

2014

annual report

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KredEx financial services –
for a more secure future

KREDEx

Foundation KredEx

Annual Report 2014

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Beginning of financial year: 01.01.2014

End of financial year: 31.12.2014

Registry code of non-profit
associations and foundations: 90006012

Main area of activity: Based on state development plans and policies:
- guarantee of credit products offered by credit institutions,
including the guarantee of enterprise and housing loans
for the purposes of "State Support of Enterprise and State Loan
Guarantees Act";
- guarantee of export transactions, including state guarantee
of export transactions and issuing of state guarantees according
to the State Export Guarantees Act;
- development and offering of other financing services in the
enterprise and housing sector

EMTAK codes: 66199, 66291, 84139

Address: Hobujaama 4, 10151 Tallinn

Telephone: 667 4100

Fax: 667 4101

E-mail: kredex@kredex.ee

Web page: www.kredex.ee

Chief Executive Officer: Andrus Treier

Auditor: Ernst & Young Baltic AS



1. CEO's statement

In 2014, the volume of KredEx loan guarantees increased. Guarantees for entrepreneurship were issued for EUR 68 million, which is a record during recent history. Compared to the previous year, the growth is 30%. Moreover, the volume of housing loan guarantees increased to EUR 16 million, exceeding last year's indicator which was 27%. 13% of all housing loans issued in Estonia were granted with KredEx guarantee. The increase in volumes was facilitated by the improvement of overall economic confidence, especially in the first half of the year when companies showed increased interest in investments. On the other hand, the second half of the year brought about a perceivable decline in investment activities due to the growth of risks in the economic environment and the main focus was primarily on strengthening the main activity. The housing market developed throughout the year, increasing steadily; the number of transactions increased, and real estate prices increased slightly.

During the year, the first export loans were issued to finance cross-border transactions and moderate interest was maintained for subordinated loans, especially technology loans. As reconstruction grants for residential houses were not issued, the volume of apartment building loan guarantees was slightly lower than in the previous year. Commercial banks were issued the final part of the renovation loan credit line. As funding is easily accessible for banks, no further analogue loans shall be offered to banks in the current market situation. In 2015, KredEx shall

continue issuing apartment building reconstruction grants at the expense of structural funds. Supposedly this shall significantly increase interest in respective loan guarantees, as a whole contribute to more efficient energy use, and increase the overall quality of life.

By August, electric car grants financed at the expense of selling pollution quotas were provided to their full amount. In total, the purchase of 659 electric cars was supported and this launched a significant electric car fleet in Estonia. All electric cars in this region have the chance to use the quick charging network managed by KredEx. The short-term car rental service offered by KredEx continues to be popular.

During the year, active preparations were made for the implementation of the structural means of the new period. In the coming years, a big emphasis shall be on financial instruments, the main implementer of which in Estonia is KredEx. We plan to continue providing all current services. In case of some services, this shall be done on more favourable conditions; in addition, strong export companies shall be provided with bigger guarantees and early-phase risk capital fund of funds shall be created.

In order to efficiently provide needs-based services, feedback from customers and partners is important. For this purpose, all customers who have applied for KredEx services are asked for feedback. Additionally, reputation and satisfaction surveys were conducted in the spring and autumn among both companies and bank managers. In a nutshell, it is a pleasure to acknowledge that KredEx still has the reputation of a proficient and reliable partner and the offered services are considered necessary and important.

In summary, 2014 was successful for KredEx in terms of operational volumes and financial results. We are planning to continue the consistent developing of services and the organisation to help both companies and residents with finding the funding necessary for creating a more secure future.

Andrus Treier
Chief Executive Officer

2. Activity principles

The KredEx foundation was founded in 2001 by the Ministry of Economic Affairs and Communications. KredEx is a financing institution helping Estonian enterprises to develop more quickly and expand more safely into foreign markets, offering loans, risk capital, credit insurance, and guarantees assured by the state. We help the Estonian people to improve their living conditions, offering loan guarantees assured by the state for purchasing homes, as well as loans, guarantees, and grants for solutions aimed at energy efficiency.

The vision of KredEx is to offer financing solutions based on the best practices of the world.

KredEx considers it important to be professional, reliable, open, and innovative. We value solution orientation, high service quality, and readiness for cooperation, which leads to the satisfaction of our customers and partners. We appreciate accuracy, quick action, and objectivity in making decisions. We are open to new ideas and honest feedback, and wish to offer solutions to compensate for the shortcomings of the financial market, bringing together the best skills, experience, and resources of different countries.

In cooperation with other participants in the financial market, we constantly develop the services offered in order to provide suitable financing solutions in a changing economic environment. Throughout the years, KredEx has become a considerable link between the Estonian financing institutions and loan applicants, exporters and foreign buyers.

2.1.Values

In its operations, KredEx relies on the following values:

Proficiency

We are proficient and willing to cooperate in both developing financing service and guaranteeing activity as well as with any other task. A high professional service level and skilful marketing work ensure the satisfaction of our customers and partners. We value continuous self-development and increase of our professionalism.

Innovation

We can find and offer effective solutions to compensate for the shortcomings of the financing market, keeping pace with the development of entrepreneurship and the living environment and connecting the best skills, experience and resources of areas and organisations from various countries.

Reliability

we fulfil our promises; we are precise and prompt, and make our decisions objectively. We meet the deadlines and follow rules of confidentiality. We are not afraid of admitting our mistakes.

Openness

we are open to new ideas and honest feedback; we understand the expectations and needs of interest groups. The principles of our activities and decisions are clear and transparent. We consider it important to inform our target groups and the wider public of the results of our activities.



2.2. Main principles of the operations of KredEx – state guarantee and self-sustainability

KredEx relies on two main principles – the state guarantee and the principle of self-sustainability. According to the State Support of Enterprise and State Loan Guarantees Act, sureties and guarantees issued by KredEx are from the state. If, despite conservative risk management and the existence of sufficient capital, KredEx cannot fulfil its obligations connected with sureties or guarantees, the state shall fulfil the relevant liabilities according to the law. For that, the state may pay the claims directly to the receivers of the surety or guarantee, or transfer additional funds to the foundation capital of KredEx. At the same time, standards of equity capital and limitations to investment activity have been established in the legislation for risk management.

KredEx is a legal person governed by private law, operating in the form of a foundation. Even though the foundation has been established by the state and the state exercises control over its activity through the Ministry of Economic Affairs and Communications, KredEx acts independently in its decisions. KredEx is not a profit-oriented organisation and relies chiefly on the public interest in its activities. However, decisions are made according to their financial content and no activities that clearly cause loss or have too high a risk are undertaken. KredEx operates by the principles of a credit insurance provider, earning profit from guarantee fees as well as interest and investment incomes from which loss as well as administration expenses are covered. In addition, KredEx provides the administration service of grants in the housing area for the state.

2.3. Management of the organisation

KredEx has a council and a board. The task of the board is to lead the daily activities of the foundation, ensuring the implementation of the council’s decisions and taking responsibility for their fulfilment. The main task of the council is to make strategic decisions regarding the

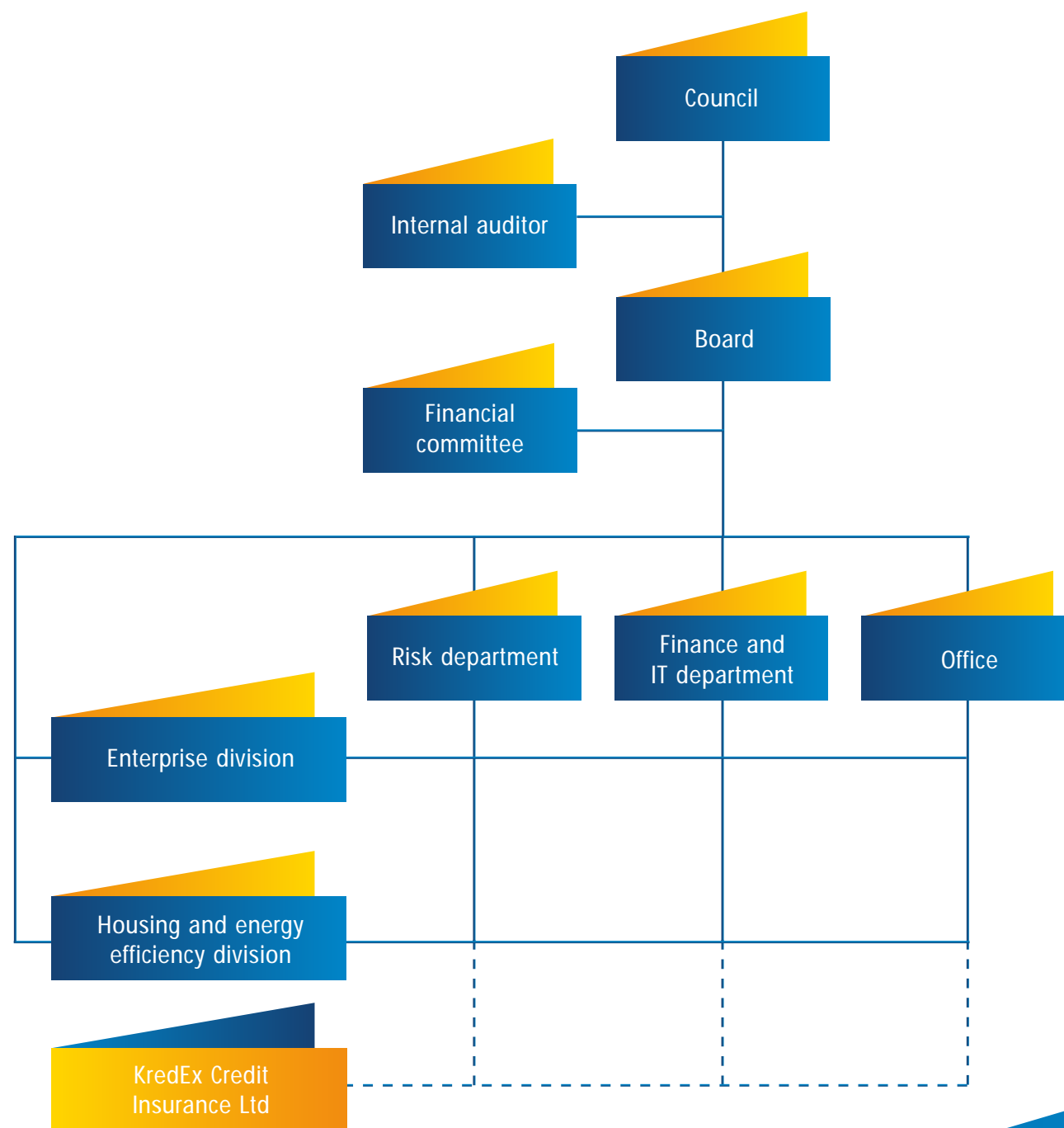
operation of KredEx and the approval and amendment of documents most important for the operations (budget, strategy, activity goals, risk management, principles of cooperation with credit institutions). Also, the approval of the council is necessary for all projects, where the total amount of the guarantee or loan issued by KredEx exceeds one million Euro per one company.

According to the statutes, there are up to seven members in the council of KredEx. The council includes a representative of the Ministry of Economic Affairs and Communications and a representative of the Ministry of Finance.

In 2014 two members of the council changed. The Minister of Economic Affairs and Communications appointed Merike Saks and Rene Tammist as council members, recalling Marika Piske and Andrus Saar. During the year, 12 council meetings took place.

Merike Saks	chairman of the council, Secretary General of the Ministry of Economic Affairs and Communications
Siim Raie	vice chairman of the council, Director of the Office of the Estonian President
Veiko Tali	member of the council, Secretary General of the Ministry of Finance
Marina Kaas	member of the council, Vice President of the Estonian Association of Small and Medium-sized Entrepreneurs EVEA vice president
Valdo Randpere	member of the council, member of Riigikogu
Rene Tammist	member of the council, CEO of Estonian Renewable Energy Association





2.3.1. The team

In order to fulfil the goals of KredEx and ensure sustainability, we value long-term employment. 10 people among our team of 35 have worked for KredEx for longer than ten years. We have achieved good results with a unified and stable team. The average term in office of a KredEx employee is 7 years.

The basis of success of KredEx is a team with common values. During the development interviews once a year, we summarise the previous year and set key tasks and development goals for the new period.

We support the development of our employees with interesting work, a good working environment, and excellent training opportunities. In 2014, there were 5.9 training days per each employee. We received a very positive experience, both emotionally and in terms of work, from the training for the team "Let's do it". We helped a small country school to tidy sports grounds and the surrounding area.

Since 2004, we conduct a staff satisfaction survey every two years in order to evaluate what the management has achieved, understand the processes within the organisation, and get feedback for better organising of the activities. According to the survey conducted at the end of 2014, it appeared that the most important motivators for working at KredEx are the salary, good relationships within the team, and working conditions.

Besides the professional contribution, we value traditions promoting team unity. Our traditions include winter and summer events, a Christmas party for employees' children, and a year-end event with families.



Anto Viigi / Chief Risk Manager

2.4. Risk management and overview of the internal control system

In the activity of KredEx as a financial institution, reliability is essential. Therefore, both risk management and the effective performance of the internal control system form the main principle of a successful operation. Relevant procedures have been established for risk management, which are updated and amended as necessary. The core principle is the so-called four-eyes principle, where every significant financial transaction requires the approval of another person with relevant competence in addition to the performer.

Principles of risk management of KredEx:

- » the risk undertaken and the fee collected are in proportion
- » risks are divided sufficiently, the size of one risk is not too large in comparison with the capital
- » all risk that is not re-insured has been covered with sufficient capital and provisions.

An important goal of risk management is to manage adequate information for service price formation, including estimated volumes and loss amount of each service as well as other important circumstances influencing the total net gain. For that, every risk undertaken is evaluated and classified according to the likelihood of its realisation and the consequent loss amount.

The goal of risk division is to avoid the concentration of similar risks and reduce the negative impact of the realisation of a single but significant risk factor to the financial results of KredEx. In order to avoid jeopardising the sustainability of operations, the principle is that if the realisation of a single risk or a group of risks is significantly influenced by single events or processes, the influence of the risks is limited to a part of the total solvency margin of KredEx. Generally, the amount of such an influence should not exceed 20% of the net assets. Thereby, the division of risks helps to ensure a sufficient number of successful projects in the portfolio in order to guarantee earning of the income necessary for achievement of the goals established in the strategy of KredEx.

To cover regular and predictable loss, sufficient provisions are formed from the incomes and reinsurance is used. Net assets are used to cover extraordinary loss, due to which the undertaking of risks is also limited to the solvency margin.

In order to ensure the impartiality and efficiency of the internal control system, the provider of internal auditing is selected by public procurement. Qualified auditors periodically check the various areas of the foundation's activities, and submit summaries of the audit both to the council and the board. Since 2009, the internal audit of KredEx has been carried out by Ernst & Young Baltic AS. In 2014, among other things, the activity plan of internal auditors involved a seminar on the prevention and influence of the risk of fraud and recruitment procedures.

In addition to the efficient internal control system, both the Ministry of Finance and the Ministry of Economic Affairs and Communications have checked and audited KredEx in regard to the Structural Funds and other foreign funds every year.

From the beginning of operations, KredEx annual reports have been audited by internationally approved auditing companies every year. So far, all reports have been approved without remarks.

2.5. Economic environment and influence thereof to the activities of kredex

In 2014 the Estonian economy grew by 1.8%, the growth engines were mainly private consumption and increased export growth in the second half of the year. The engines for economic growth that is based on domestic demand were increase in household incomes and very low inflation, the main reason of which was reduction in energy prices. In 2014, mostly the processing industry, in which volumes increased by 2%, and retail trading, that increased due to the rapid growth of real wages and thanks to the improved confidence of consumers, contributed to economic growth. Increases in VAT and excise duty receipts significantly contributed to economic growth. The biggest setbacks took place in the transport and construction sectors that have been declining already for two years in a row.

The economic growth of the Eurozone decreased during the first half of 2014 due to poor domestic and foreign demand. In 2014, Estonia was primarily influenced by the economies of its main trading partners: Sweden, Finland, and Latvia. According to Swedbank, the expected economic growth of Sweden is 1.9% in 2014 and 2.2% in 2015; -0.3% and 0.0% for Finland, and 2.4% and 1.9% for Latvia, respectively.

