

ANNUAL ACCOUNTS OF EESTI PANK FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

THE FINANCIAL POSITION OF EESTI PANK

CAPITAL AND RESERVES

Eesti Pank had EUR 485.8 million of capital as at 31 December 2023. More detailed information on Eesti Pank's capital and reserves can be found under Item 31 "Capital and Reserves" in the notes on the Balance Sheet.

PROVISION FOR FINANCIAL RISKS

Following from risk assessments, Eesti Pank has made a provision for financial risks since 2012. 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 2022 the provision made to cover financial risks was EUR 3.6 million. The bank increased the risk provision by EUR 87.2 million in 2023 and as at 31 December 2023 the provision stood at EUR 90.8 million. See also Item 29 "Provisions" in the notes on the Balance Sheet.

PROVISION FOR THE LIABILITY TO EXCHANGE ESTONIAN KROONS FOR EUROS

Twelve years have passed since the euro was introduced and there are still some EUR 43.6 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. EUR 165,516 of the provision was used in 2023 for the return of kroons, and EUR 235,892 of it was used in 2022. In the seven years since the provision was set up in 2016, EUR 2.1 million of Estonian kroons have been returned, or 7% of the provision. The amounts of Estonian kroons exchanged are small and have been getting smaller each year. Following the forecast for the use of the provision the Executive Board decided to reduce the provision for exchanging Estonian kroons by 90% on 31 December 2023 and to transfer EUR 24.8 million to income, with the result that the provision for the liability to exchange Estonian kroons for euros was reduced to EUR 2.8 million. See also Item 29 "Provisions" in the notes on the Balance Sheet.

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 82.7 million euros at the end of December 2023 and EUR 20.2 million at the end of 2022. For more details, see the notes on accounting principles, and Item 30 "Revaluation accounts" in the notes on the Balance Sheet.

FINANCIAL RESULTS FOR 2023

Eesti Pank's net profit in 2023 was EUR 0 million, and it was also EUR 0 million in 2022.

The net interest income in 2023 was EUR -204.8 million euros, having been EUR 0.8 million euros in 2022. Interest expenses increased mainly because of a large increase in the interest paid on the overnight deposits of banks. The return on the investment portfolio was positive in 2023. Both the equity and bond portfolios made a positive contribution to the results. Lower interest rates boosted the prices of shares and bonds. The net result for Eesti Pank of the distribution of monetary income in 2023 was EUR 287.3 million; in 2022 it was EUR

30.5 million. Income from equity shares and participating interest was EUR 12.8 million in 2023, which included EUR 9.8 million of dividends from equity funds, and it was EUR 4.6 million in 2022 with EUR 3.5 million of dividends. For more details, see Item 35 "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, increased from EUR 25 million in 2022 to EUR 25.6 million in 2023. 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 handled 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 arising from the external environment have continued to increase. 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.

Eesti Pank's continued high financial risks arise mainly from the large size of the balance sheet following the purchases of securities under the asset purchase programme and the pandemic emergency purchase programme, and from the high degree of 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 bonds and fund investments. 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. The risk management framework for monetary policy transactions is developed jointly by the Risk Management Committee of the European System of Central Banks, which comprises representatives of the central banks of the euro area, including Eesti Pank. The risk framework sets out conditions for transaction counterparties, assets that qualify as collateral for monetary policy operations, financial instruments to be purchased within the purchase programmes, and similar. 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 shares¹².

¹² 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 0.2794% since 1 January 2023.

APPROVAL OF THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 BY THE EXECUTIVE BOARD OF EESTI PANK

The Executive Board confirms that it recognises its responsibility for the Annual Accounts of Eesti Pank for the financial year ended 31 December 2023.

The Annual Accounts of Eesti Pank have been drawn up in accordance with the rules based on Article 26.4 of the Statute of the European System of Central Banks and of the European Central Bank, in line with the guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34) (recast)¹³ and the Eesti Pank Act. 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, and 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 14 March 2024, all the members of the Executive Board of Eesti Pank on that day signed the Annual Accounts digitally.

| | |
|---------------------|--|
| Madis Müller | Governor of Eesti Pank, Chairman of the Executive Board |
| Ülo Kaasik | Deputy Governor of Eesti Pank, Member of the Executive Board |
| Veiko Tali | Deputy Governor of Eesti Pank, Member of the Executive Board |

¹³ 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, p37.

BALANCE SHEET AS AT 31 DECEMBER 2023

thousand euros

| | Item | 31.12.2023 | 31.12.2022 |
|---|-----------|-------------------|-------------------|
| ASSETS | | | |
| Gold and gold receivables | 1 | 15 410 | 14 075 |
| Claims on non-euro area residents denominated in foreign currency | | 2 328 556 | 2 059 880 |
| Receivables from the IMF | 2 | 483 616 | 448 313 |
| Balances with banks, security investments and other external assets | 3 | 1 844 940 | 1 611 567 |
| Claims on euro area residents denominated in foreign currency | 4 | 143 920 | 179 144 |
| Claims on non-euro area residents denominated in euro | 5 | 267 692 | 170 026 |
| Lending to euro area credit institutions related to monetary policy operations denominated in euro | 6 | 0 | 150 000 |
| Other claims on euro area credit institutions denominated in euro | 7 | 240 | 272 |
| Securities of euro area residents denominated in euro | | 10 456 842 | 10 987 780 |
| Securities held for monetary policy purposes | 8 | 10 456 842 | 10 987 780 |
| Intra-Eurosystem claims | | 1 143 419 | 1 213 844 |
| Participating interest in the European Central Bank | 9 | 95 252 | 95 252 |
| Claims equivalent to the transfer of foreign reserves | 10 | 113 648 | 113 648 |
| Net claims related to the allocation of euro banknotes within the Eurosystem | 11 | 858 769 | 1 004 944 |
| Other claims within the Eurosystem (net) | 12 | 75 750 | 0 |
| Other assets | | 112 070 | 122 319 |
| Tangible and intangible fixed assets | 13 | 13 830 | 14 004 |
| Other financial assets | 14 | 234 | 234 |
| Off-balance-sheet instruments revaluation differences | 15 | 0 | 145 |
| Accruals and prepaid expenses | 16 | 88 767 | 70 941 |
| Sundry | 17 | 9 239 | 36 995 |
| TOTAL ASSETS | | 14 468 149 | 14 897 341 |

Note. Owing to rounding, the totals in the tables in the notes on the balance sheet may not correspond to the sum of all figures shown.

