APPROVAL OF THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 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 2013.

The Annual Accounts 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[1]. The parts of the Annual Accounts that are not regulated by ECB guidelines have been drawn up in accordance with the accounting principles 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 21 March 2014, all the members of the Executive Board of Eesti Pank on that day signed the Annual Accounts.

Ardo Hansson	Governor of Eesti Pank, Chairman of the Executive Board	
Ülo Kaasik	Deputy Governor of Eesti Pank Member of the Executive Board	
Madis Müller	Deputy Governor of Eesti Pank Member of the Executive Board	

1 ECB Guideline of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast) (ECB/2010/20); ECB Guideline of 21 December 2011 (ECB/2011/27) and ECB Guideline of 10 December 2012 (ECB/2012/29), amending Guideline ECB/2010/20 on the legal framework for accounting and financial reporting in the European System of Central Banks.

BALANCE SHEET AS AT 31 DECEMBER 2013 AND 2012

thousand euros

	Item	31/12/2013	31/12/2012
ASSETS			
Gold and gold receivables	**1**	7,188	10,405
Claims on non-euro area residents denominated in foreign currency		219,650	215,561
Receivables from the IMF	**2**	84,115	81,846
Balances with banks, security investments and other external assets	**3**	135,535	133,715
Claims on euro area residents denominated in foreign currency	**4**	40,184	21,144
Claims on non-euro area residents denominated in euros	**5**	2,251	2,714
Lending to euro area credit institutions related to monetary policy operations denominated in euros	**6**	5,000	13,900
Other claims on euro area credit institutions denominated in euros	**7**	10,841	9,845
Securities of euro area residents denominated in euros		496,626	564,723
Securities held for monetary policy purposes	**8**	306,003	373,251
Other securities	**9**	190,623	191,472
Intra-Eurosystem claims		3,451,361	3,398,491
Participating interest in the European Central Bank	**10**	82,921	82,895
Claims equivalent to the transfer of foreign reserves	**11**	103,153	103,116
Net claims related to the allocation of euro banknotes within the Eurosystem	**12**	1,412,993	1,446,009
Other claims within the Eurosystem (net)	**13**	1,852,294	1,766,471
Other assets		41,019	44,941
Tangible fixed assets	**14**	20,161	22,421
Other financial assets	**15**	217	217
Off-balance-sheet instruments revaluation differences	**16**	959	927
Accruals and prepaid expenses	**17**	11,612	12,639
Sundry	**18**	8,070	8,737
TOTAL ASSETS		4,274,120	4,281,724

The notes on pages 6–31 form an integral part of the Annual Accounts.

thousand euros

	Item	31/12/2013	31/12/2012
LIABILITIES			
Banknotes in circulation	**19**	2,251,816	2,149,154
Liabilities to euro area credit institutions related to monetary policy operations denominated in euros		1,417,059	1,527,860
Current accounts (including cover for the minimum reserve system)	**20**	492,059	517,860
Deposit facility	**21**	455,000	0
Fixed-term deposits	**22**	470,000	1,010,000
Liabilities to other euro area residents denominated in euros	**23**	11,863	9,737
Liabilities to non-euro area residents denominated in euros	**24**	15	15
Liabilities to non-euro area residents denominated in foreign currency	**25**	0	18,950
Counterpart of the special drawing rights allocated by the IMF	**26**	69,296	72,232
Other liabilities		88,605	86,153
Off-balance-sheet instruments revaluation differences	**16**	140	369
Accruals and income collected in advance	**27**	2,991	3,073
Sundry	**28**	85,474	82,711
Provisions	**29**	18,300	11,500
Revaluation accounts	**30**	9,766	13,679
Capital and reserves	**31**	383,917	358,337
Capital		172,817	147,237
Reserves		211,100	211,100
Profit for the year		23,483	34,107
TOTAL LIABILITIES		**4,274,120**	**4,281,724**

The notes on pages 6–31 form an integral part of the Annual Accounts.

2013 PROFIT AND LOSS ACCOUNT FOR 2013 AND 2012

thousand euros

	Item	2013	2012
Interest income		40,718	38,929
Interest expense		-11,758	-9,188
Net interest income	**32**	**28,960**	**29,741**
Realised gain arising from financial operations		2,335	4,937
Write-downs on financial assets		-2,727	-1,244
Provisions for foreign exchange rate, interest rate and credit risks		-6,800	-11,500
Net result of financial operations, write-downs and risk provisions	**33**	**-7,192**	**-7,807**
Fees and commissions income		900	899
Fees and commissions expenses		-141	-106
Net income from fees and commissions	**34**	**759**	**793**
Income from equity shares and participating interests	**35**	**5,176**	**1,884**
Net result of pooling of monetary income	**36**	**12,362**	**24,402**
Other income	**37**	951	1,336
Other expenses	**38**	-115	0
Other income and expenses		**836**	**1,336**
Total net income		**40,901**	**50,349**
Staff costs	**39**	-7,845	-7,859
Administrative expenses	**40**	-4,940	-5,160
Depreciation of tangible fixed assets	**14**	-2,281	-2,258
Banknote production services	**41**	-1,794	0
Other operating expenses	**42**	-558	-965
Operating expenses		**-17,418**	**-16,242**
Profit for the year		**23,483**	**34,107**

The notes on pages 6–31 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 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[2]. The parts of the Annual Accounts that are not regulated by ECB guidelines have been drawn up in accordance with the accounting principles 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 included 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 the 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

2 ECB Guideline of 11 November 2010 on the legal framework for accounting and financial reporting in the European System of Central Banks (recast) (ECB/2010/20); ECB Guideline of 21 December 2011 (ECB/2011/27) and ECB Guideline of 10 December 2012 (ECB/2012/29), amending Guideline ECB/2010/20 on the legal framework for accounting and financial reporting in the European System of Central Banks.

