ANNUAL ACCOUNTS OF EESTI PANK for the financial year ended 31 december 2014

APPROVAL OF THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014 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 2014.

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[23]. 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 23 March 2015, 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	

23 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); ECB Guideline of 10 December 2012 (ECB/2012/29) and ECB Guideline of 15 December 2014 (ECB/2014/54), 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 2014 AND 2013

thousand EUR

	Item	31/12/2014	31/12/2013
ASSETS			
Gold and gold receivables	**1**	8,149	7,188
Claims on non-euro area residents denominated in foreign currency		352,119	219,650
Receivables from the IMF	**2**	90,892	84,115
Balances with banks, security investments and other external assets	**3**	261,227	135,535
Claims on euro area residents denominated in foreign currency	**4**	64,157	40,184
Claims on non-euro area residents denominated in euro	**5**	304	2,251
Lending to euro area credit institutions related to monetary policy operations denominated in euro	**6**	52,000	5,000
Other claims on euro area credit institutions denominated in euro	**7**	1,888	10,841
Securities of euro area residents denominated in euro		445,446	496,626
Securities held for monetary policy purposes	**8**	243,866	306,003
Other securities	**9**	201,580	190,623
Intra-Eurosystem claims		5,060,418	3,451,361
Participating interest in the European Central Bank	**10**	88,853	82,921
Claims equivalent to the transfer of foreign reserves	**11**	111,730	103,153
Net claims related to the allocation of euro banknotes within the Eurosystem	**12**	1,654,500	1,412,993
Other claims within the Eurosystem (net)	**13**	3,205,335	1,852,294
Other assets		45,883	41,019
Tangible fixed assets	**14**	19,309	20,161
Other financial assets	**15**	217	217
Off-balance-sheet instruments revaluation differences	**16**	1,836	959
Accruals and prepaid expenses	**17**	10,984	11,612
Sundry	**18**	13,537	8,070
TOTAL ASSETS		**6,030,364**	**4,274,120**

The notes on pages 64-91 form an integral part of the Annual Accounts.

thousand EUR

	Item	31/12/2014	31/12/2013
LIABILITIES			
Banknotes in circulation	**19**	2,576,924	2,251,816
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro		2,799,868	1,417,059
Current accounts (including cover for the minimum reserve system)	**20**	1,549,868	492,059
Deposit facility	**21**	1,250,000	455,000
Fixed-term deposits	**22**	0	470,000
Liabilities to other euro area residents denominated in euro	**23**	8,649	11,863
Liabilities to non-euro area residents denominated in euro	**24**	2	15
Counterpart of the special drawing rights allocated by the IMF	**25**	73,887	69,296
Other liabilities		103,302	88,605
Off-balance-sheet instruments revaluation differences	**16**	11,604	140
Accruals and income collected in advance	**26**	3,669	2,991
Sundry	**27**	88,029	85,474
Provisions	**28**	26,000	18,300
Revaluation accounts	**29**	23,157	9,766
Capital and reserves	**30**	401,529	383,917
Capital		190,429	172,817
Reserves		211,100	211,100
Profit for the year		17,046	23,483
TOTAL LIABILITIES		**6,030,364**	**4,274,120**

The notes on pages 64-91 form an integral part of the Annual Accounts.

2014 PROFIT AND LOSS ACCOUNT FOR 2014 AND 2013

thousand EUR

	Item	2014	2013
Interest income		39,224	40,718
Interest expenses		-20,626	-11,758
Net interest income	**31**	**18,598**	**28,960**
Realised gains arising from financial operations		7,365	2,335
Write-downs on financial assets		-433	-2,727
Provisions for foreign exchange rate, interest rate and credit risks		-7,700	-6,800
Net result of financial operations, write-downs and risk provisions	**32**	**-768**	**-7,192**
Fees and commissions income		170	900
Fees and commissions expenses		-99	-141
Net income from fees and commissions	**33**	**71**	**759**
Income from equity shares and participating interests	**34**	**3,326**	**5,176**
Net result of pooling of monetary income	**35**	**11,991**	**12,362**
Other income	**36**	1,096	951
Other expenses	**37**	-209	-115
Other income and expenses		**887**	**836**
Total net income		**34,105**	**40,901**
Staff costs	**38**	-8,405	-7,845
Administrative expenses	**39**	-4,862	-4,940
Depreciation of tangible fixed assets	**14**	-2,056	-2,281
Banknote production services	**40**	-1,297	-1,794
Other operating expenses	**41**	-439	-558
Operating expenses		**-17,059**	**-17,418**
Profit for the year		**17,046**	**23,483**

The notes on pages 64-91 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 (referred to as the "bank") 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[24]. 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 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 euro 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.

