

The image shows a historical handwritten ledger from the Bank of Finland. The ledger is divided into two main sections: 'Debet' (debit) on the left and 'Credit' (credit) on the right. Each section has multiple columns for recording transactions, with numerical values written in ink. The entries are in Swedish and include various financial items and their corresponding amounts. The ledger is written on aged, slightly yellowed paper with red ink.

Financial Statements

The Bank of Finland's audited profit for the financial year 2020 totals EUR 142 million. According to the Act on the Bank of Finland, half of the Bank's profit is to be transferred to the reserve fund and the remaining profit made available for use by the State. However, the Act allows for an exceptional profit distribution if justified by the Bank's financial condition or the size of the reserve fund.

The Parliamentary Supervisory Council has confirmed the Bank of Finland's financial statements and has, upon proposal by the Bank's Board, decided that EUR 100 million will be transferred to the State.

The Bank of Finland's income consists primarily of interest income on banknotes and the Eurosystem's monetary policy items, investment income on foreign reserves and other financial assets of the Bank as well as the Bank's share in the ECB's profit that is distributed to the euro area national central banks. In 2020, the Bank of Finland's net interest income amounted to EUR 731 million (2019: EUR 755 million). The reduction in net interest income mainly resulted from costs from targeted monetary policy operations (TLTRO III) conducted to preserve favourable financing conditions during the COVID-19 pandemic. The interest rate on TLTROs is lower than the ECB's deposit facility rate. Due to interest paid to banks in TLTROs, the Bank of Finland's share in the Eurosystem's monetary income fell to EUR 79 million (2019: EUR 206 million). This weakened the Bank's financial result for 2020.

The Bank of Finland's income covers its operating expenses and provisions. Operating expenses net of banknote production services and the pension fund contribution amounted to EUR 99 million in 2020 (2019: EUR 99 million).



Balance sheet

EUR million	31 Dec 2020	31 Dec 2019	
ASSETS			
1	Gold and gold receivables	2,434	2,135
2	Claims on non-euro area residents denominated in foreign currency	8,461	7,932
	Receivables from the International Monetary Fund (IMF)	1,973	1,961
	Balances with banks and security investments, external loans and other external assets	6,488	5,971
3	Claims on euro area residents denominated in foreign currency	295	325
4	Claims on non-euro area residents denominated in euro	–	227
5	Lending to euro area credit institutions related to monetary policy operations denominated in euro	21,779	4,648
6	Other claims on euro area credit institutions denominated in euro	0	1
7	Securities of euro area residents denominated in euro	65,657	47,789
	Securities held for monetary policy purposes	65,477	45,946
	Other securities	180	1,843

EUR million		31 Dec 2020	31 Dec 2019
ASSETS			
8	Intra-Eurosystem claims	56,871	62,604
	Participating interest in ECB	165	159
	Claims equivalent to the transfer of foreign reserves	741	736
	Net claims related to the allocation of euro banknotes within the Eurosystem	6,872	4,908
	Other claims within the Eurosystem (net)	49,093	56,800
9	Other assets	625	591
	Coins of euro area	45	33
	Tangible and intangible fixed assets	101	111
	Other current assets	35	36
	Sundry	445	411
Total assets		156,121	126,250

Totals/sub-totals may not add up due to rounding.

EUR million		31 Dec 2020	31 Dec 2019
LIABILITIES			
1	Banknotes in circulation	24,243	21,712
2	Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	110,864	90,403
	Current accounts (covering the minimum reserve system)	89,190	65,127
	Deposit facility	21,674	25,276
3	Other liabilities to euro area credit institutions denominated in euro	–	1
4	Liabilities to other euro area residents denominated in euro	5,608	158

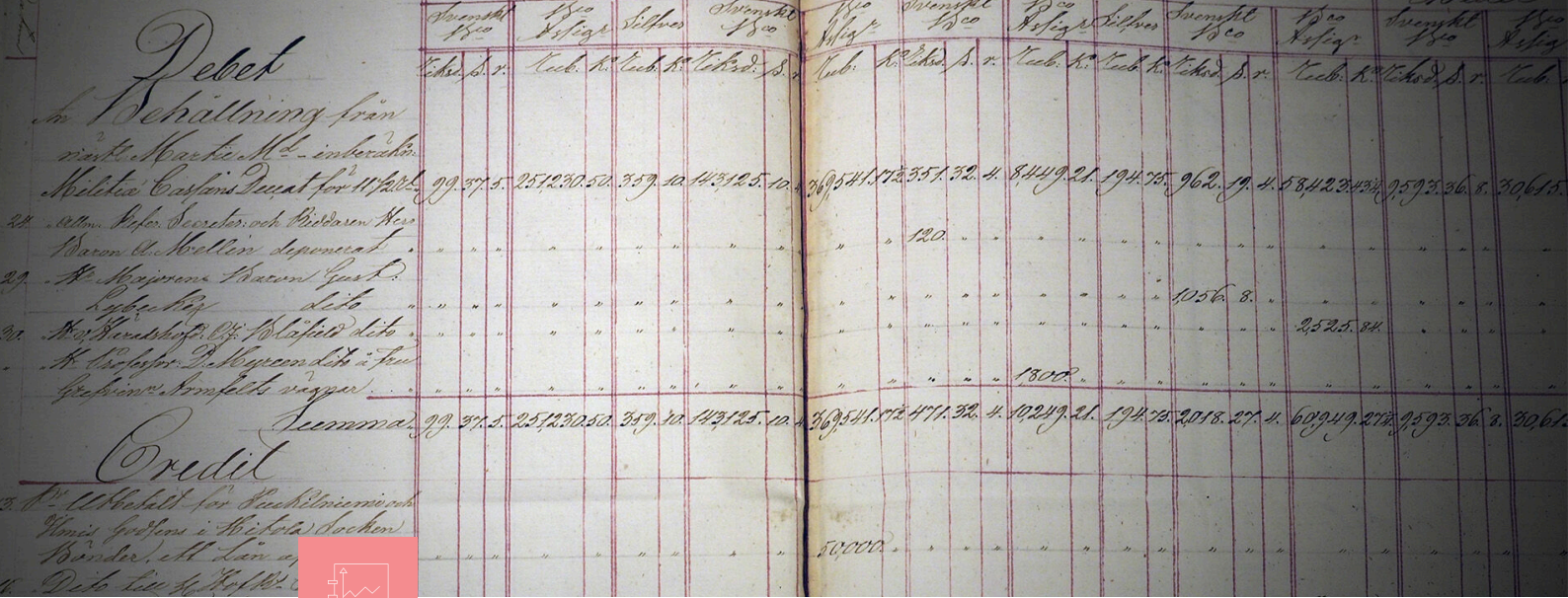
EUR million		31 Dec 2020	31 Dec 2019
LIABILITIES			
5	Liabilities to non-euro area residents denominated in euro	2,743	1,376
6	Liabilities to euro area residents denominated in foreign currency	–	–
7	Liabilities to non-euro area residents denominated in foreign currency	–	–
8	Counterpart of special drawing rights allocated by the IMF	1,402	1,468
9	Intra-Eurosystem liabilities	–	–
10	Other liabilities	133	47
11	Revaluation accounts	2,876	3,268
12	Provisions	5,237	4,757
13	Capital and reserves	2,873	2,741
	Primary capital	841	841
	Reserve fund	2,032	1,900
14	Profit for the financial year	142	320
Total liabilities		156,121	126,250

Profit and loss account

31.12.2020

EUR million		1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
1	Interest income	857	797
2	Interest expenses	-126	-41
3	NET INTEREST INCOME	731	755
4	Foreign exchange rate differences	36	3
5	Securities price differences	311	26
6	Valuation losses related to currencies and securities	-16	-3
7	Change in foreign exchange rate and price difference provision	-331	-24
	NET RESULT OF FINANCIAL OPERATIONS, WRITE-DOWNS AND RISK PROVISIONS	731	757
8	Income and expenses on fees and commissions	-4	-4
9	Net result of pooling of monetary income	-397	-292
10	Share in ECB profit	17	7
11	Income from other equity shares and participating interests	23	29
	CENTRAL BANKING PROFIT	371	497

EUR million		1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
12	Other income	46	42
	Operating expenses	-118	-114
13	Staff costs	-57	-54
14	Pension fund contribution	-10	-10
15	Administrative expenses	-33	-35
16	Depreciation of fixed assets	-9	-9
17	Banknote production services	-9	-6
18	Other expenses	-0	-0
	OPERATING PROFIT	299	425
	Profit for the pension fund	–	–
19	Income of the pension fund	31	30
20	Expenses of the pension fund	-31	-30
21	Changes in provisions	-157	-105
22	PROFIT FOR THE FINANCIAL YEAR	142	320



The Board's proposal on the distribution of profit

22.2.2021

The Board proposes to the Parliamentary Supervisory Council that EUR 42,022,505.45 of the profit of EUR 142,022,505.45 be transferred to the reserve fund in accordance with section 21, subsection 2 of the Act on the Bank of Finland and that the remaining EUR 100,000,000.00 be made available for the needs of the State.

Helsinki, 22 February 2021

THE BOARD OF THE BANK OF FINLAND

Olli Rehn, Chairperson

Marja Nykänen, Vice Chairperson

Tuomas Välimäki, Member of the Board

	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish
Debet															
Behållning från															
rikskassans tillhandshållning															
Nordiska tullskatt för 11/12/17	99	57	5	2572	20	570	359	10	1431	25	10	369	541	172	557
28. Allm. Koper, Secretar. och Biddaren New															
Waran till Skollen deponerat															
29. H. Meyersens Thaum. Gust. Rybockij															
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2. Revaluation of items denominated in foreign currency and gold

Items denominated in foreign currency and gold are converted into euro at the exchange rate prevailing on the balance sheet date. Foreign currency-denominated items have been revaluated on a currency-by-currency basis. Revaluation differences related to foreign exchange rate movements and securities price movements are treated separately. Unrealised gains are recorded in revaluation accounts. Unrealised losses are taken to the profit and loss account if they exceed previous corresponding unrealised revaluation gains registered in the revaluation accounts. Unrealised losses taken to the profit and loss account are not reversed against any future unrealised gains in subsequent years. No distinction is made between the price and currency revaluation differences for gold. Instead, a single gold valuation is made. Realised gains and losses related to foreign exchange rate movements during the financial year are calculated on the basis of the daily net average cost method. Foreign exchange rates used in the financial statements are presented in the table below.

Currency	31 Dec 2020	31 Dec 2019
US dollar	1.2271	1.1234
Japanese yen	126.4900	121.9400
Swedish krona	10.0343	10.4468
Swiss franc	1.0802	1.0854
Pound sterling	0.8990	0.8508
Canadian dollar	1.5633	1.4598
Special Drawing Rights (SDR)	0.8485	0.8104
Gold	1,543.8840	1,354.1040

3. Valuation and amortisation of securities

Income and expenses are recognised in the period in which they are earned or incurred. Realised income and expenses are entered in the profit and loss account. The difference between the acquisition price and nominal value of debt securities is entered as income or expense over the maturity of the security. Gains and losses related to movements in the prices of debt securities are calculated on the basis of the average cost method.

