

Negative Interest Rates in Denmark

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Director General

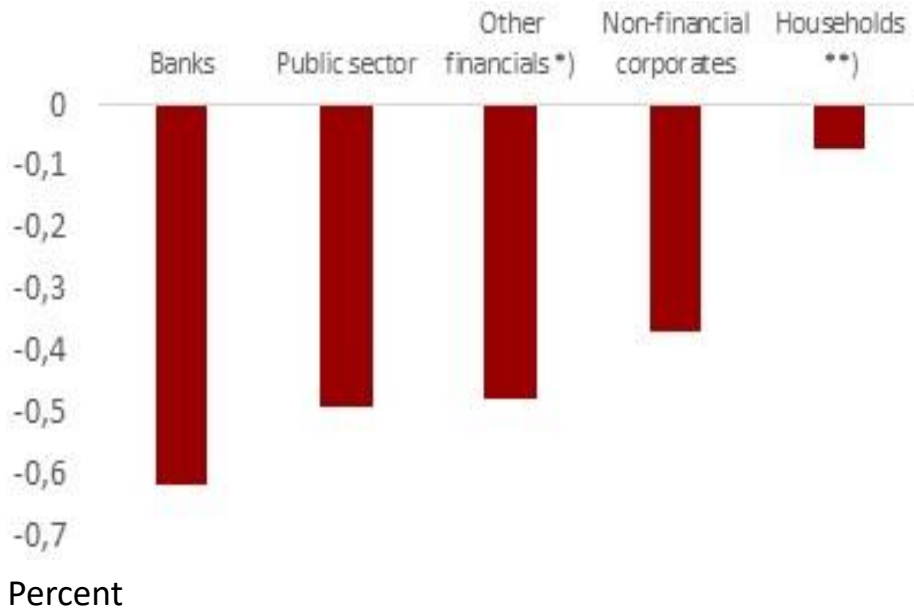
Declining market rates



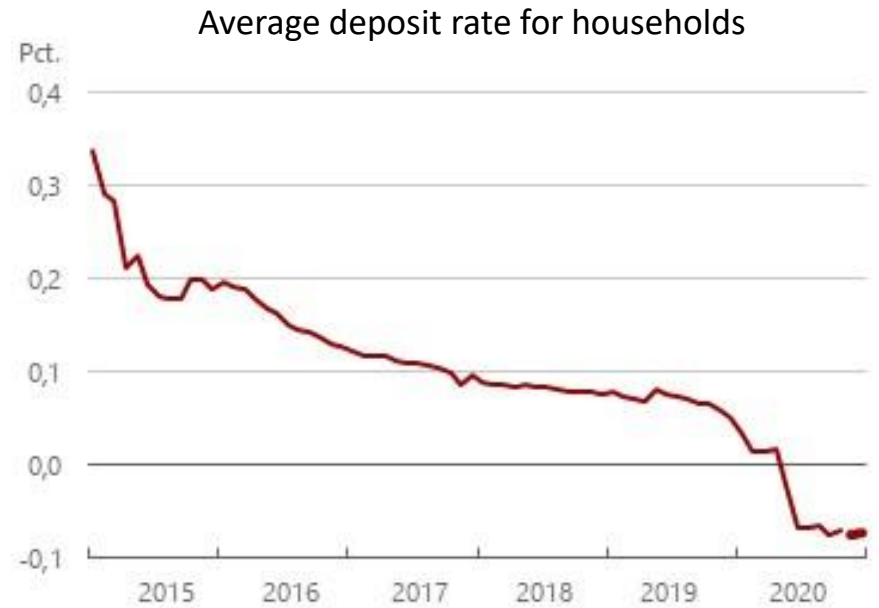
Note: The policy rate is the rate on certificates of deposit.

Source: Danmarks Nationalbank.

Deposit rates...



