

DANMARKS
NATIONALBANK

Status on the Danish economy, green government bonds and responsible investing of the FX reserve

Governor Signe Krogstrup
Nycredit Capital Markets Day, 29 September 2022

Agenda



**Status on the Danish
economy**



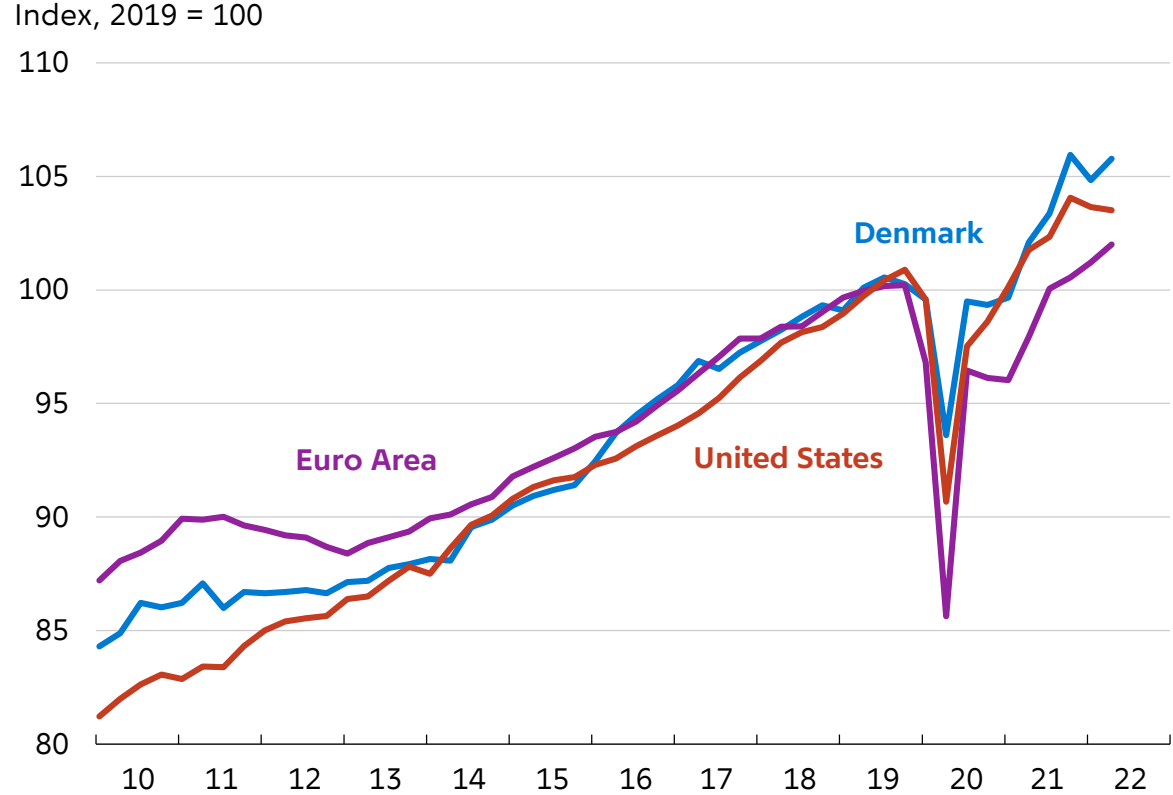
**Green government
bonds**



**Sustainability in the
FX reserve**

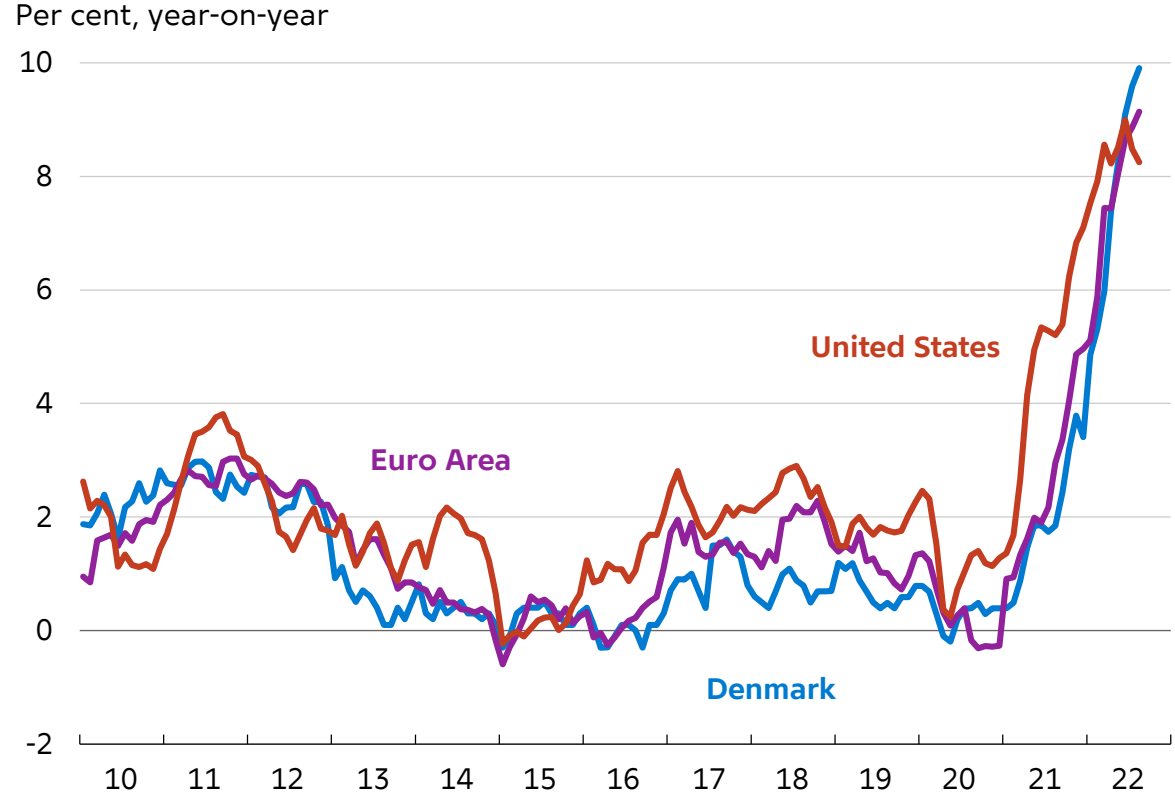
GDP has recovered while inflation has soared

