

DANMARKS NATIONALBANK

ANNUAL REPORT 2017



DANMARKS
NATIONALBANK

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ANNUAL REPORT
2017

Annual Report 2017

This report is based on information available up to 7 March 2018.

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.

ISSN (Online) 2446-3019

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Foreword

Danmarks Nationalbank was established in 1818 and its 200th anniversary will be celebrated during 2018 with a number of activities targeted at the bank's stakeholders and the general public.

Danmarks Nationalbank was established in order to bring order to the currency system after the state bankruptcy in 1813. It was not until 1936 that the bank became a self-governing institution which lays down monetary policy independently of the Government and the Folketing (Parliament). The Danmarks Nationalbank Act from 1936 is still in force.

Section 1 of the Act states that the object of Danmarks Nationalbank is "to maintain a safe and secure currency system in this country, and to facilitate and

regulate the traffic in money and the extension of credit". The description of the bank's tasks also still applies.

Danmarks Nationalbank maintains a safe and secure currency system by focusing on stable prices and secure cash and electronic payments, and by general monitoring of the stability of the financial system.

In addition to the accounts, the 2017 Annual Report presents an overall description of Danmarks Nationalbank's activities within those three areas.

For more detailed descriptions, reference is made to the publications and reports issued during the year, and to Danmarks Nationalbank's website.

Copenhagen 7 March 2018

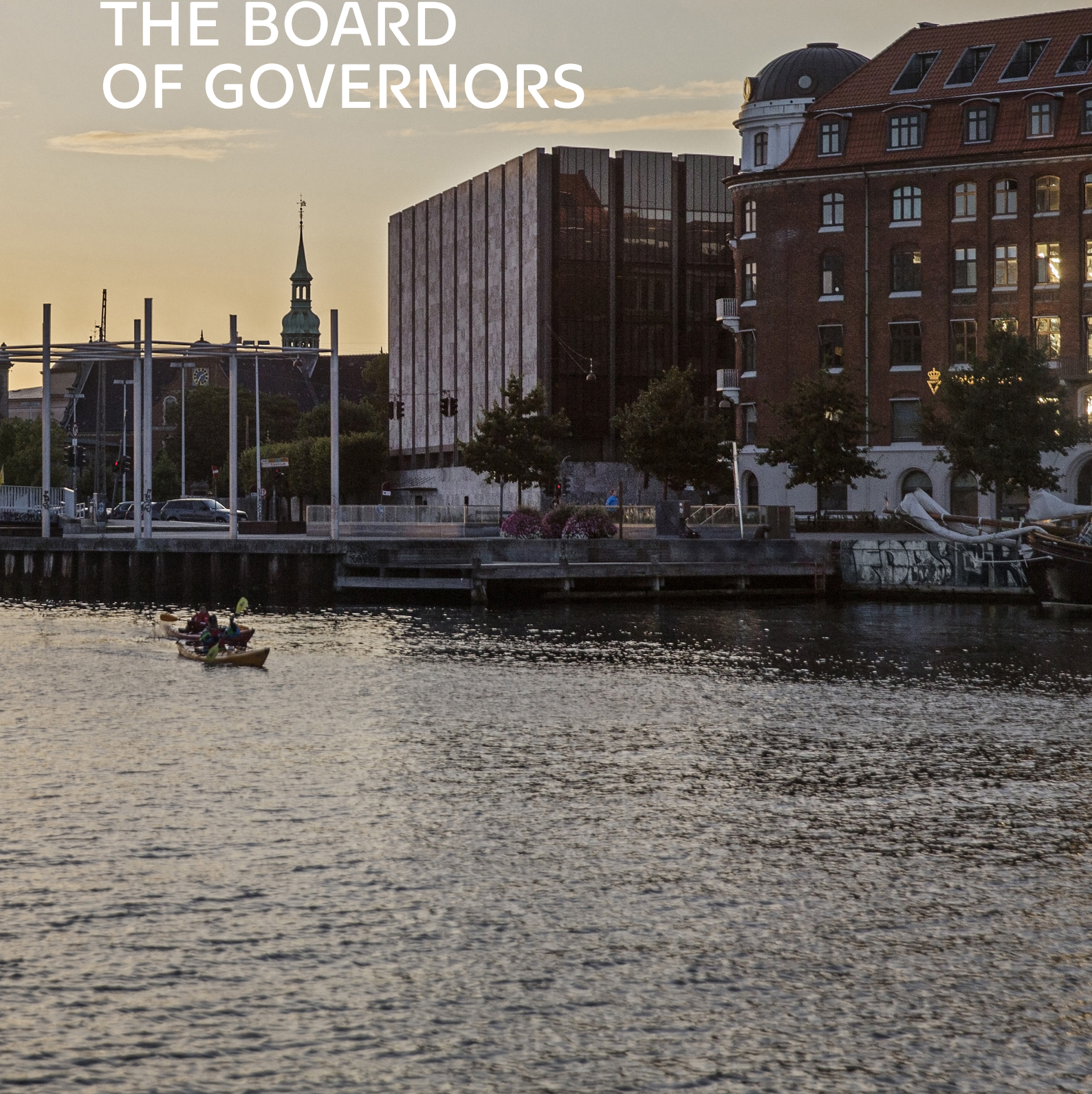
Lars Rohde
Chairman

Per Callesen

Hugo Frey Jensen



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

The aim of Denmark's monetary policy is to ensure a fixed exchange rate vis-à-vis the euro. The formal basis for the Danish fixed exchange rate policy is the European Exchange Rate Mechanism 2, ERM2. The fixed exchange rate policy is a cornerstone of the Danish economy and has contributed to ensuring stable prices. At the beginning of 2017, the Danish central rate against the euro – and previously the D-mark – had been unchanged for 30 years.

In 2017, the krone's rate against the euro was stable, and slightly stronger than the central rate, cf. Chart 1. The monetary policy interest rate spread to the euro area was unchanged, and the foreign exchange reserve was stable. Danmarks Nationalbank only intervened in the foreign exchange market to a very limited extent.

In 2017, Danmarks Nationalbank purchased foreign exchange for kr. 10.3 billion net in connection with intervention in the foreign exchange market. In overall terms, the foreign exchange reserve increased by kr. 5.8 billion, to kr. 461.8 billion at year-end.

In recent years, the central government has not issued any foreign bonds, and in 2017 the central government's last foreign bonds were redeemed. In December, Ireland prematurely redeemed the Danish government loans granted in 2012-13. After this, the

central government no longer has loans to other countries.

Danmarks Nationalbank made no changes to the monetary policy interest rates in 2017 and the beginning of 2018. This means that the interest rate on certificates of deposit is still 0.65 per cent, cf. Chart 2. The monetary policy interest rate spread to the European Central Bank, ECB, was unchanged at -0.25 percentage point.

The Danish money market was calm in 2017, with low and stable money market rates.

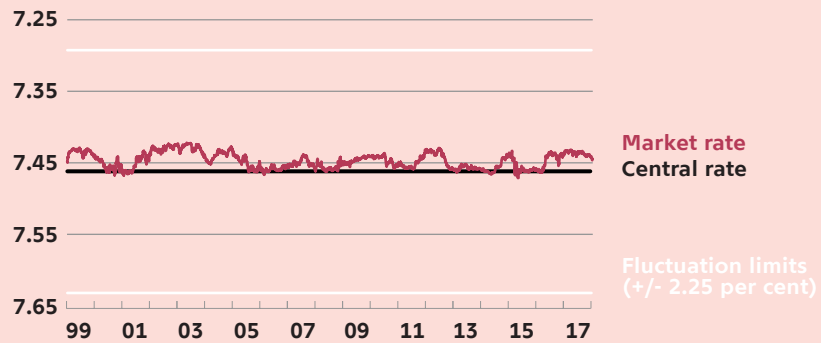
Government and mortgage yields were stable and generally very low in 2017, among other things as a consequence of the ECB's expansionary monetary policy for the euro area. The 30-year mortgage yield was around 2 per cent at the end of the year, cf. Chart 3. This is close to the lowest level ever. The 10-year Danish government bond yield was around 0.5 per cent for most of the year, while the 2-year yield was around -0.6 per cent.

The development in Danish government bond yields generally matches the development in the equivalent German yields. The 10-year yield spread to Germany narrowed in 2017 when a new primary dealer model was introduced. This scheme has given a group of banks an incentive to quote tighter prices for Danish government securities, which has contributed to a more liquid government securities market. In addi-

Stable krone on the strong side of the central rate

Chart 1

Kroner per euro



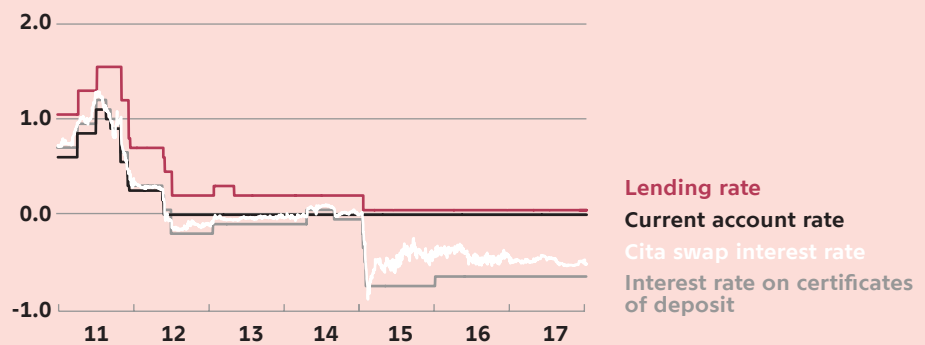
Note: Reverse scale.

Source: Danmarks Nationalbank.

Unchanged monetary policy rates in 2017

Chart 2

Per cent



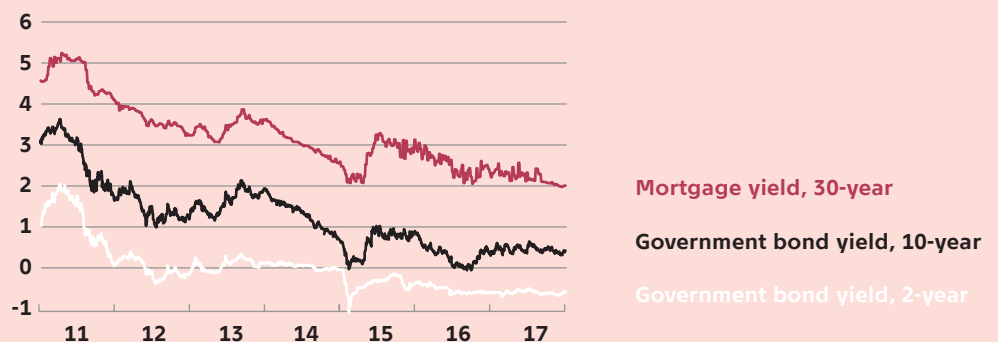
Note: 1-month Cita swap rate.

Source: Thomson Reuters Datastream, Danmarks Nationalbank.

