

The image shows a historical handwritten ledger from the Bank of Finland. It is a double-entry account system with columns for 'Debet' (debit) and 'Credit' (credit). The entries are in Swedish and include various financial items like 'Skatt' (tax) and 'Kassa' (cash). The ledger is filled with numbers and text, with a red box highlighting a specific entry.

## Financial Statements

31.12.2019

The Bank of Finland's audited profit for the financial year 2019 totals EUR 320 million. According to the Act on the Bank of Finland, half of the Bank's profit shall be transferred to the reserve fund and the remaining profit made available for use by the State. However, the Act allows for an exceptional profit distribution if justified by the Bank's financial condition or the size of the reserve fund.

The Bank of Finland's income consists primarily of interest income on banknotes and the Eurosystem's monetary policy items, investment income on foreign reserves and other financial assets of the Bank as well as the Bank's share in the ECB's profit that the ECB allocates to the euro area central banks. Net interest income amounted to EUR 755 million in 2019 (2018: EUR 697 million). Of this, EUR 589 million was earned on monetary policy items, the most significant of which was the negative interest rate charged on commercial bank deposits. However, the major part of the increase in net interest income was due to higher income on foreign reserve assets.

A general provision totalling EUR 50 million was made against risks arising from the conduct of central banking activities. 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 99 million in 2019 (2018: EUR 97 million).

- [Bank of Finland's press release on 20 Mar 2020: Bank of Finland to transfer EUR 188 million to the State](#)

## Balance sheet

31.12.2019

EUR million		31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
1	Gold and gold receivables	2,135	1,767
2	Claims on non-euro area residents denominated in foreign currency	7,932	7,116
	Receivables from the International Monetary Fund (IMF)	1,961	1,905
	Balances with banks and security investments, external loans and other external assets	5,971	5,211
3	Claims on euro area residents denominated in foreign currency	325	478
4	Claims on non-euro area residents denominated in euro	227	777
5	Lending to euro area credit institutions related to monetary policy operations denominated in euro	4,648	8,648
6	Other claims on euro area credit institutions denominated in euro	1	4
7	Securities of euro area residents denominated in euro	47,789	48,182
	Securities held for monetary policy purposes	45,946	45,496
	Other securities	1,843	2,687

EUR million		31 Dec 2019	31 Dec 2018
<b>ASSETS</b>			
8	Intra-Eurosystem claims	62,604	44,513
	Participating interest in ECB	159	144
	Claims equivalent to the transfer of foreign reserves	736	728
	Net claims related to the allocation of euro banknotes within the Eurosystem	4,908	4,035
	Other claims within the Eurosystem (net)	56,800	39,606
9	Other assets	591	760
	Coins of euro area	33	27
	Tangible and intangible fixed assets	111	118
	Other current assets	36	112
	Sundry	411	503
	<b>Total assets</b>	<b>126,250</b>	<b>112,246</b>

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

EUR million		31 Dec 2019	31 Dec 2018
<b>LIABILITIES</b>			
1	Banknotes in circulation	21,712	20,215
2	Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	90,403	76,933
	Current accounts (covering the minimum reserve system)	65,127	61,719
	Deposit facility	25,276	15,214
3	Other liabilities to euro area credit institutions denominated in euro	1	–

EUR million		31 Dec 2019	31 Dec 2018
<b>LIABILITIES</b>			
4	Liabilities to other euro area residents denominated in euro	158	600
5	Liabilities to non-euro area residents denominated in euro	1,376	2,989
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	1,468	1,446
9	Intra-Eurosystem liabilities	–	–
10	Other liabilities	47	72
11	Revaluation accounts	3,268	2,470
12	Provisions	4,757	4,636
13	Capital and reserves	2,741	2,654
	Primary capital	841	841
	Reserve fund	1,900	1,813
14	Profit for the financial year	320	230
	<b>Total liabilities</b>	<b>126,250</b>	<b>112,246</b>





## Profit and loss account

31.12.2019

EUR million		1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
1	Interest income	797	724
2	Interest expenses	-41	-27
3	NET INTEREST INCOME	755	697
4	Foreign exchange rate differences	3	11
5	Securities price differences	26	-90
6	Valuation losses related to currencies and securities	-3	-31
7	Change in foreign exchange rate and price difference provision	-24	41
	NET RESULT OF FINANCIAL OPERATIONS, WRITE-DOWNS AND RISK PROVISIONS	757	628
8	Income and expenses on fees and commissions	-4	-4
9	Net result of pooling of monetary income	-293	-242
10	Provision against losses in monetary policy operations	1	-2
11	Share in ECB profit	7	5

EUR million		1 Jan–31 Dec 2019	1 Jan–31 Dec 2018
12	Income from other equity shares and participating interests	29	25
	CENTRAL BANKING PROFIT	497	410
13	Other income	42	35
	Operating expenses	-114	-109
14	Staff costs	-54	-48
15	Pension fund contribution	-10	-10
16	Administrative expenses	-35	-38
17	Depreciation of fixed assets	-9	-12
18	Banknote production services	-6	-2
19	Other expenses	-0	-0
	OPERATING PROFIT	425	335
	Profit for the pension fund	–	–
20	Income of the pension fund	30	30
21	Expenses of the pension fund	-30	-30
22	Changes in provisions	-105	-105
23	PROFIT FOR THE FINANCIAL YEAR	320	230





The image shows a historical handwritten ledger with multiple columns and rows. The top section is labeled 'Debet' and the bottom section is labeled 'Credit'. The entries are written in Swedish and include various financial transactions. The columns represent different accounts or categories, and the rows represent individual transactions. The handwriting is in a cursive script typical of the 18th century.

# Accounting conventions

31.12.2019

## 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	31 Dec 2019	31 Dec 2019
US dollar	1.1234	1.1450
Japanese yen	121.9400	125.8500
Swedish krona	10.4468	10.2548
Swiss franc	1.0854	1.1269
Pound sterling	0.8508	0.8945
Canadian dollar	1.4598	1.5605
Special Drawing Rights (SDR)	0.8104	0.8228
Gold	1,354.1040	1,120.9610

## 3. Valuation and amortisation of securities

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

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

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

## **Securities held for monetary policy purposes**

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

## **Securities other than those held for monetary policy purposes**

Marketable securities and similar assets are valued either at the mid-market prices or on the basis of the relevant yield curve prevailing on the balance sheet date, on a security-by-security basis. For 2019, mid-market prices on 31 December 2019 were used.

In 2019, the ECB guideline on accounting and financial reporting was clarified in respect of marketable investment funds.<sup>1)</sup> Marketable investment funds are valued at market prices on a net fund basis and not on the basis of the underlying assets provided that they meet certain predetermined criteria, broadly speaking in relation to the level of influence of the Bank of Finland on the day-to-day operations of the fund, the legal status of the fund and the way the investment is evaluated. There is no netting between the revaluation results of different marketable investment funds. As a result of the clarification of the guideline, the Bank of Finland's investments in real estate funds were transferred from the balance sheet item 9. 'Other current assets' to the balance sheet item 7. 'Other securities'. There were no changes to the valuation method used for real estate funds; they are valued on the basis of the last available price, and the prices are reviewed in January when the funds report the prices on the balance sheet date.

