ESTONIAN FINANCIAL SERVICES MARKET as at 30.06.2015

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I. General developments of the financial services market

The Estonian financial services market **grew again** in the first half of 2015: the positive movement of the world's financial markets contributed to an **increase in volumes of the majority of financial services.** The **fund sector increased particularly rapidly (10% or 289 million euros),** and pension funds were by far the most dominant sources of growth in this area.

The **combined volume of customer deposits** increased by 5% or 757 billion euros in the first half of 2015, and the growth was driven by demand and overnight deposits (1.4 billion euros was added). However, the volume of fixed-term deposits decreased by 0.6 billion euros. The volume of customer deposits by the end of June 2015 totalled **15.6 billion euros.**

The **combined volume of the loan portfolios** of banks increased in the first half of 2015 at the **fastest pace of the last five years** – by 2.8% or 421 million euros. The size of the combined loan portfolio of banks as at the end of June 2015 was **15.5 billion euros.**

Most products in the area of investments underwent an increase. The volume of combined assets of pension funds increased by 11% in six months, the volume of the combined assets of other investment funds registered in Estonia (excl. pension funds) increased by 6% and investments in foreign funds[1] also increased by 6%. However, the volume of insurance premiums received on the basis of unit-linked life insurance (ULI) contracts decreased by 8% compared with the same period last year and the combined volume of individual portfolios decreased by 27%.

All in all, the **volume of assets invested in financial services aimed at savings and investments** – incl. ULI products, investment funds, pension funds, individual portfolios, other financial instruments, fixed-term and savings deposits, and investment and other deposits – **remained** almost unchanged in the first half of the year, comprising **10,073** billion euros at the end of June 2015 (10,127 billion euros as at the end of 2014[2]).

The volume of insurance premiums in **life insurance increased by 2%** in the first half of 2015 and comprised **42 million euros.** The volume of insurance premiums received in **non-life insurance** increased by 5% in the first half of 2015 and comprised **137 million euros.**

The volume of investment and banking services provided by Estonian financial institutions, including the data on Estonian resident individuals, is given in the table below (million euros, as at 30 June 2015):

Service	Total, EUR million	Incl. Estonian resident individuals: EUR million	Incl. Estonian resident individuals: share in total services
Volume of investment funds	605	NA	NA
Volume of pension funds	2,579	2,579	100%
Foreign funds offered in Estonia	738	112	15%
Volume of ULI provisions	239	239	100%
Volume of individual portfolios	736	91	12%
Volume of loans	15,488	7,111	46%
Volume of demand and overnight deposits	12,003	3,734	31%
Volume of fixed-term and savings deposits	3,512	1,817	52%
Volume of investment and other deposits	121	91	75%
Other financial instruments	1,543	319	21%

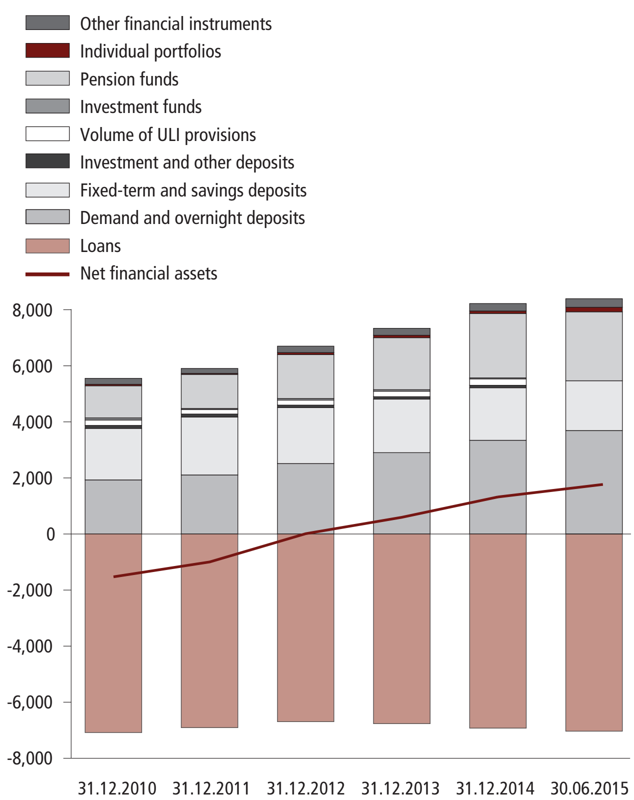
1 In order to avoid presenting data several times, the investments made by Estonian insurance companies, investment and pension funds have been subtracted from investments in foreign investment funds.

2 Unlike previous overviews, the securities held in the securities accounts of Estonian credit institutions are also included among financial assets.

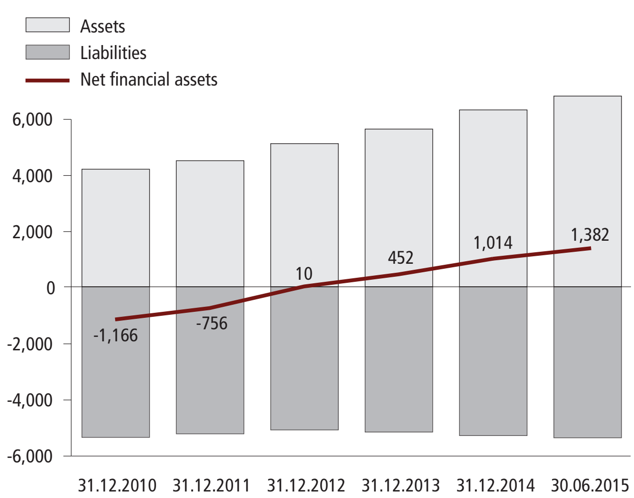
As a result of the continuing increase in the volume[3] of financial assets in the first half of 2015, the financial assets of Estonian resident individuals exceeded their liabilities. The volume of the financial assets of Estonian resident individuals at the end of June 2015 was 8.9 billion euros whilst the balance of loans comprised 7.1 billion euros. This means that the net financial assets of Estonian resident individuals increased from 1.3 billion euros to 1.8 billion euros over the half-year.

Considering the size of the population[4], the volume of the assets of Estonian resident individuals reached 6,801 euros on average by the end of June 2015 whilst the volume of loans was 5,419 euros, which means that the average net financial assets of an individual amounted to 1,382 euros.

Financial assets and liabilities of Estonian resident individuals (EUR million)



Average net financial assets of Estonian resident individuals (EUR)



3 Financial assets hereby cover all investment and savings products belonging to Estonian resident individuals and the customer securities held in Estonian credit institutions.
4 The population figures are taken from the data of Statistics Estonia.

2. Division of private customers[5] by products

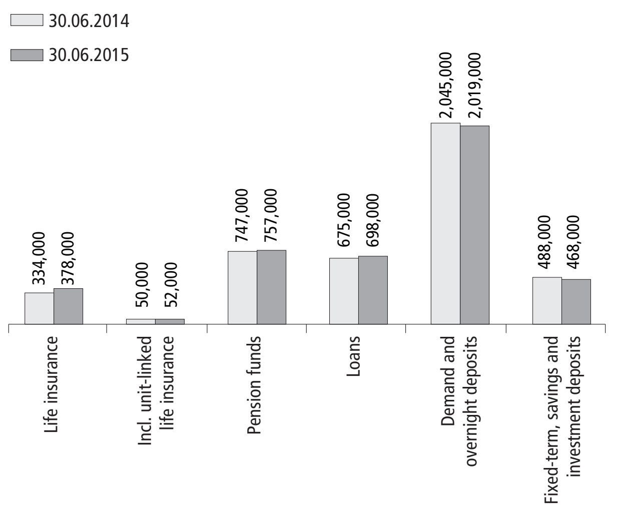
Based on the number of contracts, demand deposit (current account) is the most used service in Estonia. As at the end of June 2015, private persons held **2,019 million current accounts**[6] (many private persons hold several current accounts).

Pension funds are another financial product most used by private persons. The number of persons who had entered into contracts increased from 747 thousand to **757 thousand** over the year.

In the first half of 2015 the **number of loan agreements entered into with private persons**[7] **increased from 675 thousand to 698 thousand in comparison with the previous period.**

The number of fixed-term, savings and investment deposit contracts decreased from 488 thousand to 468 thousand. In life insurance, the number of contracts increased from 334 thousand to 378 thousand, and the number of ULI contracts increased from 50 thousand to 52 thousand.

Number of contracts entered into with individuals by financial service



5 'Customer' hereinafter means the holder of one contract.
6 Current accounts with positive monetary balances have been taken into account.
7 The analysis does not take into account the fact that some persons may have entered into several contracts.

3. Life insurance

a. Service

In the first half of 2015 insurance companies **collected insurance premiums** in the amount of **42.0** million euros **in Estonia**[8] (41.2 million euros in the first half of 2014). The **volume of insurance premiums increased by 1.9%** in comparison with the previous year.

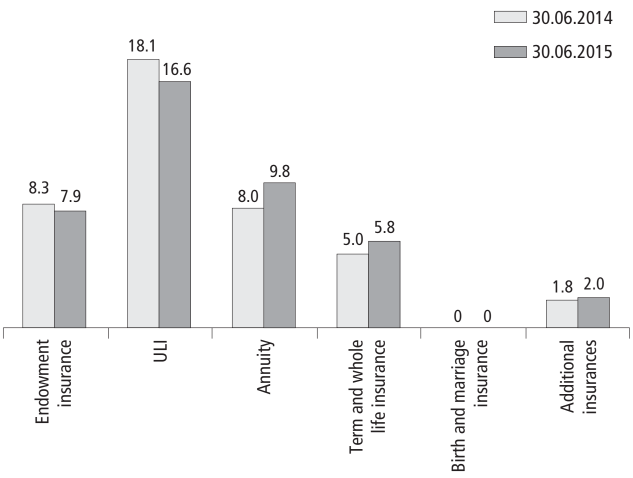
The majority of the increase in insurance premiums came from annuities and term and whole life insurance. The volume of annuity insurance premiums increased from 8.0 million euros to 9.8 million euros over the year and the volume of term and whole life insurance premiums increased from 5.0 million euros to 5.8 million euros. The volume of ULI premiums, however, decreased from 18.1 million euros to 16.6 million euros. The volume of endowment insurance premiums decreased from 8.3 million euros to 7.9 million euros.

This means that ULI remained the life insurance product of the biggest volume with a share of 39% (44% in the first half of 2014). For the first time, annuity became the second-biggest class of life insurance with a share of 23% (20% in the first half of 2014). The increase in the volume of annuity is mostly the result of the increase in the second pension pillar contracts. The share of endowment insurance was 19% (20% in the first half of 2014).

Overall market breakdown according to service volume:

	Swedbank Life Insurance SE	41%
	AS AS SEB Elu- ja Pensionikindlustus	24%
	Compensa Life Vienna Insurance Group SE	19%
Customers:	378,042 brokered contracts	
Service volume:	premiums received in first half of 2015 EUR 42.0 million in total	

Premiums by life insurance class (EUR million)



8 The data do not include insurance premiums collected outside Estonia.

b. Consumers

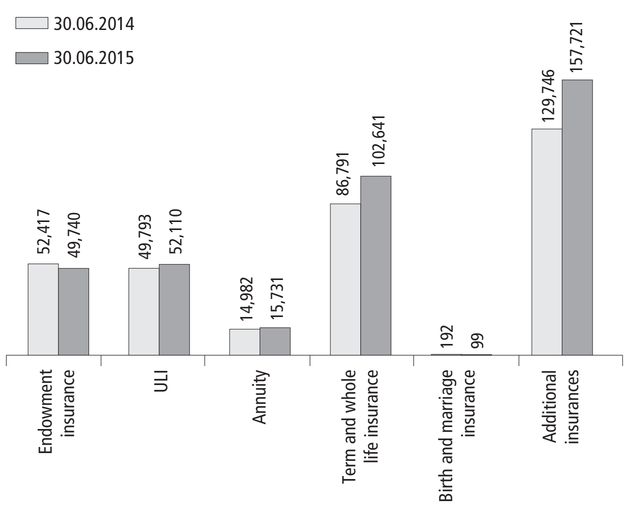
The number of life-insurance contracts increased by 13% or over 44 thousand contracts in the first half of 2015. 378,042 life insurance contracts[9] had been entered into with the insurance companies operating in Estonia as at the end of June, including **220,321 basic life insurance contracts**[10] (333,921 contracts as at the end of June 2014, including 204,175 basic contracts).

The main increase came on the account of term and whole life insurance and additional insurance[11]. The number of effective contracts in term and whole life insurance increased from 86,791 contracts to 102,641 contracts over the year, i.e. by 15,850 contracts. This means that **term and whole life insurance was still the most sold main class of life insurance as at the end of June 2015 in terms of the number of contracts.** 157,721 additional insurance contracts had been entered into as at the end of June (129,746 contracts as at the end of June 2014).

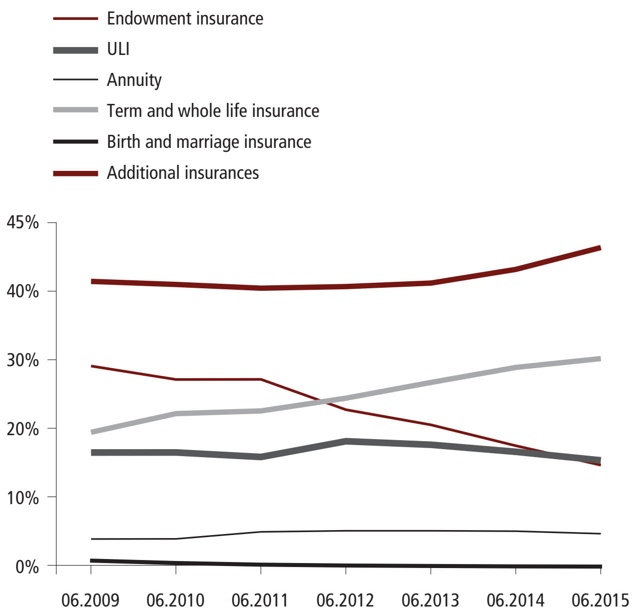
Similar to previous years, there was a decline in endowment insurance, where the number of effective contracts decreased by 2,677 contracts in comparison with the previous year. 49,740 contracts were in force as at the end of June 2015. **In five years, the share of effective endowment insurance contracts has decreased from 24% to 13%.**

The number of effective ULI contracts increased by 2,317. 52,110 ULI contracts were in force as at the end of June 2015. The number of effective annuity contracts increased by 749 – from 14,982 to 15,731 contracts.

Number of effective life insurance contracts in Estonia



Breakdown of insurance contracts according to insurance class



9 The number includes both life-insurance contracts and additional insurance contracts.
10 The data only include life insurance contracts entered into in Estonia.
11 Additional insurances are additional risk covers, which the policyholder can take out in addition to the main life insurance contract

The biggest changes **in terms of average contract volume** occurred in the case of annuity and ULI. The sum of average contributions in other insurance classes did not change significantly over the year.

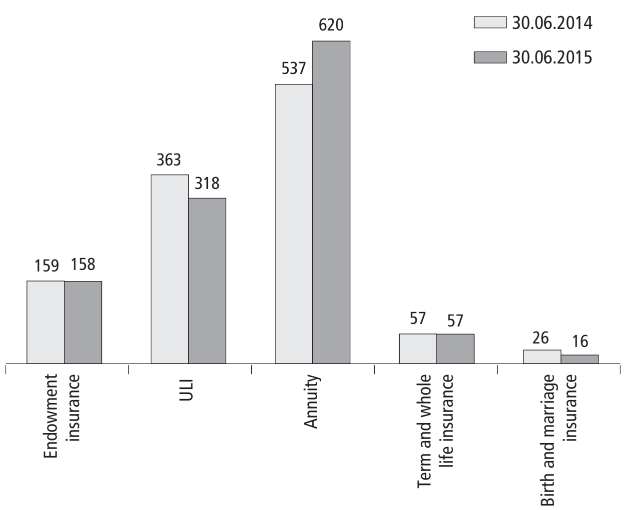
The sum of the average annuity contribution increased from 537 to 620 euros on year-over-year basis. The average amount of a premium paid into a ULI contract decreased from 363 to 318 euros over the year.

c. Service providers

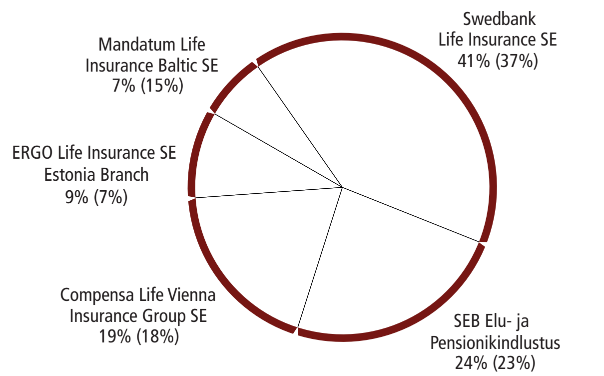
The three biggest life insurance companies based on insurance premiums – Swedbank Life Insurance SE, AS SEB Elu- ja Pensionikindlustus and Compensa Life Vienna Insurance Group SE – received 84% of all insurance premiums in the first half of 2015 (78% of insurance premiums in the first half of 2014).

The volume of insurance premiums collected by Mandatum Life Insurance Baltic SE decreased considerably in the first half of 2015 (by 52%) and the company's market share dropped from 15% to 7% as a result. The volume of insurance premiums decreased on the account of ULI. Swedbank Life Insurance SE increased its market share from 37% to 41%, mainly on the account of ULI and term and whole life insurance. The market shares of AS SEB Elu- ja Pensionikindlustus and Compensa Life Vienna Insurance Group SE increased from 23% to 24% and from 18% to 19%, respectively.

Average sum of premiums paid to contract over first half-year (EUR)



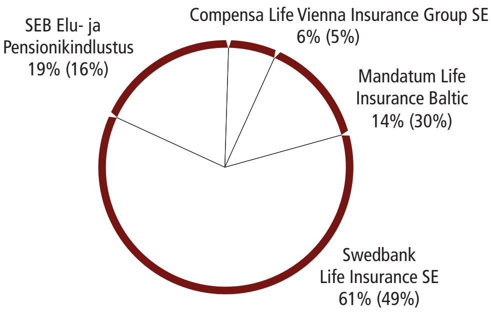
Market shares of life insurance companies according to premiums received in first half of 2015 (first half of 2014 in brackets)



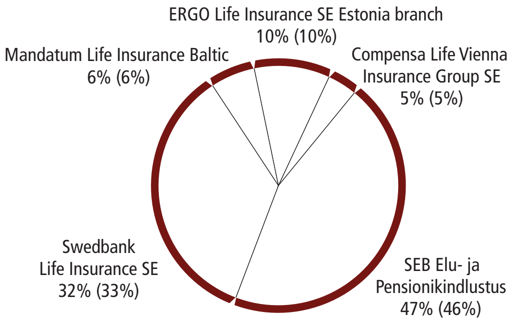
In respect of **ULI,** there was a significant decrease in the insurance premiums received by Mandatum Life Insurance Baltic SE (59%), as a result of which the company's market share dropped from 30% to 14%. However, the proceeds from ULI premiums increased in other life insurance companies. The biggest market share still belonged to Swedbank Life Insurance SE and in comparison with the same period a year ago, it increased from 49% to 61%.

The volume of endowment insurance premiums decreased in almost all life insurance companies as a result of the decrease in the popularity of **endowment insurance.** The only exception was Compensa Life Vienna Insurance Group SE, where the volume of insurance premiums increased by 1%, but it didn't have much of an impact on its market share. The biggest endowment insurance provider in Estonia as at the end of June 2015 was AS SEB Elu- ja Pensionikindlustus with a 47% market share.

Market breakdown: ULI as at 30.06.2015 (30.06.2014 in brackets)



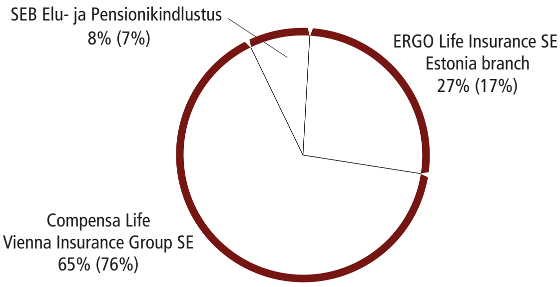
Market breakdown: endowment insurance



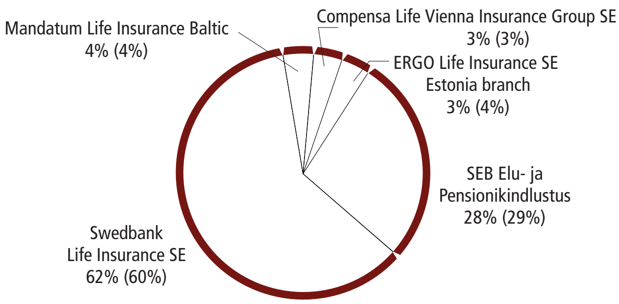
The proceeds from **annuity** premiums increased in almost all life insurance companies in the first half of 2015, especially in ERGO Life Insurance SE Estonia branch, where the volume of premiums increased by 91% (mainly on the account of second pension pillar contracts). This increased the market share of ERGO Life Insurance SE Estonia branch from 17% to 27%. Compensa Life Vienna Insurance Group SE remained the biggest provider of the annuity service in Estonia and its market share as at the end of June was 65%. The market share of AS SEB Elu- ja Pensionikindlustus was 8%.

The biggest change in **term and whole life insurance** was the increase in the market share of Swedbank Life Insurance SE from 60% to 62%. AS SEB Elu- ja Pensionikindlustus followed with 28%.

Market breakdown: annuity



Market breakdown: term and whole life insurance



3.1. Life insurance brokers

a. Service

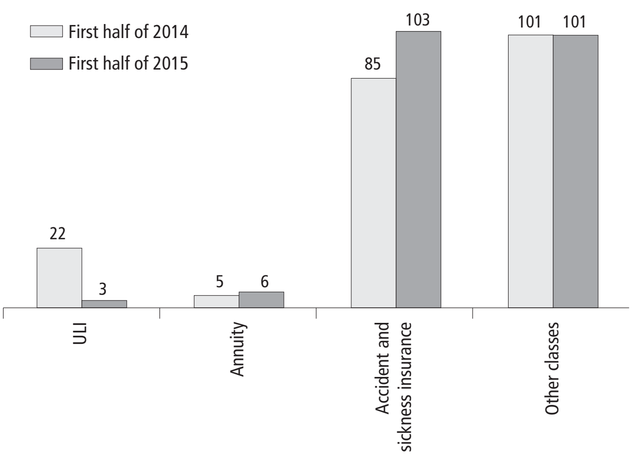
According to the data received by the Financial Supervision Authority, **insurance brokers registered in Estonia** brokered **insurance premiums** for the total amount of 212 thousand euros in the area of **life insurance** in the first half of 2015, which is practically the same amount as in the first half of 2014 (213 thousand euros). The volume of premiums collected under ULI contracts decreased over the year, but the volume of accident and sickness insurance premiums increased at the same time.

Accident and sickness insurance and **other life insurance contracts** were mostly brokered in the first half of 2015 – the volume of insurance premiums via brokers was 103 thousand euros and 101 thousand euros, respectively. Similar to previous periods, term life insurance comprised the majority of other life insurance contracts. The volume of ULI premiums comprised 30 thousand euros and the volume of annuity premiums was 6 thousand euros.

Estonian life insurance brokers focus **largely the contracts of insurance companies of EEA countries,** which comprise 57% of insurance premiums (45% in the first half of 2014) and 49% of the number of contracts (52% in the first half of 2014).

Overall market breakdown:		
	KindlustusEst Kindlustusmaakler OÜ	48%
	OÜ Marks ja Partnerid Kindlustusmaakler	20%
	UADBB Aon Baltic Estonia branch	17%
Customers:	354 brokered contracts	
Service volume:	premiums brokered in first half of 2015 EUR 212 thousand	

Insurance premiums brokered by insurance brokers by life insurance class (thousand EUR)



b. Consumers

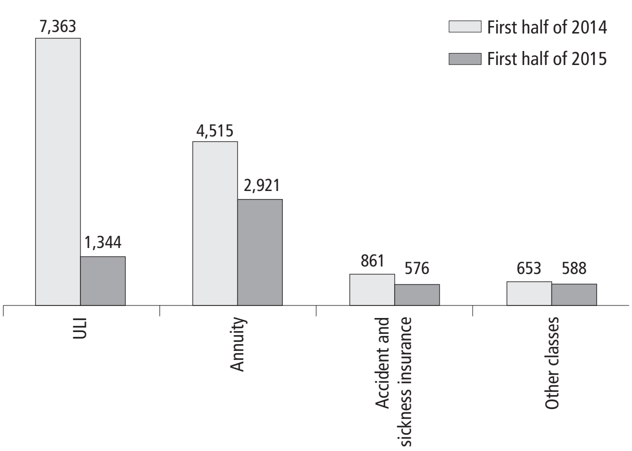
354 life insurance contracts in total were entered into via insurance brokers operating in Estonia in the first half of 2015 (258 contracts in the first half of 2014).

The number of new effective life insurance contracts entered into via brokers in the first half of 2015 divided as follows (in brackets the number of contracts entered into in the first half of 2014):

- ULI – 2 contracts (3),
- annuity – 2 contracts (1),
- accident and sickness insurance – 178 contracts (99),
- other classes – 172 contracts (155).

The average volume of a contract entered into via brokers in the case of annuity was 2,921 euros. It was followed by ULI with the average volume of 1,344 euros. The average amount paid in accident and sickness insurance contracts entered into via insurance brokers was 576 euros and the amount paid in other life insurance contracts was 588 euros.

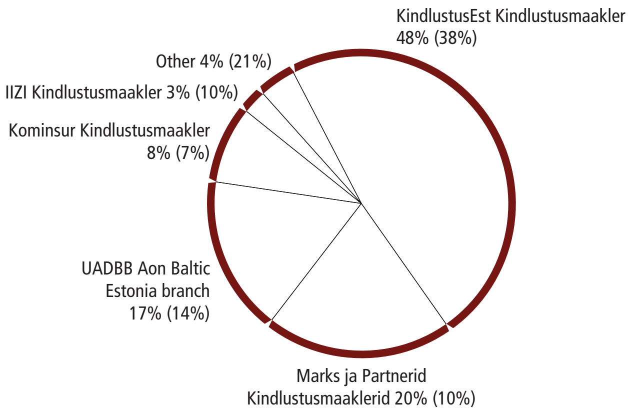
Average sum of premiums paid to contract over first half-year (EUR)



c. Service providers

Nine insurance brokers brokered life insurance contracts in the first half of 2015 and the one with the biggest market share among them was KindlustusEst Kindlustusmaakler OÜ (48%), followed by OÜ Marks ja Partnerid Kindlustusmaaklerid (20%). UADBB Aon Baltic Estonia branch entered into 17% of the life insurance contracts brokered by insurance brokers. Kominsur Kindlustusmaakler OÜ entered into 8% and IIZI Kindlustusmaakler entered into 3% of such contracts.

Market shares of insurance brokers by life insurance premiums in first half of 2015 (first half of 2014 in brackets)



4. Non-life insurance[12]

a. Service

In the first half of 2015 the insurance premiums collected by non-life insurance companies operating in Estonia on the basis of activity licences and by branches of foreign non-life insurance companies totalled **137 million euros** (131 million euros in the first half of 2014), including 31 million euros or 22% of all insurance premiums by the Estonia branches of foreign non-life insurance companies (32 million euros or 24% of all insurance premiums collected in the first half of 2014).

Insurance premiums increased in all non-life insurance classes in the first half of 2015. **The biggest increase occurred in property insurance and land vehicle insurance,** where the volume of insurance premiums increased by 2.3 million euros and 1.9 million euros, respectively, in comparison with the previous period.

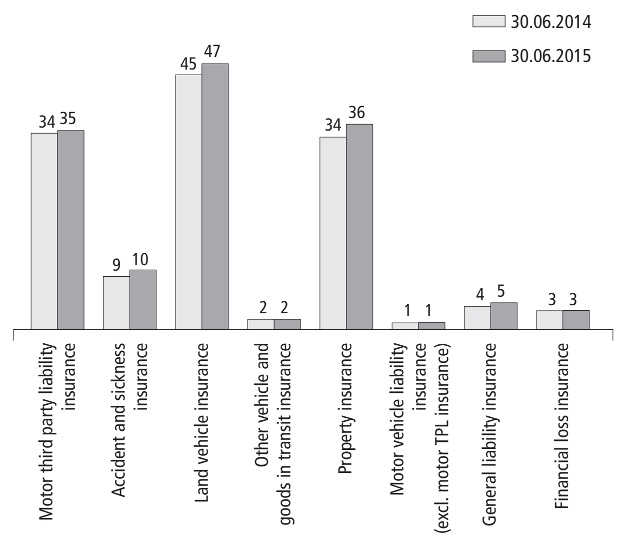
Land vehicle insurance, i.e. comprehensive insurance, remained the biggest insurance class with insurance premiums amounting to 47 million euros. It was followed by property insurance and motor third party liability insurance with 36 million euros and 35 million euros, respectively.

Overall market breakdown:

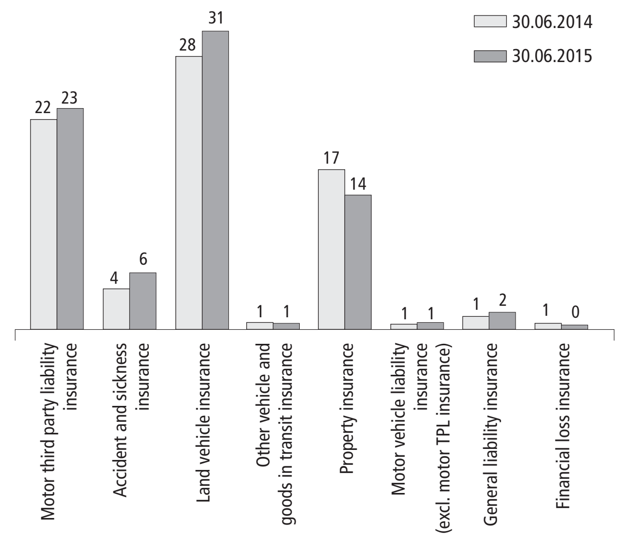
	IF P&C Insurance AS	27%
	ERGO Insurance SE	17%
	Swedbank P&C Insurance AS	15%
	AB „Lietuvos draudimas“ Estonia branch	15%
Clients:	information not available	
Service volume:	premiums received in first half of 2015 EUR 137 million	

76 million euros was paid out in indemnities in the first half of 2015 (73 million euros in the first half of 2014). **Compared with the previous period, indemnities paid out increased the most in land vehicle insurance (from 28 million to 31 million euros), and accident and sickness insurance (from 4 million to 6 million euros).** In property insurance, however, the amounts of indemnities decreased from 17 million to 14 euros.

Premiums by non-life insurance class (EUR million)

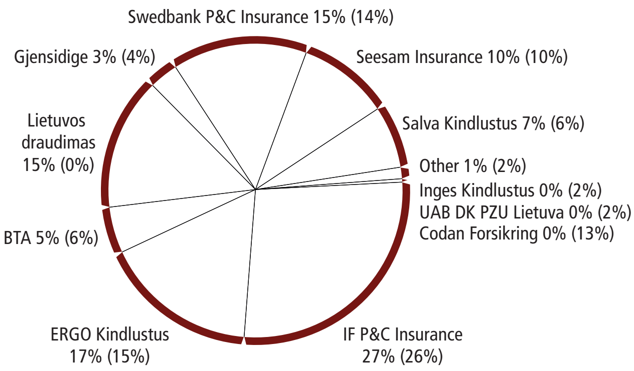


Indemnities paid out by non-life insurance class (EUR million)



12 The data on non-life insurance include only contracts entered into in Estonia.
The data do not include insurance contracts entered into at the foreign branches of Estonian insurance companies.

Market shares of non-life insurance companies by premiums received in first half of 2015 (first half of 2014 in brackets)



b. Service providers

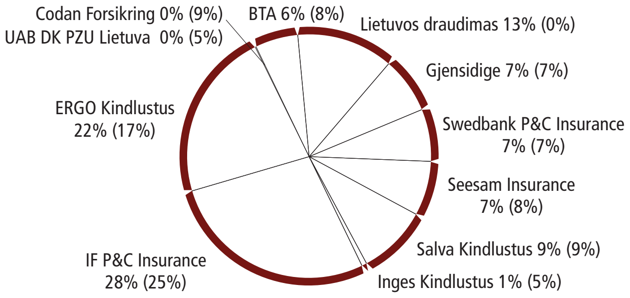
The biggest changes in the market shares of insurers in the first half of 2015 are related to the merger of the portfolios of UAB DK PZU Lietuva Estonia branch, which took over the insurance portfolio of Codan Forsikring A/S Estonia branch last year, and AB Lietuvos draudimas Estonia branch, as a result of which AB Lietuvos draudimas Estonia branch acquired a sizable share of the Estonian non-life insurance market.

IF P&C Insurance AS had the biggest share of the non-life insurance market as at the end of June 2015 with 27%. 17% of the market belonged to ERGO Insurance SE whilst both Swedbank P&C Insurance AS and AB Lietuvos draudimas Estonia branch held 15% shares of the non-life insurance market.

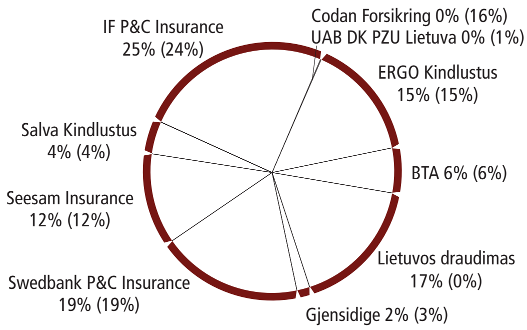
The total market share of the branches of foreign insurance companies was 22%.

The largest market share in motor third party liability, land vehicle and property insurance still belongs to IF P&C Insurance with 28%, 25% and 31%, respectively. It was followed by ERGO Insurance SE in motor third party liability insurance with 22%, and by Swedbank P&C Insurance AS in land vehicle and property insurance with 19% and 17%, respectively. The market share of AB Lietuvos draudimas Estonia branch, which entered the market in the first half of the year, was 13% in motor third party liability insurance, 17% in land vehicle insurance and 15% in property insurance.

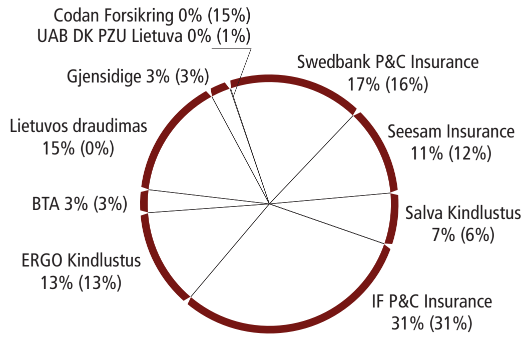
Market breakdown: motor third party liability insurance



Market breakdown: land vehicle insurance



Market breakdown: property insurance



4.1. Non-life insurance brokers

a. Service

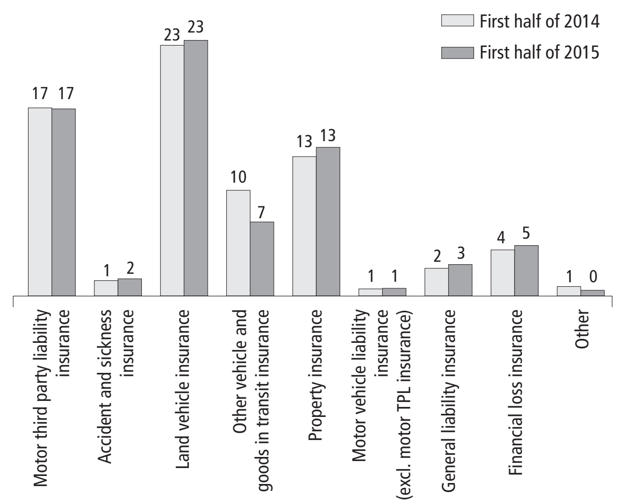
According to the data received by the Financial Supervision Authority, **insurance brokers registered in Estonia** brokered insurance contracts for the total amount of 70 thousand euros in insurance premiums in the area of **non-life insurance** in the first half of 2015[13] (71 million euros in the first half of 2014).

Similar to how insurance premiums were collected by non-life insurance companies, the **biggest insurance class** in the first half of 2015 according to the volume of brokered insurance premiums was **land vehicle insurance** (brokered insurance premiums 23 million euros). Unlike non-life insurance companies, however, it was followed by **motor third party liability insurance** (17 million euros) and only then **property insurance** (13 million euros).

Estonian insurance brokers broker the contracts of both Estonian and foreign insurance companies. In the first half of 2015, the **insurance premiums of the contracts of Estonian insurance companies brokered by Estonian brokers was 56 million euros or 41% of the volume of insurance premiums received by Estonian insurance companies.** In addition to this, contracts of **insurers of the European Economic Area member states** were also brokered at the volume of 14 million euros (15 million euros in the first half of 2014), which comprises 20% of all brokered insurance premiums. The majority of the contracts of foreign insurance companies belonged to insurance of other vehicles and goods in transit (6 million euros), financial loss insurance (4 million euros) and property insurance (2 million euros).

Overall market breakdown:		
	IIZI Kindlustusmaakler Aktsiaselts	20%
	Marsh Kindlustusmaakler AS	13%
	Insurance broker services OÜ	10%
Customers:	372,055 brokered contracts	
Service volume:	premiums received in first half of 2015 EUR 70 million	

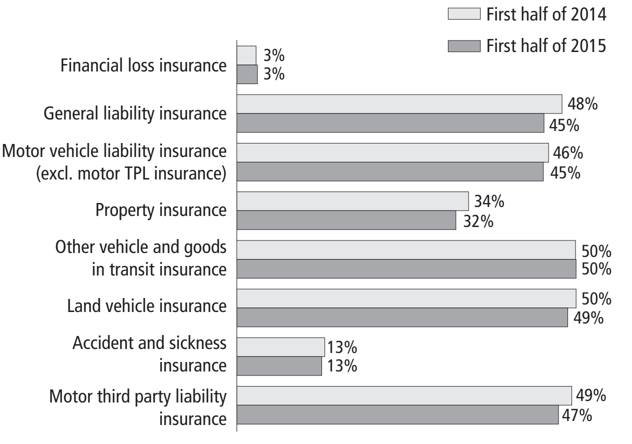
Insurance premiums received via insurance brokers by non-life insurance class (EUR million)



13 In addition to the contracts of insurers, the contracts of foreign re-insurers were also brokered in Estonia. The volume of these insurance premiums in the first half of 2015 was 2.5 million euros. This overview does not address them.

A comparison of the data of non-life insurance companies and insurance brokers indicated that almost half of all insurance premiums are received via brokers in the case of several insurance classes (see Figure). The biggest volumes are brokered in land vehicle and other vehicle insurance, and insurance of goods in transit (50% of premiums in both classes).

Premiums of Estonian non-life insurance companies brokered by Estonian insurance brokers (%)

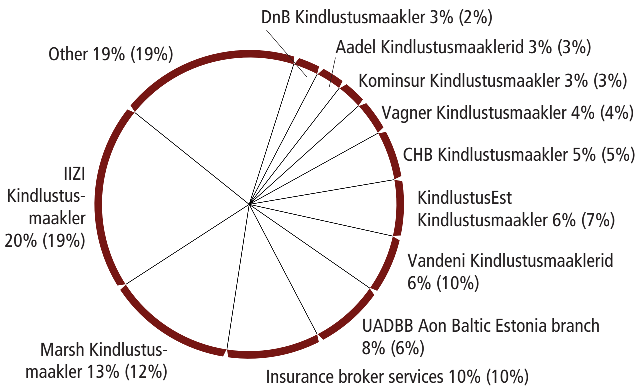


b. Service providers

36 insurance brokers brokered non-life insurance contracts in the first half of 2015, the one with the biggest market share among them was IIZI Kindlustusmaakler Aktsiaselts (20%). It was followed by Marsh Kindlustusmaakler AS (13%) and Insurance broker services OÜ (10%).

The biggest change in comparison with the previous period is the decrease in the market share of Aktsiaselts Vandeni Kindlustusmaakler, which is in the fifth position, from 10% to 6%. The market shares of other non-life insurance brokers remained relatively unchanged.

Market shares of insurance brokers by non-life insurance premiums in first half of 2015 (first half of 2014 in brackets)



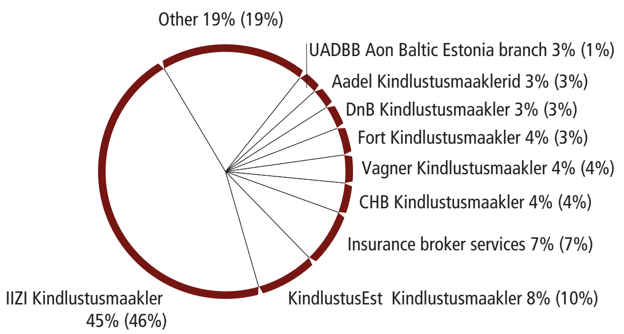
The largest market share in **motor third party liability insurance** belonged to IIZI Kindlustusmaakler Aktsiaselts with 45%, and it was followed by KindlustusEst Kindlustusmaakler OÜ with 8% and Insurance broker services OÜ with 7%.

The largest market share in **land vehicle insurance** at the end of June 2015 belonged to Insurance broker services OÜ (23%), and it was followed by IIZI Kindlustusmaakler Aktsiaselts with 17% and KindlustusEst Kindlustusmaakler OÜ with 8%.

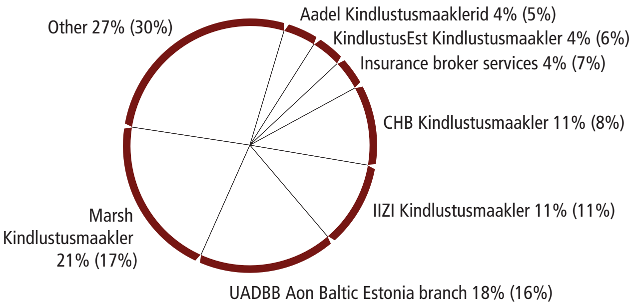
Marsh Kindlustusmaakler AS had the biggest market share in **property insurance** (21%). It was followed by UADBB Aon Baltic Estonia branch with 18% and IIZI Kindlustusmaakler Aktsiaselts with 11%.

Over the year, more changes occurred in **travel insurance,** which is recognised under accident and sickness insurance. The market share of the market leader in this area, IIZI Kindlustusmaakler Aktsiaselts, increased considerably (from 29% to 34%) as a result of the increase in the volume of the premiums collected in the first half of 2015. The market share of KindlustusEst Kindlustusmaakler, however, decreased from 12% to 9%.

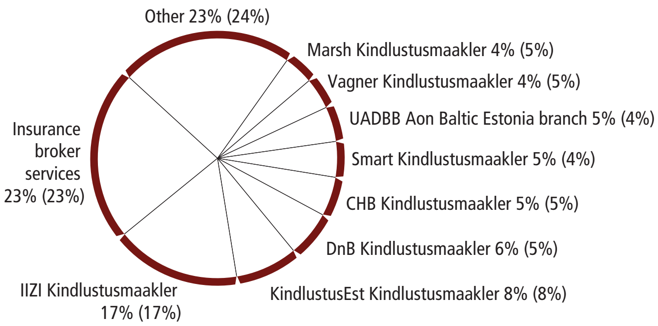
Market shares of insurance brokers in motor third party liability insurance as at as at 30.06.2015 (30.06.2014 in brackets)



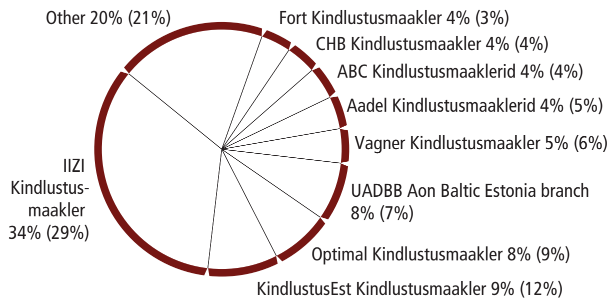
Market shares of insurance brokers in property insurance



Market shares of insurance brokers in land vehicle insurance



Market shares of insurance brokers in travel insurance



In the sector of insurance brokers, the majority of the market (~90%) divides between fewer than half of all operating brokers both in terms of the number of contracts as well as the commission fees received.

Biggest non-life insurance brokers in the first half of 2015 by number of brokered contracts

Broker	Market share
IIZI Kindlustusmaakler AS	49%
KindlustusEst Kindlustusmaakler OÜ	10%
Insurance broker services OÜ	7%
Vagner Kindlustusmaakler AS	3%
CHB Kindlustusmaakler OÜ	3%
Fort Kindlustusmaakler OÜ	3%
Aadel Kindlustusmaaklerid OÜ	2%
NB Kindlustusmaakler OÜ	2%
OÜ DnB Kindlustusmaakler	2%
BCP Kindlustusmaakler OÜ	2%
OÜ ABC Kindlustusmaaklerid	2%
AS Smart Kindlustusmaakler	2%
Optimal Kindlustusmaakler OÜ	2%

The given view shows that 89% of the brokered contracts were entered into via 13 insurance brokers of 36.

Biggest non-life insurance brokers in the first half of 2015 by number of commission received

Broker	Market share
IIZI Kindlustusmaakler AS	22%
Insurance broker services OÜ	11%
Marsh Kindlustusmaakler AS	8%
UADBB Aon Baltic Estonia branch	8%
KindlustusEst Kindlustusmaakler OÜ	7%
CHB Kindlustusmaakler OÜ	6%
Vagner Kindlustusmaakler AS	4%
AS Vandeni Kindlustusmaaklerid	4%
Kominsur Kindlustusmaakler OÜ	3%
Aadel Kindlustusmaaklerid OÜ	3%
OÜ ABC Kindlustusmaaklerid	3%
OÜ DnB Kindlustusmaakler	3%
AS Smart Kindlustusmaakler	2%
Fort Kindlustusmaakler OÜ	2%
Optimal Kindlustusmaakler OÜ	2%
Credo Kindlustusmaaklerid OÜ	2%

The given view indicates that 90% of the commission was collected by 16 insurance brokers of 36.

5. Investment and pension funds[14]

a. Service

The volume of the assets of investment funds, including pension funds, increased by 289 million euros or 10% in the first half of 2015 and comprised 3.2 billion euros at the end of June 2015[15].

The fast increase in the fund sector continued to be driven by pension funds, as the volume of their assets also grew at a remarkable pace.

In the first half of 2015 the volume of the assets of mandatory pension funds increased by 247 million euros or 11%, reaching 2.451 billion euros by the end of June 2015 (the previous biggest increase occurred in the first half of 2014, when the volume of mandatory pension funds increased by 221 million euros). The volume of the assets of voluntary pension funds increased by 10 million euros from 118 million euros to 128 million euros.

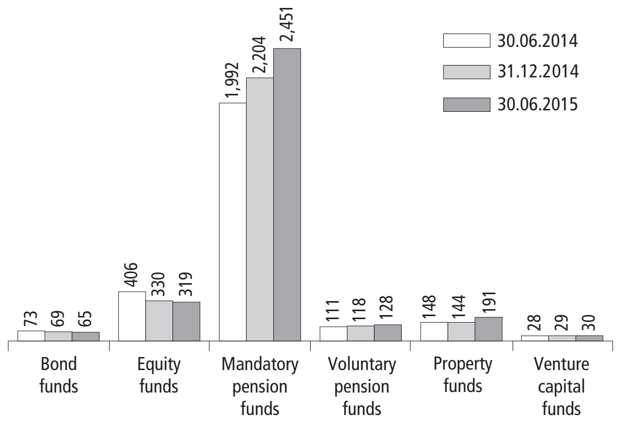
The volume of the assets of equity funds[16] decreased by 3% or 11 million euros over the first half of the year. The volume of equity funds comprised 319 million euros by the end of June 2015.

The volume of the assets of property funds increased from 144 million euros to 191 million euros, i.e. 33%, in the first half of the year. The volume of the assets of bond funds decreased from 69 million euros to 65 million euros, i.e. 6%, in the first half of 2015.

In the combined structure of the fund sector, mandatory pension funds remained the biggest fund type with a share of 77%. Equity funds remained in the second place in terms of size with a 10% share. Property funds have climbed into the third position with a 6% share. The remaining funds – bond funds and voluntary pension funds – represented 2 and 4% of the volume of the total assets of funds, respectively. The share of venture capital funds was 1%.

Overall market breakdown:		
	Swedbank Investeerimisfondid AS	40%
	AS SEB Varahaldus	19%
	AS LHV Varahaldus	16%
Customers:	770,151 effective contracts	
Service volume:	total volume of funds EUR 3.2 billion	

Market value of the investments of funds (EUR million)



14 The data on investment funds include all customers of investment funds registered in Estonia, including customers from foreign countries
15 The volume of assets is recognised at market value.
16 Funds of funds and mixed funds are also considered to be local equity funds.

b. Consumers

In the first half of 2015 the number of unit holders[17] in Estonian funds decreased by 10,858. The number of unit holders decreased in almost all fund types. The number of unit holders decreased the most in mandatory pension funds and equity funds (by 9,034 and 1,664 unit holders, respectively).

The fluctuation in the number of mandatory pension fund unit holders is related to the fact that many private persons use the option to save for their retirement via several mandatory pension funds, and since the law permits switching funds up to four times per year, the number of second pillar unit holder may go up and down during a year. The decrease in the number of mandatory pension fund unit holders in the first half of the year was related to the aforementioned redistribution between management companies – the biggest movement occurred between AS LHV Varahaldus and Swedbank Investeerimisfondid AS.

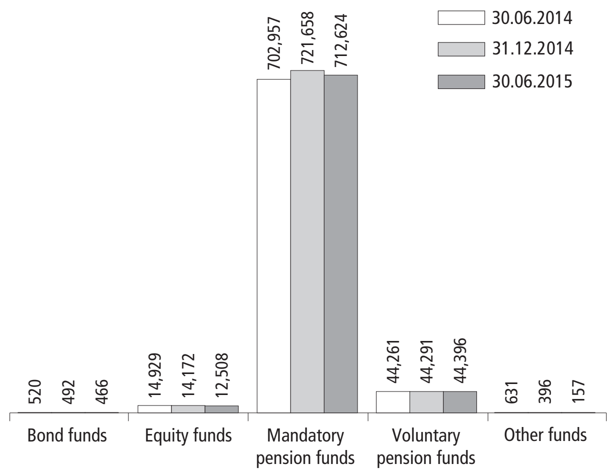
The prevailing tendency among equity funds for several years now is that unit holders are exiting the funds. Another reason for the decrease in the number of equity fund unit holders in the first half of the year was the fact that the LHV Persian Gulf Fund, which has a large number of unit holders, merged with another fund in the second quarter.

The decrease in the number of the unit holders of other funds (property and venture capital funds) from 396 to 157 was the result of the liquidation of the GILD Arbitrage Risk Capital Fund.

All in all, the biggest fund types as at 30 June 2015 according to customer base were mandatory pension funds with 712,624 unit holders, followed by:

- voluntary pension funds with 44,396 unit holders;
- equity funds with 12,508 unit holders;
- bond funds with 466 unit holders;
- other funds (property and venture capital funds) with 157 unit holders.

Number of unit-holders of funds



The biggest investments per unit holder[18] as at the end of June 2015 had been made in property funds (over 1 million euros), which results from the fact that those who invest in these funds are mostly wealthier private persons and professional investors. They were followed by bond funds (140,450 euros) and equity funds (25,482 euros). Average investments per unit holder were 3,439 euros in mandatory pension funds and 2,884 euros in voluntary pension funds.

[17] Also includes non-resident unit holders.
[18] Investments per customer are illustrative and refer only to the approximate size of the investment (e.g. in the case of pension funds, new persons joining the scheme cause a decrease in the average investment amount).

c. Service providers

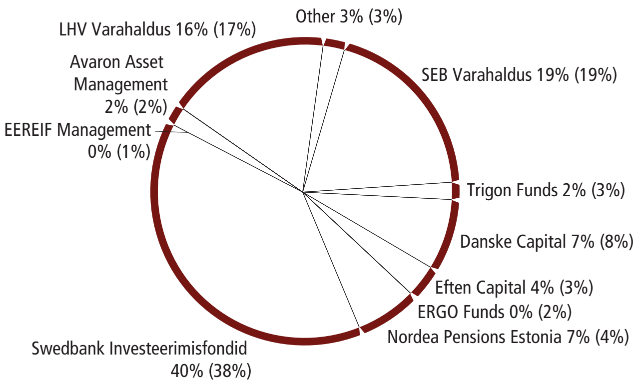
The biggest changes in the market breakdown of the assets of funds in the first half of the year that can be highlighted are the decrease in the market share if AS LHV Varahaldus and the increase in the market share of Swedbank Investeerimisfondid AS.

The market share of AS LHV Varahaldus decreased from 17% to 16% over the year (the decrease occurred in the first half of 2015). The market share of Swedbank Investeerimisfondid AS increased from 38% to 40% over the year (incl. from 39% to 40% in the first half of 2015).

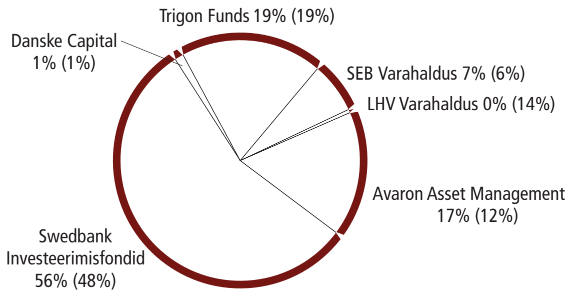
Another redivision occurred on the **equity fund** market in the first half of 2015 as a result of the merger of the LHV Persian Gulf Fund, which belongs to AS LHV Varahaldus, with the SEF Personal Gulf Fund. As a result of this, the market share of AS LHV Varahaldus decreased from 14% to 0.5% on a year-over-year basis. AS Swedbank Investeerimisfondid and AS Avaron Asset Management increased their market shares at the same time – from 48%o 56% and from 12% to 17%, respectively.

The market breakdown remained rather stable for **bond funds**[19]. The market share of AS SEB Varahaldus increased from 82% to 84%. The market share of AS Avaron Asset Management decreased from 14% to 12%. The market share of Danske Capital AS remained around 4%.

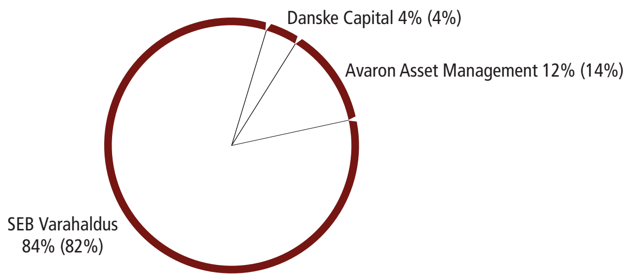
Market breakdown: all funds in total as at 30.06.2015 (30.06.2014 in brackets)



Market breakdown: equity funds



Market breakdown: bond funds



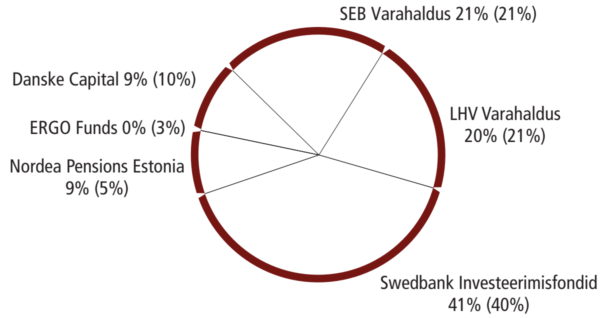
19 Bond funds include money market and interest funds.

The biggest change on the **mandatory pension fund market** in the first half of 2015 was the decrease in the number of the unit holders of AS LHV Varahaldus and the increase in the number of the unit holders of Swedbank Investeerimisfondid AS, which generated a change in volumes that led to a shift in the market breakdown: the market share of AS LHV Varahaldus decreased from 21% to 20% and the market share of Swedbank Investeerimisfondid AS increased from 40% to 41%. Nordea Pensions Estonia AS, which merged with ERGO Funds AS in the second half of 2014, increased its market share in the first half of 2015 from 8% to 9% (from 5% to 9% on year-over-year basis). The market share of Danske Capital AS decreased from 10% to 9% in the first half of the year.

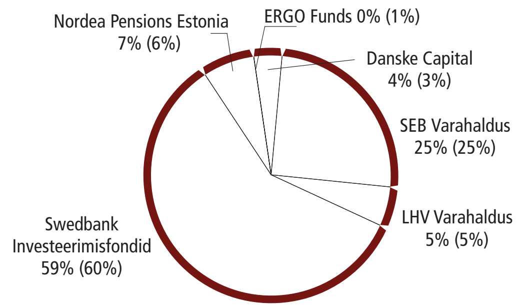
The **voluntary pension fund** market remained stable in the first half of the year. The biggest share of the voluntary pension fund market still belongs to Swedbank Investeerimisfondid (59%).

On the market for **other funds,** the market share of Northern Horizon Capital AS, which manages property funds, increased from 14% to 19% (the increase compared with the same period a year ago was from 13% to 19%). The increase in the market share of EfTEN Capital AS from 49% to 59% occurred in the second half of 2014.

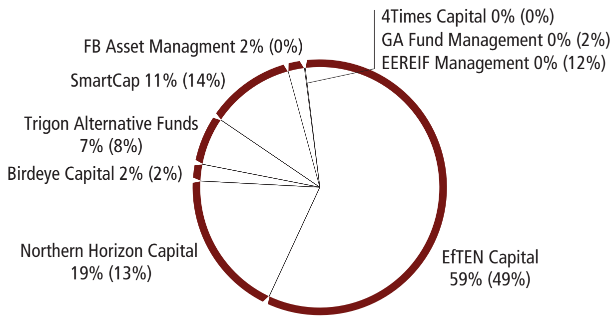
Market breakdown: mandatory pension funds as at 30.06.2015 (30.06.2014 in brackets)



Market breakdown: voluntary pension funds



Market breakdown: other funds



6. Portfolio management service[20]

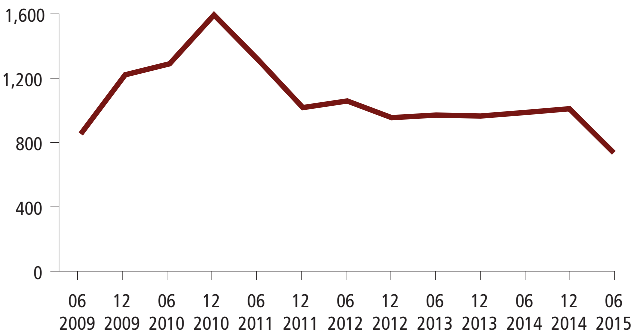
a. Service

The portfolio management service is provided by management companies, banks and investment firms. The combined volume of portfolios decreased by 27% in the first half of 2015 and comprised 736 million euros (987 million euros at the end of June 2014).

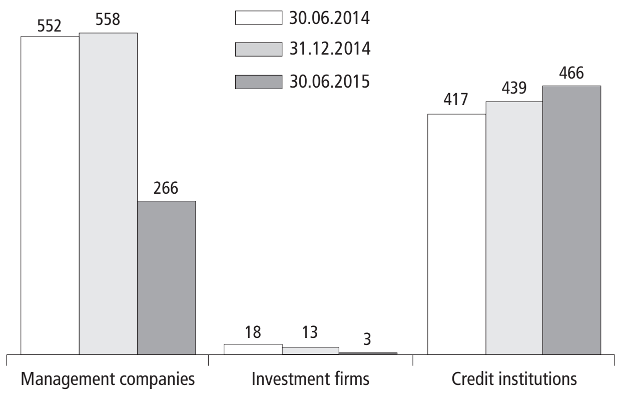
The reason for the decrease in the combined volume of securities was the decrease in the volume of assets managed by management companies from 558 million euros to 266 million euros. However, the volume of the customer portfolios managed by banks increased from 439 million euros to 466 million euros in the first half of 2015. The volume of the customer portfolios managed by investment firms decreased from 13 million euros to 3 million euros.

Overall market breakdown:		
	Swedbank Group	41%
	SEB Bank Group	23%
	Danske Capital	13%
Clients:	information not available	
Service volume:	volume of payments 736 million EUR	

Dynamics of combined volume of individual portfolios (EUR million)



Portfolio volumes (EUR million)



[20] The data on portfolio management include all subjects of financial supervision that provide this service in Estonia, whose customers may include persons from Estonia and foreign countries. The management service covers portfolio management with consultations.

b. Service consumers

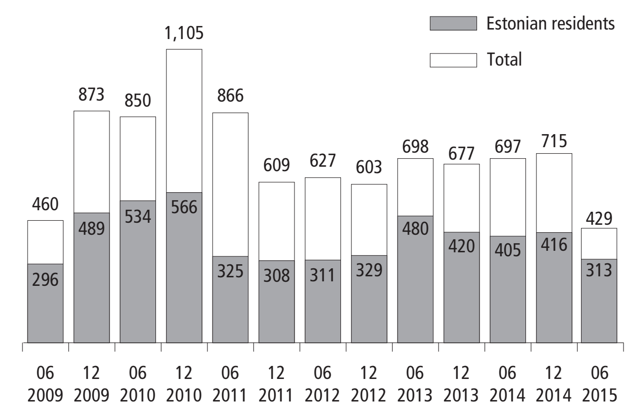
As at the end of June 2015, more than half of the combined volume of customer portfolios belonged to **Estonian residents** – *ca* 74% of the volume of customer portfolios or 545 million euros. 313 million euros of this belonged to financial institutions, 132 million to commercial undertakings, 9 million euros to the government and 91 million euros to private persons.[21]

In terms of customers, financial institutions formed the biggest group, as the volume of their portfolios comprised 429 million euros by the end of June 2015. The volume of the portfolios of financial institutions decreased by 40% or 286 million euros in the first half of the year.

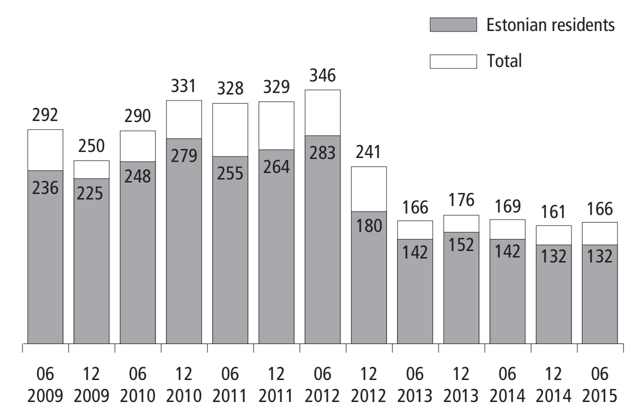
The volume of the portfolios of commercial undertakings comprised 166 billion euros at the end of June 2015 (161 million euros at the end of June 2014). The volume of the portfolios of resident commercial undertakings did not change over the first half of the year and comprised 132 million euros.

The volume of the portfolios of private persons increased from 119 million euros to 132 million euros over the first half of the year and included the increase in the volume of the portfolios of resident private persons from 83 million euros to 91 million euros.

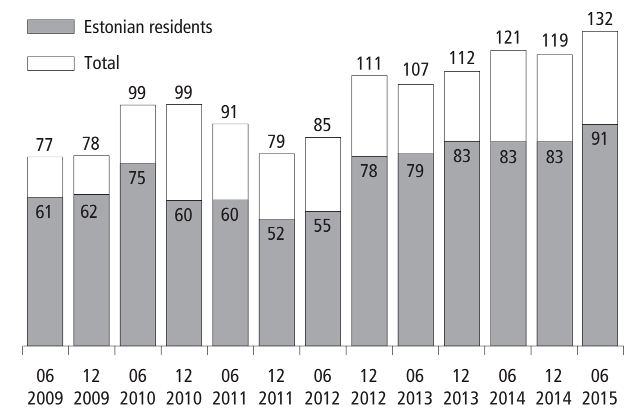
Portfolio volumes by residency – financial institutions (EUR million)



Portfolio volumes by residency – commercial undertakings (EUR million)



Portfolio volumes by residency – private persons (EUR million)



21 Financial institutions hereinafter cover insurance companies, pension funds, credit institutions and other financial institutions; commercial undertakings cover other commercial undertakings and public or municipal undertakings; private persons cover private persons and non-profit organisations. Government means the government and national social welfare funds.

c. Service providers

The biggest change in the management of customer portfolios was the decrease in the volumes of the assets managed by AS Trigon Funds, which resulted in its market share decreasing from 33% to 6%. As the volume of assets managed by other market participants remained relatively stable, this had an impact on the market breakdown as a whole.

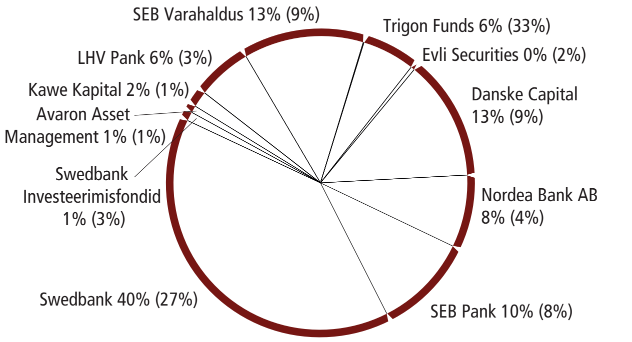
The biggest market share in the management of customer portfolios at the end of June 2015 belonged to Swedbank Group companies, whose market share increased from 30% to 41% over the year. The market share of SEB Bank Group companies increased from 17% to 23%. They were followed by Danske Capital AS with a market share of 13%.

In terms of management companies, the biggest share of the combined volume of customer portfolios belonged to AS SEB Varahaldus, which increased from 18% to 37% over the year. 36% of the market of management companies belonged to Danske Capital AS and 16% to AS Trigon Funds.

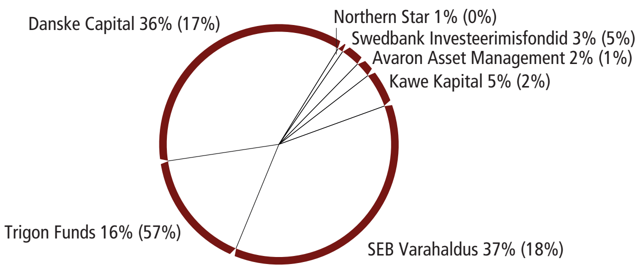
In terms of banks, the biggest total volumes of portfolios belonged to AS Swedbank (63%) and AS SEB Bank (16%). They were followed by Nordea Bank AB Estonia branch (12%) and LHV Bank (9%).

As at the end of June 2015, there were only two investment firms that provided the portfolio management service – AS Cresco Väärtpaberid and AS KIT Finance. Evli Securities terminated its activities in the first half of the year.

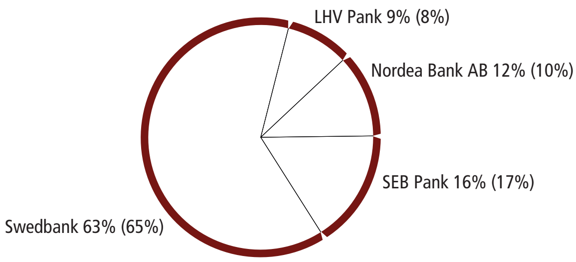
Market breakdown of customer portfolios by service provider as at 30.06.2015 (30.06.2014 in brackets)



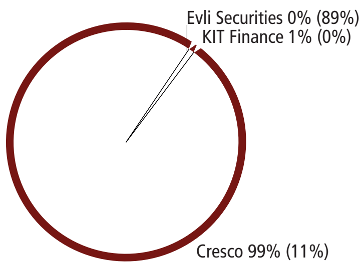
Market breakdown: by management company



Market breakdown: by credit institution



Market breakdown: by investment firm



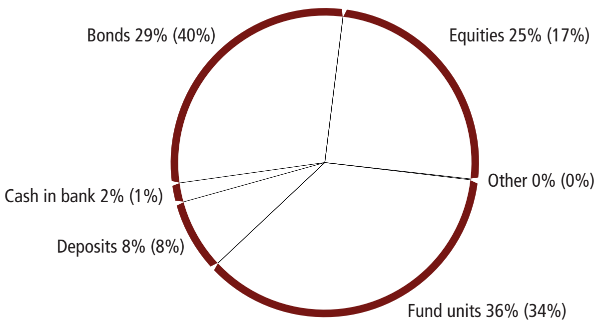
d. Portfolio structure by instrument

Remarkable changes occurred in the instrument structure of the combined portfolio in comparison with the same period last year. The share of bonds in the combined portfolio of customers decreased by the end of June 2015 from 40% to 29%, and the share of equities increased from 17% to 25%. Investments in the units of other funds[22] (so-called indirect investments) increased and comprised 36% of the volume of the combined portfolio at the end of June 2015. All in all, the share of total investments remained practically unchanged at 90% (91% in June 2014). The share of deposits was 8% of the combined portfolio volume. Cash in bank comprised 2% of the combined portfolio volume.

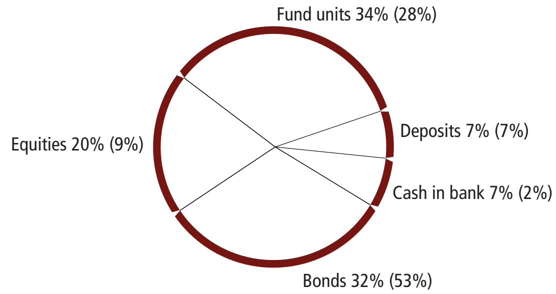
However, major differences in the selection of instruments can be seen in terms of service providers.

The structure of the portfolio of management companies became more even in the first half of the year and the biggest share belonged to the units of other funds (34%). Investment firms, however, preferred to invest in bonds (84%). The selection of instruments used by credit institutions is more even and the biggest share belongs to fund units (37%).

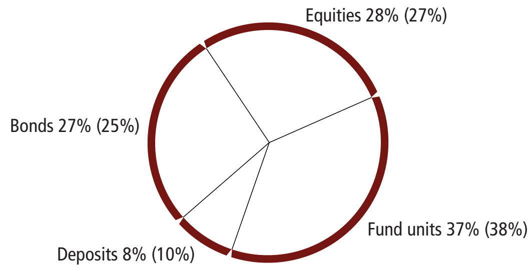
Portfolio structure by instrument as at 30.06.2015 (30.06.2014 in brackets)



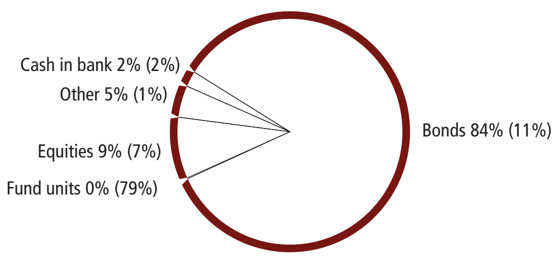
Structure of portfolios managed by management companies



Structure of portfolios managed by credit institutions



Structure of portfolios managed by investment firms



22 Include various types of funds.

7. Payment services

Eleven payment service providers operated in Estonia as at the end of June 2015, five of them on the basis of special permits. Six payment service providers actually intermediated payments in the first half of the year.

In comparison with the previous period, the volume of the payments intermediated by Estonian payment service providers decreased by 7% whilst the number of payments increased by 60%.

In total, the volume of the payments intermediated by Estonian payment service providers in the first half of 2015 was 420 million euros (454 million euros in the first half of 2014). 1,175,440 payments were made in the first half of the year (735,001 payments in the first half of 2014).

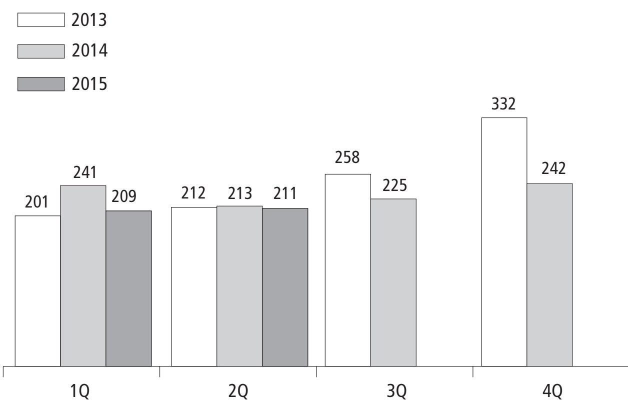
The average size of a payment was therefore 315 euros (617 euros in the first half of 2014).

Overall market breakdown:		
	AS Eurex Capital	66%
	AS TavexWisel	28%
Customers:	NA	
Service volume:	volume of payments EUR 420 million	

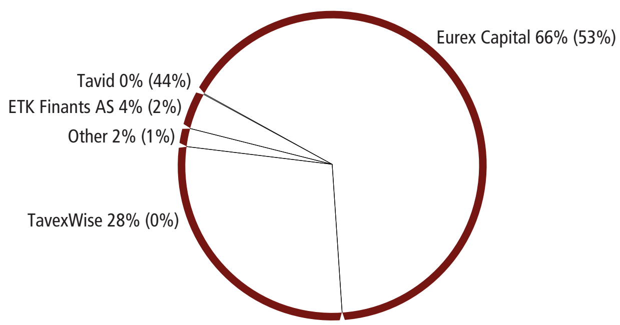
Big changes occurred on the payment service market in the first half of 2015 – Tavid AS, which had held the biggest market share until then, gave up its activity licence. TavexWise AS entered the market for payment services at the same time. 28% of all payments were made via TavexWise AS in the first half of the year.

The biggest market share, however, belonged to AS Eurex Capital, whose share in the volume of payments increased from 53% to 66% in the first half of 2015.

Turnover of transactions intermediated by payment service providers by quarter (EUR million)



Market shares of payment service providers in first half of 2015 (first half of 2014 in brackets)



8. Loans[23]

a. Service

Market breakdown:	Swedbank AS	39%
	AS SEB Pank	24%
	Nordea Bank AB Estonia branch	18%
Private customers:	697,632 effective contracts	
Service volume:	combined loan portfolio volume EUR 15.5 billion	

Lending was very active again in the first half of 2015 and the loan balance increased at the same pace as in the second half of 2014. All in all, the combined volume of the Estonian loan portfolio of banks increased by 2.8% or 421 million euros **in the first half of 2015** and reached 15.5 billion euros by the end of June 2015, which is the same level as in 2010. Loans to commercial undertakings[24] comprised 43% and loans to private persons[25] accounted for 46% of the total portfolio.

The volume of private person loans increased by 118 million euros in the first half of the year. Loans to commercial undertakings increased by 68 million euros. Loans to financial institutions increased by 315 million euros and loans to the government decreased by 80 million euros.

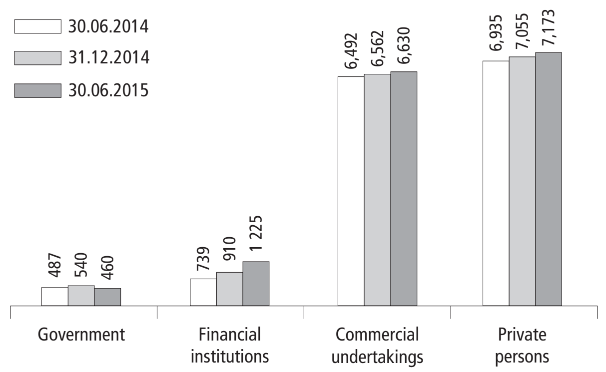
As at the end of June 2015, the loans issued to private persons totalled 7.2 billion euros and the loans issued to commercial undertakings totalled to 6.6 billion euros. Loans to financial institutions[26] comprised by 1.2 billion euros and loans to the government[27] 460 million euros.

Among the loans issued to private persons in the first half of 2015, the volume of home loans increased the most (by 104 million euros) and reached 6.15 billion euros as at the end of June.

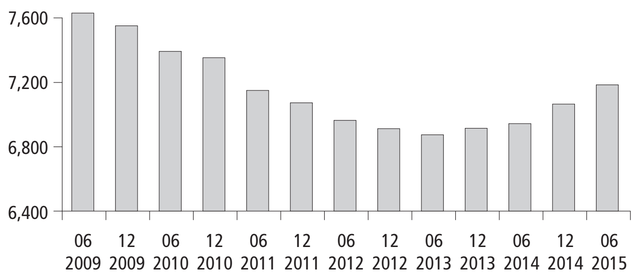
The volume of consumer loans increased remarkably – by 18 million euros in the first half of the year, comprising 405 million euros at the end of June.

The volume of student loans continued to decrease – 12 million euros in the first half of the year – and amounted to 140 million euros at the end of June.

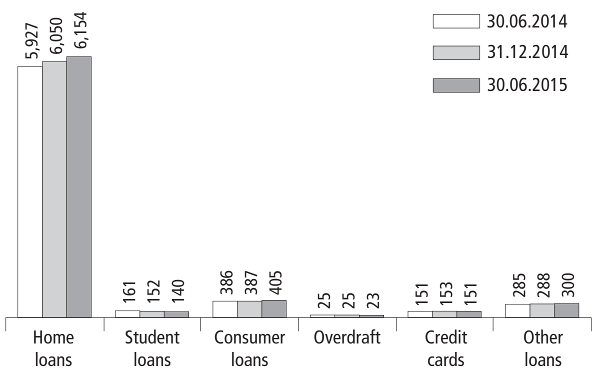
Loan balance (EUR million)



Balance of private person loans (EUR million)



Volume of private person loans (EUR million)



[23] The data on loans include loans issued by Estonian credit institution.
[24] A public or municipal undertaking, other commercial undertaking.
[25] Private person, non-profit organisation.
[26] Insurance company and pension fund, other financial institution.
[27] Central government, local government, national social insurance fund, other non-budgetary fund.

b. Consumers

Home loans and consumer loans deserve a mention in terms of changes in the average loan burden of **private persons** in the first half of 2015. Unlike previous years, the average balance of home loans increased again, this time by 317 euros. However, the average balance of consumer loans dropped sharply by 608 euros. In terms of other loans, the average balance remained practically unchanged.

Average balance of private person loans (EUR)

	30.06.2014	31.12.2014	30.06.2015
Home loans	36,741	37,069	37,386
Student loans	2,209	2,208	2,227
Consumer loans	2,943	2,977	2,369
Overdraft	278	310	277
Credit cards	753	775	779
Other loans	13,911	13,475	13,260

The average balance of home loans increased in the first half of 2015 from 37,069 euros at the beginning of the year to 37,386 at the end of June. The average balance of student loans increased from 2,208 euros to 2,227 euros. The average balance of consumer loans decreased from 2,977 euros to 2,369 euros. The average overdraft balance decreased from 310 euros to 277 euros, and the average balance of credit cards increased from 775 euros to 779 euros. The average balance of other loans[28] decreased from 13,475 euros to 13,260 euros. The high average balance of other loans mainly resulted from the amounts of the loans taken for business purposes.

The number of student loan agreements and credit card agreements decreased in the first half of 2015. The number of other types of loan agreements has increased.

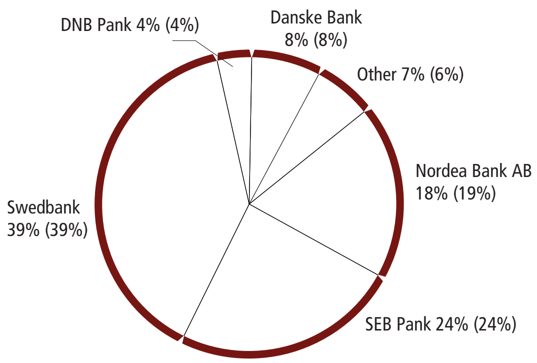
As at the end of June 2015, the **number of home loan agreements entered into with private persons was the biggest of all times with 164,612 (163,217 on 31 December 2014). The number of student loan agreements was 62,747 (68,749), the number of consumer loans was 171,083 (130,052), the number of overdraft agreements 83,032 (80,662), the number of credit card agreements 193,516 (196,993)** and the number of other loan agreements 22,642 (21,374 the year before).

c. Service providers

The Estonian loan market was stable in the first half of 2015 and mostly divided between four large banks that covered 89% of the loan market. Swedbank AS had the biggest market share (39% of the total loan portfolio). It was followed by AS SEB Bank (24%), Nordea Bank AB Estonia branch (18%) and Danske Bank A/S Estonia branch (8%).

The remaining 11% of the market was divided between 12 market participants and among them, the biggest market share belonged to AS DNB Bank (4%).

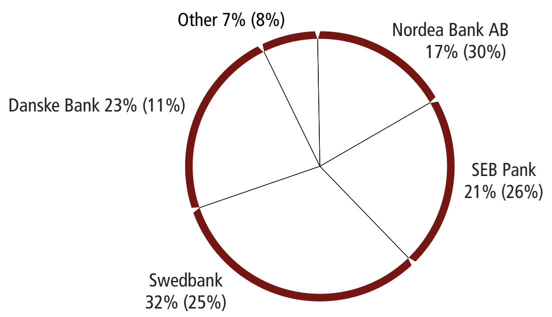
Market breakdown: loans as at 30.06.2015 (30.06.2014 in brackets)



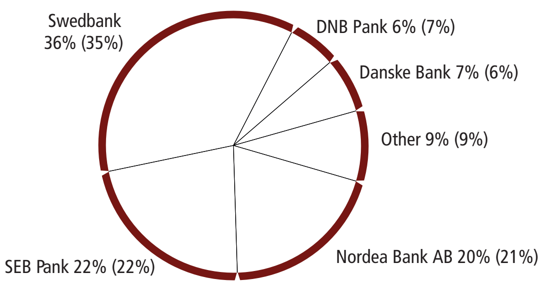
[28] Other loans granted to individuals and non-profit organisations are intended, among other things, for acquisition of securities, commencement and expansion of the activities of companies.

The figures below present the division of different types of loans between the banks operating in Estonia.

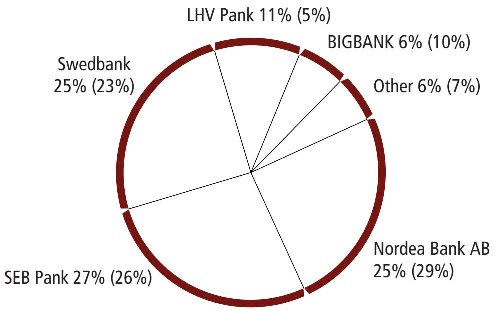
Market breakdown: government loans as at 30.06.2015 (30.06.2014 in brackets)



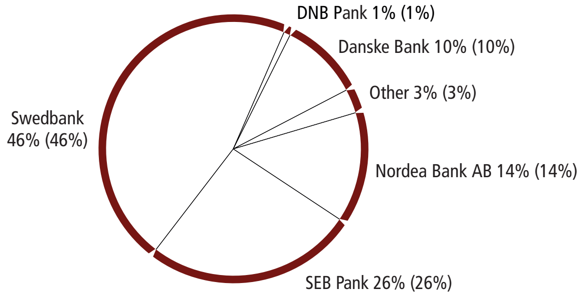
Market breakdown: corporate loans



Market breakdown: financial institutions



Market breakdown: private person loans



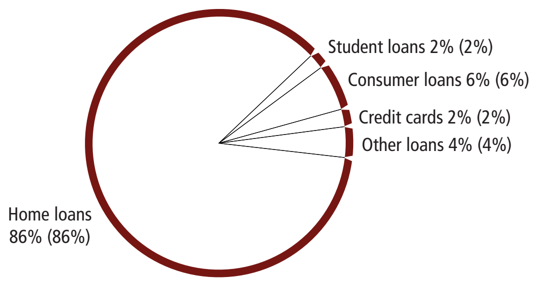
In the **market for government loans,** the business volumes of Nordea Bank AB Estonia branch decreased significantly in the first half of 2015, which resulted in its market share dropping from 30% to 17%. The market share of Swedbank AS increased at the same time, and it still owned the biggest share of the government loan market (32%). It was followed by Danske Bank A/S Estonia branch, whose share of the government loan market increased from 11% to 23% compared with the same period last year.

The business volumes on the market for financial institution loans have increased considerably in recent years, which caused some changes in the market breakdown. The biggest market share as at the end of June 2015 belonged to AS SEB Pank (27%), followed by Nordea Bank AB Estonia branch and Swedbank AS (both 25%).

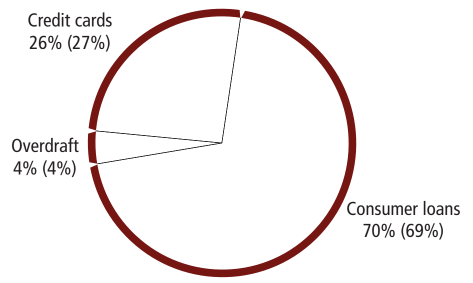
The biggest share of **corporate loans** were still issued by Swedbank AS (36%), AS SEB Bank (22%) and Nordea Bank AB Estonia branch (20%).

The largest share of loan balances of **private persons** is also concentrated in Swedbank AS (46%) and AS SEB Pank (26%). **The market breakdown of loans to private persons has been the stablest of all times.**

Division of private person loans as at 30.06.2015 (30.06.2014 in brackets)



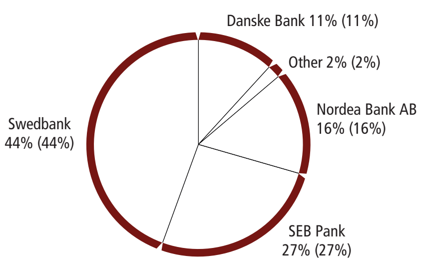
Loans related to everyday consumption



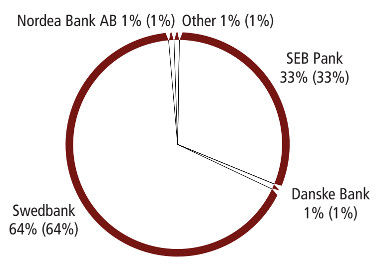
There were no changes in the breakdown of the different types of loans issued to private persons in the first half of 2015. Most of the loans issued to private persons are home loans, totalling 86% or 6.15 billion euros. The share of consumer loans among loans related to everyday expenses (consumer loans, credit card limits, overdraft) has increased (from 69% to 70%). All in all, loans related to everyday consumption comprised 0.6 billion euros at the end of June 2015.

The private person loan market is highly concentrated: almost half of it belonged to Swedbank in June 2015, whilst the rest divides mainly between AS SEB Bank, Danske Bank A/S Estonia branch and Nordea Bank AB Estonia branch.

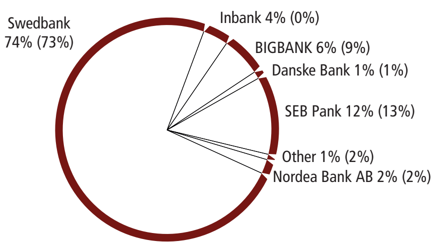
Market breakdown: private person home loans



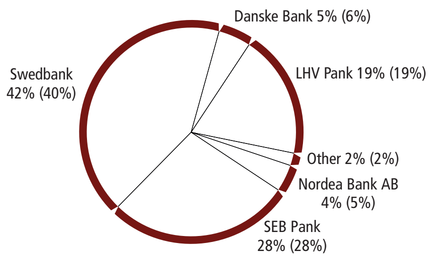
Market breakdown: private person student loans



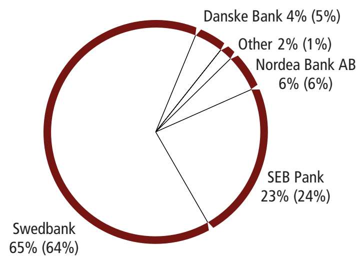
Market breakdown: private person consumer loans



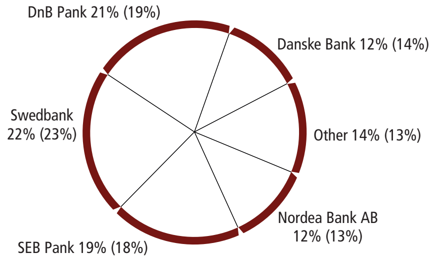
Market breakdown: private person overdraft



Market breakdown: private person credit cards



Market breakdown: other private person loans



9 Deposits[29]

Market breakdown:		
	Swedbank AS	45%
	AS SEB Pank	21%
	Danske Bank A/S Estonia branch	13%
Customers:	2,759,509 effective contracts	
Service volume:	total volume of deposits EUR 15.6 billion	

a. Service

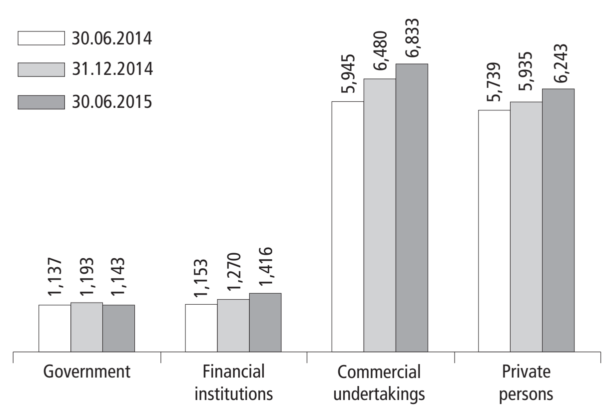
The **volume of deposits** in Estonian banks increased by 5.1% or 757 million euros in the first half of 2015, reaching 15.6 billion euros by the end of June. Demand and overnight deposits comprised 12.0 billion euros, fixed-term and savings deposits 3.5 billion euros and investment and other deposits 0.1 billion euros. **This means that only 22% of deposits were held for a fixed term and this trend strengthened further in the first half of 2015 in comparison with the previous period.** The share of demand and overnight deposits increased from 71% to 77% over the first half of the year, and the share of fixed-term and savings deposits decreased from 28% to 22% of all deposits.

The largest part of the deposits were the deposits of commercial undertakings[30], which comprised 44% of total deposits and amounted to 6.8 billion euros in total. **The majority or 89% of the deposits of commercial undertakings were demand and overnight deposits** totalling 6.0 billion euros, and 11% were fixed-term and savings deposits which totalled 0.8 billion euros.

Private persons[31] held 40% of deposits with 6.2 billion euros, the **biggest share of which was comprised of demand and overnight deposits with 4.1 billion euros or 66% of the total volume of private person deposits.** Fixed-term and savings deposits comprised 33% or 2.1 billion euros, and investment and other deposits 0.1 billion euros.

The deposits of financial institutions[32] and government deposits totalled 1.4 billion euros and 1.1 billion euros, respectively.

Deposit volumes (EUR million)



29 The data on deposits include the amounts deposited in all credit institutions operating in Estonia and in the Estonian branches of foreign credit institutions, i.e. the deposits of both residents and non-residents. The data do not include the deposits opened the foreign branches of Estonian credit institutions.
30 Public or municipal undertakings, other commercial undertakings.
31 Private persons, non-profit organisations.
32 Insurance companies and pension funds, other financial institutions.

b. Service providers

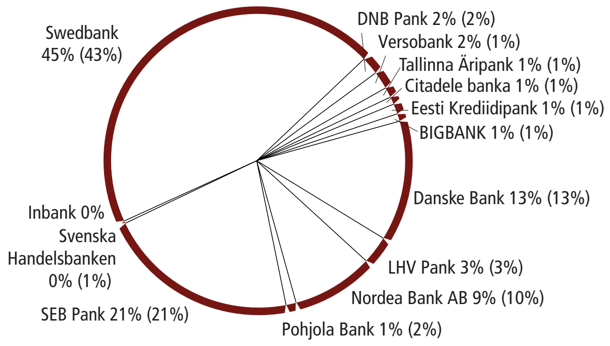
The increase in the volume of deposits in the first half of 2015 was largely caused by the increase in deposits in Swedbank AS, which increased its market share from 43% to 45%. In terms of volume, Swedbank AS was still the leader in most customer categories.

AS SEB Bank held 21% of the deposit market, Danske Bank A/S Estonia branch held 13% and Nordea Bank AB Estonia branch held 9% of the market.

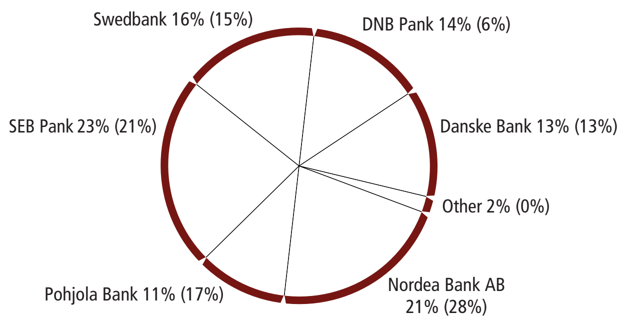
The market for government deposits remains volatile both in terms of volume and market breakdown. The biggest share of government deposits is held in **AS SEB Pank** (23%). It is followed by Nordea Bank AB Estonia branch (21%) and Swedbank AS (16%). DnB Bank, whose market share increased from 6% to 14%, also deserves a mention.

In terms of **deposits of financial institutions,** the amounts deposited in AS Swedbank have undergone a remarkable increase, raising the bank's market share from 47% to 52%. It was followed by Danske Bank A/S Estonia branch (20%) and AS SEB Bank (13%).

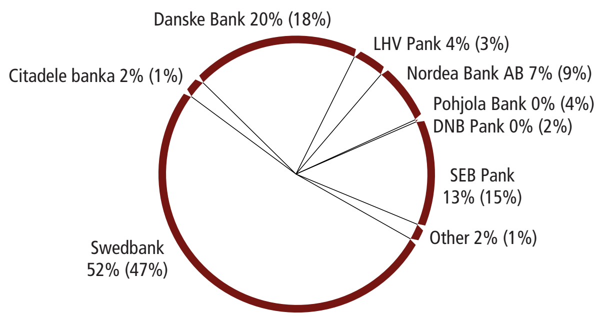
Market breakdown: deposits as at 30.06.2015 (30.06.2014 in brackets)



Market breakdown: government deposits



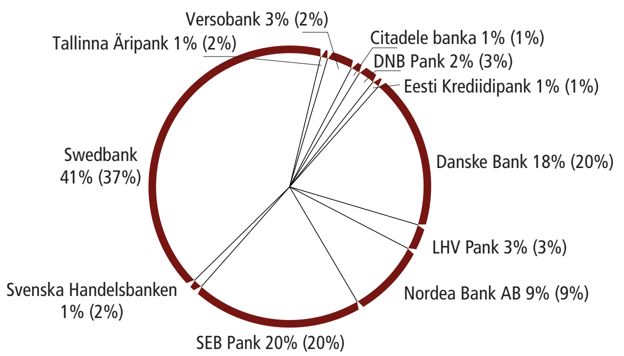
Market breakdown: deposits of financial institutions



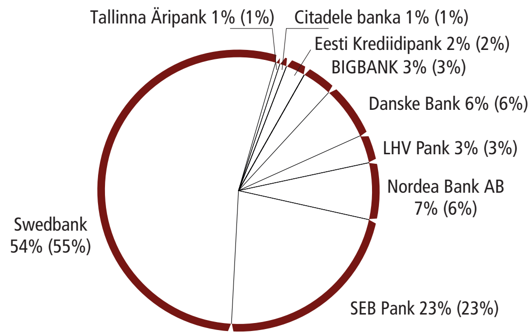
The **deposits of commercial undertakings** increased the most in AS Swedbank in the first half of 2015, raising the bank's market share from 37% to 41%. Deposits also increase noticeably in Danske Bank A/S Estonia branch and Versobank AS. Still, the market share of Danske Bank A/S Estonia branch was smaller compared with the period a year ago due to decrease that took place in the second half of the previous year (18% in the first half of 2015, 20% in the first half of 2014). The market share of Versobank AS has increased from 2% to 3%.

Private person deposits also increased the most in Swedbank AS. However, its market share still decreased from 55% to 54%. The market share of Nordea Bank AB Estonia branch increased from 6% to 7% over the year.

Market breakdown: corporate deposits as at 30.06.2015 (30.06.2014 in brackets)

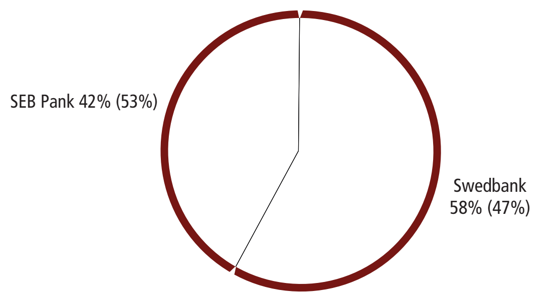


Market breakdown: private person deposits



Only two banks offered investment deposits in the first half of 2015: AS SEB Bank and Swedbank AS. The volume of the investment deposits opened by private persons amounted to 92 million euros by the end of June 2015 (also 92 million euros a year ago). The biggest market share in terms of private person deposits belonged to Swedbank AS (58%), followed by AS SEB Bank (42%).

Market breakdown: private person investment deposits



c. Service consumers

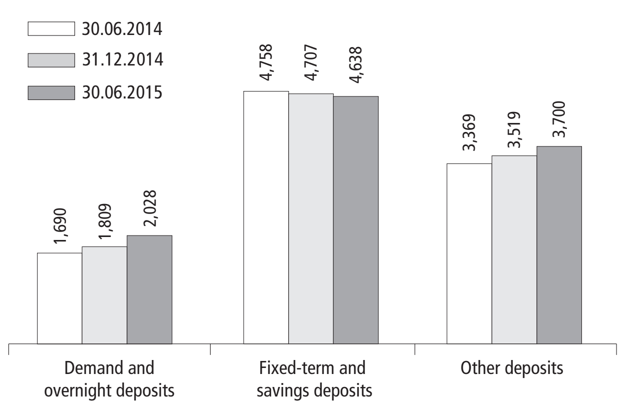
The number of deposit contracts decreased in the first half of 2015. The number of demand and overnight deposits decreased by 21,000 in the first half of the year. The number of fixed-term and savings deposits decreased by 14,000 and the number of other deposits decreased by 3,000.

The number of effective deposits contracts[33] as at 30 June 2015:

- total demand and overnight deposits — 2,281 thousand contracts
  including private persons — 2,019 thousand contracts
- total fixed-term and savings deposits — 451 thousand contracts
  including private persons — 442 thousand contracts
- total investment and other deposits — 27 thousand contracts
  including private persons — 26 thousand contracts

The average amount of the demand and overnight deposits of private persons as at the end of June 2015 was 2,028 euros (1,809 euros as at the end of 2014), the amount of fixed-term and savings deposits was 4,638 euros (4,707 euros) and the amount of investment and other deposits was 3,700 euros (3,519 euros).

Average volume of private person deposits (EUR)



[33] Only deposits with monetary balances were considered. Unlike previous financial market overviews, Annex 2 to the 'Report on Resource Balances' to the Governor of the Bank of Estonia Regulation No 4 'Establishment of Additional Reporting on the Balances of Credit Institutions' of 25 May 2012 has been used as the basis of the number of deposits contracts both as at 31 December 2013 and for previous periods.