

DECISION

DATE: 9 January 2025
DEPARTMENT: Markets Department
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DNR: 2024-01197
CLASSIFICATION: Open

Financial provisions (risk provisions) for the financial year 2024

The Riksbank's decision

No financial provisions (risk provisions) or reversals are made for the financial year 2024.

Grounds for the decision

Introduction

The Riksbank's balance sheet contains assets and liabilities that entail a risk of financial losses. Since 2020, the Riksbank has decided on the size of the item risk provisions on the balance sheet every financial year.¹

The Executive Board may decide to make provisions for particular financial risks if there is a need to increase the risk buffer and strengthen the resilience of the balance sheet to these. If losses arise that lead to the absence of dividends to the State, the Executive Board may instead decide to reduce the balance sheet item for the risk provisions by a reversal of the funds allocated. A reversal will strengthen the reported and dividend-qualifying result. A reversal may also occur if the risk-absorbing buffer is deemed to have become too large.

The possibility of making financial risk provisions or reversals and the amount of the provision or reversal for an individual financial year therefore depend, to a large extent, on the Riksbank's earnings and the size of its equity. For the financial

¹ See Decision on provisions for financial risk 2020 (DNR 2020-01285); Decision on provision for financial risk 2021 (DNR 2021-01343); Decision to rebalance previously allocated funds for financial risk 2022 (DNR 2023-00059); and Decision on financial provisions for the financial year 2023 (DNR 2024-00064).

year 2022, the Riksbank decided to reverse previous risk provisions. No new risk provisions were decided for the financial year 2023. For the financial year 2024, there are therefore no previously made risk provisions to be used.

Risk provisions

According to Chapter 8, Section 11 of the Sveriges Riksbank Act (2022:1568), the Riksbank may make financial provisions (risk provisions) to a reasonable extent in accordance with the guidelines of the European Central Bank (ECB).² Under the Sveriges Riksbank Act, risk provisions can be made to cover a known or expected future loss or risk, the cost of which cannot be accurately estimated. If the loss or risk is realised, the allocated funds shall be used to mitigate its effects on the financial result.³ Risk provisions may only be made to a reasonable extent. This means that a provision shall be necessary on the basis of a need for consolidation of the Riksbank's balance sheet and that the size of the provision shall be in proportion to the size of the expected loss or cost.⁴

In the Riksbank's assessment, consolidation need should refer to the need to maintain or strengthen its financial position by means of provisions for income, or an increase in capital by means of funding with the aim of increasing the resilience of the balance sheet.

According to the European Central Bank Guidelines, a central bank may make provisions for financial risks. The size of these and their use shall be assessed on the basis of a reasoned estimate of the risk exposure of the central bank.⁵ For the purposes of the guideline, "provisions" means an amount that is not included in the calculation of profit or loss but is instead set aside to cover a known or expected liability or risk whose cost cannot be accurately calculated. The guideline does not allow provisions for future liabilities and costs to be used to adjust the value of assets.⁶

Decisions on risk provision can be made on an ongoing basis during the financial year.⁷

Considerations

² The European Central Bank Guidelines (EU) 2024/2941 of 14 November 2024 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2024/31) (recast) (European Central Bank Guidelines).

³ Government Bill 2021/22:41, p. 243.

⁴ Government Bill 2021/22:41 pp. 150-151 and p. 243.

⁵ Article 8, European Central Bank Guidelines.

⁶ See Annex II to the European Central Bank Guidelines.

⁷ Government Bill 2021/22:41, p. 243.

For the financial year 2024, the Riksbank is expected to make a profit of just over SEK 30 million and the Riksbank's equity is expected to amount to SEK 23 billion.^{8 9}

Equity is the Riksbank's primary risk buffer as it can absorb all risks and losses, unlike a risk provision that is limited to specific risks or losses. The Riksbank's equity is currently low in relation to the target level under the Sveriges Riksbank Act. At present, the build-up of equity is deemed to meet the need for consolidation better than a risk provision.¹⁰ Against this background, no risk provisions are made for the financial year 2024. This means that there is no need to estimate the need for risk provisions or how these are to be used (cf. Article 8 of the European Central Bank Guidelines).

In summary, no financial provisions (risk provisions) are made for the financial year 2024. As there are no previously allocated funds, no reversals can be made and thus the reported provisions for 2024 are unchanged compared to the financial year 2023.

This decision has been taken by the Executive Board (Governor Erik Thedén and Deputy Governors Per Jansson, Aino Bunge and Anna Seim) following a presentation by case officer Mattias Danielsson. Henrik Gardholm, Eva Forssell and Per Magnell and Head of Department Heidi Elmér also participated in the final processing work.

⁸ This will be determined after the approval by the Riksdag of the General Council of the Riksbank's decision on the allocation of results in spring 2025.

⁹ As a result of the net loss for the financial year 2022, the Riksbank's equity for the financial year 2023 decreased and the primary capital fund was utilised to cover the losses. The Riksbank consequently decided to submit a petition to the Riksdag for the restoration of equity in accordance with Chapter 8, Section 15 of the Sveriges Riksbank Act (DNR 2024-00494). On 19 June 2024, the Riksdag decided to restore the Riksbank's equity for an amount of SEK 25 billion. After the restoration, the Riksbank's equity has increased and the primary capital fund has been restored (cf. Chapter 8, Section 12, first paragraph, and Section 14, third paragraph, of the Sveriges Riksbank Act).

¹⁰ Cf. Chapter 8, Section 11 of the Sveriges Riksbank Act. See also Government Bill 2021/22:41 pp. 150-151 and p. 243.