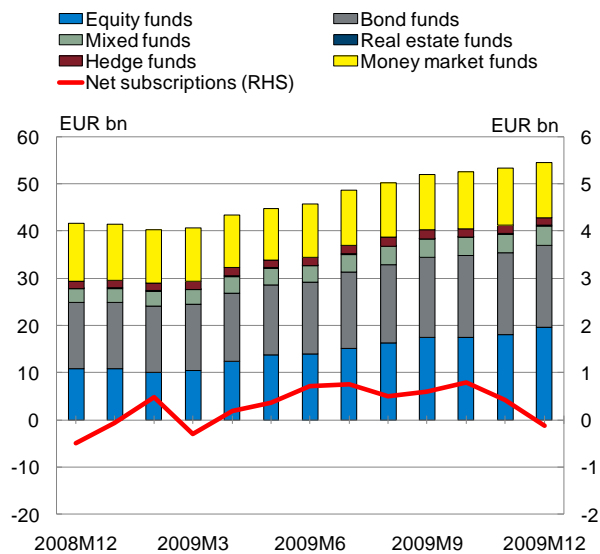


# Financial Statistics

## Annual Review • 2009

Fund unit liability by fund type and total net subscriptions in 2009



Source: Bank of Finland.



Bank of Finland

Financial Markets and Statistics

Statistics

26 Feb 2010

## Contents

Introduction	6	
1 Loans to non-MFIs	7	
1.1 Loans granted to non-MFIs	7	
1.2 Loans to households	8	
1.2.1 Housing loans	9	<b>Editor-in-Chief</b>
1.2.2 Consumer credit	11	Elisabeth Hintikka
1.2.3 Other loans	12	
1.3 Loans to non-financial corporations	13	<b>Working group</b>
1.4 Loans to general government	16	Olli Alanko
1.5 Loans to other financial institutions	17	Terhi Koivula
2 Deposits and other funding	18	Kimmo Koskinen
2.1 Non-MFI deposits	18	Jyrki Lehtinen
2.2 Household deposits	20	Johanna Pöyry-
2.3 Role of deposits of funding	22	Renholm
2.4 Other funding	23	Elina Salminen
3 MFI's aggregated balance sheet	24	Hermann Teräväinen
3.1 Overview	24	
3.2 MFI assets	25	<b>ISSN-L</b>
3.3 MFI liabilities	26	1798-8039
4 Change in MFI sector	28	
5 Investment funds	30	<b>ISSN</b>
5.1 Background	30	1798-8039
Security-by-security reporting	31	
Box 1. Contents of investment portfolios	31	<b>For further</b>
5.2 Balance sheet of investment funds	33	<b>information, please</b>
5.2.1 Assets in investment fund balance sheets	34	<b>contact</b>
Assets by instrument	34	MFIs
Assets by region	35	Elina Salminen
Assets by sector	37	+358 10 831 2343
5.2.2 Liabilities on investment fund balance sheet	38	rahoitustilastot@bof.fi
Box 2. Investment funds in euro area	41	
5.3 Population of investment funds and changes therein	42	Investment funds
Box 3. Calculation of annual changes in MFI statistics	45	Hermann Teräväinen
Appendix 1. Charts	48	+358 10 831 2172
		sijoitusrahastot@bof.fi

## List of charts

Chart 1. Growth of non-MFI loan stock in Finland by sector	7
Chart 2. Annual growth of non-MFI loan stock in euro area and Finland	8
Chart 3. Annual growth rate: housing loan stock in euro area countries	9
Chart 4. Share of new housing loan business with initial rate fixation up to 1 year, selected euro area countries, 30 Nov 2009	10
Chart 5. New business on housing loans by reference rate	10
Chart 6. Interest rates on new housing loan business in Finland and euro area	10
Chart 7. Stock and annual growth of housing loans by Finnish MFIs	11
Chart 8. New drawdowns of housing loans by households	11
Chart 9. New housing loans: drawdowns and average interest rate	11
Chart 10. Households' consumer credit in Finland	12
Chart 11. Annual growth rates of consumer credit, selected euro area countries	12
Chart 12. Other household loans by loan type	12
Chart 13. Annual growth rates of stock of loans to non-financial corporations, selected euro area countries	13
Chart 14. Stock and annual growth of loans to non-financial corporations in Finland	13
Chart 15. Stock and annual growth of loans to housing corporations	14
Chart 16. Annual growth of corporate loan stock by original maturity	14
Chart 17. Bonds issued by Finnish non-financial corporations and loans to non-financial corporations, annual growth rates	15
Chart 18. New business on loans to non-financial corporations	15
Chart 19. Average interest rates on new business on loans to non-financial corporations in Finland and euro area	16
Chart 20. Stock and annual growth of loans to municipalities	16
Chart 21. Annual growth of deposits by sector	18
Chart 22. Short-term deposit claims as proportion of all non-MFI deposits	19
Chart 23. Average interest rates on loan and deposit stock and total margin	19
Chart 24. Average interest rates on non-MFI deposits by sector	19
Chart 25. Annual growth rate of household deposit stock by claim	20
Chart 26. Average interest rates on household deposit stock by claim	21
Chart 27. Difference between Finnish MFIs loan and deposit stocks	21
Chart 28. Average interest rates and selected reference rates on new deposits with agreed maturity	21
Chart 29. Finnish MFIs' loan and deposit stock and debt securities issued	22
Chart 30. Stock of bonds and money market paper issued by Finnish MFIs, by currency	23
Chart 31. Contributions by country to aggregated euro area balance sheet, end-2009	24
Chart 32. Structure of MFIs (excl. Bank of Finland) aggregated balance sheet	25
Chart 33. Breakdown of MFIs' aggregated balance sheet by balance sheet items in Finland and euro area	27

Chart 34. Monthly number of Finnish credit institutions and money market funds	28
Chart 35. Number of MFIs in euro area, end-2009	29
Chart 36. Breakdown by category of investment funds registered in Finland as at 31 December 2009 (incl. money market funds)	30
Chart 37. Impact of domestic funds of funds on statistics	34
Chart 38. Investment fund assets by region and type of investment fund	36
Chart 39. Fund unit liability by fund type and total net subscriptions in 2009	39
Chart 40. Development of fund types in 2009 measured by proportional fund-unit liability	39
Chart 41. Impact of reclassification and revaluation adjustments on annual change	47
Chart 42. Aggregated balance sheet of Finnish MFIs (excl. Bank of Finland)	48
Chart 43. Annual growth of aggregated MFI (excl. Eurosystem) balance sheet in euro area and Finland	48
Chart 44. Annual growth in non-MFI loan stock by sector	48
Chart 45. Stock and average interest rate on housing loans	48
Chart 46. Stock of housing loans by reference rate	48
Chart 47. Average interest rate on housing loan stock by interest rate linkage	48
Chart 48. Items of credit institutions other than banks specialised in mortgage financing	49
Chart 49. Volume and average interest rate on new drawdowns of housing loans	49
Chart 50. Stock and average interest rate on consumer credit to households	49
Chart 51. Stock and average interest rate on household overdrafts and credit card credit	49
Chart 52. Stock and average interest rate on student loans	49
Chart 53. New business on loans to non-financial corporations of up to EUR 1 million, 2006–2009	49
Chart 54. New business on loans to non-financial corporations of over EUR 1 million, 2006–2009	50
Chart 55. Average interest rate on new business on loans to non-financial corporations with initial rate fixation of up to 1 year, by loan size	50
Chart 56. Stock of loans to housing corporations and its share in total corporate loan stock	50
Chart 57. Annual growth and average interest rate on non-MFI deposits	50
Chart 58. Deposits by euro area non-MFIs by interest rate linkage	50
Chart 59. Average interest rate on non-MFI deposit stock by reference rate	50
Chart 60. Geographical breakdown of non-MFI deposits with Finnish MFIs	51
Chart 61. Annual growth of non-MFI deposits in euro area MFIs	51
Chart 62. Average interest rates on household deposits in Finland and euro area	51
Chart 63. Euro-denominated deposits of euro area households at end-2009; breakdown by deposit claim and maturity	51

Chart 64. Annual growth of deposit stock of Finnish non-financial corporations by claim	51
Chart 65. Euro-denominated deposits of euro area non-financial corporations at end-2009; breakdown by deposit claim and maturity	51

### List of tables

Table 1. Proportions of liability items in loan stock in various countries	23
Table 2. Aggregated balance sheet of Finnish MFIs (excl. Bank of Finland), EUR million	27
Table 3. Number of securities with ISIN codes during the year by quarter	31
Table 4. Holdings of 100 most significant securities (ISIN) during 2009 at end-2009	32
Table 5. Investment funds' balance sheet and net unit subscriptions in 2009, EUR m	33
Table 6. Investment fund assets by country, 25 largest, end-2009, EUR m	37
Table 7. Sectoral breakdown of investment fund assets by region, EUR m	37
Table 8. Investment fund claims on general government, EUR m	38
Table 9. Breakdown of fund-unit liability by owner sectors, 31 December 2009, EUR m	40
Table 10. Breakdown in euro area of investment funds (excl. money market funds) registered in euro area	41
Table 11. New investment funds commencing operations in 2009	43
Table 12. Investment funds discontinuing operation in 2009	43
Table 13. Investment funds merged in 2009 (merged fund = M, receiving fund = R)	44
Table 14. Imaginary example on calculation of annual change in MFI statistics	46

## Introduction

The effects of the international financial crisis were reflected in the activities of monetary financial institutions and investment funds in 2009, although the worst part of the crisis was probably over by the latter stages of the year.

This annual review of financial statistics primarily describes the developments in MFI loans and deposits in Finland and presents data for the new investment fund statistics. Data collected from MFIs are presented more comprehensively than in the tables and charts posted monthly on the Bank of Finland's website.<sup>1</sup>

With respect to investment funds, data collected on a security-by-security basis are now presented for the first time in a more comprehensive manner. Data on investment funds are also published on the Bank of Finland's website.<sup>2</sup>

The first section of the review discusses loans to residents in the euro area other than monetary financial institutions (non-MFIs), where the key developments in 2009 were a contraction in loans to non-financial corporations and slower growth in loans to households. The second section examines developments in deposits at MFIs and other types of financing. A slowing in the growth of the deposit stock, which began in the latter half of 2008, continued in 2009. Furthermore, considerable amounts of deposits with agreed maturity were transferred into more liquid forms of deposit, such as transaction accounts. The third section presents changes in the aggregate MFI balance sheet, and section 4 describes

institutional changes in the monetary financial institutions sector in 2009.

The fifth section presents information on investment funds registered in Finland. The Bank of Finland began gathering data from investment funds at the beginning of 2009, when the first balance sheet data for end-2008 were collected. The compilation of investment fund balance sheet statistics is based on the Regulation of the European Central Bank concerning statistics on the assets and liabilities of investment funds (ECB/2007/8).

<sup>1</sup> See [http://www.bof.fi/en/tilastot/tase\\_ja\\_korko/index.htm](http://www.bof.fi/en/tilastot/tase_ja_korko/index.htm).

<sup>2</sup> See <http://www.bof.fi/en/tilastot/sijoitusrahastot/index.htm>.

# 1 Loans to non-MFIs

## 1.1 Loans granted to non-MFIs

**Annual growth of the non-MFI loan stock slowed down sharply in 2009. This was mainly due to a contraction in the stock of loans to non-financial corporations. Growth in loans to households also slowed but remained positive.**

The pronounced slowdown in the growth of the stock of loans granted by Finnish MFIs to euro area non-MFIs was in evidence throughout 2009 (Chart 1). In 2004–2008, the stock of loans to non-MFIs grew fairly steadily at an average rate of 12% pa. As late as in December 2008, the annual growth of the loan stock was 11.6%. Thereafter, growth slowed and almost came to a halt towards the end of 2009. The marked slowdown in annual growth of the non-MFI loan stock was mainly due to a steep contraction in the stock of loans to non-financial corporations.

The non-MFI loan stock includes loans to households<sup>3</sup>, non-financial corporations<sup>4</sup>, general government<sup>5</sup>, non-monetary financial institutions and insurance institutions, but primarily to households and non-financial corporations. The latter two account for 95% of the total non-MFI loan stock. At end-2009,

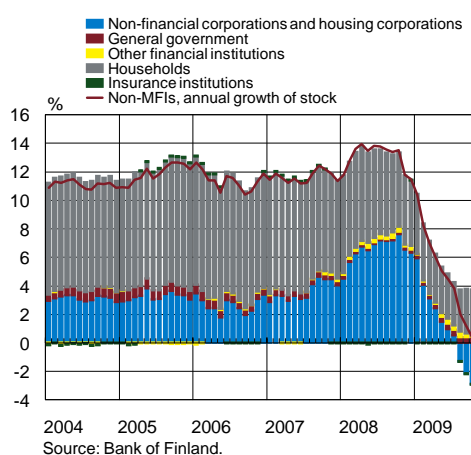
<sup>3</sup> Includes non-profit institutions serving households, which account for a very small proportion of household loans.

<sup>4</sup> Includes housing corporations, which account for about 20% of the corporate loan stock.

<sup>5</sup> Central government, municipalities, municipal federations and social security funds.

household loans accounted for 61% of the total loan stock and corporate loans for 34%.

Chart 1. Growth of non-MFI loan stock in Finland by sector



At end-December 2009, the non-MFI loan stock<sup>6</sup> stood at EUR 166.0 billion, 97% consisting of loans to Finnish residents. Loans granted to other euro area countries accounted for 1% and loans to non-euro area countries for 2%. Loans granted to non-euro area residents were mainly loans to non-EU countries as well as Sweden and Estonia. Lending abroad was targeted mainly at the corporate sector. Euro-denominated loans accounted for over 96% of all non-MFI loans.

In the euro area, developments in the non-MFI loan stock have been influenced by true-sale securitisations and other loans sales<sup>7</sup> of MFI on-balance-sheet loans. Securitisation does not necessarily mean that a loan is transferred off a balance sheet. Neither does the transfer of a loan require that it has been securitised:

<sup>6</sup> Loans granted by Finnish MFIs to all other countries in any currency.

<sup>7</sup> Loans sold without securitisation.

the sale of on-balance-sheet loans are reported as loan transfers.

The aggregate stock of loans granted by euro area MFIs to euro area non-MFIs<sup>8</sup> stood at EUR 10,755.5 billion at year-end, with Finland accounting for 1.5%. During 2009, non-MFI loans were transferred of euro area MFI balance sheets in the total amount of EUR 42.9 billion, which is only 27% of the corresponding amount in 2008: true-sale securitisations and loan transfers decreased considerably in 2009 compared to the previous year. True-sale securitisations and the transfers of loans contribute on the whole about 1 percentage point to the annual growth of the non-MFI loan stock (Chart 2).

Securitised and transferred loans have not been broken down in ECB statistics into the corporate and household sectors, so their impact on the growth rates of loan stocks of these sectors is difficult to estimate. According to the European securitization forum<sup>9</sup>, loans with real-estate collateral<sup>10</sup> have been securitised by far the most. Country-specific differences in securitisation are very large: in some countries, MFIs have transferred up to several dozen of their different loan stocks off their balance sheets, whereas this has not happened at all in other countries. According to the European securitization forum<sup>11</sup>, loans have been securitised in the euro area the most in Spain, Netherlands, Italy, Germany, Ireland, Belgium, Greece, Portugal and France. In other euro area countries, securitisation has either been very minor or altogether non-existent.

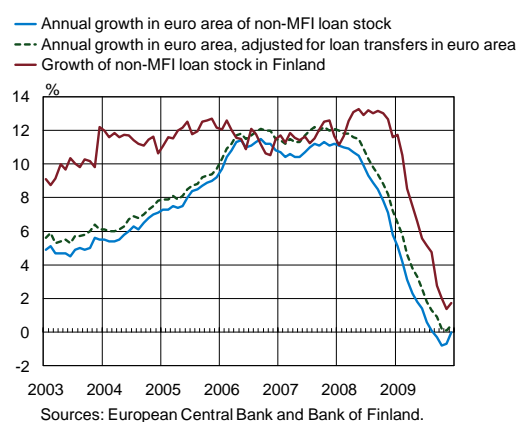
<sup>8</sup> Excl. general government.

<sup>9</sup> Data report Q3 2009.

<sup>10</sup> RMBS (Residential Mortgage-Backed Securities)

<sup>11</sup> These statistics refer to securitised loans, whether on not transferred from on- to off- MFI-balance-sheets.

Chart 2. Annual growth of non-MFI loan stock in euro area and Finland



## 1.2 Loans to households

**The stock of household loans grew faster in Finland than in the rest of the euro area. The growth rate slowed but remained positive throughout the year.**

Uncertainty created by the international financial crisis had an impact on the households' demand for loans in the euro area in 2009. In a few euro area countries, such as Spain and Ireland, collapse of the real estate bubble contributed particularly to a contraction of the housing loan stock. An lessening of the primary uncertainty and strong economic stimulus measures did not yet boost loan demand by households and corporations in the euro area in 2009. Although consumer confidence improved somewhat, it has not yet been notably reflected in new business on loans in the euro area.

Household loans include housing loans, consumer credit, student loans and other loans, such as for the purchase of holiday homes and those to sole proprietors. The largest proportion of household loans is housing loans (on average 73% in 2009). The rest of



the total consists of consumer and other credit, in almost equal proportions.

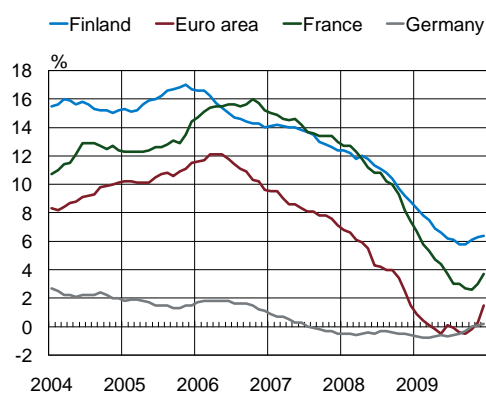
The stock of euro-denominated loans to Finnish households totalled EUR 96.8 billion at the end of 2009. Annual growth in the household loan stock also slowed down in Finland in 2009 but remained considerably above that in the euro area on average. In the euro area, the annual growth of household loans was negative in the two last quarters. In Finland, the growth rate at end-2009 was 5.5% pa; and in the euro area it was 1.3%. In many euro area countries, such as Germany, there was zero growth for nearly the whole year.

### 1.2.1 Housing loans

Developments in housing loans in 2009 were considerably more positive in Finland than in the euro area on average. In Finland, the stock of housing loans grew 6.4% in December year-on-year, while annual growth for the euro area was 1.5%. The Finnish housing loan stock has grown steadily, albeit clearly slower than in recent years. Annual growth of the housing loan stock in Finland has slowed since 2005, and it was at its slowest in August–September 2009, at 5.8% pa.

