

Financial Statements

The Bank of Finland's audited profit for the financial year 2018 totals EUR 230 million. According to the Act on the Bank of Finland, half of the Bank's profit should be transferred to the reserve fund and the remaining profit made available for the use by the State. However, the law allows for an exceptional profit distribution if justified by the Bank's financial condition or the size of the reserve fund.

The Bank of Finland's income consists primarily of interest income on banknotes and the Eurosystem's monetary policy items as well as investment income on foreign reserves and other financial assets of the Bank. In 2018, net interest income amounted to EUR 697 million (2017: EUR 567 million). Net purchases under the monetary policy asset purchase programmes continued until the end of 2018, and liquidity in the banking system increased. Net interest income was mainly boosted by commercial banks' deposits with the Bank of Finland, for which the banks are charged a negative interest rate. Foreign currency-denominated interest income pushed up interest income on financial assets, while euro-denominated interest income was down on the previous year.

The Bank of Finland's income covers its operating expenses and provisions. Operating expenses net of banknote production services and an additional pension fund contribution amounted to EUR 97 million (2017: EUR 90 million).

— [Bank of Finland's press release n:o 4 \(15 Mar 2019\)](#)

EUR million		31 Dec 2018	31 Dec 2017
ASSETS			
8	Intra-Eurosystem claims	44,513	44,750
	Participating interest in ECB	144	144
	Claims equivalent to the transfer of foreign reserves	728	728
	Net claims related to the allocation of euro banknotes within the Eurosystem	4,035	3,751
	Other claims within the Eurosystem (net)	39,606	40,127
9	Other assets	760	697
	Coins of euro area	27	31
	Tangible and intangible fixed assets	118	126
	Other current assets	112	50
	Sundry	503	490
	Total assets	112,246	111,065

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

EUR million		31 Dec 2018	31 Dec 2017
LIABILITIES			
1	Banknotes in circulation	20,215	19,223
2	Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	76,933	76,762
	Current accounts (covering the minimum reserve system)	61,719	53,421
	Deposit facility	15,214	23,341
3	Other liabilities to euro area credit institutions denominated in euro	–	409

EUR million		31 Dec 2018	31 Dec 2017
LIABILITIES			
4	Liabilities to other euro area residents denominated in euro	600	1,000
5	Liabilities to non-euro area residents denominated in euro	2,989	2,601
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	1,446	1,413
9	Intra-Eurosystem liabilities	–	–
10	Other liabilities	72	65
11	Revaluation accounts	2,470	2,256
12	Provisions	4,636	4,579
13	Capital and reserves	2,654	2,602
	Primary capital	841	841
	Reserve fund	1,813	1,761
14	Profit for the financial year	230	156
	Total liabilities	112,246	111,065

The image shows a handwritten ledger page with columns for 'Debet' (Debit) and 'Credit' (Credit). The entries are in Swedish and include various financial items such as 'Schilling', 'Kronor', and 'Riksbankens'. The page is filled with numbers and text, representing a historical financial record.

Profit and loss account

EUR million		1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
1	Interest income	724	617
2	Interest expenses	-27	-50
3	NET INTEREST INCOME	697	567
4	Foreign exchange rate differences	11	41
5	Securities price differences	-90	19
6	Valuation losses related to currencies and securities	-31	-44
7	Change in foreign exchange rate and price difference provision	41	-16
	NET RESULT OF FINANCIAL OPERATIONS, WRITE-DOWNS AND RISK PROVISIONS	628	567
8	Income and expenses on fees and commissions	-4	-3
9	Net result of pooling of monetary income	-242	-264
10	Provision against losses in monetary policy operations	-2	-1
11	Share in ECB profit	5	4
12	Income from other equity shares and participating interests	25	22
	CENTRAL BANKING PROFIT	410	325

EUR million		1 Jan–31 Dec 2018	1 Jan–31 Dec 2017
13	Other income	35	30
	Operating expenses	-109	-97
14	Staff costs	-48	-47
15	Pension fund contribution	-10	–
16	Administrative expenses	-38	-32
17	Depreciation of fixed assets	-12	-11
18	Banknote production services	-2	-6
19	Other expenses	-0	-0
	OPERATING PROFIT	335	258
	Profit for the pension fund	–	–
20	Income of the pension fund	30	31
21	Expenses of the pension fund	-30	-31
22	Changes in provisions	-105	-102
23	PROFIT FOR THE FINANCIAL YEAR	230	156

The image shows a page from an old handwritten ledger. The page is divided into two main sections: 'Debet' (left) and 'Credit' (right). Each section has multiple columns for different sub-accounts. The entries are written in cursive and include various numbers and descriptions. A red box with a white icon is overlaid on the bottom left of the image.

Accounting conventions

1. General accounting conventions

The Bank of Finland observes the economic-based accounting principles and techniques adopted by the Governing Council of the ECB, and the Bank's annual accounts are drawn up in accordance with these harmonised principles. In accordance with section 11 of the Act on the Bank of Finland, the Parliamentary Supervisory Council confirms, on the proposal of the Board, the principles applied in drawing up the annual accounts.

The Bank of Finland's profit and loss account also comprises income and expenses of the Bank's pension fund and of the Financial Supervisory Authority. The ECB guideline on accounting and financial reporting does not regulate accounting for the pension fund.

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	2018	2017
US dollar	1.1450	1.1993
Japanese yen	125.8500	135.0100
Swedish krona	10.2548	9.8438
Swiss franc	1.1269	1.1702
Pound sterling	0.8945	0.8872
Canadian dollar	1.5605	1.5039
Special Drawing Rights (SDR)	0.8228	0.8420
Gold	1,120.9610	1,081.8810

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 securities is entered as income or expense over the maturity of the security. Gains and losses related to securities price movements 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

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 2018, mid-market prices on 31 December 2018 were used.

Real estate funds are valued on the basis of the last available price. The prices are reviewed in January, when 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 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 TARGET2¹¹ 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), 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'.

Intra-Eurosystem claims arising from the transfer of foreign reserve assets to the ECB by 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'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.²⁾ 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.³⁾ 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 the banknote allocation key. 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 euro banknotes that it actually puts into circulation also gives rise to remunerated⁴⁾ 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 asset side.

