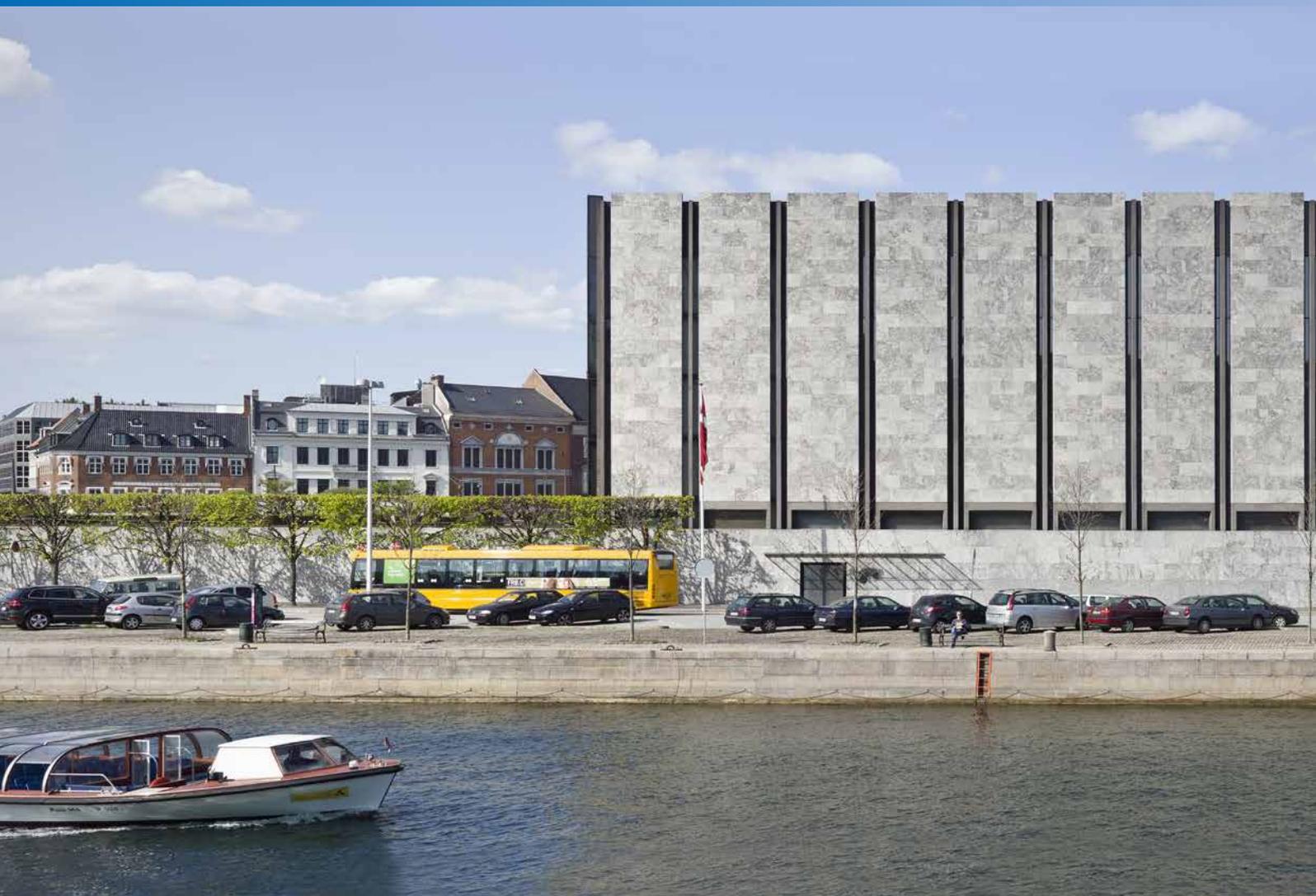


DANMARKS NATIONALBANK

REPORT AND ACCOUNTS

2014



DANMARKS
NATIONALBANK

DANMARKS
NATIONALBANK
REPORT
AND ACCOUNTS
2014

REPORT AND ACCOUNTS 2014

This report is based on information available up to
5 March 2015.

See also www.nationalbanken.dk

Explanation of symbols:

- Magnitude nil
- 0 Less than one half of unit employed
- Category not applicable
- ... Data not available

Details may not add up because of rounding.

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FOREWORD

Danmarks Nationalbank is the central bank of Denmark. It was established in 1818 and has been a self-governing institution since 1936. The legal basis for Danmarks Nationalbank's activities is the Danmarks Nationalbank Act of 1936. In its formulation of monetary policy, Danmarks Nationalbank is independent of the Folketing (Parliament) and the Government.

The Danmarks Nationalbank Act states that Danmarks Nationalbank's objective is to maintain a safe and secure currency system in Denmark, and to facilitate and regulate the traffic in money and the extension of credit. This description still fits the tasks of Danmarks Nationalbank. More specifically, Danmarks Nationalbank's work serves three overall purposes. Danmarks Nationalbank contributes to stable prices, to safe settlement of cash and electronic payments and to the stability of the financial system.

Copenhagen, 5 March 2015

Lars Rohde
Chairman

Per Callesen

Hugo Frey Jensen

The Report and Accounts of Danmarks Nationalbank comprise a presentation and description of Danmarks Nationalbank's Accounts for the year 2014, and the Report of the Board of Governors. The report on the activities of Danmarks Nationalbank includes a description of Danmarks Nationalbank's general activities during the year in relation to monetary and exchange rate policy, the domestic financial system, payment systems and production of banknotes and coins. For more detailed descriptions, reference is made to the publications and reports issued during the year and to Danmarks Nationalbank's website.

REPORT OF
THE BOARD
OF GOVERNORS

REPORT OF THE BOARD OF GOVERNORS ON THE ACTIVITIES OF DANMARKS NATIONALBANK

MONETARY POLICY, FINANCIAL MARKETS AND THE REAL ECONOMY

Danmarks Nationalbank conducts monetary policy with a view to ensuring a fixed exchange rate against the euro. The main objective of euro area monetary policy is to maintain stable prices. Keeping the krone stable against the euro provides a framework for price stability in Denmark. Monetary policy should be viewed in conjunction with other economic policies, and it is essential to the fixed exchange rate policy that economic policies, especially fiscal policy, are stability-oriented.

The money and capital markets were stable in 2014 and characterised by very low interest rates. Danish money market interest rates at the end of the year were at roughly the same level as at the beginning of the year, while government and mortgage yields fell to historically low levels. Total lending by banks and mortgage banks to households and the corporate sector remained more or less constant in 2014.

The krone was stable in 2014 and close to its central rate in ERM 2, cf. Chart 1 (left). Danmarks Nationalbank sold foreign exchange for kr. 14.0 billion net in connection with intervention in the foreign exchange market in 2014. The foreign exchange reserve was reduced by kr. 16.4 billion. Besides intervention, the reduction of the foreign exchange reserve reflects net redemption of foreign loans by the central government in 2014.

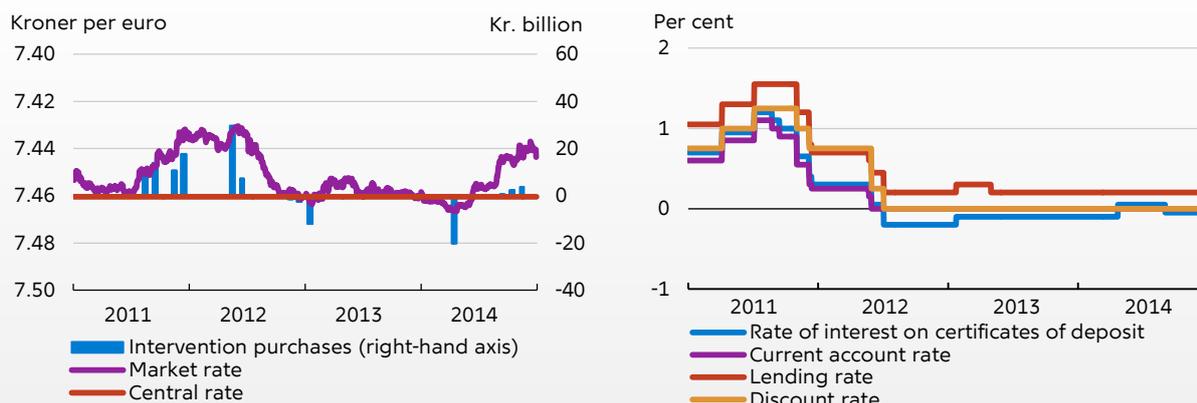
Danmarks Nationalbank changed the rate of interest on certificates of deposit on two occasions in 2014. In April, Danmarks Nationalbank raised the rate of interest on certificates of deposit by 0.15 percentage point to 0.05 per cent, following sales of foreign exchange in the market. The other monetary policy interest rates remained unchanged. Prior to that, Danmarks Nationalbank had not intervened since January 2013. This meant that the rate of interest on certificates of deposit, which had been negative since July 2012, returned to positive territory, cf. Chart 1 (right). In the same connection, the banks' and mortgage banks' current account limit was reduced from kr. 67.4 billion to kr. 38.5 billion.

In early June, the ECB announced a reduction of the interest rate on the main refinancing operations and the deposit facility by 0.10 percentage point, to 0.15 and -0.10 per cent, respectively, and of the interest rate on the marginal lending facility by 0.35 percentage point to 0.40 per cent. This was the first time one of the ECB's interest rates became negative. Danmarks Nationalbank kept its monetary policy interest rates unchanged after the ECB's announcement, as the development in the krone rate did not support a Danish interest rate reduction.

In early September, Danmarks Nationalbank reduced the rate of interest on certificates of deposit by 0.10 percentage point to -0.05 per cent in connection with the ECB's announcement of a reduction of monetary policy interest rates by 0.10 percentage point. Hence, the rate of interest on certificates of deposit returned to negative territory. In addition, the ECB introduced a

Krone rate and intervention and monetary policy interest rates

Chart 1



Note: Left-hand chart: Intervention purchases are monthly observations of net purchases of foreign exchange. Daily observations of the exchange rate of the krone which are on reverse scale.
Source: Danmarks Nationalbank.

programme for direct purchases of asset-backed securities and a programme for purchasing covered bonds. The lending, current account and discount rates remained unchanged in 2014 at 0.20, 0.00 and 0.00 per cent, respectively. This should be viewed in light of the need of banks and mortgage banks taken as one to deposit funds at Danmarks Nationalbank, meaning that the monetary policy deposit rates determined the money market interest rates and the exchange rate of the krone.

Money market interest rates in the euro area declined to historically low levels in 2014, while the Danish money market interest rates mirrored monetary policy interest rates and were at more or less the same level at the end of the year as at the beginning of the year.

The banks and mortgage banks redeemed 3-year loans for kr. 7.9 billion, reducing the outstanding volume to kr. 1.7 billion at end-2014. The outstanding volume matures during 2015.

Since 1 July 2014 banks and mortgage banks have no longer had access to raise 6-month loans from Danmarks Nationalbank or to pledge sector company shares and the banks' own credit claims as collateral for loans from Danmarks Nationalbank. Both measures were introduced in October 2011 with a view to increasing the banks' and mortgage banks' access to liquidity. Normalisation of the collateral basis and discontinuation of the 6-month loans took place against the backdrop of stable developments in the financial markets and

limited use of these options. The discontinuation process was smooth.

In October 2014, Danmarks Nationalbank announced that from 1 April 2015, junior covered bonds and bonds issued by Danish Ship Finance will no longer be part of Danmarks Nationalbank's permanent collateral basis, i.e. the assets that banks and mortgage banks can pledge as collateral to Danmarks Nationalbank. The change constitutes a simplification of Danmarks Nationalbank's collateral basis, which will subsequently consist only of securities issued or guaranteed by the central government and mortgage bonds. The volume of eligible securities will still be much higher than the banks' and mortgage banks' requirements in connection with loans from Danmarks Nationalbank.

According to Danmarks Nationalbank's annual money market survey, turnover in the money market has fallen in recent years. This should be viewed in light of increased focus on liquidity and credit risks after the financial crisis, which is also reflected in the regulation of banks and in the low level of interest rates. In the market for uncollateralised overnight loans, T/N loans, turnover is significantly lower and interest rates are higher at the end of the year, quarter and month. There are indications that this effect has become more important in recent years. On 1 July 2014, Danmarks Nationalbank began to publish T/N turnover on a daily basis. This makes it possible to continuously monitor the turnover on which fixing of the T/N

rate is based, thereby increasing transparency for users of the reference interest rate. Publication of turnover is also in accordance with practice in e.g. the euro area, the UK and Norway.

Irrespective of the lower turnover in the money market, the transmission from monetary policy interest rates to the overnight interest rate remains intact. There is also a clear pass-through from the interest rate on certificates of deposit to the slightly longer money market interest rates, which normally determine the exchange rate of the krone.

Danish government bond yields declined during 2014. The 10-year government bond yield fell by 1.3 percentage point to 0.7 per cent at end-2014. Danish government bond yields more or less mirrored their German counterparts. The yield on 1-year mortgage bonds remained virtually unchanged in 2014, while the 30-year mortgage bond yield declined steadily over the year to around 2.6 per cent towards the end of 2014.

In 2014, the euro area saw only weak growth, while it was stronger in the USA and the UK. In the 2nd half of the year, the price of oil in dollars fell by almost 50 per cent, leading to a lower global rate of price increase.

