ESTONIAN FINANCIAL MARKET
as at 30.06.2009

The objective of this analysis prepared by the Financial Supervision Authority is to provide an overview of the Estonian financial services market and market shares. Although the Financial Supervision Authority makes its best efforts to ensure that the information contained in this analysis is correct and precise, the Financial Supervision Authority does not assume nor undertake to inform in the future of each change in the factual circumstances specified in the analysis and the possible effect of such changes. The Financial Supervision Authority is not liable for damage and does not take obligations that arise from or are related to the use of this analysis and/or the information presented in it.

I. Volumes of financial services

In the first half of 2009, a steep drop in the volume of financial services came to a halt, but the volumes of many financial services remained below the level of the year-ago period.

In the first half of 2009, the volume of premiums received in unit-linked life insurance decreased 30% compared to the year-ago period and the volume of consolidated assets of funds, including pension funds decreased 30%. The consolidated volume of individual portfolios decreased 31%.

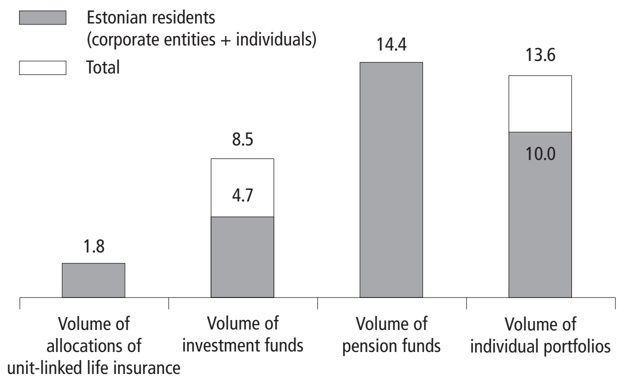
In life insurance (except for unit-linked life insurance), the volume of premiums decreased 6%, in non-life insurance 8%. Over the year, the consolidated volume of deposits increased 5%, including the volume of fixed-term deposits which increased 24%.

Compared to June 2008, the consolidated volume of loan portfolios decreased 2%. As at the end of June 2009, the amount of the consolidated loan portfolio of credit institutions was EEK 252 billion, including the loans of Estonian residents in the amount of EEK 245 billion.

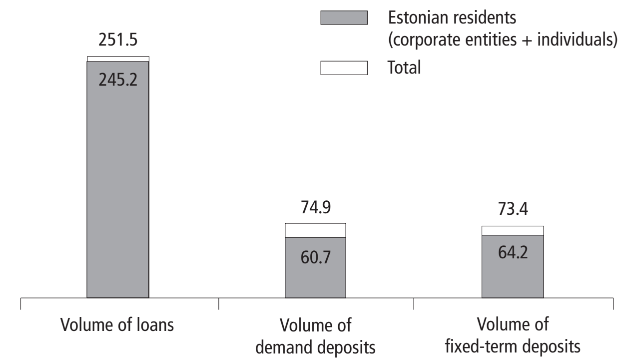
A total of EEK 112 billion (EEK 116 billion as at the end of June 2008) was invested in financial services aimed at saving, including the products of unit-linked life insurance, investment funds, pension funds, individual portfolios and fixed-term deposits.

Volumes of financial services offered by the Estonian financial institutions:

Volumes of different investment services as at 30.06.2009 (billion EEK)



Volumes of different banking services as at 30.06.2009 (billion EEK)



The volume of investment and banking services provided by the Estonian financial institutions, including the data on private persons who are Estonian residents, is presented in the table below (billion EEK, as at 30.06.2009):

Service	Total,	Including private persons who are Estonian residents	
	billion EEK	billion EEK	share in total services
Volume of investment funds	8.5	1.0	12%
Volume of pension funds	13.3	14.4	100%
Foreign funds offered in Estonia	1.6	0.5	31%
Volume of allocations of unit-linked life insurance	1.8	1.8	100%
Volume of individual portfolios	13.6	0.9	7%
Volume of loans	251.5	117.4	47%
Volume of demand deposits	74.9	23.6	32%
Volume of fixed-term deposits	73.4	34.1	46%

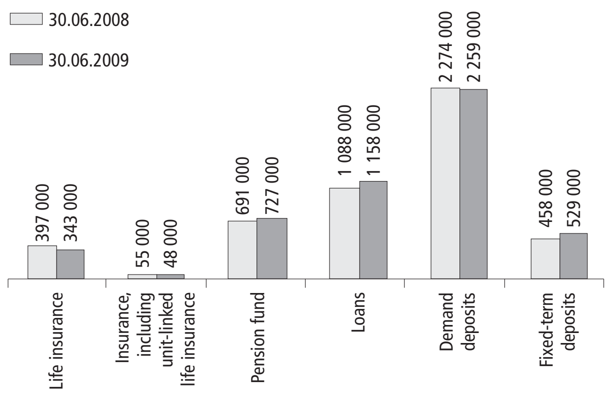
2. Division of private person customers by services

By number of contracts, the demand deposit (settlement account) is the most used service in Estonia. As at 30.06.2009, private persons held **2 259 000 settlement accounts** (many private persons held multiple settlement accounts).

Loan is another financial service most used by private persons. As at 30.06.2009, **1 158 000 loan agreements were concluded with private persons.**[1].

Over the year, the number of contracts concluded with pension funds has increased from 691 000 to 727 000. The number of fixed-term deposit contracts increased from 458 000 to 529 000. In life insurance and unit-linked life insurance, the number of contracts decreased from 397 000 to 343 000 and from 55 000 to 48 000, respectively.

Number of contracts of individuals by financial services



[1] Important note: The analysis does not take into account the matter that one person may have concluded several contracts.

General market distribution:	Swedbank Elukindlustus	36%
	SEB Elu- ja Pensionikindlustus	24%
	Sampo Life Insurance Baltic	25%
Customers:	343 058 contracts in force	
Volume of service:	premiums received in the first half of 2009 in total EEK 563 billion	

3. Life insurance

In the first half of 2009, insurance companies **in Estonia** collected **insurance premiums** in the amount of EEK **563 million**[2] (in the first half of 2008: EEK 684 million). Compared to the year-ago period, **the volume of premiums decreased 18%. Decrease of premiums in the sector as a whole is caused by the decrease of premiums of unit-linked life insurance (ULLI) by nearly 30%.**

Although premiums decreased, ULLI continues to be the most voluminous life insurance product in the amount of EEK 240 million. Decrease of premiums led to continuously decreasing share of insurance class ULLI: from 50% of all received premiums to 41%.

Unit-linked life insurance was followed by endowment insurance with the volume of premiums EEK 206 million (in the first half of 2008: EEK 236 million). Under other contracts of life insurance products a total of EEK 118 million was received (in the first half of 2008: EEK 105 million).

a. Consumers

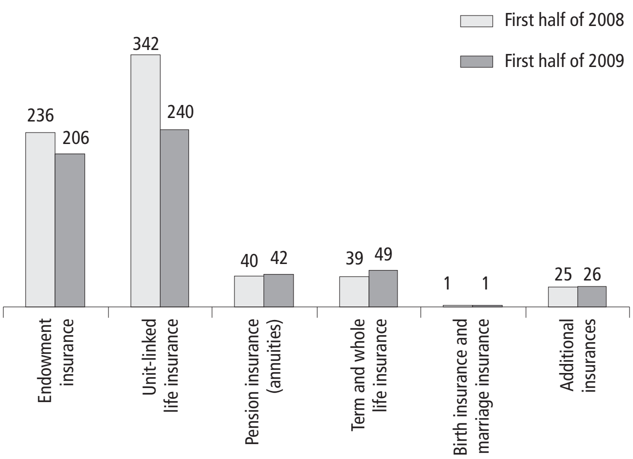
As at the end of June 2009, **216 462 main contracts on life insurance** were concluded with life insurance companies operating in Estonia[3] (as at 30.06.2008: 235 531 main contracts). Compared to the year-ago period, the number of concluded contracts decreased in almost all life insurance classes.

Despite the decline, the endowment insurance with 93 538 contracts remained the largest main insurance class by the number of contracts (as at 30.06.2008: 108 828 contracts).

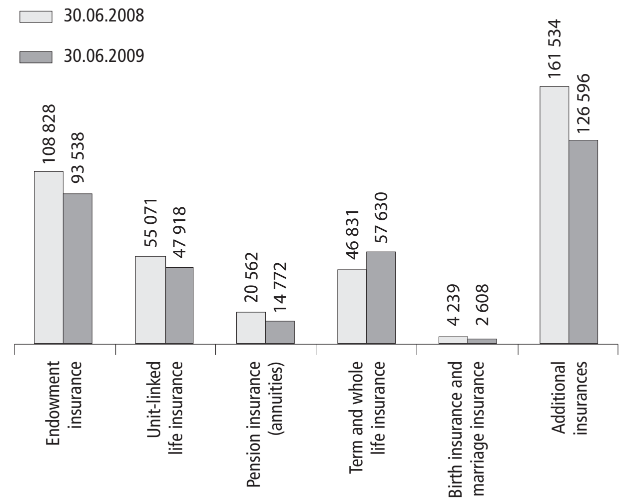
The only life insurance class where the number of contracts increased compared to the year-ago period was term and whole life insurance where the number of contracts in force increased from 46 831 to 57 630.

A total of 126 596 additional insurance contracts were concluded (as at 30.06.2008: 161 534 contracts).

