

# DANMARKS NATIONALBANK

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## Annual Report 2020



DANMARKS  
NATIONALBANK



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NATIONALBANK  
**Annual Report**  
**2020**

## Annual Report 2020

This report is based on information available up to 8 March 2021

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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# Contents

7	Foreword
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## Report of the Board of Governors

### Report of the Board of Governors on the activities of Danmarks Nationalbank

10	Monetary policy, financial markets and the real economy
12	The stability of the financial system
13	The Systemic Risk Council
14	Secure payments
16	Result for the year 2020

### Organisation

20	Staff
22	Danmarks Nationalbank's representation on committees, in international organisations, etc.
23	Organisation chart

### Risk management

24	Financial portfolios
26	Risks on loans to banks and mortgage credit institutions
26	Collateral basis and lending
28	Operational risk
29	Insurance strategy

## Accounts of the year 2020

33	Accounts
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Per Callesen  
Governor



Lars Rohde  
Chairman



Signe Krogstrup  
Governor

# 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 Folketing). The National Bank of Denmark Act from 1936 still applies.

Danmarks Nationalbank's three main objectives are laid down in the Act: Firstly, Danmarks Nationalbank is to ensure stable prices and low inflation. The fixed krone exchange rate against the euro contributes to creating the framework for this. 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 2020, the coronavirus pandemic has affected large parts of Danish society and obviously also Danmarks Nationalbank. In this connection, new tools have been implemented in the ongoing monitoring of the

Danish economy. These include models for nowcasting gross domestic product (GDP) growth.

In the autumn, Danmarks Nationalbank moved from its headquarters in Havnegade 5 to Langelinie Allé 47 in Copenhagen to make way for an extensive restoration and renovation of the listed building in the centre of Copenhagen. The building in Havnegade 5 was designed by Danish architect Arne Jacobsen and is part of the cultural heritage of Denmark. As the owner of the building, Danmarks Nationalbank has a responsibility to protect the architecture of the building and preserve the cultural heritage for posterity.

In addition to the financial statements, Annual Report 2020 presents an overall description of Danmarks Nationalbank's activities within its three areas of activity.

A more detailed description of Danmarks Nationalbank's activities can be found on Danmarks Nationalbank's website. The website also contains all publications and reports published during the year.

Copenhagen 8 March 2021

Lars Rohde  
Chairman

Per Callesen

Signe Krogstrup



# 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 object of Denmark's monetary policy is to ensure a fixed exchange rate against 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 of the krone against the euro – and previously the German D-mark – has been unchanged since 1987.

In 2020, the rate of the krone against the euro was stable around the central rate, see Chart 1. In March, there was briefly turmoil on the financial markets following the outbreak of covid-19. One effect thereof was a currency outflow, resulting in increased pressure on the krone towards a weakening against the euro. Danmarks Nationalbank followed its usual reaction pattern, and, after prior interventions in the foreign exchange market, the interest rate on certificates of deposit was increased by 0.15 percentage points to -0.60 per cent on 19 March 2020, see Chart 2. The interest rate increase meant that the monetary policy yield spread to the euro area was narrowed from -0.25 to -0.10 percentage points. Danmarks Nationalbank sold currency totalling kr. 78 billion in connection with foreign exchange market interventions in the first three months of 2020. This contributed to reducing the foreign exchange reserve. The foreign exchange reserve was kr. 439 billion at the end of 2020.

Danish money market interest rates increased by approximately 0.25 percentage points in 2020. The increase must be seen in the light of Danmarks Nationalbank's interest rate increase and a decrease in the net position of approximately kr. 100 billion in March 2020. The net position was kr. 164 billion at the end of 2020.

Danmarks Nationalbank set up an extraordinary lending facility in March to offer the monetary policy counterparties financing on attractive terms if needed. The facility gave the monetary policy counterparties an opportunity to borrow funds for seven days and three months, respectively, against collateral at an interest rate of -0.35 per cent. Danmarks Nationalbank also entered into agreements on swap lines with the European Central Bank (ECB) and the Federal Reserve (Fed) in March to ensure access to euro and dollar liquidity for banks.

Interest rates on government bonds and mortgage bonds rose in the wake of the outbreak of covid-19 in March, see Chart 3. Interest rates have subsequently fallen, one reason being that several central banks, including the ECB, introduced significant monetary policy measures in the form of large asset purchase programmes and liquidity measures. These measures helped stabilise the development in the financial markets. At the end of the year, the yield on a 30-year mortgage bond was around 0.7 per cent, see Chart 3.

## 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.

## Interest rate on certificates of deposit increased in 2020

Chart 2



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

## Following the outbreak of covid-19 in March interest rates increased

Chart 3



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

During March, the 2-year and 10-year yield spreads between Danish and German government bonds widened by 0.2 percentage points. The yield spreads have subsequently narrowed, and the yields on Danish and German government bonds have largely followed each other. At the end of the year, the 2-year Danish government bond yield was 0,6 per cent, while the 10-year government bond yield was 0,4 per cent.

Danish equity prices (OMXC25) were characterised by large fluctuations in 2020. In connection with the outbreak of covid-19 in March, Danish equity prices dropped approximately 25 per cent. Equity prices have since risen as a result of, among other factors, global monetary policy measures, relief packages and greater clarity about macroeconomic trends. Overall, Danish equity prices increased by 36 per cent in 2020.

The Danish economy entered 2020 riding on a moderate boom and without any major imbalances. However, the coronavirus, which caused a worldwide pandemic in spring, resulted in a lockdown of large parts of society in many countries. This hit the economy hard. Demand for Danish goods and services fell both domestically and in export markets. Gross domestic product (GDP) fell more than 7 per cent in the second quarter. There was a partial recovery during the summer, but growth flattened out again towards the end of the year in the wake of a resurgence of the coronavirus. Based on this highly uneven growth trajectory, the overall result for the year was a decline in GDP of around 3.5 per cent.

Private consumption also fell by 3.5 per cent in 2020 as a whole. The lockdown of parts of the economy resulted in a very uneven development in consumption across industries. Hotels, restaurants, tourism and the experience industry saw marked declines, while other parts of the economy benefitted from a shift in consumption towards areas that were not subject to restrictions.

In an attempt to cushion private consumption, employees were given the opportunity of having part of their frozen holiday pay funds disbursed.

All export markets were hit by the pandemic, and many countries shut down large parts of their economy. Food products and pharmaceuticals constitute a significant part of Danish exports. These are items that are typically less cyclical than other goods. Exports of services decreased by 14 per cent. Tourism was particularly hard hit. The decline in exports of

goods was more moderate. Overall, exports fell by 8 per cent and imports also saw a decrease. The current account surplus decreased to around 8 per cent of GDP from 9.5 per cent of GDP in 2019.

Employment followed production with a drop in the second quarter and with a subsequent recovery at a declining pace during the rest of the year. The greatest fluctuations were in the service industries. Government relief packages, including wage compensation, cushioned employment. At the end of the year, the number of employed persons was still 15,000 below the level at the beginning of 2020. The number of unemployed persons increase by more than 21,000.

The wage growth was moderate. Consumer prices rose by 0.3 per cent in 2020, which was below the decline seen in the preceding years and on a level with the rate of price increases 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 continued to grow.

The housing market was briefly affected by the pandemic. House prices continued to rise, and the supply of homes for sale was lower than for many years. House prices increased in line with the increase in preceding years. The building and construction sector hardly felt the economic downturn, and employment remained high in this sector.

Fiscal policy was eased significantly to mitigate the consequences of the economic downturn. The eased fiscal policy took the form of government subsidies to corporations, general fiscal policy stimulus and a number of liquidity measures, including extension of payment deadlines for VAT and taxes etc. The government budget deficit ended at more than 4 per cent of GDP. Danmarks Nationalbank supported the fiscal policy pursued, but stressed the importance of the measures being temporary, to avoid creating a static business structure.

## 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 this area. In addition, Danmarks Nationalbank

monitors the payments infrastructure, produces financial statistics and acts as secretariat for the Systemic Risk Council (DSRR).

So far, the banks have come through the coronavirus crisis without incurring significant losses. However, the outbreak of the coronavirus has resulted in a significant deterioration in credit quality among that part of the banks' customers which were hardest hit by restrictions. The deteriorated credit quality and expectations of a further deterioration in the future have resulted in the banks making impairment charges on parts of their lending.

There have been large fluctuations in credit institutions' earnings since the outbreak of the coronavirus, one reason being significant impairment charges for expected bad debts. Earnings have been declining since 2017, and this trend is also expected for 2020. The reasons for the decrease include lower interest margins due to competition on lending and sluggishness in the reduction of deposit rates. Current earnings still constitute reasonable initial protection against losses. However, further declines may weaken credit institution resilience in the long term.

The gap between capital requirements and capital base has largely widened, primarily as a result of the release of the countercyclical capital buffer. The big banks cancelled dividend payments and their planned and existing share buy-back programmes. This has allowed the institutions to build up additional loss-absorbing capital, which has also contributed to the higher excess capital adequacy in the banking sector relative to 2019. In a longer-term perspective, banks are generally better capitalised today than, for example, in the run-up to the 2008-09 financial crisis.

Danmarks Nationalbank's stress test from December shows that individual systemic credit institutions will exceed the requirements for their capital buffers in a severe and early recession. None of the systemic credit institutions fail to comply with their minimum capital adequacy requirements.

In 2020, Danmarks Nationalbank continued its work to analyse how climate change may affect economic and financial stability. Danmarks Nationalbank published a climate stress test that examines how the banking sector may be impacted by the risks that may occur when moving towards a greener economy – the so-called transition risks.

## The Systemic Risk Council

Danmarks Nationalbank chairs and provides secretariat services for the Systemic Risk Council (DSRR). The Council monitors systemic risks in the financial system and may recommend policy measures to address these risks.

On 12 March 2020, the Minister for Industry, Business and Financial Affairs decided to release the countercyclical capital buffer in response to the covid-19 situation. At that time, the buffer rate was 1.0 per cent, and a decision had been made on a gradual increase to 2.0 per cent from 30 December 2020. The buffer was released to discourage banks and mortgage credit institutions from being too cautious in their lending due to insufficient capital.

