

# ANNUAL ACCOUNTS OF EESTI PANK FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## THE FINANCIAL POSITION OF EESTI PANK

### CAPITAL AND RESERVES

Eesti Pank had EUR 480.4 million of capital as at 31 December 2020. More detailed information on Eesti Pank's capital can be found under Item 30 "Capital and Reserves" in the notes on the Balance Sheet.

### PROVISION FOR FINANCIAL RISKS

Following from risk assessments, Eesti Pank increased its provision for financial risks. The size of the provision and the continuing need for it is reassessed each year, with various factors considered. The risk assessment is based on a calculation of the value at risk of risk-bearing assets, which takes into account the size of the risk-bearing assets, the extent of risks that have realised during the year, and the forecast for the year to come. As at 31 December 2019 the provision made to cover financial risks was EUR 81.6 million. The bank transferred EUR 11 million to provisions in 2020 and as a result risk provisions increased to EUR 92.6 million. See also Item 28 "Provisions" in the notes on the Balance Sheet.

### PROVISION FOR THE OBLIGATION TO EXCHANGE ESTONIAN KROONS FOR EUROS

Ten years have passed since the euro was introduced and there are still some EUR 44.4 million of Estonian kroons that have not been returned from circulation. It is highly probable that not all the kroons that were issued will be exchanged for euros in the future, as some will have been destroyed and some retained as souvenirs. For this reason a special purpose provision of EUR 29.6 million was set up in 2016. Future exchanges of kroons for euros will be funded from the provision. The provision was reduced in 2020 by EUR 202.1 thousand (EUR 387.8 thousand in 2019) as kroons were returned, and consequently the provision for the obligation to exchange kroons was reduced to EUR 28.1 million.

### REVALUATION ACCOUNTS

Unrealised profit from gold, foreign currency and securities is not recorded as income in the Profit and Loss Account and is transferred to the revaluation accounts in the liabilities side of the Eesti Pank Balance Sheet. Assets on these accounts are used to reduce any future impact on the financial results of the bank from unfavourable developments in prices or exchange rates. In this way such financial buffers can help strengthen the resilience of the bank to underlying risks. The total value of the revaluation accounts for gold, currency and securities was EUR 63.5 million at the end of December 2020 and EUR 34.8 million at the end of 2019. For more details, see the notes on accounting principles, and Item 29 "Revaluation accounts" in the notes on the Balance Sheet.

### FINANCIAL RESULTS FOR 2020

Eesti Pank's net profit in 2020 was EUR 3.4 million, and it was EUR 28.4 million in 2019.

Net interest income fell to EUR 26.8 million in 2020 from EUR 29.4 million in 2019. The majority of the interest income came from derivative transactions, securities and the excess reserves of Estonian credit institutions. The return on the investment portfolio was high in 2020. Despite significant fluctuations in the meantime, the environment was very favourable for the bank's investment portfolio and the rising prices of both securities and equities overall gained significant income for the bank. The net income of Eesti Pank was increased by income from equity shares and participating interest of EUR 8.5 million, which includes EUR 6.2 million of profit distributed by the European Central Bank. For more

details, see Item 34 “Income from equity shares and participating interests” in the notes on the Profit and Loss Account.

The total operating expenses of Eesti Pank, including depreciation, decreased from EUR 20.3 million in 2019 to EUR 19.8 million in 2020. The largest expenses were on staff costs and information and communications technology.

## RISKS

Eesti Pank has a risk management system that covers all the processes of the bank and allows various risks to be tackled in a single framework. Risk management aims to reduce the adverse effect that unforeseen events can have on achievement of the bank’s objectives. To this end, risk management is integrated with the investment, planning, budgeting and management reporting processes.

Reporting and analysis of risks show that risks coming from the external environment have increased. Eesti Pank contributes to risk management for the whole of the euro area through the committees and management bodies of the European System of Central Banks. Contingency plans for services are used to reduce the impact of any possible interruption to processes the bank considers critical and to ensure the continuity of activity. The external auditors regularly assess the risk management of the bank.

The increase in risks in 2020 arose mainly because Eesti Pank’s balance sheet grew in volume because of the extraordinary securities purchases made under the asset purchase programme to soften the economic impact of the pandemic, and because of the increased volatility in financial markets.

The financial risks at Eesti Pank are assessed using both Value at Risk (VaR) and Expected Shortfall measures. The need to use multiple measures of risk was caused by the large increase in the Balance Sheet and the risks stemming from changes.

Eesti Pank’s reserves are exposed to various risks such as market, credit and liquidity risks. Risks are managed constantly, with various risk limits set on investments and precautionary measures employed like the four-eyes principle and separation between decision-making and control functions.

Investment risk not related to monetary policy is measured where possible by the risk variable VaR (Value at Risk). The benchmark portfolio is approved by the Executive Board of Eesti Pank and sets the overall risk tolerance of Eesti Pank’s investments. The benchmark portfolio currently contains securities, government-guaranteed mortgage-backed securities fund units, and equity fund units. The Executive Board also decides the acceptable level of foreign exchange risk for the benchmark portfolio. The foreign exchange risk of the securities portfolio is hedged with forward transactions for foreign currency. Risks that are not measured by VaR are limited by their amount or by other parameters. Counterparty risk is managed through various contracts. The list of financial instruments that are permitted for managing investment assets is approved by the Governor of Eesti Pank. The risk management division observes that the risks remain within their permitted limits.

In addition to the risks from reserve management, the assets of Eesti Pank are subject to risks from monetary policy transactions. Risks related to monetary policy transactions are managed jointly in the Eurosystem Risk Management Committee, which comprises representatives of the central banks of the euro area, including Eesti Pank. A risk framework has been established that sets out conditions of transaction counterparties, assets that qualify as collateral for monetary policy operations, financial instruments to be purchased within the purchase programmes, and similar. No major changes were made in 2020 in the monetary policy collateral risk framework. Under Article 32.4 of the Statute of the ESCB, the Eurosystem central banks share any losses realised from securities bought in monetary policy operations or held under the Securities Market Programme and the expanded Asset Purchase Programme other than government bonds, in full in proportion to the prevailing ECB capital key shares<sup>15</sup>.

<sup>15</sup> Under Article 29 of the Statute of the ESCB and of the ECB, the central banks of the member states subscribe the capital of the European Central Bank in the proportions given by the capital key. The capital key is calculated by looking equally at each country’s share of the European Union’s population and GDP. The weightings are adjusted every five years or when the group of central banks of the countries in the ESCB changes. As the member states that are outside the euro area do not have a right to the distributed profit and loss of the European Central Bank under the capital key, Eesti Pank’s share of the risks of the European Central Bank has been 0.2817% since 1 February 2020.

# APPROVAL OF THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 BY THE EXECUTIVE BOARD OF EESTI PANK

The Executive Board recognises its responsibility for the Annual Accounts of Eesti Pank for the financial year ended 31 December 2020.

The Annual Accounts of Eesti Pank have been drawn up in accordance with the rules established in Article 26.4 of the Statute of the European System of Central Banks and of the European Central Bank<sup>16</sup>. The parts of the Annual Accounts that are not regulated by ECB guidelines have been drawn up in accordance with the financial reporting standards generally accepted in Estonia. The Annual Accounts give a true and fair view of the assets and liabilities, equity and financial performance of Eesti Pank.

The preparation of the Annual Accounts in conformity with the above requirements requires the Executive Board to provide estimates of the determinants affecting the assets and liabilities of Eesti Pank as at the accounting date and income and expenses during the accounting period. These estimates are based on the information available about Eesti Pank, its intentions and risks as at the date of preparation of the Annual Accounts. The final outcome of the economic transactions reflected in the Annual Accounts may differ from the estimates of the Executive Board.

On 22 March 2021, all the members of the Executive Board of Eesti Pank on that day signed the Annual Accounts digitally.

<b>Madis Müller</b>	Governor of Eesti Pank, Chairman of the Executive Board
<b>Ülo Kaasik</b>	Deputy Governor of Eesti Pank, Member of the Executive Board
<b>Veiko Tali</b>	Deputy Governor of Eesti Pank, Member of the Executive Board

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<sup>16</sup> Decision of the ECB of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast)(ECB/2016/34), OJ L 347, 20.12.2016, p3.

## BALANCE SHEET AS AT 31 DECEMBER 2020 AND 2019

		<i>thousand euros</i>	
	<b>Item</b>	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>ASSETS</b>			
<b>Gold and gold receivables</b>	<b>1</b>	12 737	11 172
<b>Claims on non-euro area residents denominated in foreign currency</b>		1 559 680	1 228 839
Receivables from the IMF	<b>2</b>	93 519	82 899
Balances with banks, security investments and other external assets	<b>3</b>	1 466 161	1 145 940
<b>Claims on euro area residents denominated in foreign currency</b>	<b>4</b>	48 901	35 614
<b>Claims on non-euro area residents denominated in euro</b>	<b>5</b>	0	33 330
<b>Lending to euro area credit institutions related to monetary policy operations denominated in euro</b>	<b>6</b>	1 881 500	23 000
<b>Other claims on euro area credit institutions denominated in euro</b>	<b>7</b>	4 291	7 590
<b>Securities of euro area residents denominated in euro</b>		7 860 459	5 661 519
Securities held for monetary policy purposes	<b>8</b>	7 800 323	5 620 962
Other securities	<b>9</b>	60 136	40 557
<b>Intra-Eurosystem claims</b>		1 593 834	2 242 673
Participating interest in the European Central Bank	<b>10</b>	91 815	92 147
Claims equivalent to the transfer of foreign reserves	<b>11</b>	113 648	114 048
Net claims related to the allocation of euro banknotes within the Eurosystem	<b>12</b>	1 384 821	1 408 675
Other claims within the Eurosystem (net)	<b>13</b>	3 550	627 803
<b>Other assets</b>		94 461	92 647
Tangible and intangible fixed assets	<b>14</b>	14 936	15 711
Other financial assets	<b>15</b>	234	234
Off-balance-sheet instruments revaluation differences	<b>16</b>	12	397
Accruals and prepaid expenses	<b>17</b>	52 326	59 944
Sundry	<b>18</b>	26 953	16 361
<b>TOTAL ASSETS</b>		<b>13 055 863</b>	<b>9 336 384</b>

The notes on pages 80-105 form an integral part of the Annual Accounts.

thousand euros

	Item	31.12.2020	31.12.2019
LIABILITIES			
<b>Banknotes in circulation</b>	<b>19</b>	3 715 386	3 361 129
<b>Liabilities to euro area credit institutions related to monetary policy operations denominated in euro</b>		7 033 660	4 901 979
Current accounts (including cover for the minimum reserve system)	<b>20</b>	7 033 660	4 901 979
<b>Liabilities to other euro area residents denominated in euro</b>	<b>21</b>	460 932	244 767
General Government		440 803	228 992
Other liabilities		20 129	15 775
<b>Liabilities to non-euro area residents denominated in euro</b>	<b>22</b>	23	14 520
<b>Liabilities to non-euro area residents denominated in foreign currency</b>	<b>23</b>	0	9 310
<b>Counterpart of the special drawing rights allocated by the IMF</b>	<b>24</b>	73 032	76 459
<b>Intra-Eurosystem liabilities</b>		1 016 365	0
Other liabilities within the Eurosystem (net)	<b>25</b>	1 016 365	0
<b>Other liabilities</b>		88 401	80 734
Off-balance-sheet instruments revaluation differences	<b>16</b>	1 649	130
Accruals and income collected in advance	<b>26</b>	19 537	19 641
Sundry	<b>27</b>	67 215	60 963
<b>Provisions</b>	<b>28</b>	120 741	110 188
<b>Revaluation accounts</b>	<b>29</b>	63 468	34 815
<b>Capital and reserves</b>	<b>30</b>	480 422	474 128
Capital		266 108	259 814
Reserves		214 314	214 314
<b>Profit for the year</b>		3 433	28 355
<b>TOTAL LIABILITIES</b>		<b>13 055 863</b>	<b>9 336 384</b>

The notes on pages 80-105 form an integral part of the Annual Accounts.

