



Danmarks
Nationalbank

Report and
Accounts

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REPORT AND ACCOUNTS 2009

At the meeting of the Board of Directors held on 16 March 2010 the Board of Governors will submit Danmarks Nationalbank's Report and Accounts 2009 for adoption on the recommendation of the Committee of Directors.

This report is based on information available up to 3 March 2010.

The small picture on the front cover shows the Skarpsalling Vessel, which is depicted on the 50-krone banknote in the new Danish series (the 2009 series). The motif was designed by the artist Karin Birgitte Lund.

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The Report and Accounts is available on Danmarks Nationalbank's website www.nationalbanken.dk under Publications and can be ordered by filling in the form on Danmarks Nationalbank's website.

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Explanation of symbols:

- Magnitude nil
 - 0 Less than one half of unit employed
 - Category not applicable
 - ... Data not available
- Details may not add because of rounding.

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Foreword

Danmarks Nationalbank is the central bank of Denmark. It was established in 1818 and has been a self-governing institution since 1936. The legal basis for Danmarks Nationalbank's activities is the Danmarks Nationalbank Act of 1936, according to which Danmarks Nationalbank's objective is to maintain a safe and secure currency system in Denmark, and to facilitate and regulate the traffic in money and the extension of credit. In its formulation of monetary policy Danmarks Nationalbank is independent of the Folketing (Parliament) and the Government.

The Report and Accounts of Danmarks Nationalbank comprise a presentation and description of Danmarks Nationalbank's Accounts for the year 2009 and the Report of the Board of Governors. The Report describes general developments in the Danish and international economy, monetary and foreign-exchange policies, international cooperation and major activities during the year within Danmarks Nationalbank's other areas of operation and its organisation.

In 2009, the financial sector and the real economy were severely affected by the financial crisis, as will be evident from the Report of the Board of Governors and the Accounts. For further elaboration on economic and financial developments, reference is made to Danmarks Nationalbank's *Monetary Reviews*.

Copenhagen 3 March 2010

Nils Bernstein
Chairman

Torben Nielsen

Jens Thomsen

Report of the Board of Governors

Report of the Board of Governors 2009

INTERNATIONAL BACKGROUND TO THE DANISH ECONOMY

In the 1st half of 2009, the global economy was still in a recession, and the financial crisis had evolved into an extensive real economic crisis. During the spring, economic indicators gradually became less negative, and in most industrialised countries economic growth turned positive in the 2nd half of 2009 after 5-6 quarters of falling output. World trade and industrial production began to rise, but from a low level. In the emerging market economies output declined less, and the recovery began earlier, in the 1st half of the year. The international economic recovery was to a large extent driven by temporary factors such as inventory adjustments and considerable easing of economic policy. Diminishing uncertainty in the financial markets also contributed.

It remains to be seen whether the international recovery will be self-sustained. The most recent estimates from international organisations point to 3.9 per cent growth in the global economy in 2010 and 4.3 per cent in 2011. The growth outlook is slightly weaker for Europe than for other major economies and is strongest in the emerging market economies.

Inflation in the industrialised world declined in the 1st half of the year, turning negative in the USA and the euro area, and then rose in the 2nd half of the year. This is mainly attributable to the strong fluctuations in energy prices throughout 2008. Considerable spare capacity was reflected in modest increases in consumer prices excluding energy and food. Commodity prices rose strongly over the year, reflecting increasing demand, especially from the Asian emerging market economies, the depreciation of the dollar and better conditions in the financial markets. The price of a barrel of Brent crude oil doubled over the year, to just under 80 dollars at year-end.

The financial markets have improved since the spring of 2009. Credit spreads have narrowed after having widened substantially from the autumn of 2008 to the spring of 2009. Equity prices continued to fall at the beginning of the year, but then rose steadily. US and euro area stock indices rose by around 20 per cent from the beginning to the end of the year and by around 60 per cent from the trough in the spring until year-end. Nevertheless, they remain well below former peaks. Long-term

bond yields in the USA and Europe increased in the 1st half of the year as the growth outlook and financial conditions improved, but then fell back and remained more or less unchanged in the 2nd half of the year, albeit with some fluctuations. At end-2009 the yields on the benchmark US and German 10-year government bonds were 3.8 per cent and 3.4 per cent, respectively, compared with 2.4 per cent and 3.0 per cent, respectively, at the beginning of the year. Ample liquidity generated extensive demand for government bonds, which helped to curb yields despite a large and increasing issuance volume.

The euro mainly tended to strengthen vis-à-vis the US dollar and the Japanese yen during the year, whereas it weakened slightly against the Swedish krona and the pound sterling, having fluctuated considerably. The US dollar weakened vis-à-vis most other currencies from the spring until early December, thereby reversing the significant strengthening seen in the autumn of 2008. The weakening should be viewed against the background of low US interest rates. The USA is regarded as a "safe haven". In the autumn of 2008, diminishing risk appetite worldwide had pushed up demand for US assets, and the dollar had strengthened. As investors regained their risk appetite from the spring of 2009, capital increasingly flowed out of the USA, and the dollar weakened. Improved growth prospects caused the dollar to strengthen again from the beginning of December, particularly vis-à-vis the euro. This trend intensified after the turn of the year, when focus on the fiscal imbalances in Greece led to a pronounced weakening of the euro.

The nominal price of gold was record-high in early December, exceeding 1,200 dollars per troy ounce, and ended the year at around 1,100 dollars per ounce, up from just under 900 dollars at the beginning of the year. The increase is attributable to factors such as large purchases of gold by central banks in several emerging market economies and the weakening of the dollar.

Monetary policy remained strongly expansionary in most countries in 2009. In the USA, monetary-policy interest rates were kept at a record-low level of 0-0.25 per cent throughout the year, while in the euro area and the UK they were gradually reduced during the spring, also to record-low levels of 1.0 per cent and 0.5 per cent, respectively. In the autumn, Australia, Israel and Norway, responding to rising activity, were the first countries to raise their monetary-policy interest rates since the onset of the global economic crisis. Not only were monetary-policy interest rates historically low, many central banks also announced quantitative easing of monetary policy by supplying the monetary-policy counterparties with ample liquidity and by purchasing securities. As the financial markets normalised, demand for some of these new measures

declined, so that they were to a certain extent automatically phased out. Some will, however, remain in place in 2010.

The large-scale expansion of fiscal policy to limit the negative impacts of the financial crisis on the economy led to rapidly rising government deficits and debt in most industrialised countries. According to the European Commission, nearly all EU member states in 2009 exceeded the limit of 3 per cent of GDP set in the Stability and Growth Pact, and for the EU overall the government deficit was 6.9 per cent of GDP. Almost half of the EU member states exceeded the limit of 60 per cent of GDP for government debt.

THE DANISH ECONOMY

In the 1st half of 2009, the Danish economy experienced an extraordinarily strong fall in GDP, but the downturn had already started in 2008. Although growth turned positive again from the 3rd quarter of 2009, GDP was 6.7 per cent lower at year-end than at the peak in the 4th quarter of 2007. The slowdown began as a response to a very high capacity pressure in the preceding years, and from the 2nd half of 2008 it was amplified by the financial crisis and the international recession.

Registered unemployment rose throughout 2009, to 4.3 per cent of the labour force at year-end. According to the Labour Force Survey, the EU-harmonised unemployment, which also includes jobseekers not registered as unemployed, was 6.8 per cent in the 4th quarter. As the labour market slowed down, companies ceased to report on recruitment problems.

The rising unemployment and the worsened economic outlook dampened wage inflation. For the private sector overall, the annual rate of wage increase was 2.3 per cent in the 4th quarter of 2009, down from 4.2 per cent in the 4th quarter of 2008. Nevertheless, wage inflation remained higher than abroad throughout the year.

Measured by the increase in the Harmonised Index of Consumer Prices, HICP, inflation was 1.2 per cent year-on-year in December compared with 2.4 per cent one year earlier. Domestic market-determined inflation, IMI, was relatively high throughout the year, partly because the lower input prices were not fully passed through from manufacturers to end-customers. The high IMI also reflects a considerable increase in unit labour costs due to weak productivity development.

Domestic demand decreased by 6.2 per cent in 2009. Private consumption fell by 4.6 per cent on account of factors such as the decline in household wealth, including housing wealth, the deteriorated employment situation and the uncertainty linked to the financial crisis. More-

KEY FIGURES FOR THE DANISH ECONOMY					Table 1
Real growth against the previous year, per cent	2005	2006	2007	2008	2009
Gross domestic product, GDP	2.4	3.4	1.7	-0.9	-5.1
Private consumption	3.8	3.6	2.4	-0.2	-4.6
Government consumption and investment ...	1.2	3.6	1.0	1.3	2.5
Business investment	-0.1	16.1	3.5	-0.1	-12.4
Residential investment	17.3	9.6	3.4	-14.2	-16.8
Domestic demand, excl. stockbuilding	3.3	5.6	2.2	-0.8	-4.3
Stockbuilding ¹	0.2	-0.3	-0.3	0.3	-1.9
Domestic demand, total	3.4	5.2	1.9	-0.5	-6.2
Exports	8.0	9.0	2.2	2.4	-10.7
Imports	11.1	13.4	2.6	3.3	-13.2
Net exports ¹	-0.8	-1.5	-0.1	-0.4	1.0
Registered unemployment, per cent of labour force	5.1	3.9	2.8	1.8	3.5
Wage index ² , growth in per cent	2.9	3.1	3.8	4.4	3.1
Consumer price index ³ , growth in per cent ...	1.7	1.9	1.7	3.6	1.1
House price index ⁴ , growth in per cent	22.1	18.3	2.1	-7.8	-7.5
Current account, per cent of GDP	4.3	3.0	1.5	2.2	3.9
Government balance ⁵ , per cent of GDP	5.0	5.0	4.8	3.4	-3.0
Private savings surplus ⁶ , per cent of GDP.....	-0.7	-2.1	-3.3	-1.3	6.9

Source: Statistics Denmark.

¹ Contribution to growth in GDP.

² Statistics Denmark's wage index for the private sector.

³ Harmonised Index of Consumer Prices (HICP).

⁴ Quarterly statistics for prices of single-family and terraced houses published by the Association of Danish Mortgage Banks, growth from 4th quarter to 4th quarter.

⁵ Government balance 2009 from "Denmark's Convergence Programme 2009", The Danish Government 2010.

⁶ Current account less government balance (rounded).

over, the squeezed housing market meant that residential investments fell substantially for the second year running. Business investment also declined sharply in 2009 due to the significantly weaker sales opportunities and the resulting spare capacity. Business enterprises also reduced their inventories considerably.

Exports declined by 10.7 per cent in 2009 as a result of the unprecedented slowdown in world trade. However, weak domestic demand caused imports to fall more than exports so that net exports made a positive contribution to GDP growth. At year-end the nominal effective exchange rate of the krone was slightly lower than at the beginning of the year. However, competitiveness deteriorated as wages rose more than they did abroad, and productivity development was weak.

Public finances deteriorated strongly in 2009, and the government budget balance tipped, from a surplus of 3.4 per cent of GDP in 2008 to a deficit of 3.0 per cent in 2009. This shift was attributable to the

automatic stabilisers, i.e. lower tax revenue and higher expenditure for transfer payments, as well as easing of fiscal policy in response to the crisis. Several large public-sector construction projects were launched during the year, and public consumption and investment increased by 2.5 per cent in 2009.

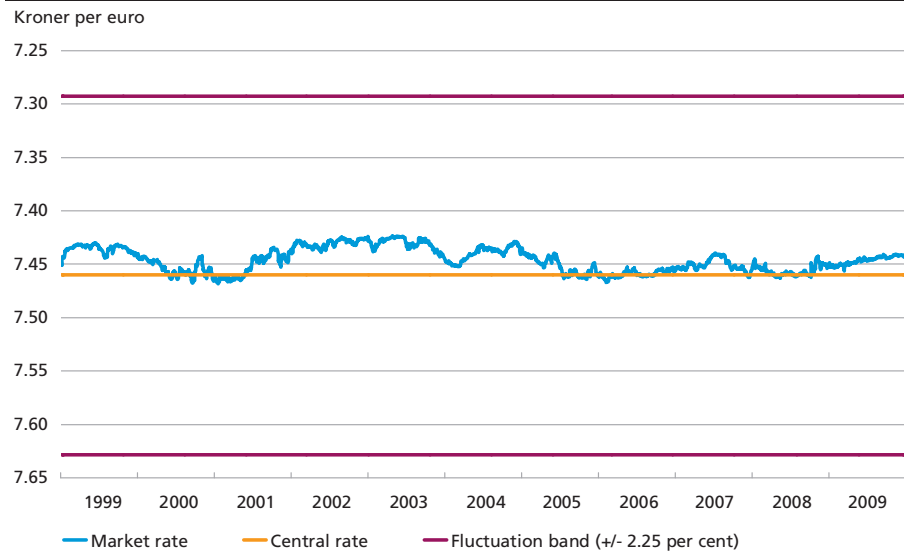
MONETARY AND FOREIGN-EXCHANGE POLICY

Danish monetary and foreign-exchange policy is aimed at keeping the krone stable vis-à-vis the euro. Due to the euro area's low-inflation policy, this creates a basis for low and stable inflation in Denmark. The formal framework for Denmark's fixed-exchange-rate policy is the European Exchange Rate Mechanism, ERM II. Denmark participates with a central rate of kr. 7.46038 per euro and a fluctuation band of +/- 2.25 per cent in relation to the central rate, cf. Chart 1. The fixed-exchange-rate policy means that the monetary-policy interest rates are used solely to keep the krone close to its central rate.

In 2009, the krone was stable vis-à-vis the euro at a level close to its central rate in ERM II. During the year, Danmarks Nationalbank purchased foreign exchange for kroner in the market. For the year overall, Danmarks Nationalbank made net intervention purchases of

KRONE VIS-À-VIS EURO

Chart 1



Note: Reverse scale.

Source: Danmarks Nationalbank.