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 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 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 receivables also affect the foreign currency position on a daily basis.

Assets and liabilities denominated in foreign currencies are converted to euros at the exchange rate prevailing on the balance sheet date. Income and expenses are converted at the exchange rate prevailing on the recording 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 four major currencies (the US dollar, the euro, the Japanese yen and the British pound sterling) converted into euro as at 31 December 2013.

The exchange rates applied on 31 December 2013 and 2012 were as follows:

	31/12/2013	31/12/2012
USD	1.3791	1.3194
GBP	0.8337	0.8161
JPY	144.72	113.61
SDR	0.8942	0.8579

Gold

Gold is valued at the market price prevailing at the year-end. 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 euro per fine ounce of gold, which, for the year ending 31 December 2013, was derived from the exchange rate of the euro against the US dollar on 31 December 2013.

Securities

Marketable securities (other than those classified as held-to-maturity) and similar assets are valued either at the mid-market prices or on the basis of the yield curve prevailing on the balance sheet date, on a security-by-security basis. For the year ending 31 December 2013, mid-market prices on 31 December 2013 were used.

Securities held for monetary policy purposes, which are classified as held-to-maturity securities, are valued at amortised cost subject to a Eurosystem impairment framework.

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 taken to the Profit and Loss Account. Such realised gains and losses are calculated by reference to the average cost of the asset.

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 over the remaining life of the securities on a straight-line basis.

Reverse transactions

Repurchase transactions (sale/repurchase transactions) are recorded as collateralised loans taken at their fair value, i.e. securities are recorded as assets on the Balance Sheet and the repurchase sum as a liability. Interest payable is recorded on an accrual basis on the Balance Sheet under “Accruals and income collected in advance”.

Reverse repurchase transactions (purchase/resale transactions) are recorded as collateralised loans granted. Interest receivable is recorded on an accrual basis on the Balance Sheet under "Accruals and prepaid expenses" and interest income in the Profit and Loss Account. 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. 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 3200 euros. 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

	2013
Land and buildings	3%
Utility systems of buildings	10%
Hardware	20%
Software	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 asset are 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. Other maintenance and repair costs are recognised as expenses at the time they are incurred.

Provisions for foreign exchange rate, interest risk, credit risk and gold price risk

Given the nature of the operations of a central bank, Eesti Pank may set up provisions on the balance sheet for foreign exchange rate risk, interest rate risk, gold price risk and credit risks. The management of the bank decides on the size and use of the provisions, using a reasonable estimate of the bank's exposure.

Claims and liabilities to the Financial Supervision Authority

The Balance Sheet of Eesti Pank contains a claim on the Financial Supervision Authority in relation to services provided by Eesti Pank and acquisition of current assets, and a liability to the Financial Supervision Authority 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 forward transactions in securities 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[3]. 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[4].

3 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.

4 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 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. The share of banknotes allocated to each Eurosystem central bank is disclosed under the balance sheet 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 liabilities, which bear interest[5], 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[6] until five years following the cash changeover year 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 central banks in the Eurosystem. The adjustments are effected by taking into account the differences between the average value of banknotes in circulation of each Eurosystem central bank in the reference period[7] 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 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".

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) shall be due in full to the Eurosystem central banks in the same financial year it accrues. The European Central Bank distributes this income in January of the following year in the form of an interim distribution of profit[8]. The ECB's income on euro banknotes in circulation may be reduced in accordance with any decision by the Governing Council to charge costs incurred by the ECB in connection with the issue and handling of euro banknotes. Before the end of the year the Governing Council decides whether all or part of the ECB's income arising from SMP securities and, if necessary, all or part of the ECB's income on euro banknotes in circulation should be retained to the extent necessary to ensure that the amount of the distributed income does not exceed the ECB's net profit for that year.

The Governing Council may also decide to transfer all or part of the ECB's income arising from securities

5 Decision of the ECB of 25 November 2010 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (recast)(ECB/2010/23), OJ L 35, 9.2.2011, p. 17.

6 Cash changeover year refers to the year in which the euro banknotes are introduced as legal tender of a Member State.

7 The reference period is the 24 months that start 30 months before the day on which euro banknotes become legal tender in the Member State. For Eesti Pank this was from July 2008 to June 2010.

8 Decision ECB/2010/24 of 25 November of 2010 on the interim distribution of the income of the European Central Bank on euro banknotes in circulation and arising from securities purchased under the Securities Market Programme (recast), OJ L 6, 11.1.2011, p 35.

purchased under the Securities Market Programme and if necessary all or part of the ECB's income on euro banknotes in circulation to a provision for foreign exchange rate, interest rate, credit and gold price risks. 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 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 that are settled in central bank money in euros. The intra-ESCB transactions are settled primarily in TARGET2 – the Trans-European Automated Real-time Gross Settlement Express Transfer system and give rise to bilateral balances in the TARGET2 accounts of EU central banks. These bilateral balances are assigned to the ECB on a daily basis, leaving each NCB with only a single 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 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)”.