Note: Average rates in oktober 2020.
 Source: Danmarks Nationalbank.
 *) including Insurance and Pensions
 **) Unincorporated business

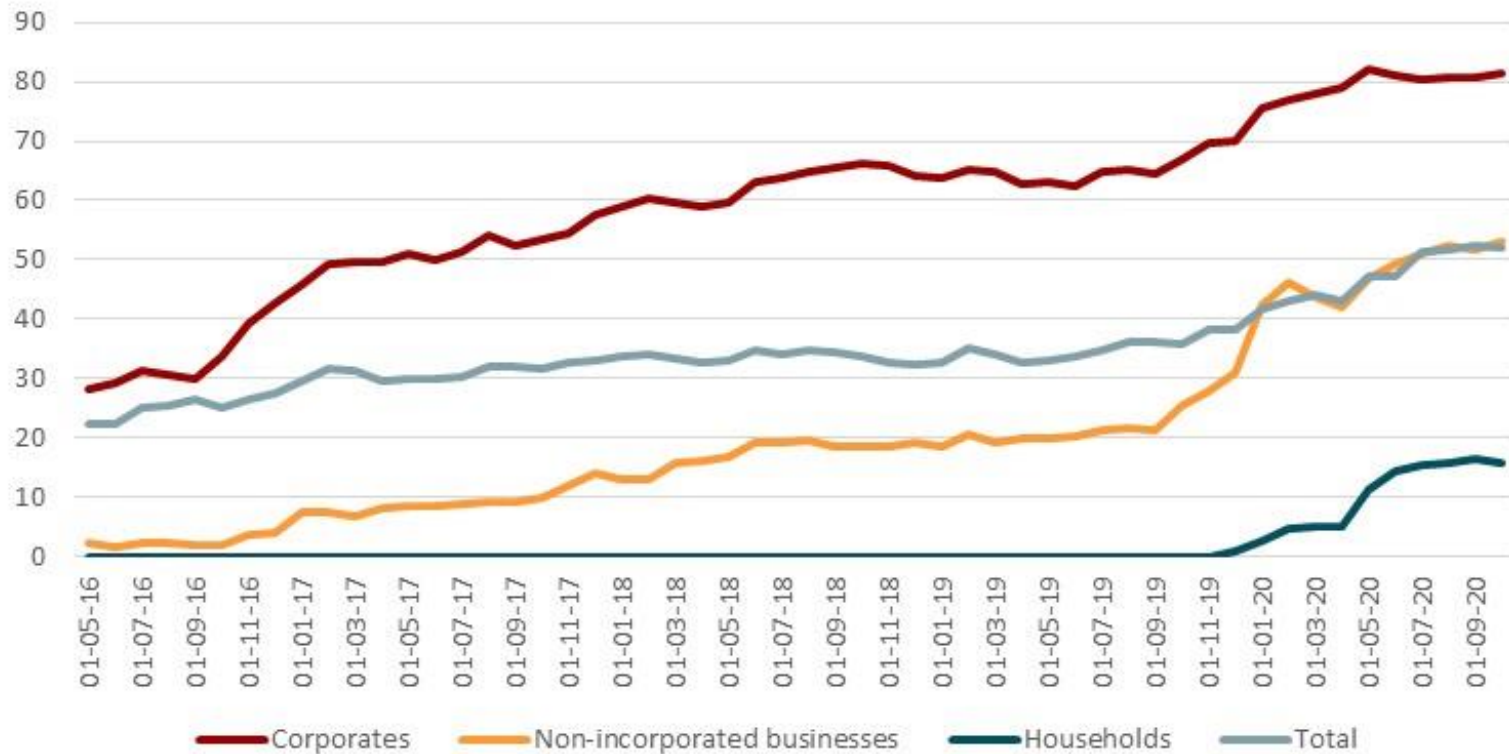


Source: Danmarks Nationalbank.

