

The image shows a historical handwritten ledger from the Bank of Finland. The ledger is divided into two main sections: 'Debet' (Debit) on the left and 'Credit' (Credit) on the right. Each section contains multiple columns for different categories and numerical values. The entries are written in cursive script. A red square icon with a white line graph is overlaid on the bottom left of the image.

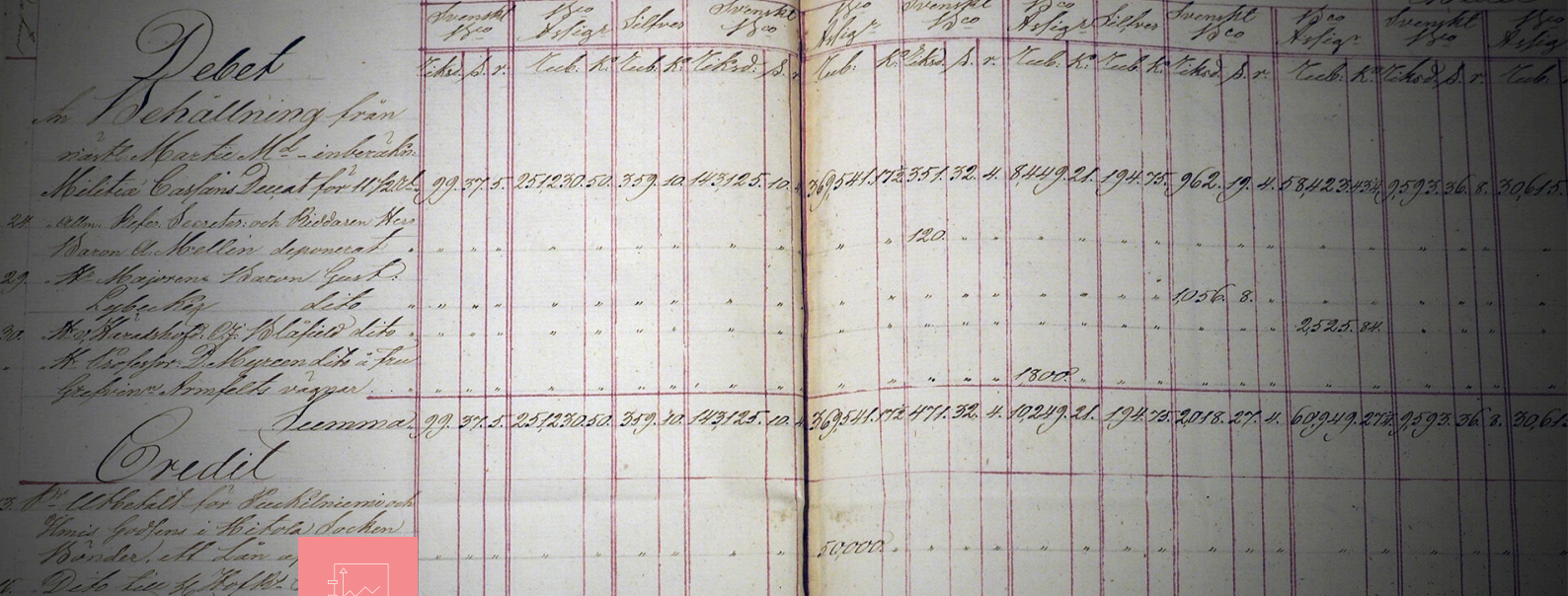
Financial Statements

The Parliamentary Supervisory Council has confirmed the Bank of Finland's financial statements and has, upon proposal by the Bank's Board, decided that EUR 26 million, i.e. half of the Bank's profit for the financial year 2021, will be transferred to the State.

The Bank of Finland's audited profit for the financial year 2021 totals EUR 52 million. According to the Act on the Bank of Finland, half of the Bank's profit is to be transferred to the reserve fund and the remaining profit made available for use by the State. The Act also allows for a decision to be made to distribute the profit differently if justified by the Bank's financial condition or the size of the reserve fund.

The Bank of Finland's income consists primarily of the following: interest income on banknotes and on the Eurosystem's monetary policy items; investment income on foreign reserves and on other financial assets of the Bank; and its share of the European Central Bank's profit that is distributed to the euro area national central banks. In 2021, the Bank of Finland's net interest income amounted to EUR 658 million (2020: EUR 731 million). Interest income was lower than in previous years due to a decrease in interest income on foreign reserves and lower yields on Finnish government bonds. In addition, interest expenses related to targeted monetary policy operations (TLTRO III) increased further, and so the Bank of Finland's share in the Eurosystem's monetary income fell to EUR 21 million (2020: EUR 79 million).

The Bank of Finland's income covers its operating expenses and provisions. Operating expenses, excluding banknote production services and an additional pension fund contribution, amounted to EUR 106 million in 2021 (2020: EUR 99 million).



Balance sheet

31.12.2021

EUR million		31 Dec 2021	31 Dec 2020
ASSETS			
1	Gold and gold receivables	2,537	2,434
2	Claims on non-euro area residents denominated in foreign currency	12,180	8,461
	Receivables from the International Monetary Fund (IMF)	5,016	1,973
	Balances with banks and security investments, external loans and other external assets	7,164	6,488
3	Claims on euro area residents denominated in foreign currency	360	295
4	Claims on non-euro area residents denominated in euro	–	–
5	Lending to euro area credit institutions related to monetary policy operations denominated in euro	36,113	21,779
6	Other claims on euro area credit institutions denominated in euro	0	0
7	Securities of euro area residents denominated in euro	90,001	65,657
	Securities held for monetary policy purposes	89,825	65,477
	Other securities	176	180

EUR million		31 Dec 2021	31 Dec 2020
ASSETS			
8	Intra-Eurosystem claims	33,983	56,871
	Participating interest in ECB	177	165
	Claims equivalent to the transfer of foreign reserves	741	741
	Net claims related to the allocation of euro banknotes within the Eurosystem	8,263	6,872
	Other claims within the Eurosystem (net)	24,802	49,093
9	Other assets	608	625
	Coins of euro area	38	45
	Tangible and intangible fixed assets	92	101
	Other current assets	34	35
	Sundry	444	445
	Total assets	175,782	156,121

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

EUR million		31 Dec 2021	31 Dec 2020
LIABILITIES			
1	Banknotes in circulation	26,100	24,243
2	Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	124,607	110,864
	Current accounts (covering the minimum reserve system)	101,054	89,190
	Deposit facility	23,553	21,674
3	Other liabilities to euro area credit institutions denominated in euro	306	–
4	Liabilities to other euro area residents denominated in euro	2,708	5,608
5	Liabilities to non-euro area residents denominated in euro	5,388	2,743
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	4,326	1,402
9	Intra-Eurosystem liabilities	–	–
10	Other liabilities	448	133
11	Revaluation accounts	3,623	2,876
12	Provisions	5,309	5,237
13	Capital and reserves	2,915	2,873
	Primary capital	841	841
	Reserve fund	2,074	2,032
14	Profit for the financial year	52	142
Total liabilities		175,782	156,121



Profit and loss account

31.12.2021

EUR million		1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
1	Interest income	981	857
2	Interest expenses	-323	-126
3	NET INTEREST INCOME	658	731
4	Foreign exchange rate differences	5	36
5	Securities price differences	44	311
6	Valuation losses related to currencies and securities	-28	-16
7	Change in foreign exchange rate and price difference provision	-21	-331
	NET RESULT OF FINANCIAL OPERATIONS, WRITE-DOWNS AND RISK PROVISIONS	658	731
8	Income and expenses on fees and commissions	-5	-4
9	Net result of pooling of monetary income	-483	-397
10	Share in ECB profit	7	17
11	Income from other equity shares and participating interests	9	23
	CENTRAL BANKING PROFIT	186	371

EUR million		1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
12	Other income	44	46
	Operating expenses	-120	-118
13	Staff costs	-61	-57
14	Pension fund contribution	-10	-10
15	Administrative expenses	-35	-33
16	Depreciation of fixed assets	-9	-9
17	Banknote production services	-5	-9
18	Other expenses	-0	-0
	OPERATING PROFIT	110	299
	Profit for the pension fund	–	–
19	Income of the pension fund	31	31
20	Expenses of the pension fund	-31	-31
21	Changes in provisions	-58	-157
22	PROFIT FOR THE FINANCIAL YEAR	52	142

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 2021	31 Dec 2020
US dollar	1.1326	1.2271
Japanese yen	130.3800	126.4900
Swedish krona	10.2503	10.0343
Swiss franc	1.0331	1.0802
Pound sterling	0.8403	0.8990
Canadian dollar	1.4393	1.5633
Special Drawing Rights (SDR)	0.8091	0.8485
Gold	1,609.4830	1,543.8840

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 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 2021, mid-market prices on 31 December 2021 were used.

