



Financial Statements

31 Dec 2023

The Bank of Finland's audited profit for the financial year 2023 totals EUR 0.00 after a reduction of EUR 1,112 million was made in the general provision in order to cover a negative operating profit. The Bank of Finland's financial result and the structure of its balance sheet are a reflection of the monetary policy measures taken to maintain price stability in accordance with the Bank's mandate.

The European Central Bank (ECB) started raising interest rates in 2022 to reduce the excessively high rate of inflation, and in 2023 it continued to raise rates. The ECB's deposit facility rate reached a level of 4.0% in 2023, after having started the year at 2.0%.

The Bank of Finland holds bonds acquired in asset purchase programmes, and a considerable proportion of these have been issued by Finland's public sector. These are long-term and fixed-rate. The purchasing of these bonds created liquidity, and this then led to an increase in deposits by commercial banks with the central bank. In 2023, the interest paid on these deposits was an average of 3.3%. The differences in the extent to which the Bank of Finland's assets and liabilities are subject to fixed or variable interest rates, in particular, poses a structural interest rate risk for its balance sheet, and this risk has materialised as interest rates have risen.

As a consequence of the higher interest rates, the amount of interest paid on the deposits of commercial banks during the financial year 2023 was EUR 4,472 million, which exceeds the Bank's income from assets. Net interest income in 2023 was EUR -1,044 million, which was EUR 1,503 million less than in 2022.

The figure for central banking profit was EUR -1,027 million in 2023 (2022: EUR 35 million), and includes both interest income on the Bank of Finland's financial assets and the Bank's share of net interest income from the Eurosystem's monetary policy operations. The operating expenses and income of the Bank of Finland and the Financial Supervisory Authority (FIN-FSA), excluding banknote production services and the pension fund contribution, amounted to EUR -70 million (2022: EUR -66 million).



Balance sheet

31 Dec 2023

EUR million		31 Dec 2023	31 Dec 2022
ASSETS			
1	Gold and gold receivables	2,945	2,690
2	Claims on non-euro area residents denominated in foreign currency	12,271	12,430
	Receivables from the International Monetary Fund (IMF)	5,241	5,314
	Balances with banks and security investments, external loans and other external assets	7,030	7,116
3	Claims on euro area residents denominated in foreign currency	100	172
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	3,676	30,096
6	Other claims on euro area credit institutions denominated in euro	0	16
7	Securities of euro area residents denominated in euro	90,272	95,900
	Securities held for monetary policy purposes	90,100	95,745
	Other securities	172	156

EUR million		31 Dec 2023	31 Dec 2022
8	Intra-Eurosystem claims	67,251	47,769
	Participating interest in ECB	188	188
	Claims equivalent to the transfer of foreign reserves	741	741
	Net claims related to the allocation of euro banknotes within the Eurosystem	7,283	8,010
	Other claims within the Eurosystem (net)	59,039	38,830
9	Other assets	1,049	737
	Coins of euro area	41	41
	Tangible and intangible fixed assets	79	87
	Other current assets	31	33
	Sundry	898	577
	Total assets	177,565	189,811

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

EUR million		31 Dec 2023	31 Dec 2022
LIABILITIES			
1	Banknotes in circulation	26,275	26,567
2	Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	124,040	138,697
	Current accounts (covering the minimum reserve system)	3,651	4,684
	Deposit facility	120,389	134,013
3	Other liabilities to euro area credit institutions denominated in euro	6	354
4	Liabilities to other euro area residents denominated in euro	5,608	1,733
5	Liabilities to non-euro area residents denominated in euro	6,544	5,891
6	Liabilities to euro area residents denominated in foreign currency	–	–

EUR million		31 Dec 2023	31 Dec 2022
7	Liabilities to non-euro area residents denominated in foreign currency	–	–
8	Counterpart of special drawing rights allocated by the IMF	4,255	4,381
9	Intra-Eurosystem liabilities	–	–
10	Other liabilities	32	522
11	Revaluation accounts	3,728	3,628
12	Provisions	4,137	5,095
13	Capital and reserves	2,941	2,941
	Primary capital	841	841
	Reserve fund	2,100	2,100
14	Profit for the year	–	–
	Total liabilities	177,565	189,811

Helsinki, 27 February 2024

THE BOARD OF THE BANK OF FINLAND

Olli Rehn, Governor

Marja Nykänen, Deputy Governor

Tuomas Välimäki, Member of the Board



Profit and loss account

31 Dec 2023

EUR million	1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
1 Interest income	3,880	1,125
2 Interest expense	-4,924	-666
3 NET INTEREST INCOME	-1,044	459
4 Foreign exchange rate differences	161	59
5 Securities price differences	36	19
6 Valuation losses related to currencies and securities	-70	-244
7 Change in foreign exchange rate and price difference provision	-140	165
NET RESULT OF FINANCIAL OPERATIONS, WRITE-DOWNS AND RISK PROVISIONS	-1,057	458
8 Income and expenses on fees and commissions	-7	-6
9 Net result of pooling of monetary income	33	-422
10 Share in ECB profit	–	1
11 Income from other equity shares and participating interests	4	4
CENTRAL BANKING PROFIT	-1,027	35
12 Other income	47	44

EUR million		1 Jan–31 Dec 2023	1 Jan–31 Dec 2022
	Operating expenses	-132	-126
13	Staff costs	-65	-62
14	Pension fund contribution	-10	-10
15	Administrative expenses	-42	-38
16	Depreciation of fixed assets	-10	-10
17	Banknote production services	-4	-6
18	Other expenses	-0	-0
	OPERATING PROFIT	-1,112	-47
	Profit for the pension fund	–	–
19	Income of the pension fund	33	31
20	Expenses of the pension fund	-33	-31
21	Changes in provisions	1,112	47
22	PROFIT FOR THE YEAR	–	–

Helsinki, 27 February 2024

THE BOARD OF THE BANK OF FINLAND

Olli Rehn, Governor

Marja Nykänen, Deputy Governor

Tuomas Välimäki, Member of the Board



Accounting policies

31 Dec 2023

1. General accounting policies

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

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

2. Revaluation of items denominated in foreign currency and gold

Items denominated in foreign currency and gold are converted into euro at the exchange rate prevailing on the balance sheet date. If the balance sheet date falls on a weekend, the exchange rates of the preceding business day are used. All foreign currency-denominated items are 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. The exchange rates used in the financial statements are presented in the following Table.

Currency	29 Dec 2023	30 Dec 2022
US dollar	1.1050	1.0666
Japanese yen	156.3300	140.6600
Swedish krona	11.0960	11.1218
Swiss franc	0.9260	0.9847
Pound sterling	0.8691	0.8869
Canadian dollar	1.4642	1.4440
Special Drawing Rights (SDR)	0.8226	0.7989
Gold	1,867.8280	1,706.0750

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.