GDP



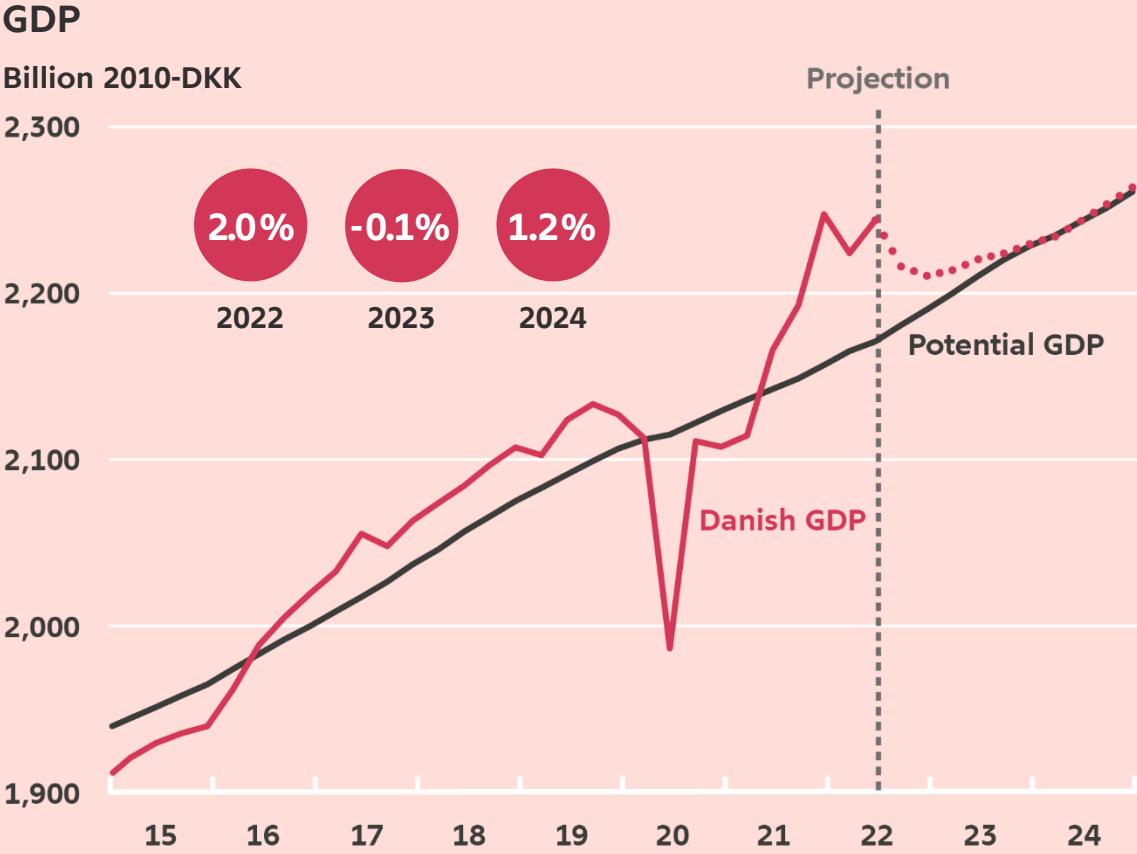
Note: GDP in volumes.
Source: Macrobond.

Inflation

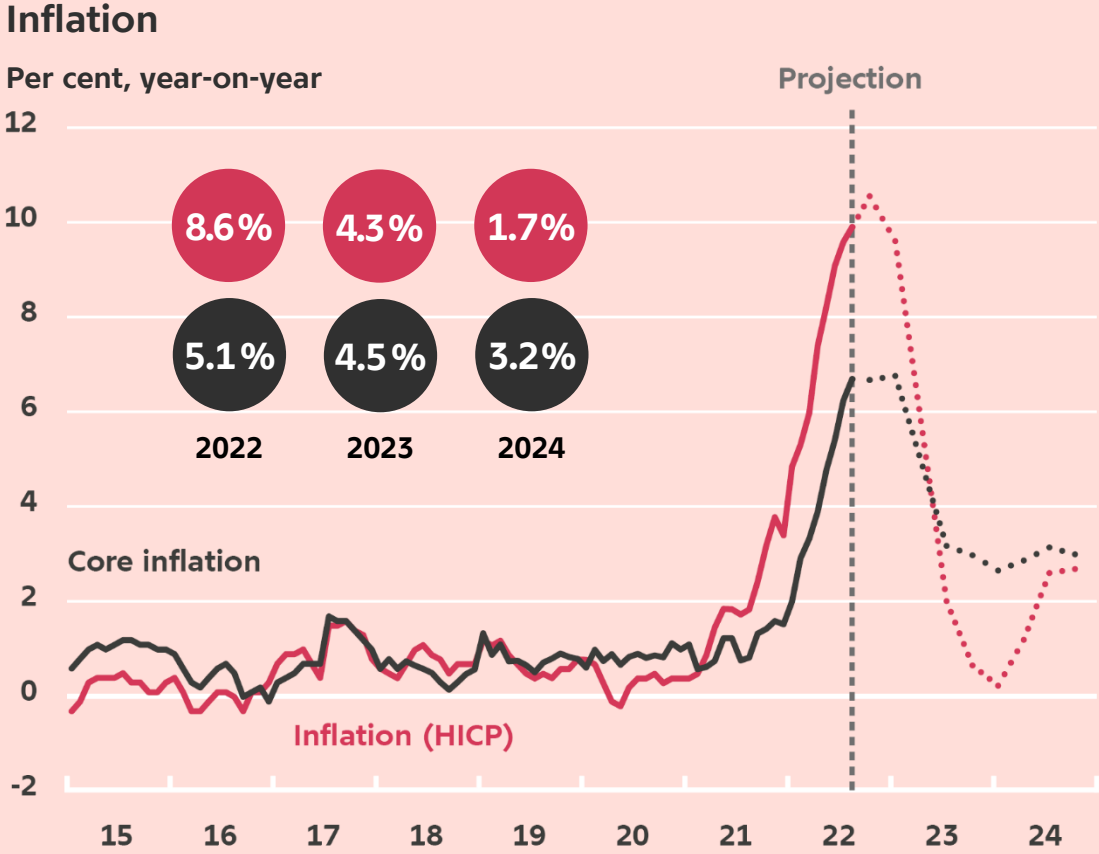


Note: HICP for Denmark and Euro Area. CPI for United States.
Source: Macrobond.

