

BANK OF FINLAND



153rd
ANNUAL STATEMENT
1964

Profit and Loss Account,
31st December 1964

EXPENSES

Salaries	6 348 012,35
Pensions	558 903,30
Family pensions	200 209,—
Fees and expenses of bank supervisors	20 313,50
Fees of branch controllers	12 646,—
Social security contributions	355 903,12
Amounts written off and depreciation	2 986 676,22
Printing of bank notes	2 432 857,50
Other expenses	1 706 663,42
Net profit for 1964	26 343 558,—
	<u>mk</u> 40 965 742,41

EARNINGS

Interest on internal loans	19 737 720,48
Interest on foreign exchange holdings	10 169 727,04
Interest on bonds	5 508 872,72
Commission	1 839 192,22
Agio	1 981 282,92
Other earnings	1 728 947,03
	<u>mk</u> 40 965 742,41

Balance Sheet,

ASSETS		
Ordinary note cover		
Gold	189 637 921,63	
Foreign exchange	783 840 827,01	
Foreign bills	29 718 899,08	
Foreign bonds	46 536 421,08	1 049 734 068,80
Supplementary note cover		
Inland bills discounted		
In foreign currency	55 228 152,45	
In Finnish currency	67 093 684,61	
Rediscounted bills	448 363 918,29	570 685 755,35
Other assets		
Finnish bonds	35 839 030,13	
Cheque accounts	2 479 092, .	
Finnish coin	3 809 217,17	
Other claims	55 263 977,09	97 391 316,39
	mk	1 717 811 140,54

Statement of note

RIGHT OF NOTE ISSUE		
Ordinary cover		1 049 734 068,80
Supplementary cover (upper limit 500 mill.mk)		500 000 000,—
	mk	1 549 734 068,80

31st December 1964

LIABILITIES		
Notes in circulation		1 002 718 687,—
Liabilities payable on demand		
Foreign exchange accounts	84 688 553,88	
Mark accounts of holders abroad	28 474 407,09	
Cheque accounts		
Treasury	5 357 784,08	
Post Office Savings Bank	49 592 647,11	
Private banks	16 437 136,08	
Other	729 393,71	
Other sight liabilities	1 493 134,18	186 773 056,13
Term liabilities		
Foreign	54 251 893,10	
Finnish	1 138 048,85	55 389 941,95
Equalization accounts		261 830 899,63
Bank's own funds		
Capital	100 000 000,—	
Reserve fund	84 754 997,83	
Net profit for 1964	26 343 558,—	211 098 555,83
	mk	1 717 811 140,54

issue, 31st December 1964

NOTE ISSUE	
Notes in circulation	1 002 718 687,—
Liabilities payable on demand	186 773 056,13
Undrawn on cheque credits	5 050 908,—
Unused right of note issue	355 191 417,67
	mk
	1 549 734 068,80

Developments in 1964

Economic activity rose throughout the year and the annual rate of growth of the economy, in real terms, was about 5 per cent. Nevertheless, some disequilibrium was caused by a considerable rise in the cost level. An increase in demand was reflected in a sharp growth in imports and thus, despite a marked improvement in the performance of exports, a substantial deficit developed in the current account of the balance of payments. This deficit was financed by an inflow of long-term capital which was, moreover, on a scale sufficient to increase the foreign exchange reserve. According to the Balance Sheet of the Bank of Finland the gold holdings increased by 55 million marks and the foreign exchange assets by 166 million. On the other hand the short-term external liabilities grew by 66 million marks. Thus the total reserve of gold and foreign exchange increased by a net 155 million marks and amounted to 889 million at the end of the year. As the growth in assets related to convertible currencies and that in liabilities to clearing accounts, at the end of the year the Bank's total holdings of convertible currencies and gold slightly exceeded the net reserve.

The improvement in the foreign exchange situation eased the position of the banks. In addition, the term deposits of the public increased about three times as much as in the year before. This was mainly due to an improvement in the terms offered on index-tied deposits and to a drop in sales to the public of Government bonds. On the other hand lending also expanded more than in 1963 in all banking institutions, largely as a consequence of the rise in prices and costs. The commercial banks used a great part of the increase in deposits for repurchasing bonds which they had sold to the Bank of Finland in the previous year. Developments in rediscounting were almost similar to those of the year before. On a weekly average rediscounts amounted to 346 million marks or 10 million less than in 1963. However, at the end of the year they totalled 448 million marks or 123 million more than a year earlier. If cheque accounts and the bond transactions mentioned are taken into account, the position of the banks relative to the Bank of Finland deteriorated by no more than 63 million marks.

