

**APPROVAL OF THE ANNUAL ACCOUNTS FOR THE FINANCIAL YEAR ENDED
31 DECEMBER 2009 BY THE EXECUTIVE BOARD OF EESTI PANK**

The Executive Board acknowledges its responsibility for the Annual Accounts of Eesti Pank for the financial year ended 31 December 2009.

The Annual Accounts have been prepared in accordance with the Eesti Pank Act and the internal accounting policies and procedures of Eesti Pank. The Annual Accounts give a true and fair view of the assets and liabilities, equity and economic performance of Eesti Pank.

In order to prepare the Annual Accounts in conformity with the requirements outlined in the previous section, the Executive Board is expected to provide estimates which affect the assets and liabilities of Eesti Pank as at the accounting date and income and expenses during the accounting period. These estimates are based on the information available about Eesti Pank, its intentions and risks as at the date of preparation of the Annual Accounts. The final outcome of the economic transactions reflected in the Annual Accounts may differ from the estimates of the Executive Board.

On 16 April 2010, all members belonging to the Executive Board of Eesti Pank on that day signed the Annual Accounts.



Andres Lipstok
Governor of Eesti Pank, Chairman of
the Executive Board



Rein Minka
Deputy Governor, Member of
the Executive Board



Märten Ross
Deputy Governor, Member of
the Executive Board

BALANCE SHEET AS AT 31 DECEMBER 2009 AND 2008 (EEK THOUSAND)

| | Note | 31/12/2009 | 31/12/2008 |
|--------------------------------------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| Gold and gold receivables | 1 | 99,057 | 79,553 |
| Claims on non-residents denominated in foreign currency | | 43,459,024 | 43,610,202 |
| Receivables from the IMF | 2 | 2,173,802 | 1,126,856 |
| Balances with banks, security investments and external loans | 3 | 41,285,222 | 42,483,346 |
| Intra-Eurosystem claims | 4 | 11,294 | 10,745 |
| Other assets | | 1,206,222 | 1,900,031 |
| Tangible fixed assets | 5 | 304,300 | 276,676 |
| Other financial assets | 6 | 3,397 | 3,441 |
| Off-balance-sheet instruments revaluation differences | 7 | 15,078 | 481,847 |
| Accruals and prepaid expenses | 8 | 133,199 | 280,148 |
| Sundry assets | 9 | 750,248 | 857,919 |
| Total assets | | 44,775,597 | 45,600,531 |
| LIABILITIES AND EQUITY | | | |
| Currency in circulation | 10 | 9,777,491 | 11,996,322 |
| Liabilities to residents related to the monetary policy | 11 | 25,979,554 | 25,691,517 |
| Liabilities to other residents denominated in kroon | 12 | 99,684 | 102,017 |
| Liabilities to residents denominated in foreign currency | 13 | 838,663 | 179,828 |
| Liabilities to non-residents denominated in foreign currency | 14 | 109,636 | 0 |
| Liabilities to the IMF | 2 | 2,165,650 | 1,118,218 |
| Other liabilities | | 161,648 | 205,186 |
| Off-balance-sheet instruments revaluation differences | 7 | 43,670 | 57,366 |
| Accruals and deferred income | 15 | 92,357 | 112,275 |
| Sundry liabilities | 16 | 25,621 | 35,545 |
| Provisions | 17 | 2,070 | 6,955 |
| Revaluation accounts | 18 | 102,154 | 740,987 |
| Capital and reserves | 19 | 4,853,501 | 4,312,407 |
| Capital | | 600,000 | 600,000 |
| Reserves | | 4,253,501 | 3,712,407 |
| Profit for the year | | 685,544 | 1,247,094 |
| Total liabilities and equity | | 44,775,597 | 45,600,531 |

The Notes on pages 88–101 form an integral part of the Annual Accounts.

PROFIT AND LOSS ACCOUNT FOR 2009 AND 2008 (EEK THOUSAND)

| | Note | 2009 | 2008 |
|----------------------------------------------------------------------------|-----------|-----------------|------------------|
| Interest income | | 853,103 | 2,353,608 |
| Interest expense | | -329,118 | -1,353,434 |
| Net interest income | 20 | 523,984 | 1,000,174 |
| Realised gains/losses arising from financial operations | | 395,530 | 587,408 |
| Write-downs | | -20,531 | -46,073 |
| Net result of financial operations, write-downs and risk provisions | 21 | 374,999 | 541,335 |
| Net result of fees and commissions | 22 | 12,968 | 12,854 |
| Dividend income | 23 | 1,134 | 1,152 |
| Other operating income | 24 | 29,736 | 51,085 |
| Operating expenses | 25 | -257,277 | -359,506 |
| Personnel expenses | | -118,718 | -125,996 |
| Banknote and coin production costs | | -22,087 | -103,218 |
| General administration expenses | | -82,259 | -94,665 |
| Depreciation of fixed assets | | -34,213 | -35,627 |
| Profit for the year | | 685,544 | 1,247,094 |

The Notes on pages 88–101 form an integral part of the Annual Accounts.

