

DANMARKS NATIONALBANK

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Lower coupon rate on mortgage bonds

The mortgage banks have increased the amount of 30-year fixed-rate convertible mortgage bonds with a coupon rate of 1.5 per cent or lower by kr. 522 billion in the past year. At the same time, the outstanding amount of bonds with a coupon rate greater than 1.5 per cent decreased. Since February 2019, the net addition of 30-year fixed-rate mortgage bonds totalled kr. 132 billion.

A result of the conversion wave

The new issues are primarily a result of the past years many conversions of fixed-rate mortgages. It is especially loans with a coupon rate of 1 per cent that Danes have converted to. Since it in 2019 became possible to raise a 30-year loan with a fixed interest rate of 1 per cent kr. 366 billion has been issued in

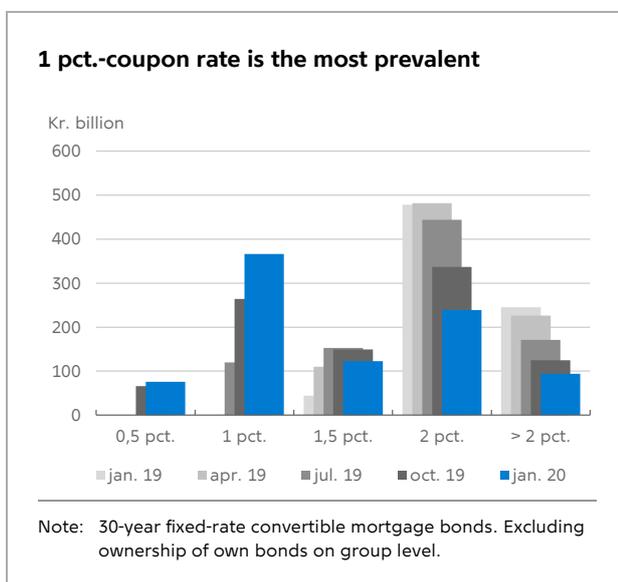
the underlying bonds. Bonds with coupon rate of 1 per cent now constitute 41 per cent of the total outstanding of 30-year fixed-rate convertible mortgage bonds of kr. 899 billion. Bonds with coupon rate of 1 per cent have thus become the most prevalent.

The investors

It is mainly foreign investors and the Danish insurance and pension sector who own the 30-year fixed-rate mortgage bonds. Foreign investors and the Danish insurance and pension sector own kr. 353 billion and kr. 299 billion in January 2020, respectively. In addition, Danish investment funds own kr. 140 billion.

Even more low-coupon bonds in April

For the next mortgage term in April, it is already known that fixed-rate bonds worth kr. 70 billion are to be early redeemed. This is a lower level of early redemption of fixed-rate mortgages compared to the previous two terms. The lower conversion volume is among other things due to the fact that previous large conversions have left fewer high-coupon mortgages, which are advantageous for the borrower to repay at the given interest rate level. The mortgage must have a certain size before the gain of converting can match the cost, and therefore, not all mortgages with a high coupon rate are converted.



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