

DANMARKS
NATIONALBANK

Kingdom of Denmark

Nordea Statsgældssymposium

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Nordea statsgældssymposium 2024

Highlights of the agenda



Strong debt sustainability

Danish central government debt is at 10.5 per cent of GDP, the lowest level since 1977.

Sound public finances, low debt, reform orientated policies and sound macroeconomic fundamentals are all factors that underpin Denmark's strong credit rating outlook.



Broadening of the investor base

Focus on investor relations and market conditions has led to an increase in the non-resident investor share. The non-resident investor base is important for a well-functioning government bond market.

The central government maintains a diversified palette of products – matching a diversified investor base.



Modest supply of government bonds

The Danish economy stands strong going into 2024. Bond issuance target is set at a level less than 2.5 per cent of GDP, which implies a modest supply of government bonds relative to European peers.

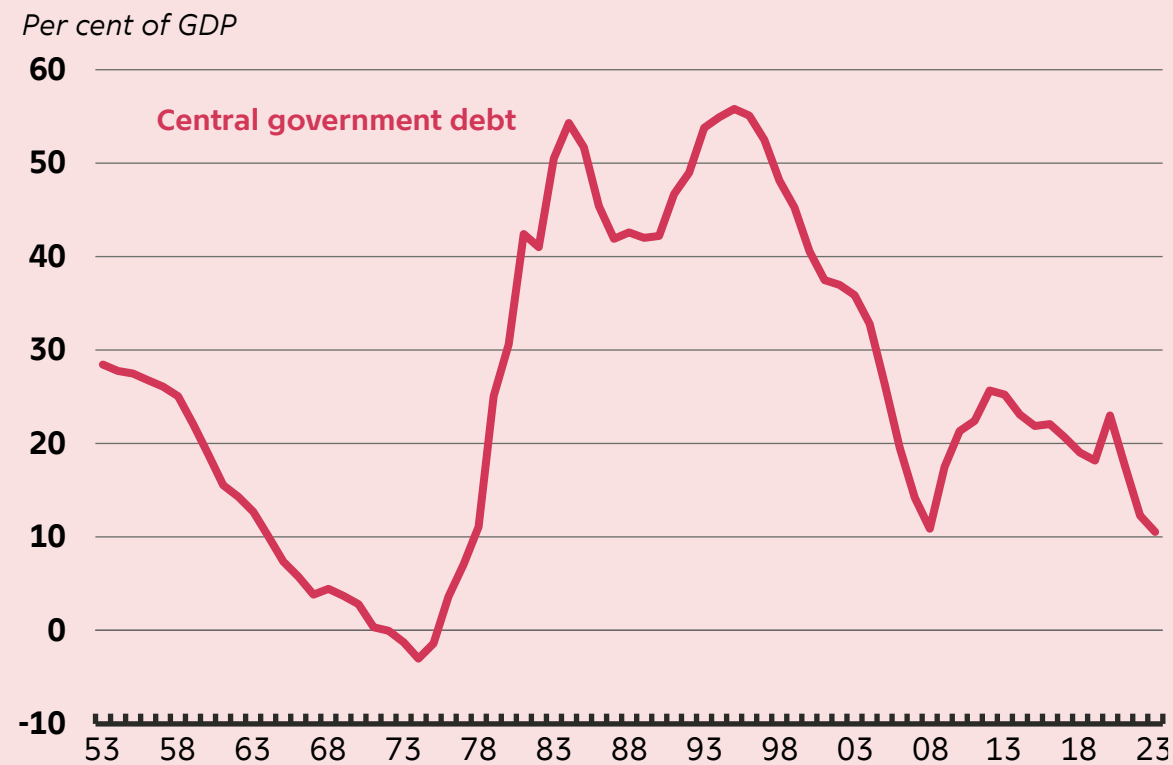
So far in 2024, demand has been high and performance strong across tenors relative to peers.



Central government borrowing and debt 2023

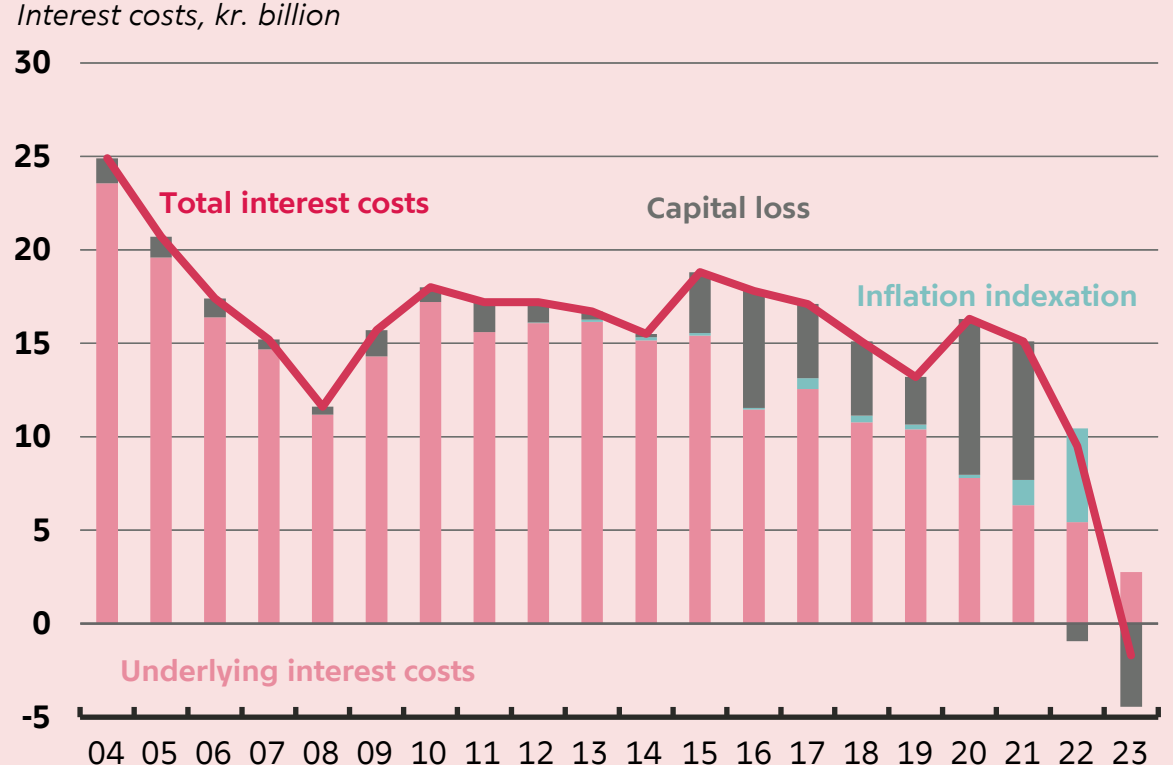
Strong development in Denmark's debt sustainability through out 2023

Danish central government debt fell to 10.5 per cent of GDP, the lowest level since 1977



Source: Danmarks Statistik.