Premiums by life insurance classes (million EEK)



Number of life insurance contracts in force (pc) concluded in Estonia

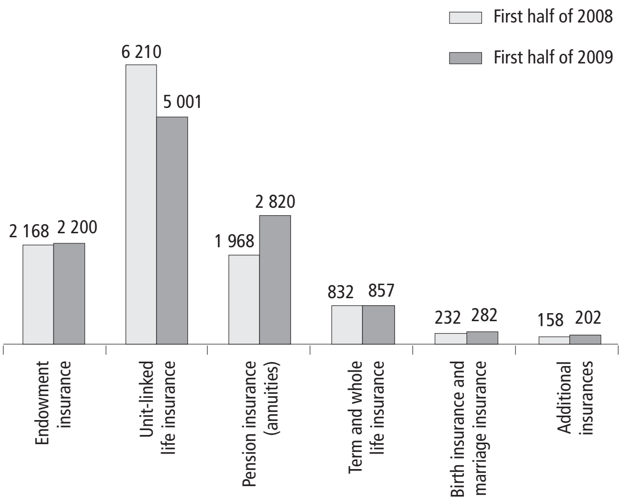


[2] The data does not include premiums collected outside Estonia.
[3] The data includes only life insurance contracts concluded in Estonia.

Compared the year-ago period, the volume of premiums of ULLI products received in the first half of 2009 decreased significantly – the average volume decreased from EEK 6210 to EEK 5001 per contract.

At the same time, the average amount of annuity contributions has increased compared to the year-ago period from EEK 1968 to EEK 2820.

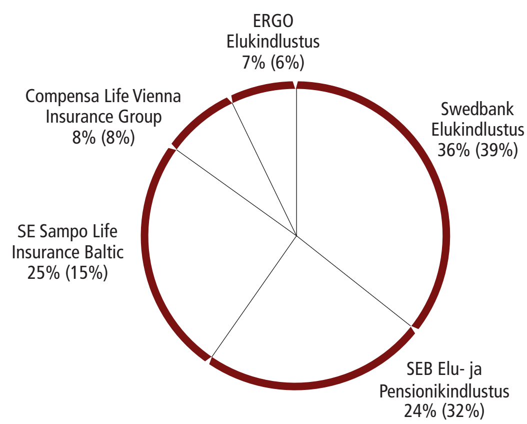
Average amount of premiums paid to contract over half a year (EEK)



b. Service providers

Premiums did not, however, decrease in all life insurance companies. An exemption was Sampo Life Insurance Baltic, where premiums increased by one-third compared to the year-ago period. As a result of this, the market share of Sampo Life Insurance Baltic has significantly increased from 15% to 25%. Thus, the leading three have emerged in the life insurance sector; owning 85% of the received premiums in the first half of the year. In addition to Sampo Life Insurance Baltic, the leading three also included Swedbank Elukindlustus with a market share of 36% and SEB Elu- ja Pensionikindlustus with a market share of 24%.

Market shares of life insurance companies by premiums received in the first half of 2009 (data for the first half of 2008 is presented in the brackets)



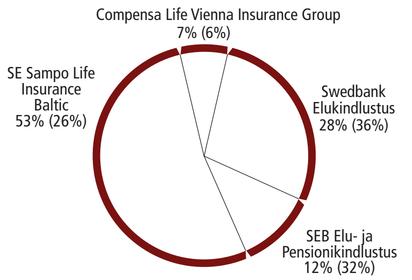
Concerning life insurance products, the largest changes occurred in annuity and unit-linked life insurance.

In the market distribution of annuity, the market share of Compensa Life Vienna Insurance decreased from 57% to 49% and the market share of ERGO Kindlustus increased from 31% to 40%.

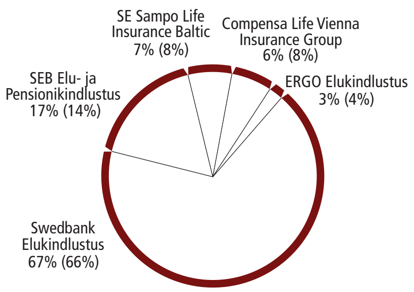
Unit-linked life insurance is characterised by a very rapid growth of premiums in Sampo Life insurance Baltic, as a result of which the market share of Sampo Life insurance Baltic has doubled, increasing from 26% to 53%. At the same time, the shares of other market participants decreased: the share of Swedbank Elukindlustus decreased from 36% to 28% and the share of SEB Elu- ja Pensionikindlustus decreased from 32% to 12%.

Market shares: unit-linked life insurance

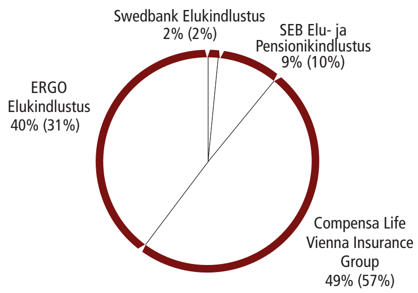
as at 30.06.2009 (as at 30.06.2008 in brackets)



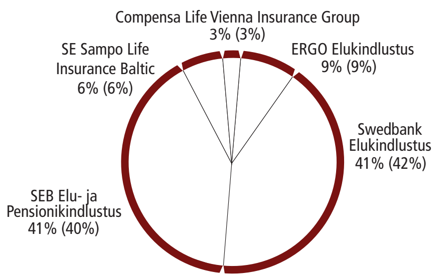
Market shares: term and whole life insurance



Market shares: annuity



Market shares: endowment insurance



General market distribution:	IF P&C Insurance	27%
	ERGO Kindlustus	19%
	Swedbank Varakindlustus	16%
Customers:	information is not available	
Volume of service:	premiums received in the first half of 2009 EEK 2 billion	

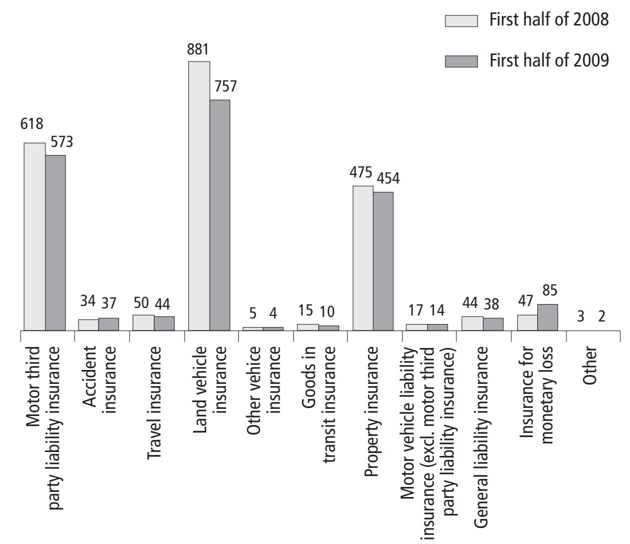
4. Non-life insurance[4]

In the first half of 2009, premiums were received in the amount of EEK 2 billion (in the first half of 2008: EEK 2.2 billion), of which EEK 329 million or 16% of all the collected premiums was received by the Estonian branches of foreign insurance companies (in the first half of 2008: EEK 205 million or 9% of all the collected premiums). In almost all classes of non-life insurance, fewer premiums were received than a year ago. An exception is insurance for monetary loss, where the volume of premiums almost doubled from EEK 47 million to EEK 85 million, and accident insurance with the amount of premiums of EEK 37 million.

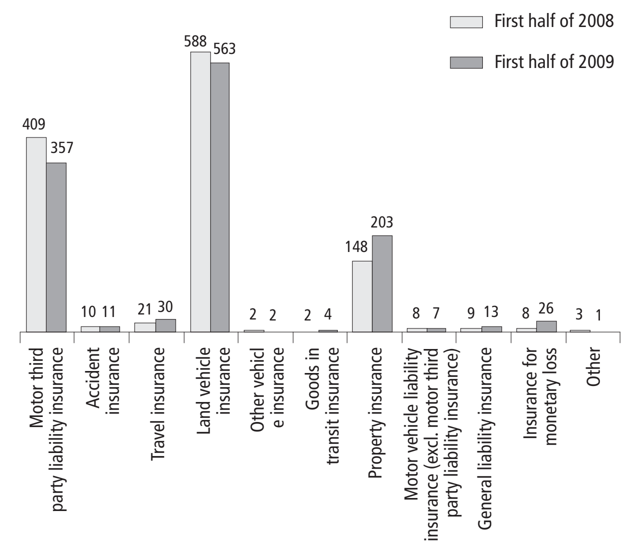
The largest share or 37% is continuously enjoyed by land vehicle insurance or **casco insurance** (with the volume of premiums of EEK 757 million), followed by **motor third party liability insurance** with 28% (with the volume of premiums of EEK 573 million). They are followed by property insurance with the share of 23% and the volume of premiums of EEK 454 million.

In the first half of 2009, EEK 1.2 billion was paid in indemnities (in the first half of 2008: also EEK 1.2 billion). Compared to the year-ago period, indemnities decreased the most in motor third party insurance and land vehicle insurance. At the same time, indemnities were paid more in property insurance.

