

DANMARKS  
NATIONALBANK

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**ANNUAL REPORT  
2018**



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NATIONALBANK



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**2018**

## Annual Report 2018

This report is based on information available up to 7 March 2019.

See also [www.nationalbanken.dk](http://www.nationalbanken.dk)

Explanation of symbols:

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

Details may not add up because of rounding.

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# Foreword

In 2018, we marked the 200th anniversary of the establishment of Danmarks Nationalbank. This anniversary was celebrated with various activities that also contributed to opening up the bank to the general public.

The celebrations on 4 July were attended by Her Majesty Queen Margrethe, together with representatives of the Folketing (Parliament) and other guests.

An anniversary book was published, with an account of the first 200 years of the bank's history. A book on the history of Denmark's coinage, written in collaboration with the Danish National Museum, was also published.

For the first time, Danmarks Nationalbank took part in "Kulturnatten" (Culture Night), which included tours of the bank and an interactive exhibition presenting the bank's history. During the autumn, this exhibition was presented at the Danish Industrial Museum in Horsens.

Other activities included an international conference with focus on unconventional monetary policy measures and challenges for central banks, particularly in small, open economies. The conference was held in collaboration with the Bank for International Settlements (BIS).

Danmarks Nationalbank was established in order to bring order to the currency system after the state bankruptcy in 1813. In 1936, 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".

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

In addition to the accounts, the 2018 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 2019*

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 contributes to ensuring stable prices. The central rate against the euro – and previously the D-mark – has been unchanged since 1987.

In 2018, the krone's rate against the euro was stable around 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. In December 2018, for the first time in 21 months, Danmarks Nationalbank intervened in the currency market to a limited extent. This was preceded by the longest continuous period without intervention since the fixed exchange rate policy was introduced in 1982.

In recent years, no Danish government loans in foreign exchange have been raised. In overall terms, the foreign exchange reserve decreased by kr. 2.8 billion, to kr. 459.0 billion at year-end.

Danmarks Nationalbank made no changes to the monetary policy interest rates in 2018. This means that the interest rate on certificates of deposit is still -0.65 per cent, cf. Chart 2. The monetary pol-

icy interest rate spread to the European Central Bank (ECB) was unchanged at -0.25 percentage point.

The Danish money market was stable in 2018, with low money market interest rates.

Government and mortgage yields were still very low in 2018, 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 fell slightly towards the end of 2018, to 0.3 per cent at the end of the year. Throughout 2018, the 2-year government bond yield was very stable, in the range of -0.5 to -0.6 per cent. The development in Danish government bond yields has generally matched the development in the equivalent German yields.

The Danish share market (OMXC25) fell by 13 per cent in 2018 and generally followed the development in the European share indices.

The global economy continues to perform well in 2018, but at a more subdued rate. The economic upswing in the euro area continued, supported by expansionary financial conditions. There was stronger pressure on prices in the USA, while price increases were insignificant in the euro area.

## Stable krone close to the central rate

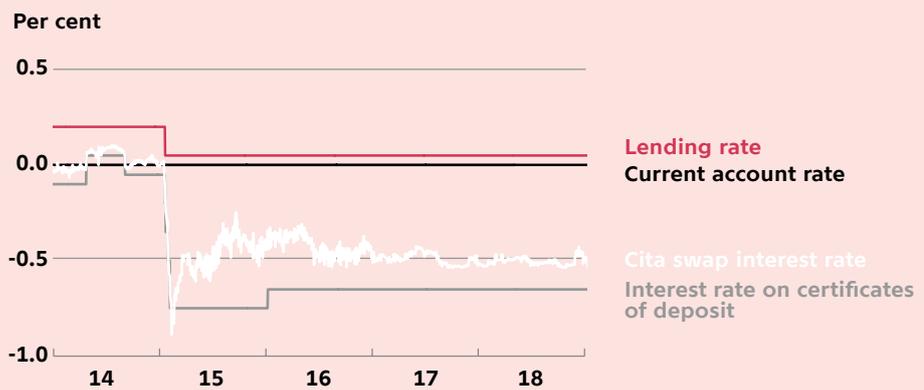
Chart 1



Note: An increase in the chart means that the krone's value has strengthened against the euro.  
Source: Danmarks Nationalbank.

## Unchanged monetary policy rates in 2018

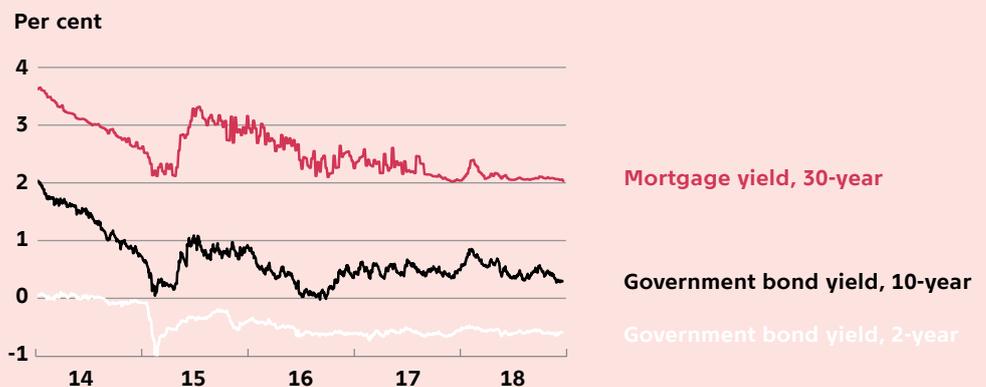
Chart 2



Note: 1-month Cita swap rate.  
Source: Thomson Reuters Datastream, Danmarks Nationalbank.

## Low level of interest rates in 2018

Chart 3



Note: Government bond yields are par yields. The mortgage yield is based on the benchmark bond.  
Source: Nordea Analytics, Thomson Reuters Datastream.

The international risk picture was affected by a global trade conflict and the progress of the UK's withdrawal from the EU.

This only had a moderate effect on the Danish economy. The economy moved deeper into an upswing and the labour market's expansion was undiminished. Several sectors reported an increasing shortage of manpower. The labour supply increased, and overall there were no indications of major imbalances building up in the economy. The increased demand for manpower was predominantly covered by foreign manpower and later retirement from the labour market. Unemployment fell to a level of around 4 per cent of the workforce.

The pressure on the labour market pushed up the wage increase rate a little, but it was still at a moderate level. Consumer prices increased by 0.8 per cent in 2018. This was slightly below the preceding year, and significantly below the rate of increase in the euro area. Overall, there was strong real wage growth.

The current account surplus was just below 6 per cent of GDP. This reflects the continued consolidation of households and companies.

Housing prices rose throughout the country, but at a rather calmer rate than in 2017. Towards the end of 2018 there were signs of an initial "soft landing" for Copenhagen's housing market for owner-occupied flats, after some years of strong sales activity and price growth.

Danmarks Nationalbank assessed that the by and large neutral fiscal policy was well in line with the cyclical development.

## 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.

Interest rates remain very low and, together with the upswing abroad, support economic activity in Denmark. The earnings of the systemic credit institutions are still high, sustained by income from value adjustments and low loan impairment charges. In contrast to results, core earnings were more stable, with an increase in net fee income and income from administration margins making up for falling net interest income.

The overall growth in lending is subdued, but the extended period with low interest rates and expansionary financial conditions is increasing the banks' risk appetite and exerting pressure on loan standards.

Danmarks Nationalbank's stress test of the banks showed that the systemically important financial institutions had sufficient capital to resist a hard recession scenario. Their capital holdings were well above the minimum requirement, although a few were close to exceeding the overall capital requirement, even though the severe stress scenario disregards the countercyclical capital buffer.

In 2018, it emerged that Danske Bank had been misused for extensive money laundering. This has made it clear that there is a need for greater focus on preventing the misuse of the banking sector for illegal activities. It is the individual bank's responsibility to ensure adequate instruments and resources to prevent and identify money laundering. This requires the banks to know their customers well. Economic crime exploits the financial sector's infrastructure, which typically includes cross-border activities. Strengthening the cooperation between the authorities in different countries is therefore vital to effectively preventing money laundering.