Unrealised gains are recorded in revaluation accounts. Unrealised losses are taken to the profit and loss account if they exceed previous corresponding unrealised revaluation gains registered in the revaluation accounts. Unrealised losses taken to the profit and loss account are not reversed against any future unrealised gains in subsequent years. Both euro-denominated and foreign currency-denominated securities are valued on a security-by-security basis. If unrealised losses are entered in the profit and loss account in respect of a security or a currency, the average price of the security or the net average rate of the currency is adjusted correspondingly before the beginning of the next financial year.

Reverse repurchase agreements, or reverse repos, are recorded as collateralised outward loans on the assets side of the balance sheet. Repurchase agreements, or repos, are recorded as collateralised inward deposits on the liabilities side of the balance sheet. Securities sold under repurchase agreements remain on the Bank's balance sheet.

Securities held for monetary policy purposes

Debt securities currently held for monetary policy purposes are accounted for at amortised cost (subject to impairment).

Securities other than those held for monetary policy purposes

Marketable securities and similar assets are valued either at the mid-market prices or on the basis of the relevant yield curve prevailing on the balance sheet date, on a security-by-security basis. For 2020, mid-market prices on 31 December 2020 were used.

Marketable investment funds are valued at market prices on a net – fund – basis and not on the basis of the underlying assets provided that they meet certain predetermined criteria, broadly speaking in relation to the level of influence of the Bank of Finland on the day-to-day operations of the fund, the legal status of the fund and the way the investment is evaluated. There is no netting between the revaluation results of different marketable investment funds.

Real estate funds are valued on the basis of the last available price. The prices are reviewed in January when the funds report the prices on the balance sheet date.

4. Accounting conventions relating to intra-ESCB balances

Intra-Eurosystem balances result primarily from cross-border payments in the European Union (EU) that are settled in central bank money in euro. These transactions are for the most part initiated by private entities. They are settled in TARGET2¹ and give rise to bilateral balances in the TARGET2 accounts of EU central banks. These bilateral balances are netted and then assigned to the ECB on a daily basis, leaving each national central bank (NCB) with a single net bilateral position vis-à-vis the ECB only.

Intra-Eurosystem balances of the Bank of Finland vis-à-vis the ECB arising from TARGET2, as well as other intra-Eurosystem balances denominated in euro (e.g. interim ECB profit distributions to NCBs, monetary income results), are presented on the balance sheet of the Bank of Finland as a single net asset or liability position and disclosed under 'Other claims within the Eurosystem (net)' or 'Other liabilities within the Eurosystem (net)'. Intra-ESCB balances versus non-euro area NCBs not arising from TARGET2 are disclosed either under 'Claims on non-euro area residents denominated in euro' or 'Liabilities to non-euro area residents denominated in euro'.

Intra-Eurosystem claims arising from the Bank of Finland's participating interest in the ECB are reported under 'Participating interest in ECB'. This balance sheet item includes (i) the NCBs' paid-up share in the ECB's subscribed capital, (ii) any net amount paid by the NCBs due to the increase in their shares in the ECB's equity value² resulting from all previous ECB capital key adjustments, and (iii) contributions in accordance with Article 48.2 of the Statute of the ESCB with respect to central banks of Member States whose derogations have been abrogated.

Intra-Eurosystem claims arising from the transfer of foreign reserve assets to the ECB by the Bank of Finland at the time of joining the Eurosystem are denominated in euro and reported under 'Claims equivalent to the transfer of foreign reserves'.

Intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem are included as a single net asset under 'Net claims related to the allocation of euro banknotes within the Eurosystem' (see 'Banknotes in circulation' in the notes on accounting conventions).

5. Valuation of fixed assets

Fixed assets are valued at initial cost less depreciation. Depreciation is calculated on a straight-line basis over the expected economic lifetime of an asset, beginning in the calendar month following acquisition.

The counteritem of buildings and land capitalised in the 1999 balance sheet at market prices is the revaluation account. Depreciation in respect of buildings has been entered by adjusting the revaluation account downwards so that depreciation has no impact on the Bank of Finland's profit and loss account.

The economic lifetimes of assets are calculated as follows:

- Computers, related hardware and software, and motor vehicles: 4 years
- Machinery and equipment: 10 years
- buildings: 25 years.

Fixed assets with a value of less than EUR 10,000 are written off in the year of acquisition.

6. Banknotes in circulation

The ECB and the euro area NCBs, which together comprise the Eurosystem, issue euro banknotes.³⁾ The total value of euro banknotes in circulation is allocated to the Eurosystem central banks on the last working day of each month in accordance with the banknote allocation key.⁴⁾ The ECB has been allocated a share of 8% of the total value of euro banknotes in circulation, whereas the remaining 92% has been allocated to NCBs according to their weightings in the capital key of the ECB. The share of banknotes allocated to each NCB is disclosed in the balance sheet under liability item 'Banknotes in circulation'. The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that it actually puts into circulation also gives rise to remunerated⁵⁾ intra-Eurosystem balances. These claims or liabilities are disclosed under the sub-item 'Intra-Eurosystem claims/liabilities: Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem'. In the Bank of Finland's balance sheet, the item is on the assets side. The interest income and expense on these balances is cleared through the accounts of the ECB and is disclosed under 'Net interest income'.

7. Interim profit distribution by the ECB

The Governing Council of the ECB has decided that the seigniorage income of the ECB, which arises from the 8% share of euro banknotes allocated to the ECB, as well as the income arising from the securities held under (a) the Securities Markets Programme (SMP), (b) the third covered bond purchase programme (CBPP3), (c) the asset-backed securities purchase programme (ABSPP), (d) the public sector purchase programme (PSPP), and (e) the pandemic emergency purchase programme (PEPP) is distributed in January of the following year by means of an interim profit distribution, unless otherwise decided by the Governing Council.⁶⁾ It is distributed in full unless it is higher than the ECB's net profit for the year and subject to any decisions by the Governing Council to make transfers to the provision for financial risks.

The Governing Council may also decide to reduce the amount of the income on euro banknotes in circulation to be distributed in January by the amount of the costs incurred by the ECB in connection with the issue and handling of euro banknotes. The amount distributed to NCBs is disclosed in the profit and loss account under 'Income from equity shares and participating interest'.

8. Pension fund

The assets of the Bank of Finland's pension fund are included in the Bank's balance sheet. A separate annual report is prepared on the pension fund.

The pension fund's real estate is recorded in the balance sheet at value prevailing on transfer date less annual depreciation. If the balance sheet value of real estate has been covered by revaluation, the corresponding depreciation is recorded by reversing the revaluation so that depreciation has no impact on the Bank of Finland's profit and loss account.

9. Recording of provisions

Provisions can be made in the annual accounts, if they are necessary for safeguarding the real value of the Bank's funds or for smoothing out variations in profit and loss arising from changes in exchange rates or the market value of securities. Provisions can also be made, as necessary, to cover the Bank's pension liability.

10. Off-balance sheet commitments

Profits and losses arising from off-balance sheet instruments are recognised and treated in a similar manner to on-balance sheet instruments. Foreign exchange forward transactions are included in the net foreign currency positions when calculating average costs.

11. Changes in accounting conventions

There were no changes in accounting conventions in the financial year 2020.

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- 1) Trans-European Automated Real-time Gross settlement Express Transfer system.
 - 2) Equity value means the total of the ECB's reserves, revaluation accounts and provisions equivalent to reserves, minus any loss carried forward from previous periods. In the event of capital key adjustments taking place during the financial year, the equity value also includes the ECB's accumulated net profit or net loss until the date of the adjustment.
 - 3) Decision ECB/2010/29 of 13 December 2010 on the issue of euro banknotes (recast), OJ L 35, 9.2.2011, p. 26, as amended.
 - 4) Banknote allocation key means the percentages that result from taking into account the ECB's share in the total euro banknote issue and applying the subscribed capital key to the NCBs' share in such total.
 - 5) Decision ECB/2016/36 of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (recast), OJ L 347, 20.12.2016, p. 26.
 - 6) Decision ECB/2014/57 of 15 December 2014 on the interim distribution of the income of the European Central Bank (recast), OJ L 53, 25.2.2015, p. 24, as amended.

Notes on the balance sheet

31.12.2020

Assets

1. Gold and gold receivables

The Bank of Finland's holdings of gold total 1,576,487 troy ounces (1 troy ounce = 31.103 g). In the annual accounts, gold has been valued at market price. At the beginning of 1999 the Bank of Finland – and the other national central banks (NCBs) participating in the Eurosystem – transferred about 20% of its gold holdings to the ECB.

Gold	31 Dec 2020	31 Dec 2019
Holdings (troy ounces, million)	1.6	1.6
Price: EUR per troy ounce	1,543.9	1,354.1
Market price (EUR m)	2,433.9	2,134.7
Change in market value (EUR m)	299.2	367.5

2. Claims on non-euro area residents denominated in foreign currency

The item consists of claims on non-euro area residents denominated in foreign currency and included in the Bank's foreign reserves, and receivables from the International Monetary Fund (IMF).

2.1 Receivables from the International Monetary Fund (IMF)

Breakdown of receivables from the IMF	31 Dec 2020		31 Dec 2019	
	EUR m	SDR m	EUR m	SDR m
Reserve tranche in the IMF	576.0	488.7	494.5	400.7
Special drawing rights	1,326.5	1,125.5	1,387.5	1,124.5
Other receivables from the IMF	70.7	60.0	79.0	64.3
Total	1,973.3	1,674.2	1,961.0	1,589.5

EUR/SDR exchange rate in financial years 2019 and 2020	2020	2019
End-March	0.8025	0.8092
End-June	0.8143	0.8186
End-September	0.8318	0.7996
End-December	0.8485	0.8104

Finland's quota in the IMF amounts to SDR 2,410.6 million. The reserve tranche is the part of the Bank's quota that has been paid to the IMF in foreign currency. Another part of the quota was formerly paid to the IMF in Finnish markka. The IMF has lent this part back to the Bank of Finland. The net effect of the Finnish markka quota on the Bank's balance sheet is zero, since the above-mentioned receivables and the liability are included in the same balance sheet item.

The Bank of Finland's special drawing rights allocation amounts to EUR 1,326.5 million. Special drawing rights are reserve assets created and allocated by the IMF to its member countries. They are used in currency transactions as normal currency units. The value of the sub-item changes on the basis of foreign exchange transactions between the member countries. It is also affected by interests earned and paid as well as remuneration on the Bank's claims in the IMF.

The Bank of Finland's receivables from the IMF total EUR 1,973.3 million.

2.2 Balances with banks and security investments, external loans and other external assets

This item includes foreign currency-denominated deposits and security investments as well as external loans and other external assets.

