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# Kingdom of Denmark

June 2025



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# Kingdom of Denmark – an AAA-rated issuer with strong fundamentals and fixed exchange rate regime since 1982

## Kingdom of Denmark

**AAA-rated since 1986**

Long track record of sound macroeconomic, fiscal and financial stability, reform-orientated policies and low government debt

**AAA**

## Fixed exchange rate regime vis-a-vis the euro

**1 EUR  $\approx$  7.46038 DKK**

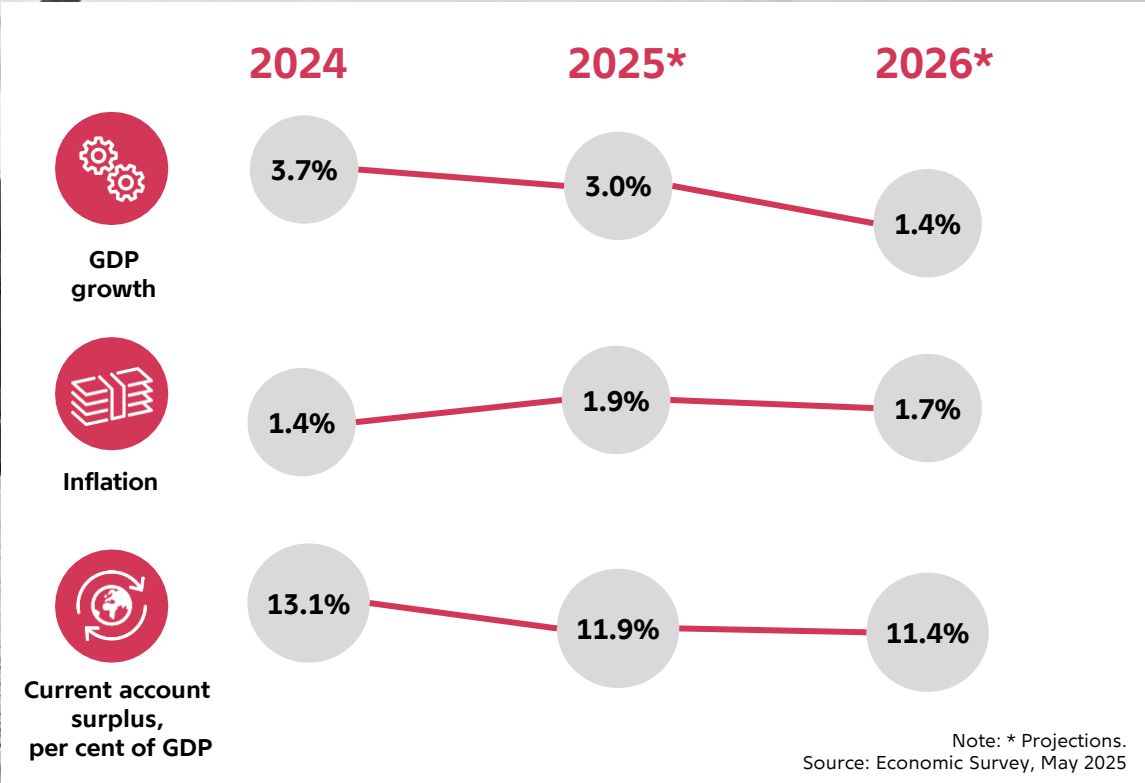
Monetary policy is used solely to maintain the currency peg

- **Policy rates follow euro area** policy rates closely
- **Quantitative easing has not been used** to stimulate the economy
- Very **high fiscal discipline** imposed by the peg has led to sound public finances and low debt

# Economic Outlook

# Strong economic fundamentals

Growth prospects continue to be positive in Denmark, projections of low and stable inflation and a continued large current accounts surplus



## Current economic headlines

Strong Pharmaceutical sector

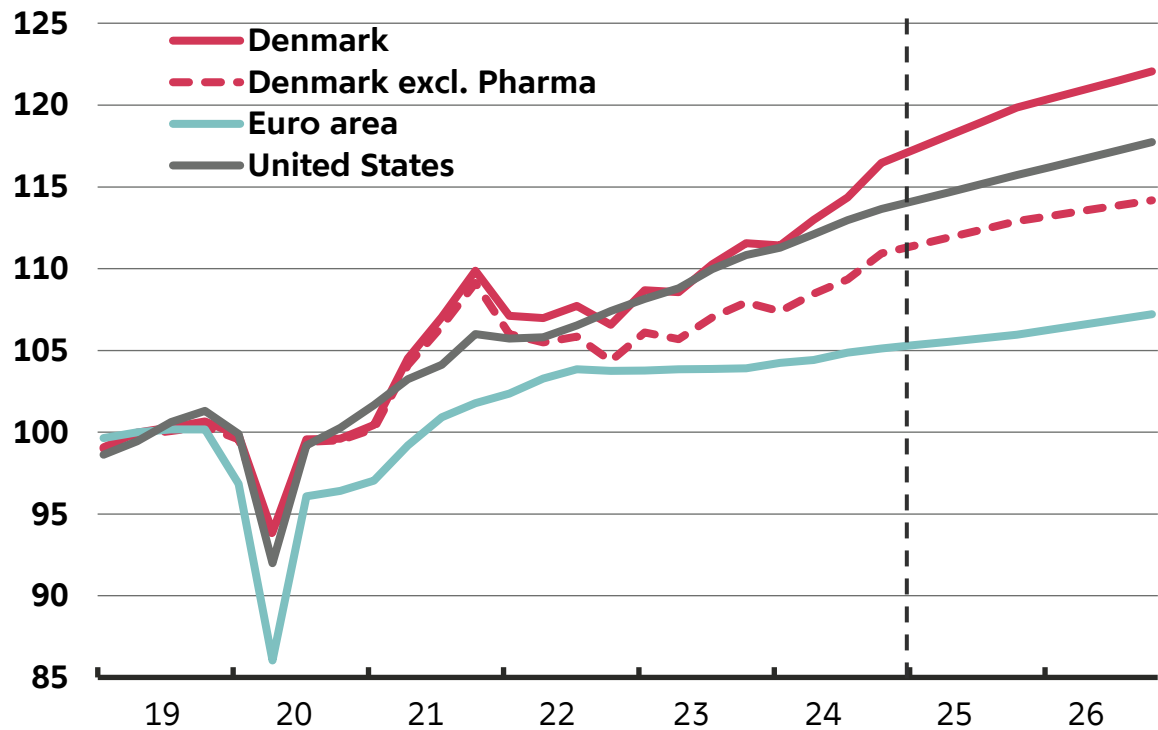
Effect of US tariffs on a small open economy

Increased defence spendings can be financed


# The Danish economy is stronger than the euro area average even when excluding contribution from pharmaceutical sector

The economic recovery in Denmark has been in line with the US and well above the euro area