## 2020 PROFIT AND LOSS ACCOUNT FOR 2020 AND 2019

		<i>thousand euros</i>	
	<b>Item</b>	<b>2020</b>	<b>2019</b>
Interest income		178 013	115 389
Interest expenses		-151 164	-85 964
<b>Net interest income</b>	<b>31</b>	<b>26 849</b>	<b>29 425</b>
Realised gain arising from financial operations		21 774	19 928
Write-downs on financial assets		-14 572	-2 757
Provision for financial risks		-11 000	-9 800
<b>Net result of financial operations, write-downs and risk provisions</b>	<b>32</b>	<b>-3 798</b>	<b>7 371</b>
Fees and commissions income		365	327
Fees and commissions expenses		-37	-42
<b>Net income from fees and commissions</b>	<b>33</b>	<b>328</b>	<b>285</b>
<b>Income from equity shares and participating interests</b>	<b>34</b>	<b>8 478</b>	<b>8 295</b>
<b>Net result of pooling of monetary income</b>	<b>35</b>	<b>-9 949</b>	<b>1 772</b>
<b>Other income and expenses</b>	<b>36</b>	<b>1 311</b>	<b>1 470</b>
	<b>Total net income</b>	<b>23 219</b>	<b>48 618</b>
Staff costs	<b>37</b>	-10 550	-10 433
Administrative expenses	<b>38</b>	-5 974	-6 231
Depreciation of tangible and intangible fixed assets	<b>14</b>	-1 874	-1 911
Banknote production services	<b>39</b>	-801	-704
Other operating expenses	<b>40</b>	-587	-984
	<b>Operating expenses</b>	<b>-19 786</b>	<b>-20 263</b>
	<b>Profit for the year</b>	<b>3 433</b>	<b>28 355</b>

The notes on pages 80-105 form an integral part of the Annual Accounts.

# NOTES ON THE ANNUAL ACCOUNTS OF EESTI PANK

## ACCOUNTING POLICIES USED IN THE ANNUAL ACCOUNTS

### GENERAL PRINCIPLES

The Annual Accounts of Eesti Pank have been drawn up in accordance with the rules established in Article 26.4 of the Statute of the European System of Central Banks and of the European Central Bank<sup>17</sup>. The parts of the Annual Accounts that are not regulated by ECB guidelines have been drawn up in accordance with the financial reporting standards generally accepted in Estonia.

The preparation of the Annual Accounts requires the Executive Board to provide estimates of the determinants affecting the assets and liabilities of Eesti Pank and income and expenses during the accounting period as at the balance sheet date. These estimates are based on the information available about Eesti Pank and its intentions and risks as at the date of preparation of the Annual Accounts.

No Cash Flow Statement is presented as it does not provide significant relevant information to the readers of the Annual Accounts of Eesti Pank, given the bank's role as the central bank.

The Annual Accounts have been prepared in thousands of euros unless indicated otherwise.

The Balance Sheet items are grouped by residency (euro area, non-euro area) and currency (euro, other currency). The assets and liabilities related to monetary policy are recorded on separate rows.

The Annual Accounts have been prepared on the historical cost basis, except in the cases explained in the following accounting principles.

### ASSETS AND LIABILITIES

Assets and liabilities are recognised in the Balance Sheet when it is probable that any associated future economic benefit will flow to or from Eesti Pank; almost all of the risks and rewards related to assets and liabilities have been transferred; and the cost or value of an asset or a liability and the resulting gains or losses can be measured reliably.

### FINANCIAL ASSETS AND LIABILITIES

A financial asset is any asset that is cash, or a contractual right to receive cash or any other financial assets from another entity, or a contractual right to exchange financial assets with another entity under conditions that are potentially favourable. A financial liability is any liability that is a legal obligation to deliver cash or any other financial assets to another entity or to exchange financial assets with another entity under conditions that are potentially unfavourable.

Financial assets are initially recorded at their acquisition cost, which is the fair value of the amount paid for the financial asset in question. Financial liabilities are initially recorded at their acquisition cost, which is the fair value of the amount received for the financial liability in question. Subsequent measurement of financial assets and liabilities is based on the market value, the acquisition cost or the amortised cost depending on the type of the asset or liability. Market value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, disinterested and willing parties in an arm's length transaction. Financial assets recorded at market value are revalued on every balance sheet date.

Financial assets recorded at adjusted acquisition cost are written down if the recoverable amount of an asset is likely to be smaller than its carrying amount. The impairment of significant financial assets is measured for each object separately. The impairment of financial assets that are not individually

<sup>17</sup> Decision of the ECB of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast)(ECB/2016/34), OJ L 347, 20.12.2016, p3.

significant and that are not expected to be impaired is measured for all assets together. Write-downs of financial assets are recorded as an expense of the accounting period in the Profit and Loss Account.

#### RECORDING OF TRANSACTIONS IN FOREIGN CURRENCY

With the exception of spot transactions in securities, transactions in financial instruments denominated in foreign currency are recorded in off-balance-sheet accounts on the trade date. On the settlement date, off-balance-sheet entries are reversed and transactions are recorded on the Balance Sheet. The purchase and sale of foreign currency affect the net foreign currency position on the trade date; realised results arising from sales are also calculated on the trade date. The interest accrued on financial instruments denominated in foreign currency and the premiums or discounts are calculated and recorded on a daily basis. These amounts also affect the foreign currency position on a daily basis.

Assets and liabilities denominated in foreign currencies are converted to euros at the official daily fixing of the European Central Bank effective on the balance sheet date. Income and expenses are converted at the official European Central Bank exchange rate prevailing on the trade date. The revaluation of on-balance-sheet and off-balance-sheet instruments and of foreign exchange assets and liabilities is performed on a currency-by-currency basis.

The special drawing right (SDR) of the International Monetary Fund (IMF) is defined in terms of a basket of currencies. To revalue Eesti Pank's holdings of SDRs, the value of the SDR was calculated as the weighted sum of the exchange rates of five currencies (the US dollar, the euro, the Japanese yen, the pound sterling and the Chinese renminbi) converted into euros as at 31 December 2020.

The official daily fixings applied on 31 December 2020 and 2019 were as follows:

	31.12.2020	31.12.2019
USD	1.2271	1.1234
GBP	0.89903	0.85080
JPY	126.49	121.94
CNY	8.0225	7.8205
SDR	0.848464	0.810438

#### GOLD

Gold is valued at the market price prevailing at the year-end, and no distinction is made between the price and currency revaluation differences for gold. Instead, a single gold valuation is accounted for on the basis of the price in euros per fine ounce of gold, which, for the year ending 31 December 2020, was derived from the exchange rate of the euro against the US dollar on 31 December 2020.

#### SECURITIES

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

Securities held for monetary policy purposes are accounted for at amortised cost subject to impairment.

##### *Other securities*

Marketable securities (other than securities held for monetary policy purposes) and similar assets are valued either at the mid-market prices or on the basis of the relevant yield curve prevailing on the balance sheet date, on a security-by-security basis. For the year ending 31 December 2020, mid-market prices on 31 December 2020 were used.

#### INCOME RECOGNITION

Income and expenses are recorded in the Profit and Loss Account during the accounting period on an accrual basis regardless of when cash was received or paid. Realised gains and losses arising from the sale of foreign exchange, gold and securities are calculated from the average prices of each asset taken to the Profit and Loss Account.

Unrealised gains are not taken to the Profit and Loss Account, but are recognised on the Balance Sheet under “Revaluation accounts”.

Unrealised losses are recorded in the Profit and Loss Account under “Write-downs on financial assets” if, at the year-end, they exceed previous revaluation gains registered in the corresponding revaluation account. Unrealised losses on any one currency or security or on gold are not netted against unrealised gains on other currencies or securities or gold. In the event of an unrealised loss on any currency or security or on gold at the year-end, the average cost of that item is reduced to the year-end exchange rate or market price.

Premiums or discounts arising on purchased securities are recorded as part of interest income and are amortised on a daily basis over the remaining life of the securities.

The interest income and expenses from monetary policy operations are presented on a net basis for each balance sheet item or sub-item.

#### REVERSE TRANSACTIONS

Repurchase transactions (sale/repurchase transactions) are recorded as collateralised loans taken at their fair value, meaning securities are recorded as assets on the Balance Sheet and the repurchase amount as a liability.

Reverse repurchase transactions (purchase/resale transactions) are recorded as collateralised loans. Securities used as collateral for reverse repurchase transactions are not recorded on the Balance Sheet of Eesti Pank.

#### INVESTMENTS IN SHARES

Investment in shares is recorded at market value if it can be assessed reliably. The assessment of the market value of shares is not reliable if they are not actively traded and there are no alternative methods for assessing their value reliably. In this case shares are recorded at their acquisition cost subject to impairment. Profits and losses on the sale of shares are recorded in the Profit and Loss Account after all conditions of sale have been fulfilled. Dividend income is recorded as income for the period.

#### FIXED ASSETS

Fixed assets are assets with a useful life over a year and an acquisition cost in excess of EUR 10 000. Fixed assets are recorded at their acquisition cost, which is the purchase price and other expenditure directly related to bringing assets to the location and condition necessary for their intended use. Land, buildings, utility systems of buildings, IT hardware, software, and other assets with long-term useful lives are recorded as fixed assets on the Balance Sheet. Prepayments for fixed assets are also recorded as fixed assets.