In June, the Systemic Risk Council announced that it did not expect to recommend an increase in the buffer until in 2021 at the earliest. This announcement was further specified in December, when the Systemic Risk Council stated that it does not expect to recommend an increase in the buffer rate until in mid-2021 at the earliest. The timing of the recommendation and the pace of rebuilding the buffer will depend on how speedy the economic recovery is. The development and behaviour in the financial sector will also have an impact on the rebuilding of the buffer.

The Systemic Risk Council is also macroprudential authority for the Faroe Islands and Greenland. This means that the Systemic Risk Council also here monitors systemic risks and recommends macroprudential policy measures aimed at promoting good practice and limiting risk-taking.

In March 2020, the Systemic Risk Council recommended to the Minister for Industry, Business and Financial Affairs that a lower limit be introduced for when credit institutions on the Faroe Islands can be designated as systemically important financial institutions. The Systemic Risk Council also recommended that the general systemic buffer rate on the Faroe Islands be temporarily reduced to 2 per cent. The Minister for Industry, Business and Financial Affairs decided to follow both recommendations. In September, the Systemic Risk Council decided that it will not recommend increasing the systemic risk buffer on the Faroe Islands to 3 per cent until in 2021 at the earliest.

## 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.

Since 2018, securities transactions in Danish kroner have primarily been settled on the European payment and securities settlement platform Target Services. From and including November 2022, Target Services will be able to settle Danish krone payments between banks. Therefore, Danmarks Nationalbank intends to gather the settlement of the banks' payments and securities transactions in Danish kroner on Target Services. In addition, Danish kroner will also be connected to a European settlement system for instant payments called Target Instant Payment Settlement (TIPS).

Migrating to a new platform paves the way for closer collaboration with other central banks in Europe, including in the area of cyber threats. The use of a joint IT platform also results in economies of scale. The migration is expected to be implemented during 2024/25.

A number of Nordic banks collaborate on the establishment of a joint Nordic infrastructure for clearing and settling retail payments in Denmark, Sweden and Finland. The collaboration is called P27 with reference to the approximately 27 million inhabitants in the Nordic region. Danmarks Nationalbank is in dialogue with P27, one object being to ensure that, also in future, there will be appropriate monitoring of retail payments in Danish kroner.

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 impor-

tant payment solutions. In 2020, Danmarks Nationalbank worked with assessment of Kronos2 according to international standards. Conclusions from the oversight are reported in the annual publication on oversight of the financial infrastructure.

There was still focus on cybersecurity in the payments infrastructure oversight in 2020. Danmarks Nationalbank has, for example, made an assessment of VP Securities' compliance with international guidelines for handling of cybersecurity risks.

Since the beginning of 2019, a special unit in Danmarks Nationalbank has coordinated testing of the cyber resilience of the largest financial institutions through so-called threat-based red team testing (TIBER-DK), which involves an ethical hacker team trying to access pre-specified functionalities and data of critical importance to society in the institutions' IT systems by simulating real cyber attacks. The goal is to pinpoint weaknesses in the cyber defence, after which they can be addressed in order to increase cyber resilience.

### **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 25 key private financial sector participants and the supervisory authorities in the financial sector.

In 2020, FSOR updated the analysis of systemic risks that may pose a threat to the financial sector. Based on the identified risks, measures are prepared which can reduce the likelihood and impact of the risks. Danmarks Nationalbank published the analysis methodology on its website in 2020.

During 2020, the insurance and pension industry has also prepared a risk analysis based on the same methodology as the rest of the financial sector. The risks faced by the overall financial sector have thus now been identified through a risk analysis.

During the summer, Danmarks Nationalbank conducted the third survey on cyber resilience among the participants in FSOR. Similar surveys were conducted in 2016 and 2018. However, the bar is raised in the surveys in line with the current development in risks. Based on the organisations' self-assessment, the survey provides an overview of cyber maturity in the financial sector. The survey for 2020 indicates a significant improvement relative to the previous surveys, but also highlights specific areas in which the level can still be raised both individually and jointly.

### **The Danish Payments Council**

The object of the Danish Payments Council is to promote the efficiency and security of payments for citizens, corporations and banks. Danmarks Nationalbank chairs and provides secretariat services for the Danish Payments Council. Nine member organisations are represented on the Council.

The Danish Payments Council continuously follows the developments in the retail payments area, including the implementation of new legislation and developments in third-party service providers. New statutory requirements for, for example, higher security standards for online payments were an important issue in the payments area in 2020, as payments that are not linked to strong customer authentication generally will not be completed after 1 January 2021.

As part of the Council's work, the members have also discussed developments in the European payments market and the impact of the coronavirus pandemic on the payment habits of citizens and corporations. Since the beginning of 2020, Danmarks Nationalbank has published three analyses on citizens' payment habits, which are available on Danmarks Nationalbank's website.

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

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

The value of banknotes and coins in circulation was kr. 74.5 billion at the end of 2020. This was kr. 4.0 billion up on the previous year and equal to an increase of 5.6 per cent. The value of banknotes in circulation was kr. 68.4 billion, of which Faroese banknotes in circulation constituted kr. 0.5 billion. The total value of coins in circulation was unchanged at kr. 6.1 billion.

Counterfeiting of Danish banknotes remains very limited. The number of registered counterfeit banknotes rose from 672 in 2019 to 727 in 2020. Of these, 409 were found in circulation. The counterfeit banknotes registered were mainly kr. 1000 banknotes. Registered counterfeit banknotes account for less than four banknotes per million in circulation, based on a total number of banknotes in circulation of 187.8 million. This is a very limited number in an international context.

On 17 November 2020, Danmarks Nationalbank put an updated kr. 500 banknote into circulation. This is the first banknote denomination in the new 2009A

banknote series, and the update of the banknote series includes new security features.

The previous framework agreement with Mint of Finland on supply of Danish coins expired in spring 2020, and, following a new public procurement procedure, Danmarks Nationalbank entered into a new framework agreement with Mint of Finland on the embossing of Danish coins.

Danmarks Nationalbank issues a commemorative coin to mark special events in the Royal Family. On the occasion of the 80th birthday of Her Majesty Queen Margrethe II on 16 April 2020, Danmarks Nationalbank therefore issued a commemorative coin. The coin was minted as a silver 500-krone coin, a 20-krone circulation coin and a 20-krone coin in a proof version with a more sharply embossed motif. There was particularly great demand for this commemorative coin. The coins are legal tender and can be exchanged at Danmarks Nationalbank at face value.

### **Restoration and renovation of Havnegade 5**

Danmarks Nationalbank's building at Havnegade in Copenhagen will be undergoing major and necessary restoration and renovation work.

The construction period is expected to run over several years, and the majority of Danmarks Nationalbank's employees have moved to a temporary domicile at Langelinie Allé in Copenhagen.

The building in Havnegade, in the centre of Copenhagen, is part of our cultural heritage, and as the owner of the building, Danmarks Nationalbank has a responsibility to protect the architecture and preserve the cultural heritage for posterity. The building was listed by the then Danish Agency for Culture and Palaces in 2009 because of its architectural and cultural historical values.

The restoration and renovation include replacement of marble and glass façades, PCB clean-up and improvement of fire safety, interior design and indoor climate. At the same time, the interiors must be updated to meet the requirements of a modern and flexible workplace. The adaptations are being made with respect for Arne Jacobsen's architecture and in close dialogue with the Danish Agency for Culture and Palaces.

### **Settlement of shareholdings**

The role of Danmarks Nationalbank is to act as authority, including in relation to supervision of the

financial sector. A couple of years ago, Danmarks Nationalbank therefore initiated a process aimed at the gradual sale of its interests in commercial corporations exposed to competition. In 2020, VP Securities was acquired by Euronext, and Danmarks Nationalbank's interest of 24.2 per cent was thus sold. Danmarks Nationalbank is consequently no longer a co-owner of any joint corporations in the financial sector.

## Result for the year 2020

Danmarks Nationalbank posted a profit of kr. 1,616 million in 2020 against a profit of kr. 6,096 million in 2019.

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

Gold stock, equity exposure and bond holdings all contributed significantly to the profit for the year. The value of Danmarks Nationalbank's gold stock rose by kr. 2.9 billion in 2020, while capital gains on equities contributed kr. 1.0 billion. The bond portfolio contributed kr. 0.7 billion.

Interest costs totalled kr. 2.2 billion, primarily due to a large share of the foreign exchange reserve being held at negative interest rates. Conversely, interest on deposits generated income of kr. 1.5 billion.

The profit for the year does not change the fact that Danmarks Nationalbank's earnings remain structurally low due to low interest rates. The more stable earnings share normally comes from seignorage and the return on net capital. When interest rates are negative, their earnings contribution is also negative. This puts pressure on Danmarks Nationalbank's earnings. This is also reflected in the profit for the year. Disregarding the high capital gain on gold in 2020, the result would have been a loss for the year.

Costs, depreciation and amortisation totalled kr. 1.1 billion, which is an increase of 15 per cent on 2019. The development is due to a combination of several factors, but is primarily the result of an increase in costs due to operation and maintenance of several new locations as well as relocation costs and IT costs.

The renovation of the Danmarks Nationalbank building in Havnegade will cost considerably in the next few years.

### Allocation of profit for the year

The result basis for the transfer to the central government is calculated as the average of the financial results of the last five years, excluding gold price adjustments. If the result basis is negative, Danmarks Nationalbank's net capital absorbs the deficit.