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

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

4. Accounting conventions relating to intra-ESCB balances

Intra-Eurosystem balances result primarily from cross-border payments in the European Union (EU) that are settled in central bank money in euro. These transactions are for the most part initiated by private entities. They are primarily settled in TARGET2 – the Trans-European Automated Real-time Gross settlement Express Transfer system – 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 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 value¹⁾ resulting from all previous ECB capital key adjustments, and (iii) contributions in accordance with Article 48.2 of the Statute of the ESCB with respect to central banks of Member States whose derogations have been abrogated.

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

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

5. Valuation of fixed assets

Fixed assets are valued at cost less depreciation. Depreciation is calculated on a straight-line basis over the expected economic lifetime of an asset, beginning primarily 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.²⁾ The total value of euro banknotes in circulation is allocated to the Eurosystem central banks on the last working day of each month in accordance with the banknote allocation key.³⁾ The ECB has been allocated a share of 8% of the total value of euro banknotes in circulation, whereas the remaining 92% has been allocated to NCBs according to 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 remunerated⁴⁾ intra-Eurosystem balances. These claims or liabilities are disclosed under the sub-item 'Intra-Eurosystem claims/liabilities: Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem'. In the Bank of Finland's balance sheet, the item is on the assets side. The interest income and expense on these balances is cleared through the accounts of the ECB and is disclosed under 'Net interest income'.

7. Interim profit distribution by the ECB

The Governing Council of the ECB has decided that the seigniorage income of the ECB, which arises from the 8% share of euro banknotes allocated to the ECB, as well as the income arising from the securities held under (a) the Securities Markets Programme (SMP), (b) the third covered bond purchase programme (CBPP3), (c) the asset-backed securities purchase programme (ABSPP), (d) the public sector purchase programme (PSPP), and (e) the pandemic emergency purchase programme (PEPP) is distributed in January of the following year by means of an interim profit distribution, unless otherwise decided by the Governing Council.⁵⁾ It is distributed in full unless it is higher than the ECB's net profit for the year and subject to any decisions by the Governing Council to make transfers to the provision for financial risks.

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

8. Pension fund

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

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

9. Recording of provisions

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

10. Off-balance sheet commitments

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

11. Changes in accounting conventions

There were no changes in accounting conventions in the financial year 2021.

1) 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.

2) Decision of the ECB of 13 December 2010 on the issue of euro banknotes (ECB/2010/29) (2011/67/EU) (OJ L 35, 9.2.2011, p. 26), as amended. The unofficial consolidated text with the list of amendments can be found [here](#).

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

4) Decision (EU) 2016/2248 of the ECB of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (ECB/2016/36), (OJ L 347, 20.12.2016, p. 26), as amended. The unofficial consolidated text with the list of amendments can be found [here](#).

5) Decision (EU) 2015/298 of the ECB of 15 December 2014 on the interim distribution of the income of the European Central Bank (ECB/2014/57), (OJ L 53, 25.2.2015, p. 24), as amended. The unofficial consolidated text with the list of amendments can be found [here](#).

Notes on the balance sheet

31.12.2021

Assets

1. Gold and gold receivables

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

Gold	31 Dec 2021	31 Dec 2020
Holdings (troy ounces, million)	1.6	1.6
Price: EUR per troy ounce	1,609.5	1,543.9
Market price (EUR m)	2,537.3	2,433.9
Change in market value (EUR m)	103.4	299.2

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

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

Receivables from the International Monetary Fund (IMF)

Breakdown of receivables from the IMF	31 Dec 2021		31 Dec 2020	
	EUR m	SDR m	EUR m	SDR m
Reserve tranche in the IMF	741.2	599.7	576.0	488.7
Special drawing rights	4,234.5	3,426.2	1,326.5	1,125.5
Other receivables from the IMF	40.3	32.6	70.7	60.0
Total	5,016.0	4,058.6	1,973.3	1,674.2

EUR/SDR exchange rate in financial years 2020 and 2021	2021	2020
End-March	0.8277	0.8025
End-June	0.8333	0.8143
End-September	0.8216	0.8318
End-December	0.8091	0.8485

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

The Bank of Finland's special drawing rights allocation amounts to EUR 4,234.5 million. The special drawing rights are reserve assets created and allocated by the IMF to its member countries. They are used in currency transactions as normal currency units. The value of the item increased significantly in August 2021, when the IMF increased the allocation of special drawing rights by an equivalent of USD 650 billion. This was a global crisis measure of historic proportions, which the IMF approved to reinforce the liquidity buffers of its member countries and to support economic recovery. It also improved the possibilities to continue combating the pandemic. The Bank of Finland's share in the allocation was SDR 2.3 billion, i.e. EUR 2.8 billion. The value of the sub-item also changes on the basis of foreign exchange transactions between the member countries. It is also affected by interest 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 5,016.0 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.

Breakdown of claims on non-euro area residents denominated in foreign currency	31 Dec 2021 EUR m	31 Dec 2020 EUR m	Change EUR m
Deposits	44.7	41.8	2.9
Coupon papers	3,963.5	4,579.4	-615.9
Discount papers	485.5	–	485.5
Fund investments	1,775.7	1,134.6	641.0
Other	894.9	732.0	162.9
Total	7,164.3	6,487.9	676.4

Currency breakdown of securities of non-euro area residents denominated in foreign currency				
Currency	31 Dec 2021		31 Dec 2020	
	EUR m	%	EUR m	%
Pound sterling	410.8	9.2	432.5	9.4
US dollar	3,827.3	86.0	3,896.0	85.1
Japanese yen	211.0	4.7	250.9	5.5
Total	4,449.1	100.0	4,579.4	100.0

Remaining maturity of securities of non-euro area residents denominated in foreign currency				
Maturity	31 Dec 2021		31 Dec 2020	
	EUR m	%	EUR m	%
Up to 1 year	1,638.0	36.8	889.9	19.4
Over 1 year	2,811.0	63.2	3,689.5	80.6
Total	4,449.1	100.0	4,579.4	100.0

3. Claims on euro area residents denominated in foreign currency

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

Breakdown of claims on euro area residents denominated in foreign currency	31 Dec 2021 EUR m	31 Dec 2020 EUR m	Change EUR m
Deposits	87.2	32.2	55.0
Coupon papers	269.3	270.9	-1.6
Other	3.4	-8.4	11.8
Total	359.9	294.7	65.2

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

Currency	31 Dec 2021		31 Dec 2020	
	EUR m	%	EUR m	%
Pound sterling	145.5	54.0	182.4	67.3
US dollar	123.8	46.0	88.5	32.7
Total	269.3	100.0	270.9	100.0

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

Maturity	31 Dec 2021		31 Dec 2020	
	EUR m	%	EUR m	%
Up to 1 year	148.0	55.0	96.9	35.8
Over 1 year	121.3	45.0	174.0	64.2
Total	269.3	100.0	270.9	100.0

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

As at 31 December 2021, the Bank of Finland had no claims on non-euro area residents denominated in euro.