Premiums by classes of non-life insurance (million EEK)



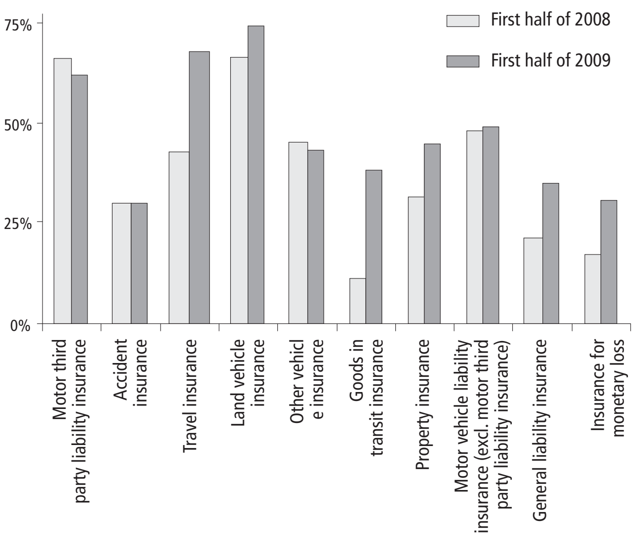
Paid indemnities by classes of non-life insurance (million EEK)



[4] Data on non-life insurance only encompasses contracts entered in Estonia.
Data does not include insurance contracts concluded in the branches of Estonian insurance undertakings located in foreign countries.

The highest ratio of paid indemnities to premiums is enjoyed by casco insurance (74%); followed by travel insurance (68%), motor third party insurance (62%) and motor vehicle liability insurance (49%). Compared to the year-ago period, that ratio has significantly increased in goods in transit insurance (from 10% to 38%) and travel insurance (from 42% to 68%).

Ratio of indemnities to premiums



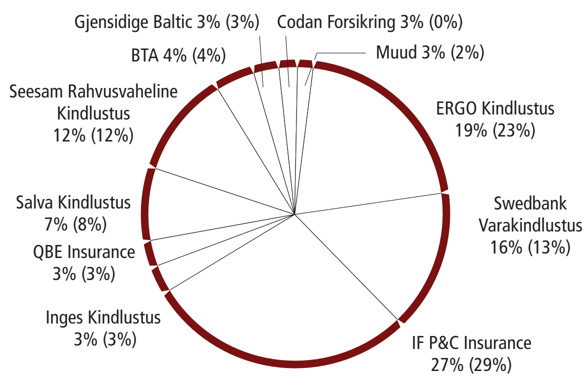
a. Service providers

Market shares

In the first half of 2009, Swedbank Varakindlustus continuously increased its market share by collected premiums, with its market share comprising 16% as at 30.06.2009 (30.06.2008: 13%). The largest market participants continue to be IF P&C Insurance (27%) and ERGO Kindlustus (19%).

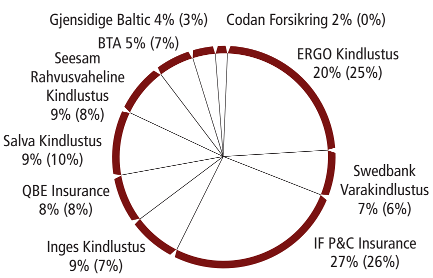
The total market share of the branches of foreign insurance companies is 16% (as at 30.06.2008: 9%). The largest market share is enjoyed by the Estonian branch of BTA Apdrošināšanas akciju sabiedrība (4%) and the Estonian branch of QBE Insurance (Europe) Limited (3%).

Market shares of non-life insurance companies by premiums collected in the first half of 2009 (in the first half of 2008 in brackets)

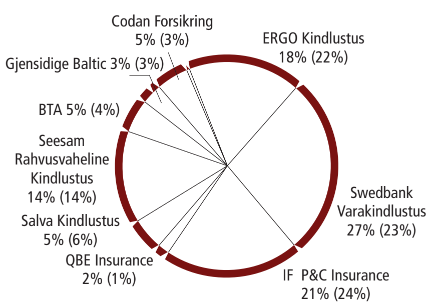


The drawings below present the market distribution of Estonian insurance companies and Estonian branches of foreign companies by the three largest non-life insurance products. The largest market share in motor third party insurance and property insurance is continuously enjoyed by IF P&C Insurance – 27% and 41%, respectively. The largest market share in casco insurance is enjoyed by Swedbank Varakindlustus – 27%.

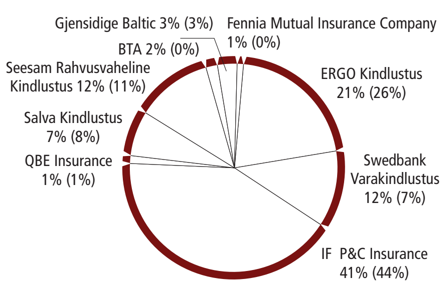
Market shares: motor third party liability insurance



Market shares: land vehicle insurance



Market shares: property insurance



General market distribution:	Swedbank Investeerimisfondid	51%
	SEB Varahaldus	23%
	Danske Capital 9%	
Customers:	756 260 contracts in force	
Volume of service:	total volume of funds EEK 22.9 billion	

5. Investment and pension funds[5]

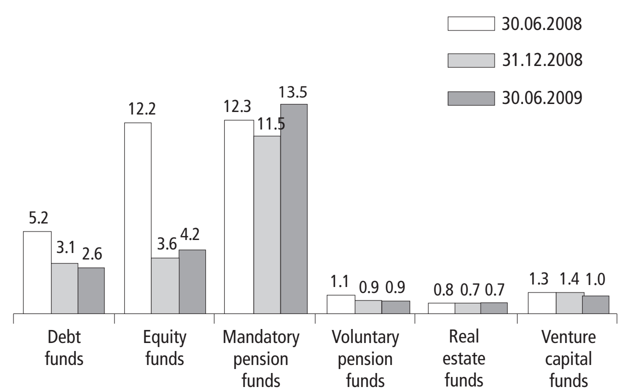
In the first half of 2009, the decline on the Estonian fund market came to an end and, for the first time after a long period, a growth in the fund assets may be noticed.

Over the half-year, the asset volume of investment funds, including pension funds, increased by 8% or EEK 1.7 billion, comprising EEK 22.9 billion at the end of June[6].

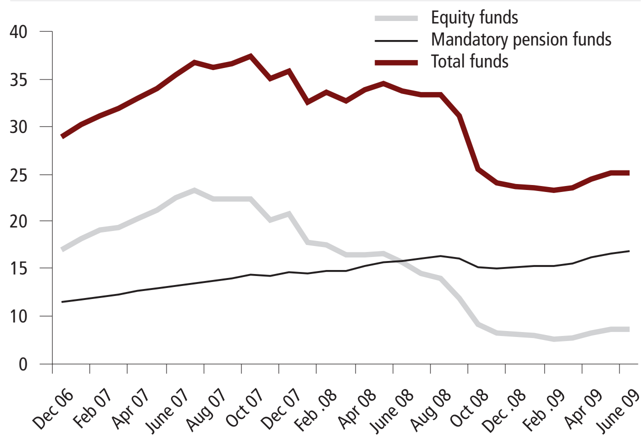
The growth of fund assets was ensured mainly by mandatory pension funds and equity funds, the volume of whose assets increased over the half-year by EEK 2 billion and EEK 0.6 billion, respectively. The growth underlies the significantly improved global equity markets and also, in the case of pension funds, contributions to the funds by the unit holders which were regular at that time (from 1 June 2009, contributions have been suspended).

In the consolidated structure of the fund sector, mandatory pension funds, with a share of 59% and total volume of EEK 13.5 billion, continuously remain as the largest. The second largest are equity funds, with a share of 18% and total volume of EEK 4.2 billion. As at 30 June, the share of debt funds accounted for 11% of the total volume of the assets of funds.

Volumes of funds (billion EEK)



Dynamics of investment and pension funds 2007-2009 (billion EEK)



[5] Data on investment funds include all customers of investment funds registered in Estonia, including also customers of foreign countries.
[6] Market value.

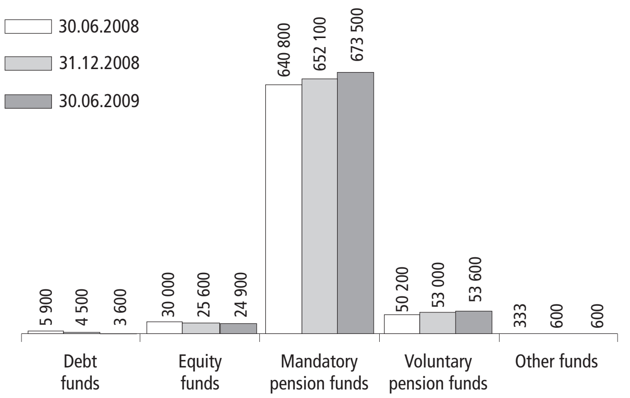
a. Consumers[7]

In the first half of 2009, investors continued to leave investment funds. It mainly concerned the equity and debt funds, where the number of unit-holders[8] decreased over the half-year by 3% and 19%, respectively. At the same time, the number of unit-holders of pension funds increased in both mandatory and voluntary pension funds.

The number of unit-holders of mandatory pension funds increased to 673 500 as at the end of June 2009, which makes the mandatory pension funds the largest fund class in terms of the customer base. Here it should be considered that many private persons use the possibility to collect pension through several mandatory pension funds and therefore the actual number of persons who have joined the second pension pillar is smaller than the number of unit-holders (approximately 580 000 persons as at the beginning of 2009).