The notes on pages 80-100 form an integral part of the Annual Accounts.

thousand euros

| | Item | 31.12.2023 | 31.12.2022 |
|---|-----------|-------------------|-------------------|
| LIABILITIES | | | |
| Banknotes in circulation | 18 | 4 027 773 | 4 071 565 |
| Liabilities to euro area credit institutions related to monetary policy operations denominated in euro | | 8 793 139 | 7 429 207 |
| Current accounts (covering the minimum reserve system) | 19 | 398 529 | 487 221 |
| Deposit facility | 20 | 8 394 611 | 6 941 986 |
| Other liabilities to euro area credit institutions denominated in euro | 21 | 95 004 | 85 005 |
| Liabilities to other euro area residents denominated in euro | 22 | 191 569 | 477 632 |
| General Government | | 170 443 | 454 712 |
| Other liabilities | | 21 125 | 22 920 |
| Liabilities to non-euro area residents denominated in euro | 23 | 24 | 25 |
| Liabilities to euro area residents denominated in foreign currency | 24 | 205 056 | 274 965 |
| Counterpart of the special drawing rights allocated by the IMF | 25 | 359 172 | 369 808 |
| Intra-Eurosystem liabilities | | 0 | 1 516 299 |
| Other liabilities within the Eurosystem (net) | 26 | 0 | 1 516 299 |
| Other liabilities | | 134 285 | 135 593 |
| Off-balance-sheet instruments revaluation differences | 15 | 6 191 | 7 228 |
| Accruals and income collected in advance | 27 | 41 643 | 34 626 |
| Sundry | 28 | 86 452 | 93 739 |
| Provisions | 29 | 93 700 | 31 258 |
| Revaluation accounts | 30 | 82 668 | 20 224 |
| Capital and reserves | 31 | 485 759 | 485 759 |
| Capital | | 271 445 | 271 445 |
| Reserves | | 214 314 | 214 314 |
| Profit for the year | | 0 | 0 |
| TOTAL LIABILITIES | | 14 468 149 | 14 897 341 |

Note. Owing to rounding, the totals in the tables in the notes on the balance sheet may not correspond to the sum of all figures shown.

The notes on pages 80-100 form an integral part of the Annual Accounts.

PROFIT AND LOSS ACCOUNT FOR THE YEAR 2023

thousand euros

| | Item | 2023 | 2022 |
|--|----------------------------|-----------------|----------------|
| Interest income | | 355 071 | 303 106 |
| Interest expenses | | -559 918 | -302 312 |
| Net interest income | 32 | -204 847 | 794 |
| Realised gain arising from financial operations | | -2 496 | -13 908 |
| Write-downs on financial assets | | -6 912 | -99 991 |
| Transfer to/from provisions for financial risks | | -87 245 | 100 016 |
| Net result of financial operations, write-downs and risk provisions | 33 | -96 654 | -13 883 |
| Fees and commissions income | | 393 | 643 |
| Fees and commissions expenses | | -90 | -59 |
| Net income from fees and commissions | 34 | 303 | 584 |
| Income from equity shares and participating interests | 35 | 12 837 | 4 553 |
| Net result of pooling of monetary income | 36 | 287 340 | 30 463 |
| Other income and expenses | 37 | 26 660 | 2 471 |
| | Total net income | 25 640 | 24 981 |
| Staff costs | 38 | -13 996 | -12 346 |
| Administrative expenses | 39 | -7 816 | -7 292 |
| Depreciation of tangible and intangible fixed assets | 13 | -1 623 | -1 775 |
| Banknote production services | 40 | -439 | -939 |
| Other operating expenses | 41 | -1 766 | -2 629 |
| | Operating expenses | -25 640 | -24 981 |
| | Profit for the year | 0 | 0 |

Note. Owing to rounding, the totals in the tables in the notes on the profit and loss account may not correspond to the sum of all figures shown.

The notes on pages 80-100 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 based on Article 26.4 of the Statute of the European System of Central Banks and of the European Central Bank, in line with the guideline of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34) (recast)¹⁴ and the Eesti Pank Act. 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 Estonian Financial Reporting Standard is a set of requirements for public financial reporting based on internationally accepted accounting and reporting principles, the core of which are established by the Accounting Act of the Republic of Estonia and supplemented by the guidelines of the Estonian Accounting Standards Board.

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 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

¹⁴ 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, p37.

for each object separately. The impairment of financial assets that are not individually 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 29 December 2023.

The official daily fixings applied on 31 December 2022 and 2023 were as follows:

| | 31.12.2023 | 31.12.2022 |
|-----|------------|------------|
| USD | 1.1050 | 1.0666 |
| GBP | 0.86905 | 0.88693 |
| JPY | 156.33 | 140.66 |
| CNY | 7.8509 | 7.3582 |
| SDR | 0.822571 | 0.798913 |

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 2023, was derived from the exchange rate of the euro against the US dollar on 29 December 2023.

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 2023, mid-market prices on 29 December 2023 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.

| | 2023 |
|------------------------------|--------|
| 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 provision, 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. The difference between the spot and forward exchange rates is treated as an interest liability or receivable on an accrual basis for both purchases and sales.

Daily changes in the variation margin of open interest rate futures contracts are recorded in the Profit and Loss Account.

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 banknotes¹⁵. 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 key¹⁶.

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".

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 liabilities¹⁷ 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 year¹⁸ 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 period¹⁹ 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 sixth year after the cash changeover year when income on banknotes is

¹⁵ 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.

¹⁶ 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.

¹⁷ 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.

¹⁸ The year of changeover to the euro is the year when euro banknotes become the legal tender of a Member State.

¹⁹ 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.

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 profit²⁰. 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". 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 ECB²¹ resulting from all previous adjustments of the capital key, and contributions under article 48.2 of the Statute 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 TARGET²² and give rise to bilateral balances in the TARGET accounts of EU central banks. Payments made by the ECB and the NCBs also affect those accounts. All the settlements are aggregated automatically and adjusted so that they make up the position of each NCB relative to the ECB. Movements in the TARGET accounts are recorded each day in the accounting of the ECB and the NCBs. Intra-Eurosystem balances of euro area NCBs towards the ECB arising from TARGET, and other intra-Eurosystem balances denominated in euros such as interim profit distributions to NCBs 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)".