Breakdown of claims on non-euro area residents denominated in foreign currency	31 Dec 2020 EUR m	31 Dec 2019 EUR m	Change EUR m
Deposits	41.8	101.5	-59.7
Coupon papers	4,579.4	4,954.4	-375.0
Discount papers	–	2.9	-2.9
Fund investments	1,134.6	–	1,134.6
Other	732.0	911.8	-179.8
Total	6,487.9	5,970.6	517.3

Currency breakdown of securities of non-euro area residents denominated in foreign currency				
Currency	31 Dec 2020		31 Dec 2019	
	EUR m	%	EUR m	%
Pound sterling	432.5	9.4	490.1	9.9
US dollar	3,896.0	85.1	4,279.9	86.3
Japanese yen	250.9	5.5	187.2	3.8
Total	4,579.4	100.0	4,957.3	100.0

Remaining maturity of securities of non-euro area residents denominated in foreign currency				
Maturity	31 Dec 2020		31 Dec 2019	
	EUR m	%	EUR m	%
Up to 1 year	889.9	19.4	759.0	15.3
Over 1 year	3,689.5	80.6	4,198.3	84.7
Total	4,579.4	100.0	4,957.3	100.0

3. Claims on euro area residents denominated in foreign currency

This item consists of foreign currency-denominated deposits and securities as well as other claims on euro area residents.

Breakdown of claims on euro area residents denominated in foreign currency	31 Dec 2020 EUR m	31 Dec 2019 EUR m	Change EUR m
Deposits	32.2	–	32.2
Coupon papers	270.9	332.8	-62.0
Other	-8.4	-8.1	-0.3
Total	294.7	324.7	-30.0

Currency breakdown of securities of euro area residents denominated in foreign currency

Currency	31 Dec 2020		31 Dec 2019	
	EUR m	%	EUR m	%
Pound sterling	182.4	67.3	185.8	55.8
US dollar	88.5	32.7	147.0	44.2
Total	270.9	100.0	332.8	100.0

Remaining maturity of securities of euro area residents denominated in foreign currency

Maturity	31 Dec 2020		31 Dec 2019	
	EUR m	%	EUR m	%
Up to 1 year	96.9	35.8	124.6	37.4
Over 1 year	174.0	64.2	208.2	62.6
Total	270.9	100.0	332.8	100.0

4. Claims on non-euro area residents denominated in euro

As at 31 December 2020, the Bank of Finland had no claims on non-euro area residents denominated in euro. In 2019, this item included securities issued outside the euro area.

Claims on non-euro area residents denominated in euro	31 Dec 2020 EUR m	31 Dec 2019 EUR m	Change EUR m
Deposits	–	–	–
Coupon papers	–	226.8	-226.8
Other	–	–	–
Total	–	226.8	-226.8

Remaining maturity of securities of non-euro area residents denominated in euro				
Maturity	31 Dec 2020		31 Dec 2019	
	EUR m	%	EUR m	%
Up to 1 year	–	–	47.0	20.7
Over 1 year	–	–	179.8	79.3
Total	–	–	226.8	100.0

5. Lending to euro area credit institutions related to monetary policy operations denominated in euro

This item includes monetary policy instruments used by the Bank of Finland to implement monetary policy as part of the Eurosystem. The item consists of interest-bearing credit to Finnish credit institutions, and the amount recorded is determined by the credit institutions' liquidity needs.

The total Eurosystem holding of monetary policy assets amounts to EUR 1,793,194 million, of which the Bank of Finland holds EUR 21,779.0 million. In accordance with Article 32.4 of the ESCB Statute, losses from monetary policy operations, if they were to materialise, are shared in full by the Eurosystem NCBs, in proportion to the prevailing ECB capital key shares. Losses can only materialise if both the counterparty fails and the recovery of funds received from the resolution of the collateral provided by the counterparty is not sufficient. For specific collateral which can be accepted by NCBs at their own discretion, risk sharing has been excluded by the Governing Council of the ECB.

Lending to euro area credit institutions related to monetary policy operations denominated in euro	31 Dec 2020 EUR m	31 Dec 2019 EUR m	Change EUR m
Main refinancing operations	–	–	–
Longer-term refinancing operations	21,779.0	4,648.3	17,130.7
Fine-tuning reverse operations	–	–	–
Structural reverse operations	–	–	–
Marginal lending facility	–	–	–
Credits related to margin calls	–	–	–
Total	21,779.0	4,648.3	17,130.7

5.1 Main refinancing operations

Main refinancing operations (MROs) are executed through liquidity providing reverse transactions with a frequency and a maturity of normally one week, on the basis of standard tenders. These operations play a key role in achieving the aims of steering interest rate, managing market liquidity and signalling the monetary policy stance.

5.2 Longer-term refinancing operations

These operations (LTROs) aim to provide counterparties with additional longer-term refinancing. In 2020 operations were conducted with maturities equal to the reserve maintenance period and with maturities between 3 and 48 months. These operations were conducted at fixed rate with allotment of the total amount bid.

In 2016 the Governing Council introduced a new series of four targeted longer-term refinancing operations (TLTRO II). These operations have a four-year maturity, with a possibility of repayment after two years. Additionally, in 2019 the Governing Council introduced a new series of seven ¹⁾ quarterly targeted longer-term refinancing operations (TLTRO III). These operations have a three-year maturity, with a possibility of repayment after two years, and from September 2021 repayment is possible one year after the settlement of each operation. According to the initial decisions taken by the Governing Council, the final interest rate applicable to each TLTRO-III operation could be as low as the average interest rate on the deposit facility prevailing over the life of the operation. Furthermore, in response to the COVID-19 shock, in 2020 ²⁾ the Governing Council decided that for the period between 24 June 2020 and 23 June 2022 – referred to as the *special interest rate period* – the interest rate applicable can be as low as 50 basis points below the average interest rate on the deposit facility prevailing over the same period, but in any case may not become less negative than -1%. Given that the actual interest rates will only be known at the maturity of each operation and that a reliable estimate is not possible until that time, the deposit facility rate minus 50 basis points, with a ceiling of -1% is used for calculating the TLTRO III interest over the special interest period, and, the deposit facility rate is used for calculating the TLTRO III interest over the rest of the life of an operation, as this was deemed a prudent approach.

Additionally, on 30 April 2020 the Governing Council decided to conduct a new series of seven additional longer-term refinancing operations which mature in the third quarter of 2021, called pandemic emergency longer-term refinancing operations (PELTROs). These operations provide liquidity support to the euro area financial system and contribute to preserving the smooth functioning of money markets by providing an effective backstop after the expiry of the bridge longer-term refinancing operations (LTROs) that have been conducted since March 2020. The PELTROs are conducted as fixed rate tender procedures with full allotment. The interest rate is 25 basis points below the average rate applied in the Eurosystem's main refinancing operations over the life of the respective PELTRO. ³⁾

5.3 Fine-tuning reverse operations

Fine-tuning reverse operations aim to regulate the market liquidity situation and steer interest rates, particularly to smooth the effects on interest rates caused by unexpected market fluctuations. Owing to their nature, they are executed on an ad-hoc basis.

5.4 Structural reverse operations

These are reverse open-market transactions through standard tenders to enable the Eurosystem to adjust its structural liquidity position vis-à-vis the financial sector.

5.5 Marginal lending facility

Marginal lending facilities may be used by counterparties to obtain overnight liquidity from NCBs at a pre-specified interest rate against eligible assets.

5.6 Credits related to margin calls

This item refers to cash paid to counterparties in those instances where the market value of the collateral exceeds an established trigger point implying an excess of collateral with respect to outstanding monetary policy operations.

6. Other claims on euro area credit institutions denominated in euro

This item consists of euro-denominated deposits and accounts with euro area credit institutions.

Other claims on euro area credit institutions denominated in euro	31 Dec 2020 EUR m	31 Dec 2019 EUR m	Change EUR m
Current accounts	0.0	0.6	-0.5
Reverse repurchase agreements	–	–	–
Emergency Liquidity Assistance (ELA)	–	–	–
Other	–	–	–
Total	0.0	0.6	-0.5

On 17 May 2017, the Governing Council decided to publish the text of the Emergency Liquidity Assistance (ELA) agreement with the aim of further increasing transparency regarding ELA. This publication replaces the ELA procedures document that has been available on the ECB website since October 2013. For the text of the press release, click on: <http://www.ecb.europa.eu/press/pr/date/2017/html/ecb.pr170619.en.html>.

7. Securities of euro area residents denominated in euro

7.1 Securities held for monetary policy purposes

As at 31 December 2020 this item consisted of securities acquired by the Bank of Finland within the scope of the three covered bond purchase programmes (CBPPs) ⁴⁾, the Securities Markets Programme (SMP) ⁵⁾, the public sector purchase programme (PSPP) ⁶⁾, the corporate sector purchase programme (CSPP) ⁷⁾ and the pandemic emergency purchase programme (PEPP).

	Start date	End date	Decision	Universe of eligible securities ¹
Completed / Terminated programmes				
First covered bond purchase programme (CBPP1)	July 2009	June 2010	ECB/2009/16	Covered bonds of euro area residents
Second covered bond purchase programme (CBPP2)	November 2011	October 2012	ECB/2011/17	Covered bonds of euro area residents
Securities Markets Programme (SMP)	May 2010	September 2012	ECB/2010/5	Private and public debt securities issued in the euro area

1) Further eligibility criteria for the specific programmes can be found in the Governing Council's decisions.

	Start date	End date	Decision	Universe of eligible securities ¹
Asset purchase programme (APP)				
Third covered bond purchase programme (CBPP3)	October 2014	active	ECB/2020/8 (recast)	Covered bonds of euro area residents
Asset-backed securities purchase programme (ABSPP)	November 2014	active	ECB/2014/45, as amended	Senior and guaranteed mezzanine tranches of asset-backed securities of euro area residents
Public sector purchase programme (CSPP)	March 2015	active	ECB/2020/9 (recast)	Bond issued by euro-area central, regional or local government or recognised agencies as well as issued by international organisations and multilateral development banks located in the euro area
Corporate sector purchase programme (CSPP)	June 2016	active	ECB/2016/16, as amended	Bonds issued by non-bank corporations established in the euro area
Pandemic emergency purchase programme (PEPP)				
Pandemic emergency purchase programme (PEPP)	March 2020	active	ECB/2020/17	All asset categories eligible under the APP ²

1) Further eligibility criteria for the specific programmes can be found in the Governing Council's decisions.

2) A waiver of the eligibility requirements was granted for securities issued by the Greek Government.

