

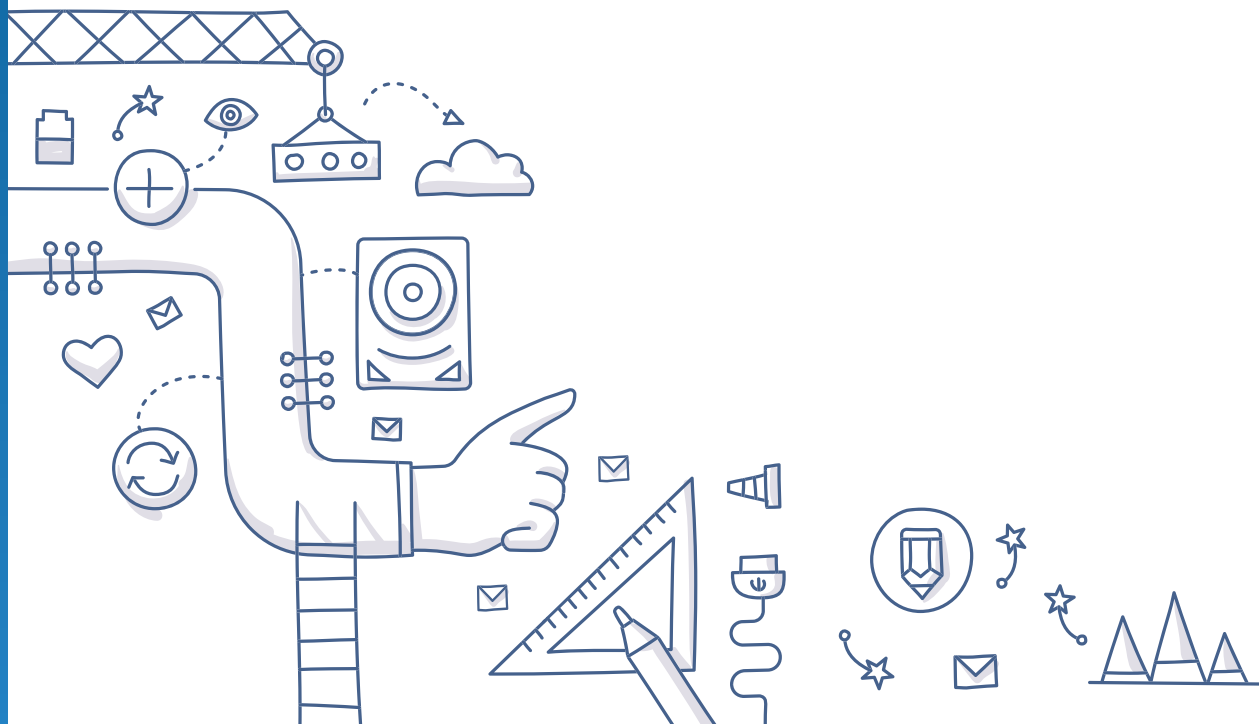
Annual Report 2015



KRED

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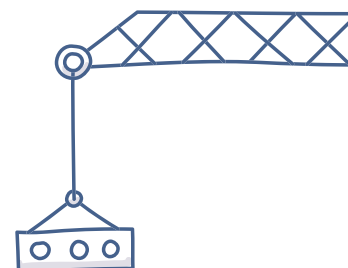
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Foundation KredEx

Annual Report 2015

Beginning of financial year:	01.01.2015
End of financial year:	31.12.2015
Registry code of non-profit associations and foundations:	90006012
Main area of activity:	based on state development plans and policies: <ul style="list-style-type: none">- guarantee of credit products offered by credit institutions, including state guarantee of enterprise and housing loans for the purposes of "Support of Enterprise and State Loan Guarantees Act";- development and offering of other financing services in the enterprise and housing sector
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Chief Executive Officer:	Lehar Kütt
Auditor:	KPMG Baltics OÜ





1. CEO's statement

2015 was a time of innovation for KredEx. Several new and upgraded services were made available to customers. Since February, local governments have been able to apply for a demolition grant, and since April apartment building reconstruction grants have been issued along with grants for the renovation of electrical installations. In November, a cooperation agreement on using counter-guarantees was signed with the European Investment Fund, to facilitate access by small and medium-sized companies to loan capital. In December, an agreement with the Ministry of Economic Affairs and Communications was signed for funding enterprise loans and guarantees, which enables loans and guarantees to be issued in larger volumes and under more favourable conditions. The terms and conditions of a loan guarantee for energy-efficient housing were prepared and arrangements for establishing a fund of funds, geared towards the equity investments of companies in the early stages of development, reached the final phase. For the latter, involvement of the European Investment Fund as a co-investor was an important coup.

In addition, preparations were made for the implementation of the structural funds of the period of 2014–2020. Altogether EUR 235.5 million was allocated to KredEx from the new period's structural instruments. Of this, EUR 102 million is meant for the reconstruction grant of apartment buildings; EUR 75.5 million for offering enterprise loans and their guarantees; EUR 48 million for the establishment of a hedge and private equity fund of funds for companies in the early stages of development; and EUR 10 million to KredEx Krediidikindlustus AS for offering credit insurance. In the coming years, the counter-guarantee of the European Investment Fund will facilitate the access of 1000 SMEs to loan capital in the amount of around EUR 200 million.

The guarantee volumes planned for 2015 were filled in both the enterprise and housing sector. During the year, KredEx issued enterprise loans amounting to EUR 64 million,

which enabled the enterprises to obtain EUR 110 million in additional funding from banks. Housing loans and loans taken for the reconstruction of apartment buildings were guaranteed in the amount of EUR 20 million, which allowed people to improve their living conditions with EUR 139 million of additional funding from banks. The issuing of grants for the housing sector went ahead as planned. The volumes of capital loans, technology loans and export loans remained somewhat smaller, as there were also alternative funding options available for these target groups and intervention of KredEx as a creditor was not necessary; instead, KredEx participated in these projects as a guarantor.

During the year KredEx received a total of approximately 4300 applications in relation to all services, 1000 of which were in enterprise and 3300 in the housing sector. Thanks to KredEx, the funding opportunities of approx. 600 enterprises and the housing conditions of approx. 6000 families improved. Thirteen per cent of all housing loans issued in Estonia were granted with a KredEx guarantee.

The Baltic Innovation Fund (BIF) is making progress – the volume was increased by KredEx and its co-investors in July 2015 to EUR 130 million, from the previous EUR 100. Four sub-funds have received a mandate from BIF. As of today, all of them have also managed to involve private capital and started to invest actively. Besides the already operating four sub-funds, another two sub-funds can be given a mandate from BIF.

For efficient provision of needs-based services, the opinion of customers and partners is what matters. For this, feedback is sought from all customers who have filed applications with KredEx. In addition, Ernst & Young Baltic AS arranged an ex-ante assessment of financial instruments in the spring, analysing all previous financial services offered to enterprises by KredEx. Ernst & Young Baltic proposed that KredEx supplement its services in order to ensure that they better correspond to the needs of enterprises. Based on feedback, it may be acknowledged that KredEx still has the reputation of a proficient and reliable partner and the offered services are considered important.

All in all, 2015 was a successful year 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 find the funding that is necessary for creating a more secure future.

Lehar Kütt
Chief Executive Officer



2. Activity principles



The KredEx foundation was founded in 2001, by the Ministry of Economic Affairs and Communications. KredEx is a financial institution helping Estonian enterprises to develop faster and securely expand into foreign markets. For this, KredEx offers loans, venture capital, credit insurance, and guarantees assured by the state. In addition, we help the Estonian people to improve their living conditions, offering them 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, top quality service, and readiness for cooperation, which leads to the satisfaction of our customers and partners. We value 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 on the financial market, we are constantly developing our services in order to provide suitable financing solutions in a changing economic environment. Over the years, KredEx has developed into a considerable link between Estonian financial institutions and loan applicants, exporters and foreign buyers.

2.1. Values

In its operations, KredEx is guided by the following values:



2.2. Main principles of the operations of KredEx.

State guarantee and self-sustainability

In its activities KredEx relies on two main principles – the state guarantee and the principle of self-sustainability. According to the Support of Enterprise and State Loan Guarantees Act, the sureties and guarantees issued by KredEx are from the state. If, despite the conservative risk management and the existence of sufficient capital, KredEx cannot fulfil its obligations arising from 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 recipients of the sureties or guarantees, or transfer additional amounts to the foundation capital of KredEx. On the other hand, regulatory capital and limitations on investment activities have been established in the legislation for the purposes of 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 a non-profit organisation and is guided above all by the public interest in its activities. However, decisions are made primarily based to their economic content and activities that clearly cause loss or are too risky are not undertaken. KredEx operates following the principles of a credit insurance provider, earning profit from guarantee fees as well as interest and investment income, from which the losses incurred as well as the administrative expenses are covered. In addition, KredEx provides administration services to the state for grants in the housing area.

2.3. Management of the organisation

KredEx has a supervisory board and a management board.

The task of the management board is to manage the daily activities of the foundation, ensuring the implementation of the resolutions of the supervisory board and taking responsibility for the fulfilment thereof. Since 1 May 2015, the CEO of KredEx is Lehar Kütt, former manager of the Enterprise Division.

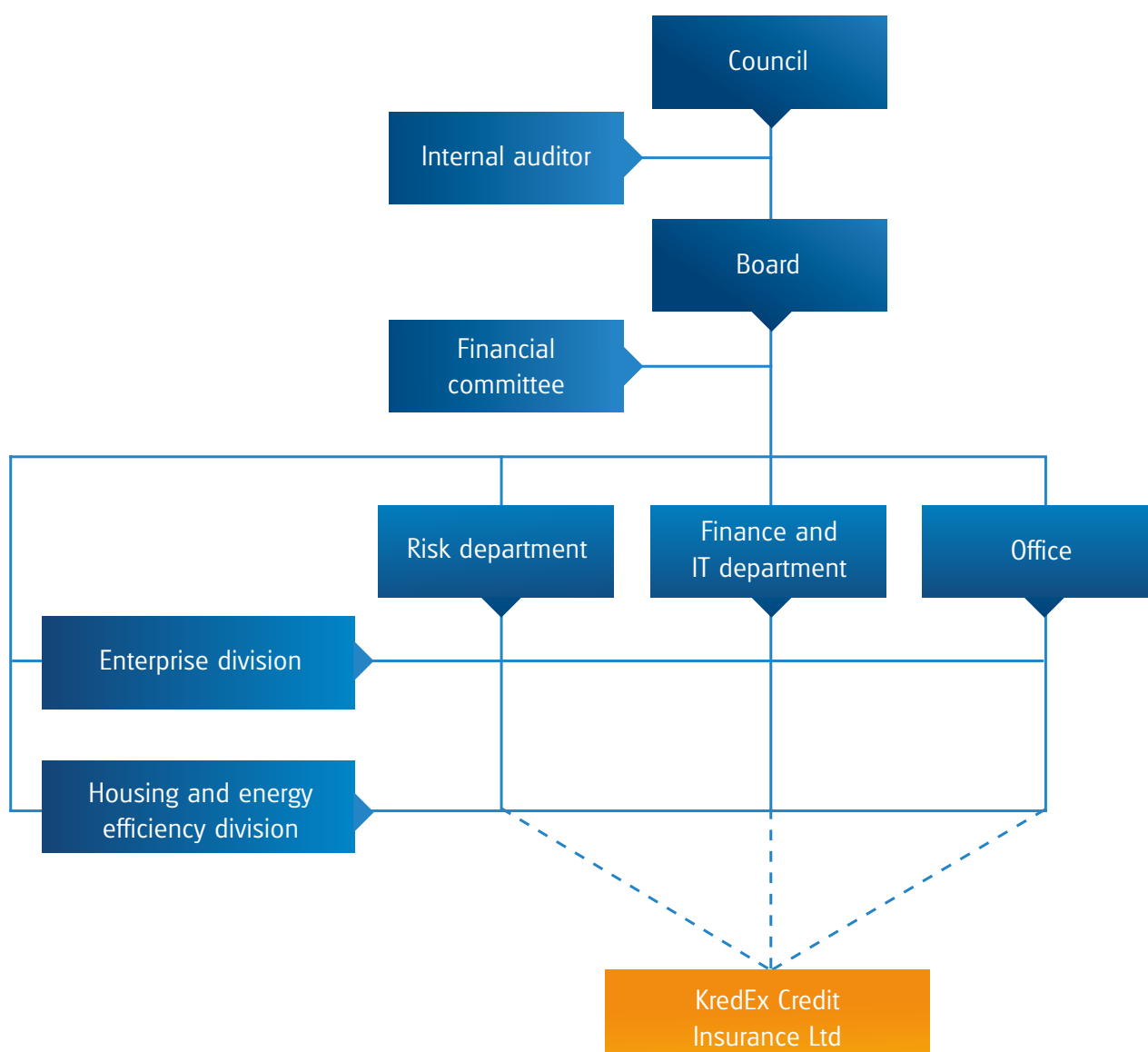
The main task of the supervisory board is to make strategic decisions regarding the activity of KredEx and approve and amend documents that are most important for the activity (budget, strategy, activity goals, risk management, and principles of cooperation with credit institutions). Also, the approval of the supervisory board is necessary for all projects where the total amount of guarantees, sureties or loans granted by KredEx exceeds EUR 1 million per company.

