DANMARKS
NATIONALBANK

Annual Report 2021

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This report is based on information available up to 8 March 2022

See also www.nationalbanken.dk

Explanation of symbols:

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

Details may not add up because of rounding.

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Contents

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).

Danmarks Nationalbank's three main objectives are to contribute to ensuring stable prices, safe payments and a stable financial system.

The fixed krone exchange rate against the euro contributes to creating the framework for stable prices and thus also low inflation. Danmarks Nationalbank ensures secure payments by issuing high-quality banknotes and coins and contributes to the secure settlement of electronic payments. Danmarks Nationalbank contributes to financial system stability by overseeing it and making recommendations to the relevant authorities on the basis of this oversight.

In 2021, the coronavirus pandemic again affected large parts of Danish society, the economy and obviously also Danmarks Nationalbank. A great part of

Danmarks Nationalbank's analyses in 2021 focused on how the pandemic has affected the economy, with another topic being the low level of interest rates.

In addition to the financial statements, the Annual Report 2021 presents an overall description of Danmarks Nationalbank's main objective, which is to contribute to ensuring that Denmark has a robust economy.

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 2022

Lars Rohde
Chairman

Signe Krogstrup

Per Callesen

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

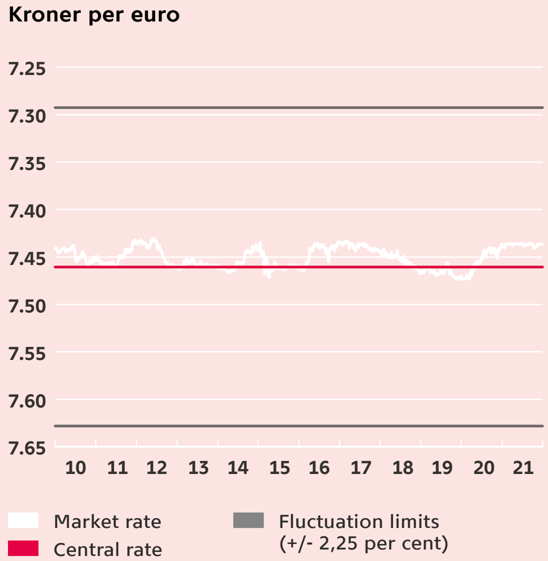
The object of Denmark's monetary policy is to ensure a fixed exchange rate against the euro. The formal basis for the Danish fixed exchange rate policy is the European Exchange Rate Mechanism 2. The fixed exchange rate policy is a cornerstone of the Danish economy and contributes to ensuring stable prices. The central rate of the krone against the euro – and previously the German D-mark – has been unchanged since 1987.

The rate of the krone against the euro has remained stable in 2021 on the strong side of the central rate, see chart 1. Danmarks Nationalbank undertook an independent interest rate reduction of 0.1 percentage points to -0.6 per cent for the current account rate and the interest rate on certificates of deposit and of -0.45 per cent for the interest rate on the lending facility with effect from 1 October 2021, see chart 2. The interest rate reduction meant that the monetary policy interest rate spread to the euro area was expanded from 0 to -0.1 percentage points.

This interest rate reduction followed interventions in the foreign exchange market, where Danmarks Nationalbank purchased currency and sold kroner for kr. 73 billion from March to the end of September 2021. In December, Danmarks Nationalbank bought currency and sold kroner for kr. 47 billion. These interventions helped to increase the foreign exchange reserve. The foreign exchange reserve was kr. 535.1 billion at the end of the year. In March 2021, Danmarks Nationalbank made a technical adjustment of the monetary policy instruments, simplifying the monetary policy interest rates to have one clear interest rate for lending and one clear interest

Chart 1

Stable krone close to the central rate



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

rate for deposits. Since the technical adjustment, money market interest rates have remained fairly stable, despite the fact that the net position during the year has varied somewhat. The net position, which refers to the deposits of the monetary policy counterparties in Danmarks Nationalbank, was kr. 202.6 billion at the end of 2021.

Both in the euro area and in the USA, inflation expectations rose. This contributed to the expectation of faster monetary policy normalisation with higher monetary policy interest rates in the central banks. The expected increase in money market interest rates in the euro area also led to an expectation of rising short-term Danish interest rates in the coming years through the fixed exchange rate policy.

Long-term Danish government and mortgage bond yields increased slightly more than in the euro area due to certain factors specific to Denmark, see chart 3. The option-adjusted yield spread on long-term Danish mortgage bonds (OAS) increased and led to increases in long-term Danish mortgage bond yields. At the end of the year, the yield on a 30-year mortgage bond was around 1.7 per cent. The interest rate increases caused the duration of Danish callable mortgage bonds to increase, and the duration reached a record high during 2021.

Analyses indicate that Danish institutional investors are responding to increases in the duration of callable mortgage bonds by reducing demand for Danish government bonds which also have a long duration. This has contributed to the widening of the yield spread between Danish and German government bonds during 2021. The yield spread between Danish and German 10-year government bonds widened to around 0.3 percentage points during 2021. 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 0.1 per cent.

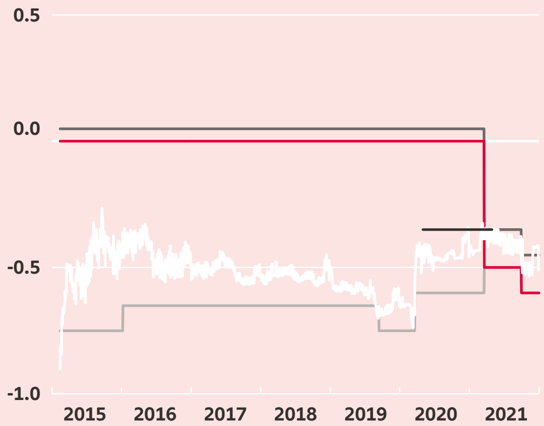
Danish share prices (OMX C25) increased by 19 per cent in 2021.The strong recovery of Western economies contributed to many companies' earnings outperforming market expectations from the start of the year. At the same time, company financing with new shares in 2021 was at a higher level than in previous years.

At the beginning of 2021, the coronavirus was again responsible for the partial shutdown of large sections of society in Denmark and in many other countries. Despite large-scale lockdowns, the Danish gross domestic product, GDP, fell by only 0.2 per cent in the 1st quarter of 2021. This was mainly due to the fact that companies and households were much better prepared for life with restrictions than during the first lockdown, and also because export companies in particular

Chart 2

Money market rates have been stable

Per cent



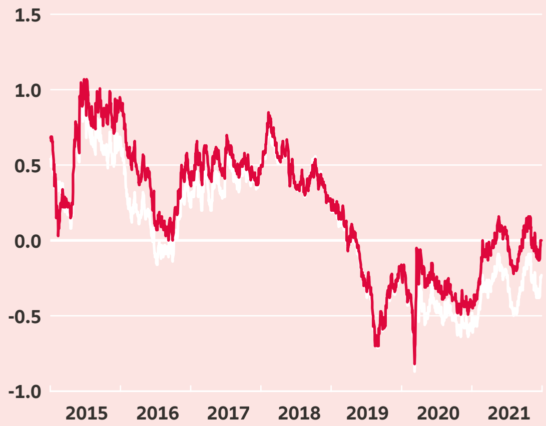
Cita swap interest rate
Current account rate
Lending rate
Extraordinary lending facility
Interest rate on certificates of deposit

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

Chart 3

Yield spread to German government bonds increased slightly

Per cent



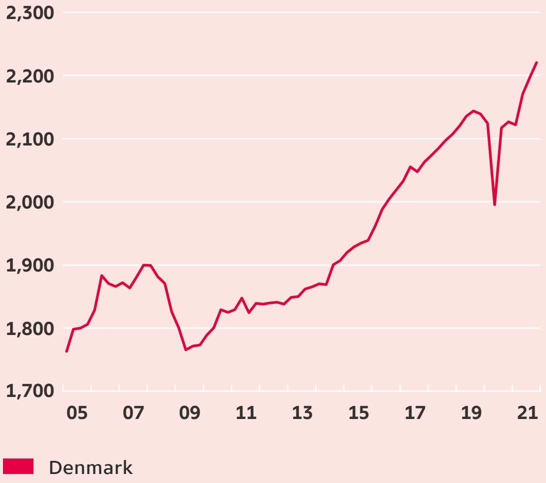
Germany
Denmark

Note: 10-year government bond yield. Par yields.
Source: Nordea Analytics and Thomson Reuters Datastream.

Chart 4

Gross domestic product is higher than prior to the pandemic

2010 Kr. billion

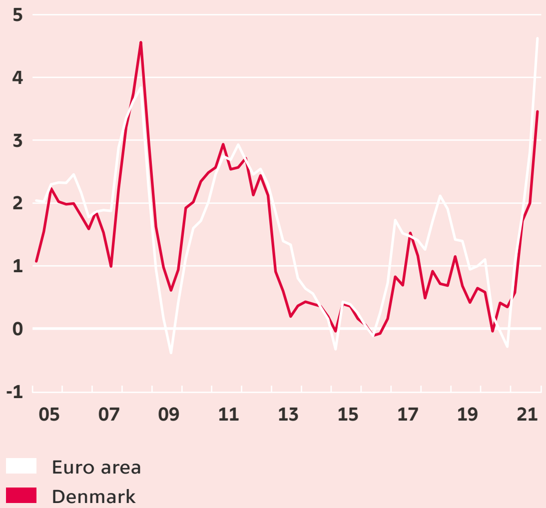


Source: Statistics Denmark and own calculations.

Chart 5

Inflation increased in 2021 similar to the euro area

Per cent, year-year



Note: Consumer prices (HICP), per cent year-year.
Source: Statistics Denmark.

fared better over the winter. During the spring and summer, most of the Danish population was vaccinated against the coronavirus, and restrictions were lifted. This accelerated the economic recovery, and the Danish economy once again headed towards a boom. For the year as a whole, GDP increased by 4.1 per cent. The high growth rate should be seen in the light of the downturn in 2020, see chart 4.

The reopening of society brought a marked increase in the use of services in, among other things, the restaurant industry. Consumption of goods was only affected to a limited extent by the lockdowns and hence did not see much of an increase after the reopening. During the 3rd quarter, the composition of Danes' payment card consumption largely returned to the pre-pandemic situation. Despite the fact that household wealth increased significantly during the pandemic, at the end of the year there was no indication yet that the greater wealth translated into increased consumption. Private consumption increased by about 3.5 per cent in 2021.

Despite the fact that many Danish export markets also closed down over the winter, Danish goods exports came surprisingly strongly out of the first part of 2021. The reason for this is that production abroad did not shut down, but instead benefited from a global industrial recovery, driven by a high demand for goods. Disruptions in global supply chains resulted in delivery difficulties for both Danish and international companies towards the end of the year. Sales of services abroad declined further during 2021. Overall, the value of exports increased by 7.5 per cent, while imports increased more. The current account surplus decreased to around 8 per cent of GDP.