Securities held for monetary policy purposes

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

Securities other than those held for monetary policy purposes

Marketable securities and similar assets are valued either at the mid-market prices or on the basis of the relevant yield curve prevailing on the balance sheet date, on a security-by-security basis. For 2023, mid-market prices on 29 December 2023 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.

Reverse transactions

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.

Reverse transactions conducted under an automated security lending programme (including security lending transactions) are recorded on the balance sheet at the balance sheet date if collateral is provided in the form of cash placed on an account of the Bank of Finland and this cash is still uninvested.

4. Accounting policies relating to intra-ESCB balances

Intra-Eurosystem balances result primarily from cross-border payments in the EU that are settled in central bank money in euro. These transactions are for the most part initiated by private entities. They are primarily settled in TARGET – the Trans-European Automated Real-time Gross settlement Express Transfer system – and give rise to bilateral balances in the TARGET accounts of EU central banks. Payments conducted by the ECB and the national central banks (NCBs) also affect these accounts. All settlements are automatically aggregated and adjusted to form part of a single position of each NCB vis-à-vis the ECB. The movements in TARGET accounts are reflected in the accounting records of the ECB and the NCBs on a daily basis. These bilateral balances are netted and then assigned to the ECB on a daily basis, leaving each 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 TARGET, as well as other intra-Eurosystem balances denominated in euro (e.g. interim ECB profit distributions to NCBs, if any, monetary income results), are presented on the balance sheet of the Bank of Finland as a single net asset or liability position and disclosed under 'Other claims within the Eurosystem (net)' or 'Other liabilities within the Eurosystem (net)'. Intra-ESCB balances versus non-euro area NCBs not arising from TARGET are disclosed either under 'Claims on non-euro area residents denominated in euro' or 'Liabilities to non-euro area residents denominated in euro'.

Intra-Eurosystem claims arising from the Bank of Finland's participating interest in the ECB are reported under 'Participating interest in ECB'. This balance sheet item includes (i) the NCBs' paid-up share in the ECB's subscribed capital, (ii) any net amount paid by the NCBs due to the increase in their shares in the ECB's equity value ¹¹ 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 'Accounting policies').

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 an 8% share of the total value of euro banknotes in circulation, whereas the remaining 92% has been allocated to NCBs according to the banknote allocation key. The share of banknotes allocated to each NCB is disclosed in the balance sheet under liability item 'Banknotes in circulation'.

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of 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 item 'Net claims (liabilities) related to the allocation of euro banknotes within the Eurosystem' (see section 'Accounting policies relating to intra-ESCB balances'). 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. ⁵¹ Any such decision shall be taken where, on the basis of a reasoned estimate prepared by the Executive Board, the Governing Council expects that the ECB will have an overall annual loss or will make an annual net profit that is less than this income. The Governing Council may also decide to transfer all or part of this income to a provision for financial risks.

Furthermore, the Governing Council may 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. To the extent that the balance sheet value of buildings has been covered by a revaluation, the corresponding depreciation is recorded by reversing the revaluation so that the 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 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 items 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 for calculating average costs.

Changes in the variation margins of futures contracts are taken to the profit and loss account on a daily basis, so no separate revaluation need be performed for them for the purposes of the financial statements. Changes in the variation margins also affect the currency position. The same procedure is applied on the closing day of the open position, regardless of whether or not delivery takes place. If delivery does take place, the purchase or sale entry is made at market price.

11. Changes in accounting policies

There were no changes in accounting policies in 2023.

-
- 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 Dec 2023

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 2023	31 Dec 2022
Holdings (troy ounces, million)	1.6	1.6
Price: EUR per troy ounce	1,867.8	1,706.1
Market price (EUR million)	2,944.6	2,689.6
Change in market value (EUR million)	255.0	152.3

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 of Finland's foreign reserves, and receivables from the International Monetary Fund (IMF).

2.1 Receivables from the International Monetary Fund (IMF)

Breakdown of receivables from the IMF	31 Dec 2023		31 Dec 2022	
	EUR million	SDR million	EUR million	SDR million
Reserve tranche in the IMF	774.7	637.2	828.9	662.2
Special drawing rights	4,354.5	3,581.9	4,464.3	3,566.6
Other receivables from the IMF	112.1	92.2	20.9	16.7
Total	5,241.3	4,311.3	5,314.2	4,245.6

EUR/SDR exchange rate in financial years 2022 and 2023	2023	2022
End-March	0.8082	0.8030
End-June	0.8166	0.7826
End-September	0.8062	0.7621
End-December	0.8226	0.7989

Finland's quota in the IMF is SDR 2,410.6 million. The reserve tranche is the part of the Bank of Finland'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 holdings of special drawing rights (SDRs) are equivalent to EUR 4,354.5 million. 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 amount of the sub-item changes on the basis of currency 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.

In total, the Bank of Finland's receivables from the IMF amount to EUR 5,241.3 million.

2.2 Balances with banks and security investments, external loans and other external assets

This item consists of foreign currency-denominated security and fund investments as well as external loans and other external assets denominated in foreign currency.

Breakdown of claims on non-euro area residents denominated in foreign currency	31 Dec 2023 EUR million	31 Dec 2022 EUR million	Change EUR million
Coupon papers	4,867.9	4,070.5	797.4
Discount papers	–	220.39	-220.4
Fund investments	1,526.1	1,580.8	-54.6
Other	636.0	1,244.3	-608.4
Total	7,030.0	7,116.0	-86.0

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

Currency	31 Dec 2023		31 Dec 2022	
	EUR million	%	EUR million	%
Pound sterling	634.6	13.0	587.8	13.7
US dollar	4,091.7	84.1	3,569.7	83.2
Japanese yen	141.5	2.9	133.4	3.1
Total	4,867.9	100.0	4,290.9	100.0

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

Maturity	31 Dec 2023		31 Dec 2022	
	EUR million	%	EUR million	%
Up to 1 year	639.5	13.1	1,169.9	27.3
Over 1 year	4,228.3	86.9	3,121.0	72.7
Total	4,867.9	100.0	4,290.9	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 denominated in foreign currency.