According to Statistics Estonia, in 2014 goods were exported for 12.1 billion euros in current prices and imported for 13.7 billion euros. The trade deficit was 1.6 billion euros, which was 126 million euros greater than in 2013. According to Statistics Estonia, in 2014 Estonian exports decreased by 2% and imports by 1% when compared to the previous year. In 2014, the relative importance of European Union (EU) countries in exports was 72% and in imports 83%. The main foreign partners were Sweden (18.0% of total exports), Finland (15.%) and Latvia (11.0%), and the main export articles were electrical devices, wood and wood products, and mineral products. The biggest decreases were in exports to Russia (by 216 million euros), Finland (by 138 million euros), and Lithuania (by 81 million euros). In 2014, the main reason for exports decrease was the decline in the export of transport vehicles and chemical industry raw materials.

When compared to the previous year, the financial results of enterprises weakened in the third quarter of 2014, although the financial state of enterprises is good. Based on the results of the first three quarters of 2014, the sales income decreased by 2% and was 12.6 billion euros. The decrease in sales income was mainly due to wholesale trade, thereby the sales income of processing industry enterprises increased. In the third quarter, the total profit of the business sector was 859 million euros and in comparison with the year before it decreased by 7%. Construction and wholesale trading enterprises and the processing industry influenced income in a negative way. Last year, a significant reason for an increase in expenses was an increase in labour costs. In current prices, enterprise investments decreased by 16% and this indicator has already been decreasing for four quarters in a row. The main part of decreases are due to the energy sector; processing industry and ICT sector enterprises invested more compared to the previous year. Despite weakened financial results, according to Krediidiinfo, debts of companies both to business partners and to the state remained the same in 2014 as they were in 2013 and the percentage of companies with a negative credit rating (insolvency risk probability higher than 5.0%) in Krediidiinfo was at the same level as in the beginning of the year (ca 11%).

Companies are still good at financing their activities. This ability is supported by accumulated buffers, relatively good access to bank loans, and the very low level of base interest rates. The percentage of the domestic banking sector in corporate debt liabilities continued to decrease in 2014 and was 45% of all corporate debt liabilities in the third quarter. In 2014, the loan balance of enterprises in banks increased by 240 million euros or 3.1%. Growth was supported by long-term loans in real estate, industry, and the agricultural sector. Compared to 2013, the volume of new loans and leases increased by 4%, the average loan amount decreased, i.e. smaller enterprises and projects were more likely to be funded. The improvement in the quality of bank loan portfolios during the first half of the year continued, overdue loans were 1.8% of the loan portfolio.

Last year, the financial situation of households improved due to income increases and extremely low inflation. The volume of new housing loans increased by 20% and the annual growth of the housing loan portfolio was 2.8% and the volume of the portfolio was over 6 billion euros. The further growth of housing loan volume is facilitated by increased loan obtaining ability and very low loan interest rates. Still, households are funding real estate transactions carefully and the

ratio of volume of new housing loans to the total volume of housing real estate transactions has not increased.

Similarly to the previous year, the economic growth engine in 2015 is mainly private consumption. Swedbank's economic growth estimate for this year is 2%. Economic growth is also supported by the increase of foreign demand; the financial situation of Sweden, Estonia's biggest trading partner, should improve. On the other hand, the great decline in the Russian economy influences the financial situation of other important trading partners – Latvia, Lithuania, and Finland – and therefore also export demand. The future profitability of enterprises depends largely on restoring foreign demand and the control of salary costs. According to estimates, private consumption is still strong because net wages grow due to low inflation. The volume of private loans increases due to wage increases and very low interest rates.

3. Activities and results in 2014

3.1. 2014 in brief

In January, KredEx issued the first export loan to a technology company, Defendec, who used the export loan and credit insurance to sell the globally unique Smartdec security and surveillance system to Tajikistan.

In March, KredEx started to accept home grant applications for families with many (4 or more) children.

In March, KredEx terminated the receipt of reconstruction applications for apartment associations due to running out of financial resources. During the period of 2010-2014, 659 apartment buildings were awarded grants and by the end of 2014, grants had been paid in the amount of 35.9 million euros. In total, apartment buildings are investing 135 million euros in renovation thanks to the grant.

In April, KredEx ordered a survey "Surveillance and Analysis of the Internal Climate and Energy Consumption of Reconstructed Apartment Buildings and Conformity thereof to Standards and Energy Audits" carried out by Tallinn University of Technology.

In May, KredEx ordered a survey on the awareness of entrepreneurs, according to which 84% of entrepreneurs know the services of KredEx. When using KredEx services, the respondents put high scores to proficiency, reliability, and the readiness to serve.

In May, an ELMO Rental electric car rental service rental point was opened in Ülemiste City; there are a total of 12 rental points in Tartu and Tallinn.

In May, battery rental along with acquiring of an electric car received support within the ELMO programme.

In July, KredEx terminated the renovation loan programme. During the period of 2009-2014, 615 apartment buildings have been provided with renovation loans with a total amount of 72 million euros. Thanks to these loans, 1.5 million square metres of area have been renovated.

In August, KredEx finished accepting applications for grants for purchase of electric cars. Between 2011-2014, KredEx provided grants for the purchase of electric cars in the amount of 10.5 million euros; the average grant amount per one car was 16,500 euros. Grants for the purchase of electric cars has helped put more than 650 electric cars on Estonian roads.

In September, an ELMO Rental electric car rental service rental point was opened at Tartu railway station. Due to opening the rental point, the number of ELMO Rental cars was increased

in Tartu; two Nissan Leafs and two Mitsubishi i-MiEVs are available for rent.

In September, a survey "Sõpruse pst 244, Tallinn, apartment building post-renovation survey", ordered by KredEx and conducted by Tallinn University of Technology, was completed.

In October, an awareness and satisfaction survey for bank customer managers, ordered by KredEx, was completed. According to survey respondents, KredEx is characterised by reliability, proficiency, and a readiness to serve. The satisfaction of customer managers with the customer service of KredEx is very high: 94% of customer managers are satisfied.

In October, Top Marine OÜ, Estonia's leading manufacturer of floating quays, who used a KredEx loan guarantee, was awarded the title of the Company of the Year at the award ceremony Best Estonian Enterprises 2014.

In November, the government of the Republic approved the amendments to the State Support of Enterprise and State Loan Guarantees Act, the main goal of which is to diversify instruments for supporting entrepreneurship. A fund of funds shall be added to KredEx, for which the Ministry of Economic Affairs and Communications shall in 2014-2020 provide 60 million euros from the means of the structural fund. The amendments increased the maximum guarantee rate of KredEx to 80% and the maximum state guarantee limit for corporate loan guarantees was increased to 160 million euros.

In November, KredEx organised, in cooperation with Eesti Energia, Tartu Regionaalne Energiaagentuur, SEI Tallinn, and other partners, the fifth Energy Saving Week, the goal of which is to increase the awareness of Estonians in regards to options for energy saving and to motivate people to act. During the Energy Saving Week, 62 events took place all over Estonia to create awareness about the ways people actually use energy and how it is possible to decrease consumption.

In December, KredEx opened up supporting measures for the renewal of heating systems of small residential buildings. The grant could be applied for to replace boiler units that run on liquid fuel with heating devices that use renewable energy sources.

Lehar Kütt / Head of Enterprise Division



3.2. Overview of enterprise area results in 2014

3.2.1. Most important updates in the area

In 2014, there was no need for major updates in the area. The focus was rather on the effective implementation of previous updates, a good example of which would be the record volume of guarantees issued throughout the year. Preparations for adapting and supplementing the services due to the new EU budget period were continued.

Preparations were made to transform subordinated loans into capital loans. Besides changing the name, the main substantial updates are increasing the maximum loan amount from 1.1 million to 2.0 million euros and lowering the interest rate.

In regards to the new EU budget period, a new early-phase fund of funds is being planned. In addition, updates are planned in regards to loan guarantees that would make using a guarantee easier for enterprises and would allow KredEx to guarantee the obligations of enterprises in a greater amount than now. As of now, the maximum guarantee obligation associated with a group of enterprises can be up to 2 million euros but that would not allow support for enterprises that are oriented at larger growth.

3.2.2. Guarantee and loan activity of the enterprise area

KredEx guaranteed and financed 422 enterprises in a total amount of 73.0 million euros in 2014. In addition, valid guarantee agreements of 207 companies were amended. The support of KredEx made it possible for companies to include additional financing from banks and KredEx in the amount of 121.4 million euros. Supported enterprises had 9,506 employees. As a result of the projects, 1,104 new jobs are projected to be created.

3.2.3. Business loan guarantees

In 2014, 585 business loan guarantee applications were received by KredEx, and 370 additional

applications to amend existing guarantee agreements, in total 955 applications. This is one application more than the previous year. Guarantees were applied for, totalling 75.9 million euros, and financing connected therewith totalled 126.8 million euros.

492 new guarantee agreements were concluded to guarantee the liabilities of 393 enterprises and 361 current agreements that guarantee the obligations of 207 enterprises were amended. In total, 853 agreements that guarantee the obligations of 600 enterprises were concluded and amended, which is 32 agreements more than the previous year. There were 24 customers less than a year before.

KredEx guarantees in the amount of 68.3 million euros made it possible for companies to include additional financing from banks in the amount of 115.1 million euros. The volume of guarantees issued increased by 30.0% in comparison to the previous year. This is the largest volume of guarantees issued by KredEx during a single calendar year in its history. The previous record was set in 2010.

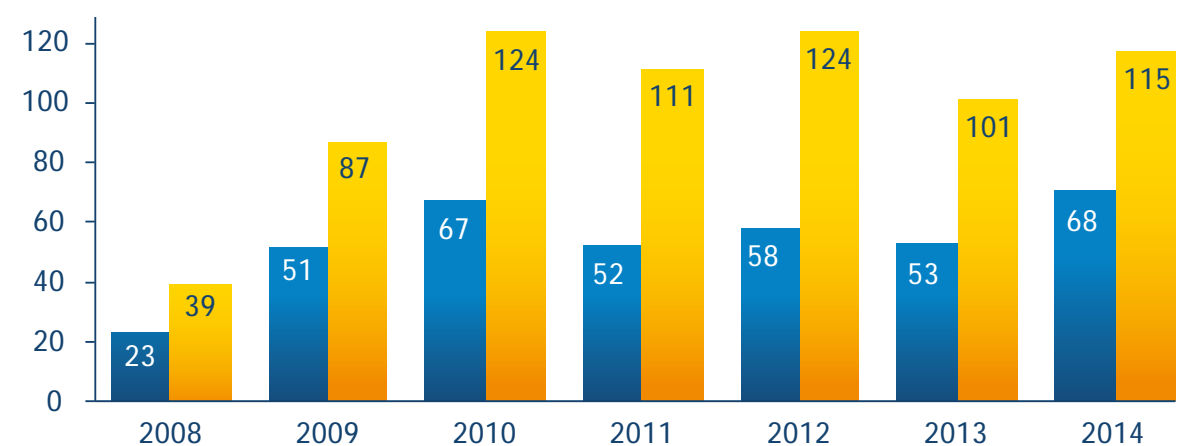


Figure 1. Volumes of issued guarantees and financing with guarantees 2008-2014 (millions of euros).

Enterprises which used loan guarantees in 2014 had in total 9,170 employees. It is planned to create 996 new jobs with the support of the KredEx guarantees.

Loan guarantees for overdrafts and loans for working capital were issued totalling 25.3 million euros, 20.4 million euros for investment loans, 19.6 million euros for bank guarantees, and 2.9 million euros for leases. In comparison to the guarantee volumes issued in the past two years, the share of investment loans decreased from 42.2% to 30.0%, the share of overdrafts and working capital loans increased from 35.1% to 37.1%, the share of bank guarantees increased from 20.2% to 28.7%, and the share of leases increased from 2.5% to 4.2%.

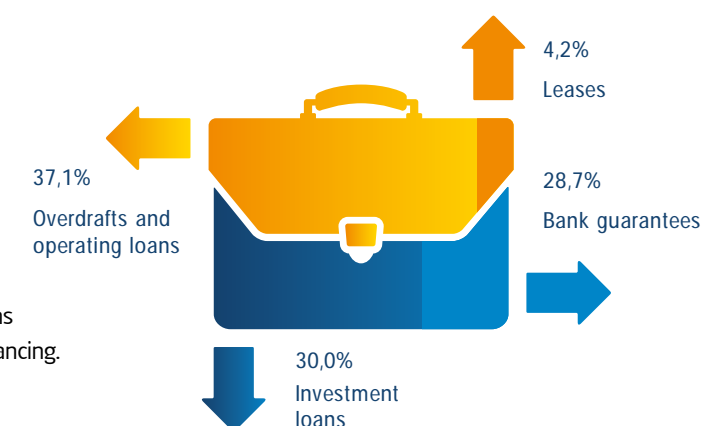


Figure 2. Working capital loans issued in 2014 by types of financing.

By areas, KredEx guarantees were used most by enterprises in the area of construction (22.0%), professional education, research, professional, scientific and technical activities (9.6%), metal industry (9.0%), wholesale and retail trade (7.2%), timber industry (6.4%), and chemical industry (5.8%). The share of other areas of activity remained below 5.0% of guarantee volume issued during the year.

Compared to the previous year, the share of construction has significantly increased (from 13.8% to 22.0%) and the share of trade has decreased (from 12.2% to 7.2%). Changes are not so significant in regards to other areas of activities. The share of the processing industry decreased from 38.9% to 37.7% during the year. The share of areas of activity remaining below 5.0% of the guarantee volume issued decreased from 50.7% to 40.0% in comparison with the previous year.

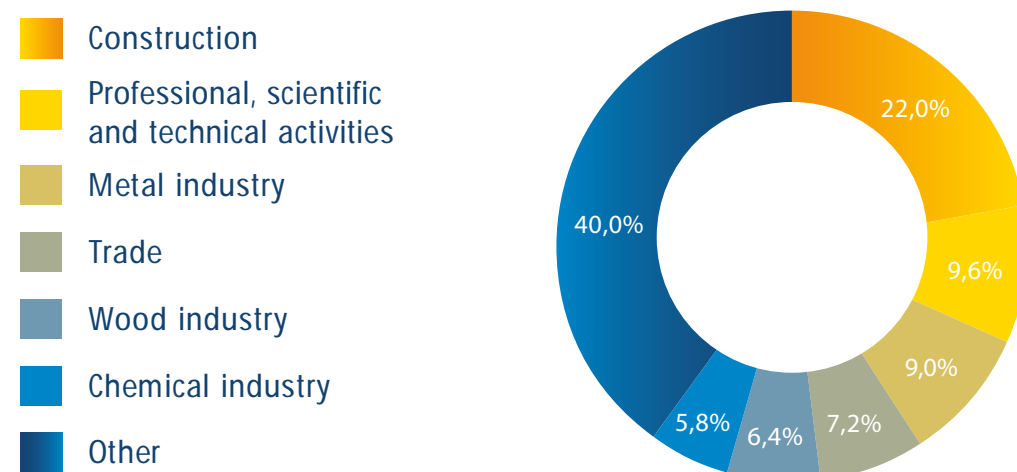


Figure 3. Volume of guarantees issued in 2014 by areas of activity.

In 2014, the share of small enterprises considerably increased (from 35.2% to 47.2%) and the share of medium-sized enterprises decreased (from 33.4% to 25.1%) in the guarantee amount issued by KredEx. Changes in the shares of micro (from 27.1% to 25.7%) and large enterprises (from 4.3% to 2.0%) have not changed significantly in comparison to the previous year.

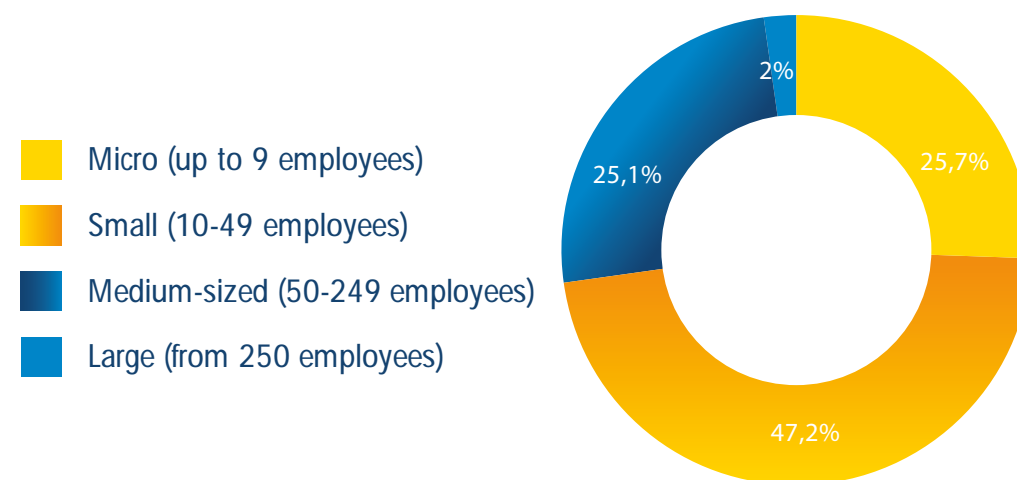


Figure 4. Division of volume of guarantees issued in 2014 by size of enterprises.