According to the statutes, the supervisory board of KredEx has up to seven members. The supervisory board includes a representative from the Ministry of Economic Affairs and Communications and a representative from the Ministry of Finance.

In 2015, two members of the supervisory board changed. The Minister of Entrepreneurship appointed Kristjan Kitvel and Raivo Ranna as the new members of the

supervisory board, and removed Veiko Tali and Siim Raie. The supervisory board elected Valdo Randpere as the vice chairman of the supervisory board. During the year, the supervisory board held a total of 16 meetings.

Merike Saks	Chairman of the Supervisory Board, Secretary General of the of Economic Affairs and Communications
Valdo Randpere	Vice Chairman of the Supervisory Board, member of the Riigikogu
Marina Kaas	Member of the Supervisory Board, Vice President of the Estonian Association of Small and Medium-sized Entrepreneurs EVEA
Rene Tammist	Member of the Supervisory Board, CEO of the Estonian Renewable Energy Association
Kristjan Kitvel	Member of the Supervisory Board, Secretary General of the Ministry of Finance
Raivo Rand	member of the supervisory board, Chairman of the Management Board of the Association of Construction Entrepreneurs



The team

In order to fulfil the goals of KredEx and ensure sustainability, we value long-term employment. Eight people on our team of 34 have worked for KredEx for longer than 10 years. We have achieved good results with a unified and stable team. The average seniority of a KredEx employee in office is 7.7 years.

We support the development of our employees with interesting work, a good working environment, and excellent training opportunities. Each year we organise a team training, to support the preservation of a communication and working environment that gives us positive energy. Good team training also contributes to the functioning of important processes and fulfilment of the established goals, and also increases the desire and will of the team to continue working for KredEx in the future. In 2015, the total number of training days per employee was 5.

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

In 2015, we launched a pilot project requesting feedback from colleagues. We selected samples from among actually cooperating employees, thanks to which the response rate was very high. The results of the poll reflected excellent cooperation. In addition, the employees received a lot of positive feedback from the comments.

In addition to new activities, we are also holding onto our own traditions. Common winter and summer days, a Christmas party for the children of employees, and a year-end event with families are always long awaited.





2.4. Risk management and overview of the internal control system

In the activity of KredEx as a financial institution, reliability is essential. Therefore, efficient performance of both risk management as well as the internal control system forms the basic principle of our successful operation. We have established relevant procedures for risk management, which are updated and amended as necessary. As a core principle we use the so-called four-eyes principle, where the precondition to every significant financial transaction is the approval of another person with the relevant competence, in addition to the performer.

Principles of risk management of KredEx:

- » The risk taken and the fee collected are in proportion to one another.
- » Risks are sufficiently spread; the loss from a single risk is not too large in comparison to 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 estimating the volumes and loss given default of each service as well as other circumstances influencing the total net gain. For that, we assess and classify every taken risk based on the probability of realisation and the consequent loss amount.

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

To cover regular and predictable losses, sufficient provisions are formed from

income and reinsurance is used. Net assets are used to cover extraordinary losses, due to which risk taking is limited also with regulatory capital.

In order to ensure the impartiality and efficiency of the internal control system, we select the provider of internal audit by public procurement. Qualified auditors periodically examine the various areas of KredEx activities, and submit summaries of the course and results of the audit, both to the management as well as the supervisory board. While in 2009-2014 KredEx was audited by Ernst & Young Baltic AS, then the internal audit of 2015 was conducted by KPMG Baltics OÜ. The audit plan of internal auditors for 2015 also included the processing of renovation grants issued to apartment associations and prevention of work regarding losses in the enterprise area.

The use of structural and other external funds by KredEx is also inspected and audited annually by the Ministry of Finance as well as the Ministry of Economic Affairs and Communications.

From the beginning of operations, KredEx annual reports have been audited annually by internationally recognised auditing firms. So far, all reports have been approved without reservations.

2.5. Economic environment and its influence to the activities of KredEx

In 2015, the Estonian economy grew by 1.2%. The worse-than-expected result was caused by the notable decline in external demand. A large part of the decline in exports was contributed to by the electronics sector, the fall in exports to Russia and the drop in global oil prices, which has weakened the competitive position of the oil sector. Private consumption remained the engine of economic growth, driven by increased earnings of households and price erosion caused by the cheapening of energy. Increases in VAT and excise duty receipts noticeably contributed to economic growth. The main setbacks took place in the transport and construction sectors, which have been declining already for several years in a row.

In 2015, the euro zone economy grew by 1.5% Estonia was primarily influenced by the economies of its main trading partners: Sweden, Finland, and Latvia. According to Statistics Estonia, in 2015 goods were exported in the amount of EUR 11.6 billion in current prices and imported in the amount of EUR 13.1 billion. Exports decreased by 4% in comparison with the previous year and imports by 5%. In 2015, the relative importance of the European Union countries in exports was 75% and in imports 83%. The main foreign partners were Sweden (19% of total exports), Finland (16%) and Latvia (10%), and the main export articles were electrical devices, wood and wood products, and mineral products. The biggest decrease occurred in exports to Russia (by EUR 412 million), Belgium (by EUR 113 million), and Latvia (by EUR 96 million).

The turnover of the business sector declined 3% in the first three quarters of 2015, compared to the same period last year. Sales revenue increased in retail trade and decreased in wholesale trade and the processing industry. Labour costs increased significantly in the first three quarters and the profits of companies decreased by

approx. 9%. Investment activities of companies remains low; investments declined 7% compared to the previous period. Despite the low investment activity and capital need, the decreased profitability has not yet had any significant impact on the financing of companies; however, if the trend continues in the future, it may begin limiting the growth of companies as well as their investments.

According to AS Krediidiinfo, in 2015, the debts of companies to both business partners and the state increased, compared to 2014. The sector with the biggest tax arrears is the processing industry. The share of enterprises with a negative credit rating in Krediidiinfo (with a probability of default over 5%) is slightly higher than in the previous year (approx. 12.8%), and the risk of default is higher in housing and catering, construction, mining and processing industry. According to the poll by AS Intrum Justita, Estonian companies wrote off approximately 1.6% of accounts receivable in bad debts in 2015 (2.9% a year ago). In Europe, the same figure is 3.1%.

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 remained stable in 2015 and accounted for 50% of all corporate debt liabilities in the third quarter. Small economic growth and low investment activity are reflected in a relatively modest need for loans. In 2015, the corporate loan balance with banks increased by approx. 5%. Growth was supported by loans in real estate, industry, and the trade sector. According to the survey on the access to finance, prepared in cooperation with the European Central Bank and the European Commission, access of Estonian small and medium-sized companies to funding is better than the average in the European Union, being supported by the relatively good financial standing of enterprises and good capitalisation of local banks. Entrepreneurs view a lack of collateral or a guarantee as being the main obstacle when applying for loans.

The financial situation of households improved in 2015 in connection with increased earnings and decreased prices. The increase in lending activity was modest: the annual growth of the housing loan portfolio was 4.3% and loan balance EUR 6.3 billion. Further growth of the housing loan volume is facilitated by increasing earnings and very low loan interest rates. Still, households are funding real estate transactions cautiously and the ratio of new housing loans to total volume of housing real estate transactions has not increased.

The prerequisite for economic growth in 2016 is improvement of the financial situation of main trade partners, which in turn offers better export opportunities for enterprises. Growth of private consumption will remain smaller than last year, while still being strong. Swedbank's economic growth estimate for this year is 2.3%. The expected economic growth of Estonia's main export partners in 2016, according to Swedbank, is as follows: Sweden 3.1%, Finland 0.5% and Latvia 3.3%. Estonia's economic growth is supported primarily by the economic conditions of European countries; however, there is no foreseeable restoration of demand in Russia in the near future. The future profitability of enterprises depends largely on restoring export opportunities and controlling salary costs.

3. Activities and results in 2015



3.1. In brief

In February, KredEx opened up the demolition grant measure for local governments. The purpose of the demolition grant is to assist local governments in demolishing idle residential buildings.

In March, the CEO of KredEx, Andrus Treier, announced his resignation at the end of April, at his own request.

In April, the Supervisory Board of KredEx elected Lehar Kütt, former head of the Enterprise Division, as the CEO of the foundation.

In April, KredEx started to issue reconstruction grants to apartment associations. This grant is allocated in three proportions: 15, 25 and 40% of the cost of works. The grant volume depends on the energy saving to be achieved and the works to be done. As an exception, the percentage of grant for residential buildings in Ida-Viru County is higher by 10%, depending on the volume and condition of buildings in this region.

In April, KredEx started accepting applications for updating the electrical systems inside buildings using the old voltage system.

In June, KredEx introduced submission of home grant applications for families with many children.

In June, a study by Tallinn University of Technology and EstKonsult, ordered by KredEx, was completed on the topic "Engineering drawings of additional external insulation of apartment buildings and ventilation solutions of standard apartments".

In July, KredEx finished accepting applications for home grant applications. To receive this grant, 526 families had submitted their application in the total amount of EUR 3.8 million. The average grant amount was EUR 5769.

In August, the total amount of loans issued with a KredEx guarantee to enterprises from the beginning of its operations exceeded the threshold of EUR 1 billion.

In October, KredEx participated in the project "Entrepreneurial school", in course of which our employees gave lessons at schools. The project was aimed at raising the interest of young people towards entrepreneurship.

In November, KredEx organised career exploration tours, in the course of which 200 students visited enterprises operating in their county and obtained information on career opportunities in their respective region.

In November, KredEx and the European Investment Fund signed a counter-guarantee agreement within the framework of Europe's programme for small and medium-sized enterprises (COSME).

In December, KredEx and the Ministry of Economic Affairs and Communications signed a contract for using the funds from the European Union's new financing period.

3.2. Overview of enterprise area results in 2015

3.2.1. Most important improvements in the area

In November, KredEx and the European Investment Fund signed a counter-guarantee agreement within the framework of Europe's programme for small and medium-sized enterprises (COSME). A counter-guarantee helps KredEx to guarantee riskier projects and thereby ensure easier access for enterprises to financing from credit institutions.

In December, KredEx and the Ministry of Economic Affairs and Communications concluded a financing agreement in the amount of EUR 75.5 million for implementing structural funds during the period 2014-2020. As a result, KredEx is able to secure the obligations of enterprises with EUR 5 million instead of the previous EUR 2 million. Thanks to the agreement, it was also possible to lower the guarantee fee for enterprises with a stronger financial rating.

3.2.2. Guarantee and loan activity of the area

KredEx guaranteed and financed 401 enterprises in a total amount of EUR 66.3 million in 2015; in addition, current guarantee agreements with 207 companies were amended. Support from KredEx enabled companies to attract additional funding of EUR 112.3 million from banks and KredEx. The supported companies employed a total of 9930 people, and as a result of projects 607 new jobs were planned to be created.

3.2.3. Enterprise loan guarantees

In 2015, 635 new enterprise loan guarantee applications and 377 additional applications to amend the existing guarantee agreements were received by KredEx; in total, 1012 applications. This is 57 applications more than in the previous year. Guarantees were applied for in total of EUR 74.5 million, and the related financing in amount of EUR 127.2 million.

475 new guarantee agreements were concluded to guarantee the liabilities of 357 enterprises, and 274 current agreements guaranteeing the obligations of 207 enterprises were amended. In total, 749 agreements that guarantee the obligations of 564 enterprises were concluded. The number of customers was 36 less than a year before.

KredEx guarantees in the amount of EUR 64 million made it possible for companies to include EUR 110 million of additional funding from banks. The volume of guarantees decreased by 8% in comparison to the previous year. Whereas the volume of guarantees in 2014 was the biggest in KredEx history for a single calendar year, the result for 2015 can be considered good.

It is worth noting that in 2015, since the founding of KredEx and thanks to the guarantee, the total volume of loans granted exceeded EUR 1 billion. By the end of the year, enterprises had received EUR 1.04 billion in funding since 2001, thanks to the guarantee.

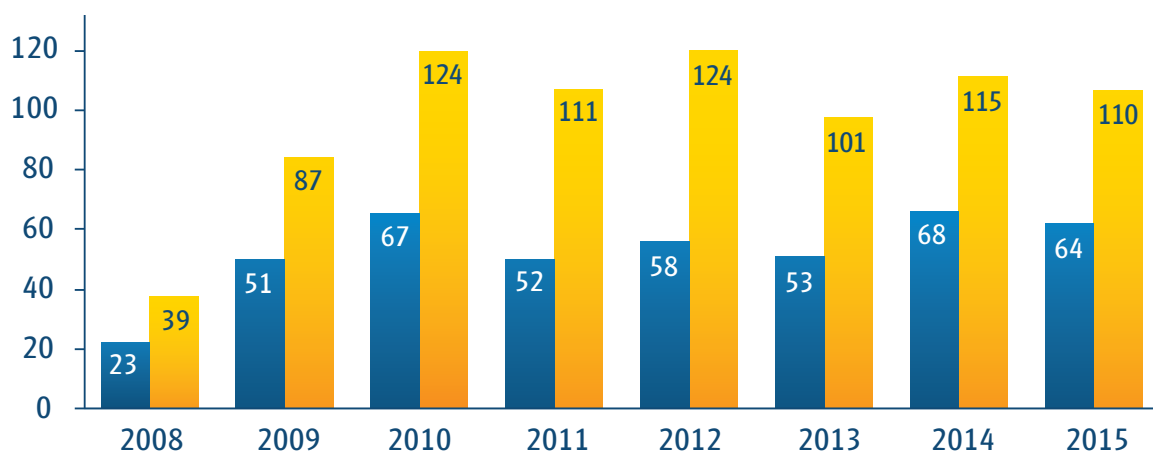


Figure 1. Volume of guarantees and financing ensured by guarantees in 2008-2015, millions of euros

■ Guarantee volume issued by KredEx

■ Volume of financing ensured by guarantees

Enterprises which used loan guarantees in 2015 had in total 9300 employees. The enterprises planned to create 457 new jobs with the support of the KredEx guarantees.