## The Systemic Risk Council

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

In March, the Minister for Industry, Business and Financial Affairs followed DSRR's recommendation from December 2017 to set a countercyclical capital buffer rate of 0.5 per cent for exposure in Denmark, with effect from 31 March 2019. In September, DSRR recommended to the Minister that the countercyclical

capital buffer rate should be increased from 0.5 per cent to 1 per cent, with effect from 30 September 2019. The Minister followed this recommendation.

At the meeting in September, DSRR stated that they expected to recommend a further increase in the buffer rate by 0.5 percentage point in Q1 2019, unless the accumulation of risk in the financial system slows down significantly.

At the meeting in March, a recommendation to gradually increase the systemic capital buffer for the Faroe Islands from 1 to 3 per cent was adopted. The Minister followed this recommendation.

## Secure payments

Danmarks Nationalbank contributes to the secure and effective settlement of payments in Denmark by monitoring systemically important payment and settlement systems, and chairing the Payments Council and the Financial Sector Forum for Operational Resilience.

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.

In 2018, the payment infrastructure was characterised by two major system changes on the launch of Kronos2 and the migration of Danish kroner to the pan-European securities platform, Target2 Securities (T2S). In August, Danmarks Nationalbank replaced Kronos with Kronos2. With this system, Danmarks Nationalbank has gained a robust, state-of-the-art technical solution to support payments between market participants, the monetary policy operations, collateralisation, etc. Kronos2 was furthermore a condition for the inclusion of Danish kroner in T2S, which is a system for clearing and settlement of securities in different currencies.

### **Financial Sector Forum for Operational Resilience**

Danmarks Nationalbank chairs and provides secretariat services for the Financial Sector Forum for Operational Resilience (FSOR), which is a forum for collaboration between authorities and key financial sector participants.

In 2018, FSOR continued to work on increasing the cyber robustness of the financial sector. This included focus on implementing the recommendations identified from the mapping and risk assessment of the payment infrastructure.

In the spring of 2018, Danmarks Nationalbank conducted a questionnaire survey of the cyber robustness of 16 core operators in the financial sector. The survey showed that most operators assess that they have raised their level of cyber robustness since the first survey in 2016, but that there is still room for improvement.

Danmarks Nationalbank and the financial sector have joined forces in establishing TIBER-DK, which is a scheme to test Denmark's most important banks and the essential elements of the financial infrastructure. The aim is to increase cyber robustness and promote financial stability.

### **The Payments Council**

Danmarks Nationalbank chairs and provides secretariat services for the Payments Council, which is a forum for collaboration on private individuals and companies' payments.

In 2018, the Payments Council worked on an analysis series to investigate the economic costs of payments in Denmark. The first analyses were published in September 2018. The Payments Council will continue its work on the series in 2019, when additional analyses will be published.

The Payments Council continuously monitors developments in the payments area. In 2018, the members considered the initial experience with the Danish Payments Act, which on 1 January 2018 implemented the new Payment Services Directive (PSD2), in Denmark. The Payments Council also discussed developments within fintech and third-party providers, as well as initiatives to counter payment misuse.

### **Banknotes and coins in circulation**

Danmarks Nationalbank is the banknote and coin issuing authority of the Kingdom of Denmark.

The value of banknotes and coins in circulation was kr. 70.8 billion at the end of 2018, which was by and large unchanged from the previous year. The total value of coins was kr. 6.1 billion, while the total value of banknotes was kr. 64.7 billion. Of this amount, Faroese banknotes in circulation amounted to kr. 0.4 billion.

After public debate concerning the role of the kr. 1,000 banknote, demand has declined, while demand for the kr. 500 banknote has increased.

Counterfeiting of Danish banknotes remains very limited. The number of registered counterfeit banknotes fell from 554 in 2017 to 349 in 2018. Of these, 290 were found in circulation. As in the preceding years, the counterfeit banknotes registered were primarily 500-krone banknotes. Registered counterfeit banknotes account for less than two banknotes per million in circulation, while the total number of banknotes in circulation is 176.5 million. This is very few banknotes in an international context.

The demand for new banknotes and coins is still declining, but the overall cash circulation in Denmark was 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.

After the call for tenders for the banknote production, Oberthur Fiduciaire SAS in France was chosen as the supplier of banknotes under a four-year contract, with the option of renewal for a further two years. A four-year framework agreement has been concluded with the Mint of Finland concerning the supply of Danish coins.

## Result for the year 2018

The result for the year is a loss of kr. 24 million, compared with a loss of kr. 254 million in 2017.

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

Danmarks Nationalbank's revenue is subject to structural pressure as a consequence of negative interest rates. 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. 144 billion at the end of 2018. 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. This is also reflected in the result for the year, which would have been kr. -2 billion disregarding the temporary exchange rate gain of kr. 1.4 billion as a consequence of the strengthening of the euro against the krone, as well as the value adjustment of the gold stock amounting to kr. 0.6 billion.

Interest costs totalling kr. 2.8 billion are primarily due to the investment of a large element of the foreign exchange reserve at negative interest rates. On the other hand, interest on deposits gave interest income of kr. 1.8 billion. Exposure to equities gave capital losses of kr. 0.7 billion, while the bond portfolio contributed income of kr. 0.5 billion.

The interest rate on the balance of the central government's account was changed with effect from 1 January 2018, so that the entire balance accrues interest at an uncollateralised overnight money market rate. This change was made on the recommendation of the ECB in order to comply with the EU treaty's prohibition on granting central governments more favourable financing conditions than other market participants. This gave interest income totalling kr. 0.8 billion.

Costs and depreciation amounted to kr. 0.9 billion. This development reflects how Danmarks Nationalbank is still in the process of adapting the organisation and strengthening the robustness of its IT systems, e.g. in conjunction with the implementation of Kronos2 and T2S. This development is expected to continue to affect the results for coming years, just as the renovation of the Danmarks Nationalbank building will significantly increase the burden on resources.

### 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 2018 financial year. As a consequence of the

negative interest rates, Danmarks Nationalbank's revenue is expected to be very low, or to show a loss in coming years. Danmarks Nationalbank's net capital is therefore not expected to increase in step with the development in nominal GDP.

The loss for the year of kr. 24 million reduces the net capital equivalently. The net capital hereafter amounts to kr. 73.7 billion.

## Result for the year 2018

Chart 4



Source: Danmarks Nationalbank.

1. Costs, dividend and profit from financial fixed assets, etc.
2. Including costs for hedging of foreign exchange exposures.
3. Interest from banks and central government, etc.

# Financial ratios

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## PROFIT

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**Kr. -24 million**  
Kr. 230 million 

Placement of the foreign exchange reserve at negative interest rates was the primary reason for Danmarks Nationalbank's small loss in 2018.

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## FOREIGN EXCHANGE RESERVE

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**Kr. 459 billion**  
Kr. 2.8 billion 

The foreign exchange reserve was stable in 2018, and Danmarks Nationalbank only intervened in the foreign exchange market to a limited extent.

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## CERTIFICATES OF DEPOSIT

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**-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 2018. The monetary policy interest rate spread to the European Central Bank (ECB) was unchanged at -0.25 percentage point.

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## VALUE OF THE GOLD STOCK

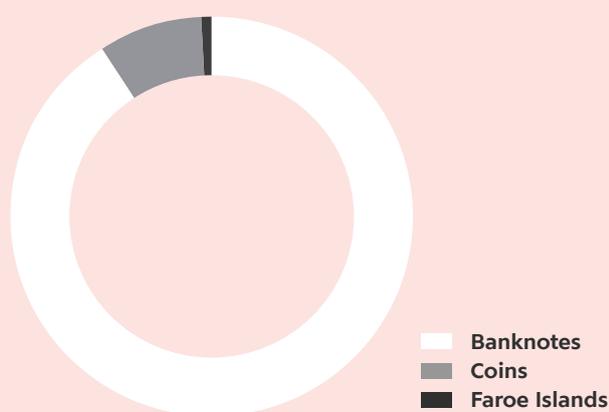
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**Kr. 17.8 billion**  
+3.6 per cent 

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

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## CIRCULATION OF BANKNOTES AND COINS



The value of banknotes and coins in circulation was kr. 70.8 billion.