**IMPACT OF VARIOUS FACTORS ON THE BANKS' AND MORTGAGE-CREDIT
INSTITUTES' NET POSITION VIS-À-VIS DANMARKS NATIONALBANK**

Table 2

Kr. billion	2007	2008	2009
Liquidity impact from government finances	-29	-111	55
Intervention by Danmarks Nationalbank to purchase foreign exchange, net	-2	-20	154
Other	5	26	-12
Change in net position	-25	-106	197
End of period:			
Net position	-7	-113	84
Broken down by:			
Certificates of deposit	200	119	166
Current-account deposits	9	10	22
Monetary-policy lending	217	241	104
Memo:			
Foreign-exchange loans ¹	108	0

Note: Based on the monthly balance sheets at end-December. The banks' and mortgage-credit institutes' foreign-exchange loans from Danmarks Nationalbank are not included in their net position vis-à-vis Danmarks Nationalbank.

Source: Danmarks Nationalbank.

¹ Foreign-exchange loans are loans granted to banks and mortgage-credit institutes by Danmarks Nationalbank on the basis of swap lines with the Federal Reserve and the ECB.

foreign exchange for approximately kr. 154 billion, cf. Table 2. In the same period, the foreign-exchange reserve increased by kr. 183 billion to kr. 395 billion at the close of 2009. The central government's net foreign borrowing totalled kr. 7 billion. The foreign loans are raised in order to maintain an adequate foreign-exchange reserve.

In 2009, Danmarks Nationalbank lowered its monetary-policy interest rates in several increments, reducing the lending rate by a total of 2.55 percentage points. At the beginning of the year, the lending rate and the rate of interest on certificates of deposit were both 3.75 per cent, while the discount rate and the current-account rate were 3.50 per cent. At year-end the lending rate was 1.20 per cent, the rate of interest on certificates of deposit 0.95 per cent, the current-account rate 0.85 per cent and the discount rate 1.00 per cent. The spread between Danmarks Nationalbank's lending rate and the European Central Bank's (ECB's) interest rate on its main refinancing operations, i.e. the monetary-policy interest-rate spread, was somewhat elevated at the beginning of 2009, having widened in the autumn of 2008 when the krone was under pressure. Since then, the spread has narrowed, decreasing from 1.25 per cent to 0.20 per cent during 2009.

In response to the ECB's lowering of its main refinancing rate, Danmarks Nationalbank cut its monetary-policy interest rates on 16

January, 6 March, 3 April and 11 May, by 0.75, 0.75, 0.25 and 0.35 percentage point, respectively. Danmarks Nationalbank lowered its interest rates by more than the ECB did due to purchases of foreign exchange in the market.

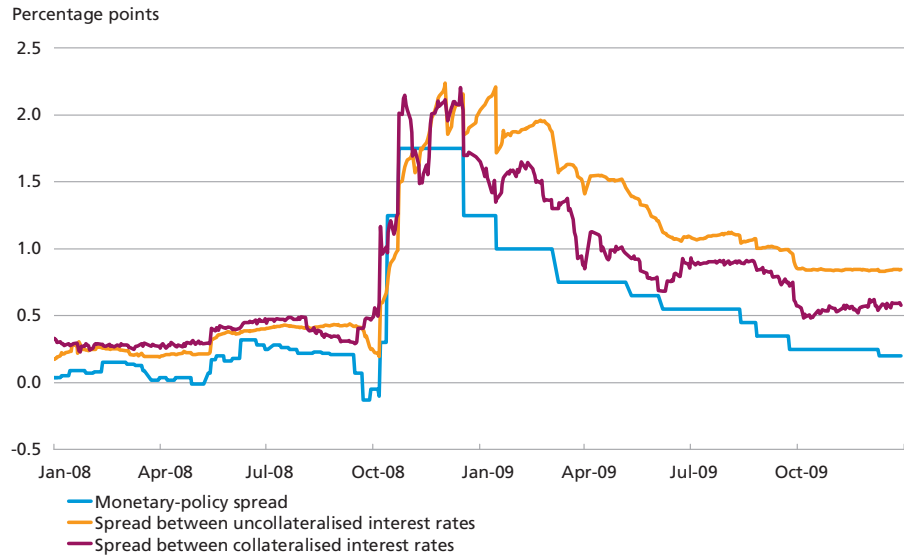
Subsequently, Danmarks Nationalbank unilaterally lowered its interest rates on several occasions, motivated by continued purchases of foreign exchange in the market. Effective 8 June, Danmarks Nationalbank's lending rate was lowered by 0.10 percentage point. At the same time, the rate of interest on certificates of deposit was reduced by 0.20 percentage point, and the discount and current-account rates were cut by 0.20 percentage point. An interest-rate margin of 0.10 percentage point was thus introduced between the lending rate and the rate of interest on certificates of deposit. The aim was to give banks and mortgage-credit institutes an incentive to even out mutual liquidity differences via the money market rather than using Danmarks Nationalbank's facilities. On both 14 and 28 August, Danmarks Nationalbank lowered its monetary-policy interest rates by 0.10 percentage point. On 25 September, the lending rate and the rate of interest on certificates of deposit were, once again, lowered by 0.10 percentage point, while the discount rate and the current-account rate remained unchanged. Effective 29 September, the rate of interest on certificates of deposit was reduced by 0.15 percentage point and the current-account rate by 0.10 percentage point. The lending and discount rates remained unchanged. This meant that the interest-rate margin between the lending rate and the rate of interest on certificates of deposit was widened to 0.25 percentage point, and a margin was introduced between the discount and current-account rates. Effective 11 December, the lending rate, the rate of interest on certificates of deposit and the current-account rate were lowered by 0.05 percentage point, while the discount rate remained unchanged.

In the period from the introduction of the interest-rate margin between the lending rate and the rate of interest on certificates of deposit to end-2009, the banks and mortgage-credit institutes reduced their borrowing by kr. 66 billion, while their current-account deposits and holdings of certificates of deposit were reduced by kr. 59 billion overall, since the net position of these institutions increased by kr. 8 billion during this period. The effect of the interest-rate margin is difficult to quantify, but since its introduction the institutions have overall reduced their gross utilisation of Danmarks Nationalbank's facilities.

The supplement to the lending rate charged for the credit facility against loan bills and the credit facility on the basis of capital adequacy was reduced from 2 to 1 per cent as of 13 March 2009, reflecting the falling level of interest rates.

MONETARY-POLICY INTEREST-RATE SPREAD AND 3-MONTH INTEREST-RATE SPREADS BETWEEN DENMARK AND THE EURO AREA

Chart 2



Note: The monetary-policy interest rate spread is the difference between Danmarks Nationalbank's lending rate and the ECB's marginal rate in its main refinancing operations. The interest-rate spread for uncollateralised lending is the spread between the 3-month Cibur and Euribor. The interest-rate spread for collateralised interest rates is based on a 3-month interest-rate swap at the overnight interest rate.

Source: Danmarks Nationalbank.

Money market

Conditions in the money market gradually improved during 2009, after the global money markets had more or less frozen in the autumn of 2008. The interest-rate spread between uncollateralised and collateralised loans narrowed substantially, but remained wider in Denmark than in the euro area, and the spread to the euro area for uncollateralised reference interest rates in the money market (Cibur and Euribor) remained relatively wide.

The spread between money-market interest rates in Denmark and the euro area was generally somewhat wider than the monetary-policy spread, cf. Chart 2. This should be viewed in the light of very low money-market interest rates in the euro area following the ECB's decision in October 2008 to introduce full allotment at a fixed rate of interest in its main refinancing operations. The credit institutions in the euro area to a large extent placed liquidity in deposit accounts at the ECB at a lower rate of interest than the main refinancing rate. In June 2009, the ECB introduced 12-month fixed-rate refinancing operations with full allotment, after which the credit institutions' loans from and deposits with

the ECB increased. As a result, short-term money-market interest rates in the euro area were considerably below the ECB's main refinancing rate, while money-market interest rates in Denmark were closer to Danmarks Nationalbank's monetary-policy lending rate.

At the start of the year, the banks had raised loans in foreign currency totalling kr. 108 billion from Danmarks Nationalbank under the swap lines agreed with the Federal Reserve and the ECB. As the foreign-exchange markets continued to normalise, the banks were able to obtain the necessary loans in foreign currency without the assistance of Danmarks Nationalbank. From 25 November 2009 the banks no longer had any loans in foreign currency from Danmarks Nationalbank under the swap lines.

Bank interest rates and bond yields

Yields on Danish mortgage-credit bonds fell in 2009, especially for the short maturities. This reflected lower monetary-policy interest rates.

The banks' deposit and lending rates also fell due to the lower monetary-policy interest rates. From end-2008 until December 2009, the banks' average lending rates to households and the corporate sector fell by 2.7 and 2.4 percentage points, respectively, while deposit rates fell by 2.2 and 3.2 percentage points. The interest-rate margin was thus reduced by 0.5 percentage point for households, while it increased by 0.8 percentage point for the corporate sector.

The 10-year government bond yield increased from approximately 3.3 per cent at the beginning of 2009 to approximately 3.6 per cent at year-end. The yield spread to equivalent German government bonds narrowed from around 0.4 percentage point to 0.3 percentage point. Similar developments were seen in the yield spreads of other European countries vis-à-vis Germany.

THE DOMESTIC FINANCIAL SYSTEM

Financial stability

The recession in the economy affected the banks, whose financial statements taken as one reflected large write-downs on loans in the first three quarters of 2009. Market-value gains had a positive impact on the banks' earnings, however, reflecting favourable developments in the financial markets and higher interest-rate margins. The mortgage-credit institutes' write-downs on loans also increased in 2009, but remained low in a long-term perspective.

The financial crisis has put the liquidity and capital structures of Danish banks under strong pressure. In 2009, 43 banks and mortgage-credit

institutes strengthened their capital base by approximately kr. 46 billion via government capital injections under the Credit Package (Bank Rescue Package II), while others have raised capital in the markets.

In response to the financial crisis, the authorities and international collaborative organisations have initiated work on regulatory measures to prevent a repetition of the financial crisis. This work is expected to significantly change the framework conditions for operating as a credit institution.

Roskilde Bank

On 10 August 2009, Roskilde Bank was transferred from Danmarks Nationalbank and the Danish Contingency Association to the Financial Stability Company. In addition to ownership of Roskilde Bank, the Financial Stability Company, as the creditor, also took over a subordinated loan from Danmarks Nationalbank as well as a special credit facility that had been made available to Roskilde Bank.

Extension of political agreement on financial stability in the pension sector

At the end of October 2009, the Ministry of Economic and Business Affairs and the Danish Insurance Association agreed to extend the agreement on financial stability in the pension sector until 31 October 2010. The agreement was originally concluded on 31 October 2008.

Stress testing in cooperation with the largest Danish banks

In the autumn of 2009, Danmarks Nationalbank performed a stress test in cooperation with the Danish Financial Supervisory Authority and the six largest Danish banks. The participant banks calculated the impact of various stress scenarios using their own models and based on their own portfolios. The results were presented in *Stress Tests, 2nd Half 2009* along with Danmarks Nationalbank's own stress tests of the resilience of the 14 largest Danish banks to further negative shocks to the economy.

Both types of stress test showed that in the most probable scenario the banks were sufficiently capitalised. The results of the stress tests did not prompt Danmarks Nationalbank to propose new initiatives. However, it was emphasised that that in the future both new regulation and markets will require the banks to hold more capital of a better quality than they did prior to the onset of the crisis (i.e. more share capital relative to subordinated debt). Tighter regulation is not expected to enter into force until the end of 2012. However, banks and other market participants are likely to start preparing for more stringent requirements already at this stage.

Liquidity monitoring

The financial crisis in recent years has highlighted the importance of managing liquidity risk in the financial sector. In cooperation with the Danish Financial Supervisory Authority, Danmarks Nationalbank has taken steps to establish a new, detailed system for monitoring liquidity in the Danish banking sector. The system is to increase the authorities' insight into the liquidity risks incurred by the sector.

NEW EUROPEAN SUPERVISORY ARCHITECTURE

On 23 September 2009, the European Commission tabled a proposal for a set of legislative measures to enhance financial supervision in Europe. The new supervisory architecture aims to improve both macroprudential and microprudential supervision by establishing two new institutions, the European Systemic Risk Board (ESRB) and the European System of Financial Supervisors (ESFS). The ESRB is to monitor and assess risks to the financial system as such (macroprudential supervision), while the ESFS is to undertake supervision of credit institutions (microprudential supervision).¹ The proposal was considered by the European Council in December 2009 and is expected to be adopted by the European Parliament in mid-2010 so that the new institutions can be established from 1 January 2011.

INTERNATIONAL MONETARY COOPERATION

Enlargement of the euro area and ratification of the Lisbon Treaty

On 1 January 2009, Slovakia joined the euro area. The transition was smooth. The remaining ERM II participants are Denmark, Estonia, Latvia and Lithuania. The Lisbon Treaty came into force on 1 December 2009 following a prolonged ratification process. The Lisbon Treaty entails only minor changes to the EU's economic and financial cooperation.

The International Monetary Fund

Work in the International Monetary Fund, IMF, has reflected the prominent role of the IMF in international economic policy cooperation during the economic crisis, including strong growth in the IMF's new loan commitments. To ensure that the IMF has sufficient lending resources and to boost confidence, the international community, driven by the G-20 summit in London in April 2009, agreed to triple the IMF's general lending

¹ For a more detailed description, see A New European Supervisory Architecture, Danmarks Nationalbank, *Monetary Review*, 4th Quarter 2009.

capacity. The capacity to lend on concessional terms to low-income countries will be doubled, and global liquidity has been increased by allotting special drawing rights (SDRs) on the IMF equivalent to 250 billion dollars.

As a member of the IMF, Denmark has contributed to these funds, including as part of a coordinated EU contribution. Because Danmarks Nationalbank is responsible for managing Denmark's financial accounts with the IMF, these initiatives impact on Danmarks Nationalbank's balance sheet and the foreign-exchange reserve.

The increase of the IMF's lending capacity is initially achieved by a number of voluntary bilateral lending agreements between the IMF and member countries. In November 2009, Danmarks Nationalbank concluded a bilateral loan agreement for 1.95 billion euro with the IMF. In the longer term, the loan agreements are to be transferred to an expansion of the New Arrangements to Borrow (NAB), established in 1997. Denmark's share of the new NAB will be a good 5 billion dollars. Backed by a government guarantee, Danmarks Nationalbank has also made commitments for a further 200 million SDR for IMF loans to low-income countries. In addition, Danmarks Nationalbank has received 1.4 billion SDRs through the SDR system. This amount is included in the foreign-exchange reserve.