NOTES ON THE BALANCE SHEET

ITEM 1 – GOLD AND GOLD RECEIVABLES

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

	31/12/2013	31/12/2012
Gold (ounces)	8,250.171	8,250.171
Ounce market value (euros)	871.22	1,261.18
Revaluation (thousand euros)	0	366
Market value (thousand euros)	7,188	10,405

ITEM 2 – RECEIVABLES FROM THE IMF

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

thousand euros

	31/12/2013	31/12/2012
SDR account in the IMF	69,374	72,308
Reserve position in the IMF	14,741	9,538
Participation in the IMF	104,929	109,471
IMF securities account and IMF No.1 account (liabilities)	-90,188	-99,933
Total	**84,115**	**81,846**

The SDR account in the IMF

An SDR account is generated for each IMF member state for conducting loan transactions and various other operations.

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 2013 the quota of the Republic of Estonia was 93,900,000 SDRs.

The reserve position in the IMF comprises the net amount of the quota and the IMF No.1 account. The increase in the reserve position in 2013 was due to Estonia's participation in the IMF's Financial Transactions Plan (FTP) of 5,000,000 SDRs. 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 and security investments denominated in US and Australian dollars of non-euro area residents. In 2013, Eesti Pank's foreign reserves were invested mainly in the low-risk government bonds of the United States.

thousand euros

	31/12/2013	31/12/2012
Securities	119,891	100,718
Fixed-term deposits	9,354	6,139
Reverse repurchase transactions	4,713	21,844
Current accounts	1,577	5,014
Total	**135,535**	**133,715**

thousand euros

	31/12/2013	31/12/2012
USD	111,502	133,030
AUD	23,247	108
GBP	420	196
CAD	142	269
JPY	141	38
SEK	53	44
NZD	18	18
CHF	8	7
NOK	2	3
DKK	2	2
Total	**135,535**	**133,715**

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 equities denominated in US dollars of euro area residents.

thousand euros

	31/12/2013	31/12/2012
Equities	35,578	15,347
Current accounts	4,606	5,797
Total	**40,184**	**21,144**

thousand euros

	31/12/2013	31/12/2012
USD	37,441	18,843
GBP	1,100	1,591
CAD	750	7
AUD	502	283
SEK	247	194
JPY	92	217
NOK	32	0
NZD	12	1
CHF	8	8
Total	**40,184**	**21,144**

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

Item 5 reflects bank balances in euros with credit institutions outside the euro area and security investments denominated in euros of non-euro area residents.

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 752,288 million euros, of which Eesti Pank holds 5 million euros of long-term refinancing transactions. Under Article 32.4 of the Statute of the ESCB, any risks 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 as at 30 June 2013 was 0.25582% and from 1 July 2013 it was 0.2559%.

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. It should be noted that risk sharing has been excluded by the Governing Council of the ECB for specific collateral which can be accepted by NCBs at their own discretion.

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

Item 7 reflects the balances with banks of euro area credit institutions denominated in euros.

ITEM 8 – SECURITIES HELD FOR MONETARY POLICY PURPOSES

Item 8 reflects securities acquired by Eesti Pank within the scope of the purchase programmes for covered bonds,[9] and public debt securities acquired in the scope of the Securities Market Programme (SMP).[10]

9 Decision ECB/2009/16 of 2 July 2009 on the implementation of the covered bond purchase programme (OJ L 175, 4.7.2009, p 18) and Decision ECB/2011/17 of 3 November 2011 on the implementation of the second covered bond purchase programme (OJ L 297, 16.11.2011, p 70).

10 Decision ECB/2010/5 of 14 May 2010 establishing a securities markets programme (OJ L 124, 20.05.2010, p 8).

thousand euros

	31/12/2013	31/12/2012
SMP	274,086	340,996
CBPP2	31,917	32,255
Total	**306,003**	**373,251**

Under the second covered bonds purchase programme (CBPP2) launched in October 2011, the ECB and the NCBs of the euro area purchased covered bonds issued in the euro area in euros in order to easethe financing conditions for credit institutions and companies to encourage credit institutions to maintain and expand lending to customers. The CBPP2 ended on 31 October 2012.

Under the SMP initiated in May 2010, the ECB and NCBs were able to buy euro area public and private debt securities in order to mitigate the malfunctioning of certain segments of the euro area debt securities markets and to restore the proper functioning of the monetary policy transmission mechanism. The reduction in this item in 2013 was due to redemptions. On 6 September 2012 the Governing Council of the ECB decided to terminate the SMP.[11]

The ECB Governing Council assesses the financial risks associated with the securities held under the SMP and the two covered bond purchase programmes on a regular basis.

The total Eurosystem central banks holding of SMP securities amounts to 178,836 million euros, of which Eesti Pank holds 274 million euros. Under Article 32.4 of the Statute of the ESCB, any risks from holdings of SMP securities, if they were to materialise, are shared in full by the Eurosystem central banks in proportion to the prevailing ECB capital key shares.

Securities purchased under the Securities Market Programme and the covered bond purchase programmes are classified as held-to-maturity securities and are valued on an amortised cost basis subject to impairment (see “Securities” in the notes on the accounting policies). Annual impairment tests are conducted on the basis of information available and estimated recoverable amounts as at the year-end.

In the SMP impairment test at the end of 2013, the Governing Council of the ECB identified three impairment indicators which occurred in the course of 2013. The first was breach of contract in the repayment of interest or principal, the second was the partial restructuring of the Irish government bonds in February, and the third was a breach of the terms of the financial assistance given by the EU or the IMF to countries that had issued bonds. The ECB Governing Council considered these indicators and found from the information available at the end of 2013 that there was no evidence of changes in the estimated future cash flows. For this reason no impairment losses were recorded at the end of the year. Furthermore, no impairment losses were recorded for the other securities purchased under the SMP and the two covered bond purchase programmes.