...are now all negative

Share of deposits with negative rates

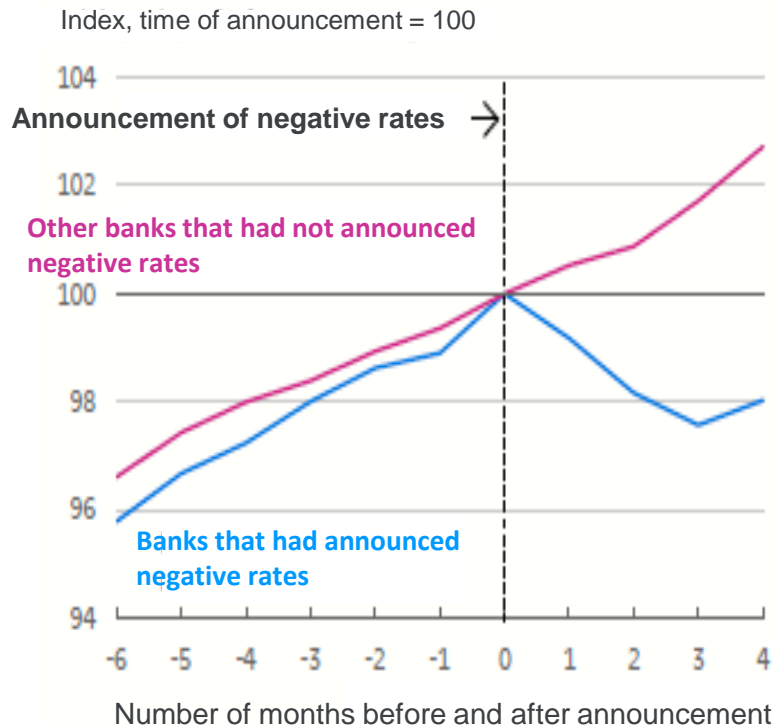
Percent



Source: Danmarks Nationalbank.

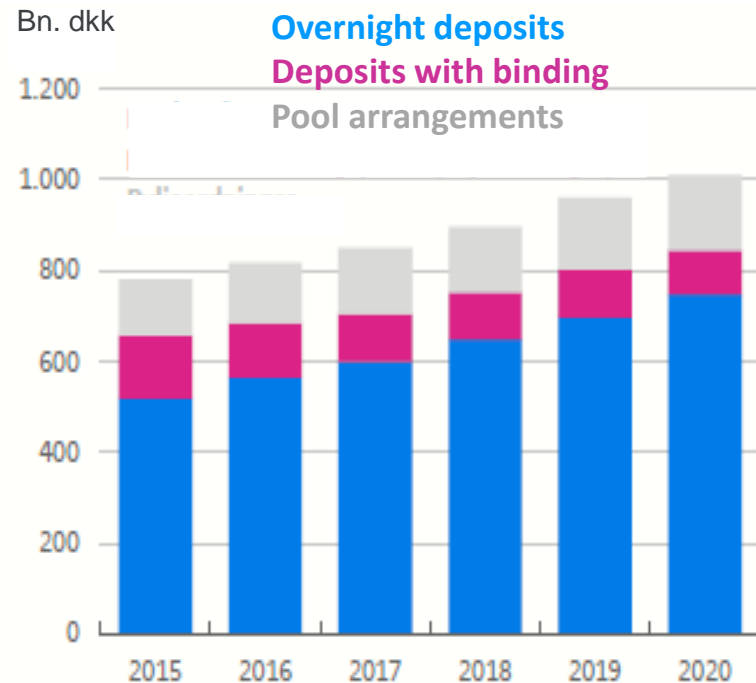
Growth in deposit lowered after introduction of negative rates...

Deposits fell after the announcement of negative interest rates



Source: Danmarks Nationalbank

Total deposits have increased despite spread of negative rates in 2020



Deposits for Danish private customers
Source: Danmarks Nationalbank

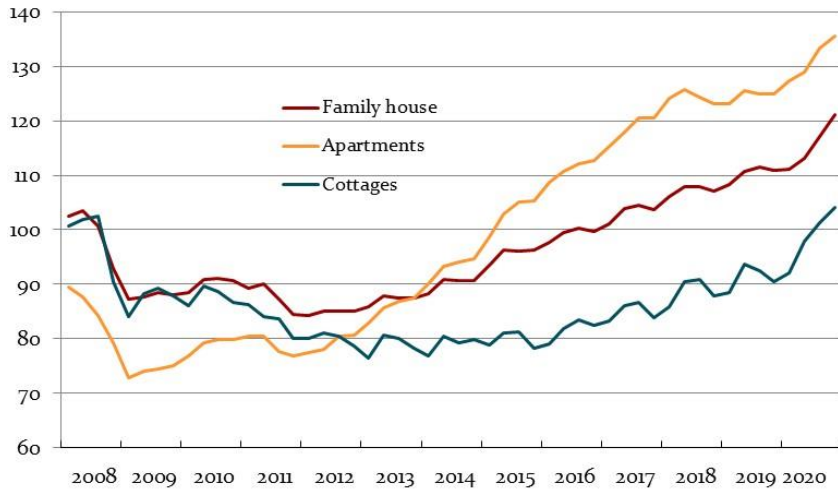
...but total deposit in dkk are still growing, among other due to COVID-19