## 4. Accounting conventions relating to intra-ESCB balances

Intra-Eurosystem balances result primarily from cross-border payments in the 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 TARGET2<sup>2)</sup> and give rise to bilateral balances in the TARGET2 accounts of EU central banks. These bilateral balances are netted and then assigned to the ECB on a daily basis, leaving each national central bank (NCB) with a single net bilateral position vis-à-vis the ECB only.

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

Intra-Eurosystem claims arising from the Bank of Finland’s participating interest in the ECB are reported under ‘Participating interest in ECB’. This balance sheet item includes (i) the NCBs’ paid-up share in the ECB’s subscribed capital, (ii) any net amount paid by the NCBs due to the increase in their shares in the ECB’s equity value<sup>3)</sup> resulting from all previous ECB’s capital key adjustments, and (iii) contributions in accordance with Article 48.2 of the Statute of the ESCB with respect to central banks of Member States whose derogations have been abrogated.

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

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

## 5. Valuation of fixed assets

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



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

The economic lifetimes of assets are calculated as follows:

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

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

## 6. Banknotes in circulation

The ECB and the euro area NCBs, which together comprise the Eurosystem, issue euro banknotes.<sup>4)</sup> 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.<sup>5)</sup> The ECB has been allocated a share of 8% of the total value of euro banknotes in circulation, whereas the remaining 92% has been allocated to NCBs according to their weightings in the capital key of the ECB. The share of banknotes allocated to each NCB is disclosed in the balance sheet under liability item 'Banknotes in circulation'. The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that it actually puts into circulation also gives rise to remunerated<sup>6)</sup> intra-Eurosystem balances. These claims or liabilities are disclosed under the sub-item 'Intra-Eurosystem claims/liabilities: Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem'. In the Bank of Finland's balance sheet, the item is on the assets side.

The 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'.

## 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.<sup>7</sup> It is distributed in full unless it is higher than the ECB's net profit for the year, and subject to any decisions by the Governing Council to make transfers to the provision for financial risks.

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

Key for subscription of the ECB's capital from 1 January 2019	ESCB, capital key, %	Eurosystem, capital key, %
Nationale Bank van België/Banque Nationale de Belgique	2.5280	3.6313
Deutsche Bundesbank	18.3670	26.3827
Eesti Pank	0.1968	0.2827
Central Bank of Ireland	1.1754	1.6884
Bank of Greece	1.7292	2.4839
Banco de España	8.3391	11.9784
Banque de France	14.2061	20.4059
Banca d'Italia	11.8023	16.9530
Central Bank of Cyprus	0.1503	0.2159
Latvijas Banka	0.2731	0.3923
Lietuvos bankas	0.4059	0.5830
Banque centrale du Luxembourg	0.2270	0.3261
Central Bank of Malta	0.0732	0.1051
De Nederlandsche Bank	4.0677	5.8429
Oesterreichische Nationalbank	2.0325	2.9195
Banco de Portugal	1.6367	2.3510
Banka Slovenije	0.3361	0.4828
Národná banka Slovenska	0.8004	1.1497
Suomen Pankki – Finlands Bank	1.2708	1.8254
<b>Subtotal Eurosystem</b>	<b>69.6176</b>	<b>100.0000</b>
Bulgarian National Bank	0.8511	
Česká národní banka	1.6172	
Danmarks Nationalbank	1.4986	



Key for subscription of the ECB's capital from 1 January 2019	ESCB, capital key, %	Eurosystem, capital key, %
Hrvatska narodna banka	0.5673	
Magyar Nemzeti Bank	1.3348	
Narodowy Bank Polski	5.2068	
Banca Națională a României	2.4470	
Sveriges Riksbank	2.5222	
Bank of England	14.3374	
<b>Subtotal for non-euro area NCBs</b>	<b>30.3824</b>	
<b>Total</b>	<b>100.0000</b>	

## 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. Since 2017, the pension fund's investment assets have been managed as part of the Bank of Finland's financial assets, and its assets are included in the Bank's balance sheet. A separate annual report is prepared on the Bank of Finland's pension fund.

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

## 9. Recording of provisions

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

## 10. Off-balance sheet commitments

Profits and losses arising from off-balance sheet instruments are treated in the same way as profits and losses arising from 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 2019.

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1) Guideline (EU) 2019/2217 of the European Central Bank of 28 November 2019 amending Guideline (EU) 2016/2249 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2019/34), OJ L 332, 23.12.2019, p. 184.

2) Trans-European Automated Real-time Gross settlement Express Transfer system.

3) Equity value means the total of the ECB's reserves, revaluation accounts and provisions equivalent to reserves, minus any loss carried forward from previous periods. In the event of capital key adjustments taking place during the financial year, the equity value also includes the ECB's accumulated net profit or net loss until the date of the adjustment.

4) 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.

5) 'Banknote allocation key' means the percentages that result from taking into account the ECB's share in the total euro banknote issue and applying the subscribed capital key to the NCBs' share in such total.

6) ECB Decision of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (recast) (ECB/2016//36).

7) 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 (as amended).

The image shows a handwritten ledger page with columns for 'Debet' and 'Credit'. The entries are in Swedish and include various financial items such as 'Skatt', 'Kostnader', and 'Inkomst'. The page is filled with numerical data and text, with a red box highlighting a portion of the bottom left corner.

## Notes on the balance sheet

31.12.2019

### Assets

#### 1. Gold and gold receivables

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

Gold	31 Dec 2019	31 Dec 2018
Holdings (troy ounces, million)	1.6	1.6
Price: EUR per troy ounce	1,354.1	1,121.0
Market price (EUR m)	2,134.7	1,767.2
Change in market value (EUR m)	367.5	61.6



## 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 2019		31 Dec 2018	
	EUR m	SDR m	EUR m	SDR m
Reserve tranche in the IMF	494.5	400.7	417.9	343.8
Special Drawing Rights (SDRs)	1,387.5	1,124.5	1,363.4	1,121.8
Other receivables from the IMF	79.0	64.3	124.0	102.0
<b>Total</b>	<b>1,961.0</b>	<b>1,589.5</b>	<b>1,905.3</b>	<b>1,567.6</b>

EUR/SDR exchange rate in financial years 2018 and 2019	2019	2018
End-March	0.8092	0.8474
End-June	0.8186	0.8282
End-September	0.7996	0.8297
End-December	0.8104	0.8228

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 1,387.5 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 1,961.0 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.