The seigniorage income on euro banknotes is allocated in proportion to the NCBs' paid-up shares in the ECB's capital. The interest income and expense on these balances is cleared through the accounts of the ECB and is disclosed under 'Net interest income'. The ECB's capital key is adjusted every five years and whenever a new Member State joins the European Union.

The income accruing to the ECB on the share of 8% of the total value of euro banknotes in circulation is primarily distributed to the NCBs.⁵⁾

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) and d) the public sector purchase programme (PSPP) 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 decision by the Governing Council to make transfers to the provision for foreign exchange rate, interest rate, credit and gold price 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 other equity shares and participating interests'.

Key for subscription of the ECB's capital from 1 January 2015	ESCB, capital key, %	Eurosystem, capital key, %
Nationale Bank van België/Banque Nationale de Belgique	2.4778	3.5200
Deutsche Bundesbank	17.9974	25.5674
Eesti Pank	0.1928	0.2739
Bank Ceannais na hÉireann/Central Bank of Ireland	1.1607	1.6489
Bank of Greece	2.0332	2.8884
Banco de España	8.8409	12.5596
Banque de France	14.1793	20.1433
Banca d'Italia	12.3108	17.4890
Central Bank of Cyprus	0.1513	0.2149
Latvijas Banka	0.2821	0.4008
Lietuvos bankas	0.4132	0.5870
Banque centrale du Luxembourg	0.2030	0.2884
Bank Ċentrali ta' Malta/Central Bank of Malta	0.0648	0.0921
De Nederlandsche Bank	4.0035	5.6875
Oesterreichische Nationalbank	1.9631	2.7888
Banco de Portugal	1.7434	2.4767
Banka Slovenije	0.3455	0.4908
Národná banka Slovenska	0.7725	1.0974
Suomen Pankki – <i>Finlands Bank</i>	1.2564	1.7849

Key for subscription of the ECB's capital from 1 January 2015	ESCB, capital key, %	Eurosystem, capital key, %
Subtotal Eurosystem	70.3916	100.0000
Bulgarian National Bank	0.8590	
Česká národní banka	1.6075	
Danmarks Nationalbank	1.4873	
Hrvatska narodna banka	0.6023	
Magyar Nemzeti Bank	1.3798	
Narodowy Bank Polski	5.1230	
Banca Națională a României	2.6024	
Sveriges riksbank	2.2729	
Bank of England	13.6743	
Subtotal for non-euro area NCBs	29.6084	
Total	100.0000	

8. Pension fund

In 2001 the decision was made to create a pension fund in the Bank of Finland's balance sheet for the management of the Bank's pension liability. The purpose of this measure, which came into force at the beginning of 2002, was to ensure that the funds related to the coverage of the pension liability are invested in a lucrative manner. In 2017, the Board of the Bank of Finland decided to transfer the pension fund's investment assets to be managed as part of the Bank's financial assets. The balance sheet arrangements did not change the Bank's position as a pension institution. A separate annual report is prepared on the Bank's pension fund. The assets of the pension fund are included in the Bank of Finland's balance sheet.

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 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 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 treated in a similar manner to on-balance sheet instruments. Foreign exchange forward transactions are taken into account in calculating the net average cost of the currency position.

11. Changes in accounting conventions

There were no changes in accounting conventions in the financial year 2018.

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- 1) Trans-European Automated Real-time Gross settlement Express Transfer system.
 - 2) Decision of the European Central Bank of 13 December 2010 on the issue of euro banknotes (ECB/2010/29), OJ L 35, 9.2.2011, p. 26.
 - 3) '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 that total.
 - 4) Decision (EU) 2016/2248 of the European Central Bank of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (ECB/2016/36) (recast).
 - 5) Decision (EU) 2015/298 of the European Central Bank of 15 December 2014 on the interim distribution of the income of the European Central Bank (ECB/2014/57) (recast), OJ L 53, 25.2.2015, p. 24.
 - 6) Decision (EU) 2015/298 of the European Central Bank of 15 December 2014 on the interim distribution of the income of the European Central Bank (ECB/2014/57) (recast), OJ L 53, 25.2.2015, p. 24.

Notes on the balance sheet

Assets

1. Gold and gold receivables

The Bank'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 NCBs participating in the Eurosystem – transferred about 20% of its gold holdings to the ECB.

Gold	31 Dec 2018	31 Dec 2017
Holdings (troy ounces, million)	1.6	1.6
Price: EUR per troy ounce	1,121.0	1,081.9
Market price (EUR m)	1,767.2	1,705.6
Change in market value (EUR m)	61.6	-25.5

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 holdings of special drawing rights (SDRs) allocated by the International Monetary Fund (IMF).

2.1 Receivables from the International Monetary Fund (IMF)

Breakdown of receivables from the IMF	31 Dec 2018		31 Dec 2017	
	EUR m	SDR m	EUR m	SDR m
Reserve tranche in the IMF	417.9	343.8	256.5	216.0
Special Drawing Rights (SDRs)	1,363.4	1,121.8	1,331.3	1,121.0
Other receivables from the IMF	124.0	102.0	156.0	131.3
Total	1,905.3	1,567.6	1,743.9	1,468.4

EUR/SDR exchange rate in financial years 2017 and 2018	2018	2017
End-March	0.8474	0.7874
End-June	0.8282	0.8199
End-September	0.8297	0.8355
End-December	0.8228	0.8420

Finland's quota in the IMF is 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 SDR allocation amounts to EUR 1,363.4 million. The SDRs 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 1,905.3 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 2018	31 Dec 2017	Change
	EUR m	EUR m	EUR m
Deposits	108.3	41.0	67.3
Coupon papers	4,408.0	4,172.3	235.7
Discount papers	–	136.4	-136.4
Other	694.4	756.1	-61.6
Total	5,210.8	5,105.8	105.0

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

Currency	31 Dec 2018		31 Dec 2017	
	EUR m	%	EUR m	%
Pound sterling	463.4	10.5	408.1	9.5
US dollar	3,773.0	85.6	3,648.7	84.7
Japanese Yen	171.6	3.9	252.0	5.8
Total	4,408.0	100.0	4,308.7	100.0

