

# DANMARKS NATIONALBANK

27 NOVEMBER 2019

## BANK AND MORTGAGE LENDING, INTERESTS, OCTOBER 2019

# Lower interest income from households to banks

The banks' net interest income on loans and deposits to households was kr. 1.4 billion in October 2019 and kr. 16 billion over the past 12 months. Income has been steadily declining since 2012, where income was at kr. 22 billion.

Net interest income has fallen, in line with a reduction in interest rates and the banks' interest margin, i.e. the difference between lending and deposit rates. In addition, an increase in deposits and a decrease in lending have contributed to the decrease

in total interest income.

The declining interest income has recently led a number of banks to announce that private customers' deposits above a certain amount, typically kr. 750,000, in future will be at negative interest rates.

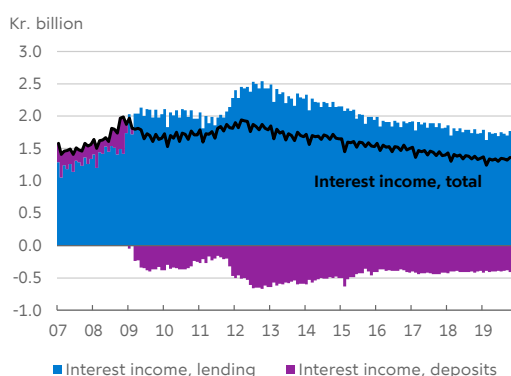
### The deposit margin disappeared

The importance of low and negative interest rates for banks' interest earnings can be illustrated by dividing the banks' interest margin into a lending and deposit margin. The lending margin is the difference between the interest rate on loans to households and the interest rates that the banks could alternatively obtain by placing the funds with other banks in the money market. Similarly, the deposit margin is the difference between the interest rate on household deposits and the money market rate.

The deposit margin and banks' interest income from deposits became negative after the financial crisis. Market rates here fell sharply in line with monetary easing, but interest rates on household deposits did not follow all the way. Subsequently, monetary policy rates were further reduced and negative monetary policy deposit rates were introduced for the first time in 2012.

At the same time, the lending margin has decreased in recent years, which has helped to drive down banks' interest income on loans. According to Danmarks Nationalbank's lending survey, increased competition has among other things contributed to the pressure on the lending margin comes.

**Declining interest income from households**



Note: Total interest income is net interest income calculated as the sum of interest income from loans and deposits. Interest income from lending is the lending margin times lending. Interest income from deposits is the deposit margin times deposits less expenses on the deposit surplus, which is the deposit surplus times the money market rate. The money market interest rate in the calculation of the lending and deposit margins is the T/N-interest rate. Lending and deposits in Danish kroner.

[KLIK HER FOR YDERLIGERE INFORMATION](#)