

ANNUAL REPORT 2014

"The Riksbank is the world's oldest central bank and our operations must be in keeping with the times and the world around us."

Governor of the Riksbank Stefan Ingves





"During the autumn we adopted a new strategic plan that looks ahead to our 350th anniversary in 2018."

Governor Stefan Ingves

Changes in the provision of cash

In 2015, the major changeover of banknotes and coins will start and run until 2017. We have an extensive task ahead of us and we worked intensively on various preparations in 2014. A first step on the way is the reduction of the number of banknotes and versions of banknotes ahead of the changeover. It stopped being possible to pay with the older versions of the 50-krona and 1 000-krona banknotes (without foil strip) after 31 December 2013. Our office for banknote handling in Sigtuna Municipality was completed in 2014. With this, we receive, issue and destroy banknotes at only one place in Sweden.

We have noticed that a clear trend that is affecting central banks is the rapid development of various digital payment methods that are gradually replacing cash as a means of payment. Sweden is at the forefront of this development. At the Riksbank, we are monitoring and analysing this development to understand how it will affect the financial system and our role in it. The declining usage of cash is also contributing towards a change in the Riksbank's financial position. This is because banknotes and coins form an interest-free debt that the Riksbank has towards the general public and that funds the Riksbank's financial assets to a certain extent.

A 350-year old at the forefront

Our vision of being among the best in terms of quality and efficiency in order to maintain a high level of public confidence places demands on the development of operations. We set up a partially-new organisation on 1 March to help deepen and expand our analyses in certain areas. We also introduced a committee structure to allow us to develop the forms for cooperation between our departments, thereby making it easier for us to address the new issues needing to be analysed.

During the autumn, we also adopted a new strategic plan aimed at our jubilee year in 2018. We want the world's oldest central bank, almost 350 years old, to be in the forefront and contributing to the stable economic development of households and companies. In brief, the plan means that our operation will be in line with the times and will produce a high-quality result that we communicate in an accessible and clear manner.

Stefan Ingves

The tasks and role of the Riksbank

The Riksbank is Sweden's central bank and a public authority under the Riksdag (the Swedish parliament). The Riksbank is responsible for conducting Swedish monetary policy, with the objective of maintaining price stability. The Riksbank is also entrusted with the task of promoting a safe and efficient payment system.

Maintaining the value of money – price stability

Under the Sveriges Riksbank Act (1988:1385), the Riksbank shall maintain price stability, which means that inflation should be low and stable. The Riksbank has specified an inflation target, according to which the annual change in the consumer price index (CPI) is to be 2 per cent. However, the CPI is often affected by factors to which the Riksbank should not react, as these are only deemed to have temporary effects on inflation. Consequently, the Riksbank also describes and explains inflation and monetary policy using other inflation measures. These measures have been adjusted for price fluctuations that are expected to have temporary effects on the CPI, but not to affect the trend. One important such measure is the CPIF, in which inflation is adjusted for mortgage interest expenditure, which directly affects the CPI when the Riksbank adjusts the repo rate. The CPIF is thus inflation measured in terms of the CPI with a fixed mortgage rate.

The Riksbank's monetary policy is aimed at attaining the inflation target at the same time as it supports the objectives of general economic policy, whose aim is to achieve sustainable growth and high employment. The Riksbank does this by endeavouring both to stabilise inflation around the inflation target and to stabilise production and employment around paths that are sustainable in the long term. The Riksbank thus conducts what is referred to as flexible inflation targeting. The inflation target, however, takes precedence.

The Riksbank determines the level of its policy rate, the repo rate, to influence inflation and economic developments. The repo rate affects other interest rates in the economy and ultimately economic activity and inflation.

The Riksbank monitors and analyses risks in the financial system to ascertain how these affect general economic development. Risks linked to financial imbalances, such as high indebtedness among Swedish households, are taken into account in the repo rate decisions. This is because such risks can seriously threaten inflationary and macro stability. Several policy areas will need to cooperate to manage the risks linked to household debt, particularly if housing prices and indebtedness increase rapidly. A smoothly functioning regulatory framework and efficient supervision are central conditions for this work.

A safe and efficient payment system

The Sveriges Riksbank Act states that the Riksbank shall promote a safe and efficient payment system. This means that the Riksbank shall act to promote stability in the Swedish financial system as a whole through preventive work and crisis management. The fundamental functions of the financial system are mediating payments, converting savings into funding (capital supply), and managing risk. As the financial system has great significance for the economy, the participants (such as the banks) in the system are regulated via special legislation, statutes and regulations from Swedish and European authorities. In Sweden, a framework for macroprudential policy has also been put into place and this will be important to the Riksbank's task.

The Riksbank's task of promoting a safe and efficient payment system includes issuing banknotes and coins. The Riksbank also provides a central payment system (RIX), which handles large-value payments in Swedish kronor between banks and other actors in a safe and efficient way.

Riksbank's provision of cash is secure and efficient. The general public and companies that handle cash must have great confidence in banknotes and coins and in cash provision. The Riksbank also follows developments on the payment markets and analyses the use of cash and alternative means of payment in the economy.

The Riksbank's independence

The Riksbank is a public authority under the Riksdag. The Riksdag appoints the members of the Riksbank's General Council, and the General Council, in turn, appoints the members of the Riksbank's Executive Board. The General Council also supervises and scrutinises the work of the Executive Board.

The Executive Board of the Riksbank takes monetary policy decisions without instruction from any other parties. By delegating the task of maintaining inflation at a low and stable level to the Riksbank, the Riksdag has ensured that monetary policy is based on a long-term perspective and that there is favourable conditions for the credibility of the inflation target.

The Riksbank's independent status is also reflected in its financial independence, guaranteed, among other things, through the right to manage financial assets. The aim of asset management is to ensure that it can fulfil its statutory objective and perform its tasks of implementing monetary policy, being prepared to intervene in the foreign exchange market and being able to provide temporary liquidity assistance to banks. Therefore the composition of the assets must ensure the tasks can always be performed. On the basis of this, asset management concentrates on achieving as high a long-term return as possible in relation to the risk determined by the Riksbank. A good long-term return on the assets also strengthens the Riksbank's financial independence.

Openness and communication

The Riksbank attaches great importance to being open and clear about its activities. A wide range of external parties must be able to understand what the Riksbank does and why. By being open and clear about what forms the basis for the monetary policy decisions, the Riksbank increases confidence in the inflation target. Openness and clarity also create confidence in how the Riksbank assesses and handles the situation on the financial markets. The Riksbank's explanations of its assessments help economic agents to form an understanding of economic developments and the risks in the financial system.

The independent status of the Riksbank also places great demands on communications and the transparency of the Riksbank's activities so that these can be examined and evaluated by the general public and the principal, the Riksdag. Openness is apparent, for example, in the fact that the Riksbank publishes on its website minutes and decision making material from the meetings of the Executive Board, as well as detailed minutes of the monetary policy meetings. Much of the Riksbank's analysis work is also presented in report form (see appendix 3). Moreover, the models used by the Riksbank in its analyses are publicly available – both macroeconomic forecast models and models for stress tests of banks.

GOVERNANCE

The Riksbank is led by an Executive Board appointed by the General Council of the Riksbank. The General Council is in turn appointed by the Riksdag, the Swedish parliament. The Executive Board has a joint responsibility for the strategic management of the Bank, while the General Council mainly has a supervisory function.

Executive Board of the Riksbank

The Executive Board of the Riksbank consists of six members appointed by the General Council of the Riksbank for a term of five or six years. The General Council appoints the Chairman of the Executive Board, who shall at the same time be Governor of the Riksbank, and at least one Vice Chairman, who shall, at the same time, be a Deputy Governor of the Riksbank. The General Council also determines salaries and other employee benefits for the members of the Executive Board.

