

# 2020

**KREDEX**

Foundation KredEx  
Annual Report  
2020



[kredex.ee](https://kredex.ee)

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# Annual Report 2020



Beginning of financial year: **01.01.2020**

End of financial year: **31.12.2020**

Registry code of non-profit associations and foundations: **90006012**

Main area of activity:

based on state development plans and policies:

- guarantee of credit products offered by credit institutions, including state guarantee of enterprise and housing loans for the purposes of the *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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CEO: **Ivo Kuldmae**

Auditor: **KPMG Baltics OÜ**



# 1. CEO's statement

2020 was a year of major changes and great responsibility for KredEx. Starting with the emergency situation that was announced in March to prevent the spread of COVID-19, KredEx became an important link in reviving the economy that has been damaged by the pandemic. The KredEx team reacted operatively and was prepared to provide the first crisis measures in two weeks. The year provided numerous challenges and lessons.

In 2020, the operating volume of the enterprise industry was significantly higher compared to previous years as a result of the economic crisis caused by the COVID-19 pandemic. In addition to the regular measures, KredEx supported companies with nine new extraordinary guarantee and loan services. The purpose of these was to enable new financing for businesses to overcome the temporary difficulties caused by the COVID-19 outbreak. Compared to regular services directed at enterprises, the extraordinary measures carried a higher risk than usual, which is why discounts and provisions had to be increased significantly.



As regular measures of SA KredEx, guarantees were granted for enterprises in the amount of EUR 76.7 million (EUR 62 million in 2019) and loans in the amount of EUR 1.8 million (EUR 2.6 million in 2019). In addition, extraordinary guarantees under preferential terms, to mitigate the effects of the economic crisis caused by the pandemic, were granted to enterprises in the amount of EUR 56.6 million, and direct loans were granted in the amount of EUR 236.9 million.

Altogether in 2020, KredEx provided guarantees and financing to 501 enterprises in the total amount of EUR 370.2 million (in 2019, to 411 enterprises in the amount of EUR 64.6 million). The support of KredEx made it possible for enterprises to involve over four times more additional funding from banks and KredEx in 2020 than in 2019.

In 2020, KredEx made additional funding available to enterprises in the total amount of EUR 474.8 million (EUR 117 million in 2019).

KredEx continued participating as an investor in the fund of funds Baltic Innovation Fund 1, EstFund, and Baltic Innovation Fund 2, offering private and venture capital, and the management of the fund of funds Early Fund II via the subsidiary AS SmartCap. With the support of these funds, a total of nearly EUR 1.2 billion is being invested in the rapidly developing companies of the region, EUR 146 million of which is the direct contribution of either KredEx or the Republic of Estonia.

In January 2020, the Startup Estonia programme published the database of Estonian startup companies that has brought together startup companies from different industries across the country, which provides the best overview of the situation and activities of the startup sector. For Estonian startup companies, 2020 was a landmark year: they achieved record-breaking turnovers, involved record-breaking investments, seven companies were sold, and a new unicorn (a startup company worth over one billion dollars) was born for Estonia. As at the end of the year, 1,110 startup companies operated in Estonia, and their aggregated turnover reached EUR 782 million. The startups employed 6072 people and paid EUR 97 million in labour taxes during the year.

In the housing field, we continued offering guarantee services and grants in 2020. As new items, we introduced the direct loan of apartment associations and the innovative grant for the factory reconstruction of apartment buildings to the market. We offered a total of three different grants to apartment buildings. We increased the maximum grant amount of the home grant for families with many children and, due to the extraordinary situation, made the conditions of the grant for small residential buildings and the demolition grant more favourable.

We issued housing loan guarantees in 2020 in the amount of EUR 40.1 million, which is EUR 5 million (12.5%) more than in the previous year. In 2020, 3658 households purchased or renovated a home with the KredEx loan guarantee.

During the year, KredEx issued 106 apartment loan guarantees totalling EUR 7.3 million, which is 3% less than in 2019. With the help of the guarantee, loans in the total sum of EUR 10.6 million were issued to apartment buildings. In 2020, the apartment loan guarantee portfolio reached EUR 44 million, having increased by EUR 4 million over the year.

In 2020, we allocated the apartment building reconstruction

grant in rounds for the first time. 83 apartment associations in the total amount of EUR 27.8 million received the grant. In addition, in July 2020, we opened an application round for the extraordinary reconstruction grant for apartment buildings with a total volume of EUR 71 million, to modernise apartment buildings and mitigate the after-effects of the emergency situation in the construction sector. As an addition to the conditions, in Ida-Viru County and regions where the market value of real estate is low, the possibility to perform reconstruction works of the apartment building (changing the roof, insulating the façade, updating the heating system, etc.) partially, as individual works, was added. As at the end of the year, 219 grant decisions in the total amount of EUR 55.7 million, had been made within the extraordinary reconstruction grant measure. At the end of the year, we announced the application round for the allocation of the factory reconstruction grant, in which we will find both the designer and the builder for apartment associations. The volume of the measure is about EUR 12 million, with which it will be possible to innovatively reconstruct approximately 20 apartment buildings.

As a crisis measure, conditions for the reconstruction grant for small residential buildings were also changed in 2020: supporting thorough reconstruction in larger volume and regional differences were added. In this way, those performing thorough reconstruction of their residence outside larger settlements were provided with the opportunity to obtain a grant in the extent of 50% (amount limited to EUR 50,000). Changing the conditions significantly increased the volume of applications, and altogether, we issued grants in the total amount of EUR 3.34 million, which is three times more than the usual annual volume.

The volume of assets of the fund of funds Early Fund II, managed by the subsidiary AS SmartCap, was EUR 69.4 million as at 31 December 2020. The wide spread of COVID-19 and the effect of the problems caused by it to the economic activities of the companies in the investment portfolio of the fund had the largest negative impact on it. Two early-stage venture capital funds operating in Estonia belonged to the investment portfolio of Early Fund II. In addition, a competition was announced for finding a private fund manager and a venture capital fund managed by it, directed at small and medium-sized enterprises, where EUR 15 million could be invested (incl. the EUR 10 million allocated for this by the State in 2019).

Turnover, which was insured by the associated undertaking AS KredEx Krediidikindlustus, grew by 10% in 2020, surpassing EUR 700 million. Turnover from export transactions amounted to EUR 450 million of this, increasing by 15.7% compared to the previous year. KredEx Krediidikindlustus insured an estimated 3% of the export turnover of Estonian undertakings. As at the end of the year, the risk arising from default was insured for 4666 purchasers, and purchasers were located in 68 countries.

All in all, 2020 was a very successful year for KredEx in terms of operational volumes, satisfaction of stakeholders, and valuable experience gained from another economic crisis.

**Ivo Kuldmae**  
CEO of Foundation KredEx






## 2. Activity principles

Foundation KredEx was established in 2001, by the Ministry of Economic Affairs and Communications. KredEx is the leading state-owned financial institution that makes capital available and hedges credit risks so that Estonian companies can develop and people's living environments improve. For this purpose, KredEx offers loans, venture capital, credit insurance, and guarantees secured by the state, and carries out the Startup Estonia programme. We also help the residents of Estonia to improve their living conditions, offering them loan guarantees secured by the state for purchasing homes, as well as loans, guarantees, and grants for activities aimed at energy efficiency.

KredEx works for the sake of improving the standard of living of the people in Estonia.

For KredEx, it is important to be statesmanlike, ambitious, and have team spirit. We value solution-mindedness, top quality service, and readiness for cooperation, which leads to the satisfaction of our customers and partners. When making our decisions, we value accuracy, quick action and objectivity. We are open to new ideas and honest feedback. We 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 possibilities in a changing economic environment. Over the years KredEx has developed into a considerable link between Estonia's financial institutions and loan applicants, exporters and foreign buyers.



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## 2.1. Values

In its operations, KredEx relies  
on the following values



### Statesmanship

we operate pursuant to the common interests  
of Estonian inhabitants; we are respectful, honest,  
open and trustworthy.

### Ambition

we value and promote the constant targeted development  
and drive in the implementation of worthwhile  
ideas of the members of our team and the organisation;  
we are open to new ideas and cooperation.

### Teamwork

we act together, respecting, encouraging and supporting  
our colleagues and partners.

## 2.2. Main operational principles 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 guarantees issued by KredEx are provided by the state.

If, despite conservative risk management and the existence of sufficient capital, KredEx is unable to fulfil its obligations arising from guarantees, the state shall fulfil the relevant liabilities pursuant to law. To do so, the state may pay the claims directly to the recipients of the guarantees, or transfer additional amounts to the foundation capital of KredEx. On the other hand, equity requirements and limitations on investment activities have been established for the Foundation in legislation, for the purposes of risk management.

KredEx is a legal person governed by private law and operating

in the form of a foundation. Even though KredEx was established by the state, which also exercises control over its activity through the Ministry of Economic Affairs and Communications, KredEx acts independently in its decisions.

KredEx is a not for-profit organisation and is guided, above all, by the public interest in its activities. As such, the main basis of the decisions made is their economic substance. However, activities that clearly cause loss or are too risky (excluding the provision of extraordinary services) are not undertaken.

KredEx operates under the principles of a credit 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. KredEx also provides the state with an administrative service 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 and represent the organisation. From April 2020, the Management Board of KredEx consists of two Members. The Management consisted of Chairman of the Management Board Lehar Kütt and Member of the Management Board Paul Kalle. In October, the Supervisory Board released Lehar Kütt from the position of Chairman of the Management Board pursuant to his request. Ivo Kuldmae was elected the new Chairman of the Management Board.

The Supervisory Board plans the operations of KredEx, organises its management and performs supervision over its activities. Also, the approval of the Supervisory Board is necessary for all projects where the total amount of the

guarantee issued by KredEx and the loan exceeds EUR 1.5 million per company or group of companies.

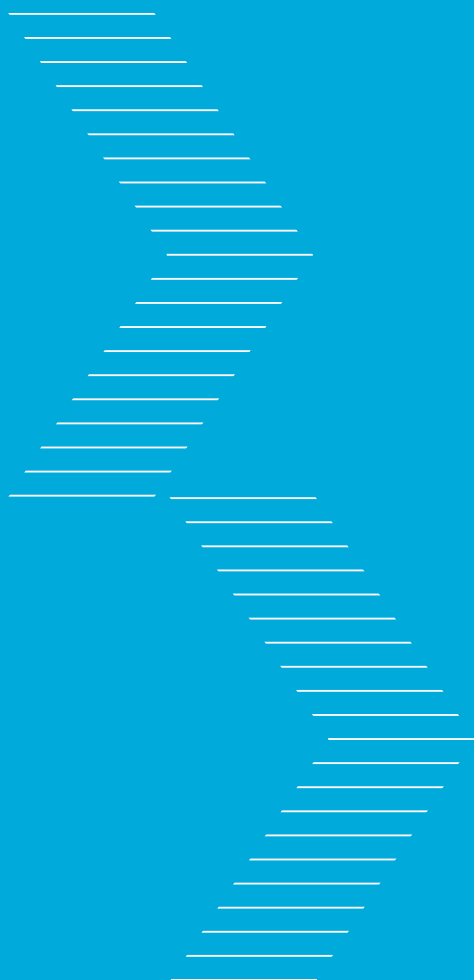
According to its statutes, the Supervisory Board of KredEx has up to seven members. The Supervisory Board members are appointed and removed by the Minister of Entrepreneurship and Information Technology, as the person exercising the rights of a founder.

In 2020, Aarne Randmaa, Krõõt Kilvet, Risto Kask, Rain Epler, Kristel Menning and Andrus Toom were appointed as new Members of the Supervisory Board. In the same year, Members of the Supervisory Board Kaido Padar, Hele Karilaid, Rain Epler and Kristel Menning were removed.





As at the end of 2020, the composition of the Supervisory Board of KredEx was as follows:



#### Ando Leppiman

Chairman of the Supervisory Board,  
Secretary General of the Ministry of Economic Affairs  
and Communications

#### Raivo Rand

Vice Chairman of the Supervisory Board,  
Member of the Management Board of the Association  
of Construction Entrepreneurs

#### Priit Värk

Member of the Supervisory Board,  
Mayor of Paide

#### Aarne Randmaa

Member of the Supervisory Board,  
advisor to the Minister of Entrepreneurship and  
Information Technology

#### Krõõt Kilvet

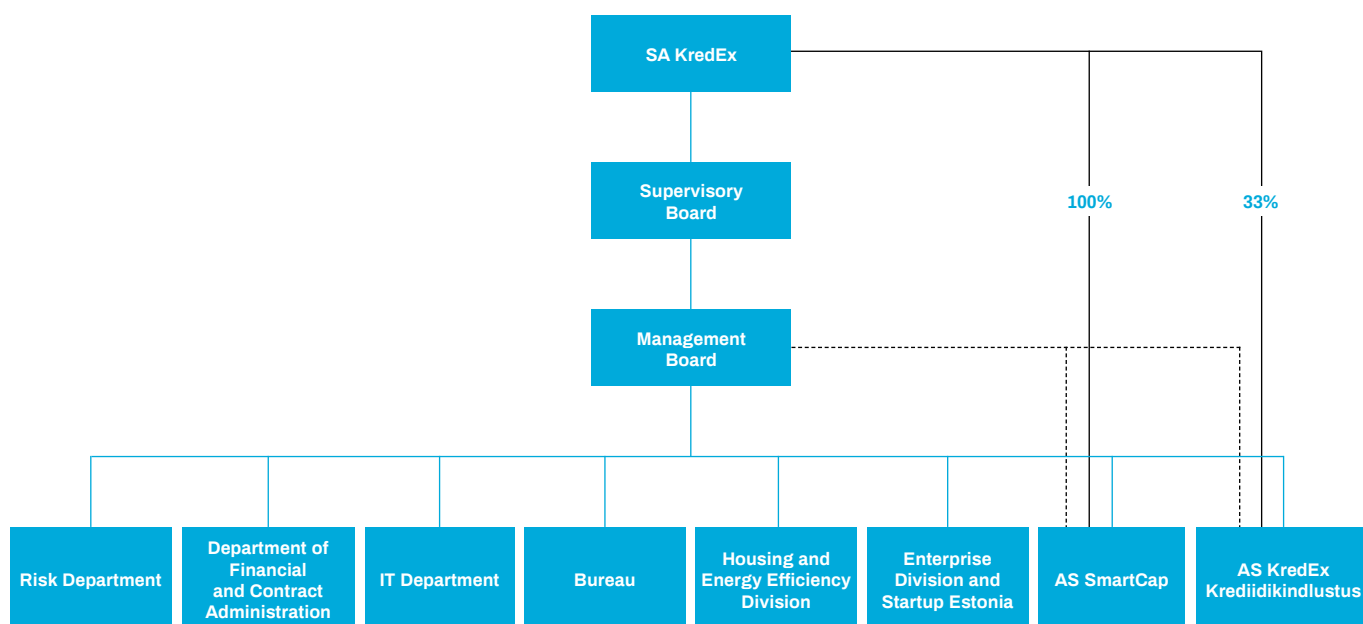
Member of the Supervisory Board

#### Risto Kask

Member of the Supervisory Board,  
advisor to the Minister of Public Administration

#### Andrus Toom

Member of the Supervisory Board,  
Member of the Management Board of OÜ Softcom



Structure of KredEx



We support our employees through interesting work, a good working environment and great training opportunities.

## The team

We have achieved good work results thanks to a unified team that values long-term labour relations, which we consider important for achieving our goals and securing continuity.

In relation to the economic crisis caused by COVID-19, KredEx received additional tasks in 2020 from the Government of the Republic, and we had to quickly develop new services to mitigate the problems of enterprises. The remarkably increased workload forced us to immediately find new professional employees who would be prepared to perform their duties with the minimum amount of time for training. In 2020, the KredEx team grew by 15 members.

The KredEx team is stable: about half of us have worked at KredEx for over five years, and 18 people for more than ten years. The average length of employment of KredEx employees is seven years.

After the emergency situation was declared in the spring of 2020, we managed to transfer all of our employees to home offices within a few days. At common informative meetings, we tried to constantly share information about new services and the activities of departments to the team.

This year, development interviews played a larger role than before. The separation caused by remote work was difficult for

some employees, and the interviews were welcomed. When making summaries of the year, the main tasks and development goals of the next period were set with the consideration that remote work may continue in 2021 as well.

We support the self-development of our employees through interesting work, a good working environment and great training opportunities. We try to find new training trends to help support the preservation of a communication and working environment within the team that gives us good energy. We consider maintaining the health of our employees to be very important. In 2020, we offered psychological counselling to all of our employees.

Despite the difficult year, we organised the employee satisfaction survey that takes place after every two years. It is delightful to note that our employees continue to value good relations in the team, the varied and interesting nature of the work, and the open and honest company culture the highest.

In addition to cooperation, we recognise the importance of traditions that help unite us as a team. Although the situation was difficult, we organised a hike in the nature for employees in August, following all requirements, instead of the traditional summer days. The Christmas event, summarising the results of the year, took place virtually this time.

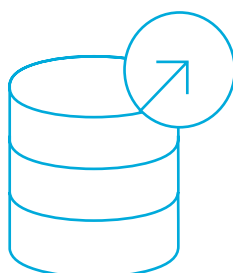
## 2.4. Risk management and overview of the internal control system

When it comes to the operations of KredEx as a financial institution, reliability is essential. Therefore, the efficient functioning of risk management as well as the internal control system forms the basis for our successful operation.

We have established relevant procedures for risk management, which are updated and amended as necessary. As a core tool, we use the four-eyes principle where the precondition to every significant financial transaction is the approval of the performer as well as that of another person with the relevant competence.

### Principles of risk management at KredEx are as follows

- The taken risk and the collected fee are in proportion to one another;
- The risks are sufficiently spread out, with the loss from a single risk not being too large in comparison with the capital;
- All risks that have not been re-insured are covered with sufficient capital and provisions.



A core objective of risk management is to possess adequate information for service price formation. This includes estimating the volume and loss potential of each service and other circumstances influencing the total net gain. For that, we assess and classify every risk based on the probability of realisation and the accompanying loss amount.

The goal of risk dispersion is to avoid the accumulation of similar risks and reduce the unfavourable impact on the financial results of KredEx that would be caused by the realisation of a single risk factor that has a significant effect. In order to avoid jeopardising the sustainability of operations, KredEx has established a principle that if the realisation of a single risk or a group of risks significantly depends to a large extent on single events or processes, the effect of this risk or the group of risks must form a limited part of the total solvency margin of KredEx.

Generally, the amount of such an effect should not exceed 20% of net assets. Thereby, the division of risks helps to ensure a sufficient number of successful projects in the portfolio in order to guarantee the earning of the income necessary for achievement of the goals established in the strategy of KredEx.

To cover regular and predictable losses, sufficient provisions are formed and reinsurance is used for the risks taken. Net assets are used to cover the Foundation's extraordinary losses, due to which risk taking is also limited by required solvency margins. According to the Support of Enterprise and State Loan Guarantees Act, upon the granting of guarantees for enterprise loans, the minimum limit of own funds shall be 10% of the net asset value of the valid guarantees, but not less than EUR 2 million. Upon the granting of guarantees for housing loans, the minimum limit of own funds shall be 8% of the net asset value of the valid guarantees, but not less than EUR 2 million. The internal minimum limit of own funds of the Foundation is 13% and 9.6%, respectively. A separate internal minimum limit of own funds (25%) has been established for extraordinary guarantees of enterprise loans, the granting of which began in 2020.

As at the end of 2020, both the internal and regulative requirements on own funds have been fulfilled with sufficient margins.

To ensure the impartiality and efficiency of the internal control system, we select the internal audit service provider based on the principles established in the Public Procurement Act. Qualified internal auditors periodically examine the areas of KredEx's activities, and submit summaries of the course and results of the audit to the Supervisory Board. The internal audit reports are an input for the Management Board for improving the internal control system. At the beginning of 2019, the Supervisory Board confirmed AS PricewaterhouseCoopers as the internal audit provider for the years 2019–2021.

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 its operations, the annual accounts issued by KredEx have been audited annually by an internationally recognised auditing firm. So far, they have approved all reports without reservations.

## 2.5. Economic environment

In 2020, the Estonian economy shrank by 2.9% due to the coronavirus crisis, which was one of the smallest declines in Europe. The economic downturn was softened and the economic recovery was facilitated by getting the first wave of the spread of the coronavirus quickly under control and by national support for enterprises. As an export-dependent country, it is important for Estonia that the economic downturn of its major trading partners was lower than the European average, which is why external demand also decreased to a lesser extent.

The 9% decrease in external demand had a significant effect on the economy in 2020. According to forecasts by Eesti Pank, this will turn into growth of 6.7% in 2021. The increase in the export volume of goods, which began in the third quarter of 2020, accelerated further, while the strong downturn in the export of services continued. The decrease in the export of services was mainly caused by the smaller volume of travel services, but transport services also had a strong negative effect. In the summary of the year, the export of goods and services decreased by 5.4% in the previous year.

Agriculture and accommodation and food service sectors decreased the most in 2020, while the added value created in the IT sector, water supply and waste management, financial services and forestry had the highest growth. The added value of the manufacturing industry, as an industry that exports goods, remained at about a 5% decline, regardless of the rapid recovery of exports that began in the third quarter.

The sales volume of retail commerce increased by about 3% in 2020. Retail sales were supported by the resilient labour market and the limited possibilities for the consumption of services such as accommodation, transport, and dining out. In the summary of the year, the volume of private consumption decreased by 1.3%.

The confidence of economic sectors has moved very differently. While the confidence of the manufacturing industry has increased to the level of early 2019 and its production volume and export growth prospects have increasingly improved, the confidence of consumers (which did, indeed, recover a little at the end of 2020) continues to be weaker than before the emergency situation.

Due to the health care crisis, the general government expenses on health care were increased significantly; these amounted to 3.6% of the GDP in 2020. According to estimates, the strong increase of general government expenses will continue in 2021, as well.

Investments of enterprises grew significantly in 2020. The main contribution in this regard was the result of investments in car software made by Volkswagen's subsidiary that was brought to Estonia; this led to a 23% increase in the volume of gross investments of enterprises. Without these software investments, investments in 2020 would have decreased.

Household investments increased by a bit more than 13% in 2020, despite the reduced consumer confidence during the crisis. Residential investments increased the most, still supported by wage growth and favourable interest rates. Computers

were also purchased a bit more compared to 2019, which can be associated with both remote work and learning from home. Households became the most active in the fourth quarter, where residential investments increased by nearly 30% in constant price. This good result is, however, in contradiction with the statistics of authorisations for use of residential spaces, but the turnover of residential loans also increased by 14% at the end of the year, and according to the Land Board, 10% more transactions were made with apartment ownerships than the year before.

Construction and the real estate market will remain relatively active in the coming years as well. This is indicated by both the number of authorisations for use and building permits granted in the later quarters of 2020, as well as the relatively high volume of real estate objects currently being constructed (both in terms of residential and other real estate). Although the income of one part of households is decreasing, there is still a relatively large number of households looking to purchase a new dwelling.

Investments of the general government and households also increased extensively. In the summary of the year, the total economic volume of investments increased by 18% in 2020.

The Estonian labour market is relatively flexible. Last year, the number of employed people decreased by about 3% due to the economic downturn, which was one of the strongest decreases in Europe. Employment mainly decreased in the services sector, and had a larger adverse effect on people of lower incomes and lower education levels, especially young people.

Aid measures of the State helped to slow down the increase in unemployment. The rate of registered unemployment has increased in the fourth quarter of 2020 to 7.4%, i.e., about 2 percentage points higher than it was immediately before the emergency situation was established in March 2020. According to estimates, unemployment will continue to increase in the first half of 2021 as well, but with the improvement of economic conjuncture and the increase in demand, it will start to decrease in the second half of the year. According to the Eesti Pank forecast, the average unemployment rate will be 7.9% in 2021, and the figure for 2022 will be 6.5%.

In some sectors, especially in IT and construction, the labour shortage issue persists and has not decreased with the crisis since opportunities to hire workforce from abroad decreased due to travelling restrictions. The issue may even grow with the expected economic recovery in 2021. Wage pressure has alleviated with the emergency situation but it has not disappeared. According to forecasts, wages will grow by 3.2% in 2021, and somewhat more a year later.

In 2020, the coronavirus crisis affected the enterprises' outlook of earning revenue and their borrowing ability. Due to strong banks, the effect of the crisis on the banking sector (incl. credit supply and conditions) has been rather small. The availability of funding has significantly worsened in the sectors most harmed by the coronavirus crisis, since creditworthiness has deteriorated and the attitude of lenders has become more cautious.





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At the same time, access to funding has been supported by the aggressive growth of domestic banks and the increase of competition on the banking market.

The enterprises' assessment of the loan environment decreased as the yearly average, as in most countries in the European Union. Accommodation and tourism companies, but also

transport and commerce, suffered more. On the other hand, according to real estate enterprises, which had a very negative assessment of the loan environment in the previous year, the situation has improved.

## Forecasts

The economy is starting to recover from the crisis, but the second wave of the coronavirus and the restrictions established to control it will hinder economic growth in the beginning of 2021. According to expectations, economic activity will only start to recover more strongly in the second half of the year. The longer view is more positive since the spread of the virus is subsiding in Europe and in the United States of America. The success of vaccinations has a significant effect on the outlook.

According to forecasts by Eesti Pank, the economic growth of Estonia will constitute 2.7% in 2021, and will accelerate to 5.0%

in 2022. There are significant risks in the economic outlook of the coming years, which may change the economic forecast. Recovery is affected by the ability of countries to vaccinate residents: major delays may hinder recovery or, even worse, guide the recovery into a downturn in the event of a new wave of the virus. Pension reform may affect the Estonian economy differently than what is in the forecast for 2021 and 2022. Even though the forecasts for 2021 have considered the effect of European Union funds on the Estonian economy, there is a possibility that the use of these funds may fail to gain sufficient momentum in the near future.



## 3. Activities and results in 2020

### 3.1. Briefly

**On 12 March**, the Government of the Republic declared an emergency situation in Estonia in relation to the COVID-19 pandemic. Two weeks later, KredEx started offering the first crisis measures to enterprises, to mitigate the economic losses caused by the pandemic.

In the same month, KredEx began accepting home grant applications intended for low-income families with many children. All in all, 259 families with many children were provided the grant in 2020.

**In May**, KredEx started offering apartment associations a renovation loan in the event that the bank had refused to grant a loan or if the conditions offered by the bank were unreasonably costly for the apartment association. The size of the loan is up to EUR 3 million per apartment association.

**In June**, we started accepting applications for the reconstruction grant for apartment buildings.

**In July**, we started accepting applications for the new, extraordinary reconstruction grant for apartment buildings. For thorough reconstruction of the residential building, it was possible to apply for a grant covering 30–50% of the cost of works, and up to EUR 1 million per apartment association. The total volume of the grant was EUR 71 million.