Land and objects of art and culture are not depreciable assets. Other fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets at the following rates.

	<b>2020</b>
Land and buildings	3%
Utility systems of buildings	10%
Hardware	20%
Software, motor vehicles	15–50%
Other fixed assets	7–20%

The need to differentiate between software depreciation rates arose due to the introduction of application software with high acquisition cost and varying useful life.

Subsequent expenditure incurred for items of fixed assets is recognised as fixed assets when it is probable that Eesti Pank will derive future expected benefits from the asset and the cost of the asset can be measured reliably. Current maintenance and repair costs are recognised as expenses for the period.

## PROVISION FOR FINANCIAL RISKS

Given the nature of the operations of the central bank, Eesti Pank may set up a provision on the balance sheet for financial risks. The management of the bank decides to increase or reduce the provisions, using a reasonable estimate of the bank's exposure. The provision is used to cover the uncovered losses in revaluation accounts to the extent approved by the Executive Board. If the size of the provision is reduced because of risk estimates, the amount it is reduced by is recorded as income for the recording period.

## CLAIMS AND LIABILITIES TO FINANTSINSPEKTSIOON

The Balance Sheet of Eesti Pank contains a claim on Finantsinspektsioon for services provided and acquisition of low-value assets by Eesti Pank, and a liability to Finantsinspektsioon in relation to its current account held with Eesti Pank.

## OFF-BALANCE-SHEET INSTRUMENTS

Currency instruments, namely foreign exchange forward instruments, forward legs of foreign exchange swaps and other currency instruments involving an exchange of one currency for another at a future date, are included in the net foreign currency position for the purpose of calculating foreign exchange gains and losses.

Interest rate instruments are revalued on an item-by-item basis. Daily changes in the variation margin of open interest rate futures contracts are recorded in the Profit and Loss Account. The valuation of option transactions and of interest rate swaps is based on generally accepted valuation methods, using observable market prices and rates and the discount factors from the settlement dates to the valuation date.

## CONTINGENT LIABILITIES

Contingent liabilities are recorded in the Notes on the Annual Accounts and include commitments, guarantees and other liabilities which may, under certain conditions, become liabilities in the future, though the probability of their realisation is considered lower by the management of the bank than the probability of their non-realisation.

## POST-BALANCE-SHEET EVENTS

Assets and liabilities are adjusted for events that occur between the balance sheet date and the date of compilation of the Annual Accounts but are related to transactions during the accounting period or earlier periods or materially affect the condition of assets and liabilities on the balance sheet date. Important post-balance-sheet events that do not affect the condition of assets and liabilities on the balance sheet date are disclosed in the Notes.

## BANKNOTES IN CIRCULATION

The European Central Bank and the euro area national central banks, which together comprise the Eurosystem, issue euro banknotes<sup>18</sup>. The total value of euro banknotes in circulation is allocated to the Eurosystem central banks on the last working day of each month in accordance with the banknote allocation key<sup>19</sup>.

The European Central Bank has been allocated a share of 8% of the total value of euro banknotes in circulation, and the remaining 92% has been allocated to the Eurosystem central banks according to their weightings in the capital key of the ECB. Eesti Pank's share of the total of banknotes allocated to the Eurosystem central banks is disclosed in the Balance Sheet under the liability item "Banknotes in circulation".

<sup>18</sup> Decision of the ECB of 13 December 2010 on the issue of euro banknotes (recast) (ECB/2010/29), OJ L 35, 9.2.2011, p 26.

<sup>19</sup> Banknote allocation key – the percentages that result from taking the ECB's share in the total euro banknote issue and applying the subscribed capital key to the NCBs' share of that total.

The difference between the value of euro banknotes allocated to each Eurosystem central bank in accordance with the banknote allocation key and the value of euro banknotes that it actually puts into circulation also gives rise to remunerated intra-Eurosystem balances. These claims or liabilities<sup>20</sup> are disclosed under the sub-item “Intra-Eurosystem balances: net claims/liabilities related to the allocation of euro banknotes within the Eurosystem” (see “Intra-Eurosystem balances” in the notes on accounting policies).

From the cash changeover year until five years following the cash changeover year<sup>21</sup> the intra-Eurosystem balances arising from the allocation of euro banknotes are adjusted in order to avoid significant changes from previous years in the relative income positions of the Eurosystem central banks. The adjustments are effected by taking into account the differences for the reference period<sup>22</sup> between the average value of banknotes released into circulation by the central banks of the Eurosystem countries and the average value of the banknotes that would have been allocated to them during that period under the ECB’s capital key. The adjustments are reduced in annual stages until the first day of the sixth year after the cash changeover year, when income on banknotes is allocated fully in proportion to the Eurosystem central bank’s paid-up shares in the ECB’s capital. The interest income and expense on these balances is cleared through the accounts of the ECB and is disclosed under “Net interest income” in the Profit and Loss Account.

### COLLECTOR COINS

The nominal value of collector coins that have been issued is no longer recorded as a liability in the Balance Sheet as the probability of the coins being repurchased is very low and their value as precious metal exceeds their nominal value. Income from the sale of collector coins is recorded in the Profit and Loss Account as it is incurred.

### INTERIM PROFIT DISTRIBUTION OF THE ECB

The Governing Council of the ECB has decided that the seigniorage income of the ECB, which arises from the 8% share of euro banknotes allocated to the ECB, and the ECB’s income arising from securities purchased under the Securities Markets Programme (SMP), the third covered bond purchase programme (CBPP3), the asset-backed securities purchase programme (ABSPP), the public sector purchase programme (PSPP) and the pandemic emergency purchase programme (PEPP) shall be due in full to the Eurosystem central banks in the same financial year it accrues. Unless otherwise decided by the Governing Council, the European Central Bank distributes this income in January of the following year in the form of an interim distribution of profit<sup>23</sup>. It is distributed in full, unless the European Central Bank’s net profit for the year is less than its income earned. The distributed profit may be reduced if the Governing Council decides to make transfers to the provision for financial risks. The Governing Council may also decide to charge costs incurred by the European Central Bank in connection with the issue and handling of euro banknotes against income earned on euro banknotes in circulation.

The amount distributed to the Eurosystem central banks is disclosed in the Profit and Loss Account under “Income from equity shares and participating interests”.

### INTRA-EUROSYSTEM BALANCES

Intra-Eurosystem claims arising from Eesti Pank’s participating interest in the ECB are reported under “Participating interest in the European Central Bank”. Intra-Eurosystem claims arising from Eesti Pank’s participating interest in the ECB are reported under “Participating interest in the

20 Decision of the ECB of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (recast) (ECB/2016/36), OJ L 347, 20.12.2016, p 26.

21 The year of changeover to the euro is the year when euro banknotes become the legal tender of a Member State.

22 The period is 24 months long and starts 30 months before the day that the euro banknotes become the legal tender of the country in question. For Eesti Pank the period was from July 2008 to June 2010.

23 Decision of the ECB of 15 December 2014 on the interim distribution of the income of the European Central Bank (recast) (ECB/2014/57) (OJ L 53, 25.2.2015, p 24).

European Central Bank". This item covers the paid-up share of national central banks in the subscribed capital of the ECB, any net amounts paid by the national central banks because of an increase in their share in the equity capital of the ECB<sup>24</sup> resulting from all previous adjustments of the capital key, and contributions under article 48.2 of the statutes of the ESCB in relation to the central banks of member states whose derogations have been abrogated.

Intra-Eurosystem balances arising from the transfer of foreign reserve assets to the ECB by NCBs joining the Eurosystem are denominated in euros and reported under "Claims equivalent to the transfer of foreign reserves".

Intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem are included as a net single asset or liability under "Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem" (see "Banknotes in circulation" in the notes on accounting policies).

Intra-Eurosystem balances result primarily from cross-border payments in the European Union which are settled in central bank money in euros. These transactions are for the most part initiated by private entities, meaning credit institutions, corporations and individuals. These transactions are settled in TARGET2<sup>25</sup> and give rise to bilateral balances in the TARGET2 accounts of EU central banks. These bilateral balances are netted out and then assigned to the ECB on a daily basis, leaving each national central bank with a net bilateral position towards the ECB. Intra-Eurosystem balances of euro area NCBs towards the ECB arising from TARGET2, and other intra-Eurosystem balances denominated in euros such as interim profit distributions to NCBs or monetary income results are presented in the Balance Sheet as a single net asset or liability position and disclosed under "Other claims within the Eurosystem (net)" or "Other liabilities within the Eurosystem (net)".

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24 The total value of equity capital covers all the reserves of the European Central Bank, revaluation accounts and a provision equivalent to reserves, minus any loss carried forward from previous periods. If the capital key is adjusted during the financial year, the value of equity capital also includes the accumulated net profit or net loss of the European Central Bank at the date of the adjustment.

25 The Trans-European Automated Real-time Gross Settlement Express Transfer system

## NOTES ON THE BALANCE SHEET

### ITEM 1 – GOLD AND GOLD RECEIVABLES

The value of Eesti Pank's gold reserves is as follows:

	<b>31.12.2020</b>	<b>31.12.2019</b>
Gold (ounces)	8250.171	8250.171
Ounce market value (EUR)	1543.884	1354.104
Revaluation (thousand EUR)	5 550	3 984
Market value (thousand EUR)	12 737	11 172

### ITEM 2 – RECEIVABLES FROM THE IMF

Receivables from the IMF are the SDR account in the IMF and the reserve position in the IMF

	<i>thousand euros</i>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
SDR account in the IMF	29 017	30 364
Reserve position in the IMF	64 502	52 535
Participation in the IMF	288 098	300 976
IMF No.1 account	-223 596	-248 441
<b>Total</b>	<b>93 519</b>	<b>82 899</b>

#### *The SDR account in the IMF*

An SDR account is generated for each IMF Member State for conducting loan transactions and various other related operations. The SDR account is used to record the SDRs distributed to support the foreign reserves of IMF Member States and to increase global liquidity (see Item 24 "Counterpart of the Special Drawing Rights Allocated by the IMF").

#### *Reserve position in the IMF*

Eesti Pank represents the Republic of Estonia in the IMF. A quota has been established for each IMF member determining its participation (subscription) and voting power in the IMF. Participation in the IMF is recorded under assets on the Balance Sheet and is equal to the country's quota.

*At the end of 2020 the quota of the Republic of Estonia was 243.6 million SDRs.*

The reserve position in the IMF comprises the net amount of the quota and the IMF No.1 account. The size of the reserve position is affected by the participation of the Republic of Estonia in the IMF's Financial Transactions Plan (FTP). The increase in the reserve position in 2020 was due to payments in to the FTP of SDR 12.2 million; no loan payments were made under the FTP in 2019. Estonia has participated in the IMF's FTP since 2012.