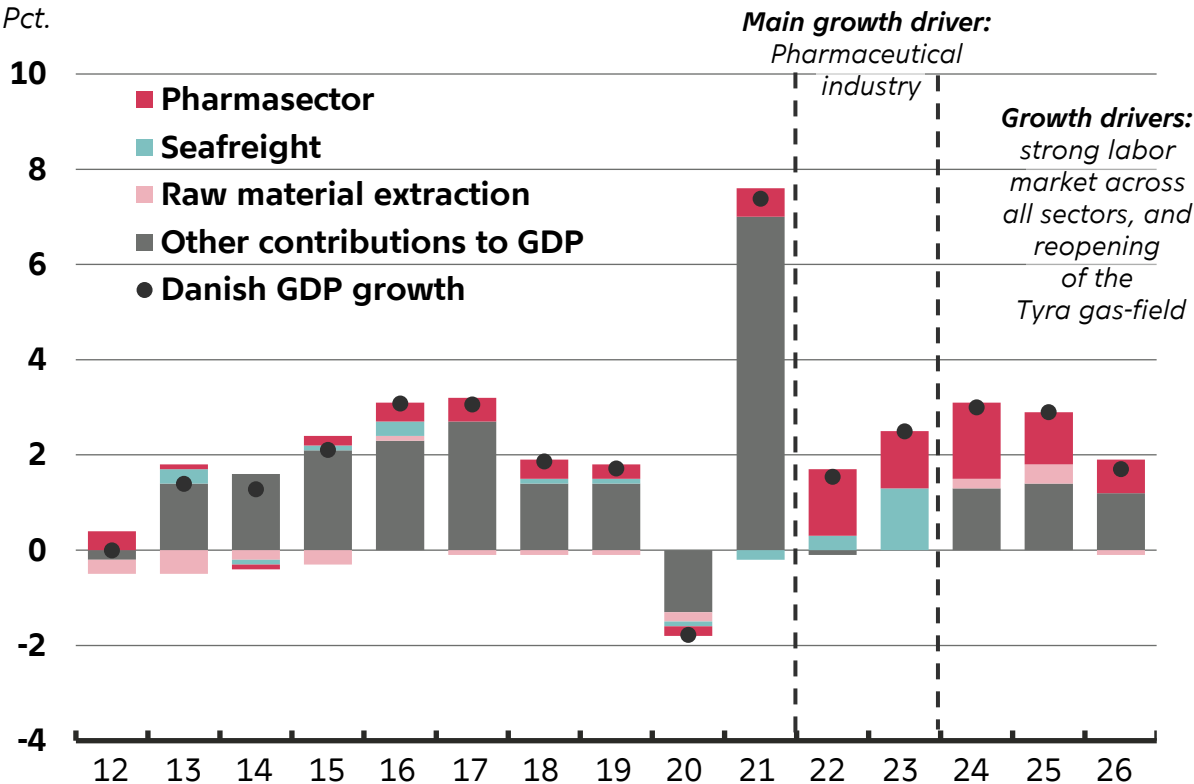
Q1 2019=100



Note: GDP growth, indexed.  
Source: Quarterly GDP from Macrobond, forecast from World Bank, World Economic Outlook April 2025.  
Pharma contribution to GDP from the Danish Ministry of Economics.

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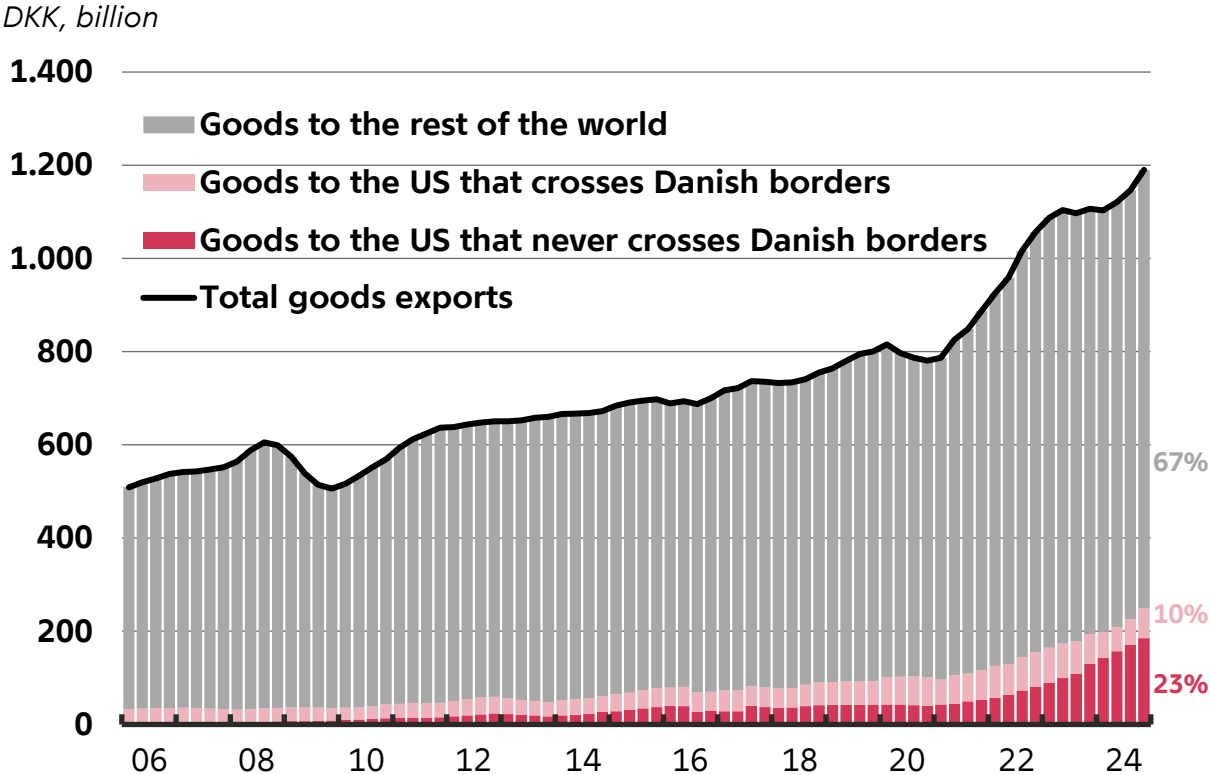
Growth are again more widely anchored in the economy



Note: Growth contributions to GDP growth in percentage points.  
Source: Ministry of Economy, Annual Economic Review December 2024.

# Majority of goods exported to the US never cross Danish borders – thus, moderating impact of tariffs on domestic employment

Denmark's goods exports to the US have increased, but not more than those to the rest of the world.



Note: The figure shows the total goods exports in 4Q moving summation, where goods exports to US is divided into goods that crosses Danish borders, and goods that never cross Danish borders.  
Source: Statistics Denmark.

Most goods exported to the US are produced outside Denmark by Danish owned companies

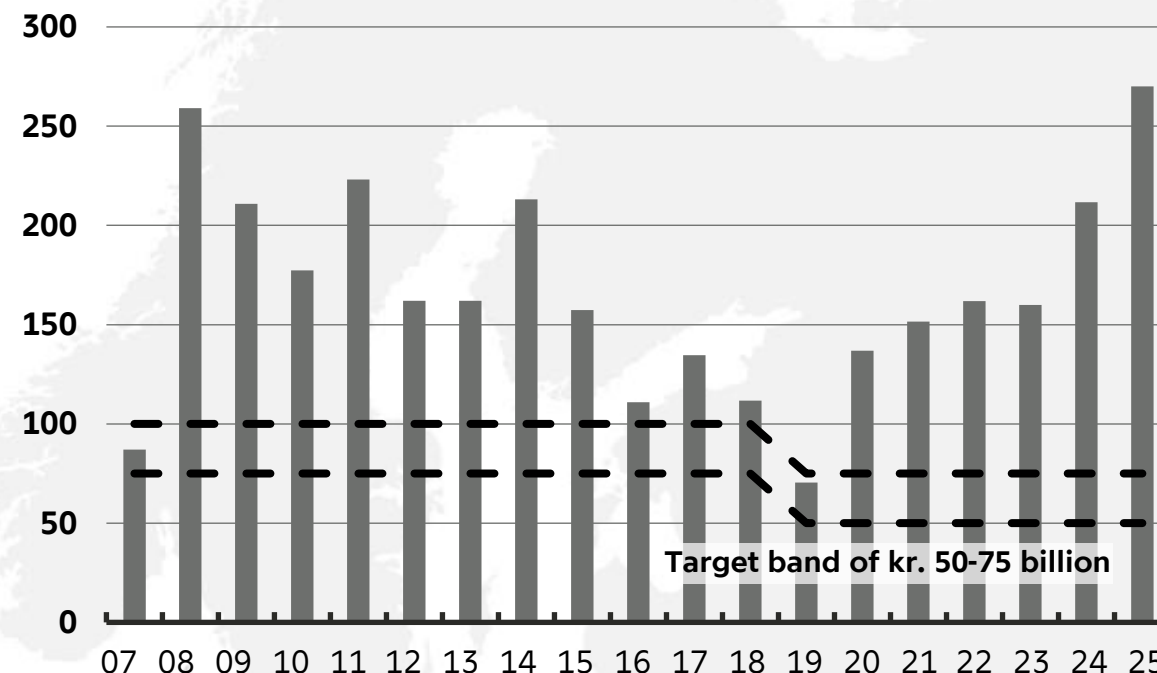


Source: Statistics Denmark

# Accelerating the build-up of the Danish Defence:

- 1 **DKK 50 billion** added in 2025 and 2026, pushing spending above 3% of GDP.
- 2 Increase can be **funded** by drawing on the governments account buffer
- 3 Increase does **not** lead to changed issuance strategy for 2025