The zero lower bound

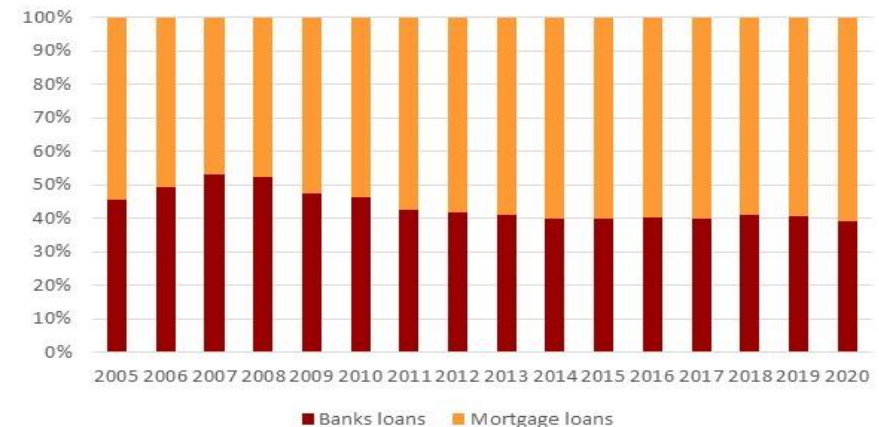
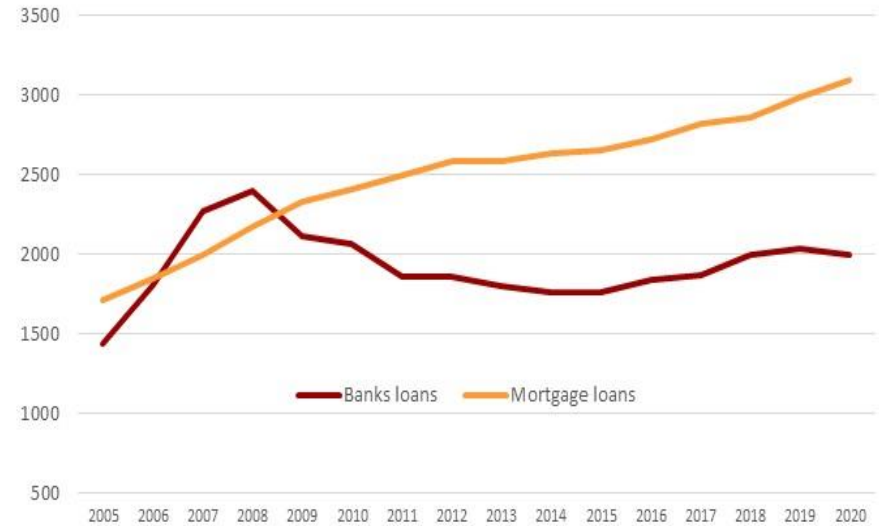
- There are no legal impediments for charging negative deposit rates in Denmark
- There is a lower bound on the deposit rate due to the existence of cash. The location of the boundary is yet unknown.
- The Danish central bank has publicly stated, that we are nowhere near that bound yet.
- General dissatisfaction with negative deposit rates.

Mortgage loans squeeze bank loans...

