



ANNUAL ACCOUNTS OF EESTI PANK for the financial year ended 31 December 2015

APPROVAL OF THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015 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 2015.

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 Bank¹. 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 14 March 2016, 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); ECB Guideline of 10 December 2012 (ECB/2012/29), ECB Guideline of 15 December 2014 (ECB/2014/54) and ECB Guideline of 2 July 2015 (ECB/2015/24), 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 2015 AND 2014

thousand EUR

	Item	31/12/2015	31/12/2014
ASSETS			
Gold and gold receivables	1	8 029	8 149
Claims on non-euro area residents denominated in foreign currency		371 690	352 119
Receivables from the IMF	2	97 051	90 892
Balances with banks, security investments and other external assets	3	274 639	261 227
Claims on euro area residents denominated in foreign currency	4	83 391	64 157
Claims on non-euro area residents denominated in euro	5	1 451	304
Lending to euro area credit institutions related to monetary policy operations denominated in euro	6	75 000	52 000
Other claims on euro area credit institutions denominated in euro	7	2 203	1 888
Securities of euro area residents denominated in euro		1 495 315	445 446
Securities held for monetary policy purposes	8	1 384 577	243 866
Other securities	9	110 738	201 580
Intra-Eurosystem claims		4 646 766	5 060 418
Participating interest in the European Central Bank	10	88 853	88 853
Claims equivalent to the transfer of foreign reserves	11	111 730	111 730
Net claims related to the allocation of euro banknotes within the Eurosystem	12	1 671 822	1 654 500
Other claims within the Eurosystem (net)	13	2 774 361	3 205 335
Other assets		53 813	45 883
Tangible fixed assets	14	18 097	19 309
Other financial assets	15	234	217
Off-balance-sheet instruments revaluation differences	16	613	1 836
Accruals and prepaid expenses	17	20 256	10 984
Sundry	18	14 613	13 537
TOTAL ASSETS		6 737 658	6 030 364

The notes on pages 46–73 form an integral part of the Annual Accounts.

thousand EUR

	Item	31/12/2015	31/12/2014
LIABILITIES			
Banknotes in circulation	19	2 730 241	2 576 924
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro		3 331 414	2 799 868
Current accounts (including cover for the minimum reserve system)	20	3 331 414	1 549 868
Deposit facility	21	0	1 250 000
Liabilities to other euro area residents denominated in euro	22	11 954	8 649
Liabilities to non-euro area residents denominated in euro	23	20	2
Counterpart of the special drawing rights allocated by the IMF	24	78 869	73 887
Other liabilities		100 238	103 302
Off-balance-sheet instruments revaluation differences	16	7 470	11 604
Accruals and income collected in advance	25	3 757	3 669
Sundry	26	89 011	88 029
Provisions	27	30 000	26 000
Revaluation accounts	28	10 500	23 157
Capital and reserves	29	414 314	401 529
Capital		200 000	190 429
Reserves		214 314	211 100
Profit for the year		30 108	17 046
TOTAL LIABILITIES		6 737 658	6 030 364

The notes on pages 46–73 form an integral part of the Annual Accounts.

2015 PROFIT AND LOSS ACCOUNT FOR 2015 AND 2014

thousand EUR

	Item	2015	2014
Interest income		49 844	39 224
Interest expenses		-34 978	-20 626
Net interest income	30	14 866	18 598
Realised gains arising from financial operations		24 546	7 365
Write-downs on financial assets		-3 362	-433
Provisions for foreign exchange rate, interest rate and credit risks	27	-4 000	-7 700
Net result of financial operations, write-downs and risk provisions	31	17 184	-768
Fees and commissions income		117	170
Fees and commissions expenses		-125	-99
Net income from fees and commissions	32	-8	71
Income from equity shares and participating interests	33	2 852	3 326
Net result of pooling of monetary income	34	11 183	11 991
Other income	35	1 055	1 096
Other expenses	36	0	-209
Other income and expenses		1 055	887
Total net income		47 132	34 105
Staff costs	37	-8 635	-8 405
Administrative expenses	38	-4 886	-4 862
Depreciation of tangible fixed assets	14	-2 069	-2 056
Banknote production services	39	-518	-1 297
Other operating expenses	40	-916	-439
Operating expenses		-17 024	-17 059
Profit for the year		30 108	17 046

The notes on pages 46–73 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 (occasionally also “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 Bank². 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.