Central government account buffer, DKK, billion



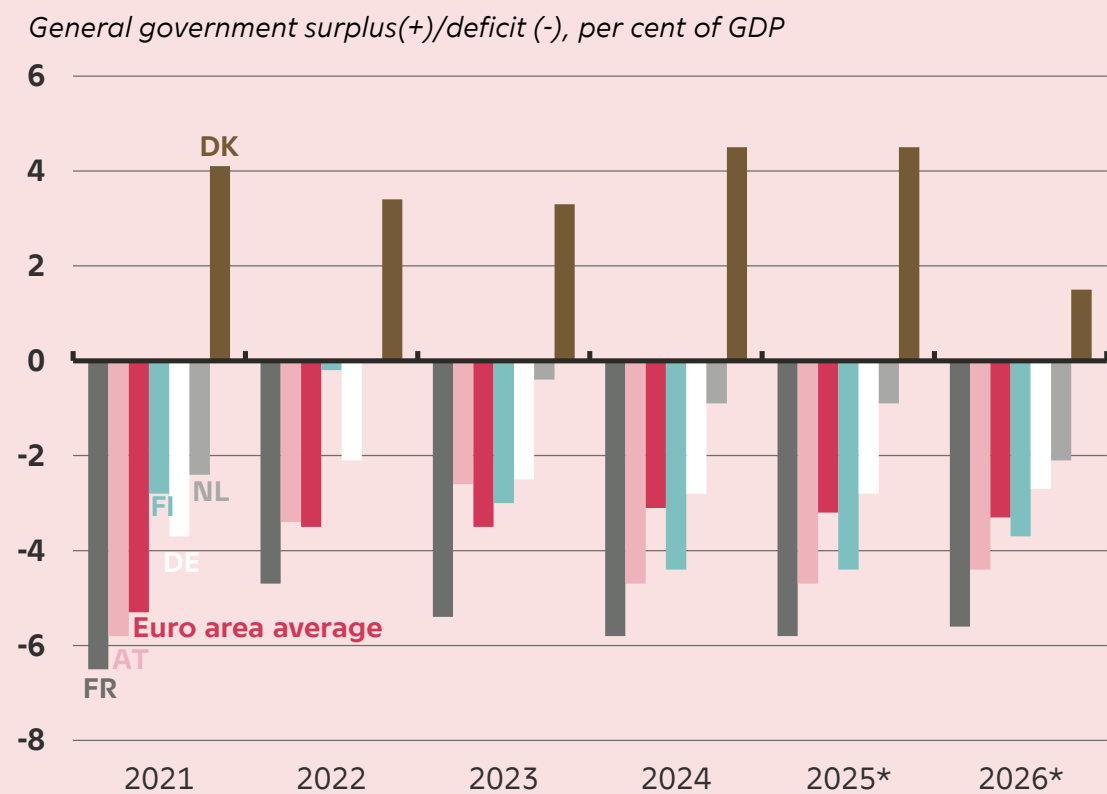
# Public finances and the Government's funding need





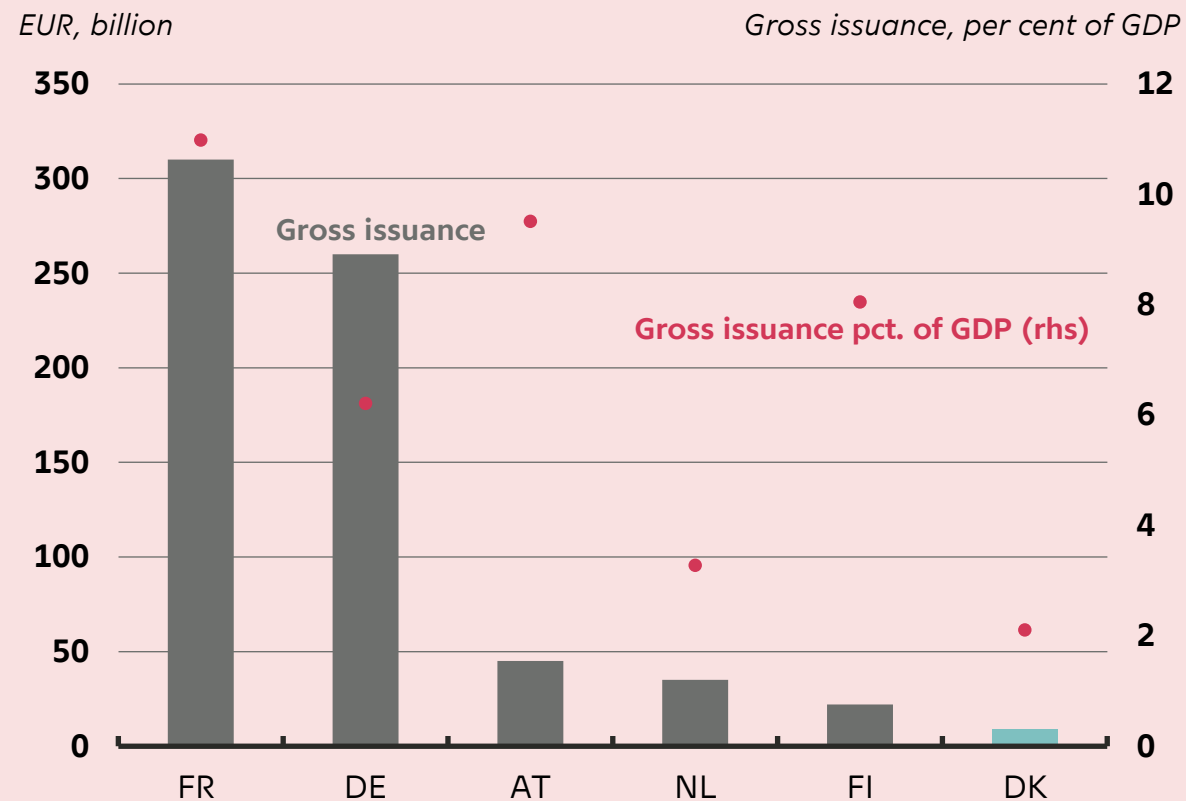
# Strong economic outlook underpins general government surpluses and modest primary supply of Danish government bonds

Consistent government surpluses in Denmark are expected to continue over the coming years...



Source: Eurostat and European Commission Economic Forecast, Spring 2025.  
Note: \* Estimate based on the European Commission's Economic Forecast, Spring 2025. General government comprises central government, state government, local government and social security funds.

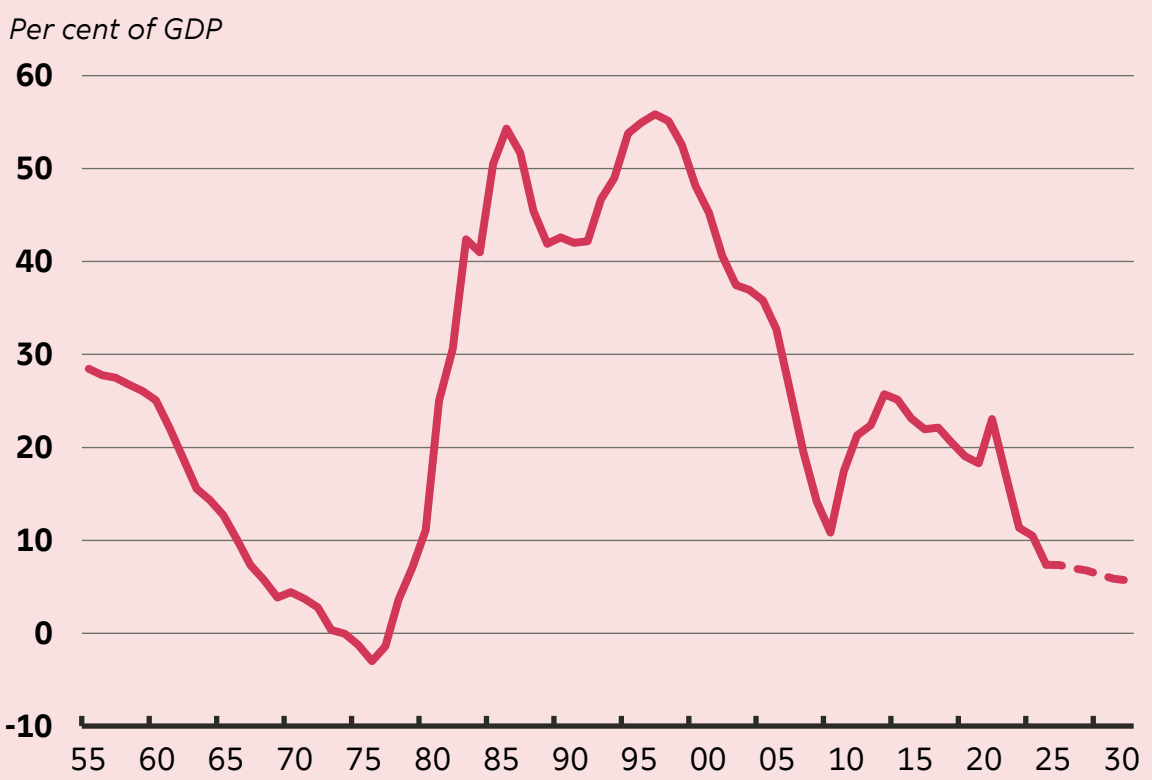
...which results in a modest but stable supply of government bonds relative to peers, especially considering absence of QT