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 2,201,882.1 million, of which the Bank of Finland holds EUR 36,113.4 million. In accordance with Article 32.4 of the ESCB Statute, losses from monetary policy operations, if they were to materialise, are shared in full by the Eurosystem NCBs, in proportion to the prevailing ECB capital key shares. Losses can only materialise if both the counterparty fails and the recovery of funds received from the resolution of the collateral provided by the counterparty is not sufficient. For specific collateral which can be accepted by NCBs at their own discretion, risk sharing has been excluded by the Governing Council of the ECB.

Lending to euro area credit institutions related to monetary policy operations denominated in euro	31 Dec 2021 EUR m	31 Dec 2020 EUR m	Change EUR m
Main refinancing operations	–	–	–
Longer-term refinancing operations	36,113.4	21,779.0	14,334.4
Fine-tuning reverse operations	–	–	–
Structural reverse operations	–	–	–
Marginal lending facility	–	–	–
Credits related to margin calls	–	–	–
Total	36,113.4	21,779.0	14,334.4

5.1 Main refinancing operations

Main refinancing operations (MROs) are executed through liquidity providing reverse transactions with a frequency and a maturity of normally one week, on the basis of standard tenders. They 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 2021 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 series of four targeted longer-term refinancing operations (TLTRO II) with a four-year maturity. The last of these operations matured in 2021. Additionally, in 2019 the Governing Council introduced a new series of seven quarterly targeted longer-term refinancing operations (TLTRO III). Furthermore, on 10 December 2020 the Governing Council added three further operations to this series, which were conducted between June and December 2021. These operations have a three-year maturity. For the first seven TLTRO III, from September 2021, starting 12 months after the settlement of each TLTRO III, participants have the option on a quarterly basis of terminating or reducing the amount of TLTRO III concerned before maturity. For the eighth or subsequent TLTROs III, participants have that option on a quarterly basis starting in June 2022. According to the initial decisions taken by the Governing Council, the final interest rate applicable to each TLTRO III operation could be as low as the average interest rate on the deposit facility prevailing over the life of the operation. Furthermore, in response to the COVID-19 shock, in 2020¹¹ the Governing Council decided that for the period between 24 June 2020 and 23 June 2021 and the period between 24 June 2021 and 23 June 2022 – referred to as the *special interest rate period* and the *additional special interest rate period* respectively – the interest rate applicable can be as low as 50 basis points below the average interest rate on the deposit facility prevailing over the same period, but in any case may not become less negative than -1%.

The actual interest rates can only be known at the maturity or early repayment of each operation and before that a reliable estimate is only possible as far as the interest rate related data regarding the special interest rate period and the additional special interest rate period have already been communicated to the counterparties. Consequently, it was deemed a prudent approach to use the deposit facility rate minus 50 basis point, but in any case not higher than -1%, for calculating the TLTRO III interest over the two special interest rate periods, and the deposit facility rate for calculating the TLTRO III interest over the rest of the life of an operation, until more reliable data is available. This means, that for the annual accounts 2021, the following rates are used for calculating the TLTRO III interest accruals: interest rates over the special interest rate periods until 23 June 2021, for which the interest rate related data was communicated to the counterparties on 10 September 2021, and the deposit facility rate minus 50 basis points, with a ceiling of -1%, over the additional special interest rate period from 24 June 2021 until 31 December 2021.

Additionally, on 30 April 2020 the Governing Council decided to conduct a new series of seven additional longer-term refinancing operations which matured in the third quarter of 2021, called pandemic emergency longer-term refinancing operations (PELTROs). These operations provided liquidity support to the euro area financial system and contributed to preserving the smooth functioning of money markets by providing an effective backstop after the expiry of the bridge longer-term refinancing operations (LTROs) that have been conducted since March 2020. Furthermore, on 10 December 2020 the Governing Council also decided to offer four additional PELTROs in 2021 allotted on a quarterly basis, each with a tenor of one year. These operations provide a liquidity backstop to the euro area banking system and contribute to preserving the smooth functioning of the money market during the extended pandemic period.

The PELTROs were conducted as fixed rate tenders with full allotment. The interest rate is 25 basis points below the average rate applied in the Eurosystem's main refinancing operations over the life of the respective PELTRO.

5.3 Fine-tuning reverse operations

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

5.4 Structural reverse operations

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

5.5 Marginal lending facility

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

5.6 Credits related to margin calls

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

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

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

Other claims on euro area credit institutions denominated in euro	31 Dec 2021 EUR m	31 Dec 2020 EUR m	Change EUR m
Current accounts	0.0	0.0	0.0
Reverse repurchase agreements	–	–	–
Emergency Liquidity Assistance (ELA)	–	–	–
Other	–	–	–
Total	0.0	0.0	0.0

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

7. Securities of euro area residents denominated in euro

7.1 Securities held for monetary policy purposes

As at 31 December 2021 this item consisted of securities acquired by the Bank of Finland within the scope of the three covered bond purchase programmes (CBPPs), the Securities Markets Programme (SMP), the public sector purchase programme (PSPP), the corporate sector purchase programme (CSPP) and the pandemic emergency purchase programme (PEPP).

	Start date	End date	Decision	Universe of eligible securities ¹
Completed / Terminated programmes				
CBPP1	July 2009	June 2010	ECB/2009/16	Covered bonds of euro area residents
CBPP2	November 2011	October 2012	ECB/2011/17	Covered bonds of euro area residents
SMP	May 2010	September 2012	ECB/2010/5	Public and private debt securities issued in the euro area ²
Asset purchase programme (APP)				
CBPP3	October 2014	active	ECB/2020/8, as amended	Covered bonds of euro area residents
ABSPP	November 2014	active	ECB/2014/45, as amended	Senior and guaranteed mezzanine tranches of asset-backed securities of euro area residents
PSPP	March 2015	active	ECB/2020/9	Bonds issued by euro-area central, regional or local governments or recognised agencies as well as by international organisations and multilateral development banks located in the euro area
CSPP	June 2016	active	ECB/2016/16, as amended	Bonds and commercial papers issued by non-bank corporations established in the euro area
Pandemic emergency purchase programme (PEPP)				
PEPP	March 2020	active	ECB/2020/17, as amended	All asset categories eligible under the APP ³

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

2) Only public debt securities issued by five euro area treasuries were purchased under the SMP.

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

In 2021 the Eurosystem conducted net purchases under the asset purchase programme (APP) ²⁾ at a monthly pace of EUR 20 billion on average. In December 2021 the Governing Council decided ³⁾ on a monthly net purchase pace of EUR 40 billion in the second quarter and EUR 30 billion in the third quarter of 2022. From October 2022 onwards, the Governing Council will maintain net asset purchases at a monthly pace of EUR 20 billion 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.

In addition, in 2021 the Eurosystem carried on its net asset purchases under the pandemic emergency purchase programme (PEPP) ⁴⁾, with a total envelope of EUR 1,850 billion ⁵⁾. Purchases were conducted in a flexible manner based on the assessment of financing conditions and the inflation outlook. In December 2021 the Governing Council also decided to discontinue net asset purchases under the PEPP at the end of March 2022 but they could be resumed, if necessary, to counter negative shocks related to the pandemic. Furthermore, the Governing Council extended the reinvestment horizon for the principal payments from maturing securities purchased under the PEPP until at least the end of 2024. PEPP reinvestments can be adjusted flexibly across time, asset classes and jurisdictions at any time. The future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.

