

BANK OF FINLAND



166th
ANNUAL STATEMENT
1977

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Income Statement, 1st January 1977 — 31st December 1977

Interest earnings

Interest on domestic receivables	458 409 064,28
Interest on foreign receivables	71 727 307,74
Interest on bonds	126 035 320,12
Total	656 221 692,14

Interest expenses

Interest on domestic claims	68 830 318,41
Interest and reservations for commissions on foreign claims	103 052 434,17
Total	171 882 755,58

Interest earnings, net

484 338 936,56

Other earnings

Commissions	6 223 974,16
Agio	165 530 644,41
Other earnings	16 003 029,37
Total	187 757 647,94

Other expenses

Salaries	40 218 727,07
Social security contributions	3 543 757,37
Pensions	10 861 950,77
Printing of bank notes	20 710 748,02
Depreciation	134 803 124,43
Other expenses	13 901 751,93
Total	224 040 059,59

Transfer to equalization accounts

230 000 000,—

Net earnings for the accounting year

mk 218 056 524,91

Balance Sheet,

ASSETS			
Gold and foreign exchange receivables			
Gold	132 986 676,—		
Special drawing rights	204 246 044,83		
IMF gold tranche	—		
Convertible currencies	1 264 768 005,76		
Tied currencies	537 263 520,45	2 139 264 247,04	
Other foreign receivables			
Foreign bills	487 680 847,89		
Foreign bonds	542 685 317,42		
Currency subscription to Finland's quota in the IMF	927 967 600,—	1 958 333 765,31	
Receivables from financial institutions			
Cheque accounts of the commercial banks	109 662 265,37		
Discounted bills	3 090 750 000,—		
Bonds	354 653 198,98		
Call money market advances	1 804 000 000,—		
Other financial institution receivables ..	61 179 757,40	5 420 245 221,75	
Receivables from the public sector			
Bonds	60 319 257,30		
Total coinage	303 423 050,—		
Other public sector receivables	27 311 942,13	391 054 249,43	
Receivables from corporations			
New export bills	193 926 070,—		
Financing of domestic deliveries	713 705 276,41		
Bonds	213 788 981,59		
Other corporate receivables	294 764 486,50	1 416 184 814,50	
Other assets			85 267 751,49
Right of note issue		4 190 795 562,40	
Utilized		3 125 716 253,17	
Unused right of note issue		1 065 079 309,23	mk
			mk 11 410 350 049,52

31st December 1977

LIABILITIES		
Foreign exchange liabilities		
Convertible accounts	52 926 481,94	
Tied accounts	40 883 364,74	93 809 846,68
Other foreign liabilities		
IMF mark accounts	1 838 139 960,94	
Allocations of special drawing rights ...	300 221 938,80	
Term liabilities	1 308 775 000,—	3 447 136 899,74
Notes and coins in circulation		
Notes	2 892 033 998,—	
Coins	274 769 758,77	3 166 803 756,77
Deposit certificates in circulation		200 000 000,—
Claims of financial institutions		
Cheque account of Postipankki	1 298 578,10	
Cheque accounts of the commercial banks	3 162 104,17	
Call money market deposits	850 400 000,—	
Capital import deposits	245 978 757,67	
Other financial institution claims	93 484 755,77	1 194 324 195,71
Claims of the public sector		
Cheque accounts	1 654 554,80	
Counter-cyclical reserves	35 933 420,64	
Capital import deposits	287 510 531,21	
Other public sector claims	3 284 186,82	328 382 693,47
Claims of corporations		
Investment deposits	35 551 414,63	
Capital import deposits	180 735 929,92	
Import levy deposits	18 863 648,89	
Other corporate claims	6 951 172,21	242 102 165,65
Other liabilities		12 811 885,40
Equalization accounts		671 089 188,96
Capital accounts		
Primary capital	1 400 000 000,—	
Reserve fund	435 834 892,23	
Net earnings for the accounting year ..	218 056 524,91	2 053 891 417,14
	mk	11 410 350 049,52

The Bank of Finland in 1977

General economic developments

As the growth of international demand slowed down substantially in 1977, the order-books of Finnish export companies declined in several industrial sectors. However, the volume of commodity exports still grew by nearly 10 per cent, owing to a sizable increase in export deliveries by the metal industry. Domestic aggregate demand weakened noticeably, mainly as a result of a further decline in productive investment which was attributable to the uncertain cyclical outlook and weakened corporate profitability. For the third consecutive year, the volume of production remained unchanged. Unemployment continued to increase, and the average unemployment rate was 6 per cent. Although domestic cost and price inflation decelerated towards the end of the year, the year-to-year rise in the consumer price index was almost 13 per cent. The current account deficit declined further, being less than 1 000 million marks at the end of the year. As the volume of imports declined considerably, the trade account showed a small surplus despite a deterioration in the terms of trade.