With the lifting of the vast majority of the restrictions, employment increased sharply during the spring and summer. Unemployment also fell, amounting to 70,000 people by the end of the year, which was 60,000 fewer than at the start of the year. The strong development in the labour market resulted in recruitment difficulties, and several companies reported that labour shortages put a brake on production. This situation was due to a number of factors, including high demand and a number of pandemic-related aspects, e.g., the fact that part of the workforce had work related to the national test and vaccination programme. The high demand for labour resulted in slightly higher wage increases at the end of the year.

Consumer prices rose by 1.9 per cent in 2021, which was more than in previous years, see chart 5. Supply difficulties and higher energy prices caused consumer prices to rise further in Denmark and abroad. Inflation increased more in the euro area than in Denmark. 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 rise.

Prices of single-family homes increased by 10.2 per cent in 2021. The housing market was characterised by high trading activity at the beginning of the year, but fell back to pre-pandemic levels during the summer. However, both the number of houses on sale and their times on market were significantly lower throughout the year than in the run-up to the pandemic. Housing market pace, particularly at the beginning of the year, was higher than what could be explained by interest rate and income developments. The development is estimated to be driven by households' increased appreciation of their homes. High house price increases and rapid economic recovery lay the ground for increased risk build-up. Therefore, in the summer of 2021, Danmarks Nationalbank proposed to introduce amortisation requirements for borrowers who have more than 60 per cent of their debt secured by home loans, and a reduction of the tax value of the interest deduction. These measures aim to increase resilience in the housing market.

Through 2021, fiscal policy propped up economic activity: At the start of the year, comprehensive compensation schemes were reintroduced to mitigate the economic consequences of the lockdown of society. The compensation schemes covered, inter alia, compensation for payroll costs for employees who were furloughed and a number of liquidity measures. In order to support demand in the Danish economy, the last two weeks of frozen holiday pay was disbursed in the spring.

The compensation schemes were phased out in step with the reopening of the Danish economy. Some schemes were reintroduced in December 2021 as a result of new restrictions for, among others, the restaurant industry and a number of cultural services.

Danish presidency of the Nordic-Baltic Constituency of the International Monetary and Financial Committee
In October 2021, Governor Lars Rohde participated in the formal meetings of the International Monetary and Financial Committee, IMFC. The IMFC is an advisory committee to the International Monetary Fund, the IMF, and deals with the broad strategic guidelines for the work of the International Monetary Fund. Lars Rohde represented the Nordic-Baltic Constituency in the International Monetary Fund. At the meetings, he stressed, inter alia, that the IMF should play an active advisory role on climate change, the importance of responsible lending by the IMF and the importance of all countries building buffers in good times. Denmark will also hold the presidency of the Nordic-Baltic Constituency of the IMFC in spring 2022.

Danmarks Nationalbank's three recommendations to strengthen robustness in the housing market

New housing tax agreement should not be further delayed

Amortisation requirements for highly indebted homeowners

Reduction of interest rate deductibility

Financial system stability

Danmarks Nationalbank contributes to ensuring the stability of the financial system by analysing the financial sector, overseeing and assessing systemic risks and making recommendations in this area. In addition, Danmarks Nationalbank oversees the payments infrastructure, produces financial statistics and acts as secretariat for the Systemic Risk Council (DSRR).

The systemic credit institutions' profit expectations for 2021 were on a par with the years before the covid-19 outbreak in the 3rd quarter. In recent years, earnings have been supported by low impairment charges, and this was also the case in 2021. Overall, systemic credit institutions made reversals of provisions for possible losses on loans in the first three quarters of the year. The institutions explain this by the fact that the customers who were not hit hard by the lockdowns during the pandemic are doing better.

GREEN GOVERNMENT BONDS

At the end of 2021, the central government debt administration was mandated to issue green government bonds on behalf of the central government.

The Systemic Risk Council

Danmarks Nationalbank chairs and provides secretariat services for the Systemic Risk Council, which oversees systemic risks in the financial system and issues recommendations for policy measures to address risk.

As a result of the gradual economic recovery, low interest rates and very accommodative financial conditions, the Systemic Risk Council decided at its June meeting to recommend to the Minister for Industry, Business and Financial Affairs to reactivate the countercyclical capital buffer at a rate of 1 per cent effective from 30 September 2022. At its December meeting, the Council decided to recommend increasing the buffer rate to 2 per cent from 31 December 2022. The buffer is reactivated to ensure that banks and mortgage credit institutions have capital to release in case of stress in the financial sector.

At its June 2021 meeting, the Council recommended limiting access to mortgage loans with deferred amortisation for borrowers with a loan-to-value ratio above 60 per cent of the value of the mortgage. The Council considers that the widespread uptake of loans with deferred amortisation in Denmark is contributing to the build-up of systemic risks. In September, the Minister for Industry, Business and Financial Affairs decided not to follow the Council's recommendation for the time being, but to reinforce the monitoring of activity in the housing market instead, including the use of deferred amortisation.

The implementation of the Capital Requirements Directive, CRD V, means that as of 1 January 2021, the Council may recommend the activation of a systemic risk buffer in addition to the existing buffers. The systemic risk buffer can be used to the extent that general systemic risks are not addressed by the existing macroprudential instruments. At its meeting in September 2021, the Council recommended that the systemic risk buffer not be activated at this stage.

The Systemic Risk Council is also the macroprudential authority for the Faroe Islands and Greenland. This means that the Council is also monitoring systemic risks there and recommending macroprudential policy measures.

In December 2021, the Council recommended to the Minister for Industry, Business and Financial Affairs that the countercyclical capital buffer should be activated with a buffer rate of 1 per cent on the Faroe Islands applicable from 31 March 2022. The recommendation is partly due to the fact that the economic recovery on the Faroe Islands is gathering speed, and partly because there is currently high activity, including in the financial sector. Following a recommendation from the Council, the increase in the general systemic risk buffer rate from 2 to 3 per cent was temporarily suspended at the beginning of the pandemic in March 2020. The Council recommends maintaining the general systemic risk buffer rate at 2 per cent.

In addition, the Council found that it would be appropriate to introduce measures aimed at limiting the possibility of risk build-up in the Faroese housing market. At present, no provisions have been implemented that regulate the extension of risky types of loans to highly indebted homeowners. Nor has a deposit requirement been implemented in connection with home purchases.

The systemic institutions' costs have increased in recent years. The increase is mainly due to increased staff expenses. Current earnings still constitute a reasonable fist line of defence against losses.

Banks' capital can be seen as protection against losses for creditors. Capital therefore plays an important role in financial stability. Capital requirements for systemic institutions increased during 2021. Debt buffer requirements and minimum requirements for own funds and eligible liabilities, MREL, also increased. In Denmark, the crisis management of banks is handled by the two resolution authorities, Financial Stability and the Danish Financial Supervisory Authority. Danmarks Nationalbank contributes to this work as well-functioning crisis management, of which the MREL plays a key part, helps to ensure a robust financial sector.

The increase in requirements is mainly due to an increase in risk-weighted exposures as a result of the implementation of new guidelines from the European Banking Authority, EBA. However, increased own funds have meant that the excess capital adequacy relative to the capital requirement remains almost unchanged, and institutions continue to meet their capital adequacy targets. On the other hand, the excess capital adequacy relative to the MREL requirement decreased, but the systemic institutions continue to meet both the risk-based MREL and debt buffer requirement as well as the coming group requirement of 8 per cent of liabilities.

Danmarks Nationalbank is the lender of last resort in Denmark. This means that, in times of crisis, Danmarks Nationalbank may extend the borrowing facilities for credit institutions or provide exceptional liquidity support to safeguard financial stability. Therefore, by virtue of this role, Danmarks Nationalbank is interested in the liquidity and financing needs of credit institutions. In 2021, the liquidity coverage ratio, LCR, was met with a significant margin for both systemic and non-systemic banks. LCR increased during the corona crisis, but is expected to decrease when the liquidity support measures are phased out. A new funding requirement, the net stable funding ratio (NSFR), entered into force for the credit institutions in June 2021. The purpose of the NSFR is to ensure that the banks have sufficiently stable funding available. In the 3rd quarter, the NSFR of non-systemic and systemic banks was 145 per cent and just under 125 per cent, respectively. The minimum NSFR requirement for institutions is 100 per cent.

In 2021, Danmarks Nationalbank also contributed to the work on combating financial crime, including money laundering, by, among other things, showing the benefits of a data-based effort. On the basis of this work, the Government has set up a project commission to identify the possibilities of establishing a common analysis system with data from both credit institutions and authorities.

Danmarks Nationalbank and the green transition
Danmarks Nationalbank, like other central banks, has increased its focus on how climate change and the green transition affect the economy and the financial system. In 2021, Danmarks Nationalbank published two analyses on the impact of credit institutions' exposure to flood risk. Danmarks Nationalbank also published a climate statement in connection with COP26. The statement describes Danmarks Nationalbank's climate-related work.

At the end of 2021, the central government debt administration was mandated to issue green government bonds on behalf of the central government, with the proceeds from the sale being earmarked for green projects. The aim is to issue up to kr. 15 billion of the green bond by 2022.

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. Operational resilience covers, among other things, the risk of crashes from cyberattacks. The risk of cyberattacks is difficult to manage, making it all the more important to work together to share knowledge and pool resources.

FSOR's work focuses on addressing the main operational risks that could threaten the stability of the financial sector. Every six months, FSOR revisits its risk analysis for the financial sector, assesses risks and makes decisions about mitigating actions.

In 2021, FSOR focused on protecting the sector's critical data and the ability to restore critical functions in the event of a crash. In addition, FSOR worked to design a tool to increase cyber resilience in the sector. The tool assesses the maturity of each organisation, based, among other things, on applicable regulation and standards in this area.

FSOR continuously tests coordination between organisations in a crisis situation where the vital parts of the sector are affected. The biannual tests provide a better foundation in the event that the financial sector is hit by a major operational incident.

FSOR's annual reports and method of risk analysis can be found on Danmarks Nationalbank's website.

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 interbank 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 that are currently handled in Danmarks Nationalbank's payment and settlement system, Kronos2.

In 2021, Danmarks Nationalbank continued to gather the settlement of the banks' payments and securities transactions in Danish kroner on the pan-European infrastructure Target Services. This will provide economies of scale, and cooperation with the other central banks will, among other things, strengthen cybersecurity.

Cooperation with both the financial sector in Denmark and the European Central Bank, ECB, on the migration to Target Services went according to plan during the year. The project is thus entering the development and implementation phase with a view to starting a sector test in early 2024 and going on with the migration in April 2025.

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. Together with Finance Denmark, P27 has clarified how it will conduct the integration with Target Services and how the Danish retail payments are to be consolidated in P27. The company P27 Nordic Payments is established in Sweden, and therefore the Danish Capital Markets Act has been amended to ensure that Danmarks Nationalbank's supervisory powers over retail payment systems in Denmark and the Danish Financial Supervisory Authority's ability to exercise IT supervision of the systems are maintained.