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

Maturity	31 Dec 2018		31 Dec 2017	
	EUR m	%	EUR m	%
Up to 1 year	657.0	14.9	646.7	15.0
Over 1 year	3,751.0	85.1	3,662.0	85.0
Total	4,408.0	100.0	4,308.7	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 2018	31 Dec 2017	Change
	EUR m	EUR m	EUR m
Coupon papers	538.0	504.1	34.0
Other	-59.7	-25.7	-34.0
Total	478.3	478.4	0.0

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

Currency	31 Dec 2018		31 Dec 2017	
	EUR m	%	EUR m	%
Pound sterling	146.5	27.2	161.3	32.0
US dollar	391.5	72.8	342.8	68.0
Total	538.0	100.0	504.1	100.0

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

Maturity	31 Dec 2018		31 Dec 2017	
	EUR m	%	EUR m	%
Up to 1 year	322.0	59.8	222.0	44.1
Over 1 year	216.0	40.2	282.0	55.9
Total	538.0	100.0	504.1	100.0

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

This item includes euro-denominated deposits with non-euro area counterparties, securities issued outside the euro area and other euro-denominated claims.

Claims on non-euro area residents denominated in euro	31 Dec 2018	31 Dec 2017	Change
	EUR m	EUR m	EUR m
Deposits	19.1	279.2	-260.1
Coupon papers	753.9	952.2	-198.3
Other	4.4	0.1	4.3
Total	777.3	1,231.4	-454.1

Remaining maturity of securities of non-euro area residents denominated in euro

Maturity	31 Dec 2018		31 Dec 2017	
	EUR m	%	EUR m	%
Up to 1 year	282.4	37.5	129.8	13.6
Over 1 year	471.4	62.5	822.4	86.4
Total	753.9	100.0	952.2	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 holdings of monetary policy assets amounts to EUR 734,382 million, of which the Bank of Finland holds EUR 8,648.3 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.

5.1 Main refinancing operations

Main refinancing operations (MROs) are executed through liquidity providing reverse transactions with a weekly frequency and a maturity of one week. They are conducted as fixed rate tender procedures. Main refinancing operations play a key role in achieving the aims of steering interest rates, 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 2018 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.

Additionally, 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. According to the decisions taken by the Governing Council, the final interest rate applicable to each TLTRO-II operation depended on the lending behaviour of the counterparties for the period between 1 February 2016 and 31 January 2018 and would be between the MRO rate and the deposit facility rate at the time of the allotment. Given that the actual rate could only be known in 2018 and a reliable estimate was not possible until this time, the deposit facility rate was used for calculating the TLTRO II interest up to the end of 2017, as this was deemed a prudent approach. Interest income for that period resulting from the difference between the deposit facility rate and the actual rate was recorded in the profit and loss account under 'Interest expenses' in 2018.

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.

Lending to euro area credit institutions related to monetary policy operations denominated in euro	31 Dec 2018	31 Dec 2017	Change
	EUR m	EUR m	EUR m
Main refinancing operations	–	–	–
Longer-term refinancing operations	8,648.3	10,148.3	-1,500.0
Fine-tuning reverse operations	–	–	–
Structural reverse operations	–	–	–
Marginal lending facility	–	–	–
Credits related to margin calls	–	–	–
Total	8,648.3	10,148.3	-1,500.0

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.

	31 Dec 2018	31 Dec 2017	Change
	EUR m	EUR m	EUR m
Current accounts	0.0	0.0	0.0
Reverse repurchase agreements	–	209.1	-209.1
Emergency Liquidity Assistance (ELA)	–	–	–
Other	3.8	–	3.8
Total	3.8	209.1	-205.3

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

In order to report securities held for monetary policy purpose separately, the item 'Securities of euro area residents denominated in euro' has been divided into two sub-positions: 'Securities held for monetary policy purposes' and 'Other securities'.

7.1 Securities held for monetary policy purposes

As at 31 December 2018, this item consisted of securities acquired by the Bank of Finland within the scope of the three covered bond purchase programmes¹⁾, the securities markets programme (SMP)²⁾, the public sector purchase programme (PSPP)³⁾ and the corporate sector purchase programme (CSPP)⁴⁾.

Purchases under the first covered bond purchase programme (CBPP1) were completed on 30 June 2010, while the second covered bond purchase programme (CBPP2) ended on 31 October 2012. The SMP was terminated on 6 September 2012.

In 2018 the Eurosystem continued its securities purchases under the expanded asset purchase programme (APP)⁵⁾, which includes the third covered bond purchase programme (CBPP3), the asset-backed securities purchase programme (ABSPP), the public sector purchase programme (PSPP) and the corporate sector purchase programme (CSPP). The monthly pace of combined net APP purchases by the NCBs and the ECB was EUR 30 billion on average until September 2018 and EUR 15 billion from October 2018 until the end of the year when the net purchases ended. The Governing Council intends to continue reinvesting, in full, the principal payments from maturing securities purchased under the APP for an extended period of time past the date when it 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.

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, as well as their market value⁶⁾ (which is not recorded on the balance sheet or in the profit and loss account but is provided for comparison purposes only), are as follows:

Securities held for monetary policy purposes	31 Dec 2018		31 Dec 2017		Change	
	EUR m	EUR m	EUR m	EUR m	EUR m	EUR m
	Balance sheet value	Market value	Balance sheet value	Market value	Balance sheet value	Market value
First covered bond purchase programme (CBPP1)	–	–	–	–	–	–
Second covered bond purchase programme (CBPP2)	97.0	99.0	97.0	101.4	0.1	-2.3
Third covered bond purchase programme (CBPP3)	6,697.3	6,760.2	5,335.1	5,381.1	1,362.1	1,379.1
Securities markets programme (SMP)	1,079.9	1,159.3	1,341.9	1,485.4	-262.0	-326.1
Public sector asset purchase programme (PSPP sovereign)	28,308.3	28,673.0	25,167.7	25,242.5	3,140.6	3,430.5
Public sector asset purchase programme (PSPP supra)	3,175.8	3,194.1	3,067.3	3,089.8	108.6	104.4
Corporate sector purchase programme (CSPP)	6,137.3	6,080.9	4,579.0	4,539.4	1,558.3	1,541.5
Total	45,495.6	45,966.5	39,588.0	39,839.5	5,907.6	6,127.0

The Governing Council assesses on a regular basis the financial risks associated with the securities held under these programmes. Annual impairment tests are conducted on the basis of the estimated recoverable amounts as at the year-end and are approved by the Governing Council.

