



# Decision guidance

DATE: 22/03/2022  
DEPARTMENT: Markets Department

SVERIGES RIKSBANK  
SE-103 37 Stockholm  
(Brunkebergstorg 11)

Tel +46 8 787 00 00  
Fax +46 8 21 05 31  
registratorn@riksbank.se  
www.riksbank.se

---

Reg.no. 2022-00309

## Funding of transfer of profit dividends to the treasury for the financial year 2021

### Proposed Executive Board decision

The Executive Board decides that the profit dividend to the Treasury for the financial year 2021 shall be financed by increasing the bank system's deposits in SEK at the Riksbank.

### The matter at hand

Every year, the Riksdag decides on the Riksbank's profit dividend to the Treasury. The size of this dividend is normally calculated as 80 per cent of the average dividend-qualifying income over the last five years. The calculation of the dividend-qualifying income is based on reported results, but excludes exchange-rate and gold-value effects while including the unrealised price effects reported in the revaluation account on the balance sheet. For the financial year 2021, the dividend has been calculated at SEK 3.9 billion. See Figure 1 for a comparison with previous years.

The transfer of profit dividends can be funded in three different ways:

- The Riksbank sells assets in foreign currency and exchanges them for Swedish kronor,
- The Riksbank sells assets in Swedish kronor,
- The Riksbank increases the deposits in Swedish kronor from banks.<sup>1</sup>

Since 2008, when the banking system went from a deficit to a surplus, profit dividend transfers have been funded by exchanges from the foreign exchange reserves on two

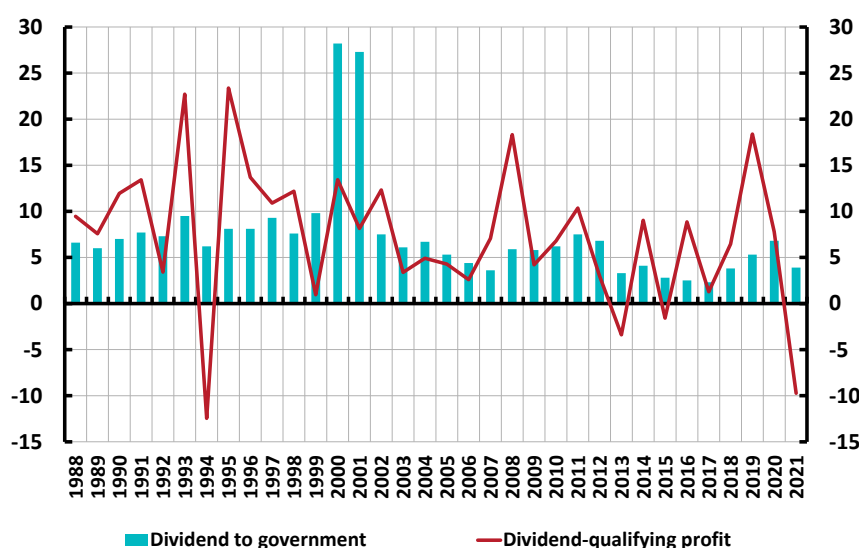
---

<sup>1</sup> The concept "deposits in SEK" is here used as a collective name for the items "liabilities to credit institutions in Sweden related to monetary policy transactions denominated in Swedish kronor" and "debt certificates issued" in the Riksbank's balance sheet.

occasions – the years 2008 and 2014. On other occasions, the profit dividend has been financed by an increase in the Riksbank’s SEK deposits from banks.

In 2021, the Riksbank’s deposits in SEK from banks changed by SEK +249 billion, from SEK 874 billion to SEK 1,123 billion, mainly as a consequence of the asset purchases for monetary policy purposes in the wake of the coronavirus pandemic. The profit dividend for the financial year 2020 contributed SEK +6.8 billion, as the transfer was financed by an increase in the SEK deposits.

**Figure 1. The Riksbank’s dividend-qualifying result and dividend transferred, 1988-2021, SEK billion**



The General Council of the Riksbank decided on 18 February 2022 on a proposal for the allocation of profits for the financial year 2021. According to the proposed allocation of profits, the Riksbank shall distribute SEK 3.9 billion in dividend to the Treasury in spring 2021. This dividend will reduce the Riksbank’s equity by the same amount. Its equity amounted to SEK 66 billion on 31 December 2021. Table 1 presents a compilation of the Riksbank’s balance sheet on the last day of 2021.

