The following information shall be viewed in the context of the information provided on investing in general.

Subordinated eligible liabilities (sometimes referred to as bail-inable bonds) are bonds issued by financial services companies that fall under the regulation of Article 11 of the Executive Order on Investor Protection. They are also called subordinated bonds or subordinate debt.

These bonds fundamentally look like other bonds. However, they are more complex and entail higher risk. The special characteristic of this type of bond is that you may lose all or some of your investment, even though the issuing company does not go bankrupt.

If the financial services company cannot meet its capital requirements, the authorities may opt to write off or convert the bonds, in order to safeguard the public/society from sustaining a loss.

1. Target group

These bonds are only relevant to you, if you fall under the target group of complex bonds and are willing to accept the additional risk pertaining to impairment (bail-in), also entailing a larger potential return.

- This trading class is aimed at advanced investors. As a starting point, you must be classified as a professional or promoted professional investor.
- It is vital that you thoroughly read and understand the terms and conditions for each specific bond detailed in the prospectus.

2. Pros and cons

Pros	Cons
Potential for higher returns that those generated via traditional bonds	Highly complex terms and conditions as well as yield profile
Typically, lower price fluctuations than those seen on shares (equity)	Risk of write down or forced conversion into shares
	Uncertainty around issuer's use of early redemption

3. Returns

The return primarily derives from interest payments.

- Due to the special credit risk, the market's requirement for compensation is closely linked to the company's credit rating.
- The bond prices may fluctuate, because the risk premium in the credit market changes.
- This may result in capital gains when the risk premium drops - and capital losses when it rises.

4. Risk

These bonds are exposed to the same risks as other bonds: market risk, term risk, credit risk, currency risk, liquidity risk and sustainability risk.

The special thing about credit risk is:

- That you may lose your entire investment, even if the company stays in business.
- That the authorities may decide that the bonds must be written off, in order to save (bail in) the company.

5. Special circumstances

Creditor hierarchy

In order to understand the risk, it is essential to understand the order of succession by which creditors sustain losses, in the event that issuer is unable to meet their capital requirements. Losses are absorbed starting from the top of the hierarchy:

- Common Equity Tier 1 Capital (shares) - CET1
- Additional Tier 1 Capital - AT1
- Supplementary Capital - Tier 2
- Other subordinated liabilities
- Non-preferred senior debt (NPS)
- Unsecured claims
- Deposits

Items 2-5 are the type of bonds that are categorised as bail-in-able bonds.

All 4 types can be written off by the authorities (bail-in) and used to absorb losses. Whether or not they count as part of the capital requirement depends on their position in the hierarchy, whether coupon payments can be postponed or annulled and in the term requirements.

AT1 bonds have no fixed maturity date.

Tier 2 bonds typically have a fixed maturity date and can be redeemed when they no longer count as capital.

Glossary

- CET1: Common Equity Tier 1
- AT1: Additional Tier 1
- Tier 1: Consists of CET1 and AT1
- Tier 2: Supplementary capital
- Non-preferred senior debt (NPS): Non Preferred Senior

6. Investor protection

Legislators aim to protect ordinary investors from major risks. Hence, in principle only professional investors can buy these bonds.

If you are a retail investor who wants to make such an investment, there are stringent requirements:

- You must document your entire portfolio across all financial institutions.
- You are only allowed to buy up to 10% of your total portfolio.
- A minimum investment of EUR 10,000 is required.
- If you have less than EUR 100,000 in your portfolio (approx. DKK 750,000), you cannot make any investments.
- If your portfolio exceeds EUR 500,000, merely the documentation requirement applies.

7. Crisis management

If a financial institution in Denmark fails, the crisis will be handled by the Danish Financial Supervisory Authority and Finansiel Stabilitet (the Danish resolution authority), according to the Danish Act on Restructuring and Resolution of certain Financial Undertakings. Similar regulations apply for foreign financial undertakings.

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8. What you should know before trading

Taxation

Tax rules differ based on how you make your investment - as a private individual, business, a corporation or pension.

We can only offer general advice on taxation. For specific tax advice, we recommend that you consult an auditor.

Costs and expenses

You will always be informed about all costs and expenses, before making an investment. These may consist of:

- Brokerage fee: Paid to the bank in connection with buying/selling
- Currency fee: When you buy a bond denominated in a foreign currency
- Custody fee: Paid to the bank in return for holding the bonds

A lot of these bonds may be illiquid, meaning the differential between the bid price and the ask price (bid-ask spread) may be substantial. This entails greater costs and expenses when you buy and sell.

If you engage in foreign bonds, exchange taxes or foreign security fees may apply.

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