In accordance with Article 32.4 of the ESCB Statute, losses from holdings of securities purchased under the SMP, CBPP3 and CSPP as well as securities of supranational organisations (supra) purchased under the PSPP, if they were to materialise, are shared in full by the Eurosystem NCBs, in proportion to the prevailing ECB capital key shares. As a result of an impairment test conducted on the CSPP portfolio, the Governing Council has deemed it appropriate to establish a buffer against credit risks in monetary policy operations during 2018 (see 'Provisions' in the notes on the balance sheet).

In the context of the impairment test conducted as at the end of 2018 on securities purchased under the CBPP3 programme, the Governing Council identified one impairment indicator in particular, relating to the holdings of a security issued by a credit institution which encountered significant financial difficulties in the course of 2018. The Governing Council considered that the identified impairment indicators had not affected the estimated future cash flows. No impairment losses were therefore recorded at the year-end on the Bank of Finland's holdings of the security under the CBPP3 programme. Furthermore, no impairment losses were recorded in respect of the other securities purchased under the CBPP3 programme.

The following table shows, for each programme, total holdings of Eurosystem NCBs and the Bank of Finland's share held on the balance sheet.

	Held by NCBs		On the Bank of Finland's balance sheet	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	EUR m	EUR m	EUR m	EUR m
Securities markets programme (SMP)	67,654.0	82,490.0	1,079.9	1,341.9
Third covered bond purchase programme (CBPP3)	240,655.9	220,954.6	6,697.3	5,335.1
Public sector asset purchase programme (PSPP supra)	224,506.5	203,932.0	3,175.8	3,067.3
Corporate sector purchase programme (CSPP)	178,050.3	131,593.1	6,137.3	4,579.0
Total	710,866.7	638,969.7	17,090.3	14,323.3

7.2 Other securities

This item includes coupon bonds and discount paper issued in the euro area as well as fund shares.

Breakdown of other securities of euro area residents denominated in euro	31 Dec 2018	31 Dec 2017	Change
	EUR m	EUR m	EUR m
Coupon papers	1,554.1	3,158.5	-1,604.4

Breakdown of other securities of euro area residents denominated in euro	31 Dec 2018	31 Dec 2017	Change
	EUR m	EUR m	EUR m
Discount papers	377.1	1,578.7	-1,201.6
Fund investments	755.4	670.1	85.3
Total	2,686.6	5,407.3	-2,720.7

Remaining maturity of other securities of euro area residents denominated in euro	31 Dec 2018		31 Dec 2017	
	EUR m	%	EUR m	%
Up to 1 year	1,210.3	62.7	2,922.4	61.7
Over 1 year	720.9	37.3	1,814.8	38.3
Total	1,931.2	100.0	4,737.2	100.0

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.

The share in the ECB's capital of each NCB participating in the Eurosystem is determined on the basis of a so-called capital key. The capital key is calculated relative to the population and gross domestic product of each country. It is adjusted every five years and whenever new members join the EU. The Bank of Finland's percentage share in the ECB's capital has been 1.2564%, i.e. EUR 144.3 million, since 1 January 2015.

8.2 Claims equivalent to the transfer of foreign reserves

This item represents the Bank of Finland's claims arising from the transfer of foreign reserve assets, EUR 728.1 million, to the ECB when the Bank of Finland joined the Eurosystem. These claims are denominated in euro at a value fixed at the time of their transfer.

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.

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

This item consists of a so-called CSM item (Capital Share Mechanism) relating to the subscription of the ECB's capital, less the so-called ECB issue figure. The amount of euro banknotes in circulation under the CSM is adjusted in the balance sheet to correspond to the ECB's capital key. The ECB issue figure represents the ECB's share (8%) of euro banknotes in circulation. For both figures, the counter entry is recorded under the balance sheet liability item 'Banknotes in circulation'.⁷⁾

At the end of 2018, the balance sheet item totalled EUR 4,034.6 million (EUR 3,750.9 million in 2017). The increase in comparison to 2017 was due to the increase of 4.6% in banknotes put into circulation by the Bank of Finland, while banknotes in circulation in the Eurosystem as a whole increased by 5.2% from 2017. 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 2018	31 Dec 2017	Change
	EUR m	EUR m	EUR m
Due to/from ECB in respect of TARGET2 (including balances held with Eurosystem banks through correspondent accounts)	39,826.7	40,373.2	-546.5
Due to/from ECB in respect of monetary income	-242.1	-264.0	21.9
Due from ECB in respect of the ECB's interim profit distribution	21.3	17.6	3.6
Other claims/liabilities within the Eurosystem (net)	39,605.9	40,126.8	-520.9

The balance of EUR 39,605.9 million as at 31 December 2018 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 the ECB's interim profit distribution and any amounts receivable or refundable.

Regarding the first component, the year-end net transfers via TARGET2 had a credit balance of EUR 39,826.7 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 –242.1 million at year-end (see ‘Net result of pooling of monetary income’ in the notes on the profit and loss account).

Concerning 2018, 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 1,191 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 2018 was EUR 21.3 million (see ‘Income from equity shares and participating interest’ 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. Investment assets earmarked by the Bank for the pension fund were transferred to the Bank’s financial assets in March 2017 and are henceforth managed as part of these assets. The investment instruments are recorded on the assets side of the balance sheet, under items ‘Other securities’ and ‘Other assets’ (sub-item ‘Shares and other equity’).