The bilateral loan and the increased SDR allocations generally increase the IMF's drawing rights on Danmarks Nationalbank. If the IMF draws on these facilities, this will impact on the composition of the foreign-exchange reserve, as hard currency is exchanged for claims on the IMF. The size of Denmark's foreign-exchange reserve remains unchanged.¹

BANKNOTES AND COINS

In 2009, the value of banknotes and coins in circulation fell to kr. 60.1 billion from kr. 60.6 billion in 2008. The value of banknotes in circulation fell to kr. 54.5 billion in 2009 from kr. 55.1 billion in 2008, while the value of coins in circulation increased to kr. 5.6 billion in 2009 from kr. 5.5 billion in 2008.

The value of banknotes and coins in circulation is stated exclusive of commemorative coins, Faroese banknotes and certain old banknotes and therefore deviates from the figure stated on Danmarks Nationalbank's balance sheet.

356 counterfeit banknotes were removed from circulation in 2009. This is a decline compared with 2008, when 517 counterfeit banknotes were

¹ See Thomas Krabbe Jensen and Søren Vester Sørensen, Danmarks Nationalbank's Accounts with the International Monetary Fund, IMF, Danmarks Nationalbank, *Monetary Review*, 4th Quarter 2009.

found. In an international context, counterfeiting of Danish banknotes remains limited.

New banknote series

The first banknote in the new Danish series – the 50-krone banknote – was put into production in early May 2009 and issued on 11 August. Design and production of the new series will continue into 2010, when the 100-krone banknote will be introduced on 4 May and the 200-krone banknote in October. The remaining two banknotes, 500 and 1,000 kroner, will be issued in 2011.

The new banknote series was designed by the artist Karin Birgitte Lund. The motifs are bridges in Denmark as well prehistoric objects found near the bridges.

Faroe Islands and Greenland

As Denmark's central bank, Danmarks Nationalbank also supplies the Faroe Islands and Greenland with cash. Since 1951 the Faroe Islands have had their own banknotes with Faroese motifs, but with the same denominations as the Danish banknotes. In 2006, the Greenlandic and Danish governments adopted the Act on Banknotes in Greenland with a view to introducing separate Greenlandic banknotes. The Act entered into force on 1 June 2007. The artist Miki Jacobsen was appointed by the Government of Greenland to design the banknote series. In January 2010, the Danish Government informed Danmarks Nationalbank that the new Parliament of Greenland wishes to reconsider the issue of introducing separate Greenlandic banknotes. Consequently, Danmarks Nationalbank has suspended the project.

The Royal Danish Mint

Effective 1 October 2008, the 25-øre coin ceased to be legal tender, but it can be exchanged at Danmarks Nationalbank for three years from this date, i.e. until 1 October 2011. In early 2008, 525 million bronze 25-øre coins were in circulation, but since then 160 million coins, corresponding to 30 per cent of the outstanding volume, have been returned. In other words, 365 million coins are still held by the general public. Only a small proportion of these coins is expected to be returned by the deadline in 2011.

During the year, coins in circulation increased by only kr. 61 million, i.e. just over 1 per cent. Stocks of coins were ample in 2009 since other values were also returned in connection with the removal of the 25-øre coin from circulation, and the need to produce coins for circulation was therefore limited.

Issuance of thematic coins continued. The third and final coin in the series to mark the International Polar Year was issued at the beginning of the year. Two ship coins were issued; the first one, designed by the artist Karin Lorentzen, came in May and depicted Lightship XVII, while the other coin, issued in November and designed by the Faroese artist Hans Pauli Olsen, had a Faroese boat as its motif. This series will continue in 2010.

In March 2010 a special coin will be issued to commemorate the 70th birthday of Her Majesty Queen Margrethe II in April. The coin will be issued in four versions: an ordinary 20-krone circulation coin, a proof version with a nominal value of 20 kroner, a silver coin with a nominal value of 500 kroner and finally a gold collector's coin with a nominal value of 1,000 kroner.

PAYMENT SYSTEMS

Danmarks Nationalbank's temporary measures

During the financial crisis, Danmarks Nationalbank has temporarily expanded the range of securities eligible as collateral for credit facilities from Danmarks Nationalbank. In 2009, the collateral base was expanded further to include quoted and unquoted bank bonds covered by a government guarantee. In addition, the rules for loans against loan bills as collateral were amended so that these bills can now be used as collateral for all types of loans at Danmarks Nationalbank.

At the beginning of 2010, Danmarks Nationalbank also expanded the temporary collateral base to include bonds issued by Special Purpose Vehicles, SPV, that provide loans with individual government guarantees to Danish banks and mortgage-credit institutes.

Payment systems

Danmarks Nationalbank owns and operates the Kronos payment system for large, time-critical payments and acts as settlement bank for the Sumclearing, which is the Danish Bankers Association's system for settlement of retail payments, and for the securities settlement (VP settlement). In addition, Danmarks Nationalbank oversees the financial infrastructure in Denmark in order to promote safe and efficient settlement of payments and securities transactions.

Kronos

Settlement of payments in Kronos was smooth in 2009, and the participants' liquidity was ample to meet their day-to-day payment obligations. This is to a large extent attributable to their access to intra-

day credit at Danmarks Nationalbank against their large portfolios of eligible assets as collateral.

In 2009, the value of Kronos payments fell by 11 per cent, reflecting a decline in monetary-policy operations, i.e. transactions between Danmarks Nationalbank and the banks and mortgage-credit institutes that are settled via Kronos, and also in interbank payments.

The Sumclearing

The Sumclearing is the Danish system for settlement of retail payments. Danmarks Nationalbank has previously called for better settlement discipline among the Sumclearing participants. Settlement discipline continued to improve in 2009, leading to a fall in the number of postponed participants, i.e. banks that have not reserved sufficient liquidity for night-time settlement. The improvement follows the decision by the Danish Bankers Association (the system owner) to increase of the fee for postponement.

Securities settlement

On the whole, the VP settlement, the Danish system for settlement of securities transactions, also ran smoothly in 2009, although there was a tendency for daily settlement blocks to be postponed more frequently. The reason was that participants had difficulties in procuring euro liquidity for settlement block 33, in which kroner are exchanged for euro from night-time settlement. Danmarks Nationalbank has encouraged participants to analyse the consequences of rescheduling this settlement block for later in the day.

System failures

IT operations for several core systems in Denmark, including the Sumclearing and the VP settlement, are currently in the hands of a single service provider. In 2009, system failure experienced by this operator caused delays in the Sumclearing and VP settlement on several occasions.

SEPA Direct Debit

In November 2009, European banks introduced a new payment product in euro, SEPA Direct Debit. This product will enable payment collection services – such as direct debit – across national borders in Europe.

Danish banks also offer their customers this new product. Upon request, Danmarks Nationalbank has chosen to assist the banks in the settlement of SEPA Direct Debit. To this effect Danmarks Nationalbank, acting on behalf of the banks, participates directly in Euro Banking

Association's clearing system for retail payments, STEP2. Other European central banks have taken on similar roles.

Infrastructure development in the securities area

In 2009, central banks and central securities depositories in Europe and market participants continued their work on TARGET2-Securities (T2S). The aim is to establish a trans-European securities settlement system in which cross-border transactions can be settled as efficiently as domestic transactions. Actual system development will begin in 2010. In January 2010, the ECB announced that the project will be delayed and will not be ready by the summer of 2013 as originally planned.

The Danish central securities depository, VP Securities A/S, has indicated that it will participate in T2S in both kroner and euro. Danmarks Nationalbank has committed itself to making liquidity in kroner available for settlement in the system. In 2010 Danmarks Nationalbank will analyse the consequences of connecting to T2S for securities settlement in Denmark.

In 2009 it became possible to clear share transactions on NASDAQ OMX, Copenhagen via a central counterparty, i.e. a CCP. The Dutch company European Multilateral Clearing Facility N.V. is currently the only CCP on the stock exchange in Denmark. Danmarks Nationalbank has helped to analyse potential models for CCP cash settlement and has offered to act as settlement bank.

STATISTICS

Coherent quarterly national accounts broken down by sector

In 2009, Danmarks Nationalbank worked with Statistics Denmark to create coherence between the quarterly non-financial and financial national accounts. The result, which was published on 15 January 2010, provides a better basis for e.g. assessing interaction between Danish households' incomes, consumption and savings on the one hand and their borrowing on the other hand. Likewise, light is shed on the earnings, investments and financing of the corporate sector. Denmark is one of the first EU member states to publish fully consistent national accounts on a quarterly basis in which the financial side – sector by sector – has been aligned with the real economic side of the economy.

New statistics for investment associations

In 2009, Danmarks Nationalbank worked with the Danish Financial Supervisory Authority to develop a new reporting system for investment associations. Under the new system, Danmarks Nationalbank is the

single point of contact for reporting by investment associations to the two institutions, and Danmarks Nationalbank then forwards data to the Danish Financial Supervisory Authority. This eliminates overlap. The establishment of the single reporting system entails administrative savings for the authorities and eases the reporting burden of the investment associations.

The new statistics will be published for the first time in May 2010, covering data for the 1st quarter.

New statistical provisions

In late 2009, Danmarks Nationalbank asked the Danish government to include a statistical provision in the Danmarks Nationalbank Act, citing a need for regulatory access to use information about individual institutions when conducting monetary and foreign-exchange policies and monitoring financial stability in Denmark. This is not possible today, where collection of statistical information by Danmarks Nationalbank is based on authorisation from Statistics Denmark. The information may only be used for preparing statistics.

The Government has indicated that it will table a bill to amend the Danmarks Nationalbank Act in the 1st half of 2010.

Organisation and Tasks of Danmarks Nationalbank

STAFF

At the close of 2009, Danmarks Nationalbank had 549 employees, equivalent to 509 full-time positions. Employees in part-time positions constituted 13 per cent of the staff.

The number of employees grew by four (full-time equivalents) from 2008 to 2009, primarily reflecting the reestablishment of the IT department and the increased focus on financial stability.

Most of the new employees have academic degrees. The number of employees in the other staff groups has generally fallen.

During 2009 the number of apprenticeships was increased to 10 within a range of areas: electricity, carpentry/joinery, gastronomy, graphics (media graphics and technical graphics), data technology and clerical work (administration and finance). In addition, one further PhD scholarship was offered, bringing the total number to six in 2009. To this should be added three trainee positions.

At year-end 13 employees were on leave to work for international institutions. Four employees were on short-term leave to work at the ECB during the year.

Staff turnover fell to 9.5 per cent in 2009, the lowest rate since 2003. In the period since 2004, average seniority has declined by 1½ years to 11.8 years. During the same period, the average age has fallen by 1 year to 41.7 years.

At end-2009, 223 employees had been employed for less than 5 years, as compared with 157 five years earlier. At the other end of the scale, 96 had been employed for 25+ years at end-2009, down from 119 in 2004, cf. Table 3.

In 2009, absence due to illness was an average of 7.6 days per staff member, which is a small increase compared with 2008 (7.2 days).

Development programme for economists

As a new initiative, Danmarks Nationalbank has introduced a development programme for newly graduated economists. The programme ensures a more formalised framework for employee development than has been the case so far, while also supporting internal mobility,

SENIORITY BROKEN DOWN BY STAFF GROUP

Table 3

Number	0-5 years	5-9 years	10-14 years	15-19 years	20-24 years	25+ years	Total
<i>End-2004</i>							
Academic staff	76	58	14	7	7	11	173
Bank staff	10	22	7	9	10	52	110
IT/clerical staff	42	16	12	14	8	20	112
Service staff	10	11	25	18	9	18	91
Craftsmen/technicians	19	11	6	15	14	18	83
Total	157	118	64	63	48	119	569
<i>End-2009</i>							
Academic staff	115	39	32	5	7	12	210
Bank staff	11	4	11	3	9	37	75
IT/clerical staff	60	4	12	7	10	20	113
Service staff	20	6	9	19	14	11	79
Craftsmen/technicians	17	13	9	6	11	16	72
Total	223	66	73	40	51	96	549

Note: Number of employees at Danmarks Nationalbank. Converted into full-time equivalents, the total number of employees was 509 at end-2009 and 536 at end-2004.

cooperation across departments and broader insight into central-bank functions. The programme includes working in several economic departments, as well as relevant stints abroad.

DANMARKS NATIONALBANK'S BUILDINGS

Listing of the Danmarks Nationalbank building

In 2009, the Heritage Agency of Denmark decided to list the Danmarks Nationalbank building in Havnegade 5 on the recommendation of the Historic Buildings Council. The building, designed by the Danish architect Arne Jacobsen, was constructed in three stages in the years 1965-78. In its motivation for listing the building, the Heritage Agency states, *inter alia*, that the architectural and cultural historical values of the building warrant listing. Moreover, it is stated that the principal elements that make the building worthy of listing are its architectural presence in its urban surroundings, its layout, the exquisite choice of materials, the elaborate and consistent details and the gardens.

Among other things, listing means that in future Danmarks Nationalbank will have to apply to the Heritage Agency before initiating any construction work beyond general maintenance.

A major maintenance project in 2009 was the replacement of the roofing on the lower part of the building. The roof surface is approximately 5,200 square metres. The roof garden was restored to its original layout.