- The number of unit-holders of voluntary pension funds was 53 600 persons.
- The number of unit-holders of equity funds was 24 900 persons.
- The number of unit-holders of debt funds was 3600 persons.
- The number of unit-holders of other funds (real estate and venture capital funds) was 600 persons.

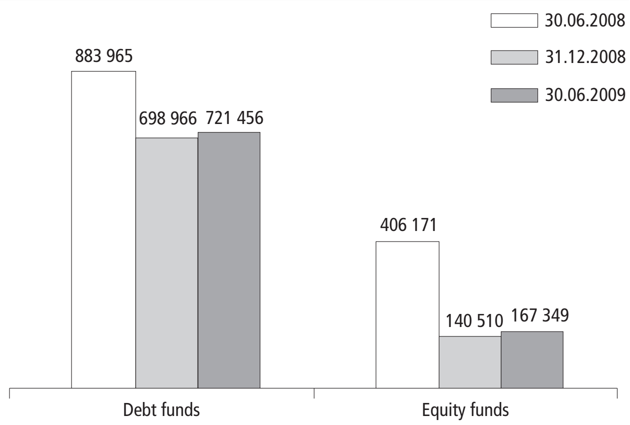
Unit-holders of investment and pension funds (thousand persons)



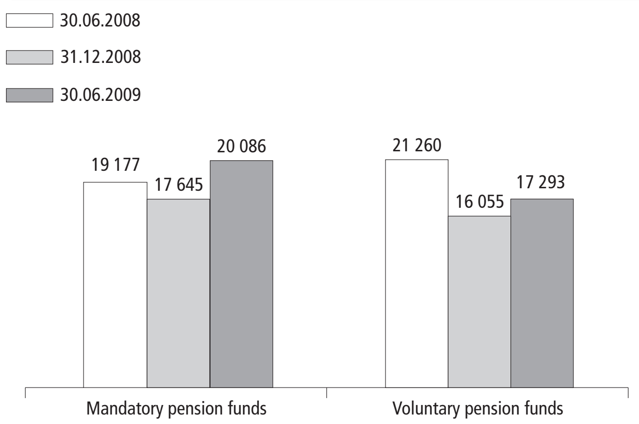
[7] All conclusions regarding the client base of funds are based on the number of unit-holders. A person may hold units of several funds. Therefore, the number of unit-holders rather shows activeness of people in investing through funds, not the number of specific persons.

[8] Includes also non-resident unit-holders.

Volume of investments per unit-holder, EEK (1)



Volume of investments per unit-holder, EEK (2)



Largest investments per customer[9] have been made into the debt funds, which results from the fact that these types of funds are mainly used by legal persons for the purpose of managing liquidity:

- debt funds EEK 721 000;
- equity funds EEK 167 000;
- mandatory pension funds EEK 20 000;
- voluntary pension funds EEK 17 000.

Investments in other funds (real estate and venture capital funds) comprised on average EEK 3 million per unit-holder, i.e., significantly more than in the remaining funds. Both real estate and venture capital funds are funds with a higher risk, where mainly wealthier private persons and professional investors invest.

b. Service providers

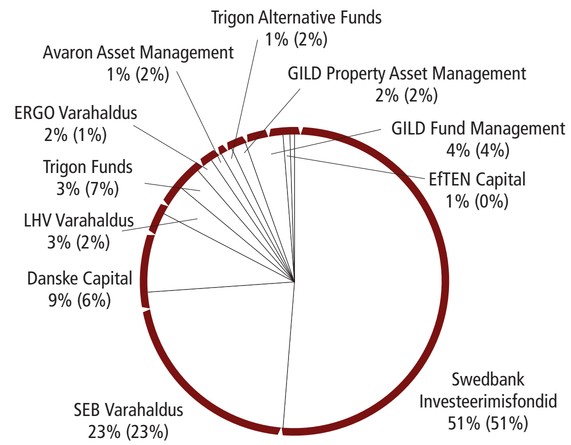
In the first half of 2009, no large changes occurred in the market distribution among management companies and the market remained relatively stable.

In the first half of 2009, Eften Capital AS commenced its activities in Estonia, it manages one real estate fund and as at the end of June accounted for 1% of the fund market by managed assets.

The market share of SEB Varahaldus increased from 21% to 23% and the market share of GILD Fund Management decreased from 7% to 4%.

The largest market share (51%) continues to be held by Swedbank Investeerimisfondid.

Market shares: all funds as at 30.06.2009 (as at 31.12.2008 in the brackets)



9 Investments per customer are of illustrative nature and refer only to the approximate size of investment (e.g. in the case of pension funds, new joiners of the scheme take the average amount investment down).

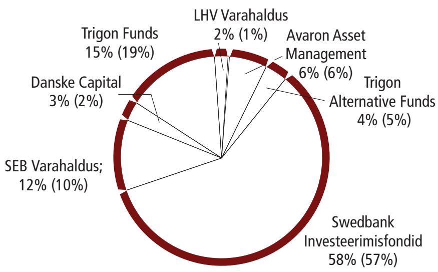
Of the management companies, Trigon Funds AS was the only one that experienced a decrease in the asset volume of **equity funds**, which also manifested itself in a decrease in its market share from 19% to 15%. Over the half-year, the asset volume of equity funds of the other management companies has increased, the largest growth was enjoyed by Swedbank Investeerimisfondide AS, whose market share increased from 55% to 58%.

The market distribution of **debt funds**[10] also remained quite stable. The largest change was a decrease in the market share of Swedbank Investeerimisfondid from 68% to 65%. At the same time, the market share of SEB Varahaldus increased from 27% to 31%.

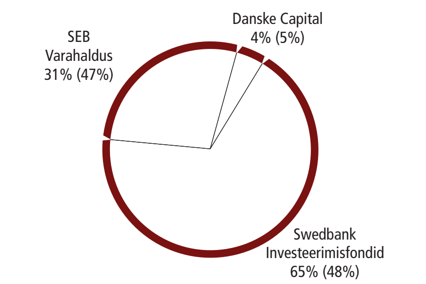
In case of both mandatory and voluntary **pension funds**, the market distribution remained stable: the market has been mainly divided between two management companies – Swedbank Investeerimisfondid and SEB Varahaldus (see the figures).

Concerning other funds, GILD Fund Management has the largest market share of 57%. EfTEN Capital AS that entered the market in the first half-year accounted for the market share of 9%.

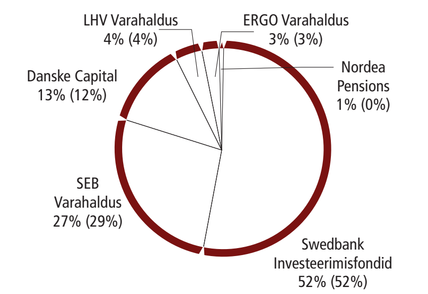
Market shares: equity funds



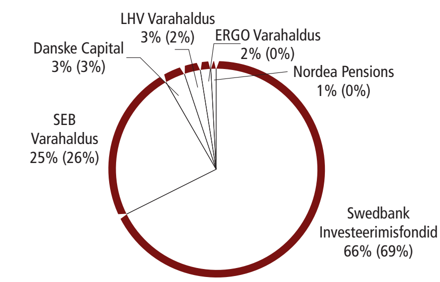
Market shares: debt funds



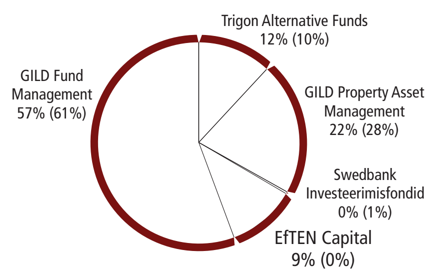
Market shares: mandatory pension funds



Market shares: voluntary pension funds



Market shares: other funds



1 Rahaturufondid ja intressifondid.

As non-residents comprise the majority of the customers of investment funds, it is important to differentiate Estonian resident customers from non-resident customers in order to make conclusions on the Estonian fund market.

Compared to the year-ago period, the structure of customers of **equity funds** remained mainly the same. In terms of volume, **non-residents account for the largest share of 56%** (as at 30.06.2008: 60%).

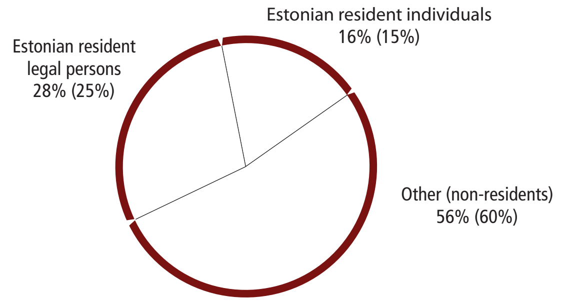
Of the EEK 4.2 billion invested in **equity funds,** 16% belonged to Estonian resident individuals. They preferred mainly Swedbank Investeerimisfondid as a management company of equity funds; it managed 55% of the assets invested by Estonian resident individuals in the equity funds. SEB Varahaldus managed 35% of the assets invested by Estonian resident individuals in equity funds.

Of the EEK 2.6 billion invested in the **debt funds,** Estonian resident individuals owned 9%. On the market of Estonian resident individuals, the market leader is Swedbank Investeerimisfondid who managed 63% of the assets invested in the debt funds. SEB Varahaldus managed 35% of the assets invested in the debt funds.