We expect growth to slow down and inflation to remain high for some time to come



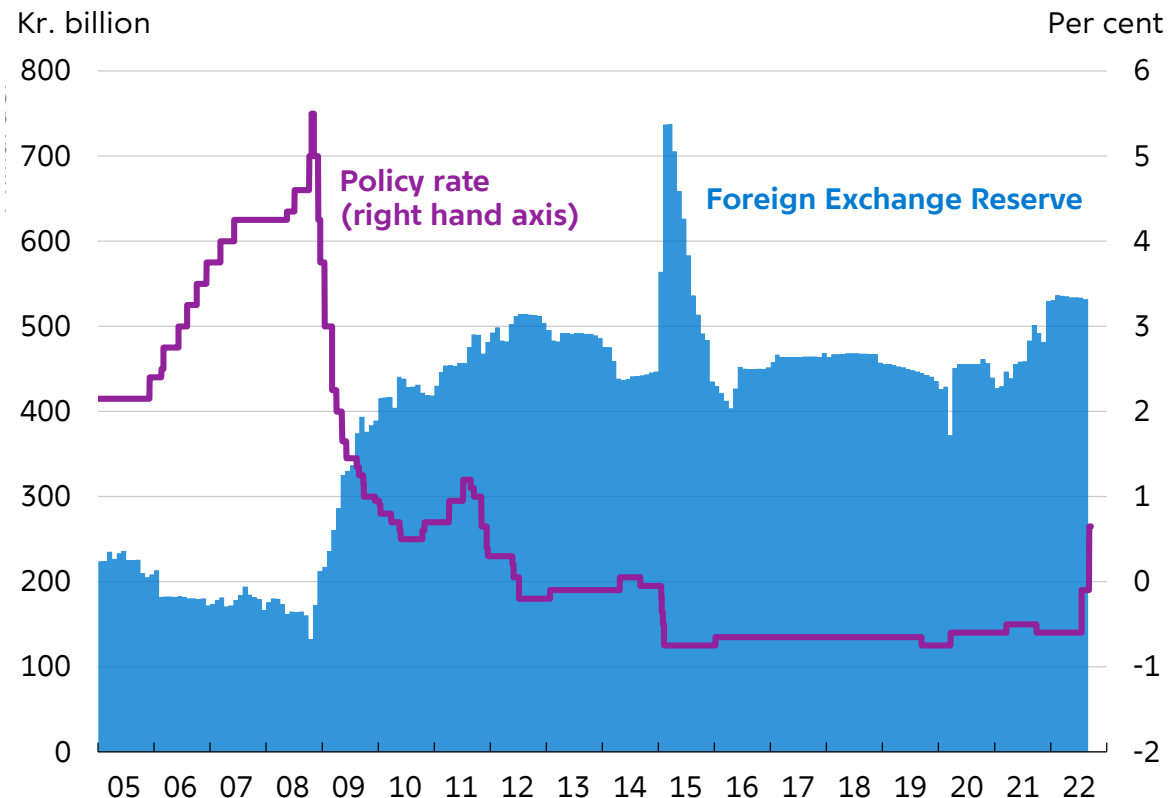
Source: Danmarks Nationalbank.



Source: Danmarks Nationalbank.

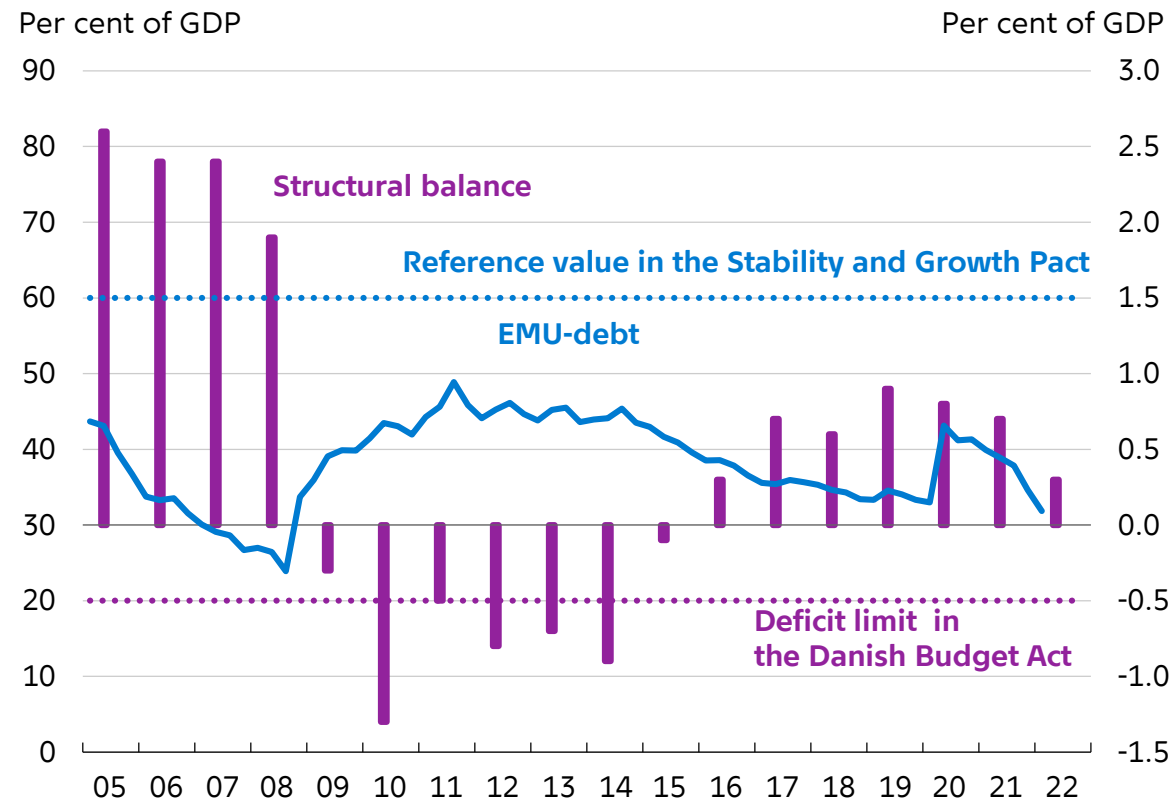
Policy mix to stabilise the economy and tame inflation

We generally follow the monetary policy of the ECB



Source: Macrobond.

