

DANMARKS NATIONALBANK

Annual Report 2019



DANMARKS
NATIONALBANK

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Annual Report
2019

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This report is based on information available up to 7 March 2020.

See also www.nationalbanken.dk

Explanation of symbols:

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

Details may not add up because of rounding.

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Foreword

Danmarks Nationalbank was established for the specific purpose of restoring the monetary system in Denmark following the Danish state bankruptcy in 1813. In 1936, Danmarks Nationalbank became an independent, self-governing institution, laying down monetary policy independently of the Danish government and the Danish parliament. The National Bank of Denmark Act from 1936 still applies.

According to section 1 of this act, the object of Danmarks Nationalbank is “to maintain a safe and secure currency system in this country, and to facilitate and regulate the traffic in money and the extension of credit”.

The three main objectives of Danmarks Nationalbank are: Firstly, to maintain stable prices and low inflation by pursuing a fixed exchange rate policy relative to the euro. Secondly, Danmarks Nationalbank issues banknotes and coins of a high quality and contributes to the secure settlement of electronic payments. Thirdly, Danmarks Nationalbank monitors the stability of the financial system, making recommendations to the relevant authorities.

In addition to the financial statements, Annual Report 2019 presents an overall description of Danmarks Nationalbank’s activities within those three areas of activity.

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

Copenhagen 7 March 2020

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 German D-mark – has been unchanged since 1987.

In 2019, 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 at -0.25 percentage points. Danmarks Nationalbank intervened in the currency market to a limited extent by buying kroner for a total of kr. 7.6 billion. The intervention contributed to reducing the foreign exchange reserve by kr. 17.8 billion to kr. 441.2 billion in 2019.

In recent years, the Danish government has not contributed to the foreign exchange reserve by taking out foreign loans.

Danmarks Nationalbank changed the monetary policy interest rate once in 2019, reducing the interest rate on certificates of deposit by 0.1 percentage point on 12 September 2019. This means that the interest rate on certificates of deposit is -0.75 per cent, cf. Chart 2. The reduction followed the reduction by the

European Central Bank (ECB) of the interest rate on its deposit facility by 0.1 percentage point to -0.5 per cent. The interest rate cut in September 2019 led to a similar fall in the key money market interest rates.

Long-maturity government and mortgage bond yields dropped significantly in 2019. The 30-year mortgage yield was around 1 per cent at the end of the year, cf. Chart 3. This is close to the lowest level ever, and the interest rate drop triggered a wave of conversions of fixed-rate mortgages.

The ten-year Danish government bond yield fell by about 0.5 percentage points in 2019 to -0.2 per cent at the end of the year. The two-year government bond yield fell to around -0.7 per cent at the end of the year. The development of Danish government bond yields has followed developments in the equivalent German interest rates very closely, and interest rate spreads have therefore remained unchanged for most of the year.

The Danish share market (OMXC25) increased by 26 per cent in 2019 and generally followed the development in the European share indices.

Growth in the global economy generally slowed down in 2019, and world trade declined through the year. The slowdown in the export markets mainly affected the industrial sectors, particularly in the euro area. Labour markets remained strong in both the US and the euro area, but with slowing employment growth. Price

Stable krone close to the central rate

Chart 1

Kroner per euro



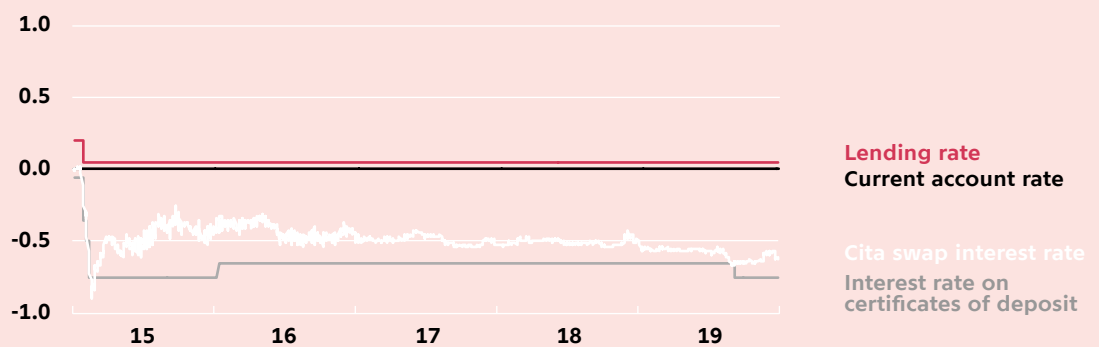
Note: An increase in the chart means that the krone's value has strengthened against the euro.

Source: Danmarks Nationalbank.

Interest rate on certificates of deposit was lowered in 2019

Chart 2

Per cent



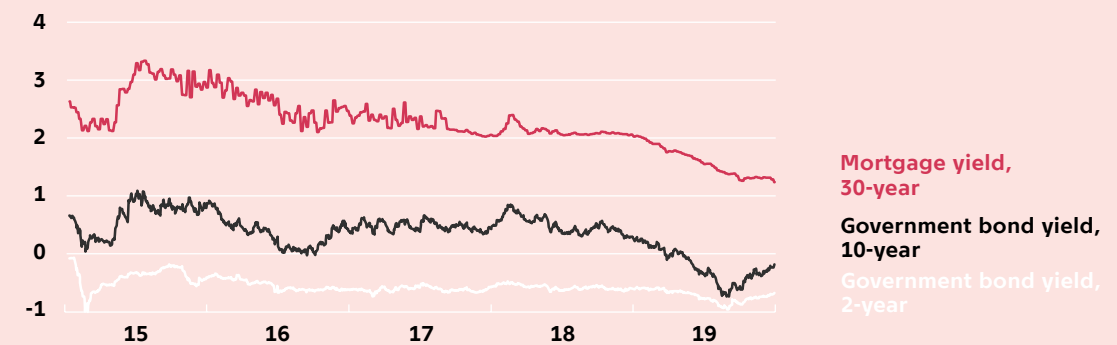
Note: 1-month Cita swap rate.

Source: Thomson Reuters Datastream, Danmarks Nationalbank.

Low level of interest rates in 2019

Chart 3

Per cent



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

Source: Nordea Analytics, Thomson Reuters Datastream.

and wage pressures were subdued in the advanced economies. The international risk picture was still affected by the global trade conflict and the unresolved issues surrounding Britain's withdrawal from the EU.

The slowdown in the global economy only affected the Danish economy to a modest extent. Industrial production and exports grew despite a decline in world trade, among other things as a result of increased exports of pharmaceutical products and wind turbines. Danish industry gained market share. Employment growth slowed in the course of the year, and a number of the more forward-looking indicators decreased. Labour shortages were less pronounced. The unemployment rate was flat at about 4 per cent of the workforce. House prices rose 3.8 per cent in Denmark, with prices of owner-occupied flats in Copenhagen stabilising at a high level. There were generally no indications of major imbalances building up in the economy.

Wage growth increased towards the end of the year, but remained moderate. Consumer prices rose by less than 1 per cent in 2019, which was in line with the preceding years, but below the rate of increase in the euro area. In the medium term, consumer prices in Denmark and the euro area follow each other, but differences may be seen in the short term. Real wages were growing.

The current account of the balance of payments showed a surplus of almost 8 per cent of GDP. This reflects continued consolidation by households and companies, and of the public finances.

An extraordinarily high level of pension yield tax revenue contributed to the government budget surplus. Danmarks Nationalbank found 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, monitoring 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 (DSRR).

The earnings of the systemic credit institutions remained high throughout the year, supported by low impairment charges and income from remortgaging. However, core earnings were lower than in previous years. Weaker earnings will reduce the institutions' first line of defence against losses. Several institutions have launched initiatives aimed at securing future earnings, for example by reducing costs and introducing negative deposit rates for households.

The distance between capital requirements and own funds has been reduced for the largest Danish credit institutions in recent years. The lower excess capital adequacy is due to increasing capital requirements, while capitalisation has been stable.

There is substantial variation in excess capital adequacy across the systemic institutions, and a few institutions' excess capital adequacy is low relative to the capital requirements.

Danmarks Nationalbank's most recent stress test of the institutions' solvency shows that a small number of the systemic institutions will fall short of their capital buffer requirements in a severe stress scenario – even if the countercyclical capital buffer is assumed to be released. Compared with the spring stress test, banks' are less resilience to stress. This can be ascribed to lower excess capital adequacy in the starting point, weaker earnings and higher increases in funding costs under stress. This explains the reduced robustness of the banks in times of recession compared to the previous stress test.