The Balance Sheet of the Bank of Finland

The convertible foreign exchange reserves of the Bank of Finland increased by 238 million marks and amounted to 1 549 million marks at the end of the year. Of the assets included in the convertible foreign exchange reserves, the gold reserves increased by 12 million marks and convertible currencies by 261 million marks, while holdings of SDRs declined by 32 million marks. The Bank's convertible foreign exchange liabilities, which are taken into account when calculating the reserves, increased by 3 million marks. In order to support its convertible foreign exchange reserve position, the Bank of Finland made drawings, totalling 300 million U.S. dollars or the equivalent of about 1 200 million marks, from its foreign credit facilities during the latter months of the year.

The tied foreign exchange reserves of the Bank of Finland increased by 107 million marks and amounted to 496 million marks at the end of the year. The tied foreign exchange receivables, which are included in the reserves, increased by 97 million marks, while the tied foreign exchange liabilities declined by 10 million marks.

The Balance Sheet item »Other foreign receivables» increased by 299 million marks to 1 959 million marks. Of this amount, the currency subscription to Finland's quota in the International Monetary Fund increased by 101 million marks and foreign bonds by 146 million marks. The item »Other foreign liabilities» grew by 1 524 million marks to 3 447 million marks, mainly as the result of the above-mentioned drawings from the Bank's foreign credit facilities and the increase in the IMF mark accounts.

Total bank lending to the public increased at about the same rate as in 1976, while deposits by the public grew slightly more than in the previous year. The Bank of Finland's net receivables from financial institutions increased by 695 million marks. The commercial banks' central bank credit quotas, which had totalled 2 300 million marks since July 1976, were reduced to 2 100 million marks from the beginning of January and further to 1 900 million marks from the beginning of May. Total central bank financing of the commercial banks increased by 748 million marks and amounted to 5 032 million marks at the end of the year. Of this, the commercial banks' quota-related debt accounted for 3 198 million marks, net call money market advances for 1 794 million marks and transactions in bonds with repurchase obligation for 40 million marks.

On the Bank of Finland's call money market, advances amounted to 1 804 million marks at the end of the year; this was 600 million marks more than at the end of the previous year. Call money market deposits amounted to 850 million marks, which was 287 million marks less than at the end of the previous year. The Bank of Finland deposited 954 million marks in the call money market on the last day of 1977.

In order to encourage the commercial banks to reduce their central bank debt in line with the releasing of import deposits and to provide them with some scope for increasing their profitability, the Bank of Finland set monthly targets for the commercial banks' use of central bank financing for January—August 1977. Under a special bonus system related to the target levels, the Bank of Finland made for each target month a special refund of interest payments, up to their full amount, to a bank whose average monthly central bank financing did not exceed the final target level set for the bank concerned. The amount of refund fell gradually if the bank's use of central bank financing remained above the target level.

The capital import deposits of financial institutions have been entered into the Balance Sheet as a new item. These amounted to 246 million marks at the end of the year.

Receivables from the public sector declined by 56 million marks to 391 million marks and the claims of the public sector by 805 million marks to 328 million marks. Of these claims, import deposits, which amounted to 973 million marks at the beginning of the year, were all released during 1977. Central government counter-cyclical reserves declined from 59 million marks to 36 million marks. The capital import deposits of the public sector have been entered into the Balance Sheet as a new item. These totalled 287 million marks at the end of the year.

The receivables of the Bank of Finland from corporations increased by 16 million marks to 1 416 million marks. Of these, new export bills grew by 29 million marks and the financing of domestic suppliers' credits by 160 million marks. Of the item »Other corporate receivables«, temporary special financing arrangements declined by 193 million marks. The total value of bonds issued by corporations and held by the Bank increased by 16 million marks to 214 million marks.

Claims of corporations declined by 66 million marks to 242 million marks. Most of the claims were capital import deposits, which fell by 61 million marks to 181 million marks. On the basis of a decision by the Council of State, corporations used a net 23 million marks of their investment deposits, which amounted to 35 million marks at the end of the year.

Deposit certificates, of which there were none in circulation at the beginning of the year, amounted to 200 million marks at the end of the year. Notes and coins in circulation increased by 282 million marks and totalled 3 167 million marks at the end of the year.