The Danish economy was characterised by a continued high level of savings in the private sector, very low interest rates and a low rate of increase in consumer prices. The gross domestic product, GDP, increased by 1.0 per cent. Adjusted for the falling North Sea oil and gas production, growth was higher. The growth mainly came from an increase in investment, including public sector investment, while private consumption grew moderately by 0.4 per cent. Exports rose by 2.9 per cent. This was mirrored in the labour market where employment rose in the private sector and unemployment fell to 5 per cent of the labour force at the end of 2014. Wage growth in the manufacturing sector was 1.3 per cent, which was less than for Denmark's foreign competitors.

The private sector savings surplus was 5.2 per cent of GDP in the first three quarters of 2014. At the same time, there was a government surplus of 1.7 per cent of GDP, so that the current account surplus was 6.2 per cent of GDP. House prices continued to rise, especially in the large urban areas. The prices of owner-occupied flats in Copen-

hagen rose by more than 10 per cent. Towards the end of the year, however, there were indications that the recovery was gradually spreading to other parts of Denmark.

Consumer prices increased by 0.3 per cent in 2014, in line with consumer price inflation in the euro area. The overall picture was of falling import prices, inter alia because lower oil prices kept inflation at bay, while domestically determined prices had an upward impact. The economy was subject to moderate domestic price pressures.

The government surplus was attributable to extraordinary revenue from early taxation of capital pensions and from pension yield tax, among other factors. In its policy recommendations during the year, Danmarks Nationalbank emphasised that, adjusted for extraordinary revenue, fiscal policy had been taken to the limit, and that in the long run it was not possible to rely on one-off revenue to keep the deficit within the 3 per cent limit of the Stability and Growth Pact. As a result of the high government surplus, the sale of government bonds exceeded the financing requirement.

From mid-January 2015, there was a sharp increase in demand for Danish kroner. This happened in the wake of the decision of the Swiss National Bank that it would no longer maintain the minimum exchange rate for the Swiss franc against the euro, and the ECB's announcement of a considerable expansion of their existing asset purchase programme. Against that background, there was a tendency for the krone to strengthen.

In order to keep the krone stable against the euro, Danmarks Nationalbank intervened in the foreign exchange market, selling kroner for foreign exchange for a total sum of kr. 275 billion in January and February. In addition, Danmarks Nationalbank reduced its monetary policy interest rates on four occasions. As a result, the rate of interest on certificates of deposit, which determines the short-term money market interest rates in the current situation with a positive net position, was -0,75 per cent at the end of February. In order to dampen the inflow of capital into Denmark, the Ministry of Finance also decided, on the recommendation of Danmarks Nationalbank, to stop issuing government bonds from 30 January 2015 until further notice.

THE STABILITY OF THE FINANCIAL SYSTEM

Danmarks Nationalbank contributes to the stability of the financial system by analysing the financial sector, considering and analysing systemic risks and making recommendations. In addition, Danmarks Nationalbank oversees the payments infrastructure and produces financial statistics.

Throughout the year, Danmarks Nationalbank has found that the Danish banks overall are well-capitalised, are resilient to severe economic shocks and have excess liquidity, although the excess capital adequacy of the non-systemic banks varies considerably.

Most recently, in the publication *Financial stability, 2nd Half 2014*, Danmarks Nationalbank found that the five Danish systemic banks are resilient to severe macroeconomic shocks. Danmarks Nationalbank's stress test showed that the five banks will still have considerable excess capital adequacy in relation to the minimum requirements in all stress scenarios. The European stress test and assessment of asset quality performed by the Danish Financial Supervisory Authority and the European Banking Authority, EBA, also showed that the large Danish credit groups participating in the test are well-capitalised.

Stress tests conducted as part of the IMF's Financial Sector Assessment Program, FSAP, also showed that financial stability risks in Denmark are contained. In future, the IMF will conduct the FSAP every five years.

In the course of 2014, Danmarks Nationalbank followed a number of measures that impact financial stability

In March 2014, the Folketing (Danish parliament) adopted an act on maturity extension for mortgage bonds. In Danmarks Nationalbank's assessment, the act contributes to credible management of mortgage banks' refinancing risk.

The Danish Financial Supervisory Authority established the Supervisory Diamond for mortgage banks, which is to contribute to mitigating the banks' risk. The Supervisory Diamond comprises a restriction on deferred amortisation at portfolio level for mortgage banks. For deferred amortisation loans, Danmarks Nationalbank also recom-

mends lowering the maximum limit for deferred amortisation loans for individual borrowers.

In 2014, the Systemic Risk Council, which Danmarks Nationalbank chairs and to which it provides secretariat services, adopted a recommendation to the Danish government to restrict deferred amortisation on mortgage loans and published an observation concerning low interest rates and the build-up of systemic risks. In December, the Council recommended that the countercyclical capital buffer rate, which can be used in Denmark from 1 January 2015, be set at 0 per cent.

Danmarks Nationalbank oversees that the Danish payments infrastructure is safe and efficient and complies with international standards. Danmarks Nationalbank's oversight comprises Kronos, the Sumclearing, Intradagclearing and Straksclearing, VP settlement and the payment instruments Dankort, Betalingservice and credit transfers. In October 2014, Danmarks Nationalbank decided to strengthen its oversight of the above-mentioned payment solutions, which will be assessed in accordance with the ECB's standards for oversight of payment instruments in future.

Operation of the payment and settlement systems overseen was generally satisfactory in 2014. Danmarks Nationalbank maintains a current dialogue with those responsible for the systems to follow up any incidents. There have also been discussions about adjustments to the system risk management policies to ensure that they comply with the stricter requirements in the current international standards.

In 2014, Danmarks Nationalbank started publishing its statistics in accordance with the new updated national accounts, balance of payments and international investment position manuals. This was the culmination of several years' work to upgrade its collection and production systems.

Danmarks Nationalbank has also decided, in cooperation with the Danish Financial Supervisory Authority, to set up a credit register. The purpose of the credit register is to improve the statistical basis for Danmarks Nationalbank's oversight of financial stability and to strengthen the basis for the supervisory activities of the Danish Financial Supervisory Authority. The credit register is intended to contain detailed information on the banks' and mortgage banks' credit to all types of borrowers. The euro area member states previously decided to set up a similar credit register

with effect from January 2018. With the establishment of the Danish register, Denmark's supervisory and oversight instruments will be in line with those applied elsewhere in Europe and thus further underpin confidence in Denmark's financial system. The schedule for implementation of the Danish register will be decided in the autumn of 2015 in cooperation with the financial sector, following a thorough analysis of the technical and safety-related aspects.

SAFE PAYMENTS

Danmarks Nationalbank contributes to safe settlement of cash and electronic payments. This is done by issuing banknotes and coins with high protection against counterfeiting and ensuring that payments between banks can be settled safely and efficiently.

Danmarks Nationalbank was also in 2014 involved in the work to modernise the Danish payments infrastructure. The last element of the modernisation process, the Straksclearing, was put into operation on 21 November 2014. The Straksclearing makes it possible for citizens to transfer amounts of up to kr. 500,000 from their own account to an account in another bank within seconds 24/7/365. The Straksclearing places more stringent requirements on the banks' liquidity management.

At end-2014, the value of banknotes and coins in circulation was kr. 67.0 billion, which was a small increase on 2013.¹ The number of banknotes decreased from 163.8 million in 2013 to 163.5 million in 2014.

The number of registered counterfeit banknotes fell from 1,433 in 2013 to 1,271 in 2014. Of these, 940 were found in circulation. The remaining counterfeit banknotes are typically found in connection with police searches. As in 2013, the number of counterfeits registered was higher for the 500-krone banknote than for the other denominations. Counterfeiting of Danish banknotes remains very limited.

The value of coins in circulation rose from kr. 5,810 million at end-2013 to kr. 5,878 million at end-2014. Danmarks Nationalbank did not issue thematic or commemorative coins in 2014.

Although the volume of cash in circulation remains high in Denmark, demand for new banknotes and coins has been falling in recent years, and Danmarks Nationalbank expects this trend to continue. Consequently, Danmarks Nationalbank has decided to initiate a process to discontinue internal printing of banknotes and minting of coins during 2016. Like a number of other central banks, Danmarks Nationalbank will then outsource the printing of banknotes and minting of coins to external service providers. Danmarks Nationalbank will still be the Danish banknote and coin issuing authority. At the end of 2014, the Banknote Printing Works and the Royal Danish Mint had a staff of 44.

1 Since banknotes and coins in circulation have been calculated excluding commemorative coins, Faroese banknotes in circulation and certain older banknotes, the figure deviates from the item in Danmarks Nationalbank's balance sheet.

ORGANISATION OF DANMARKS NATIONALBANK

STAFF

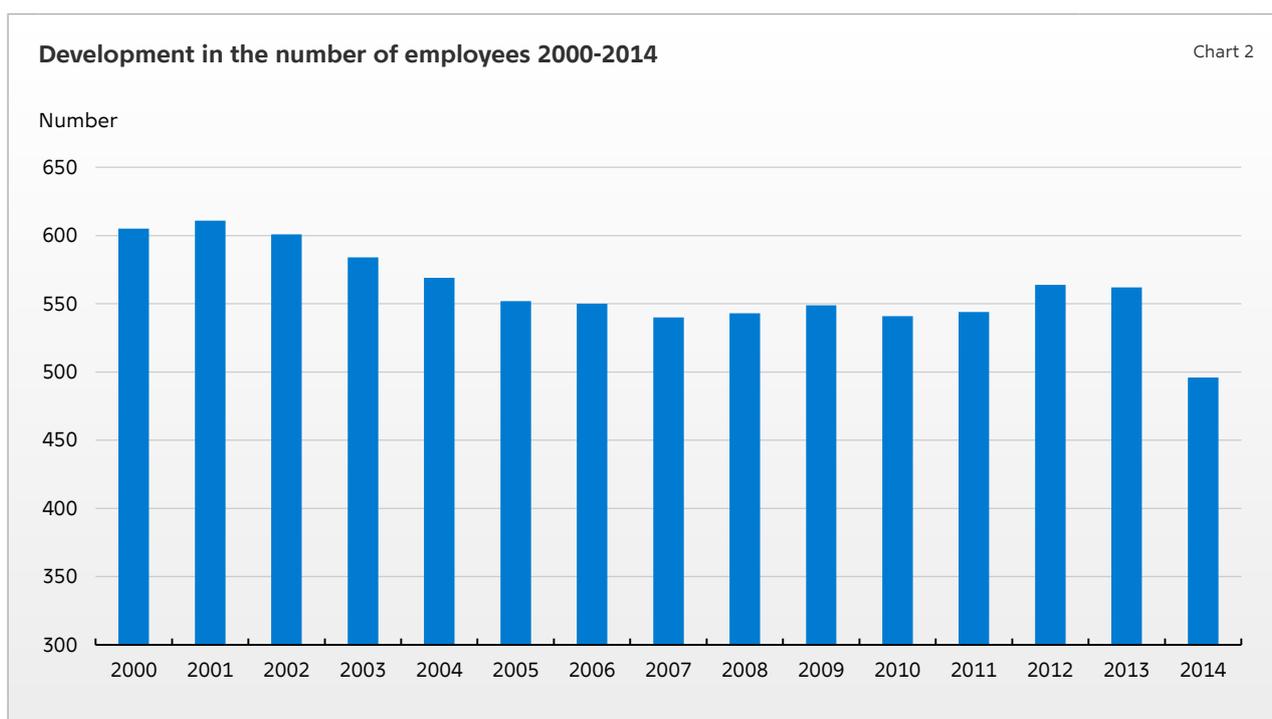
The number of employees at Danmarks Nationalbank fell during 2014, mainly due to the staff reduction decided in 2013. At the close of 2014, Danmarks Nationalbank thus had a staff of 496, equivalent to 468 full-time equivalents, cf. Chart 2. This corresponds to an average for the year of 476 full-time equivalents. For 2013, the corresponding figures were 562 and 529 and an annual average of 528.

A total of 98 employees left Danmarks Nationalbank in the course of 2014; of these 38 left due

to the staff reduction. The staff turnover rate was 18.9 per cent in 2014. Adjusted for the staff reduction, the staff turnover rate was 11.0 per cent in 2014 against 10.4 per cent in 2013.

The staff reduction did not lead to major changes in the composition of the staff. A continuous tendency towards a larger share of academics and fewer members of staff with a banking background has been observed over the last couple of years.

At the end of 2014, Danmarks Nationalbank employed 7 apprentices within clerical work and



IT functions. This was 3 less than at the end of 2013. The number of PhD scholarships has been 5 in recent years, and this was also the case at the end of 2014.

A total of 20 employees had leave, for a shorter or longer period of time, to work for international or national institutions in 2014. At end-2014, 11 of Danmarks Nationalbank's employees were on leave, primarily to international institutions, including the ECB, the IMF and the European Commission.