In the same month, the conditions of the reconstruction grant for small residences were amended. As a result, depending on the region and the extent of works, it was possible to start applying for the grant covering up to 50% of the cost of works, or up to EUR 50,000.

**In August**, Startup Estonia published an extensive package of legal model documents which are intended for Estonian entrepreneurs and investors who are starting out. Model contracts included in it were developed in cooperation with law firms. The best knowledge, experience and real-world practice has been compiled in the model documents.

In the same month, with the support of the European Fund for Strategic Investments (EFSI), KredEx and the European Investment Fund (EIF) signed a COSME COVID-19 co-guarantee agreement. This enables KredEx to provide an additional guarantee in the total amount of up to EUR 200 million to transactions eligible under the COSME programme.

**From September** to October, the fifth season of the TV show Oma Kodu, filmed with the support of KredEx, aired on the Estonian Television channel.

**In October**, Lehar Kütt who had started work at KredEx in 2008 as the Head of the Entrepreneurship Division, resigned as the long-term CEO of KredEx. Since 2015, he served as the CEO of KredEx.

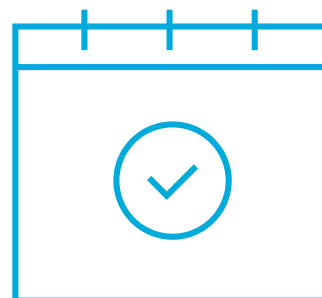
In October, the Supervisory Board of KredEx appointed Ivo Kuldmäe as the new Chairman of the Management Board.

**In November**, we opened the application round for the factory reconstruction grant for apartment buildings. The factory reconstruction method (reconstructing the residential building with components prefabricated at a factory) enables one to manufacture, at a factory, suitable roof and exterior wall components, together with insulation, windows and ventilation systems for buildings constructed on the basis of a standardised design. On site, it is only necessary to install the components and make renovations inside the house, which decreases the time spent on construction and maintains the construction quality at a consistently good level.

In November, we organised the sixth KredEx Career Exploration Tours. Due to the spread of COVID-19, tours to companies took place as livestreams on the internet for the first time. The new format received a lot of good feedback from students, teachers and enterprises.

**At the end of December**, KredEx suspended the processing of extraordinary crisis measures since the Government that was in power could not agree on continuing the crisis measures.

**During the year**, SmartCap carried out a market consultation and then announced a competition for finding a suitable private fund manager and investing EUR 15 million in 2021, incl. the EUR 10 million allocated by the Economic Affairs and Communications, into the venture capital fund managed by it that is directed at small and medium-sized high-tech enterprises.



## 3.2. Overview of the results of housing and energy efficiency in 2020

### 3.2.1. Most important activities in the area

In 2020, we continued offering our regular guarantee services and grants, and introduced the direct loan for apartment associations and the innovative grant for the factory reconstruction of apartment buildings to the market for the first time. This year, we offered a total of three different grants to apartment buildings. The maximum grant amount of the home grant for families with many children was increased and, due to the extraordinary situation, the conditions of the grant for small residential buildings and the demolition grant were made more favourable.

Although a decrease in housing loans could have been expected in 2020 in relation to the coronavirus crisis, it was not expressed in the volume of guarantees. During the year, we issued housing loan guarantees in the amount of EUR 40.1 million, which is EUR 5 million (12.5%) more than in the previous year. 3658 households purchased or renovated a home with the KredEx loan guarantee during the year. The total amount of housing loans issued by banks in 2020 that were secured by immovable property was EUR 1.27 billion (EUR 1.29 billion in 2019), of which the volume of loans with a KredEx guarantee accounted for EUR 291 million.

During the year, KredEx issued 106 apartment loan guarantees totalling EUR 7.3 million, which is 3% less than in 2019. With the help of the guarantee, loans in the total sum of EUR 10.6 million were issued to apartment buildings. In 2020, the apartment loan guarantee portfolio reached EUR 44 million, having increased by EUR 4 million over the year. The guarantee has mostly been of help in rural areas and in situations where the house includes debtors or where due to the small size of the residential building, the apartment association's payment burden depends very strongly on the solvency of each apartment owner.

In 2020, we allocated the apartment building reconstruction grant in rounds for the first time and 83 apartment associations in the total amount of EUR 27.8 million received the grant. In addition, in July, we opened an application round for the extraordinary reconstruction grant for apartment buildings with a total volume of EUR 71 million, with the aim of modernising apartment buildings and mitigating the after-effects of the emergency situation in the construction sector. As an addition to the conditions, in Ida-Viru County and regions where the market value of real estate is low, the possibility to perform reconstruction works of the apartment building (changing the roof, insulating the façade, updating the heating system, etc.) partially, as individual works, was added. As at the end of the year, 219 grant decisions in the total amount of EUR 55.7 million, had been made within the extraordinary reconstruction grant

measure. At the end of the year, we announced the application round for the allocation of the factory reconstruction grant, in which KredEx will find both the designer and the builder for apartment associations. The volume of the measure is about EUR 12 million, with which it will be possible to innovatively reconstruct approximately 20 apartment buildings.

As a crisis measure, conditions for the reconstruction grant for small residential buildings were also changed in 2020 – supporting thorough reconstruction in larger volume and regional differences were added there. In this way, those performing thorough reconstruction of their residence outside larger settlements were provided with the opportunity to obtain a grant in the extent 50% (amount limited to EUR 50,000). Changing the conditions significantly increased the volume of applications, and altogether, we issued grants in the total amount of EUR 3.34 million, which is three times more than the usual annual volume.

Within the measure of developing rental housing, the recipients of the grant – Saue rural municipality government, Muhu rural municipality government, Türi rural municipality government, Valga rural municipality government, Koksvere Maja OÜ from Põhja-Sakala rural municipality, Rae rural municipality government, and OÜ Maali Maja from Lääne-Nigula rural municipality – completed their apartment buildings by the end of 2020. All in all, seven residential buildings were constructed or renovated, which created 166 apartments for rent.

We continued issuing home grants for large families, grants for the renovation of electrical installations and grants to local governments for the demolition of residential buildings. Conditions of the latter grant were also amended in relation to the extraordinary situation: enterprises and State agencies were also eligible for the grant. All in all, we issued the demolition grant in the extent of EUR 5 million in 2020.

In 2020, we ended disbursing grants for the installation of solar panels. As at the end of the year, over 2500 MWh of electricity has been generated in the solar parks installed with the grant. The ELMO programme also concluded; its last activity was handing over the charging network to Elektrilevi OÜ in December of 2020. Since the provision of service began in February 2013, as at the end of 2020 the chargers have been used over 837,000 times and about 8400 MWh of electricity has been charged.

As an important activity, we continued raising awareness for implementing energy-efficient solutions and innovative projects. The television series *Oma Kodu* was continued on ETV with the support of KredEx.

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

With the help of its loan guarantees, KredEx enables the purchasing of a home at a lower rate of self-financing and ensures the preservation and lower energy use of residential buildings. The housing loan guarantee is intended for specific target groups: these are young families and young specialists, buyers of energy-efficient housing, tenants of restored houses and veterans of the Defence Forces and the Defence League.

The total amount of housing loans issued by banks in 2020 that were secured by immovable property was EUR 1.27 billion (EUR 1.29 billion in 2019), of which the volume of loans with a KredEx guarantee accounted for EUR 291 million. A year before, housing loans with a KredEx guarantee were issued in the extent of EUR 317 million (an average of EUR 26.4 million per month).

In 2020, the volume of housing loans with a KredEx guarantee accounted for 23% of the volume of housing loans issued in Estonia (25% in 2019). Loans with a KredEx guarantee were

issued the most in October (EUR 34.2 million), and the least in April (EUR 13.2 million).

The amount of housing loan guarantees issued in 2020 was EUR 40.1 million, which is EUR 5 million (12.5%) more than in the previous year. By the end of the year, the portfolio volume of these guarantees amounted to EUR 93.8 million (EUR 88.5 million in 2019). A total of 3658 households purchased or renovated their homes in 2020 with the help of the loan guarantee, including 1938 young specialists (EUR 19.26 million), 1176 young families (EUR 12.08 million) and 491 acquirers of energy-efficient housing (EUR 8.15 million) and 53 veterans (EUR 601,292).

Since 2000, 40,232 households have improved their living conditions with the help of KredEx.

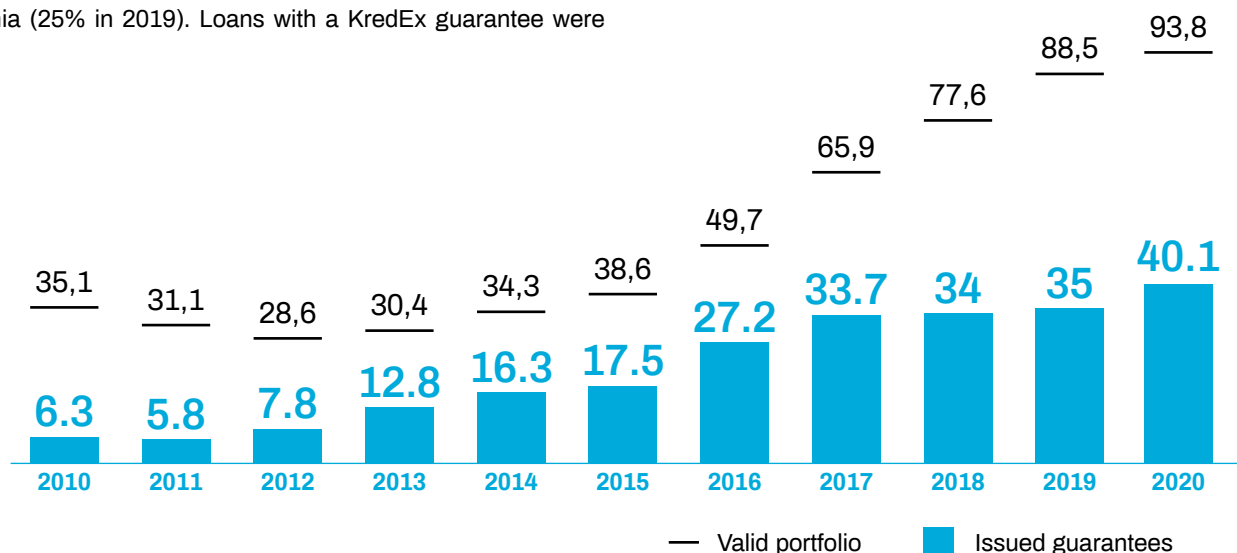


Figure 1. Volume of KredEx housing loan guarantees in 2010–2020, in millions of euros

Apartment associations seeking loans from banks to renovate their building can apply for an apartment loan guarantee from KredEx. This is suitable for apartment buildings rated at a higher-than-average risk by banks due to their geographical location, size, or number of debtors, or who wish to use the KredEx guarantee to insure their solvency risk.

During the year, KredEx issued 106 apartment loan guarantees totalling EUR 7.3 million, which is 3% less than in 2019. With the help of the guarantee, loans in the total sum of EUR 10.6

million were issued to apartment buildings. The decrease in volume was primarily caused by the discontinuation of KredEx's apartment building reconstruction grant issued to apartment associations. In 2020, the apartment loan guarantee portfolio reached EUR 44 million, having increased by EUR 4 million over the year.

Since 2002, 1219 guarantee contracts have been concluded with KredEx when taking out a loan for the renovation of apartment buildings, in the total loan amount of EUR 107.4 million.



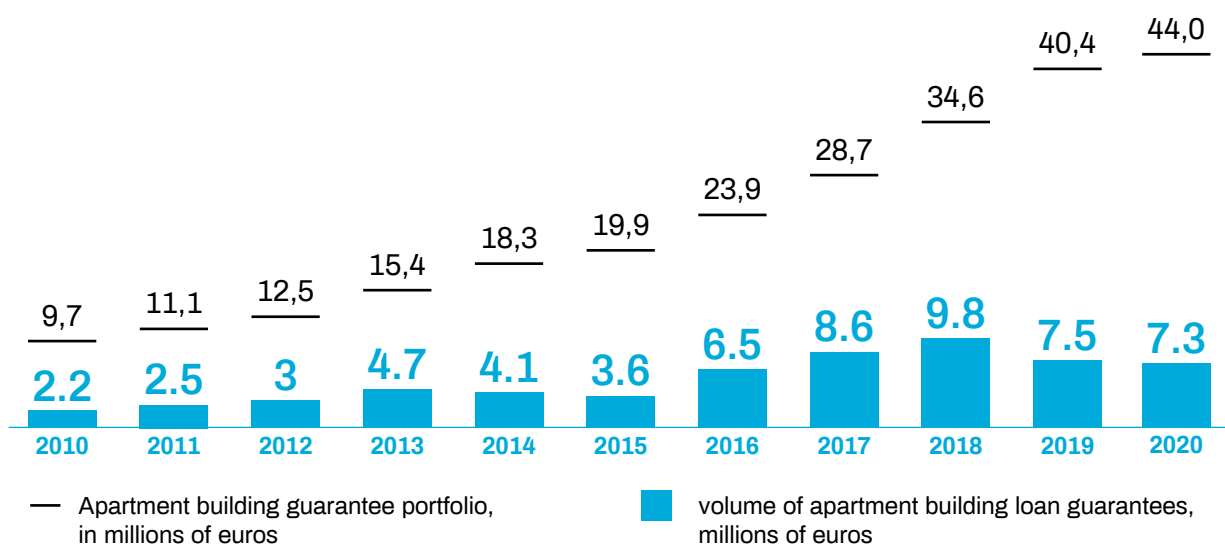
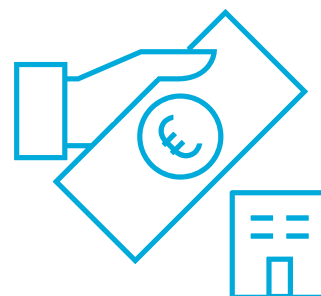


Figure 2. Volume of apartment loan guarantees in 2010–2020, in millions of euros

### 3.2.2.1 Apartment building renovation loan

In May 2020, an opportunity to apply for a loan from KredEx was opened for such apartment associations for whom the bank does not agree to grant a loan due to the location of the apartment building, or for whom the loan amount offered by the bank is not sufficient for the thorough reconstruction of the residential building. In 2020, 41 loan applications in the sum of EUR 4.5 million were submitted, and altogether it was decided to grant loans in the sum of EUR 2.5 million which will be used to renovate 24 apartment buildings (a total of 218 apartments are in these). The total sum of investment is EUR 3.7 million.



## 3.2.3. State grants for the housing sector

### 3.2.3.1. Applications for the reconstruction grant of apartment buildings

Since April 2015, KredEx has been issuing reconstruction grants from structural funds to apartment associations and local governments, aimed at the complete reconstruction of apartment buildings. The grants were provided with the rates of 15%, 25% and 40% until 2019, with the rate being 10% higher in Ida-Viru County.

In May 2019, conditions of the regulation were amended; the most important amendment concerned grant rates: the 15% grant rate is no longer offered, and in Tallinn and Tartu, the grant rate is 30%. The grant rate is 40% in settlements bordering Tallinn and Tartu where the market value of real estate exceeded 500 €/m<sup>2</sup> in the year preceding the submission of the application according to the Land Board database of transactions, and also in the following cities, towns and small towns: Elva, Haapsalu, Keila, Kohila, Kuressaare, Maardu, Otepää, Paikuse, Pärnu, Rakvere, Rapla, Sauga, Uuemõisa and Viljandi. The rest of Estonia is eligible to apply for a grant in the extent of 50%.

A recipient of the grant must reconstruct their heating system, insulate their façade and roof, install a ventilation system with heat recovery, and replace all old windows, installing these within a plane undergoing thermal insulation or providing window jambs with additional thermal insulation. In the event that all conditions are not fulfilled (no ventilation with heat recovery, windows are not raised to the plane of thermal insulation), it is possible to apply for a 10% lower grant. In addition, the services of technical consultancy, construction project preparation, and owner supervision are supported up to 50%.

Due to high demand, the EUR 102 million allocated for grants had been covered with applications by September 2017. EUR 17.5 million were added in 2019.

With the help of the grant, nearly 450 apartment buildings will be renovated, incl. almost 90% of them in full. This means renovation of the heating system, replacement of windows and construction of ventilation with heat recovery, in addition

to the insulation of walls and the roof. Also, solar panels will be installed on many residential buildings, which increases their energy-efficiency even more.

In 2019, 51 applications were granted; at that, a final decision for financing was made for 22 applicants in the amount of EUR 6.12 million. Payments were made in the amount of EUR 30.15 million for residential buildings undergoing renovations and in 2019, the renovation of 116 apartment buildings was completed. By the end of 2019, a total of 391 apartment buildings had received a decision approving financing in the total sum of nearly EUR 102.56 million. Works had been completed on 373 residential buildings and payments were made in the sum of EUR 97.96 million.

Since 2010, about 1100 apartment buildings have used the reconstruction grant. Most of these (two thirds) are located in counties with a higher population, incl. Harju County and Tartu County. A significant portion of the residents of Lääne-Viru County, in particular Rakvere, are also renovating their apartment buildings. Among smaller cities, the reconstruction activity has been higher in Elva and Tõrva, for example.

To increase the volume of reconstruction in other counties as well, the EUR 28.5 million budget of the 2020 round was divided between four regions – Northern Estonia (Harju County), Southern Estonia (Jõgeva, Põlva, Tartu, Valga, Viljandi and Võru County), North-Eastern Estonia (Ida-Viru County), Western Estonia (Hiiu, Lääne, Pärnu and Saare County), and Central

Estonia (Järva, Lääne-Viru, and Rapla County). The division between regions was prepared on the basis of the number of apartment buildings in the region and the average real estate value of apartments. Altogether, 83 applications in the total sum of EUR 27.8 million were satisfied in the 2020 grant round.

In July 2020, the application round for the new, extraordinary reconstruction grant for apartment buildings was opened, with a total volume of

EUR 71 million, with the aim of modernising apartment buildings and mitigating the after-effects of the emergency situation in the construction sector. The conditions of the grant were generally similar to the previous grant rounds that were funded from structural funds. As an addition to the conditions, in Ida-Viru County and regions where the market value of real estate is low, the possibility to perform reconstruction works of the apartment building partially (changing the roof, insulating the façade, updating the heating system, etc. as individual works). In the case of partial reconstruction, the proportion of the grant is 30%. As at the end of 2020, 219 grant decisions in the total amount of EUR 55.7 million had been made within the extraordinary reconstruction grant measure.

Considering the significant number of apartment buildings requiring renovation and the constant demand for the grant, we will continue to support the reconstruction of apartment buildings in 2021 as well.

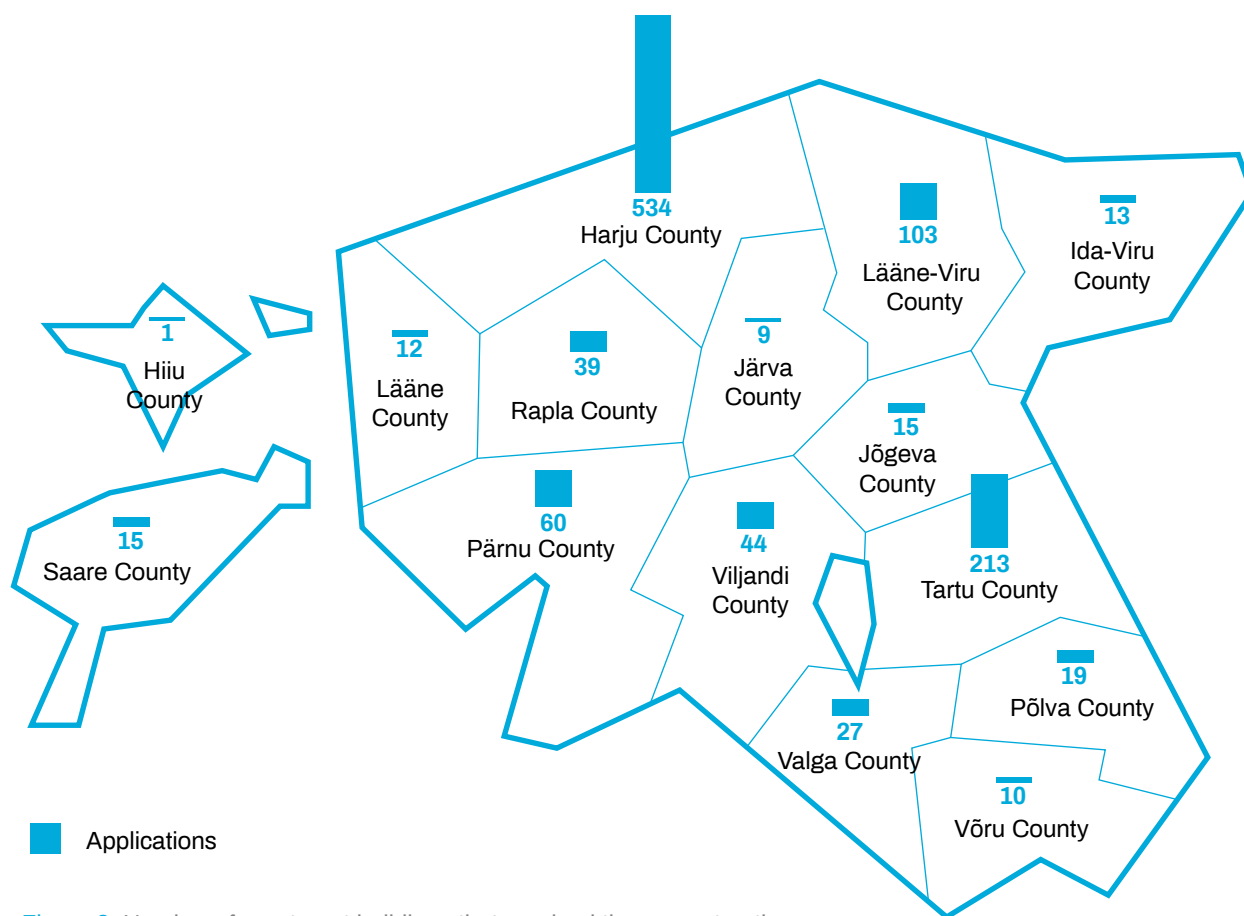


Figure 3. Number of apartment buildings that received the reconstruction grant by county, 2010–2019

### 3.2.3.2. Grant for small residential buildings

In 2020, KredEx continued to accept applications for the grant for increasing the energy-efficiency of small residential buildings. The grant is intended for natural persons, who are the owners of small residential buildings, for improving the technical condition of the building and reducing its energy consumption. Also, the support promotes the making of investments for the renovation of small residential buildings and improving the quality of the indoor climate therein. The grant also enables residents to begin using renewable energy appliances.

The conditions of the grant were amended on 1 June 2020. With this, the possibility to thoroughly reconstruct the building and to apply for a higher grant rate than before were added. With thorough reconstruction, the proportion of the grant of eligible expenses and the maximum grant amount per small residence was as follows:

- 30% and EUR 30,000 in Tallinn and Tartu as a settlement unit;

- 40% and EUR 40,000 in settlement and administrative units bordering Tallinn and Tartu;
- 50% and EUR 50,000 in other settlement and administrative units in Estonia.

The reception of applications for the grant was suspended on 18 October 2020 due to the exhaustion of funds of the support measure.

Since November 2016, KredEx has received 1278 applications for increasing the energy efficiency of small residential buildings, in the total sum of EUR 9.18 million. A total of 697 residential buildings have been renovated, with EUR 3.54 million issued for this purpose in the form of grants.

The most common reconstruction works throughout the entire application period of the measure have been the replacement of windows (331 applications), reconstruction of the roof (286) and external walls (278). Compared to previous years, the number of applications submitted for the reconstruction of heating and ventilation systems increased in 2020. 45 applications were submitted for the thorough reconstruction of the building.

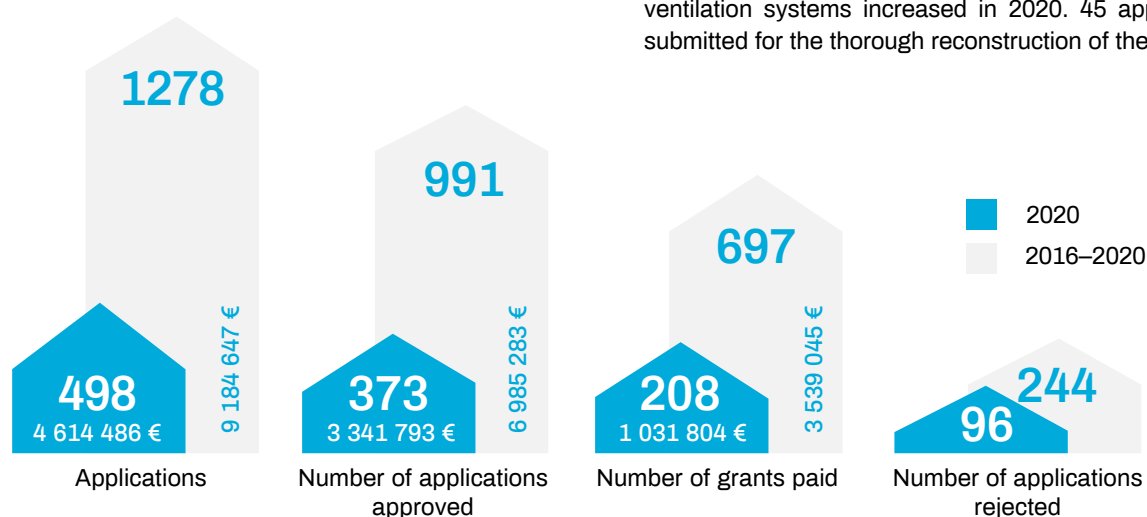


Figure 4. General data regarding grants awarded for increasing the energy efficiency of small residential buildings 2016–2020

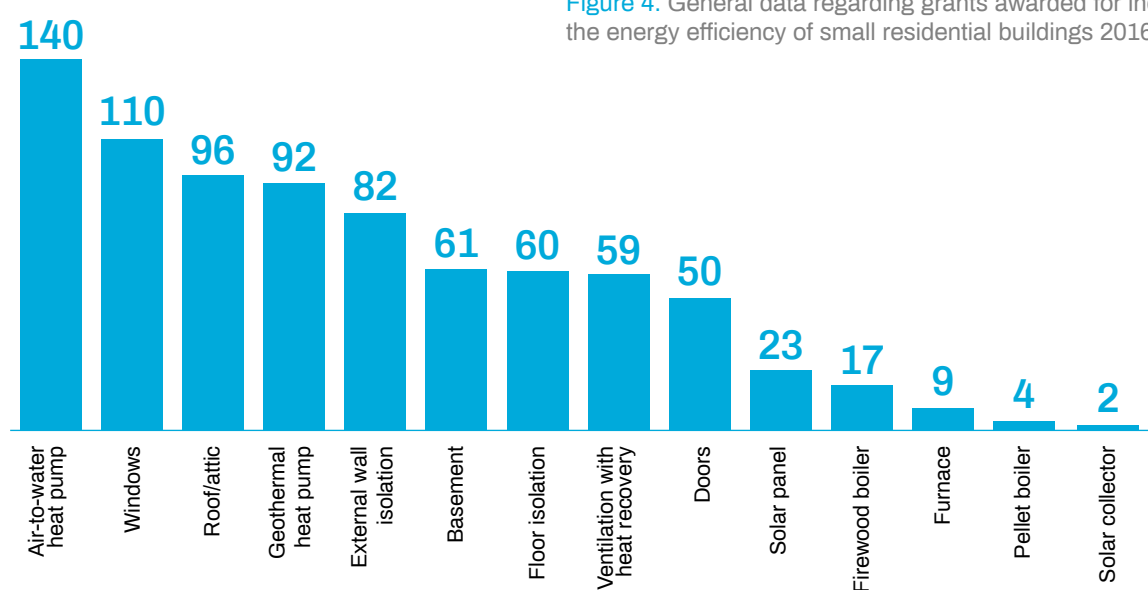


Figure 5. Number of works performed with the grant for increasing the energy-efficiency of small residential buildings, 2020

### 3.2.3.3. Home grant for families with many children

Within the framework of the *Development Plan for Children and Families for 2012–2021*, KredEx will allocate grants to large families to improve their residential living conditions. Its target group is households with low income raising at least three children under the age of 19, whose income per family member is less than EUR 355 per month. Eligible activities include purchasing, building, reconstructing, renovating, or expanding their home and the construction, replacement, or updating of technical systems or utilities.