In 2020 the Eurosystem continued its net purchases under the asset purchase programme (APP) ⁸⁾ at a monthly pace of EUR 20 billion on average. In March 2020 a temporary envelope of additional net asset purchases of EUR 120 billion was added until the end of the year. The Governing Council expects net purchases to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates. The Governing Council also intends to continue the reinvestments for an extended period of time past the date when the Governing Council starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

Additionally, in March 2020 the Eurosystem launched a temporary pandemic emergency purchase programme (PEPP)⁹⁾, with an envelope of EUR 750 billion, to ease the overall monetary policy stance and to counter the severe risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the coronavirus pandemic. Purchases include all the asset categories eligible under the APP and were initially foreseen until the end of 2020. In June 2020 the Governing Council increased the envelope for the PEPP by EUR 600 billion, and in December 2020 by an additional EUR 500 billion, bringing it to a total of EUR 1,850 billion. The horizon for net purchases was also extended to at least the end of March 2022 and in any case, until the Governing Council judges that the coronavirus crisis phase is over. Furthermore, the Governing Council intends to reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2023. The future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.

The securities purchased under all of these programmes are valued on an amortised cost basis subject to impairment (see ‘Valuation and amortisation of securities’ in the notes on accounting conventions). The amortised cost of the securities held by the Bank of Finland, and their market value¹⁰⁾ (which is not recorded on the balance sheet or in the profit and loss account and is provided for comparison purposes only), are as follows:

Securities held for monetary policy purposes (EUR m)						
	31 Dec 2020		31 Dec 2019		Change	
	Balance sheet value	Market value	Balance sheet value	Market value	Balance sheet value	Market value
CBPP2	10.0	10.4	15.0	16.2	-5.0	-5.8
SMP	413.2	438.4	617.4	668.5	-204.2	-230.1
CBPP3	9,668.7	9,915.2	7,409.2	7,563.2	2,259.6	2,352.0
PSPP - public sector securities	29,822.5	31,793.8	28,629.7	30,038.8	1,192.8	1,755.0
PSPP - supranational securities	2,664.1	2,917.4	3,017.0	3,176.6	-352.9	-259.2
CSPP	10,151.4	10,587.4	6,257.9	6,491.5	3,893.5	4,095.9
PEPP - covered bonds	95.3	96.9	–	–	95.3	96.9
PEPP - public sector securities	10,784.7	10,926.4	–	–	10,784.7	10,926.4
PEPP - corporate sector securities	1,866.8	1,991.0	–	–	1,866.8	1,991.0
Total	65,476.7	68,676.8	45,946.2	47,954.8	19,530.5	20,722.0

The Governing Council assesses on a regular basis the financial risks associated with the securities held under these programmes. Impairment tests are conducted on an annual basis, using data as at the year-end and are approved by the Governing Council. In these tests, impairment indicators are assessed separately for each programme.

In accordance with Article 32.4 of the ESCB Statute, losses from holdings of securities purchased under the SMP, CBPP3 and CSPP programmes, from holdings of securities of supranational organisations purchased under the PSPP as well as from holdings of covered bonds and corporate sector securities purchased under the PEPP, if they were to materialise, are shared in full by the Eurosystem NCBs, in proportion to their prevailing ECB capital key shares.

As a result of impairment tests conducted as at 31 December 2020 on securities purchased under the aforementioned programmes, the Governing Council decided that all future cash flows on these securities are expected to be received. The following table shows, for each programme, total holdings of Eurosystem NCBs and the Bank of Finland's share held on the balance sheet.

Securities held for monetary policy purposes (EUR m)	Held by Eurosystem NCBs		On the Bank of Finland's balance sheet	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
SMP	26,334.6	44,215.8	413.2	617.4
CBPP3	263,535.9	241,933.8	9,668.7	7,409.2
PSPP - supranational securities	249,316.6	225,169.2	2,664.1	3,017.0
CSPP	250,403.2	184,505.4	10,151.4	6,257.9
PEPP - covered bonds	2,814.7	–	95.3	–
PEPP - supranational securities	47,796.1	–	–	–
PEPP - corporate sector securities	43,153.6	–	1,866.8	–
Total	883,354.6	695,824.2	24,859.6	17,301.5

7.2 Other securities

This item includes fund shares from the euro area. It also includes domestic commercial papers purchased by the Bank of Finland to mitigate the negative economic impacts of the COVID-19 pandemic. In 2019, the item also included coupon and discount papers issued in the euro area.

Breakdown of other securities of euro area residents denominated in euro (EUR m)	31 Dec 2020	31 Dec 2019	Change
Coupon papers	–	528.7	-528.7
Discount papers	60.9	110.0	-49.1
Fund investments	119.5	1,204.0	-1,084.5
Total	180.4	1,842.7	-1,662.3

Remaining maturity of other securities of euro area residents denominated in euro	31 Dec 2020		31 Dec 2019	
	EUR m	%	EUR m	%
Up to 1 year	60.9	100.0	233.2	36.5
Over 1 year	–	–	405.4	63.5
Total	60.9	100.0	638.7	100.0

In 2020, the Bank of Finland sold its euro-denominated investment assets, leading to a significant reduction in this balance sheet item during the financial year.

8. Intra-Eurosystem claims

8.1 Participating interest in ECB

Pursuant to Article 28 of the ESCB Statute, the ESCB national central banks are the sole subscribers to the capital of the ECB. Subscriptions depend on shares which are fixed in accordance with Article 29 of the ESCB Statute and are subject to adjustment every five years or whenever there is a change in composition of the ESCB national central banks.

For the Bank of Finland this balance sheet item includes (i) the paid-up share in the ECB's subscribed capital, (ii) the net amount paid by the Bank of Finland due to the increase in its share in the ECB's equity value resulting from all previous ECB capital key adjustments, and (iii) contributions in accordance with Article 48.2 of the Statute of the ESCB.

Changes to the ECB capital key

As a result of the departure of the United Kingdom from the European Union on 31 January 2020 and consequent withdrawal of the Bank of England from the ESCB, the weightings assigned to the remaining NCBs in the key for subscription to the ECB's capital were adjusted as per the table below with effect from 1 February 2020. As a result, the Bank of Finland's share in the key for subscription to the ECB's capital was increased from 1.2708% to 1.4939% and asset item 8.1 'Participating interest in ECB' increased by EUR 159.1 million to EUR 165.3 million.

Key for subscription of the ECB's capital	Until 31 January 2020, %	From 1 February 2020, %
Nationale Bank van België/Banque Nationale de Belgique	2.5280	2.9630
Deutsche Bundesbank	18.3670	21.4394
Eesti Pank	0.1968	0.2291
Central Bank of Ireland	1.1754	1.3772
Bank of Greece	1.7292	2.0117
Banco de España	8.3391	9.6981
Banque de France	14.2061	16.6108
Banca d'Italia	11.8023	13.8165
Central Bank of Cyprus	0.1503	0.1750
Latvijas Banka	0.2731	0.3169
Lietuvos bankas	0.4059	0.4707
Banque centrale du Luxembourg	0.2270	0.2679
Central Bank of Malta	0.0732	0.0853
De Nederlandsche Bank	4.0677	4.7662
Oesterreichische Nationalbank	2.0325	2.3804
Banco de Portugal	1.6367	1.9035
Banka Slovenije	0.3361	0.3916
Národná banka Slovenska	0.8004	0.9314
Suomen Pankki – Finlands Bank	1.2708	1.4939
Subtotal for euro area NCBs	69.6176	81.3286
Bulgarian National Bank	0.8511	0.9832
Česká národní banka	1.6172	1.8794
Danmarks Nationalbank	1.4986	1.7591
Hrvatska narodna banka	0.5673	0.6595

Key for subscription of the ECB's capital	Until 31 January 2020, %	From 1 February 2020, %
Magyar Nemzeti Bank	1.3348	1.5488
Narodowy Bank Polski	5.2068	6.0335
Banca Națională a României	2.4470	2.8289
Sveriges Riksbank	2.5222	2.9790
Bank of England	14.3374	–
Subtotal for non-euro area NCBs	30.3824	18.6714
Total	100.0000	100.0000

Capital of the ECB

The subscribed capital of the ECB is EUR 10,825 million. The ECB kept its subscribed capital unchanged after Bank of England's withdrawal from the ESCB. The share of the Bank of England in the ECB's subscribed capital, which stood at 14.3%, was reallocated among both the euro area NCBs and the remaining non-euro area NCBs.

The ECB's paid-up capital also remained unchanged at EUR 7,659 million in 2020, as the remaining NCBs were required to cover the withdrawn Bank of England's paid-up capital of EUR 58 million. As a result, the Bank of Finland paid EUR 1.7 million to the ECB on 3 February 2020. Euro area NCBs will then be required to pay up in full their increased subscriptions to the ECB capital in two annual instalments.¹¹⁾ As a result, the Bank of Finland will be required to pay up EUR 11.2 million in both 2020 and 2021.

8.2 Claims equivalent to the transfer of foreign reserves

These represent the Bank of Finland's claims arising from the transfer of foreign reserve assets to the ECB, when the Bank joined the Eurosystem. Pursuant to Article 30.2 of the Statute of the ESCB, these contributions are fixed in proportion to NCBs' share in the subscribed capital of the ECB. The remuneration of these claims is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations, adjusted to reflect a zero return on the gold component.

Following (a) the increase in the weighting of the euro area NCBs (which have transferred foreign reserve assets to the ECB) in the ECB's subscribed capital resulting from Bank of England's withdrawal from the ESCB and (b) a decision of the Governing Council to reduce the proportion of the euro area NCBs' contributions, so that the total amount of foreign reserve assets already transferred by the euro area NCBs will remain at the current level, the Bank of Finland's claim equivalent to this transfer was marginally adjusted. As a result, the Bank of Finland's claim increased slightly, from EUR 736.4 million to EUR 741.1 million, and the difference was paid to the ECB on 3 February 2020.

8.3 Net claims related to the allocation of euro banknotes within the Eurosystem

This item consists of the claim arising from the adjustment of the banknotes of the Bank of Finland to correspond to the ECB capital key as well as the liability related to the share of 8% of the banknotes in circulation allocated to the ECB. For both the claim and the liability, the counter entry is recorded under the balance sheet liability item 'Banknotes in circulation'. ¹²⁾

At the end of 2020, the balance sheet item totalled EUR 6,871.6 million (EUR 4,908.0 million in 2019). The increase in comparison to 2019 was due to the increase of 3.4% in banknotes put into circulation by the Bank of Finland in 2020 as well as the rise of 11.7% in banknotes in circulation in the Eurosystem as a whole. The remuneration of these claims is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations.

8.4 Other claims within the Eurosystem (net) or liability item Other liabilities within the Eurosystem (net)

Other claims/liabilities within the Eurosystem (net)	31 Dec 2020 EUR m	31 Dec 2019 EUR m	Change EUR m
Due to/from ECB in respect of TARGET2 (including balances held with Eurosystem banks through correspondent accounts)	49,467.7	57,067.1	-7,599.4
Due to/from ECB in respect of monetary income	-398.3	-292.9	-105.4
Due from ECB in respect of the ECB's interim profit distribution	23.1	26.1	-3.0
Other claims/liabilities within the Eurosystem (net)	49,092.6	56,800.3	-7,707.7

The balance of EUR 49,092.6 million as at 31 December 2020 represents the sum of three components: (1) the position of the Bank of Finland vis-à-vis the ECB in respect of the transfers issued and received through TARGET2 by the ESCB national central banks, including the ECB, plus the balances held with Eurosystem central banks through correspondent accounts; (2) the position vis-à-vis the ECB in respect of the pooling and allocation of monetary income within the Eurosystem pending settlement; and (3) the Bank of Finland's position vis-à-vis the ECB in respect of any amounts receivable or refundable, including the amount due to the Bank of Finland in respect of the ECB's interim profit distribution.