ITEM 9 – OTHER SECURITIES

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

11 See the ECB press release of 6 September 2012 for the technical details of the monetary policy transactions.

ITEM 10 – PARTICIPATING INTEREST IN THE ECB

Item 10 reflects the participating interest of Eesti Pank in the European Central Bank (ECB). Article 28 of the Statute of the European System of Central Banks (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 29.3 of the ESCB Statute, and which is adjusted every five years. When Croatia joined the European Union on 1 July 2013 and the Croatian central bank joined the ESCB, the capital key was adjusted as shown in the following table.

	Capital key subscriptions from 1 January 2009	Capital key subscriptions from 1 July 2013
	%	%
Nationale Bank van België / Banque Nationale de Belgique	2.4256	2.4176
Deutsche Bundesbank	18.9373	18.7603
Eesti Pank	0.1790	0.1780
Central Bank of Ireland	1.1107	1.1111
Bank of Greece	1.9649	1.9483
Banco de España	8.3040	8.2533
Banque de France	14.2212	14.1342
Banca d'Italia	12.4966	12.4570
Central Bank of Cyprus	0.1369	0.1333
Banque centrale du Luxembourg	0.1747	0.1739
Central Bank of Malta	0.0632	0.0635
De Nederlandsche Bank	3.9882	3.9663
Oesterreichische Nationalbank	1.9417	1.9370
Banco de Portugal	1.7504	1.7636
Banka Slovenije	0.3288	0.3270
Národná banka Slovenska	0.6934	0.6881
Suomen Pankki – Finlands Bank	1.2539	1.2456
Българска народна банка (Bulgarian National Bank)	0.8686	0.8644
Česká národní banka	1.4472	1.4539
Danmarks Nationalbank	1.4835	1.4754
Hrvatska narodna banka		0.5945
Latvijas Banka	0.2837	0.2742
Lietuvos bankas	0.4256	0.4093
Magyar Nemzeti Bank	1.3856	1.3740
Narodowy Bank Polski	4.8954	4.8581
Banca Națională a României	2.4645	2.4449
Sveriges Riksbank	2.2582	2.2612
Bank of England	14.5172	14.4320
Total	**100.0000**	**100.0000**

The subscribed and paid up capital contributions of the national central banks are as follows:

	Subscribed capital from 29 December 2010	Paid-in capital until 30 June 2013	Subscribed capital from 1 July 2013	Paid-in capital from 1 July 2013
	€	€	€	€
Nationale Bank van België / Banque Nationale de Belgique	261,010,385	261,010,385	261,705,371	261,705,371
Deutsche Bundesbank	2,037,777,027	2,037,777,027	2,030,803,801	2,030,803,801
Eesti Pank	19,261,568	19,261,568	19,268,513	19,268,513
Central Bank of Ireland	119,518,566	119,518,566	120,276,654	120,276,654
Bank of Greece	211,436,059	211,436,059	210,903,613	210,903,613
Banco de España	893,564,576	893,564,576	893,420,308	893,420,308
Banque de France	1,530,293,899	1,530,293,899	1,530,028,149	1,530,028,149
Banca d'Italia	1,344,715,688	1,344,715,688	1,348,471,131	1,348,471,131
Central Bank of Cyprus	14,731,333	14,731,333	14,429,734	14,429,734
Banque centrale du Luxembourg	18,798,860	18,798,860	18,824,687	18,824,687
Central Bank of Malta	6,800,732	6,800,732	6,873,879	6,873,879
De Nederlandsche Bank	429,156,339	429,156,339	429,352,255	429,352,255
Oesterreichische Nationalbank	208,939,588	208,939,588	209,680,387	209,680,387
Banco de Portugal	188,354,460	188,354,460	190,909,825	190,909,825
Banka Slovenije	35,381,025	35,381,025	35,397,773	35,397,773
Národná banka Slovenska	74,614,364	74,614,364	74,486,874	74,486,874
Suomen Pankki – Finlands Bank	134,927,820	134,927,820	134,836,288	134,836,288
Subtotal – euro area national central banks	**7,529,282,289**	**7,529,282,289**	**7,529,669,242**	**7,529,669,242**
Българска народна банка (Bulgarian National Bank)	93,467,027	3,505,014	93,571,361	3,508,926
Česká národní banka	155,728,162	5,839,806	157,384,778	5,901,929
Danmarks Nationalbank	159,634,278	5,986,285	159,712,154	5,989,206
Hrvatska narodna banka			64,354,667	2,413,300
Latvijas Banka	30,527,971	1,144,799	29,682,169	1,113,081
Lietuvos bankas	45,797,337	1,717,400	44,306,754	1,661,503
Magyar Nemzeti Bank	149,099,600	5,591,235	148,735,597	5,577,585
Narodowy Bank Polski	526,776,978	19,754,137	525,889,668	19,720,863
Banca Națională a României	265,196,278	9,944,860	264,660,598	9,924,772
Sveriges Riksbank	242,997,053	9,112,389	244,775,060	9,179,065
Bank of England	1,562,145,431	58,580,454	1,562,265,020	58,584,938
Subtotal – non-euro area national central banks	**3,231,370,113**	**121,176,379**	**3,295,337,827**	**123,575,169**
Total1	**10,760,652,403**	**7,650,458,669**	**10,825,007,070**	**7,653,244,411**

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. This item also recognises the total amount paid for the reserves, revaluation accounts and the risk provisions of the ECB of 63,652,996 euros.