Breakdown of claims on euro area residents denominated in foreign currency	31 Dec 2023 EUR million	31 Dec 2022 EUR million	Change EUR million
Deposits	15.6	33.7	-18.1
Coupon papers	86.1	109.1	-22.9
Other	-1.3	29.7	-30.9
Total	100.5	172.4	-71.9

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

Currency	31 Dec 2023		31 Dec 2022	
	EUR million	%	EUR million	%
Pound sterling	44.2	51.4	61.7	56.5
US dollar	41.9	48.6	47.4	43.5
Total	86.1	100.0	109.1	100.0

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

Maturity	31 Dec 2023		31 Dec 2022	
	EUR million	%	EUR million	%
Up to 1 year	28.1	32.6	59.4	54.4
Over 1 year	58.0	67.4	49.7	45.6
Total	86.1	100.0	109.1	100.0

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

As at 31 December 2023, the Bank of Finland did not have any 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 presents the monetary policy instruments used by the Bank of Finland to implement monetary policy as part of the Eurosystem. It 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 410.3 billion, of which the Bank of Finland holds EUR 3,676.4 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 2023 EUR million	31 Dec 2022 EUR million	Change EUR million
Main refinancing operations	–	–	–
Longer-term refinancing operations	3,676.4	30,096.4	-26,420.0
Fine-tuning reverse operations	–	–	–
Structural reverse operations	–	–	–
Marginal lending facility	–	–	–
Credits related to margin calls	–	–	–
Total	3,676.4	30,096.4	-26,420.0

5.1 Main refinancing operations

Main refinancing operations (MROs) are liquidity providing reverse transactions which are executed with a weekly frequency and a maturity of 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. These operations were conducted at fixed rate with allotment of the total amount bid. In addition to the series of seven quarterly targeted longer-term refinancing operations (TLTRO III) introduced in 2019, the Governing Council added three further operations to this series in December 2020, which were conducted between June and December 2021. These operations have a three-year maturity. For all TLTROs-III, starting 12 months after the settlement of each operation, participants have had the option on a quarterly basis of terminating or reducing the amount of TLTRO III concerned before maturity. Borrowing rates in these operations can be as low as 50 basis points below the average interest rate on the deposit facility over the period from 24 June 2020 to 23 June 2022, but in any case may not become less negative than -1%, and as low as the average – for the relevant period – interest rate on the deposit facility during the rest of the life of the same operation. ¹¹

The actual interest rates can only be known at the maturity or early repayment of each operation and before that a reliable estimate is used for calculating the TLTRO III interest accruals. This means that, for the annual accounts 2023, the interest rate for the accruals was indexed to the average applicable key ECB interest rate since the beginning of the last interest period of these operations, which began on 23 November 2022.

Furthermore, of the four additional pandemic emergency longer-term refinancing operations (PELTROs) allotted in 2021 on a quarterly basis, each with a tenor of approximately one year, the last operation matured in the course of 2023. These operations provided 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 tender procedures with full allotment. The interest rate was 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 2023 EUR million	31 Dec 2022 EUR million	Change EUR million
Current accounts	0.0	0.0	-0.0
Reverse repurchase agreements	–	–	–
Emergency Liquidity Assistance (ELA)	–	–	–
Other	–	16.4	-16.4
Total	0.0	16.4	-16.4

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 purchases

As at 31 December 2023 this item consisted of securities acquired by the Bank of Finland within the scope of the Securities Markets Programme (SMP), the third covered bond purchase programme (CBPP3), 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 ²	July 2009	June 2010	ECB/ 2009/16	Covered bonds of euro area residents
CBPP2 ²	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 ³
Asset purchase programme (APP)⁴				
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

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

2) As at end-2022 and end-2023 the Bank of Finland did not have holdings of securities under the first and second covered bond purchase programmes (CBPP1 and CBPP2).

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

4) The reinvestments under the APP were discontinued as of 1 July 2023.

Until the end of February 2023²⁾ the Eurosystem continued reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme (APP)³⁾. Subsequently, the APP portfolio declined at a measured and predictable pace. Until the end of June 2023, the decline amounted to EUR 15 billion per month on average as the Eurosystem did not reinvest all of the principal payments from maturing securities. In June 2023 the Governing Council decided⁴⁾ to discontinue the reinvestments under the APP as of July 2023. Thereafter, the APP portfolio was declining due to maturities.

As concerns the PEPP⁵⁾, the Eurosystem continued reinvesting, in full, the principal payments from maturing securities purchased throughout the year. The Governing Council intends⁶⁾ to continue reinvesting, in full, the principal payments from maturing securities purchased under the PEPP during the first half of 2024. It also intends to reduce the PEPP portfolio by EUR 7.5 billion per month on average over the second half of 2024 and to discontinue reinvestments under the PEPP at the end of the same year. In addition, the Governing Council will continue applying flexibility in reinvesting redemptions coming due in the PEPP portfolio, with a view to countering risks to the monetary policy transmission mechanism related to the pandemic.

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 'Accounting policies'). The amortised cost of the securities held by the Bank of Finland, and their market value⁷⁾ (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 million)						
	31 Dec 2023		31 Dec 2022		Change	
	Balance sheet value	Market value	Balance sheet value	Market value	Balance sheet value	Market value
SMP	50.7	52.2	50.6	53.6	0.1	-1.4
CBPP3	10,602.3	9,922.2	11,730.2	10,650.6	-1,127.9	-728.4
PSPP - government/ agency securities	35,208.2	31,070.7	37,294.6	31,605.3	-2,086.4	-534.6
PSPP - supranational securities	1,722.9	1,567.2	2,140.5	1,913.1	-417.6	-345.9
CSPP	14,889.5	13,686.9	16,482.8	14,442.2	-1,593.3	-755.3

Securities held for monetary policy purposes (EUR million)						
	31 Dec 2023		31 Dec 2022		Change	
	Balance sheet value	Market value	Balance sheet value	Market value	Balance sheet value	Market value
PEPP - covered bonds	175.4	153.4	218.1	187.0	-42.6	-33.6
PEPP - government/agency securities	22,687.3	19,915.5	22,933.0	19,219.8	-245.7	695.6
PEPP - corporate sector securities	4,763.9	4,161.9	4,894.9	4,017.2	-131.0	144.6
Total	90,100.3	80,530.0	95,744.6	82,088.9	-5,644.3	-1,558.9

The Governing Council assesses on a regular basis the financial risks associated with the securities held under these programmes. In this context, 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 cases where impairment indicators are observed, further analysis is performed to confirm that the cash flows of the underlying securities have not been affected by an impairment event.

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 (PEPP-COV) and corporate sector securities (PEPP-CORP) 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 an impairment test conducted on the PEPP-CORP portfolio, the Governing Council has deemed it appropriate to establish a buffer against credit risks in monetary policy operations during 2023 (see section 12 'Provisions' in 'Notes on the balance sheet').

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 million)	Held by Eurosystem NCBs		On the Bank of Finland's balance sheet	
	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
SMP	1,901.4	2,142.5	50.7	50.6
CBPP3	262,090.2	276,856.7	10,602.3	11,730.2
PSPP - supranational securities	255,261.2	275,228.1	1,722.9	2,140.5
CSPP	323,921.5	344,119.2	14,889.5	16,482.8
PEPP - covered bonds	5,197.2	5,282.8	175.4	218.1
PEPP - supranational securities	154,332.0	145,687.1	–	–
PEPP - corporate sector securities	45,989.2	46,073.9	4,763.9	4,894.9
Total	1,048,692.6	1,095,390.3	32,204.8	35,517.0

7.2 Other securities

This item consists of holdings of fund shares issued by euro area residents.