Danmarks Nationalbank oversees that payments and financial transactions in Denmark can be completed safely and efficiently. The oversight covers the central payment and settlement systems as well as the main payment solutions and is based on international standards and guidelines. The oversight is reported in the annual publication on oversight of financial infrastructure. In 2021, Danmarks Nationalbank completed an assessment of Kronos2 showing that the system has a high level of compliance with international organisation, risk management, safety, efficiency and contingency standards. The assessment identified potential for improvement to strengthen efforts in the areas of governance, risk management, safety, efficiency and contingency. Danmarks Nationalbank has planned or initiated work in these areas.

There was a continued focus on cybersecurity in the payments infrastructure oversight in 2021. Danmarks Nationalbank is, among other things, assessing compliance by the retail payment systems with international cybersecurity guidelines.

Since the beginning of 2019, a special unit of Danmarks Nationalbank has coordinated testing of cyber resilience in the financial sector via so-called threat-based red team testing (TIBER-DK). The test participants are the largest financial institutions and critical infrastructure. In this test, an ethical hacker team tries to gain access to pre-specified functions and data that are critical to society in test participants' IT systems by simulating real cyberattacks. The goal is to pinpoint weaknesses in the cyber defence, after which they can be addressed in order to increase cyber resilience. Based on its positive experience, Danmarks Nationalbank and the individual participants decided in spring 2021 to continue the tests in future.

Retail payments

In the retail payment area, Danmarks Nationalbank looked into new forms of digital money in 2021. Work on new forms of digital money has included dialogue with the sector, other central banks, researchers and authorities both inside and outside Denmark. In addition, Danmarks Nationalbank established the BIS Innovation Hub Nordic Centre in partnership with the Bank of International Settlements, the Central Bank of Iceland, Norges Bank and Sveriges Riksbank. BIS Innovation Hub Nordic Centre helps to promote work on innovation and will help central banks solve the challenges of a digital future.

The Danish Payments Council

Danmarks Nationalbank chairs and provides secretariat services for the Danish Payments Council. In 2021, two meetings of the Danish Payments Council were held as usual. The object of the Danish Payments Council is to promote the efficiency and security of payments for citizens, companies and banks.

Since the Danish Payments Council was founded in 2012, much has happened in the payments market, including increased competition and new technology. As a result, the Danish Payments Council's membership has gone from 9 to 13 member organisations. In 2021, Copenhagen Fintech, Mastercard, MobilePay and VISA joined the Danish Payments Council.

The Danish Payments Council continuously follows developments in the Danish and European retail payment area. At the top of the Council's agenda in 2021 were new requirements for strong customer authentication for payments on the internet.

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. 77.6 billion at the end of 2021. This was kr. 3.1 billion up on the previous year and equal to an increase of 4.1 per cent. The value of banknotes in circulation was kr. 71.4 billion, of which Faroese banknotes in circulation constituted kr. 0.5 billion, see chart 6. The total value of coins in circulation increased by 1.4 per cent to kr. 6.2 billion.

The increase in banknote circulation is a continuation of the trend over the past year with higher demand, although Danes are increasingly also using digital solutions such as payment cards, Betalingsservice payments, which is a direct debit payment method, online banking and services such as mobile payments.

During the first half of 2021, banknote circulation increased by kr. 3.8 billion to kr. 72.2 billion. This is an unusual increase of 5.6 per cent. In 500-krone banknotes alone, the increase was kr. 3.3 billion in the first half of the year.

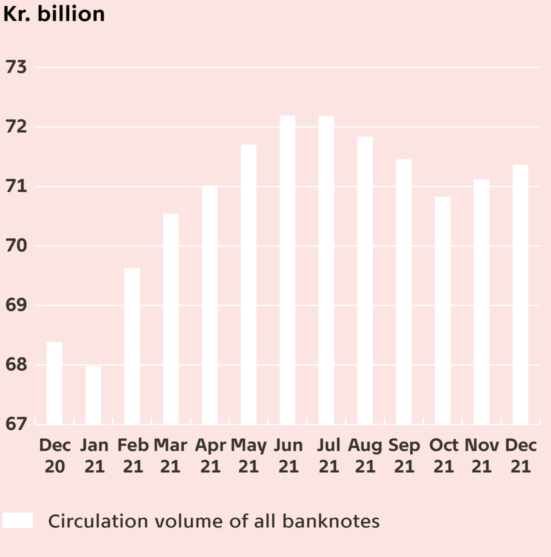
After some backflows from the beginning of the second half of the year, banknotes in circulation decreased, with a tendency to increase again at the end of the year, at which point the increase in 500-krone banknotes reached kr. 3.8 billion, see chart 7.

During 2021, the value of 500-krone banknotes in circulation was roughly equal to the value of 1000-krone banknotes in circulation, which at the end of 2021 stood at kr. 27.3 billion.

Counterfeiting of Danish banknotes remains very limited. The number of registered counterfeit banknotes rose from 727 in 2020 to 795 in 2021. Of these, 539 were found in circulation. The counterfeit banknotes registered were mainly 1000-krone banknotes. Registered counterfeit banknotes account for approximately four banknotes per million in circulation, based on a total number of banknotes in circulation of 195.1 million. This is a very limited number in an international context.

Chart 6

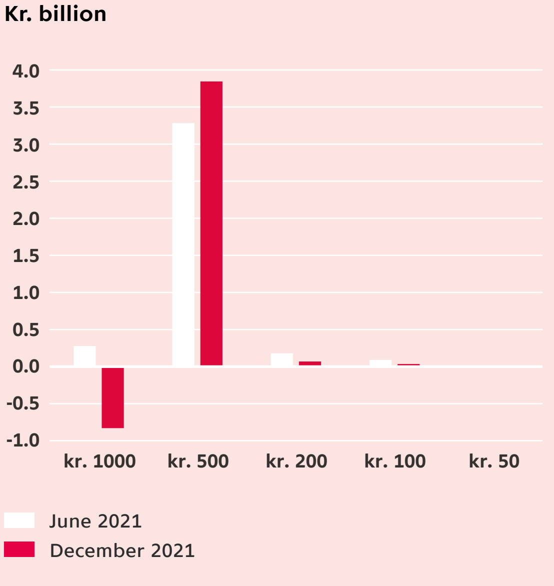
Circulation of banknotes



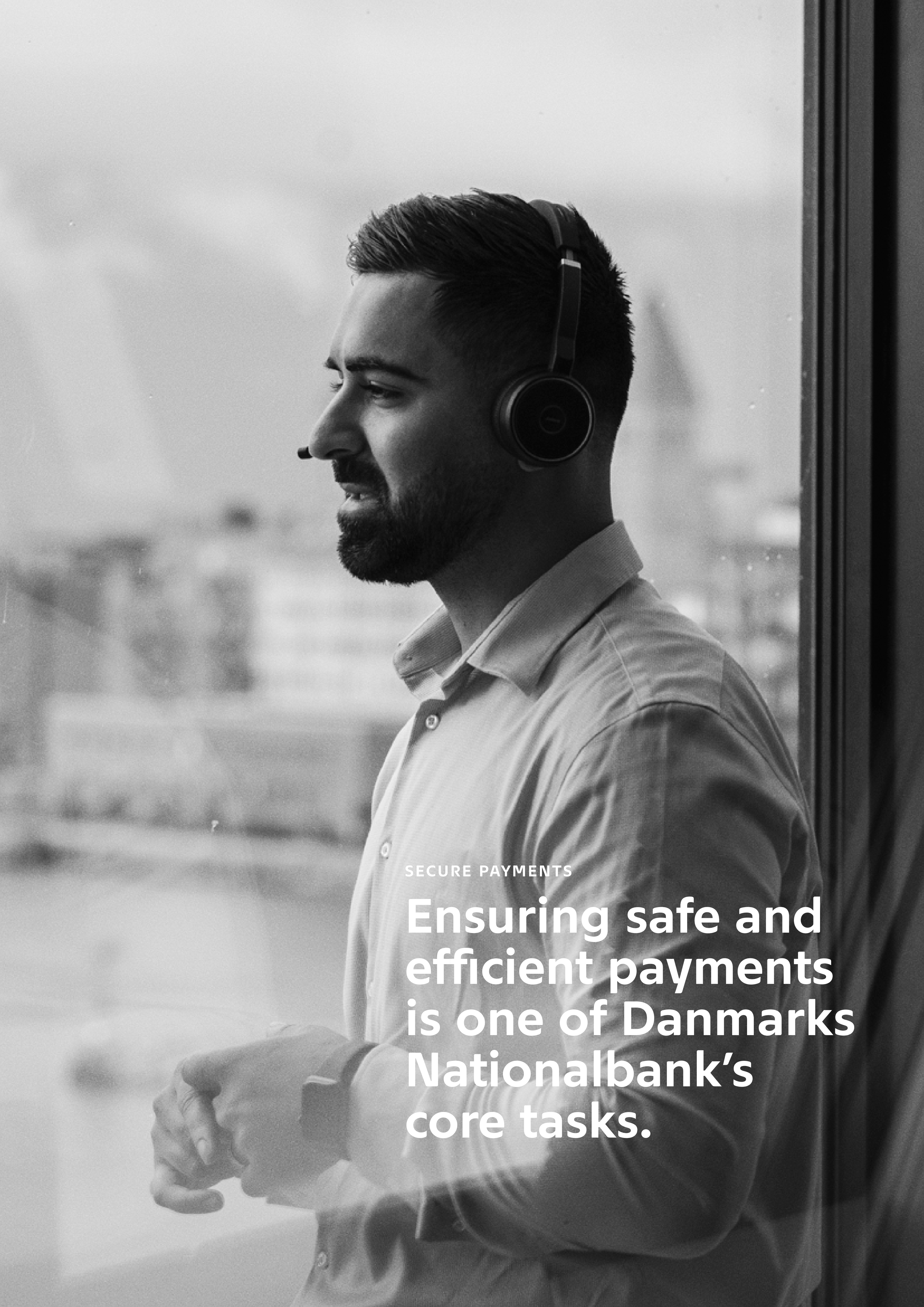
Source: Danmarks Nationalbank.

Chart 7

Change in circulation of all banknotes



Source: Danmarks Nationalbank.



SECURE PAYMENTS

Ensuring safe and efficient payments is one of Danmarks Nationalbank's core tasks.

Restoration and renovation of Havnegade 5

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

The building was designed by Danish architect Arne Jacobsen, and the renovation will take place in his spirit, but will in future be an iconic building that also houses a modern workplace. 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 restoration and renovation includes i.a. protection against sea level rise and cloudburst, replacement of marble and glass façades, PCB clean-up and improvement of fire safety and indoor climate. At the same time, the interiors must be updated to meet the requirements of a modern and flexible workplace. As the building is listed, the adaptations are being made with respect for Arne Jacobsen's architecture and in close dialogue with the Danish Agency for Culture and Palaces.