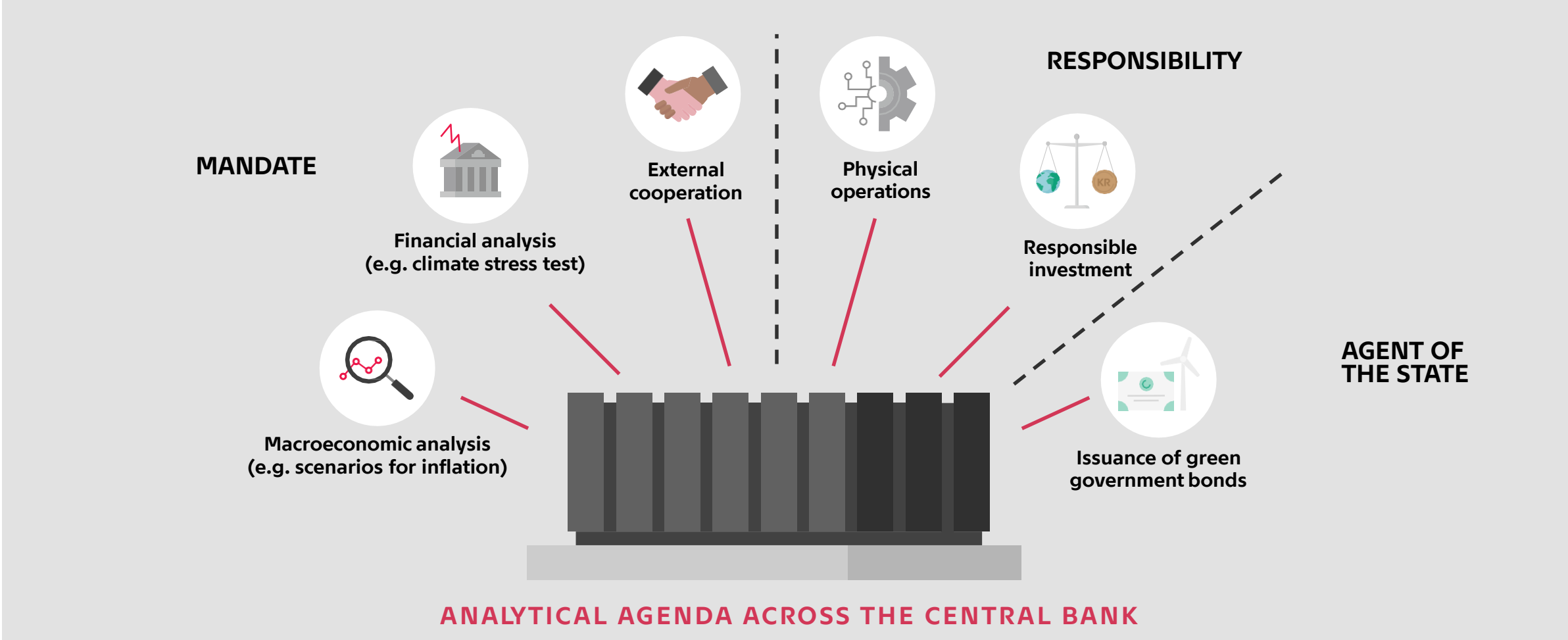
Tightening of fiscal policy is key to further dampening demand



Source: Statistics Denmark.