Tangible fixed assets	31 Dec 2018	31 Dec 2017	Change
Book value	EUR m	EUR m	EUR m
Land	8.5	8.5	–
Buildings	89.8	96.3	-6.5
Machinery and equipment	11.2	12.4	-1.3
Art and numismatic collection	0.6	0.5	0.0
Total	110.0	117.8	-7.8

Intangible fixed assets	31 Dec 2018	31 Dec 2017	Change
Book value	EUR m	EUR m	EUR m
IT systems	7.6	8.5	-0.9
Total	7.6	8.5	-0.9

Other holdings and sundry assets	31 Dec 2018	31 Dec 2017	Change
	EUR m	EUR m	EUR m
Coins of euro area	26.6	31.3	-4.7
Shares and other equity	98.5	34.9	63.6
Pension fund's real estate	14.0	15.1	-1.2
Accruals	432.3	404.0	28.3
Items relating to valuation of off-balance sheet items	67.9	83.9	-16.0
Sundry assets	2.6	1.8	0.8
Total	641.9	571.0	70.9

The increase in "Shares and other equity" is due to growth in investment in real estate funds.

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 2018, the total value of euro banknotes in circulation increased by 5.2%. According to the allocation key, the Bank of Finland had euro banknotes in circulation worth EUR 20,215.2 million at the end of the year, compared with EUR 19,223.2 million at the end of 2017. The value of the euro banknotes actually issued by the Bank of Finland in 2018 increased by 4.6% from EUR 15,472.3 million to EUR 16,180.7 million. As this was less than the allocated amount, the difference of EUR 4,034.6 million (EUR 3,750.9 million in 2017) is shown under asset sub-item 'Net claims related to the allocation of euro banknotes within the Eurosystem'.

Banknotes in circulation	31 Dec 2018	31 Dec 2017
	EUR m	EUR m
EUR 5	82.4	85.9
EUR 10	-81.0	-68.8
EUR 20	3,196.8	3,071.5
EUR 50	10,868.3	10,071.6
EUR 100	-997.1	-862.9
EUR 200	505.8	490.3
EUR 500	2,605.5	2,684.6
Total	16,180.7	15,472.3
ECB issue figure	-1,757.9	-1,671.7
CSM figure	5,792.5	5,422.5
Banknotes in circulation in accordance with the ECB's capital key	20,215.2	19,223.2

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 2018	31 Dec 2017	Change
	EUR m	EUR m	EUR m
Current accounts (covering the minimum reserve system)	61,719.2	53,420.8	8,298.4

Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	31 Dec 2018	31 Dec 2017	Change
	EUR m	EUR m	EUR m
Deposit facility	15,213.6	23,341.2	-8,127.6
Fixed-term deposits	–	–	–
Fine-tuning reverse operations	–	–	–
Deposits related to margin calls	–	–	–
Total	76,932.8	76,762.0	170.8

2.1 Current accounts (covering the minimum reserve system)

Current accounts contain the credit balances of 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, banks' reserve holdings exceeding the required minimum reserves are remunerated at zero per cent or the deposit facility rate, whichever is lower.

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 2018, 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 600 million) and credit institutions other than those subject to the reserve requirement (EUR 0.1 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 and repo agreements with non-euro area counterparties.

6. Liabilities to euro area residents denominated in foreign currency

As at 31 December 2018, 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 2018, 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 SDRs (cf. item on the asset side). Originally the amount of SDRs and their counteritem were equal. As a result of transactions, the Bank of Finland's claims related to SDRs were smaller at the end of 2018 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 2018 (EUR 1,445.7 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'. At the end of financial year 2018, the Bank of Finland had no intra-Eurosystem liabilities.

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 credit under repo 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	31 Dec 2018	31 Dec 2017	Change
	EUR m	EUR m	EUR m
Accruals	73.2	66.4	6.8
Accounts payable	0.5	0.1	0.4
Sundry	-1.9	-1.4	-0.5
Total	71.8	65.1	6.7

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.

	31 Dec 2018	31 Dec 2017	Change
Revaluation accounts	EUR m	EUR m	EUR m
Gold	1,378.2	1,316.6	61.6
Foreign currencies:			
USD	783.7	601.7	182.0
GBP	22.3	28.4	-6.1
JPY	102.3	69.7	32.6
SDR	7.5	–	7.5
Other currencies	0.1	0.2	0.0
Securities	15.0	16.1	-1.2
Fund investments	1.3	55.8	-54.5
Other revaluations	159.9	167.5	-7.6
Total	2,470.2	2,255.8	214.4

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 2018, these provisions totalled EUR 4,636.4 million. Provisions consist of a general provision, provision against real value loss, pension provision, foreign exchange rate and price difference provision and a provision against losses in monetary policy operations.

The pension provision is made to cover the Bank of Finland's pension liabilities. These liabilities total EUR 554.8 million: 107.5% of this amount is covered by the pension provision, i.e. EUR 596.4 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 –7.5 million for the pension fund which was covered by reducing the pension provision. At the end of 2018, real estate in the value of EUR 14.0 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 582.4 million) of the pension provision. Instead, these assets are managed as part of the Bank's financial assets.

In 2017, a provision totalling EUR 69 million against losses in monetary policy operations was established in relation to a security held by the Bank of Finland. In accordance with Article 32.4 of the ESCB Statute, this provision was funded by all the national central banks of participating Member States (NCBs) in proportion to their subscribed capital key shares in the ECB prevailing in 2017. As a result, a provision for EUR 1.2 million equivalent to 1.78487% of the total provision was created. The size of the provision in the financial statements 2017 was calculated taking into account the information regarding the sale of the security in January 2018 and therefore the loss realised in 2018 was fully covered by usage of the provision.

Furthermore, as a result of an impairment test conducted on the CSPP portfolio, the Governing Council has deemed it appropriate to establish a buffer totalling EUR 161 million against credit risks in monetary policy operations during 2018. In accordance with Article 32.4 of the ESCB Statute, this buffer is funded by all the NCBs in proportion to their subscribed capital key shares in the ECB prevailing in 2018. As a result, a provision for EUR 2.9 million equivalent to 1.78487% of the total provision was created.

Provisions (EUR m)	Total provisions	Change in provisions	Total provisions	Change in provisions	Total provisions
	31 Dec 2016	2017	31 Dec 2017	2018	31 Dec 2018
Foreign exchange rate and price difference provision	834	16	850	-41	809
General provision	1,695	50	1,745	50	1,795
Provision against real value loss	1,326	52	1,378	55	1,433
Pension provision	613	-9	604	-8	596
Provision against losses in monetary policy operations	–	1	1	2	3

Provisions (EUR m)	Total provisions	Change in provisions	Total provisions	Change in provisions	Total provisions
	31 Dec 2016	2017	31 Dec 2017	2018	31 Dec 2018
Total	4,468	110	4,579	58	4,636

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 2018	31 Dec 2017	Change
Primary capital	840.9	840.9	–
Reserve fund	1,812.7	1,760.6	52.1
Total	2,653.7	2,601.5	52.1

14. Profit for the financial year

The profit for the financial year 2018 totalled EUR 230.3 million.