Breakdown of other securities of euro area residents denominated in euro (EUR million)	31 Dec 2023	31 Dec 2022	Change
Fund investments	171.9	155.5	16.3
Total	171.9	155.5	16.3

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 shares in the ECB's capital

	Capital key since 1 Jan 2023, %	Subscribed capital as at 31 Dec 2023 EUR million	Paid-up capital as at 31 Dec 2023 EUR million
Nationale Bank van België/Banque Nationale de Belgique (Belgium)	2.9630	320.7	320.7
Deutsche Bundesbank (Germany)	21.4394	2,320.8	2,320.8
Eesti Pank (Estonia)	0.2291	24.8	24.8
Central Bank of Ireland (Ireland)	1.3772	149.1	149.1
Bank of Greece (Greece)	2.0117	217.8	217.8
Banco de España (Spain)	9.6981	1,049.8	1,049.8
Banque de France (France)	16.6108	1,798.1	1,798.1
Hrvatska narodna banka (Croatia)	0.6595	71.4	71.4
Banca d'Italia (Italy)	13.8165	1,495.6	1,495.6
Central Bank of Cyprus (Cyprus)	0.1750	18.9	18.9
Latvijas Banka (Latvia)	0.3169	34.3	34.3
Lietuvos bankas (Lithuania)	0.4707	51.0	51.0
Banque centrale du Luxembourg (Luxembourg)	0.2679	29.0	29.0
Central Bank of Malta (Malta)	0.0853	9.2	9.2
De Nederlandsche Bank (The Netherlands)	4.7662	515.9	515.9
Oesterreichische Nationalbank (Austria)	2.3804	257.7	257.7
Banco de Portugal (Portugal)	1.9035	206.1	206.1
Banka Slovenije (Slovenia)	0.3916	42.4	42.4
Národná banka Slovenska (Slovakia)	0.9314	100.8	100.8
Suomen Pankki – Finlands Bank (Finland)	1.4939	161.7	161.7
Subtotal for euro area NCBs	81.9881	8,875.2	8,875.2
Bulgarian National Bank (Bulgaria)	0.9832	106.4	4.0

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

	Capital key since 1 Jan 2023, %	Subscribed capital as at 31 Dec 2023 EUR million	Paid-up capital as at 31 Dec 2023 EUR million
Česká národní banka (Czech Republic)	1.8794	203.4	7.6
Danmarks Nationalbank (Denmark)	1.7591	190.4	7.1
Magyar Nemzeti Bank (Hungary)	1.5488	167.7	6.3
Narodowy Bank Polski (Poland)	6.0335	653.1	24.5
Banca Națională a României (Romania)	2.8289	306.2	11.5
Sveriges Riksbank (Sweden)	2.9790	322.5	12.1
Subtotal for non-euro area NCBs	18.0119	1,949.8	73.1
Total	100.0000	10,825.0	8,948.3

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 2022. ⁸⁾ The Bank of Finland paid 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 of EUR 11.2 million was paid on 28 December 2022, increasing the Bank of Finland's share in the paid-up capital of the ECB to EUR 161.7 million in 2022.

This 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. In line with Article 30.2 of the Statute of the ESCB, these contributions are fixed in proportion to the NCBS' share in the subscribed capital of the ECB. The remuneration of these claims is calculated daily at the latest available 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 2023, 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'.⁹⁾

At the end of 2023 the balance sheet item totalled EUR 7,282.6 million (EUR 8,009.9 million in 2022). The change in comparison to 2022 was due to the increase of 2.3% in banknotes put into circulation by the Bank of Finland in 2023 as well as the fall of 1.1% in banknotes in circulation in the Eurosystem as a whole. The remuneration of these claims is calculated daily at the latest available 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 2023 EUR million	31 Dec 2022 EUR million	Change EUR million
Due to/from ECB in respect of TARGET (including balances held with Eurosystem banks through correspondent accounts)	59,005.9	39,252.0	19,753.9
Due to/from ECB in respect of monetary income	33.3	-422.1	455.4
Due from ECB in respect of the ECB's interim profit distribution	-	-	-
Other claims/liabilities within the Eurosystem (net)	59,039.2	38,829.9	20,209.3

The balance of 59,039.2 million as at 31 December 2023 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 TARGET 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.

The year-end net transfers via TARGET had a credit balance of EUR 59,005.9 million. The remuneration of this position is calculated daily at the latest available interest rate used by the Eurosystem in its tenders for main refinancing operations.

The position vis-à-vis the ECB in respect of the annual pooling and allocation of monetary income within the Eurosystem national central banks had a credit balance of EUR 33.3 million at year-end (see 'Net result of pooling of monetary income' in 'Notes on the profit and loss account').

With respect to 2023, the Governing Council, in view of the ECB's overall financial result for the year, decided to retain the full amount of income derived from banknotes in circulation, as well as income earned on securities purchased under the SMP, APP and PEPP (see section 3.1 'Interim profit distribution by the ECB' in 'Accounting policies'). Therefore no related amounts were due at the end of 2023.

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 and intangible fixed assets			
Book value	31 Dec 2023 EUR million	31 Dec 2022 EUR million	Change EUR million
Land	6.8	6.8	–
Buildings	52.6	60.0	-7.4
Machinery and equipment	10.2	10.4	-0.2
Art and numismatic collection	0.6	0.6	–
IT systems	9.3	8.8	0.5
Total	79.4	86.5	-7.1

Other holdings and sundry assets (EUR million)	31 Dec 2023	31 Dec 2022	Change
Coins of euro area	40.7	40.6	0.1
Shares and other equity	22.6	22.6	–
Pension fund's real estate and accruals	8.6	10.2	-1.7
Accruals	840.7	626.0	214.8
Items relating to valuation of off-balance sheet items	55.5	-50.1	105.6
Sundry	1.8	0.8	1.0
Total	970.0	650.2	319.8

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 2023, the total value of euro banknotes in circulation decreased by 1.1%. According to the allocation key, the Bank of Finland had euro banknotes in circulation worth EUR 26,274.6 million at the end of the year compared with EUR 26,567.4 million at the end of 2022. The value of the euro banknotes actually issued by the Bank of Finland in 2023 increased by 2.3% from EUR 18,557.4 million to EUR 18,992.0 million. As this was less than the allocated amount, the difference of EUR 7,282.6 million (compared to EUR 8,009.9 million in 2022) is shown under asset sub-item 'Net claims related to the allocation of euro banknotes within the Eurosystem'.

