

2012

ANNUAL REVIEW



AS KredEx Krediidikindlustus provides insurance solution for companies to avoid losses resulting from non-payment of receivables.

Table of contents

1. About the company	3
2. Credit insurance services	4
2.1. Credit insurance of short-term transactions	4
2.2. Credit insurance of long-term transactions	4
2.3. Investment insurance	5
3. Important activities during 2012	6
4. Annual Financial Report	7
4.1. Statement of comprehensive income (in euros)	7
4.2. Statement of financial position (in euros)	8
4.3. Statement of cash flows (in euros)	9

1. About the company

On October 20th, 2009, a thoroughly renewed State Export Guarantees Act (ERTS) was approved in Estonia, which prescribed the foundation of a state owned credit insurance company for offering trade credit risk management services necessary for the development of entrepreneurship.

AS KredEx Krediidikindlustus was founded on November 26th, 2009 by the Ministry of Economic Affairs and Communications (2/3 of shares) and Credit and Export Guarantee Fund KredEx (1/3 of shares). The application for insurance license was submitted to the Financial Supervision Authority on January 29th, 2010, and it was approved on May 26th, 2010. The company was registered in the commercial register on May 31st, 2010.

The task of the insurance company is to offer trade credit insurance to Estonian companies, making it possible to manage both the commercial risks of buyers and the political risks of buyers' country of location.

The supervisory council of the company consists of three members, the chairman is Mr. Andrus Treier (Fund KredEx), and members are Ms. Kertu Fedotov (Ministry of Finance) and Ms. Tea Danilov (Ministry of Economic Affairs and Communications).

The management board of the insurance company has two members and started work at the end of year 2009, consisting of the chairman of the board Mr. Meelis Tambla and member of the board Ms. Mariko Rukholm.

2. Credit insurance services

The mission of the AS KredEx Krediidikindlustus is to offer credit insurance service to Estonian companies, making it possible to manage the credit-related risks. When selling a product or providing a service, an entrepreneur always faces a risk that the buyer cannot pay for the service rendered or goods received by the agreed term. An outstanding claim of a buyer conceals in itself a risk to the financial position of a company, the realization of which may jeopardize the liquidity of the company.

Insuring trade receivables helps to:

- sell more to new customers and new markets
- obtain better financing terms
- be more competitive



2.1. Credit insurance of short-term transactions

Credit insurance of short-term transactions is suitable for companies mainly specializing in sale of goods and services and offering payment terms not exceeding 24 months (usually 1 to 3 months). Insurance cover ensures payments to a seller for goods sold on credit in the event of insolvency of the buyer. The reasons for insolvency may be different – bankruptcy, temporary illiquidity or political events taking place in the country where the buyer is located. It is suitable both for exporting companies and companies, who also have buyers located in the domestic market.

2.2. Credit insurance of long-term transactions

Long-term credit insurance is used for export transactions, where payment terms are longer than 24 months. Usually they include sale of capital goods, whereas transaction may be divided into stages and different financiers of the transaction may be involved. Long-term credit insurance is based on export guarantee of the Estonian state and the guaranteed transactions have to meet the relevant regulations of the European Union and the OECD.

- Supplier credit insurance

Supplier credit means that an Estonian exporter provides longer term credit terms to a foreign buyer on credit terms, i.e. the foreign buyer pays for the goods in instalments during an agreed period (credit period two or more years). AS KredEx Krediidikindlustus offers supplier credit insurance to Estonian exporters to mitigate long-term credit risks.

Insured events include, non-payment of instalments due to bankruptcy of the foreign buyer, suspension of the instalments or the negative political events in the country of location. In the event of supplier credit insurance, insurance cover enters into force from the moment the supplier obtains a right to payment according to a commercial agreement. In most cases that is the date when the supplier ships goods to a foreign buyer.