Index: 2006 = 100



Bn.kr

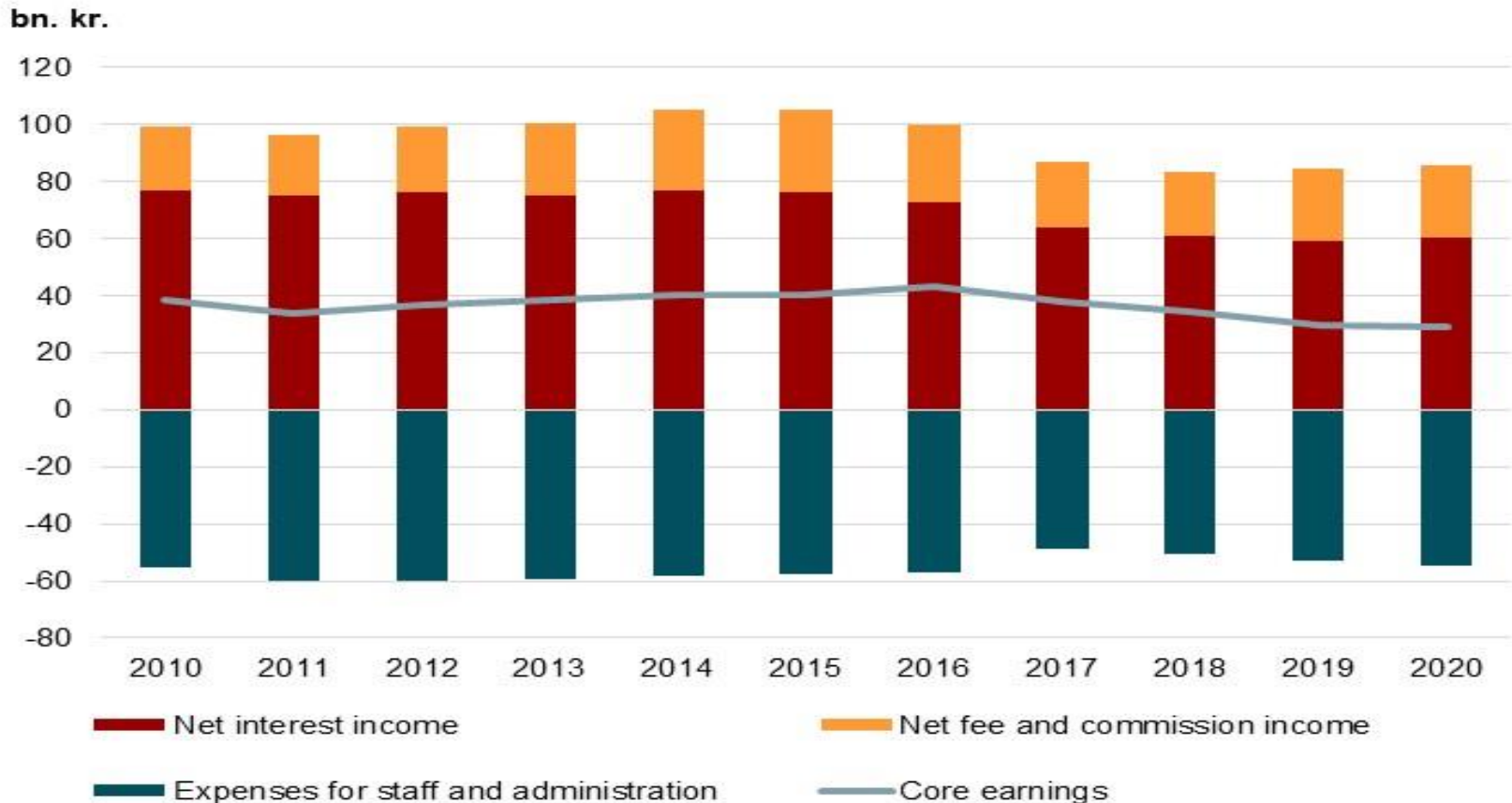


- Elevated prices on houses has led to lending from mortgages and replaced lending from banks
- Danish mortgage institutions almost immune to negative interest rate