24 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); ECB Guideline of 10 December 2012 (ECB/2012/29) and ECB Guideline of 15 December 2014 (ECB/2014/54), amending Guideline ECB/2010/20 on the legal framework for accounting and financial reporting in the European System of Central Banks.

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 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 into euro at the exchange rate of the European Central Bank prevailing on the balance sheet date. Income and expenses are converted at the exchange rate of the European Central Bank 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 2014.

The exchange rates applied on 31 December 2014 and 2013 were as follows:

	31/12/2014	31/12/2013
USD	1.2141	1.3791
GBP	0.7789	0.8337
JPY	145.23	144.72
SDR	0.8386	0.8942

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 2014, was derived from the exchange rate of the euro against the US dollar on 31 December 2014.

Securities

Securities held for monetary policy purposes

Before 2014 all securities held for monetary policy purposes had been classified as held-to-maturity and were therefore valued on an amortised cost basis subject to impairment. In 2014 the Governing Council of the ECB decided that securities held for monetary policy purposes will be accounted for at amortised cost subject to impairment regardless of the holding intention. This change to the accounting policy did not result in any adjustment of the comparable figures for 2013 as all such existing securities were already recorded using the new accounting principles.

Other securities

Marketable securities (other than those classed as 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 2014, mid-market prices on 31 December 2014 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 taken to the Profit and Loss Account. Such realised gains and losses are calculated by reference to the average cost of the respective 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 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 3200. 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

	2014
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 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 rate, credit and gold price risks

Given the nature of the operations of a central bank, Eesti Pank may set up provisions on the balance sheet for foreign exchange rate, interest rate, credit and gold price 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 option transactions and of interest rate swaps is based on generally accepted valuation methods, using observable market prices and rates and the discount factors from the settlement dates to the valuation date.

Contingent liabilities

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

Post-balance-sheet events

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

Banknotes in circulation

The European Central Bank and the euro area national central banks, which together comprise the Eurosystem, issue euro banknotes[25]. 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[26].

25 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.

26 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. Eesti Pank's share of the total of banknotes allocated to the Eurosystem central banks 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[27], 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[28] 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 Eurosystem central banks. 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[29] 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 expenses on these balances are 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, the third covered bond purchase programme and the asset-backed securities purchase programme shall be due in full to the Eurosystem central banks in the same financial year it accrues. Unless otherwise decided by the Governing Council, the European Central Bank distributes this income in January of the following year in the form of an interim distribution of profit[30]. It is distributed in full unless the European Central Bank's net profit for the year is less than its income earned on euro banknotes in circulation and the aforementioned securities programmes. The distributed profit may be reduced if the Governing Council decides to make transfers to the provision for foreign exchange rate, interest rate, credit and gold price 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.

27 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.

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

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

30 Decision of the ECB of 15 December 2014 on the interim distribution of the income of the European Central Bank (recast) (ECB/2014/57).

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 euro and reported under “Claims equivalent to the transfer of foreign reserves”.

Intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem are included as a 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 euro. These transactions are for the most part initiated by private entities (i.e. credit institutions, corporations and individuals). They are settled 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 netted out and then assigned to the ECB on a daily basis, leaving each national central bank 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 euro (e.g. interim profit distributions to NCBs, monetary income results), are presented in the Balance Sheet as a single net asset or liability position and disclosed under “Other claims within the Eurosystem (net)” or “Other liabilities within the Eurosystem (net)”.

NOTES ON THE BALANCE SHEET

ITEM 1 – GOLD AND GOLD RECEIVABLES

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

	31/12/2014	31/12/2013
Gold (ounces)	8,250.171	8,250.171
Ounce market value (EUR)	987.769	871.22
Revaluation (thousand EUR)	961	0
Market value (thousand EUR)	**8,149**	**7,188**

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 EUR

	31/12/2014	31/12/2013
SDR account in the IMF	73,982	69,374
Reserve position in the IMF	16,910	14,741
Participation in the IMF	112,039	104,929
IMF No.1 account	-95,129	-90,188
Total	**90,892**	**84,115**

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 2014 the quota of the Republic of Estonia was SDR 93.9 million.