In December 2020, a tender for a general contractor services contract was issued. Nine bids were received, and on 1 July 2021, EKJ Rådgivende Ingeniører and Rørbæk Møller Arkitekter were awarded the contract. The general contractor is to provide advice, including planning, analysis and design, for the renovation and restoration. In December 2021, the architectural and engineering company Sweco was awarded the construction management contract.

Open and targeted communication

Danmarks Nationalbank sees it as an important task to be in continuous dialogue with decision-makers, the financial sector, opinion-formers and the wider public.

Danmarks Nationalbank communicates about its analytical work, its role and its tasks through various communication platforms. Almost 70 publications were published and four press conferences were held on the outlook for the Danish economy and monetary financial trends, as well as financial stability and stress tests of the banks. In addition, financial statistics are produced.

Danmarks Nationalbank's employees and Board of Governors have given a large number of virtual and physical presentations in Denmark and abroad, as well as a wide range of interviews. The public debate has centred around themes such as the housing market, the effects of the pandemic on the economy and negative interest rates. A number of background seminars were held for journalists and other stakeholders, and Danmarks Nationalbank's podcast on economics looked into its analytical work and current central bank-related topics. In 2021, a total of 26 podcasts were broadcast, primarily covering the bank's analytical work.

Danmarks Nationalbank also contributes to increasing children's and young people's understanding of society's economy and, in particular, the financial sector. In 2021, it, among other things, held talks for upper secondary school classes and participated in the Youth Democracy Festival (Ungdommens Folkemøde). Danmarks Nationalbank again worked with Finance Denmark on the annual Money Week, where the oldest school classes can learn more about, among other things, money and personal finance and the role of the financial sector in society. Danmarks Nationalbank also offers a teaching website for upper secondary school classes, where they can learn more about monetary policy and the role of banks in the Danish economy.

Results 2021

Danmarks Nationalbank posted a profit of kr. 194 million in 2021 against a profit of kr. 1,616 million in 2020.

The profit for the year was driven by the factors presented in chart 8.

Both gold stock and equity exposure contributed significantly to the profit for the year. The value of Danmarks Nationalbank's gold stock rose by kr. 1.0 billion in 2021, while capital gains on equities contributed kr. 2.3 billion. By contrast, the bond holding yielded a loss of kr. 1.1 billion. Interest costs totalled kr. 2.1 billion, primarily due to a large share of the foreign exchange reserve being held at negative interest rates. Conversely, interest on deposits generated interest income of kr. 1.4 billion.

Danmarks Nationalbank's earnings remain structurally low due to the 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. At the current level of interest rates, Danmarks Nationalbank has very low (negative) core earnings. This is also reflected in the net profit for the year, which would show a loss without the price gain on gold.

Costs, depreciation and amortisation totalled kr. 1.2 billion. The increase in costs, depreciation and amortisation is due to the arrival of additional employees as a result of a number of major projects, operation and maintenance of more locations, as well as IT costs.

The projects concerning the migration of Danish kroner to Target Services and the renovation of Danmarks Nationalbank's building in Havnegade will also in the coming years significantly increase the need for staff and related expenses.

Allocation of profit/cover of loss 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.

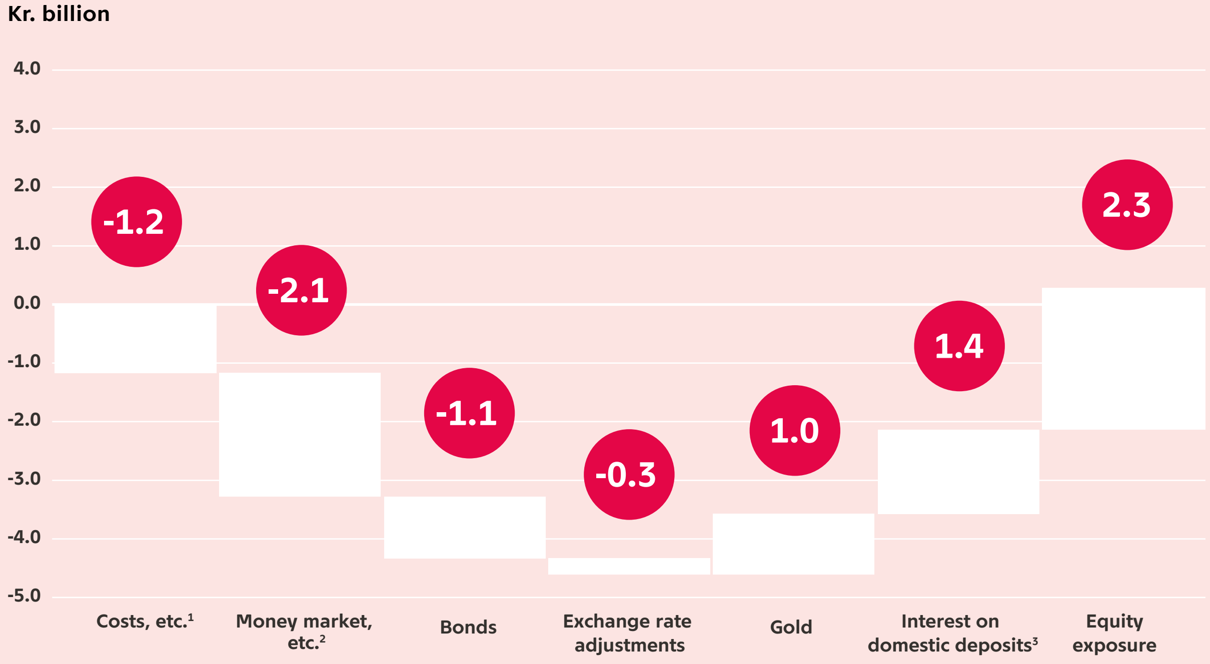
If the result basis is negative, Danmarks Nationalbank's net capital absorbs the deficit. If the result basis is positive, a decision is made on any transfer based on the development in net capital. The determination of the transfer rate takes into account that, over time, Danmarks Nationalbank's net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

No share of the profit will be transferred to the central government for the 2021 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. 194 million for the year will be transferred to the General Reserves. The net capital subsequently amounts to kr. 81,596 million.

Chart 8

Profit for 2021



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.

Key figures

PROFIT

Kr. 194 million

Kr. 1,422 million

The result for 2021 was a profit of kr. 194 million, against a profit of kr. 1,616 million in 2020. Both gold stock and equity exposure contributed positively to the profit for the year. Conversely, the bond holding subtracted from the results. Interest costs totalled kr. 2.1 billion, primarily due to a large share of the foreign exchange reserve being held at negative interest rates.

FOREIGN EXCHANGE RESERVE

Kr. 535 billion

Kr. 96 billion

In 2021, the foreign exchange reserve increased by kr. 96 billion to kr. 535 billion. The increase was driven by Danmarks Nationalbank's kr. 122 billion intervention purchase. The central government's reduction of short-term foreign currency loans pulled in the opposite direction.

VALUE OF GOLD STOCK

Kr. 26 billion

Kr. 1 billion

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. 1 billion to kr. 26 billion.

Organisation

1 March 2022


Board of Directors
Committee of Directors
Audit
Bethina Hamann
Board of Governors
Governor
Signe Krogstrup
Governor by
Royal Appointment,
Chairman
Lars Rohde
Governor
Per Callesen
Banking
and Markets
Lars Mayland Nielsen
Economics and
Monetary Policy
Thomas Harr
Research
Federico Ravenna
Secretariat and
Communications
Camilla Penn
Financial Stability
Peter Ejler Storgaard
Financial Statistics
Bent Christiansen
Corporate Services
Lone Mortensen

Organisation

Danmarks Nationalbank focuses on being a well-functioning, efficient and attractive workplace where professionalism is paramount.

Danmarks Nationalbank had 450 full-time employees at the end of 2021, of whom 240 were employed in the economic departments. This is 22 employees more than the previous year, mainly due to the work of migrating the settlement of Danish kroner to the European payment and securities settlement platform Target Services. Staff turnover increased in 2021 to 15.5 per cent from 14.5 per cent in 2020. A total of 76 employees left Danmarks Nationalbank during 2021, and 101 new employees were appointed. In 2021, total absence due to illness increased to 6.3 days per employee against 5.0 days per employee in 2020. Excluding long-term illness, absence due to illness increased to 3.2 days per employee, compared to 2.7 days per employee in 2020.

New management structure

A new overall management structure was implemented in 2021. The new management structure consists of a group management and five committees with a broad representation of both managers and key employees to empower the organisation and ensure a strategic vision and implementation of the strategy.

Outplacements

In 2021, 15 employees were outplaced to national and international organisations, such as the European Central Bank, the EU representation and the Bank for International Settlements. Outplacements are part of Danmarks Nationalbank's objective to increase its knowledge levels, develop the bank's employees and exert influence on the work of international organisations. The corona pandemic has meant a minimum of travel to foreign partners, which has given the outplaced employees a central role in the cooperation with international organisations.

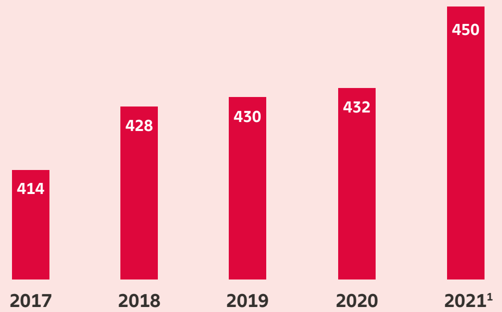
Teleworking policy

As a result of the pandemic, a great number of employees continued to work from home for several periods in 2021. Teleworking and hybrid meetings have thus become a bigger part of most employees' everyday lives. Most employees have had the option of having an average of two weekly teleworking days. Several factors are to be considered in the planning of teleworking: efficient task performance, cooperation and well-being within the unit, as well as well-being, job satisfaction and work-life balance for the individual. The focus has been on experimenting with and testing different ways of teleworking so that Danmarks Nationalbank can later adopt a definitive policy on teleworking that best supports an attractive workplace. The policy will be evaluated in 2022.

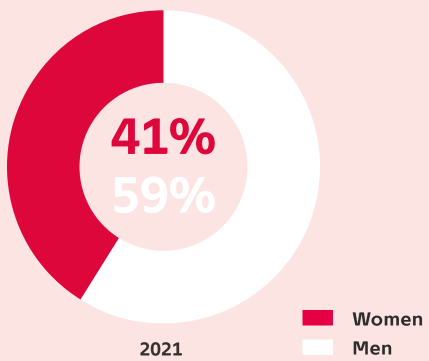
Danmarks Nationalbank's whistleblower scheme

Danmarks Nationalbank has established a whistleblower scheme where, among other things, the bank's employees, Committee of Directors and Board of Directors, as well as suppliers and business partners, can report serious offences and violations of EU law in areas provided for in the Whistleblowing Directive. Danmarks Nationalbank has chosen to appoint an external and independent law firm to receive and follow up on any reports submitted under the whistleblower scheme. All reports must be made through the bank's whistleblower portal, which ensures confidentiality. Reporting can also be done anonymously.