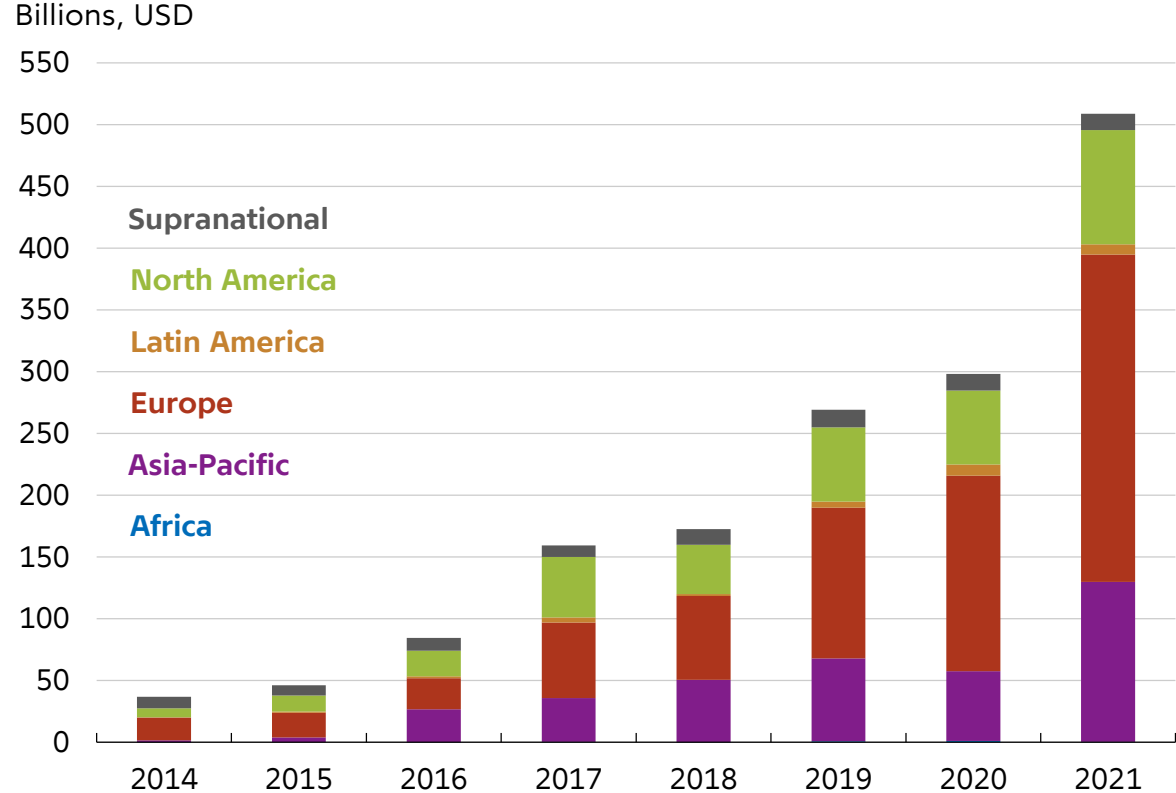
Green government bonds

Climate-related activities in Danmarks Nationalbank



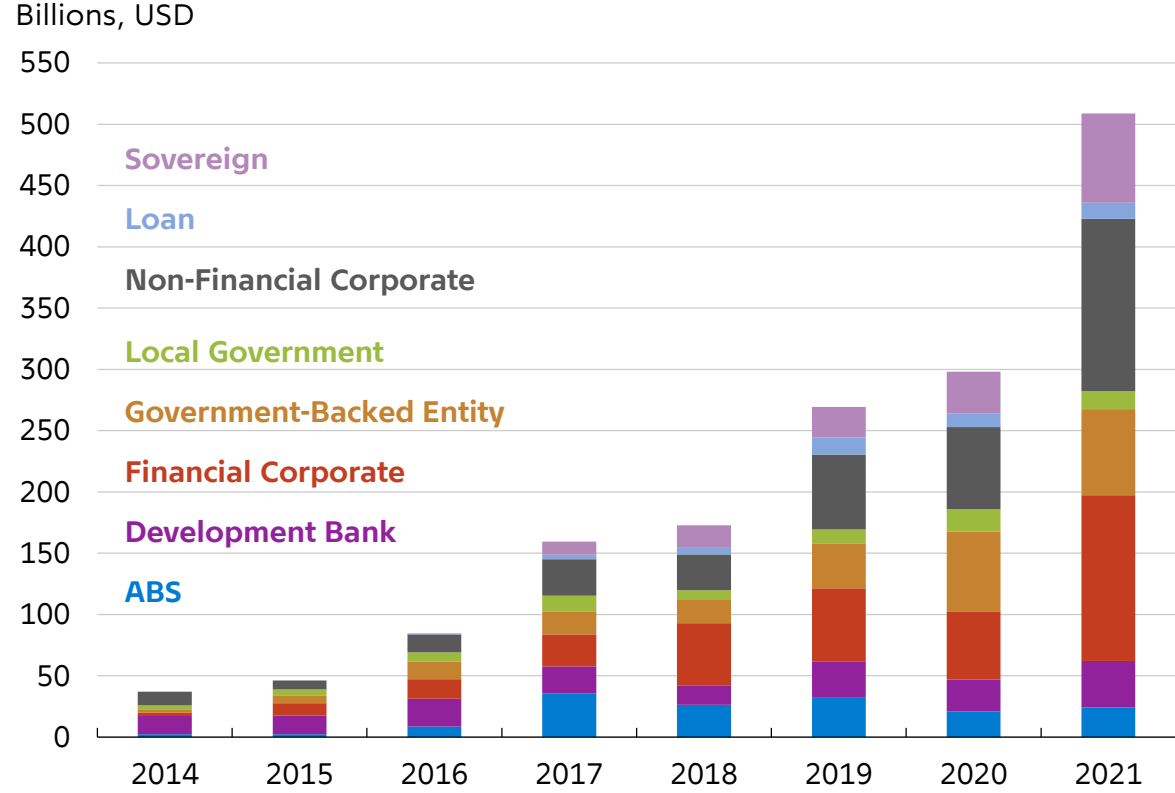
The market for green bonds has grown significantly

Annual issuance by region



Source: Climate Bonds Initiative.

Annual issuance by issuer type



Source: Climate Bonds Initiative.

The Danish green government bond: Aim and design

Motivation

- Support the **development of green financial markets**
- Maintain a broad and **diversified investor base** in Danish government bonds

Follows the highest market standards

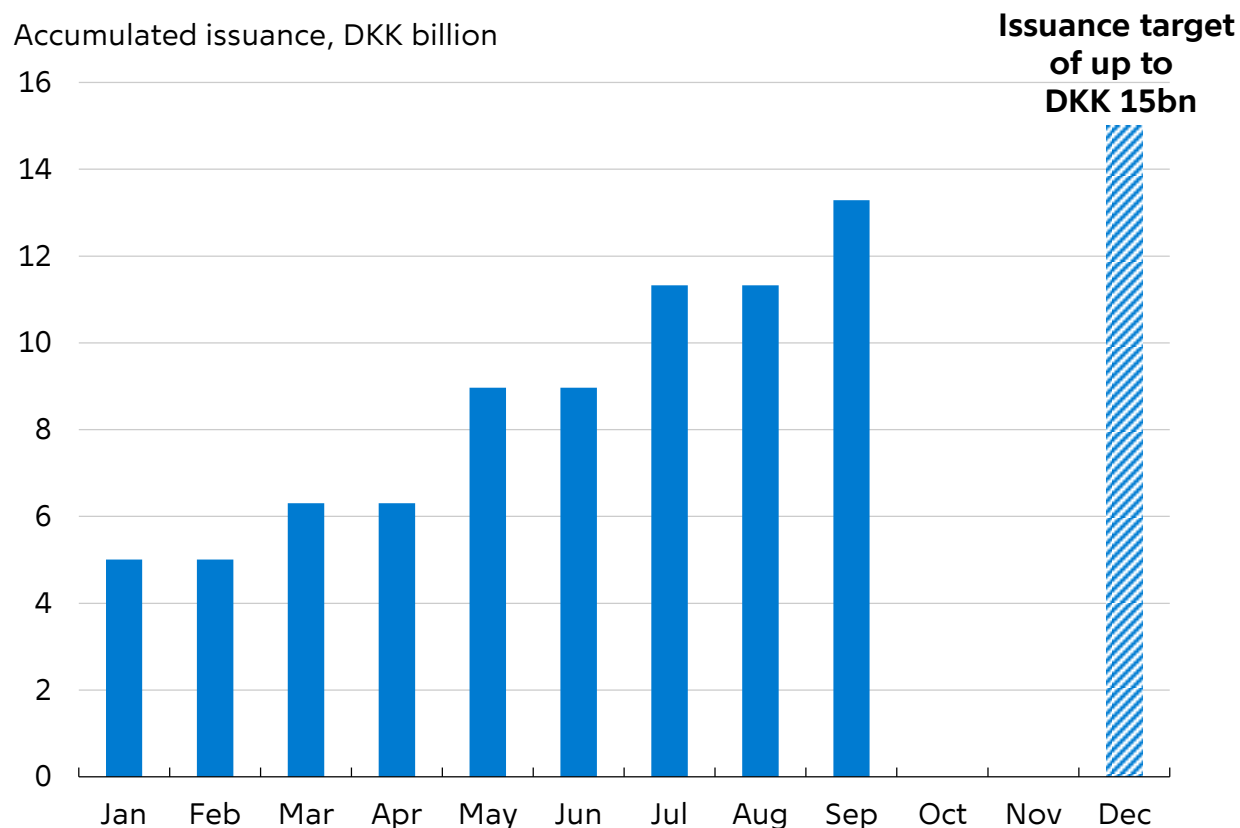
- Largely aligned with the EU Taxonomy
- Adapted to the upcoming EU Green Bond Standard
- Dark Green rating

