

DANMARKS NATIONALBANK

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SECURITIES, FEBRUARY 2019

Foreign investors buy Danish bank bonds

Danish banks have issued bonds worth kr. 406 billion at the end of February 2019. The major part is issued in foreign currency and is targeted foreign investors. Foreign investors own around 80 per cent of the Danish bank bonds.

As of May 2018 the systemic banks stated to issue a new type of bonds called non-preferred senior bonds.

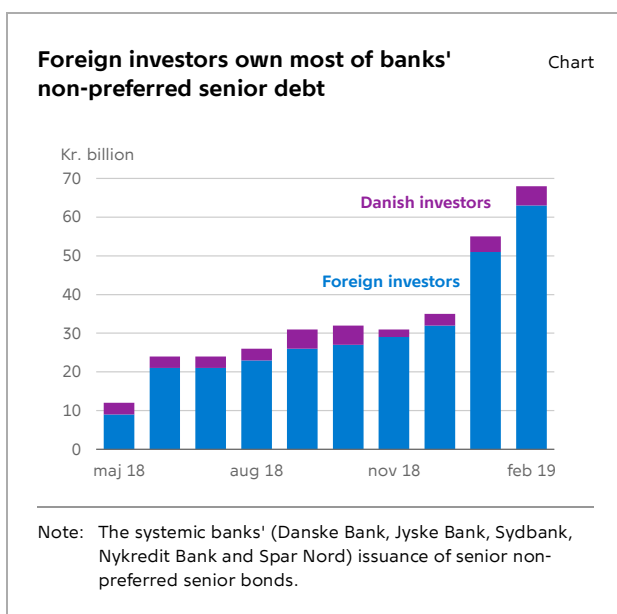
The introduction of the new type of bonds is related to the minimum requirement for own funds and eligible liabilities, MREL, which are written down or converted before unsecured claims like e.g. deposits. The MREL contribute to ensure that failing banks

can be resolved without use of public funds.

In February 2019 the systemic banks¹ had issued non-preferred senior bonds worth kr. 68 billion. The lion's share of the new bonds is issued in foreign currency and foreign investors own worth kr. 63 billion.² Foreign ownership supports the financial stability in Denmark as possible losses primarily are borne by foreign investors.

The MREL for systemic banks amounts to kr. 307 billion³ and must be met by July 1th 2019. It can be met by capital and non-preferred senior debt. However, it can also be met by existing debt issues⁴ in a transitional period until January 1th 2022.

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- ¹ Danske Bank, Jyske Bank, Sydbank, Nykredit Bank and Spar Nord.
- ² In addition, Nykredit Realkredit has issued worth kr. 3.7 billion senior non-preferred bonds.
- ³ The amount is calculated on the basis of end of 2017 reporting from Danske Bank and Nykredit Bank, and end of 2016 reporting from Jyske Bank and Sydbank. Spar Nord Bank is not part of the calculation.
- ⁴ Cf. Danish Financial Supervision Authority, Final resolution plans and MREL for systemic banks (Endelige afviklingsplaner og NEP-krav for systemiske pengeinstitutter), *Press release* March 28th 2018 ([link](#)).