Regarding the first component, the year-end net transfers via TARGET2 had a credit balance of EUR 49,467.7 million. The remuneration of this position is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations.

The second component, i.e. the position vis-à-vis the ECB in respect of the annual pooling and allocation of monetary income within the Eurosystem NCBs, had a debit balance of EUR -398.3 million at year-end (see 'Net result of pooling of monetary income' in the notes on the profit and loss account).

Concerning 2020, following a decision by the Governing Council, the amount due to euro area NCBs with respect to the ECB's interim profit distribution was EUR 1,260 million (see 'Interim profit distribution by the ECB' in the notes on accounting conventions). The related amount due to the Bank of Finland as at 31 December 2020 was EUR 23.1 million (see 'Income from other equity shares and participating interests' in the profit and loss account).

9. Other assets

This item consists of the Bank of Finland's holdings of euro coins, fixed assets and investment assets (shares and other equity). The item also includes valuation results of off-balance sheet items, accruals and other receivables as well as the pension fund's assets which consist entirely of real estates.

Tangible fixed assets			
Book value	31 Dec 2020 EUR m	31 Dec 2019 EUR m	Change EUR m
Land	7.2	8.5	-1.3
Buildings	75.2	83.9	-8.7
Machinery and equipment	10.9	11.1	-0.3
Art and numismatic collection	0.6	0.6	–
Total	93.8	104.0	-10.2

Intangible fixed assets			
Book value	31 Dec 2020 EUR m	31 Dec 2019 EUR m	Change EUR m
IT systems	6.8	7.0	-0.2
Total	6.8	7.0	-0.2

Other holdings and sundry assets (EUR m)	31 Dec 2020	31 Dec 2019	Change
Coins of euro area	44.5	33.4	11.1
Shares and other equity	22.6	22.7	-0.0
Pension fund's real estate	12.1	12.8	-0.8
Accruals	425.6	379.6	46.0
Items relating to valuation of off-balance sheet items	18.0	28.9	-10.9
Sundry assets	1.1	2.3	-1.1
Total	524.0	479.7	44.3

Liabilities

1. Banknotes in circulation

This item consists of the Bank of Finland's share, in accordance with the ECB's capital key and adjusted for the share allocated to the ECB, of the total amount of euro banknotes in circulation.

During 2020, the total value of banknotes in circulation within the Eurosystem increased by 11.7%. According to the allocation key, the Bank of Finland had euro banknotes in circulation worth EUR 24,243.3 million at the end of the year, compared with EUR 21,711.6 at the end of 2019. The value of euro banknotes actually issued by the Bank of Finland in 2020 increased by 3.4% from EUR 16,803.6 million to EUR 17,371.6 million. As this was less than the allocated amount, the difference of EUR 6,871.6 million (compared to EUR 4,908.0 million in 2019) is shown under asset sub-item 'Net claims related to the allocation of euro banknotes within the Eurosystem'.

Banknotes in circulation (EUR m)	31 Dec 2020	31 Dec 2019
EUR 5	74.9	77.9
EUR 10	-101.9	-94.1
EUR 20	3,281.1	3,263.6
EUR 50	12,285.6	11,661.3
EUR 100	-1,163.0	-1,117.2
EUR 200	738.3	654.5
EUR 500	2,256.6	2,357.5
Total	17,371.6	16,803.6
ECB issue figure	-2,108.0	-1,887.8
CSM figure	8,979.6	6,795.9
Banknotes in circulation in accordance with the ECB capital key	24,243.3	21,711.6

2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro

Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	31 Dec 2020 EUR m	31 Dec 2019 EUR m	Change EUR m
Current accounts (covering the minimum reserve system)	89,190.3	65,126.6	24,063.7
Deposit facility	21,673.8	25,276.1	-3,602.3
Fixed-term deposits	–	–	–
Fine-tuning reverse operations	–	–	–
Deposits related to margin calls	–	–	–
Total	110,864.1	90,402.7	20,461.4

2.1 Current accounts (covering the minimum reserve system)

Current accounts contain the credit balances on the transaction accounts of credit institutions that are required to hold minimum reserves. Banks' minimum reserve balances have been remunerated since 1 January 1999 at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations. Since June 2014, the reserve holdings exceeding the required minimum reserves are remunerated at zero per cent or the deposit facility rate, whichever is lower.

Starting on 30 October 2019, the Governing Council introduced a two-tier system for reserve remuneration, which exempts part of credit institutions' excess liquidity holdings (i.e. reserve holdings in excess of minimum reserve requirements) from negative remuneration at the rate applicable on the deposit facility. This part is remunerated at the annual rate of 0%. The volume of reserve holdings in excess of minimum reserve requirements that was exempt at year-end from the deposit facility rate – the exempt tier – was determined as a multiple of 6 on an institution's minimum reserve requirements.¹³⁾ The non-exempt tier of excess liquidity holdings continues to be remunerated at the lower of either zero per cent or the deposit facility rate.

2.2 Deposit facility

The deposit facility refers to overnight deposits placed by banks that access the Eurosystem's liquidity absorbing standing facility at the pre-specified rate.

2.3 Fixed-term deposits

Fixed-term deposits are fine-tuning liquidity absorbing operations that take the form of deposits.

2.4 Fine-tuning reverse operations

Fine-tuning reverse operations are used to offset high liquidity imbalances.

2.5 Deposits related to margin calls

This item refers to deposits made by counterparties in those instances where the market value of the collateral pledged falls short of an established trigger point.

3. Other liabilities to euro area credit institutions denominated in euro

As at 31 December 2020, the Bank of Finland had no other liabilities to euro area credit institutions denominated in euro.

4. Liabilities to other euro area residents denominated in euro

This item consists of euro-denominated liabilities to the public sector (EUR 5,600.0 million) and credit institutions other than those subject to the reserve requirement (EUR 8.0 million).

5. Liabilities to non-euro area residents denominated in euro

This item consists of balances of international organisations and non-euro area banks with the Bank of Finland (EUR 2,523.4 million) and repurchase agreements (EUR 219.9 million).

6. Liabilities to euro area residents denominated in foreign currency

As at 31 December 2020, the Bank of Finland had no liabilities to euro area residents denominated in foreign currency.

7. Liabilities to non-euro area residents denominated in foreign currency

As at 31 December 2020, the Bank of Finland had no liabilities to non-euro area residents denominated in foreign currency.

8. Counterpart of special drawing rights allocated by the IMF

This item is the counteritem of special drawing rights (cf. item on the asset side). Originally the amount of special drawing rights and their counteritem were equal. As a result of transactions, the Bank of Finland's claims related to special drawing rights were smaller at the end of 2020 than their counteritem on the liabilities side of the balance sheet. On the liabilities side, the counteritem is a fixed amount totalling SDR 1,189.5 million. In the balance sheet, the item is presented in euro, valued at the rate prevailing on 31 December 2020 (EUR 1,402.0 million).

9. Intra-Eurosystem liabilities (net)

Intra-Eurosystem liabilities and claims have been elaborated on in more detail in the notes on the balance sheet under assets item 'Intra-Eurosystem claims'.

10. Other liabilities

This item consists of accruals, accounts payable and other liabilities. Accruals include e.g. transferable items recorded in connection with the financial accounts and interest payable on repurchase agreements and long-term refinancing operations. Sub-item 'Sundry' includes e.g. liabilities related to value-added and withholding tax payments as well as salaries and pensions to be paid.

Other liabilities (EUR m)	31 Dec 2020	31 Dec 2019	Change
Accruals	132.7	47.6	85.1
Accounts payable	0.0	1.3	-1.3
Sundry	0.3	-1.8	2.1
Total	133.0	47.1	85.9

11. Revaluation accounts

The item includes unrealised valuation gains arising from the market valuation of foreign currency-denominated items and securities. The item also includes revaluations of land and buildings and other valuation differences arising from changes in accounting practice in 1999.

Revaluation accounts (EUR m)	31 Dec 2020	31 Dec 2019	Change
Gold	2,044.9	1,745.7	299.2
Foreign currencies:			
USD	335.9	865.7	-529.7
GBP	17.9	59.9	-42.0
JPY	95.5	123.6	-28.2
SDR	–	12.4	-12.4
Other currencies	0.2	0.2	0.0
Securities	130.9	81.1	49.8
Fund investments	109.6	229.2	-119.6
Other revaluations	141.2	150.1	-8.8
Total	2,876.1	3,267.9	-391.7

12. Provisions

Under section 20 of the Act on the Bank of Finland, provisions can be made in the annual accounts, if they are necessary for safeguarding the real value of the Bank's funds or for smoothing out variations in profit and loss arising from changes in exchange rates or market values of securities. At the end of 2020, these provisions totalled EUR 5,236.5 million. Provisions consist of a general provision, provision against real value loss, pension provision and foreign exchange rate and price difference provision.

With respect to the provisions initially established in 2018 and adjusted in 2019 by all the NCBs of participating Member States with regard to credit risks in monetary policy operations, an amount of EUR 64 million was used to cover the loss realised after the sale in 2020 of the impaired securities held by one of the Eurosystem NCBs under the CSPP. Out of this amount, EUR 1.1 million were covered by the provision established in 2019 by the Bank of Finland.

The residual amount of the provisions established by the NCBs of participating Member States after the coverage of the realised loss resulted in a cumulative unused balance of EUR 26 million which is reflected in the profit and loss accounts of the NCBs of participating Member States in proportion to their subscribed capital key shares in the ECB prevailing in 2018 (the year when the initial impairment occurred). For the Bank of Finland, this amount was EUR 0.5 million.

The pension provision is made to cover Bank of Finland's pension liabilities. These liabilities total EUR 556.0 million: 104.7% of this amount is covered by the pension provision, i.e. EUR 582.4 million. The change in the pension provision consists of a reduction of EUR –0.4 million in the revaluation account and a loss of EUR –6.4 million for the pension fund which was covered by reducing the pension provision. At the end of 2020, real estate in the value of EUR 12.1 million was earmarked for covering the pension provision (see 'Other assets' in the notes on the balance sheet). No specified assets have been earmarked for covering the remaining portion (EUR 570.3 million) of the pension provision. Instead, these assets are managed as part of the Bank's financial assets.