Issuance by twin bond concept

- Well-known and proven concept
- Supports the liquidity of the green bond

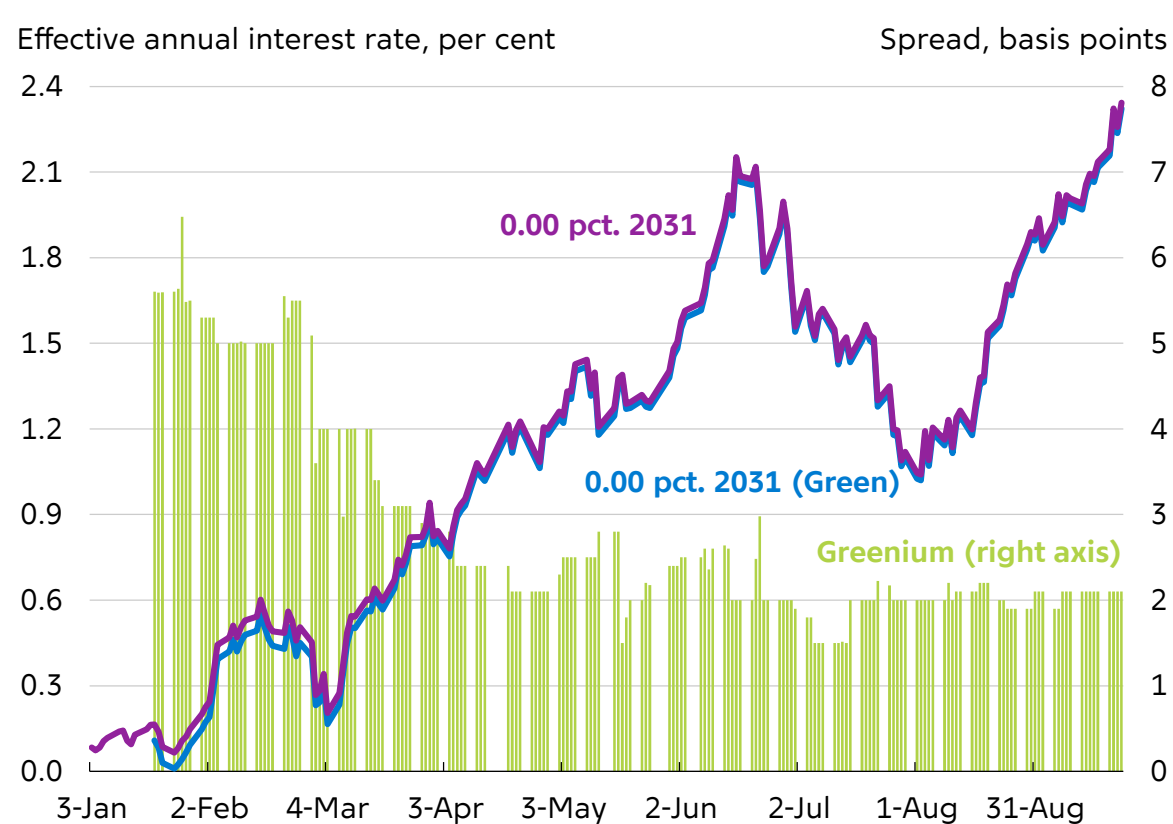
Interest from investors despite market volatility

Issuance on track with the issuance target of up to DKK 15 billion this year



Source: Nordea Analytics.

Investors are willing to pay a greenium remains, despite market volatility



Source: Bloomberg.