Source: Reports to Danish FSA and Statistic Denmark

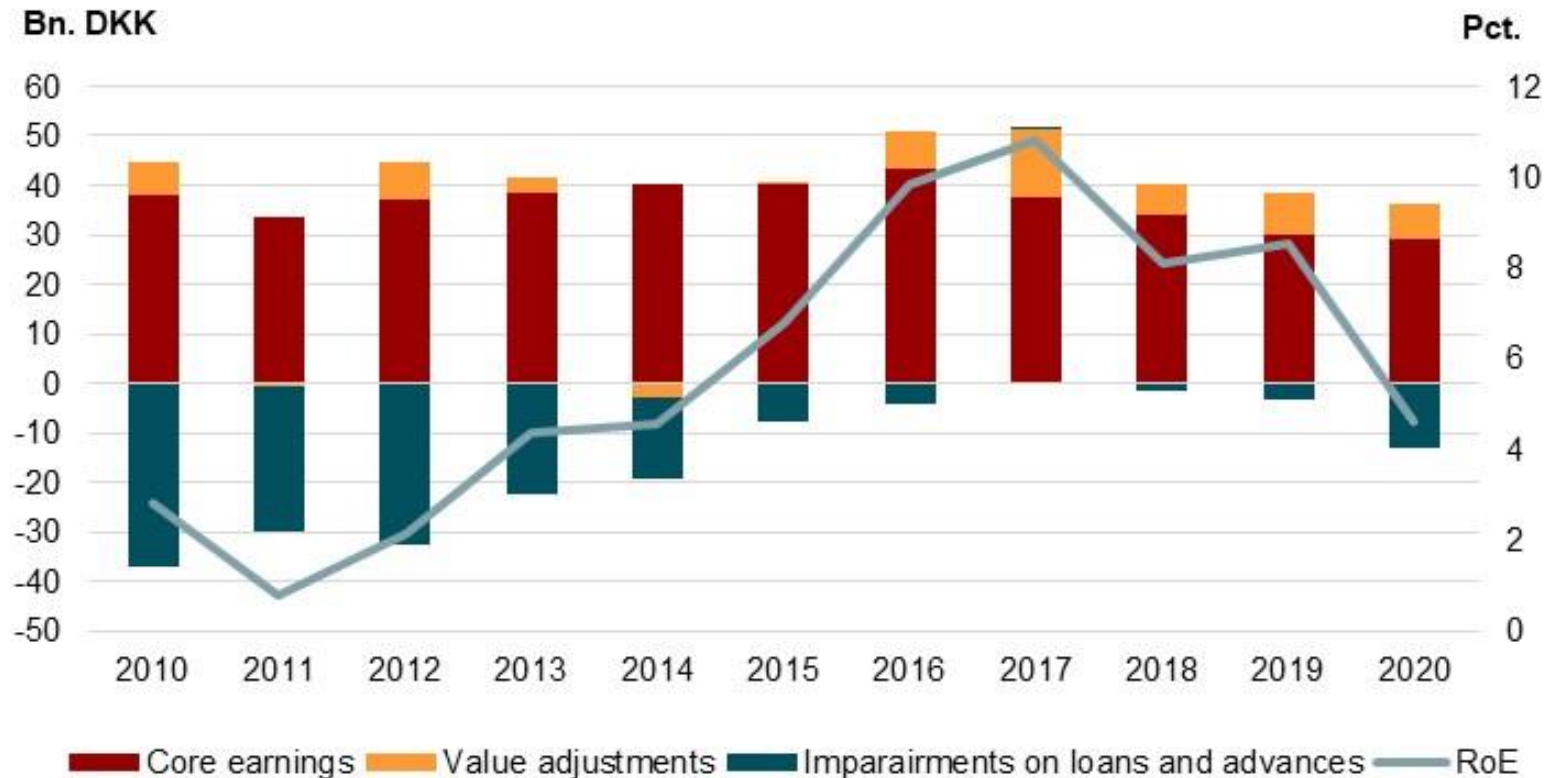
...but earnings are lower in mortgage lending 7

Core earnings in Danish banks



Note: Core earnings for Danish banks. Core earnings is earnings minus capital gains, impairments, and earnings from subsidiaries. Nordea's Danish banking activities are included until 2017.
Source: Reports to the FSA.