Despite rising interest rates, Denmark had net negative interest expenses amounting to -0.06 per cent of GDP

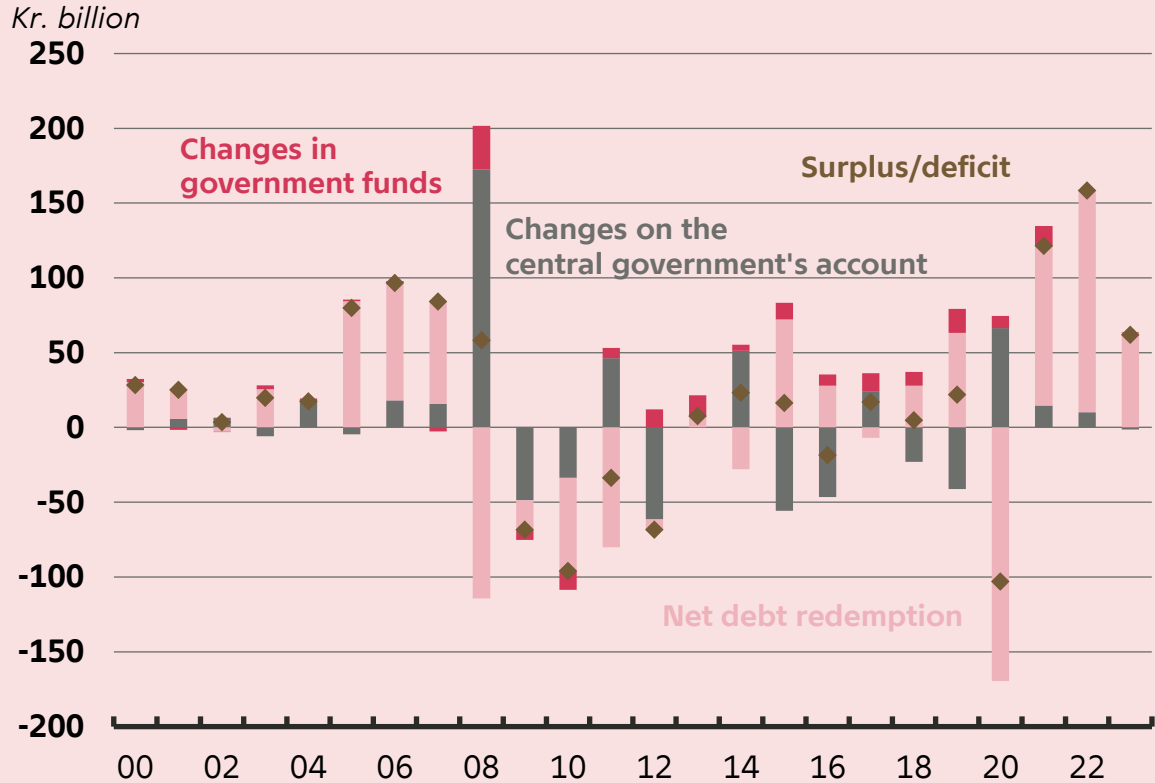


Source: Danmarks Nationalbank.

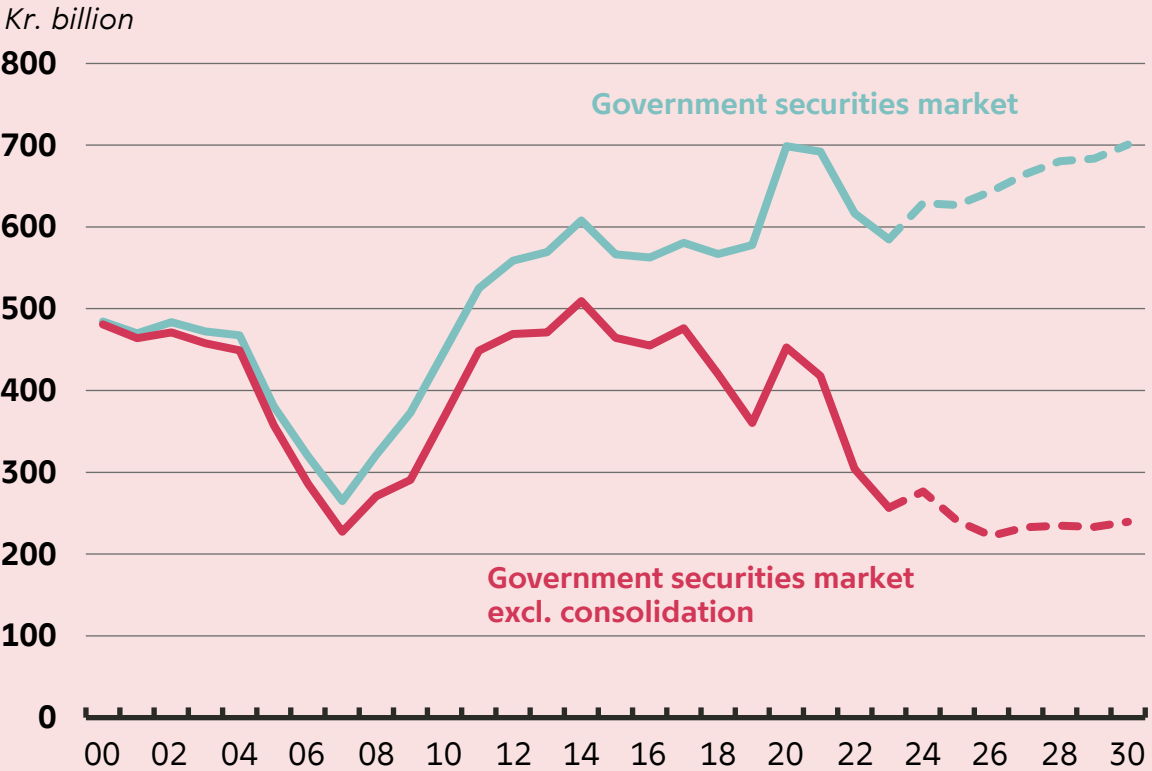
Note: Annual gross interest costs for total central government debt in DKK billion. Negative amounts constitute revenue. The central government's interest income from on-lending has not been offset in the chart.

Consolidation of public debt supports liquidity on the government securities market

Government budget surpluses has led to large debt redemption...