Banknotes in circulation (EUR million)	31 Dec 2023	31 Dec 2022
EUR 5	74.1	75.2
EUR 10	-89.3	-83.6
EUR 20	3,339.7	3,315.3
EUR 50	14,375.4	13,751.8
EUR 100	-1,369.1	-1,241.1
EUR 200	874.4	877.5
EUR 500	1,786.6	1,862.4
Total	18,992.0	18,557.4
ECB issue figure	-2,284.5	-2,310.1
CSM figure	9,567.1	10,320.0
Banknotes in circulation in accordance with the ECB capital key	26,274.6	26,567.4

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 2023 EUR million	31 Dec 2022 EUR million	Change EUR million
Current accounts (covering the minimum reserve system)	3,650.7	4,684.5	-1,033.8
Deposit facility	120,389.2	134,012.7	-13,623.5
Fixed-term deposits	–	–	–
Fine-tuning reverse operations	–	–	–
Deposits related to margin calls	–	–	–
Total	124,039.9	138,697.2	-14,657.3

2.1 Current accounts (covering the minimum reserve system)

Current accounts contain the credit balances of the transaction accounts of credit institutions that are required to hold minimum reserves, 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 were remunerated at the latest available interest rate used by the Eurosystem in its tenders for main refinancing operations until 20 December 2022, and at the Eurosystem’s deposit facility rate between 21 December 2022 and 19 September 2023. On 27 July 2023 the Governing Council decided that, starting from 20 September 2023, these balances will be remunerated at zero percent.

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 2023, this item amounted to EUR 6.1 million (2022: EUR 354.2 million) and included collateral related to currency swap agreements. In 2022, the item consisted of repurchase agreements.

4. Liabilities to other euro area residents denominated in euro

This item consists of euro-denominated liabilities to the public sector (EUR 5,600.0 million) and to financial institutions not subject to minimum reserve requirements (EUR 8.2 million).

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

This item consists of balances of international organisations and of non-euro area banks and financial institutions with the Bank of Finland (EUR 6,543.9 million).

6. Liabilities to euro area residents denominated in foreign currency

As at 31 December 2023, the Bank of Finland did not have any liabilities to euro area residents denominated in foreign currency.

7. Liabilities to non-euro area residents denominated in foreign currency

As at 31 December 2023, the Bank of Finland did not have any liabilities to non-euro area residents denominated in foreign currency.

8. Counterpart of special drawing rights allocated by the IMF

This item is the counter-item of special drawing rights (SDRs, cf. item on the assets side). Originally, holdings of special drawing rights on the assets side of the balance sheet and their counter-item on the liabilities side matched up. As a result of SDR transactions, the Bank of Finland's claims related to special drawing rights at the year-end were greater than the counter-item on the liabilities side. On the liabilities side, the counter-item amounts to SDR 3,500.0 million. The item is presented in the balance sheet in euro, valued at the rate prevailing on 29 December 2023 (EUR 4,254.9 million).

9. Intra-Eurosystem liabilities (net)

Intra-Eurosystem liabilities and claims are 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 sundry liabilities. Accruals include e.g. transferable items recorded in connection with the financial accounts and accrued interest payable on repurchase agreements. Sub-item 'Sundry' includes e.g. liabilities related to value added and withholding tax payments.

Other liabilities (EUR million)	31 Dec 2023	31 Dec 2022	Change
Accruals	29.2	520.1	-490.8
Accounts payable	1.2	0.7	0.5
Sundry	1.6	1.6	0.0
Total	32.1	522.4	-490.4

11. Revaluation accounts

This item consists of 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 policies in 1999.

Revaluation accounts (EUR million)	31 Dec 2023	31 Dec 2022	Change
Gold	2,555.6	2,300.6	255.0
Foreign currencies:			
USD	703.3	1,049.2	-345.9
GBP	41.0	26.3	14.7
JPY	–	19.4	-19.4
SDR	5.5	34.4	-28.9
Other currencies	0.2	0.2	-0.0

Revaluation accounts (EUR million)	31 Dec 2023	31 Dec 2022	Change
Securities	32.3	1.6	30.7
Fund investments	271.7	71.3	200.4
Other revaluations	118.1	125.4	-7.3
Total	3,727.7	3,628.5	99.2

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 2023, these provisions totalled EUR 4,136.7 million. Provisions consist of a general provision, provision against real value loss, pension provision, foreign exchange rate and price difference provision and a provision against credit risks in monetary policy operations.

As a result of an impairment test conducted on the PEPP-CORP portfolio, the Governing Council has deemed it appropriate to establish a buffer totalling EUR 42.9 million against credit risks in monetary policy operations during 2023. In accordance with Article 32.4 of the ESCB Statute, this buffer will be funded by all the national central banks of participating Member States in proportion to their subscribed capital key shares in the ECB prevailing in 2023. As a result, a provision for EUR 0.8 million equivalent to 1.82209% of the total provision was created.

The provision for pensions has been established to cover the Bank of Finland's pension liabilities. These liabilities total EUR 593.5 million, and 98.8% of this amount, i.e. EUR 586.6 million, is covered by the pension provision. The change in the size of the pension provision during the year consists of a reduction of EUR -0.4 million in the revaluation account and of a profit of EUR 13.9 million for the pension fund. At the end of 2023, real estate in the value of EUR 8.6 million was earmarked for covering the pension provision (see asset item 'Other assets'). No specific assets have been earmarked for covering the remaining share (EUR 578.1 million) of the pension provision. Instead, these assets are managed as part of the Bank's financial assets.

Provisions (EUR million)	Total provisions 31 Dec 2021	Change in provisions 2022	Total provisions 31 Dec 2022	Change in provisions 2023	Total provisions 31 Dec 2023
Foreign exchange rate and price difference provision	1,185	-165	1,021	140	1,161
General provision	1,945	-47	1,898	-1,112	786
Provision against real value loss	1,603	–	1,603	–	1,603
Pension provision	576	-3	573	14	587
Provision against credit risks in monetary policy operations	–	–	–	1	1
Total	5,309	-214	5,095	-958	4,136

13. Capital and reserves

This item consists of the Bank of Finland'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 million)	31 Dec 2023	31 Dec 2022	Change
Primary capital	840.9	840.9	-
Reserve fund	2,100.0	2,100.0	-
Total	2,940.9	2,940.9	-

14. Profit for the year

Profit for the financial year 2023 totalled EUR 0.00.

Off-balance-sheet commitments

Off-balance sheet commitments (EUR million)	31 Dec 2023	31 Dec 2022
Interest rate futures		
Nominal value of purchase contracts	526.8	46.4
Nominal value of sales contracts	-1,150.2	-30.0
Market value of FX swaps	9.6	-19.4
Investment commitments related to real estate funds	30.0	69.8
Securities lending	79.2	112.2

In accordance with the Governing Council's decisions, the Bank of Finland has made available for lending, securities held for monetary policy purposes. The Bank has also made securities in its own investment portfolio available for lending. Securities lending operations conducted against collateral other than cash are recorded in off-balance-sheet accounts at year-end. ¹⁰⁾ Such lending operations with a value of EUR 79.2 million (2021: EUR 112.2 million) were outstanding as at 31 December 2023.