Transparency about the use of proceeds from green bonds

Allocation report: Use of proceeds

2022 project examples

→ Renewable energy
- Energy-related subsidies

→ Clean transportation
- Electrification of railway infrastructure

Impact report: Impact of green expenditures

Reduced emissions

Million tonnes CO₂

Million tonnes CO₂

Result indicators

MWh electricity
subsidised production
capacity

Kilometre railway track
electrified

Impact metrics

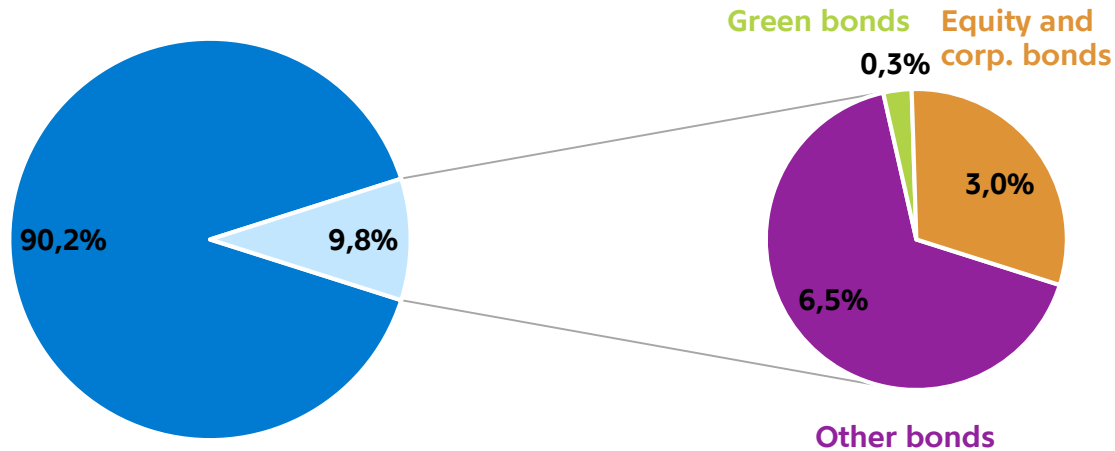
MWh electricity
production of
renewable energy

Reduced travel time;
number of passengers

The FX reserve is invested as responsibly as possible, taking into account our mandate

Around three per cent of the FX reserve is invested in equities and corporate bonds

Sovereigns and money market



Note: The foreign exchange (FX) reserve excl. gold and IMF loans.
Source: Danmarks Nationalbank.

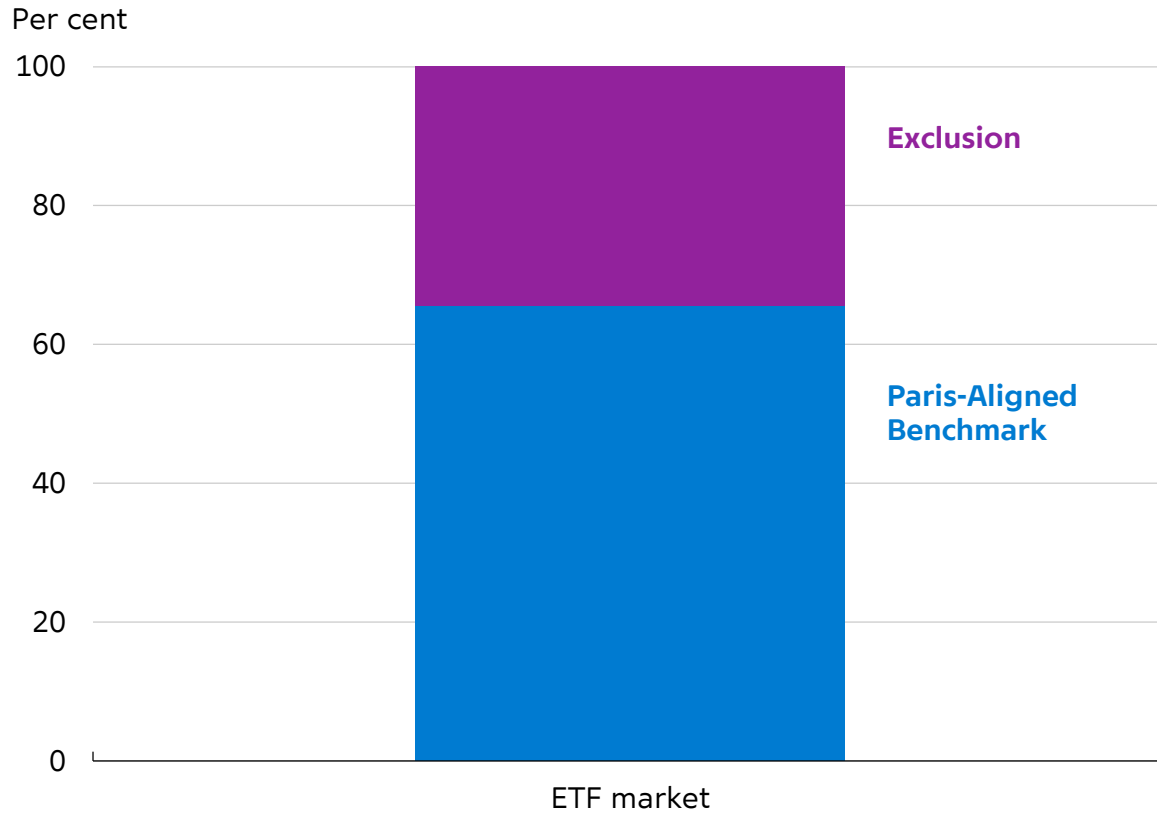


GUIDELINES FOR RESPONSIBLE INVESTMENT

- We adhere to legislation, sanctions and conventions that Denmark has endorsed
- We aim to align the financial portfolios with the Paris Agreement
- We focus on the part of our portfolio where the impact of the Paris alignment will be most significant, i.e. equity and corporate bonds