THE BOARD OF DIRECTORS OF DANMARKS NATIONALBANK,
1 MARCH 2010

Boks 1

Chairman: *Søren Bjerre-Nielsen*, Group President

Deputy Chairman: *Helle Bechgaard*, Director

Elected by the Folketing for the period ending 31 March 2011:

Peter Christensen, MP, the Liberal Party's political affairs spokesman

Pia Christmas-Møller, MP

Kristian Thulesen Dahl, MP, Chairman of the Finance Committee

Henrik Sass Larsen, MP, the Social Democrats' political affairs spokesman

Villy Søvnald, MP, Chairman of the Socialist People's Party

Helle Thorning-Schmidt, MP, Chairwoman of the Danish Social Democrats

Margrethe Vestager, MP, Chairwoman of the parliamentary group of the Social-Liberal Party

NN, MP¹

Appointed by the Minister for Economic and Business Affairs for the period ending 31 March 2011:

Michael Dithmer, Permanent Secretary, Ministry of Economic and Business Affairs

Michael Lunn, Permanent Secretary, Ministry of Justice

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

Helle Bechgaard, Director 2010

Niels Fog, Merchant 2010

Bente Sorgenfrey, President of the Confederation of Professionals in Denmark 2010

Hans Jensen, Former President of the Danish Confederation of Trade Unions 2011

Kirsten Nissen, Trade Union President 2011

Peter Gæmelke, Farmer, former Chairman of Danish Agriculture 2011

Camilla Hersom, President of the Danish Consumer Council 2012

Jette W. Knudsen, Director 2012

Kjeld Larsen, Farmer 2012

Søren Bjerre-Nielsen, Group President 2013

Peter Bjerregaard, Managing Director 2013

Niels Boserup, Director 2013

Niels Due Jensen, Group Chairman 2014

Michael Møller, Professor 2014

Lars Rebien Sørensen, CEO 2014

¹ A new member is to be elected by the Folketing to replace Hans Christian Schmidt, who resigned on 23 February 2010 when he became a government minister.

MANAGEMENT AND ORGANISATION

Danmarks Nationalbank is a self-governing institution managed by a Board of Directors, a Committee of Directors and a Board of Governors. Mr Søren Bjerre-Nielsen, Group President, is Chairman of the Committee of Directors and the Board of Directors.

THE COMMITTEE OF DIRECTORS OF DANMARKS NATIONALBANK,
1 MARCH 2010

Box 2

Chairman: *Søren Bjerre-Nielsen*, Group President

Deputy Chairman: *Michael Dithmer*, Permanent Secretary, Ministry of Economic and Business Affairs

Elected by the Board of Directors for the period ending 31 March 2010:

Søren Bjerre-Nielsen, Group President

Kristian Thulesen Dahl, MP, Chairman of the Finance Committee

Michael Møller, Professor

Kirsten Nissen, Trade Union President

Helle Thorning-Schmidt, MP, Chairwoman of the Danish Social Democrats

Appointed by the Minister for Economic and Business Affairs for the period ending 31 March 2011:

Michael Dithmer, Permanent Secretary, Ministry of Economic and Business Affairs

Michael Lunn, Permanent Secretary, Ministry of Justice

The Board of Governors has three members. The three governors are charged with the day-to-day management of Danmarks Nationalbank and hold full responsibility for the formulation and ongoing adjustment of monetary policy. As Governor by Royal Appointment Mr Nils Bernstein is Chairman of the Board of Governors. The other two members, who are appointed by the Board of Directors on the recommendation of the Committee of Directors, are Mr Torben Nielsen and Mr Jens Thomsen.

The Royal Bank Commissioner is the formal link between the Government and Danmarks Nationalbank. The Minister for Economic and Business Affairs, Mr Brian Mikkelsen, is the Royal Bank Commissioner.

REPRESENTATION OF THE BOARD OF GOVERNORS ON COMMITTEES, IN INTERNATIONAL ORGANISATIONS, ETC.

As of 1 March 2010, the Board of Governors is represented on the following committees, etc.:

- *Bankernes EDB Central*
Governor *Torben Nielsen* is an observer on the Board of Directors.
- *Danish Ship Finance A/S*
Governor *Jens Thomsen* is the Vice Chairman of the Board of Directors.
- *The Financial Business Council*
Governor *Jens Thomsen* is a member.
- *The Economic Council*
Governor *Jens Thomsen* is a member.

- *PBS Holding A/S and PBS A/S*
Governor *Torben Nielsen* is a member of the Board of Directors.
- *VP Lux S.à r.l.*
Governor *Torben Nielsen* is the Chairman of the Board of Directors.
- *VP Securities A/S*
Governor *Torben Nielsen* is the Vice Chairman of the Board of Directors.

The European Union, EU

- *The Economic and Financial Committee*
Governor *Jens Thomsen* is a member.
- *Economic and Financial Committee Group on EU Government Bonds and Bills Markets*
Governor *Jens Thomsen* is Chairman.

The European Central Bank, ECB

- *The General Council*
Governor *Nils Bernstein* is a member.
- *International Relations Committee*
Governor *Jens Thomsen* is a member.

The International Monetary Fund, IMF

- *Board of Governors*
Governor *Nils Bernstein* is the Danish member.
- *The Nordic/Baltic Monetary and Financial Committee*
Governor *Jens Thomsen* is a member.

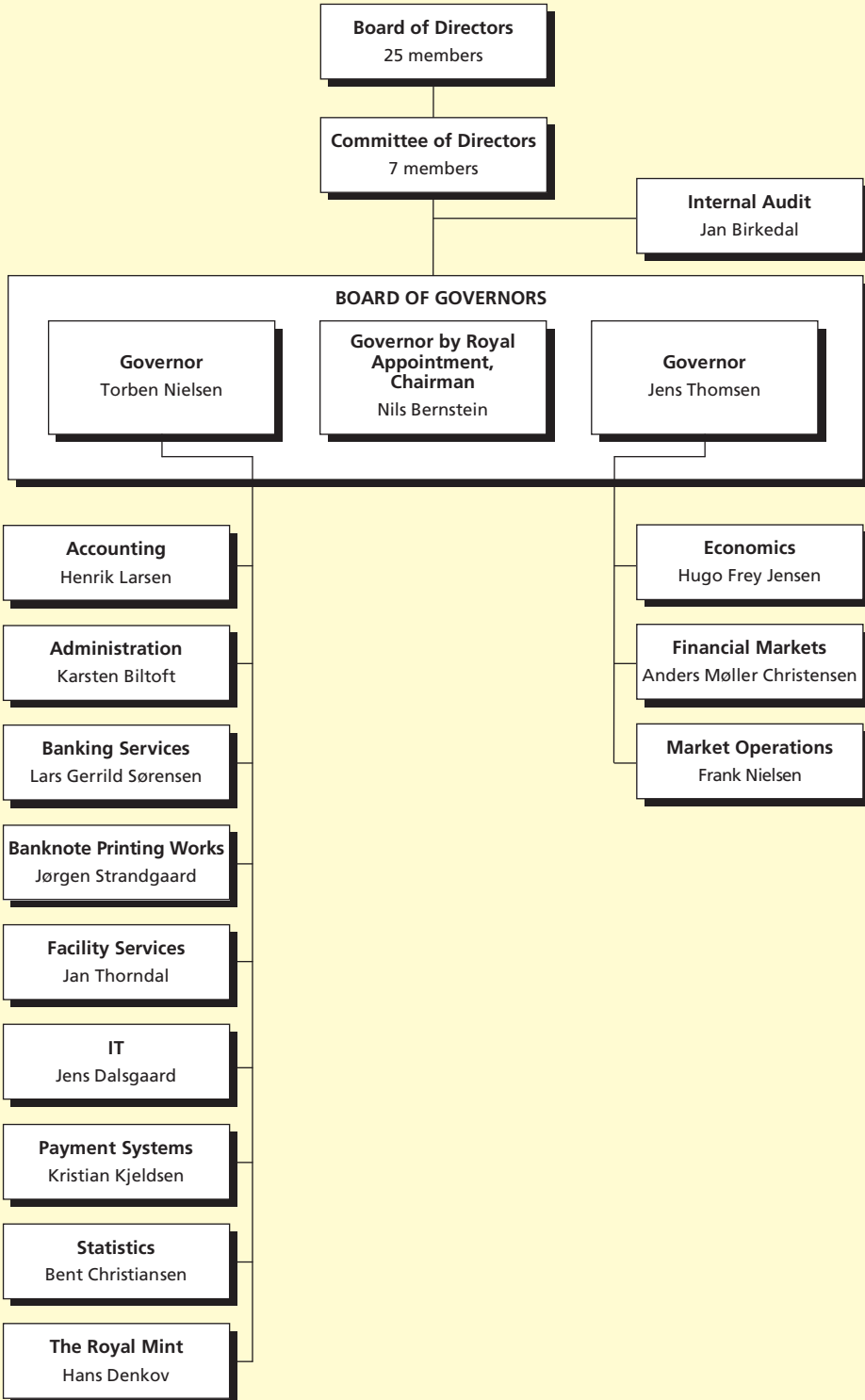
Organisation for Economic Cooperation and Development, OECD

- *The Economic Policy Committee*
Governor *Jens Thomsen* is a member.

Bank for International Settlements, BIS

Governor *Nils Bernstein* represents Danmarks Nationalbank.

ORGANISATION CHART 1 MARCH 2010



Risk Management

OPERATIONAL RISK

Cash supply

In June 2009, Danmarks Nationalbank and the Danish Bankers Association decided that the current cash centres in banks operating decentralised banknote and coin holdings for Danmarks Nationalbank are to be taken over by a new company owned jointly by Danmarks Nationalbank and the banks. At the same time a process will be initiated to gradually reduce the number of cash centres at banks to only two.

The final decision concerning a new cash-handling system is expected to be taken in the 1st half of 2010.

Danmarks Nationalbank and the Danish Bankers Association have also initiated the preparation of new industry standards regarding security features for cash centres and cash transports in Denmark. The security standards are to be developed by Danish Standards, with input from all players and stakeholders involved in the supply of cash. This is in accordance with the general rules for development of standards in Denmark. The security standards are expected to be ready some time during 2010, so that, after a transitional period, it can be used as a foundation for cash-supply contracts.

Business continuity

Like other institutions, Danmarks Nationalbank in 2009 accepted an offer from the Danish health authorities to vaccinate key staff with a view to ensuring business continuity for critical functions in the event that influenza H1N1 developed into an epidemic affecting many people at the same time.

FINANCIAL RISK

Danmarks Nationalbank is exposed to a number of financial risks. Some of them arise from its role as monetary authority, while others reflect how Danmarks Nationalbank, in its capacity as a financial enterprise, takes on risk in the expectation of reaping a reward to match the risk. The choice of risk level is characterised by prudence. Danmarks Nationalbank is exposed to market risks such as interest-rate, gold and foreign-exchange risks as well as liquidity and credit risks.

During the year, the foreign-exchange reserve grew by kr. 183 billion to kr. 395 billion. Management of Danmarks Nationalbank's portfolios reflected the wish to place the funds at an acceptable level of risk. If the foreign-exchange reserve increases, the funds are normally placed as collateralised bank deposits, but in 2009 part of the increase was invested in government bonds with high credit ratings.

In early 2009, there was still turmoil in the money market, and many counterparties were downgraded. As the year progressed, the financial markets calmed down. In many countries, monetary policies remained unusually accommodative, resulting in very low short-term interest rates. Since most of Danmarks Nationalbank's portfolio is invested short-term, current income from such investments was low. Increasing risk appetite and an improved economic outlook caused both country and credit spreads to narrow to the level observed before the autumn of 2008. This had a positive impact on the value of Danmarks Nationalbank's portfolio of credit-sensitive bonds such as mortgage-credit bonds, covered bonds and certain government bonds. The value of Danmarks Nationalbank's stock of gold, 66.5 tonnes, rose considerably.

Market risk

Market risk is the risk of suffering a loss as a consequence of price fluctuations in the financial markets.

Interest-rate exposure

Part of Danmarks Nationalbank's portfolio is invested in bonds. This entails exposure to changes in interest rates since fluctuations in market value mirror variations in interest-rate levels.

At end-2009 the interest-rate exposure was kr. 1.9 billion, cf. Table 4. Consequently, an increase by 1 percentage point in interest rates would entail a loss of kr. 1.9 billion due to price fluctuations. The increase of kr. 0.4 billion relative to end-2008 is attributable to factors such as Danmarks Nationalbank's decision to increase its portfolio of government bonds issued by euro area member states as a result of the increase in the foreign-exchange reserve.

INTEREST-RATE EXPOSURE OF DANMARKS NATIONALBANK							Table 4
Kr. billion	DKK	EUR	USD	GBP	SEK	Other	Total
2008	0.6	0.4	0.2	0.1	0.1	-	1.5
2009	0.6	0.7	0.3	0.1	0.1	-	1.9

Note: The Table shows Danmarks Nationalbank's interest-rate exposure measured by the krone duration. The latter indicates the change in the market value of Danmarks Nationalbank's portfolio on a 1-percentage-point change in the general level of interest rates.

DEVELOPMENT IN THE PRICE OF GOLD SINCE 2002

Chart 3



The interest-rate exposure of the domestic securities portfolio remained unchanged in 2009.

Gold exposure

Pursuant to the Danmarks Nationalbank Act, Danmarks Nationalbank is obliged to hold a stock of gold. At end-2009 the gold stock was 66.5 tonnes.

The price of gold has been rising in recent years, a trend that continued into 2009, cf. Chart 3. In Danish kroner, the price of gold increased by more than 25 per cent in 2009. Consequently, the market value of the gold stock rose by kr. 2.5 billion to kr. 12.3 billion, leading to an equivalent increase in the exposure to the price of gold.

Foreign-exchange exposure

The foreign-exchange reserve is predominantly invested in euro, reflecting Denmark's fixed-exchange-rate policy. A small part is invested in US dollars, pounds sterling and Swedish kronor.

Danmarks Nationalbank converts most of its foreign-exchange exposure in non-euro currencies to euro by means of forward contracts. The net result is an exposure in euro and a small exposure in dollars.

At the end of 2009, the foreign-exchange exposure was kr. 384.6 billion, cf. Table 5. Danmarks Nationalbank will thus incur a loss of just over kr. 3.8 billion if the krone strengthens by 1 per cent. The foreign-exchange exposure had increased by kr. 164.6 billion from the end of

FOREIGN-EXCHANGE EXPOSURE OF DANMARKS NATIONALBANK						Table 5
Kr. billion	EUR	USD	GBP	SEK	Other	Total
2008	214.5	5.4	-	-	-	220.0
2009	379.3	5.3	-	-	-	384.6

Note: The foreign-exchange exposure is calculated after conversion to euro.