Capital requirements are expected to increase going forward as a result of the imminent implementation of the 2017 Basel reform. Danish institutions – along with institutions in other northern European countries – are among the institutions likely to experience the biggest increases. The increases are largely due to the introduction of the output floor, which will impose a lower limit for risk-weighted exposures calculated on the basis of historical losses.

In 2019, Danmarks Nationalbank published an analysis of the potential spillover effect of climate change on financial stability. This analysis is a first step in Danmarks Nationalbank's efforts to understand how climate change may affect macroeconomic and financial stability. The analysis reviews examples of risks where the financial sector may have exposures. Denmark has many low-lying coastal areas and, by international standards, a high level of housing debt. Rising sea levels therefore constitute a physical risk that is relevant in

Denmark and may, among other things, affect credit institutions' underlying collateral for mortgages.

The Systemic Risk Council

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

The countercyclical capital buffer came into force at a rate of 0.5 per cent in March 2019. The rate was increased to 1.0 per cent with effect from September.

In March, the Systemic Risk Council recommended that the Minister for Industry, Business and Financial Affairs increase the countercyclical capital buffer from 1.0 per cent to 1.5 per cent from 30 June 2020. In October, the Systemic Risk Council adopted a recommendation that the Minister for Industry, Business and Financial Affairs further increase the countercyclical capital buffer to 2.0 per cent with effect from 30 December 2020. The minister decided to follow both recommendations.

At the December meeting, the Systemic Risk Council moreover announced that they expect to recommend a further increase of the buffer rate by 0.5 percentage points to 2.5 per cent in Q1 2020, unless the accumulation of risk in the financial system slows down significantly.

Secure payments

Danmarks Nationalbank contributes to the secure and efficient settlement of electronic payments in Denmark, among other things by ensuring that the banks can settle their inter-bank transactions, and by overseeing systemically important payment and settlement systems. In addition, Danmarks Nationalbank chairs the Danish Payments Council and the Financial Sector Forum for Operational Resilience.

Danmarks Nationalbank is banker to the banks for payments in Danish kroner handled in Danmarks Nationalbank's payment and settlement system, Kronos2.

In August 2018, Kronos2 replaced the old Kronos system. Kronos2 has contributed to a more robust payments infrastructure, and operational stability was satisfactory in 2019.

Danmarks Nationalbank is responsible for overseeing that the Danish payments infrastructure is secure and efficient and in compliance with international standards. The oversight comprises the Danish payment and settlement systems and the most important payment solutions in the Danish payments infrastructure.

In 2019, the oversight of the Danish payments infrastructure focused, in particular, on cybersecurity. Danmarks Nationalbank has, among other things, started assessing compliance by VP Securities and the retail payment systems with international cybersecurity guidelines.

Danmarks Nationalbank provides input to payments infrastructure projects, including the establishment of a common Nordic retail payment system called P27. The purpose is to ensure the secure and efficient settlement of retail payments in Danish kroner in the future. In 2019, Danmarks Nationalbank published an assessment of Beta-lingservice payments, which is a direct debit payment method, in accordance with the European Central Bank's standards for direct debit schemes.

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 partnership between the public authorities and key private financial sector participants.

In 2019, FSOR carried out a new risk analysis of the financial sector as a whole. The analysis identifies a number of risks, on the basis of which actions are identified that can reduce the probability and consequences of the risks. Danmarks Nationalbank has shared the documentation and the risk analysis method so that others can benefit from it.

In 2019, FSOR's cross-sector crisis response plan was tested twice. The latest test was conducted in November and involved the entire FSOR crisis response setup. In total, 22 organisations from the financial sector participated in the test. The test confirmed that the crisis response plan works well as a tool for structuring and managing critical situations such as cyber attacks posing a threat to financial stability.

Since the beginning of 2019, Danmarks Nationalbank has coordinated testing of the cyber resilience of the largest financial institutions through so-called red team testing (TIBER-DK), which involves an ethical hacker team trying to access pre-specified functionalities and data in the institutions' IT systems. The purpose is to pinpoint weaknesses in the systems and to increase cyber resilience based on the learning gleaned.

In 2019, the national cyber strategy was implemented, which involved, among other things, the establishment of a decentralised cyber and information security unit (DCIS) under the auspices of the Danish Financial Supervisory Authority. Danmarks Nationalbank and the Danish Financial Supervisory Authority are working closely to increase the operational resilience of the financial sector. Moreover, Danmarks Nationalbank works with the Centre for Cyber Security (CFCS) and the other critical sectors identified in the national cyber strategy.

The Danish Payments Council

In 2019, the Danish Payments Council published another three analyses in a series of analyses investigating the social costs of payments in Denmark. Having published a total of six analyses, the Council concluded its work on the social costs of payments in 2019.

The Danish Payments Council continuously monitors developments in the payments area, including the implementation of new legislation and developments in third-party providers of payment services. New legislation introducing higher security standards for payments from September was an important topic for discussion in 2019. With the aim of raising awareness of the new rules, in June the Council published a recommendation calling e-commerce, in particular, to start preparing for the new legal requirements for so-called strong customer authentication.

Danmarks Nationalbank chairs and provides secretariat services for the Danish Payments Council. Nine member organisations are represented on the Council.

Banknotes and coins in circulation

Danmarks Nationalbank is the banknote and coin issuing authority in Denmark.

At the end of 2019, the value of banknotes and coins in circulation was kr. 70.6 billion, equating to a slight decrease of kr. 0.2 billion compared to the year before. The value of coins in circulation was unchanged at kr. 6.1 billion, while the value of banknotes in circulation was kr. 64.4 billion, including Faroese

banknotes in circulation totalling kr. 0.4 billion. Concurrently with a public debate concerning the role of the kr. 1,000 banknote, demand continued to decline, while demand for the kr. 500 banknote has increased almost the same.

Counterfeiting of Danish banknotes remains very limited. The number of registered counterfeit banknotes rose from 349 in 2018 to 672 in 2019. Of these, 381 were found in circulation. The counterfeit banknotes registered were mainly kr. 1,000 banknotes. Registered counterfeit banknotes account for less than four banknotes per million in circulation, based on a total number of banknotes in circulation of 180.2 million. This is very few banknotes in an international context.

The demand for new banknotes and coins decreased further. The reduced demand for new banknotes and coins is ascribable to the increasing use by Danes of electronic means of payment, including debit cards, direct debit, online banking and services such as mobile phone payment services. The total cash circulation in Denmark was more or less unchanged, among other things because banknotes last longer today as a considerable share of the banknotes in circulation are not used for transactions nearly as frequently as they used to.

Following a call for tenders for banknote production, a four-year contract for the supply of banknotes was awarded to Oberthur Fiduciaire SAS in France in 2018, with the option of renewal for a further two years. Following another tender, a contract for the production of two denominations of Faroese banknotes was also awarded to Oberthur Fiduciaire SAS in 2019. The current framework agreement with Mint of Finland on the supply of Danish coins expires in spring 2020. Danmarks Nationalbank expects to conclude a new framework agreement for the supply of Danish coins following a new call for tenders in 2020.

Result for the year 2019

The result for 2019 was a profit of kr. 6,096 million, compared to a loss of kr. 24 million in 2018.

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

Both the gold stock, equity exposure and bond holdings contributed significantly to the result for the year. The value of Danmarks Nationalbank's gold

stock rose by kr. 3.8 billion in 2019, while capital gains contributed kr. 2.1 billion. The bond portfolio contributed kr. 1.8 billion.

Interest costs totalled kr. 2.9 billion, primarily due to the placement of a large share of the foreign exchange reserve at negative interest rates. On the other hand, interest on deposits generated interest income of kr. 2.0 billion.

The positive result for the year does not change the fact that Danmarks Nationalbank's earnings remain structurally low due to the low interest rates. The largest share of revenue normally comes from seignorage and the return on net capital. When interest rates are negative, their revenue contribution is also negative. This is also reflected in the result for the year. But for the very high price increases seen, for example, for gold and shares in 2019, the result would have been close to zero.

Costs, depreciation and amortisation totalled kr. 0.9 billion, which is on a par with in 2018. The large-scale renovation of the Danmarks Nationalbank building in Copenhagen and the temporary relocation to rented premises will increase the draw on resources considerably in the next few years.