STATEMENT OF CHANGES IN EQUITY (EEK THOUSAND)

| | Fixed capital | Reserve capital | Special reserve | Profit | Total |
|-----------------------------------|----------------|-----------------|------------------|------------------|------------------|
| Balance at the end of 2007 | 100,000 | 500,000 | 3,348,268 | 485,519 | 4,433,787 |
| Distribution of the 2007 profit | 0 | 0 | 364,139 | -364,139 | 0 |
| Allocations to the state budget | 0 | 0 | 0 | -121,380 | -121,380 |
| Profit of 2008 | 0 | 0 | 0 | 1,247,094 | 1,247,094 |
| Balance at the end of 2008 | 100,000 | 500,000 | 3,712,407 | 1,247,094 | 5,559,501 |
| Distribution of the 2008 profit | 0 | 0 | 541,094 | -541,094 | 0 |
| Allocations to the state budget | 0 | 0 | 0 | -706,000 | -706,000 |
| Profit of 2009 | 0 | 0 | 0 | 685,544 | 685,544 |
| Balance at the end of 2009 | 100,000 | 500,000 | 4,253,501 | 685,544 | 5,539,046 |

The Notes on pages 88–101 form an integral part of the Annual Accounts.

NOTES ON THE ANNUAL ACCOUNTS OF EESTI PANK

ACCOUNTING POLICIES USED IN THE ANNUAL ACCOUNTS

General principles

The Annual Accounts have been prepared in accordance with the Eesti Pank Act and the internal accounting policies and procedures of Eesti Pank. The internal accounting policies of Eesti Pank draw from the European Central Bank's (ECB) guidelines for accounting financial instruments. The accounting of other assets and liabilities is based on the accounting principles generally accepted in Estonia.

The Annual Accounts have been prepared on the historical cost basis, except in cases explained in the following accounting principles.

Preparing the Annual Accounts requires the Executive Board to provide estimates regarding the aspects affecting the assets and liabilities of Eesti Pank and income and expenses during the accounting period as at the balance sheet date. These estimates are based on the information available about Eesti Pank and its intentions and risks as at the date of preparation of the Annual Accounts.

The Executive Board of Eesti Pank is of the opinion that the publication of the Bank's Cash Flow Statement does not provide significant relevant information to the readers of the Annual Accounts of Eesti Pank, given its role as the central bank.

The Annual Accounts have been prepared in thousands of Estonian kroons (EEK thousand) unless indicated otherwise.

Financial assets and liabilities

Assets and liabilities are recorded in the Balance Sheet in case Eesti Pank is likely to achieve economic gains or losses from an asset or a liability in the future; nearly all risks and rights related to assets and liabilities have been taken over; the value of an asset or a liability and the resulting gains or losses can be assessed reliably.

Financial assets and liabilities

Financial asset is any asset that is cash, or a contractual right to receive cash or any other financial assets from another entity, or a contractual right to exchange financial assets with another entity under conditions that are potentially favourable. Financial liability is any liability that is a legal obligation to deliver cash or any other financial assets to another entity or to exchange financial assets with another entity under conditions that are potentially unfavourable.

Financial assets are initially recorded at their acquisition cost, which is the fair value of the amount received for the financial asset in question. Financial liabilities are initially recorded at their acquisition cost, which is the fair value of the amount paid for the financial liability in question. Subsequent measurement of financial assets and liabilities is based on the market value, the acquisition cost or amortised cost depending on the type of a respective asset or liability. Market value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. Financial instruments recorded at market value are revalued on every balance sheet date.

Financial assets recorded at adjusted acquisition cost are written down in case the recoverable amount of an asset is likely to be smaller than its carrying amount. The impairment of significant financial assets is assessed for each object separately. The impairment of financial assets that are not individually significant and that are not expected to be impaired is assessed for all assets together. Write-downs of financial assets are recorded as an expense of the accounting period in the Profit and Loss Account.

Recording of foreign currency transactions

The functional currency of Eesti Pank is the Estonian kroon. The transactions of financial instruments (except securities) denominated in foreign currency are recorded in off-balance-sheet accounts on the trade date. On the settlement date, off-balance-sheet entries are reversed and transactions are recorded on the Balance Sheet. The purchase and sale of foreign currency affect the net foreign-exchange position on the trade date; the sales proceeds are also calculated on the trade date. The interest accrued on financial instruments denominated in foreign currency and the premiums or discounts are calculated and recorded on a daily basis. These receivables also affect the foreign currency position on a daily basis.

Transactions in foreign currency are recorded on the basis of the official daily fixings of Eesti Pank as quoted by Eesti Pank on the trade date. Assets and liabilities denominated in foreign currencies are translated into Estonian kroons at the official daily fixings effective on the balance sheet date.

The official daily fixings applied on 31 December 2009 and 2008 were as follows:

| | 2009 | 2008 |
|-----|-------------|-------------|
| USD | 10.8653 | 11.1052 |
| SDR | 17.0276 | 17.1521 |
| EUR | 15.6466 | 15.6466 |

Income recognition

Income and expenses are recorded in the Profit and Loss Account in the period in which they are earned or incurred, regardless of when cash was received or paid.

Unrealised gains are not recognised as income but are transferred to a revaluation account.