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); ECB Guideline of 10 December 2012 (ECB/2012/29), ECB Guideline of 15 December 2014 (ECB/2014/54) and ECB Guideline of 2 July 2015 (ECB/2015/24), 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 amounts 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 currencies (the US dollar, the euro, the Japanese yen and the British pound sterling) converted into euro as at 31 December 2015.

The exchange rates applied on 31 December 2015 and 2014 were as follows:

	31/12/2015	31/12/2014
USD	1.0887	1.2141
GBP	0.73395	0.7789
JPY	131.07	145.23
SDR	0.78567	0.8386

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 2015, was derived from the exchange rate of the euro against the US dollar on 31 December 2015.

Securities

Securities held for monetary policy purposes

Securities held for monetary policy purposes are accounted for at amortised cost subject to impairment, regardless of the holding intention.

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 2015, mid-market prices on 31 December 2015 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 asset concerned.

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

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

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

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.

Reverse repurchase transactions (purchase/resale transactions) are recorded as collateralised loans granted. 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

	2015
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. Current maintenance and repairs are recorded as period costs.

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 banknotes³. 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 key⁴.

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".

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 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 interest⁵, are disclosed under the sub-item “Intra-Eurosystem balances: net claims/liabilities related to the allocation of euro banknotes within the Eurosystem” (see “Intra-Eurosystem balances” in the notes on accounting policies).

From the cash changeover year until five years following the cash changeover year⁶ 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 period⁷ 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, the asset-backed securities purchase programme and the public sector asset 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 profit⁸. 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 securities programmes noted above. 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.

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

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

7 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.

8 Decision (EU) 2015/98 of the ECB of 15 December 2014 on the interim distribution of the income of the European Central Bank (recast) (ECB/2014/57) (OJ L 53, 25.2.2015, p 24).

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 which are settled in central bank money in euro. These transactions are for the most part initiated by private entities, meaning credit institutions, corporations and individuals. These transactions are settled in TARGET2⁹ 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 such as interim profit distributions to NCBs or monetary income results are presented in the Balance Sheet as a single net asset or liability position and disclosed under "Other claims within the Eurosystem (net)" or "Other liabilities within the Eurosystem (net)".

⁹ The Trans-European Automated Real-time Gross Settlement Express Transfer system

NOTES ON THE BALANCE SHEET

ITEM 1 – GOLD AND GOLD RECEIVABLES

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

	31/12/2015	31/12/2014
Gold (ounces)	8 250.171	8 250.171
Ounce market value (EUR)	973.225	987.769
Revaluation (thousand EUR)	842	961
Market value (thousand EUR)	8 029	8 149

ITEM 2 – RECEIVABLES FROM THE IMF

Receivables from the IMF consist of the SDR account in the IMF and the reserve position in the IMF

thousand EUR

	31/12/2015	31/12/2014
SDR account in the IMF	78 976	73 982
Reserve position in the IMF	18 075	16 910
Participation in the IMF	119 518	112 039
IMF No.1 account	-101 443	-95 129
Total	97 051	90 892

The SDR account in the IMF

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

Reserve position in the IMF

Eesti Pank represents the Republic of Estonia in the IMF. A quota has been established for each IMF member determining its participation (subscription) and voting power in the IMF. Participation in the IMF is recorded under assets on the Balance Sheet and is equal to the country's quota. At the end of 2015 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 reserve position increased in 2015 because of the change in the SDR exchange rate. The size of the reserve position is affected by Estonia's participation in the IMF's Financial Transactions Plan (FTP) of 7 million 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 United States, Australian and Canadian dollars and British pounds of non-euro area residents. Eesti Pank's foreign reserves were invested mainly in government bonds of the United States, Australia, Canada and the United Kingdom.