...but consolidation continues to maintain issuance at a level that ensures a liquid government securities market

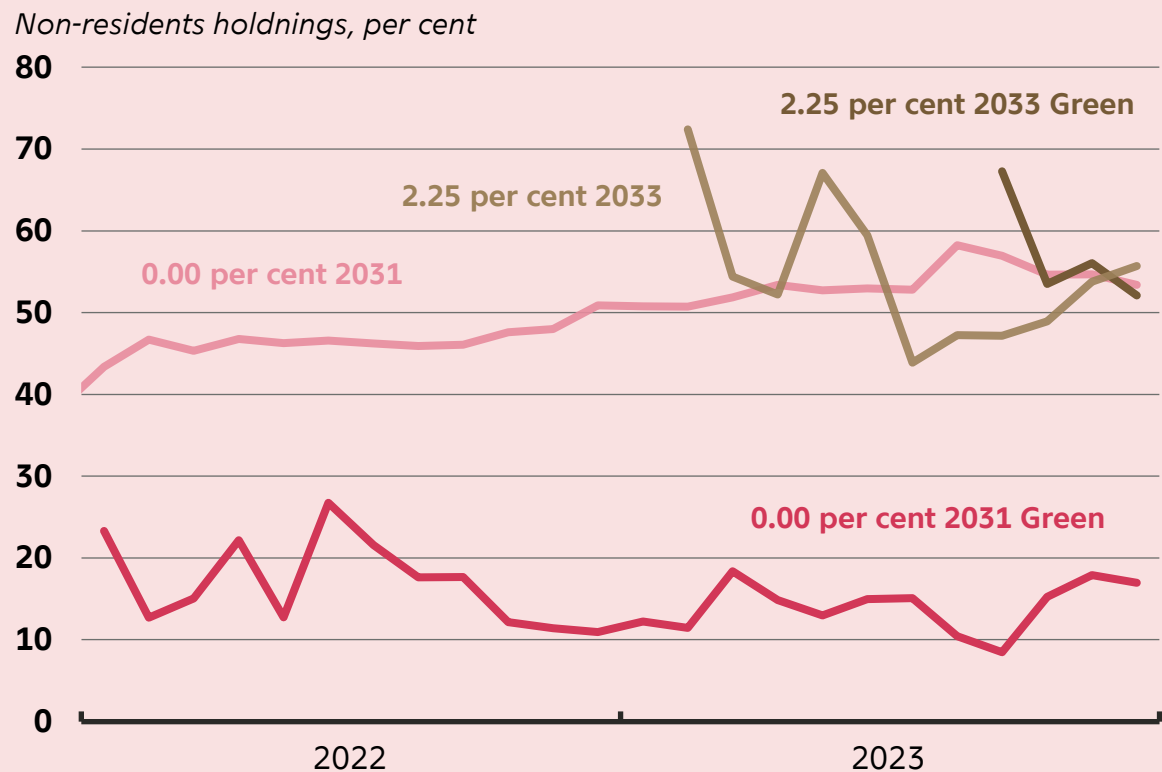


Source: Government accounts 2000-2023.
Note: Surplus/deficit corresponds to net cash balance/net financing requirement. Re-lending administered by Danmarks Nationalbank, social housing and expenses financed by green bonds are offset, as these items are specifically financed by issuing government securities and not via the central government accounts (DAU balance). Reduction of debt is calculated net.

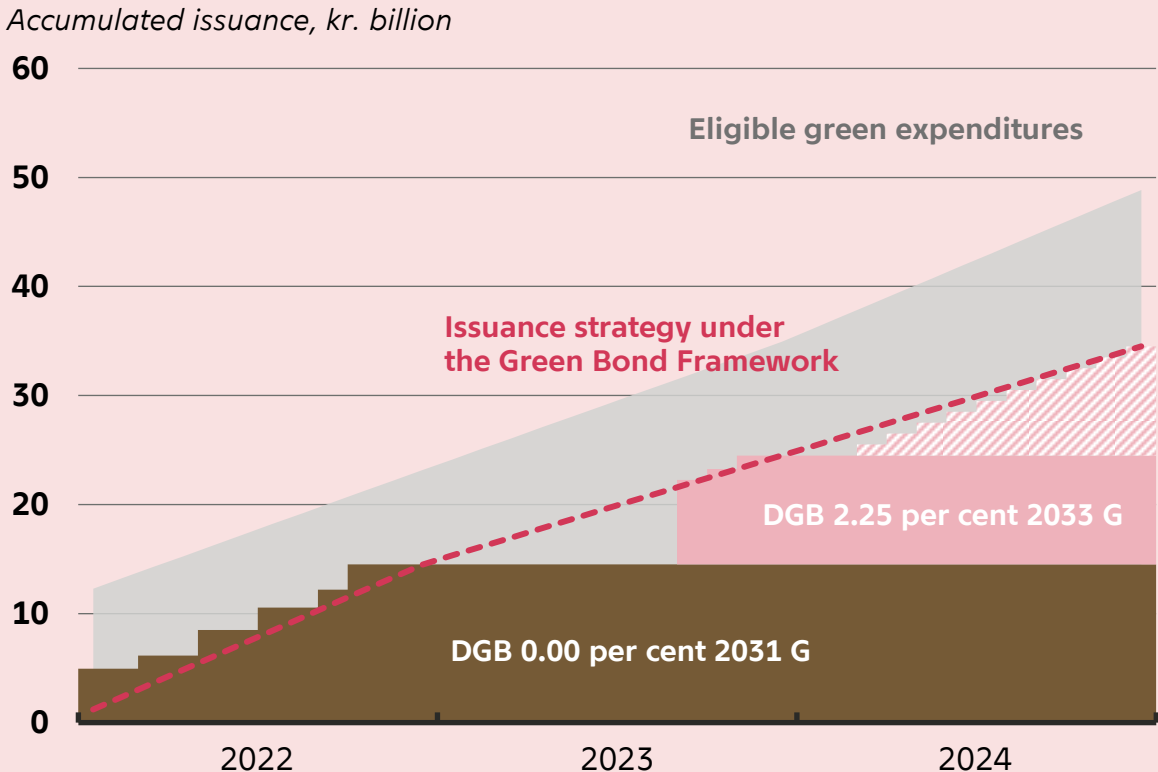
Source: Danmarks Nationalbank and the Ministry of Finance.
Note: The projection of the government securities market is based on the Ministry of Finance's latest medium-term projections for the central government's net financing requirement.

First syndicated transaction in Danish government bonds increased non-resident market participation

The goal of increasing the non-resident participation in the green programme was achieved with the first syndication



Total sales target of green bonds amounts to approx. kr. 10 billion at market value in 2024 via ordinary auctions