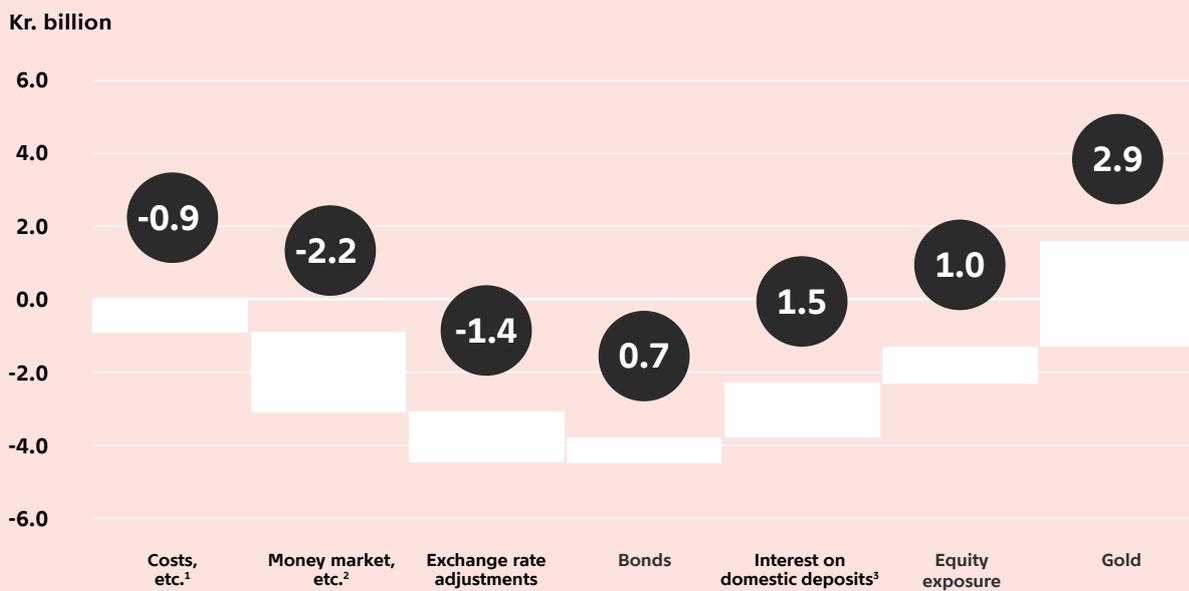
If the result basis is positive, a decision is made on any transfer based on the development in net capital. The determination of the transfer rate takes into account that, over time, Danmarks Nationalbank's net capital should increase at the same rate as nominal GDP – unless there is an extraordinary need for consolidation, in which case the medium-term transfer rate may be deviated from. This is based on a projection of Danmarks Nationalbank's earnings.

No transfer is made to the central government for the 2020 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. 1,616 million for the year will be transferred to the General Reserves. The net capital subsequently amounts to kr. 81,402 million.

## Profit for 2020

Chart 4



Source: Danmarks Nationalbank.

1. Costs, dividend and profit margins from financial fixed assets, etc.

2. Including currency hedging costs.

3. Interest from banks and central government, etc.

# Financial ratios

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## PROFIT

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**Kr. 1,616 million**  
Kr. 4,480 million ↓

The result for the year was a profit of kr. 1,616 million, compared with kr. 6,096 million in 2019. Gold stock, equity exposure and bond holdings all contributed significantly to the profit for the year. Interest costs totalled kr. 2.2 billion, primarily due to a large share of the foreign exchange reserve being held at negative interest rates.

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## FOREIGN EXCHANGE RESERVE

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**Kr. 439 billion**  
Kr. 2.2 billion ↓

Danmarks Nationalbank sold currency for a total amount of kr. 78 billion during the first three months of the year. This contributed to a reduction in the foreign exchange reserve.

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## CERTIFICATES OF DEPOSIT

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**-0.60 per cent**  
0.15 basis points ↑

Danmarks Nationalbank changed the monetary policy interest rate once in 2020, lowering the interest rate on certificates of deposit by 0.15 percentage points to -0.60 per cent in March.

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## VALUE OF THE GOLD STOCK

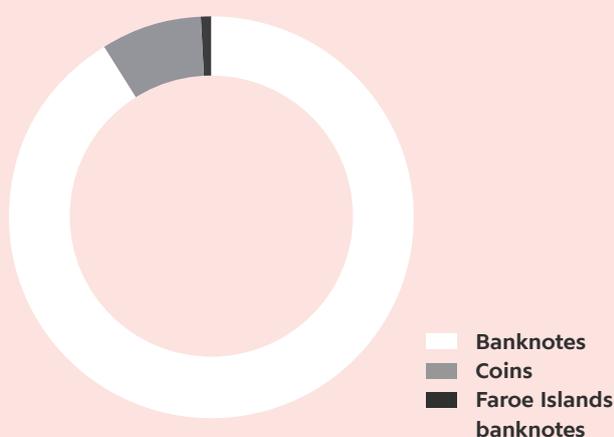
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**Kr. 25 billion**  
13 per cent ↑

Danmarks Nationalbank's gold stock was an unchanged 66.5 tonnes, and constitutes only a small part of its foreign exchange reserve. The price of gold measured in kroner increased by kr. 3 billion.

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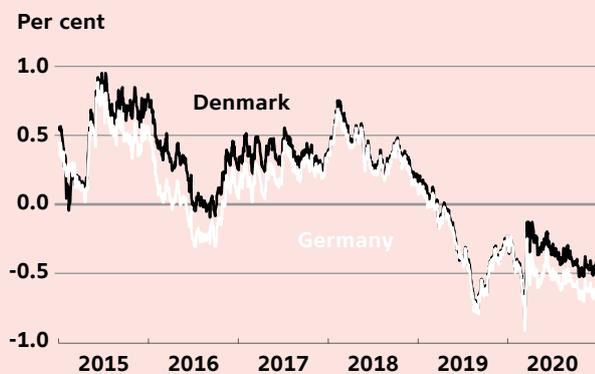
## CIRCULATION OF BANKNOTES AND COINS



The value of banknotes and coins in circulation was kr. 74.5 billion.

At the end of 2020, the value of banknotes in circulation was kr. 68.4 billion, while the total value of coins in circulation was kr. 6.1 billion. The value of Faroese banknotes in circulation amounted to kr. 0.5 billion.

## 10-YEAR GOVERNMENT BONDS



The Danish government bond yield fell by about 0.2 percentage points during 2020 to -0.4 per cent at the end of the year. Danish government bond yields have generally followed the equivalent German yields very closely.

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

# Organisation

## Staff

Danmarks Nationalbank had 432 full-time employees at the end of 2020, of whom 219 were employed in the economic departments. This is roughly unchanged relative to the previous year. Staff turnover fell in 2020 to 14.5 per cent from 15.3 per cent in 2019. A total of 68 employees left Danmarks Nationalbank during 2020, and 69 new employees were appointed. Most of the new appointments were jobs being refilled following terminations of employment. There was also a slight increase in human resources in economic research.

In 2020, total absence due to illness decreased to 5.0 days per employee against 6.8 days per employee in 2019. Excluding long-term absence due to illness, absence due to illness decreased to 2.7 days per employee against 4.1 days per employee in 2019.

### Remote leadership

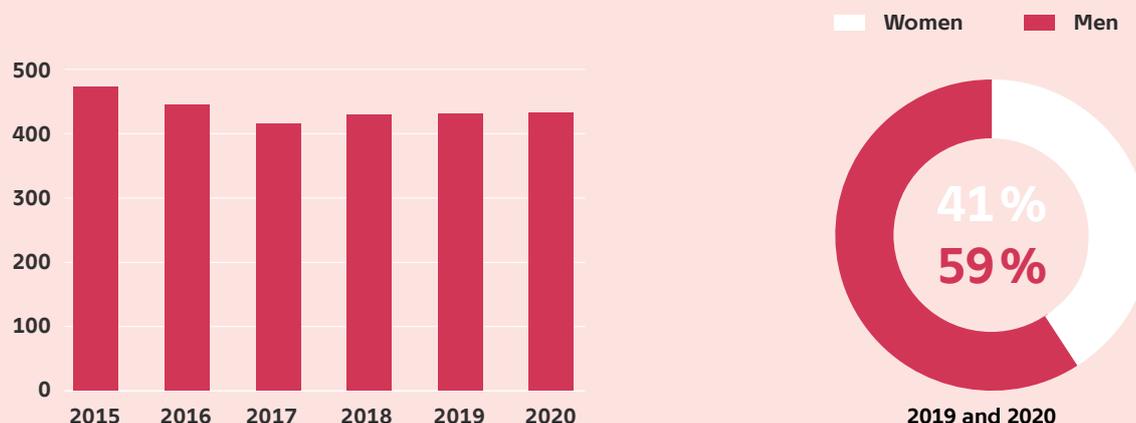
The coronavirus also made its mark on the leadership of Danmarks Nationalbank in 2020, which was largely virtual and remote, as the vast majority of employees worked from home for much of the year. A mini-sur-

vey on well-being was conducted in April 2020, and the annual Employee Engagement Survey (MTU) was conducted in October, with the focus being on the changing working conditions resulting from the coronavirus situation.

Both surveys showed that the employees were largely satisfied with good remote leadership in the difficult situation triggered by the coronavirus pandemic. The MTU thus showed that job satisfaction only fell by one index point relative to last year, although many employees in the survey responded that they miss interacting socially with their managers and colleagues.

After 36 years with Danmarks Nationalbank, Governor Hugo Frey Jensen decided to retire. After an open and wide recruitment process, Signe Krogstrup, former Assistant Governor of Danmarks Nationalbank, was appointed by the Board of Directors to take over the position as Governor of Danmarks Nationalbank with effect from 1 November 2020.

## DEVELOPMENT IN FULL-TIME EQUIVALENTS





**5.0**  
 days a year  
 in absence due  
 to illness

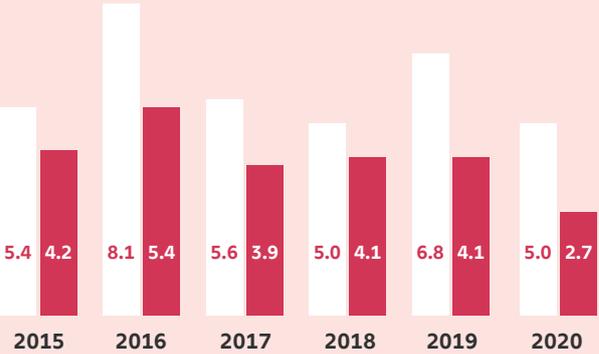
**WORK SATISFACTION**

In 2020, work satisfaction was almost unchanged compared to the previous year



**ABSENCE DUE TO ILLNESS**

Legend: Total (white bar), Excluding long-term absence (red bar)



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

As at 1 March 2021, Danmarks Nationalbank is represented on 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 Signe Krogstrup 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 Signe Krogstrup 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*

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 Signe Krogstrup is a member.