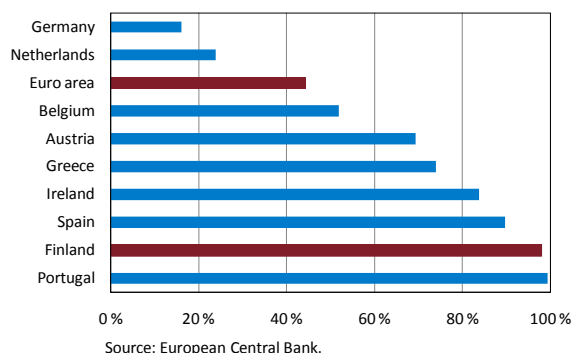
The growth rate for the euro area housing loan stock has slowed down markedly, and growth has been negative in many euro area countries. In some euro area countries, banks have transferred housing loans off of their balance sheets, which also contributes to the slowdown in the growth of the loan stock. In Germany, annual growth of housing loans has been very sluggish for a protracted period and even negative for the last couple years.

Chart 3. Annual growth rate: housing loan stock in euro area countries



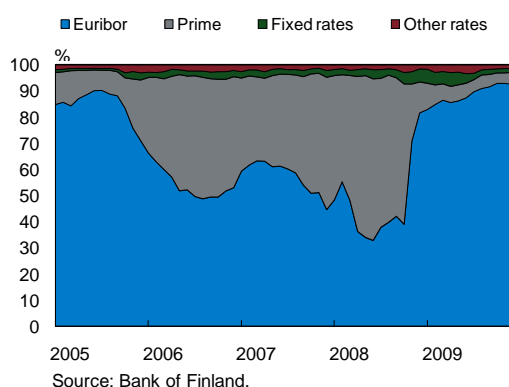
Finnish households with housing loans have benefited from exceptionally low interest rates, since the majority of housing loans in Finland are linked to Euribor rates. In other euro area countries, fixed and longer-term interest rates are clearly more popular than in Finland (Chart 4). In Finland, 97% of new housing loans had initial rate fixations of up to one year, including all the Euribor rates and banks' own prime rates. In Germany, only 16% of new housing loans were linked to interest rates with initial fixations of up to one year (as at end-November). In the euro area, on average 44% of new housing loans were linked to interest rates with initial fixations of up to one year. In contrast, short-term interest rates were even slightly more popular in Portugal than in Finland.

**Chart 4. Share of new housing loan business with initial rate fixation up to 1 year, selected euro area countries, 30 Nov 2009**



In Finland, interest rates are categorised not only by initial rate fixation period but also by reference rate: Euribor rates, prime rates, fixed and other interest rates. The housing loan stock in Finland was 69% linked to Euribor rates (as at end-December). New housing loan agreements<sup>12</sup> at year-end were as much as 93% linked to Euribor rates (Chart 6). The chart shows a clear transition from prime rates to Euribor rates towards the end of 2008. This was due to a steep decline in the Euribor rates.

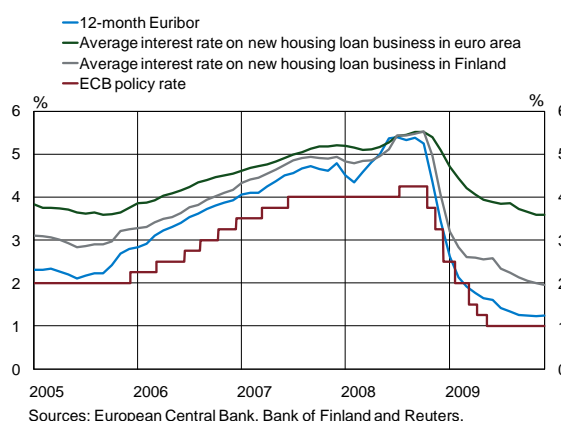
**Chart 5. New business on housing loans by reference rate**



<sup>12</sup> Includes, in addition to new housing loan agreements, renegotiated old agreements.

As a result of the low Euribor rates, interest rates on housing loans declined much more in Finland than in the euro area on average. The average interest rate on new housing loan agreements decreased in Finland to 1.95% in December. The average interest rate on corresponding loans in the euro area was 3.59%.

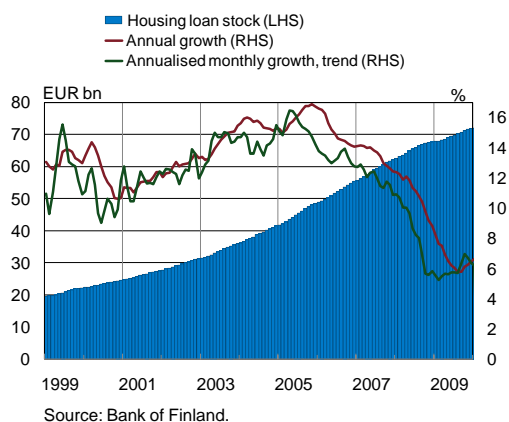
**Chart 6. Interest rates on new housing loan business in Finland and euro area**



Interest rate margins on housing loans increased considerably in 2009 in comparison with the previous year. This was due to the financial crisis and increased costs of bank funding, among other things. In 2008, housing loan margins<sup>13</sup> had narrowed to historically low levels due to intense competition, even to less than 0.3%. Margins actually increased to slightly over 1% in summer 2009, but towards the end of the year, the growth reversed to a slight decline. At the end of December, margins stood slightly below 1%.

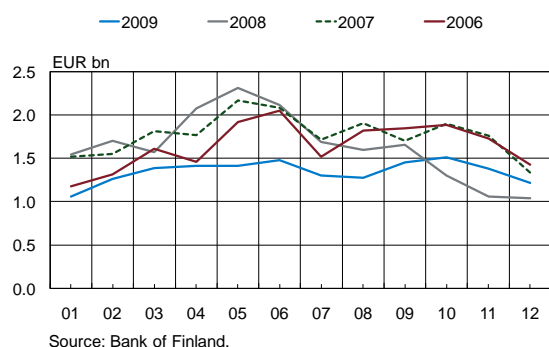
<sup>13</sup> Banks do not report margins to the Bank of Finland, so the figure is imputed.

Chart 7. Stock and annual growth of housing loans by Finnish MFIs



The housing loan stock<sup>14</sup> stood at EUR 71.9 billion at year-end (Chart 7). For 2009, the growth rate was 6.4%, compared to 8.8% a year earlier. The annualised month-on-month growth rate of the trend series was 7.6% at the end of 2009, having been 5.2% in the previous year. Annual growth of the housing loan stock has usually tracked the annualised month-on-month growth with a lag of about six months. The annualised monthly growth in the trend series already shows signs of picking up.

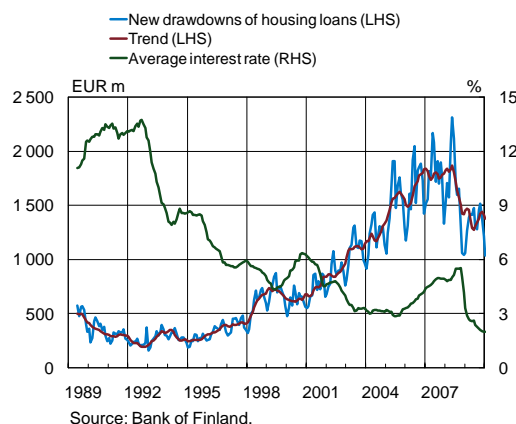
Chart 8. New drawdowns of housing loans by households



<sup>14</sup> Euro-denominated loans granted by Finnish MFIs to euro area residents.

In December 2009, households drew down EUR 1,214 million in housing loans. For 2009 as a whole, new housing loans were drawn down on average in the amount of EUR 1,350 million a month; in 2008 the corresponding monthly figure was EUR 1,640 million. The peak year was 2007, when loans were drawn down on average in the amount of EUR 1,770 million a month. During the past decade, annual drawdowns of housing loans have nearly doubled. For example in 1999, loans were drawn down on average in the amount of EUR 700 million a month.

Chart 9. New housing loans: drawdowns and average interest rate

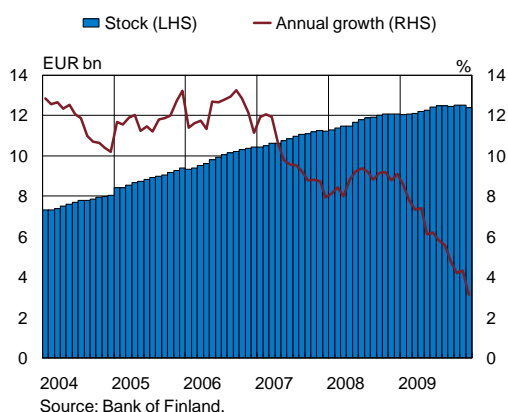


## 1.2.2 Consumer credit

The annual growth of consumer credit in Finland slowed throughout 2009 but remained clearly positive, unlike in many other euro area countries. Although the stock of consumer credit has increased, its share in total household loans decreased to 12.6% at year-end, which was 0.3 percentage point less than a year earlier.

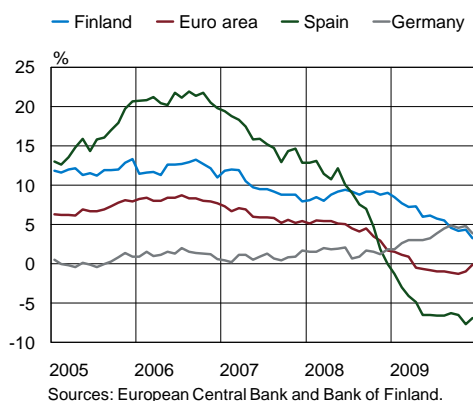
The stock of Finnish households' euro-denominated consumer credit at year-end was EUR 12.4 billion, which is 3.1% more than a year earlier. The annual growth rate declined by almost 6 percentage points in 2009 (Chart 10).

Chart 10. Households' consumer credit in Finland



In Finland, the annual growth of consumer credit was considerably faster than the average for the euro area, where it has been negative since April 2009. In many euro area countries such as Spain, the annual growth of consumer credit has slowed sharply (Chart 11). In Germany, annual growth of consumer credit has long been virtually flat, but it picked up in 2009.

Chart 11. Annual growth rates of consumer credit, selected euro area countries



According to a survey<sup>15</sup> by the Federation of Finnish Financial Services in May 2009, 28% (1.1 million) of 18–74-year-old Finns had consumer credit. The figure is somewhat lower than in 2008, when about 32% of the respondents had consumer credit.

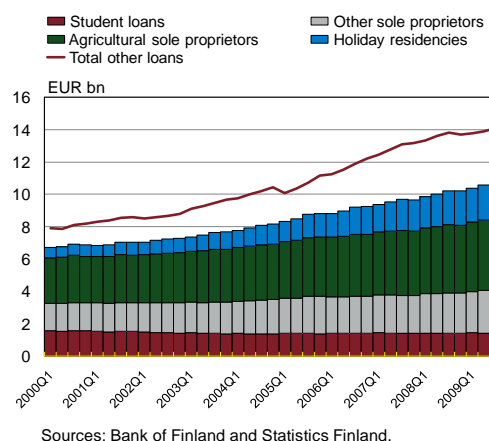
<sup>15</sup> Säästäminen ja luotonkäyttötutkimus (Survey on saving and use of credit), spring 2009.

The proportion of sub-item “overdrafts and credit card credit” in consumer credit was 28% or EUR 3.4 billion at end-December 2009. Overdraft facilities and credit card credit are forms of ‘continuous consumer credit’: an account or credit card linked to a credit limit, which is continuously available up to a predetermined limit.

### 1.2.3 Other loans

Other household loans are those that are not included in consumer credit or housing loans, such as student loans, loans for holiday residences and sole entrepreneurs’ loans. At end-2009, households’ other euro-denominated loans granted by Finnish MFIs amounted to EUR 14.1 billion.

Chart 12. Other household loans by loan type



The stock of student loans has been quite stable for over a decade. At end-2009, it amounted to EUR 1.4 billion. In the three first quarters of 2009, the stock of loans to agricultural sole proprietors increased by EUR 250 million and loans to other sole proprietors by EUR 140 million.<sup>16</sup>

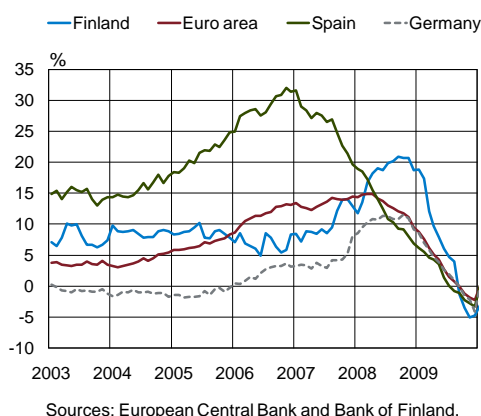
<sup>16</sup> Loan stock statistics from Statistics Finland.

### 1.3 Loans to non-financial corporations

**The exceptionally fast growth in loans to non-financial corporations witnessed in late 2008 waned in 2009, and the stock contracted throughout the year. In contrast, corporate debt markets recovered. Margins on loans to non-financial corporations expanded notably compared to recent years.**

Loans to non-financial corporations<sup>17</sup> granted by Finnish MFIs grew exceptionally rapidly at the end of 2008, when corporate debt markets dried up as a consequence of the financial crisis. Also large corporations, which relied primarily on market funding, turned increasingly to banks for funding. As a result, loans granted by MFIs to non-financial corporations in Finland grew at an annual rate in excess of 20% towards the end of 2008 – considerably faster than in the euro area as a whole (Chart 13).

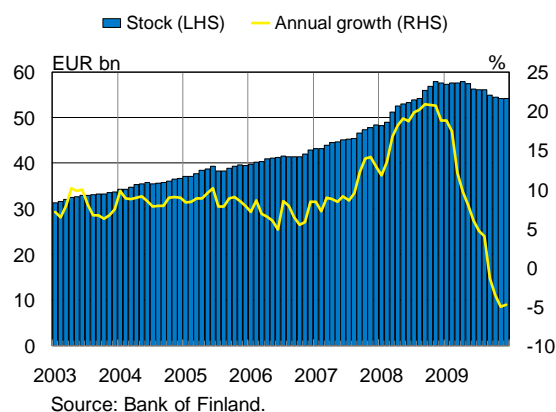
**Chart 13. Annual growth rates of stock of loans to non-financial corporations, selected euro area countries**



<sup>17</sup> Also includes loans granted to housing corporations.

During 2009, the rate of growth in loans to non-financial corporations granted by MFIs slowed down in the euro area, and annual growth was negative in many countries, including Finland (Chart 13). In some euro area countries, such as Spain, loans to non-financial corporations had grown in 2007 at an annual rates in excess of 30%, and so the decrease in lending can be partly attributed to a normalisation from the higher growth rates. The contraction in loans to non-financial corporations has also been influenced by true-sale securitisations and transfers of the loans off balance sheets.

**Chart 14. Stock and annual growth of loans to non-financial corporations in Finland**



In 2009, growth in the stock of loans granted by Finnish MFIs to non-financial corporations slowed considerably. In the middle of the year, the annual growth rate for the loan stock turned negative (Chart 14). At end-December 2009, the stock of loans to non-financial corporations totalled EUR 54.1 billion, which means it has contracted to the level of August 2008<sup>18</sup>.

The contraction in the stock of loans to non-financial corporations is due to both supply and demand factors. According to a survey by the

<sup>18</sup> A total of EUR 1.2 billion of the contraction is explained by the loan transfers and a change in categorisation.

Federation of Finnish Financial Services<sup>19</sup> for bank managers, companies' interest in borrowing in 2009 was weaker than in the previous year.

According to a survey by the Confederation of Finnish Industry and Employers<sup>20</sup> in September 2009, about 11% of all small and medium-sized enterprises responding to the survey had faced considerable difficulties in obtaining finance. In normal circumstances, this figure, according to the Confederation, is 2–3%. The survey indicated that the availability of finance has been hindered particularly in regard to export companies.

Loans to non-financial corporations include loans of housing corporations, which account for about 20% of the total stock of loans to non-financial corporations. The stock of loans to housing corporations stood at EUR 10.7 billion at end-December 2009 (Chart 15). Unlike the rest of the corporate loan stock, the stock of loans to housing corporations increased over the whole of 2009. Annual growth in the stock of loans to housing corporations rose to 14.3% at year-end (Chart 15).

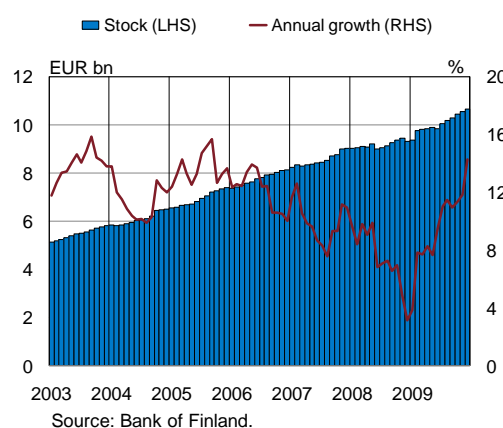
Borrowing by housing corporations was boosted by a government renovation subsidy amounting to 10% of the total price of a renovation project. Limited liability housing companies and housing companies applied for these subsidies to a much greater extent than expected.<sup>21</sup>

<sup>19</sup> Bank Barometer III/2009.

<sup>20</sup> SME Business Tendency Survey, November 2009.

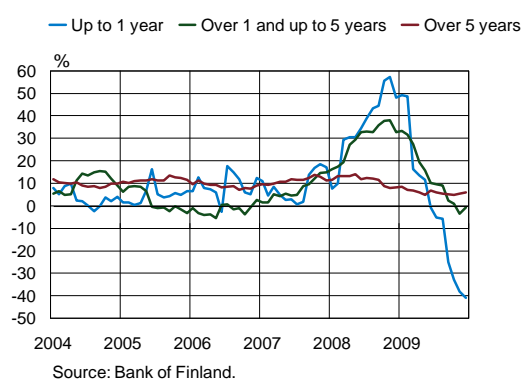
<sup>21</sup> The government reserved EUR 50 m of funds, but applications exceeded EUR 125 m (Helsingin Sanomat 29 January 2010).

Chart 15. Stock and annual growth of loans to housing corporations



The stock of loans to non-financial corporations is divided into three maturity categories<sup>22</sup> (Chart 16). The largest part of the loan stock is in the over-5-year maturity category (on average, 65% in 2009). Loans with maturities up to one year increased very rapidly in the wake of the financial crisis in autumn 2008; in November 2008 the annual growth rate nearly reached 60%. In practice, this means that when the crisis was at its worst, MFIs mainly granted short-term loans. Short-term loans have also disappeared fastest from MFI balance sheets; in June 2009, their annual growth turned negative, to -41.0% in December.

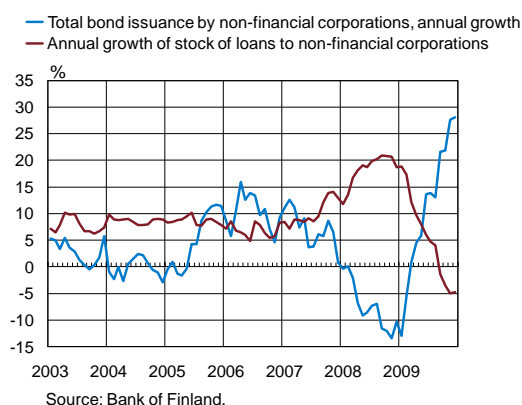
Chart 16. Annual growth of corporate loan stock by original maturity



<sup>22</sup> Based on initial maturity of the loan.