Loan guarantees for overdrafts and working capital loans were issued totalling EUR 29.1 million, EUR 20.1 million for investment loans, EUR 11.9 million for bank guarantees, and EUR 3 million for leases. Compared to the volume of guarantees in the last two years, the share of investment loans slightly increased (to 31.3% from 30%) and that of overdrafts and working capital loans continued to increase likewise to the previous year, to 45.4% from 37.1%; the share of bank guarantees declined noticeably (to 18.6% from 28.7%) and that of leases increased to 4.7% from 4.2%.

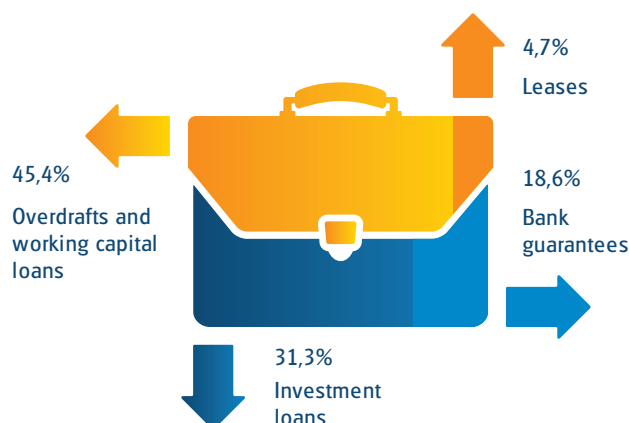


Figure 2. Volume of guarantees issued in 2015 by types of financing

By sectors, KredEx guarantees were used most by enterprises in construction (16.9%); professional, wholesale and retail (9.8%); scientific and technical activities (9.3%); timber industry (8%); metal industry (8%); administration and support (6.8%); transportation and storage (6.7%); and information and communications (5.4%). The share of the remaining areas of activity was below 5% in the guarantee volume issued in 2015.

Compared to 2014, the volume of guarantees in the construction sector has noticeably decreased (to 16.9% from 22%), while continuing to remain the largest sector, and the shares of whole-sale and retail trade as well as wood industry have increased (to 9.8% from 7.2 and to 8% from 6.4%, respectively). There were no major changes in

other areas of activity. The share of processing industry decreased from 37.7% to 36.3% during the year. Compared to last year, the share of the areas of activity remaining below 5% of the guarantee volume has decreased to from 40% to 29%.

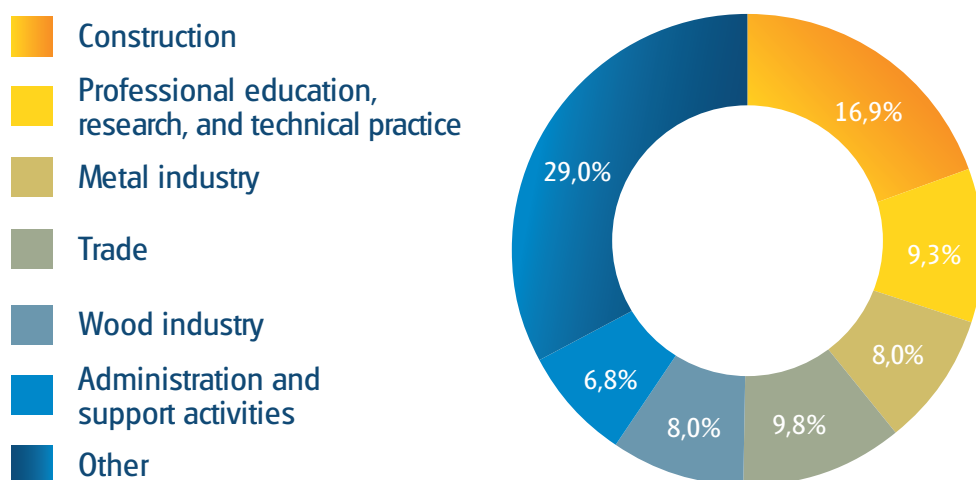


Figure 3. Volume of guarantees issued in 2015 by areas of activity

In 2015, the share of micro-enterprises in the volume of guarantees increased noticeably (to 52.6%, from 25.7%) and that of the small enterprises decreased (to 25%, from 47.2%). The changes in the share of medium and large enterprises were minor compared to last year (to 18.8%, from 25.1% and to 3.6%, from 2%, respectively).

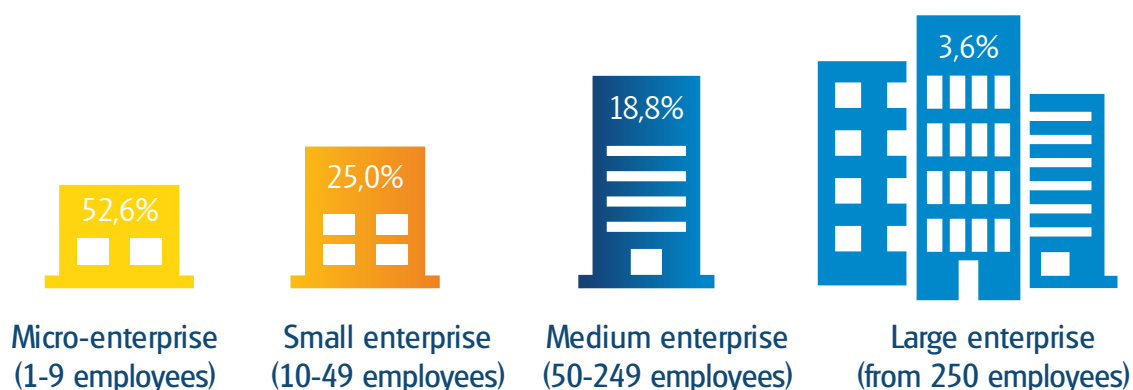


Figure 4. Division of volume of guarantees issued in 2015 by size of enterprises

It is notable that the share of micro and small enterprises constituted 77.6% of the volume of guarantees, which is 4.7% more than a year before and 15.3% more than two years ago. When looking at the enterprises using the KredEx guarantee based on their number of employees, then over 92% of these are micro and small enterprises.

Among loan guarantees 23 start-up loan guarantee agreements for guaranteeing the obligations of 22 enterprises were concluded within the year, totalling EUR 0.6 million, which made it possible for starting entrepreneurs to obtain financing from banks totalling EUR 0.8 million. As a result of the funded projects, 85 new jobs were to be created.

As of the end of 2015, the portfolio of enterprise guarantees included 1218 valid guarantee agreements of 989 enterprises in the amount of EUR 115.9 million. In a year, the number of enterprises in the portfolio decreased by 0.6% and the number of agreements by 3.4%. The balance of guarantee obligations increased in the annual comparison by 0.2%.

Since 2001, KredEx has guaranteed bank loans, bank guarantees, and leasing transactions for 3205 companies in the total amount of EUR 1.04 billion. The total volume of guarantees is EUR 539 million. The number of employees in the financed enterprises was 94,502 and as a result of the projects, 12,068 new jobs were projected to be created.

3.2.4. Enterprise loans

During the year, KredEx issued start-up loans to 7 enterprises totalling EUR 0.2 million. As a result of the financed projects, these enterprises plan to create 32 new jobs.

In total, start-up loans and their guarantees allowed to finance the launches of 29 start-up companies totalling EUR 1 million. As a result of the financed projects, these enterprises plan to create 117 new jobs.

During the year, 8 technology loan and working capital loan agreements were concluded with 5 enterprises in the total amount of EUR 1 million. Thanks to the subordinated loans of KredEx, the entrepreneurs are planning investments totalling EUR 36.5 million. The funded enterprises had 217 employees, and as a result of the projects they plan to create 118 new jobs.

No export loans were granted in 2015.

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. Initially, the total volume of the fund of funds was EUR 100 million; however, in July 2015, it was increased to EUR 130 million. Each country has a holding through KredEx, Altum (Latvia) and Invega (Lithuania) of EUR 26 million and the holding of the European Investment Fund is EUR 52 million. At least the same amount of investments from private investors are added to the contribution of BIF on the sub-funds' level.

The goal of BIF is to offer new financing opportunities to Baltic enterprises with good growth potential, and develop the capital market of the Baltic States. BIF is a fund of funds investing in sub-funds, managed by private fund managers, which in turn invest in enterprises. BIF is managed by the European Investment Fund.

So far, BIF has given credentials to BaltCap Private Equity Fund II, BPM Mezzanine Fund, Livonia Partners Fund I and Karma Ventures Fund I. As of today, all of them have also involved the required amount of capital from private investors and started investing in enterprises. BIF invests EUR 80 million in the four mentioned sub-funds, to which EUR 182 million from private investors is added. In addition to the already operating funds, investors may place money in up to two other sub-funds.

In 2015, preparations continued to establish another fund of funds (EstFund), from

which about EUR 60 million are to be placed in sub-funds that invest into start-up and early-phase Estonian enterprises. Almost EUR 40 million from private investors will be added to the EstFund contribution on the sub-funds' and enterprises' level. EstFund is expected to start its activity in the first half of 2016, when a competition to find fund managers for the sub-funds will be announced.

3.3. Overview of the area of housing and energy efficiency results in 2015

3.3.1. Most important activities in the area

In 2015, several new support measures opened up, aimed at improving the energy efficiency and quality of the living environment. Continued support was granted to improve the living conditions of families with many children and the quick charging and rental service of ELMO were provided.

A service of loan guarantee for energy-efficient housing has been developed, aimed at steering people towards purchasing more energy-efficient homes. This service will be ready for use in 2016.

KredEx has supported the reconstruction of apartment buildings for almost 10 years, and an opportunity to apply for the grant in this area was once again provided from April 2015. The reconstruction grant is geared toward apartment associations and local governments wishing to reconstruct their apartment buildings as comprehensively as possible. The grant may be applied for within 15, 25 and 40% (in Ida-Viru County within 25, 35 and 50%) of the total cost of reconstruction. In 2015, most of the applications included the 40%-grant, which is a great step towards a more comprehensive and high-quality reconstruction.

Since February, local governments can apply for grants for the demolition of idle residential buildings. Demolition of the mentioned buildings and those that are not suitable for renovation helps to improve the living environment and also increases safety. The freed-up spaces can be redesigned as public spaces or allowed to be reclaimed by nature.

In April, the opportunity was made available to the inhabitants of apartment buildings and private dwellings in Tallinn to modernise their electrical installations with the support of KredEx. The support is intended for residential buildings equipped with an old voltage system, the result of which is a higher electrical and fire hazard.

At the end of 2014, KredEx started to issue grants for the deployment of renewable energy and heating systems in small residential buildings, designed for the owners of small residential buildings who so far used liquid fuel as their fuel type. In 2015, a total of 332 applications were submitted to KredEx within the framework of this grant scheme, with the majority of people replacing their oil burning boilers with air to water heat pumps.

An important part of the activity of the area was related to notification regarding the reconstruction grant for apartment buildings. Marketing activities via outdoor media and direct mail were carried out, and from January to March, information days were organised throughout Estonia for apartment associations.

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

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 2015 was EUR 942 million (EUR 818.9 million in 2014). The volume of housing loans with a KredEx guarantee was EUR 120.7 million. A year before, such housing loans were issued in the amount of EUR 106.8 million, i.e. at an average of EUR 8.9 million per month. In 2015, the volume of housing loans with a KredEx guarantee accounted for 12.8% of the volume of all housing loans issued in Estonia (13.1% in 2014). The largest amount of loans with a KredEx guarantee were issued in April in the amount of EUR 12.3 million, and the lowest in January in the amount of EUR 6.45 million; the monthly average amount being EUR 10 million.

The amount of housing loan guarantees issued in 2015 was EUR 17.5 million, which is EUR 0.97 million (5.8%) more than in the previous year. By the end of 2015, the volume of housing loan guarantees of KredEx reached EUR 38.6 million (EUR 34.3 million in 2014). A total of 2191 households purchased or renovated their homes in 2015, including 971 young families in the amount of EUR 7.9 million; 1212 young specialists in the amount of EUR 9.5 million, and 8 veterans in the amount of EUR 44,680. Since 2000, 25,139 households have improved their living conditions with the help of KredEx.