<b>Breakdown of claims on non-euro area residents denominated in foreign currency</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>	<b>Change</b>
	<b>EUR m</b>	<b>EUR m</b>	<b>EUR m</b>
Deposits	101.5	108.3	-6.8
Coupon papers	4,954.4	4,408.0	546.4
Discount papers	2.9	–	2.9
Other	911.8	694.4	217.4
<b>Total</b>	<b>5,970.6</b>	<b>5,210.8</b>	<b>759.8</b>

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

Currency	31 Dec 2019		31 Dec 2018	
	EUR m	%	EUR m	%
Pound sterling	490.1	9.9	463.4	10.5
US dollar	4,279.9	86.3	3,773.0	85.6
Japanese yen	187.2	3.8	171.6	3.9
<b>Total</b>	<b>4,957.3</b>	<b>100.0</b>	<b>4,408.0</b>	<b>100.0</b>

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

Maturity	31 Dec 2019		31 Dec 2018	
	EUR m	%	EUR m	%
Up to 1 year	759.0	15.3	657.0	14.9
Over 1 year	4,198.3	84.7	3,751.0	85.1
<b>Total</b>	<b>4,957.3</b>	<b>100.0</b>	<b>4,408.0</b>	<b>100.0</b>

### 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 2019	31 Dec 2018	Change
	EUR m	EUR m	EUR m
Coupon papers	332.8	538.0	-205.2
Other	-8.1	-59.7	51.6
<b>Total</b>	<b>324.7</b>	<b>478.3</b>	<b>-153.6</b>

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

Currency	31 Dec 2019		31 Dec 2018	
	EUR m	%	EUR m	%
Pound sterling	185.8	55.8	146.5	27.2
US dollar	147.0	44.2	391.5	72.8
<b>Total</b>	<b>332.8</b>	<b>100.0</b>	<b>538.0</b>	<b>100.0</b>

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

Maturity	31 Dec 2019		31 Dec 2018	
	EUR m	%	EUR m	%
Up to 1 year	124.6	37.4	322.0	59.8
Over 1 year	208.2	62.6	216.0	40.2
<b>Total</b>	<b>332.8</b>	<b>100.0</b>	<b>538.0</b>	<b>100.0</b>

## 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 2019	31 Dec 2018	Change
	EUR m	EUR m	EUR m
Deposits	–	19.1	-19.1
Coupon papers	226.8	753.9	-527.1
Other	–	4.4	-4.4
<b>Total</b>	<b>226.8</b>	<b>777.3</b>	<b>-550.5</b>

Remaining maturity of securities of non-euro area residents denominated in euro				
	31 Dec 2019		31 Dec 2018	
Maturity	EUR m	%	EUR m	%
Up to 1 year	47.0	20.7	282.4	37.5
Over 1 year	179.8	79.3	471.4	62.5
<b>Total</b>	<b>226.8</b>	<b>100.0</b>	<b>753.9</b>	<b>100.0</b>

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

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

The total Eurosystem holding of monetary policy assets amounts to EUR 624,233 million, of which the Bank of Finland holds EUR 4,648.3 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 frequency and a maturity of one week, on the basis of standard tenders. MROs are conducted as fixed rate tender procedures. These 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 2019 operations were conducted with maturities equal to the reserve maintenance period and with maturities between 3 and 48 months. These operations were conducted at fixed rate with allotment of the total amount bid.

In 2016 the Governing Council introduced a new series of four targeted longer-term refinancing operations (TLTRO II). These operations have a four-year maturity, with a possibility of repayment after two years. Additionally, in 2019 the Governing Council introduced a new series of seven quarterly targeted longer-term refinancing operations (TLTRO III). These operations have a three-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 III operation can be as low as the average interest rate on the deposit facility prevailing over the life of the operation. Given that the rate for accruing interest will only be known starting from 2021 and that a reliable estimate is not possible until that time, the deposit facility rate is used for calculating the TLTRO III interest for 2019, as this was deemed a prudent approach.

## 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.

<b>Lending to euro area credit institutions related to monetary policy operations denominated in euro</b>	<b>31 Dec 2019 EUR m</b>	<b>31 Dec 2018 EUR m</b>	<b>Change EUR m</b>
Main refinancing operations	–	–	–
Longer-term refinancing operations	4,648.3	8,648.3	-4,000.0
Fine-tuning reverse operations	–	–	–
Structural reverse operations	–	–	–
Marginal lending facility	–	–	–
Credits related to margin calls	–	–	–
<b>Total</b>	<b>4,648.3</b>	<b>8,648.3</b>	<b>-4,000.0</b>



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

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

Other claims on euro area credit institutions denominated in euro	31 Dec 2019	31 Dec 2018	Change
	EUR m	EUR m	EUR m
Current accounts	0.6	0.0	0.5
Reverse repurchase agreements	–	–	–
Emergency Liquidity Assistance (ELA)	–	–	–
Other	–	3.8	-3.8
<b>Total</b>	<b>0.6</b>	<b>3.8</b>	<b>-3.3</b>

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 2019 this item consisted of securities acquired by the Bank of Finland within the scope of the three covered bond purchase programmes<sup>1)</sup>, the Securities Markets Programme (SMP)<sup>2)</sup>, the public sector purchase programme (PSPP)<sup>3)</sup> and the corporate sector purchase programme (CSPP)<sup>4)</sup>.

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 Governing Council decided to cease further SMP purchases on 6 September 2012.

On 1 November 2019 the Eurosystem restarted its net purchases of securities under the asset purchase programme (APP) <sup>5)</sup> at a monthly pace of EUR 20 billion on average. This followed a period of ten months since end-2018 during which the Eurosystem only reinvested, in full, the principal payments from maturing securities purchased under the APP. The Governing Council expects net purchases to run for as long as necessary to reinforce the accommodative impact of its policy rates, and to end shortly before it starts raising the key ECB interest rates. The Governing Council also intends to continue the reinvestments for an extended period of time past the date when the Governing Council starts raising the key ECB interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

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 value <sup>6)</sup> (which is not recorded on the balance sheet or in the profit and loss account and is provided for comparison purposes only), are as follows:

Securities held for monetary policy purposes	31 Dec 2019		31 Dec 2018		Change	
	EUR m Balance sheet value	EUR m Market value	EUR m Balance sheet value	EUR m Market value	EUR m Balance sheet value	EUR m Market value
First covered bond purchase programme (CBPP1)	–	–	–	–	–	–
Second covered bond purchase programme (CBPP2)	15.0	16.2	97.0	99.0	-82.1	-82.8
Third covered bond purchase programme (CBPP3)	7,409.2	7,563.2	6,697.3	6,760.2	711.9	803.0
Securities Markets Programme (SMP)	617.4	668.5	1,079.9	1,159.3	-462.5	-490.8
Public sector asset purchase programme (PSPP sovereign)	28,629.7	30,038.8	28,308.3	28,673.0	321.4	1,365.8
Public sector asset purchase programme (PSPP supra)	3,017.0	3,176.6	3,175.9	3,194.1	-158.8	-17.5
Corporate sector purchase programme (CSPP)	6,257.9	6,491.5	6,137.3	6,080.9	120.6	410.6
<b>Total</b>	<b>45,946.2</b>	<b>47,954.8</b>	<b>45,495.6</b>	<b>45,966.5</b>	<b>450.6</b>	<b>1,988.3</b>

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

In accordance with Article 32.4 of the ESCB Statute, losses from holdings of securities purchased under the SMP, CBPP3 and CSPP 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 their prevailing ECB capital key shares. As a result of impairment tests conducted on the CSPP portfolio, the Governing Council has deemed it appropriate to maintain a buffer against credit risks in monetary policy operations during 2019 (see 'Provisions' in the notes on the balance sheet).