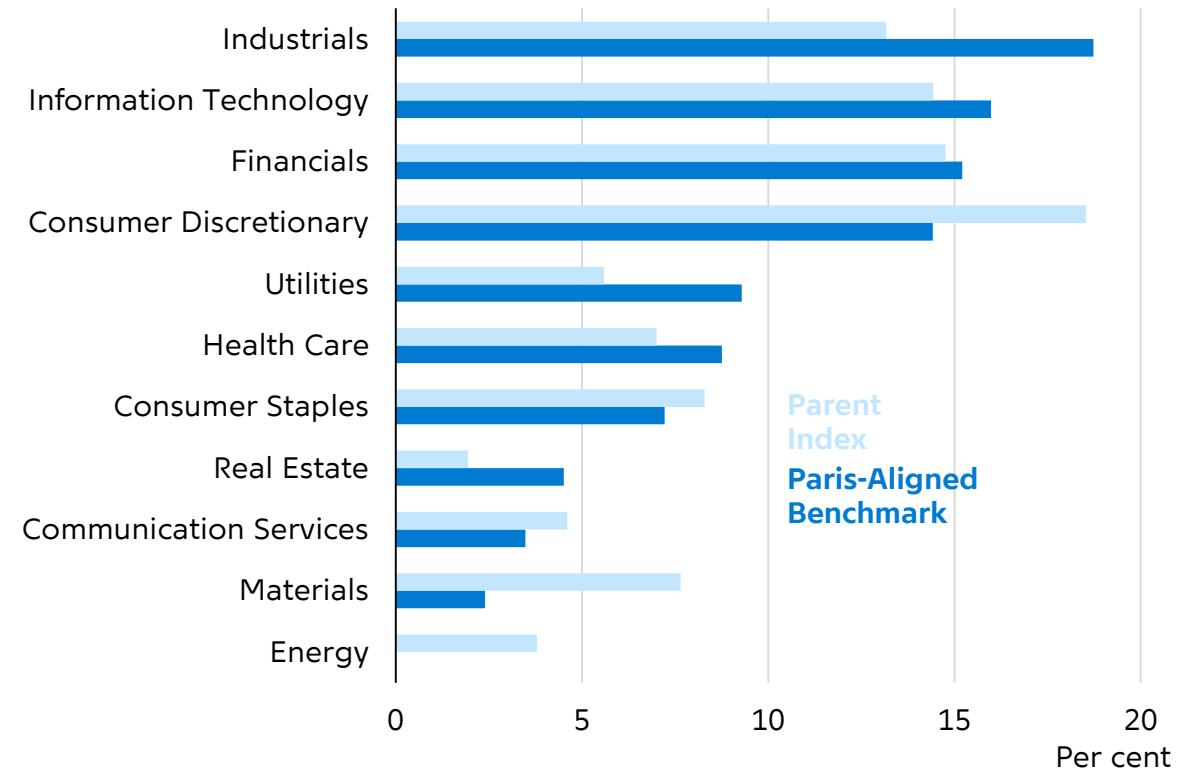
Our equity and corporate bond exposure follows the EU Paris-Aligned Benchmark

A Paris-Aligned Benchmark equity index contains approx. 66 per cent of the total market



Source: MSCI.

Composition of the EA investment universe changes due to Paris alignment. However, markets are still diversified



Source: MSCI.

Concluding remarks



Headwinds dampen economic growth – inflation remains high in 2023



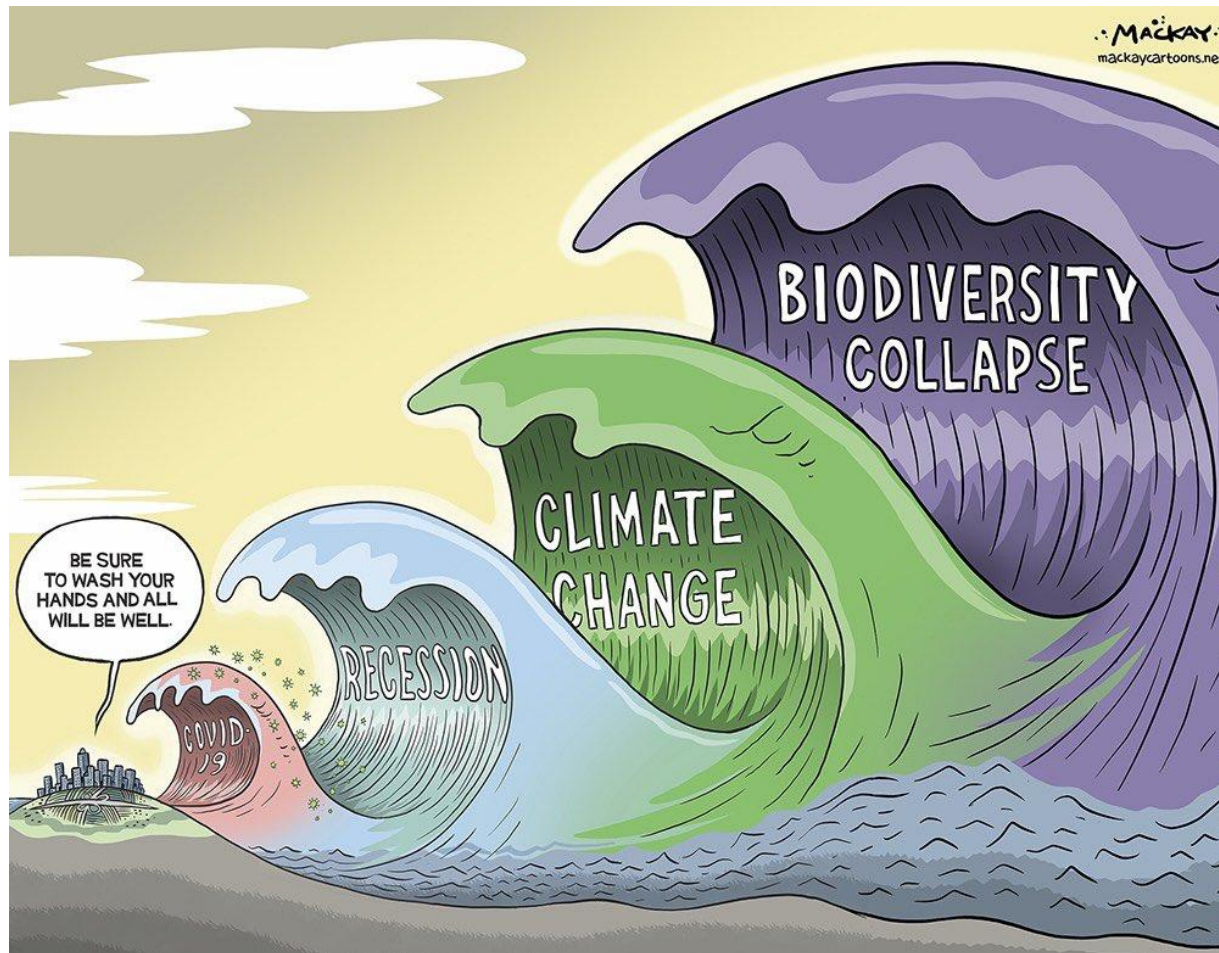
Danish green government bonds complement the portfolio of government debt securities



The FX reserve is invested as responsibly as possible taking into account our mandate



Thank you!



Source: Graeme MacKay.