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 2014 was due to Estonia's participation in the IMF's Financial Transactions Plan (FTP) of SDR 1 million (SDR 5 million in 2013). 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 United States, Canadian and Australian dollars of non-euro area residents. Eesti Pank's foreign reserves were invested mainly in government bonds of the United States, Canada and Australia.

thousand EUR

	31/12/2014	31/12/2013
Securities	248,990	119,891
Fixed-term deposits	11,284	9,354
Current accounts	953	1,577
Reverse repurchase transactions	0	4,713
Total	**261,227**	**135,535**

thousand EUR

	31/12/2014	31/12/2013
USD	161,107	111,502
CAD	50,834	142
AUD	49,132	23,247
JPY	82	141
SEK	23	53
CHF	19	8
GBP	18	420
NZD	9	18
DKK	2	2
NOK	1	2
Total	**261,227**	**135,535**

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 EUR

	31/12/2014	31/12/2013
Equities	56,780	35,578
Current accounts	7,377	4,606
Total	**64,157**	**40,184**

thousand EUR

	31/12/2014	31/12/2013
USD	61,414	37,441
GBP	2,630	1,100
SEK	698	247
AUD	87	502
NOK	30	32
NZD	29	12
CHF	9	8
JPY	-154	92
CAD	-586	750
Total	**64,157**	**40,184**

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

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

thousand EUR

	31/12/2014	31/12/2013
Current accounts	304	549
Securities	0	1,702
Total	**304**	**2,251**

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

The total Eurosystem holding of monetary policy assets amounts to EUR 630,341 million , of which Eesti Pank holds EUR 52 million of long-term refinancing transactions (in 2013 it was EUR 5 million). 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 from 1 January 2014 is 0.27551%.

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 which can be accepted by NCBs at their own discretion.

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

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

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,[31] and public debt securities acquired in the scope of the Securities Markets Programme.[32]

thousand EUR

	31/12/2014	31/12/2013
Securities Markets Programme	216,261	274,086
Second covered bond purchase programme	27,605	31,917
Total	**243,866**	**306,003**

Under the Securities Markets Programme established in May 2010,the ECB and NCBs were able to purchase euro area public and private debt securities in order to address the malfunctioning of certain segments of the euro area debt securities markets and to restore the proper functioning of the monetary policy transmission mechanism. In September 2012 the Governing Council of the ECB decided to terminate the Securities Markets Programme.[33]

Under the second covered bond purchase programme launched in October 2011, the ECB and the NCBs of the euro area purchased euro-denominated covered bonds issued in the euro area with the objective of easing funding conditions for credit institutions and enterprises, as well as encouraging credit institutions to maintain and expand lending to their clients. The second covered bond purchase programme was ended on 31 October 2012.

The decrease in this item in 2014 was due to redemptions.

On 2 October 2014 the Governing Council of the ECB announced the technical details of the third covered bond purchase programme, under which the ECB and the NCBs started to purchase euro-denominated covered bonds issued in the euro area with the objective of easing funding conditions for credit institutions. The programme will last for at least two years.

Under the asset-backed securities purchase programme[34] established in October 2014, the Eurosystem may purchase senior and guaranteed mezzanine tranches of asset-backed securities in both primary and secondary markets in order to support the provision of credit to the euro area economy. The initial purchases are being made by the European Central Bank. The programme will last for at least two years.

31 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), 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), Decision ECB/2014/40 of 15 October 2014 on the implementation of the third covered bond purchase programme (OJ L 335, 22.11.2014, p. 22).

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

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

34 Decision ECB/2014/45 of 19 November 2014 on the implementation of the asset-backed securities purchase programme (OJ L 1, 6.1.2015, p. 4).

The Governing Council of the ECB assesses on a regular basis the financial risks associated with the securities held under the Securities Markets Programme, the three covered bond purchase programmes and the asset-backed securities purchase programme.

The total Eurosystem central banks holding of the Securities Markets Programme securities amounts to EUR 144,263 million, of which Eesti Pank holds EUR 216 million. The total Eurosystem central banks holding of securities under the covered bond purchase programmes amounts to EUR 29,632 million. Under Article 32.4 of the Statute of the ESCB, any risks from holdings of securities under the Securities Markets Programme or the covered bond 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.

Securities purchased under all five purchase programmes are valued on an amortised cost basis subject to impairment (see "Securities" in the notes on accounting policies). Annual impairment tests are conducted on the basis of the estimated recoverable amounts as at the year end. The Governing Council of the ECB considered that the identified impairment indicators had not affected the estimated future cash flows related to the securities. Consequently, no impairment losses were recorded for these securities in 2014.

ITEM 9 – OTHER SECURITIES

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

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.

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 from 1/01/2014	Capital key as at 31/12/2013
	%	%
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 in the table.

The adjusted capital key was used for revaluing the payments of the central banks of the EU member states to the capital and equity of the ECB. Following the adjustment of the capital key, Eesti Pank paid an additional EUR 1,602,101 into the ECB's capital on 2 January 2014 and transferred an additional EUR 4,329,627 to the ECB's equity on 21 February 2014.

