.100.b. No member of the Board of Directors, no members of local boards of directors and the like, no members of the Committee of Representatives of a mortgage bank, auditors and inspectors nor their substitutes, managers or other employees shall without proper authorisation be entitled to pass on or utilise confidential information, which has come to their knowledge in the execution of their duties. The same provision shall apply to members of the Board of Directors, members of the Committee of Representatives, auditors and inspectors as well as their substitutes, managers or other employees of financial holding companies, cf S.77(5), and of parent companies, cf S.77a.(1).

(2). In the event that the transfer of information is justified for commercial purposes, standard information about customer relations can be passed on to companies within the same group, which are subjected to professional secrecy as specified in (1).

(3) Information can be passed on to the parent company of the mortgage bank for risk management purposes in connection with companies within the group, cf S.77(4), if the parent company is a financial company, cf. S.77.a(1). These provisions shall not apply to information about purely personal circumstances. Information as specified in sentence 1 cannot be transferred or used in marketing or counselling situations.

(4) Information about private customers cannot be passed on for risk management purposes, cf (3), except in special cases where the information about a given private customer is concerned with commitments that have or may have a considerable volume.

(5) Information about purely private circumstances can only be passed on with the consent of the customer in question. Any employee of a group, who is in possession of such information, shall be subjected to the professional secrecy under (1).

(6) The mortgage bank shall lay down a code of practice covering the extent to which customer information can be passed on. The code of practice shall be made public.

Penalty Provisions etc.

S.101. Any infringement of the provisions of S.1(4) item 1, S.2(7), SS.3-5, S.7(2), S.18a(1) and (2); S.18b; S.18c; S.18d(1); S.18e; S.18f; S.18g; S.18h; S.18i, S.19, SS.25-28,SS.40-42, S.44(1), S.45(2)-(3), S.46, S.47.a, SS.48-52, S.53.c(2), S.57(1) item1, S.58(1)-(2), SS.60-64, S.65.a(1) - (4), S.75, SS.77-79, S.81(1), (4) and (5), S.89(1), S.91(2) and (4), SS.92-93, and S.95(1) shall be punished with a fine or lenient imprisonment, unless additionally severe punishment is required by other legal provisions.

(2) Infringement of S.20 shall be punished in compliance with S.161(1) and (2) of the Danish Companies Act. Infringement of S.65.a(1) - (4) shall not be liable for punishment if the infringement is due to a fall in the net liable capital alone, cf. S.53.a.

(3) Any regulations prepared in compliance with this present Act may contain provisions for penalty in the form of fines for the infringement of the said regulations.

(4) Criminal liability can be incurred by companies etc. (legal persons) according to the provisions of Chapter 5 of the Danish Penal Code.

(5) Persons attached to a mortgage bank who give or attempt to give faulty or misleading information about circumstances regarding the mortgage bank to public authorities shall be punishable by a fine or lenient imprisonment, unless harder punishment is justified in compliance with other legislation.

(6) Any infringement of S.100.b shall be punishable by a fine, unless higher punishment is warranted under the Danish Penal Code. Any person who utilises confidential information without proper authorisation, cf. S.100.b, shall be punished accordingly.

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(7) The period of limitation for infringement of the provisions of this present Act or any regulations prepared in connection with this present Act shall be 5 years.

S.102. In the event that the Board of Directors, the Board of Management, or the accountants of a mortgage bank should fail to meet in time any legal obligations or obligations laid down in provisions based on legal regulations towards the Danish Financial Supervisory Authority or the Danish Commerce and Companies Agency, the Authority or the Agency may impose sanctions in the form of daily or weekly fines on the party in question.

(2) In case a company under S.97(1) fails to meet the obligations that lie with that particular company, the Minister of Housing can order the company as such or the persons responsible for the activities of that company to pay daily or weekly fines.

(3) As compulsory measure, the Danish Financial Supervisory Authority can order the Board of Directors or the Board of Management of a mortgage bank to pay daily or weekly fines if the Board of Directors or the Board of Management fails to comply with orders issued by the Danish Financial Supervisory Authority regarding the correction of loans granted in conflict with the provisions in Chapters 4-6 of this Act or with rules drawn up as a consequence of Chapters 4-6 of this Act.