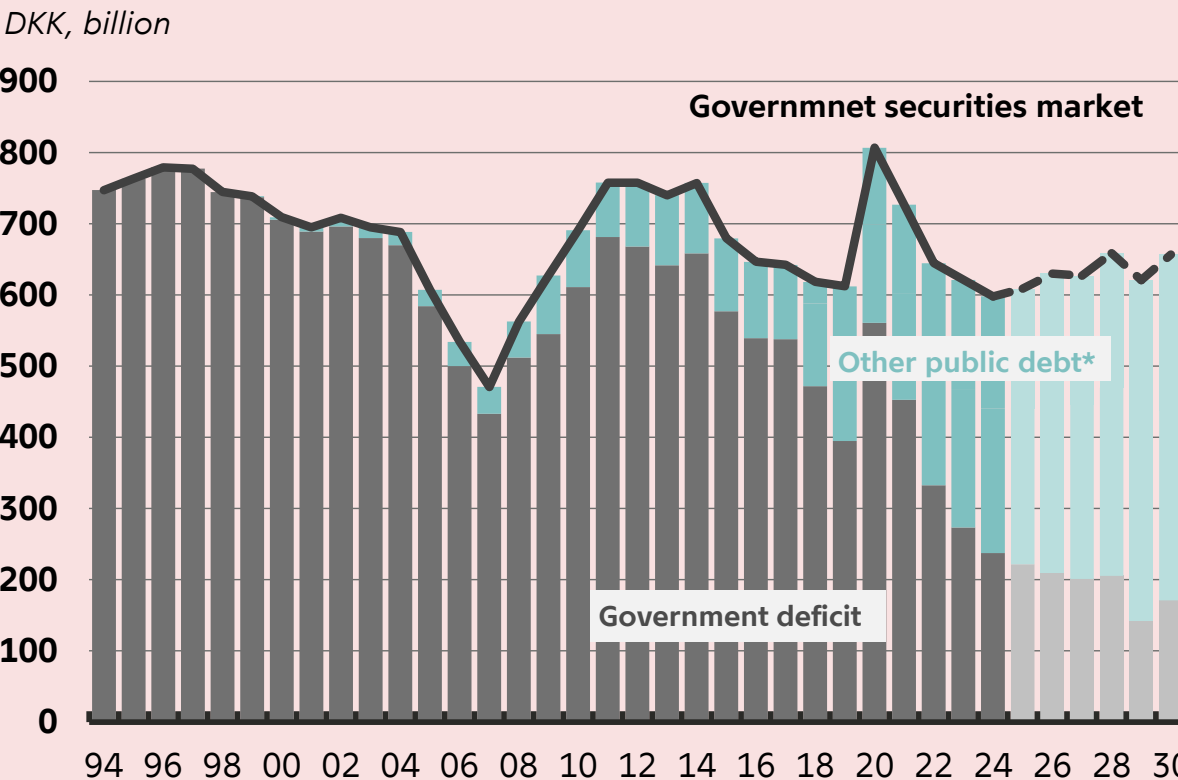
Note.: Country level gross issuance of government bonds and gross issuance as per cent of GDP (rhs).  
Source: EFC ex-ante reporting 2025

# Government debt levels continue to decline, but the size of the government securities market are maintained

Danish government debt fell to 7.5 per cent of GDP at the end of 2024, the lowest level since 1977...



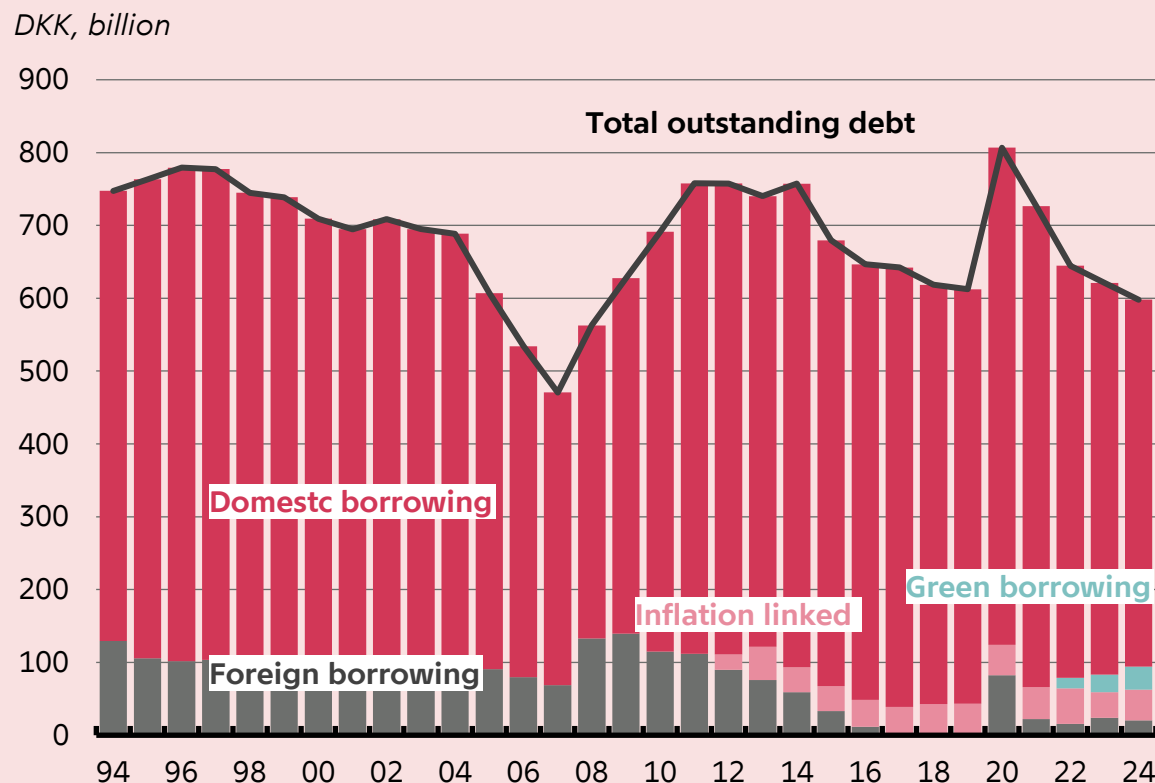
... but market liquidity is maintained by funding other public entities through the Government debt programme



# Funding strategy

# Kingdom of Denmark primarily issues DKK denominated debt

## Debt is primarily funded via DKK issuances



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### Nominal curve until 30-year

- Issuance concentrated in **2-year** and **10-year** benchmark bonds, limited issuance in **30-year**
- New 10-year bond opened every 2nd year
- New 2-year bond opened every 2nd year
- Regular issuance in 30-year bonds
- T-bill programme

### Green bond framework

- Follows the **twin bond principle** introduced by Germany
- Dark green rating and largely aligned with the EU Taxonomy
- **Update in 2025** to adhere to last regulatory developments

### Inflation-linked programme

- Linked to the Danish consumer price index (CPI)
- Expected new opening **every 4th year**
- Target for total outstanding programme: kr. 40-60 billion

### Foreign funding

- Contingency funding for the FX reserve and the government.
- **Yearly short dated benchmark** (1-2 bill.) in EUR or USD
- Continuous issuance in Commercial Papers (EUR, USD)

# Funding Strategy 2025

## Key strategic pointers for 2025

**Target: kr. 65 billion.**  
**Whereof approx. 10 billion will be issued as green bonds**

**Focused issuance in the 2-year and 10-year nominal bonds**

**A short-dated issuance in EUR or USD**

Issuance segment	Target, kr. billion
<b>Bonds, DKK</b>	65
2-year bond	2.25% 2027
10-year bond	2.25% 2035
10-year green bond	2.25% 2035
30-year bond	0.25% 2052
Inflation linked bonds	0.10% 2030i 0.10% 2034i
<b>Short-term papers</b>	25
T-bills	6-month T-bill opened every 3 month
Commercial papers	USCP in USD and ECP (EUR and USD)
<b>Bonds, EUR/USD</b>	
One short-dated EUR or USD bond	1-2 (EUR/USD)

# Regular issuance in foreign currency has a dual role (EUR/USD)

1

Borrowing in foreign currency can be done to support the FX reserve

2

Regular issuance provides contingency funding for the government. The ability to tap into the euro/dollar market gives the government a deeper and more secure market access.