The Executive Board's tasks

The Executive Board has a joint responsibility for the strategic management of the Riksbank and decides on the instructions for the bank. The role of the Executive Board as a strategic decision-maker means that its work focuses on central decisions regarding monetary and exchange rate policy, important issues in the area of financial stability and the Riksbank's asset management. The Executive Board also makes the overall decisions on the Riksbank's activities, such as decisions on strategic objectives, its business plan and budget and how these are followed up. At the same time, the Governor of the Riksbank has a clear mandate to follow up activities in relation to adopted plans and approved budget. The Governor of the Riksbank also has managerial responsibility for the heads of department, who prepare and submit proposals or background material to the Executive Board on matters that are decided there.

The Executive Board makes decisions jointly at its meetings. The Board held a total of 36 meetings during 2014, ten of which were meetings by circulation and six of which were monetary policy meetings.

At least twice a year, the Executive Board is required to present a written report on monetary policy to the Riksdag Committee on Finance. The first of these consists of a specific report, the Account of Monetary Policy, compiled for the Riksdag Committee on Finance at the beginning of the year. The second report consists of the third Monetary Policy Report for the year. This report is supplemented on each occasion by a public hearing. As of 2012, three hearings are held on monetary policy per year and, since the autumn of 2012, the Governor and one of the Deputy Governors of the Riksbank (according to a rotating schedule) always participate in these hearings at the Committee on Finance. In addition to the three monetary policy hearings, members of the Executive Board participated in three closed hearings at the Committee on Finance to discuss the Account of Monetary Policy and IMF matters.

Formal processing of the Riksbank's Annual Report

Pursuant to the Sveriges Riksbank Act, the Executive Board of the Riksbank must, before 22 February, submit an Annual Report of the Riksbank's activities during the preceding accounting year to the Riksdag, the Swedish National Audit Office and the General Council of the Riksbank. The Riksbank's profit and loss account and balance sheet are approved by the Riksdag, which also determines how the Bank's profits shall be allocated. The proposal for the allocation of profits is presented to the Riksdag by the General Council, which also examines the Bank's closing procedures with regard to the calculation of its profits. Together with the proposal for the allocation of profits, the General Council also submits its own annual report for the financial year to the Riksdag. The General Council's Annual Report and Proposal for Allocation of Profits are submitted to the Riksdag on the same day as the Riksbank's Annual Report.

The Swedish National Audit Office's audit of the Riksbank's Annual Report shall be complete no later than one month after the Riksbank has submitted the Annual Report to the Riksdag. The Swedish National Audit Office shall then submit an Auditor's Report, containing its observations from the audit, to the Riksdag. The Auditor's Report also contains the Swedish National Audit Office's assessment of whether the Riksdag should adopt the Riksbank's profit and loss account and balance sheet in accordance with the Executive Board's proposal in the Annual Report.

The Riksbank's Annual Report is examined within the Riksdag by the Committee on Finance. The Riksdag Committee on Finance's task is to prepare the Riksdag's decision with regard to discharging the General Council from liability for their activities and the Executive Board from liability for their administration of the Riksbank, adopting the Riksbank's profit and loss account and balance sheet for the financial year and approving the allocation of the Riksbank's profits for the financial year. Once the Riksdag has taken this decision, the Riksbank can transfer the amount decided upon to the Treasury. The transfer is normally made one week after the Riksdag's decision, in connection with the Riksbank's implementation of main operations (presently Riksbank Certificates).

Later in the same year, the Riksbank reports to the Riksdag what measures the Bank has taken with regard to the National Audit Office's observations. This account is also provided in accordance with the provisions in the Sveriges Riksbank Act.

up internal control on the basis of the governance and control environment, risk analysis, control mechanisms, information and communication as well as follow-up and reporting.

The Executive Board has also commissioned the Internal Audit Department to carry out an independent evaluation of internal control, including operational risks.

The Riksbank uses indicators to measure results

In 2014 the Riksbank's activities were divided into seven target areas: monetary policy, financial stability, the RIX payment system, cash provision, asset management, statistics and an overall Riksbank area. The bank-wide area was, in turn, divided up into seven parts: communication, employees, management and governance, IT, administrative support and service, environment and resources.

A number of targets are determined for each area. These are intended to put the implications of the vision's ambition, among the best, into concrete terms for the area. One or more result indicators are linked to each target, and these are intended to give a view of how well the Riksbank is fulfilling this ambition level. One example is the Riksbank's forecasting performance, one indicator of which is an annual comparison with nine other forecasters. For this indicator, among the best has been interpreted as being placed among the three best in the ranking.

The Executive Board received two follow-up reports in 2014 summarising the status of the indicators, the action plans, the budget and the operational risks. In total, 93 indicators were linked to the goals in the 2014 business plan. Of the 85 indicators that could be evaluated, approximately 80 per cent recorded positive results in the follow-ups. The results from the Riksbank's various operational areas are presented under the respective sections of the annual report.

Risks in the Riksbank's activities

The Riksbank's activities entail both financial and operational risks. **The financial risks arise above all in the management of the gold and foreign exchange reserves** and are described in more detail in the article "The Riksbank's financial regulatory structure and management of various risks" in the section "Asset management".

Operational risks may damage the activities, assets or reputation of the Riksbank and arise as a result of human error or shortcomings in manning, internal processes or IT systems, or are affected by external events. Risks of this type are to be found throughout the Riksbank's operations, both in the course of day-to-day work and in connection with changes. Certain risks are of a more strategic nature and are monitored in order to avoid negative consequences in the longer term.

To succeed in its tasks, it is important that the Riksbank can quickly identify and manage both internal disruptions and external events. This applies to everything from managing changes in potential threats to cash operations or IT support to adjusting pro-

cesses and systems to new conditions.

The Riksbank works systematically with risk management on the basis of an established, bank-wide process for operational risks. This process is subject to continuous development, and risk management and business planning are integrated through coordinated processes for follow-up and documentation.

The risks that have been identified historically in the Riksbank's activities primarily relate to the handling of confidential information, IT infrastructure, internal processes and dependence on external parties. These risks can above all affect the Riksbank's efficiency and ability to attain its operational goals.

In 2014, the level of risk in cash handling was affected by a number of major projects. The operations' annual risk analyses and incident reporting do not indicate that the risk level for the Bank as a whole has been significantly affected in 2014. All incidents were managed with the support of the Riksbank's procedures.

Confidence among the Riksbank's target groups

The Riksbank's vision is to be among the best in order to maintain a high level of public confidence. To measure the development of public confidence and the confidence of various target groups in the Riksbank, the Riksbank regularly uses external surveys. Surveys presented in 2014 showed that the level of confidence among the public and the target groups in the Riksbank remains high. Once more, the Riksbank is among the five Swedish social institutions with the highest confidence ratings in Sweden, both in the SOM Institute's report "Förtroendet för Riksbanken" (Confidence in the Riksbank) and in Medicakademin's confidence barometer, which measures and compares confidence in a number of different institutions and organisations in Sweden. TNS Sifo's annual survey of the reputation of Swedish authorities also ranked the Riksbank among the five authorities with the best reputations in the country. However, these surveys showed varying results for the development of confidence. The surveys by the SOM Institute and TNS Sifo indicated slightly stronger confidence and reputation for the Riksbank compared with the previous year, while Medicakademin's survey suggested slightly weaker confidence.

Communication

Media reporting on the Riksbank was less comprehensive in 2014 than in the previous year, apart from certain peaks in publicity. The monetary policy decisions were the focus of reporting. The repo-rate cut in July was the most written-about monetary policy decision in several years. Other matters that characterised reporting over the year were the Riksbank's forecasting performance and the low level of inflation in relation to the inflation target. Household indebtedness is an issue that the Riksbank has emphasised as a major risk. Consequently, the Riksbank's Economic Commentary "How indebted are Swedish households?" attracted comprehensive media interest. In addition to this, issues related to the Riksbank's tasks, targets and mandates have been discussed by the media.

In July, the Riksbank launched a newsletter aimed primarily at its principal, the Riksdag, with the aim of making it easier for members to follow the Riksbank's activities. In conjunction with this, the Riksbank participated in the political forum at Almedalen for the first time. The newsletter, which is sent to all members of the Riksdag, is available from the Riksbank's website.