Of EEK 1.7 billion invested in the **other funds**, only 4% belonged to Estonian resident individuals.

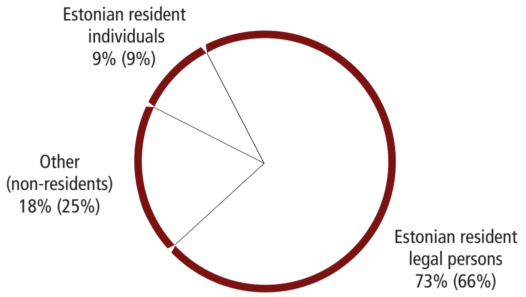
Customer structure of equity funds as at 30.06.2009

(30.06.2008 in the brackets)



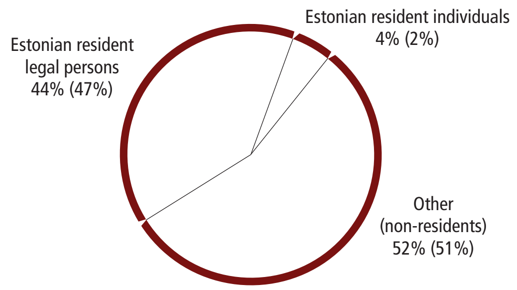
Customer structure of debt funds as at 30.06.2009

(30.06.2008 in the brackets)



Customer structure of other funds as at 30.06.2009

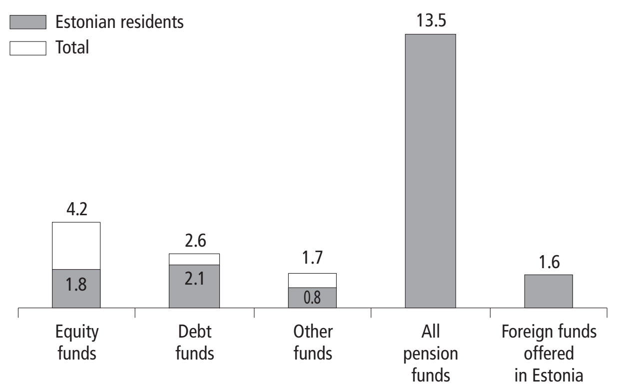
(30.06.2008 in the brackets)



At the same time, compared to the year-ago period, the share of non-residents has continuously decreased, particularly in the equity funds where the assets of non-residents decreased from EEK 7.3 billion at the end of June 2008 to EEK 2.4 billion at the end of June 2009.

The preferences of Estonian residents in choosing the funds are presented in the following figure:

Money invested by Estonian residents in the funds, billion EEK (as at 30.06.2009)



General market distribution:	Swedbank	29%
	Danske Capital	27%
	SEB Pank	16%
Customers:	information is not available	
Volume of service:	13,6 mld kr	

6. Individual portfolios[11]

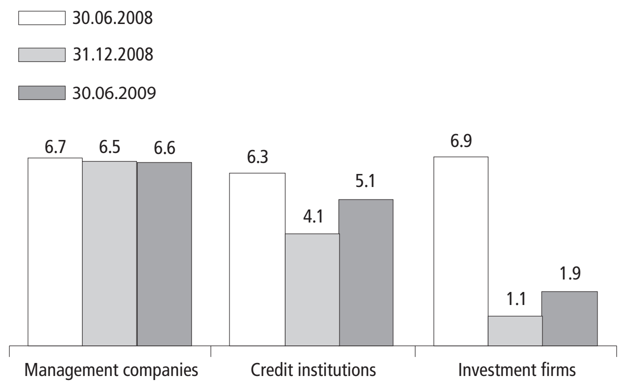
a. Service

The management service of individual portfolios is offered by investment firms, management companies and credit institutions.

Over the half-year, the consolidated volume of individual portfolios of customers increased 16%, totalling EEK 13.6 billion as at the end of June 2009, but still remaining below the year-ago level (at the end of the first half of 2008: EEK 19.8 billion).

Over the half-year, the volume of individual portfolios administered by management companies increased from EEK 6.5 billion to EEK 6.6 billion, the volume of individual portfolios administered by credit institutions increased from EEK 4.1 billion to EEK 5.1 billion, and the volume of individual portfolios of investment firms increased from EEK 1.1 billion to EEK 1.9 billion.

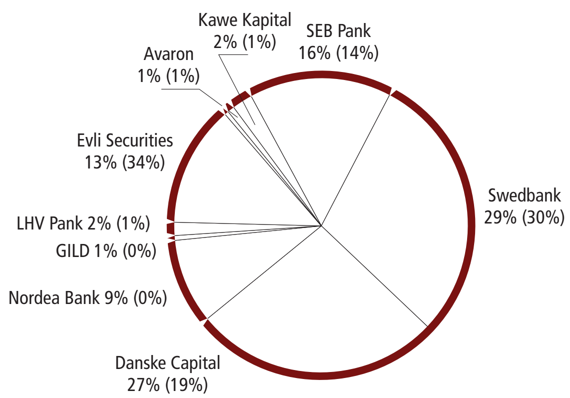
Volumes of individual portfolios (billion EEK)



b. Service providers

The market of providers of the management service of individual portfolios became more even in the first half-year. The largest market share in management of individual portfolios is continuously held by Swedbank Group (29%) and Danske Capital (27%). Nordea Bank that became more active in selling the management service of individual portfolios reached a market share of 9% by the end of June. Over the year, the market share of investment firm Evli Securities fell significantly: from 34% to 13%.

Market shares of individual portfolios by service providers as at 30.06.2009 (30.06.2008 in the brackets)



[11] The data on management of individual portfolios include all the subjects offering that service in Estonia whose customers may include customers of Estonia as well as foreign countries.

By management companies, the largest consolidated portfolio of individual portfolios belonged to Danske Capital (55%).

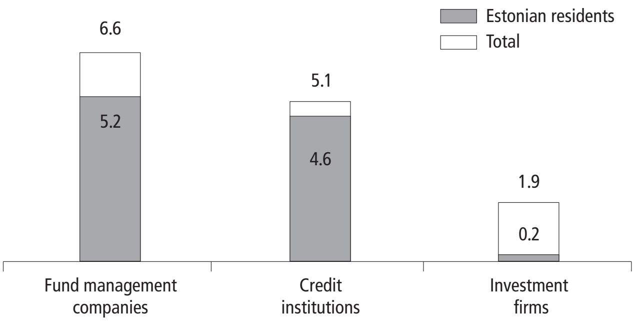
By credit institutions, to Swedbank (49%). The Estonian Branch of Nordea Bank, with its market share having increased from 1% to 25%, is a considerable player among credit institutions.

By investment firms, the largest consolidated portfolio of individual portfolios belonged to Evli Securities (95%).

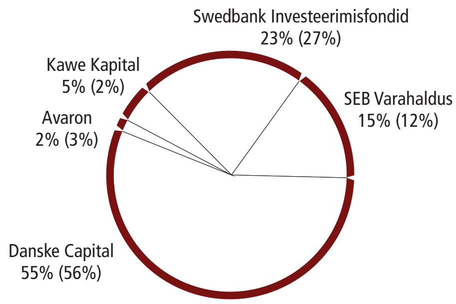
Service consumers

A majority of the customers who use the management service of individual portfolios are Estonian residents (74%). Credit institutions have the largest share of Estonian resident customers (90%). Resident customers in management companies and investment firms account for 79% and 11%, respectively.

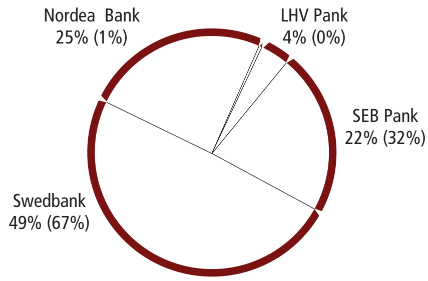
Estonian resident customers in individual portfolios (billion EEK) as at 30.06.2009



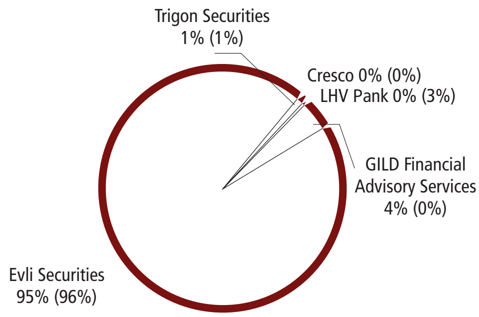
Market shares of individual portfolios by management companies



Market shares of individual portfolios by credit institutions



Market shares of individual portfolios by investment firms



General market distribution:	Swedbank Eesti	44%
	SEB Pank	23%
	Danske Bank Eesti filiaal	13%
Private person customers:	1 158 000 contracts in force	
Volume of service:	volume of consolidated loan portfolio EEK 252 billion	

7. Loans[12]

In the first half of 2009, the volume of loan portfolio of banks decreased by 3.4% or EEK 8.8 billion, amounting to EEK 251.5 billion as at the end of June 2009, of which loans to companies[13] comprised 46% and loans to private persons[14] 47%.