The rates of interest applied by the Bank of Finland

The basic rate on the commercial banks' central bank credit remained at 9¼ per cent until the end of September and at 8¼ per cent after the general interest rate level had been lowered by one percentage point from the beginning of October. In addition, the Board of Management reserved the right to impose a penalty charge of up to 4 per cent over the basic rate. In accordance with a decision by the Bank Supervisors delegated by Parliament, the upper limit on the rate of interest applied on call money market advances remained at 25 per cent throughout the year. The minimum and maximum rates of interest applied on other credits granted by the Bank of Finland were 7½ and 10½ per cent respectively until the end of September, and 6½ and 9½ per cent thereafter.

The Income Statement of the Bank of Finland

According to the Income Statement, the net profits of the Bank of Finland for the accounting year amounted to 218 million marks, which was 15 million marks more than in 1976. The Bank's earnings totalled 844 million marks. Of this sum, interest earnings from domestic receivables accounted for 458 million marks, those from bonds for 126 million marks and those from foreign receivables for 72 million marks. Net earnings from agios amounted to 166 million marks. The Bank's expenses totalled 396 million marks, of which interest expenses and provision for commissions on foreign claims accounted for 103 million marks, interest expenses on domestic claims for 69 million marks and salaries for 40 million marks. Depreciation amounted to 135 million marks. 230 million marks was transferred from the Bank's earnings to the equalization accounts; this was 20 million marks less than the transfer made in connection with the previous closing of the accounts.

In keeping with the Regulations for the Bank of Finland, one-half of the net profits will be transferred to the reserve fund. The disposal of the other half will be decided by Parliament.

SITRA's basic capital raised

In connection with the closing of the accounts, the basic capital of the Finnish National Fund for Research and Development (SITRA) was raised by 100 million marks to 300 million marks, by transferring bonds and securities owned by the Bank of Finland to the Fund and debiting the Bank of Finland's equalization account with the corresponding amount.

The personnel of the Bank of Finland

At the end of 1977, 593 persons worked in the Bank's Head Office and 293 in branch offices. The corresponding figures at the end of 1976 were 610 and 303. Note-printing Works of the Bank of Finland employed 471 persons at the end of 1977, as against 463 persons at the end of 1976.

The Balance Sheet

ASSETS

mill. mk, end-of-month figures

Month	Gold and foreign exchange receivables				Other foreign receivables	Receivables from financial institutions				Receivables from the public sector			Receivables from corporations				Other assets	Total of Balance Sheet
	Gold	Special drawing rights	Convertible currencies	Tied currencies		Cheque accounts of the commercial banks	Discounted bills	Call money market advances	Other financial institution receivables	Bonds	Total coinage	Other public sector receivables	New export bills	Financing of domestic deliveries	Bonds	Other corporate receivables		
XII/76	121	236	1 004	440	1 660	174	2 920	1 204	376	67	279	101	165	554	198	483	53	10 035
I	127	236	711	795	1 636	119	2 729	1 682	413	68	280	92	168	553	199	388	53	10 249
II	127	236	817	682	1 637	176	2 604	1 869	536	68	282	76	171	563	195	377	60	10 476
III	127	221	944	635	1 692	123	2 769	1 280	410	70	286	77	174	566	190	391	61	10 016
IV	127	221	976	726	1 733	152	2 460	1 050	430	74	288	45	182	616	188	412	62	9 742
V	127	206	819	746	1 851	110	2 749	789	404	68	291	18	183	642	188	424	72	9 687
VI	127	206	632	693	1 855	128	2 768	906	399	64	294	4	178	675	181	425	74	9 609
VII	127	206	522	774	1 874	116	2 773	914	406	65	296	3	192	679	181	446	75	9 649
VIII	127	191	379	882	1 857	85	2 779	966	497	63	297	0	194	692	178	375	76	9 638
IX	127	191	754	922	1 856	140	2 700	893	410	64	300	1	187	708	232	349	77	9 911
X	127	191	803	824	1 893	122	2 722	1 145	546	61	301	1	198	702	230	337	78	10 281
XI	127	176	600	846	1 912	132	3 058	1 100	709	59	303	2	200	694	233	301	79	10 531
XII	133	204	1 265	537	1 959	110	3 091	1 804	415	60	304	27	194	714	214	294	85	11 410

Change in 1977

	+12	-32	+261	+97	+299	-64	+171	+600	+39	-7	+25	-74	+29	+160	+16	-189	+32	+1 375
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during 1977