ITEM 11 – CLAIMS EQUIVALENT TO THE TRANSFER OF FOREIGN RESERVES

Item 11 reflects claims of Eesti Pank arising from the transfer of foreign reserve 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. The remuneration is paid on the foreign reserves at the latest available marginal rate for the Eurosystem's main refinancing operations, adjusted to reflect a zero return on the gold component. Following the adjustment of the capital key, Eesti Pank paid an additional 37,178 euros of foreign reserves to the ECB on 1 July 2013.

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 the accounting policies)[12]. The remuneration is paid on these claims at the latest available rate for the Eurosystem's 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 reallocated to the Eurosystem central banks, and the amount due to the distribution of the ECB's income on euro banknotes.

thousand euros

	31/12/2013	31/12/2012
TARGET2 balance	1,836,427	1,740,599
Monetary income reallocation	12,362	24,402
ECB's interim profit distribution	3,505	1,470
Total	**1,852,294**	**1,766,471**

The remuneration of the TARGET2 account is calculated daily using the latest available rate for the Eurosystem's main refinancing operations.

Claims on the ECB in connection with the reallocation of monetary income come from the difference between the amounts pooled and allocated by the Eurosystem NCBs (see item 36 of the Profit and Loss account, "Net result of pooling of monetary income").

12 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 are 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 share in 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 value of euro banknotes issued into circulation is recorded under Intra-Eurosystem net claims/liabilities related to the allocation of euro banknotes within the Eurosystem.

At the decision of the Governing Council of the ECB, the ECB distributed its income in 2013 between the national central banks of the euro area (see item 35 of the Profit and Loss account "Income from equity shares and participating interests").

ITEM 14 – TANGIBLE FIXED ASSETS

thousand euros

Acquisition cost	Buildings	Hardware	Software	Inventory	Total
Balance at the end of 2012	28,218	3,596	4,118	6,227	42,159
Acquisitions	0	208	185	7	400
Disposals	-1,091	-123	-55	-395	-1,664
Balance at the end of 2013	27,127	3,681	4,248	5,839	40,895
Accumulated depreciation					
Balance at the end of 2012	9,777	2,649	3,555	4,257	20,238
Depreciation charge	1,248	295	251	487	2,281
Disposals	-431	-123	-55	-387	-996
Balance at the end of 2013	10,594	2,821	3,751	4,357	21,523
Carrying amount					
Balance at the end of 2012	18,441	947	563	1,970	21,921
Balance at the end of 2013	**16,533**	**860**	**497**	**1,482**	**19,372**
Prepayments for fixed assets					
Balance at the end of 2012	5	0	495	0	500
Balance at the end of 2013	**137**	**6**	**646**	**0**	**789**
Total fixed assets					
Balance at the end of 2012	18,446	947	1,058	1,970	22,421
Balance at the end of 2013	**16,670**	**866**	**1,143**	**1,482**	**20,161**

The cost of fixed assets acquired in 2013 was 0.4 million euros; in 2012 it was 1.2 million euros. The largest share of the procurements on buildings was spent on the renovation of buildings and technical networks. Hardware procurements were held on acquiring servers and network equipment. The largest software procurements were for additional database software and development work to update financial asset management software. The main inventory procurement was on appliances for general use and inventory for the museum. Eesti Pank sold a property in Kuressaare with two buildings for 0.6 million euros, which was less than its residual value (see item 38 "Other expenses" in the profit and loss account).

ITEM 15 – OTHER FINANCIAL ASSETS

Eesti Pank holds 214 shares (200 voting shares) in the Bank for International Settlements at an acquisition cost of 217,118 euros.

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 rate for the foreign currency on that date.

Valuation gains on outstanding interest rate swap transactions are also included in this item.

ITEM 17 – ACCRUALS AND PREPAID EXPENSES

thousand euros

	31/12/2013	31/12/2012
Interest income	9,768	11,175
Securities	8,149	8,950
Intra-Eurosystem balances	1,231	1,966
Derivative instruments	302	140
Monetary policy operations	65	101
Fixed-term deposits and current accounts	14	9
Loans	7	9
Prepaid expenses	744	575
Claims on the Financial Supervision Authority	728	551
Other claims	372	338
Total	**11,612**	**12,639**

ITEM 18 – SUNDRY ASSETS

		thousand euros
	31/12/2013	**31/12/2012**
Loans to employees of Eesti Pank	6,155	5,899
Numismatic banknotes and coins of the Estonian kroon	936	939
Foreign exchange transactions	606	1,760
Credits related to margin calls	0	23
Other	373	116
Total	**8,070**	**8,737**

Housing loans secured by real estate have been granted to employees of Eesti Pank for a maximum of 30 years and consumption loans for up to two years. The Supervisory Board of Eesti Pank sets the interest rate on consumption loans for each year. The interest rate on consumption loans is comparable to the interest rate charged by Estonian credit institutions under similar conditions. The Eesti Pank Supervisory Board decided on 15 January 2013 to stop giving consumer loans to Eesti Pank employees. The conditions and deadlines of loan agreements that have already been signed will not be affected by this decision.

The interest rate on housing loans granted before 2012 is the deposit facility interest payable to credit institutions plus the risk margin but not more than the minimum loan interest rate set by the Minister of Finance. The deposit facility rate equals the ECB deposit interest rate, which was 0% in 2013 and 0-0.25% in 2012. The interest rate on housing loans granted since 2012 is the six-month Euribor plus 0.5% but no more than the minimum loan interest rate set by the Minister of Finance. In addition, study loans have been granted for a maximum of ten years with an interest rate of 5%.