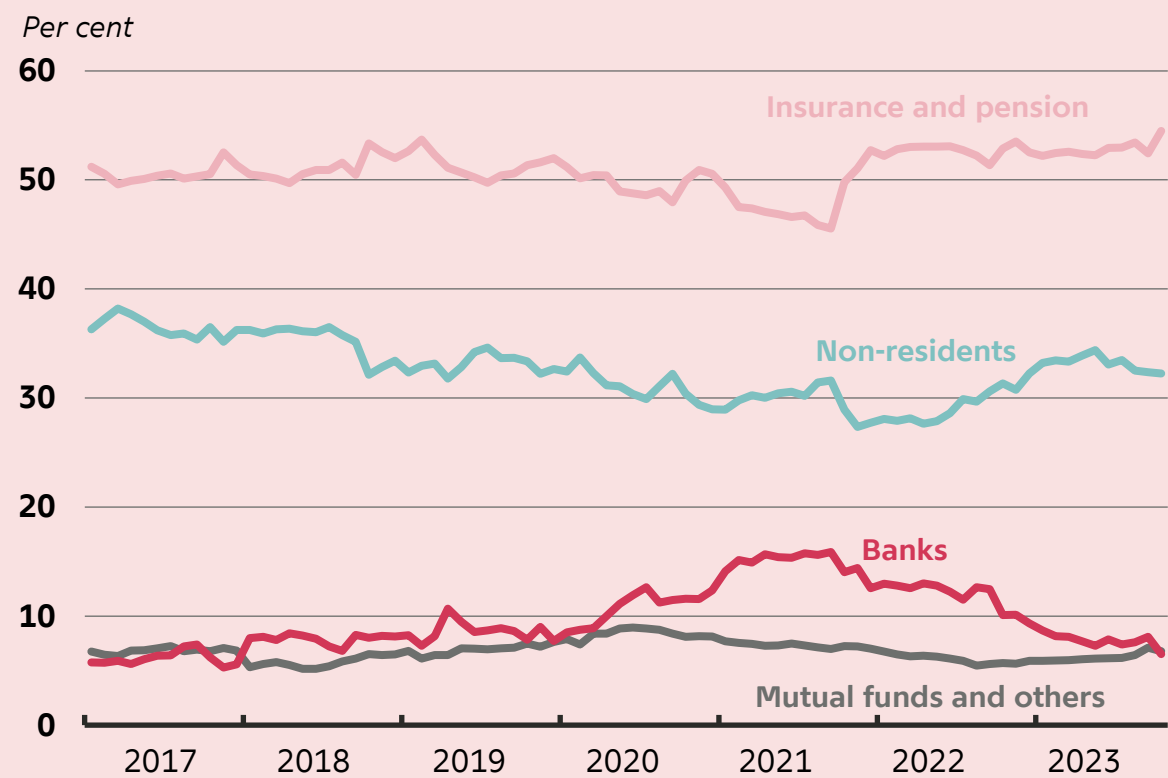


Source: Danmarks Nationalbank
Note: The chart shows the non-resident ownership shares of the green Danish government bonds in addition to the conventional nominal twin-bonds in 2022 and 2023.

Source: Danmarks Nationalbank and the Ministry of Finance.

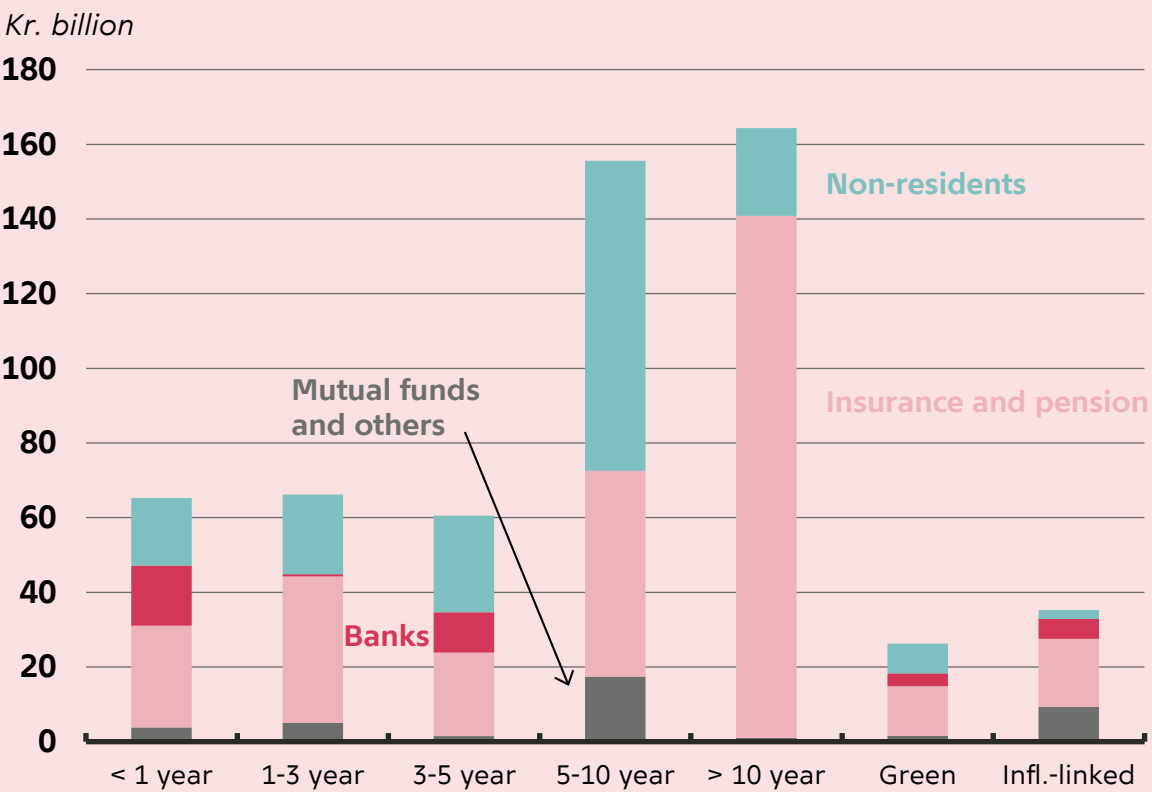
Investor diversity promotes market resilience - increased engagement has led to higher non-resident market share

The Danish insurance and pension sector owns the largest share of government bonds...