### The Governing Board of the Danish Financial Supervisory Authority

Assistant Governor Karsten Bilotft 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 2021

Box 1

Chairman: Professor Christian Schultz  
Deputy Chairman: Anne Hedensted Steffensen,  
Managing Director *To be continued...*

*...continued*

Elected by the Folketing for the period ending 31 March 2022:

Kristian Thulesen Dahl, MP  
Jacob Jensen, MP  
Rune Lund, MP  
Christian Rabjerg Madsen, MP  
Sofie Carsten Nielsen, MP  
Jesper Petersen, MP  
Troels Lund Poulsen, MP  
Peter Skaarup, MP

Appointed by the Minister for Industry, Business and Financial Affairs for the period ending 31 March 2022:  
Michael Dithmer, Permanent Secretary of State for Industry, Business and Financial Affairs  
Johan Legarth, Permanent Secretary of State for Justice

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

Peter Gæmelke, Farmer, former Chairman of Danish Agriculture	2021
Claus Jensen, President	2021
Lizette Risgaard, President	2021
Asger Enggaard, Managing Director	2022
Kristian Hundebøll, CEO	2022
Anja Philip, President of the Danish Consumer Council	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
Per Bank, CEO	2025
Eva Berneke, CEO	2025
Grete Christensen, President of Danish Nurses Organization (DNO)	2025

#### Danmarks Nationalbank's Committee of Directors as at 1 March 2021

Box 2

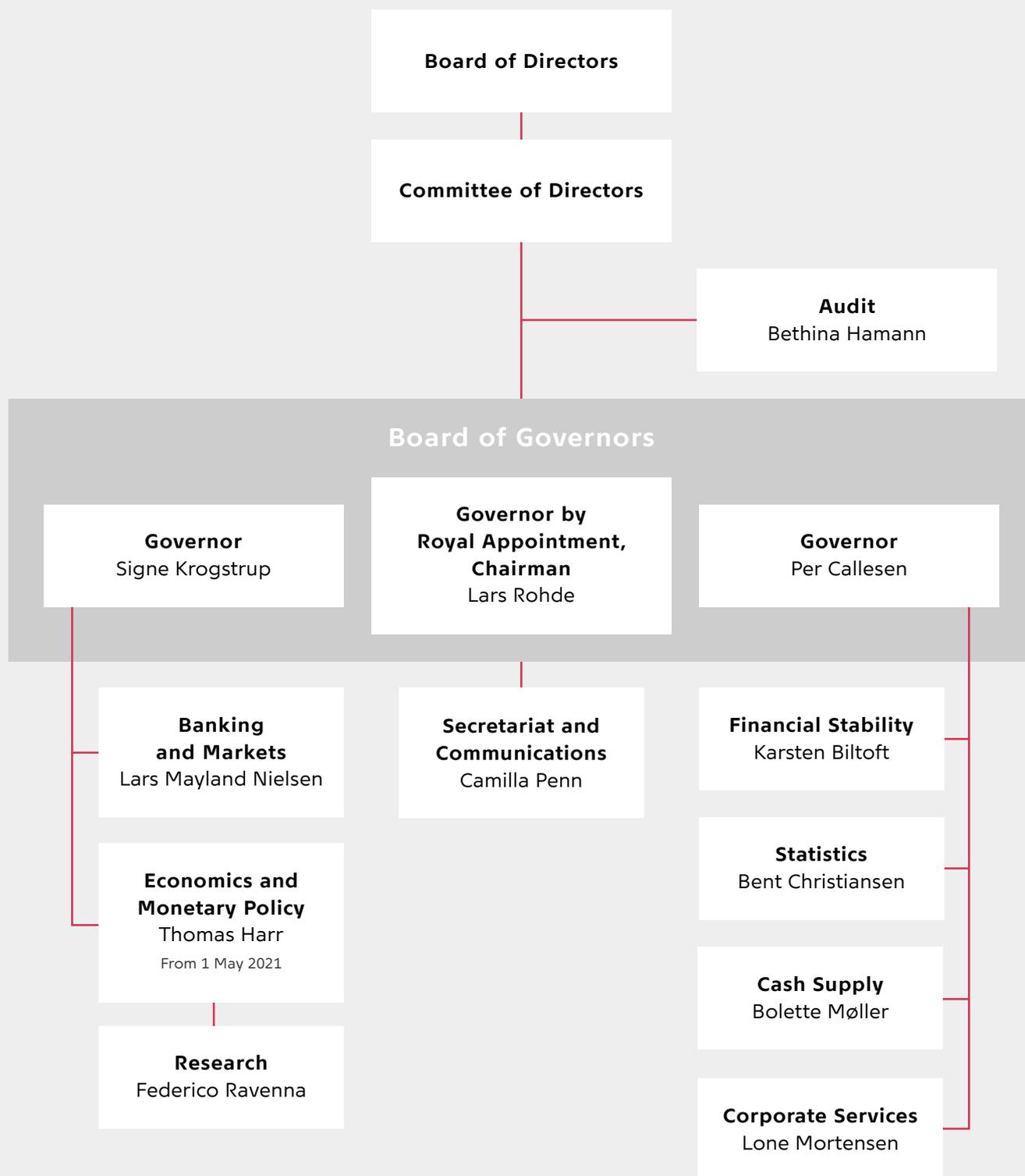
Chairman: Professor Christian Schultz  
Deputy Chairman: Michael Dithmer, Permanent Secretary of State for Industry, Business and Financial Affairs

Elected by the Board of Directors for the period ending 31 March 2021:

Per Bank, CEO  
Grete Christensen,  
President of Danish Nurses Organization (DNO)  
Kristian Thulesen Dahl, MP  
Christian Rabjerg Madsen, MP  
Professor Christian Schultz

Appointed by the Minister for Industry, Business and Financial Affairs for the period ending 31 March 2022:  
Michael Dithmer, Permanent Secretary of State for Industry, Business and Financial Affairs  
Johan Legarth, Permanent Secretary of State for Justice

Organisation chart  
1 March 2021



# Risk management

## Financial portfolios

Danmarks Nationalbank's financial portfolios comprise its foreign exchange reserve of kr. 439 billion and its holding of domestic bonds of kr. 33 billion.

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

In the first quarter of 2020, the foreign exchange reserve decreased as a result of Danmarks Nationalbank's intervention sales of currency of kr. 78 billion. The foreign exchange reserve subsequently increased again because the central government raised foreign loans.

The purpose of the foreign exchange reserve requires deposits and investments 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, for example, equities and corporate bonds, which contributes to increasing projected earnings and diversifying risk. The aggregate risk is 10 per cent of the net capital<sup>1</sup>, see 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. The value was kr. 25 billion at the end of 2020.

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 against the IMF was kr. 22 billion at the end of 2020. Danmarks Nationalbank has made additional commitments totalling kr. 106 billion. While the commitments are significant, the draw is expected to be low.

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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-case scenarios in Danmarks Nationalbank's risk model.

## Danmarks Nationalbank's financial portfolios

Table 1

Kr. billion	2020	2019
<b>Foreign bonds</b>	<b>131</b>	<b>138</b>
Government bonds with a credit rating of AA- or higher	67	62
Government bonds with credit ratings of BBB- to A+	24	25
Other bonds with a credit rating of AA- or higher <sup>1</sup>	40	51
<b>Domestic bonds</b>	<b>33</b>	<b>32</b>
<b>Money market products (central bank deposits, reverse repo transactions etc.)</b>	<b>249</b>	<b>254</b>
<b>Other holdings and exposures</b>		
Gold	25	22
Exposure to equities	11	10
Exposure to corporate bonds	3	3
IMF <sup>2</sup>	22	19
<b>Selected risk measures/financial ratios</b>		
95 per cent expected shortfall <sup>3</sup> as a percentage of net capital	10	10
Krone duration	2.4	2.3
Combined average rating of the portfolio <sup>4</sup>	AA+	AA+
Foreign exchange exposure (before FX hedge in brackets)		
EUR	394 (310)	405 (324)
USD	0 (42)	0 (43)
Other	0 (40)	0 (38)

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

2. Debt to the IMF as a consequence of the allocation of Special Drawing Rights totals kr. 13 billion.

3. 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.

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

## Risks on loans to banks and mortgage credit institutions

Danmarks Nationalbank provides monetary policy loans with a term of one week to monetary policy counterparties based on traditional pledging of securities, while intraday credit is also provided to facilitate the settlement of payments.<sup>2</sup>

Due to uncertainty about the impact of the coronavirus pandemic on the liquidity situation of the sector, Danmarks Nationalbank established an extraordinary lending facility in Danish kroner for monetary policy counterparties in March. The facility has been offered with terms of one week and three months at a favourable interest rate compared with traditional monetary policy 1-week loans. In addition, Danmarks Nationalbank established dollar and euro auctions for monetary policy counterparties based on swap agreements with the Fed and the ECB, respectively.<sup>3</sup> All extraordinary facilities have been provided against traditional pledging of securities.

No ceiling has been imposed on the amounts that the counterparties may borrow 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. A deduction, a so-called haircut, is used in the calculation of the collateral value. The risk of credit loss is very low.

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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 cash centres.

3 The interest rate on the foreign exchange facilities was determined per auction based on the participants' bids and a minimum bid rate set by the Fed and the ECB, respectively.

## Collateral basis and lending

In 2020, the use of ordinary monetary policy loans was very limited, as in previous years. By contrast, the extraordinary facilities in both kroner and dollars were widely used, especially in the first part of the period, see Chart 5. The extraordinary facilities were drawn on occasionally during the rest of the year. Danmarks Nationalbank did not receive bids at the euro auctions.

At the end of 2020, no ordinary monetary policy loans or extraordinary loans had been granted in kroner, but there were loans in dollars equal to approximately kr. 2 billion.