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

	Subscribed capital from 1/01/2014	Paid-up capital from 1/01/2014	Subscribed capital as at 31/12/2013	Paid-up capital as at 31/12/2013
	€	€	€	€
Nationale Bank van België / Banque Nationale de Belgique	268,222,025	268,222,025	261,705,371	261,705,371
Deutsche Bundesbank	1,948,208,997	1,948,208,997	2,030,803,801	2,030,803,801
Eesti Pank	20,870,614	20,870,614	19,268,513	19,268,513
Central Bank of Ireland	125,645,857	125,645,857	120,276,654	120,276,654
Bank of Greece	220,094,044	220,094,044	210,903,613	210,903,613
Banco de España	957,028,050	957,028,050	893,420,308	893,420,308
Banque de France	1,534,899,402	1,534,899,402	1,530,028,149	1,530,028,149
Banca d'Italia	1,332,644,970	1,332,644,970	1,348,471,131	1,348,471,131
Central Bank of Cyprus	16,378,236	16,378,236	14,429,734	14,429,734
Latvijas Banka	30,537,345	30,537,345	-	-
Banque centrale du Luxembourg	21,974,764	21,974,764	18,824,687	18,824,687
Central Bank of Malta	7,014,605	7,014,605	6,873,879	6,873,879
De Nederlandsche Bank	433,379,158	433,379,158	429,352,255	429,352,255
Oesterreichische Nationalbank	212,505,714	212,505,714	209,680,387	209,680,387
Banco de Portugal	188,723,173	188,723,173	190,909,825	190,909,825
Banka Slovenije	37,400,399	37,400,399	35,397,773	35,397,773
Národná banka Slovenska	83,623,180	83,623,180	74,486,874	74,486,874
Suomen Pankki – Finlands Bank	136,005,389	136,005,389	134,836,288	134,836,288
Subtotal – euro area national central banks	**7,575,155,922**	**7,575,155,922**	**7,529,669,242**	**7,529,669,242**
Българска народна банка (Bulgarian National Bank)	92,986,811	3,487,005	93,571,361	3,508,926
Česká národní banka	174,011,989	6,525,450	157,384,778	5,901,929
Danmarks Nationalbank	161,000,330	6,037,512	159,712,154	5,989,206
Hrvatska narodna banka	65,199,018	2,444,963	64,354,667	2,413,300
Latvijas Banka	-	-	29,682,169	1,113,081
Lietuvos bankas	44,728,929	1,677,335	44,306,754	1,661,503
Magyar Nemzeti Bank	149,363,448	5,601,129	148,735,597	5,577,585
Narodowy Bank Polski	554,565,112	20,796,192	525,889,668	19,720,863
Banca Națională a României	281,709,984	10,564,124	264,660,598	9,924,772
Sveriges Riksbank	246,041,586	9,226,559	244,775,060	9,179,065
Bank of England	1,480,243,942	55,509,148	1,562,265,020	58,584,938
Subtotal – non-euro area national central banks	**3,249,851,147**	**121,869,418**	**3,295,337,827**	**123,575,169**
Total*	**10,825,007,070**	**7,697,025,340**	**10,825,007,070**	**7,653,244,411**

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

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 EUR 63,652,996.

ITEM 11 – CLAIMS EQUIVALENT TO THE TRANSFER OF FOREIGN RESERVES

Item 11 reflects claims of Eesti Pank arising from the transfers of foreign reserves assets to the ECB when Eesti Pank joined the Eurosystem. These foreign reserves were 85% in Japanese yen and 15% in gold. The claims are denominated in euro at a value fixed at the time of their transfer. 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. Following the adjustment of the capital key, Eesti Pank transferred an additional EUR 8,576,754 to the ECB's foreign reserve assets on 2 January 2014.

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

Item 12 reflects Eesti Pank's claims towards the Eurosystem relating to the allocation of euro banknotes within the Eurosystem (see "Banknotes in circulation" and "Intra-Eurosystem balances" in the notes on accounting policies)[35]. The remuneration of these claims is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations.

ITEM 13 – OTHER CLAIMS WITHIN THE EUROSYSTEM (NET)

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

thousand EUR

	31/12/2014	31/12/2013
TARGET2	3,191,028	1,836,427
Redistribution of monetary income	11,991	12,362
Interim profit distribution of the ECB	2,316	3,505
Total	**3,205,335**	**1,852,294**

The remuneration of the TARGET2 balance is calculated daily at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations. At the end of 2014 the TARGET2 balance was larger than usual as the banks had deposited much larger amounts on their accounts (see item 20 "Current accounts (including cover for the minimum reserve system)").

35 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 other 92% 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 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.

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 35 of the Profit and Loss account, "Net result of pooling of monetary income").