Low level of interest rates in 2017

Chart 3

Per cent



Note: Government bond yields are par yields. The mortgage yield is based on the benchmark bond.

Source: Nordea Analytics, Thomson Reuters Datastream.

tion, the demand for mortgage bonds from abroad contributed to narrowing the spread between long-term government bonds and mortgage bonds.

There was broad-based growth in the global economy in 2017, with an expansion of world trade. In the euro area, the upswing picked up speed from the year before. The growth in consumer prices in the euro area and the USA was stronger than in preceding years. The annual rate of increase in the euro area remained below 2 per cent. Wage increase rates were moderate across the board.

In Denmark, the balanced upswing continued, and the economy was heading towards a boom. Gross domestic product, GDP, increased by 2.1 per cent. This exceeded the growth potential, which is limited by such factors as the demographic development. Danmarks Nationalbank pointed out that in such a situation, fiscal policy should contribute to ensuring that demand does not exceed available capacity, since experience shows that overheating can be sudden and strong.

The labour market continued to improve in 2017, and there were clearer indications of a shortage of manpower. While employment continued to rise, unemployment flattened out close to the cyclically-neutral level of around 4 per cent of the workforce. Previously adopted reforms to gradually raise the retirement age were phased in, contributing to an increase in the labour supply and covering part of the increased demand for manpower.

The wage increase rate was still moderate and more or less in line with the rate of increase in the countries with which Denmark traditionally competes. Consumer prices increased by 1.1 per cent in 2017. This exceeded increases in previous years and was in line with the development in the euro area, while there was continued sound growth in real wages for most categories in the labour market.

The current account surplus was approximately 8 per cent of GDP. In particular, this reflects the consolidation of households and companies after the financial crisis.

The housing market boomed throughout most of the country, with rising prices and turnover. The price increase rate for owner-occupied flats, especially in the capital, still gave cause for concern, however, as has been the case for some years, and there were no indications of any slowdown. Danmarks Nation-

alkbank assesses that the political agreement on future housing taxation rules and the tightening of the good practice rules will result in a more geographically-balanced housing market in the future and strengthen opportunities to maintain a balanced upswing.

The stability of the financial system

Danmarks Nationalbank contributes to ensuring the stability of the financial system by analysing the financial sector, analysing and assessing systemic risks, and making recommendations. In addition, Danmarks Nationalbank oversees the payments infrastructure, produces financial statistics and provides secretariat services to the Systemic Risk Council.

The positive economic development in 2017 was reflected in increasing profits in the financial sector. The favourable performance of the systemically important financial institutions, SIFIs, can be attributed to extraordinarily high value adjustments and very low loan impairment charges. Core earnings have been declining since 2015, which is primarily related to lower net income from interest.

Danmarks Nationalbank's stress test of the banks showed that all of the systemically important financial institutions, comprising Danske Bank, Jyske Bank, Sydbank and Nykredit Bank, can still fulfil the minimum capital requirements in the event of a hard recession. The test also showed that a few institutions would have a limited need for extra capital in terms of the overall capital requirement, including capital buffers. In December 2017, Spar Nord was designated as a systemically important financial institution.

The Danish banks have generally built up considerable capacity to increase their lending. This can sharpen their appetite for risk, which Danmarks Nationalbank's lending survey also confirms, since several banks state that they are easing the credit standards. The medium-sized banks are increasing their lending to cyclical industries, and lending to vulnerable households with a high loan to income ratio is expanding. Meanwhile, rising house prices mean that credit expansion may accelerate quickly and strongly.

Increased risk appetite among banks and mortgage banks, together with the cyclical upswing, low interest rates and rising asset prices, indicate that risk is being built up in the financial sector.

The adoption of credible and practically applicable resolution plans is essential if failing banks and mortgage banks are to be resolved without the use of government funds. During the financial crisis, the Danish government had to intervene to help distressed credit institutions with individual government guarantees, government capital injections and a general government guarantee. To avoid similar situations in the future, Danmarks Nationalbank recommended that the resolution authorities use a resolution strategy which also includes mortgage banks, i.e. a Group resolution strategy. Nationalbanken also recommended that the authorities support this strategy with an MREL requirement concerning the eligible liabilities to absorb losses and recapitalise an institution in a resolution situation. The requirement is made of the Group and also as an internal requirement for the individual institutions, including the mortgage banks. This strategy requires amendment of the Danish legislation in this area.

The Systemic Risk Council

Danmarks Nationalbank chairs and provides secretariat services to the Systemic Risk Council, which oversees systemic risks in the financial system.

In March, the Council adopted a recommendation to limit risk-prone loan types with high indebtedness and a recommendation for a systemic capital buffer on the Faroe Islands. The Danish Minister for Industry, Business and Financial Affairs subsequently issued new guidelines to limit a number of risk-prone loans with high indebtedness. However, the access to deferred amortisation has not been limited to the same extent as recommended by the Council. The Minister for Industry, Business and Financial Affairs has set a systemic capital buffer for Faroese credit institutions of 1 per cent from 1 January 2018.

In November, the Council revised its method to assess the countercyclical capital buffer rate, and at the meeting in December, the Council recommended to the Minister that the countercyclical capital buffer be

activated, and that the rate be fixed at 0.5 per cent as from 31 March 2019. The Minister has three months to decide whether the buffer is to be activated.

Secure payments

Danmarks Nationalbank contributes to the secure settlement of electronic payments. This is done by ensuring that payments between banks can be settled securely and efficiently.

Danmarks Nationalbank oversees that the Danish payments infrastructure is secure and efficient and complies with international standards. This oversight comprises the Danish payment and settlement systems and the most important payment solutions. Operation of the systems subject to oversight was satisfactory in 2017. In 2017, Danmarks Nationalbank published a general oversight report, an assessment of Dankort and an analysis of indirect participants in Kronos, which is the system to handle large, time-critical payments.

Danmarks Nationalbank is working to replace the underlying IT systems in Kronos. The new system, Kronos2, was planned to be launched in 2017, but has been deferred and is now expected to be ready in 2018. The system supports market participants' mutual payments, the monetary policy operations, collateralisation, etc.

The Financial Sector Forum for Operational Resilience, FSOR, which focuses on increasing resilience to the growing threat of cyberattacks, mapped and risk-assessed the payment infrastructure and drew up concrete recommendations to increase cyber robustness in the financial sector. Furthermore, FSOR performed a test of the crisis emergency measures to handle serious attacks on the financial sector, and a test programme for the Danish financial sector is being established. The programme will help to improve the ability to discover and react to hacker attacks. Finally, Danmarks Nationalbank held the first Nordic cyber conference, in Copenhagen. Danmarks Nationalbank chairs FSOR and provides secretariat services.

The Payments Council

In 2017, the Payments Council contributed to Danmarks Nationalbank's expansion of the statistical

basis for the payment market. The first part of the statistics was published in December 2017 and is now available via both Danmarks Nationalbank's and Statistics Denmark's statistics databases. The Payments Council also launched an investigation of the costs of payments in Denmark. The purpose is to compile the economic costs of the forms of payment most commonly used by individuals and companies. The Payments Council had nine members in 2017, after the Danish Financial Supervisory Authority became a new member at the end of 2016. Danmarks Nationalbank chairs the Payments Council and provides secretariat services.

Banknotes and coins in circulation

The value of banknotes and coins in circulation was kr. 71.0 billion at the end of 2017, which was by and large unchanged from the previous year. The value of banknotes was kr. 64.5 billion, while the total value of coins was kr. 6.0 billion. In addition, Faroese banknotes in circulation amounted to kr. 0.5 billion.

Counterfeiting of Danish banknotes remains very limited. The number of registered counterfeit banknotes fell from 880 in 2016 to 531 in 2017. Of these, 525 were found in circulation. Counterfeit banknotes are typically found in connection with police searches. As in the preceding years, the counterfeit banknotes registered were primarily 500-krone banknotes.

The demand for new banknotes and coins is declining, but the overall cash circulation in Denmark is largely unchanged, since banknotes generally have a longer circulation life today. The lower demand for new banknotes and coins is a consequence of how Danes are increasingly using electronic means of payment, including the Dankort (debit card), direct debit, online banking and services such as mobile phone payment services.

At the end of 2016, Danmarks Nationalbank discontinued its own production of banknotes and coins. A four-year framework agreement has been concluded with the Mint of Finland for the supply of Danish coins. An invitation to tender for the banknote production was held in 2017, and at the beginning of 2018, Oberthur Fiduciaire SAS was selected as the new banknote supplier for a four-year contract with the option of renewal for a further two years. Danmarks Nationalbank will still be the Danish banknote and coin issuing authority after the production has been outsourced.

Danmarks Nationalbank issues commemorative coins to mark special events in the royal family. To

mark the golden wedding anniversary of Her Majesty Queen Margrethe II and His Royal Highness Prince Henrik on 10 June 2017, Danmarks Nationalbank issued a commemorative coin.

The coin was minted as a silver 500-krone coin, a 20-krone circulation coin and a 20-krone coin in a proof version with a more sharply embossed motif. The coins are legal tender and can be exchanged at Danmarks Nationalbank at face value.

Result for the year 2017

The result for the year is a loss of kr. 254 million, compared with a profit of kr. 3,928 million in 2016.

The financial result was kr. 0.5 billion in 2017. Equity exposure contributed kr. 1.0 billion, while interest on deposits gave an interest income of kr. 1.4 billion. In addition, the euro strengthened slightly against the krone, leading to a positive exchange rate adjustment of kr. 0.6 billion. Interest costs, on the other hand, amounted to kr. 2.4 billion. This is because a large element of the foreign exchange reserve is invested at negative interest rates. A decrease in the gold price compiled in kroner gave negative value adjustments of the gold stock of kr. 0.3 billion.

Costs amounted to kr. 0.8 billion, representing an increase of kr. 0.1 billion compared to 2016. The development in costs reflects that Danmarks Nationalbank is reorganising the IT area, since some elements of IT operations and development have been outsourced to KMD. The reorganisation of the IT area continues in 2018.

The cost development also reflects the launch of major building renovation projects. The Danmarks Nationalbank building is over 40 years old and became a listed building in 2009. It is necessary to replace a number of structural elements, and there is also focus on energy optimisation. The renovation work will continue in the coming years, increasing the burden on resources.

The result for the year is driven by factors presented in Chart 4.

Distribution of the result for the year

The transfer to the central government is based on the following model:

- Danmarks Nationalbank transfers part of the average of the last five years' results, excluding value adjustment of gold, to the central government. The remaining part of the result for the year is transferred to Danmarks Nationalbank's General Reserves.
- The determination of the transfer rate takes into account that, over time, Danmarks Nationalbank's net capital should increase at the same rate as nominal GDP – unless there is an extraordinary need for consolidation.