The value of banknotes was kr. 64.7 billion at end-2018, while the total value of coins was kr. 6.1 billion. In addition, Faroese banknotes in circulation amounted to kr. 0.4 billion.

## 10-YEAR GOVERNMENT BONDS



Yields on Danish government bonds were low in 2018. The 10-year Danish government bond yield was close to the German yield throughout the year.

The chart shows par yields in Denmark and Germany in the 10-year maturity segment.

# Organisation

## Staff

The staff turnover rate was 13.4 per cent in 2018, compared to 28.5 per cent in 2017. Excluding outplacements on the outsourcing of tasks, the staff turnover rate was 13.1 per cent in 2017.

In total, 61 employees left the bank during 2018, and 76 new employees were hired. Staff numbers were increased in particular within financial stability, IT, economic research and property and building maintenance.

Total absence due to illness decreased in 2018 to 5.0 days per employee, compared to 5.6 days per employee in 2017. Excluding long-term illness, absence due to illness rose to 4.1 days per employee, compared to 3.9 days per employee in 2017.

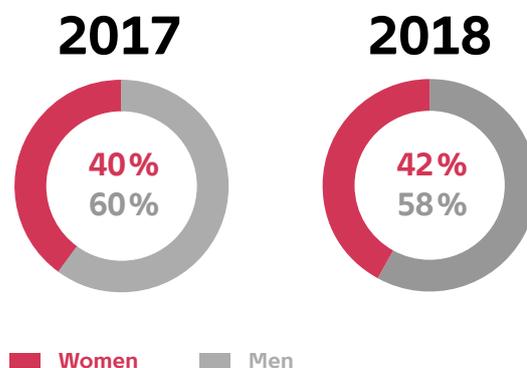
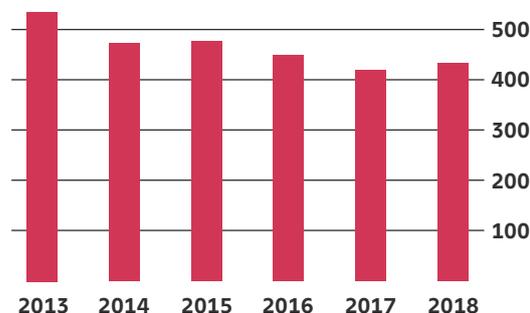
In 2018, 15 employees completed the two-year programme for new economics graduates – Danmarks Nationalbank's Economist Programme. The programme's objective is to increase knowledge of the bank's core areas, give participants a network at the bank and strengthen the cooperation across departments. At the end of 2018, there were 28 participants in the programme.

To increase diversity at Danmarks Nationalbank, in 2018 a new equal opportunities policy was adopted. The purpose is to ensure greater diversity among employees, and equal opportunities for management. The policy is part of the bank's strategy to attract, retain and develop skilled employees.

Danmarks Nationalbank's building at Havnegade in Copenhagen is to undergo major necessary renovation. The building work is expected to take several years, and most of the bank's employees will therefore be relocated to another address during this period.

In 2018, the statutory workplace assessments (APV) and the annual employee satisfaction survey (MTU) took place, in order to continuously ensure a good and sound physical and psychosocial working environment at Danmarks Nationalbank.

## DEVELOPMENT IN FULL-TIME EQUIVALENTS

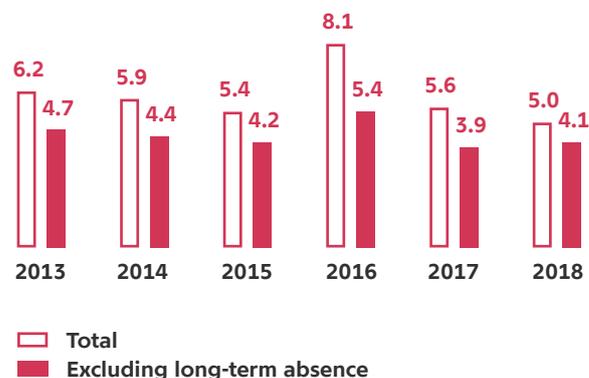


## ABSENCE DUE TO ILLNESS



# 5.6

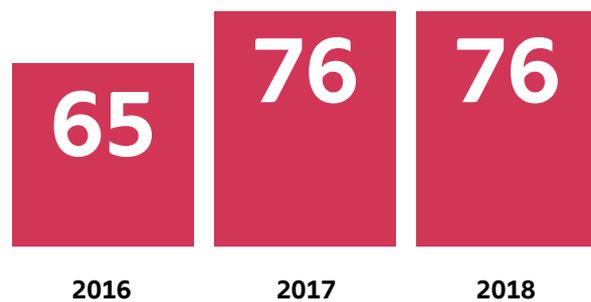
days a year in absence due to illness





### WORK SATISFACTION

In 2018 work satisfaction was maintained at the same high level as in 2017



2016

2017

2018

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

As of 1 March 2019, 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 2019

Box 1

Chairman: Professor Christian Schultz  
Deputy Chair: Anne Hedensted Steffensen,  
Managing Director

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

Morten Bødskov, MP  
Kristian Thulesen Dahl, MP  
Pelle Dragsted, MP  
Jacob Jensen, MP  
Joachim B. Olsen, MP  
Christian Poll, MP  
Peter Skaarup, MP  
Nicolai Wammen, 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 Board of Directors for the period  
ending 31 March:

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
Asger Enggaard, Managing Director	2022
Kristian Hundebøll, CEO	2022
Anja Philip, Chairman of the Danish Consumer Council Tænk	2022
Jens Bjørn Andersen, CEO	2023
Professor Christian Schultz	2023
Anne Hedensted Steffensen, Managing Director	2023

## 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.

## 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*

Vacant

## 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 Bilotoft 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 2019

Box 2

Chairman: Professor Christian Schultz  
Deputy Chairman: Michael Dithmer, Permanent Secretary,  
Ministry of Industry, Business and Financial Affairs