²⁰ 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).

²¹ 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.

²² The Trans-European Automated Real-time Gross Settlement Express Transfer system

NOTES ON THE BALANCE SHEET

ITEM 1 – GOLD AND GOLD RECEIVABLES

Changes in the value of Eesti Pank's gold reserves are as follows:

| | 31.12.2023 | 31.12.2022 |
|------------------------------------|---------------|---------------|
| Gold (ounces) | 8250.171 | 8250.171 |
| Ounce market value (EUR) | 1867.828 | 1706.075 |
| Revaluation (thousand EUR) | 8 222 | 6 888 |
| Market value (thousand EUR) | 15 410 | 14 075 |

The value in euros of the Eesti Pank gold reserves increased because the market price of gold in euros rose; see item 30 on the notes to the balance sheet "Revaluation accounts".

ITEM 2 – RECEIVABLES FROM THE IMF

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

| | 31.12.2023 | 31.12.2022 |
|-----------------------------|----------------|----------------|
| SDR account in the IMF | 361 162 | 371 048 |
| Reserve position in the IMF | 79 905 | 77 264 |
| Participation in the IMF | 296 469 | 305 135 |
| IMF No.1 account | -216 564 | -227 870 |
| PRGT and RST loans | 42 549 | 0 |
| Total | 483 616 | 448 313 |

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 25 "Counterpart of the Special Drawing Rights Allocated by the IMF").

At the end of 2021, Eesti Pank joined the voluntary trading agreement for SDRs. One transaction was made under this agreement in 2023 and the result was an increase of SDR 33 million in the SDR account.

Eesti Pank decided in 2023 to hold a part of the SDRs distributed to Estonia in 2021 in the IMF's Poverty Reduction and Growth Trust (PRGT) and in its new Resilience and Sustainability Trust (RST), which provides long-term financing to tackle structural macroeconomic challenges, primarily climate investment. The result was that the SDR account declined by SDR 35 million.

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 2023 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 2023 was due to payments in to the FTP of SDR 4 million; in 2022 SDR 2 million was paid in. 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 and securities funds and term deposits denominated in US dollars; and security investments denominated in United

States, Canadian and Australian dollars, and British pounds of non-euro area residents. The fair value of investments is based on the prices quoted in active markets.

| | <i>thousand euros</i> | |
|---------------------|-----------------------|-------------------|
| | 31.12.2023 | 31.12.2022 |
| Securities | 1 343 956 | 1 304 225 |
| Equity funds | 237 278 | 178 678 |
| Securities funds | 177 072 | 104 626 |
| Current accounts | 64 281 | 598 |
| Fixed-term deposits | 22 353 | 23 439 |
| Total | 1 844 940 | 1 611 567 |

| | <i>thousand euros</i> | |
|--------------|-----------------------|-------------------|
| | 31.12.2023 | 31.12.2022 |
| USD | 1 021 240 | 842 829 |
| AUD | 291 604 | 246 042 |
| CAD | 284 837 | 243 692 |
| GBP | 183 500 | 179 360 |
| JPY | 63 741 | 99 637 |
| NZD | 14 | 1 |
| CHF | 2 | 2 |
| SEK | 1 | 3 |
| NOK | 0 | 1 |
| Total | 1 844 940 | 1 611 567 |

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

Item 4 reflects reverse repo transactions and bank balances in foreign currency with credit institutions in the euro area.

| | <i>thousand euros</i> | |
|------------------|-----------------------|-------------------|
| | 31.12.2023 | 31.12.2022 |
| Reverse repos | 143 179 | 178 433 |
| Current accounts | 741 | 711 |
| Total | 143 920 | 179 144 |

| | <i>thousand euros</i> | |
|--------------|-----------------------|-------------------|
| | 31.12.2023 | 31.12.2022 |
| GBP | 143 237 | 178 489 |
| USD | 400 | 396 |
| CAD | 141 | 120 |
| AUD | 134 | 130 |
| JPY | 7 | 8 |
| Total | 143 920 | 179 144 |

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

As at 31 December 2023 this item reflected investment of EUR 267.7 million in bond funds; it was EUR 170 million in 2022.

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

As at 31 December 2023 the total Eurosystem holding of monetary policy assets amounted to EUR 410.3 billion, of which Eesti Pank held EUR 0 million of long-term refinancing transactions, having held EUR 150 million in

2022. 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 0.2794%.

Losses can only materialise if both the counterparty fails and the recovery of funds received from the resolution of the collateral provided by the counterparty is not sufficient. 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 series of seven quarterly targeted longer-term refinancing operations (TLTRO-III). In December 2020 it added a further three operations in this series, which were carried out in June-December 2021 and had a maturity of three years. For all TLTRO-III, starting 12 months after the settlement of each operation, participants have the option on a quarterly basis of terminating or reducing the amount of TLTRO-III concerned before maturity. Borrowing rates in these operations can be as low as 50 basis points below the average interest rate on the deposit facility over the period from 24 June 2020 to 23 June 2022, but in any case may not become less negative than -1%, and as low as the average interest rate on the deposit facility for the relevant period during the rest of the life of the same operation²³.

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

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

As at 31 December 2023 this item reflected the account balances in euros of euro area credit institutions of EUR 239,936; it was EUR 272,279 in 2022.

ITEM 8 – SECURITIES HELD FOR MONETARY POLICY PURPOSES

Item 8 reflects securities acquired by Eesti Pank within the scope of the third covered bonds purchase programme (CBPP3), the public sector asset purchase programme (PSPP), and the pandemic emergency purchase programme (PEPP).

| | Start date | End date | Decision | Universe of eligible securities ²⁴ |
|--|---------------|----------|------------------------|--|
| Asset purchase programme²⁵ | | | | |
| Third covered bond purchase programme | October 2014 | active | ECB/2020/8 as amended | Covered bonds of euro area residents |
| 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 | 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 |
| Pandemic emergency purchase programme | | | | |
| Pandemic emergency purchase programme | March 2020 | active | ECB/2020/17 as amended | All asset categories eligible under the APP |

Until the end of February 2023²⁶ the Eurosystem continued reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme (APP)²⁷. Subsequently, the APP portfolio declined at a measured and predictable pace. Until the end of June 2023, the decline amounted to EUR 15 billion per month on average as the Eurosystem did not reinvest all of the principal payments from maturing securities. In June 2023 the Governing Council decided²⁸ to discontinue the reinvestments under the APP as of July 2023. Thereafter, the APP portfolio was declining due to maturities.