This item also covers amounts payable by the ECB to euro area central banks in the form of an interim distribution of profit (see "Interim profit distribution of the ECB" in the notes on accounting policies). At the decision of the Governing Council of the ECB, the ECB distributed its income of EUR 840,719,787 in 2014 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 EUR

Acquisition cost	Buildings	Hardware	Software	Inventory	Motor vehicles	Total
Balance at the end of 2013	27,127	3,681	4,248	5,839	0	40,895
Acquisitions	339	217	274	189	21	1,040
Disposals	0	-365	-934	-305	0	-1,604
Balance at the end of 2014	**27,466**	**3,533**	**3,588**	**5,723**	**21**	**40,331**
Accumulated depreciation						
Balance at the end of 2013	10,594	2,821	3,751	4,357	0	21,523
Depreciation charge	1,016	294	253	489	5	2,057
Disposals	0	-365	-896	-306	0	-1,567
Balance at the end of 2014	**11,610**	**2,750**	**3,108**	**4,540**	**5**	**22,013**
Carrying amount						
Balance at the end of 2013	16,533	860	497	1,482	0	19,372
Balance at the end of 2014	**15,856**	**783**	**480**	**1,183**	**16**	**18,318**
Prepayments for fixed assets						
Balance at the end of 2013	137	6	646	0	0	789
Balance at the end of 2014	**0**	**18**	**973**	**0**	**0**	**991**
Total fixed assets						
Balance at the end of 2013	16,670	866	1,143	1,482	0	20,161
Balance at the end of 2014	**15,856**	**801**	**1,453**	**1,183**	**16**	**19,309**

The cost of fixed assets acquired in 2014 was EUR 1.04 million (in 2013 it was EUR 0.4 million). The largest share of the procurements on buildings was spent on the renovation of buildings and technical networks. Procurements of motor vehicles reflects the acquisition of vehicles for the bank. Hardware procurements were held on expanding the disk array and acquiring servers and network equipment. The largest software procurements were for major development work on the SEPA-Clearer retail system,

financial asset management software enhancements, and development of the public website. The largest part of the prepayment for acquisition of fixed assets compile the instalments for the development work for the ESCB's software systems. The main inventory procurement was on cash-processing equipment and appliances for general use.

ITEM 15 – OTHER FINANCIAL ASSETS

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

ITEM 16 – OFF-BALANCE-SHEET INSTRUMENTS REVALUATION DIFFERENCES

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

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

ITEM 17 – ACCRUALS AND PREPAID EXPENSES

thousand EUR

	31/12/2014	31/12/2013
Interest income	9,422	9,768
Securities	8,092	8,149
Derivative instruments	950	302
Intra-Eurosystem balances	291	1,231
Monetary policy operations	80	65
Fixed-term deposits and current accounts	8	14
Loans	1	7
Prepaid expenses	739	744
Claims on the Financial Supervision Authority	656	728
Other claims	167	372
Total	**10,984**	**11,612**

ITEM 18 – SUNDRY ASSETS

thousand EUR

	31/12/2014	31/12/2013
Loans to employees of Eesti Pank	6,122	6,155
Foreign exchange transactions	4,616	606
Derivative instruments	1,750	75
Numismatic banknotes and coins of the Estonian kroon	935	936
Other	114	296
Total	**13,537**	**8,070**

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 between -0.2 and 0% in 2014 (in 2013 it was 0%). 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. The interest rate on housing loans granted since June 2014 is the six-month EURIBOR plus 1.25%. In addition, study loans have been granted for a maximum of ten years with an interest rate of 5%.

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

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 EUR

	31/12/2014	31/12/2013
Euro banknotes	922,423	838,823
Adjustments of euro banknotes	1,878,557	1,608,744
ECB banknotes (8%)	-224,056	-195,751
Total	**2,576,924**	**2,251,816**

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

Item 20 reflects the current accounts of credit institutions with Eesti Pank. The remuneration paid on the balance on the current accounts of credit institutions, held to cover the minimum reserve, is calculated at the latest available marginal interest rate used by the Eurosystem in its tenders for main refinancing operations. The balances held in excess of the minimum reserve requirements are remunerated at the lower rate of either 0% or the deposit facility rate. At the end of 2014 the TARGET2 balance was larger than usual as the banks had deposited much larger amounts on their accounts. The average balance on the accounts of credit institutions was EUR 249 181 383 in 2014 (EUR 351 727 526 in 2013).

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 between -0.2% and 0% in 2014 (in 2013 it was 0%).

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 EURO

Item 23 reflects mainly the current account of the Financial Supervision Authority held with Eesti Pank, on which interest is 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 EURO

Item 24 reflects the euro deposits of non-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 SDR 61,965,241.