The grant is round-based. The budget for 2020 was EUR 3.2 million, of which, EUR 3,040,000 was distributed as grants. The round for applications lasted from 16 March to 4 May, in the course of which, large families filed 708 applications in the total sum of EUR 7.74 million. The cost of projects in the applications amounted to a total of EUR 10.3 million.

509 applications (71.9%) were deemed as conforming to requirements; based on a ranking with points scored, 259 applications (36.6%) of these were satisfied. 195 applications (27.5%) were deemed as non-conforming, 250 applications (35.3%) were rejected due to the funds being exhausted, and four applicants withdrew their application. On average, the allocated grant forms 29.5% of the cost of projects that are the basis for applying.

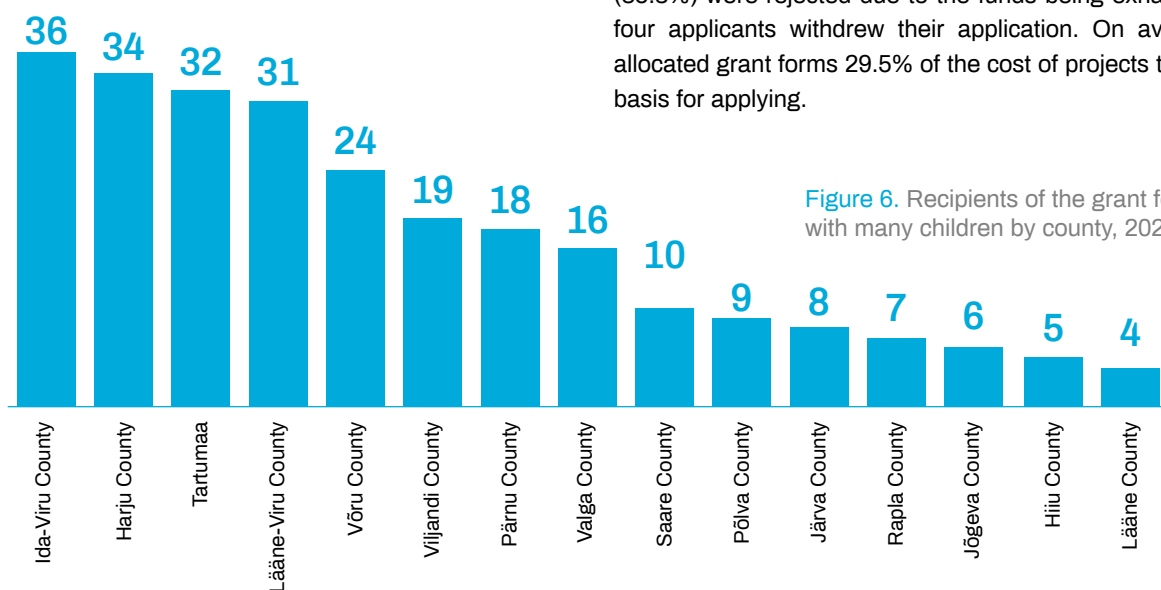


Figure 6. Recipients of the grant for families with many children by county, 2020

In total, the applications of 259 families were satisfied, of which 227 received the grant for the first time and 32 for the second time. The average grant amount per family was EUR 9516. There are 954 children being raised in the families that received funding; an average of 3.7 children per family.

Most of the applications were submitted for the grant for purchasing a home (129 applications), and for the construction, changing or replacement of technical systems (85 applications).

Amount-wise, these were followed by applications for building a home or reconstructing an uninhabitable home (45).

The taxable income of the families that received the grant in 2020 (excluding parental benefits and the previous home grant) is EUR 147.92 per household member (see Figure 7). The taxable monthly income of 13 families in 2020 was EUR 0, and the taxable income of 191 families was below EUR 203.

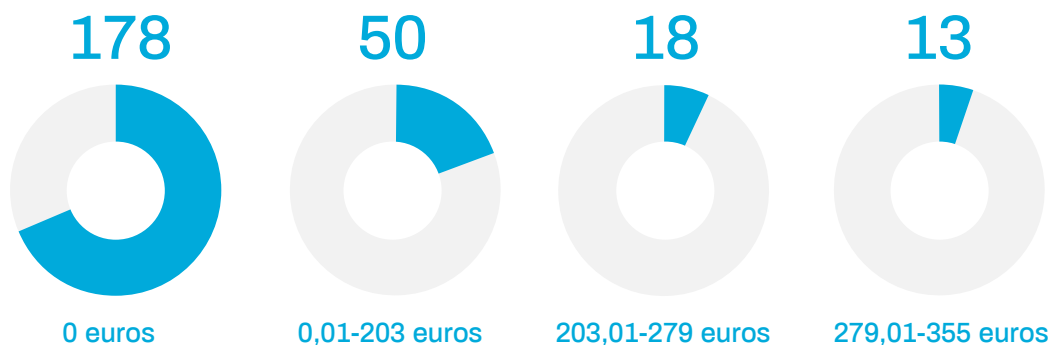


Figure 7. The 2020 taxable income of families that received the home grant, per household member in one month



In the period of 2008–2020, there were 7560 home grant applications filed in the total sum of EUR 68 million, of which KredEx has satisfied 3944 applications in the total sum of EUR 35.8 million. Among them, 3218 families have received

the grant once, 655 families twice, 62 families three times and nine families four times. The average grant amount per family has been EUR 7270. A total of 201 families have refrained from taking out the allocated grant or have not used it.

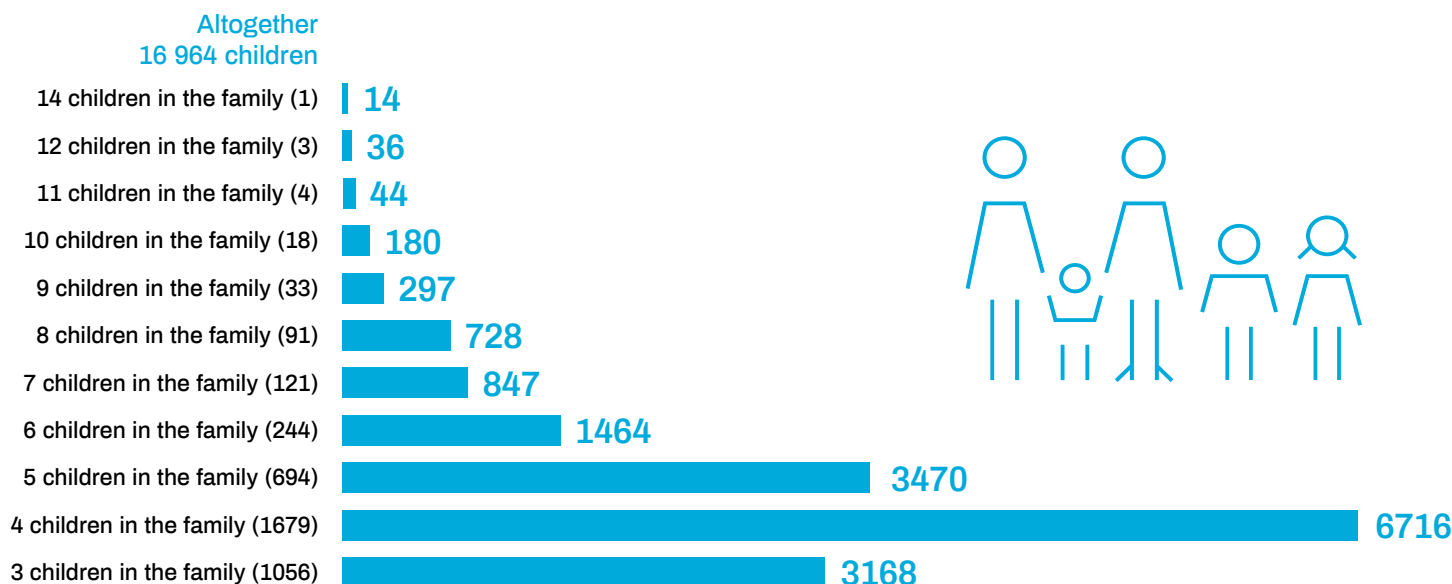


Figure 8. Families who received the home grant for large families, by number of children, 2008–2020

### 3.2.3.4. Grant for the renovation of electrical installations

In April 2015, the grant measure for updating electrical installations was opened. The purpose of the grant is to provide support for the renovation of electrical installations in residential buildings using the old voltage system (3 × 220 V) in Tallinn, so that the residential buildings are transferred to the new 3 × 230/400 V voltage system.

Applications may be submitted by apartment associations and owners of small residential buildings, and starting from 2016 also by non-profit associations in the City of Tallinn, whose residential buildings are supplied with electricity using the old voltage system.

Compared to the previous situation, application activity decreased somewhat in 2020: while in 2019 there were 67 applicants, in 2020, there were 50. The average amount applied for was also lower; in 2020, it was EUR 2162.

By the end of 2020, applications had been submitted to renovate the electrical installations of 296 buildings in the total amount of EUR 730,219. KredEx had made payments to 266 applicants, totalling EUR 663,931.

KredEx will continue to issue the grant in 2021.



## KredEx helps local municipalities to make the living environment safer and aesthetically more pleasing

### 3.2.3.5. Demolition grants for local governments

KredEx helps local municipalities to make the living environment safer and aesthetically more pleasing. For this, grants are supplied to them for the demolition of obsolete residential houses and non-residential houses that are owned by local governments.

On 18 September 2020, an amendment to the Regulation entered into force under which, legal persons governed by private law, in addition to local governments, were also eligible to apply for the grant until the end of 2020. Their interest in the grant was very high.

Applications were submitted in a much higher volume than

before. For example, in the period from 1 to 10 December 2020, 51 applications were submitted; 24 of these by legal persons governed by private law, and 27 by local governments. Among these applications, the decision to allocate the grant was made for 29 applicants of the grant (22 applicants for the grant received the decision of not satisfying the application due to the exhaustion of grant funds).

Another 16 applications amounting at EUR 554,772 were submitted outside of the round. A total of 192 applications amounting at EUR 6,215,620 were submitted for the extraordinary grant. The grant was allocated to 164 applicants in the total amount of EUR 5,092,846. Within the measure, about EUR 1 million has been paid out as grants.

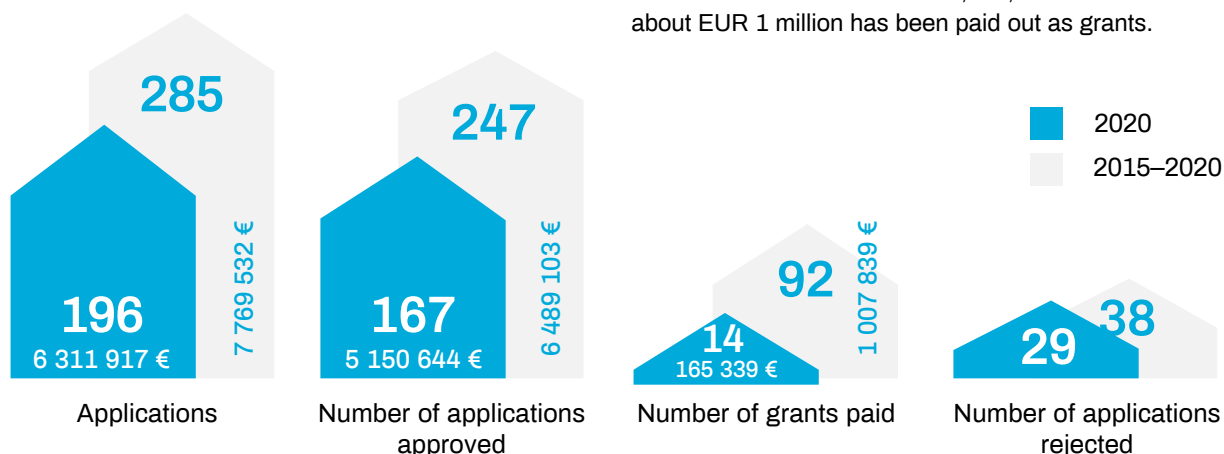


Figure 9. General data of the grant Demolition Grant for Local Governments, 2015–2020

### 3.2.3.6. Investment grant for local municipalities for developing the local housing stock

Local governments have had the opportunity to apply for an investment grant to develop local housing stock by building or renovating rental houses in three application rounds: the first round lasted from 1 November to 30 December 2017; the second round from 2 April to 15 August 2018; and the third round from 3 December 2018 to 4 February 2019.

The construction and reconstruction of rental housing will

ensure the mobile workforce with better access to modern residential housing in regions where the demand for housing exceeds the supply as well as where the construction cost is higher than the market value. As of 2018, grants could be applied for constructing rental housing for target groups with limited financial resources, with Tartu and Tallinn also being included as eligible regions.

In devising the criteria for the grant, great emphasis has been put on the energy efficiency of the residential building to be constructed, and, among other things, how the buildings fit in with the urban space will be assessed.

The maximum grant amount for all application rounds is EUR 2.5 million per each local municipality. While the grant was applied for by five local governments (Saue, Muhu, Valga, Türi and Lääne-Nigula rural municipalities) in the first round, then in the second round, the number of applications already reached 13. A positive decision was received by Põhja-Sakala Rural Municipality, City of Tallinn, City of Tartu, Tori Rural Municipality, Saue Rural Municipality, Rae Rural Municipality, the town of Kuressaare, the town of Haapsalu and Saku Rural Municipality. In the third round, there were 11 applications, and grants were received by Järva Rural Municipality, Võru Rural Municipality, Tori Rural Municipality, Valga Rural Municipality, Otepää Rural Municipality, Lääne-Nigula Rural Municipality, City of Pärnu and Põhja-Sakala Rural Municipality.

Over the course of the three rounds, a total of 13 rental houses are planned to be built or reconstructed for the mobile workforce and 12 rental houses for the socially underprivileged target group. Altogether, 582 apartments with a total area close to 21,000 m<sup>2</sup> will be built in the 25 residential buildings. The total investment is nearly EUR 45 million, with the grant amount accounting for EUR 21 million.

By the end of 2020, Saue rural municipality government, Muhu rural municipality government, Türi rural municipality government, Valga rural municipality government, Koksvere Maja OÜ from Põhja-Sakala rural municipality, Rae rural municipality government, and OÜ Maali Maja from Lääne-Nigula rural municipality have completed their apartment buildings. A total of seven buildings and 166 rental apartments have been completed. The grant has been paid out in the amount of EUR 4.7 million.

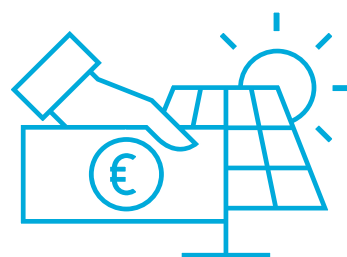
### 3.2.3.7. Investment support for solar panels

The goal of the support is to increase the share of electricity produced using renewable energy sources within the energy balance, thereby reducing the emissions originating from the energy production system. Traditional electricity production units mainly work on fossil fuels, while solar energy is considered to be a renewable energy resource with one of the highest usage potentials.

Applications started to be accepted on 23 April 2018, and the budget of the grant measure was EUR 1.4 million.

The grant could be applied for by a private or public legal person registered in Estonia, whose activity was the area listed in the Estonian Classification of Economic Activities under C, O, P, Q and I, Group 551. The grant was awarded at a rate of up to 30% of the total sum of eligible costs of supported activities; however, only up to EUR 30,000 per applicant.

As at the end of 2020, the grant has been allocated to **19 applicants**, in the amount of **EUR 294,712**.



A total of 35 applications were submitted; 14 of these did not meet the conditions of the grant and two applicants withdrew their application. As at the end of the year, all grants allocated within the measure have been disbursed.

Pursuant to the conditions of the grant, the recipient of the grant shall submit reports on produced electricity three years after receiving the grant. As at the end of 2020, over 2500 MWh of electricity has been generated in the solar parks installed with the grant.

### 3.2.3.8. The Estonian Electrical Mobility Programme ELMO

The aim of the *Estonian Electrical Mobility Programme (ELMO)* was to speed up the adoption of electric cars in Estonia and help increase the use of renewable energy in transportation by 2020.

Activities under ELMO since 2011:

- grant scheme to purchase electric cars 2011–2015;
- notification activities introducing electric cars, incl. their short-term rental, a demonstration centre in Tartu, and notification campaigns 2011–2017;
- charging infrastructure for electric cars, covering the entire country, built during the period 2011–2013.

In the summer of 2018, the results of the auction organised by the Ministry of Economic Affairs and Communications were disputed, and management of the network remained the duty of the State. In order to provide the service, the procurement contract with ABB AS was extended until 31 December 2019. The contract with the winner of the auction was entered into on 22 October 2019, and from 22 November of the same year, the quick charging service for electric cars was provided by Elektrilevi OÜ. The charging network was finally transferred in December 2020.

Since the provision of the service began in February 2013, as at the end of 2020 the chargers have been used over 837,000 times and about 8400 MWh of electricity has been charged.

## 3.3. Overview of the results of business in 2020

### 3.3.1. Most important activities in the area

In 2020, the operating volume of the enterprise industry was significantly higher compared to previous years as a result of the economic crisis caused by the COVID-19 pandemic. In addition to the regular measures, KredEx supported enterprises with nine new extraordinary guarantee and loan services, the purpose of which was to enable new financing for enterprises to overcome the temporary difficulties caused by the COVID-19 outbreak.

In 2020, guarantees in the form of regular SA KredEx measures were granted to enterprises in the amount of EUR 76.7 million (EUR 62 million in 2019) and loans in the amount of EUR 1.8 million (EUR 2.6 million in 2019). In addition, extraordinary guarantees under preferential terms, to mitigate the effects of the economic crisis caused by the COVID-19 pandemic, were granted to enterprises in the amount of EUR 56.6 million, and direct loans were granted in the amount of EUR 236.9 million.

Altogether in 2020, KredEx provided guarantees and financing to 501 enterprises in the total amount of EUR 370.2 million (in 2019, to 411 enterprises in the amount of EUR 64.6 million). The support of KredEx made it possible for enterprises to involve over four times more additional funding from banks and KredEx in 2020 than in 2019. In 2020, additional funding was made available to enterprises in the total amount of EUR 474.8

million (EUR 117 million in 2019).

KredEx continued participating as an investor in the fund of funds Baltic Innovation Fund 1, EstFund, and Baltic Innovation Fund 2, offering private and venture capital, and the management of the fund of funds Early Fund II via the subsidiary AS SmartCap. With the support of these funds, a total of nearly EUR 1.2 billion is being invested in the rapidly developing companies of the region, EUR 146 million of which is the direct contribution of either KredEx or the Republic of Estonia.

In January 2020, the database of Estonian startup companies was published, which has brought together data about startup companies in different industries across the country and provides the best overview of the situation and activities of the startup sector.

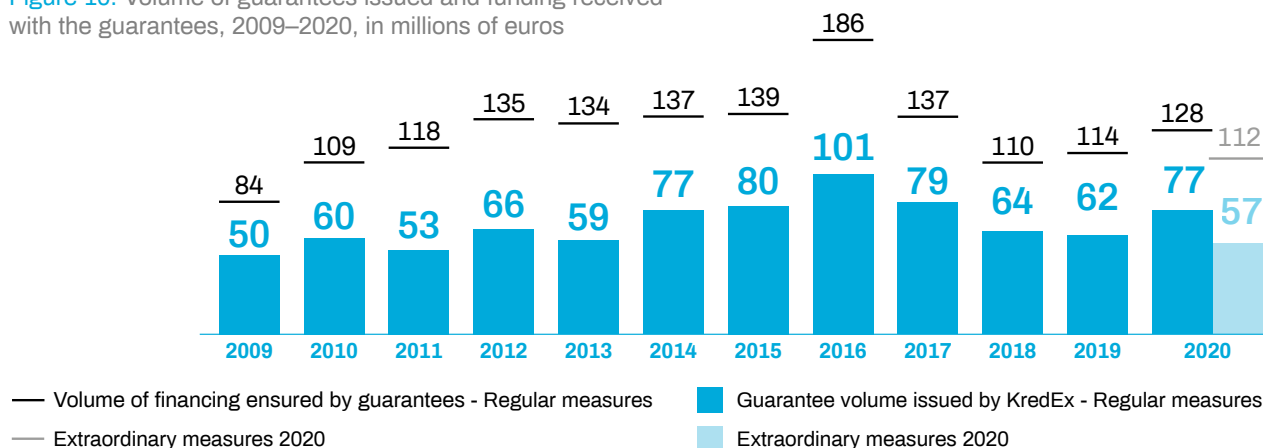
For Estonian startup companies, 2020 was a landmark year: they achieved record-breaking turnovers, involved record-breaking investments, seven companies were sold, and a new unicorn (a startup company worth over one billion dollars) was born for Estonia. As at the end of the year, 1110 startup companies were operating in Estonia, and their aggregated turnover reached EUR 782 million. The startups employed 6,072 people and paid EUR 97 million in labour taxes during the year.

### 3.3.2. Enterprise loan guarantees

In 2020, 625 new guarantee agreements were concluded to guarantee the liabilities of 369 enterprises, and 316 current guarantee agreements were amended. A total of 341 more contracts were concluded than in the year before. Enterprises which used loan guarantees had around 75,000 employees in total. It was planned to create 129 new jobs with the support of the KredEx guarantees issued during the year.

KredEx guarantees in the amount of EUR 133 million made it possible for enterprises to involve additional financing from banks in the amount of EUR 239 million in 2020. The volume of guarantees issued and the volume of additional financing received from banks with the support of the guarantee grew by more than twice compared to the previous year.

Figure 10. Volume of guarantees issued and funding received with the guarantees, 2009–2020, in millions of euros





In 2020, KredEx provided guarantees in the amount of EUR 38.4 million for bank guarantees, EUR 48.6 million for overdrafts and working capital loans, EUR 40.6 million for investment loans, and EUR 4.6 million for leases.

The proportion of bank guarantees among guarantees issued decreased significantly compared to the previous year. In 2020, guarantees for bank guarantees amounted to 29% of all guarantees issued (46% in 2019). The reduction in the proportion of guarantees for bank guarantees was due to the fact that the temporary state aid framework for supporting the economy in the context of the COVID-19 outbreak, which offered

guarantees for companies under preferential terms to mitigate the effects of the economic crisis caused by the COVID-19 pandemic, did not enable the provision of a guarantee for bank guarantees.

As regular services (see Figures 11 and 12), guarantees were issued for bank guarantees in the extent of 50% of the volume of issued guarantees. The share of overdrafts and working capital loans increased to 37% (34% in 2019), and that of investment loans increased to 30% (19% in 2019). The proportion of guarantees for leasing transactions increased to 3%, compared to the 2% the year before.