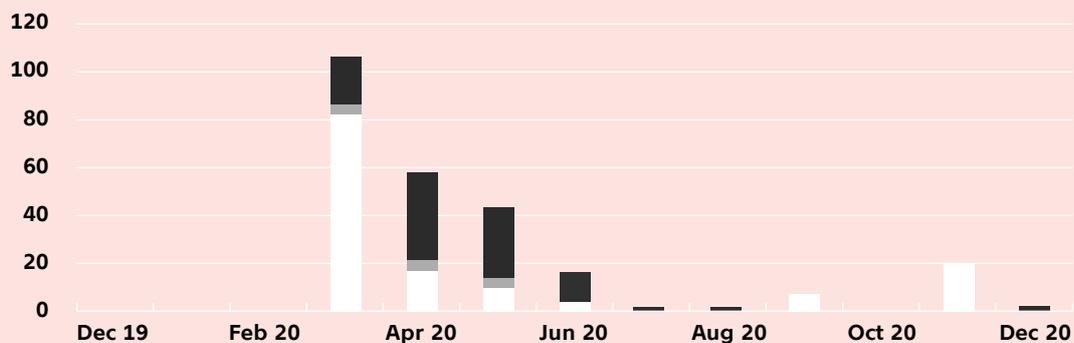
The collateral basis for traditional pledging of collateral consists of Danish government securities, bonds guaranteed by the Danish government, mortgage bonds and bonds issued by KommuneKredit and Føroya Landstýri. The collateral value – i.e. the market value less the haircut of the securities pledged by the counterparties to Danmarks Nationalbank – amounted to approximately kr. 114 billion at the end of 2020, see Chart 6.

Within each monetary policy day, the institutions can use a drawing right in connection with the settlement of payments, securities and currencies as well as interbank payments. The size of the credit line is determined by the institutions' pledging of securities to Danmarks Nationalbank as collateral, their hold-

## Loans to monetary policy counterparties

Chart 5

Kr. billion, end-of-month



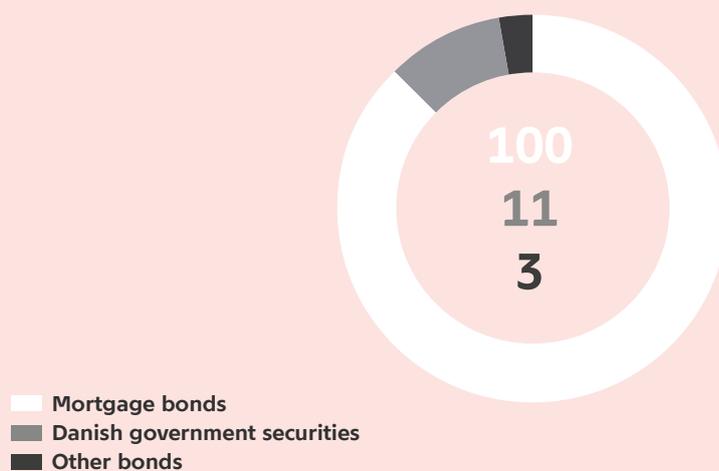
- Extraordinary lending facility, 1 week
- Extraordinary lending facility, 3 months
- USD loans

Source: Danmarks Nationalbank.

## Collateral value of pledged securities

Chart 6

Kr. billion, end-2020



- Mortgage bonds
- Danish government securities
- Other bonds

Note: Mortgage bonds comprise both specially covered bonds (SDOs), specially covered mortgage bonds (SDROs) and mortgage bonds (ROs). Other bonds consist of bonds issued by KommuneKredit and Føroya Landsstýri or guaranteed by the Danish central government. Rounded figures.

Source: Danmarks Nationalbank.

ings of certificates of deposit issued by Danmarks Nationalbank, their account deposits with Danmarks Nationalbank (Kronos2) and the facilities of the automatic collateralisation arrangement with VP Securities and auto-collateralisation with Target2Securities (T2S).<sup>4</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.

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. Risk management is based on Danmarks Nationalbank's risk strategy and appetite, which determine the overall requirements and formulate the risk handling tolerance levels.

As a consequence of Danmarks Nationalbank's activities, the organisation is exposed to a broad range 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. Danmarks Nationalbank also works continuously to strengthen crisis response plans and business continuity plans in the event of critical situations. The work also involves continuous development of and participation in the financial sector's crisis response under the Financial Sector Forum for Operational Resilience (FSOR).

### **Risk management in connection with covid-19**

In connection with the spread of covid-19 in Denmark, Danmarks Nationalbank has actively assessed the situation in relation to risks to the organisation and necessary precautions. Danmarks Nationalbank's internal crisis response has been activated since the beginning of February.

Danmarks Nationalbank's internal crisis response has had three main focus areas:

- Keeping the risk of infection among staff as low as possible.
- Minimising the risk of failures of critical functions and those functions where physical attendance is necessary.
- Ensuring a balance between covid-19 measures and the need for stable operations aimed at minimising the impact on Danmarks Nationalbank's other tasks.

Due to the risk of infection, a large part of Danmarks Nationalbank's staff have worked from home throughout the period, and, in terms of physical attendance, Danmarks Nationalbank has only had minimum manning in certain periods. Since February, the critical functions have worked in a split team structure, in which the functions are shared between

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<sup>4</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.

two teams that take turns working onsite and from home.

Regarding crisis response, Danmarks Nationalbank has also participated in coordination as an ad hoc member of the National Operative Staff (NOST) and has handled the crisis response focus on the financial sector through the leadership of FSOR's crisis response.

## 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 anchored in a risk-based assessment of possible losses, and thus the continuous evaluation of areas to be insured and the extent to which they are to be covered.



# Accounts of the year 2020





# Key figures and financial ratios 2016-20

Income statement (kr. million)	2020	2019	2018	2017	2016
Net income from interest, etc.	-628	-22	-315	-851	-51
Value adjustment of gold	2,863	3,832	621	-271	2,001
Other value adjustments	236	3,178	520	1,621	1,723
Income from financial fixed assets, etc.	213	19	18	39	957
Other income	2	2	1	19	4
Expenses, including depreciation and amortisation	-1,051	-913	-869	-792	-707
Other expenses	-19	-	-	-19	-
<b>Net profit/loss for the year</b>	<b>1,616</b>	<b>6,096</b>	<b>-24</b>	<b>-254</b>	<b>3,928</b>
Allocated as follows:					
Allocation to/from net capital	1,616	6,096	-24	-254	3,083
Payable to the central government	-	-	-	-	845
	<b>1,616</b>	<b>6,096</b>	<b>-24</b>	<b>-254</b>	<b>3,928</b>

Balance sheet (kr. million)	2020	2019	2018	2017	2016
<b>Assets</b>					
Foreign exchange reserve assets	440,328	444,317	461,314	465,333	459,040
Monetary policy lending	-	-	-	-	-
Other lending	3,900	2,091	1,185	2,094	3,530
Domestic bonds	32,906	32,099	32,579	32,935	32,926
Other assets, etc.	4,235	2,429	1,963	2,856	2,444
<b>Total assets</b>	<b>481,369</b>	<b>480,936</b>	<b>497,041</b>	<b>503,218</b>	<b>497,940</b>
<b>Liabilities</b>					
Banknotes and coins in circulation	74,524	70,552	70,793	70,997	70,923
Monetary policy deposits	164,003	230,566	210,849	189,967	201,796
Central government	136,875	70,411	111,674	134,689	111,772
Foreign exchange reserve debt	1,342	3,101	2,279	3,540	3,004
Other liabilities	23,223	26,521	27,757	30,312	36,478
<b>Total creditors</b>	<b>399,967</b>	<b>401,151</b>	<b>423,352</b>	<b>429,505</b>	<b>423,973</b>
<b>Total net capital</b>	<b>81,402</b>	<b>79,785</b>	<b>73,689</b>	<b>73,713</b>	<b>73,967</b>
<b>Total liabilities</b>	<b>481,369</b>	<b>480,936</b>	<b>497,041</b>	<b>503,218</b>	<b>497,940</b>

Key figures and financial ratios	2020	2019	2018	2017	2016
Foreign exchange reserve (kr. million)	438,986	441,216	459,035	461,793	456,036
Net position of banks and mortgage credit institutions vis-à-vis Danmarks Nationalbank (kr. million)	164,003	230,566	210,849	189,967	201,796
Change in banknotes and coins in circulation (per cent)	5.6	-0.3	-0.3	0.1	1.1
Change in net capital (per cent)	2.0	8.3	0.0	-0.3	4.3
Average no. of staff (full-time equivalents)	424	425	420	395	451

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

The result for the year was a profit of kr. 1,616 million, against a profit of kr. 6,096 million in 2019.

The development in the profit for the year relative to last year is ascribable, in particular, to a decline in the result from financial portfolios of kr. 4,517 million to kr. 2,471 million against kr. 6,988 million in 2019.

The value adjustment of gold represents a gain of kr. 2,863 million in 2020 as a result of an increase in the gold price converted into Danish kroner of 13 per cent, which is a decline in income of kr. 969 million relative to 2019. Market value adjustments of foreign exchange positions resulted in a decline in income of kr. 1,359 million to a total of kr. 1,598 million. In addition, the Danish krone was strengthened against the euro during 2020, generating a loss from exchange rate adjustments of kr. 1,417 million in 2020 against a gain of kr. 131 million at the end of 2019.

The financial result has also been negatively affected by the development in net income from interest, etc. In 2020, Danmarks Nationalbank had net expenses of kr. 628 million against net expenses of kr. 22 million in 2019. The change is primarily due to income from interest on issued certificates of deposit decreasing by kr. 506 million as a result of lower average deposits. In turn, Danmarks Nationalbank generated additional income of kr. 110 million from interest on the balance of the central government's account, primarily as a result of the average deposits increasing to kr. 146 billion in 2020.

No credit losses were registered on Danmarks Nationalbank's commitments in 2020, and it is not deemed to be necessary to make provisions for such losses at year-end.

In connection with the sale of VP Securities A/S to Euronext in 2020, Danmarks Nationalbank achieved a net profit of kr. 209 million on the sale of its holdings.

Danmarks Nationalbank's total operating expenses increased by kr. 128 million to kr. 965 million in 2020 against kr. 837 million in 2019. The changes are due to a combination of several factors, including an increase in expenses connected with relocation to as well as operation and maintenance of new premises. Furthermore, there was an increase in IT operating expenses of kr. 55 million.

