

# What is a mortgage bond?

A mortgage bond is a bond secured by the value of real estate. For instance, Swedish Bostader or German Pfandbriefe.

For further information, please read factsheet '*What is a Danish Mortgage bond?*'

**For which investors are mortgage bonds in the category other and complex relevant?**

mortgage bonds are relevant for investors with a special knowledge of the mortgage bond market in other countries.

## Pros and cons

MORTGAGE BONDS IN THE CATEGORY OTHER AND COMPLEX	
<p><b>Pros</b></p> <ul style="list-style-type: none"> <li>• There are mortgage bond markets outside of Denmark, which may yield a higher expected return than Danish mortgage bonds.</li> <li>• Mortgage bonds in other countries may be denominated in currencies, which cannot be found in the Danish mortgage bond market.</li> </ul>	<p><b>Cons</b></p> <ul style="list-style-type: none"> <li>• Be aware that a bond may be illiquid, which means that it may be difficult to get a good quote on the bond price if you want to sell it before maturity.</li> <li>• Investment in non-Danish bond markets may be in bonds, for which the Bank only offers limited advisory services.</li> </ul>

### Return

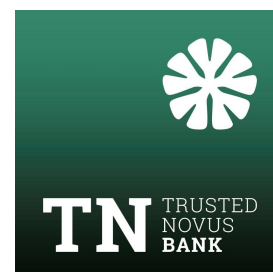
Mortgage bonds are generally a relatively safe investment, but be aware that mortgage bonds in this category may be more complex. The price of a mortgage bond may vary over time and may influence your return if you sell the bond before maturity.

### About risk

A mortgage bond may become worthless if the issuer defaults. The price may change if the creditworthiness of the bond changes, which for most bonds is expressed through a rating. A poor rating typically means a higher risk of default. Ratings are issued by rating agencies such as Moody's, S&P and Fitch, and they have different scales ranging from the best to the poorest rating. You should therefore consider

the rating of the bond. Typically, there is a correlation between the credit rating of the issuer and the risk/reward. The lower the credit rating, the higher the risk and the higher the reward. Prices on your bonds fluctuate in step with changes in the interest rate level. Economic trends and the market conditions in general also influence the performance.

Liquidity in mortgage bonds varies considerably. Some of the parameters that affect liquidity of a bond series are: the size and credit rating of the issue, demand, the question whether the bond is traded in a regulated market, the interest rate level, uncertainty in the market, unstable prices. If you buy a bond denominated in another currency (for instance, euro) than your base currency (for instance, the British Pound), you assume an exchange rate risk.



When using benchmarks (e.g. interest rate benchmarks) in mortgage bonds, you must be aware of the risk that these benchmarks are or can be subject to national, international or other initiatives, which may mean that the composition of the benchmark is changed or that the benchmark completely disappears.

Further information is available at:

***[trustednovusbank.gi/general-terms/fallback-plans](https://trustednovusbank.gi/general-terms/fallback-plans)***

Mortgage bonds are categorised as amber according to the risk classification.

*Read more about the risk classification of investment products at:*

***[trustednovusbank.gi/investmentinformation](https://trustednovusbank.gi/investmentinformation)***

Mortgage bonds issued by a mortgage credit institution may be subject to rules on recovery and resolution (in the EU this is the Bank Recovery and Resolution Directive (BRRD), implemented by way of the Danish Act.

This means that the relevant national authorities may write down the principal of the bond issued by the mortgage credit institution. The national authorities may also convert the debt instruments in question into new share capital of the issuer.

We recommend that you seek advice from professional advisers about any accounting and tax consequences before you buy a bond.

#### **What you should know before trading**

We recommend that your investment profile is reviewed before you engage in transactions. Your relationship manager can help you with that. We also recommend that you contact your relationship manager if you have any questions in relation to anything described in this fact sheet, or if, generally, you would like to have some points clarified.

#### **Tax**

We do not give advice on tax issues in connection with specific transactions. If you wish to learn about the specific importance of the tax rules for you, we recommend that you consult your accountant.