Figure 11. Volume of guarantees issued to enterprises in 2020 by types of financing

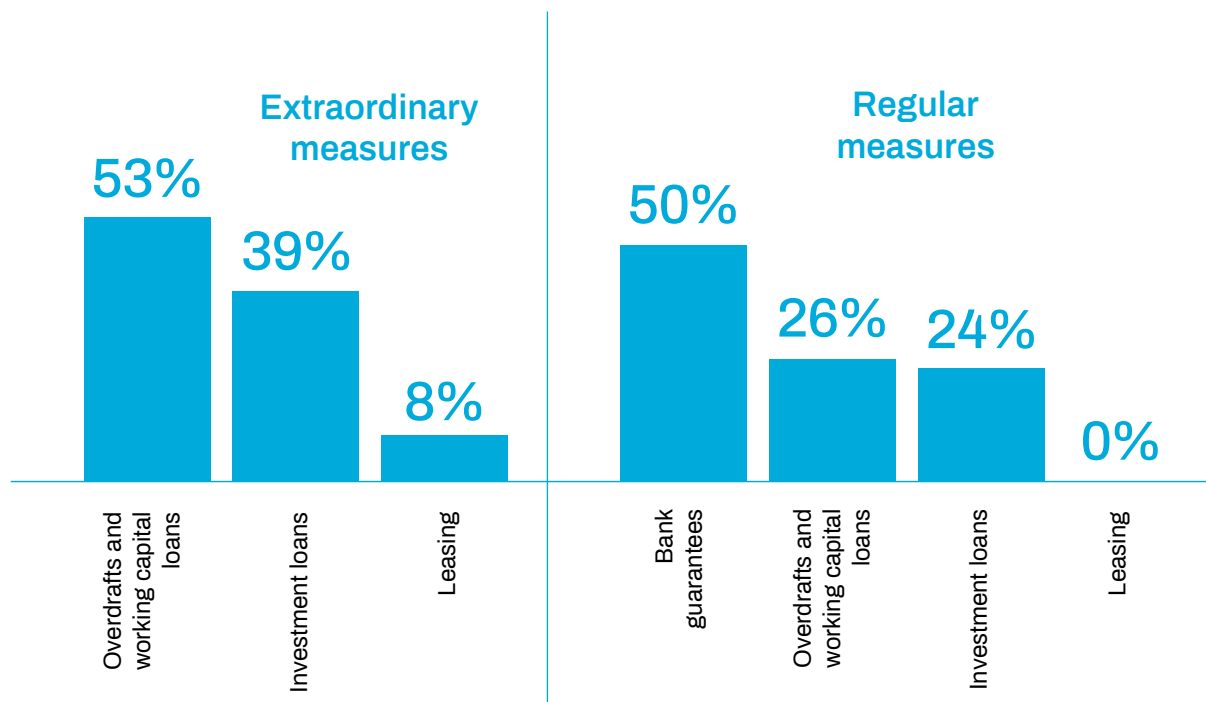
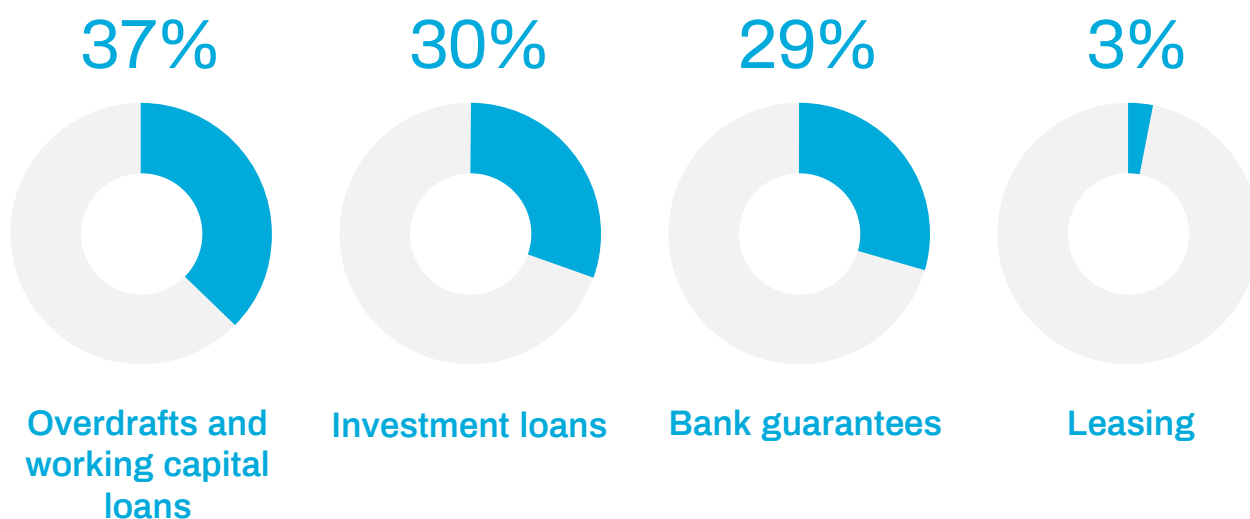


Figure 12. Volume of guarantees issued to enterprises in 2020 by type of financing type of measure (extraordinary and regular measures)

Among loan guarantee agreements, four new start-up loan guarantee agreements were concluded in 2020, in the total amount of EUR 100,000. As a result of the financed projects, the enterprises that received the start-up loan guarantee plan to create eight new jobs.

The portfolio of enterprise guarantees increased significantly in 2020, on the account of both extraordinary and regular measures. As at the end of the year, the portfolio included 1320 valid guarantee agreements of 832 enterprises in the amount of EUR 159 million. The number of enterprise guarantee customers remained the same, the number of guarantees increased by 19%, and the guarantee contract balance increased by 57%.



Since 2001, KredEx has guaranteed bank loans, bank guarantees, and leasing transactions for **4042 companies** in the total amount of **EUR 1.8 billion**. Guarantees have been issued in the extent of EUR 1 billion. As a result of the projects financed, enterprises have planned to create about **14,000 new jobs**.

### 3.3.3. Enterprise loans

In 2020, KredEx continued to offer the start-up loan, the industry loan, the capital loan and the export loan. In addition, enterprises were offered direct loans under preferential terms to overcome the temporary difficulties caused by the COVID-19 outbreak, to finance working capital and the required fixed asset investments.

The volume of loans issued as regular measures was smaller than last year's figure. In 2020, direct loans were granted to a total of eight enterprises in the volume of EUR 1.8 million (EUR 2.6 million in 2019), and the enterprises planned to create 15 new jobs with this support.

As extraordinary services, KredEx issued direct loans to 137 enterprises in 2020, in the amount of EUR 235.1 million. Among direct loans, EUR 194.4 million accounted for the financing of projects of national importance, and other extraordinary loans were issued in the extent of EUR 40.7 million (incl. EUR 25.3 million in working capital loans and EUR 15.4 million in investment loans).

In 2020, KredEx startup loans were issued to four enterprises in the amount of EUR 0.2 million (EUR 0.4 million in 2019). Enterprises plan to create 11 new jobs as a result of the projects financed with the startup loan.

In total, startup loans and startup loan guarantees by KredEx financed the establishment of eight startup companies in the total amount of EUR 400,000 (EUR 700,000 in 2019). As a result of the financed projects, these enterprises plan to create 19 new jobs. It is important to note that in addition to the startup loan and startup loan guarantees, the projects of newly established companies are also supported with a loan guarantee from KredEx.

Over the course of the year, six industry loan agreements were concluded with four companies in the total sum of EUR 1.6 million (EUR 1.3 million in 2019). Due to the KredEx industry loan, enterprises made investments in the extent of EUR 7.9 million, and the financed enterprises planned to create four new jobs as a result of the projects.



### 3.3.4. Supporting enterprises on the basis of the area of activity of the financed enterprises

In 2020, enterprises were enabled additional financing in the amount of EUR 346 million in the form of loan guarantees and direct loans as extraordinary services intended to overcome the temporary difficulties caused by the COVID-19 outbreak. Among that, loans of enterprises were guaranteed in the amount of EUR 111.5 million (guarantee amount EUR 56.6 million), and direct loans were issued in the amount of EUR 235.1 million.

With the extraordinary measures, enterprises in the field of transport (38% of the volume of issued guarantees), real estate (13%), mining (11%), accommodation and food service (5%) and health care and social welfare (4%) were financed to the largest extent (see Figure 13).

Projects of national importance in the amount of EUR 194.4 million had a very strong impact on the division. Without

considering these projects, enterprises engaged in transport (15%), accommodation and food service (10%), health care and social welfare (8%), administration and support activities (8%) repair and maintenance of machinery (8%) and manufacture of construction materials (7%) were financed to the largest extent (see Figure 14).

With regular measures, enterprises were enabled additional funding in the amount of EUR 129.8 million; at that, EUR 128 million with bank loans with a KredEx guarantee and EUR 1.8 million as direct loans. With regular services, enterprises in the field of construction (38% of the volume of received financing), manufacture of means of transport (11%), metal industry (8%), wood industry (8%) and IT (5%) were financed to the largest extent (see Figure 15).

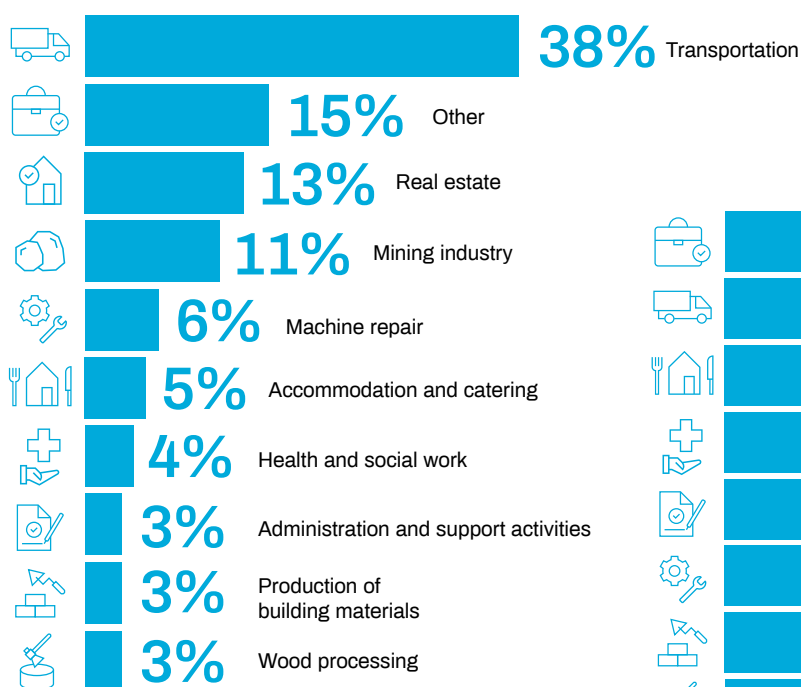


Figure 13. The volume of extraordinary services (KredEx direct loans and loans guaranteed by KredEx) issued to enterprises in 2020, by sector

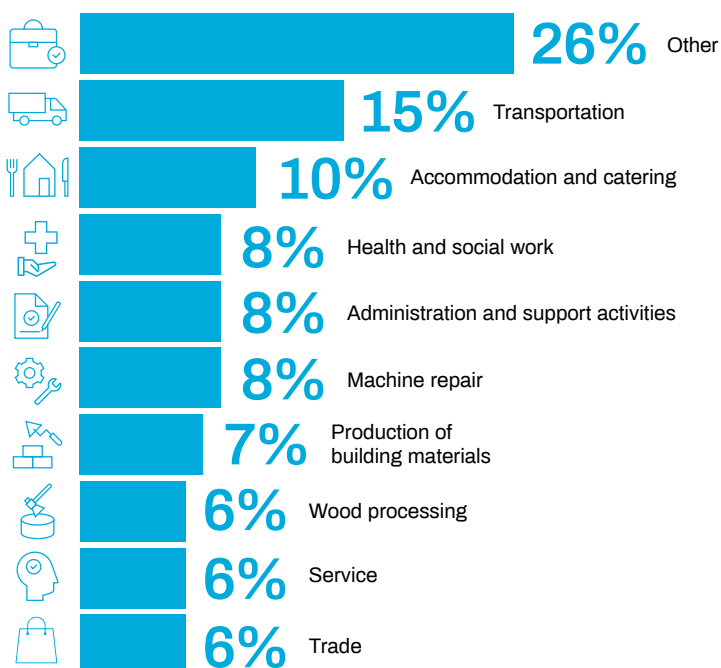


Figure 14. The volume of extraordinary services (KredEx direct loans and loans guaranteed by KredEx) issued to enterprises in 2020, by sector, excluding projects of national importance

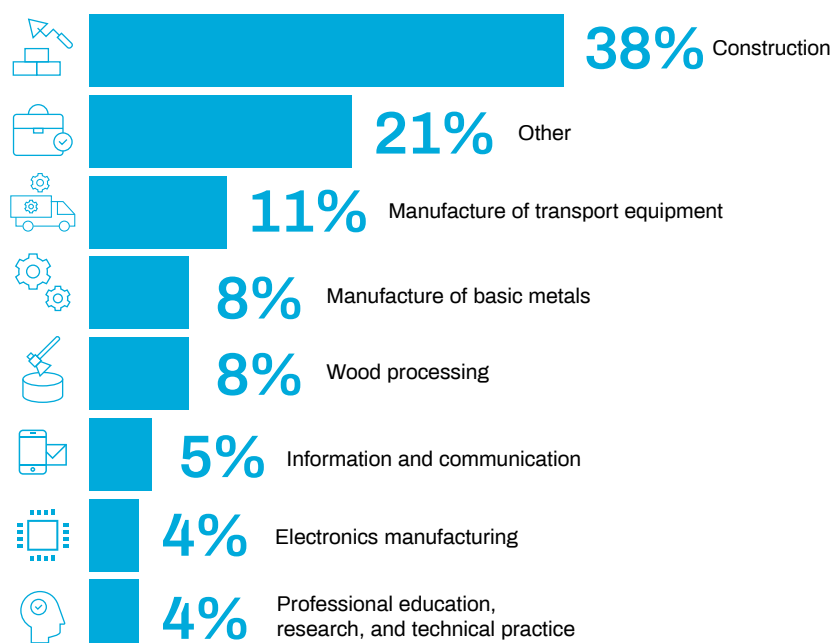


Figure 15. The volume of regular services (KredEx direct loans and loans guaranteed by KredEx) issued to enterprises in 2020, by sector

### 3.3.5. Venture and private capital

At the beginning of 2013, the Baltic Innovation Fund 1 (BIF 1), created in cooperation between the three Baltic Republics and the European Investment Fund (EIF), started its operations. This fund of funds places money in private equity and venture capital funds that invest in companies, which are managed by fund management companies from the private sector. The goal of BIF 1 is to offer new financing opportunities to Baltic enterprises with good growth potential, and develop the capital market of the Baltic States. The fund of funds BIF 1 is managed by the EIF.

The volume of BIF 1 is EUR 130 million. The contribution of each country through KredEx (Estonia), ALTUM (Latvia), and INVEGA (Lithuania) is EUR 26 million, and the EIF contributes EUR 52 million. At least the same amount of capital is added to the BIF 1 contribution at the level of the funds by private investors.

BIF 1 has invested in seven funds:

- **BaltCap Private Equity Fund II** (volume of the fund EUR 81.5 million, incl. BIF 1 holding which is EUR 20 million),
- **BPM Mezzanine Fund** (EUR 70 million and EUR 15 million, respectively),
- **Livonia Partners Fund** (EUR 73.5 million and EUR 20 million, respectively),
- **Karma Ventures Fund I** (EUR 70 million and EUR 25 million, respectively),
- **BaltCap Growth Fund** (EUR 40.8 million and EUR 20 million, respectively),
- **INVL Baltic Sea Growth Fund** (EUR 164.7 million and EUR 10 million, respectively),

- **Change Ventures Fund II**

(EUR 31.4 million and EUR 10 million, respectively).

As at the end of 2020, a total of EUR 298 million has been invested under BIF 1 into 61 enterprises, 31 of which are Estonian enterprises. In the coming years, another EUR 233 million will be invested in regional companies with the support of BIF 1.

Baltic Innovation Fund 2 was established in the middle of 2019; its operating principles are similar to those of BIF 1. The volume of the fund of funds is EUR 156 million; the contribution of each country through KredEx (Estonia), ALTUM (Latvia), and INVEGA (Lithuania) is EUR 26 million, and the EIF contributes EUR 78 million.

As at 2020, BIF 2 investments in funds were as follows: BaltCap Private Equity Fund III (volume of the fund EUR 146.7 million, incl. BIF 2 holding which is EUR 25 million).

From BIF 2, it is planned to finance six to eight venture and private capital funds that invest in enterprises in the coming years. As at the end of 2020, two enterprises had been invested in from BIF 2.

In 2016, KredEx, the EIF and the Ministry of Economic Affairs and Communications signed a funding contract, creating the fund of funds EstFund. EUR 48 million was designated as its volume, to which the EIF will add EUR 12 million.

EstFund invested in three funds, which finance, above all, Estonian companies with large growth potential. These three funds are the following:

- **United Angels Co-investment Fund I** (fund volume EUR 15.85 million, to which at least EUR 15.85 million will be added from private investors at the company level in the form of



co-investments; EstFund's holding in the fund is EUR 12 million);

- **Tera Ventures Fund II** (the planned volume of the fund is EUR 43 million; incl. EstFund's holding which is up to EUR 24 million);
- **Equity United PE 1** (the planned volume of the fund is EUR 30 million; incl. EstFund's holding which is up to EUR 12 million).

In addition to the contribution of EstFund, approximately EUR 40 million can be expected to be added by private investors, i.e., the estimated capacity of investing in enterprises in nearly EUR 100 million. As at the end of 2020, the total investment capacity of the three funds of EstFund is EUR 76 million;

investments have been made in 27 enterprises in the amount of EUR 14 million. The rest of the capital is planned to be raised from private investors, investing it in enterprises in the coming years.

In addition to funds of funds BIF 1, BIF 2 and EstFund, KredEx is improving the access of enterprises to venture capital through its subsidiary, AS SmartCap, which manages the fund of funds Early Fund II. From this fund of funds, investments are made into the venture capital funds managed by private management companies, which place money in startups in the seed phase.

### 3.3.6. Startup Estonia and the ecosystem of Estonian startups in 2020

For Estonian startup companies, 2020 was a landmark year: they achieved record-breaking turnovers, involved record-breaking investments, seven companies were sold, and a new unicorn was born for Estonia.

In 2020, the combined turnover of Estonian startups was EUR 782 million, increasing by 43% within a year. Despite the worldwide coronavirus crisis, they increased both the volume of involved investments as well as the number of employees and the amount of state taxes paid.

In January, we published the database of Estonian startup companies, where we have brought together data about startup companies in different industries across the country and which provides the best overview of the situation and activities of the startup sector.

According to the database, as at the end of 2020, 1110 startups operated in Estonia; 103 of which were established in 2020. The combined turnover of startups grew to a record-breaking EUR 782 million (by 43% compared to 2019). The main areas of activity where Estonian startups operate are financial technology, business software and services, and transport and logistics. In 2020, the startups with the highest turnover were Bolt (EUR 322 million), Pipedrive (EUR 47.1 million), Adcash (EUR 27.5 million), Paxful (EUR 15.5 million), and Viseven (EUR 15.3 million).

Although the situation in the world is difficult, Estonian startups managed to retain jobs and increase the number of people employed in the sector. In 2020, the number of employees at Estonian startups increased by 4%; as at the end of the year, 6072 people in total were employed in these companies. The number of employees was strongly increased by Bolt (185 new employees), Paxful (52 new employees), TransferWise (36 new employees), Ampler Bike (32 new employees), and Comodule (28 new employees).

The largest employers in the Estonian startup sector as at the end of the year were TransferWise (929 employees), Bolt (684), Veriff (230), Paxful (158), and Starship Technologies (130).

In 2020, they paid a total of EUR 97 million in labour taxes, which is 24% more than in the previous year. The largest payers of

labour taxes were TransferWise (EUR 14 million), Bolt (EUR 11.2 million), Pipedrive (EUR 7.2 million, but due to the sale of the company in the fourth quarter, the result of the first three quarters has been considered), Veriff (EUR 4 million), and Paxful (EUR 3.8 million).

Estonian startups raised a record-breaking EUR 440.8 million in investments in 2020. The number of startups that have attracted investments has also increased: 76 enterprises were successful in finding investors (73 enterprises the year before); at that, the value of the transaction was at least EUR 1 million in the case of 30 transactions. The largest investment was attracted by Bolt (EUR 250 million), followed by Monese (EUR 55.4 million), Skeleton Technologies (EUR 41.3 million), Veriff (EUR 14 million), and RangeForce (EUR 13.6 million).

In 2020, seven Estonian startups made it to a successful exit. The biggest transaction turned out to be the sale of sales software enterprise Pipedrive to the US investment company Vista Equity Partners, which made the Estonian company into a new unicorn (a startup company worth over one billion dollars).

The Startup Visa programme celebrated its fourth anniversary. The Visa – created as a result of cooperation between the Estonian startup community, the Ministry of the Interior, and Startup Estonia – allows citizens of countries outside of the European Union to work for Estonian startups, move their startup here, and establish new startups in Estonia.

Within four years, 2547 applications have been filed for receiving the status of a startup for the Startup Visa. In 2020, temporary residence permits and short-term work permits were distributed between enterprises and employees as follows:

- temporary residence permit for working at a startup – applications from 62 countries,
- temporary residence permit for entrepreneurship at a startup – applications from 39 countries,
- registering short-time work in startup entrepreneurship – applications from 66 countries,
- visa application for startup entrepreneurship – applications from 43 countries.

Altogether, 2934 people have migrated to Estonia or received permission to do so, and the top three of their countries of origin in 2020 consisted of Russia, Ukraine and Brazil. In terms of startup entrepreneurs, Russia, Iran and India were in the top three.

Recipients of a Startup Visa had created 226 startups in Estonia by the end of 2020 (about 20% of startups). A total of 263 people are employed in these, and they paid a total of EUR 2.6 million in labour taxes, and their turnover reached EUR 25.5 million. The largest employers were Salemove and CyberCube.

The main course of action of Startup Estonia is developing the ecosystem, and a lot of interesting events took place in this regard. We helped to co-organise important startup conferences, including major startup entrepreneurship events in Estonia such as Estonian Startup Awards, sTARTUp Day, and Latitude59 as a successful hybrid conference.

We prepared the Estonian startup sector idea framework for 2021–2027. It must be the interest of the State, Startup Estonia and the startup sector to value the science-based approach and to involve more researchers, since through supporting the commercialisation of research, we will reach innovative solutions and the next level in sector development. As the first order of the market, we will create a research accelerator at Startup Estonia. We value the varied, cohesive and open ecosystem of startup and believe that this is the key to success in the future as well. We value the contribution of all participants in the development of this ecosystem since we all carry solidary

responsibility for ensuring the continued quick development of the sector and the community.

Startup Estonia and leading law firms in Estonia prepared an updated version of the free package of documents intended for startup entrepreneurs and investors. The package of model documents, published on the Startup Estonia website, contains 22 of the main contracts and documents that startup entrepreneurs and investors need the most when starting out. Downloading and using the model documents is free of charge for everyone.

In 2020, the high-priority activities of focus areas continued in Startup Estonia in cooperation with the ministries of the area. One of these was the cyber security course of action, launched in 2017. The two-year EdTech-sector development pilot programme, started in 2019, continued in cooperation with the Ministry of Education and Research, and the second year of the three-year pilot programme in cooperation with the Ministry of Finance for developing the ecosystem of Ida-Viru County startups concluded.

The operating costs of Startup Estonia are covered with the resources of the supported activity Enlivening Startup Entrepreneurship under the priority axis *Growth-Capable Entrepreneurship and the Research and Development Activity Supporting* it of the Cohesion Fund's development plan 2014–2020. The Startup Estonia programme is financed using funds from the European Regional Development Fund (project No. EU50651).



**Recipients of a  
Startup Visa had  
created 226 startups  
in Estonia by  
the end of 2020**

## 3.4. AS SmartCap

The public limited company SmartCap is a small fund manager registered with the Financial Supervisory Authority, and a subsidiary of KredEx. SmartCap manages the contractual non-public alternative fund Early Fund II, the sole unit-holder of which is the Republic of Estonia.

The Management Board of SmartCap has two members: Sille Pettai and Mari Vavulski. As at the end of 2020, SmartCap's Supervisory Board had four members. The Chairman of the Supervisory Board is Priit Põldoja; other Members of the Supervisory Board are Ivo Kuldmäe, Viljar Lubi and Mikko-Jussi Suonenlahti.

The aim of SmartCap is to develop the Estonian capital market through venture capital investments and to enable ambitious and innovative Estonian companies to grow as a result. SmartCap contributes to the economic growth of Estonia and the development of the capital market by:

- being an anchor investor in venture capital funds with a long-term strategic view;
- investing in all economic cycles;
- focusing on market gaps in different stages and verticals of growth, where it offers missing investment opportunities.

SmartCap manages the contractual non-public alternative fund Early Fund II (hereinafter the SmartCap fund), which, according to its strategy, is a venture capital fund of funds. The assets of the SmartCap fund are invested in private sector venture capital funds with the aim of supporting changes in the Estonian economy that help to modernise the economy, ensure the growth of export, and create new jobs that require top qualifications. The Republic of Estonia is the only unit-holder of the SmartCap fund.

The SmartCap fund's volume of assets as at 31 December 2020 amounted to EUR 69.4 million (see Figure 1) and its investment portfolio included two early phase venture capital funds operating in Estonia. The decrease in SmartCap's asset volume in 2020 was most affected by the extensive spread of the coronavirus all around the world, which also caused problems for companies in SmartCap fund's portfolio and their economic activities.

As at the end of the year, SmartCap fund's investments had reached, through fund and direct investments, to about 100 enterprises, with a combined turnover of about EUR 400 million in 2020. These enterprises employed nearly 1750 people in Estonia, whose remuneration accounted for EUR 29 million in labour taxes.

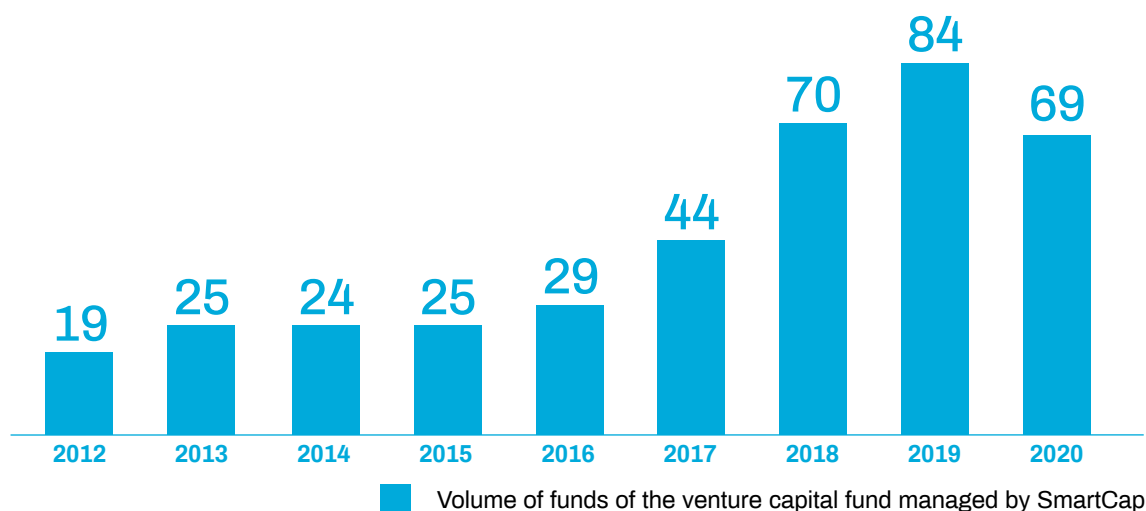


Figure 16. Volume of assets of the fund managed by SmartCap from its establishment, in millions of EUR

In 2020, the main focus was directed on developing measures that are suitable to mitigate the economic effects caused by the extensive spread of the coronavirus, assessing the effects and adapting activities. At the same time, discussions continued with the State over allocating additional capital for investment programmes.

At the centre of investment activities of the SmartCap fund in 2020 was preparing the competition for finding a suitable private fund manager for the venture capital fund that would invest in small and medium-sized high-tech enterprises with the aim of mitigating the issue of limited capital at the beginning of operation. For this, EUR 10 million was allocated

to the SmartCap fund from the State budget in 2019.

Surveys and the analysis of international practice show that for the development of the field, the required anchor investment by the State is clearly higher in the current market situation than the allocated EUR 10 million. Therefore, SmartCap increased its investment in the upcoming fund by EUR 5 million on account of the funds previously intended for the accelerator fund project, taking its anchor investment to EUR 15 million through this.

In the second half of 2020, SmartCap organised a market consultation for preparing the competition, and published the competition terms at the end of the year.