Unrealised losses are recorded in the Profit and Loss Account under "Write-downs" if they exceed previous revaluation gains recorded in the corresponding revaluation account. Unrealised losses in any one currency or security or in gold are not netted against unrealised gains in other currencies or securities or gold.

In the event of an unrealised loss on any item at the year-end, the average cost of that item is reduced to the year-end exchange rate or market price.

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

Gold

Gold reserves are valued at market value as at the year-end, equal to Eesti Pank's daily fixing of the Estonian kroon and gold.

Foreign currency claims on non-residents

Claims on non-residents denominated in foreign currency are divided into two: "Receivables from the IMF" and "Balances with banks, security investments and external loans".

Foreign debt instruments and other quoted securities denominated in foreign currencies are recorded at their year-end market value. Debt instruments are revalued on the last banking day of the year by reference to the market prices on the last banking day.

Repurchase transactions (sale/repurchase transactions) are recorded as collateralised loans taken at their fair value, i.e. securities are recorded as assets on the Balance Sheet and the repurchase sum as a liability. Interest payable is recorded on accrual basis on the Balance Sheet under "Accruals and prepaid expenses".

Reverse repurchase transactions (purchase/resale transactions) are recorded as collateralised loans granted. Interest receivable is recorded on accrual basis on the Balance Sheet under "Accruals and income collected in advance" and interest income in the Profit and Loss Account. Securities used as collateral for reverse repurchase transactions are not recorded on the Balance Sheet of Eesti Pank.

Investment in shares

Investment in shares is recorded at market value if it can be assessed reliably. The assessment of the market value of shares is not reliable if they are not actively traded and there are no alternative methods to assess their value reliably. In this case shares are recorded at their acquisition cost. Gains and losses on the sale of shares are recorded in the Profit and Loss Account after all conditions of sale are fulfilled. Dividend income is recorded as income for the period.

Fixed assets

Fixed assets are assets with useful life over a year and acquisition cost in excess of 50,000 kroons. Fixed assets are initially recorded at cost, which includes purchase price and other expenditure directly related to bringing the assets to the location and condition necessary for their intended use. Land, buildings, utility systems of buildings, IT hardware, software, and other assets with long-term useful lives are recorded as fixed assets on the Balance Sheet. Prepayments for fixed assets are also recorded as fixed assets.

Land and objects of art and culture are not depreciable assets. Other fixed assets are depreciated on a straight-line basis over the estimated useful lives of the assets at the following rates:

| | 2009 | 2008 |
|------------------------------|-------------|-------------|
| Buildings | 3% | 3% |
| Utility systems of buildings | 20% | 20% |
| Hardware | 33% | 33% |
| Software | 20–50% | 20–50% |
| Other fixed assets | 20% | 20% |

The need to differentiate between software depreciation rates arose due to the introduction of application software with high acquisition cost and different useful life.

Subsequent expenditure incurred for items of fixed asset are recognised as fixed assets when it is probable that Eesti Pank will derive future expected benefits from the asset and the cost of the asset can be measured reliably. Other maintenance and repair costs are expensed at the time they are incurred.

Currency in circulation

Currency in circulation comprises banknotes and coins issued by Eesti Pank at their nominal value and recorded on the Balance Sheet as a liability to the holder of currency. Currency in the cash desk of Eesti Pank is deducted from this liability.

Claims on and liabilities to the Financial Supervision Authority

The Balance Sheet of Eesti Pank contains a claim on the Financial Supervision Authority in relation to services provided by Eesti Pank and acquisition of current assets, and a liability to the Financial Supervision Authority in relation to its settlement account held with Eesti Pank.

Off-balance-sheet instruments

Currency instruments, namely foreign exchange forward instruments, forward legs of foreign exchange swaps and other currency instruments involving an exchange of one currency for another at a future date, are included in the net foreign currency position for the purpose of calculating foreign exchange gains and losses.

Interest rate instruments are revalued on an item-by-item basis. Daily changes in the variation margin of open interest rate futures contracts are recorded in the Profit and Loss Account. The valuation of forward transactions in securities and of interest rate swaps is based on generally accepted valuation methods using observable market prices and rates and the discount factors from the settlement dates to the valuation date.

Contingent liabilities

Contingent liabilities are recorded in the Notes to the Annual Accounts and include commitments, guarantees and other liabilities which may, under certain conditions, become liabilities in the future, whereas the probability of their realisation is considered lower by the management of the Bank than the probability of their non-realisation.

Post-balance-sheet events

Assets and liabilities are adjusted for events that occur between the balance sheet date and the date of compilation of the Annual Accounts but are related to transactions during the accounting period or earlier periods and/or materially affect the condition of assets and liabilities on the balance sheet date. Important post-balance-sheet events that do not affect the condition of assets and liabilities on the balance sheet date are disclosed in the Notes.

Notes on the Balance Sheet

ITEM 1 – GOLD

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

| | Amount (ounces) | Market price per ounce (kroons) | Market value (EEK thousand) |
|-----------------------------------|------------------|---------------------------------|-----------------------------|
| Balance at the end of 2008 | 8,250.171 | 9,642.60 | 79,553 |
| Revaluation | - | - | 19,504 |
| Balance at the end of 2009 | 8,250.171 | 12,006.70 | 99,057 |

The market price for an ounce is equal to Eesti Pank's daily fixing of the Estonian kroon and gold.