Distribution of the result for the year

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

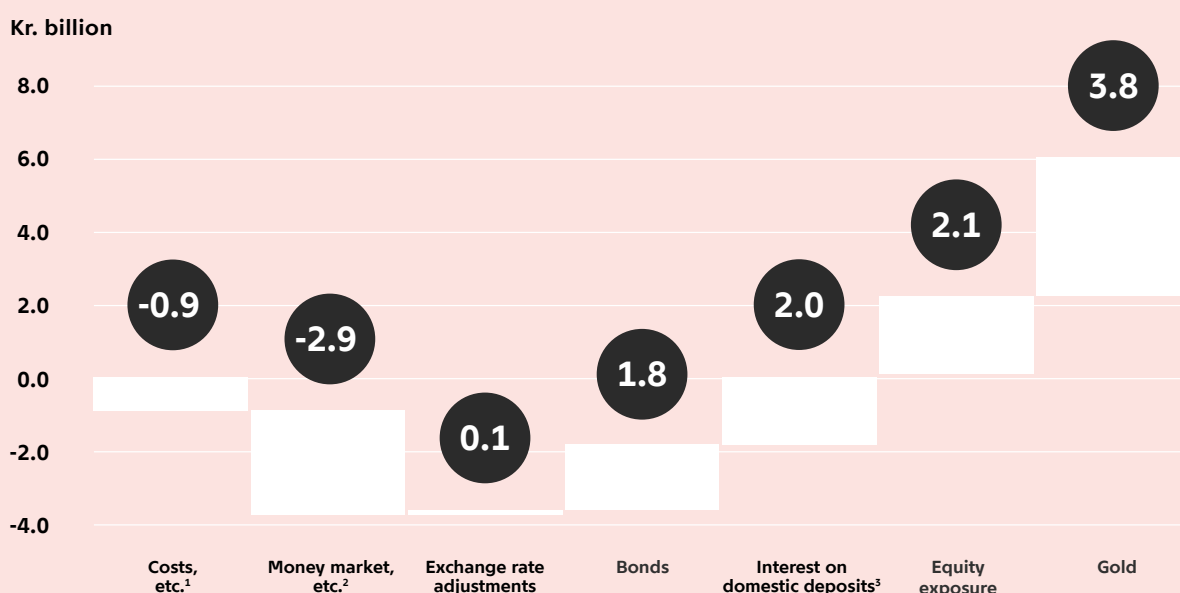
- Danmarks Nationalbank transfers part of the average of the last five years' results, exclusive of the value adjustment of gold, to the central government. The remaining part of the result for the year is transferred to Danmarks Nationalbank's General Reserves.
- The determination of the transfer rate 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 2019 financial year. Interest rates are expected to remain low, and Danmarks Nationalbank is therefore expected to post very low earnings or even a loss in the coming years, while net capital is expected to fall relative to the development in nominal GDP.

The profit of kr. 6,096 million for the year will be transferred to the General Reserves. The net capital hereafter amounts to kr. 79.8 billion.

Result for the year 2019

Chart 4



Source: Danmarks Nationalbank.


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

2. Incl. costs for hedging foreign exchange exposures.

3. Interest from banks and central government, etc.

Financial ratios

PROFIT

Kr. 6,096 million
Kr. 6,120 million 


Both the gold stock, equity exposure and bond holdings contributed significantly to the result for the year.

FOREIGN EXCHANGE RESERVE

kr. 441.2 billion
Kr. 17.8 billion 

Danmarks Nationalbank's intervention in the foreign exchange market was limited. This contributed to a reduction in the reserve.

CERTIFICATES OF DEPOSIT

-0.75 per cent
-10 basis point 

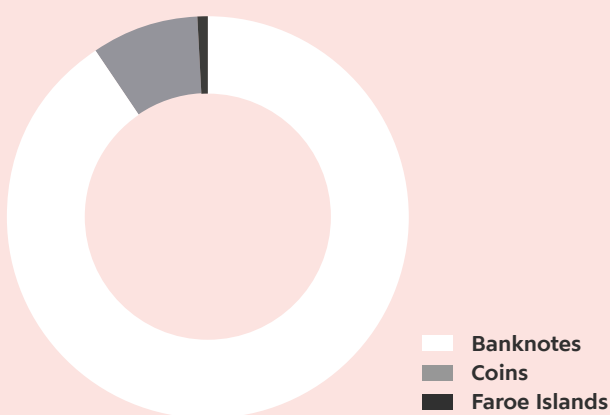
Danmarks Nationalbank changed the monetary policy interest rate once in 2019, lowering the interest rate on certificates of deposit by 0.10 percentage point in September.

VALUE OF THE GOLD STOCK

Kr. 21.7 billion
+21.5 per cent 

Danmarks Nationalbank's gold stock was an unchanged 66.5 tonnes, and constitutes only a small part of the bank's foreign exchange reserve. The price of gold measured in kroner increased kr. 3.8 billion.

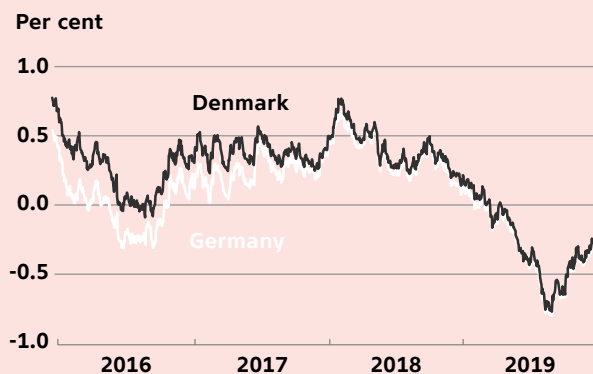
CIRCULATION OF BANKNOTES AND COINS



The value of banknotes and coins in circulation was kr. 70.6 billion.

At the end of 2019, the value of banknotes in circulation was kr. 64.4 billion, while the total value of coins in circulation was kr. 6.1 billion. Faroese banknotes in circulation amounted to kr. 0.4 billion.

10-YEAR GOVERNMENT BONDS



The Danish government bond yield fell by about 0.5 percentage points in 2019 to -0.2 per cent at the end of the year. Danish government bond yields have generally matched the equivalent German yields.

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

Organisation

Staff

The staff turnover rate was 15.3 per cent in 2019, compared to 13.4 per cent in 2018.

In total, 71 employees left the bank in 2019, and 74 new employees were hired. Many of the new appointments were jobs being refilled following resignations. Staff resources were increased slightly within economic research and data analysis across the bank.

In 2019, total absence due to illness increased to 6.8 days per employee, compared to 5.0 days per employee in 2018. Excluding long-term illness, absence due to illness was 4.1 days per employee, which is unchanged compared to 2018.

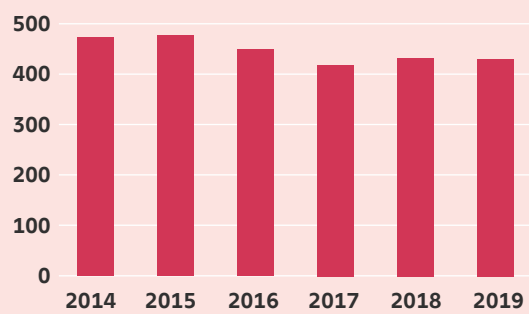
Secondments are used by Danmarks Nationalbank to increase knowledge levels in the bank, develop the bank's employees and exert influence on the work of international organisations. In 2019, 16 employees were deployed to international organisations such as the ECB, the World Bank and the EU representation. Moreover, Danmarks Nationalbank has, for the first time, taken part in an initiative aimed at increasing mobility between the European central banks. The purpose is to strengthen opportunities for exchanges between the central banks.

A large-scale renovation of the Danmarks Nationalbank domicile in Havnegade in central Copenhagen is underway. Most of the bank's employees are therefore relocated to temporary premises for a period of four to five years. In summer 2019, it was decided that the building Pier47 on Langelinie in Copenhagen will serve as the temporary domicile of Danmarks Nationalbank during the renovation works.

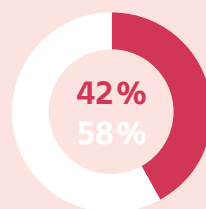




DEVELOPMENT IN FULL-TIME EQUIVALENTS

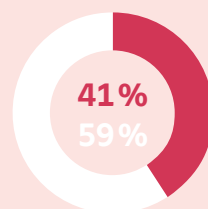


2018



Women

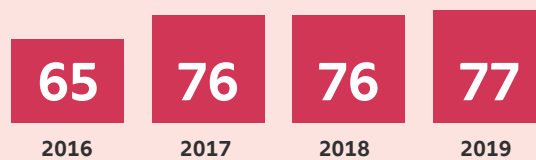
2019



Men

WORK SATISFACTION

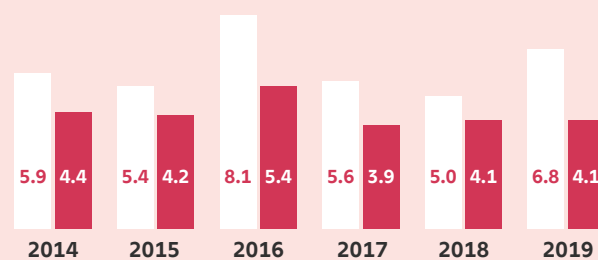
In 2019, work satisfaction increased slightly compared to the previous year



ABSENCE DUE TO ILLNESS

6.8

days a year in
absence due to illness



Total

Excluding long-term absence

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

At 1 March 2020, 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.