It is notable that the share of micro and small enterprises constituted 72.9% of the volume of guarantees issued, which is 10.6% more than in the previous year. According to the number of employees, 61.4% of the new customers that were added in 2014 were micro enterprises, 32.9% small, 5.4% medium-sized, and 0.3% large enterprises. Therefore, according to the number of employees, 94.3% of KredEx customers are micro and small enterprises.

Among loan guarantees within the year, 28 start-up loan guarantee agreements for the guaranteeing of the obligations of 28 enterprises were concluded totalling 0.7 million euros, which made it possible for starting entrepreneurs to obtain financing from banks totalling 0.8 million euros. 36 people worked in the financed enterprises and as a result of the projects, 95 new jobs are projected to be created.

As of the end of 2014, the portfolio of enterprise guarantees included 1,261 valid guarantee agreements of 995 enterprises in the amount of 115.7 million euros. In a year, the number of enterprises in the portfolio decreased by 8.4% and the amount of the portfolio decreased by 7.7%. The balance of guarantee obligations increased in the annual comparison by 13.1%.

Since 2001, KredEx has guaranteed bank loans, bank guarantees, and leasing transactions for 3,014 companies in the total amount of 927.9 million euros. The total guarantee volume is 473.5 million euros. 85,181 people worked in the financed enterprises and as a result of the projects, 11,607 new jobs were projected to be created.

3.2.4. Business loans

During the year, KredEx issued start-up loans to 21 enterprises totalling 0.6 million euros. 24 people worked in the financed enterprises and as a result of the projects, 73 new jobs are projected to be created.

In total, start-up loans and start-up loan guarantees allowed to finance the launches of 49 start-up companies totalling 1.4 million euros. 60 people worked in the financed enterprises and as a result of the projects, 168 new jobs are projected to be created.

During the year 15 technology loan and subordinated loan agreements were concluded with seven enterprises totalling 0.9 million euros. Thanks to the subordinated loans of KredEx, entrepreneurs used additional financing from banks in the amount of 2.5 million euros and are planning investments in the total amount of 4.1 million euros. 274 people worked in the financed enterprises and as a result of the projects, 35 new jobs are projected to be created.

One export loan in the amount of 3.2 million euros was issued. The loan was used to finance the export of an Estonian enterprise's construction services and this allowed the exporter to offer the client a longer payment term. 38 people worked in the financed enterprise.

3.2.5. Venture capital

At the beginning of 2013, the Baltic Innovation Fund (BIF) which was created in cooperation between the three Baltic States and the European Investment Fund started its operations. The total volume of the fund is 100 million euros, of which the contribution of each country through KredEx (Estonia), LGA (Latvia), and Invega (Lithuania) is 20 million euros, and the European Investment Fund contributes 40 million euros. Via fund managers, at least the same amount of investments from private investors shall be added as well.

The goal of the BIF is to offer additional financing opportunities to regional enterprises with good growth potential, and develop the capital market of the Baltic countries. The BIF is a fund of funds; it invests into sub-funds, managed by private fund managers, which in turn invest into enterprises. So far, BIF has given mandates to BaltCap Private Equity Fund II, BPM Mezzanine Fund, and Livonia Partners Fund I. As of today, the first two have raised the required amount of money also from private investors and started with investment activities.

In 2014, preparations were continued to start another fund of funds, from which about 60 million euros are intended for investment into sub-funds that invest into start-up and early-phase Estonian enterprises. The early-stage fund of funds will presumably start operations in the second half of year 2015.

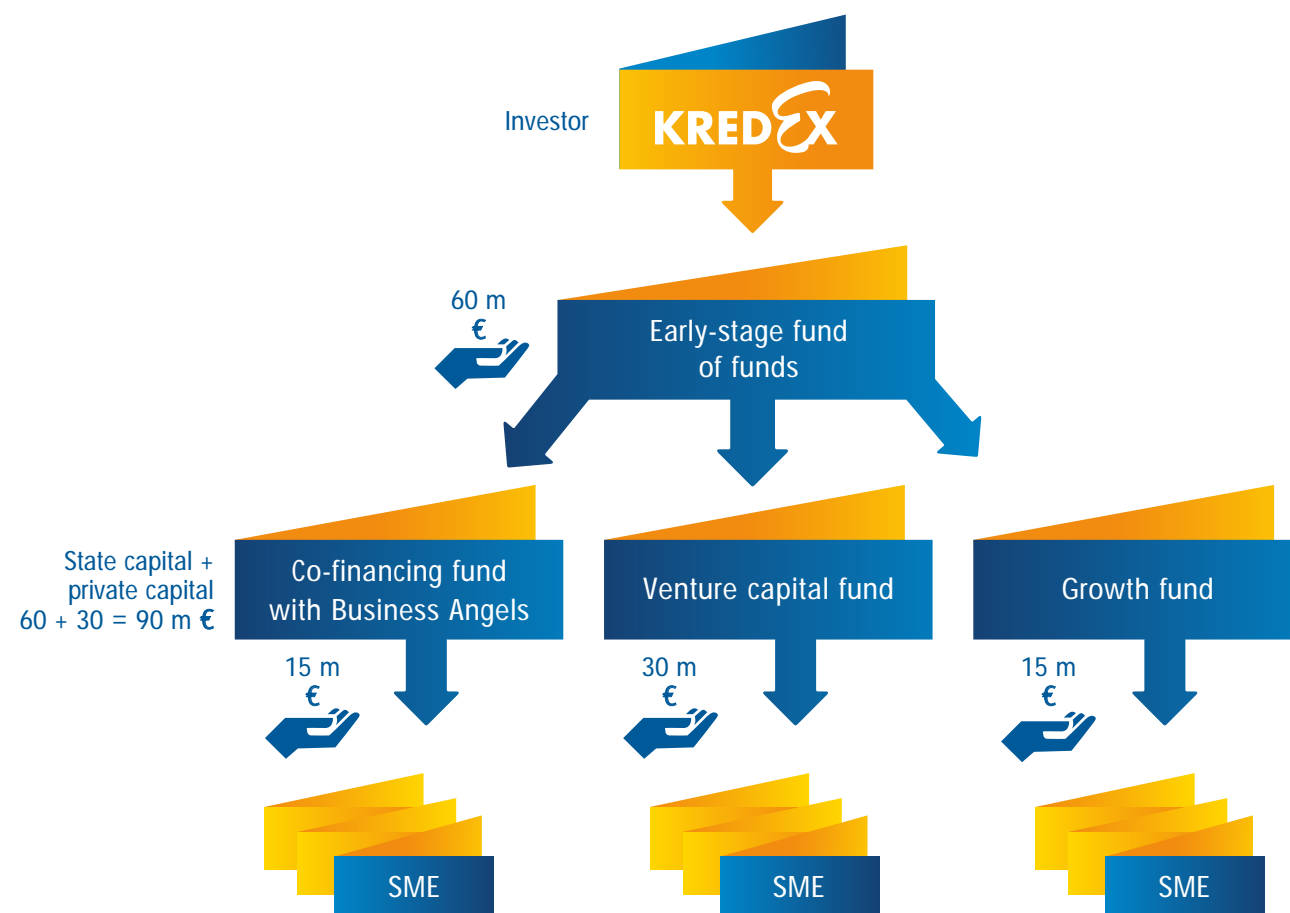


Figure 5. Planned early-stage fund of funds.

Triin Reinsalu / Head of the housing and energy efficiency division



3.3. Overview of results in the area of housing and energy efficiency in 2014

3.3.1. Most important updates in the area

In 2014, the most important activities in this area were organising the subsequent call for grants for families with many children, developing the rental service, and the active issuing of ELMO grants, as well as developing the terms and conditions for apartment building reconstruction grants and implementing the support scheme for the introduction of renewable energy for small residential buildings.

In 2014, the volume of housing loan guarantees increased significantly, which, compared to 2013, increased slightly more than 27%; young specialists are those most willing to use housing loan guarantees.

Since 2008, KredEx has issued grants for families with many children to improve their living conditions. In 2008-2014, 2,048 applications totalling 14,7 million euros were funded. In this year's call, 570 applications totalling 4 million euros were submitted; division employees conducted 456 spot inspections and grants were provided for 230 families.

The ELMO rental service has been open since July 2013. In 2014, the cars have been used more and new rental points have been opened in Tallinn, in Ülemiste City and in Tartu, near the railway station. The service promoting electric cars has been used more than 11,000 times since its launch, and more than 720,000 kilometres were driven in rented cars in 2014, 970,000 kilometres since launching the service.

The activity for applying for the grant for the purchase of electric cars increased significantly in 2014; in addition to common electric cars, as of May 2014, it became possible to apply for a grant to purchase a car that uses rented batteries. In total, 499 applications were submitted in 2014, of which 415 were funded. As of July 2011, the purchase of 659 electric cars has been funded, the

funds for grants have become exhausted and therefore, the ELMO grant has been terminated. In 2014, both the renovation loan programme and apartment building reconstruction grant were terminated. The total of investments, including loans and grants, into apartment building reconstruction was about 140 million euros; thanks to the conducted activities, the living conditions of 60,000 residents were improved. Due to the previously mentioned programmes being terminated, an analysis of grants was issued in 2014 and Tallinn University of Technology conducted various different surveys. According to the analysis and surveys, new terms and conditions were developed for apartment building reconstruction grants in 2014, the established requirements in which are largely directed towards improving internal climate as well as technical requirements that ensure a high quality of reconstruction.

At the end of 2014, a grant was introduced for the deployment of renewable energy and heating systems in small residential buildings, designed for the owners of small residential buildings that have so far used liquid fuel as their fuel type. The goal of the grant issued is to increase the introduction of renewable energy production units instead of fuel types that most harm the environment. In 2014, 94 applications were submitted to KredEx within the respective grant scheme, the maximum grant amount was 4,000 euros and 5 million euros was provided for grants.

In 2014, two surveys were also completed that significantly influence area-based awareness. KredEx ordered a more general survey "Surveillance and Analysis of the Internal Climate and Energy Consumption of Reconstructed Apartment Buildings and Conformity thereof to Standards and Energy Audits" carried out by Tallinn University of Technology; moreover, Tallinn University of Technology also completed a survey describing and analysing the reconstruction results of the apartment building located at Sõpruse pst 244.

3.3.2. Guarantee and loan activity in the housing and energy efficiency area

KredEx helps to limit housing-related financing problems and to preserve existing housing. With the help of housing loan guarantees, young families, young specialists, tenants of restituted houses and, as of 2013, veterans of the Defence Forces or the Defence League can take out loans with a lower rate of self-financing for the purchase or renovation of housing.

The total amount of housing loans issued in 2014 was 818.9 million euros (685.7 million euros in 2013). The volume of housing loans issued with a KredEx guarantee in year 2014 was 106.8 million euros. In 2013, housing loans with a KredEx guarantee were issued for 85.02 million euros, the monthly average was 702 million euros. In 2014, the volume of housing loans issued with a KredEx guarantee formed 13.1% of the volume of housing loans issued in Estonia (12.4% in 2013). The largest amount of loans with a KredEx guarantee was issued in October for 10.3 million euros, and the smallest in May for 6.2 million euros; the monthly average amount of housing loans with a KredEx guarantee was 8.9 million euros.

The number of housing loan guarantees issued in 2014 was 16.2 million euros, which is 3.5 million euros (27.3%) more than the previous year. By the end of 2014, the volume of housing loan guarantees of KredEx reached 34.3 million euros (30.4 million in year 2013). 1975 households purchased or renovated their homes in 2014, of which 895 young families in the amount of 7.2 million euros; 1,062 young specialists in the amount of 8.91 million euros, and 18 veterans in the amount of 144,720 euros. Since 2000, 26,826 households have improved their living conditions with the help of KredEx.



Figure 6. Volume of KredEx guarantees (millions of euros) 2006-2014

3.3.3. Facilitating reconstruction of residential buildings

In 2014, for the reconstruction of apartment buildings, KredEx offered apartment building renovation loans, apartment building loan guarantees, and also reconstruction grants. A renovation loan was issued under cooperation agreements with banks according to the terms and conditions of the renovation loan programme and it is unique because of its fixed interest rate for a longer period than normally available. In 2013, agreements for issuing of renovation loans were concluded with banks in the amount of 23 million euros, of which 22 million euros have also been issued to apartment buildings.

During 2014, a total number of 25 loan agreements were concluded in the amount of 4.3 million euros; the total investment amount with the help of loans was 6.7 million euros. The self-financing amount of the loan agreements concluded in 2014 was 32.8% and the average length of the loan period was 17.4 years. The average area of the buildings which used a loan was 2,025 m²; the average number of apartments was 36, and 28% of the buildings were in Tallinn. The renovation loan programme was concluded in 2014 and the programme results have been included in the following table.

	2014	Total from 24 June 2009
Number of renovated buildings	25	615
Number of apartments	900	22 534
Number of inhabitants	2 070	51 828
Closed net area of the residential buildings	50 635	1 492 824
Total sum of investment, in millions of euros	6,67	102,74
Loan amount in millions of euros	4,26	71,97
Average loan in thousands of euros	170 519	117 022
Expected energy saving	47%	40%

Table 1. Renovation loan programme results

With the help of loans, mainly the insulation of façades (518 cases) and roofs (320 cases) and renovation of the insulation and ventilation (233 cases) and heating systems (327 cases) of apartment buildings were carried out.

Apartment buildings seeking loans from banks for renovation can also apply for a loan guarantee from KredEx. The loan guarantee is suitable for apartment buildings rated at a higher than average risk by a bank due to the apartment building location, its smallness, or number of debtors, or for those seeking the KredEx guarantee to insure the risk of payment difficulties.

During the year, 69 loan guarantees of apartment buildings were issued totalling 4.1 million euros, which is 87% of the guarantees issued in 2013. In 2014, the apartment building guarantee portfolio reached 18.2 million euros, increasing by 2.9 million euros in one year.

Since 2002, the total number of apartment buildings having received a loan for renovation with a KredEx guarantee has been 760, totalling 41.4 million euros.

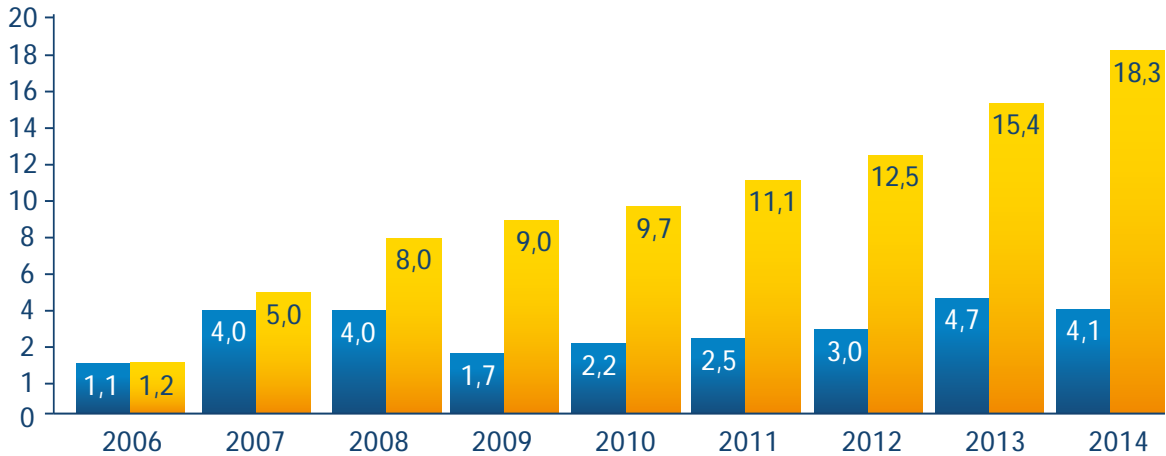


Figure 7. Volumes of apartment building renovation loan guarantees 2006-2014 (millions of euros).
■ The volume of apartment building loan guarantees issued by KredEx, millions of euros
■ Apartment building guarantee portfolio, in millions of euros

State grants for housing sector

In addition to the above financial instruments, reconstruction grants are issued to apartment buildings, the source being the funds obtained from the sale of Assigned Amount Units (AAUs). Reconstruction work is supported by 15%, 25% or 35%, depending on the volume of the work completed.