2008, reflecting the larger foreign-exchange reserve. The increase was solely in euro. Due to the fixed-exchange-rate policy, fluctuations against the euro are small, and hence the foreign-exchange risk is limited.

Value-at-Risk

One measure of Danmarks Nationalbank's aggregate market risk is Value-at-Risk (VaR). VaR combines the exposure to various risk factors with an estimate of the volatility in these factors. The volatility estimates are based on historical observations. VaR is an expression of the maximum loss, with a probability of 95 per cent, that Danmarks Nationalbank will incur within one year.

At the close of 2009, Danmarks Nationalbank's VaR was kr. 4.2 billion, which is kr. 1.6 billion lower than at the beginning of the year, cf. Chart 4. VaR fell despite the fact that the interest-rate, gold and exchange-rate exposures all increased. The reason was that markets were calmer in 2009 than in the autumn of 2008.

VaR is a widely used risk measure, but it has its limitations. Since VaR is based on the most recent period, it is strongly influenced by market developments in that period. For example, if volatility estimates are based on observations from the autumn of 2008, VaR for Danmarks Nationalbank's exposure at end-2009 will be kr. 8.4 billion, which is twice as high as the VaR calculated on the basis of observations from the most recent period. Thus VaR does not give any indication of the losses if the markets once again become very turbulent. Hence, VaR should not be the only risk measure applied.

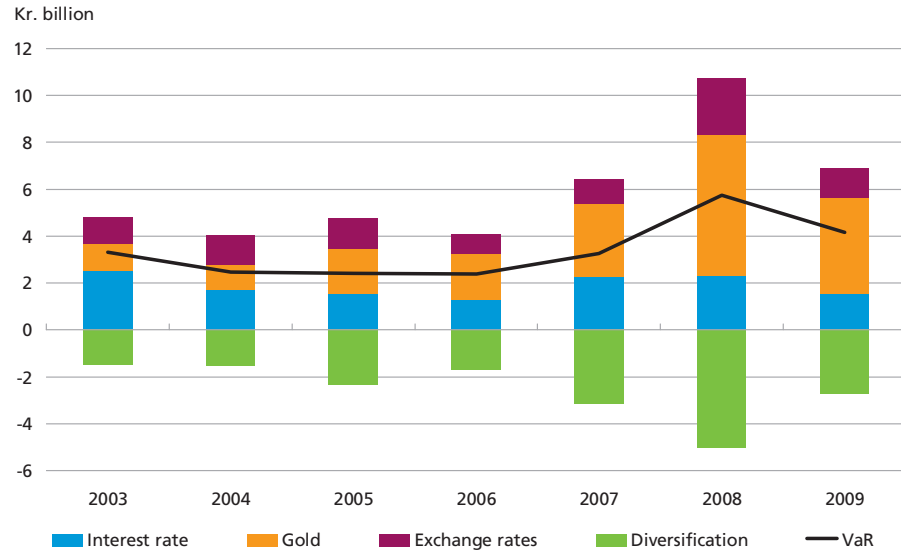
Stress tests

Danmarks Nationalbank supplements VaR with stress tests indicating how extreme, but possible, scenarios for market developments affect Danmarks Nationalbank's current portfolio.

In the most severe stress scenario, the loss to Danmarks Nationalbank will be just over kr. 26 billion. Such a loss will be caused by a significant drop in the gold price, coinciding with considerable appreciation of the

DANMARKS NATIONALBANK'S VALUE-AT-RISK

Chart 4



Note: VaR is calculated on the basis of volatility estimates based on price developments on the latest 160 trading days. Observations are weighted so that observations from the last two months are most significant.

krone and substantial interest-rate increases in the US and European markets. The loss resulting from this stress scenario is almost kr. 8 billion higher than at end-2008, reflecting the increased exposure to all three risk factors.

Liquidity risk

For Danmarks Nationalbank, liquidity risk is the risk that it is not possible to release funds for intervention even though the funds are held in reserve, or that release of the funds involves considerable excess costs. The purpose of the foreign-exchange reserve is to support the fixed-exchange-rate policy. In the management of the foreign-exchange reserve it is important to ensure that a large proportion of the reserve can readily be used for intervention in support of the krone. Most of the reserve is invested in the money market or in very safe securities that can easily be sold or pledged as collateral. In addition, Danmarks Nationalbank can normally raise considerable amounts of foreign exchange by drawing on various standby credit facilities.

The autumn of 2008 saw very substantial drawings on Danmarks Nationalbank's foreign-exchange reserve, emphasising the need to maintain a liquid reserve of a certain size. In 2009, Danmarks Nationalbank enhanced the requirements for contingency liquidity, *inter alia*, by increasing investments in collateralised short-term bank deposits.

Credit risk

Credit risk is the risk of loss due to a counterparty's default on obligations. In its investment portfolio, Danmarks Nationalbank incurs credit risk on both bank deposits and securities investments. For securities, credit risk also comprises the risk that the credit rating of a counterparty drops, resulting in a capital loss.

Danmarks Nationalbank seeks to limit its credit risk by requiring that counterparties have high credit ratings, and by spreading its assets over many counterparties. In addition, investments with counterparty banks are to a large extent subject to provision of collateral. The collateral, virtually only government bonds, must be high-quality assets. Danmarks Nationalbank is entitled to sell the collateral if a counterparty fails, thereby covering its losses. This was exactly what happened when Lehman Brothers filed for Chapter 11 in September 2008. Danmarks Nationalbank had a deposit against government securities as collateral. These were sold immediately after the bankruptcy, and Danmarks Nationalbank did not suffer any losses. None of Danmarks Nationalbank's counterparties failed in 2009.

In the course of the year, Danmarks Nationalbank introduced new internal rules for approval of counterparty banks. The rules are based on the international rating agencies' long-term ratings, which take into account how the option of government support impacts on the credit risk on bank deposits. This should be seen in the light of experience

CREDIT EXPOSURE FOR DANMARKS NATIONALBANK'S PORTFOLIOS,
END-2009

Table 6

Kr. billion	2008 total	Bonds		Bank claims		Supra-national institutions ⁴	Central banks	2009 total
		Government	Others ¹	Collateralised ²	Uncollateralised ³			
Aaa	62.9	130.5	32.5	-	1.5	3.2	10.0	177.7
Aa1	85.1	18.3	13.2	25.3	3.1	-	-	59.9
Aa2	30.7	14.9	-	-	15.1	-	-	29.9
Aa3	9.9	-	-	49.1	15.7	-	-	64.8
A1	10.1	-	-	3.7	6.3	-	-	10.0
A2	3.1	0.8	1.3	23.2	4.0	-	-	29.2
A3	-	-	-	18.8	-	-	-	18.8
No rating	32.2	-	1.5	-	1.0	3.5	15.2	21.2
Total	234.0	164.4	48.5	120.2	46.5	6.7	25.3	411.6

Note: Moody's credit rating is used. The scale ranges from Aaa to D, where Aaa is the highest rating.

¹ Other bonds include securities with both explicit and implicit government guarantees and Danish issuers.

² Collateralised bank claims are repos.

³ Uncollateralised bank claims are deposits, correspondent accounts, forward foreign-exchange contracts and swaps with Danish Ship Finance.

⁴ Supranational institutions such as BIS, IMF and the Asian Development Bank.

from the crisis, which showed that systemically important banks were rescued more often than not.

Credit exposure

The credit exposure is an expression of the potential loss to Danmarks Nationalbank if a counterparty fails. It does not indicate the probability that this will happen. The size of the loss will also depend on the proportion of the claim that is lost.

The credit exposure increased in 2009, cf. Table 6. The reason is that the foreign-exchange reserve grew, entailing more investments, both in the money market and in bonds. At the close of the year, 81 per cent of Danmarks Nationalbank's portfolio was invested in category Aa3 or higher.

The exposure to supranational institutions with no rating comprises the IMF, among others. In 2009, the IMF's drawing rights increased by kr. 36.3 billion to kr. 55.6 billion, of which kr. 3.3 billion had been exercised at year-end.¹ The risk on this exposure is assessed to be small.

The credit spread exposure indicates how much Danmarks Nationalbank will lose if the credit spread vis-à-vis a certain counterparty widens by 1 percentage point. It is thus equivalent to the interest-rate exposure on an individual counterparty. Danmarks Nationalbank's interest-rate exposure increased in 2009, but primarily versus governments with the highest possible credit rating. Hence the risk that spreads will widen considerably is assessed to be low.

¹ For a more detailed discussion of Danmarks Nationalbank's accounts with the IMF, see Thomas Krabbe Jensen and Søren Vester Sørensen, Danmarks Nationalbank's Financial Accounts with the International Monetary Fund, IMF, Danmarks Nationalbank, *Monetary Review*, 4th Quarter 2009.

Accounts

for the year 2009

KEY FIGURES AND FINANCIAL RATIOS 2005-09

	2009	2008	2007	2006	2005
Profit and loss account (kr. million)					
Net income from interest	2,760	4,915	4,105	3,368	3,616
Value adjustments	1,751	2,246	1,634	-690	1,210
Income from shares, etc.	126	140	134	115	68
Other income	24	26	59	48	848
Expenses, including depreciation	-706	-590	-751	-606	-840
Profit for the year	3,955	6,737	5,181	2,235	4,902
Allocated as follows:					
Allocation to net capital	2,412	3,593	2,343	-105	1,948
Payable to the central government	1,543	3,144	2,837	2,340	2,954
	3,955	6,737	5,181	2,235	4,902
Balance sheet (kr. million)					
Assets					
Foreign-exchange-reserve assets	398,804	215,964	172,282	175,446	214,703
Monetary-policy lending	104,220	240,876	216,794	153,735	135,296
Other lending	3,749	129,937	2,573	3,472	4,324
Domestic bonds	33,093	27,308	27,833	28,648	34,329
Other assets	10,285	21,008	5,058	3,571	3,344
Total assets	550,151	635,093	424,540	364,872	391,996
Liabilities					
Banknotes and coins	60,760	61,283	61,553	59,767	56,217
Monetary-policy deposits	188,294	128,193	209,863	171,984	220,423
Central government	212,435	262,789	89,899	73,789	56,428
Foreign-exchange-reserve debt	4,257	4,293	4,585	3,729	2,391
Deposits under swap facilities	-	115,996	-	-	-
Other liabilities	23,929	4,475	4,170	3,476	4,305
Total creditors	489,675	577,029	370,070	312,745	339,764
Total net capital	60,476	58,064	54,470	52,127	52,232
Total liabilities	550,151	635,093	424,540	364,872	391,996
Financial ratios					
Foreign-exchange reserve (kr. million)	394,547	211,671	167,697	171,717	212,312
Net position of banks and mortgage-credit institutes vis-à-vis Danmarks Nationalbank (kr. million)					
	84,074	-112,683	-6,931	18,249	85,127
Central government's account (kr. million)	212,435	262,789	89,899	73,789	56,428
Growth in banknotes and coins (per cent)	-0.9	-0.4	3.0	6.3	8.0
Change in net capital (per cent)	4.2	6.6	4.5	-0.2	3.9
Average no. of staff (full-time equivalents)	508	497	505	513	521

BOARD OF GOVERNORS' REPORT ON DANMARKS NATIONALBANK'S ACCOUNTS

About the Accounts

The Accounts for 2009 have been prepared in accordance with the accounting policies applied in the previous year, cf. p. 53.

The Accounts reflect that Danmarks Nationalbank issues banknotes and coins, holds substantial assets comprising the foreign-exchange reserve, and functions as banker to the banks and mortgage-credit institutes and to the central government.

Once again, the Accounts differ substantially from last year's. The changes are to a large extent attributable to financial market developments as a result of the international financial crisis. The balance sheet thus decreased by kr. 84.9 billion overall, and the profit and loss account shows considerable changes in the gross and net items of the profit for the year. The profit from financial items was kr. 4,511 million, kr. 2,649 million lower than in 2008, and the total profit for the year was kr. 3,955 million, which is kr. 2,782 million lower than in 2008.

About government guarantees

As a main rule, Danmarks Nationalbank's lending to domestic banks and mortgage-credit institutes is collateralised by securities deposited in safekeeping accounts. In addition, it is comprised by the central government's general guarantee covering depositors and unsecured claims under the Financial Stability Act.

About losses and provisions

No credit losses were registered on Danmarks Nationalbank's commitments in 2009, and nor was it deemed to be necessary to make provisions for such losses at year-end.

Profit from financial items

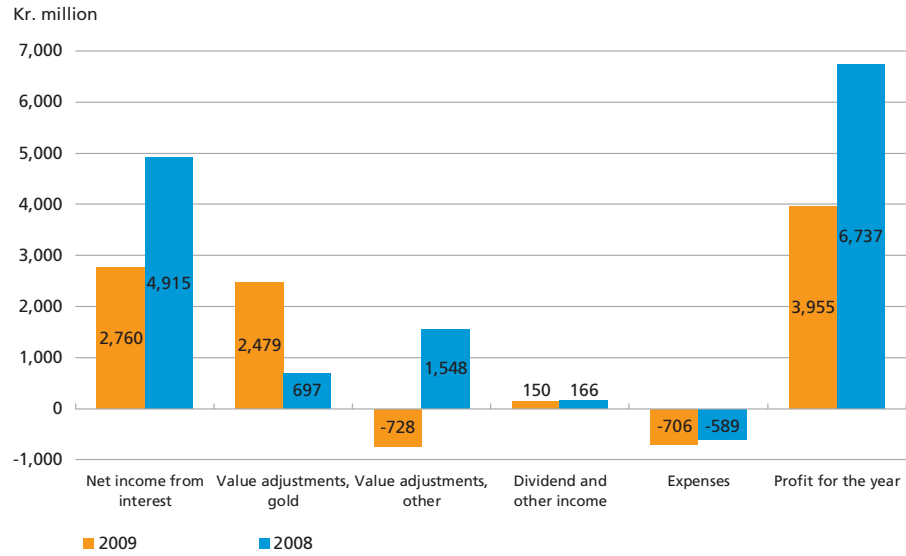
At kr. 2,760 million, *net income from interest* has decreased by kr. 2,155 million (43.8 per cent) on 2008. Major changes include:

On the positive side

- Interest expenditure on the central government's deposit fell by kr. 2,393 million to kr. 1,926 million. The central government's average deposit increased by kr. 89 billion to kr. 197 billion, while the average return fell from 4.0 per cent to 1.0 per cent. Effective 11 May 2009, it was decided to reduce the interest payable on the central govern-

DEVELOPMENT IN PROFIT FOR THE YEAR RELATIVE TO 2008

Chart 5



ment's deposit from the discount rate to the discount rate less 1 percentage point, but not less than 0 per cent.