The European Central Bank (ECB)

The General Council

Governor Lars Rohde is a member.

The International Monetary Fund (IMF)

Board of Governors

Governor Lars Rohde is the Danish member.

The Nordic/Baltic Monetary and Financial Committee

Governor Per Callesen is a member.

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

Assistant Governor Signe Krogstrup is a member.

Nordic-Baltic Macprudential Forum

Governor Lars Rohde is a member.

The Danish Payments Council

Governor Per Callesen is the Chairman.

The Systemic Risk Council (DSRR)

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 Bilstoft is a member.

The Coordination Committee on Financial Stability

Governor Per Callesen is a member.

Danmarks Nationalbank's Board of Directors as at 1 March 2020

Box 1

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

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

Kristian Thulesen Dahl, MP
Jacob Jensen, MP
Rune Lund, MP
Flemming Møller Mortensen, MP
Jesper Petersen, MP
Troels Lund Poulsen, MP
Peter Skaarup, MP
Morten Østergaard, MP

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

Elected by the	for the period
Board of Directors	ending 31 March:
Per Bank, CEO	2020
Eva Berneke, CEO	2020
Bente Sorgenfrey, First Vice President of the Danish Trade Union Confederation	2020
Peter Gæmelke, Farmer, former Chairman of Danish Agriculture	2021
Chairman Claus Jensen	2021
President Lizette Risgaard	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
Bent Jensen, CEO	2024
Professor Philipp Schröder	2024
Gitte Pugholm Aabo, CEO	2024

Committee of Directors of Danmarks Nationalbank as at 1 March 2020

Box 2

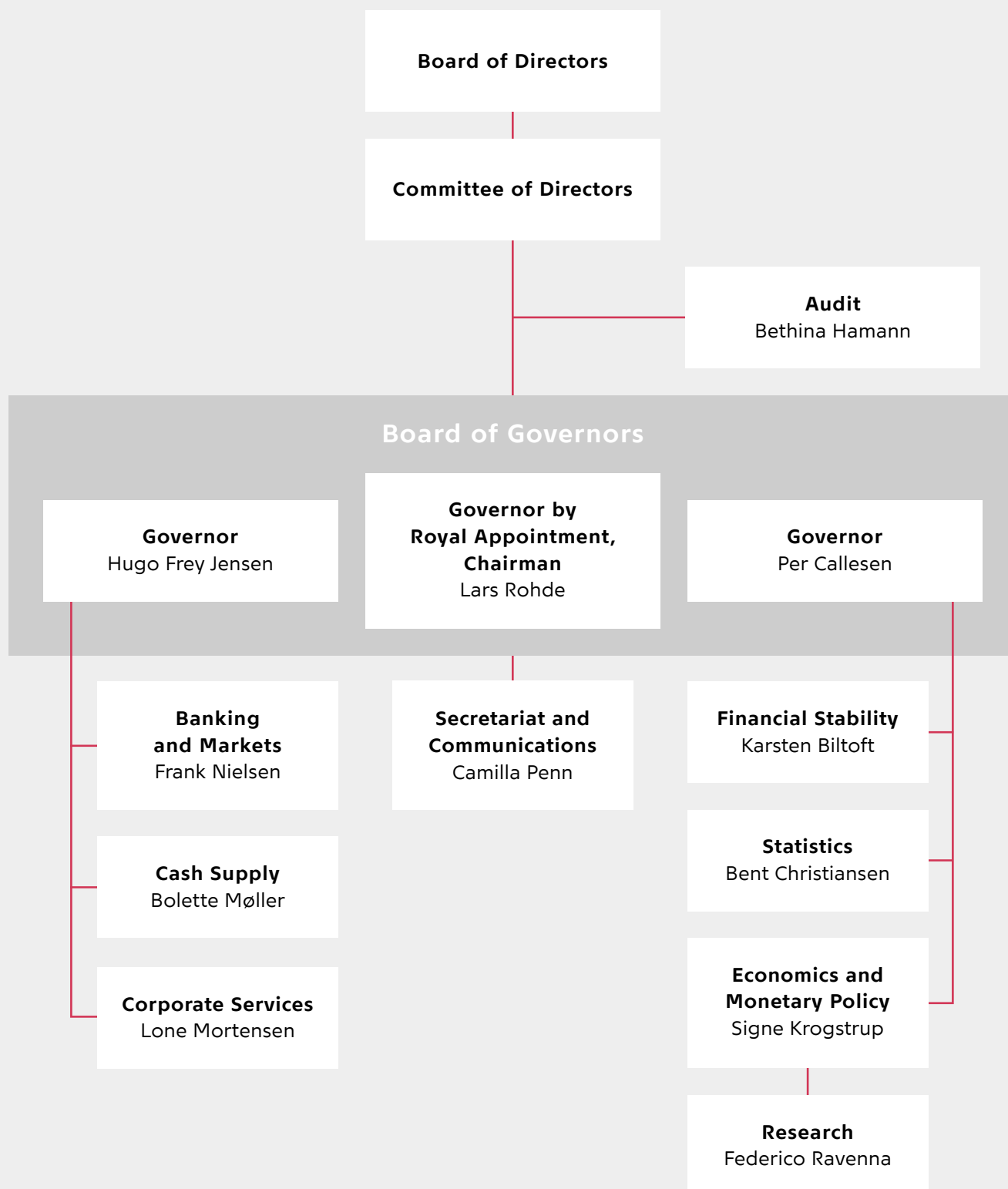
Chairman: Professor Christian Schultz
Deputy Chairman: Michael Dithmer, Permanent Secretary,
Ministry of Industry, Business and Financial Affairs

Elected by the Board of Directors for the period ending
31 March 2020:

Per Bank, CEO
Kristian Thulesen Dahl, MP
Jesper Petersen, MP
Professor Christian Schultz
Bente Sorgenfrey, First Vice President of
the Danish Trade Union Confederation

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

Organisation chart
1 March 2020



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 its foreign exchange reserve (kr. 441 billion) and its holding of domestic bonds (kr. 32 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 fell slightly in 2019, among other things due to intervention sales of foreign exchange by Danmarks Nationalbank.

The purpose of the foreign exchange reserve requires placements with high liquidity and credit standings. 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 ensuring a sufficiently liquid foreign exchange reserve, Danmarks Nationalbank has the secondary objective of realising the highest possible returns while keeping the level of risk low. Consequently, Danmarks Nationalbank is also exposed to equities and corporate bonds, which contributes to increasing expected earnings and diversifying risk. The aggregate risk is 10 per cent of net capital¹, cf. Table 1.

Danmarks Nationalbank's stock of gold and claim on the IMF are included in the foreign exchange reserve.

Under the National Bank of Denmark 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. 22 billion at the end of 2019.

The IMF lends money to countries in economic difficulties and finances these loans via the member countries' quotas and loan commitments, including via Danmarks Nationalbank. Danmarks Nationalbank's total claim on the IMF was kr. 19 billion at the end of 2019. Danmarks Nationalbank has made commitments for further loans totalling kr. 115 billion. Even though these commitments are considerable, the expected drawings on them are low.

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

Danmarks Nationalbank's financial portfolios

Table 1

Kr. billion	2019	2018
Foreign bonds	138	114
Government bonds with a credit rating of AA- or higher	62	36
Government bonds with a credit rating of BB+ to A+ ¹	25	26
Other bonds with a credit rating of AA- or higher ²	51	51
Domestic bonds	32	33
Money market products (central bank deposits, reverse repo transactions, etc.)	254	306
Other holdings and exposures		
Gold	22	18
Exposure to equities	10	7
Exposure to corporate bonds	3	6
IMF ³	19	17
Selected risk measures/financial ratios		
95 per cent expected shortfall ⁴ as a percentage of net capital	10	9.7
Krone duration	2.3	3.0
Combined average rating of the portfolio ⁵	>AA+	>AA+
Foreign exchange exposure (before FX hedge in brackets)		
EUR	405 (324)	426 (347)
USD	0 (43)	0 (40)
Other	0 (38)	0 (41)

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

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

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

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

3. Debt to the IMF as a consequence of the allocation of Special Drawing Rights totals kr. 14 billion.

4. The 95 per cent expected shortfall has been calculated for a one-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.