The State's cash difficulties continued during the year and necessitated considerable short-term borrowing, mainly from the Post Office Savings Bank and business enterprises. The cheque account balance of the Treasury was small throughout the year, amounting to 5.4 million marks at the end of the year. The credit obtained from the Bank of Finland for stand-by stocks, of which 20 million marks

remained at the beginning of the year, was redeemed by 10 million marks according to schedule.

The Bank's portfolio of domestic bills denominated in Finnish currency increased by 10 million marks to 67 million. The increase was due to some short-term advances being granted in the second half of the year, mainly for financing grain purchases. As a whole, the outstanding short-term bill credit of the private sector was, however, diminishing; on a weekly average it amounted to only 32 million marks, or 5 million less than in 1963. Of the medium-term suppliers' credits granted to the engineering industry, 11 million marks was drawn during the year; the credit is entered among »other claims».

The mark accounts of holders abroad were reduced by 5 million marks over the year and amounted to 29 million at the end of the year. The deposits of the Mortgage Bank of Finland Oy fell from 1.2 million marks to 0.6 million; these are entered among »other sight liabilities».

The Bank's foreign term liabilities were reduced by 13 million marks owing to the redemption of World Bank loans obtained prior to 1956. This was counter-balanced by a decrease in domestic bills in foreign currency. The Finnish term liabilities comprise only the State's export levy account, which remained unchanged at 1.1 million marks.

Notes in circulation increased by 59 million marks. At the end of the year they amounted to 1 003 million.

The rates of interest applied by the Bank of Finland remained unchanged throughout the year, the minimum discount rate was 6 per cent and the maximum 7 1/2 per cent, while the basic rate for rediscounting was 7 per cent. The principles applied when determining the penalty rate of interest on rediscounting were changed in February for the Central Bank of the Savings Banks and the Central Bank of the Co-operative Credit Societies. The maximum amounts of rediscounting permitted, fixed in 1963, also remained unchanged.

The profits of the Bank totalled 26.3 million marks, or 4.0 million more than for 1963. The increase mainly related to interest received on foreign exchange assets.

In accordance with the Bank Regulations half of the profits will be transferred to the reserve fund. The disposal of the other half will be decided by Parliament.

Monthly movement

ASSETS

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Date	Ordinary note cover				Supplementary note cover			Other assets				Total of Balance Sheet
	Gold	Foreign exchange	Foreign bills	Foreign bonds	Inland bills discounted in foreign currency	Inland bills discounted in Finnish currency	Rediscounted bills	Finnish bonds	Cheque accounts	Finnish coin	Other claims	
31. 12. 63	135	618	26	39	69	57	325	89	2	4	44	1 408
31. 1. 64	146	635	24	41	69	52	241	84	2	6	39	1 339
29. 2. 64	146	661	24	36	67	29	329	36	1	7	50	1 386
31. 3. 64	146	706	26	38	67	23	316	36	17	7	61	1 443
30. 4. 64	145	720	28	40	65	21	349	37	4	7	64	1 480
30. 5. 64	145	740	28	40	65	20	330	34	3	7	72	1 484
30. 6. 64	145	731	25	40	63	19	403	34	4	7	58	1 529
31. 7. 64	145	745	24	40	62	19	358	34	2	7	66	1 502
31. 8. 64	145	756	24	40	60	18	390	34	3	8	62	1 540
30. 9. 64	145	734	25	42	61	24	388	34	4	10	61	1 528
30. 10. 64	143	751	27	45	59	42	407	29	10	7	64	1 584
30. 11. 64	143	770	31	47	58	56	394	36	10	5	60	1 610
31. 12. 64	190	784	30	46	55	67	449	36	2	4	55	1 718