thousand EUR

	31/12/2015	31/12/2014
Securities	263 137	248 990
Fixed-term deposits	10 655	11 284
Current accounts	847	953
Total	274 639	261 227

thousand EUR

	31/12/2015	31/12/2014
USD	151 959	161 107
AUD	50 304	49 132
CAD	47 562	50 834
GBP	24 773	18
JPY	33	82
NZD	3	9
CHF	2	19
DKK	2	2
SEK	1	23
NOK	0	1
Total	274 639	261 227

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, fixed-term deposits, and investments in equities denominated in US dollars of euro area residents.

thousand EUR

	31/12/2015	31/12/2014
Equities	73 175	56 780
Fixed-term deposits	5 686	0
Current accounts	4 530	7 377
Total	83 391	64 157

thousand EUR

	31/12/2015	31/12/2014
USD	82 498	61 414
CAD	308	-586
GBP	307	2 630
AUD	220	87
SEK	62	698
CHF	9	9
NZD	4	29
NOK	0	30
JPY	-17	-154
Total	83 391	64 157

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

	31/12/2015	31/12/2014
Securities	1 315	0
Current accounts	136	304
Total	1 451	304

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

The total Eurosystem holding of monetary policy assets amounts to EUR 558,989 million, of which Eesti Pank holds EUR 75 million (EUR 52 million in 2014) of long-term refinancing transactions with maturities of 36 to 48 months. 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 in the capital key from 1 January 2015 is 0.27390%.

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 second covered bond purchase programme¹⁰, the Securities Markets Programme¹¹ and the public sector asset purchase programme¹².

thousand EUR

	31/12/2015	31/12/2014
Public sector asset purchase programme	1 228 386	0
Securities Markets Programme	142 716	216 261
Second covered bond purchase programme	13 475	27 605
Total	1 384 577	243 866

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 Programme¹³.

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 these items 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 programme¹⁴ 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.

10 Decision ECB/2009/16 of 2 July 2009 on the implementation of the covered bonds 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).

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

12 Decision ECB/2015/10 of 4 March 2015 on a secondary markets public sector asset purchase programme (OJ L 121, 14.5.2015, p 20).

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

14 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).

On 22 January 2015 the Governing Council of the European Central Bank decided to start asset purchases in the public sector asset purchase programme in order to improve the financing opportunities for businesses and households, stimulate investment and consumption in the euro area, and through this contribute to keeping inflation below, but close to, 2% over the medium term. The assets purchased will be bonds issued by governments of the euro area and by European institutions and agencies. The Governing Council of the European Central Bank decided to start monthly asset purchases from March 2015 of 60 billion euros on average. In December 2015 it was planned that monthly purchases will continue until the end of March 2017. On 3 June the European Central Bank gave Eesti Pank exceptional permission from June to buy bonds issued by the transmission system operator Elering as an alternative under the asset purchase programme. The Governing Council of the European Central Bank made an exception because unlike the other national central banks of the euro area, Eesti Pank is not able to buy bonds issued by its own government from the secondary market. At the end of 2015 Eesti Pank's total holding of the securities of the transmission system operator Elering amounted to EUR 47 080 974.

The ECB Governing Council of the ECB assesses on a regular basis the financial risks associated with the securities held under these programmes.

The total Eurosystem central banks holding of the Securities Markets Programme securities amounts to EUR 122,952 million, of which Eesti Pank holds EUR 143 million. The total Eurosystem central banks holding of securities under the third covered bond purchase programme amounts to EUR 143,340 million. The total holding of bonds of European institutions purchased under the public sector asset purchase programme amounts to EUR 59,760 million, of which Eesti Pank holds EUR 1181 million. Under Article 32.4 of the Statute of the ESCB, any risks from holdings of securities under the Securities Markets Programme, the third covered bond purchase programme and the public sector asset purchase programme other than government bonds, 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 six 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 outcome of this year's impairment tests was that only one impairment indicator, relating to the Securities Markets Programme portfolio, was triggered. The Governing Council of the ECB considered that the identified impairment indicator had not affected the estimated future cash flows related to the securities. Consequently, no impairment losses were recorded for these securities in 2015.