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 to facilitate the settlement of payments.² The use of monetary policy loans was, once again, very limited in 2019, 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 borrowings from Danmarks Nationalbank, but adequate collateral must always be pledged. Only if two events occur simultaneously will Danmarks Nationalbank suffer losses on lending: the default by a counterparty combined with the realisation value of the collateral pledged being 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 2019.

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. 120 billion at the end of 2019, cf. Chart 5.

Within each monetary policy day, the institutions can use a drawing right in connection with the settlement of payments, securities and currencies. 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 with VP and auto-collateralisation with Target2Securities (T2S).³ 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 determine the overarching requirements and 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 range

² Intraday credit is used by the institutions mainly in connection with the settlement of securities and payments, where Danmarks Nationalbank guarantees the institutions' payment obligations on a fully secured basis. Finally, Danmarks Nationalbank provides loans to banks' banknote holdings.

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

of different risks. Risk management focuses on the following areas, in particular:

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

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

The bank also works continuously to strengthen contingency plans and business continuity plans in the event of critical situations. The work also includes the continuous development of and participation in the financial sector's crisis response planning under FSOR.

Insurance strategy

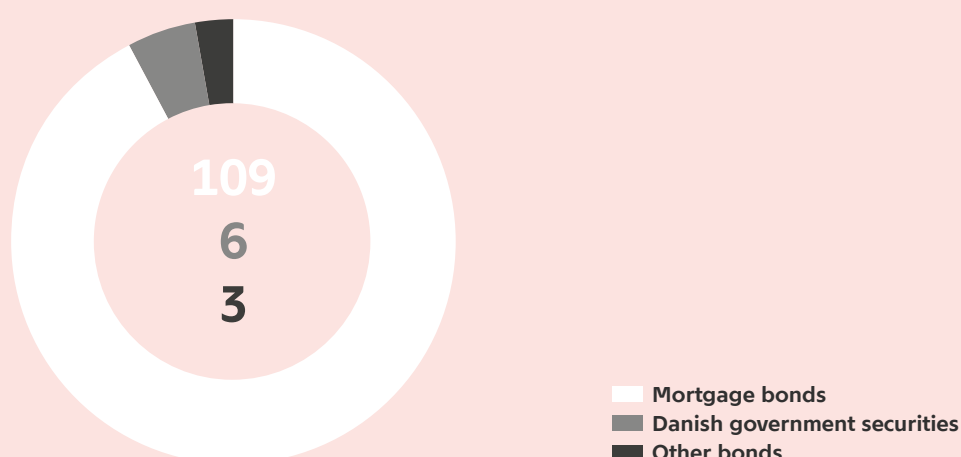
Danmarks Nationalbank's insurance policies and insurance strategy are reviewed annually in collaboration with an external insurance broker. The composition of Danmarks Nationalbank's insurance portfolio is based on a risk-based assessment of possible losses, and thus the continuous evaluation of areas to be insured and the scope of cover.

In 2019, a call for tenders for the provision of insurance brokerage services was carried out, resulting in the appointment of a new insurance broker.

Collateral value of pledged securities

Chart 5

Kr. billion,
end-2019



Note: Other bonds consist of bonds guaranteed by the Danish government or issued by KommuneKredit and Føroya Landsstýri. Mortgage bonds include mortgage bonds (ROs), covered mortgage bonds (SDROs) and covered bonds (SDOs). Rounded figures.
Source: Danmarks Nationalbank.



Accounts of the year 2019



Key figures and financial ratios 2015-19

Income statement (kr. million)	2019	2018	2017	2016	2015
Net income from interest, etc.	-22	-315	-851	-51	1,877
Value adjustment of gold	3,832	621	-271	2,001	-217
Other value adjustments	3,178	520	1,621	1,723	2,345
Income from financial fixed assets, etc.	19	18	39	957	263
Other income	2	1	19	4	5
Expenses, including depreciation	-913	-869	-792	-707	-659
Other expenses	-	-	-19	-	-19
Profit/loss for the year	6,096	-24	-254	3,928	3,595
Allocated as follows:					
Allocation to net capital	6,096	-24	-254	3,083	2,727
Payable to the central government	-	-	-	845	868
	6,096	-24	-254	3,928	3,595

Balance sheet (kr. million)	2019	2018	2017	2016	2015
Assets					
Foreign exchange reserve assets	444,317	461,314	465,333	459,040	440,593
Monetary policy lending	-	-	-	-	325
Other lending	2,091	1,185	2,094	3,530	3,177
Domestic bonds	32,099	32,579	32,935	32,926	32,887
Other assets	2,429	1,963	2,856	2,444	4,705
Total assets	480,936	497,041	503,218	497,940	481,687
Liabilities					
Banknotes and coins in circulation	70,552	70,793	70,997	70,923	70,166
Monetary policy deposits	230,566	210,849	189,967	201,796	145,128
Central government	70,411	111,674	134,689	111,772	158,244
Foreign exchange reserve debt	3,101	2,279	3,540	3,004	3,084
Other liabilities	26,521	27,757	30,312	36,478	34,181
Total creditors	401,151	423,352	429,505	423,973	410,803
Total net capital	79,785	73,689	73,713	73,967	70,884
Total liabilities	480,936	497,041	503,218	497,940	481,687

Financial ratios	2019	2018	2017	2016	2015
Foreign exchange reserve (kr. million)	441,216	459,035	461,793	456,036	437,509
Net position of banks and mortgage credit institutions vis-à-vis Danmarks Nationalbank (kr. million)	230,566	210,849	189,967	201,796	144,803
Change in banknotes and coins in circulation (per cent)	-0.3	-0.3	0.1	1.1	4.2
Change in net capital (per cent)	8.3	0.0	-0.3	4.3	4.0
Average no. of staff (full-time equivalents)	425	420	395	451	468

Board of Governors' report on Danmarks Nationalbank's Accounts

The result for the year was a profit of kr. 6,096 million, compared to a loss of kr. 24 million in 2018.

The development in the result for the year compared to last year is ascribable, in particular, to an improvement in the result from financial portfolios of kr. 6,162 million to kr. 6,988 million, compared to kr. 826 million in 2018.

The improvement in the financial result is attributable to value adjustments, with gold having contributed additional income of kr. 3,211 million relative to 2018 based on a 21 per cent increase in the gold price. The market value adjustment of foreign exchange positions increased by kr. 3,860 million to kr. 2,957 million. Of this amount, the value adjustment of the bank's equity exposures accounted for kr. 2.1 billion.

The financial result was also positively affected by an improvement in net income from interest, etc., on financial portfolios. In 2019, the net expense was kr. 22 million against a net expense of kr. 315 million in 2018. The change is due to a combination of higher interest income on monetary policy balances and a decrease in interest expenses concerning net foreign assets.

No credit losses were registered on Danmarks Nationalbank's commitments in 2019, and it is not deemed to be necessary to make provisions for such losses at year-end.

Danmarks Nationalbank's total operating expenses increased by kr. 31 million to kr. 837 million in 2019 against kr. 806 million in 2018.

The changes are due to a combination of factors, including an increase in costs associated with the maintenance and operation of the domicile at Havnegade 5.

Depreciation, amortisation and write-downs totalled kr. 76 million in 2019, which is an increase of kr. 13 million compared with 2018. The increase is due to the capitalisation of a number of major IT and renovation projects in recent years.

Distribution of the result for the year

The profit for the year of kr. 6,096 million is transferred to Danmarks Nationalbank's General Reserves. No transfer is made to the central government for the 2019 financial year. The net capital hereafter amounts to kr. 79,785 million.

Statement by the Board of Governors

The Board of Governors has today considered and approved the financial statements of Danmarks Nationalbank for 2019.

The financial statements have been prepared in accordance with the National Bank of Denmark Act (Lov om Danmarks Nationalbank).

In our opinion, the financial statements give a true and fair view of Danmarks Nationalbank's assets, liabilities and financial position at 31 December 2019, and of the result of Danmarks Nationalbank's activities for the financial year 1 January – 31 December 2019.

Copenhagen, 25 February 2020

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 financial statements give a true and fair view of Danmarks Nationalbank's assets, liabilities and financial position at 31 December 2019, and of the result of Danmarks Nationalbank's activities for the financial year 1 January – 31 December 2019, in accordance with the National Bank of Denmark Act.

What we have audited

The financial statements of Danmarks Nationalbank for the financial year 1 January – 31 December 2019 comprise the income statement, balance sheet, notes and accounting policies (the 'financial statements').

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 financial statements 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 financial statements, 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 financial statements 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 financial statements and has been prepared in accordance with the requirements laid down in the National Bank of Denmark 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 financial statements

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

Basis of opinion

We have conducted our 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 financial statements are free of material misstatement.