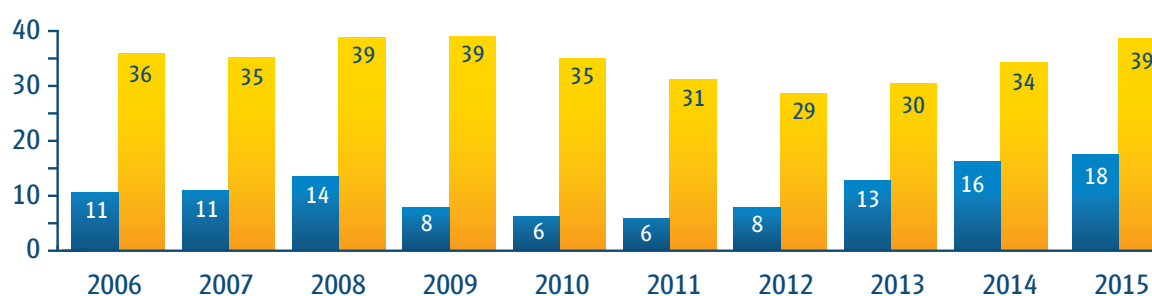


Figure 5. Volume of KredEx guarantees in 2006–2015, millions of euros

■ Issued guarantees ■ Valid portfolio

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

During the year, 70 loan guarantees of apartment buildings were issued totalling EUR 3.6 million, which is 88% of the guarantees issued in 2014. In 2015, the apartment building

guarantee portfolio reached EUR 19.9 million, having increased by EUR 1.7 million per year.

Since 2002, the total number of apartment buildings having received a loan for renovation with a KredEx guarantee has been 862, totalling EUR 48.6 million.

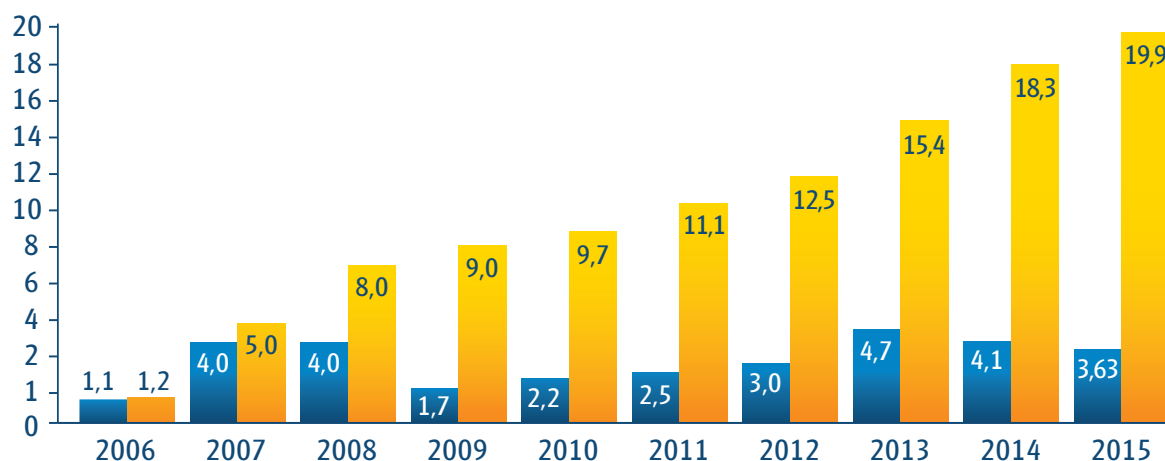


Figure 6. Volume of KredEx renovation loan guarantees in 2006–2015, millions of euros

■ Volume of apartment building loan guarantees, millions of euros

■ Apartment building guarantee portfolio, millions of euros

3.3.3. State grants for housing area

In 2015, five grants related to energy efficiency or the improving of living conditions were issued. As a new option, KredEx offered the possibility to apply for a grant to replace the electrical installations and demolition grant to local governments for the demolition of idle residential buildings. The possibility to apply for a reconstruction grant for apartment buildings was reopened again and the grant measures for renovating the heating systems of small residential buildings and for families with many children were continued.

3.3.3.1. Reconstruction grant

The reconstruction grant, added in April 2015, is geared toward those apartment associations and local governments who wish to reconstruct their apartment buildings as comprehensively as possible. The grant volumes are 15, 25 and 40%, whereas for a 15% grant the works must achieve 20% energy saving, those receiving a 25% grant must definitely reconstruct also the heating system, insulate the façades and roof and replace all old windows. Those receiving a 40% grant must, in addition to the above, lift the windows to the insulation level to avoid thermal bridges or provide the window jambs with extra insulation, and install a ventilation system equipped with heat recovery.

In addition, the service of technical consultancy, construction project preparation, and owner supervision are supported up to 50%. The purpose of this measure is to achieve energy efficiency of existing apartment buildings and better thermal environment and boost the implementation of renewable energy. This way the energy dependency of residential buildings and greenhouse gas emissions will decrease and it will have a positive impact on the living environment and economy.

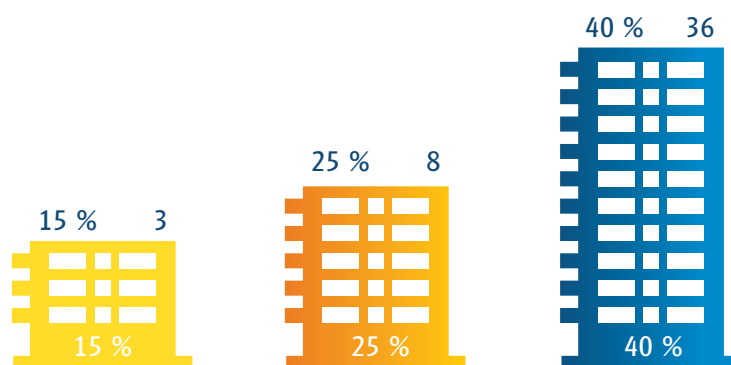


Figure 7. Number of approved reconstruction grant applications of apartment buildings in 20

In 2015, altogether 60 apartment building reconstruction grant applications were submitted to KredEx, out of which 26 apartment associations were given an initial approval and 18 a final approval. 12 applications were rejected due to incomplete documents. Construction works were completed and grant was paid out to 3 associations. The total volume of grants was approximately EUR 9 million and the average amount of applied grant approx. EUR 150,000 per building. Since the average number of apartments in the apartment buildings whose applications were approved is 30, the grant per apartment will be approximately EUR 5000. The number of approved decisions for apartment buildings in Harju and Tartu County was 14, i.e. more than one-half of the decisions made. Ida-Viru County and Hiiumaa have not submitted any applications yet.

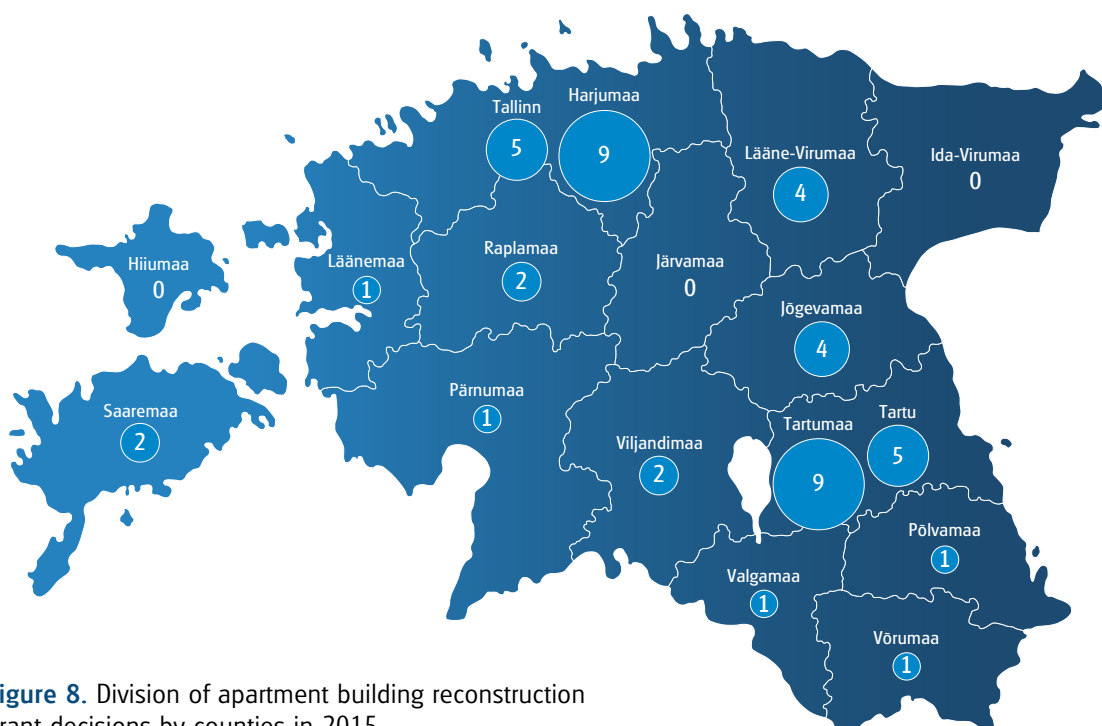


Figure 8. Division of apartment building reconstruction grant decisions by counties in 2015

3.3.3.2. Demolition grants for local governments

In February 2015, KredEx began to accept applications from local governments for the demolition of a dwelling that is obsolete, is a municipal property, or is located on a registered immovable encumbered with a building right. Costs associated with the demolition are supported within up to 70% of the total project cost. The purpose of the demolition

grant is to assist local governments through partial compensation for demolition costs in demolishing idle residential buildings which have become aesthetically unappealing, are in danger of collapse or present a fire risk and the renovation of which is inexpedient.

In 2015, KredEx provided EUR 393,000 in grants for the demolition of 31 idle residential buildings. The highest numbers of dwellings due for demolition were located in Ida-Viru (11), Valga (6) and Harju (5) Counties. Grants were also provided for the demolition of residential buildings in Pärnu (3), Lääne-Viru (2), Lääne (2), Jõgeva (1) and Viljandi (1) Counties. Active funding of the projects shall continue in 2016.

3.3.3.3. Grant for the renewal of heating systems of small residential buildings

The grant measure for the renewal of heating systems of small residential buildings opened up on 18 December 2014. The grant is designed for the owners of small residential buildings who wish to replace boiler units that operate on liquid fuel, with a heating device that uses renewable energy sources. Thanks to this, the energy consumption of these buildings decreases and the production of renewable energy is facilitated. From 18 December 2014 to 31 December 2015, a total of 426 applications were submitted in the total amount of EUR 1,466,135. The grant was paid out to 337 applicants in the total amount of EUR 1,155,679.

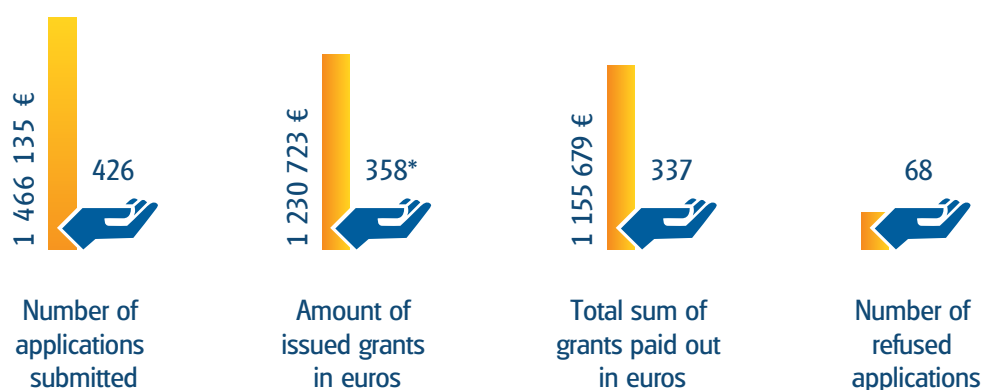


Figure 9. Grants for the renewal of heating systems of small residential buildings in 2015

* Decisions on the applications submitted in 2014 were made at the beginning of 2015. In 2014, no grants were paid out.

The most common heating appliance, installed with the help of the grant, was an air to water heat pump (206 applications), followed by a geothermal heat pump (93 applications) and a pellet boiler (52 applications).



Figure 10. Division of grants for the renewal of heating systems of small residential buildings in 2015

3.3.3.4. Home grant for families with many children

Within the “Strategy of Children and Families 2012–2020” KredEx, in cooperation with the Ministry of Social Affairs, is implementing a measure to improve the living conditions of families with many children. The basis of this is the instruction approved by the directive of the Minister of Economic Affairs and Infrastructure, “Home Grant for Families with Many Children”, and the applications were processed according to the agreements concluded between the Ministry of Economic Affairs and Communications and KredEx.

The target group of the grant scheme is households with low income, with at least four children under 19 years of age. Eligible activities include decreasing the repayment of the principal part of the current housing loan, purchasing, building, reconstructing, renovating, or expanding housing, the construction, replacement, or updating of technical systems or networks.

During the period 09.06.–31.07.2015 KredEx organised a new call for home grant applications, in course of which 526 applications were submitted in the total amount of EUR 3.8 million. Out of these, 82 applications were rejected and 444 applications met the requirements. The grant applicants were geographically distributed evenly all over Estonia. The majority of applications were sent from Harju and Tartu counties, in which the number of residents is higher than in the rest of the counties.