The main secondary activity of SmartCap is implementing the Startup Estonia programme regarding accelerators. In 2020, preparations were made for a new accelerator procurement, the main focus of which is science-based entrepreneurship and the ecosystem thereof in the growth areas of smart specialisation. Among other things, the procurement relied on the studies conducted in 2019. The accelerator procurement is intended to be published in the first half of 2021.

In the beginning of 2021, the process of increasing SmartCap's role in the Startup Estonia programme was finished, and it was designated as the second implementer of the SmartCap programme beside SA KredEx in the direction of activities of the research accelerator.

In national strategies, the Estonian economy in 2035 is seen as strong, innovative and responsible. By 2050, they wish to see Estonia as climate-neutral country with a competitive and knowledge-based society and economy; a country that ensures a high-quality and species-rich living environment and the preparedness and ability to reduce the unfavourable effects of climate change and to utilise positive opportunities in the best way.

SmartCap's contribution to this goal is to implement the principles of responsible investing in the development of the venture capital market. For this, SmartCap developed the principles of responsible investing in 2020, which will be implemented in

making new investments, including in the ongoing competition. The aim of SmartCap is to only invest in such funds that have defined responsible operation to themselves and integrated it into their everyday activities.

SmartCap's strategy for 2019–2023 sets out the development of new investment programmes and obtaining financing for these, as well as developing the organisation for this. In 2021, SmartCap will continue negotiations with the State over creating new opportunities for venture capital investments and improving financing opportunities, incl. for both software-based enterprises and green technology enterprises in the wider sense.

In 2021, SmartCap intends to finish the competition for finding the fund that invests in small and medium-sized high-tech enterprises and its management company. In the implementation of the Startup Estonia programme, it is planned to organise a public procurement and to find two service providers through this who would implement the business development programme for companies engaged in the knowledge-based ecosystem and the growth area of smart specialisation.

SmartCap will commence implementing the principles of responsible investing in the investment process and will develop sustainability principles for implementation in its everyday activities.

## 3.5. AS KredEx Krediidikindlustus

AS KredEx Krediidikindlustus was founded on 26 November 2009, by Foundation KredEx (one third of the shares) and the Ministry of Economic Affairs and Communications (two thirds of the shares). The company was registered with the commercial register on 31 May 2010.

The task of KredEx Krediidikindlustus is to offer insurance services to Estonian entrepreneurs, which enable them to mitigate credit risks relating to purchase and sale transactions, as well as political risks arising from the country of location of the buyers. The enterprise compensates for the damages, arising from the outstanding invoices of the buyer for the sold goods or services.

The services are designed primarily for Estonian exporters. A wider goal of KredEx Krediidikindlustus is to improve the export capability of Estonian enterprises by encouraging them to enter new markets and raise their awareness about credit insurance. When providing services, the principle of profitability is taken as the basis.

In 2020, the Supervisory Board had four Members until the end of July. It was composed of Chairman of the Supervisory Board Lehar Kütt (Chairman of the Management Board of SA KredEx until 4 October 2020), and Members Kertu Fedotov (advisor at the Insurance Policy Department of the Ministry of Finance), Kristjan Värton (member of the Management Board of

DataCatering OÜ) and Kaido Kepp (Member of the Management Board of IIZI Kindlustusmaakler AS). On 31 July, Kertu Fedotov was removed from the Supervisory Board due to the end of the mandate, and the Supervisory Board continued with three Members. With the 10 December resolution of the general meeting, Lehar Kütt was removed from the Supervisory Board, and Ivo Kuldmae (Chairman of the Management Board of SA KredEx) was appointed Member of the Supervisory Board.

The public limited company was managed by a two-member Management Board consisting of Erki Aamer (Chairman of the Management Board) and Rauno Mürk (Member of the Management Board). Both Members of the Management Board submitted a letter of resignation at the end of 2020. The end of the mandate of the Members of the Management Board remained in 2021.

The audit committee of the public limited company continued with the same composition in 2020 as the year before. Members of the Audit Committee were Kertu Fedotov (Chairman), Lehar Kütt, and Erik Štarkov (Risk Management and Internal Audit Director at AS Eesti Energia) as the independent member.

Ever since it was established, the scope of the services offered by KredEx Krediidikindlustus to exporters has constantly increased. We believe that the reason for this is the heightened



level of awareness of entrepreneurs when it comes to the management of payment risks primarily related to exports, but also the desire of exporters to exercise their business interests on new and increasingly remote target markets.

The turnover insured at the public limited company grew by 10% in 2020, amounting to a total of EUR 716 million. The turnover of insured export transactions amounted to EUR 451 million of this, increasing by 15.7% compared to the previous year. The insured turnover within Estonia increased by 2.6% year-on-year (to EUR 266 million), and this was to be expected, because as per the strategy, the public limited company primarily supports the steps of Estonian exporters abroad.

KredEx Krediidikindlustus insured an estimated 3% of the export turnover of Estonian undertakings in 2020. The largest export target countries coincide with the export target countries of Estonian entrepreneurs. Invoices that Estonian exporters issued to purchasers located in Sweden, Finland and Latvia, were insured the most. In the turnover ranking, these were followed by purchasers located in Lithuania and Germany. In terms of countries that are smaller and farther away, Estonian exporters insured payment risks with the services of KredEx Krediidikindlustus against purchasers in Jordan, Kyrgyzstan, Vietnam and Algeria.

Changes in the portfolio of established credit limits were largely in accordance with changes in insured turnover. The general

credit limit portfolio assigned to purchasers grew by 15% (to EUR 358 million). At that, the whole growth originated from credit limits established for foreign buyers; the credit limit portfolio of buyers within Estonia remained at the same level.

In total, the risk arising from the default of over 4666 purchasers was insured at KredEx Krediidikindlustus by the end of 2020 and numerically, there were a total of 5538 credit limits determined for purchasers as at the end of the year. Out of the issued credit limits, 71% (69% in 2019) were related to insuring foreign buyers in 68 countries (61 countries in 2019). A total of 41% of determined credit limits (10.6% in 2019) have been insured on the basis of the State Export Guarantees Act; this growth, compared to the previous year, is due to the decision of the European Commission to temporarily deem all countries as countries of non-marketable risk. To mitigate the residual risk of the rest of the credit limits, KredEx Krediidikindlustus uses market-based re-insurance.

The higher than before granting of the State export guarantee has occurred as a result of the 27 March 2020 decision of the European Commission. To recover from the crisis caused by the COVID-19 pandemic, the European Commission changed the list of marketable risk countries with its 27 March 2020 Decision, which is established in the Annex to the 'Communication from the Commission to the Member States on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to short-term export-credit insurance'. From 27

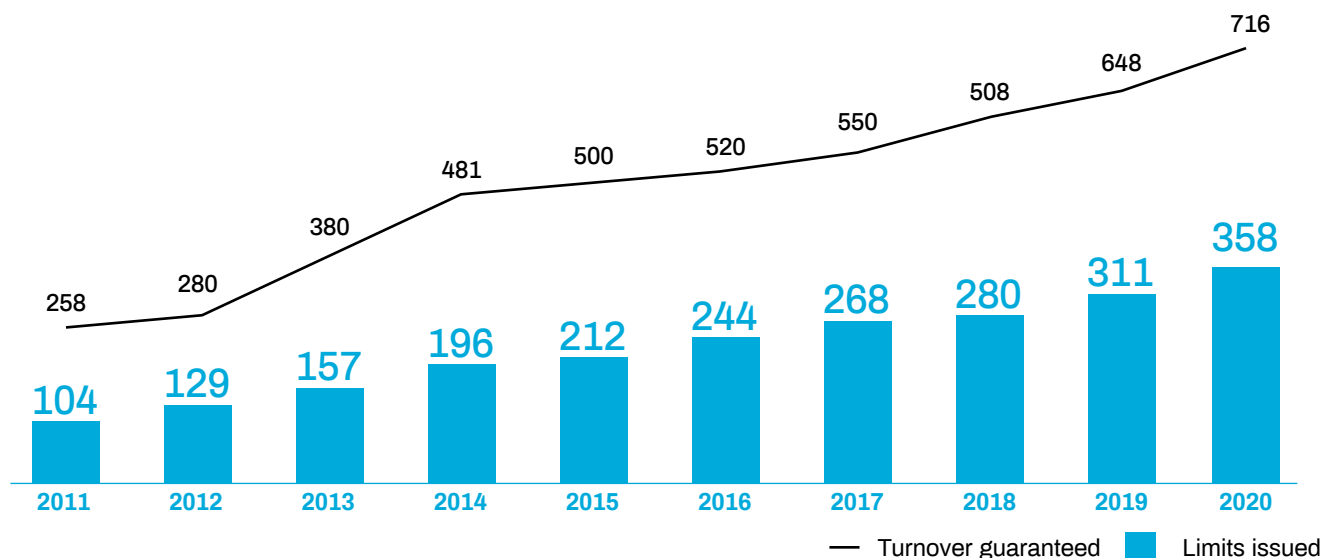


Figure 17. Continued growth in the volume of operations of KredEx Krediidikindlustus in 2011–2020, in millions of EUR

March 2020, all countries provided in the list shall temporarily be deemed as countries of non-marketable risk since one result of the spread of COVID-19 is the reduction of risk appetite of credit insurance providers that are based on private capital, and the reduced availability of the services offered by them.

In 2020, insurance premiums were collected in the amount of about EUR 2.1 million, which is 30% compared to the previous financial year (EUR 1.6 million in 2019).

One long-term insurance contract was concluded in 2020 in the amount of EUR 140,000 (in 2019, one contract in the amount of EUR 300,000). Under this contract, an Estonian manufacturer exported electric bicycle parking devices equipped with a smart app, with a value of EUR 0.14 million, to New Zealand.

Damages were reimbursed in the amount of EUR 600,000 (in 2019, EUR 300,000). A total of 74% (68% in 2019) of this amount was related to damage caused due to unpaid invoices by foreign buyers. The net loss ratio in 2020 was 84.7% (20.3% in 2019).



## 4. Financial results and paid losses

Thousands of euros	2020 Consolidated	2019 Consolidated
Income from core activity (gross) (see Note 16)	11 797	9 160
Guarantee activity	4 709	3 971
Crediting activity	2 759	1 475
Fund management fees	784	790
Private and venture capital investments	1 053	1 735
Targeted financing of operational expenses from the state budget	2 492	1 189
 Paid losses	 -2 261	 -7 114
Loss provisions formed for guarantees (gross) (see Note 16)	-15 928	-1 949
Discounts of loans (gross) (see Note 16)	-54 541	-79
 Administrative expenses	 -5 462	 -4 639
 Net income for the reporting period	 1 215	 3 875
	<b>31.12.2020</b>	<b>31.12.2019</b>
Loan receivables	165 781	46 063
Technical provisions	23 994	10 358
Foundation capital	126 592	122 717
Balance sheet total	968 837	203 272
Off-balance-sheet liabilities (guarantee portfolio)	303 917	230 079

The increase in guarantee fees and interest revenues in 2020 has been affected by extraordinary guarantee and loan services granted within the economic crisis caused by the COVID-19 pandemic, which were directed at enterprises to overcome the temporary difficulties caused by the outbreak of COVID-19. Private and venture capital investments generated EUR 1.1 million of income due to a change in the value of investments.

To cover future losses, provisions were formed in the total amount of EUR 15.9 million (EUR 1.9 million in 2019). Allowances for loans were made in the amount of EUR 54.5 million (EUR 79,000 in 2019). The increase in technical provisions and loan discounts is also affected by the extraordinary guarantee and loan services provided within the economic crisis caused by the COVID-19 pandemic. As a result of loans related to crisis measures, loan receivables increased by 3.6 times to EUR 165.8 million, and by the end of the year, the guarantee portfolio

increased by 32% to EUR 303.9 million. Since the loans and guarantees issued as crisis measures constitute significantly riskier services, then the provisions and discounts formed as a result are also larger.

In 2020, losses were paid in a significantly lower volume than the year before, as a result of lower level of guarantee losses in the field of entrepreneurship. In the case of regular services, the expenses of loss events were covered on the account of guarantee fees.



The reporting year was concluded with a total net gain of **EUR 1.2 million**. Since 2001, KredEx has earned a total net gain of **EUR 16.0 million**



## 5. Plans for 2021

Pursuant to the strategy approved at the end of 2019, the aim of KredEx, as a state-owned financial institution, is to make capital available and mitigate credit risks in order for Estonian companies to develop and people's living environment to improve. The main aim of the activities of KredEx is to improve the standard of living of Estonian residents. This aim continues to apply in the future as well, primarily considering the need to support enterprises damaged by the pandemic.

For the implementation of the strategy, KredEx will continue to provide guarantees, loans, venture and private capital and residential grants, and the implementation of the Startup Estonia programme in 2021. We are consistently looking for opportunities to remedy market shortages and open up financing possibilities, to support economic recovery, improve the living standards of residents, and increase energy efficiency. As in previous years, in 2021, we will turn special attention to improving the availability of financing for both entrepreneurs and residents outside major cities.

In the enterprise area, we are working towards increasing the collateral and loan volumes, primarily regarding our regular services. For this, we will improve the user experience of our customers, continuing to simplify our conditions and processes, including implementing opportunities opened up by digitalisation.

In the venture capital area, private and venture capital funds, financed from the fund of funds Baltic Innovation Fund 1 and EstFund, will continue investing in enterprises. Investment into funds and companies created by funds will also continue within the Baltic Innovation Fund 2 created in 2019.

In the Startup Estonia programme, we will continue to support startup entrepreneurship, to create the best possible growth environment for new success stories. Estonia is a startup sector with an open economy and an open mentality that welcomes all foreign talent, enterprise founders and foreign investors.

In the area of housing and energy efficiency, we will continue to offer an integrated package of services – including information activities, grants, loans, and loan guarantees – to facilitate making residential buildings more energy efficient. In addition, we will implement a pilot project of reconstructing apartment buildings with prefabricated blocks, in which 30 apartment buildings will be reconstructed for EUR 17 million, using the innovative technology.

In relation to the continued wide spread of COVID-19 and the related situation where the financial results and liquidity of enterprises are uncertain, we continue to be a strong partner to entrepreneurs and banks, to help enterprises maintain jobs and cope with the difficulties caused by the pandemic.







## 6. Annual report





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## 6.1. Balance (Consolidated)

in euros

ASSETS	31.12.2020	31.12.2019	Notes
<b>Current assets</b>			
Cash and cash equivalents	773 923 464	130 705 891	3
Short-term investments	0	506 165	4
Short-term loan receivables	11 412 094	8 360 101	5
Receivables and prepayments	1 997 596	2 162 272	6
<b>Total current assets</b>	<b>787 333 154</b>	<b>141 734 429</b>	
<b>Fixed assets</b>			
Long-term investments	24 828 213	22 579 396	7
Long-term loan receivables	154 368 614	37 702 693	5
Tangible fixed assets	59 086	73 286	8
Intangible fixed assets	2 247 696	1 181 803	9
<b>Total fixed assets</b>	<b>181 503 609</b>	<b>61 537 178</b>	
<b>TOTAL ASSETS</b>	<b>968 836 763</b>	<b>203 271 607</b>	
<b>LIABILITIES</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Debts and prepayments	2 339 253	6 145 699	10
Short-term part of long-term loans	4 344 008	4 930 685	15
Short-term technical provisions	2 529 493	4 962 656	11
Targeted financing for housing grants	41 778 202	18 040 621	12
Targeted financing for the application of the green investment scheme	12 053 692	1 618 722	13
Targeted financing for supporting measures of entrepreneurship	483 107	431 531	14
<b>Total current liabilities</b>	<b>63 527 755</b>	<b>36 129 914</b>	
<b>Long-term liabilities</b>			
Long-term technical provisions	21 464 533	5 394 929	11
Long-term loans	5 827 133	10 092 860	15
Targeted financing for supporting measures of entrepreneurship	750 209 766	25 061 406	14
<b>Total long-term liabilities</b>	<b>777 501 432</b>	<b>40 549 195</b>	
<b>Total liabilities</b>	<b>841 029 187</b>	<b>76 679 109</b>	
<b>Net assets</b>			
Foundation capital	126 592 498	122 717 513	
Total net gain of the reporting year	1 215 078	3 874 985	
<b>Total net assets</b>	<b>127 807 576</b>	<b>126 592 498</b>	
<b>TOTAL LIABILITIES</b>	<b>968 836 763</b>	<b>203 271 607</b>	

## 6.2. Income statement (Consolidated)

in euros

Operating income	2020	2019	Notes
Guarantee fees	3 482 824	3 279 129	16,17
Interest income from loans	791 307	1 189 894	16,17
Targeted financing to cover operating expenses	3 674 130	2 848 327	16,17
Fund management fees	784 058	790 206	17
<b>Total operating income</b>	<b>8 732 319</b>	<b>8 107 556</b>	
Operating expenses			
Administrative expenses	-5 462 115	-4 638 778	20
Other operating income and expenses, net	96 459	75 303	18
<b>Total operating expenses</b>	<b>-5 365 656</b>	<b>-4 563 475</b>	
Targeted financing			
Targeted financing received for housing grants	8 297 307	6 261 501	16
Targeted financing received for the application of the green investment scheme	0	619 448	16
Targeted financing received for supporting measures of entrepreneurship	42 000	0	16
Targeted financing disbursed for housing grants	-8 297 307	-6 261 501	16
Targeted financing disbursed for the application of the green investment scheme	0	-619 448	16
Targeted financing disbursed for supporting measures of entrepreneurship	-42 000	0	16
<b>Targeted financing total</b>	<b>0</b>	<b>0</b>	
Provisions and impairment losses			
Provisions for claims from guarantee activities	-2 701 325	-1 142 833	16
Cost of loan discounts	45 560	225 087	16
<b>Total provisions and impairment losses</b>	<b>-2 655 765</b>	<b>-917 746</b>	
Financial income and expenses			
Net income from securities	2 985	2 103	4
Interest income on deposits	1 072	106 626	3
Interest expenses	-341 848	-476 115	16
Profit/loss from associated undertaking	-101 346	206 339	7,16
Profit/loss from fund investments	948 569	1 414 969	
Other financial income and expenses	-5 252	-5 272	19
<b>Total financial income and expenses</b>	<b>504 180</b>	<b>1 248 650</b>	
<b>Net income for the reporting period</b>	<b>1 215 078</b>	<b>3 874 985</b>	

## 6.3. Cashflow statement (Consolidated)

in euros

	2020	2019	Notes
<b>Cash flows from principal activities</b>			
Net income for the reporting period	1 215 078	3 874 985	16
Adjustments to total net gain <sup>1</sup>	-913 714	-1 902 915	
Change in receivables and prepayments made	164 676	6 198 022	
Change in liabilities and prepayments received	-3 806 446	5 358 387	
Change in provisions	13 636 441	-5 032 309	11
Change in loan receivables	-119 717 914	4 192 316	5
Change in targeted financing	759 372 486	-3 801 959	
<b>Total cash flows from principal activities</b>	<b>649 950 607</b>	<b>8 886 527</b>	
<b>Cash flows from financing activity</b>			
Loan repayments received	-4 852 404	-4 752 428	15
<b>Total cash flows from financing activity</b>	<b>-4 852 404</b>	<b>-4 752 428</b>	
<b>Cash flows from investment activities</b>			
Sale of short-term financial investments	506 165	0	
Acquisition of long-term financial investments	-3 986 667	-4 016 667	7
Repayment of long-term financial investments	2 640 000	1 233 056	7
Income from interest	2 985	4 155	4
Received dividend income	50 000	0	7
Acquisition of fixed assets	-1 093 113	-1 087 872	8,9
Sale of fixed assets	0	5 750	8,9
<b>Total cash flows from investment activities</b>	<b>-1 880 630</b>	<b>-3 861 578</b>	
<b>Total cash flows</b>	<b>643 217 573</b>	<b>272 521</b>	
Cash and cash equivalents at the beginning of the period	130 705 891	130 433 370	3
Change in cash and cash equivalents	643 217 573	272 521	
<b>Cash and cash equivalents at the end of the period</b>	<b>773 923 464</b>	<b>130 705 891</b>	3

\*1 Adjustment of the total net gain consists of the following revenues and costs: income from the shares of the Baltic Innovation Fund EUR -1,053,496, loss from subsidiary AS KredEx Krediidikindlustus of EUR 101,345, depreciation of fixed assets EUR 41,420 and interest from short-term securities EUR -2985.



## 6.4. Statement of changes in net assets (Consolidated)

in euros

	Enterprise trust funds	Housing trust funds	Foundation capital total	Undistributed income	Net assets total
<b>Balance 31.12.2018</b>	<b>40 190 817</b>	<b>37 647 940</b>	<b>77 838 757</b>	<b>1 326 701</b>	<b>79 165 458</b>
Distribution of income into trust funds	-91 339	1 418 040	1 326 701	-1 326 701	0
Transfer of targeted financing of support measures to foundation capital	43 552 055	0		0	43 552 055
Total net gain of the reporting year	0	0	0	3 874 985	3 874 985
<b>Balance 31.12.2019</b>	<b>83 651 533</b>	<b>39 065 980</b>	<b>122 717 513</b>	<b>3 874 985</b>	<b>126 592 498</b>
Distribution of income into trust funds	2 412 783	1 462 202	3 874 985	-3 874 985	0
Total net gain of the reporting year	0	0		1 215 078	1 215 078
<b>Balance 31.12.2020</b>	<b>86 064 316</b>	<b>40 528 182</b>	<b>126 592 498</b>	<b>1 215 078</b>	<b>127 807 576</b>

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

## 6.5. Notes to annual accounts

### NOTE 1 Principles of drafting the consolidated annual accounts

Foundation KredEx, registry code 90006012, is a national foundation registered at the address Hobujaama 4, Tallinn. The Consolidated Annual Report 2020 of Foundation KredEx has been approved by the Management Board of Foundation KredEx and will be submitted for approval to the Supervisory Board of the Foundation.

### 1.1. Basis of preparation

The 2020 Consolidated Annual Report for Foundation KredEx was drafted in accordance with the Estonian financial reporting standard, which is based on internationally accepted accounting and reporting principles. The general requirements of the Estonian financial reporting standard have been established by the Accounting Act of the Republic of Estonia, complemented by instructions of the Estonian Accounting Standards Board. Additionally, the Support of Enterprise and State Loan Guarantees Act, the Public Sector Financial Accounting and Reporting Guidelines and other regulations and legislation regulating the activities of Foundation KredEx and listed under the relevant accounting principle in Note 2 have been followed.

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

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

These annual accounts have been prepared in a consolidated manner and they include the following legal persons: Foundation KredEx (parent company of the group) and AS Smartcap (wholly-owned subsidiary). For the sake of comparison, the main statements have also been submitted in unconsolidated form in Note 27.

## 1.2. More important accounting estimates

The preparation of financial statements requires that the Management Board make estimates and assumptions that affect the balance of revenues, costs, assets and obligations as at the date of the report, and the submission of notional assets and obligations. Estimates and the assumptions related to these are based on experiences from previous periods and various other factors that are considered justified in the current circumstances. Even though these estimates have been made pursuant to the best knowledge of the Management Board, the subsequent actual result may differ from the estimates made. A more accurate overview of the estimates has been provided under the respective calculation principles or notes.

The most important estimates by the Management Board are related to loan discounts and technical provisions formed to cover financial guarantees.

In the case of loan receivables, the assessment of receivables regarding loans issued within framework of the crisis measures related to the package for mitigating the financial effects of the spread of COVID-19 is guided by the model of expected credit loss, which means that in the assessment of the value of financial assets, potentially occurring losses are assessed throughout the loan period (see Note 1.3 'Risk management').

This calculation principle is different from provision 3.22 of the Accounting Standards Board Guidelines, pursuant to which, a discount must be reflected if there are indications of impairment of financial assets on the reporting date. According to the Management Board of KredEx, using the expected credit loss calculation principle ensures a justified and relevant reflection of the financial position. In the case of other loan receivables, estimates are based on historical experience and existing information on a case-by-case basis.

In the formation of technical provisions that are formed to cover financial guarantees, estimates are used both in the formation of the equalisation provision, as well as in the formation of provisions for outstanding claims. In the case of the equalisation provision, estimates are based on forecasts of long-term loss, and in the case of formation of provision for outstanding claims, they are based on existing information on a case-by-case basis.

Estimates and the assumptions they are based on are consistently reviewed. Changes in accounting estimates are reflected in the year of making the change, if these only pertain to the reporting year; or in the year of making the change and the following years, if these pertain to the current and following reporting years.

## 1.3. Risk management

### Principles of risk management

Risk is defined as a potential negative deviation from the expected result. Risk management is a process, in which the objective is the efficiency and profitability of an activity that would meet the expectations of the person exercising the rights of a founder, as defined in the strategy. Since risks accompany all business activities and on all levels of activity, then alongside the Management, all KredEx employees are involved in risk management through the internal control system. The tasks of risk management include the identification and measuring of risks related to business activities, implementing measures necessary to keep risks under control, risk monitoring, and reporting about the effectiveness of risk management.

#### Risks are measured:

- i) by quantifying, i.e., by assessing the potential size of the risk through changes in monetary volume, or
- ii) qualitatively, i.e., based on expert assessment about the size of risk and the likelihood of realisation, considering the effective control environment.

### Risk management structure and liability

The principles governing risk management at KredEx are established by the Supervisory Board. The Management Board establishes additional internal rules on the operative level to

ensure the implementation of risk management principles and a quick and effective reaction to changes in the economic environment or business model of the group. The organisation of risk management must correspond to the current legislative regulations and standards.

The Management Board of KredEx is responsible for managing risks, verification, introduction of risk management principles and methods, and the effectiveness of risk management. The Management Board may delegate the taking, control and monitoring of risks in limited extent to collegial decision-making bodies with a limited decision-making competence, formed by the Management Board.

There are three decision-making levels to making credit decisions at KredEx:

- the Finance Committee level;
- the extended Finance Committee level;
- the Supervisory Board level.

Risk management is based on the concept of three lines of defence.

#### **First line of defence**

The first line of defence is comprised of risk management activities performed by managers and employees of sales and

support units. The objective of the first line of defence is to ensure the identification of risks related to activities, products and processes in one's area of responsibility, the assessment of these, and implementation of the measures necessary to keep risks under control.

## Second line of defence

The role of the second line of defence is borne by the Head of Compliance and risk managers and analysts in the risk department.



The main functions of the second line of defence are:

- regular risk identification, assessment and monitoring;
- informing the Management Board and the Supervisory Board of risks;
- developing the methodology of risk management; providing consultation to the first line of defence in risk management;
- conducting trainings in risk management;
- verification and monitoring of compliance to internal rules and legislation.