Our 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 financial statements, including an assessment of the risk of material misstatement. The audit also included evaluating the appropriateness of the accounting policies applied and the reasonableness of accounting estimates made by the Committee of Directors and the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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, 25 February 2020

Bethina Hamann
State-Authorised Public Accountant

Independent auditors' report

To the Board of Directors

Opinion

In our opinion, the financial statements give a true and fair view of Danmarks Nationalbank's assets, liabilities and financial position at 31 December 2019, and of the result of Danmarks Nationalbank's activities for the financial year 1 January – 31 December 2019, in accordance with the National Bank of Denmark Act.

What we have audited

The financial statements of Danmarks Nationalbank for the financial year 1 January – 31 December 2019 comprise the income statement, balance sheet, notes and accounting policies (the 'financial statements').

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 financial statements 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 these 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 financial statements 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 financial statements, 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 financial statements 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 financial statements includes the information required pursuant to the National Bank of Denmark 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 financial statements and has been prepared in accordance with the requirements laid down in the National Bank of Denmark 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 financial statements

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

When preparing the financial statements, the Committee of Directors and the 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 financial statements on the basis of the going concern accounting principle, unless the Committee of Directors and the Board of Directors plan either to liquidate Danmarks Nationalbank or to discontinue operations, or have no other realistic alternative to doing so.

Auditors' responsibility for audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applying in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- We identify and assess the risk of material misstatement in the financial statements, 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 financial statements 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 financial statements 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 financial statements, including information in the notes, and whether the financial statements 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 require-

ments 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, 25 February 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR number 3377 1231

Erik Stener Jørgensen

State-Authorised Public Accountant

Christian F. Jakobsen

State-Authorised Public Accountant

Signatures

These financial statements, audited in the manner prescribed by the by-laws of Danmarks Nationalbank, are hereby adopted by the Board of Directors at the meeting on 17 March 2020.

At 1 March 2020, the members of the Board of Directors are

Christian Schultz, Chairman

Anne Hedensted Steffensen, Deputy Chairman

Jens Bjørn Andersen

Per Bank

Eva Berneke

Barbara Bertelsen

Rune Lund

Kristian Thulesen Dahl

Michael Dithmer

Flemming Møller Mortensen

Asger Enggaard

Peter Gæmelke

Kristian Hundebøll

Bent Jensen

Claus Jensen

Jacob Jensen

Jesper Petersen

Troels Lund Poulsen

Morten Østergaard

Anja Philip

Philipp Schröder

Lizette Risgaard

Peter Skaarup

Bente Sorgenfrey

Gitte Pugholm Aabo

Accounting policies

General

Danmarks Nationalbank's financial statements for 2019 are presented in accordance with the National Bank of Denmark Act. In all significant respects, these accounting policies are in accordance with the sound policies of European central banks in the euro area. The main differences relate to unrealised gains on foreign exchange and securities, which are recognised in the income statement in Danmarks Nationalbank's financial statements.

The basic principle is that the financial reporting should reflect economic reality. The effects of transactions and events are recognised when they occur and are stated and presented in the financial statements for the year which they concern. The financial statements 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 information. 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, financial assets and liabilities in foreign currencies are converted at the exchange rates most recently published by Danmarks Nationalbank. Both realised and unrealised gains and losses are recognised in the income statement.

A minor reclassification has been made between 'Other assets' and 'Accruals'. The comparative figures have been restated accordingly.

In all other respects, the principles for and the classification of the individual items in the financial statements remain unchanged from the previous year.

Income statement

Net interest, etc.

Besides interest 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 income statement.

Income from financial fixed assets, etc.

Income from financial fixed assets etc. comprises income from shares received, net gains from the sale of financial fixed assets, etc., as well as revaluations and write-downs. Income is recognised in the year in which the dividend is announced.

Other income

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

Expenses

Staff expenses comprise salaries and remuneration, including pension contributions and support, etc., training costs and other staff expenses. Expenses concerning banknote and coin production services comprise the costs of purchase of banknotes and coins produced by external suppliers. Other expenses concern the operation of Danmarks Nationalbank's properties, IT operations 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 gold price on the balance sheet date in US dollars.

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 using 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.

Financial fixed assets and similar 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 amortisation.

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 fixed 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.

Under section 17 of the National Bank of Denmark Act, the value booked, including building improvements and related assets under construction, must not exceed the public property valuation. In such case, any excess amount will be recognised as an expense.

Profit/loss on the sale of fixed assets is recognised in the income statement under depreciation, amortisation and write-downs and is stated as the difference between the selling price and the book value at the time of sale.

Other assets

Other assets include positive net value of hedging instruments in the form of unsettled foreign exchange transactions and other financial derivatives by instrument type. Also included is income falling due after the end of the financial year, including interest receivable.

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. Other items are measured at cost.

Accruals

Accruals recognised under assets include prepaid expenses relating to subsequent financial years. Accruals are measured at cost.

Banknotes and coins in circulation

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

Other liabilities

Other liabilities comprise, inter alia, 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. Also included are expenses falling due after the end of the financial year, including interest payable and holiday pay.

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. Other items are measured at cost.

Contingent liabilities

Other liabilities concerning guarantees provided are stated at the estimated value of the payment obligation. Contractual obligations relating to rented premises have been determined as the total contractual obligations during the period of non-terminability.

Pension commitments

For defined-contribution pension plans, the current premium payments to the pension companies are carried as expenditure in the income statement, and the pension commitment hereafter passes to the pension companies.

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

Profit and loss account

Kr. 1,000	Note	2019	2018
Net income from interest, etc.	1		
Interest on net foreign assets		-2,027,358	-2,283,168
Income from Exchange Traded Funds		89,063	135,958
Interest on monetary policy lending and deposits and certificates of	2	1,386,167	980,807
Interest on domestic bonds		-21,831	-4,719
Interest on the central government's deposits		485,111	766,841
Interest on other domestic loans and deposits		66,349	88,693
Commission and other income		615	277
Net income from interest, etc., total		-21,884	-315,311
Value adjustments, etc.			
Value adjustment of gold	3	3,831,730	620,557
Value adjustment of foreign exchange positions	4	3,087,322	453,811
Value adjustment of domestic bonds		91,141	66,784
Value adjustments, etc., total		7,010,193	1,141,152
Profit/loss from financial portfolios		6,988,309	825,841
Income from financial fixed assets, etc.	5	19,203	18,126
Other income	6	1,903	1,353
Expenses			
Staff expenses	7	376,736	366,141
Banknote and coin production services	8	18,391	12,224
Other expenses	9	442,119	428,199
Total expenses		837,246	806,564
Depreciation, amortisation and write-down of tangible and intangible fixed assets	10	75,911	62,978
Profit/loss for the year		6,096,258	-24,222
Distribution of the result for the year:			
Allocation to/transfer from the General Reserves		6,096,258	-24,222
Payable to the central government		-	-
		6,096,258	-24,222

Balance sheet

Kr. 1,000	Note	2019	2018
Assets			
Gold	11	21,672,570	17,840,840
Foreign assets	12	404,089,085	426,027,944
Claims on the IMF, etc.	13	18,554,819	17,444,941
Claims re banks' and mortgage credit institutions' TARGET accounts at		37,892	88,410
Monetary policy lending	14	-	-
Other lending	15	2,090,994	1,184,868
Domestic bonds	16	32,099,447	32,578,694
Financial fixed assets, etc.	17	184,405	184,063
Tangible and intangible fixed assets	18	694,056	688,205
Other assets	19	1,456,482	943,370
Accruals		56,319	59,292
Total assets		480,936,069	497,040,627
Liabilities			
Banknotes in circulation	20	64,430,481	64,695,043
Coins in circulation	20	6,121,076	6,098,092
Monetary policy deposits			
Net current accounts and settlement accounts	21	31,205,308	30,986,505
Certificates of deposit		199,361,000	179,862,000
Other deposits	22	11,781,641	12,962,775
Central government	23	70,410,935	111,674,260
Foreign liabilities	24	3,100,520	2,278,268
Counterpart of Special Drawing Rights allocated by the IMF	25	14,137,490	13,880,049
Other liabilities	26	602,150	914,425
Total creditors		401,150,601	423,351,417
General Capital Fund		50,000	50,000
Statutory Reserves		250,000	250,000
General Reserves		79,485,468	73,389,210
Total net capital	27	79,785,468	73,689,210
Total liabilities		480,936,069	497,040,627
Financial derivatives used for FX hedge	28		
Other financial derivatives	29		
Contingent liabilities	30		
Loan and purchase commitments to the IMF	31		
Pension commitments	32		

Note 1 – Net income from interest, etc.