Development in full-time employees

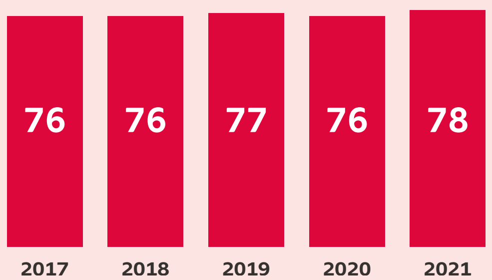


1. From 2021, PhD students will be included based on their agreed working hours in the bank, and therefore counts as 0.15 FTE instead of 1.0 FTE.

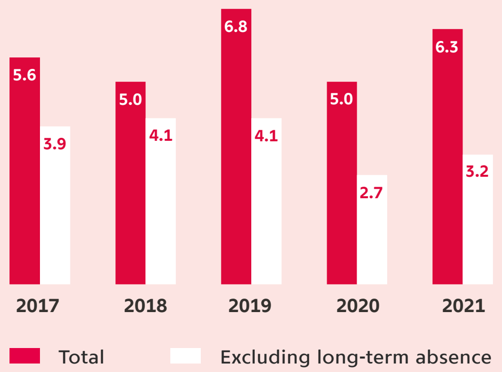


Work satisfaction

In 2021, work satisfaction was almost unchanged compared to previous year



Absence due to illness



Danmarks Nationalbank's Board of Directors as at 1 March 2022

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

Elected by the Folketing for the period ending 31 March 2026:
Lisbeth Bech-Nielsen, MP
Kristian Thulesen Dahl, MP
Jakob Ellemann-Jensen, MP
Jens Joel, MP
Sophie Løhde, MP
Christian Rabjerg Madsen, MP
Sofie Carsten Nielsen, MP
Troels Lund Poulsen, MP

Appointed by the Minister for Industry, Business and Financial Affairs for the period ending 31 March 2026:
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:
Asger Enggaard, Managing Director	2022
Kristian Hundebøll, CEO	2022
Anja Philip, President	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
Kathrine Forsberg, CEO	2025
Grete Christensen, President	2025
Claus Jensen, President	2026
Lizette Risgaard, President	2026
Christian Woller, CEO	2026

Danmarks Nationalbank's Committee of Directors as at 1 March 2022

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 2022:
Per Bank, CEO
Grete Christensen, President
Jakob Ellemann-Jensen, MP
Christian Rabjerg Madsen, MP
Professor Christian Schultz

Appointed by the Minister for Industry, Business and Financial Affairs for the period ending 31 March 2026:
Michael Dithmer, Permanent Secretary of State for Industry, Business and Financial Affairs
Johan Legarth, Permanent Secretary of State for Justice

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

As at 1 March 2022, Danmarks Nationalbank is represented in the following committees, international organisations etc.:

The European Union (EU)
The European Systemic Risk Board (ESRB)
Governor Lars Rohde is a member.

The Economic and Financial Committee
Governor 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
Assistant Governor Thomas Harr is a member.

Nordic-Baltic Macroprudential Forum
Governor Lars Rohde is a member.

The Danish Payments Council
Governor Per Callesen is the Chairman.

The Systemic Risk Council
Governor Lars Rohde is the Chairman.
Governor Per Callesen is a member.

The Economic Council
Governor Signe Krogstrup is a member.

The Governing Board of the Danish Financial Supervisory Authority
Head of Financial Stability Peter Ejler Storgaard is a member.

The Coordination Committee on Financial Stability
Governor Per Callesen is a member.

Risk management

Financial portfolios

The financial portfolios comprise its foreign exchange reserve of kr. 535 billion and its holding of domestic bonds of kr. 31 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 2021, the foreign exchange reserve increased by kr. 96 billion. The increase was driven by Danmarks Nationalbank's kr. 122 billion intervention purchase. Conversely, the central government has reduced the short-term foreign currency loans included in the foreign exchange reserve by kr. 60 billion. In addition, the foreign exchange reserve increased by almost kr. 30 billion as a result of a technical upward adjustment of allocated special drawing rights, SDR, at the end of August. A number of minor changes, including e.g. market value adjustments, had limited impact.

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's secondary objective with the foreign exchange reserve is to realise the highest possible returns while keeping the level of risk low. Consequently, Danmarks Nationalbank also has, for example, equities and corporate bonds, which contributes to increasing projected earnings and diversifying risk. The equity exposure was kr. 11 billion at the end of 2021, distributed between the USA (48 per cent), Europe (43 per cent) and Japan (9 per cent). Corporate bonds amounted to kr. 3 billion.

Exposure to equities and corporate bonds is built up through ESG-screened exchange-traded funds (ETFs) that comply with Danmarks Nationalbank's responsible investment guidelines. The guidelines were extended in 2021 to add the objective that the financial portfolios must be aligned with the climate objectives of the Paris Agreement. The first step in this direction has been the purchase of an ETF that follows the EU's minimum requirements for Paris Aligned Benchmarks (PAB).

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 increased to kr. 26 billion at the end of 2021.

Table 1

Danmarks Nationalbank's financial portfolios

Kr. billion	2021	2020
Foreign bonds	**103**	**131**
Government bonds with a credit rating of AA- or higher	41	67
Government bonds with credit ratings of BBB- to A+	22	24
Other bonds with a credit rating of AA- or higher[1]	40	40
Domestic bonds	**31**	**33**
Money market products (central bank deposits, reverse repo transactions etc.)	**342**	**249**
Other holdings and exposures		
Gold	26	25
Exposure to equities	11	11
Exposure to corporate bonds	3	3
IMF[2]	54	22
Selected risk measures/financial ratios		
95 per cent expected shortfall[3] as a percentage of net capital	10	10
Krone duration	2,4	2,4
Combined average rating of the portfolio[4]	AA+	AA+
Foreign exchange exposure (before FX hedge in brackets)		
EUR	465 (382)	394 (310)
USD	0 (44)	0 (42)
Other	0 (40)	0 (40)

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 International Monetary Fund, IMF, as a consequence of the allocation of special drawing rights totals kr. 44 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.

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. 54 billion at the end of 2021. This is an increase compared to the previous year, because Danmarks Nationalbank received a new SDR allocation for almost kr. 30 billion in August 2021. Danmarks Nationalbank has made additional commitments totalling kr. 165 billion. While the commitments are significant, the draw is expected to be low. The aggregate risk is 10 per cent of the net capital[1], see table 1.

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. It also provides intraday credit to facilitate the settlement of payments.[2]

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 bad debts is very low.

Collateral basis and lending
In 2021, the use of monetary policy loans was limited, see chart 9. In March 2021, Danmarks Nationalbank made a technical adjustment of monetary policy instruments, abolishing exceptional weekly lending and setting interest rates on monetary policy loans at the rate of extraordinary weekly lending at the time. No monetary policy loans were granted at the end of 2021. Danmarks Nationalbank did not hold any dollar or euro auctions in 2021.[3]

The collateral basis for traditional pledging of collateral consists of Danish government securities, bonds guaranteed by the Danish government, mortgage bonds and bonds issued by KommuneKredit and Føroya Landsstýri. The collateral value – i.e. the market value less the haircut of the securities pledged by the counterparties to Danmarks Nationalbank – amounted to approximately kr. 125 billion at the end of 2021, see chart 10.

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 holdings 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 Target2-Securities (T2S).[4] 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.

Maintaining and developing a high risk-based security level is considered to be a precondition for maintaining Danmarks Nationalbank's credibility, and

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

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. Danmarks Nationalbank also provides loans to cash centres.

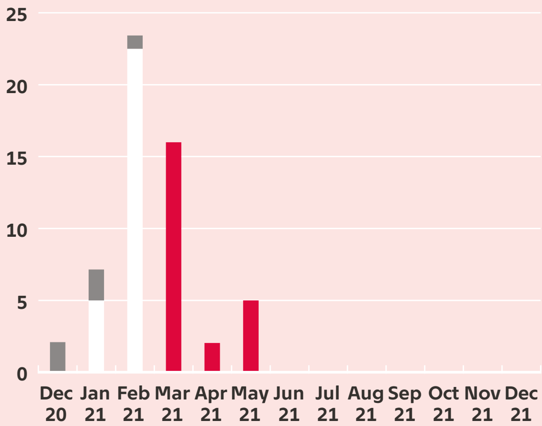
3 During the corona pandemic in 2020, Danmarks Nationalbank held dollar and euro auctions for monetary policy counterparties on the basis of swap agreements with the Federal Reserve, the Fed, and the European Central Bank, ECB. The last auction was held in December 2020 with USD loans due in March 2021. In 2021, there was no demand for foreign currency loans at Danmarks Nationalbank.

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

Chart 9

Loans to monetary policy counterparties

Kr. billion, end-of-month



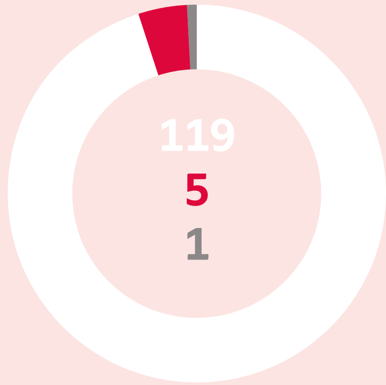
Lending facility
Extraordinary lending facility, 1 week (expired 19 March)
USD loans

Note: Chart shows lending at the end of the month.
Source: Danmarks Nationalbank.

Chart 10

Collateral value of pledged securities

Kr. billion, end-2021



Mortgage bonds
Other bonds
Danish government securities

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.

a robust Danish economy. Therefore, the work on risk management and security is a priority in the ongoing operations processes and in the development of major projects.

Risk management is based on Danmarks Nationalbank's risk strategy and appetite, which determine the overall requirements and 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:

- Cyberattacks
- IT operational stability
- Business operation errors
- Data and personal data security
- Reputation
- Physical security.

Systematic work is being done to identify, assess, manage and follow up on significant operational risks to ensure that the level of risk is acceptable. Strengthening response plans and business continuity plans in the event of critical situations remains a key part of ongoing risk management work. The systematic 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
The risk outlook in relation to covid-19 has changed significantly during 2021. In 2020 and early 2021, the bank's primary focus areas were to manage risks related to widespread illness among employees and outcomes at critical functions. However, the risk outlook changed as vaccines were deployed and measures were implemented that minimise the risk of failures of critical functions. Due to the risk of infection, a large part of Danmarks Nationalbank's employees worked from home for extended periods of 2021.