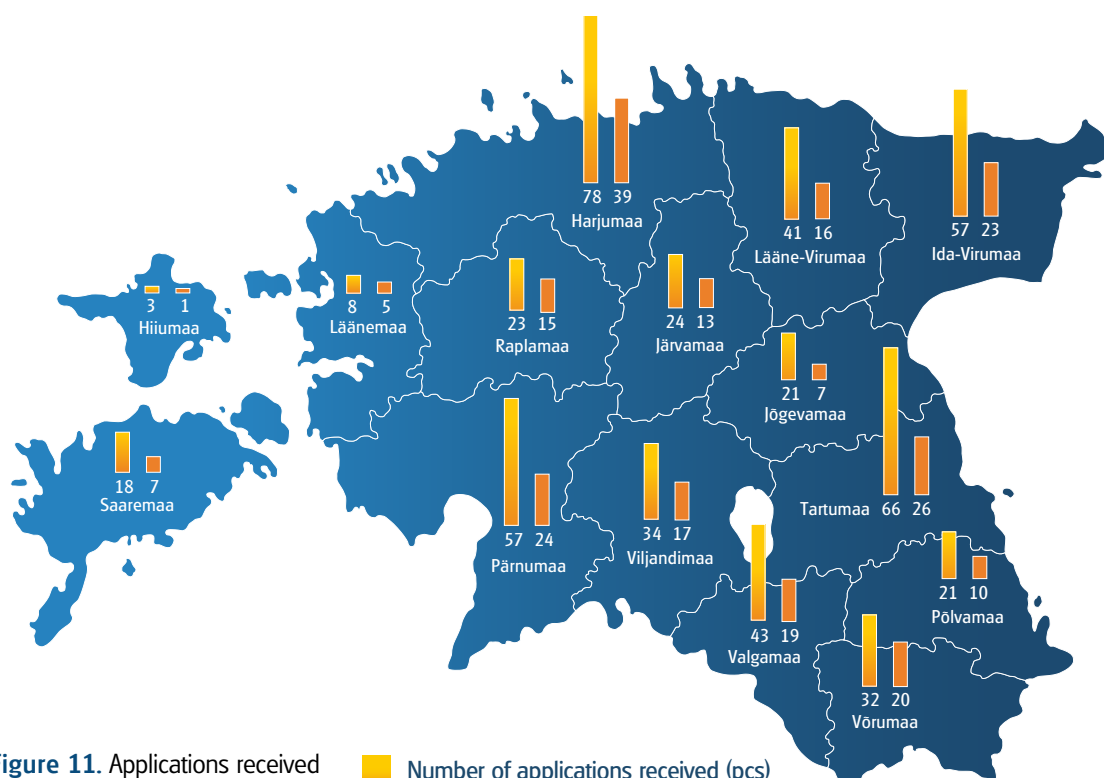


Figure 11. Applications received and satisfied in the 2015 home grant call by counties

■ Number of applications received (pcs)
■ Number of applications satisfied

Of the applications received, the applications of 242 families were funded. Out of these, 135 families were first-time applicants, 62 families received the grant for the second time, 36 families for the third time, and 9 families for the fourth time. The average grant amount per family was EUR 7413. There are 1178 children growing in the families that received

funding; an average of 5 children per family.

Most of the applications (270), were submitted for renovating/reconstructing privately owned housing and 154 for the partial repayment of the remaining principal balance of the housing loan, followed by applications for the construction, replacement, or updating of technical systems (43), construction of housing (18) and acquisition of housing (41).

In 2008–2015, altogether 4014 home grant applications totalling EUR 32.5 million were submitted, of which 2,290 applications in total amount of EUR 20.4 million were funded. Over these years altogether 1856 families have received the grant once, 363 families twice, 62 families three times, and 9 families 4 times. The average grant amount per family was approximately EUR 8,885.

3.3.3.5. Grant for the renovation of electrical installations

In April, the grant measure for updating electrical installations was opened, the purpose of which is to provide partial state support for the renovation of electrical installations in residential buildings using the old voltage system (3 x 220 V) in Tallinn so that the residential buildings are transferred to the new 3 x 230/400 V voltage system. Applications may be submitted by apartment associations or communities and owners of small residential buildings in the City of Tallinn whose residential buildings are supplied with electricity using the old voltage system. In the first year, the grant was not actively applied for and was issued to 24 buildings in the total amount of EUR 31,036.

3.3.4. Estonian Electrical Mobility Programme ELMO

One of the most important parts of the Estonian Electrical Mobility Programme ELMO is the construction and maintenance of the quick charging network as vital infrastructure for using electric cars. Estonia is equipped with 166 quick chargers, of which 102 are in towns (most of them in Tallinn, Tartu and Pärnu) and 64 by roadsides. As at the end of 2015, the number of customers using the quick charging network was 1,712, of whom 71% were private customers. Since the opening of the system in 2012, the quick chargers have been used more than 204,000 times by the end of 2015, with 133,000 uses taking place in 2015. The average charging session lasted 28 minutes and energy consumption was 8.8 kWh in 2015.

As at the end of 2015, more than 5,600 people had registered themselves as users of the ELMO short-term rental service. Users are predominantly male (80%) and the average age of users is 32. 78% of the users made use of a rental car once or twice. Repeat users were a clear minority, and their number remained similar to the level in 2014. Altogether people have used rental cars more than 21,000 times in the period 2013–2015 (50% in 2015) and the mileage over the course of the 175,000 rental hours has exceeded 1,600,000 kilometres.

More than 1,600 new users were registered in 2015. The average distance travelled by a car during the rental session was 61 kilometres, having declined 25% compared to 2014. At the same time, the average number of rental sessions per month increased 20% compared to 2014.

It is still possible to visit the electric car demo centre at the Science Centre AHHA, in Tartu. Since its opening, more than 539,000 people have visited the centre and over 750 test drives have been undertaken with the two electric cars there.



4. Financial results and payment of losses



Thousands of euros	2015	2014
Income from core activity (gross)	6,097	6,147
Guarantee activity	3,294	3,054
Crediting activity	1,942	2,248
Targeted financing of operational expenses from the state budget	861	845
Paid losses	-2,875	-3,097
Loss provisions formed for guarantees (gross)	-2,345	-1,835
Impairment of subordinated loans (gross)	-702	-2
Administrative expenses	-2,160	-2,178
Profit of the reporting period	1,021	1,233

	31.12.2015	31.12.2014
Loan receivables	63,126	69,907
Technical provisions	6,111	6,459
Foundation capital	72,999	71,766
Total balance sheet	173,642	176,529
Off-balance-sheet liabilities (guarantee portfolio)	174,453	168,271

Income related to the guarantee activity increased by areas of activity in both the enterprise and housing sector. Income related to crediting activity decreased due to an overall decline in the portfolio volume.

In 2015, fewer losses were paid out than a year before. Losses were smaller in both the enterprise and housing sector. The number of new loss events added in 2015 somewhat increased in comparison to the previous year. The expenses of loss events were mainly covered with guarantee fees. Additional necessary costs amounted to EUR 212,366 (in 2014, no additional provision was made). Impairment of subordinated loans amounted to EUR 701,795 (in 2014 impairment amounted to EUR 2078).

The total profit of the year was EUR 1 million. Since 2001, KredEx has earned a total profit of EUR 7.2 million.

5. Plans for year 2016



KredEx continues offering grants in the guarantee, loan, venture capital and housing areas, if necessary, with the goal being to revitalise the economy, improve the living conditions of people and increase energy efficiency. KredEx is constantly seeking to expand financing opportunities and compensate for market deficits in these areas.

An increase in volume is expected in the enterprise sector thanks to the implementation of the European Investment Fund's counter-guarantee and, in connection with that, the use of a fixed guarantee in a larger volume than before, an increase of the maximum guarantee amount and a decrease of guarantee fees. KredEx is constantly seeking opportunities to improve cooperation with banks in relation to the guaranteeing of loans and to simplify the procedures, where possible. Besides banks and providers of leases, possibilities for cooperation are also sought with other financiers.

In the venture capital area, investments in enterprises made by the venture capital funds that have received a mandate from the Baltic Innovation Fund (BIF) will receive a boost. In addition to the currently operating sub-funds, a mandate can be given from BIF to another two funds. The venture capital and private capital fund of funds is expected to start its activity in the first quarter and fund managers will be sought for up to four sub-funds.

In the housing and energy efficiency area KredEx will continue to offer an integrated package of services, including information activities, grants and loan guarantees, to make apartment buildings more energy efficient. Since apartment building reconstruction grants were launched in April 2015, it is expected that the number of grant applications, as well as the volume of use of apartment building loan guarantees, will increase in 2016. The volume of housing loan guarantees will increase primarily with the introduction of a loan guarantee for energy efficient housing in March 2016.

The operations of KredEx are based on a strong foundation; accordingly there is no need for any reorganisations in 2016. Establishment of a development bank on the basis of KredEx is being considered, in order to expand the possibilities for improving the funding options of target groups. Work processes are constantly being enhanced and internal regulations updated. Activities for replacing guarantee and loan administration software are continuing, in order to enhance the issuing of guarantees and loans, and the management of risks.

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6.1. Balance sheet (in euros)

Assets	31.12.2015	31.12.2014	Notes
Current assets			
Cash and bank accounts	94,893,207	82,674,196	3
Short-term financial investments	4,721,769	14,159,336	4
Short-term loan receivables	6,571,805	7 963 068	5
Receivables and prepayments	1,224,242	1,570,329	6
Total current assets	107,411,023	106,366,929	
Fixed assets			
Long-term investments	9,484,297	7,945,045	7
Long-term loan receivables	56,553,935	61,944,112	5
Tangible assets	81,700	85,313	8
Intangible fixed assets	111,237	188,088	9
Total non-current assets	66,231,169	70,162,558	
TOTAL ASSETS	173,642,192	176,529,487	

Liabilities	31.12.2015	31.12.2014	Notes
Liabilities			
Current liabilities			
Payables and prepayments	402,668	507,205	10
Short-term part of long-term loans	4,769,877	5,864,746	15
Short-term technical provisions	2,749,540	3,004,786	11
Other short-term provisions	84,810	84,810	11
Targeted financing for housing grants	5,040,676	4,123,131	12
Targeted financing for the application of the green investment scheme	3,402,051	7,082,673	13
Targeted financing for supporting measures of entrepreneurship	0	13,027	14
Total current liabilities	16,449,622	20,680,378	
Long-term liabilities			
Long-term technical provisions	3,361,086	3,454,689	11
Long-term loans	28,688,125	33,103,764	15
Targeted financing for supporting measures of entrepreneurship	49,780,518	44,363,258	14
Targeted financing for the application of the green investment scheme	1,342,517	1,928,315	13
Total long-term liabilities	83,172,246	82,850,026	
Total liabilities	99,621,868	103,530,404	

Net assets			
Foundation capital	72,999,083	71,765,981	
Total net gain for the accounting year	1,021,241	1,233,102	
Total net assets	74,020,324	72,999,083	
TOTAL LIABILITIES	173,642,192	176,529,487	

6.2. Income statement (in euros)

Operating income	2015	2014	Notes
Guarantee fees	3,246,483	2,998,485	16,17
Interest income from loans	1,644,077	1,526,360	17
Intermediation of targeted financing for housing grants	1,733,953	1,583,888	16
Intermediation of the targeted financing for the implementation of the green investment scheme	4,388,896	22,281,594	16
Targeted financing to cover operating expenses	860,983	844,829	16
Total operating income	11,874,392	29,235,156	

Operating expenses	2015	2014	Notes
Intermediation of targeted financing for housing grants	-1,733,953	-1,583,888	16
Intermediation of the targeted financing for the implementation of the green investment scheme	-4,388,896	-22,281,594	
Administrative expenses	-2,159,994	-2,177,502	20
Other operating income and expenses	242,970	235,099	18
Total operating expenses	-8,039,873	-25,807,885	

Provisions and impairment losses	2015	2014	Notes
Provisions for claims from guarantee activities	-1,851,476	-1,631,784	
Loan losses	-130,371	45,759	
Total provisions and impairment losses	-1,981,847	-1,586,025	

Financial income and expenses	2015	2014	Notes
Net income from securities	12,231	136,271	4
Interest income on deposits	153,084	253,264	3
Interest expenses	-986,318	-1,096,826	16
Profit/loss from associated undertaking	10,661	123,549	7
Other financial income and expenses	-21,089	-24,402	19
Total financial income and expenses	-831,431	-608,144	
Net income for the reporting period	1,021,241	1,233,102	

6.3. Cash flow statement (in euros)

Cash flow from principal activities	2015	2014	Notes
Income	1,021,241	1,233,102	16
Adjustments to income	603,376	211,088	
Change in receivables and prepayments	-323,563	-1,270,147	
Change in liabilities and prepayments	-104,537	110,445	
Change in provisions	-348,849	-1,068,475	
Change in loan receivables	6,781,440	19,104,850	
Change in loan obligations	-5,510,508	-9,771,175	
Change in targeted financing	2,055,358	-15,307,746	
Total cash flows from principal activities	4,173,958	-6,758,058	

Cash flows from investing activities	2015	2014	Notes
Sale of short-term financial investments	9,200,000	600,000	
Acquisition of long-term financial investments	-1,760,000	-1,075,200	
Interest income received	669,650	714,922	
Acquisition of fixed assets	-90,847	-156,831	8, 9
Sale of fixed assets	26,250	0	
Total cash flow from investing activities	8,045,053	82,891	

Total cash flow	12,219,011	-6,675,167	
Cash and cash equivalents at the beginning of the period	82,674,196	89,349,363	
Change in cash and cash equivalents	12,219,011	-6,675,167	
Cash and cash equivalents at the end of the period	94,893,207	82,674,196	3

6.4. Statement of changes in net assets

	Enterprise trust funds	Export trust funds	Housing trust funds	Undistributed income	Net assets Total
Balance 31.12.2013	31,494,508	6,149,518	33,244,174	877,781	71,765,981
Distribution of income into trust funds	323,959	-27,975	581,797	-877,781	0
Total net gain for the accounting year	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
Tulemi jaotamine sihtfondidesse	357,213	0	875,889	-1,233,102	0
Aruandeaasta tulem	0	0	0	1,021,241	1,021,241
Saldo 31.12.2015	32,175,680	6,121,543	34,701,860	1,021,241	74,020,324

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

6.5. Notes on annual accounts

Note 1. Principles of drafting of the annual accounts

The 2015 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 of the Estonian Accounting Standards Board.