The Board of Directors of Danmarks Nationalbank, 1 March 2015

Box 1

Chairman: *Søren Bjerre-Nielsen, Chairman*
Deputy Chairman: *Helle Bechgaard, Director*

Elected by the Folketing for the period ending 31 March 2016:

Kristian Thulesen Dahl, MP
Pia Olsen Dyhr, MP
Camilla Hersom, MP
Thomas Jensen, MP
Mike Legarth, MP
John Dyrby Paulsen, MP
Lars Løkke Rasmussen, MP
Inger Støjberg, MP

Appointed by the Minister for Business and Growth for the period ending 31 March 2016:
Anne Kristine Axelsson,
Permanent Secretary, Ministry of Ecclesiastical Affairs
Michael Dithmer,
Permanent Secretary, Ministry of Business and Growth

Elected by the Board of Directors for the period ending 31 March:

<i>Helle Bechgaard, Director</i>	2015
<i>Niels Fog, Merchant</i>	2015
<i>Bente Sorgenfrey, President of the Confederation of Professionals in Denmark</i>	2015
<i>Hans Jensen, former President of the Danish Confederation of Trade Unions</i>	2016
<i>Kirsten Nissen, former Trade Union President</i>	2016
<i>Peter Gæmelke, Farmer, former Chairman of Danish Agriculture</i>	2016
<i>Asgar Enggaard, CEO</i>	2017
<i>Kjeld Johannesen, CEO</i>	2017
<i>Anja Philip, President of the Danish Consumer Council</i>	2017
<i>Søren Bjerre-Nielsen, Chairman</i>	2018
<i>Christian Schultz, Professor</i>	2018
<i>Anne Hedensted Steffensen, CEO</i>	2018
<i>Bent Jensen, CEO</i>	2019
<i>Michael Møller, Professor</i>	2019
<i>Gitte Pugholm Aabo, CEO</i>	2019

The Committee of Directors of Danmarks Nationalbank, 1 March 2015

Box 2

Chairman: *Søren Bjerre-Nielsen, Chairman*
Deputy Chairman: *Michael Dithmer, Permanent Secretary, Ministry of Business and Growth*

Elected by the Board of Directors for the period ending 31 March 2015:

Søren Bjerre-Nielsen, Chairman
Kristian Thulesen Dahl, MP
Michael Møller, Professor
Kirsten Nissen, former Trade Union President
John Dyrby Paulsen, MP

Appointed by the Minister for Business and Growth for the period ending 31 March 2016:

Anne Kristine Axelsson,
Permanent Secretary, Ministry of Ecclesiastical Affairs
Michael Dithmer,
Permanent Secretary, Ministry of Business and Growth

Absence due to illness was at the same low level in 2014 as in 2013. Overall absence due to illness was 5.9 days per staff member. Excluding long-term absence, the figure was 4.4 days. The corresponding figures for 2013 were 6.2 and 4.7 days per member of staff.

COLLECTIVE BARGAINING

Danmarks Nationalbank's three collective agreements were renegotiated in 2014. The result of collective bargaining with the Staff Association of Danmarks Nationalbank was a higher degree of comparability with conditions in the financial sector, and negotiations relating to the collective agreement for the Banknote Printing Works and the Royal Danish Mint with HK IT, media and industry brought staff conditions in line with the graphic sector in general.

The collective agreement with senior managers lapsed and was replaced by individual contracts with the senior managers.

DANMARKS NATIONALBANK'S REPRESENTATION ON COMMITTEES, IN INTERNATIONAL ORGANISATIONS, ETC.

As of 1 March 2015, Danmarks Nationalbank is represented on or in the following committees, international organisations, etc.:

The European Union, EU

- *European Systemic Risk Board, ESRB, the General Board*
Governor Lars Rohde is a member.
- *The Economic and Financial Committee*
Governor Per Callesen is a member.

The European Central Bank, ECB

- *The General Council*
Governor Lars Rohde is a member.

The International Monetary Fund, IMF

- *Board of Governors*
Governor Lars Rohde is the Danish member.
- *The Nordic/Baltic Monetary and Financial Committee*
Governor Per Callesen is a member.

The Bank for International Settlements, BIS
Governor Lars Rohde represents Danmarks
Nationalbank.

The Bank for International Settlements, BIS

- *Financial Stability Board, Regional Consultative Group for Europe*
Governor Per Callesen is the Chairman
(shared chairmanship).

The Organisation for Economic Cooperation and
Development, OECD

- *The Economic Policy Committee*
Director Niels Lynggård Hansen is a member.

Nordic-Baltic Macroprudential Forum

Governor Lars Rohde is a member.

BEC

Governor Hugo Frey Jensen
is an observer on the Board of Directors.

BKS Cash Service

Governor Hugo Frey Jensen
is the Vice Chairman of the Board of Directors.

The Payments Council

Governor Hugo Frey Jensen is the Chairman.

Danish Ship Finance

Governor Hugo Frey Jensen
is the Vice Chairman of the Board of Directors.

The Systemic Risk Council

Governor Lars Rohde is the Chairman.
Governor Per Callesen is a member.

The Economic Council

Governor Per Callesen is a member.

*The Board of the Danish Financial
Supervisory Authority*

Assistant Governor Jens Lundager is a member.

The Coordination Committee on Financial Stability

Governor Per Callesen is a member.

Laurits Andersens Fond

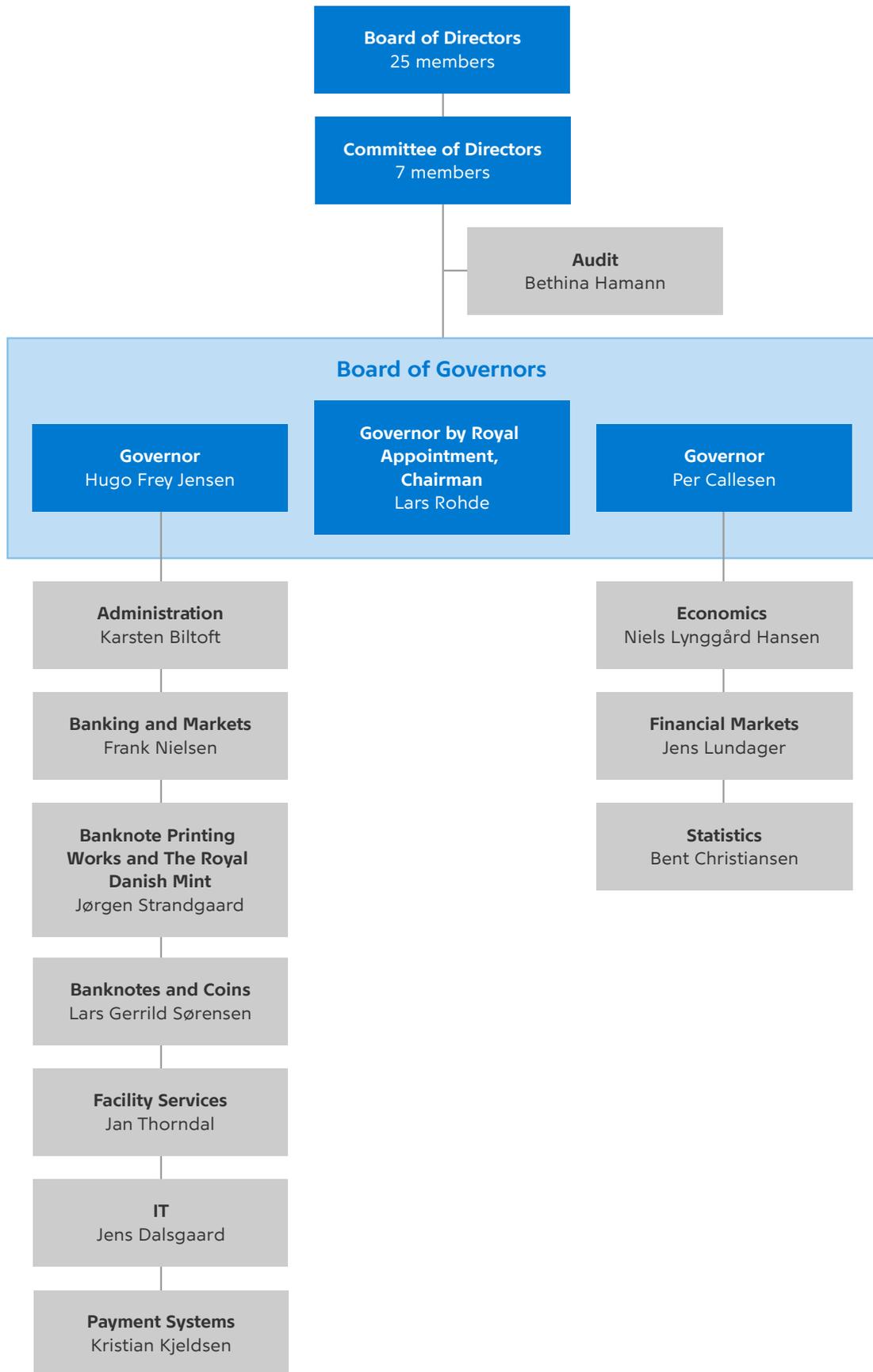
Governor Lars Rohde is a member.

VP Securities A/S

Governor Hugo Frey Jensen
is the Vice Chairman of the Board of Directors.

ORGANISATION CHART

1 MARCH 2015



RISK MANAGEMENT

In its role as central bank, Danmarks Nationalbank is exposed to a number of risks. Such risks can be divided into financial risk on portfolios, risk on lending to banks and mortgage banks, and operational risk. Guidelines, procedures and systems have been set up to monitor and address the risks.

FINANCIAL RISK ON PORTFOLIOS

Danmarks Nationalbank's financial portfolios comprise the foreign exchange reserve and the holding of domestic bonds.

The foreign exchange reserve supports the fixed exchange rate policy. If the krone is under pressure of weakening, Danmarks Nationalbank sells foreign exchange from the foreign exchange reserve and buys kroner to stabilise the krone. Conversely, the foreign exchange reserve increases in periods when the krone is under pressure to be strengthened. The latter has been the case in early 2015 as the foreign exchange reserve increased from kr. 458 billion at the end of 2014 to 737 at the end of February 2015. The foreign exchange reserve also supports the consideration of ensuring financial stability. Finally, loans are granted to the IMF. Danmarks Nationalbank operates with high liquidity and credit requirements for the foreign exchange reserve. Most of the foreign exchange reserve is placed in reverse repos with short maturities, in accounts at central banks and in highly rated government bonds that can be sold or pledged as collateral within a short time horizon, cf. Chart 3.

Danmarks Nationalbank aims to achieve highest possible returns in relation to a conservative risk level while meeting the high liquidity requirements for the foreign exchange reserve. During 2014 Danmarks Nationalbank implemented a new investment strategy. New risk classes such as equities, corporate bonds and government bonds with ratings down to BBB- were included. Furthermore, Danmarks Nationalbank purchased more bonds with longer maturities. In the longer term, these measures are expected to boost earnings, while the aggregate portfolio risk rises only moderately due to diversification effects. The tail risk on the portfolios – measured by 95 per cent expected shortfall¹ – amounted to kr. 8.8 billion at end-2014, cf. Chart 4. This corresponds to 13 per cent of Danmarks Nationalbank's net capital, which was kr. 68 billion at end-2014.

INSTRUMENTS

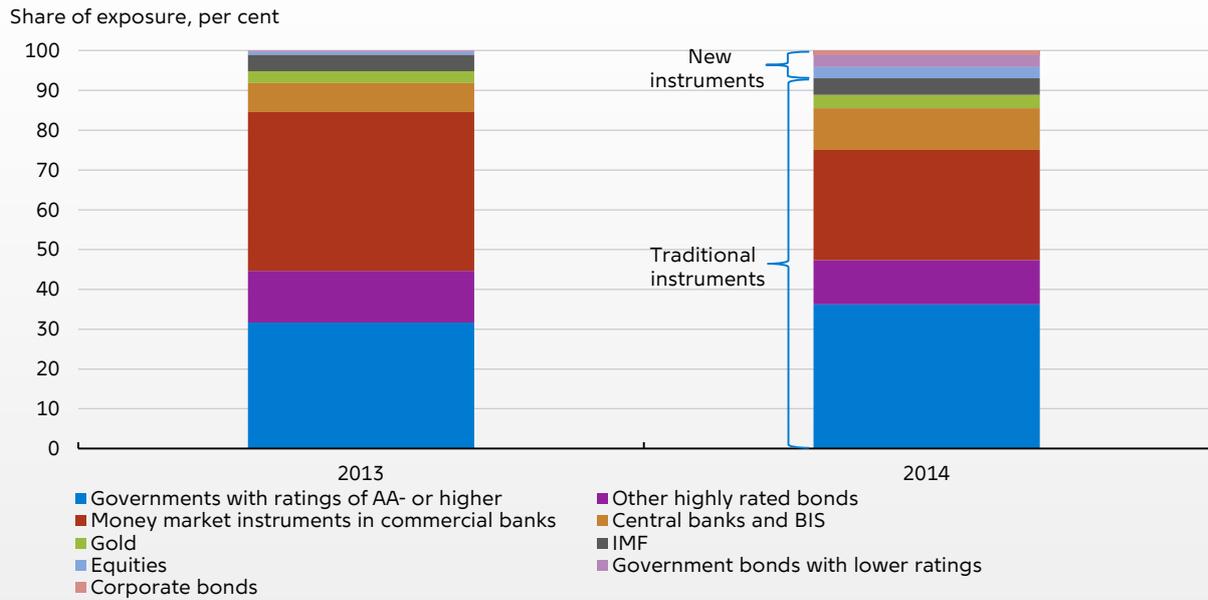
Bonds

At the end of 2014, Danmarks Nationalbank held foreign bonds for kr. 238 billion compared with kr. 216 billion in 2013, cf. Table 1. Most of them are government bonds with high ratings from e.g. the USA, France and Germany. They are included in the liquidity reserves, as they can be sold or pledged as collateral at short notice. Danmarks Nationalbank also has a kr. 34 billion portfolio of domestic bonds (predominantly mortgage bonds).

¹ The 95 per cent expected shortfall expresses the average loss in the 5 per cent worst cases.