In the context of the impairment test conducted as at the end of 2019 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 continued to encounter significant financial difficulties in 2019. 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 securities purchased 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.

Securities held for monetary policy purposes	Held by NCBs		On the Bank of Finland's balance sheet	
	31 Dec 2019 EUR m	31 Dec 2018 EUR m	31 Dec 2019 EUR m	31 Dec 2018 EUR m
Securities Markets Programme (SMP)	44,215.8	67,654.0	617.4	1,079.9
Third covered bond purchase programme (CBPP3)	241,933.8	240,655.9	7,409.2	6,697.3
Public sector asset purchase programme (PSPP supra)	225,169.2	224,506.5	3,017.0	3,175.8
Corporate sector purchase programme (CSPP)	184,505.4	178,050.3	6,257.9	6,137.3
<b>Total</b>	<b>695,824.2</b>	<b>710,866.7</b>	<b>17,301.5</b>	<b>17,090.3</b>

## 7.2 Other securities

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

Breakdown of other securities of euro area residents denominated in euro	31 Dec 2019	31 Dec 2018	Change
	EUR m	EUR m	EUR m
Coupon papers	528.7	1,554.1	-1,025.4
Discount papers	110.0	377.1	-267.1
Fund investments	1,204.0	755.4	448.6
<b>Total</b>	<b>1,842.7</b>	<b>2,686.6</b>	<b>-843.9</b>

Remaining maturity of other securities of euro area residents denominated in euro	31 Dec 2019		31 Dec 2018	
	EUR m	%	EUR m	%
Up to 1 year	233.2	36.5	1,210.3	62.7
Over 1 year	405.4	63.5	720.9	37.3
<b>Total</b>	<b>638.7</b>	<b>100.0</b>	<b>1,931.2</b>	<b>100.0</b>

Of the increase in fund investments, EUR 72.4 million is related to the transfer of real estate funds from the balance sheet item 9. 'Other assets' (sub-item 'Shares and other equity').

## 8. Intra-Eurosystem claims

### 8.1 Participating interest in ECB

Key for subscription of the ECB's capital	Until 31 December 2018, %	From 1 January 2019, %
Nationale Bank van België/Banque Nationale de Belgique	2.4778	2.5280



Key for subscription of the ECB's capital	Until 31 December 2018, %	From 1 January 2019, %
Deutsche Bundesbank	17.9973	18.3670
Eesti Pank	0.1928	0.1968
Central Bank of Ireland	1.1607	1.1754
Bank of Greece	2.0332	1.7292
Banco de España	8.8409	8.3391
Banque de France	14.1792	14.2061
Banca d'Italia	12.3108	11.8023
Central Bank of Cyprus	0.1513	0.1503
Latvijas Banka	0.2821	0.2731
Lietuvos bankas	0.4132	0.4059
Banque centrale du Luxembourg	0.2030	0.2270
Central Bank of Malta	0.0648	0.0732
De Nederlandsche Bank	4.0035	4.0677
Oesterreichische Nationalbank	1.9631	2.0325
Banco de Portugal	1.7434	1.6367
Banka Slovenije	0.3455	0.3361
Národná banka Slovenska	0.7725	0.8004
Suomen Pankki – Finlands Bank	1.2564	1.2708
<b>Subtotal Eurosystem</b>	<b>70.3915</b>	<b>69.6176</b>
Bulgarian National Bank	0.8590	0.8511
Česká národní banka	1.6075	1.6172
Danmarks Nationalbank	1.4873	1.4986
Hrvatska narodna banka	0.6023	0.5673

Key for subscription of the ECB's capital	Until 31 December 2018, %	From 1 January 2019, %
Magyar Nemzeti Bank	1.3798	1.3348
Narodowy Bank Polski	5.1230	5.2068
Banca Națională a României	2.6024	2.4470
Sveriges Riksbank	2.2729	2.5222
Bank of England	13.6743	14.3374
<b>Subtotal for non-euro area NCBs</b>	<b>29.6085</b>	<b>30.3824</b>
<b>Total</b>	<b>100.0000</b>	<b>100.0000</b>

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

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

In connection with the quinquennial adjustment of the ECB capital key, on 1 January 2019, the share that the Bank of Finland held in the subscribed capital of the ECB increased from 1.2564% to 1.2708% and asset item 8.1 'Participating interest in ECB' increased from EUR 144.3 million to EUR 159.1 million.

## 8.2 Claims equivalent to the transfer of foreign reserves

These represent the Bank of Finland's claims arising from the transfer of foreign reserve assets to the ECB, when the Bank 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.

The adjustments to the capital key weightings of the ECB on 1 January 2019 also resulted in the adjustment of the claim of the Bank of Finland with respect to the foreign reserve assets transferred to the ECB. In order to reflect its increased capital key share, the euro-denominated claim of the Bank of Finland increased by EUR 8.3 million to EUR 736.4 million on 1 January 2019.

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

This item includes the claim arising from the adjustment of the banknotes of the Bank of Finland to correspond to the ECB's capital key as well as the liability resulting from the share of 8% of the banknotes in circulation allocated to the ECB. For both the claim and the liability, the counter entry is recorded under the balance sheet liability item 'Banknotes in circulation'. <sup>21</sup>

At the end of 2019, the balance sheet item totalled EUR 4,908.0 million (EUR 4,034.6 million in 2018). The increase in comparison to 2018 was due to the increase of 3.8% in banknotes put into circulation by the Bank of Finland, while banknotes in circulation in the Eurosystem as a whole increased by 7.4% from 2018. 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 2019	31 Dec 2018	Change
	EUR m	EUR m	EUR m
Due to/from ECB in respect of TARGET2 (including balances held with Eurosystem banks through correspondent accounts)	57,067.1	39,826.7	17,240.4
Due to/from ECB in respect of monetary income	-292.9	-242.1	-50.8
Due from ECB in respect of the ECB's interim profit distribution	26.1	21.3	4.9
<b>Other claims/liabilities within the Eurosystem (net)</b>	<b>56,800.3</b>	<b>39,605.9</b>	<b>17,194.5</b>

The balance of EUR 56,800.3 million as at 31 December 2019 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 57,067.1 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 -292.9 million at year-end (see 'Net result of pooling of monetary income' in the notes on the profit and loss account).