Foreign exchange transactions are converted into their euro equivalents at the average rate for the foreign currency on the balance sheet date, compared to the euro values at which the transactions were initially recorded.

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.

thousand euros

	31/12/2013	31/12/2012
Euro banknotes	838,823	703,145
Adjustments of euro banknotes	1,608,744	1,632,778
ECB banknotes (8%)	-195,751	-186,769
Total	**2,251,816**	**2,149,154**

ITEM 20 – CURRENT ACCOUNTS (INCLUDING COVERING 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 the latest available marginal interest rate for the Eurosystem's main refinancing operations. The balances in excess of the minimum reserve are not remunerated.

ITEM 21 – DEPOSIT FACILITY

Item 21 reflects the deposit facility of the Eurosystem available for Estonian credit institutions for overnight depositing with the central bank at an interest rate fixed in advance. The deposit facility rate equals the ECB deposit interest rate, which was 0% in 2013 and 0-0.25% in 2012.

ITEM 22 – FIXED-TERM DEPOSITS

Item 22 reflects the fixed-term deposits of Estonian credit institutions held with the central bank. Fixed-term deposits are collected in a variable rate tender, where counterparties bid the amounts of money and the interest rate at which they want to enter into transactions. The ECB's allocation decision determines the counterparties whose bids are satisfied.

ITEM 23 – LIABILITIES TO OTHER EURO AREA RESIDENTS DENOMINATED IN EUROS

Item 23 reflects mainly the current account of the Financial Supervision Authority held with Eesti Pank, on which interests are calculated quarterly on the basis of the average balance of the current account, in accordance with the deposit facility rate set by the Governing Council of the ECB.

ITEM 24 – LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN EUROS

Item 24 reflects the euro deposits of non-euro-area residents. These deposits do not bear interest.

ITEM 25 – LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

Item 25 reflects repo transactions in foreign currency with non-euro area residents.

ITEM 26 – COUNTERPART OF THE SPECIAL DRAWING RIGHTS ALLOCATED BY THE IMF

Item 26 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.

ITEM 27 – ACCRUALS AND DEFERRED INCOME

thousand euros

	31/12/2013	31/12/2012
Accounts payable	813	826
Tax liabilities	783	784
Employee salaries payable	549	526
Recreation reserve	475	568
Interest expense	332	292
Derivative instruments	298	230
Deposits of credit institutions	19	52
SDR allocation	12	9
Monetary policy operations	3	1
Other liabilities	39	77
Total	**2,991**	**3,073**

ITEM 28 – SUNDRY LIABILITIES

thousand euros

	31/12/2013	31/12/2012
Estonian kroon banknotes	41,798	44,146
Euro coins	34,958	30,862
Estonian kroon coins	7,501	7,530
Loans to employees of Eesti Pank	214	80
Foreign exchange transactions	61	0
Credits related to margin calls	33	23
Other liabilities	909	70
Total	**85,474**	**82,711**

Other liabilities mainly reflect the supervision fees paid to the Financial Supervision Authority.

Foreign exchange transactions are converted into their euro equivalents at the average rate for the foreign currency on the balance sheet date, compared to the euro values at which the transactions were initially recorded.

ITEM 29 – PROVISIONS

Item 29 reflects general risk provisions. The aim of general risk provisions is to cover the financial risks of monetary policy operations and investment assets with provisions for five years, using the risk assessment with 95% probability found using the Value at Risk method. As at 31.12.2013 this method showed Eesti Pank to be exposed to risks of 45.7 million euros from monetary policy operations and investment assets. Under the accounting policies of Eesti Pank, this risk is divided over the five years starting from 2012. The result as at 31.12.2013 is an additional provision of 6.8 million euros from the risk provision of 11.5 million euros of 31.12.2012, meaning the total provision rose to 18.3 million euros.

ITEM 30 – REVALUATION ACCOUNTS

thousand euros

	31/12/2013	31/12/2012
Equities	6,234	839
Securities	2,407	8,234
Foreign currency	603	796
Derivative instruments	522	651
Gold	0	3,159
Total	**9,766**	**13,679**

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 on financial assets”.

ITEM 31 – CAPITAL AND RESERVES

Changes in capital and reserves in 2013:

thousand euros

	31/12/2013	Distribution of profit for 2012	31/12/2012
Fixed Capital	100,000	0	100,000
Reserve capital	72,817	25,580	47,237
Special Reserve	211,100	0	211,100
Total	383,917	25,580	358,337

Under Section 30 of the Eesti Pank Act, at least 25% of the annual profit must be allocated to increasing both statutory and reserve capital. After these allocations, part of the profit can be allocated for establishing and supplementing foundation capital and funds for specific purposes, at the decision of the Supervisory Board of Eesti Pank. The remaining profit is transferred to the state budget.