Expenses for procurement of banknotes and coins increased by kr. 15 million to kr. 34 million in 2020. The increase is primarily due to procurement and delivery of new 500-krone banknotes.

Depreciation, amortisation and impairment charges totalled kr. 86 million, which is an increase of kr. 10 million relative to 2019. The increase is due to the capitalisation of a number of major IT and renovation projects in recent years.

In 2020, Danmarks Nationalbank had other expenses of kr. 19 million for the payment of seigniorage on the commemorative coin "Queen Margrethe's 80th birthday".

## **Allocation of profit/cover of loss for the year**

The profit for the year of kr. 1,616 million is transferred to Danmarks Nationalbank's General Reserves. No transfer is made to the central government for the 2020 financial year. The net capital subsequently amounts to kr. 81,402 million.

# Statement by the Board of Governors

The Board of Governors has today considered and approved the financial statements of Danmarks Nationalbank for the financial year 1 January - 31 December 2020.

The annual report has been prepared in accordance with the National Bank of Denmark Act.

In our opinion, the financial statements give a true and fair view of Danmarks Nationalbank's assets, liabilities and financial position as at 31 December 2020 and of the result of Danmarks Nationalbank's activities for the financial year 1 January - 31 December 2020.

In our opinion, the Board of Governors' report provides a true and fair view of the matters described in the report.

Copenhagen, 23 February 2021

## **Board of Governors**

Lars Rohde  
Chairman

Per Callesen

Signe Krogstrup

# 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 as at 31 December 2020 and of the result of Danmarks Nationalbank's activities for the financial year 1 January - 31 December 2020 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 2020 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, 23 February 2021

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 as at 31 December 2020 and of the result of Danmarks Nationalbank's activities for the financial year 1 January - 31 December 2020 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 2020 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 objective is to obtain a high degree of certainty that the financial statements as a whole 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 conducted in accordance with ISAs and the additional requirements applying in Denmark will always detect a material misstatement if it exists. 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 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.

Copenhagen, 23 February 2021

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab  
CVR number 3377 1231

Christian F. Jakobsen  
State-Authorised Public Accountant  
mne16539

Claus Christensen  
State-Authorised Public Accountant  
mne33687

# 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 16 March 2021.

At 1 March 2021, the members of the Board of Directors are

Christian Schultz, Chairman

Anne Hedensted Steffensen,  
Deputy Chairman

Jens Bjørn Andersen

Per Bank

Eva Berneke

Grete Christensen

Rune Lund

Kristian Thulesen Dahl

Michael Dithmer

Asger Enggaard

Peter Gæmelke

Kristian Hundebøll

Bent Jensen

Claus Jensen

Jacob Jensen

Johan Legarth

Christian Rabjerg Madsen

Sofie Carsten Nielsen

Jesper Petersen

Troels Lund Poulsen

Anja Philip

Philipp Schröder

Lizette Risgaard

Peter Skaarup

Gitte Pugholm Aabo

# Accounting policies

## General principles

Danmarks Nationalbank's financial statements for 2020 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.

The principles for and the classification of the individual items in the financial statements remain unchanged from the previous year.

## Income statement

### **Net income from 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 sales of coins, etc., as well as other income not related to Danmarks Nationalbank's primary activities or 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 not related to Danmarks Nationalbank's primary activities or 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), leasehold improvements, 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 in the course of 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. Leasehold improvements are entered under the relevant fixed asset group.

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

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.

Leasehold improvements are written down over the expected lease term unless another useful life is stated.

Fixed assets under construction comprise expenses incurred for tangible fixed assets and intangible development projects in the course of 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**

The item includes other assets not covered by other asset items. The item includes positive net value of hedging instruments in the form of unsettled foreign exchange transactions and other financial derivatives stated 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 measured 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 measured at their nominal value.

#### **Other liabilities**

The item includes other liabilities not covered by other liability items. The item includes 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 measured at fair value on the balance sheet date. Other items are measured at cost.

#### **Contingent liabilities and other financial commitments**

Other liabilities concerning guarantees provided are stated at the estimated value of the payment obligation. Contractual obligations relating to rented premises, including any re-establishment obligation, have been stated as the total contractual obligation during the period of non-terminability per lease that extends beyond normal contractual terms.

#### **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	2020	2019
<b>Net income from interest, etc.:</b>			
Interest on net foreign assets	1	-2,139,517	-2,027,358
Income from Exchange Traded Funds		90,016	89,063
Interest on monetary policy lending and deposits and certificates of deposit	2	855,712	1,386,167
Interest on domestic bonds		-90,483	-21,831
Interest on central government deposits	3	595,013	485,111
Interest on other domestic loans and deposits	4	61,259	66,349
Commission and other income		331	615
<b>Net income from interest, etc., total</b>		<b>-627,669</b>	<b>-21,884</b>
<b>Value adjustments, etc.:</b>			
Value adjustment of gold	5	2,863,056	3,831,730
Value adjustment of foreign exchange positions	6	180,526	3,087,322
Value adjustment of domestic bonds		55,150	91,141
<b>Value adjustments, etc., total</b>		<b>3,098,732</b>	<b>7,010,193</b>
<b>Profit/loss from financial portfolios</b>		<b>2,471,063</b>	<b>6,988,309</b>
<b>Income from financial fixed assets, etc.</b>	7	<b>212,782</b>	<b>19,203</b>
<b>Other income</b>	8	<b>2,039</b>	<b>1,903</b>
<b>Expenses:</b>			
Staff expenses	9	369,437	376,736
Expenses for banknote and coin production services	10	33,817	18,391
Other expenses	11	561,433	442,119
<b>Total expenses</b>		<b>964,687</b>	<b>837,246</b>
<b>Depreciation, amortisation and impairment charges on tangible and intangible fixed assets</b>	12	<b>85,744</b>	<b>75,911</b>
<b>Other expenses</b>	13	<b>19,000</b>	<b>-</b>
<b>Net profit/loss for the year</b>		<b>1,616,453</b>	<b>6,096,258</b>
<b>Allocation of profit/cover of loss for the year:</b>			
Allocation to/transfer from the General Reserves		1,616,453	6,096,258
Payable to the central government		-	-
		<b>1,616,453</b>	<b>6,096,258</b>

# Balance sheet

Kr. 1,000	Note	2020	2019
<b>Assets</b>			
Gold	14	24,535,626	21,672,570
Foreign assets	15	393,477,883	404,089,085
Claims on the IMF, etc.	16	22,314,702	18,554,819
Claims re banks' and mortgage credit institutions' TARGET accounts with the ECB		36,536	37,892
Monetary policy lending	17	-	-
Other lending	18	3,899,926	2,090,994
Domestic bonds	19	32,905,854	32,099,447
Financial fixed assets, etc.	20	130,748	184,405
Tangible and intangible fixed assets	21	729,893	694,056
Other assets	22	3,281,385	1,456,482
Accruals		56,582	56,319
<b>Total assets</b>		<b>481,369,135</b>	<b>480,936,069</b>
<b>Liabilities</b>			
Banknotes in circulation	23	68,389,053	64,430,481
Coins in circulation	23	6,134,283	6,121,076
Monetary policy deposits			
Net current accounts and settlement accounts	24	29,568,464	31,205,308
Certificates of deposit		134,435,000	199,361,000
Other deposits	25	9,267,476	11,781,641
Central government	26	136,875,182	70,410,935
Foreign liabilities	27	1,342,302	3,100,520
Counterpart of Special Drawing Rights allocated by the IMF	28	13,415,554	14,137,490
Other liabilities	29	539,900	602,150
<b>Total creditors</b>		<b>399,967,214</b>	<b>401,150,601</b>
General Capital Fund		50,000	50,000
Statutory Reserves		250,000	250,000
General Reserves		81,101,921	79,485,468
<b>Total net capital</b>	30	<b>81,401,921</b>	<b>79,785,468</b>
<b>Total liabilities</b>		<b>481,369,135</b>	<b>480,936,069</b>
<b>Financial derivatives used for FX hedge</b>	31		
<b>Other financial derivatives</b>	32		
<b>Contingent liabilities and other financial commitments</b>	33		
<b>Loan and purchase commitments to the IMF</b>	34		
<b>Pension commitments</b>	35		

# Notes

## Note 1 – Interest on net foreign assets

Kr. 1,000	2020	2019
Interest on foreign bonds	70,113	803,412
Interest on demand deposits and other short-term deposits	-1,340,442	-1,403,283
Forward premiums and interest on other receivables	-869,188	-1,427,487
	<b>-2,139,517</b>	<b>-2,027,358</b>

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

Kr. 1,000	2020	2019
Interest on certificates of deposit	880,305	1,386,167
Interest on extraordinary lending facility	-24,593	-
Interest on monetary policy lending	0	0
	<b>855,712</b>	<b>1,386,167</b>

In March, Danmarks Nationalbank established an extraordinary lending facility where monetary policy counterparties could raise short-term loans against collateral at a special lending rate. The facility was provided to ensure the banking sector access to liquidity on favourable terms.

In March, Danmarks Nationalbank changed its certificates of deposit rate, which was raised to -0.60 per cent. Other monetary policy interest rates remained unchanged in 2020.

Average net deposits from monetary policy counterparties decreased by kr. 73 billion to kr. 158 billion in 2020.

Overall, the above changes resulted in a total decrease of kr. 530 million to net income from interest of kr. 856 million. In 2019, average net deposits from institutions amounted to kr. 230 billion, and Danmarks Nationalbank had net income from interest of kr. 1,386 million on these deposits.

## Note 3 – Interest on central government deposits

Interest on central government deposits increased by kr. 110 million relative to 2019 to income of kr. 595 million. The increase is attributable to average central government deposits during the year having been kr. 63 billion higher than in 2019.

In 2020, the average balance on the central government's current account with Danmarks Nationalbank amounted to kr. 146 billion (2019: kr. 83 billion).

## Notes

### Note 4 – Interest on other domestic loans and deposits

Interest on other domestic loans and deposits decreased by kr. 5 million to total net income of kr. 61 million.

corresponding interest expense to central banks are included in Note 1.