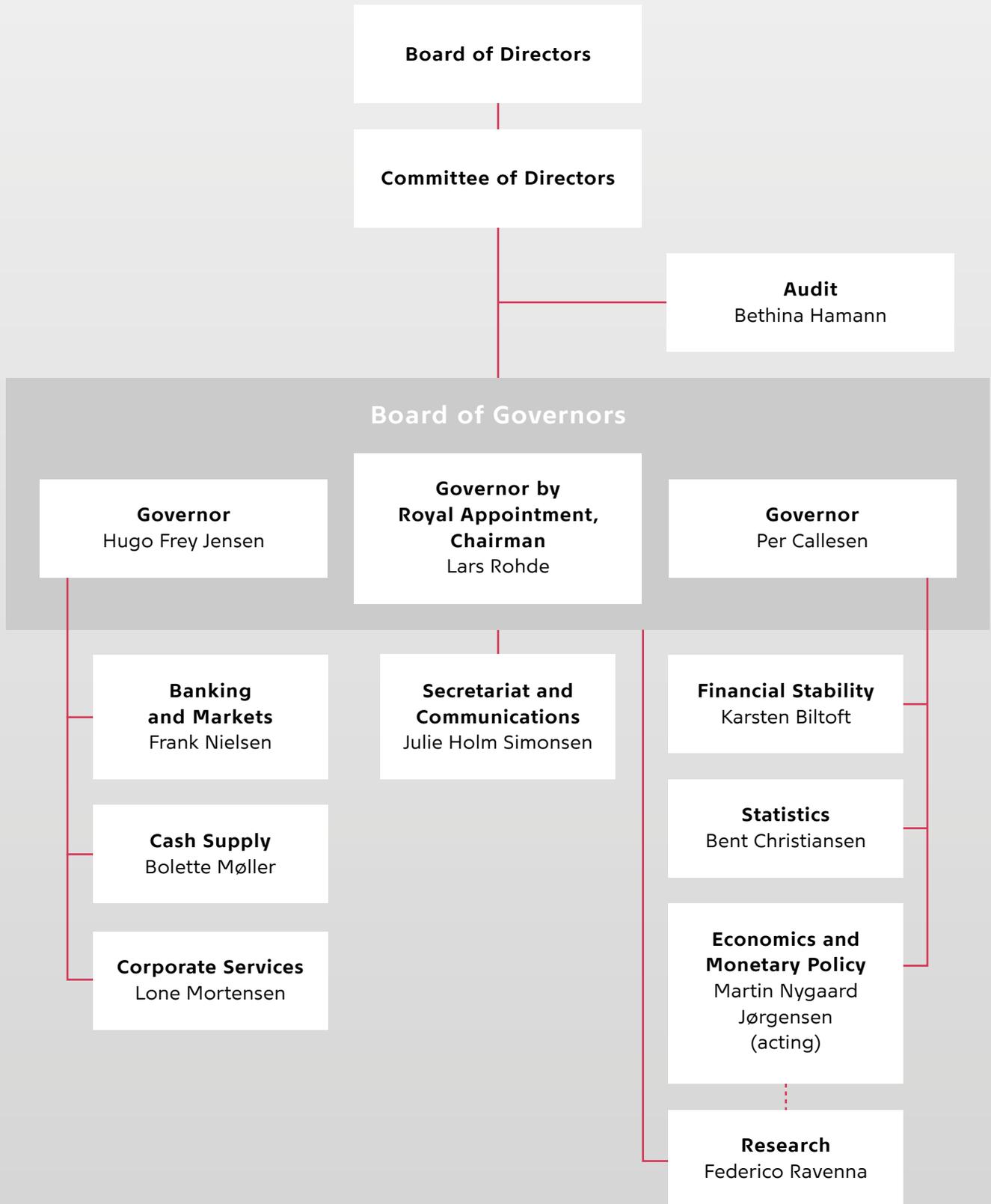
Elected by the Board of Directors for the period ending  
31 March 2019:

Per Bank, Managing Director  
Kristian Thulesen Dahl, MP  
Professor Christian Schultz  
Bente Sorgenfrey, President of the Confederation  
of Professionals in Denmark  
Nicolai Wammen, 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

Organisation chart  
1 March 2019



# Risk management

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

## Financial portfolios

Danmarks Nationalbank's financial portfolios comprise the foreign exchange reserve (kr. 459 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).

The foreign exchange reserve was stable in 2018. It declined a little at the end of the year, as a consequence of Danmarks Nationalbank's intervention purchases.

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.

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 capital<sup>1</sup>, 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. 18 billion at end-2018.

The IMF lends to countries in economic difficulties and finances these loans via the member countries' quotas and loan commitments, including via Danmarks Nationalbank. Danmarks Nationalbank's

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<sup>1</sup> 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	2018	2017
<b>Foreign bonds</b>	<b>114</b>	<b>141</b>
Government bonds with a credit rating of AA- or higher	36	64
Government bonds with a lower credit rating (BB+ to A+) <sup>1</sup>	26	12
Other highly rated bonds (rated AA- or higher) <sup>2</sup>	51	65
<b>Domestic bonds</b>	<b>33</b>	<b>33</b>
<b>Money market products (central bank deposits, reverse repo transactions, etc.)</b>	<b>306</b>	<b>284</b>
<b>Other holdings and exposures</b>		
Gold	18	17
Exposure to equities	7	7
Exposure to corporate bonds	6	8
IMF <sup>3</sup>	17	15
<b>Selected risk measures/financial ratios</b>		
95 per cent expected shortfall <sup>4</sup> as a percentage of net capital	9.7	9.3
Krone duration	3.0	2.6
Total average credit rating of the portfolio <sup>5</sup>	>AA+	>AA+
Foreign exchange exposure (before FX swaps in parenthesis)		
EUR	426 (347)	434 (377)
USD	0 (40)	0 (38)
Other	0 (41)	0 (19)

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. Including securities issued by the Bank for International Settlements (BIS), which is not subject to credit assessment.

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

4. 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.

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

total claim on the IMF was kr. 17 billion at end-2018. Danmarks Nationalbank has made commitments for further loans totalling kr. 114 billion. Even though these commitments are considerable, the expected drawings on them are low.

## Risks on loans to banks and mortgage credit institutions

Danmarks Nationalbank provides monetary policy loans with a maturity of one week to monetary policy counterparties based on traditional pledging of collateral, while intraday credit is also provided in order to facilitate the settlement of payments<sup>2</sup>. The use of monetary policy loans was, once again, very limited in 2018, as the banks had ample liquidity in the form of certificates of deposit and deposits 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 provided. The risk of credit losses is therefore very low.

## Collateral basis and lending

There were no outstanding monetary policy loans at the end of 2018.

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<sup>2</sup> 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. Finally, Danmarks Nationalbank provides loans for banknote holdings.

The collateral basis for traditional pledging of collateral 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 securities pledged by the counterparties to Danmarks Nationalbank – amounted to almost kr. 100 billion at the end of 2018, cf. Chart 5.

Within each monetary policy day, the institutions can use a drawing right in conjunction with settlement of payments, securities and currencies, respectively. The size of the credit line is determined by traditional pledging of collateral, their holdings of certificates of deposit issued by Danmarks Nationalbank, their accounts at Danmarks Nationalbank (Kronos2) and the facilities of the automatic collateralisation arrangement at VP and auto-collateralisation at Target2Securities (T2S).<sup>3</sup> The credit must be redeemed before the end of the monetary policy day.

## 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, compliance and reputational risks. As indicated by the definition, operational risk is often associated with specific, individual events.

Risk management at Danmarks Nationalbank is based on the bank's risk strategy and appetite, which

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<sup>3</sup> The collateral basis under the automatic collateralisation arrangement and the T2S auto-collateralisation is the same as for Danmarks Nationalbank's monetary policy lending.

set the overall requirements and specify the tolerance levels for handling risk. Maintaining and developing a high, risk-based security level is considered to be a precondition for maintaining Danmarks Nationalbank's credibility, and a robust Danish economy.

As a consequence of Danmarks Nationalbank's activities, the organisation is exposed to a broad type of risks. Risk management focuses particularly on the following areas:

- Physical security
- IT security
- Cyber threats
- Manual and process errors.

Danmarks Nationalbank has a constant focus on risk management and seeks to identify, assess, manage and follow up significant operational risks.

The bank also works continuously to strengthen contingency plans and business continuity plans in the event of critical situations.

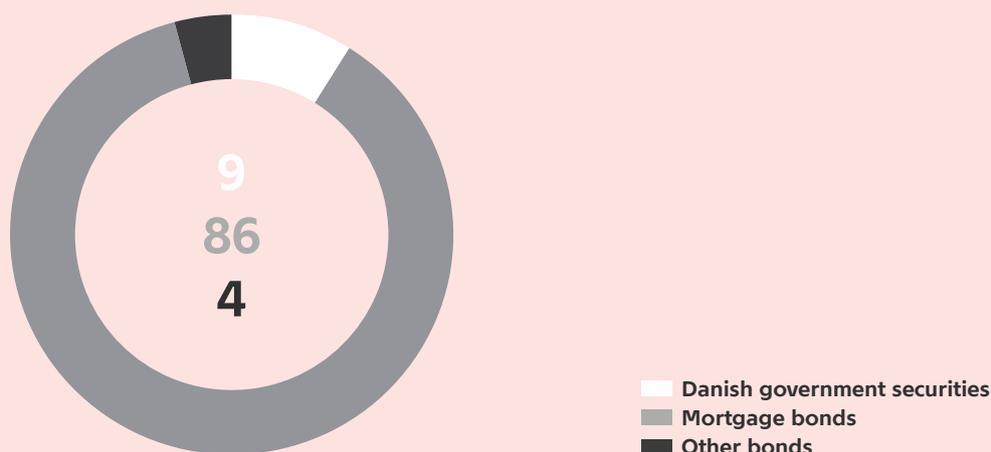
## Insurance strategy

Danmarks Nationalbank's insurance policies and insurance strategy are reviewed on an annual basis in collaboration with an external insurance agent. During 2018, Danmarks Nationalbank's insurance policies were subject to calls for tender, in collaboration with an external insurance agent. This resulted in an updated insurance portfolio with minor adjustments in terms of scope.