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 2021

Key figures and financial ratios 2017-21

Income statement (kr. million)	2021	2020	2019	2018	2017
Net income from interest, etc.	-1,048	-628	-22	-315	-851
Value adjustment of gold	1,034	2,863	3,832	621	-271
Other value adjustments	1,334	236	3,178	520	1,621
Income from financial fixed assets, etc.	40	213	19	18	39
Other income	1	2	2	1	19
Expenses, including depreciation and impairment charges	-1,167	-1,051	-913	-869	-792
Other expenses	-	-19	-	-	-19
Net profit/loss for the year	**194**	**1,616**	**6,096**	**-24**	**-254**
Allocated as follows:					
Allocation to/from net capital	194	1,616	6,096	-24	-254
Payable to the central government	-	-	-	-	-
	194	**1,616**	**6,096**	**-24**	**-254**

Balance sheet (kr. million)	2021	2020	2019	2018	2017
Assets					
Foreign exchange reserve assets	538,160	440,328	444,317	461,314	465,333
Monetary policy lending	-	-	-	-	-
Other lending	1,874	3,900	2,091	1,185	2,094
Domestic bonds	31,359	32,906	32,099	32,579	32,935
Other assets, etc.	1,696	4,235	2,429	1,963	2,856
Total assets	**573,089**	**481,369**	**480,936**	**497,041**	**503,218**
Liabilities					
Banknotes and coins in circulation	77,587	74,524	70,552	70,793	70,997
Monetary policy deposits	202,527	164,003	230,566	210,849	189,967
Central government	151,533	136,875	70,411	111,674	134,689
Foreign exchange reserve debt	3,059	1,342	3,101	2,279	3,540
Other liabilities	56,787	23,223	26,521	27,757	30,312
Total creditors	**491,493**	**399,967**	**401,151**	**423,352**	**429,505**
Total net capital	**81,596**	**81,402**	**79,785**	**73,689**	**73,713**
Total liabilities	**573,089**	**481,369**	**480,936**	**497,041**	**503,218**

Key figures and financial ratios	2021	2020	2019	2018	2017
Foreign exchange reserve (kr. million)	535,101	438,986	441,216	459,035	461,793
Net position of banks and mortgage credit institutions vis-à-vis Danmarks Nationalbank (kr. million)	202,527	164,003	230,566	210,849	189,967
Change in banknotes and coins in circulation (per cent)	4.1	5.6	-0.3	-0.3	0.1
Change in net capital (per cent)	0.2	2.0	8.3	0.0	-0.3
Average no. of staff (full-time equivalents)	444	424	425	420	395

Board of Governors' report on Danmarks Nationalbank's Accounts

The result for the year was a profit of kr. 194 million, against a profit of kr. 1,616 million in 2020.

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. 2,471 million in 2020 to kr. 1,320 million in 2021.

The value adjustment of gold represents a gain of kr. 1,034 million in 2021 as a result of an increase in the gold price converted into Danish kroner of 4,2 per cent. Market value adjustment of foreign exchange positions amounted to kr. 1,700 million in 2021, which is an increase in income of kr. 102 million. The Danish krone strengthened slightly against the euro during 2021, generating a loss from exchange rate adjustments of kr. 274 million.

The financial result has also been negatively affected by the development in net income from interest, etc. In 2021, Danmarks Nationalbank had net expenses of kr. 1.049 million against net expenses of kr. 628 million in 2020. The main reason for the change is that interest on net foreign assets declined further relative to 2020, thus amounting to a total expense of kr. 2,437 million in 2021. There was also a decline in interest income from monetary policy lending and deposits and from the central government.

No credit losses were registered on Danmarks Nationalbank's commitments in 2021, and it is not deemed to be necessary to make provisions for such losses at year-end.

Danmarks Nationalbank's total operating expenses increased by kr. 66 million to kr. 1,031 million in 2021 against kr. 965 million in 2020. The development is ascribable to a number of factors, including an increase in staff expenses due to the number of employees having been increased as a result of the work with migrating the settlement of Danish kroner to the European payment platform Target Services. In addition, there has been an increase in costs for IT operations and development of kr. 42 million, especially as a result of the work with IT infrastructure and IT security.

Depreciation, amortisation and impairment charges totalled kr. 136 million, which is an increase of kr. 50 million relative to 2020. The increase is largely attributable to the value of a number of assets having been subject to impairment in 2021, as it has been assessed that they will not be used on relocation to Havnegade.

Allocation of profit/cover of loss for the year

The profit for the year of kr. 194 million is transferred to Danmarks Nationalbank's General Reserves. No transfer is made to the central government for the 2021 financial year. The net capital subsequently amounts to kr. 81,596 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 2021.

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 2021 and of the result of Danmarks Nationalbank's activities for the financial year 1 January - 31 December 2021.

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

Copenhagen, 22 February 2022

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 2021 and of the result of Danmarks Nationalbank's activities for the financial year 1 January - 31 December 2021 in accordance with the National Bank of Denmark Act. We have audited the financial statements of Danmarks Nationalbank for the financial year 1 January - 31 December 2021, comprising 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, 22 February 2022

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 2021 and of the result of Danmarks Nationalbank's activities for the financial year 1 January - 31 December 2021 in accordance with the National Bank of Denmark Act.

We have audited the financial statements of Danmarks Nationalbank for the financial year 1 January - 31 December 2021, comprising the income statement, balance sheet, notes and accounting policies (the 'financial statements').

Basis of opinion
we have conducted our audit in accordance with International Standards on Auditing 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*. We are independent of Danmarks Nationalbank in accordance with the International Ethics Standards Board for Accountants' international guidelines for the code of ethics for professional accountants (the IESBA Code) and the additional ethical requirements applying in Denmark, and we have also complied with our other ethical obligations in accordance with these requirements and the IESBA Code. 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 international standards on auditing 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 international standards on auditing and the additional requirements applying in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also perform the following procedures:

- 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, 22 February 2022

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 15 March 2022.

As at 1 March 2022, the members of the Board of Directors are

Christian Schultz, Chairman	Anne Hedensted Steffensen, Deputy Chairman	
Jens Bjørn Andersen	Per Bank	Lisbeth Bech-Nielsen
Grete Christensen	Kristian Thulesen Dahl	Michael Dithmer
Jakob Ellemann-Jensen	Asger Enggaard	Kathrine Forsberg
Kristian Hundebøll	Bent Jensen	Claus Jensen
Jens Joel	Johan Legarth	Sophie Løhde
Christian Rabjerg Madsen	Sofie Carsten Nielsen	Anja Philip
Troels Lund Poulsen	Lizette Risgaard	Philipp Schröder
Christian Woller	Gitte Pugholm Aabo	

Accounting policies

General requirements

Danmarks Nationalbank's financial statements for 2021 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 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.
Dividends and gains from financial fixed assets, etc. comprise share dividend received, net gains from the sale of financial fixed assets, etc., as well as revaluations and impairment charges. Dividends are recognised in the year in which they are 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, etc., training costs and other staff expenses. Expenses concerning banknote and coin production services comprise the costs of purchase of banknotes and coins produced by external suppliers. Other expenses concern the operation of Danmarks Nationalbank's properties, IT operations and other expenses.

Other expenses
Other expenses comprise expenses that are not related to Danmarks Nationalbank's primary activities or that are not annually recurring.

Balance sheet

Gold
Gold is stated at the gold price on the balance sheet date in US dollars.

Financial assets and liabilities
Financial assets and liabilities traded in active markets are stated at the fair value on the balance sheet date. Holdings of Exchange Traded Funds and stock futures which are included in 'Foreign assets' are traded on an active market, so that the fair value is based on quoted prices. For bond portfolios in less active or inactive markets which are included in 'Foreign assets' and 'Domestic bonds', the fair value on the balance sheet date has been calculated using a model based on estimation and assessment techniques which take account of recent transactions in similar instruments, the discounted payment flows for the portfolios and the relevant term structure based on the market conditions existing on the balance sheet date. Monetary policy accounts, including certificates of deposit and other lending and deposits, are stated at nominal value.

Repurchase agreements and securities lending, etc.
Securities sold in connection with simultaneous repurchase agreements and securities made available for lending are included in Danmarks Nationalbank's respective holdings.

Financial fixed assets, etc.
Financial fixed assets and similar investments are valued at the lower of acquisition value and fair value.

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, amortisation and impairment charges. 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 depreciated 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 impairment charges 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	2021	2020
Net income from interest, etc.:			
Interest on net foreign assets	1	-2,436,689	-2,139,517
Income from Exchange Traded Funds		72,183	90,016
Interest on monetary policy lending and deposits and certificates of deposit	2	848,734	855,712
Interest on domestic bonds		105,739	-90,483
Interest on central government deposits	3	534,143	595,013
Interest, etc. on other domestic loans and deposits	4	38,848	61,590
Net income from interest, etc., total		**1,048,520**	**-627,669**
Value adjustments, etc.:			
Value adjustment of gold	5	1,034,002	2,863,056
Value adjustment of foreign exchange positions	6	1,425,999	180,526
Value adjustment of domestic bonds		91,852	55,150
Value adjustments, etc., total		**2,368,149**	**3,098,732**
Profit/loss from financial portfolios		**1,319,629**	**2,471,063**
Income from financial fixed assets, etc.	7	**40,129**	**212,782**
Other income	8	**1,349**	**2,039**
Expenses:			
Staff expenses	9	394,065	369,437
Expenses for banknote and coin production services	10	37,319	33,817
Other expenses	11	599,583	561,433
Total expenses		**1,030,967**	**964,687**
Depreciation, amortisation and impairment charges on tangible and intangible fixed assets	12	**136,023**	**85,744**
Other expenses	13	**-**	**19,000**
Net profit/loss for the year		**194,117**	**1,616,453**
Allocation of profit/cover of loss for the year:			
Allocation to/transfer from the General Reserves		194,117	1,616,453
Payable to the central government		-	-
		194,117	**1,616,453**

Balance sheet

Kr. 1,000	Note	2021	2020
Assets			
Gold	14	25,569,628	24,535,626
Foreign assets	15	458,640,710	393,477,883
Claims on the IMF, etc.	16	53,949,540	22,314,702
Claims regarding banks' and mortgage credit institutions' Target accounts with the ECB		40,300	36,536
Monetary policy lending	17	-	-
Other lending	18	1,874,228	3,899,926
Domestic bonds	19	31,358,970	32,905,854
Financial fixed assets, etc.	20	131,056	130,748
Tangible and intangible fixed assets	21	665,382	729,893
Other assets	22	791,245	3,281,385
Accruals		67,611	56,582
Total assets		**573,088,670**	**481,369,135**
Liabilities			
Banknotes in circulation	23	71,368,473	68,389,053
Coins in circulation	23	6,218,037	6,134,283
Monetary policy deposits	24		
Net current accounts and settlement accounts		202,277,063	29,568,464
Certificates of deposit		250,000	134,435,000
Other deposits	25	11,420,465	9,267,476
Central government	26	151,532,734	136,875,182
Foreign liabilities	27	3,059,314	1,342,302
Counterpart of Special Drawing Rights allocated by the IMF	28	44,343,581	13,415,554
Other liabilities	29	1,022,965	539,900
Total creditors		**491,492,632**	**399,967,214**
General Capital Fund		50,000	50,000
Statutory Reserves		250,000	250,000
General Reserves		81,296,038	81,101,921
Total net capital	30	**81,596,038**	**81,401,921**
Total liabilities		**573,088,670**	**481,369,135**

Financial derivatives used for FX hedge	31		
Other financial derivatives	32		
Contingent liabilities and other financial commitments	33		
Loan and purchase commitments to the IMF	34		
Pension commitments	35		

Notes

Note 1 – Interest on net foreign assets

Kr. 1,000	2021	2020
Interest on foreign bonds	-339,803	70,113
Interest on demand deposits and other short-term deposits	-1,568,170	-1,340,442
Forward premiums and interest on other receivables	-528,716	-869,188
	-2,436,689	**-2,139,517**

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

Kr. 1,000	2021	2020
Interest on current accounts and settlement accounts	703,981	-
Interest on certificates of deposit	152,981	880,305
Interest on extraordinary lending facility	-3,233	-24,593
Interest on monetary policy lending	-4,995	0
	848,734	**855,712**

In March 2021, Danmarks Nationalbank suspended the current account and settlement account limits to ensure a more stable development in money market interest rates. At the same time, the interest rate on certificates of deposit was raised to -0.50 per cent and the current account rate was reduced to -0.50 per cent. In addition, the lending rate was lowered to -0.35 per cent. In October, a further interest rate change was made, with the current account rate, the interest rate on certificates of deposit and the lending rate all being reduced by 0.10 percentage points.