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 of the ESCB Statute, and which is adjusted every five years.

Following the entry of Lithuania to the euro area on 1 January 2015, the capital key subscriptions of the NCBs changed

	Capital key from 1/01/2015 %	Capital key at 31/12/2014 %
Nationale Bank van België / Banque Nationale de Belgique	2.4778	2.4778
Deutsche Bundesbank	17.9973	17.9973
Eesti Pank	0.1928	0.1928
Central Bank of Ireland	1.1607	1.1607
Bank of Greece	2.0332	2.0332
Banco de España	8.8409	8.8409
Banque de France	14.1792	14.1792
Banca d'Italia	12.3108	12.3108
Central Bank of Cyprus	0.1513	0.1513
Latvijas Banka	0.2821	0.2821
Lietuvos bankas	0.4132	-
Banque centrale du Luxembourg	0.2030	0.2030
Central Bank of Malta	0.0648	0.0648
De Nederlandsche Bank	4.0035	4.0035
Oesterreichische Nationalbank	1.9631	1.9631
Banco de Portugal	1.7434	1.7434
Banka Slovenije	0.3455	0.3455
Národná banka Slovenska	0.7725	0.7725
Suomen Pankki – Finlands Bank	1.2564	1.2564
Subtotal – euro area national central banks	70.3915	69.9783
Българска народна банка (Bulgarian National Bank)	0.8590	0.8590
Česká národní banka	1.6075	1.6075
Danmarks Nationalbank	1.4873	1.4873
Hrvatska narodna banka	0.6023	0.6023
Lietuvos bankas	-	0.4132
Magyar Nemzeti Bank	1.3798	1.3798
Narodowy Bank Polski	5.1230	5.1230
Banca Națională a României	2.6024	2.6024
Sveriges Riksbank	2.2729	2.2729
Bank of England	13.6743	13.6743
Subtotal – non-euro area national central banks	29.6085	30.0217
Total*	100.0000	100.0000

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

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

	Subscribed capital as of 1/01/2015 €	Paid-in capital as of 1/01/2015 €	Subscribed capital as at 31/12/2014 €	Paid-in 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.

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 67,982,624.

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

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

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)¹⁵. 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 EUROSYSYTEM (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

	31/12/2015	31/12/2014
TARGET2	2 760 954	3 191 028
Redistribution of monetary income	11 183	11 991
Interim profit distribution of the ECB	2 224	2 316
Total	2 774 361	3 205 335

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 2015 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)").

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 34 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).

¹⁵ 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.

At the decision of the Governing Council of the ECB, the ECB distributed its income of 812,134,495 in 2015 between the national central banks of the euro area (see item 33 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 2014	27 466	3 533	3 588	5 723	21	40 331
Acquisitions	292	159	407	69	10	937
Disposals	0	-109	-382	-94	0	-585
Balance at the end of 2015	27 758	3 583	3 613	5 698	31	40 683
Accumulated depreciation						
Balance at the end of 2014	11 610	2 750	3 108	4 540	5	22 013
Depreciation charge	1 004	287	289	482	6	2 068
Disposals	0	-109	-382	-94	0	-585
Balance at the end of 2015	12 614	2 928	3 015	4 928	11	23 496
Carrying amount						
Balance at the end of 2014	15 856	783	480	1 183	16	18 318
Balance at the end of 2015	15 144	655	598	770	20	17 187
Prepayments for fixed assets						
Balance at the end of 2014	0	18	973	0	0	991
Balance at the end of 2015	0	0	910	0	0	910
Total fixed assets						
Balance at the end of 2014	15 856	801	1 453	1 183	16	19 309
Balance at the end of 2015	15 144	655	1 508	770	20	18 097

The cost of fixed assets acquired in 2015 was EUR 0.94 million; in 2014 it was EUR 1.04 million. The largest share of the spending on procurements for buildings was spent on the renovation of buildings. Procurements of motor vehicles reflect the acquisition of vehicles for the bank. Hardware procurements were held for acquiring servers, network equipment, and SWIFT and security modules. The largest software procurements were for account modules for the bank, middleware for data exchange between the bank’s software, and development of the document management system. The largest part of the prepayment for acquisition of fixed assets was the instalments for the development work for the ESCB’s software systems. The main inventory procurement was for cash-processing equipment and security equipment.