The securities purchased under all of these programmes are valued on an amortised cost basis subject to impairment (see 'Valuation and amortisation of securities' in the notes on accounting conventions). The amortised cost of the securities held by the Bank of Finland, and their market value ⁶⁾ (which is not recorded on the balance sheet or in the profit and loss account and is provided for comparison purposes only), are as follows:

Securities held for monetary policy purposes (EUR m)						
	31 Dec 2021		31 Dec 2020		Change	
	Balance sheet value	Market value	Balance sheet value	Market value	Balance sheet value	Market value
CBPP2	10.0	10.0	10.0	10.4	0.0	-0.4
SMP	64.5	74.8	413.2	438.4	-348.7	-363.6
CBPP3	11,004.1	11,045.9	9,668.7	9,915.2	1,335.4	1,130.7
PSPP - government/ agency securities	34,554.3	35,451.4	29,822.5	31,793.8	4,731.8	3,657.6
PSPP - supranational securities	2,426.5	2,574.0	2,664.1	2,917.4	-237.7	-343.4
CSPP	13,695.0	13,905.6	10,151.4	10,587.4	3,543.6	3,318.2
PEPP - covered bonds	233.3	231.5	95.3	96.9	138.0	134.7
PEPP - government/ agency securities	23,200.9	22,974.3	10,784.7	10,926.4	12,416.2	12,047.9
PEPP - corporate sector securities	4,636.3	4,676.1	1,866.8	1,991.0	2,769.5	2,685.1
Total	89,824.9	90,943.6	65,476.7	68,676.8	24,348.2	22,266.8

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

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

As a result of impairment tests conducted as at 31 December 2021 on securities purchased under the aforementioned programmes, the Governing Council decided that all future cash flows on these securities are expected to be received. The following table shows, for each programme, total holdings of Eurosystem NCBs and the Bank of Finland's share held on the balance sheet.

Securities held for monetary policy purposes (EUR m)	Held by Eurosystem NCBs		On the Bank of Finland's balance sheet	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
SMP	5,486.3	26,334.6	64.5	413.2
CBPP3	273,233.2	263,535.9	11,004.1	9,668.7
PSPP - supranational securities	264,537.0	249,316.6	2,426.5	2,664.1
CSPP	309,675.5	250,403.2	13,695.0	10,151.4
PEPP - covered bonds	5,377.1	2,814.7	233.3	95.3
PEPP - supranational securities	130,590.5	47,796.1	–	–
PEPP - corporate sector securities	43,781.6	43,153.6	4,636.3	1,866.8
Total	1,032,681.2	883,354.6	32,059.7	24,859.6

7.2 Other securities

This item includes fund shares from the euro area. In 2020, it also included domestic commercial papers purchased by the Bank of Finland to mitigate the negative economic impacts of the COVID-19 pandemic.

Breakdown of other securities of euro area residents denominated in euro (EUR m)	31 Dec 2021	31 Dec 2020	Change
Discount papers	–	60.9	-60.9
Fund investments	175.8	119.5	56.3
Total	175.8	180.4	-4.6

Remaining maturity of other securities of euro area residents denominated in euro	31 Dec 2021		31 Dec 2020	
Maturity	EUR m	%	EUR m	%
Up to 1 year	–	–	60.9	100.0
Over 1 year	–	–	–	–
Total	–	–	60.9	100.0

8. Intra-Eurosystem claims

8.1 Participating interest in ECB

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

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

NCBs' paid-up share in the ECB's capital

	Capital key since 1 February 2020, %	Subscribed capital EUR millions	Paid-up capital as at 31 December 2020 EUR millions	Paid-up capital as at 31 December 2021 EUR millions	Paid-up capital as at 31 December 2022 EUR millions
Nationale Bank van België/Banque Nationale de Belgique (Belgium)	2.9630	320.7	276.3	298.5	320.7
Deutsche Bundesbank (Germany)	21.4394	2,320.8	1,999.2	2,160.0	2,320.8
Eesti Pank (Estonia)	0.2291	24.8	21.4	23.1	24.8
Central Bank of Ireland (Ireland)	1.3772	149.1	128.4	138.8	149.1
Bank of Greece (Greece)	2.0117	217.8	187.6	202.7	217.8
Banco de España (Spain)	9.6981	1,049.8	904.3	977.1	1,049.8
Banque de France (France)	16.6108	1,798.1	1,548.9	1,673.5	1,798.1
Banca d'Italia (Italy)	13.8165	1,495.6	1,288.3	1,392.0	1,495.6
Central Bank of Cyprus (Cyprus)	0.1750	18.9	16.3	17.6	18.9
Latvijas Banka (Latvia)	0.3169	34.3	29.5	31.9	34.3
Lietuvos bankas (Lithuania)	0.4707	51.0	43.9	47.4	51.0
Banque centrale du Luxembourg (Luxembourg)	0.2679	29.0	25.0	27.0	29.0
Central Bank of Malta (Malta)	0.0853	9.2	8.0	8.6	9.2

NCBs' paid-up share in the ECB's capital

	Capital key since 1 February 2020, %	Subscribed capital EUR millions	Paid-up capital as at 31 December 2020 EUR millions	Paid-up capital as at 31 December 2021 EUR millions	Paid-up capital as at 31 December 2022 EUR millions
De Nederlandsche Bank (The Netherlands)	4.7662	515.9	444.4	480.2	515.9
Oesterreichische Nationalbank (Austria)	2.3804	257.7	222.0	239.8	257.7
Banco de Portugal (Portugal)	1.9035	206.1	177.5	191.8	206.1
Banka Slovenije (Slovenia)	0.3916	42.4	36.5	39.5	42.4
Národná banka Slovenska (Slovakia)	0.9314	100.8	86.9	93.8	100.8
Suomen Pankki – Finlands Bank (Finland)	1.4939	161.7	139.3	150.5	161.7
Subtotal for euro area NCBs	81.3286	8,803.8	7,583.6	8,193.7	8,803.8
Bulgarian National Bank (Bulgaria)	0.9832	106.4	4.0	4.0	4.0
Česká národní banka (Czech Republic)	1.8794	203.4	7.6	7.6	7.6
Danmarks Nationalbank (Denmark)	1.7591	190.4	7.1	7.1	7.1
Hrvatska narodna banka (Croatia)	0.6595	71.4	2.7	2.7	2.7
Magyar Nemzeti Bank (Hungary)	1.5488	167.7	6.3	6.3	6.3

NCBs' paid-up share in the ECB's capital

	Capital key since 1 February 2020, %	Subscribed capital EUR millions	Paid-up capital as at 31 December 2020 EUR millions	Paid-up capital as at 31 December 2021 EUR millions	Paid-up capital as at 31 December 2022 EUR millions
Narodowy Bank Polski (Poland)	6.0335	653.1	24.5	24.5	24.5
Banca Națională a României (Romania)	2.8289	306.2	11.5	11.5	11.5
Sveriges Riksbank (Sweden)	2.9790	322.5	12.1	12.1	12.1
Subtotal for non-euro area NCBs	18.6714	2,021.2	75.8	75.8	75.8
Total	100.0000	10,825.0	7,659.4	8,269.5	8,879.6

Capital of the ECB

The subscribed capital of the ECB is EUR 10,825 million. After the Bank of England's withdrawal from the ESCB on 31 January 2020, the ECB kept its subscribed capital unchanged and the share of the Bank of England in the ECB's subscribed capital was reallocated among both the euro area NCBs and the remaining non-euro area NCBs.

The ECB's paid-up capital also remained unchanged at EUR 7,659 million in 2020, as the remaining NCBs covered the withdrawn Bank of England's paid-up capital of EUR 58 million. In addition, the Governing Council decided that the euro area NCBs would pay up in full their increased subscriptions in two annual instalments in 2021 and 2022⁷¹. As a result, the Bank of Finland was required to pay up the first instalment of EUR 11.2 million on 29 December 2021, increasing its share in the paid-up capital of the ECB from EUR 139.3 million in 2020, to EUR 150.5 million in 2021. The second instalment will be paid up in 2022. The balance sheet item also includes net adjustments totalling EUR 26.0 million recorded in different years on account of changes to the ECB capital key.