Portfolio distribution of the foreign exchange reserve

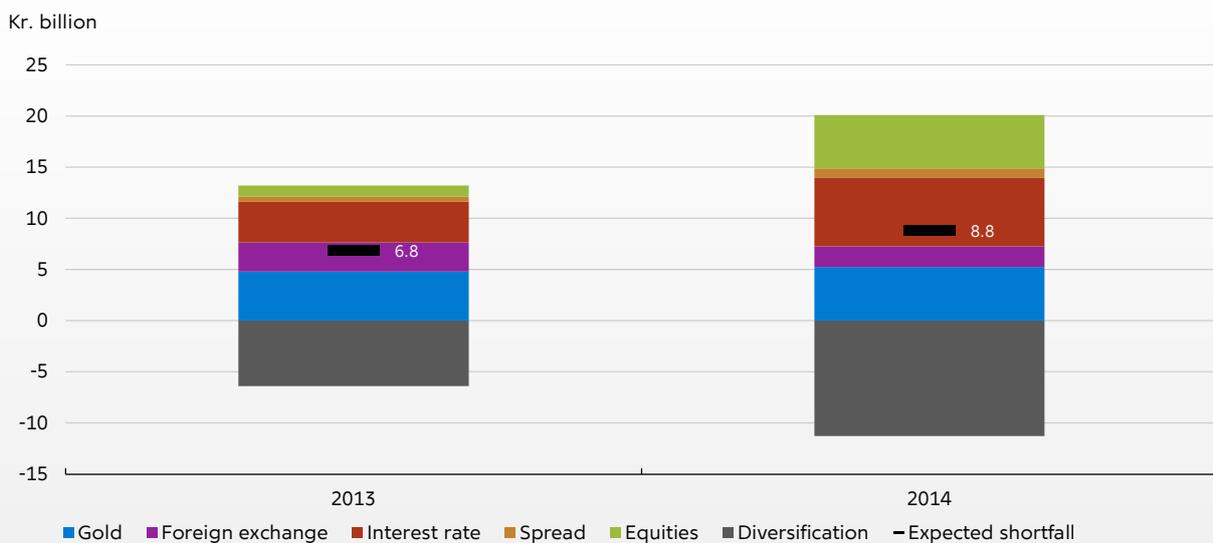
Chart 3



Note: "Other highly rated bonds" comprise German and Swedish covered bonds, implied and explicit government guaranteed issues and issues from German Länder and supranational institutions.

95 per cent expected shortfall

Chart 4



Note: The 95 per cent expected shortfall has been calculated for a time horizon of 1 year. The underlying risk factors are assumed to be normally distributed and have been estimated on the basis of observations from 1 January 2001 onwards. All observations are included with the same weight.

Source: Danmarks Nationalbank and RiskManager.

As part of the new investment strategy, a minor portion consists of government bonds with lower credit ratings (kr. 14 billion), primarily Italian, Irish and Spanish government bonds.

The bond portfolios expose Danmarks Nationalbank to capital loss if interest rates rise. The interest-rate sensitivity, expressed as the krone duration, had increased to kr. 5.4 billion at the end of 2014. Hence, the immediate capital loss will be kr. 5.4 billion in the event of a rise in interest rates of 1 percentage point. The loss will be covered after almost five years as a result of higher current earnings. The longer duration reflects the new investment strategy.

Bank claims

As part of Danmarks Nationalbank's foreign exchange liquidity reserves, considerable amounts are placed in short-term bank claims at a wide range of large international banks and in central banks. At the end of 2014, bank claims totalled kr. 180 billion.

Reverse repos, i.e. when Danmarks Nationalbank lends foreign exchange to commercial banks against collateral, amounted to kr. 124 billion at end-2014 and they are a key aspect of Danmarks Nationalbank's liquidity reserves. Maturities are typically around one week or less, and the credit risk is low, since the counterparties pledge highly rated government bonds, e.g. German and French government bonds, as collateral.

Danmarks Nationalbank only places uncollateralised deposits in commercial banks to a very limited extent. The credit risk is deemed to be moderate as the deposits have short maturities and the counterparties are required to have high ratings. The uncollateralised deposits amounted to kr. 6 billion at end-2014.

Accounts in other central banks (including BIS) totalled kr. 50 billion at end-2014.

Equities

The equity exposure was built up further during 2014 as part of the new investment strategy. Exposure to the equity market amounted to kr. 13 billion at end-2014, equally distributed between EuroStoxx 50 and S&P 500. The two equity indices are composed of 50 equities from firms in the euro area and 500 US equities, all issued by large companies from a broad range of sectors.

Viewed in isolation, equities increase the risk, but the risk increase is limited by diversification effects in relation to e.g. bonds.

The exposure is accumulated via stock index futures. The choice of instruments provides broad index exposure in an operationally efficient way. This also applies to the build-up of corporate bonds through ETFs, cf. below.

Corporate bonds

As part of the new investment strategy, exposure to corporate bonds has also been built up through the purchase of equities in Exchange Traded Funds (ETFs). These funds spread investments on a wide range of corporate bonds in the investment grade segment in euro. The exposure was kr. 5 billion at end-2014.

Forward exchange contracts

The foreign exchange reserve is predominantly invested in euro assets, but substantial amounts are also invested in other major currencies such as US dollars and pound sterling. The exchange rate risk from this is swapped to euro. This entails a low exchange rate risk due to the fixed exchange rate policy. The FX contracts are primarily with commercial banks².

Gold

Under the Danmarks Nationalbank Act, Danmarks Nationalbank must hold a stock of gold. The gold stock is 66.5 tonnes and has been virtually constant in size since 1970. It had a value of kr. 15.7 billion at end-2014. This is an increase of kr. 1.8 billion compared with 2013.

The gold stock is a major contributor to Danmarks Nationalbank's risk, given the previous substantial fluctuations in the price of gold measured in kroner.

ACCOUNTS WITH THE IMF

The total claim on the IMF is kr. 20 billion. Danmarks Nationalbank has made commitments for further loans totalling kr. 108 billion, bringing the total commitment to the IMF to kr. 127 billion.

² A forward exchange contract is an agreement with a counterparty to exchange amounts in different currencies, e.g. US dollars and euro, at some future point at a predetermined exchange rate.

Danmarks Nationalbank's financial portfolios: selected exposures and risk measures

Table 1

Kr. billion	2014	2013
Foreign bonds	238	216
Government bonds with a rating of AA- or higher Three largest counterparties 2014: USA (kr. 65 billion), France (kr. 46 billion), Germany (kr. 21 billion)	171	152
Government bonds with a rating of A+ or lower Three largest counterparties 2014: Spain (kr. 4 billion), Italy (kr. 4 billion), Ireland (kr. 4 billion)	14	2
Other highly rated bonds (rated AA- or higher) 2014: Government guaranteed (kr. 33 billion), supranational (kr. 16 billion), German and Swedish covered bonds (kr. 4 billion)	53	62
Domestic bonds 2014: Mortgage bonds (kr. 32 billion)	34	34
Money market instruments	180	227
Reverse repos	124	179
Uncollateralised bank deposits in commercial banks ¹	6	12
Central bank accounts (including deposits and securities issued by BIS)	50	35
Other exposures		
Gold	16	14
Equities through equity futures	13	3
Corporate bonds through ETFs	5	0
IMF ²	20	20
Selected risk measures/financial ratios		
Krone duration	5.4	3.1
95 per cent expected shortfall ³	8.8	6.8
Total average rating of the portfolio ⁴	>AA	>AA
Foreign exchange exposure (before FX swaps in parentheses)		
EUR	425 (283)	451 (322)
USD	0 (134)	0 (118)
Others	0 (17)	0 (11)

Note: The table shows the lowest credit rating given by Fitch, Moody's and Standard & Poor's, respectively. Rounded figures.

Source: Danmarks Nationalbank, Fitch, Moody's and Standard & Poor's.

1. This includes margin receivables regarding equity futures.

2. In addition, there is debt to the IMF due to the allocation of Special Drawing Rights of kr. 14 billion.

3. The 95 pct. expected shortfall has been calculated for a 1-year horizon. The underlying risk factors are assumed to be normally distributed and have been estimated on the basis of observations from 1 January 2001 onwards. All observations are included with the same weight.

4. The average rating has been weighted by the market values of the holdings. Repo transactions and holdings without ratings (primarily BIS and the IMF) have not been included. At end-2014, the average rating for repo counterparties was between A+ and A, while it was AA+ for the underlying collateral.

RISKS ON LOANS TO BANKS AND MORTGAGE BANKS

Danmarks Nationalbank provides monetary policy loans and, to facilitate settlement of payments,

also intraday credit to banks and mortgage banks with accounts at Danmarks Nationalbank.

Danmarks Nationalbank also provides loans for banknote holdings. The rules for use of these facilities have been laid down in Danmarks Nationalbank's terms and conditions for accounts.³

In connection with its lending activities Danmarks Nationalbank incurs a risk of credit losses. This risk is reduced by only providing loans to the banks and mortgage banks that have pledged adequate collateral. Danmarks Nationalbank's risk of credit losses is assessed to be very low.

VOLUME OF LENDING TO BANKS AND MORTGAGE BANKS

Total lending to banks and mortgage banks was kr. 273 billion at end-2014 and thus kr. 37 billion lower than at end-2013, cf. Table 2. This development masks a fall in intraday credit, an increase in monetary policy loans and more or less unchanged loans for banknote holdings.

At the end of 2014, intraday credit was kr. 236 billion, which represents a reduction of kr. 49 billion compared with the same time in 2013. This amount constitutes the credit line of the banks and mortgage banks for settlement of payments. The banks' and mortgage banks' drawings on the intraday credit line are considerably smaller, indicating that their borrowing requirement is moderate.

Lending to banks and mortgage banks Table 2

Kr. billion	End-2014	End-2013
Intraday credit ¹	235.9	285.0
Monetary policy loans	35.0	23.1
7-day loans	33.3	13.5
3-year loans	1.7	9.6
Loans for banknote holdings	2.3	2.4
Total	273.2	310.5

Source: Danmarks Nationalbank.

1. In the accounts, this item is called Drawing on current accounts.

Hence, monetary policy lending was kr. 35 billion at end-2014, compared with kr. 23.1 billion at end-2013. The increase is attributable to 7-day loans, while the institutions continued to repay 3-year loans. At the end of 2014, the value of those loans was down to kr. 1.7 billion.

PLEDGING OF COLLATERAL FOR LOANS TO BANKS AND MORTGAGE BANKS

Danmarks Nationalbank requires collateral for all types of lending in the form of high-quality assets. To minimise the risk of losses, valuation of the assets in the collateral basis takes place on a daily basis in most cases. In addition, Danmarks Nationalbank applies haircuts to cover the risk that the value of the securities declines in the period from the counterparty's default until the securities have been realised. Table 3 shows the types of assets that may be pledged as collateral as well as their value after haircuts, i.e. the collateral value.

Collateral value of banks' and mortgage banks' collateral Table 3

Kr. billion	End-2014	End-2013
Government securities	0.2	0.2
Mortgage bonds ¹	163.7	149.4
Other bonds ²	8.7	10.2
Pledging of securities as collateral	172.7	159.8
Lending ³	-	6.9
Temporary collateral basis ⁴	0.8	5.7
Certificates of deposit	123.5	166.4
Total collateral	297.1	338.8

Anm.: Belåningsværdien er opgjort efter beregning af haircuts. Sikkerhed ved brug af Scandinavian Cash Pool og Nordisk CCBM indgår ikke i tabellen.

Kilde: Danmarks Nationalbank.

- Mortgage bonds (RO), covered bonds (SDO) and covered mortgage bonds (SDRO).
- Bonds guaranteed by the Danish government, bonds issued by Kommunekredit, Føroya Landsstýri and Danish Ship Finance and junior covered bonds issued in connection with SDOs or SDROs. The latter two, i.e. bonds issued by Danish Ship Finance and junior covered bonds, totalled kr. 9.6 billion and kr. 8.5 billion of the collateral value of other bonds at the end of 2013 and 2014, respectively.
- Banks' credit claims formed part of Danmarks Nationalbank's collateral basis until 1 July 2014.
- Sector company shares (until 1 July 2014) and government guaranteed uncollateralised debt issued by credit institutions.

3 See the General Terms and Conditions for Monetary Policy Instruments and Settlement of Payments in Danish Kroner, Swedish Kronor and Icelandic Kroner at Danmarks Nationalbank.

At end-2014, the collateral value of the counterparties' collateral in Danmarks Nationalbank was kr. 297 billion, or kr. 42 billion lower than at end-2013, cf. Table 3. The decrease in the collateral value can primarily be attributed to a reduction of the credit institutions' holdings of certificates of deposit. Moreover, the institutions can no longer use credit claims as collateral, cf. the report on the activities of Danmarks Nationalbank, and their use of temporary facilities has been considerably reduced. In contrast, the use of mortgage bonds as collateral has increased.

OPERATIONAL RISK

Operational risk is the risk of losses due to inadequate or failed processes, human errors and actions, system errors and external events.

Danmarks Nationalbank continuously seeks to identify, assess, manage and follow up on significant operational risks. The purpose of Danmarks Nationalbank's risk management process is to ensure uniformity and comparability between operational risks, which makes it possible to prioritise initiatives in line with Danmarks Nationalbank's overall objectives. In 2014, Danmarks Nationalbank's top risks have been identified, and mitigating activities have been launched. As part of its internal management and control, Danmarks Nationalbank will strengthen operational risk management in 2015.

Danmarks Nationalbank complies with the DS 3999 security standard. Its efforts to anchor the requirements and processes of the security standard continue in 2014 so as to increase Danmarks Nationalbank's physical security, including security in the Banknotes and Coins department in particular.