### Collateral value of securities pledged

Chart 5

Kr. billion,  
end-2018



Note: Other bonds consist of bonds guaranteed by the Danish government or issued by KommuneKredit and Føroya Landstýri. Mortgage bonds include mortgage bonds (RO), covered mortgage bonds (SDRO) and covered bonds (SDO). Rounded figures.

Source: Danmarks Nationalbank.





**ACCOUNTS  
OF THE YEAR  
2018**



# Key figures and financial ratios 2014-18

Profit and loss account (kr. million)	2018	2017	2016	2015	2014
Net income from interest, etc.	-315	-851	-51	1,877	1,144
Value adjustment of gold	621	-271	2,001	-217	1,792
Other value adjustments	520	1,621	1,723	2,345	3,104
Income from financial fixed assets, etc.	18	39	957	263	1,495
Other income	1	19	4	5	5
Expenses, including depreciation	-869	-792	-707	-659	-575
Other expenses	-	-19	-	-19	-
<b>Profit/loss for the year</b>	<b>-24</b>	<b>-254</b>	<b>3,928</b>	<b>3,595</b>	<b>6,965</b>
Allocated as follows:					
Allocation to net capital	-24	-254	3,083	2,727	5,196
Payable to the central government	-	-	845	868	1,769
	<b>-24</b>	<b>-254</b>	<b>3,928</b>	<b>3,595</b>	<b>6,965</b>

Balance sheet (kr. million)	2018	2017	2016	2015	2014
<b>Assets</b>					
Foreign exchange reserve assets	461,314	465,333	459,040	440,593	460,901
Monetary policy lending	-	-	-	325	35,039
Other lending	1,185	2,094	3,530	3,177	2,544
Domestic bonds	32,579	32,935	32,926	32,887	33,687
Other assets	1,963	2,856	2,444	4,705	4,302
<b>Total assets</b>	<b>497,041</b>	<b>503,218</b>	<b>497,940</b>	<b>481,687</b>	<b>536,473</b>
<b>Liabilities</b>					
Banknotes and coins	70,793	70,997	70,923	70,166	67,338
Monetary policy deposits	210,849	189,967	201,796	145,128	155,078
Central government	111,674	134,689	111,772	158,244	214,869
Foreign exchange reserve debt	2,279	3,540	3,004	3,084	3,345
Other liabilities	27,757	30,312	36,478	34,181	27,687
<b>Total creditors</b>	<b>423,352</b>	<b>429,505</b>	<b>423,973</b>	<b>410,803</b>	<b>468,317</b>
<b>Total net capital</b>	<b>73,689</b>	<b>73,713</b>	<b>73,967</b>	<b>70,884</b>	<b>68,156</b>
<b>Total liabilities</b>	<b>497,041</b>	<b>503,218</b>	<b>497,940</b>	<b>481,687</b>	<b>536,473</b>

Financial ratios	2018	2017	2016	2015	2014
Foreign exchange reserve (kr. million)	459,035	461,793	456,036	437,509	457,556
Net position of banks and mortgage credit institutions vis-à-vis Danmarks Nationalbank (kr. million)	210,849	189,967	201,796	144,803	120,039
Change in banknotes and coins (per cent)	-0.3	0.1	1.1	4.2	1.3
Change in net capital (per cent)	0.0	-0.3	4.3	4.0	8.3
Average no. of staff (full-time equivalents)	420	395	451	468	476

# Board of Governors' report on Danmarks Nationalbank's Accounts

The result for the year was a loss of kr. 24 million, compared to a loss of kr. 254 million in 2017.

The development in the result for the year compared to last year is related particularly to an improvement in the result from financial portfolios of kr. 327 million to kr. 826 million, compared to kr. 499 million in 2017.

The improvement in the financial result can be attributed to an increase in interest income on the central government's deposits of kr. 579 million; and to additional income of kr. 891 million, compared to 2017, to a net total of kr. 621 million concerning the value adjustment of gold. This is primarily due to the development in USD, which is an element of the price of gold in kroner.

On the other hand, the financial result was affected negatively by lower income from value adjustment of net foreign assets, amounting to kr. 1,004 million. The decline in income from value adjustment comprises losses on market value adjustments and gains on exchange rate adjustments, while gains on market value adjustments amounted to kr. 879 million in 2017. In 2018, this gave a loss of kr. 904 million, while exchange rate adjustments generated income of kr. 1,358 million in 2018, which is additional income of kr. 779 million compared to 2017. Furthermore, in 2018 there was a decrease in income from value adjustment of the domestic securities portfolio of kr. 96 million compared to the previous year.

No credit losses were registered on Danmarks Nationalbank's commitments regarding monetary policy counterparties or other external investments

in 2018, 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. 78 million to kr. 870 million in 2018, compared to kr. 792 million in 2017. The most significant changes are due to increased IT costs of kr. 143 million due to reorganisation measures, increased cyber security requirements, the implementation of new IT systems to support the payment infrastructure, etc. and a decline in property maintenance costs of kr. 62 million, in view of several renovation projects in 2017.

Costs of purchase of banknotes and coins decreased by kr. 7 million to kr. 12 million, which reflects how in 2018 the bank only purchased new coins for circulation to a limited extent.

## **Distribution of the result for the year**

The loss of kr. 24 million is covered by a transfer from Danmarks Nationalbank's General Reserves. No share of the result will be transferred to the central government for the 2018 financial year. The net capital hereafter amounts to kr. 73,689 million.

# Statement by the Board of Governors

The Board of Governors have today considered and approved the Annual Accounts of Danmarks Nationalbank for 2018.

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 2018, and of the result of Danmarks Nationalbank's activities for the financial year 1 January - 31 December 2018.

*Copenhagen, 26 February 2019*

## **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 Accounts give a true and fair view of Danmarks Nationalbank's assets, liabilities and financial position at 31 December 2018, and of the result of Danmarks Nationalbank's activities for the financial year 1 January - 31 December 2018, in accordance with the Danmarks Nationalbank Act.

## What we have audited

The Accounts of Danmarks Nationalbank for the financial year 1 January - 31 December 2018 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, 26 February 2019

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 2018, and of the result of Danmarks Nationalbank's activities for the financial year 1 January - 31 December 2018, in accordance with the Danmarks Nationalbank Act.

## What we have audited

The Accounts of Danmarks Nationalbank for the financial year 1 January - 31 December 2018 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 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 and the requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## 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 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 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.

## 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, 26 February 2019

**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 19 March 2019.

As at 1 March 2019 the Board of Directors comprises

Christian Schultz, Chairman

Anne Hedensted Steffensen, Deputy Chair

Jens Bjørn Andersen

Per Bank

Eva Berneke

Barbara Bertelsen

Morten Bødskov

Kristian Thulesen Dahl

Michael Dithmer

Pelle Dragsted

Asger Enggaard

Peter Gæmelke

Kristian Hundebøll

Bent Jensen

Claus Jensen

Jacob Jensen

Michael Møller

Joachim B. Olsen

Anja Philip

Christian Poll

Lizette Risgaard

Peter Skaarup

Bente Sorgenfrey

Nicolai Wammen

Gitte Pugholm Aabo

# Accounting policies

## General

Danmarks Nationalbank's Accounts for the year 2018 are presented in accordance with the Danmarks Nationalbank Act. In all significant respects these accounting policies are in accordance with the sound policies for European central banks in the euro area. The main differences relate to unrealised gains on foreign exchange and securities, which are recognised in the profit and loss account in Danmarks Nationalbank's Accounts.