ITEM 26 – ACCRUALS AND DEFERRED INCOME

thousand EUR

	31/12/2014	31/12/2013
Interest expense	1,071	332
Derivative instruments	1,054	298
Deposits of credit institutions	11	19
SDR allocation	6	12
Monetary policy operations	0	3
Tax liabilities	792	783
Accounts payable	655	788
Employee salaries payable	584	549
Recreation reserve	461	475
Other liabilities	106	64
Total	**3,669**	**2,991**

ITEM 27 – SUNDRY LIABILITIES

thousand EUR

	31/12/2014	31/12/2013
Estonian kroon banknotes	40,409	41,798
Euro coins	37,776	34,958
Estonian kroon coins	7,473	7,501
Forward transactions in foreign currency	1,315	61
Derivative instruments	440	33
Loans to employees of Eesti Pank	61	214
Credits related to margin calls	9	33
Other liabilities	546	876
Total	**88,029**	**85,474**

Estonian kroon banknotes and coins can be exchanged for euros in the museum shop with no limit of amount or duration at the central rate of 1 EUR = 15.6466 EEK.

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

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

ITEM 28 – PROVISIONS

Item 28 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, using the risk assessment with 95% probability found using the Value at Risk method. As at 31.12.2014 Eesti Pank was exposed to risks of EUR 26 million from monetary policy operations and investment assets under this method. As a result an additional provision of EUR 7.7 million was made on 31.12.2014 (EUR 6.8 million on 31.12.2013), meaning the total provision rose to EUR 26 million.

ITEM 29 – REVALUATION ACCOUNTS

thousand EUR

	31/12/2014	31/12/2013
Equities	8,668	6,234
Securities	7,533	2,407
Foreign currency	5,639	603
Gold	962	0
Derivative instruments	355	522
Total	**23,157**	**9,766**

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 30 – CAPITAL AND RESERVES

Changes in capital and reserves in 2014:

thousand EUR

	31/12/2014	Distribution of profit for 2013	31/12/2013
Fixed capital	100,000	0	100,000
Reserve capital	90,429	17,612	72,817
Special reserve	211,100	0	211,100
Total	**401,529**	**17,612**	**383,917**

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. The special reserve is increased from profit in accordance with paragraph 30 of the Eesti Pank Act and from other sources that are no proscribed by the law or the statutes of the bank. Paragraph 46 of the Eesti Pank Act allows the special reserve to be used first of all for covering the losses of the bank.

NOTES ON THE PROFIT AND LOSS ACCOUNT

ITEM 31 – NET INTEREST INCOME

thousand EUR

	2014	2013
Net interest income	**18 598**	**28 960**
Interest income	**39 224**	**40 718**
Intra-Eurosystem balances	15 134	26 459
Securities	12 870	9 878
Derivative instruments	11 038	4 223
Reverse repurchase transactions	84	9
Current accounts	67	63
Loans to employees of Eesti Pank	24	80
Fixed-term deposits	4	6
Deposits	3	0
Interest expenses	**-20 626**	**-11 758**
Derivative instruments	-12 067	-4 395
Securities	-7 419	-6 007
Intra-Eurosystem balances	-947	-1 232
Repurchase transactions	-124	-66
Current accounts	-69	-58

thousand EUR

	2014	2013
Intra-Eurosystem interest income	**15 134**	**26 459**
Monetary policy operations	11 763	15 171
TARGET2	1 916	7 877
Allocation of banknotes within the Eurosystem	1 295	2 904
Transfer of foreign currency reserves	157	492
Monetary income	3	15
Intra-Eurosystem interest expenses	**-947**	**-1 232**
Monetary policy operations	-710	-520
Minimum reserve requirements	-237	-712

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

thousand EUR

	2014	2013
Net result of financial operations, write-downs and risk provisions	**-768**	**-7,192**
Realised gain arising from financial operations	**7,365**	**2,335**
Securities	5,256	3,102
Exchange rate income	3,209	-529
Derivative instruments	-611	-97
Financial asset management costs	-489	-141
Write-downs on financial assets	**-433**	**-2,727**
Derivative instruments	-373	-97
Exchange rate write-downs	-44	-1,219
Securities	-18	-1,416
Net change of loan portfolio write-downs	2	5
Provisions for foreign exchange rate, interest rate and credit risks	**-7,700**	**-6,800**

ITEM 33 – NET INCOME FROM FEES AND COMMISSIONS

thousand EUR

	2014	2013
Net income from fees and commissions	**71**	**759**
Fees and commissions income	**170**	**900**
Current accounts service fees	166	894
Fines, arrears and other	4	5
Fees and commissions expenses	**-99**	**-141**
Commission fees	-82	-109
TARGET2 fees	-15	-29
Other fees and commissions	-2	-3