Corporate issuance<sup>23</sup> recovered in 2009 after being completely frozen after the fall of the Lehman Brothers investment bank. The stock of debt securities issued by non-financial corporations in Finland<sup>24</sup> grew in 2009, to EUR 23.7 billion at end-December. Debt securities were issued in net terms in the amount of EUR 5.2 billion during the year, with issues concentrated in the early part of the year.<sup>25</sup>

**Chart 17. Bonds issued by Finnish non-financial corporations and loans to non-financial corporations, annual growth rates**



The amount of new business on loans to non-financial corporations was clearly less in 2009 than in the previous year. While in 2008 new agreements on loans to non-financial corporations were made on average in the amount of EUR 6.6 billion a month, in 2009 the corresponding figure was EUR 6.2 billion a month. However, 2008 was an exceptional year; for example, in 2007 new agreements on loans to non-financial corporations were made on average in the amount of EUR 5.3 billion a month.

About a third of new loans to non-financial corporations are overdrafts and credit card credit (Chart 18). Overdrafts and credit card credit are

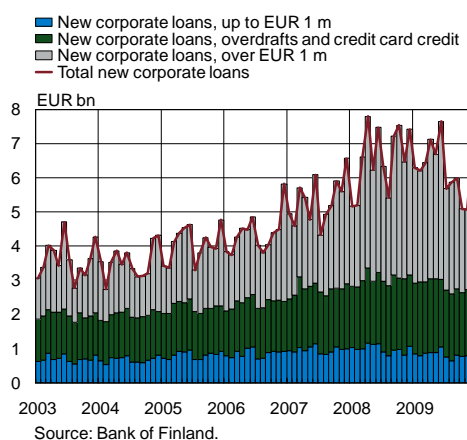
<sup>23</sup> Bank of Finland's security statistics.

<sup>24</sup> Short- and long-term securities combined, all currencies combined.

<sup>25</sup> Over 90% of the issues took place in Q1-Q2/2009.

'continuous credit', so the month-end stock is reported as new agreements. New loans to non-financial corporations in the form of debt securities are categorised according to size: the proportion of loans up to EUR 1 million was the smallest (EUR 0.9 billion) and the proportion of loans in excess of EUR 1 billion was the largest (EUR 4.1 billion) at end-December.

**Chart 18. New business on loans to non-financial corporations**



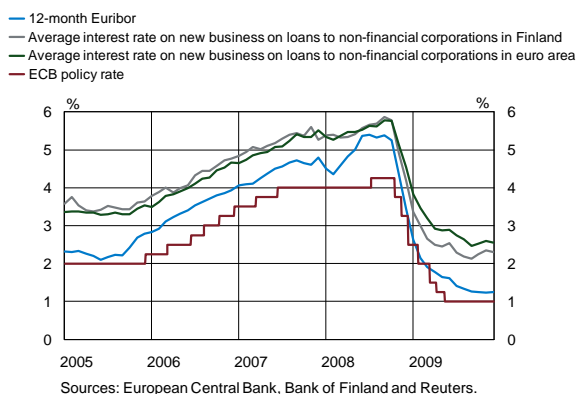
Overdrafts and credit card credit have developed relatively steadily despite the financial crisis; on average their total was nearly as high in 2009 as in 2008. The change has actually taken place in loans to non-financial corporations in the form of debt securities, which increased sharply in 2008 and correspondingly contracted in 2009.

In 2009, new business on loans to non-financial corporations in excess of EUR 1 million was 4% less<sup>26</sup> than in 2008 and loans up to EUR 1 million as much as 16% less. In both relative and absolute terms<sup>27</sup>, the largest change has thus taken place in small corporate loans up to EUR 1 million. The new business on loans to non-financial corporations up to EUR 1 million has not been so meagre since 2005.

<sup>26</sup> Cumulative sum for the year.

<sup>27</sup> Small EUR -1.9 bn / year, large EUR -1.6 bn / year.

Chart 19. Average interest rates on new business on loans to non-financial corporations in Finland and euro area



Interest rates on new business on loans to non-financial corporations have followed the downward trend of market rates. Particularly the decline of Euribor rates since the end of 2008 was channelled into the average rates on new agreements on loans to non-financial corporations, but the spread between Euribor rates and corporate loans widened in 2009, meaning that the margins on loans to non-financial corporations have increased.

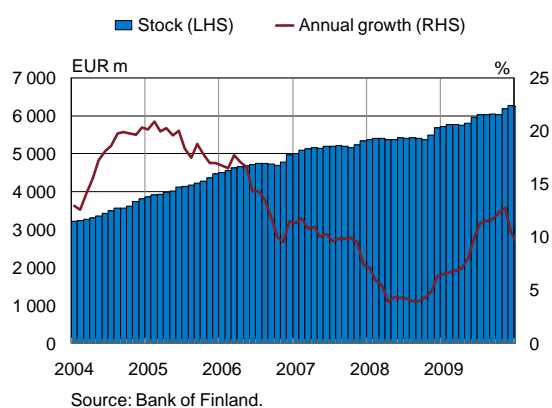
Also at the level of the euro area, interest rates on new loans to non-financial corporations rise slightly towards the end of 2009, prior to which interest rates had decreased for a protracted period. In Finland, the majority of new loans to non-financial corporations are linked to Euribor rates, so that these rates are lower than in the euro area on average (Chart 19). However, the difference is considerably less than for new housing loans. At end-December, the average interest rate<sup>28</sup> in Finland on new business on loans to non-financial corporation was 2.30%, compared to 2.55% for the euro area as a whole.

<sup>28</sup> Incl. overdrafts and credit card credit.

## 1.4 Loans to general government

The share of general government in total non-MFI loans is very small; in 2009, 4% on average. Loans granted by Finnish MFIs to general government increased in 2009: the loan stock grew by EUR 600 million to EUR 6.3 billion at year-end. The majority of loans have been granted to municipalities. The growth rate of the loan stock exceeded 10% at year-end.

Chart 20. Stock and annual growth of loans to municipalities



In addition to loans from MFIs, municipalities, among other things, issue local authority paper to obtain primarily short-term funding. The amount of local authority paper outstanding at end-December was EUR 1.0 billion.



## 1.5 Loans to other financial institutions

The proportion of non-monetary financial institutions in the non-MFI loan stock is the smallest: on average 1%. Non-monetary financial institutions include, for example, insurance companies, financial intermediaries and holding companies as well as investment funds<sup>29</sup>, pawnbrokers and micro loan companies.

---

<sup>29</sup> Excl. money market funds, which are included in the MFI sector.

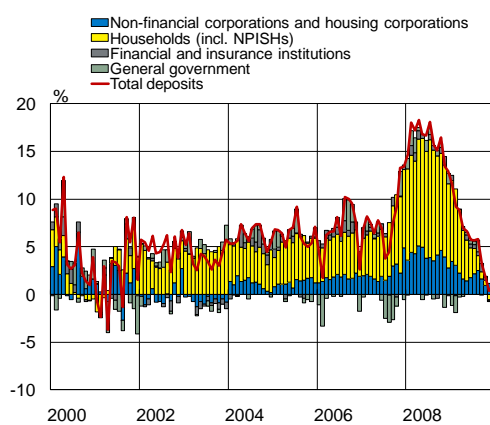
## 2 Deposits and other funding

### 2.1 Non-MFI deposits

**Annual growth of non-MFI deposits slowed abruptly in 2009. Interest rates remained low throughout the year. The proportion of liquid deposits increased in 2009.**

The market uncertainty and interest rate competition among banks, which began in the latter half of 2007 particularly as regards household deposits, greatly increased the popularity of non-MFI deposits. Money was moved from investment funds perceived as uncertain to short bank deposits with agreed maturity, on which deposit rates increased the most. Non-financial corporations' deposits also grew rapidly. Companies transferred liquid assets from investment funds involving risk particularly into deposits with agreed maturity. At its peak rate in April 2008, the stock of non-MFI deposits grew at an annual rate in excess of 18%.

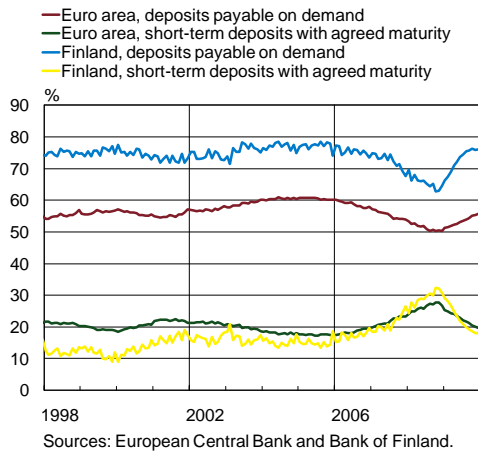
Chart 21. Annual growth of deposits by sector



As the international financial crisis heightened in autumn 2008, deposit growth quickly began to slow down. The primary reasons were probably the rapid fall of deposit rates linked to short-term market rates and the economic recession. The slowing in growth of the deposit stock continued unabated in 2009. At the same time, much deposit money was transferred from deposits with agreed maturity to more liquid deposits, such as overnight deposits. It is also likely that since March 2009 deposits have been moving gradually back to investment funds or other investments, as equity prices began to increase after the early part of the year and investment fund performance began to improve. In contrast, interest rates on non-MFI deposits remained low all through 2009. Also according to the Bank Barometer<sup>30</sup> published by the Federation of Finnish Financial Services, deposits are no longer the only investment option. The majority of bank managers responding to the survey considered that investments other than deposits would become increasingly important particularly in households' portfolios.

<sup>30</sup> Bank Barometer III/2009.

Chart 22. Short-term deposit claims as proportion of all non-MFI deposits

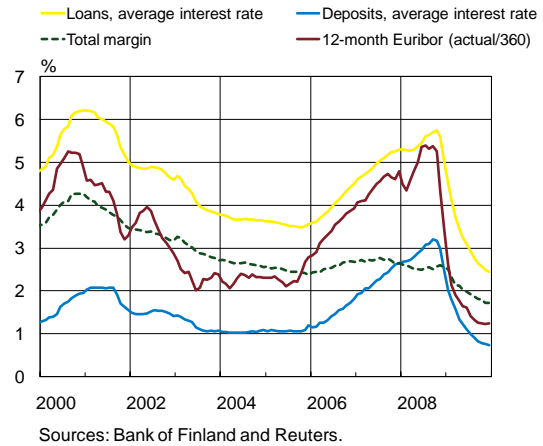


In recent years, non-MFI deposits in Finland have been either payable on demand<sup>31</sup> or with agreed maturity of up to 1 year. At end-2009, these deposits accounted for 94% of total deposits. This was not the case at the turn of the millennium, when deposits with agreed maturity of 1–2 years were particularly popular. In contrast, longer-term deposits have been more popular on average in the euro area than in Finland. Interest rates on deposits, as on loans, have declined slightly faster in Finland than in the euro area on average.

The average interest rate on non-MFI deposits in Finnish MFIs peaked at 3.19% in October 2008. The average interest rate on the deposit stock tracked the general trend in market rates, and by December 2009 was already as low as 0.74%. Hence, the drop from the peak in September 2008 amounted to 2.5 percentage points. The rapid decline in deposit rates was however outpaced by the decline in average interest rates on non-MFI loans. The total margin between loans and deposits narrowed throughout 2009, to 1.7 percentage points in December 2009.

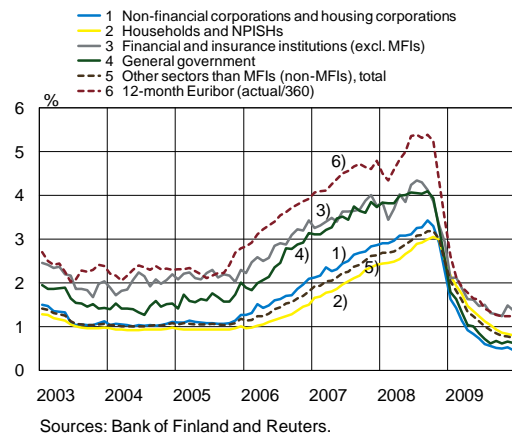
<sup>31</sup> Transaction accounts related to payment transmission (overnight deposits) or higher-yield investment accounts without a fixed maturity (deposits redeemable at notice).

Chart 23. Average interest rates on loan and deposit stock and total margin



A greater share than before of non-MFI deposits is now linked to variable interest rates. The proportion with Euribor linkage increased in 2003–2009 from 10% to about 18% while the share linked to own reference rates rose from 28% to 34%. At the same time, the proportion of fixed-rate deposits has decreased from 56% to about 44%. The proportion with other reference rate linkage has remained fairly low. Changes in the interest rate structure and popularity of short-term deposits probably explains in large part why interest rates on the deposit stock in Finland, as on the loan stock, react rapidly to movements in market interest rates.

Chart 24. Average interest rates on non-MFI deposits by sector



## 2.2 Household deposits<sup>32</sup>

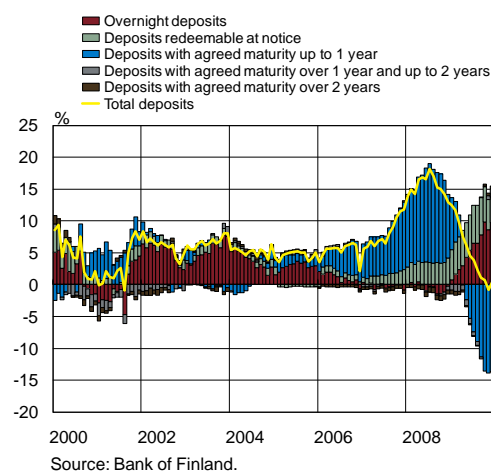
**Interest rates on household deposits decreased rapidly along with market interest rates. Households transferred their deposit assets from deposits with agreed maturity to more liquid deposits. The competition for deposits intensified in 2009.**

Households are the largest group of depositors at Finnish MFIs. The proportion of households in non-MFI deposits was 68% at end-2009. The financial assets of Finnish households and non-profit institutions serving households, according to the financial accounts, was EUR 198 billion at the end of the third quarter of 2009. Of this amount, deposits accounted for 37%. Deposits easily rank as households' most important asset item.

In 2008, households responded to attractive deposit rates and generally uncertainty by sharply increasing their deposit holdings. In large volume, they moved funds out of higher-risk investments, such as equities and investment fund units, into relatively safe bank deposits. In September 2008, a heightening of the financial crisis also pushed down interest rates on household deposits, which slowed the rapid deposit growth. During 2009, deposit rates continued to decline along with market interest rates, and particularly deposits with short agreed maturity became less attractive. In contrast, most of the more liquid deposits increased dramatically.

<sup>32</sup> Households include non-profit institutions serving households.

Chart 25. Annual growth rate of household deposit stock by claim

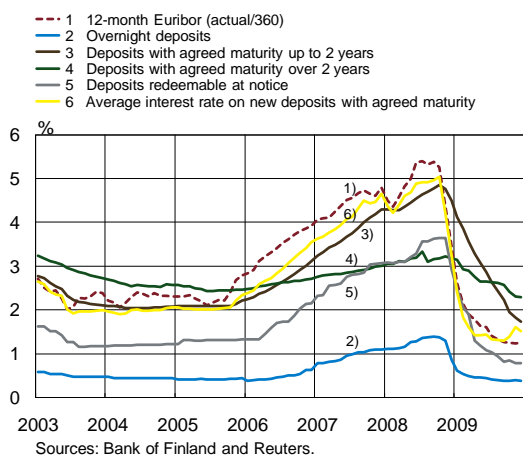


However, the loss of popularity of deposits with short agreed maturity cannot be explained by the decline in the interest rate level alone, since the average interest rate on new fixed-term deposits at present is higher eg than the average interest rate on investment deposits redeemable at notice. In 2009, households preferred higher liquidity to returns. Probably the reason is still the uncertain economic situation and a willingness to seek the highest-return investments after the economic picture has improved.

In terms of the structure of household deposits, there were significant transfers between different account types in 2009. Households' deposits with short agreed maturity contracted in 2009, up to end-December by a total of EUR 10.8 billion, of which the largest share went into overnight deposits and deposits redeemable at notice. These deposits increased EUR 9.8 billion in 2009. Their proportion in total household deposits increased during the year from 65% to 77%. The interest rate on these accounts is significantly lower than on deposits with agreed maturity, but the money is in generally redeemable at notice.<sup>33</sup>

<sup>33</sup> Withdrawals from traditional transaction accounts are made without costs or limitations, whereas other investment accounts redeemable at notice may have limits applicable to single withdrawals or other costs.

Chart 26. Average interest rates on household deposit stock by claim

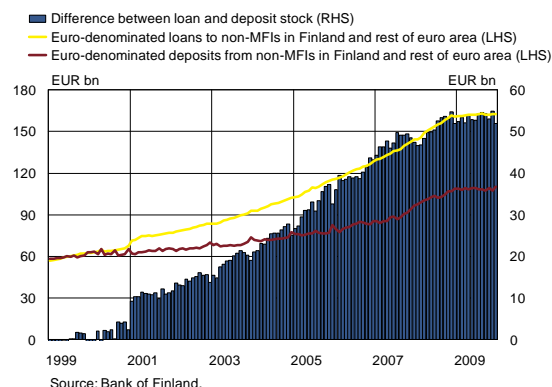


In 2009, competition among banks for household deposits intensified again. The reason behind the increased deposit rate offers is probably that the money received in the form of deposits has been much cheaper than debt security funding from the markets. Furthermore, it is likely that deposit rates are also used to compete for customers. After all, it is natural that people also use other services in the bank where they hold their deposits.

However, deposit margins have contracted fast on the back of the decline in market rates and interest rate competition. Banks have been able to rapidly lower the interest rates on investment deposits, such as deposits with agreed maturity. However, a majority of deposits already consists of overnight deposits with nearly zero interest rates and no room for rate cuts. The interest rate on household overnight deposits decreased in 2009 by only 0.22 percentage point, from 0.69% to 0.39%, while the corresponding declines in deposits with agreed maturity and deposits redeemable at notice were 2.32 and 1.71 percentage points, respectively.<sup>34</sup>

<sup>34</sup> At the same time, the 3-month Euribor declined by 1.74 percentage points.

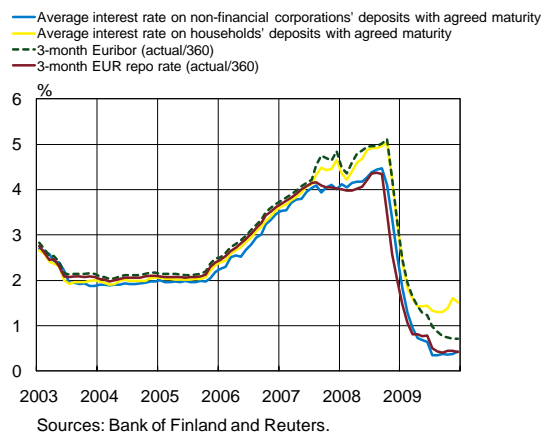
Chart 27. Difference between Finnish MFIs loan and deposit stocks



New household deposits with a agreed maturity earn considerably higher interest rates than what banks get for unsecured money in the interbank market.<sup>35</sup>

Generally interest rates on deposits are lower than market rates, and some banks' deposit margins were actually negative on average towards the end of the year.