ITEM 15 – OTHER FINANCIAL ASSETS

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

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

Under Article 10 of the By-laws of SWIFT, there is a re-allocation of the shares in SWIFT every three years that affects organisations that are shareholders and those that are non-shareholding members. In 2014 SWIFT re-allocated its shares proportionally between shareholding and non-shareholding members to reflect the service fees paid for the use of SWIFT network services. Eesti Pank qualified as a shareholder, and so was obliged to purchase five shares in SWIFT at a cost of EUR 17,150. The transaction was made on 8 May 2015.

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

	31/12/2015	31/12/2014
Interest income	18 349	9 422
Securities	17 346	8 092
Monetary policy operations	438	80
Derivative instruments	295	950
Intra-Eurosystem balances	260	291
Fixed-term deposits and current accounts	8	8
Loans	2	1
Claims on the Financial Supervision Authority	839	656
Prepaid expenses	809	739
Other claims	259	167
Total	20 256	10 984

ITEM 18 – SUNDRY ASSETS

thousand EUR

	31/12/2015	31/12/2014
Foreign exchange transactions	6 698	4 616
Loans to employees of Eesti Pank	6 350	6 122
Numismatic banknotes and coins of the Estonian kroon	932	935
Derivative instruments	567	1 750
Other	66	114
Total	14 613	13 537

Housing loans secured by real estate have been granted to employees of Eesti Pank for a maximum of 30 years. The interest rate on housing loans granted before 2012 is the deposit facility interest payable to credit institutions plus the risk margin but together not more than the upper limit of the interest rate. The deposit facility rate equals the ECB deposit interest rate, which was between -0.3% and -0.2% in 2015; in 2014 it was between -0.2% and 0%. The upper limit on the interest rate is twice the interest rate on the European Central Bank's main refinancing operations. The interest rate on housing loans granted since 2012 is the six-month EURIBOR plus 0.5% but no more than the upper limit on the interest rate. The interest rate on housing loans granted since June 2014 is the six-month EURIBOR plus 1.25%. In addition, study loans have been granted for a maximum of ten years with an interest rate of 5%. It was decided to stop providing loans to Eesti Pank employees from 1 July 2015.

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

	31/12/2015	31/12/2014
Euro banknotes	1 058 419	922 423
Adjustments of euro banknotes	1 909 220	1 878 557
ECB banknotes (8%)	-237 398	-224 056
Total	2 730 241	2 576 924

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. The deposit facility rate equals the ECB deposit interest rate, which was between -0.3% and -0.2% in 2015; in 2014 it was between -0.2% and 0%. At the end of 2015 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 1 374 732 397 in 2015 (EUR 249 181 383 in 2014).

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 -0.3% and -0.2% in 2015; in 2014 it was between -0.2% and 0%.

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

Item 22 reflects mainly the current account of the Financial Supervision Authority held with Eesti Pank, on which interest is calculated monthly on the basis of the average balance of the current account in accordance with the EONIA (euro overnight index average) interest rate.

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

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

ITEM 24 - COUNTERPART OF THE SPECIAL DRAWING RIGHTS ALLOCATED BY THE IMF

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

ITEM 25 - ACCRUALS AND DEFERRED INCOME

thousand EUR

	31/12/2015	31/12/2014
Accounts payable	1 072	655
Tax liabilities	902	792
Employee salaries payable	643	584
Interest expenses	505	1 071
Derivative instruments	487	1 054
Deposits of credit institutions	11	11
SDR allocation	7	6
Recreation reserve	457	461
Other liabilities	178	106
Total	3 757	3 669

ITEM 26 - SUNDRY LIABILITIES

thousand EUR

	31/12/2015	31/12/2014
Euro coins	41 445	37 776
Estonian kroon banknotes	39 695	40 409
Estonian kroon coins	7 466	7 473
Forward transactions in foreign currency	355	1 315
Loans to employees of Eesti Pank	15	61
Derivative instruments	0	440
Credits related to margin calls	0	9
Other liabilities	35	546
Total	89 011	88 029

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

In 2014, other liabilities mainly reflected 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 27 – PROVISIONS

Item 27 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 December 2015 Eesti Pank was exposed to risks of EUR 30 million from monetary policy operations and investment assets under this method. As a result an additional provision of EUR 4.0 million was made on 31 December 2015 (EUR 7.7 million on 31 December 2014), meaning the total provision rose to EUR 30 million.