The extraordinary lending facility, established in March 2020 to ensure access to liquidity on favourable terms for the banking sector, was abolished in 2021.

The average net deposits from the monetary policy counterparties were kr. 158 billion in 2021, which is on a par with 2020.

Overall, the above factors resulted in a slight decrease in interest income of kr. 7 million relative to 2020 to net income from interest of kr. 849 million.

Note 3 – Interest on central government deposits

Interest on central government deposits decreased by kr. 61 million relative to 2020 to income of kr. 534 million. The decrease is attributable to the interest on average central government deposits having been less negative in 2021.

In 2021, the average balance on the central government's current account with Danmarks Nationalbank amounted to kr. 150 billion (2020: kr. 146 billion).

Note 4 – Interest, etc. on other domestic loans and deposits

Kr. 1,000	2021	2020
Interest on foreign exchange loans to Danish banks	1,237	25,074
Interest on deposits from current account customers	37,307	36,185
Other minor income, fees, etc.	304	331
	38,848	**61,590**

Interest, etc. on other domestic loans and deposits decreased by kr. 23 million to total net income of kr. 39 million.

Interest on foreign exchange loans to Danish banks in connection with swap agreements with central banks amounts to kr. 1.2 million. Danmarks Nationalbank's corresponding interest costs to central banks are included in Note 1. The swap agreement with the Federal Reserve is no longer active at the end of 2021.

Note 5 – Value adjustment of gold

Value adjustment of Danmarks Nationalbank's gold stock resulted in a gain of kr. 1,034 million in 2021 against a gain of kr. 2,863 million last year. The development is attributable to the gold price converted into Danish kroner having increased by a total of 4.2 per cent in 2021, from the end of 2020 to the end of 2021 (2020: 13.2 per cent).

Note 6 – Value adjustment of foreign exchange positions

Kr. 1,000	2021	2020
Market value adjustment of foreign bonds	-463,764	575,499
Market value adjustment of equity and bond futures	1,135	73,874
Market value adjustment of Exchange Traded Funds, etc.	2,162,738	948,528
	1,700,109	**1,597,901**
Exchange rate adjustment	-274,110	-1,417,375
	1,425,999	**180,526**

Exchange rate adjustment of foreign exchange positions comprises all of Danmark Nationalbank's receivables in foreign currency. This includes the foreign exchange reserve, but also items outside the reserve denominated in foreign currency.

Note 7 – Income from financial fixed assets, etc.

Kr. 1,000	2021	2020
Dividend from financial fixed assets	39,843	3,333
Net profit on sales of financial fixed assets, etc.	286	209,449
	40,129	**212,782**

Income from financial fixed assets, etc. totalled kr. 40 million in 2021. This is primarily attributable to dividends on Danmark Nationalbank's holding of shares in the Bank for International Settlements (BIS).

Note 8 – Other income

Kr. 1,000	2021	2020
Sales of coin sets, etc.	1,219	1,621
Dividend on equity investments in commercial companies	130	418
	1,349	**2,039**

Note 9 – Staff expenses

Kr. 1,000	2021	2020
Salaries and remuneration	319,430	300,826
Pension contributions, etc.	54,021	50,893
Training and education expenses	5,929	4,591
Other staff expenses	14,685	13,127
	394,065	**369,437**
Of which remuneration of the management:		
Governors, salaries, etc.	11,038	10,729
Governors, pension contributions	2,059	1,915
Committee of Directors and Board of Directors	1,013	993
	14,110	**13,637**
Salaries and pension, etc. to the Governors are distributed as follows:		
Lars Rohde, Chairman	4,673	4,504
Per Callesen	4,243	4,089
Signe Krogstrup (joined the Board of Governors on 1 November 2020)	4,181	660
Hugo Frey Jensen (left the Board of Governors on 31 October 2020)	-	3,391
	13,097	**12,644**
Remuneration of the Committee of Directors and Board of Directors is as follows:		
Chairman of the Committee of Directors and the Board of Directors	128	126
Deputy Chairman of the Committee of Directors	96	94
Deputy Chairman of the Board of Directors	38	37
Other members of the Committee of Directors, total (kr. 63 thousand/member/year)	315	309
Other members of the Board of Directors, total (kr. 26 thousand/member/year)	436	427
	1,013	**993**

No bonus schemes or other incentive schemes have been established in Danmarks Nationalbank.
In 2021, the average number of employees was 444 full-time equivalents (2020: 424).

Note 10 – Expenses for banknote and coin production services

Kr. 1,000	2021	2020
Coin procurement	13,030	6,953
Banknote procurement	24,289	26,864
	37,319	**33,817**

Note 11 – Other expenses

Kr. 1,000	2021	2020
Real property, current expenses	116,833	98,946
IT expenses	420,614	378,134
Other expenses	53,185	72,580
	590,632	**549,660**
Expenses for renovation of Havnegade 5	8,951	11,773
	599,583	**561,433**

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

Kr. 1,000	2021	2020
Properties	63,887	16,709
Machinery and other operating equipment	4,035	3,741
Hardware and software	68,101	63,321
Fixed assets in the course of construction	-	1,036
	136,023	**84,807**
Net profit on sales of fixed assets	-	-937
	136,023	**85,744**

Depreciation, amortisation and impairment charges increased by kr. 50 million relative to 2020. In 2021, the item has been particularly affected by a number of assets in Havnegade having subject to impairment as it has been assessed that they have been taken out of operation and are not expected to be used when Havnegade becomes a building site or when Danmarks Nationalbank moves back into the premises.

Note 13 – Other expenses

There have been no other expenses in 2021. In 2020, Danmarks Nationalbank incurred an expense in connection with the issue of the commemorative coin to mark the 80th birthday of HM Queen Margrethe II.

Note 14 – Gold

The value of the gold stock was kr. 25.6 billion at year-end, against kr. 24.5 billion at the end of last year. The reason for the increase was that the price of gold converted into Danish kroner increased by 4.2 per cent during 2021. There have been no movements in 2021, and the gold stock thus remains unchanged at 66,550 kg. A gold bar list is available on Danmarks Nationalbank's website.

Note 15 – Foreign assets

Kr. 1,000	2021	2020
Foreign bonds	102,694,886	131,008,350
Exchange Traded Funds in equities	10,805,134	10,279,129
Exchange Traded Funds in corporate bonds	2,897,573	2,948,831
Repo transactions collateralised against foreign bonds	-	-
Claims on central banks and supranational institutions	341,580,271	248,873,509
Claims on foreign commercial banks	472	600
Claims re two-way collateral in cash	631,061	216,037
Margin claims re futures	31,313	151,427
	458,640,710	**393,477,883**

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. At the end of 2021, Danmarks Nationalbank had no exposure to equity futures (2020: kr. 0.4 billion). Exposure to bond futures amounted to kr. 0.2 billion (2020: kr. 0.2 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. At the end of 2021, there were no reverse repo transactions.

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

Apportionment on credit assessment

2021 (kr. million)	Total	EUR	USD	JPY	Other
- Of which AAA	342,142	329,356	4,487	-	8,299
- Of which AA+ to AA-	60,586	35,638	18,964	0	5,984
- Of which A+ to A-	25,090	2,922	1,246	19,856	1,066
- Of which BBB+ to BBB-	6,014	6,014	-	-	-
- Of which non-rated assets	24,809	7,524	15,661	999	625
	458,641	**381,454**	**40,358**	**20,854**	**15,973**

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
	393,478	**317,379**	**38,803**	**22,819**	**14,477**

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.

	2021 (1.000 SDRs)	2021 (kr. 1,000)	2020 (1,000 SDRs)	2020 (kr. 1,000)
Denmark's IMF quota	3,439,400	31,589,857	3,439,400	30,128,800
The IMF's drawing right with Danmarks Nationalbank	2,658,690	24,419,271	2,701,690	23,666,535
Reserve position with the IMF	**780,710**	**7,170,586**	**737,710**	**6,462,265**
Holdings of Special Drawing Rights (SDRs) at the IMF	4,684,280	43,023,711	1,381,445	12,101,317
Lending	408,858	3,755,243	428,215	3,751,120
	5,873,848	**53,949,540**	**2,547,370**	**22,314,702**

As at 31 December 2021, claims on the International Monetary Fund (IMF) amounted to kr. 53,950 million against kr. 22,315 million at the end of 2020. The exchange rate for DKK/SDR was 9.1847 at year-end (year-end 2020: 8.7599). 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 2021, the reserve position amounts to 781 million SDRs, equal to kr. 7,171 million. Denmark's quota of 3,439 million SDRs (kr. 31,590 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 43 million SDRs in 2021. Like the year before, the IMF utilised the drawing right for the quota to finance loan programmes in 2021.

As at 31 December 2021, Danmarks Nationalbank's holdings of special drawing rights (SDRs) with the IMF amounted to 4,684 million SDRs (kr. 43,024 million), which is 3.303 million SDRs more than in 2020. Of this amount, 3,296.5 million SDRs were added to Denmark's SDR holdings as a result of the IMF's new general SDR allocation, which was implemented in August 2021. An amount equivalent to the IMF's accumulated allocation 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

	2021 (1.000 SDRs)	2021 (kr. 1,000)	2020 (1,000 SDRs)	2020 (kr. 1,000)
Loans to the PRG Trust	370,358	3,401,632	350,415	3,069,600
Loans under New Arrangements to Borrow	38,500	353,611	77,800	681,520
	408,858	**3,755,243**	**428,215**	**3,751,120**

Loans to the Poverty Reduction and Growth Trust (PRGT) amounted to 370 million SDRs (kr. 3.402 million). In 2021, 7.3 million SDRs were repaid on existing loans and new loans of 27 million SDRs were granted.