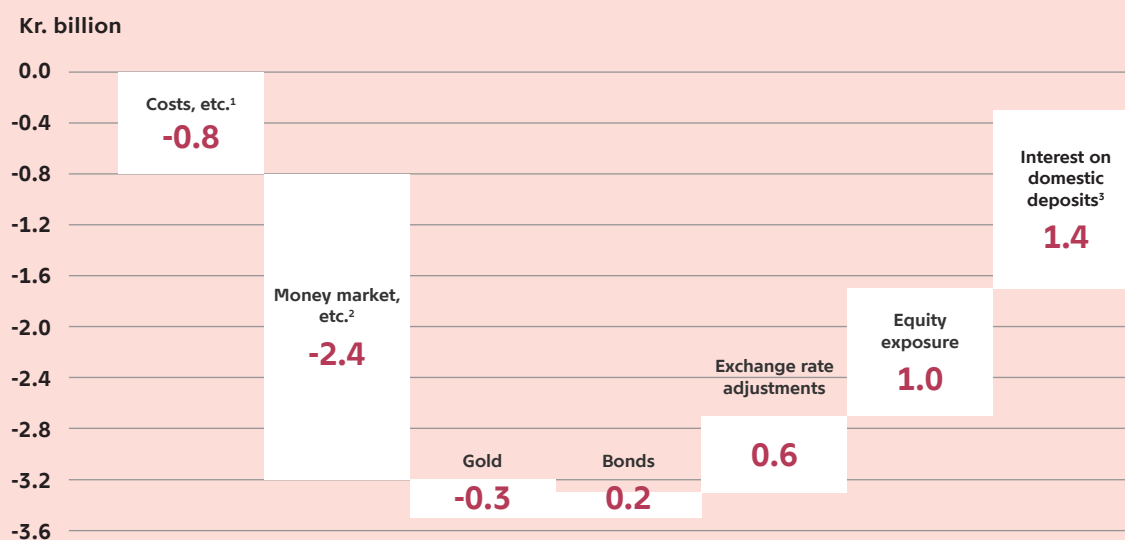
No transfer is made to the central government for the 2017 financial year. This is because Danmarks

Nationalbank's revenue in coming years is expected to be very low or to show a deficit. The largest share of the revenue normally comes from seignorage and the return on net capital. Banknote and coin circulation together with net capital amounted to kr. 145 billion at the end of 2017. When interest rates are negative, their revenue contribution is also negative. On the other hand, an interest rate level of e.g. 2 per cent will give an annual contribution of almost kr. 3 billion. The negative interest rates therefore exert pressure on Danmarks Nationalbank's total revenue. Danmarks Nationalbank's net capital is therefore not expected to increase at the same rate as the development in nominal GDP.

The loss for the year of kr. 254 million reduces the net capital equivalently.

Result for the year 2017

Chart 4



Source: Danmarks Nationalbank.

¹. Costs and income from financial fixed assets, etc.

². Including costs for hedging of foreign exchange exposures.

³. Interest from banks and central government, etc.

Financial ratios

PROFIT

DKK -0.3 bn

DKK 4.2 bn



Placement of the foreign exchange reserve at negative interest rates was the primary reason for Danmarks Nationalbank's small loss in 2017.

FOREIGN EXCHANGE RESERVE

DKK 461.8 bn

DKK 5.8 bn



The foreign exchange reserve was stable in 2017, and Danmarks Nationalbank only intervened in the foreign exchange market to a very limited extent.

CERTIFICATES OF DEPOSIT

-0.65 per cent

Unchanged



Danmarks Nationalbank did not adjust the interest rate on certificates of deposit, which is the leading monetary policy interest rate, in 2017. The monetary policy interest rate spread to the European Central Bank, ECB, was unchanged at -0.25 percentage point.

VALUE OF THE GOLD STOCK

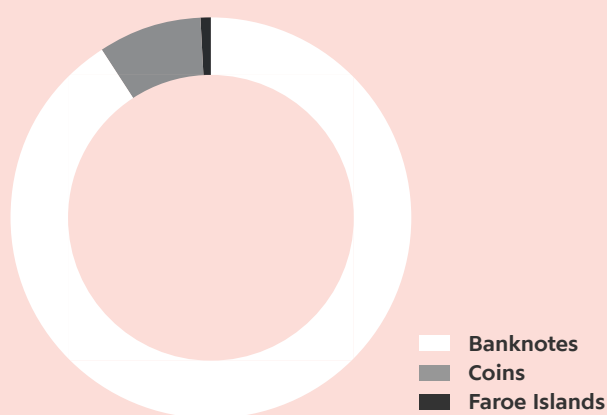
DKK 17.2 bn

-1.5 per cent



Danmarks Nationalbank's gold stock was an unchanged 66.5 tonnes, and is included as a small part of the foreign exchange reserve. The price of gold declined slightly.

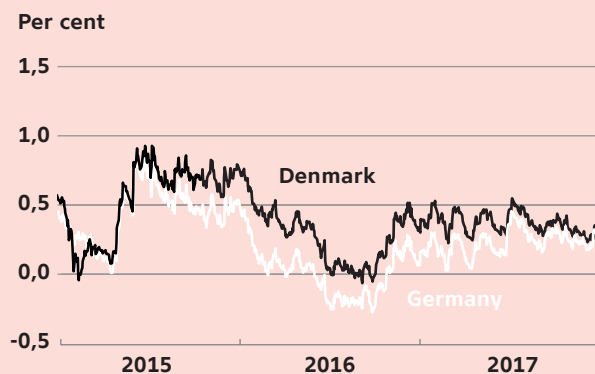
CIRCULATION OF BANKNOTES AND COINS



The value of banknotes and coins in circulation was kr. 71 billion.

The value of banknotes was kr. 64.5 billion at end-2017, while the total value of coins was kr. 6.0 billion. In addition, Faroese banknotes in circulation amounted to kr. 0.5 billion.

10-YEAR GOVERNMENT BONDS



Yields on government and mortgage bonds were stable and generally very low in 2017. For most of the year, the 10-year Danish government bond yield was close to 0.5 per cent.

Organisation

The staff turnover rate was 28.5 per cent in 2017, compared to 18.9 per cent in 2016. The primary reason for the increase is the effect of major organisational decisions and, in particular, the outsourcing of a number of IT tasks to KMD. The background to the outsourcing was the wish to continuously ensure sufficient resources and competences to undertake the operational IT tasks.

The decision to outsource the production of banknotes and coins also affected staff turnover. The affected employees received outplacement support on the basis of an agreement in the bank's liaison committee.

Excluding effects of outsourcing as well as other minor organizational adjustments, the staff turnover rate in 2017 was 13.1 per cent.

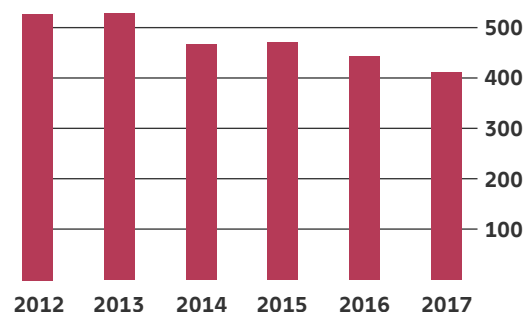
In total, 126 employees left the bank during 2017, and 101 new employees were hired, in particular within financial stability, IT security and IT contract management, as well as international profiles within economic research.

Total absence due to illness decreased in 2017 to 5.6 days per employee, compared to 8.1 days per employee in 2016. Excluding long-term illness, absence due to illness fell to 3.9 days per employee, compared to 5.4 days per employee in 2016.

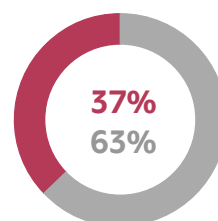
2017 was the first year with the two-year programme for new economics graduates at the bank. The objective is to increase knowledge of the bank's core areas, give participants a network at the bank and strengthen the cooperation across departments. At the end of 2017, there were 37 participants in the programme.

The annual employee satisfaction survey was deferred until the autumn, giving the possibility to directly include the results as an element of the bank's strategy work for 2018. The survey showed, for example, that employee satisfaction – employees' job satisfaction – had increased.

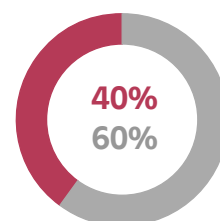
DEVELOPMENT IN FULL-TIME EQUIVALENTS



2016



2017



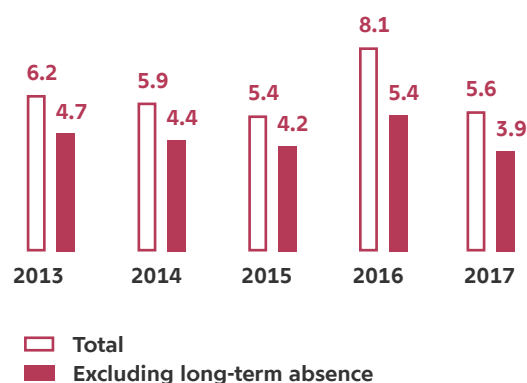
■ Women ■ Men

ABSENCE DUE TO ILLNESS



5,6

days a year in absence due to illness



□ Total
■ Excluding long-term absence



WORK SATISFACTION

Work satisfaction has risen
by 11 index points from index
65 in 2016 to index 76 in 2017

65

2016

76

2017

Danmarks Nationalbank's representation on committees, in international organisations, etc.

As of 1 March 2018, Danmarks Nationalbank is represented on or in the following committees, international organisations, etc.:

The European Union, EU

The European Systemic Risk Board, ESRB
Governor Lars Rohde is a member.

The Economic and Financial Committee
Governor Per Callesen is a member.

Board of Directors of Danmarks Nationalbank as at 1 March 2018

Box 1

Chairman: *Søren Bjerre-Nielsen*, Chairman
Deputy Chairman: Professor *Christian Schultz*

Elected by the Folketing for the period ending 31 March 2021:

Morten Bødskov, MP
Kristian Thulesen Dahl, MP
Pelle Dragsted, MP
Josefine Fock, MP
Jacob Jensen, MP
Henrik Sass Larsen, MP
Joachim B. Olsen, MP
Peter Skaarup, MP

Appointed by the Minister for Industry, Business and Financial Affairs for the period ending 31 March 2021:
Barbara Bertelsen, Permanent Secretary, Ministry of Justice
Michael Dithmer, Permanent Secretary, Ministry of Industry, Business and Financial Affairs

Elected by the	for the period
Board of Directors	ending 31 March:
Asger Enggaard, Managing Director	2022
Kristian Hundebøll, CEO	2022
Anja Philip, Chairman of the Danish Consumer Council Tænk	2022
Søren Bjerre-Nielsen, Chairman	2018
Professor Christian Schultz	2018
Anne Hedensted Steffensen, Managing Director	2018
Bent Jensen, CEO	2019
Professor Michael Møller	2019
Gitte Pugholm Aabo, Managing Director	2019
Per Bank, Managing Director	2020
Eva Berneke, Managing Director	2020
Bente Sorgenfrey, President of the Confederation of Professionals in Denmark	2020
Peter Gæmelke, Farmer, former Chairman of Danish Agriculture	2021
Claus Jensen, President of the Danish Metalworkers' Union	2021
Lizette Risgaard, President of the Danish Confederation of Trade Unions	2021

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 the Chairman.