Profit for the financial year (EUR m)	31 Dec 2018	31 Dec 2017	Change
To be transferred for the needs of the State	143.0	104.0	39.0
Bank of Finland's share of profit (to be transferred to the reserve fund)	87.3	52.1	35.2
Total	230.3	156.1	74.2

Off-balance sheet commitments

	31 Dec 2018	31 Dec 2017
Off-balance sheet commitments	EUR m	EUR m
Futures contracts		
Nominal value of purchase agreements	1,692.0	1,668.0
Nominal value of sales agreements	-211.1	-163.7
Market value of FX-swap agreements	-8.7	11.9
Investment commitments related to real estate funds	–	64.4

1) 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, 22.11.2014, p. 22).

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

3) Decision ECB/2015/10 of 4 March 2015 on a secondary markets public sector asset purchase programme (OJ L 121, 14.5.2015, p. 20), as amended.

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

5) Further details for the APP can be found on the ECB's website: <https://www.ecb.europa.eu/mopo/implement/omt/html/index.en.html>.

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

7) 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'.



Notes on the profit and loss account

1. Interest income

Interest income from and outside the euro area totalled EUR 723.7 million. Of this, EUR 117.6 million consisted of foreign currency-denominated interest income and EUR 606.1 million of euro-denominated interest income.

The interest rate on overnight deposits was negative throughout the year, which means that interest has been charged on central bank deposits. This negative interest accrues on both overnight deposits and 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 2018, no interest income was earned from ESCB items.

Foreign currency-denominated interest income received outside the euro area (EUR m)	2018	2017	Change
Non-euro area coupon bonds	89.3	69.5	19.8
Non-euro area discount papers	0.7	1.0	-0.4
Non-euro area deposits	1.8	0.8	1.0
Other	16.1	8.6	7.5
Total	107.9	80.0	27.9

Euro-denominated interest income received outside the euro area (EUR m)	2018	2017	Change
Non-euro area coupon bonds	0.8	1.1	-0.3
Non-euro area discount papers	–	–	–
Non-euro area deposits	0.5	3.0	-2.5
Other	8.3	5.8	2.5
Total	9.5	9.9	-0.4

Foreign currency-denominated interest income received from the euro area (EUR m)	2018	2017	Change
Euro area coupon bonds	9.6	9.0	0.6
Euro area discount papers	–	–	–
Euro area deposits	0.1	0.1	0.0
Total	9.7	9.1	0.6

Euro-denominated interest income received from the euro area (EUR m)	2018	2017	Change
Euro area coupon bonds	-2.9	-6.3	3.3
Euro area discount papers	-3.7	-9.1	5.3
Euro area deposits	0.7	1.9	-1.2
Dividends on euro-denominated investments	15.2	8.2	6.9
ESCB items	–	–	–
Interest income from monetary policy lending	–	0.0	0.0
Interest income from monetary policy securities	200.9	154.2	46.7
Interest income from negative interest rates on credit institutions' deposits	380.0	364.2	15.8
Other	6.5	5.0	1.5

Euro-denominated interest income received from the euro area (EUR m)	2018	2017	Change
Total	596.6	518.2	78.4

Total interest income (EUR m)	2018	2017	Change
Foreign currency-denominated interest income received outside the euro area	107.9	80.0	27.9
Euro-denominated interest income received outside the euro area	9.5	9.9	-0.4
Foreign currency-denominated interest income received from the euro area	9.7	9.1	0.6
Euro-denominated interest income received from the euro area	596.6	518.2	78.4
Total	723.7	617.3	106.5

2. Interest expenses

Foreign currency-denominated interest expenses paid outside the euro area (EUR m)	2018	2017	Change
Non-euro area deposits	-0,0	-0,1	0.1
Other	-13.4	-7.2	-6.2
Total	-13.4	-7.2	-6.1

Euro-denominated interest expenses paid outside the euro area (EUR m)	2018	2017	Change
Non-euro area deposits	-0.4	-2.7	2.3
Other	-0.3	-0.4	0.1
Total	-0.7	-3.1	2.4

Euro-denominated interest expenses paid in the euro area (EUR m)	2018	2017	Change
Monetary policy items	-11.6	-37.8	26.2
Other	-1.3	-2.0	0.7
Total	-13.0	-39.8	26.9

Total interest expenses (EUR m)	2018	2017	Change
Foreign currency-denominated interest expenses paid outside the euro area	-13.4	-7.2	-6.1
Euro-denominated interest expenses paid outside the euro area	-0.7	-3.1	2.4
Euro-denominated interest expenses paid in the euro area	-13.0	-39.8	26.9
Total	-27.0	-50.2	23.1

3. Net interest income

	31 Dec 2018	31 Dec 2017
Net interest income	EUR m	EUR m
Interest income		
Financial assets	142.8	98.8
Monetary policy items	580.9	518.4
ESCB claims	–	–
Total	723.7	617.3
Interest expenses		
Financial assets	-15.4	-12.4
Monetary policy items	-11.6	-37.8
ESCB liabilities	–	–

	31 Dec 2018	31 Dec 2017
Net interest income	EUR m	EUR m
Total	-27.0	-50.2
NET INTEREST INCOME	696.7	567.1

4. Foreign exchange rate differences

This item includes realised exchange rate gains and losses arising from the sale of currency positions. In 2018, gains related to exchange rate movements amounted to EUR 11.3 million.

5. Securities price differences

This item includes realised gains and losses arising from the sale of securities. In 2018, the realised losses related to securities price movements totalled EUR –90.3 million, of which EUR –68.9 million was due to a sale of a security in the CSPP portfolio. A provision against the related sales loss was established in connection with the financial statements 2017. In accordance with Article 32.4 of the ESCB statute, the loss is shared by the NCBs of participating Member States in proportion to their subscribed capital key shares in the ECB prevailing in 2017. The Bank of Finland's share of the loss is EUR 1.2 million (see 'Provisions' in the notes on the balance sheet and 'Provision against losses in monetary policy operations' in the notes on the profit and loss account).