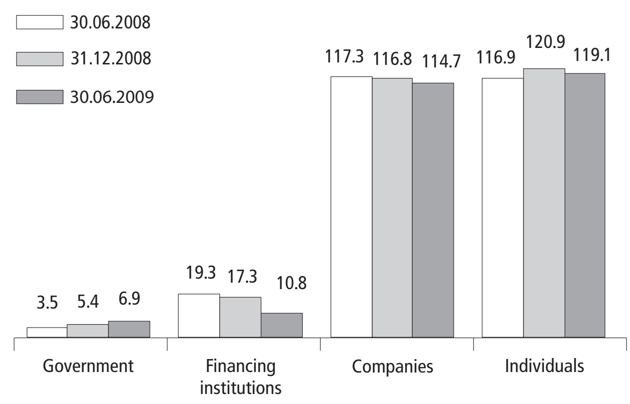
The volumes of loans decreased the most in case of financing institutions. Loans to companies decreased EEK 2.1 billion and loans to private persons EEK 1.8 billion.

In total, as at the end of June 2009, loans granted to companies and private persons amounted to EEK 114.7 billion and EEK 119.1 billion, respectively. Loans to financing institutions[15] comprised EEK 10.8 billion and loans to the government[16] EEK 6.9 billion.

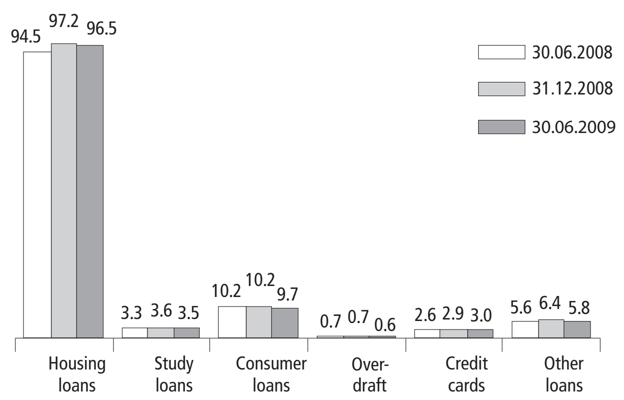
Housing loans in the amount of EEK 96.5 billion account for the largest share of loans to private persons.

Over the half-year, the amount of loans decreased by all customer groups (except for credit cards), the general level of loan portfolios however exceeded the level of year-ago period.

Amount of loans (billion EEK)



Amount of loans to individuals (billion EEK)



12 The data on loans include loans granted in Estonia.
13 A company of the state or local government, other company.
14 Private person, non-profit association.
15 Insurance company and pension fund, other financing institution.
16 Central government, local government, state social insurance fund, other non-budgetary fund.

a. Consumers

Average amounts of loan balances of private persons:

Average balance of loans granted to private persons, EEK

	30.06.2008	31.12.2008	30.06.2009
Housing loans	609 000	609 000	602 000
Study loans	30 000	31 000	31 000
Consumer loans	45 000	43 000	41 000
Overdraft	5 000	5 000	5 000
Credit cards	7 000	7 000	6 000
Other loans	117 000	120 000	113 000

In the first half of 2009, the average balance of housing loans decreased from EEK 609 000 to EEK 602 000, the average balance of study loans remained the same (EEK 31 000), the average balance of other loans[17] decreased from EEK 120 000 to EEK 113 000. The high average balance of other loans mainly resulted from loans taken for business purposes, the balance of such loans on average reached to EEK 561 000. The average balance of consumer loans decreased from EEK 43 000 to EEK 41 000. The average balance of credit cards decreased from EEK 7000 to EEK 6000.

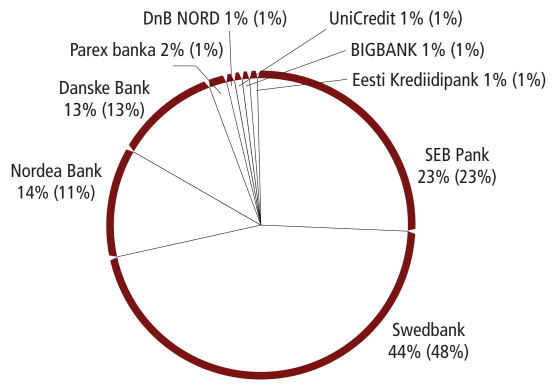
Compared to the earlier periods, only the number of housing loan and credit card contracts has increased over the first half of 2009. As at the end of June, the number of housing loan contracts concluded with private persons was **160 200, the number of study loan contracts 113 100, the number of consumer loans 235 300, the number of overdraft contracts 128 300, the number of credit card contracts 470 600,** and the number of other loan contracts 50 900.

b. Service providers

The loan market is substantially divided among four larger banks that in all account for 94% of the total market. The largest market share is held by Swedbank – 44% of the total consolidated loan portfolio, followed by SEB Bank 23%, Estonian branch of Danske Bank 13% and Estonian branch of Nordea Bank 14%.

The remaining 6% of the market is shared by 9 market participants, of whom the largest market share of 1.6% is held by DnBNord.

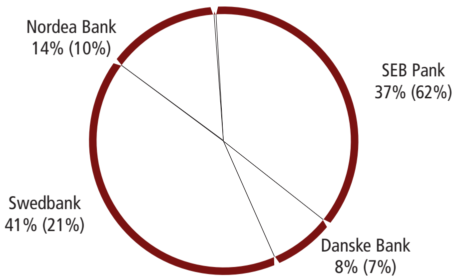
Market shares: loans as at 30.06.2009 (as at 30.06.2008 in the brackets)



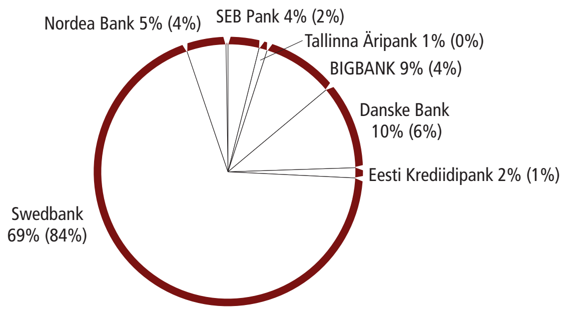
[17] Other loans granted to individuals and non-profit associations are intended, among other things, for acquisition of securities, commencement and expansion of the activities of companies.

The figures below present the division of different types of loans among credit institutions operating in Estonia:

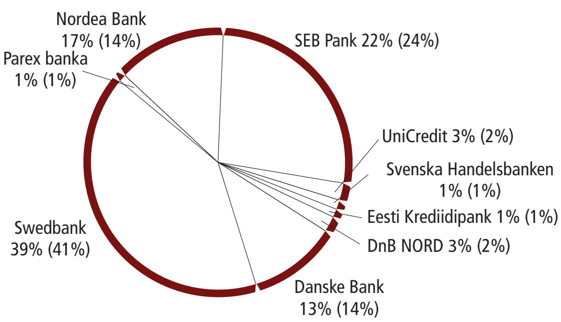
Market shares: loans to the government as at 30.06.2009 (30.06.2008 in the brackets)



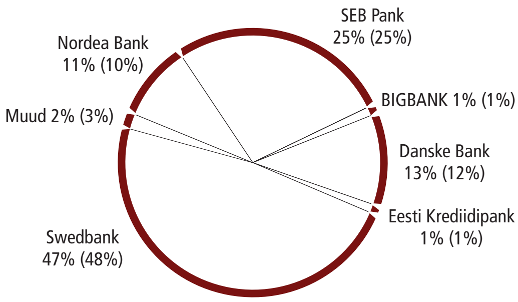
Market shares: financing institutions



Market shares: loans to companies



Market shares: loans to individuals



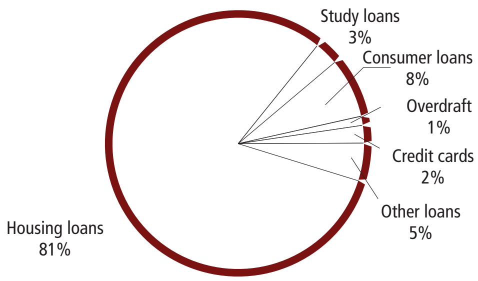
Compared to the year-ago period, significant changes occurred on the market of loans granted to the government. The market share of Swedbank increased significantly: from 21% to 41%. At the same time, the market share of SEB Bank has fallen from 62% to 37%. The market of loans granted to the government continues to be substantially divided between these two large banks.

The market of loans of financing institutions belongs to Swedbank to the extent of 69%, although it has significantly decreased over the first half of 2009.

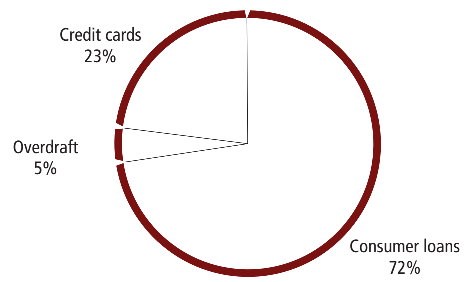
The largest part of loans to companies is granted by Swedbank (39%) and SEB Bank (22%). Over the year, the market share of both banks has decreased 2%. At the same time, the market share of Estonian branch of Nordea Bank has increased from 14% to 17% over the year.

The largest share of loan balances of private persons is also concentrated in Swedbank (47%) and SEB Bank (25%). The market distribution of loans to private persons has been the most stable at all times.