In 2014, 104 decisions were made to reconstruct 97 apartment buildings. The total volume of decisions in 2014 was 9.1 million euros; with the help of which in total 29.8 million euros are invested into apartment buildings. In 2014, the total grant amount issued was over 14.6 million euros.

The funds for issuing the respective grant ran out in March 2014 and the call for applications was closed.

Since autumn 2010, when the grant call was opened, there have been 770 positive grant decisions. There are a total of 659 apartment buildings which received the grant (the division of the grant has been shown in figure 8). The total volume of decisions was 37.9 million euros; with the help of which in total 135 million euros are invested. The total amount of grants paid to apartment buildings by the end of 2014 was 35.9 million euros.

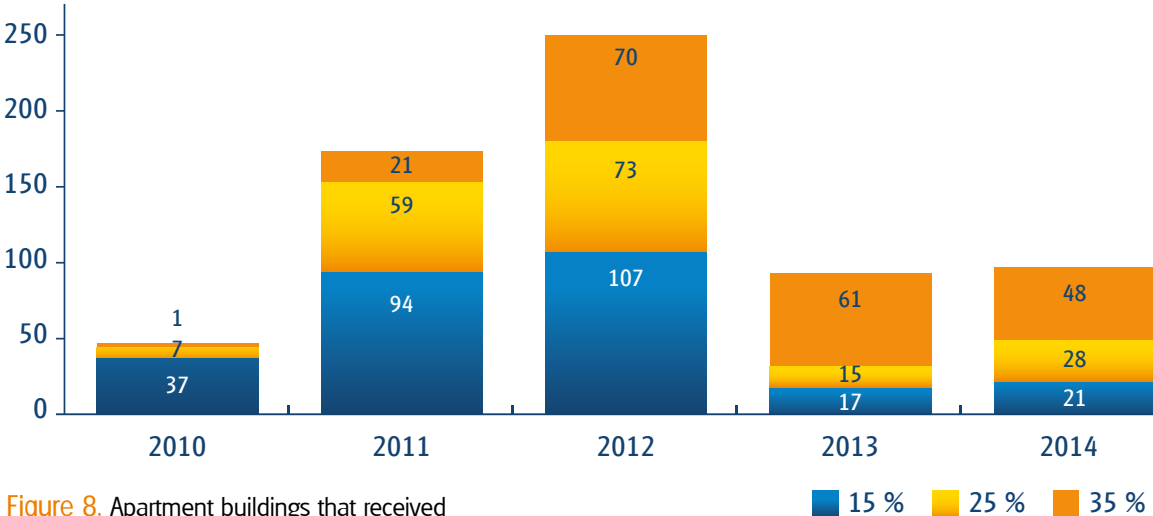


Figure 8. Apartment buildings that received the grant decision by grant % 2010-2014

Additionally, designs of apartment buildings were supported in 2014 by 90% for buildings that wish to reconstruct their building according to the terms for the reconstruction grant of 35%. The measure ended in 2014, and the results of the measure in 2011-2014 are provided in the table below.

Total design grant	
Number of applications	190
Positive decisions	73
Renovated apartment buildings	62
Apartment buildings which renounced the renovation	11
Reconstruction grant (35%), €	8 248 540
Payments of design agreements, €	1 342 085
Cost of owner supervision agreements, €	569 451

Table 2. Results of design grant measure

Within the “Strategy of Children and Families 2012-2020” KredEx shall in cooperation with the Ministry of Social Affairs implement the measure to improve the living conditions of families with many children, the basis of which is approved by a directive of the Minister of Economic Affairs and Infrastructure “Home Grant for Families with Many Children”; the applications are proceeded according to the agreements concluded between Ministry of Economic Affairs and Communications and KredEx.

The target group of the grant scheme is households with low income, with at least four under 19-years-old children, who according to the population register entry live in a dwelling that serves as the object of the project (except for purchasing or building a new housing). Eligible activities are decreasing the repayment of the main part of the current housing loan, purchasing, building, reconstructing, renovating, or expanding a housing, the construction, replacement, or updating of technical systems or networks. The maximum support grant per one project in 2014 was 8,860 euros.

During the period 07.04.2014-19.05.2014 KredEx organised a new call for home grant applications. The call received 570 applications totalling 4.2 million euros. 82 applications were rejected, 488 applications met the requirements. The grant applicants were geographically distributed evenly all over Estonia. The majority of applications were received from Harju and Ida-Viru County, in which the number of residents is higher than in other counties.

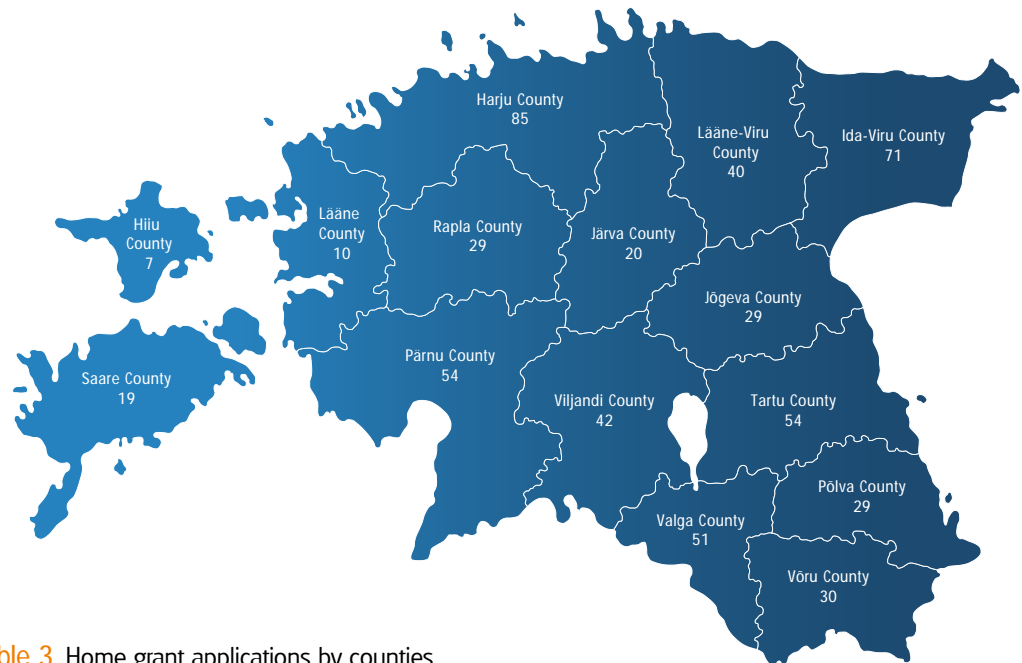


Table 3. Home grant applications by counties

Of the applications received, the applications of 230 families were funded. Of the families whose applications were funded, 129 received a grant for the first time, 75 for the second time, and 26 for the third time. The average grant amount per family is 8,638 euros. There are 1,177 children in the families that received funding, an average of 5 children per family. 129 families have 4 children, 55 families 5 children, 25 families 6 children, and 40 families 7 or more children.

Most of the applications, 311, were for renovating/reconstructing a privately owned housing, 149 for the partial repayment of the remaining balance of the housing loan, and 59 for purchasing a housing.

In 2008-2014, 3,498 applications totalling 31,6 million euros were submitted, of which 2,048 applications totalling 18,6 million euros were funded. Throughout the years, a one-time grant has been given to 1,723 families, 299 families have received a grant on 2 occasions, and 26 families 3 times. The average grant amount per family is 8,995 euros.

In December 2014, KredEx introduced submission of grant applications for renovating the heating systems of small houses. The grant is for private persons who own small houses and wish to replace boiler units that work on liquid fuel, with a heating device that uses renewable energy sources. The amount of the grant is up to 40% of the eligible costs associated with the supported activities. The maximum possible grant is 4,000 euros per applicant. In December, 94 applications were submitted; active funding of the projects shall continue in 2015 and 2016.

3.3.4. Increasing of awareness

With its cooperation partners, KredEx has, since 2011, organised Energy Saving Week that has now become more talked about. Energy Saving Week 2014 was carried out on November 10-16, 2014, but due to the large number of events, some planned happenings also took place in the week after the main campaign. Energy Saving Week 2014 involved more than 62 different undertakings. Besides Tallinn and Tartu, different events of Energy Saving Week 2014 were also organised in Haapsalu, Jõgeva, Jõhvi, Kohtla-Järve, Kose, Paide, Pärnu, Rakvere, Rõuge, Valga, Viljandi, and Võru. More than 3,000 people participated in the events of Energy Saving Week 2014.

KredEx has carried out various surveys on the energy efficiency of apartment buildings, which are directed towards analysing current solutions and developing efficient new ones. In April, KredEx ordered a survey "Surveillance and Analysis of the Internal Climate and Energy Consumption of Reconstructed Apartment Buildings and Conformity thereof to Standards and Energy Audits" carried out by Tallinn University of Technology and completed in May 2014; it has been accepted by KredEx and published on its website. In addition, a post-reconstruction survey was ordered from TUT for the apartment building at Sõpruse pst 244 that was reconstructed within the project "Healthy and Economical Homes", initiated by Swedbank; the survey shall give feedback about the building quality of the performed works, the internal climate of the building, and the satisfaction of the inhabitants and shall forward recommendations about further reconstruction requirements. The survey was completed in September 2014, it has been approved by KredEx and published on its website.

As the renovation loan programme and the apartment building reconstruction grant that supported it were terminated in 2014, KredEx analyst Margit Lauri compiled a summarising analysis of the activities performed. Among other things, the analysis showed that the decision to proceed with reconstruction works was influenced mostly by the price of heating and the household income, while a state grant carries a significant role when making an investment. The respective analysis is also available on the KredEx website.

In order to increase awareness, the employees of the Housing and Energy Efficiency Division of KredEx participated in events organised by partners to introduce financial measures for the reconstruction of apartment buildings. Also, the information on energy efficiency on the web page is constantly updated and the employees participate actively in the development of different programmes, instructions, and activity plans that increase energy efficiency awareness.

3.3.5. ELMO – Estonian Electrical Mobility Programme

One of the most important parts of the ELMO programme is the construction and operation of a quick charging network as vital infrastructure for using electric cars. Quick chargers for electric cars have been placed all over Estonia to ensure sufficient freedom of movement for all users of electric cars. There are 165 quick chargers in Estonia, of which 101 are in towns and 64 by roadsides; the largest number of quick chargers were installed in Tallinn, Tartu, and Pärnu. As of the end of 2014, the number of customers of the quick charging network was 1,208, of whom 68% are private customers. Since opening, the chargers have been used more than 106 thousand times, of which 75 thousand in 2014; the average charging session in 2014 was 28 minutes and 8.8 kWh.

Within the ELMO programme, in June 2013, KredEx started to offer a short-term rental service making it possible for everyone to use an electric car without owning it. The service is operated

and the business processes managed by G4S Eesti AS, who won both public procurements; AS Ühisteenus communicates with customers on behalf of KredEx. The rental service can be used in Tallinn and Tartu, the service is offered with 24 cars, of which 16 are Nissan Leaf and eight Mitsubishi i-MiEV. By the end of 2014, more than 4,100 people (82% men, with an average age of 32 years) had registered as rental service users; since the opening rental cars have been used more than 11,000 times. The using of electric cars during summer and winter periods varies a great deal; while in summer the average rental session is 12 hours and the average mileage about 120 km, then it is half the length during winter, whereas there are somewhat more rental sessions during winter. In total, about 720,000 kilometres were driven in rental cars in 2014. Nissan Leaf was the preferred car, while the use of Mitsubishi has increased in comparison with 2013; in 2014 it was 40% whilst a year earlier it was only 25%.

In 2014, the agreement between the Republic of Estonia and Mitsubishi Corporation was amended; the amendment extended the deadline for paying the grant and using the funds. In addition to the above-mentioned, the grant regulation was amended in May 2014, specifying the grant requirements and adding electric cars that use rented batteries among the supported vehicles.

The activity of application for the purchase grant of electric cars significantly increased in 2014. In comparison to the average of the first quarter of 2013 it increased 4 times and in comparison by third quarter it increased almost 6 times. In total, 499 applications were submitted in 2014, of which 415 were funded. In August 2014, funding of grants was terminated due to running out of budgetary funds; in total, the purchase of 659 electric cars was supported since July 2011. The largest number of applications was submitted for the purchase of the Nissan Leaf – a total of 374 vehicles, and the most active applicants are from Harju County (74%). In 2014, new electric car models, such as Volkswagen e-Up and e-Golf, Nissan e-NV2000, Mitsubishi Outlander PHEV, and Tazzari Citysport, were added.

It is still possible to visit the electric car demo centre at the science centre AHHA in Tartu, this option shall also be open in 2015. The exposition includes a Mitsubishi i-MiEV rebuilt as a simulator, a simulator of the electric car charger and a comparison stand with the engines and work principles of a standard car and an electric car, as well as a number of information stands on electric cars, which are also changing as ELMO develops. The exposition shall be open for visitors from 28 June 2013. Since then, more than 320,000 people have visited the centre and more than 680 test drives have been undertaken with the two electric cars of the AHHA centre.

In 2015, the implementation of the ELMO programme will continue in the quick charging network and short-term rental service.



4. Financial results and paid loss

Thousands of euros	2014	2013
Income from core activity (gross)	6 147	6 545
Guarantee activity	3 054	2 902
Crediting activity	2 248	2 624
Targeted financing of operational expenses from the state budget	845	1 019
Paid loss	-3 097	-2 537
Loss provisions formed for guarantees (gross)	-1 835	-2 311
Discounts of subordinated loans (gross)	-2	-371
Administration expenses	-2 178	-2 243
Profit of the reporting period	1 233	878

	31.12.2014	31.12.2013
Loan receivables	69 859	89 012
Technical provisions	6 459	7 528
Foundation capital	71 766	70 888
Balance sheet total	176 204	201 333
Off-balance-sheet liabilities (guarantee portfolio)	168 271	148 035

By areas of activity, income related to the core activity increased in the area of services related to the housing area. That concerned both guarantee and credit activities. Income related to the enterprise area decreased. The decrease in income was mainly due to crediting activity where the interest income decreased in comparison to the previous year due to the premature termination of loan agreements and the general decrease in portfolio volume.

In 2014, there were less paid losses in the housing area than a year before. In the enterprise area, a larger amount of losses was paid out, but these were loss events that had occurred in previous years. The number of new loss events added in 2014 decreased in comparison to the previous year. The expenses of loss events were covered with guarantee fees and there was no need to cover additional expenses (in 2013, the additional provision was 204.8 thousands of euros). In case of subordinated loans, already formed provisions were cancelled in the amount of 878 thousand of euros (in 2013, the discount expense was 370.8 thousands of euros).

The total profit of year 2014 was 1.2 million euros. From year 2001, KredEx has earned profit in the total amount of 6.2 million euros.

5. Plans for year 2015

Offering of the current guarantees, loans, and risk capital will continue in 2015 and presumably in approximately similar amounts as before. KredEx is constantly seeking to expand financing opportunities for companies and residents and to compensate for market deficits. It is planned to implement the funds of the new EU programme period, substantial amounts of which shall be used as grants for apartment building renovation works and for the provision of different financial instruments in the enterprise area. With the help of EU funds it is planned to make loans and guarantees more favourable for entrepreneurs, and start to provide exporters with more substantial loan guarantees. A new risk capital fund of funds is being created, especially for the financing of start-up and early-phase enterprises. As the current counter-guarantee of the European Investment Fund is about to terminate, it is planned to submit an application for its continuation.

The housing and energy efficiency area continues the use of the integrated package of services to make apartment buildings more energy efficient, including information activities, grants and loan guarantees, and loan resources on good terms, if financing conditions become less favourable. If previously the offering of the above services greatly depended on various single financing sources, with the help of the EU instruments it is possible to ensure the stable existence of the grant for the following years.

The operations of KredEx have a strong basis, and important organisational changes are not planned. However, internal regulations are consistently updated and the efficiency of work procedures improved. Among other things, during the year it is planned to exchange the guarantee and loan calculation software, which enables an improved overview of the obligations undertaken and improves the efficiency of the process of issuing guarantees and loans, as well as risk management.