The financial year started on 1 January 2015 and ended on 31 December 2015.

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 at bank, demand deposits and short-term bank deposits that can be withdrawn at short notice are recorded as cash and cash equivalents. Cash flows from business activity are recognised by the indirect method in the cash flow report. Cash flows from investment and financing activity are registered by direct method.

Financial investments

Initial recognition of financial assets

Financial assets are initially accounted for at acquisition cost, which is the fair value of the fee paid or received for the financial assets. The initial acquisition cost includes all the

transaction expenses directly resulting from the acquisition of the financial assets, except for financial assets recorded at fair value, for which transaction expenses are not added when the initial acquisition cost is calculated.

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 KredEx 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 recognised at fair value, except:

- » claims against other parties that KredEx has not acquired for the purpose of resale and financial investments maintained until the redemption date are recognised at 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 recognised at acquisition value.

Financial assets recognised at fair value

The following financial assets are recognised at fair value:

- » short- and long-term financial investments in equities and other equity instruments whose fair value may be reliably assessed;
- » short- and long-term financial investments in publicly traded bonds or other debt instruments.

Financial assets recorded at fair value are re-evaluated on every balance sheet date into their fair value, from which the 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 KredEx 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".

Financial assets recorded at adjusted acquisition cost

Claims against other parties that KredEx has not acquired for the purpose of resale and financial investments maintained until the redemption date shall be recorded at 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 recorded in the income statement as an expense, and the discount of financial assets connected with investment activity is recorded 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 recorded in the revenue statement as a reduction of the expense in which the discount was initially recorded.

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

Financial assets recorded at acquisition cost

Investments in shares or other equity capital instruments which are not traded publicly and the fair value of which cannot be reliably evaluated are recorded at acquisition value.

Financial assets recorded at 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 recorded at 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 at acquisition cost shall not be cancelled later.

The recording of financial assets is terminated when KredEx 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 at acquisition cost adjusted by the share of an investor in the changes of the equity of the affiliate. Investment into affiliates is recorded on 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 acquisition cost. After the initial registration, the shares are valued to their fair value once per quarter. Profit/loss due to changes at 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 a 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 on the balance sheet. Loans that are returned within the next reporting year are shown among long-term claims.

Procedure for accounting non-current assets

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

Under the materiality principle, recorded fixed assets include those assets whose acquisition cost exceeds EUR 1,917 and whose useful life is more than one year. Objects of assets with a lower acquisition cost or a shorter useful life are written off at the moment of implementation and accounted for off the balance sheet.

If the PPE item consists of distinguishable components with different useful lives, these components are separately recorded under assets, and their depreciation rates specified separately thereof in accordance with their useful lives.

The depreciation standard for inventory and office equipment is 20% to 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 at net acquisition cost. Such assets are accounted for off the balance sheet.

Technical provisions

Provisions for outstanding claims, equalisation provision and provision for prepaid premiums are recorded in the report. The provision 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 it. According to estimated long-term loss, in the past few years, 40% of the guarantee fees earned in the housing area and 87% of the guarantee fees of the enterprise area, have been transferred to the equalisation provision of the area.

Under Government of the Republic regulation No. 91 of 5 May 2005, "The principles for setting up and the 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 KredEx. 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 likely to be paid out within the next reporting year are shown among short-term claims on the balance sheet. Provisions paid out later than within one year are recorded on the balance sheet under long-term liabilities.

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

Calculation of loan interests

For entrepreneurs, loan interests are assessed based on a monthly invoice presented to the loan recipient. For financial institutions, loan interests are assessed based on the schedule specified in the loan agreement.

The income of KredEx only records the interest actually received 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 on housing loan guarantees.

Contract fees on 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 recorded 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, the Structural Aid Act of period 2014 – 2020, 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 on the balance sheet at the moment when the contractual right of claim arises. Received but unpaid funds of targeted financing are recorded on the balance sheet among liabilities and 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 revalued 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 case of operational lease, the lessor records the leased property in its balance sheet. Operational lease payments are recorded 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 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". Recording of a financial liability shall be ended when it has been paid, cancelled or expired.

Events after the balance sheet date

The annual accounts record 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

	31.12.2015	31.12.2014
Transferable deposits	65,754,207	19,446,534
Fixed-term deposits	29,139,000	63,227,662
	94,893,207	82,674,196

In 2015, demand and fixed-term deposits earned interest income in the amount of EUR 153,084 (EUR 253,264 in 2014) (see Note 16).

Note 4. Short-term financial investments

	31.12.2015 at balance sheet cost	31.12.2014 at balance sheet cost
Bonds	4,721,769	14,159,336
Total short-term investments	4,721,769	14,159,336

In 2015, bonds earned an interest income of EUR 249,797 (EUR 533,037 in 2014).

Unrealised loss from the change in the value of securities was EUR 237,566 (EUR 396,766 in 2014). The total net income from securities was EUR 12,231 (EUR 136,271 in 2014) (Note 16).

Annex 5. Loans receivable

Division of loans receivable by payment terms	Term of loans In 2016	Term of loans 2017–2021	Term of loans 2022–2033	Total
Housing loans				
Housing loans through banks	37,600	0	0	37,600
Loans to non-profit associations	100,250	0	0	100,250
Apartment building renovation loans through banks	4,964,933	24,745,575	25,096,201	54,806,709
Total	5,102,783	24,745,575	25,096,201	54,944,559
Subordinated loans to enterprises				
Capital loans	2,254,279	2,136,999	0	4,391,278
including impairments	-1,839,552	-850,040	0	-2,689,592
Technology loans	20,250	3,177,752	0	3,198,002
including impairments	-5,724	-172,449	0	-178,173
Export loans	890,814	2,194,878	0	3,085,692
including impairments	-118,710	-241,271	0	-359,981
Total	1,201,357	6,245,869	0	7,447,226
Loans to banks in the enterprise area				
Start-up loans through banks	308,666	553,612	0	862,278
including impairments	-41,725	-87,322	0	-129,047
Total	266,941	466,290	0	733,231
Other loans				
Loans registered as a result of loss procedure	6,058	251,877	0	257,935
including impairments	-5,334	-251,877	0	-257,211
Total	724	0	0	724
TOTAL	6,571,805	31,457,734	25,096,201	63,125,740
including the principal loan amount	6,317,982	31,457,734	25,096,201	62,871,917
Interest payable	253,823	0	0	253,823

As of the end of 2014, the short-term part of the issued loans was EUR 7963,068 and long-term part was EUR 61,944,112.

Annex 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 31.12.2013	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	-28,486,233
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
Issued loans, 2015	0	211,519	1,020,119	0	1,231,638
Repaid loans, 2015	-6,003,243	-259,769	-1,342,870	-10,391	-7,616,273
Loans written off 2015	0	-19,026	-348,215	0	-367,241
Balance at acquisition cost 31.12.2015	54,944,559	862,278	10,674,972	257,935	66,739,744
Irrecoverable loans					
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
Impairments 2015	0	-9,122	-703,989	11,115	-701,996
Loans written off 2015	0	19,026	645,992	0	665,018
Receipt of discounted loans in 2015	0	0	7,414	0	7,414
Balance 31.12.2015	0	-129,047	-3,227,746	-257,211	-3,614,004
Changes in loan portfolio					
Saldo korrigeeritud soetusmaksumuses 31.12.2013	61,338,340	22,772,143	4,901,547	0	89,012,030
Saldo korrigeeritud soetusmaksumuses 31.12.2014	60,947,802	790,603	8,168,775	0	69,907,180
Saldo korrigeeritud soetusmaksumuses 31.12.2015	54,944,559	733,231	7,447,226	724	63,125,740

From housing loans issued by the predecessor of KredEx, Foundation Eesti Eluase, EUR 72,753 was received in 2015, housing loan interest of 6% to 8% per year. Interest

was earned in the amount of EUR 6,052 (EUR 11,909 in 2014).

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 Exceeder'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% to 2.7%. Interest income of EUR 1,208,462 was earned (EUR 1,312,390 in 2014).

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. The loan interest is 3% per year. In 2015, interest income of EUR 4158 was earned (EUR 5008 in 2014).

Subordinated loans have been issued directly to enterprises partly from Exceeder'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 ranges from 9% to 13%. 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 to 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 export loans totalling EUR 3.7 million, of which EUR 0.7 million has been repaid.

Interest income calculated from subordinated loans in 2015 was EUR 671,295 (EUR 829,653 in 2014), and the loan (including interest receivable) discount expense was EUR -703,989 (EUR -152,780 in 2014). Of the amounts provided above, EUR 297,887 of interest income and EUR -556,714 of discount expense were directed to the funds of the measure (in 2014, EUR 777,009 of interest income, and EUR -95,488 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 7414 was received (EUR 1043 in 2014).

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. Companies in the target group are provided by with loans for up to 5 years. The interest rate for banks is 4% + the 6 month Euribor.

Interest income in the amount of EUR 37,390 was received from enterprise loans issued through banks (EUR 51,591 in 2014, of which EUR 18,503 were directed to the fund of the measure). The loan discount expense was EUR -9121 of which EUR -7297 was directed to the funds of the measure (in 2014, EUR 63,158 of which EUR 50,526 was directed to the funds of the measure) (see Note 16).

Loans registered as a result of processing the loss earned interest income in the amount of EUR 4576 (EUR 14,303 in 2014). Write-downs of interest receivables decreased by EUR 1,249 (in 2014, it increased by EUR 1778).

Note 6. Receivables and prepayments

	31.12.2015	31.12.2014
Receivables from current settlements	103,981	68,171
Receivables from reinsurance providers ¹	63,032	102,400
Prepaid expenses of future periods	13,050	6,123
Claims from targeted financing of operating expenses	70,458	7,680
Accrued interests ²	173,326	440,095
Accrued income of guarantee fees ²	79,362	50,469
Prepayments of guarantee benefits ³	721,033	895,391
Total	1,224,242	1,570,329

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

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

³ Prepayments 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 2015 using the equity method was EUR 10,661 (EUR 123,549 in 2014) (see Note 16), the balance of the investment by the end of the year was EUR 6,732,340 (EUR 6,721,680 in 2014).

In 2015, EUR 1,760,000 was deposited to the Baltic Innovation Fund. The deposits shall be used for covering both operating expenses and fund investments. By 31.12.2015, the fair value of funds directed to fund investments was EUR 2,751,957 (EUR 1,223,365 in 2014).

Note 8. Tangible assets

	Machinery and equipment	Inventory and tools	Pre-payments	Total
Acquisition cost 31.12.2013	76,687	232,999	0	309,686
Acquired 2014	19,173	24,718	19,169	63,060
Written off at acquisition cost	0	-11,969	0	-11,969
Acquisition cost 31.12.2014	95,860	245,748	19,169	360,777
Acquired 2015	23,999	32,250	0	56,249
Registered from prepayments	19,169	0	-19,169	0
Sold at acquisition cost	-57,514	-8,609	0	-66,123
Written off at acquisition cost	0	-11,580	0	-11,580
Acquisition cost 31.12.2015	81,514	257,809	0	339,323

	Machinery and equipment	Inventory and tools	Pre-payments	Total
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
Depreciation 2015	-18,074	-27,408	0	-45,482
Depreciation of non-current assets written off in 2015	0	11,580	0	11,580
Depreciation of sold non-current assets in 2015	43,134	8,609	0	51,743
Depreciation 31.12.2015	-41,241	-216,382	0	-257,623
Residual cost 31.12.2013	20,372	51,219	0	71,591
Residual cost 31.12.2014	29,559	36,585	19,169	85,313
Residual cost 31.12.2015	40,273	41,427	0	81,700

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

Note 9. Intangible fixed assets

	Computer programmes	Prepayments	Total
Acquisition cost 31.12.2013	391,426	0	391,426
Acquired 2014	15,276	78,495	93,771
Written off at acquisition cost in 2014	-30,365	0	-30,365
Acquisition cost 31.12.2014	376,337	78,495	454,832
Acquired 2015	25,418	9,180	34,598
Registered from prepayments in 2015	14,400	-14,400	0
Written off at acquisition cost in 2015	-32,560	-73,275	-105,835
Acquisition cost 31.12.2015	383,595	0	383,595

	Computer programmes	Prepayments	Total
Depreciation 31.12.2013	-260,411	0	-260,411
Depreciation 2014	-36,697	0	-36,697
Depreciation of non-current assets written off in 2014	30,364	0	30,364
Depreciation 31.12.2014	-266,744	0	-266,744
Depreciation 2015	-38,175	0	-38,175
Depreciation of non-current assets written off in 2015	32,561	0	32,561
Depreciation 31.12.2015	-272,358	0	-272,358
Residual cost 31.12.2013	131,015	0	131,015
Residual cost 31.12.2014	109,593	78,495	188,088
Residual cost 31.12.2015	111,237	0	111,237

In 2014, preparations were made to order software for managing guarantees and loans in the amount of EUR 73 275. Due to the postponement of the order and the clarification of the development scope, the amount was written off in 2015.