## Planned EMTN issuance June 2025

Opening:	June 2025
Currency:	USD
Target Maturity:	Short dated
Offered via:	Syndicate
Size:	Benchmark size (Expected range 1-2 billion)
Official listing:	Luxembourg Stock Exchange
Governed:	By UK Law
Clearing:	Euroclear, Clearstream, DTCC
US language:	RegS included
JLM:	Danske Bank, HSBC, Morgan Stanley, J.P Morgan

2022  
(EUR)

2023  
(USD)

2024  
(EUR)

2025  
(USD)





# Danish government bonds offer many attractive characteristics



## Strong fundamentals and AAA-rated

**AAA rated and stable for 40 years** due to long track record of sound macroeconomic-, fiscal- and financial stability management.

Strong fundamentals – also projected ahead which results in a **modest but consistent supply of government bonds**.



## Liquid government bond market

Market liquidity is supported by the DMO through:

- Regular **switch auctions**
- **Buybacks** and tap sales

An **effective primary dealer model** based on price quotations and secondary market turnover.



## Diversification to core euro

Danish government bonds offer an **attractive diversification to core euro countries** due to currency peg.

Currently, the FX hedge also offers a **yield pick-up for EUR-based** investors.



## Broadly accepted as collateral

Danish government bonds are broadly accepted as collateral. For example, they **can be posted as IM at LCH and Eurex Clearing**.

In addition to the usual haircuts, LCH applies a 0.1 per cent currency haircut if DKK bonds are posted against euro exposure.

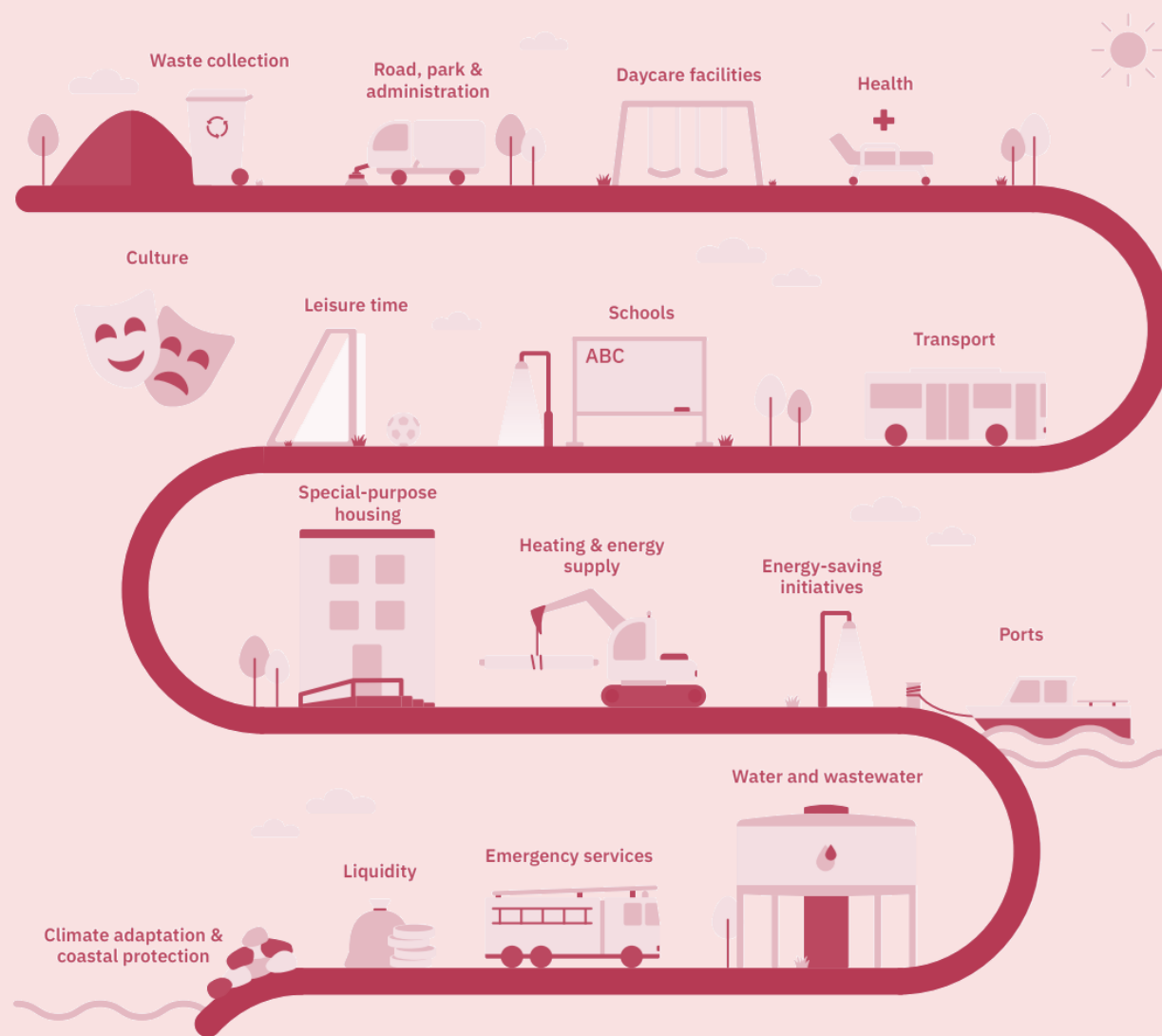
**Extra slides:**



# KommuneKredit finances municipal and regional projects in Denmark

KommuneKredit is a special-purpose financial enterprise that provide financing for investments in municipalities, regions and affiliated companies.

Investments include everything from green projects such as investments in energy-efficient district heating, climate proofing and coastal protection, energy-saving initiatives and climate-friendly transport to social purposes such as housing for marginalised people, senior housing, schools, city museums and sports centres.



# The DMO supports a liquid and well-functioning market for Danish government bonds by...



## ...building liquid benchmark series

Issuances are concentrated on a few benchmark bonds



## ...being active on the secondary market

Active support for secondary markets

- Switch auctions
- Buybacks and tap sales



## ... having an effective primary dealer model

Ensures a well-functioning secondary market:

- Price quotation
- Market maker



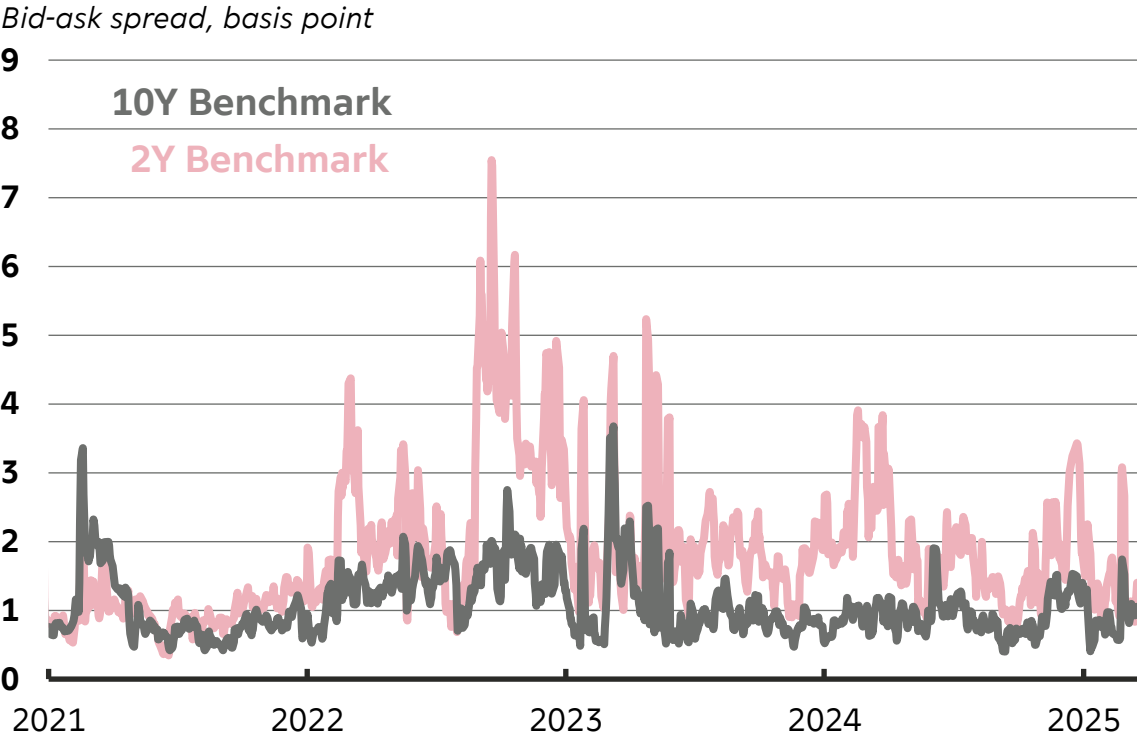
## ... and a securities lending facility