Provisions (EUR m)	Total provisions 31 Dec 2018	Change in provisions 2019	Total provisions 31 Dec 2019	Change in provisions 2020	Total provisions 31 Dec 2020
Foreign exchange rate and price difference provision	809	24	833	331	1,164
General provision	1,795	50	1,845	100	1,945
Provision against real value loss	1,433	55	1,488	57	1,545
Pension provision	596	-7	589	-7	582
Provision against losses in monetary policy operations	3	-1	2	-2	–
Total	4,636	120	4,757	480	5,237

13. Capital and reserves

This item consists of the Bank's primary capital and reserve fund. Under section 21 of the Act on the Bank of Finland, the loss shall be covered from the reserve fund, if the annual accounts of the Bank show a financial loss. If the reserve fund is insufficient to cover part of the loss, the uncovered part may be left temporarily uncovered. Any profits in subsequent years shall be used first to cover such uncovered losses.

Capital and reserves (EUR m)	31 Dec 2020	31 Dec 2019	Change
Primary capital	840.9	840.9	–
Reserve fund	2,031.8	1,900.0	131.8
Total	2,872.7	2,741.0	131.8

14. Profit for the financial year

The profit for the financial year 2020 totalled EUR 142.0 million.

Profit for the financial year (EUR m)	31 Dec 2020	31 Dec 2019	Change
To be transferred for the needs of the State	100.0	188.0	-88.0
Bank of Finland's share of profit (to be transferred to the reserve fund)	42.0	131.8	-89.7
Total	142.0	319.8	-177.7

Off-balance sheet commitments

Off-balance sheet commitments (EUR m)	31 Dec 2020	31 Dec 2019
Futures contracts		
Nominal value of purchase agreements	–	69.4
Nominal value of sales agreements	–	–
Market value of FX swap agreements	-0.0	3.8
Investment commitments related to real estate funds	50.0	50.0
Securities lending	744.6	37.0

In accordance with the Governing Council's decisions, the Bank of Finland has made available for lending its holdings of securities purchased under the CBPPs, the CSPP and the PSPP. The Bank of Finland has also made available for lending securities belonging to its own investment assets. Securities lending operations conducted against collateral other than cash collateral are recorded in off-balance-sheet accounts at the end of the year.¹⁴⁾ Such lending operations with a value of EUR 745 million (2019: EUR 37 million) were outstanding as at 31 December 2020.

1) On 10 December 2020 the Governing Council added three further operations to this series, which will be conducted between June and December 2021.

2) On 30 April 2020 the Governing Council decided that the special interest period would be between 24 June 2020 and 23 June 2021. On 10 December 2020, the Governing Council decided to extend this period by twelve months, to 23 June 2022.

3) On 10 December 2020 the Governing Council also decided to offer four additional pandemic emergency longer-term refinancing operations in 2021.

4) Decision ECB/2009/16 of 2 July 2009 on the implementation of the covered bond purchase programme, OJ L 175, 4.7.2009, p. 18, Decision ECB/2011/17 of 3 November 2011 on the implementation of the second covered bond purchase programme, OJ L 297, 16.11.2011, p. 70 and Decision ECB/2014/40 of 15 October 2014 on the implementation of the third covered bond purchase programme, OJ L 335, 22.10.2014, p. 22, as amended.

5) Decision ECB/2010/5 of 14 May 2010 establishing a securities markets programme, OJ L 124, 20.5.2010, p. 8.

6) Decision ECB/2015/10 of 4 March 2015 establishing a public sector purchase programme, OJ L 121, 14.5.2015, p. 20, as amended.

7) Decision ECB/2016/16 of 1 June 2016 establishing a corporate sector purchase programme, OJ L 157, 15.6.2016, p. 28, as amended.

8) The APP programme consists of the third covered bond purchase programme (CBPP3), the asset-backed securities purchase programme (ABSPP), the PSPP and the CSPP. Further details on the APP can be found on the ECB's website (<https://www.ecb.europa.eu/mopo/implement/omt/html/index.en.html>).

9) Further details on the PEPP can be found on the ECB's website (<https://www.ecb.europa.eu/mopo/implement/pepp/html/index.en.html>).

10) Market values are indicative and were derived on the basis of market quotes. When market quotes were not available, market prices were estimated using internal Eurosystem models.

11) This will lead to an increase in the ECB's paid-up capital from EUR 7,659 million in 2020 to EUR 8,270 in 2021 and EUR 8,880 million in 2022.

12) According to the accounting regime chosen by the Eurosystem on the issue of euro banknotes, a share of 8% of the total value of the euro banknotes in circulation is allocated to the ECB on a monthly basis. The remaining 92% of the value of the euro banknotes in circulation are allocated to the NCBs also on a monthly basis, whereby each NCB shows in its balance sheet a share of the euro banknotes issued corresponding to its paid-up share in the ECB's capital. The difference between the value of the euro banknotes allocated to the NCB according to the aforementioned accounting regime, and the value of euro banknotes put into circulation, is recorded as 'Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem'.

13) The multiplier may be adjusted by the Governing Council over time in line with changing levels of excess liquidity holdings.

14) Cash collateral received in securities lending operations is recorded in on-balance-sheet accounts (see liability item 3. 'Other liabilities to euro area credit institutions denominated in euro' and liability item 5. 'Liabilities to non-euro area residents denominated in euro' in the notes on the balance sheet). There were no such loans as at 31 December 2020.

The image shows a page from an old handwritten ledger. The page is divided into two main sections: 'Debet' (Debit) on the left and 'Credit' (Credit) on the right. Each section has multiple columns for recording transactions. The entries are written in a cursive script, likely Swedish, and include various financial descriptions and numerical values. A red box with a white icon is overlaid on the bottom left of the image.

Notes on the profit and loss account

31.12.2020

1. Interest income

Interest income from and outside the euro area totalled EUR 856.8 million. Of this, EUR 124.2 million consisted of foreign currency-denominated interest income and EUR 732.6 million of euro-denominated interest income.

The interest rate on overnight deposits was negative throughout the year, meaning interest was charged on central bank deposits. In addition to overnight deposits, such negative interest was also earned on minimum reserve deposits in excess of the minimum reserve requirements.

ESCB items – claims equivalent to the transfer of foreign reserves to the ECB, claims and liabilities relating to the ECB's share of euro banknotes and to the application and adjustment of the ECB capital key, as well as TARGET2 balances – are remunerated at the interest rate on the main refinancing operations (MRO). Since the MRO rate was 0% throughout 2020, no interest income was earned from ESCB items.

Foreign currency-denominated interest income received outside the euro area (EUR m)	2020	2019	Change
Non-euro area coupon bonds	91.2	114.2	-23.0
Non-euro area discount papers	0.1	0.2	-0.1
Non-euro area deposits	0.3	2.2	-1.9
Dividends	20.5	–	20.5
Other	4.3	19.9	-15.6
Total	116.3	136.5	-20.2

Euro-denominated interest income received outside the euro area (EUR m)	2020	2019	Change
Non-euro area coupon bonds	0.0	0.5	-0.5
Non-euro area deposits	0.0	0.0	0.0
Other	6.4	7.4	-1.0
Total	6.4	7.9	-1.5

Foreign currency-denominated interest income received from the euro area (EUR m)	2020	2019	Change
Euro area coupon bonds	4.7	7.8	-3.1
Euro area deposits	3.2	0.3	2.9
Total	7.9	8.1	-0.2

Euro-denominated interest income received from the euro area (EUR m)	2020	2019	Change
Euro area coupon bonds	-0.1	-1.9	1.8
Euro area discount papers	2.0	-0.4	2.5
Euro area deposits	–	0.0	-0.0
Dividends on euro-denominated investments	8.8	21.8	-13.0
ESCB items	–	–	–
Interest income from monetary policy lending	–	–	–
Interest income from monetary policy securities	233.3	226.1	7.3
Interest income from negative interest rates on credit institutions' deposits	428.3	387.5	40.7
Other	53.9	11.1	42.8
Total	726.2	644.1	82.0

Total interest income (EUR m)	2020	2019	Change
Foreign currency-denominated interest income received outside the euro area	116.3	136.5	-20.2
Euro-denominated interest income received outside the euro area	6.4	7.9	-1.5
Foreign currency-denominated interest income received from the euro area	7.9	8.1	-0.2
Euro-denominated interest income received from the euro area	726.2	644.1	82.0
Total	856.8	796.7	60.1

2. Interest expenses

Foreign currency-denominated interest expenses paid outside the euro area (EUR m)	2020	2019	Change
Non-euro area deposits	-0.0	-0.2	0.2
Other	-3.0	-15.6	12.6
Total	-3.1	-15.8	12.7

Euro-denominated interest expenses paid outside the euro area (EUR m)	2020	2019	Change
Non-euro area deposits	–	-0.0	0.0
Other	-0.0	-0.0	-0.0
Total	-0.0	-0.0	-0.0

Foreign currency-denominated interest expenses paid in the euro area (EUR m)	2020	2019	Change
Other	-0.0	–	-0.0
Total	-0.0	–	-0.0

Euro-denominated interest expenses paid in the euro area (EUR m)	2020	2019	Change
Monetary policy lending	-119.4	-24.9	-94.5
Other	-3.2	-0.7	-2.5
Total	-122.6	-25.6	-97.0

Total interest expenses (EUR m)	2020	2019	Change
Foreign currency-denominated interest expenses paid outside the euro area	-3.1	-15.8	12.7
Euro-denominated interest expenses paid outside the euro area	-0.0	-0.0	-0.0
Foreign currency-denominated interest expenses paid in the euro area	-0.0	–	-0.0
Euro-denominated interest expenses paid in the euro area	-122.6	-25.6	-97.0
Total	-125.7	-41.4	-84.3

3. Net interest income

Net interest income (EUR m)	31 Dec 2020	31 Dec 2019	Change
Interest income			
Financial assets	195.2	183.1	12.1
Monetary policy items	661.6	613.6	48.0
ESCB claims	–	–	–
Total	856.8	796.7	60.1
Interest expenses			
Financial assets	-6.3	-16.5	10.2
Monetary policy items	-119.4	-24.9	-94.5
ESCB liabilities	–	–	–
Total	-125.7	-41.4	-84.3
NET INTEREST INCOME	731.1	755.3	-24.2

4. Foreign exchange rate differences

This item includes realised exchange rate gains and losses arising from the sale of currency positions. In 2020, gains related to exchange rate movements amounted to EUR 36.5 million.

5. Securities price differences

This item includes realised gains and losses arising from the sale of securities. In 2020, realised gains from the sale of securities amounted to EUR 310.7 million.

6. Valuation losses related to currencies and securities

This item consists of valuation losses related to currencies and securities. Each security type and currency is treated separately. In 2020, valuation losses related to currencies amounted to EUR 14.9 million. Valuation losses related to securities totalled EUR 1.1 million.

7. Change in foreign exchange rate and price difference provision

Realised net gains arising from foreign exchange rate and price differences, totalling EUR 331.2 million, were used to increase the foreign exchange rate and price difference provision in accordance with the accounting conventions. All provisions have been specified in the notes on the balance sheet under liabilities.

8. Income and expenses on fees and commissions

The item includes fees and commissions related to investment activities.