In 2014, the Riksbank was awarded a prize by Central Banking Publications for its openness in the form of the distinction Central Banking Transparency Award. The citation for the prize says that the Riksbank plays a pioneering role in central bank openness and clear communications by determinedly ensuring its processes and decision-making are transparent and clearly communicated.

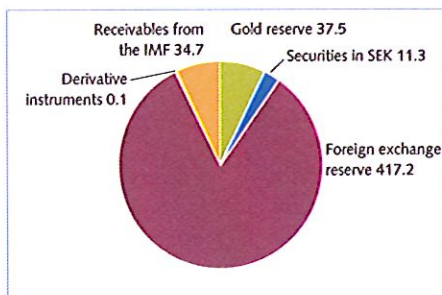
Asset management

Market rates for government securities fell in several countries during the year, which meant that the total value of the bond holdings in the foreign exchange reserve increased. In addition, the Swedish krona weakened on average against the currencies to which the foreign exchange reserve was exposed. This meant that the value of the gold and foreign exchange reserves increased further when expressed in Swedish kronor. The market value of the Riksbank's financial assets was SEK 500.8 billion at the end of 2014. The total return was SEK 31.5 billion, while return excluding exchange rate effects was SEK 9.8 billion.

The balance sheet total increased during the year by SEK 70.8 billion to SEK 502.4 billion. At the end of the year, the overwhelming majority of the Riksbank's assets, 97 per cent, consisted of the gold and foreign exchange reserves (including receivables from the IMF). The largest component on the balance sheet's liabilities' side (the Riksbank's liabilities and equity), 45 per cent, was made up of borrowing for the foreign exchange reserve from the Swedish National Debt Office.

Chart 19

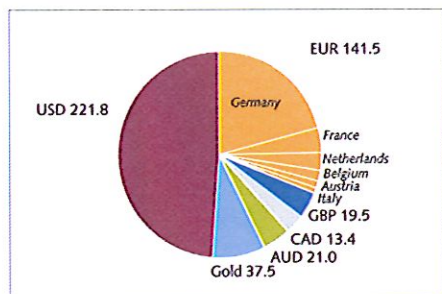
The Riksbank's financial assets at the end of 2014, SEK billion



Note. The figures in the chart show the market value of the Riksbank's financial assets including accrued interest.
Source: The Riksbank.

Chart 20

Composition of the gold and foreign exchange reserves at the end of 2014, SEK billion



Note. The figures in the chart show the market value of the gold and foreign exchange reserves, including accrued interest.
Source: The Riksbank.

FINANCIAL ASSETS AND LIABILITIES

The Riksbank's financial assets consist of the gold and foreign exchange reserves, including receivables from the International Monetary Fund (IMF), assets relating to the Riksbank's monetary policy activities, securities issued in Swedish kronor and derivative instruments (see Chart 19).

Like many other central banks, the Riksbank has a gold reserve. To a certain extent this is a remnant of the days of the gold standard, when banknotes and coins could be redeemed for a certain quantity of gold. There is no such link today and gold is instead a financial asset that, like the foreign exchange reserve, aims to ensure that the Riksbank can fulfil its tasks. The gold reserve contributes to counteracting fluctuations in the value of the foreign exchange reserve, as the price of gold does not usually follow the same pattern as the value of the foreign exchange reserve. The gold reserve is reported under its own heading on the Riksbank's balance sheet.

The foreign exchange reserve consists of debt securities in foreign currencies with high liquidity and low credit risk, primarily government bonds. To reduce the market risk in the foreign exchange reserve, the Riksbank invests the reserve in several currencies, including currencies not normally used to intervene on the foreign exchange market or to provide emergency liquidity assistance.

The Riksbank's assets also include receivables from the IMF, as the Riksbank is responsible for the commitments ensuing from Sweden's participation in the Fund. The Riksbank lends money to the IMF which in turn lends money to countries with balance of payment problems.

The foreign exchange reserve and the receivables from the IMF are reported on the balance sheet under the heading Claims on residents outside Sweden denominated in foreign currency.

Since the second six-month period of 2012, the Riksbank also holds assets in the form of securities issued in Swedish kronor. These assets are reported on the balance sheet under the heading Securities of residents in Sweden denominated in Swedish kronor.

To be able to implement its monetary policy, the Riksbank may also hold so-called monetary policy assets. These assets may consist of the claims on Swedish banks resulting from the monetary policy repo. However, since the

autumn of 2008 there has been a liquidity surplus in the banking system that the Riksbank mainly borrows, either through overnight loans, so-called fine-tuning transactions, or by issuing Riksbank certificates. This borrowing means that the Riksbank has a debt to the banks. This debt is reported on the balance sheet under the headings Debt certificates issued and Liabilities to credit institutions in Sweden related to monetary policy operations denominated in Swedish kronor. The Riksbank also provides so-called standing facilities, which means that the banks can borrow money from or deposit money with the Riksbank overnight. This borrowing and lending is reported on the balance sheet under the headings Deposit facility and Marginal lending facility.

The Riksbank also has financial liabilities in foreign currencies to the National Debt Office. These liabilities consist of US dollars and euros that the Riksbank has borrowed from the National Debt Office in order to strengthen the foreign exchange reserve. Borrowing from the National Debt Office is reported on the balance sheet under the heading Liabilities to residents in Sweden denominated in foreign currency.

To facilitate the management of financial risk, the Riksbank can use derivative instruments. The derivative instruments with a positive value at year-end are reported on the balance sheet under the heading Other assets, while the derivative instruments with a negative value are reported under the heading Other liabilities.

Management of the gold and foreign exchange reserves

Being able to provide temporary liquidity assistance in foreign currency at short notice is the task that makes the greatest demands on the composition of the gold and foreign exchange reserve. Consequently, most of the foreign exchange reserve is maintained in those currencies in which emergency liquidity assistance may be needed and in such assets as can rapidly be converted into liquid funds. The Riksbank's tasks entail the foreign exchange reserve focusing on assets in US dollars and euro. At the end of the year, the assets in US dollars and euros amounted to 49 per cent and 31 per cent respectively of the gold and foreign exchange reserves (see Chart 20).

In 2014, in order to spread the risks and thereby attain a higher risk-adjusted return, the Riksbank followed the procedure of previous years and invested a small part of the reserve in other currencies than the US dollar and the euro. These investments were mostly made in British government bonds, Australian government and federal state bonds and Canadian government and provincial bonds.

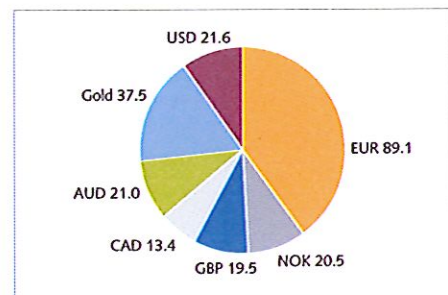
As the Riksbank's assets mainly consist of US dollars and euro, the Bank's earnings are affected by the way the value of these two currencies develops in relation to the Swedish krona. However, the effect on earnings is counteracted by the Riksbank also having liabilities in US dollars and euro. To further reduce the effect of exchange rate changes, some of the Riksbank's exposure to US dollars was converted over the year to exposure to Norwegian kroner with the aid of foreign exchange derivatives. Chart 21 shows the Riksbank's currency exposures at the end of the year.

Due to the internationally-low interest rates and the increased risk of an increase in interest rates, the Riksbank decided over the year to retain the interest-rate sensitivity of the foreign exchange reserve at around 3, measured as modified duration (see Chart 22). A modified duration of 3 means that the value of the foreign exchange reserve would fall by almost 3 per cent if interest rates increased by 1 percentage point, and the reverse if interest rates were to fall by 1 percentage point.

Prior to 2014, the Riksbank decided that its holdings of gold, amounting to 125.7 tonnes, should remain unchanged for the year. The Riksbank's gold reserve is stored

Chart 21

The Riksbank's foreign currency exposure at the end of 2014, SEK billion



Note. The figures in the chart show the Riksbank's foreign currency exposure including accrued interest. The calculation of foreign currency exposure is based on both assets and liabilities (including foreign exchange derivatives) and is reported in the chart for the Riksbank's net receivables.