Ensures that the primary dealers can always be counterparties to trades



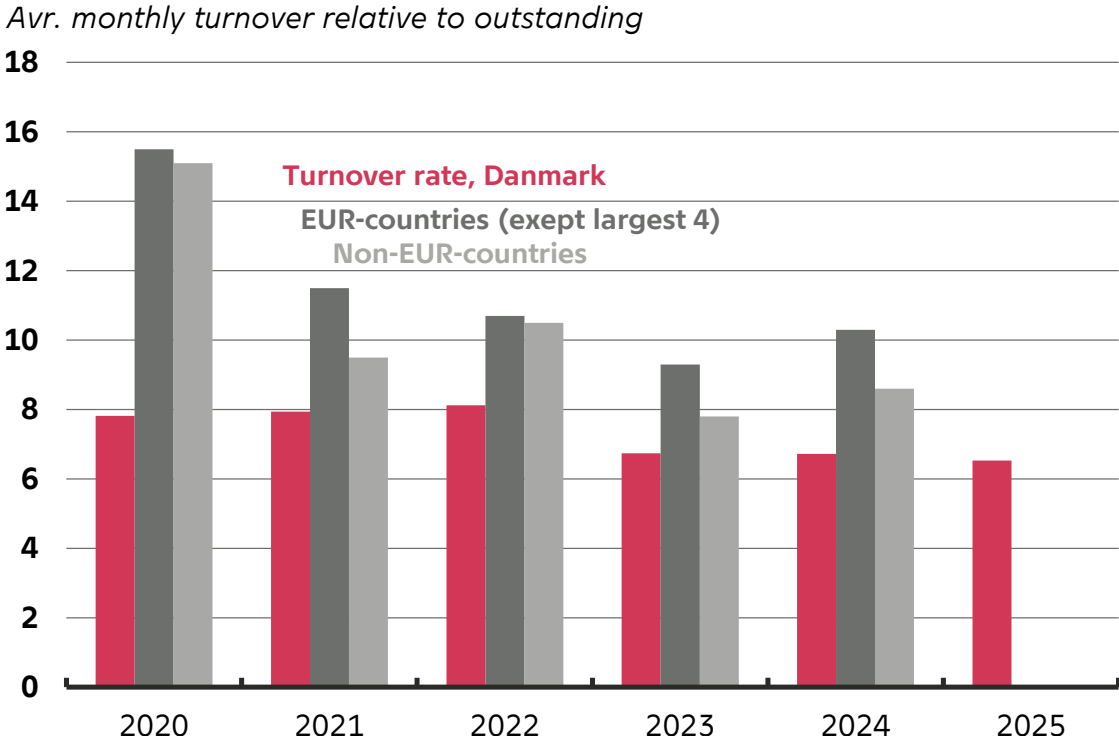
# Continuously low bid-ask spreads and stable turnover in Danish government bonds – even during volatile times

## Low inter-dealer bid-ask spreads ...



Source: MTS Denmark  
Note: The chart shows the inter-dealer bid-ask spreads on the 2- and 10-year benchmark papers

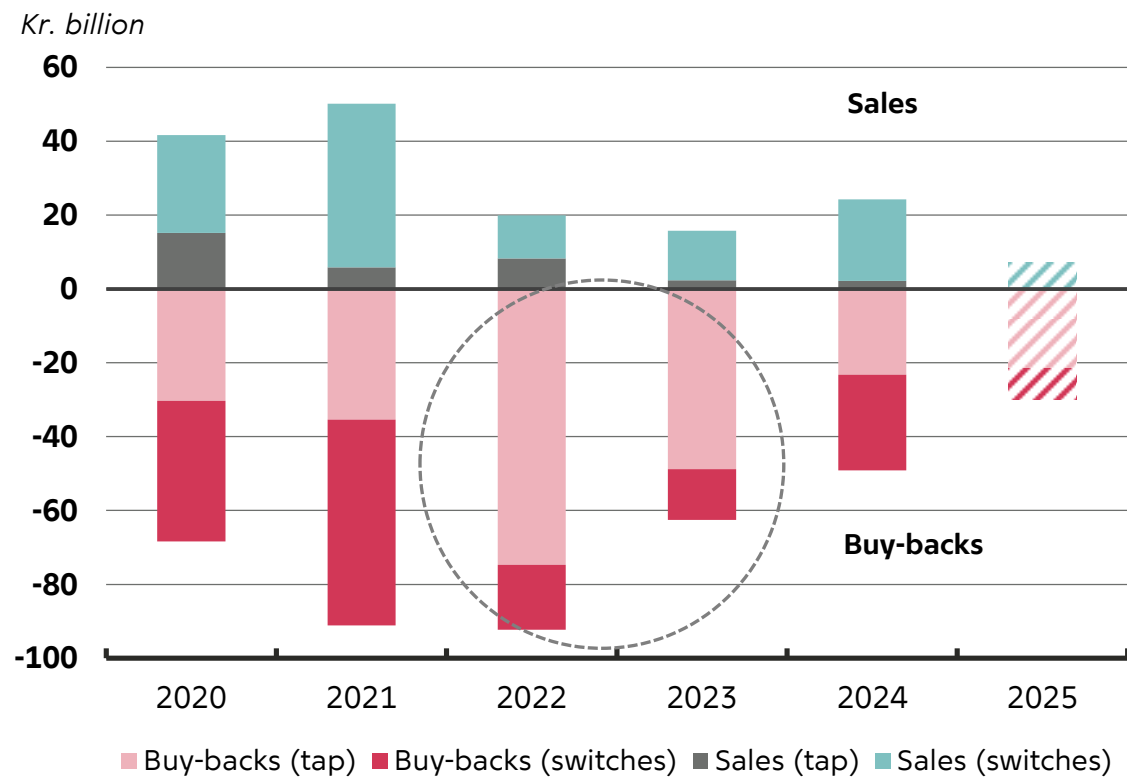
## ... and stable monthly costumer turnover rate



Source: HRF data  
Note: The chart shows avr. monthly costumer turnover in the secondary and primary markets for government bonds, divided by the average monthly outstanding amount. Data is excluding inter-dealer and DMO trades.

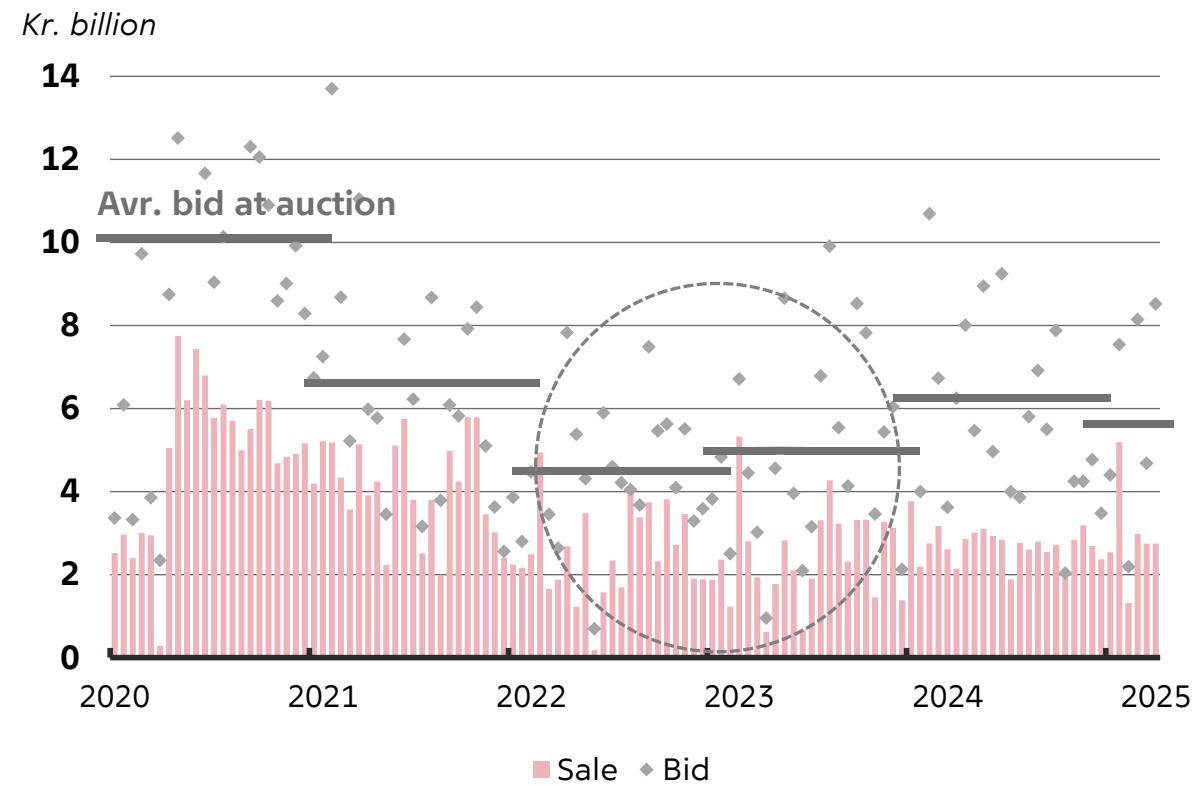
# Continuous presence in the secondary market

The secondary market is supported through tap buybacks and issuances as well as switch-auctions...