NOTES ON THE PROFIT AND LOSS ACCOUNT

ITEM 32 – NET INTEREST INCOME

thousand euros

	2013	2012
Net interest income	**28,960**	**29,741**
Interest income	**40,718**	**38,929**
Intra-Eurosystem balances	26,459	27,134
Securities	9,878	9,506
Derivative instruments	4,223	2,053
Loans to employees of Eesti Pank	80	99
Current accounts	63	90
Reverse repurchase transactions	9	32
Fixed-term deposits	6	15
Interest expense	**-11,758**	**-9,188**
Securities	-6,007	-4,845
Derivative instruments	-4,395	-2,367
Intra-Eurosystem balances	-1,232	-1,650
Repurchase transactions	-66	-59
Current accounts	-58	-82
Euro deposit interests	0	-185

thousand euros

	2013	2012
Intra-Eurosystem interest income	**26,459**	**27,134**
Monetary policy operations	15,171	16,971
Interest income on TARGET2 accounts	7,877	6,274
Allocation of banknotes within the Eurosystem	2,904	3,097
Transfer of foreign currency reserves	492	785
Monetary income	15	7
Intra-Eurosystem interest expense	**-1,232**	**-1,650**
Interest expense from minimum reserves	-712	-1,095
Monetary policy operations	-520	-555

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

thousand euros

	2013	2012
Net result of financial operations, write-downs and risk provisions	**-7,192**	**-7,807**
Realised gain arising from financial operations	**2,335**	**4,937**
Securities	3,102	4,375
Derivative instruments	-97	1,344
Financial asset management costs	-141	-294
Exchange rate profit/loss	-529	-488
Write-downs on financial assets	**-2,727**	**-1,244**
Securities	-1,416	-46
Exchange rate write-downs	-1,219	-454
Derivative instruments	-97	-350
Net change of loan portfolio write-downs	5	0
Other receivables from the IMF	0	-394
Provisions for foreign exchange rate risk, interest risk and credit risk	**-6,800**	**-11,500**

ITEM 34 – NET INCOME FROM FEES AND COMMISSIONS

thousand euros

	2013	2012
Net income from fees and commissions	**759**	**793**
Fees and commissions income	**900**	**899**
Current accounts service fees	894	860
Fines, arrears and other	5	39
Fees and commissions expenses	**-141**	**-106**
Commission fees	-109	-71
TARGET2 fees	-29	-29
Other fees and commissions	-3	-6

ITEM 35 – INCOME FROM EQUITY SHARES AND PARTICIPATING INTERESTS

Item 35 reflects dividends from the shares of the Bank for International Settlements. This item also includes the distribution of the ECB's income from euro banknotes and securities purchased under Securi-

ties Markets Programme of 3.5 million euros (see “Interim profit distribution of the ECB” in the notes on the accounting policies).

At the decision of the Governing Council of the ECB, the ECB distributed its profit in 2013 totalling 1.370 million euros.

ITEM 36 – NET RESULT OF POOLING OF MONETARY INCOME

thousand euros

	2013	2012
Net result of pooling of monetary income	**12,362**	**24,402**
Monetary income reallocation	**12,362**	**24,382**
Monetary income pooled by Eesti Pank	-30,307	-35,492
Monetary income allocated to Eesti Pank	42,669	59,874
Adjustment for the monetary income of the previous year	**0**	**20**

The net result of pooling of monetary income from the Eurosystem central banks in 2013 totalled 16,676,890,145 euros, which includes the share of Eesti Pank. The monetary income pooled by the Eurosystem is allocated among Eurosystem central banks according to the subscribed ECB’s capital key. The difference between the monetary income pooled by Eesti Pank of 30,306,952 euros and that reallocated to Eesti Pank of 42,668,900 euros is the net result of 12,361,948 euros in monetary income.

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. 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; and net intra-Eurosystem liabilities related to the allocation of euro banknotes within the Eurosystem. Any interest paid on liabilities included within the liability base is to be deducted from the monetary income to be pooled.

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; and a limited amount of each national central bank’s gold holdings in proportion to each national central bank’s capital key share.

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 bonds purchase programme and under Decision ECB/2011/17 of 3 November 2011 on the implementation of the second covered bond purchase programme are considered to generate income at the latest available marginal rate for the Eu-

rosystem's 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 37 – OTHER INCOME

thousand euros

	2013	2012
Other income	**951**	**1,336**
Expenses compensated by the Financial Supervision Authority	476	586
Income from the sale of collector coins and numismatic products	216	352
Income on financial asset management	129	118
Income from the sale of coin metal	72	0
Rental income	33	42
Compensation for expenses from the changeover to the euro	0	219
Other income	25	19

Under the cooperation protocol between the Financial Supervision Authority and Eesti Pank, the Financial Supervision Authority reimbursed monthly 100% of the cost of the support services provided by Eesti Pank. Eesti Pank provides the Financial Supervision Authority with information technology, accounting, real estate and administration services. The Financial Supervision Authority 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 centres of Eesti Pank is recorded under "Rental Income".

ITEM 38 – OTHER EXPENSES

Item 38 reflects the loss arising from the sale of the Kuressaare real property.

ITEM 39 – STAFF COSTS

thousand euros

	2013	2012
Staff costs	**-7,845**	**-7,859**
Wages	-5,758	-5,736
Social tax	-1,925	-1,921
Compensations and benefits	-106	-128
Unemployment insurance	-56	-74

Staff costs are mainly wage costs, including taxes.

Compensation and benefits include pension benefits and fringe benefits tax calculated on the preferential interest rate on housing loans and the preferential price for the rent of the training centre.

On average, there were 233 employees at Eesti Pank in full-time equivalent in 2013 (237 in 2012).