Division of loans granted to private persons



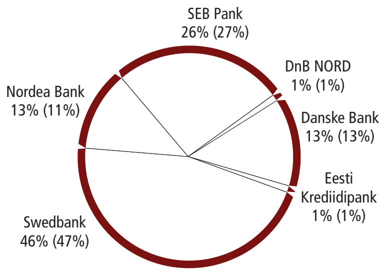
Loans related to everyday consumption



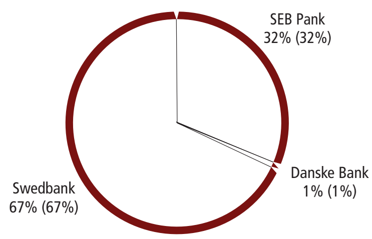
The division of loan types granted to private persons did not change over the half-year. Most of the loans granted to private persons are housing loans, totalling 81% or EEK 97 billion. Loans related to everyday expenses (consumer loans, used portion of credit cards, overdraft) amounted to EEK 13.3 billion.

The loan market of private persons has been very concentrated, nearly one-half of the market is held by Swedbank, the remaining share is mainly divided by SEB Bank, Estonian branch of Danske Bank and Estonian branch of Nordea Bank.

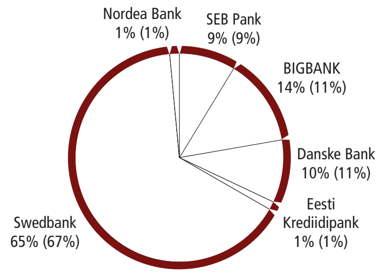
Market shares: housing loans to individuals



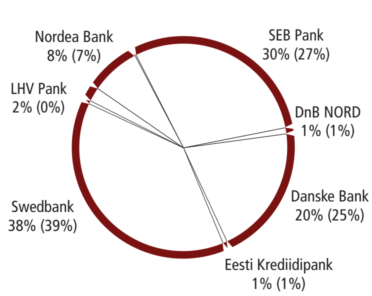
Market shares: education loans to individuals



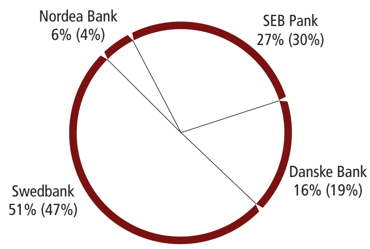
Market shares: consumer loans to individuals



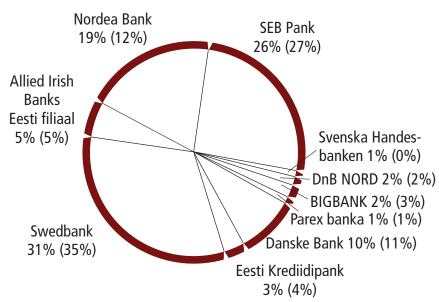
Market shares: overdraft of individuals



Market shares: credit cards of individuals



Market shares: other loans of individuals



General market distribution:	Swedbank	47%
	SEB Pank	23%
	Danske Bank Eesti filiaal	14%
Customers:	3 017 200 contracts in force	
Volume of service:	total amount of deposits EEK 148 billion kroons	

8. Deposits[18]

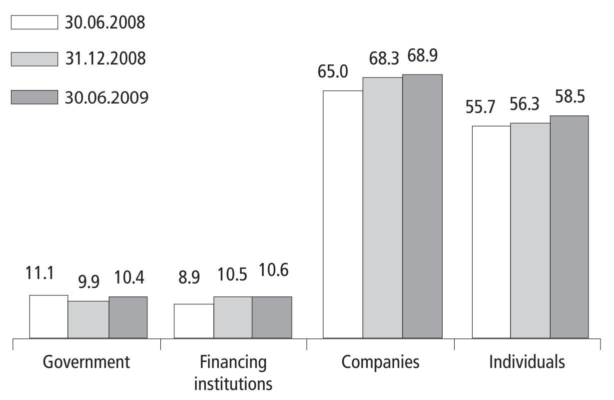
The amount of customer deposits deposited in Estonian banks increased by 2.3% or EEK 3.3 billion over the first half of 2009, reaching to EEK 148.3 billion at the end of June 2009. Of this, demand deposits amounted to EEK 75 billion and fixed-term deposits for EEK 73 billion. Over the half-year, the share of demand deposits has increased from 48% to 50% and the share of fixed-term deposits has decreased from 52% to 50% of all the deposits, accordingly.

The deposits of companies[19] with a share of 46% and total amount of EEK 69 billion accounted for the largest portion of the total deposits.

Private persons [20] held 39% of all the deposits in the total amount of EEK 58 billion, of which demand deposits amounted to EEK 25 billion and fixed-term deposits EEK 33 billion.

Deposits of financing institutions[21] and the government accounted for 7% of all the deposits in both cases, in the total amount of EEK 11 billion and EEK 10 billion, accordingly.

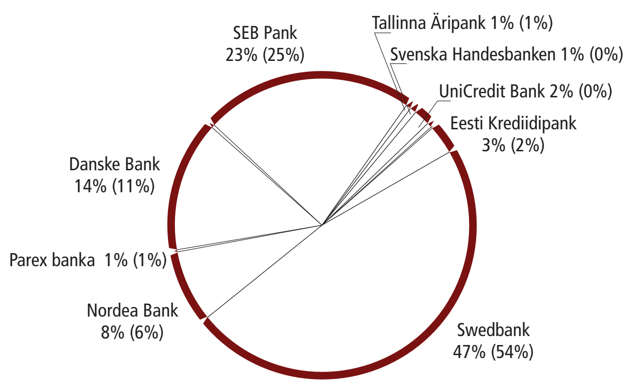
Amounts of deposits (billion EEK)



a. Service providers

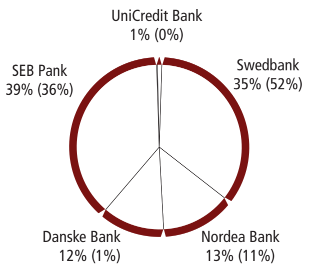
The Estonian deposit market is substantially divided between Swedbank and SEB Bank, at the same time the continuing decrease of Swedbank's market share to 47% may be considered to be the largest change on the deposit market of the half-year.

Market shares: deposits as at 30.06.2009 (30.06.2008 in the brackets)

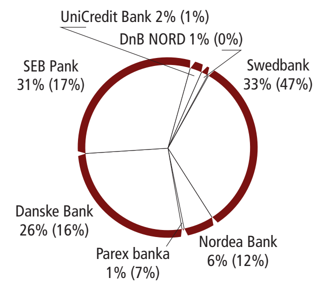


[18] The data on the deposits include the amounts deposited in all the credit institutions operating in Estonia and the Estonian branches of foreign countries, i.e. the deposits of both Estonian residents and non-residents.
[19] Companies of the state or local government, other companies.
[20] Individuals, non-profit associations.
[21] Insurers and pension funds, other financing institutions.

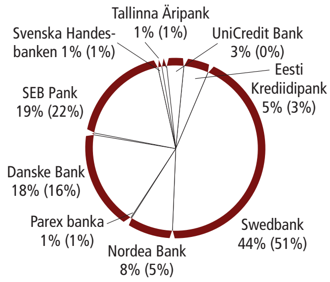
Market shares: deposits of the government



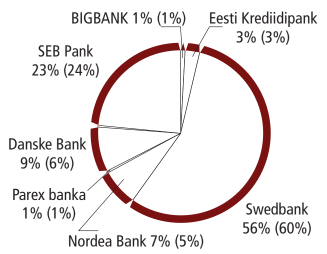
Market shares: deposits of financing institutions



Market shares: deposits of companies



Market shares: deposits of individuals



As at the end of June 2009, the largest portion of deposits were deposited in Swedbank: 35% of the deposits of the government, 33% of the deposits of financing institutions, 44% of the deposits of companies and 56% of the deposits of private persons.

In the first half of 2009, the deposits of the government became more evenly divided among banks: the amount of deposits placed in the Estonian branch of Danske Bank increased significantly and the market share of the Estonian branch of Danske Bank increased from 1% to 12% compared to the year-ago period. The market share of Swedbank decreased from 52% to 35%, the market share of SEB Bank increased from 36% to 39%. The market share of the Estonian branch of Nordea Bank increased from 11% to 13%.

Changes also occurred in the division of deposits of financing institutions over the last year. The changes were related to an increase of deposits of the financing institutions, mainly in the Estonian branch of Danske Bank and SEB Bank, as a result of which the market share of those banks increased from 16% to 26% and from 17% to 31%, respectively.

Changes in the market distribution of deposits of companies are caused by redistribution of the deposited amounts among banks. As a result of this, the amounts deposited in large banks and therefore also their market shares decreased: the market share of Swedbank fell from 51% to 44% and that of SEB Bank fell from 22% to 19%. At the same time, the market shares of foreign banks increased: the market share of the Estonian branch of Danske Bank, the Estonian branch of Nordea Bank and the Estonian branch of UniCredit Bank increased from 16% to 18%, from 5% to 8% and from 0% to 3%, respectively.

The deposit market of private persons is characterised by stability. However, the market share of Swedbank decreased slightly (from 60% to 56%) and the market shares of smaller banks increased over the year. The market share of the Estonian branch of Danske Bank and the Estonian branch of Nordea Bank increased from 6% to 9% and from 5% to 7%, respectively.

b. Service providers

Compared to the year-ago period, the number of demand deposit contracts[22] decreased 0.5%, at the same time the number of fixed-term deposits increased 15%.