The Bank for International Settlements, BIS

Meeting of Governors, Global Economy Meeting
Governor Lars Rohde represents Danmarks Nationalbank.

The Organisation for Economic Cooperation and Development, OECD

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

Nordic-Baltic Macprudential Forum

Governor Lars Rohde is a member.

The Payments Council

Governor Per Callesen is the Chairman.

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 Karsten Biloft is a member.

The Coordination Committee on Financial Stability

Governor Per Callesen is a member.

Committee of Directors of Danmarks Nationalbank as at 1 March 2018

Box 2

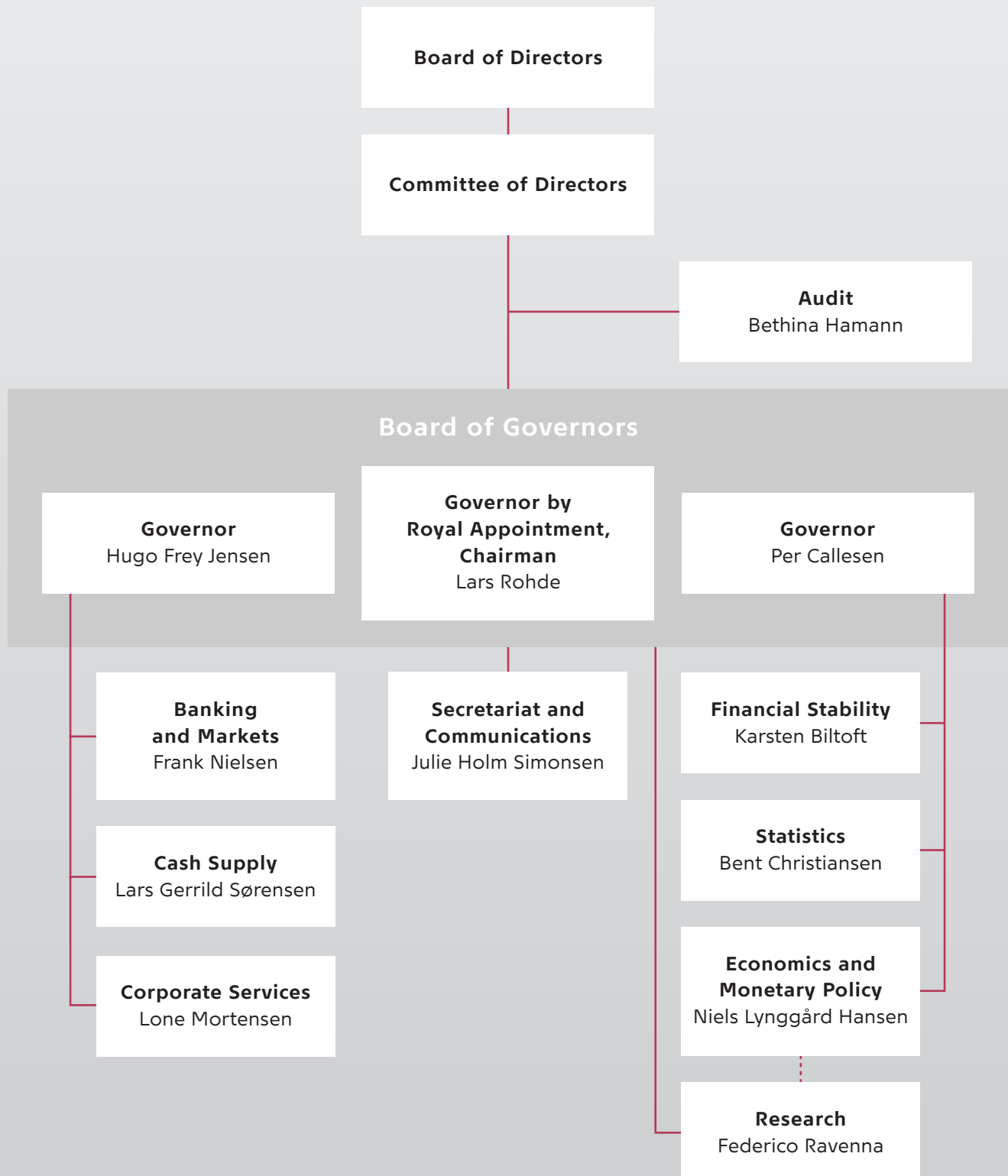
Chairman: *Søren Bjerre-Nielsen*, Chairman
Deputy Chairman: Michael Dithmer, Permanent Secretary, Ministry of Industry, Business and Financial Affairs

Elected by the Board of Directors
for the period ending 31 March 2018:

Søren Bjerre-Nielsen, Chairman
Kristian Thulesen Dahl, MP
Henrik Sass Larsen, MP
Professor *Christian Schultz*
Bente Sorgenfrey, President of the Confederation of Professionals in Denmark

Appointed by the Minister for Industry, Business and Financial Affairs for the period ending 31 March 2021:
Barbara Bertelsen, Permanent Secretary, Ministry of Justice
Michael Dithmer, Permanent Secretary, Ministry of Industry, Business and Financial Affairs

Organisation chart
1 March 2018



Risk management

Danmarks Nationalbank is exposed to risk on financial portfolios and on lending to banks and mortgage banks, and to operational risk.

Financial portfolios

Danmarks Nationalbank's financial portfolios comprise the foreign exchange reserve (kr. 462 billion) and the holding of domestic bonds (kr. 33 billion).

The primary purpose of the foreign exchange reserve is to ensure that Danmarks Nationalbank will be able to intervene in the foreign exchange markets at short notice to support the fixed exchange rate policy. Moreover, the foreign exchange reserve must be able to support financial stability and finance loans to the International Monetary Fund, IMF.

In 2017, Danmarks Nationalbank only made moderate intervention purchases of foreign exchange, so that the foreign exchange reserve has remained stable.

The purpose of the foreign exchange reserve requires placement with high liquidity and credit standing. Most of the foreign exchange reserve is placed in accounts at central banks, as secured deposits with commercial banks (reverse repos) and

in government bonds that can be sold or pledged as collateral within a short time horizon. At the end of the year, there was large extraordinary transfer of central bank deposits because the commercial banks' demand for reverse repos at year-end was very low. After year-end, reverse repos could be entered into once again.

In addition to the consideration of a sufficiently liquid foreign exchange reserve, Danmarks Nationalbank has the secondary objective of the highest possible returns while keeping the level of risk low. Consequently, Danmarks Nationalbank is also exposed to equities and corporate bonds, which contribute to increasing expected earnings and diversifying the risk. The overall risk is below 10 per cent of net capital¹, cf. Table 1.

Danmarks Nationalbank's stock of gold and claim on the IMF are included in the foreign exchange reserve. 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. 17 billion at end-2017. The total claim on the IMF was kr. 15 billion at end-2017. Danmarks Nationalbank has made commitments for further loans totalling kr. 114 billion. Although these commitments are considerable, the expected drawings on them are low.

¹ Compiled on the basis of an expected *shortfall* of 95 per cent, which is the average loss in the 5-per-cent worst scenarios in Danmarks Nationalbank's risk model.

Danmarks Nationalbank's financial portfolios

Table 1

Kr. billion	2017	2016
Foreign bonds	141	245
Government bonds with a rating of AA- or higher Three largest counterparties: Germany (kr. 27 billion), France (kr. 21 billion) and the Netherlands (kr. 5 billion)	64	10
Government bonds with a lower rating (BB+ to A+) ¹ Three largest counterparties: Spain (kr. 4 billion), Italy (kr. 3 billion) and Poland (kr. 2 billion)	12	14
Other highly rated bonds (rated AA- or higher) Government guaranteed (kr. 12 billion), supranational (kr. 9 billion) and German and Swedish covered bonds (kr. 6 billion)	26	30
Bonds issued by BIS	39	95
Domestic bonds	33	33
Mortgage bonds (kr. 32.1 billion), Ship Finance bonds (kr. 0.7 billion) and other bonds (kr. 0.1 billion)		
Money market products	284	167
Collateralised loans (reverse repo transactions)	–	35
Uncollateralised deposits	2	3
Central bank deposits (including deposits in the BIS)	282	130
Other holdings and exposures		
Gold	17	17
Exposure to equities through equity futures	7	8
Corporate bonds through ETFs	8	8
IMF ²	15	17
Selected risk measures/financial ratios		
95 per cent expected shortfall as a percentage of net capital ³	9.3	10.6
Krone duration	2.6	2.6
Total average rating of the portfolio ⁴	>AA+	>AA+
Foreign exchange exposure (before FX swaps in parenthesis)		
EUR	434 (377)	420 (312)
USD	0 (38)	0(112)
Other	0 (19)	0(5)

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

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

1. The bonds' credit rating on purchase was BBB- or higher.

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

3. The 95 per cent expected shortfall has been calculated for a 1-year horizon. The underlying risk factors are estimated on the basis of observations from 1999 onwards.

4. The average credit rating is weighted by the market values of the holdings. Holdings without credit ratings (primarily BIS) are not included.

Risks on loans to banks and mortgage banks

Danmarks Nationalbank provides monetary policy loans with a maturity of one week to monetary policy counterparties and, to facilitate the settlement of payments, intraday credit is also provided². Finally, Danmarks Nationalbank provides loans for banknote holdings. The use of monetary policy loans was, once again, very limited in 2017, as the banks had ample liquidity deposited in accounts at Danmarks Nationalbank.

No ceiling has been imposed on the opportunity to borrow from Danmarks Nationalbank, but adequate collateral must always be pledged. Danmarks Nationalbank can only incur credit losses on lending if two events coincide: a counterparty defaults and the realisation value of the collateral pledged turns out to be lower than the credit granted. The risk of credit losses is therefore very low.

Collateral basis and lending in 2017

There were no outstanding monetary policy loans at the end of 2017.

To facilitate the settlement of payments, on a daily basis Danmarks Nationalbank offers an intraday credit line on which the institutions can draw in connection with the settlement of payments and securities. At end-2017, the credit line was kr. 185 billion for payments with 2 January 2018 as the value date. The credit line by far exceeded the payment obligations and was only used to a limited extent.³ The collateral basis consists of Danish government securities, bonds guaranteed by the Danish government, mortgage bonds and bonds issued by KommuneKredit and Føroya Landsstýri. The collateral value – i.e. the market value less the haircut of the assets pledged by the counterparties to Danmarks Nationalbank – amounted to kr. 110 billion at the end of 2017. In addition, the institutions can pledge certificates of deposit as collateral for intraday credit. The collateral value of these amounted to kr. 160 billion, cf. Chart 5.⁴

Operational risk

Operational risk is the risk of direct or indirect losses due to inadequate or failed internal processes, human errors and actions, system errors or losses due to external events. Operational risk also comprises business and reputational risks. As indicated by the definition, operational risk is often associated with specific, individual events.