Chart 28. Average interest rates and selected reference rates on new deposits with agreed maturity



In December 2009, the average interest rate on new business on deposits with agreed maturity was 1.51%, while the 3-month Euribor, used for comparative purposes, was around 0.70%. The rise in interest rates

<sup>35</sup> Euribor rates of different maturities.

on new deposits with agreed maturity above the reference rate in the latter half of 2009 suggests that competition has increased, particularly for households' deposits with agreed maturity. Competition has likely also intensified in connection with other forms of savings accounts.<sup>36</sup>

## 2.3 Role of deposits of funding

**The importance of non-MFI deposits in MFI funding was highlighted during the financial crisis. However, international comparison is difficult due to country-specific differences in the MFI sector.**

The gap between the loan and deposits stocks of Finnish MFIs widened steadily almost throughout the 2000s until the start of 2009, largely due to the strong growth of the household loan stock. The recession resulting from the international financial market crisis slowed the growth of the loan and deposit stocks, and the gap stabilised in 2009 at about EUR 54 billion. At end-2009, the loan stock of Finnish MFIs was about EUR 162 billion and the deposit stock EUR 110 billion.

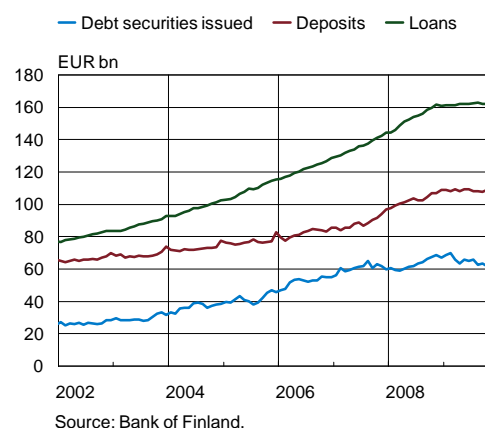
Deposits of domestic non-MFIs continue to be an important form of funding for Finnish MFIs, since they amounted to about 69% of the stock of loans granted by MFIs in 2009.<sup>37</sup> However, the proportion of deposits has decreased continually: in 2001 non-MFI deposits still accounted for almost the total loan stock. However, the declining trend does not mean that the

<sup>36</sup> Interest rate data on new business is only collected for deposits with agreed maturity.

<sup>37</sup> Non-MFIs comprise all other sectors except monetary financial institutions.

importance of non-MFI deposits for MFIs operating in Finland has notably diminished, as deposits continue to be a cheaper and more stable way for banks to obtain funding than via market sources. The significance of deposits has been underscored particularly in the context of the international financial crisis. While funding in the interbank market tightened, inflows of non-MFI deposits to Finnish MFIs continued at a record pace. The declining trend of deposits is also partly explained by structural changes in the MFI sector.<sup>38</sup>

Chart 29. Finnish MFIs' loan and deposit stock and debt securities issued



There are pronounced differences in funding structures of individual MFIs in Finland. Funding structure of course depends mainly on the nature of the institution's activities. Only deposit banks are allowed to take deposits from non-MFIs.<sup>39</sup> Therefore

<sup>38</sup> For example, MFIs pursuing activities of a credit institution other than deposit banking were included in the MFI sector in 2001. These units are not allowed to take deposits from non-MFIs.

<sup>39</sup> In ECB's statistics deposits also include loans drawn by MFIs. This explains why also other institutions than deposit banks have some deposits. In reality, however, they are not non-MFI deposits by loans from non-MFIs. In deposit banks, the ratio of loans and deposits was 78% and in other MFIs engaging in credit institution operations it was 7%.

institutions other than deposit banks<sup>40</sup> must resort to either intra-group funding or market funding. At group level, the differences even out, because groups often include both deposit banks and MFIs engaging in other activities of a credit institution, such as finance companies and mortgage banks.

Regarding foreign branches, the proportion of non-MFI deposits in the balance sheet may remain small, since a branch often obtains funding from its foreign MFI parent company that is not counted as non-MFI deposits. This is due to the fact that foreign branches often specialise eg in corporate finance and not in traditional deposit banking activities. In contrast, non-MFI deposits at small cooperative or savings banks usually cover almost completely the respective funding needs. Small operators do not seek funding from the money or bond markets to any significant extent. In large commercial banks, non-MFI deposits on average cover 60–100% of loans granted.

**Table 1. Proportions of liability items in loan stock in various countries**

	Proportion of deposits in loans (%)			Proportion of debt securities in loans (%)		
	1999Q1	2004Q1	2009Q3	1999Q1	2004Q1	2009Q3
Finland	101	77	67	35	38	39
Euro area	84	83	86	37	41	44
Sweden	99	100	75	27	29	52
Denmark	44	38	37	82	82	87

Sources: European Central Bank and national central banks.

Euro area MFIs in 1999–2009 had proportionally more non-MFI deposits on their balance sheets than Finnish MFIs. On average, deposits from euro area non-MFIs have covered about 80–86% of lending. However, differences across countries are large. Comparison is also complicated by the heterogeneity of the MFI sector. Also in Sweden the proportion of non-MFI deposits decreased, as in Finland, in the 2000s. By contrast, in Denmark households' housing loans in particular have been largely financed by issuing

<sup>40</sup> For example mortgage banks.

covered bonds, which explains the relative importance of bonds there.

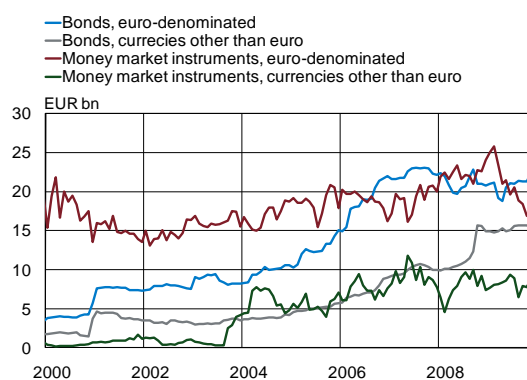
## 2.4 Other funding

**The stock of bonds issued by Finnish MFIs was EUR 65.3 billion in December. Euro-denominated debt securities accounted for 61% (EUR 39.7 bn) and other currencies for 39% (EUR 25.5 bn).**

Of the stock of debt securities, money market paper accounted for 42% (EUR 27.4 billion) and bonds for 58% (EUR 37.9 billion). In February, the stock of debt securities stood at EUR 69.8 billion, the highest figure in the 2000s.

The stock of euro-denominated bonds contracted steadily towards the end of the year, from EUR 48.0 billion in January to EUR 39.7 billion in December. Correspondingly, the stock of debt securities denominated in other currencies increased towards the end of the year, from EUR 20.7 billion in January to EUR 25.5 billion December.

**Chart 30. Stock of bonds and money market paper issued by Finnish MFIs, by currency<sup>41</sup>**



Source: Bank of Finland.

<sup>41</sup> At the beginning of 2001, the MFI sector was expanded to cover, besides deposit banks, also other credit institutions, which is reflected in the elevated level of bond issuance.

## 3 MFI's aggregated balance sheet

The aggregated balance sheet of Finnish Monetary Financial Institutions (MFIs)<sup>42</sup>, excluding the Bank of Finland, expanded by a good 1% in 2009. Credit institutions' contribution to the aggregate balance sheet remained at the previous year's level of 97%. Finnish MFIs accounted for 1.3% of the euro area's aggregate balance of euro area MFIs at the end of 2009.

### 3.1 Overview

At the end of 2009, the aggregated balance sheet of Finnish MFIs (excl. Bank of Finland) amounted to EUR 398.8 billion, representing a year-on-year increase of about 1%.<sup>43</sup> The growth was based on growth in credit institutions' balance sheets, since the balance sheets of money market funds continued to shrink in 2009, at an annual rate of almost 5%. The aggregated balance sheet peaked in value at EUR 408.2 billion in February 2009, when the balance-sheet value of MFIs' derivatives peaked.

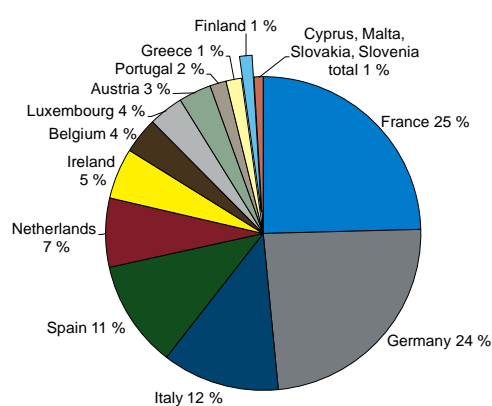
Finland accounted for 1.3% of the aggregated balance sheet of euro area MFIs at end-2009, compared to 1.2% at end-2008. France and Germany account for almost half of the euro area aggregate

<sup>42</sup> Monetary Financial Institutions are the Bank of Finland, credit institutions and money market funds. This publication discusses MFI data excluding central banks. Money market funds are covered in more detail in section 5 along with other investment funds. The number of MFIs decreased slightly during 2009, to 383 at year-end (see section 4).

<sup>43</sup> Annual changes have been calculated on the basis of monthly changes adjusted by eliminating other than business-related changes. For example, changes in the structure of the MFI sector do not have an impact on annual growth even though they are reflected the stock figures. See Box 3.

balance sheet. The aggregated balance sheet of euro area MFIs contracted by 3% in 2009, most sharply in Luxembourg and Belgium, where particularly loans and deposits between MFIs decreased substantially. Loan securitisations in Belgium have further squeezed the aggregated balance sheet.

Chart 31. Contributions by country to aggregated euro area balance sheet, end-2009

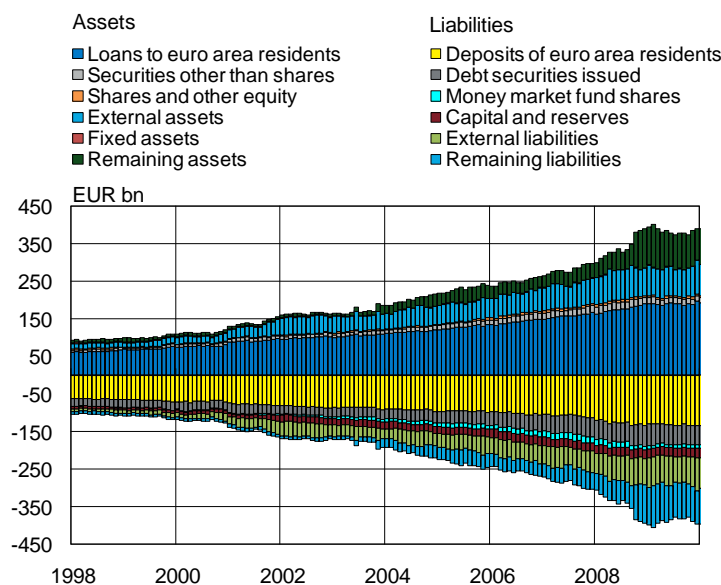


Sources: Bank of Finland and European Central Bank.

Credit institutions' contribution to the aggregated balance sheet in 2009 remained at the previous year's level of 97%, and the contribution of money market funds remained at 3%. Money market funds' share of the aggregated MFI balance sheet was at its largest (7.2%) in July 2007, just prior to the onset of the global financial market crisis. Money market funds' share was at its lowest in early 2009, when it was below 3%. The decrease in the proportion of money market funds was due not only to redemptions of fund units but also to exceptionally large valuation changes. All in all, money market fund redemptions in 2009 were less than in the previous year and their valuation changes were positive (see section 5, Investment funds).



Chart 32. Structure of MFIs (excl. Bank of Finland) aggregated balance sheet



Source: Bank of Finland.

### 3.2 MFI assets

In 2009, there were no substantial changes in the structure of Finnish MFIs' aggregated balance sheet<sup>44</sup>. The most important item on the asset side is loans to euro area residents. The share of loans in the aggregated balance sheet increased somewhat in 2009, to 49% in December, compared to 48% at the end of the previous year. The proportions of large balance sheet items, including in addition to loans external assets and other assets as well as liability items deposits, external liabilities and other liabilities, may vary from month to month by as much as a couple

<sup>44</sup> The balance sheet items "Other securities than shares" and "Shares and other equity" include securities, shares and other equity issued by euro area residents. Paper issued by non-euro area residents is included in the balance sheet item "Claims on non-euro area residents (external assets)". Correspondingly, the liability items "Debt securities issued" and "Money market fund units" include securities held by euro area residents, and securities held by non-euro area residents are included in "External liabilities".

percentage points, since they contain volatile sub-items. In loans to euro area residents, including loans to MFIs, general government and the private sector, the intra-MFI items may vary by several billion euro from month to month and therefore have an impact on the proportion of loans in the balance sheet.

Claims on non-euro area residents<sup>45</sup> increased in 2009 at an annual rate of over 20% and in December 2009 became the second-largest asset item in the balance sheet. Their contribution to the balance sheet rose by 4 percentage points to 23 at end-December. In Finland, the share of non-euro area items in the balance sheet is higher than the euro area average because the share of balance sheets of foreign-owned MFIs in the aggregated balance sheet of the MFI sector is substantial. Intra-group items may be large for MFIs in foreign ownership, since for example their entire funding may come from the parent bank. In

<sup>45</sup> Claims on non-euro area residents (external assets) include loans to non-euro area residents and securities held by MFIs.

Ireland, Luxembourg and Malta the proportions of non-euro area items in the balance sheet are even higher than in Finland. Also in these countries, the significance of foreign-owned banks in the MFI sector is significant.

The share of other assets in the aggregated balance sheet decreased from the end of the previous year by 5 percentage points to 21% at end-2009. The largest sub-item under other assets is derivatives. At the highest, the proportion of other assets was 28% in February 2009. Other assets decreased from the end of the previous year by almost a fifth.

At end-2008, the balance-sheet value of derivatives increased substantially due to for example changes in exchange rates and interest rates. On the basis of a derivatives survey conducted by the Bank for International Settlements (BIS), the derivatives of Finnish MFIs are mostly interest rate and exchange rate derivatives, whose balance-sheet values change in response to movements in exchange rates and interest rates. In Finland, the share of other assets in the balance sheet is higher than in any other euro area country. In the euro area as a whole, the average share of other assets is 8%. In addition to Finland, other assets constitute a large balance sheet item in France, over 15% of the balance sheet. In France, as in Finland, derivatives are the most important sub-item in other assets. However, in France the growth of other assets was not as rapid as in Finland in the latter half of 2008. In some euro area countries, derivatives can be recorded as off-balance sheet items. The proportion of other securities than shares held by MFIs in the aggregated balance sheet decreased somewhat during the year to 5%.

### 3.3 MFI liabilities

As in previous years, deposits of euro area residents constituted the largest item on the liabilities side, although the annual growth rate of the deposit stock slowed substantially in 2009. The contribution of deposits to the aggregated balance sheet remained at previous year's level at 34%. The contribution of euro area deposits in the aggregated balance sheet is smaller in Finland than in any other euro area country. In the euro area as a whole, the proportion of these deposits is 53%. The difference is explained by the fact that both liabilities to non-euro area residents and other liabilities are exceptionally large in Finland. In other countries with significant non-euro area items (Ireland, Luxembourg and Malta), the contribution of euro area deposits in the aggregated balance sheet hovers around 40%.

The second-largest liability item, as in the previous year, was other liabilities, although their balance sheet value decreased by a good 10% from the end of the previous year. Liabilities to non-euro area residents<sup>46</sup> increased at an annual rate of about 25% in December. The contribution of other liabilities decreased by 3 percentage points to 22% and the contribution of non-euro area liabilities increased by 4 percentage points, also to 22%. The largest sub-item in other liabilities is, as in other assets, derivatives. Non-euro area liability items are increased by intra-group items in banks owned by non-euro area residents, as also on the assets side. The proportion of other liabilities in the aggregated balance sheet is exceptionally high, as is the proportion of other assets, in comparison with the

<sup>46</sup> Liabilities to non-euro area residents (external liabilities) include deposits at Finnish MFIs of non-euro area countries, units in Finnish money market funds held by non-euro area residents and debt securities with maturity up to 2 two years issued by Finnish MFIs and held by non-euro area residents.

entire euro area. For the entire euro area, the contribution of other liabilities in the balance sheet is almost 10%. In France, the proportion of other liabilities is also high, at about 17% of the balance sheet.

The proportion of debt securities issued by MFIs and held by euro area residents decreased by about a percentage point, to 13% of the aggregated balance sheet. In the euro area, the proportion of these debt securities in the balance sheet stood at 16% at the end of 2009.

Chart 33. Breakdown of MFIs' aggregated balance sheet by balance sheet items in Finland and euro area

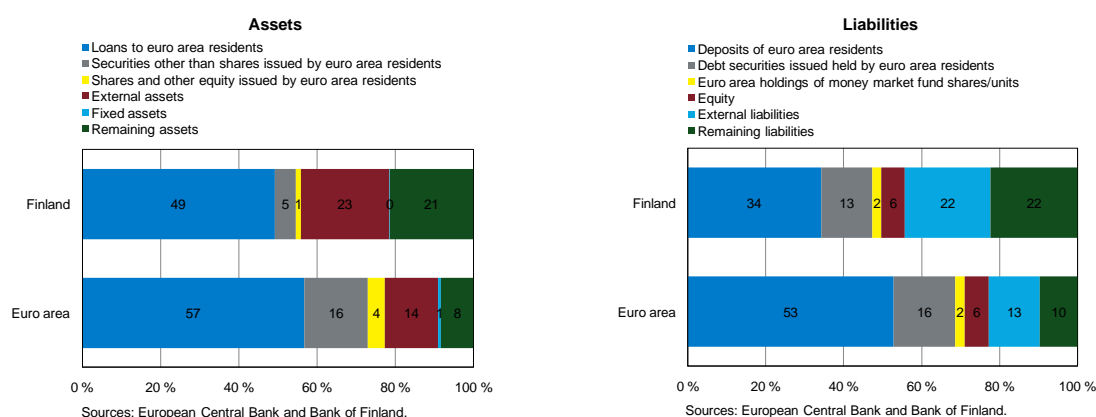


Table 2. Aggregated balance sheet<sup>47</sup> of Finnish MFIs (excl. Bank of Finland), EUR million

Assets	Credit institutions		Money market funds		Total	
	2008	2009	2008	2009	2008	2009
Loans to euro area residents	189 248	195 937	515	293	189 763	196 231
Securities other than shares issued by euro area residents	18 105	15 698	5 831	5 716	23 936	21 415
Shares and other equity issued by euro area residents	4 766	5 352	0	0	4 766	5 352
External assets	66 996	84 428	5 811	5 743	72 807	90 172
Fixed assets	760	746	0	0	760	746
Remaining assets	104 034	84 896	174	15	104 208	84 911
<b>Total assets</b>	<b>383 909</b>	<b>387 058</b>	<b>12 331</b>	<b>11 768</b>	<b>396 240</b>	<b>398 825</b>
<b>Liabilities</b>						
Deposits of euro area residents	135 253	136 351	0	0	135 253	136 351
Debt securities issued held by euro area residents	56 185	52 479	0	0	56 185	52 479
Money market fund shares held by euro area residents	0	0	9 346	9 222	9 346	9 222
Capital and reserves	22 892	24 061	0	0	22 892	24 061
External liabilities	67 499	85 128	2 807	2 500	70 306	87 628
Remaining liabilities	102 080	89 039	178	45	102 259	89 085
<b>Total liabilities</b>	<b>383 909</b>	<b>387 058</b>	<b>12 331</b>	<b>11 768</b>	<b>396 240</b>	<b>398 825</b>

Source: Bank of Finland.