Interest on foreign exchange loans to Danish banks in connection with swap agreements with central banks amounts to kr. 25 million. Danmarks Nationalbank's

In 2020, there was a decrease in the balances of Danmarks Nationalbank's current account customers, resulting in a decline of kr. 30 million in income from interest on these deposits.

### Note 5 – Value adjustment of gold

Value adjustment of Danmarks Nationalbank's gold stock resulted in a gain of kr. 2,863 million in 2020 against a gain of kr. 3,832 million last year. The development is

attributable to the gold price converted into Danish kroner having increased by a total of 13.2 per cent in 2020, from the end of 2019 to the end of 2020 (2019: 21.5 per cent).

### Note 6 – Value adjustment of foreign exchange positions

Kr. 1,000	2020	2019
Market value adjustment of foreign bonds	575,499	576,181
Market value adjustment of equity and bond futures	73,874	1,166,057
Market value adjustment of other receivables and payables	948,528	1,214,337
	<b>1,597,901</b>	<b>2,956,575</b>
Exchange rate adjustment	-1,417,375	130,747
	<b>180,526</b>	<b>3,087,322</b>

### Note 7 – Income from financial fixed assets, etc.

Kr. 1,000	2020	2019
Dividend from financial fixed assets	3,333	19,203
Net profit on sales of financial fixed assets, etc.	209,450	-
	<b>212,783</b>	<b>19,203</b>

Dividends and gains from financial fixed assets, etc. total kr. 213 million in 2020. This is primarily attributable to

gains resulting from Danmarks Nationalbank's sale of its shareholding in VP Securities A/S.

## Notes

### Note 8 – Other income

Kr. 1,000	2020	2019
Sales of coin sets, etc.	1,621	1,358
Dividend on equity investments in commercial corporations	418	545
	<b>2,039</b>	<b>1,903</b>

### Note 9 – Staff expenses

Kr. 1,000	2020	2019
Salaries and remuneration	300,826	304,437
Pension contributions and support	50,893	50,577
Training and education expenses	4,591	6,684
Other staff expenses	13,127	15,038
	<b>369,437</b>	<b>376,736</b>
Of which remuneration of the management:		
Governors, salaries, etc.	10,729	10,297
Governors, pension contributions	1,915	1,889
Committee of Directors and Board of Directors	993	964
	<b>13,637</b>	<b>13,150</b>
Salaries, etc. to the Governors are distributed as follows:		
Lars Rohde, Chairman	3,794	3,654
Per Callesen	3,447	3,321
Signe Krogstrup (joined the Board of Governors on 1 November 2020)	592	-
Hugo Frey Jensen (left the Board of Governors on 31 October 2020)	2,896	3,322
	<b>10,729</b>	<b>10,297</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	126	123
Deputy Chairman of the Committee of Directors	94	92
Deputy Chairman of the Board of Directors	37	36
Other members of the Committee of Directors, total (kr. 62,000 per member per year)	309	288
Other members of the Board of Directors, total (kr. 25,000 per member per year)	427	425
	<b>993</b>	<b>964</b>

No bonus schemes or other incentive schemes have been established in Danmarks Nationalbank. In 2020, the average number of employees was 424 full-time equivalents (2019: 425).

## Notes

### Note 10 – Expenses for banknote and coin production services

Kr. 1,000	2020	2019
Coin procurement	6,953	18,386
Banknote procurement	26,864	5
	<b>33,817</b>	<b>18,391</b>

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

### Note 11 – Other expenses

Kr. 1,000	2020	2019
Real property, current expenses	110,719	62,982
IT expenses	378,134	323,233
Other expenses	72,580	55,904
	<b>561,433</b>	<b>442,119</b>

### Note 12 – Depreciation, amortisation and impairment charges on tangible and intangible fixed assets

Kr. 1,000	2020	2019
Properties	16,709	15,164
Machinery and other operating equipment	3,741	2,453
Hardware and software	63,321	58,471
Fixed assets in course of construction	1,036	-
	<b>84,807</b>	<b>76,088</b>
Net profit on sales of fixed assets	-937	177
	<b>85,744</b>	<b>75,911</b>

## Notes

### Note 13 – Other expenses

This expense item concerns payment in connection with the issue of the commemorative coin to mark the 80th birthday of HM Queen Margrethe II on 16 April 2020. The kr. 19 million has been paid to the Danish Business Authority (kr. 9.5 million) and to the Danish Royal Family's foundations:

Dronning Margrethes og Prins Henriks Fond (Queen Margrethe's and Prince Henrik's Foundation) (kr. 7.5 million) and Den Kongelige Formidlingsfond (The Royal Knowledge Dissemination Foundation) (kr. 2 million), respectively.

### Note 14 – Gold

The value of the gold stock was kr. 24.5 billion at year-end, against kr. 21.7 billion at the end of last year. The reason for the increase was that the price of gold converted into

Danish kroner increased by 13.2 per cent during 2020. The gold stock remains unchanged at 66,550 kg.

### Note 15 – Foreign assets

Kr. 1,000	2020	2019
Foreign bonds	131,008,350	137,696,079
Exchange Traded Funds in equity and corporate bonds	13,227,960	12,725,248
Repo transactions collateralised against foreign bonds	-	23,156,070
Claims on central banks and supranational institutions	248,873,509	230,491,192
Claims on foreign commercial banks	600	1,919
Claims re two-way collateral in cash	216,037	9,412
Margin claims re futures	151,427	9,165
	<b>393,477,883</b>	<b>404,089,085</b>

Foreign bonds include government bonds issued primarily in the euro area, the United States and Japan.

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 currency swap agreements and interest swap agreements.

Claims re futures include margin deposits as well as margin outstandings in the underlying assets. Danmarks

Nationalbank's exposure to equity futures amounts to kr. 0.4 billion at the end of 2020 (2019: kr. 0 billion), while the exposure to bond futures amounts to kr. 0.2 billion (2019: kr. 0.3 billion). This is shown in Note 32.

Danmarks Nationalbank undertakes ongoing collateralised lending in the form of reverse repo transactions which are collateralised against foreign government and government-guaranteed bonds. By the end of 2020, there were no reverse repo transactions.

The exchange rate risk has been converted so that it is primarily in euro.

## Notes

### Apportionment on credit assessment

2020 (kr. million)	Total	EUR	USD	JPY	Other
- Of which AAA	259,764	243,988	4,757	-	11,019
- Of which AA+ to AA-	81,684	57,736	20,976	0	2,972
- Of which A+ to A-	25,950	1,487	1,644	22,819	0
- Of which BBB+ to BBB-	6,304	6,304	-	-	-
- Of which non-rated assets	19,776	7,864	11,426	-	486
	<b>393,478</b>	<b>317,379</b>	<b>38,803</b>	<b>22,819</b>	<b>14,477</b>

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 non-rated assets	24,868	7,822	16,237	-	809
	<b>404,089</b>	<b>325,798</b>	<b>41,038</b>	<b>23,743</b>	<b>13,510</b>

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 16 – Claims on the IMF, etc.**

	2020 (1,000 SDRs)	2020 (kr. 1,000)	2019 (1,000 SDRs)	2019 (kr. 1,000)
Denmark's IMF quota	3,439,400	30,128,800	3,439,400	31,750,133
The IMF's drawing right with Danmarks Nationalbank	2,701,690	23,666,535	3,004,890	27,739,041
<b>Reserve position with the IMF</b>	<b>737,710</b>	<b>6,462,265</b>	<b>434,510</b>	<b>4,011,092</b>
Holdings of Special Drawing Rights (SDRs) at the IMF	1,381,445	12,101,317	1,424,085	13,146,154
Lending	428,215	3,751,120	151,395	1,397,573
	<b>2,547,370</b>	<b>22,314,702</b>	<b>2,009,990</b>	<b>18,554,819</b>

As at 31 December 2020, claims on the IMF amounted to kr. 22,315 million against kr. 18,555 million at the end of 2019. The exchange rate for DKK/SDR is 8.7599 at year-end (year-end 2019: 9.2313). 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. As at 31 December 2020, the reserve position amounts to 738 million SDRs, equal to kr. 6,462 million. Denmark's quota of 3,439 million SDRs (kr. 30,129 million) remains unchanged since the IMF's quota reform from 2010 entered into force in 2016, while the

reserve position vis-à-vis the IMF increased by 303 million SDRs in 2020. Like the year before, the IMF utilised a larger share of the drawing right for the quota to finance loan programmes in 2020.

As at 31 December 2020, Danmarks Nationalbank's holdings of special drawing rights with the IMF (SDRs) amounted to 1,381 million SDRs (kr. 12,101 million), which is 43 million SDRs less than in 2019. 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 28 'Counterpart of Special Drawing Rights allocated by the IMF'.

**Loans under the IMF**

	2020 (1,000 SDRs)	2020 (kr. 1,000)	2019 (1,000 SDRs)	2019 (kr. 1,000)
Loans to the PRG Trust	350,415	3,069,600	59,595	550,139
Loans under New Arrangements to Borrow	77,800	681,520	91,800	847,434
	<b>428,215</b>	<b>3,751,120</b>	<b>151,395</b>	<b>1,397,573</b>

*Loans to the Poverty Reduction and Growth Trust (PRGT)* amount to 350 million SDRs (kr. 3.070 million). Four new loans totalling 298 million SDRs were granted and 7.3 million SDRs were paid on existing loans in 2020.

*Loans under the NAB (New Arrangements to Borrow) agreement* amount to 78 million SDRs (kr. 682 million). In 2020, 14 million SDRs were repaid and no new loans were

granted, the reason being that the NAB agreement was not activated in 2020.

In 2020, loans had still not been granted under the bilateral loan agreement for 2016.

Reference is made to Note 34 for an overview of loan and purchase commitments to the IMF.

## Notes

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### Note 17 – Monetary policy lending

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

The value of monetary policy loans averaged kr. 7.1 billion in 2020. There were no loans as at 31 December 2020.

In 2020, an extraordinary lending facility (see note 2) was established and it was used to a limited extent in Q2 and Q3.