As in previous years, most of Danmarks Nationalbank's receivables are subject to negative interest rates. Total net interest income increased from kr. -315 million in 2018 to kr. -22 million in 2019.

Net income from interest and dividend concerning net foreign assets increased by kr. 209 million to kr. -1,938 million. Negative maturity reduction of kr. 510 million is included in net income from interest.

Danmarks Nationalbank's interest rate on certificates of deposit was reduced to -0.75 per cent in mid-September. The other monetary policy interest rates were unchanged in 2019. Average net deposits from monetary policy counterparties were up kr. 52 billion at kr. 230 billion in 2019, which entailed an aggregate increase of kr. 405 million to net income from interest, etc., of kr. 1,386 million.

Average net deposits from these institutions amounted to kr. 178 billion in 2018, and Danmarks Nationalbank had net interest income of kr. 981 million on such deposits.

Interest on the central government's deposits decreased by kr. 282 million from an income of kr. 485 million in 2018. The decrease was primarily due to average government deposits over the year being lower than in 2018. In 2019, the average government deposit was kr. 83 billion (2018: kr. 153 billion).

Interest on domestic bonds decreased by kr. 17 million to kr. -22 million in 2019.

Interest on other domestic loans and deposits decreased by kr. 22 million to total net income of kr. 66 million as a result of lower net deposits.

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

Kr. 1,000	2019	2018
Interest on certificates of deposit	1,386,167	980,738
Interest on monetary policy lending	0	69
	1,386,167	980,807

Note 3 – Value adjustment of gold

Value adjustment of the gold stock entailed a gain of kr. 3,832 million, compared to a gain of kr. 621 million last

year, reflecting a total increase of 21.5 per cent in the price of gold measured in Danish kroner.

Note 4 – Value adjustment of foreign exchange positions

Kr. 1,000	2019	2018
Market value adjustment	2,956,575	-903,914
Exchange rate adjustment	130,747	1,357,725
	3,087,322	453,811

Note 5 – Income from financial fixed assets, etc.

Income from financial fixed assets, etc., amounted to kr. 19,203 thousand in 2019 and relate to dividend on Danmarks Nationalbank's holding of shares in Bank for

International Settlements. This is an increase of kr. 1,077 thousand compared to 2018.

Note 6 – Other income

Kr. 1,000	2019	2018
Sale of coins and medals	1,358	1,178
Dividend on equity investments in commercial companies	545	175
	1,903	1,353

Note 7 – Staff expenses

Kr. 1,000	2019	2018
Salaries and remuneration	304,437	295,294
Pension contributions and support	50,577	48,599
Training	6,684	6,761
Other staff expenses	15,038	15,487
	376,736	366,141
Of which remuneration of the management:		
Governors, salaries	10,297	10,097
Governors, pension contributions	1,889	1,852
Committee of Directors and Board of Directors	964	953
	13,150	12,902
Salaries to the Governors are as follows:		
Lars Rohde, Chairman	3,654	3,583
Per Callesen	3,321	3,256
Hugo Frey Jensen	3,322	3,258
	10,297	10,097
Remuneration of the Committee of Directors and Board of Directors is as		
Chairman of the Committee of Directors and the Board of Directors	123	121
Deputy Chairman of the Committee of Directors	92	91
Deputy Chairman of the Board of Directors	36	48
Other members of the Committee of Directors, total (kr. 57	288	270
Other members of the Board of Directors, total (kr. 25 thousand/member/year)	425	423
	964	953

No bonus schemes exist at Danmarks Nationalbank.

In 2019, the average number of employees was 425 full-time equivalents (2018:

Note 8 – Banknote and coin production services

Kr. 1,000	2019	2018
Coin purchases	18,386	11,588
Banknote purchases	5	636
	18,391	12,224

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

Note 9 – Other expenses

Kr. 1,000	2019	2018
Real property, current expenses	62,982	31,557
IT expenses	323,233	334,352
Other expenses	55,904	62,290
	442,119	428,199

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

Kr. 1,000	2019	2018
Properties	15,164	15,461
Machinery and other operating equipment	2,453	2,206
Hardware and software	58,471	45,591
	76,088	63,258
Net profit on sale of fixed assets	177	280
	75,911	62,978

Note 11 – Gold

The value of the gold stock was kr. 21.7 billion at year-end, compared to kr. 17.8 billion at the end of last year. The reason for the increase was a 21.5 per cent increase in the

price of gold in 2019. The gold stock was unchanged at 66,550 kg.

Note 12 – Foreign assets

Kr. 1,000	2019	2018
Foreign bonds	137,696,079	113,312,436
Exchange Traded Funds	12,725,248	5,762,467
Repo transactions collateralised against foreign bonds	23,156,070	-
Claims on central banks and supranational institutions	230,491,192	305,322,086
Claims on foreign commercial banks	1,919	457,670
Claims re two-way collateral in cash	9,412	580,956
Margin claims re futures	9,165	592,329
	404,089,085	426,027,944

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. Danmarks Nationalbank was not exposed to stock futures at the end of 2019 (2018: kr. 6.6 billion), while the exposure to bond futures was kr. 0.3 billion (2018: kr. 0.7 billion). This can be seen from Note 29.

Danmarks Nationalbank undertakes ongoing collateralised lending in the form of reverse repo transactions which are collateralised against foreign government and government-guaranteed bonds.

Apportionment on credit assessment

2019 (kr. million)	Total	EUR	USD	JPY	Other
- Of which AAA	251,807	235,444	5,700	-	10,663
- Of which AA+ to AA-	86,552	67,771	16,744	0	2,037
- Of which A+ to A-	33,580	7,479	2,357	23,743	1
- Of which BBB+ to BBB-	7,282	7,282	-	-	-
- Of which BB+ to BB-	-	-	-	-	-
- Of which non-rated assets	24,868	7,822	16,237	-	809
	404,089	325,798	41,038	23,743	13,510

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	0
- 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
	426,028	347,594	38,048	24,388	15,998

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

International Settlements (BIS) and holdings of Exchange Traded Funds.

Note 13 – Claims on the IMF, etc.

	2019 (1,000 SDRs)	2019 (kr. 1,000)	2018 (1,000 SDRs)	2018 (kr. 1,000)
IMF quota	3,439,400	31,750,133	3,439,400	31,171,970
The IMF's drawing right	3,004,890	27,739,041	3,106,890	28,158,366
Reserve position with the IMF	434,510	4,011,092	332,510	3,013,604
Holdings of Special Drawing Rights (SDRs) at the IMF	1,424,085	13,146,154	1,432,730	12,985,122
Loans	151,395	1,397,573	159,570	1,446,215
	2,009,990	18,554,819	1,924,810	17,444,941

At 31 December 2019, claims on the IMF amounted to kr. 18,555 million, compared to kr. 17,445 million at the end of 2018. The exchange rate for DKK/SDR is 9.2313 at year-end (end-2018: 9.0632).

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 2019, the reserve position amounted to 435 million SDRs, equivalent to kr. 4,011 million. Denmark's quota of 3,439 million SDRs (kr. 31,750 million) remains unchanged since the IMF's quota reform from 2010 came

into force in 2016, while the reserve position vis-à-vis the IMF has increased by 102 million SDRs. Like the year before, the IMF in 2019 utilised a larger element of the drawing right for the quota to finance loan programmes.

At 31 December 2019, Danmarks Nationalbank's holdings of special drawing rights with the IMF (SDRs) amounted to 1,424 million SDRs (kr. 1,146 million), which is 8.6 million SDRs less than in 2018.

An amount equivalent to the IMF's accumulated allocations of SDRs to Denmark is included as a liability in the financial statements and is shown in Note 25 'Counterpart of Special Drawing Rights allocated by the IMF'.

Loans under the IMF

	2019 (1,000 SDRs)	2019 (kr. 1,000)	2018 (1,000 SDRs)	2018 (kr. 1,000)
Loans to the PRG Trust	59,595	550,139	35,770	324,191
Loans under New Arrangements to Borrow	91,800	847,434	123,800	1,122,024
	151,395	1,397,573	159,570	1,446,215

Loans to the Poverty Reduction and Growth Trust (PRGT) amount to 60 million SDRs (kr. 550 million). A new loan of kr. 28 million was granted in 2019, while 4.2 million SDRs were repaid on existing loans.

Loans under the NAB (New Arrangements to Borrow) agreement amount to 92 million SDRs (kr. 847 million). 37

million SDRs were repaid in 2019, and no new loans were granted.

In 2019, loans had still not been granted under the bilateral loan agreement for 2016.

Reference is made to Note 31 for an overview of loan and purchase commitments to the IMF.

Note 14 – Monetary policy lending

Monetary policy lending is one element under the monetary policy instruments available.