31. 12. 63	135	618	26	39	69	57	325	89	2	4	44	1 408
Change in 1964	+ 55	+166	+ 4	+ 7	- 14	+ 10	+124	- 53	-	-	+ 11	+ 310
31. 12. 64	190	784	30	46	55	67	449	36	2	4	55	1 718

of Balance Sheet in 1964

LIABILITIES

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Date	Notes in circulation	Liabilities payable on demand							Term liabilities		Equalization accounts	Bank's own funds			Total of Balance Sheet
		Foreign exchange accounts	Mark accounts of holders abroad	Cheque accounts				Other sight liabilities	Foreign	Finnish		Capital Reserve fund	Profits undispensed	Profit & Loss Account	
				Treasury	Post. Office Savings Bank	Private banks	Other								
31. 12. 63	944	18	34	—	3	1	—	3	67	1	141	174	22	1 408	
31. 1. 64	835	20	30	—	27	9	1	3	67	1	148	196	2	1 339	
29. 2. 64	893	21	29	—	18	7	1	3	65	1	148	196	4	1 386	
31. 3. 64	911	18	29	5	38	—	—	3	65	1	170	196	7	1 443	
30. 4. 64	906	18	28	12	42	1	—	2	63	1	202	196	9	1 480	
30. 5. 64	945	18	28	—	—	5	1	2	63	1	215	196	10	1 484	
30. 6. 64	955	17	28	5	34	3	1	4	61	1	222	185	13	1 529	
31. 7. 64	918	19	29	1	23	4	1	4	61	1	242	185	14	1 502	
31. 8. 64	928	19	27	3	31	4	1	2	59	1	264	185	16	1 540	
30. 9. 64	927	19	27	4	14	—	3	2	59	1	268	185	19	1 528	
30. 10. 64	964	21	26	8	33	—	—	1	57	1	267	185	21	1 584	
30. 11. 64	990	40	29	5	5	—	1	3	57	1	270	185	24	1 610	
31. 12. 64	1 003	85	29	5	50	16	1	1	54	1	262	185	26	1 718	

31. 12. 63	944	18	34	—	3	1	—	3	67	1	141	174	22	1 408
Change in 1964	+ 59	+67	— 5	+5	+47	+15	+1	—2	—13	—	+121	+ 11	+ 4	+310
31. 12. 64	1 003	85	29	5	50	16	1	1	54	1	262	185	26	1 718