² Intraday credit is used by the institutions mainly in connection with securities and payment settlement, whereby Danmarks Nationalbank guarantees the institutions' payment obligations on a fully secured basis.

³ The size of the credit line takes into account that the institutions may automatically reserve all of their available liquidity for settlement at night, when they have no other need for liquidity. The credit line is lower than the overall collateral value of the collateral pledged, as some institutions do not reserve all of their available liquidity.

⁴ Finally, the institutions can utilise the automatic collateralisation arrangement, which allows them to pledge securities accounts at VP Securities, typically their trading accounts, as collateral for intraday credit. The collateral basis under the automatic collateralisation arrangement is the same as for Danmarks Nationalbank's monetary policy lending.

Danmarks Nationalbank continuously seeks to identify, assess, manage and follow up significant operational risks. Danmarks Nationalbank's risk management process is aimed at ensuring uniformity and comparability between operational risks, which makes it possible to prioritise initiatives in line with Danmarks Nationalbank's overall objectives.

Danmarks Nationalbank monitors the threat level for cyber crime and continuously assesses the need to strengthen IT security.

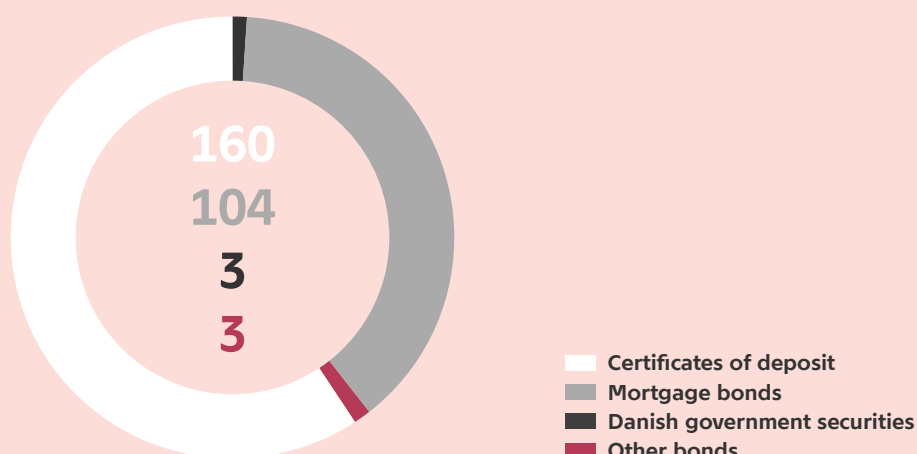
Insurance strategy

Danmarks Nationalbank's insurance policies and insurance strategy are reviewed on an annual basis in collaboration with an external insurance agent. The review in 2017 did not give rise to any major changes in the insurance programme.

Collateral value of assets pledged

Chart 5

Kr. billion, end-2017



Note: Other bonds consist of bonds guaranteed by the Danish government or issued by KommuneKredit and Føroya Landsstýri. Mortgage bonds include mortgage bonds (RO), covered mortgage bonds (SDRO) and covered bonds (SDO). The automatic collateralisation arrangement is not included. Rounded figures.

Source: Danmarks Nationalbank.



ACCOUNTS OF THE YEAR 2017



Key figures and financial ratios 2012-17

Profit and loss account (kr. million)	2016	2015	2014	2013	2012
Net income from interest, etc.	-51	1,877	1,144	660	914
Value adjustment of gold	2,001	-217	1,792	-6,234	792
Other value adjustments	1,723	2,345	3,104	-391	2,788
Income from financial fixed assets, etc.	957	263	1,495	152	99
Other income	4	5	5	123	60
Expenses, including depreciation	-707	-659	-575	-629	-592
Other expenses	-	-19	-	-	-19
Profit/loss for the year	3,928	3,595	6,965	-6,319	4,042
Allocated as follows:					
Allocation to net capital	3,083	2,727	5,196	-7,742	2,339
Payable to the central government	845	868	1,769	1,423	1,703
	3,928	3,595	6,965	-6,319	4,042

Balance sheet (kr. million)	2016	2015	2014	2013	2012
Assets					
Foreign exchange reserve assets	459,040	440,593	460,901	477,120	504,329
Monetary policy lending	-	325	35,039	23,145	66,401
Other lending	3,530	3,177	2,544	2,475	3,347
Domestic bonds	32,926	32,887	33,687	33,960	34,093
Other assets	2,444	4,705	4,302	10,525	20,379
Total assets	497,940	481,687	536,473	547,225	628,549
Liabilities					
Banknotes and coins	70,923	70,166	67,338	66,491	65,805
Monetary policy deposits	201,796	145,128	155,078	227,358	286,671
Central government	111,772	158,244	214,869	163,376	163,694
Foreign exchange reserve debt	3,004	3,084	3,345	3,125	2,685
Other liabilities	36,478	34,181	27,687	23,915	38,992
Total creditors	423,973	410,803	468,317	484,265	557,847
Total net capital	73,967	70,884	68,156	62,960	70,702
Total liabilities	497,940	481,687	536,473	547,225	628,549

Financial ratios	2016	2015	2014	2013	2012
Foreign exchange reserve (kr. million)	456,036	437,509	457,556	473,995	501,644
Net position of banks and mortgage banks vis-à-vis Danmarks Nationalbank (kr. million)	201,796	144,803	120,039	204,213	220,270
Growth in banknotes and coins (per cent)	1.1	4.2	1.3	1.0	5.4
Change in net capital (per cent)	4.3	4.0	8.3	-11.0	3.4
Average no. of staff (full-time equivalents)	451	468	476	528	518

Board of Governors' report on Danmarks nationalbank's Accounts

The result for the year was a loss of kr. 254 million, compared with a profit of kr. 3,928 million in 2016.

The development in the result for the year compared to last year is due in particular to a decrease in the result from financial portfolios of kr. 3.2 billion.

Net interest paid on net foreign assets, including dividends, was kr. -2,241 million, which is a decline of kr. 989 million compared to 2016.

Value adjustment of net foreign assets made a positive contribution totalling kr. 1,458 million, distributed as kr. 578 million for exchange rate adjustments and kr. 879 million for market value adjustments.

Value adjustment of the gold stock resulted in a loss of kr. 271 million, reflecting a decrease in the price of gold in kroner terms since the end of 2016.

Average deposits by banks and mortgage banks increased from kr. 152 billion to kr. 192 billion. Combined with the fact that the rate of interest on certificates of deposit was maintained at -0.65 per cent during 2017, this led to an increase in interest income from the monetary policy counterparties by kr. 253 million to kr. 1,072 million compared to 2016. The average balance of the central government's current account fell to kr. 129 billion, which reduced interest income by kr. 112 million.

The profit contribution from the domestic securities portfolio was kr. 195 million, compared with kr. 435 million in 2016.

No credit losses were registered on Danmarks Nationalbank's commitments regarding monetary policy counterparties and other external investments in 2017, and it is not deemed to be necessary to make provisions for such losses at year-end.

The bank's total operating expenses including write-offs increased by kr. 85 million to kr. 792 million compared with 2016.

Staff expenses declined by kr. 30 million to kr. 356 million as a consequence of the decrease in the number of employees from 451 to 395 full-time employees. This is primarily related to major organisational decisions and, in particular, the completed outsourcing of IT tasks. In addition, the discontinuation of banknote and coin production at the end of 2016 reduced the number of employees.

Costs of purchase of banknotes and coins decreased by kr. 26 million to kr. 19 million, which reflects how in 2017 the bank only purchased new coins for circulation. As from 2019 at the earliest, the bank expects to purchase banknotes from a new external banknote supplier.

Other administrative expenses increased by kr. 115 million to kr. 356 million compared to 2016. There are two reasons in particular for this:

- As a consequence of outsourcing, the bank is re-organising the IT area. This has entailed increased expenses for IT operations and development tasks, as well as purchase of hardware and software, just as transformation and transition, as well as IT security, have required considerable resources.

- Major building renovation projects have been launched for replacement of a number of structural elements of the Danmarks Nationalbank building.

Depreciation, amortisation and write-down of tangible and intangible fixed assets amount to kr. 62 million, compared to kr. 36 million in 2016, which is primarily related to the bank's income from the sale of the Niels Juels Gade 7 property in 2016.

The bank had other income of kr. 19 million in 2017, primarily as a consequence of property tax reimbursement, and other expenses, also of kr. 19 million, concerning payment of the seigniorage on the "Golden Wedding Anniversary 2017" commemorative coin.

Distribution of the result for the year

The loss of kr. 254 million is covered by a transfer from Danmarks Nationalbank's General Reserves. In 2017 no share of the result is transferred to the central government. The net capital hereafter amounts to kr. 73,713 million.

Statement by the Board of Governors

The Board of Governors have today considered and approved the Annual Accounts of Danmarks Nationalbank for 2017.

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

In our opinion, the Annual Accounts give a true and fair view of Danmarks Nationalbank's assets, liabilities and financial position at 31 December 2017, and of the result of Danmarks Nationalbank's activities for the financial year 1 January - 31 December 2017.

Copenhagen, 27 February 2018

Board of Governors

Lars Rohde
Chairman

Per Callesen

Hugo Frey Jensen

Internal Audit's Report

To the Board of Directors

Opinion

In our opinion, the Annual Accounts give a true and fair view of Danmarks Nationalbank's assets, liabilities and financial position at 31 December 2017, and of the result of Danmarks Nationalbank's activities for the financial year 1 January - 31 December 2017 in accordance with the Danmarks Nationalbank Act.

What we have audited

The Accounts of Danmarks Nationalbank for the financial year 1 January - 31 December 2017 comprise the profit and loss account, balance Sheet, notes and accounting policies (the "Accounts").

Statement on the Board of Governors' report on the activities of Danmarks Nationalbank

The Board of Governors is responsible for the Board of Governors' report on the activities of Danmarks Nationalbank. Our opinion on the Accounts does not include the Board of Governors' report on the activities of Danmarks Nationalbank, and we do not express any opinion with certainty about the report.

In connection with our audit of the Accounts, it is our responsibility to read the Board of Governors' report on the activities of Danmarks Nationalbank and in that connection to consider whether the report is materially inconsistent with the Accounts or with the knowledge we have gained during the audit, or otherwise seems to contain any material misstatement.

In our opinion and based on the work performed, the Board of Governors' report on the activities of Danmarks Nationalbank is in accordance with the Accounts and has been prepared in accordance with the requirements laid down in the Danmarks Nationalbank Act. We have not found any material misstatements in the Board of Governors' report.

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.

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 with a view to obtaining reasonable assurance that the Accounts are free of material misstatement.

The audit included an assessment of the Committee of Directors' and the 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.

Copenhagen, 27 February 2018

Bethina Hamann
State-Authorised Public Accountant

Independent Auditors' report

To the Board of Directors

Opinion

In our opinion, the Accounts give a true and fair view of Danmarks Nationalbank's assets, liabilities and financial position at 31 December 2017, and of the result of Danmarks Nationalbank's activities for the financial year 1 January - 31 December 2017, in accordance with the Danmarks Nationalbank Act.