²³ The Governing Council decided on 27 October 2022 that from 23 November 2022 and until the maturity date of each remaining TLTRO-III operation or until the early repayment date, the interest rate on the TLTRO-III would be indexed to the average applicable key ECB interest rates.

²⁴ Further eligibility criteria for the specific programmes can be found in the Governing Council's decisions.

²⁵ Reinvestments under the assets purchase programme were discontinued from July 2023.

²⁶ See press release of 15 December 2022 on the decisions of the Governing Council of the European Central Bank.

²⁷ Further information on the asset purchase programmes can be found on the ECB website

²⁸ See press release of 15 June 2023 on the decisions of the Governing Council of the European Central Bank.

As concerns the pandemic emergency purchase programme (PEPP)²⁹, the Eurosystem continued re-investing, in full, the principal payments from maturing securities purchased throughout the year. The Governing Council intends³⁰ to continue the reinvestment, in full, of the principal payments from maturing securities purchased under the PEPP during the first half of 2024. It also intends to reduce the PEPP portfolio by EUR 7.5 billion per month on average over the second half of 2024 and to discontinue reinvestments under the PEPP at the end of the same year. In addition, the Governing Council will continue applying flexibility in reinvesting redemptions coming due in the PEPP portfolio, with a view to countering risks to the monetary policy transmission mechanism related to the pandemic.

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 value³¹ of Eesti Pank’s securities, which are not recorded on the Balance Sheet or Profit and Loss Account and are presented only for the purposes of information, are:

thousand euros

| | 31.12.2023 | | 31.12.2022 | |
|---------------------------------------|----------------------------|------------------|----------------------------|------------------|
| | Amortised acquisition cost | Market value | Amortised acquisition cost | Market value |
| Public sector purchase programme | 6 137 188 | 5 549 220 | 6 770 252 | 5 908 923 |
| Pandemic emergency purchase programme | 3 921 283 | 3 442 332 | 3 869 090 | 3 201 128 |
| Third covered bond purchase programme | 398 372 | 385 959 | 348 439 | 324 233 |
| Total | 10 456 842 | 9 377 511 | 10 987 780 | 9 434 284 |

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 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. If an indication of impairment is observed, additional analysis is performed to confirm that the impairment has not affected the cash flow of the security.

Under Article 32.4 of the Statute of the ESCB, any losses from these purchase programmes, if they were to materialise, are shared in full by the Eurosystem central banks in proportion to the prevailing ECB capital key shares. As a result of the impairment test conducted on the corporate sector securities purchased under the PEPP, the Governing Council considered it appropriate to create a provision in 2023 against the credit risks of monetary policy operations (see item 29 “Provisions”).

ITEM 9 – PARTICIPATING INTEREST IN THE ECB

Item 9 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 covers the paid-up share in the subscribed capital of the ECB, the net amounts paid by Eesti Pank because of the increase in its share in the equity capital of the ECB resulting from all previous ECB capital key adjustments, and contributions under article 48.2 of the Statute of the ESCB.

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. Eesti Pank’s share of the ECB reserves, revaluation accounts and risk provisions stood at 70,452,404 euros at the end of the year.

Croatia started using the single European currency on 1 January 2023. Under Article 48.1 of the Statute of the ESCB, Hrvatska Narodna Banka paid the ECB the missing part of its subscribed capital on 1 January

²⁹ Further information on the pandemic emergency purchase programme can be found on the ECB website

³⁰ See press release of 14 December 2023 on the decisions of the Governing Council of the European Central Bank.

³¹ 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.

2023³². This reduced Eesti Pank's share in the capital key from 0.2817% to 0.2794%. Eesti Pank's share of the ECB capital stood at EUR 24,800,091 at the end of 2023.

ITEM 10 – CLAIMS EQUIVALENT TO THE TRANSFER OF FOREIGN RESERVES

Item 10 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 main refinancing operations, adjusted to reflect a zero return on the gold component.

ITEM 11 – NET CLAIMS RELATED TO THE ALLOCATION OF EURO BANKNOTES WITHIN THE EUROSYSTEM

Item 11 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)³³. 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 12 – OTHER CLAIMS WITHIN THE EUROSYSTEM (NET)

Item 12 reflects net claims arising from the difference between the monetary income pooled from and allocated to the Eurosystem central banks, and the TARGET account balance.

| | <i>thousand euros</i> | |
|------------------------------------|-----------------------|-------------------|
| | 31.12.2023 | 31.12.2022 |
| Monetary income reallocation | 287 460 | 0 |
| Other claims within the Eurosystem | 675 | 0 |
| TARGET | -212 385 | 0 |
| Total | 75 750 | 0 |

As at 31 December 2023 the item covers claims on the ECB in connection with the reallocation of monetary income from the difference between the amounts collected and allocated by the Eurosystem NCBs (see item 36 of the Profit and Loss account, "Net result of pooling of monetary income").

The item also reflects net liabilities to the Eurosystem that arise from transfers made through the TARGET payment system by the central banks of other euro area countries. The remuneration of the TARGET balance is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations.

At the end of 2022 the result of those balances was a net liability, which is recorded under item 26 "Other liabilities within the Eurosystem (net)".

³² Decision of the ECB of 30 December 2022 on the paying-up of capital, transfer of foreign reserve assets, and contributions by Hrvatska narodna banka to the European Central Bank's reserves and provisions (ECB/2022/51) (OJ L 17, 19.1 2023 pp. 94-98).

³³ 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 issued into circulation is recorded under "Intra-Eurosystem net claims/liabilities related to the allocation of euro banknotes within the Eurosystem".