**Table 1. The Riksbank's balance sheet on 31 December 2021, SEK billions**

Assets		Liabilities and equity	
Gold	67	Banknotes and coins	61
Foreign currency reserves	393	Deposits in SEK*	1,123
Receivables from the IMF	103	Foreign currency loans	127
Securities in SEK	975	Counterpart of SDR allocated by the IMF	82
Lending SEK	19	Revaluation accounts	89
Other assets	8	Equity	66
		Provisions	5
		Other liabilities	10
		Result for the year	0
<b>Total</b>	<b>1,564</b>	<b>Total</b>	<b>1,564</b>

\* Deposits in SEK comprises Riksbank Certificates and the Riksbank's standing deposit facility.  
Source: Sveriges Riksbank's Annual Report 2021.

## Considerations

The distribution of profit dividends to the Treasury entails the Riksbank crediting the Swedish National Debt Office's account in the RIX payment system with the amount concerned. The Swedish National Debt Office then transfers the money to a bank, which means that the banking system's liquidity surplus that must be invested with the Riksbank increases by the same amount. Banks can invest the liquidity surplus in Riksbank Certificates or in the deposit facility at the Riksbank overnight, which together comprise the Riksbank's deposits in SEK from banks. The total deposits with the Riksbank thus increase in connection with the transfer of the profit dividend.

Most of the profit dividend for this year is based on profits in foreign currency. If the Riksbank does not exchange these profits to SEK the profit dividend, which is paid out in SEK, will lead to a lasting increase of the deposits in SEK (as per above). This means that the Riksbank's transfer of the profit dividend is funded by increased deposits in Swedish kronor.<sup>2</sup>

The Riksbank may instead choose to fund the transfer by selling off assets for the same amount in connection with the profit dividend, which cancels the increase of the deposits with the Riksbank.

In the current situation, however, disposal of the Riksbank's assets in Swedish and foreign currency could come into conflict with the Riksbank's monetary policy and financial stability tasks, as is described in the following:

<sup>2</sup> If instead the dividend-qualifying profit for the most part would have been made in SEK it leads to an inflow of Swedish kronor for the Riksbank, which will reduce the deposits in Swedish kronor. This means that the effects of the profit and the profit dividend on deposits cancel each other out. However, it may be that the profit in kronor is unrealised and that the inflow of kronor can only take place in several years.

- In February 2015, the Riksbank initiated purchases of Swedish government bonds for monetary policy purposes. To limit the negative effects of the ongoing coronavirus pandemic on the Swedish economy, a decision was taken on 16 March 2020 to make further asset purchases in Swedish kronor that also included covered, municipal and corporate bonds. The extent of these purchases was subsequently increased by decisions on 30 June and 25 November 2020 and purchases continued until the end of 2021. In November 2021 and February 2022, monetary policy decisions were made to continue purchasing bonds during the first and second quarters, respectively, to compensate for maturing assets in the Riksbank's existing holdings in Swedish kronor. Selling bonds in Swedish kronor being held for monetary policy purposes could, in this situation, be contradictory in terms of current monetary policy.
- The Riksbank needs to retain foreign exchange reserves to be able to provide liquidity support in foreign currencies, to be able to sell currency for monetary and exchange policy purposes, and to meet international commitments, for example in relation to the International Monetary Fund (IMF). A decision on appropriate size for the foreign currency reserve and its financing is taken separately from the decision on financing the allocation of profits. According to the most recent assessment, the contingency requirement amounts to USD 48 billion.<sup>3</sup> This can be compared with the value of the foreign currency reserves as of 31 December 2021, which amounted to SEK 460 billion, the equivalent of approximately USD 50 billion.<sup>4</sup> The total size of the gold and foreign currency reserves is reasonable in view of the assessed contingency requirement and how the market value of the reserves may vary over time. A decision to reduce the foreign currency reserves by selling foreign assets in connection with the allocation of profits would not be appropriate in this situation.

In light of the above reasons, it is proposed that the Executive Board of the Riksbank decides that the transfer of the profit dividend to the Treasury for the financial year 2021, which has been proposed by the General Council of the Riksbank to be SEK 3.9 billion, shall be financed by increasing the bank system's deposits in Swedish kronor at the Riksbank.

---

<sup>3</sup> The most recent assessment was made in 2021, but has been left unchanged since 2019. See the press release published on 6 March 2019: "The Riksbank is reducing the foreign exchange reserve and upgrading the terms and conditions for Emergency Liquidity Assistance."

<sup>4</sup> By the end of 2022, the Riksbank will replace the currency loans that currently fund part of the foreign currency reserves by gradually purchasing foreign currency at the same time as the currency loans are repaid when they fall due (see Executive Board decisions of 12 January 2021 and 3 February 2022). During this period, the size of the foreign currency reserves might vary more than usual.