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

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.

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 Dan-

marks 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. Expenses concerning banknotes and coins comprise the costs of purchase of banknotes and coins produced by external suppliers. 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 that 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 (land, buildings and building renovations), technical building facilities (lifts, special cooling in server rooms, etc.), technical production facilities (for banknote and coin sorting), office equipment and vehicles, hardware and software, and fixed assets under construction.

Danmarks Nationalbank's properties are the fixed asset groups comprising bank properties, other properties and building renovations. Building renovations include capitalised replacement of entire building components in order to extend their lifetime, major renovation projects to improve buildings, cost-saving building renovations, and costs defrayed in order to expand the use of the properties.

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. The useful lives are assessed as follows:

- Bank properties 100 years
- Other properties 25-50 years
- Building renovations 10-25 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.

In accordance with Section 17 of the Danmarks Nationalbank Act, the value of Danmarks Nationalbank's properties recognised in the accounts, including building renovations and related assets under construction, may not exceed the public property valuation. In such case, the excess amount will be recognised as an expense.

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, as well as 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, as well as uncovered pension commitments, commitments by way of support and severance payments and other provisions for guarantees provided.

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

#### **Contingent liabilities**

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

#### **Pension commitments**

For defined contribution pension plans, the current premium payments to the pension companies

are carried as expenditure in the profit and loss account, and the pension commitment hereafter passes to the pension companies.

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

# Profit and loss account

Kr. 1,000	Note	2018	2017
<b>Net income from interest, etc.:</b>	1		
Interest on net foreign assets		-2,283,168	-2,391,446
Income from Exchange Traded Funds		135,958	150,892
Interest on monetary policy lending and deposits and certificates of deposit	2	980,807	1,071,744
Interest on domestic bonds		-4,719	31,850
Interest on the central government's deposits		766,841	188,062
Interest on other domestic loans and deposits		88,693	98,054
Commission and other income		277	268
<b>Net income from interest, etc., total</b>		<b>-315,311</b>	<b>-850,576</b>
<b>Value adjustments, etc.:</b>			
Value adjustment of gold	3	620,557	-270,926
Value adjustment of foreign exchange positions	4	453,811	1,457,599
Value adjustment of domestic bonds		66,784	163,143
<b>Value adjustments, etc., total</b>		<b>1,141,152</b>	<b>1,349,816</b>
<b>Profit/loss from financial portfolios</b>		<b>825,841</b>	<b>499,240</b>
<b>Income from financial fixed assets, etc.</b>	5	<b>18,126</b>	<b>38,708</b>
<b>Other income</b>	6	<b>1,353</b>	<b>19,055</b>
<b>Expenses:</b>			
Staff expenses	7	366,141	355,992
Banknote and coin production services	8	12,224	19,484
Other expenses	9	428,199	354,519
<b>Total expenses</b>		<b>806,564</b>	<b>729,995</b>
<b>Depreciation, amortisation and write-down of tangible and intangible fixed assets</b>	10	<b>62,978</b>	<b>61,531</b>
<b>Other expenses</b>	11	-	<b>19,000</b>
<b>Profit/loss for the year</b>		<b>-24,222</b>	<b>-253,523</b>
<b>Distribution of the result for the year:</b>			
Allocation to/transfer from the General Reserves		-24,222	-253,523
Payable to the central government		-	-
		<b>-24,222</b>	<b>-253,523</b>

# Balance sheet

Kr. 1,000	Note	2018	2017
<b>Assets</b>			
Gold	12	17,840,840	17,220,284
Foreign assets	13	426,027,944	432,791,272
Claims on the IMF, etc.	14	17,444,941	15,321,367
Claims re banks' and mortgage credit institutions' TARGET accounts at the ECB		88,410	52,238
Monetary policy lending	15	-	-
Other lending	16	1,184,868	2,093,543
Domestic bonds	17	32,578,694	32,934,635
Financial fixed assets, etc.	18	184,063	184,063
Tangible and intangible fixed assets	19	688,205	640,460
Other assets	20	976,195	1,954,329
Accruals		26,467	25,365
<b>Total assets</b>		<b>497,040,627</b>	<b>503,217,556</b>
<b>Liabilities</b>			
Banknotes	21	64,695,043	64,963,681
Coins	21	6,098,092	6,033,306
Monetary policy deposits			
Net current accounts and settlement accounts	22	30,986,505	28,259,418
Certificates of deposit		179,862,000	161,708,000
Other deposits	23	12,962,775	16,333,262
Central government	24	111,674,260	134,688,844
Foreign liabilities	25	2,278,268	3,539,741
Counterpart of Special Drawing Rights allocated by the IMF	26	13,880,049	13,540,981
Other liabilities	27	914,425	436,891
<b>Total creditors</b>		<b>423,351,417</b>	<b>429,504,124</b>
General Capital Fund		50,000	50,000
Statutory Reserves		250,000	250,000
General Reserves		73,389,210	73,413,432
<b>Total net capital</b>	28	<b>73,689,210</b>	<b>73,713,432</b>
<b>Total liabilities</b>		<b>497,040,627</b>	<b>503,217,556</b>
<b>Financial derivatives for conversion of foreign exchange exposure</b>	29		
<b>Other financial derivatives</b>	30		
<b>Contingent liabilities</b>	31		
<b>Loan and purchase commitments to the IMF</b>	32		
<b>Pension commitments</b>	33		

# Notes

## Note 1 – Net income from interest

As in previous years, the largest proportion of Danmarks Nationalbank's receivables is subject to negative interest rates. The total net interest income increased from kr. -851 million in 2017 to kr. -315 million in 2018, primarily as a consequence of a change in the interest terms for the balance of the central government's account.

Net income from interest and dividend concerning net foreign assets increased by kr. 92 million to kr. -2,148 million. Negative maturity reduction of kr. 0.7 billion is included in net income from interest.

With effect from 1 January 2018, the interest on the balance of the central government's account was changed in order to fulfil the EU treaty's provisions concerning the prohibition of monetary financing. This led to an increase in interest income of kr. 579 million to a total of kr. 767 million.

The average deposit of the central government in 2018 was kr. 153 billion (2017: kr. 129 billion).

Danmarks Nationalbank's monetary policy interest rates were unchanged in 2018. Average net deposits from the monetary policy counterparties amounted to kr. 178 billion in 2018, which entailed net interest income of kr. 981 million. Average net deposits from these institutions amounted to kr. 192 billion in 2017, and Danmarks Nationalbank had net interest income of kr. 1.072 billion on such deposits.

Interest on domestic bonds decreased by kr. 37 million to kr. -5 million in 2018.

Interest on other domestic loans and deposits decreased by kr. 9 million to overall net income of kr. 89 million, as a consequence of lower net deposits.

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

Kr. 1,000	2018	2017
Interest on certificates of deposit	980,738	1,071,733
Interest on monetary policy lending	69	11
	<b>980,807</b>	<b>1,071,744</b>

## Note 3 – Value adjustment of gold

Value adjustment of the gold stock entailed a gain of kr. 621 million, compared to a loss of kr. 271 million in 2017,

reflecting a total increase of 3.6 per cent in the price of gold measured in Danish kroner.