What we have audited

The Accounts of Danmarks Nationalbank for the financial year 1 January - 31 December 2017 comprise the profit and loss account, balance sheet, notes and accounting policies (the "Accounts").

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (ISA) and additional requirements applying in Denmark. Our responsibility according to these standards and requirements is described in more detail in the section Auditors' responsibility for audit of the Accounts in this Auditors' opinion.

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

Independence

We are independent of Danmarks Nationalbank in accordance with the IESBA's Code of Ethics for Professional Accountants and the additional requirements applying in Denmark, and we have also complied with our other ethical obligations in accordance with the IESBA's Code of Ethics.

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

The Board of Governors is responsible for the Board of Governors' report on Danmarks Nationalbank's Accounts.

Our opinion on the Accounts does not include the Board of Governors' Report on Danmarks Nationalbank's Accounts, and we do not express any opinion with certainty about the report.

In connection with our audit of the Accounts, it is our responsibility to read the Board of Governors' report on Danmarks Nationalbank's Accounts and in that connection to consider whether the report is materially inconsistent with the Accounts or with the knowledge we have gained during the audit, or otherwise seems to contain any material misstatement. In addition, it is our responsibility to consider whether the Board of Governors' report on Danmarks Nationalbank's Accounts includes the information required pursuant to the Danmarks Nationalbank Act.

In our opinion and based on the work performed, the Board of Governors' report on Danmarks Nationalbank's Accounts is in accordance with the Accounts and has been prepared in accordance with the requirements laid down in the Danmarks Nationalbank Act. We have not found any material misstatements in the report.

Responsibility for the Accounts and the audit

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.

When preparing the Accounts, the Committee of Directors and Board of Directors are responsible for assessing Danmarks Nationalbank's ability to continue as a going concern, for providing information about going concern issues where this is relevant and for preparing the Accounts on the basis of the going concern accounting principle, unless the Committee of Directors and Board of Directors plan either to liquidate Danmarks Nationalbank or to discontinue operations, or have no other realistic alternative than to do so.

Auditors' responsibility for audit of the accounts

- Our objective is to obtain a high degree of certainty that the overall Accounts are free of material misstatement, whether

due to fraud or error, and to present an auditors' report with an opinion. A high degree of certainty is a high level of certainty, but is not a guarantee that an audit performed in accordance with the ISA and the additional requirements applying in Denmark will always disclose material misstatements, if any. Misstatements may occur as a result of fraud or error and can be deemed to be material if it can reasonably be expected that they will, individually or jointly, have an impact on the financial decisions made by users on the basis of the accounts.

As part of an audit performed in accordance with the ISA and the additional requirements applying in Denmark, we perform professional assessments and exercise professional scepticism during the audit. In addition:

- We identify and assess the risk of material misstatement in the Accounts, whether due to fraud or error, plan and perform audit activities in response to such risk and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not discovering material misstatements is higher for material misstatements resulting from fraud than for material misstatements resulting from error as fraud may include conspiracy, forgery, wilful omissions, misrepresentation or non-observance of internal controls.
- We gain insight into the internal controls of relevance to the audit in order to design audit activities that are appropriate in the circumstances, but not to express an opinion on the effectiveness of Danmarks Nationalbank's internal controls.
- We consider whether the accounting policies applied are appropriate and whether the accounting estimates made and related information prepared by the Committee of Directors and Board of Directors are reasonable.
- We express an opinion as to whether the preparation of the Accounts by the Committee of Directors and Board of Directors on the basis of the going concern accounting principle is appropriate and whether, on the basis of the audit evidence obtained, there is material uncertainty linked to events or circumstances that may cause substantial doubt as to Danmarks Nationalbank's ability to continue as a going

concern. If we reach the conclusion that there is material uncertainty, we must in our auditors' report draw attention to information about this in the Accounts or, if such information is not sufficient, qualify our opinion. Our opinions are based on the audit evidence obtained until the date of our auditors' report. However, future events or circumstances could mean that Danmarks Nationalbank is no longer able to continue as a going concern.

- We consider the overall presentation, structure and content of the Accounts, including information in the notes, and whether the Accounts reflect the underlying transactions and events in such a way that they provide a true and fair view thereof.

We communicate with the top management on, inter alia, the planned scope and timing of the audit, as well as material audit observations, including any material shortcomings in the internal controls identified by us during our audit.

We also make a statement to the top management saying that we have met relevant ethical requirements regarding independence and inform the top management of all relations and other circumstances that may reasonably be conceived to affect our independence and, where relevant, related security measures.

Copenhagen, 27 February 2018

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR number 3377 1231

Erik Stener Jørgensen

State-Authorised Public Accountant

Christian F. Jakobsen

State-Authorised Public Accountant

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 13 March 2018.

As at 1 March 2018 the Board of Directors comprises

Søren Bjerre-Nielsen, Chairman	Christian Schultz, Deputy Chairman	
Per Bank	Eva Berneke	Barbara Bertelsen
Morten Bødskov	Kristian Thulesen Dahl	Michael Dithmer
Pelle Dragsted	Asger Enggaard	Josephine Fock
Peter Gæmelke	Kristian Hundebøll	Bent Jensen
Claus Jensen	Jacob Jensen	Henrik Sass Larsen
Michael Møller	Joachim B. Olsen	Anja Philip
Lizette Risgaard	Bente Sorgenfrey	Anne Hedensted Steffensen
Peter Skaarup	Gitte Pugholm Aabo	

Accounting policies

General

Danmarks Nationalbank's Accounts for the year 2017 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 value adjustments, which are all 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.

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.

As a consequence of the decision to outsource the production of banknotes and coins to an external

supplier, Danmarks Nationalbank presents the costs of banknotes and coins as a separate item of the profit and loss account. To give a more true and fair view of the development in the costs of purchase of banknotes and coins, the comparative figures for 2016 have been re-classified. As a consequence, costs of materials for banknote and coin production, which in 2016 were stated in the "Administrative expenses" note, have been moved to the "Banknote and coin production services" note. The re-classification does not affect the result or the net capital.

Apart from this, the principles for and the classification of the individual items in the Accounts remain unchanged from the previous year.

Profit and loss accounts

Net interest, etc.

Besides income on interest-bearing assets and liabilities, interest income and expenses comprise maturity reductions of the bond portfolios, fees, premiums and discounts on Treasury bills and certificates of deposit, and income from Exchange Traded Funds, as well as premiums on forward securities and forward exchange contracts.

Value adjustments, etc.

Value adjustments comprise market value adjustments and exchange rate adjustments concerning financial assets and liabilities and gold. Both realised and unrealised gains and losses are recognised in the profit and loss account.

Income from financial fixed assets, etc.

Income from financial fixed assets, etc. comprises dividend received from shares, gains from the sale of equity investments, etc., as well as revaluation and write-down. Income is recognised in the year in which the dividend is announced.

Other income

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

Expenses

Staff expenses comprise salaries and remuneration, including pension contributions and support, etc., training costs and other staff expenses. Banknote and coin production services comprise the costs of purchase of banknotes and coins produced by an external supplier. Other expenses concern the operation of Danmarks Nationalbank's properties, IT operation 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.

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.

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 which take account of 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.

Financial fixed assets, 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 the acquisition value, unless the fair value is lower.

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 sorting), office equipment and vehicles, hardware and software and fixed assets under construction.

Fixed assets are stated in 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 take place over the expected useful lives of the assets.

- 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 tangible fixed assets and intangible development projects 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 uncov-

ered 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	2017	2016
Net income from interest, etc.:	1		
Interest on net foreign assets		-2,391,446	-1,370,336
Income from Exchange Traded Funds		150,892	118,469
Interest on monetary policy lending and deposits and certificates of deposit	2	1,071,744	818,959
Interest on domestic bonds		31,850	126,791
Interest on the central government's deposits		188,062	300,096
Interest on other domestic loans and deposits		98,054	-44,667
Commission and other income		268	184
Net income from interest, etc., total		-850,576	-50,504
Value adjustments, etc.:			
Value adjustment of gold	3	-270,926	2,000,763
Value adjustment of foreign exchange positions	4	1,457,599	1,415,034
Value adjustment of domestic bonds		163,143	307,827
Value adjustments, etc., total		1,349,816	3,723,624
Profit/loss from financial portfolios		499,240	3,673,120
Income from financial fixed assets, etc.	5	38,708	957,294
Other income	6	19,055	4,083
Expenses:			
Staff expenses	7	355,992	385,853
Banknote and coin production services	8	19,484	45,048
Administrative expenses	9	354,519	239,561
Total expenses		729,995	670,462
Depreciation, amortisation and write-down of tangible and intangible fixed assets	10	61,531	36,465
Other expenses	11	19,000	-
Profit/loss for the year		-253,523	3,927,570
Distribution of the result for the year:			
Allocation to/transfer from the General Reserves		-253,523	3,083,026
Payable to the central government		-	844,544
		-253,523	3,927,570

Balance sheet

Kr. 1,000	Note	2017	2016
Assets			
Gold	12	17,220,284	17,491,210
Foreign assets	13	432,791,272	424,894,336
Claims on the IMF, etc.	14	15,321,367	16,654,593
Claims re banks' and mortgage banks' TARGET accounts at the ECB		52,238	55,209
Monetary policy lending	15	-	-
Other lending	16	2,093,543	3,529,665
Domestic bonds	17	32,934,635	32,925,695
Financial fixed assets, etc.	18	184,063	184,063
Tangible and intangible fixed assets	19	640,460	646,088
Other assets	20	1,954,329	1,532,360
Accruals		25,365	26,922
Total assets		503,217,556	497,940,141
Liabilities			
Banknotes	21	64,963,681	64,913,157
Coins	21	6,033,306	6,010,395
Monetary policy deposits			
Net current accounts and settlement accounts	22	28,259,418	28,918,744
Certificates of deposit		161,708,000	172,877,000
Other deposits	23	16,333,262	15,384,686
Central government	24	134,688,844	111,772,459
Foreign liabilities	25	3,539,741	3,003,581
Counterpart of Special Drawing Rights allocated by the IMF	26	13,540,981	14,512,242
Other liabilities	27	436,891	6,580,922
Total creditors		429,504,124	423,973,186
General Capital Fund		50,000	50,000
Statutory Reserves		250,000	250,000
General Reserves		73,413,432	73,666,955
Total net capital	28	73,713,432	73,966,955
Total liabilities		503,217,556	497,940,141
Financial derivatives for conversion of foreign exchange exposure	29		
Other financial derivatives	30		
Contingent liabilities	31		
Loan and purchase commitments to the IMF	32		
Pension commitments	33		

Notes

Note 1 – Net income from interest

As in previous years, a large proportion of the foreign exchange reserve is subject to negative interest rates. The total net interest income decreased from kr. -51 million in 2016 to kr. -851 million in 2017.

Net income from interest and dividend concerning foreign net assets decreased by kr. -989 million to kr. -2,241 million. Negative maturity reduction of kr. 1.8 billion is included in net income from interest.