Concerning 2019, 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 1,431 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 2019 was EUR 26.1 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.

<b>Tangible fixed assets</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>	<b>Change</b>
<b>Book value</b>	<b>EUR m</b>	<b>EUR m</b>	<b>EUR m</b>
Land	8.5	8.5	-
Buildings	83.9	89.8	-6.0
Machinery and equipment	11.1	11.2	-0.0
Art and numismatic collection	0.6	0.6	0.0
<b>Total</b>	<b>104.0</b>	<b>110.0</b>	<b>-6.0</b>

<b>Intangible fixed assets</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>	<b>Change</b>
<b>Book value</b>	<b>EUR m</b>	<b>EUR m</b>	<b>EUR m</b>
IT systems	7.0	7.6	-0.6
<b>Total</b>	<b>7.0</b>	<b>7.6</b>	<b>-0.6</b>

<b>Other holdings and sundry assets</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>	<b>Change</b>
	<b>EUR m</b>	<b>EUR m</b>	<b>EUR m</b>
Coins of euro area	33.4	26.6	6.8
Shares and other equity	22.7	98.5	-75.8
Pension fund's real estate	12.8	14.0	-1.2
Accruals	379.6	432.3	-52.7
Items relating to valuation of off-balance sheet items	28.9	67.9	-39.0
Sundry assets	2.3	2.6	-0.3
<b>Total</b>	<b>479.7</b>	<b>641.9</b>	<b>-162.2</b>

The decrease in the sub-item 'Shares and other equity' is mainly due to the transfer of real estate fund investments to the balance sheet item 7.2 'Other securities'.

## 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 2019, the total value of banknotes in circulation within the Eurosystem increased by 7.4%. According to the allocation key, the Bank of Finland had euro banknotes in circulation worth EUR 21,711.6 million at the end of the year, compared with EUR 20,215.2 million at the end of 2018. The value of euro banknotes actually issued by the Bank of Finland in 2019 increased by 3.8% from EUR 16,180.7 million to EUR 16,803.6 million. As this was less than the allocated amount, the difference of EUR 4,908.0 million (compared to EUR 4,034.6 million in 2018) is shown under asset sub-item 'Net claims related to the allocation of euro banknotes within the Eurosystem'.

<b>Banknotes in circulation</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>EUR m</b>	<b>EUR m</b>
EUR 5	77.9	82.4
EUR 10	-94.1	-81.0
EUR 20	3,263.6	3,196.8
EUR 50	11,661.3	10,868.3
EUR 100	-1,117.2	-997.1
EUR 200	654.5	505.8
EUR 500	2,357.5	2,605.5
<b>Total</b>	<b>16,803.6</b>	<b>16,180.7</b>
ECB issue figure	-1,887.8	-1,757.9
CSM figure	6,795.9	5,792.5
Banknotes in circulation in accordance with the ECB's capital key	21,711.6	20,215.2

## 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 2019 EUR m	31 Dec 2018 EUR m	Change EUR m
Current accounts (covering the minimum reserve system)	65,126.6	61,719.2	3,407.4
Deposit facility	25,276.1	15,213.6	10,062.5
Fixed-term deposits	–	–	–
Fine-tuning reverse operations	–	–	–
Deposits related to margin calls	–	–	–
<b>Total</b>	<b>90,402.7</b>	<b>76,932.8</b>	<b>13,469.9</b>

### 2.1 Current accounts (covering the minimum reserve system)

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

Starting on 30 October 2019, the Governing Council introduced a two-tier system for reserve remuneration, which exempts part of credit institutions' excess liquidity holdings (i.e. reserve holdings in excess of minimum reserve requirements) from negative remuneration at the rate applicable on the deposit facility. This part is remunerated at the annual rate of 0%. The volume of reserve holdings in excess of minimum reserve requirements that was exempt at year-end from the deposit facility rate – the exempt tier – was determined as a multiple of 6 on an institution's minimum reserve requirements.<sup>8)</sup> The non-exempt tier of excess liquidity holdings continues to be remunerated at the lower of either zero percent or the deposit facility rate.

### 2.2 Deposit facility

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

### **2.3 Fixed-term deposits**

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

### **2.4 Fine-tuning reverse operations**

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

### **2.5 Deposits related to margin calls**

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

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

The Bank of Finland's other liabilities to euro area credit institutions denominated in euro totalled EUR 1.5 million.

## **4. Liabilities to other euro area residents denominated in euro**

This item consists of euro-denominated liabilities to the public sector (EUR 150 million) and credit institutions other than those subject to the reserve requirement (EUR 8.3 million).

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

This item consists of balances of international organisations and non-euro area banks with the Bank of Finland (EUR 1,376.0 million).

## **6. Liabilities to euro area residents denominated in foreign currency**

As at 31 December 2019, 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 2019, 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 2019 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 2019 (EUR 1,467.7 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'.

## 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 2019	31 Dec 2018	Change
	EUR m	EUR m	EUR m
Accruals	47.6	73.2	-25.6
Accounts payable	1.3	0.5	0.8
Sundry	-1.8	-1.9	0.1
<b>Total</b>	<b>47.1</b>	<b>71.8</b>	<b>-24.7</b>

## 11. Revaluation accounts

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

Revaluation accounts	31 Dec 2019	31 Dec 2018	Change
	EUR m	EUR m	EUR m
Gold	1,745.7	1,378.2	367.5
Foreign currencies:			
USD	865.7	783.7	82.0
GBP	59.9	22.3	37.7
JPY	123.6	102.3	21.4
SDR	12.4	7.5	4.8
Other currencies	0.2	0.1	0.0
Securities	81.1	15.0	66.1
Fund investments	229.2	1.3	227.9
Other revaluations	150.1	159.9	-9.8
<b>Total</b>	<b>3,267.9</b>	<b>2,470.2</b>	<b>797.7</b>

## 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 2019, these provisions totalled EUR 4,756.7 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.



In accordance with the decision of the Governing Council taken under Article 32.4 of the ESCB Statute, the provision against credit risks in monetary policy operations is allocated between the national central banks of participating Member States (NCBs) in proportion to their subscribed capital key shares in the ECB prevailing in the year when the initial impairment occurred. As a result of the annual impairment test of the CSPP portfolio, the Governing Council has reviewed the appropriateness of the volume of the provision against credit risks established in 2018 and decided to reduce this provision from a total amount of EUR 161.1 million as at 31 December 2018 to an amount of EUR 89.4 million as at 31 December 2019. The Bank of Finland's share in this provision amounts to EUR 1.6 million (2018: EUR 2.9 million). The respective adjustments are reflected in the NCB's profit and loss accounts. In the case of the Bank of Finland, the resulting income amounted to EUR 1.3 million in 2019 (see 'Net result of pooling of monetary income' in the notes on the profit and loss account).