ITEM 2 – RELATIONS WITH THE INTERNATIONAL MONETARY FUND (IMF)

Item 2 includes the SDR account in the IMF, participation in the IMF and other receivables. The value of SDR is determined on the basis of a basket of currencies. It is the weighted average of the exchange rates of the four main currencies (the euro, the Japanese yen, the pound sterling and the US dollar).

EEK thousand

| | 31/12/2009 | 31/12/2008 |
|---------------------------------------|------------------|------------------|
| Participation in the IMF | 1,110,200 | 1,118,317 |
| SDR account in the IMF | 1,056,172 | 1,054 |
| Other receivables from the IMF | 7,431 | 7,485 |
| Total receivables from the IMF | 2,173,802 | 1,126,856 |
| IMF kroon accounts (liabilities) | 1,110,102 | 1,118,218 |
| Distribution of SDR | 1,055,548 | 0 |
| Total liabilities to the IMF | 2,165,650 | 1,118,218 |

SDR account in the IMF

An SDR account is generated for every IMF Member State for conducting loan transactions and various other similar operations between a Member State and the IMF.

On 7 August 2009, the IMF decided to increase the SDR issues for all of its member states to increase global liquidity by providing support to the foreign reserves of the member states. As a result, Estonia received 61,965,241 SDRs.

Participation in the IMF

Eesti Pank acts as a fiscal agent between the Republic of Estonia and the IMF and as a depository of IMF's kroon deposits and debt instruments. A quota has been established for each IMF member determining its participation (subscription) and voting power in the IMF. Participation in the IMF is recorded under assets on the Balance Sheet and equals to the country's quota. At the end of 2009, the quota of the Republic of Estonia in the IMF was 65,200,000 SDRs.

The Republic of Estonia has paid its subscription in government debt instruments deposited with Eesti Pank, which are recorded under the item "Liabilities to the IMF". These debt instruments do not bear interest.

Other receivables from the IMF

Since March 1997 this item has reflected the amounts that the IMF has reserved to strengthen its financial situation. The source of these amounts is the percentage added to the interest rate on the Stand-by Arrangement (SBA) and the Systemic Transformation Facility (STF), which is about 0.1%.

EEK thousand

| Other receivables from the IMF | 31/12/2009 | 31/12/2008 |
|-----------------------------------------|--------------|--------------|
| Eesti Pank, SBA loan-related receivable | 5,724 | 5,766 |
| Government, STF loan-related receivable | 1,707 | 1,719 |
| Total | 7,431 | 7,485 |

ITEM 3 – BALANCES WITH BANKS, SECURITY INVESTMENT AND EXTERNAL LOANS

EEK thousand

| | Balance at the end of 2008 | Structure of residual maturity | | | | |
|-------------------------------|----------------------------|--------------------------------|-------------------|------------------|------------------|------------------|
| | | up to 3 months | 3–12 months | 1–3 years | 3–5 years | over 5 years |
| | 42,483,346 | 18,770,815 | 10,580,620 | 6,025,691 | 2,994,279 | 4,111,941 |
| Cash and current accounts | 632,850 | 632,850 | 0 | 0 | 0 | 0 |
| Time deposits | 2,567,965 | 2,567,965 | 0 | 0 | 0 | 0 |
| Securities | 37,686,577 | 13,974,046 | 10,580,620 | 6,025,691 | 2,994,279 | 4,111,941 |
| Reverse repurchase agreements | 1,595,954 | 1,595,954 | 0 | 0 | 0 | 0 |
| | Balance at the end of 2009 | Structure of residual maturity | | | | |
| | | up to 3 months | 3–12 months | 1–3 years | 3–5 years | over 5 years |
| | 41,285,222 | 23,958,788 | 13,815,399 | 1,640,000 | 811,189 | 1,059,847 |
| Cash and current accounts | 1,236,331 | 1,236,331 | - | - | - | - |
| Time deposits | 3,240,103 | 3,240,103 | - | - | - | - |
| Securities | 33,946,987 | 16,620,552 | 13,815,399 | 1,640,000 | 811,189 | 1,059,847 |
| Reverse repurchase agreements | 2,861,801 | 2,861,801 | - | - | - | - |

In 2009, Eesti Pank's foreign exchange reserves were mainly invested in the markets of low-risk government bonds of leading industrial countries of the euro area and the United States with an average maturity of 0.6 years.

The guidelines for the management of Eesti Pank's foreign exchange reserves allow only transactions with highly rated international banks and financial institutions and limit any credit risk the bank can take in managing its foreign assets. The issuer risk is allowed for the following minimum credit ratings assigned by international rating agencies (S&P, Moody's):

- A-1 or P-1 for bonds with the maturity of up to one year;
- AA- or Aa3 for bonds with the maturity of over one year.