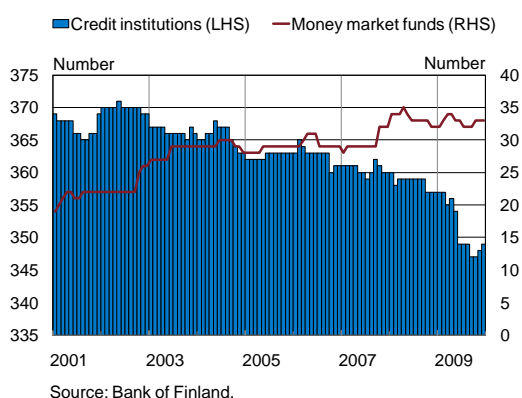
<sup>47</sup> Derivatives are included in items 'Remaining assets' and 'Remaining liabilities'.

## 4 Change in MFI sector

**In 2009, the number of monetary financial institutions in Finland decreased from the end of the previous year. This was primarily due to structural changes in the credit institution sector. The number of money market funds in operation remained unchanged.**

At the end of 2009, there were 383 MFIs in Finland, ie seven less than at the end of 2008. MFIs include the Bank of Finland as well as credit institutions and money market funds Finland.

**Chart 34. Monthly number of Finnish credit institutions and money market funds**



At end-2009, Finnish MFIs included 349 credit institutions and 33 money market funds (incl, one not yet operating but whose rules were approved in 2009). Mergers and other structural changes in the credit institution sector largely explain the decline in number of MFIs during the year.

In the credit institution sector, there were structural changes primarily in the OP-Pohjola and Savings Bank Groups. In the OP-Pohjola Group, the Kiijalan Rekijoen, Kiskon, Kuusjoen, Perniön and Salon

Seudun Osuuspankkis merged to form the new Salon Osuuspankki, which began operations in April. The combination merger of Lieksan, Nurmeksen and Valtimon Osuuspankkis resulted in Pielisen Osuuspankki, which also began operations in April. Pohjola Finance Ltd merged with its parent company Pohjola Bank plc in September. Before the merger, Pohjola Finance was included in “other financial institutions”. In December Kärsämäen Osuuspankki merged with Haapaveden Osuuspankki, whose name was changed to Pyhälaakson Osuuspankki.

There were also changes in the structure of the Savings Bank Group during the year. Rengon Säästöpankki surrendered its business in June to Kantasäästöpankki Oy. At the same time, Rengon Säästöpankki was converted into a foundation. Töysän Säästöpankki Oy’s name was changed in August to Oma Säästöpankki Oy. Kuortaneen Säästöpankki surrendered its business in September to Oma Säästöpankki Oy and became a foundation. Kuortaneen Säästöpankki Övermark Sparbank merged with Närpes Sparbank in October. Ikaalisten Säästöpankki became Ikaalisten Säästöpankkisäätiö (savings bank foundation). Ikaalisten Säästöpankki Oy was founded to continue the business of the bank and began operations in October.

As a new agent in the MFI sector, the payment institution ACH Finland Plc launched operations in March, but it will likely exit the MFI sector during 2010, when the act on payment institutions enters into force.

There were changes in foreign-owned MFIs operating in Finland: businesses were discontinued

and two new institutions began operations. All the changes were related to Finnish branches of foreign MFIs.

The Helsinki branch of the German HSH Nordbank AG closed down in January. The Helsinki branch of Bank DnB NORD A/S closed down in December, as did the Resurs Finans AB filial i Finland of the Sweden-based Resurs Bank.

BIGBANK AS, which specialises in savings and consumer credit, opened a Finnish branch in November. BIGBANK AS, founded in Tartu in 1992, is the first Estonian bank to launch operations in the Finnish market.

The Swedish IKANO Bank SE, Finland filial, was granted authorisation in 2009 and the bank began operations at the start of 2010.

Some name changes also occurred in the financial sector during the year. EFG Investment Bank changed its name in February, to EFG Bank. Elimäen Osuuspankki changed its name in April to Länsi-Kymen Osuuspankki.

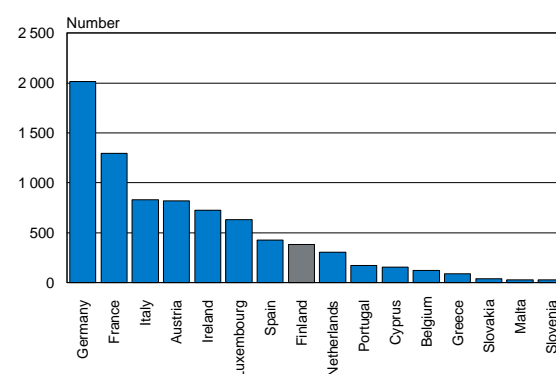
The number of money market funds in operation at year-end was the same as at the end of 2008 (32). In addition, one money market fund was authorised in 2008, but it did not yet begin operations during the year.

Many changes took place in money market funds managed by Nordea. Nordea Money Market Fund began operations in February. The investment funds Nordea Money Manager Fund, Nordea Euro Money Market Fund and Nordea Euro Pro Money Market Fund were divided into investment funds Nordea Moderate Yield Fund and Nordea Yield Fund. The Nordea CDO Debt Fund, which invested mainly in credit-risk involving CDO securities, discontinued operations in January.

The OP-Liquidity Fund was launched in March and the Front Capital Treasury Bill Fund managed by UB Fund Management Company Ltd was launched in October. The Mutual Fund eQ Floating Rate (UCITS) was merged into Mutual Fund eQ Money Market (UCITS) in July. Rules of the OP-Commercial Paper Fund (Non-UCITS) were confirmed in January 2009, but the fund was not launched during 2009.

The euro area expanded at the start of 2009, when Slovakia joined the Eurosystem on 1 January. As a result of Slovakia's accession, 40 new MFIs entered the euro area.

Chart 35. Number of MFIs<sup>48</sup> in euro area, end-2009



Source: European Central Bank.

At the end of 2009, there were 8,076 MFIs in the euro area, which is 274 units fewer than at the end of 2008. In percentage terms, the number of credit institutions decreased by 3.3% in the euro area, whereas the corresponding figure for Finnish MFIs was 1.8%. The number of credit institutions decreased the most in Spain (50, 10.8%). In absolute terms, the highest numbers of MFIs at end-2009 were in Germany (2,018) and France (1,298). The number of money market funds in the euro area at the end of 2009 was 1,599, which was 122 money market funds fewer than a year earlier. The number of euro area money market funds decreased during the year by 7.6%.

<sup>48</sup> The European Central Bank maintains a list of MFIs at <http://www.ecb.int/stats/money/mfi/html/index.en.html>.

## 5 Investment funds

### 5.1 Background

**Collection of investment fund balance-sheet data in accord with ECB Regulation (ECB/2007/8) began at the Bank of Finland as of the end of 2008. Investment funds registered in Finland are obliged monthly to report security-by-security data from the balance sheets of funds and data on eg subscriptions and redemptions of units in the fund.**

The collection of data on investment funds also covers money market funds registered in Finland, which are, by exception, included in “monetary financial institutions”<sup>49</sup> in the statistics. Investment funds belong to the sector “other financial institutions”.

The collection of data on investment funds was harmonised in the euro area when investment funds registered in the euro area began reporting in accord with the ECB investment fund regulation as of the end of 2008. In addition to the comprehensiveness of the data, definitions and classifications are also harmonised, which greatly facilitates analysis.

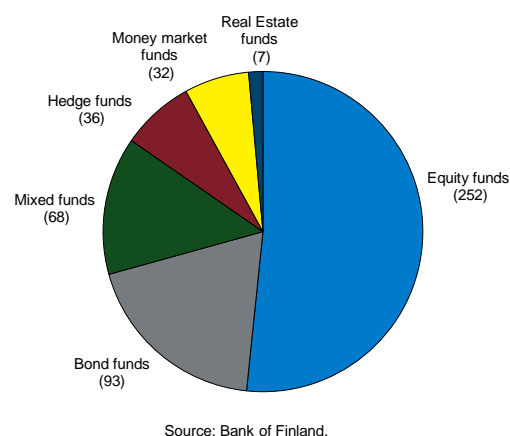
Investment funds are broken down in accord with an ECB Guideline (ECB/2007/9) into equity funds, bond funds, mixed funds, hedge funds, real estate funds and other funds. The classification criteria are harmonised for the entire euro area. Classification of investment funds is done mainly based on the primary type of investment asset.

<sup>49</sup> Money market funds are also discussed in section 3.

The present classifications differ materially from those previously used by Statistics Finland. The category fund of funds was eliminated, and these funds are now classified like other investment funds according to their final investment assets. For example, such a fund investing primarily in other equity funds is now classified as an equity fund. Other reclassifications include the conversions of some mixed funds to equity and bond funds.

At end-2009, there were 488 investment funds in Finland, including money market funds. The largest category, equity funds, comprised 252 investment funds or more than half of all investment funds. The next largest groups were bond funds (93) and mixed funds (68). In Finland there are no investment funds in the category “other funds”. Investment funds included in the real-estate fund category are currently funds of funds investing primarily in REITs (Real Estate Investment Trust) and real-estate investment companies.

**Chart 36. Breakdown by category of investment funds registered in Finland as at 31 December 2009 (incl. money market funds)**



## Security-by-security reporting

Investment funds, including money market funds, report balance-sheet totals and numbers of each type of security in their portfolios. The securities are liquid, and their trading in organised marketplaces and monitoring of value is based on the ISIN codes that identify securities. At the start of 2009, the portfolios of investment funds included 7,162 different types of securities; and at the end of the year 7,613. All in all, 10,798 different identification codes were used in the portfolios.

There were clear differences between fund types, as the aggregated portfolio of bond funds increased by 441 identification codes while the money market fund portfolios shed 74 codes. In money market funds, the number of codes remains low since money market funds often invest in short-term debt securities without ISIN codes.

Table 3. Number of securities with ISIN codes during the year by quarter

Fund type	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4	During the year
<b>Total</b>	<b>7 162</b>	<b>7 196</b>	<b>7 488</b>	<b>7 689</b>	<b>7 613</b>	<b>10 798</b>
<b>Discontinued</b>		<b>783</b>	<b>792</b>	<b>725</b>	<b>885</b>	
<b>New</b>		<b>817</b>	<b>1 084</b>	<b>926</b>	<b>809</b>	
Equity	4 088	4 019	4 116	4 194	4 168	5 677
Discontinued		407	407	324	371	
New		338	504	402	345	
Bond	2 132	2 289	2 549	2 695	2 573	3 666
Discontinued		210	209	253	421	
New		367	469	399	299	
Mixed	968	984	963	994	1 012	1 586
Discontinued		180	155	116	123	
New		196	134	147	141	
Real estate	176	159	167	166	161	207
Discontinued		21	4	9	12	
New		4	12	8	7	
Hedge	806	854	842	889	897	1 414
Discontinued		113	156	107	141	
New		161	144	154	149	
Money market	798	762	738	728	724	1 425
Discontinued		205	187	153	156	
New		169	163	143	152	

Source: Bank of Finland.

## Box 1. Contents of investment portfolios

For each fund type and for investment funds as a whole, a basket of securities was constructed on the basis of the end-2009 balance sheets including the hundred most significant ISIN codes by balance-sheet total. The purpose of the baskets is to assess the stability of holdings.

For investment funds as a whole, the most important security in the portfolios in euro terms was the Fortum share, which was held by 74 different funds with a total balance-sheet value of EUR 372 million. The second largest holding was the Nokia share, in 84 fund portfolios and amounting to EUR 349 million.

When the hundred most significant holdings were retrieved from the portfolios of all investment funds,

1,770 separate holdings had to be summed up. The balance-sheet value for the basket was EUR 12.4 billion. Of the 25 most important securities in the basket, 6 were listed shares, 15 were investment fund shares and 4 were fixed-income securities. The basket was standardised, and the related data were retrieved for the end of each quarter.

Of the total number of identifying codes at end-2009 (7,613), the basket accounts for 1%, but the balance sheet value of the basket amounts to 25% of the balance-sheet value of all identifying codes. Of the basket securities, 86 were included in end-2008 balance-sheet data, and the weight of that basket in all ISIN holdings at the time was 17%.

There were differences across different types of funds resulting from their nature. Marketing of equity funds emphasises long-term investment, and the number of basket identifiers at end-2008 was as high as 97. The weight of the basket in all ISIN holdings remained at 40% over all review dates. Hence, the basket seems to include the 'hard core' of equity funds.

Bond funds specialising on interest-bearing securities as well as money market funds accounted for 70% of the contents of the basket in their end-2008

balance sheets. Particularly with respect to money market funds, turnover in the basket is expected, since investments are concentrated in securities with short initial maturities or soon-maturing long-term securities.

Only for hedge funds did the contents of the basket change by more than a half. Hedge funds, which react quickly to changing market conditions, are prone to change the contents of their portfolios more than other types of investment funds.

Table 4. Holdings of 100 most significant securities (ISIN) during 2009 at end-2009

	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4
<b>Investment funds, total</b>					
Basket security in balance sheet, number	86	87	92	97	100
Holdings in funds, total number	1581	1682	1754	1814	1770
Balance sheet value (basket), EUR m	6 443	6 822	8 675	10 806	12 447
Balance sheet value (ISIN total), EUR m	38 325	37 145	41 756	48 947	49 977
Basket/ISIN total, %	16,8	18,4	20,8	22,1	24,9
<b>Equity funds</b>					
Basket security in balance sheet, number	97	98	98	99	100
Holdings in funds, aggregated number	1 822	1 846	1 923	1 939	1 872
Balance sheet value (basket), EUR m	3 939	3 859	5 171	6 444	7 246
Balance sheet value (ISIN total), EUR m	10 206	9 963	13 237	16 740	18 561
Basket/ISIN total, %	38,6	38,7	39,1	38,5	39,0
<b>Bond funds</b>					
Basket security in balance sheet, number	71	81	92	98	100
Holdings in funds, aggregated number	278	325	408	432	427
Balance sheet value (basket), EUR m	3 699	4 086	5 072	5 878	6 159
Balance sheet value (ISIN total), EUR m	13 369	13 298	14 536	16 357	16 221
Basket/ISIN total, %	27,7	30,7	34,9	35,9	38,0
<b>Mixed funds</b>					
Basket security in balance sheet, number	78	81	89	94	100
Holdings in funds, aggregated number	292	330	360	398	419
Balance sheet value (basket), EUR m	1 135	1 350	1 653	1 884	2 069
Balance sheet value (ISIN total), EUR m	2 544	2 764	3 161	3 559	3 605
Basket/ISIN total, %	44,6	48,9	52,3	52,9	57,4
<b>Real estate funds</b>					
Basket security in balance sheet, number	96	97	99	100	100
Holdings in funds, aggregated number	247	246	259	265	225
Balance sheet value (basket), EUR m	75	62	81	112	91
Balance sheet value (ISIN total), EUR m	87	69	91	125	102
Basket/ISIN total, %	86,0	89,9	89,0	89,0	89,0
<b>Hedge funds</b>					
Basket security in balance sheet, number	49	56	70	77	100
Holdings in funds, aggregated number	84	99	119	141	164
Balance sheet value (basket), EUR m	451	750	1 057	1 183	1 400
Balance sheet value (ISIN total), EUR m	1 583	1 545	1 528	2 057	1 456
Basket/ISIN total, %	28,5	48,6	69,2	57,5	96,2
<b>Money market funds</b>					
Basket security in balance sheet, number	66	68	75	92	100
Holdings in funds, aggregated number	358	358	343	436	474
Balance sheet value (basket), EUR m	2 102	2 042	2 469	3 866	5 275
Balance sheet value (ISIN total), EUR m	10 536	9 506	9 203	10 109	10 033
Basket/ISIN total, %	19,9	21,5	26,8	38,2	52,6

Source: Bank of Finland.



## 5.2 Balance sheet of investment funds

The aggregated balance sheet of domestic investment funds increased in 2009 by almost 31%, from EUR 42.1 billion to EUR 55.0 billion. Bond funds specialising in interest-bearing securities and money market funds were larger than equity funds in balance-sheet totals at end-2008,

but at end-2009 the balance sheet total for equity funds was EUR 2.6 billion higher than that for bond funds. Money market developments in 2009 were clearly reflected in money market funds, whose aggregated balance sheet was smaller than a year earlier.

Table 5. Investment funds' balance sheet and net unit subscriptions in 2009, EUR m

	Equity funds	Bond funds	Mixed funds	Real estate funds	Hedge funds	Investment funds, total	Money market funds	Total
2008M12	10 857	14 209	2 940	96	1 679	29 781	12 331	42 113
2009M1	10 910	14 343	2 975	94	1 661	29 982	11 930	41 913
2009M2	10 262	14 190	3 212	84	1 702	29 450	11 594	41 044
2009M3	10 686	14 095	3 200	77	2 032	30 090	11 334	41 425
2009M4	12 699	14 679	3 448	92	1 816	32 735	11 253	43 988
2009M5	13 973	15 010	3 561	96	1 855	34 495	11 107	45 602
2009M6	14 115	15 359	3 640	96	1 840	35 050	11 495	46 544
2009M7	15 289	16 387	3 763	105	2 010	37 555	11 624	49 180
2009M8	16 587	16 636	3 861	124	1 858	39 065	11 702	50 767
2009M9	17 707	17 138	3 948	131	2 191	41 115	11 961	53 076
2009M10	17 683	17 516	3 956	125	1 923	41 203	12 064	53 267
2009M11	18 251	17 596	3 984	130	1 829	41 789	12 197	53 986
2009M12	19 924	17 368	4 093	136	1 750	43 272	11 768	55 039
<b>Net subscription:</b>	<b>3 865</b>	<b>1 137</b>	<b>514</b>	<b>48</b>	<b>-47</b>	<b>5 517</b>	<b>-1 219</b>	<b>4 298</b>

Source: Bank of Finland.

A balance-sheet may expand for many different reasons. The balance-sheet total increases if fund share subscriptions exceed redemptions. In 2009, redemptions in money market funds topped subscriptions by EUR 1.2 billion. In net terms, equity funds received almost EUR 3.9 billion of new capital and bond funds received over EUR 1.1 billion. Capital needed to buy new securities may be generated in investment funds from valuation changes in connection with securities trades. In addition, equities generate dividends and debt securities earn coupon interest. According to preliminary calculations, eg

equity funds received dividend income in excess of EUR 200 million in 2009.

One important factor affecting balance-sheet totals is still revaluation adjustments tied to securities. A revaluation adjustment can result from changes in securities prices or in nominal-currency exchange rates. In equity funds, the revaluation adjustments (EUR 5 billion) increased the balance sheet total more than did net subscriptions.