8.2 Claims equivalent to the transfer of foreign reserves

These represent the Bank of Finland's claims arising from the transfer of foreign reserve assets to the ECB, when the Bank joined the Eurosystem. Pursuant to Article 30.2 of the Statute of the ESCB, these contributions are fixed in proportion to NCBs' share in the subscribed capital of the ECB, meaning the size of the item changes when the ECB capital key changes. 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.

As at 31 December 2021, the Bank of Finland's claims equivalent to the transfer of foreign reserves totalled EUR 741.1 million.

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

This item consists of the claim arising from the adjustment of the banknotes of the Bank of Finland to correspond to the ECB capital key as well as the liability related to the share of 8% of the banknotes in circulation allocated to the ECB. For both the claim and the liability, the counter entry is recorded under the balance sheet liability item 'Banknotes in circulation'.⁸¹

At the end of 2021, the balance sheet item totalled EUR 8,263.0 million (EUR 6,871.6 million in 2020). The increase in comparison to 2020 was due to the increase of 2.7% in banknotes put into circulation by the Bank of Finland in 2021 as well as the rise of 7.7% in banknotes in circulation in the Eurosystem as a whole. The remuneration of these claims is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations.

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

Other claims/liabilities within the Eurosystem (net)	31 Dec 2021 EUR m	31 Dec 2020 EUR m	Change EUR m
Due to/from ECB in respect of TARGET2 (including balances held with Eurosystem banks through correspondent accounts)	25,282.4	49,467.7	-24,185.4
Due to/from ECB in respect of monetary income	-483.1	-398.3	-84.9
Due from ECB in respect of the ECB's interim profit distribution	2.8	23.1	-20.4
Other claims/liabilities within the Eurosystem (net)	24,802.0	49,092.6	-24,290.6

The balance of EUR 24,802.0 million as at 31 December 2021 represents the sum of three components: (1) the position of the Bank of Finland vis-à-vis the ECB in respect of the transfers issued and received through TARGET2 by the ESCB national central banks, including the ECB, plus the balances held with Eurosystem central banks through correspondent accounts; (2) the position vis-à-vis the ECB in respect of the pooling and allocation of monetary income within the Eurosystem pending settlement; and (3) the Bank of Finland's position vis-à-vis the ECB in respect of any amounts receivable or refundable, including the amount due to the Bank of Finland from the ECB in respect of the ECB's interim profit distribution.

Regarding the first component, the year-end net transfers via TARGET2 had a credit balance of EUR 25,282.4 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 -483.1 million at year-end (see 'Net result of pooling of monetary income' in the notes on the profit and loss account).

Concerning 2021, 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 150 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 2021 was EUR 2.8 million (see 'Income from other equity shares and participating interests' in the profit and loss account).

9. Other assets

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

Tangible fixed assets			
Book value	31 Dec 2021 EUR m	31 Dec 2020 EUR m	Change EUR m
Land	6.8	7.2	-0.4
Buildings	66.0	75.2	-9.1
Machinery and equipment	10.8	10.9	-0.0
Art and numismatic collection	0.6	0.6	–
Total	84.3	93.8	-9.5

Intangible fixed assets			
Book value	31 Dec 2021 EUR m	31 Dec 2020 EUR m	Change EUR m
IT systems	8.0	6.8	1.2
Total	8.0	6.8	1.2

Other holdings and sundry assets (EUR m)	31 Dec 2021	31 Dec 2020	Change
Coins of euro area	37.6	44.5	-6.9
Shares and other equity	22.6	22.6	–
Pension fund's real estate and accruals	11.3	12.1	-0.7
Accruals	440.2	425.6	14.6
Items relating to valuation of off-balance sheet items	2.6	18.0	-15.4
Sundry assets	1.0	1.1	-0.1
Total	515.4	524.0	-8.6

Liabilities

1. Banknotes in circulation

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

During 2021, the total value of banknotes in circulation within the Eurosystem increased by 7.7%. According to the allocation key, the Bank of Finland had euro banknotes in circulation worth EUR 26,100.1 million at the end of the year, compared with EUR 24,243.3 at the end of 2020. The value of the euro banknotes actually issued by the Bank of Finland in 2021 increased by 2.7% from EUR 17,371.6 million to EUR 17,837.1 million. As this was less than the allocated amount, the difference of EUR 8,263.0 million (compared to EUR 6,871.6 million in 2020) is shown under asset sub-item 'Net claims related to the allocation of euro banknotes within the Eurosystem'.

Banknotes in circulation (EUR m)	31 Dec 2021	31 Dec 2020
EUR 5	74.8	74.9
EUR 10	-90.6	-101.9
EUR 20	3,250.2	3,281.1
EUR 50	12,784.6	12,285.6
EUR 100	-1,179.9	-1,163.0
EUR 200	810.8	738.3
EUR 500	2,187.2	2,256.6
Total	17,837.1	17,371.6
ECB issue figure	-2,269.5	-2,108.0
CSM figure	10,532.4	8,979.6
Banknotes in circulation in accordance with the ECB capital key	26,100.1	24,243.3

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 2021 EUR m	31 Dec 2020 EUR m	Change EUR m
Current accounts (covering the minimum reserve system)	101,053.9	89,190.3	11,863.6
Deposit facility	23,552.7	21,673.8	1,878.9
Fixed-term deposits	–	–	–
Fine-tuning reverse operations	–	–	–
Deposits related to margin calls	–	–	–
Total	124,606.6	110,864.1	13,742.5

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, excluding funds of credit institutions that are not freely disposable and accounts of credit institutions exempt from minimum reserve requirements, which are disclosed separately under liability item 3 ‘Other liabilities to euro area credit institutions denominated in euro’. 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.⁹⁾ 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

As at 31 December 2021 this item amounted to EUR 305.7 million (in 2020 the Bank of Finland had no liabilities to euro area credit institutions denominated in euro). The item included repurchase agreements, EUR 300.9 million, and collateral related to currency swap agreements, EUR 4.8 million.

4. Liabilities to other euro area residents denominated in euro

This item consists of euro-denominated liabilities to the public sector (EUR 2,700 million) and to credit institutions other than those subject to minimum reserve requirements (EUR 8.0 million).

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

This item consists of balances of international organisations and non-euro area banks with the Bank of Finland (EUR 4,688.2 million) as well as repurchase agreements (EUR 698.4 million) and cash collateral related to currency swap agreements (EUR 1.9 million).

6. Liabilities to euro area residents denominated in foreign currency

As at 31 December 2021, 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 2021, the Bank of Finland had no liabilities to non-euro area residents denominated in foreign currency.

8. Counterpart of special drawing rights allocated by the IMF

This item is the counteritem of special drawing rights (cf. item on the asset side). Originally the amount of special drawing rights and their counteritem were equal. As a result of transactions, the Bank of Finland's claims related to special drawing rights were smaller at the end of 2021 than their counteritem on the liabilities side of the balance sheet. On the liabilities side, the counteritem amounts to SDR 3,500.0 million. The value of the item increased in August 2021, when the IMF increased the allocation of special drawing rights. The Bank of Finland's share in the allocation was SDR 2.3 billion. In the balance sheet, the item is presented in euro, valued at the rate prevailing on 31 December 2021 (EUR 4,325.6 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 asset item 'Intra-Eurosystem claims'.

10. Other liabilities

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

Other liabilities (EUR m)	31 Dec 2021	31 Dec 2020	Change
Accruals	446.7	132.7	314.0
Accounts payable	1.6	0.0	1.6
Sundry	-0.3	0.3	-0.6
Total	448.0	133.0	315.0

11. Revaluation accounts

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

Revaluation accounts (EUR m)	31 Dec 2021	31 Dec 2020	Change
Gold	2,148.3	2,044.9	103.4
Foreign currencies:			
USD	764.6	335.9	428.7
GBP	68.3	17.9	50.4
JPY	72.9	95.5	-22.5
SDR	30.3	–	30.3
Other currencies	0.2	0.2	-0.0
Securities	24.3	130.9	-106.7
Fund investments	380.9	109.6	271.3
Other revaluations	132.8	141.2	-8.5
Total	3,622.6	2,876.1	746.5

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 2021, these provisions totalled EUR 5,309.5 million. Provisions consist of a general provision, provision against real value loss, pension provision and foreign exchange rate and price difference provision.