Danmarks Nationalbank's monetary policy interest rates were unchanged in 2017. Average net deposits from the monetary policy counterparties amounted to kr. 192 billion in 2017. As a consequence of the combination of net deposits and the interest rate development, Danmarks Nationalbank posted net interest income of kr. 1,072

million from these accounts. Average net deposits from these institutions amounted to kr. 152 billion in 2016, and Danmarks Nationalbank had net interest income of kr. 819 million on such deposits.

The average deposit of the central government in 2017 was kr. 129 billion (2016: kr. 147 billion). This decrease has led to a fall of kr. 112 million in net interest income.

Interest on domestic bonds decreased by kr. 95 million to kr. 32 million in 2017.

Interest on other domestic loans and deposits increased by kr. 143 million to overall net income of kr. 98 million, as a consequence of changed interest terms.

Note 2 – Interest on monetary policy lending and deposits as well as certificates of deposit

Kr. 1,000	2017	2016
Interest on monetary policy lending	11	165
Interest on certificates of deposit	1,071,733	818,794
	1,071,744	818,959

Note 3 – Value adjustment of gold

Value adjustment of the gold stock entailed a loss of kr. 271 million, reflecting a total decrease of 1.6 per cent in the price of gold measured in Danish kroner.

Note 4 – Value adjustment of foreign exchange positions

Kr. 1,000	2017	2016
Market value adjustment	879,286	2,696,809
Exchange rate adjustment	578,313	-1,281,775
	1,457,599	1,415,034

Note 5 – Income from financial fixed assets, etc.

Kr. 1,000	2017	2016
Bank for International Settlements	23,435	17,261
Danish Ship Finance A/S	-	73,729
	23,435	90,990
Profit on sales of financial fixed assets, etc.	15,273	866,304
	38,708	957,294

Note 6 – Other income

Kr. 1,000	2017	2016
Sale of coins and medals	1,796	4,083
Reimbursed property tax 2014-16	16,681	-
Dividend on equity investments in commercial companies	313	-
Other income	265	-
	19,055	4,083

In 2017, SKAT (the Danish tax authorities) changed the property valuation of the Danmarks Nationalbank building.

As a consequence, property tax has been reimbursed for the 2014-16 period.

Note 7 – Staff expenses

Kr. 1,000	2017	2016
Salaries and remuneration	284,069	310,917
Pension contributions and support	49,546	52,974
Training	5,982	7,202
Other staff expenses	16,395	14,760
	355,992	385,853
Of which remuneration of the management:		
Governors, salaries	9,906	9,728
Governors, pension contributions	1,818	1,785
Committee of Directors and Board of Directors	932	925
	12,656	12,438
Salaries to the Governors are as follows:		
Lars Rohde, Chairman	3,516	3,454
Per Callesen	3,195	3,137
Hugo Frey Jensen	3,195	3,137
	9,906	9,728
Remuneration of the Committee of Directors and Board of Directors is as follows:		
Chairman of the Committee of Directors and the Board of Directors	119	117
Deputy Chairman of the Committee of Directors	89	87
Deputy Chairman of the Board of Directors	47	35
Other members of the Committee of Directors, total (kr. 56,000/member/year)	278	286
Other members of the Board of Directors, total (kr. 23,000/member/year)	399	400
	932	925

No bonus schemes exist at Danmarks Nationalbank.

In 2017, the average number of employees was 395 full-time equivalents (2016: 451).

Note 8 – Banknote and coin production services

Kr. 1,000	2017	2016
Coin purchases	19,484	8,714
Banknote purchases	-	36,334
	19,484	45,048

Expenses concerning banknote and coin production services comprise the total costs paid to the external supplier to which production has been outsourced. In 2017, the costs amount to kr. 19.5 million, which covers coin production

and transport, which have been outsourced to the Mint of Finland. The comparative figures are re-classified from the "Other expenses" note. In 2016 these expenses solely concerned materials for banknote and coin production.

Note 9 – Administrative expenses

Kr. 1,000	2017	2016
Real property, current expenses	93,245	52,996
IT expenses	190,916	138,949
Other expenses	70,358	47,616
	354,519	239,561

Note 10 – Depreciation, amortisation and write-down of tangible and intangible fixed assets

Kr. 1,000	2017	2016
Properties	13,960	14,692
Machinery and other operating equipment	3,127	9,117
Hardware and software	42,640	35,956
Write-down of fixed assets	19	6,992
	59,746	66,757
Net profit on sale of fixed assets	-1,785	30,292
	61,531	36,465

Note 11 – Other expenses

The expense relates to disbursement in connection with the issue of a commemorative coin to mark the golden wedding anniversary of Her Majesty Queen Margrethe II and His Royal Highness Prince Henrik on 10 June 2017. The

amount of kr. 19 million was distributed equally between the Danish Business Authority and Queen Margrethe and Prince Henrik's Foundation and is used for non-profit purposes.

Note 12 – Gold

The value of the gold stock was kr. 17.2 billion at year-end, compared with kr. 17.5 billion at the end of 2016. The reason for the decrease is that the price of gold, measured

in kroner, fell by 1.6 per cent in 2017. The gold stock was unchanged at 66,550 kg.

Note 13 – Foreign assets

Kr. 1,000	2017	2016
Foreign bonds	140,669,763	245,269,111
Exchange Traded Funds in corporate bonds	8,082,493	8,119,828
Claims on central banks and supranational institutions	281,713,445	129,071,228
Claims on foreign commercial banks	1,925,127	1,984,984
Claims re two-way collateral in cash	56,209	4,976,587
Margin claims re futures	344,235	530,918
Repo transactions against collateral in foreign bonds	-	34,941,680
	432,791,272	424,894,336

Foreign bonds primarily comprise government bonds issued in the euro area and instruments issued by the Bank for International Settlements.

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

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

Claims re futures include margin deposits, as well as margin outstandings in the underlying assets. The total exposure to stock futures is kr. 7.1 billion, while the exposure to bond futures is kr. 4.9 billion. This can be seen from Note 30.

Collateralised lending in the form of reverse repo transactions is collateralised against foreign government and government guaranteed bonds. There were no reverse repo transactions at end-2017.

Apportionment on credit assessment

2017 (kr. million)	Total	EUR	USD	JPY	Other
- Of which AAA	314,555	308,268	1,971	-	4,316
- Of which AA+ to AA-	42,303	37,020	5,281	0	2
- Of which A+ to A-	19,641	3,368	2,136	14,137	0
- Of which BBB+ to BBB-	9,118	8,492	626	-	-
- Of which BB+ to BB-	31	-	31	-	-
- Of which non-rated assets	47,143	19,726	27,374	-	43
	432,791	376,874	37,419	14,137	4,361

2016 (kr. million)	Total	EUR	USD	JPY	Other
- Of which AAA	163,843	158,976	1,063	-	3,804
- Of which AA+ to AA-	113,385	51,714	61,576	0	95
- Of which A+ to A-	34,473	33,698	756	18	1
- Of which BBB+ to BBB-	8,503	8,288	215	-	0
- Of which BB+ to BB-	560	-	560	-	-
- Of which non-rated assets	104,130	57,893	46,204	-	33
	424,894	310,569	110,374	18	3,933

Exposure is placed according to the lowest credit rating given by Fitch, Moody's and S&P, respectively. Non-rated assets comprise securities issued by and deposits at the

Bank for International Settlements and holdings of Exchange Traded Funds.

Note 14 – Claims on the IMF, etc.

	2017 (SDR 1,000)	2017 (kr. 1,000)	2016 (SDR 1,000)	2016 (kr. 1,000)
IMF quota	3,439,400	30,410,487	3,439,400	32,591,754
The IMF's drawing right	3,353,490	29,650,888	3,373,490	31,967,192
Reserve position with the IMF	85,910	759,599	65,910	624,562
Holdings of Special Drawing Rights, (SDRs), at the	1,429,927	12,643,127	1,440,355	13,648,806
IMF Loans	216,997	1,918,641	251,290	2,381,225
	1,732,834	15,321,367	1,757,555	16,654,593

At 31 December 2017, claims on the IMF amounted to kr. 15,321 million, compared to kr. 16,655 million at the end of 2016. The exchange rate for SDR is 8.418 at end-2017 (end-2016: 9.4760).

The reserve position with the IMF is the paid-up share of Denmark's quota at the IMF and comprises the difference between the quota and the balance of the IMF's account in Danish kroner. The IMF's balance at Danmarks Nationalbank represents the IMF's drawing right.

At 31 December 2017, the reserve position amounts to SDR 86 million, equivalent to kr. 760 million. Denmark's quota of SDR 3,439 million (kr. 30,410 million) is unchanged since the IMF's quota reform from 2010 entered into force in

2016, while the reserve position vis-à-vis the IMF has increased by SDR 20 million, which expresses how in 2017 the IMF utilised a larger element of the drawing right for the quota.

At 31 December 2017, Danmarks Nationalbank's holdings of special drawing rights with the IMF (SDR) amounted to SDR 1,430 million (kr. 12,643 million) – a decrease of almost SDR 10 million since 2016.

An amount equivalent to the IMF's accumulated allocations of SDR to Denmark is included as a liability in the accounts and is shown in Note 26 "Counterpart of Special Drawing Rights allocated by the IMF".

Loans under the IMF

	2017 (SDR 1,000)	2017 (kr. 1,000)	2016 (SDR 1,000)	2016 (kr. 1,000)
Loans to the PRG Trust	36,697	324,465	37,390	354,308
Bilateral loans under the 2009 loan agreement	-	-	32,600	1,717,999
Loans under New Arrangements to Borrow	180,300	1,594,176	181,300	308,918
	216,997	1,918,641	251,290	2,381,225

Loans to PRGT (the Poverty Reduction and Growth Trust) amount to SDR 37 million (kr. 324 million). Redemptions totalled SDR 0.7 million in 2017.

Bilateral loans under the 2009 loan agreement: The agreement expired on 31 October 2013 and no new loans were granted in 2017. The bilateral loans under the agreement were fully redeemed during 2017.

Loans under the NAB (New Arrangements to Borrow) agreement amount to SDR 180 million (kr. 1,594 million). In 2017, new loans for SDR 25 million were granted, while SDR 26 million was redeemed, so that the net decrease is SDR 1 million.

Reference is made to Note 32 for an overview of loan and purchase commitments to the IMF.

Note 15 – Monetary policy lending

The volume of monetary policy lending was an average of kr. 22.7 million in 2017. There was no outstanding lending at 31 December 2017.

Note 16 – Other lending

Kr. 1,000	2017	2016
Banks, lending to banknote holdings	2,093,543	3,113,115
Banks, two-way collateral in cash	-	416,475
Other loans	-	75
	2,093,543	3,529,665

Note 17 – Domestic bonds

Kr. 1,000	2017	2016
Mortgage bonds, etc.	32,186,973	31,572,460
Ship Finance bonds	747,662	1,353,235
	32,934,635	32,925,695

Note 18 – Financial fixed assets, etc.