## Notes

### Note 4 – Value adjustment of foreign exchange positions

Kr. 1,000	2018	2017
Market value adjustment	-903,914	879,286
Exchange rate adjustment	1,357,725	578,313
	<b>453,811</b>	<b>1,457,599</b>

### Note 5 – Income from financial fixed assets, etc.

Kr. 1,000	2018	2017
Bank for International Settlements	18,126	23,435
Profit on sales of financial fixed assets, etc.	-	15,273
	<b>18,126</b>	<b>38,708</b>

### Note 6 – Other income

Kr. 1,000	2018	2017
Sale of coins and medals	1,178	1,796
Reimbursed property tax, 2014-16	-	16,681
Dividend on equity investments in commercial companies	175	313
Other income	-	265
	<b>1,353</b>	<b>19,055</b>

## Notes

### Note 7 – Staff expenses

Kr. 1,000	2018	2017
Salaries and remuneration	295,294	284,069
Pension contributions and support	48,599	49,546
Training	6,761	5,982
Other staff expenses	15,487	16,395
	<b>366,141</b>	<b>355,992</b>
Of which remuneration of the management:		
Governors, salaries	10,097	9,906
Governors, pension contributions	1,852	1,818
Committee of Directors and Board of Directors	953	932
	<b>12,902</b>	<b>12,656</b>
Salaries to the Governors are as follows:		
Lars Rohde, Chairman	3,583	3,516
Per Callesen	3,256	3,195
Hugo Frey Jensen	3,258	3,195
	<b>10,097</b>	<b>9,906</b>
Remuneration of the Committee of Directors and Board of Directors is as follows:		
Chairman of the Committee of Directors and the Board of Directors	121	119
Deputy Chairman of the Committee of Directors	91	89
Deputy Chairman of the Board of Directors	48	47
Other members of the Committee of Directors, total (kr. 54,000/member/year)	270	278
Other members of the Board of Directors, total (kr. 25,000/member/year)	423	399
	<b>953</b>	<b>932</b>

No bonus schemes exist at Danmarks Nationalbank.

In 2018, the average number of employees was 420 full-time equivalents (2017: 395).

### Note 8 – Banknote and coin production services

Kr. 1,000	2018	2017
Coin purchases	11,588	19,484
Banknote purchases	636	-
	<b>12,224</b>	<b>19,484</b>

Expenses concerning banknote and coin production services comprise the total costs paid to the external suppliers to which production has been outsourced.

## Notes

### Note 9 – Other expenses

Kr. 1,000	2018	2017
Real property, current expenses	31,557	93,245
IT expenses	334,352	190,916
Other expenses	62,290	70,358
	<b>428,199</b>	<b>354,519</b>

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

Kr. 1,000	2018	2017
Properties	15,461	13,979
Machinery and other operating equipment	2,206	3,127
Hardware and software	45,591	42,640
	<b>63,258</b>	<b>59,746</b>
Net profit on sale of fixed assets	280	-1,785
	<b>62,978</b>	<b>61,531</b>

### Note 11 – Other expenses

There were no other expenses in 2018. In 2017, Danmarks Nationalbank defrayed expenses concerning the disbursement in connection with the issue of a commemorative coin

to mark the golden wedding anniversary of Her Majesty Queen Margrethe and His Royal Highness Prince Henrik.

### Note 12 – Gold

The value of the gold stock was kr. 17.8 billion at year-end, compared with kr. 17.2 billion at the end of 2017. The reason for the increase is that the price of gold, measured

in kroner, rose by 3.6 per cent in 2018. The gold stock was unchanged at 66,550 kg.

**Note 13 – Foreign assets**

Kr. 1,000	2018	2017
Foreign bonds	113,312,436	140,669,763
Exchange Traded Funds in corporate bonds	5,762,467	8,082,493
Claims on central banks and supranational institutions	305,322,086	281,713,445
Claims on foreign commercial banks	457,670	1,925,127
Claims re two-way collateral in cash	580,956	56,209
Margin claims re futures	592,329	344,235
	<b>426,027,944</b>	<b>432,791,272</b>

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. 6.6 billion, while the exposure to bond futures is kr. 0.7 billion. This can be seen from Note 30.

Danmarks Nationalbank undertakes ongoing collateralised lending in the form of reverse repo transactions which are collateralised against foreign government and government guaranteed bonds. There were no reverse repo transactions at end-2018.

**Apportionment on credit assessment**

2018 (kr. million)	Total	EUR	USD	JPY	Other
- Of which AAA	317,359	298,561	2,925	-	15,873
- Of which AA+ to AA-	41,187	27,655	13,517	-	15
- Of which A+ to A-	31,089	3,979	2,722	24,388	-
- Of which BBB+ to BBB-	6,406	6,406	-	-	-
- Of which BB+ to BB-	33	-	33	-	-
- Of which non-rated assets	29,954	10,993	18,851	-	110
	<b>426,028</b>	<b>347,594</b>	<b>38,048</b>	<b>24,388</b>	<b>15,998</b>

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
	<b>432,791</b>	<b>376,874</b>	<b>37,419</b>	<b>14,137</b>	<b>4,361</b>

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 (BIS) and holdings of Exchange Traded Funds.

**Note 14 – Claims on the IMF, etc.**

	2018 (SDR 1,000)	2018 (kr. 1,000)	2017 (SDR 1,000)	2017 (kr. 1,000)
IMF quota	3,439,400	31,171,970	3,439,400	30,410,487
The IMF's drawing right	3,106,890	28,158,366	3,353,490	29,650,888
<b>Reserve position with the IMF</b>	<b>332,510</b>	<b>3,013,604</b>	<b>85,910</b>	<b>759,599</b>
Holdings of Special Drawing Rights (SDRs) at the IMF	1,432,730	12,985,122	1,429,927	12,643,127
Loans	159,570	1,446,215	216,997	1,918,641
	<b>1,924,810</b>	<b>17,444,941</b>	<b>1,732,834</b>	<b>15,321,367</b>

On 31 December 2018, claims on the IMF amounted to kr. 17,445 million, compared to kr. 15,321 million at the end of 2017. The exchange rate for SDR is 9.0632 at end-2018 (end-2017: 8.8418).

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 2018, the reserve position amounts to SDR 333 million, equivalent to kr. 3,014 million. Denmark's quota of SDR 3,439 million (kr. 31,172 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 247 million, which expresses how in 2018 the IMF utilised a larger element of the drawing right for the quota to finance loan programmes.

At 31 December 2018, Danmarks Nationalbank's holdings of special drawing rights with the IMF (SDR) amounted to SDR 1,433 million (kr. 12,985 million), which is by and large unchanged from 2017.

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**

	2018 (SDR 1,000)	2018 (kr. 1,000)	2017 (SDR 1,000)	2017 (kr. 1,000)
Loans to the PRG Trust	35,770	324,191	36,697	324,465
Bilateral loans under the 2009 loan agreement	-	-	-	-
Loans under New Arrangements to Borrow	123,800	1,122,024	180,300	1,594,176
	<b>159,570</b>	<b>1,446,215</b>	<b>216,997</b>	<b>1,918,641</b>

Loans to PRGT (the Poverty Reduction and Growth Trust) amount to SDR 36 million (kr. 324 million). Redemptions totalled SDR 0.9 million in 2018.

*Bilateral loans under the 2009 loan agreement:* The agreement expired on 31 October 2013 and no new loans were granted in 2018. The bilateral loans under the agreement were fully redeemed during 2017.

Loans under the NAB (New Arrangements to Borrow) agreement amount to SDR 124 million (kr. 1,122 million). SDR 57 million was redeemed in 2018 and no new loans were granted.

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. 135.6 million in 2018. There was no outstanding lending at 31 December 2018.

**Note 16 – Other lending**

Other lending at 31 December 2018 comprises loans for cash depots.

**Note 17 – Domestic bonds**

Kr. 1,000	2018	2017
Mortgage bonds, etc.	31,843,193	32,186,973
Ship Finance bonds	735,501	747,662
	<b>32,578,694</b>	<b>32,934,635</b>

**Note 18 – Financial fixed assets, etc.**

Kr. 1,000	2018	2017
Capital investments and equivalent investments	122,503	122,503
Equity investments in associated companies	61,560	61,560
	<b>184,063</b>	<b>184,063</b>

At 31 December 2018, the estimated market value of the bank's portfolio of financial fixed assets is not below kr. 2.3 billion.