The pension provision is made to cover the Bank of Finland's pension liabilities. These liabilities total EUR 547.7 million, and 105.2% of this amount is covered by the pension provision, i.e. EUR 576.1 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 -5.9 million for the pension fund which was covered by reducing the pension provision. At the end of 2021, real estate in the value of EUR 11.0 million was earmarked for covering the pension provision (see 'Other assets' in the notes on the balance sheet). No specified assets have been earmarked for covering the remaining portion (EUR 564.8 million) of the pension provision. Instead, these assets are managed as part of the Bank's financial assets.

Provisions (EUR m)	Total provisions 31 Dec 2019	Change in provisions 2020	Total provisions 31 Dec 2020	Change in provisions 2021	Total provisions 31 Dec 2021
Foreign exchange rate and price difference provision	833	331	1,164	21	1,185
General provision	1,845	100	1,945	–	1,945
Provision against real value loss	1,488	57	1,545	58	1,603
Pension provision	589	-7	582	-6	576
Provision against losses in monetary policy operations	2	-2	–	–	–
Total	4,757	480	5,237	73	5,309

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 2021	31 Dec 2020	Change
Primary capital	840.9	840.9	–
Reserve fund	2,073.8	2,031.8	42.0
Total	2,914.8	2,872.7	42.0

14. Profit for the financial year

The profit for the financial year 2021 totalled EUR 52,5 million.

Profit for the financial year (EUR m)	31 Dec 2021	31 Dec 2020	Change
To be transferred for the needs of the State	26.3	100.0	-73.7
Bank of Finland's share of profit (to be transferred to the reserve fund)	26.2	42.0	-15.9
Total	52.5	142.0	-89.6

Off-balance sheet commitments

Off-balance sheet commitments (EUR m)	31 Dec 2021	31 Dec 2020
Futures contracts		
Nominal value of purchase agreements	–	–
Nominal value of sales agreements	-20.0	–
Market value of FX swap agreements	8.1	-0.0
Investment commitments related to real estate funds	35.0	50.0
Securities lending	109.5	744.6

In accordance with the Governing Council's decisions, the Bank of Finland has made available for lending its holdings of securities purchased under the CBPPs, CSPP, PSPP and the PEPP. The Bank of Finland has also made available for lending securities belonging to its own investment assets. Securities lending operations conducted against collateral other than cash are recorded in off-balance-sheet accounts at the year-end.¹⁰⁾ Such lending operations with a value of EUR 109.5 million (2020: EUR 744.6 million) were outstanding as 31 December 2021.

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- 1) Decisions of the Governing Council of 30 April 2020 and 10 December 2020.
 - 2) Further details on the APP can be found on the [ECB's website](#).
 - 3) See the [press release of 16 December 2021](#) on the Governing Council's decision.
 - 4) Further details on the PEPP can be found on the [ECB's website](#).
 - 5) If favourable financing conditions can be maintained with asset purchase flows that do not exhaust the envelope over the net purchase horizon of the PEPP, the envelope need not be used in full.
 - 6) Market values are indicative and are derived on the basis of market quotes. When market quotes are not available, market prices are estimated using internal Eurosystem models.
 - 7) In particular, Decision (EU) 2020/138 of the ECB of 22 January 2020 on the paying-up of the European Central Bank's capital by the national central banks of Member States whose currency is the euro and repealing Decision (EU) 2019/44 (ECB/2020/4), Decision (EU) 2020/136 of the ECB of 22 January 2020 on the paying-up of the European Central Bank's capital by the non-euro area national central banks and repealing Decision (EU) 2019/48 (ECB/2020/2) and Decision (EU) 2020/139 of the ECB of 22 January 2020 laying down the terms and conditions for transfers of the European Central Bank's capital shares between the national central banks and for the adjustment of the paid-up capital and repealing Decision (EU) 2019/45 (ECB/2020/5).
 - 8) According to the accounting regime chosen by the Eurosystem on the issue of euro banknotes, a share of 8% of the total value of the euro banknotes in circulation is allocated to the ECB on a monthly basis. The remaining 92% of the value of the euro banknotes in circulation are allocated to the NCBs also on a monthly basis, whereby each NCB shows in its balance sheet a share of the euro banknotes issued corresponding to its paid-up share in the ECB's capital. The difference between the value of the euro banknotes allocated to the NCB according to the aforementioned accounting regime, and the value of euro banknotes put into circulation, is recorded as 'Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem'.
 - 9) The multiplier may be adjusted by the Governing Council over time in line with changing levels of excess liquidity holdings.
 - 10) 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).



Notes on the profit and loss account

31.12.2021

1. Interest income

Interest income from and outside the euro area totalled EUR 981.3 million. Of this, EUR 86.3 million consisted of foreign currency-denominated interest income and EUR 895.1 million of euro-denominated interest income.

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

ESCB items – claims equivalent to the transfer of foreign reserves to the ECB, claims and liabilities relating to the ECB’s share of euro banknotes and to the application and adjustment of the ECB capital key, as well as TARGET2 balances – are remunerated at the interest rate on the main refinancing operations (MRO). Since the MRO rate was 0% throughout 2021, no interest income was earned from ESCB items.

Foreign currency-denominated interest income received outside the euro area (EUR m)	2021	2020	Change
Interest income from coupon bonds	55.2	91.2	-36.0
Income from discount papers	0.3	0.1	0.2
Interest income from deposits	0.0	0.3	-0.3
Dividends	25.7	20.5	5.3
Other interest income	1.9	4.3	-2.4
Total	83.2	116.3	-33.1

Euro-denominated interest income received outside the euro area (EUR m)	2021	2020	Change
Interest income from coupon bonds	–	0.0	-0.0
Interest income from deposits	0.2	0.0	0.2
Other interest income	20.3	6.4	13.9
Total	20.5	6.4	14.1

Foreign currency-denominated interest income received from the euro area (EUR m)	2021	2020	Change
Interest income from coupon bonds	3.1	4.7	-1.6
Interest income from deposits	0.0	3.2	-3.2
Total	3.1	7.9	-4.8

Euro-denominated interest income received from the euro area (EUR m)	2021	2020	Change
Interest income from coupon bonds	–	-0.1	0.1
Income from discount papers	0.1	2.0	-1.9
Interest income from deposits	0.0	–	0.0
Dividends on euro-denominated investments	3.9	8.8	-4.8
ESCB items	–	–	–
Interest income from monetary policy lending	–	–	–
Interest income from monetary policy securities	200.6	233.3	-32.7
Interest income from negative interest rates on credit institutions' deposits	633.4	428.3	205.2
Other interest income	36.4	53.9	-17.5
Total	874.6	726.2	148.4

Total interest income (EUR m)	2021	2020	Change
Foreign currency-denominated interest income received outside the euro area	83.2	116.3	-33.1
Euro-denominated interest income received outside the euro area	20.5	6.4	14.1
Foreign currency-denominated interest income received from the euro area	3.1	7.9	-4.8
Euro-denominated interest income received from the euro area	874.6	726.2	148.4
Total	981.3	856.8	124.5

2. Interest expenses

Foreign currency-denominated interest expenses paid outside the euro area (EUR m)	2021	2020	Change
Interest expenses on deposits	–	-0.0	0.0
Other interest expenses	-1.4	-3.0	1.6
Total	-1.4	-3.1	1.7

Euro-denominated interest expenses paid outside the euro area (EUR m)	2021	2020	Change
Other interest expenses	–	-0.0	0.0
Total	–	-0.0	0.0

Foreign currency-denominated interest expenses paid in the euro area (EUR m)	2021	2020	Change
Other interest expenses	–	-0.0	0.0
Total	–	-0.0	0.0