-
- 1) On 27 October 2022 the Governing Council decided that, from 23 November 2022 until the maturity date or early repayment date of each respective outstanding TLTRO III operation, the interest rate on TLTRO III operations will be indexed to the average applicable key ECB interest rates over this period.
 - 2) See the [press release](#) of 15 December 2022 of the Governing Council's decision.
 - 3) Further details on the APP can be found on the [ECB's website](#).
 - 4) See the press release of [15 June 2023](#) of the Governing Council's decision.
 - 5) Further details on the PEPP can be found on the [ECB's website](#).
 - 6) See the press release of [14 December 2023](#) of the Governing Council's decision.
 - 7) 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.
 - 8) 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).
 - 9) According to the accounting regime chosen by the Eurosystem on the issue of euro banknotes, a share of 8% of the total value of the euro banknotes in circulation is allocated to the ECB on a monthly basis. The remaining 92% of the value of the euro banknotes in circulation are allocated to the NCBs also on a monthly basis, whereby each NCB shows in its balance sheet a share of the euro banknotes issued corresponding to its paid-up share in the ECB's capital. The difference between the value of the euro banknotes allocated to the NCB according to the aforementioned accounting regime, and the value of euro banknotes put into circulation, is recorded as a 'Net Intra-Eurosystem claim/liability related to the allocation of euro banknotes within the Eurosystem'.
 - 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 on liability item 5. 'Liabilities to non-euro area residents denominated in euro').



Notes on the profit and loss account

31 Dec 2023

The Governing Council of the ECB started raising the key ECB interest rates on 27 July 2022, and the policy rate hikes continued in 2023. The key ECB interest rates were raised 6 times during the year. The interest rate on the main refinancing operations rose from 2.5% to 4.5%, and the average rate in these operations was 3.80753%. The deposit facility rate rose from 2.0% to 4.0%, and the average rate was 3.30753%. Consequent to the policy rate hikes, the interest income of the Bank of Finland increased, but interest expense increased even more, resulting to a negative net interest income for the Bank of Finland in 2023.

1. Interest income

Interest income generated in and outside the euro area totalled EUR 3,880.1 million. Of this, EUR 447.0 million consisted of interest income denominated in foreign currency and EUR 3,433.0 million of interest income denominated in euro.

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 TARGET balances – are remunerated at the interest rate on the main refinancing operations. Interest income on these items amounted to EUR 2,392.0 million in 2023.

Foreign currency-denominated interest income received outside the euro area (EUR million)	2023	2022	Change
Interest income from coupon bonds	199.8	69.2	130.6
Income from discount papers	1.5	1.8	-0.3
Interest income from deposits	0.8	0.3	0.4
Dividends from fund investments	28.7	27.4	1.2
Interest income from IMF items	197.9	63.2	134.7
Other interest income	10.1	11.0	-0.9
Total	438.7	173.0	265.7

Euro-denominated interest income received outside the euro area (EUR million)	2023	2022	Change
Interest income from deposits	–	0.2	-0.2
Interest income from negative interest rates on non-monetary policy deposits	–	13.0	-13.0
Other interest income	–	0.0	-0.0
Total	–	13.2	-13.2

Foreign currency-denominated interest income received from the euro area (EUR million)	2023	2022	Change
Interest income from coupon bonds	5.0	3.1	1.9
Interest income from deposits	0.8	0.2	0.6
Other interest income	2.5	6.5	-4.0
Total	8.3	9.8	-1.5

Euro-denominated interest income received from the euro area (EUR million)	2023	2022	Change
Interest income from deposits	–	0.1	-0.1
Dividends from fund investments	4.5	4.1	0.4
Interest income from ESCB items	2,392.0	334.4	2,057.6
Interest income from monetary policy lending	416.4	0.4	416.0
Interest income from monetary policy securities	618.1	305.2	312.9
Interest income from negative interest rates on credit institutions' deposits	–	262.8	-262.8
Interest income from negative interest rates on non-monetary policy deposits	–	20.3	-20.3
Other interest income	2.1	1.6	0.5
Total	3,433.0	928.7	2,504.3

Total interest income (EUR million)	2023	2022	Change
Foreign currency-denominated interest income received outside the euro area	438.7	173.0	265.7
Euro-denominated interest income received outside the euro area	–	13.2	-13.2
Foreign currency-denominated interest income received from the euro area	8.3	9.8	-1.5
Euro-denominated interest income received from the euro area	3,433.0	928.7	2,504.3
Total	3,880.1	1,124.7	2,755.4

2. Interest expense

Interest expense paid in and outside the euro area totalled EUR 4,924.0 million. The majority of this, EUR 4,472.2 million, consisted of an interest expense arising from the remuneration of commercial banks' deposits with the Bank of Finland. Interest expense denominated in foreign currency amounted to EUR 179.4 million.

Foreign currency-denominated interest expense paid outside the euro area (EUR million)	2023	2022	Change
Interest expense on IMF items	-164.1	-53.8	-110.3
Other interest expense	-0.0	-0.0	-0.0
Total	-164.1	-53.9	-110.3

Euro-denominated interest expense paid outside the euro area (EUR million)	2023	2022	Change
Interest expense on deposits	-162.3	-23.1	-139.2
Other interest expense	-4.4	–	-4.4
Total	-166.7	-23.1	-143.6

Foreign currency-denominated interest expense paid in the euro area (EUR million)	2023	2022	Change
Other interest expense	-15.3	-0.0	-15.2
Total	-15.3	-0.0	-15.2

Euro-denominated interest expense paid in the euro area (EUR million)	2023	2022	Change
Interest expense on monetary policy deposits	-4,472.2	-403.5	-4,068.7
Interest expense on monetary policy lending	–	-167.3	167.3
Interest expense on liabilities to the ESCB	-0.9	–	-0.9
Interest expense on non-monetary policy deposits	-100.8	-18.0	-82.8
Other interest expense	-4.0	–	-4.0
Total	-4,577.9	-588.8	-3,989.1

Total interest expense (EUR million)	2023	2022	Change
Foreign currency-denominated interest expense paid outside the euro area	-164.1	-53.9	-110.3
Euro-denominated interest expense paid outside the euro area	-166.7	-23.1	-143.6
Foreign currency-denominated interest expense paid in the euro area	-15.3	-0.0	-15.2
Euro-denominated interest expense paid in the euro area	-4,577.9	-588.8	-3,989.1
Total	-4,924.0	-665.8	-4,258.3

3. Net interest income

Net interest income (EUR million)	31 Dec 2023	31 Dec 2022	Change
Interest income			
Financial assets	453.6	188.7	264.9
Non-monetary policy deposits	–	33.3	-33.3
Monetary policy items	1,034.5	568.3	466.2
Claims on the ESCB	2,392.0	334.4	2,057.6
Total	3,880.1	1,124.7	2,755.4
Interest expense			
Financial assets	-187.9	-53.9	-134.0
Non-monetary policy deposits	-263.1	-41.0	-222.0
Monetary policy items	-4,472.2	-570.8	-3,901.4
Liabilities to the ESCB	-0.9	–	-0.9
Total	-4,924.0	-665.8	-4,258.3
NET INTEREST INCOME	-1,044.0	458.9	-1,502.9

4. Foreign exchange rate differences

This item consists of realised exchange rate gains and losses arising from the sale of currency positions. In 2023, gains related to exchange rate movements amounted to EUR 160.8 million.