6. Annual accounts

6.1. Balance sheet (in EUR)

Assets	31.12.2014	31.12.2013	Notes
Current assets			
Cash and bank accounts	82 674 196	89 349 363	3
Short-term financial investments	14 159 336	15 156 102	4
Short-term loan receivables	7 963 068	28 359 112	5
Receivables and prepayments	1 570 329	1 015 104	6
Total current assets	106 366 929	133 879 681	
Fixed assets			
Long-term investments	7 945 045	6 598 131	7
Long-term loan receivables	61 944 112	60 652 918	5
Tangible assets	85 313	71 591	8
Intangible fixed assets	188 088	131 015	9
Total fixed assets	70 162 558	67 453 655	
Total assets	176 529 487	201 333 336	
Liabilities			
Obligations			
Current liabilities			
Debts and prepayments	507 205	396 760	10
Short-term part of long-term loans	5 864 746	13 886 208	15
Short-term technical provisions	3 004 786	2 669 832	11
Other short-term provisions	84 810	84 810	11
Targeted financing for housing grants	4 123 131	3 364 291	12
Targeted financing for the application of the green investment scheme	7 082 673	21 523 923	13
Targeted financing for supporting measures of entrepreneurship	13 027	737 898	14
Total current liabilities	20 680 378	42 663 722	
Long-term liabilities			
Long-term technical provisions	3 454 689	4 858 118	11
Long-term loans	33 103 764	34 853 477	15
Targeted financing for supporting measures of entrepreneurship	44 363 258	42 815 601	14
Targeted financing for the application of the green investment scheme	1 928 315	4 376 437	13
Total current liabilities	82 850 026	86 903 633	
Long-term liabilities	103 530 404	129 567 355	
Net assets			
Foundation capital	71 765 981	70 888 200	
Total net gain of the reporting year	1 233 102	877 781	
Total net assets	72 999 083	71 765 981	
Total liabilities	176 529 487	201 333 336	



6.2. Income statement (in EUR)

Operating income	2014	2013	Notes
Guarantee fees	2 998 485	2 839 094	16,17
Interest income from loans	1 526 360	1 644 024	17
Intermediation of targeted financing for housing grants	1 583 888	3 781 485	16
Intermediation of the targeted financing for the implementation of the green investment scheme	22 281 594	17 218 917	16
Targeted financing to cover operating expenses	844 829	1 018 847	16
Total operating income	29 235 156	26 502 367	
Operating expenses			
Intermediation of targeted financing for housing grants	-1 583 888	-3 781 485	16
Intermediation of the targeted financing for the implementation of the green investment scheme	-22 281 594	-17 218 917	
Administrative expenses	-2 177 502	-2 243 067	20
Other operating income and expenses	235 099	127 701	18
Total operating expenses	-25 807 885	-23 115 768	
Provisions and impairment losses			
Provisions for claims from guarantee activities	-1 631 784	-2 000 622	
Loan losses	45 759	-72 091	
Total provisions and impairment losses	-1 586 025	-2 072 713	
Financial income and expenses			
Net income from securities	136 271	195 995	4
Interest income from deposits	253 264	276 347	3
Interest expenses	-1 096 826	-947 260	
Profit/loss from associated undertaking	123 549	65 971	7
Other financial income and expenses	-24 402	-27 158	19
Total financial income and expenses	-608 144	-436 105	
Net income for the reporting period	1 233 102	877 781	

6.3. Cash flow statement (in EUR)

Cash flow from principal activities	2014	2013	Notes
Net profit	1 233 102	877 781	16
Adjustments to income	211 088	408 258	
Change in receivables and prepayments	-1 270 147	-1 253 582	
Change in liabilities and prepayments	110 445	-222 165	
Change in provisions	-1 068 475	7 630	
Change in loan receivables	19 104 850	-2 032 163	
Change in loan obligations	-9 771 175	2 388 384	
Change in targeted financing	-15 307 746	6 597 442	
Total cash flows from principal activities	-6 758 058	6 771 585	
Cash flows from investing activities			
Acquisition of short-term financial investments	0	-13 694 095	
Sale of short-term financial investments	600 000	3 620 678	
Acquisition of long-term financial investments	-1 075 200	0	
Interest income received	714 922	705 886	
Acquisition of fixed assets	-156 831	-35 434	8, 9
Sale of fixed assets	0	6 683	
Total cash flows from investment activity	82 891	-9 396 282	
Total cash flows	-6 675 167	-2 624 697	
Cash and cash equivalents at the beginning of the period	89 349 363	91 974 060	
Change in cash and cash equivalents	-6 675 167	-2 624 697	
Cash and cash equivalents at the end of the period	82 674 196	89 349 363	

6.4. Statement of changes in net assets (in EUR)

	Enterprise trust funds	Export trust funds	Housing trust funds	Undistributed income	Net assets total
Balance 31.12.2012	30 967 830	6 121 390	32 920 451	878 529	70 888 200
Tulemi jaotamine sihtfondidesse	526 678	28 128	323 723	-878 529	0
Aruandeaasta tulem	0	0	0	877 781	877 781
Balance 31.12.2013	31 494 508	6 149 518	33 244 174	877 781	71 765 981
Tulemi jaotamine sihtfondidesse	323 959	-27 975	581 797	-877 781	0
Aruandeaasta tulem	0	0	0	1 233 102	1 233 102
Balance 31.12.2014	31 818 467	6 121 543	33 825 971	1 233 102	72 999 083

Additional information regarding the change in net assets has been provided in Note 21.

6.5. Notes to the annual accounts

Note 1. Principles of drafting of the annual accounts

The 2014 annual accounts of Foundation KredEx have been drafted in accordance with the good accounting practice of the Republic of Estonia, based on internationally approved calculation and reporting principles. The general requirements of accounting principles generally accepted in Estonia have been established by the Accounting Act of the Republic of Estonia, complemented by instructions issued by the Estonian Accounting Standards Board. The financial year started on 1 January 2014 and ended on 31 December 2014.

The numeric figures of the annual accounts have been presented in euros.

If necessary, benchmark data has been adapted to the method of the presentation of reports of the current year.

Note 2. Calculation methods and evaluation principles used in drafting of the annual report

Cash and cash equivalents

Cash and money in the bank, demand deposits and short-term bank deposits are registered as cash and cash equivalents. Cash flows from business activity are recorded by the indirect method in the cash flow report. Cash flows from investment and financing activity are registered by direct method.

Financial investments

All purchases and sales of financial assets taking place in ordinary market circumstances are registered on the date of those transactions, i.e. on the date when the foundation undertakes a liability (e.g. concludes a contract) for the purchase or sale of a certain financial asset. Sales and purchases taking place in ordinary market circumstances are such purchases and sales for which the transfer of the purchased or sold financial assets takes place during the period characteristic for the relevant market or in accordance with the relevant market regulations.

After the initial registration all financial assets are recorded in their fair value, except:

- » claims against other parties that the foundation has not acquired for the purpose of resale and financial investments maintained until the redemption date are recorded in their adjusted acquisition cost;
- » investments into shares and other instruments of equity capital the fair value of which cannot be reliably evaluated (including derivative instruments connected with such assets) are recorded in their acquisition value.

Financial assets recorded at fair value

Financial assets recorded at fair value are re-evaluated on every balance sheet date into their fair value, from which possible transaction costs accompanying the realisation of the property have not been deducted. For publicly traded securities the fair value is based on the closing prices on the balance sheet date and the official currency exchange rates of the European Central Bank. For securities that are not publicly traded the fair value is used, which is found according to all information available to the foundation about the value of the investment.

Profit and loss from the change of fair value are recorded in the income statement on the line "Net income from securities". The change in the fair value of financial assets acquired for the purpose of trade is recorded in the income statement on the line "Net income from securities". Profit and loss upon the realisation of financial assets recorded at fair value, as well as interests and dividends from the relevant securities are recorded in the income statement on the line "Net income from securities".

Claims and financial investments maintained until the redemption date

Claims against other parties that the foundation has not acquired for the purpose of resale and financial investments maintained until the redemption date shall be recorded in their adjusted acquisition cost. The adjusted acquisition cost is calculated for the whole validity period of the financial assets, whereas any discount or premium that occurred upon the acquisition, or expenses directly connected to the transaction are considered.

Financial assets recorded by the method of adjusted acquisition cost are discounted, if it is likely that the value covered by them is smaller than the book value. Discount of financial assets connected with business activity is reflected in the income statement as an expense, and the discount of financial assets connected with investment activity is reflected in the income statement as financial expense.

Upon payment of a claim discounted earlier or other events showing that the discount is no longer justified, the cancellation of the discount is reflected in the revenue statement as a reduction of the expense in which the discount was initially reflected.

Interest income from claims is recorded in the income statement on the line "Financial income and expenses"

Financial assets recorded in acquisition cost

Financial assets recorded in their acquisition cost shall be discounted to their covered value if the latter is smaller than the book value of the financial assets. The covered value of the financial assets reflected in acquisition cost is the cash flows probably obtainable from the financial asset in the future discounted by the average profitability rate of the market in relation to similar financial assets. Discount of financial assets is recorded in the income statement as a financial expense. Discount of financial assets recorded in their acquisition cost shall not be

cancelled later.

The recording of financial assets is terminated when the foundation loses its right to cash flows from the financial asset, or transfers the cash flows from the asset to a third party, as well as the majority of risks and benefits connected with the financial asset.

Shares in an affiliate

Shares in an affiliate are recorded by the equity method. Investments are initially registered in their acquisition cost adjusted by the share of an investor in the changes of the equity of the affiliate. Investment into affiliates is recorded in the balance sheet as a net amount. A change in the share in an affiliate's equity is recorded in the income statement as a net amount.

Shares in investment funds

Deposits into an investment fund, from which the trustee's fees have been deducted, are recorded on the balance sheet row as "Long-term financial investments". Shares of investment funds are recorded at fair value with a change in profit/loss. The shares are initially registered at their acquisition cost. After the initial registration, the shares are valued to their fair value once per quarter. Profit/loss due to changes in fair value, as well as interest and dividends, are recorded in the period's income/expenses.

Writing off loan service, evaluation, and unlikely loan claims

Every loan is evaluated separately, considering the likelihood of loss and the market value of the property mortgaged in guarantee of the loan. Discounts are written off and the book value of the loan portfolio is decreased by that amount. If the loan claim has been considered as a finished loss event, the loan and the respective discount shall be written off the balance sheet.

Loans that are returned within the next reporting year are shown among short-term claims in the balance sheet; loans that are returned after more than in one year are shown among long-term claims.

Procedure for calculation of non-current assets

The non-current assets are recorded in the balance sheet, deducting the cumulative depreciation and discounts from the decrease of the asset's value.

According to the principle of importance, objects or assets with an acquisition cost exceeding EUR 1,917 and with a useful life of over one year are recorded as non-current assets. Objects of assets with a lower acquisition cost or a shorter useful life are written off at the moment of implementation and accounted for outside the balance sheet.

If an object of tangible assets consists of significant components that can be separated from each other and that have different useful lives, those components are registered as separate objects of assets, assigning them separate depreciation standards according to the useful life of the components.

The depreciation standard for inventory and office equipment is 20-40% and for cars 20%. Depreciation is calculated by the linear method of calculation. Intangible fixed assets are depreciated over a period of up to five years.

Non-current assets acquired by targeted financing for fulfilment of administrative tasks assigned by the state and not connected with the core activity of KredEx are registered by net acquisition cost. Such assets are accounted for outside the balance sheet.

Technical provisions of the foundation

Provisions for outstanding claims, equalisation provision and provision for prepaid premiums are recorded in the report.

The provision for outstanding claims to cover the payments for known but unpaid estimated guarantee loss, or estimated guarantee loss in process, is registered as a liability. The provision for outstanding claims is formed from the equalisation provision.

To cover loss payable in the future but unknown at present, a separate equalisation provision is formed for every area. The share of guarantee fee calculated for covering of loss to be paid in the future is transferred to the equalisation provision. According to estimated long-term loss, in the past few years, 65% of the guarantee fees earned in the housing area, 75% of the guarantee premiums of the export area, and 87% of the guarantee fees of the enterprise area, have been transferred to the equalisation provision of the relevant area.

According to the Government of the Republic Regulation No. 91 of 5 May 2005, "Procedure for Calculating Technical Provisions for State Loan Guarantees", the minimum amount of the equalisation provision shall be at least 1% of all loan guarantee or export guarantee agreements and liabilities under guarantee offers of the foundation. Thereby, upon calculation of the volume of the liabilities, issued offers that have not been concluded as contracts are calculated by 70%.

The provision for prepaid premiums is formed of guarantee fees that have already been recorded among income, but the guarantee period has not ended, and the fee for the period that has not arrived shall be payable upon the termination of the agreement. Prepaid premiums for the validity period of the agreement that has not yet arrived are recorded as a liability.

Provisions the payment of which shall probably take place during the following reporting year are shown among current liabilities in the balance sheet; provisions the payment of which takes place later than in one year are shown among non-current liabilities in the balance sheet.

The maximum possible liabilities under guarantee agreements valid as of the balance sheet date are accounted for outside the balance sheet.

Calculation of loan interests

Calculation of loan interests to entrepreneurs takes place according to the monthly invoices submitted to the loan recipient.

Calculation of loan interests for credit institutions takes place according to the schedules provided in loan agreements.

The income of the foundation only records the actually received interest and interest due, the payment term of which is not exceeded by more than three months on the balance sheet date. If a loan recipient delays the payment for over three months, interest claims are discounted proportionally to the discount of the principal part of the loan.

Calculation of guarantee fees

Banks authorised to issue guarantees on behalf of KredEx keep records of guarantee fees of housing loans. The guarantee fee is calculated and paid upon the issuing of a loan in full amount for the total guarantee period. The total amounts of the guarantee fee as of the moment of calculation are shown among income. As the guarantee recipient has no right to reclaim the guarantee fee or influence the amount thereof in the future, the fee is not distributed to the guarantee period. When the income occurs, the whole predicted loss amount payable in the future is recorded in the equalisation provision.

The banks transfer the guarantee fees issued within the previous month to KredEx at the beginning of the following month.

Invoices of guarantee fees for enterprise loans and apartment associations are drafted once a quarter to banks having issued the loans, who shall withhold the fees from the loan recipients. The guarantee fee is recorded in income as of the date of the invoice. Guarantee fees may not be paid by due date in the event of problematic loans. In that event the calculation of guarantee fee is cancelled and the loan recipient is subject to special monitoring.

Calculation of contract fees

No contract fees are calculated from housing loan guarantees.

Contract fees from enterprise loans and guarantees are calculated upon the conclusion of a contract. An invoice is issued for contract fees for direct loan contracts upon issuing of the loan, and the loan recipient pays the invoice before the loan is issued, or the amount of the contract fee is deducted from the payable loan amount. An invoice of contract fee for loan guarantees is issued to the banks issuing loans upon the reception of information regarding the conclusion of a contract, and the banks shall debit the fees from loan recipients. Contract fees are recorded in income as of the date of the invoice.

Targeted financing of operating expenses

Income received from the targeted financing of operating expenses is recorded in the income statement if the expenses related to getting those are covered and there is no substantial risk of not receiving the grant. If the targeted financing has been received but no expenses are yet covered from it, the funds received are reflected among liabilities on the line of the relevant targeted financing.

Intermediation of targeted financing of supporting measures

Intermediation of targeted financing of supporting measures are recorded according to the Structural Aid Act of period 2007–2013, programmes of the measure, contracts under public law and the requirements of the general rules for state accounting. Targeted financing of supporting measures is accounted for in the balance sheet at the moment when the contractual right of claim arises. Received but unpaid funds of targeted financing are reflected in the balance sheet among liabilities. Upon payments to grant recipients in income and expenses.

Supporting measures for issuing or guaranteeing investment loans

Targeted financing of support measures is accounted for among liabilities. Generally, the income earned from the means of a measure and expenses for the application of the measure are directed to the fund of the measure.

Calculation of foreign currency

The recording of transactions in foreign currency is based on the official currency exchange rates of the European Central Bank valid on the date of transaction. Monetary assets and obligations in a foreign currency are revaluated into euros as of the balance sheet date according to the currency exchange rates of the European Central Bank officially valid on the balance sheet date. Profit and loss obtained as a result of the revaluation are shown in the income statement of the reporting period, whereas the currency exchange rate profit and loss from transactions with buyers and suppliers are recorded in business income and expenses; other spreads are recorded in financial income and expenses.