ITEM 4 – INTRA-EUROSISTEM CLAIMS

Item 4 reflects participation of Eesti Pank in the European Central Bank (ECB). Pursuant to Article 28 of the Statute of the European System of Central Banks (ESCB), the national central banks of the ESCB are the sole subscribers of the capital of the ECB. Subscriptions depend on the capital key weighting established in compliance with Article 29.3 of the ESCB Statute. The capital key weighting is adjusted every five years, last on 1 January 2009. Consequently, Eesti Pank's share in the subscribed capital of the ECB increased from 0.1703% to 0.1790%.

Since the Republic of Estonia is not member of the euro area, the transitional provisions of Article 48 of the Statute apply. Eesti Pank was required to pay up a minimal contribution of 7% of its subscribed capital to the ECB upon entry to the ESCB. Owing to the change in subscription, the capital key share paid by Eesti Pank increased from 686,727 euros (10.7 billion kroons) on 31 December 2008 to 721,810 euros (11.3 billion kroons) on 1 January 2009. Eesti Pank is obliged to pay the remaining 93% after Estonia's accession to the Economic and Monetary Union.

ITEM 5 – TANGIBLE FIXED ASSETS

EEK thousand

| Acquisition cost | Buildings | Hardware | Furniture and fixtures | Software | Total |
|-------------------------------------|----------------|---------------|------------------------|---------------|----------------|
| Balance at the end of 2008 | 318,854 | 50,568 | 74,478 | 60,796 | 504,696 |
| Acquisitions | 24,589 | 4,555 | 2,959 | 3,383 | 35,486 |
| Disposals | 0 | 5,124 | 1,960 | 1,700 | 8,784 |
| Balance at the end of 2009 | 343,443 | 49,999 | 75,477 | 62,479 | 531,398 |
| Accumulated depreciation | | | | | |
| Balance at the end of 2008 | 82,684 | 40,600 | 58,261 | 50,382 | 231,927 |
| Depreciation charge | 17,376 | 5,770 | 6,095 | 4,972 | 34,213 |
| Disposals | 0 | 5,124 | 1,960 | 1,700 | 8,784 |
| Balance at the end of 2009 | 100,060 | 41,246 | 62,396 | 53,654 | 257,356 |
| Carrying amount | | | | | |
| at the end of 2008 | 236,170 | 9,968 | 16,217 | 10,414 | 272,769 |
| at the end of 2009 | 243,383 | 8,753 | 13,081 | 8,825 | 274,042 |
| Prepayments for fixed assets | | | | | |
| Balance at the end of 2008 | 3,892 | 0 | 15 | 0 | 3,907 |
| Balance at the end of 2009 | 26,859 | 0 | 0 | 3,400 | 30,259 |
| Total fixed assets | | | | | |
| at the end of 2008 | 240,062 | 9,968 | 16,232 | 10,414 | 276,676 |
| at the end of 2009 | 270,242 | 8,753 | 13,081 | 12,225 | 304,301 |

The cost of fixed assets acquired in 2009 amounted to 35.5 million kroons (24.2 million kroons in 2008). The majority of the procurement of buildings was composed of costs related to the major repair of Eesti Pank's building at Sakala 4.

Hardware procurement included computers, servers, printers and data communication equipment. The majority of purchases of fittings included business machines, security devices and furniture. Software purchases included primarily system software and additional user licences for existing software.

ITEM 6 – OTHER FINANCIAL ASSETS – investment in shares and units

Shares held by Eesti Pank:

| | Balance at the end of 2009 | | Balance at the end of 2008 | |
|-------------------------------------------------|----------------------------|--------------|----------------------------|--------------|
| | Holding (%) | EEK thousand | Holding (%) | EEK thousand |
| Bank for International Settlements (BIS) | | | | |
| 214 shares (200 voting shares) | N/A | 3,397 | N/A | 3,397 |
| NASDAQ OMX Tallinn | | | | |
| 29 shares with nominal value à 4,000 kroons | - | - | 1.1 | 44 |
| Total | | 3,397 | | 3,441 |

N/A – not available

On 18 November 2009, Eesti Pank sold its NASDAQ OMX Tallinn shares to NASDAQ OMX Nordic Oy.

ITEM 7 – OFF-BALANCE-SHEET INSTRUMENTS REVALUATION DIFFERENCES

Item 7 reflects valuation changes in swap and forward transactions in foreign currency outstanding at year-end. These valuation changes are the result of the conversion of such transactions at the central exchange rates of Eesti Pank on the balance sheet date, compared with the values resulting from the conversion of the transactions at the average cost of the respective foreign currency on that date.

Valuation gains in outstanding interest rate swap transactions are also included in this item.

ITEM 8 – ACCRUALS AND PREPAID EXPENSES

EEK thousand

| | 2009 | 2008 |
|-----------------------------------------------|----------------|----------------|
| Interest income | 109,901 | 258,403 |
| Securities | 108,133 | 226,641 |
| Derivative instruments | 1,094 | 31,302 |
| Time deposits and settlement accounts | 555 | 302 |
| Loans | 118 | 158 |
| Prepaid expenses | 10,469 | 13,318 |
| Claims on the Financial Supervision Authority | 8,108 | 5,696 |
| Other claims | 4,720 | 2,731 |
| Total | 133,199 | 280,148 |

ITEM 9 – SUNDRY ASSETS

Item 9 consists mainly of euro cash in the total amount of 663.4 million kroons (751 million kroons in 2008) and loans issued to employees of Eesti Pank in the total amount of 63.5 million kroons (51 million kroons in 2008).