In March 2014, Danmarks Nationalbank inspected its stock of gold in the Bank of England. The vault currently contains 5,162 gold bars, equivalent to approximately 64 tonnes⁴. The stock was satisfactorily checked for weight and quality. Furthermore, Danmarks Nationalbank receives an annual statement by the auditors from the Bank of England to confirm the presence of the gold.

⁴ Danmarks Nationalbank's total stock of gold amounts to 66.5 tonnes, and the remaining part is held by the Federal Reserve Bank of New York and by Danmarks Nationalbank.

INSURANCE STRATEGY

Danmarks Nationalbank's insurance policies are reviewed on an annual basis in collaboration with an external insurance agent. No major changes were made to the insurance strategy in 2014.

ACCOUNTS OF THE YEAR 2014

KEY FIGURES AND FINANCIAL RATIOS 2010-2014

Profit and loss account (kr. million)	2014	2013	2012	2011	2010
Net income from interest	3,916	3,221	3,834	4,265	3,546
Value adjustments	3,428	-9,166	637	835	4,567
Income from shares, etc.	191	132	122	74	129
Other income	5	123	60	165	12
Expenses, including depreciation	-575	-629	-592	-606	-581
Other expenses	-	-	-19	-	-19
Profit/loss for the year	6,965	-6,319	4,042	4,733	7,654
Allocated as follows:					
Allocation to net capital	5,196	-7,742	2,339	2,394	5,493
Payable to the central government	1,769	1,423	1,703	2,339	2,161
	6,965	-6,319	4,042	4,733	7,654

Balance sheet (kr. million)	2014	2013	2012	2011	2010
Assets					
Foreign exchange reserve assets	460,901	477,120	504,329	495,275	431,856
Monetary policy lending	35,039	23,145	66,401	24,010	9,275
Other lending	2,544	2,475	3,347	4,091	4,099
Domestic bonds	33,687	33,960	34,093	33,669	32,609
Other assets	4,302	10,525	20,379	12,759	8,305
Total assets	536,473	547,225	628,549	569,804	486,144
Liabilities					
Banknotes and coins	67,338	66,491	65,805	62,407	62,541
Monetary policy deposits	155,078	227,358	286,671	173,159	147,067
Central government	214,869	163,376	163,694	225,849	179,443
Foreign exchange reserve debt	3,345	3,125	2,685	3,378	3,134
Other liabilities	27,687	23,915	38,992	36,648	27,990
Total creditors	468,317	484,265	557,847	501,441	420,175
Total net capital	68,156	62,960	70,702	68,363	65,969
Total liabilities	536,473	547,225	628,549	569,804	486,144

Financial ratios	2014	2013	2012	2011	2010
Foreign exchange reserve (kr. million)	457,556	473,995	501,644	491,897	428,722
Net position of banks and mortgage banks vis-à-vis Danmarks Nationalbank (kr. million)	120,039	204,213	220,270	149,149	137,792
Growth in banknotes and coins (per cent)	1.3	1.0	5.4	-0.2	2.9
Change in net capital (per cent)	8.3	-11.0	3.4	3.6	9.1
Change in net capital excl. Value Adjustment Reserve (per cent)	3.1	2.5	3.1	3.0	1.8
Average no. of staff (full-time equivalents)	476	528	518	505	510

BOARD OF GOVERNORS' REPORT ON DANMARKS NATIONALBANK'S ACCOUNTS

The profit for the year was kr. 6,965 million, compared with a loss of kr. 6,319 million in 2013.

Most of the change is due to an increase in the value of the gold stock in 2014, against a considerable decrease in 2013.

Market developments in the form of falling interest rates and risk premia and higher share prices made a positive contribution to the result. This contribution was further enhanced by the Danmarks Nationalbank's new investment strategy implemented in 2014.

A gain of kr. 1.3 billion from the sale of shares in Nets is also included in the result.

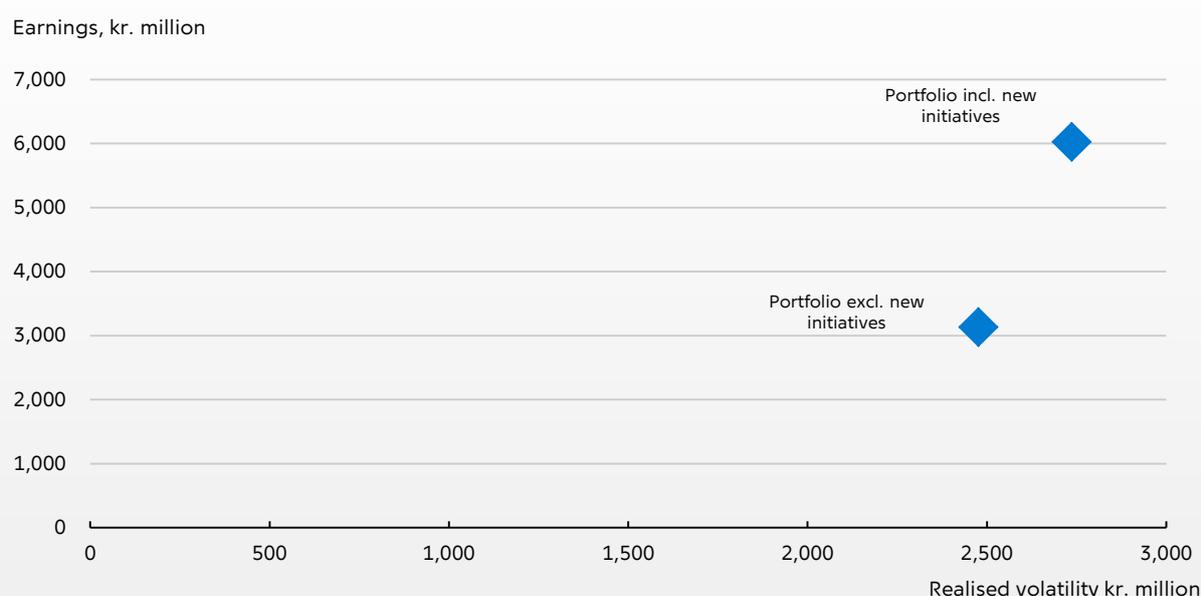
Expenses declined in 2014, partly due to a reduction of the number of employees, partly due to falling production of banknotes and coins.

The balance sheet decreased by kr. 10.8 billion overall in 2014, to kr. 536.5 billion, mainly as a result of the central government's redemption of foreign debt combined with Danmarks Nationalbank's intervention sales of foreign exchange in 2014. As opposed to this, the balance on the central government's account increased by kr. 51.5 billion.

The Accounts for 2014 have been prepared in accordance with the accounting policies applied in the previous year. No credit losses were registered on Danmarks Nationalbank's exposures to monetary policy counterparties and other external investments in 2014, and it is not deemed to be necessary to make provisions for such losses at year-end.

Relationship between realised volatility and financial result in 2014: with and without new initiatives

Chart 5



Note: Risk, expressed as realised volatility, has been calculated on the basis of daily returns scaled up to an annual level. Earnings exclusive of the sale of Nets and funding costs.

Source: Danmarks Nationalbank.

The foreign exchange reserve is mainly invested in liquid instruments with very high credit ratings and maintained for intervention and financial stability purposes.

In 2014, a small part of the foreign exchange reserve was invested in new asset types to improving the return/risk ratio. This involves investments in shares, corporate bonds and government bonds with ratings down to BBB-, while the interest rate sensitivity was increased by purchasing bonds with longer maturities. These new initiatives increased the return in 2014 by almost estimated kr. 3 billion, cf. Chart 5. The return is within the bounds of expected returns, and the risk has increased only modestly since considerable gains have been achieved by spreading the risk on more asset types. It should be emphasised that a long-term perspective is applied in relation to investment focus and evaluation of the strategy. Returns in individual years may fluctuate substantially, and at times there will be no diversification gain.

Net income from interest on foreign assets rose by kr. 979 million compared with the previous year. Furthermore, the market value of the foreign exchange reserve¹ was adjusted upwards by kr. 1,402 million, compared with a downward adjustment of kr. 2,460 million in 2013.² Foreign assets are mainly invested in euro, but investments are also made in dollar-denominated assets. Except for gold, all portfolios have been converted into euro exposures. Due to Denmark's fixed exchange rate policy, the exchange rate risk is generally low, but even small fluctuations may lead to large value adjustments. In 2014, the krone strengthened slightly against the euro, leading to exchange rate losses of kr. 946 million.

Overall, as a result of the above, the contribution from foreign exchange positions, excluding gold, to the result for the year was positive by kr. 3,736 million, compared with a negative contribution of kr. 181 million in 2013. Of the total return, con-

1 Besides gold, the foreign exchange reserve comprises the accounting items "Foreign assets", "Claims on the IMF" and "Foreign liabilities".

2 Value adjustments include maturity reduction of the bond portfolio.

tributions from stock futures constitute kr. 1.1 billion³ and from corporate bonds (via Exchange Traded Funds)⁴ kr. 0.1 billion. The portfolio of domestic bonds contributed kr. 539 million, up from kr. 249 million in 2013.

The value of the gold stock increased by kr. 1,792 million in 2014, compared with a decrease of kr. 6,234 million in 2013.

Danmarks Nationalbank's operating expenses amounted to kr. 537 million, which was kr. 62 million lower than in 2013.

In 2013, Danmarks Nationalbank decided to embark on a process to reduce its staff by almost 10 per cent by the spring of 2015. This meant that the number of employees was reduced by 38 during 2014. A further 14 full-time equivalents left the organisation. Consequently, the number of full-time equivalents fell by 52, to 476. This contributed partly to a decline of kr. 30 million in staff expenses compared with 2013, to kr. 363 million.

Other expenses fell by kr. 32 million net. The decrease reflects a number of opposite factors, but particularly falling demand for new banknotes and coins and hence a reduced need to produce them. This has led to savings of kr. 26 million on materials for banknote and coin production.

The decision to cease to produce banknotes and coins during 2016 has led to an adjustment of the depreciation period for various pieces of production equipment. This is one of the reasons why depreciation increased by kr. 8 million compared with the previous year. To this should be added the introduction of new facilities and IT systems to support hedging of Danmarks Nationalbank's operational risks.

3 The total exposure to stock futures is kr. 13.2 billion, distributed on USD and EUR. The distribution is shown in note 31. Margin receivables at end-2014 are shown in note 13.

4 Investments in corporate bonds take place via Exchange Traded Funds. The Funds' investments in corporate bonds are financed via issuance of shares (similar to investment fund shares). The individual Fund consists of a number of legally defined investment funds and can be traded on exchanges. The objective of the Funds is to replicate the return on a given benchmark index which is broadly composed of many enterprises from different sectors issued in EUR. The value of the portfolio of Exchange Traded Funds was kr. 5.0 billion at end-2014, cf. note 13.

Danmarks Nationalbank will be implementing the first of a series of new business IT systems in 2015 and will generally make considerable investments in IT and IT development projects in the coming years. This is done with a view to replacing older, custom-developed and fully depreciated IT systems. These investments will also help to ensure better hedging of a number of Danmarks Nationalbank's operational risks. In future, not only higher depreciation but also rising IT operating costs will be charged to expenses due to these new systems.

A number of development projects are aimed at ensuring the future system platform for payment systems. As it is customary, the financial sector will contribute to the financing of these systems. This means that Danmarks Nationalbank will acquire a claim on the sector, which will be settled after the system has become operational.

The balance sheet reflects that Danmarks Nationalbank issues banknotes and coins, holds the foreign exchange reserve, and functions as banker to the banks and mortgage banks and to the central government.

The foreign exchange reserve is the most important item on the assets side, standing at kr. 457.6 billion at end-2014. This is kr. 16.4 billion lower than last year. This decline results from a combination of the central government's net redemptions on currency loans and intervention on the one hand and positive value adjustments on the other hand. The counterpart of the foreign exchange reserve is liabilities that are primarily made up of the net position vis-à-vis the banks and mortgage banks⁵ and the balance on the central government's account at Danmarks Nationalbank.

The banks' and mortgage banks' net deposits averaged kr. 140 billion in 2014. Interest rates were negative again in 2014, and consequently Danmarks Nationalbank posted net interest income of kr. 51 million, of which interest income from certificates of deposit issued amounted to kr. 33 million net.

5 The banks' and mortgage banks' net position vis-à-vis Danmarks Nationalbank appears as the value of the accounting items "Net current accounts and settlement accounts", "Certificates of deposit" and "Monetary policy lending".

Development in key balance sheet items in 2014

Table 4

Kr. billion	Assets	Liabilities	
	Foreign exchange reserve	Net position	Central government
Start of 2014	474.0	204.2	163.4
Intervention	-14.0	-14.0	
Central government's net foreign borrowing	-17.5		-17.5
Central government's net domestic borrowing		-66.0	66.0
Value adjustment	10.8		
Miscellaneous	4.3	-4.2	3.0
End of 2014	457.6	120.0	214.9
Change during the year	-16.4	-84.2	51.5

Overall, the banks' and mortgage banks' net position vis-à-vis Danmarks Nationalbank decreased by kr. 84.2 billion to kr. 120.0 billion, while the central government's deposit increased by kr. 51.5 billion on the preceding year, to kr. 214.9 billion at end-2014. The relationship between the foreign exchange reserve, the net position and the central government's account is shown in Table 4.