Source: The Riksbank.

Chart 22

Modified duration of the foreign exchange reserve, 2014

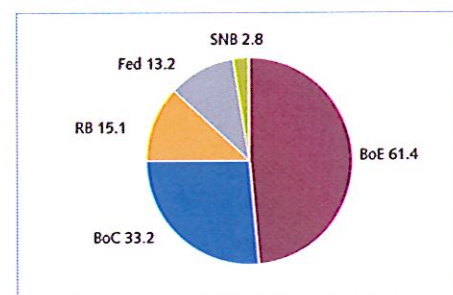


Note. The calculation of the foreign exchange reserve's modified duration is based on both assets and liabilities and is reported in the chart for the Riksbank's net receivables.

Source: The Riksbank.

Chart 23

Storage of the gold reserve at the end of 2014, tonnes



Source: The Riksbank.

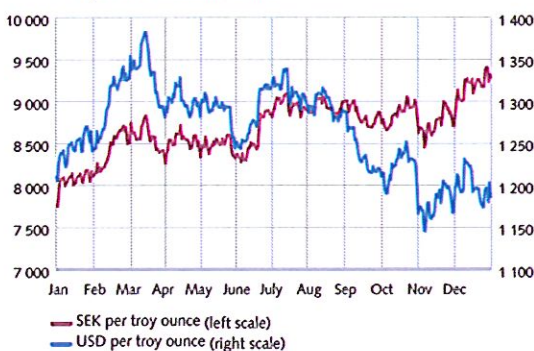
Table 4. Sweden's financial commitments to the IMF 2014, SDR million and SEK million respectively

	SDR	SEK
Sweden's maximum commitment	18 033	204 505
Used at the beginning of the year	919	10 424
Change during the year	-128	-1 455
Used at the end of the year	791	8 969
Unutilised share of the commitment	17 242	195 536

Note. The SDR amounts have been converted at the exchange rate applying at year-end.

Source: The Riksbank.

Chart 24
Gold price movements, 2014



Note. One troy ounce is equivalent to about 31 grammes.

Source: Reuters.

with the central banks in the United Kingdom (the Bank of England), Canada (the Bank of Canada), the United States (the Federal Reserve Bank of New York), Switzerland (the Swiss National Bank) and at the Riksbank (see Chart 23). As in previous years, the Riksbank also stored gold on behalf of others in 2014.

During the year, the Riksbank visited the Federal Reserve Bank of New York and the Bank of Canada to inspect the gold stored there on behalf of the Riksbank. Similar inspections were carried out in 2013 at the Bank of England and the Swiss National Bank. All of these inspections passed without complaint.

In 2014, the Riksbank contributed to the IMF's loans to Greece and Ukraine by transferring US dollars equivalent to SEK 177 million to the International Monetary Fund. Due to repayments from Ireland, Pakistan, Romania and Sri Lanka, the Riksbank received US dollars equivalent to SEK 2 131 million back. Under the framework of the New Arrangement to Borrow (NAB), the Riksbank lent dollars equivalent to SEK 846 million to the IMF which, in turn, lent these funds to Greece, Jamaica, Tunisia and Ukraine. Under the same agreement, the Riksbank received repayments in US dollars from Ireland, Jamaica, Romania, Sri Lanka and Belarus equivalent to SEK 1,370 million.

In addition to these transactions, the Riksbank sold a total of 75 million Special Drawing Rights (SDR) on behalf of the IMF to Morocco and Serbia. The Riksbank also purchased a total of 18 million SDR from the Arab Monetary Fund and the Bank for International Settlements (BIS). These transactions were carried out against payment in US dollars.

All in all, the Riksbank's transactions with the IMF meant that Sweden's unutilised commitments to the IMF increased by SEK 1,455 million (see Table 4).

Follow-up

At the end of 2014, the value of the Riksbank's financial assets amounted to SEK 500.8 billion, which is SEK 70.8 billion more than at the end of 2013. The change is primarily due to fluctuations in exchange rates. The Riksbank's financial liabilities were valued at SEK 307.5 billion and the total return amounted to SEK 31.5 billion.

The monetary policy transactions in 2014 consisted of standing facilities and deposits from the banking system via fine-tuning transactions and Riksbank Certificates. Deposits from the banking system amounted to SEK 49.8 billion at year-end, which is an increase of SEK 3.2 billion in relation to the previous year. The increase is mostly explained by the fact that the value of outstanding banknotes and coins fell by SEK 2.5 billion. The Riksbank's interest expenditure for total deposits from the banking system amounted to SEK 230 million at the end of the year (see Table 5). Average deposits during the year via Riksbank Certificates and fine-tuning transactions amounted to SEK 32.6 billion and SEK 21.3 billion respectively.

During the course of the year, the fall in market rates for Swedish government bonds had a positive impact on the Riksbank's holdings of securities in Swedish kronor. At the end of the year, the market value of the Riksbank's holdings of such securities was SEK 11.3 billion and the return amounted to SEK 883 million.

Management of the gold and foreign exchange reserves

The market value of the gold and foreign exchange reserves (including net receivables from the IMF) was SEK 464.0 billion at the end of the year. The reserves consisted of assets in foreign currency at a value of SEK 417.2 billion, gold at a value of SEK 37.5 billion and net receivables from the IMF amounting to SEK 9.2 billion (see Table 5).

The return on the foreign exchange reserve amounted to SEK 25.5 billion. The positive return is mainly due to the fact that the currencies in the foreign exchange reserve strengthened against the Swedish krona by an average of 9.0 per cent over the year. The total exchange rate effect amounted to SEK 16.7 billion. Interest rates fell over the year on the markets in which the Riksbank invested its assets. The return excluding foreign exchange effects thus amounted to SEK 8.9 billion, or 4.4 per cent.

Table 5. Return on the Riksbank's asset management in 2014, SEK million

	Assets	Liabilities	Return	Return excl. exchange rate effects
Gold and foreign exchange reserves Incl. the IMF	489 460	254 817	33 247	8 858
Gold reserve	37 529	–	6 104	–
Foreign exchange reserve	417 244	229 311	25 536	8 850
The IMF	34 687	25 506	1 607	8
Derivative Instruments	61	2 905	–2 405	302
Monetary policy transactions	33	49 807	–230	–230
Standing facilities	33	130	2	2
Fine-tuning transactions	–	14 673	–78	–78
Riksbank Certificates	–	35 004	–154	–154
Securities in SEK	11 270	–	883	883
Total	500 824	307 529	31 495	9 813

Note. The calculation of the return is based on both assets and liabilities and is reported in the table for the Riksbank's net receivables.

Source: The Riksbank.

The price of gold is usually measured in US dollars and in 2014 the price of gold expressed in dollars fell by 1.9 per cent (see Chart 24). However, as the dollar strengthened against the Swedish krona the price of gold in kronor increased by 19.4 per cent. The value of the Riksbank's holdings of gold thus increased by SEK 6.1 billion over the year.

At year-end, the Riksbank's liability to the Swedish National Debt Office amounted to SEK 229.3 billion, which is SEK 35.5 billion more than at the start of the year (see Table 5). At year-end, loans in US dollar and euros amounted to 77 per cent and 23 per cent respectively of this liability.

The value of the Riksbank's receivables from the IMF was SEK 34.7 billion at the end of the year, while the value of the Bank's liabilities to the IMF was SEK 25.5 billion. The return on the net receivables amounted to SEK 8 million over the year, excluding exchange rate effects (see Table 5).

At the end of the year, the total value of the Riksbank's derivative instruments was negative and entailed a debt of SEK 2.8 billion. The return on these derivative instruments excluding exchange rate effects amounted to SEK 302 million over the year.