This item also includes positive balances related to swap and forward transactions in foreign currency that were outstanding on 31 December 2009 and totalled 11.8 million kroons (53 million kroons in 2008).

The balances related to swap and forward transactions arise from the conversion of such transactions into their Estonian kroon equivalents at the respective currency's average cost on the balance sheet date, compared with the kroon values at which the transactions were initially recorded.

Housing loans secured by real estate have been granted to employees of Eesti Pank for a maximum of 30 years and consumption loans for up to 2 years. The Supervisory Board of Eesti Pank establishes the interest rate on consumption loans for every year. The interest rate on consumption loans is comparable to the interest rate charged by Estonian credit institutions under similar conditions. The interest rate on housing loans is the standing deposit facility interest payable to credit institutions plus the risk margin but not more than the minimum loan interest rate established by the minister of finance. The deposit facility rate equals ECB deposit interest rate, which remained within 0.25–2% in 2009. In addition, study loans have been granted for a maximum of 10 years and with a 5% interest rate. Additional information on write-downs of loans is provided under Item 21.

ITEM 10 – CURRENCY IN CIRCULATION

EEK thousand

| | 2009 | 2008 |
|--------------|------------------|-------------------|
| Banknotes | 9,613,196 | 11,833,949 |
| Coins | 164,295 | 162,373 |
| Total | 9,777,491 | 11,996,322 |

ITEM 11 – LIABILITIES TO RESIDENTS RELATED TO THE MONETARY POLICY

Item 11 includes the settlement accounts of credit institutions with Eesti Pank. The deposits of credit institutions increased by 288 million kroons in 2009. Eesti Pank has imposed the deposit interest rate of the European Central Bank effective on the last banking day of the accounting month as the interest rate on credit institutions' deposits held with the central bank. In 2009, the deposit interest rate of the ECB decreased from 2% to 0.25%. The interest rate is calculated on the basis of the monthly average balance of the settlement account (see Item 15).

ITEM 12 – LIABILITIES TO OTHER RESIDENTS DENOMINATED IN KROON

Item 12 reflects the funds in the account of the Financial Supervision Authority held with Eesti Pank, which subjects of financial supervision pay as supervision fees. Interests on the funds in the Financial Supervision Authority's account are calculated quarterly on the basis of the average balance of the settlement account. The interest rate is equal to the yield of the foreign exchange reserves.

In addition, this item reflects the settlement accounts of NASDAQ OMX Tallinn and the Estonian Central Register of Securities.

ITEM 13 – LIABILITIES TO RESIDENTS DENOMINATED IN FOREIGN CURRENCY

In November 2006, Eesti Pank joined the Trans-European Automated Real-Time Gross Settlement Express Transfer system TARGET. Item 13 reflects the euro settlement accounts of Estonian credit institutions that have joined the TARGET.

ITEM 14 – LIABILITIES TO NON-RESIDENTS DENOMINATED IN FOREIGN CURRENCY

Item 14 reflects repurchase agreements.

ITEM 15 – ACCRUALS AND DEFERRED INCOME

EEK thousand

| | 2009 | 2008 |
|--------------------------------------|---------------|----------------|
| Interest expense | 6,464 | 55,867 |
| on deposits with credit institutions | 5,770 | 44,555 |
| on derivative instruments | 694 | 11,312 |
| Tax liabilities | 10,539 | 11,161 |
| Other liabilities | 75,353 | 45,247 |
| Total | 92,357 | 112,275 |

ITEM 16 – SUNDRY LIABILITIES

Item 16 mainly includes negative balances related to swap and forward transactions in foreign currency that were outstanding on 31 December 2009 and totalled 10.2 million kroons (27.8 million kroons in 2008). These balances arise from the conversion of such transactions into their Estonian kroon equivalents at the respective currency's average cost on the balance sheet date, compared with the kroon values at which the transactions were initially recorded.

This item also includes accounts for the Republic of Estonia's claim on the IMF, which is recorded on the Balance Sheet of Eesti Pank as the bank's liability to the Government of the Republic of Estonia. The claim is related to the participation of the Republic of Estonia in strengthening the financial situation of the IMF through premium calculated on the Systemic Transformation Facility (STF).

Other entries include the settlement accounts of non-residents with Eesti Pank, contingent loan liabilities, the market value of options and the amounts paid as collateral for outstanding interest rate swap transactions.

ITEM 17 – PROVISIONS

Item 17 consists of performance bonuses to employees of the Financial Markets Department for the results of the financial year. The amount of bonuses is approved by the Deputy Governor in charge of the Financial Markets Department after the audited Eesti Pank Annual Report has been approved by the Supervisory Board of Eesti Pank.

ITEM 18 – REVALUATION ACCOUNTS

EEK thousand

| | 2009 | 2008 |
|------------------------|----------------|----------------|
| Foreign currencies | 49,965 | 41,796 |
| Securities | 48,395 | 648,663 |
| Derivative instruments | 3,794 | 50,528 |
| Total | 102,154 | 740,987 |

These accounts represent revaluation reserves arising from unrealised gains on assets and liabilities.