- Interest income from special loans to Roskilde Bank and EBH Bank increased by a total of kr. 102 million, to kr. 468 million.

On the negative side

- Income from interest on foreign assets fell by kr. 3,420 million to kr. 3,245 million. Average net claims increased by kr. 149 billion to kr. 307 billion, while the average return fell from 4.2 per cent to 1.1 per cent.
- Net interest income from monetary-policy deposits and lending fell by kr. 1,242 million, from interest income of kr. 1,051 million to interest expenses of kr. 190 million. The average net account with financial institutions has changed from net lending to the institutions of kr. 22 billion to net deposits from the institutions of kr. 44 billion. Monetary-policy interest rates dropped substantially in 2009, and hence the average return fell from 4.5 per cent to 1.7 per cent for deposits and from 4.5 per cent to 2.1 per cent for loans.

Value adjustments entailed a gain of kr. 1,751 million, representing a decrease of kr. 495 million on 2008. These include value adjustments of gold at a gain of kr. 2,479 million (2008: a gain of kr. 697 million), reflecting a 25-per-cent increase (in DKK) in the price of gold in 2009, as well as market-value and exchange-rate adjustments on foreign-exchange positions at a loss of kr. 968 million (2008: a gain of kr. 1,024 million) and

FACTORS CONTRIBUTING TO DANMARKS NATIONALBANK'S PROFIT FROM FINANCIAL ITEMS

Table 7

Kr. billion	Profit 2009	Profit 2008
<i>Core income</i>		
Seigniorage	1.1	2.7
Calculated return on net capital	1.0	2.5
Foreign-exchange reserve and financing thereof ..	-1.9	-0.8
Interest from special loans, etc.	0.5	0.4
Exchange-rate adjustment	-0.5	0.4
<i>Euro</i>	-0.4	0.1
<i>Dollars</i>	-0.1	0.2
<i>Other currencies</i>	0.0	0.1
Gold-price adjustment (in dollars)	2.7	0.3
Total core income	2.9	5.5
<i>Income from additional risk</i>		
Interest-rate risk, carry income, etc.	0.8	-0.6
Interest-rate risk, interest-rate-driven value adjustments	0.8	2.3
Income from additional risk, total	1.6	1.7
Total profit from financial items	4.5	7.2

Note: Seigniorage is calculated on the basis of banknotes and coins in circulation, less decentralised banknote holdings. In this Table, Danmarks Nationalbank's gold stock is included as a dollar asset. Rounded figures.

market-value adjustments of domestic securities at a gain of kr. 240 million (2008: a gain of kr. 524 million).

The *net profit from financial items* is not affected by interest and exchange-rate adjustments in connection with the provision of liquidity in euro and US dollars to the Danish financial system under swap facilities with the European Central Bank (ECB) and the Federal Reserve. The reason is that the interest payable to the central banks is offset by corresponding interest income from the institutions that borrowed the foreign exchange from Danmarks Nationalbank and that exchange-rate adjustments on such foreign-exchange lending is offset by opposite exchange-rate adjustments in connection with the settlement of the swap facilities with the central banks.

Factors contributing to the profit from financial items (financial income)

As a supplement to the presentation of the financial items of the accounts, Table 7 shows a breakdown by the key factors contributing to the financial income. It should be emphasised that the breakdown in Table 7 is theoretical and not immediately comparable with the accounts.

Danmarks Nationalbank's tasks include issuing banknotes and coins, conducting monetary and exchange-rate policy, holding a stock of gold and acting as banker to the banks and mortgage-credit institutes and the central government. These tasks relating to its role as monetary authority provide Danmarks Nationalbank with *core income*.

Besides its role as monetary authority, Danmarks Nationalbank also has a role as a financial institution, i.e. it seeks to achieve a reasonable risk/return ratio on its portfolios within the framework of its role as monetary authority. The contribution from this role is reflected in the *income from additional risk*.

Core income has been calculated at kr. 2.9 billion in 2009, kr. 2.6 billion lower than in 2008. Income in 2009 mainly stemmed from gold-price adjustments. Core income also includes contributions from seigniorage, the calculated return on net capital, financing of the foreign-exchange reserve, interest from special loans and exchange-rate adjustment.

The gain from interest-free credit on banknotes and coins in circulation is known as seigniorage. The calculation assumes that Danmarks Nationalbank invests the funds at the short-term monetary-policy interest rate in Denmark. The contribution from seigniorage and net capital fell to kr. 2.1 billion in 2009, kr. 3.1 billion down on 2008. The fall is attributable to lower monetary-policy interest rates.

The foreign-exchange reserve is a precondition for Denmark's fixed-exchange-rate policy. The foreign-exchange reserve is predominantly invested in euro. A small share is invested in dollars. The foreign-exchange reserve also includes gold, which has not generated any carry income. The foreign-exchange reserve is offset by liabilities, primarily the net position vis-à-vis banks and mortgage-credit institutes and the central government's deposit at Danmarks Nationalbank, both of which carry interest. Since the short-term interest rate for the investment currencies was lower than the equivalent Danish interest rate, Danmarks Nationalbank incurs interest expenses by holding the foreign-exchange reserve. The spread between Danmarks Nationalbank's monetary-policy interest rates and the actual interest rate for the investment currencies was generally wide in 2009. At the same time, the foreign-exchange reserve increased by kr. 182.8 billion to kr. 394.5 billion in 2009. Effective 11 May 2009, it was decided to reduce the interest payable on the central government's deposit from the discount rate to the discount rate less 1 percentage point, but not less than 0 per cent. The expenses of holding the foreign-exchange reserve were calculated at kr. 1.9 billion in 2009 compared with kr. 0.8 billion in 2008.

Interest from special loans relates to lending to Roskilde Bank and others and amounted to kr. 0.5 billion in 2009, up from kr. 0.4 billion in 2008.

In addition to current expenses in connection with the foreign-exchange reserve, significant adjustments may be seen as a result of fluctuations in exchange rates and the price of gold. For example, when the krone strengthens vis-à-vis another currency, Danmarks Nationalbank incurs a loss because the krone value of the foreign-exchange reserve decreases. Conversely, weakening of the krone entails a gain. In 2009, the krone strengthened by approximately 0.1 per cent vis-à-vis the euro, entailing a loss of approximately kr. 0.4 billion.

Income from additional risk reflects the fact that Danmarks Nationalbank, by investing in Danish and foreign bonds with longer maturities and making deposits with foreign banks, expects to achieve a higher return than by simply placing funds at short-term interest rates. Consequently, earnings are also affected by the development in interest rates – in Denmark and abroad. The profit contribution from additional risk has been calculated at kr. 1.6 billion for 2009. The gain is mainly attributable to Danmarks Nationalbank having achieved a higher return on its bond portfolio than the short-term money-market interest rate as long-term interest rates were higher than short-term interest rates. Because long-term bond yields rose, Danmarks Nationalbank posted negative market-value adjustments on a part of its bond portfolio. Conversely, Danmarks Nationalbank achieved market-value gains related to the narrowing of yield spread for bonds subject to credit risk, etc., including its portfolio of Danish mortgage bonds.

Other items

Income from shares, etc. decreased by kr. 14 million to kr. 126 million.

Other income decreased by kr. 2 million to kr. 24 million. Kr. 9 million of the fall is attributable to lower income from sale of coins and medals, while gains on property sales boosted income by kr. 7 million.

Expenses, including depreciation increased by kr. 117 million to kr. 706 million. Kr. 100 million of the increase relates to a special payment to Danmarks Nationalbank's Pension Fund subject to winding-up to cover Danmarks Nationalbank's pension commitment, and kr. 34 million concerns roof renovation, while other expenses and depreciation fell by kr. 7 million. Staff expenses increased by kr. 14 million (4.1 per cent).

Distribution of the profit for the year

For some years, distribution of the profit for the year has been based on the principle that a reasonable guideline for the level of consolidation

of Danmarks Nationalbank would be that the General Reserves are maintained at a constant real level. In other words, the increase in the General Reserves should generally match the development in prices. On this basis it has been decided, cf. section 19 of the Danmarks Nationalbank Act, to distribute the profit for 2009, kr. 3,955 million, as follows:

- An amount corresponding to the value adjustments during the year, kr. 1,751 million, is allocated to the Value Adjustment Reserve, which subsequently amounts to kr. 8,798 million.
- 30 per cent of the profit excluding value adjustments, equivalent to kr. 661 million, is allocated to the General Reserves, which subsequently amount to kr. 51,377 million.
- The remaining amount, i.e. 70 per cent of the profit excluding value adjustments, equivalent to kr. 1,543 million, is payable to the central government.

Balance sheet

The balance-sheet total fell from kr. 635.1 billion to kr. 550.2 billion. The decrease of kr. 84.9 billion can be broken down by the following main items:

- On the *assets side*, foreign-exchange-reserve assets increased by kr. 182.8 billion, domestic bonds by kr. 5.8 billion and claims re banks' and mortgage-credit institutes' TARGET accounts at the ECB by kr. 5.2 billion. Lending to banks and mortgage-credit institutes fell by kr. 245.3 billion and special loans, etc. to Roskilde Bank and EBH Bank by kr. 22.2 billion following the discontinuation of these exposures. Finally, the market value of forward foreign-exchange contracts fell by kr. 11.1 billion.
- On the *liabilities side*, deposits from central banks¹ fell by kr. 116.0 billion and the central government's deposit by kr. 50.3 billion. Deposits by banks and mortgage-credit institutes increased by kr. 65.2 billion, counterpart of Special Drawing Rights allocated by the IMF by kr. 11.0 billion and net capital by the share of the profit for the year, kr. 2.4 billion.

The increase in the foreign-exchange reserve from kr. 211.7 billion to kr. 394.5 billion is composed of increases of kr. 2.5 billion in gold, kr. 168.1 billion in foreign assets and kr. 12.3 billion in claims on the IMF on the

¹ In connection with currency swap facilities concluded in order to provide short-term liquidity in euro and US dollars to domestic banks. No currency swaps had been concluded under these facilities at 31 December 2009.

assets side, while, on the liabilities side, foreign liabilities remained unchanged.

The banks' and mortgage-credit institutes' net position vis-à-vis Danmarks Nationalbank changed considerably during the year. Monetary-policy deposits from these institutions increased from kr. 128.2 billion in 2008 to kr. 188.3 billion, while monetary-policy lending to the institutions fell from kr. 240.9 billion to kr. 104.2 billion. Overall, the net position thus changed by kr. 196.8 billion, from net lending to the institutions of kr. 112.7 billion in 2008 to net deposits from the institutions of kr. 84.1 billion in 2009.

Banknotes in circulation fell by kr. 0.6 billion (-1.1 per cent) to kr. 55.0 billion, and coins in circulation increased by kr. 0.1 billion (1.3 per cent) to kr. 5.7 billion.

The net capital rose from kr. 58.1 billion to kr. 60.5 billion as a result of profit allocations totalling kr. 2.4 billion.

Roskilde Bank

In August 2009, Danmarks Nationalbank transferred its shareholding and subordinated loan capital in Roskilde Bank to the Financial Stability Company. In this connection, the government-guaranteed loan to Roskilde Bank was redeemed. Danmarks Nationalbank has not incurred any losses on its exposure to Roskilde Bank.

STATEMENT BY THE BOARD OF GOVERNORS

The Board of Governors have today considered and approved the Annual Accounts of Danmarks Nationalbank for 2009.

The Annual Accounts have been prepared in accordance with the Danmarks Nationalbank Act.

In our opinion, the Accounts give a true and fair view of Danmarks Nationalbank's assets, liabilities and financial position at 31 December 2009, and of the result of Danmarks Nationalbank's activities for the financial year 1 January-31 December 2009.

Copenhagen, 23 February 2010

Board of Governors

Nils Bernstein
Chairman

Torben Nielsen

Jens Thomsen

AUDIT REPORTS

To the Board of Directors

Internal Auditor's Report

I have audited the Accounts of Danmarks Nationalbank for the financial year 1 January-31 December 2009, comprising the Board of Governors' Report on Danmarks Nationalbank's Accounts, Statement by Board of Governors, Accounting Policies, Profit and Loss Account, Balance Sheet and Notes. The Annual Accounts have been prepared in accordance with the Danmarks Nationalbank Act.

Danmarks Nationalbank's Committee of Directors and Board of Directors' responsibility for the Accounts

The Committee of Directors and Board of Directors are responsible for the preparation and fair presentation of Accounts that are free from material misstatement, in accordance with the Danmarks Nationalbank Act.

Auditor's responsibility

My responsibility is to express an opinion on the Accounts based on my audit.

Basis of opinion

I have conducted the audit in accordance with Danish Accounting Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the Accounts are free of material misstatement.

The audit included an assessment of the Board of Directors and Committee of Directors' established procedures and internal controls that are relevant to Danmarks Nationalbank's preparation and fair presentation of the Accounts, including an assessment of the risk of material misstatement. The audit also included evaluating the appropriateness of accounting policies used 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 Accounts.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

The audit has not resulted in any qualification.

Opinion

In my opinion, the Accounts give a true and fair view of Danmarks Nationalbank's assets, liabilities and financial position at 31 December 2009, and of the result of Danmarks Nationalbank's activities for the financial year 1 January-31 December 2009, in accordance with the Danmarks Nationalbank Act.

Copenhagen, 23 February 2010

Jan Birkedal,
Chief Audit Executive

AUDIT REPORTS

To the Board of Directors

Independent Auditors' Report

As auditors appointed by the Minister for Economic and Business Affairs we have audited the Accounts of Danmarks Nationalbank for the financial year 1 January-31 December 2009, comprising the Board of Governors' Report on Danmarks Nationalbank's Accounts, Statement by the Board of Governors, Accounting Policies, Profit and Loss Account, Balance Sheet and Notes. The Annual Accounts have been prepared in accordance with the Danmarks Nationalbank Act.