Analysis of the management of the foreign exchange reserve

To evaluate whether the Riksbank's asset management contributes to lower risk or higher return on the foreign exchange reserve, the risk-adjusted return on the foreign exchange reserve is compared with a corresponding return on a so called reference portfolio. This reference portfolio is composed exclusively of the securities the Riksbank would hold to be able to carry out its tasks without considering the return. In 2014, the reference portfolio therefore consisted of 60 per cent US and 40 per cent German government bonds, whose overall

The Riksbank's financial regulatory structure and risk management

The financial risk policy of the Riksbank establishes the overall frameworks for the risk the Riksbank is prepared to accept in asset management. The follow-up of the risks the Riksbank is exposed to is mainly carried out in the Markets Department, where the Middle Office is responsible for day-to-day risk control and for calculating the return on the Riksbank's assets. There is also a Risk Division in the Riksbank, which is part of the General Secretariat and responsible for overall risk control (see the section "Organisation and management").

The Riksbank's financial risks consist of liquidity risk, market risk and credit risk.

Liquidity risk is defined as the risk that the Riksbank will be unable to perform its tasks and meet its commitments because the assets in the gold and foreign exchange reserves cannot be sold in time or can only be sold at a significantly reduced price.

Market risk, which can in its turn be divided into currency risk, interest rate risk and gold price risk, is the risk that the market value of the Riksbank's assets will fall. Credit risk is the risk of losses due to the Riksbank's counterparties or issuers of the securities in which the Riksbank has invested failing to meet their financial commitments.

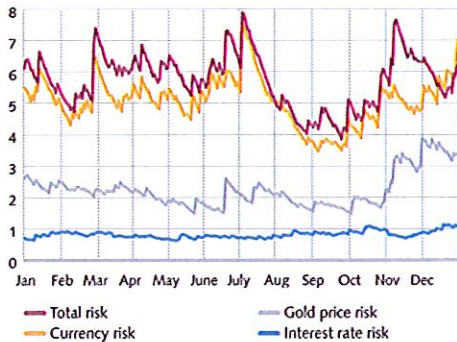
The Riksbank follows up the risks in its asset management on a continuous basis using Value-at-Risk (VaR) as the main measurement of market risk. VaR measures the greatest loss that can occur as a result of price movements during a given period of time and with a given degree of probability. The return on the assets in the foreign exchange reserve is also measured taking into account the risk the Riksbank takes when managing these assets. The risk-adjusted return is calculated with the aid of what is known as a Sharpe ratio.

In addition to regularly following up the risks in the asset management, the Riksbank also regularly tests the sensitivity of the gold and foreign exchange reserves to unexpected market events. The tests show how much the value might decline if a particular scenario, imagined or historical, were to occur.

In addition to financial risks, there are operational risks. These risks exist in all activities and can lead to losses if, for instance, someone makes a mistake or does something unlawful, or if an error arises in the technical systems (see the box "Risks in the Riksbank's activities").

Chart 25

Value-at-risk for the gold and foreign exchange reserves, excluding net receivables from the IMF, 2014, SEK billion



Note. Seen over the whole year, exchange rate fluctuations made the greatest contribution to total risk. Total risk was periodically lower than currency risk as other risks counteracted currency risk. The calculation of market risk is based on both assets and liabilities and is reported in the chart for the Riksbank's net receivables.

Source: The Riksbank.

interest-rate sensitivity, measured as modified duration, was 4.0. The risk-adjusted return is calculated both excluding and including exchange rate effects.

The return on the foreign exchange reserve excluding exchange rate effects amounted to 4.4 per cent during the year. The corresponding return on the reference portfolio amounted to 4.8 per cent. As the foreign exchange reserve had a lower interest-rate sensitivity than the reference portfolio, the assets in the foreign exchange reserve did not increase in value as much when market rates fell during the year. At the same time, the lower sensitivity to interest rates in the foreign exchange reserve meant that the risk in the reserve was lower than that in the reference portfolio. The fact that instruments in the foreign exchange reserve have also been spread over several assets where the changes in value offset one another also contributed to further reducing the risk in the reserve. During the year, the risk in the foreign exchange reserve amounted to 1.2 per cent, measured as a standard deviation without taking into account foreign exchange effects, while the risk in the reference portfolio amounted to 1.7 per cent.

If one adjusts the return to take the standard deviation into account, the return on the foreign exchange reserve is higher than the return on the reference portfolio. Measured as a Sharpe ratio, the risk-adjusted return on the foreign exchange reserve amounted to 3.8, while the corresponding value for the reference portfolio was 2.8.

However, the risk-adjusted return on the foreign exchange reserve was lower than the corresponding value for the reference portfolio when the return is calculated taking exchange rate effects into account. Measured in Swedish kronor, the risk-adjusted return on the foreign exchange reserve amounted to 2.9, while the corresponding value for the reference portfolio was 4.1. The lower value for the foreign exchange reserve was mainly due to the fact that the strengthening of the US dollar had a greater positive effect on the reference portfolio than on the foreign exchange reserve.

Market risks for the gold and foreign exchange reserves

The first half of the year was marked by variations in the level of market risk, measured as VaR with a confidence level of 99 per cent and a time period of 10 days, mainly due to exchange rate fluctuations (see Chart 25). The currency risk then weakened in pace with the decrease in exchange rate fluctuations during the summer, and thereafter strengthened again in the autumn. The gold price risk also increased during the autumn when the US dollar strengthened significantly against the Swedish krona. In addition, the interest rate risk increased due to a somewhat higher modified duration in the foreign exchange reserve. However, total market risk was on average somewhat lower in 2014 than in the preceding year due to a lower level of exchange rate fluctuations, and the covariation between the types of risk (interest rate risk, currency risk and gold price risk) weakened in the latter part of the year. At its peak, market risk amounted to SEK 7.9 billion during the year.

Market risk normally increases in periods of unease on the financial markets. During the financial crisis of 2008–2009, the gold and foreign exchange reserves' VaR reached a maximum of SEK 25.9 billion.

Asset management costs

The costs of asset management include both costs for managing the gold and foreign exchange reserves and costs for conducting monetary policy. The costs of asset management amounted to SEK 97 million over the year, which can be compared with SEK 93 million in 2013 (see the section "Balance sheet and profit and loss account").

COMPOSITION OF THE BALANCE SHEET

Many of the measures taken by the Riksbank influence its balance sheet. This means that the size and composition of the balance sheet varies over time. For example, the Riksbank's extraordinary measures in 2008 and 2009 meant that the size of its balance sheet (the balance sheet total, that is the total value of the Riksbank's assets) increased substantially. The Riksbank has no explicit policy for the composition of the balance sheet. This is rather the result of the operations conducted by the Bank. Figure 26 shows the composition at the end of 2013 and 2014.

The balance sheet total amounted to SEK 502.4 billion at year-end 2014. During the year, the Riksbank's equity (including the financial result for the year and the revaluation accounts) increased by SEK 27 401 million to SEK 109 408 million, mainly as a result of an increase in the value of the gold and foreign exchange reserves.

The vast majority of the Riksbank's assets (97 per cent) was made up of the gold and foreign exchange reserves, 7 per cent of which were receivables from the IMF. The largest part on the liabilities side (the Riksbank's liabilities and equity), 45 per cent, was made up of borrowing from the National Debt Office for the foreign exchange reserve, while 10 per cent consisted of Swedish debts, mainly to the Riksbank's counterparties in the form of deposits (deposit facility, fine-tuning transactions and/or issued Riksbank Certificates). These assets and liabilities are presented in more detail in the section "Financial assets and liabilities". Banknotes and coins made up 17 per cent of the Riksbank's liabilities side, while the revaluation accounts and equity formed 22 per cent. The item Banknotes and coins is described in more detail in the section "A safe and efficient payment mechanism". Other assets and liabilities are reported in more detail in the section "Balance sheet and profit and loss account".