Source: Danmarks Nationalbank  
Note: Buy-back of bonds maturing within the year are not included. The numbers for 2025 are current as of this point in the year.

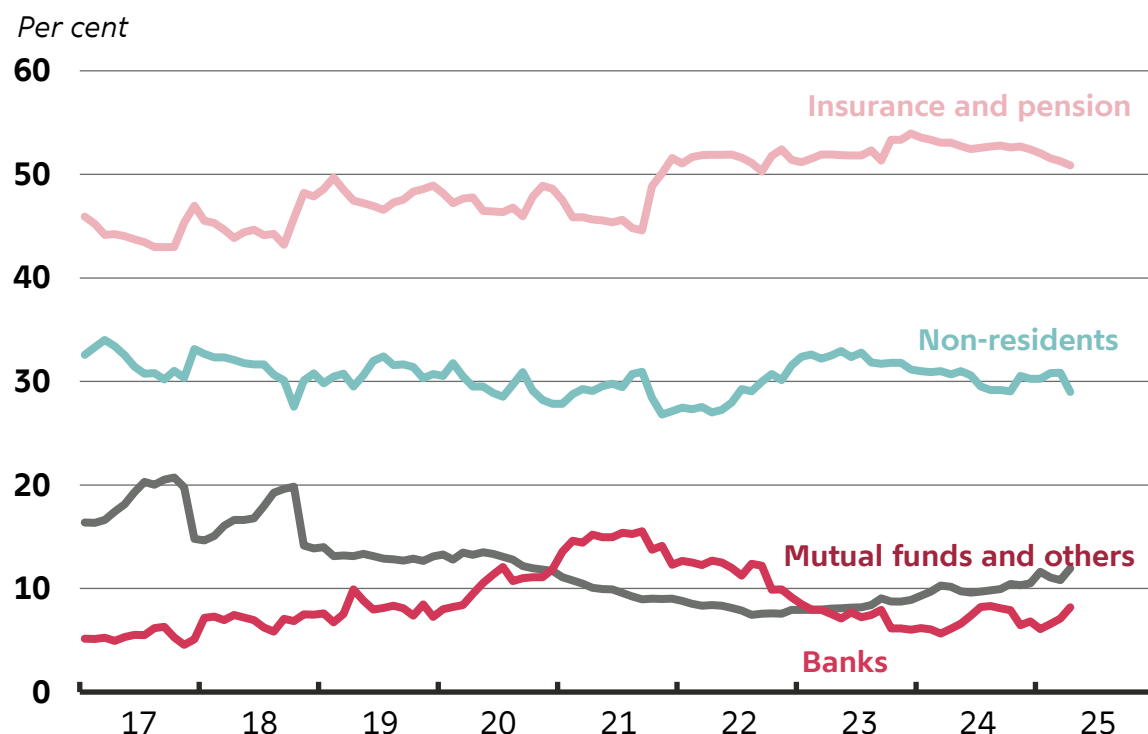
...especially in periods of weaker demand



Source: Danmarks Nationalbank.  
Note: Sale at auctions in pink and bid at auctions in dots. Average for the year in lines.

# Danish government bonds have a large domestic investor base

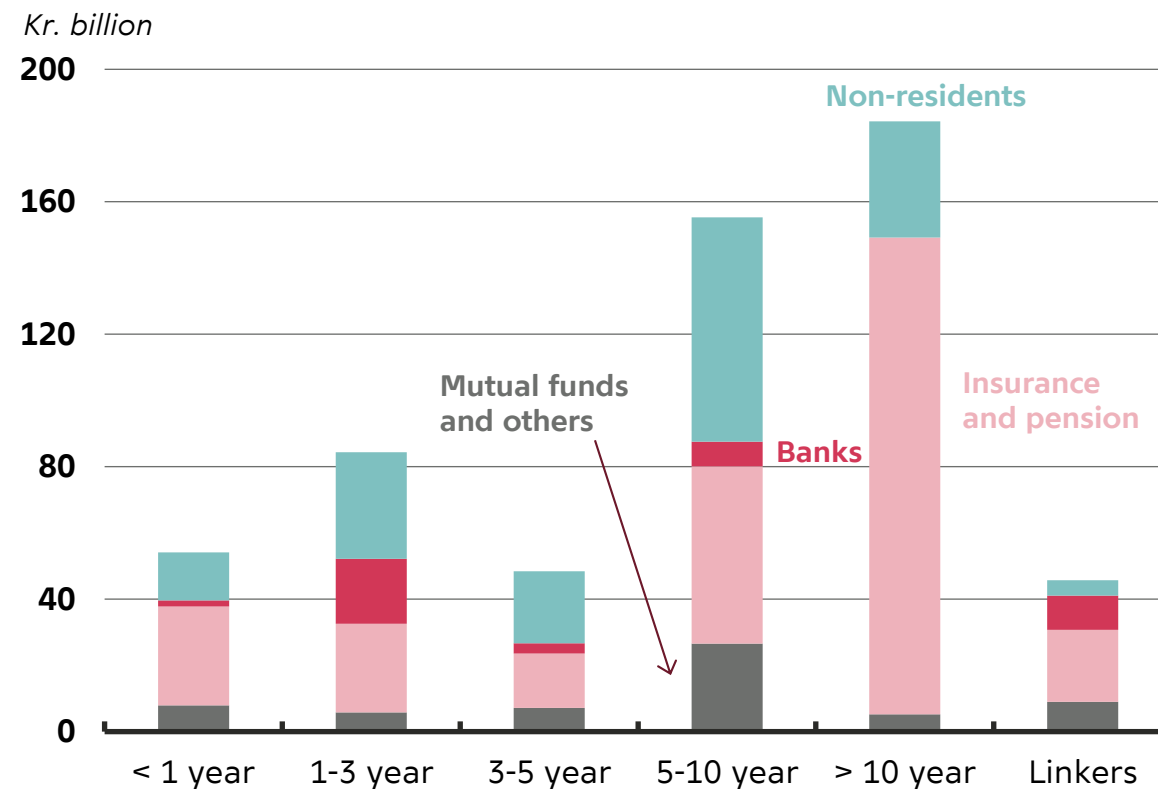
...where the Danish insurance and pension sector owns the largest share



Source: Danmarks Nationalbank

Note: The chart shows ownership shares of the Danish government bonds at the end of April 2025.

...but foreign investors are participating across tenors



Source: Danmarks Nationalbank

Note: The chart shows ownership shares of the Danish government bonds at the end of April 2025.

# Functional Primary Dealer Model that rewards price quotation and performance in the secondary market

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## Compliance requirement:

Meeting minimum requirements for pricing on MTS.