Kr. 1,000	2017	2016
Capital investments and equivalent investments	122,503	122,503
Equity investments in associated companies	61,560	61,560
	184,063	184,063

At 31 December 2017, the estimated market value of the bank's share portfolio is not below kr. 2.1 billion.

Danmarks Nationalbank's portfolio of capital investments and equivalent investments comprises the capital subscription to the ECB and shares in the Bank for International Settlements and SWIFT, to which the following special conditions apply:

In accordance with Article 28 of the Statute of the European System of Central Banks (ESCB), the national central banks in the ESCB are the sole subscribers to the capital in the European Central Bank (ECB). The capital subscriptions are determined by shares which are fixed in accordance with Article 29. As a non-euro area member of the ESCB, Denmark is subject to the transitional provisions

in Article 47. Danmarks Nationalbank must therefore pay up 3.75 per cent of its capital subscription to the ECB as its contribution to the cost of the operation of the ECB. As a central bank outside the euro area, Danmarks Nationalbank participates in neither the distribution of profits nor the allocation of losses in the ECB. Danmarks Nationalbank's share of the ECB's capital amounts to 161 million euro, of which 6 million euro has been paid up, equivalent to kr. 45 million.

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. 284 million.

Equity investments in associated companies:

	Equity investment/ voting rights	Share of equity	Share of result
VP Securities A/S, Weidekampsgade 14, Copenhagen	24.2/24.2 per cent	kr. 83.3 million	kr. 30.8 million

Source: Figures according to the 2016 Annual Report.

Note 19 – Tangible and intangible fixed assets

Kr. 1,000	2017	2016
Properties	486,611	502,483
Machinery and other operating equipment	4,863	5,894
Hardware and software	94,845	100,164
Fixed assets under construction	54,141	37,547
	640,460	646,088

At the most recent official assessment, Danmarks Nationalbank's properties were valued at kr. 850 million.

Note 20 – Other assets

Kr. 1,000	2017	2016
Market value of unsettled foreign exchange transactions	663,995	-
Market value of unsettled domestic securities transactions	9,580	7,051
Accrual of interest	906,488	1,247,740
Equity investments in commercial companies	39,589	-
Prepaid expenses and other receivables	332,362	274,568
Other minor items	2,315	3,001
	1,954,329	1,532,360

Equity investments in commercial companies comprise equity interests received in conjunction with the sale of other assets. Danmarks Nationalbank will seek to divest the

shareholding since the bank does not wish to hold equity interests in commercial companies subject to competition.

Note 21 – Banknotes and coins in circulation

Banknote circulation in kr. 1,000	2017	2016
Kr. 1,000	30,633,775	31,106,472
Kr. 500	17,576,460	16,254,356
Kr. 200	6,121,151	6,071,741
Kr. 100	3,745,870	3,875,609
Kr. 50	970,451	970,714
Older series*)	5,469,414	6,235,519
Faroese banknotes	446,560	398,746
	64,963,681	64,913,157

*) Banknotes issued before the most recent series (2009).

Coin circulation in kr. 1,000	2017	2016
20-krone	2,552,046	2,545,732
10-krone	1,211,134	1,204,487
5-krone	604,247	601,459
2-krone	543,112	542,210
1-krone	367,165	366,308
50-øre	188,575	187,603
Older series*)	386,857	388,172
Thematic and commemorative coins with another nominal value	180,170	174,424
	6,033,306	6,010,395

*) Coins issued before the current series.

Note 22 – Net current accounts and settlement accounts

Kr. 1,000	2017	2016
Deposits in current and settlement accounts	213,243,402	251,404,539
Drawing on current accounts	184,983,984	222,485,795
	28,259,418	28,918,744

At 31 December 2017, Danmarks Nationalbank acts on a fully secured basis as guarantor to VP Securities A/S for kr. 20.7 billion (2016: kr. 5.5 billion) and to the Danish Bankers Association (Sumclearing) for kr. 189.8 billion (2016: kr.

243.9 billion) in connection with the banks' and mortgage banks' payment settlement with 2 January 2018 as the value date.

Note 23 – Other deposits

Kr. 1,000	2017	2016
Banks' and mortgage banks' deposits in current accounts in euro	52,238	55,286
Banks, two-way collateral in cash	670	-
Other deposits	16,280,354	15,329,400
	16,333,262	15,384,686

Note 24 – Central government

The central government's deposits amounted to kr. 134,689 million at 31 December 2017. In 2017 the central

government will not receive a share of the result for the year.

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. 3,112 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 2017. There were no

changes in the allocation of SDRs in 2017. The current holdings of SDRs are specified in Note 14 "Claims on the IMF, etc."

Note 27 – Other liabilities

Kr. 1,000	2017	2016
Market value of unsettled foreign exchange transactions	-	4,196,409
Market value of other financial derivatives denominated in foreign currency	-	1,672,287
Accrual of interest	249,119	514,899
Payables	77,570	47,820
Wage-related payables	65,543	94,930
Other liabilities	44,659	54,577
	436,891	6,580,922

Note 28 – Net capital

Kr. 1,000	General Capital Fund and Statutory Reserves	General Reserves	Total
Net capital at 1 January 2017	300,000	73,666,955	73,966,955
Carried forward from the profit/loss for the year	-	-253,524	-253,524
Net capital at 31 December 2017	300,000	73,413,431	73,713,431

Note 29 – Financial derivatives for conversion of foreign exchange exposure

2017 (kr. million)	Total	EUR	USD	JPY	Other
Net positions at market value					
Forward exchange contracts:					
Purchase	85,796	70,376	13,817	-	1,603
Sale	-85,132	-13,959	-51,967	-14,264	-4,942
Unsettled spot currency trades:					
Purchase	2	1	-	-	1
Sale	-2	-1	-	-	-1
Currency and interest rate swaps:					
Purchase	-	-	-	-	-
Sale	-	-	-	-	-
	664	56,417	-38,150	-14,264	-3,339

2016 (kr. million)	Total	EUR	USD	JPY	Other
Net positions at market value					
Forward exchange contracts:					
Purchase	110,675	105,279	3,168	49	2,179
Sale	-114,871	-3,301	-106,934	-230	-4,406
Unsettled spot currency trades:					
Purchase	2	1	-	-	1
Sale	-2	-1	-	-	-1
Currency and interest rate swaps:					
Purchase	5,401	5,401	-	-	-
Sale	-7,073	-	-7,073	-	-
	-5,868	107,379	-110,839	-181	-2,227

Note 30 – Other financial derivatives

2017 (kr. million)	Total	DKK	EUR	USD
Principals at market value				
Forward contracts, securities:				
Purchase	5,496	5,496	-	-
Sale	-	-	-	-
Futures, bonds:				
Purchase	5,632	-	980	4,652
Sale	721	-	-	721
Futures, shares:				
Purchase	7,074	-	3,161	3,913
Sale	-	-	-	-

2016 (kr. million)	Total	DKK	EUR	USD
Principals at market value				
Forward contracts, securities:				
Purchase	4,361	4,361	-	-
Sale	-	-	-	-
Futures, bonds:				
Purchase	-	-	-	-
Sale	20,986	-	7,513	13,473
Futures, shares:				
Purchase	7,520	-	3,706	3,814
Sale	-	-	-	-

Note 31 – Contingent liabilities

Kr. 1,000	2017	2016
VP Securities A/S, share of Guarantee Capital	44,382	33,616
VP Securities A/S, guarantee for errors by other account-holding institutions	20,271	15,296
Other guarantees	60	600
	64,713	49,512

In addition, Danmarks Nationalbank has established an intervention agreement with the ECB and swap agreements with central banks.

Note 32 – Loan and purchase commitments to the IMF

Danmarks Nationalbank's maximum further loan and purchase commitments to the IMF are presented in the

Table below. The current credit exposure is stated in Note 14.

	2017 (SDR 1,000)	2017 (kr. 1,000)	2016 (SDR 1,000)	2016 (kr. 1,000)
The IMF's drawing right	3,353,490	29,650,888	3,373,490	31,967,192
Danmarks Nationalbank's obligation to purchase SDRs	3,164,493	27,979,816	3,154,065	29,887,919
Undrawn amount of loan facility for the PRG Trust	463,303	4,096,435	462,610	4,383,692
Undrawn amount of loan facilities for the IMF in the NAB agreement	1,449,460	12,815,835	1,415,860	13,416,689
Undrawn amount of loan facilities for the IMF in bilateral loans (2016 agreement) *)	4,462,663	39,457,970	4,158,117	39,402,320
	12,893,409	114,000,944	12,564,142	119,057,812

*) Undrawn amount of loan facilities for the IMF in connection with bilateral loans (2016 agreement), equivalent to 5.300 million euro.

The IMF's drawing right is the balance of the IMF's account at Danmarks Nationalbank in Danish kroner. The account is the part of Denmark's quota on which the IMF can still draw, for example to finance new loans. At 31 December 2017, the balance amounts to kr. 29,651 million (SDR 3,353 million), which is also stated in Note 14.

Danmarks Nationalbank's obligation to purchase SDRs: As an element of the SDR arrangement, Danmarks Nationalbank may be requested to purchase additional SDRs, until the holdings amount to up to three times Danmarks Nationalbank's accumulated SDR allocation of SDR 1,531 million, equivalent to SDR 4,594 million. The current SDR holdings amount to SDR 1,430 million, and the maximum additional purchase is thus SDR 3,164 million, equivalent to kr. 27.980 million. Danmarks Nationalbank's accumulated SDR allocation is also stated in Note 26.

Undrawn amount of loan facility for the PRG Trust: The Danish loan commitment was increased by SDR 300 million on 17 November 2016, and at 31 December 2017 totals SDR 500 million, equivalent to kr. 4,421 million. The loan is guaranteed by the Kingdom of Denmark. The current loan amounts to SDR 37 million, so that the undrawn amount at

31 December 2017 amounts to SDR 463 million, equivalent to kr. 4,096 million.

Undrawn amount of loan facilities for the IMF in connection with the NAB agreement and bilateral loans 2009: The total amounts drawn under the NAB agreement and under the 2009 bilateral loan agreement may not exceed the credit commitment under the NAB agreement of SDR 1,630 million, equivalent to kr. 14,410 million. Since SDR 180 million has been drawn under the NAB agreement, the maximum further drawing is SDR 1,449 million under the NAB agreement, equivalent to kr. 12,816 million. All drawing under the 2009 bilateral loan agreement has been redeemed in full and the IMF may no longer draw on the loan commitments.

Bilateral loan agreement (2016 agreement): The bilateral loan agreement from 2016 is a continuation of the agreement from 2012. The IMF may borrow up to the equivalent of 5,300 million euro, equivalent to SDR 4,463 million (kr. 39,458 million) under this agreement. 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.

Note 33 – Pension 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	2017	2016
Pension commitments and other liabilities	3,640	3,445
Fair value of the assets of the Pension Fund	4,648	4,657
Net capital of the Pension Fund	1,008	1,212
Solvency requirement of the Pension Fund	144	136

Other defined benefit pension plans are covered in a pension company.

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