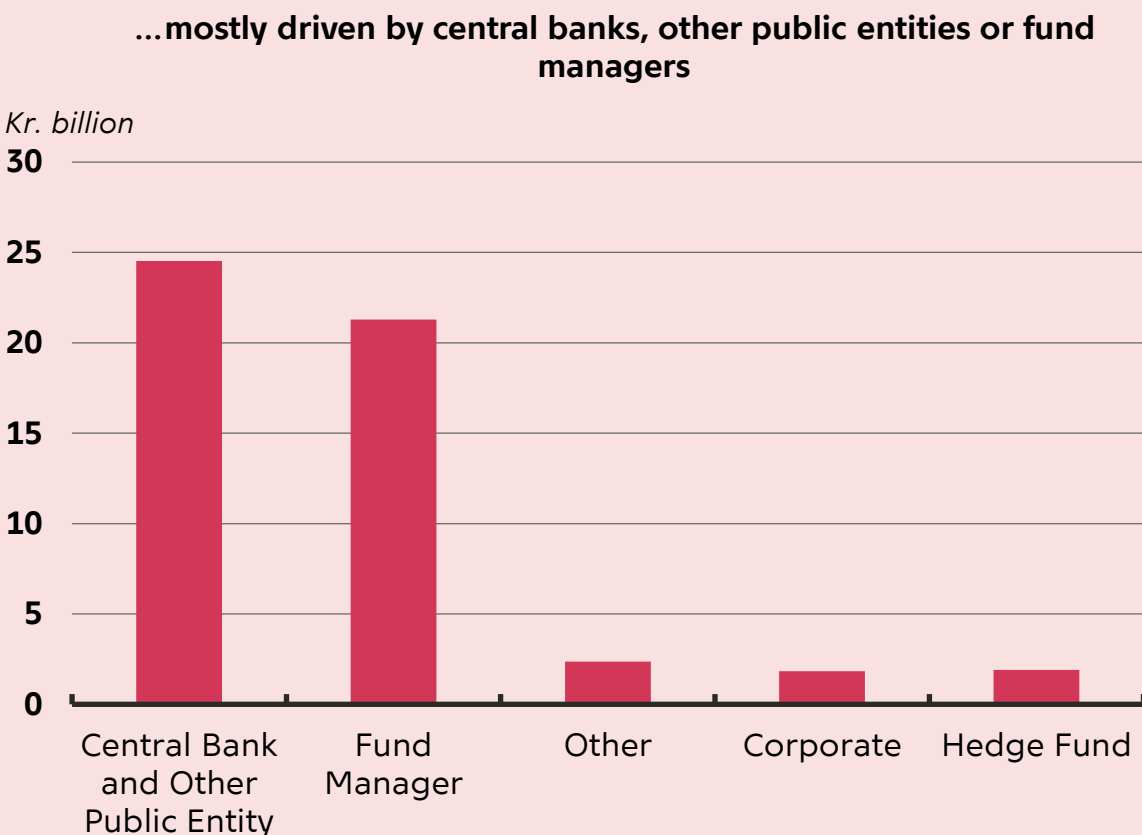
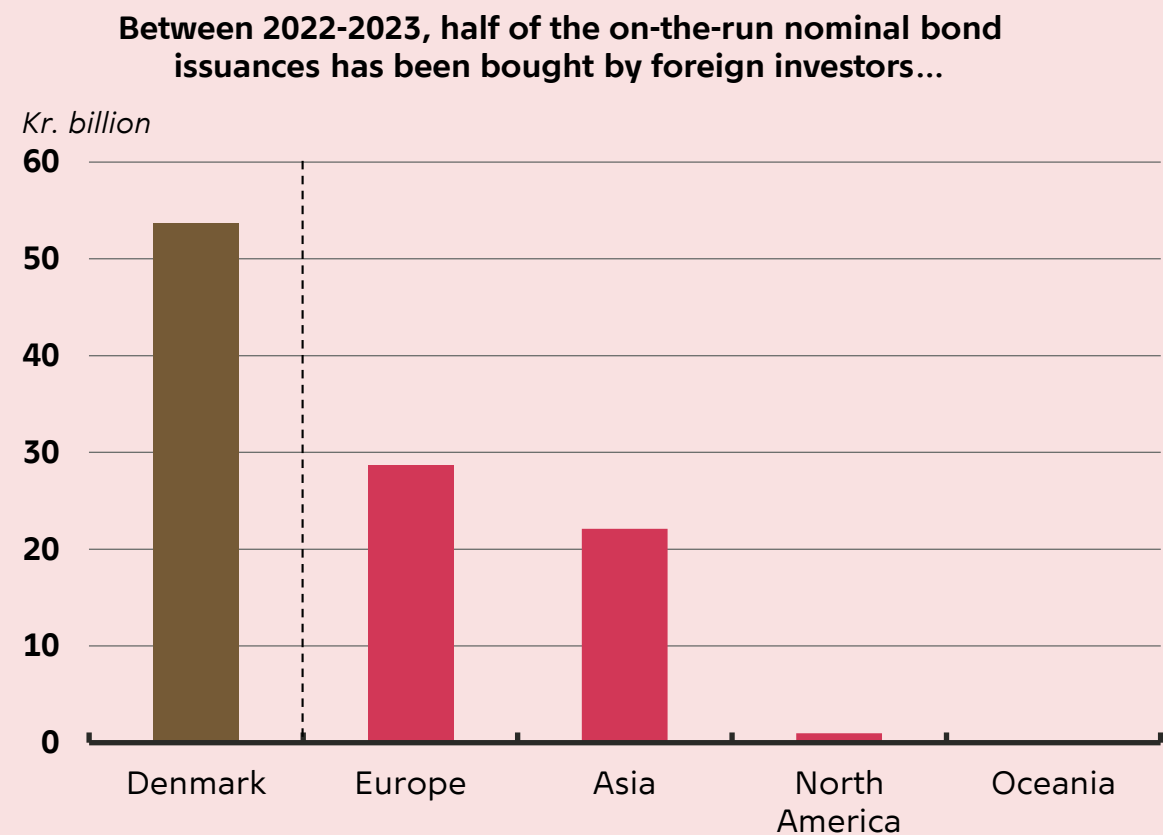
Source: Danmarks Nationalbank
Note: The chart shows ownership shares of the Danish government bonds until the end of Dec 2023.

...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 Dec 2023.

The increase in the non-resident investor participation stems from Europe and Asia – driven by long-term investors



Source: Danmarks Nationalbank.
Note: The chart shows the central government's primary dealers' net trading positions with customers across regions in the on-the-run conventional nominal bonds in 2022 and 2023.

Source: Danmarks Nationalbank.
Note: The chart shows the central government's primary dealers' net trading positions with non-resident customers across investor types in the on-the-run conventional nominal bonds in 2022 and 2023. The category 'Other' includes Retail, Pension Fund, Insurance Company and Bank-Customer.

Funding strategy and outlook 2024

Central government borrowing strategy 2024

Key strategic points for 2024

The target for **bond issuance in 2024 is set at kr. 65 billion** (less than 2.5 per cent of GDP).

The issuance will be focused in the **2-year and 10-year nominal bonds**. A new 2-year bond with maturity in 2026 has been opened.

To maintain the government’s **strong access to foreign funding** markets, a yearly issuance in the EMTN programme is expected.

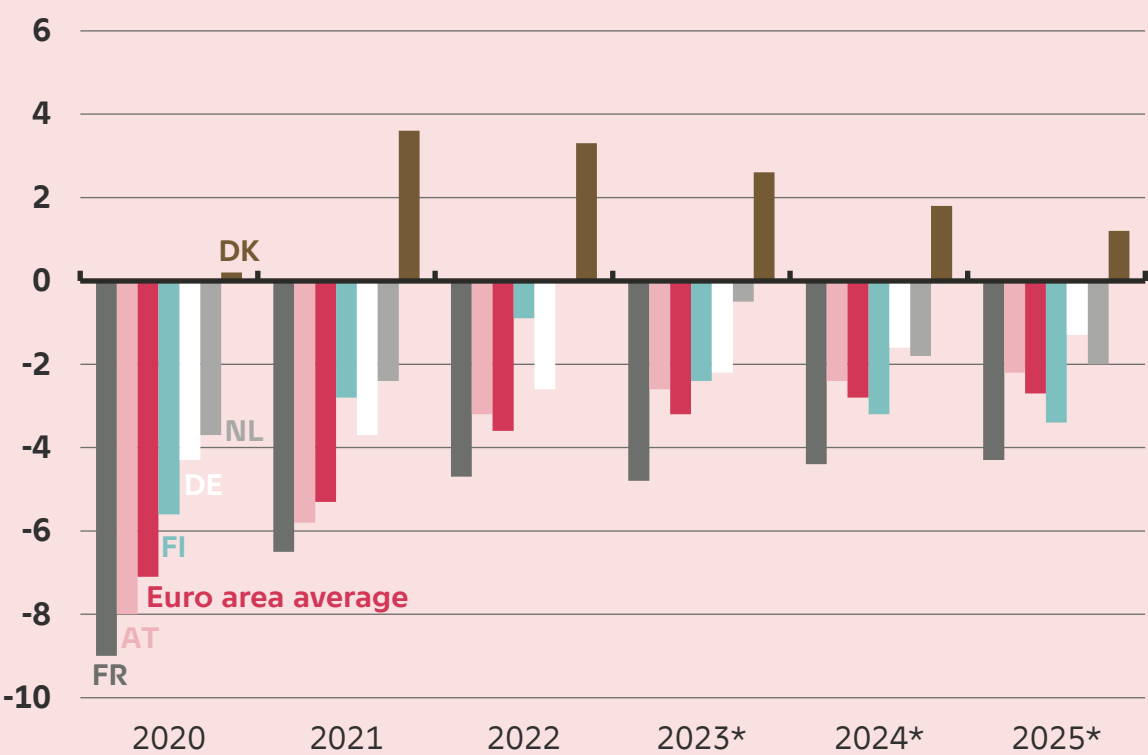
| Borrowing requirement | Kr. billion |
|--------------------------------------|-------------|
| Net financing requirement | -45 |
| Net purchase of social housing bonds | 6 |
| Redemption of bonds etc. | 82 |
| Redemptions, short-term debt | 35 |
| Financing requirement | 77 |
| | |
| Strategy for financing | |
| Issuance of government bonds | 65 |
| Sale of T-bills and CP | 35 |
| Sale of EMTN | 12 |
| Government account | -35 |
| Financing | 77 |