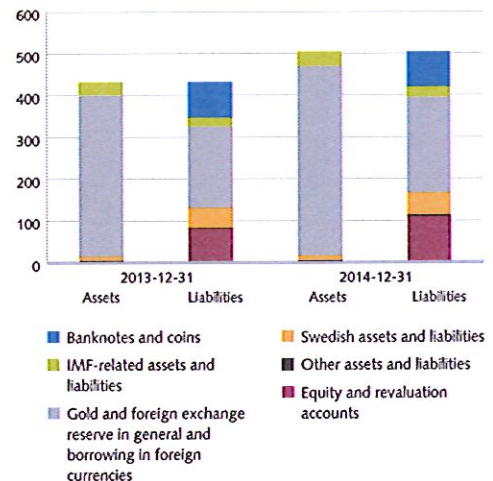
The balance sheet total increased in 2014 by SEK 70.8 billion to SEK 502.4 billion, mainly as a result of an increase in the value of the foreign exchange reserve due exchange rate fluctuations. The amount of banknotes and coins in circulation continued to fall and was equivalent to 17 per cent of the balance sheet total at the turn of the year 2014/2015. This fall led to an increase in the deposits in Swedish kronor from the Riksbank's counterparties.

The major part of the Riksbank's earnings is in foreign currencies, while its costs are mainly in Swedish kronor. As the Riksbank pays its costs, or pays dividends to the Treasury, the amount of kronor in the Swedish banking system therefore increases. In 2014, the Riksbank paid a dividend of SEK 3.3 billion to the Treasury. To prevent the payment of the dividend leading to an equivalent increase of the banking system's deposits in Swedish kronor, the Riksbank sold foreign securities from the foreign exchange reserve and converted the payment for these into Swedish kronor. These kronor were then used for the dividend.

In 2014, the Riksbank's earnings were positively affected by the development of exchange rates for the currencies in the foreign exchange reserve. The Riksbank has continued to analyse the potential development of earnings over the next five years in light of the effects that the development of international interest rates may have on the Riksbank's holdings of foreign securities. The prevailing low interest rates mean that the current return on securities is low. If interest rates remain low, current return will remain low. If interest rates instead start to rise, the current return will gradually rise, although the value of the Riksbank's foreign securities will simultaneously fall, impairing the total return from asset management. The analysis thus shows that, over the next five-year period, the Riksbank is expected to achieve a result that is significantly lower than over the previous five-year period, regardless of whether interest rates remain low or rise. In the latter case, the Riksbank may show significant losses over the short term. If this occurs, the Riksbank's ability to make dividend payments to the State will be limited.

Chart 26

The riksbank's balance sheet on 31 december 2013 and 2014, SEK billion



Source: The Riksbank.

Composition of the balance sheet, earnings and seignorage

The Riksbank's financial result depends on the return on the Bank's assets, the costs of its liabilities and its operating costs. However, "result" is not a clear-cut concept. There are several ways to calculate the result of the Riksbank's operations and different measures are used in different contexts.

The broadest measure of the result can be termed **total result** and describes how the Riksbank's equity (including the revaluation accounts) has changed over the year. In 2014, equity increased by SEK 27 401 million. If one takes into account that equity fell by SEK 3 300 million in connection with the Riksbank's payment to the Treasury during the year, the total result for 2014 amounted to $SEK\ 27\ 401\ million + SEK\ 3\ 300\ million = SEK\ 30\ 701\ million$.

The total result can be divided up into different components. For example, a distinction can be made between realised and unrealised results. **Realised results** arise, for example, when the Riksbank earns interest on its bank balances, when it sells previously purchased securities or when it pays wages. **Unrealised results** arise when the value of assets that the Riksbank still owns changes, for example if the price of gold changes. Another way of dividing up the Riksbank's result is to separate items relating to interest rates and securities holdings from items relating to gold and currency holdings.

In Table 6, the total result for 2014, that is SEK 30 701 million, has been divided into four parts. The realised result from interest rates and securities amounted to SEK 2 723 million. This includes the Riksbank's interest income and interest expenditure and the net result of all transactions and write-downs relating to securities. It also includes the item Other income, which largely consists of dividends on the Riksbank's shares in the BIS and fees from users of the RIX payment system, and costs for personnel, administration and write-downs. The realised result from gold and currency transactions, including write-downs, amounted to SEK 544 million. The unrealised result that followed as a consequence of falling interest rates amounted to SEK 6 296 million, while the unrealised result relating to rising gold prices and exchange rates was SEK 21 138 million.

Table 6. Result matrix, SEK million

	Interest and securities	Gold and currency
Realised result	2 723	544
Unrealised result	6 296	21 138

Source: The Riksbanken.

The Riksbank's **reported result**, that is the result taken up in the Riksbank's income statement, comprises all the realised results stemming from interest rates and securities transactions as well as from gold and currency transactions. The Riksbank's reported result for 2014 amounted to $SEK\ 2\ 723 + 544 = 3\ 267\ million$.

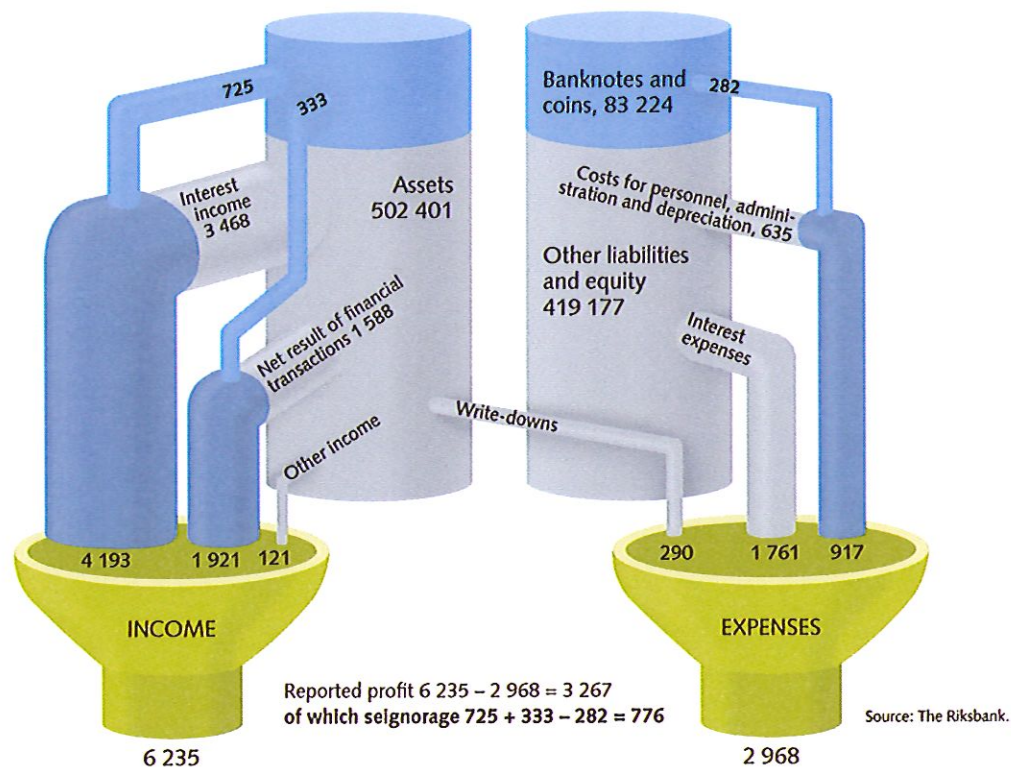
The **result on which the dividend to the State is based** comprises both realised and unrealised results linked to interest rates and securities, but excludes all results relating to gold and currency. In 2014, this result amounted to $SEK\ 2\ 723 + 6\ 296 = 9\ 019\ million$. The size of the dividend itself is arrived at by calculating the average of the result over the past five years and multiplying it by 80 per cent. A compilation of how the different results relate to each other is presented in Table 7. Figure 2 also illustrates how different items on the Riksbank's income statement can be linked to the balance sheet.

What is seigniorage?

The Riksbank's **seigniorage** is part of the Bank's reported result and arises from the right to issue banknotes and coins. The value of all banknotes and coins in circulation is reported as a liability on the Riksbank's balance sheet. At the end of 2014, the value was SEK 83 224 million (see Figure 2). The Riksbank does not pay interest on this liability but incurs costs for managing banknotes and coins. Of the Riksbank's total costs for personnel, administration and depreciation of SEK 917 million, SEK 282 million were costs for managing banknotes and coins.