When commercial risk realizes (e.g. during bankruptcy) and the foreign buyer does not pay the instalment or interest in timely manner, the exporter has a possibility to obtain insurance indemnity from the insurance provider in the amount of insurance cover (up to 90%) from the amount payable by the buyer. If the supplier does not receive an instalment due to political events taking place in the buyer's country of location, the exporter could receive indemnity for up to 100% of the amount payable by the buyer

- Buyer credit insurance

In the event of buyer's credit, a bank issues a loan to the buyer or the buyer's bank to finance the purchase transaction. The insurance policy insures the risk of non-payment of the loan due to bankruptcy of the foreign buyer or suspension of instalments or political decisions of the buyer's country of location to the bank.

AS KredEx Krediidikindlustus offers supplier credit insurance to Estonian exporters to mitigate long-term credit risks.

2.3. Investment insurance

Investment insurance protects direct capital investments of Estonian companies and their financing banks in foreign countries against political risks. Such insurance provides cover for investments typically made to establish a new enterprise. In addition to initial invested capital, future cash flows can also be protected, as well as, long term loans by the owners, bank loans and bank guarantees.

3. Important activities during 2012

The risk portfolio, i.e. the amount of valid insurance limits, grew 24,8% during the year to 129 million euros.

Last year was a year of growth for AS KredEx Krediidikindlustus. The risk portfolio, i.e. the amount of valid insurance limits, grew 24,8% during the year to 129 million euros. Insurance agreements were concluded with 65 Estonian enterprises, whose insured turnover in year 2012 totalled 280 million euros.

At the end of the year, credit risks insured for domestic buyers formed 43% of risk portfolio, totalling 55,5 million euros. The volume of credit risks insured by state guarantees was 18,7 million euros, i.e. 14,5% of the total risk portfolio, and it included insured buyers from countries outside the OECD.

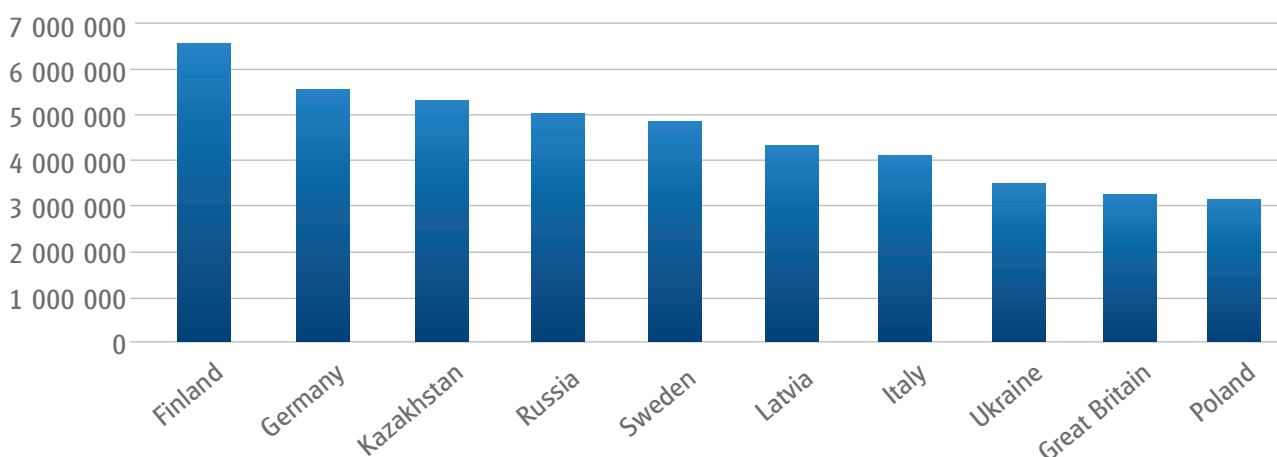


Figure 1. Export limit exposure by countries 2012 (Top 10, in euros)

Throughout the year, the focus was on increasing the awareness of exporting enterprises about credit insurance. For that purpose, various trade events were organised to introduce our services. Important undertakings also included projects connected with the development of the customer management software, where the main focus was on administration of insurance agreements, risk management and financial accounting.