Operational lease

Operational lease is a type of lease, for which all risks and benefits connected with the lease object remain to the lessor, and are not transferred to the lessee.

In the event of an operational lease, the lessor records the leased property in its balance sheet. Operational lease payments are reflected as cost by linear method during the lease period, regardless when the payments actually take place.

Financial liabilities

Financial liabilities are initially accounted for at acquisition cost, which is the fair value of the fee received for the financial liability. Thereafter, financial liabilities are accounted for at their adjusted acquisition cost, using the effective interest rate. Transaction expenses are accounted for upon the calculation of the effective interest rate, and are written off during the life cycle of the financial liability.

Interest expenses related to the financial liability are shown by the accrual method as a period expense in the income statement on the line “Financial income and expenses”. Recognition of a financial liability shall be ended when it has been paid, cancelled or expired.

Events after the balance sheet date

The annual accounts reflect significant circumstances influencing the evaluation of assets and liabilities that were revealed between the balance sheet date and the date of drafting the report, but that are connected with transactions having taken place during the reporting period or earlier periods. Events after the balance sheet date that have not been considered upon the evaluation of assets and liabilities, but that significantly influence the results of the following financial year, are published in the annual accounts.

Procedure for calculation of off-balance sheet assets Assets acquired by targeted financing for fulfilment of administrative tasks assigned by the state with a balance sheet value of 0 are accounted for off the balance sheet. Those assets are accounted for off the balance sheet based on the acquisition cost.

Note 3. Cash and bank accounts

	31.12.2014	31.12.2013
Demand deposits	19 446 534	35 556 138
Fixed-term deposits	63 227 662	53 793 225
Total	82 674 196	89 349 363

In 2014, demand and fixed-term deposits earned interest income in the amount of EUR 253,264 (EUR 276,347 in 2013) (see Note 16).

Note 4. Short-term financial investments

	31.12.2014 at balance sheet cost	31.12.2013 at balance sheet cost
Bonds	14 159 336	15 156 102
Total short-term investments	14 159 336	15 156 102

In 2014, bonds earned an interest income of EUR 533,037 (EUR 587,351 in 2013). Unrealised loss from the change in the value of securities was EUR 396,766 (EUR 391,356 in 2013). The total net income from securities was EUR 136,271 (EUR 195,995 in 2013) (Note 16).

Note 5. Loans receivable

Division of loans receivable by payment terms	Term of loans In 2015	Term of loans 2016-2021	Term of loans 2022-2033	Total
Housing loans				
Housing loans through banks	73 410	37 389	0	110 799
Loans to non-profit associations	150 125	0	0	150 125
Apartment building renovation loans through banks	6 064 814	29 516 972	25 105 092	60 686 878
Total	6 288 349	29 554 361	25 105 092	60 947 802
Subordinated loans for enterprises				
Capital loans directly for companies	2 024 748	266 699	0	2 291 447
including impairments	-1 845 984	-57 466	0	-1 903 450
Success-based direct loans for enterprises	699 882	269 411	0	969 293
including impairments	-655 419	-90 527	0	-745 946
Technology loans	1 425 615	6 659 583	0	8 085 198
including impairments	-177 363	-350 404	0	-527 767
Total	1 471 479	6 697 296	0	8 168 775

Division of loans receivable by payment terms	Term of loans In 2015	Term of loans 2016-2021	Term of loans 2022-2033	Total
Loans to banks in the enterprise area				
Start-up loans through banks	238 539	691 015	0	929 554
including impairments	-35 299	-103 652	0	-138 951
Total	203 240	587 363	0	790 603
Other loans				
Loans registered as a result of loss procedure	4 681	263 645	0	268 326
including impairments	-4 681	-263 645	0	-268 326
Total	0	0	0	0
Total	7 963 068	36 839 020	25 105 092	69 907 180
including the principal loan amount	7 830 811	36 839 020	25 105 092	69 774 923
interest payable	132 257	0	0	132 257

As of the end of 2013, the short-term part of the issued loans was EUR 28,359,112 and long-term part was EUR 60,652,918.

Note 5. Loans receivable (continued)

Changes in loan portfolio	Housing loans	Enterprise loans for banks	Subordinated loans for enterprises	Other loans	Total loans
Loans at acquisition cost					
Balance at acquisition cost 31.12.2012	45 471 516	34 346 285	11 449 171	257 313	91 524 285
Issued loans, 2013	19 080 000	529 290	1 158 495	0	20 767 785
Capitalisation of interests, 2013	0	0	112 135	15 548	127 683
Repaid loans, 2013	-3 213 176	-12 027 638	-3 268 786	0	-18 509 600
Registered in 2013	0	0	0	-6 313	-6 313
Loans written off, 2013	0	0	-836 747	0	-836 747
Balance at acquisition cost 31.12.2013	61 338 340	22 847 937	8 614 268	266 548	93 067 093
Issued loans, 2014	3 950 000	591 334	4 664 426	0	9 205 760
Capitalisation of interests, 2014	0	0	8 678	0	8 678
Repaid loans, 2014	-4 340 538	-22 509 717	-1 587 979	0	-28 438 234
Registered in 2014	0	0	0	1 778	1 778
Loans written off, 2014	0	0	-353 455	0	-353 455
Balance at acquisition cost 31.12.2014	60 947 802	929 554	11 345 938	268 326	73 491 620
Irrecoverable loans					
Balance 31.12.2012	0	0	-4 287 106	-257 313	-4 544 419
Impairments 2013	0	-75 794	-262 362	-9 235	-347 391
Loans written off, 2013	0	0	836 747	0	836 747
Balance 31.12.2013	0	-75 794	-3 712 721	-266 548	-4 055 063
Impairments 2014	0	-63 157	181 060	-1 778	116 125
Loans written off, 2014	0	0	353 455	0	353 455
Receipt of discounted loans in 2014	0	0	1 043	0	1 043
Balance 31.12.2014	0	-138 951	-3 177 163	-268 326	-3 584 440
Changes in loan portfolio					
Balance at adjusted acquisition cost 31.12.2012	45 471 516	34 346 285	7 162 065	0	86 979 866
Balance at adjusted acquisition cost 31.12.2013	61 338 340	22 772 143	4 901 547	0	89 012 030
Balance at the adjusted acquisition cost 31.12.2014	60 947 802	790 603	8 168 775	0	69 907 180

From housing loans issued by the predecessor of KredEx, Foundation Eesti Eluase, EUR 92,689 was received in 2014, housing loan interest of 6-8% per year. Interest was earned in the amount of EUR 11,909 (EUR 19,173 in 2013).

The apartment building renovation loan was issued to banks from funds received from the European Regional Development Fund; a loan taken from the Council of Europe Development Bank, a loan taken from the Ministry of Finance, and KredEx's own funds, under the measure "Apartment building renovation loan". The loan period for banks is up to 20 years and the interest rate 1.7–2.7%. Interest income was earned in the amount of EUR 1,312,390 (EUR 1,138,524 in 2013).

Loans to NGOs specialising in energy saving were issued by the order of the Ministry of Economic Affairs and Communications from the funds provided for housing supporting measures. Loan interest is 3.0% per year. In 2014, interest income of EUR 5,008 was earned (EUR 4,635 in 2013).

Subordinated loans have been issued directly to enterprises partly from KredEx's own funds and partly from the funds received from the European Regional Development Fund within the framework of the measures "Enterprise state guarantees and capital loan programme", "An additional support programme for the improvement of the availability of loan capital for entrepreneurs", and the "Subordinated loan programme". The subordinated loans have been issued with a term of up to 10 years and the interest rate is between 11.0 and 16.0%. Technology loans issued under the programme "Subordinated loan programme" are an exception in regard to the interest rate; where according to the service terms the interest rate is equal to the interest rate of the loan issued by a credit or financing institution, or 1-2 percent points higher depending on the rate of financing. In 2014, export loans began to be issued within the framework of this programme. By the end of the accounting period, 2 loans totalling EUR 3.7 million.

Interest income calculated from subordinated loans in 2014 was EUR 829,653 (EUR 1,235,797 in 2013), and the loan discount expense was EUR -262,066 (EUR 71,865 in 2013). Additionally, interest receivables from subordinated loans in the amount of EUR 109,286 were discounted or deemed irrecoverable. Of the amounts provided above, EUR 722,009 of interest income, EUR -104,895 discount expense, and EUR 9,407 of interest discount expense were directed to the funds of the measure (in 2013, EUR 763,621 of interest income, EUR 98,720 of discount expense, and EUR 20,349 of interest discount expense). No fines for delay were calculated from the delayed payments of subordinated loans. Of loans written off in the previous years, EUR 1,043 was received (no returns in 2013).

Enterprise loans to banks include loans KredEx provided for banks for issuing resource to enterprises at favourable terms. Funds for the measure "Additional support programme for improvement of the availability of loan capital for entrepreneurs" for issuing of loans partly came from the European Regional Development Fund and partly as a loan from the Ministry of Finance (see Note 15). Project-based loans issued within the framework of the given measures were provided to enterprises through banks for up to 10 years. Credit lines were provided for banks for the issuing of loans to enterprises until 31 December 2016. For both measures, the interest rate from KredEx to banks is the 6 month euribor +0.4%. Since 2013, the repaid amounts of the issued loans are used for payments into the Baltic Innovation Fund. In 2014, all loans given within the framework of the above-mentioned measure were returned.

Funds for the measure "Guarantee programme for start-up and micro loans" have been received from the European Social Fund. Issuing of loan resources to banks within the framework of the given measure began in 2013. Banks are issuing the loans to enterprises in the target sector for up to 5 years. The interest rate for banks is 4% + the 6 month euribor.

Interest income in the amount of EUR 51,591 was received from enterprise loans issued through banks (EUR 215,940 in 2013), the discount expense was EUR 63,158 (EUR 75,794 in 2013, of which EUR 18,503 of interest income and EUR 50,526 of discount expense were directed to the funds of the measure (EUR 60,635 in 2013, Note 16).

Loans registered as a result of processing the loss in the amount of EUR 268,339 earned interest income in the amount of EUR 14,303 (EUR 14,235 in 2013). Expense from delayed interests was EUR 1,778 (EUR 6,313 in 2013).

The loans were issued in the currency that was valid at the moment of issuing. As of 1 January 2011, due to the change of the official currency in Estonia, the unpaid amounts of loans issued in previous years have been converted into euros based on the currency exchange rate of 15.6466, established in the regulation of the Council of the European Union.

Note 6. Receivables and prepayments

	31.12.2014	31.12.2013
Receivables from current settlements	68 171	37 551
Receivables from reinsurance providers ¹	102 400	63 265
Prepaid expenses of future periods	6 123	4 773
Claims from targeted financing of operating expenses	7 680	8 653
Accrued interests ²	440 095	454 703
Accrued income of guarantee fees ²	50 469	61 338
Prepayments of guarantee benefits ³	895 391	384 821
Total	1 570 329	1 015 104

¹Receivables from reinsurance providers consist of the possibly payable part of the guarantee agreements reinsured in the European Investment Fund (EIF).

²Accrued income of interest and guarantee fees consist of amounts receivable under contracts based on which amounts are transferred during the next reporting period.

³Prepayments of guarantee indemnities consist of guarantee indemnities paid in advance. The final amount of indemnities will be clear after the realisation of the collateral.

Note 7. Long-term financial investments

In 2010, one-third of the shares of AS KredEx Krediidikindlustus were acquired with the acquisition price of EUR 6,391,164. The profit for 2014 using the equity method was EUR 123,549 (Note 16), the balance of the investment by the end of the year was EUR 6,721,680 (EUR 6,598,131 in 2013).

In 2014, EUR 1,292,900 was deposited to the Baltic Innovation Fund. The deposits shall be used for covering both operating expenses and fund investments. By 31.12.2014, the fair value of funds directed to fund investments was EUR 1,223,365.

Note 8. Tangible assets

	Machines and devices	Inventory and tools	Pre-payments	Total
Acquisition cost 31.12.2012	96 109	217 194	12,067	325 370
Acquired in 2013	0	0	8 519	8 519
Sold in acquisition cost in 2013	-19 422	0	0	-19 422
Written off in acquisition cost	0	-4 781	0	-4 781
Registered from prepayments in 2013	0	20 586	-20 586	0
Acquisition cost 31.12.2013	76 687	232 999	0	309 686
Acquired in 2014	19 173	24 718	19 169	63 060
Written off in acquisition cost	0	-11 969	0	-11 969
Acquisition cost 31.12.2014	95 860	245 748	16 169	360 777

	Machines and devices	Inventory and tools	Pre-payments	Total
Depreciation 31.12.2012	-58 163	-151 049	0	-209 212
Depreciation 2013	-17 547	-35 512	0	-53 086
Depreciation of sold non-current assets in 2013	19 422	0	0	19 422
Depreciation of non-current assets written off in 2013	0	4 781	0	4 781
Depreciation 31.12.2013	-56 315	-181 780	0	-238 095
Depreciation 2014	-9 986	-39 352	0	-49 338
Depreciation of non-current assets written off in 2014	0	11 969	0	11 969
Depreciation 31.12.2014	-66 301	-209 163	0	-275 464
Residual value 31.12.2012	37 946	66 145	12 067	116 158
Residual value 31.12.2013	20 372	51 219	0	71 591
Residual value 31.12.2014	29 559	36 585	19 169	85 313

In 2014, information technology equipment and a car were acquired. Prepayments for fixed assets reflect the prepayment for the car registered in 2015.

Note 9. Intangible fixed assets

	Computer programmes	Prepayments	Total
Acquisition cost 31.12.2012	251 799	112 712	364 511
Acquired in 2013	0	26 915	26 915
Registered from prepayments in 2013	139 627	-139 627	0
Acquisition cost 31.12.2013	391 426	0	391 426
Acquired in 2014	15 276	78 495	93 771
Written off in acquisition cost in 2014	-30 365	0	-30 365
Acquisition cost 31.12.2014	376 337	78 495	454 832

	Computer programmes	Prepayments	Total
Depreciation 31.12.2012	-223 941	0	-223 941
Depreciation 2013	-36 470	0	-36 470
Depreciation 31.12.2013	-260 411	0	-260 411
Depreciation 2014	-36 697	0	-36 697
Written off in acquisition cost in 2014	30 364	0	30 364
Depreciation 31.12.2014	-266 744	0	-266 744
Residual value 31.12.2012	27 858	112 712	140 570
Residual value 31.12.2013	131 015	0	131 015
Residual value 31.12.2014	109 593	78 495	188 088

In 2014, preparations were made to order software for managing guarantees and loans. In 2013, special software programmed for KredEx (e-service environment "eKredEx") was placed into use.

Note 10. Debts and Prepayments

	31.12.2014	31.12.2013
Trade creditors	120 746	78 938
Decided but not paid grants	72 155	100 083
Salary and holiday pay liabilities	215 841	159 037
Received advances from reinsurance providers	654	654
Tax arrears	97 809	58 048
including corporate income tax	2 544	2 426
withheld income tax	70 027	39 492
social tax	34 739	37 197
unemployment insurance premium	2 614	2 743
pension insurance	1 850	1 766
VAT	-7 384	-17 204
prepaid tax account	-6 581	-8 372
Total	507 205	396 760

Note 11. Short-term and long-term provisions

	31.12.2014	31.12.2013
Short-term technical provisions		
Provision for outstanding claims	3 004 786	2 669 832
Total	3 004 786	2 669 832
Other short-term provisions		
Other short-term provisions	84 810	84 810
Total	84 810	84 810
Long-term technical provisions		
Long-term share of provision for outstanding claims	1 546 635	3 170 669
Equalisation reserves	1 908 054	1 687 449
Total	3 454 689	4 858 118
Total	6 544 285	7 612 760

Other short-term provisions include the EUR 84,810 received in 2002 from ERA Bank (bankrupt) of the privatisation voucher loans that remained there upon the bankruptcy of ERA Bank. According to the Use of Privatisation Proceeds Act, funds were provided for the Foundation Eesti Eluase to forward the funds to banks for issuing of loans with a favourable interest to tenants of restituted houses. KredEx is in negotiations with the Ministry of Finance to change the intended purpose of the above described amount.

Technical provisions

Technical provisions include provisions registered as liabilities and written off: provision for outstanding claims and equalisation provision. The principles of the calculation of provisions have been explained in Note 2.