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. There were no valuation losses related to currencies in 2018. Valuation losses related to securities amounted to EUR 30.9 million.

7. Change in foreign exchange rate and price difference provision

Realised net losses arising from foreign exchange rate and price differences, totalling EUR 41.1 million, were covered by reducing 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	31 Dec 2018	31 Dec 2017
	EUR m	EUR m
Net monetary income pooled by the Bank of Finland	450.9	-456.5
Net monetary income allocated to the Bank of Finland	217.9	192.6
Net monetary income according to the capital allocation key	-233.0	-263.9
Corrections to monetary income reallocation of previous years	-9.0	-0.1
Total	-242.1	-264.0

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 NCB's 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/2015/10 of 4 March 2015 on the implementation of a secondary markets public sector asset 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 the NCBs according to the subscribed ECB capital key. The difference between the monetary income pooled by the Bank of Finland amounting to EUR 450.9 million and reallocated to the Bank of Finland amounting to EUR 217.9 million is the net result arising from the calculation of monetary income.

10. Provision against losses in monetary policy operations

This item contains the Bank of Finland's share in the provision against losses in monetary policy operations, which was established in relation to a security held by an NCB of the Eurosystem in its CSPP portfolio. This item also contains the Bank of Finland's share in the realised loss in relation to the sale in 2018 of a security held by the Bank of Finland in its CSPP portfolio, as well as the dissolving of the provision established in 2017 against losses in monetary policy operations (see 'Provisions' in the notes on the balance sheet and 'Securities price differences' in the notes on the profit and loss account).

11. Share in ECB profit

The ECB distributed EUR 287 million profit for the financial year 2017, of which the Bank of Finland's share recorded for the financial year 2018 totalled EUR 5.1 million.

12. Income from other equity shares and participating interests

This item includes the Bank of Finland's share, EUR 21.3 million, in income on the SMP- and APP-related portfolios distributed by the ECB in the form of interim profit distribution for the financial year 2018. The item also includes dividends received on shares in the BIS, EUR 3.0 million, and income on real estate funds, EUR 0.4 million.

13. Other income

This item consists of the Financial Supervisory Authority's supervision and processing fees, EUR 27.8 million. The item also includes income from real estate, EUR 5.6 million, and commissions and fees.

14. Staff costs

Staff costs	31 Dec 2018	31 Dec 2017
	EUR m	EUR m
Salaries and fees	39.4	36.7
Employer's contributions to the pension fund	7.6	7.4
Other staff-related costs	1.0	2.9
Total	48.0	47.0

Average staff size	2018	2017
	Number of staff	Number of staff
Bank of Finland	356	365
Financial Supervisory Authority	194	181
Total	550	546

	2018
Basic salaries paid to the members of the Board	EUR
Erkki Liikanen (until 11 July 2018)	241,734
Marja Nykänen	210,139
Olli Rehn	245,655
Tuomas Välimäki (from 2 July 2018)	92,171
Total	789,699

Fringe benefits (meal benefits, company-paid telephone and company car) paid to the members of the Board totalled EUR 26,877.

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 State Employees' Pension Scheme. 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.

15. 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 2018 to cover the pension fund's deficit for the financial year.

16. Administrative expenses

Administrative expenses	2018	2017
	EUR m	EUR m
Supplies and purchases	0.5	0.5
Machinery and equipment	6.8	6.8
Real estate	9.5	9.0
Staff-related expenses	3.6	3.8
Purchase of services	12.6	10.2
Other	4.6	2.0
Total	37.6	32.2

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.

17. Depreciation of fixed assets

Depreciation of tangible fixed assets	31 Dec 2018	31 Dec 2017
	EUR m	EUR m
Buildings	4.4	2.8
Machinery and equipment	3.0	3.1
Total	7.4	6.0

Depreciation of intangible fixed assets	31 Dec 2018	31 Dec 2017
	EUR m	EUR m
IT systems	4.3	4.8
Total	4.3	4.8

18. Banknote production services

Costs related to banknote production services totalled EUR 2.1 million.

19. Other expenses

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

20. Income of the pension fund

This item includes the Bank of Finland's and Financial Supervisory Authority's employer contributions and employee's share of premium income, EUR 10.4 million, as well as a contribution of EUR 10 million paid by the Bank to cover the pension fund's deficit for the financial year. Income from the pension fund's real estate, EUR 1.6 million, is also recorded under this item.

21. Expenses of the pension fund

This item includes pensions paid, EUR 27.8 million, the Bank of Finland pension fund's management costs and depreciation of the pension fund's fixed assets.

22. Changes in provisions

This item includes the increase of the provision against real value loss, EUR 55 million, and the increase of the general provision, EUR 50 million. All provisions have been specified in the notes on the balance sheet under liabilities.

23. Profit for the financial year

The profit for the financial year 2018 totalled EUR 230.3 million. The Board proposes to the Parliamentary Supervisory Council that EUR 143.0 million of the profit be made available for the needs of the State.



Appendices to the financial statements

EUR m	31 Dec 2018	31 Dec 2017
Shares and other interests, nominal value		
Bank of International Settlements (BIS) ¹	22.4 (1.96%)	22.4 (1.96%)
Shares in housing companies	2.5	2.5
Other shares and interests	0.1	0.1
Total	25.0	25.0
Bank of Finland's liability share in the APK fund	0.3	0.3
Liability arising from pension commitments		
Bank of Finland's pension liability ²	554.8	553.3
– of which covered by provisions	596.4	604.3
Customer service office		
Deposits	21.4	22.6
Loans	3.0	3.0
1 In parentheses, the Bank of Finland's relative holdings of the BIS shares in circulation.		
2 Pension liability for 2018 includes indexation of pensions and paid-up policies entering into force on 1 January		

EUR m**31 Dec 2018****31 Dec 2017**

2019.