### ITEM 3 – BALANCES WITH BANKS, SECURITY INVESTMENTS AND OTHER EXTERNAL ASSETS

Item 3 reflects bank balances in foreign currency with credit institutions outside the euro area; equity funds, reverse repurchase agreements and term deposits denominated in US dollars; and security investments denominated in United States, Canadian and Australian dollars, Japanese yen and British pounds of non-euro area residents. Eesti Pank's foreign reserves were invested mainly in US government bonds and government-guaranteed mortgage-backed securities funds, and government bonds of Australia, Canada, Japan and the United Kingdom. The fair value of investments is based on the prices quoted in active markets.

	<i>thousand euros</i>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
Securities	1 214 615	936 382
Equity funds	135 335	100 846
Securities funds	94 696	97 897
Fixed-term deposits	21 107	980
Current accounts	408	525
Reverse repurchase transactions	0	9 310
<b>Total</b>	<b>1 466 161</b>	<b>1 145 940</b>

	<i>thousand euros</i>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
USD	779 791	750 420
CAD	268 574	212 921
AUD	253 593	182 513
GBP	160 983	4
JPY	3 203	47
NZD	8	-2
SEK	6	-13
CHF	2	3
NOK	1	14
CNH	0	32
DKK	0	1
<b>Total</b>	<b>1 466 161</b>	<b>1 145 940</b>

#### ITEM 4 – CLAIMS ON EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

Item 4 reflects bank balances in foreign currency with credit institutions in the euro area and investments in securities denominated in US dollars of euro area residents.

	<i>thousand euros</i>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
Securities	42 706	30 040
Current accounts	6 195	5 574
<b>Total</b>	<b>48 901</b>	<b>35 614</b>

	<i>thousand euros</i>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
USD	47 893	34 111
CAD	374	318
AUD	268	478
SEK	185	180
GBP	151	425
JPY	21	94
CHF	9	8
<b>Total</b>	<b>48 901</b>	<b>35 614</b>

#### ITEM 5 – CLAIMS ON NON-EURO AREA RESIDENTS DENOMINATED IN EUROS

Item 5 reflects investments denominated in euros by non-euro area residents in securities, reverse repurchase transactions and bank balances in euros in credit institutions outside the euro area.

thousand euros

	31.12.2020	31.12.2019
Securities	0	18 234
Reverse repurchase transactions	0	14 852
Current accounts	0	244
<b>Total</b>	<b>0</b>	<b>33 330</b>

#### ITEM 6 – LENDING TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EUROS

The total Eurosystem holding of monetary policy assets amounts to EUR 1,793,194 million, of which Eesti Pank holds EUR 1882 million (EUR 23 million in 2019) of long-term refinancing transactions. Under Article 32.4 of the Statute of the ESCB, any losses from monetary policy operations, if they were to materialise, are shared in full by the Eurosystem central banks in proportion to the prevailing ECB capital key shares. Eesti Pank's share in the capital key is 0.2817%.

Losses can only materialise if the counterparty fails and the recovery of funds received from the resolution of the collateral provided by the counterparty is not sufficient. Risk sharing has been excluded by the Governing Council of the ECB for specific collateral that can be accepted by NCBs at their own discretion.

In 2019 the Governing Council of the ECB introduced a new series of seven quarterly targeted longer-term refinancing operations (TLTRO-III). These operations have a three-year maturity, and may be repaid after two years, and from September 2021 it will be possible to make the repayment one year after the settlement of each operation. In accordance with the Governing Council decisions, the final interest rate applicable to each TLTRO-III operation may be as low as the average interest rate on the deposit facility prevailing over the life of the operation. The Governing Council also decided in 2020<sup>26</sup> in response to the Covid-19 shock to apply a special interest rate period from 24 June 2020 to 23 June 2022, when the applicable interest rate can be as low as 50 basis points below the average interest rate on the deposit facility prevailing over the same period, but in any case not below -1%. As the actual interest rates only become known at the maturity of each operation and cannot be reliably estimated until then, the deposit facility rate minus 50 basis points with a ceiling of -1% is used for calculating the TLTRO III operations rate during the special interest rate period, and the deposit facility rate is used for calculating the TLTRO III interest over the rest of the life of the operation. The interest rate on the deposit facility in 2020 was -0.5%.

#### ITEM 7 – OTHER CLAIMS ON EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EUROS

Item 7 reflects bank balances in euros at euro area credit institutions.

#### ITEM 8 – SECURITIES HELD FOR MONETARY POLICY PURPOSES

Item 8 reflects securities acquired by Eesti Pank within the scope of the second covered bonds purchase programme (CBPP2), the third covered bond purchase programme (CBPP3), the Securities Markets Programme (SMP), the public sector purchase programme (PSPP), and the new pandemic emergency purchase programme (PEPP).

	Start date	End date	Decision	Universe of eligible securities <sup>1</sup>
<b>Completed / Terminated programmes</b>				
First covered bond purchase programme	July 2009	June 2010	ECB/2009/16	Covered bonds of euro area residents
Second covered bond purchase programme	November 2011	October 2012	ECB/2011/17	Covered bonds of euro area residents
Securities Markets Programme	May 2010	September 2012	ECB/2010/5	Private and public debt securities issued in the euro area
<b>Asset purchase programme</b>				
Third covered bond purchase programme	October 2014	active	ECB/2020/8 (recast)	Covered bonds of euro area residents

<sup>26</sup> On 30.04.2020 the decided that the period of extraordinary interest rates would run from 24 June 2020 to 23 June 2021. On 10 December 2020 the Governing Council of the ECB decided to extend the period by 12 months to 23 June 2022.

	Start date	End date	Decision	Universe of eligible securities <sup>1</sup>
Asset-backed securities purchase programme	November 2014	active	ECB/2014/45, as amended	Senior and guaranteed mezzanine tranches of asset-backed securities of euro area residents
Public sector purchase programme	March 2015	active	ECB/2020/9 (recast)	Bonds issued by euro area central, regional or local government or recognised agencies and those issued by international organisations and multilateral development banks in the euro area
Corporate sector purchase programme	June 2016	active	ECB/2016/16, as amended	Bonds and commercial paper issued by non-bank corporations established in the euro area
<b>Pandemic emergency purchase programme</b>				
Pandemic emergency purchase programme	March 2020	active	ECB/2020/17	All asset categories eligible under the APP <sup>2</sup>

- 1) Further eligibility criteria for the specific programmes can be found in the Governing Council's decisions.  
2) A waiver of the eligibility requirements was granted for securities issued by the Greek Government.

The Eurosystem continued its net purchases averaging EUR 20 billion a month under the asset purchase programme<sup>27</sup> in 2020. A temporary envelope of additional net purchases of EUR 120 billion was added in March 2020 until the end of the year. The Governing Council expects that the net asset purchases will be made for as long as it is necessary to support the impact of base interest rates. The purchases will be terminated immediately before the Governing Council starts to raise base interest rates. The Governing Council intends to continue reinvesting for an extended period of time past the date when it starts raising the key interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and an ample degree of monetary accommodation.

The Eurosystem additionally launched a temporary pandemic emergency purchase programme (PEPP)<sup>28</sup>, in March 2020, with an envelope of EUR 750 billion, to ease the overall monetary policy stance and to counter the severe risks to the monetary policy transmission mechanism and the outlook for the euro area posed by the coronavirus pandemic. Purchases include all the asset categories eligible under the APP and were initially foreseen until the end of 2020. The Governing Council increased the envelope for the PEPP by EUR 600 billion in June 2020 and by an additional EUR 500 billion in December 2020, bringing it to a total of EUR 1,850 billion. The horizon for net purchases was also extended to at least the end of March 2022 and in any case until the Governing Council judges that the coronavirus crisis phase is over. Furthermore, the Governing Council intends to reinvest the principal payments from maturing securities purchased under the PEPP until at least the end of 2023. The future roll-off of the PEPP portfolio will be managed to avoid interference with the appropriate monetary policy stance.

Securities purchased under all the purchase programmes are valued on an amortised cost basis subject to impairment (see "Securities" in the notes on accounting policies). The amortised cost and market value<sup>29</sup> of securities, which are not recorded on the Balance Sheet or Profit and Loss Account and are presented only for the purposes of information, are:

	<i>thousand euros</i>			
	31.12.2020		31.12.2019	
	Amortised acquisition cost	Market value	Amortised acquisition cost	Market value
Public sector purchase programme (PSPP)	6 184 748	6 478 005	5 589 017	5 757 697
Pandemic emergency purchase programme (PEPP)	1 483 650	1 498 161	0	0
Third covered bond purchase programme (CBPP3)	114 945	116 155	0	0
Securities markets programme (SMP)	9 985	10 513	24 953	25 916
Second covered bond purchase programme (CBPP2)	6 995	7 282	6 992	7 497
<b>Total</b>	<b>7 800 323</b>	<b>8 110 116</b>	<b>5 620 962</b>	<b>5 791 110</b>

27 The expanded asset purchase programme covers the third covered bond purchase programme (CBPP3), the asset backed securities purchase programme (ABSPP), the public sector securities purchase programme (PSPP), and the corporate sector purchase programme (CSPP). For more on the APP, see the ECB website <https://www.ecb.europa.eu/mopo/implement/omt/html/index.en.html>

28 For more on the PEPP, see the ECB website <https://www.ecb.europa.eu/mopo/implement/pepp/html/index.en.htm>.

29 Market values are approximate and are derived from quoted market values. If no market quotation is available, the market value is calculated using the internal models of the Eurosystem.

The total Eurosystem central banks holding of Securities Markets Programme securities amounts to EUR 26.3 billion, the holding under the third covered bond purchase programme amounts to EUR 263.5 billion, the holding of securities of European institutions purchased from the secondary market under the public sector purchase programme amounts to EUR 249.3 billion, the holding of securities purchased under the corporate sector purchase programme amounts to EUR 250.4 billion, the holding of covered bonds purchased under the pandemic emergency purchase programme amounts to EUR 2.8 billion, the holding of securities of European institutions amounts to EUR 47.8 billion, and the holding of corporate sector securities amounts to EUR 43.2 billion. The Governing Council of the ECB assesses on a regular basis the financial risks associated with the securities held under these programmes. Annual impairment tests are conducted, using the data as at the year end, and the results are approved by the Governing Council of the ECB. Indicators of impairment of the assets are assessed for each purchase programme separately.

Under Article 32.4 of the Statute of the ESCB, the Eurosystem central banks share any losses that materialise from securities held under these programmes in full in proportion to the prevailing ECB capital key shares.

No impairment was found in the value of these securities in 2020 and the Governing Council decided that all the future cash flows can be expected to materialise.

