

TREASURY EXECUTIVE MINUTE

Minute No.

27 October 2011

Deputy Prime Minister and Treasurer

RESERVE BANK OF AUSTRALIA (RBA) DIVIDEND ESTIMATES

Timing: The RBA dividend estimates and projections will be incorporated into the 2011-12 MYEFO.

Recommendation: That you note the latest RBA dividend estimates and projections.

Noted:

Signature:/...../2011

KEY POINTS

- The RBA is currently estimating that there will be no dividend payable to the Government over the forward estimates period (2011-12 to 2015-16), with future earnings assumed to be used to replenish the Reserve Bank Reserve Fund (RBRF).
 - Section 22
- The revision to the dividend estimates largely reflects a greater than anticipated loss in 2010-11 of \$4.9 billion — due to unrealised valuation losses associated with the significant appreciation in the exchange rate. The loss was absorbed by the RBRF.
 - The balance of the RBRF has been significantly depleted following the losses recorded in 2009-10 and 2010-11 and is currently below a level that the RBA Board regards as desirable. Consequently the Board will seek to replenish the reserve with future earnings.
 - : You have provided in principle agreement with this approach.
- The RBA notes that these estimates and projections remain highly uncertain and are likely to be subject to ongoing revision.
- Section 22

Contact Officer:

Ext:

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Section 22

ADDITIONAL INFORMATION

Table 1: Estimated RBA earnings in 2011-12 (\$m)

	2010-11	2011-12		Change
	final outcome	2011-12 Budget	current	
Underlying earnings	897	1,066	778	-288
Realised gains/losses	1,135	-	297	297
Unrealised losses charged to other sources of income	4,628	-	-	-
Net earnings available for distribution	4,866	1,066	1,075	9
Transfer to (+)/from (-) RBRF	4,866	1,066	1,075	9
Dividend payable	-	-	-	-
Payment deferred to later years	-	-	-	-
Deferred payment from previous years	-	-	-	-
Contribution to the underlying cash balance (UCB)	-	-	-	-

Section 22