The pension provision is made to cover the Bank of Finland's pension liabilities. These liabilities total EUR 554.9 million: 106.2% of this amount is covered by the pension provision, i.e. EUR 589.2 million. The change in the pension provision consists of a reduction of EUR -0.4 million in the revaluation account and a loss of EUR -6.8 million for the pension fund which was covered by reducing the pension provision. At the end of 2019, real estate in the value of EUR 12.8 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 576.3 million) of the pension provision. Instead, these assets are managed as part of the Bank's financial assets.

Provisions (EUR m)	Total provisions	Change in provisions	Total provisions	Change in provisions	Total provisions
	31 Dec 2017	2018	31 Dec 2018	2019	31 Dec 2019
Foreign exchange rate and price difference provision	850	-41	809	24	833
General provision	1,745	50	1,795	50	1,845
Provision against real value loss	1,378	55	1,433	55	1,488
Pension provision	604	-8	596	-7	589
Provision against losses in monetary policy operations	1	2	3	-1	2
<b>Total</b>	<b>4,579</b>	<b>58</b>	<b>4,636</b>	<b>120</b>	<b>4,757</b>

### 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 2019	31 Dec 2018	Change
Primary capital	840.9	840.9	–
Reserve fund	1,900.0	1,812.7	87.3
<b>Total</b>	<b>2,741.0</b>	<b>2,653.7</b>	<b>87.3</b>

### 14. Profit for the financial year

The profit for the financial year 2019 totalled EUR 319.8 million.

Profit for the financial year (EUR m)	31 Dec 2019	31 Dec 2018	Change
To be transferred for the needs of the State	188.0	143.0	45.0
Bank of Finland's share of profit (to be transferred to the reserve fund)	131.8	87.3	44.5
<b>Total</b>	<b>319.8</b>	<b>230.3</b>	<b>89.5</b>

### Post-balance-sheet events

As a result of the departure of the United Kingdom from the EU and consequent withdrawal of the Bank of England from the European System of Central Banks (ESCB), the weightings assigned to the remaining NCBs in the key for subscription to the ECB's capital were adjusted with effect from 1 February 2020, as follows:

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

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

## Impact on the Bank of Finland's share in the ECB's capital

The ECB kept its subscribed capital unchanged at EUR 10,825 million after Bank of England's withdrawal from the ESCB. The share of the Bank of England in the ECB's subscribed capital, which stood at 14.3%, was reallocated among both the euro area NCBs and the remaining non-euro area NCBs. As a result, the Bank of Finland's share in the ECB's subscribed capital increased from 1.2708% to 1.4939%.

The ECB's paid-up capital will also remain unchanged at EUR 7,659 million in the year of the United Kingdom's departure from the EU, i.e. in 2020, as the remaining NCBs have covered the withdrawn Bank of England's paid-up capital of EUR 58 million. Of this, the Bank of Finland's share was EUR 1.7 million and it was paid on 3 February 2020. Euro area NCBs will pay up in full their increased subscriptions to the ECB capital in two additional annual instalments. As a result, the Bank of Finland will transfer to the ECB an amount of EUR 11.2 million in both 2020 and 2021.

## Impact on NCB's claims equivalent to the foreign reserve assets transferred to the ECB

Pursuant to Article 30.2 of the Statute of the ESCB, the contributions of the NCBs to the transfer of foreign reserve assets to the ECB are fixed in proportion to their share in the ECB's subscribed capital. Following (a) the increase in the weighting of the euro area NCBs (which have transferred foreign reserve assets to the ECB) in the ECB's subscribed capital resulting from Bank of England's withdrawal from the ESCB and (b) a decision of the Governing Council to reduce the proportion of the euro area NCBs' contributions, so that the total amount of foreign reserve assets already transferred by the euro area NCBs will remain at the current level, the claim equivalent to this transfer was marginally adjusted. This resulted in a minor increase in the Bank of Finland's claim, which was paid to the ECB on 3 February 2020.

## Off-balance sheet commitments

Off-balance sheet commitments	31 Dec 2019	31 Dec 2018
	EUR m	EUR m
Futures contracts		
Nominal value of purchase agreements	69.4	1,692.0
Nominal value of sales agreements	–	-211.1
Market value of FX-swap agreements	3.8	-8.7
Investment commitments related to real estate funds	50.0	–
Securities lending	37.0	785.7

In accordance with the Governing Council's decision, the Bank of Finland has made available for lending its holdings of securities purchased under the CBPP3, the PSPP and the CSPP. Securities lending operations conducted against collateral other than cash collateral are recorded in off-balance-sheet accounts at the end of the year.<sup>21</sup> Such securities lending operations with a value of EUR 37 million (2018: EUR 786 million) were outstanding as at 31 December 2019.

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- 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, 22.10.2014, 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 establishing a public sector 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) The APP programme consists of the third covered bond purchase programme (CBPP3), the asset-backed securities purchase programme (ABSPP), the PSPP and the CSPP. Further details on the APP can be found on the ECB's website (<https://www.ecb.europa.eu/mopo/implement/omt/html/index.en.html>).
  - 6) Market values are indicative and were derived on the basis of market quotes. When market quotes were not available, market prices were estimated using internal Eurosystem models.
  - 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 a 'Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem'.
  - 8) The multiplier may be adjusted by the Governing Council over time in line with changing levels of excess liquidity holdings.
  - 9) Cash collateral received in securities lending operations is recorded in on-balance-sheet accounts (see liability item 3. 'Other liabilities to euro area credit institutions denominated in euro' and liability item 5. 'Liabilities to non-euro area residents denominated in euro' in the notes on the balance sheet). There were no such loans as at 31 December 2019.



## Notes on the profit and loss account

31.12.2019

### 1. Interest income

Interest income from and outside the euro area totalled EUR 796.7 million. Of this, EUR 144.7 million consisted of foreign currency-denominated interest income and EUR 652.0 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 2019, no interest income was earned from ESCB items.