#### ITEM 9 – OTHER SECURITIES

Item 9 reflects investments by euro area residents in bonds denominated in euros.

#### ITEM 10 – PARTICIPATING INTEREST IN THE ECB

Item 10 reflects the participating interest of Eesti Pank in the ECB. Article 28 of the Statute of the ESCB states that the national central banks of the ESCB are the sole subscribers of the capital of the ECB. Subscriptions depend on the capital key weighting, which is set out in Article 29 of the ESCB Statute, and which is adjusted every five years or when the composition of national central banks in the ESCB changes.

For Eesti Pank this item reflects the paid-up share in the subscribed capital of the ECB, any net amounts paid by Eesti Pank because of an increase in its share in the equity capital of the ECB following an adjustment of the capital key, and contributions under article 48.2 of the statutes of the ESCB.

Following the departure of the United Kingdom from the European Union on 31 January 2020 and the consequent withdrawal of the Bank of England from the European System of Central Banks, the weightings assigned to the remaining national central banks in the key for subscription to the ECB's capital were adjusted with effect from 1 February 2020. As a result, the Eesti Pank share in the key for subscription to the subscribed capital of the ECB increased from 0.1968% to 0.2291%.

	Capital key weighting from 01.02.2020 %	Subscribed capital from 31.01.2020 %
Nationale Bank van België / Banque Nationale de Belgique	2.9630	2.5280
Deutsche Bundesbank	21.4394	18.3670
Eesti Pank	0.2291	0.1968
Central Bank of Ireland	1.3772	1.1754
Bank of Greece	2.0117	1.7292
Banco de España	9.6981	8.3391
Banque de France	16.6108	14.2061
Banca d'Italia	13.8165	11.8023
Central Bank of Cyprus	0.1750	0.1503
Latvijas Banka	0.3169	0.2731
Lietuvos Bankas	0.4707	0.4059
Banque centrale du Luxembourg	0.2679	0.2270
Central Bank of Malta	0.0853	0.0732
De Nederlandsche Bank	4.7662	4.0677

	Capital key weighting from 01.02.2020 %	Subscribed capital from 31.01.2020 %
Oesterreichische Nationalbank	2.3804	2.0325
Banco de Portugal	1.9035	1.6367
Banka Slovenije	0.3916	0.3361
Národná banka Slovenska	0.9314	0.8004
Suomen Pankki – Finlands Bank	1.4939	1.2708
<b>Subtotal – euro area national central banks</b>	<b>81.3286</b>	<b>69.6176</b>
Българска народна банка (Bulgarian National Bank)	0.9832	0.8511
Česká národní banka	1.8794	1.6172
Danmarks Nationalbank	1.7591	1.4986
Hrvatska narodna banka	0.6595	0.5673
Magyar Nemzeti Bank	1.5488	1.3348
Narodowy Bank Polski	6.0335	5.2068
<b>Banca Națională a României</b>	<b>2.8289</b>	<b>2.4470</b>
Sveriges Riksbank	2.9790	2.5222
Bank of England	0.0000	14.3374
Subtotal – non-euro area national central banks	18.6714	30.3824
<b>Total*</b>	<b>100.0000</b>	<b>100.0000</b>

\* Owing to rounding, the total may not correspond to the sum of all figures shown.

The subscribed capital of the ECB remains unchanged at EUR 10,825 million after the withdrawal of the Bank of England from the ESCB. The 14.3% share of the Bank of England in the subscribed capital of the ECB was reallocated between the central banks of the euro area and the central banks of the other non-euro area countries.

The paid-up capital of the ECB also remained unchanged in 2020 at 7659 million, as the central banks of the remaining countries had to cover the paid-up capital of EUR 58 million of the Bank of England. In consequence Eesti Pank had to pay in EUR 59 thousand to the ECB on 3 February 2020. The central banks of the countries in the euro area are required to increase their shares in ECB in full by paying in two annual instalments<sup>30</sup>. This means that Eesti Pank will be required to pay EUR 1.7 million in 2021 and EUR 1.7 million in 2022.

The subscriptions of the central banks of the European Union to the capital of the ECB are shown in the following table.

	Subscribed capital as of 01.02.2020 EUR	Paid-in capital as of 01.02.2020 EUR	Subscribed capital as at 31.01.2020 EUR	Paid-in capital as at 31.01.2020 EUR
Nationale Bank van België / Banque Nationale de Belgique	320 744 959	276 290 917	273 656 179	273 656 179
Deutsche Bundesbank	2 320 816 566	1 999 160 135	1 988 229 048	1 988 229 048
Eesti Pank	24 800 091	21 362 892	21 303 614	21 303 614
Central Bank of Ireland	149 081 997	128 419 794	127 237 133	127 237 133
Bank of Greece	217 766 667	187 585 028	187 186 022	187 186 022
Banco de España	1 049 820 011	904 318 913	902 708 165	902 708 165
Banque de France	1 798 120 274	1 548 907 580	1 537 811 329	1 537 811 329
Banca d'Italia	1 495 637 102	1 288 347 435	1 277 599 809	1 277 599 809
Central Bank of Cyprus	18 943 762	16 318 228	16 269 986	16 269 986
Latvijas Banka	34 304 447	29 549 980	29 563 094	29 563 094
Lietuvos Bankas	50 953 308	43 891 372	43 938 704	43 938 704
Banque centrale du Luxembourg	29 000 194	24 980 876	24 572 766	24 572 766

<sup>30</sup> The result is that the paid-in capital of the ECB will increase from EUR 7659 million in 2020 to EUR 8270 million in 2021, and EUR 8880 million in 2022.

	Subscribed capital as of 01.02.2020 EUR	Paid-in capital as of 01.02.2020 EUR	Subscribed capital as at 31.01.2020 EUR	Paid-in capital as at 31.01.2020 EUR
Central Bank of Malta	9 233 731	7 953 971	7 923 905	7 923 905
De Nederlandsche Bank	515 941 487	444 433 941	440 328 813	440 328 813
Oesterreichische Nationalbank	257 678 468	221 965 204	220 018 269	220 018 269
Banco de Portugal	206 054 010	177 495 700	177 172 891	177 172 891
Banka Slovenije	42 390 728	36 515 533	36 382 849	36 382 849
Národná banka Slovenska	100 824 116	86 850 273	86 643 357	86 643 357
Suomen Pankki – Finlands Bank	161 714 781	139 301 721	137 564 190	137 564 190
<b>Subtotal – euro area national central banks</b>	<b>8 803 826 700</b>	<b>7 583 649 493</b>	<b>7 536 110 122</b>	<b>7 536 110 122</b>
Българска народна банка (Bulgarian National Bank)	106 431 470	3 991 180	92 131 635	3 454 936
Česká národní banka	203 445 183	7 629 194	175 062 014	6 564 826
Danmarks Nationalbank	190 422 699	7 140 851	162 223 556	6 083 383
Hrvatska narodna banka	71 390 922	2 677 160	61 410 265	2 302 885
Magyar Nemzeti Bank	167 657 709	6 287 164	144 492 194	5 418 457
Narodowy Bank Polski	653 126 802	24 492 255	563 636 468	21 136 368
Banca Națională a României	306 228 625	11 483 573	264 887 923	9 933 297
Sveriges Riksbank	322 476 961	12 092 886	273 028 328	10 238 562
Bank of England	0	0	1 552 024 564	58 200 921
<b>Subtotal – non-euro area national central banks</b>	<b>2 021 180 370</b>	<b>75 794 264</b>	<b>3 288 896 948</b>	<b>123 333 636</b>
<b>Total*</b>	<b>10 825 007 070</b>	<b>7 659 443 757</b>	<b>10 825 007 070</b>	<b>7 659 443 757</b>

\* Owing to rounding, the total may not correspond to the sum of all figures shown.

When Estonia joined the euro area, Article 48.2 of the ESCB's Statute started to apply to Eesti Pank, requiring the central bank to pay a part of the reserves, revaluation accounts and risk provisions of the ECB in proportion to its share in the subscribed capital of the ECB. Following the adjustment of the capital key, Eesti Pank's share of the ECB reserves, revaluation accounts and risk provisions fell by EUR 391 thousand to stand at EUR 70,452 thousand at the end of the year.

#### ITEM 11 – CLAIMS EQUIVALENT TO THE TRANSFER OF FOREIGN RESERVES

Item 11 reflects claims of Eesti Pank arising from the transfers of foreign reserves assets to the ECB when Eesti Pank joined the Eurosystem. These foreign reserves were 85% in Japanese yen and 15% in gold. The claims are denominated in euros at a value fixed at the time of their transfer. Article 30.2 of the Statute of the ESCB states that these amounts are fixed by the weighting of the national central banks in the subscribed capital of the ECB. The remuneration of these claims is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for its main refinancing operations, adjusted to reflect a zero return on the gold component.

Given the increase in the weighting in the ECB's subscribed capital of the euro area central banks, which have transferred their foreign reserve assets to the ECB, following the withdrawal of the Bank of England from the ESCB, and the decision by the Governing Council of the ECB to reduce the contributions of the central banks of the euro area proportionally so that the total amount of foreign reserve assets already transferred remains at the current level, Eesti Pank's claim equivalent to this transfer was adjusted. In consequence, Eesti Pank's share of the ECB foreign currency reserves was reduced by EUR 400 thousand.

	from 01.02.2020 EUR	as at 31.01.2020 EUR
Nationale Bank van België / Banque Nationale de Belgique	1 469 828 529	1 465 002 366
Deutsche Bundesbank	10 635 248 657	10 643 868 063
Eesti Pank	113 647 559	114 047 653

	from 01.02.2020 EUR	as at 31.01.2020 EUR
Central Bank of Ireland	683 175 110	681 156 559
Bank of Greece	997 925 769	1 002 089 435
Banco de España	4 810 848 485	4 832 595 425
Banque de France	8 239 968 861	8 232 583 116
Banca d'Italia	6 853 825 810	6 839 555 945
Central Bank of Cyprus	86 810 662	87 100 418
Latvijas Banka	157 201 708	158 264 298
Lietuvos Bankas	233 495 879	235 223 283
Banque centrale du Luxembourg	132 894 723	131 548 868
Central Bank of Malta	42 313 997	42 420 163
De Nederlandsche Bank	2 364 325 594	2 357 274 575
Oesterreichische Nationalbank	1 180 823 433	1 177 854 948
Banco de Portugal	944 251 976	948 484 720
Banka Slovenije	194 257 459	194 773 455
Národná banka Slovenska	462 031 148	463 840 148
Suomen Pankki – Finlands Bank	741 065 420	736 441 854
<b>Total*</b>	<b>40 343 940 779</b>	<b>40 344 125 295</b>

Owing to rounding, the total may not correspond to the sum of all figures shown.