Danmarks Nationalbank's Committee of Directors and Board of Directors' responsibility for the Accounts

The Committee of Directors and Board of Directors are responsible for the preparation and fair presentation of these Accounts in accordance with the Danmarks Nationalbank Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and basis of opinion

It is our responsibility to express an opinion on the Accounts based on our audit. We have conducted the audit in accordance with Danish Accounting Standards. Those standards require that we comply with ethical codes and that we plan and perform the audit to obtain reasonable assurance that the Accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement in the Accounts, irrespective of whether such material misstatement is due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Danmarks Nationalbank's preparation and fair presentation of the Accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Danmarks Nationalbank's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Committee of Directors and Board of Directors, as well as evaluating the overall presentation of the Accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

Opinion

In my opinion, the Accounts give a true and fair view of Danmarks Nationalbank's assets, liabilities and financial position at 31 December 2009, and of the result of Danmarks Nationalbank's activities for the financial year 1 January-31 December 2009, in accordance with the Danmarks Nationalbank Act.

Copenhagen, 23 February 2010

Mona Blønd,
State-Authorised Public Accountant

Hans Frederik Carøe,
State-Authorised Public Accountant

SIGNATURES

These Accounts, audited in the manner prescribed by the by-laws of Danmarks Nationalbank, are hereby adopted by the Board of Directors at the meeting on 16 March 2010.

As at 1 March 2010 the Board of Directors comprises

Søren Bjerre-Nielsen, Chairman Helle Bechgaard, Deputy Chairman

Peter Bjerregaard Niels Boserup Peter Christensen Pia Christmas-Møller

Kristian Thulesen Dahl Michael Dithmer Niels Fog Peter Gæmelke

Camilla Hersom Hans Jensen Niels Due Jensen Jette W. Knudsen

Henrik Sass Larsen Kjeld Larsen Michael Lunn Michael Møller

Kirsten Nissen Bente Sorgenfrey Lars Rebien Sørensen

Villy Søvnald Helle Thorning-Schmidt Margrethe Vestager

ACCOUNTING POLICIES

General

Danmarks Nationalbank's Accounts for the year 2009 are presented in accordance with the Danmarks Nationalbank Act. In all significant respects these accounting policies are in accordance with the sound policies for European central banks in the euro area. The main differences relate to unrealised gains on foreign exchange and securities, which are recognised in the profit and loss account in Danmarks Nationalbank's Accounts.

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

Apart from this, the principles for presentation and classification of the individual items in the Accounts remain unchanged from year to year.

The accounting policies applied are unchanged from the previous year.

Conversion of transactions in foreign currency

Transactions in foreign currency are converted to Danish kroner at the exchange rate applying on the transaction date. On the balance-sheet date, all financial assets and liabilities in foreign currency are converted at the exchange rate applying on that date. Both realised and unrealised gains and losses are recognised in the profit and loss account.

Profit and loss account

Interest

Besides income on interest-bearing assets and liabilities, interest income and expenses comprise premiums and discounts on T-bills and certificates of deposit, as well as premiums on forward securities and forward exchange contracts.

Value adjustments, etc.

Value adjustments comprise market-value adjustments and exchange-rate adjustments on financial assets and liabilities, shares, other equity investments and gold. Both realised and unrealised gains and losses are recognised in the profit and loss account.

Income from shares, etc.

Income from shares, etc. comprises income from equity investments in listed and unlisted companies, including associated companies. Income from shares is recognised in the year when the dividend is announced.

Other income

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

Expenses

Staff expenses comprise salaries and remuneration, including pension contributions and support, etc., training costs and other staff expenses. Other expenses comprise materials for production of banknotes and coins, etc., current expenses for Danmarks Nationalbank's properties, IT expenses and other expenses.

Balance sheet*Gold*

Gold is stated at the market value on the balance-sheet date.

Financial assets and liabilities

Financial assets and liabilities are stated at the market value on the balance-sheet date.

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.

Shares, etc.

Capital investments and equivalent investments and equity investments in associated companies (in which the ownership interest or voting rights are 20 per cent or more) are stated at an estimated market value on the balance-sheet date, not exceeding the acquisition value, however.

Tangible fixed assets

Tangible fixed assets comprise Danmarks Nationalbank's properties, technical building facilities (lifts, electrical installations, etc.), technical production facilities (for banknote and coin production), as well as IT equipment, office equipment and cars.

Tangible fixed assets are stated on the balance sheet at acquisition prices less accumulated depreciation and write-down.

Assets with an acquisition value of less than kr. 100,000 per unit are recognised as expenditure in the year of acquisition.

Depreciation on a linear per-annum basis takes place over the expected useful lives of the assets.

The useful lives are assessed as follows:

Bank properties	100 years
Other properties	25-50 years
Building improvements	25 years
Technical building facilities	10-25 years
Technical production facilities	5-10 years
Other machinery and equipment	3-5 years

Other assets

Other assets include, inter alia, interest receivable, positive net market value of financial derivatives by instrument type, and prepaid expenses.

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

Banknotes and coins in circulation

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

Other liabilities

Other liabilities comprise, inter alia, payables, negative net market value of financial derivatives by instrument type, and uncovered pension commitments and other provisions for guarantees provided.

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

Contingent liabilities

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

Pension commitments

For defined contribution pension plans, the current premium payments to the pension companies are carried as expenditure in the profit and loss account, and the pension commitment hereafter passes to the pension companies.

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

PROFIT AND LOSS ACCOUNT FOR THE YEAR 2009

Note	2009 kr. '000	2008 kr. '000
1 Net income from interest:		
Interest on foreign assets	3,263,275	6,704,952
2 Interest on domestic loans	4,078,059	11,089,491
Interest on domestic bonds	1,239,806	1,199,095
Commission and other income	132	237
Interest income, etc.	8,581,272	18,993,775
Interest on foreign liabilities	18,225	40,214
Interest payable to central banks under swap facilities ...	525,264	467,157
3 Interest on domestic deposits	5,277,334	13,571,656
Expenditure on interest, etc.	5,820,823	14,079,027
Net income from interest, total	2,760,449	4,914,748
4 Value adjustments, etc.:		
Value adjustment of gold	2,478,607	697,410
5 Value adjustment of foreign assets	-968,222	1,024,215
6 Value adjustment of domestic securities	240,359	524,189
Value adjustments, etc., total	1,750,744	2,245,814
Profit from financial items	4,511,193	7,160,562

PROFIT AND LOSS ACCOUNT FOR THE YEAR 2009

Note	2009 kr. '000	2008 kr. '000
Profit from financial items	4,511,193	7,160,562
7 Income from shares, etc.	125,646	140,037
8 Other income	24,481	25,814
Expenses:		
9 Staff expenses	353,846	339,680
Special payment to Danmarks Nationalbank's Pension Fund subject to winding-up	100,000	-
10 Other expenses	222,445	217,450
Total expenses	676,291	557,130
11 Depreciation and write-down of tangible fixed assets ...	30,051	32,276
Profit for the year	3,954,977	6,737,007
Distribution of the profit for the year:		
Profit for the year	3,954,977	6,737,007
Allocation to/from Value Adjustment Reserve	-1,750,744	-2,245,814
	2,204,233	4,491,193
allocated as follows:		
Allocation to the General Reserves, 30 per cent	661,270	1,347,358
Payable to the central government, 70 per cent	1,542,963	3,143,835
	2,204,233	4,491,193

BALANCE SHEET AT 31 DECEMBER 2009

Note	2009 kr. '000	2008 kr. '000
Assets		
12 Gold	12,259,761	9,781,159
13 Foreign assets	370,861,369	202,776,620
14 Claims on the IMF, etc.	15,682,621	3,405,904
Claims re banks' and mortgage-credit institutes' TARGET accounts at the ECB	6,886,260	1,709,171
Monetary-policy lending	104,220,000	240,876,000
15 Other lending	3,749,269	129,936,677
16 Domestic bonds	33,093,490	27,307,792
17 Shares, etc.	805,051	747,970
18 Tangible fixed assets	661,299	645,806
19 Equity investment and subordinated loan capital in Roskilde Bank A/S.....	-	3,723,008
20 Other assets	1,907,892	14,160,287
Accruals	24,041	22,776
Total assets	550,151,053	635,093,170

BALANCE SHEET AT 31 DECEMBER 2009

Note	2009 kr. '000	2008 kr. '000
Liabilities		
21 Banknotes	55,014,549	55,612,243
21 Coins	5,745,801	5,671,134
Monetary-policy deposits		
22 Net current accounts	22,138,405	9,661,296
Certificates of deposit	166,156,000	118,532,000
23 Other deposits	9,517,671	2,512,813
24 Central government	212,435,011	262,788,752
25 Foreign liabilities	4,256,993	4,292,824
26 Deposits under swap facilities	-	115,995,914
27 Counterpart of Special Drawing Rights allocated by the IMF	12,418,718	1,459,799
28 Other liabilities	1,992,291	502,795
Total creditors	489,675,439	577,029,570
General Capital Fund	50,000	50,000
Statutory Reserves	250,000	250,000
Value Adjustment Reserve	8,798,489	7,047,745
General Reserves	51,377,125	50,715,855
29 Total net capital	60,475,614	58,063,600
Total liabilities	550,151,053	635,093,170
30 Apportionment of foreign-exchange-reserve assets		
31 Financial derivatives for conversion of foreign-exchange exposure		
32 Other financial derivatives		
33 Contingent liabilities		
34 Pension commitments		

NOTES TO THE ACCOUNTS FOR 2009

Note

1 Net income from interest

The development in net income from interest has been substantially influenced by the large changes in and shifts between the various types of interest-bearing deposits and lending during the year, and by changes in the level of interest rates for the individual types.

Net income from interest fell from kr. 4,915 million to kr. 2,760 million.

Net income from interest on foreign assets fell by kr. 3,420 million to kr. 3,245 million. Average net assets increased by kr. 149 billion to kr. 307 billion, but average returns fell from 4.2 per cent to 1.1 per cent.

Net interest income from banks and mortgage-credit institutes (interest on monetary-policy lending less interest on current accounts and certificates of deposit) fell by kr. 1,242 million, from interest income of kr. 1,051 million to interest expenses of kr. 190 million. Average net accounts have shifted from net lending to these institutions of kr. 22 billion to net deposits from the institutions of kr. 44 billion. Monetary-policy interest rates dropped substantially in 2009, and hence the average return fell from 4.5 per cent to 1.7 per cent for deposits and from 4.5 per cent to 2.1 per cent for loans.

Interest expenditure to the central government fell by kr. 2,393 million to kr. 1,926 million. The central government's average deposit increased by kr. 89 billion, while the average return fell from 4.0 per cent to 1.0 per cent.

Interest income from special loans to Roskilde Bank and EBH Bank increased by a total of kr. 102 million, to kr. 468 million.

Interest on domestic bonds rose by kr. 41 million to kr. 1,240 million due to larger holdings.

Interest in connection with the supply of liquidity in euro and US dollars to the Danish financial system under swap facilities with central banks has not affected Danmarks Nationalbank's bank's net interest, as the interest expenses to these central banks, kr. 525 million, are offset by equivalent interest income from the institutions.

NOTES TO THE ACCOUNTS FOR 2009

Note	2009 kr. '000	2008 kr. '000
2 Interest on domestic loans		
Interest on monetary-policy lending (collateralised loans)	3,084,400	10,251,509
Interest on foreign-exchange loans to banks	525,264	467,157
Interest on lending to others	468,395	370,825
	<u>4,078,059</u>	<u>11,089,491</u>
3 Interest on domestic deposits		
Interest on current accounts	177,761	446,651
Interest on certificates of deposit	3,097,126	8,753,789
Interest on the central government's deposits	1,925,761	4,318,513
Interest to other depositors, etc.	76,686	52,703
	<u>5,277,334</u>	<u>13,571,656</u>
4 Value adjustments		
Total value adjustments for the year show a gain of kr. 1,751 million compared with a gain of kr. 2.246 million in 2008, equivalent to a decline of kr. 495 million.		
Value adjustment of gold entailed a gain of kr. 2,479 million, reflecting a 25-per-cent increase in the price of gold calculated in Danish kroner.		
Value adjustments of foreign assets resulted in a loss of kr. 968 million, comprising a market-value loss of kr. 687 million and an exchange-rate loss of kr. 281 million.		
Value adjustment of domestic securities (bonds) resulted in a gain of kr. 240 million.		
5 Value adjustment of foreign assets		
Market-price adjustment	-687,403	1,030,617
Exchange-rate adjustment	-280,819	-6,402
	<u>-968,222</u>	<u>1,024,215</u>
6 Value adjustment of domestic securities		
Value adjustment of domestic bonds	240,359	524,189
	<u>240,359</u>	<u>524,189</u>

NOTES TO THE ACCOUNTS FOR 2009

Note	2009 kr. '000	2008 kr. '000
7 Income from shares, etc.		
PBS Holding A/S	78,025	35,466
VP Securities A/S	29,064	29,064
Bank for International Settlements (BIS)	18,557	17,547
Danish Ship Finance A/S	-	57,960
	<u>125,646</u>	<u>140,037</u>
8 Other income		
Sale of coins and medals	15,070	24,134
Gains on property sales	7,028	-
Other income	2,383	1,680
	<u>24,481</u>	<u>25,814</u>
9 Staff expenses		
Salaries and remuneration	273,996	259,664
Pension contributions and support	55,015	57,135
Training	10,219	9,395
Other staff expenses	14,616	13,486
	<u>353,846</u>	<u>339,680</u>
Of which remuneration of the management		
Governors, salaries	8,240	7,875
Governors, pension contributions and actuarial regulation of defined benefit pension commitments	4,339	2,902
Committee of Directors and Board of Directors	807	751
	<u>13,386</u>	<u>11,528</u>
No bonus schemes exist at Danmarks Nationalbank. In 2009 the average number of employees was 508 on a full-time basis (2008: 497).		
10 Other expenses		
Materials for banknote production	25,272	30,574
Materials for coin production	13,202	37,659
Real property, current expenses	93,159	65,423
IT expenses	39,959	47,842
Other expenses	50,853	35,952
	<u>222,445</u>	<u>217,450</u>