Danmarks Nationalbank's portfolio of financial fixed assets and equivalent investments comprises the capital subscription to the European Central Bank (ECB) and shares in the Bank for International Settlements (BIS) 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 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 BIS. This payment obligation amounts to SDR 32 million, equivalent to kr. 291 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. 114.8 million	kr. 31.5 million

Source: Figures according to the 2017 Annual Report.

## Notes

### Note 19 – Tangible and intangible fixed assets

Kr. 1,000	2018	2017
Properties	501,562	486,611
Machinery and other operating equipment	5,694	4,863
Hardware and software	61,561	94,845
Fixed assets under construction	119,388	54,141
	<b>688,205</b>	<b>640,460</b>

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

### Note 20 – Other assets

Kr. 1,000	2018	2017
Market value of unsettled foreign exchange transactions	-	663,995
Market value of unsettled domestic securities transactions	4,069	9,580
Accrual of interest	882,514	906,488
Equity investments in commercial companies	39,589	39,589
Prepaid expenses and other receivables	43,823	332,362
Other minor items	6,200	2,315
	<b>976,195</b>	<b>1,954,329</b>

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	2018	2017
Kr. 1,000	28,552,768	30,633,775
Kr. 500	19,537,072	17,576,460
Kr. 200	6,469,741	6,121,151
Kr. 100	3,820,259	3,745,870
Kr. 50	1,007,746	970,451
Older series*)	4,863,996	5,469,414
Faroese banknotes	443,461	446,560
	<b>64,695,043</b>	<b>64,963,681</b>

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

Coin circulation in kr. 1,000	2018	2017
20-krone	2,580,467	2,552,046
10-krone	1,230,581	1,211,134
5-krone	614,219	604,247
2-krone	546,534	543,112
1-krone	368,595	367,165
50-øre	191,273	188,575
Older series*)	385,478	386,857
Thematic and commemorative coins with another nominal value	180,945	180,170
	<b>6,098,092</b>	<b>6,033,306</b>

\*) Coins issued before the current series.

**Note 22 - Net current accounts and settlement accounts**

Banks in Denmark hold accounts at Danmarks Nationalbank. Via these accounts, using the Kronos2 payment system, they settle inter-bank receivables, and their receivables vis-à-vis Danmarks Nationalbank. The banks also use their accounts at Danmarks Nationalbank for the settlement of payments in Danish and international payment and settlement systems. Danmarks Nationalbank grants credit against collateral to the financial institutions, so that there is always sufficient liquidity in the financial system to ensure the settlement of payments.

During the monetary policy day, Danmarks Nationalbank covers Finance Denmark for the amounts reserved by

participants in conjunction with the intraday and sumclearing, and for the credit line concerning straksclearing (immediate clearing). Danmarks Nationalbank also covers VP Securities A/S for the amounts reserved by participants in conjunction with the settlement of trades, periodic runs and straksafvikling.

At the close of the monetary policy day on 28 December 2018, the banks and mortgage credit institutions had total current account deposits at Danmarks Nationalbank of kr. 31.0 billion (2017: kr. 28.3 billion).

## Notes

### Note 23 – Other deposits

Kr. 1,000	2018	2017
Banks' and mortgage credit institutions' deposits in current accounts in euro	88,410	52,238
Banks, two-way collateral in cash	1,289,752	670
Other deposits	11,584,613	16,280,354
	<b>12,962,775</b>	<b>16,333,262</b>

### Note 24 – Central government

The central government's deposits amounted to kr. 111,674 million at 31 December 2018. In 2018 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, as well as euro deposits from foreign

counterparties in connection with two-way collateral in cash. The European Commission's deposit amounts to kr. 1,917 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 2018. There were no

changes in the allocation of SDRs in 2018. The current holdings of SDRs are specified in Note 14 "Claims on the IMF, etc."

### Note 27 – Other liabilities

Kr. 1,000	2018	2017
Market value of unsettled foreign exchange transactions	287,580	-
Market value of unsettled foreign securities transactions	373	-
Accrual of interest	406,079	249,119
Payables	104,790	77,570
Wage-related payables	73,819	65,543
Other liabilities	41,784	44,659
	<b>914,425</b>	<b>436,891</b>

## Notes

### Note 28 – Net capital

Kr. 1,000	General Capital Fund	General Reserves	Total
Net capital at 1 January 2018	300,000	73,413,432	73,713,432
Carried forward from the profit/loss for the year	-	-24,222	-24,222
<b>Net capital at 31 December 2018</b>	<b>300,000</b>	<b>73,389,210</b>	<b>73,689,210</b>

### Note 29 – Financial derivatives for conversion of foreign exchange exposure

2018 (kr. million)	Total	EUR	USD	JPY	Other
<b>Net positions at market value</b>					
Forward exchange contracts:					
Purchase	128,999	80,557	24,809	-	23,633
Sale	-129,287	-1,493	-64,347	-24,665	-38,782
Unsettled spot currency trades:					
Purchase	114	1	-	-	113
Sale	-114	-113	-	-	-1
	<b>-288</b>	<b>78,952</b>	<b>-39,538</b>	<b>-24,665</b>	<b>-15,037</b>

2017 (kr. million)	Total	EUR	USD	JPY	Other
<b>Net positions at market value</b>					
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
	<b>664</b>	<b>56,417</b>	<b>-38,150</b>	<b>-14,264</b>	<b>-3,339</b>

## Notes

### Note 30 – Other financial derivatives

2018 (kr. million)	Total	DKK	EUR	USD
<b>Principals at market value</b>				
Forward contracts, securities:				
Purchase	3,551	3,165	386	-
Sale	-386	-	-386	-
Futures, bonds:				
Purchase	708	-	495	213
Sale	-	-	-	-
Futures, shares:				
Purchase	6,625	-	3,341	3,284
Sale	-	-	-	-

2017 (kr. million)	Total	DKK	EUR	USD
<b>Principals at market value</b>				
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	-	-	-	-

### Note 31 – Contingent liabilities

Kr. 1,000	2018	2017
VP Securities A/S, share of Guarantee Capital	-	44,382
VP Securities A/S, guarantee for errors by other account-holding institutions	-	20,271
Other guarantees	45	60
	<b>45</b>	<b>64,713</b>

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

Danmarks Nationalbank furthermore has an indemnification obligation to the purchaser in conjunction with the sale of financial assets.

## 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.

	2018 (SDR 1,000)	2018 (kr. 1,000)	2017 (SDR 1,000)	2017 (kr. 1,000)
The IMF's drawing right	3,106,890	28,158,366	3,353,490	29,650,888
Danmarks Nationalbank's obligation to purchase SDRs	3,161,689	28,655,026	3,164,493	27,979,816
Undrawn amount of loan facility for the PRG Trust	464,230	4,207,409	463,303	4,096,435
Undrawn amount of loan facilities for the IMF in connection with the NAB agreement	1,505,960	13,648,817	1,449,460	12,815,835
Undrawn amount of loan facilities for the IMF in connection with bilateral loans (2016 agreement *)	4,366,745	39,576,690	4,462,663	39,457,970
	<b>12,605,514</b>	<b>114,246,308</b>	<b>12,893,409</b>	<b>114,000,944</b>

\*) 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 2018, the balance amounts to kr. 28,158 million (SDR 3,107 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 1,433 million, and the maximum additional purchase is thus SDR 3,161 million, equivalent to kr. 28,655 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. 4,532 million. The loan is guaranteed by the Kingdom of Denmark. The current loan amounts to SDR 36 million, so that the undrawn amount at 31 December 2018 amounts to SDR 464 million, equivalent to kr. 4,207 million.

*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 4,367 million (kr. 39,577 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	2018	2017
Pension commitments and other liabilities	3,413	3,640
Fair value of the assets of the Pension Fund	4,719	4,648
Net capital of the Pension Fund	1,306	1,008
Solvency requirement of the Pension Fund	135	144

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

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