Note: Based on the Ministry of Finance’s Economic Survey, December 2023

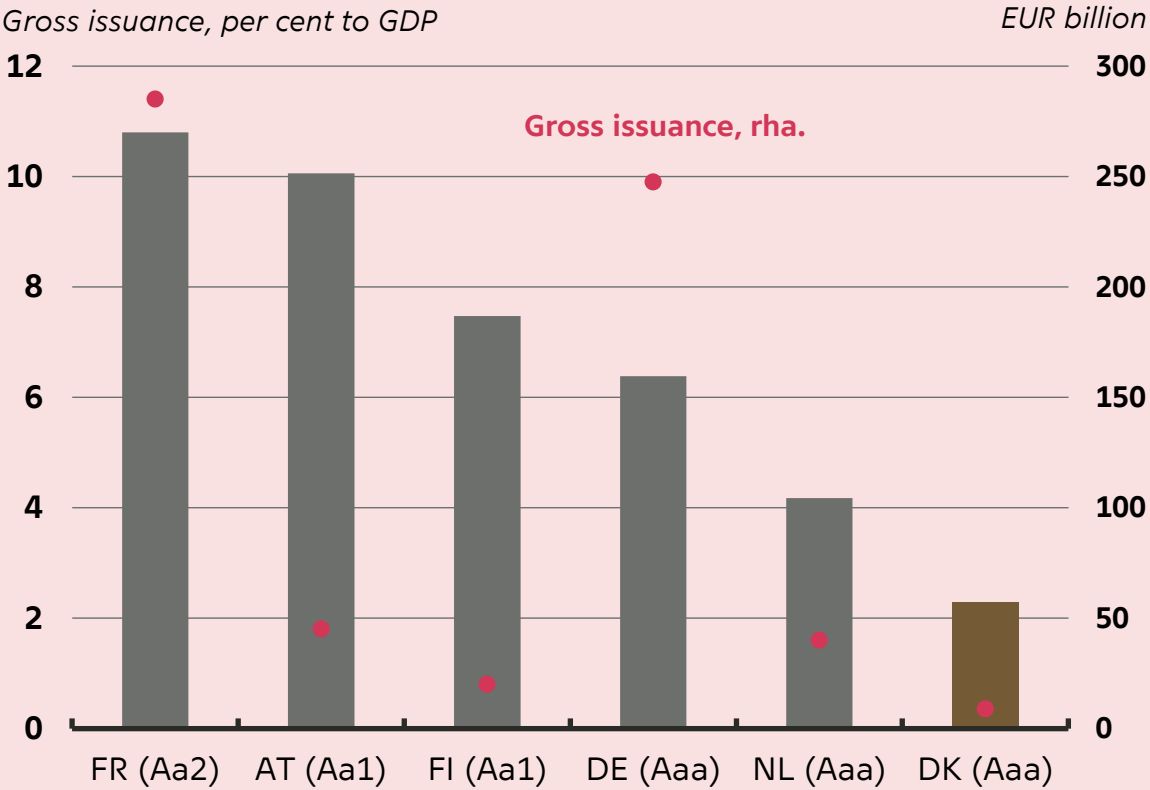
Low financing needs and the absence of quantitative tightening in Denmark supports a modest supply of bonds

The consistent government surpluses in Denmark is expected to continue over the coming years..

General government surplus(+)/deficit (-), per cent of GDP



...which in turn supports the modest supply of government bonds relative to peers



Source: Eurostat and European Commission Economic Forecast, Autumn 2023.

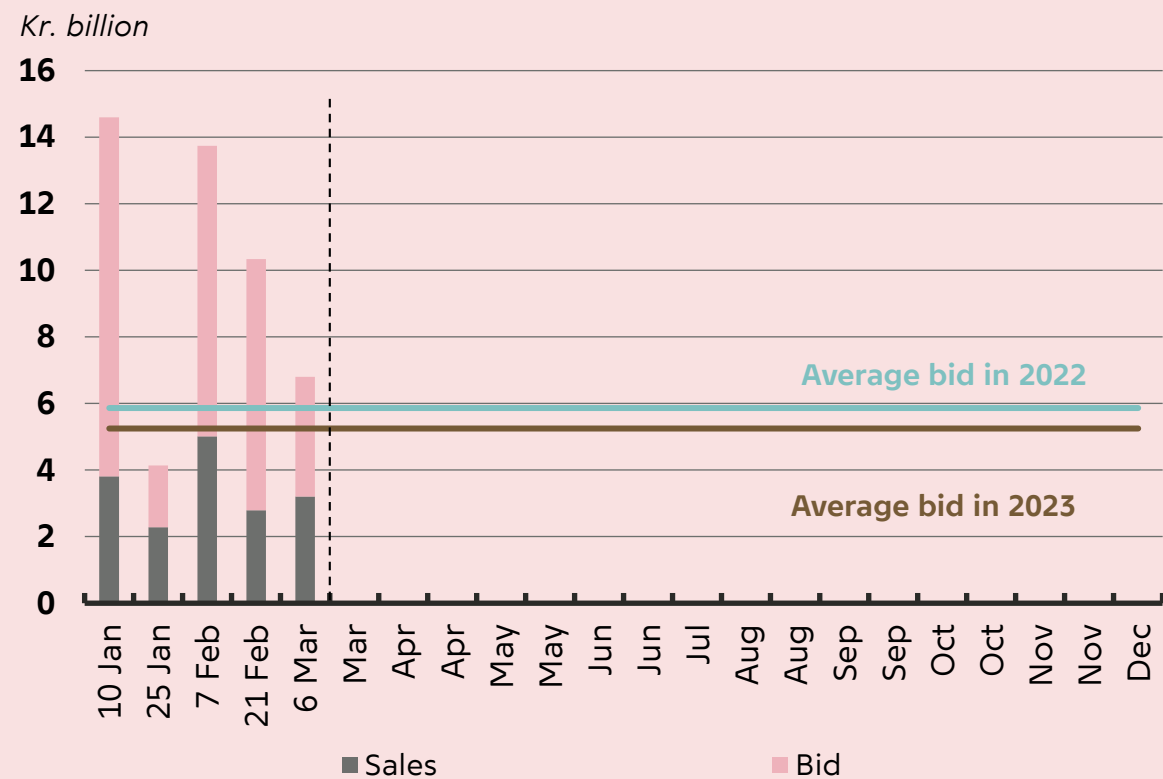
Note: * Estimate based on the European Commission's Economic Forecast, Autumn 2023. General government comprises central government, state government, local government and social security funds.