<b>Foreign currency-denominated interest income received outside the euro area (EUR m)</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
Non-euro area coupon bonds	114.2	89.3	24.9
Non-euro area discount papers	0.2	0.7	-0.5
Non-euro area deposits	2.2	1.8	0.4
Other	19.9	16.1	3.8
<b>Total</b>	<b>136.5</b>	<b>107.9</b>	<b>28.7</b>

<b>Euro-denominated interest income received outside the euro area (EUR m)</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
Non-euro area coupon bonds	0.5	0.8	-0.3
Non-euro area deposits	0.0	0.5	-0.5
Other	7.4	8.3	-0.9
<b>Total</b>	<b>7.9</b>	<b>9.6</b>	<b>-1.7</b>

<b>Foreign currency-denominated interest income received from the euro area (EUR m)</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
Euro area coupon bonds	7.8	9.6	-1.8
Euro area deposits	0.3	0.1	0.2
<b>Total</b>	<b>8.1</b>	<b>9.7</b>	<b>-1.6</b>

<b>Euro-denominated interest income received from the euro area (EUR m)</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
Euro area coupon bonds	-1.9	-2.9	1.0
Euro area discount papers	-0.4	-3.7	3.3
Euro area deposits	0.0	0.7	-0.6
Dividends on euro-denominated investments	21.8	15.2	6.6
ESCB items	-	-	-
Interest income from monetary policy lending	-	-	-
Interest income from monetary policy securities	226.1	200.9	25.1
Interest income from negative interest rates on credit institutions' deposits	387.5	380.0	7.5
Other	11.1	6.5	4.6
<b>Total</b>	<b>644.1</b>	<b>596.6</b>	<b>47.6</b>

<b>Total interest income (EUR m)</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
Foreign currency-denominated interest income received outside the euro area	136.5	107.9	28.7
Euro-denominated interest income received outside the euro area	7.9	9.5	-1.7
Foreign currency-denominated interest income received from the euro area	8.1	9.7	-1.6
Euro-denominated interest income received from the euro area	644.1	596.6	47.6
<b>Total</b>	<b>796.7</b>	<b>723.7</b>	<b>73.0</b>

## 2. Interest expenses

Foreign currency-denominated interest expenses paid outside the euro area (EUR m)	2019	2018	Change
Non-euro area deposits	-0.2	-0.0	-0.2
Other	-15.6	-13.4	-2.2
<b>Total</b>	<b>-15.8</b>	<b>-13.4</b>	<b>-2.4</b>

Euro-denominated interest expenses paid outside the euro area (EUR m)	2019	2018	Change
Non-euro area deposits	-0.0	-0.4	0.4
Other	-0.0	-0.3	0.3
<b>Total</b>	<b>-0.0</b>	<b>-0.7</b>	<b>0.7</b>

Euro-denominated interest expenses paid in the euro area (EUR m)	2019	2018	Change
Monetary policy lending	-24.9	-11.6	-13.2
Other	-0.7	-1.3	0.6
<b>Total</b>	<b>-25.6</b>	<b>-13.0</b>	<b>-12.6</b>

<b>Total interest expenses (EUR m)</b>	<b>2019</b>	<b>2018</b>	<b>Change</b>
Foreign currency-denominated interest expenses paid outside the euro area	-15.8	-13.4	-2.4
Euro-denominated interest expenses paid outside the euro area	-0.0	-0.7	0.7
Euro-denominated interest expenses paid in the euro area	-25.6	-13.0	-12.6
<b>Total</b>	<b>-41.4</b>	<b>-27.0</b>	<b>-14.4</b>

### 3. Net interest income

<b>Net interest income (EUR m)</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>	<b>Change</b>
<b>Interest income</b>			
Financial assets	183.1	142.8	40.3
Monetary policy items	613.6	580.9	32.7
ESCB claims	–	–	–
<b>Total</b>	<b>796.7</b>	<b>723.7</b>	<b>73.0</b>
<b>Interest expenses</b>			
Financial assets	-16.5	-15.4	-1.1
Monetary policy items	-24.9	-11.6	-13.2
ESCB liabilities	–	–	–
<b>Total</b>	<b>-41.4</b>	<b>-27.0</b>	<b>-14.4</b>
<b>NET INTEREST INCOME</b>	<b>755.3</b>	<b>696.7</b>	<b>58.6</b>

### 4. Foreign exchange rate differences

This item includes realised exchange rate gains and losses arising from the sale of currency positions. In 2019, gains related to exchange rate movements amounted to EUR 2.6 million.

## **5. Securities price differences**

This item includes realised gains and losses arising from the sale of securities. In 2019, realised gains from the sale of securities amounted to EUR 26.2 million, of which EUR 1.9 million related to the sale of securities in the CSPP portfolio due to corporate actions.

## **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 2019. Valuation losses related to securities amounted to EUR 3.2 million.

## **7. Change in foreign exchange rate and price difference provision**

Realised net gains arising from foreign exchange rate and price differences, totalling EUR 23.8 million, were used to increase the foreign exchange rate and price difference provision in accordance with the accounting conventions. All provisions have been specified in the notes on the balance sheet under liabilities.

## **8. Income and expenses on fees and commissions**

The item includes fees and commissions related to investment activities.

## 9. Net result of pooling of monetary income

Monetary income	31 Dec 2019	31 Dec 2018
	EUR m	EUR m
Net monetary income pooled by the Bank of Finland	513.4	450.9
Net monetary income allocated to the Bank of Finland	206.3	217.9
<b>Net monetary income according to the capital allocation key</b>	<b>-307.1</b>	<b>-233.0</b>
Corrections to monetary income reallocation of previous years	14.2	-9.0
<b>Total</b>	<b>-292.9</b>	<b>-242.1</b>

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

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



The amount of each NCB's monetary income shall be determined by measuring the actual income that derives from the earmarkable assets recorded in its books. As an exception to this, gold is considered to generate no income and the following are considered to generate income at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations: (i) securities held for monetary policy purposes under Decision ECB/2009/16 of 2 July 2009 on the implementation of the covered bond purchase programme, (ii) securities held for monetary policy purposes under Decision ECB/2011/17 of 3 November 2011 on the implementation of the second covered bond purchase programme and (iii) debt instruments issued by central, regional and local governments and recognised agencies and substitute debt instruments issued by public non-financial corporations under Decision ECB/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 NCBs according to the subscribed ECB capital key. The difference between the monetary income pooled by the Bank of Finland amounting to EUR 513.4 million and reallocated to the Bank of Finland amounting to EUR 206.3 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 2019 of the net result of the provision against credit risks in monetary policy operations of the Eurosystem, amounting to an income of EUR 1.3 million (see 'Provisions' in the notes on the balance sheet).

## **11. Share in ECB profit**

The ECB distributed EUR 384 million profit for the financial year 2018, of which the Bank of Finland's share recorded for the financial year 2019 totalled EUR 6.9 million.

## **12. Income from other equity shares and participating interests**

This item includes the Bank of Finland's share, EUR 26.1 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 2019. The item also includes dividends received on shares in the BIS, EUR 3.2 million.

## 13. Other income

This item consists of the Financial Supervisory Authority's supervision and processing fees, EUR 33.3 million. The item also includes income from real estate, EUR 5.6 million, capital gains from the sale of a real estate corporation, EUR 2.2 million and commissions and fees.