Note 10. Debts and Prepayments

	31.12.2015	31.12.2014
Trade payables	131,020	120,746
Decided but not paid grants	71	72,155
Salary and holiday pay liabilities	186,548	215,841
Received advances from reinsurance providers	29,761	654
Taxes payable	55,268	97,809
including corporate income tax	2,919	2,544
withheld income tax	30,501	70,027
social tax	36,785	34,739
unemployment insurance premium	2,209	2,614
pension insurance	1,912	1,850
value-added tax	-6,971	-7,384
prepaid tax account	-12,087	-6,581
Total	402,668	507,205

Note 11. Short-term and long-term provisions

	31.12.2015	31.12.2014
Short-term technical provisions		
Provision for outstanding claims	2,749,540	3,004,786
Total	2,749,540	3,004,786
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	346,597	1,546,635
Equalisation reserves	3,014,489	1,908,054
Total	3,361,086	3,454,689
Total	6,195,436	6,544,285

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 2015, technical provisions correspond to the minimum rates established by law, forming 1.76% in the area of enterprise and 1.66% in the area of housing of the Performing Guarantee Portfolio and offers. Of the Total Guarantee Exposures, technical provisions formed 4.23% in the enterprise area and 1.69% in the housing area. From guarantee premiums, planned provisions were formed in total for EUR 2,132,686 (EUR 2,174,540 in 2014), including EUR 1,808,558, for enterprise loan guarantees (EUR 1,659,629 in 2014) and EUR 324,128 for housing loan guarantees (EUR 478,911 in 2014). From the above amount EUR 40,629 has been transferred to the reserve fund of the measure "Guarantee programme for start-up and micro loans" (EUR 48,557 in 2014).

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 2015, additional expenses occurred from a change in unsatisfied claims in total for EUR 212,366 (EUR 339,600 in 2014), of which EUR 212,366 were for enterprise loan guarantees (EUR 195,300 in 2014). With respect to housing loan guarantees, no additional provisions have been made and no additional expenses from the decrease of provisions have been assessed (decrease of provisions by EUR 499,425 in 2014).

In 2015, losses were covered from the reserve fund formed of the funds received from the European Social Fund in the amount of EUR 189,457 (EUR 140,463 in 2014) (see Note 14). From reinsurance of enterprise guarantees, EUR 159,856 were received from the European Investment Fund to cover loss in 2015 (EUR 59,897 in 2014) (Annex 16).

From the collection of guarantee loss, EUR 452,068 were regained (EUR 203,933 in 2014). From these amounts EUR 57,231 have been transferred to the reserve fund of the measure "Guarantee programme for start-up and micro loans" (EUR 42,569 in 2014).

Change in technical provisions

	Change in the provision for outstanding claims		Change in the equalisation reserve		Change in provisions total	
	2015	2014	2015	2014	2015	2014
Export guarantees						
Balance on 1 January	0	35,475	0	0	0	35,475
Decrease	0	-35,475	0	0	0	-35,475
Balance on 31 December	0	0	0	0	0	0
Enterprise loan guarantees						
Balance on 1 January	4,476,397	5,537,634	1,224,475	1,047,114	5,700,872	6,584,748
Increase	1,203,262	1,713,567	2,020,925	1,890,928	3,224,187	3,604,495
Decrease	-2,605,101	-2,774,804	-1,203,262	-1,713,567	3,808,363	-4,488,371
including payment of indemnities	-2,786,547	-2,968,455	0	0	-2,786,547	-2,968,455
Receivables from reinsurance providers	181,446	193,652	0	0	181,446	193,652
Balance on 31 December	3,074,558	4,476,397	2,042,138	1,224,475	5,116,696	5,700,872
including long-term	346,597	1,546,635	2,042,138	1,224,475	2,388,735	2,771,110

	Change in the provision for outstanding claims		Change in the equalisation reserve		Change in provisions total	
	2015	2014	2015	2014	2015	2014
Housing loan guarantees						
Balance on 1 January	75,024	267,391	683,579	640,335	758,603	907,726
Increase	35,356	-63,757	324,128	478,911	359,484	415,154
Decrease	-88,801	-128,610	-35,356	-435,667	-124,157	-564,277
including payment of indemnities	-88,801	-128,610	0	0	-88,801	-128,610
Balance on 31 December	21,579	75,024	972,351	683,579	993,930	758,603
including long-term	0	0	972,351	683,579	972,351	683,579
Total balance at the beginning of the period	4,551,421	5,840,500	1,908,054	1,687,449	6,459,475	7,527,949
Increase	1,238,618	1,649,810	2,345,053	2,369,839	3,583,671	4,019,649
Decrease	-2,693,902	-2,938,889	-1,238,618	-2,149,234	-3,932,520	-5,088,123
including payment of indemnities	-2,875,348	-3,097,065	0	0	-2,875,348	-3,097,065
receivables from reinsurance providers	181,446	193,652	0	0	181,446	193,652
Balance at the end of the period	3,096,137	4,551,421	3,014,489	1,908,054	6,110,626	6,459,475
including short-term	2,749,540	3,004,786	0	0	2,749,540	3,004,786
Long-term	346,597	1,546,635	3,014,489	1,908,054	3,361,086	3,454,689

Note 12. Targeted financing for housing support measures

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.

Budgetary provision agreements 2007 – 2015	31.12.2015	31.12.2014
Balance at the beginning of the year	3,370,798	2,390,287
Provisions from the state budget	2,556,466	2,561,223
Provisions from Structural Funds	770,704	26,960
Total grant payments:	-1,732,832	-1,366,541
including reconstruction grants for apartment buildings from the state budget	-18,413	-51,067
reconstruction grants from Structural Funds for apartment buildings	-620,783	0
grants for local governments	-94,058	0
home grant for families with many children	-905,240	-1,241,615
for participation in housing development projects	-94,338	-73,859
Total operating expenses:	-673,865	-241,131
including administrative expenses of support measures	-533,161	-209,414
Technical and horizontal technical aid, including co-financing	-140,704	-31,717
Balance at the end of the year	4,291,271	3,370,798
including short-term part	4,291,271	3,370,798

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

Agreement for the foundation of the Climate and Energy Agency in 2010	31.12.2015	31.12.2014
Balance at the beginning of the year	745,625	985 184
Cost-sharing by grant recipients	9,936	36,797
Total grant payments:	-1,121	-217,347
grants for apartment building renovation projects	-0	-22,478
grants for owner supervision of apartment building renovation work	-1,121	-158,501
grants for energy saving projects	-0	-34,085
to cover the expenses of the Republic of Estonia joining the International Energy Agency	-0	-2,283
Operating expenses	0	-59,009
Balance at the end of the year	754,440	745,625
including short-term part	754,440	745,625

Funds for participation in international energy saving projects	31.12.2015	31.12.2014
Balance at the beginning of the year	6,708	-11,180
Receipts from international energy saving projects	0	17,553
State co-financing for participation in international energy saving projects	0	4,132
Payments to project partners in international energy saving projects	-5,129	0
Operating expenses within the framework of international energy saving projects	-6,614	-3,797
Balance at the end of the year	-5,035	6,708
including short-term part	-5,035	6,708

In 2015, KredEx participated in the following projects: Odyssee-Mure and CA-EPBD.

Total targeted financing for housing support measures	5,040,676	4,123,131
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Note 13. Targeted financing for the application of the green investment scheme

Support measures of the area of administration of the Ministry of the Environment

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 in with the purpose 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. Additional funds were provided within the framework of measure in the amount of EUR 18,000,000 in 2013 and EUR 1,500,000 in 2014.

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

	31.12.2015	31.12.2014
Balance at the beginning of the year	352,463	7,255,584
Funds of measure received	0	1,500,000
Grants paid	0	-8,155,305
Administrative expenses	-52,941	-247,816
Balance at the end of the year	299,522	352,463
including short-term part	299,522	352,463

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

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 in with the purpose 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. Additional funds were provided within the framework of measure in the amount of EUR 18,000,000 in 2013 and EUR 1,500,000 in 2014.

Budgetary provision agreement 2013

	31.12.2015	31.12.2014
Balance at the beginning of the year	5,158,286	7,294,942
Funds of measure received	0	4,436,910
Grants paid	-3,004,053	-6,573,566
Balance at the end of the year	2,154,233	5,158,286
including short-term part	2,154,233	5,158,286

The funds of both of the above measures are predominantly covered by applications and decisions, and payments will be made in 2016.

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; furthermore, arrangements are in place for the provision of short-term rental services for electric cars in Tallinn and Tartu. 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.

Out of the value-added tax adjustment for the income earned and expenses incurred from the quick charging and short-term rental services of the ELMO project, a reserve of EUR 591,986 has been created and will be transferred to the party designated by the Ministry of Economic Affairs and Communications after the expiry of the procurement contracts concluded for the provision of the services.

Contract under public law for the application of the Green Investment Scheme between the Republic of Estonia and Mitsubishi Corporation.	31.12.2015	31.12.2014
Balance at the beginning of the year	3,500,239	11,349,834
Funds of measure received	300,000	0
Grants paid	-209,804	-6,826,960
Expenses for construction of the charging network for electric cars	-923,404	-551,367
Expenses for starting-up the short-term rental service for electric cars	-547,079	-174,396
Transfer of income and expenses for quick charging and short-term rental to the transfer fund	-296,541	0
Administrative expenses	-124,583	-296,872
Balance at the end of the year	1,698,828	3,500,239
including short-term part	948,296	1,571,924
long-term part	750,532	1,928,315
Reserve fund from ELMO income and expenses	591,985	0

	31.12.2015	31.12.2014
Total targeted financing received for the application of the green investment scheme	4,744,568	9,010,988
including short-term part	3,402,051	7082,673
pikaajaline osa	1,342,517	1,928,315

Note 14. Targeted financing for supporting measures of entrepreneurship

In 2015, no additional funds were allocated for measures to support entrepreneurship. 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 these supporting measures, as of 31 December 2015, are as follows.

Funds of the state export insurance programme

Funds for KredEx 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.

	31.12.2015	31.12.2014
Balance at the beginning of the year	13,027	13,027
Transfer of the funds to AS KredEx Krediidikindlustus	-13,027	0
Balance at the end of the year	0	13,027
including short-term part	0	13,027

Targeted fund for the establishment of the Baltic Innovation Fund

The intended purpose is making payments to the Baltic Innovation Fund (BIF) according to KredEx and management agreement of BIF. The funds come from the “Additional support programme for improvement of the availability of loan capital for entrepreneurs”. Besides, another EUR 6,000,000 was allocated from the state budget in 2015.

	31.12.2015	31.12.2014
Balance at the beginning of the year	23,038,809	22,451,367
Received from the state budget	6,000,000	0
Paid for founding expenses of BIF	0	-179,587
Change in the targeted fund from the income and expenses earned from BIF	-194,416	1,757
Change in the value of BIF shares	-37,010	284,078
Income earned by BIF	17	0
Change in the targeted fund from the income and expenses earned from the support programme	123,970	481,194
Balance at the end of the year	28,931,370	23,038,809
including short-term part	0	0

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. From 2013, banks have also been issuing start-up loans from this amount.

	31.12.2015	31.12.2014
Balance at the beginning of the year	3,683,186	3,775,632
Increase in reserve capital from income earned from implementing the measure	104,251	98,543
Decrease in reserve capital from expenses from implementing the measure	-196,754	-190,989
Balance at the end of the year	3,590,683	3,683,186
including long-term part	3,590,683	3,683,186

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 October 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".

	31.12.2015	31.12.2014
Balance at the beginning of the year	17,641,263	17,313,473
Increase in reserve capital from income earned from implementing the measure	250,903	320,753
Decrease in reserve capital from expenses from implementing the measure	-633,701	-7037
Balance at the end of the year	17,258,465	17,641,263
including long-term part	17,258,465	17,641,263

	31.12.2015	31.12.2014
Total targeted financing of supporting measures of entrepreneurship	49,780,518	44,376,285
including short-term part	0	13,027
long-term part	49,780,518	44,363,258

Note 15. Long-term loans

	Loan obligation 31.12.2015	Term of repayment	Interest per year
Loan from the Council of Europe Development Bank (CEB)	20,567,775	16.12.2021	Average 2.87%
Loan from the Ministry of Finance	12,890,227	15.09.2025	Average 2.56%

Loan from the Council of Europe Development Bank

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 2015 was EUR 21,465 (EUR 24,436 in 2014) (see Note 19).

	31.12.2015	31.12.2014
Balance at the beginning of the year	23,244,588	26,164,347
Repaid	-3,005,195	-2,919,759
Loan balance at the end of the year	20,239,393	23,244,588
including repayable in the next reporting period	3,093,153	3,005,195
repayable 2017 – 2021	17,146,240	20,239,393

	31.12.2015	31.12.2014
Interest liability at the beginning of the year	382,194	455,724
Interest expense per year	627,798	693,518
Interest paid during the year	-681,610	-767,048
Interest liability at the end of the year	328,382	382,194
Total balance at the end of the year	20,567,775	23,626,782
including short-term part	3,421,535	3,387,389
long-term part	17,146,240	20,239,393

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.