## Third line of defence

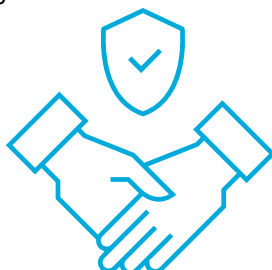
The third line of defence is comprised of the internal audit function. The internal audit audits the compliance of KredEx's activities to legislation and guidelines, the functioning and effectiveness of business processes and the internal control system, compliance with decisions taken by the competent body of KredEx, also compliance with established rules and regulations, limits and other internal norms.

## Managing credit risk

The size of credit risk expresses the potential damage that may arise from the counterparty's failure to perform their obligations before KredEx in the case of claims exposed to credit risk.

KredEx's main positions exposed to credit risk are as follows:

- cash and cash equivalents;
- loans and claims to customers;
- other financial assets;
- obligations outside the financial position report (portfolio of guarantee agreements)



## Measuring credit risk

In determining the discount of loans, KredEx applies two different methodologies:

➤ **In the case of loans related to the package of mitigating the financial effects of the spread of COVID-19**, discounts are based on the expected credit loss (ECL) method. KredEx calculates the expected credit loss (ECL) as a function from the probability of default (PD) during exposure at default (EAD) of the loan or receivable, and from loss given default (LGD). In addition, in determining the discount, KredEx considers the risk coefficient of the sector (the basis is the decrease in sales revenue of 2020 vs Q2 and Q3 of 2019) and the uncertainty coefficient. PD reflects the probability that the loan will not be repaid and it will become insolvent in either 12 months or in its lifetime. The PD rate for companies financed with loans is 25% since enterprises face liquidity difficulties at the moment of taking the loan and the burden of debt permitted with the terms of service may be very high. LGD expresses the expected loss from default, considering the probability of future revenues and their expected size, incl. the realisation of guarantee. The collateralisation of loans related to the package of mitigating the financial effects of the spread of COVID-19 is generally low, and the LGD is between 80–95%. The uncertainty coefficient considers the higher than usual uncertainty caused by the coronavirus pandemic regarding economic forecasts, pursuant to which it is difficult to estimate the time and extent of economic recovery. An uncertainty coefficient of 1.2 is used if there is no indication of significantly higher uncertainty.

➤ **In the case of regular loans**, the general discounting of loans is based on historical experience (general discount of 2–5% depending on the risk level of the loan recipient; 15% in the case of start-up loans). In addition, special discounts are formed; determining the extent of these considers the difference between the balance sheet value and the net realisable value of the collateral or the claim or is guided by the historical loss of similar transactions.

The Foundation defines financial assets as insolvent if at least one of the claims issued to the customer is in arrears with contractual payments for over 90 days (principal or interest) and/or the customer has filed for bankruptcy (or bankruptcy proceedings have been brought against them).

To perform obligations originating from KredEx's guarantee agreements, KredEx forms an equalisation provision that helps to cover potential losses to be paid in the coming years. 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 amount of the equalisation provision must be at least 1% of KredEx's obligations arising from all of its valid loan guarantees or export guarantee agreements. Thereby, when calculating the volume of liabilities, issued offers that have not been concluded as contracts are taken into account in the extent of 70%. A total of 30–35% of the guarantee fees earned in the housing area and 87% of guarantees from the enterprise area are transferred to the equalisation provision.

The provision for outstanding claims is calculated as a short-term obligation for covering known but outstanding claims. The

provision for outstanding claims is formed on the account of funds transferred to the equalisation provision.

The calculation of the equalisation provision regarding guarantees issued from COVID-19 crisis measures is guided by the upper limit of losses established for commercial banks by the Government of the Republic. The equalisation provision in the case of crisis measures is 15–30% of the current portfolio volume, depending on the service. Additional provisions are made, if required.

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

### **Managing operational risk**

Operational risk is the risk of suffering a loss due to the inadequacy of internal processes, people's activities or systems, or their failure to function as expected, or external events. The operational risk also involves legal risk and compliance risk, but does not include strategic risk. Reputational risk must be

considered in the assessment and managing of operational risk.

Operational risk is considered and managed as a separate area of risk management. Managing operational risk is integrated into KredEx's everyday activities and is primarily directed at activities preventing and controlling the realisation of risk. Acknowledging the nature, effect of operational risk and the need to control it must occur at the level of every employee.

As more important subtypes of operational risk, information security and compliance risks are managed separately.

The assessment of operational risks mainly takes place quantitatively. Regular operational risk self-assessment is conducted regularly at KredEx.

A process has been established for reacting to incidents, reporting, and taking the necessary measures to mitigate the risks that cause incidents. The Risk Management Department supports business areas in analysing risks and preparing action plans.

## **NOTE 2**

# Calculation methods and evaluation principles used in drafting the annual report

### **Cash and cash equivalents**

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

### **Initial recognition of financial assets**

Financial assets are initially accounted for at their acquisition cost, which is the fair value of the fee paid or received for the financial assets. The initial acquisition cost includes all of 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 under ordinary market circumstances, are registered on the date of their 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 under ordinary market circumstances are such purchases and sales for which the transfer of the purchased or sold financial assets takes place during the period that is 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 for:

- a) 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;

- b) investments into shares and other equity capital instruments, the fair value of which cannot be reliably evaluated (including derivative instruments connected with such assets), are recognised at their acquisition cost.

### **Financial assets recognised at fair value**

The following financial assets are recognised at fair value:

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

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

Profits and losses, arising from the change in fair value, are recorded in the income statement on the line "Net income from securities". Changes 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". Profits and losses upon the realisation of financial assets recorded at fair value, as well as interest and dividends from the relevant securities, are recorded in the income statement on the line "Net income from securities".



### **Financial assets recorded at their 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 their adjusted acquisition cost. This 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 taken into consideration.

Financial assets, recorded using the adjusted acquisition cost method, are discounted if it is likely that their covered value is lower than the book value. In the case of loan receivables, assessment of the receivables is guided by the expected credit loss model (see Note 1.3 'Risk management').

The discounting of financial assets connected with business activity is recorded in the income statement as an expense, and the discounting of financial assets connected with investment activities is recorded in the income statement as a financial expense.

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

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

### **Financial assets recorded at their 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 their acquisition cost.

Financial assets recorded at their acquisition cost shall be discounted to their covered value if it is lower than the book value of the financial assets. The covered value of the financial assets recorded at their acquisition cost is the cash flows likely to be obtained from the financial asset in the future, discounted by the average profitability rate of the market in relation to similar financial assets. The discounting of financial assets is recorded in the income statement as a financial expense. The discounting of financial assets, recorded at their 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.

### **Holdings in subsidiaries**

Subsidiaries are all business entities over which KredEx has control. KredEx controls a business entity if it receives or if it has rights to variable returns for participation in the business entity, and if it can affect the size of profit by using its influence over the business entity. Subsidiaries are consolidated in the annual accounts from the moment of gaining control until such time as that control ends. Common calculation principles are applicable to the Group.

The assets and liabilities of subsidiaries are reflected at their balance sheet value in the balance sheet of the acquiring undertaking (as well as in the balance sheet value of the acquired undertaking). The difference between the acquisition cost of the acquired holding and the balance sheet value of the acquired net assets is reflected as an increase or decrease in the acquired undertaking's equity capital. The financial indicators of the parent undertaking and the subsidiary are reflected in the consolidated annual accounts, added together row by row, as if they originated from a single company. The subsidiary's revenues and expenditures, having arisen prior to the acquisition date, are not included in the consolidated income statement or the cash flow report.

The parent undertaking's investments in the subsidiary, which are reflected in the balance sheet, shall be eliminated against the parent undertaking's holdings in the subsidiary's equity capital. All intergroup receivables, liabilities, in-group transactions and the unrealised profits and losses, arising therefrom, shall be eliminated from the consolidated reports.

In separate main reports of the parent company, investments in shares of subsidiaries have been reflected in the acquisition cost, minus potential discounts on impairment of value of assets.

### **Holdings in related companies**

Holdings in related companies are recorded using the equity method. Investments are initially registered at their acquisition cost. Henceforth, a subsidiary is reflected in the value that corresponds to KredEx's holding in the net assets of the subsidiary.

### **Shares in investment funds**

Deposits into an investment fund, from which the fund manager's fees have been deducted, are recorded on the balance sheet row 'Long-term financial investments'. Shares of investment funds are recorded at their fair value through a change in the income statement. The shares are initially registered at their acquisition cost. After their initial registration, the shares are assessed at 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 of the loan service, evaluation, and unlikely loan claims**

Discounts are written off, and the book value of the loan portfolio is decreased by that amount. If a loan claim is recognised as a finished loss event, the loan and the respective discount shall be written off the balance sheet. The unrecoverable loan shall be recognised as income if it is received later. Revenue earned from the crisis measure loans are reflected as increasing the trust fund of the measure, and discount costs are reflected as reduction of the trust fund of the measure. Only the targeted financing to cover administrative costs is covered in KredEx's income statement.

Loans that are returned within the next reporting year are recorded in the balance sheet among short-term claims. Loans,

returned beyond the next reporting year, are recorded among long-term claims.

### **Procedure for accounting fixed assets**

Fixed assets are recorded on the balance sheet, deducting the cumulative depreciation and discounts from the loss of the asset's value.

Under the materiality principle, recorded fixed assets include assets with an acquisition cost exceeding EUR 5000 and a useful life of more than one year. Assets with a lower acquisition cost or a shorter useful life are written off upon being placed into service and are accounted for off the balance sheet.

If the item of the property consists of distinguishable components with different useful lives, these components shall be separately recorded as assets, and their depreciation rates specified separately therefrom based on their useful lives.

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

Non-current assets, acquired by targeted financing for the fulfilment of administrative tasks assigned by the state and not connected with the core activity of KredEx, are registered at their net acquisition cost. Accounting for such assets takes place off-balance sheet.

### **Technical provisions for covering guarantees**

The report reflects the provision for outstanding claims and the equalisation provision, the formation of which has been described in more detail in Note 2 'Risk management'. The provision to cover the payment of estimated guarantee losses that are known, but as yet unpaid or currently in proceedings, is registered as a liability. The provision for outstanding claims is formed from the equalisation provision.

The time of probable payout of guarantee loss depends on the time of cancelling the loan contract serving as the basis for the liability and on the estimated period of realising the loan guarantees. If the guarantees have not been realised within two years as of the loan becoming payable, the bank has the right to demand the performance of the guarantee obligation from KredEx. The bank shall incur the right to request an advance guarantee payment before the fulfilment of the guarantee obligation if the realisation of the assets within two years is not probable or if the resulting gain is insignificant.

Provisions, likely to be paid out within the next reporting year, are recorded in the balance sheet among short-term claims. 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 enterprises and credit institutions, loan interests are assessed based on the payment schedule specified in the loan

agreement. Generally, payment schedules are prepared in such a way that the payment of the loan and the interest takes place once per month. If the payment schedule prescribes the payment of interest according to a longer period of time, the accrued interest is recognised as at the balance sheet date.

KredEx income only records the interest actually received and interest due, the payment term of which has not been 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 for housing loans to private individuals. The guarantee fee is calculated and paid upon the issuing of a loan in full for the entire guarantee period. The total amounts of the guarantee fee, as of the moment of calculation, are shown among income. The fee is not distributed to the guarantee period as the guarantee recipient has no right to reclaim the guarantee fee or influence the amount thereof in the future. When 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 for guarantee fees for enterprise loans and apartment associations are drafted quarterly for the banks, having issued the loans, which 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 the due date in the event of problematic loans. In that event, that the calculation of the 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, regarding direct loan contract fees, is submitted upon the issuing of the loan. 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. Upon the receipt of information regarding the conclusion of a contract an invoice for the contract fee for loan guarantees shall be issued to the banks issuing loans, 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 receiving targeted financing are covered and there is no substantial risk of not receiving the grant. If the targeted financing has been received, but expenditures have yet to be made, the funds received shall be recorded among liabilities, on the line, relating to 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 the period 2007–2013, the Structural Aid Act of the 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 in the balance sheet at the moment when the contractual right of claim arises. Received but unpaid targeted financing funds are recorded in the balance sheet among liabilities and, upon payments to grant recipients, under 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 is 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 transaction date. Monetary assets and obligations fixed 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 for the reporting period, whereas currency exchange rate profits and losses from transactions with buyers and suppliers are recorded under 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 with the lessor, and are not transferred to the lessee. In the case of an 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 their acquisition cost, which is the fair value of the fee received for the financial liability. Thereafter, financial liabilities are accounted for at their adjusted acquisition cost, using the effective interest rate. Transaction expenses are accounted for upon the calculation of the effective interest rate and are written off during the life cycle of the financial liability. Interest expenses related to the financial liability are recorded using the accrual method as a period expense in the income statement on the line 'Financial income and expenses'. The recording of a financial liability shall be terminated when it has been paid, cancelled or expired.

### **Events after the date of the report**

The annual accounts reflect significant factors influencing the evaluation of assets and liabilities, which were revealed between the balance sheet date and the date of drafting the report, but which 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 the calculation of off-balance sheet assets**

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

## **NOTE 3**

# **Cash and cash equivalents**

	31.12.2020	31.12.2019
Demand deposits	773 892 014	130 076 891
Fixed-term deposits	31 450	629 000
<b>Total</b>	<b>773 923 464</b>	<b>130 705 891</b>

In 2020, demand and fixed-term deposits earned interest income in the amount of EUR 1072 (EUR 106,626 in 2019) (see Note 16).

## **NOTE 4**

# **Short-term financial investments**

The maturity date of EIB bonds arrived in 2020. In 2020, bonds earned EUR 2985 in interest (EUR 2758 in 2019, and unrealised profit from value adjustment was EUR –655). The value of bonds as at the end of 2019 was EUR 506,165.

# Loan receivables

Loan receivables by payment term	Term of a loan 1 year	Term of a loan 2–6 years	Term of a loan 7–14 years	Total
<b>Housing loans</b>				
Loans to non-profit associations	75 000	100 000	0	175 000
including impairments	–3 750	–5 000	0	–8 750
Apartment building renovation loans through banks	5 273 271	20 257 964	4 189 335	29 720 570
<b>Total</b>	<b>5 344 521</b>	<b>20 352 964</b>	<b>4 189 335</b>	<b>29 886 820</b>
<b>Capital loans to undertakings</b>				
Capital loans	250 038	670 468	0	920 506
including impairments	–165 915	–227 139	0	–393 054
Technology loans	309 430	5 223 146	1 242 594	6 775 170
including impairments	–43 928	–451 420	–62 129	–557 477
Export loans	1 754 487	1 405 271	0	3 159 758
including impairments	–381 861	–270 956	0	–652 817
<b>Total</b>	<b>1 722 251</b>	<b>6 349 370</b>	<b>1 180 465</b>	<b>9 252 086</b>
<b>COVID-19 crisis measure loans</b>				
Working capital loans to undertakings	5 261 268	15 431 846	0	20 693 114
including impairments	–1 940 261	–5 844 857	0	–7 785 118
Investment loans to undertakings	532 941	2 519 296	0	3 052 237
including impairments	–196 791	–968 109	0	–1 164 900
Loans for projects of national importance	547 111	154 984 275	0	155 531 386
including impairments	–216 000	–44 891 922	0	–45 107 922
Apartment building renovation loans	18 639	137 290	427 238	583 167
including impairments	–373	–2 746	–8 545	–11 664
<b>Total</b>	<b>4 006 534</b>	<b>121 365 073</b>	<b>418 693</b>	<b>125 790 300</b>
<b>Loans to banks in the enterprise area</b>				
Start-up loans via banks	443 457	642 981	0	1 086 438
including impairments	–104 669	–130 267	0	–234 936
<b>Total</b>	<b>338 788</b>	<b>512 714</b>	<b>0</b>	<b>851 502</b>
<b>Other loans</b>				
Loans registered as a result of loss procedure	11 462	232 176	0	243 638
including impairments	–11 462	–232 176	0	–243 638
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL</b>	<b>11 412 094</b>	<b>148 580 121</b>	<b>5 788 493</b>	<b>165 780 708</b>
<i>including the principal loan amount</i>	<i>11 328 842</i>	<i>148 580 121</i>	<i>5 788 493</i>	<i>165 697 456</i>
<i>interest payable</i>	<i>83 252</i>	<i>0</i>	<i>0</i>	<i>83 252</i>

As at the end of 2019, the short-term part of the issued loans was EUR 8,360,101 and the long-term part was EUR 37,702,693.



## Loan receivables (cont.)

Changes in loan portfolio	Housing loans	Enterprise loans for banks	Capital loans to undertakings	COVID-19 crisis measure loans	Other loans	Total loans
<b>Loans at acquisition cost</b>						
<b>Balance at acquisition cost 31.12.2018</b>	<b>40 377 557</b>	<b>1 219 660</b>	<b>13 620 373</b>	<b>0</b>	<b>245 992</b>	<b>55 463 582</b>
including the principal amount	40 355 834	1 216 729	11 938 167	0	243 267	53 753 997
interest	21 723	2 931	682 206	0	2 725	709 585
Issued loans, 2019	0	385 242	1 947 046	0	0	2 332 288
Calculated interest and contract fees	775 447	48 715	646 306	0	6 923	1 477 391
Loan repayments 2019	-4 934 633	-374 250	-1 265 341	0	-5 413	-6 579 637
Received interest and contract fees	-779 563	-48 566	-508 135	0	-6 986	-1 343 250
Loans written off the balance sheet	0	-53 302	-259 031	0	0	-312 333
Interest debts written off the balance sheet	0	0	-18 665	0	0	-18 665
<b>Balance at acquisition cost 31.12.2019</b>	<b>35 438 808</b>	<b>1 177 499</b>	<b>13 162 553</b>	<b>0</b>	<b>240 516</b>	<b>50 019 376</b>
including the principal amount	35 421 201	1 174 419	12 360 841	0	237 854	49 194 315
interest	17 607	3 080	801 712	0	2 662	825 061
Loans granted 2020	0	205 000	1 357 748	180 177 784	0	181 740 533
Calculated interest and contract fees	601 981	35 771	505 572	1 609 023	6 168	2 758 515
Loan repayments 2020	5 538 845	294 427	1 308 389	361 630	-4 644	7 498 647
Received interest and contract fees	-606 374	-37 405	-525 099	-1 565 273	-7 690	-2 741 841
Loans written off the balance sheet	0	0	-1 605 613	0	0	-1 605 613
Interest debts written off the balance sheet	0	0	-731 337	0	0	-731 337
<b>Balance at the acquisition cost 31.12.2020</b>	<b>29 895 570</b>	<b>1 086 438</b>	<b>10 855 435</b>	<b>179 859 904</b>	<b>243 638</b>	<b>221 940 985</b>
including the principal amount	29 882 356	1 084 992	10 804 587	179 816 154	242 498	221 830 587
interest	13 214	1 446	50 848	43 750	1 140	110 398

### Irrecoverable loans

<b>Balance 31.12.2018</b>	<b>0</b>	<b>-265 585</b>	<b>-3 696 894</b>	<b>0</b>	<b>-245 992</b>	<b>-4 208 471</b>
including the principal amount	0	-265 585	-3 091 038	0	-243 267	-3 599 890
interest	0	0	-605 856	0	-2 725	-608 581
Impairments, 2019	0	15 363	-99 941	0	5 475	-79 103
including the principal amount	0	15 363	23 995	0	5 412	44 770
interest	0	0	-123 936	0	63	-123 873
Loans written off the balance sheet	0	53 296	277 696	0	0	330 992
including the principal amount	0	53 296	259 031	0	0	312 327
interest	0	0	18 665	0	0	18 665
Receipt of previously discounted loans, 2019	0	33 225	109 911	0	0	143 136
<b>Balance 31.12.2019</b>	<b>0</b>	<b>-196 926</b>	<b>-3 519 140</b>	<b>0</b>	<b>-240 516</b>	<b>-3 956 582</b>
including the principal amount	0	-196 926	-2 808 012	0	-237 854	-3 242 792
interest	0	0	-711 128	0	-2 662	-713 790
Impairments, 2020	0	-38 010	-421 159	-54 069 603	-3 122	-54 531 895
including the principal amount	-8 750	-38 010	-387 167	-54 057 381	-4 644	-54 495 952
interest	0	0	-33 992	-12 223	1 522	-44 693
Loans written off the balance sheet	0	0	2 336 950	0	0	2 336 950
including the principal amount	0	0	1 605 613	0	0	1 605 613
interest	0	0	731 337	0	0	731 337
Receipt of previously discounted loans, 2020	0	26 097	61 364	0	0	87 461

## Loan receivables (cont.)

Irrecoverable loans	Housing loans	Enterprise loans for banks	Capital loans to undertakings	COVID-19 crisis measure loans	Other loans	Total loans
<b>Balance 31.12.2020</b>	<b>-8 750</b>	<b>-234 936</b>	<b>-1 603 349</b>	<b>-54 069 604</b>	<b>-243 638</b>	<b>-56 160 277</b>
including the principal amount	-8 750	-234 936	-1 589 566	-54 057 381	-242 498	-56 133 131
interest	0	0	-13 783	-12 223	-1 140	-27 146
Balance at the adjusted acquisition cost 31.12.2018	40 377 557	954 075	8 923 479	0	0	50 255 111
Balance at the adjusted acquisition cost 31.12.2019	35 438 808	980 573	9 643 413	0	0	46 062 794
<b>Balance at the adjusted acquisition cost 31.12.2020</b>	<b>29 886 820</b>	<b>851 502</b>	<b>9 252 086</b>	<b>125 790 300</b>	<b>0</b>	<b>165 780 708</b>

### Housing loans

The apartment building renovation loan has been issued to banks from funds received from the European Regional Development Fund, a loan taken from the Council of Europe Development Bank, a loan taken from the Ministry of Finance, and KredEx's own funds, within the framework of the measure "Apartment Building Renovation Loan". The loan period for banks is up to 20 years, and the interest rate is 1.7–2.7%. Discounts are not made on these loans since the loan recipients are commercial banks.

Loans to non-profit associations specialising in energy saving were given by order of the Ministry of Economic Affairs and Communications, from the funds provided for housing support measures. The loan interest is 3% per year.

### Enterprise loans to banks

Funds for the measure "Guarantee programme for start-up and microloans" 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 with loans for up to five years. The interest rate for banks is 4% + the 6-month Euribor. As of April 2016, loans are issued from the resources of the Cohesion Fund's development

plan 2014–2020 measure 'Improving the availability of capital insurance and credit insurance,' pursuant to the measure's approved terms.

### Capital loans to undertakings

Capital loans have been issued directly to enterprises partly from KredEx's own funds and partly from the funds received from the European Regional Development Fund within the framework of the measures "An additional support programme for the improvement of the availability of loan capital for entrepreneurs", and the "Subordinated loan programme". Subordinated loans have been issued with a term of up to 10 years, and interest rates ranging from 9–13%. 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 a financing institution, or 1 to 2 percentage points higher thereof, depending on the rate of financing.

As of 2016, loans are also issued from the resources of the Cohesion Fund's development plan 2014–2020 measure "Improving the availability of capital insurance and credit insurance", pursuant to the approved terms of service.

### COVID-19 crisis measure loans

EUR 625.4 million was allocated to KredEx with the 2020 Supplementary Budget Act for issuing extraordinary loans to reduce negative effects caused by COVID-19 in the enterprise sector. Extraordinary working capital loans, investment loans, loans to projects of national importance and to apartment associations were issued on account of these funds in the total amount of EUR 180.2 million, including to OÜ Porto Franco that became subject to investigation in 2021. Loans have been issued with a term of up to six years and with an interest rate in the range of 2–6%. The largest loans issued within the crisis measures were as follows:

Enterprise	Loan amount (EUR)	Interest rate	Loan period
AS Tallink Grupp	100 000 000	Euribor of 12 months + 2%	08.06.2023
OÜ Porto Franco	39 400 000	Euribor of 12 months + 2%	08.09.2026
AS Magnetic MRO	10 000 000	Euribor of 12 months + 2%	10.09.2026
AS Alexela Varahaldus	51 000 000	Euribor of 12 months + 2%	19.10.2025
AS Nordic Aviation Group	8 000 000	Euribor of 12 months + 2%	28.12.2026

The types of collateral for issued working capital loans and loans issued within crisis measures include real estate (mortgage), right of claim, commercial pledge, surety or guarantee of a private or legal person, pledge of stocks or shares.

### Other loans

Other loans include loans recognised as a result of claims handling.

## NOTE 6

# Receivables and prepayments

	31.12.2020	31.12.2019
Receivables from current settlements	276 678	249 594
Receivables from reinsurance providers	50 097	398 122
Prepaid expenses of future periods	2 631	28 831
Claims from targeted financing of operating expenses	734 872	1 196 126
Accrued interest	0	712
Accrued income of guarantee fees	522 934	95 631
Prepayments of guarantee benefits	410 384	193 256
<b>Total</b>	<b>1 997 596</b>	<b>2 162 272</b>

Receivables from current settlements also include the receivable from the affiliated company in the amount of EUR 14,463 (EUR 11,773 in 2019), see Note 26.

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

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

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. In 2020, dividends in the amount of EUR 50,000 were received from AS KredEx Krediidikindlustus. Using the equity method, the loss for 2020 was EUR 101,346 (in 2019, the profit was EUR 206,339) (see Note 16) and the balance of the investment by the end of the year was EUR 6,920,773 (EUR 7,072,118 in 2019).

In 2020, the contributions to the Baltic Innovation Fund amounted to EUR 3,320,000 (EUR 3,600,000 in 2019), and EUR 2,640,000 was received thereof (1,233,056 in 2019). Contributions to the fund have been made in the total extent of EUR 18.3 million. The deposits shall be used for covering both operating expenses and fund investments. As at 31 December 2020, the fair value of funds directed to fund investments was EUR 17,108,722 (EUR 15,195,359 in 2019).

In 2020, contributions to Baltic Investment Fund II, established in 2019, were made in the amount of EUR 666,667 (EUR 416,667 in 2019). Contributions to the fund have been made in the total extent of EUR 1.1 million. As at 31 December 2020, the fair value of funds directed to fund investments was EUR 798,718 (EUR 311,919 in 2019).

The fair value of the BIF shares is assessed based on the net value of invested assets.

In 2020, the total profit from fund investments amounted to EUR 948,569 (EUR 1,414,969 in 2019).



## Tangible fixed assets

	Machinery and equipment	Inventory and tools	Buildings	Total
<b>Acquisition cost 31.12.2019</b>	<b>62 312</b>	<b>189 728</b>	<b>18 756</b>	<b>270 796</b>
Written off the balance sheet at its acquisition cost	0	-17 548	0	-17 548
Assets acquired	0	20 230	0	20 230
<b>Acquisition cost 31.12.2020</b>	<b>62 312</b>	<b>192 410</b>	<b>18 756</b>	<b>273 478</b>
<b>Depreciation 31.12.2019</b>	<b>-41 948</b>	<b>-145 293</b>	<b>-10 269</b>	<b>-197 510</b>
Depreciation 2020	-9 578	-21 101	-3 751	-34 430
Depreciation of fixed assets written off the balance sheet	0	17 548	0	17 548
<b>Depreciation 31.12.2020</b>	<b>-51 526</b>	<b>-148 846</b>	<b>-14 020</b>	<b>-214 392</b>
Residual cost 31.12.2018	15 070	11 054	12 239	38 363
Residual cost 31.12.2019	20 364	44 435	8 487	73 286
<b>Residual cost 31.12.2020</b>	<b>10 786</b>	<b>43 564</b>	<b>4 736</b>	<b>59 086</b>

Acquisitions in 2020 were related to ensuring technical certainty related to remote work and conducting video conferences.