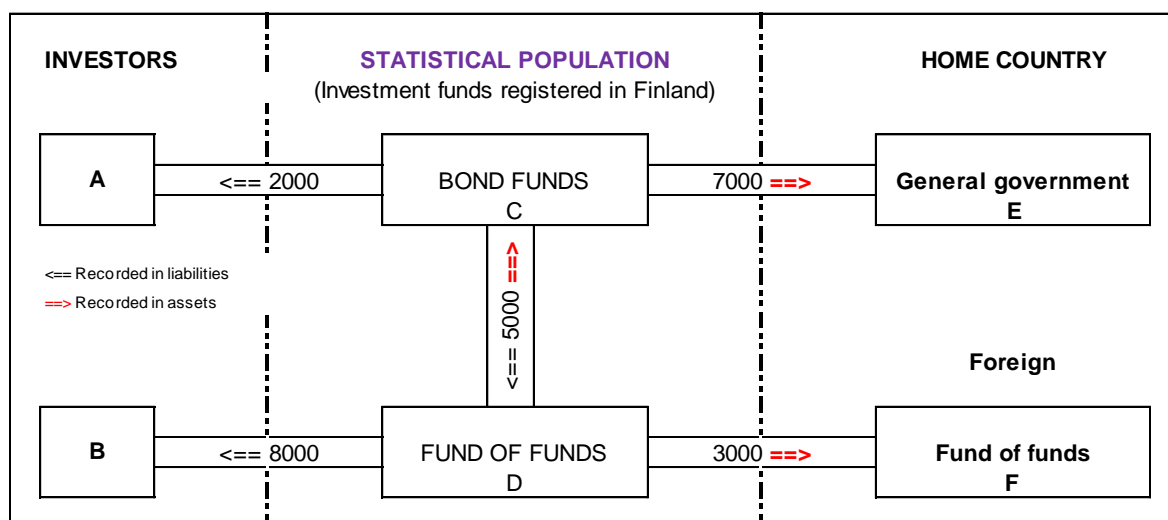
### 5.2.1 Assets in investment fund balance sheets

Assets in the balance sheet are divided into marketable debt securities, shares and fund shares. In order to ensure daily liquidity, 5% of the assets is in deposits. Within the fund categories, only hedge fund instrument breakdowns show a great deal of variety.

#### Assets by instrument

Almost 17% of the investment fund balance sheet is invested in fund shares. In Finland, there are over a hundred active funds of funds, whose statistical impact on the balance sheet should be kept in mind.

Chart 37. Impact of domestic funds of funds on statistics



Source: Bank of Finland.

In the initial situation in the chart, households A and B invest a total of EUR 10,000 in two investment funds. Investment fund C is a bond fund and D is a fund of funds classified as a bond fund. Funds C and D are both registered in Finland and so are included in the statistical population. In the second stage, fund of funds D invests EUR 5,000 in investment fund C and EUR 3,000 in a fund of funds operating abroad. In the third stage, bond fund C invests received capital of EUR 7,000 in a bond issued by a general government institution.

The statistical population consists of investment funds C and D. Their aggregated balance sheet includes fund-share liabilities to households (EUR 10,000) and to fund of funds D (EUR 5,000). Assets on the balance sheet include fund share assets (EUR 8,000) consisting of the claims of the fund of funds on bond fund D (EUR 5,000) and the foreign fund of funds F (EUR 3,000). In addition, bond fund C has holdings in the bond issued by the general government institution E (EUR 7,000).

Since the investment fund statistics include investment funds registered in the home country in gross terms, without consolidations, the statistics also include intra-sector items. Households invested initially EUR 10,000, but due to intra-sector financial transactions the balance sheet expands by EUR 15,000 instead of EUR 10,000. In the Bank of Finland's statistics, holdings within the investment fund sector can be estimated fairly reliably by combining the instrument class (fund shares), sectors (money market funds and other investment funds) and the home country (Finland). At end-2009, the fund-share cross-holdings of domestic investment funds amounted to EUR 5.1 billion. These were distributed so that bond funds had domestic fund holdings of EUR 3.0 billion,

mixed funds EUR 1.0 billion, equity funds slightly less than EUR 1.0 billion and hedge funds EUR 0.3 billion.

Of the investment fund claims at end-2008, excluding intra-sector consolidations, 51% of the stock was invested in long-term debt securities. After the consolidation of intra-sector items, 57% of the stock was in long-term debt securities. The weight of equities increased similarly from 21% to 23% while the weight of fund shares decreased from 16% to 7%.

At end-2009, 42% of the non-consolidated balance sheet was in long-term debt securities; after consolidation, 47%. The weight of equities increased in the non-consolidated balance sheet to 31%, and in the consolidated balance sheet to 35%. The corresponding weights of fund shares were 17% and 9%.

At end-2009, 44% (EUR 1.8 billion) of the EUR 4.1 billion of non-consolidated claims of mixed funds was in fund shares. The consolidated item is EUR 1.0 billion (25% of the balance sheet total) and after consolidation the weight of fund shares fell to 26%.

Also in bond funds, consolidation significantly changed the weight of long-term debt securities. In the non-consolidated balance sheet, the weight was 71% and in the consolidated balance sheet 86%.

### Assets by region

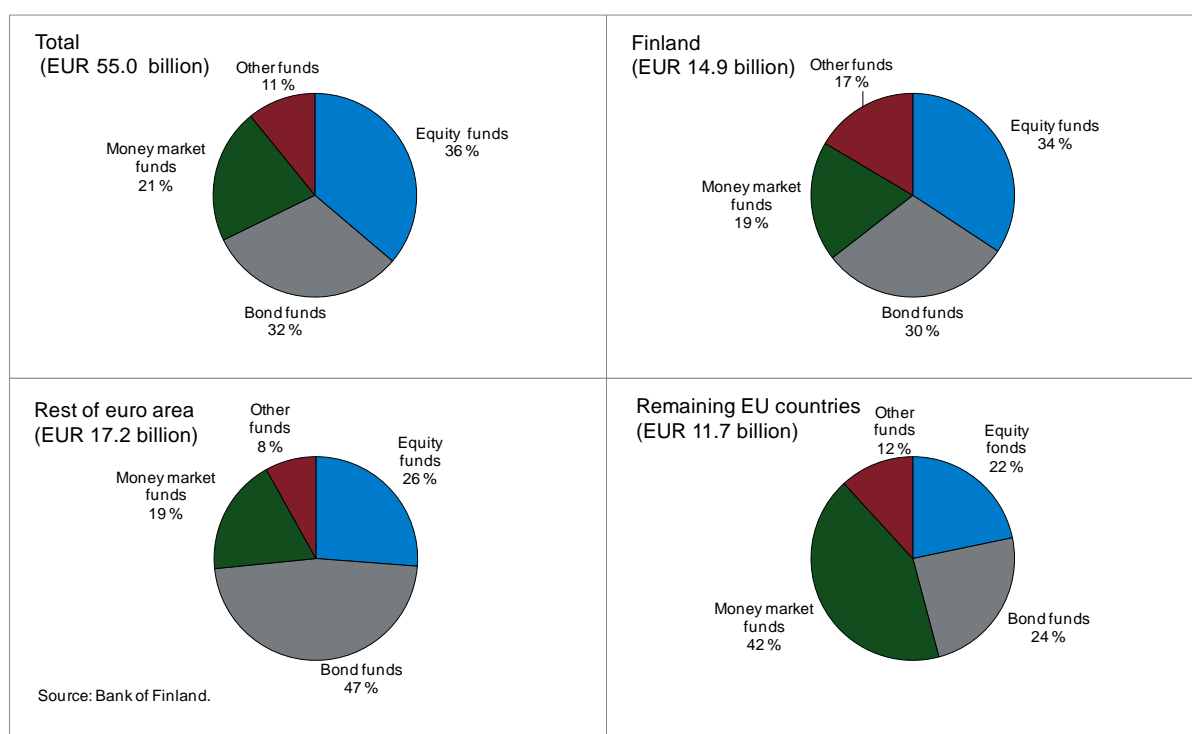
The security-by-security reporting enables a precise breakdown of the investment portfolio. The breakdown is achieved primarily by combining the ISIN code identifying the security with the ECB's security register, which provides the classification data related to the issuer, necessary for statistical purposes. As a second search key for domestic holdings, one can use the reported corporation identifier (business ID). Due to the registers, it is also possible to break down investment fund claims by country.

At end-2009, investment fund balance sheets included claims on 97 different countries, with Finland naturally leading the pack. A majority of the claims are on the EU area (80%). Of this amount, the home country accounted for 34%, other euro area countries for 39% and other EU countries for 27%.

By fund category, the largest claim on the EU area was in money market funds (93%) and the smallest in equity funds (61%). Equity funds have expanded into

the global markets. Equity funds already have investments in North and South America that exceed EUR 3 billion, and their investments in Asia also exceeded EUR 2 billion. Bond fund holdings in the rest of the euro area outside Finland amounted to almost half of the total investments of all investment funds in the rest of the euro area. Other EU countries, Sweden in particular, comprise the single most important investment area for money market funds.

Chart 38. Investment fund assets by region and type of investment fund



In the country breakdown of the end-2009 balance sheet claims, the 25 most important debtor countries are the other Nordic countries, large euro area member states and other major industrial countries in the world. Luxembourg, Ireland and the Cayman Islands are on the list due to their investment or other capital funds. Due to the rise in equity prices and positive net subscriptions, the growth figures are considerable.

**Table 6. Investment fund assets by country, 25 largest, end-2009, EUR m**

		2008M12	2009M12	Change %
1	Finland	12 869	14 969	16,3
2	Sweden	6 344	7 393	16,5
3	France	3 114	3 699	18,8
4	United States	1 733	3 343	92,9
5	Great Britain	1 775	2 841	60,0
6	Luxembourg	1 527	2 371	55,3
7	Germany	2 422	2 326	-4,0
8	Netherlands	1 468	2 116	44,1
9	Italy	1 698	1 734	2,1
10	Ireland	1 162	1 716	47,6
11	Russia	380	1 424	274,9
12	Spain	1 247	1 324	6,2
13	Denmark	1 018	1 207	18,6
14	Norway	621	978	57,4
15	Brazil	149	620	315,6
16	India	221	613	177,2
17	Greece	391	545	39,4
18	Belgium	456	540	18,4
19	Switzerland	367	520	41,7
20	Austria	564	505	-10,4
21	Cayman Islands	322	367	14,0
22	Japan	438	324	-26,0
23	China	114	304	167,8
24	Australia	206	232	12,3
25	Hong Kong	106	217	105,2

Source: Bank of Finland.

### Assets by sector

With the help of security-by-security statistics and the register, one can categorise the issuers of securities in investment fund portfolios by sector. Previously, sectoral classification has only been done for domestic claims.

In this review, the assets in investment fund balance sheets are categorised into five subsectors. Monetary financial institutions include, besides central banks, other MFIs; general government includes central and local governments and social security funds; other financial institutions include OFIs and financial auxiliaries; non-financial corporations include companies and housing corporations; and others include all remaining sectors.

**Table 7. Sectoral breakdown of investment fund assets by region, EUR m**

	FUNDS, TOTAL				
	2008Q4	2009Q1	2009Q2	2009Q3	2009Q4
<b>TOTAL</b>	<b>42 113</b>	<b>41 425</b>	<b>46 544</b>	<b>53 076</b>	<b>55 039</b>
Monetary financial institutions	13 460	12 620	14 372	15 661	15 342
General government	8 533	7 960	8 142	7 991	7 172
Other financial institutions	8 797	9 072	9 612	11 170	12 594
Non-financial corporations	10 535	10 708	13 705	16 699	18 857
Other	788	1 064	714	1 554	1 075
<b>FINLAND</b>	<b>12 819</b>	<b>12 580</b>	<b>14 518</b>	<b>14 964</b>	<b>14 893</b>
Monetary financial institutions	5 076	4 848	5 774	5 164	4 594
General government	734	944	908	577	612
Other financial institutions	3 582	3 391	3 619	4 314	4 420
Non-financial corporations	3 423	3 280	4 212	4 902	5 255
Other	4	118	4	6	10
<b>REST OF EURO AREA</b>	<b>14 235</b>	<b>13 763</b>	<b>14 635</b>	<b>16 819</b>	<b>17 176</b>
Monetary financial institutions	3 566	2 910	3 026	3 676	3 692
General government	5 037	5 124	5 052	4 720	4 615
Other financial institutions	3 509	3 521	4 082	5 199	5 378
Non-financial corporations	2 016	2 089	2 371	3 075	3 328
Other	107	119	104	150	163
<b>REMAINING EU COUNTRIES</b>	<b>9 384</b>	<b>8 820</b>	<b>9 537</b>	<b>11 794</b>	<b>11 740</b>
Monetary financial institutions	3 798	3 947	4 384	5 283	5 353
General government	2 561	1 680	1 894	2 350	1 560
Other financial institutions	1 275	1 491	1 027	1 210	1 291
Non-financial corporations	1 599	1 644	2 146	2 699	3 270
Other	151	58	86	253	266
<b>REST OF WORLD</b>	<b>5 674</b>	<b>6 262</b>	<b>7 854</b>	<b>9 498</b>	<b>11 231</b>
Monetary financial institutions	1 020	916	1 187	1 539	1 702
General government	201	212	287	344	385
Other financial institutions	431	669	883	448	1 504
Non-financial corporations	3 497	3 695	4 976	6 023	7 004
Other	525	769	520	1 145	635

Source: Bank of Finland.

The aggregated balance sheet of all the sectors listed above, excluding general government, increased in terms of absolute balance-sheet total in 2009. The balance sheet total for corporate ownership increased absolutely by over EUR 8.3 billion, to EUR 18.9 billion, and relative to other sectors its weight increased from 25% to 34%. Other financial

institutions also grew by both measures, and at end-2009 their balance-sheet total reached EUR 12.6 billion and the weight increased from 21% to 23%. However, it should be borne in mind that general government cannot by definition issue shares, so the holdings of equity funds in that sector is close to zero. Holdings related to general government comprise short-term but more especially long-term debt securities. At year-end, investment funds held claims on 63 countries in total. In 33 of these, government debt totalled less than EUR 10 million.

**Table 8. Investment fund claims on general government, EUR m**

	2008M12	2009M12	Change %
General government, tot	8 533	7 172	-15,9
1 Sweden	2 491	1 484	-40,4
2 France	1 142	1 121	-1,9
3 Italy	1 115	1 056	-5,3
4 Germany	1 254	853	-32,0
5 Finland	734	612	-16,6
6 Greece	371	506	36,4
7 Belgium	291	276	-5,3
8 Netherlands	306	265	-13,2
9 Spain	251	256	2,2
10 Austria	217	144	-33,7
Other	361	599	65,9

Source: Bank of Finland.

Finland was only fifth on the list. Balance-sheet growth is posted only in Greek government debt securities and in the debt securities of countries not on the list, primarily Asian and South American countries.

## 5.2.2 Liabilities on investment fund balance sheet

**98–99% of investment fund liabilities comprise fund-share liabilities to investors who have subscribed for fund shares. The amount of fund share liabilities at end-2009 was EUR 54.6 billion (incl. money market funds).**

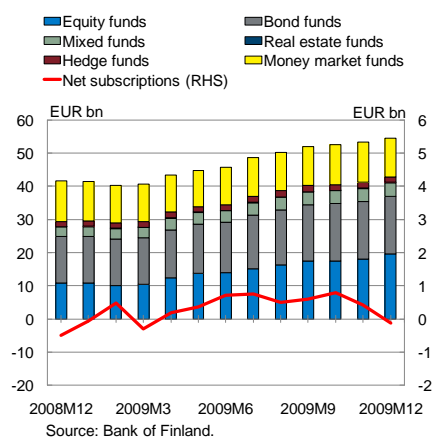
The fund-share liabilities of investment funds registered in Finland increased during the year by EUR 13.0 billion. The growth reflected valuation increases in the equity markets and positive net subscriptions.

As stated in the previous section, the cross-holdings of Finnish investment funds artificially inflate the figures on the liabilities side. In practice, the impact can be largely eliminated by removing the liabilities of Finnish investment funds (incl. money market funds) to Finnish investment funds from the fund-share liabilities. The amount of such liabilities in December 2009 was EUR 5.1 billion.

Although the values of investment funds increased considerably during the year, they are still lower than in 2007, when the total value of investment funds reached EUR 70.2 billion in the second quarter.

Growth in the value of investment funds was relatively stable during the year. The only clear dip occurred in February, when fund values decreased even though net subscriptions were positive. In 2009, net subscriptions were negative only in March and December.

Chart 39. Fund unit liability by fund type and total net subscriptions in 2009

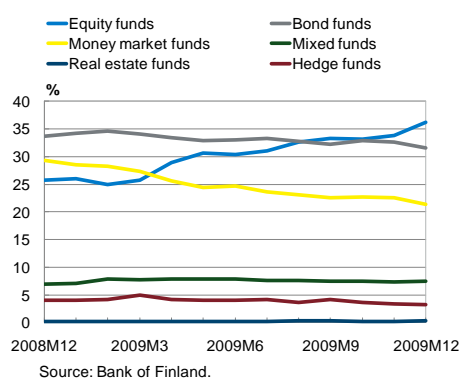


In value terms, the biggest fund category at end-2009 was equity funds, which jumped from third place over bond funds, which were at the top at end-2008. The share of equity funds in investment funds as a whole reached 36%, as the value rose 84% to EUR 19.7 billion. Net subscriptions gave equity funds new capital in the amount of EUR 3.9 billion.

The value of bond funds also increased from a year earlier. Growth amounted to 23%, and the aggregated value was EUR 17.3 billion. Net subscriptions were a positive EUR 1.1 billion.

Money market funds lost the most in relative share. During the year, their fund-share liabilities decreased by EUR 0.4 billion and their share in the total declined from 29% to 21%. The decline was a result of investors' redemptions, which exceeded subscriptions by EUR 1.2 billion. Positive valuation adjustments offset some of the decline.

Chart 40. Development of fund types in 2009 measured by proportional fund-unit liability



At end-December 2009, 81% of shares in investment funds (incl. money market funds), ie EUR 44.0 billion, was held by Finnish investors. The liabilities of real estate funds were almost entirely domestic. The corresponding figure for bond funds was close to 88%. In contrast, the fund-share liabilities of hedge funds were only 66% domestic.

The largest proportion of foreign holdings, over 93% at year-end, was held outside the euro area. Of this amount, the largest part, EUR 8.5 billion, was held by Swedes, whose holdings account for nearly 16% of the value of investment funds registered in Finland. Of the EUR 700 million of remaining holdings in the euro area, 89% were in Ireland and Luxembourg.

Finnish households owned shares in investment funds registered in Finland worth EUR 12.2 billion, which makes up 22% of the total liabilities. At end-2008, the proportion stood at 21% and the value at EUR 8.9 billion.

The proportion of domestic insurance institutions increased from EUR 9.3 billion to EUR 11.6 billion. They held 21% of investment fund shares. The figures for the insurance institution sector include assets invested via voluntary pension insurance, which come from households.