5. Securities price differences

This item consists of realised gains and losses arising from the sale of securities. In 2023, realised gains from the sale of securities amounted to EUR 35.8 million.

6. Valuation losses related to currencies and securities

This item consists of valuation losses related to currencies and securities. Securities and currencies are treated on a security-by-security and currency-by-currency basis. The market value of securities decreased further as a result of the continued increase in the corresponding yields in 2023. This resulted in unrealised price losses, particularly on fund investments and US dollar-denominated securities. At the year-end, valuation losses related to securities totalled EUR 20.3 million. In 2023, the Japanese yen depreciated, resulting in a valuation loss of EUR 49.3 million in connection with foreign currency valuation.

7. Change in foreign exchange rate and price difference provision

Owing to realised net gains arising from foreign exchange rate and price differences, totalling EUR 140.0 million, the foreign exchange rate and price difference provision was adjusted upwards by an equal amount in accordance with the accounting policies. All provisions are specified in the notes on the balance sheet under liabilities.

8. Income and expenses on fees and commissions

The item consists of fees and commissions related to investment activities.

9. Net result of pooling of monetary income

Monetary income (EUR million)	31 Dec 2023	31 Dec 2022
Net monetary income pooled by the Bank of Finland	709.2	546.8
Net monetary income allocated to the Bank of Finland	742.7	131.1
Monetary income reallocation for the year	33.5	-415.8
Corrections to monetary income reallocation of previous years	-0.2	-6.3
Share of provision against credit risks in monetary policy operations	-0.8	-
Total	32.5	-422.1

The item contains the net result of pooling of monetary income for 2023, amounting to an income of EUR 32.5 million in comparison to an expense of EUR 415.8 million in the previous year, together with the Bank of Finland's share of the net result of the provisioning against credit risks in monetary policy operations of the Eurosystem amounting to an expense of EUR 0.8 million (see section 12 'Provisions' in 'Notes on the balance sheet').

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 rate for the Eurosystem's main refinancing operations.

The items comprising the earmarkable assets and the liability base, as well as the applicable remuneration rates, are presented in the Table below.

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
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 to balances on impaired securities held for monetary policy purposes and for which full income/risk sharing applies	Not applicable		

Earmarkable assets	Remuneration rate	Liability base	Remuneration rate
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		

* Depending on the NCB these components may be presented on the earmarkable asset side or liability base

The monetary income pooled by the Eurosystem is 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 709.2 million and reallocated to the Bank of Finland amounting to EUR 742.7 million is the net result arising from the calculation of monetary income.

10. Share in ECB profit

The ECB did not distribute any profit for the financial years 2022 and 2023.

11. Income from other equity shares and participating interests

The item consists of dividends received on shares in the BIS, EUR 3.7 million.

12. Other income

This item consists of income of the Financial Supervisory Authority (FIN-FSA), EUR 42.8 million. The item also includes income from real estate, EUR 5.1 million, and commissions and fees.

13. Staff costs

Staff costs (EUR million)	31 Dec 2023	31 Dec 2022
Salaries and fees	51.3	50.3
Employer's contributions to the pension fund	10.1	9.8
Other staff-related costs	4.0	2.3
Total	65.4	62.3

Average staff size	2023 Number of staff	2022 Number of staff
Bank of Finland	373	373
Financial Supervisory Authority	243	246
Total	616	619

Basic salaries paid to the members of the Board (EUR)	2023
Olli Rehn ¹	212,536
Marja Nykänen	265,088
Tuomas Välimäki	219,735
Total	697,359

1) On leave of absence from 23 September 2023 to 30 January 2024.

Fringe benefits (meal benefits, company-paid telephone and company car) paid to the members of the Board totalled EUR 40,527.22.

Pension provision for the Bank of Finland's employees is governed by the Public Sector Pensions Act (81/2016). A former board member may be paid compensation for income loss if the board member may not, due to the provisions on the waiting period, 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 2023 due to an increase in the Bank's pension liabilities.

15. Administrative expenses

Administrative expenses (EUR million)	31 Dec 2023	31 Dec 2022
Supplies and purchases	0.5	0.4
Machinery and equipment	8.4	7.5
Real estate	10.2	9.7
Staff-related expenses	3.3	2.4
Purchase of services	16.3	15.6
Other	3.2	2.4
Total	42.1	38.0

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

16. Depreciation of fixed assets

Depreciation of tangible and intangible fixed assets (EUR million)	31 Dec 2023	31 Dec 2022
Buildings	4.0	3.8
Machinery and equipment	2.9	2.7
IT systems	3.1	3.2
Total	10.1	9.7

17. Banknote production services

Costs related to banknote production services totalled EUR 4.4 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 consists of the Bank of Finland's and the FIN-FSA's employer contributions and employees' share of premium income, totalling EUR 14.1 million, and the contribution of EUR 10 million paid by the Bank to the pension fund. The item also includes interest income on the pension fund's investment activities, EUR 21.4 million, and income on the fund's real estate, EUR 1.8 million.

20. Expenses of the pension fund

This item consists of pensions paid, EUR 31.5 million, the pension fund's management costs and depreciation of the fund's fixed assets.

21. Changes in provisions

This item consists of a downward adjustment of the general provision, EUR 1,112.3 million. All provisions are specified in the notes on the balance sheet under liabilities.

22. Profit for the year

Profit for the financial year 2023 totalled EUR 0.00.



Appendices to the financial statements

31 Dec 2023

EUR million	31 Dec 2023	31 Dec 2022
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	593.5	569.5
– of which covered by provisions	586.6	573.1

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

2) Pension liability for 2023 includes indexation of pensions and paid-up policies entering into force on 1 January 2024.

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 Dec 2023

Structural interest rate risk on the balance sheet

The monetary policy assets on the assets side of the Bank of Finland's balance sheet mainly carry a fixed interest rate. The liquidity created via purchase programmes and refinancing operations, in turn, is reflected on the liabilities side of the Bank of Finland's balance sheet as variable-rate central bank deposits.

The Eurosystem sets, on monetary policy grounds, the interest payable on the central bank deposits made by commercial banks. The interest rate decision has an immediate effect on the Bank of Finland's interest expenses. Thus, an increase in the deposit rate weakens the Bank's net interest income. The difference in the interest rates applied to assets and liabilities on the Bank's balance sheet poses a structural interest rate risk for the balance sheet.

For a long time, the Bank of Finland's purchases of fixed-rate bonds in connection with monetary policy implementation were made at a low yield level. In the second half of 2022, the Eurosystem's policy interest rates were raised, and the rate increases continued during 2023. As a result, the interest rate on the refinancing operations increased, and reinvestments of maturing bonds purchased under the purchase programmes were carried out at a higher yield than before. As policy rates rose, the interest rates on central bank deposits also rose, which had a much greater negative impact on net interest income than the above-mentioned positive impacts. As a consequence of this financing cost, the Bank of Finland's operating profit was negative in 2023. Based on the interest rate expectations prevailing at the end of 2023, the operating profit will remain in negative territory in the immediate years ahead.