#### ITEM 12 – NET CLAIMS RELATED TO THE ALLOCATION OF EURO BANKNOTES WITHIN THE EUROSYSTEM

Item 12 reflects Eesti Pank's claims towards the Eurosystem relating to the allocation of euro banknotes within the Eurosystem (see "Banknotes in circulation" and "Intra-Eurosystem balances" in the notes on accounting policies)<sup>31</sup>. The remuneration of these claims is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations.

#### ITEM 13 – OTHER CLAIMS WITHIN THE EUROSYSTEM (NET)

Item 13 reflects net claims arising from the TARGET2 balance, the amount due to the difference arising from the monetary income pooled from and allocated to the Eurosystem central banks, and the amount due to the ECB's interim profit distribution.

	<i>thousand euros</i>	
	31.12.2020	31.12.2019
Interim profit distribution of the ECB	3 550	4 045
Monetary income reallocation	0	1 576
TARGET2	0	622 182
<b>Total</b>	<b>3 550</b>	<b>627 803</b>

As at 31 December 2019 the item reflected net claims on the Eurosystem that arose from transfers made through the TARGET2 payment system by the central banks of other euro area countries. At the end of 2020 the result of those transfers was a net liability, which is recorded under item 25 "Other liabilities within the Eurosystem (net)".

The remuneration of the TARGET2 balance is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations.

<sup>31</sup> In accordance with the accounting methods chosen by the Eurosystem for euro banknotes, 8% of the total value of euro banknotes in circulation is allocated to the ECB on a monthly basis. The remaining 92% of the value of the euro banknotes in circulation is allocated to the national central banks on a monthly basis, and the NCBs reflect their percentages of the euro banknotes in their balance sheets in proportion to their paid-up contributions to the ECB capital. In accordance with these accounting methods, the difference between the value of euro banknotes allocated to a national central bank and the amount of euro banknotes put into circulation is recorded under "Intra-Eurosystem net claims/liabilities related to the allocation of euro banknotes within the Eurosystem".

The claims on the ECB recorded under the item as at 31 December 2019 in connection with the reallocation of monetary income come from the difference between the amounts collected and allocated by the Eurosystem NCBs (see item 35 of the Profit and Loss account, "Net result of pooling of monetary income"). The result of reallocating monetary income in 2020 was a net liability, which is recorded under item 25 "Other liabilities within the Eurosystem (net)".

This item also covers amounts payable by the ECB to euro area central banks in the ECB's interim profit distribution (see "Interim profit distribution of the ECB" in the notes on accounting policies). At the decision of the Governing Council of the ECB, the ECB distributed its income of EUR 1260 million in 2020 between the national central banks of the euro area (see Item 34 "Income from equity shares and participating interests").

#### ITEM 14 – TANGIBLE AND INTANGIBLE FIXED ASSETS

<i>thousand euros</i>						
<b>Acquisition cost</b>	<b>Buildings</b>	<b>Hardware</b>	<b>Software</b>	<b>Other fixed assets</b>	<b>Motor vehicles</b>	<b>Total</b>
Balance at the end of 2019	28 256	4 158	5 496	6 420	31	44 361
Acquisitions	135	345	112	277	0	869
Disposals	-8	-428	-158	-865	0	-1 459
<b>Balance at the end of 2020</b>	<b>28 383</b>	<b>4 075</b>	<b>5 450</b>	<b>5 832</b>	<b>31</b>	<b>43 771</b>
<b>Accumulated depreciation</b>						
Balance at the end of 2019	16 572	2 940	3 685	5 639	31	28 867
Depreciation charge	932	435	287	220	0	1 874
Disposals	-5	-428	-158	-865	0	-1 456
<b>Balance at the end of 2020</b>	<b>17 499</b>	<b>2 947</b>	<b>3 814</b>	<b>4 994</b>	<b>31</b>	<b>29 285</b>
<b>Carrying amount</b>						
Balance at the end of 2019	11 684	1 218	1 811	781	0	15 494
<b>Balance at the end of 2020</b>	<b>10 884</b>	<b>1 128</b>	<b>1 636</b>	<b>838</b>	<b>0</b>	<b>14 486</b>
<b>Prepayments for fixed assets</b>						
Balance at the end of 2019	9	0	208	0	0	217
<b>Balance at the end of 2020</b>	<b>7</b>	<b>0</b>	<b>340</b>	<b>103</b>	<b>0</b>	<b>450</b>
<b>Total fixed assets</b>						
Balance at the end of 2019	11 693	1 218	2 019	781	0	15 711
<b>Balance at the end of 2020</b>	<b>10 891</b>	<b>1 128</b>	<b>1 976</b>	<b>941</b>	<b>0</b>	<b>14 936</b>

The cost of fixed assets acquired in 2020 was EUR 870 thousand; in 2019 it was EUR 1,108 thousand. The largest share of the spending on procurements for buildings was spent on the renovation of buildings. Ventilation systems were upgraded and the exterior perimeter was made more secure. Hardware procurement was related to the acquisition of information technology equipment. The largest software procurements were for the data collection portal and development of information security software. The major part of inventory acquisition was for renewal of licences for banknote sorters and the replacement of the audiovisual systems of the bank.

#### ITEM 15 – OTHER FINANCIAL ASSETS

Item 15 reflects the shares in the Bank for International Settlements and SWIFT.

Eesti Pank holds 214 shares (200 voting shares) in the Bank for International Settlements at an acquisition cost of EUR 217,118, and 5 shares in SWIFT at an acquisition cost of EUR 17,150.

## ITEM 16 – OFF-BALANCE-SHEET INSTRUMENTS REVALUATION DIFFERENCES

Item 16 reflects valuation changes in swap and forward transactions in foreign currency outstanding at year-end. These valuation changes are the result of the conversion of such transactions into their euro equivalents at the exchange rates prevailing on the balance sheet date, compared with the euro values resulting from the conversion of the transactions at the average cost of the respective foreign currency on that date.

## ITEM 17 – ACCRUALS AND PREPAID EXPENSES

Item 17 records interest from financial instruments using the accrual principle, and various prepayments for services. It also records a claim on Finantsinspektsioon in relation to services provided by Eesti Pank and acquisition of current assets.

	<i>thousand euros</i>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
Interest claims	49 807	57 684
Securities	44 493	43 340
Derivative instruments	4 569	13 951
Monetary policy operations	530	187
Fixed-term deposits and current accounts	214	197
Loans	1	1
Reverse repurchase transactions	0	8
Claims on Finantsinspektsioon	1 296	1 098
Prepaid expenses	1 055	976
Other claims	168	186
Total	52 326	59 944

## ITEM 18 – SUNDRY ASSETS

	<i>thousand euros</i>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
Foreign exchange transactions	18 538	9 057
Credits related to margin calls	4 985	98
Loans to employees of Eesti Pank	3 343	3 808
Derivative instruments	20	7
Correction to the profit distribution of 2018	0	3 176
Forward transactions in foreign currency	0	154
Other	67	61
Total	26 953	16 361

Housing loans secured by real estate have been granted to employees of Eesti Pank for a maximum of 30 years. The interest rate on housing loans granted before 2012 is the deposit facility interest payable to credit institutions plus the risk margin but together not more than the upper limit of the interest rate. The deposit facility rate equals the ECB deposit interest rate, which was -0.5% in 2020; in 2019 it was -0.4% to -0.5%. The upper limit on the interest rate is twice the interest rate on the European Central Bank's main refinancing operations. The interest rate on housing loans granted since 2012 is the six-month EURIBOR plus 0.5% but no more than the upper limit on the interest rate. The interest rate on housing loans granted since June 2014 is the six-month EURIBOR plus 1.25%. In addition, study loans have been granted to employees for a maximum of ten years with an interest rate of 5%. From 1 July 2015, Eesti Pank ceased providing loans to employees.

The item reflects balances related to currency exchange transactions and forward transactions in foreign currency outstanding at year-end. These balances arise from the conversion of such transactions into their euro equivalents at the respective currency's average cost on the balance sheet date, compared with the euro values at which the transactions were initially recorded.

In 2019 the item reflected corrected amounts for foreign exchange transactions in 2018. The uncorrected profit in the annual report for 2018 was distributed in full between the Eesti Pank reserves and the state budget, and the correction of an error in the financial data for 2018 meant there was an uncovered loss in 2018. Under the legislative framework of financial reporting and accounting for the European System of Central Banks, losses from previous years are recorded before they are covered under "Sundry assets". Following the correction, the profit distribution for 2019 was adjusted by the amount corrected for 2018.

#### ITEM 19 – BANKNOTES IN CIRCULATION

Item 19 reflects Eesti Pank's share of the total euro banknotes in circulation (see "Banknotes in circulation" in the notes on accounting policies). The value of euro banknotes actually issued by Eesti Pank is smaller than the allocation of such banknotes to Eesti Pank. The claim arising from this difference is reflected in Item 12 "Net claims related to the allocation of euro banknotes within the Eurosystem".

	<i>thousand euros</i>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
Euro banknotes	2 330 565	1 952 454
Adjustments of euro banknotes	1 708 099	1 701 028
ECB banknotes (8%)	-323 278	-292 353
<b>Total</b>	<b>3 715 386</b>	<b>3 361 129</b>

#### ITEM 20 – CURRENT ACCOUNTS (INCLUDING COVER FOR THE MINIMUM RESERVE SYSTEM)

Item 20 reflects the current accounts of credit institutions with Eesti Pank. The remuneration paid on the balance on the current accounts of credit institutions, held to cover the minimum reserve, is calculated at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations. The balances held in excess of the minimum reserve requirements are remunerated at the lower rate of either 0% or the deposit facility rate. From 30 October 2019, the Governing Council of the ECB introduced a two-tier system for reserve remuneration, so that part of the excess liquidity holdings would be exempt from the negative remuneration at the rate applicable on the deposit facility. This part is remunerated at the annual rate of 0%. The volume of reserve holdings in excess of the minimum reserve requirements, which were exempt at year-end from the deposit facility rate as the exempt tier, was determined as a multiple of six on an institution's minimum reserve requirement<sup>32</sup>. The non-exempt tier of the excess liquidity holdings continues to be remunerated at the lower of either 0% or the deposit facility rate. The deposit facility rate equals the ECB deposit interest rate, which was -0.5% in 2020; in 2019 it was -0.4% to -0.5%. The average balance on the current accounts of credit institutions was EUR 5,704,645,245 in 2020 and it was EUR 4,552,226,653 in 2019.