ITEM 13 – TANGIBLE AND INTANGIBLE FIXED ASSETS

thousand euros

| Acquisition cost | Buildings | Hardware | Software | Other fixed assets | Motor vehicles | Total |
|-------------------------------------|---------------|--------------|--------------|--------------------|----------------|---------------|
| Balance at the end of 2022 | 28 993 | 3 741 | 5 989 | 6 074 | 10 | 44 807 |
| Acquisitions | 142 | 253 | 852 | 297 | 0 | 1 544 |
| Disposals | -396 | -173 | -987 | -46 | 0 | -1 602 |
| Movement between asset classes | -11 | 0 | 0 | 11 | 0 | 0 |
| Balance at the end of 2023 | 28 728 | 3 821 | 5 854 | 6 336 | 10 | 44 748 |
| Accumulated depreciation | | | | | | |
| Balance at the end of 2022 | 18 931 | 3 228 | 4 443 | 5 356 | 10 | 31 968 |
| Depreciation charge | 709 | 259 | 407 | 247 | 0 | 1 622 |
| Disposals | -284 | -173 | -987 | -46 | 0 | -1 490 |
| Balance at the end of 2023 | 19 356 | 3 314 | 3 863 | 5 557 | 10 | 32 100 |
| Carrying amount | | | | | | 0 |
| Balance at the end of 2022 | 10 062 | 513 | 1 546 | 718 | 0 | 12 839 |
| Balance at the end of 2023 | 9 372 | 507 | 1 991 | 779 | 0 | 12 649 |
| Prepayments for fixed assets | | | | | | |
| Balance at the end of 2022 | 137 | 0 | 1 027 | 0 | 0 | 1 165 |
| Balance at the end of 2023 | 301 | 14 | 866 | 0 | 0 | 1 182 |
| Total fixed assets | | | | | | |
| Balance at the end of 2022 | 10 199 | 513 | 2 574 | 718 | 0 | 14 004 |
| Balance at the end of 2023 | 9 673 | 521 | 2 857 | 779 | 0 | 13 830 |

The cost of fixed assets acquired in 2023 was EUR 1,543,918; in 2022 it was EUR 706,287. Under the buildings procurement, the land under Maardu Manor was purchased and rebuilding and conversion work started in the old banking hall at Estonia pst 13. Hardware procurement acquired additional recording and network equipment. The largest software procurements were for software for payment and settlement systems, and human resources and salary software. The major part of inventory acquisition was upgrades of banknote sorters, surveillance systems and audio-video equipment.

ITEM 14 – OTHER FINANCIAL ASSETS

Item 14 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 15 – OFF-BALANCE-SHEET INSTRUMENTS REVALUATION DIFFERENCES

Item 15 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 16 – ACCRUALS AND PREPAID EXPENSES

Item 16 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.

thousand euros

| | 31.12.2023 | 31.12.2022 |
|--|-------------------|-------------------|
| Interest claims | 85 471 | 68 044 |
| Securities | 42 177 | 42 093 |
| Derivative instruments | 25 904 | 18 376 |
| Intra-Eurosystem balances | 13 474 | 5 131 |
| IMF | 3 338 | 2 051 |
| Reverse repurchase transactions | 561 | 373 |
| Fixed-term deposits and current accounts | 10 | 19 |
| Loans | 7 | 1 |
| Prepaid expenses | 1 573 | 1 145 |
| Claims on Finantsinspektsioon | 1 258 | 1 126 |
| Other claims | 465 | 626 |
| Total | 88 767 | 70 941 |

ITEM 17 – SUNDRY ASSETS

thousand euros

| | 31.12.2023 | 31.12.2022 |
|----------------------------------|-------------------|-------------------|
| Foreign exchange transactions | 7 755 | 34 719 |
| Loans to employees of Eesti Pank | 1 438 | 2 197 |
| Other assets | 45 | 79 |
| Total | 9 239 | 36 995 |

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 2% to 4% in 2023; in 2022 it was -0.5% to 2%. 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%. From 1 July 2015, Eesti Pank ceased providing loans to employees.

The item reflects balances related to transactions in foreign currency outstanding at year-end (see Item 42 "Derivative instruments"). 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 (see "Off-balance-sheet instruments" in the notes on accounting policies).

ITEM 18 – BANKNOTES IN CIRCULATION

Item 18 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 11 "Net claims related to the allocation of euro banknotes within the Eurosystem".

thousand euros

| | 31.12.2023 | 31.12.2022 |
|-------------------------------|-------------------|-------------------|
| Euro banknotes | 3 169 004 | 3 066 621 |
| Adjustments of euro banknotes | 1 209 114 | 1 359 213 |
| ECB banknotes (8%) | -350 345 | -354 269 |
| Total | 4 027 773 | 4 071 565 |

ITEM 19 – CURRENT ACCOUNTS (COVERING THE MINIMUM RESERVE SYSTEM)

Item 19 reflects the current accounts of credit institutions with Eesti Pank except for those funds of credit institutions that are not freely disposable, which are covered separately under liability item 21 “Other liabilities to euro area credit institutions denominated in euro”. Banks’ minimum reserve balances until 20 December 2022 were remunerated at the latest available interest rate used by the Eurosystem in its tenders for main refinancing operations. From 21 December 2022 to 19 September 2023 these balances were remunerated at the Eurosystem’s deposit facility rate. On 27 July 2023 the Governing Council decided that from 20 September 2023 the remuneration would be 0%.

The reserve holdings exceeding the required minimum reserves are remunerated at zero per cent or the deposit facility rate, whichever is lower. Starting on 30 October 2019, the Governing Council introduced a two-tier system for reserve remuneration, which exempted part of credit institutions’ excess liquidity holdings (reserve holdings in excess of minimum reserve requirements) from negative remuneration at the rate applicable on the deposit facility. This part was remunerated at the annual rate of 0%. The volume of reserve holdings in excess of minimum reserve requirements that was exempt at year-end from the deposit facility rate – the exempt tier – was determined as a multiple of six on an institution’s minimum reserve requirements³⁴. The non-exempt tier of excess liquidity holdings continued to be remunerated at the lower of either 0% or the deposit facility rate. Following the raising of the deposit facility rate to above zero as of 14 September 2022, the Governing Council decided to suspend the two-tier system by setting the multiplier to zero as the two-tier system for the remuneration of excess reserves was no longer necessary.

The average balance on the current accounts of credit institutions was EUR 353,519,024 in 2023 (EUR 5,965,717,805 in 2022).