The Bank of Finland's real estate

Building	Address	Year of completion	Volume m³ (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

Risk management and control of 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 Banking 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 quarterly 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. An extensive 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 investment activities objectives, investment policy and risk management 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, the strategic allocation of the investment portfolio by investment category, the leeway permitted in 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 Banking Operations department and as coordinator of matters common to the investment and risk control functions. The Head of Banking 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 risks 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

Risk measures and breakdowns

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

	31 Dec 2018	29 Dec 2017
Credit rating	EUR m	EUR m
AAA	2,783	4,171
AA+	2,846	2,981
AA	942	2,249
AA-	169	223
A+	1,265	1,351
A	224	206
A-	135	195
BBB+	59	23
BBB	–	–
BBB-	–	–
Below BBB-	–	–
No credit rating	–	3
Total	8,424	11,402

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.

Source: Bank of Finland.

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

	31 Dec 2018	31 Dec 2017
Country or region	EUR m	EUR m
Euro area	2,400	5,076
Germany	1,026	1,918
France	617	1,509
Netherlands	357	693
Austria	214	390
Finland	134	228
Belgium	52	312
Ireland	–	26
Rest of Europe	1,103	1,210
Sweden	454	396
United Kingdom	336	462
Norway	196	224
Denmark	80	91
Switzerland	37	37
America	3,497	3,448
United States	2,704	2,717
Canada	793	731
Asia and Oceania	1,199	1,294
Japan	975	1,090
Australia	190	159
Singapore	33	33
New Zealand	–	7
South Korea	–	5

	31 Dec 2018	31 Dec 2017
Country or region	EUR m	EUR m
Euro area	2,400	5,076
International institutions	224	375
Total	8,424	11,402

Totals and subtotals may not add up due to rounding.

Source: Bank of Finland

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

EUR m	2018	2017
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	-1,006	-949
Change in the value of the Bank of Finland's financial assets after an interest rate rise of 1% as at 31 Dec	-151	-206
Change in the value of the Bank of Finland's equity funds after a decrease in the value of equity funds by 25%	-183	-167

Source: Bank of Finland.

Allocation of the Bank of Finland's fixed-income investment portfolios at the end of 2018

Fixed-income investment portfolios	Allocation at year-end (%)
Government debt instruments	45.3
Government-related debt instruments	26.4
Covered bonds	9.1
Corporate bonds	9.4

Fixed-income investment portfolios	Allocation at year-end (%)
Cast holdings	9.8
Total	100.0

Source: Bank of Finland.

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** refer to risk of extra costs or losses resulting from inadequate or failed internal processes, personnel, systems or external events.
- **Investment portfolio** 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 changes 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

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 2018 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, 8 March 2019

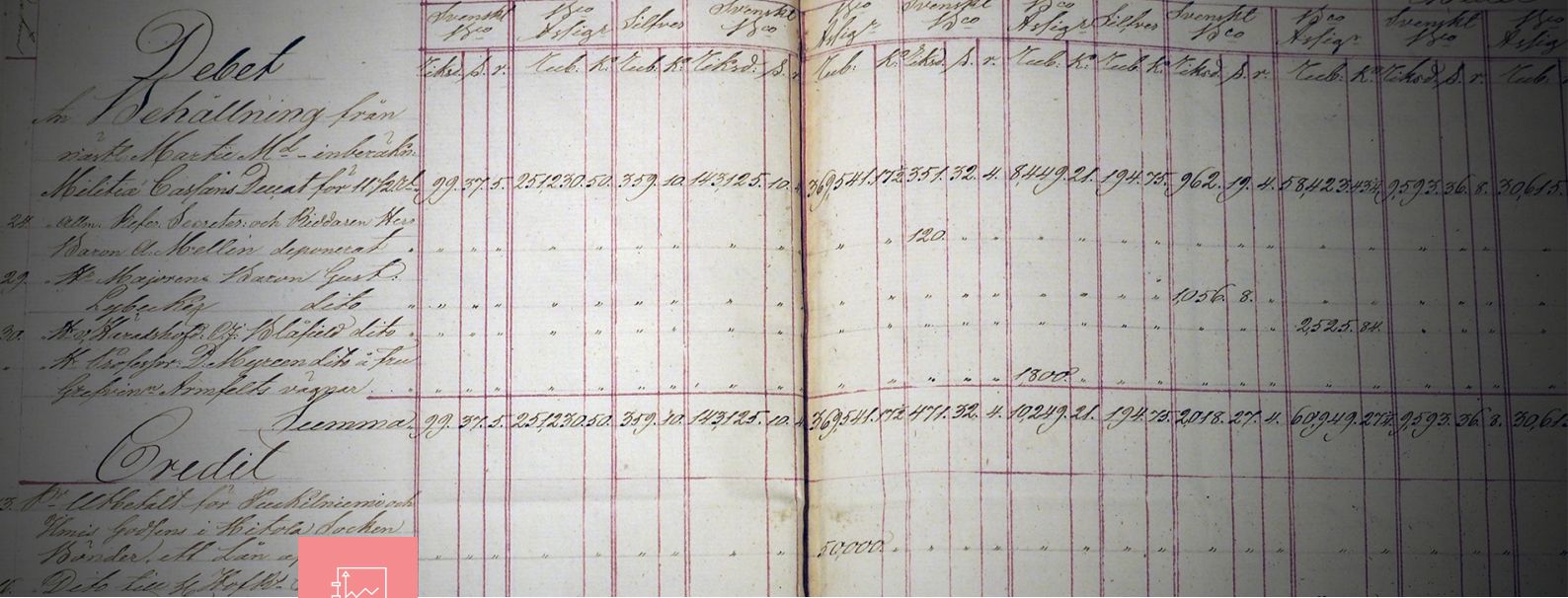
Eero Lehti

Esko Kiviranta

Toimi Kankaanniemi

Lotta Kauppila, Authorised Public Accountant

Markku Koskela, Authorised Public Accountant



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

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.

Object of the audit

We have audited the financial statements of the Bank of Finland (business identity code 0202248-1) for the year ended 31 December 2018. The financial statements comprise the balance sheet, the profit and loss account and notes.

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

Independence

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.

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 2019
PricewaterhouseCoopers Oy
Authorised Public Accountants
Jukka Paunonen
Authorised Public Accountant