By issuing banknotes and coins the Riksbank can finance assets of the same value, but the Riksbank has no earmarked assets that exactly correspond to the item banknotes and coins. A standard calculation is therefore used when estimating the earnings from these assets. As the stock of banknotes and coins averaged 17.3 per cent of the balance sheet, it is assumed that 17.3 per cent of the total earnings come from the assets corresponding to banknotes and coins. Calculated in this way, SEK 725 million of the Riksbank's total interest income of SEK 4 193 can be said to come from these assets. Similarly, SEK 333 million of the total net result of financial transactions, excluding write-downs, of SEK 1 921 can be said to come from the assets corresponding to banknotes and coins. The total of the Riksbank's earnings and costs that can be related to banknotes and coins thus amounted to $SEK\ 725 + 333 - 282 = 776\ million$. It is this sum that is referred to as the Riksbank's seigniorage.

Figure 2. The Riksbank's reported result and Selgnorage 2014, SEK million



If the Riksbank was not entitled to issue banknotes and coins, it would lose an interest-free source of funding that at the end of 2014 amounted to SEK 83 244 million. The bank could then choose to reduce its assets by the same sum, and thus also lose the income from these assets. Nor would the Riksbank incur any costs for the management of banknotes and coins. The Riksbank's reported result would then be SEK 776 million lower.

Another way of calculating the value of the Riksbank's right to issue banknotes and coins is to assume that if this right had not existed the deposits from the Riksbank's counterparties would have been SEK 83 244 million higher. With an average repo rate of 0.47 per cent in 2014, this would have meant that the Riksbank would have had interest costs of an additional 0.47 per cent × SEK 83 244 million, that is SEK 389 million. However, the Bank would not have had any costs for the management of banknotes and coins, so that the total additional cost would not have exceeded SEK 107 million.

Table 7. Result measures 2014, SEK million

	Total	Reported	Basis for dividend
Interest income	4 193	4 193	4 193
Interest expenses	-1 761	-1 761	-1 761
Net result of financial transactions and write-downs	1 631	1 631	1 087
of which, sale of securities	1 142	1 142	1 142
and gold and currency respectively	779	779	
of which, sale of securities	-55	-55	-55
and gold and currency respectively	-235	-235	
Net result of changes in value (unrealised result)	27 434		6 296
of which, changes in value of securities	6 296		6 296
and gold and currency respectively	21 138		
Other income	121	121	121
Total net income	31 618	4 184	9 936
Personnel and administration costs and depreciation	-917	-917	-917
of which, costs for managing banknotes and coins	-282	-282	-282
other costs	-635	-635	-635
Result for the year	30 701	3 267	9 019

Source: The Riksbank.



The courtyard is square in form and paved in chequerboard pattern, with alternating stone paving and plants.

Accounting policies

The balance sheet and the profit and loss account for the Riksbank have been prepared in accordance with the Sveriges Riksbank Act and in accordance with the Rules for Bookkeeping and Annual Accounts at Sveriges Riksbank adopted by the Executive Board on 7 December 2011 (Ref. no. 2011-780-ADM), which came into force on 31 December 2011.

The rules for current recording of transactions refer to the Bookkeeping Ordinance (2000:606) and the rules for annual accounts refer to the Guideline of the European Central Bank on the Legal Framework for Accounting and Financial Reporting in the European System of Central Banks (ECB/2010/20). Under Chapter 10, Article 3 of the Sveriges Riksbank Act the Riksbank must apply the accounting guidelines of the European Central Bank System where relevant.

Changes in accounting policies

No changes in accounting policies were made in 2014.

Basic accounting policies

The following basic accounting policies have been applied:

- The accounting shall reflect financial reality and be characterised by transparency.
- The valuation of assets and liabilities and income recognition shall be carried out prudently.
- Assets and liabilities shall be adjusted to take into account events that occur between the end of the financial year and the date the annual accounts are adopted by the Executive Board, provided that these events have affected the value of the assets or liabilities on the closing date.
- Assessment of assets and liabilities must be made on the assumption of a going concern.
- Income and expenditure shall be recognised as income and expenditure in the accounting period in which they were earned or arose, regardless of when payment is made.
- The criteria for measuring balance sheet items and profit and loss items must be applied consistently.

Recognition of assets and liabilities

Assets and liabilities are only recognised in the balance sheet if it is probable that any future economic benefit associated with the asset or liability item will flow to or from the Riksbank and that substantially all of the risks and rewards associated with the asset or liability have been transferred to the Riksbank.

Trade-date accounting

Foreign exchange transactions and securities transactions are recognised in the balance sheet on the settlement date. Realised gains and losses from net sales are booked on the trade date.

Balance sheet valuation rules

Gold and securities are recorded at the exchange rates and prices applying on the closing date. The exchange rates below are used for revaluation at year-end. In the table below the exchange rates have been rounded off to four decimals.

	31.12.2014	31.12.2013
EUR/SEK	9.4807	8.8538
USD/SEK	7.8274	6.4286
GBP/SEK	12.1991	10.6499
AUD/SEK	6.4059	5.7501
CAD/SEK	6.7585	6.0510
SDR/SEK	11.3404	9.9000
NOK/SEK	1.0463	1.0587
JPY/SEK	0.0653	0.0611

Receivables, balances and liabilities are recorded at their nominal amount. Amounts in foreign currency are translated at the closing rate with the exception of receivables and payables reported under the items 'Other assets' and 'Other liabilities'. These are recorded at the exchange rate on the trade date.

Shares and participations are recorded at cost of acquisition.

Tangible and intangible assets are recorded at cost of acquisition and depreciated according to plan. Buildings are depreciated over a period of 50 years, other fixed assets over 5–10 years. Machinery and equipment, including computers, is depreciated over 3–7 years. Direct staff costs attributable to IT investments developed in-house are included in the asset's cost of acquisition.

Repurchase agreements

Repurchase agreements are reported as loan transactions and therefore do not affect the holdings of securities and gold. A repurchase agreement is an agreement to sell assets, such as securities or gold, whereby the seller simultaneously undertakes to repurchase the assets at a specified price on a specific date in the future.

Assets pledged by the Riksbank as collateral for repos continue to be reported in the balance sheet and are recorded in accordance with the applicable rules for the Riksbank's other holdings of securities and gold. An amount equivalent to the purchase sum received is reported as a liability, while the transferred assets are reported as memorandum items.

Assets received by the Riksbank under reverse repurchase agreements are not reported in the balance sheet because they constitute loan collateral. An amount equivalent to the purchase sum paid is reported as a receivable. The difference between the two payments in a repurchase agreement (spot and forward) is allocated over the term of the agreement.

Transactions carried out within the framework of agreements on automatic repurchase agreements are only reported in the balance sheet if collateral is pledged in the form of cash paid into an account at the Riksbank.

Banknotes and coins

The balance sheet item 'Banknotes and coins in circulation' is equivalent to the nominal value and calculated by deducting from the value of the banknotes and coins received by the Riksbank from the manufacturers both the value of the banknotes and coins included in the Riksbank's depots and the value of the banknotes and coins the Riksbank has destroyed and cancelled. Banknotes and coins in circulation that are no longer legal tender are recognised in the profit and loss account at the latest when they are no longer redeemed by the Riksbank. However, they must be recognised in profit or loss earlier if only a small amount is expected to remain to be redeemed and a provision is made at the same time for this amount. Commemorative coins and commemorative banknotes in circulation must be recognised in profit or loss when the issue has been in circulation for more than ten years.

Recognition of income

Realised gains and losses are recognised in the profit and loss account.

Unrealised gains are transferred to a revaluation account in the balance sheet.

Unrealised losses are recognised in profit and loss if they exceed unrealised gains that may have been previously recorded in the corresponding revaluation account. Unrealised losses recognised in profit and loss may not be reversed in later years to offset new unrealised gains. Unrealised losses in a particular security, a particular currency or gold are not netted against unrealised gains in other securities, currencies or gold.