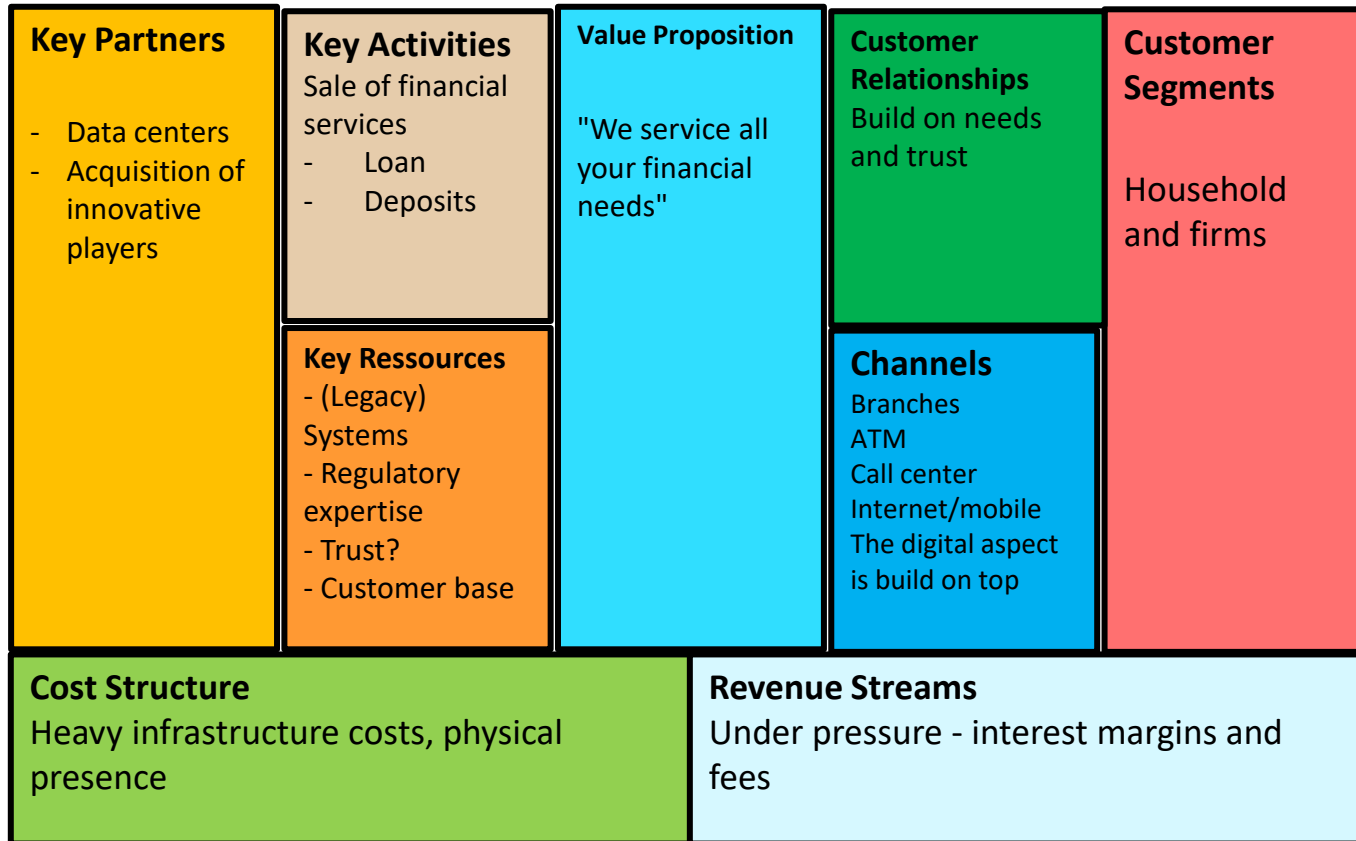
RoE falling since 2017...



Kilde: Indberetninger til Finanstilsynet

Note: Core earnings consists of net-interest income and -fee income, less personell and administration expenses, and other operational income and expenses. Note the transition to IFRS9 in end of 2018, which may have resultet in higher impairments

Business model canvas – Traditional Banking ...



Bank's business model

- The business model engine has three cylinders:
 - 1) Interest margin
 - Under pressure from the low interest environment
 - 2) Term-spread
 - The yield curve is flat
 - 3) Fees and commissions
 - Intensified competition



Business model canvas – Big Tech (not affected by negative rates)...