LIABILITIES

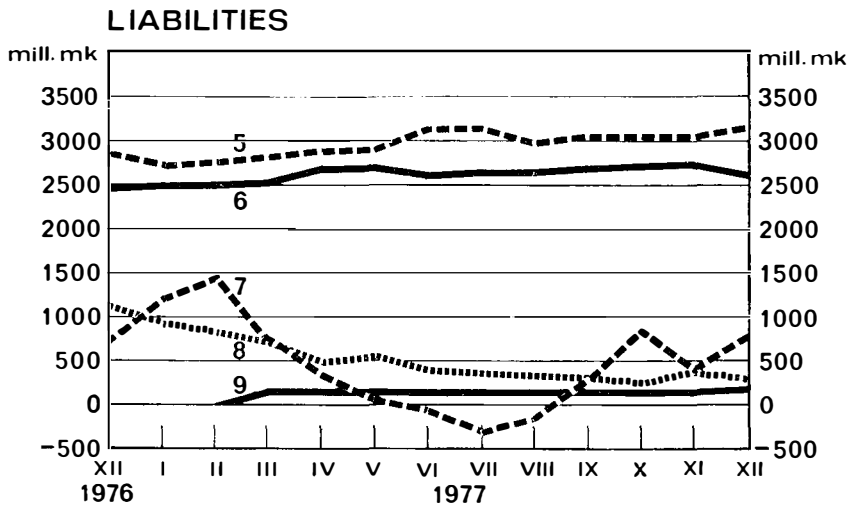
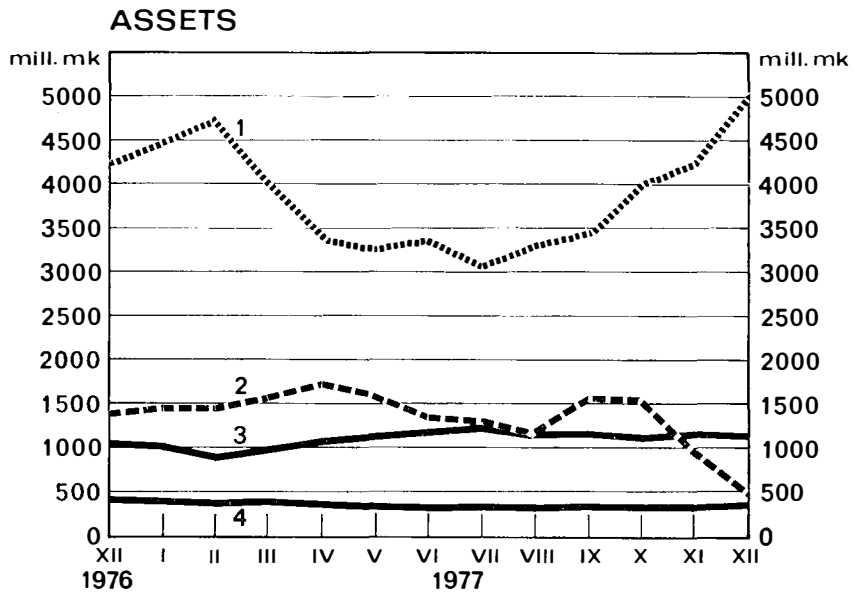
mill. mk, end-of-month figures

Month	Foreign exchange liabilities		Other foreign liabilities	Notes and coins in circulation	Deposit certificates in circulation	Claims of financial institutions		Claims of the public sector			Claims of corporations			Other liabilities	Equalization accounts	Capital accounts			Total of Balance Sheet
	Convertible accounts	Tied accounts				Call money market deposits	Other financial institution claims	Counter-cyclical reserves	Import deposits	Other public sector claims	Investment deposits	Capital import deposits	Other corporate claims			Primary capital	Reserve fund	Net earnings	
XII/76	50	51	1 923	2 885	—	1 137	6	59	973	101	58	242	8	13	592	1 400	334	203	10 035
I	53	27	1 923	2 758	—	1 668	7	38	847	94	53	187	4	13	629	1 400	436	112	10 249
II	49	28	1 923	2 790	—	1 864	3	34	747	92	53	291	9	13	624	1 400	436	120	10 476
III	60	27	1 923	2 845	180	1 276	48	34	572	133	58	243	6	12	632	1 400	436	131	10 016
IV	65	29	1 923	2 924	180	1 050	15	34	345	133	54	201	17	14	778	1 400	436	144	9 742
V	39	32	2 030	2 932	180	574	260	34	209	338	51	202	10	14	790	1 400	436	156	9 687
VI	48	41	2 030	3 154	180	681	92	34	93	303	48	172	10	15	807	1 400	436	65	9 609
VII	56	52	2 030	3 157	180	706	96	34	7	348	48	171	13	16	820	1 400	436	79	9 649
VIII	50	41	2 131	3 022	180	794	54	34	2	317	44	203	13	14	811	1 400	436	92	9 638
IX	51	44	2 134	3 079	180	766	249	34	1	308	42	209	15	13	843	1 400	436	107	9 911
X	47	53	2 134	3 072	180	1 091	286	34	0	252	40	246	19	13	855	1 400	436	123	10 281
XI	46	49	2 556	3 075	180	853	290	34	0	373	37	180	19	13	850	1 400	436	140	10 531
XII	53	41	3 447	3 167	200	850	344	36	0	292	35	181	26	13	671	1 400	436	218	11 410