Table 9. Breakdown of fund-unit liability by owner sectors, 31 December 2009, EUR m

	Equity funds	Bond funds	Mixed funds	Real estate funds	Hedge funds	Investment funds, total	Money market funds	Total
Monetary financial institutor	165	307	49	0	5	526	164	690
Central government	350	224	0	4	1	579	143	722
Local governments	195	421	24	1	8	649	250	900
Employment pension instituti	1 749	1 800	31	61	193	3 834	454	4 288
Other social security funds	332	222	3	1	3	561	281	842
Other financial institutions*	1 871	2 196	10	3	74	4 154	1 287	5 441
Insurance institutions	4 104	4 959	1 154	31	216	10 463	1 122	11 586
Non-financial corporations :	1 100	885	184	3	126	2 299	1 380	3 679
Households	4 220	2 995	1 469	13	344	9 041	3 166	12 207
NPISHs**	1 253	1 207	227	16	73	2 776	849	3 625
<b>Finland - total</b>	<b>15 341</b>	<b>15 214</b>	<b>3 150</b>	<b>134</b>	<b>1 043</b>	<b>34 882</b>	<b>9 097</b>	<b>43 979</b>
Rest of euro area	292	220	35	0	26	573	125	698
Rest of world	4 043	1 859	892	1	623	7 418	2 500	9 918
<b>Total</b>	<b>19 675</b>	<b>17 294</b>	<b>4 077</b>	<b>135</b>	<b>1 692</b>	<b>42 873</b>	<b>11 723</b>	<b>54 595</b>

\*includes financial auxiliaries

\*\*non-profit institutions serving households

Source: Bank of Finland.



## Box 2. Investment funds in euro area

Of all investment funds registered in the euro area, the share of domestic investment funds is less than 1%. The fund-share liabilities of investment funds (incl. money market funds) registered in the euro area at end-September 2009 amounted to EUR 5,561.1 billion.

By far the most investment funds, in terms of both number and balance sheet total, are registered in Luxembourg. Luxembourg-based investment funds (excl. money market funds) account for over 30% of the aggregated balance sheet of euro area investment funds. Next on the list are France and Germany. It is noteworthy that Spanish investment funds remain small in size although not in numbers.

Table 10. Breakdown in euro area of investment funds (excl. money market funds) registered in euro area

	Number*	%	Value**	%
<b>Luxembourg</b>	11 888	25.6	1 461.6	30.5
<b>France</b>	10 638	22.9	871.9	18.2
<b>Spain</b>	5 995	12.9	189.4	4.0
<b>Germany</b>	5 782	12.4	998.3	20.8
<b>Ireland</b>	3 459	7.4	399.8	8.3
<b>Austria</b>	2 199	4.7	134.8	2.8
<b>Belgium</b>	1 915	4.1	89.8	1.9
<b>Netherlands</b>	1 389	3.0	374.1	7.8
<b>Italy</b>	1 326	2.9	183.7	3.8
<b>Portugal</b>	532	1.1	28.4	0.6
<b>Finland</b>	<b>452</b>	<b>1.0</b>	<b>41.3</b>	<b>0.9</b>
<b>Malta</b>	354	0.8	6.0	0.1
<b>Greece</b>	224	0.5	7.1	0.1
<b>Slovenia</b>	130	0.3	2.1	0.0
<b>Slovakia</b>	109	0.2	1.6	0.0
<b>Cyprus</b>	55	0.1	1.0	0.0
<b>Total</b>	<b>46 447</b>	<b>100.0</b>	<b>4 790.9</b>	<b>100.0</b>

\*30 Sep 2009

\*\*30 Nov 2009

Sources: European Central Bank and Bank of Finland.

### 5.3 Population of investment funds and changes therein

**The number of investment funds (excl. money market funds) registered in Finland at end-2009 was 456. The number decreased from end-2008 (465) because of both discontinuations of operations and mergers.**

In the euro area as a whole there are some 46,500 investment funds, and these are heavily concentrated in Luxembourg and France. Finnish investment funds account for only 1% of the total number.

In Finland, 22 new investment funds began operation and 8 closed down in 2009. In addition, 24 funds were discontinued due to mergers, mostly into existing active investment funds. The number of mergers and receiving funds totalled 18. Only in one merger was a completely new investment fund founded.

Half of the new investment funds are equity funds. In relative terms, however, the most changes occurred in hedge funds. Including mergers, six new hedge funds discontinued operations – while five completely new hedge funds began operations.

Launches and closures of investment funds were distributed quite evenly throughout the year. Mergers, in contrast, were concentrated in the first year-half – a total of 14 mergers were approved by the end of June 2009.

During the year, a total of 15 name changes were approved, two of which took place in connection with

a merger. Including name changes and confirmations of new investment fund rules, there were many changes of investment fund rules – over 150.

Although the number of investment funds decreased, the number of management companies increased, from 30 to 33, when JOM Fund Management Ltd, Eufex Fund Administration Ltd and Navigo Brahe Fund Management Company Ltd received authorisations. However, the latter did not establish a single investment fund during 2009. Of management companies already in operation at end-2008, Helsinki Capital Partners Fund Management Company Ltd's first investment fund commenced operation in the latter half of 2009.

Changes took place in management companies also via a corporate transaction, when Evli Bank purchased Carnegie's Finnish asset management operations in October. In connection with the acquisition, Carnegie Fund Management Ltd, which managed six investment funds, changed its name into Evli II Fund Management Company Ltd. In terms of numbers, Sampo Fund Management Ltd had the most investment funds (73). The next largest investment fund selections were provided by OP Fund Management Company Ltd (55) and Nordea Investment Fund Company Finland Ltd (54). The number of management companies with over ten investment funds under their management at end-2009 was 14, or 42% of the entire management company population. Eight management companies, ie almost a quarter (24%), only had a single investment fund under management.

Table 11. New investment funds commencing operations in 2009

Name of investment fund	Fund type	Management company	Time
Contango Commodity Beta (non-UCITS)	Hedge	CFM Contango Fund Management Company Ltd	June
Special Mutual Fund Systematica (non-UCITS)	Hedge	E. Öhrman J.or Fund Management Finland Ltd	February
Mutual Fund Systematica Long Only (UCITS)	Mixed	E. Öhrman J.or Fund Management Finland Ltd	June
Mutual Fund eQ Russian Opportunities (UCITS)	Equity	eQ Fund Management Company Ltd	March
Eufex ActiveAlpha UCITS Fund	Equity	Eufex Fund Administration Ltd	December
Mutual Fund Evli European High Yield SEK	Bond	Evli Fund Management Company Ltd	November
Mutual Fund Evli Global Asset Allocation	Mixed	Evli Fund Management Company Ltd	September
Fondita European Small Cap Investment Fund	Equity	Fondbolaget Fondita Ab	May
Special Mutual Fund Fourton Fokus Finland non-UCITS	Equity	Fourton Fund Management Company Ltd	September
Non-UCITS HCP Black	Hedge	Helsinki Capital Partners Fund Management Company Ltd	November
Mutual Fund ICECAPITAL High Yield Beta (Non-UCITS)	Hedge	ICECAPITAL Fund Management Company Ltd	February
JOM Silkkitie Investment Fund (non-UCITS)	Equity	JOM Fund Management Ltd	August
Nordea European Index Fund	Equity	Nordea Investment Fund Company Finland Ltd	February
OP-Emerging Markets Equity Fund (Non-UCITS)	Equity	OP Fund Management Company Ltd	November
OP-Fixed Income Portfolio Fund 10	Bond	OP Fund Management Company Ltd	June
Säästöpankki Kehittyvät Markkinat -erikoissijoitusrahasto	Equity	SP-Fund Management Company Ltd	December
Säästöpankki Maailma Osake -sijoitusrahasto	Equity	SP-Fund Management Company Ltd	September
Säästöpankki Venäjä -erikoissijoitusrahasto	Equity	SP-Fund Management Company Ltd	September
Säästöpankki Yrityslaina -erikoissijoitusrahasto	Bond	SP-Fund Management Company Ltd	March
Special Mutual Fund Tapiola Shield (non-UCITS)	Bond	Tapiola Asset Management Ltd	May
UB Navigator Fund	Hedge	UB Fund Management Company Ltd	December
UB Russia Fund	Equity	UB Fund Management Company Ltd	November

Source: Bank of Finland.

Table 12. Investment funds discontinuing operation in 2009

Name of investment fund	Fund type	Management company	Time
Carnegie Ambassador Fund of Hedge Funds (non-UCITS)	Hedge	Carnegie Fund Management Ltd (presently Evli II Fund Management Company Ltd)	August
Mutual Fund Evli Baltic	Equity	Evli Fund Management Company Ltd	January
Mutual Fund Evli Emerging Markets Debt (non-UCITS)	Bond	Evli Fund Management Company Ltd	March
FIM Malti Non-UCITS Fund	Hedge	FIM Asset Management Ltd	April
FIM MultiHedge Non-UCITS Fund	Hedge	FIM Asset Management Ltd	April
Fund XACT OMXH25	Equity	Handelsbanken Mutual Fund Company Ltd	January
Nordea CDO Equity Non-UCITS Fund	Bond	Nordea Investment Fund Company Finland Ltd	January
3C Alpha Hedge Fund (non-UCITS)	Hedge	Sampo Fund Management Ltd	June

Source: Bank of Finland.

Table 13. Investment funds merged in 2009 (merged fund = M, receiving fund = R)

	Name of investment fund	Fund type	Management company	Time
M	Erikoissijoitusrahasto Sp-Osakerahasto	Equity	Aktia Fund Management Company Ltd	May
R	Erikoissijoitusrahasto Sp-Yhdistelmärahasto	Mixed	Aktia Fund Management Company Ltd	May
M	Sijoitusrahasto Alfred Berg Small Cap Europe	Equity	Alfred Berg Funds Ltd	November
R	Sijoitusrahasto Alfred Berg Small Cap Finland	Equity	Alfred Berg Funds Ltd	November
M	Sijoitusrahasto Alfred Berg Optimal Europe	Mixed	Alfred Berg Funds Ltd	March
R	Sijoitusrahasto Alfred Berg Optimal	Mixed	Alfred Berg Funds Ltd	March
M	Erikoissijoitusrahasto Altos Opportunity	Hedge	Altos Fund Management Ltd	August
R	Erikoissijoitusrahasto Altos Advantage	Hedge	Altos Fund Management Ltd	August
M	Aventum Summa Fund of Hedge Funds (non-UCITS)	Hedge	Aventum Fund Management Company Ltd	September
R	Aventum Pension Fund	Hedge	Aventum Fund Management Company Ltd	September
M	Special Mutual Fund eQ Value Visions (non-UCITS)	Equity	eQ Fund Management Company Ltd	June
R	Special Mutual Fund eQ Nordic Small Titans (non-UCITS)	Equity	eQ Fund Management Company Ltd	June
M	Mutual Fund Evli European Smaller Companies	Equity	Evli Fund Management Company Ltd	May
R	Mutual Fund Evli Europe	Equity	Evli Fund Management Company Ltd	May
M	FIM Tiger Fund	Equity	FIM Asset Management Ltd	April
R	FIM China Fund	Equity	FIM Asset Management Ltd	April
M	FIM Japan Fund	Equity	FIM Asset Management Ltd	April
M	FIM Real Estate Fund	Real Estate	FIM Asset Management Ltd	April
M	FIM Japan Small Cap Fund	Equity	FIM Asset Management Ltd	April
R	FIM Mondo Fund	Equity	FIM Asset Management Ltd	April
M	Handelsbanken Fund in fund 100	Equity	Handelsbanken Mutual Fund Company Ltd	March
R	Handelsbanken Active 100 Fund	Equity	Handelsbanken Mutual Fund Company Ltd	March
M	Special Fund Handelsbanken Click Europe 90	Mixed	Handelsbanken Mutual Fund Company Ltd	December
R	Special Fund Handelsbanken Click Europe Protect	Mixed	Handelsbanken Mutual Fund Company Ltd	December
M	Nordea Fennia Plus Fund	Equity	Nordea Investment Fund Company Finland Ltd	February
R	Nordea Finland Fund*	Equity	Nordea Investment Fund Company Finland Ltd	February
M	OP-Medical Fund	Equity	OP Fund Management Company Ltd	March
M	OP-Forest Fund	Equity	OP Fund Management Company Ltd	March
M	OP-Technology Fund	Equity	OP Fund Management Company Ltd	March
R	OP-World Fund	Equity	OP Fund Management Company Ltd	March
M	SEB European Property Fund	Real Estate	SEB Gyllenberg Fund Management Company Ltd	October
R	SEB Gyllenberg European Equity Value Fund	Equity	SEB Gyllenberg Fund Management Company Ltd	October
M	Seligson & Co APS Far East Fund	Equity	Seligson & Co Rahastoyhtiö Oyj	April
R	Seligson & Co Asia Index Fund**	Equity	Seligson & Co Rahastoyhtiö Oyj	April
M	Taalritehdas Emerging Europe Infrastructure Fund	Equity	Thaler Factory's Fund Company	February
M	Taalritehdas Emerging Europe Value Equity Fund	Equity	Thaler Factory's Fund Company	February
M	Taalritehdas Emerging Europe Allocation Fund	Mixed	Thaler Factory's Fund Company	February
R (new)	Taalritehdas Troika Equity Fund	Equity	Thaler Factory's Fund Company	February
M	Special Mutual Fund Taalritehdas Hansa (non-UCITS)	Equity	Thaler Factory's Fund Company	February
R	Taalritehdas Optimi Fund	Mixed	Thaler Factory's Fund Company	February
M	Taalritehdas Tenge Equity Fund	Equity	Thaler Factory's Fund Company	February
R	Taalritehdas Rouble Equity Fund	Equity	Thaler Factory's Fund Company	February

\*Formerly Nordea Fennia Fund

\*\*Formerly Seligson &amp; Co Japan Index Fund

Source: Bank of Finland.

### Box 3. Calculation of annual changes in MFI statistics

The European Central Bank and the Bank of Finland calculate annual changes<sup>50</sup> in MFI statistics primarily using flow data on the relevant balance sheet item. A flow is a total of net financial transactions over the month, such as loan drawdowns less amortisations or securities purchases less sales.

Stock figures on balance sheet items may also be affected by factors other than actual financial transactions, including revaluation adjustments and exchange rate and reclassification adjustments. Revaluation adjustments include contractions in loan stock due to impairments and credit losses or changes in the balance-sheet values due to changes in security prices. Reclassifications can result eg from structural changes in the MFI sector<sup>51</sup> or reclassification of balance sheet items.<sup>52</sup>

In MFI statistics, a flow data item (F), ie the value of a financial transaction is determined by eliminating the impact of all factors other than actual financial transactions in the change in the stock (L) (V = valuation adjustments, C = reclassifications, E = exchange rate changes).

$$F_t = L_t - L_{t-1} - V_t - C_t - E_t$$

To get the annual change, one calculates first the relative monthly change ( $X_t$ ), ie the ratio of monthly flow to the stock at the end of the previous month.

$$X_t = (F_t / L_{t-1} + 1)$$

<sup>50</sup> Monthly or quarterly changes are calculated according to the same principle.

<sup>51</sup> For example, a new MFI is established, which previously operated in another sector. Also a closing or merger of an MFI usually results in a change of categorisation.

<sup>52</sup> For example, changes in claims, sectors or maturities.

The annual change ( $a_t$ ) is found by chaining the monthly change ( $X_t$ ) over 12 months as follows:

$$a_t = ((X_t * X_{t-1} * X_{t-2} * X_{t-3} * X_{t-4} * X_{t-5} * X_{t-6} * X_{t-7} * X_{t-8} * X_{t-9} * X_{t-10} * X_{t-11}) - 1) * 100$$

One can also calculate index numbers (I) for balance sheet items adjusted for revaluations, reclassifications and exchange rate adjustments, ie for factors other than financial transactions. In this case, the annual change can be calculated as follows:

$$a_t = (I_t / I_{t-12} - 1) * 100$$

In financial statistics, an annual change is usually calculated as the ratio of a monthly observation to that for 12 months earlier. In MFI statistics, this produces the same result as the annual change calculated on the basis of the flow if there have been no changes other than those due to financial transactions in the balance sheet item during the year.

True-sale securitisations and other loan transfers<sup>53</sup> generally reduce the loan stock, and these are treated as financial transactions.<sup>54</sup> Hence, true-sale securitisations and other transfers of loans are flows that affect the annual change. In 2009, the ECB began to publish annual changes for “loans to the private sector”, from which the impacts of true-sale securitisations and loan transfers are eliminated.

<sup>53</sup> Loans can also be transferred off the balance sheet by selling part of the loan stock to another company. These transfers are included in MFI statistics if the acquiring company does not belong to the MFI sector.

<sup>54</sup> According to the relevant IFRS standard, a securitisation can also be carried out so that the loan stock remains on the balance sheet of the securitising MFI.

Table 14. Imaginary example on calculation of annual change in MFI statistics

Time	Stock	Revaluation adjustments	Reclassifications	Exchange rate adjustments	Flow	Annual change calculated based on flow		Traditional 12-month change
						Relative monthly change	Annual change	
EUR million						%		%
	L	A	C	E	F			
2XX0M1	31 558	4	0	-1				
2XX0M2	31 996	-3	0	-1	442	1,014		
2XX0M3	32 544	2	0	0	546	1,017		
2XX0M4	32 626	-1	0	1	81	1,003		
2XX0M5	32 982	-8	0	0	364	1,011		
2XX0M6	32 943	-1	0	-1	-37	0,999		
2XX0M7	33 046	-7	0	1	108	1,003		
2XX0M8	33 257	-13	0	0	224	1,007		
2XX0M9	33 201	1	0	-1	-57	0,998		
2XX0M10	33 580	-5	0	1	384	1,012		
2XX0M11	33 714	-47	0	-1	183	1,005		
2XX0M12	34 318	1	0	-1	603	1,018		
2XX1M1	34 277	6	0	-1	-46	0,999	8,9	8,6
2XX1M2	34 705	-22	0	0	450	1,013	8,8	8,5
2XX1M3	35 343	4	0	0	634	1,018	8,9	8,6
2XX1M4	35 486	3	0	0	140	1,004	9,1	8,8
2XX1M5	35 759	-9	0	-1	283	1,008	8,7	8,4
2XX1M6	35 613	5	0	0	-152	0,996	8,4	8,1
2XX1M7	35 743	1	0	0	129	1,004	8,4	8,2
2XX1M8	36 001	-4	0	0	262	1,007	8,5	8,2
2XX1M9	36 077	1	0	0	76	1,002	8,9	8,7
2XX1M10	36 548	2	0	0	470	1,013	9,0	8,8
2XX1M11	36 701	9	0	0	144	1,004	8,9	8,9
2XX1M12	37 134	1	0	38	395	1,011	8,1	8,2
2XX2M1	37 120	6	0	0	-20	0,999	8,2	8,3
2XX2M2	37 727	-13	0	-1	621	1,017	8,6	8,7
2XX2M3	38 430	-1	0	0	703	1,019	8,6	8,7
2XX2M4	48 899	0	10 500	24	-55	0,999	8,0	37,8
2XX2M5	49 331	-7	0	0	439	1,009	8,1	38,0
2XX2M6	48 968	0	0	-1	-361	0,993	7,8	37,5
2XX2M7	48 777	-1	0	0	-190	0,996	7,0	36,5
2XX2M8	49 054	-9	0	-1	286	1,006	6,9	36,3
2XX2M9	49 258	6	0	0	198	1,004	7,1	36,5
2XX2M10	49 576	3	0	0	315	1,006	6,4	35,6
2XX2M11	49 452	-52	0	-5	-67	0,999	5,8	34,7
2XX2M12	49 706	18	0	1	234	1,005	5,2	33,9
2XX3M1	49 945	6	0	0	233	1,005	5,7	34,6
2XX3M2	50 345	-9	0	-98	507	1,010	5,0	33,4
2XX3M3	51 211	0	0	0	866	1,017	4,9	33,3
2XX3M4	51 171	-6	0	0	-35	0,999	5,0	4,6
2XX3M5	48 570	9	-3 000	0	390	1,008	4,8	-1,5
2XX3M6	48 123	1	0	1	-449	0,991	4,6	-1,7
2XX3M7	48 014	0	0	0	-108	0,998	4,8	-1,6
2XX3M8	48 464	-5	0	-1	456	1,009	5,2	-1,2
2XX3M9	48 997	5	0	1	527	1,011	5,9	-0,5
2XX3M10	49 464	-1	0	0	468	1,010	6,2	-0,2
2XX3M11	49 875	2	0	1	409	1,008	7,2	0,9
2XX3M12	50 151	-1	0	1	276	1,006	7,3	0,9

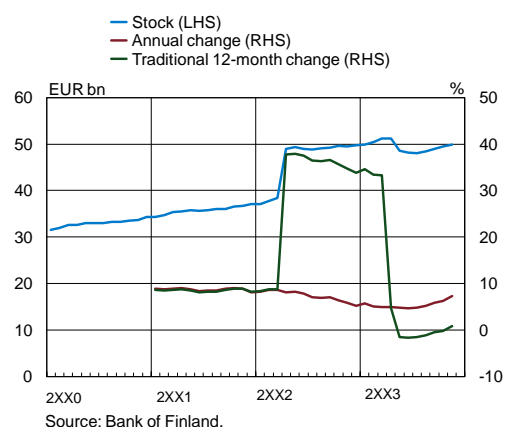
In the example, the imaginary stock series is a currency-denominated loan series. The stock series describes statistical movements in the item.