ITEM 34 – INCOME FROM EQUITY SHARES AND PARTICIPATING INTERESTS

thousand EUR

	2014	2013
Income from equity shares and participating interests	**3,326**	**5,176**
Interim profit distribution of the ECB	2,316	3,505
Dividends from investments	793	503
Allocation of ECB profit for 2013	155	1,083
Dividends from the Bank for International Settlements	52	78
Dividends from participation in the IMF	10	7

This item mainly shows the profit distributed to Eesti Pank by the European Central Bank earned on euro banknotes and securities purchased under the Securities Markets Programme, the third covered bond purchase programme and the asset-backed securities purchase programme (see "Interim profit distribution of the ECB" in the notes on accounting policies).

ITEM 35 – NET RESULT OF POOLING OF MONETARY INCOME

thousand EUR

	2014	2013
Net result of pooling of monetary income	**11,991**	**12,362**
Monetary income reallocation	11,832	12,362
Monetary income pooled by Eesti Pank	-15,573	-30,307
Monetary income allocated to Eesti Pank	27,405	42,669
Adjustment for the monetary income of previous years	159	0

The net result of pooling of monetary income from the Eurosystem central banks in 2014 totalled EUR 9,946,741,449, which includes the share of Eesti Pank. The monetary income pooled by the Eurosystem is allocated among the Eurosystem central banks according to the subscribed ECB's capital key. The difference between the monetary income pooled by Eesti Pank of EUR 15,572,712 and that reallocated to Eesti Pank of EUR 27,404,663 is the net result of EUR 11,831,951 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 euro; 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 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 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 interest rate used by the Eurosystem in its tenders for main refinancing operations. Where the value of a NCB's earmarkable assets exceeds or falls short of the value of its liability base, the difference shall be offset by applying to the value of the difference the latest available marginal rate for the Eurosystem's main refinancing operations and the total income or expense for the year is considered in the allocation of monetary income.

ITEM 36 – OTHER INCOME

thousand EUR

	2014	2013
Other income	**1,096**	**951**
Expenses compensated by the Financial Supervision Authority	623	476
Income from the sale of collector coins and numismatic products	293	216
Income on financial asset management	140	129
Rental income	26	33
Income from the sale of coin metal	0	72
Other income	14	25

Under the cooperation protocol between the Financial Supervision Authority and Eesti Pank, the Financial Supervision Authority reimburses 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 centre of Eesti Pank is recorded under “Rental income”.

ITEM 37 – OTHER EXPENSES

Item 37 reflects the cost from previous periods (in 2013 there was the loss from the sale of the real estate property in Kuressaare).

ITEM 38 – STAFF COSTS

thousand EUR

	2014	2013
Staff costs	**-8,405**	**-7,845**
Wages	-6,181	-5,758
Social tax	-2,066	-1,925
Compensations and benefits	-100	-106
Unemployment insurance	-58	-56

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 231.3 full-time equivalent employees at Eesti Pank in 2014 (there were 233 in 2013).

ITEM 39 – ADMINISTRATIVE EXPENSES

thousand EUR

	2014	2013
Administrative expenses	**-4,862**	**-4,940**
Information technology maintenance	-1,575	-1,271
Real estate renovation and administration	-931	-984
Financial asset management	-872	-993
Business travel	-446	-472
Public relations and publications	-257	-253
Training	-170	-139
Office	-140	-142
External representation	-94	-94
Economic research	-80	-273
Communications and transport	-64	-84
Legal, expertise and arbitration	-47	-43
Other administrative expenses	-186	-192

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 764 business trips in 2014 (there were 761 in 2013).

ITEM 40 – BANKNOTE PRODUCTION SERVICES

Eesti Pank participates in the production of euro banknotes together with other central banks of the euro area. The Governing Council of the ECB sets the amount of euro cash that must be produced each year for the euro area countries. Eesti Pank procured its euro banknotes through a joint tender with eight other euro area central banks. Under the tender, 20-euro banknotes were produced that went into the joint assets of the Eurosystem.

ITEM 41 – OTHER OPERATING EXPENSES

thousand EUR

	2014	2013
Other operating expenses	**-439**	**-558**
Production of collector coins and numismatic products	-154	-285
Cash circulation management	-92	-88
Other expenses	-193	-185

ITEM 42 – DERIVATIVE INSTRUMENTS

thousand EUR

	31/12/2014	31/12/2013
Value of interest rate future contracts		
Purchase	95,740	184,394
Sale	305,888	79,989
Value of option contracts		
Purchase	1,685,034	87,013
Sale	1,698,953	87,013
Value of interest rate swap contracts	25,772	81,442
Foreign exchange swap and forward transactions		
Claims	385,260	281,309
Liabilities	392,075	280,318

ITEM 43 – CONTINGENT LIABILITIES

thousand EUR

	31/12/2014	31/12/2013
Contingent liabilities	**1,548**	**1,825**
Contractual obligations to produce banknotes and coins	948	1,297
Unpaid share capital (75%) of the Bank for International Settlements	600	528

The production of banknotes and coins

At the end of 2014, the contractual liabilities of Eesti Pank for production of euro banknotes in 2014 amounted to EUR 948 thousand.