Source: Moody's, Eurostat, AFS, Deutsche Finanzagentur, Treasury Finland, Oebfa, DSTA and Danmarks Nationalbank

Note: Gross issuance plans for 2024 for each DMO, excl. bill programmes. Country specific GDP-denominators from 2022. *Issuance from the Kingdom of Denmark is converted into EUR.

Credit quality, modest supply and favorable FX-hedging costs has led to high demand and strong performance

There has been a significant uptake in the amounts of bids on auctions compared to the previous years..



Source: Danmarks Nationalbank.
Note: The chart shows sales and bids at all bond auctions year-to-date in 2024, including average bids in 2022 and 2023.

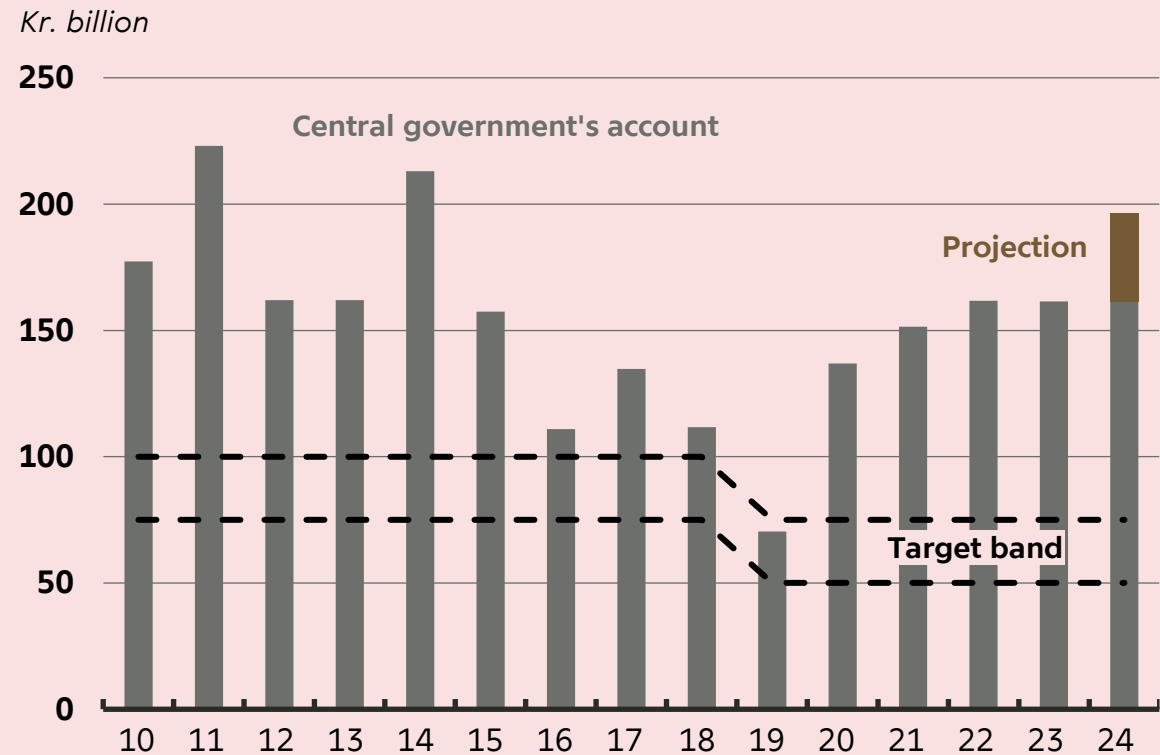
...and so far this year, there has been strong performance in the Danish government bonds relative to Germany



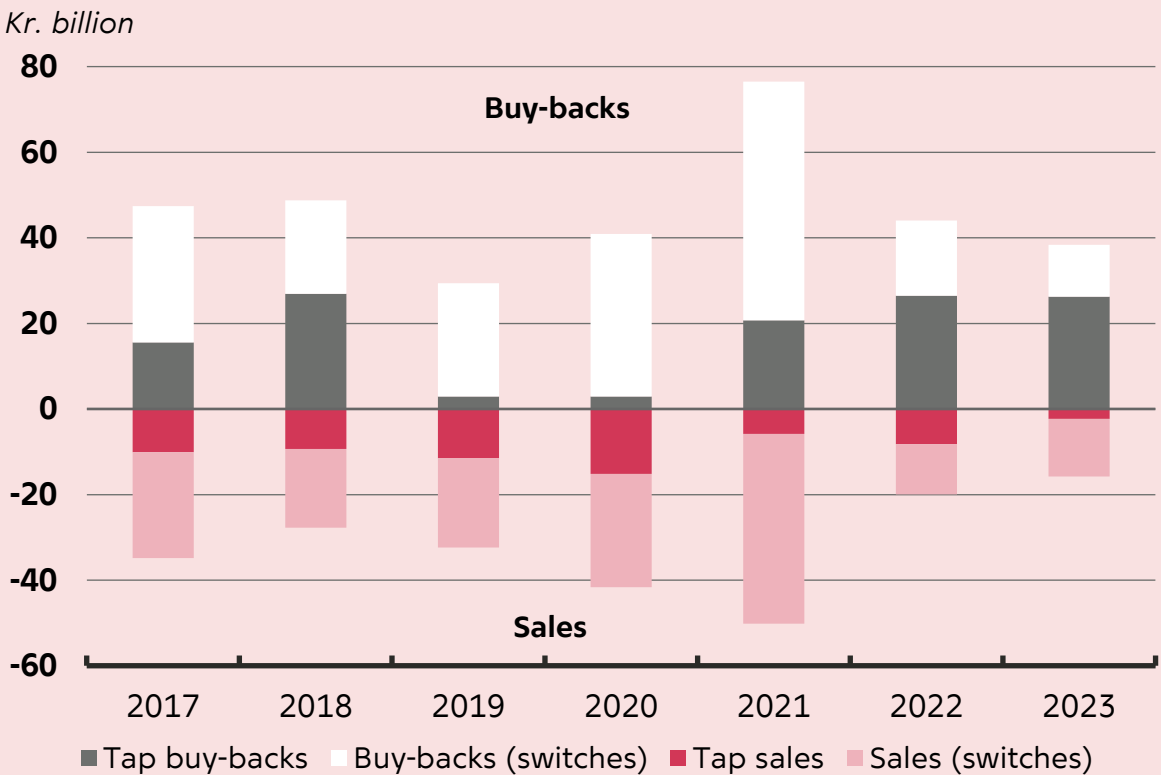
Source: Nordea Analytics.
Note: The 2-year and 9-year tenor par yield spreads are used. Last observation 8 March 2024.