Euro-denominated interest expenses paid in the euro area (EUR m)	2021	2020	Change
Interest expenses on monetary policy lending	-321.8	-119.4	-202.4
Other interest expenses	–	-3.2	3.2
Total	-321.8	-122.6	-199.2

Total interest expenses (EUR m)	2021	2020	Change
Foreign currency-denominated interest expenses paid outside the euro area	-1.41	-3.1	1.7
Euro-denominated interest expenses paid outside the euro area	–	-0.0	0.0
Foreign currency-denominated interest expenses paid in the euro area	–	-0.0	0.0
Euro-denominated interest expenses paid in the euro area	-321.82	-122.6	-199.2
Total	-323.2	-125.7	-197.5

3. Net interest income

Net interest income (EUR m)	31 Dec 2021	31 Dec 2020	Change
Interest income			
Financial assets	147.2	195.2	-48.0
Monetary policy items	834.1	661.6	172.5
ESCB claims	–	–	–
Total	981.3	856.8	124.5
Interest expenses			
Financial assets	-1.4	-6.3	4.9
Monetary policy items	-321.8	-119.4	-202.4
ESCB liabilities	–	–	–
Total	-323.2	-125.7	-197.5
NET INTEREST INCOME	658.1	731.1	-73.0

4. Foreign exchange rate differences

This item includes realised exchange rate gains and losses arising from the sale of currency positions. In 2021, gains related to exchange rate movements amounted to EUR 4.9 million.

5. Securities price differences

This item includes realised gains and losses arising from the sale of securities. In 2021, realised gains from the sale of securities amounted to EUR 44.5 million.

6. Valuation losses related to currencies and securities

This item consists of valuation losses related to currencies and securities. Each security type and currency is treated separately. There were no valuation losses related to currencies in 2021. Valuation losses related to securities totalled EUR 28.1 million.

7. Change in foreign exchange rate and price difference provision

Realised net gains arising from foreign exchange rate and price differences, totalling EUR 21.2 million, were used to increase the foreign exchange rate and price difference provision in accordance with the accounting conventions. All provisions have been specified in the notes on the balance sheet under liabilities.

8. Income and expenses on fees and commissions

The item includes fees and commissions related to investment activities.

9. Net result of pooling of monetary income

Monetary income (EUR m)	31 Dec 2021	31 Dec 2020
Net monetary income pooled by the Bank of Finland	507.5	476.5
Net monetary income allocated to the Bank of Finland	21.5	79.3
Monetary income reallocation for the year	-486.0	-397.2
Corrections to monetary income reallocation of previous years	2.8	-1.1
Share of provision against counterparty risks	–	1.6
Total	-483.1	-396.7

This item contains the net result of pooling of monetary income for 2021, amounting to an expense of EUR 486.0 million in comparison to an expense of EUR 397.2 million in the previous year.

The amount of monetary income of each Eurosystem national central bank (NCB) is determined by measuring the annual income that derives from the earmarkable assets held against its liability base. Any interest paid on liabilities included within the liability base is to be deducted from the monetary income to be pooled. 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 table below specifies the items that comprise the earmarkable assets and the liability base as well as the remuneration rate applied to each item.

Earmarkable assets	Remuneration rate	Liability base	Remuneration rate
Amount of gold holdings in proportion to each NCB's capital key share	0%	Banknotes in circulation	Not applicable
Claims equivalent to the transfer of foreign reserves to the ECB (except gold)	Main refinancing operations rate	Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	Rate of return
Lending to euro area credit institutions related to monetary policy operations denominated in euro	Rate of return	Net liabilities arising from balances of TARGET accounts	Main refinancing operations rate
CBPP, CBPP2, PSPP - government/agency bonds and PEPP - government securities	Main refinancing operations rate		
SMP, CBPP3, PSPP - Supra, CSPP and PEPP (excluding PEPP - government securities)	Rate of return		
Claims on non-Eurosystem central banks that relate to liquidity-providing operations	Actual interest income (including accruals)		
Accrued coupon interest related balances on impaired securities held for monetary policy purposes and for which full income/ risk sharing applies	Not applicable		
Net claims related to the allocation of euro banknotes within the Eurosystem	Main refinancing operations rate		
Accrued interest relating to regular monetary policy operations with a maturity of over 1 year	Not applicable		

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 507.5 million and reallocated to the Bank of Finland amounting to EUR 21.5 million is the net result arising from the calculation of monetary income.

10. Share in ECB profit

The ECB distributed EUR 383 million profit for the financial year 2020, of which the Bank of Finland's share recorded for the financial year 2021 totalled EUR 7.0 million.

11. Income from other equity shares and participating interests

This item includes the Bank of Finland's share, EUR 2.8 million, in income on the Securities Markets Programme (SMP) portfolio, the expanded asset purchase programme (APP) portfolio and the pandemic emergency purchase programme (PEPP) portfolio distributed by the ECB in the form of interim profit distribution for the financial year 2021. The item also includes dividends received on shares in the BIS, EUR 6.7 million.

12. Other income

This item consists of income of the Financial Supervisory Authority (FIN-FSA), EUR 37.7 million. The item also includes income from real estate, EUR 5.3 million, and commissions and fees.

13. Staff costs

Staff costs (EUR m)	31 Dec 2021	31 Dec 2020
Salaries and fees	49.6	45.8
Employer's contributions to the pension fund	9.4	8.9
Other staff-related costs	2.1	1.9
Total	61.1	56.6

Average staff size	2021	2020
	Number of staff	Number of staff
Bank of Finland	368	355
Financial Supervisory Authority	239	231
Total	607	586

Basic salaries paid to the members of the Board (EUR)	2021
Olli Rehn	280,979
Marja Nykänen	254,749
Tuomas Välimäki	207,128
Total	742,856

Fringe benefits (meal benefits, company-paid telephone and company car) paid to the members of the Board totalled EUR 42,991.70.

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

14. Pension fund contribution

Approved by the Parliamentary Supervisory Council, the Bank of Finland paid a contribution of EUR 10 million to the Bank's pension fund in 2021 to cover the pension fund's deficit for the financial year.

15. Administrative expenses

Administrative expenses (EUR m)	2021	2020
Supplies and purchases	0.5	0.4
Machinery and equipment	7.4	7.0
Real estate	8.9	8.5
Staff-related expenses	1.0	1.3
Purchase of services	15.1	13.7
Other	2.3	2.1
Total	35.2	32.9

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

16. Depreciation of fixed assets

Depreciation of tangible fixed assets (EUR m)	31 Dec 2021	31 Dec 2020
Buildings	3.7	3.6
Machinery and equipment	2.6	2.5
Total	6.2	6.1

Depreciation of intangible fixed assets (EUR m)	31 Dec 2021	31 Dec 2020
IT systems	2.8	2.8
Total	2.8	2.8

17. Banknote production services

Costs related to banknote production services totalled EUR 4.5 million.

18. Other expenses

The majority of other expenses relate to collection costs, exchange rate and rounding differences and other similar costs.

19. Income of the pension fund

This item includes the Bank of Finland's and the FIN-FSA's employer contributions and employee's share of premium income, totalling EUR 13.2 million, as well as a contribution of EUR 10 million paid by the Bank to the pension fund. Income from the pension fund's real estate, EUR 1.7 million, is also recorded under this item.