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 599,670 on the balance sheet date (see item 15 “Other financial assets”).

ITEM 44 – IMPORTANT POST-BALANCE-SHEET EVENTS

Under Decision 2014/509/EU of the EU Council, taken in accordance with Article 140 paragraph 2 of the Treaty on the Functioning of the European Union, Lithuania started using the euro as its currency from 1 January 2015. In accordance with Article 48.1 of the Statute of the ESCB and the Decision of the Governing Council of the ECB of 31 December 2014, the Lithuanian central bank paid EUR 43,051,594 into the capital of the ECB on 1 January 2015. As a result, Eesti Pank’s share of the capital paid into the ECB by the central banks of the euro area was 0.2739% from 1 January 2015 (0.27551% until 31 December 2014).

	Subscribed capital from 1/01/2015	Paid-up capital from 1/01/2015	Subscribed capital as at 31/12/2014	Paid-up capital as at 31/12/2014
	€	€	€	€
Nationale Bank van België / Banque Nationale de Belgique	268,222,025	268,222,025	268,222,025	268,222,025
Deutsche Bundesbank	1,948,208,997	1,948,208,997	1,948,208,997	1,948,208,997
Eesti Pank	20,870,614	20,870,614	20,870,614	20,870,614
Central Bank of Ireland	125,645,857	125,645,857	125,645,857	125,645,857
Bank of Greece	220,094,044	220,094,044	220,094,044	220,094,044
Banco de España	957,028,050	957,028,050	957,028,050	957,028,050
Banque de France	1,534,899,402	1,534,899,402	1,534,899,402	1,534,899,402
Banca d'Italia	1,332,644,970	1,332,644,970	1,332,644,970	1,332,644,970
Central Bank of Cyprus	16,378,236	16,378,236	16,378,236	16,378,236
Latvijas Banka	30,537,345	30,537,345	30,537,345	30,537,345
Lietuvos bankas	44,728,929	44,728,929	-	-
Banque centrale du Luxembourg	21,974,764	21,974,764	21,974,764	21,974,764
Central Bank of Malta	7,014,605	7,014,605	7,014,605	7,014,605
De Nederlandsche Bank	433,379,158	433,379,158	433,379,158	433,379,158
Oesterreichische Nationalbank	212,505,714	212,505,714	212,505,714	212,505,714
Banco de Portugal	188,723,173	188,723,173	188,723,173	188,723,173
Banka Slovenije	37,400,399	37,400,399	37,400,399	37,400,399
Národná banka Slovenska	83,623,180	83,623,180	83,623,180	83,623,180
Suomen Pankki – Finlands Bank	136,005,389	136,005,389	136,005,389	136,005,389
Subtotal – euro area national central banks	**7,619,884,851**	**7,619,884,851**	**7,575,155,922**	**7,575,155,922**
Българска народна банка (Bulgarian National Bank)	92,986,811	3,487,005	92,986,811	3,487,005
Česká národní banka	174,011,989	6,525,450	174,011,989	6,525,450
Danmarks Nationalbank	161,000,330	6,037,512	161,000,330	6,037,512
Hrvatska narodna banka	65,199,018	2,444,963	65,199,018	2,444,963
Lietuvos bankas	-	-	44,728,929	1,677,335
Magyar Nemzeti Bank	149,363,448	5,601,129	149,363,448	5,601,129
Narodowy Bank Polski	554,565,112	20,796,192	554,565,112	20,796,192
Banca Națională a României	281,709,984	10,564,124	281,709,984	10,564,124
Sveriges Riksbank	246,041,586	9,226,559	246,041,586	9,226,559
Bank of England	1,480,243,942	55,509,148	1,480,243,942	55,509,148
Subtotal – non-euro area national central banks	**3,205,122,218**	**120,192,083**	**3,249,851,147**	**121,869,418**
Total*	**10,825,007,070**	**7,740,076,935**	**10,825,007,070**	**7,697,025,340**

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

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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 2014, 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 in Decision ECB/2014/56 on 15 December 2014 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 in Decision ECB/2014/56 on 15 December 2014 and Eesti Pank Act.

23 March 2015

Veiko Hintsov
Certified Auditor, No. 328
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