A high account balance with Nationalbanken allows for continuous support in the secondary market

A high account balance still allows for an active role in the secondary market



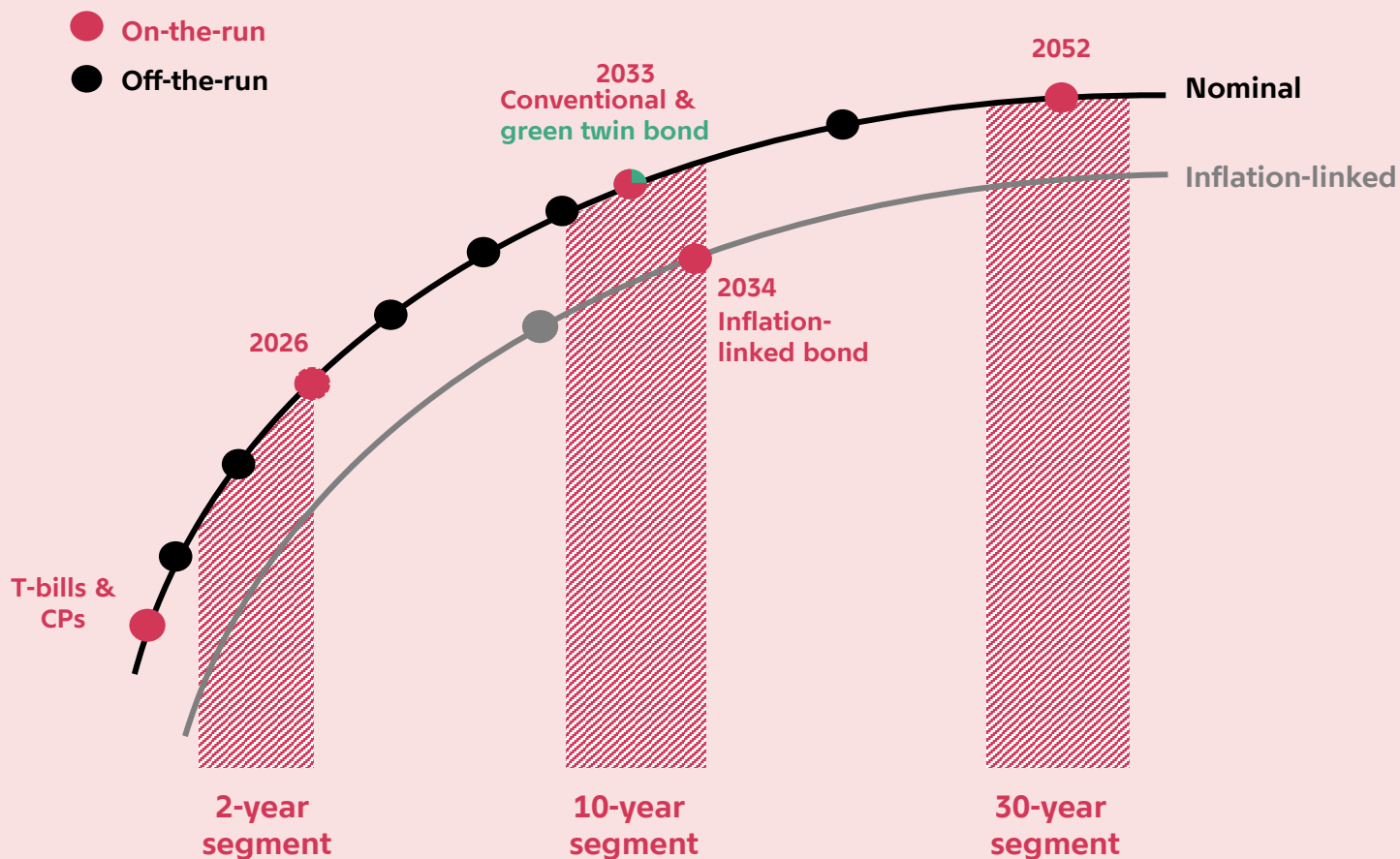
The secondary market is supported both through buy-backs and tap sales, but also through switch auctions



Source: Danmarks Nationalbank
Note: The chart shows year-end balance on the central government's account until 2023. The account balance for 2024 is the implied balance from the 2024 funding strategy.

Source: Danmarks Nationalbank.
Note: Buy-back of bonds maturing within the year are not included.

The government offers a diverse palette of products to secure funding channels and a broad investor base



Nominal curve until 30-year

- Issuance concentrated in 2-year and 10-year benchmark bonds
- New 10-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 aligned with the EU Taxonomy

Inflation-linked programme

- Expected new opening every 4th year. Target of outstanding volume in the programme of kr. 40-60 billion
- Linked to the Danish consumer price index (CPI)

Regular issuance in foreign currency is important – and indirectly has positive spill-overs in the DKK-market

Issuance in foreign currency has a dual role

Since 2020, The government has resumed issuing in foreign currency (euro and dollar).

Borrowing in foreign currency...

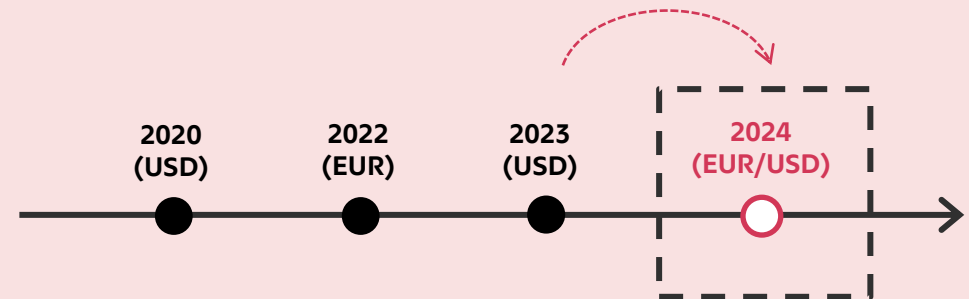
- ... is primarily **to support the FX reserve**.
- ... provides **contingency funding** for the government. The ability to tap into the euro and dollar market gives the government a deeper and more **secure market access**.

Regular presence in **EMTN programme** (EUR, USD)

Continuous issuance in **Commercial Papers** (EUR, USD)

Potential EMTN issuance in 2024

| | |
|-------------------------|------------------------------------------------|
| Opening: | 2024 |
| Currency: | EUR or USD |
| Target Maturity: | Short dated |
| Offered via: | Syndicate |
| Size: | Benchmark size (Expected range 1-2 billion) |



Thank you for your attention

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