ITEM 40 – ADMINISTRATIVE EXPENSES

thousand euros

	2013	2012
Administrative expenses	**-4,940**	**-5,160**
Information technology maintenance	-1,271	-1,209
Financial asset management	-993	-916
Real estate renovation and administration	-984	-1,179
Business travel	-472	-561
Economic research	-273	-113
Public relations and publications	-253	-318
Office	-142	-176
Training	-139	-225
External representation	-94	-75
Communications and transport	-84	-113
Legal, expertise and arbitration	-43	-76
Other administrative expenses	-192	-199

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. There were a total of 761 business trips in 2013 (762 in 2012).

ITEM 41 – BANKNOTE PRODUCTION SERVICES

Eesti Pank participates in the production of euro banknotes together with other central banks of the euro area. The ECB Governing Council 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. Under the tender, 20-euro banknotes were produced that went into the joint assets of the Eurosystem.

ITEM 42 – OTHER OPERATING EXPENSES

thousand euros

	2013	2012
Other operating expenses	**-558**	**-965**
Production of collector coins and numismatic products	-285	-213
Management of cash circulation	-88	-132
Production of euro coins	0	-438
Other expenses	-185	-182

ITEM 43 – DERIVATIVE INSTRUMENTS

thousand euros

	31/12/2013	31/12/2012
Value of futures contracts		
Purchase	184,394	305,430
Sale	79,989	168,491
Value of interest rate swap contracts	81,442	265,584
Foreign exchange swap and forward transactions		
Claims	281,309	191,377
Liabilities	280,318	189,435

ITEM 44 – CONTINGENT LIABILITIES

thousand euros

	31/12/2013	31/12/2012
Contingent liabilities	**1,825**	**2,345**
Contractual obligations to produce banknotes and coins	1,297	1,793
Unpaid share capital (75%) of BIS	528	552

The production of banknotes and coins

At the end of 2013, the contractual liabilities of Eesti Pank for the production of euro banknotes in 2014 amounted to 1.3 million euros.

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 527,923 euros on the balance sheet date (see Item 15).

ITEM 45 – IMPORTANT POST-BALANCE-SHEET EVENTS

Following the regular five-yearly adjustment of the capital key under article 29.3 of the Statute of the ESCB, and the entry of Latvia to the euro area on 1 January 2014, the capital key subscriptions of the NCBs changed.

	Capital key subscriptions from 1 January 2014	Capital key subscriptions until 31 December 2013
	%	%
Nationale Bank van België / Banque Nationale de Belgique	2.4778	2.4176
Deutsche Bundesbank	17.9973	18.7603
Eesti Pank	0.1928	0.1780
Central Bank of Ireland	1.1607	1.1111
Bank of Greece	2.0332	1.9483
Banco de España	8.8409	8.2533
Banque de France	14.1792	14.1342
Banca d'Italia	12.3108	12.4570
Central Bank of Cyprus	0.1513	0.1333
Latvijas Banka	0.2821	-
Banque centrale du Luxembourg	0.2030	0.1739
Central Bank of Malta	0.0648	0.0635
De Nederlandsche Bank	4.0035	3.9663
Oesterreichische Nationalbank	1.9631	1.9370
Banco de Portugal	1.7434	1.7636
Banka Slovenije	0.3455	0.3270
Národná banka Slovenska	0.7725	0.6881
Suomen Pankki – Finlands Bank	1.2564	1.2456
Subtotal – euro area national central banks*	**69.9783**	**69.5581**
Българска народна банка (Bulgarian National Bank)	0.8590	0.8644
Česká národní banka	1.6075	1.4539
Danmarks Nationalbank	1.4873	1.4754
Hrvatska narodna banka	0.6023	0.5945
Latvijas Banka	-	0.2742
Lietuvos bankas	0.4132	0.4093
Magyar Nemzeti Bank	1.3798	1.3740
Narodowy Bank Polski	5.1230	4.8581
Banca Națională a României	2.6024	2.4449
Sveriges Riksbank	2.2729	2.2612
Bank of England	13.6743	14.4320
Subtotal – non-euro area national central banks*	**30.0217**	**30.4419**
Total*	**100.0000**	**100.0000**

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

The adjusted capital key was used for revaluing the payments of the central banks of the EU member states to the capital of the ECB and the contributions of the euro area central banks to the foreign currency reserve. Following the adjustment of the capital key, Eesti Pank paid an additional 1,602,101 euros into the ECB's capital on 1 July 2014 and transferred 8,576,754 euros to the ECB's foreign reserve assets.

AS Deloitte Audit Eesti
Roosikrantsi 2
10119 Tallinn
Estonia

Tel: +372 640 6500
Fax: +372 640 6503
www.deloitte.ee

Reg.no. 10687819

INDEPENDENT CERTIFIED AUDITOR'S REPORT

To the Supervisory Board of Eesti Pank:

We have audited the accompanying financial statements of Eesti Pank, which comprise the statement of financial position as at 31 December 2013, and the statement of revenues and expenses and a summary of significant accounting policies and other explanatory notes.

Management Board's Responsibility for the Financial Statements

Management Board is responsible for the preparation and fair presentation of these financial statements in accordance with the guidelines established by the Governing Council of European Central Bank, which are set out in Decision ECB/2010/20 (recast) on 11 November 2010 and Eesti Pank Act, and for such internal control as the Management Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Certified Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (Estonia). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the certified auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the certified auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eesti Pank as at 31 December 2013, and its financial performance for the year then ended in accordance with the guidelines established by the Governing Council of European Central Bank, which are set out in Decision ECB/2010/20 (recast) on 11 November 2010 and Eesti Pank Act.

21 March 2014

Veiko Hintsov
Certified Auditor, No. 328
AS Deloitte Audit Eesti
Licence No. 27

Deloitte refers to one or more Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited