

Appendix 3 to  
Eesti Pank Governor's Decree No 6 of 23 May 2014  
"Establishment of substantive and formal requirements  
for the balance sheet and income statement of credit institutions"

### Explanation of balance sheet items

In the preparation of the reports stipulated in Appendix 5 to this Decree, assets, liabilities and equity shall be recognised according to the following explanation of items.

#### **1. ASSETS**

ITEM	CONTENT OF ITEM
<b>1. Cash and cash balances at central banks</b>	This item shows cash and cash equivalents, including cash on hand, cheques in hand, and other instruments similar to cash, demand deposits, overnight deposits and other high-liquidity (up to 3 months) time deposits in other credit institutions and receivables of similar nature from central banks. Cash and receivables are measured at fair value under this item.
<b>2. Financial assets held for trading</b>	Based on IAS 39, this item shows derivatives classified as held for trading (except for derivatives treated as financial guarantees and hedging instruments), equity instruments, debt securities, loans and other financial assets. Financial assets are measured at fair value under this item.
<b>3. Financial assets designated at fair value through profit or loss</b>	Based on IAS 39, this item shows equity instruments, debt securities, loans and other financial assets designated at fair value through profit or loss since their initial recognition. Financial assets are measured at fair value under this item.
<b>4. Available-for-sale financial assets</b>	Based on IAS 39, this item shows equity instruments, debt securities, loans and other financial assets classified as available-for-sale financial assets. As a rule, financial assets are measured at fair value under this item. If the fair value of the asset cannot be reliably measured, the asset shall be measured at cost or amortised cost.
<b>5. Loans and receivables</b>	This item shows debt securities, loans, financial lease receivables and other financial assets which have not been listed on the active market, which have fixed or determinable payments, which are not classified under previous balance sheet items and under the balance sheet asset item 6 "Held-to-maturity investments", and which are treated under IAS 39. Loans and receivables are measured at amortised cost under this item.
<b>6. Held-to-maturity investments</b>	Based on IAS 39, this item shows debt securities, loans and other financial assets with fixed or determinable payments and a fixed maturity, classified as held-to-maturity investments. Investments are measured at amortised cost under this item.
<b>7. Investments in associates and subsidiaries</b>	Based on IAS 27 and IAS 39, this item shows holdings in associates and subsidiaries not treated as financial assets held for trading. Investments are measured at amortised cost (less impairment) or at fair value under this item.
<b>8. Derivatives – Hedge</b>	Based on IAS 39, this item shows derivatives held to hedge

<b>accounting</b>	risks. The item contains individual financial asset hedges (change in fair value, cash flows and net investments in foreign operations) and financial assets portfolio interest rate exposure hedges. Derivatives are measured at fair value under this item.
<b>9. Fair value changes of the hedged items in portfolio hedge of interest rate risk</b>	Based on IAS 39, this item shows changes in the fair value of hedged items upon hedging of the financial assets portfolio interest rate exposure, if the value of the change is positive. Changes in the fair value of hedged items upon hedging of the financial assets portfolio interest rate exposure are recognised under assets, if the fair value of the financial assets within the portfolio exceeds their carrying amount recognised under the balance sheet asset items.
<b>10. Tangible assets</b>	This item shows: 1. tangible assets used in the operations of the credit institution, uncompleted objects of tangible assets and prepayments for tangible assets that comply with the provisions of IAS 16, and tangible assets on financial lease in possession of the reporting credit institution in accordance with IAS 17; 2. objects of investment property complying with the provisions of IAS 40, owned by the credit institution and in possession of the reporting credit institution on financial lease. Tangible assets are measured at cost (less depreciation and impairment) or at fair value under this item. Investment property is measured at cost (less depreciation and impairment) or at fair value.
<b>11. Intangible assets</b>	This item shows positive goodwill arisen in business combinations in accordance with IFRS 3 and IAS 36, and other intangible assets in accordance with IAS 38. Intangible assets are measured at cost (less amortisation and impairment) or at fair value under this item.
<b>12. Income tax assets</b>	This item shows the prepaid and recoverable income tax and deferred income tax assets of the credit institution.
<b>13. Other assets</b>	This item shows the assets of the credit institution that are not recognised under previous balance sheet asset items and under the asset item 14 "Non-current assets and disposal groups classified as held for sale".
<b>14. Non-current assets and disposal groups classified as held for sale</b>	This item shows the non-current assets and disposal groups held for sale in accordance with IFRS 5. Non-current assets and disposal groups are measured at the lower of the carrying amount or fair value (less expected sales expenses).

## **2. LIABILITIES**

<b>1. Financial liabilities held for trading</b>	Based on IAS 39, this item shows derivatives classified as held for trading (except for derivatives treated as financial guarantees and hedging instruments), short positions arising from disposal of financial assets obtained through reverse repurchase transactions and other transactions, deposits, debt securities issued (including long-term bonds that the reporting credit institution is intending to repurchase in the near term) and other financial liabilities. Financial liabilities are measured at fair value under this item.
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<b>2. Financial liabilities designated at fair value through profit or loss</b>	Based on IAS 39, this item shows deposits, debt securities issued (including long-term bonds), subordinated liabilities and other financial liabilities designated at fair value through profit or loss since their initial recognition. Financial liabilities are measured at fair value under this item.
<b>3. Financial liabilities measured at amortised cost</b>	This item shows deposits, debt securities issued (including long-term bonds with the intention to repurchase them in the near term), subordinated liabilities and other financial liabilities that are not classified under previous balance sheet liability items and the balance sheet liability item 4 "Derivatives – Hedge accounting", and that are treated under IAS 39. Financial liabilities are measured at amortised cost under this item.
<b>4. Derivatives – Hedge accounting</b>	Based on IAS 39, this item shows derivatives held to hedge risks. The item contains individual financial asset hedges (change in fair value, cash flows and net investments in foreign operations) and financial assets portfolio interest rate exposure hedges. Derivatives are measured at fair value under this item.
<b>5. Fair value changes of the hedged items in portfolio hedge of interest rate risk</b>	Based on IAS 39, this item shows changes in the fair value of hedged items upon hedging of the financial assets portfolio interest rate exposure, if the value of the change is negative. Changes in the fair value of hedged items upon hedging of the financial assets portfolio interest rate exposure are recognised under liabilities, if the carrying amount of the financial assets within the portfolio, which is recorded under the balance sheet asset items, exceeds their fair value.
<b>6. Provisions</b>	This item shows liabilities with uncertain timing or amount, treated in accordance with IAS 19 and IAS 37. Provisions are recognised on the best estimate basis, at present discounted value, if necessary.
<b>7. Income tax liabilities</b>	This item shows the income tax payable on the taxable profit, and deferred income tax liabilities of the credit institution.
<b>8. Share capital repayable on demand</b>	This item shows equity instruments issued by the credit institution, which do not meet the criteria for categorisation as equity and which are associated with the obligation to redeem the instrument upon the request of its owner against cash or other financial asset and which are treated in accordance with IAS 32 and IAS 39. Share capital repayable on demand is measured at fair value, but not at a value lower than the amount payable under the redemption. If necessary, share capital repayable on demand shall be recognised at present discounted value.
<b>9. Other liabilities</b>	This item shows the liabilities of the credit institution that are not recognised under previous balance sheet liability items and under the asset item 10 "Liabilities included in disposal groups classified as held for sale".
<b>10. Liabilities included in disposal groups classified as held for sale</b>	This item shows the liabilities associated with assets held for sale in accordance with IFRS 5. Liabilities are measured at amortised cost under this item.

### **3. EQUITY**

<b>1. Share capital</b>	This item shows the shares issued by the credit institution in their nominal value. In the case of a branch of credit
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	<p>institution, the funds received from the head office for financing the operations of the branch are shown under the item.</p> <p>Subscribed and paid up, and subscribed but unpaid share capital shall be recognised on separate rows.</p>
<b>2. Share premium</b>	<p>This item shows the difference between the issue price and the nominal value of the shares issued by the credit institution, which is decreased by issuance costs. This item also shows the difference between the cost and the sales price for disposal of treasury shares, and the difference between the cost and the nominal value for cancellation of treasury shares. The balance of the item shall not be negative. If the expenditure and losses borne exceed the existing positive share premium, the excess amount shall be recognised as a decrease of equity item 6 "Retained earnings".</p>
<b>3. Equity instruments issued other than share capital</b>	<p>This item shows the equity component of compound financial instruments and other similar equity instruments, treated in accordance with IAS 32.</p> <p>Other equity instruments issued are measured at fair value.</p>
<b>4. Other equity</b>	<p>This item shows equity instruments other than financial instruments, e.g. share-based payment settled against equity in accordance with IFRS 2.</p>
<b>5. Accumulated other comprehensive income</b>	<p>This item shows the unrealised gains and losses arising from revaluation of balance sheet assets and liabilities that are not reclassified or that may be reclassified as profit or loss under certain conditions.</p> <p>The following items shall not be reclassified as profit or loss:</p> <ol style="list-style-type: none"> <li>1. unrealised gains arising from revaluation of tangible assets recognised under balance sheet asset item 10 "Tangible assets" in accordance with IAS 16;</li> <li>1. unrealised gains arising from revaluation of intangible assets recognised under balance sheet asset item 11 "Intangible assets" in accordance with IAS 38;</li> <li>2. actuarial gains or losses arising from the balance sheet liability item 6.1 "Pensions and other post-employment defined-benefit obligations" in accordance with IAS 19;</li> <li>3. unrealised gains and losses arising from revaluation of non-current assets and disposal groups recognised under balance sheet asset item 14 "Non-current assets and disposal groups classified as held for sale" in accordance with IFRS 5.</li> </ol> <p>The following items may be reclassified as profit or loss:</p> <ol style="list-style-type: none"> <li>1. gains or losses arising from revaluation of the effective portion of the hedge of net investments in foreign operations recorded under balance sheet asset item 8 "Derivatives – Hedge accounting" and liability item 4 "Derivatives – Hedge accounting" in accordance with IAS 39;</li> <li>2. gains or losses arising from revaluation of the effective portion of the hedge of cash flows recorded under balance sheet asset item 8 "Derivatives – Hedge accounting" and liability item 4 "Derivatives – Hedge accounting" in accordance with IAS 39;</li> <li>3. unrealised gains and losses arising from revaluation of financial assets recorded under balance sheet asset item 4 "Available-for-sale financial assets" in accordance with IAS 39;</li> <li>4. unrealised gains and losses arising from revaluation of</li> </ol>

	assets under balance sheet asset item 14 "Non-current assets and disposal groups classified as held for sale" in accordance with IFRS 5.
<b>6. Retained earnings</b>	This item shows the undistributed profit and loss for the previous periods. Loss is presented with a minus sign.
<b>7. Other reserves</b>	This item shows the reserves established at the expense of net profit and other reserves not associated with the revaluation of balance sheet assets and liabilities. This item also shows the mandatory reserve established under the requirements of the Commercial Code.
<b>8. Treasury shares (-)</b>	This item shows the treasury shares reacquired by the credit institution in accordance with IAS 32 and IAS 39. Treasury shares are measured at fair value of the amount paid upon reacquisition, and are presented with a minus sign. Profit or loss from disposal is recognised under equity item 2 "Share premium".
<b>9. Profit/loss for the financial year</b>	This item shows the profit or loss for the financial year. Loss is presented with a minus sign.
<b>10. Interim dividends (-)</b>	This item shows the advance dividends payable from the profit for the financial year. Interim dividends are presented with a minus sign.