#### ITEM 21 – LIABILITIES TO OTHER EURO AREA RESIDENTS DENOMINATED IN EUROS

Item 21 reflects mainly the current accounts of Finantsinspektsioon and the Guarantee Fund held with Eesti Pank. Interest on the current account of Finantsinspektsioon is calculated monthly from the daily balance of the current account using the EONIA (euro overnight index average) interest rate, and the interest rate on the Guarantee Fund account is the deposit facility rate.

#### ITEM 22 – LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN EUROS

Item 22 reflects the euro deposits of non-euro area residents and repo transactions with non-euro area residents.

#### ITEM 23 – LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

Item 23 reflects the US dollar denominated repo transactions with non-euro area residents.

<sup>32</sup> The Governing Council of the ECB may over time adjust this multiplier following changes in the level of excess liquidity held.

## ITEM 24 – COUNTERPART OF THE SPECIAL DRAWING RIGHTS ALLOCATED BY THE IMF

Item 24 reflects the liability to the IMF arising from the IMF's decision of 7 August 2009 to increase the SDR issues for all of its member states. This was done in order to increase global liquidity using support from the foreign reserves of the member states. As a result, Estonia received SDR 61,965,241 (see Item 2 "Receivables from the IMF").

## ITEM 25 – OTHER LIABILITIES WITHIN THE EUROSISTEM (NET)

Item 25 reflects net liabilities arising from the TARGET2 balance, and the liability due to the difference arising from the monetary income pooled from and allocated to the Eurosystem central banks.

	<i>thousand euros</i>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
TARGET2	1 006 172	0
Monetary income reallocation	10 194	0
<b>Total</b>	<b>1 016 365</b>	<b>0</b>

As at 31 December 2020 the item reflects a net liability to the Eurosystem that arose from transfers made through the TARGET2 payment system by the central banks of other euro area countries. At the end of 2019 the result of those transfers was a net claim, which is recorded under item 13 "Other claims within the Eurosystem (net)".

The net liability to the ECB in connection with the reallocation of monetary income comes from the difference between the amounts collected and allocated by the Eurosystem NCBs (see item 35 of the Profit and Loss account, "Net result of pooling of monetary income"). The result of reallocating monetary income in 2019 was a net claim, which is recorded under item 13 "Other claims within the Eurosystem (net)".

## ITEM 26 – ACCRUALS AND DEFERRED INCOME

	<i>thousand euros</i>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
Interest liabilities	15 019	15 932
Monetary policy operations	9 446	4
Derivative instruments	5 560	15 819
SDR allocation	13	99
Repurchase transactions	0	10
Accounts payable	1 624	853
Tax liabilities	1 297	1 206
Employee salaries payable	851	785
Vacation reserve	626	508
Other liabilities	120	357
<b>Total</b>	<b>19 537</b>	<b>19 641</b>

Item 26 reflects accrued interest on financial instruments and liabilities that were expected but unpaid on the balance sheet date, most of which are unpaid bills for services provided to Eesti Pank and tax liabilities.

## ITEM 27 – SUNDRY LIABILITIES

	<i>thousand euros</i>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
Euro coins	66 785	60 915
Credits related to margin calls	293	0
Forward transactions in foreign currency	122	0
Derivative instruments	0	16

thousand euros

	31.12.2020	31.12.2019
Other liabilities	15	32
<b>Total</b>	<b>67 215</b>	<b>60 963</b>

Item 27 mainly reflects euro coins issued.

## ITEM 28 – PROVISIONS

thousand euros

	31.12.2020	31.12.2019
Provision for financial risks	92 600	81 600
Exchange liability for Estonian kroons	28 141	28 343
Write-downs of securities held for monetary policy purposes	0	245
<b>Total</b>	<b>120 741</b>	<b>110 188</b>

Item 28 reflects the risk provision for financial risks, the provision to cover the exchange liability for the kroon, and the provision for the impairment of a corporate sector security.

The aim of risk provision is to cover the financial risks of monetary policy operations and investment assets with a provision. The increase in the risk provision stems from various risk assessments using Value at Risk and Expected Shortfall. In deciding the size of the provision, the amounts set aside for it in the past five years, which average 11.1 million euros, and the size of the bank's reserves are considered as well as the risk assessments. There was an additional provision of EUR 11 million on 31 December 2020 (EUR 9.8 million in 2017), and the total general risk provision increased to EUR 92.6 million. The increase in risk was mainly due to the continued purchase of securities under the asset purchase programmes<sup>33</sup> and the new securities purchases under the emergency purchase programme. Under Article 32.4 of the Statute of the ESCB, the Eurosystem central banks share any losses that materialise from securities other than government bonds held under the Securities Market Programme, the expanded Asset Purchase Programme and the pandemic emergency purchase programme in full in proportion to the prevailing ECB capital key shares.

A provision of EUR 29.6 million was set up in 2016 to cover the liability for exchanging kroons for euros, which covered 66% of the amount of the liability. Statistics from other central banks on the coverage of earlier exchange liabilities were used in deciding the size of the provision. Future exchanges of kroons for euros will be funded from the provision. The provision was reduced in 2020 by EUR 202.1 thousand through the return of kroons; in 2019 it was reduced by EUR 387.8 thousand. Estonian kroon banknotes and coins can be exchanged for euros at the shop of the Eesti Pank Museum with no limit of amount or duration at the rate of 1 EUR = 15.6466 EEK. The Executive Board assesses the size of the provision for the exchange liability every year, considering how much has been brought back in kroons for exchange during the year.

In line with the decision of the Governing Council of the ECB and under Article 32.4 of the statute of the ESCB the provision to cover credit risks in monetary policy operations is allocated between the central banks of participating member states in proportion to their subscribed capital key shares in the ECB prevailing in the year when the initial impairment occurred. Taking into account the provisions of all the central banks in the ESCB established in 2018 and adjusted in 2019 for credit risks related to monetary policy operations, EUR 64 million was used to cover a loss in 2020 realised on the sale of the securities purchased and impaired by a Eurosystem central bank under the corporate sector purchase programme. Of this amount, EUR 174,208 was covered by the provision established by Eesti Pank in 2019. The residual amounts of the provisions established by the national central banks of the ESCB after the realised losses were covered gave a cumulative unused balance of EUR

<sup>33</sup> The expanded asset purchase programme covers the third covered bond purchase programme (CBPP3), the asset backed securities purchase programme (ABSPP), the public sector securities purchase programme (PSPP), and the corporate sector purchase programme (CSPP). For more on the asset purchase programmes, see the ECB website <https://www.ecb.europa.eu/mopo/implement/omt/html/index.en.html>

26 million, which is reflected in the profit and loss accounts of the national central banks in proportion to their shares in the subscribed capital in the ECB in 2018, which was the year of the impairment. For Eesti Pank this amount was EUR 70,624, which is recorded under item 35 “Net result of pooling of monetary income”.

No credit risk arising from monetary policy operations was identified in 2020 and the Governing Council of the ECB decided not to set a provision.

#### ITEM 29 – REVALUATION ACCOUNTS

	<i>thousand euros</i>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
Equity funds	30 167	19 275
Securities	23 593	7 965
Gold	5 550	3 984
Securities funds	4 129	3 093
Foreign currency	19	154
Derivative instruments	10	344
<b>Total</b>	<b>63 468</b>	<b>34 815</b>

Revaluation accounts represent revaluation reserves that arise from unrealised gains on assets and liabilities.

The unrealised losses at the end of the year are recognised in the Profit and Loss Account as expenses under “Write-downs”.

#### ITEM 30 – CAPITAL AND RESERVES

Changes in capital and reserves in 2020:

	<i>thousand euros</i>		
	<b>31.12.2020</b>	<b>Distribution of profit for 2019</b>	<b>31.12.2019</b>
Fixed capital	100 000	0	100 000
Reserve capital	166 108	6 294	159 814
Special purpose reserve	214 314	0	214 314
<b>Total</b>	<b>480 422</b>	<b>6 294</b>	<b>474 128</b>

Under Section 30 of the Eesti Pank Act, at least 25% of the annual profit must be allocated to increasing statutory capital up to the amount set by the Riigikogu<sup>34</sup>. The amount set by the Riigikogu in the statutory capital is given in the Eesti Pank Act as EUR 100 million<sup>35</sup>. At the decision of the Supervisory Board of Eesti Pank, Eesti Pank directs at least 25% of its annual profits to building up its reserve capital<sup>36</sup>. Following the decision of the Eesti Pank Supervisory Board of 28 April 2015 on the distribution of Eesti Pank’s profits for 2014, Eesti Pank’s reserve capital was equal to its statutory capital. When Eesti Pank’s reserve capital became equal to its statutory capital, the Riigikogu decided on 12 April 2016 to continue increasing Eesti Pank’s reserve capital to EUR 300 million. After these allocations, part of the profit can be allocated for establishing and supplementing endowments and foundations for specific purposes, at the decision of the Supervisory Board of Eesti Pank. The remaining profit is transferred to the state budget. The bank transferred 75% of its unadjusted profit for 2019, or 18.9 million euros, to the state budget in 2020, rather than the usual 25%. The extraordinarily large profit distribution was made to support the financial position of the state given the negative impact on the state budget of the coronavirus crisis.

34 Eesti Pank Act § 30 (2)

35 Eesti Pank Act § 25 (2)

36 Eesti Pank Act § 30 (3)

## NOTES ON THE PROFIT AND LOSS ACCOUNT

## ITEM 31 – NET INTEREST INCOME

	<i>thousand euros</i>	
	<b>2020</b>	<b>2019</b>
<b>Net interest income</b>	<b>26 849</b>	<b>29 425</b>
<b>Interest income</b>	<b>178 013</b>	<b>115 389</b>
Derivative instruments	116 490	62 041
Intra-Eurosystem balances	31 670	30 360
Securities	24 900	18 392
Deposits	2 761	920
Securities funds	1 953	2 828
Reverse repurchase transactions	148	468
Current accounts	68	333
Fixed-term deposits	16	40
Loans to employees of Eesti Pank	7	7
<b>Interest expenses</b>	<b>-151 164</b>	<b>-85 964</b>
Derivative instruments	-127 951	-81 046
Securities	-12 704	-3 309
Intra-Eurosystem balances	-9 459	-33
Repurchase transactions	-829	-735
Current accounts	-221	-841

	<i>thousand euros</i>	
	<b>2020</b>	<b>2019</b>
<b>Intra-Eurosystem interest income</b>	<b>31 670</b>	<b>30 360</b>
Monetary policy operations	21 198	17 528
Securities held for monetary policy purposes	10 472	12 832
<b>Intra-Eurosystem interest expenses</b>	<b>-9 459</b>	<b>-33</b>
Monetary policy operations	-9 459	-33