ITEM 20 – DEPOSIT FACILITY

Item 20 reflects overnight deposits placed by the banks that access the Eurosystem’s liquidity absorbing standing facility at the pre-specified rate. The deposit facility rate equals the ECB deposit interest rate, which was between 2% and 4% in 2023; in 2022 it was between -0.5% and 2%.

ITEM 21 – OTHER LIABILITIES TO EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

Item 21 records the funds of credit institutions that are not freely disposable.

ITEM 22 – LIABILITIES TO OTHER EURO AREA RESIDENTS DENOMINATED IN EURO

Item 22 reflects mainly the current accounts of the Ministry of Finance, Finantsinspektsioon and the Guarantee Fund held with Eesti Pank. Interest on those accounts was until 30 April 2023 calculated monthly from the daily balance of the current account using the €STR (euro short-term rate) interest rate. From 1 May 2023 the interest rate on those accounts was €STR-20bp.

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

Item 23 reflects the euro deposits of non-euro-area residents.

ITEM 24 – LIABILITIES TO EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

Item 24 reflects the US dollar denominated repo transactions of euro area residents.

ITEM 25 – COUNTERPART OF THE SPECIAL DRAWING RIGHTS ALLOCATED BY THE IMF

Item 25 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 61,965,241 SDRs. On 2 August 2021 the IMF decided to increase the SDR issues for all of its member states. The aim was to increase the liquidity of global reserves and support the current economic position of weaker countries. As a result, Estonia received SDR 233,479,644 (see Item 2 “Receivables from the IMF”).

³⁴ The Governing Council of the ECB could over time adjust this multiplier following changes in the level of excess liquidity held.

ITEM 26 – OTHER LIABILITIES WITHIN THE EUROSISTEM (NET)

Item 26 reflects net liabilities arising from the TARGET account balance and the difference arising from the monetary income pooled from and allocated to the Eurosystem central banks.

At the end of 2023 the result of those balances was a net claim, which is recorded under item 12 “Other claims within the Eurosystem (net)”.

| | <i>thousand euros</i> | |
|---|-----------------------|-------------------|
| | 31.12.2023 | 31.12.2022 |
| TARGET | 0 | 1 547 436 |
| Monetary income reallocation | 0 | -30 463 |
| Other liabilities within the Eurosystem (net) | 0 | -675 |
| Total | 0 | 1 516 299 |

ITEM 27 – ACCRUALS AND DEFERRED INCOME

| | <i>thousand euros</i> | |
|---------------------------------|-----------------------|-------------------|
| | 31.12.2023 | 31.12.2022 |
| Interest liabilities | 35 981 | 29 726 |
| Derivative instruments | 27 054 | 20 441 |
| TARGET | 3 361 | 3 141 |
| IMF | 2 496 | 1 698 |
| Monetary policy operations | 1 865 | 2 974 |
| Repurchase transactions | 718 | 610 |
| Deposits of credit institutions | 486 | 859 |
| Current accounts | 0 | 4 |
| Accounts payable | 1 905 | 1 353 |
| Tax liabilities | 1 456 | 1 135 |
| Vacation reserve | 793 | 733 |
| Employee salaries payable | 629 | 700 |
| Other liabilities | 878 | 979 |
| Total | 41 643 | 34 626 |

Item 27 reflects accrued interest on financial instruments, most of which are interest liabilities from derivative transactions. The item also reflects 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 28 – SUNDRY LIABILITIES

| | <i>thousand euros</i> | |
|--|-----------------------|-------------------|
| | 31.12.2023 | 31.12.2022 |
| Euro coins | 84 066 | 79 740 |
| Credits related to margin calls | 2 349 | 13 812 |
| Forward transactions in foreign currency | 23 | 174 |
| Other liabilities | 14 | 13 |
| Total | 86 452 | 93 739 |

Item 28 mainly reflects euro coins issued.

The item reflects balances related to forward transactions in foreign currency outstanding at year-end (see Item 42 “Derivative instruments”). 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 (see "Off-balance-sheet instruments" in the notes on accounting policies).

ITEM 29 – PROVISIONS

| | <i>thousand euros</i> | |
|---|-----------------------|-------------------|
| | 31.12.2023 | 31.12.2022 |
| Provision for financial risks | 90 829 | 3 584 |
| Exchange liability for Estonian kroons | 2 751 | 27 674 |
| Write-downs of securities held for monetary policy purposes | 120 | 0 |
| Total | 93 700 | 31 258 |

Item 29 reflects the risk provision for financial risks, the provision to cover the exchange liability for the kroon, and the provision for the impairment of securities held for monetary policy purposes.

The aim of the risk provision is to cover the financial risks of monetary policy operations and investment assets with a provision. 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. The risk provision is measured from various risk assessments using Value at Risk, Expected Shortfall and other measures. As at 31 December 2022, the general provision stood at 3.6 million euros. The Executive Board considered that the risk provision needs to be not only restored to its previous level but increased further. The recovery of the provision to beyond its previous level is justified because of various risk assessments. The bank increased the risk provision by EUR 87.2 million in 2023 (see item 33 "Net result of financial operations, write-downs and risk provisions" in the notes on the Profit and Loss account). As at 31 December 2023 the provision for financial risks had increased to EUR 90.8 million.

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 exchange 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 2023 by EUR 165,516 through the return of kroons; in 2022 it was reduced by EUR 235,892. In the seven years since the provision was set up in 2016, EUR 2.1 million of Estonian kroons have been returned, or 7% of the provision. The amounts of Estonian kroons exchanged are small and have been getting smaller each year. Following the forecast for the use of the provision the Executive Board decided to reduce the provision for exchanging Estonian kroons by 90% on 31 December 2023 and to transfer EUR 24.8 million to income (see item 37 "Other income and expenses" in the notes on the Profit and Loss account). The result was that the provision for the liability to exchange Estonian kroons for euros was reduced to EUR 2.8 million. 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.

As a result of the impairment test conducted on the securities purchased under the PEPP, the Governing Council of the ECB considered it appropriate to create a provision of EUR 42.9 million in 2023 against the credit risks of monetary policy operations. Under Article 32.4 of the Statute of the ESCB the provision is funded by all the national central banks of participating Member States in proportion to their subscribed capital key shares in the ECB prevailing in 2023. The result was that a provision of EUR 119,926 was set up, which was 0.27943% of the total provision (see item 36 "Net result of pooling of monetary income" in the notes on the Profit and Loss account).