Change in 1977

	+3	-10	+1 524	+282	+200	-287	+338	-23	-973	+191	-23	-61	+18	—	+79	—	+102	+15	+1 375
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The most important items of the Balance Sheet during 1977



1. Commercial banks' central bank financing, net
2. Foreign receivables, net
3. Receivables from corporations, net
4. Receivables from the public sector

5. Notes and coins in circulation
6. Capital and equalization accounts, other items, net
7. Net claims of other financial institutions
8. Claims of the public sector
9. Deposit certificates in circulation

The Bank Supervisors delegated by Parliament

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Vice Chairman

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LL. M., M. P.

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The Board of Management

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D. Pol. Sc.

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Director of ADP-Planning

PERTTI KUKKONEN
D. Pol. Sc.

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REIJO MÄKINEN

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Managing Director

TOIVO RISSANEN
M. Sc. (Eng.)

Director

TUURE MYNTTINEN
M. A.

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JORMA TUOMIMÄKI

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B. Sc. (Eng.)

MIKKO MANNINEN
M. Sc. (Eng.)

PENTTI RAHIKAINEN
graphic artist

Security Officer

JYRKI AHVONEN

Branches

Joensuu

Manager:
(vacant)

Accountant:
K. KARHI

Cashier:
SIRKKA VILHUNEN

Jyväskylä

Manager:
E. M. TAMMI
Dip. in law

Accountant:
PAULI LÄHDE
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Cashier:
IRMA TIKKA

K o t k a

Manager:
V. LEHTO

Accountant:
ANJA OLLIKAINEN

Cashier:
ARJA LINDGREN

K u o p i o

Manager:
KEIJO KALLASMAA

Accountant:
ELISABETH LEHTO

Cashier:
TYYNE LINDQVIST

L a h t i

Manager:
M. HANNULA

Head of Office:
SIMO LAHTINEN
Lic. Pol. Sc.

Accountant:
TAPANI KULANKO

Cashier:
ANJA MÄKELÄ

M i k k e l i

Manager:
REINO YLÖNEN
B. Sc. (Econ.)

Accountant:
(vacant)

Cashier:
SISKO MYLLYNIEMI

O u l u

Manager:
HARRI SALENIUS
B. Sc. (For.)

Accountant:
RENNE KURTH

Cashier:
HILKKA INKALA

P o r i

Manager:
V. KAARNAKORPI

Accountant:
(vacant)

Cashier:
EEVA TEPONOJA

R o v a n i e m i

Manager:
HEIKKI HAKOLA

Accountant:
ELMER TOIVANEN
M. Sc. (Econ.)

Cashier:
IRJA PYLKKÄNEN

T a m p e r e

Manager:
E. VUORELA

Head of Office:
ILMARI HUUPPONEN
M. A.

Accountants:
HELVI ARIMO
HEIKKI SIITONEN

Cashier:
HELY SNELLMAN

Turku

Manager:

S. PAAVOLA

LL. M.

Head of Office:

MARTTI HAGMAN

M. Pol. Sc.

Accountants:

AARNO ALSI

ANNIKKI HÄKKINEN

Cashier:

INEZ ÅKERBLOM

Vaasa

Manager:

RAUNO HAIKARAINEN

Accountant:

J. HUUSKONEN

Cashier:

M. SELENIUS

Helsinki, 30 December, 1977

The Board of Management of the Bank of Finland

MAUNO KOIVISTO

AHTI KARJALAINEN

PÄIVIÖ HETEMÄKI

PENTTI UUSIVIRTA

ROLF KULLBERG

ELE ALENIOUS