## Intangible fixed assets

	Computer programmes	Prepayments	Total
<b>Acquisition cost 31.12.2019</b>	<b>392 171</b>	<b>1 168 599</b>	<b>1 560 770</b>
Acquired 2020	17 050	1 055 833	1 072 883
Written off the balance sheet at its acquisition cost	-8 976	0	-8 976
<b>Acquisition cost 31.12.2020</b>	<b>400 244</b>	<b>2 224 433</b>	<b>2 624 677</b>
<b>Depreciation 31.12.2019</b>	<b>-6 990</b>	<b>0</b>	<b>-6 990</b>
Depreciation 2020	8 976	0	8 976
Depreciation of fixed assets written off the balance sheet	-376 981	0	-376 981
<b>Depreciation 31.12.2020</b>		<b>0</b>	
Residual cost 31.12.2018	19 592	157 200	175 792
Residual cost 31.12.2019	13 204	1 168 599	1 181 803
<b>Residual cost 31.12.2020</b>	<b>23 263</b>	<b>2 224 433</b>	<b>2 247 696</b>

Prepayments in the amount of EUR 2,224,433 have been made to establish KredEx's new information system. The new information system replaces the current processing software and customer portal. It is intended to put the new information system to full use by 1 July 2021, at the latest.



## Debts and prepayments

	31.12.2020	31.12.2019
Trade payables	484 084	196 107
Salary and holiday pay liabilities	370 007	261 973
Liabilities to reinsurance providers in respect of prepayments and recoveries	21 746	18 906
Repayment obligation of state budget funds	0	3 821 726
Decided but not paid grants	1 197 361	1 692 742
Tax arrears	266 055	154 246
<b>Total</b>	<b>2 339 253</b>	<b>6 145 700</b>

## Short-term and long-term provisions

	31.12.2020	31.12.2019
<b>Short-term technical provisions</b>		
Short-term share of provision for outstanding claims	2 529 493	4 962 656
<b>Total</b>	<b>2 529 493</b>	<b>4 962 656</b>
<b>Long-term technical provisions</b>		
Long-term share of provision for outstanding claims	3 389 531	698 948
Equalisation reserves	18 075 002	4 695 981
<b>Total</b>	<b>21 464 533</b>	<b>5 394 929</b>
<b>TOTAL</b>	<b>23 994 026</b>	<b>10 357 585</b>

### Technical provisions

Technical provisions include provisions registered as liabilities, a written off provision for outstanding claims and an equalisation provision. The principles behind the calculation of provisions have been explained in Notes 2 and 3.

As at 31 December 2020, technical provisions correspond to the minimum rates established by law, forming 9.44% in the area of enterprise and 1.45% in the area of the housing of the Performing Guarantee Portfolio and offers. Of the Total Guarantee Exposures, technical provisions comprised 12.41% in the area of entrepreneurship and 1.46% in the area of housing. From guarantee premiums, planned provisions were allocated to the total extent of EUR 2,607,485 (EUR 2,292,009 in

2019), including EUR 1,995,685 for enterprise loan guarantees (EUR 1,744,078 in 2019) and EUR 611,800 for housing loan guarantees (EUR 547,931 in 2019). From the above amount, EUR 171,420 has been transferred to the reserve fund of the measure 'The issuance of insurance for loans, guarantees and export transactions in 2014–2020' (EUR 436,954 in 2019) and EUR 218,119 has been covered from the fund of COVID-19 crisis measures.

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 2020, additional provisions were calculated in the enterprise area in the amount of EUR 13,621 252 (in 2019, provisions decreased by EUR 41,737), on account of which, the reserve fund of the measure 'The issuance of insurance for loans, guarantees and export transactions in 2014–2020' was increased by EUR 1,067,059, and the fund of COVID-19 crisis measures was decreased by EUR 13,662,989. In association with the housing loan collateral, additional income of EUR 307,530 (EUR 301,192 in 2019) was generated from the reduction of provisions.

In 2019, the increase in provisions for unsatisfied claims was covered from the reserve fund of the measure 'The issuance of insurance for loans, guarantees and export transactions in 2014–2020,' in the amount of EUR 496,936.

From the reinsurance of enterprise guarantees, EUR 302,830 was received from the European Investment Fund to cover losses in 2020 (EUR 2,714,803 in 2019). From the collection of guarantee losses, EUR 247,035 was recovered (EUR 357,045 in 2019). From these sums, EUR 5344 was transferred to the reserve fund of 'The issuance of loans, guarantees and export transactions in 2014–2020'.

### Change in technical provisions

	Change in the provision for outstanding claims		Change in the equalisation reserve		Change in provisions total	
	2020	2019	2020	2019	2020	2019
<b>Enterprise loan guarantees</b>						
Balance on January 1	5 627 191	10 138 431	3 020 332	3 776 257	8 647 523	13 914 688
Increase	2 573 314	2 955 203	15 616 938	1 744 078	18 190 252	4 699 281
Decrease	-2 288 968	-7 466 443	-2 573 314	-2 500 003	-4 862 282	-9 966 446
<i>including payment of indemnities</i>	-2 257 851	-7 101 715	0	0	-2 257 851	-7 101 715
<i>receivables from reinsurance providers</i>	-31 117	-364 728	0	0	-31 117	-364 728
<b>Balance on December 31</b>	<b>5 911 537</b>	<b>5 627 191</b>	<b>16 063 956</b>	<b>3 020 332</b>	<b>21 975 493</b>	<b>8 647 523</b>
<i>including the long-term part</i>	3 389 531	2 929 762	16 063 956	3 020 332	19 453 487	5 145 535
<b>Housing loan guarantees</b>						
Balance on January 1	34 413	17 015	1 675 649	1 458 190	1 710 062	1 475 205
Increase	0	29 280	642 927	547 931	642 927	277 211
Decrease	-26 926	-11 882	-307 530	-330 472	-334 456	-342 354
<i>including payment of indemnities</i>	-3 077	-11 882	0	0	-3 077	-11 882
<b>Balance on December 31</b>	<b>7 487</b>	<b>34 413</b>	<b>2 011 046</b>	<b>1 675 649</b>	<b>2 018 533</b>	<b>1 710 062</b>
<i>including the long-term part</i>	0	0	2 011 046	1 675 649	2 018 533	1 675 649
<b>Total balance at the beginning of the period</b>	<b>5 661 604</b>	<b>10 155 446</b>	<b>4 695 981</b>	<b>5 234 447</b>	<b>10 357 585</b>	<b>15 389 893</b>
Increase	2 573 314	2 984 483	16 259 865	2 292 009	18 833 179	5 276 492
Decrease	-2 315 894	-7 478 325	-2 880 844	-2 830 475	-5 196 738	-10 308 800
<i>including payment of indemnities</i>	-2 260 928	-7 113 597	0	0	-2 260 928	-7 113 597
<i>receivables from reinsurance providers</i>	-31 117	-364 728	0	0	-31 117	-364 728
<b>Balance at the end of the period</b>	<b>5 919 024</b>	<b>5 661 604</b>	<b>18 075 002</b>	<b>4 695 981</b>	<b>23 994 026</b>	<b>10 357 585</b>
<i>including short-term part</i>	2 529 493	4 962 656	0	0	2 529 493	4 962 656
<i>long-term part</i>	3 389 531	698 948	18 075 002	4 695 981	21 464 533	5 394 929

## Targeted financing for housing support measures

Under the state budgetary provision agreement, the Ministry of Economic Affairs and Communications provides KredEx each year with funds from the Estonian state budget for housing support measures. Also in 2020, additional provisions within the COVID-19 crisis measures were allocated as housing aid measures in the amount of EUR 32 million.

Budgetary provision agreements 2013–2020	31.12.2020	31.12.2019
<b>Balance at the beginning of the year</b>	<b>18 041 862</b>	<b>23 495 045</b>
Provisions from the state budget	3 278 279	1 504 994
Provisions from the state budget for COVID-19 crisis measures	32 000 000	0
Received technical assistance from Structural Funds	420 241	303 829
Total grant payments:	-8 306 057	-6 486 073
<i>incl. grant for updating the electrical installations of dwellings</i>	-153 301	-131 468
<i>reconstruction grant of apartment buildings</i>	-166 037	0
<i>Costs for the participation in the work of the International Energy Agency (IEA)</i>	0	-34 216
<i>grants for local governments</i>	-408 603	-245 448
<i>home grant for families with many children</i>	-2 987 277	-2 601 731
<i>reconstruction grant for small residences</i>	-1 276 622	-979 433
<i>support for the introduction of renewable energy equipment</i>	-52 792	-120 826
<i>for participation in housing development projects</i>	-144 641	-277 732
<i>grant for developing the residential properties of local government</i>	-3 116 784	-2 095 219
Provisions from the state budget directed to the component-based reconstruction grant for apartment buildings	-2 462 000	0
Total operating expenses:	-1 192 883	-775 933
<i>including administrative expenses of support measures</i>	-679 315	-656 000
<i>technical assistance, including expenses incurred as a result of co-financing</i>	-420 241	-303 829
<i>change in the prepaid expenses</i>	-93 327	183 896
<b>Balance at the end of the year</b>	<b>41 779 442</b>	<b>18 041 862</b>
<i>including short-term part</i>	41 779 442	18 041 862

Funds for participation in international energy saving projects	31.12.2020	31.12.2019
<b>Balance at the beginning of the year</b>	<b>-1 240</b>	<b>-1 240</b>
Receipts from international energy saving projects	0	613
Operating expenses within the framework of international energy saving projects	0	-613
<b>Balance at the end of the year</b>	<b>-1 240</b>	<b>-1 240</b>
<i>including short-term part</i>	-1 240	-1 240

In 2019, KredEx participated in the following projects: CA-EPBD.

<b>Total targeted financing for housing support measures</b>	<b>41 778 202</b>	<b>18 040 622</b>
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## 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 were provided for apartment buildings for the performance of integrated renovation work, with the purpose being to increase the energy efficiency of the buildings. The grant amount was up to 35% of the cost of the works.

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 the measure in the amount of EUR 18,000,000 in 2013 and EUR 1,500,000 in 2014.

The issuing of grants has ended, monitoring of the results of the measure continues.

#### Administrative agreement for application of the Green Investment Scheme between the Republic of Estonia and the Great Duchy of Luxembourg, 17.08.2010

	31.12.2020	31.12.2019
<b>Balance at the beginning of the year</b>	<b>274 061</b>	<b>283 871</b>
Administrative expenses	-9 273	-5 853
<b>Balance at the end of the year</b>	<b>264 788</b>	<b>278 018</b>
<i>including short-term part</i>	<i>264 788</i>	<i>278 018</i>

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

In 2013, EUR 7,800,000 was allocated to KredEx from the budget of the Ministry of Economic Affairs and Communications, to organise the implementation of the green investment scheme. From this amount, grants are provided to apartment buildings for integrated renovation work, with the goal being to increase the energy efficiency of the buildings, based on the same principles as the support measure of the Ministry of Environment provided

above. In 2014, an additional EUR 1,236,910 was provided for the support of apartment building renovation, and EUR 3,200,000 was used to support the introduction of renewable energy and updating the heating systems of small residential buildings.

In 2020, activities related to the measure were terminated, and the remaining funds were redirected to the measure of component-based reconstruction grant for apartment buildings.

#### Budgetary provision agreement 2013

	31.12.2020	31.12.2019
<b>Balance at the beginning of the year</b>	<b>1 293 835</b>	<b>1 293 835</b>
Provisions redirected to the component-based reconstruction grant for apartment buildings	-1 293 835	0
<b>Balance at the end of the year</b>	<b>0</b>	<b>1 293 835</b>
<i>including short-term part</i>	<i>0</i>	<i>1 293 835</i>

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. Using funds from the programme Electromobility in Estonia (ELMO), a national charging network for electric cars has been built and

the administration thereof organised for a period of five years. Within the framework of the measure, grants of up to 50% or EUR 18,000 of the price of an electric car were issued for the purchasing of electric cars.

At the end of 2019, the Ministry of Economic Affairs and Communications transferred the charging infrastructure for electric cars to OÜ Elektrilevi by way of auction.



Contract under public law for the application of the Green Investment Scheme between the Republic of Estonia and Mitsubishi Corporation

31.12.2020

31.12.2019

<b>Balance at the beginning of the year</b>	<b>50 826</b>	<b>55 826</b>
Repayments of grants paid	0	110
Expenses for managing the charging network infrastructure for electric cars	0	-619 558
Result of quick charging operations	0	-904
Administrative expenses	1 206	-37 985
Covering the costs from the reserve fund	0	428 632
Covering the costs from other state budget funds	0	224 705
<b>Balance at the end of the year</b>	<b>52 032</b>	<b>50 826</b>
<i>including short-term part</i>	<i>52 032</i>	<i>50 826</i>

In 2020, KredEx was allocated funds for the component-based reconstruction grant for apartment buildings aid measure from the budget of the Ministry of Economic Affairs and Communications, pursuant to subsection 161 (7) of the Atmospheric Air Protection Act and 4 November 2016

Regulation No. 121 of the Government of the Republic titled 'General conditions for the use of proceeds received in the auction for the period 2013–2020 of greenhouse gas emission allowance trading, and reporting'. Funds unused in previous measures will be added to the funds of the measure.

Contract under public law for the implementation of the component-based reconstruction grant for apartment buildings aid measure

31.12.2020

31.12.2019

<b>Balance at the beginning of the year</b>	<b>0</b>	<b>0</b>
Received from the state budget	7 985 000	0
Redirected from the state budget grants measure	2 462 000	0
Redirected from the investment scheme measure of the 2013 state budget provision	1 293 835	0
Administrative expenses	-3 963	0
<b>Balance at the end of the year</b>	<b>11 736 872</b>	<b>0</b>
<i>including short-term part</i>	<i>11 736 872</i>	<i>0</i>
<b>Total targeted financing received for the application of the green investment scheme</b>	<b>12 053 692</b>	<b>1 618 722</b>
<i>including short-term part</i>	<i>12 053 692</i>	<i>1 618 722</i>

## NOTE 14 Targeted financing for supporting measures of entrepreneurship

As at 31 December 2020, the balances of targeted financing for the support measures, together with the revenues and expenditures from the measure's programmes, are as follows.

### Trust fund for the establishment of the Baltic Innovation Fund

The intended purpose is to make payments to the Baltic Innovation Fund (BIF) based on the BIF articles of incorporation and management agreement. The funds come from the "Additional support programme for improvement of the availability of loan capital for entrepreneurs" and the sum of EUR 6,000,000 allocated from the state budget in 2015.

In 2019, Baltic Innovation Fund II was established and the Ministry of Economic Affairs and Communications allocated an additional EUR 2,000,000 in the form of contributions to the fund. EUR 24,000,000 were added to it in 2020.

Considering that the programme's funds have been fully exhausted and the final report for the programme has been prepared and audited, the Supervisory Board of Foundation KredEx decided in 2019 to transfer funds to the foundation capital in the amount of EUR 23,499,244 that originate from the 'Additional support programme for improvement of the availability of loan capital for entrepreneurs'.

	31.12.2020	31.12.2019
<b>Balance at the beginning of the year</b>	<b>8 353 569</b>	<b>29 532 518</b>
Change in the trust fund from the income and expenses earned from BIF	–267 100	–150 422
Change in the value of BIF's shares	372 027	470 717
Contributions to the fund from the Ministry of Economic Affairs and Communications	24 000 000	2 000 000
Transfer of funds from the Fund into foundation capital	0	–23 499 244
<b>Balance at the end of the year</b>	<b>32 458 496</b>	<b>8 353 569</b>
<i>including short-term part</i>	<i>0</i>	<i>0</i>

#### Reserve capital of the start-up loan guarantee

The intended purpose is to ensure start-up loans. The funds come from the European Social Fund based on the programme “Guarantee programme for start-up and microloans” approved by 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. Banks began to issue start-up loans in this amount in 2013.

Considering that the programme's funds have been fully exhausted and the final report for the programme has been prepared and audited, the Supervisory Board of Foundation KredEx decided in 2019 to transfer funds to the foundation capital in the amount of EUR 3,518,794 that originate from the ‘Guarantee programme for start-up and microloans’.

	31.12.2020	31.12.2019
<b>Balance at the beginning of the year</b>	<b>0</b>	<b>3 518 794</b>
Transfer of funds from the Fund into foundation capital	0	–3 518 794
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>
<i>including the long-term part</i>	<i>0</i>	<i>0</i>

#### Reserve capital for the issuing of loans from the subordinated loan programme and the covering of losses

The intended purpose is to issue the subordinated and technology loan 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's funds originate from unused funds returned upon the termination of the measure “Additional support programme for improvement of the availability of loan capital for entrepreneurs”.

Considering that the programme's funds have been fully exhausted and the final report of the programme has been prepared and audited, the Supervisory Board of Foundation KredEx decided in 2019 to transfer funds to the foundation capital in the amount of EUR 16,534,017 from the ‘Subordinated loan programme’.

	31.12.2020	31.12.2019
<b>Balance at the beginning of the year</b>	<b>0</b>	<b>16 534 017</b>
Transfer of funds from the Fund into foundation capital	0	–16 534 017
<b>Balance at the end of the year</b>	<b>0</b>	<b>0</b>
<i>including the long-term part</i>	<i>0</i>	<i>0</i>

#### Trust fund of the programme of insurance for loans, guarantees and export transactions in 2014–2020

The intended purpose is to fund the supported activity “The issuance of insurance for loans, guarantees and export transactions under the priority axis “Developing small and medium enterprises and strengthening” the regional

competitiveness” of the Cohesion Fund's development plan 2014–2020. In 2016, EUR 18,875,000 was allocated to KredEx from the state budget for funding the measure; in 2020, another EUR 15,875,000 was added to it.

Revenue earned in the implementation of the measures will be transferred to increase the trust fund, and costs, incl. loan discounts, provisions for covering guarantee losses, and administrative costs, will be covered on account of the trust

fund. Only the administrative costs received from the funds of the measure is reflected in KredEx's income statement; the calculation of other revenues and costs takes place through the trust fund.

	31.12.2020	31.12.2019
<b>Balance at the beginning of the year</b>	<b>16 707 837</b>	<b>17 110 849</b>
Received from the state budget	15 875 000	0
Increase of trust fund on account of income earned from implementing the measure	546 754	978 115
Decrease of trust fund on account of costs of implementing the measure	455 160	-1 076 952
The measure's administrative expenses	-104 080	-304 175
<b>Balance at the end of the year</b>	<b>33 480 671</b>	<b>16 707 837</b>
<i>including the long-term part</i>	<i>33 480 671</i>	<i>16 707 837</i>

### Trust fund of COVID-19 financial measures

Funds were allocated to the area of governance of the Ministry of Economic Affairs and Communications with the 2020 Supplementary Budget Act for issuing extraordinary loans to reduce negative effects caused by COVID-19 in the enterprise sector. These funds were directed to KredEx for implementing aid measures, issuing loan guarantees, working capital loans, investment loans, apartment building loans, and loans to projects of national importance. Revenue earned in the implementation of the measures will be transferred to increase

the trust fund, and costs, incl. loan discounts, provisions for covering guarantee losses, and administrative costs, will be covered on account of the trust fund. Only the administrative costs received from the funds of the measure is reflected in KredEx's income statement; the calculation of other revenues and costs takes place through the trust fund. The funds of the measure are to be refunded pursuant to the repayment of loans and the termination of guarantee obligations taken.

	31.12.2020	31.12.2019
<b>Trust fund of enterprise loan guarantees</b>	<b>0</b>	<b>0</b>
Received from the state budget into the trust fund of loan guarantees	120 000 000	0
Increase of trust fund on account of guarantee fees and contract fees	398 893	0
Decrease of trust fund on account of technical provisions and administrative costs	-14 106 994	0
<b>Trust fund of enterprise loan guarantees as at the end of the year</b>	<b>106 291 899</b>	<b>0</b>
<b>Trust fund of working capital loans (incl. projects of national importance)</b>		
Received from the state budget to the trust fund of working capital loans	553 400 000	0
Increase of trust fund on account of contract fees and loan interests	1 500 003	0
Decrease of trust fund on account of loan discounts and administrative costs	-53 367 754	0
<b>Trust fund of working capital loans as at the end of the year</b>	<b>501 532 249</b>	<b>0</b>
<b>Trust fund of investment loans</b>		
Received from the state budget to the trust fund of investment loans	50 000 000	0
Increase of trust fund on account of contract fees and loan interests	99 942	0
Decrease of trust fund on account of loan discounts and administrative costs	-1 215 263	0
<b>Trust fund of investment loans as at the end of the year</b>	<b>48 884 679</b>	<b>0</b>

	31.12.2020	31.12.2019
<b>Trust fund of apartment association loans</b>		
Received from the state budget into the trust fund of apartment association loans	22 000 000	0
Increase of trust fund on account of contract fees and loan interests	9 078	0
Decrease of trust fund on account of loan discounts and administrative costs	-76 725	0
<b>Trust fund of apartment association loans as at the end of the year</b>	<b>21 932 353</b>	<b>0</b>
<b>Trust fund of housing loan guarantees</b>		
Received from the state budget into the trust fund of housing loan guarantees	5 000 000	0
Increase of trust fund on account of contract fees and guarantee fees	644 206	0
Decrease of trust fund on account of technical provisions and administrative costs	-14 789	0
<b>Trust fund of apartment association loans as at the end of the year</b>	<b>5 629 417</b>	<b>0</b>
<b>Trust funds of COVID-19 crisis measures, total</b>	<b>684 270 598</b>	<b>0</b>

### Enlivening start-up entrepreneurship

The project operating costs of Startup Estonia are covered with the resources of the supported activity *Enlivening Startup Entrepreneurship* under the priority axis *Growth-Capable Entrepreneurship and the Research and Development Activity Supporting it* of the Cohesion Fund's development plan 2014–2020. The measure's final beneficiary is Enterprise Estonia.

In 2019, funds were received from the Ministry of Finance for developing start-up enterprises in Ida-Viru County and from the Ministry of Education and Science for supporting EdTech companies. The Ministry of Economic Affairs and Communications finances the establishment and development of enterprises in the field of cybersecurity.

	31.12.2020	31.12.2019
<b>Balance at the beginning of the year</b>	<b>431 531</b>	<b>260 000</b>
Funds received from Enterprise Estonia	1 548 785	1 255 277
Funds received from other targeted financiers	461 500	413 000
<i>incl. from the Ministry of Finance</i>	<i>77 500</i>	<i>300 000</i>
<i>from the Ministry of Education and Science</i>	<i>210 000</i>	<i>30 000</i>
<i>from the Ministry of Defence</i>	<i>24 000</i>	<i>0</i>
<i>Ministry of Economic Affairs and Communications</i>	<i>150 000</i>	<i>83 000</i>
Operating expenses of Startup Estonia	-1 589 731	-1 725 506
Change in the balance of unreceived targeted financing	-368 978	228 760
<b>Balance at the end of the year</b>	<b>483 107</b>	<b>431 531</b>
<i>including the long-term part</i>	<i>0</i>	<i>0</i>
<b>Total targeted financing of supporting measures for entrepreneurship</b>	<b>750 692 873</b>	<b>25 492 937</b>
<i>including the long-term part</i>	<i>750 209 766</i>	<i>25 061 406</i>
<i>short-term part</i>	<i>483 107</i>	<i>431 531</i>

### NOTE 15

## Long-term loans

	Loan obligation 31.12.2020	Term of repayment	Average interest per year
Loan from the Council of Europe Development Bank	3 906 479	02.05.2022	2,87%
Loan from the Ministry of Finance	6 264 662	02.02.2026	2,56%

### Loan from the Council of Europe Development Bank

The intended use of the loan is to perform Directive No. 137 of 7 May 2009 of the Minister of Economic Affairs and Communications, 'Apartment Building Renovation Programme'. Based on which KredEx lends its own assets, funds received from the European Regional Fund and funds received from the

Council of Europe Development Bank to commercial banks, so that they may issue loans to apartment buildings under favourable conditions.

The Ministry of Finance has provided a state guarantee for the loan, for which the guarantee fee in 2020 was EUR 5252 (EUR 8685 in 2019) (see Note 19).