ITEM 30 – REVALUATION ACCOUNTS

thousand euros

| | 31.12.2023 | 31.12.2022 |
|------------------|---------------|---------------|
| Equity funds | 60 182 | 578 |
| Securities | 11 190 | 30 |
| Gold | 8 222 | 6 888 |
| Securities funds | 2 903 | 0 |
| Foreign currency | 171 | 12 728 |
| Total | 82 668 | 20 224 |

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 under “Write-downs on financial assets”.

ITEM 31 – CAPITAL AND RESERVES

There were no changes in capital and reserves in 2023.

thousand euros

| | 31.12.2023 | 31.12.2022 |
|-------------------------|----------------|----------------|
| Fixed capital | 100 000 | 100 000 |
| Reserve capital | 171 445 | 171 445 |
| Special purpose reserve | 214 314 | 214 314 |
| Total | 485 759 | 485 759 |

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 Riigikogu³⁵. The amount set by the Riigikogu in the statutory capital is given in the Eesti Pank Act as EUR 100 million³⁶. 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 capital³⁷. 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. Net profit in 2022 was 0 and so there was no allocation of profit.

35 Eesti Pank Act § 30 (2)

36 Eesti Pank Act § 25 (2)

37 Eesti Pank Act § 30 (3)

NOTES ON THE PROFIT AND LOSS ACCOUNT

ITEM 32 – NET INTEREST INCOME

| | <i>thousand euros</i> | |
|----------------------------------|-----------------------|-----------------|
| | 2023 | 2022 |
| Net interest income | -204 847 | 794 |
| Interest income | 355 071 | 303 106 |
| Derivative instruments | 192 814 | 207 603 |
| Intra-Eurosystem balances | 76 946 | 37 040 |
| Securities | 59 109 | 46 495 |
| IMF | 14 726 | 4 430 |
| Reverse repurchase transactions | 9 100 | 2 407 |
| Fixed-term deposits | 1 184 | 446 |
| Securities lending | 412 | 325 |
| Current accounts | 110 | 39 |
| Loans to employees of Eesti Pank | 79 | 5 |
| Securities funds | 0 | 2 384 |
| Deposits | 0 | 1 887 |
| Other interest income | 590 | 46 |
| Interest expenses | -559 918 | -302 312 |
| Intra-Eurosystem balances | -311 805 | -52 549 |
| Derivative instruments | -208 239 | -224 837 |
| Repurchase transactions | -14 667 | -5 951 |
| IMF | -13 901 | -4 567 |
| Deposits | -8 755 | -2 100 |
| Securities | -2 285 | -12 221 |
| Current accounts | -51 | -29 |
| Other interest expenses | -215 | -59 |

| | <i>thousand euros</i> | |
|---|-----------------------|----------------|
| | 2023 | 2022 |
| Intra-Eurosystem interest income | 76 946 | 37 040 |
| Securities held for monetary policy purposes | 36 406 | 10 279 |
| Allocation of banknotes within the Eurosystem | 34 636 | 5 933 |
| Transfer of foreign currency reserves | 3 729 | 567 |
| Monetary policy operations | 2 112 | 20 261 |
| Other | 63 | 0 |
| Intra-Eurosystem interest expense | -311 805 | -52 549 |
| Monetary policy operations | -246 398 | -38 299 |
| TARGET | -65 407 | -14 250 |

ITEM 33 – NET RESULT OF FINANCIAL OPERATIONS, WRITE-DOWNS AND RISK PROVISIONS

| | <i>thousand euros</i> | |
|--|-----------------------|----------------|
| | 2023 | 2022 |
| Net result of financial operations, write-downs and risk provisions | -96 654 | -13 883 |
| Realised gain arising from financial operations | -2 496 | -13 908 |

| | <i>thousand euros</i> | |
|--|-----------------------|----------------|
| | 2023 | 2022 |
| Securities | -6 850 | -44 333 |
| Financial asset management costs | -158 | -26 |
| Securities funds | 0 | -478 |
| Equity funds | 2 536 | 25 199 |
| Exchange rate income/expenses | 1 903 | 5 263 |
| Derivative instruments | 72 | 467 |
| Write-downs on financial assets | -6 912 | -99 991 |
| Unrealised losses from securities | -3 701 | -67 676 |
| Unrealised losses from exchange rates | -3 253 | -744 |
| Net change of loan portfolio write-downs | 41 | 4 |
| Unrealised losses from securities funds | 0 | -23 291 |
| Unrealised losses from equity funds | 0 | -8 285 |
| Transfer to/from provisions for financial risks | -87 245 | 100 016 |

ITEM 34 – NET INCOME FROM FEES AND COMMISSIONS

| | <i>thousand euros</i> | |
|---|-----------------------|-------------|
| | 2023 | 2022 |
| Net income from fees and commissions | 303 | 584 |
| Fees and commissions income | 393 | 643 |
| Current accounts service fees | 374 | 633 |
| Fines, arrears and other | 18 | 10 |
| Fees and commissions expenses | -90 | -59 |
| Commission fees | -86 | -54 |
| Other fees and commissions | -3 | -5 |

ITEM 35 – INCOME FROM EQUITY SHARES AND PARTICIPATING INTERESTS

| | <i>thousand euros</i> | |
|--|-----------------------|--------------|
| | 2023 | 2022 |
| Income from equity shares and participating interests | 12 837 | 4 553 |
| Dividends from equity and securities funds | 9 827 | 3 468 |
| Dividends from participation in the IMF | 2 936 | 893 |
| Dividends from the Bank for International Settlements | 74 | 74 |
| Allocation of ECB profit | 0 | 118 |

The item mainly reflects dividend income from equity and securities funds.