The number of contracts in force as at 30.06.2009 (30.06.2008):

■ demand deposits	2 470 000 contracts (2 482 000)
including private persons	2 259 000 contracts (2 274 000)
■ fixed-term deposits	547 000 contracts (471 000)
including private persons	529 000 contracts (458 000)

As at the end of June 2009, the average amount of the demand deposit of private persons was **EEK 11 100** (as at the end of June 2008: EEK 11 000) and the average amount of fixed-term deposit was **EEK 63 200** (EEK 59 200).

[22] Only deposits comprising monetary means are included.

9. Financial condition of service providers

- Growth of the absolute amount of overdue loans is slowing down
- A significant decrease in the buffer of own funds of several banks may be predicted
- Life insurance market is upturning with the support of unit-linked life insurance
- Despite a decrease in the amounts of premiums, the operating revenue of non-life insurance was very good
- A drop in the volume of funds has upturned
- The income base of investment firms has significantly decreased

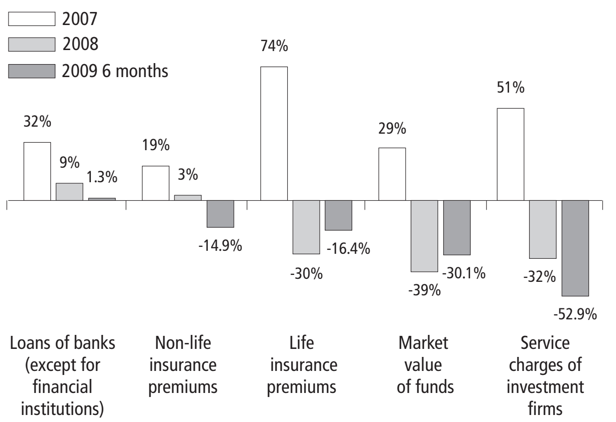
Banking

Quality of the loan portfolio of banks continuously deteriorated, but at the time the **growth of new short-term loans overdue stopped**. For example, new short-term loans overdue were created in the second quarter of 2009 at a rate of almost three times less than in the first quarter, which allows one to forecast that there will be less solvency cases in the following periods compared to the earlier periods.

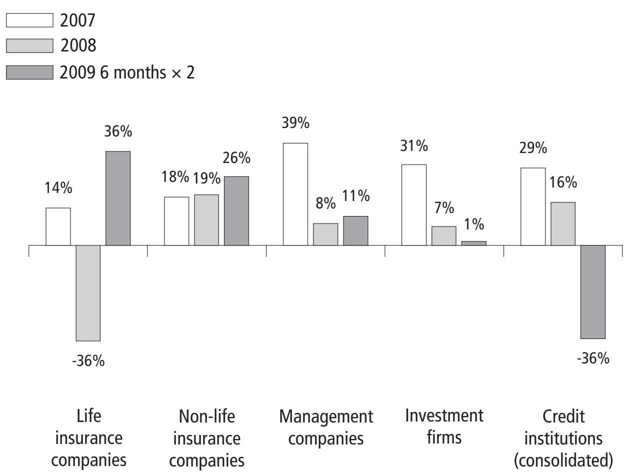
As at the end of the half-year, loans overdue for more than 90 days accounted for 4.7% of the loan portfolio. Problematic customers were most numerous in the real estate and building sector. According to estimations, each fifth building company and each tenth real estate developer that had taken loans were insolvent. Since demand on the real estate market has not sufficiently recovered, the number of customers with difficulties may be forecast to continuously increase in the two problematic sectors. According to the strength analyses or so-called stress tests by the Financial Supervision Authority, 80-90% of the real estate companies were in a weak financial condition, therefore, before appearance of positive changes in the economy, it is too early to speak of any final figures of credit loss.

The banking sector was continuously affected by the very low interest level of international money markets. The average interest rate of the loan portfolio of banks shrank considerably, while the interests of EEK deposits remained high. As a result of this, the net interest income of banks decreased 40% compared to the end of last year. No grounds exist to expect a decrease in EEK interests to the same extent as in euribor, and interest margins of banks are likely to remain smaller than currently for a long time.

Growths of banks, insurers, investment firms and funds in the current year (vs. the same period of the last year)



Return on equity (ROE) by sectors



Most of the participants in the banking market earned a loss in the first half-year. The banking groups had a record loss of EEK 6 billion in the second quarter of 2009. The loss figure was affected by a very aggressive and forward-looking discounting process, also in the Latvian and Lithuanian loan portfolios. Banks have been sufficiently conservative, long-term late interests are covered with discounts on solo basis to the extent of 57% and on consolidated basis to the extent of 71%.

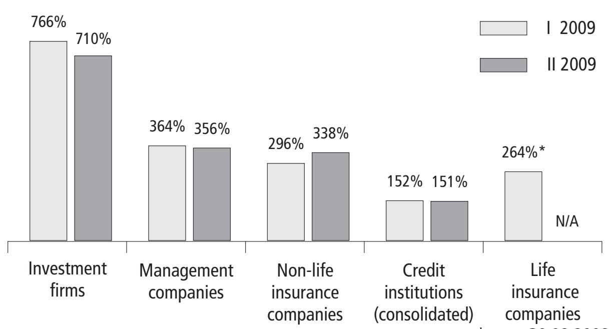
Despite large discounts, the average capital adequacy decreased relatively little, because larger banks deducted the expected credit loss from their own funds before recognition of actual discounts in the income statement. At the same time, the fast growth of loans overdue over the first half-year allows to forecast that several banks may experience a significant decrease in the existing buffer of own funds. The risks of the banking groups operating in Latvia and Lithuania are also significantly higher compared to the average of the sector as a result of a steep negative tendency of the loan quality in Latvia and Lithuania.

Life insurance

The life insurance market continued to shrink; the volume of premiums collected by life insurance companies has decreased 16% compared to the same period of last year. Compared to the first quarter, premiums increased by 24% in the second quarter, but they comprise mainly the contributions of several large customers to the product of unit-linked life insurance and no general conclusions on the whole sector should be made on their basis. The suspension rate of insurance contracts remained very high. On average, 3% of all the main contracts were suspended over the quarter.

The return on investments earned by all life insurance companies was higher than the guaranteed interest rate of contracts. The increased return on investments and curbed administrative expenses compensated for a decrease in the business volumes and all life insurance companies earned a significant profit in the first half of the year. In the short term, life insurance companies are mainly influenced by a return of the investment portfolio. Absence of new contracts and a high suspension rate will affect profitability of the sector in the longer term. As a result of the profit of life insurance companies, the volume of own funds increased and capitalisation strengthened.

Average surplus of net own funds, by sectors (100% min)



* as at 30.09.2008

Non-life insurance

In the non-life insurance sector, the interest of customers in insurance products was continuously low. The amount of premiums collected by non-life insurance companies in the second quarter of 2009 decreased 16% compared to the same period of the last year. There exists a strong link between a drastic drop in the sale of new cars and a decrease in the demand for non-life insurance products resulting from the average structure of the insurance product portfolio, where the share of insurance classes related to vehicles is nearly two-thirds. At the same time, owing to the length of the leasing period, a drop in the volume of payments is not as steep as it appears from the decreasing figures of car sales. But the decline period and recovery of earlier volumes takes more time.

On the non-life insurance market, the share of foreign branches has increased from 11% to 16%. The reason behind the successfully won market share of foreign branches is their less expensive insurance products in a situation where customers have become more price-senstitive.

In the second quarter of 2009, non-life insurance companies demonstrated a record net profit of EEK 264 million despite the decrease in premiums. There were several factors behind the record profit. The loss relationship was positively influenced by a continuously low level of losses in motor third party liability insurance, the expected reason being in the decline in traffic density and also the effect of seasonality. In addition, non-life insurance companies have responded early to their shrinking income base and decreased their fixed costs. Developments of financial markets have an additional effect, which has increased the return on investments.

All companies of the sector have met the minimum limit of own funds and related assets with a large reserve. The companies earning a loss have increased their own funds with a capital injection and none of the insurance companies faces a threat of violation of the minimum limits.

Management companies

A drop in the volume of funds has upturned mainly with the support of the rapid growth of the international equity markets. The volume of funds registered in Estonia increased 8% over the second quarter of the year. A rapid growth on the global equity markets in spring considerably boosted the equity funds, the growth of their total volume reached 31% in the second quarter. The growth of the fund sector was hindered mainly by a decrease in the venture capital funds, which also involved liquidation of the funds. The amendments to law that allow a suspension of funded pension contributions of the II pillar entered into force, the final effect of such amendments on the sector can be seen next year.

The profit earned by management companies in the second quarter of the year was twice as high as in the first quarter. The profit was positively influenced by an increase in the value of security investments made prevailingly on account of the management companies.

The management companies met the minimum limit of own funds on average more than three times. At the same time, there were starting companies or market participants operating unprofitably for other reasons in the sector, whose own funds were approaching the established limit and that needed heightened attention or the implementation of preventive measures by the Financial Supervision Authority. However, none of the management companies has violated the minimum limit of own funds.

Investment firms

The income base of investment firms shrank by one-half compared to the same period of the last year. The sector as a whole was profitable, but only two companies in the sector earned a profit. The income of other companies in the sector stayed at a very low level in the first half of 2009 and remained considerably below the fixed costs. As a result of losses, the capital buffers of several market participants decreased.