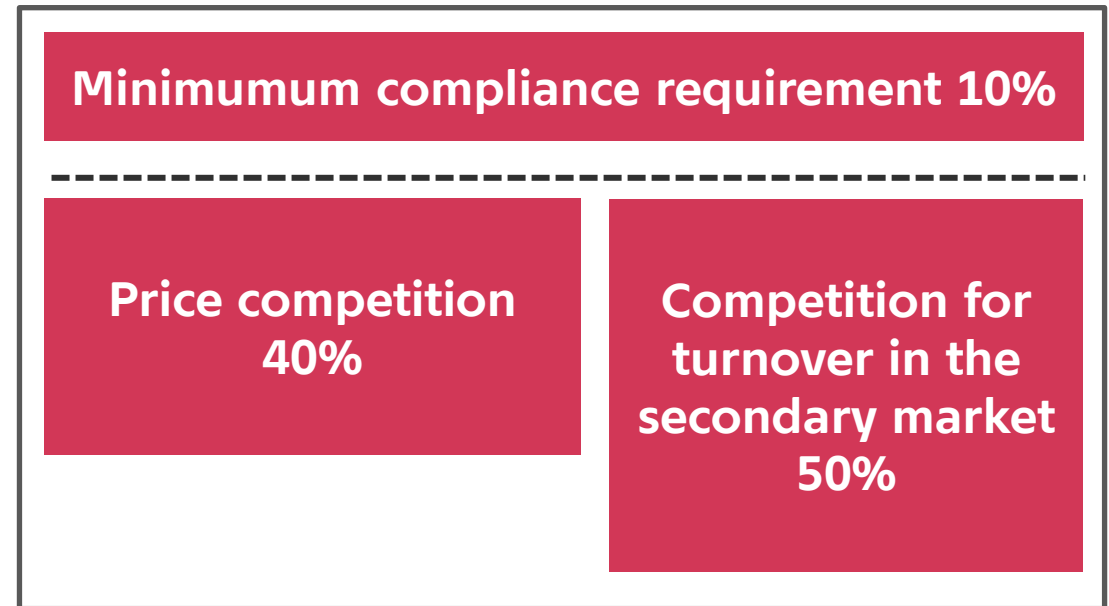
## Price competition:

Highest fee is paid to the Primary Dealer with the best prices (tightest bid-ask spread).

## Turnover competition:

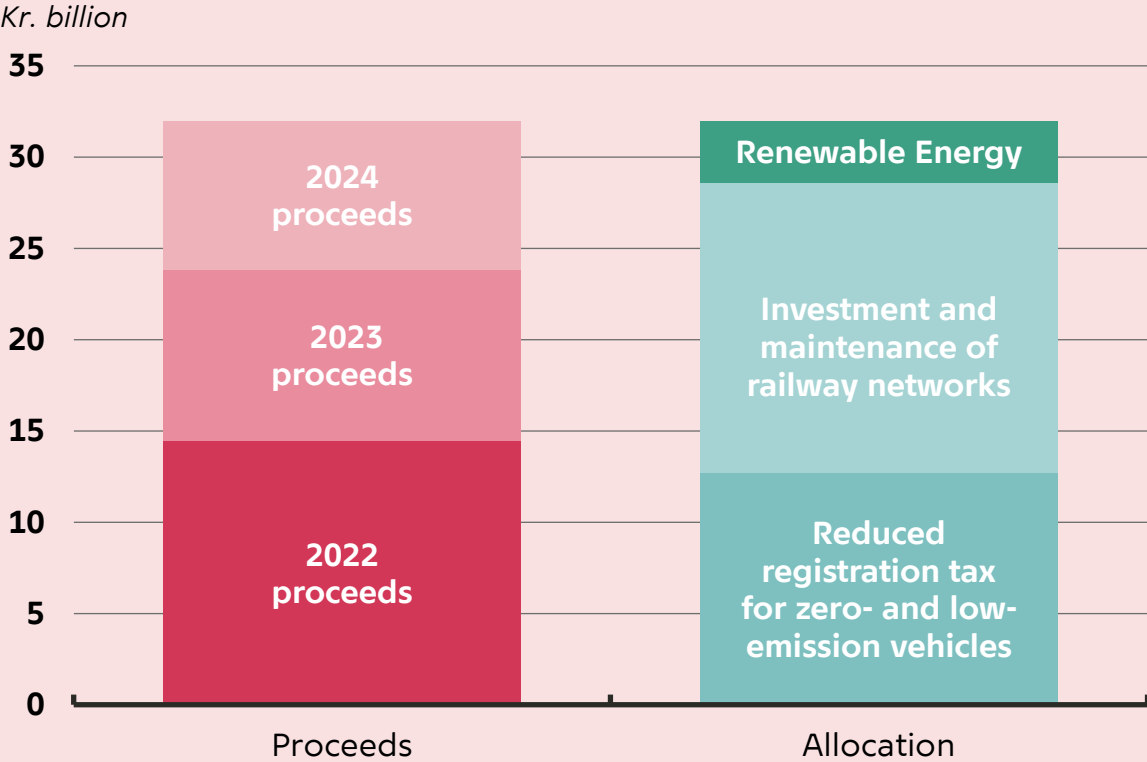
Highest fee is paid to the Primary Dealer with the highest turnover with customers in the secondary market.

## Total fee pool










# Denmark has allocated DKK 32 billion to green expenditures under the government's Current Green Bond Framework

**DKK 32 billion allocated to green spending under the government's Green Bond Framework**



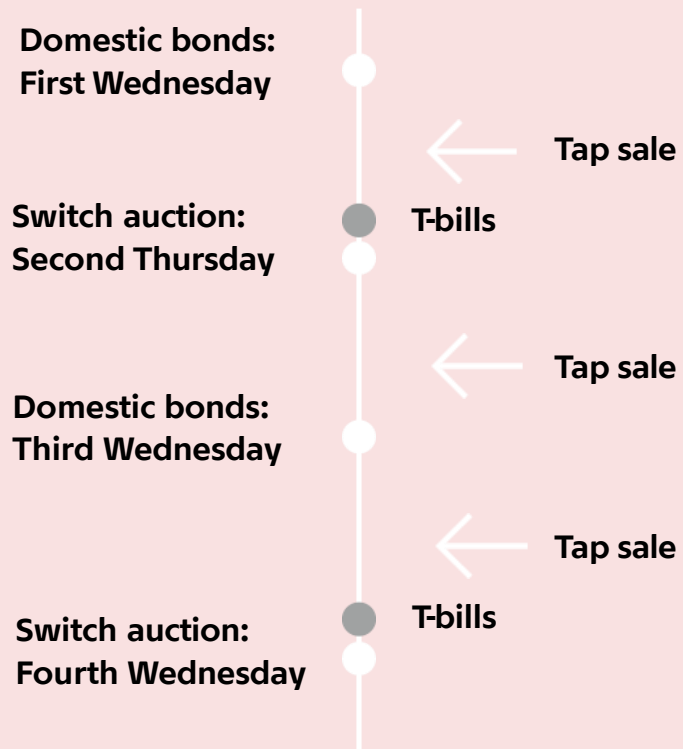
Source: Danmarks Nationalbank, Danish Ministry of Finance



Eligible Green Categories	EU Environmental Objective	Eligible Green Expenditures	UN Sustainable Development Goals
 Renewable Energy	Climate Change Mitigation	<ul style="list-style-type: none"><li>Subsidies for electricity generation from solar PV.</li><li>Subsidies for electricity generation from onshore and offshore wind farms.</li><li>Tax exemption for electricity generation from solar PV for self-consumption.</li></ul>	 
 Clean Transportation	Climate Change Mitigation	<ul style="list-style-type: none"><li>Maintenance and renovation of the rail infrastructure.</li><li>Rail infrastructure investment projects, including electrification.</li><li>Tax exemption for zero and low emission vehicles.</li></ul>	  

# How to buy DKK-denominated government securities?

## Regular auctions of government bonds



## Auctions

**Issuance method:** Auctions supplemented with tap sale directly in the secondary market.

**Bond auctions:** Bi-weekly auction. Investors can participate via primary dealers.

**T-bill auctions:** Twice a month.

**Switch auctions:** Bi-weekly auction. Offers the possibility to exchange existing securities to new on-the-run securities at market prices.

## Domestic bonds

**Official listing:** Nasdaq Copenhagen

**Governing law:** Danish Law

**Clearing:** VP Securities, Euroclear and Clearstream (All primary dealers provide custody services)

**Settlement:** Standard is T+2

**Trading on:** Main trading platforms

**Inter-dealer:** MTS Denmark and NEX Brokertec

**Dealer-to-customer:** Bloomberg, BondVision and TradeWeb

**Eligible as collateral:** LCH and Eurex Clearing



# Primary dealers in Danish government securities

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Government bonds	Treasury bills	ECP programme	USCP programme
BNP Paribas	Danske Bank	Bank of America Merrill Lynch International	Bank of America Merrill Lynch International
Danske Bank	Nordea	Barclays Bank	Barclays Bank
HSBC	Nykredit Bank	UBS	Citigroup
J.P. Morgan	SEB	Citigroup	J. P. Morgan
Morgan Stanley		ING Bank	Goldman Sachs & Co.
Nordea		Rabobank	
Nykredit Bank		BRED banque de popolare	
SEB			