Distribution of the result for the year

The distribution of Danmarks Nationalbank's profit or loss is determined from year to year, based on a specific assessment. It has been decided, cf. section 19 of the Danmarks Nationalbank Act, to distribute the profit for 2014, kr. 6,965 million, as follows:

- An amount corresponding to the value adjustments for the year, kr. 3,428 million, is allocated to the Value Adjustment Reserve, which subsequently amounts to kr. 9,100 million.
- 50 per cent of the result excluding value adjustments, equivalent to kr. 1,769 million, is allocated to the General Reserves, which subsequently amount to kr. 58,757 million.
- The remaining amount, i.e. 50 per cent of the result before value adjustments, equivalent to kr. 1,769 million, is payable to the central government.

The Board of Directors of Danmarks Nationalbank has adopted an amendment to the principles for distribution of the result for the year, to take effect from 2015.

In future all contributions to the result, except gold, will be included in the basis for calculation of the payment to the central government. Until now, value adjustments have been transferred to the Value Adjustment Reserve, which will be discontinued at the end of 2015 after transfer of the balance to the General Reserves. The aim is that over time Danmarks Nationalbank's net capital should grow at the same rate as nominal GDP, so that Danmarks Nationalbank's consolidation matches the general trend in the economy. To smooth out payments to the central government, the basis for calculation will be the average of the last 5 years' results.

Expectations for 2015

The level of interest rates is very low, and, other things being equal, this entails a low level of earnings. As a consequence of the fixed exchange policy, Danmarks Nationalbank in early 2015 increased the foreign exchange reserve via intervention purchases of euro and reduced the rate of interest on deposits. The latter means that Danmarks Nationalbank now invests the foreign exchange reserve at a rate of interest exceeding the deposit rate. This increases earnings. Furthermore, it is expected that the new investment strategy will make a positive contribution to the net result, although there is considerable uncertainty linked to year-on-year asset price fluctuations.

STATEMENT BY THE BOARD OF GOVERNORS

The Board of Governors have today considered and approved the Annual Accounts of Danmarks Nationalbank for 2014.

The Annual Accounts have been prepared in accordance with the Danmarks Nationalbank Act.

In our opinion, the Accounts give a true and fair view of Danmarks Nationalbank's assets, liabilities and financial position at 31 December 2014, and of the result of Danmarks Nationalbank's activities for the financial year 1 January-31 December 2014.

Copenhagen, 24 February 2015

The Board of Governors

Lars Rohde
Chairman

Per Callesen

Hugo Frey Jensen

INTERNAL AUDIT'S REPORT

TO THE BOARD OF DIRECTORS

Report on the Annual Accounts

Internal Audit have audited the Accounts of Danmarks Nationalbank for the financial year 1 January-31 December 2014, comprising key figures and financial ratios 2010-2014, Accounting Policies, Profit and Loss Account, Balance Sheet and Notes. The Annual Accounts have been prepared in accordance with the Danmarks Nationalbank Act.

Danmarks Nationalbank's Committee of Directors and Board of Directors' responsibility for the Accounts

The Committee of Directors and Board of Directors are responsible for the preparation and fair presentation of Accounts in accordance with the Danmarks Nationalbank Act. The Committee of Directors and Board of Directors are also responsible for internal controls considered necessary by the Committee of Directors and Board of Directors for preparing Accounts that are free of material misstatement, whether due to fraud or error.

Internal Audit's responsibility

Internal Audit's responsibility is to express an opinion on the Accounts based on our audit.

Basis of opinion

We have conducted the audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the Accounts are free of material misstatement.

The audit included an assessment of the Committee of Directors' and Board of Directors' established procedures and internal controls that are relevant to Danmarks Nationalbank's preparation and fair presentation of the Accounts, including an assessment of the risk of material misstatement. The audit also included evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Committee of Directors and Board of Directors, as well as evaluating the overall presentation of the Accounts.

The audit comprised the most significant areas and risk areas and we believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. The audit has not resulted in any qualification.

Opinion

In our opinion, the Accounts give a true and fair view of Danmarks Nationalbank's assets, liabilities and financial position at 31 December 2014, and of the result of Danmarks Nationalbank's activities for the financial year 1 January-31 December 2014 in accordance with the Danmarks Nationalbank Act.

Statement on the Board of Governors' Report on Danmarks Nationalbank's Accounts

We have read the Board of Governors' Report on Danmarks Nationalbank's Accounts. We have compared the information in the Report with the information provided in the Accounts and also with the knowledge we have obtained and conditions we have become aware of in connection with our audit of the Accounts. In our opinion, the information provided in the Board of Governors' Report on Danmarks Nationalbank is consistent with the Accounts.

Copenhagen, 24 February 2015

Bethina Hamann
Chief Audit Executive

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS

Report on the Annual Accounts

We have audited the Accounts of Danmarks Nationalbank for the financial year 1 January-31 December 2014, comprising Accounting Policies, Profit and Loss Account, Balance Sheet and Notes. The Annual Accounts have been prepared in accordance with the Danmarks Nationalbank Act.

Danmarks Nationalbank's Committee of Directors and Board of Directors' responsibility for the Accounts

The Committee of Directors and Board of Directors are responsible for the preparation and fair presentation of Accounts in accordance with the Danmarks Nationalbank Act. The Committee of Directors and Board of Directors are also responsible for internal controls considered necessary by the Committee of Directors and Board of Directors for preparing Accounts that are free of material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the Accounts based on our audit. We have conducted the audit in accordance with International Standards on Auditing and additional requirements in accordance with Danish auditor legislation. That requires that we comply with ethical codes and that we plan and perform the audit to obtain reasonable assurance that the Accounts are free of material misstatement.

An audit involves performing audit procedures to obtain audit evidence about amounts and disclosures in the Accounts. The audit procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the Accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to Danmarks Nationalbank's preparation and fair presentation of the Accounts. The purpose is to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of Danmarks Nationalbank's internal controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Committee of Directors and Board of Directors, as well as evaluating the overall presentation of the Accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

In our opinion, the Accounts give a true and fair view of Danmarks Nationalbank's assets, liabilities and financial position at 31 December 2014, and of the result of Danmarks Nationalbank's activities for the financial year 1 January-31 December 2014 in accordance with the Danmarks Nationalbank Act.

Statement on the Board of Governors' Report on Danmarks Nationalbank's Accounts

We have read the Board of Governors' Report on Danmarks Nationalbank's Accounts. We have not performed any other procedures in addition to the audit of the Accounts. On this basis, it is our opinion that the information provided in the Board of Governors' Report on Danmarks Nationalbank is consistent with the Accounts.

Copenhagen, 24 February 2015

Mona Blønd
State-Authorised Public Accountant
Ernst & Young
Godkendt Revisionspartnerselskab

Erik Stener Jørgensen
State-Authorised Public Accountant
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

SIGNATURES

These Accounts, audited in the manner prescribed by the by-laws of Danmarks Nationalbank, are hereby adopted by the Board of Directors at the meeting on 17 March 2015.

As at 1 March 2015 the Board of Directors comprises

Søren Bjerre-Nielsen, Chairman

Helle Bechgaard, Deputy Chairman

Anne Kristine Axelsson

Kristian Thulesen Dahl

Michael Dithmer

Pia Olsen Dyhr

Asger Enggaard

Niels Fog

Peter Gæmelke

Camilla Hersom

Bent Jensen

Hans Jensen

Thomas Jensen

Kjeld Johannesen

Mike Legarth

Michael Møller

Kirsten Nissen

John Dyrby Paulsen

Anja Philip

Lars Løkke Rasmussen

Christian Schultz

Bente Sorgenfrey

Anne Hedensted Steffensen

Inger Støjberg

Gitte Pugholm Aabo

ACCOUNTING POLICIES

GENERAL

Danmarks Nationalbank's Accounts for the year 2014 are presented in accordance with the Danmarks Nationalbank Act. In all significant respects these accounting policies are in accordance with the sound policies for European central banks in the euro area. The main differences relate to unrealised gains on foreign exchange and securities, which are recognised in the profit and loss account in Danmarks Nationalbank's Accounts.

The basic accounting assumptions are economic reality. The effects of transactions and events are recognised when they occur and stated and presented in the accounts for the year which they concern. The Accounts include all material and relevant circumstances, revaluations are shown irrespective of their impact on profits and net capital, and calculation and valuation methods are applied consistently within each category of conditions. When initially recognised, assets and liabilities are stated at cost price. Subsequently, assets and liabilities are valued as described under each accounting item.

The accounting policies applied are unchanged from the previous year.

Conversion of transactions in foreign currency

Transactions in foreign currency are converted to Danish kroner at the exchange rate applying on the transaction date.

On the balance sheet date, all financial assets and liabilities in foreign currency are converted at the exchange rate applying on that date. Both realised and unrealised gains and losses are recognised in the profit and loss account.

PROFIT AND LOSS ACCOUNT

Interest

Besides income on interest-bearing assets and liabilities, interest income and expenses comprises fees, premia and discounts on T-bills and certificates of deposit, as well as premia on forward securities and forward exchange contracts.

Value adjustments, etc.

Value adjustments comprise market value adjustments and exchange rate adjustments on financial assets and liabilities, shares, other equity investments and gold. Both realised and unrealised gains and losses are recognised in the profit and loss account.

Income from shares, etc.

Income from shares, etc. comprises income from equity investments in listed and unlisted companies, including associated companies. Income from shares is recognised in the year when the dividend is announced.

Other income

Other income comprises income from Danmarks Nationalbank's sale of coin sets and medals, as well as other income that is not related to Danmarks Nationalbank's primary activities or that is not annually recurring.

Expenses

Staff expenses comprise salaries and remuneration, including pension contributions and support, etc., training costs and other staff expenses. Other

expenses comprise materials for production of banknotes and coins, etc., current expenses for Danmarks Nationalbank's properties, IT expenses and other expenses.

Other expenses

Other expenses comprise expenses that are not related to Danmarks Nationalbank's primary activities or that are not annually recurring.

BALANCE SHEET

Gold

Gold is stated at the fair value on the balance sheet date.

Financial assets and liabilities

Financial assets and liabilities traded in active markets are stated at the fair value on the balance sheet date.

For bond portfolios in less active or inactive markets, which are included in "Foreign assets" and "Domestic bonds", the fair value on the balance sheet date has been calculated by a model based on estimation and assessment techniques taking into account recent transactions in similar instruments, the discounted payment flows for the portfolios and the relevant term structure based on the market conditions existing on the balance sheet date.

Monetary policy accounts, including certificates of deposit and other lending and deposits, are stated at nominal value.

Repurchase agreements and securities lending, etc.

Securities sold in connection with simultaneous repurchase agreements and securities made available for lending are included in Danmarks Nationalbank's respective holdings.

Shares, etc.

Capital investments and equivalent investments and equity investments in associated companies (in which the ownership interest or voting rights are 20 per cent or more) are stated at an estimated value on the balance sheet date, not exceeding the acquisition value, however.

Holdings of Exchange Traded Funds and stock futures, which are included in "Foreign assets", are traded on an active market, so the fair value is based on quoted prices.

Tangible and intangible fixed assets

Tangible and intangible fixed assets comprise Danmarks Nationalbank's properties, technical building facilities (lifts, electrical installations, etc.), technical production facilities (for banknote and coin production), office equipment and vehicles, hardware and software and fixed assets under construction.

Fixed assets are stated on the balance sheet at acquisition prices less accumulated depreciation and write-down.

Assets with an acquisition value of less than kr. 100,000 per unit are carried as expenditure in the year of acquisition.

Depreciation and amortisation on a linear per-annum basis takes place over the expected useful lives of the assets.

The useful lives are assessed as follows:

Bank properties	100 years
Other properties	25-50 years
Building improvements	25 years
Technical building facilities	10-25 years
Technical production facilities	5-10 years
Hardware and software	3-5 years
Other machinery and equipment	3-5 years

Fixed assets under construction comprise expenses incurred for intangible development projects and tangible fixed assets under construction. Expenses are transferred to the relevant fixed asset groups when the assets are ready for use.

Profit/loss on the sale of fixed assets is recognised in the profit and loss account under depreciation, amortisation and write-down and is stated as the difference between the sales price and the book value at the time of sale.

Other assets

Other assets include, inter alia, interest receivable, positive net value of hedging instruments in the form of unsettled foreign exchange transactions and other financial derivatives by instrument type, and prepaid expenses.

Financial derivatives such as forward securities and forward exchange contracts, interest rate and currency swaps, etc. are stated at fair value on the balance sheet date.

Banknotes and coins

Banknotes and coins in circulation are stated at their nominal value.

Other liabilities

Other liabilities comprise, inter alia, payables, negative net value of hedging instruments in the form of unsettled foreign exchange transactions and other financial derivatives by instrument type, and uncovered pension commitments, commitments by way of support and severance payments and other provisions for guarantees provided.

Financial derivatives such as forward securities and forward exchange contracts, interest rate and currency swaps, etc. are stated at fair value on the balance sheet date.

Contingent liabilities

Other liabilities concerning guarantees provided are stated at the estimated value of the payment obligation.

Pension commitments

For defined contribution pension plans, the current premium payments to the pension companies are carried as expenditure in the profit and loss account, and the pension commitment hereafter passes to the pension companies.

For defined benefit pension plans, provisions are made in the accounts of Danmarks Nationalbank for uncovered pension undertakings compiled according to actuarial principles.