Revaluation adjustments are obtained from the reporting institutions: a negative revaluation is a credit loss or impairment record, and a positive revaluation is a recovery of credit loss. Reclassifications are generally reported by the reporting institutions, but sometimes the amount of reclassification has to be estimated. Two reclassifications have been made in the series: in period 2XX2M4 there was an EUR 10,500 million reclassification when the stock increased by this amount, and correspondingly a reclassification of EUR –3,000 million in period 2XX3M5 when the stock contracted by this amount.

The ECB calculates exchange rate adjustments on the basis of the quarterly currency breakdowns. The flow column describes financial transactions in the month, or in this case the drawdowns of loans less

amortisations during the month. The column “annual change” shows how much financial transactions have affected the annual change. In contrast, the traditional annual change is the change in stocks, which does not account for other factors that influence the change in stock. This is illustrated in the adjacent chart.

Chart 41. Impact of reclassification and revaluation adjustments on annual change



Appendix 1. Charts

Chart 42. Aggregated balance sheet of Finnish MFIs (excl. Bank of Finland)

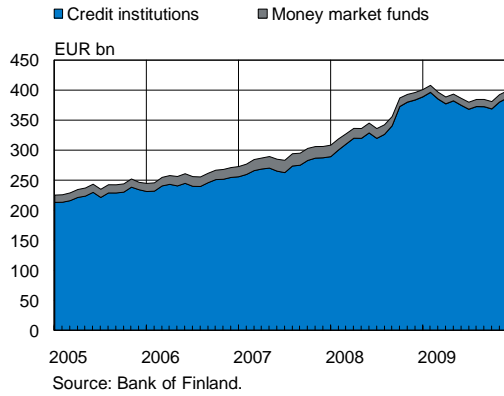


Chart 45. Stock and average interest rate on housing loans

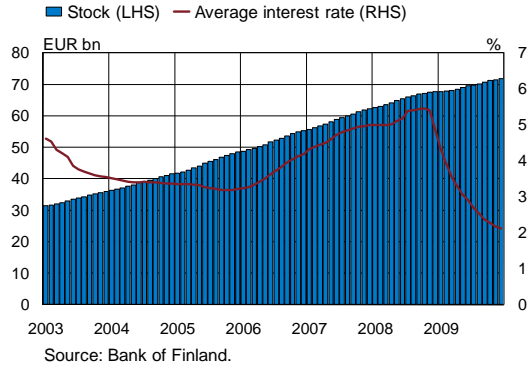


Chart 43. Annual growth of aggregated MFI (excl. Eurosystem) balance sheet in euro area and Finland

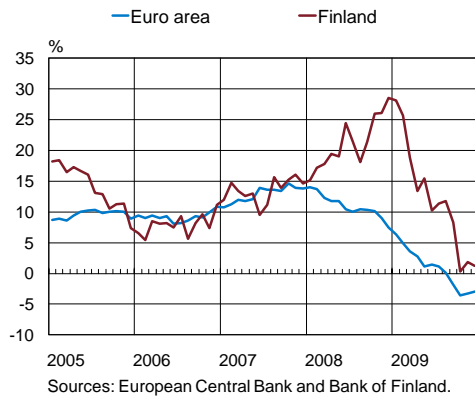


Chart 46. Stock of housing loans by reference rate

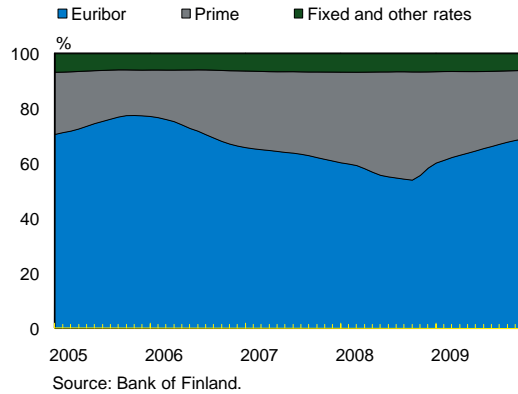


Chart 44. Annual growth in non-MFI loan stock by sector

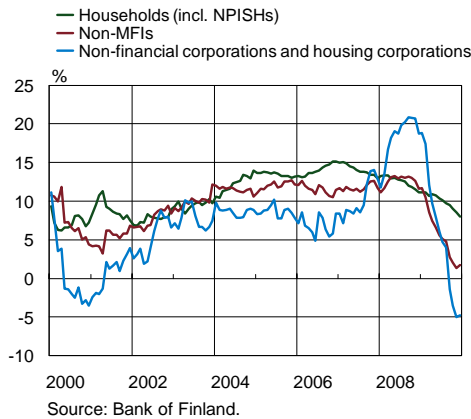


Chart 47. Average interest rate on housing loan stock by interest rate linkage

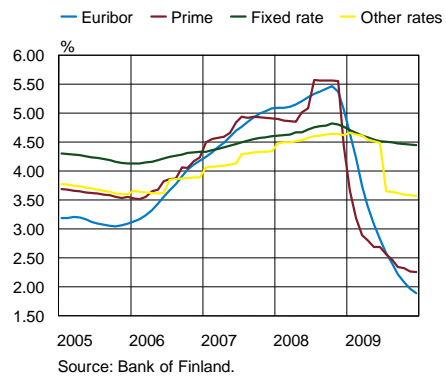




Chart 48. Items of credit institutions other than banks specialised in mortgage financing

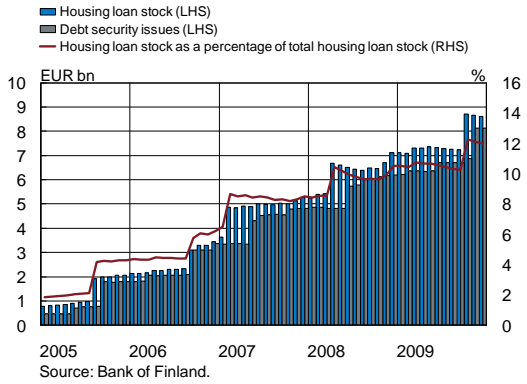


Chart 51. Stock and average interest rate on household overdrafts and credit card credit

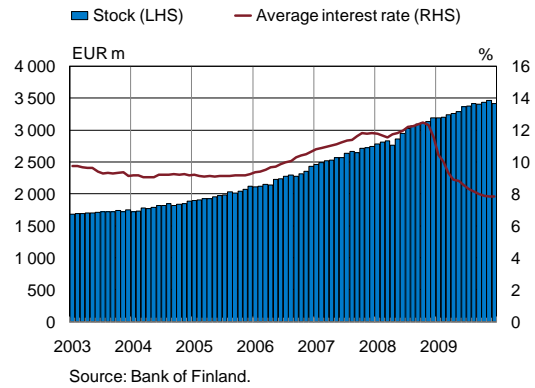


Chart 49. Volume and average interest rate on new drawdowns of housing loans

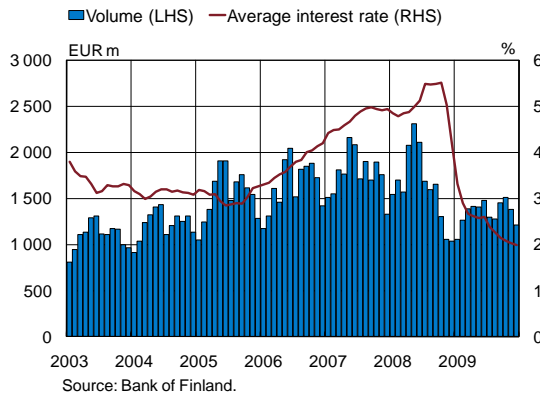


Chart 52. Stock and average interest rate on student loans

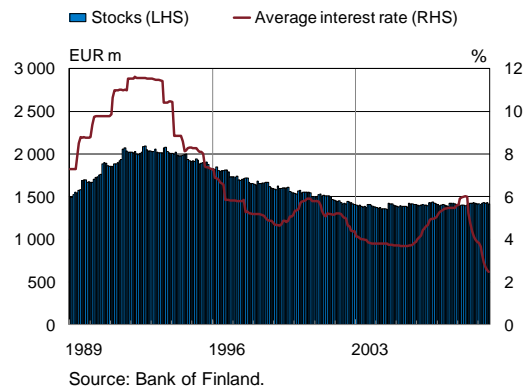


Chart 50. Stock and average interest rate on consumer credit to households

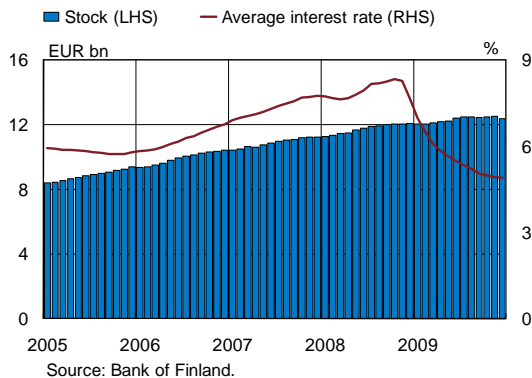


Chart 53. New business on loans to non-financial corporations of up to EUR 1 million, 2006–2009

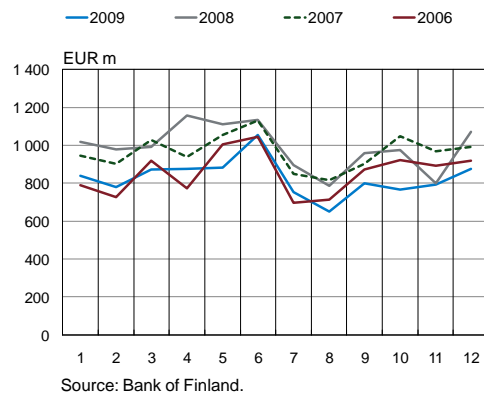


Chart 54. New business on loans to non-financial corporations of over EUR 1 million, 2006–2009

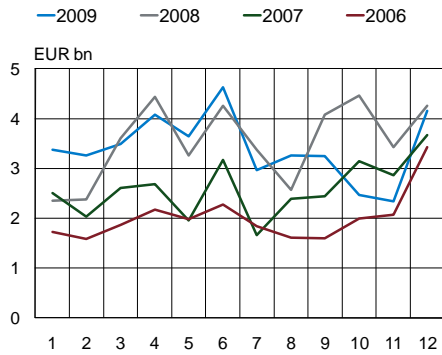


Chart 55. Average interest rate on new business on loans to non-financial corporations with initial rate fixation of up to 1 year, by loan size

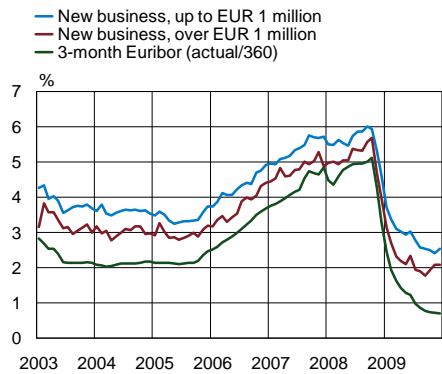


Chart 56. Stock of loans to housing corporations and its share in total corporate loan stock

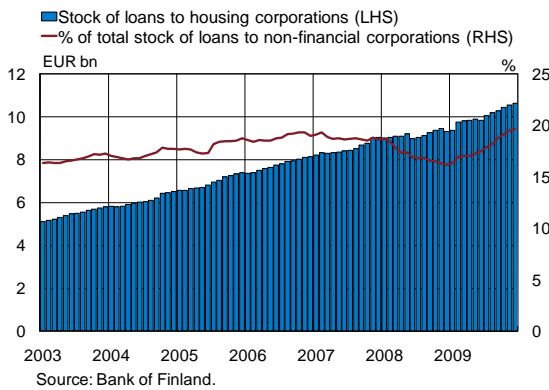


Chart 57. Annual growth and average interest rate on non-MFI deposits

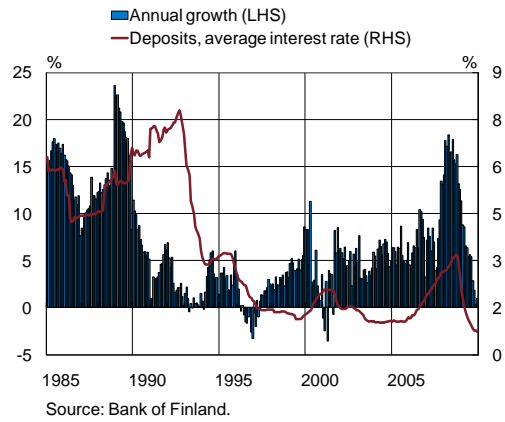


Chart 58. Deposits by euro area non-MFIs by interest rate linkage

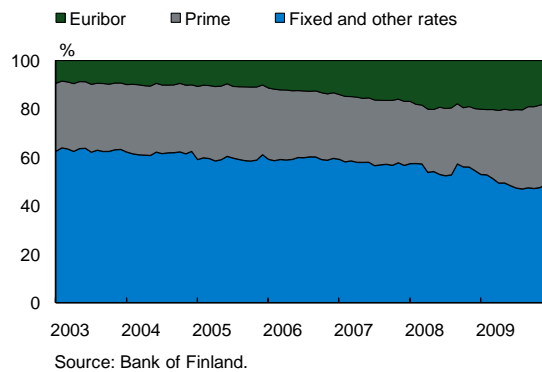


Chart 59. Average interest rate on non-MFI deposit stock by reference rate

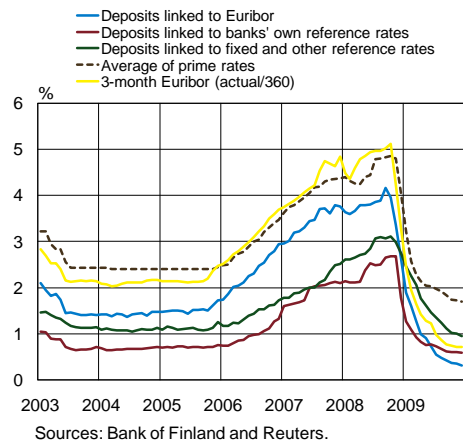


Chart 60. Geographical breakdown of non-MFI deposits with Finnish MFIs

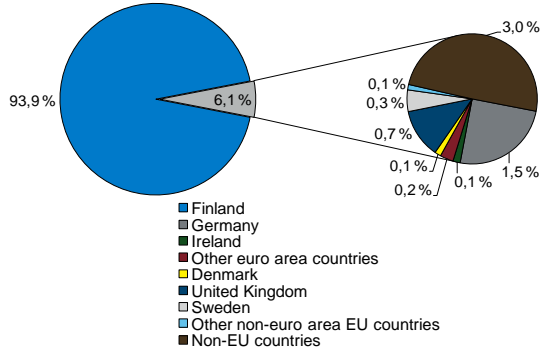


Chart 61. Annual growth of non-MFI deposits in euro area MFIs

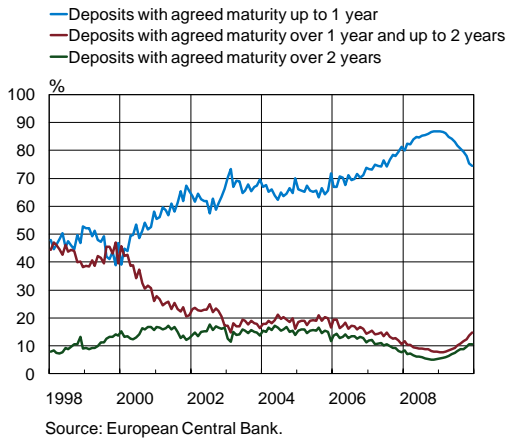


Chart 62. Average interest rates on household deposits in Finland and euro area

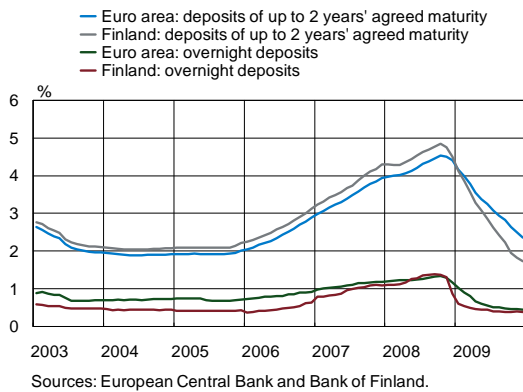


Chart 63. Euro-denominated deposits of euro area households at end-2009; breakdown by deposit claim and maturity

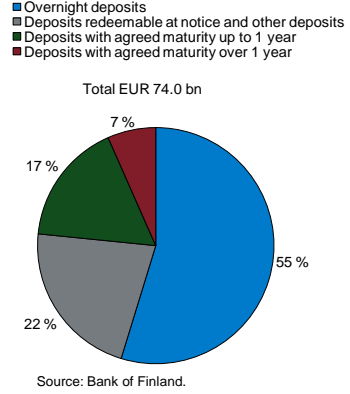


Chart 64. Annual growth of deposit stock of Finnish non-financial corporations by claim

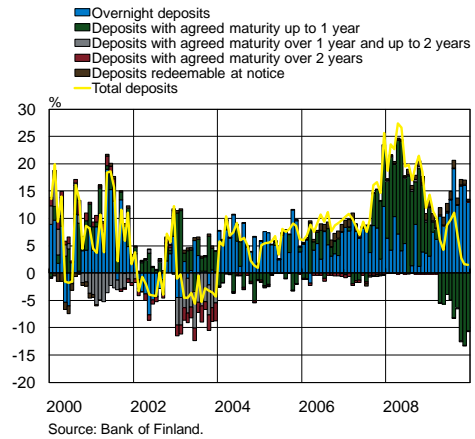


Chart 65. Euro-denominated deposits of euro area non-financial corporations at end-2009; breakdown by deposit claim and maturity