20. Expenses of the pension fund

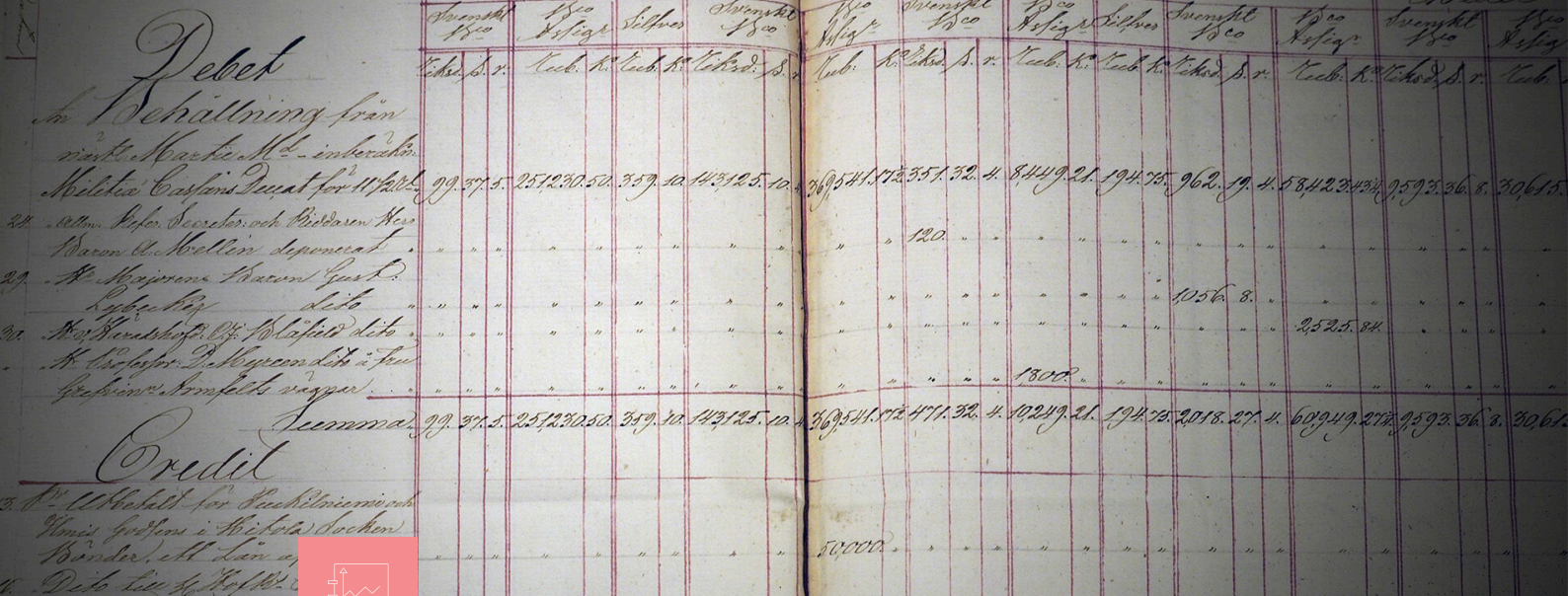
This item includes pensions paid, EUR 28.6 million, the pension fund's management costs and depreciation of the pension fund's fixed assets.

21. Changes in provisions

This item includes the increase of the provision against real value loss, EUR 58 million. All provisions have been specified in the notes on the balance sheet under liabilities.

22. Profit for the financial year

Profit for the financial year 2021 totalled EUR 52.5 million. The Board proposes to the Parliamentary Supervisory Council that EUR 26.3 million of the profit be made available for the needs of the State.



Appendices to the financial statements

31.12.2021

EUR million	31 Dec 2021	31 Dec 2020
Shares and other interests, nominal value		
Bank for International Settlements (BIS) ¹	22.4 (1.96%)	22.4 (1.96%)
Shares in housing companies	0.2	0.2
Other shares and interests	0.0	0.0
Total	22.6	22.6
Bank of Finland's liability share in the Finnish Central Securities Depository Fund	0.3	0.3
Liability arising from pension commitments		
Bank of Finland's pension liability ²	547.7	556.0
– of which covered by provisions	576.1	582.4

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

2) Pension liability for 2021 includes indexation of pensions and paid-up policies entering into force on 1 January 2022.

The Bank of Finland's real estate

Building	Address	Year of completion	Volume m ³ (approx.)
Helsinki	Rauhankatu 16	1883/1961/2006	52,108
	Rauhankatu 19	1954/1981	40,487
	Snellmaninkatu 6 ¹	1857/1892/2001	23,600
	Snellmaninkatu 2 ¹	1901/2003	3,225
	Ramsinniementie 34	1920/1983/1998	4,800
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

31.12.2021

Risk management and control of risks in investment of financial assets

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

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

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

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

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

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

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

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

In addition to the decision-making bodies specified above, the Bank of Finland also has an internal working group on responsible investment. The working group makes decisions on the companies to be excluded from or brought back within the scope of the Bank's investment activities. These decisions are based on responsible investment principles and are taken using analyses of an external service provider.

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

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

Risk measures and breakdowns

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

Credit rating	31 Dec 2021 EUR m	31 Dec 2020 EUR m
AAA	3,077	3,341
AA+	437	378
AA	44	31
AA-	366	312
A+	1,260	1,268
A	205	178
A-	137	115
BBB+	47	32
BBB	14	-
BBB-	-	5
Below BBB-	-	-
No credit rating	82	56
Total	5,670	5,716

1 Covered bonds have been classified according to their own credit rating, not that of the issuer. The Bank of Japan has been rated according to the government's credit rating. Due to changes to the methodology for determining credit ratings, the values for the reference period have been recalculated.

Totals may not add up due to rounding.

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

Country or region (EUR m)	31 Dec 2021	31 Dec 2020
Euro area	214	266
Netherlands	75	67
Austria	67	60
Germany	53	56
France	19	22
Finland	–	61
Rest of Europe	852	832
Sweden	347	320
United Kingdom	290	244
Norway	116	151
Denmark	81	102
Switzerland	18	16
America	2,977	3,102
United States	2,477	2,491
Canada	500	612
Asia and Oceania	1,151	1,153
Japan	1,111	1,087
Australia	18	52
South Korea	22	13
International institutions	477	362
Total	5,670	5,716

Totals and subtotals may not add up due to rounding.

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

EUR m	2021	2020
Change in the value of the Bank of Finland's financial assets (incl. equity fund investments) after appreciation of the euro exchange rate by 15% relative to foreign reserve currencies and gold as at 31 Dec	-1,387	-1,267
Change in the value of the Bank of Finland's financial assets after an interest rate rise of 1% as at 31 Dec	-109	-123
Change in the value of the Bank of Finland's equity funds after a decrease in the value of equity funds by 25%	-378	-284

Allocation of the Bank of Finland's fixed-income investment portfolios at the end of 2021

Fixed-income investment portfolios	Allocation at year-end (%)
Government debt instruments and central bank deposits	52.2
Government-related debt instruments	29.9
Covered bonds	4.9
Corporate bonds	11.4
Cash holdings	1.6
Total	100.0

Definitions and concepts

- **Market risk** means the risk that the net value of assets will decline due to changes in market prices. Market price changes refer to changes in, for example, interest rates, exchange rates, the price of gold or stock prices, which are referred to as interest rate risk, exchange rate risk, gold price risk or equity risk, respectively.
- **Credit risk** means the risk of financial losses arising from changes in the creditworthiness of a counterparty to a financial transaction or a securities issuer or from default by a counterparty or issuer.
- **Liquidity risk** means the risk that assets cannot be made available when the need arises or their conversion into cash causes additional costs.
- **Operational risk** refers to risk of extra costs or losses resulting from inadequate or failed internal processes, personnel, systems or external events.
- **Investment portfolio** 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 corresponds to the average loss in a 1% risk event.

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 some columns containing numbers and others containing text. A red box highlights a small icon in the bottom left corner of the page.

Auditor's report

11.3.2022

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 2021 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, 11 March 2022

Mika Kari

Katri Kulmuni

Jukka Kopra

Lotta Kauppila,
Authorised Public Accountant, Secretary

Timo Tuokko,
Authorised Public Accountant

Basis for opinion

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

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

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

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

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

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

Auditor's responsibilities for the audit of financial statements

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

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

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

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

Helsinki, 28 February 2022
KPMG OY AB
Juha-Pekka Mylén
Authorised Public Accountant