NOTES TO THE ACCOUNTS FOR 2009

Note	2009 kr. '000	2008 kr. '000
11 Depreciation and write-down of tangible fixed assets		
Properties	14,096	13,002
Operating equipment	15,955	19,274
	30,051	32,276
12 Gold		
The value of the gold stock was kr. 12.3 billion at year-end, compared with kr. 9.8 billion at the end of 2008. The reason for the increase is that the price of gold, calculated in kroner, rose by 25 per cent in 2009. The gold stock was unchanged at 66,550 kg.		
13 Foreign assets		
Foreign bonds	183,036,120	63,734,196
Claims on central banks	25,475,296	28,953,244
Claims on foreign commercial banks	42,183,857	30,814,142
Repo transactions against collateral in foreign bonds	120,165,342	79,274,384
Other foreign assets	754	654
	370,861,369	202,776,620
Investments have primarily been made in government and government-guaranteed bonds, deposits with central banks and commercial banks or lending against government and government-guaranteed bonds as collateral. Funds are usually only placed with counterparties or in securities with high credit ratings. The exchange-rate risk has been converted so that it is primarily in euro.		
14 Claims on the IMF, etc.		
Denmark's IMF quota	13,321,465	13,407,712
The IMF's drawing right	10,430,831	11,698,099
Reserve position with the IMF	2,890,634	1,709,613
Holdings of Special Drawing Rights (SDRs)	12,329,774	1,696,291
	15,220,408	3,405,904
Bilateral loans	462,213	-
	15,682,621	3,405,904

NOTES TO THE ACCOUNTS FOR 2009

Note

14 Claims on the IMF, etc. (continued)

During the year, the IMF exercised drawing rights corresponding to SDR 147 million at Danmarks Nationalbank. As part of the international cooperation to increase global liquidity, the IMF in 2009 allocated Danmarks Nationalbank SDR 1,353 million (kr. 11.0 billion). Subsequently, accumulated SDR allocations amount to SDR 1,531 million (kr. 12.4 billion). The new allocation has increased the liabilities item "Counterpart of Special Drawing Rights allocated by the IMF" correspondingly.

In addition, Danmarks Nationalbank reduced its net holdings by SDR 40 million over the year as a result of IMF transactions.

Under the SDR cooperation, Danmarks Nationalbank may purchase SDR to increase its holdings to up to three times the accumulated allotment of SDR 1,531 million, i.e. to SDR 4,594 billion. The current holdings are SDR 1,521 million, so that the maximum further purchase is SDR 3,073 million, corresponding to kr. 25.0 billion.

In 2009, Danmarks Nationalbank concluded a bilateral loan agreement with the IMF, under which the IMF can borrow SDRs up to a value of EUR 1,950 million (kr. 14.5 billion). SDR 57 million (kr. 462 million) had been drawn on this facility at 31 December 2009.

In 1997, Danmarks Nationalbank made credit commitments of up to SDR 367 million (kr. 3.0 billion) under the IMF's New Arrangements to Borrow. No funds had been drawn on this facility at 31 December 2009.

Overall, claims on the IMF thus increased by SDR 1,517 million net in 2009. With the exchange-rate adjustments for the year, this increased the claim by kr. 12.3 billion to kr. 15.7 billion.

Accounts with the IMF are stated in SDRs. The SDR exchange rate is calculated on the basis of a basket of currencies, the value of which is determined as a weighted sum of the exchange rates of four currencies: 0.632 US dollar, 0.41 euro, 18.4 Japanese yen and 0.090 pound sterling.

NOTES TO THE ACCOUNTS FOR 2009

Note	2009 kr. '000	2008 kr. '000
15 Other lending		
Banks and mortgage-credit institutes ¹	3,718,061	4,322,027
Banks, foreign exchange ²	-	108,070,069
Receivable from Roskilde Bank	-	17,517,316
Other loans	31,208	27,265
	<u>3,749,269</u>	<u>129,936,677</u>
¹ Including lending to decentralised banknote holdings.		
² Concerning swap facilities with central banks.		
16 Domestic bonds		
Danish government bonds	2,476,954	3,411,568
Mortgage-credit bonds, etc.	29,305,760	22,245,060
Ship Finance bonds	1,310,776	1,651,164
	<u>33,093,490</u>	<u>27,307,792</u>
17 Shares, etc.		
Capital investments and equivalent investments	512,489	455,408
Equity investments in associated companies	292,562	292,562
	<u>805,051</u>	<u>747,970</u>

Danmarks Nationalbank's portfolio of shares, etc. at 31 December 2009 has an estimated market value of no less than kr. 2.6 billion.

Capital investments and equivalent investments comprise capital subscription to the European Central Bank (ECB) and shares in the Bank for International Settlements (BIS), SWIFT, PBS Holding, SAS and Exhibition Centre Herning.

Equity investments in associated companies comprise:

	Equity investment/ voting rights	Share of equity	Share of result
VP Securities A/S	24.2 / 24.2 per cent	kr. 38.5 million	kr. 19.2 million
Danish Ship Finance A/S	18.9 / 20.8 per cent	kr. 129.5 million	kr. 46.9 million

NOTES TO THE ACCOUNTS FOR 2009

Note	2009 kr. '000	2008 kr. '000
18 Tangible fixed assets		
Properties	605,780	599,536
Machinery and equipment	55,519	46,270
	661,299	645,806
<p>At the most recent official assessment, Danmarks Nationalbank's properties were valued at kr. 1,741 million.</p>		
19 Equity investment and subordinated loan capital in Roskilde Bank A/S		
<p>In August 2009, Danmarks Nationalbank transferred its shareholding and subordinated loan capital in Roskilde Bank to the Financial Stability Company.</p>		
20 Other assets		
Market value of unsettled foreign-exchange transactions	-	11,859,856
Market value of other financial derivatives	-	54,502
Accrual of interest rates	1,856,885	2,215,387
Other	51,007	30,542
	1,907,892	14,160,287
21 Banknotes and coins		
<p>Banknotes decreased by kr. 0,6 billion to kr. 55.0 billion, while coins increased by kr. 0.1 billion to kr. 5.7 billion. Banknotes include kr. 362 million in Faroese banknotes.</p>		
22 Net current accounts		
Deposits in current accounts and settlement accounts	136,601,478	109,791,259
Drawing on current accounts	114,463,073	100,129,963
	22,138,405	9,661,296

At 31 December 2009 Danmarks Nationalbank acts on a full secured basis as guarantor to VP Securities A/S for kr. 61.4 billion (2008: kr. 39.5 billion) and to the Danish Bankers Association (Sumclearing) for kr. 67.3 billion (2008: kr. 65.8 billion) in connection with the banks and mortgage-credit institutes' payment settlements with 4 January 2010 as the value date.

NOTES TO THE ACCOUNTS FOR 2009

Note	2009 kr. '000	2008 kr. '000
23 Other deposits		
Banks and mortgage-credit institutes	6,892,296	1,716,182
Other deposits	2,625,375	796,631
	9,517,671	2,512,813
<p>This item includes the banks' and mortgage-credit institutes' deposits in current accounts in euro totalling kr. 6.9 billion.</p>		
24 Central government		
<p>The central government's share of the profit for the year of kr. 1,543 million is included in this amount.</p>		
25 Foreign liabilities		
<p>These liabilities comprise deposits in kroner at Danmarks Nationalbank by supranational institutions and other central banks. The European Commission's deposit comprises kr. 4,237 million of this amount.</p>		
26 Deposits under swap facilities		
<p>These amounts relate to deposits in kroner at Danmarks Nationalbank in connection with swap facilities with central banks aimed at providing liquidity in euro and US dollars to the Danish financial system.</p>		
27 Counterpart of Special Drawings Rights allocated by the IMF		
<p>This item was increased by kr. 11.0 billion following allocation of SDRs during the year.</p>		
28 Other liabilities		
Market value of unsettled foreign-exchange transactions	1,675,370	-
Market value of other financial derivatives	141,343	151,550
Other debt	78,377	244,050
Other	97,201	107,195
	1,992,291	502,795

NOTES TO THE ACCOUNTS FOR 2009

Note

	General Capital Fund and Statutory Fund Kr. '000	Value Adjustment Fund Kr. '000	General Reserves Kr. '000	Total Kr. '000
29 Net capital				
Net capital at 1 January 2009 ..	300,000	7,047,745	50,715,855	58,063,600
Carried forward from the profit for the year	-	1,750,744	661,270	2,412,014
Net capital at 31 December 2009	300,000	8,798,489	51,377,125	60,475,614

30 Apportionment of foreign-exchange-reserve assets

Kr. million

	Total	EUR	USD	GBP	Other
2009					
Foreign-exchange-reserve assets					
Gold	12,260	-	12,260	-	-
Foreign bonds	183,036	150,941	21,317	6,623	4,155
Claims on central banks	25,475	22,783	2,631	1	61
Claims on foreign commercial banks	42,184	23,870	16,154	508	1,652
Repo transactions	120,165	120,165	-	-	-
Claims on the IMF	15,683	-	-	-	15,683
	398,804	317,759	52,362	7,132	21,551
2008					
Foreign-exchange-reserve assets					
Gold	9,781	-	9,781	-	-
Foreign bonds	63,734	39,385	11,016	5,463	7,870
Claims on central banks	28,953	28,326	112	67	448
Claims on foreign commercial banks	30,814	18,656	9,989	765	1,404
Repo transactions	79,276	79,276	-	-	-
Claims on the IMF	3,406	-	-	-	3,406
	215,964	165,643	30,898	6,295	13,128

NOTES TO THE ACCOUNTS FOR 2009

Note

31 Financial derivatives for conversion of foreign-exchange exposure

Net positions at market value
Kr. million

2009	Total	EUR	USD	DKK	Other
Forward exchange contracts:					
Purchase	60,014	60,014	-	-	-
Sale	-61,695	-	-47,790	-	-13,905
Unsettled spot currency trades:					
Purchase	9,175	3,646	908	4,621	-
Sale	-9,169	-4,621	-223	-4,325	-
	-1,675	59,039	-47,105	296	-13,905

2008	Total	EUR	USD	DKK	Other
Forward exchange contracts:					
Purchase	134,848	18,698	-	116,150	-
Sale	-122,986	-	-106,307	-	-16,679
Unsettled spot currency trades:					
Purchase	246	246	-	-	-
Sale	-248	-	-248	-	-
	11,860	18,944	-106,555	116,150	-16,679

Of which relating to currency swap facilities with central banks in connection with provision of foreign exchange to Danish banks.

Forward exchange contracts:					
Purchase	115,996	-	-	115,996	-
Sale	-108,070	-28,797	-79,273	-	-
	7,926	-28,797	-79,273	115,996	-

NOTES TO THE ACCOUNTS FOR 2009

Note

32 Other financial derivatives

Principals at market value
Kr. million

2009	Total	DKK	EUR	USD	Other
Currency and interest-rate swaps:					
Purchase	583	-	-	583	-
Sale	-718	-718	-	-	-
Forward contracts, securities:					
Purchase	54,909	54,909	-	-	-
Sale	-43,049	-43,049	-	-	-
Unsettled spot trades, securities:					
Purchase	4,261	-	4,068	52	141
Sale	-27	-	-	-27	-
Futures, securities:					
Purchase	223	-	148	-	75
Sale	-846	-	-129	-717	-
2008	Total	DKK	EUR	USD	Other
Currency and interest-rate swaps:					
Purchase	993	-	-	993	-
Sale	-1,145	-1,145	-	-	-
Forward contracts, securities:					
Purchase	34,042	34,042	-	-	-
Sale	-26,566	-26,566	-	-	-
Unsettled spot trades, securities:					
Purchase	-	-	-	-	-
Sale	-	-	-	-	-
Futures, securities:					
Purchase	359	359	-	-	-
Sale	-814	-37	-777	-	-

NOTES TO THE ACCOUNTS FOR 2009

Note	2009 Kr. '000	2008 Kr. '000
33 Contingent liabilities		
VP Securities A/S, share of Guarantee Capital	29,356	27,412
VP Securities A/S, guarantee for errors by other account-holding institutions	13,363	12,997
Other guarantees	1,100	1,100
	43,819	41,509

In addition, Danmarks Nationalbank has established intervention agreements with the ECB. As regards commitments to the IMF, see Note 14.

34 Pension commitments

Present and former employees of Danmarks Nationalbank have either a defined contribution or a defined benefit pension plan.

For defined contribution pension plans Danmarks Nationalbank carries the ongoing premium payments to the pension companies as expenditure. Once the pension contributions for these plans have been paid to the pension companies, Danmarks Nationalbank has no further pension commitments to these employees.

With regard to defined benefit pension plans, Danmarks Nationalbank is obliged to ensure the policyholder a defined pension benefit. For these plans, Danmarks Nationalbank bears the risk concerning the future development in interest rates, wages, inflation, mortality, etc. Danmarks Nationalbank is thus obliged to make the contributions necessary to ensure the fulfilment of the pension undertakings.

Pension commitments for the defined benefit pension plans are calculated as the capital value of the future benefits payable under the plan. The pension undertakings are based primarily on the salary on retirement. The capital value is calculated on the basis of assumptions concerning the future development in e.g. wage levels, interest rates, inflation and mortality.

In principle, the defined benefit pension plans are covered in Danmarks Nationalbank's Pension Fund subject to winding-up.

NOTES TO THE ACCOUNTS FOR 2009

Note

34 Pension commitments (continued)

Key figures for the accounts of the Pension Fund:

	2009 <u>kr. million</u>	2008 <u>kr. million</u>
Pension commitments and other liabilities.....	3,432	3,369
Fair market value of the assets of the Pension Fund	3,885	3,541
Net capital of the Pension Fund	453	172
Solvency requirement of the Pension Fund.....	137	135

Other defined benefit pension plans are covered in a pension company. Provision is made in the Accounts for a plan concerning the Board of Governors.

Pension commitments for defined benefit pension plans and declarations of support covered in a pension company amount to kr. 51.3 million at 31 December 2009, while the provision on Danmarks Nationalbank's balance sheet amounts to kr. 25.4 million.