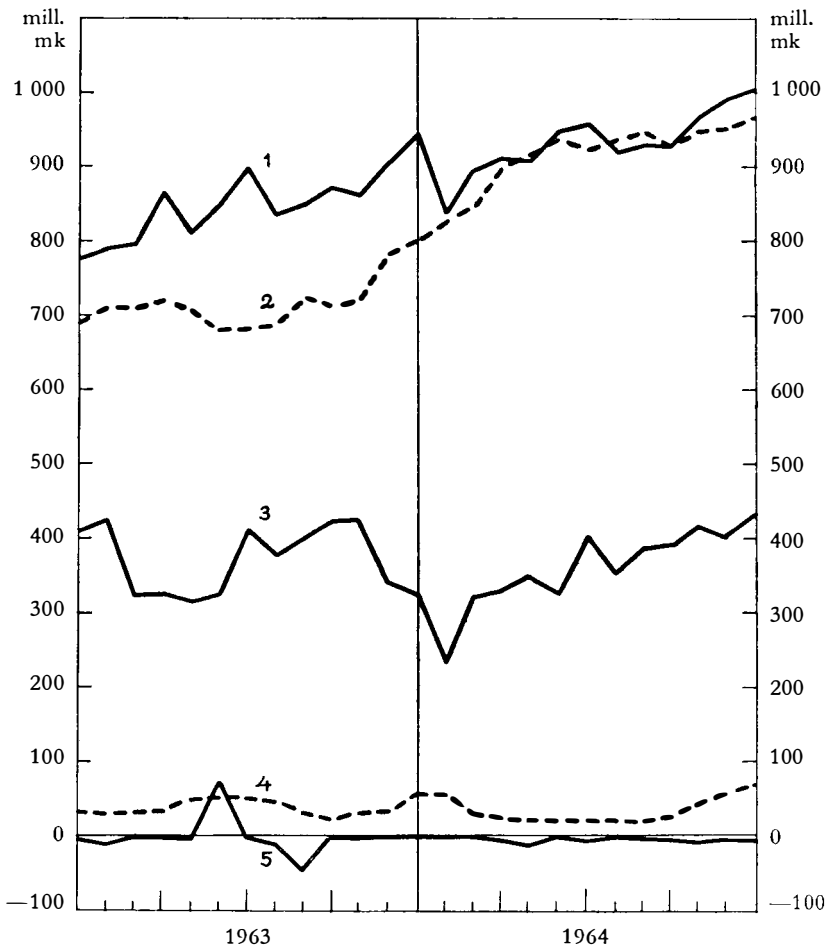
Right of note issue in 1964

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Date	Ordinary note cover a	Supplementary note cover b	Right of note issue c = a + b	Notes in circulation d	Liabilities payable on demand e	Undrawn on cheque credits f	Unused right of note issue g = c - (d + e + f)
31. 12. 63	818	451	1 269	944	59	6	260
31. 1. 64	846	362	1 208	835	90	6	277
29. 2. 64	867	425	1 292	894	79	6	313
31. 3. 64	916	406	1 322	911	93	4	314
30. 4. 64	933	435	1 368	905	103	4	356
30. 5. 64	954	415	1 369	945	54	5	365
30. 6. 64	941	485	1 426	955	92	4	375
31. 7. 64	954	439	1 393	918	81	5	389
31. 8. 64	965	468	1 433	928	87	5	413
30. 9. 64	946	473	1 419	927	69	5	418
30. 10. 64	966	500	1 466	964	90	5	407
30. 11. 64	990	500	1 490	990	83	4	413
31. 12. 64	1 050	500	1 550	1 003	187	5	355

31. 12. 63	818	451	1 269	944	59	6	260
Change in 1964	+ 232	+ 49	+ 281	+ 59	+ 128	- 1	+ 95
31. 12. 64	1 050	500	1 550	1 003	187	5	355

Major factors bearing upon the money supply



1. Notes in circulation
2. Gold and foreign exchange (foreign exchange, bills and bonds *minus* foreign exchange accounts; for these items see Balance Sheet)
3. Rediscounted bills *minus* cheque accounts of private banks
4. Inland bills in Finnish currency
5. Credit to the Treasury *minus* cheque account of the Treasury

The Bank Supervisors delegated by Parliament

KUSTI ESKOLA
Chairman

T. A. WIHERHEIMO
*Deputy, Minister of Trade and
Industry, Vice Chairman*

AIMO AALTONEN

VEIKKO KOKKOLA
Deputy

T. H. KINNUNEN
Deputy

GRELS TEIR
Deputy, Minister of Communications

OIVA LEHTO

TUURE SALO
Deputy

RAFAEL PAASIO
Deputy

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Ph.D., Governor

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A. SIMONEN
LL. M.

AHTI KARJALAINEN
*D.Pol.Sc., Minister for Foreign Affairs
On Leave of Absence*

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Ph.D.

HEIKKI VALVANNE
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PERTTI TAMMIVUORI

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JAAKKO LASSILA

K. IGNATIUS

JORMA ARANKO

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Chief accountant

G. ENGBERG

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A. NENONEN

Chief cashier

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PAULI KANERVA

VÄINÖ HEISKANEN

OLE BÄCKMAN

LEO LINDSTRÖM

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Comptroller

ANTERO MOILANEN

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V. KAARNAKORPI

Cashier:
K. KARHI

J y v ä s k y l ä

Manager:
E. VUORELA

Book-keeper:
HEIKKI HAKOLA

Cashier:
M. MUHONEN

K o t k a

Manager:
EDV. HERTTUAINEN

Cashier:
J. LUOTO

K u o p i o

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V. VAINIO

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V. THERMAN

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ELIN V. WRIGHT

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Manager:
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KEIJO KALLASMAA

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HILKKA VAARNALA

M i k k e l i

Manager:
O. KANERVA

Cashier:
JOUKO JAUHAINEN

O u l u

Manager:
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Book-keeper:
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Book-keeper:
V. LEHTO

Cashier:
TYYNE HAATAJA

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T u r k u

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Cashier:
INEZ ÅKERBLOM

V a a s a

Manager:
O. SUNDSTRÖM

Book-keeper:
HARRI SALENIUS

Cashier:
MARGIT HUMBLE

Helsinki 2nd January, 1965

The Board of Management of the Bank of Finland

KLAUS WARIS

ESKO K. LEINONEN

REINO ROSSI

A. SIMONEN

HEIKKI VALVANNE

ad int.

G. ENGBERG

Helsinki 1965. Valtioneuvoston kirjapaino