As a result of market developments, monetary policy lending has been limited in the last five years. No loans were outstanding at 31 December 2019, which was generally the case for 2019.

Note 15 – Other lending

At 31 December 2019, other lending comprises loans for cash depots.

Note 16 – Domestic bonds

Kr. 1,000	2019	2018
Mortgage bonds, etc.	32,099,447	31,843,193
Danish Ship Finance bonds	-	735,501
	32,099,447	32,578,694

Note 17 – Financial fixed assets, etc.

Kr. 1,000	2019	2018
Financial fixed assets and similar investments	122,845	122,503
Equity investments in associated companies	61,560	61,560
	184,405	184,063

At 31 December 2019, the estimated market value of the bank's portfolio of financial fixed assets, etc., was at least kr. 2.4 billion.

Danmarks Nationalbank's portfolio of financial fixed assets and similar 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 of the ECB. The capital subscriptions are determined by the weightings assigned to the national central banks 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 does not participate in the distribution of profits or the allocation of losses in the ECB. Danmarks Nationalbank's share of the ECB's capital amounts to 162.2 million euro, of which 6.1 million euro has been paid up, equivalent to kr. 45.4 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 holding, if requested to do so by the Bank for International Settlements. This payment obligation amounts to 32.1 million SDRs, equivalent to kr. 296.5 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. 153.4 million	kr. 23.8

Source: Figures according to Annual Report 2018.

Note 18 – Tangible and intangible fixed assets

Kr. 1,000	2019	2018
Properties	521,608	501,562
Machinery and other operating equipment	19,064	5,694
Hardware and software	114,166	61,561
Fixed assets under construction	39,218	119,388
	694,056	688,205

At the most recent official assessment, Danmarks Nationalbank's properties were

Note 19 – Other assets

Kr. 1,000	2019	2018
Market value of unsettled foreign exchange transactions	562,919	-
Market value of unsettled domestic securities transactions	-	4,069
Equity investments in commercial companies	39,589	39,589
Interest receivable	839,665	882,514
Other receivables	14,309	17,198
	1,456,482	943,370

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

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

Note 20 – Banknotes and coins in circulation

Banknotes in circulation (kr. 1,000)	2019	2018
Kr. 1,000	26,030,249	28,552,768
Kr. 500	21,948,697	19,537,072
Kr. 200	6,728,251	6,469,741
Kr. 100	3,883,359	3,820,259
Kr. 50	1,017,338	1,007,746
Older series*)	4,374,150	4,863,996
Faroese banknotes	448,437	443,461
	64,430,481	64,695,043

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

Coins in circulation (kr. 1,000)	2019	2018
20-krone	2,586,400	2,580,467
10-krone	1,235,609	1,230,581
5-krone	621,865	614,219
2-krone	549,654	546,534
1-krone	370,731	368,595
50-øre	192,602	191,273
Older series*)	383,923	385,478
Thematic and commemorative coins with other nominal values	180,292	180,945
	6,121,076	6,098,092

*) Coins issued before the current series.

Note 21 – 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 to settle payments in Danish and international payment and settlement systems. Danmarks Nationalbank grants credit against collateral to the financial institutions to ensure that there is always sufficient liquidity in the financial system for payment to be settled.

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

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

At the close of the monetary policy day on 30 December 2019, the banks and mortgage credit institutions had total current account deposits at Danmarks Nationalbank of kr. 31.2 billion. (2018: kr. 31.0 billion).

Note 22 – Other deposits

Kr. 1,000	2019	2018
Banks' and mortgage credit institutions' deposits in current accounts in euro	37,892	88,410
Banks, two-way collateral in cash	2,367,820	1,289,752
Other deposits	9,375,929	11,584,613
	11,781,641	12,962,775

Note 23 – Central government

The central government's deposits amounted to kr. 70,411 million at 31 December 2019. The central government will not receive a share of the profit for 2019.

Note 24 – 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. 2,103 million.

Note 25 – 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 amounted to 1,531 million SDRs at 31 December 2019.

There were no changes in the allocation of SDRs in 2019. The current holdings of SDRs are specified in Note 13 'Claims on the IMF, etc.'.

Note 26 – Other liabilities

Kr. 1,000	2019	2018
Market value of unsettled foreign exchange transactions	-	287,580
Market value of unsettled domestic securities transactions	2,225	-
Market value of unsettled foreign securities transactions	-	373
Interest payable	348,879	406,079
Payables	116,315	104,790
Wage-related payables	77,753	73,819
Other liabilities	56,978	41,784
	602,150	914,425

Note 27 – Net capital

Kr. 1,000	General Capital Fund	General Reserves	Total
Net capital at 1 January 2019	300,000	73,389,210	73,689,210
Retained earnings	-	6,096,258	6,096,258
Net capital at 31 December 2019	300,000	79,485,468	79,785,468

Note 28 – Financial derivatives used for FX hedge

2019 (kr. million)	Total	EUR	USD	JPY	Other
Net positions at market value					
Forward exchange contracts:					
Purchase	128,611	-	24,380	-	104,231
Sale	-128,048	-22	-67,049	-24,089	-36,888
Unsettled spot currency trades:					
Purchase	2	1	-	-	1
Sale	-2	-1	-	-	-1
	563	-22	-42,669	-24,089	67,343

2018 (kr. million)	Total	EUR	USD	JPY	Other
Net positions at market value					
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
	-288	78,952	-39,538	-24,665	-15,037

Note 29 – Other financial derivatives

2019 (kr. million)	Total	DKK	EUR	USD
Principals at market value				
Forward contracts, bonds:				
Purchase	2,665	2,665	-	-
Sale	-	-	-	-
Futures, bonds:				
Purchase	323	-	100	223
Sale	-	-	-	-
Futures, shares:				
Purchase	-	-	-	-
Sale	-	-	-	-

2018 (kr. million)	Total	DKK	EUR	USD
Principals at market value				
Forward contracts, bonds:				
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	-	-	-	-

Note 30 – Contingent liabilities

Kr. 1,000	2019	2018
Contractual obligations relating to rented premises	271,782	-
Other guarantees	30	45
	271,812	45

Danmarks Nationalbank's contractual obligations relating to rented premises include rent and other commitments relating to the rental of a temporary domicile and other rented premises. At the end of 2019, these obligations totalled kr. 272 million, of which an amount of kr. 44.5 million falls due in 2020. In addition, Danmarks

Nationalbank has entered into an intervention agreement with the ECB, as well as swap agreements with central banks. Furthermore, Danmarks Nationalbank has an indemnification obligation to the purchaser in connection with the sale of financial assets.

Note 31 – 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 13.

	2019 (1,000 SDRs)	2019 (kr. 1,000)	2018 (1,000 SDRs)	2018 (kr. 1,000)
The IMF's drawing right	3,004,890	27,739,041	3,106,890	28,158,366
Danmarks Nationalbank's obligation to purchase SDRs	3,170,335	29,266,316	3,161,689	28,655,026
Undrawn PRG Trust loan facility	440,405	4,065,511	464,230	4,207,409
Undrawn amount of loan facilities for the IMF in connection with the NAB agreement	1,537,960	14,197,370	1,505,960	13,648,817
Undrawn amount of loan facilities for the IMF in connection with bilateral loans (2016 agreement) *)	4,288,606	39,589,410	4,366,745	39,576,690
	12,442,196	114,857,648	12,605,514	114,246,308

*) 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 2019, the balance amounts to kr. 27,739 million (3,005 million SDRs), which also appears from Note 13.

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 1,531 million SDRs, equivalent to 4,594 million SDRs. The current SDR holdings amount to 1,427 million SDRs, and the maximum additional purchase is thus 3,170 million SDRs, equivalent to kr. 29,266 million. Danmarks Nationalbank's accumulated SDR allocation is also stated in Note 25.

Undrawn PRG Trust loan facility: The Danish loan commitment was increased by 300 million SDRs on 17 November 2016, and at 31 December 2019 totals 500 million SDRs, equivalent to kr. 4,616 million. The loan is guaranteed by the Kingdom of Denmark. The current loan amounts to 60 million SDRs, so that the undrawn share at 31 December 2019 amounts to 440 million SDRs, equivalent to kr. 4,066 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 4,289 million SDRs (kr. 39,589 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 32 – Pension commitments

Present and former employees of Danmarks Nationalbank have either defined-contribution or defined-benefit pension plans.

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 such plans. 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, for example, 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	2019	2018
Pension commitments and other liabilities	3,445	3,413
Fair value of the assets of the Pension Fund	4,871	4,719
Net capital of the Pension Fund	1,426	1,306
Solvency requirement of the Pension Fund	138	135

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

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