ITEM 32 – NET RESULT OF FINANCIAL OPERATIONS,  
WRITE-DOWNS AND RISK PROVISIONS

	<i>thousand euros</i>	
	<b>2020</b>	<b>2019</b>
<b>Net result of financial operations, write-downs and risk provisions</b>	<b>-3 798</b>	<b>7 371</b>
<b>Realised gain arising from financial operations</b>	<b>21 774</b>	<b>19 928</b>
Securities	22 037	11 863
Equity funds	2 370	2 592
Securities funds	173	204
Financial asset management costs	-88	-129
Derivative instruments	-603	907
Exchange rate income/expenses	-2 115	4 491
<b>Write-downs on financial assets</b>	<b>-14 572</b>	<b>-2 757</b>

	<i>thousand euros</i>	
	<b>2020</b>	<b>2019</b>
Unrealised losses from exchange rates	-14 394	-497
Unrealised losses from securities	-145	-2 121
Net change of loan portfolio write-downs	-33	0
Unrealised losses from derivative instruments	0	-139
<b>Provision for financial risks</b>	<b>-11 000</b>	<b>-9 800</b>

#### ITEM 33 – NET INCOME FROM FEES AND COMMISSIONS

	<i>thousand euros</i>	
	<b>2020</b>	<b>2019</b>
<b>Net income from fees and commissions</b>	<b>328</b>	<b>285</b>
<b>Fees and commissions income</b>	<b>365</b>	<b>327</b>
Current accounts service fees	360	326
Fines, arrears and other	5	1
<b>Fees and commissions expenses</b>	<b>-37</b>	<b>-42</b>
Commission fees	-35	-41
Other fees and commissions	-2	-1

#### ITEM 34 – INCOME FROM EQUITY SHARES AND PARTICIPATING INTERESTS

	<i>thousand euros</i>	
	<b>2020</b>	<b>2019</b>
<b>Income from equity shares and participating interests</b>	<b>8 478</b>	<b>8 295</b>
Interim profit distribution of the ECB	3 550	4 045
Partial allocation of ECB profit	2 642	1 052
Dividends from investments	2 178	2 644
Dividends from participation in the IMF	108	490
Dividends from the Bank for International Settlements	0	64

The item mainly shows the profit distributed to Eesti Pank by the European Central Bank earned on securities purchased under the Securities Markets Programme, the third covered bond purchase programme, the asset-backed securities purchase programme, the public sector purchase programme, and the pandemic emergency purchase programme (see “Interim profit distribution of the ECB” in the notes on accounting policies).

#### ITEM 35 – NET RESULT OF POOLING OF MONETARY INCOME

	<i>thousand euros</i>	
	<b>2020</b>	<b>2019</b>
<b>Net result of pooling of monetary income</b>	<b>-9 949</b>	<b>1 772</b>
Monetary income reallocation	-10 025	1 620
Monetary income pooled by Eesti Pank	-22 211	-30 326
Monetary income allocated to Eesti Pank	12 186	31 946
Adjustment for the monetary income of previous years	-169	-44
Write-downs of securities held for monetary policy purposes	245	196

The net result of pooling of monetary income from the Eurosystem central banks in 2020 totalled EUR 4,323.3 million, which includes the share of Eesti Pank. The monetary income pooled by the Eurosystem is allocated between the Eurosystem central banks in line with their subscription to the

ECB's capital key. The difference between the monetary income pooled by Eesti Pank of EUR 22.2 million and that reallocated to Eesti Pank of EUR 12.2 million is the net result EUR 10.0 million in monetary income.

The monetary income received by Eesti Pank consists of intra-Eurosystem interest revenues and expenses, which are recorded under item 31 "Net interest income". Eesti Pank receives monetary income in proportion to its paid up share of the ECB capital key. Eesti Pank's participation in the ECB's paid up capital is 0.2817%.

The item also covers Eesti Pank's share of the realised loss caused by the sale of the securities held by a national central bank of the Eurosystem in its portfolio under the corporate sector purchase programme and the release of the provision established in 2019 against losses in the monetary policy operations portfolio (see Item 28 "Provisions").

The amount of each national central bank's monetary income is determined by measuring the actual annual income that derives from the earmarkable assets held against its liability base.

Earmarkable assets are: lending to euro area credit institutions related to monetary policy operations denominated in euros; securities held for monetary policy purposes; claims equivalent to the transfer of foreign reserve assets to the ECB; net intra-Eurosystem claims resulting from TARGET2 transactions; net intra-Eurosystem claims related to the allocation of euro banknotes within the Eurosystem; interest claims accrued recorded at the end of the month on monetary policy transactions with a maturity of over one year; and a limited amount of each national central bank's gold holdings in proportion to each national central bank's capital key share.

The liability base consists mainly of: banknotes in circulation; liabilities to euro area credit institutions related to monetary policy operations denominated in euros; net intra-Eurosystem liabilities resulting from TARGET2 transactions; net intra-Eurosystem liabilities related to the allocation of euro banknotes within the Eurosystem; and interest liabilities accrued recorded at the end of the month on monetary policy operations with a maturity of over one year. Any interest paid on liabilities included within the liability base is to be deducted from the monetary income to be pooled.

Gold is considered to generate no income. Securities held for monetary policy purposes under Decision ECB/2009/16 of 2 July 2009 on the implementation of the covered bond purchase programme, Decision ECB/2011/17 of 3 November 2011 on the implementation of the second covered bond purchase programme, and Decision ECB/2015/10 of 4 March 2015 on a secondary markets public sector purchase programme are considered to generate income at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations. Where the value of an NCB's earmarkable assets exceeds or falls short of the value of its liability base, the difference is offset by applying to the value of the difference the latest available marginal rate for the Eurosystem's main refinancing operations and the total income or expense for the year is considered in the allocation of monetary income.

#### ITEM 36 – OTHER INCOME AND EXPENSES

	<i>thousand euros</i>	
	<b>2020</b>	<b>2019</b>
<b>Other income and expenses</b>	<b>1 311</b>	<b>1 470</b>
<b>Other income</b>	<b>1 342</b>	<b>1 470</b>
Expenses reimbursed by Finantsinspektsioon	824	752
Income from the sale of collector coins and numismatic products	400	479
Exchange liability for euro collector coins	61	71
Income on financial asset management	16	17

	<i>thousand euros</i>	
	<b>2020</b>	<b>2019</b>
Income from sales of assets	2	102
Rental income	2	15
<b>Other income</b>	<b>37</b>	<b>34</b>
Other expenses	-31	0

Under the cooperation agreement between Finantsinspektsioon and Eesti Pank, Finantsinspektsioon reimburses monthly 100% of the cost of the support services provided by Eesti Pank. Eesti Pank provides Finantsinspektsioon with information technology, accounting, real estate, and administration services. Finantsinspektsioon covers the depreciation costs of the fixed assets used.

Income from asset management includes the service fee paid by the Guarantee Fund to Eesti Pank for investing their assets. Income from the rent of the training centre of Eesti Pank is recorded under "Rental income".

Other expenses reflects expenses from previous periods.

#### ITEM 37 – STAFF COSTS

	<i>thousand euros</i>	
	<b>2020</b>	<b>2019</b>
Staff costs	-10 550	-10 433
Salaries	-7 684	-7 604
Social tax	-2 595	-2 569
Compensations and benefits	-213	-203
Unemployment insurance tax	-58	-57

Compensation and benefits is mainly pension benefits and fringe benefits and various sundry benefits.

On average, there were 221.6 full-time equivalent employees at Eesti Pank in 2020, and 223.9 in 2019.

#### ITEM 38 – ADMINISTRATIVE EXPENSES

	<i>thousand euros</i>	
	<b>2020</b>	<b>2019</b>
<b>Administrative expenses</b>	<b>-5 974</b>	<b>-6 231</b>
Information technology maintenance	-2 327	-2 012
Financial asset management	-1 515	-1 483
Real estate renovation and management	-1 128	-985
Public relations and publications	-222	-489
Economic research	-218	-168
Office	-122	-162
Training	-95	-180
Business travel	-62	-428
Communications and transport	-43	-42
Legal expertise and arbitration	-7	-7
Other administrative expenses	-235	-275

The general fall in administrative expenses in 2020 came mainly from the fall in spending on business travel. This fall was partly offset by increased information technology costs caused by the substantial demand for IT services due to remote working because of the Covid-19 pandemic.

Maintenance costs for information technology cover the costs of maintenance of software and hardware, data communication and consultation for procurements.

The costs of financial asset management comprise the cost of market information, fees and costs for cross-border payments, and management costs of foreign reserves.

The costs of public relations and publications cover the costs of public events, publications, information agencies, the public website and online databases, public relations research polls, information campaigns, and the Museum of Eesti Pank.

Business travel expenses reflect the costs of staff business travel on behalf of Eesti Pank and for work with international organisations and financial institutions. The restrictions introduced because of the pandemic meant that most work meetings were held online. There were a total of 141 business trips in 2020; there were 619 in 2019.

#### ITEM 39 – BANKNOTE PRODUCTION SERVICES

Eesti Pank participates in the production of euro banknotes together with other central banks of the euro area. The Governing Council of the ECB sets the amount of euro cash that must be produced each year for the euro area countries. Eesti Pank procured its euro banknotes through a joint tender with seven other euro area central banks. Production of the second series of 20-euro banknotes for the Eurosystem was paid for.

#### ITEM 40 – OTHER OPERATING EXPENSES

	<i>thousand euros</i>	
	<b>2020</b>	<b>2019</b>
<b>Other operating expenses</b>	<b>-587</b>	<b>-984</b>
Production of coins	-249	-312
Production of collector coins and numismatic products	-104	-378
Cash circulation management	-73	-87
<b>Other expenses</b>	<b>-161</b>	<b>-207</b>

#### ITEM 41 – DERIVATIVE INSTRUMENTS

	<i>thousand euros</i>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Foreign exchange swap and forward transactions</b>		
Purchase	3 916 847	1 080 513
Sale	-3 902 042	-1 071 301
<b>Value of interest rate future contracts</b>		
Purchase	41 104	38 958
Sale	-54 458	-72 592
<b>Value of foreign exchange futures contracts</b>		
Purchase	12 742	8 602
Sale	-8 124	-9 065

	<i>thousand euros</i>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
<b>Value of interest rate swap contracts</b>		
Purchase	0	23 470
Sale	0	-33 465
<b>Value of interest rate option contracts</b>		
Purchase	39 932	6 600
Sale	-44 200	-15 400

#### ITEM 42 – CONTINGENT LIABILITIES

##### *Bank for International Settlements*

Since 1930 Eesti Pank has a contingent liability to the Bank for International Settlements for the unpaid part of the share capital (75%) of the BIS denominated in Swiss gold francs, which totalled EUR 593 thousand at the end of 2020 (see Item 15 “Other financial assets”).