Premiums and discounts on securities purchased are calculated and reported as part of interest income and are written off during the security's remaining time to maturity.

Cost of transactions

With regard to gold, instruments in foreign currencies and securities, the average method is used daily to establish the cost of acquisition of items sold when calculating effects of exchange rates and prices. When acquisitions of currency and gold are netted, the average cost of acquisition for the day's acquisition with regard to each individual currency and gold is added to the previous day's holdings to obtain a new weighted average of the exchange rate or the gold price respectively. To calculate net sales, the realised gain/loss is calculated on the basis of the average cost of acquisition on the previous day for the holding in question.

Derivative instruments

Derivative instruments are recorded contract by contract within each group of derivative instruments. Groups with a positive value are recorded as assets and groups with a negative value as liabilities.

FX forwards are recorded in the amount corresponding to the contract's forward amount multiplied by the difference between closing day rates and trade date rates (spot). The difference between the trade date exchange rate (spot) and the contracted forward exchange rate is allocated as interest over the term of the contract. The currency sold is booked on the trade date, multiplied by the difference between the trade date exchange rate (spot) and the average acquisition rate, as realised gains/losses.

The spot legs of FX swaps are booked on the settlement date at the trade date rate (spot). The forward legs of FX swaps are booked the same way as FX forwards, that is at a value corresponding to the contract's forward amount multiplied by the difference between the closing day rate and the trade day rate (spot). The difference between the trade date exchange rate (spot) and the contracted forward exchange rate is allocated as interest over the term of the contract. Unlike foreign exchange forwards, no net foreign exchange gains/losses arise when recording FX swaps.

Interest rate swaps are booked, for both the incoming and outgoing transactions, at an amount corresponding to the difference between the nominal amount of the contract and the nominal amount translated at the closing day rate. The resulting amount is translated to SEK at the closing day exchange rate.

Gold options are booked on the trade date in an amount corresponding to the premium paid or received. On the closing day the book value is adjusted to a value corresponding to the number of troy ounces in the contract translated at the closing day option price and exchange rate. The option price is calculated on the basis of a recognised calculation model.

Futures contracts are booked daily as realised gains/ losses in an amount corresponding to the value calculated in the daily settlement.

Balance sheet

<i>SEK million</i>	Note	2014-12-31	2013-12-31
Assets			
Gold	1	37 529	31 425
Claims on residents outside Sweden denominated in foreign currency		448 840	385 784
Receivables from the IMF	2	34 684	32 873
Balances with banks, loans and security investments	3	414 156	352 911
Lending to credit institutions in Sweden related to monetary policy operations denominated in Swedish kronor		33	–
Structural operations	4	–	–
Marginal lending facility	5	33	–
Securities of residents in Sweden denominated in Swedish kronor	6	11 126	9 534
Other assets		4 873	4 884
Tangible and intangible fixed assets	7	671	690
Financial assets	8	522	522
Derivative instruments	9	–	–
Prepaid expenses and accrued income	10	3 323	3 314
Other assets	11	357	358
Total assets		502 401	431 627

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

<i>SEK million</i>	Note	31.12.2014	31.12.2013
LIABILITIES AND EQUITY			
Banknotes and coins in circulation		83 224	85 700
Banknotes	12	77 887	80 294
Coins	13	5 337	5 406
Liabilities to credit institutions in Sweden related to monetary policy operations denominated in Swedish kronor		14 803	21 665
Deposit facility	14	130	580
Fine-tuning operations	15	14 673	21 085
Debt certificates issued	16	35 004	24 989
Liabilities to residents outside Sweden denominated in Swedish kronor	17	1 983	707
Liabilities to residents in Sweden denominated in foreign currency	18	228 331	193 117
Liabilities to residents outside Sweden denominated in foreign currency	19	–	–
Counterpart of Special Drawing Rights allocated by the IMF	20	25 504	22 265
Other liabilities		4 032	1 008
Derivative instruments	21	2 905	197
Accrued expenses and prepaid income	22	1 063	763
Other liabilities	23	64	48
Provisions	24	112	169
Revaluation accounts	25	53 111	25 677
Equity		53 030	58 341
Capital	26	1 000	1 000
Reserves	27	52 030	57 341
Profit for the year		3 267	–2 011
Total liabilities and equity		502 401	431 627

Memorandum items, See note 39.

Profit and loss account

<i>SEK million</i>	Note	2014	2013
Interest income	28	4 193	4 113
Interest expense	29	-1 761	-1 684
Net result of financial transactions and write-downs	30	1 631	-3 784
Fees and commission income	31	64	65
Fees and commission expense	32	-15	-12
Dividends received	33	39	55
Other income	34	33	26
Total net income		4 184	-1 221
Staff costs	35	-361	-375
Administrative expenses	36	-322	-316
Depreciation of tangible and intangible fixed assets	37	-62	-48
Banknote and coin expenses	38	-172	-51
Total expenses		-917	-790
Profit for the year		3 267	-2 011

Cash flow statement

<i>SEK million</i>	31.12.2014	31.12.2013
OPERATING ACTIVITIES		
Cash flow from operating activities, profit and loss	3 974	2 046
Interest received	4 458	3 434
Interest paid	-1 573	-1 249
Net received from financial transactions	1 921	554
Fees and commissions received	64	65
Fees and commissions paid	-15	-12
Other income	33	9
Administrative expenses paid	-914	-755
Cash flow from operating activities, assets	-8 588	-87 678
Receivables from the IMF	5 397	992
Securities in foreign currency	-13 027	-82 273
Securities of residents	-960	-6 381
Other assets	2	-16
Cash flow from operating activities, liabilities	1 899	110 339
Banknotes and coins in circulation	-2 476	-10 724
Liabilities to credit institutions in Sweden related to monetary policy operations denominated in Swedish kronor	-6 862	-4 489
Debt certificates issued	10 015	21 991
Liabilities to residents outside Sweden denominated in Swedish kronor	1 276	551
Liabilities to residents in Sweden denominated in foreign currency	3 796	103 356
Other liabilities	-3 850	-346
Cash flow from operating activities	-2 715	24 707

The table continues on the next page.

<i>SEK million</i>	31.12.2014	31.12.2013
INVESTING ACTIVITIES		
Acquisition and disposal of tangible and intangible fixed assets	-43	-83
Acquisition and disposal of financial assets	0	-1
Dividends received	39	55
Cash flow from investing activities	-4	-29
FINANCING ACTIVITIES		
Transfer to the Treasury	-3 300	-6 800
Cash flow from financing activities	-3 300	-6 800
Cash flow for the period	-6 019	17 878
Cash and cash equivalents at beginning of period	19 803	3 093
Cash flow from operating activities	-2 715	24 707
Cash flow from investing activities	-4	-29
Cash flow from financing activities	-3 300	-6 800
Exchange rate difference on cash and cash equivalents	2 332	-1 168
Cash and cash equivalents at end of period	16 116	19 803
<i>Miljoner kronor</i>	31.12.2014	31.12.2013
SPECIFICATION OF CASH AND CASH EQUIVALENTS		
Bank accounts and bank lending denominated in foreign currency, see Note 3	16 083	19 803
Marginal lending facility	33	-
Total cash and cash equivalents	16 116	19 803

The cash flow statement shows incoming and outgoing payments during the period as well as cash and cash equivalents at the beginning and end of the period. The cash flow statement is divided into payments from operating activities, investing activities and financing activities.

Operating activities

Cash flows attributable to operating activities originate from the Riksbank's main operations. Cash flow from operating activities is based on operating profit. Adjustments are made for items that do not affect cash flow or do not belong to operating activities. In addition, cash flow includes changes that affect cash flow from such balance sheet items as those which are included in operating activities.

Investing activities

Investing activities consist of the purchase and sale of tangible and intangible fixed assets, as well as those shares and participations that are reported under Financial assets. Dividends received from holdings of shares and participations are also included.

Financing activities

Financing activities consist of changes in equity that usually occur through dividends, also known as transfer to the Treasury.