As at 31 December 2014, technical provisions correspond to the minimum rates established by law, forming 1.04% in the area of enterprise, 8.5% in the area of enterprise and 1.3% in the area of housing of the Performing Guarantee Portfolio and offers. Of the Total Guarantee Exposures, technical provisions formed 4.58% in the enterprise area and 1.44% in the housing area. From guarantee premiums, planned provisions were formed in total for EUR 2,174,540 (EUR 2,106,662 in 2013), including EUR 1,659,629 for enterprise loan guarantees (EUR 1,732,929 in 2013) and EUR 478,911 for housing loan guarantees (EUR 373,733 in 2013). From the above amount EUR 48,557 has been transferred to the reserve fund of the measure "Guarantee programme for start-up and micro loans" (EUR 63,046 in 2013).

If the provision for outstanding claims increases by an amount that causes the equalisation provision to fall below the established minimum, the additional increase in the equalisation provision is recorded in the expenses of the reporting period. In 2014, additional expenses were incurred from a change in outstanding claims in the total amount of EUR -339,600 (EUR 204,815 in 2013), of which EUR 195,300 was for enterprise loan guarantees (EUR 519,110 in 2013). In regard to housing loans, additional income in the amount of EUR 499,425 occurred from the decreasing of provisions (EUR 314,295 in 2013). In regards to export guarantees, additional income from decreasing the provisions was EUR 35,475 (there were no additional changes in provisions in 2013).

In 2014, losses were covered from the reserve fund formed of the funds received from the European Social Fund in the amount of EUR 99,083 (EUR 170,887 in 2013) (Note 14). From reinsurance of enterprise guarantees, EUR 59,897 was received from the European Investment Fund to cover losses in 2014 (in 2013, EUR 56,972) (Note 16).

From the collection of guarantee loss, EUR 203,933 were regained (EUR 252,916 in 2013) (Note 16). From the above amount EUR 49,337 have been transferred to the reserve fund of the measure "Guarantee programme for start-up and micro loans" (EUR 16,714 in 2013).

Change in technical provisions

	Change in the provision for outstanding claims		Change in the equalisation reserve		Change in provisions total	
	2014	2013	2014	2013	2014	2013
Export guarantees						
Balance on 1 January	35 475	35 475	0	0	35 475	35 475
Decrease	-35 475	0	0	0	-35 475	0
Balance on 31 December	0	35 475	0	0	0	35 475
Enterprise loan guarantees						
Balance on 1 January	5 537 634	5 010 095	1 047 114	1 359 023	6 584 748	6 369 116
Increase	1 713 567	2 563 948	1 890 928	2 252 039	3 604 495	4 815 989
Decrease	-2 774 804	-2 036 409	-1 713 567	-2 563 948	-4 488 371	-4 600 357
including payment of indemnities	-2 968 455	-2 269 906	0	0	-2 968 455	-2 269 906
Receivables from reinsurance providers	193 652	233 497	0	0	193 652	233 497
Balance on 31 December	4 476 397	5 537 634	1 224 475	1 047 114	5 700 872	6 584 748
including long-term	1 546 635	3 170 668	1 224 475	1 047 114	2 771 110	4 217 782
Housing loan guarantees						
Balance on 1 January	267 391	542 450	640 335	573 279	907 726	1 115 729
Increase	-63 757	-7 617	478 911	59 439	415 154	51 822
Decrease	-128 610	-267 441	-435 667	7 617	-564 277	-259 825
including payment of indemnities	-128 610	-267 441	0	0	-128 610	-267 441
Balance on 31 December	75 024	267 392	683 579	640 335	758 603	907 726
including long-term	0	0	683 579	640 335	683 579	640 335
Total balance at the beginning of the period	5 840 500	5 588 018	1 687 449	1 932 302	7 527 949	7 520 320
Increase	1 649 810	2 556 333	2 369 839	2 311 478	4 019 649	4 867 811
Decrease	-2 938 889	-2 303 851	-2 149 234	-2 556 331	-5 088 123	-4 860 182
including payment of indemnities	-3 097 065	-2 537 347	0	0	-3 097 065	-2 537 347
receivables from reinsurance providers	193 652	233 497	0	0	193 652	233 497
Balance at the end of the period	4 551 421	5 840 501	1 908 054	1 687 449	6 459 475	7 527 950
including short-term	3 004 786	2 669 832	0	0	3 004 786	2 669 832
Long-term	1 546 635	3 170 669	1 908 054	1 687 449	3 454 689	4 858 118

Note 12. Targeted financing for housing support measure

Under the state budgetary provision agreement, the Ministry of Economic Affairs and Communications provides KredEx with funds from the Estonian state budget for housing support measures.

State budgetary provision agreement 2007-2014	31.12.2014	31.12.2013
Balance at the beginning of the year	2 390 287	2 659 128
Provisions from the state budget	2 561 223	2 562 608
Provisions from Structural Funds	26 960	196 166
Total grant payments:	-1 366 541	-2 774 975
including reconstruction grants for apartment buildings	-51 067	-62 657
grants for building expert evaluation, drafting of building design and energy audits	0	-390 373
home grant for families with many children	-1 241 615	-2 218 105
for participation in housing development projects	-73 859	-103 840
Total operating expenses:	-241 131	-243 006
including administrative expenses of support measures	-209 414	-202 073
Technical and horizontal technical aid, including co-financing	-31 717	-40 933
For co-financing of participation in international energy saving projects	0	-9 634
Balance at the end of the year	3 370 798	2 390 287
including short-term part	3 370 798	2 390 287

In 2010, the Ministry of Economic Affairs and Communications provided budgetary funds for the creation of the Climate and Energy Agency. In 2011, the Ministry of Economic Affairs and Communications decided to cancel the creation of the Climate and Energy Agency as a separate authority. KredEx continued the implementation of financial services and support measures connected with energy efficiency.

Agreement in 2010 for the foundation of the Climate and Energy Agency	31.12.2014	31.12.2013
Balance at the beginning of the year	985 184	1 994 891
Cost-sharing by grant recipients	36 797	80 720
Total grant payments:	-217 347	-1 006 511
grants for apartment building renovation projects	-22 478	-491 313
grants for owner supervision of apartment building renovation work	-158 501	-308 215
grants for energy saving projects	-34 085	-176 149
To cover the expenses of the Republic of Estonia joining the International Energy Agency	-2 283	-30 834
Operating expenses	-59 009	-83 916
Balance at the end of the year	745 625	985 184
including short-term part	745 625	985 184

Funds for participation in international energy saving projects	31.12.2014	31.12.2013
Balance at the beginning of the year	-11 180	17 864
Receipts from international energy saving projects	17 553	72 288
State co-financing for participation in international energy saving projects	4 132	9 634
Payments to project partners in international energy saving projects	0	-65 906
Operating expenses within the framework of international energy saving projects	-3 797	-45 060
Balance at the end of the year	6 708	- 11 180
including short-term part	6 708	-11 180

KredEx participates in the following projects: Buildest, Odyssee-Mure, and CA-EPBD.

Total targeted financing for housing support measures	4 123 131	3 364 291
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Note 13. Targeted financing for the application of the green investment scheme

In 2010, EUR 14,700,000 was provided to KredEx from the budget of the area of administration of the Ministry of Environment, to organise the application of the green investment scheme according to the trade agreement concluded between the Republic of Estonia and the Grand Duchy of Luxembourg for Assigned Amount Units, permitted under Article 17 of the Kyoto protocol. From those funds, grants are provided for apartment buildings for integrated renovation work, with the purpose being to increase the energy efficiency of the buildings. The grant amount is up to 35% of the cost of the work. In 2012, private persons were also included among the grant recipients, who were given grants for reconstruction of small residential buildings and commissioning renewable energy equipment. In 2013, additional funds were provided within the framework of measure in the amount of EUR 18,000,000 (EUR 1,500,000 in 2014).

Administrative agreement for application of the Green Investment Scheme between the Republic of Estonia and the Great Duchy of Luxembourg, 17 August 2010

	31.12.2014	31.12.2013
Balance at the beginning of the year	7 255 584	2 137 360
Fund measures received	1 500 000	18 000 000
Grants paid	-8 155 305	-12 610 542
Administrative expense	-247 816	-271 234
Balance at the end of the year	352 463	7 255 584
including short-term part	352 463	7 255 584

Supporting measures of the area of administration of the Ministry of Economic Affairs and Communications

In 2013, EUR 7800,000 were provided from the budget of the Ministry of Economic Affairs and Communications for organisation of the implementation of the green investment scheme. From those funds, grants are provided to apartment buildings for integrated renovation work, with the goal being to increase the energy efficiency of the buildings, based on the same principles as the support measure of the Ministry of Environment provided above. In 2014, an additional EUR 1,236,910 was provided for the support of apartment building renovation and EUR 3,200,000 went to support the introduction of renewable energy and updating the heating systems of small residential buildings.

Budgetary provision agreement 2013	31.12.2014	31.12.2013
Balance at the beginning of the year	7 294 942	0
Fund measures received	4 436 910	7 800 000
Grants paid	-6 573 566	-505 058
Balance at the end of the year	5 158 286	7 294 942
including short-term part	5 158 286	7 294 942

The funds of both of the above measures are predominantly covered by applications and decisions, and payments will be made in 2015.

In 2011, funds were provided to KredEx from the budget of the Ministry of Economic Affairs and Communications to organise the application of the green investment scheme according to the trade agreement concluded between the Republic of Estonia and the Mitsubishi Corporation for Assigned Amount Units, permitted under Article 17 of the Kyoto protocol. From the above funds, an all-Estonian charging network for electric cars shall be constructed and administration thereof organised for five years. Also, a short-term rental service for electric cars has been organised in Tallinn and Tartu. In addition, within the framework of the measure, grants of up to 50% or EUR 18,000 of the cost of an electric car are issued for the purchasing of electric cars.

Contract under public law for the application of the Green Investment Scheme between the Republic of Estonia and Mitsubishi Corporation.	31.12.2014	31.12.2013
Balance at the beginning of the year	11 349 834	16 027 232
Grants paid	-6 826 960	-2 658 174
Expenses for construction of the charging network for electric cars	-551 367	-775 553
Expenses for starting-up the short-term rental service for electric cars	-174 396	-847 948
Administrative expense	-296 872	-395 723
Balance at the end of the year	3 500 239	11 349 834
including short-term part	1 571 924	6 973 397
long-term part	1 928 315	4 376 437

Total targeted financing received for the application of the green investment scheme	9 010 988	25 900 360
including short-term part	7 082 673	21 523 923
long-term part	1 928 315	4 376 437

Note 14. Targeted financing for supporting measures of entrepreneurship

No additional funds were allocated from the state budget for support measures of entrepreneurship in 2014. Activities were continued from the funds obtained in previous years. With the income and expenses earned from the relevant programmes, the balances of targeted financing of enterprise supporting measures, as of 31 December 2014, are as follows:

Funds of the state export insurance programme

Funds for the foundation of a credit insurance company according to "The state export insurance programme" approved by Directive No. 303 of the Minister of Economic Affairs and Communications, of 7 October 2009.

	31.12.2014	31.12.2013
Balance at the beginning of the year	13 027	65 210
Transfer of the funds to AS KredEx Krediidikindlustus	0	-52 183
Balance at the end of the year	13 027	13 027
including short-term part	13 027	13 027

Targeted fund for the establishment of the Baltic Innovation Fund (BIF)

The intended purpose is making payments to the Baltic Innovation Fund according to the foundation and management agreement of BIF. The funds come from the "Additional support programme for improvement of the availability of loan capital for entrepreneurs".

	31.12.2014	31.12.2013
Balance at the beginning of the year	22 451 367	21 992 551
Paid for founding expenses of the Baltic Innovation Fund	-179 587	-175 782
Changes in the target fund in the BIF fund from earned income	1 757	0
Change in fund share value	284 078	0
Change in the targeted fund from the income and expenses earned from the support programme	481 194	634 598
Balance at the end of the year	23 038 809	22 451 367
including short-term part	0	724 871

Reserve capital of the start-up loan guarantee

The intended purpose is using funds from the European Social Fund to guarantee start-up loans for the programme "Guarantee programme for start-up and micro loans" approved by the Directive No. 39 of the Minister of Economic Affairs and Communications, of 1 February 2008, and

amended by Directive No. 207 of 30 June 2009. In 2013, issuing of start-up loans from the funds was started through banks.

	31.12.2014	31.12.2013
Balance at the beginning of the year	3 775 632	3 982 245
Increase in reserve capital from income earned from implementing the measure	98 543	79 760
Decrease in reserve capital from expenses from implementing the measure	-190 989	-286 373
Balance at the end of the year	3 683 186	3 775 632
including long-term part	3 683 186	3 775 632

Reserve capital for the issuing of loans of the subordinated loan programme and covering loss

The intended purpose is the issuing of subordinated and technology loans under the "Subordinated loan programme" approved by Directive No. 11-0313 of the Minister of Economic Affairs and Communications of 21.10.2011. The programme funds come from unused funds returned upon the termination of the measure "Additional support programme for improvement of the availability of loan capital for entrepreneurs".

	31.12.2014	31.12.2013
Balance at the beginning of the year	17 313 473	17 344 224
Increase in reserve capital from income earned from implementing the measure	320 753	278 411
Decrease in reserve capital from expenses from implementing the measure	-7 037	-309 162
Balance at the end of the year	17 641 263	17 313 473
including long-term part	17 641 263	17 313 473

	31.12.2014	31.12.2013
Total targeted financing of supporting measures of entrepreneurship	44 376 285	43 553 499
including short-term part	13 027	737 898
long-term part	44 363 258	42 815 601

Note 15. Long-term loans

	Loan obligation 31.12.2014	Term of repayment	Interest per year
Loan from the Council of Europe Development Bank (CEB)	23 626 782	16.12.2021	keskmiselt 2,87%
Loan from the Ministry of Finance	15 341 728	15.09.2025	keskmiselt 2,56%

Loan from the Ministry of Finance according to the loan agreement of 11 November 2009

The intended purpose of the loan is the funding of self-financing activities "Issuing of success-based subordinated loans to entrepreneurs" and "Provision of project-based long-

term loan resource in cooperation with banks" within the measure "Additional support programme for improvement of the availability of loan capital for entrepreneurs" under the priority of the environmental development application plan "Innovation and growth potential of entrepreneurship" approved by Directive No. 101 of the Ministry of Economic Affairs and Communications approved on 2 April 2009, including the income and expenses from the activities. The loan was returned in 2014.

	31.12.2014	31.12.2013
Balance of the principal amount at the beginning of the year	9 766 685	17 500 991
Repaid	-9 766 685	-7 734 306
Balance of the principal amount at the end of the year	0	9 766 685
including repayable in the next reporting period	0	9 766 685
Interest liability at the beginning of the year	34 498	73 365
Interest expense per year (Note 16)	8 512	137 684
Interest paid during the year	-43 010	-176 551
Interest liability at the end of the year	0	34 498
Total balance at the end of the year	0	9 801 183
including short-term part	0	9 801 183

Loan from the Council of Europe Development Bank (CEB)

The intended purpose of the loan is the fulfilment of the "Apartment building renovation loan programme" approved with Directive No. 137 of the Minister of Economic Affairs and Communications dated 7 May 2009, according to which KredEx lends its own funds, funds received as structural support from the European Regional Development Fund, and funds received as a loan from the Development Bank of the Council of Europe to commercial banks for issuing loans with a favourable interest.

The Ministry of Finance has provided a state guarantee for the loan, for which the guarantee fee in 2014 was EUR 24,436 (EUR 27,089 in 2013) (Note 19).

	31.12.2014	31.12.2013
Balance at the beginning of the year	26 164 347	28 299 753
Repaid	-2 919 759	-2 135 406
Loan balance at the end of the year	23 244 588	26 164 347
including repayable in the next reporting period	3 005 195	2 919 759
repayable 2016-2021	20 239 393	23 244 588
Interest liability at the beginning of the year	455 724	477 192
Interest expense per year	693 518	809 070
Interest paid during the year	-767 048	-830 538
Interest liability at the end of the year	382 194	455 724
Total balance at the end of the year	23 626 782	26 620 071
including short-term part	3 387 389	3 375 483
long-term par	20 239 393	23 244 588

Loan from the Ministry of Finance according to the loan agreement of 13 May 2013

The intended purpose of the loan is the issuing of apartment building renovation loans through banks.