	31.12.2015	31.12.2014
Balance at the beginning of the year	15,308,889	12,300,000
Additional loan	0	3,700,000
Repaid	-2,444,518	-691,111
Loan balance at the end of the year	12,864,371	15,308,889
including repayable in the next reporting period	1,322,486	2,444,518
repayable 2017 – 2025	11,541,885	12,864,371
Interest liability at the beginning of the year	32,839	18,431
Interest expense per year	358,520	403,308
Interest paid during the year	-365,503	-388,900
Interest liability at the end of the year	25,856	32,839
Total balance at the end of the year	12,890,227	15,341,728
including short-term part	1,348,342	2,477,357
long-term part	11,541,885	12,864,371
Total loan obligations at the end of the year	33,458,002	38,968,510
including short-term part	4,769,877	5,864,746
long-term part	28,688,125	33,103,764

Note 16. Income statement by area of activity

Guarantee activity	2015	2014	Notes
Guarantee fees, contract fees	3,293,502	3,054,459	17
Transferred to the fund of the measure from the guarantee fees	-47,019	-55,974	
Guarantee losses and a change in technical provisions	-2,493,878	-1,926,843	
Loss covered from the fund of the relevant measure	189,457	140,463	14
Received from reinsurance from the EIF	58,109	-2,714	

Guarantee activity	2015	2014	Notes
Received from debt collection	452,068	199,879	11
Repaid amount into the fund of the relevant measure	-57,232	-42,569	
Total income from guarantee activity	1,395,007	1,366,701	

Crediting activity	2015	2014	Notes
Interest, fines for delay, and contract fees	1,941,964	2,248,369	
Interest expense directed back to the fund of the relevant measure	-297,887	-722,009	
Change in impairment losses	-701,795	-2,078	
Written-off loans repaid	7,413	2,876	
Impairment losses covered from the fund of the relevant measure	564,011	44,961	
Interest on loans taken	-986,318	-1,105,338	
Interest expense directed back to the fund of the relevant measure	0	8,512	
Total income from crediting activity	527,388	475,293	

Investment activity	2015	2014	Notes
Interest income from deposits	153,084	253,264	3
Net income from short-term financial investments	12,231	136,271	4
Profit/loss from affiliates	10,661	123,549	7
Operating expenses of the Baltic Innovation Fund and change in the value of its shares	-231,409	284,078	
Expense from change in the value of BIF shares and directed from operating expenses to the fund for the founding expenses of BIF	231,409	-284,078	
Total income from investment activity	175,976	513,084	

Targeted financing for operating expenses	2015	2014	Notes
Targeted financing received for housing grants	1,733,953	1,583,888	
Paid housing grants	-1,733,953	-1,583,888	12
Budgetary funds for administration of housing support measures	533,162	268,424	17
Targeted financing received for the application of the green investment scheme	4,388,896	22,281,594	
Grants paid within the green investment scheme	-3,160,090	-21,730,227	13
Investments made for implementation of the green investment scheme	-1,228,806	-551,367	13
Budgetary means for the administration of the green investment scheme	177,524	544,688	13
Technical and horizontal technical aid	150,297	31,717	
Total targeted financing	860,983	844,829	17
Administrative expenses	-2,159,994	-2,177,502	20
Operating income	799,360	1,022,405	
Other operating income and expenses	242,970	235,099	18
Other financial expenses and income	-21,089	-24,402	19
Income	1,021,241	1,233,102	

Note 17. Sales income by activity area and type of income

	2015	2014	Notes
Guarantee fees (EMTAK code 66291)	3,246,483	2,998,485	16
Enterprise loan guarantees	2,078,784	1,948,997	
of which into the fund of the relevant measure	-47,019	-55,974	
Housing loan guarantees	810,319	736,784	
Contract fees for enterprise loan guarantees	404,399	368,678	
Loan interests (EMTAK code 66199)	1,644,077	1,526,360	
Housing loans	1,223,247	1,329,307	
Enterprise loans to banks (see Note 5)	37,390	51,591	
of which into the fund of the relevant measure	0	-18,502	5
Contract fees for start-up loans	1,090	2,745	
Subordinated loans for enterprises	671,295	843,956	
of which into the fund of the relevant measure	-297,887	-703,507	5
Contract fees for subordinated loans	8,942	20,770	
Targeted financing of operating expenses (EMTAK 84139)	962,470	844,829	16
Administrative expenses for housing support measures	634,649	268,424	16
Technical and horizontal technical aid	150,297	31,717	16
For application expenses of green investment schemes	177,524	544,688	16
Total	5,853,030	5,353,916	

The total sales income has been received from Estonia.

Note 18. Other operating income and expenses

	2015	2014
Income from the sale of non-current assets and inventories	11,870	130
Targeted financing of operating expenses	101,487	91,980
including provision of services to the credit insurance company	87,580	83,352
for covering participation expenses in international projects	13,907	8,628
Other revenues	227	3,447
Income from the projects of the green investment scheme	319,485	247,009
Expenses for the projects of the green investment scheme	-190,099	-107,467
Total	242,970	235,099

Note 19. Other financial income and expenses

	2015	2014
State guarantee for the loan from the Council of Europe Development Bank (see Note 15)	-21,465	-24,436
Other financial income	376	36
Total	-21,089	-24,402

Note 20. Framework

	2015	2014
Various operating expenses	-832,013	-780,543
Rent and maintenance of office premises	-176,379	-157,227
Development, repair, and maintenance of IT and office equipment	-128,871	-95,446
Personnel and training expenses	-49,279	-50,341
Economic and administrative expenses	-20,294	-23,199
Telephone, mailing and Internet expenses	-13,347	-11,287
Transport expenses	-40,283	-59,907
Travel expenses	-19,352	-29,147
Marketing expenses	-173,603	-203,579
Administration of the investment portfolio	-9,092	-17,766
Auditing expenses	-29,819	-30,534
Legal services	-55,317	-36,439
Membership fees	-15,265	-15,275
Expert assessment	-50,563	0
Other services	-50,549	-50,396
Tööjõukulud	-1,244,324	-1,310,923
Wages and salaries	-923,363	-993,521
including the salary of the supervisory board and members of the management board	-98,477	-112,185
salary of employees	-824,886	-881,336
Social tax	-314,130	-309,078
Unemployment insurance premium	-6,831	-8,324
Depreciation of non-current assets	-83,657	-86,036
Total administrative costs	-2,159,994	-2,177,502

By the end of 2015, the number of the employees at KredEx dropped to 34 (35 employees in 2014). The average number of employees during the year was 32.8 (33.1 in 2014). 62% of the employees are women and 38% are men; 97% of the employees have higher education or are acquiring it. The average age of the employees is 39.9 years.

Note 21. Changes in net assets

Foundation capital	Change in net assets increase + decrease -	Source for change
Targeted fund of housing guarantees	875,889	Distribution of 2014 income
Targeted fund for capital loans	423,247	Distribution of 2014 income
Targeted fund of start-up loan guarantees	100,447	Distribution of 2014 income
Targeted fund of loan guarantees	10,802	Distribution of 2014 income
Targeted fund for the foundation of the credit insurance company	16,566	Distribution of 2014 income
Targeted fund of subordinated loans	-183,047	Distribution of 2014 income
Profit for 2015	1,021,241	Retained profit for 2015

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, a charging network for electric cars has been constructed to cover all of Estonia. As at the end of 2014, expenses for the construction thereof were incurred in the amount of EUR 6,355,219, with another EUR 159,590 added in 2015. The total cost of the charging network is EUR 6,514,809. More detailed information is provided in Note 13.

Under the above agreement, the short-term rental service of electric cars has been created. For this, electric cars were purchased in 2013 and registered off the balance sheet in the amount of EUR 906,534. In 2015, another 8 electric cars in the amount of EUR 305,401 were purchased, and one car, destroyed in an accident, was written off. At the end of 2015, there were cars in the amount of EUR 1,177,387 registered at their acquisition cost.

Climate surveillance loggers in the amount of EUR 23,520 acquired in 2012 with funds from the climate and energy agency, are also registered as off-balance sheet assets.

Off-balance sheet claims

Upon the fulfilment of the guarantee obligation, KredEx 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 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. Similarly, recovered grants date are accounted for off the balance sheet. Besides the receivables against three enterprises who received grants from the ELMO programme an enterprise under the decision of the administrative court that entered into force in 2014, there are also receivables for which the grant repayment schedule has been agreed between the parties. As a result, two home grants were added in 2015.

Changes in off-balance sheet receivables	Direct loans	Housing loan guarantees	Enterprise loan guarantees	Rights of recourse for grants
Balance of claims on 31 December 2014	285,348	647,928	1,147,837	255,677
Change from 31 December 2013	269,383	-21,370	-4,844	3,677
including new	280,500	88,800	96,798	5,107
received	-11,117	-21,537	-97,390	-1,430
revaluation	0	-88,633	-4,252	0

Note 23. Off-balance sheet and conditional liabilities

Guarantee liabilities	2015	2014	Change
Enterprise loan guarantees			
Performing Guarantee Portfolio at the beginning of the year	115,688,346	112,101,667	3,586,679
Guarantee volume of concluded agreements	64,047,350	68 251 347	-4,203,997
Depreciation of the portfolio and terminated agreements	-63,838,368	-64,664,668	826,300
Performing Guarantee Portfolio at the end of the year	115,897,328	115,688,346	208,982
Issued offers at the end of the year	426,663	2,835,481	-2,408,818
Total Guarantee Exposure as of the end of the year	120,942,485	124,364,576	-3,422,091
Housing loan guarantees			
Performing Guarantee Portfolio at the beginning of the year	52,582,976	46,136,158	6,446,818
Guarantee volume of concluded agreements	20,367,490	20,774,217	-406,727
Depreciation of the portfolio and terminated agreements	-14,394,523	-14,327,399	-67,124
Performing Guarantee Portfolio at the end of the year	58,555,943	52,582,976	5,972,967
Total Guarantee Exposure as of the end of the year	58,645,064	52,773,565	5,871,499
Total performing guarantee portfolio	174,453,271	168,271,322	6,181,949

Performing Guarantee Portfolio is a 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 specified date is recorded as export guarantee liability.

Maximum guarantee liability is the 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 the balance sheet. Technical provisions and equalisation provisions are written off and registered to cover possible payments.

As of 31 December 2015, KredEx had conditional liabilities under the concluded loan agreements in the form of unused loan limits in the amount of EUR 67,600 (EUR 16,102 in 2014), which has been paid by the time of completion of the annual report.

Tax authorities have a right to check the tax accounting of KredEx 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. The tax administrator has not performed a tax audit of KredEx between 2009 and 2015. KredEx' management considers that there are no circumstances because of which the tax administrator might set for KredEx a significant additional amount of tax.

Note 24. Operational lease

Since 15 March 2010, KredEx has been leasing office premises of 832.3 m², at Hobujaama 4, Tallinn. 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 2015, lease expenses were planned EUR 142,511 and the lease expenses from maintained agreements planned for 2016 are EUR 151,115.

From the above described leased premises, 134.8 m² have been subleased to the affiliate AS KredEx Krediidikindlustus. In 2015, income from sublease was EUR 18,808 and the estimated income from sublease in 2016 is EUR 19,419.

On 30 September 2009, a Land Rover was leased on an operating lease from a company related to a Member of the Management Board, at a rent fee of EUR 739 per month, inclusive of value-added tax. In 2015, lease expenses were EUR 2,956, inclusive of value-added tax; the has expired.

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, the 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 to 15.

Transactions with AS KredEx Krediidikindlustus are detailed in Notes 7 and 24.

Transactions for the operational leasing of cars effected with the company and linked to the member of the management board have been described in Note 24.

In 2015, salaries of the board formed EUR 78,752 and the fees of the council formed EUR 19,726. According to the management board member agreement, compensation shall be paid to the CEO in the amount of three basic salaries, if KredEx terminates the contract prematurely without good reason.

	31.12.2015	31.12.2014
Sales		
Affiliated company	172,150	127,108
Purchases		
Companies connected with members of the management	2,956	8,868
Targeted financing provided		
Affiliated company	13,027	0
Receivables		
Affiliated company	12,508	13,737
Liabilities		
Affiliated company	0	13,027

Note 26. Events after the balance sheet date

Under the financing agreement, KredEx has been provided with EUR 75,500,000 from the European Regional Development Fund under the measure 5.2. "Improving the accessibility of capital and credit insurance" of the 2014 – 2020 structural aid.

Division of the sales income of Foundation KredEx in financial year 2015 according to the Estonian Classification of Economic Activities (EMTAK)

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

	2015	2014
Guarantee fees (EMTAK code 66291)	2,842,084	2,629,807
Contract fees (EMTAK code 66291)	414,431	392,193
Loan interests (EMTAK code 66199)	1,634,045	1,502,845
Targeted financing of operating expenses (EMTAK code 84139)	860,983	844,829
Total	5,751,543	5,369,674

Signatures of the Members of the Management Board to the 2015 annual report

The board has drafted the annual report and the annual accounts of Foundation KredEx for the year that ended on 31 December 2015.

Lehar Kütt

Chief Executive Officer

/with digital signature/



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Independent Auditors' Report (Translation of the Estonian original)

To the Council of Fund KredEx

We have audited the accompanying financial statements of Fund KredEx ("the Company"), which comprise the balance sheet as at 31 December 2015, the statement of income, statement of changes in net asset and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information. Audited financial statements are presented on pages from 25 to 55.

Management's Responsibility for the Financial Statements

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

Auditors' 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 Fund KredEx as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with the accounting principles generally accepted in Estonia.

Tallinn, 15 April 2016

/digitally signed/

Eero Kaup
Certified Public Accountant, Licence No 459

KPMG Baltics OÜ
Licence No 17



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