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### Note 18 – Other lending

Kr. 1,000	2020	2019
Banks, loans to cash centres	1,779,766	2,090,994
Banks, foreign exchange loans	2,120,160	-
	<b>3,899,926</b>	<b>2,090,994</b>

As at 31 December 2020, other lending includes loans to cash centres and loans to Danish banks in connection with swap agreements with central banks.

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### Note 19 – Maturity distribution for domestic bonds

Kr. 1,000	2020	2019
Maturity in less than 1 year	12,870,046	10,739,705
Maturity after 1 year and less than 5 years	16,413,902	17,382,081
Maturity after 5 years	3,621,906	3,977,660
	<b>32,905,854</b>	<b>32,099,447</b>

**Note 20 – Financial fixed assets, etc.**

Kr. 1,000	2020	2019
Financial fixed assets and similar investments	130,748	122,845
Equity investments in associated companies	-	61,560
	<b>130,748</b>	<b>184,405</b>

As at 31 December 2020, 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 ECB's capital. The capital subscriptions are determined by the weightings assigned to the national central banks in accordance with Article 29 of the ESCB's Statute. As a non-euro area member of the ESCB, Denmark is subject to the transitional provisions in Article 47 of the ESCB's Statute. Danmarks Nationalbank must consequently pay up 3.75

per cent of its capital subscription to the ECB as its contribution to the ECB's operating costs. As the central bank of a non-euro area member country, Danmarks Nationalbank does not participate in the distribution of profits or the allocation of losses in the ECB.

As a result of Brexit, an adjustment of the ECB's capital keys was made in 2020. Danmarks Nationalbank's share of the ECB's capital subsequently amounts to 190.4 million euro, of which 7.1 million euro has been paid up, equal to kr. 53.1 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 in the BIS, if requested to do so by the BIS. This payment obligation amounts to 32 million SDRs, equal to kr. 281.3 million.

**Note 21 – Tangible and intangible fixed assets**

Kr. 1,000	2020	2019
Properties	522,640	521,608
Machinery and other operating equipment	22,361	19,064
Hardware and software	139,289	114,166
Fixed assets in course of construction	45,603	39,218
	<b>729,893</b>	<b>694,056</b>

Of the above, the value of leasehold improvements amounts to kr. 29 million (2019: kr. 0), which is written down over the term of the individual leases.

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

## Notes

### Note 22 – Other assets

Kr. 1,000	2020	2019
Market value of unsettled foreign exchange transactions	2,420,885	562,919
Market value of unsettled domestic securities transactions	1,630	0
Equity investments in commercial corporations	39,589	39,589
Interest receivable	797,684	839,665
Other receivables	21,597	14,309
	<b>3,281,385</b>	<b>1,456,482</b>

Equity investments in commercial corporations comprise equity interests received in conjunction with the sale of other financial 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 23 – Banknotes and coins in circulation

Banknotes in circulation (kr. 1,000)	2020	2019
1,000-krone	28,122,729	26,030,249
500-krone	23,426,856	21,948,697
200-krone	7,405,936	6,728,251
100-krone	3,900,846	3,883,359
50-krone	991,683	1,017,338
Older series*)	4,063,621	4,374,150
Faroese banknotes	477,382	448,437
	<b>68,389,053</b>	<b>64,430,481</b>

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

Coins in circulation (kr. 1,000)	2020	2019
20-krone	2,593,326	2,586,400
10-krone	1,232,722	1,235,609
5-krone	621,134	621,865
2-krone	552,069	549,654
1-krone	370,557	370,731
50-øre	194,096	192,602
Older series*)	383,210	383,923
Thematic and commemorative coins with other nominal values	187,169	180,292
	<b>6,134,283</b>	<b>6,121,076</b>

\*) Coins issued before the current series.

## Note 24 – Net current accounts and settlement accounts

Banks in Denmark hold accounts with 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 with 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 payments 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 2020, the banks and mortgage credit institutions had total deposits in current accounts and settlement accounts with Danmarks Nationalbank of kr. 29.6 billion (2019: kr. 31.2 billion).

## Note 25 – Other deposits

Kr. 1,000	2020	2019
Banks' and mortgage credit institutions' deposits in current accounts in euro	36,536	37,892
Banks, two-way collateral in cash	1,504,822	2,367,820
Deposits under swap agreements	2,151,915	-
Other deposits	5,574,203	9,375,929
	<b>9,267,476</b>	<b>11,781,641</b>

Deposits under swap agreements concern Danish krone deposits with Danmarks Nationalbank in connection with swap agreements concluded with the Federal Reserve and the European Central Bank (ECB) to provide US dollar and euro liquidity to the Danish financial system.

At the end of 2020, Danish banks have only raised US dollar loans. The market value of the corresponding loans is kr. 2,120 million, see Note 18.

## Note 26 – Central government

As of 31 December 2020, central government deposits amounted to kr. 136,875 million. The central government does not receive a share of the profit for 2020.

## Notes

### Note 27 – Foreign liabilities

This item comprises deposits in Danish kroner with 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. 855 million (2019: kr. 2,103 million).

### Note 28 – 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 as at 31 December 2020.

There were no changes in the allocation of SDRs in 2020. The current holdings of SDRs are specified in Note 16 'Claims on the IMF, etc.'.

### Note 29 – Other liabilities

Kr. 1,000	2020	2019
Market value of other financial derivatives	6	2,225
Interest payable	269,576	348,879
Payables	136,443	116,315
Wage-related payables	78,857	77,753
Other liabilities	55,018	56,978
	<b>539,900</b>	<b>602,150</b>

### Note 30 – Net capital

Kr. 1,000	General Capital Fund	General Reserves	Total
Net capital 1 January 2020	300,000	79,485,468	79,785,468
Retained earnings	-	1,616,453	1,616,453
<b>Net capital as at 31 December 2020</b>	<b>300,000</b>	<b>81,101,921</b>	<b>81,401,921</b>

**Note 31 – Financial derivatives used for FX hedge**

2020 (kr. million)	Total	EUR	USD	JPY	Other
<b>Net positions at market value</b>					
Forward exchange contracts:					
Purchase	141,992	86,714	31,283	-	23,995
Sale	-139,571	-2,842	-75,726	-23,515	-37,488
Unsettled spot currency trades:					
Purchase	17,618	1	4,543	-	13,074
Sale	-17,618	-8,526	-4,543	-	-4,549
Currency and interest rate swaps:					
Purchase	0	0	-	-	-
Sale	0	0	-	-	-
	<b>2,421</b>	<b>75,347</b>	<b>-44,443</b>	<b>-23,515</b>	<b>-4,968</b>

2019 (kr. million)	Total	EUR	USD	JPY	Other
<b>Net positions at market value</b>					
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
Currency and interest rate swaps:					
Purchase	-	-	-	-	-
Sale	-	-	-	-	-
	<b>563</b>	<b>-22</b>	<b>-42,669</b>	<b>-24,089</b>	<b>67,343</b>

**Note 32 – Other financial derivatives**

2020 (kr. million)	Total	DKK	EUR	USD
<b>Principals at market value</b>				
Forward contracts, bonds:				
Purchase	2,325	2,325	-	-
Sale	-	-	-	-
Futures, bonds:				
Purchase	177	-	101	76
Sale	-	-	-	-
Futures, shares:				
Purchase	420	-	227	193
Sale	-	-	-	-

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

**Note 33 – Contingent liabilities and other financial commitments**

Kr. 1,000	2020	2019
Contractual obligations relating to rented premises	260,842	271,782
Other guarantees	15	30
	<b>260,857</b>	<b>271,812</b>

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. The non-terminability periods expire between mid-2024 and mid-2025.

At the end of 2020, these obligations totalled kr. 261 million, of which an amount of kr. 57 million falls due in 2021.

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

## Note 34 – Loan and purchase commitments to the IMF

	2020 (1,000 SDRs)	2020 (kr. 1,000)	2019 (1,000 SDRs)	2019 (kr. 1,000)
The IMF's drawing right on the quota	2,701,690	23,666,535	3,004,890	27,739,041
Danmarks Nationalbank's obligation to purchase SDRs	3,212,975	28,145,344	3,170,335	29,266,316
Undrawn PRG Trust loan facility	134,400	1,177,331	440,405	4,065,511
Undrawn loan facilities for the IMF in connection with the NAB agreement	1,551,960	13,595,014	1,537,960	14,197,370
Undrawn loan facilities for the IMF in connection with bilateral loans *)	4,500,998	39,428,290	4,288,606	39,589,410
	<b>12,102,023</b>	<b>106,012,514</b>	<b>12,442,196</b>	<b>114,857,648</b>

\*) Undrawn loan facilities for the IMF in connection with bilateral loans, equal to 5,300 million euro.

The IMF issues loans to countries in economic difficulties and finances these loans via the member countries' quotas and loan commitments. Danmarks Nationalbank's total claim against the IMF was kr. 22 billion at the end of 2020, see Note 16. Danmarks Nationalbank has made commitments for further loans totalling kr. 106 billion.

Several of Danmarks Nationalbank's agreements on further loans and commitments to purchase SDRs expired at the end of 2020. In this context, new agreements have been concluded with effect from January 2021 and February 2021, respectively.

In addition to the existing agreement, the PRG Trust loan facility has been extended by 300 million SDRs, equal to kr. 2,628 million, with effect from February 2021. All loans

under the PRG Trust loan facility are guaranteed by the Danish central government.

The unused credit commitments under New Arrangements to Borrow (the NAB agreement) have been increased to 3,260 million SDRs, equal to kr. 28,553 million, with effect from 2021 and run until November 2025.

The undrawn loan facilities for the IMF in connection with bilateral loans have been reduced with effect from 2021, so that the IMF can draw 2.3 billion euro from Danmarks Nationalbank against previously 5.3 billion euro.

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## Note 35 – 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	2020	2019
Pension commitments and other liabilities *)	3,510	3,491
Fair value of the assets of the Pension Fund	4,861	4,871
Net capital of the Pension Fund *)	1,351	1,380
Solvency requirement of the Pension Fund	139	138

\*) The comparative figure for 2019 has been adjusted in relation to the previous year as a result of a change in the Pension Fund's financial statements for 2019.

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



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