	31.12.2014	31.12.2013
Balance at the beginning of the year	12 300 000	0
Additional loan	3 700 000	12 300 000
Repaid	-691 111	0
Loan balance at the end of the year	15 308 889	12 300 000
including repayable in the next reporting period	2 444 518	691 111
repayable 2016-2025	12 864 371	11 608 889
Interest liability at the beginning of the year	18 431	0
Interest expense per year	403 308	138 190
Interest paid during the year	-388 900	-119 759
Interest liability at the end of the year	32 839	18 431
Total balance at the end of the year	15 341 728	12 318 431
including short-term part	2 477 357	709 542
long-term part	12 864 371	11 608 889
Total loan obligations at the end of the year	38 968 510	48 739 685
including short-term part	5 864 746	13 886 208
long-term part	33 103 764	34 853 477

Note 16. Income statement by areas of activity

Guarantee activity	2014	2013	Notes
Guarantee fees, contract fees	3 054 459	2 902 139	17
Transferred to the fund of the measure from the guarantee fees	-55 974	-63 046	
Guarantee losses and a change in technical provisions	-1 834 937	-2 311 476	
Loss covered from the fund of the relevant measure	48 557	54 851	14
Received from reinsurance from the EIF	-2 714	56 972	
Reinsurer's part of the regained amounts paid to the EIF	0	-53 883	
Received from debt collection	199 879	252 916	11
Repaid amount into the fund of the relevant measure	-42 569	0	
Total income from guarantee activity	1 366 701	838 473	

Crediting activity	2014	2013	Notes
Interest, fines for delay, and contract fees	2 248 369	2 623 584	
Interest expense directed back to the fund of the relevant measure	-722 009	-979 561	
Change in impairment losses	-2 078	-370 757	
Written off loans received	2 876	0	
Impairment losses covered from the fund of the relevant measure	44 961	298 666	
Interest on loans taken	-1 105 338	-1 084 944	
Interest expense directed back to the fund of the relevant measure	8 512	137 684	
Total income from crediting activity	475 293	624 672	

Investment activity			
Interest income from deposits	253 264	276 347	3
Net income from short-term financial investments	136 271	195 995	4
Profit/loss from affiliates	123 549	65 971	7
Change in the value of Baltic Innovation Fund shares	284 078	0	
Expense from the change in the value of BIF shares directed to the BIF fund	-284 078	0	
Total income from investment activity	513 084	538 313	

Targeted financing for operating expenses			
Targeted financing received for housing grants	1 583 888	3 781 485	
Paid housing grants	-1 583 888	-3 781 485	12
Budgetary funds for administration of housing support measures	268 424	310 957	17
Targeted financing received for the application of the green investment scheme	22 281 594	17 218 917	
Grants paid within the green investment scheme	-21 730 227	-15 595 416	13
Investments made for implementation of the green investment scheme	-551 367	-1 623 501	13
Budgetary means for the administration of the green investment scheme	544 688	666 957	13
Technical and horizontal technical aid	31 717	40 933	
Total targeted financing	844 829	1 018 847	17
Administrative expenses	-2 177 502	-2 243 067	20
Operating income	1 022 405	777 238	
Other operating income and expenses	235 099	127 701	18
Other financial expenses and income	-24 402	-27 158	19
Net profit	1 233 102	877 781	

Note 17. Sales income by areas and types of income

	2014	2013	Notes
Guarantee fees (EMTAK code 66291)	2 998 485	2 839 094	16
Enterprise loan guarantees	1 948 997	1 991 873	
of which into the fund of the relevant measure	-55 974	-63 046	
Housing loan guarantees	736 784	575 761	
Contract fees for enterprise loan guarantees	368 678	334 506	
Loan interest (EMTAK code 66199)	1 526 360	1 644 023	
Housing loans	1 329 307	1 162 332	
Enterprise loans to banks (see Note 5)	51 591	222 358	
of which into the fund of the relevant measure	-18 502	-215 940	5
Contract fees for start-up loans	2 745	2 674	
Subordinated loans for enterprises	843 956	1 235 797	
of which into the fund of the relevant measure	-703 507	-763 621	5
Contract fees for subordinated loans	20 770	423	
Targeted financing of operating expenses (EMTAK 84139)	844 829	1 018 847	16
Administrative expenses for housing support measures	268 424	310 957	16
Technical and horizontal technical aid	31 717	40 933	16
For application expenses of green investment schemes	544 688	666 957	16
Total	5 353 916	5 501 963	

The total sales income has been received from Estonia. Adjusted 2013 data: guarantee fees were EUR 2,902,139, decreased by EUR 63,045, the adjusted amount was EUR 2,839,094; the amount of enterprise loan guarantees was previously EUR 2,054,918, decreased by EUR 63,046, the adjusted amount was EUR 1,991,873; the previous total amount was EUR 5,565,009, decreased by EUR 63,046, the adjusted amount was EUR 5,501,963.

Note 18. Other operating income and expenses

	2014	2013
Income from the sale of non-current assets and inventories	130	6 683
Insurance benefits received	0	420
Targeted financing of operating expenses	91 980	92 985
sh provision of services to the credit insurance company	83 352	80 148
for covering participation expenses in international projects	8 628	12 455
other	0	382
Other revenue	3 447	0
Income from the projects of the green investment scheme	247 009	101 912
Expenses for the projects of the green investment scheme	-107 467	-74 299
Total	235 099	127 701

Note 19. Other financial income and expenses

	2014	2013
State guarantee for the CEB loan (Note 15)	-24 436	-27 089
Other financial income	36	-67
Total	-24 402	-27 158

Note 20. Administrative expenses

	2014	2013
Various operating expenses	-780 543	-813 060
Rent and maintenance of office premises	-157 227	-155 970
Development, repair, and maintenance of IT and office equipment	-95 446	-83 064
Personnel and training expenses	-50 341	-56 168
Economic and administrative expenses	-23 199	-16 477
Telephone, mailing, and Internet expenses	-11 287	-12 837
Transport expenses	-59 907	-59 307
Travel expenses	-29 147	-23 777
Marketing expenses	-203 579	-251 818
Administration of the investment portfolio	-17 766	-15 217
Auditing expenses	-30 534	-32 314
Legal services	-36 439	-46 676
Membership fees	-15 275	-14 940
Other services	-50 396	-44 495
Staff costs	-1 310 923	-1 340 450
Palgakulu	-993 521	-994 804
including the salary of the supervisory board and members of the management board	-112 185	-101 583
töötajate töötasu	-881 336	-893 481
Social tax	-309 078	-336 450
Unemployment insurance payment	-8 324	-9 196
Depreciation of non-current assets	-86 036	-89 557
Total administrative expenses	-2 177 502	-2 243 067

By the end of 2014, the number of the employees at KredEx dropped to 35 (37 employees in 2013). The average number of employees during the year was 33.1 (39.7 in 2013). 60% of the employees are women and 40% are men; 97% of the employees have higher education or are acquiring it. The average age of the employees is 38.9 years.

Note 21. Changes in net assets

Foundation capital	change in net assets increase + decrease -	Source for change
Targeted fund of housing loans	581 797	Distribution of 2013 income
Fund of export guarantees	-27 975	Distribution of 2013 income
Targeted fund of start-up loan guarantees	67 407	Distribution of 2013 income
Targeted fund of loan guarantees	10 802	Distribution of 2013 income
Targeted fund of subordinated loans	245 750	Distribution of 2013 income
Targeted fund of loan guarantees	-334 191	writing off funds
Targeted fund of subordinated loans	334 191	writing off funds
Profit for 2014	1 233 102	Retained profit for 2014

Note 22. Off-balance sheet assets and claims

Off-balance sheet assets

In accordance with the agreement of sale for Assigned Amount Units between the Republic of Estonia and Mitsubishi Corporation, according to Article 17 of the Kyoto Protocol, an all-Estonian charging network for electric cars has been constructed. As at the end of 2013, expenses were incurred for construction thereof in the amount of EUR 6,314,354. In 2014, additional expenses of EUR 40,865 occurred. The total cost of the charging network is EUR 6,355,219. More detailed information can be found in Note 13.

Under the above agreement, a short-term rental service for electric cars has been created. In 2013, the vehicles acquired for the service were registered off-balance sheet in the amount of EUR 906,534.

For survey "Surveillance and Analysis of the Internal Climate and Energy Consumption of Reconstructed Apartment Buildings and Conformity thereof to Standards and Energy Audits" carried out by Tallinn University of Technology, climate surveillance loggers were purchased for EUR 23,520 and were returned after the termination of the survey.

Off-balance sheet claims

Upon the fulfilment of the guarantee obligation, the foundation shall acquire the claim from the creditor in the extent of the paid amount. As the debtor has not fulfilled the obligations during the collection of the loan, such claims have no actual value. However, loans are often guaranteed also by personal guarantee of loan recipients or owners, and in case of loss events the processing of claim against guarantors may continue after the payment of benefit. Until the termination of such disputes, the relevant receivables are registered off the balance sheet. If a dispute ends with a compromise or the claim appears to be irrecoverable during the execution procedure, the calculation of off-balance sheet claims is adjusted respectively. Among other things, in 2014 the calculation of off-balance sheet claims against foreign companies derived from export guarantees because they were acquired by payment of export guarantees more than three years before and the actual procedures did not provide results. However, off-balance sheet calculation has been added regarding recovered grants. According to the decision of the administrative court that

entered into force in 2014, three enterprises who received grants from the ELMO programme must return a total of EUR 252,000.

	direct loans	housing loan guarantees	enterprise loan guarantees	export guarantees	rights of recourse for grants
balance of claims on 31 December 2014	15 965	669 298	1 148 430	0	252 000
change from 31 December 2013	-2 086	69 014	258 187	-146 843	
including new	0	128 768	364 846	0	252 000
received	-2 086	-18 488	-91 973	0	0
revaluation	0	-41 266	-14 686	-146 843	0

Note 23. Off-balance-sheet and conditional liabilities

Guarantee liabilities	2014	2013	Change
Export guarantees			
Performing Guarantee Portfolio at the beginning of the year	0	0	0
Performing Guarantee Portfolio at the end of the year	0	0	0
Total Guarantee Exposure as of the end of the year	0	35 475	-35 475
Enterprise loan guarantees			
Performing Guarantee Portfolio at the beginning of the year	112 101 667	107 903 000	4 198 667
Guarantee volume of concluded agreements	68 251 347	52 474 618	15 776 729
Depreciation of the portfolio and terminated agreements	-64 664 668	-58 080 450	-6 584 218
Performing Guarantee Portfolio at the end of the year	115 688 346	102 297 168	13 391 178
Issued offers at the end of the year	2 835 481	3 448 840	-613 359
Total Guarantee Exposure as of the end of the year	124 364 576	112 101 667	12 262 909
Housing loan guarantees			
Performing Guarantee Portfolio at the beginning of the year	46 136 158	41 057 498	5 078 660
Guarantee volume of concluded agreements	20 774 217	12 707 189	8 067 028
Depreciation of the portfolio and terminated agreements	-14 327 399	-8 026 421	-6 300 978
Performing Guarantee Portfolio at the end of the year	52 582 976	45 738 266	6 844 710
Total Guarantee Exposure as of the end of the year	52 773 565	46 136 158	6 637 407
Total performing guarantee portfolio, 31 December 2014	168 271 322	148 035 434	20 235 888

Performing Guarantee Portfolio – guarantee liability as of the balance sheet date. If the date of commissioning of the loan has not yet arrived, the whole amount payable under the agreement is recorded as a liability. After the date of commissioning of the loan, the balance of the guarantee liability is recorded according to the actual loan balance of the relevant date. The amount of guarantee limits issued by agreements as of the relevant date is recorded as export guarantee liability.

Maximum guarantee liability – Performing Guarantee Portfolio, including offers issued on the balance sheet date, but not yet accepted, and the balances of guarantee liability of agreements with a loss event as of the moment of termination of the agreement.

Guarantee liabilities are registered off-balance sheet. Technical provisions and equalisation provisions are written off and registered to cover possible payments.

As of 31 December 2014, KredEx had conditional liabilities under the concluded loan agreements in the form of unused loan limits in the amount of EUR 16,102 (EUR 729,138 in 2013), of which EUR 10,947 have been paid by the time of completion of the annual report.

Tax authorities have a right to check the tax accounting of the foundation for a period of up to 6 years from the term of submission of the tax declaration and, upon the detection of mistakes, assign an additional tax amount, interests and a penalty. Tax authorities have not performed a tax audit of the foundation during the period 2009–2014. According to the evaluation by the foundation's management, there are no circumstances due to which tax authorities might assign a significant additional tax amount to the company.

Note 24. Operational lease

Since 15 March 2010, office premises are being leased at Hobujaama 4 in the volume of 832.3 m². A bank guarantee has been established in favour of the lessor, with a deposit in the amount of the lease of two months' rent. In 2014, lease expenses formed EUR 129,056. Lease expenses planned for 2015 from agreements maintained are EUR 136,636.

From the above described leased premises, 134.8 m² have been subleased to the affiliate AS KredEx Krediidikindlustus. Income from the sublease in 2014 was EUR 16,355. In 2015, the estimated income from sublease will be EUR 18,806.

From 30 September 2009, a Land Rover car has been taken on operational lease; monthly lease payment, including VAT, of EUR 739. Lease expenses in 2014 were EUR 8,868, including VAT; lease expenses in 2015 (in the event of retaining the contract) will be EUR 8,868, including VAT.

Note 25. Transactions with related parties

Related parties are considered to be members of the council and the board and companies under their control or significant influence, affiliate AS KredEx Krediidikindlustus, ministries, state and local government institutions, state-owned companies and local governments.

Transactions with the Ministry of Economic Affairs and Communications, Ministry of the Environment and Ministry of Finance have been described in greater detail in Notes 12, 13, 14, and 15.

Transactions connected with the member of the management board have been described in Note 24.

In 2014, salaries of the board formed EUR 84,870 and the fees of the council formed EUR 19,923. According to the management board member agreement, compensation shall be paid to the CEO in the amount of three basic salaries, if the Foundation terminates the contract prematurely without good reason.

	31.12.2014	31.12.2013
Sales		
Affiliate	127 108	116 640
Purchases		
Companies connected with members of the management	8 868	8 542
Targeted financing provided		
Affiliate	0	52 183
Claims		
Affiliate	13 737	10 622
Obligations		
Affiliate	13 027	13 027

Note 26. Events after the balance sheet date

With the use agreement of budgetary provision for year 2015, EUR 2,556,466 has been provided to KredEx for various supporting measures, including 1,800,000 for improving the living conditions of families with many children. Provisions from European Structural Funds into the targeted fund for apartment building reconstruction grants are EUR 20,000,000 and EUR 290,000 was provided for conducting the procurement for nearly zero energy buildings demonstration projects.

Division of the sales income of Foundation KredEx in financial year 2014 according to the Estonian Classification of Economic Activities (EMTAK)

According to the EMTAK classification, the sales income of KredEx consisted of the following:

	2014	2013
Guarantee fees (EMTAK code 66291)	2 629 807	2 504 587
Contract fees (EMTAK code 66291)	392 193	337 603
Loan interests (EMTAK code 66199)	1 502 845	1 640 926
Targeted financing of operating expenses (EMTAK 84139)	844 829	1 018 847
Total	5 369 674	5 501 963

Signatures of the Members of the Management Board to the 2014 annual report

The board has drafted the annual report and the annual accounts of Foundation KredEx for the year that ended on 31 December 2014.

Andrus Treier Chairman of the Management Board /with digital signature/



Ernst & Young Baltic AS
Rävala 4
10143 Tallinn
Eesti
Tel.: +372 611 4610
Faks.: +372 611 4611
Tallinn@ee.ey.com
www.ey.com

Äriregistri kood 10877299
KMKR: EE 100770654

Ernst & Young Baltic AS
Rävala 4
10143 Tallinn
Estonia
Phone.: +372 611 4610
Fax.: +372 611 4611
Tallinn@ee.ey.com
www.ey.com

Code of legal entity 10877299
VAT payer code EE 100770654

Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Supervisory Board of Sihtasutus KredEx

We have audited the accompanying financial statements of Sihtasutus KredEx, which comprise the balance sheet as at 31 December 2014, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Estonian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 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 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 management, 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 Sihtasutus KredEx as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with the Estonian generally accepted accounting principles.

Tallinn, 15 April 2015

/Estonian Original is signed digitally/

Olesia Abramova
Authorised auditor's number 561
Ernst & Young Baltic AS
Audit Company's Registration number 58
Rävala pst 4, 10143 Tallinn

/Estonian Original is signed digitally/

Tiina Leif
Authorised auditor's number 441



Contact us!

ph 667 4100

fax 667 4101

e-mail kredex@kredex.ee

Hobujaama 4, 10151 Tallinn, Estonia