Loans under the NAB (New Arrangements to Borrow) agreement amounted to 38,5 million SDRs (kr. 354 million). In 2021, 39.3 million SDRs were repaid and no new loans were granted, the reason being that the NAB agreement was not activated in 2021.

In 2021, loans were not granted under the bilateral loan agreement for 2020.

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

Note 17 – Monetary policy lending

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

In 2020, an extraordinary lending facility (see Note 2) was established and it was used to a limited extent in the 1st quarter of 2021.

The extraordinary lending facility was discontinued in July 2021. The value of monetary policy loans averaged kr. 2.3 billion in 2021. There were no loans as at 31 December 2021.

Note 18 – Other lending

Kr. 1,000	2021	2020
Banks, loans to cash centres	1,874,228	1,779,766
Banks, foreign exchange loans	-	2,120,160
	1,874,228	**3,899,926**

Note 19 – Maturity distribution for domestic bonds

Kr. 1,000	2021	2020
Maturity in less than 1 year	14,770,482	12,870,046
Maturity after 1 year and less than 5 years	13,688,858	16,413,902
Maturity after 5 years	2,899,630	3,621,906
	31,358,970	**32,905,854**

Note 20 – Financial fixed assets, etc.

Danmarks Nationalbank's holdings of financial fixed assets, etc., calculated at a total acquisition value of kr. 131 million, had an estimated market value of kr. 2.6 billion as at 31 December 2021.

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.

Danmarks Nationalbank's share of the ECB's capital 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. 295.0 million.

Note 21 – Tangible and intangible fixed assets

Kr. 1,000	2021	2020
Properties	465,015	522,640
Machinery and other operating equipment	19,528	22,361
Hardware and software	105,641	139,289
	590,184	**684,290**
Fixed assets in the course of construction re renovation of Havnegade 5	37,038	18,132
Other fixed assets in the course of construction	38,160	27,471
	665,382	**729,893**

Of the above, the value of leasehold improvements amounts to kr. 29 million (2020: kr. 29 million), which is depreciated over the term of the individual leases.

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

Note 22 – Other assets

Kr. 1,000	2021	2020
Market value of unsettled foreign exchange transactions	-	2,420,885
Market value of unsettled domestic securities transactions	1,465	1,630
Equity investments in commercial corporations	39,589	39,589
Interest receivable	717,393	797,684
Other receivables	32,798	21,597
	791,245	**3,281,385**

Equity investments in commercial corporations comprise equity interests received in conjunction with the sale of other financial assets. Danmarks Nationalbank seeks 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)	2021	2020
1,000-krone	27,292,962	28,122,729
500-krone	27,272,237	23,426,856
200-krone	7,474,627	7,405,936
100-krone	3,935,383	3,900,846
50-krone	997,566	991,683
Older series*)	3,859,231	4,063,621
Faroese banknotes	536,467	477,382
	71,368,473	**68,389,053**

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

Coins in circulation (kr. 1,000)	2021	2020
20-krone	2,632,181	2,593,326
10-krone	1,248,767	1,232,722
5-krone	634,352	621,134
2-krone	561,771	552,069
1-krone	374,587	370,557
50-øre	195,627	194,096
Older series*)	382,203	383,210
Thematic and commemorative coins with other nominal values	188,549	187,169
	6,218,037	**6,134,283**

*) Coins issued before the current series.

Note 24 – Monetary policy lending

Banks and mortgage credit institutions 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 and mortgage credit institutions 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 banks and mortgage credit 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 2021, the banks and mortgage credit institutions had total deposits in current accounts and settlement accounts with Danmarks Nationalbank of kr. 202.3 billion against kr. 29.6 billion at the end of 2020. The development can largely be attributed to the suspension of the current account and settlement account limits on 19 March 2021, after which the main part of monetary policy deposits have been placed in current accounts and settlement accounts and not, as previously, in certificates of deposit.

The average balance in current accounts and settlement accounts increased from kr. 31 billion in 2020 to kr. 135 billion in 2021. Correspondingly, the opposite development is seen in the volume of issued certificates of deposit, as the balance has fallen from an average issued volume of kr. 134 billion in 2020 to kr. 25 billion in 2021.

Note 25 – Other deposits

Kr. 1,000	2021	2020
Banks' and mortgage credit institutions' deposits in current accounts in euro	40,300	36,536
Banks, two-way collateral in cash	2,367,261	1,504,822
Deposits under swap agreements	-	2,151,915
Deposits from current account customers, etc.	9,012,904	5,574,203
	11,420,465	**9,267,476**

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.

By the end of 2021, the swap agreement with the Federal Reserve is no longer active and the agreement with the ECB has not been applied.

Note 26 – Central government

As of 31 December 2021, central government deposits amounted to kr. 151,533 million. The central government does not receive a share of the profit for 2021.

Note 27 – Foreign liabilities

This item comprises deposits in Danish kroner with Danmarks Nationalbank by supranational institutions as well as euro deposits from foreign counterparties in connection with two-way collateral in cash. The European Commission's deposit amounts to kr. 2.674 million (2020: kr. 855 million).

Note 28 – Counterpart of Special Drawing Rights allocated by the IMF

This liability comprises the original allocation of Special Drawing Rights by the International Monetary Fund (IMF) to Denmark. Total allocations amounted to 4,828 million SDRs as at 31 December 2021.

The IMF implemented a new general allocation of Special Drawing Rights in August 2021. Denmark's share of the new SDR allocation was 3,296.5 million SDRs. The current holdings of SDRs are specified in Note 16 'Claims on the IMF, etc.'.

Note 29 – Other liabilities

Kr. 1,000	2021	2020
Market value of unsettled foreign exchange transactions	530,717	-
Market value of other financial derivatives	14	6
Interest payable	264,096	269,576
Payables	106,915	136,443
Wage-related payables	52,557	78,857
Other liabilities	68,666	55,018
	1,022,965	**539,900**

Note 30 – Net capital

Kr. 1,000	General Capital Fund	General Reserves	Total
Net capital as at 1 January 2021	300,000	81,101,921	81,401,921
Retained earnings	-	194,117	194,117
Net capital as at 31 December 2021	**300,000**	**81,296,038**	**81,596,038**

Note 31 – Financial derivatives used for FX hedge

2021 (kr. million)	Total	EUR	USD	JPY	Other
Net positions at market value					
Forward exchange contracts:					
Purchase	131,906	83,859	25,171	-	22,876
Sale	-132,437	-1,339	-69,243	-21,494	-40,361
Unsettled spot currency trades:					
Purchase	-	-	-	-	-
Sale	-	-	-	-	-
Currency and interest rate swaps:					
Purchase	0	0	-	-	-
Sale	0	0	-	-	-
	-531	**82,520**	**-44,072**	**-21,494**	**-17,485**

2020 (kr. million)	Total	EUR	USD	JPY	Other
Net positions at market value					
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	-	-	-
	2,421	**75,347**	**-44,443**	**-23,515**	**-4,968**

Note 32 – Other financial derivatives

2021 (kr. million)	Total	DKK	EUR	USD
Principals at market value				
Forward contracts, bonds:				
Purchase	3,375	3,375	-	-
Sale	-	-	-	-
Futures, bonds:				
Purchase	178	-	99	79
Sale	-	-	-	-
Futures, shares:				
Purchase	-	-	-	-
Sale	-	-	-	-

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

Note 33 – Contingent liabilities and other financial commitments

Kr. 1,000	2021	2020
Contractual obligations relating to rented premises	202,653	260,842
Other guarantees	-	15
	202,653	**260,857**

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 period expires between mid-2024 and mid-2025. At the end of 2021, these obligations totalled kr. 203 million, of which an amount of kr. 72.5 million falls due in 2022.

In addition, Danmarks Nationalbank has an intervention agreement with the European Central Bank (ECB).

Note 34 – Loan and purchase commitments to the IMF

Danmarks Nationalbank's maximum further loan and purchase commitments to the International Monetary Fund (IMF) are presented in the table below. The current credit exposure is stated in Note 16.

	2021 (1.000 SDRs)	2021 (kr. 1,000)	2020 (1,000 SDRs)	2020 (kr. 1,000)
The IMF's drawing right on the quota	2,658,690	24,419,271	2,701,690	23,666,535
Danmarks Nationalbank's obligation to purchase SDRs	9,799,670	90,007,032	3,212,975	28,145,344
Undrawn PRG Trust loan facility (2010)	107,187	984,476	134,400	1,177,331
Undrawn PRG Trust loan facility (2021)	300,000	2,755,410	-	-
Undrawn loan facilities for the IMF in connection with New Arrangements to Borrow	3,221,020	29,584,102	1,551,960	13,595,014
Undrawn loan facilities for the IMF in connection with a bilateral loan agreement (2021 agreement) *)	1,848,458	16,977,530	4,500,998	39,428,290
	17,935,025	**164,727,821**	**12,102,023**	**106,012,514**

*) Undrawn amount of loan facilities for the IMF in connection with bilateral loans (2021 agreement), equivalent to 2,283 million euro.

The IMF makes 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. 53.950 billion at the end of 2021, see Note 16.

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, February and August 2021, respectively. The new loan agreements reflect the implementation of a resource agreement in the IMF, which doubles the total loan commitments to the NAB and reduces the overall bilateral loan commitments correspondingly, thus leaving the IMF's total resources roughly unchanged.

As an element of the SDR arrangement, Danmarks Nationalbank may be requested to purchase additional SDRs, until the holdings amount to up to three times Danmarks Nationalbank's accumulated SDR allocation. As a result of Danmarks Nationalbank's SDR allocation having been increased by 3,296.5 million SDRs in 2021, Danmarks Nationalbank's obligation to purchase additional SDRs has increased from 3,213 million SDRs at the end of 2020 to 9,800 million SDRs at the end of 2021.

In addition to the existing loan agreement from 2010, the PRG Trust loan commitment has been extended by 300 million SDRs, equal to kr. 2,755 million, under a new loan agreement 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 3,259 million SDRs with effect from 2021 and run until November 2025. The outstanding balance at the end of 2021 is 3,221 million SDRs, equal to kr. 29,584 million. The increase in Danmarks Nationalbank's NAB commitments is offset by a reduction in the bilateral loan commitment resulting from the implementation of the IMF's resource agreement.

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.

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 financial statements of the Pension Fund:

Kr. million	2021	2020
Pension commitments and other liabilities	3,463	3,509
Fair value of the assets of the Pension Fund	4,754	4,859
Net capital of the Pension Fund	1,291	1,350
Solvency requirement of the Pension Fund	138	139

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

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