## 14. Staff costs

<b>Staff costs</b>	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>EUR m</b>	<b>EUR m</b>
Salaries and fees	43.9	39.4
Employer's contributions to the pension fund	8.5	7.6
Other staff-related costs	1.5	1.0
<b>Total</b>	<b>53.9</b>	<b>48.0</b>

<b>Average staff size</b>	<b>2019</b>	<b>2018</b>
	<b>Number of staff</b>	<b>Number of staff</b>
Bank of Finland	362	356
Financial Supervisory Authority	226	194
<b>Total</b>	<b>588</b>	<b>550</b>

<b>Basic salaries paid to the members of the Board (EUR)</b>	<b>2019</b>
Olli Rehn	271,293
Marja Nykänen	244,527
Tuomas Välimäki	199,749
<b>Total</b>	<b>715,569</b>

Fringe benefits (meal benefits, company-paid telephone and company car) paid to the members of the Board totalled EUR 28,668.

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

## 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 2019 to cover the pension fund's deficit for the financial year.

## 16. Administrative expenses

<b>Administrative expenses</b>	<b>2019</b>	<b>2018</b>
	<b>EUR m</b>	<b>EUR m</b>
Supplies and purchases	0.5	0.5
Machinery and equipment	7.1	6.8
Real estate	8.9	9.5
Staff-related expenses	4.0	3.6
Purchase of services	12.8	12.6
Other	2.1	4.6
<b>Total</b>	<b>35.4</b>	<b>37.6</b>

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 2019	31 Dec 2018
	EUR m	EUR m
Buildings	3.4	4.4
Machinery and equipment	2.7	3.0
<b>Total</b>	<b>6.1</b>	<b>7.4</b>

Depreciation of intangible fixed assets	31 Dec 2019	31 Dec 2018
	EUR m	EUR m
IT systems	3.2	4.3
<b>Total</b>	<b>3.2</b>	<b>4.3</b>

## 18. Banknote production services

Costs related to banknote production services totalled EUR 5.7 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 11.7 million, as well as a contribution of EUR 10 million paid by the Bank to the pension fund. Income from the pension fund's real estate, EUR 1.7 million, is also recorded under this item.

## **21. Expenses of the pension fund**

This item includes pensions paid, EUR 28.4 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 2019 totalled EUR 319.8 million. The Board proposes to the Parliamentary Supervisory Council that EUR 188.0 million of the profit be made available for the needs of the State.



## Appendices to the financial statements

31.12.2019

EUR m	31 Dec 2019	31 Dec 2018
<b>Shares and other interests, nominal value</b>		
Bank for International Settlements (BIS) <sup>1</sup>	22.4 (1.96%)	22.4 (1.96%)
Shares in housing companies	0.2	2.5
Other shares and interests	0.1	0.1
<b>Total</b>	<b>22.7</b>	<b>25.0</b>
<b>Bank of Finland's liability share in the Finnish Central Securities Depository Fund</b>	<b>0.3</b>	<b>0.3</b>
<b>Liability arising from pension commitments</b>		
Bank of Finland's pension liability <sup>2</sup>	554.9	554.8
– of which covered by provisions	589.2	596.4
<b>Customer service office</b>		
Deposits	0.2	21.4
Loans	0.1	3.0



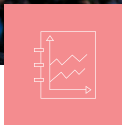
EUR m	31 Dec 2019	31 Dec 2018
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1 In parentheses, the Bank of Finland's relative holdings of the BIS shares in circulation.

2 Pension liability for 2019 includes indexation of pensions and paid-up policies entering into force on 1 January 2020.

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

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



## Notes on risk management

31.12.2019

### **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 Market Operations department. Risk control of investment activities and reporting on risks and returns are the responsibility of the Administration department's Risk Control and Financial Accounting division.

Risks to investment activities are reported daily to the persons involved in operational investment activities and monthly to the Bank of Finland Board. Developments in investment returns are reported monthly to the persons involved in investment activities and the Board member responsible for investment activities. Returns are considered 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 Market Operations department and as coordinator of matters common to the investment and risk control functions. The Head of Market Operations chairs the Investment Group and makes decisions therein. The Head of the Administration department's Risk Control and Financial Accounting division chairs the Risk Group and makes decisions therein.

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

The Bank of Finland also has an Operational and Cyber Risks Committee. The task of the Committee is to evaluate the Bank's level of operational and cyber 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 rating<sup>1</sup>

Credit rating	31 Dec 2019	29 Dec 2018
	EUR m	EUR m
AAA	1,956	2,783
AA+	2,936	2,846
AA	454	942
AA–	95	169
A+	1,412	1,265
A	204	224
A–	77	135
BBB+	54	59
BBB	–	–
BBB–	–	–
Below BBB–	–	–
No credit rating	–	–
<b>Total</b>	<b>7,188</b>	<b>8,423</b>

<sup>1</sup> 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)**

Country or region	31 Dec 2019	31 Dec 2018
	EUR m	EUR m
<b>Euroarea</b>	<b>918</b>	<b>2,400</b>
Germany	502	1,026
France	215	617
Netherlands	101	357
Austria	74	214
Finland	27	134
Belgium	–	52
<b>Rest of Europe</b>	<b>1,050</b>	<b>1,103</b>
Sweden	467	454
United Kingdom	294	336
Norway	156	196
Denmark	111	80
Switzerland	22	37
<b>America</b>	<b>3,708</b>	<b>3,497</b>
United States	2,926	2,704
Canada	782	793
<b>Asia and Oceania</b>	<b>1,324</b>	<b>1,199</b>
Japan	1,185	975
Australia	130	190
South Korea	9	–
Singapore	–	33

Country or region	31 Dec 2019	31 Dec 2018
	EUR m	EUR m
International institutions	187	224
<b>Total</b>	<b>7,188</b>	<b>8,424</b>

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	2019	2018
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	-1,150	-1,006
Change in the value of the Bank of Finland's financial assets after an interest rate rise of 1% as at 31 Dec	-148	-151
Change in the value of the Bank of Finland's equity funds after a decrease in the value of equity funds by 25%	-270	-183

Source: Bank of Finland.

## Allocation of the Bank of Finland's fixed-income investment portfolios at the end of 2019

Fixed-income investment portfolios	Allocation at year-end (%)
Government debt instruments and central bank deposits	61.5
Government-related debt instruments	20.9
Covered bonds	9.2
Corporate bonds	7.8
Cash holdings	0.6
<b>Total</b>	<b>100.0</b>

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

6.3.2020

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 2019 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, 6 March 2020

Mika Kari

Esko Kiviranta

Jukka Kopra

Lotta Kauppila, Authorised Public Accountant

Timo Tuokko, Authorised Public Accountant

Markku Koskela, Authorised Public Accountant

The image shows a historical ledger page with handwritten entries in Swedish. The page is divided into two main sections: 'Debet' (Debit) at the top and 'Credit' at the bottom. The entries are organized into columns, with the left side containing descriptions and the right side containing numerical values. The word 'Summan' (Total) is written at the bottom of the page. The handwriting is in a cursive style, and the page shows signs of age and wear.

## Statement regarding the audit

28.2.2020

### 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 2019. 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 2020  
PricewaterhouseCoopers Oy  
Authorised Public Accountants  
Jukka Paunonen  
Authorised Public Accountant