The structural interest rate risk position will decrease as the fixed-rate bonds acquired for monetary policy purposes mature. However, the reinvestment of principal payments from maturing bonds serves, at the same time, to maintain the structural interest rate risk position.

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 to 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 Board of the Bank of Finland. Investment returns are reported monthly to the persons involved in investment activities and to the Board member responsible for investment activities. The Markets Committee, chaired by the same Board member, discusses investment returns every quarter. The Board discusses risks and returns twice a year. Cases of non-compliance with risk limits 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 for 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 and on investment policy, as well as on the principles for risk management and for responsible investment. Such decisions relate, among other things, to the volume of the Bank's own financial assets and foreign reserves, the currency composition of foreign reserves, long-term investment activity, the strategic allocation of fixed-income investments in the foreign reserves portfolio by investment class, the investment class-specific variation limits permitted in fixed-income investments, and the level of interest rate and credit risks. The Board also determines the maximum credit risk limits.

Within the limits imposed by the Board, the Markets Committee decides on the details of 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 has also set up 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's Financial Risks Committee is, independently of the management of financial assets, 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 may submit matters to the Board for information or decision, as necessary. The Financial Risks Committee is chaired by the Board member responsible for risk control.

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

Risk measures and breakdowns

Bonds and deposits in the Bank of Finland's financial assets by credit rating¹

Credit rating	31 Dec 2023 EUR million	31 Dec 2022 EUR million
AAA	1,086	2,721
AA+	2,636	710
AA	34	50
AA-	442	303
A+	955	1,165
A	254	281
A-	102	89
BBB+	19	36
BBB	-	8

Credit rating	31 Dec 2023 EUR million	31 Dec 2022 EUR million
BBB–	-	-
Below BBB–	-	-
No credit rating	116	300
Total	5,646	5,662

1) Covered bonds have been classified according to their own credit rating and not that of the issuer. The Bank of Japan has been rated according to Japan's sovereign credit rating.

Totals may not add up due to rounding.

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

Country or region (EUR million)	31 Dec 2023	31 Dec 2022
Euro area	34	81
Netherlands	28	48
Germany	6	4
Austria	-	20
France	-	9
Rest of Europe	803	656
United Kingdom	389	256
Sweden	231	283
Norway	107	75
Denmark	77	32
Switzerland	-	9
America	3,329	3,197
United States	2,850	2,775
Canada	479	422
Asia and Oceania	954	1,096

Country or region (EUR million)	31 Dec 2023	31 Dec 2022
Japan	894	1,065
Australia	46	9
South Korea	13	22
International institutions	526	632
Total	5,646	5,662

Totals and subtotals may not add up due to rounding.

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

EUR million	2023	2022
Change in the value of the Bank of Finland's financial assets from the situation as at 31 December if the euro exchange rate appreciates by 15% relative to other currencies and gold	-1,448	-1,403
Change in the value of the Bank of Finland's financial assets from the situation as at 31 December if interest rates rise by 1 percentage point	-169	-109
Change in the value of the Bank of Finland's equity funds from the situation as at 31 December if the value of equity funds decreases by 25%	-320	-332

Allocation of the Bank of Finland's fixed-income investments in the foreign reserves portfolio at end-2023

Fixed-income investments in the foreign reserves portfolio	Allocation at year-end (%)
Government bonds and central bank deposits	57.6
Government-related bonds	27.1
Covered bonds	4.7
Corporate bonds	10.0
Cash holdings	0.6
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 variation 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 and 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 the risk of extra costs or losses resulting from inadequate or failed internal processes, personnel, systems or external events.
- **Foreign reserves** comprise unhedged direct and indirect fixed-income investments denominated in foreign currencies and net receivables from the International Monetary Fund (IMF).
- **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 the level of 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%.
- **Value-at-risk (VaR)** at a certain confidence level means a loss in excess of which a loss occurs with a probability corresponding to that confidence level, over a given time horizon. For example, if VaR on a one-day horizon and a confidence level of 99% is EUR 3 million, there is a 1% probability that the current day's outcome will be a loss of more than EUR 3 million (and a 99% probability that the loss is less than EUR 3 million).
- **Expected shortfall (ES)** at a certain confidence level indicates the amount of expected loss in case that the loss exceeds the VaR calculated at the corresponding confidence level. For example, an ES at a confidence level of 99% gives the average loss in the worst 1% of cases.



Auditor's report

08 Mar 2024

Report of the auditors of the Bank of Finland on the Bank of Finland's financial statements, accounting records and governance for 2023

To the Parliamentary Supervisory Council

We have audited the Bank of Finland's accounting records, financial statements and governance for the year ended 31 December 2023. The financial statements signed by the Board of the Bank of Finland comprise the balance sheet, the profit and loss account, notes on the accounts, and the annual report.

Responsibilities of the Board

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

Auditor's responsibilities

Our responsibility is to express an opinion on the financial statements based on our audit. We comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement, and whether the Board is guilty of an act or negligence which may result in liability in damages towards the Bank of Finland or whether the Board has violated the Act on the Bank of Finland. The governance audit covered examination of the legality of the Board's actions.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank of Finland's preparation of financial statements that give a true and fair view.

The auditor considers internal control 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 of Finland's internal control. An audit also includes evaluating the observance of the principles applicable to the financial statements approved by the Parliamentary Supervisory Council, the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion on the financial statements

In our opinion

- 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 other regulations. The financial statements give a true and fair view of the Bank of Finland's financial position and financial performance in accordance with the laws and regulations governing the preparation of the Bank of Finland's financial statements. The information on the annual report contained in the financial statements is consistent with the information contained in the profit and loss account, balance sheet and notes on the accounts.
- The financial statements for the financial year audited by us can be adopted.
- We support that the profit for the financial year be used as proposed by the Board.

Helsinki, 8 March 2024

Veijo Niemi

Markku Eestilä Tuula Haatainen

Juha Kerimaa, Authorised Public Accountant, KHT

Tiina Lind, Authorised Public Accountant, KHT, JHT



Statement regarding the audit

29 Feb 2024

Statement regarding the audit as defined in Article 27 of the Statute of the European System of Central Banks and the European Central Bank

To the Bank of Finland

Report on the audit of financial statements

Opinion

We have audited the financial statements of the Bank of Finland (business identity code 0202248-1) for the year ended 31 December 2023. The financial statements comprise the balance sheet, the profit and loss account and notes.

In our opinion, the financial statements give a true and fair view of the Bank of Finland's financial position and results, in accordance with the Accounting Principles and Methods approved by the Governing Council of the European Central Bank and the Act on the Bank of Finland, and comply with statutory requirements.

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, 29 February 2024

KPMG OY AB

Juha-Pekka Mylén

Authorised Public Accountant, KHT