9. Net result of pooling of monetary income

Monetary income (EUR m)	31 Dec 2020	31 Dec 2019
Net monetary income pooled by the Bank of Finland	476.5	513.4
Net monetary income allocated to the Bank of Finland	79.3	206.3
Net monetary income according to the capital allocation key	-397.2	-307.1
Corrections to monetary income reallocation of previous years	-1.1	14.2
Share of provision against counterparty risks	1.6	1.3
Total	-396.7	-291.6

This item contains the net result of pooling of monetary income for 2020, amounting to an expense of EUR 397.2 million in comparison to an expense of EUR 307.1 million in the previous year. This item also contains the Bank of Finland's share in the realised loss in relation to the sale in 2020 of the securities held by an NCB of the Eurosystem in its CSSP portfolio as well as the release of the provision established in 2019 against losses in monetary policy operations portfolio (see note 12 'Provisions' in the notes on the balance sheet).

The amount of each Eurosystem NCB's monetary income is determined by measuring the annual income that derives from the earmarkable assets held against its liability base. The liability base consists mainly of the following items: banknotes in circulation; liabilities to euro area credit institutions related to monetary policy operations denominated in euro; intra-Eurosystem liabilities of the NCBs arising from the issuance of ECB debt certificates; net intra-Eurosystem liabilities resulting from TARGET2 transactions; net intra-Eurosystem liabilities related to the allocation of euro banknotes within the Eurosystem; accrued interest recorded at quarter-end by each NCB on monetary policy liabilities the maturity of which is one year or longer; liabilities vis-à-vis the ECB backing the claim in relation to swap agreements that earn net income for the Eurosystem. Any interest paid on liabilities included within the liability base is to be deducted from the monetary income to be pooled.

The earmarkable assets consist mainly of the following items: lending to euro area credit institutions related to monetary policy operations denominated in euro; securities held for monetary policy purposes; intra-Eurosystem claims equivalent to the transfer of foreign reserve assets to the ECB; net intra-Eurosystem claims resulting from TARGET2 transactions; net intra-Eurosystem claims related to the allocation of euro banknotes within the Eurosystem; claims on euro area counterparties related to swap agreements between the ECB and non-Eurosystem central banks that earn net income for the Eurosystem; accrued interest recorded at quarter-end by each NCB on monetary policy assets the maturity of which is one year or longer; a limited amount of each NCBs' gold holdings in proportion to each NCB's capital key share.

The amount of each NCB's monetary income shall be determined by measuring the actual income that derives from the earmarkable assets recorded in its books. As an exception to this, gold is considered to generate no income and the following are considered to generate income at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations: (i) securities held for monetary policy purposes under Decision ECB/2009/16 of 2 July 2009 on the implementation of the covered bond purchase programme, (ii) securities held for monetary policy purposes under Decision ECB/2011/17 of 3 November 2011 on the implementation of the second covered bond purchase programme and (iii) debt instruments issued by central, regional and local governments and recognised agencies and substitute debt instruments issued by public non-financial corporations under Decision ECB/2020/9 of 3 February 2020 on the implementation of a secondary markets public sector asset purchase programme or Decision ECB/2020/17 of 24 March 2020 on a temporary pandemic emergency purchase programme. Where the value of a NCB's earmarkable assets exceeds or falls short of the value of its liability base, the difference shall be offset by applying to the value of the difference the latest available marginal rate for the Eurosystem's main refinancing operations.

The monetary income pooled by the Eurosystem is to be allocated among NCBs according to the subscribed ECB capital key. The difference between the monetary income pooled by the Bank of Finland amounting to EUR 476.5 million and reallocated to the Bank of Finland amounting to EUR 79.3 million is the net result arising from the calculation of monetary income.

10. Share in ECB profit

The ECB distributed EUR 935 million profit for the financial year 2019, of which the Bank of Finland's share recorded for the financial year 2020 totalled EUR 17.1 million.

11. Income from other equity shares and participating interests

This item includes the Bank of Finland's share, EUR 23.1 million, in income on the Securities Markets Programme (SMP) portfolio, the expanded asset purchase programme (APP) portfolio and the pandemic emergency purchase programme (PEPP) portfolio distributed by the ECB in the form of interim profit distribution for the financial year 2020.

12. Other income

This item consists of income of the Financial Supervisory Authority (FIN-FSA), EUR 34.8 million. The item also includes income from real estate, EUR 3.8 million, capital gains from the sale of real estate, EUR 4.1 million, and commissions and fees.

13. Staff costs

Staff costs (EUR m)	31 Dec 2020	31 Dec 2019
Salaries and fees	45.8	43.9
Employer's contributions to the pension fund	8.9	8.5
Other staff-related costs	1.9	1.5
Total	56.6	53.9

Average staff size	2020	2019
	Number of staff	Number of staff
Bank of Finland	355	362
Financial Supervisory Authority	231	226
Total	586	588

Basic salaries paid to the members of the Board (EUR)	2020
Olli Rehn	274,550
Marja Nykänen	247,460
Tuomas Välimäki	204,290
Total	726,300

Fringe benefits (meal benefits, company-paid telephone and company car) paid to the members of the Board totalled EUR 41,522.88.

Pension benefits of the members of the Board are determined according to the Bank of Finland's Pension Rule, without special terms and under same terms and conditions as confirmed in the Rule for other personnel. As applicable, the Bank of Finland's Pension Rule is in line with the Public Sector Pension Act. A former board member may be paid compensation for income loss if the person may not, because of qualifying period provisions, accept employment from elsewhere or if the pension from the Bank of Finland is less than the compensation for income loss. Full compensation for income loss amounts to 60% of salary and is paid for one year, adjusted with the pension paid by the Bank, so that the sum of full compensation and pension does not exceed 60% of salary.

14. Pension fund contribution

Approved by the Parliamentary Supervisory Council, the Bank of Finland paid a contribution of EUR 10 million to the Bank's pension fund in 2020 to cover the pension fund's deficit for the financial year.

15. Administrative expenses

Administrative expenses (EUR m)	2020	2019
Supplies and purchases	0.4	0.5
Machinery and equipment	7.0	7.1
Real estate	8.5	8.9
Staff-related expenses	1.3	4.0
Purchase of services	13.7	12.8
Other	2.1	2.1
Total	32.9	35.4

This item includes rents, meetings and interest group-related costs, expenses arising from the purchase of services and cost of equipment. Expenses involved in training, travel and recruitment of staff are also recorded under this item.

16. Depreciation of fixed assets

Depreciation of tangible fixed assets (EUR m)	31 Dec 2020	31 Dec 2019
Buildings	3.6	3.4
Machinery and equipment	2.5	2.7
Total	6.1	6.1

Depreciation of intangible fixed assets (EUR m)	31 Dec 2020	31 Dec 2019
IT systems	2.8	3.2
Total	2.8	3.2

17. Banknote production services

Costs related to banknote production services totalled EUR 9.0 million.

18. Other expenses

The bulk of other expenses is related to the use and maintenance of property.

19. Income of the pension fund

This item includes the Bank of Finland's and the FIN-FSA's employer contributions and employee's share of premium income, totalling EUR 12.4 million, as well as a contribution of EUR 10 million paid by the Bank to the pension fund. Income from the pension fund's real estate, EUR 1.7 million, is also recorded under this item.

20. Expenses of the pension fund

This item includes pensions paid, EUR 28.8 million, the pension fund's management costs and depreciation of the pension fund's fixed assets.

21. Changes in provisions

This item includes the increase of the provision against real value loss, EUR 57 million and the increase of the general provision, EUR 100 million. All provisions have been specified in the notes on the balance sheet under liabilities.

22. Profit for the financial year

Profit for the financial year 2020 totalled EUR 142.0 million. The Board proposes to the Parliamentary Supervisory Council that EUR 100.0 million of the profit be made available for the needs of the State.



Appendices to the financial statements

31.12.2020

EUR million	31 Dec 2020	31 Dec 2019
Shares and other interests, nominal value		
Bank for International Settlements (BIS) ¹	22.4 (1.96%)	22.4 (1.96%)
Shares in housing companies	0.2	0.2
Other shares and interests	0.0	0.1
Total	22.6	22.7
Bank of Finland's liability share in the Finnish Central Securities Depository Fund	0.3	0.3
Liability arising from pension commitments		
Bank of Finland's pension liability ²	556.0	554.9
– of which covered by provisions	582.4	589.2
Customer service office		
Deposits	–	0.2
Loans	–	0.1

1) In parentheses, the Bank of Finland's relative holdings of the BIS shares in circulation.

2) Pension liability for 2020 includes indexation of pensions and paid-up policies entering into force on 1 January 2021.

The Bank of Finland's real estate

Building	Address	Year of completion	Volume m ³ (approx.)
Helsinki	Rauhankatu 16	1883/1961/2006	52,108
	Rauhankatu 19	1954/1981	40,487
	Snellmaninkatu 6 ¹	1857/1892/2001	23,600
	Snellmaninkatu 2 ¹	1901/2003	3,225
	Ramsinniementie 34	1920/1983/1998	4,800
Oulu	Kajaaninkatu 8	1973	17,230
Vantaa	Turvalaaksontie 1	1979	334,243
Inari	Saariseläntie 9	1968/1976/1998	6,100

1) Transferred to the ownership of the Bank of Finland's pension fund from the beginning of 2002.



Notes on risk management

31.12.2020

Risk management and control of risks in investment of financial assets

Investment activities are exposed to risks, which risk management seeks to identify, measure and limit. In managing these risks, the Bank of Finland uses widely employed risk management methods, market and credit risk models as well as sensitivity analyses.

Risk management of investment activities by the Bank of Finland has been entrusted jointly to the Administration department's Risk Control and Financial Accounting division and the Market Operations department. Risk control of investment activities and reporting on risks and returns are the responsibility of the Administration department's Risk Control and Financial Accounting division.

Risks to investment activities are reported daily to the persons involved in operational investment activities and monthly to the Bank of Finland Board. Developments in investment returns are reported monthly to the persons involved in investment activities and the Board member responsible for investment activities. Returns are considered every quarter in the Markets Committee, chaired by the Board member responsible for investment activities. The Board discusses risks and returns twice a year. Cases of non-compliance with the limits imposed are reported immediately. A report on total financial risks is submitted to the Board at quarterly intervals.

Decision-making framework for investment of financial assets and risk management, and various risk committees

Decisions on investment of financial assets and related risk management are taken by the Bank of Finland Board, the Markets Committee and, in the case of operational matters, also by the Investment Group and the Risk Group.

The Board is responsible for decisions on the objectives of investment activities, investment policy as well as risk management and responsible investment principles. Such decisions relate, among other things, to the size of the Bank's own financial assets and foreign reserves, currency distribution of foreign reserves, long-term investment activity, the strategic allocation of the fixed-income investment portfolio by investment category, the leeway permitted in fixed-income investment activities by investment category and the level of interest rate and credit risks. The Board also decides on maximum credit risk limits.