PROFIT AND LOSS ACCOUNT

(kr. 1,000)	Note	2014	2013
Net income from interest:	1		
Interest on foreign assets		3,255,161	2,271,645
Interest on domestic loans	2	17,871	78,423
Interest on certificates of deposit		56,000	168,286
Interest on domestic bonds		706,156	762,154
Commission and other income		312	1,282
Interest income, etc.		4,035,500	3,281,790
Interest on foreign liabilities		18,509	14,025
Interest on certificates of deposit		22,685	-
Interest on other domestic deposits	3	78,284	46,992
Expenditure on interest, etc.		119,478	61,017
Net income from interest, total		3,916,022	3,220,773
Value adjustments, etc.	4		
Value adjustment of gold		1,792,427	-6,233,544
Value adjustment of foreign exchange positions	5	456,244	-2,438,489
Value adjustment of domestic securities	6	1,179,183	-493,676
Value adjustments, etc., total		3,427,854	-9,165,709
Profit/loss from financial items		7,343,876	-5,944,936
Income from shares, etc.	7	191,160	132,045
Other income	8	4,966	122,784
Expenses:			
Staff expenses	9	362,750	392,990
Other expenses	10	174,351	206,402
Total expenses		537,101	599,392
Depreciation, amortisation and write-down of tangible and intangible fixed assets	11	37,689	29,942
Profit/loss for the year		6,965,212	-6,319,441
Distribution of the result for the year:			
Profit/loss for the year		6,965,212	-6,319,441
Allocation from/to Value Adjustment Reserve		-3,427,854	9,165,709
		3,537,358	2,846,268
allocated as follows:			
Allocation to General Reserves, 50 per cent/50 per cent		1,768,679	1,423,134
Payable to the central government, 50 per cent/50 per cent		1,768,679	1,423,134
		3,537,358	2,846,268

BALANCE SHEET

(kr. 1,000)	Note	2014	2013
Assets			
Gold	12	15,707,167	13,914,740
Foreign assets	13	425,650,888	443,188,140
Claims on the IMF, etc.	14	19,542,605	20,016,793
Claims re banks' and mortgage banks' TARGET accounts at the ECB		432,592	3,904,588
Monetary policy lending	15	35,039,474	23,145,472
Other lending	16	2,543,582	2,474,671
Domestic bonds	17	33,687,354	33,960,441
Shares, etc.	18	802,211	1,064,350
Tangible and intangible fixed assets	19	759,594	734,757
Other assets	20	2,279,889	4,792,268
Accruals		27,222	28,535
Total assets		536,472,578	547,224,755
Liabilities			
Banknotes	21	61,459,517	60,681,434
Coins	21	5,877,858	5,809,589
Monetary policy deposits			
Net current accounts and settlement accounts	22	30,306,317	59,325,723
Certificates of deposit		124,772,000	168,032,000
Other deposits	23	8,467,166	10,900,008
Central government	24	214,868,604	163,375,742
Foreign liabilities	25	3,344,791	3,125,153
Counterpart of Special Drawing Rights allocated by the IMF	26	13,575,439	12,773,407
Other liabilities	27	5,644,464	241,810
Total creditors		468,316,156	484,264,866
General Capital Fund		50,000	50,000
Statutory Reserves		250,000	250,000
Value Adjustment Reserve		9,099,756	5,671,902
General Reserves		58,756,666	56,987,987
Total net capital	28	68,156,422	62,959,889
Total liabilities		536,472,578	547,224,755
Apportionment of foreign exchange reserve assets	29		
Financial derivatives for conversion of foreign exchange exposure	30		
Other financial derivatives	31		
Contingent liabilities	32		
Loan and purchase commitments to the IMF	33		
Pension commitments	34		

NOTES

Note 1 - Net income from interest

Net income from interest rose by kr. 3,221 million to kr. 3,916 million.

Net income from interest on net foreign assets increased by kr. 979 million to kr. 3,237 million. This is mainly attributable to a new investment strategy with an improved return/risk ratio. Investments are now diversified on several asset types, while the interest rate sensitivity has increased. Maturity reduction is not included in income from interest.

Monetary policy interest rates have been historically low in recent years. This applies not least in 2014, when interest rates again hovered closely around zero. The rate of interest on certificates of deposit was negative at the beginning of the year, but became positive by 0.10 per cent after the interest rate adjustment of 25 April. Another interest rate adjustment on 5 September sent the rate of interest on certificates of deposit back into negative territory, by 0.05 per cent, where it also was at the end of the year. Throughout 2014, the lending rate and the

current account rate were unchanged at 0.20 per cent and 0 per cent, respectively.

Average net deposits from the credit institutions amounted to kr. 141 billion in 2014, but due to the composition of net deposits as well as interest rate developments Danmarks Nationalbank posted net interest income of kr. 51 million on these deposits. Average net deposits from these institutions amounted to kr. 198 billion in 2013, and Danmarks Nationalbank had net interest income of kr. 246 million on these deposits.

In 2014, Danmarks Nationalbank had no interest expenditure to the central government since the rate of interest on the central government's account is the current account rate. The average deposit was kr. 197 billion relative to kr. 174 billion in 2013.

Interest on domestic bonds fell by kr. 56 million to kr. 706 million due to lower interest levels on reinvestment and lower average holdings.

Note 2 - Interest on domestic loans

(kr. 1,000)	2014	2013
Interest on monetary policy lending	17,430	77,981
Interest on lending to others	441	442
	17,871	78,423

Note 3 - Interest on other domestic deposits

(kr. 1,000)	2014	2013
Interest on current accounts	-	-
Interest on the central government's deposits	-	-
Interest on other depositors, etc.	78,284	46,992
	78,284	46,992

Since the current account rate and the discount rate were 0 per cent during 2014, Danmarks Nationalbank has paid no interest on accounts to which these interest rates apply.

NOTES

Note 4 - Value adjustments, etc.

Total value adjustments for the year show a gain of kr. 3.4 billion, compared with a loss of kr. 9.2 billion in 2013, equivalent to an increase of kr. 12.6 billion. Maturity reduction is recognised under value adjustments.

Value adjustment of the gold stock entailed a gain of kr. 1,792 million, reflecting an increase of 12.9 per cent in the price of gold measured in Danish kroner.

Value adjustments of foreign assets resulted in a gain of kr. 456 million, comprising a market value gain of kr. 1,402 million and an exchange rate loss of kr. 946 million.

Value adjustment of domestic securities totalled kr. 1,179 million, of which kr. 1,347 million was a gain from the sale of shares in Nets.

Note 5 - Value adjustment of foreign assets

(kr. 1,000)	2014	2013
Market value adjustment	1,402,228	-2,459,858
Exchange rate adjustment	-945,984	21,369
	456,244	-2,438,489

Note 6 - Value adjustment of domestic securities

(kr. 1,000)	2014	2013
Value adjustment of domestic bonds	-167,591	-513,560
Value adjustment of shares	1,346,774	19,884
	1,179,183	-493,676

Note 7 - Income from shares, etc.

(kr. 1,000)	2014	2013
Nets Holding A/S	48,098	48,098
Danish Ship Finance A/S	70,088	46,160
Bank for International Settlements (BIS)	15,531	23,255
VP Securities A/S	14,532	14,532
	148,249	132,045
Income from Exchange Traded Funds	42,911	-
	191,160	132,045

NOTES

Note 8 - Other income

(kr. 1,000)	2014	2013
Sale of coins and medals	4,701	5,724
Income from the IMF	-	116,879
Other income	265	181
	4,966	122,784

Note 9 - Staff expenses

(kr. 1,000)	2014	2013
Salaries and remuneration	294,638	320,172
Pension contributions and support	55,566	58,381
Training	7,295	7,156
Other staff expenses	14,293	15,590
	371,792	401,299
Of which used for intangible development projects capitalised under fixed assets	-9,042	-8,309
	362,750	392,990
Of which remuneration of the management:		
Governors, salaries	9,383	9,228
Governors, pension contributions and actuarial adjustment of defined benefit pension commitments	1,721	1,649
Committee of Directors and Board of Directors	904	863
	12,008	11,740
Salaries to the Governors are as follows:		
Lars Rohde, Chairman (Governor from 1 February 2013)	3,323	2,918
Per Callesen	3,030	2,991
Hugo Frey Jensen	3,030	2,991
Nils Bernstein (resigned on 31 January 2013)	-	328
	9,383	9,228
Remuneration of the Committee of Directors and Board of Directors is as		
Chairman of the Committee of Directors and the Board of Directors	112	111
Deputy Chairman of the Committee of Directors	84	83
Deputy Chairman of the Board of Directors	34	33
Other members of the Committee of Directors, total (kr. 56,000/member/year)	281	278
Other members of the Board of Directors, total (kr. 22,000/member/year)	393	358
	904	863

No bonus schemes exist at Danmarks Nationalbank.

In 2014, the average number of employees was 476 on a full-time basis (2013: 528).

NOTES

Note 10 - Other expenses

(kr. 1,000)	2014	2013
Materials for banknote production	11,350	36,992
Materials for coin production	7,096	7,849
Real property, current expenses	51,111	56,343
IT expenses	64,958	60,930
Other expenses	39,836	44,288
	174,351	206,402

Note 11 - Depreciation, amortisation and write-down of tangible and intangible fixed assets

(kr. 1,000)	2014	2013
Properties	18,094	16,614
Machinery and other operating equipment	8,199	7,175
Hardware and software	11,396	5,657
Profit/loss on sale of fixed assets	-	496
	37,689	29,942

The depreciation period for capitalised machinery for banknote and coin production has been adjusted in order to take into account that the production of banknotes and coins will cease in 2016. The purpose of the adjustment has

been to provide a more true and fair view of Danmarks Nationalbank's activities and financial position. The adjustment entails additional depreciation of kr. 1.4 million in 2014, kr. 7.7 million in 2015 and kr. 5.1 million in 2016.

Note 12 - Gold

The value of the gold stock was kr. 15.7 billion at year-end compared with kr. 13.9 billion at the end of 2013. The reason for the increase is that the price of gold, calculated

in kroner, rose by 12.9 per cent during 2014. The gold stock was unchanged at 66,550 kg.

NOTES

Note 13 - Foreign assets

(kr. 1,000)	2014	2013
Foreign bonds	278,381,170	216,534,514
Exchange Traded Funds in corporate bonds	5,049,054	-
Claims on central banks and supranational institutions	9,422,517	34,896,426
Claims on foreign commercial banks	5,741,759	12,186,211
Claims re two-way collateral in cash	2,652,452	-
Margin claims re stock futures	728,263	190,589
Repo transactions against collateral in foreign bonds	123,673,990	179,379,065
Other foreign assets	1,683	1,335
	425,650,888	443,188,140

Foreign bonds comprise primarily government and government-guaranteed bonds in the euro area and the USA. In addition, there are portfolios from supranational institutions and a number of small positions.

Claims on central banks, supranational institutions and foreign commercial banks include deposits on demand and uncollateralised deposits.

Claims re two-way collateral in cash relate to collateral pledged in EUR concerning Danmarks Nationalbank's swap lines.

Claims re stock futures include partly margin deposits, partly margin outstandings in the underlying assets. The total exposure to stock futures is kr. 13.2 billion, as appears from Note 31.

Collateralised lending in the form of repo reverse transactions is collateralised against foreign government and government-guaranteed bonds.

Note 14 - Claims on the IMF, etc.

(kr. 1,000)	2014	2013
IMF quota	16,765,937	15,775,411
IMF's drawing right	13,585,202	11,551,442
Reserve position with the IMF	3,180,735	4,223,969
Holdings of Special Drawing Rights (SDRs)	12,613,680	12,238,190
	15,794,415	16,462,159
Loans to PRG Trust	343,728	74,398
Bilateral loans under the 2009 loan agreement	2,293,765	2,962,284
Loans under New Arrangements to Borrow (NAB)	1,110,697	517,952
	19,542,605	20,016,793

Each IMF member country is assigned a *quota* based on its relative position in the world economy. The member countries' quota shares determine their voting power, access to loans from the IMF and contribution to the funding of the IMF. The quotas were most recently realigned in 2011 as a result of the IMF's 2008 quota reform. Danmarks Nationalbank has paid up 25 per cent of the Danish IMF quota in foreign exchange, while the remaining 75 per cent has been paid into the IMF's account at Danmarks Nationalbank in Danish kroner. The account is used for the IMF's transactions in Danish kroner, and the balance of the account constitutes the *IMF's drawing right* at Danmarks Nationalbank. The difference between Denmark's membership contribution and the IMF's holding of Danish kroner is called the *reserve position with the IMF*.

Holdings of Special Drawing Rights with the IMF: As part of the SDR cooperation, Danmarks Nationalbank may be asked to purchase SDRs to increase its holdings to up to three times the accumulated allocation of SDR 1,531 million, corresponding to SDR 4,594 million. The current holdings are SDR 1,423 million, so that the maximum further purchase is SDR 3,171 million, equivalent to kr. 28,113 million. An amount corresponding to the IMF's accumulated allocations to Denmark can be found in Note 26 "Counterpart of Special Drawing Rights allocated by the IMF".

Loans to the PRG Trust amount to SDR 39 million. These loans are guaranteed by the Danish government. Further loans of SDR 31 million were granted in 2014, while redemptions totalled SDR 1 million. The IMF may exercise drawing rights of up to SDR 200 million, equivalent to kr. 1,773 million, under the PRG Trust loan agreement. The maximum maturity for drawings under this agreement is 10 years.

Bilateral loans under the 2009 loan agreement: Danmarks Nationalbank's bilateral loan agreement from 2009 expired

on 31 October 2013. Redemptions in 2014 totalled SDR 96 million. Bilateral loans thus amount to SDR 259 million in total. The maximum maturity for drawings under this agreement is 5 years.

Loans under the NAB agreement amount to SDR 125 million. The amount drawn under this agreement totalled SDR 63 million in 2014. The maximum maturity for drawings under this agreement is 10 years.