4. Annual financial report

4.1. Statement of comprehensive income (in euros)

	2012	2011
Revenue		
Premium earned, gross	1 498 266	1 500 364
Premiums ceded to reinsurers	-749 133	-750 182
Change in provision for unearned premiums	-184 615	-5 013
Change in provision for unearned premiums, reinsurer's share	92 308	2 506
Total net premiums earned	656 826	747 675
Other income		
Return from investments	379 435	355 404
Other income	224 709	226 360
Total other income	604 144	581 764
TOTAL INCOME	1 260 970	1 329 439
Net outstanding claims and provisions		
Claims paid and claims handling costs	-893 959	-1 046 660
Claims paid and claims handling costs, reinsurer's share	443 868	521 963
Total net outstanding claims and provisions	-450 091	-524 697
Expenses		
Insurance contract acquisition expenses	-204 459	-136 801
Operating expenses	-450 335	-348 417
Total operating expenses	-654 794	-485 218
TOTAL EXPENSES	-1 104 885	-1 009 915
TOTAL COMPREHENSIVE PROFIT (-LOSS) FOR THE FINANCIAL YEAR	156 085	319 524

4.2. Statement of financial position (in euros)

	2012	2012
Assets		
Tangible assets	9 521	14 480
Intangible assets	9 599	11 495
Other receivables	4 543	1 559
Accrued income and prepaid expenses	143 983	249 047
Receivables related to insurance activities	164 409	386 750
Reinsurance assets	931 880	615 724
Financial investments	33 616 801	31 144 000
Cash and cash equivalents	277 510	174 247
TOTAL ASSETS	35 158 246	32 597 302
Liabilities and owner's equity		
Share capital	19 173 600	19 173 495
Statutory reserve capital	15 976	0
Net income (loss) for the year	406 904	266 900
Total owner's equity	19 596 480	19 440 395
Reinsurer's deposit	13 356 767	11 565 087
Liabilities from insurance contracts	1 863 760	1 231 448
Liabilities from reinsurance contracts	130 791	192 554
Other liabilities	210 448	167 818
Total liabilities	15 561 766	13 156 907
TOTAL LIABILITIES AND OWNER'S EQUITY	35 158 246	32 597 302

4.3. Statement of cash flows (in euros)

	2012	2011
Cash flows from operating activities		
Premiums received	1 576 576	1 275 510
Received from other activities	70 447	67 947
Received to reinsurer's deposit	1 464 320	8 626 681
Payments to reinsurer	-236 133	-340 362
Paid operating expenses	-612 478	-515 968
Claims paid, including handling expenses	-359 242	-44 077
Investments to fixed income securities	-1 603 725	0
Received from sale of fixed income securities	94 516	0
Investments to time deposits	-104 578 484	-101 609 000
Received from time deposits	103 686 484	92 258 872
Interest received	602 254	181 758
Total cash flows from operating activities	104 535	-98 639
Cash flows from investing activities		
Acquisition of fixed assets	-1 272	-5 752
Total cash flows from investing activities	-1 272	-5 752
Total cash flows	103 263	-104 391
Cash and cash equivalents at the beginning of period	174 247	278 638
Cash and cash equivalents at the end of period	277 510	174 247
CHANGE IN CASH AND CASH EQUIVALENTS	103 263	-104 391

This Annual Review 2012 is derived from, and should be read in conjunction with, the AS KredEx Krediidikindlustus Annual Report 2012. The audited Annual Report 2012 is available in estonian as .pdf on www.krediidikindlustus.ee.



Contact us

ph +372 667 4100

fax +372 667 4101

e-mail krediidikindlustus@kredex.ee

Hobujaama 4, 10151 Tallinn Estonia