The unrealised losses at the end of the year are recognised in the Profit and Loss Account as expenses under "Write-downs".

ITEM 19 – CAPITAL AND RESERVES

Changes in capital and reserves in 2009:

EEK thousand

| | Balance at the end of 2009 | Distribution of 2008 profit | Balance at the end of 2008 |
|-----------------|----------------------------|-----------------------------|----------------------------|
| Fixed capital | 100,000 | 0 | 100,000 |
| Reserve capital | 500,000 | 0 | 500,000 |
| Special reserve | 4,253,501 | 541,094 | 3,712,407 |
| Total | 4,853,501 | 541,094 | 4,312,407 |

The Profit Distribution Strategy of Eesti Pank is based on the principle of avoiding too rapid decrease of Eesti Pank's own capital and net foreign exchange reserves against key economic indicators before Estonia's accession to Economic and Monetary Union.

According to Section 30 of the Eesti Pank Act, at least 25% of the annual profit must be allocated for increasing both statutory and reserve capital. After these allocations, part of the profit can be allocated for establishing and supplementing foundation capital and funds for specific purposes, based on the decision of the Supervisory Board of Eesti Pank. The remaining profit is transferred to the state budget.

The Supervisory Board of Eesti Pank decided to transfer 706 million kroons from the profit for 2008 to the state budget and 541.1 million kroons to the special reserve fund.

Notes on the Profit and Loss Account

ITEM 20 – NET INTEREST INCOME

| | <i>EEK thousand</i> | |
|----------------------------------------|---------------------|-------------------|
| | 2009 | 2008 |
| Net interest income | 523,984 | 1,000,174 |
| Interest income | 853,103 | 2,353,608 |
| Securities | 684,870 | 1,503,419 |
| Derivative instruments | 131,155 | 558,155 |
| Reverse repurchase agreements | 25,464 | 231,134 |
| Time deposits | 7,834 | 47,990 |
| Settlement accounts | 2,391 | 10,666 |
| Loans to personnel | 1,389 | 2,243 |
| Other | 0 | 1 |
| Interest expense | -329,118 | -1,353,434 |
| Securities | -134,412 | -94,480 |
| Credit institutions' deposit interests | -102,514 | -734,374 |
| Derivative instruments | -89,796 | -478,134 |
| Settlement accounts | -1,130 | -1,764 |
| Repurchase agreements | -543 | -39,893 |
| Other | -722 | -4,789 |

ITEM 21 – NET RESULT OF FINANCIAL OPERATIONS, WRITE-DOWNS AND PROVISIONS

EEK thousand

| | 2009 | 2008 |
|----------------------------------------------------------------|----------------|----------------|
| Net result of financial operations | 374,999 | 541,335 |
| Realised gains/losses arising from financial operations | 395,530 | 587,408 |
| Securities | 348,210 | 466,177 |
| Derivative instruments | 74,445 | 48,162 |
| Income/expense of exchange rate differences | 1,678 | 87,430 |
| Financial asset management costs | -30,699 | -14,361 |
| Other | 1,896 | 0 |
| Write-downs | -20,531 | -46,073 |
| Securities | -9,065 | -124 |
| Derivative instruments | -7,571 | -42,692 |
| Exchange rate write-downs | -2,527 | -3,189 |
| Net change of loan portfolio write-downs | -113 | -68 |
| Other provisions | -1,255 | 0 |

ITEM 22 – NET RESULT OF TRANSACTION AND COMMISSION FEES

EEK thousand

| | 2009 | 2008 |
|----------------------------------------|---------------|---------------|
| Transaction and commission fees | 12,968 | 12,854 |
| Settlement service costs | 14,245 | 14,024 |
| Commissions on futures and options | -1,405 | -1,723 |
| Fines, arrears and other | 127 | 553 |

Item 22 mainly reflects income on servicing credit institutions' settlement accounts.

ITEM 23 – DIVIDEND INCOME

Item 23 includes dividends on the shares of the Bank for International Settlements and NASDAQ OMX Tallinn.

ITEM 24 – OPERATING INCOME

EEK thousand

| | 2009 | 2008 |
|--------------------------------------------------------------------------|---------------|---------------|
| Operating income | 29,736 | 51,085 |
| Expenses compensated by financial supervision | 15,245 | 9,598 |
| Income from the sale of collector coins and numismatic-bonistic products | 11,876 | 38,904 |
| Income on asset management | 1,538 | 1,677 |
| Rental income | 507 | 692 |
| Income from the sale of assets | 182 | 87 |
| Other income | 389 | 127 |

Income on services provided to the Financial Supervision Authority totalled 15.2 million kroons. The Financial Supervision Authority reimbursed as monthly payments 100% of the cost of the support services provided by Eesti Pank. Eesti Pank provides the Financial Supervision Authority with information technology, accounting, real estate, and administration services. The Financial Supervision Authority covers also the depreciation costs of fixed assets used.

Income from the sale of numismatic-bonistic products mainly consisted of income from the sale of collector coins.

Income from asset management includes the service fee paid by the Guarantee Fund to Eesti Pank for investing their assets.