ITEM 28 – REVALUATION ACCOUNTS

thousand EUR

	31/12/2015	31/12/2014
Foreign currency	6 642	5 639
Securities	3 016	7 533
Gold	842	962
Equities	0	8 668
Derivative instruments	0	355
Total	10 500	23 157

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 29 – CAPITAL AND RESERVES

Changes in capital and reserves in 2015:

thousand EUR

	31/12/2015	Distribution of profit for 2014	31/12/2014
Fixed capital	100 000	0	100 000
Reserve capital	100 000	9 571	90 429
Special reserve	214 314	3 214	211 100
Total	414 314	12 785	401 529

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 not 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 30 - NET INTEREST INCOME

thousand EUR

	2015	2014
Net interest income	14 866	18 598
Interest income	49 844	39 224
Intra-Eurosystem balances	20 273	15 134
Derivative instruments	18 076	11 038
Securities	11 393	12 870
Current accounts	43	67
Fixed-term deposits	22	4
Loans to employees of Eesti Pank	17	24
Reverse repurchase transactions	12	84
Deposits	8	3
Interest expenses	-34 978	-20 626
Derivative instruments	-20 971	-12 067
Intra-Eurosystem balances	-7 185	-947
Securities	-6 689	-7 419
Repurchase transactions	-79	-124
Current accounts	-54	-69

thousand EUR

	2015	2014
Intra-Eurosystem interest income	20 273	15 134
Monetary policy operations	18 921	11 763
TARGET2	733	1 916
Allocation of banknotes within the Eurosystem	571	1 295
Transfer of foreign currency reserves	48	157
Monetary income	0	3
Intra-Eurosystem interest expenses	-7 185	-947
Monetary policy operations	-7 108	-710
Minimum reserve requirements	-77	-237

ITEM 31 - NET RESULT OF FINANCIAL OPERATIONS, WRITE-DOWNS AND RISK PROVISIONS

thousand EUR

	2015	2014
Net result of financial operations, write-downs and risk provisions	17 184	-768
Realised gain arising from financial operations	24 546	7 365
Equities	11 246	0
Exchange rate income	7 681	3 209
Securities	6 205	5 256
Derivative instruments	-186	-611
Financial asset management costs	-400	-489
Write-downs on financial assets	-3 362	-433
Equities	-2 745	0
Securities	-445	-18
Exchange rate write-downs	-147	-44
Derivative instruments	-22	-373
Net change of loan portfolio write-downs	-3	2
Provisions for foreign exchange rate, interest rate and credit risks	-4 000	-7 700

ITEM 32 - NET INCOME FROM FEES AND COMMISSIONS

thousand EUR

	2015	2014
Net income from fees and commissions	-8	71
Fees and commissions income	117	170
Current accounts service fees	100	166
Fines, arrears and other	17	4
Fees and commissions expenses	-125	-99
Commission fees	-118	-82
TARGET2 fees	-5	-15
Other fees and commissions	-2	-2

ITEM 33 – INCOME FROM EQUITY SHARES AND PARTICIPATING INTERESTS

thousand EUR

	2015	2014
Income from equity shares and participating interests	2 852	3 326
Interim profit distribution of the ECB	2 224	2 316
Partial allocation of ECB profit	408	155
Dividends from investments	152	793
Dividends from the Bank for International Settlements	61	52
Dividends from participation in the IMF	7	10

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, the asset-backed securities purchase programme and the public sector asset purchase programme (see “Interim profit distribution of the ECB” in the notes on accounting policies).