	31.12.2019	31.12.2019
Balance at the beginning of the year	7 312 665	10 685 590
Repaid	-3 471 746	-3 372 925
<b>Loan balance at the end of the year</b>	<b>3 840 919</b>	<b>7 312 665</b>
<i>including repayable in the next reporting period</i>	<i>2 943 240</i>	<i>3 471 746</i>
<i>repayable from the reporting period after the next one until 2022</i>	<i>897 679</i>	<i>3 840 919</i>
Interest liability at the beginning of the year	121 082	174 988
Interest expense per year	159 538	259 975
Interest paid during the year	-215 060	-313 881
<b>Interest liability at the end of the year</b>	<b>65 560</b>	<b>121 082</b>
<b>Total balance at the end of the year</b>	<b>3 906 479</b>	<b>7 433 747</b>
<i>including short-term part</i>	<i>3 008 800</i>	<i>3 592 828</i>
<i>long-term part</i>	<i>897 679</i>	<i>3 840 919</i>

### Loan from the Ministry of Finance, pursuant to the loan agreement of 13 May 2013

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

	31.12.2020	31.12.2019
Balance at the beginning of the year	7 574 427	8 896 913
Repaid	-1 322 486	-1 322 486
<b>Loan balance at the end of the year</b>	<b>6 251 941</b>	<b>7 574 427</b>
<i>including repayable in the next reporting period</i>	<i>1 322 486</i>	<i>1 322 486</i>
<i>repayable from the reporting period after the next one until 2026</i>	<i>4 929 455</i>	<i>6 251 941</i>
Interest liability at the beginning of the year	15 371	18 481
Interest expense per year	182 309	216 141
Interest paid during the year	-184 959	-219 251
<b>Interest liability at the end of the year</b>	<b>12 721</b>	<b>15 371</b>
<b>Total balance at the end of the year</b>	<b>6 264 662</b>	<b>7 589 798</b>
<i>including short-term part</i>	<i>1 335 207</i>	<i>1 337 857</i>
<i>long-term part</i>	<i>4 929 455</i>	<i>6 251 941</i>
<b>Total loan obligations at the end of the year</b>	<b>10 171 141</b>	<b>15 023 545</b>
<i>including short-term part</i>	<i>4 344 008</i>	<i>4 930 685</i>
<i>long-term part</i>	<i>5 827 133</i>	<i>10 092 860</i>



# Income statement by area of activity

	2020	2019	Notes
<b>Guarantee activity</b>			
Security and contract fees	4 708 978	3 971 989	
Transferred to the fund of the measure from security and contract fees	-1 226 154	-692 860	
Guarantee losses and a change in technical provisions	-15 928 486	-1 949 079	
Loss covered from the fund of the relevant measure	12 985 470	436 954	
Received from reinsurance from the European Investment Fund	302 830	2 715 397	11
Receivables from reinsurance providers, change	-302 830	-2 708 220	11
Received from debt collection	247 035	369 048	11
Repaid amounts transferred into the fund of the relevant measure and reinsurance provider	-5 344	-6 933	11
<b>Total net gain (loss) from guarantee activity</b>	<b>781 499</b>	<b>2 136 296</b>	
<b>Crediting activity</b>			
Interest, fines for delay, and contract fees	2 758 516	1 475 149	
Interest expense directed to the fund of the relevant measure	-1 967 209	-285 255	
Change in impairment losses	-54 540 646	-79 102	5
Impairment losses covered from the fund of the relevant measure	54 510 418	172 677	5
Written-off loans repaid	81 625	143 136	5
Repaid amounts directed into the fund of the relevant measure	-5 837	-11 624	5
Interest on loans taken	-341 848	-476 115	
<b>Total net gain (loss) from crediting activity</b>	<b>495 019</b>	<b>938 866</b>	
<b>Management of funds</b>			
Fund management fees	784 058	790 206	
<b>Total net gain (loss) from fund management</b>	<b>784 058</b>	<b>790 206</b>	
<b>Investment activity</b>			
Interest income from deposits	1 071	117 684	3
transferred from interest income	0	-11 058	
Net income from long-term financial investments	2 985	2 103	4
Profit/loss from related companies	-101 346	206 339	7
Operating expenses of the Baltic Innovation Funds (BIF), change in the value of shares	1 053 496	1 735 264	
Revenue/expense directed from a change in the value of BIF shares and from operating expenses to the fund for the establishment expenses of BIF	-104 927	-320 295	
<b>Total income from investment activity</b>	<b>851 279</b>	<b>1 730 037</b>	
<b>Targeted financing for operating expenses</b>			
Targeted financing received for housing grants	8 297 307	6 261 501	
Decided and paid housing grants	-8 297 307	-6 261 501	12
Budgetary means for managing housing support measures	852 493	472 104	17
Targeted financing received for the application of the green investment scheme	0	619 448	
Grants paid within the framework of the green investment scheme	0	-619 448	13
Budgetary means for managing green investment scheme	13 112	42 713	13,17
Targeted financing received for supporting measures of entrepreneurship	42 000	0	
Targeted financing disbursed for supporting measures of entrepreneurship	-42 000	0	
Technical aid	420 241	303 829	12,17

		2019	Notes
Covering the administrative costs of entrepreneurship funding measures from the funds of the measures	813 043	304 175	12, 17
Targeted financing received for covering the costs of Startup Estonia	1 182 442	1 659 632	12, 17
Targeted financing received for implementing other projects	392 799	65 874	12, 17
<b>Total targeted financing</b>	<b>3 674 130</b>	<b>2 848 327</b>	17
<b>Administrative expenses</b>	<b>-5 462 115</b>	<b>-4 638 778</b>	20
<b>Operating result</b>	<b>1 123 871</b>	<b>3 804 954</b>	
Other operating income and expenses	96 459	75 303	18
Other financial income and expenses	-5 252	-5 272	19
<b>Income</b>	<b>1 215 078</b>	<b>3 874 985</b>	

## Sales income by areas of activity and types of income

	2020	2019	Notes
<b>Guarantee fees (EMTAK 66291)</b>	<b>3 482 824</b>	<b>3 279 129</b>	16
Enterprise loan guarantees	2 293 891	2 004 687	
including, entered into the fund of the relevant measure	-197 035	-502 246	
Housing loan guarantees	1 849 387	1 638 350	
including, entered into the fund of the relevant measure	-894 917	0	
Contract fees for enterprise loan guarantees	565 699	328 952	
including, entered into the fund of the relevant measure	-134,201	-190 614	
<b>Loan interests (EMTAK 64929)</b>	<b>791 307</b>	<b>1 189 894</b>	5
Housing loans	601 981	775 447	
Start-up loans	35 771	46 473	
Subordinated loans for enterprises	503 875	634 358	
including, entered into the fund of the relevant measure	-350 960	-267 809	5
Contract fees for subordinated loans	7 865	18 871	
including, entered into the fund of the relevant measure	-7 225	-17 446	
COVID-19 crisis measure loans	1 102 046	0	
incl. entered into the fund of the relevant measures	-1 102 046	0	
Contracts fees of loans of COVID-19 crisis measures	506 977	0	
including, entered into the fund of the relevant measure	-506 977	0	
<b>Targeted financing of operating expenses (EMTAK 84139)</b>	<b>3 674 130</b>	<b>2 848 327</b>	
Administrative expenses of housing support measures	852 493	472 104	12
Technical aid	420 241	303 829	12
Application expenses of green investment schemes	13 112	42 713	13, 16
Structural Funds 2014–2020; administrative expenses of supporting measures of entrepreneurship	104 080	304 175	14, 16
Administrative costs of COVID-19 crisis measures	708 963	304 175	
Administrative expenses of other projects	392 799	65 874	
Operating expenses of Startup Estonia	1 182 442	1 659 632	14, 16
<b>Management of funds (EMTAK 66301)</b>	<b>784 058</b>	<b>790 206</b>	
Fund management fees	784 058	790 206	
<b>Total</b>	<b>8 732 319</b>	<b>8 107 556</b>	

## NOTE 18 Other operating income and expenses

	2020	2019
Profit/loss from sales and write-offs of fixed assets and stocks	0	5 750
Targeted financing of operating expenses	78 415	72 854
<i>including providing services to the related company</i>	78 415	61 496
<i>including for covering participation expenses in international projects</i>	0	11 357
Other income and expenses	18 044	4 559
Income from the projects of the green investment scheme	0	165 800
Expenses for the projects of the green investment scheme	0	-173 660
<b>Total</b>	<b>96 459</b>	<b>75 303</b>

SA KredEx provides the affiliated company AS KredEx Krediidikindlustus with administrative services (see Note 26).

Income and expenses from the green investment scheme's projects include the income and expenses from the quick charging service for, and the rental of, electric cars as part of the ELMO project. In 2019, the quick charging service was provided to the government and local government authorities in the extent of EUR 20,732. In the end of 2019, the quick charging network was transferred and the provision of service by KredEx was terminated.

## NOTE 19 Other financial expenses and income

	2020	2019
State guarantee for the loan from the Council of Europe Development Bank (see Note 14)	-5 252	-8 685
Other financial income	0	3 413
<b>Total</b>	<b>-5 252</b>	<b>-5 272</b>

## NOTE 20 Administrative expenses

	2020	2019
<b>Various operating expenses</b>	<b>-2 717 587</b>	<b>-2 481 098</b>
Rental and maintenance of office premises	-224 119	-209 127
Development, repair and maintenance of IT and office equipment	-374 439	-193 396
Personnel and training expenses	-83 900	-101 395
Economic and administrative expenses	-47 521	-146 403
Telephone, mailing and internet expenses	-7 367	-9 480
Transport expenses	-25 434	-27 494
Travel expenses	-7 655	-31 518
Marketing expenses	-1 324 245	-1 483 386
Auditing expenses	-49 520	-35 660
Legal services	-88 800	-56 964
Membership fees	-18 226	-16 901
Expert assessment	-224 365	-131 307
Other services	-241 996	-38 067

	2020	2019
<b>Labour costs</b>	<b>-2 703 108</b>	<b>-2 109 743</b>
Wages and salaries	-2 046 715	-1 579 139
including the salary of the Supervisory Board and members of the management board	-279 069	-189 699
salary of employees	-1 767 646	-1 389 440
Social tax	-643 062	-519 609
Unemployment insurance premium	-13 331	-10 995
<b>Depreciation of fixed assets</b>	<b>-41 420</b>	<b>-47 937</b>
<b>Total administrative expenses</b>	<b>-5 462 115</b>	<b>-4 638 778</b>

Along with the subsidiary AS Smartcap, the average number of employees during the year was 50.4 (42.9 in 2019).

The average number of employees working under employment contracts was 46.7, and the remuneration calculated for them was EUR 1,740,839. The average number of members of management and supervisory bodies was 13.9 and the remuneration calculated for them was EUR 279,069. The number of employees working under a contract under the Law of Obligations was three, and the remuneration calculated for them was EUR 26,807.

## NOTE 21

# Changes in net assets

Foundation capital	Change in net assets: increase +, decrease -	Source of the change
Trust fund for housing guarantees	1 462 202	Distribution of the result of year 2019
Trust fund of start-up loan guarantees	34 941	Distribution of the result of year 2019
Trust fund of loan guarantees	10 388	Distribution of the result of year 2019
Trust fund of subordinated loans	368 995	Distribution of the result of year 2019
Trust fund for the foundation of the credit insurance company	206 339	Distribution of the result of year 2019
Investment trust fund of AS SmartCap	377 151	Distribution of the result of year 2019
Trust fund for contributions into the Baltic Innovation Fund	1 414 969	Distribution of the result of year 2019
Income of 2020	1 215 078	Income of 2020

## NOTE 22

# Off-balance sheet claims

## 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 loans have low value. However, the loan is often secured by the personal surety of the borrower or owner. In the case of a loss event, the proceedings against the debtor and the guarantor may go on for years, and continue long after the payment of the compensation.

Claims arising from enterprise loans and sureties are recognised as off-balance sheet assets and generally as

off-balance sheet items in the notes on the accounts only to the extent that the parties have reached an agreement to initiate enforcement of execution proceedings.

Considering the fact that claims arising from housing loan guarantees are small (on average about EUR 5100) and that even the payments received in the settlement or enforcement proceedings are volatile, these claims are generally no longer reflected off-balance sheet from 2018.

Likewise, as at the end of 2020, none of the recovered grants have been recognised as off-balance sheet assets. No new grant recourse claims were filed.

## Changes in off-balance sheet receivables

	Enterprise loans	Housing loan guarantees	Enterprise loan guarantees	Rights of recourse for grants
<b>Balance of claims 31.12.2018</b>	<b>487 711</b>	<b>0</b>	<b>244 982</b>	<b>0</b>
Change in claims from 31.12.2018	-150 629	0	-49 570	0
including received	-140 614	-41 452	-333 957	-3 357
including revaluation	-10 015	41 452	284 387	3 357
<b>Balance of claims 31.12.2019</b>	<b>337 081</b>	<b>0</b>	<b>195 412</b>	<b>0</b>
Change in claims from 31.12.2019	-80 389	0	16 221	0
including received	-81 624	-20 467	-219 715	0
including revaluation	1 235	20 467	235 936	0
<b>Balance of claims 31.12.2020</b>	<b>256 691</b>	<b>0</b>	<b>179 191</b>	<b>0</b>

## NOTE 23 Off-balance sheet and conditional liabilities

Security liabilities	2020	2019	Change
<b>Enterprise loan guarantees</b>			
Performing Guarantee Portfolio at the beginning of the year	101 204 267	111 101 804	-9 897 537
Guarantee volume of concluded agreements	134 136 434	74 489 023	59 647 411
Depreciation of the portfolio and terminated agreements	-69 614 397	-84 386 561	14 772 164
Performing Guarantee Portfolio at the end of the year	165 726 304	101 204 267	64 522 037
Issued offers at the end of the year	6 359 200	604 184	5 755 016
Maximum security liability as at the end of the year	177 131 976	108 429 420	68 702 556
<b>Housing loan guarantees</b>			
Performing Guarantee Portfolio at the beginning of the year	128 875 121	112 159 091	16 716 030
Guarantee volume of concluded agreements	52 014 016	44 809 015	7 205 001
Depreciation of the portfolio and terminated agreements	-42 698 211	-28 092 985	-14 605 226
Performing Guarantee Portfolio at the end of the year	138 190 926	128 875 121	9 315 805
Issued offers at the end of the year	0	30 000	30 000
Maximum security liability as at the end of the year	138 202 990	128 989 530	9 213 460
<b>Total performing guarantee portfolio</b>	<b>303 917 230</b>	<b>230 079 388</b>	<b>73 837 842</b>

**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 secured amount under the agreement is recorded as a liability. After the date of commissioning 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.

**The 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 liabilities at the moment of termination of the agreement, in connection with which a loss event has occurred.

Guarantee liabilities are registered off the balance sheet. Technical provisions and equalisation provisions are written off

and registered to cover possible payments.

As at 31 December 2020, KredEx had conditional liabilities under the concluded loan agreements in the form of unused loan limits in the amount of EUR 54,663,326 (EUR 256,759 in 2019), of which, loans paid out constitute EUR 27,804,909 as at the time of completion of the annual report.

The tax authority shall have the right to check the tax accounting of KredEx for a period of up to six 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 2019. KredEx's management finds that there are no circumstances due to which the tax administrator might set a significant additional amount of tax for KredEx.



## Operational lease

As of 15.03.2010, KredEx has been leasing office premises of 874.51 m<sup>2</sup> at Hobujaama 4, Tallinn. The lease contract will remain valid until 15.03.2022. The lease contract does not include the possibility of premature termination.

AS Smartcap leases office premises at Pärnu mnt 12, Tallinn. The lease contract will remain valid until 31 May 2021. The lease contract does not include the possibility of premature termination.

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 2020, lease expenses were EUR 146,387 (EUR 127,269 in 2019) and the lease expenses from maintained agreements planned for 2021 are EUR 160,634. The lease income is presented as a balance and does not include the lease costs of premises on the sublease.

From the above described leased premises, 167.32 m<sup>2</sup> was subleased to the affiliate AS KredEx Krediidikindlustus. In 2020, revenue from the sublease was EUR 24,777 (EUR 25,544 in 2019). In September 2020, the sublease contract was terminated. The lease costs stated in the previous paragraph have been reduced by the sublease income.

## Litigation

In 2020, three complaints were filed with the administrative court, which were used to dispute KredEx's decisions to refuse to grant loans within the crisis measures. As at 31 December 2020, these disputes had not come to an end. According to the Management Board, these disputes have no financial impact.

## Transactions with related parties

Related parties are considered to be members of the Supervisory Board and the management board, their immediate family members and all of the companies under their control or significant influence, as well as the related company AS KredEx Krediidikindlustus, the KredEx subsidiary AS Smartcap, ministries, state and local public sector institutions, state-owned companies and local governments.

Transactions with the Ministry of Economic Affairs and Communications, Ministry of the Environment, Ministry of Finance and Ministry of Education and Science have been described in greater detail in Notes 12 to 15. Transactions with the related company AS KredEx Krediidikindlustus are detailed in Notes 7, 18 and 24.

KredEx has provided administrative services to AS KredEx Krediidikindlustus in the amount of EUR 74,269, and has mediated costs in the amount of EUR 42,893 (EUR 45,077

in 2019). With value-added tax included, KredEx has issued invoices to KredEx Krediidikindlustus in the amount of EUR 140,594 (EUR 152,298 in 2019). In relation to implementation of the COVID-19 crisis measures, AS KredEx Krediidikindlustus provided the service of processing projects in the amount of EUR 11,870, incl. value-added tax. KredEx mediated revenues to AS KredEx Krediidikindlustus in the amount of EUR 62,728 in relation to export loan guarantees. In 2020, dividends in the amount of EUR 50,000 were received from AS KredEx Krediidikindlustus.

With the respective indicators of the subsidiary AS SmartCap, the Management Board fees in 2020 were EUR 207,791 and the Supervisory Board fees EUR 54,324 (EUR 138,534 and EUR 48,546 in 2019, respectively). According to the management board member agreement, compensation shall be paid to the Chairman in the amount of three basic salaries, if KredEx terminates the contract prematurely without good reason.

Sales	2020	2019
Affiliated company KredEx Krediidikindlustus (sales with value added tax)	140 594	152 298
Quick charging service for electric cars provided to the government and local government authorities (without value added tax)	0	20 732
Fund management service provided by AS Smartcap to Early Fund II	784 058	790 206
Ministry of Economic Affairs and Communications	1 736	7 017
Other government and local government enterprises and authorities	31 820	0

## Purchases

Other government and local government enterprises and authorities	116 499	217 160
Affiliated company KredEx Krediidikindlustus	11 870	180

## Targeted financing provided

Grants for local governments	3 525 387	2 313 073
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## Targeted financing received for Startup Estonia projects

Other government and local government enterprises and authorities	401 500	0
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## Receivables

31.12.2020 31.12.2019

Affiliated company KredEx Krediidikindlustus	14 463	11 773
Other government and local government enterprises and authorities	17 944	7 921

## Liabilities

Decided but unpaid grants to local governments	1 197 361	1 692 742
Other government and local government enterprises and authorities	2 959	3 846
Ministry of Finance	5 252	8 685

## NOTE 27

# Events after the date of the report

On 4 March 2021, in relation to the continued spread of COVID-19, the Government of the Republic approved the continuance of KredEx's crisis measures in 2021 in the volume of EUR 180 million.

Under the agreement for the use of targeted support from the state budget, KredEx was allocated EUR 4,824,791 in 2021 to be used for housing support measures.

At the beginning of 2021, changes were made in the composition of the Supervisory Board: On 5 February, Arne Randmaa was removed from his post as a Member of the Supervisory Board. On 11 March, Priit Värk, Krõõt Kilvet and Andrus Toom were removed from their posts as a Members of the Supervisory Board. New Members of the Supervisory Board are Mait Palts, Veiko Hintsov and Helo Meigas.

# Unconsolidated report

## Unconsolidated balance sheet of the parent company in euros

ASSETS	31.12.2020	31.12.2019	Notes
<b>Current assets</b>			
Cash and cash equivalents	771 755 901	128 870 064	
Short-term investments	0	506 165	4
Short-term loan receivables	11 412 094	8 360 101	5
Receivables and prepayments	1 821 098	1 949 233	
<b>Total current assets</b>	<b>784 989 093</b>	<b>139 685 563</b>	
<b>Fixed assets</b>			
Long-term investments	27 071 512	24 557 996	
Long-term loan receivables	154 368 614	37 702 693	5
Tangible fixed assets	59 086	73 286	8
Intangible fixed assets	2 247 696	1 181 803	9
<b>Total fixed assets</b>	<b>183 746 908</b>	<b>63 515 778</b>	
<b>TOTAL ASSETS</b>	<b>968 736 001</b>	<b>203 201 341</b>	
<b>LIABILITIES</b>			
<b>Liabilities</b>			
<b>Current liabilities</b>			
Debts and prepayments	2 238 491	6 075 433	
Short-term part of long-term loans	4 344 008	4 930 685	15
Short-term technical provisions	2 529 493	4 962 656	11
Targeted financing for housing grants	41 778 201	18 040 621	12
Targeted financing for the application of the green investment scheme	12 053 692	1 618 722	13
Targeted financing for supporting measures of entrepreneurship	483 107	431 531	14
<b>Total current liabilities</b>	<b>63 426 992</b>	<b>36 059 648</b>	
<b>Long-term liabilities</b>			
Long-term technical provisions	21 464 533	5 394 929	12
Long-term loans	5 827 133	10 092 860	15
Targeted financing for supporting measures of entrepreneurship	750 209 766	25 061 406	14
<b>Total long-term liabilities</b>	<b>777 501 432</b>	<b>40 549 195</b>	
<b>Total liabilities</b>	<b>840 928 424</b>	<b>76 608 843</b>	
<b>Net assets</b>			
Foundation capital	126 592 498	122 717 513	
Total net gain of the reporting year	1 215 078	3 874 985	
<b>Total net assets</b>	<b>127 807 576</b>	<b>126 592 498</b>	
<b>TOTAL LIABILITIES</b>	<b>968 736 001</b>	<b>203 201 341</b>	

	2020	2019	Notes
<b>Operating income</b>			
Guarantee fees	3 482 824	3 279 129	16, 17
Interest income from loans	791 307	1 189 894	16, 17
Targeted financing to cover operating expenses	3 674 130	2 848 327	16, 17
<b>Total operating income</b>	<b>7 948 261</b>	<b>7 317 350</b>	
<b>Operating expenses</b>			
Administrative expenses	-4 937 859	-4 233 426	20
Other operating income and expenses	92 504	84 403	18
<b>Total operating expenses</b>	<b>-4 845 355</b>	<b>-4 149 023</b>	
<b>Targeted financing</b>			
Targeted financing received for housing grants	8 297 307	6 261 501	16
Targeted financing received for the application of the green investment scheme	0	619 448	16
Targeted financing received for supporting measures of entrepreneurship	42 000	0	16
Targeted financing disbursed for housing grants	-8 297 307	-6 261 501	16
Targeted financing disbursed for the application of the green investment scheme	0	-619 448	16
Targeted financing disbursed for supporting measures of entrepreneurship	-42 000	0	16
<b>Targeted financing total</b>	<b>0</b>	<b>0</b>	
<b>Provisions and impairment losses</b>			
Provisions for claims from guarantee activities	-2 701 325	-1 142 833	16
Loan losses	45 560	-225 087	16
<b>Total provisions and impairment losses</b>	<b>-2 655 765</b>	<b>-917 746</b>	
<b>Financial income and expenses</b>			
Net income from securities	2 985	2 103	4
Interest income on deposits	130	105 229	3
Interest expenses	-341 848	-476 115	16
Profit/loss from subsidiaries	264 699	377 151	
Profit/loss from associated undertaking	-101 346	206 339	7
Profit/loss from fund investments	948 569	1 414 969	
Other financial income and expenses, net	-5 252	-5 272	19
<b>Total financial income and expenses</b>	<b>767 938</b>	<b>1 624 404</b>	
<b>NET INCOME FOR THE REPORTING PERIOD</b>	<b>1 215 078</b>	<b>3 874 985</b>	

## Unconsolidated cash flow statement of the parent company in euros

	2020	2019	Notes
<b>Cash flows from principal activities</b>			
Total net gain of the reporting year	1 215 078	3 874 985	16
Adjustments to income	-1 178 413	-2 280 066	
Change in receivables and prepayments made	128 135	6 239 682	
Change in liabilities and prepayments received	-3 836 942	5 359 623	
Change in provisions	13 636 441	-5 032 309	
Change in loan receivables	-119 717 914	4 188 082	
Change in targeted financing	759 372 486	-3 801 959	
<b>Total cash flows from principal activities</b>	<b>649 618 871</b>	<b>8 548 038</b>	
<b>Cash flows from financing activity</b>			
Loan repayments received	-4 852 404	-4 752 427	
<b>Total cash flows from financing activity</b>	<b>644 766 467</b>	<b>3 795 611</b>	
<b>Cash flows from investment activities</b>			
Sale of short-term financial investments	506 165	0	
Acquisition of long-term financial investments	-3 986 667	-4 016 667	
Repayment of long-term financial investments	2 640 000	1 233 056	
Interest income received	2 985	4 155	
Received dividend income	50 000	0	
Acquisition of fixed assets	-1 093 113	-1 087 872	8, 9
Sale of fixed assets	0	5 750	
<b>Total cash flows from investment activities</b>	<b>-1 880 630</b>	<b>-3 861 578</b>	
<b>Total cash flows</b>	<b>642 885 837</b>	<b>-65 967</b>	
Cash and cash equivalents at the beginning of the period	128 870 064	128 936 031	
Change in cash and cash equivalents	642 885 837	-65 967	
<b>Cash and cash equivalents at the end of the period</b>	<b>771 755 901</b>	<b>128 870 064</b>	3

## Statement of changes in net assets of the parent company in euros

	Enterprise trust funds	Housing trust funds	Foundation capital total	Undistributed income	Net assets Total
<b>Balance 31.12.2018</b>	<b>40 190 817</b>	<b>37 647 940</b>	<b>77 838 757</b>	<b>1 326 701</b>	<b>79 165 458</b>
Distribution of income into trust funds	-91 339	1 418 040	1 326 701	-1 326 701	0
Transfer of targeted financing of support measures to foundation capital	43 552 055	0	0	0	43 552 055
Total net gain of the reporting year	0	0	0	3 874 985	3 874 985
<b>Balance 31.12.2019</b>	<b>83 651 533</b>	<b>39 065 980</b>	<b>122 717 513</b>	<b>3 874 985</b>	<b>126 592 498</b>
Distribution of income into trust funds	2 412 783	1 462 202	3 874 985	-3 874 985	0
Total net gain of the reporting year	0	0	0	1 215 078	1 215 078
<b>Balance 31.12.2020</b>	<b>86 064 316</b>	<b>40 528 182</b>	<b>126 592 498</b>	<b>1 215 078</b>	<b>127 807 576</b>
<b>Adjusted unconsolidated equity capital</b>					
Book value of holdings under control and significant influence					-2,243,299
Book value of holdings under control and significant influence, calculated on the equity method					2,243,299
<b>Adjusted unconsolidated equity capital as at 31 December 2020</b>					<b>127,807,576</b>

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





## Signatures of the Members of the Management Board to the 2020 annual report

The annual report and the consolidated annual accounts of Foundation KredEx for the financial year that ended on 31 December 2020 have been prepared by the Management Board.

<b>Ivo Kuldmäe</b>	Chairman of the Management Board	(signed digitally)
<b>Paul Kalle</b>	Member of the Management Board	(signed digitally)

## Independent Auditors' Report

(Translation of the Estonian original)

To the Supervisory Board of Fund KredEx

### Opinion

We have audited the consolidated financial statements of Fund KredEx (the Group), which comprise the consolidated balance sheet as at 31 December 2020, the consolidated income statement, the consolidated statement of cash flows and the consolidated statement of changes in net assets for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements presented on pages 39 to 79, present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Estonian financial reporting standard.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the activity report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



## Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Tallinn, 21 April 2021

*/signed digitally/*

Eero Kaup

Certified Public Accountant, Licence No 459

KPMG Baltics OÜ

Licence No 17



**Division of the sales income of KredEx in the financial year 2020 according to the Estonian Classification of Economic Activities (EMTAK)**

According to the EMTAK, the sales income of KredEx consisted of the following.

	2020	2019
Guarantee fees (EMTAK 66291)	3 482 824	3 279 129
Loan interests (EMTAK 64929)	791 307	1 189 894
Targeted financing for operating expenses (EMTAK 84139)	3 674 130	2 848 327
Fund management fees (EMTAK 66301)	784 058	790 206
<b>Total</b>	<b>8 732 319</b>	<b>8 107 556</b>



## Contact Us!

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