Within the limits imposed by the Board, the Markets Committee makes detailed decisions on the investment of the Bank's financial assets and risk management. Such decisions include the criteria for counterparties and issuers and more specific credit risk limits. The chair of the Markets Committee, who is also responsible for decision-making on the Committee, is the Board member responsible for the Bank of Finland's own investments.

The emphasis of work in the Investment Group and the Risk Group is on the preparation of matters to be considered by decision-making bodies. In addition, the Investment Group acts as an internal decision-maker within the Market Operations department and as coordinator of matters common to the investment and risk control functions. Decisions on new counterparties to investments are taken mainly by the Investment Group or in exceptional cases by the Markets Committee. The Head of Market Operations chairs the Investment Group and makes decisions therein. The Head of the Administration department's Risk Control and Financial Accounting division chairs the Risk Group and makes decisions therein.

The Bank of Finland has a Financial Risks Committee which, independently of the management of financial assets is tasked with supporting the Board by supervising and assessing financial risks that may affect the Bank's balance sheet. The committee is not a decision-making body but instead gives recommendations and submits matters to the Board for information or decision, as necessary. The Financial Risks Committee is chaired by the Board member responsible for risk control.

The Bank of Finland also has an Operational and Cyber Risks Committee. The task of the Committee is to evaluate the Bank's level of operational and cyber risk management and to give instructions and make recommendations on development of risk management procedures. Similarly to the Financial Risks Committee, the Operational and Cyber Risks Committee is not a decision-making body but instead gives recommendations and submits matters to the Board for information or decision, as necessary. The Operational and Cyber Risks Committee is chaired by the Board member responsible for risk control.

Risk measures and breakdowns

Breakdown of debt instruments and deposits in the Bank of Finland's financial assets, by credit rating¹

Credit rating	31 Dec 2020 EUR m	31 Dec 2019 EUR m
AAA	1,342	1,952
AA+	2,376	2,930
AA	212	453
AA-	111	94
A+	1,296	1,410
A	191	204
A-	67	76
BBB+	60	54
BBB	–	–
BBB-	5	–
Below BBB-	–	–
No credit rating	56	–
Total	5,716	7,173

¹ Covered bonds have been classified according to their own credit rating and not the credit rating of the issuer. The Bank of Japan has been rated according to the credit rating of the government.

Totals may not add up due to rounding.

Breakdown of debt instruments and deposits in the Bank of Finland's financial assets, by home country of issuer/counterparty (according to market value)

Country or region (EUR m)	31 Dec 2020	31 Dec 2019
Euro area	266	917
Netherlands	67	100
Finland	61	26
Austria	60	74
Germany	56	501
France	22	215
Rest of Europe	832	1,047
Sweden	320	466
United Kingdom	244	293
Norway	151	155
Denmark	102	111
Switzerland	16	22
America	3,102	3,701
United States	2,491	2,920
Canada	612	781
Asia and Oceania	1,153	1,322
Japan	1,087	1,184
Australia	52	130
South Korea	13	9
International institutions	362	186
Total	5,716	7,173

Totals and subtotals may not add up due to rounding.

Sensitivity of the Bank of Finland's financial assets to market changes

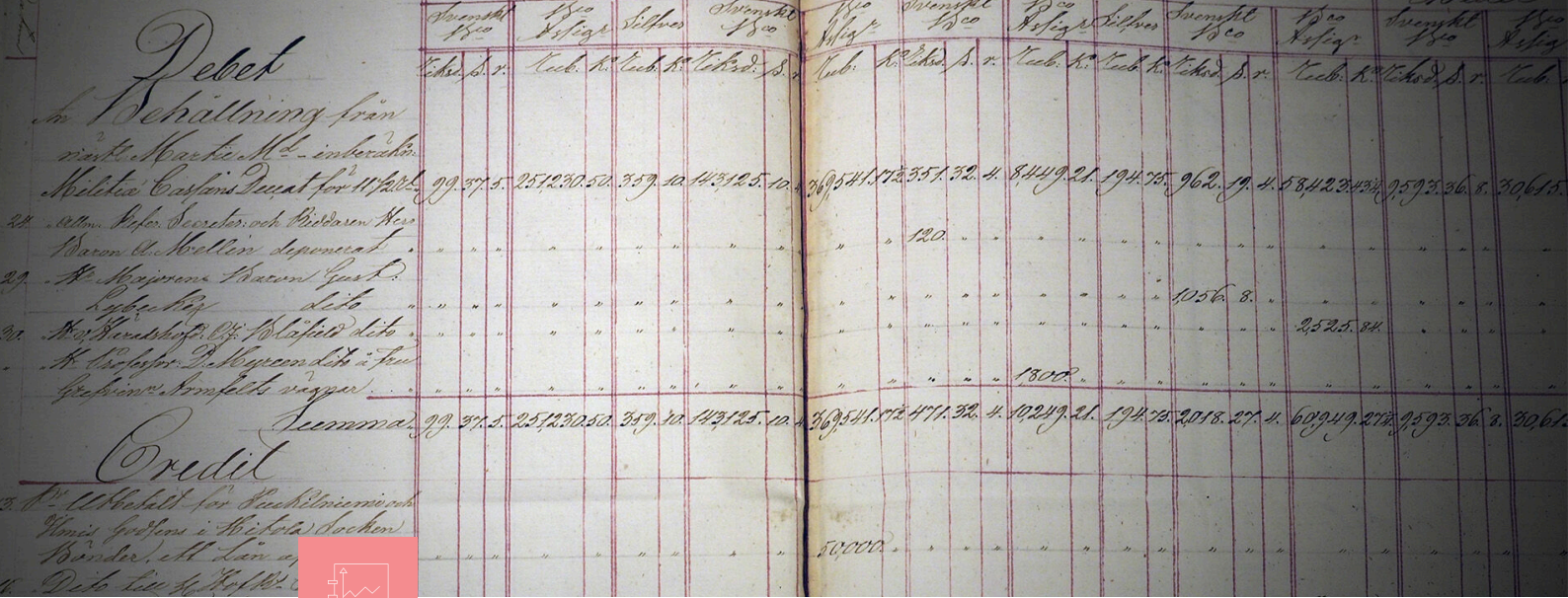
EUR m	2020	2019
Change in the value of the Bank of Finland's financial assets after appreciation of the euro exchange rate by 15% relative to foreign reserve currencies and gold as at 31 Dec	-1,134	-1,150
Change in the value of the Bank of Finland's financial assets after an interest rate rise of 1% as at 31 Dec	-123	-148
Change in the value of the Bank of Finland's equity funds after a decrease in the value of equity funds by 25%	-284	-270

Allocation of the Bank of Finland's fixed-income investment portfolios at the end of 2020

Fixed-income investment portfolios	Allocation at year-end (%)
Government debt instruments and central bank deposits	56.1
Government-related debt instruments	25.7
Covered bonds	7.0
Corporate bonds	10.7
Cash holdings	0.6
Total	100.0

Definitions and concepts

- **Market risk** means the risk that the net value of assets will decline due to changes in market prices. Market price changes refer to changes in, for example, interest rates, exchange rates, the price of gold or stock prices, which are referred to as interest rate risk, exchange rate risk, gold price risk or equity risk, respectively.
- **Credit risk** means the risk of financial losses arising from changes in the creditworthiness of a counterparty to a financial transaction or a securities issuer or from default by a counterparty or issuer.
- **Liquidity risk** means the risk that assets cannot be made available when the need arises or their conversion into cash causes additional costs.
- **Operational risk** refers to risk of extra costs or losses resulting from inadequate or failed internal processes, personnel, systems or external events.
- **Investment portfolio**: this consists of foreign currency-denominated and euro-denominated fixed-income investment portfolios and long-term investments. Its objective is to safeguard the value of financial assets and the Bank of Finland's ongoing ability to meet with its central bank commitments.
- **Foreign reserves** consist of unhedged foreign-currency investments and claims. These include the foreign-currency fixed-income investment portfolio and net receivables from the IMF.
- **Cash** refers to covered and uncovered short-term bank deposits.
- **Modified duration** is a measure of interest rate risk, indicating how much the value of a fixed-income investment or investments change in response to a small change in interest rates. For example, if the modified duration is 2 and interest rates rise by 1%, the value of fixed-income investments falls by 2%.
- **VaR figure** at a certain confidence level means a loss in excess of which a loss occurs with a probability corresponding to the confidence level in question, over a target horizon. For example, if VaR 99% on a one-day horizon is EUR 3 million, this means there is a 1% probability the current day's result will be worse than a loss of EUR 3 million (and a 99% probability the result will be better).
- **Expected Shortfall (ES)** at a certain confidence level indicates the size of the expected loss in the event that the loss exceeds the VaR-level loss for that confidence level. For example, with an ES of 99%, this is an average loss of 1% on risk realisation.



Auditor's report

12.3.2021

In our capacity as the auditors elected by Parliament, we have audited the accounting records, financial statements and administration of the Bank of Finland for the financial year 2020 in accordance with generally accepted auditing standards.

During the financial year the Bank's Internal Audit audited the Bank's accounting records and activities. We have examined the internal audit reports.

We have read the Bank's annual report and received representations from the Board concerning the Bank's activities.

The financial statements have been drawn up in accordance with the principles of financial statements approved by the Parliamentary Supervisory Council and current rules and regulations. The financial statements give a true and fair view of the Bank's financial position and results.

We propose that the profit and loss account and balance sheet for the financial year audited by us be approved. We recommend that the profit for the financial year be disposed of as proposed by the Board.

Helsinki, 12 March 2021

Mika Kari

Katri Kulmuni

Jukka Kopra

Lotta Kauppila,
Authorised Public Accountant

Timo Tuokko,
Authorised Public Accountant

Markku Koskela,
Authorised Public Accountant, Secretary

Statement regarding the audit

28.2.2021

Statement regarding the audit as defined in Article 27 of the Statute of the European System of Central Banks and the European Central Bank

To the Bank of Finland

Report on the audit of financial statements

Opinion

We have audited the financial statements of the Bank of Finland (business identity code 0202248-1) for the year ended 31 December 2020. The financial statements comprise the balance sheet, the profit and loss account and notes.

In our opinion, the financial statements give a true and fair view of the Bank of Finland's financial position and results, in accordance with the Accounting Principles and Methods approved by the Governing Council of the European Central Bank and the Act on the Bank of Finland, and comply with statutory requirements.

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *'Auditor's responsibilities for the audit of the financial statements'*.

We are independent of the Bank of Finland in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of the Bank of Finland for the financial statements

The Board of the Bank of Finland is responsible for the preparation of financial statements that give a true and fair view of the Bank of Finland's financial position and results, in accordance with the laws and regulations governing the preparation of the Bank's financial statements, and that comply with statutory requirements. The Bank of Finland Board is also responsible for such internal control as it determines necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank of Finland Board is responsible for assessing the Bank's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the Bank or cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities for the audit of financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Bank of Finland Board's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Helsinki, 28 February 2021
KPMG OY AB
Juha-Pekka Mylén
Authorised Public Accountant