ITEM 34 – NET RESULT OF POOLING OF MONETARY INCOME

thousand EUR

	2015	2014
Net result of pooling of monetary income	11 183	11 991
Monetary income reallocation	11 214	11 832
Monetary income pooled by Eesti Pank	-13 384	-15 573
Monetary income allocated to Eesti Pank	24 598	27 405
Adjustment for the monetary income of previous years	-31	159

The net result of pooling of monetary income from the Eurosystem central banks in 2015 totalled EUR 8,980,639,752, 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 13,383,650 and that reallocated to Eesti Pank of EUR 24,597,676 is the net result EUR 11,214,027 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.

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; accrued interest recorded at the end of the quarter on monetary policy assets with a maturity of over one year; and a limited amount of each national central bank's gold holdings in proportion to each national central bank's capital key share.

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

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

ITEM 35 – OTHER INCOME

thousand EUR

	2015	2014
Other income	1 055	1 096
Expenses compensated by the Financial Supervision Authority	679	623
Income from the sale of collector coins and numismatic products	187	293
Income on financial asset management	148	140
Rental income	25	26
Other income	16	14

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 36 – OTHER EXPENSES

Item 36 was used in 2014 to reflect expenses from previous periods, which became apparent after the close of the financial year of 2013.

ITEM 37 – STAFF COSTS

thousand EUR

	2015	2014
Staff costs	-8 635	-8 405
Wages	-6 345	-6 181
Social tax	-2 124	-2 066
Compensations and benefits	-116	-100
Unemployment insurance	-50	-58

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

On average, there were 232.1 full-time equivalent employees at Eesti Pank in 2015 (231.3 in 2014).

ITEM 38 – ADMINISTRATIVE EXPENSES

thousand EUR

	2015	2014
Administrative expenses	-4 886	-4 862
Information technology maintenance	-1 631	-1 575
Real estate renovation and administration	-902	-931
Financial asset management	-812	-872
Business travel	-416	-446
Public relations and publications	-299	-257
Training	-208	-170
Office	-145	-140
Economic research	-109	-80
External representation	-100	-94
Communications and transport	-53	-64
Legal expertise and arbitration	-8	-47
Other administrative expenses	-203	-186

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 747 business trips in 2015 (764 in 2014).

ITEM 39 – BANKNOTE PRODUCTION SERVICES

Eesti Pank participates in the production of euro banknotes together with other central banks of the euro area. The Governing Council of the ECB sets the amount of euro cash that must be produced each year for the euro area countries. Eesti Pank procured its euro banknotes through a joint tender with seven other euro area central banks. Under the tender, 10-euro banknotes were produced that went into the joint assets of the Eurosystem.

ITEM 40 – OTHER OPERATING EXPENSES

thousand EUR

	2015	2014
Other operating expenses	-916	-439
Production of coins	-426	0
Production of collector coins and numismatic products	-218	-154
Cash circulation management	-96	-92
Other expenses	-176	-193

ITEM 41 – DERIVATIVE INSTRUMENTS

thousand EUR

	31/12/2015	31/12/2014
Currency swaps and forward transactions		
Assets	357 966	385 260
Liabilities	-359 000	-392 075
Value of interest rate future contracts		
Purchase	37 592	95 740
Sale	-304 606	-305 888
Value of interest rate swap contracts	4 353	25 772
Value of interest rate option contracts		
Purchase	0	1 685 034
Sale	0	-1 698 953

ITEM 42 – CONTINGENT LIABILITIES

thousand EUR

	31/12/2015	31/12/2014
Contingent liabilities	1 941	1 548
Contractual obligations to produce banknotes and coins	1 272	948
Unpaid share capital (75%) of the Bank for International Settlements	669	600

The production of banknotes and coins

At the end of 2015, the contractual liabilities of Eesti Pank for production of euro banknotes in 2016 amounted to EUR 1272 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 668,741 on the balance sheet date (see Item 15 "Other financial assets").

Deloitte.

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 2015, 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.

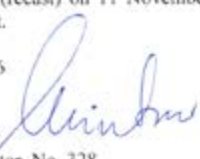
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the certified auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to 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 2015, 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.

14 March 2016


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