ITEM 36 – NET RESULT OF POOLING OF MONETARY INCOME

| | <i>thousand euros</i> | |
|---|-----------------------|---------------|
| | 2023 | 2022 |
| Net result of pooling of monetary income | 287 340 | 30 463 |
| Monetary income reallocation | 287 484 | 30 340 |
| Monetary income pooled by Eesti Pank | 173 589 | 10 238 |
| Monetary income allocated to Eesti Pank | 113 895 | 20 102 |
| Adjustment for the monetary income of previous years | -23 | 122 |
| Write-downs of securities held for monetary policy purposes | -120 | 0 |

The net result of pooling of monetary income from the Eurosystem central banks in 2023 totalled EUR 40.8 billion, 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 -173.6 million and that reallocated to Eesti Pank of EUR 113.9 million is the net result EUR 287.5 million in monetary income. The monetary income pooled by Eesti Pank consists of intra-Eurosystem interest revenues and expenses, which are recorded under item 32 "Net interest income". The monetary income has been allocated to Eesti Pank in proportion to its paid up share of the ECB capital key. Eesti Pank's share in the capital key is 0.2794%.

The item also covers Eesti Pank's share of EUR 119,926 of the provision against credit risks in monetary policy operations (see Item 29 "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 euro; securities held for monetary policy purposes; claims equivalent to the transfer of foreign reserve assets to the ECB; net intra-Eurosystem claims resulting from TARGET 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 euro; net intra-Eurosystem liabilities resulting from TARGET 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 basis is to be deducted from the monetary income to be pooled.

The monetary income of each national central bank is found by measuring the actual income from the assets earmarked in the accounts. Gold is considered to generate no income, and the following are considered to generate income at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations: i) securities held for monetary policy purposes under Decision ECB/2009/16 of 2 July 2009 on the implementation of the covered bonds purchase programme; ii) securities held for monetary policy purposes under Decision ECB/2011/17 of 3 November 2011 on the implementation of the second covered bond purchase programme; and iii) debt instruments issued by central, regional or local governments and recognised agencies and substitute debt instruments issued by public non-financial corporations under Decision ECB/2020/9 of 3 February 2020 on the implementation of a secondary markets public sector asset purchase programme or Decision ECB/2020/17 of 24 March 2020 on a temporary pandemic emergency purchase programme.

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 37 – OTHER INCOME AND EXPENSES

| | <i>thousand euros</i> | |
|---|-----------------------|--------------|
| | 2023 | 2022 |
| Other income and expenses | 26 660 | 2 471 |
| Exchange liability for Estonian kroons | 24 760 | 0 |
| Expenses reimbursed by Finantsinspektsioon | 1 106 | 1 078 |
| Income from the sale of collector coins and numismatic products | 575 | 1 082 |
| Income on financial asset management | 210 | 114 |
| Exchange liability for euro collector coins | 108 | 100 |

| | <i>thousand euros</i> | |
|--|-----------------------|-------------|
| | 2023 | 2022 |
| Rental income | 8 | 9 |
| Income from sales of assets | 2 | 31 |
| Other income | 17 | 37 |
| Income from earlier periods | 0 | 19 |
| Expense from write-downs on fixed assets | -126 | 0 |

Other income reflects income from the reduction in the provision for exchanging Estonian kroons (see Item 29 "Provisions").

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".

ITEM 38 – STAFF COSTS

| | <i>thousand euros</i> | |
|----------------------------|-----------------------|----------------|
| | 2023 | 2022 |
| Staff costs | -13 996 | -12 346 |
| Salaries | -10 057 | -8 975 |
| Social tax | -3 450 | -3 034 |
| Compensations and benefits | -411 | -269 |
| Unemployment insurance tax | -78 | -68 |

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

On average, there were 229.5 full-time equivalent employees at Eesti Pank in 2023, and 229.5 in 2022.

ITEM 39 – ADMINISTRATIVE EXPENSES

| | <i>thousand euros</i> | |
|---------------------------------------|-----------------------|---------------|
| | 2023 | 2022 |
| Administrative expenses | -7 816 | -7 292 |
| Information technology maintenance | -2 978 | -2 648 |
| Real estate renovation and management | -1 675 | -1 853 |
| Financial asset management | -1 358 | -1 310 |
| Public relations and publications | -400 | -367 |
| Business travel | -348 | -249 |
| Economic research | -220 | -161 |
| Training | -210 | -153 |
| Office | -176 | -169 |
| Communications and transport | -59 | -57 |
| Legal expertise and arbitration | -41 | -35 |
| Other administrative expenses | -353 | -290 |

The overall rise in administrative expenses in 2023 came mainly from an increase in administrative expenses for information and communications technology. 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 purchasing market information, and fees for cross-border payments.

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 number of meetings held in physical form increased in 2023 after the end of the pandemic. There were a total of 408 business trips in 2023; there were 309 in 2022.

ITEM 40 – BANKNOTE PRODUCTION SERVICE

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 eight other euro area central banks. Production of the second series of 50-euro banknotes for the Eurosystem was paid for.

ITEM 41 – OTHER OPERATING EXPENSES

| | <i>thousand euros</i> | |
|---|-----------------------|---------------|
| | 2023 | 2022 |
| Other operating expenses | -1 766 | -2 629 |
| Production of collector coins and numismatic products | -1 184 | -1 002 |
| Production of coins | -221 | -1 233 |
| Cash circulation management | -91 | -100 |
| Other expenditure | -270 | -295 |

ITEM 42 – DERIVATIVE INSTRUMENTS

| | <i>thousand euros</i> | |
|---|-----------------------|-------------------|
| | 31.12.2023 | 31.12.2022 |
| Foreign exchange swap and forward transactions | | |
| Purchase | 1 488 357 | 7 401 |
| Sale | -1 487 684 | -7 448 |
| Value of interest rate future contracts | | |
| Purchase | 3 620 | 0 |
| Sale | -2 262 | -3 375 |

ITEM 43 – 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 658,877 at the end of 2023 and EUR 682,598 at the end of 2022 (see Item 14 “Other financial assets”).

Production of banknotes

At the end of 2023, the contractual liabilities of Eesti Pank for printing banknotes and minting coins in 2024 amounted to EUR 657,000.

ITEM 44 – IMPORTANT POST-BALANCE-SHEET EVENTS

Following the five-yearly adjustment of the capital key under Article 29 of the Statute of the ESCB, the capital key subscriptions of the national central banks changed on 1 January 2024. The Eesti Pank share in the ECB’s subscribed capital increased on 1 January 2024 from 0.2291% to 0.2437%, and so the participating interest in the ECB increased from EUR 95,252,495 to EUR 96,832,946. The Eesti Pank claim arising from the transfer of foreign reserves to the ECB also increased, from EUR 113,647,559 to 120,890,048.