Income from the rent of the training centres of Eesti Pank is recorded under "Rent Income". Income from the sale of assets reflects income from the sale of fixed assets and inventories unnecessary for Eesti Pank.

ITEM 25 – OPERATING EXPENSES

| <i>EEK thousand</i> | | |
|---------------------------|-----------------|-----------------|
| | 2009 | 2008 |
| Staff costs | -118,718 | -125,996 |
| Wages | -86,444 | -92,657 |
| Social tax | -29,086 | -31,080 |
| Compensation and benefits | -2,335 | -1,988 |
| Unemployment insurance | -853 | -271 |

Staff costs include mainly wage costs, including taxes, but also performance bonuses to employees of the Financial Markets Department for the results of the financial year.

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

The production costs of banknotes and coins mainly consist of the production costs of numismatic-bonistic products.

| <i>EEK thousand</i> | | |
|----------------------------------------------------|----------------|----------------|
| | 2009 | 2008 |
| General administrative expenses | -82,259 | -94,665 |
| Information technology maintenance costs | -19,999 | -19,306 |
| Financial asset management costs | -17,174 | -17,295 |
| Real estate renovation and administration expenses | -13,760 | -16,575 |
| Business travel expenses | -6,777 | -8,262 |
| Public relations and publication costs | -5,695 | -9,547 |
| Training expenses | -3,637 | -4,638 |
| Office costs | -3,637 | -4,189 |
| Communications and transportation costs | -751 | -1,326 |
| Legal and arbitration costs | -510 | -485 |
| Other expenses | -10,318 | -13,042 |

The costs of financial asset management and settlements comprise the cost of market information, fees and costs of cross-border payments, and management costs of foreign reserves.

The procurements of public relations and publications include the costs of public events, publications, market information, information agencies, the public web and online databases, public relations research polls, information campaigns, advertising and the Museum of Eesti Pank.

Business travel expenses reflect costs related to the representation of Eesti Pank and cooperation with international organisations and financial institutions. There were a total of 594 business trips in 2009 (735 in 2008).

Other expenses primarily consisted of costs of security, sovereign rating, the foreign representative of Eesti Pank, and economic research.

ITEM 26 – DERIVATIVE INSTRUMENTS

Derivative instruments are used for risk hedging in the management of foreign exchange reserves.

Futures purchase transactions with a contract value of 601.8 million kroons and futures sale transactions with a contract value of 3.008 billion kroons were outstanding as at 31 December 2009 (in 2008, 8.269 billion and 230 million kroons, respectively). The contract value of outstanding interest rate swaps totalled 1.209 billion kroons (in 2008, 1.542 billion kroons). Foreign exchange swap and forward transaction claims of 1.840 billion and liabilities of 1.862 billion kroons remained outstanding as at 31 December 2009 (in 2008, 5.539 and 5.087 billion kroons, respectively).

ITEM 27 – CONTINGENT LIABILITIES

EEK thousand

| | Balance at the end of 2009 | Balance at the end of 2008 |
|--------------------------------------------------------|----------------------------|----------------------------|
| Contingent liabilities | 190,274 | 150,840 |
| Uncalled share capital (75%) of BIS | 7,911 | 8,085 |
| Uncalled share (93%) of ECB participation | 150,047 | 142,754 |
| Contractual obligations to produce banknotes and coins | 32,317 | 0 |

Bank for International Settlements (BIS)

Since 1930 Eesti Pank has a contingent liability to the Bank for International Settlements. This liability is the uncalled part of the share capital (75%) of BIS denominated in Swiss gold francs, totalling 7.9 million kroons on the balance sheet date (see Item 6).

European Central Bank

In 2004, the Republic of Estonia joined the European Union and consequently Eesti Pank became a member of the ESCB. Since the Republic of Estonia is not member of the euro area, the transitional provisions of Article 48 of the ESCB's Statute apply. Eesti Pank was required to pay up a minimal contribution of 7% of its subscribed capital to the ECB upon entry to the ESCB. Eesti Pank is obliged to pay the remaining 93% in the amount of 9.6 million euros (150 million kroons) upon Estonia's accession to the Economic and Monetary Union.

Printing of banknotes and minting of coins

At the end of 2009, the contractual liabilities of Eesti Pank for printing banknotes and minting coins in 2010 amounted to 32.3 million kroons, which primarily arises from the potential costs related to the minting of euro coins.

Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Supervisory Board of Eesti Pank

We have audited the financial statements of Eesti Pank, which comprise the balance sheet as at 31 December 2009, the report on revenues and expenses and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes. The audited financial statements, which we have identified on the accompanying pages 84 to 101, are enclosed with the current report.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Eesti Pank Act and the accounting principles stated in the "Accounting Policies used in the Annual Accounts" of the accompanying financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eesti Pank as at 31 December 2009, and its financial performance for the year then ended in accordance with Eesti Pank Act and the accounting principles stated in the "Accounting Policies used in the Annual Accounts" of the accompanying financial statements.

Tallinn, 16 April 2010



Ivar Kiigemägi
Ernst & Young Baltic AS



Tiina Sõmer
Authorised Auditor