The total amounts drawn under the NAB agreement and the 2009 bilateral loan agreement cannot exceed the credit commitment of SDR 3,208 million, equivalent to kr. 28,435 million, under the NAB agreement. Since an amount of SDR 259 million has been drawn on the 2009 bilateral loan agreement and SDR 125 million on the NAB agreement, further drawings cannot exceed SDR 2,824 million, equivalent to kr. 25,030 million.

Bilateral loans under the 2012 loan agreement: In 2012, the IMF concluded a bilateral loan agreement with Danmarks Nationalbank. The IMF may borrow up to the equivalent of 5,300 million euro (kr. 39,451 million) under this agreement. The maximum maturity for drawings under this agreement is 10 years. No drawing rights have been exercised under the agreement, and this will not be relevant until the IMF's lending capacity falls below a level determined by the IMF's Executive Board.

Accounts with the IMF are stated in SDRs. At 31 December 2014, the exchange rate for SDR was 886.43 (end-2013: 834.06). The SDR exchange rate is calculated on the basis of a basket of currencies, the value of which is determined as a weighted sum of the exchange rates of four currencies: 0.66 US dollar, 0.423 euro, 12.1 Japanese yen and 0.111 pound sterling.

Reference is made to Note 33 for an overview of loan and purchase commitments to the IMF.

NOTES

Note 15 - Monetary policy lending

(kr. 1,000)	2014	2013
Weekly lending	33,300,000	13,500,000
3-year lending	1,739,474	9,645,472
	35,039,474	23,145,472

The maturity date for weekly lending is 2 January 2015, while the final maturity date for 3-year loans is in September 2015.

Note 16 - Other lending

(kr. 1,000)	2014	2013
Banks and mortgage banks, lending to banknote holdings	2,282,036	2,428,940
Banks, two-way collateral in cash	221,522	-
Other loans	40,024	45,731
	2,543,582	2,474,671

Note 17 - Domestic bonds

(kr. 1,000)	2014	2013
Mortgage bonds, etc.	32,271,105	32,555,102
Ship Finance bonds	1,416,249	1,405,339
	33,687,354	33,960,441

NOTES

Note 18 - Shares, etc.

(kr. 1,000)	2014	2013
Capital investments and equivalent investments	472,149	771,788
Equity investments in associated companies	330,062	292,562
	802,211	1,064,350

At 31 December 2014, Danmarks Nationalbank's portfolio of shares, etc. has an estimated market value of no less than kr. 3.2 billion. Capital investments and equivalent investments comprise the capital subscription to the ECB and shares in the Bank for International Settlements (BIS), SWIFT, DLR Kredit and MCH Messecenter Herning.

In 2014, Danmarks Nationalbank sold its portfolio of shares in Nets Holding A/S at a profit of kr. 1.3 billion.

The following special conditions apply to capital investments and equivalent investments: The capital subscription to the ECB amounts to 6 million euro, equivalent to kr. 45 million. As a non-euro area member of the European System of Central Banks (ESCB), Danmarks

Nationalbank has paid up 3.75 per cent of its share of 161 million euro (1.4873 per cent) of the ECB's total capital of 10,825 million euro. The purpose of the capital subscription is to contribute to the operation of the ECB. As a non-euro area member of the ESCB, Danmarks Nationalbank neither participates in the distribution of profits nor the allocation of losses in the ECB.

The BIS shares have been paid up at 25 per cent of their nominal value. Danmarks Nationalbank has an obligation to pay up the remaining 75 per cent of the nominal value of its BIS shareholding if asked to do so by the BIS. This payment obligation amounts to SDR 32 million, equivalent to kr. 285 million.

Equity investments in associated companies comprise

	Equity investment/voting rights	Share of equity	Share of result
VP Securities A/S	24.2 / 24.2 per cent	kr. 37.1 million	kr. 15.3 million
Danish Ship Finance A/S	18.9 / 20.8 per cent	kr. 527.2 million	kr. 276.8 million
Bankernes Kontantservice A/S	25.0 / 25.0 per cent	kr. 50.5 million	kr. 6.2 million

Note 19 - Tangible and intangible fixed assets

(kr. 1,000)	2014	2013
Properties	593,744	607,168
Machinery and other operating equipment	26,185	20,794
Hardware and software	34,621	9,048
Fixed assets under construction	105,044	97,747
	759,594	734,757

At the most recent official assessment, Danmarks Nationalbank's properties were valued at kr. 1,556 million.

NOTES

Note 20 - Other assets

(kr. 1,000)	2014	2013
Market value of unsettled foreign exchange transactions	-	2,050,767
Market value of other financial derivatives denominated in foreign currency	-	764,552
Accrual of interest	2,171,436	1,886,709
Other	108,453	90,240
	2,279,889	4,792,268

Note 21 - Banknotes and coins

Banknotes increased by kr. 0.8 billion to kr. 61.5 billion, while coins increased by kr. 68 million to kr. 5.9 billion. Banknotes include kr. 369 million in Faroese banknotes.

Note 22 - Net current accounts and settlement accounts

(kr. 1,000)	2014	2013
Deposits in current and settlement accounts	266,212,352	344,307,506
Drawing on current accounts	235,906,035	284,981,783
	30,306,317	59,325,723

At 31 December 2014, Danmarks Nationalbank acts on a fully secured basis as guarantor to VP Securities A/S for kr. 57.2 billion. (2013: kr. 129.2 billion) and to the Danish Bankers Association (Sumclearing) for kr. 205.0 billion

(2013: kr. 211.2 billion) in connection with the banks' and mortgage banks' payment settlements with 2 January 2015 as the value date.

Note 23 - Other deposits

(kr. 1,000)	2014	2013
Banks and mortgage banks	432,998	3,910,903
Other deposits	8,034,168	6,989,105
	8,467,166	10,900,008

Banks and mortgage banks includes deposits in current accounts in euro totalling kr. 0.4 billion.

Note 24 - Central government

The central government's share of the profit/loss for the year of kr. 1,769 million is included in this amount

NOTES

Note 25 - Foreign liabilities

These liabilities comprise deposits in kroner at Danmarks Nationalbank by supranational institutions and other

central banks. The European Commission's deposit amounts to kr. 3,283 million.

Note 26 - Counterpart of Special Drawing Rights allocated by the IMF

This liability comprises the IMF's original allocation of Special Drawing Rights to Denmark. Total allocations were SDR 1,531 million at 31 December 2014. There were no

changes in the allocation of SDRs in 2014. The current holdings of SDRs are specified in Note 14 "Claims on the IMF, etc."

Note 27 - Other liabilities

(kr. 1,000)	2014	2013
Market value of unsettled foreign exchange transactions	3,888,666	-
Market value of other financial derivatives denominated in foreign currency	1,468,403	-
Market value of unsettled domestic securities transactions	580	32
Other debt	173,761	104,001
Other	113,054	137,777
	5,644,464	241,810

Note 28 - Net capital

(kr. 1,000)	General Capital Fund and Statutory Reserves	Value Adjustment Reserve	General Reserves	Total
Net capital at 1 January 2014	300,000	5,671,902	56,987,987	62,959,889
Carried forward from the profit/loss for the year	-	3,427,854	1,768,679	5,196,533
Net capital at 31 December 2014	300,000	9,099,756	58,756,666	68,156,422

NOTES

Note 29 - Apportionment of foreign exchange reserve assets

2014 (kr. million)	Total	EUR	USD	GBP	Other
Foreign exchange reserve assets					
Gold	15,707	-	-	-	15,707
Claims on the IMF	19,543	-	-	-	19,543
Foreign assets	425,651	279,782	130,587	9,874	5,408
- Of which minimum credit risk - Aaa	53,820	41,274	1,452	5,970	5,124
- Of which very low credit risk - Aa1-Aa2	196,003	117,976	73,875	3,904	248
- Of which low credit risk - A1-A3	113,128	99,968	13,158	-	2
- Of which moderate credit risk - Baa1-Baa3	13,506	11,792	1,714	-	0
- Of which considerable credit risk - Ba1-Ba3	-	-	-	-	-
- Of which non-rated assets	49,194	8,772	40,388	0	34
	460,901	279,782	130,587	9,874	40,658

2013 (kr. million)	Total	EUR	USD	GBP	Other
Foreign exchange reserve assets					
Gold	13,915	-	-	-	13,915
Claims on the IMF	20,017	-	-	-	20,017
Foreign assets	443,188	318,460	114,798	3,192	6,738
- Of which minimum credit risk - Aaa	92,656	82,843	1,766	1,607	6,440
- Of which very low credit risk - Aa1-Aa2	180,654	118,467	60,433	1,539	215
- Of which low credit risk - A1-A3	167,425	115,411	52,005	-	9
- Of which moderate credit risk - Baa1-Baa3	233	171	62	-	-
- Of which considerable credit risk - Ba1-Ba3	1,566	1,566	-	-	-
- Of which non-rated assets	654	2	532	46	74
	477,120	318,460	114,798	3,192	40,670

Note: Non-rated assets comprise securities issued by and deposits at the BIS and holdings of Exchange Traded Funds.

NOTES

Note 30 - Financial derivatives for conversion of foreign exchange exposure

2014 (kr. million)	Total	EUR	USD	GBP	Other
Net positions at market value					
Forward exchange contracts:					
Purchase	128,280	123,947	803	-	3,530
Sale	-132,169	-856	-114,708	-10,643	-5,962
Unsettled spot currency trades:					
Purchase	84	84	-	-	-
Sale	-84	-	-84	-	-
Currency and interest rate swaps:					
Purchase	18,432	18,432	-	-	-
Sale	-19,900	-	-19,900	-	-
	-5,357	141,607	-133,889	-10,643	-2,432
2013 (kr. million)	Total	EUR	USD	GBP	Other
Net positions at market value					
Forward exchange contracts:					
Purchase	123,211	117,671	473	-	5,067
Sale	-121,160	-1,843	-106,558	-4,088	-8,671
Unsettled spot currency trades:					
Purchase	-	-	-	-	-
Sale	-	-	-	-	-
Currency and interest rate swaps:					
Purchase	12,952	12,952	-	-	-
Sale	-12,187	-	-12,187	-	-
	2,816	128,780	-118,272	-4,088	-3,604

Note 31 - Other financial derivatives

2014 (kr. million)	Total	DKK	EUR	USD
Principals at market value				
Forward contracts, securities:				
Purchase	3,238	3,238	-	-
Sale	-	-	-	-
Futures, shares:				
Purchase	13,202	-	6,461	6,741
Sale	-	-	-	-
2013 (kr. million)	Total	DKK	EUR	USD
Principals at market value				
Forward contracts, securities:				
Purchase	1,717	1,717	-	-
Sale	-	-	-	-
Futures, shares:				
Purchase	2,617	-	1,322	1,295
Sale	-	-	-	-

NOTES

Note 32 - Contingent liabilities

(kr. 1,000)	2014	2013
VP Securities A/S, share of Guarantee Capital	45,402	53,405
VP Securities A/S, guarantee for errors by other account-holding institutions	20,621	24,268
Other guarantees	500	1,100
	66,523	78,773

In addition, Danmarks Nationalbank has established an intervention agreement with the ECB.

Note 33 - Loan and purchase commitments to the IMF

(kr. million)	2014	2013
The IMF's drawing right	13,585	11,551
Danmarks Nationalbank's obligation to purchase SDRs	28,113	26,082
Undrawn amount of loan facility for the PRG Trust	1,429	1,593
Undrawn amount of loan facilities for the IMF in connection with the NAB agreement	25,030	23,275
Undrawn amount of loan facilities for the IMF in connection with bilateral loans (2012 agreement)	39,451	39,540
	107,608	102,041

These commitments constitute Danmarks Nationalbank's maximum further loan and purchase commitments to the IMF. The current credit exposure is stated in Note 14, which

also provides details on the loan and purchase commitments.

Note 34 - Pensions commitments

Present and former employees of Danmarks Nationalbank have either a defined contribution or a defined benefit pension plan.

For defined contribution pension plans, Danmarks Nationalbank carries the ongoing premium payments to the pension companies as expenditure. Once the pension contributions for these plans have been paid to the pension companies, Danmarks Nationalbank has no further pension commitments to these employees.

With regard to defined benefit pension plans, Danmarks Nationalbank is obliged to ensure the policyholder a defined pension benefit. For these plans, Danmarks Nationalbank bears the risk concerning the future development in interest rates, wages, inflation, mortality,

etc. Danmarks Nationalbank is thus obliged to make the contributions necessary to ensure the fulfilment of the pension undertakings.

Pension commitments for the defined benefit pension plans are calculated as the capital value of the future benefits payable under the plan. The pension undertakings are based primarily on the salary on retirement. The capital value is calculated on the basis of assumptions concerning the future development in e.g. wage levels, interest rates, inflation and mortality.

In principle, the defined benefit pension plans are covered in Danmarks Nationalbank's Pension Fund subject to winding-up.

Key figures for the accounts of the Pension Fund:

(kr. million)	2014	2013
Pension commitments and other liabilities	3,446	3,236
Fair market value of the assets of the Pension Fund	4,498	4,316
Net capital of the Pension Fund	1,053	1,081
Solvency requirement of the Pension Fund	136	130

Other defined benefit pension plans are covered in a pension company. Provision is made in the Accounts for a plan concerning a former governor.

Pension commitments for defined benefit pension plans and declarations of support covered in a pension company amounted to kr. 38.0 million at 31 December 2014, while the provision on Danmarks Nationalbank's balance sheet amounted to kr. 27.3 million.

